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# TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

## 1978 ANNUAL FINANCIAL REPORT

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# TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS



## 1978 ANNUAL FINANCIAL REPORT



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Northern Area Office

**OWEN H. GUTHRIE**  
Assistant Director –  
Administrative Services

**CHESTER C. WOZNIAK**  
Assistant Director –  
Informational Services

TEACHERS' RETIREMENT SYSTEM

450 Iles Park Place  
Springfield, Illinois 62706

477 East Butterfield Road  
Lombard, Illinois 60148

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# Teachers' Retirement System of the State of Illinois



450 Iles Park Place—Springfield, Illinois 62706—(217) 782-6117  
477 E. Butterfield Road, Suite 213—Lombard, Illinois 60148—(312) 969-3240

December 8, 1978

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

The annual financial report of the Teachers' Retirement System of the State of Illinois (TRS) for the year ended June 30, 1978 (FY78), with appropriate comparable data for June 30, 1977 (FY77), is hereby submitted. This report contains comprehensive financial information about the System including financial statements with related footnotes, statistical data, and a listing of the investment portfolio. It also contains the Certified Public Accountants' opinion on the financial statements, the Actuary's estimate of reserve requirements, and the Investment Counselor's comments on the portfolio.

## Accounting System and Reports

This report has been prepared in accordance with the principles of governmental pension trust fund accounting and reporting. The accrual basis of accounting is used to record assets, liabilities, revenues and expenses. Revenues are reflected when earned, expenses are recognized when the obligation is incurred. Fixed assets are recorded at cost and depreciated over the estimated useful lives of the assets. Premiums and discounts on investments purchased are amortized over the life of the security. Actuarial reserves are valued under the entry age normal actuarial method.

## Revenue

As reported in prior years, the primary sources of income to the System result from contributions received from active members, appropriations from the Illinois General Assembly and income earned on investments. The balance of the revenues are a result of miscellaneous receipts, the single largest source being the school district employer contribution on salaries paid to teachers from federal funds. Combined revenues for FY78 were \$431.6 million. This represents an increase of 13.8% over FY77 revenues:

Revenue Source	FY78	FY77	Increase	
	(Millions)	(Millions)	Amount	Percentage
Member Contributions	\$ 132.2	124.5	7.7	6.2%
State Appropriations	175.1	157.0	18.1	11.4%
Investment Income	119.0	93.1	25.9	27.8%
Miscellaneous	5.3	4.7	.6	14.9%
	<u>\$ 431.6</u>	<u>379.3</u>	<u>52.3</u>	<u>13.8%</u>

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Member contributions to the System are predetermined by statute and are applied at the rate of 8% of gross creditable earnings. The \$7.7 million increase can be attributed to an estimated increase of 2,205 active members, bringing the total active membership to 105,421, and to salary increases granted by school districts. Creditable earnings for FY78 increased by \$83.7 million.

State appropriations are received from three sources: the Common School Fund, the General Revenue Fund, and the State Pension Fund. The Common School Fund appropriation of \$162.6 million represents required revenue to meet the expenses of most benefit payments. The General Revenue Fund appropriation of \$7.7 million represents the amount required to provide certain annuitants with the Supplementary Retirement Income, enacted in 1961, and the Minimum Retirement Allowance, enacted in 1974. This appropriation did not meet current year expenses for those two benefits. The difference of \$.2 million was paid from other reserves of the System. The appropriation from the State Pension Fund, \$4.8 million, represents the System's share in the distribution of unclaimed assets which escheated to the State.

Accumulated net assets and income received during the year are invested in accordance with the statutory directions and restrictions set forth in Section 16-179, Chapter 108½, Illinois Revised Statutes. The dramatic increase in investment earnings can be attributed to several conditions. First, current year revenues increased the System's portfolio by \$242 million. Second, the acquisition of higher yield securities resulted in an average portfolio return of 6.46%, up .66% from FY77. Third, the sale of securities resulted in a net gain of \$10.5 million.

Miscellaneous income increased by \$.7 million during FY78 due to increased employer contributions received from school districts.

Expenses

The expenses of TRS reflect the primary purpose of the System, namely the payment of benefits to retired members, disabled members and surviving beneficiaries. Benefit payments account for 87.7% of the System's expenses. The remaining expenses include the payment of refunds to teachers who left the System and withdrew their contributions (11.4%) and the cost of administering the System (.9%). The combined expenses of FY78 were \$189.3 million. This represents an increase of 8.9% over FY77 expenses:

Expense	FY78 (Millions)	FY77 (Millions)	Increase	
			Amount	Percentage
Retirement Benefits	\$ 135.2	124.6	10.6	8.5%
Post-retirement Benefits	21.7	20.1	1.6	7.9%
Survivor Benefits	6.7	5.8	.9	15.5%
Disability Benefits	2.5	2.2	.3	13.6%
	<u>166.1</u>	<u>152.7</u>	<u>13.4</u>	<u>8.8%</u>
Refunds	21.6	19.6	2.0	10.2%
Administration	1.6	1.4	.2	14.2%
	<u>\$ 189.3</u>	<u>173.7</u>	<u>15.6</u>	<u>8.9%</u>

The increase in benefit expenses by \$13.4 million is the result of growth in the number of individuals receiving benefits and the annual 2% post-retirement

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increases. The number of individuals receiving age retirement benefits increased by a net of 981, to 28,909. The number of recipients receiving disability benefits at year end increased by 17 to a total of 719. Monthly survivor benefit recipients increased by 160, to a total of 1,727. Due to increasing numbers of benefit recipients, this pattern of increased benefit expenses is expected to continue well into the future.

Refund claims, during FY78, numbered 6,893 and resulted in payments of \$21.6 million, an increase of 10.2% over the amount paid in FY77. These payments represent a return of actual member contributions exclusive of interest and the 1% credited to the Survivor Benefit Reserve. It also represents the payment of contributions, including interest, to the beneficiaries of deceased members.

Administrative expenses during the year were \$1.6 million. Of this total, \$198,943 or 12.3% was utilized to secure professional services, including actuarial and investment services. Another major expense was the rental of data processing and other office equipment. These costs were \$200,593, representing 12.5% of the administrative expenses. During FY78, administrative expenses represented .9% of total expenses or the utilization of only .3% of total income.

Funding

The Teachers' Retirement System of the State of Illinois was established to provide retirement allowances and other benefits for teachers, annuitants and other beneficiaries. To successfully achieve this objective, revenues must exceed expenses by the amount of pension benefits earned by the membership each year. While this objective has not been achieved due to insufficient employer contributions in prior years, the System has, in recent years, made great strides in improving its funding level (see Page 26). The following summary shows the distribution of revenue over expenses to the net assets and the reserve accounts:

Assets	FY78 (Millions)	FY77 (Millions)	Increase (Decrease)
Cash	\$ .8	3.6	(2.8)
Receivables	56.0	53.9	2.1
Investments	1,839.6	1,597.4	242.2
Other Assets	1.4	.3	1.1
	<u>1,897.8</u>	<u>1,655.2</u>	<u>242.6</u>
Less Payables	.9	.6	.3
Net Assets	<u>\$1,896.9</u>	<u>1,654.6</u>	<u>242.3</u>
Reserves	FY78 (Millions)	FY77 (Millions)	Increase (Decrease)
Members' Accumulated Contributions	\$ 955.0	857.9	97.1
Benefits	2,978.8	2,672.6	306.2
	<u>3,933.8</u>	<u>3,530.5</u>	<u>403.3</u>
Less Unfunded Obligation of the State	<u>2,036.9</u>	<u>1,875.9</u>	<u>161.0</u>
Net Reserves	<u>\$1,896.9</u>	<u>1,654.6</u>	<u>242.3</u>

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The Members Accumulated Contribution Reserve represents member contributions and interest credited to the reserve currently at a 5% rate. The \$97.1 million increase reflects an increase of 11.3% over FY77. During the year, \$29.5 million was transferred to the Retirement Reserve. This reserve is utilized in the payment of benefits and certain refunds.

Benefit reserves of \$2.978 billion were required at the end of FY78 to fund anticipated future monthly benefit payments. This represents an increase of 11.5% over the amount required at the end of FY77.

Combined reserve requirements were \$3.933 billion. This amount reflects \$2.036 billion in unfunded obligations of the State which, when removed, results in net reserves of \$1.896 billion. The actuarial estimate of the Consulting Actuary (see Page 23-24) shows the total reserve requirements at \$3.989 billion. This amount reflects retained earnings on equities but does not include members' accounts receivable. Although TRS is not fully funded, its present level of funding, 48.6%, reflects the seventh consecutive year of improvement (see Page 26) since June 30, 1971.

#### Investments

The investment portfolio must be regarded as a major contributor to the System. In FY78, the portfolio produced \$119 million which represents 27.6% of total revenues. These amounts emphasize the fact that the financial strength of the System is improved when the investment portfolio and the level of investment income is expanded.

The Investment Counselor, in his letter on Page 34, reflects the investment philosophy of TRS which seeks to continually improve both the quality and earnings of the portfolio while avoiding the risks of speculation. This philosophy can best be evidenced by the increase in AAA rated bonds which now represent 49% of the System's total bond holdings. This report, beginning on Page 34, presents a complete review of the investment portfolio activity and holdings.

#### Professional Services

Professional consultants are appointed by the Board of Trustees or the Auditor General of the State of Illinois to perform services that are required by statute or essential to the effective and efficient operation of the Teachers' Retirement System of the State of Illinois. Statements from the Actuary, Investment Counselor and Certified Public Accountants are included in this report.

The System also utilized the services of Becker Securities Corporation. This firm evaluates the performance of the System's investment portfolio to the portfolio performance of comparable public pension funds. The firm of Gillespie, Burke and Gillespie is retained to provide legal counsel.

#### State Agencies

The State Treasurer of Illinois is the ex-officio Treasurer for TRS. All monies are deposited in bank accounts under his control. Disbursements of funds are made on the basis of vouchers authorized by the Executive Director and processed through the State Comptroller.

The Auditor General of Illinois approves the appointment of Certified Public Accountants who conduct the yearly audit of the System. A copy of this report is placed on file with the Auditor General.

The Illinois Department of Insurance, Public Employee Pension Fund Division,



requires TRS to file a complete annual report and statistical data each year. A copy of this report will be filed with the Department of Insurance.

The State Superintendent of Education is the President and ex-officio member of the Board of Trustees.

#### Acknowledgements

This report was compiled through the combined efforts of the TRS Staff. It is intended to provide complete and reliable information about the operation of the System and its financial status.

This report will be distributed to all school districts in the State of Illinois. A summary of this report will be contained in the April issue of the System's newsletter and distributed to our entire active membership.

Respectively submitted,

A handwritten signature in cursive script that reads "Roy A. Baker".

Roy A. Baker  
Executive Director

# FINANCIAL STATEMENTS



TEACHERS' RETIREMENT SYSTEM

FINANCIAL STATEMENTS

PEAT. MARWICK, MITCHELL & CO.

CERTIFIED PUBLIC ACCOUNTANTS

222 SOUTH RIVERSIDE PLAZA

CHICAGO, ILLINOIS 60606

Honorable Robert G. Cronson  
Auditor General  
State of Illinois

Board of Trustees  
Teachers' Retirement System  
of the State of Illinois:

We have examined the balance sheets of the Teachers' Retirement System of the State of Illinois as of June 30, 1978 and 1977 and the related statement of revenue and expense and changes in reserve balances for the year ended June 30, 1978. Our examinations were 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, the aforementioned financial statements present fairly the financial position of the Teachers' Retirement System of the State of Illinois at June 30, 1978 and 1977 and the results of its operations and the changes in its reserve balances for the year ended June 30, 1978, in conformity with generally accepted accounting principles applied on a consistent basis.

The supplementary data included in the schedule on Page 22 are not necessary for a fair presentation of the financial position and results of operations and changes in reserve balances of the Teachers' Retirement System of the State of Illinois. The supplementary data have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are stated fairly in all material respects only when considered in conjunction with the financial statements taken as a whole.

*Peat Marwick Mitchell & Co.*

November 22, 1978



BALANCE SHEET

June 30, 1978  
with comparative figures for 1977

ASSETS	1978	1977
Cash	\$ 809,975	3,609,740
Accrued interest and dividends receivable	21,884,531	16,959,693
Contributions receivable from:		
School Districts:		
Salary deductions and adjustments	\$ 5,617,178	9,975,071
Federal and Trust Funds	1,403,736	1,784,917
State of Illinois:		
Common School Fund	13,550,000	12,283,333
General Revenue Fund	452,257	469,343
Members for reinstatement of prior service credits	13,159,373	12,471,188
Investments (Note 3)	1,839,561,706	1,597,366,482
Construction in progress (Note 5)	1,242,487	127,611
Property and equipment, net (Note 4)	<u>182,305</u>	<u>165,034</u>
	<u>\$1,897,863,548</u>	<u>1,655,212,412</u>

See accompanying notes to financial statements.

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## BALANCE SHEET

June 30, 1978  
with comparative figures for 1977

LIABILITIES AND RESERVES	1978	1977
<b>Liabilities:</b>		
Benefits payable	\$ 370,383	314,629
Refunds payable to former members	260,161	264,545
Accounts payable	242,129	74,377
Construction retainage payable	<u>103,405</u>	<u>-----</u>
	976,078	653,551
<b>Reserves (Notes 2, 7, 8):</b>		
Members accumulated contributions (including interest)	\$ 955,026,069	857,950,796
Retirement – annuity payments	1,269,430,970	1,179,811,523
Survivors' benefits	294,433,362	238,795,009
Supplementary payments	-----	65,963
Annual increase in base pension	485,234,455	398,190,972
Increased age retirement allowances	88,190,932	90,542,170
Minimum retirement allowances	544,622	623,512
Employer's contribution	<u>840,938,854</u>	<u>764,511,327</u>
	3,933,799,264	3,530,491,272
Less unfunded obligation of the State of Illinois	<u>2,036,911,794</u>	<u>1,875,932,411</u>
	<u>1,896,887,470</u>	<u>1,654,558,861</u>
	<u>\$1,897,863,548</u>	<u>1,655,212,412</u>

See accompanying notes to financial statements.





STATEMENT OF REVENUE AND EXPENSE

Year ended June 30, 1978

	Total	Members' accumulated contributions	Retirement – annuity payments
Revenue:			
Contributions by members:			
Salary deductions and qualifying payments	\$129,711,189	105,330,661	---
Reinstatement of prior service credits	<u>2,465,367</u>	<u>1,945,125</u>	<u>---</u>
	132,176,556	107,275,786	---
Contributions by school districts from Federal and Trust Funds	5,398,022	---	---
Contributions by State of Illinois:			
Common School Fund	162,600,000	---	---
General Revenue Fund	7,675,000	---	---
State Pension Fund	<u>4,794,000</u>	<u>---</u>	<u>---</u>
	175,069,000	---	---
Reciprocity payments	135	---	135
Investment income	<u>108,393,151</u>	<u>---</u>	<u>---</u>
	<u>421,036,864</u>	<u>107,275,786</u>	<u>135</u>
Expense:			
Benefits:			
Age retirement	135,161,184	---	135,161,184
Annual increase in base pension	5,867,594	---	---
Increased age retirement	8,003,474	---	---
Survivor	6,661,210	---	---
Disability	2,499,285	---	1,738,476
Supplementary payments	854,557	---	---
Minimum retirement	7,003,272	---	---
Reciprocity payments	<u>2,292</u>	<u>---</u>	<u>2,292</u>
	166,052,868	---	136,901,952
Refunds	21,639,987	23,643,443	270,563
Administrative expenses	<u>1,610,372</u>	<u>---</u>	<u>---</u>
	<u>189,303,227</u>	<u>23,643,443</u>	<u>137,172,515</u>
Excess of revenue (expense) before gain on sale of investments and equipment	231,733,637	83,632,343	(137,172,380)
Gain on sale of investments, net	10,588,381	---	---
Gain on sale of fixed assets	6,591	---	---
Excess of revenue (expense)	<u>\$242,328,609</u>	<u>83,632,343</u>	<u>(137,172,380)</u>

See accompanying notes to financial statements.

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STATEMENT OF REVENUE AND EXPENSE

Year ended June 30, 1978

RESERVES					
Survivors' benefits	Supplementary payments	Annual increase in base pension	Increased age retirement allowances	Minimum retirement allowances	Employer's contribution
16,213,138	—	8,106,674	52,880	7,836	—
<u>93,874</u>	<u>—</u>	<u>42,053</u>	<u>—</u>	<u>—</u>	<u>384,315</u>
16,307,012	—	8,148,727	52,880	7,836	384,315
—	—	—	—	—	5,398,022
17,484,378	—	8,741,376	—	—	136,374,246
<u>—</u>	<u>775,000</u>	<u>—</u>	<u>—</u>	<u>6,900,000</u>	<u>—</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>4,794,000</u>
17,484,378	775,000	8,741,376	—	6,900,000	141,168,246
—	—	—	—	—	—
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>108,393,151</u>
<u>33,791,390</u>	<u>775,000</u>	<u>16,890,103</u>	<u>52,880</u>	<u>6,907,836</u>	<u>255,343,734</u>
—	—	—	—	—	—
—	—	5,867,594	—	—	—
<u>6,661,210</u>	<u>—</u>	<u>—</u>	<u>8,003,474</u>	<u>—</u>	<u>—</u>
—	842,612	—	—	11,945	760,809
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>7,003,272</u>	<u>—</u>
<u>6,661,210</u>	<u>842,612</u>	<u>5,867,594</u>	<u>8,003,474</u>	<u>7,015,217</u>	<u>760,809</u>
—	—	1,404,343	—	—	(3,678,362)
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>1,610,372</u>
<u>6,661,210</u>	<u>842,612</u>	<u>7,271,937</u>	<u>8,003,474</u>	<u>7,015,217</u>	<u>(1,307,181)</u>
27,130,180	(67,612)	9,618,166	(7,950,594)	(107,381)	256,650,915
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>10,588,381</u>
<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>6,591</u>
<u>27,130,180</u>	<u>(67,612)</u>	<u>9,618,166</u>	<u>(7,950,594)</u>	<u>(107,381)</u>	<u>267,245,887</u>

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STATEMENT OF CHANGES IN RESERVE BALANCES

Year ended June 30, 1978

	<u>Total</u>	<u>Members' accumulated contributions</u>	<u>Retirement – annuity payments</u>
Balance July 1, 1977	\$3,530,491,272	857,950,796	1,179,811,523
Excess of revenue (expense)	242,328,609	83,632,343	(137,172,380)
Reserve transfers:			
Interest credited	---	42,897,540	---
Transfer accumulated contributions of members retiring during year	---	(29,583,793)	29,583,793
Reinstate contributions in excess of benefits paid to previously retired members who resumed teaching during year ended June 30, 1978	---	(3,663)	3,663
Contributions credited to accounts of members receiving temporary disability payments	---	132,846	---
Transfer sufficient interest earnings in excess of 4% to balance reserve	---	---	---
Transfer from employer (unallocated) reserve to make up actuarial deficiency	---	---	197,204,371
Increase in unfunded obligation of the State of Illinois for the year ended June 30, 1978	<u>160,979,383</u>	<u>---</u>	<u>---</u>
Net increase (decrease) in reserves for year	<u>403,307,992</u>	<u>97,075,273</u>	<u>89,619,447</u>
Balance June 30, 1978	<u>\$3,933,799,264</u>	<u>955,026,069</u>	<u>1,269,430,970</u>

See accompanying notes to financial statements.



## STATEMENT OF CHANGES IN RESERVE BALANCES

Year ended June 30, 1978

RESERVES					
<u>Survivors' benefits</u>	<u>Supplementary payments</u>	<u>Annual increase in base pensions</u>	<u>Increased age retirement allowances</u>	<u>Minimum retirement allowances</u>	<u>Employer's contribution</u>
238,795,009	65,963	398,190,972	90,542,170	623,512	764,511,327
27,130,180	(67,612)	9,618,166	(7,950,594)	(107,381)	267,245,887
14,261,787	1,649	4,780,378	—	28,491	(61,969,845)
—	—	—	—	—	—
—	—	—	—	—	—
20,438	—	10,219	—	—	(163,503)
—	—	—	7,950,594	—	(7,950,594)
—	—	—	(2,351,238)	—	(194,853,133)
<u>14,225,948</u>	<u>—</u>	<u>72,634,720</u>	<u>—</u>	<u>—</u>	<u>74,118,715</u>
<u>55,638,353</u>	<u>(65,963)</u>	<u>87,043,483</u>	<u>(2,351,238)</u>	<u>(78,890)</u>	<u>76,427,527</u>
<u>294,433,362</u>	<u>—</u>	<u>485,234,455</u>	<u>88,190,932</u>	<u>544,622</u>	<u>840,938,854</u>



## Notes to Financial Statements

June 30, 1978

## (1) Summary of Significant Accounting Policies

## (a) Administration of Teachers' Retirement System of the State of Illinois

The Teachers' Retirement System of the State of Illinois is administered in accordance with Chapter 108-1/2, Article 16 of the Illinois Revised Statutes. The financial statements of the System are prepared on the accrual basis of accounting.

## (b) Investments

Investments are carried at cost or amortized cost; gains and losses on the sale of investments are recognized upon realization.

## (c) Property and Equipment

Property and equipment are capitalized at the time of acquisition. Depreciation on equipment is computed on a straight-line basis over the estimated useful lives of the related assets.

## (d) Accounts Receivable – Members

The System follows the policy of reporting accounts receivable on the accrual basis. The balance includes the amount due from members who have requested reinstatement of prior service credits.

## (e) Actuarial Valuation

The actuary for the System uses the "entry age normal" actuarial method in determining the actuarial liability. The assumptions used include earnings of 5-1/2% on the assets of the System and the use of the Group Annuity Table for 1951.

For purposes of actuarial valuation, the Board of Trustees has approved recognition of common stock growth under the retained earnings method provided such growth is exceeded by the growth in market value. For balance sheet purposes, common stock continues to be valued at its purchased cost. Under the retained earnings method the actuary computes an adjusted cost value for all common stocks by adding an increment to the purchase cost. This increment represents the earnings per share that were retained, that is, not paid out as dividends, by the corporation. When market value for common stocks exceeds purchased cost, the increment is recognized, but only up to the total market value.

In accordance with the Illinois Revised Statutes, an actuarial valuation is to be performed at least once every four years to determine the adequacy of actuarial assumptions regarding the mortality, service and compensation experience of the members and beneficiaries of the System. The last such valuation was performed on July 1, 1977. During the period between valuations, the actuary develops an actuarial estimate, based upon the most recent actuarial valuation performed, which is used to value the retirement, survivor benefits, annual increase in base pension, and increased age retirement allowance reserves.

## (2) Reserve Accounts

## Members' Accumulated Contributions

This reserve accumulates, with regular interest (5%), the contributions by members made prior to retirement. Contributions are made by salary deduction (6-1/2% of salary) and are fully refundable upon withdrawal from the System, excluding interest credited thereon. The interest accrued is refundable only in the event of death. Interest (5%) is credited as of the date of retirement or death for those retiring or dying during the year, and as of the end of the fiscal year for all other members. Interest is computed annually based upon the individual member balance in the reserve at the beginning of the fiscal year.

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## Notes to Financial Statements - continued

## Retirement (annuity payments)

Upon retirement from the System, either because of age or permanent disability, the members' contributions and interest included in the members' accumulated contributions reserve is transferred to this reserve, with corresponding annuity payments charged to this reserve.

## Survivors' Benefits

Member's contributions (1% of salary) and a ratable portion of State funds are credited to this reserve. Regular interest (at a rate of 5%) is computed annually on the average reserve balance and such amount is credited to this reserve. Payments of benefits to survivors are charged to this reserve. Members' contributions are not refundable.

## Supplementary Payments

In 1961, legislation was passed to provide for increased annuities to members then retired who met certain specified requirements. Members were required to make a contribution which was credited to this reserve. The State of Illinois also appropriates funds which are credited to the reserve. Regular interest (at a rate of 5%) is credited to the reserve and is computed annually based upon the average reserve balance. The amount of the annuity increase which results from this legislation is charged to this reserve.

## Annual Increase in Base Pension

Members' contribution (1/2% of salary) and a ratable portion of State funds are credited to this reserve. Interest (at a rate of 5%) is computed annually on the average reserve balance and is credited to this reserve. The annual increase in base pension legislation provides that annuitants with creditable service after July 1, 1969 receive an automatic increase of 2% in the amount of the base pension. This annual increase is charged against the reserve. Members' contributions are refundable excluding the interest credited thereon.

## Increased Age Retirement Allowance

Annuitants without creditable service after July 1, 1969 receive post-retirement increases payable from this reserve. The annual increase is 2% of the base pension. Annuitants qualifying for the increase are required to make a one-time contribution which is credited to this reserve. The reserve is also credited with investment earnings in excess of 4% per annum or as much as is necessary to fund benefits. Benefits are paid exclusively with funds received by the System from contributions and the excess investment earnings.

## Minimum Retirement Allowances

Legislation enacted in 1974 established a minimum retirement allowance equal to \$10 per month for each year of credited service at retirement, up to a maximum of \$300 per month for 30 or more years of credited service. To qualify, annuitants were required to make a nominal contribution which was credited to this reserve. Interest (at a rate of 5%) is credited to the reserve annually, based upon the average reserve balance. The State of Illinois also appropriates funds necessary to pay the minimum benefits provided in the 1974 legislation. All benefits paid under this program are charged to this reserve.

## Employer's Contribution

This reserve is credited with contributions from the State of Illinois not specifically allocated to other reserves, payments received from members for prior service, contributions by school districts from Trust and Federal Funds, investment income and the interest portion of the accumulated contributions of members granted refunds. The reserve is charged with the amounts necessary to make up any deficiency in the retirement (annuity payments) and increased age retirement allowance reserves, interest credited to other reserve accounts and temporary disability benefits paid or credited to the accounts of disabled members. This reserve is charged or credited with any adjustment necessary as the result of the actuarial valuation.

Original from



## Notes to Financial Statements - continued

## (3) Investments

A summary of investments as of June 30, 1978 follows:

	<u>Cost or Amortized Cost</u>	<u>Approximate Market Value</u>
United States government obligations	\$ 154,076,997	153,545,452
Corporate securities:		
Common and preferred stock	581,658,348	528,984,768
Bonds	311,366,132	277,724,190
Debentures	381,032,444	344,603,598
Notes	309,421,824	284,845,307
Equipment trust certificates	37,070,767	34,273,572
Insured mortgage loans:		
Federal Housing Administration	32,356,245	32,356,245
Government National Mortgage Association	32,576,306	30,488,796
Mineral Rights	2,643	2,643
	<u>\$1,839,561,706</u>	<u>1,686,824,571</u>

The market values of the United States government obligations are based on bid prices and the market prices of stocks on closing prices at June 30, 1978. The market values of corporate bonds, debentures, notes, real estate mortgage loans and equipment trust certificates are based on prices quoted by investment counsel at June 30, 1978.

## (4) Property and Equipment and Accumulated Depreciation

Property and equipment, net at June 30, 1978 is summarized as follows:

Land	\$108,660
Equipment	<u>230,675</u>
	339,335
Less accumulated depreciation	<u>157,030</u>
	<u>\$182,305</u>

The System has two leases for office space which expire in September 1979 and June 1980. The minimum rent obligation for the fiscal years ended June 30, 1979 and June 30, 1980 is \$88,738 and \$30,151 respectively. Both leases are subject to escalation clauses based upon changes in the Consumer Price Index.

Rent expense for the year ended June 30, 1978 was \$85,318.

## (5) Construction in Progress

In October 1977, the System entered into a contract for the construction of a new office building. Total construction costs (including architect fees) are estimated to be \$3,325,000. As of June 30, 1978, \$1,242,487 in construction costs had been incurred leaving a remaining contract commitment of approximately \$2,082,513.

## (6) Department of Health, Education and Welfare Claim

A report from the Department of Health, Education, and Welfare, Region V, claims that the System owes a refund of \$9.9 million including \$8.0 million in excessive contributions it received from federal grant funds and interest of \$1.9 million. The claim is based on a finding that the rates used to compute contributions for salaries paid from federal grants during fiscal years 1968 to 1976 exceeded the actual rates of contributions that the State of Illinois



## Notes to Financial Statements - continued

paid on salaries of teachers participating in the retirement fund. The H.E.W. Grants Administration Manual provides that such funding may not result in discrimination between employers. The System does not concur with the finding and has responded by rejecting the refund claim.

(7) Members' Accumulated Contribution Reserve – Financial Statement Presentation

In prior years the Members' Accumulated Contribution Reserve had been shown in the financial statements net of accounts receivable from members. In 1978, the presentation has been changed to reflect the members accounts receivable as an asset rather than as a reduction to the Members' Accumulated Contribution Reserve. Accordingly, the July 1, 1977, members' accumulated contribution balance as shown is presented at the prior year's gross balance.

(8) Annual Increase In Base Pension and Increased Age Retirement Allowance Reserves Increase

In September of 1978, House Bill 1803 was passed by the Illinois General Assembly and signed into law. This bill increased the Annual Increase in Base Pension and the Increased Age Retirement Allowance for retired members from 2% to 3%. The System's actuary estimates that this change will increase the amount of the unfunded obligation of the State of Illinois by approximately \$224,000,000.





**Schedule of Administrative Expenses  
Paid From Employer's Contribution Reserve**

Year Ended June 30, 1978  
With Comparative Figures For 1977

	<u>1978</u>	<u>1977</u>
Salaries	\$ 935,091	842,279
Investment service and expense	155,191	126,287
Actuarial service	30,393	21,510
Rental of office	85,318	79,691
Printing and paper	7,963	3,619
Postage and express	40,030	44,276
Machine repair and rental	200,593	201,749
Automobile and travel	21,598	26,464
Office supplies and expense	48,610	30,244
Telephone and telegraph	16,367	12,600
Depreciation on equipment	19,008	15,995
Other professional services	13,359	10,000
Newsletter expense	36,851	23,393
Board election expense	-----	25,307
	<u>\$1,610,372</u>	<u>1,463,414</u>



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**Hansen**

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

November 15, 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, 1978**

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, 1978.

The estimate is based on a census and valuation of retired members as of June 30, 1978 and a census and valuation of active and inactive members as of June 30, 1977. The asset statement contained herein is subject to final audit.

In our opinion, the attached statement is a fair representation of the actuarial condition of the Fund as of June 30, 1978.

Respectfully submitted,

A. S. HANSEN, INC.

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



ACTUARIAL BALANCE SHEET

June 30, 1978

1978

Resources

Assets Less Current Liabilities	\$1,939,176,097*
Unfunded Past Requirement	<u>2,050,071,167</u>
Total Resources	<u><u>\$3,989,247,264</u></u>

Requirements

Present Value of Benefits	
Retired	\$1,696,568,788
Active Members	4,027,940,230
Inactive Members	<u>134,590,026</u>
Total Present Value of Benefits	\$5,859,099,044
Present Value of Future Normal Cost	<u>(1,869,851,780)</u>
Total Requirements	<u><u>\$3,989,247,264</u></u>

\*Includes \$55,448,000 to reflect retained earnings on equities used for actuarial valuation purposes and does not include \$13,159,373 members accounts receivable shown as an asset on the balance sheet shown on Page 12.

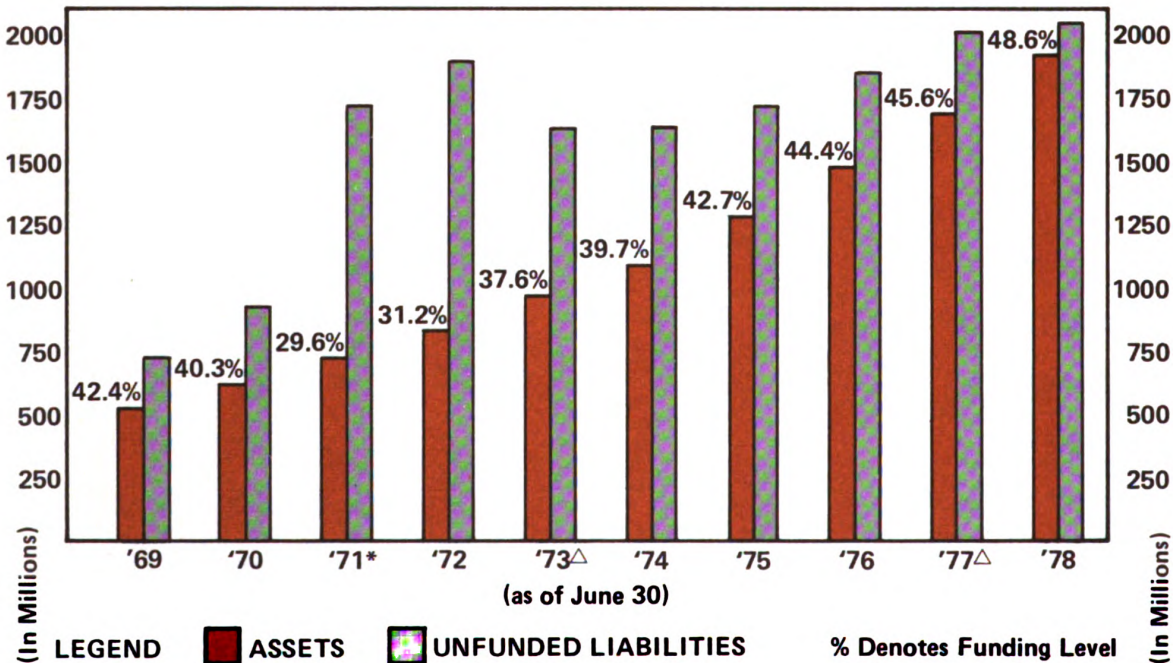
# STATISTICAL TABLES



TEN YEAR SUMMARY OF ASSETS

As of June 30	Assets (1)	Actuarial Liabilities	Reserve Requirement	Funding Ratio
1969	\$ 533,190,878	722,019,836	1,255,210,714	42.4%
1970	634,315,850	936,169,700	1,570,485,550	40.3
1971	735,028,801	1,748,375,624*	2,483,404,425	29.6
1972	843,650,755	1,860,000,964	2,703,651,719	31.2
1973 $\Delta$	978,855,118	1,623,189,407	2,603,044,525	37.6
1974	1,108,988,907	1,681,647,565	2,790,636,472	39.7
1975	1,286,800,872	1,723,890,065	3,010,690,937	42.7
1976	1,479,116,151	1,849,861,629	3,328,977,780	44.4
1977 $\Delta$	1,691,118,669	2,015,783,568	3,706,902,237	45.6
1978	1,939,176,097	2,050,071,167	3,989,247,264	48.6

10 YEAR SUMMARY OF ASSETS AND FUNDING RATIOS



(1) Assets include retained earnings on equities used for actuarial valuation purposes and excludes contributions receivable from members for reinstatement of prior service credits.

\* 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.

$\Delta$  As required by statute, the System's actuaries, A. S. Hansen, Inc., conducted an analysis of experience for the four-year periods ended June 30, 1973 and June 30, 1977, respectively. As a result, several changes were made in assumptions and projections including an increased assumed rate of return on the invested assets of the System. For actuarial purposes, the effects of this analysis experience has been reflected in the actuarial liability amounts shown for the years ended June 30, 1973 and June 30, 1977, respectively.

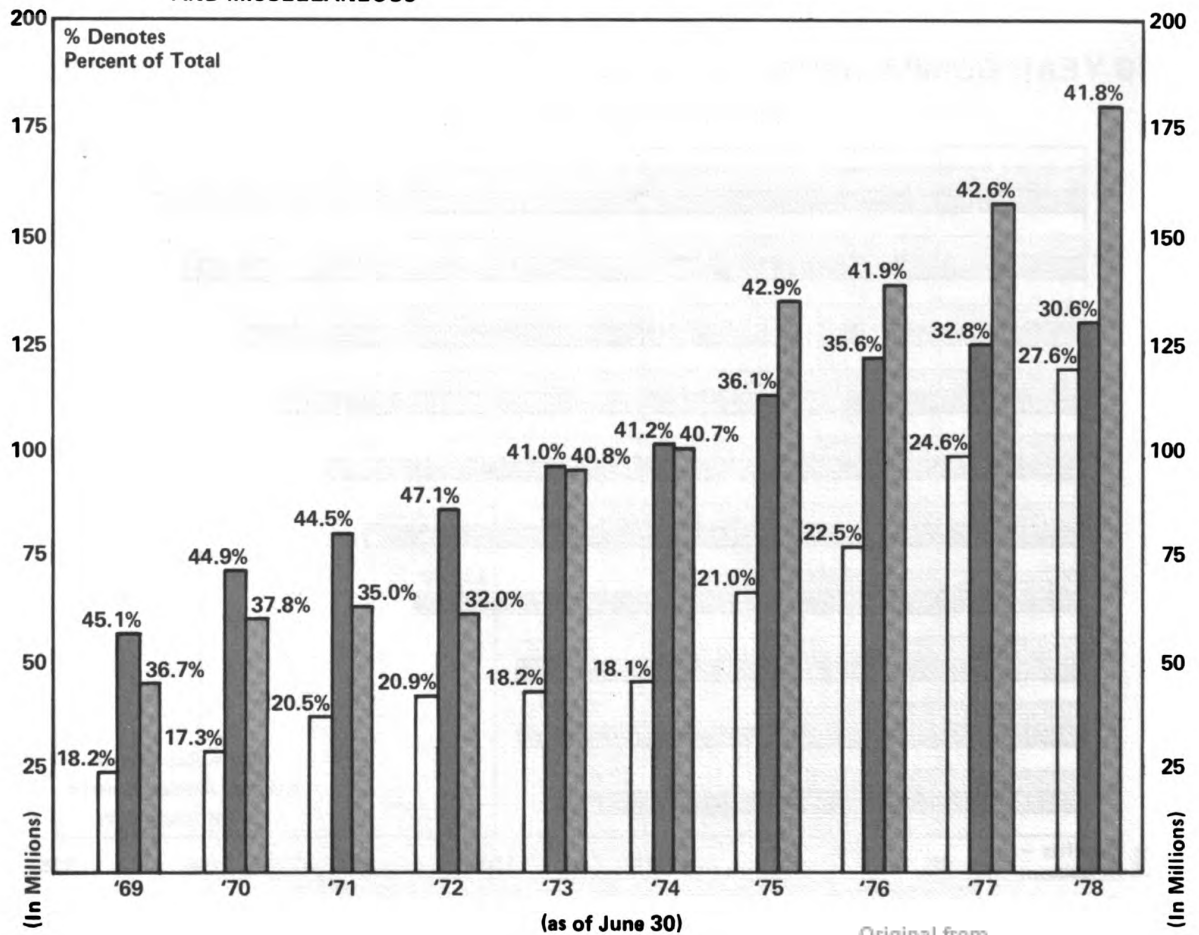


TEN YEAR SUMMARY OF INCOME

Year Ended June 30	Member Contribution	Employer Contributions			Investment and Miscellaneous	Total
		State Appropriations	District Contribution from Federal Funds			
1969	\$ 55,188,132	42,966,867	1,904,341		22,214,402	122,273,742
1970	70,747,474	57,783,000	1,852,342		27,271,870	157,654,686
1971	78,990,316	60,117,000	2,039,986		36,456,744	177,604,046
1972	90,345,938	58,575,375	2,800,453		40,167,942	191,889,708
1973	95,145,143	91,979,900	2,912,174		42,414,893	232,452,110
1974	101,317,229	96,702,300	3,315,771		44,584,066	245,919,366
1975	112,902,615	130,723,094	3,716,784		65,828,450	313,170,943
1976	121,248,450	138,551,600	4,290,964		76,473,330	340,564,344
1977	124,526,810	156,976,400	4,672,892		93,135,370	379,311,472
1978	132,176,556	175,069,000	5,398,022		118,988,258	431,631,836

10 YEAR SUMMARY OF INCOME

LEGEND —  INVESTMENT INCOME AND MISCELLANEOUS  TEACHER CONTRIBUTIONS  EMPLOYER CONTRIBUTIONS



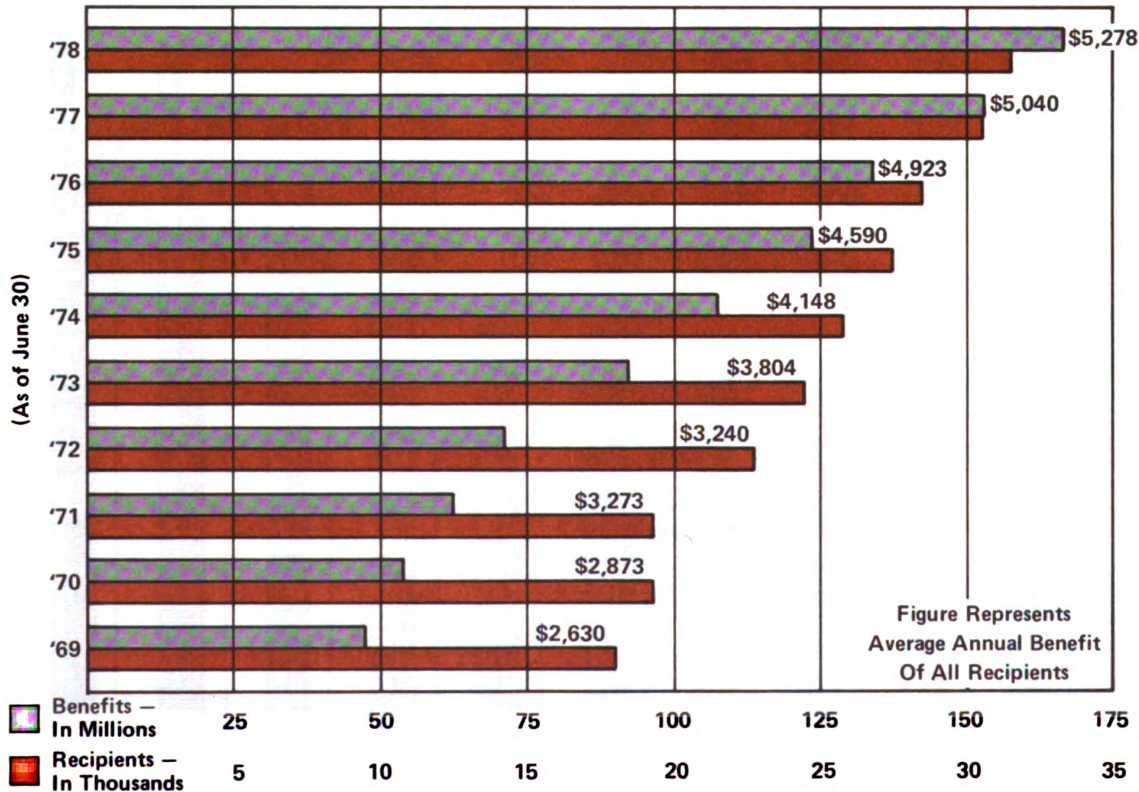
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TEN YEAR COMPARISON – BENEFITS AND BENEFICIARIES

<u>YEAR</u>	<u>BENEFICIARIES</u>	<u>AMOUNT PAID</u>
1969	17,978	\$ 47,295,827
1970	19,123	54,947,107
1971	19,268	63,074,723
1972	22,899	74,203,683
1973	24,394	92,797,547
1974	25,848	107,223,968
1975	27,229	124,998,584
1976	28,244	139,058,933
1977	30,295	152,692,930
1978	31,457	166,052,868

10 YEAR COMPARISON – BENEFITS PAID TO BENEFIT RECIPIENTS  
(EXCLUDES REFUNDS)

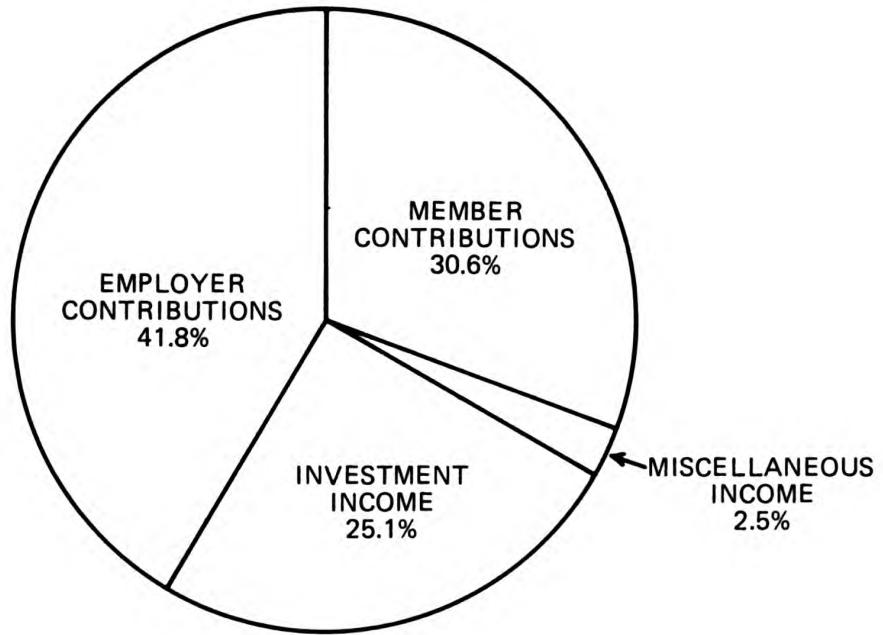


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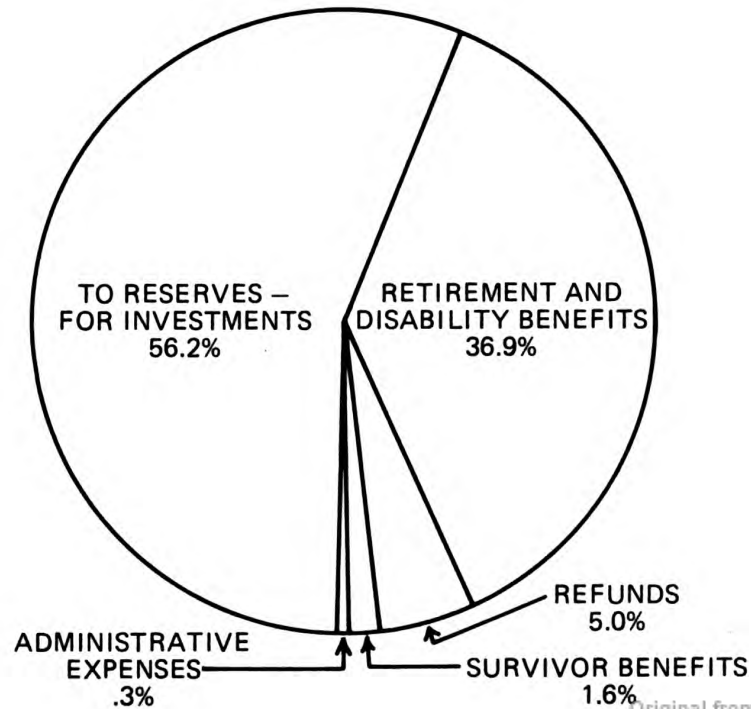


# 1978 INCOME

WHERE IT CAME FROM –



WHERE IT WENT –

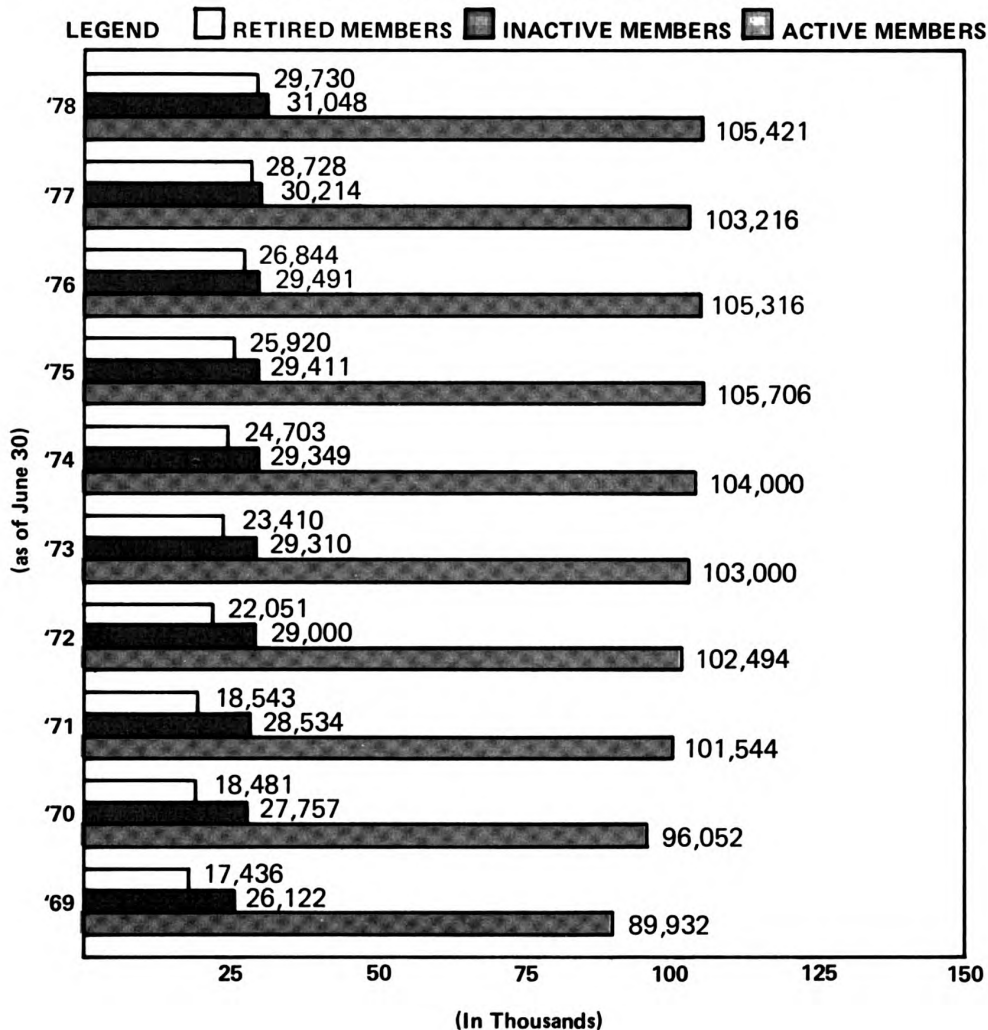


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10 YEAR MEMBERSHIP PROFILE



DISTRIBUTION OF ACTIVE MEMBERS BY AGE  
(Estimated at June 30, 1978)

AGE	MALE	FEMALE	TOTAL
20-24	1,984	7,016	9,000
25-29	5,950	14,392	20,342
30-34	9,726	12,265	21,991
35-39	6,809	7,885	14,694
40-44	4,877	6,262	11,139
45-49	4,179	5,666	9,845
50-54	3,477	5,088	8,565
55-59	2,011	4,231	6,242
60-64	648	2,316	2,964
65-69	134	461	595
70 or older	14	30	44
<b>TOTAL</b>	<b>39,809</b>	<b>65,612</b>	<b>105,421</b>

DISTRIBUTION OF ACTIVE MEMBERS BY SERVICE  
(Estimated at June 30, 1978)

YEARS OF SERVICE	MALE	FEMALE	TOTAL
Under 1	454	1,920	2,374
1-4	7,666	21,255	28,921
5-9	10,744	20,617	31,361
10-14	7,929	10,103	18,032
15-19	5,510	5,265	10,775
20-24	3,865	3,177	7,042
25-29	2,733	1,811	4,544
30-34	707	947	1,654
35 or more	201	517	718
<b>TOTAL</b>	<b>39,809</b>	<b>65,612</b>	<b>105,421</b>

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AGE RETIREMENT BENEFICIARIES BY BENEFIT RANGE AT JUNE 30, 1978

<u>MONTHLY BENEFIT</u>	<u>TOTAL BENEFICIARIES</u>	<u>CUMULATIVE TOTAL</u>	<u>PERCENTAGE OF TOTAL</u>	<u>CUMULATIVE PERCENTAGE OF TOTAL</u>
\$ 01 – \$ 100	633	633	2.2	2.2
101 – 200	2,186	2,819	7.6	9.8
201 – 300	5,724	8,543	19.8	29.6
301 – 400	6,400	14,943	22.1	51.7
401 – 500	3,622	18,565	12.5	64.2
501 – 600	3,210	21,775	11.1	75.3
601 – 700	2,017	23,792	7.0	82.3
701 – 800	1,470	25,262	5.1	87.4
801 – 900	1,143	26,405	4.0	91.4
901 – 1,000	799	27,204	2.7	94.1
1,001 – over	1,705	28,909	5.9	100.0

1978 – Average Benefit \$469.43  
 1977 – Average Benefit \$452.24  
 1976 – Average Benefit \$437.89

Median Benefit \$387.36  
 Median Benefit \$372.16  
 Median Benefit \$357.72



DISABILITY EXPENSES  
Last Five Years

As of June 30	PERMANENT		TEMPORARY	
	Current Recipients	Total Amount	Current Recipients	Total Amount
1974	462	\$ 908,675	87	\$ 439,356
1975	494	1,127,809	89	460,584
1976	530	1,310,544	123	547,991
1977	569	1,519,780	133	680,856
1978	590	1,738,476	129	760,809

SURVIVOR BENEFIT EXPENSES  
Last Five Years

As of June 30	MONTHLY BENEFITS		LUMP SUM	
	Current Recipients	Total Amount	Total Recipients	Total Amount
1974	1,145	\$2,514,679	325	\$1,895,871
1975	1,309	2,877,165	321	2,154,611
1976	1,400	3,351,000	307	1,804,184
1977	1,567	4,153,506	301	1,664,826
1978	1,727	4,887,754	350	1,773,456

PROFILE OF CLAIMS FOR CURRENT YEAR

	AGE RETIREMENT Total claims 1,754	PERMANENT DISABILITY Total Claims 59
Median Age	61.000	51.000
Median Service	25.047	15.936
Median Benefit	\$572.11	\$413.12

# INVESTMENTS



# SPRINGFIELD MARINE BANK

SPRINGFIELD, ILLINOIS

62701

July 19, 1978

MICHAEL J. PROVINES  
ASSISTANT VICE PRESIDENT  
INVESTMENT DEPARTMENT

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

Dear Board Member:

During the past fiscal year, your Fund generated an unprecedented \$108 million in annual income. This was an increase in income of over \$20 million from the excellent return of the previous fiscal year. This significant increase was partially attributed to our bond investment strategy of gradually accumulating quality issues as interest rates increased throughout the year. We purchased a total of \$220.4 million in bonds with an average maturity of 14.4 years and an average yield of 8.40%. These new purchases strengthened the quality of the portfolio; and at year-end, AAA rated bonds had increased to 49% from 42% the previous year. We completed six bond swaps which will produce a net advantage to your Fund of around \$1.6 million.

During fiscal 1978, the stock portfolio outperformed both the Dow Jones Industrial Average and the Standard & Poor 500 Index. This was accomplished by selectively purchasing stocks that represented sound value both in appreciation potential and increased dividend payouts. As the market rallied in the fourth fiscal quarter, we began selling stocks realizing net gains to the Fund of \$11.5 million. At fiscal year-end, common and convertible preferred stocks represented 31% of the total Fund which is well below the maximum statutory limit of 40%.

In summary, the total Fund increased from \$1,597,366,482 to \$1,839,561,706 and the yield increased from 5.80% to 6.46%. During the 1979 fiscal year, we anticipate your Fund to surpass the \$2 billion mark. The records show that it took 58 years for the Fund to reach \$1 billion and only six additional years to reach the \$2 billion milestone. We are confident that your quality and well diversified portfolio will continue to enable the Fund to fulfill the Board's long-term investment objectives.

Very truly yours,

M.J. Provines  
Assistant Vice President

MJP/dec

1 EAST OLD STATE CAPITOL PLAZA

OLDEST BANK IN ILLINOIS-ORGANIZED 1851 / MEMBER FEDERAL RESERVE SYSTEM

TELEPHONE 217/753-6000

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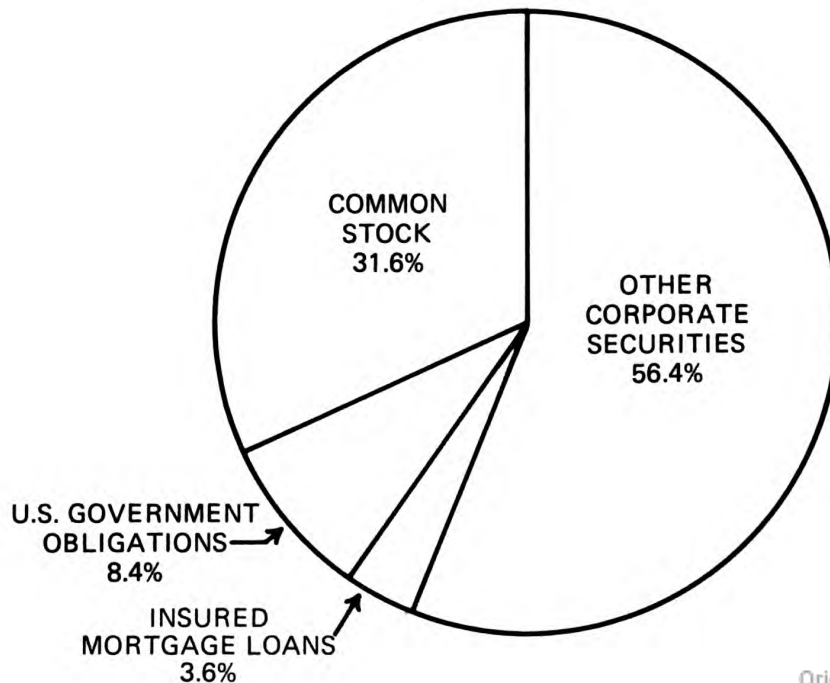


SCHEDULE OF INVESTMENT INCOME\*  
Years ended June 30, 1978 and 1977

	1978	1977
United States government obligations	\$ 8,218,265	4,873,183
Common and preferred stock	25,820,669	21,356,969
Other corporate securities:		
Bonds	16,880,429	11,531,230
Debentures	30,179,801	28,613,656
Notes	20,847,332	16,261,307
Equipment Trust Certificates	3,257,684	3,489,662
Insured mortgage loans:		
Federal Housing Administration	1,611,485	1,868,285
Government National Mortgage Association	1,538,749	-----
Royalties and miscellaneous income	<u>38,737</u>	<u>37,927</u>
	<u>\$108,393,151</u>	<u>88,032,219</u>

\*The Schedule above reflects only the earnings of securities held at June 30, 1978, and does not reflect the net gain resulting from the sales of securities, such gain being reflected on Page 14.

COMPOSITION OF INVESTMENTS  
(AT COST)





SCHEDULE OF CHANGES IN INVESTMENTS

Year ended June 30, 1978

	<u>Total</u>	<u>United States Government Obligations</u>
Balance July 1, 1977 (at amortized cost)	<u>\$1,597,366,482</u>	<u>138,991,872</u>
Increases:		
Securities purchased:		
Temporary investments in short-term notes, at par	1,100,398,455	591,996,455
Common and preferred stock, at cost	37,029,871	-----
Long-term investments in other corporate securities, at par	<u>246,524,971</u>	-----
	1,383,953,297	591,996,455
Premium (discounts) on purchases, net	<u>(13,154,471)</u>	<u>(8,752,477)</u>
	1,370,798,826	583,243,978
Amortization of (premium) and discount, net	<u>12,747,993</u>	<u>7,708,549</u>
	<u>1,383,546,819</u>	<u>590,952,527</u>
Decreases:		
Sales and maturities:		
Long-term corporate securities, at par	20,841,384	-----
Short-term bills and notes, at par	1,069,341,230	576,296,455
Sale common stocks, at cost	38,933,729	-----
Net premium (discount) at time of disposition	<u>(1,244,483)</u>	<u>(429,053)</u>
Principal payments received and redemptions	12,529,335	-----
Write-down of investments due to permanent decline in value	<u>950,400</u>	-----
	<u>1,141,351,595</u>	<u>575,867,402</u>
Net increase (decrease)	<u>242,195,224</u>	<u>15,085,125</u>
Balance June 30, 1978 (at amortized cost)	<u>\$1,839,561,706</u>	<u>154,076,997</u>
Balance June 30, 1978 (at market)	<u>\$1,686,824,571</u>	<u>153,545,452</u>
Percentage of total investments		
at cost		
June 30, 1977	<u>100%</u>	<u>8.7%</u>
June 30, 1978	<u>100%</u>	<u>8.4%</u>
at market		
June 30, 1977	<u>100%</u>	<u>9.0%</u>
June 30, 1978	<u>100%</u>	<u>9.1%</u>

Original from

UNIVERSITY OF ILLINOIS AT  
URBANA-CHAMPAIGN



SCHEDULE OF CHANGES IN INVESTMENTS

Year ended June 30, 1978

Common and Preferred Stock	Other Corporate Securities	Insured Mortgage Loans		Mineral Rights
		Federal Housing Administration	Government National Mortgage Association	
<u>583,562,206</u>	<u>835,080,805</u>	<u>39,728,956</u>	<u>-----</u>	<u>2,643</u>
-----	508,402,000	-----	-----	-----
<u>37,029,871</u>	-----	-----	-----	-----
-----	213,070,750	-----	33,454,221	-----
<u>37,029,871</u>	<u>721,472,750</u>	-----	<u>33,454,221</u>	-----
-----	(3,897,667)	-----	(504,327)	-----
<u>37,029,871</u>	<u>717,575,083</u>	-----	<u>32,949,894</u>	-----
-----	4,973,558	58,436	7,450	-----
<u>37,029,871</u>	<u>722,548,641</u>	<u>58,436</u>	<u>32,957,344</u>	-----
-----	20,841,384	-----	-----	-----
-----	493,044,775	-----	-----	-----
<u>38,933,729</u>	-----	-----	-----	-----
-----	(741,502)	(69,280)	(4,648)	-----
-----	4,643,222	7,500,427	385,686	-----
-----	950,400	-----	-----	-----
<u>38,933,729</u>	<u>518,738,279</u>	<u>7,431,147</u>	<u>381,038</u>	-----
<u>(1,903,858)</u>	<u>203,810,362</u>	<u>(7,372,711)</u>	<u>32,576,306</u>	-----
<u>581,658,348</u>	<u>1,038,891,167</u>	<u>32,356,245</u>	<u>32,576,306</u>	<u>2,643</u>
<u>528,984,768</u>	<u>941,446,667</u>	<u>32,356,245</u>	<u>30,488,796</u>	<u>2,643</u>
<u>36.5%</u>	<u>52.3%</u>	<u>2.5%</u>	-----	-----
<u>31.6%</u>	<u>56.4%</u>	<u>1.8%</u>	<u>1.8%</u>	-----
<u>36.7%</u>	<u>51.7%</u>	<u>2.6%</u>	-----	-----
<u>31.4%</u>	<u>55.8%</u>	<u>1.9%</u>	<u>1.8%</u>	-----

Original from





TEACHERS' RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
U. S. Government Securities					
U. S. Treasury Bond . . . . .	7.875%	02-15-00	\$5,066,000	5,161,356	4,665,786
U. S. Treasury Note . . . . .	7.000	11-15-83	1,550,000	1,557,393	1,445,065
U. S. Treasury Bills . . . . .	-	07-06-78	5,895,000	5,883,359	5,888,592
U. S. Treasury Bills . . . . .	-	07-13-78	6,435,000	6,410,929	6,420,046
U. S. Treasury Bills . . . . .	-	07-20-78	9,730,000	9,698,136	9,695,468
U. S. Treasury Bills . . . . .	-	07-27-78	6,750,000	6,719,755	6,717,403
U. S. Treasury Bills . . . . .	-	08-03-78	9,700,000	9,643,587	9,640,908
U. S. Treasury Bills . . . . .	-	08-10-78	8,260,000	8,202,375	8,198,848
U. S. Treasury Bills . . . . .	-	08-17-78	13,535,000	13,424,401	13,417,135
U. S. Treasury Bills . . . . .	-	08-24-78	15,220,000	15,071,974	15,209,666
U. S. Treasury Bills . . . . .	-	08-31-78	14,045,000	13,888,418	13,884,856
U. S. Treasury Bills . . . . .	-	09-07-78	14,560,000	14,378,919	14,372,259
U. S. Treasury Bills . . . . .	-	09-14-78	15,385,000	15,172,608	15,166,470
U. S. Treasury Bills . . . . .	-	09-19-78	14,385,000	14,204,249	14,165,268
U. S. Treasury Bills . . . . .	-	09-21-78	11,535,000	11,356,703	11,354,773
U. S. Treasury Bills . . . . .	-	09-28-78	3,360,000	3,302,835	3,302,909
<b>Total</b>			<b>\$155,411,000</b>	<b>154,076,997</b>	<b>153,545,452</b>

	Shares	Cost	Market Value
Stock			
Aetna Life and Casualty Company . . . . .	200,000	\$6,276,108	8,025,000
Air Products and Chemical Incorporated. . . . .	200,000	4,219,113	5,550,000
Aluminum Company of America . . . . .	185,000	8,417,478	7,816,250
American Express Company . . . . .	170,000	6,147,592	5,950,000
American Home Products . . . . .	450,000	13,409,122	12,768,750
Amax Incorporated. . . . .	115,000	4,994,265	3,852,500
American Standard Incorporated . . . . .	80,000	2,687,623	3,350,000
American Telephone and Telegraph . . . . .	310,000	16,334,850	18,561,250
ARA Services Incorporated . . . . .	87,000	5,476,815	3,654,000
Armstrong Cork Company . . . . .	50,000	1,475,000	856,250
Atlantic Richfield Company (Preferred) . . . . .	120,000	7,621,828	6,060,000
Becton-Dickinson and Company . . . . .	110,000	4,186,515	4,056,250
Beneficial Corporation . . . . .	169,000	6,553,924	3,718,000
Burroughs Corporation . . . . .	50,000	3,060,789	3,612,500
C.I.T. Financial Corporation. . . . .	30,000	1,385,464	1,035,000
Carrier Corporation. . . . .	175,000	3,969,337	3,106,250
Caterpillar Tractor Company . . . . .	122,500	4,557,418	6,844,688
Central Illinois Light Company . . . . .	75,000	1,810,480	1,200,000
Chase Manhattan Bank . . . . .	140,000	7,709,551	4,287,500
Citicorp First National City Company . . . . .	425,000	15,265,917	9,934,375
Clark Equipment Company . . . . .	70,000	3,492,636	2,336,250
Coca Cola Bottling Company of New York . . . . .	137,700	2,845,925	1,118,813
Columbia Broadcasting System . . . . .	100,000	4,674,396	5,250,000
Consolidated Foods Corporation . . . . .	118,400	4,865,179	3,004,400
Corning Glass Works . . . . .	75,000	5,197,704	4,209,375
Cummins Engine Company . . . . .	20,000	728,032	737,500
Delta Air Lines Incorporated . . . . .	50,000	2,560,196	2,268,750
Dow Chemical Company . . . . .	190,000	8,566,407	4,678,750
E. I. Dupont Denemours Incorporated . . . . .	5,400	908,211	604,800
Eastman Kodak Company . . . . .	125,000	9,990,287	6,671,875
Emerson Electric Company . . . . .	225,000	7,824,560	7,846,875
Exxon Corporation (Standard Oil of New Jersey) . . . . .	190,000	7,188,383	8,336,250
F. W. Woolworth Company . . . . .	135,000	6,409,680	2,565,000
Federated Department Stores . . . . .	102,900	4,360,631	3,807,300
Firestone Tire and Rubber Company . . . . .	90,000	2,142,162	1,260,000
Ford Motor Company . . . . .	277,500	13,206,458	12,938,438
General American Transportation. . . . .	116,300	4,521,698	3,256,400
General Electric Corporation . . . . .	415,000	22,016,299	20,957,500
General Foods Corporation . . . . .	270,000	7,772,758	8,538,750
General Mills Incorporated. . . . .	300,000	6,357,178	9,000,000
General Motors Corporation. . . . .	285,000	18,373,580	16,921,875
General Telephone and Electronics . . . . .	135,000	4,696,732	3,864,375
Gillette Company . . . . .	90,700	2,963,370	2,596,288
Greyhound Corporation . . . . .	125,000	2,448,106	1,671,875
Gulf Oil Corporation . . . . .	85,000	2,126,223	1,976,250

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TEACHERS' RETIREMENT SYSTEM

INVESTMENTS

	Shares	Cost	Market Value
Stock (continued)			
Halliburton Company . . . . .	215,000	\$6,654,504	13,786,875
Household Finance Company . . . . .	104,500	2,704,086	2,024,688
Illinois Power Company . . . . .	135,000	3,637,163	3,273,750
Inland Steel Company . . . . .	95,000	4,645,470	3,467,500
International Business Machines Corporation . . . . .	75,000	16,904,276	19,293,750
International Paper Company . . . . .	183,900	7,926,682	7,287,038
International Telephone and Telegraph Corporation . . . . .	210,000	10,281,770	6,378,750
J. C. Penney Company . . . . .	115,080	5,774,170	4,200,420
Jewel Companies Incorporated . . . . .	91,350	3,126,300	1,884,094
K-Mart Corporation . . . . .	226,500	7,991,790	5,549,250
Libbey Owens Ford Company . . . . .	120,000	3,861,713	3,195,000
Marathon Oil Company . . . . .	75,000	3,299,749	3,262,500
Marsh and McLennan Company . . . . .	90,000	4,110,951	5,715,000
Masco Corporation . . . . .	230,000	3,888,329	4,858,750
Masonite Corporation . . . . .	162,000	4,526,810	3,017,250
Merck and Company . . . . .	75,000	4,065,420	4,162,500
Middle South Utilities Incorporated . . . . .	110,000	1,760,800	1,718,750
Minnesota Mining and Manufacturing Company . . . . .	205,000	11,521,281	11,275,000
Mobil Corporation . . . . .	150,000	8,898,138	9,262,500
Monsanto Company . . . . .	90,000	6,969,700	4,612,500
Nabisco Incorporated . . . . .	150,000	3,768,367	3,843,750
Nalco Chemical Company . . . . .	128,000	3,195,762	3,776,000
Northern Indiana Public Service Company . . . . .	60,000	1,058,246	1,095,000
Oklahoma Gas and Electric Company . . . . .	40,260	1,090,906	739,778
Owens Corning Fiberglass . . . . .	125,000	2,406,961	3,828,125
Owens Illinois Incorporation . . . . .	280,000	7,101,078	5,950,000
Peoples Gas Light and Coke Company . . . . .	70,000	2,384,373	2,432,500
Pepsico Incorporated . . . . .	600,000	11,024,169	17,850,000
Pillsbury Company . . . . .	155,000	5,944,912	6,103,125
Pitney Bowes Incorporated . . . . .	129,600	3,398,552	3,045,600
Pittston Company . . . . .	65,000	1,427,899	1,495,000
Procter and Gamble Company . . . . .	115,000	10,090,975	9,890,000
Radio Corporation of America . . . . .	245,000	7,538,748	6,584,375
Ralston Purina Company . . . . .	690,000	7,804,941	11,040,000
Richardson Merrell Incorporated . . . . .	140,000	4,753,639	3,552,500
Schering Plough Corporation . . . . .	160,000	7,447,457	5,200,000
Scott and Fetzer Company . . . . .	74,600	2,848,142	2,359,225
Scott Paper Company . . . . .	210,000	3,628,811	3,517,500
Sears Roebuck and Company . . . . .	320,000	11,863,666	7,400,000
Smith Kline and French Laboratories . . . . .	100,000	2,917,377	8,187,500
Southern Companies . . . . .	52,000	1,588,476	838,500
Sterling Drug . . . . .	202,000	4,620,320	3,131,000
Texaco Incorporated . . . . .	200,000	6,787,613	4,800,000
Texas Instruments Incorporated . . . . .	25,000	2,212,400	1,978,125
Trans Union Corporation . . . . .	92,500	3,674,182	3,249,063
Transamerica Corporation . . . . .	50,000	1,265,789	737,500
Union Carbide Corporation . . . . .	103,800	6,182,791	3,944,400
Union Pacific Corporation . . . . .	105,000	3,915,779	4,685,625
Walt Disney Productions . . . . .	140,374	7,350,749	5,614,960
Warner Lambert Company . . . . .	258,500	9,528,480	7,367,250
Westinghouse Electric Corporation . . . . .	150,000	5,591,977	3,225,000
Weyerhaeuser Company . . . . .	185,000	7,126,644	4,601,875
Whirlpool Corporation . . . . .	145,000	5,108,889	3,298,750
Xerox Corporation . . . . .	71,000	8,885,939	3,718,625
Zenith Radio Corporation . . . . .	73,000	1,778,257	1,022,000
<b>Total</b>		<b>\$581,658,348</b>	<b>528,984,768</b>

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Bonds					
American Export Isbrandtsen Lines, Incorporated . . . . .	7.300%	07-01-97	\$ 4,496,000	4,496,000	3,886,363
American Savings and Loan Association . . . . .	8.500	04-15-84	10,000,000	9,977,748	9,975,000
Arizona Public Service Company . . . . .	4.800	11-01-91	2,000,000	2,000,000	1,270,000
Arizona Public Service Company . . . . .	4.450	06-01-92	1,000,000	1,000,000	642,800
Baltimore Gas and Electric Company . . . . .	8.375	09-15-06	6,000,000	6,078,822	5,460,000
Broadview Savings and Loan Company . . . . .	8.000	11-01-84	5,000,000	4,992,719	4,851,500
Brooklyn Union Gas Company . . . . .	9.750	06-01-85	5,000,000	5,000,000	5,278,150
Brooklyn Union Gas Company . . . . .	4.375	05-28-88	1,050,000	1,050,000	736,313
California Federal Savings and Loan Association . . . . .	7.625	06-15-84	5,000,000	4,978,536	4,856,250

Original from

UNIVERSITY OF ILLINOIS AT URBANA-CHAMPAIGN



TEACHERS' RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Bonds (continued)					
Carolina Power and Light Company . . . . .	9.250%	06-01-08	\$5,000,000	4,943,777	4,887,500
Chicago Union Station Company . . . . .	4.625	06-01-88	3,850,000	3,845,911	2,690,188
Citizens Utilities Company . . . . .	4.800	12-31-91	1,000,000	1,000,000	646,250
Commonwealth Edison Company . . . . .	3.750	03-01-88	2,770,000	2,192,220	1,895,733
Commonwealth Edison Company . . . . .	4.625	03-01-90	2,970,000	2,419,552	2,086,425
Commonwealth Edison Company . . . . .	5.750	11-01-96	4,000,000	4,000,000	2,960,000
Consolidated Edison Company . . . . .	4.000	06-01-88	3,185,000	2,457,527	2,108,088
Consolidated Edison Company . . . . .	4.400	06-01-93	2,000,000	2,000,000	1,142,500
Consolidated Edison Company . . . . .	4.600	10-15-94	5,300,000	4,555,345	3,021,000
Federal Farm Credit Banks . . . . .	7.750	09-05-89	10,000,000	10,000,000	9,237,500
Federal Home Loan Mortgage Corporation . . . . .	8.850	03-15-08	10,000,000	9,950,120	9,850,000
General Telephone Company of California . . . . .	4.500	06-01-94	3,000,000	2,984,038	1,828,140
General Telephone Company of Illinois . . . . .	4.875	09-01-95	4,000,000	4,000,000	2,485,000
General Telephone Company of Ohio . . . . .	5.100	03-01-96	3,000,000	3,000,000	1,897,500
Global Marine Deep Water Drill, Incorporated . . . . .	8.500	03-01-98	5,075,000	5,143,211	4,903,719
Government of Canada . . . . .	8.200	10-01-85	5,000,000	4,951,577	4,900,000
Government of Canada . . . . .	8.625	04-01-98	5,125,000	5,029,871	4,920,000
Guarantee Savings and Loan Association . . . . .	8.450	03-01-84	5,000,000	5,000,000	5,031,250
Home Savings and Loan Association . . . . .	7.875	11-15-85	10,000,000	9,965,249	9,450,000
Illinois Bell Telephone Company . . . . .	6.000	07-01-98	4,900,000	4,074,839	3,632,125
Illinois Power Company . . . . .	8.625	07-01-06	5,000,000	4,956,868	4,643,750
Imperial Savings and Loan Association . . . . .	7.700	06-15-87	5,000,000	5,000,000	4,606,250
Indianapolis Water Company . . . . .	4.750	01-01-92	1,500,000	1,505,408	973,125
Inter-American Development Bank . . . . .	9.000	02-01-01	5,000,000	5,000,000	4,950,000
Inter-American Development Bank . . . . .	8.750	07-15-01	10,070,000	10,193,766	9,692,375
International Bank for Reconstruction and Development . . . . .	4.500	02-01-90	3,120,000	2,585,155	2,145,000
International Bank for Reconstruction and Development . . . . .	5.875	09-01-93	15,000,000	14,908,350	11,212,500
International Bank for Reconstruction and Development . . . . .	5.375	07-01-91	5,615,000	4,753,104	4,091,931
International Bank for Reconstruction and Development . . . . .	5.375	04-01-92	4,044,000	3,503,041	2,916,735
Kansas Power and Light Company . . . . .	4.750	09-01-91	2,000,000	2,000,000	1,272,500
Kerr Glass Manufacturing Corporation . . . . .	10.750	07-01-87	3,916,000	3,916,000	3,974,740
Long Island Lighting Company . . . . .	9.250	11-01-82	5,000,000	5,000,000	5,018,750
Long Island Lighting Company . . . . .	4.400	04-01-93	2,000,000	2,000,000	1,190,000
Michigan-Wisconsin Pipeline Company . . . . .	8.125	07-01-89	5,000,000	5,092,222	4,693,750
Natural Gas Pipeline of America . . . . .	8.200	08-01-86	5,000,000	5,000,000	4,831,250
Natural Gas Pipeline of America . . . . .	6.250	09-01-86	4,000,000	3,983,276	3,417,520
New York Telephone Company . . . . .	4.500	05-15-91	4,040,000	3,224,514	2,747,200
Ohio Edison Company . . . . .	4.750	06-01-91	3,910,000	3,144,877	2,641,713
Pacific Gas and Electric Company . . . . .	5.000	06-01-91	5,335,000	4,385,265	3,654,475
Peoples Gas Light and Coke . . . . .	5.375	07-15-91	3,120,000	3,120,000	2,363,400
Philadelphia Electric Company . . . . .	2.750	12-01-81	100,000	98,948	84,000
Philadelphia Electric Company . . . . .	5.000	10-01-89	4,255,000	3,562,134	3,015,731
Public Service Electric and Gas Company . . . . .	4.875	09-01-87	2,450,000	2,085,672	1,848,231
Public Service Electric and Gas Company . . . . .	8.500	03-01-04	6,000,000	6,154,385	5,685,000
Rochester Telephone Company . . . . .	2.500	04-01-81	250,000	249,410	221,563
Southern California Edison Company . . . . .	4.375	09-01-85	2,600,000	2,222,953	1,950,000
Southern California Edison Company . . . . .	4.500	02-15-90	1,725,000	1,394,038	1,170,844
Southern California Edison Company . . . . .	5.250	05-15-91	4,265,000	3,600,061	3,033,481
Southern California Edison Company . . . . .	8.125	10-15-94	2,955,000	2,821,127	2,725,988
Southern California Edison Company . . . . .	8.875	03-01-00	5,000,000	5,166,564	4,800,000
Southern Pacific Transportation . . . . .	8.200	12-01-01	5,000,000	5,000,000	4,516,500
Southern Railway Company . . . . .	8.500	10-15-01	5,000,000	4,988,353	5,050,000
Talman Federal Savings and Loan Association . . . . .	8.375	04-15-83	5,000,000	5,000,000	5,000,000
Tucson Gas and Electric Company . . . . .	4.700	11-01-91	2,000,000	2,000,000	1,260,000
Twelve Federal Land Banks . . . . .	8.200	01-22-90	5,000,000	5,000,000	4,784,400
Union Electric Company . . . . .	4.750	09-01-90	3,880,000	3,145,170	2,626,294
Valley Federal Savings and Loan Association . . . . .	8.125	11-01-83	5,000,000	4,988,501	4,937,500
Virginia Electric and Power Company . . . . .	3.875	06-01-88	1,688,000	1,330,379	1,134,133
Virginia Electric and Power Company . . . . .	4.875	06-01-91	2,760,000	2,244,859	1,871,639
Washington Gas Light Company . . . . .	4.500	06-01-87	1,446,000	1,446,000	1,010,393
West Penn Power Company . . . . .	8.500	12-01-87	5,000,000	5,000,000	4,603,150
Wisconsin Electric Power Company . . . . .	8.875	05-15-08	10,000,000	9,975,097	9,575,000
Wisconsin Power and Light Company . . . . .	8.875	05-01-06	4,500,000	4,533,573	4,322,835
World Savings and Loan Association . . . . .	7.950	12-15-82	5,000,000	5,000,000	4,931,250
<b>Total</b>			<b>\$323,265,000</b>	<b>311,366,132</b>	<b>277,724,190</b>

Corporate Securities – Debentures

A. E. Staley Manufacturing Company . . . . .	8.875	06-01-01	\$ 5,000,000	4,953,979	4,937,500
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UNIVERSITY OF ILLINOIS AT  
URBANA-CHAMPAIGN



TEACHERS' RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Debentures (continued)					
American Telephone and Telegraph Company . . . . .	4.375%	04-01-85	\$3,310,000	2,861,428	2,643,863
American Telephone and Telegraph Company . . . . .	4.750	11-01-92	4,000,000	3,067,129	2,740,000
American Telephone and Telegraph Company . . . . .	4.625	02-01-94	6,000,000	5,425,143	3,971,280
American Telephone and Telegraph Company . . . . .	5.625	08-01-95	3,340,000	2,707,657	2,423,604
American Telephone and Telegraph Company . . . . .	4.375	10-01-96	1,150,000	800,835	711,057
American Telephone and Telegraph Company . . . . .	4.375	05-01-99	8,531,000	7,315,410	4,953,355
Armco Steel Corporation . . . . .	8.500	09-01-01	5,000,000	4,986,086	4,687,500
Associates Corporation of North America . . . . .	4.625	04-01-85	5,470,000	4,624,168	4,725,000
Bankamerica Corporation . . . . .	8.750	05-01-01	10,000,000	9,908,528	9,725,000
Beneficial Corporation . . . . .	4.500	03-01-92	5,000,000	4,336,433	3,325,000
Beneficial Finance Corporation . . . . .	4.450	06-01-88	1,000,000	802,501	714,380
Bethlehem Steel Corporation . . . . .	8.450	03-01-05	10,000,000	10,000,000	9,181,700
Borg Warner Acceptance Corporation . . . . .	7.500	01-15-93	10,000,000	9,981,823	9,050,000
Caterpillar Tractor Company . . . . .	8.600	05-01-99	6,000,000	6,000,000	5,883,780
Charter New York Corporation . . . . .	8.500	06-01-02	5,000,000	5,000,000	4,675,000
Chase Manhattan Corporation . . . . .	6.500	07-01-96	5,000,000	5,000,000	3,875,000
C.I.T. Financial Corporation . . . . .	6.375	10-01-86	3,700,000	3,428,217	3,214,375
C.I.T. Financial Corporation . . . . .	4.625	05-01-89	8,215,000	6,707,828	5,868,632
Cities Service Gas Company . . . . .	8.250	06-01-91	10,000,000	10,000,000	9,437,500
Clark Equipment Credit Corporation . . . . .	4.875	12-01-83	2,480,000	2,210,977	2,063,062
Consolidated Natural Gas Company . . . . .	8.375	09-01-96	5,000,000	5,000,000	4,738,950
Consolidated Natural Gas Company . . . . .	8.125	06-01-97	5,000,000	5,057,930	4,553,150
Deere and Company . . . . .	8.450	03-01-00	10,000,000	10,000,000	9,731,300
Dow Chemical Company . . . . .	8.500	02-01-05	10,000,000	10,000,000	9,462,500
Dow Chemical Company . . . . .	8.625	02-15-08	5,000,000	4,960,426	4,809,400
Eltra Corporation . . . . .	8.500	01-15-01	5,000,000	4,983,835	4,684,400
Ford Motor Credit Corporation . . . . .	7.500	10-01-01	5,200,000	4,515,934	4,654,000
Federal Intermediate Credit Bank . . . . .	7.950	04-01-86	10,000,000	10,000,000	9,525,000
Federal National Mortgage Association . . . . .	8.200	07-10-02	10,000,000	9,988,185	9,337,500
Federal National Mortgage Association . . . . .	7.750	03-10-87	5,000,000	5,000,000	4,643,750
Federal National Mortgage Association . . . . .	7.300	12-10-86	5,085,000	4,851,801	4,595,569
Flintkote Company . . . . .	8.250	07-15-96	10,000,000	10,000,000	9,362,500
Ford Motor Credit Company . . . . .	8.700	04-01-99	10,000,000	10,000,000	9,596,200
General Motors Acceptance Corporation . . . . .	4.625	06-15-86	2,000,000	1,998,191	1,525,000
General Motors Acceptance Corporation . . . . .	4.875	12-01-87	2,954,000	2,249,034	2,208,115
General Motors Acceptance Corporation . . . . .	7.850	11-01-98	5,000,000	4,902,400	4,464,950
Georgia Pacific Corporation . . . . .	5.250	04-01-96	1,630,000	1,630,000	1,589,250
Gulf Oil Corporation . . . . .	8.500	11-15-95	9,000,000	8,968,720	8,842,500
Household Finance Corporation . . . . .	5.125	10-01-80	2,000,000	2,000,000	1,860,000
Household Finance Corporation . . . . .	4.375	07-01-87	1,000,000	998,618	735,000
Household Finance Corporation . . . . .	6.375	01-01-88	5,000,000	4,968,819	4,234,400
International Harvester Credit Corporation . . . . .	7.625	02-01-93	4,772,000	4,052,030	4,187,430
International Harvester Credit Corporation . . . . .	7.500	01-15-94	5,000,000	4,981,478	4,228,150
J. C. Penney Credit Corporation . . . . .	4.500	07-01-84	6,150,000	5,662,839	4,812,375
John Deere Credit Corporation . . . . .	5.000	10-31-90	4,000,000	4,000,000	2,862,520
Marine Midland Banks, Incorporated . . . . .	5.000	07-15-89	2,155,000	1,717,586	1,478,869
Marine Midland Banks, Incorporated . . . . .	7.625	03-01-03	8,000,000	8,000,000	6,280,000
Masco Corporation . . . . .	8.875	06-01-01	5,000,000	4,977,049	5,021,900
May Department Stores Credit Company . . . . .	9.000	11-15-89	3,182,000	3,159,327	3,182,000
Memorex Corporation . . . . .	5.250	04-01-90	900,000	900,000	612,000
Monsanto Corporation . . . . .	8.500	06-15-00	10,000,000	9,956,030	9,650,000
Mountain Fuel Supply Company . . . . .	4.875	09-01-86	1,960,000	1,966,995	1,509,200
Mountain State Telephone and Telegraph Company . . . . .	4.500	06-01-02	3,000,000	3,042,189	1,715,640
New England Mutual Life Insurance Company . . . . .	7.375	04-15-97	10,000,000	9,924,692	8,443,000
New England Telephone and Telegraph Company . . . . .	4.000	04-01-93	4,675,000	3,079,784	2,857,594
New England Telephone and Telegraph Company . . . . .	4.500	07-01-02	2,000,000	2,011,174	1,141,260
Ohio Bell Telephone Company . . . . .	5.000	02-01-06	1,425,000	999,384	863,023
Pacific Telephone and Telegraph Company . . . . .	9.500	06-15-11	10,000,000	10,000,000	10,050,000
Philadelphia Electric Company . . . . .	4.850	10-01-86	1,380,000	1,380,000	1,017,750
Pittsburg Plate Glass Industries Incorporated . . . . .	9.000	06-15-95	5,000,000	4,982,610	4,950,000
Province of Ontario Canada . . . . .	4.750	09-15-90	4,000,000	3,971,682	2,727,520
Quebec Hydro Electric Commission . . . . .	4.750	11-16-89	4,000,000	4,000,000	2,620,000
Southern Bell Telephone and Telegraph Company . . . . .	4.375	04-01-01	2,000,000	2,016,525	1,132,500
Southwestern Bell Telephone Company . . . . .	4.750	10-01-92	5,945,000	4,691,158	4,038,914
Southwestern Bell Telephone Company . . . . .	4.500	08-01-97	2,000,000	2,009,570	1,210,000
Standard Oil of California . . . . .	5.750	08-01-92	5,000,000	4,962,413	3,825,000
Standard Oil of California . . . . .	7.000	04-01-96	5,090,000	4,644,370	4,326,500
Swift and Company . . . . .	4.750	10-01-83	763,000	761,720	655,226
Travelers Corporation . . . . .	8.700	08-01-95	4,697,000	4,697,000	4,626,545
Union Carbide Corporation . . . . .	8.500	01-15-05	10,000,000	10,000,000	9,531,300
Union Oil Company of California . . . . .	8.375	12-01-82	10,000,000	10,000,000	9,875,000
United Gas Pipeline . . . . .	5.375	06-01-82	2,774,000	2,786,460	2,468,860
W. T. Grant Company* . . . . .	4.750	04-15-96	316,800	316,800	316,800
Westinghouse Electric Corporation . . . . .	8.625	09-01-95	4,436,000	4,757,471	4,214,200

\*W. T. Grant is being liquidated under the National Bankruptcy Act. The book value reflects the anticipated proceeds of this investment.

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**TEACHERS' RETIREMENT SYSTEM**

**INVESTMENTS**

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Debentures (continued)					
Westinghouse Electric Credit Company . . . . .	7.600%	10-15-97	\$ 5,000,000	4,432,073	4,212,500
<b>Total</b>			<b>\$396,685,800</b>	<b>381,032,444</b>	<b>344,603,598</b>

Corporate Securities – Notes

American Express Credit Corporation . . . . .	7.700%	03-01-87	\$ 5,000,000	5,000,000	4,600,000
American International Group Incorporated . . . . .	7.750	03-01-87	5,000,000	4,983,736	4,775,000
American Investment Company of Illinois . . . . .	4.625	09-01-83	1,120,000	1,120,000	840,000
Appliance Buyers Credit Corporation . . . . .	—	07-06-78	5,035,000	5,030,017	5,000,122
Associates Corporation of North America . . . . .	8.000	03-30-82	5,000,000	5,000,000	4,725,000
Bay State Gas Company . . . . .	4.750	11-01-87	1,950,000	1,950,000	1,369,875
Beneficial Corporation . . . . .	4.625	06-01-87	3,000,000	3,000,000	2,182,500
Borg Warner Acceptance Corporation . . . . .	—	07-13-78	5,000,000	4,987,917	4,964,756
Borg Warner Acceptance Corporation . . . . .	—	07-27-78	5,000,000	4,972,736	4,963,298
C.I.T. Financial Corporation . . . . .	4.375	04-01-83	3,000,000	2,991,094	2,471,250
Citicorp . . . . .	8.450	03-15-07	5,000,000	5,106,044	4,634,000
City Investing Company . . . . .	7.750	03-01-89	3,750,000	3,750,000	3,107,813
Commercial Credit Company . . . . .	4.500	08-01-85	3,485,000	3,268,570	3,238,016
Commercial Credit Company . . . . .	4.875	09-15-87	2,085,000	1,779,110	1,745,881
Continental Illinois Corporation . . . . .	8.500	11-01-85	10,000,000	9,975,473	9,925,000
Countrywide Stations Incorporated . . . . .	7.500	09-01-02	9,383,000	9,383,000	8,069,380
Darmad Corporation . . . . .	6.850	04-09-93	1,910,677	1,910,678	1,664,678
Delaware Western Properties Incorporated . . . . .	9.000	12-01-00	4,265,000	4,265,000	4,233,013
E. I. Dupont Denemours and Company . . . . .	8.000	05-01-86	5,000,000	5,000,000	4,825,000
Esmark Incorporated . . . . .	8.400	02-01-82	5,000,000	5,000,000	4,881,250
Explorer Pipeline Company . . . . .	8.250	04-15-01	9,730,000	9,730,000	8,696,188
Federal Home Loan Bank . . . . .	8.125	05-28-85	10,000,000	9,959,785	9,693,800
Federal National Mortgage Association . . . . .	8.200	04-10-84	10,000,000	9,972,930	9,337,500
First Chicago Corporation . . . . .	7.750	10-15-86	5,000,000	4,971,666	4,646,900
G. D. Searle and Company . . . . .	8.000	06-15-81	5,000,000	4,993,825	4,890,650
General Electric Credit Corporation . . . . .	4.500	03-30-84	3,000,000	3,000,000	2,403,750
General Electric Credit Corporation . . . . .	8.250	02-15-86	5,000,000	4,980,922	4,806,250
General Electric Credit Corporation . . . . .	4.650	05-15-86	4,300,000	3,328,204	3,230,375
General Electric Credit Corporation . . . . .	7.625	02-01-88	5,000,000	4,982,842	4,606,250
General Motors Acceptance Corporation . . . . .	8.250	03-01-82	5,000,000	5,007,659	4,975,000
General Motors Acceptance Corporation . . . . .	8.625	11-15-85	5,000,000	5,000,000	4,912,500
Goodyear Tire and Rubber Company . . . . .	—	07-13-78	10,000,000	9,975,833	9,929,512
Gromarco Incorporated . . . . .	5.750	01-01-93	1,462,000	1,462,000	1,147,670
Humble Transportation Company . . . . .	7.400	07-01-02	10,000,000	10,000,000	8,637,500
Interamerican Development Bank . . . . .	8.250	01-15-85	10,000,000	10,005,825	9,675,000
International Bank for Reconstruction and Development . . . . .	8.375	07-01-86	5,000,000	5,000,000	4,825,000
International Bank for Reconstruction and Development . . . . .	7.800	12-01-86	10,622,000	10,601,492	9,878,460
Interway Corporation . . . . .	5.500	05-01-89	1,370,000	1,370,000	965,850
J. P. Morgan and Company Incorporated . . . . .	8.000	03-15-86	5,000,000	4,967,239	4,768,750
Kroger Company . . . . .	5.300	10-19-81	800,000	800,000	736,000
Marathon Pipe Line Company . . . . .	7.750	12-15-96	4,814,815	4,814,815	4,333,333
Mercantile Trust Company . . . . .	4.600	12-01-83	3,000,000	3,000,000	2,445,000
Midcontinent Properties Incorporated . . . . .	7.300	10-01-00	10,000,000	10,000,000	8,575,000
Pan American World Airways Incorporated . . . . .	6.500	12-01-92	7,336,837	7,336,837	6,291,338
Pennsylvania Life Company . . . . .	5.000	08-01-83	586,260	586,260	594,020
Pfizer Incorporated . . . . .	8.875	08-15-85	10,000,000	10,000,000	10,031,300
Pittsburg Plate Glass Industries, Incorporated . . . . .	8.000	02-15-85	5,000,000	4,987,561	4,781,250
Private Export Funding Corporation . . . . .	7.700	03-31-87	10,000,000	9,978,089	9,562,500
Republic National Corporation . . . . .	4.500	10-01-89	2,340,089	2,332,374	1,541,534
Research Properties Incorporated . . . . .	8.250	11-01-99	5,000,000	5,000,000	4,637,500
Stauffer Chemical Company . . . . .	7.500	03-15-97	5,000,000	5,000,000	4,406,250
Texaco Incorporated . . . . .	—	07-25-78	5,505,000	5,477,291	5,474,982
Texaco Incorporated . . . . .	4.500	12-15-89	2,325,000	2,325,000	1,726,313
U. S. Bancorp . . . . .	8.600	04-15-88	5,000,000	5,000,000	4,956,250
Union Bank Los Angeles . . . . .	4.625	11-26-88	2,000,000	2,000,000	1,315,000
United California Bank . . . . .	4.500	09-17-88	3,000,000	3,000,000	1,957,500
Western Electric Company Incorporated . . . . .	7.500	06-01-03	10,000,000	10,000,000	8,775,000
Western Slope Gas Company . . . . .	7.750	12-01-97	10,000,000	10,000,000	8,462,500
<b>Total</b>			<b>\$311,175,678</b>	<b>309,421,824</b>	<b>284,845,307</b>

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TEACHERS RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Equipment Trust Certificates					
General American Transportation Corporation . . .	8.500%	03-01-94	\$ 8,000,000	8,000,000	7,720,000
Pullman Transport Leasing Corporation . . . . .	7.750	05-01-93	10,000,000	10,000,000	8,545,000
Union Tank Car Company . . . . .	9.300	11-15-89	4,098,000	4,098,000	4,121,072
Union Tank Car Company . . . . .	7.400	01-15-93	5,000,000	4,972,767	4,525,000
Union Tank Car Company . . . . .	8.200	01-15-94	10,000,000	10,000,000	9,362,500
<b>Total</b>			<b>\$37,098,000</b>	<b>37,070,767</b>	<b>34,273,572</b>

	Interest Rate	Maturity Date	Book Value
Federal Housing Administration Mortgage Loans			
A.L.C. Housing #1 . . . . .	4.000%	11-01-84	\$ 800,748
A.L.C. Housing #2 . . . . .	4.000	11-01-84	603,140
A.L.C. Housing #3 . . . . .	4.000	11-01-84	738,899
Arundeland Incorporated . . . . .	4.000	11-01-84	943,808
Beale Air Force Base Housing #3 . . . . .	4.250	12-01-84	987,535
Beale Air Force Base Housing #4 . . . . .	4.250	02-01-85	966,474
Columbus Air Force Base Housing #3 . . . . .	4.500	07-01-86	724,394
Columbus Air Force Base Housing #4 . . . . .	4.500	08-01-86	813,839
Columbus Air Force Base Housing #5 . . . . .	4.500	09-01-86	912,844
Cumberland Housing, Incorporated . . . . .	4.000	11-01-82	931,276
Dow Air Force Base #6 . . . . .	4.500	01-01-88	1,405,596
East Navy Homes, Incorporated . . . . .	3.875	05-01-83	349,383
Fort Eustis Homes, Incorporated . . . . .	4.000	06-01-83	2,375,167
Hamilton Air Force Base Housing, Incorporated . . . . .	4.250	03-01-85	697,279
Hamilton Air Force Base #2, Incorporated . . . . .	4.250	08-01-85	875,278
Hamilton Air Force Base #3 . . . . .	4.250	10-01-85	950,580
Hamilton Air Force Base #4 . . . . .	4.250	11-01-85	763,049
Iowa - East Corporation . . . . .	6.000	08-01-82	19,477
Lawrence G. Hanscom #2 . . . . .	4.000	11-01-84	775,026
Lawrence G. Hanscom #3 . . . . .	4.000	11-01-84	782,526
McChord Air Force Base Housing, Incorporated . . . . .	4.250	11-01-84	548,770
McChord Air Force Base #2 . . . . .	4.250	10-01-84	604,814
McChord Air Force Base #3 . . . . .	4.250	11-01-84	587,169
McChord Air Force Base #4 . . . . .	4.250	12-01-84	533,874
McChord Air Force Base #5 . . . . .	4.250	01-01-85	539,032
McChord Air Force Base #6 . . . . .	4.250	11-01-84	368,182
New London NSB, 8th . . . . .	4.500	11-01-87	1,330,834
New London NSB, 9th . . . . .	4.500	09-01-87	1,245,940
New London NSB, 10th . . . . .	4.500	08-01-87	1,458,209
Redstone Housing Corporation . . . . .	4.000	10-01-82	959,346
Shafter Schofield, Incorporated 2nd . . . . .	4.500	10-01-86	1,059,860
Shafter Schofield, 3rd . . . . .	4.500	01-01-87	634,654
Shafter Schofield, 4th . . . . .	4.500	03-01-87	923,959
Smoky Hill Air Force Base Housing Incorporated . . . . .	4.000	03-01-83	2,060,121
Turner Air Force Base, Incorporated . . . . .	4.250	10-01-84	1,176,233
Oak Ridge Tennessee Loans . . . . .	5.250	07-01-89	908,930
<b>Total</b>			<b>\$32,356,245</b>

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Government National Mortgage Association Mortgage Backed Securities Program					
Pool 05549 . . . . .	8.500%	03-15-05	\$4,122,522	4,071,824	3,903,513
Pool 10139 . . . . .	8.500	04-15-06	4,101,532	3,937,520	3,883,638
Pool 18168 . . . . .	8.000	10-15-07	4,959,087	4,904,569	4,531,366
Pool 18868 . . . . .	8.000	09-15-07	4,964,089	4,909,540	4,535,936
Pool 19065 . . . . .	8.000	09-15-07	4,995,196	4,947,929	4,564,361
Pool 19103 . . . . .	8.000	09-15-07	4,974,503	4,927,409	4,545,452
Pool 19432 . . . . .	8.000	09-15-07	4,951,606	4,877,515	4,524,530
<b>Total</b>			<b>\$33,068,535</b>	<b>32,576,306</b>	<b>30,488,796</b>

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 Ciccirelli
Receipts – Refunds	Bert C. Pettyjohn



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