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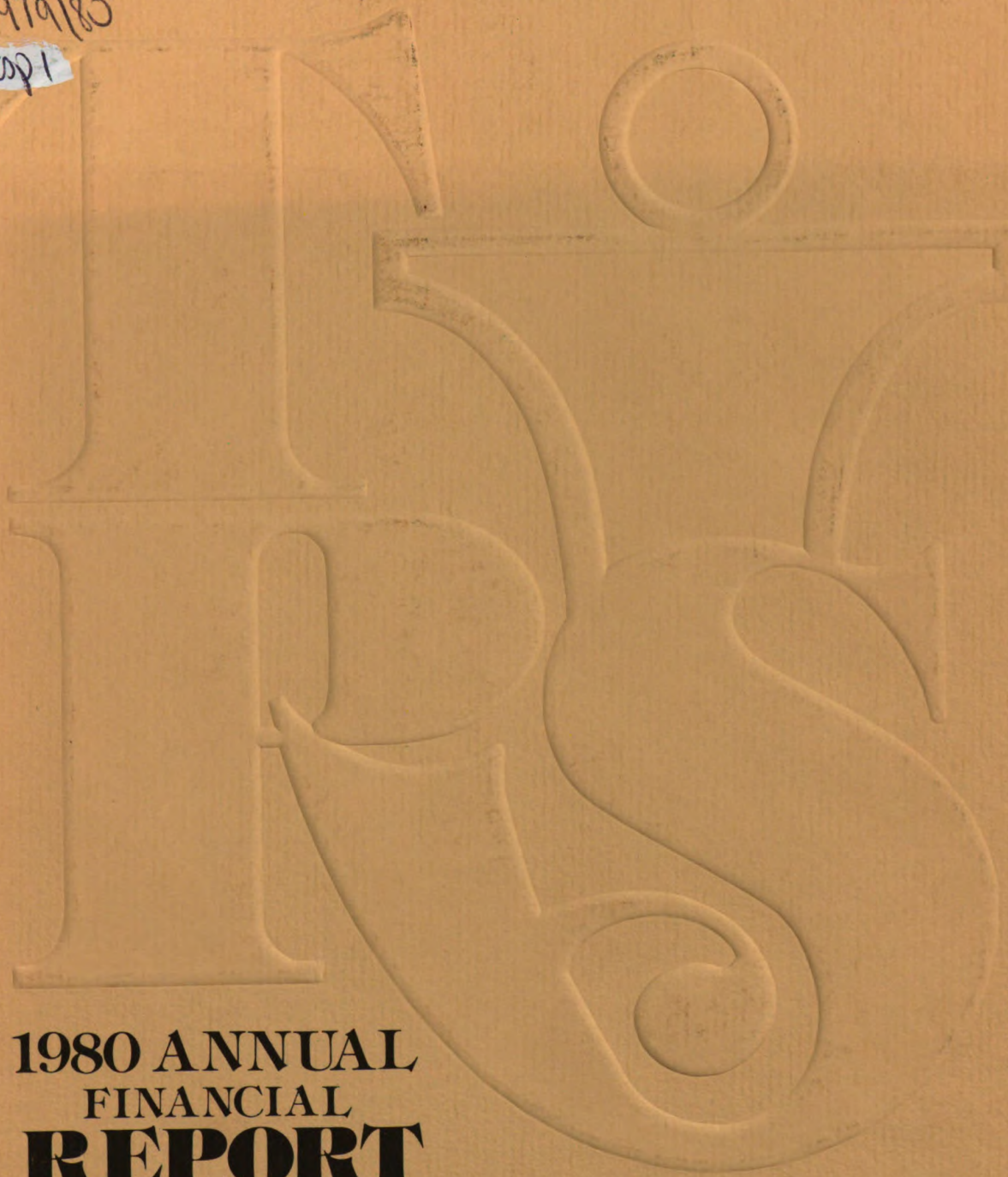
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**1980 ANNUAL
FINANCIAL
REPORT**

DEPOSITORY

APR 28 1981

**UNIVERSITY OF ILLINOIS
AT URBANA-CHAMPAIGN**

Teachers' Retirement System of the State of Illinois

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TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS



1980 ANNUAL FINANCIAL REPORT

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(As of December 1, 1980)



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TEACHERS' RETIREMENT SYSTEM

2815 W. Washington
Springfield, Illinois 62708

477 East Butterfield Road
Lombard, Illinois 60148

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Teachers' Retirement System of the State of Illinois



2815 West Washington — Springfield, Illinois 62708 — (217) 753-0311
477 E. Butterfield Road, Suite 213—Lombard, Illinois 60148 —(312) 969-3240

December 19, 1980

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, 1980 (FY80), with appropriate comparable data for June 30, 1979 (FY79), 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, and the Actuary's estimate of reserve requirements.

This report has been prepared in accordance with generally accepted 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

Primary sources of revenue include contributions from active members, appropriations from the Illinois General Assembly, and earnings on investments. Combined revenues for FY80 were \$549.8 million. This is an increase of 14.3% over FY79 revenues of \$481.1 million.

Member contributions are 8% of gross creditable earnings as prescribed by statute. Member contributions for FY80 were \$151.3 million compared to \$141.1 million for FY79. This increase can be attributed to salary increases received by teachers.

State appropriations for FY80 were \$212.7 million. This represents an increase of 12.8% over the FY79 revenue of \$188.6 million. State appropriations were derived from the Common School Fund and the General Revenue Fund as a reimbursement of estimated benefit payments. In addition, the System received \$6.5 million from the State Pension Fund as its share of the distribution of unclaimed assets escheated to the State.

Investment income for FY80 was \$179.6 million or 32.4% of total revenue. The 29.4% increase in investment income over FY79 was due to a larger investment portfolio and the acquisition of higher yield securities.



Expenses

Benefits paid to retired members, disabled members, and surviving beneficiaries accounted for 86.2% of the System's expenses. The remaining expenses included the payment of refunds to teachers who left the System and withdrew their contributions (12.9%) and the cost of administering the System (.9%). The combined expenses for FY80 were \$224.1 million. This represents an increase of 8.6% over FY79 expenses of \$206.4 million.

Benefit payments were \$193.1 million for FY80. This is an increase of \$14.1 million or 7.9% over the FY79 payments of \$179.0 million. Due to increasing numbers of benefit recipients, this pattern of increased benefit payments is expected to continue well into the future.

Refund claims during FY80 numbered 7,564 compared to 6,925 during FY79 and resulted in payments of \$28.9 million. This is an increase of 12.9% over the FY79 payments of \$25.6 million. These payments represent a return of 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, including the cost of actuarial and investment services, were \$2.1 million. During FY80, administrative expenses represented 9/10 of 1% of total expenses or the utilization of only 4/10 of 1% of total revenue.

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. Statutorily defined retirement benefits are obligations of the State of Illinois. To maintain the integrity of the Trust Fund, revenues should exceed expenses by the amount of pension benefits earned by the membership each year.

The actuarial estimate of the Consulting Actuary (see Pages 20-22) shows total reserve requirements as \$4.957 billion and an unfunded obligation of the State of Illinois of \$2.391 billion. In past years, employer contributions have been insufficient to fully fund the System. More recently, improvements in funding levels have been achieved. During FY80, the funding level reached 51.8% and marks the ninth consecutive year of improvement (see Page 25).

Investments

The investment portfolio is a major contributor to the financial strength of the System. In FY80 investment income of \$179.6 million represented 32.7% of total revenues. Recent years have shown investment income as a proportionately higher financial resource to the System (see Pages 26-27). This emphasizes that the financial strength is improved when the investment portfolio and the level of investment income are expanded.

The Springfield Marine Bank serves as the System's investment advisor. The System also utilizes the evaluation services of Becker Securities Corporation.

Investment comments, exhibits, and detailed listings of investments at June 30, 1980, are contained on Pages 32-40.



State Agencies

The State Treasurer of Illinois is the ex-officio Treasurer for TRS. 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 appoints the Certified Public Accountants who conduct the yearly audit of the System.

Acknowledgements

In October, Roy A. Baker announced his retirement as Executive Director of the System. TRS expresses its appreciation for the leadership he provided the System on behalf of all its members.

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 public school buildings and a summary will appear in the System's newsletters.

Respectively submitted,

Samuel W. Anderson
Acting 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, 1980 and 1979 and the related statement of revenue and expense and changes in reserve balances for the year ended June 30, 1980. 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, 1980 and 1979 and the results of its operations and the changes in its reserve balances for the year ended June 30, 1980, in conformity with generally accepted accounting principles applied on a consistent basis.

Peat Marwick Mitchell & Co.

December 18, 1980



BALANCE SHEET
June 30, 1980
with comparative figures for 1979

ASSETS	1980	1979
Cash	\$ 3,071,888	1,956,862
Accrued interest and dividends receivable	33,744,836	26,122,467
Contributions receivable from:		
School Districts:		
Salary deductions and adjustments	\$6,372,920	6,475,920
Federal and Trust Funds	<u>2,427,759</u>	<u>2,280,914</u>
State of Illinois:		
Common School Fund	16,591,666	-----
General Revenue Fund	<u>518,639</u>	<u>556,969</u>
Members for reinstatement of prior service credits	15,410,024	14,212,512
Investments (Note 3)	2,416,960,812	2,117,895,957
Construction in progress	-----	3,736,438
Property and equipment, net (Note 4)	<u>4,618,776</u>	<u>611,449</u>
	<u>\$2,499,717,320</u>	<u>2,173,849,488</u>

See accompanying notes to financial statements.



BALANCE SHEET
June 30, 1980
with comparative figures for 1979

LIABILITIES AND RESERVES	1980	1979
Liabilities:		
Benefits payable	\$ 363,583	377,047
Refunds payable to former members	1,345,533	956,013
Accounts payable	669,179	709,167
Construction retainage payable	<u>25,369</u>	<u>179,068</u>
	2,403,664	2,221,295
Reserves (Note 2):		
Members accumulated contributions (including interest)	\$1,173,028,806	1,060,420,605
Retirement – annuity payments	1,504,540,794	1,336,582,352
Survivors' benefits	350,959,148	316,560,588
Supplementary payments	74,724	25,891
Annual increase in base pension	836,589,818	769,889,121
Increased age retirement allowances	92,840,217	98,317,983
Minimum retirement allowances	667,077	602,978
Employer's contribution	<u>929,995,648</u>	<u>916,291,066</u>
	4,888,696,232	4,498,690,584
Less unfunded obligation of the State of Illinois	<u>2,391,382,576</u>	<u>2,327,062,391</u>
	<u>2,497,313,656</u>	<u>2,171,628,193</u>
	<u><u>\$2,499,717,320</u></u>	<u><u>2,173,849,488</u></u>

See accompanying notes to financial statements.

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STATEMENT OF REVENUE AND EXPENSE

Year ended June 30, 1980

	Total	Members' accumulated contributions	Retirement – annuity payments
Revenue:			
Contributions by members:			
Salary deductions and qualifying payments	\$ 148,458,115	119,670,016	293,526
Reinstatement of prior service credits	2,881,515	2,442,571	---
	<u>151,339,630</u>	<u>122,112,587</u>	<u>293,526</u>
Contributions by school districts from Federal and Trust Funds	7,726,276	---	---
Contributions by State of Illinois:			
Common School Fund	199,100,000	---	---
General Revenue Fund	7,141,717	---	---
State Pension Fund	6,456,000	---	---
	<u>212,697,717</u>	<u>---</u>	<u>---</u>
Investment income	179,595,957	---	---
	<u>551,359,580</u>	<u>122,112,587</u>	<u>293,526</u>
Expense:			
Benefits:			
Age retirement	154,476,872	---	154,476,872
Annual increase in base pension	10,817,555	---	---
Increased age retirement	9,111,909	---	---
Survivor	8,459,660	---	---
Disability	3,121,683	---	2,001,268
Supplementary payments	703,621	---	---
Minimum retirement	6,363,774	---	---
	<u>193,055,074</u>	<u>---</u>	<u>156,478,140</u>
Refunds	28,909,607	32,615,681	415,434
Administrative expenses	2,111,224	---	---
	<u>224,075,905</u>	<u>32,615,681</u>	<u>156,893,574</u>
Excess of revenue (expense) before gain (loss) on sale of investments and equipment	327,283,675	89,496,906	(156,600,048)
Loss on sale of investments, net	(1,597,692)	---	---
Loss on sale of fixed assets	(520)	---	---
Excess of revenue (expense)	<u>\$ 325,685,463</u>	<u>89,496,906</u>	<u>(156,600,048)</u>

See accompanying notes to financial statements.



RESERVES

<u>Survivors' benefits</u>	<u>Supplementary payments</u>	<u>Annual increase in base pension</u>	<u>Increased age retirement allowances</u>	<u>Minimum retirement allowances</u>	<u>Employer's contribution</u>
18,418,568	---	9,209,497	22,891	5,423	838,194
<u>97,656</u>	---	<u>52,371</u>	---	---	<u>288,917</u>
18,516,224	---	9,261,868	22,891	5,423	1,127,111
---	---	---	---	---	7,726,276
21,409,223	---	10,703,616	---	---	166,987,161
---	750,000	---	---	6,391,717	---
---	---	---	---	---	6,456,000
21,409,223	750,000	10,703,616	---	6,391,717	173,443,161
---	---	---	---	---	179,595,957
<u>39,925,447</u>	<u>750,000</u>	<u>19,965,484</u>	<u>22,891</u>	<u>6,397,140</u>	<u>361,892,505</u>
---	---	---	---	---	---
---	---	10,817,555	---	---	---
8,459,660	---	---	9,111,909	---	---
---	---	---	---	---	1,120,415
---	703,621	---	---	---	---
---	---	---	---	6,363,774	---
8,459,660	703,621	10,817,555	9,111,909	6,363,774	1,120,415
---	---	1,913,551	---	---	(6,035,059)
---	---	---	---	---	2,111,224
<u>8,459,660</u>	<u>703,621</u>	<u>12,731,106</u>	<u>9,111,909</u>	<u>6,363,774</u>	<u>(2,803,420)</u>
31,465,787	46,379	7,234,378	(9,089,018)	33,366	364,695,925
---	---	---	---	---	(1,597,692)
---	---	---	---	---	(520)
<u>31,465,787</u>	<u>46,379</u>	<u>7,234,378</u>	<u>(9,089,018)</u>	<u>33,366</u>	<u>363,097,713</u>



STATEMENT OF CHANGES IN RESERVE BALANCES

Year ended June 30, 1980

	<u>Total</u>	<u>Members' accumulated contributions</u>	<u>Retirement – annuity payments</u>
Balance July 1, 1979	\$ 4,498,690,584	1,060,420,605	1,336,582,352
Excess of revenue (expense)	325,685,463	89,496,906	(156,600,048)
Reserve transfers:			
Interest credited	---	52,983,377	---
Transfer accumulated contributions of members retiring during year	---	(30,108,993)	30,108,993
Reinstate contributions in excess of benefits paid to previously retired members who resumed teaching during year ended June 30, 1980	---	68,883	(68,883)
Contributions credited to accounts of members receiving temporary and accidental disability payments	---	168,028	---
Transfer sufficient interest earnings in excess of 4% to balance reserve	---	---	---
Transfer from employer (unallocated) reserve to make up actuarial deficiency	---	---	294,518,380
Increase in unfunded obligation of the State of Illinois for the year ended June 30, 1980	<u>64,320,185</u>	<u>---</u>	<u>---</u>
Net increase in reserves for year	<u>390,005,648</u>	<u>112,608,201</u>	<u>167,958,442</u>
Balance June 30, 1980	<u>\$ 4,888,696,232</u>	<u>1,173,028,806</u>	<u>1,504,540,794</u>

See accompanying notes to financial statements.



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>
316,560,588	25,891	769,889,121	98,317,983	602,978	916,291,066
31,465,787	46,379	7,234,378	(9,089,018)	33,366	363,097,713
18,702,758	2,454	6,157,749	---	30,733	(77,877,071)
---	---	---	---	---	---
---	---	---	---	---	---
25,850	---	12,925	---	---	(206,803)
---	---	---	9,089,018	---	(9,089,018)
(15,795,835)	---	53,295,645	(5,477,766)	---	(326,540,424)
---	---	---	---	---	64,320,185
<u>34,398,560</u>	<u>48,833</u>	<u>66,700,697</u>	<u>(5,477,766)</u>	<u>64,099</u>	<u>13,704,582</u>



Notes to Financial Statements

June 30, 1980

(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.



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

Members' 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' contributions (½% 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 in the amount of the base pension of 1½% for periods prior to January 1, 1972, 2% for periods between January 1, 1972 and January 1, 1978, and 3% for periods thereafter. 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 of the base pension is 1½% for periods prior to September 1, 1971, 2% for periods between September 1, 1971 and September 1, 1978, and 3% for periods thereafter. 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 investments 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.



Notes to Financial Statements - continued

(3) Investments

A summary of investments as of June 30, 1980 follows:

	<u>Cost or Amortized Cost</u>	<u>Approximate Market Value</u>
United States government obligations	\$ 156,110,310	155,706,040
Corporate securities:		
Common and preferred stock	675,028,382	637,543,099
Bonds	585,010,387	523,546,563
Debentures	418,469,193	346,402,929
Notes	366,161,815	327,207,367
Equipment trust certificates	39,473,587	36,889,525
Insured mortgage loans:		
Federal Housing Administration	21,414,023	21,414,023
Government National Mortgage Association	155,290,472	148,333,403
Mineral Rights	2,643	2,643
	<u>\$2,416,960,812</u>	<u>2,197,045,592</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, 1980. 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, 1980.

(4) Property and Equipment and Accumulated Depreciation

Property and equipment, net at June 30, 1980 is summarized as follows:

Land	\$ 108,660
Land improvements	300,860
Building	3,782,770
Equipment	963,517
	<u>\$5,155,807</u>
Less accumulated depreciation	537,031
	<u>\$4,618,776</u>

The System occupies approximately 45% of its building. Net building expenses of \$90,373 are included in administrative expenses. This amount is summarized as follows:

Operation and maintenance	\$ 127,556
Depreciation expense	122,028
	249,584
Less rental income	159,261
	<u>\$ 90,323</u>

The System has a lease for its Lombard office which expires June 1982. The minimum rental obligation for the two-year period is \$32,844.

Rent expense for the year ended June 30, 1980 was \$11,027.



Notes to Financial Statements - continued

(5) 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 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 disagrees with the finding and has responded by rejecting the refund claim.



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

December 18, 1980

Board of Trustees
Teachers' Retirement System of
the State of Illinois
P. O. Box 4057
Springfield, Illinois 62708

Gentlemen:

Actuarial Estimate as of June 30, 1980

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, 1980.

The estimate is based on a census and valuation of retired members as of June 30, 1980 and a census and valuation of active and inactive members as of June 30, 1979. The asset statements contained herein are subject to final audit.

The statement includes the effect of unreduced early retirement (SB375), and changing the remarriage provision for survivor benefits (HB724).

In our opinion, the attached statements are a fair representation of the actuarial condition of the Fund as of June 30, 1980.

Respectfully submitted,

A. S. HANSEN, INC.

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

Offices Throughout the United States

Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN

ACTUARIAL BALANCE SHEETJune 30, 1980
With Comparative Figures for 1979

	<u>1980</u>	<u>1979</u>
<u>Resources</u>		
Assets Less Current Liabilities	\$2,566,094,656*	2,233,476,193**
Unfunded Past Requirement	<u>2,391,382,576</u>	<u>2,327,062,391</u>
<u>Total Resources</u>	<u>\$4,957,477,232</u>	<u>4,560,538,584</u>
<u>Requirements</u>		
Present Value of Benefits		
Retired	2,010,840,338	1,892,829,429
Active Members	4,785,166,220	4,500,498,918
Inactive Members	<u>148,944,083</u>	<u>148,896,550</u>
Total Present Value of Benefits	6,944,950,641	6,542,224,897
Present Value of Future Normal Cost	<u>(1,987,473,409)</u>	<u>(1,981,686,313)</u>
Total Requirements	<u>\$4,957,477,232</u>	<u>4,560,538,584</u>

* Includes \$68,781,000 to reflect retained earnings on equities used for actuarial valuation purposes.

** Includes \$61,848,000 to reflect common stock growth using the retained earnings method on equities used for actuarial valuation purposes.

ALLOCATION OF REQUIREMENTS

June 30, 1980

	<u>1980</u>
<u>Annual increase in base pensions:</u>	
Retired	\$359,227,564
Active and Inactive	477,362,254
<u>Increased age retirement allowances</u>	92,840,217
<u>Survivors' benefits:</u>	
Survivors receiving payments	54,231,763
Potential survivors of retired members	96,345,908
Potential survivors of active and inactive	200,381,477
<u>*Retirement-annuity payments</u>	
Retired	1,408,194,886
Active and Inactive	<u>2,268,893,163</u>
<u>Total Requirements</u>	<u>\$4,957,477,232**</u>

* Reflects anticipated deaths and refunds.

** Includes \$68,781,000 to reflect common stock growth using the retained earnings method on equities used for actuarial valuation purposes.

STATISTICAL TABLES



TEN YEAR SUMMARY OF NET ASSETS AND FUNDING RATIOS

I

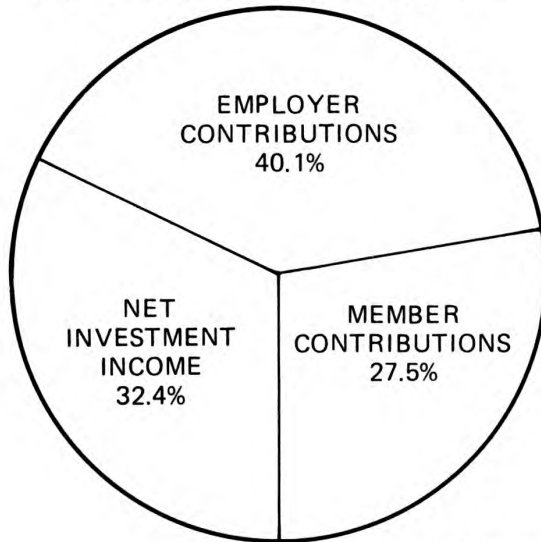
As of June 30	Net Assets (a)	Actuarial Liabilities	Reserve Requirement	Funding Ratio
1971	\$ 735,028,801	1,748,375,624	2,483,404,425	29.6 %
1972	843,650,755	1,860,000,964	2,703,651,719	31.2
1973(b)	978,855,118	1,623,189,407	2,603,044,525	37.6
1974	1,108,988,907	1,681,647,565	2,790,636,472	39.7
1975	1,286,800,872	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(b)	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
1979	2,233,476,193	2,327,062,391	4,560,538,584	49.0
1980	2,566,094,656	2,391,382,576	4,957,477,232	51.8

- (a) Assets include retained earnings on equities used for actuarial valuation purposes and excludes contributions receivable from members for reinstatement of prior service credits.
- (b) 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 experience analysis has been reflected in the actuarial liability amounts shown for the years ended June 30, 1973 and June 30, 1977, respectively.

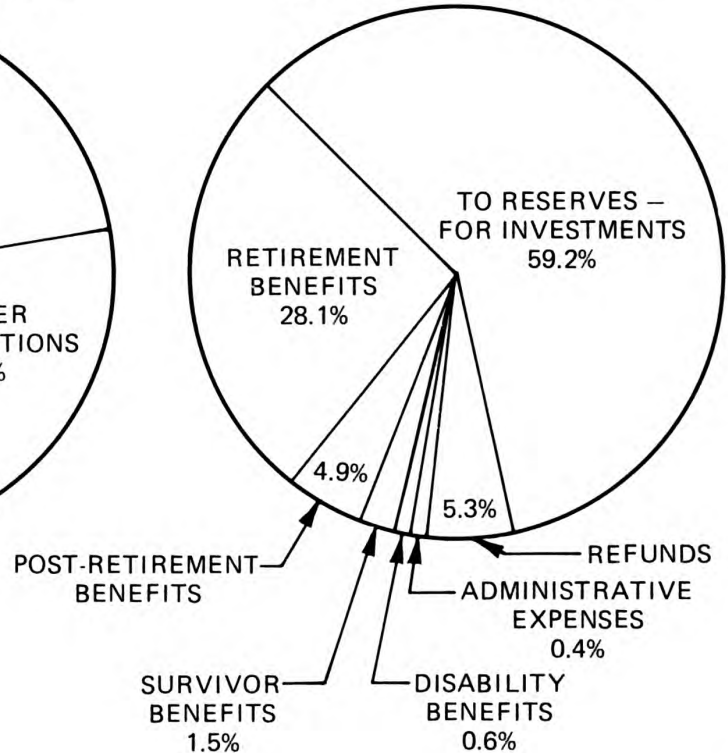
1980 REVENUE

II

WHERE IT CAME FROM —



WHERE IT WENT —



Original from
UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN



TEN YEAR SUMMARY OF REVENUE
(By Source)

III

Year Ended June 30	Member Contributions	Percent of Total	Employer		
			State Appropriations	District Contributions From Federal Funds	Percent of Total
1971	\$ 78,990,316	44.5%	60,117,000	2,039,986	35.0
1972	90,345,938	47.1	58,575,375	2,800,453	32.0
1973	95,145,143	40.9	91,979,900	2,912,174	40.7
1974	101,317,226	41.1	96,702,300	3,315,771	40.6
1975	112,902,615	36.1	130,723,094	3,716,784	42.9
1976	121,248,449	35.6	138,551,600	4,290,964	41.9
1977	124,526,810	32.8	156,976,400	4,672,892	42.6
1978	132,176,556	30.6	175,069,000	5,398,022	41.8
1979	141,087,603	29.3	188,641,596	6,740,259	40.6
1980	151,339,630	27.5	212,697,717	7,726,276	40.1

TEN YEAR SUMMARY OF EXPENSES
(By Type)

IV

Year Ended June 30	Retirement Benefits	Percent of Total	Post-Retirement Benefits	Percent of Total	Survivor Benefits	Percent of Total
1971	\$ 54,279,583	72.5%	5,039,118	6.7	2,889,229	3.9
1972	64,115,334	74.4	5,821,236	6.8	3,304,000	3.8
1973	81,027,399	76.1	6,698,138	6.3	3,933,996	3.7
1974	93,867,222	76.2	8,002,506	6.5	4,410,550	3.6
1975	102,875,465	72.0	15,502,949	11.0	5,031,776	3.6
1976	113,275,935	73.4	18,769,279	12.2	5,155,184	3.3
1977	124,561,904	71.7	20,112,058	11.6	5,818,332	3.3
1978	135,163,476	71.4	21,728,897	11.5	6,661,210	3.5
1979	144,896,371	70.2	23,841,793	11.6	7,544,393	3.6
1980	154,476,872	68.9	26,996,859	12.1	8,459,660	3.8



III – Continued

Investment Dividend and Interest	Percent of Total	Net Gains (Loss) on Investments	Percent of Total	Other	Total
30,595,253	17.2	5,861,491	3.3	5,773	177,609,819
36,419,095	19.0	3,748,847	1.9	25,516	191,915,224
43,676,343	18.8	(1,261,450)	(0.5)	352,479	232,804,589
53,453,535	21.7	(8,869,468)	(3.6)	404,341	246,324,705
63,627,793	20.3	2,199,701	0.7	15,579	313,185,566
74,091,561	21.8	2,381,378	0.7	685	340,564,637
88,032,219	23.2	5,095,346	1.3	7,805	379,311,472
108,393,151	25.1	10,588,381	2.5	6,726	431,631,836
138,816,114	28.9	5,860,958	1.2	(337)	481,146,193
179,595,957	32.7	(1,597,692)	(0.3)	(520)	549,761,368

IV – Continued

Disability Benefits	Percent of Total	Refunds	Percent of Total	Administrative Expenses	Percent of Total	Total
866,793	1.2	11,148,051	14.9	612,408	0.8	74,835,182
963,113	1.1	11,249,460	13.1	710,760	0.8	86,163,903
1,138,014	1.1	12,915,934	12.1	793,228	0.7	106,406,709
1,348,031	1.1	14,604,867	11.9	863,755	0.7	123,096,931
1,588,393	1.1	14,835,114	10.5	1,097,903	0.8	140,931,600
1,858,535	1.2	14,118,173	9.1	1,239,254	0.8	154,416,360
2,200,636	1.3	19,579,606	11.3	1,463,414	0.8	173,735,950
2,499,285	1.3	21,639,987	11.4	1,610,372	0.9	189,303,227
2,682,067	1.3	25,594,136	12.4	1,846,710	0.9	206,405,470
3,121,683	1.4	28,909,607	12.9	2,111,224	0.9	224,075,905



AGE RETIREMENT BENEFICIARIES BY BENEFIT RANGE AT JUNE 30, 1980

<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	716	716	2.4	2.4
101 – 200	2,110	2,826	7.0	9.4
201 – 300	5,029	7,855	16.6	26.0
301 – 400	6,132	13,987	20.3	46.3
401 – 500	3,661	17,648	12.1	58.4
501 – 600	3,177	20,825	10.5	68.9
601 – 700	2,674	23,499	8.8	77.7
701 – 800	1,726	25,225	5.7	83.4
801 – 900	1,374	26,599	4.5	87.9
901 – 1,000	1,059	27,658	3.5	91.4
1,001 – over	2,619	30,277	8.6	100.0

1980 – Average Monthly Benefit \$514.77
 1979 – Average Monthly Benefit \$489.71
 1978 – Average Monthly Benefit \$469.43
 1977 – Average Monthly Benefit \$452.24
 1976 – Average Monthly Benefit \$437.89

Median Monthly Benefit \$432.11
 Median Monthly Benefit \$407.40
 Median Monthly Benefit \$387.36
 Median Monthly Benefit \$372.16
 Median Monthly Benefit \$357.72

PROFILE OF AGE RETIREMENT CLAIMS FOR CURRENT YEAR
(Total claims 1,534)

Median Age	61
Median Service	25.305
Median Monthly Benefits	\$630.60
Average Monthly Benefit	\$681.00

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TEN YEAR MEMBERSHIP PROFILE

VII

<u>YEAR ENDED JUNE 30</u>	<u>BENEFIT RECIPIENTS</u>	<u>INACTIVE MEMBERS</u>	<u>ACTIVE MEMBERS</u>
1971	19,268	28,534	101,544
1972	22,899	29,866	102,494
1973	24,394	29,310	103,000
1974	25,848	29,349	102,569
1975	27,229	29,411	105,706
1976	28,244	29,491	105,316
1977	30,295	30,214	103,216
1978	31,457	30,970	105,433
1979	32,423	31,341	105,353
1980	33,410	31,508	105,236*

DISTRIBUTION OF ACTIVE MEMBERS*

VIII

<u>BY AGE (At June 30, 1980)</u>				<u>BY SERVICE (At June 30, 1980)</u>			
<u>AGE</u>	<u>MALE</u>	<u>FEMALE</u>	<u>TOTAL</u>	<u>YEARS OF SERVICE</u>	<u>MALE</u>	<u>FEMALE</u>	<u>TOTAL</u>
20-24	1,523	6,124	7,647	Under 1	422	1,885	2,307
25-29	4,156	12,118	16,274	1-4	6,150	20,675	26,825
30-34	8,904	14,145	23,049	5-9	8,458	18,464	26,922
35-39	7,554	9,254	16,808	10-14	8,935	12,935	21,870
40-44	4,971	7,073	12,044	15-19	5,562	6,026	11,588
45-49	4,330	5,756	10,086	20-24	4,679	3,559	8,238
50-54	3,654	5,536	9,190	25-29	2,642	1,927	4,569
55-59	2,437	4,073	6,510	30-34	1,397	911	2,308
60-64	707	2,218	2,925	35 or more	145	464	609
65-69	150	530	680				
70 or older	4	19	23				
TOTAL	<u>38,390</u>	<u>66,846</u>	<u>105,236</u>	TOTAL	<u>38,390</u>	<u>66,846</u>	<u>105,236</u>

*Estimated



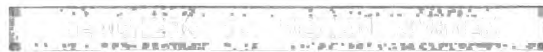
Schedule of Administrative Expenses
Paid From Employer's Contribution Reserve

Year Ended June 30, 1980
With Comparative Figures for 1979

	<u>1980</u>	<u>1979</u>
Salaries	\$1,191,800	\$1,062,544
Investment service and expense	195,131	175,471
Actuarial service	21,300	20,746
Occupancy expense	101,350*	103,766
Printing and paper	5,859	9,356
Postage and express	46,682	31,000
Machine repair and rental	61,994	57,958
Automobile and travel	30,586	26,611
Office supplies and expense	66,226	53,675
Telephone and telegraph	41,945	40,787
Depreciation on equipment	153,867	124,639
Other professional services	74,363	20,100
Membership information	120,121	58,457
Moving expense	-----	24,116
Board election expense	-----	22,116
	<u>\$2,111,224</u>	

*Net of rental income of \$159,261

INVESTMENTS



INVESTMENT SUMMARY

The investment objective of the Teachers' Retirement System is to provide the greatest possible long term benefits to members of the System by maximizing the total rate of return on investments within prudent perimeters of risk for a retirement fund of this type. The Illinois Pension Code establishes parameters or types of investments that may be purchased by the System. Springfield Marine Bank, as the System's investment advisor, makes investment portfolio recommendations considering the statutory restrictions and the System's investment objective and policy. Periodic investment performance evaluations are also made by the Becker Funds Evaluation Service.

The investment portfolio of the Teachers' Retirement System of the State of Illinois as of June 30, 1980, had an aggregated market value of approximately \$2.20 billion, up about 241 million or 12.3% from last year.

The fund received approximately \$180 million in income for the fiscal year, generating a 9.2% income rate of return, up from the 7.8% return last year. The investment yield based on cost also increased to 7.71% as of June 30, 1980, up from 7.31% a year earlier.

The System's stock dividend reinvestment program with companies offering a 5% discount for taking quarterly dividends in additional shares generated \$171,643 for the nine months in effect during FY80.

Bond swaps increased the Fund's annual income by \$282,662. The Bond swaps will result in a net advantage to maturity for the Fund of \$5,892,973.

The Retirement Fund earnings rate is noticeably below currently available rates for large savings deposits such as money market certificates. There are several factors that cause this result. First, current yields available are near record levels; the fund return, however, represents the average return on a pool of assets purchased over a long period at times when market rates were considerably lower. Many of the fund investments are locked in past prevailing rates for longer terms. The total average portfolio yield will lag behind the market rates as only a small portion of the fund is reinvested each year. As older investments mature or are liquidated and the funds reinvested with dividend and interest payments, the average fund rate of return will move toward the current market rate of return.

The second factor causing the seemingly low fund rate of return in comparison to current money market rates is the use of stock dividend rates in the calculation of the fund earnings rate. Stock dividend yields are relatively low, currently averaging about 5.4%. When these stock dividend yields are combined with bond yields, a lower current earnings rate is obtained than would be obtained from a portfolio consisting entirely of fixed income securities. The reason stocks are purchased despite this effect on the earnings rate is because total returns expected from stocks are well in excess of their dividend yields. A higher return than the current dividend rate is expected because the major portion of corporate earnings are reinvested in their businesses. This reinvestment should result in increased earnings and dividends and market value over time.

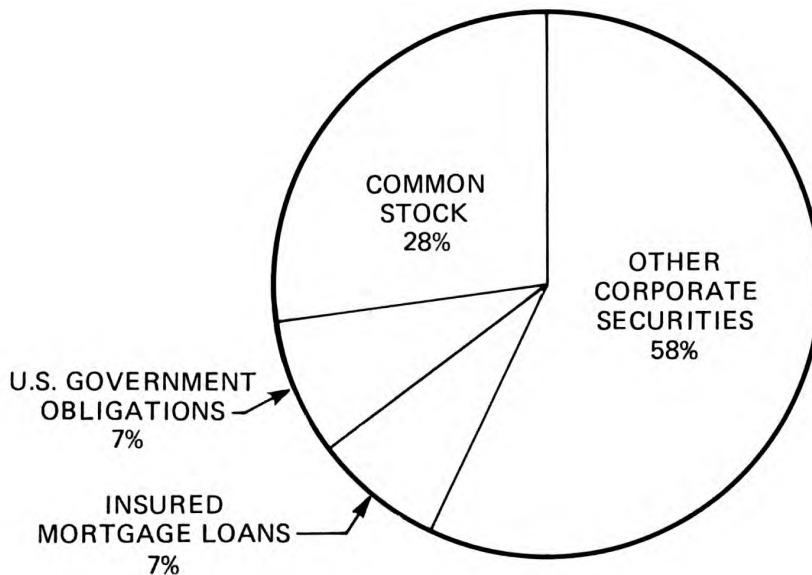


SCHEDULE OF INVESTMENT INCOME*
Years ended June 30, 1980 and 1979

	1980	1979
United States government obligations	\$ 18,398,623	14,434,148
Common and preferred stock	32,988,541	28,773,562
Other corporate securities:		
Bonds	46,284,079	29,322,000
Debentures	33,306,790	31,065,837
Notes	32,738,154	26,162,507
Equipment Trust Certificates	3,011,327	2,763,058
Insured mortgage loans:		
Federal Housing Administration	1,087,653	1,341,013
Government National Mortgage Association	11,718,628	4,915,991
Royalties and miscellaneous income	62,162	37,998
	<u>\$179,595,957</u>	<u>138,816,114</u>

*The Schedule above reflects only the earnings of securities and does not reflect the net gain or loss resulting from the sales of securities, such gain or loss being reflected on Page 12.

COMPOSITION OF INVESTMENTS
(AT COST)





	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	5,152,537	4,125,649
U. S. Treasury Note	13.875	02-28-82	5,000,000	4,976,430	5,365,650
U. S. Treasury Note	10.750	11-15-89	5,000,000	5,008,482	5,225,000
U. S. Treasury Bills	---	07-03-80	14,180,000	14,166,903	14,174,328
U. S. Treasury Bills	---	07-10-80	8,830,000	8,798,301	8,815,872
U. S. Treasury Bills	---	07-17-80	10,685,000	10,622,877	10,654,013
U. S. Treasury Bills	---	07-24-80	4,300,000	4,269,078	4,282,369
U. S. Treasury Bills	---	07-31-80	24,765,000	24,536,426	24,634,650
U. S. Treasury Bills	---	08-07-80	9,290,000	9,208,304	9,222,182
U. S. Treasury Bills	---	08-14-80	8,280,000	8,193,742	8,202,168
U. S. Treasury Bills	---	08-21-80	6,530,000	6,484,006	6,456,210
U. S. Treasury Bills	---	08-28-80	13,515,000	13,348,764	13,342,008
U. S. Treasury Bills	---	09-04-80	15,955,000	15,756,967	15,726,843
U. S. Treasury Bills	---	09-11-80	4,735,000	4,676,496	4,606,533
U. S. Treasury Bills	---	09-18-80	17,840,000	17,567,794	17,532,260
U. S. Treasury Bills	---	09-25-80	3,405,000	3,343,203	3,340,305

TOTAL **\$157,376,000** **156,110,310** **155,706,040**

	Shares	Cost	Market Value
Stock			
A. E. Staley	70,000	\$2,863,474	3,333,750
Aetna Life and Casualty Company	730,000	4,924,990	8,682,500
Air Products and Chemical Incorporated	120,000	2,545,813	4,650,000
Aluminum Company of America	70,000	3,192,143	4,112,500
Amax Incorporated	145,000	4,829,063	7,068,782
American Can Corporation	150,000	5,346,675	5,043,750
American Express Company	265,000	9,345,740	9,241,875
American Home Products	450,000	13,409,122	12,825,000
American Standard Incorporated	45,000	1,801,946	2,598,750
American Telephone and Telegraph	350,000	18,550,421	18,375,000
ARA Services Incorporated	87,000	5,476,816	2,533,875
Atlantic Richfield Company	110,000	6,626,252	10,285,000
Baker International Corporation	113,300	3,816,936	3,540,625
Baxter Travenol Laboratory Incorporated	120,000	4,781,785	5,340,000
Beatrice Foods Corporation	265,000	6,255,188	5,830,000
Becton-Dickinson and Company	150,000	5,459,928	4,968,750
Beneficial Corporation	169,000	6,553,924	3,992,625
Boeing Company	750,000	3,019,400	2,625,000
Burroughs Corporation	175,000	12,062,427	11,243,750
Caterpillar Tractor Company	165,000	6,796,043	8,703,750
Central Illinois Light Company	100,000	2,137,040	1,525,009
Central Illinois Public Service Company	225,000	2,841,412	2,925,007
Chase Manhattan Bank	140,000	7,709,551	6,300,000
Citicorp First National City Company	435,000	15,504,517	9,624,375
Clark Equipment Company	125,000	5,527,186	4,031,250
Columbia Broadcasting System	120,500	5,696,382	5,678,563
Consolidated Foods Corporation	118,400	4,865,179	2,900,800
Continental Illinois Corporation	145,000	3,664,750	4,241,250
Corning Glass Works	75,000	5,197,704	3,909,375
Deere and Company	145,000	5,006,725	4,748,750
Delta Air Lines Incorporated	15,000	768,056	588,750
Dow Chemical Company	195,000	8,722,132	6,556,875
E. I. Dupont Denemours Incorporated	16,200	908,211	678,375
Eastman Kodak Company	225,000	15,893,962	12,600,000
Eli Lilly and Company	150,000	8,190,025	7,350,000
Emerson Electric Company	240,000	8,301,635	8,760,000
Exxon Corporation	175,000	7,455,918	11,593,750
Federated Department Stores	102,900	4,360,631	2,984,100
Firestone Tire and Rubber Company	90,000	2,142,163	618,750
FMC Corporation	50,000	1,289,588	1,181,250
Ford Motor Company	277,500	13,206,458	6,833,438
General American Transportation	50,000	1,943,954	1,600,000
General Electric Corporation	450,000	23,710,737	23,175,000
General Foods Corporation	255,000	7,312,458	7,809,375
General Mills Incorporated	325,000	7,032,303	8,937,500
General Motors Corporation	280,000	17,973,935	13,020,000
General Telephone and Electronics	175,000	5,793,607	4,900,000



	Shares	Cost	Market Value
Stock (continued)			
Georgia Pacific Corporation	50,000	\$ 1,298,938	1,375,000
Getty Oil Company	94,500	6,855,278	7,441,875
Gillette Company	65,700	1,930,145	1,609,650
Gulf Oil Corporation	10,000	247,843	403,750
Halliburton Company	110,000	3,832,224	12,045,000
Hewlett Packard Company	70,000	4,501,075	4,366,250
Honeywell, Incorporated	115,000	8,909,425	9,013,125
Household Finance Company	104,500	2,704,086	1,881,000
Illinois Power Company	260,000	6,324,421	5,655,000
Inland Steel Company	95,000	4,645,470	2,885,625
International Business Machines Corporation	375,000	22,827,042	22,031,250
International Paper Company	160,000	6,744,669	5,840,036
International Telephone and Telegraph Corporation	210,000	10,281,770	5,827,500
J. C. Penney Company	115,080	5,774,170	2,905,770
Jewel Companies Incorporated	55,350	1,894,272	1,563,638
K-Mart Corporation	231,000	8,073,285	5,226,375
Libby Owens Ford Company	110,000	3,539,903	2,420,000
Marathon Oil Company	80,000	2,607,293	4,580,000
Marsh and McLennan Company	30,000	1,370,331	1,845,000
Martin Marietta Corporation	50,000	2,417,300	2,300,000
Masco Corporation	205,000	3,465,679	5,535,000
Masonite Corporation	162,000	4,526,810	4,333,500
Merck and Company	65,000	3,665,360	4,598,750
Middle South Utilities Incorporated	315,000	4,705,673	4,252,500
Minnesota Mining and Manufacturing Company	275,000	15,213,481	14,609,375
Mobil Corporation	175,000	5,190,588	12,468,750
Monsanto Company	100,000	7,471,300	5,200,000
Motorola Incorporated	60,000	3,148,263	2,887,500
Nabisco Incorporated	150,000	3,768,367	3,637,500
Nalco Chemical Company	65,000	1,622,841	2,340,000
Northern Indiana Public Service Company	195,000	3,187,565	2,656,885
Oklahoma Gas and Electric Company	40,260	1,090,906	588,803
Owens Corning Fiberglass	160,000	3,325,123	4,260,000
Owens Illinois Incorporated	280,000	7,101,078	6,475,000
Peoples Energy Corporation	100,000	3,627,541	4,812,500
Pepsico Incorporated	720,000	14,042,919	17,370,000
Pillsbury Company	160,000	6,120,688	5,680,000
Pittston Company	100,000	2,194,724	2,400,000
Proctor and Gamble Company	175,000	14,732,675	12,906,250
Radio Corporation of America	315,000	9,430,271	7,166,250
Radio Corporation of America - Preferred	22,852	527,680	595,580
Ralston Purina Company	690,000	7,804,941	7,762,500
Raytheon Company	50,000	3,655,625	3,712,500
Reading and Bates Corporation	65,000	2,503,125	3,128,125
Richardson Merrell Incorporated	71,600	2,431,117	1,682,600
Santa Fe Industries Incorporated	146,700	8,228,831	8,306,888
Schering Plough Corporation	200,000	8,716,656	7,525,000
Scott and Fetzer Company	54,600	2,084,562	1,126,125
Sears Roebuck and Company	350,000	12,579,566	5,950,000
Shell Oil Company	74,200	2,532,078	2,838,150
Smith Kline and French Laboratories	115,000	2,523,599	6,713,125
Southern Companies	52,000	1,588,476	708,500
Tennaco Incorporated	55,000	2,075,800	2,165,625
Texaco Incorporated	210,000	7,110,753	7,717,500
Texas Instruments Incorporated	20,000	1,762,475	1,840,000
Texas Oil and Gas Corporation	75,000	2,991,600	3,562,500
Trans Union Corporation	107,500	4,014,231	3,628,125
Union Carbide Corporation	103,800	6,034,390	4,528,275
Union Pacific Corporation	150,000	2,994,323	6,412,500
Walt Disney Productions	200,000	9,503,438	9,600,000
Warner Lambert Company	258,500	9,528,480	4,782,250
Westinghouse Electric Company	100,000	3,727,976	2,275,000
Weyerhaeuser Company	250,000	9,110,481	8,156,250
Whirlpool Corporation	145,000	5,108,888	2,809,375
Xerox Corporation	71,000	8,885,938	3,816,250
Zenith Radio Corporation	73,000	1,778,256	739,125
TOTAL		\$675,028,382	637,543,099

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TEACHERS RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Bonds					
American Savings and Loan Association	8.500%	04-15-84	\$10,000,000	9,985,436	9,387,500
American Savings and Loan Association	9.500	06-30-85	5,000,000	5,000,000	4,715,650
Arizona Public Service Company	4.800	11-01-91	2,000,000	2,000,000	1,250,200
Arizona Public Service Company	4.450	06-01-92	1,000,000	1,000,000	591,820
Baltimore Gas and Electric Company	8.375	09-15-06	6,000,000	6,073,233	4,770,000
Bank of North Dakota	9.250	12-01-93	5,000,000	5,000,000	4,131,250
Broadview Savings and Loan Company	8.000	11-01-84	5,000,000	4,995,018	4,600,000
Brooklyn Union Gas Company	9.750	06-01-85	5,000,000	5,000,000	4,900,000
Brooklyn Union Gas Company	4.375	05-28-88	990,000	990,000	643,500
California Federal Savings and Loan Association	7.625	06-15-84	6,885,000	6,811,213	6,282,563
Carolina Power and Light Company	9.250	06-01-08	5,000,000	4,947,536	4,021,900
Carolina Power and Light Company	12.250	11-01-09	5,000,000	5,000,000	5,109,400
Central Power and Light Company	12.375	01-01-10	5,000,000	5,000,000	5,215,650
Chicago Union Station Company	4.625	06-01-88	3,850,000	3,846,736	2,661,313
Citizens Utilities Company	4.800	12-31-91	1,000,000	1,000,000	630,000
Commonwealth Edison Company	3.750	03-01-88	2,770,000	2,311,761	1,781,470
Commonwealth Edison Company	4.625	03-01-90	2,970,000	2,513,915	1,874,813
Commonwealth Edison Company	5.750	11-01-96	4,000,000	4,000,000	2,410,000
Community Federal Savings Loan Association	10.000	09-01-89	7,880,000	4,460,909	7,683,000
Consolidated Edison Company	4.000	06-01-88	3,185,000	2,604,244	2,098,119
Consolidated Edison Company	4.400	06-01-93	2,000,000	2,000,000	1,110,000
Consolidated Edison Company	4.600	10-15-94	5,300,000	4,646,761	2,908,375
Federal Farm Credit Banks	9.450	04-23-84	10,000,000	10,000,000	9,937,500
Federal Farm Credit Banks	13.250	04-22-85	5,000,000	5,000,000	5,650,000
Federal Farm Credit Banks	10.750	10-20-86	10,000,000	10,000,000	10,337,500
Federal Farm Credit Banks	12.650	04-20-88	5,000,000	5,000,000	5,656,250
Federal Farm Credit Banks	7.750	09-05-89	10,000,000	10,000,000	8,625,000
Federal Farm Credit Banks	10.950	01-22-90	10,000,000	10,000,000	10,362,500
Federal Home Loan Bank	11.600	05-25-83	5,000,000	5,000,000	5,256,250
Federal Home Loan Bank	11.300	11-25-86	10,000,000	10,000,000	10,525,000
Federal Home Loan Bank	7.375	11-26-93	15,400,000	13,592,041	12,031,250
Federal Home Loan Mortgage Corporation	8.750	09-15-99	7,129,600	7,040,418	6,599,300
Federal Home Loan Mortgage Corporation	8.850	03-15-08	8,550,000	8,510,224	7,625,574
Federal Home Loan Mortgage Corporation	9.000	09-15-08	13,800,000	13,767,568	12,790,944
Federal Home Loan Mortgage Corporation	9.400	09-15-08	9,200,000	9,156,426	8,487,000
Federal Home Loan Mortgage Corporation	9.875	03-15-09	23,000,000	22,911,522	21,691,990
Federal Home Loan Mortgage Corporation	10.250	03-15-09	18,400,000	18,117,933	17,721,592
Federal Home Loan Mortgage Corporation	10.000	09-15-09	20,000,000	19,963,625	18,200,000
Federal Home Loan Mortgage Corporation	12.450	09-15-09	20,000,000	19,950,959	20,300,000
First Federal Savings and Loan	9.750	07-15-87	5,000,000	4,987,604	4,837,500
Florida Power and Light Company	9.375	06-01-06	5,000,000	5,000,000	4,093,750
Florida Power Corporation	13.625	04-01-87	5,000,000	5,000,000	5,487,500
General Telephone Company of California	4.500	06-01-94	3,000,000	2,986,044	1,719,390
General Telephone Company of Illinois	4.875	09-01-95	4,000,000	4,000,000	2,280,000
General Telephone Company of Ohio	5.100	03-01-96	3,000,000	3,000,000	1,743,750
Gibraltar Savings Association	9.750	08-15-84	5,000,000	5,000,000	4,912,500
Government of Canada	9.000	10-15-83	5,000,000	5,000,000	4,783,750
Government of Canada	8.200	10-01-85	5,000,000	4,964,935	4,921,900
Government of Canada	8.625	04-01-98	9,900,000	8,516,446	8,996,625
Guarantee Savings and Loan Association	8.450	03-01-84	5,000,000	5,000,000	4,612,500
Home Savings and Loan Association	7.875	11-15-85	5,000,000	4,987,338	4,331,250
Houston First Savings Association	8.875	08-01-84	5,000,000	4,995,966	4,803,150
Houston Lighting and Power Company	11.250	12-01-09	5,000,000	4,970,535	4,987,500
Illinois Bell Telephone Company	6.000	07-01-98	4,900,000	4,157,355	3,142,125
Illinois Power Company	8.625	07-01-06	5,000,000	4,959,949	3,950,000
Imperial Savings and Loan Association	7.700	06-15-87	10,400,000	8,841,634	8,658,000
Indianapolis Water Company	4.750	01-01-92	1,500,000	1,504,606	922,500
Inter-American Development Bank	9.000	02-01-01	5,000,000	5,000,000	4,400,000
Inter-American Development Bank	8.750	07-15-01	10,070,000	10,183,022	8,647,613
International Bank for Reconstruction and Development	4.500	02-01-90	3,120,000	2,677,502	2,137,200
International Bank for Reconstruction and Development	5.375	07-01-91	5,615,000	4,885,704	3,972,613
International Bank for Reconstruction and Development	5.375	04-01-92	4,044,000	3,581,726	2,815,635
International Bank for Reconstruction and Development	5.875	09-01-93	15,000,000	14,920,436	10,687,500
Kansas Power and Light Company	4.750	09-01-91	2,000,000	2,000,000	1,240,000
Kerr Glass Manufacturing Company	10.750	07-01-87	3,082,000	3,082,000	3,066,590
Lachmar	14.000	12-31-89	5,000,000	5,000,000	5,700,000
Long Island Lighting Company	9.250	11-01-82	5,000,000	5,000,000	4,896,900

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	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Corporate Securities – Bonds (Continued)					
Long Island Lighting Company	4.400%	04-01-93	\$2,000,000	2,000,000	1,107,500
Michigan-Wisconsin Pipeline Company	8.125	07-01-89	2,500,000	2,537,727	2,157,825
Natural Gas Pipeline of America	8.200	08-01-86	5,000,000	5,000,000	4,462,500
New York Telephone Company	4.500	05-15-91	4,040,000	3,351,191	2,626,000
Northern California Savings and Loan Association	12.500	02-01-85	5,000,000	5,000,000	5,293,750
Northern Illinois Gas Company	8.750	07-01-01	5,000,000	4,754,066	3,800,000
Northern States Power Company	6.500	10-01-97	5,400,000	3,675,667	3,486,402
Ohio Edison Company	4.750	06-01-91	3,910,000	3,263,347	2,360,663
Pacific Gas and Electric Company	5.000	06-01-91	5,335,000	4,532,321	3,494,425
Peoples Gas Light and Coke	5.375	07-15-91	2,960,000	2,960,000	2,060,752
Philadelphia Electric Company	2.750	12-01-81	100,000	99,564	93,500
Philadelphia Electric Company	5.000	10-01-89	4,255,000	3,685,310	2,691,288
Public Service Company of Indiana Incorporated	8.875	10-01-08	5,000,000	4,939,211	4,131,250
Public Service Electric and Gas Company	4.875	09-01-87	2,450,000	2,165,162	1,701,231
Public Service Electric and Gas Company	8.500	03-01-04	6,000,000	6,142,355	4,687,500
Public Service Electric and Gas Company	12.000	11-01-09	5,000,000	4,987,680	5,100,000
Rochester Telephone Company	2.500	04-01-81	250,000	249,839	236,875
Southern California Edison Company	4.375	09-01-85	2,600,000	2,328,176	2,002,000
Southern California Edison Company	4.500	02-15-90	1,725,000	1,450,977	1,069,500
Southern California Edison Company	5.250	05-15-91	4,265,000	3,703,353	2,750,925
Southern California Edison Company	8.125	10-15-94	2,955,000	2,837,562	2,304,900
Southern California Edison Company	8.875	03-01-00	5,000,000	5,151,189	3,975,000
Southern Pacific Transportation	8.200	12-01-01	5,000,000	5,000,000	3,600,000
Southern Railway Company	8.500	10-15-01	5,000,000	4,989,353	3,531,250
Talman Federal Savings and Loan Association	8.375	04-15-83	5,000,000	5,000,000	4,750,000
Texas Power and Light Company	9.375	02-01-09	5,000,000	4,978,631	4,543,750
Tucson Gas and Electric Company	4.700	11-01-91	2,000,000	2,000,000	1,222,500
Twelve Federal Land Banks	7.350	10-20-83	1,555,000	1,392,945	1,451,981
Twelve Federal Land Banks	8.200	01-22-90	7,540,000	7,402,815	6,569,225
Twelve Federal Land Banks	7.350	01-20-97	10,250,000	7,091,839	7,764,375
Union Electric Company	4.750	09-01-90	3,880,000	3,265,964	2,381,350
Valley Federal Savings and Loan Association	8.125	11-01-83	5,000,000	4,992,813	4,740,650
Virginia Electric and Power Company	3.875	06-01-88	1,688,000	1,402,504	1,042,340
Virginia Electric and Power Company	4.875	06-01-91	2,760,000	2,324,623	1,678,439
Washington Gas Light Company	4.500	06-01-87	1,446,000	1,446,000	1,046,543
West Penn Power Company	8.500	12-01-07	5,000,000	5,000,000	3,825,000
Wisconsin Electric Power Company	8.875	05-15-08	10,000,000	9,976,764	8,075,000
Wisconsin Power and Light Company	8.875	05-01-06	4,500,000	4,531,159	3,664,710
World Savings and Loan Association	7.950	12-15-82	5,000,000	5,000,000	4,743,750
TOTAL			\$606,304,600	585,010,387	523,546,563

Corporate Securities – Debentures					
A. E. Staley Manufacturing Company	8.875%	06-01-01	\$5,000,000	4,957,995	4,000,000
American Telephone and Telegraph Company	4.375	04-01-85	3,310,000	2,994,338	2,726,613
American Telephone and Telegraph Company	10.375	06-01-90	5,000,000	5,000,000	5,090,650
American Telephone and Telegraph Company	4.750	11-01-92	4,000,000	3,197,297	2,545,000
American Telephone and Telegraph Company	4.625	02-01-94	6,000,000	5,498,922	3,558,780
American Telephone and Telegraph Company	5.625	08-01-95	3,340,000	2,781,687	2,227,379
American Telephone and Telegraph Company	4.375	10-01-96	1,150,000	839,100	618,125
American Telephone and Telegraph Company	4.375	05-01-99	8,531,000	7,432,107	4,521,430
Armco Steel Corporation	8.500	09-01-01	5,000,000	4,987,287	3,981,250
Associates Corporation of North America	4.625	04-01-85	5,470,000	4,874,785	4,184,550
Bankamerica Corporation	8.750	05-01-01	10,000,000	9,916,540	8,250,000
Beneficial Finance Company	4.500	03-01-92	5,000,000	4,433,540	2,991,350
Beneficial Finance Company	4.450	06-01-88	1,000,000	842,333	676,840
Bethlehem Steel Corporation	8.450	03-01-05	10,000,000	10,000,000	7,556,300
Canadian National Railway Company	9.700	07-15-04	5,000,000	4,987,968	4,640,400
Caterpillar Tractor Company	8.600	05-01-99	6,000,000	6,000,000	4,875,000
Charter New York Corporation	8.500	06-01-02	5,000,000	5,000,000	3,712,500
C. I. T. Financial Corporation	6.375	10-01-86	3,700,000	3,494,104	3,041,548
C. I. T. Financial Corporation	4.625	05-01-89	8,215,000	6,986,075	5,267,869
C. I. T. Financial Corporation	8.800	03-15-93	3,000,000	2,352,582	2,505,000
Cities Service Gas Company	8.250	06-01-91	10,000,000	10,000,000	8,387,500
Clark Equipment Credit Corporation	4.875	12-01-83	2,480,000	2,310,309	2,092,500
Columbia Gas System Inc.	9.625	11-01-89	1,400,000	1,254,484	1,347,500



Corporate Securities – Debentures (Continued)	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Columbia Gas System Inc.	8.250%	09-01-96	\$10,235,000	9,371,906	8,251,969
Columbia Gas System Inc.	7.500	10-01-97	5,125,000	3,593,616	3,638,750
Commonwealth Edison Company	12.500	12-15-86	5,000,000	4,968,385	5,200,000
Consolidated Natural Gas Company	8.375	09-01-96	5,000,000	5,000,000	4,025,000
Consolidated Natural Gas Company	8.125	06-01-97	5,000,000	5,051,806	3,993,750
Consolidated Natural Gas Company	8.625	03-01-99	5,000,000	4,598,142	4,190,650
Dow Chemical Company	8.500	02-01-05	10,000,000	10,000,000	8,300,000
Dow Chemical Company	8.625	02-15-08	5,000,000	4,963,098	4,150,000
Eltra Corporation	8.500	01-15-01	5,000,000	4,985,269	4,112,500
Federal Home Loan Mortgage Corporation	9.375	12-27-88	5,000,000	5,000,000	4,703,150
Federal Intermediate Credit Bank	7.950	04-01-86	10,000,000	10,000,000	9,270,000
Federal National Mortgage Association	7.300	12-10-86	5,085,000	4,907,051	4,462,088
Federal National Mortgage Association	7.750	03-10-87	5,000,000	5,000,000	4,425,000
Federal National Mortgage Association	7.400	10-01-97	4,440,000	3,942,231	3,271,747
Federal National Mortgage Association	8.200	07-10-02	10,000,000	9,989,169	8,043,800
Flintkote Company	8.250	07-15-96	5,000,000	5,000,000	3,656,250
Ford Motor Company	9.150	08-01-04	5,230,000	3,640,910	4,000,950
Ford Motor Credit Company	8.700	04-01-99	10,000,000	10,000,000	8,037,500
Ford Motor Credit Company	9.850	03-15-04	5,000,000	5,000,000	4,378,150
Ford Motor Credit Corporation	7.500	10-01-01	5,200,000	4,574,778	3,708,276
General Motors Acceptance Corporation	4.625	06-15-86	2,000,000	1,998,646	1,530,000
General Motors Acceptance Corporation	4.875	12-01-87	2,954,000	2,398,761	2,115,803
General Motors Acceptance Corporation	7.850	11-01-98	5,000,000	4,912,000	3,937,500
Gulf Oil Corporation	8.500	11-15-95	9,000,000	8,972,321	7,481,250
Household Finance Corporation	5.125	10-01-80	2,000,000	2,000,000	1,982,500
Household Finance Corporation	4.375	07-01-87	1,000,000	998,925	643,750
Household Finance Corporation	6.375	01-01-88	5,000,000	4,975,383	3,985,700
International Harvester Credit Corporation	7.625	02-01-93	4,772,000	4,150,769	3,411,980
International Harvester Credit Corporation	7.500	01-15-94	5,000,000	4,983,861	3,250,000
Internorth Incorporated	10.750	08-01-90	5,000,000	4,992,525	5,031,250
J. C. Penney Credit Corporation	4.500	07-01-84	6,150,000	5,825,226	4,920,000
John Deere Credit Corporation	5.000	10-31-90	4,000,000	4,000,000	2,714,440
Marine Midland Banks Incorporated	5.000	07-15-89	2,155,000	1,796,815	1,400,750
Marine Midland Banks Incorporated	7.625	03-01-03	8,000,000	8,000,000	5,400,000
Masco Corporation	8.875	06-01-01	5,000,000	4,979,052	4,275,000
Memorex Corporation	5.250	04-01-90	900,000	900,000	482,625
Monsanto Corporation	8.500	06-15-00	10,000,000	9,960,035	8,062,500
Mountain Fuel Supply Company	4.875	09-01-86	1,960,000	1,965,282	1,412,435
Mountain State Telephone and Telegraph Company	4.500	06-01-02	3,000,000	3,038,661	1,479,390
New England Telephone and Telegraph Company	4.000	04-01-93	4,675,000	3,296,084	2,635,531
New England Telephone and Telegraph Company	4.500	07-01-02	2,000,000	2,010,243	983,760
Ohio Bell Telephone Company	5.000	02-01-06	1,425,000	1,030,244	729,429
Pacific Telephone and Telegraph Company	9.500	06-15-11	10,000,000	10,000,000	8,350,000
Philadelphia Electric Company	4.850	10-01-86	1,380,000	1,380,000	1,038,450
Pittsburgh Plate Glass Industries Incorporated	9.000	06-15-95	5,000,000	4,984,662	4,250,000
Province of Ontario Canada	4.750	09-15-90	4,000,000	3,976,321	2,477,300
Quebec Hydro Electric Commission	4.750	11-16-89	4,000,000	4,000,000	2,470,000
Southern Bell Telephone and Telegraph Company	4.375	04-01-01	2,000,000	2,015,072	983,760
Southwestern Bell Telephone Company	4.750	10-01-92	5,945,000	4,867,136	3,711,939
Southwestern Bell Telephone Company	4.500	08-01-97	2,000,000	2,008,567	1,072,500
Standard Oil of California	5.750	08-01-92	6,350,000	5,929,062	4,762,500
Standard Oil of California	7.000	04-01-96	5,090,000	4,694,582	3,919,300
Studebaker Worthington Incorporated	9.350	11-15-03	5,000,000	5,000,000	4,550,000
Swift and Company	4.750	10-01-83	606,000	605,371	511,313
Texas Instruments Incorporated	12.700	02-01-05	10,000,000	10,000,000	10,900,000
Travelers Corporation	8.700	08-01-95	4,697,000	4,697,000	3,898,510
Twelve Federal Intermediate Credit Bank	6.950	01-05-87	4,000,000	3,679,171	3,480,000
Union Carbide Corporation	8.500	01-15-05	10,000,000	10,000,000	8,300,000
Union Oil Company of California	8.375	12-01-82	10,000,000	10,000,000	9,575,000
United Gas Pipeline	5.375	06-01-82	2,774,000	2,780,097	2,510,470
W. T. Grant	4.750	04-15-96	316,800	316,800	316,800
Westinghouse Electric Corporation	8.625	09-01-95	6,436,000	6,131,754	5,341,880
Westinghouse Electric Credit Company	7.600	10-15-97	5,000,000	4,490,951	3,500,000
TOTAL			\$438,496,800	418,469,193	346,402,929

CORPORATE SECURITIES – NOTES

American Express Credit Corporation	7.700%	03-01-87	\$ 5,000,000	5,000,000	4,400,000
American International Group Incorporated	7.750	03-01-87	5,000,000	4,987,490	4,331,250
American Investment Company of Illinois	4.625	09-01-83	800,000	800,000	746,000
Associates Corporation of North America	-----	07-10-80	5,000,000	4,989,375	4,958,680
Associates Corporation of North America	-----	07-31-80	5,000,000	4,949,583	4,847,069
Associates Corporation of North America	8.000	03-30-82	5,000,000	5,000,000	4,768,000
Atlantic Richfield Company	6.850	04-09-93	1,726,633	1,726,633	1,385,623
Bay State Gas Company	4.750	11-01-87	1,850,000	1,850,000	1,267,250
Beneficial Corporation	4.625	06-01-87	3,000,000	3,000,000	2,167,500

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STATEMENT OF INVESTMENTS

INVESTMENTS

Corporate Securities – Notes (Continued)	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
C. I. T. Financial Corporation	4.375%	04-01-83	\$ 3,000,000	2,994,844	2,602,500
Citicorp	-----	07-11-80	11,000,000	10,950,139	10,589,569
Citicorp	-----	07-30-80	5,000,000	4,954,888	4,869,333
Citicorp	8.450	03-15-07	5,000,000	5,098,656	3,925,000
City Investing Company	7.750	03-01-89	3,075,000	3,075,000	2,429,250
Commercial Credit Company	4.500	08-01-85	3,485,000	3,329,680	2,679,094
Commercial Credit Company	9.300	12-01-86	5,000,000	5,000,000	4,650,000
Commercial Credit Company	4.875	09-15-87	2,085,000	1,845,568	1,517,421
Commercial Credit Corporation	-----	08-07-80	5,000,000	4,985,067	4,937,777
Continental Illinois Corporation	8.500	11-01-85	10,000,000	9,982,163	9,200,000
Countrywide Stations Incorporated	7.500	09-01-02	9,089,000	9,089,000	6,953,085
Delaware Western Properties Incorporated	9.000	12-01-00	4,055,000	4,055,000	3,360,581
E. I. Dupont Denemours and Company	8.000	05-01-86	5,000,000	5,000,000	4,650,000
Esmark Incorporated	8.400	02-01-82	5,000,000	5,000,000	4,862,500
Explorer Pipeline Company	8.250	04-15-01	9,190,000	9,190,000	7,409,438
Federal Home Loan Banks	8.125	05-28-85	10,000,000	9,971,423	9,387,500
Federal Home Loan Banks	10.450	02-25-87	5,000,000	5,000,000	5,062,500
Federal National Mortgage Association	-----	08-29-80	5,000,000	4,936,083	4,908,000
Federal National Mortgage Association	-----	09-11-80	5,000,000	4,941,703	4,914,500
Federal National Mortgage Association	-----	09-18-80	5,000,000	4,930,486	4,913,000
Federal National Mortgage Association	8.200	04-10-84	10,000,000	9,982,305	9,500,000
First Chicago Corporation	7.750	10-15-86	5,000,000	4,978,502	4,375,000
Ford Motor Credit Corporation	10.000	03-15-83	5,000,000	5,000,000	4,850,000
Ford Motor Credit Corporation	7.850	03-01-88	5,250,000	4,440,804	4,278,750
G. D. Searle and Company	8.000	06-15-81	5,000,000	4,998,000	4,900,000
General Electric Credit Corporation	4.500	03-30-84	3,000,000	3,000,000	2,460,000
General Electric Credit Corporation	8.250	02-15-86	5,000,000	4,985,926	4,500,000
General Electric Credit Corporation	4.650	05-15-86	4,300,000	3,575,009	3,214,250
General Electric Credit Corporation	7.625	02-01-88	5,000,000	4,986,423	4,318,750
General Motors Acceptance Corporation	8.250	03-01-82	5,000,000	5,003,482	4,687,500
General Motors Acceptance Corporation	8.625	11-15-85	5,000,000	5,000,000	4,531,250
Humble Transportation Company	7.400	07-01-02	10,000,000	10,000,000	7,350,000
Interamerican Development Bank	8.250	01-15-85	10,000,000	10,004,043	9,450,000
International Bank for Reconstruction and Development	8.375	07-01-86	5,000,000	5,000,000	4,662,500
International Bank for Reconstruction and Development	7.800	12-01-86	10,622,000	10,606,365	9,586,355
International Business Machines	9.500	10-01-86	10,000,000	9,563,301	9,975,000
J. P. Morgan and Company Incorporated	8.000	03-15-86	5,000,000	4,975,739	4,387,500
John Deere Credit Corporation	10.500	05-15-85	5,000,000	4,987,696	5,012,500
Kroger Company	5.300	10-19-81	600,000	600,000	577,500
Marathon Pipe Line Company	7.750	12-15-96	4,444,444	4,444,444	3,555,556
Mercantile Trust Company	4.600	12-01-83	3,000,000	3,000,000	2,523,750
Midcontinent Properties Incorporated	7.300	10-01-00	10,000,000	10,000,000	7,587,500
Pan American World Airways Incorporated	6.500	12-01-92	5,849,937	5,849,937	4,599,513
Pennsylvania Life Company	5.000	08-01-83	264,390	264,390	216,800
Pfizer Incorporated	8.875	08-15-85	10,000,000	10,000,000	9,525,000
Pittsburgh Plate Glass Industries Incorporated	8.000	02-15-85	5,000,000	4,991,316	4,659,400
Private Export Funding Corporation	9.500	09-15-85	5,000,000	5,000,000	4,962,500
Private Export Funding Corporation	7.700	03-31-87	5,000,000	4,991,548	4,525,000
Republic National Corporation	4.500	10-01-89	2,204,072	2,198,097	1,432,647
Research Properties Incorporated	8.250	11-01-99	4,948,914	4,948,914	4,039,551
Texaco Incorporated	4.500	12-15-89	2,175,000	2,175,000	1,533,375
Times Mirror Company	9.625	09-15-86	10,000,000	9,977,793	9,782,500
U. S. Bancorp	8.600	04-15-88	5,000,000	5,000,000	4,400,000
Union Bank Los Angeles	4.625	11-26-88	2,000,000	2,000,000	1,360,000
United California Bank	4.500	09-17-88	3,000,000	3,000,000	2,032,500
Wells Fargo and Company	11.550	01-15-83	5,000,000	5,000,000	5,112,500
Wells Fargo and Company	9.550	07-01-85	5,000,000	5,000,000	4,912,500
Western Electric Company Incorporated	7.500	06-01-03	10,000,000	10,000,000	7,637,500
Western Slope Gas Company	7.750	12-01-97	10,000,000	10,000,000	7,500,000

TOTAL

\$369,014,390 366,161,815 327,207,367

CORPORATE SECURITIES – EQUIPMENT TRUST CERTIFICATES

General American Transportation Corporation	8.500%	03-01-94	\$ 7,000,000	7,000,000	5,705,000
Louisville and Nashville Railroad	12.300	02-01-95	5,000,000	5,000,000	5,307,950
Pullman Transport Leasing Corporation	7.750	05-01-93	10,000,000	10,000,000	8,325,000
Seaboard Coastline Railroad Company	11.375	05-15-95	5,000,000	4,973,587	5,200,000
Union Tank Car Company	9.300	11-15-89	2,500,000	2,500,000	2,369,875
Union Tank Car Company	9.800	06-01-99	10,000,000	10,000,000	9,981,700

TOTAL

\$ 39,500,000 39,473,587 36,889,525

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	Interest Rate	Maturity Date	Par Value
FEDERAL HOUSING ADMINISTRATION MORTGAGE LOANS			
A. L. C. Housing No. 1	4.000%	11-01-84	\$ 569,861
A. L. C. Housing No. 2	4.000	11-01-84	429,234
A. L. C. Housing No. 3	4.000	11-01-84	525,850
Arundeland Incorporated	4.000	09-01-84	664,791
Beale Air Force Base Housing No. 3	4.250	12-01-84	712,246
Beale Air Force Base Housing No. 4	4.250	02-01-85	704,766
Columbus Air Force Base Housing No. 3	4.500	07-01-86	569,792
Columbus Air Force Base Housing No. 4	4.500	08-01-86	642,276
Columbus Air Force Base Housing No. 5	4.500	09-01-86	722,750
Cumberland Housing, Incorporated	4.000	11-01-82	510,493
Dow Air Force Base No. 6	4.500	01-01-88	1,161,638
East Navy Homes, Incorporated	5.000	05-01-83	159,151
Fort Eustis Homes, Incorporated	4.000	06-01-83	1,464,493
Hamilton Air Force Base Housing, Incorporated	4.250	03-01-85	511,143
Hamilton Air Force Base No. 2, Incorporated	4.250	08-01-85	657,250
Hamilton Air Force Base No. 3	4.250	10-01-85	720,036
Hamilton Air Force Base No. 4	4.250	11-01-85	580,409
Iowa - East Corporation	6.000	08-01-82	10,724
Lawrence G. Hanscom No. 2	4.000	11-01-84	554,906
Lawrence G. Hanscom No. 3	4.000	11-01-84	560,276
McChord Air Force Base Housing, Incorporated	4.250	11-01-84	393,518
McChord Air Force Base No. 2	4.250	10-01-84	431,135
McChord Air Force Base No. 3	4.250	11-01-84	421,054
McChord Air Force Base No. 4	4.250	12-01-84	385,050
McChord Air Force Base No. 5	4.250	01-01-85	390,947
McChord Air Force Base No. 6	4.250	11-01-84	264,021
New London NSB, 8th	4.500	11-01-87	1,094,764
New London NSB, 9th	4.500	09-01-87	1,020,006
New London NSB, 10th	4.500	08-01-87	1,190,824
Redstone Housing Corporation	4.000	10-01-82	535,545
Shafter Schofield, Incorporated 2nd	4.500	10-01-86	839,478
Shafter Schofield, 3rd	4.500	01-01-87	507,380
Shafter Schofield, 4th	4.500	03-01-87	742,999
Turner Air Force Base, Incorporated	4.250	10-01-84	70,157
Oak Ridge Tennessee Loans	5.250	07-01-89	695,060
TOTAL			\$ 21,414,023

GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGED BACKED SECURITIES PROGRAM					
	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Pool 05549	8.500%	03-15-05	\$ 3,452,017	3,412,451	2,985,995
Pool 10139	8.500	04-15-06	3,152,500	3,033,458	2,726,913
Pool 26049	8.500	07-15-08	4,783,188	4,574,033	4,137,457
Pool 23867	9.000	08-15-08	4,768,014	4,673,072	4,207,772
Pool 26352	9.000	10-15-08	4,853,081	4,767,128	4,282,844
Pool 26685	9.000	10-15-08	4,718,445	4,638,818	4,164,028
Pool 22995	9.000	11-15-08	4,925,601	4,753,747	4,346,843
Pool 26914	9.000	11-15-08	4,597,332	4,507,328	4,057,146
Pool 28473	9.000	11-15-08	4,864,521	4,763,118	4,292,940
Pool 28178	9.000	02-15-09	9,798,164	9,347,551	8,646,880
Pool 28843	9.000	02-15-09	4,962,214	4,755,002	4,379,154
Pool 31155	9.000	04-15-09	4,839,283	4,586,500	4,270,667
Pool 31660	9.500	06-15-09	4,910,441	4,750,456	4,443,949
Pool 31951	9.000	06-15-09	9,918,674	9,530,565	8,753,230
Pool 32876	9.500	07-15-09	4,880,914	4,726,301	4,417,227
Pool 33990	9.500	07-15-09	4,966,567	4,806,993	4,494,743
Pool 35345	9.500	09-15-09	4,965,117	4,692,858	4,493,431
Pool 35947	9.500	09-15-09	4,942,159	4,697,734	4,472,654
Pool 33368	9.500	10-15-09	4,989,630	4,714,964	4,515,615
Pool 33966	9.500	10-15-09	4,981,038	4,685,814	4,507,839
Pool 35697	10.000	11-15-09	4,977,963	4,699,036	4,617,061
Pool 36739	10.000	11-15-09	2,968,867	2,801,537	2,753,624
Pool 37733	10.000	11-15-09	1,994,953	1,883,355	1,850,319
Pool 36785	10.000	12-15-09	9,996,814	8,616,124	9,272,045
Pool 34673	11.000	01-15-10	4,982,207	4,691,235	4,870,107
Pool 37512	11.000	01-15-10	4,993,085	4,641,326	4,880,740
Pool 36953	11.000	02-15-10	5,017,037	4,664,734	4,904,153
Pool 38664	11.000	02-15-10	4,993,307	4,702,335	4,880,958
Pool 39314	12.500	04-15-10	4,997,608	4,644,389	5,166,027
Project 13632008	7.400	01-01-18	1,265,993	891,816	922,529
Project 07135242 PM	7.460	12-01-18	10,234,114	8,188,874	7,662,281
Project 07144134 NP	8.950	04-30-19	4,780,945	4,447,820	3,956,232
TOTAL			\$165,471,793	155,290,472	148,333,403

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PLAN SUMMARY

A. Purpose

The Teachers' Retirement System (TRS) was established on July 1, 1939 by the Illinois General Assembly to provide retirement allowances and other benefits for teachers, annuitants and beneficiaries. This system superseded a previous retirement fund established on May 27, 1915.

B. Administration

TRS is governed by a nine-member Board of Trustees comprised of the State Superintendent of Education, four members of the System elected by the members and annuitants of the System and four members from the public sector appointed by the Governor.

The Board appoints an Executive Director who is responsible for all administrative functions and supervision of staff employees. The Board also appoints an actuary, investment counsel and legal counsel.

C. Membership

All teachers who are employed under

one of the following conditions in the public common schools of Illinois (outside of Chicago) are members.

- Full-time teachers employed at least four clock hours per day, daily.
- Teachers employed less than full-time, on a permanent and continuous basis, whose services are expected to be rendered for a full and complete school year.

In addition, a member who meets the qualifying conditions may verify and have additional service credit recorded for the following types of service.

- Substitute teaching
- Leaves of absence
- Part-time employment completed prior to 1969
- Out of State teaching
- Military service
- Unused accumulated sick leave

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D. Contributions

Every teacher, meeting the qualifying conditions for membership, is required to contribute to the System. The current contribution rate is 8% of gross earnings. These contributions, upon receipt, are credited to separate reserves for the following purposes:

- 6½% of gross earnings for retirement purposes.
- ½% of gross earnings for post-retirement increases.
- 1% of gross earnings for survivor benefits.

E. Survivor Benefits

1. Definitions

- **Dependent Beneficiary** - a spouse; an unmarried child under the age of 18; or parents who received one-half of their support from the member.
- **Non-dependent Beneficiary** - any individual (other than dependent beneficiaries), organization, or the member's estate. Must be designated by the member.
- **Average salary** - the average of the four highest consecutive annual salary rates within the last ten years of creditable service.
- **Accumulated contributions** - all contributions (except 1% survivor benefit amount) made by the member, plus interest.
- **Retirement** - being in receipt of an age or disability retirement allowance.
- **Inactive member** - person who terminated teaching, for reasons other than retirement, more than one year prior to death.

2. Lump sum settlement

Payable if death occurs: while employed

as a teacher; during the first year following termination of employment for reasons other than retirement; while in retirement. Non-dependent Beneficiaries are eligible only for this settlement. Dependent Beneficiaries may elect to receive this settlement or the monthly income explained elsewhere.

This settlement includes two cash amounts. These are:

- 1/6 of the final salary rate times the number of full years of teaching with TRS.
(Minimum - 1/6 of salary rate
Maximum - 6/6 of salary rate)

- A return of accumulated contributions

3. Monthly income option

Payable only to Dependent Beneficiaries provided the member had established 1½ years of credit with TRS at the time of death. A spouse with no minor children must be age 50 to receive the monthly income.

This settlement includes three cash amounts: These are:

- A one-time payment of \$1,000.
- The appropriate monthly income subject to maximums of \$300 per month for one Dependent Beneficiary and \$500 per month for two or more Dependent Beneficiaries. (Exception: TRS will pay 50% of the member's earned monthly retirement allowance if greater than the above maximums).
- A return of accumulated contributions.

F. Disability Benefits

Teachers who become disabled while em-



ployed as a teacher or within 90 days after such employment may qualify for disability benefits. However, no benefit can be paid for periods the member has a right to receive salary (including sick leave from the employer).

A Temporary Disability Benefit is available to teachers who are not eligible for an Age Retirement Allowance and have a minimum of three years of service. A Permanent Disability Benefit is available to teachers who are not eligible for an Age Retirement Allowance and have received a Temporary Disability Benefit for the maximum eligible period. An Accidental Disability Benefit is available to teachers under age 65 who are disabled due to a duty-related accident or illness.

1. Benefit amounts

- Temporary disability - 40% of current salary.
- Permanent disability - 35% of last salary for most cases; however, there are conditions which would require a calculation similar to the one used in determining an Age Retirement Allowance.
- Accidental disability - 60% of current salary offset by any amounts paid under a workmen's compensation program.

2. Effective date of benefits

- Temporary Disability Benefits begin on the later of: 31st calendar day of absence from duty; day following last day for which salary is payable; or date notification is received, if more than 90 days after commencement of disability.
- Permanent Disability Benefits begin on the day following the last day for which temporary disability is paid.
- Accidental Disability Benefits begin

on the later of: day following the last day for which salary is payable; or the date notification is received, if more than 90 days after commencement of disability.

3. Duration of benefits

- Temporary Disability Benefits cease when one of the following events first occurs: disability ceases; member attains age 65; member accepts any gainful employment; or benefits are paid for a period equal to one-fourth of the member's creditable service.
- Permanent Disability Benefits are payable for the duration of disability or until re-employment as a teacher. Gainful employment other than teaching is permitted within limitations.
- Accidental Disability Benefits are payable until member is able to engage in any gainful employment or until the attainment of age 65.

G. Retirement Allowance

A qualifying member may select one of two types of retirement allowances. The Life Annuity provides the largest allowance payable throughout the lifetime of the retiring member. The Reversionary Annuity reduces the member's earned allowance to provide a monthly allowance, in addition to any benefits under Survivor Benefits Program, for a surviving designated beneficiary.

1. Eligibility

A member qualifies for a retirement allowance after completing one of the following combinations of attained age and years of service:

- age 62 with 5 years.
- age 60 with 10 years.
- age 55 with 20 years.



A member retiring between the ages of 55 and 60 with 20 or more, but less than 35 years of credit, will receive an allowance reduced at the rate of 1/2% for each month the member is less than age 60, unless the Early Retirement Option is utilized.

2. Calculation of benefit

A retirement allowance is determined by two factors. The first is the average salary. This is the average of the four highest consecutive annual salary rates within the last ten years of creditable service. Each annual salary rate used cannot exceed the previous year's full-time rate by more than 20%.

The second factor is the percentage of the four-year average to which the member is entitled. This percentage is determined by formula based upon the years of creditable service as follows:

- 1.67% for each of the first 10 years, plus
- 1.9% for the next 10 years, plus
- 2.1% for the next 10 years, plus
- 2.3% for each year over 30 years of credit.

The maximum allowance, 75% of average salary, is attained with 38 years of service. In determining the member's actual allowance TRS will use total credit (including fractional years) and will use the member's exact age if the early retirement discount is applicable.

3. Early Retirement Option

A member may avoid the early retirement discount if the following conditions are met: (a) retirement occurs after June 1, 1980 and before June 30, 1985; (b) retirement occurs within six months of the last day of teaching for which retirement contri-

butions are required; (c) the member and the employer each make a one-time contribution to the System.

The required contributions are determined as a percentage of the retiring member's last full-time salary rate, or if not full-time then the full-time equivalent as follows:

Member's Age	% By Member	% By Employer
Age 55	35%	100%
56	28	80
57	21	60
58	14	40
59	7	20

This option may be limited at the discretion of the employer to a specified percentage, not lower than 30% of those eligible. The right to participate must be allocated on the basis of seniority in the service of the employer.

II. Post-retirement Increases

TRS provides increases in the original age or disability retirement allowance at the rate of 3% per year. The initial increase is payable, the later of:

- January 1, following the attainment of age 61.
- January 1, following the first anniversary in retirement.

I. Refunds

TRS will refund a member's contributions provided the member has officially resigned from employment and the application is submitted not earlier than four months after termination of employment. The refund consists of all retirement contributions made by the member except for the 1% survivor benefit contribution.

J. Reciprocal Act

TRS is included in the provisions of the Retirement Systems' Reciprocal Act which assures continuous pension credit for public employment in Illinois. Those wishing additional information should contact TRS at the Springfield office.

TEACHERS' RETIREMENT SYSTEM
2815 W. WASHINGTON STREET
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