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# 30 th ANNUAL REPORT

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UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN

OF THE BOARD OF TRUSTEES OF THE  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
June 30, 1969

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UNIVERSITY OF ILLINOIS AT  
URBANA-CHAMPAIGN



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Lake Bluff, Illinois

Actuary

Springfield Marine Bank

Investment Counsel

TEACHERS' RETIREMENT SYSTEM  
of the State of Illinois  
450 Iles Park Place  
Springfield, Illinois 62706  
Phone (217) 525-6117



## ANNUAL REPORT

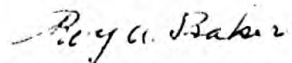
In accordance with Section 16-175 of the Act governing the Teachers' Retirement System of the State of Illinois, an annual report of the Board of Trustees of the System has been prepared each year since establishment of the present retirement system in 1939.

On behalf of the Board of Trustees, I herewith submit the Thirtieth Annual Report for the fiscal year ended June 30, 1969. The report summarizes activities of the retirement system during the fiscal year 1968-69 and indicates the status of the System at the end of the year.

The accounts have been audited by McGladrey, Hansen, Dunn, and Company, Certified Public Accountants, and an actuarial valuation has been prepared by A. S. Hansen, Inc., Consulting Actuaries. Reports and financial statements of the auditor and the actuary are included in this report.

A copy of this Thirtieth 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,



Roy A. Baker, Secretary  
Board of Trustees  
Teachers' Retirement System  
State of Illinois

Springfield, Illinois  
May 15, 1970



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McGLADREY, HANSEN, DUNN & COMPANY  
CERTIFIED PUBLIC ACCOUNTANTS

AUDITORS' REPORT

Auditor General  
State of Illinois  
Springfield, Illinois

We have examined the accompanying statement of assets, liabilities and reserves of Teachers' Retirement System of the State of Illinois at June 30, 1969, and the related statement of income, expenditures and changes in reserve balances 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.

As more extensively described in Notes 1 and 2 of the Notes to Financial Statements, the accompanying statements do not reflect certain actuarially determined financial data. Accordingly, they do not purport to present the financial position and results of operations of the System in accordance with generally accepted accounting principles.

In our opinion, the financial statements mentioned above present fairly the individual assets, liabilities and reserves shown on the statement of assets, liabilities and reserves of Teachers' Retirement System of the State of Illinois at June 30, 1969, and the income, expenditures and changes in reserve balances for the year then ended in conformity with the System's accounting policy as described in Note 1 of the Notes to Financial Statements, applied on a consistent basis.

*McGladrey, Hansen, Dunn & Company*  
*successor by merger to*  
*Whitney, Hakman & Conaghan*  
Certified Public Accountants

Springfield, Illinois  
March 26, 1970



COMPANY  
15

Teachers' Retirement System of the State of Illinois  
STATEMENT OF ASSETS, LIABILITIES, AND RESERVES  
June 30, 1969

ASSETS

Cash on hand and on deposit with State Treasurer		\$ 1,538,707
Contributions receivable:		
from school districts	\$3,944,991	
from State of Illinois	<u>3,458,333</u>	7,403,324
Accrued interest and dividends receivable		4,433,928
Investments, at amortized cost (Notes 3,4)		514,873,018
Office furniture and equipment, at cost, less allowance for depreciation		71,944
		<u>528,320,921</u>

LIABILITIES AND RESERVES

Current liabilities for benefits and refunds		328,369
Administrative costs and expenses payable		10,210
Reserve for members' accumulations (including approximately \$65,500,000 interest)		347,648,504
Reserve for benefit payments to retired members		466,794,539
Reserve for survivor benefits		63,974,350
Reserve for supplementary retirement benefits		1,410,880
Reserve for employers' contributions (deficit)		(351,845,931)
		<u>\$ 528,320,921</u>

The accompanying notes to financial statements  
are an integral part of this statement.

Assets, liabilities and  
of Illinois at June 30,  
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The Notes to Financial  
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Teachers' Retirement System of the State of Illinois  
 STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN RESERVE BALANCES  
 Year Ended June 30, 1969

	ALLOCATION BY RESERVE				
	Members' Accumulated Contributions	Annuity Payments	Survivor Benefits	Supplementary Payments	Employers' Contributions Unallocated
<b>INCOME</b>					
Total					
\$ 55,188,132	47,432,111		7,756,018		3
1,904,341				1,904,341	
42,966,867			5,060,925	1,466,867	36,439,075
22,081,657					22,081,657
<b>Total Income</b>	47,432,111		12,816,943	1,466,867	60,425,076
Contributions and payments by members					
Contributions by School Districts from Federal and Trust Funds					
Contributions by State of Illinois					
Investment income					
<b>EXPENDITURES</b>					
Benefits:					
Age retirement		42,427,077			66
Survivor			2,555,652		
Disability		450,235			222,114
Supplementary payments				1,640,683	
Total benefits		42,877,312	2,555,652	1,640,683	222,180
Refunds:					
Withdrawals	9,026,233				(814,321)
Death of members	947,253		(124,176)		( 11,623)
Death of annuitants		252,575	( 56,296)		960
Total refunds	9,973,486	252,575	(180,472)		(824,984)
Administrative expenses	523,609				523,609
<b>Total Expenditures</b>	9,973,486	43,129,887	2,375,180	1,640,683	( 79,195)
Excess of income over expenditures before					

Excess of income over expenditures	65,233,701	37,458,625	(43,129,887)	10,441,763	(173,816)	60,637,016
<b>Reserve transfers:</b>						
Interest credited for year		9,513,918		2,522,258	62,642	(12,098,818)
Transfer accumulated contributions of members retiring during year		(10,616,343)	10,616,343			
Reinstate contributions in excess of benefits paid to previously retired members who resumed teaching this year		286,057	(286,057)			
Contributions credited to accounts of members receiving temporary disability payments		33,105		5,518		( 38,623)
Transfer to adjust annuity payments reserve to actuarial computation			72,701,725			(72,701,725)
<b>Reserve transfers - net</b>		(783,263)	83,032,011	2,527,776	62,642	(84,839,166)
<b>Other reserve transactions:</b>						
Excess of collections of members' accounts receivable over accounts receivable and interest thereon added during year	(145,634)	(423,901)		31,408		246,859
<b>Net increase (decrease) in reserves for year</b>	65,088,067	36,251,461	39,902,124	13,000,947	(111,174)	(23,955,291)
<b>Reserve balances (deficit) including accounts receivable from members at beginning of year</b>	468,467,420	316,970,188	426,892,415	50,973,403	1,522,054	(327,890,640)
<b>Reserve balances (deficit) including accounts receivable from members at end of year</b>	533,555,487	353,221,649	466,794,539	63,974,350	1,410,880	(351,845,931)
<b>Less accounts receivable from members</b>	(5,573,145)	(5,573,145)				
	\$527,982,342	347,648,504	466,794,539	63,974,350	1,410,880	(351,845,931)

The accompanying notes to financial statements are an integral part of this statement.

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NOTES TO FINANCIAL STATEMENTS

Note 1. Method of Accounting

The Teachers' Retirement System follows the practice of recording in its accounts only those funds for which it is accountable and its accounts do not reflect the employer contributions which would be required from State appropriations to provide for the actuarial requirements of the employee benefits provided for by the Illinois Pension Code. Accordingly, the accompanying financial statements also do not include the unrecorded benefits actuarially accrued for active members. The reserve for annuity payments to retired members is stated at an amount representing the estimated total liability to members then retired as determined by the actuary regularly retained by the System. Expenditures for benefits are included on the basis of those actually paid which are applicable to the year ended June 30, 1969, rather than on the basis of full provision for the current cost of benefits accrued as actuarially determined. Certain actuarial data is shown in Note 2.

The individual amounts which are included in the accompanying financial statements are stated in accordance with generally accepted accounting principles.

Note 2. Actuarial Data

Cummulative contributions by the State of Illinois to the Teachers' Retirement System have not provided for the funding of benefits on an actuarial basis as determined by the regularly retained actuaries as of June 30, 1968, the latest date on which a determination had been completed as of March 26, 1970. The amounts reported by the actuary as of June 30, 1968 and 1967 are shown in the following summary:

	<u>1968</u>	<u>1967</u>
Reserve requirements as shown by the actuarial balance sheet	\$1,165,879,560	1,090,428,207
Net present assets of the System at the respective dates (equal to the reserves shown on the books of the System)	<u>462,748,641</u> 703,130,919	<u>405,215,630</u> 685,212,577
Less amount included in actuarial balance sheet to reflect a portion of the unrealized appreciation in value of common stocks	<u>3,313,531</u>	<u>1,900,000</u>
Unfunded accrued liability and unfunded obligation of the State of Illinois as reported by the actuary	<u>\$ 699,817,388</u>	<u>683,312,577</u>

NOTES TO FINANCIAL STATEMENTS

According to the report of the actuaries as of June 30, 1967, a change in actuarial method was effected as of that date to consider expected future salary increases of present members in arriving at the reserve requirements. The amounts shown as reserve requirements above, therefore, represent the actuarially determined total accrued liability for all annuities and benefits for both present and retired members for service rendered to the respective dates, and a provision for increase in future benefits resulting from anticipated future salary increases of present members. The actuaries further report that the unfunded obligation of the State of Illinois at June 30, 1967 calculated on the method used in prior years (representing the accrued liability for benefits earned to date without regard to anticipated future salary increases) amounted to \$573,876,000. No determination of the unfunded obligation of the State of Illinois using this method was made as of June 30, 1968.

Note 3. Investments

A summary of investments of the System at June 30, 1969, investment income for the year then ended, and approximate market value of major classes of securities is as follows:

	<u>Amortized Cost</u>	<u>Approximate Market Value</u>	<u>Income</u>
U. S. Government obligations	\$ 11,095,086	10,813,619	522,438
Common stocks	89,995,428	97,502,266	2,531,240
Other corporate securities:			
Bonds	101,378,066	82,192,270	4,692,918
Debentures	89,723,139	74,406,714	4,571,388
Notes	148,266,937	139,665,358	6,432,684
Equipment trust certificates	988,132		45,939
Real estate mortgage loans:			
Insured by F.H.A.	73,222,219		3,263,120
Other	201,368		8,688
Mineral rights	<u>2,643</u>		<u>13,242</u>
Totals	<u>\$ 514,873,018</u>		<u>22,081,657</u>

Investments of the System have consistently been carried at amortized cost and no provision is made for unrealized gains and losses. The market values of U. S. Government obligations are based on bid prices and the market values of common stocks on closing prices at June 30, 1969. The market values of corporate bonds, debentures and notes are based on prices quoted by investment counsel at May 26, 1969. At March 26, 1970, the System had not sold any investments owned at June 30, 1969.

NOTES TO FINANCIAL STATEMENTS

Note 4. Investment Purchase Commitments

At June 30, 1969, Teachers' Retirement System had entered into commitments to purchase corporate bonds and notes, having an aggregate par value of \$18,000,000, between March, 1970 and November, 1970. The anticipated net yield of these securities varies from 6% to 7.75%, and maturity dates range from 1989 to 1995.

Note 5. Allocation of Contributions from Common School Fund

The statutes establishing the survivor benefit program provide that the State of Illinois is to equally match the members' contributions for survivor benefits, but that during the year ended June 30, 1961 (the period in which the survivor benefit program was initiated) the contributions by the State of Illinois were not to exceed \$750,000. Because total contributions by the State of Illinois since June 30, 1961 have not been sufficient to meet the actuarially computed requirements for all benefits, the System, by administrative decision, elected to continue to allocate \$750,000 annually to the survivor benefit reserve each year through June 30, 1967. For the year ended June 30, 1968, the System changed this practice and, upon advice of its actuaries, elected to allocate 12.195% of the contribution from the Common School Fund to the survivor benefit reserve. This percentage represents the proportion of State contributions which would be applicable to survivor benefits if the State were contributing at the rate of 1.2 times member contributions for retirement, and were matching member contributions for survivor benefits. A similar method was used for the year ended June 30, 1969.

**A. S. Hansen, inc.**  
ACTUARIES AND CONSULTANTS

1080 Green Bay Road  
Lake Bluff, Illinois 60044  
Telephone 312-234-3400

May 15, 1970

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

Gentlemen:

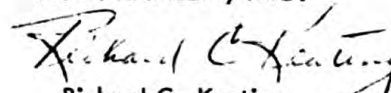
Actuarial Estimate as of June 30, 1969

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, 1969.

The estimate is based on a census and valuation of retired members as of June 30, 1969 and a census and valuation of active and inactive members as of June 30, 1967.

In our opinion the attached statements are a fair representation of the actuarial condition of the Fund as of June 30, 1969.

Respectfully submitted,  
A. S. HANSEN, INC.

  
Richard C. Keating

RCK:du  
175-01-85  
Enc.

Teachers' Retirement System  
of the State of Illinois

ACTUARIAL BALANCE SHEET  
(June 30, 1969)

Resources

Assets Less Current Liabilities	\$ 533,190,878*
Unfunded Past Requirement	<u>722,019,836</u>
<u>Total Resources</u>	<u>\$1,255,210,714</u>

Requirements

Present Value of Benefits	
Retired	\$ 478,373,820
Active Members	1,723,186,194
Inactive Members	<u>54,941,000</u>
Total Present Value of Benefits	\$2,256,501,014
Present Value of Future Normal Cost	<u>1,001,290,300</u>
<u>Total Requirements</u>	<u>\$1,255,210,714</u>

\* Includes \$5,208,536 to reflect retained earnings on equities used for actuarial valuation purposes.

175-01-85  
5/15/70

A. S. Hansen, Inc.



Teachers' Retirement System  
of the State of Illinois

ACTUARIAL COSTS AND OBLIGATIONS  
OF THE STATE  
(Year Ended June 30, 1969)

Determination of Accrued State Costs

Costs for benefits earned by members' service during year		\$ 91,052,682
Members' contributions for year		<u>55,188,132</u>
State cost for service during year		\$ 35,864,550
Unfunded obligation of State at beginning of year	\$699,817,388	
Interest rate	<u>x 4.25%</u>	
Interest on unfunded obligation of State		<u>29,742,239</u>
Total accrued State cost for year		<u>\$ 65,606,789</u>

Change in Unfunded Obligation

Unfunded obligation of State at beginning of year		\$699,817,388
Accrued State cost for year	\$ 65,606,789	
State contribution for year	<u>43,404,341</u>	
Excess of cost over contribution		<u>22,202,448</u>
Unfunded obligation of State as of June 30, 1969		<u>\$722,019,836</u>

175-01-85  
5/15/70

A. S. HANSEN, A.C.T.







## Illinois Teachers' Retirement System

450 Iles Park Place  
(6th and Ash Streets)  
Springfield, Illinois



