COMPONENT UNIT FINANCIAL REPORT for the Fiscal Year Ended June 30, 1991

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

Our Mission

To provide our annuitants, participants and their employers the best cost effective pension and benefit services in the United States.

As I write this letter, the State Universities Retirement System of Illinois is approaching the end of its golden anniversary. Throughout the year, we have held meetings and provided written materials that recapped the System's changes during the last half century. I am now pleased to present a special 50 year edition of our Component Unit Financial Report.

In addition to providing financial information, this report depicts historical snapshots of the System's growth during each Director's era. As your new Director, I am committed to maintaining the quality standards that our participants and annuitants have come to expect. I look forward to continued growth as we enter the 21st Century.

Sincerely,

Dennis D. Spice
Executive Director

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INTRODUCTORY SECTION

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State Universities Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1990

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

STATE UNIVERSITIES RETIREMENT SYSTEM
50 Gerty Drive
P.O. Box 2710 - Station A
Champaign, IL 61825-2710

Main Office (217) 333-3860
Participant Services (217) 244-6342
Benefit Services (217) 244-6344
Medical Director (217) 333-9168
FAX (217) 333-8255

December 12, 1991

Board of Trustees and Executive Director
State Universities Retirement System
50 Gerty Drive
Champaign, Illinois 61820

I am pleased to present the 50th Annual Component Unit Financial Report for the State Universities Retirement System of Illinois (SURS). This retirement system was created in 1941 by the State of Illinois for the benefit of the staff members and employees of the state universities and certain affiliated organizations, certain other state educational and scientific agencies, and the survivors, dependents, and other beneficiaries of those employees. This year marks the golden anniversary of SURS.

SURS management is charged with the responsibility of making available to participants and benefit recipients its financial statements, including the opinion of the independent certified public accountants regarding those statements. This report represents that responsibility.

The annual report is divided into five sections: 1) The Introductory Section contains this transmittal letter, identification of the trustees, staff, and consultants, and identification of the administrative organization; 2) the Financial Section contains the report of the independent public accountants and the financial statements and notes; 3) the Actuarial Section contains the report of the actuary and the results of the most recent actuarial valuation; 4) the Statistical Section contains significant data pertaining to participants and benefit recipients; and 5) the Investment Section contains the custodian bank's certification of the assets held in safekeeping, a list of those assets, and reports and tables concerning asset allocation and investment performance.

ECONOMIC CONDITIONS AND OUTLOOK

The U.S. economy began a negative growth pattern during fiscal year 1991. Although the recession seems to be short-lived, it and a number of other factors have had a negative impact on many state and local governments, including Illinois.

The State of Illinois, the largest employer covered by SURS, looked to its pension funds to solve its budget woes. The State adopted *Public Act 86-0273* in August 1989 which was to implement a financing objective that would ultimately provide adequate funding of SURS. The Act was ignored as a basis of funding SURS during 1991, and it appears this will continue.

The legislative session just ended resulted in a 9% funding reduction for fiscal year 1992. Furthermore, the one dedicated funding source for Illinois retirement systems was redirected by Governor Edgar to help balance the state budget. This dedicated source provided in excess of $15 million over the past two years.

SURS exists for the benefit of the employees of public higher education in Illinois. If benefits are to be improved, the funding of current benefits must be addressed as well as the adoption of a policy for such benefit improvements.

SURS has been in existence for 50 years. Projections for the upcoming fiscal year indicate that the System will experience a negative cash flow for the first time in history, resulting in the Board of Trustees redirecting investment income to cover benefit payments. The funding of Illinois' public employee retirement systems must become a priority.

MAJOR INITIATIVES

The mission statement of SURS provides the foundation for the System's initiatives and ongoing programs. The mission of SURS is *To provide our annuitants, participants, and their employers the best cost-effective pension and benefit services in the United States.*

The most important service we can provide to our annuitants is accurate and timely benefit payments. At year end, SURS was providing over 19,400 monthly benefit payments. More than 77% of these were paid via electronic funds transfer (EFT), ensuring that the monthly benefit is in the recipient's account on the day it is payable. Many recipients like to have a more tangible indication of payment; therefore, in an effort to provide this sense of security and still encourage the use of EFTs, SURS mails a monthly EFT statement to each benefit recipient's home to confirm the deposit made to his or her account. In addition, SURS keeps its benefit recipients up to date on pertinent pension developments with a semi-annual newsletter.

SURS participants are most interested in the accumulation of pension credits and future benefits. With our state-of-the-art, on-line computer system, they can verify account balances by merely picking up the telephone. Counseling regarding options at termination is often available at the same time. The *Personal Benefits Summary Statement* was issued for the fourth consecutive year allowing participants to compare projected benefits with projections from the years before. This comparison gives participants a greater sense of what an additional year of service is worth.

This statement provides every active participant with estimates of retirement, disability, death, and survivor benefits earned to date, as well as an estimate of the refund due should the participant terminate employment and request a refund of contributions.

SURS maintains an active counseling schedule at its Champaign office, at the location of individual employers, and at off-campus sites. Preretirement planning continues to be at the forefront of our services to active employees. These conferences are filled well in advance, indicating they are meeting a crucial need. In addition, SURS keeps its participants up-to-date on issues related to their prospective retirement with three newsletters each year.

Training is the most important service we can offer SURS employers. Each year, SURS hosts more than 150 individuals at annual training seminars.

Numerous administrative projects are being designed to improve the services the System provides. A few of the most significant projects this year were:

New office building construction began -

SURS purchased land at 1901 Fox Drive in Champaign. Preliminary drawings for the 38,500 square foot facility call for office space to accommodate staffing levels for the next 10 to 20 years and include expanded conference rooms, board room, and training center in which pre-retirement seminars, employer training seminars, and other educational opportunities can take place.

50th anniversary -

To commemorate the 50th anniversary of SURS, its history was researched back to the inaugural legislation in 1941. This research formed the basis of a 12-page brochure highlighting SURS first fifty years, and was mailed with new informational brochures in February. Annuitants received the history brochure along with a new annuitant handbook which provides excellent information.

Improved benefits -

January 1 saw the improvement of benefits to disability recipients. For the first time, an annual increase of 7% was granted to all recipients who have been disabled at least four years. After this initial increase, each benefit will increase by 3% each year.

Ask SURS -

An expert system was structured around Article 15 of the *Illinois Revised Statutes, Chapter 108-1/2.* The system will provide authoritative guidance on questions pertaining to application of the laws governing SURS.

Imaging -

The number of benefit recipients has nearly doubled in the past decade. In fact, within the next 20 years SURS anticipates that number to double again to over 40,000. As the System rapidly matures, SURS must continually look for ways to enhance service and contain costs. To meet the demands of a growing service base, SURS has converted its massive paper-based records into an electronic image-based system. The image system eliminates the need to store, track, and retrieve thousands of paper files. Each member's information is now stored in an electronic file for on-line access at anytime.

FINANCIAL INFORMATION

Accounting System and Internal Control

SURS uses the accrual basis of accounting to record assets, liabilities, revenues, and expenses. Revenues for SURS are taken into account when earned, without regard to date of collection. Expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. Governmental Accounting Standards Board Statement #5 has been followed in the preparation of this report.

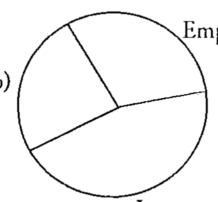
In developing and evaluating the accounting system, consideration has been given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding safekeeping of assets and reliability of financial records. SURS maintains an internal audit program that employs the services of an independent accountant to function as internal auditor to determine that all controls implemented are being accomplished.

Revenues and Expenses

The reserves needed to finance the benefits provided by SURS are accumulated through the collection of member and employer contributions and through income on investments. These income sources for fiscal year 1991 totaled $467.7 million, a decrease of 11.7% over 1990. As summarized, the decrease is due to realized losses on securities during the year.

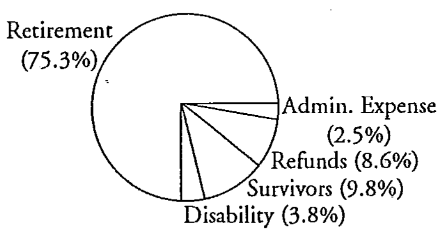
Revenues
($ millions)

Source	**1991**	1990	% Change
Member Contributions	**$152.4**	$143.2	6.4
Employer Contributions	**117.6**	113.3	3.8
Investment Income	**197.7**	273.2	-27.6
	$467.7	$529.7	-11.7



The primary expense of a retirement system relates to the purpose for which it is created, namely, the payment of benefits. Consequently, benefits, refunds to terminated employees, and the cost of administering the system comprise the total expenses. These expenses for fiscal year 1991 were $237.9 million, an increase of 8.3% over expenses for 1990. As summarized, the increase is due to an overall growth in benefits paid. The large increase in administrative expense is due to the transfer from paper based files to images.

	Expenses *($ millions)*		
Source	**1991**	1990	% Change
Retirement	**$178.8**	$164.2	8.9
Disability	**9.0**	8.4	7.1
Survivors	**16.2**	14.1	14.9
Deaths	**7.1**	7.8	-9.0
Refunds	**20.5**	21.2	-3.3
Administrative	**5.9**	4.0	47.5
Bond Interest	**.4**	-	-
	$237.9	$219.7	8.3



Income exceeded expenses by $229.8 million.

FUNDING

The pension benefit obligation at June 30, 1991, amounted to $6.6 billion as calculated by the projected unit credit method. The assets available at June 30, 1991, amounted to $3.5 billion. The amount by which the liability exceeds the assets is called the *unfunded accrued actuarial liability.* This liability amounts to $3.1 billion and reflects the continuing State of Illinois policy of not appropriating sufficient funds to meet the normal costs of benefits being earned by current employees each year.

Public Act 86-0273 signed into law during fiscal year 1990 requires increased state appropriations over seven years, so that by the end of that period, the appropriation will be equal to normal cost plus an amount to amortize the unfunded liability over 40 years as a level percent of payroll. The financing objective adopted by the State is disclosed in greater detail in the Actuarial Section. Fiscal year 1991 State funding for retirement fell $25.4 million short of fulfilling the financing objective prescribed by *Public Act 86-0273.*

INVESTMENTS

Investments are made under the authority of the *prudent person rule,* which states that fiduciaries must discharge their duties solely in the interest of fund participants and beneficiaries. The rule has enabled the System to invest in different types of asset classes seeking to increase return while lowering risk through diversification.

Investment policy provides for a goal of 55% of the fund to be invested in common stock, 10% of which may be invested in non-U.S. common stock; 30% in bonds; and 15% in real estate. The fund is managed by professional firms who serve as fiduciaries and are afforded full discretion.

All SURS investments are insured or collateralized with securities held by its agent except for mutual funds, which are not evidenced by securities that exist in physical or book entry form. The Government Accounting Standards Board concludes that risk in investments so held is minimal.

Yield information is detailed in the Investment section of this report. Taken as a whole, the SURS portfolio of investments produced a return of 5.5%.

INDEPENDENT AUDIT

The Illinois Pension Code requires an annual audit of the financial statements of the System by independent certified public accountants, selected by the State Auditor General. This requirement has been complied with, and the independent accountant's unqualified report on the System's 1991 financial statement has been included in this report.

AWARDS

Certificate of Achievement for Excellence in Financial Reporting

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to SURS for its component unit financial report for the fiscal year ended June 30, 1990. This is the seventh consecutive year the System has earned this award.

To be awarded the Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized comprehensive annual financial report whose contents conform to program standards. The report must satisfy both generally accepted accounting principles and applicable legal requirements. A Certificate of Achievement is valid for a period of one year only.

We believe our current report continues to conform to Certificate of Achievement Program requirements, and we are submitting it to GFOA to determine its eligibility for another certificate.

Award for Excellence in Retirement Administration

The GFOA presented SURS its Award for Excellence in Retirement Administration for its interactive voice response telephone system, BenefitLine. This award is presented to individuals whose organization's financial management systems and procedures are judged the winners in international competition in a specific financial discipline. Awards are granted to professionals whose work represents originality, transferability, technical competitence and practicality. This is the second such award for SURS.

APPOINTMENT OF TRUSTEE

During the year, Professor Rita R. Swiener was appointed to the SURS Board of Trustees to fulfill the term of Dr. Betsy P. Harfst who retired.

APPOINTMENT OF EXECUTIVE DIRECTOR

February 1, 1991, the Board of Trustees named Mr. Dennis D. Spice as the System's fourth Executive Director. Mr. Spice replaces Mr. Donald Hoffmeister who retired.

ACKNOWLEDGEMENTS

The preparation of the annual report by the Finance Division reflects the combined efforts of the SURS staff under the leadership of the Board of Trustees. It is intended for use by the Trustees and staff in making management decisions, in judging compliance with legal provisions, and in determining responsible stewardship for the assets contributed by System members and the State of Illinois. The report is being mailed to all employers covered by the State Universities Retirement System and is available to individual participants and other interested persons upon request.

On behalf of the Board of Trustees, I would like to express my gratitude to the staff, the consultants, and the many other people who work so effectively to assure the successful operation of this System.

Respectfully submitted,

Bryan S. Bloom

Bryan S. Bloom, CPA, CCM
Deputy Director - Finance Division

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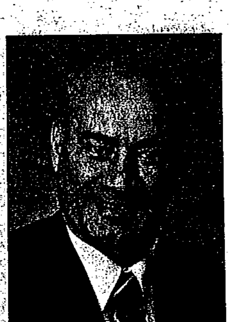

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Robert J. Ruiz
Chicago
Board of Governors of State
Colleges and Universities

Rita R. Sweiner
University City
Participant Trustee

Charles P. Wolff
Elgin
Board of Trustees of the
University of Illinois

CONSULTING AND PROFESSIONAL SERVICES

ACTUARY
The Wyatt Company - Chicago, Illinois

AUDITOR
Deloitte and Touche - Springfield, Illinois

LEGAL COUNSEL
Skadden, Arps, Slate, Meagher & Flom, Chicago, Illinois
Thomas, Mamer & Haughey, Champaign, Illinois

MASTER CUSTODIAN AND PERFORMANCE MEASUREMENT
The Northern Trust Company - Chicago, Illinois

INVESTMENT CONSULTANT
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DATA PROCESSING SERVICE
Cagle & Associates, Inc. - Champaign, Illinois

INVESTMENT ADVISORS
Aetna Realty Investors, Inc. - Hartford, Connecticut

Ariel Capital Management - Chicago, Illinois

Brinson Partners, Inc. - Chicago, Illinois

Equitable Real Estate Management, Inc. - New York, New York

Fayez Sarofim & Company - Houston, Texas

JMB Institutional Realty Corporation - Chicago, Illinois

Pacific Investment Management Company - Newport Beach, California

Rosenberg Real Estate Equity Fund - Chicago, Illinois

Wells Fargo Nikko Investment Advisors - San Francisco, California

ADMINISTRATIVE STAFF

Dennis D. Spice
Executive Director

James S. Beedie
Associate Executive Director

Kenneth E. Codlin
Chief Investment Officer

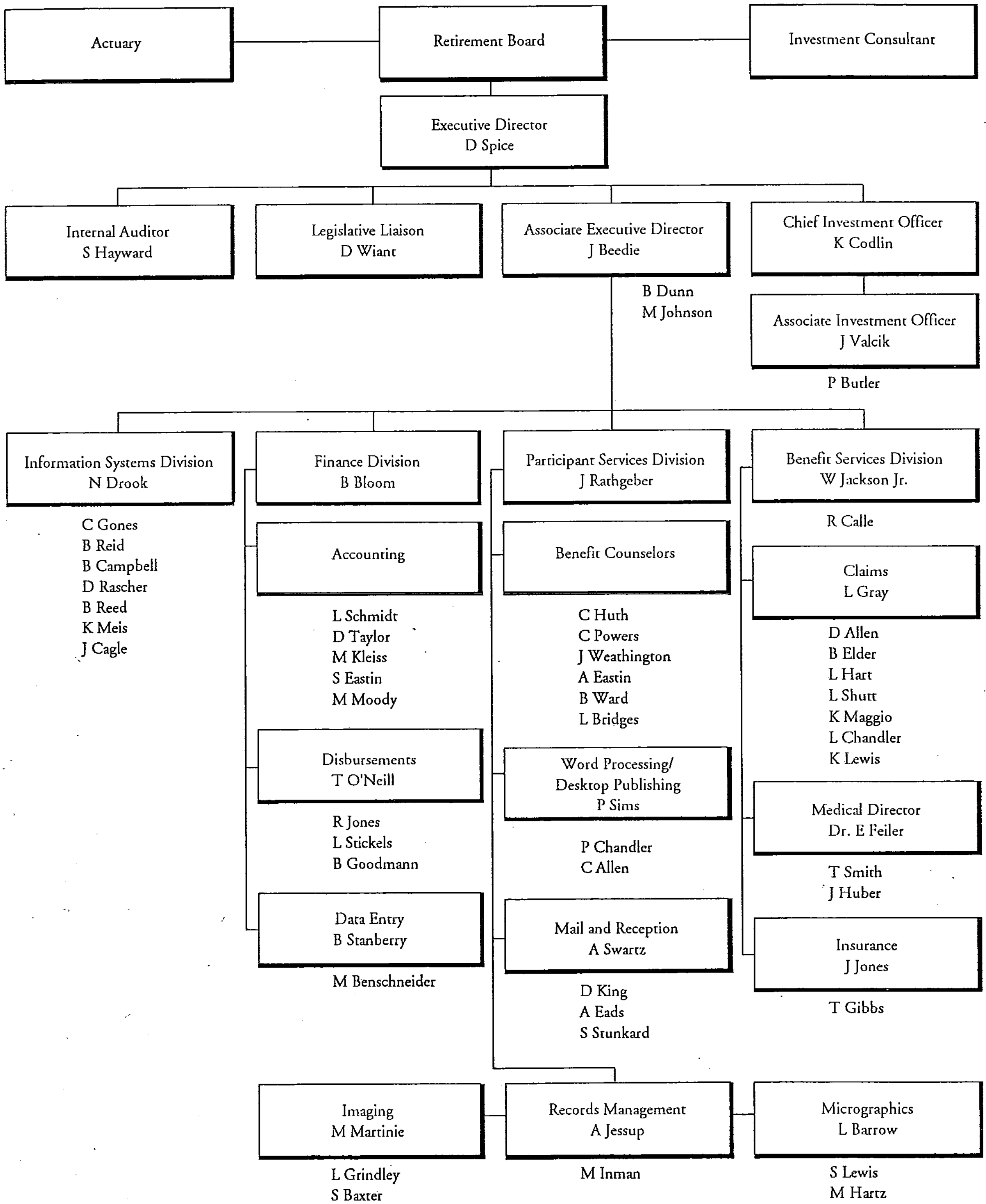
Jeanne Valcik, CPA
Associate Investment Officer

Bryan S. Bloom, CPA, CCM
Deputy Director
Finance

Judy Rathgeber
Deputy Director
Participant Services

William B. Jackson, Jr.
Deputy Director
Benefit Services

ORGANIZATIONAL CHART



1941 - 1952
50 YEARS AND GROWING STRONG

A System is Born

It was an explosive era. A decade that would bring war, peace, splitting of the atom, and a 30% increase in the cost of living. Given the state of the economy before and after the war, it's no surprise that this era marked the rapid growth of both public and private retirement systems. From 1941 to 1947, public systems were established in 22 states. The University Retirement System of Illinois (name was changed to State Universities Retirement System on March 18, 1963) was among the first. On July 21, 1941, Governor Dwight H. Green approved the law governing its creation. The System became operational on September 1, 1941.

FINANCIAL SECTION

1941 - 1952

1941 - 1952
SURS FUN FACTS

1941

- *The System opened its doors on September 1 in room 305 of the University of Illinois Administration Building.*

- *First Board of Trustees Meeting. Orville M. Karraker was elected President of the Board.*

1942

- *Average annual salary of a participant was $2,217.*

- *The System had only 3 employees.*

- *First Benefit check, #439, for $53.25, was issued September 1 to Mary E. Beedle, a retiree of the University of Illinois.*

- *The average rate of return on investments during the first year of operation was 2.49%.*

- *3,760 people participated in the System.*

1949

- *The System expanded to rooms 304 and 305 of the Administration Building.*

INDEPENDENT AUDITORS' REPORT

Deloitte & Touche

645 First National Bank Building
Springfield, Illinois 62794-9428
Telephone: (217) 753-1375
ITT Telex: 4995726
Facsimile: (217) 744-0193

INDEPENDENT AUDITORS' REPORT

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
State Universities Retirement
System of Illinois

We have audited the accompanying balance sheets of the State Universities Retirement System of Illinois as of June 30, 1991 and 1990 and the related statements of revenues, expenses and changes in fund balance for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the State Universities Retirement System of Illinois at June 30, 1991 and 1990 and the results of its operations for the years then ended, in conformity with generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules listed in the table of contents at June 30, 1991, 1990 and 1989 and for the years then ended are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules are the responsibility of the System's management. Such schedules have been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, are fairly stated in all material respects when considered in relation to the basic financial statements taken as a whole. The related supplemental schedules for the years 1982 through 1988 have been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

Deloitte & Touche

September 27, 1991

FINANCIAL STATEMENT 1991

BALANCE SHEETS
June 30, 1991 and 1990

	1991	1990
ASSETS		
Contributions Receivable		
Participants	$7,271,071	$6,518,115
Federal, trust funds, and other	2,374,940	1,599,042
State of Illinois	885,775	51,208
	10,531,786	8,168,365
Prepaid Expenses	55,627	54,991
Accrued Investment Income Receivable	17,146,154	15,818,834
Investments (notes II-B and III) Market Value: $4,192,816,537 at 6-30-91 $3,942,917,348 at 6-30-90	3,513,451,387	3,281,423,768
Property and Equipment (notes II-D and IV)	4,649,213	2,038,184
Total Assets	$3,545,834,167	$3,307,504,142
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	$1,895,095	$2,247,855
Benefits payable	1,861,982	2,481,961
Refunds payable	1,813,569	2,644,011
Bonds and Interest payable (note VI)	10,466,087	0
Deferred income (note II-C)	37,533	173,139
Total Liabilities	16,074,266	7,546,966
Fund Balance (Reserved) (notes II-E and V)		
Participant contributions	1,822,092,837	1,644,746,841
Benefits from employee and employer contributions	4,825,407,747	4,593,599,164
Less unfunded accrued actuarial liability	(3,117,740,683)	(2,938,388,829)
Total Fund Balance	3,529,759,901	3,299,957,176
Total Liabilities and Fund Balance	$3,545,834,167	$3,307,504,142

The notes to the financial statements are an integral part of the Component Unit Financial Statements.

FINANCIAL STATEMENT 1991

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Years Ended June 30, 1991 and 1990

		1991	1990
REVENUES			
Contributions			
Participants		$152,380,511	$143,192,796
Federal, trust funds and other		16,943,072	12,451,829
State of Illinois			
Employer units		88,862,200	96,939,900
Pension fund		11,490,400	3,560,200
Reciprocity		278,924	303,938
		269,955,107	256,448,663
Investment Income			
Interest		115,913,968	105,629,504
Dividends		91,890,550	88,852,682
Other		371,531	453,550
		208,176,049	194,935,736
Less investment expense		(8,467,474)	(8,645,621)
		199,708,575	186,290,115
Net Gain (Loss) on Sale of Investments		(1,997,389)	86,922,212
	Total Revenues	467,666,293	529,660,990
EXPENSES			
Benefits			
Retirement		178,340,007	163,738,572
Disability		8,957,371	8,354,463
Survivors		16,206,402	14,147,471
Death		7,130,259	7,831,315
Reversionary		247,796	244,013
Beneficiary		183,927	169,757
		211,065,762	194,485,591
Refunds		20,459,690	21,198,248
Administrative Expense		5,871,780	4,035,612
Bond Interest Expense		466,336	0
	Total Expenses	237,863,568	219,719,451
Excess of Revenues over Expenses		229,802,725	309,941,539
Fund Balance			
Beginning of year		3,299,957,176	2,990,015,637
End of year		$3,529,759,901	$3,299,957,176

The notes to the financial statements are an integral part of the Component Unit Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS 1991

I. DESCRIPTION OF PLAN

The State Universities Retirement System of Illinois (SURS) is the administrator of a cost-sharing, multiple-employer public employee retirement system established July 21, 1941, to provide retirement annuities and other benefits for staff members and employees of the state universities, certain affiliated organizations, and certain other state educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees. SURS is considered a component unit of the State of Illinois' financial reporting entity and is included in the state's financial reports as a pension trust fund. SURS is governed by Article 15, Chapter 108-1/2 of the *Illinois Revised Statutes*. It is also these statutes that define the scope of SURS's reporting entity. SURS does not have oversight responsibility of any agencies. As a result, this financial report represents financial information of SURS only. There are no statutory provisions for termination of the System. The Illinois Constitution provides that the pension obligation of the state *shall be an enforceable contractual relationship, the benefits of which shall not be diminished or impaired.*

At June 30, 1991 and 1990, the number of participating employers was:

	1991	1990
Universities	**12**	12
Community Colleges	**39**	38
Allied Agencies	**16**	16
State of Illinois	**1**	1
	68	67

At June 30, 1991 and 1990, SURS membership consisted of:

	1991	1990
Members currently receiving benefits	**18,579**	18,016
Current employees		
Active	**56,075**	54,970
Inactive	**7,024**	7,215
	81,678	80,201

The following is a summary of the provisions of SURS in effect as of June 30, 1991, as defined in the *Illinois Revised Statutes*. Interested parties should refer to SURS brochures or the Statutes for more complete information.

A. MEMBERSHIP

Participation is required as a condition of employment, except for residents in medical training and postdoctoral research associates at state universities. Such employees may participate at any time during their first three years of employment, after which time participation is mandatory. Employees

NOTES TO THE FINANCIAL STATEMENTS 1991

are ineligible to participate if (a) employed less than 50 percent of full-time; (b) employed less than full-time and attending classes with an employer; or (c) receiving a retirement annuity from SURS.

B. MEMBER CONTRIBUTIONS

Members contribute 8% of their gross earnings; 6-1/2% of those are designated for retirement annuities, 1/2% for post-retirement increases, and 1% for survivor benefits. Police officers and fire fighters contribute 9-1/2% of earnings; the additional 1-1/2% is a normal retirement contribution.

The member contributions are picked up by the employer and treated as employer contributions for income tax purposes. Retirement contributions are based on the gross earnings before the employer pick-up and are included in earnings.

All contributions on pre-1981 earnings and service credit payments, plus future other public employment, prior service, refund repayments, leave payments, and the employee portion of Early Retirement Option payments are considered as previously taxed, unless qualifying 401(a) funds are rolled over to SURS to make these purchases. Previously taxed contributions will be recovered tax-free when distributed to the employee in the form of benefits or refunds or to his or her beneficiary as a death and/or survivor benefit.

C. INTEREST CREDITED ON MEMBER CONTRIBUTIONS

The interest rate credited is fixed by the Board of Trustees and is currently 8%. For purposes of lump sum refunds to former members, the interest rate is 4-1/2%, compounded annually.

D. RETIREMENT BENEFITS

1. Normal Retirement

Members are eligible for normal retirement at any age after 35 years of covered service, after eight years of covered service and age 55, or after five years of covered service and age 62. Police officers and fire fighters are eligible for normal retirement at age 55 with 20 years of service as a police officer or fire fighter or at age 50 with 25 years of service. The annuity payable is based on the largest calculation of four formulas:

a. The following percentages of average earnings, which is the average of the highest earnings for any four consecutive academic years or, in some cases, the 48 months immediately preceding retirement, whichever is larger.

	General	Police & Fire Fighters
i. For each of the first 10 years of service	1.67%	2.25%
ii. For each of the second 10 years of service	1.90%	2.50%
iii. For each of the third 10 years of service	2.10%	2.75%
iv. For each year of service over 30	2.30%	

b. The actuarial equivalent of 2.4 times the accumulated member contributions plus interest for retirement annuities (6-1/2% of earnings), divided by an annuity conversion factor.

NOTES TO THE FINANCIAL STATEMENTS 1991

Purchase of other public employment is matched dollar for dollar. The actuarial equivalent assumes an annuity payable for life.

c. The following monthly amounts, based on average earnings, for each year of service at half-time or greater employment to a maximum of 30 years:

Average Annual Earnings	
Under $3,500	$8
3,500 - 4,499	9
4,500 - 5,499	10
5,500 - 6,499	11
6,500 - 7,499	12
7,500 - 8,499	13
8,500 - 9,499	14
9,500 and over	15

d. The pre-1969 law provided a pension of 1.67% of average earnings during the highest five consecutive fiscal years multiplied by the total years of service.

For first-time participants hired after September 14, 1977, the maximum annuity under (a) or (b) is 75% of average earnings. The maximum is 80% of average earnings for members who participated on or before September 14, 1977.

2. Early Retirement

Members are eligible for early retirement after eight years of service and age 55, but the annuity calculated under formula (a) or (c) above is reduced by 1/2% for each full month such retirement precedes age 60.

3. Early Retirement Without Discount

A member may retire between the ages of 55 and 60 with at least eight, but less than 35, years of service credit without the 1/2% reduction provided the following conditions are met:

a. The member retires on or before September 1, 1992.

b. The member retires within six months of the last day of employment for which he or she appeared on a payroll.

c. The member and the employer make one-time lump sum payments to SURS based upon the member's highest full-time annual salary rate during the four-year average salary period or, if not full-time, the full-time equivalent. The member pays 7% of the base salary for each year or fraction of a year prior to age 60, or each year short of 35 years of service credit, whichever is less. The employer payment is 20% of the base salary for each year or fraction of a year prior to age 60. These one-time payments do not increase the amount of

NOTES TO THE FINANCIAL STATEMENTS 1991

service credit, but merely eliminate the reduction for retiring before age 60 with less than 35 years of service.

The number of members using this provision may be limited, at the option of the employer, to no less than 15% of those eligible during any year. The right to participate is allocated among those applying on the basis of seniority in the service of the employer.

4. Automatic Annual Increases (AAI)

   Retirement benefits are increased annually after retirement by 3%.

5. Reversionary Annuity

   A participant nearing retirement age may elect to receive a reduced retirement annuity in order to provide the spouse or other dependent with a monthly income in addition to that which would be payable under the survivors' insurance program. This provision of the law, called a reversionary annuity, gives the individual electing this benefit two options. Under the first option, the participant receives a reduced retirement annuity throughout his or her lifetime in exchange for the reversionary annuity to be paid to the dependent upon the participant's death. If the dependent predeceases the annuitant, the annuitant continues to receive the reduced retirement annuity. Under the second option, the annuitant's retirement annuity reverts to the full unreduced amount upon the death of the prospective reversionary annuitant.

E. DISABILITY BENEFITS

Members with at least two years of covered service who are unable to perform the duties of their job because of illness, or members with any amount of covered service who are unable to perform their duties because of an accident, are eligible to receive disability benefits after 60 days of disability or when sick leave payments are exhausted, whichever is later.

The amount of the disability benefit is determined as follows:

1. Fifty percent of basic compensation at disability or 50% of average earnings for the 24 months preceding disability, whichever is greater, payable until the total benefits paid equal 50% of the total earnings in covered service.
2. After cessation of the benefit in (1), a member with eight years of covered service may receive the normal retirement benefit commencing at or after age 55 (with no reduction for early retirement if the member continues to be disabled), or if at least five years of covered service, an annuity beginning at age 62.
3. The disability benefit is increased 7% on the January 1 following the fourth anniversary of the beginning date of the disability. The benefit is then increased 3% each January 1 thereafter.

F. DISABILITY RETIREMENT ALLOWANCE (DRA)

If a member's disability benefits (see note E1) are discontinued due to the 50% of total earnings limitation, the member is entitled to a DRA of 35% of the basic compensation that was payable at the time the disability began, provided at least two licensed and practicing physicians appointed by

NOTES TO THE FINANCIAL STATEMENTS 1991

the Board certify that the member has a medically determined physical or mental impairment that would prevent him or her from engaging in any substantial gainful activity, and that can be expected to result in death, or that has lasted or can be expected to last for a continuous period of not less than 12 months.

The DRA is payable for life unless the member is able to accept substantial gainful employment or elects to receive a retirement annuity. The DRA is increased 7% on the January 1 following the fourth anniversary of the beginning date of the disability. The benefit is then increased 3% each January 1 thereafter.

G. DEATH BENEFITS

1. Before Retirement

Upon death of an active member with 1-1/2 years of covered service or an inactive participant with 10 or more years of covered service, the following amounts are paid to the member's survivors:

a. a death benefit equal to the retirement and AAI contributions (7%) and interest, plus

b. a lump sum payment of $1,000, plus

c. a monthly survivors' annuity equal to 50% of the member's accrued normal retirement benefit or the following amounts if greater:

   i) 30% of average earnings to a spouse, child, or parent, up to $400 monthly

   ii) 60% of average earnings to two dependents, up to $600 monthly

   iii) 80% of average earnings to three or more dependents, up to $600 monthly

Survivors' benefits are payable until children attain age 18 (benefits continue if the child is disabled), to a spouse after age 50, and to a dependent parent after age 55. The spouse's benefit is payable at any age while children are under 18 and living with the spouse. If death occurs after termination of employment, the monthly survivors' annuity may not exceed 80% of the earned retirement annuity. Survivor benefits are increased annually by 3%.

If there are no dependent survivors, the member did not have necessary service, or the dependent survivors so elect in lieu of any other benefits, the following amounts will be paid:

a. a death benefit equal to all contributions and interest, and

b. if death occurred in active service, a lump sum payment of $2,500 or, if the beneficiary is a dependent, an amount equal to the member's average annual earnings up to $5,000.

2. After Retirement

A lump sum survivors' benefit of $1,000 is payable to the member's spouse, children, or dependent parent. In addition, a survivors' annuity as outlined above is payable. If no survivor annuity is payable, a minimum death benefit of $1,000 or an amount equal to the excess of the member's contributions and interest to retirement over the benefits paid is payable.

NOTES TO THE FINANCIAL STATEMENTS 1991

H. TERMINATION OF SERVICE

A lump sum refund of all member contributions and interest (at 4-1/2%) will be made. If a member has five years of covered service and does not apply for a refund, a normal retirement benefit may be payable at age 62.

II. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following are the significant accounting policies followed by SURS. The System's financial statements have been prepared in accordance with standards promulgated by the Governmental Accounting Standards Board (GASB). The accounts of the System are organized in one fund. The System's assets, liabilities, fund equity, revenues, and expenses are recorded in that fund.

A. BASIS OF ACCOUNTING

The financial transactions are recorded on the accrual basis.

B. INVESTMENTS

Investments are governed by Article 15, Chapter 108-1/2 of the *Illinois Revised Statutes.* The most important aspect of the Statutes is the prudent person rule, which establishes a standard of care for all fiduciaries. (A fiduciary is any person who has authority or control with respect to the management or administration of plan assets.) The prudent person rule states that fiduciaries must discharge their duties with the care, skill, prudence, and diligence that a prudent person acting in a like capacity and familiar with such matters would use under conditions prevailing at the time.

In addition to the prudent person rule, Article 1, Chapter 108-1/2 of the *Illinois Revised Statutes* enumerates a number of prohibited transactions. Prior to 1987, the list contained ERISA-type prohibitions against imprudent actions by trustees. In 1987, the statutes were amended to prohibit any new investment in companies increasing their investment in South Africa. Investments in U.S. companies are in compliance as U.S. national corporations are covered by Federal legislation containing the same prohibition. However, new investments in non-U.S. companies must be carefully monitored to insure compliance.

Investments are carried at acquisition cost. Gain or loss on the sale of investments is determined based on average cost for stocks and identified cost for debt securities. Dividend income is recognized based on dividends declared, and interest income is recognized on the accrual basis as earned.

C. DEFERRED INCOME

Deferred income consists of prepaid employer and employee contributions.

D. PROPERTY AND EQUIPMENT

Property and equipment are carried at cost, except for the land, which is carried at the fair market value on the date it was received as a gift or purchased. Depreciation is computed by the straight-line method based upon estimated useful lives of 50 years for building and improvements and three to 10 years for furniture and equipment.

NOTES TO THE FINANCIAL STATEMENTS 1991

E. FUND BALANCE ACCOUNTS

The System maintains two reserve accounts that reflect the assignment of assets to participant and benefit accounts:

1. The Participant Contribution Reserve records the pension assets contributed by each participant.
2. The Benefits from Employee and Employer Contributions Reserve records the assets available for annuities in force and available for future retirement, death and disability benefits, and the undistributed investment income.

III. INVESTMENTS

Investments at June 30, 1991 and 1990, are summarized below (*$ millions*):

1991	**Cost**	**% of Cost**	**Market**	**% of Market**	**Risk Category**
Short-term investments (primarily money market funds)	**$240.1**	**6.8**	**$240.7**	**5.7**	**1**
Fixed income	**1,187.1**	**33.8**	**1,196.5**	**28.5**	**1**
Equities	**1,651.2**	**47.0**	**2,321.2**	**55.4**	**1**
Real estate	**435.1**	**12.4**	**434.4**	**10.4**	**1**
	$3,513.5	**100.0**	**$4,192.8**	**100.0**	

1990	Cost	% of Cost	Market	% of Market	Risk Category
Short-term investments (primarily money market funds)	$115.7	3.5	$115.8	2.9	1
Fixed income	1,128.5	34.4	1,126.3	28.6	1
Equities	1,611.5	49.1	2,235.4	56.7	1
Real estate	425.7	13.0	465.4	11.8	1
	$3,281.4	100.0	$3,942.9	100.0	

The investments have been categorized to give an indication of the level of risk assumed by the System at June 30, 1991 and 1990. All investments subject to categorization are held by the Master Trustee in the System's name. Therefore, all SURS investments are Category 1. Investments may also be categorized as Category 2, which includes uninsured or unregistered investments for which the securities are held by the broker's or dealer's trust department or agent in the System's name, and Category 3, which is defined as uninsured or unregistered investments for which the securities are held by the broker or dealer or by its trust department or agent, but not in the System's name. The System has no investments which would be classified in Categories 2 or 3.

NOTES TO THE FINANCIAL STATEMENTS 1991

IV. PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation at June 30, 1991 and 1990, are summarized below:

	1991	1990
Land	**$598,901**	$574,798
Land improvements	**12,799**	12,799
Office building	**559,621**	559,621
Building improvements	**52,766**	52,766
Furniture and fixtures	**2,980,220**	1,396,101
Construction in process	**1,414,268**	118,999
	5,618,575	2,715,084
Less accumulated depreciation	**(969,362)**	(676,900)
Net property and equipment	**$4,649,213**	$2,038,184

V. FUNDING POLICY

A. ACTUARIAL COST METHOD

The projected unit credit cost method is used for both the retirement and ancillary benefits. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current or attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs. For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the post-retirement increases, the same procedure as outlined above is followed. Estimated annual administrative expenses are added to the normal cost. For valuation purposes assets are valued at cost.

B. FUNDING STATUS AND PROGRESS

The *Pension Benefit Obligation* shown on the next page is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the System's funding status on a going-concern basis, to assess progress made in accumulating sufficient assets to pay benefits when due, and to make comparisons among public employee retirement systems. The amount is computed using a unit credit actuarial method required by GASB Statement #5.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1991 and 1990. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 8% per year compounded annually; (b) projected salary increases of 4.5%

NOTES TO THE FINANCIAL STATEMENTS 1991

per year compounded annually, attributable to inflation; and (c) additional projected salary increases of 2.5% per year, attributable to seniority and merit.

The unfunded pension benefit obligation at June 30, 1991 and 1990, was as follows (*$ millions*):

	1991	1990
Accumulated contributions of current employees	**$1,650.5**	$1,503.3
Accumulated contributions of inactive members	**145.1**	119.4
Payable to retirees and beneficiaries	**2,042.1**	2,035.5
Payable to terminated employees not yet receiving benefits --Employer-financed portion	**213.3**	173.7
Payable to vested current employees --Employer-financed portion	**2,496.8**	2,308.7
Payable to nonvested current employees --Employer-financed portion	**99.7**	97.8
Total Pension Benefit Obligation	**6,647.5**	6,238.4
Net Assets Available for Benefits (market value: $4,209.1 million in 1991 and $3,961.5 million in 1990)	**3,529.8**	3,300.0
Unfunded Pension Benefit Obligation	**$3,117.7**	$2,938.4

During the year there were no changes in the actuarial assumptions. Changes in benefit provisions resulted in $8.3 million of the increase in the pension benefit obligation.

C. CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE

The law governing the System requires that the State shall make contributions to the System, which with employee contributions, investment income, and other income of the System...

> will be sufficient to meet the requirements of this Article in accordance with actuarial determinations. In no event shall the contributions of employers from State appropriations for any fiscal year be less than an amount which when added to contributions from other sources and investment income for that year is sufficient to meet (a) the total accruing normal costs plus interest at the prescribed rate on the unfunded accrued liabilities or (b) the accruing requirements necessary to retain qualified status under Section 401(a) of the United States Internal Revenue Code, or any similar provision as successor thereof.

The law defines normal cost as...

> the liability for pensions and other benefits which accrues to the system because of the credits earned for service rendered by the participants during the fiscal year and expenses of administering the system.

Section 401(a) of the Internal Revenue Code would require essentially the same contribution as required by (a) quoted above.

NOTES TO THE FINANCIAL STATEMENTS 1991

A comparison of the actuarially determined funding requirement for the year ended June 30, 1991, versus the actual funding is presented below (*$ millions*):

	Pension Contributions Required			Received
	Normal Cost	Unfunded Accrued Actuarial Liability Amortization	Total	
Members	$136.8	0	$136.8	$152.4
% of Pay	7.7		7.7	8.6
Employers	$163.1	$238.7	$401.8	$117.6
% of Pay	9.2	13.5	22.7	6.6
Total	$299.9	$238.7	$538.6	$270.0
% of Pay	16.9	13.5	30.4	15.2

Member Payroll $1,768.5

D. ACTUARIAL STATEMENTS

The results of the basic calculations prepared for the System by its actuary are presented in Section III of this report, along with 10-year historical trend information designed to provide information about SURS progress in accumulating sufficient assets to pay benefits when due.

E. ANALYSIS OF FUNDING PROGRESS

The following table is required supplementary information. Beginning in 1985, SURS adopted the projected unit credit cost method for financial presentation purposes, consequently only seven years are presented.

Fiscal Year	Net Assets	Pension Benefit Obligation	% Funded	Unfunded PBO	Covered Payroll	Unfunded PBO as a % of Covered Payroll	Contributions Required	Contributions Actual
1985	$1,752.3	$3,549.1	49.4	$1,796.8	$1,141.9	157.4	$241.6	$83.5
1986*	2,258.0	3,886.0	58.1	1,628.0	1,275.9	127.6	266.6	94.7
1987	2,470.5	4,234.9	58.3	1,764.4	1,370.2	128.8	210.8	77.9
1988	2,698.0	4,640.9	58.1	1,942.9	1,427.6	136.1	274.4	83.4
1989	2,990.0	5,216.3	57.3	2,226.3	1,536.7	144.9	293.1	93.8
1990	3,300.0	6,238.4	52.9	2,938.4	1,676.0	175.3	362.3	113.3
1991	**3,529.8**	**6,647.5**	**53.1**	**3,117.7**	**1,768.5**	**176.3**	**401.8**	**117.6**

*Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.

NOTES TO THE FINANCIAL STATEMENTS 1991

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of SURS funding status on a going-concern basis. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger a retirement system is. Trends in the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjust for the effects of inflation and aid analysis of SURS progress in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the retirement system is.

VI. BONDS AND INTEREST PAYABLE

Special Revenue Bonds, Series 1990, Capital Appreciation Bonds (the Bonds), in the principal amount of $10 million which will mature October 1, 2001, 2003, and 2005, with interest rates ranging from 7.25% to 7.45%, were issued November 15, 1990.

The Bonds are special revenue obligations of the Board of Trustees of the State Universities Retirement System of Illinois issued pursuant to Section 15-167.2 of Chapter 108-1/2 of the *Illinois Revised Statutes*, solely from and secured by a pledge of and first lien on the Net Revenues, as defined, derived from investments of the Board. The Bonds are not payable from any employee or employer contributions to the System derived from appropriations from the State of Illinois nor do they constitute obligations or indebtedness of the State of Illinois or of any municipal corporation or other body politic and corporate of the State (other than the Board), and the owners thereof shall never have the right to demand payment of the Bonds or interest thereon out of any funds other than the revenues and income of the Board pledged for payment thereof. The Bonds are not subject to redemption prior to maturity. Regularly scheduled payments on the Bonds are insured under a financial guaranty insurance policy issued by Municipal Bond Investors Assurance Corporation.

Bonds payable and related accrued interest at June 30, 1991, are summarized below:

Bonds Payable	$9,999,751
Accrued Interest	466,336
	$10,466,087

The annual requirements to amortize the Bonds outstanding as of June 30, 1991, including interest payments of $15,825,249, are as follows:

Maturity October 1	Yield to Maturity	Principal	Interest	Total
2001	7.25%	$2,684,451	$3,140,549	$5,825,000
2003	7.35%	3,947,300	6,052,700	10,000,000
2005	7.45%	3,368,000	6,632,000	10,000,000
		$9,999,751	$15,825,249	$25,825,000

NOTES TO THE FINANCIAL STATEMENTS 1991

VII. COMPENSATED ABSENCES AND POSTEMPLOYMENT BENEFITS

The System is obligated to pay employees at termination for unused vacation and sick time. The maximum time for which any individual may be paid is 448 hours of vacation and one-half of unused sick time earned since January 1, 1984. At June 30, 1991, the System had a liability of $322,766 for compensated absences. At June 30, 1990, the liability was $262,717 . The annual increase in liability is reflected in the financial statements as an increase in administrative expense.

In addition to providing pension benefits, the State of Illinois provides certain health, dental and life insurance benefits to annuitants who are former State employees. This includes annuitants of the State Universities Retirement System. Substantially all State employees including the system's employees may become eligible for postemployment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the State's self insurance plan currently in force. Life insurance benefits for annuitants under age 60 are equal to their annual salary at the time of retirement; for annuitants age 60 or older, life insurance benefits are limited to five thousand dollars per annuitant.

Currently, the State does not segregate payments made to annuitants from those made to current employees for health, dental and life insurance benefits. The cost of health, dental and life insurance benefits is recognized on a pay-as-you-go basis.

SUPPORTING SCHEDULE 1991

SCHEDULE OF ADMINISTRATIVE EXPENSES
For the Years Ended June 30, 1991 and 1990

	1991	1990
Personal Services		
Salary and wages	$1,651,312	$1,528,752
Retirement contributions	205,195	162,990
Insurance	127,354	84,798
Total Personal Services	1,983,861	1,776,540
Professional Services		
Computer services	1,620,111	638,642
Medical consultation	8,270	22,023
Technical and actuarial	370,652	556,938
Legal services	45,998	43,656
Total Professional Services	2,045,031	1,261,259
Communications		
Postage	351,348	271,478
Printing	516,915	132,230
Telephone	77,056	43,107
Total Communications	945,319	446,815
Other Services		
Equipment repairs, rental and maintenance	127,351	88,483
Building operations and maintenance	167,695	153,614
Surety bonds and insurance	12,655	7,463
Memberships and subscriptions	18,081	13,359
Transportation and travel	139,385	94,178
Education	14,913	12,257
Supplies	104,409	53,130
Total Other Services	584,489	422,484
Depreciation		
Furniture and equipment	301,464	116,898
Building	11,616	11,616
Total Depreciation	313,080	128,514
Total Administrative Expense	$5,871,780	$4,035,612

SUPPORTING SCHEDULE 1991

SUMMARY SCHEDULE OF FEES AND COMMISSIONS
For the Years Ended June 30, 1991 and 1990

	1991	1990
Master Trustee & Custodian		
The Northern Trust Company	$393,307	$406,454
Investment Management Firms		
Ariel Capital	44,978	0
Aetna Realty Investors, Inc.	808,082	950,039
Batterymarch Financial Management	0	595,883
Brinson Partners	33,236	0
Equitable Real Estate Investment Management	827,959	796,559
Fayez Sarofim & Company	1,072,365	1,007,912
Pacific Investment Management Company	1,205,457	1,156,262
Rosenberg Real Estate Equity Fund	2,548,302	2,494,431
Wells Fargo Investment Advisors	1,173,210	1,062,322
	7,713,589	8,063,408
Investment Consultant, Measurement & Counsel		
Ennis, Knupp & Associates	258,580	175,759
Kirkland and Ellis	53,840	0
Skadden, Arps, Slate, Meagher and Flom	48,158	0
	361,578	175,759
Total Investment Expense	$8,467,474	$8,645,621
Actuary		
The Wyatt Company	$125,140	$44,471
Investment Brokerage Firm		
Abel Noser	4,120	0
Bear, Stearns & Company	55,017	38,507
Cantor, Fitzgerald	3,937	8,325
Execution Services Inc.	3,700	0
Goldman, Sachs & Company	7,828	23,040
Instinet	4,231	77,047
Jefferies and Co. Inc.	7,428	20,240
Paine Webber Inc.	4,620	11,765
Salomon Brothers	39,765	40,472
Shearson Lehman Hutton	18,772	0
All others	30,520	141,528
Total Brokerage Fees	$179,938	$360,924

SUPPORTING SCHEDULE 1991

INVESTMENT PORTFOLIO ACTIVITY AT BOOK VALUE
For the Year Ended June 30, 1991
($ millions)

	July 1 Book Value	Acquisitions	Dispositions	June 30 Book Value
Fixed income	$1,128.5	$2,081.9	($2,023.3)	$1,187.1
Equity securities	1,611.5	444.0	(404.3)	1,651.2
Real estate	425.7	11.5	(2.1)	435.1
Short-term securities	115.7	685.0	(560.6)	240.1
	$3,281.4	$3,222.4	($2,990.3)	$3,513.5

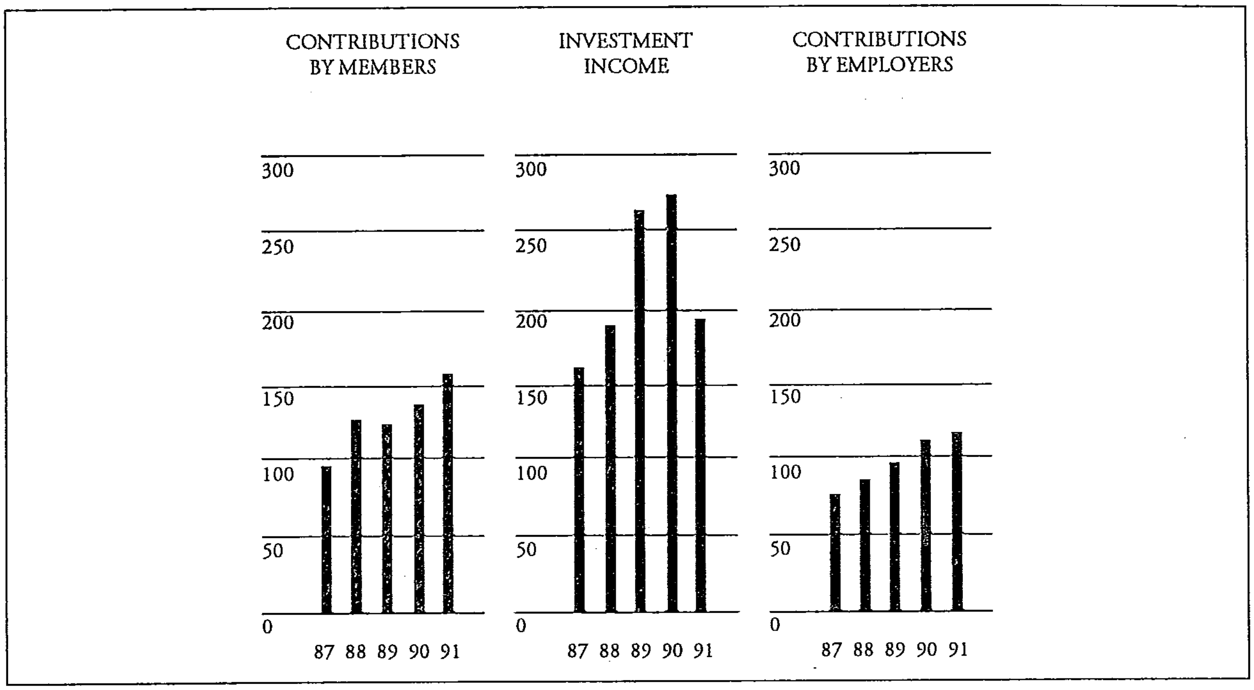
INVESTMENT PORTFOLIO AT MARKET VALUE
For the Year Ended June 30, 1991
($ millions)

	July 1 Market Value	June 30 Market Value
Fixed income	$1,126.3	$1,196.5
Equity securities	2.235.4	2,321.2
Real estate	465.4	434.4
Short-term securities	115.8	240.7
	$3,942.9	$4,192.8

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
For the Year Ended June 30, 1991
($ millions)

Receipts	
Member contributions	$151.5
Employer contributions	116.0
Interest, dividends, and miscellaneous investment income	206.8
Investments redeemed	2,990.3
Bonds issued	10.0
Total Receipts	$3,474.6
Disbursements	
Benefit payments	$211.9
Administrative expenses	5.5
Investment expenses	8.7
Refunds	21.3
Fixed assets purchased	2.8
Investments purchased	3,222.4
Loss on redemption of investments	2.0
Total Disbursements	$3,474.6

SUPPORTING SCHEDULE 1991

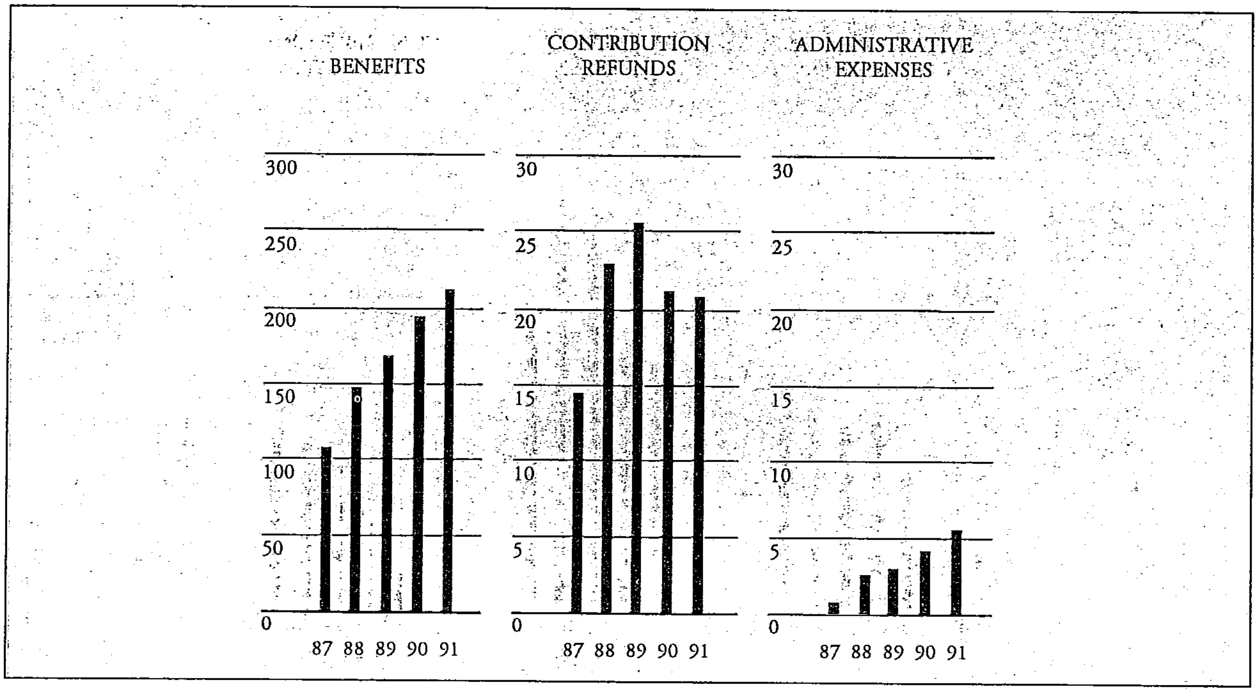


REVENUE BY SOURCE
10-YEAR SUMMARY
($ millions)

Fiscal Year (A)	Contributions by Members	Investment Income	Contributions by Employers	Total
1982	$76.7	$68.6	$55.0	$200.3
1983	78.4	126.0	52.3	256.7
1984	85.5	72.1	70.2	227.8
1985	97.8	166.4	83.5	347.7
1986	110.8	434.6	94.7	640.1
1987	95.8	165.4	77.9	339.1
1988	132.3	185.5	83.4	401.2
1989	132.2	260.3	93.8	486.3
1990	143.2	273.2	113.3	529.7
1991	152.4	197.7	117.6	467.7

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

SUPPORTING SCHEDULE 1991



TOTAL EXPENSES
10-YEAR SUMMARY
($ millions)

Fiscal Year (A)	Benefits	Contribution Refunds	Administrative Expenses	Bond Interest	Total
1982	$70.0	$14.0	$1.2		$85.2
1983	78.7	12.2	1.5		92.4
1984	91.1	14.5	1.6		107.2
1985	101.7	16.4	1.7		119.8
1986	115.4	17.2	1.9		134.5
1987	109.9	14.8	1.9		126.6
1988	148.6	22.7	2.4		173.7
1989	166.3	25.4	2.6		194.3
1990	194.5	21.2	4.0		219.7
1991	211.1	20.4	5.9	0.5	237.9

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

1941 - 1952

Leading the Way

Ruth Ellen Kunkel was the System's first employee. She was appointed Chief Clerk in 1941 and became Executive Secretary in 1946. In that capacity, Ruth was fully responsible for the operation of the office and handling all financial and actuarial details of the System. She served until her death in 1952.

ACTUARIAL SECTION

1952 - 1979

1952 - 1979
SURS FUN FACTS

1954

- *The System moved to 1210 W. Oregon, an old two story house in Urbana. Total space was 1,300 sq. feet plus 300 sq. feet in a basement that resembled a coal bin.*

1963

- *The System moved to the front of the Eisner Grocery Building at 807 S. Lincoln Avenue in Urbana. Total space was 2,895 sq. feet.*
- *The University Retirement System of Illinois changed its name to State Universities Retirement System (SURS).*

1968

- *SURS took over another 1,221 sq. feet at 807 S. Lincoln Avenue.*

1969

- *Governor Samuel Shapiro signed Senate Bill 93, which authorized SURS to construct a new building.*

1970

- *SURS received the deed to 50 Gerty Drive from the University of Illinois.*

1971

- *SURS moved to 50 Gerty Drive. Total space was 10,000 sq. feet.*

1976

- *A report released by Rand Corporation stated that by 1976, four million teachers and other school personnel belonged to teacher's retirement systems or public employee retirement systems. SURS had 35,544 participants.*

1979

- *SURS staff conducted the first annual training seminar at Century 21, now the University Inn.*
- *Approximately 66 colleges and universities participated in SURS.*

CERTIFICATION LETTER

The Wyatt Company
Consultants and Actuaries

Suite 2400
303 West Madison Street
Chicago, Illinois 60606-3308

Telephone 312 704 0600
Fax 312 704 8114
Fax 312 704 8206

Wyatt

October 15, 1991

Board of Trustees and Executive Director
State Universities Retirement System of Illinois
50 Gerty Drive
P.O. Box 2710 - Station A
Champaign, Illinois 61820

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the assets and liabilities of the State Universities Retirement System of Illinois as of June 30, 1991.

Since the last valuation changes in the actuarial assumptions and in benefit provisions have affected SURS costs and liabilities. The actuarial assumptions used to process the valuation, which are specified by the Board with the recommendation of the Actuary, are unchanged for purposes of disclosure. However, because the contribution requirements for the 1993 fiscal year are based on the June 30, 1991 actuarial valuation and because the assumptions were revised as of that date, the annual funding requirement developed herein reflects these revised assumptions. Senate Bill 1951, approved in January 1991, provided for automatic increases in disability benefits, resulting in an increase of approximately 0.1% in the accrued actuarial liability (AAL).

Pursuant to the law establishing the System, the actuary shall investigate the experience under the System at least once every five years. The Wyatt Company, as the actuary, completed such a review for the five year period ending June 30, 1991 and recommended assumptions which were adopted by the Board effective June 30, 1991, and which were used for the current valuation for purposes of determining the annual funding requirement. We believe that, in the aggregate, the current assumptions relate reasonably to the past and anticipated experience of the plan. For purposes of disclosure the assumptions used were based on a review of the five year period ending August 31, 1986 and are unchanged from those used to process last year's valuation.

A contribution rate for fiscal year 1993 has been determined using the Projected Unit Credit Cost Method, providing for the normal cost plus an amortization of the unfunded accrued actuarial liability as required by Chapter 108-1/2 Par. 15-155(a). Normal cost rates are expected to remain constant as a percentage of payroll, while the amortization contribution rate will increase in equal annual increments from the 1992 fiscal year rate until the 1996 fiscal year rate is reached. The total contribution rate can thus be expected to rise gradually until June 30, 1996, remain level until June 30, 2035, and then drop to a constant normal cost rate. Employer contributions in recent years have been less than that required to meet this financing objective.

CERTIFICATION LETTER

For purposes of determining contribution rates, assets have been valued at amortized cost value. The liabilities have been valued based on employee data which is supplied by the administrative staff of the System and verified by the System's auditor. We have made additional tests to ensure its accuracy. Standardized assumptions were used to supply any missing birthdate or salary information. All other data was used without change.

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Universities Retirement System of Illinois as of June 30, 1991. The contribution rate determined complies with the applicable law in force as of June 30, 1991.

THE WYATT COMPANY

By S. Lynn Hill

S. Lynn Hill
Consultant

By

Norman S. Losk
Fellow Of The Society of Actuaries

ACTUARIAL REPORT 1991

PENSION FINANCING

The State Universities Retirement System of Illinois (SURS) is financed by employee contributions, employer contributions (state appropriations and contributions from trust and federal funds), and investment earnings. Employee contributions are established by the *Illinois Revised Statutes* at 8% of pay. Investment earnings and state funding are primary determinants of the System's financial status.

Employer (state) contributions are determined through annual actuarial valuations. Actuaries use demographic data (such as employee age, salary, and service credits), economic assumptions (such as estimated salary increases and interest rates), and decrement assumptions (such as employee turnover, mortality, and disability rates) in performing these valuations. The actuarial valuation process flows generally as follows:

1) Based on the demographic data and actuarial assumptions described above, the amount and timing of benefits payable in the future is estimated by the actuary for all participants at the valuation date. Important assumptions in this computation are the turnover, retirement age and earnings progression for active members, and mortality for all participants.

2) The actuary then calculates the Actuarial Present Value of these benefits. This is the amount necessary to be invested at the valuation interest rate, at the valuation date to provide benefit payments as they come due. Each year's estimated benefit payments are discounted by an assumed interest rate to determine the present dollar value of benefits.

3) The final step is to apply a cost method assigning portions of the total value of benefits to past, present, and future periods of employee service. This allocation is accomplished by development of normal cost and accrued benefit cost.

There are several accepted actuarial cost methods. The one used by SURS is the projected unit credit cost method. Under this method, the Actuarial Present Value of the projected pension at retirement age is determined at the individual member's current or attained age. The normal cost for the member for the current year is equal to the portion of the value so determined assigned to this year. The normal cost for the plan for the year is the sum of the normal costs of all active members.

Accrued benefit cost is the portion of the present value of benefits assigned by the cost method to years of service up to the valuation dates at the time the estimate is prepared. Although accrued during each member's employment, benefits are not paid until the member retires; thus the value changes as the member's salary and years of service change. Furthermore, membership continually changes as some members leave and are replaced by new members.

The normal cost during FY 91 was 17.4% of payroll. Eight percent of this normal cost is paid by the members' contributions. The remaining 9.4% is the employer's portion of the normal cost.

Actuarial funding of System benefits would require annual state appropriations which at least cover the employer's normal cost (9.4% of payroll) plus an amortization of the System's unfunded accrued benefit cost. The employer's normal cost plus amortization is called employer cost (see *Schedule of Payroll Percentages*). The state has not funded the System on this basis. Historically, the state funded the System by reimbursement (in full or in part) of benefit payments. In August 1989, Governor James Thompson signed legislation that phased-in, over the next seven years, a financing objective that would ultimately provide adequate funding of SURS (see *Financing Objective*).

ACTUARIAL REPORT 1991

VALUATION RESULTS
($ millions)

Actuarial Liability (Reserves)		
For members receiving annuities		
Retirement annuities	$1,813.6	
Survivor annuities	172.4	
Disability benefits	56.1	
Total		$2,042.1
For inactive members		358.4
For active members		4,247.0
Total		$6,647.5
Assets Available for Benefits		$3,529.8
Unfunded Accrued Actuarial Liabilities		$3,117.7

CHANGES IN THE UNFUNDED ACCRUED ACTUARIAL LIABILITY
($ millions)

Unfunded Accrued Actuarial Liability at June 30, 1990	$2,938.4
Increase due to prior year's contribution being less than the amount necessary to fund the normal cost and interest on the unfunded liability	303.9
Actuarial Differences	
Investments other than 8%	67.5
Salary increases other than 7%	(133.0)
Age and service retirement differences	(13.6)
Termination differences	(44.4)
Other actuarial differences	(9.4)
Nonrecurring Items	
Benefit changes	8.3
Unfunded Accrued Actuarial Liability at June 30, 1991	$3,117.7

ACTUARIAL REPORT 1991

ACTUARIAL COST METHOD

The projected unit credit cost method is used for retirement benefits. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs. For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the post-retirement increases, the same procedure as outlined above is followed. Estimated annual administrative expenses are added to the normal cost. For valuation purposes assets are valued at book.

EMPLOYEE DATA

Employee data are provided by the administrative staff of the State Universities Retirement System. Various tests are applied to check internal consistency as well as consistency from year to year. No calculations are made for employees not yet hired as of the valuation date.

ACTUARIAL REPORT 1991

FINANCING OBJECTIVE

The law governing the System provides that...

Starting with... fiscal year... 1990, the State's contribution shall be increased incrementally over a 7-year period so that by... fiscal year... 1996, the minimum contribution... shall be... sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percentage of payroll, determined under the projected unit credit actuarial cost method. (Chapter 108-1/2, Par. 15-155(a)). This objective was not met during 1991 as follows:

Required Employer Contributions	$143,007,000
Employer Contributions Received	117,574,596
Progress Toward Financing Objective	($25,432,404)

In addition, the state's projected contribution of $103,922,000 to SURS for fiscal year 1992 is insufficient to meet the System's total required contribution for that year of $156,954,000. As a result, the 7-year phase in period called for in the law has been reduced to a 5-year period starting with fiscal year 1992. The target date for completely amortizing the unfunded accrued actuarial liability remains unchanged at June 30, 2035. The required contribution rates and amounts are as follows:

Fiscal Year	Normal Cost	Amortization of Unfunded Liability	Total Required Rate	Assumed Payroll *($ billions)*	Total Required Contribution
1993	10.274%	(-1.651%)	8.623%	$1.959	$168,925,000
1994	10.274%	1.390%	11.664%	2.092	244,011,000
1995	10.274%	4.430%	14.704%	2.170	319,077,000
1996	10.274%	7.471%	17.745%	2.284	405,296,000
1997	10.274%	7.471%	17.745%	2.404	426,590,000
1998	10.274%	7.471%	17.745%	2.530	448,949,000

Contribution levels are shown on a gross basis. The net State appropriation requirements can be determined by adjusting for such items as State Pension Fund appropriations and contributions from federal and trust funds.

The results are based on the projected unit credit actuarial cost method, and on the data provided, and assumptions used, for the June 30, 1991 actuarial valuations. In order to determine projected contribution rates and amounts the following additional assumptions and estimates were used.

1) Covered payroll of $1,861,000,000 for fiscal year 1992.

2) 5.25% per annum rate of increase in covered payroll.

3) Total employer contributions of $103,922,000 for fiscal year 1992.

As of June 30, 1991, the Unfunded Accrued Actuarial Liability (UAAL) to be amortized was $3,117,740,683.

ACTUARIAL REPORT 1991

SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

Assumption

Mortality: 1986 Projected Experience Table, a table based on experience underlying the 1971 Group Annuity Mortality Table, without margins, with a projection for mortality improvements to 1986, with a three-year setback for males and a two-year setback for females.

Interest: 8% per annum, compounded annually.

Termination: Illustrative rates of withdrawal from the plan are as follows:

Age	Males	Females
20	0.184	0.224
25	0.152	0.188
30	0.120	0.152
35	0.087	0.116
40	0.059	0.083
45	0.041	0.059
50	0.029	0.045

It is assumed that terminated employees will not be rehired.

Salary Increases: 7% per annum, compounded annually. 4.5% attributed to inflation, 2.5% due to seniority and merit.

Retirement Age: General employees are assumed to retire at age 62.

Assets: Assets available for benefits are used at book value.

Expenses: As estimated and advised by SURS staff, based on current expenses with an allowance for expected increases.

Spouse's Age: The female spouse is assumed to be three years younger than the male spouse.

In addition to the above, other assumptions used include disability incidence, recovery from disability, mortality of disabled lives, marriage, remarriage rates with ages, and number of children.

These assumptions were adopted September 1, 1985, and have been applied consistently since then.

ANALYSIS OF FUNDING 1991

ANALYSIS OF FINANCIAL EXPERIENCE

Gains and losses in Accrued Actuarial Liability for Fiscal Year ending June 30, 1991 *($ millions)*:

Actuarial (Gains) and Losses		
Age & Service Retirements	($13.6)	
Incidence of Disability	.1	
In-Service Mortality	3.9	
Retiree Mortality	(3.8)	
Disabled Mortality	.4	
Termination of Employment	(44.4)	
Salary Increases	(133.0)	
Investment Income	67.5	
Other	(10.0)	
Total Actuarial Gain		($132.9)
Contribution income less than amount needed to fund normal cost		$303.9
Non-Recurring Items		
Benefit Changes		8.3
Total Financial Loss		$179.3

SCHEDULE OF INCREASES AND DECREASES OF BENEFIT RECIPIENTS 10-YEAR SUMMARY

Fiscal Year (A)	Beginning Balance	Additions	Subtractions	Ending Balance
1982	10,185	1,595	939	10,841
1983	10,841	1,537	765	11,613
1984	11,613	1,700	753	12,560
1985	12,560	1,583	740	13,403
1986	13,403	1,720	735	14,388
1987	14,388	1,440	597	15,231
1988	15,231	1,872	662	16,441
1989	16,441	1,672	835	17,278
1990	17,278	1,732	868	18,142
1991	18,142	1,779	834	19,087

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

ANALYSIS OF FUNDING 1991

TESTS OF FINANCIAL SOUNDNESS

The following four exhibits illustrate different measures of the financial soundness of the System.

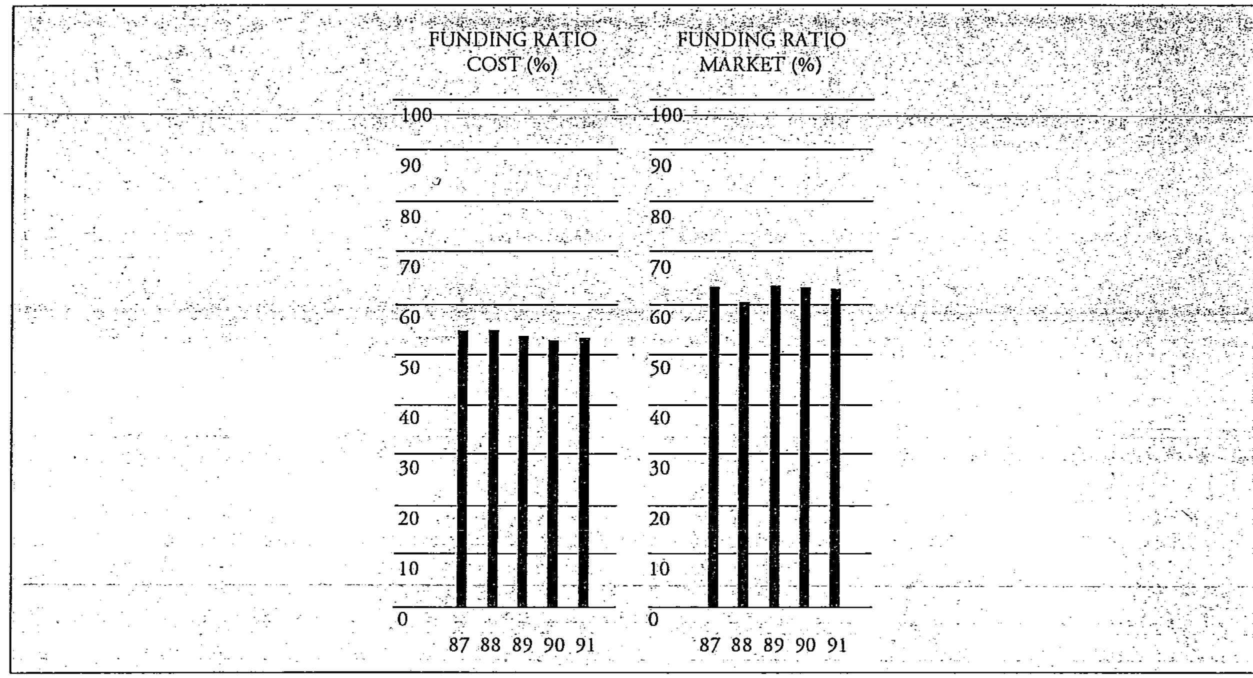
The *Schedule of Funding* compares state appropriations to the actuarial funding requirements, statutory funding requirement, and System expense. The *Funding Ratios* exhibit shows the percentage of the System's accrued benefit cost covered by net assets. This funding ratio is used to assess the System's ability to make future benefit payments. The exhibit illustrates the ratio of net assets to the System's accrued benefit cost over 10 years, with net assets valued both at cost and at market. The *Percentage of Benefits Covered by Net Assets* exhibit compares the plan's net assets with the members' accumulated contributions, the amount necessary to cover the present value of benefits currently being paid, and the employer's portion of future benefits for active members. The final test, *Payroll Percentages,* compares member payroll to unfunded accrued benefit cost, normal cost, and normal cost plus interest. These percentages should decrease over the years if SURS is growing stronger.

SCHEDULE OF FUNDING
($ millions)

	Funding Requirements				Covered Percentages		
Fiscal Year (A)	Normal Cost and Interest {1}	With 40-Year Amortization {2}(B)	System Expense {3}(C)	State Cont. {4}(D)	Normal Cost and Interest {5}(E)	With 40-Year Amortization {6}(F)	System Expense {7}(G)
1982	$176.4	$182.0	$73.0	$55.0	31.2%	30.2%	75.4%
1983	196.6	203.4	80.2	52.3	26.6	25.7	65.2
1984	208.6	216.4	92.7	70.2	33.6	32.4	75.7
1985	232.1	241.6	103.4	83.5	36.0	34.6	80.7
1986	255.4	266.6	117.2	94.7	37.1	35.5	80.8
1987	204.8	210.8	111.8	77.9	38.0	37.0	69.7
1988	266.6	274.4	151.0	83.4	31.3	30.4	55.3
1989	284.6	293.1	168.9	93.8	33.0	32.0	55.5
1990(H)	352.6	362.3	198.5	113.3	32.1	31.3	57.1
1991	389.9	401.8	216.9	117.6	30.2	29.3	54.2

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.
(B) Appropriation amount required by Sections 15-155 and 15-156 of the *Ilinois Revised Statutes.*
(C) Benefit and administrative expense.
(D) Contributions from The State of Illinois employer units and Pension Fund, and employer contributions from trust and federal funds
(E) State contributions divided by Statutory Requirement (Column 4 divided by Column 1).
(F) State contributions divided by the 40-year amortization requirement (Column 4 divided by Column 2).
(G) State contributions divided by System expense (Column 4 divided by Column 3).
(H) Funding method changed from entry age normal to projected unit credit.

ANALYSIS OF FUNDING 1991

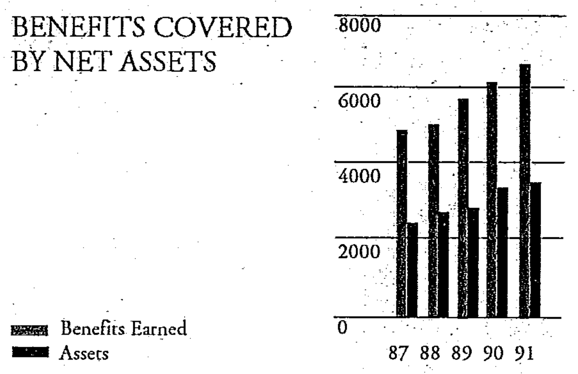


FUNDING RATIOS
10-YEAR SUMMARY
($ millions)

Fiscal Year (A)	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirements	Funding Ratio	
				Cost	Market
1982	$1,239.5	$1,130.7	$2,801.0	44.3%	40.4%
1983	1,403.4	1,444.6	3,043.4	46.1	47.5
1984	1,524.4	1,563.1	3,374.0	45.2	46.3
1985	1,752.3	1,903.4	3,761.9	46.6	50.6
1986	2,258.0	2,527.7	4,182.2(C)	54.0	60.4
1987	2,470.5	2,912.9	4,561.0	54.2	63.9
1988	2,698.0	3,030.6	4,977.8	54.2	60.9
1989	2,990.0	3,582.4	5,597.2	53.4	64.0
1990(B)	3,300.0	3,961.5	6,238.3	52.9	63.5
1991	3,529.8	4,209.1	6,647.5	53.1	63.3

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.
(B) Funding method changed from entry age normal to projected unit credit.
(C) Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.

ANALYSIS OF FUNDING 1991



PERCENTAGE OF BENEFITS COVERED BY NET ASSETS 10-YEAR SUMMARY

($ millions)

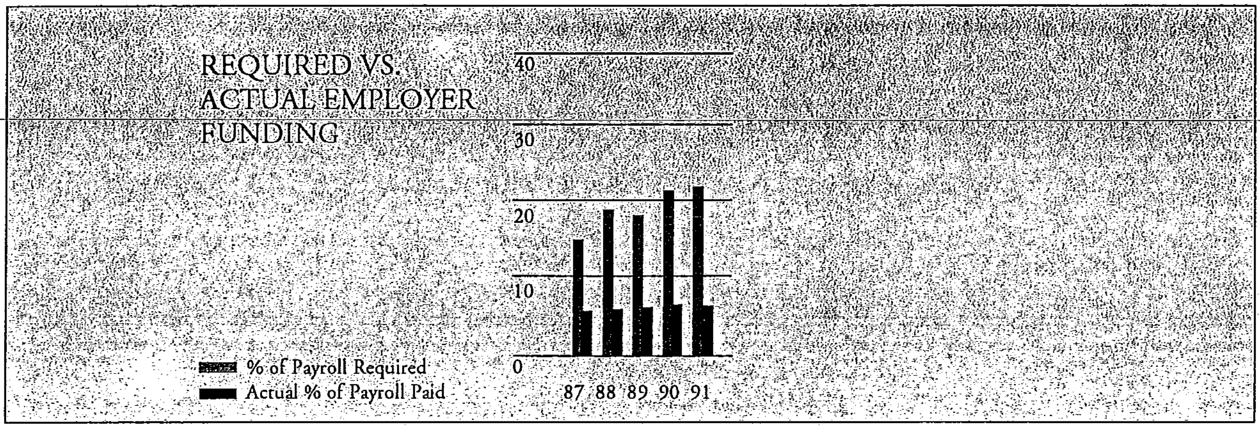
Fiscal Year (A)	Member Accumulated Contributions {1}(B)	Members Currently Receiving Benefits {2}(B)	Active and Inactive Members' Employer Portion {3}(B)	Net Assets	% of Benefits Covered By Net Assets for {1}	{2}	{3}
1982	$741.0	$712.7	$1,347.3	$1,239.6	100	70.0	0
1983	828.4	780.7	1,434.4	1,403.4	100	73.7	0
1984	918.2	861.2	1,594.2	1,524.4	100	70.4	0
1985	1,018.2	984.7	1,759.0	1,752.3	100	74.6	0
1986	1,134.7	1,145.9	1,901.6(C)	2,258.0	100	98.0	0
1987	1,237.0	1,289.0	2,035.0	2,470.5	100	95.7	0
1988	1,360.6	1,498.9	2,118.3	2,698.0	100	89.2	0
1989	1,493.0	1,677.1	2,427.1	2,990.0	100	71.9	0
1990	1,644.7	2,035.5	2,558.1	3,300.0	100	81.3	0
1991	**1,822.1**	**2,042.1**	**2,783.3**	**3,529.8**	**100**	**83.6**	**0**

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

(B) A test of financial soundness of a system is its ability to pay all promised benefits when due. Column 1 represents the value of members' accumulated contributions. Column 2 represents the amount necessary to pay participants currently receiving benefits. Column 3 represents the employer's portion of future benefits for active members. Section 15-156 of the *Illinois Pension Code* provides an order of priority: that is, members' contributions would be covered first, then current benefit recipients and the employer portion of active and inactive employees. For a system receiving actuarially determined contribution amounts, the total of actuarial values in Columns 1 and 2 should generally be fully covered by assets, and the portion of the actuarial value of Column 3 covered by assets should increase over time.

(C) Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.

ANALYSIS OF FUNDING 1991



PAYROLL PERCENTAGES
10-YEAR SUMMARY
($ millions)

		Unfunded Accrued Benefit Cost		Employer's Cost					State Contributions	
Fiscal Year(A)	Member Payroll	Amount	% of Payroll	Employers' Normal Cost	% of Payroll	Amortization of Unfunded	Total (C)	% of Payroll	State Cont.	% of Payroll
1982	$872.4	$1,561.4	179.0	$69.1	7.9	$112.9	$182.0	20.2	$55.0	6.3
1983	908.3	1,640.0	180.6	76.0	8.4	127.4	203.4	21.6	52.3	5.8
1984	1,016.2	1,849.7	182.0	82.0	8.1	134.4	216.4	20.5	70.2	6.9
1985	1,141.9	2,009.6	176.0	89.3	7.8	152.3	241.6	20.3	83.5	7.3
1986	1,275.9	1,924.2	150.8	100.2	7.9(B)	166.4	266.6	20.0	94.7	7.4
1987	1,370.2	2,090.5	152.6	97.2	7.1	113.6	210.8	14.9	77.9	5.7
1988	1,427.6	2,279.8	159.7	105.2	7.4	169.2	274.4	18.7	83.4	5.8
1989	1,536.7	2,607.2	169.7	108.6	7.1	184.5	293.1	18.5	93.8	6.1
1990(D)	1,676.0	2,938.4	175.3	151.9	9.1	210.4	362.3	21.0	113.3	6.8
1991	1,768.5	3,117.7	176.3	163.1	9.2	238.7	401.8	22.0	117.6	6.6

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.
(B) Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.
(C) Normal cost plus amortization.
(D) Funding method changed from entry age normal to projected unit credit.

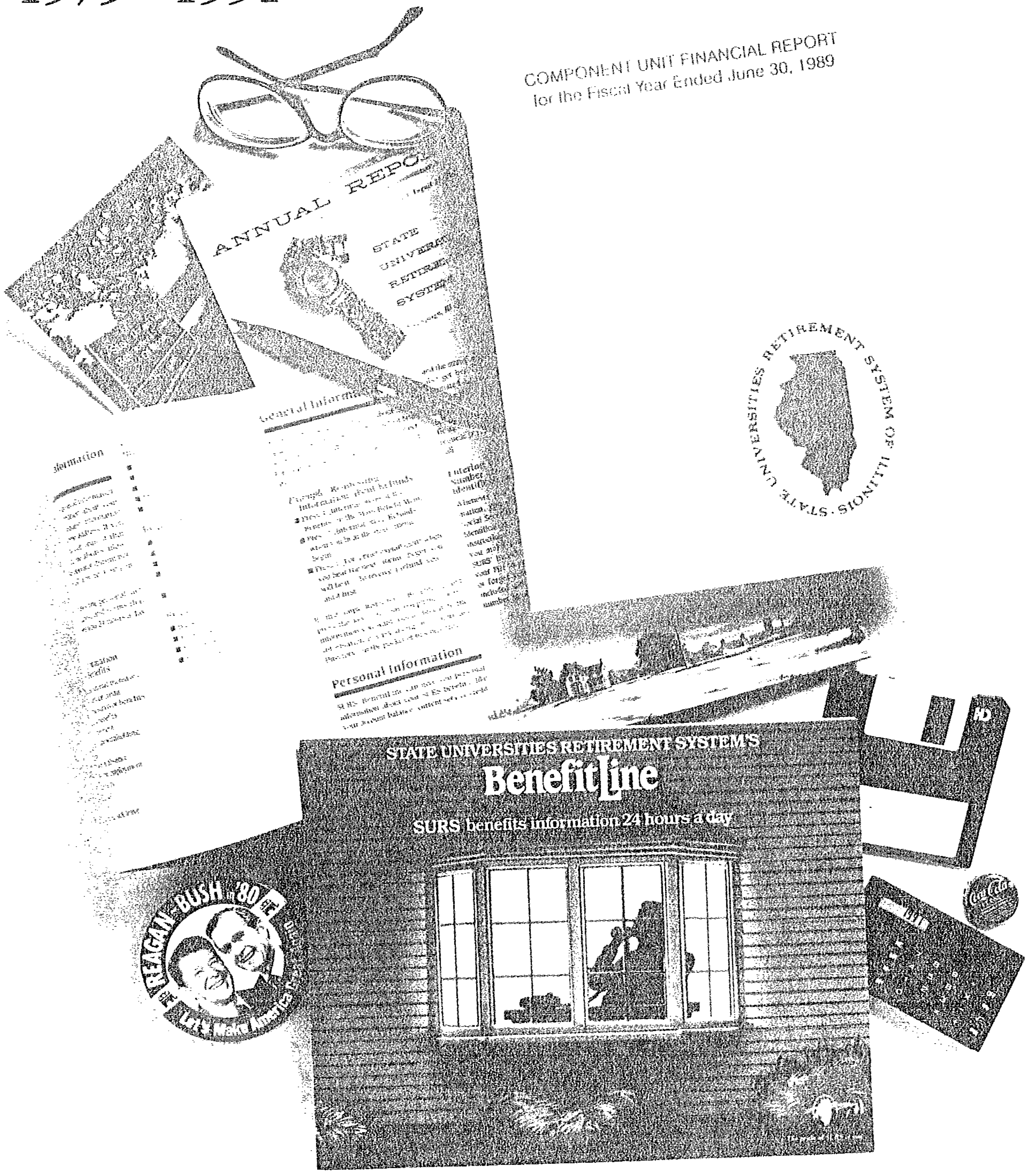
1952 - 1979
GROWING THE SYSTEM

The Era of Exploration and Expansion

Ed Gibala became Executive Director of SURS during one of the most burgeoning periods in history. As the nation proceeded to reach new heights - climbing Mount Everest, exploring space, developing life-saving technology - Ed did his part to help pass legislation that expanded SURS benefits and set a standard for other public retirement systems. He served until June 1979, when he retired.

STATISTICAL SECTION

1979 - 1991



1979 - 1991
SURS FUN FACTS

1979

- *In October, SURS purchased its first computer, the IBM 4331 Central Processing Unit (CPU) with one megabyte (Mb) of memory.*

1980

- *There were 35 employees at SURS.*

1983

- *SURS distributed the first issue of* Newsnotes, *the annuitant's newsletter.*
- *SURS received its first Certificate of Achievement for Excellence in Financial Reporting from the Government Finance Officers Association of the U.S. and Canada.*

1984

- *The first electronic funds transfer was made in July.*

1986

- *The IBM 4331 CPU was upgraded to the IBM 4361 CPU, with eight MB of memory.*

1987

- *The Personal Benefits Summary Statement was provided for the first time to all active participants, estimating the value of their SURS benefits.*

1989

- *At year end, SURS was providing over 17,400 monthly benefit payments. More than 75% were paid via electronic funds transfer.*

1990

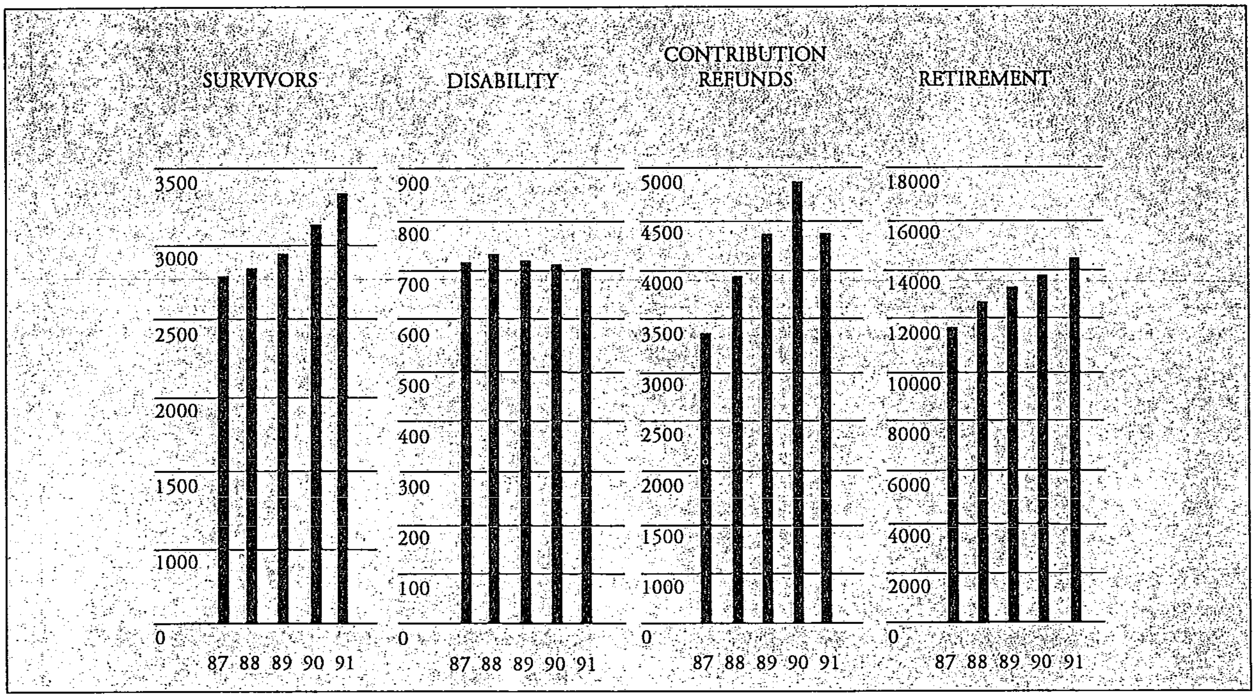
- *Since inception, SURS has paid a total of $2,091,000,000 in benefits.*

1979 - 1991
THE SYSTEM MATURES

The Information Age

It was an era of fiber optics and microcomputers, a time for East to meet West, an age when communication barriers came tumbling down. As communication flourished throughout the world, Don Hoffmeister helped to increase benefit awareness at SURS. He was the System's third Executive Director. Don joined SURS as Assistant Director in 1969 and was appointed Executive Director in July 1979. He served until his retirement in February 1991.

BENEFIT RECIPIENTS

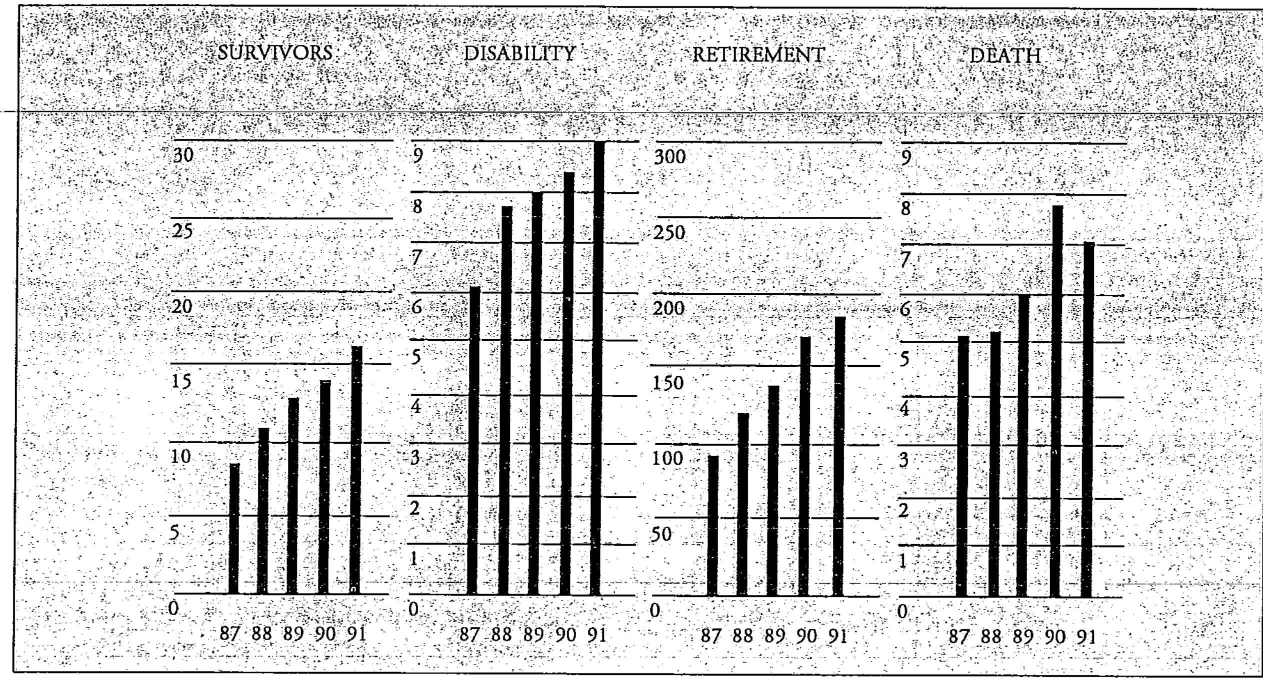


10-YEAR SUMMARY

Fiscal Year (A)	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
1982	1,995	872	3,461	7,737	35
1983	2,117	814	2,657	8,432	50
1984	2,321	750	2,832	9,217	71
1985	2,440	695	3,943	9,982	91
1986	2,585	698	4,305	10,809	101
1987	2,766	729	3,421	11,620	116
1988	2,830	741	3,955	12,495	135
1989	2,959	722	4,399	13,132	149
1990	3,183	715	4,834	13,958	160
1991	3,377	701	4,407	14,321	180

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

BENEFIT EXPENSES



10-YEAR SUMMARY
($ millions)

Fiscal Year (A)	Survivors' Annuities	Disability Benefits	Disability Retirement Allowance	Retirement Annuities	Lump Sum Death Benefits	Total
1982	$6.0	$6.7	$0.1	$53.4	$3.8	$70.0
1983	6.8	6.8	0.1	61.7	3.3	78.7
1984	7.8	7.1	0.2	71.4	4.7	91.2
1985	8.7	6.9	0.3	82.5	3.4	101.8
1986	9.4	6.8	0.4	94.3	4.6	115.5
1987	8.7	6.2	0.4	89.4	5.2	109.9
1988	11.5	7.7	0.5	123.6	5.3	148.6
1989	12.5	8.0	0.6	139.2	6.0	166.3
1990	14.1	8.4	0.7	163.5	7.8	194.5
1991	16.2	9.0	0.8	178.0	7.1	211.1

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

BENEFIT SUMMARY

SCHEDULE OF NEW BENEFIT PAYMENTS
July 1, 1990 through June 30, 1991

	Retirement		Disability		Survivors	
Age	Number	Average Monthly Benefit	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 9					10	$324
10-14					8	299
15-19					10	326
20-24						
25-29					1	300
30-34			6	$930		
35-39			9	1,014	1	180
40-44			12	989	2	335
45-49			18	1,096	4	325
50-54	6	$2,497	21	1,124	17	513
55-59	181	1,638	18	876	25	772
60-64	347	1,437	28	1,226	43	700
65-69	271	1,421	22	1,150	45	548
70-74	96	1,940			43	423
Over 74	4	275			58	476
	905	$1,528	134	$1,084	267	$522

Average Age 62.0 years

BENEFIT SUMMARY

SCHEDULE OF AVERAGE BENEFIT PAYMENTS
For Retirees As Of June 30

	Years of Credited Service						
	0-10	11-15	16-20	21-25	26-30	30+	Total
Fiscal Year 1985							
Number of Retirees	1,940	2,074	1,858	1,163	992	1,955	9,982
Average Monthly Annuity	$219	$335	$544	$751	$1,031	$1,523	$701
Final Average Salary	$13,484	$15,550	$18,364	$19,360	$21,127	$23,674	$18,256
Average Credited Service							19.53
Fiscal Year 1986							
Number of Retirees	2,070	2,172	2,088	1,342	1,077	2,060	10,809
Average Monthly Annuity	$223	$351	$582	$807	$1,101	$1,606	$741
Final Average Salary	$13,771	$16,194	$19,430	$20,858	$22,378	$24,763	$19,181
Average Credited Service							19.54
Fiscal Year 1987							
Number of Retirees	2,161	2,372	2,242	1,484	1,183	2,178	11,620
Average Monthly Annuity	$229	$370	$616	$860	$1,169	$1,710	$790
Final Average Salary	$13,984	$16,723	$20,177	$22,006	$23,502	$25,920	$19,996
Average Credited Service							19.63
Fiscal Year 1988							
Number of Retirees	2,428	2,326	2,371	1,742	1,303	2,325	12,495
Average Monthly Annuity	$277	$380	$649	$937	$1,250	$1,820	$847
Final Average Salary	$14,343	$17,863	$20,856	$23,743	$24,800	$27,338	$21,132
Average Credited Service							19.54
Fiscal Year 1989							
Number of Retirees	2,385	2,402	2,492	1,981	1,424	2,448	13,132
Average Monthly Annuity	$244	$399	$686	$1,011	$1,337	$1,933	$905
Final Average Salary	$14,702	$18,369	$21,680	$25,245	$26,170	$28,755	$22,154
Average Credited Service							19.86
Fiscal Year 1990							
Number of Retirees	2,658	2,433	2,572	2,187	1,540	2,568	13,958
Average Monthly Annuity	$306	$431	$736	$1,106	$1,445	$2,083	$985
Final Average Salary	$15,020	$18,964	$22,309	$26,651	$27,496	$30,331	$23,175
Average Credited Service							19.72
Fiscal Year 1991							
Number of Retirees	2,526	2,501	2,643	2,326	1,665	2,660	14,321
Average Monthly Annuity	$265	$452	$772	$1,171	$1,550	$2,224	$1,051
Final Average Salary	$15,400	$18,672	$22,947	$27,584	$29,067	$32,028	$24,020
Average Credited Service							20.06

BENEFIT SUMMARY

SCHEDULE OF BENEFIT RECIPIENTS BY TYPE OF BENEFIT
For the Year Ended June 30, 1991

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
$0-200	1,846	526	378		940	2		
201-400	2,640	1,013	747		784	96		
401-600	1,883	1,025	608		187	63		
601-800	1,369	864	475	2	19	9		
801-1000	1,089	792	285	4		8		
1001-1200		895	673	218	2		2	
1201-1400	1,448	589	187	9				663
1401-1600	2,223	521	148	15			17	1,522
1601-1800	1,316	481	113	14			80	628
1801-2000	942	422	92	17			176	235
2001-2200	774	360	86	14			164	150
2201-2400	506	303	58	8			66	71
2401-2600	388	235	38	8			57	50
2601-2800	321	189	40	7			58	27
2801-3000	232	152	28	2			41	9
3001-3200	176	123	25	2			16	10
3201-3400	128	83	28	2			10	5
3401-3600	93	78	5				6	4
3601-3800	60	44	7	1			6	2
3801-4000	45	38	5				1	1
Over 4000	205	185	17				3	
	18,579	8,696	3,588	107	1,930	180	701	3,377

(A) Minimum annuity and retirements of participants who terminated prior to 1969.

ASSETS AND LIABILITIES
10-YEAR SUMMARY

ASSETS
($ millions)

Fiscal Year (A)	Receivables	Investments	Property and Equipment	Total
1982	$32.2	$1,212.1	$0.5	$1,244.8
1983	23.4	1,389.0	0.6	1,413.0
1984	21.3	1,516.0	0.7	1,538.0
1985	34.5	1,726.0	0.6	1,761.1
1986	23.1	2,249.3	0.8	2,273.2
1987	15.1	2,458.0	0.9	2,474.0
1988	15.4	2,687.5	0.9	2,703.8
1989	28.1	2,967.7	1.0	2,996.8
1990	24.1	3,281.4	2.0	3,307.5
1991	27.7	3,513.5	4.6	3,545.8

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

LIABILITIES
($ millions)

Fiscal Year (A)	Accounts Payable	Deferred Income	Fund Balances	Total
1982	$3.0	$1.8	$1,240.0	$1,244.8
1983	2.5	6.2	1,404.3	1,413.0
1984	6.3	6.7	1,525.0	1,538.0
1985	3.0	5.8	1,752.3	1,761.1
1986	9.7	5.5	2,258.0	2,273.2
1987	3.3	0.2	2,470.5	2,474.0
1988	5.5	0.3	2,698.0	2,703.8
1989	6.5	0.3	2,990.0	2,996.8
1990	7.3	0.2	3,300.0	3,307.5
1991	16.0	0.0	3,529.8	3,545.8

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 were 12 months in length.

ACTIVE PARTICIPANT STATISTICS
10-YEAR SUMMARY

Fiscal Year (A)	Males	Females	Total Actives	Percent Change	Average Salary	Average Age	Average Service Credit
1982	22,111	19,208	41,319	1.7	$21,114	43.5	9.0
1983	22,004	19,585	41,589	0.6	21,840	43.3	9.7
1984	22,919	21,607	44,526	6.6	22,823	43.1	8.9
1985	24,327	24,082	48,409	8.0	23,589	42.6	8.5
1986	25,259	25,866	51,125	5.3	24,956	42.4	8.4
1987	26,009	26,756	52,765	3.1	25,968	42.7	7.8
1988	25,824	26,898	52,722	-0.1	27,078	42.8	9.0
1989	25,694	27,602	53,296	1.1	28,834	43.0	9.1
1990	26,187	28,783	54,970	3.0	30,878	43.2	9.1
1991	26,401	29,674	56,075	2.0	31,735	44.0	9.1

(A) Fiscal years 1982 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

ANALYSIS OF CHANGE IN MEMBERSHIP

Fiscal Year (A)	Beginning Members	Additions	Retired	Died	Other Terminations	Ending Members
1984	41,589	7,700	464	130	4,169	44,526
1985	44,526	8,861	459	85	4,434	48,409
1986	48,409	8,191	513	95	4,867	51,125
1987	51,125	5,228	346	77	3,165	52,765
1988	52,765	6,790	904	109	5,820	52,722
1989	52,722	7,503	759	101	6,069	53,296
1990	53,296	7,923	673	114	5,462	54,970
1991	54,970	7,135	552	82	5,396	56,075

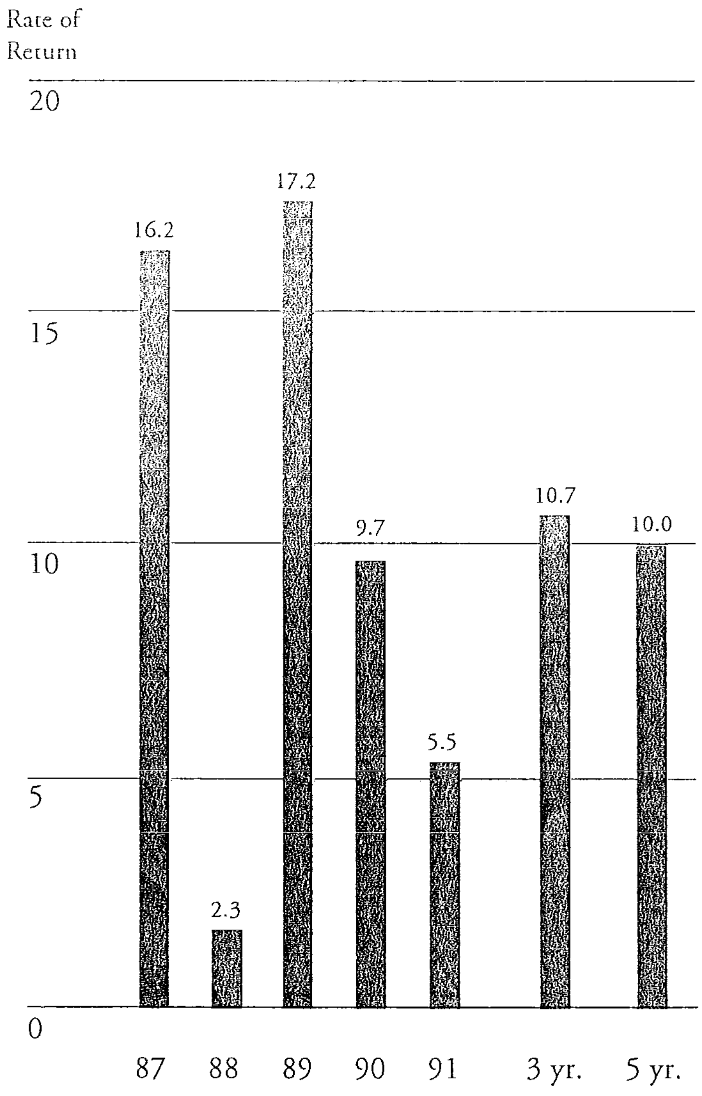
(A) Fiscal years 1984 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

PARTICIPATING EMPLOYERS 1991

Belleville Area College
Black Hawk College
Board of Governors
Board of Governors Cooperative Computer Center
Board of Regents
Carl Sandburg College
Chicago State University
City Colleges of Chicago
College of DuPage
College of Lake County
Danville Area Community College
Eastern Illinois University
Elgin Community College
Governors State University
Hazardous Waste Research and Information Center
Heartland Community College
Highland Community College
Illinois Board of Higher Education
Illinois Central College
Illinois Community College Board
Illinois Community College Trustees Association
Illinois Eastern Community Colleges
Illinois Mathematics and Science Academy
Illinois State University
Illinois Valley Community College
John A. Logan College
John Wood Community College
Joliet Junior College
Kankakee Community College
Kaskaskia College
Kishwaukee College
Lake Land College
Lewis & Clark Community College
Lincoln Land Community College
McHenry College
Moraine Valley Community College
Morton College
Northeastern Illinois University
Northern Illinois University
Oakton Community College
Parkland College
Prairie State College
Rend Lake College
Richland College
Rock Valley College
Sangamon State University
Sauk Valley College
Shawnee College
Southern Illinois University at Carbondale
Southern Illinois University at Edwardsville
Southern Illinois University Foundation
South Suburban College
Southeastern Illinois College
Spoon River College
State Community College of East St. Louis
State Geological Survey
State Natural History Survey
State Universities Civil Service System
State Universities Retirement System
State Water Survey
The University of Illinois at Chicago
Triton College
University of Illinois - Alumni Association
University of Illinois - Foundation
University of Illinois - Urbana
Waubonsee Community College
Western Illinois University
William Rainey Harper College

INVESTMENT SECTION

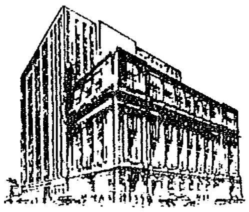
PERFORMANCE SUMMARY
ANNUALIZED PERCENT RETURN
For the periods ended June 30



INVESTMENT HISTORY

Prior to 1982, the State Universities Retirement System's investment policy included two asset classes -- U.S. common stock and U.S. fixed income securities. Common stock investments were limited to 40% of the fund. In 1982, the State of Illinois adopted the Prudent Person Rule, which provided the trustees flexibility in setting investment policy. Today, the System's portfolio is a well-diversified, multi-asset class structure designed to provide superior stable rates of returns.

CERTIFICATION LETTER



THE NORTHERN TRUST COMPANY

FIFTY SOUTH LA SALLE STREET
CHICAGO, ILLINOIS 60675

TELEPHONE (312) 630-6000

Master Trustee's Comments on the Services Provided

To the Board of Trustees and the Executive Director:

The Northern Trust Company as Master Trustee has provided detailed financial reports of all investments, receipts, disbursements, purchases and sales of securities and other transactions pertinent to the Fund for the period July 1, 1990 through June 30, 1991. Also, a statement of assets together with their fair market value was provided, showing the properties held as of June 30, 1991. The Northern Trust Company certifies that the statements contained therein are fairly presented and are true and accurate.

In addition to the Custody of the assets, The Northern Trust Company provided and will continue to provide the following services as Master Trustee:

1. Receive and hold all amounts paid to the Trust Fund by the Board of Trustees.
2. Accept and deliver securities in accordance with the instructions of appointed Investment Managers.
3. Collect dividends and registered interest payments.
4. Collect matured or called securities and coupons.
5. Securities Lending.
6. Begin, maintain or defer any litigation necessary in connection with the investment, reinvestment of the Trust Fund and the administration of the Master Trust.
7. Invest cash balances held from time to time in the individual investment management accounts in short term -- cash equivalent securities.
8. Exercise rights of ownership in accordance with pre-described jurisdiction and direction of proxy voting, stock subscriptions and conversion rights.
9. Hold securities in the name of the Master Trust or nominee form.
10. Use the Federal Book Entry Account System for deposit of Treasury securities and clearing corporations as defined in Article 8 of the Illinois Uniform Commercial code for the deposit of securities.
11. Employ agents with the consent of the Board of Trustees.
12. Provide disbursement and security fail float income.

THE NORTHERN TRUST COMPANY

By: Susan L. Gilpin
Susan L. Gilpin
Vice President

INVESTMENT SUMMARY 1991

STATEMENT OF INVESTMENT POLICY

INVESTMENT POLICY

Permissible Equity Investment
A goal of 55% of the market value of the fund is to be invested in equity securities with a target of 10% of the market value of the fund invested in non-U.S. equity securities.

Permissible Real Estate Investment
Up to 15 % of the market value of the fund may be invested in diversified equity real estate or mortgages.

DIVERSIFICATION

The State Universities Retirement System (SURS) invests in different types of assets and uses multiple managers as a method to ensure overall fund diversification. As of June 30, 1991, the System had retained the services of nine investment managers.

Each investment management firm is afforded full discretion to diversify its portfolio in a manner it deems appropriate. The Trustees have created guidelines to direct the investment managers in their execution of the overall investment policy. The guidelines are specific to the type of portfolio managed.

INVESTMENT OBJECTIVES

Overall fund performance is compared with the performance of a *policy portfolio* comprised of 45% of the Wilshire 5000 Stock Index, 10% of the currency hedged Europe, Australia, and Far East Index (EAFE), 30% of the Salomon Brothers Broad Investment Grade Bond Index, and 15% of the Ennis, Knupp & Associates Real Estate Index. The investment objective is to equal or exceed the policy portfolio rate of return. The policy portfolio has been continually updated to reflect a passive implementation of the investment policy. Comparisons of total fund performance is also made with a universe of funds implementing generally comparable investment policies.

ASSET ALLOCATION

TOTAL FUND

The investment policy of SURS provides an efficient allocation of assets to achieve overall risk and return objectives. Proper implementation of this policy requires that a periodic adjustment, or *rebalancing*, of assets be made to ensure conformance with policy target levels. Such rebalancing is necessary to reflect sizable cash flows and performance imbalances among asset classes and investment managers.

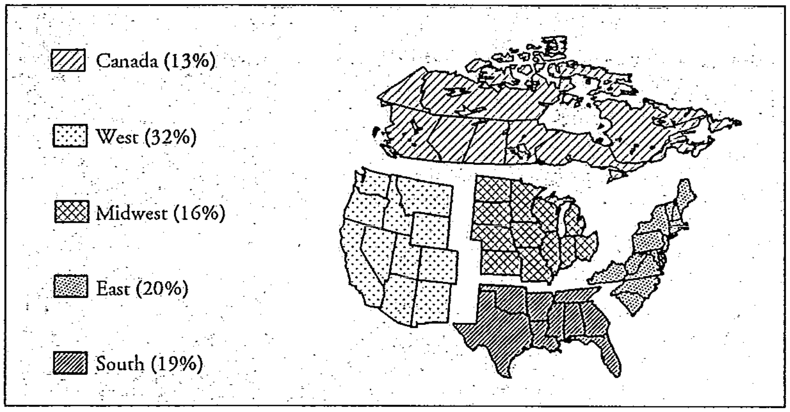
The fund did not require rebalancing during fiscal year 1991, as the asset allocation stayed within target levels throughout the year. At year end, the 56% of the fund invested in stocks was slightly over the 55% target. Bonds, with a goal of 30%, stood at 34%. The combined overweighting in stocks and bonds (5% of the total fund) was offset by a like underweighting in real estate, 10% invested versus a 15% goal.

INVESTMENT SUMMARY 1991

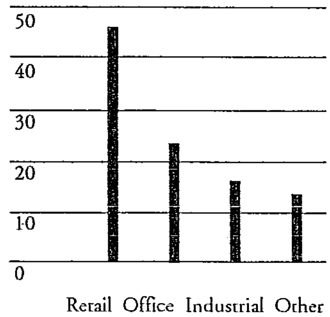
SURS REAL ESTATE

With 10% of the fund invested in real estate, SURS does have limited exposure to the well publicized problems in real estate. SURS, however, has been a very conservative investor and has lessened the risk by limiting leverage and diversifying by geographic location and property type. SURS favors investing in existing, high quality, fully leased property. No new real estate investments have been made in over three years.

Geographic Diversification



Property Type Distribution



NEW STOCK MANAGERS HIRED

In July 1990, the Board terminated its seven year relationship with Batterymarch Financial Management. In fiscal year 1991, the Board selected six new active stock managers, allocating a total of $190 million. Ariel Capital Management was funded on January 1, 1991. The remaining five were funded in fiscal year 1992. The criteria for selection were designed to ensure that qualified women and minority owned firms were not excluded from the search process. Of the six firms hired, three are women or minority owned.

The firms offer a variety of investment styles and compliment Fayez Sarofim and Company, an equity manager for SURS since 1981. Fayez Sarofim is a large growth manager .

Manager Name	Location	Investment Style	Allocation (*$ millions*)
Amerindo Investment Advisors	San Francisco, CA	Small Growth	$25
Ariel Capital Management	Chicago, IL	Small Value	$25
Fisher Investments	Woodside, CA	Small Company	$25
Rosenberg Institutional Equity	Orinda, CA	Large and Small Value	$50
Smith Barney	New York, NY	Large Value	$50
Zevenbergen	Seattle, WA	Growth	$15

These managers have all demonstrated an ability to earn above market returns. They are stable organizations whose professionals have experience in managing funds such as SURS. SURS has negotiated performance based fees with several of the managers. These fees provide a clear understanding of what we expect in terms of return goals. Performance based fees provide for a sharing with the manager of both success and failure.

INVESTMENT SUMMARY 1991

INVESTMENT RESULTS

INVESTMENT MARKETS

During the past 12 months, investment markets experienced...

- Iraq invading Kuwait and the resulting Gulf War
- Wide swings in world stock markets

U.S.	
August 1990	-10%
February 1991	+8%

Non-U.S.	
August 1990	-15%
September 1990	+15%

- Recession, U.S. unemployment rates swelled to 7% from 5.5%
- Short-term rate declines of over 1% as the Federal Reserve attempted to jump start the economy
- Moderate inflation of 4.7%
- Deteriorating real estate markets

PORTFOLIO RETURN

As a portfolio manager for SURS assets, we are relieved to have the past year over and are pleased to have earned a positive 5.5% return for the year. SURS results continue to be favorable for longer periods, averaging 10% per year over the past five years. SURS continues to outperform its goal of doing better than the markets in which it is invested. SURS has recently lagged the public fund median because of its higher than typical allocation to foreign stocks and real estate although these investments have contributed positively in the past.

INVESTMENT RETURNS

	Fiscal Year Ended June 30					Annualized	
	1987	1988	1989	1990	1991	3 Years	5 Years
Total Fund							
SURS	16.2%	2.3%	17.2%	9.7%	5.5%	10.7%	10.0%
Policy Portfolio	15.0	0.5	15.2	8.5	3.6	9.0	8.4
CDA Public Retirement Funds Index	13.7	0.5	14.4	10.2	8.8	11.1	9.4
CPI	3.6	3.9	5.0	4.6	4.6	4.7	4.3
U.S. Common Stock Returns							
SURS	22.9	-5.8	21.7	12.9	8.2	14.2	11.5
S&P 500 Stock Index	25.1	-6.9	20.6	16.5	7.4	14.7	11.9
Wilshire 5000	20.1	-5.9	19.5	12.7	7.0	13.0	10.2
Foreign Stock Returns							
SURS	61.3	5.1	17.6	4.2	-15.8	1.1	11.8
Currency Hedged EAFE Index	59.2	4.4	17.4	1.9	-14.6	0.7	11.2
Bond Returns							
SURS	6.1	9.0	13.4	7.6	10.9	10.6	9.4
Shearson/Lehman G/C Bond Index	4.7	7.5	12.3	7.1	10.2	9.9	8.3
Salomon Broad Investment Grade Index	5.6	8.2	12.2	7.7	10.8	10.2	8.9
Real Estate Returns							
SURS	5.3	7.4	9.5	8.5	-4.3	4.4	5.2
Ennis, Knupp & Assoc-Real Estate Index	6.4	6.9	6.8	4.9	-6.5	1.6	3.6

INVESTMENT SUMMARY 1991

ASSET ALLOCATION AS OF JUNE 30, 1991
($ thousands)

	Equity	Fixed Income	Real Estate	Market Value	% Of Fund
Stock Managers - Passive					
Wells Fargo/Nikko Investment Advisors					
U.S. Equity Market	$1,052,259	$125	$0	$1,052,384	25
Extended Market	194,908	0	0	194,908	5
S&P 500 Index	160,931	0	0	160,931	4
South Africa Free International	89,883	0	0	89,883	2
International	211,488	0	0	211,488	5
Currency Hedge	0	5,283	0	5,283	0
Subtotal	1,709,469	5,408	0	1,714,877	41
Stock Managers - Active					
Ariel Capital	26,792	3,469	0	30,261	1
Fayez Sarofim and Company	549,937	333	0	550,270	13
Pacific Investment - StocksPlus	13,382	0	0	13,382	0
Internal Management	23,354	17	0	23,371	1
Subtotal	613,465	3,819	0	617,284	15
Venture Capital Manager					
Brinson Partners	9,072	763	0	9,835	0
Bond Manager - Passive					
Wells Fargo/Nikko U.S. Debt	0	360,678	0	360,678	9
Bond Managers - Active					
Pacific Investment	17,237	926,959	0	944,196	22
Cash/GICs	0	128,693	0	128,693	3
Subtotal	17,237	1,055,652	0	1,072,889	25
Real Estate Managers					
Aetna Real Estate	0	0	79,075	79,075	2
Equitable Prime Property Fund	0	0	82,541	82,541	2
JMB - Cadillac Fairview	0	0	67,754	67,754	1
Rosenberg Real Estate	0	0	205,029	205,029	5
Subtotal	0	0	434,399	434,399	10
TOTAL ASSET ALLOCATION	**$2,349,243**	**$1,426,320**	**$434,399**	**$4,209,962**	**100**
% OF TOTAL FUND	56%	34%	10%	100%	

INVESTMENT PORTFOLIO 1991

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Abbott Labs	256,600	$6,755,121	$13,279,050
Air Product & Chemical Inc	2,300	128,240	154,963
Amer Greetings Corp Cl A	17,090	626,989	549,016
Amer Telephone & Telegraph	21,300	720,828	814,725
Amerada Hess Corp	1,400	69,195	71,925
American Brands Inc	2,000	73,525	78,500
American Ecology Corp	4,300	21,932	55,900
American Express Co	150,000	2,208,936	3,375,000
American General Corp	225,341	6,241,065	8,534,790
American Home Products Corp	201,500	5,743,250	12,014,437
American Intl Group Inc	3,750	259,260	315,938
American Stores Co	81,500	4,506,924	6,723,750
Amoco Corporation	201,100	6,519,054	10,180,687
Angelica Corp	31,440	976,806	1,230,090
Anheuser-Busch Co Inc	261,700	2,888,186	12,627,025
Archer-Daniels-Midland Co	3,118	59,437	73,662
Armor All Products Corp	47,000	540,290	434,750
Asarco Incorporated	2,500	75,375	64,688
Ashland Oil Inc	2,600	84,305	78,975
Atlantic Richfield Co	3,000	362,869	344,250
Auto Data Processing Inc	2,500	85,750	81,250
Banc One Corporation	2,900	70,933	110,925
Bank America Corp	5,300	143,755	192,125
Bausch & Lomb Inc	1,100	73,892	88,962
Becton Dickinson & Co	1,000	65,208	74,375
Bemis Co Incorporated	2,500	88,562	84,687
Beneficial Corp	1,600	59,420	90,600
Boeing Company	195,300	5,541,815	8,934,975
Briggs & Stratton Corp	2,700	62,829	88,763
Bristol Myers Squibb Co	8,200	457,867	637,550
Caesars World Inc	23,840	349,375	572,160
Cent Sprinkler Corp	41,200	540,555	463,500
Central & S. W. Corp	1,600	67,680	72,000
Chevron Corporation	201,500	10,065,695	14,180,563
Chubb Corporation	3,200	125,538	223,200
CIGNA Corporation	1,700	63,682	79,263
Clorox Company	41,700	1,576,465	1,636,725
Coastal Corporation	2,600	91,910	75,400
Coca Cola Company	760,200	10,187,580	41,430,900
Coca Cola Enterprises Inc	65,000	1,072,500	1,145,625
Commonwealth Edison Co	2,600	95,030	93,925
Community Psychiatric Ctr	2,800	65,478	84,000
Computer Sciences Corp	1,300	61,815	89,863
Cooper Industries Inc	1,300	64,740	69,713
Cooper Tire & Rubber Co	4,200	60,197	122,850
Crane Company	3,300	90,090	90,750
Dayton-Hudson Corp	66,200	3,015,925	4,733,300
Detroit Edison Co	2,400	50,806	68,400
Dial Corp Arizona	2,400	83,220	82,200

INVESTMENT PORTFOLIO 1991

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Dover Corporation	2,000	$62,100	$78,750
Dow Chemical Co	204,900	11,486,714	10,885,312
Dreyfus Corp	13,000	428,285	474,500
Du Pont E I De Nemours	268,800	5,670,013	12,331,200
E G & G Incorporated	2,100	65,730	84,525
Eastman Kodak Co	100,000	4,046,567	3,875,000
Ecolab Incorporated	46,280	1,023,238	1,278,485
Engelhard Corp	3,300	85,140	97,762
Enron Corp	1,100	60,967	63,387
Entergy Corp	3,400	69,014	79,050
Exxon Corp	192,900	10,671,320	11,212,313
E-Systems Inc	2,100	64,617	84,788
F P L Group Inc	2,900	88,595	88,087
Federal Paper Board Co Inc	4,500	110,363	137,813
First Brands Corp	56,125	1,186,310	1,571,500
Fleming Companies Inc	34,800	1,237,964	1,383,300
Fluor Corp	1,000	50,925	47,000
Ford Motor Co	330,000	5,678,150	11,880,000
F.N.M.A.	6,300	180,396	311,850
General Binding Corp	57,700	806,766	1,110,725
General Electric Co	345,200	8,041,290	25,544,800
General RE Corp	1,600	117,718	152,200
Genuine Parts Co	8,500	346,917	364,438
Giant Food Inc Cl A	2,700	60,142	79,312
Grumman Corp	4,000	83,001	71,500
GTE Corp	17,530	506,679	519,326
Handleman Co	68,150	858,315	911,506
Harland John H Co	3,700	70,485	82,325
Harnischfeger Ind Inc	4,400	62,238	90,750
Hasbro Inc	35,900	566,358	996,225
Heinz H J Co	325,000	5,865,157	11,984,375
Hewlett-Packard Co	8,600	392,805	436,450
Honeywell Inc	1,600	74,540	97,000
Humana Inc	1,600	74,080	76,600
Hunt Manufacturing Co	61,700	743,071	940,925
Inco Ltd	370,000	7,933,361	13,273,750
Intel Corp	8,900	374,541	413,850
Interface Inc Cl A	83,000	804,659	1,130,875
International Paper Co	2,200	137,335	155,100
Johnson Worldwide Assoc	28,700	621,499	617,050
Johnson & Johnson	5,100	275,453	425,850
JWP Inc	4,600	69,230	75,900
Kellogg Co	145,000	4,674,865	14,264,375
Kimberly-Clark Corp	2,500	195,643	238,750
King World Productions Inc	3,100	63,860	90,675
Lilly Eli & Co	184,400	3,703,649	13,253,750
Liz Claiborne Inc	2,700	64,489	126,562
Loews Corp	100,000	7,126,269	10,012,500
Long Drug Stores Corp	28,300	1,108,521	1,245,200

INVESTMENT PORTFOLIO 1991

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Loral Corp	2,100	$67,767	$85,313
Lubys Cafeterias Inc	3,500	65,275	63,875
Marriott Corp	150,000	4,770,616	2,662,500
Marsh & Mc Lennan Co Inc	45,000	2,888,667	3,521,250
Martin-Marietta Corp	1,772	81,459	99,011
Mattel Inc	3,800	81,972	96,900
May Dept Stores Co	201,700	5,685,700	10,740,525
Mc Cormick & Co Inc	7,400	191,766	296,000
Mc Donalds Corp	2,500	63,956	82,188
Merck & Co Inc	316,000	12,438,262	36,695,500
Miller Herman Inc	32,500	582,180	666,250
Minnesota Mining & Mfg Co	100,800	4,956,959	9,437,400
Mobil Corp	176,300	3,103,315	11,327,275
Monsanto Co	2,500	144,500	165,000
Morgan J P & Co Inc	2,805	128,057	146,210
M/A-COM Inc	9,800	69,090	53,900
Natl Med Enterprises Inc	2,000	62,663	87,250
NICOR Inc	1,500	56,700	64,875
NIKE Inc Cl B	2,300	51,777	83,087
Norfolk Southern Corp	175,000	7,713,358	7,984,375
Northrop Corp	3,700	70,947	93,887
Omnicom Group Inc	35,750	860,740	1,014,406
ONEOK Inc	5,800	85,115	82,650
Oshkosh B Gosh Inc Cl A	21,300	509,176	857,324
Owens Corning Fiberglass	190,000	4,191,832	5,058,750
Pacific Gas & Electric Co	10,400	246,833	262,600
Pacificorp	7,800	167,565	163,800
Penney JC Co Inc	169,000	5,658,027	8,957,000
Pennzoil Co	115,000	4,047,959	8,265,625
Pepsico Inc	612,200	5,238,939	17,753,800
Philadelphia Electric Co	3,700	72,797	74,462
Philip Morris Companies	875,500	6,695,062	55,594,250
Pittston Co	4,600	83,605	77,625
Price Co	2,100	61,425	113,400
Price T Rowe Assoc Inc	35,000	827,925	962,500
Primerica Corp	3,200	66,432	88,800
Procter & Gamble Co	206,300	8,435,576	15,962,462
Pub Svc Co NH Contingent Wt	154,381	186,740	260,441
Pub Svc Enterprise Grp Inc	6,658	178,033	172,276
Public Service Co N H	361,040	6,807,218	6,995,150
Ralston Purina Co	1,400	65,643	68,600
Raytheon Co	1,800	119,249	144,000
Reebok Intl	3,800	86,640	92,625
RJR Nabisco Holdings Corp	100,000	1,125,000	1,050,000
Royal Dutch Petroleum Co	132,000	3,492,550	10,230,000
Russell Corp	46,800	1,047,584	1,117,350
Ryan's Family Stk Hses Inc	11,500	61,324	90,563
San Diego Gas & Electric Co	122,600	4,864,359	4,582,175

INVESTMENT PORTFOLIO 1991

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Sanford Corp Ill	28,900	$680,017	$787,525
Sara Lee Corp	50,000	1,952,510	2,018,750
SCE Corp	5,600	213,950	217,700
Schlumberger Ltd	3,600	218,097	211,950
Seagram Co Ltd	2,600	200,737	272,025
Sealright Co	43,000	890,785	1,048,125
Sears Roebuck & Co	2,200	85,360	83,325
SEI Corp	30,000	655,275	787,500
Sherwin-Williams Co	4,000	67,100	97,500
Shorewood Packaging Corp	65,000	489,450	690,625
Stanhome Inc	23,300	751,558	780,550
Stride Rite Corp	2,700	62,505	121,500
Sun Trust Banks Inc	5,900	141,214	177,738
Super Valu Stores Inc	3,200	87,760	89,200
Tambrands Inc	180,000	3,437,888	9,225,000
Teledyne Inc	100,000	1,512,226	1,900,000
Temple Inland Inc	95,100	1,242,772	4,315,163
Texaco Inc	1,000	49,457	60,125
Textron Inc	1,700	50,660	54,613
Times Mirror Co Cl A	200,000	5,961,162	5,900,000
Topps Inc	24,000	416,130	342,000
Toys R Us Inc	150,000	3,725,830	4,218,750
Unilever NV	1,300	97,892	103,512
Union Carbide Corp	4,400	116,289	89,650
Union Pacific Corp	2,100	149,314	175,350
United Stationers Inc	55,000	489,225	591,250
Unitrin Inc	100,000	1,542,590	3,400,000
U.S. Bancorp	2,000	52,000	60,000
U.S. West	8,700	329,660	307,763
Walgreen Co	2,200	71,060	73,150
Walt Disney Company	80,000	9,274,079	8,920,000
Wal-Mart Stores Inc	117,200	2,523,463	5,010,300
Warner-Lambert Co	160,000	4,846,368	11,600,000
Waste Management Inc	132,500	4,534,745	4,836,250
Western Pubg Group Inc	27,900	294,237	320,850
Wetterau Inc	2,500	77,016	69,688
Williams Co Inc	1,400	48,195	44,450
Winn-Dixie Stores Inc	1,900	75,857	72,912
Xerox Corp	1,400	78,120	75,600
Zurn Industries Inc	2,000	64,050	70,000
MUTUAL FUNDS & LIMITED PARTNERSHIPS			
Pacific Investment Stocksplus	100,000	10,000,000	13,382,060
Wells Fargo/Nikko Extended Market Fund	6,182,889	173,472,406	194,908,014
Wells Fargo/Nikko International Fund	3,975,248	134,671,741	211,488,111
Wells Fargo/Nikko S Africa Free Int'l Fund	11,135,301	113,659,339	89,882,613
Wells Fargo/Nikko S&P 500 Index Fund	1,771,679	128,675,321	134,767,545
Wells Fargo/Nikko U.S. Equity Fund	72,458,882	754,647,967	1,052,259,188

INVESTMENT PORTFOLIO 1991

EQUITIES

	Shares	Book Value	Market Value
VENTURE CAPITAL			
Brinson Partners Post Venture Fund	195,335	$4,026,285	$4,227,279
Brinson Partners Venture Partnership Acquisition Fund II	2,473,253	2,473,253	2,397,111
Venture Partnerships	2,579,782	2,579,782	2,448,160
PREFERRED STOCK			
RJR Nabisco Hldg Corp 11.50% Conv	100,000	3,768,500	3,500,000
Time Warner Inc Ser D 11% Conv	86,997	3,452,486	4,100,740
Time Warner Inc Ser C	275,000	11,271,036	11,412,500
Toledo Edison Co Ser A Adj Rate Pfd	50,000	1,000,000	1,212,500
TOTAL EQUITIES	113,754,836	$1,651,142,296	$2,321,199,351

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Fed Housing Admin	AAA	7.875	Jun 1, 2021	$4,332,404	$3,826,055	$4,088,837
Fed Nat'l Mtg Assn	AAA	7.000	Oct 1, 2006	586,771	544,230	557,427
Fed Nat'l Mtg Assn	AAA	7.250	Oct 1, 2004	4,047,208	3,712,046	3,831,532
Fed Nat'l Mtg Assn	AAA	7.500	Apr 1, 2005	465,103	440,976	449,764
Fed Nat'l Mtg Assn	AAA	8.000	Apr 1, 2008	978,266	940,588	951,051
Fed Nat'l Mtg Assn	AAA	8.000	Jul 1, 2009	3,435,290	3,169,055	3,344,564
Fed Nat'l Mtg Assn	AAA	8.250	Jul 1, 2008	4,671,708	4,490,680	4,513,992
Fed Nat'l Mtg Assn	AAA	8.250	Sep 1, 2008	6,154,095	5,794,465	5,946,332
Fed Nat'l Mtg Assn	AAA	8.500	May 1, 2001	66,228	65,090	65,235
Fed Nat'l Mtg Assn	AAA	8.500	Aug 1, 2001	27,244	26,776	26,835
Fed Nat'l Mtg Assn	AAA	8.500	Sep 1, 2001	362,524	356,293	357,086
Fed Nat'l Mtg Assn	AAA	8.500	Oct 1, 2001	938,821	922,685	924,739
Fed Nat'l Mtg Assn	AAA	8.500	May 1, 2002	760,213	721,727	748,810
Fed Nat'l Mtg Assn	AAA	8.500	Jun 1, 2002	3,620,800	3,439,202	3,566,488
Fed Nat'l Mtg Assn	AAA	8.500	Oct 15, 2018	8,395,565	8,075,484	8,234,119
Fed Nat'l Mtg Assn	AAA	8.750	Apr 1, 2008	544,824	435,178	533,757
Fed Nat'l Mtg Assn	AAA	9.000	Nov 1, 2008	1,634,259	1,588,296	1,635,534
Fed Nat'l Mtg Assn	AAA	9.000	Jan 1, 2009	1,600,065	1,564,564	1,601,313
Fed Nat'l Mtg Assn	AAA	9.000	Apr 1, 2010	256,693	248,993	257,535
Fed Nat'l Mtg Assn	AAA	9.000	Oct 1, 2011	223,800	217,086	224,884
Fed Nat'l Mtg Assn	AAA	9.350	Feb 25, 2010	3,963,581	3,979,063	4,021,796
Fed Nat'l Mtg Assn	AAA	9.400	Sep 15, 2008	1,225,800	870,318	1,225,800
Fed Nat'l Mtg Assn	AAA	9.500	Aug 15, 2021	11,361,497	10,469,817	11,294,009
Fed Nat'l Mtg Assn	AAA	10.250	Apr 1, 2009	9,801,277	10,249,992	10,159,514
Fed Nat'l Mtg Assn	AAA	10.250	May 1, 2009	3,924,880	4,104,566	4,068,334
Fed Nat'l Mtg Assn	AAA	14.750	Aug 1, 2012	967,086	1,063,190	1,078,301
Fed Nat'l Mtg Assn	AAA	15.500	Dec 1, 2012	40,340	42,520	45,382
Fed Nat'l Mtg Assn	AAA	15.750	Dec 1, 2011	501,547	527,253	564,236

INVESTMENT PORTFOLIO 1991

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Fed Nat'l Mtg Assn	AAA	16.000	Sep 1, 2012	$239,703	$256,781	$267,268
Fed Nat'l Mtg Assn	AAA	16.000	Sep 12, 2012	652,882	693,499	727,963
Fed Nat'l Mtg Assn	AAA	16.250	Nov 1, 2011	234,848	244,829	262,966
Gov Nat'l Mtg Assn	AAA	8.500	Dec 15, 2005	103,962	87,507	102,614
Gov Nat'l Mtg Assn	AAA	8.500	Feb 15, 2007	162,355	136,658	160,147
Gov Nat'l Mtg Assn	AAA	8.500	Jun 15, 2009	200,084	189,955	196,145
Gov Nat'l Mtg Assn	AAA	8.500	Feb 15, 2010	380,560	361,295	372,709
Gov Nat'l Mtg Assn	AAA	8.500	May 15, 2010	380,377	361,121	372,530
Gov Nat'l Mtg Assn	AAA	9.000	Sep 15, 2008	9,309	8,238	9,342
Gov Nat'l Mtg Assn	AAA	9.000	Nov 15, 2008	18,094	16,013	18,159
Gov Nat'l Mtg Assn	AAA	9.000	Jan 15, 2009	22,070	19,532	22,149
Gov Nat'l Mtg Assn	AAA	9.500	May 15, 2009	60,195	54,251	61,634
Gov Nat'l Mtg Assn	AAA	9.500	Jun 15, 2009	147,585	133,271	151,112
Gov Nat'l Mtg Assn	AAA	9.500	Aug 15, 2009	738,280	621,491	753,923
Gov Nat'l Mtg Assn	AAA	9.500	Sep 15, 2009	263,733	237,812	270,036
Gov Nat'l Mtg Assn	AAA	9.500	Oct 15, 2009	81,453	73,409	83,399
Gov Nat'l Mtg Assn	AAA	9.500	Jan 15, 2010	62,719	56,526	64,218
Gov Nat'l Mtg Assn	AAA	9.500	May 15, 2013	48,400	43,620	49,655
Gov Nat'l Mtg Assn	AAA	10.500	Sep 15, 2010	7,810	7,732	8,315
Gov Nat'l Mtg Assn	AAA	10.500	Jan 15, 2016	9,359	9,266	9,971
Gov Nat'l Mtg Assn	AAA	11.000	Aug 20, 2013	710,794	633,642	757,657
Gov Nat'l Mtg Assn	AAA	11.250	Jun 15, 2013	244,579	254,362	262,233
Gov Nat'l Mtg Assn	AAA	11.250	Jul 15, 2013	893,381	929,116	957,865
Gov Nat'l Mtg Assn	AAA	11.250	Sep 15, 2013	9,697	10,085	10,397
Gov Nat'l Mtg Assn	AAA	11.250	Dec 15, 2013	115,339	119,952	123,664
Gov Nat'l Mtg Assn	AAA	11.250	Mar 15, 2014	148,187	154,115	158,883
Gov Nat'l Mtg Assn	AAA	11.250	Jul 15, 2015	71,529	74,389	76,692
Gov Nat'l Mtg Assn	AAA	11.250	Aug 15, 2015	205,390	213,600	220,215
Gov Nat'l Mtg Assn	AAA	11.250	Sep 15, 2015	1,773,120	1,844,019	1,901,104
Gov Nat'l Mtg Assn	AAA	11.250	Oct 15, 2015	305,077	317,272	327,097
Gov Nat'l Mtg Assn	AAA	11.250	Nov 15, 2015	328,755	341,896	352,485
Gov Nat'l Mtg Assn	AAA	11.250	Dec 15, 2015	977,217	1,016,263	1,047,753
Gov Nat'l Mtg Assn	AAA	11.250	Jan 15, 2016	656,189	682,409	703,553
Gov Nat'l Mtg Assn	AAA	11.500	Oct 20, 2013	685,993	627,126	737,868
Gov Nat'l Mtg Assn	AAA	11.500	Dec 20, 2013	245,703	224,067	264,283
Gov Nat'l Mtg Assn	AAA	11.500	Apr 20, 2014	113,437	101,543	122,015
Gov Nat'l Mtg Assn	AAA	13.500	Oct 15, 2012	10,101	10,921	11,730
Gov Nat'l Mtg Assn	AAA	14.750	Jul 15, 1997	12,729	13,795	13,811
Gov Nat'l Mtg Assn	AAA	14.750	Jun 15, 1997	17,185	18,624	18,646
Resolution Funding Corp	AAA	8.625	Jan 15, 2021	19,000,000	19,050,730	18,845,530
Student Ln Marketing Assn	AAA	9.610	Feb 28, 1994	5,000,000	4,993,750	5,000,000
Total Government Agencies				110,236,072	107,130,670	110,194,941

INVESTMENT PORTFOLIO 1991

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
CANADIAN GOVERNMENT						
Hydro-Quebec	AA	9.375	Apr 15, 2030	$15,100,000	$15,080,823	$15,182,899
Hydro-Quebec Ser Hs	AA	9.400	Feb 1, 2021	3,000,000	2,975,190	3,023,760
New Brunswick Prov Canada	AA	9.750	May 15, 2020	4,000,000	3,954,000	4,178,680
Newfoundland Prov Canada	A	15.000	Nov 15, 1991	1,000,000	1,048,800	1,037,910
Total Canadian Government				23,100,000	23,058,813	23,423,249
U.S. GOVERNMENT						
U. S. Treasury Bond	AAA	7.000	Jan 15, 1994	3,000,000	2,899,219	2,985,930
U. S. Treasury Bond	AAA	7.250	May 15, 2016	18,400,000	15,172,753	15,996,408
U. S. Treasury Bond	AAA	7.500	Nov 15, 2016	3,500,000	3,204,107	3,124,835
U. S. Treasury Bond	AAA	7.625	May 31, 1996	7,600,000	7,491,030	7,512,144
U. S. Treasury Bond	AAA	7.875	Jul 15, 1996	16,000,000	16,046,585	15,960,000
U. S. Treasury Bond	AAA	8.375	Sep 30, 1991	630,000	632,248	633,742
U. S. Treasury Bond	AAA	8.375	Jun 30, 1992	1,455,000	1,485,919	1,481,365
U. S. Treasury Bond	AAA	8.500	Apr 15, 1997	4,350,000	4,300,707	4,438,349
U. S. Treasury Bond	AAA	8.625	Aug 15, 1997	1,000,000	1,018,101	1,025,620
U. S. Treasury Bond	AAA	8.875	Feb 15, 1994	7,650,000	7,870,014	7,936,875
U. S. Treasury Bond	AAA	8.875	Nov 15, 1997	1,000,000	1,056,016	1,036,870
U. S. Treasury Bond	AAA	9.000	May 15, 1992	8,500,000	8,680,625	8,680,625
U. S. Treasury Bond	AAA	9.500	May 15, 1994	5,000,000	5,093,097	5,270,300
U. S. Treasury Bond	AAA	10.375	May 15, 1995	4,250,000	4,637,813	4,624,510
U. S. Treasury Bond	AAA	10.375	Nov 15, 2012	300,000	353,404	346,125
U. S. Treasury Bond	AAA	10.750	Aug 15, 2005	8,340,000	9,532,410	9,872,475
U. S. Treasury Bond	AAA	11.250	May 15, 1995	3,200,000	3,616,113	3,572,000
U. S. Treasury Bond	AAA	11.625	Nov 15, 1994	6,500,000	7,287,614	7,290,140
U. S. Treasury Bond	AAA	11.625	Nov 15, 2004	3,560,000	4,364,894	4,450,000
U. S. Treasury Bond	AAA	12.000	Aug 15, 2013	7,900,000	10,475,642	10,279,875
U. S. Treasury Bond	AAA	12.625	Aug 15, 1994	1,250,000	1,444,531	1,426,950
Total U.S. Government				113,385,000	116,662,840	117,945,137
Total Government Obligations				246,721,072	246,852,323	251,563,327
CORPORATE OBLIGATIONS						
American Airlines Inc	A	14.375	Jan 6, 2005	3,000,000	3,772,500	3,420,570
AMOCO Canada	BBB	0.000	Sep 1, 2003	5,175,000	7,941,038	7,393,781
AMR Corp	BBB	8.625	Aug 15, 1992	10,000,000	10,121,400	10,033,000
Boise Cascade Corp	BBB	11.875	Jan 15, 1993	4,000,000	4,227,080	4,200,200
Central ME Pwr Co	BAA	6.950	Jun 12, 1992	7,500,000	7,491,525	7,619,100
Chrysler Corp	BB	12.000	Nov 15, 2015	4,000,000	4,441,250	2,720,000
Consumers Power Co	BBB	8.750	Feb 15, 1998	900,000	897,480	913,230
First Bank Systems	NR	8.770	Feb 22, 1993	10,000,000	9,993,700	9,993,500
First Bank Systems	NR	7.750	Nov 13, 1991	2,600,000	2,598,700	2,593,942
First Chicago Corp	A	9.875	Aug 15, 2000	10,000,000	9,828,700	9,881,800

INVESTMENT PORTFOLIO 1991

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
CORPORATE OBLIGATIONS						
First Union Corp	A	9.250	Dec 15, 1993	$6,000,000	$6,112,140	$6,079,920
First Union Corp	A	9.450	Jun 15, 1999	6,500,000	6,294,925	6,421,740
Fleet Norstar Financial	BBB	9.950	May 15, 1993	5,000,000	5,000,000	5,142,450
Ford Motor Credit Co	A	6.950	Jun 29, 1992	5,000,000	4,995,700	4,992,200
Ford Motor Credit Co	A	7.500	Mar 1, 1994	3,000,000	2,949,750	2,934,720
General Motors Accept	A	8.200	Aug 8, 1994	1,000,000	964,940	978,530
General Motors Accept	A	8.400	Oct 15, 1999	5,000,000	4,871,850	5,023,300
General Motors Accept	A	8.450	Nov 23, 1992	1,250,000	1,245,700	1,266,975
General Motors Accept	A	8.600	Aug 9, 1993	1,100,000	1,099,934	1,114,685
General Motors Accept	A	8.700	Jul 20, 1992	7,500,000	7,593,225	7,613,925
Georgia Pacific Corp	BB	10.100	Jun 15, 2002	1,500,000	1,499,055	1,449,375
Great Northern Nekoosa Co	BB	8.625	May 1, 1992	7,585,000	7,660,698	7,571,044
Great Western Bank	A	10.150	Mar 15, 1992	5,000,000	5,082,150	5,086,250
Great Western Bank	A	10.250	Jun 15, 2000	8,000,000	7,962,500	8,157,280
Great Western Bank	A	10.500	May 30, 2000	4,000,000	4,053,480	4,078,600
Gulf States Utilities Co	BBB	12.125	Jul 1, 2016	3,250,000	3,298,750	3,347,500
Gulf States Utilities Co	BBB	12.300	Dec 1, 2009	1,191,000	1,207,376	1,232,685
Gulf States Utilities Co	BBB	12.375	Sep 1, 2015	4,000,000	4,015,000	4,140,000
Gulf States Utilities Co	BBB	13.125	Mar 1, 2013	1,500,000	1,543,125	1,545,000
Gulf States Utilities Co	BBB	13.750	Mar 1, 1994	6,000,000	6,660,000	6,030,000
Gulf States Utilities Co	BBB	15.000	Sep 1, 2012	1,750,000	2,023,438	1,828,750
Home Svgs Amer Irwindale	BBB	10.500	Jun 12, 1997	2,500,000	2,492,500	2,560,650
Imperial Savings And Loan	NR	8.800	Jan 25, 2017	9,497,877	9,234,453	9,284,174
Kroger Company	B	0.000	Oct 15, 2008	5,000,000	3,846,850	3,850,000
Kroger Company	B	12.875	Jan 15, 1999	4,000,000	4,227,250	4,249,960
Kroger Company	B	13.125	Jan 15, 2001	4,000,000	4,172,000	4,274,960
Long Island Lighting Co	BB	10.250	Jun 15, 1994	11,000,000	11,064,500	11,417,890
Long Island Lighting Co	BB	11.375	Jun 15, 2019	2,000,000	2,000,000	2,165,000
Long Island Lighting Co	BB	11.500	Nov 15, 2014	11,000,000	11,110,000	11,536,250
Long Island Lighting Co	BB	11.700	Nov 15, 1993	2,610,000	2,685,038	2,792,674
Long Island Lighting Co	BB	11.750	Nov 15, 1994	8,800,000	9,353,320	9,511,128
Louisiana Power And Light	BAA	10.300	Jan 2, 2005	7,500,000	7,500,000	7,851,975
Mellon Financial Corp	NR	8.050	Feb 10, 1992	4,000,000	4,000,000	4,006,800
NCNB Corp	A	9.375	Sep 15, 2009	14,100,000	13,181,127	13,591,131
NCNB Corp	A	9.500	Jun 1, 2004	5,100,000	4,950,188	5,015,595
NERCO Inc	NR	9.650	Jun 1, 1999	7,500,000	7,645,500	7,561,350
Occidental Petroleum Corp	BBB	11.750	Mar 15, 2011	6,000,000	6,300,000	6,552,120
Philadelphia Electric Co	BBB	10.375	Feb 15, 1996	6,500,000	6,461,875	6,531,200
Pub Svc New Hampshire	BBB	15.230	Jul 1, 2000	6,311,839	7,829,781	7,684,665
Reynolds RJ, Industries	BB	10.750	Aug 1, 1993	5,000,000	5,046,000	5,009,100
RJR Nabisco	BB	8.875	Nov 15, 1992	7,496,000	7,503,496	7,474,861
RJR Nabisco	BB	10.500	Apr 15, 1998	15,000,000	15,000,000	14,925,150
Sears Overseas Fin NY Zero	NR	0.000	Feb 18, 1992	1,700,000	1,495,864	1,626,050
Sears Roebuck & Co	A	13.250	Sep 1, 1992	2,680,000	2,848,090	2,813,089
Security Pacific Corp	A	7.828	Feb 4, 1994	9,000,000	9,000,900	8,921,880

INVESTMENT PORTFOLIO 1991

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
CORPORATE OBLIGATIONS						
Security Pacific Corp	A	9.050	Apr 25, 1994	$5,200,000	$5,192,096	$5,293,288
System Energy Resources	BBB	10.500	Sep 1, 1996	350,000	356,125	358,337
Texas Gas Transmisson Corp	BBB	10.000	Nov 1, 1994	5,000,000	5,071,250	5,062,350
Toledo Edison Co	BB	11.250	Sep 1, 1997	5,500,000	5,761,800	5,668,630
Toyota Motor Credit Corp	AAA	8.750	Sep 15, 1991	5,000,000	5,025,500	5,022,050
Total Corporate Obligations				321,646,715	327,802,610	327,416,359
MISCELLANEOUS FIXED INCOME SECURITIES						
INSURANCE CONTRACTS						
Connecticut General	NR	13.000	Aug 15, 1992	3,339,763	3,339,763	3,339,763
MORTGAGE BACKED SECURITIES						
Alaska State Housing	NR	9.250	Apr 1, 2023	7,914,167	6,451,667	7,459,102
American Housing Tr	NR	9.000	Jan 25, 2021	5,151,696	4,449,352	4,185,753
American Southwest Finl	NR	10.300	Feb 1, 2016	6,481,203	6,492,463	6,773,870
American Southwest Finl	NR	12.500	Apr 1, 2015	7,062,617	7,314,222	7,304,291
Bk Of Amer Natl T&S Assn	BBB	11.671	Apr 1, 2010	76,295	59,676	78,203
Citicorp Mortgage	AA	8.750	Mar 1, 1998	1,675,000	1,554,718	1,518,974
Citicorp Mortgage	AA	8.980	Mar 15, 1993	3,500,000	3,499,615	3,553,795
Citicorp Mortgage	AA	9.000	Apr 1, 2017	6,285,113	5,904,078	6,045,525
Citicorp Mortgage	AA	9.000	May 1, 2017	14,942,168	14,036,299	14,372,573
Citicorp Mortgage	AA	9.500	Jan 25, 2014	5,351,169	5,365,383	5,190,634
Citicorp Mortgage	AA	9.500	Sep 25, 2003	10,000,000	9,995,313	9,600,000
Citicorp Mortgage	AA	9.750	Nov 25, 2003	4,405,000	4,371,963	4,552,292
Coll Mtg Oblig Tr	NR	7.250	Apr 23, 2017	2,696,325	2,601,953	2,544,656
Coll Mtg Oblig Tr	NR	9.500	Jun 25, 2020	1,623,071	1,461,118	1,543,427
Home Savings And Loan	NR	10.000	Jul 1, 2009	290,774	268,239	297,503
Housing Sec Inc	NR	9.000	Nov 25, 2010	28,206,220	28,307,587	26,654,878
Investors GNMA Mortgage	NR	11.900	Jan 25, 2014	4,685,130	4,419,951	5,169,155
ISFA Mortgage Funding	NR	10.950	Nov 1, 2015	7,245,992	6,599,937	7,651,241
Manufactured Hsg	AAA	13.250	Jan 1, 1999	1,551,295	1,526,609	1,771,424
Manufactured Hsg	AAA	13.250	Jan 15, 1999	917,831	903,147	1,048,072
Mortgage & Trust Inc	AAA	10.500	Dec 20, 2013	278,153	237,395	292,667
Prudential Home Mortgage	NR	9.500	Nov 25, 1997	4,917,086	4,940,134	4,867,915
Residential Fdg Mtg	A	9.500	Jul 25, 2020	1,937,269	1,915,474	1,927,582
Salomon Brothers Mortgage	NR	10.000	Dec 1, 2014	9,511,763	9,734,316	9,686,895
Travelers Mortgage	A	9.550	Sep 25, 2020	16,089,621	15,737,661	15,566,709
USAT Mortgage Secs	NR	8.600	Jun 25, 2003	86,465	85,654	86,194
Western Fed Svgs & Ln Assn	A	9.886	Mar 1, 2019	13,079,100	12,878,827	13,312,824
MUTUAL FUNDS						
Pacific Investment Int'l Fund	NR	N/A	N/A	2,832,384	28,360,969	28,153,892
Wells Fargo/Nikko U.S. Debt	NR	N/A	N/A	23,659,990	361,493,225	360,678,437

INVESTMENT PORTFOLIO 1991

FIXED INCOME SECURITIES

	Moody's Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MISCELLANEOUS FIXED INCOME SECURITIES						
PRIVATE PLACEMENTS						
Ariana Realty Corp	NR	16.875	Dec 1, 2007	$14,906,242	$417,571,180	$17,559,553
AT&T	NR	7.500	Jun 1, 2003	4,760,000	4,439,366	4,100,740
Olympia & York	NR	7.603	Mar 20, 1999	9,720,438	9,629,308	8,456,781
Security Pacific Co	NR	8.167	Jan 18, 1995	7,000,000	6,973,617	6,860,000
Unocal Corp	NR	11.375	Oct 30, 1992	12,500,000	13,141,075	12,673,750
Wilmington Tr Co DE	NR	10.500	Jul 1, 2008	2,640,000	2,640,000	3,241,075
Wilmington Tr Co DE	NR	10.500	Jul 1, 2008	660,000	660,000	598,297
Total Miscellaneous Fixed Securities				247,979,341	609,361,256	608,718,443
TOTAL FIXED INCOME SECURITIES				$816,347,129	$1,184,016,189	$1,187,698,129

SHORT-TERM INVESTMENTS

Canadian Wheat Board	NR	6.010	Dec 16, 1991	25,000,000	24,248,750	24,332,231
Fleet Norstar Financial	NR	7.700	Jul 1, 1991	10,000,000	10,003,750	10,382,138
General Electric Capital	NR	6.050	Nov 20, 1991	25,000,000	24,352,987	24,431,401
IL Pub Treas Invest Pool	NR	N/A	VAR	5,834,734	5,834,734	5,834,734
Northern Trust Govt Fd	NR	N/A	VAR	123,613,030	123,613,030	123,613,030
Northern Trust Short Term	NR	N/A	VAR	4,909,209	4,909,209	4,909,209
U.S. Treasury Bills	AAA	5.490	Jul 5, 1991	1,080,000	1,061,134	1,079,384
U.S. Treasury Bills	AAA	5.700	Sep 5, 1991	1,200,000	1,179,131	1,183,934
U.S. Treasury Bills	AAA	5.750	Nov 29, 1991	11,500,000	11,174,071	11,226,070
U.S. Treasury Bills	AAA	6.110	Apr 9, 1992	625,000	590,968	596,163
U.S. Treasury Bills	AAA	5.910	Apr 23, 1992	9,000,000	8,521,290	8,558,190
Wells Fargo Money Mkt Fd	NR	N/A	VAR	24,599,788	24,599,788	24,599,788
TOTAL SHORT-TERM INVESTMENTS				$242,361,761	$240,088,842	$240,746,272

FORWARDS, FUTURES AND OPTIONS

			Market Value
FORWARDS			
Foreign Currency Forwards			$5,283,384
FUTURES			
S&P 500 - Long	September, 1991	137	
U.S. Treasury Bond - Long	September, 1991	889	
U.S. Treasury Note - Long	September, 1991	574	
U.S. Treasury Note - Long	September, 1991	50	
U.S. Treasury Note - Long	September, 1991	749	

INVESTMENT PORTFOLIO 1991

FORWARDS, FUTURES AND OPTIONS

	Strike Price	Interest Rate	Expiration	Number of Contracts	Book Value	Market Value
OPTIONS-EUROPEAN CALLS - U.S. TREASURY NOTES						
September 30, 1993	99.1	8.250	Aug 05, 1991	10,000	$318,750	310,400
September 30, 1995	107.2	11.250	Oct 07, 1991	10,000	270,313	289,400
September 30, 1995	107.6	11.250	Sep 09, 1991	19,700	550,984	667,436
November 30, 1994	106.1	11.625	Dec 03, 1991	21,000	695,625	739,200
November 30, 1994	104.5	11.750	Dec 09, 1991	20,000	462,500	616,600
November 30, 1994	104.0	11.750	Dec 09, 1991	30,000	721,875	796,800
September 30, 1993	105.9	11.750	Jul 22, 1991	1,481	43,013	53,650
August 31, 1994	104.4	11.875	Dec 09, 1991	600	12,844	16,554
TOTAL FORWARDS, FUTURES AND OPTIONS					$3,075,904	$8,773,424

REAL ESTATE

	Book Value	Market Value
Aetna Realty, Real Estate Separate Account	$95,605,769	$79,075,072
Cadillac Fairview, 13.5% Debenture, Due 10/31/12	39,473,684	64,625,843
Cadillac Fairview, Common Stock	10,526,316	3,128,105
Equitable Real Estate, Prime Property Fund	90,073,579	82,541,297
Rosenberg Real Estate Equity Funds	199,448,814	205,029,044
TOTAL REAL ESTATE	$435,128,162	$434,399,361

ACCRUED INVESTMENT INCOME

	Book Value	Market Value
Dividends and Interest Receivable	$17,146,154	$17,146,154

THE PRIDE OF SURS IS YOU TODAY AND TOMORROW

Growing To Serve You Better

As SURS begins its next half century, plans are under way for expansion. In studying our needs for the next 20 years, we determined that we have outgrown our current facility. We have begun construction on a new 38,500 square foot building, which will be located in Champaign. Construction should be completed the third quarter of 1992.

SURS is also converting its records system from a paper/microfiche system to an image-based system. An image-based system will increase productivity, improve service, and enhance security. When this system is implemented, management feels it will revolutionize the way SURS does business.

An anonymous source once said: "There are three types of companies: those who make things happen, those who watch things happen, and those who wonder what happened." At SURS, *we never watch and wonder.*

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