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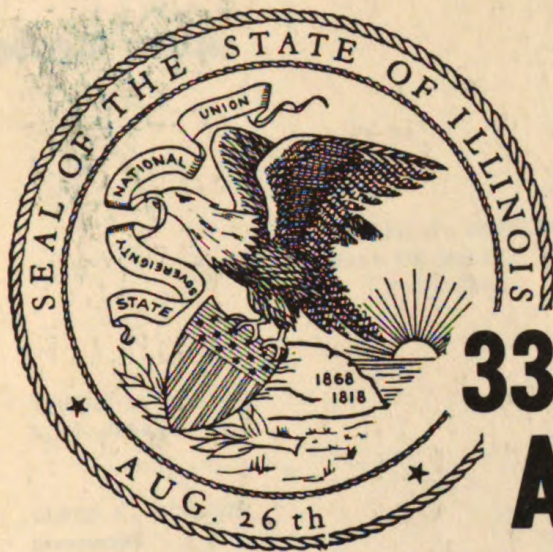
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33 rd ANNUAL REPORT

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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, 1972



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Springfield Marine Bank

Investment Counsel

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

ANNUAL REPORT

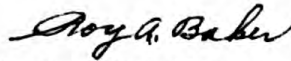
In accordance with Section 16-175 of the Act governing the Teachers' Retirement System of the State of Illinois, an annual report of the Board of Trustees of the System has been prepared each year since establishment of the present retirement system in 1939.

On behalf of the Board of Trustees, I herewith submit the Thirty-third Annual Report for the fiscal year ended June 30, 1972. The report summarizes activities of the retirement system during the fiscal year 1971-72 and indicates the status of the system at the end of the year.

The accounts have been audited by Alexander Grant 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 Thirty-third Annual Report is being transmitted to The Honorable Michael J. Bakalis, Superintendent of Public Instruction, State of Illinois, for inclusion in his biennial report to the Governor.

Respectfully submitted,



Roy A. Baker, Director
Teachers' Retirement System
State of Illinois

Springfield, Illinois
June 15, 1973

CONTENTS

REPORT OF CERTIFIED PUBLIC ACCOUNTANTS.....5

FINANCIAL STATEMENTS:

Statement of Assets, Liabilities,
and Reserves.....6

Statement of Income, Expenditures,
and Changes in Reserve Accounts.....7--8

Statement of Changes in Financial Position.....9

Notes to Financial Statements.....10-11

SUPPLEMENTARY DATA:

Schedule of Investment Income.....12

ACTUARY'S REPORT.....13

Actuarial Balance Sheet.....14

Actuarial Costs and Obligations of the State..15

Alexander Grant & COMPANY

CERTIFIED PUBLIC ACCOUNTANTS

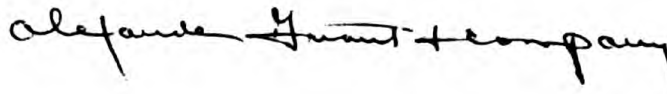
INTERNATIONAL FIRM
ALEXANDER GRANT TANSLEY WITT

David B. Thomas
Auditor General
State of Illinois

We have examined the balance sheet of the Teachers' Retirement System of the State of Illinois as of June 30, 1972 and the related statements of revenue and expenditures and changes in reserves and changes in financial position 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.

In our opinion, based upon our examination, the aforementioned financial statements present fairly the financial position of the Teachers' Retirement System of the State of Illinois at June 30, 1972 and the results of its operations and changes in reserves for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year after giving retro-active effect to the change, with which we concur, in the method for accounting for actuarial computations of the unfunded obligations receivable and the reserves as described in notes A3 and C.

Our examination was made primarily for the purpose of formulating the opinion stated in the preceding paragraph. The supplemental schedule of investment income for the year ended June 30, 1972, although not considered necessary for a fair presentation of results of operations, is presented as supplementary information and has been subjected to the audit procedures applied in the examination of the basic financial statements. In our opinion, the supplemental schedule is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Bloomington, Illinois
May 23, 1973

5

210 EAST WASHINGTON STREET BLOOMINGTON, IL 61701 (309) 829-1013

Teachers' Retirement System of the State of Illinois
STATEMENT OF ASSETS, LIABILITIES, AND RESERVES
June 30, 1972

ASSETS

Cash on hand and on deposit with State Treasurer	\$	1,667,637
Contributions receivable:		
from school districts	\$8,376,173	
from State of Illinois	<u>4,857,000</u>	13,233,173
Accrued interest and dividends receivable		7,562,550
Investments (Notes A and B)		806,828,142
Equipment (Note A2)		
Office furniture and equipment		
less accumulated depreciation		60,599
Other Assets		
Unfunded obligation of the State of Illinois		
(Notes A3 and C)		<u>1,860,000,966</u>
		<u>\$2,689,353,067</u>

LIABILITIES AND RESERVES

Current liabilities for benefits and reserves	\$	722,981
Administrative costs and expenses payable		43,867
Reserves (Notes A3 and C):		
Members' accumulated contributions (including interest)		486,819,696
Retirement (annuity payments)		775,870,948
Survivors' benefits		95,912,012
Supplementary payments		1,409,881
Annual increase in base pension		256,591,752
Increased age retirement allowances		98,565,108
Employers contributions, unallocated		<u>973,416,822</u>
		<u>\$2,689,353,067</u>

The Notes to Financial Statements
are an integral part of this statement

Teachers' Retirement System of the State of Illinois
 STATEMENT OF INCOME, EXPENDITURES, AND CHANGES IN RESERVE BALANCES
 Year Ended June 30, 1972

	Total	Members' Accumulated Contributions	Annuity Payments	Survivors' Benefits	Supplementary Payments	Annual Increase in Base Pension	Increased Age Retirement Allowance	Employers' Contributions Unallocated
Contributions and Payments by Members	90,345,938	73,580,263		11,063,865	104	5,532,513	169,275	(82)
Contributions by School Districts from Federal and Trust Funds	2,800,453							2,800,453
Contributions by State of Illinois	58,575,375		25,516	6,129,210	1,276,000	3,064,320		48,105,845
Reciprocity Payments	25,516							
Investment Income	36,419,095							36,419,095
Total Income	188,166,377	73,580,263	25,516	17,193,075	1,276,104	8,596,833	169,275	87,325,311
Age Retirement	63,898,103		63,898,103					
Annual Increase in Base Pension	82,402					82,402		
Increased Age Retirement	4,390,638						4,390,638	
Survivors'	3,304,000			3,304,000				
Disability	963,113		619,861					
Supplementary Payments	1,348,196				1,348,196			343,252
Reciprocity Payments	217,231		217,231					
Total Benefits	74,203,683		64,735,195	3,304,000	1,348,196	82,402	4,390,638	343,252
Refunds	11,249,460	11,750,753	209,974			453,244		(1,164,511)
Administrative Expense	710,760							710,760
Total Expenditures	86,163,903	11,750,753	64,945,169	3,304,000	1,348,196	535,646	4,390,638	(110,499)
Excess of Income over Expenditures Before Gain on Sale of Investments	102,002,474	61,829,510	(64,919,653)	13,889,075	(72,092)	8,061,187	(4,221,363)	87,435,810
Gain on Sale of Investments	3,748,847							3,748,847
Excess of Income over Expenditures	105,751,321	61,829,510	(64,919,653)	13,889,075	(72,092)	8,061,187	(4,221,363)	91,184,657

EXPENDITURES:

Age Retirement	63,898,103
Annual Increase in Base Pension	82,402
Increased Age Retirement	4,390,638
Survivors'	3,304,000
Disability	963,113
Supplementary Payments	1,348,196
Reciprocity Payments	217,231
Total Benefits	74,203,683
Refunds	11,249,460
Administrative Expense	710,760
Total Expenditures	86,163,903
Excess of Income over Expenditures Before Gain on Sale of Investments	102,002,474
Gain on Sale of Investments	3,748,847
Excess of Income over Expenditures	105,751,321

Reserve Transfers									
Interest Credited for Year	18,012,570		4,862,998	63,229	947,914				(23,886,711)
Transfer Accumulated Contributions of Members Retiring During Year	(36,227,977)								
Reinstated Contributions in Excess of Benefits Paid to Previously Retired Members Who Resumed Teaching This Year	120,389		(120,389)						
Contributions Credited to Accounts of Members Receiving Temporary Disability Payments	58,144		8,945		4,472				(71,561)
Reserve Transfers, Net	(18,036,874)		4,871,943	63,229	952,386				(23,958,272)
Unfunded Obligation of the State of Illinois for the Year Ended June 30, 1972	111,625,700		293,485,738	(22,579,515)	7,014,779			21,915,190	(188,210,492)
Other Reserve Transactions:									
Net Increase (Decrease) in Accounts Receivable from Members	738,234	(39,655)	94,447		11,068				672,374
Net Increase (Decrease) in Reserves for Year	218,115,255	43,752,981	(3,724,050)	(8,863)	16,039,420	17,693,827			(120,311,733)
Reserve Balances at July 1, 1971, as Restated (Notes A3 and C)	2,471,209,198	443,804,949	511,197,275	1,418,744	240,552,332	80,871,281			1,093,728,555
Accounts Receivable from Members at July 1, 1971 (Note A4)	6,238,462	6,238,462							
Less Accounts Receivable from Members at June 30, 1972 (Note A4)	2,695,562,915	493,796,392	775,870,948	1,409,881	256,591,752	98,565,108			973,416,822
Reserve Balances at June 30, 1972	6,976,696	6,976,696							
	\$ 2,688,586,219	486,819,696	775,870,948	1,409,881	256,591,752	98,565,108			973,416,822

The accompanying notes are an integral part of this statement

Teachers' Retirement System of the State of Illinois
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 Year ended June 30, 1972

Sources of working capital		
From operations		
Excess of revenue over expenditures		\$105,751,321
Charges (credits) to earnings not using (providing) working capital		
Depreciation of equipment	\$ 13,729	
Amortization of premium or discount (net)	(1,495,580)	
Net premium at time of disposition of investments	(216,273)	
Gain on exchange of equipment	<u>(443)</u>	<u>(1,698,567)</u>
Working capital provided from operations		104,052,754
Proceeds from sale of investments		265,722,603
Increase in unfunded obligation receivable from the State of Illinois		<u>111,625,700</u>
		481,401,057
Applications of working capital		
Purchase of equipment	8,211	
Purchase of investments	367,374,297	
Increase in reserve balances for actuarially determined accrued liability	<u>111,625,700</u>	<u>479,008,208</u>
INCREASE IN WORKING CAPITAL		2,392,849
Working capital at July 1, 1971		<u>19,303,663</u>
Working capital at June 30, 1972		\$ 21,696,512 =====
Changes in components of working capital		
Increase (decrease) in current assets		
Cash		\$ (712,152)
Accrued interest and dividends receivable		1,269,331
Contributions receivable		<u>1,815,866</u>
		2,373,045
(Increase) decrease in current liabilities		
Benefits payable		31,328
Refunds payable - former members		17,848
Accounts payable		<u>(29,372)</u>
		<u>19,804</u>
INCREASE IN WORKING CAPITAL		\$ 2,392,849 =====

The accompanying notes are an integral part of this statement.

Teachers' Retirement System of the State of Illinois

NOTES TO FINANCIAL STATEMENTS

Year ended June 30, 1972

NOTE A - SUMMARY OF ACCOUNTING POLICIES

A summary of the System's significant accounting policies applied in the preparation of the accompanying financial statements follows:

1. Investments

Investments are carried on the System's books at-cost or amortized cost with no provision being made for unrealized gains or losses.

2. Equipment

Equipment is recorded at-cost on the books of the System. Depreciation is provided for in amounts sufficient to relate the cost of depreciable assets to operations over their estimated service lives, on the straight-line basis.

3. Method of accounting

The financial statements presented herein reflect the contributions that would be required from State appropriations to provide for the actuarial requirements of the employee benefits as defined by the Illinois Pension Code. The books of the System reflect only the unfunded portion allocable to the Retirement (annuity payments) Reserve. The financial statements have been modified accordingly to reflect the total unfunded obligation.

4. Accounts receivable - members

The system follows the policy of reporting accounts receivable for members who have verified that they are qualified to join the system (but are not obligated to pay the qualifying contributions until they elect to do so) on the cash basis. The current collections are classified as income, while the ending accounts receivable balance is deducted from the member's accumulated contribution reserve.

Teachers' Retirement System of the State of Illinois

NOTES TO FINANCIAL STATEMENTS - CONTINUED

Year ended June 30, 1972

NOTE B - INVESTMENTS

Securities held by the System at June 30, 1972 are as follows:

	<u>Cost of amortized cost</u>	<u>Market value</u>
U.S. Government obligations	\$ 27,834,341	\$ 27,834,341
Common stocks	254,687,296	293,432,395
Corporate bonds	113,290,054	94,583,253
Corporate debentures	160,897,311	149,260,535
Corporate notes	177,894,949	169,467,821
Equipment trust certificates	10,587,797	11,374,097
Real estate mortgage loans		
Insured by F.H.A.	61,612,465	61,612,465
Other	21,286	21,286
Mineral rights	<u>2,643</u>	<u>2,643</u>
	\$806,828,142	\$807,588,836
	=====	=====

The market values of U.S. Government obligations are based on bid prices and the market prices of common stocks on closing prices at June 30, 1972. The market values of corporate bonds, debentures, notes and equipment trust certificates are based on prices quoted by investment counsel at June 1, 1972.

NOTE C - RESERVES

The prior year's financial statements had not properly reflected the unfunded obligation of the State of Illinois and the corresponding unfunded obligation of the system for the actuarially computed benefits as required by the Illinois Pension Code.

The reserve balances, computed by an actuarial consultant, for the year ended June 30, 1971 and 1972 have been restated as follows:

	<u>1972</u>	<u>1971</u>
Reserve balances recorded on the books of the System at June 30	\$ 828,585,253	\$ 722,833,934
Unfunded accrued liability of the System as actuarially computed	<u>1,860,000,966</u>	<u>1,748,375,264</u>
Reserve balances at June 30, as restated	<u>\$2,688,586,219</u>	<u>\$2,471,209,198</u>
	=====	=====

SCHEDULE OF INVESTMENT INCOME
June 30, 1972

U. S. Government Obligations	\$ 593,214
Common Stock	7,222,582
Other Corporate Securities:	
Bonds	5,773,430
Debentures	9,442,831
Notes	9,926,668
Equipment Trust Certificates	642,313
Real Estate Mortgage Loans:	
Insured by FHA	2,812,103
Other	2,071
Royalties and Miscellaneous Income	<u>3,883</u>
	<u>\$ 36,419,095</u>

A. S. Hansen, inc.
ACTUARIES AND CONSULTANTS

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

March 28, 1973

Board of Trustees
Teachers' Retirement System
of the State of Illinois
450 Iles Park Place
Springfield, Illinois 62706

Gentlemen:

Actuarial Estimate as of June 30, 1972

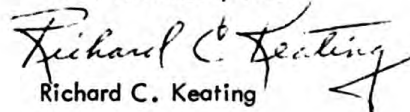
In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the required Reserves and Unfunded Obligation of the System as of June 30, 1972.

The estimate is based on a census and valuation of retired members as of June 30, 1972 and a census and valuation of active and inactive members as of June 30, 1971. The asset statements contained herein are subject to final audit.

In our opinion the attached statements are a fair representation of the actuarial condition of the Fund as of June 30, 1972.

Respectfully submitted,

A. S. HANSEN, INC.


Richard C. Keating

RCK:jl
175-01-85
Enc.

Teachers' Retirement System
of the State of Illinois

ACTUARIAL BALANCE SHEET
(June 30, 1972)

Resources

Assets Less Current Liabilities	\$ 843,650,755 *
Unfunded Past Requirement	<u>1,860,000,964</u>
<u>Total Resources</u>	<u>\$2,703,651,719</u>

Requirements

Present Value of Benefits	
Retired	\$ 946,390,372
Active Members	3,218,031,517
Inactive Members	<u>112,837,935</u>
Total Present Value of Benefits	\$4,277,259,824
Present Value of Future Normal Cost	<u>1,573,608,105</u>
<u>Total Requirements</u>	<u>\$2,703,651,719</u>

* Includes \$15,065,015 to reflect retained earnings on equities used for actuarial valuation purposes.

175-01-85
3/29/73

Teachers' Retirement System
of the State of Illinois

ACTUARIAL COSTS AND OBLIGATIONS
OF THE STATE
(Year Ended June 30, 1972)

Determination of Accrued State Costs

Costs for benefits earned by members' service during year		\$ 174,652,500
Members' contributions for year		<u>90,566,122</u>
State cost for service during year		\$ 84,086,378
Unfunded obligation of State at beginning of year	\$1,748,375,624	
Interest rate	<u>x5%</u>	
Interest on unfunded obligation of State		<u>87,418,781</u>
Total accrued State cost for year		<u>\$ 171,505,159</u>

Change in Unfunded Obligation

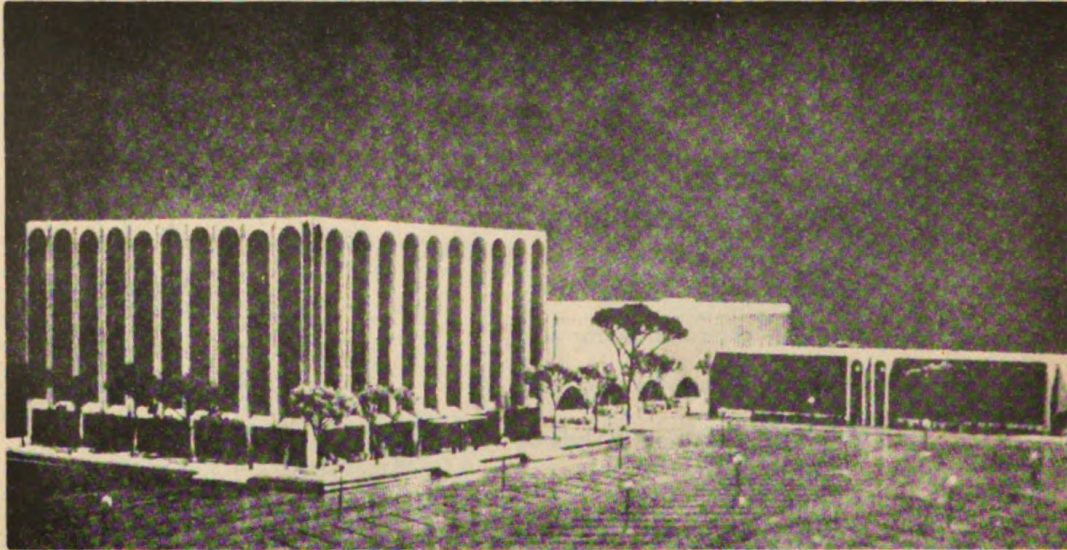
Unfunded obligation of State at beginning of year		\$1,748,375,624
Accrued State cost for year	\$ 171,505,159	
Employer contribution for year	<u>59,879,819</u>	
Excess of cost over contribution		<u>\$ 111,625,340</u>
Unfunded obligation of State as of June 30, 1972		\$1,860,000,964

175-01-85
3/29/73

A. S. HANSCHE, INC.



3 0112 115495688



Illinois Teachers' Retirement System

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