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26 th ANNUAL REPORT

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UNIVERSITY OF ILLINOIS

OF THE BOARD OF TRUSTEES OF THE
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS
JUNE 30, 1965

BOARD OF TRUSTEES

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Superintendent of Public Instruction
President

THELMA ELSON
Peoria

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Blue Island

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Centralia

JAMES H. VAUGHN
Lincoln

AUBREY J. HOLMES
Executive Secretary

Treasurer	- William J. Scott Treasurer, State of Illinois
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 16-175 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-sixth Annual Report for the fiscal year ended June 30, 1965. The report summarizes activities of the retirement system during the fiscal year 1964-65 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-sixth Annual Report is being transmitted to the Honorable Ray Page, 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
State of Illinois

Springfield, Illinois
January 1, 1966



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TURNBULL AND SCHUSSELE
CERTIFIED PUBLIC ACCOUNTANTS

RALPH W TURNBULL, C.P.A.
HALBERT A SCHUSSELE, 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

December 29, 1965

Auditor General,
State of Illinois,
519 New State Office Building,
Springfield, Illinois.

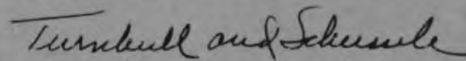
Dear Sir:

We have examined the fiscal matters and financial transactions of the Teachers' Retirement System, State of Illinois, for the year ended June 30, 1965. This included an examination of the accompanying financial statements and supporting schedules of Teachers' Retirement System as of June 30, 1965 and for the year then ended. 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, except for the amount shown as reserve for annuity payments to retired members, which 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 members who have not reached retirement status as well as retired members, the accompanying statements present fairly the financial position of the Teachers' Retirement System at June 30, 1965, 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.

Very truly yours,



Certified Public Accountants

Teachers' Retirement System of the State of Illinois

BALANCE SHEET

JUNE 30, 1965

ASSETS

Cash on Deposit with State Treasurer		\$	290,992.18
Receivables			
From School Boards	\$2,093,353.24		
From State of Illinois (4th Quarter 1964-65)	<u>2,036,384.18</u>		4,129,737.42
Interest and Dividends due on Investments			2,553,025.19
Investments (Book Value)			303,032,319.56
Mineral Rights (valued at \$1.00 per acre)			2,643.00
Office Furniture and Equipment			<u>70,967.20</u>
			<u>\$310,079,684.55</u>

LIABILITIES AND RESERVES

Current liabilities for benefits and refunds		\$	220,538.77
Administrative expenses payable			9,172.93
Liability for benefit payments to retired members estimated to be payable during fiscal year 1965-66			33,000,000.00
Reserve for members' accumulations (Including approximately \$38,500,000.00 interest)			227,737,043.09
Reserve for benefit payments to retired members (Less \$33,000,000.00 for fiscal year 1965-66)			292,451,394.00
Reserve for Survivor Benefits			26,369,524.57
Reserve for supplementary payments			<u>1,612,644.72</u>
			\$581,400,318.08
Excess of liabilities and reserves over present assets of the System			<u>271,320,633.53</u>
			<u>\$310,079,684.55</u>

Teachers' Retirement System of the State of Illinois

STATEMENT OF INCOME AND EXPENDITURES

Year ended JUNE 30, 1965

INCOME

Contributions by members, in all categories	\$34,511,616.39
State of Illinois	26,181,598.04
Income earned on investments	11,949,939.60
Oil and gas royalties	<u>8,746.62</u>
	\$72,651,900.65

EXPENDITURES

Annuities and Benefits:	
Age Retirement	\$27,696,327.87
Disability	606,372.17
Survivor Benefits	1,486,517.25
Supplementary Payments	<u>2,061,616.22</u>
	\$31,850,833.51
Refunds of Contributions:	
Withdrawals	\$4,165,149.72
Death of Members	518,015.52
Death of Annuitants	<u>95,416.05</u>
	4,778,581.29
General and Administrative Expense	<u>345,870.75</u>
	<u>36,975,285.55</u>
Excess of Income over Expenditures	\$35,676,615.10

OTHER INCOME AND CHARGES (Net)

Depreciation of equipment	\$ (12,297.24)
Gain on Equipment Traded	226.14
Gain on Securities Sold	<u>82,527.62</u>
	<u>70,456.52</u>
	<u>\$35,747,071.62</u>

Teachers' Retirement System of the State of Illinois

SUMMARY OF SECURITIES OWNED

JUNE 30, 1965

	<u>Market Value</u>	<u>Book Value</u>
Bonds:		
U. S. Government	\$ 23,412,397.61	\$ 25,991,275.62
Corporate	<u>43,796,902.50</u>	<u>47,250,644.05</u>
	<u>\$ 67,209,300.11</u>	\$ 73,241,919.67
Common Stock	<u>\$ 16,776,561.25</u>	14,834,090.76
Real Estate Mortgage Loans		416,136.43
F.H.A. Mortgage Loans		85,546,977.46
Corporate Debentures		52,685,621.65
Corporate Notes		75,333,197.25
Equipment Trust Certificates		<u>974,376.34</u>
		<u>\$303,032,319.56</u>

SUMMARY OF INVESTMENT INCOME

Year Ended JUNE 30, 1965

Bonds:	
U. S. Government	\$ 921,957.12
State and Municipal	16,666.67
Corporate	1,436,066.23
Common Stock	378,546.40
Real Estate Mortgage Loans	16,431.86
F.H.A. Mortgage Loans	3,771,477.74
Corporate Debentures	2,347,803.55
Corporate Notes	3,015,013.10
Equipment Trust Certificates	<u>45,976.93</u>
	<u>\$11,949,939.60</u>

ARTHUR STEDRY HANSEN CONSULTING ACTUARIES
CHICAGO NEW YORK DALLAS FORT WORTH HOUSTON MILWAUKEE OKLAHOMA CITY DENVER

ORVILLE C. BEATTIE
DONALD I. BROTHERS
ROBERT V. THONANDER
NORMAN N. STROM
DAVIS H. ROENISCH
JOHN J. VOLAND
EDWARD J. MULLEN
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ROBERT C. WAREHAM
RICHARD J. WILLIAMS

ONE N. LA SALLE STREET
CHICAGO, ILL. 60602
FI 6-0101

January 1, 1966

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

Gentlemen:

Actuarial Estimate as of June 30, 1965

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 Obligation of the System as of June 30, 1965.

The estimate is based on a census and valuation of retired members as of June 30, 1965 and a census and valuation of active and inactive members as of June 30, 1962 adjusted for growth of the System since that date.

In our opinion the attached statements are a fair representation of the actuarial condition of the Fund as of June 30, 1965.

Respectfully submitted,

Arthur Stedry Hansen
Consulting Actuaries

RCK:jvm
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Teachers' Retirement System
of the State of Illinois

ACTUARIAL BALANCE SHEET
(June 30, 1965)

Resources

Assets less Current Liabilities	\$309,849,973
Deferred Obligation of State	<u>487,782,417</u>

Total Resources

\$797,632,390

Requirements

Retired	\$331,640,030
Active Members	443,992,360
Inactive Members	<u>22,000,000</u>

Total Requirements

\$797,632,390

Teachers' Retirement System
of the State of Illinois

ACTUARIAL COSTS AND OBLIGATIONS
OF THE STATE
(Year Ended June 30, 1965)

Determination of Accrued State Costs

Costs for benefits earned by members' service during year		\$ 51,932,214
Members' contributions for year		<u>34,503,037</u>
		\$ 17,429,177
Unfunded obligation of State at Beginning of Year	\$475,604,077	
Interest rate	<u>x4%</u>	
Interest on unfunded obligation of State		<u>19,024,163</u>
Total accrued State cost for year		<u>\$36,453,340</u>

Change in Unfunded Obligation

Unfunded obligation of State at beginning of year		475,604,077
Accrued State cost for year	\$ 36,453,340	
State contribution for year	<u>24,275,000</u>	
Excess of cost over contribution		<u>12,178,340</u>
Unfunded obligation of State as of June 30, 1965		<u>\$487,782,417</u>

