

**Annual report.**

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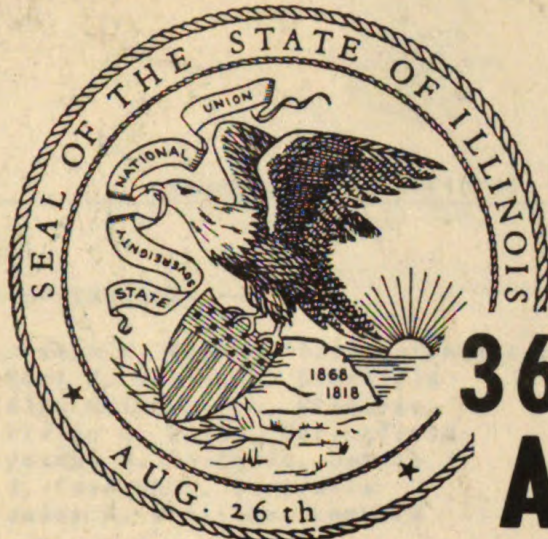
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# 36th ANNUAL REPORT

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JUL 28 1974  
UNIVERSITY OF ILLINOIS  
AT URBANA-CHAMPAIGN

OF THE BOARD OF TRUSTEES OF THE  
TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

JUNE 30, 1975



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Investment Counsel - Springfield Marine Bank  
Springfield, Illinois

Legal Advisor - William J. Scott, Attorney General  
State of Illinois

Auditors - Alexander Grant & Company  
Bloomington, Illinois

Teachers' Retirement System  
450 Iles Park Place  
Springfield, Illinois 62706

217-782-6117

ROY A. BAKER  
DIRECTOR  
ALFRED H. SOMMER  
ASSOCIATE DIRECTOR  
OWEN H. GUTHRIE  
ASSISTANT DIRECTOR



Teachers' Retirement System  
of the State of Illinois

450 ILES PARK PLACE  
SPRINGFIELD, ILLINOIS 62706

TRUSTEES  
JOSEPH M. CRONIN, PRESIDENT  
SUPERINTENDENT OF EDUCATION  
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In accordance with Article 16-175 of the Illinois Pension Code, I am pleased to submit the 36th Annual Report of the Teachers' Retirement System, for the fiscal year ended June 30, 1975.

This report summarizes the financial operations of the Retirement System during the 1974/75 fiscal year and indicates the status of the System at year-end.

An actuarial valuation has been prepared by A. S. Hansen, Inc., Consulting Actuaries, and their reports are reproduced herein.

Respectfully submitted,

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

Springfield, Illinois

REPORT OF EXECUTIVE DIRECTOR

Results of 1974-75 Operations

|   |                   |                    |
|---|-------------------|--------------------|
| Net ledger assets - July 1, 1974              |                   | \$ 1,078,109,907   |
| Income - July 1, 1974 to June 30, 1975:       |                   |                    |
| Employee contributions                        | \$ 112,917,238    |                    |
| Employer contributions                        | 134,439,878       |                    |
| Investment (and Misc.) income                 | <u>65,828,450</u> | <u>313,185,566</u> |
|   |                   | \$ 1,391,295,473   |
| Expenditures - July 1, 1974 to June 30, 1975: |                   |                    |
| Age retirement benefits                       | \$ 118,378,415    |                    |
| Disability benefits                           | 1,588,393         |                    |
| Survivor benefits                             | 5,031,776         |                    |
| Refunds                                       | 14,835,114        |                    |
| Administrative costs                          | <u>1,097,903</u>  | <u>140,931,601</u> |
| Net ledger assets - June 30, 1975             |                   | \$ 1,250,363,872   |

INCOME

The income of the System comes from three sources: employee contributions, employer contributions and investment (and miscellaneous) earnings.

Employee contributions -

Every "teacher" participating in the System contributes 6-1/2% of earnings to finance part of the cost of his retirement allowance; 1/2% of earnings to finance part of the cost of his post-retirement increases; and 1% of earnings to finance part of the cost of survivor insurance benefits for widows, widowers, children under age 18, and dependent parents.

REPORT OF EXECUTIVE DIRECTOR (cont.)

Employee contributions - (cont.)

Employee contributions in 1974/75 represented 36% of the total income of the System and were \$11.2 million (11%) more than the prior fiscal year.

Employer contributions -

Most of the employer contributions received by the System are produced from appropriations made by the General Assembly of the State of Illinois. These appropriations totaled \$130,723,094 in 1974/75.

School districts and other employing units also make employer contributions to the System from special trust and Federal funds under their control. Income from this source was \$3,716,784 in 1974/75. Total employer contributions received in 1974/75 were \$134,439,878 representing 43% of the total income of the System.

Investment income -

All the System's income, in excess of the amounts necessary to meet current obligations, is invested promptly in good quality corporate securities, common stock, or U. S. Government obligations, as provided in Article 16-179 of the Illinois Pension Code. More information on the invested assets will be found on the following pages.

Investment income during 1974/75 was \$65,828,450, which is 21% of the total income of the System during the year.

EXPENDITURES

Age retirement benefits paid during 1974/75 were \$118,378,415, up 16% from the previous year. Disability benefits paid in 1974/75 totaled \$1,588,393, which is an increase of 18% over 1974/75. Survivor benefits paid during 1974/75 were \$5,031,776, representing an increase of 14% over the prior year.

REPORT OF EXECUTIVE DIRECTOR (cont.)

EXPENDITURES (cont.)

During 1974/75, contributions totaling \$14,835,114 were re-funded to 6,836 members who terminated their employment as teachers and withdrew from the System. This compares to \$14,604,866 re-funded to 7,307 withdrawing teachers in 1973/74.

Administrative costs were \$1,097,903 in 1974/75, compared to \$863,755 the previous year. Most of the increase was for personal and professional services resulting from the quadrennial experience analysis and actuarial valuation.

Total expenditures for all purposes were \$140,931,601 during 1974/75, an increase of 14.4% over 1973/74.

10 YEAR OVERVIEW

The following schedule provides a brief scan of the total income and total expenditures of the System during each of the last 10 years and the net assets of the System at each year end.

| <u>YEAR ENDED JUNE 30</u> | <u>ASSETS</u>  | <u>INCOME</u> | <u>EXPENDITURES</u> |
|---------------------------|----------------|---------------|---------------------|
| 1966                      | \$ 357,781,185 | \$ 88,592,414 | \$40,660,929        |
| 1967                      | 405,215,631    | 93,342,138    | 45,907,693          |
| 1968                      | 462,748,641    | 111,724,786   | 50,930,140          |
| 1969                      | 527,982,342    | 122,273,742   | 57,040,041          |
| 1970                      | 620,059,298    | 157,708,412   | 65,631,455          |
| 1971                      | 722,833,935    | 177,609,819   | 74,835,182          |
| 1972                      | 828,585,740    | 191,915,224   | 86,163,903          |
| 1973                      | 954,883,134    | 232,804,589   | 106,506,709         |
| 1974                      | 1,078,109,907  | 246,323,705   | 123,096,931         |
| 1975                      | 1,250,363,872  | 313,185,566   | 140,931,601         |



REPORT OF EXECUTIVE DIRECTOR (cont.)

INVESTMENTS AND INVESTMENT INCOME

The book value of the invested assets of the System at June 30, 1975, the investment income for the year from each category of investment, and the market value at June 30, 1975 (where available) are shown in the following schedule.

| <u>INVESTMENTS</u>        | <u>COST<br/>OR AMORTIZED<br/>COST</u> | <u>MARKET VALUE<br/>6/30/75</u> | <u>INCOME<br/>1974/75</u> |
|---------------------------|---------------------------------------|---------------------------------|---------------------------|
| U.S. Govt. Securities     | \$ 17,534,101                         | \$ 17,534,101                   | \$ 2,812,168              |
| Corporate -               |                                       |                                 |                           |
| Bonds                     | 156,584,916                           | 124,463,973                     | 10,003,068                |
| Debentures                | 321,052,074                           | 279,018,689                     | 20,224,385                |
| Notes                     | 182,849,936                           | 152,022,417                     | 12,096,204                |
| Equip. Trust Cert.        | 44,143,852                            | 41,254,090                      | 3,582,501                 |
| Common and Pref. Stock    | 441,542,899                           | 429,101,023                     | 12,629,760                |
| FHA Mortgage Loans        | 49,119,094                            |                                 | 2,259,209                 |
| Royalties & Miscellaneous | <u>2,643</u>                          |                                 | <u>21,452</u>             |
|                           | \$1,212,829,515                       |                                 | \$63,628,747              |

Net capital gains of \$2,199,703 were realized during 1974-75 from the sale or exchange of securities.

The securities of the System are, by statute, in the custody of the State Treasurer and are held in safekeeping at the Continental Illinois National Bank and Trust Co., Chicago, Illinois.

The statement of assets, liabilities and reserves of the Teachers' Retirement System appearing on the following page is an integral part of this report.

Roy A. Baker  
Executive Director

TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS  
STATEMENT OF ASSETS, LIABILITIES AND RESERVES

JUNE 30, 1975

ASSETS

|  |                   |    |                        |
|--|-------------------|----|------------------------|
| Cash on hand and on deposit<br>with State Treasurer                            |                   | \$ | 4,257,773              |
| Accrued interest and dividends receivable                                      |                   |    | 13,040,399             |
| Contributions receivable -   |                   |    |                        |
| From school districts  | \$10,391,232      |    |                        |
| From state of Illinois   | <u>10,333,333</u> |    | 20,724,565             |
| Investments (at amortized cost)  |                   |    | 1,212,829,515          |
| Office furniture and equipment (less<br>accumulated depreciation of \$142,338) |                   |    | <u>66,570</u>          |
|  |                   |    | <u>\$1,250,918,822</u> |

LIABILITIES AND RESERVES

Current liabilities

|                                |    |               |            |
|--------------------------------|----|---------------|------------|
| Annuities and benefits payable | \$ | 251,211       |            |
| Refunds payable                |    | 271,291       |            |
| Administrative expense payable |    | <u>32,447</u> | \$ 554,949 |

Reserves

|   |  |  |                        |
|---|--|--|------------------------|
| Members contribution reserve (including interest) |  |  | 681,949,972            |
| Retirement reserve                                |  |  | 1,020,084,577          |
| Survivor benefit reserve                          |  |  | 198,291,997            |
| Supplementary payment reserve                     |  |  | 242,520                |
| Reserve for annual increase in base pension       |  |  | 62,228,627             |
| Reserve for minimum retirement allowances         |  |  | 674,622                |
| Employers contribution reserve (1)                |  |  | <u>(713,108,442)</u>   |
|   |  |  | <u>\$1,250,918,822</u> |

(1) Deficit to be provided by future  
State of Illinois appropriations.



A. S. Hansen, inc.  
ACTUARIES AND CONSULTANTS

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

March 17, 1976

Board of Trustees  
Teachers' Retirement System  
of the State of Illinois  
450 Iles Park Place  
South Sixth and Ash Streets  
Springfield, Illinois 62706

Gentlemen:

Actuarial Estimate as of June 30, 1975

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, 1975.

The estimate is based on a census and valuation of retired members as of June 30, 1975 and a census and valuation of active and inactive members as of June 30, 1973. 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, 1975.

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, 1975)

Resources

Assets Less Current Liabilities \$1,286,800,872 \*

Unfunded Past Requirement 1,723,890,065

Total Resources

\$3,010,690,937

Requirements

Present Value of Benefits

Retired \$1,264,337,533

Active Members 3,058,049,228

Inactive Members 169,437,294

Total Present Value of Benefits \$4,491,824,055

Present Value of Future Normal Cost \$1,481,133,118

Total Requirements

\$3,010,690,937

\* Includes \$36,437,000 to reflect retained earnings on equities used for actuarial valuation purposes.

Teachers' Retirement System  
of the State of Illinois

ACTUARIAL COSTS AND OBLIGATIONS  
OF THE STATE  
(Year Ended June 30, 1975)

Determination of Accrued State Costs

|   |                                  |                       |
|---|----------------------------------|-----------------------|
| Costs for benefits earned by members' service during year |                                  | \$ 190,016,383        |
| Members' contributions for year                           |                                  | <u>112,902,615</u>    |
| State cost for service during year                        |                                  | \$ 77,113,768         |
| Unfunded obligation of State at beginning of year         | \$1,681,647,565                  |                       |
| Interest rate   | <u>                    x 5½%</u> |                       |
| Interest on unfunded obligation of State                  |                                  | <u>92,490,616</u>     |
| Total accrued State cost for year                         |                                  | <u>\$ 169,604,384</u> |

Change in Unfunded Obligation

|   |                    |                      |
|---|--------------------|----------------------|
| Unfunded obligation of State at beginning of year |                    | \$1,681,647,565      |
| Accrued State cost for year                       | \$ 169,604,384     |                      |
| Employer contribution for year                    | <u>127,361,884</u> |                      |
| Excess of cost over contribution                  |                    | <u>\$ 42,242,500</u> |
| Unfunded obligation of State as of June 30, 1975  |                    | \$1,723,890,065      |

Teachers' Retirement System  
of the State of Illinois

ALLOCATION OF REQUIREMENTS  
(June 30, 1975)

Automatic Increase:

|                                     |                |
|-------------------------------------|----------------|
| Sec. 16 - 133.1 Retired             | \$ 120,511,212 |
| Sec. 16 - 133.1 Active and Inactive | 197,041,932    |
| Sec. 16 - 136.1 Retired             | 93,901,524     |

Survivor Program

|  |            |
|--|------------|
| Survivors receiving payments               | 29,840,220 |
| Potential survivors of retired members     | 32,057,540 |
| Potential survivors of Active and Inactive | 65,395,792 |

Regular pension, death, refund

|                     |               |
|---------------------|---------------|
| Retired             | 938,027,037   |
| Active and Inactive | 1,483,915,680 |

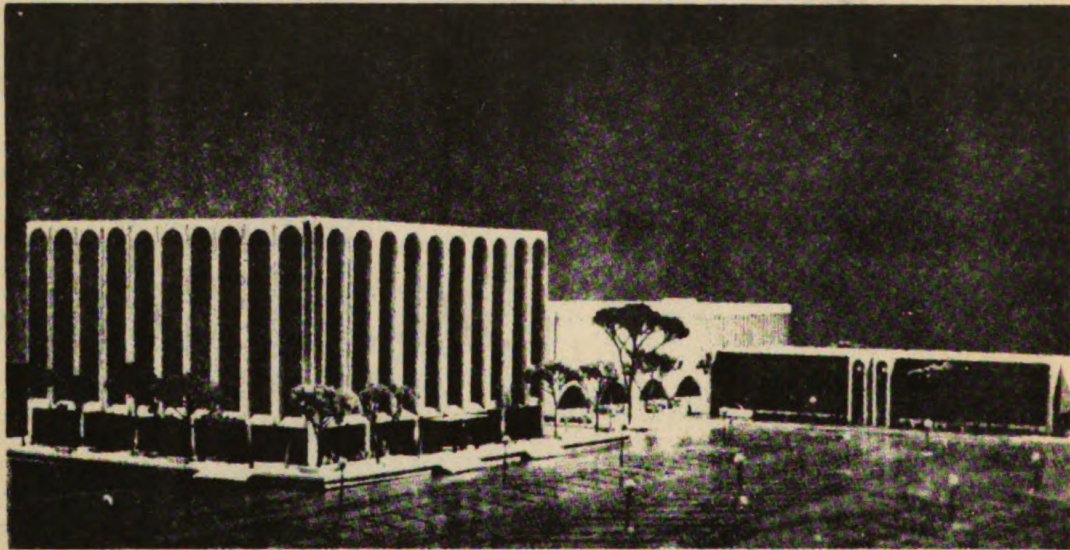
**Total Requirements** **\$3,010,690,937**







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## Illinois Teachers' Retirement System

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