

Annual report.

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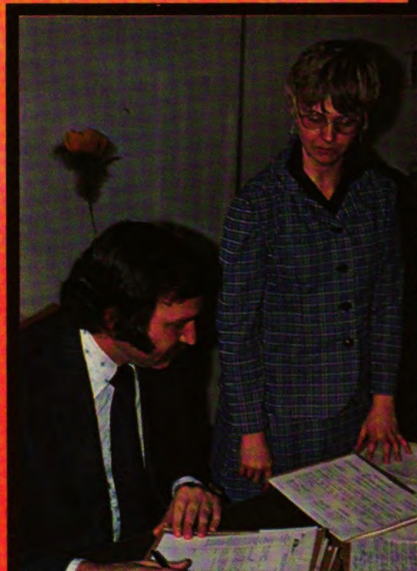
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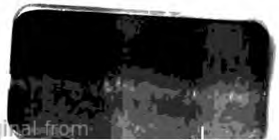


TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILL



1977
ANNUAL
REPORT

Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN



TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS



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1977 ANNUAL REPORT

ABOUT THE COVER

The photographs on the cover depict five primary areas of responsibility within the System: Informational Services, Benefit Processing, Data Processing, Record Maintenance and Administration. From top: Rod Senn, Assistant Director of Northern Area Office, and Steve Calhoun, Consultant, provide retirement estimates at a convention exhibit; Bill Brewer, Supervisor of Annuities and Benefits, and Connie Miller, Secretary, review a benefit calculation prior to mailing the member's notification letter; Dave Brown, Data Processing Programmer (left) and Terry Lake, Data Processing Analyst, check the accuracy of information provided by the computer on a visual display; Roy Baker, Director, at a regular meeting with TRS staff members; and Eleanor Ciccicarelli, Filing Department Supervisor, placing Nomination of Beneficiary forms in members' records.

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



JUDITH A. FITCH
PEORIA



JOSEPH M. CRONIN
PRESIDENT
STATE SUPERINTENDENT



ALEX NAIDENOVICH
ELMHURST



VIVIAN NAJIM
SPRINGFIELD



JOSEPH M. PASTERIS
DEKALB



JAMES R. WILLIAMS
SPRINGFIELD

Professional Consultants

A. S. Hansen, Inc.
Actuaries

Peat, Marwick, Mitchell and Co.
Auditors

Springfield Marine Bank
Investment Counsel

William J. Scott, Attorney General

Gillespie, Cadigan and Gillespie
Legal Advisors

Executive Staff

Roy A. Baker
Director

A. H. Sommer
Associate Director

Owen H. Guthrie
Assistant Director

Rodney C. Senn
Assistant Director

Chester C. Wozniak
Assistant Director

Teachers' Retirement System

450 Iles Park Place
Springfield, Illinois 62703

477 E. Butterfield Rd.
Lombard, Illinois 60148

DIRECTOR'S MESSAGE

It is my pleasure to present the 1976-77 financial report of the Teachers' Retirement System of the State of Illinois. This report is intended to furnish basic information of the System's operations and financial status.



ROY A. BAKER
DIRECTOR

Fiscal 1977 has been an excellent year for the System. The pattern of increasing solvency that began six years ago continued during the current year. This growing solvency can be measured by increases in the System's investment income, net assets and, most importantly, the level of actuarial funding.

A key element in our recent gains is the investment philosophy of the Board of Trustees. The investment income earned contributed to the improved financial integrity of the System. In Fiscal 1977, the investment income exceeded \$93 million, an increase of 21.7% over last year's excellent earnings. The net assets of the System increased by 14.3% to \$1.6 billion and the funding level reached 47.2%, up 2.8% from Fiscal 1976.

These facts and the additional information presented in this report should instill confidence in our members about the System's ability to provide financial security.

Adequate funding and possible legislative change of the System's benefit structure are recurrent questions received from our members. The Board of Trustees has adopted a legislative program that will receive the System's support in future sessions of the General Assembly.

This legislative program has three major proposals. The first would permit retirement without discount at age 55 with 20 or more years of service. The second would alter the amount of the annual post-retirement increase the System is permitted to provide retired members. The final proposal would replace the current graduated retirement formula with a level formula of 2% for each year of teaching credit.

To successfully enact these proposals, the System will need the support of all educational organizations within the State.

This past year, the System made progressive strides administratively to meet the needs of our members. The Board of Trustees officially established an Informational Services Department responsible for publications and consultant services which will provide members with accurate information about the System. Improvements in our Data Processing Department resulted in new services such as the ability by our consultants in the System's Lombard Office to retrieve information from our computer located in Springfield. This access to information expands the services available from that office. These improvements also provide the capability of supplying more complete tax information to our retired members. Finally, the System initiated a construction program that will result in a building to house the System's office. In addition to being an appreciating asset for the System, this building will provide a secure and central location for all member records.

I acknowledge with appreciation the assistance received from the administrative staff and the System's professional consultants in preparing this report.

I also acknowledge the excellent cooperation and sound leadership received from the Board of Trustees. The many gains made during Fiscal 1977 can be attributed to their efforts to provide the teachers of Illinois with the best retirement system in the nation.

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SUMMARY OF OPERATIONS

– in thousands of dollars –

		<u>For Year Ended June 30, 1977</u>	<u>For Year Ended June 30, 1976</u>
NET ASSETS – July 1		\$1,436,510	\$1,250,363
INCOME –			
Employee Contributions	\$124,527		
Employer Contributions –			
State Approp.—Common School Fund	\$147,400		
State Approp.—General Revenue Fund	8,000		
State Approp.—State Pension Fund	1,576		
From Federal and Trust Funds	<u>4,673</u>	161,649	
Investment Income	93,128		
Miscellaneous Income	<u>7</u>	<u>379,311</u>	<u>340,561</u>
		\$1,815,821	\$1,590,924
EXPENDITURES			
Annuities and Benefits –			
Age Retirement	\$124,562		
Post-retirement Benefits	20,111		
Survivor Benefits	5,818		
Disability Benefits	<u>2,200</u>	152,691	
Refunds	19,580		
Administrative Expenses	<u>1,463</u>	<u>(173,734)</u>	<u>(154,414)</u>
NET ASSETS – June 30		\$1,642,087	\$1,436,510

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ANALYSIS OF OPERATIONS

INCOME

Employee Contributions

All "teachers" in the public common schools of Illinois, outside the City of Chicago, are required to contribute 8% of their gross earnings to the System. These contributions are allocated to separate reserves in the following manner: 6½% of earnings to the Members' Contribution Reserve; ½% of earnings to the Reserve for Annual Increase in Base Pension; and 1% of earnings to the Survivor Benefit Reserve. This income increased by \$3,279,000 over the amount received during Fiscal 1976.

Employer Contributions

Employer contributions are received from four sources, three of which are direct appropriations made by the General Assembly of the State of Illinois. The Common School Fund appropriation of \$147,400,000 funds most of the benefit payments of the System. The General Revenue Fund appropriation of \$8,000,000 funds two post-retirement increases – the Supplementary Retirement Income enacted in 1961 and the Minimum Retirement Allowance enacted in 1974. The State Pension Fund appropriation of \$1,576,000 represents the System's share in the distribution of unclaimed assets which have escheated to the State. These three State appropriations exceeded the appropriations received during Fiscal 1976 by \$18,426,000.

The Federal and Trust Fund income represents the required school district contribution of 10½% on teacher salaries paid from special trust or Federal funds. This income exceeded the amount received last year by \$382,000.

The total income during Fiscal 1977, \$379,311,000, is an increase of 11.4% over the income received during Fiscal 1976.

Investment Income

Accumulated net assets and income received during the current year are invested in accordance with the statutory directions and restrictions set forth in Section 16-179, Chapter 108½, *Illinois Revised Statutes*. Investment income in Fiscal 1977 exceeded the amount earned in Fiscal 1976 by \$16,656,000. The System's holdings are presented in detail on Pages 13 through 17.

EXPENDITURES

Benefit payments, granted in accordance with Article 16, Chapter 108½, *Illinois Revised Statutes*, are the System's primary expenditures. Compared to Fiscal 1976, these payments increased in the following amounts: age retirement, \$11,287,000; post-retirement increases, \$1,342,000; survivor benefits, \$663,000; and disability, \$342,000.

The System's remaining areas of expenditures are Refunds and Administration. Refunds granted to teachers who left the System and withdrew their contributions increased by \$5,462,000 over the amount refunded during Fiscal 1976.

The Board of Trustees have the statutory responsibility of transacting the System's business in an efficient manner. The administrative expenses represent the costs involved in retaining professional services, employing competent staff and purchasing needed equipment and supplies. These costs increased during Fiscal 1977 by \$224,000.

The total expenditures during Fiscal 1977, \$173,734,000, is an increase of 12.5% over the expenditures during Fiscal 1976.

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STATEMENT OF ASSETS, LIABILITIES AND RESERVES

— in thousands of dollars —

ASSETS

		<u>For Year Ended</u> <u>June 30, 1977</u>	<u>For Year Ended</u> <u>June 30, 1976</u>
Cash on Deposit with State Treasurer		\$ 3,610	\$ 2,324
Contributions Receivable From School Districts -			
Member Salary Deductions	\$ 9,975		
Federal and Trust Fund	<u>1,785</u>	\$11,760	
Receivable From State of Illinois —			
Common School Fund	\$12,284		
General Revenue	<u>469</u>	12,753	24,513
			22,618
Accrued Interest and Dividends Receivable		16,960	14,796
Investments (at Amortized Cost)		1,597,366	1,397,159
Land, Office Furniture and Equipment (Less Accumulated Depreciation)		165	165
Construction in Progress		<u>127</u>	<u> </u>
GROSS LEDGER ASSETS		<u><u>\$1,642,741</u></u>	<u><u>\$1,437,062</u></u>

LIABILITIES AND RESERVES

Current Liabilities —			
Annuities and Benefits Payable	\$ 315		
Refunds Payable	265		
Administrative Expenses Payable	<u>74</u>	654	553
Reserves —			
Members' Contribution Reserve		845,479	764,559
Retirement Reserve		1,256,953	1,157,670
Survivor Benefit Reserve		271,660	233,838
Annual Increase in Base Pension Reserve		90,793	76,617
Minimum Retirement Reserve		624	685
Supplementary Payment Reserve		66	184
Employer Contribution Reserve*		<u>(823,488)</u>	<u>(797,044)</u>
GROSS LEDGER LIABILITIES AND RESERVES		<u><u>\$1,642,741</u></u>	<u><u>\$1,437,062</u></u>

*Deficit to be provided by future State of Illinois appropriations

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UNIVERSITY OF ILLINOIS AT
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ANALYSIS OF ASSETS, LIABILITIES AND RESERVES

ASSETS

The gross assets at June 30, 1977, \$1,642,741,000, reflect a growth of 14.3% over the assets at June 30, 1976. These assets are distributed as follows:

- Cash on Deposit, \$3,610,000, is the revenue deposited in the State Treasurer's Clearing Account by June 30, 1977. Based upon an agreement between the System and the State Treasurer, investments in the amount of the deposit occur immediately.
- Receivables are attributed to three primary sources: member and employer contributions on teacher salaries due from school districts, appropriations made by the General Assembly of the State of Illinois, interest and dividends earned by the System's investments. These revenues, \$41,473,000, were due on June 30, 1977, but received after the close of the fiscal year.
- Investment holdings, \$1,597,366,000, represent the major asset of the System. These holdings are presented in detail on Pages 13 through 17.
- Land, Office Furniture and Equipment, \$165,000, reflect capital assets of the System. No change occurred in the amount of these assets because new equipment purchased was offset by depreciation on existing equipment.
- Construction in Progress, \$127,000, reflects the initial value of a building currently being constructed to house the System's offices. This asset will continue to increase over the coming years.

LIABILITIES AND RESERVES

Current Liabilities

The current liabilities, \$654,000, reflect the obligations incurred by the System prior to July 1, 1977, to pay retirement benefits, refunds or administrative expenses. Payments for these obligations were processed after July 1, 1977.

Reserves

The System's reserves are established in accordance with statutory provisions found in Sections 16-182 through 16-186.3, Chapter 108½, *Illinois Revised Statutes*. Each reserve is established to receive and expend statutorily defined revenues.

- Members' Contribution Reserve is credited with member contributions, as explained on Page 6, and regular interest, as defined in Section 16-112, Chapter 108½, *Illinois Revised Statutes*. The accumulated contributions in this reserve are removed only upon a member's retirement, death or withdrawal of contributions by refund.
- Survivor Benefit Reserve is credited with member contributions required for the purpose of providing Survivor Benefit protection along with State contributions and interest. This reserve is charged with all Survivor Benefit payments made by the System.
- Reserve for Annual Increase in Base Pension is credited with member contributions required for the purpose of providing, under certain conditions, an annual 2% increase in retirement allowance. This reserve is charged with all annual increases paid to retired members or the contributions made but later refunded upon the member's death or voluntary withdrawal from the System.
- Supplementary Payment Reserve and Minimum Retirement Reserve are credited with State appropriations and payments by retired teachers made specifically to provide such benefits. These reserves are charged only with the benefits paid in accordance with the provisions governing these Acts.
- Retirement Reserve is credited with member contributions transferred, at retirement, from the Members' Accumulated Contribution Reserves and with the actuarial value of all allowances payable. This reserve is charged with all retirement allowance payments made by the System.
- Employer Contribution Reserve represents the excess liabilities of the System not currently funded by the State of Illinois in the Retirement Reserve.

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Hansen

A. S. Hansen, inc. 1080 Green Bay Road • Lake Bluff, Illinois 60044 • Telephone 312-234-3400

February 13, 1978

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, 1977

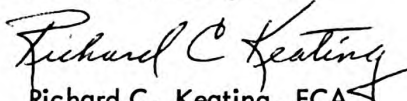
In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the required Reserves and Unfunded Obligation of the System as of June 30, 1977.

The estimate is based on a census and valuation of retired members as of June 30, 1977 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, 1977.

Respectfully submitted,

A. S. HANSEN, INC.


Richard C. Keating, FCA
Member, American Academy
of Actuaries

ACTUARIAL BALANCE SHEET

	<u>Year Ended June 30, 1977</u>	<u>Year Ended June 30, 1976</u>
Resources		
Assets Less Current Liabilities	\$1,691,118,669*	\$1,479,116,151*
Unfunded Past Requirement	<u>1,888,403,602**</u>	<u>1,849,861,629**</u>
Total Resources	<u><u>\$3,579,522,271</u></u>	<u><u>\$3,328,977,780</u></u>
Requirements		
Present Value of Benefits		
Retired	\$1,566,284,635	\$1,435,358,409
Active Members	3,490,186,865	3,308,233,995
Inactive Members	<u>193,483,473</u>	<u>183,396,657</u>
Total Present Value of Benefits	\$5,249,954,973	\$4,926,989,061
Present Value of Future Normal Cost	<u>(1,670,432,702)</u>	<u>(1,598,011,281)</u>
Total Requirements	<u><u>\$3,579,522,271</u></u>	<u><u>\$3,328,977,780</u></u>

*Includes \$49,031,000 at June 30, 1977, and \$42,604,000 at June 30, 1976, to reflect retained earnings on equities used for actuarial valuation purposes.

**This represents the additional amount required from the State of Illinois to meet the future obligations of the System based on the established service credit of the membership.

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UNIVERSITY OF ILLINOIS AT
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ACTUARIAL COSTS AND OBLIGATIONS OF THE STATE

— June 30, 1977 —

Determination of Accrued State Costs

Costs for benefits earned by members' service during year		\$ 214,975,704
Members' contributions for year		<u>124,526,810</u>
State cost for service during year		\$ 90,448,894
Unfunded obligation of State at beginning of year	\$1,849,861,629	
Interest Rate	<u>x 5-½%</u>	
Interest on unfunded obligation of State		<u>\$ 101,742,390</u>
Total accrued State cost for year		<u><u>\$ 192,191,284</u></u>

Change in Unfunded Obligation

Unfunded obligation of State at beginning of year		\$1,849,861,629
Accrued State cost for year	\$ 192,191,284	
Employer contribution for year	<u>153,649,291</u>	
Excess of cost over contribution		<u>38,541,993</u>
Unfunded obligation of State as of June 30, 1977		<u><u>\$1,888,403,622</u></u>

ALLOCATION OF REQUIREMENTS

— June 30, 1977 —

Automatic Increase:

Sec. 16 — 133.1 Retired		\$ 178,878,376
Sec. 16 — 133.1 Active and Inactive		219,312,596
Sec. 16 — 136.1 Retired		90,542,170

Survivor Program:

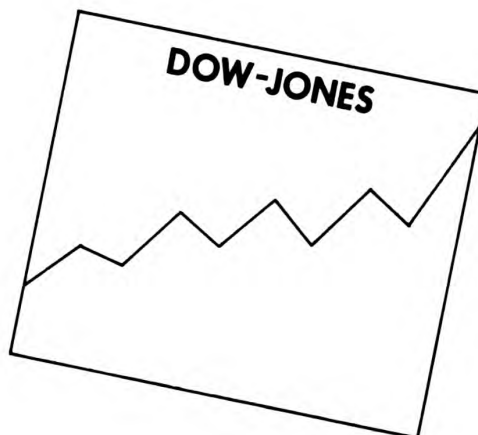
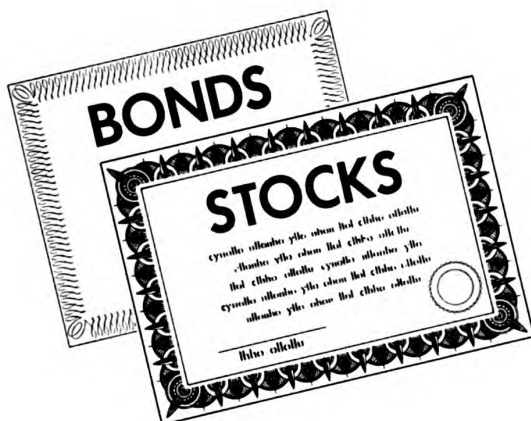
Survivors receiving payments		\$ 39,910,817
Potential survivors of retired members		77,141,749
Potential survivors of Active and Inactive		121,742,443

Regular Pension Death, Refund:

Retired		\$1,179,811,523
Active and Inactive		1,672,182,597
Total Requirements		\$3,579,522,271

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INVESTMENTS

The following pages list the investment holdings of the System at June 30, 1977.

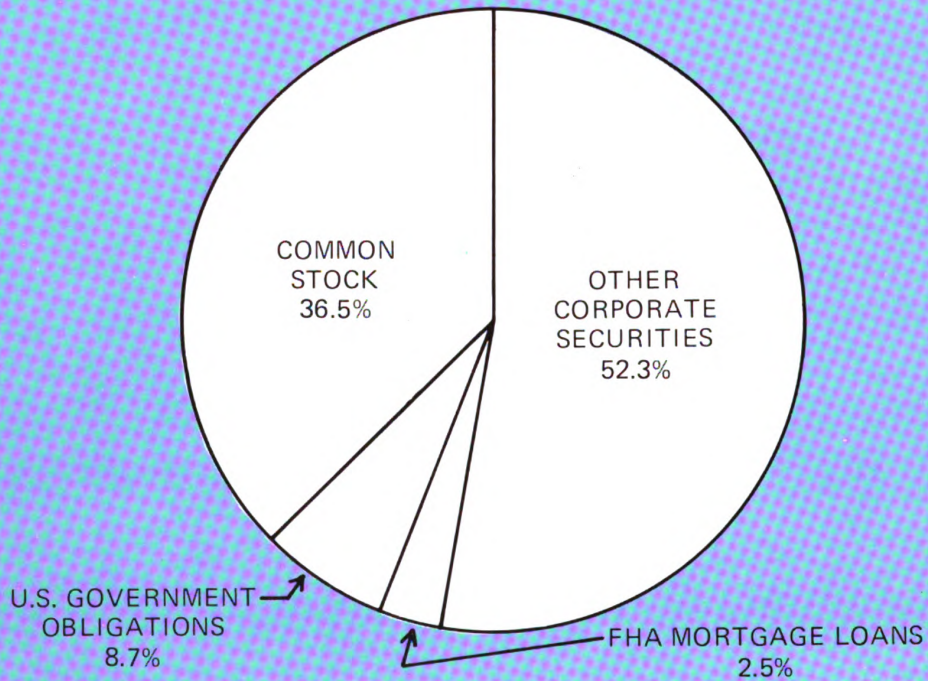
The statement below reflects only the earnings of securities held at June 30, 1977, and does not reflect the net gain resulting from the sales of securities, such gain being included in the total investment income shown on Page 6.

INVESTMENT STATEMENT

Description	Book Value at June 30, 1977	Earnings Fiscal 1977
U.S. Government Securities	\$ 138,991,872	\$ 4,873,183
Corporate Bonds	169,127,710	11,531,230
Corporate Debentures	377,246,210	28,613,656
Corporate Notes	245,828,907	16,261,307
Equipment Trust Certificates	42,877,978	3,489,662
Common Stock	583,562,206	21,356,969
F. H. A. Mortgage Loans	39,728,955	1,868,285
Totals	\$1,597,363,838	\$87,994,292

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COMPOSITION OF INVESTMENTS



U. S. GOVERNMENT SECURITIES

Description	Book Value
U. S. Treasury Bonds	\$ 5,165,765
U. S. Treasury Bills	133,826,107
Total Government Securities	\$138,991,872

EQUIP TRUST CERTIFICATES

Description	Book Value
Burlington Northern Inc.	\$ 4,984,084
Gen. Am. Transport, Corp.	8,500,000
Pullman Transport Leasing Corp.	10,000,000
Union Tank Car Corp.	19,393,894
Total Trust Certificates	\$42,877,978

CORPORATE BONDS

Description	Book Value
American Export Isbrandtsen Lines, Inc.	\$ 4,496,000
Arizona Public Service Co.	3,000,000
Brooklyn Union Gas Co.	6,080,000
California Federal Savings and Loan Assoc.	4,974,932
Chicago Union Station Co.	3,845,499
Citizens Utilities Co.	1,000,000
Commonwealth Edison Co.	8,504,821
Consolidated Edison Co.	8,893,806
General Telephone Co. of California	2,983,035
General Telephone Co. of Illinois	4,000,000
General Telephone Co. of Ohio	3,000,000
Illinois Bell Telephone Co.	4,033,581
Imperial Savings and Loan Assoc.	5,000,000
Indianapolis Water Co.	1,505,808
Inter-American Development Bank	5,161,940
International Bank for Rec. & Dev.	25,591,791
Kansas Power and Light Co.	2,000,000
Kerr Glass Manufacturing Corp.	4,333,000
Long Island Lighting Co.	7,000,000
Natural Gas Pipeline of America	8,981,229
New York Telephone Co.	3,161,175
Ohio Edison Co.	3,085,641
Pacific Gas and Electric Co.	4,311,737
Peoples Gas Light and Coke	3,200,000
Philadelphia Electric Co.	3,599,185
Public Service Electric and Gas Co.	2,045,928
Rochester Telephone Co.	249,195
Southern California Edison Co.	15,071,487
Southern Pacific Transportation	5,000,000
Southern Railway Co.	4,987,853
Tucson Gas and Electric Co.	2,000,000
Union Electric Co.	3,084,773
Virginia Electric and Power Co.	3,499,294
Washington Gas Light Co.	1,446,000
Total Corporate Bonds	\$169,127,710

CORPORATE DEBENTURES

Description	Book Value
American Telephone and Telegraph Co.	\$21,112,975
Armco Steel Corp.	4,985,485
Associates Corp. of North America	4,498,860
BankAmerica Corp.	9,904,522
Beneficial Corp.	5,070,465
Bethlehem Steel Corp.	10,000,000
Borg Warner Acceptance Corp.	9,980,573
Caterpillar Tractor Co.	6,000,000

Charter New York Corp.	5,000,000
Chase Manhattan Corp.	5,000,000
C. I. T. Financial Corp.	9,963,978
Cities Service Gas Co.	10,000,000
Clark Equipment Credit Corp.	2,161,312
Consolidated Natural Gas Co.	5,000,000
Deere and Co.	10,000,000
Dow Chemical Co.	10,000,000
Eltra Corp.	4,983,118
F M C Corp.	4,486,511
Federal Intermediate Credit Bank	10,000,000
Federal National Mortgage Assoc.	14,987,694
Flintkote Co.	10,000,000
Ford Motor Credit Co.	10,000,000
General Electric Co.	5,000,000
General Motors Acceptance Corp.	4,172,134
General Motors Corp.	9,953,743
Georgia Pacific Corp.	1,630,000
W. T. Grant Co.	1,267,200
Gulf Oil Corp.	8,966,919
Household Finance Corp.	7,964,000
International Harvester Credit Corp.	8,982,948
John Deere Credit Co.	4,000,000
Marine Midland Banks Inc.	9,677,970
Masco Corp.	4,976,047
May Department Stores Credit Co.	3,398,450
Memorex Corp.	900,000
Monsanto Co.	9,954,027
Mountain Fuel Supply Co.	1,967,851
Mountain States Telephone and Telegraph Co.	3,043,953
New England Mutual Life Insurance Co.	9,920,685
New England Telephone and Telegraph Co.	4,983,273
Ohio Bell Telephone Co.	983,954
P. P. G. Industries Inc.	4,981,585
Pacific Telephone and Telegraph Co.	10,000,000
J. C. Penney Credit Corp.	5,581,646
Pennzoil United Inc.	830,000
Philadelphia Electric Co.	1,380,000
Province of Ontario Canada	3,969,362
Quebec Hydro Electric Comm.	4,000,000
Southern Bell Telephone and Telegraph Co.	2,017,251
Southwestern Bell Telephone Co.	6,613,240
A. E. Staley Manufacturing Co.	4,951,971
Standard Oil Co. of California	9,579,008
Swift and Co.	839,320
Travelers Corp.	5,000,000
Union Carbide Corp.	10,000,000
Union Oil Co. of California	10,000,000
United Gas Pipeline	2,789,642
Westinghouse Electric Corp.	5,431,904
Westinghouse Electric Credit Co.	4,402,634
Total Corporate Debentures	\$377,246,210

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URBANA-CHAMPAIGN

FHA MORTGAGE LOANS

Description	Book Value
A. L. C. Housing #1	\$ 909,297
A. L. C. Housing #2	684,900
A. L. C. Housing #3	839,061
Arundeland Inc.	1,075,134
Beale AFB Housing #3	1,116,631
Beale AFB Housing #4	1,089,201
Columbus AFB Housing #3	796,423
Columbus AFB Housing #4	893,768
Columbus AFB Housing #5	1,001,406
Cumberland Housing Inc.	1,129,525
Dow AFB #5	101,464
Dow AFB #6	1,519,286
Dow AFB #7	1,459,635
East Navy Homes Inc.	413,178
Fort Eustis Homes Inc.	2,804,138
Hamilton AFB Housing Inc.	784,567
Hamilton AFB #2 Inc.	977,521
Hamilton AFB #3	1,058,691
Hamilton AFB #4	848,696
Iowa-East Corp.	23,481
Lawrence G. Hanscom #2	878,514
Lawrence G. Hanscom #3	887,016
McChord AFB Housing Inc.	621,574
McChord AFB Housing #2	686,260
McChord AFB Housing #3	665,067
McChord AFB Housing #4	603,665
McChord AFB Housing #5	608,476
McChord AFB Housing #6	417,028
New London NSB, 8th	1,440,852
New London NSB, 9th	1,351,236
New London NSB, 10th	1,582,826
Oak Ridge, Tenn.	1,042,004
Redstone Housing Corp.	1,158,974
Shafter Schofield Inc. 2nd	1,162,434
Shafter Schofield 3rd	693,889
Shafter Schofield 4th	1,008,178
Schilling AFB (Smoky Hill) Housing Inc.	2,446,610
Turner AFB Inc.	1,334,627
The Woodner Rock Creek Plaza Inc.	1,613,722
Total FHA Mortgage Loans	\$39,728,955

CORPORATE NOTES

Description	Book Value
American Express Credit Corp.	\$ 5,000,000
American International Group Inc.	4,981,860
American Investment Co. of Illinois	1,280,000
Associates Corp. of North America	5,000,000
Beneficial Corp.	3,000,000
Bay State Gas Co.	2,000,000
C I T Financial Corp.	2,989,219
City Investing Co.	4,000,000
Commercial Credit Co.	4,983,897
Countrywide Stations Inc.	9,515,000
Darmad Corp.	2,072,058
Delaware Western Properties Inc.	4,370,000
E I DuPont deNemours and Co.	5,000,000
Esmark Inc.	5,000,000
Explorer Pipeline Co.	10,000,000
First Chicago Corp.	4,968,247
General Electric Credit Corp.	11,183,220
General Motors Acceptance Corp.	5,000,000
Gromarco Inc.	1,638,000
Humble Transportation Co.	10,000,000
Interway Corp.	1,370,000
International Bank for Rec. and Dev.	15,599,056
Kroger Co.	900,000
Marathon Pipe Line Co.	5,000,000
Mercantile Trust Co.	3,000,000
Midcontinent Properties Inc.	10,000,000
J. P. Morgan Co. Inc.	4,962,989
P. P. G. Industries Inc.	4,985,683
Pan American World Airways Inc.	8,094,366
Pennsylvania Life Co.	747,195
Pfizer Inc.	10,000,000
Private Export Funding Corp.	9,975,584
Republic National Corp.	2,395,062
Research Properties Inc.	5,000,000
G. D. Searle Co.	4,991,738
Stauffer Chemical Co.	5,000,000
Texaco Inc.	2,400,000
Union Bank of Los Angeles	2,000,000
United California Bank	3,000,000
Western Electric Co. Inc.	10,000,000
Western Slope Gas Co.	10,000,000
Borg Warner Acceptance Corp.	13,048,965
Goodyear Financial Corp.	8,426,469
John Deere Credit Corp.	2,950,299
Total Corporate Notes	\$245,828,907

COMMON STOCKS

Description	Book Value
Aetna Life and Casualty Co.	\$ 9,414,132
Air Products and Chemicals Inc.	5,247,944
Aluminum Co. of America	6,924,053
Amax Inc.	4,994,265
American Express Co.	2,250,667
American Home Products Corp.	13,409,122
American Standard Inc.	4,575,663
American Telephone and Telegraph Co.	16,233,851
Ara Services Inc.	5,476,816
Armstrong Cork Co.	1,475,000
Atlantic Richfield Co.	7,621,827
Baxter Laboratories Inc.	1,187,942
Becton-Dickinson and Co.	3,926,642
Beneficial Corp.	6,553,925
Burroughs Corp.	5,790,503
C. I. T. Financial Corp.	1,385,464
Carrier Corp.	4,808,571
Caterpillar Tractor Co.	4,557,418
Central Illinois Light Co.	1,631,280
Chase Manhattan Bank	7,709,551
Clark Equipment Co.	3,492,636
Coca Cola Bottling Co. of N. Y.	2,845,925
Columbia Broadcasting System	6,540,297
Consolidated Foods Corp.	4,865,179
Corning Glass Works	4,667,252
Cummins Engine Co.	1,029,901
Delta Air Lines Inc.	5,120,346
Walt Disney Productions	7,350,775
Dow Chemical Co.	8,566,407
E. I. DuPont deNemours Inc.	908,212
Eastman Kodak Co.	9,460,512
Emerson Electric Co.	7,667,839
F. W. Woolworth Co.	6,409,680
Federated Dept. Stores	4,360,631
Firestone Tire and Rubber Co.	2,142,163
Citicorp	14,966,142
Ford Motor Co.	12,278,397
General American Transportation Co.	4,521,697
General Electric Corp.	20,792,950
General Foods Corp.	6,613,907
General Mills Inc.	7,098,864
General Motors Corp.	16,151,604
General Telephone and Electronics Corp.	3,439,332
Gillette Co.	2,963,370
Greyhound Corp.	2,448,106
Gulf Oil Corp.	1,227,158
Halliburton Co.	5,707,137
Household Finance Co.	2,704,087
I B M Corp.	20,460,479
Illinois Power Co.	2,668,293
Inland Steel Co.	4,645,470

COMMON STOCKS

Description	Book Value
International Paper Co.	5,971,320
International Telephone & Telegraph Corp.	10,281,770
Jewel Companies Inc.	3,126,300
S. S. Kresge Co.	7,847,802
Libbey Ownes Ford Co.	3,861,713
Marathon Oil Co.	4,411,259
Marsh and McLennan Co.	4,110,952
Masco Corp.	3,576,549
Masonite Corp.	4,526,810
Merck and Co.	3,804,732
Minnesota Mining and Mfg. Co.	11,026,656
Mobil Corp.	6,167,438
Monsanto Co.	5,906,090
Nabisco Inc.	5,024,482
Nalco Chemical Co.	3,944,771
Oklahoma Gas and Electric Co.	1,090,906
Owens Corning Fiberglass Co.	3,851,136
Owens Illinois Inc.	7,101,078
J C Penney Co. Inc.	5,774,169
Peoples Gas Light and Coke Co.	1,201,748
Pepsico Inc.	12,541,355
Pillsbury Co.	4,293,162
Pitney Bowes Inc.	3,398,552
Pittston Co.	2,800,837
Proctor and Gamble Co.	9,687,500
Radio Corp. of America	7,146,198
Ralston Purina Co.	7,595,391
Richardson Merrell Inc.	4,753,639
Sears Roebuck and Co.	11,408,826
Schering-Plough Corp.	7,447,457
Scott and Fetzer Co.	2,848,142
Scott Paper Co.	3,628,811
Smith Kline and French Labs	7,585,217
Southern Co.	1,588,476
Exxon Corp.	6,926,083
Sterling Drug	4,620,320
Texaco, Inc.	6,787,613
Texas Instruments Inc.	1,890,575
Thomas and Betts Corp.	2,407,836
Trans Union Corp.	3,674,181
Transamerica Corp.	1,265,789
Union Carbide Corp.	6,182,791
Union Pacific Corp.	3,285,579
Warner Lambert Co.	9,528,480
Westinghouse Electric Corp.	5,591,976
Weyerhaeuser Co.	7,007,269
Whirlpool Corp.	5,108,889
Xerox Corp.	8,885,940
Zenith Radio Corp.	1,778,257
Total Common Stocks	\$583,562,206

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THE YEAR IN REVIEW

Growth and Operations

- The total number of monthly benefit recipients at June 30, 1977, increased by 2,037 to a total of 30,281.
- Benefit payments increased from \$139,058,933 to \$152,692,932.
- Monthly Survivor Benefit recipients increased from 1,400 to 1,553. Payments, including lump sum payments, increased by \$663,148 to a total of \$5,818,332.
- Disability recipients increased by 49 to a total of 702. This resulted in an increase of \$342,101 to a total of \$2,200,636.
- Inactive membership increased by 723 to a total of 30,214.
- Active membership decreased by 2,100 to a total of 103,216.

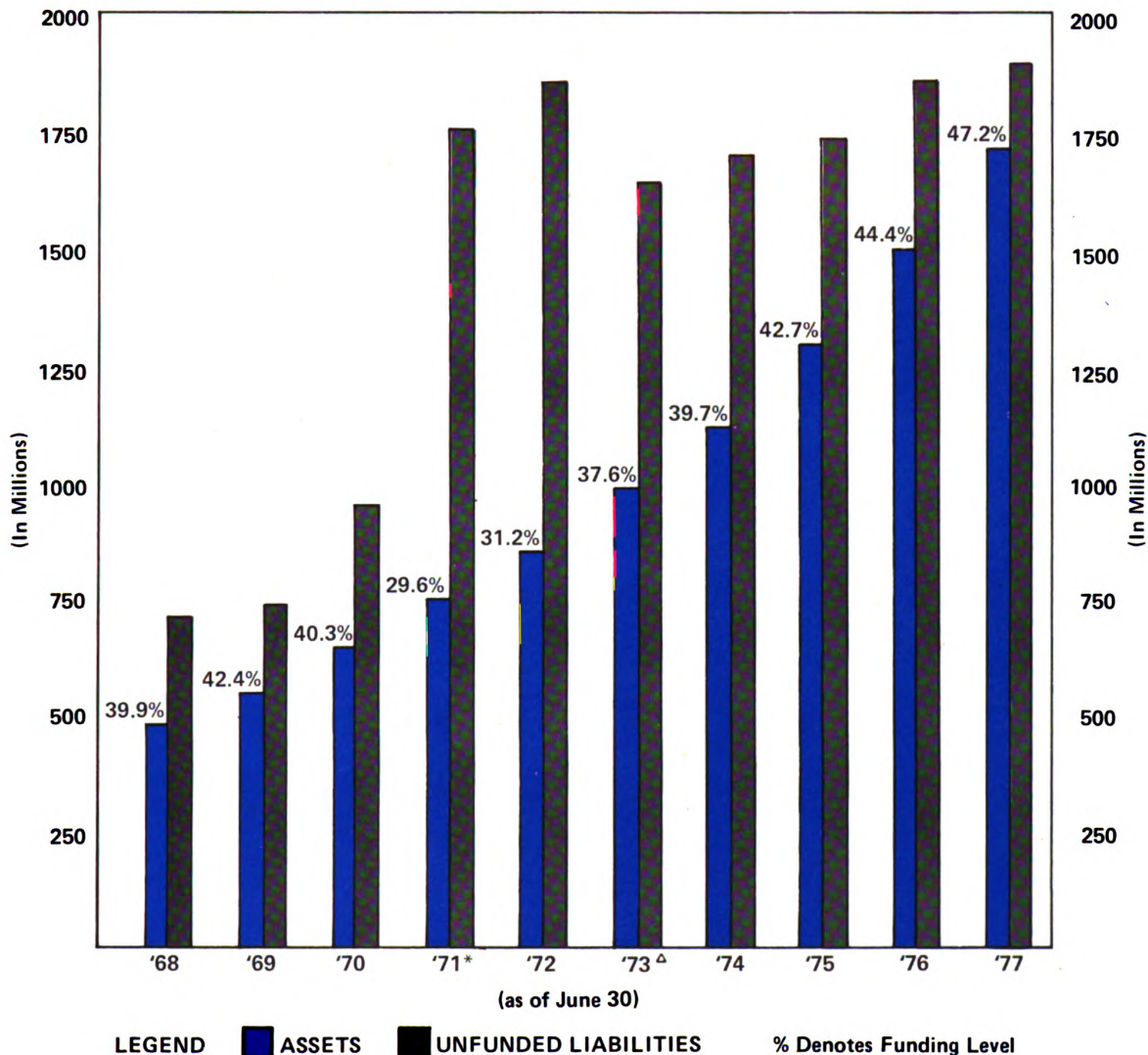
Financial Growth

- Investment earnings increased by \$16,654,234 to a total of \$93,127,565, an increase of 21.8%.
- State appropriations increased by \$18,424,800 to a total of \$156,976,400, an increase of 13.3%.
- Member contributions increased by \$3,278,360 to a total of \$124,526,810, an increase of 2.7%.
- Net assets of the System rose by \$205,575,518 to a total of \$1,642,087,669, an increase of 14.3%.
- The funding level of the System rose from 44.4% to 47.2%.

Administration

- Established an Informational Services Department responsible for the publication of periodic newsletters to active and retired teachers. This department also provided for the following consultant services:
 - Informational workshops conducted with 14,609 members.
 - Individual conferences conducted with 3,157 members.
 - Business seminars conducted with 738 school district personnel responsible for the completion of various financial reports required by the System.
- Installed a new central computer with twice the memory capacity and faster retrieval system.
- Installed a data entry terminal in the System's Lombard office improving that office's ability to provide service to members.
- Implemented a data processing service to retired members of reporting taxable income received from the System on U.S. Government Form W-2P and 1099R.

10 YEAR SUMMARY ASSETS AND UNFUNDED LIABILITIES



*On June 1, 1971 legislation incorporating the following points was enacted:

- 1) redefined the "average salary" as a four year average rather than a five year average.
- 2) established a more liberal formula to be used in determining the retirement benefits payable.
- 3) permitted the use of this new formula in determining the benefits of members retiring with less than twenty years of service.

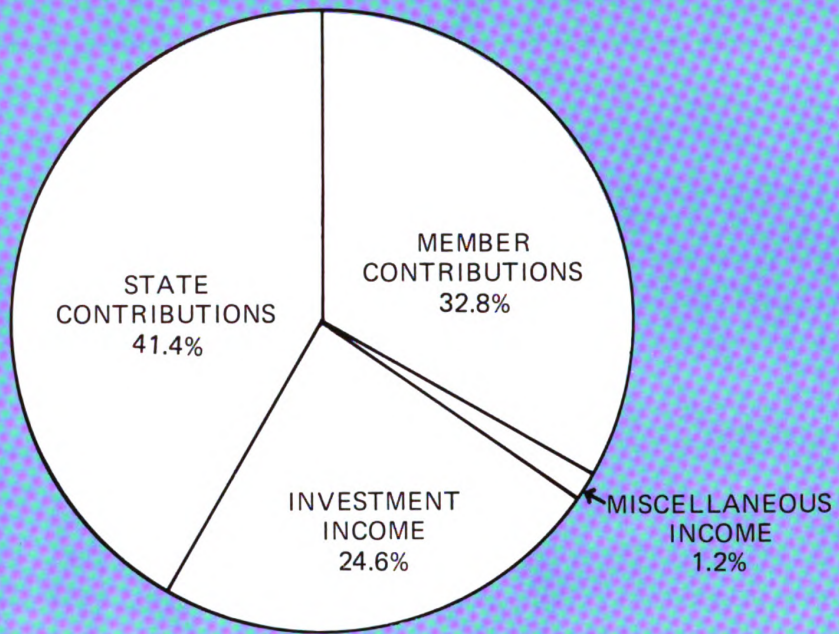
These changes resulted in the dramatic increase in the unfunded liabilities of the System.

^Δ As required by statute, the System's actuaries, A.S. Hansen, Inc., conducted an analysis of experience for the four-year period ended June 30, 1973. As the result, several changes were made in assumptions and projections including an increased assumed rate of return on the invested assets of the System. The actuaries then made a complete re-evaluation of liabilities of the System, resulting in a decrease in the unfunded liabilities at June 30, 1973.

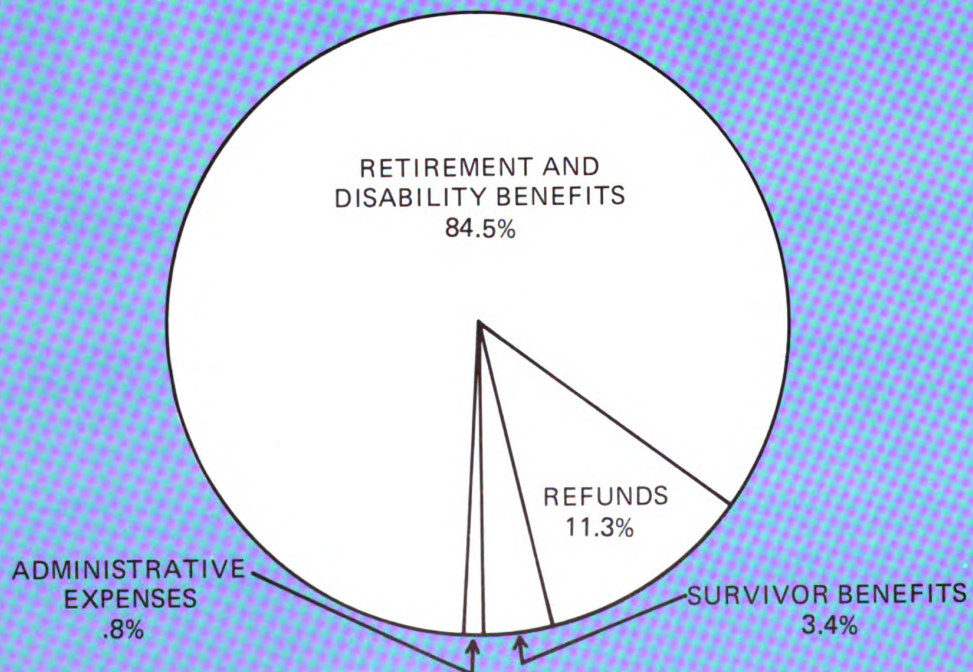
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1976-77 INCOME SUMMARY



1976-77 EXPENDITURE SUMMARY

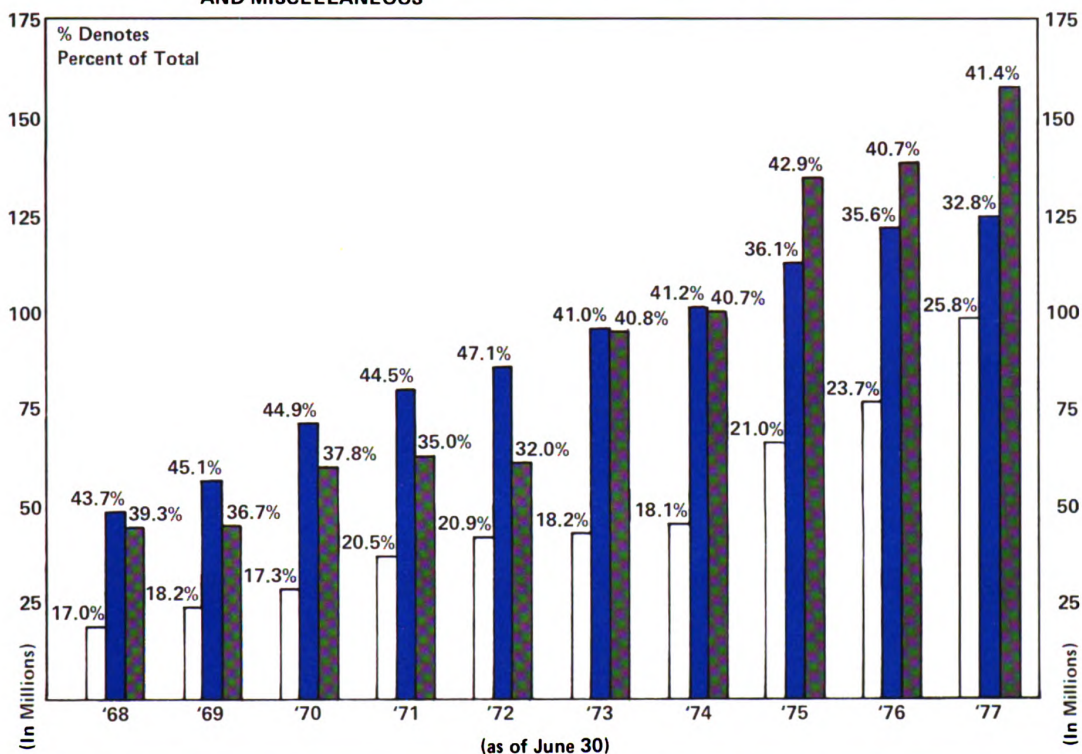


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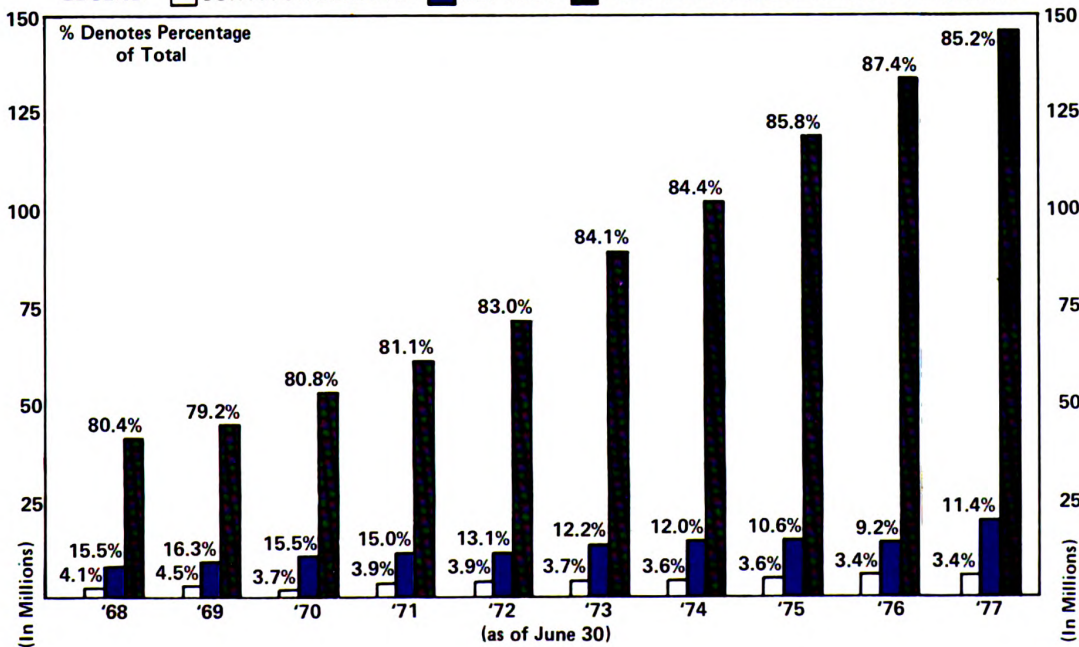
10 YEAR SUMMARY OF INCOME

LEGEND — INVESTMENT INCOME AND MISCELLANEOUS TEACHER CONTRIBUTIONS STATE CONTRIBUTIONS



10 YEAR SUMMARY OF BENEFIT AND REFUND EXPENDITURES

LEGEND — SURVIVOR BENEFITS REFUNDS RETIREMENT AND DISABILITY BENEFITS



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AGE RETIREMENT BENEFICIARIES BY BENEFIT RANGE AT JUNE 30, 1977

<u>MONTHLY BENEFIT</u>	<u>TOTAL BENEFICIARIES</u>	<u>CUMULATIVE TOTAL</u>	<u>PERCENTAGE OF TOTAL</u>	<u>CUMULATIVE PERCENTAGE OF TOTAL</u>
\$ 0 - \$ 100	562	562	2.0	2.0
101 - 200	2,164	2,726	7.7	9.7
201 - 300	5,882	8,608	21.1	30.8
301 - 400	6,466	15,074	23.2	54.0
401 - 500	3,542	18,616	12.7	66.7
501 - 600	3,067	21,683	10.9	77.6
601 - 700	1,907	23,590	6.8	84.4
701 - 800	1,326	24,916	4.8	89.2
801 - 900	970	25,886	3.5	92.7
901 - 1,000	705	26,591	2.5	95.2
1,001 - over	1,337	27,928	4.8	100.0

Average Benefit \$ 452.24

Median Benefit \$ 372.16

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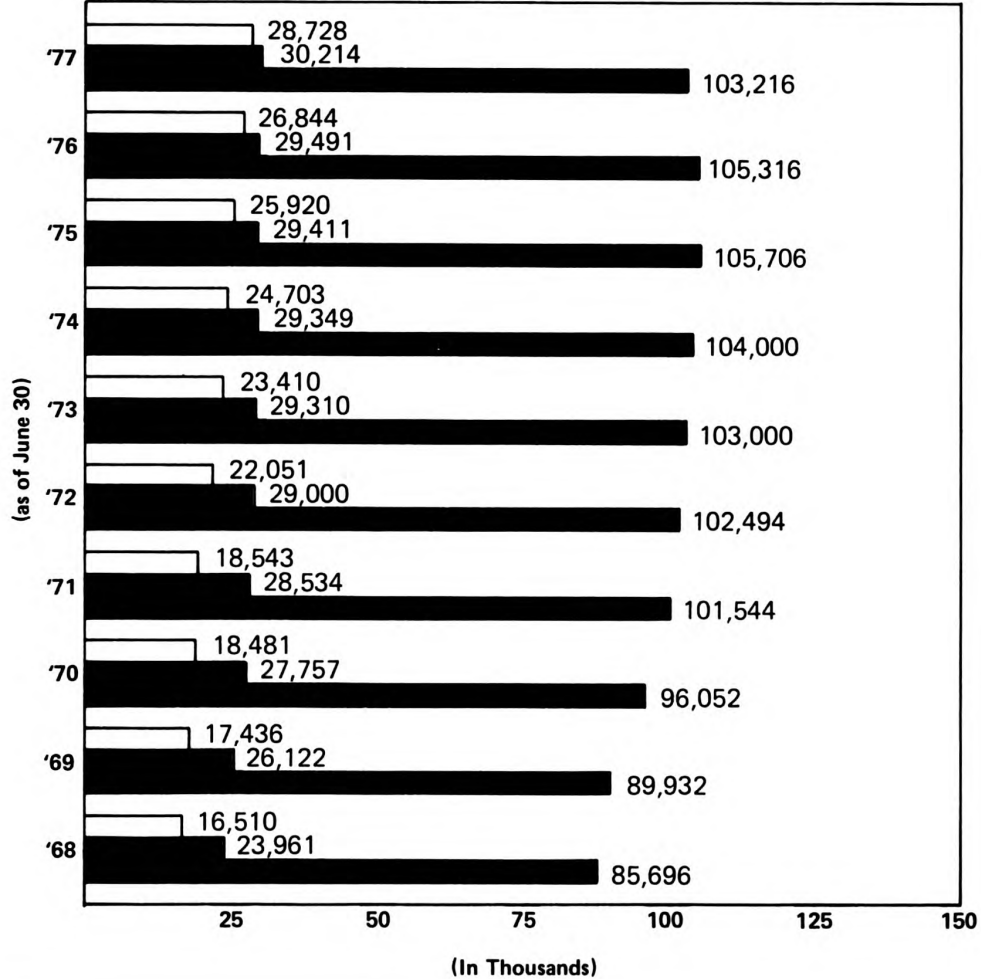
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10 YEAR MEMBERSHIP PROFILE

LEGEND □ RETIRED MEMBERS ■ INACTIVE MEMBERS ■ ACTIVE MEMBERS



DISTRIBUTION OF ACTIVE MEMBERS BY AGE
(at June 30, 1977)

AGE	MALE	FEMALE	TOTAL
20-24	2,686	9,491	12,177
25-29	9,174	16,608	25,782
30-34	8,351	8,700	17,051
35-39	5,341	6,406	11,747
40-44	4,612	5,633	10,245
45-49	3,895	5,755	9,650
50-54	2,996	4,752	7,748
55-59	1,498	4,248	5,746
60-64	588	2,254	2,842
65-69	21	91	112
70 or older	28	88	116
TOTAL	39,190	64,026	103,216

DISTRIBUTION OF ACTIVE MEMBERS BY SERVICE
(at June 30, 1977)

YEARS OF SERVICE	MALE	FEMALE	TOTAL
Under 1	356	1,477	1,833
1-4	8,039	21,146	29,185
5-9	10,918	19,770	30,688
10-14	7,212	9,133	16,345
15-19	5,591	5,225	10,816
20-24	3,466	3,372	6,838
25-29	2,656	1,973	4,629
30-34	622	1,163	1,785
35 or more	330	767	1,097
TOTAL	39,190	64,026	103,216

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MANAGEMENT STAFF

Department	Supervisor
Annuities and Benefits Survivor Benefits Supervisor	William Brewer, Jr. Carol Harwood
Data Processing Data Input Supervisor	David L. Boyer Helen Nicholls
General Administration	Genevieve Curry
General Services	James H. Walker
Informational Service Consultants Springfield Springfield Lombard Lombard	E. Darrell Elder Byron Spencer Charlie Campbell Stephen Calhoun
Internal Audit	Cline L. Brillhart
Member Records Records Supervisor	Richard Y. Reid Eleanor Cicciarelli
Receipts – Refunds	Bert C. Pettyjohn



TEACHERS' RETIREMENT SYSTEM
450 ILES PARK PLACE
SPRINGFIELD, ILLINOIS 62706

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