

Component unit financial report for the fiscal year ended August 31 ...

State Universities Retirement System of Illinois.
Champaign, Ill. : State Universities Retirement System,

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STATE UNIVERSITIES RETIREMENT SYSTEM
OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1992



Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

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COMPONENT UNIT FINANCIAL REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 1992

PREPARED BY THE FINANCE DIVISION



Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

OUR MISSION

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

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COMPANYS FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 1993

PREPARED BY THE FINANCE DIVISION

TABLE OF CONTENTS

INTRODUCTORY SECTION	PAGE
Certificate of Achievement	3
Letter of Transmittal	5
Board of Trustees	10
Administrative Staff	11
Organizational Chart	12
Consulting and Professional Services	13
FINANCIAL SECTION	
Independent Auditors' Report	17
Balance Sheets	18
Statements of Revenues, Expenses and Changes in Fund Balance	19
Notes to the Financial Statements	20
Required Supplementary Information	31
- Schedule of Revenue by Source	31
- Schedule of Total Expenses	32
- Analysis of Funding Progress	33
Supporting Schedules	34
- Administrative Expenses	34
- Fees and Commissions	35
- Investment Activity and Portfolio Summary	36
- Cash Receipts and Disbursements	36
<i>The Compliance Audit Report and Supplementary Financial Information of the State Universities Retirement System for the years ended June 30, 1992 and June 30, 1991, is published in a separate document and is incorporated herein by reference.</i>	
ACTUARIAL SECTION	
Actuary's Certification	41
Definition of Pension Financing	43
Valuation Results	44
Changes in the Unfunded Accrued Actuarial Liability	44
Financing Objective	46
Summary of Major Actuarial Assumptions	47
Analysis of Financial Experience	48
Schedule of Increases and Decreases of Benefit Recipients	48
Tests of Financial Soundness	49
- Schedule of Funding	49
- Funding Ratios	50
- Percentage of Benefits Covered by Net Assets	51
- Payroll Percentages	52
STATISTICAL SECTION	
Schedule of Benefit Recipients	57
Schedule of Benefit Expenses	58
Schedule of New Benefit Payments	59
Schedule of Average Benefit Payments	60
Schedule of Benefit Recipients by Type of Benefit	61
Schedule of Assets	62
Schedule of Liabilities	62
Active Participant Statistics	63
Schedule of Participating Employers	64
INVESTMENT SECTION	
Master Trustee's Certification	69
Statement of Investment Policy	70
Investment Results	71
Asset Allocation	73
Investment Portfolio	74

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INTRODUCTORY SECTION



INSTEAD OF
USING MORE
PEOPLE AND
DOLLARS TO
SOLVE
PROBLEMS,
SURS FINDS
TECHNOLOGICAL
SOLUTIONS
AND TRAINS
EXISTING
EMPLOYEES TO
USE IT
EFFECTIVELY.



Certificate of Achievement for Excellence in Financial Reporting

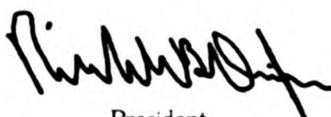
Presented to

State Universities Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1991

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 (CUFRs) achieve the highest standards in government accounting and financial reporting.




President

Executive Director



State Universities Retirement System of Illinois

Serving Illinois Community Colleges and Universities

1901 Fox Drive • P.O. Box 2710
Champaign, IL 61825-2710
(217) 333-3860 • (217) 333-8255 (FAX)

December 7, 1992

Board of Trustees and Executive Director
State Universities Retirement System
1901 Fox Drive
Champaign, Illinois 61820-7333

I am pleased to present the 51st 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.

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, consultants, and 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 continued a sluggish growth pattern during fiscal year 1992. The recession 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 1992, and it appears this will continue.

The legislative session just ended resulted in level dollar funding for fiscal year 1993. However, the one dedicated funding source for Illinois retirement systems was bolstered by a change to the State's unclaimed property laws. Changing the definition of unclaimed property from seven years to five years will provide \$50 million to be shared by the State retirement systems. The SURS share will be \$13 million. In his budget address, Governor Edgar promised this change and pledged to increase this amount each year he is governor.

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 funding such benefit improvements.

An unfunded early retirement incentive program provided for members of the State Employees' Retirement System fueled rumors of a similar plan for SURS during fiscal year 1992. Although many scenarios were studied, none were passed. The SURS Board of Trustees have

taken the position that any new, enhanced or incentive benefits must be fully funded before they can support such legislation.

Projections for the upcoming fiscal year indicate that the System will experience a negative cash flow during fiscal year 1993, 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 20,000 monthly benefit payments. More than 78% 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.

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 fifth 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 and its Oak Brook office, at the location of individual employers, and at off-campus sites. Pre-retirement 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 all of its members up-to-date on pertinent pension developments 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.

One administrative project in particular is being designed to improve the services the System provides.

Customer Service Department

Currently, a large number of SURS staff members answer telephone inquiries. In order to do so, they stop the work they are currently working on to answer the question. This new department will consist of employees dedicated to answering telephone inquiries. This will enhance responsiveness and at the same time allow other SURS employees to specialize in what they do best.

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

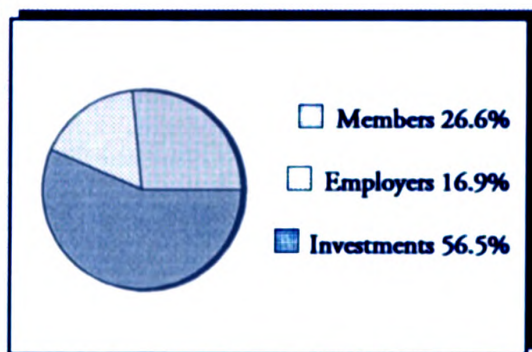
Statement #5 has been followed in the preparation of this report.

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 internal auditor to determine that all controls implemented are as designed.

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 1992 totaled \$641.4 million, an increase of 37.1% over 1991. As summarized, the increase is due to realized gains on securities during the year.

WHERE THE MONEY COMES FROM



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 1992 were \$269.6 million, an increase of 13.3% over expenses for 1991. As summarized, the increase is due to an overall growth in benefits paid.

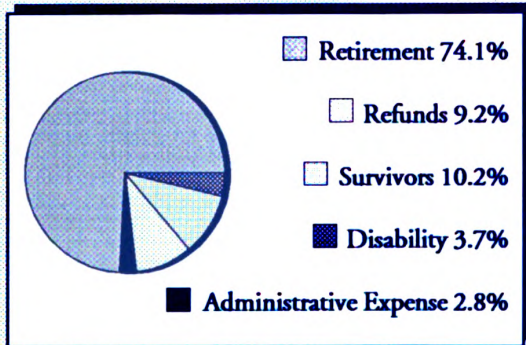
REVENUES (\$ MILLIONS)

Source	1992	1991	%Change
Member Contributions	\$170.4	\$152.4	11.8
Employer Contributions	108.6	117.6	-7.7
Investment Income	362.4	197.7	83.3
	\$641.4	\$467.7	37.1

EXPENSES (\$ MILLIONS)

Source	1992	1991	%Change
Retirement	\$199.7	\$178.8	11.7
Disability	10.1	9.0	12.2
Survivors	18.1	16.2	11.7
Deaths	9.4	7.1	32.4
Refunds	24.7	20.5	20.5
Administrative	6.8	5.9	15.3
Bond Interest	.8	.4	75.0
	\$269.6	\$237.9	13.3

WHERE THE MONEY GOES



Income exceeded expenses by \$371.8 million.

FUNDING

The pension benefit obligation at June 30, 1992, amounted to \$7.4 billion as calculated by the projected unit credit method. The assets available at June 30, 1992, amounted to \$3.9 billion. The amount by which the liability exceeds the assets is called the *unfunded accrued actuarial liability*. This liability amounts to \$3.5 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 requires increased state appropriations, so that by 1996 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 1992 State funding for retirement fell \$48.3 million short of fulfilling the financing objective prescribed by *Public Act 86-0273*. This material violation of State Statutes is detailed in the notes to the financial statements.

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; 35% in bonds; and 10% 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 10.3%.

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 1992 financial statements has been included in this report.

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, 1991. This is the eighth 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.

APPOINTMENT OF TRUSTEES

During the year, three appointments were made to the SURS Board of Trustees. Additionally, Mr. William R. Norwood was elected President of the Board, Mr. Robert Sechler was elected Vice President, and Dr. Arthur Aikman was elected Treasurer.

Mr. Emil Haefflinger was appointed by the Community College Board replacing Ms. Rita Sweiner.

Mr. Kenneth Boyle was appointed by the University of Illinois to fill the unexpired term of Mr. Charles P. Wolff who passed away during the year.

Ms. Sylvia Nichols was appointed by the Board of Regents replacing Mr. Jerome R. Bender who served on the Board for 13 years.

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 members 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, CPA, CCM
Deputy Director - Finance Division

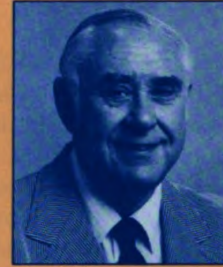
BOARD OF TRUSTEES



William R. Norwood
Rolling Meadows
*Board of Trustees of
Southern Illinois University
President*



Robert E. Sechler
Rockford
*Illinois Community
College Board
Vice President*



Arthur L. Aikman
Carbondale
*Participant Trustee
Treasurer*



Kenneth R. Boyle
Chatham
*Board of Trustees of the
University of Illinois*



Eugene T. Flynn
Philo
Participant Trustee



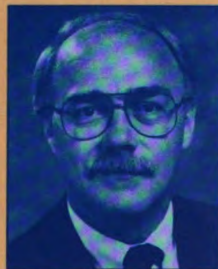
William P. Froom
DeKalb
Annuitant Trustee



James A. Gentry
Urbana
Participant Trustee



Donald W. Grabowski
Lake Forest
*Board of Trustees of the
University of Illinois*



Emil C. Haeflinger
Washington
*Illinois Community
College Board*



Sylvia R. Nichols
Edwardsville
Board of Regents



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

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*

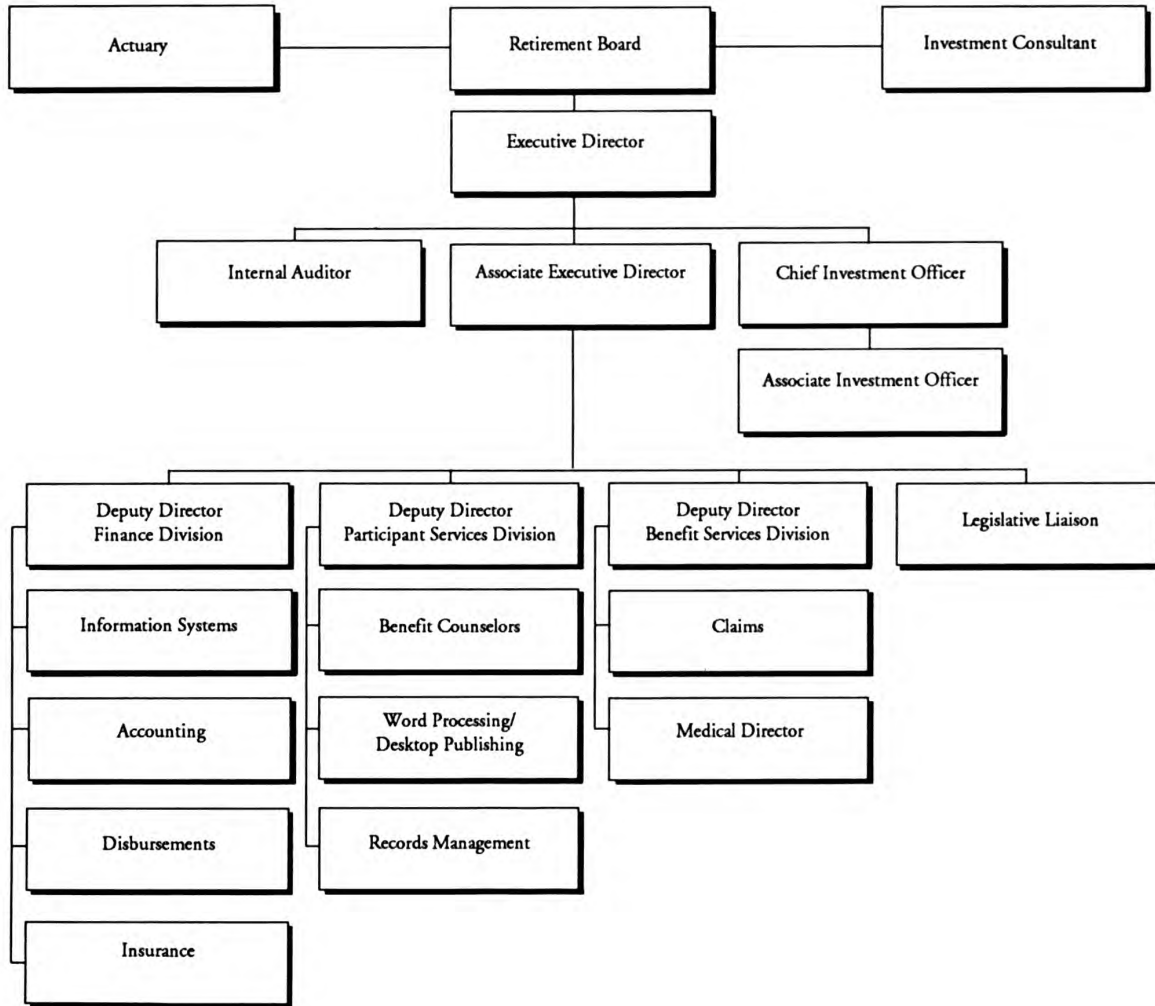


Judith P. Weathington
*Deputy Director
Benefit Services*

**LEADERSHIP IS
AN ACTION, NOT
A WORD.**

Richard P. Cooley

ORGANIZATIONAL CHART



CONSULTING AND PROFESSIONAL SERVICES

ACTUARY

The Wyatt Company - Chicago, Illinois

AUDITOR

Deloitte & 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

Ennis, Knupp & Associates, Inc. - Chicago, Illinois

DATA PROCESSING SERVICE

Cagle & Associates, Inc. - Champaign, Illinois

INVESTMENT ADVISORS

Aetna Realty Investors, Inc. - Hartford, Connecticut

Amerindo Investment Advisors - San Francisco, California

Ariel Capital Management - Chicago, Illinois

Brinson Partners, Inc. - Chicago, Illinois

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

Fayez Sarofim & Company - Houston, Texas

Fisher Investments, Inc. - Woodside, California

JMB Institutional Realty Corporation - Chicago, Illinois

Pacific Investment Management Company - Newport Beach, California

Rosenberg Institutional Equity Management - Orinda, California

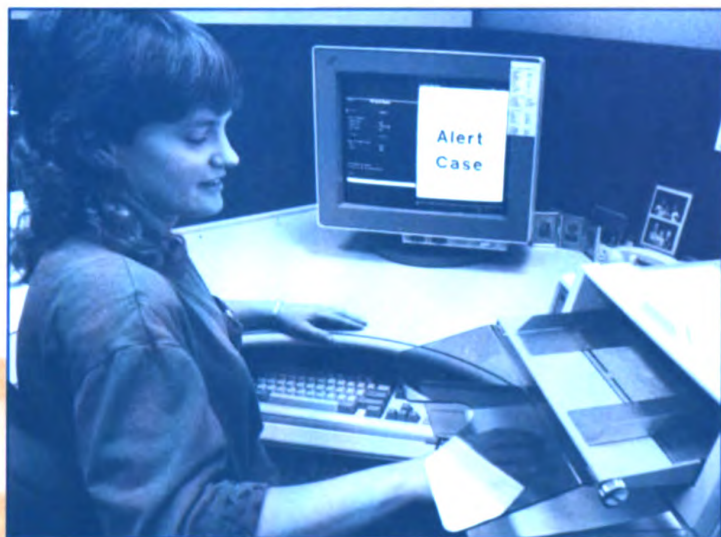
Rosenberg Real Estate Equity Fund - Chicago, Illinois

Smith Barney Capital Management - New York, New York

Wells Fargo Nikko Investment Advisors - San Francisco, California

Zevenbergen Capital, Inc. - Seattle, Washington

FINANCIAL SECTION



**SURS FILES
HAVE BEEN
CONVERTED
FROM A PAPER-
BASED SYSTEM
TO
ELECTRONIC
FILES USING
AN IMAGE
SYSTEM
WHICH GIVES
US MORE
CONTROL,
ACCURACY
AND
INTEGRITY IN
OUR FILES.**



INDEPENDENT AUDITORS' REPORT

**Deloitte &
Touche**



Suite 645
First National Bank Building
Springfield, Illinois 62794-9428

Telephone (217) 753 1375
Facsimile (217) 744 0193

INDEPENDENT AUDITORS' REPORT

Honorable William G. Holland
Auditor General
State of Illinois

Board of Trustees
State Universities Retirement
System of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the accompanying balance sheets of the State Universities Retirement System of Illinois as of June 30, 1992 and 1991 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 and *Government Auditing Standards*, issued by the Comptroller General of the United States. 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, 1992 and 1991 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 supporting schedules listed in the table of contents 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.

Deloitte & Touche

September 25, 1992

**Deloitte Touche
Tohmatsu
International**

FINANCIAL STATEMENT 1992

BALANCE SHEETS June 30, 1992 and 1991

	1992	1991
ASSETS		
Contributions Receivable		
Participants	\$8,103,814	\$7,271,071
Federal, trust funds, and other	1,883,738	2,374,940
State of Illinois	2,777,383	885,775
	<u>12,764,935</u>	<u>10,531,786</u>
Prepaid Expenses	36,032	55,627
Accrued Investment Income Receivable	12,685,166	17,146,154
Investments (notes II-B and III)	3,886,174,516	3,513,451,387
Market Value:		
\$4,624,357,729 at 6-30-92		
\$4,192,816,537 at 6-30-91		
Property and Equipment (notes II-D and IV)	8,333,117	4,649,213
Total Assets	<u>\$3,919,993,766</u>	<u>\$3,545,834,167</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts payable	\$2,195,167	\$1,895,095
Benefits payable	2,871,848	1,861,982
Refunds payable	2,125,275	1,813,569
Bonds and interest payable (note VI)	11,249,556	10,466,087
Deferred income (note II-C)	35,214	37,533
Total Liabilities	<u>18,477,060</u>	<u>16,074,266</u>
Fund Balance -Reserved (notes II-E and V)		
Participant contributions	2,011,513,823	1,822,092,837
Benefits from employee and employer contributions	5,348,078,731	4,825,407,747
Less unfunded accrued actuarial liability	(3,458,075,848)	(3,117,740,683)
Total Fund Balance	<u>3,901,516,706</u>	<u>3,529,759,901</u>
Total Liabilities and Fund Balance	<u>\$3,919,993,766</u>	<u>\$3,545,834,167</u>

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

FINANCIAL STATEMENT 1992

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE For the Years Ended June 30, 1992 and 1991

	1992	1991
REVENUES		
Contributions		
Participants	\$170,426,227	\$152,380,511
Federal, trust funds and other	19,143,747	16,943,072
State of Illinois		
Employer units	85,771,100	88,862,200
Pension fund	3,495,500	11,490,400
Reciprocity	228,721	278,924
	<u>279,065,295</u>	<u>269,955,107</u>
Investment Income		
Interest	128,727,649	115,913,968
Dividends	89,253,029	91,890,550
Other	214,433	371,531
	<u>218,195,111</u>	<u>208,176,049</u>
Less investment expense	(9,969,159)	(8,467,474)
	<u>208,225,952</u>	<u>199,708,575</u>
Net Gain (Loss) on Sale of Investments	154,088,129	(1,997,389)
	<u>641,379,376</u>	<u>467,666,293</u>
	Total Revenues	
EXPENSES		
Benefits		
Retirement	199,255,007	178,340,007
Disability	10,127,131	8,957,371
Survivors	18,140,212	16,206,402
Death	9,421,405	7,130,259
Reversionary	256,177	247,796
Beneficiary	182,072	183,927
	<u>237,382,004</u>	<u>211,065,762</u>
Refunds	24,653,552	20,459,690
Administrative Expense	6,803,546	5,871,780
Bond Interest Expense	783,469	466,336
	<u>269,622,571</u>	<u>237,863,568</u>
	Total Expenses	
Excess of Revenues over Expenses	371,756,805	229,802,725
Fund Balance		
Beginning of year	3,529,759,901	3,299,957,176
End of year	<u>\$3,901,516,706</u>	<u>\$3,529,759,901</u>

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

NOTES TO THE FINANCIAL STATEMENTS 1992

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, 1992 and 1991, the number of participating employers was:

	1992	1991
Universities	12	12
Community Colleges	39	39
Allied Agencies	16	16
State of Illinois	1	1
	68	68

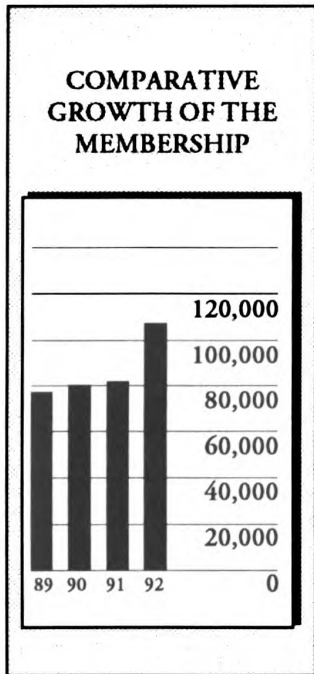
At June 30, 1992 and 1991, SURS membership consisted of:

	1992	1991
Members currently receiving benefits	20,173	18,579
Current employees		
Active	76,298	56,075
Inactive	10,508	7,024
	106,979	81,678

The following is a summary of the provisions of SURS in effect as of June 30, 1992, as defined in the *Illinois Revised Statutes*. Interested parties should refer to the SURS Member Guide or the Statutes for more complete information.

A. MEMBERSHIP

Participation is required as a condition of employment. Employees are ineligible to participate if (a) employed less than full-time and attending classes with an employer; (b) receiving a retirement annuity from SURS; or (c) excluded by subdivision (a)(7)(f) or (a)(19) of Section 210 of the Federal Social Security Act from the definition of employment given in that Section.



NOTES TO THE FINANCIAL STATEMENTS 1992

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, military service 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%	2.75%

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

NOTES TO THE FINANCIAL STATEMENTS 1992

- 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. The maximum for police or fire fighters, regardless of when they were hired, is 75% of average earnings.

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:

- The member retires on or before September 1, 1997.
- The member retires within six months of the last day of employment for which he or she appeared on a payroll.
- 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 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%.

NOTES TO THE FINANCIAL STATEMENTS 1992

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 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

NOTES TO THE FINANCIAL STATEMENTS 1992

- 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.

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.

NOTES TO THE FINANCIAL STATEMENTS 1992

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.

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, 1992 and 1991, are summarized below (*\$ millions*):

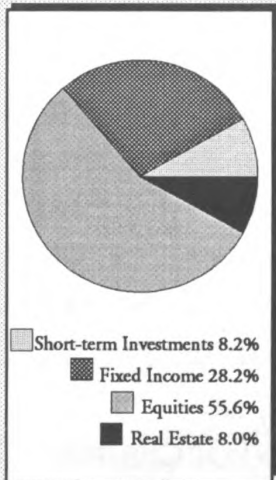
1992	Cost	% of Cost	Market	% of Market	Risk Category
Short-term investments (primarily money market funds)	\$ 378.3	9.7	\$378.6	8.2	1
Fixed income	1,260.3	32.4	1,305.4	28.2	1
Equities	1,806.6	46.6	2,571.7	55.6	1
Real estate	441.0	11.3	368.7	8.0	1
	\$3,886.2	100.0	\$4,624.4	100.0	

"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."

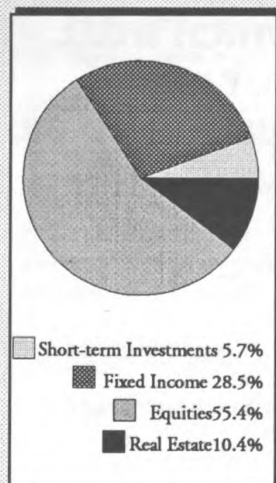
NOTES TO THE FINANCIAL STATEMENTS 1992

PERCENT OF MARKET

1992



1991



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	

The investments have been categorized to give an indication of the level of risk assumed by the System at June 30, 1992 and 1991. 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 counter party'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 counter party 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. The decline in market value of real estate investments is deemed temporary.

IV. PROPERTY AND EQUIPMENT

Property and equipment and the related accumulated depreciation at June 30, 1992 and 1991, are summarized below:

	1992	1991
Land	\$598,901	\$598,901
Land improvements	12,799	12,799
Office building	559,621	559,621
Building improvements	52,766	52,766
Furniture and fixtures	3,794,438	2,980,220
Construction in process	5,088,569	1,414,268
	10,107,094	5,618,575
Less accumulated depreciation	(1,773,977)	(969,362)
Net property and equipment	\$8,333,117	\$4,649,213

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

NOTES TO THE FINANCIAL STATEMENTS 1992

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 below 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, 1992 and 1991. 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% 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, 1992 and 1991, was as follows (*\$ millions*):

	1992	1991
Accumulated contributions of current employees	\$1,800.0	\$1,650.5
Accumulated contributions of inactive members	134.7	145.1
Payable to retirees and beneficiaries	2,296.9	2,042.1
Payable to terminated employees not yet receiving benefits		
--Employer-financed portion	219.6	213.3
Payable to vested current employees		
--Employer-financed portion	2,790.5	2,496.8
Payable to nonvested current employees		
--Employer-financed portion	117.9	99.7
Total Pension Benefit Obligation	7,359.6	6,647.5
Net Assets Available for Benefits		
(market value: \$4,639.7 million in 1992		
and \$4,209.1 million in 1991)	3,901.5	3,529.8
Unfunded Pension Benefit Obligation	\$3,458.1	\$3,117.7

Changes in actuarial assumptions resulted in a decrease in the pension benefit obligation of \$82.8 million. Changes in benefit provisions resulted in \$13.3 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

NOTES TO THE FINANCIAL STATEMENTS 1992

**MAN IS STILL
THE MOST
EXTRAORDINARY
COMPUTER
OF ALL.**

John Kennedy

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.

A comparison of the actuarially determined funding requirement for the year ended June 30, 1992, versus the actual funding is presented below (*\$ millions*):

	Pension Contributions Required			Received
	Unfunded Accrued Actuarial Liability Normal Cost	Amortization	Total	
Members	\$148.6	0	\$148.6	\$170.4
% of Pay	7.6		7.6	8.7
Employers	\$177.0	\$262.7	\$439.7	\$108.6
% of Pay	9.1	13.5	22.6	5.6
Total	\$325.6	\$262.7	\$588.3	\$279.0
% of Pay	16.7	13.5	30.2	14.3
Member Payroll	\$1,947.9			

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.

NOTES TO THE FINANCIAL STATEMENTS 1992

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*, 1989, as amended, and a Resolution of the Board. The Bonds are payable solely from and secured by a pledge of and first lien on the Net Revenues 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, 1992, are summarized below:

Bonds Payable	\$9,999,751
Accrued Interest	1,249,805
	<u>\$11,249,556</u>

The annual requirements to amortize the Bonds outstanding as of June 30, 1992, 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
		<u>\$9,999,751</u>	<u>\$15,825,249</u>	<u>\$25,825,000</u>

NOTES TO THE FINANCIAL STATEMENTS 1992

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, 1992, the System had a liability of \$376,493 for compensated absences. At June 30, 1991, the liability was \$322,766. The annual increase in liability is reflected in the financial statements as an increase in salary 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.

VIII. MATERIAL VIOLATION OF STATE STATUTES BY THE STATE OF ILLINOIS

In 1989, Public Act 86-0273 was passed by the Illinois General Assembly providing for a financing objective for SURS. The Act mandates a level of funding that would pay the normal cost of benefits earned each year plus an amount to amortize the unfunded accrued actuarial liability over 40 years after a seven-year phase in.

The General Assembly has not appropriated sufficient funds to SURS to satisfy the requirements of Public Act 86-0273 in any of the phase-in years. In 1992, the deficiency is calculated as follows:

Required Contribution by Public Act 86-0273	\$156,954,000
Employer Contributions Received	<u>108,639,068</u>
Deficiency	(\$48,314,932)

While the deficiency calculated above represents a violation of the Illinois Revised Statutes by the State of Illinois, it should be noted that Public Act 86-0273 does not conform with official accounting pronouncements, specifically Opinion No. 8 of the Accounting Principles Board, which is the source of the requirement calculated for financial statement purposes as described in footnote V.

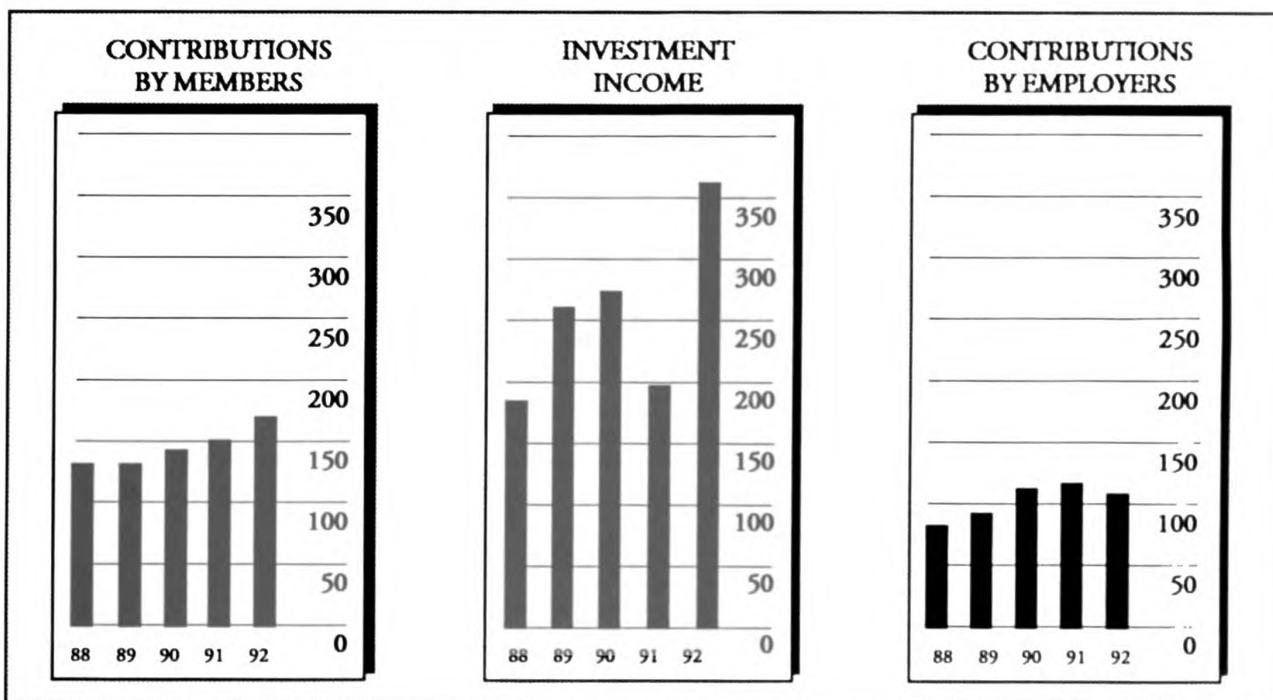
REQUIRED SUPPLEMENTAL INFORMATION 1992

Required Supplemental Schedules of historical trend information are presented below. These are designed to provide information on the System's progress in accumulating assets to pay benefits when due.

REVENUE BY SOURCE 10-YEAR SUMMARY (\$ millions)

Fiscal Year (A)	Contributions by Members	Investment Income	Contributions by Employers	Total
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
1992	170.4	362.4	108.6	641.4

(A) Fiscal years 1983 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.

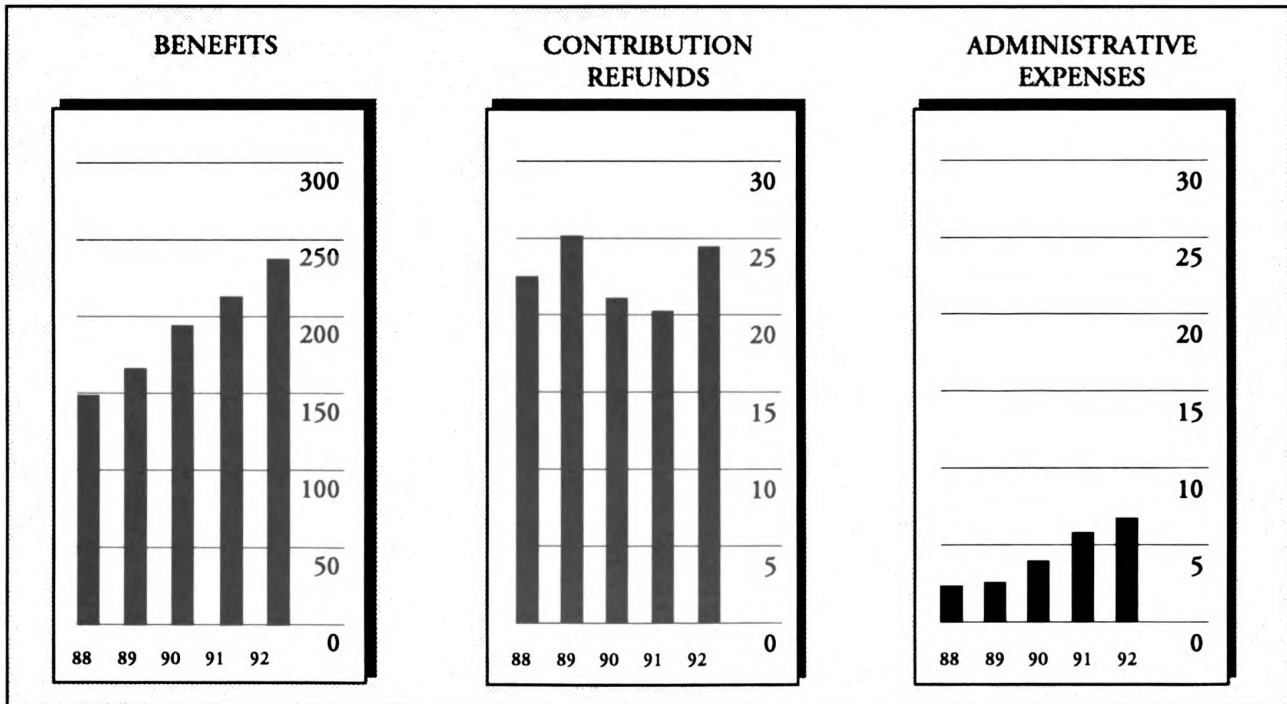


REQUIRED SUPPLEMENTAL INFORMATION 1992

TOTAL EXPENSES 10-YEAR SUMMARY (\$ MILLIONS)

Fiscal Year (A)	Benefits	Contribution Refunds	Administrative Expenses	Bond Interest	Total
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
1992	237.3	24.7	6.8	0.8	269.6

(A) Fiscal years 1983 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.



REQUIRED SUPPLEMENTAL INFORMATION 1992

ANALYSIS OF FUNDING PROGRESS

In 1985, SURS adopted the projected unit credit cost method for financial presentation purposes, consequently only eight years are presented.

Fiscal Year	Net Assets	Pension Benefit Obligation	% Funded	Unfunded PBO	Covered Payroll	Unfunded PBO as a % of Covered Payroll	Contributions Required	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
1992	3,901.5	7,359.6	53.0	3,458.1	1,947.9	177.5	439.7	108.6

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

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.

SUPPORTING SCHEDULE 1992

**A COMPANY IS
KNOWN BY THE
PEOPLE IT KEEPS.**

Anonymous

SCHEDULE OF ADMINISTRATIVE EXPENSES FOR THE YEARS ENDED JUNE 30, 1992 AND 1991

	1992	1991
Personal Services		
Salary and wages	\$1,886,313	\$1,651,312
Retirement contributions	225,873	205,195
Insurance	152,410	127,354
Total Personal Services	<u>2,264,596</u>	<u>1,983,861</u>
Professional Services		
Computer services	1,849,961	1,620,111
Medical consultation	15,257	8,270
Technical and actuarial	415,265	370,652
Legal services	61,395	45,998
Total Professional Services	<u>2,341,878</u>	<u>2,045,031</u>
Communications		
Postage	287,722	351,348
Printing	328,888	516,915
Telephone	96,213	77,056
Total Communications	<u>712,823</u>	<u>945,319</u>
Other Services		
Equipment repairs, rental and maintenance	198,613	127,351
Building operations and maintenance	126,773	167,695
Surety bonds and insurance	12,961	12,655
Memberships and subscriptions	23,607	18,081
Transportation and travel	182,033	139,385
Education	17,951	14,913
Supplies	84,876	104,409
Total Other Services	<u>646,814</u>	<u>584,489</u>
Depreciation		
Furniture and equipment	825,819	301,464
Building	11,616	11,616
Total Depreciation	<u>837,435</u>	<u>313,080</u>
Total Administrative Expense	\$6,803,546	\$5,871,780

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URBANA-CHAMPAIGN

SUPPORTING SCHEDULE 1992

SUMMARY SCHEDULE OF FEES AND COMMISSIONS For the Years Ended June 30, 1992 and 1991

	1992	1991
Master Trustee & Custodian		
The Northern Trust Company	\$558,409	\$393,307
Investment Management Firms		
Aetna Realty Investors, Inc.	736,961	808,082
Amerindo Investment Advisors	96,460	0
Ariel Capital Management	98,690	44,978
Brinson Partners, Inc.	88,824	33,236
Equitable Real Estate Investment Management, Inc.	764,463	827,959
Fayez Sarofim & Company	1,317,388	1,072,365
Fisher Investments	197,294	0
Pacific Investment Management Company	2,192,812	1,205,457
Rosenberg Institutional Equity	55,451	0
Rosenberg Real Estate Equity Fund	2,301,941	2,548,302
Smith Barney	106,275	0
Wells Fargo Nikko Investment Advisors	1,038,467	1,173,210
Zevenbergen	119,577	0
	9,114,603	7,713,589
Investment Consultant, Measurement & Counsel		
Ennis, Knupp & Associates, Inc.	245,980	258,580
Kirkland and Ellis	0	53,840
Skadden, Arps, Slate, Meagher and Flom	50,167	48,158
Total Investment Expense	\$9,969,159	\$8,467,474
Investment Brokerage Firms		
Bear, Stearns & Company	\$82,530	\$55,017
Bridge Information Systems, Inc.	22,698	0
Capital Institutional Services	26,274	0
Instinet	29,124	4,231
Merrill Lynch, Pierce, Fenner, Smith	41,081	3,219
Morgan Stanley	17,886	0
Paine Webber Inc.	25,269	4,620
Salomon Brothers	18,095	38,500
Shearson Lehman Brothers Inc.	25,568	18,772
Smith Barney Harris Upham	88,387	836
All others	181,777	54,743
Total Brokerage Fees	\$558,689	\$179,938

SUPPORTING SCHEDULE 1992

INVESTMENT PORTFOLIO ACTIVITY AT BOOK VALUE FOR THE YEAR ENDED JUNE 30, 1992 (\$ MILLIONS)

	July 1 Book Value	Acquisitions	Dispositions	June 30 Book Value
Fixed income	\$1,187.1	\$1,392.5	(\$1,319.3)	\$1,260.3
Equity securities	1,651.2	669.2	(513.8)	1,806.6
Real estate	435.1	9.5	(3.6)	441.0
Short-term securities	240.1	241.5	(103.3)	378.3
	<u>\$3,513.5</u>	<u>\$2,312.7</u>	<u>(\$1,940.0)</u>	<u>\$3,886.2</u>

INVESTMENT PORTFOLIO AT MARKET VALUE FOR THE YEAR ENDED JUNE 30, 1992 (\$ MILLIONS)

	July 1 Market Value	June 30 Market Value
Fixed income	\$1,196.5	\$1,305.4
Equity securities	2,321.2	2,571.7
Real estate	434.4	368.7
Short-term securities	240.7	378.6
	<u>\$4,192.8</u>	<u>\$4,624.4</u>

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS FOR THE YEAR ENDED JUNE 30, 1992 (\$ MILLIONS)

Receipts	
Member contributions	\$169.6
Employer contributions	107.3
Investment income	222.7
Investments redeemed	1,940.0
Gain on sale of investments	154.1
	<u>Total Receipts</u>
	<u>\$2,593.7</u>
Disbursements	
Benefit payments	\$236.5
Administrative expenses	6.0
Investment expenses	9.7
Refunds	24.3
Fixed assets purchased	4.5
Investments purchased	2,312.7
	<u>Total Disbursements</u>
	<u>\$2,593.7</u>

ACTUARIAL SECTION



**SURS
DEVELOPED
BENEFITLINE
TO HELP
MEMBERS
GET
INFORMATION
ABOUT
BENEFITS--
TOLL-FREE,
24 HOURS-A-
DAY.**



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



Federal Express

November 6, 1992

Board of Trustees
State Universities Retirement
System of Illinois
1901 Fox Drive
Champaign, IL 61820

Dear Members of the Board:

At your request, we have performed an actuarial valuation for the State Universities Retirement System of Illinois (SURS) as of June 30, 1992. Actuarial valuations of the System are performed annually.

This actuarial valuation is based upon:

- (a) **Data relative to the Members of SURS** - Data for all Members was provided by SURS staff. Such data is tested for reasonableness by the actuary but is used unaudited.
- (b) **The values of assets of the System provided by SURS staff** - Book values of assets are used to develop actuarial results.
- (c) **Actuarial method** - The actuarial method utilized by SURS is the Projected Unit Credit cost Method. The objective of this method is to finance the benefits of SURS as such benefits accrue to each Member. Any Unfunded Actuarial Accrued Liability (UAAL) under this method is separately financed. All actuarial gains and losses under this method are reflected in the UAAL.
- (d) **Actuarial assumptions** - The actuarial assumptions used in this valuation are set out in the attached Summary of Actuarial Assumptions and Methods. This set of assumptions is adopted by the Board, effective July 1, 1991.

The funding objective is to provide employer and employee contributions sufficient to provide the benefits of the System when due. The financing objective of SURS is set out in Section 15-155, Chapter 108-1/2, Illinois revised statutes. That Section sets out a funding process to be used for SURS. Since its establishment, the State contributions to SURS have been less than those produced by this process.

Offices in principal cities worldwide

CERTIFICATION LETTER

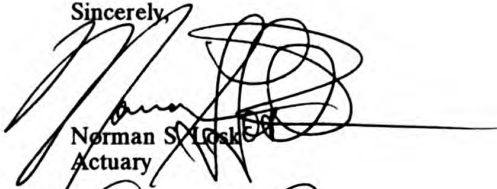
Wyatt

Page 2
November 6, 1992
State Universities Retirement System of Illinois

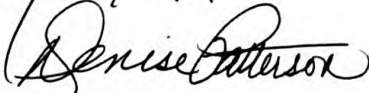
H.B. 1620, enacted effective July 1, 1991, added a significant number of part-time employees of high education institutions to SURS. However, this is a high turnover class of employees who have very little impact on the results of the actuarial valuation.

The valuation results set out in this report are based on the data and actuarial techniques described above, and upon the provisions of SURS as of the valuation date. Based on these items, we certify these results to be true and correct.

Sincerely,



Norman S. Mosk
Actuary



Denise Patterson
Associate Actuary

NL:gc0368
Enclosure

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

ACTUARIAL REPORT 1992

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 92 was 18.3% of payroll. Eight percent of this normal cost is paid by the members' contributions. The remaining 10.3% is the employer's portion of the normal cost.

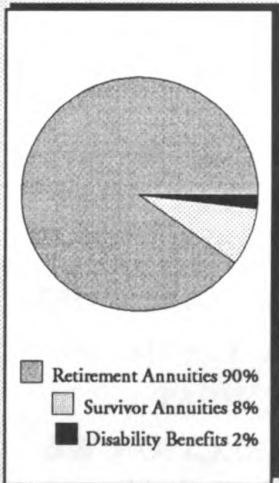
Actuarial funding of System benefits would require annual state appropriations which at least cover the employer's normal cost (10.3% of payroll) plus an amortization of the

**THE GREATER
THING IN THIS
WORLD IS NOT
SO MUCH WHERE
WE STAND AS
IN WHAT
DIRECTION WE
ARE GOING.**

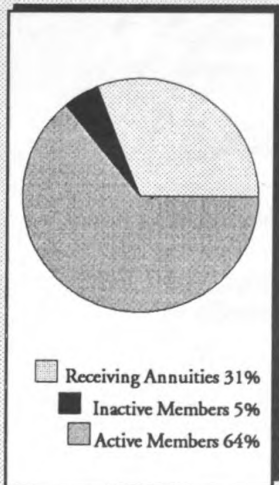
Oliver Wendell Holmes

ACTUARIAL REPORT 1992

ACTUARIAL LIABILITY: MEMBERS RECEIVING ANNUITIES



ACTUARIAL LIABILITY: ALL MEMBERS



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, then Governor James Thompson signed legislation that phased-in, over seven years, a financing objective that would ultimately provide adequate funding of SURS (see *Financing Objective*).

VALUATION RESULTS (\$ MILLIONS)

Actuarial Liability (Reserves)		
For members receiving annuities		
Retirement annuities	\$2,055.5	
Survivor annuities	192.7	
Disability benefits	<u>48.7</u>	
Total		\$2,296.9
For inactive members		354.3
For active members		<u>4,708.4</u>
Total		<u>\$7,359.6</u>
Assets Available for Benefits		<u>\$3,901.5</u>
Unfunded Accrued Actuarial Liabilities		<u>\$3,458.1</u>

CHANGES IN THE UNFUNDED ACCRUED ACTUARIAL LIABILITY (\$ MILLIONS)

Unfunded Accrued Actuarial Liability at June 30, 1991	\$3,117.7
Increase due to prior year's contribution being less than the amount necessary to fund the normal cost and interest on the unfunded liability	355.3
Actuarial Differences	
Investments other than 8%	(79.6)
Salary increases other than 7%	(26.4)
Age and service retirement differences	37.7
Termination differences	113.1
Other actuarial differences	9.8
Nonrecurring Items	
Assumption changes	(82.8)
Inclusion of part-time members	<u>13.3</u>
Unfunded Accrued Actuarial Liability at June 30, 1992	<u>\$3,458.1</u>

ACTUARIAL REPORT 1992

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.

**ALL MANKIND
IS DIVIDED
INTO THREE
CLASSES: THOSE
WHO ARE
IMMOVABLE;
THOSE WHO
ARE MOVABLE;
AND THOSE
WHO MOVE.**

Benjamin Franklin

ACTUARIAL REPORT 1992

FINANCING OBJECTIVE

The Statutes 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 1992 as follows:

Required Employer Contributions	\$156,954,000
Employer Contributions Received	108,639,068
Progress Toward Financing Objective	(\$48,314,932)

In addition, the state's projected contribution of \$116,728,100 to SURS for fiscal year 1993 will be insufficient to meet the System's total required contribution for that year of \$168,925,200. As a result, the 7-year phase in period called for in the law has been reduced to a 4-year period starting with fiscal year 1993. 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
1994	9.872%	-0.274%	9.598%	\$2.158	\$207,125,000
1995	9.872	3.631	13.503	2.271	306,653,000
1996	9.872	7.536	17.408	2.390	416,051,000
1997	9.872	7.536	17.408	2.516	437,985,000
1998	9.872	7.536	17.408	2.648	460,964,000

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, 1992 actuarial valuations. In order to determine projected contribution rates and amounts the following additional assumptions and estimates were used.

- 1) Covered payroll of \$2,050,000,000 for fiscal year 1993.
- 2) 5.25% per annum rate of increase in covered payroll.
- 3) Total employer contributions of \$116,728,100 for fiscal year 1993.

As of June 30, 1992, the Unfunded Accrued Actuarial Liability (UAAL) to be amortized was \$3,458,075,848.

ACTUARIAL REPORT 1992

SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

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:

<u>Age</u>	<u>Males</u>	<u>Females</u>
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.

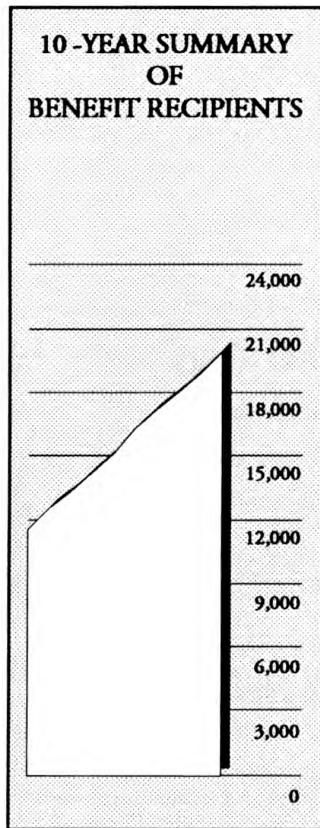
Expenses: As estimated and advised by SURS staff, based on current expenses with an allowance for expected increases.

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 1992



ANALYSIS OF FINANCIAL EXPERIENCE

Gains and losses in Accrued Actuarial Liability for Fiscal Year ending June 30, 1992 (\$ millions):

Actuarial (Gains) and Losses	
Age & Service Retirements	\$37.7
Incidence of Disability	.1
In-Service Mortality	(0.3)
Retiree Mortality	3.0
Disabled Mortality	(0.6)
Termination of Employment	113.1
Salary Increases	(26.4)
Investment Income	(79.6)
Other	7.6
Total Actuarial Loss	<u>\$54.6</u>

Contribution Income Less Than Amount Needed to Fund Normal Cost	\$355.3
Non-Recurring Items	
Assumption Changes	<u>(82.8)</u>
Inclusion of part-time members	13.3
Total Financial Loss	<u>\$340.4</u>

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

Fiscal Year (A)	Beginning Balance	Additions	Subtractions	Ending Balance
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
1992	19,087	1,895	949	20,033

(A) Fiscal years 1983 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 1992

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)

Fiscal Year (A)	Funding Requirements				Covered Percentages		
	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)
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
1992	426.7	439.7	244.2	108.6	25.5	24.7	44.5

(A) Fiscal years 1983 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 *Illinois 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).

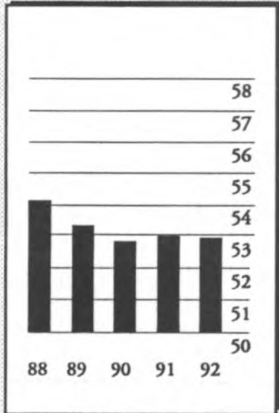
(F) State contributions divided by the 40-year amortization requirement (Column 4 divided by Column 2).

(G) State contributions divided by System expense (Column 4 divided by Column 3).

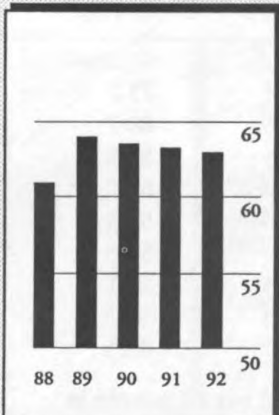
(H) Funding method changed from entry age normal to projected unit credit.

ANALYSIS OF FUNDING 1992

FUNDING RATIO
COST (%)



FUNDING RATIO
MARKET (%)



FUNDING RATIOS
10-YEAR SUMMARY
(\$ MILLIONS)

Fiscal Year (A)	Net Assets at Cost	Net Assets at Market	Actuarial Funding Requirements	Funding Ratio	
				Cost	Market
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
1992	3,901.5	4,639.7	7,359.6	53.0	63.0

(A) Fiscal years 1983 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 1992

PERCENTAGE OF BENEFITS COVERED BY NET ASSETS 10-YEAR SUMMARY (\$ MILLIONS)

Fiscal Year (A)	Member Accumulated Contributions {1}(B)	Members Currently Receiving {2}(B)	Active and Inactive Members' Employers' Portion {3}(B)	Net Assets	% of Benefits Covered by Net Assets for		
					{1}	{2}	{3}
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
1992	2,011.5	2,296.9	3,051.2	3,901.5	100	82.3	0

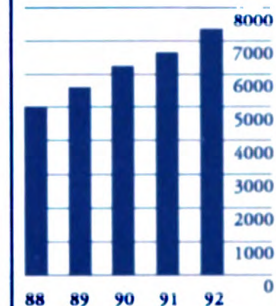
(A) Fiscal years 1983 through 1986 ended August 31. Fiscal year 1987 ended June 30 and was 10 months in length. Fiscal years 1988 and after ended June 30 and were 12 months in length.

(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.

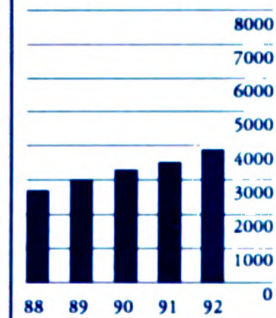
(C) Actuarial assumptions were changed in fiscal year 1986. Salary increment assumption was changed from 8% to 7%.

BENEFITS COVERED BY NET ASSETS

Benefits Earned



Assets



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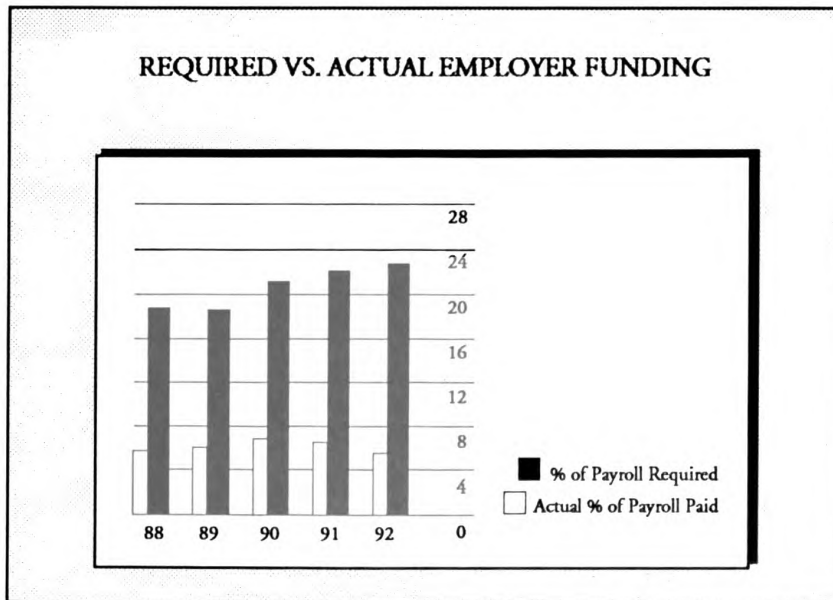
State University of Illinois Retirement System 51
URBANA-CHAMPAIGN

ANALYSIS OF FUNDING 1992

PAYROLL PERCENTAGES 10-YEAR SUMMARY (\$ MILLIONS)

Fiscal Year(A)	Member Payroll	Unfunded Accrued Benefit Cost		Employer's Cost			State Contributions			
		Amount	% of Payroll	Employers' Normal Cost	% of Payroll	Amortization of Unfunded	Total (C)	% of Payroll	State Cont.	% of Payroll
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
1992	1,947.9	3,458.1	177.5	177.0	9.1	262.7	439.7	22.6	108.6	5.6

- (A) Fiscal years 1983 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.



STATISTICAL SECTION



**SEVENTY-
EIGHT
PERCENT OF
SURS
MEMBERS
USE THE
ELECTRONIC
FUNDS
TRANSFER
OPTION TO
RECEIVE
BENEFIT
PAYMENTS.**



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UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

BENEFIT RECIPIENTS

10-YEAR SUMMARY

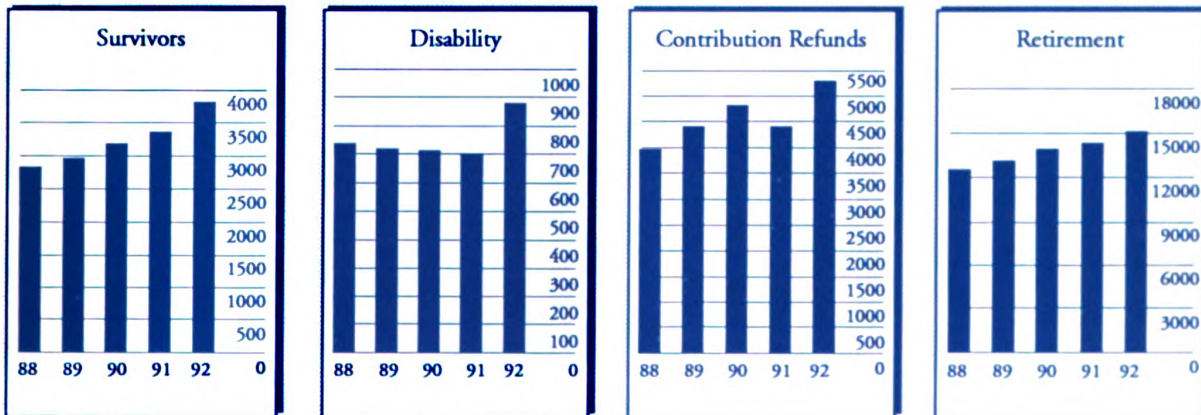
Fiscal Year (A)	Survivors	Disability	Contribution Refunds	Retirement	Disability Retirement Allowance
1983	2,117	814	2,657	8,432	50
1984	2,321	750	2,832	9,217	71
1985	2,440	695	3,943	9,982	91
1986	2,585	698	4,305	10,809	101
1987	2,766	729	3,421	11,620	116
1988	2,830	741	3,955	12,495	135
1989	2,959	722	4,399	13,132	149
1990	3,183	715	4,834	13,958	160
1991	3,377	701	4,407	14,321	180
1992	3,816 (B)	880 (C)	5,279	15,269	208

(A) Fiscal years 1983 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) Includes 88 widows and widowers who, because of age, are pending survivor recipients.

(C) Includes 71 members receiving payments from an employer disability insurance contract or workers' compensation for which the SURS benefit is offset.

GROWTH OF BENEFIT RECIPIENTS



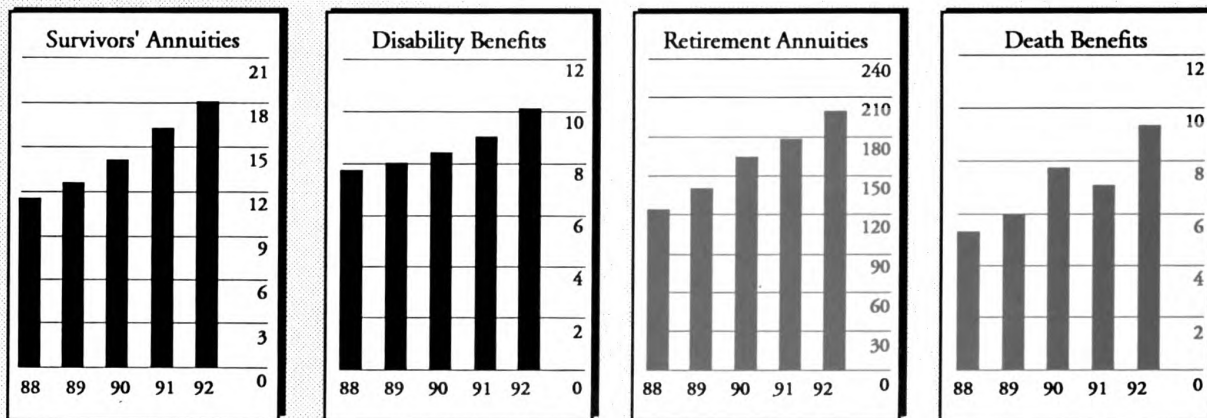
BENEFIT EXPENSES

10-YEAR SUMMARY (\$ MILLIONS)

Fiscal Year (A)	Survivors' Annuities	Disability Benefits	Disability Retirement Allowance	Retirement Annuities	Lump Sum Death Benefits	Total
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
1992	18.1	10.1	1.0	198.8	9.4	237.4

(A) Fiscal years 1983 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.

GROWTH OF BENEFIT EXPENSES



BENEFIT SUMMARY

SCHEDULE OF NEW BENEFIT PAYMENTS JULY 1, 1991 THROUGH JUNE 30, 1992

Age	Retirement		Disability		Survivors	
	Number	Average Monthly Benefit	Number	Average Monthly Benefit	Number	Average Monthly Benefit
Under 9					11	\$277
10-14					24	236
15-19					14	300
20-24			3	\$609	1	26
25-29			5	816	1	97
30-34			14	1,023	4	300
35-39			19	901	2	455
40-44			22	1,078	10	236
45-49			33	1,034	6	400
50-54	9	\$1822	39	1,240	31	646
55-59	326	1,378	44	1,165	27	854
60-64	474	1,393	40	1,138	52	1,090
65-69	362	1,528	33	1,024	58	947
70-74	142	1,841	6	1,028	45	1,087
Over 74	16	1,121			76	497
	1,329	\$1,474	258	\$1,086	362	\$722
Average Age	63.5 years					

BENEFIT SUMMARY

SCHEDULE OF AVERAGE BENEFIT PAYMENTS FOR RETIREES AS OF JUNE 30

	Years of Credited Service						Total
	0-10	11-15	16-20	21-25	26-30	30+	
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
Fiscal Year 1992							
Number of Retirees	3,088	2,575	2,769	2,487	1,751	2,599	15,269
Average Monthly Annuity	\$287	\$514	\$858	\$1,326	\$1,714	\$2,395	\$1,120
Final Average Salary	\$16,271	\$19,698	\$24,269	\$30,015	\$31,129	\$33,803	\$25,226
Average Credited Service							20.11

BENEFIT SUMMARY

SCHEDULE OF BENEFIT RECIPIENTS BY TYPE OF BENEFIT FOR THE YEAR ENDED JUNE 30, 1992

Monthly Amount of Benefit	Total Recipients	General Formula	Money Purchase	Police or Fire	Other (A)	Long-Term Disability	Temporary Disability	Survivors
\$0-200	2,597	581	388		858	2		768
201-400	4,226	1,004	789		767	95	17	1,554
401-600	2,735	1,041	663		184	82	59	706
601-800	1,885	878	532	2	26	12	176	259
801-1000	1,578	796	350	6		12	224	190
1001-1200	1,103	674	243	4		3	90	89
1201-1400	950	602	215	10		1	57	65
1401-1600	825	547	171	12			63	32
1601-1800	752	514	148	14		1	62	13
1801-2000	613	439	120	15			22	17
2001-2200	567	420	100	19			17	11
2201-2400	440	335	82	8			10	5
2401-2600	368	284	59	14			7	4
2601-2800	283	219	50	10			2	2
2801-3000	237	187	44	4			1	1
3001-3200	172	138	30	3			1	
3201-3400	152	116	32	2			1	1
3401-3600	112	89	22	1				
3601-3800	93	81	9	1				2
3801-4000	44	36	8					
Over 4000	282	240	32	1				9
	20,173	9,221	4,087	126	1,835	208	880	3,816

(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
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
1992	25.5	3,886.2	8.3	3,920.0

(A) Fiscal years 1983 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.

10-YEAR SUMMARY LIABILITIES (\$ MILLIONS)

Fiscal Year (A)	Accounts Payable	Deferred Income	Fund Balances	Total
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
1992	18.5	0.0	3,901.5	3,920.0

(A) Fiscal years 1983 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

ACTIVE PARTICIPANT STATISTICS 10-YEAR SUMMARY

Fiscal Year (A)	Males	Females	Total Actives	Percent Change	Average Salary	Average Age	Average Service Credit
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
1992	35,916	40,382	76,298	36.1	25,912	43.7	7.3

(A) Fiscal years 1983 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
1992	56,075	25,799	807	110	4,659	76,298

(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

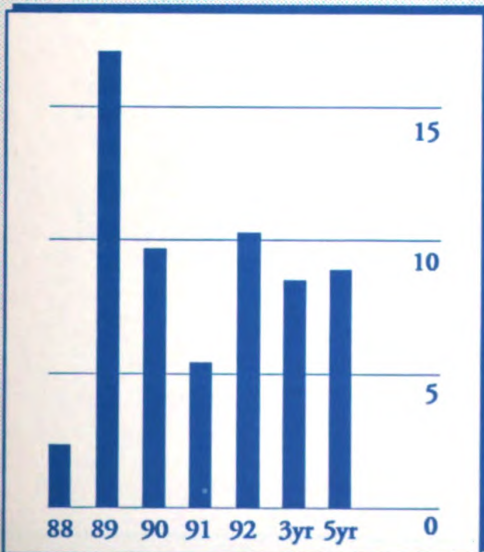
Belleville Area College	Lincoln Land Community College
Black Hawk College	McHenry College
Board of Governors	Moraine Valley Community College
Board of Governors Cooperative Computer Center	Morton College
Board of Regents	Northeastern Illinois University
Carl Sandburg College	Northern Illinois University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

INVESTMENT SECTION



OUR NEW TRAINING CENTER WILL ENABLE OUR COUNSELORS TO GIVE A PRESENTATION IN CHAMPAIGN THAT CAN BE TRANSMITTED STATEWIDE BY SATELLITE, SAVING ON TRAVEL COSTS, TIME AND DUPLICATED EFFORT.

**PERFORMANCE SUMMARY
ANNUALIZED PERCENT RETURN
FOR THE PERIODS ENDED JUNE 30**



CERTIFICATION LETTER

The Northern Trust Company

Master Trustee's Comments on the Services Provided

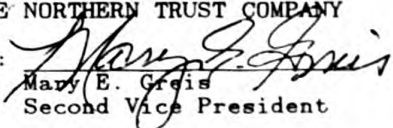
To the Board of Trustees and the Executive Director:

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, 1991 through June 30, 1992. Also, a statement of assets together with their fair market value was provided, showing the properties held as of June 30, 1992. 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: 
Mary E. Greis
Second Vice President



INVESTMENT SUMMARY 1992

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 10% 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, 1992, the System had retained the services of 14 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

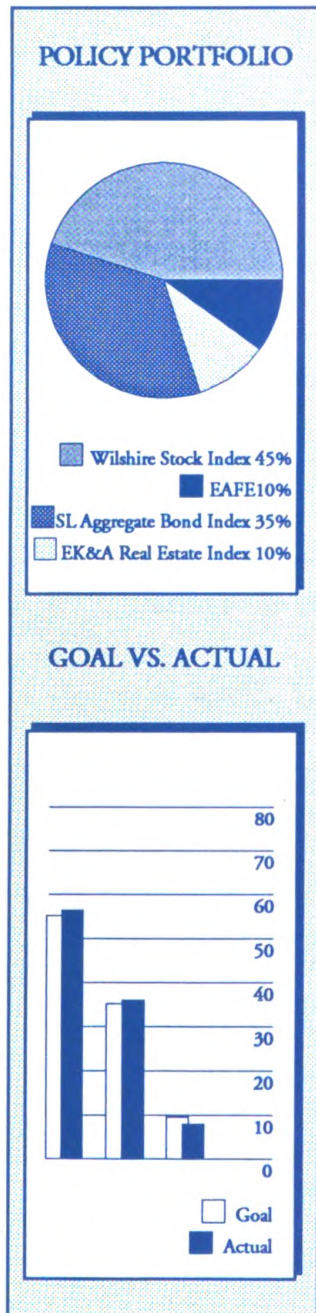
Overall fund performance is compared with the performance of a *policy portfolio* comprised of 45% of the Wilshire 5000 Stock Index, 10% of the currency hedged Europe, Australia, and Far East Index (EAFE), 35% of the Shearson Lehman Aggregate Bond Index, and 10% of the Ennis, Knupp & Associates Real 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 are 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 1992, 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 35%, stood at 36%. The combined overweighting in stocks and bonds (2% of the total fund) was offset by a like underweighting in real estate, 8% invested versus a 10% goal.



INVESTMENT SUMMARY 1992

FISCAL YEAR INVESTMENT RESULTS

SURS investment portfolio returned 10.3% for the fiscal year ended June 30, 1992. SURS total fund, U.S. stocks, non-U.S. stocks, and bonds all outperformed the goal of doing better than the markets in which each is invested. SURS real estate underperformed the market by 0.7%. SURS lagged the Public funds median because of SURS higher than typical allocation to foreign stocks and real estate although these investments have contributed positively in the past.

For the year ended June 30, 1992, both stock and bond investments earned attractive returns. Stocks, as measured by the Wilshire 5000 Stock Index, rose in value by 13.9%. The bond market performed well because interest rates declined during the year; when interest rates fall, bond prices rise. Bonds, as measured by the Shearson Lehman Aggregate Bond Index, rose 14.1%.

SURS diversification into non-U.S. stocks and real estate was not rewarded this year. Non-U.S. stocks continued the decline which began last year. Non-U.S. stocks, as measured by the Currency Hedged Europe, Australia and Far East Index (EAFE), declined 14.6% for the year. Despite the increasing globalization of business, the world's stock markets are not integrated. Although some countries have experienced substantial declines, others have done remarkably well. Since 1986, SURS has invested in all countries in the EAFE index. At its June 1992 meeting, SURS Board of Trustees adopted an active approach to the country allocation decision for one-half of SURS non-U.S. stock portfolio. International experts were hired to choose which foreign markets SURS invests in based upon local market conditions.

LONGER TERM RESULTS

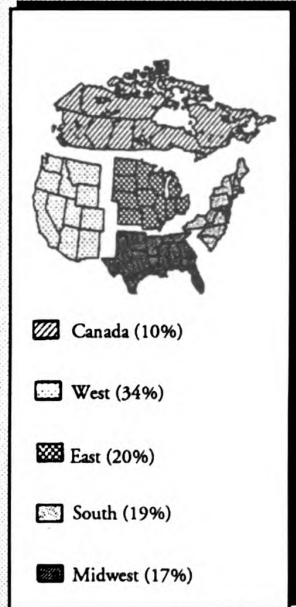
The 10 years ended June 30, 1992, provided returns that, by historical standards, were exceptionally good. SURS portfolio earned an annualized return of 14.3%. SURS U.S. stocks rose by 16.6%, while bonds gained 14.9%. During the past 10 years, the market value of SURS assets increased by \$3.4 billion to \$4.6 billion. The unfortunate part of the story is the missing piece of the pie; the contribution that should have been made to the fund by the State of Illinois. Each extra dollar received could have grown at these exceptional rates, closing the funding gap that exists today.

INVESTMENT RETURNS

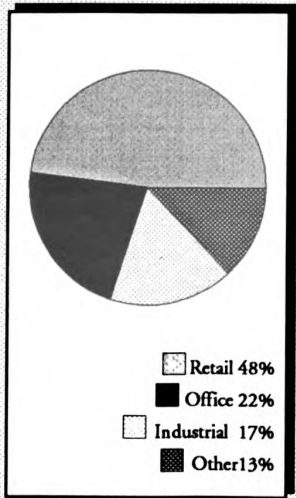
	Fiscal Year Ended June 30					Annualized	
	1988	1989	1990	1991	1992	3 Years	5 Years
Total Fund							
SURS	2.3%	17.1%	9.7%	5.4%	10.3%	8.5%	8.9%
Policy Portfolio	0.5	15.2	8.5	3.6	6.9	6.3	6.8
Public Retirement Funds Index	0.5	14.4	10.2	8.5	11.8	10.2	9.0
CPI	3.9	5.0	4.6	4.6	3.1	4.2	4.3
U.S. Common Stock Returns							
SURS	-5.8	21.7	12.9	8.2	14.5	11.8	9.9
S&P 500 Stock Index	-6.9	20.6	16.5	7.4	13.5	12.4	9.8
Wilshire 5000	-5.9	19.5	12.7	7.0	13.9	11.2	9.1
Foreign Stock Returns							
SURS	5.1	17.6	4.2	-15.8	-13.9	-8.9	-1.4
Currency Hedged EAFE Index	4.4	17.4	1.9	-14.6	-14.6	-9.4	-1.8
Bond Returns							
SURS	9.0	13.4	7.6	10.9	16.1	11.5	11.4
Shearson Lehman Aggregate Bond Index	8.1	12.2	7.8	10.7	14.1	10.8	10.6
Real Estate Returns							
SURS	7.4	9.1	8.1	-4.7	-13.0	-3.6	1.0
Ennis, Knupp & Assoc-Real Estate Index	6.9	6.8	4.9	-6.7	-12.3	-5.0	-0.4

INVESTMENT SUMMARY 1992

GEOGRAPHIC DIVERSIFICATION



PROPERTY TYPE DISTRIBUTION



SURS REAL ESTATE

Real estate continued its well publicized decline. Fortunately, SURS holds only the best quality real estate. High quality, well located real estate has held its value better in the current environment. A recovery for real estate is unlikely in the short run. We continue to believe real estate is an appropriate investment for pension plan investors with a long term horizon. We have, however, made no new real estate investments in over four years. Real estate, as measured by the Ennis, Knupp & Associates Real Estate Index, declined 12.3% for the year.

REAL ESTATE MARKETS

The oversupply of space in most markets and property types together with a weak economy casts a shadow on commercial real estate, particularly in the office sector. Fortunately, new construction continues to decline. Financing remains difficult to find as most traditional lenders are under pressure to lower their real estate exposure and are thus very selective in choosing which projects they finance. As a result, credit standards and underwriting criteria are very high. In combination, these factors resulted in continued weakness in many markets, downward pressure on office rental rates in most markets and further declines in values.

RETAIL PROPERTIES

Retail properties represent the largest segment of SURS real estate portfolio, 48% of the total. Regional malls have been affected less by overbuilding than most other property types. The value of the SURS retail properties has held up relatively well. We believe that the SURS retail portfolio is sound and its properties are well-positioned in their respective markets. Assuming an improving economy, we expect that the retail segment has seen its worst and should begin a slow and steady improvement.

OFFICE PROPERTIES

The office sector constitutes 22% of SURS real estate portfolio. Office properties continue to be the hardest hit by current economic and real estate market conditions. Office employment growth is a concern as major users of office space, i.e., financial services firms, law firms and accounting firms, have retrenched. With an excess supply of space, this uncertain outlook regarding demand for space causes potential buyers to be wary about leasing prospects and rental growth. The effect is downward pressure on values. On the positive side, there is virtually no new construction and vacancy rates appear to have peaked in the lower 20% range. A slow growth economy will result in an extended recovery period for the office sector. The oversupply of space will be absorbed gradually with higher quality properties in a better position to improve occupancy.

OTHER PROPERTIES

Other properties, primarily industrial and research and development, account for 30% of SURS real estate portfolio. Industrial and research and development properties have also experienced rising vacancies and declining values. The recession has been the primary cause. Economic recovery combined with constraints on financing new construction could bring a quick turnaround for this sector.

INVESTMENT SUMMARY 1992

ASSET ALLOCATION AS OF JUNE 30, 1992 (\$ THOUSANDS)

	Equity	Fixed Income	Real Estate	Market Value	% Of Fund
Stock Managers - Passive					
Wells Fargo/Nikko Investment Advisors					
U.S. Equity Market	\$1,203,687	\$21,020	\$0	\$1,224,707	26
Extended Market	178,313	0	0	178,313	4
International	281,126	0	0	281,126	6
Subtotal	1,663,126	21,020	0	1,684,146	36
Stock Managers - Active					
Amerindo Investment	20,155	12	0	20,167	1
Ariel Capital	33,081	235	0	33,316	1
Fayez Sarofim	631,397	169	0	631,566	14
Fisher Investments	25,572	139	0	25,711	1
Pacific Investment - StocksPlus	15,532	0	0	15,532	0
Rosenberg Institutional	55,669	134	0	55,803	1
Smith Barney	54,502	1,361	0	55,863	1
SURS Internal	26,031	89	0	26,120	1
Zevenbergen Capital	13,853	1,063	0	14,916	0
Subtotal	875,792	3,202	0	878,994	20
Venture Capital Manager					
Brinson Acquisition Fund	5,193	1,388	0	6,581	0
Brinson Partnerships	6,181	169	0	6,350	0
Brinson Post Venture	9,134	4	0	9,138	0
Subtotal	20,508	1,561	0	22,069	0
Bond Manager - Passive					
Wells Fargo/Nikko U.S. Debt	0	619,297	0	619,297	13
Bond Managers - Active					
Pacific Investment	14,534	892,485	0	907,019	20
Cash/GICs	0	154,450	0	154,450	3
Subtotal	14,534	1,046,935	0	1,061,469	23
Real Estate Managers					
Aetna Real Estate	0	0	72,454	72,454	1
Equitable Prime Property Fund	0	465	75,767	76,232	2
JMB - Cadillac Fairview	0	0	42,824	42,824	1
Rosenberg Real Estate	0	1,921	177,637	179,558	4
Subtotal	0	2,386	368,682	371,068	8
Total Asset Allocation	\$2,573,960	\$1,694,401	\$368,682	\$4,637,043	100
% OF TOTAL FUND	56%	36%	8%	100%	

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Share	Book Value	Market Value
COMMON STOCK			
A & W Brands Inc	13,000	\$449,350	\$414,375
Abbott Lab	522,400	7,004,444	15,541,400
Acme-Cleveland Corp	100	600	613
ADR Akzo N.V.	1,200	34,400	51,900
ADR British Airways	1,600	67,272	80,800
ADR British Gas	2,700	105,975	125,213
ADR British Steel	4,600	94,507	54,050
ADR British Telecommunications	1,400	81,999	88,725
ADR Empresa Nacional De Electricidad	400	14,097	14,700
ADR Hitachi Ltd	1,100	84,475	66,000
ADR Matsushita Elec Indl Co Ltd A.	900	110,741	94,050
ADR Telefonica De Espana	16,000	566,080	518,000
Advanced Logic Research Inc	42,000	348,162	210,000
Advanced Micro Devices Inc	19,900	367,033	174,125
Agouron Pharmaceuticals Inc	72,500	1,367,500	851,875
Air Products & Chemicals Inc	2,200	61,332	93,500
Airborne Freight Corp	12,700	315,757	188,913
Alteon Inc	50,000	1,421,875	825,000
American Brands Inc	18,500	789,833	823,250
American Cyanamid Co	10,200	648,933	567,375
American Ecology Corp	4,300	21,932	90,300
American Electric Power Co	36,800	1,063,394	1,173,000
American General Corp	225,341	6,241,065	11,041,709
American Greetings Corp Cl A	31,040	1,102,096	1,330,840
American Home Products Corp	264,200	10,598,705	18,890,300
American International Group Inc	3,750	259,260	332,344
American Medical Holdings Inc	3,600	32,562	33,750
American National Insurance Co	2,600	86,210	104,650
American Stores Co	200,000	5,823,865	6,800,000
American Telephone & Telegraph Co	359,500	14,032,751	15,458,500
American Water Works Co Inc	6,200	132,783	135,625
Amoco Corp	211,800	7,516,482	10,113,450
Angelica Corp	31,440	976,806	935,340
Anheuser-Busch Companies Inc	261,700	2,888,186	14,524,350
Arbor Drugs	14,300	275,525	268,125
Archer-Daniels-Midland Co	74,473	2,098,298	1,759,425
Armor All Products Corp	47,000	540,290	740,250
Artisoft Inc	80,000	1,542,813	1,680,000
Arvin Industries Inc	15,700	378,246	396,425
Ashland Oil Inc	2,600	84,305	69,225
AST Research Inc	3,100	63,938	42,625
AVNET Inc	4,600	124,145	127,075

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INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Avon Products Inc	35,100	\$1,529,014	\$1,798,875
Aztar Corp	79,000	486,355	395,000
Baker Hughes Inc	3,000	80,025	60,750
Baldwin Tech Inc Cl A	80,500	457,077	322,000
Baltimore Gas & Electric Co	4,350	89,320	96,788
Banc One Corp	3,190	70,933	145,544
BankAmerica Corp	41,700	1,500,793	1,850,438
Baxter International Inc	59,400	1,985,915	2,160,675
BCE Inc	26,900	1,049,147	998,663
Beckman Instruments Inc	7,300	140,854	135,963
Becton Dickinson & Co	4,600	320,943	342,700
Bell Sports Corp	19,100	286,500	391,550
Bemis Co Inc	5,000	88,563	121,875
Ben & Jerry's Homemade Inc Cl A	11,500	193,631	310,500
Beneficial Corp	1,600	59,420	93,400
Bergen Brunswig Corp Cl A	59,425	1,201,591	1,136,503
Berlitz Intl Inc	32,400	559,918	583,200
Beverly Enterprises Inc	19,100	190,280	150,376
BHC Communications Inc Cl A	2,500	130,638	143,750
Birmingham Steel Corp	18,900	303,684	498,488
BJ Services Co	36,000	549,360	504,000
Boeing Co	4,250	148,580	169,469
Boise Cascade Corp	9,600	182,762	175,200
Briggs & Stratton Corp	6,000	238,590	269,250
Bristol Myers Squibb Co	27,600	1,977,843	1,818,150
Brown-Forman Inc Cl B Non-Vtg	200	15,350	15,650
Bruno's Inc	6,600	89,925	89,100
Burlington Coat Factory Warehouse Co	12,000	228,720	219,000
Cabletron System Inc	32,500	1,452,875	1,592,500
Cabot Corp	4,100	149,197	184,500
Caesars World Inc	30,240	567,277	869,400
Capital Cities/ABC Inc	500	199,023	228,375
Carolina Freight Corp	16,000	283,155	214,000
Carolina Power & Light Co	1,800	95,265	90,900
Cellpro Inc	105,000	1,548,750	1,076,250
Centerior Energy Corp	23,900	385,197	406,300
Centigram Communications Corp	138,300	1,549,225	674,213
Centocor	25,000	1,143,750	325,000
Central Newspaper Inc Cl A	31,500	618,568	657,563
Central Sprinkler Corp	41,200	540,555	391,400
Central & S. W. Corp	3,200	67,680	90,400
Ceridian Corp	1,500	15,938	20,813

INVESTMENT PORTFOLIO 1992

EQUITIES

	Shares	Book Value	Market Value
COMMON STOCK			
Chambers Dev Inc Cl A	5,000	\$163,975	\$35,000
Chase Manhattan Corp	34,100	855,746	942,013
Chemical Banking Corp	1,500	56,700	55,688
Ches Corp	19,200	380,695	475,200
Chevron Corp	195,000	9,581,617	13,065,000
Chiquita Brands International Inc	4,900	186,193	81,463
Chris-Craft Industries Inc	2,244	59,136	59,186
Chubb Corp	3,200	125,538	227,200
CIGNA Corp	4,500	194,232	250,875
Circuit City Stores Inc	4,500	121,860	138,938
Clorox Co	60,100	2,349,526	2,727,038
Clothestime Inc	52,800	282,077	462,000
Coca Cola Co	1,518,500	10,156,862	60,740,000
Coca Cola Enterprises Inc	65,000	1,072,500	828,750
Cognex Corp	50,000	1,346,250	650,000
Commerce Clearing House Inc Cl A	44,900	777,933	718,400
Communications Satellite Corp Ser I	4,400	128,722	185,350
Compression Labs Inc	62,500	1,623,438	890,625
Computer Associates Intl Inc	35,800	361,414	411,700
Computer Sciences Corp	1,600	96,645	100,400
Conagra Inc	17,650	515,422	461,106
Consolidated Rail Corp	7,400	551,528	668,775
Consolidated Stores Corp	26,400	195,818	306,900
Constar Intl Inc	24,200	318,584	444,675
Cooper Ind Inc	1,300	64,740	59,963
Cooper Tire & Rubber Co	2,300	32,965	110,113
Coors Adolph Co Cl B Non-Vtg	14,400	321,200	282,600
Costco Wholesale Corp	13,800	413,100	393,300
CPC International Inc	2,200	88,880	101,475
Crown Cork & Seal Co Inc	3,300	96,976	102,300
Cross Inc	55,300	624,792	587,563
Crystal Brands Inc	4,700	79,066	34,663
CSX Corp	39,200	1,891,342	2,484,300
CUC Intl Inc	10,200	274,122	304,725
Cyprus Minerals Co	11,600	250,700	330,600
Dana Corp	17,600	583,360	767,800
Data General Corp	7,300	124,875	59,313
Dayton-Hudson Corp	65,000	2,939,365	4,355,000
Dean Foods Co	1,400	40,317	37,275
Deere & Co	15,000	794,689	639,375
Detroit Edison Co	2,400	50,806	75,000
Devry Inc Del	29,775	292,912	535,950

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INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Dial Corp Ariz	5,700	\$160,700	\$203,063
Dillard Dept Stores Inc Cl A	8,000	337,402	295,000
Dollar General Corp	22,700	273,907	454,000
Dominion Resources Inc	2,700	100,890	103,275
Dow Chemical Co	275,300	15,325,579	15,864,163
Dreyfus Corp	17,000	555,094	641,750
Du Pont E I De Nemours & Co	328,500	8,621,213	16,589,250
Duff & Phelps Corp	18,350	358,449	364,706
Duke Power Co	7,200	215,662	246,600
Dun & Bradstreet Corp	1,600	89,256	90,600
Durr-Fillauer Med Inc	13,900	439,339	302,325
E G & G Inc	4,200	65,730	96,600
Easel Corp	45,000	1,108,125	1,023,750
Eastern Enterprise	3,500	94,623	96,250
Eaton Corp	12,000	749,411	958,500
Ecolab Inc	44,180	1,104,854	1,441,373
Edison Brothers Stores Inc	4,400	142,832	171,600
Emerson Electric Co	29,000	1,364,894	1,413,750
Engelhard Corp	3,300	85,140	133,650
Enron Corp	5,400	174,543	226,125
Entergy Corp	40,800	991,421	1,152,600
E-Systems Inc	2,100	64,617	69,300
Expeditors Intl Wash Inc	9,500	283,375	308,750
Exxon Corp	215,900	12,004,065	13,358,813
Family Dollar Stores Inc	4,000	55,680	62,500
Federal Home Loan Mortgage Corp Vtg	3,300	125,301	131,175
Federal National Mortgage Association	35,600	1,730,278	2,171,600
Federal Paper Board Co Inc	42,000	1,194,783	1,239,000
FHP International Corp	11,000	180,235	192,500
Fingerhut Companies Inc	14,200	353,579	408,250
First Brands Corp	58,625	1,250,332	1,597,531
First Empire State Corp	1,100	99,875	139,150
First Financial Management Corp	12,450	367,528	371,944
Fleetwood Enterprises Inc	5,600	175,636	159,600
Fleming Companies Inc	50,700	1,811,710	1,742,813
FMC Corp	5,000	34,913	28,125
Ford Motor Co	335,900	5,960,784	15,409,413
Fortis Corp	9,800	172,938	100,450
Furon Co	19,400	234,708	252,200
Gap Inc	14,000	531,347	483,000
Genentech Inc	4,800	148,281	152,400
General Binding Corp	37,700	527,124	622,050

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
General Dynamics Corp	3,400	\$223,078	\$242,675
General Electric Co	345,200	8,041,290	26,839,300
General Host Corp	29,600	238,754	236,800
General Mills Inc	227,600	15,099,833	15,277,650
General Motors Corp	31,100	1,272,120	1,368,400
General Public Utilities Corp	4,400	104,544	112,750
General RE Corp	1,600	117,718	135,600
General Signal Corp	18,200	821,579	1,051,050
Genesco Inc	99,500	519,194	497,500
Genuine Parts Co	13,750	378,842	440,000
Gerber Products Co	900	57,083	59,850
GFC Financial Corp	2,850	44,695	59,138
Grace W R & Co	3,400	114,325	115,600
Grow Group Inc	24,300	226,749	303,750
Grumman Corp	9,200	176,730	208,150
GTE Corp	59,800	1,841,480	1,906,125
Gulf States Utilities Co	1,200	12,047	18,300
Gundle Environmental Systems Inc	12,000	184,424	120,000
Handleman Co	58,150	732,370	770,488
Harland John H Co	4,200	81,878	86,625
Harnischfeger Ind Inc	20,700	395,696	408,825
Harper Group	17,700	329,663	300,900
Harsco Corp	6,100	172,199	223,413
Hasbro Inc	56,475	635,101	1,595,419
Heinz H J Co	325,000	5,865,157	12,471,875
Hercules Inc Vtg	26,800	1,243,154	1,413,700
Hershey Foods Corp	2,200	97,427	92,400
Hewlett-Packard Co	31,700	2,181,055	2,183,338
Home Depot Inc	2,200	115,995	147,950
Honeywell Inc	1,600	74,540	112,000
Houghton Mifflin Co	12,900	302,557	380,550
Hunt Manufacturing Co	48,550	584,701	631,150
IBP	14,000	249,340	262,500
Idec Pharmaceuticals Corp	90,000	1,372,500	596,250
IHOP Corp	35,400	361,700	451,350
IMC Fertilizer Group Inc	2,500	132,003	107,188
Immulogic Pharmaceutical Corp	60,000	1,027,500	600,000
Immune Response Corp	32,500	1,780,000	804,375
Inco Ltd	200,000	4,288,303	6,125,000
Intel Corp	8,900	374,541	507,300
Interface Inc Cl A	108,000	1,160,835	1,566,000
International Business Machine Corp	15,000	1,354,650	1,468,125

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
International Multifoods Corp	4,500	\$131,760	\$112,500
International Paper Co	3,700	248,648	258,538
International Dairy Queen Inc Cl A	13,500	272,321	270,000
InterTAN Inc	16,800	264,746	252,000
Iomega Corp	4,600	19,922	26,450
Isomedix Inc	8,500	177,000	157,250
ITT Corp	26,200	1,492,193	1,696,450
Johnson Controls Inc	7,700	238,084	302,225
Johnson Worldwide Assoc	25,700	556,534	520,425
Johnson & Johnson	21,700	860,545	971,075
JWP Inc	16,600	223,334	203,350
K Mart Corp	105,400	2,523,054	2,424,200
Kellogg Co	290,000	4,674,865	19,248,750
Kellwood Co	22,100	529,272	607,750
Kerr-Mc Gee Corp	1,900	75,288	76,000
Kimberly-Clark Corp	6,200	257,855	362,700
King World Productions Inc	1,600	32,960	37,000
Knowledgeware	100,000	1,300,000	1,262,500
Kroger Co	4,700	92,473	69,913
Lafarge Corp	27,300	382,813	385,613
Leggett & Platt Inc	27,200	666,672	652,800
Leslie Fay Companies Inc	24,600	481,470	378,225
Leucadia Natl Corp	1,100	53,906	52,525
Lifetime Corp	5,500	146,475	72,188
Lilly Eli & Co	186,300	3,841,836	12,132,788
Limited Inc	4,500	105,188	102,375
Liz Claiborne Inc	2,700	64,490	95,175
Lockheed Corp	42,300	1,889,514	1,866,488
Loews Corp	101,400	7,276,132	11,306,100
Long Drug Stores Corp	39,775	1,540,662	1,327,491
Loral Corp	2,800	92,117	90,300
LSI Logic Corp	84,400	642,528	569,700
Mark IV Industries Inc	9,300	136,571	130,607
Marshall Industries	18,700	444,731	558,663
Martin-Marietta Corp	1,772	81,459	92,809
Mattel Inc	7,125	81,972	179,906
May Department Stores Co	201,700	5,685,700	11,169,138
MBIA Inc	12,115	597,469	655,724
Mc Cormick & Co Inc	10,400	270,316	231,400
Mc Dermott International Inc	4,200	92,247	84,000
Mc Donalds Corp	11,600	443,637	533,600
Mc Graw-Hill Inc	15,000	898,586	868,125

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Mc Kesson Corp	5,000	\$186,475	\$158,750
McCaw Cellular Communications Cl A	1,300	36,010	32,013
MCI Communications Corp	8,800	247,450	282,700
Medco Containment Services Inc	5,700	121,736	171,000
Mellon Bank Corp	2,300	89,229	94,588
Mercantile Stores Co Inc	5,400	205,792	182,925
Merck & Co Inc	948,600	12,528,448	46,244,250
Meridian Bancorp Inc	1,000	23,241	27,500
Merrill Lynch & Co Inc	24,600	1,015,077	1,242,300
Meyer Fred Inc	2,100	48,441	51,713
Michigan National Corp	2,900	139,857	134,125
Micrografx Inc	3,600	63,740	57,600
Microsoft Corp	9,750	513,250	682,500
Miller Herman Inc	36,000	655,680	639,000
Minnesota Mining & Manufacturing Co	108,000	5,624,724	10,476,000
Mirage Resorts Inc	3,500	108,973	90,563
Mitchell Engy/Dev	4,200	76,514	61,425
MNC Financial Inc	10,000	75,450	107,500
Mobil Corp	210,500	5,301,390	12,945,750
Monsanto Co	5,100	320,275	281,138
Morgan J P & Co Inc	26,805	1,397,985	1,504,431
Morrison Inc	26,250	398,905	603,750
Morrison-Knudsen Inc	15,200	367,726	311,600
M/A-Com Inc	119,000	689,876	609,875
Nacco Industries Inc Cl A	5,700	304,003	240,825
Nashua Corp	7,200	205,632	178,200
National Education Corp	1,100	7,700	9,900
NCH Corp	900	58,505	56,700
New England Electric System	5,000	141,925	163,750
Newell Co	8,000	374,245	286,000
Nicor Inc	2,200	96,910	98,725
Nike Inc Cl B	9,300	443,037	577,763
Nordstrom Inc	11,000	402,167	310,750
Norfolk Southern Corp	204,300	9,130,291	12,998,588
Northern Trust Corp	12,900	659,835	761,100
Northrop Corp	12,600	297,105	330,750
Norwest Corp	42,000	1,222,887	1,596,000
Novell Inc	5,800	192,931	308,850
Nynex Corp	14,400	1,048,691	1,135,800
N.E. Utilities Wt Exp	144,381	174,644	405,999
Occidental Petroleum Corp	11,500	223,215	225,688
Ohio Edison Co	4,500	86,288	93,938

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Old Republic Intl Corp	4,400	\$78,274	\$97,900
Olsten Corp	18,000	341,720	461,250
Omnicom Group Inc	35,750	860,740	1,251,250
Oncogene Sci Inc	260,000	1,487,385	1,300,000
Oshkosh B Gosh Inc Cl A	30,900	801,917	702,975
Outboard Marine Corp	16,400	267,656	287,000
Overseas Shipholding Group Inc	6,000	120,060	93,000
Owens Corning Fiberglass Corp	190,000	4,191,832	5,747,500
Pacific Gas & Electric Co	7,000	221,725	225,750
Pacificorp	2,700	57,470	60,075
Paine Webber Group Inc	1,400	33,663	30,275
Pall Corp	12,350	303,983	321,100
Parametric Tech Corp	95,000	1,543,750	3,538,750
Paramount Communications Inc	6,700	279,168	304,013
Penn Central Corp	7,700	183,824	154,963
Pennzoil Co	115,000	4,047,959	5,146,250
Pentair Inc	11,400	421,530	413,250
Pepsico Inc	619,600	5,477,333	21,608,550
Pet Inc	23,000	413,414	359,375
Pfizer Inc	4,800	344,040	350,400
PHH Corp	9,500	295,391	319,438
Philadelphia Electric Co	3,700	72,798	97,588
Philip Morris Companies Inc	917,200	9,387,651	67,414,200
PHM Corp	3,100	94,271	53,475
Picturetel Corp	40,000	1,407,500	1,080,000
Pier One Imports Inc	73,400	560,409	532,150
Pinkertons Inc New	25,400	655,067	393,700
Pioneer Saving Bank	7,700	149,375	192,500
Pittston Co	9,100	158,773	142,188
Platinum Tech Inc	90,000	1,589,375	1,383,750
Polaroid Corp	3,100	89,621	84,863
PPG Industries Inc	22,000	1,246,182	1,441,000
Premark International Inc	11,000	339,732	386,375
Price T Rowe Associates Inc., Co	21,500	508,583	803,563
Primerica Corp New	25,200	689,096	967,050
Procter & Gamble Co	433,200	9,455,219	19,927,200
Qual Food Ctr Inc	23,700	803,225	873,938
Quanex Corp	25,000	401,500	603,125
Quantum Corp	10,000	139,900	135,000
Ralston Purina Co	1,800	85,463	83,700
Raytheon Co	35,600	1,402,818	1,566,400
Reebok International	13,500	373,656	325,688

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Rhone Poulenc Rorer	8,800	\$485,315	\$487,300
Rite Aid Corp	7,900	168,777	157,013
RJR Nabisco Holdings Corp	100,000	1,125,000	875,000
Roadway Services Inc	1,000	74,535	63,750
Rohr Inc	12,700	256,249	130,175
Rouse Co	23,450	337,094	357,613
Royal Dutch Pete Co N.Y Registry	151,500	5,001,575	13,275,188
Russell Corp	36,300	812,549	1,134,375
Ryder System Inc	2,300	44,275	59,225
Rykoff-Sexton Inc	5,100	88,424	82,875
Safeway Inc	7,400	134,357	89,725
Santa Fe Pacific Corp	25,600	296,490	310,400
Sara Lee Corp	309,700	13,748,205	15,949,550
Schlumberger Ltd	5,800	350,123	364,675
Sci Systems Inc	44,000	302,867	313,500
Scripps E W Co Class A	2,500	48,550	68,750
Sealright Co	43,000	890,785	1,064,250
Sears Roebuck & Co	53,600	2,135,990	2,130,600
Sherwin-Williams Co	4,000	67,100	110,000
Shorewood Packaging Corp	65,000	489,450	536,250
Silicon Val Group Inc	66,200	469,685	314,450
Solectron Corp	28,000	302,667	735,000
Southwestern Bell Corp	6,000	361,050	366,000
Springs Ind Inc Cl A	18,600	651,127	678,900
Sprint Corp	49,300	1,391,617	1,072,275
Standard Federal Bank Troy Mich	1,500	25,811	31,125
Standard Register Co	29,000	366,125	435,000
Stanhome Inc Vtg	33,500	1,092,513	1,101,313
Sterling Chemical	46,000	248,545	189,750
Stewart-Stevenson Services Inc	9,800	220,895	258,475
Stone Container Corp	2,500	54,063	62,813
Stride Rite Corp	31,900	681,736	657,938
Sun Trust Banks Inc	5,900	141,214	238,950
Supervalu Stores Inc	3,200	87,760	76,800
Symantec Corp	8,600	387,787	326,800
Syntex Corp	8,600	357,192	294,550
T B C Corp	32,450	319,930	490,806
Tambrands Inc	180,000	3,437,888	11,475,000
Tecumseh Prod Co Cl B	500	24,701	31,250
Tecumseh Prods Co	500	24,315	29,000
Tektronix Inc	11,000	209,110	192,500
Temple Inland Inc	95,100	1,242,772	4,612,350

INVESTMENT PORTFOLIO 1992

EQUITIES			
	Shares	Book Value	Market Value
COMMON STOCK			
Texaco Inc	45,200	\$2,804,383	\$2,791,100
Texas Inds Inc	23,300	556,521	547,550
Texas Utilities Co	32,000	1,146,496	1,252,000
Textron Inc	26,200	854,091	979,225
Thiokol Corp	9,100	141,200	145,600
Times Mirror Co Cl A	200,000	5,961,162	6,700,000
Timken Co	5,200	134,265	142,350
TNP Enterprises Inc	1,300	22,955	24,700
Toro Co	42,000	600,045	577,500
Tosco Corp	7,600	192,684	176,700
Toys R Us Inc	200,000	5,338,925	6,900,000
Trinity Industries Inc	12,000	320,770	367,500
Trinova Corp	10,000	256,494	227,500
Un Camp Corp	25,000	1,156,525	1,162,500
UNC Inc	97,300	551,636	583,800
Unilever N.V N.Y. Sh 4 Guilders	900	67,772	97,538
Union Pacific Corp	6,100	244,131	305,763
Union Tex Pete Hldgs Inc	19,400	338,591	307,975
United Stationers Inc	55,000	489,225	687,500
United Technologies Corp	28,000	1,484,959	1,463,000
Unitrin Inc	100,000	1,542,590	3,400,000
Universal Foods Corp	15,100	557,048	409,588
Universal Corp Va	5,900	125,431	154,138
Upjohn Co	2,100	88,568	67,200
USLIFE Corp	2,400	108,906	121,800
U.S. Bancorp	3,050	53,000	73,581
U.S. Shoe Corp	17,000	219,705	212,500
U.S. West	54,200	1,948,944	1,978,300
Valassis Communications Inc	25,100	523,259	492,588
Venture Stores Inc	2,000	63,010	52,000
Waban Inc	18,700	378,872	374,000
Walgreen Co	2,600	84,480	88,075
Wal-Mart Stores Inc	223,000	7,651,813	11,986,250
Walt Disney Company	320,000	9,274,079	11,560,000
Warner-Lambert Co	160,000	4,846,368	9,760,000
Washington Fed Svg & Ln Assn Seattle	8,250	199,500	224,813
Waste Management Inc	162,300	5,765,571	5,457,338
Watkins-Johnson Co	31,100	471,344	311,000
Westmark Intl Inc	2,700	151,299	139,050
Westvaco Corp	32,000	1,116,799	1,228,000
Weyerhaeuser Co	25,000	856,315	856,250
Whirlpool Corp	32,000	1,031,409	1,192,000

INVESTMENT PORTFOLIO 1992

EQUITIES						
	Shares		Book Value		Market Value	
COMMON STOCK						
Whitman Corp	1,300		\$17,199		\$17,388	
Williams Co Inc	1,600		54,980		46,400	
Winn-Dixie Stores Inc	2,300		92,228		102,925	
Witco Corp	3,700		143,540		158,175	
Wrigley Wm Jr Co	1,400		96,999		105,700	
Wyle Lab	41,400		496,692		564,075	
Xerox Corp	23,600		1,311,557		1,646,100	
Yellow Freight System Inc	10,100		305,525		275,225	
Zurn Industries Inc.	2,000		64,050		56,000	
MUTUAL FUNDS & LIMITED PARTNERSHIPS						
Brinson Partners Post Venture Fund	356,487		9,265,282		9,133,635	
Brinson Partners Venture Partnerships	6,321,035		6,321,035		6,181,235	
Brinson Partners Venture Partnership Acquisition Fund	4,444,248		4,444,248		5,193,087	
Rosenburg 2nd Tier Trust	431,291		5,800,000		6,447,368	
Pacific Investment Stockplus	100,000		10,000,000		15,532,312	
Wells Fargo/Nikko Currency Hedged International Fund	22,043,941		221,640,254		204,315,449	
Wells Fargo/Nikko Extended Market Fund	4,825,490		137,642,775		178,312,660	
Wells Fargo/Nikko South Africa Free International Fund	11,135,301		115,763,677		76,810,556	
Wells Fargo/Nikko U.S. Equity Fund	72,458,882		787,979,922		1,203,678,687	
CONVERTIBLE PREFERRED STOCK						
Time Warner Inc Ser C Conv Exchangeable	275,000		11,271,037		13,646,875	
Time Warner Inc Ser D 11% Conv	236,570		10,411,880		12,852,626	
PREFERRED STOCK						
Toledo Edison Co. Ser A Adj Rate	50,000		1,000,000		1,275,000	
TOTAL EQUITIES	143,463,066		1,806,487,210		2,571,594,757	
FIXED INCOME SECURITIES						
	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Federal Home Loan Mortgage Corp	AAA	7.000	01-Oct-2006	\$518,573	\$480,977	\$522,623

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES

	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Federal Home Loan Mortgage Corp	AAA	7.500	01-Apr-2005	\$382,034	\$362,216	\$394,985
Federal Home Loan Mortgage Corp	AAA	8.000	01-Apr-2008	874,005	840,343	901,720
Federal Home Loan Mortgage Corp	AAA	8.750	01-Apr-2008	455,577	363,892	471,094
Federal Home Loan Mortgage Corp	AAA	9.400	15-Sep-2008	1,096,200	778,302	1,162,739
Federal Home Loan Mortgage Corp	AAA	9.500	15-Aug-2021	12,489,098	11,597,418	13,488,226
Federal Home Loan Mortgage Corp	AAA	10.250	01-Apr-2009	8,017,483	8,384,533	8,563,634
Federal Home Loan Mortgage Corp	AAA	10.250	01-May-2009	2,956,776	3,092,141	3,158,192
Federal Home Loan Mortgage Corp	AAA	16.250	01-Nov-2011	123,076	128,307	140,158
Federal National Mortgage Assoc	AAA	7.250	01-Oct-2004	3,351,375	3,073,837	3,406,874
Federal National Mortgage Assoc	AAA	7.875	01-Jun-2021	4,296,213	3,794,094	4,313,011
Federal National Mortgage Assoc	AAA	8.500	01-May-2001	47,603	46,785	49,790
Federal National Mortgage Assoc	AAA	8.500	01-Aug-2001	22,607	22,218	23,645
Federal National Mortgage Assoc	AAA	8.500	01-Sep-2001	328,356	322,713	343,438
Federal National Mortgage Assoc	AAA	8.500	01-Oct-2001	771,417	758,159	806,848
Federal National Mortgage Assoc	AAA	8.500	01-May-2002	647,606	614,821	677,351
Federal National Mortgage Assoc	AAA	8.500	01-Jun-2002	2,978,135	2,828,822	3,114,920
Federal National Mortgage Assoc	AAA	9.000	01-Nov-2008	1,333,320	1,295,820	1,428,106
Federal National Mortgage Assoc	AAA	9.000	01-Jan-2009	1,171,336	1,145,347	1,254,606
Federal National Mortgage Assoc	AAA	9.000	01-Apr-2010	229,779	222,886	246,114
Federal National Mortgage Assoc	AAA	9.000	01-Oct-2011	176,579	171,282	188,029
Federal National Mortgage Assoc	AAA	9.350	25-Feb-2010	1,621,346	1,627,679	1,669,986
Federal National Mortgage Assoc	AAA	14.750	01-Aug-2012	748,884	823,304	856,768
Federal National Mortgage Assoc	AAA	15.500	01-Dec-2012	32,503	34,260	37,510
Federal National Mortgage Assoc	AAA	15.750	01-Dec-2011	398,233	418,643	459,581
Federal National Mortgage Assoc	AAA	16.000	01-Sep-2012	192,997	206,760	220,801
Federal National Mortgage Assoc	AAA	16.000	12-Sep-2012	515,603	547,680	589,881
Government Nat'l Mortgage Assoc	AAA	8.500	15-Dec-2005	89,051	74,956	94,213
Government Nat'l Mortgage Assoc	AAA	8.500	15-Feb-2007	156,546	131,768	164,887
Government Nat'l Mortgage Assoc	AAA	8.500	15-Jun-2009	155,434	147,565	164,104
Government Nat'l Mortgage Assoc	AAA	8.500	15-Feb-2010	345,110	327,639	361,717
Government Nat'l Mortgage Assoc	AAA	8.500	05-May-2010	342,545	325,204	359,028
Government Nat'l Mortgage Assoc	AAA	9.000	15-Sep-2008	7,726	6,837	8,306
Government Nat'l Mortgage Assoc	AAA	9.000	15-Nov-2008	14,644	12,960	15,744
Government Nat'l Mortgage Assoc	AAA	9.000	15-Jan-2009	18,529	16,398	19,921
Government Nat'l Mortgage Assoc	AAA	9.500	05-May-2009	55,957	50,431	60,932
Government Nat'l Mortgage Assoc	AAA	9.500	15-Jun-2009	126,578	114,291	137,831
Government Nat'l Mortgage Assoc	AAA	9.500	15-Aug-2009	627,655	528,905	675,189

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES

	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
GOVERNMENT AGENCIES						
Government Nat'l Mortgage Assoc	AAA	9.500	15-Sep-2009	\$227,027	\$204,710	\$247,209
Government Nat'l Mortgage Assoc	AAA	9.500	15-Oct-2009	73,534	66,273	80,071
Government Nat'l Mortgage Assoc	AAA	9.500	15-Jan-2010	55,189	49,740	60,096
Government Nat'l Mortgage Assoc	AAA	9.500	05-May-2013	38,244	34,467	41,829
Government Nat'l Mortgage Assoc	AAA	10.500	15-Sep-2010	6,259	6,197	6,879
Government Nat'l Mortgage Assoc	AAA	10.500	15-Jan-2016	8,238	8,156	9,054
Government Nat'l Mortgage Assoc	AAA	11.000	20-Aug-2013	444,822	396,539	485,825
Government Nat'l Mortgage Assoc	AAA	11.250	15-Jun-2013	242,025	251,706	266,303
Government Nat'l Mortgage Assoc	AAA	11.250	15-Jul-2013	609,544	633,925	670,687
Government Nat'l Mortgage Assoc	AAA	11.250	15-Sep-2013	7,243	7,533	7,970
Government Nat'l Mortgage Assoc	AAA	11.250	15-Dec-2013	97,116	101,001	106,858
Government Nat'l Mortgage Assoc	AAA	11.250	15-Mar-2014	124,076	129,039	136,522
Government Nat'l Mortgage Assoc	AAA	11.250	15-Jul-2015	13,400	13,936	14,744
Government Nat'l Mortgage Assoc	AAA	11.250	15-Aug-2015	119,111	123,872	131,059
Government Nat'l Mortgage Assoc	AAA	11.250	15-Sep-2015	1,036,276	1,077,710	1,140,224
Government Nat'l Mortgage Assoc	AAA	11.250	15-Oct-2015	182,889	190,200	201,235
Government Nat'l Mortgage Assoc	AAA	11.250	15-Nov-2015	160,503	166,918	176,603
Government Nat'l Mortgage Assoc	AAA	11.250	15-Dec-2015	681,177	708,396	749,506
Government Nat'l Mortgage Assoc	AAA	11.250	15-Jan-2016	195,283	203,086	214,872
Government Nat'l Mortgage Assoc	AAA	11.500	20-Oct-2013	380,945	348,254	425,584
Government Nat'l Mortgage Assoc	AAA	11.500	20-Dec-2013	166,410	151,757	185,910
Government Nat'l Mortgage Assoc	AAA	11.500	20-Apr-2014	86,485	77,423	96,620
Government Nat'l Mortgage Assoc	AAA	13.500	15-Oct-2012	9,376	10,137	11,157
Government Nat'l Mortgage Assoc	AAA	14.750	15-Jul-1997	11,428	12,385	12,313
Government Nat'l Mortgage Assoc	AAA	14.750	15-Jun-1997	7,696	8,341	8,293
Student Loan Marketing Assoc	AAA	9.610	28-Feb-1994	5,000,000	4,993,750	5,000,000
Total Government Agencies				57,700,786	55,695,644	61,039,923
CANADIAN GOVERNMENT						
Hydro-Quebec	AA	9.375	15-Apr-2030	15,100,000	15,080,823	16,412,945
Hydro-Quebec Ser Hs	AA	9.400	01-Feb-2021	3,000,000	2,975,190	3,258,840
New Brunswick Prov Canada	AA	9.750	15-May-2020	4,000,000	3,954,000	4,503,960
Total Canadian Government				22,100,000	22,010,013	24,175,745

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES						
	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT OBLIGATIONS						
U.S. GOVERNMENT						
U.S. Treasury Note	AAA	6.000	31-Oct-1993	\$2,350,000	\$2,384,891	\$2,397,729
U.S. Treasury Note	AAA	8.875	15-Feb-1994	2,070,000	2,207,461	2,206,496
Total U.S. Government				4,420,000	4,592,352	4,604,224
Total Government Obligations				84,220,786	82,298,008	89,819,893
CORPORATE OBLIGATIONS						
American Airlines Inc	A	14.375	05-Jan-2005	3,000,000	3,772,500	3,732,360
Boise Cascade Corp	BBB	11.875	15-Jan-1993	4,000,000	4,227,080	4,123,960
Citicorp Med Term Note	BBB	5.912	08-Nov-1993	14,000,000	14,000,000	14,000,000
Citicorp Med Term Note	BBB	7.000	28-Feb-1994	3,500,000	3,500,000	3,575,950
Consumers Power Co	BBB	8.750	15-Feb-1998	900,000	897,480	958,500
First Bank System Inc	A	8.770	22-Feb-1993	10,000,000	9,993,700	10,159,900
First Chicago Corp	A	9.250	15-Nov-2001	4,250,000	4,238,100	4,499,135
First Chicago Corp	A	9.875	15-Aug-2000	10,000,000	9,828,700	11,067,600
First Union Corp	A	9.250	15-Dec-1993	6,000,000	6,112,140	6,311,820
Fleet Norstar Financial	BBB	9.950	05-May-1993	5,000,000	5,000,000	5,201,300
Ford Motor Credit Co	A	7.500	01-Mar-1994	3,000,000	2,949,750	3,088,950
Ford Motor Credit Co	A	7.900	15-Aug-1994	4,000,000	3,997,320	4,183,000
General Motors Acceptance	A	7.000	08-Oct-1993	11,000,000	11,216,920	11,216,920
General Motors Acceptance	A	8.200	08-Aug-1994	1,000,000	964,940	1,032,880
General Motors Acceptance	A	8.400	15-Oct-1999	5,000,000	4,871,850	5,244,850
General Motors Acceptance	A	8.600	09-Aug-1993	1,100,000	1,099,934	1,143,439
General Motors Acceptance	A	8.700	02-Feb-1994	5,200,000	5,380,856	5,473,208
General Motors Acceptance	A	8.850	13-Dec-1993	1,250,000	1,269,938	1,314,075
General Motors Acceptance	A	9.200	30-Apr-1993	5,000,000	5,200,800	5,176,450
General Motors Acceptance	A	9.400	10-May-1993	4,500,000	4,695,075	4,671,495
Great Western Bank	A	10.500	30-May-2000	4,000,000	4,053,480	4,457,640
Gulf States Utilities Co	BBB	12.125	01-Jul-2016	878,000	891,170	957,020
Home Svgs Amer Irwindale	BBB	10.500	12-Jun-1997	2,500,000	2,492,500	2,746,300
Kroger Co	B	12.875	15-Jan-1999	3,936,000	4,159,614	4,270,560
Kroger Co	B	13.125	15-Jan-2001	7,220,000	7,673,055	7,905,900
Long Island Lighting Co	BBB	10.250	15-Jun-1994	12,000,000	12,112,320	13,021,080
Long Island Lighting Co	BBB	10.875	15-Jun-1999	10,000,000	10,637,500	11,325,000
Long Island Lighting Co	BBB	11.375	01-Apr-1993	3,100,000	3,245,824	3,244,119
Long Island Lighting Co	BBB	11.700	15-Nov-1993	2,610,000	2,685,038	2,823,133
Long Island Lighting Co	BBB	11.750	15-Nov-1994	22,050,000	23,842,273	24,841,530
Mellon Bank Corp	BBB	8.875	01-Sep-1998	6,000,000	5,992,500	6,053,400

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES

	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE OBLIGATIONS						
NERCO Inc	BBB	9.650	01-Jun-1999	\$7,500,000	\$7,645,500	\$8,262,675
Owens Ill Inc	B	12.250	01-Jun-1996	609,000	637,113	630,315
Occidental Petroleum	BBB	11.750	15-Mar-2011	1,500,000	1,575,000	1,753,125
Public Service Co New Hampshire	NR	0.000	15-Oct-2004	5,000,000	0	1
Public Service Co New Hampshire	BBB	15.230	01-Jul-2000	8,808,000	10,862,519	11,450,400
PVTPL Sec Pac Fltg Rate	NR	4.537	17-Nov-1993	19,000,000	18,994,927	18,998,100
RJR Nabisco Inc	BB	0.000	01-May-2001	36,600,000	30,459,992	34,038,000
RJR Nabisco Inc	BBB	8.875	15-Nov-1992	600,000	612,690	607,500
Sears Roebuck & Co	A	13.250	01-Sep-1992	2,680,000	2,848,090	2,710,338
Security Pacific Corp	A	7.828	04-Feb-1994	9,000,000	9,000,900	9,354,240
Security Pacific Corp	A	9.050	25-Apr-1994	5,200,000	5,192,096	5,516,108
System Energy Resources	BBB	10.500	01-Sep-1996	350,000	356,125	367,875
Tenneco Credit Corp	BBB	9.150	15-Feb-1993	3,500,000	3,581,550	3,579,625
Texas Gas Transmisson Co	BB	10.000	01-Nov-1994	5,000,000	5,071,250	4,850,000
Toledo Edison Co	BB	11.250	01-Sep-1997	8,000,000	8,449,300	8,440,000
Union Tex Pete Hldgs Inc	BB	7.940	01-Nov-1992	4,000,000	3,900,000	3,920,000
Vons Cos Inc	BB	12.750	15-Jul-1999	2,750,000	2,956,250	2,935,598
Total Corporate Obligations				296,091,000	293,145,657	305,235,372

MISCELLANEOUS FIXED INCOME SECURITIES

COMMINGLED FUNDS

Pimco International Fund	NR	N/A	N/A	10,786,292	109,026,227	108,617,957
Wells Fargo U.S. Debt Fund	NR	N/A	N/A	35,613,318	599,222,848	619,296,618

INSURANCE CONTRACTS

Connecticut General	NR	13.000	15-Aug-1992	3,339,763	3,339,763	3,339,763
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MORTGAGE BACKED SECURITIES

Alaska State Housing Financing Co	AAA	9.250	01-Apr-2023	8,678,025	7,215,525	9,144,469
American Housing Tr VIII	AAA	9.000	25-Jan-2021	5,677,223	4,974,879	5,620,451
American Southwest Financial Corp	AAA	10.300	01-Feb-2016	7,174,997	7,186,257	7,747,563
American Southwest Financial Corp	AAA	12.500	01-Apr-2015	4,953,149	5,129,603	5,398,933
Bear Stearns Mtg	AAA	9.500	25-Jun-2023	11,000,000	11,577,500	11,577,500
Bk Of America Natl T&S Assn	BBB	11.875	01-Apr-2010	52,468	41,039	54,567
Citicorp Mtg Secs	AA	9.000	01-May-2017	13,822,570	12,984,577	14,133,578

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES						
	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
MISCELLANEOUS FIXED INCOME SECURITIES						
MORTGAGE BACKED SECURITIES						
Citicorp Mtg Secs	A	9.500	25-Dec-2002	\$5,000,000	\$5,070,900	\$5,309,241
Citicorp Mtg Secs	AAA	9.500	25-Jan-2014	1,212,590	1,215,811	1,218,653
Citicorp Mtg Secs	AAA	9.500	25-Sep-2003	4,677,400	4,675,207	4,931,289
Citicorp Mtg Secs	A	9.750	25-Nov-2003	4,056,113	4,025,692	4,279,833
Citicorp Mtg Secs	AA	9.000	01-Apr-2017	5,796,597	5,445,178	5,803,842
Coll Mtg Tr 62 Cl Z	AAA	9.500	25-Jun-2020	1,812,518	1,650,565	1,938,477
Home Savings And Loan	AAA	10.000	01-Jul-2009	187,268	172,755	200,983
Housing Sec Inc	AAA	9.000	25-Nov-2010	8,422,778	8,453,048	8,380,664
Imperial Savings And Loan	AA	8.800	25-Jan-2017	5,447,875	5,296,778	5,741,406
Manufactured Housing	AAA	13.250	01-Jan-1999	1,259,217	1,234,531	1,503,253
Manufactured Housing	AAA	13.250	15-Jan-1999	717,949	703,265	857,088
Mortgage & Trust Inc	AAA	10.500	20-Dec-2013	274,563	234,331	296,956
Prudential Home Mtg Securities	AA	9.500	25-Nov-1997	3,323,325	3,338,904	3,339,942
Prudential Home Mtg Securities	AAA	9.000	25-Sep-2017	20,008,000	20,595,735	21,231,489
Residential Fdg Mtg	AA	9.500	25-Oct-2020	1,264,768	1,250,539	1,277,415
Ryland Mtg Secs	AAA	6.143	25-Dec-2021	6,821,338	6,885,288	6,821,338
Shearson Lehman Secs	AAA	9.875	25-Oct-2017	5,000,000	5,312,500	5,312,500
Travelers Mtg Svcs Inc Se	AA	9.550	25-Sep-2020	6,974,708	6,822,137	7,079,329
Western Fed Svgs & Ln Assn	AA	9.886	01-Mar-2019	8,530,450	8,399,828	8,583,595
PRIVATE PLACEMENTS						
Ariana Realty Corp	NR	16.875	01-Dec-2007	14,723,599	17,355,883	18,110,027
Olympia & York	NR	7.000	20-Mar-1999	9,645,468	9,555,041	5,883,735
USX Corp	NR	9.100	15-Jul-1993	2,000,000	2,074,840	2,172,420
Wilmington Tr Co De	NR	10.500	01-Jul-2008	660,000	660,000	696,506
Wilmington Trust Co	NR	10.500	01-Jul-2008	2,640,000	2,640,000	2,786,025
Total Miscellaneous Fixed Income Securities				221,554,329	883,766,973	908,687,407
FUTURES AND OPTIONS						
			Expiration	Number of Contracts		
FUTURES						
Treasury Bond - Long			September, 1992	1,827		
10-Yr Treasury Note - Long			September, 1992	669		
5-Yr Treasury Note - Long			September, 1992	506		
2-Year Treasury Note - Long			September, 1992	38		

INVESTMENT PORTFOLIO 1992

FIXED INCOME SECURITIES

	Strike Price	Interest Rate	Expiration	Number of Contracts	Book Value	Market Value
OPTIONS - EUROPEAN CALLS - U.S. TREASURY NOTES						
November 15, 1993	106.9	11.750	01-Sep-1992	1,480	\$16,190	\$34,370
September 30, 1993	102.7	8.250	03-Aug-1992	10,000	101,172	169,300
November 15, 1993	106.5	11.750	01-Sep-1992	21,000	232,969	404,460
November 15, 1993	106.7	11.730	09-Sep-1992	40,300	434,484	641,576
November 15, 1993	106.6	11.750	16-Sep-1992	30,000	332,813	454,500
Total Futures and Options					1,117,628	1,704,206
TOTAL FIXED INCOME SECURITIES				Par Value	Book Value	Market Value
				601,866,115	1,260,328,266	1,305,446,878

SHORT-TERM INVESTMENTS

	S&P Rating	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Alberta Province Of Canada	NR	3.820	08/18/92	\$3,000,000	\$2,980,315	\$2,984,750
Brinson Trust Co Money Mkt	NR	N/A	VAR	3,739	3,739	3,739
Canadian Wheat Board	NR	3.800	07/20/92	36,000,000	35,867,000	35,927,746
Chevron Oil Finance Co	NR	3.820	07/23/92	44,000,000	43,822,582	43,897,206
Denmark Kingdom	NR	3.800	07/24/92	25,000,000	24,918,194	24,939,285
Gannett Co Inc	NR	3.800	07/24/92	18,750,000	18,688,646	18,704,464
General Electric Capital	NR	3.8300	7/13/92	44,000,000	43,854,886	43,943,778
Hydro Quebec	NR	3.810	07/27/92	13,250,000	13,202,446	13,213,624
Northern Trust Government	NR	N/A	VAR	158,566,764	158,566,764	158,566,764
Northern Trust Short Term	NR	N/A	VAR	17,489,287	17,489,287	17,489,287
Ontario Province	NR	4.150	07/02/92	500,000	494,697	499,942
U.S. Treas Bill Due 11-19-92	AAA	3.710	07/02/92	750,000	737,775	739,247
U.S. Treas Bill Due 9-24-92	AAA	3.600	09/24/92	330,000	326,964	327,218
Wells Fargo/Nikko Money Mkt	NR	N/A	VAR	17,396,694	17,396,694	17,396,694
TOTAL SHORT-TERM INVESTMENTS				Par Value	Book Value	Market Value
				379,036,484	378,349,989	378,633,744

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REAL ESTATE		
	Book Value	Market Value
Aetna Realty, Real Estate Separate Account	\$99,009,676	\$72,454,487
Cadillac Fairview	50,000,000	42,823,759
Equitable Real Estate, Prime Property Fund	92,550,560	75,767,040
Rosenberg Real Estate Equity Funds	199,448,815	177,637,064
TOTAL REAL ESTATE	441,009,051	368,682,350
TOTAL	3,886,174,516	4,624,357,729
ACCRUED INVESTMENT INCOME		
	Book Value	Market Value
	12,685,166	12,685,166
TOTAL INVESTMENTS AND ACCRUED INCOME	\$3,898,859,682	\$4,637,042,895


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Edward J. Kelly
President

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Dennis D.Spice
Executive Director

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