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23rd ANNUAL REPORT

OF THE BOARD OF TRUSTEES OF THE
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
JUNE 30, 1962

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Legal Adviser	- William G. Clark Attorney General, State of Illinois
Actuary	- Arthur Stedry Hansen Consulting Actuaries
Investment Counsel	- Springfield Marine Bank

ANNUAL REPORT

In accordance with Section 25-30 of the Act governing the Teachers' Retirement System of the State of Illinois, an annual report of the Board of Trustees of the System has been prepared each year since establishment of the present retirement system in 1939.

On behalf of the Board, I herewith submit the Twenty-third Annual Report for the fiscal year ended June 30, 1962. This report summarizes activities of the retirement system during the fiscal year 1961-62 and indicates the status of the System at the end of the year.

The accounts have been audited by Turnbull and Schussele, Certified Public Accountants, and an actuarial valuation has been prepared by Arthur Stedry Hansen, Consulting Actuaries. Reports and financial statements of the auditor and the actuary are included in this report.

A copy of this Twenty-third Annual Report is being transmitted to the Honorable George T. Wilkins, Superintendent of Public Instruction, State of Illinois, for inclusion in his biennial report to the Governor.

Respectfully submitted,



Secretary, Board of Trustees
Teachers' Retirement System
of the State of Illinois

Springfield, Illinois
December 1, 1962



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TURNBULL AND SCHUSSELE
CERTIFIED PUBLIC ACCOUNTANTS

RALPH W. TURNBULL, C.P.A.
HALBERT A. SCHUSSELE, C.P.A.
GERALD A. BROWN, C.P.A.
E. NEIL CHANDLER, C.P.A.

FIRST NATIONAL BANK BUILDING
SPRINGFIELD, ILLINOIS
AREA CODE 217 544-8407

MEMBERS
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS
ILLINOIS SOCIETY OF
CERTIFIED PUBLIC ACCOUNTANTS

August 31, 1962

We have examined the fiscal matters and financial transactions of the Teachers' Retirement System, State of Illinois, for the period July 1, 1961 to June 30, 1962. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

These statements reflect assets, liabilities and operations of the System as shown in its accounts, and do not attempt to present the condition of the System from the actuarial view. The amount shown as reserve for annuity payments to retired members is as determined by the System's regularly retained actuary.

In our opinion, subject to an actuarial determination of all reserve requirements for the several annuities and benefits under the applicable law for both retired members and members who have not reached retirement status, the accompanying statements present fairly the financial position of the Teachers' Retirement System as of June 30, 1962, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.


Certified Public Accountants

Teachers' Retirement System of the State of Illinois

BALANCE SHEET

June 30, 1962

ASSETS

Cash on Deposit with State Treasurer		\$	998,957.03
Receivables			
From School Boards	\$1,807,993.03		
From State of Illinois (4th quarter 1961-62)	1,830,611.24		
From Federal Housing Administration	<u>12,465.47</u>		3,651,069.74
Interest receivable on investments			1,301,702.70
Investments (Book value)			197,001,184.14
Mineral Rights (valued at \$1.00, per acre)			2,643.00
Office Furniture and Equipment			<u>45,506.42</u>
			<u>\$203,001,063.03</u>

LIABILITIES AND RESERVES

Current liabilities for benefits and refunds		\$	230,551.99
Administrative expenses payable			9,942.34
Liability for benefit payments to retired members estimated to be payable during fiscal year 1962-63			19,000,000.00
Reserve for Members' Accumulations (Including approximately \$26,000,000 interest)			168,547,814.48
Reserve for benefit payments to retired members (Less \$19,000,000 for fiscal year 1962-63)			201,397,748.00
Reserve for Survivor Benefits			11,501,028.83
Reserve for Supplementary Payments			<u>713,052.44</u>
			\$401,400,138.08
Excess of liabilities and reserves over present assets of the System			<u>198,399,075.05</u>
			<u>\$203,001,063.03</u>

Teachers' Retirement System of the State of Illinois

STATEMENT OF INCOME AND EXPENDITURES

Year ended June 30, 1962

INCOME

Contributions by members, in all categories		\$27,493,012.54
State of Illinois		21,597,365.39
Interest on investments		6,800,249.13
Oil and gas royalties		<u>29,865.88</u>
		\$55,920,492.94

EXPENDITURES

Annuities and Benefits:		
Age Retirement	\$17,184,265.65	
Disability	512,440.96	
Death	5,000.00	
Survivor Benefits	888,255.02	
Supplementary Payments	<u>1,899,365.39</u>	
	\$20,489,327.02	
Refunds of Contributions:		
Withdrawals	\$3,018,747.19	
Death of members	398,184.95	
Death of Annuitants	<u>77,364.20</u>	3,494,296.34
General and Administrative Expense	<u>252,949.19</u>	<u>24,236,572.55</u>
Excess of current income over expenditures		\$31,683,920.39

OTHER CHARGES (Net)

Depreciation of equipment	\$ 14,425.05	
Loss on securities sold	<u>17,499.85</u>	
	\$ 31,924.90	
Gain on equipment traded	<u>189.47</u>	<u>31,735.43</u>
Excess of income over expenditures and other charges		<u>\$31,652,184.96</u>

Teachers' Retirement System of the State of Illinois
SUMMARY OF SECURITIES OWNED

June 30, 1962

	<u>Market Value</u>	<u>Book Value</u>
Bonds:		
U. S. Government	\$27,367,881.36	\$ 29,805,591.33
State and Municipal	935,000.00	1,000,000.00
Corporate	<u>22,011,031.25</u>	<u>24,505,017.07</u>
	<u>\$50,313,912.61</u>	\$ 55,310,608.40
Common Stock	<u>\$ 2,951,375.00</u>	3,494,578.29
Real Estate Mortgage Loan		554,267.78
F.H.A. Mortgage Loans		90,398,439.15
War Housing Insurance Fund Debentures		3,538,650.00
Corporate Debentures		29,990,771.20
Equipment Trust Certificates		963,869.32
Corporate Notes		<u>12,750,000.00</u>
		<u>\$197,001,184.14</u>

SUMMARY OF INVESTMENT INCOME

Year Ended June 30, 1962

Bonds:	
U. S. Government	\$1,557,294.16
State and Municipal	37,500.00
Corporate	620,142.41
Common Stock	48,262.50
Real Estate Mortgage Loan	21,523.96
F.H.A. Mortgage Loans	3,571,987.95
War Housing Insurance Fund Debentures	81,013.94
Corporate Debentures	659,499.59
Equipment Trust Certificates	40,145.05
Corporate Notes	<u>162,879.57</u>
	<u>\$6,800,249.13</u>

ARTHUR STEDRY HANSEN CONSULTING ACTUARIES
CHICAGO DALLAS HOUSTON DENVER

ORVILLE C. BEATTIE
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ALAN A. GROTH
ROBERT V. THONANDER
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RALPH JACOMIN



GENERAL OFFICES
1080 GREEN BAY ROAD
LAKE BLUFF, ILLINOIS
CE 4-3400
FROM CHICAGO: BR 3-2345

ONE N. LA SALLE STREET
CHICAGO 2, ILLINOIS
FI 6-0101

Board of Trustees
Teachers' Retirement System
of the State of Illinois
Springfield, Illinois

Actuarial Estimate as of June 30, 1962

Gentlemen:

In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the required Reserves and Unfunded Obligations of the System as of June 30, 1962.

Our estimate is based upon a census of retired members as of June 30, 1962 and a census of active and inactive members as of June 30, 1961.

It is our opinion that the attached statements are a fair representation of the actuarial condition of the Fund as of June 30, 1962.

Respectfully submitted,

Arthur Stedry Hansen
Consulting Actuaries

Teachers' Retirement System of the State of Illinois

ACTUARIAL BALANCE SHEET

Year Ended June 30, 1962

RESOURCES

Assets less Current Liabilities	\$202,760,569
Deferred Obligation of State	<u>461,048,411</u>
Total Resources	<u>\$663,808,980</u>

REQUIREMENTS

Retired	\$215,864,190
Active Members	425,557,006
Inactive Members	<u>22,387,784</u>
Total Requirements	<u>\$663,808,980</u>

Teachers' Retirement System of the State of Illinois

**Actuarial Costs and Obligations
of the State**

Year Ended June 30, 1962

Determination of Accrued State Costs

Costs for benefits earned by members' service during year	\$ 38,818,296
Members' contributions for year	<u>27,493,013</u>
State cost for benefits earned during year	\$ 11,325,283
Unfunded obligation of State	
Beginning of Year	\$451,366,469
Interest rate	<u>x4%</u>
Interest on unfunded obligation of State	<u>18,054,659</u>
Total accrued State cost for year	<u>\$ 29,379,942</u>

Change in Unfunded Obligation

Unfunded obligation of State at beginning of year	\$451,366,469
Accrued State cost for year	\$ 29,379,942
State contribution for year	<u>19,698,000</u>
Excess of cost over contribution	<u>9,681,942</u>
Unfunded obligation of State as of June 30, 1962	<u>\$461,048,411</u>

