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1981 ANNUAL FINANCIAL REPORT

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Teachers' Retirement System of the State of Illinois

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TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS



1981 ANNUAL FINANCIAL REPORT

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(As of July 15, 1981)



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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 30, 1981

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, 1981 (FY81), with appropriate comparable data for June 30, 1980 (FY80), is hereby submitted. This report contains comprehensive financial information about the System including financial statements with related footnotes, statistical data, a listing of the investment portfolio, and a plan summary. It also contains the Certified Public Accountants' opinion on the financial statements, and the Actuary's letter on reserve (funding) 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 FY81 were \$637.9 million. This is an increase of 16.1% over FY80 revenues of \$549.6 million.

Member contributions are 8% of gross creditable earnings as prescribed by statute. Member contributions for FY81 were \$166.4 million compared to \$150.5 million for FY80.

State appropriations for FY81 were \$231.8 million. This represents an increase of 9.0% over the FY80 revenue of \$212.7 million. State appropriations were derived from the Common School Fund and the General Revenue Fund as a reimbursement of estimated benefit payments. State appropriations also include an amount received from the State Pension Fund as its share of the distribution of unclaimed assets escheated to the State.

Investment income for FY81 was \$223.5 million compared to \$179.4 million for FY80. This 24.6% increase in investment income 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 88.8% of the System's expenses. The remaining expenses included the payment of refunds to teachers who left the System and withdrew their contributions (10.2%) and the cost of administering the System (1.0%). The combined expenses for FY81 were \$239.5 million. This represents an increase of 7.0% over FY80 expenses of \$223.9 million.

Benefit payments were \$212.8 million for FY81. This is an increase of \$19.7 million or 10.2% over FY80 payments of \$193.1 million. This increase was primarily the result of new retirements and post-retirement increases. FY81 also included implementation of the following benefit improvements: early retirement option for active members between the ages of 55 and 60; increased benefits for annuitants who retired on or before January 1, 1971; increased survivor benefits; and enactment of a health insurance program for annuitants.

Refund claims during FY81 numbered 6,344 compared to 7,564 during FY80 and resulted in payments of \$24.4 million. This is a decrease of 15.5% compared to FY80 payments of \$28.9 million. These payments represent a return of member contributions exclusive of interest and the 1% contributed for survivor benefits. It also represents the payment of contributions, including interest, to the beneficiaries of deceased members.

Administrative expenses during the year were \$2.3 million. For FY81, administrative expenses represented 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 at June 30, 1981 by the Consulting Actuary indicates reserve requirements of \$5.390 billion and an unfunded obligation of the State of Illinois of \$2.495 billion. In past years, employer contributions have been insufficient to fully fund the System. More recently, improvements in funding levels have been achieved. During FY81, the funding level reached 53.7% and marks the tenth consecutive year of improvement (see Page 19 for cost and market value funding ratios).

Investments

The investment portfolio is a major contributor to the financial strength of the System. In FY81 investment income of \$223.5 million represented 35.0% of total revenues. Recent years have shown investment income as a proportionately higher financial resource to the System (see Pages 20-21). 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

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System also utilizes the evaluation services of Becker Securities Corporation and Merrill Lynch, Pierce, Fenner & Smith, Inc.

Investment comments, exhibits, and detailed listing of investments at June 30, 1981 are contained on Pages 26-35.

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 annual audit of the System.

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

Respectfully submitted,

Samuel W. Anderson
Executive Director

FINANCIAL STATEMENTS



Ernst & Whinney

900 First National Bank Building
Springfield, Illinois 62701

217/528-2551

Honorable Robert G. Cronson
Auditor General
State of Illinois

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

We have examined the statement of financial position of the Teachers' Retirement System of the State of Illinois as of June 30, 1981, and the related statement of revenue and expense and changes in net assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances. The financial statements of the System for the year ended June 30, 1980, were examined by other auditors whose report dated December 18, 1980, expressed an unqualified opinion on those statements.

In our opinion, the 1981 financial statements referred to above present fairly the financial position of the Teachers' Retirement System of the State of Illinois at June 30, 1981, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Ernst & Whinney

Springfield, Illinois
December 30, 1981



STATEMENTS OF FINANCIAL POSITION

	June 30	
	1981	1980
ASSETS		
Cash	\$ 1,976,378	3,071,888
Receivables:		
Contributions from School Districts:		
Salary deductions	7,109,889	6,372,920
Federal and trust funds	2,621,139	2,427,759
Contributions from State of Illinois	18,756,988	17,110,305
Members accounts	16,862,146	15,410,024
Accrued interest and dividends	<u>48,576,956</u>	<u>33,744,836</u>
	93,927,118	75,065,844
Investments—Note C	2,797,100,711	2,416,960,812
Property and equipment, net—Note D	<u>4,639,235</u>	<u>4,618,776</u>
	2,897,643,442	2,499,717,320
LIABILITIES		
Benefits payable	378,694	363,583
Refunds payable to former members	1,247,424	1,345,533
Accounts and contracts payable	<u>329,305</u>	<u>694,548</u>
	1,955,423	2,403,664
NET ASSETS	<u>\$2,895,688,019</u>	<u>2,497,313,656</u>
Actuarially-determined accrued benefit cost—Note E	\$5,390,421,114	4,957,477,232
Net assets	<u>2,895,688,019</u>	<u>2,497,313,656</u>
Unfunded accrued benefit cost—representing an obligation of the State of Illinois	<u>\$2,494,733,095</u>	<u>2,460,163,576</u>

See notes to financial statements.



STATEMENTS OF REVENUE AND EXPENSE AND CHANGES IN NET ASSETS

	Year Ended June 30	
	1981	1980
Revenue:		
Contributions:		
Members	\$ 166,396,962	150,501,011
State of Illinois	231,871,230	212,697,717
School Districts:		
Early retirement option	6,041,890	838,619
Federal and trust funds	8,952,592	7,726,276
Total contributions	<u>413,262,674</u>	<u>371,763,623</u>
Investment income:		
Interest	187,990,309	146,545,254
Dividends	35,655,209	32,988,541
Other	116,862	62,162
	<u>223,762,380</u>	<u>179,595,957</u>
Less investment expenses	250,000	195,000
Total investment income	<u>223,512,380</u>	<u>179,400,957</u>
Gain (loss) on sale of investments	1,109,198	(1,598,212)
Total revenue	<u>637,884,252</u>	<u>549,566,368</u>
Expense:		
Benefits:		
Age retirement	166,502,424	154,476,872
Post-retirement	32,838,254	26,996,859
Survivor	9,735,967	8,459,660
Disability	3,567,803	3,121,683
Health insurance	109,689	
	<u>212,754,137</u>	<u>193,055,074</u>
Refunds	24,426,316	28,909,607
Administrative expenses—Note F	2,329,436	1,916,224
Total expense	<u>239,509,889</u>	<u>223,880,905</u>
EXCESS OF REVENUE OVER EXPENSE	<u>398,374,363</u>	<u>325,685,463</u>
Net assets at beginning of year	<u>2,497,313,656</u>	<u>2,171,628,193</u>
NET ASSETS AT END OF YEAR	<u><u>\$2,895,688,019</u></u>	<u><u>2,497,313,656</u></u>

See notes to financial statements.



Notes to Financial Statements

June 30, 1981

NOTE A—SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting: The financial transactions of the Teachers' Retirement System of the State of Illinois are recorded on the accrual basis.

Investments: Investments are valued on the basis of cost. Gain or loss on the sale of investments is determined based on average cost for stocks and identified amortized cost for debt securities.

Property and Equipment: Property and equipment are stated on the basis of cost. Provisions for depreciation are computed by the straight-line method, based upon the estimated useful lives of the assets.

NOTE B—DESCRIPTION OF THE RETIREMENT SYSTEM

The Retirement System is governed by Article 16 of the Illinois Pension Code and benefits under the System are defined in the Code. All full-time teachers and teachers employed less than full-time on a permanent and continuous basis in the public common schools of Illinois (outside of Chicago) are members of the Retirement System.

Members are required to contribute specified percentages of their salaries for retirement benefits, post-retirement increases and survivor benefits. The State of Illinois is obligated by statute to contribute, through annual appropriations, the funds not otherwise provided which are necessary to meet the cost of maintaining the System. There are no statutory provisions for termination of the Retirement System.

The above brief description of the Retirement System is provided for general information purposes only. Members should refer to the Plan Summary included elsewhere in this report or the Illinois Pension Code for more complete information.

NOTE C—INVESTMENTS

Investments at June 30, 1981 and 1980 are summarized below:

	Cost or Amortized Cost		Market Value	
	1981	1980	1981	1980
United States Government and government agency obligations	\$ 443,270,812	332,814,805	391,731,751	325,453,466
Corporate bonds, debentures and notes	1,655,625,148	1,409,114,982	1,286,112,191	1,234,046,384
Common and preferred stocks	698,202,108	675,028,382	716,530,855	637,543,099
Other	2,643	2,643	2,643	2,643
Total	<u>\$2,797,100,711</u>	<u>2,416,960,812</u>	<u>2,394,377,440</u>	<u>2,197,045,592</u>

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Notes to Financial Statements—Continued

NOTE D—PROPERTY AND EQUIPMENT

Property and equipment and the related allowances for depreciation at June 30, 1981 and 1980 are summarized as follows:

	1981	1980
Land	\$ 108,660	108,660
Land improvements	300,860	300,860
Building	3,980,960	3,782,770
Equipment	<u>1,067,965</u>	<u>963,517</u>
	5,458,445	5,155,807
Less allowances for depreciation	<u>819,210</u>	<u>537,031</u>
Net carrying value	<u>\$4,639,235</u>	<u>4,618,776</u>

The System occupies approximately 46% of its building. The remaining space is occupied by various tenants under lease arrangements. Net rental income of \$63,932 for the year ended June 30, 1981 is included in investment income.

NOTE E—ACTUARIALLY-DETERMINED ACCRUED BENEFIT COST

The calculations of accrued benefit cost (arising from service credits in periods prior to June 30, 1981 and 1980, respectively) were made by a consulting actuary as of June 30, 1981 and 1980 on the basis of the entry-age normal cost method. The more significant assumptions underlying the actuarial computations are as follows:

Rate of return on investments	5-½%
Retirement age	Graduated rates by age— 55 to 70 years
Rate of turnover	Graduated rates by age—consistent with the System's experience
Mortality basis	1951 Group Annuity Table

An actuarial valuation is required by statute to be performed at least once every four years to determine the adequacy of actuarial assumptions regarding mortality, service and compensation experience. The most recent valuation was performed as of July 1, 1977. During the period between valuations, the actuary develops annual actuarial estimates, based upon the most recent actuarial valuation performed, which are used to value the expected future benefit payments.

Changes in the reserve accounts maintained in accordance with the provisions of Article 16 of the Illinois Pension Code are summarized below:

Reserve Accounts	Balance July 1, 1980	Allocation of Revenue (Expense)	Statutory Transfers In (Out)	Increase in Unfunded Accrued Benefit Cost	Balance June 30, 1981
Members' accumulated contributions	\$1,173,028,806	105,613,682	19,852,635	----	1,298,495,123
Retirement—annuity payments	1,504,540,794	(166,688,499)	298,710,901	----	1,636,563,196
Post-retirement increases:					
Annual increase in base pensions	836,589,818	6,005,825	85,386,479	----	927,982,122
Increased age retirement allowances	92,840,217	(11,857,027)	9,870,419	----	90,853,609
Minimum retirement allowances	667,077	27,791	34,049	----	728,917
Supplementary payments	74,724	13,067	4,063	----	91,854
Survivor benefits	350,959,148	34,060,119	5,365,020	----	390,384,287
Employer's contribution	998,776,648	431,199,405	(419,223,566)	34,569,519	1,045,322,006
Total	<u>\$4,957,477,232</u>	<u>398,374,363</u>	<u>-0-</u>	<u>34,569,519</u>	<u>5,390,421,114</u>

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Notes to Financial Statements—Continued

NOTE F—ADMINISTRATIVE EXPENSES

Administrative expenses are summarized below:

	Year Ended June 30	
	1981	1980
Personal services	\$1,515,144	1,191,800
Professional services	121,662	95,663
Other contractual services	303,056	301,328
Commodities	59,344	72,216
Occupancy expense	158,626	101,350
Provision for depreciation of equipment	171,604	153,867
	<u>\$2,329,436</u>	<u>1,916,224</u>

NOTE G—CONTINGENT LIABILITY

The System is contesting a claim for refund of \$9.9 million filed by the United States Department of Health, Education and Welfare. The claim is based on a H.E.W. finding that the rates used to compute retirement contributions on salaries paid from federal grants during the years 1968 to 1976 exceeded the contribution rates applicable to the State of Illinois.

NOTE H—RECLASSIFICATIONS

Certain 1980 amounts have been reclassified to conform with 1981 classifications.

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Hansen

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

December 3, 1981

Board of Trustees
Teachers' Retirement System
of the State of Illinois
2815 West Washington Street
Springfield, Illinois 62708

Actuarial Estimate as of June 30, 1981

In accordance with the provisions of the Teachers' Retirement System of the State of Illinois, we have made an estimate of the actuarial position of the Fund and reserve requirements as of June 30, 1981.

This estimate is based on a census of retired members as of June 30, 1981 and a census of active and inactive members as of June 30, 1980. Net assets used for actuarial purposes are based upon cost or amortized cost values less liabilities as provided by the Fund office. Plan provisions considered are the same as for the prior fiscal year.

Actuarial assumptions and methods used are those adopted July 1, 1977 based on the last experience analysis. The unfunded past state requirement is that determined as of July 1, 1977 increased for benefit improvements and costs accruing each year in excess of state contributions.

In our opinion, the reserve requirement of \$5,390,421,114 is a fair representation of the actuarial position of the Fund as of June 30, 1981.

Respectfully submitted,

A. S. HANSEN, INC.

Thomas G. Brand
Member, American Academy of Actuaries
Enrolled Actuary No. 1562

Offices Throughout the United States



ACTUARIAL PRINCIPLES

Actuarial Assumptions

The System's actuary forecasts expected benefit payments, and their value, due to the membership. These are based on studies of actual experience made every four years in accordance with statutory requirements. Illustrations of assumptions, based on the July 1, 1977 study, are as follows:

- 1. Mortality 1951 Group Annuity Mortality Table.
- 2. Rate of return on investments 5 1/2% per year.
- 3. Termination Based on tables reflecting age and sex variations.
- 4. Salary increases Merit and longevity increases. Approximates 2% per year to earliest date of retirement eligibility.
- 5. Disability Based on tables reflecting age and sex variations.
- 6. Retirement age Graduated rates after age 55, based on age and sex variations.
- 7. Actuarial method Entry age normal—frozen liability from July 1, 1977.

Actuarial Present Value of Benefit Requirements

	June 30	
	1981	1980
Retired members	\$2,207,372,970	2,010,840,338
Active members (Net of present value of future normal cost)	3,019,864,423	2,797,692,811
Inactive members	163,183,721	148,944,083
Total Requirements	\$5,390,421,114	4,957,477,232

Funding of Actuarially-Determined Costs

The ultimate total state cost of the Teachers' Retirement System during its entire period of existence will be equal to:

- 1. the total of all benefit payments and administrative expenses, less
- 2. the sum of teachers' contributions and investment return.

The purpose of actuarial determinations is to identify the estimated costs allocable to any one period. If the State of Illinois contributed the actuarially-determined costs, the annual state requirement would remain reasonably consistent as a percentage of the payroll of covered teachers. Historically, the state has not funded the System in this manner. Instead, funding has been as a reimbursement to the System of benefit payments. The unfunded state requirement has increased by past service costs of benefit improvements and by the excess of annual costs over contributions made by the state.

The ratio of assets to actuarial liabilities (funding ratio) summarizes the financial strength of the System. The trend in the funding ratio is an important indicator of the actuarial soundness of the System. Due to increased investment returns and increased contributions from the State of Illinois, the System's funding ratio has improved from 31% in 1972 to over 53% in 1981. (See Page 19 for Cost and Market Value Funding Ratios.)

STATISTICAL TABLES



TEN YEAR SUMMARY OF NET ASSETS AND FUNDING RATIOS

I

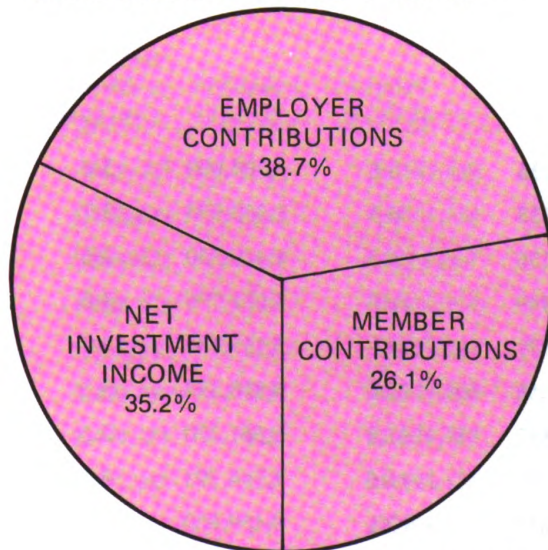
As of June 30	Net Assets at Cost (a)	Net Assets at Market (b)	Actuarial Funding Requirements	Funding Ratio at Cost	Funding Ratio at Market
1972	\$ 835,561,949	836,322,643	2,703,651,719	30.9%	30.9%
1973(c)	962,325,380	930,651,968	2,603,044,525	37.0	35.8
1974	1,086,281,325	947,032,702	2,790,636,472	38.9	33.9
1975	1,260,547,327	1,140,233,842	3,010,690,937	41.9	37.9
1976	1,448,294,814	1,395,658,888	3,328,977,780	43.5	41.9
1977(c)	1,654,558,861	1,596,530,412	3,706,902,237	44.6	43.1
1978	1,896,887,470	1,744,150,335	3,989,247,264	47.6	43.7
1979	2,171,628,193	2,010,050,278	4,560,538,584	47.6	44.1
1980	2,497,313,656	2,277,398,436	4,957,477,232	50.4	45.9
1981	2,895,688,019	2,492,964,748	5,390,421,114	53.7	46.2

- (a) Investments are valued at cost or amortized cost.
- (b) Investments are valued at market value.
- (c) 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 these experience analyses have been reflected in the actuarial funding requirements for the years ended June 30, 1973 and June 30, 1977, respectively.

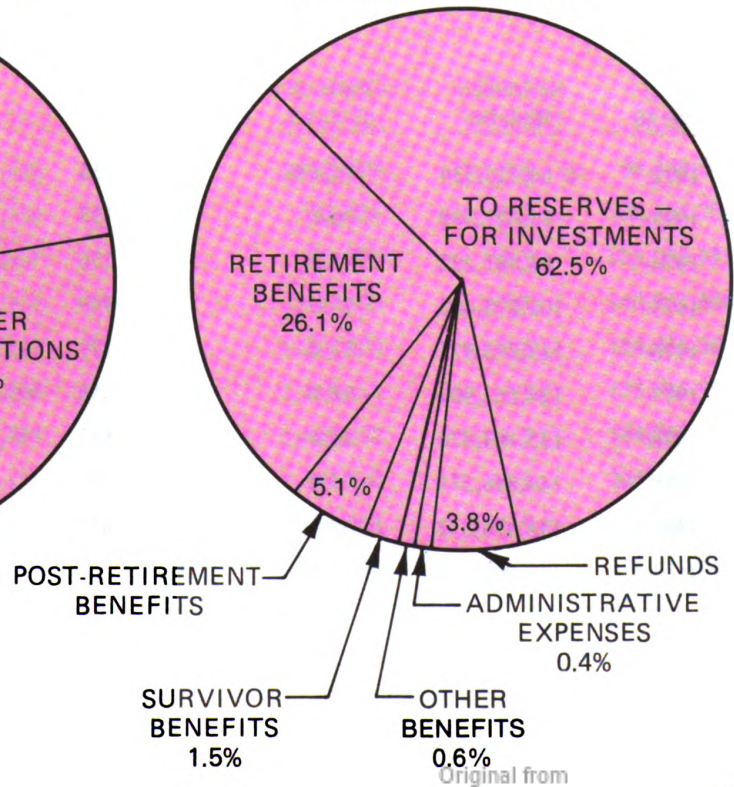
1981 REVENUE

II

WHERE IT CAME FROM —



WHERE IT WENT —





TEN YEAR SUMMARY OF REVENUE
(By Source)

III

Year Ended June 30	Member Contributions	Percent of Total	Employer		
			State Appropriations	District Contributions	Percent of Total
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	150,501,011	27.4	212,697,717	8,564,895	40.3
1981	166,396,962	26.1	231,871,230	14,994,482	38.7

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
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
1981	166,502,424	69.5	32,838,254	13.7	9,735,967	4.1



III — Continued

Investment Income	Percent of Total	Gains (Losses) on Investments	Percent of Total	Other	Total
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
179,400,957	32.6	(1,598,212)	(0.3)	—	549,566,368
223,512,380	35.0	1,109,198	.2	—	637,884,252

IV — Continued

Disability & Health Benefits	Percent of Total	Refunds	Percent of Total	Administrative Expenses	Percent of Total	Total
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	1,916,224	0.9	223,880,905
3,677,492	1.5	24,426,316	10.2	2,329,436	1.0	239,509,889



AGE RETIREMENT BENEFICIARIES BY BENEFIT RANGE AT JUNE 30, 1981

Monthly Benefit	Total Beneficiaries	Cumulative Total	Percentage of Total	Cumulative Percentage of Total
\$ 01 — 100	1,005	1,005	3.2 %	3.2
101 — 200	1,939	2,944	6.2	9.4
201 — 300	3,969	6,913	12.6	22.0
301 — 400	6,115	13,028	19.5	41.5
401 — 500	3,806	16,834	12.1	53.6
501 — 600	3,378	20,212	10.7	64.3
601 — 700	3,106	23,318	9.9	74.2
701 — 800	2,026	25,344	6.5	80.7
801 — 900	1,555	26,899	4.9	85.6
901 — 1,000	1,233	28,132	3.9	89.5
1,001 — 1,100	952	29,084	3.0	92.5
1,101 — 1,200	727	29,811	2.3	94.8
1,201 — 1,300	530	30,341	1.7	96.5
1,301 — 1,400	363	30,704	1.2	97.7
1,401 — 1,500	224	30,928	.7	98.4
1,501 — over	505	31,433	1.6	100.0

	Average Monthly Benefit	Median Monthly Benefit
1977	\$452.24	372.16
1978	469.43	387.36
1979	489.71	407.40
1980	514.77	432.11
1981	550.78	470.81



TEN YEAR MEMBERSHIP PROFILE

VI

<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	31,486	105,247
1981	34,690	31,719*	104,121*

DISTRIBUTION OF ACTIVE MEMBERS*
(At June 30, 1981)

VII

BY AGE				BY SERVICE			
<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	1,325	5,397	6,722	Under 1	352	1,501	1,853
25-29	3,488	10,484	13,972	1-4	5,922	20,371	26,293
30-34	8,105	14,269	22,374	5-9	7,496	17,168	24,664
35-39	8,073	10,325	18,398	10-14	8,806	13,419	22,225
40-44	5,210	7,510	12,720	15-19	5,855	6,770	12,625
45-49	4,379	5,959	10,338	20-24	4,941	3,739	8,680
50-54	3,762	5,609	9,371	25-29	2,613	1,971	4,584
55-59	2,550	3,982	6,532	30-34	1,658	912	2,570
60-64	772	2,209	2,981	35 or more	175	452	627
65-69	126	465	591				
70 or older	28	94	122				
TOTAL	<u>37,818</u>	<u>66,303</u>	<u>104,121</u>	TOTAL	<u>37,818</u>	<u>66,303</u>	<u>104,121</u>

*Estimated



DISABILITY EXPENSES

VIII

As of June 30	PERMANENT		TEMPORARY	
	Current Recipients	Total Amount	Current Recipients	Total Amount
1977	569	1,519,780	133	680,856
1978	590	1,738,476	129	760,809
1979	605	1,844,711	151	837,356
1980	607	2,001,268	196	1,120,415
1981	586	1,997,566	246	1,570,237

SURVIVOR BENEFIT EXPENSES

IX

As of June 30	MONTHLY BENEFITS		LUMP SUM	
	Current Recipients	Total Amount	Total Recipients	Total Amount
1977	1,567	4,153,506	301	1,664,826
1978	1,727	4,887,754	350	1,773,456
1979	1,893	5,586,620	399	1,957,773
1980	2,078	6,420,491	430	2,039,169
1981	2,304	7,485,315	433	2,250,652

PROFILE OF CLAIMS FOR CURRENT YEAR

X

	AGE RETIREMENT Total Claims 1,755	PERMANENT DISABILITY Total Claims 13
Median Age	60	46
Median Service	25.625	12.365
Median Monthly Benefit	\$723.89	\$460.31

INVESTMENTS



INVESTMENT SUMMARY

The investment objective of the Teachers' Retirement System is to provide the greatest possible long term benefits to its members by maximizing the total rate of return on investments within prudent perimeters of risk and within the investment authority established by the Illinois Pension Code. The Springfield Marine Bank, as the System's investment advisor, makes investment portfolio recommendations, evaluating and balancing the risk, rate of return and diversification associated with fund investments.

The System's investment portfolio as of June 30, 1981 had an aggregate market value of \$2.394 billion, an increase of \$197 million or 9.0% over the previous year.

The System received \$224 million in investment income for the fiscal year. As a result of investing new cash flows and reinvesting matured securities at rates as high as 18.25%, the System's income rate of return increased to 9.7% from 9.2% the previous year.

Bond swaps increased the System's annual income by over \$.5 million. The bond swaps will result in a net advantage to maturity for the System of over \$7 million.

The table presented below compares the rates of return for the System's equities, bonds, and total fund (composite) with several market indicators. The System's bond annualized five-year rate of return compares favorably with the returns of the bond market indicators. In the equity area, statutory restrictions forced System portfolio emphasis upon income-oriented and higher capitalized holdings, which has resulted in a slight trailing of the general market indicator, the Standard & Poor 500. Relative to the Dow Jones Industrials annualized five-year rate of return, however, the System's equities compared favorably. Rates of return reflect both realized and unrealized capital gains and losses, as well as total earnings from interest and dividends received.

Rate of Return*	Fiscal Years Ended June 30					Annualized
	1977	1978	1979	1980	1981	5-Year Rate
TRS Time-Weighted Equities	-4.0	0.9	7.8	8.0	18.2	5.9
Standard & Poor 500	0.6	0.0	13.7	17.1	20.4	10.0
Dow Jones Industrials	-4.3	-5.4	9.2	9.7	19.3	5.3
TRS Time-Weighted Bonds	15.7	0.9	7.1	5.3	-5.4	4.5
Salomon Bond Index	15.2	-0.8	7.2	-2.4	-13.0	0.8
LKL Bond Index**	14.9	0.3	7.1	-1.0	-8.5	2.2
TRS Time-Weighted Composite	6.8	1.8	8.2	7.5	2.6	5.4

*Performance calculations provided by Becker Funds Evaluation Service.
**Lehman Brothers Kuhn Loeb Bond Index

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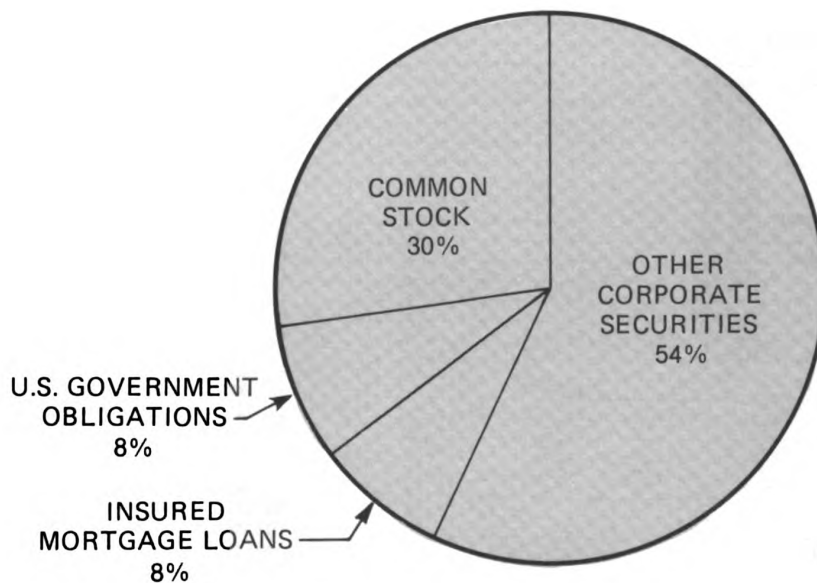


SCHEDULE OF INVESTMENT INCOME*
Years ended June 30, 1981 and 1980

	1981	1980
United States government obligations	\$ 22,526,975	18,398,623
Common and preferred stock	35,655,209	32,988,541
Other corporate securities:		
Bonds	62,512,995	46,284,079
Debentures	36,558,313	33,306,790
Notes	39,979,179	32,738,154
Equipment Trust Certificates	4,267,372	3,011,327
Insured mortgage loans:		
Federal Housing Administration Government National Mortgage Association	900,035	1,087,653
	21,245,440	11,718,628
Royalties and other income	116,862	62,162
	<u>223,762,380</u>	<u>179,595,957</u>
Less investment expenses	250,000	195,000
	<u>\$223,512,380</u>	<u>179,400,957</u>

*Investment income reflects the earnings from securities and does not include gains and losses resulting from the sales of securities.

COMPOSITION OF INVESTMENTS
(AT MARKET VALUE)





TEACHERS RETIREMENT SYSTEM

INVESTMENTS

	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
U. S. GOVERNMENT SECURITIES					
U. S. Treasury Note	13.875%	02-28-82	\$ 5,000,000	4,990,643	4,965,650
U. S. Treasury Note	8.875	06-30-84	5,005,000	4,420,133	4,385,631
U. S. Treasury Note	14.000	12-31-84	10,000,000	9,989,587	9,900,000
U. S. Treasury Note	9.625	08-15-85	5,000,000	4,692,758	4,337,500
U. S. Treasury Note	13.500	02-15-86	20,000,000	19,882,390	19,512,600
U. S. Treasury Note	8.000	08-15-86	5,050,000	4,182,090	4,021,063
U. S. Treasury Note	9.000	02-15-87	5,260,000	4,567,262	4,306,625
U. S. Treasury Note	12.375	01-15-88	5,000,000	4,971,651	4,662,500
U. S. Treasury Note	10.750	11-15-89	5,000,000	5,007,577	4,273,450
U. S. Treasury Note	13.000	11-15-90	10,000,000	9,939,230	9,600,000
U. S. Treasury Note	14.500	05-15-91	5,000,000	5,000,000	5,170,300
U. S. Treasury Bond	8.625	08-15-93	4,025,000	3,164,676	2,840,161
U. S. Treasury Bond	9.000	02-15-94	5,138,000	3,964,903	3,728,287
U. S. Treasury Bills	---	07-02-81	12,560,000	12,555,381	12,157,045
U. S. Treasury Bills	---	07-09-81	6,770,000	6,749,636	6,545,348
U. S. Treasury Bills	---	07-16-81	12,530,000	12,458,610	12,111,059
U. S. Treasury Bills	---	07-23-81	6,700,000	6,635,573	6,472,226
U. S. Treasury Bills	---	07-30-81	14,440,000	14,255,651	13,888,015
U. S. Treasury Bills	---	08-06-81	6,310,000	6,206,685	6,054,129
U. S. Treasury Bills	---	08-13-81	9,810,000	9,618,653	9,633,747
U. S. Treasury Bills	---	08-20-81	10,340,000	10,106,261	9,928,687
U. S. Treasury Bills	---	08-27-81	11,990,000	11,996,791	11,545,888
U. S. Treasury Bills	---	09-03-81	8,330,000	8,103,719	8,017,004
U. S. Treasury Bills	---	09-10-81	12,435,000	12,092,576	12,012,869
U. S. Treasury Bills	---	09-17-81	6,845,000	6,629,502	6,600,149
U. S. Treasury Bills	---	09-24-81	5,980,000	5,782,979	5,771,288
TOTAL			\$214,518,000	207,664,917	202,441,221

	Shares	Cost	Market Value
STOCK			
A. E. Staley Manufacturing Company	215,500	\$ 6,621,554	5,172,000
Aetna Life and Casualty Company	150,000	3,211,950	5,962,500
Air Products and Chemical Incorporated	160,000	4,231,113	6,300,000
Aluminum Company of America	150,000	3,917,073	4,462,500
Amax Incorporated	85,001	2,831,292	4,760,036
Amerada Hess Company	140,000	5,775,800	4,095,000
American Can Corporation	125,000	4,455,550	5,000,000
American Express Company	250,000	8,816,735	12,093,750
American Home Products	450,000	13,409,122	14,793,750
American Telephone and Telegraph	350,006	18,550,675	19,687,837
ARA Services Incorporated	87,000	5,476,816	3,001,500
Archer Daniels Midland Company	163,500	3,720,581	2,943,000
Atlantic Richfield Company	260,000	8,935,764	12,350,000
Baker International Corporation	161,600	5,609,686	6,161,000
Baxter Travenol Laboratory Incorporated	50,000	1,992,425	2,718,750
Beatrice Foods Corporation	285,000	6,619,488	6,198,750
Beckman Instruments Incorporated	20,000	676,325	715,000
Becton-Dickinson and Company	150,000	5,459,928	6,825,000
Beneficial Corporation	169,000	6,553,924	3,929,250
Boeing Company	90,000	3,486,050	2,756,250
Burroughs Corporation	200,000	13,265,737	7,875,000
Caterpillar Tractor Company	175,000	7,346,394	11,484,375
Central Illinois Light Company	100,061	2,137,868	1,400,851
Central Illinois Public Service Company	290,000	3,576,156	3,190,005
Chase Manhattan Bank	100,000	5,506,831	5,375,000
Citicorp First National City Company	435,000	15,504,517	11,745,000
Clark Equipment Company	125,000	5,527,186	4,171,875
Columbia Broadcasting System	75,000	3,545,460	4,200,000
Consolidated Foods Corporation	100,000	4,109,105	2,875,000
Continental Illinois Corporation	175,000	4,533,150	7,131,250
Corning Glass Works	75,000	5,197,704	5,100,000
CPC International Incorporated	220,000	7,056,137	7,177,500
Deere and Company	80,000	2,974,195	3,140,000
Dow Chemical Company	225,000	9,788,107	7,453,125
Eastman Kodak Company	200,000	14,127,962	14,950,000
Eli Lilly and Company	150,000	8,190,025	9,150,000
Emerson Electric Company	250,000	8,660,435	11,500,000
Engelhard Corporation	50,000	1,616,643	1,920,000
Exxon Corporation	400,000	9,424,180	13,700,000
Federated Department Stores	102,900	4,360,631	4,116,000
Firestone Tire and Rubber Company	90,000	2,142,163	1,158,750
Ford Motor Company	277,500	13,206,458	6,625,312
General American Transportation	50,000	1,943,954	1,875,000
General Electric Corporation	425,000	22,393,462	26,296,875
General Foods Corporation	145,000	4,158,098	4,476,875

Original from

UNIVERSITY OF ILLINOIS AT
URBANA-CHAMPAIGN



Stock (continued)

	Shares	Cost	Market Value
General Mills Incorporated	325,000	\$ 7,205,303	12,309,375
General Motors Corporation	300,000	18,854,310	15,900,000
General Telephone and Electronics	175,000	5,793,607	5,140,625
Georgia Pacific Corporation	100,000	2,610,763	2,762,500
Getty Oil Company	180,000	14,111,620	12,465,000
Gould Incorporated	90,000	2,322,988	2,711,250
Gulf Oil Corporation	70,000	2,840,063	2,450,000
Halliburton Company	220,000	4,863,394	13,145,000
Hewlett Packard Company	62,800	4,079,189	5,973,850
Honeywell, Incorporated	115,000	8,909,425	9,818,125
Household Finance Company	104,500	2,704,086	1,750,375
Illinois Power Company	260,000	6,324,421	4,875,019
Inland Steel Company	110,000	5,157,195	3,341,250
International Business Machines Corporation	375,000	22,827,042	21,703,125
International Paper Company	150,000	6,293,778	6,862,500
International Telephone and Telegraph Corporation	210,000	10,281,770	6,483,750
J. C. Penney Company	115,080	5,774,170	3,883,950
K-Mart Corporation	231,000	8,073,285	4,937,625
Libbey Owens Ford Company	90,000	2,896,283	2,441,250
Marathon Oil Company	175,000	9,065,455	10,718,750
Martin Marietta Corporation	85,000	5,014,640	5,780,000
Masco Corporation	150,000	2,535,849	5,925,000
Masonite Corporation	50,000	1,397,194	1,725,000
Middle South Utilities Incorporated	315,000	4,705,673	3,858,750
Minnesota Mining and Manufacturing Company	275,000	15,213,481	15,812,500
Mobil Corporation	440,000	9,182,373	13,200,000
Motorola Incorporated	90,000	5,265,973	6,435,000
Nabisco Incorporated	50,000	1,256,117	1,462,500
National City Bancorporation	450	3,553	5,344
Northern Indiana Public Service Company	195,000	3,187,565	2,242,504
Oklahoma Gas and Electric Company	40,260	1,090,906	563,640
Owens Corning Fiberglass	120,000	2,493,843	3,450,000
Owens Illinois Incorporated	230,000	5,833,028	7,015,000
Peoples Energy Corporation	100,000	3,627,541	4,275,000
Pepsico Incorporated	550,000	10,727,239	19,456,250
Phibro Corporation	125,000	5,063,727	4,800,000
Pillsbury Company	150,000	5,738,148	6,450,000
Pittston Company	120,000	2,680,749	3,300,000
Proctor and Gamble Company	175,000	14,732,675	13,256,250
Radio Corporation of America	325,000	9,681,471	7,475,000
Ralston Purina Company	450,000	5,090,251	5,850,000
Raytheon Company	190,000	7,983,188	8,550,000
Reading and Bates Corporation	180,000	6,357,425	5,625,000
Santa Fe Industries Incorporated	265,000	5,609,993	6,890,000
Schering Plough Corporation	200,000	8,716,656	6,850,000
Scott Paper Company	35,000	667,275	686,875
Sears Roebuck and Company	350,000	12,579,566	6,737,500
Shell Oil Company	110,000	4,905,478	4,950,000
Smith Kline and French Laboratories	75,000	1,645,839	5,906,250
Southern Companies	80,001	1,898,296	960,007
Sterling Drug Incorporated	80,000	1,749,300	1,770,000
Tenneco Incorporated	130,000	5,638,025	5,021,250
Texaco Incorporated	240,000	8,545,018	8,490,000
Texas Oil and Gas Corporation	255,000	6,637,700	8,574,375
Union Carbide Corporation	103,800	6,034,390	6,228,000
Union Oil Company of California	108,500	4,853,325	3,770,375
Union Pacific Corporation	200,000	6,893,099	11,550,000
Walt Disney Productions	150,000	7,127,589	9,506,250
Warner Lambert Company	200,000	7,372,111	4,550,000
Westinghouse Electric Company	100,000	3,727,976	3,037,500
Weyerhaeuser Company	250,000	9,110,481	9,031,250
Whirlpool Corporation	145,000	5,108,888	3,987,500
Xerox Corporation	71,000	8,885,938	3,834,000
TOTAL		\$698,202,108	716,530,855

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	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	9,989,280	8,481,000
American Savings and Loan Association	9.500	06-30-85	5,000,000	5,000,000	3,975,000
Arizona Public Service Company	4.800	11-01-91	2,000,000	2,000,000	975,000
Arizona Public Service Company	4.450	06-01-92	1,000,000	1,000,000	457,500
Baltimore Gas and Electric Company	8.375	09-15-06	6,000,000	6,070,439	3,637,500
Baltimore Gas and Electric Company	12.125	09-15-90	5,000,000	5,000,000	4,450,000
Broadview Savings and Loan Company	8.000	11-01-84	5,000,000	4,996,168	4,100,000
Brooklyn Union Gas Company	9.750	06-01-85	5,000,000	5,000,000	4,250,000
Brooklyn Union Gas Company	4.375	05-28-88	960,000	960,000	528,000
California Federal Savings and Loan Association	7.625	06-15-84	6,885,000	6,829,867	5,680,125
Carolina Power and Light Company	9.250	06-01-08	5,000,000	4,949,415	3,068,400
Carolina Power and Light Company	12.250	11-01-09	5,000,000	5,000,000	3,975,800
Central Power and Light Company	12.375	01-01-10	5,000,000	5,000,000	4,026,300
Chicago Union Station Company	4.625	06-01-88	3,850,000	3,847,148	2,252,250
Citizens Utilities Company	4.800	12-31-91	1,000,000	1,000,000	476,250
Commonwealth Edison Company	3.750	03-01-88	2,770,000	2,371,532	1,574,330
Commonwealth Edison Company	4.625	03-01-90	2,970,000	2,561,096	1,601,543
Commonwealth Edison Company	5.750	11-01-96	4,000,000	4,000,000	1,770,000
Community Federal Savings and Loan Association	10.000	09-01-89	7,880,000	7,506,628	6,205,500
Consolidated Edison Company	4.000	06-01-88	3,185,000	2,677,603	1,914,981
Consolidated Edison Company	4.400	06-01-93	2,000,000	2,000,000	822,500
Consolidated Edison Company	4.600	10-15-94	5,300,000	4,692,471	2,120,000
Federal Farm Credit Banks	15.300	07-01-81	10,000,000	10,000,000	9,943,800
Federal Farm Credit Banks	14.350	10-01-81	15,000,000	15,000,000	14,915,700
Federal Farm Credit Banks	9.450	04-23-84	10,000,000	10,000,000	8,831,300
Federal Farm Credit Banks	13.200	03-04-85	5,000,000	5,000,000	4,800,000
Federal Farm Credit Banks	13.250	04-22-85	5,000,000	5,000,000	4,812,500
Federal Farm Credit Banks	12.750	09-03-85	10,000,000	10,000,000	9,437,500
Federal Farm Credit Banks	13.950	03-03-86	5,000,000	5,000,000	4,881,250
Federal Farm Credit Banks	10.750	10-20-86	10,000,000	10,000,000	8,787,500
Federal Farm Credit Banks	12.650	04-20-88	5,000,000	5,000,000	4,693,750
Federal Farm Credit Banks	13.050	01-23-89	5,000,000	5,000,000	4,762,500
Federal Farm Credit Banks	7.750	09-05-89	10,000,000	10,000,000	7,100,000
Federal Farm Credit Banks	10.950	01-22-90	10,000,000	10,000,000	8,600,000
Federal Farm Credit Banks	10.400	07-23-90	10,000,000	10,000,000	8,325,000
Federal Farm Credit Banks	14.100	04-22-91	5,000,000	5,000,000	5,009,400
Federal Home Loan Bank	11.600	05-25-83	5,000,000	5,000,000	4,754,700
Federal Home Loan Bank	12.800	07-25-85	10,000,000	10,000,000	9,450,000
Federal Home Loan Bank	15.500	05-27-86	5,000,000	5,000,000	5,106,250
Federal Home Loan Bank	11.300	11-25-86	10,000,000	10,000,000	8,975,000
Federal Home Loan Bank	10.450	02-25-87	5,000,000	5,000,000	4,331,250
Federal Home Loan Bank	11.100	03-25-87	5,000,000	5,000,000	4,437,500
Federal Home Loan Bank	7.375	11-26-93	15,400,000	13,726,936	9,851,226
Federal Home Loan Mortgage Corporation	8.750	09-15-99	6,489,600	6,412,647	5,285,000
Federal Home Loan Mortgage Corporation	8.850	03-15-08	7,900,000	7,864,572	5,742,352
Federal Home Loan Mortgage Corporation	9.000	09-15-08	12,525,000	12,496,604	9,785,156
Federal Home Loan Mortgage Corporation	9.400	09-15-08	8,350,000	8,311,852	6,622,636
Federal Home Loan Mortgage Corporation	9.875	03-15-09	20,875,000	20,797,488	16,713,151
Federal Home Loan Mortgage Corporation	10.250	03-15-09	16,700,000	16,452,907	13,558,396
Federal Home Loan Mortgage Corporation	10.000	09-15-09	18,400,000	18,367,687	14,892,592
Federal Home Loan Mortgage Corporation	13.000	09-01-10	17,966,475	17,701,730	16,876,692
Florida Power and Light Company	13.300	11-01-90	5,000,000	5,000,000	4,726,300
Florida Power and Light Company	9.375	06-01-06	5,000,000	5,000,000	3,379,900
Florida Power and Light Company	15.875	03-01-11	5,000,000	5,000,000	5,070,200
Florida Power and Light Company	17.000	05-01-11	5,000,000	5,000,000	5,146,750
Florida Power Corporation	13.625	04-01-87	5,000,000	5,000,000	4,703,350
General Telephone Company of California	4.500	06-01-94	3,000,000	2,987,047	1,402,980
General Telephone Company of Illinois	4.875	09-01-95	4,000,000	4,000,000	1,740,000
General Telephone Company of Ohio	5.100	03-01-96	3,000,000	3,000,000	1,320,000
Gibraltar Savings Association	9.750	08-15-84	5,000,000	5,000,000	4,392,000

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Corporate Securities – Bonds (Continued)	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Government of Canada	9.000%	10-15-83	\$ 5,000,000	5,000,000	4,490,650
Government of Canada	8.625	04-01-98	9,900,000	8,594,392	6,683,490
Houston First Savings Association	8.875	08-01-84	5,000,000	4,996,954	4,177,550
Houston Lighting and Power Company	13.875	02-01-91	10,000,000	9,915,912	9,461,300
Houston Lighting and Power Company	11.250	12-01-09	5,000,000	4,971,537	3,652,300
Illinois Bell Telephone Company	6.000	07-01-98	4,900,000	4,198,613	2,480,968
Illinois Power Company	11.375	08-01-87	5,000,000	4,984,451	4,450,000
Illinois Power Company	8.625	07-01-06	5,000,000	4,961,489	3,075,000
Imperial Savings and Loan Association	7.700	06-15-87	10,400,000	9,065,680	7,436,000
Indianapolis Water Company	4.750	01-01-92	1,500,000	1,504,206	710,625
Inter-American Development Bank	10.750	08-01-87	5,000,000	5,000,000	4,243,750
Inter-American Development Bank	9.000	02-01-01	5,000,000	5,000,000	3,256,250
Inter-American Development Bank	8.750	07-15-01	10,070,000	10,177,650	6,482,563
International Bank for Reconstruction and Development	4.500	02-01-90	3,120,000	2,723,676	1,723,800
International Bank for Reconstruction and Development	5.375	07-01-91	4,952,000	4,952,003	3,123,344
International Bank for Reconstruction and Development	5.375	04-01-92	4,044,000	3,621,068	2,188,815
International Bank for Reconstruction and Development	5.875	09-01-93	15,000,000	14,926,479	8,081,250
Kansas Power and Light Company	4.750	09-01-91	2,000,000	2,000,000	985,000
Kerr Glass Manufacturing Company	12.250	07-01-92	3,082,000	3,082,000	2,739,128
Lachmar U. S. Government Ship Financing	14.000	12-31-89	5,000,000	5,000,000	4,941,050
Long Island Lighting Company	9.250	11-01-82	5,000,000	5,000,000	4,581,250
Long Island Lighting Company	4.400	04-01-93	2,000,000	2,000,000	860,000
Natural Gas Pipeline of America	8.200	08-01-86	5,000,000	5,000,000	3,731,250
Northern California Savings and Loan Association	12.500	02-01-85	5,000,000	5,000,000	4,643,750
Northern Illinois Gas Company	8.750	07-01-01	5,000,000	4,765,777	3,006,250
Northern States Power Company	6.500	10-01-97	5,400,000	3,775,628	2,729,376
Ohio Edison Company	4.750	06-01-91	3,910,000	3,322,583	1,879,342
Pacific Gas and Electric Company	5.000	06-01-91	5,335,000	4,605,849	2,927,581
Patriot Shipping Corporation	8.000	12-07-04	5,000,000	3,050,348	2,950,000
Philadelphia Electric Company	2.750	12-01-81	100,000	99,872	90,500
Philadelphia Electric Company	5.000	10-01-89	4,255,000	3,746,898	2,430,669
Prudential Grace Lines Incorporated	4.400	12-01-90	1,583,000	1,189,435	1,060,610
Prudential Grace Lines Incorporated	4.400	03-01-91	1,624,000	1,219,789	1,071,840
Public Service Company of Indiana Incorporated	12.125	09-01-90	5,000,000	5,000,000	4,506,250
Public Service Company of Indiana Incorporated	8.875	10-01-08	5,000,000	4,941,362	3,125,000
Public Service Electric and Gas Company	4.875	09-01-87	2,450,000	2,204,907	1,535,709
Public Service Electric and Gas Company	8.500	03-01-04	6,000,000	6,136,340	3,637,500
Public Service Electric and Gas Company	12.000	11-01-09	5,000,000	4,988,100	4,100,000
Southern California Edison Company	4.375	09-01-85	2,600,000	2,380,787	1,846,000
Southern California Edison Company	4.500	02-15-90	1,725,000	1,479,449	897,000
Southern California Edison Company	5.250	05-15-91	7,240,000	5,613,578	3,832,711
Southern California Edison Company	8.125	10-15-94	2,955,000	2,845,779	1,911,530
Southern California Edison Company	8.875	03-01-00	5,000,000	5,143,501	3,200,000
Southern Pacific Transportation	8.200	12-01-01	5,000,000	5,000,000	3,193,750
Southern Railway Company	8.500	10-15-01	5,000,000	4,989,853	3,234,400
Talman Federal Savings and Loan Association	8.375	04-15-83	5,000,000	5,000,000	4,487,500
Texas Power and Light Company	9.375	02-01-09	5,000,000	4,979,379	3,421,400
Tucson Gas and Electric Company	4.700	11-01-91	2,000,000	2,000,000	967,500
Twelve Federal Land Banks	7.350	10-20-83	1,555,000	1,442,012	1,336,336
Twelve Federal Land Banks	8.200	01-22-90	10,095,000	9,382,945	7,306,256
Twelve Federal Land Banks	7.350	01-20-97	10,250,000	7,282,632	6,226,875
Union Electric Company	4.750	09-01-90	3,880,000	3,326,361	2,045,769
Valley Federal Savings and Loan Association	8.125	11-01-83	5,000,000	4,994,969	4,359,400
Virginia Electric and Power Company	3.875	06-01-88	1,688,000	1,438,567	951,154
Virginia Electric and Power Company	4.875	06-01-91	2,760,000	2,364,505	1,437,215
Washington Gas Light Company	4.500	06-01-87	1,446,000	1,446,000	880,253
West Penn Power Company	8.500	12-01-07	5,000,000	5,000,000	2,893,850
Wisconsin Electric Power Company	13.750	12-01-86	5,000,000	5,000,000	4,730,550
Wisconsin Electric Power Company	8.875	05-15-08	10,000,000	9,977,598	5,977,100
Wisconsin Power and Light Company	8.875	05-01-06	4,500,000	4,529,954	2,680,020
World Savings and Loan Association	7.950	12-15-82	5,000,000	5,000,000	4,531,250
TOTAL			\$714,388,075	690,911,981	545,103,089

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	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
CORPORATE SECURITIES — DEBENTURES					
A. E. Staley Manufacturing Company	8.875%	06-01-01	\$ 5,000,000	4,960,003	3,312,500
American Telephone and Telegraph Company	10.375	06-01-90	5,000,000	5,000,000	4,137,500
American Telephone and Telegraph Company	4.750	11-01-92	4,000,000	3,262,381	2,029,160
American Telephone and Telegraph Company	4.625	02-01-94	6,000,000	5,535,811	2,736,240
American Telephone and Telegraph Company	5.625	08-01-95	3,340,000	2,818,703	1,807,775
American Telephone and Telegraph Company	4.375	10-01-96	1,150,000	858,232	521,272
American Telephone and Telegraph Company	4.375	05-01-99	8,531,000	7,490,455	3,342,531
Archer Daniels Midland Company	16.000	05-15-11	5,000,000	4,975,094	5,068,750
Armco Steel Corporation	8.500	09-01-01	5,000,000	4,987,888	3,115,650
Associates Corporation of North America	4.625	04-01-85	5,470,000	5,000,093	3,938,400
Bankamerica Corporation	8.750	05-01-01	10,000,000	9,920,546	6,600,000
Beneficial Finance Company	4.500	03-01-92	5,000,000	4,482,094	2,462,000
Beneficial Finance Company	4.450	06-01-88	1,000,000	862,249	550,000
Bethlehem Steel Corporation	8.450	03-01-05	10,000,000	10,000,000	5,900,000
Canadian National Railway Company	9.700	07-15-04	5,000,000	4,988,469	3,432,950
Caterpillar Tractor Company	8.600	05-01-99	6,000,000	6,000,000	3,900,000
Charter New York Corporation	8.500	06-01-02	5,000,000	5,000,000	3,037,500
C. I. T. Financial Corporation	6.375	10-01-86	3,700,000	3,527,047	2,701,000
C. I. T. Financial Corporation	4.625	05-01-89	8,215,000	7,125,199	4,754,431
C. I. T. Financial Corporation	8.800	03-15-93	3,000,000	2,403,538	1,860,000
Cities Service Gas Company	8.250	06-01-91	6,000,000	6,000,000	4,365,000
Clark Equipment Credit Corporation	4.875	12-01-83	2,480,000	2,359,975	2,002,600
Columbia Gas System Incorporated	9.625	11-01-89	1,400,000	1,270,075	1,113,000
Columbia Gas System Incorporated	8.250	09-01-96	10,235,000	9,425,293	5,974,681
Columbia Gas System Incorporated	7.500	10-01-97	5,125,000	3,682,392	3,010,938
Commonwealth Edison Company	12.500	12-15-86	5,000,000	4,973,282	4,550,000
Consolidated Natural Gas Company	8.375	09-01-96	5,000,000	5,000,000	3,400,000
Consolidated Natural Gas Company	8.125	06-01-97	5,000,000	5,048,743	3,162,500
Consolidated Natural Gas Company	8.625	03-01-99	5,000,000	4,619,670	3,271,900
Dow Chemical Company	8.500	02-01-05	10,000,000	10,000,000	6,287,500
Dow Chemical Company	8.625	02-15-08	5,000,000	4,964,434	3,150,000
Edison International Incorporated	9.350	11-15-03	5,000,000	5,000,000	3,350,000
Eltra Corporation	8.500	01-15-01	5,000,000	4,985,988	2,962,500
Federal Home Loan Mortgage Corporation	9.375	12-27-88	5,000,000	5,000,000	3,771,900
Federal Intermediate Credit Bank	7.950	04-01-86	10,000,000	10,000,000	7,850,000
Federal National Mortgage Association	7.300	12-10-86	5,085,000	4,934,675	3,692,981
Federal National Mortgage Association	7.750	03-10-87	5,000,000	5,000,000	3,706,250
Federal National Mortgage Association	7.400	10-01-97	4,440,000	3,971,087	2,553,000
Federal National Mortgage Association	8.200	07-10-02	10,000,000	9,989,661	6,200,000
Flintkote Company	8.250	07-15-96	5,000,000	5,000,000	3,025,000
Ford Motor Company	9.150	08-01-04	5,230,000	3,706,893	3,020,325
Ford Motor Credit Company	8.700	04-01-99	10,000,000	10,000,000	5,900,000
Ford Motor Credit Company	9.850	03-15-04	5,000,000	5,000,000	3,178,150
Ford Motor Credit Company	7.500	10-01-01	5,200,000	4,604,200	2,999,776
General Motors Acceptance Corporation	4.625	06-15-86	2,000,000	1,998,873	1,425,000
General Motors Acceptance Corporation	4.875	12-01-87	2,954,000	2,473,625	1,949,640
General Motors Acceptance Corporation	7.850	11-01-98	5,000,000	4,916,800	2,962,500
Gulf Oil Corporation	6.625	06-15-93	1,775,000	1,244,004	1,100,500
Gulf Oil Corporation	8.500	11-15-95	9,000,000	8,974,121	6,210,000
Honeywell Incorporated	14.125	02-01-11	5,000,000	4,972,243	4,950,000
Household Finance Corporation	4.375	07-01-87	1,000,000	999,078	680,000
Household Finance Corporation	6.375	01-01-88	5,000,000	4,978,665	3,469,050
International Harvester Credit Corporation	7.625	02-01-93	4,772,000	4,200,138	2,380,035
International Harvester Credit Corporation	7.500	01-15-94	5,000,000	4,985,053	2,468,750
Internorth Incorporated	10.750	08-01-90	6,000,000	5,851,637	4,972,500
J. C. Penney Credit Corporation	4.500	07-01-84	6,150,000	5,906,420	4,558,688
John Deere Credit Corporation	5.000	10-31-90	4,000,000	4,000,000	2,168,360
Marine Midland Banks Incorporated	5.000	07-15-89	2,155,000	1,836,432	1,196,025
Marine Midland Banks Incorporated	7.625	03-01-03	8,000,000	8,000,000	4,260,000
Masco Corporation	8.875	06-01-01	5,000,000	4,980,053	3,625,000
Memorex Corporation	5.250	04-01-90	900,000	900,000	391,500
Mobil Oil Corporation	7.375	10-01-01	10,280,000	6,585,370	6,065,200
Monsanto Corporation	8.500	06-15-00	10,000,000	9,962,037	6,300,000
Mountain Fuel Supply Company	4.875	09-01-86	1,960,000	1,964,426	1,317,571
Mountain States Telephone and Telegraph Company	4.500	06-01-02	3,000,000	3,036,897	1,161,540
New England Telephone and Telegraph Company	4.000	04-01-93	4,675,000	3,404,235	2,160,084
New England Telephone and Telegraph Company	4.500	07-01-02	2,000,000	2,009,778	767,300
New Jersey Bell Telephone Company	14.625	03-01-21	5,000,000	4,940,486	4,875,000
Ohio Bell Telephone Company	5.000	02-01-06	1,425,000	1,045,674	561,065
Pacific Telephone and Telegraph Company	9.500	06-15-11	10,000,000	10,000,000	6,400,000
Philadelphia Electric Company	4.850	10-01-86	1,380,000	1,380,000	897,000
Pittsburgh Plate Glass Industries Incorporated	9.000	06-15-95	5,000,000	4,985,687	3,587,500
Province of Ontario Canada	4.750	09-15-90	4,000,000	3,978,640	2,235,000
Quebec Hydro Electric Commission	4.750	11-16-89	4,000,000	4,000,000	2,175,000
Republic New York Corporation	13.750	09-15-05	8,075,000	7,844,657	7,045,438
Southern Bell Telephone and Telegraph Company	4.375	04-01-01	2,000,000	2,014,346	783,440
Southwestern Bell Telephone Company	4.750	10-01-92	10,070,000	7,450,229	5,075,784
Southwestern Bell Telephone Company	4.500	08-01-97	2,000,000	2,008,065	899,380

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Corporate Securities – Debentures (Continued)	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Standard Oil of California	5.750%	08-01-92	\$ 6,350,000	5,963,898	3,798,126
Standard Oil of California	7.000	04-01-96	5,090,000	4,719,688	3,054,000
Swift and Company	4.750	10-01-83	528,000	527,621	436,260
Tenneco Incorporated	14.500	04-01-06	5,000,000	4,925,685	4,878,150
Texas Instruments Incorporated	12.700	02-01-05	2,000,000	1,919,546	1,773,760
Travelers Corporation	8.700	08-01-95	4,697,000	4,697,000	3,223,316
Twelve Federal Intermediate Credit Bank	6.950	01-05-87	4,000,000	3,728,445	2,920,000
Union Carbide Corporation	8.500	01-15-05	10,000,000	10,000,000	6,300,000
Union Oil Company of California	8.375	12-01-82	10,000,000	10,000,000	9,200,000
United Gas Pipeline	5.375	06-01-82	2,774,000	2,776,916	2,524,340
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	6,151,814	4,392,570
Westinghouse Electric Credit Company	7.600	10-15-97	5,000,000	4,520,390	2,940,650
TOTAL			\$466,363,800	441,809,642	304,537,482

CORPORATE SECURITIES — NOTES

American Express Credit Corporation	7.700%	03-01-87	\$ 5,000,000	5,000,000	3,787,500
American Express Credit Corporation	12.875	01-15-91	10,000,000	10,000,000	9,312,500
American International Group Incorporated	7.750	03-01-87	5,000,000	4,989,366	3,759,400
American Investment Company of Illinois	4.625	09-01-83	640,000	640,000	491,200
Appliance Buyers Credit Corporation	-----	07-02-81	3,000,000	2,998,479	2,957,416
Appliance Buyers Credit Corporation	-----	07-15-81	5,000,000	4,968,160	4,954,513
Associates Corporation of North America	-----	07-09-81	5,000,000	4,980,500	4,948,812
Associates Corporation of North America	-----	07-29-81	5,700,000	5,626,629	5,621,387
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	1,800,000	1,800,000	1,093,500
Beneficial Corporation	4.625	06-01-87	3,000,000	3,000,000	1,837,500
Chase Manhattan Bank	-----	07-22-81	5,000,000	4,956,980	4,815,625
Chesbrough Ponds Incorporated	10.625	07-15-90	5,000,000	4,988,676	4,150,000
Chrysler Corporation	11.400	07-15-90	10,000,000	10,000,000	8,706,900
(U.S. Government Guaranteed)					
Chrysler Corporation	14.900	10-15-90	5,000,000	4,903,240	4,812,500
(U.S. Government Guaranteed)					
C. I. T. Financial Corporation	4.375	04-01-83	3,000,000	2,996,719	2,553,750
Citicorp	-----	07-08-81	4,000,000	3,988,742	3,855,250
Citicorp	-----	09-23-81	2,000,000	1,923,933	1,917,594
Citicorp	14.375	02-01-86	5,000,000	5,000,000	4,943,750
Citicorp	8.450	03-15-07	5,000,000	5,094,962	3,150,000
City Investing Company	7.750	03-01-89	2,737,500	2,737,500	1,947,184
Commercial Credit Company	4.500	08-01-85	3,485,000	3,360,235	2,417,719
Commercial Credit Company	9.300	12-01-86	5,000,000	5,000,000	3,950,000
Commercial Credit Company	4.875	09-15-87	2,085,000	1,878,797	1,292,825
Commercial Credit Corporation	-----	07-16-81	5,000,000	4,963,020	4,910,103
Continental Illinois Corporation	8.500	11-01-85	10,000,000	9,985,507	8,150,000
Countrywide Stations Incorporated	7.500	09-01-02	8,925,000	8,925,000	5,522,344
Deere and Company	-----	07-09-81	5,000,000	4,980,278	4,911,250
Deere and Company	10.500	05-15-85	5,000,000	4,990,222	4,481,250
Delaware Western Properties Incorporated	9.000	12-01-00	3,950,000	3,950,000	2,597,125
E. I. Dupont Denemours and Company	8.000	05-01-86	5,000,000	5,000,000	4,000,000
Esmark Incorporated	8.400	02-01-82	5,000,000	5,000,000	4,835,900
Explorer Pipeline Company	8.250	04-15-01	8,920,000	8,920,000	5,441,200
Export Development Corporation	14.125	03-01-88	5,000,000	4,984,414	4,950,000
Federal Home Loan Bank	-----	12-14-81	5,000,000	4,682,985	4,652,430
Federal Home Loan Bank	-----	01-05-82	4,000,000	3,702,332	3,670,666
Federal Home Loan Bank	-----	01-19-82	4,000,000	3,681,291	3,660,777
Federal Home Loan Bank	-----	02-04-82	5,000,000	4,580,867	4,528,958
Federal Home Loan Bank	14.550	04-25-85	5,000,000	5,000,000	4,957,800
Federal Home Loan Bank	8.125	05-28-85	10,000,000	9,977,242	8,162,500
Federal National Mortgage Association	-----	07-01-81	15,000,000	15,000,000	14,830,625
Federal National Mortgage Association	-----	07-02-81	5,000,000	4,997,917	4,868,750
Federal National Mortgage Association	-----	07-06-81	10,000,000	9,977,778	9,857,777
Federal National Mortgage Association	-----	07-09-81	5,000,000	4,983,416	4,854,895
Federal National Mortgage Association	-----	07-16-81	5,000,000	4,963,542	4,863,889
Federal National Mortgage Association	-----	07-23-81	5,000,000	4,957,604	4,824,635
Federal National Mortgage Association	-----	08-19-81	4,000,000	3,908,805	3,897,639
Federal National Mortgage Association	8.200	04-10-84	10,000,000	9,986,992	8,525,000
Federal National Mortgage Association	13.000	11-12-85	5,000,000	5,000,000	4,675,000
First Chicago Corporation	7.750	10-15-86	10,250,000	9,570,720	7,674,688
Ford Motor Credit Corporation	10.000	03-15-83	5,000,000	5,000,000	4,606,250
Ford Motor Credit Corporation	7.850	03-01-88	5,250,000	4,546,351	3,596,250
General Electric Credit Corporation	4.500	03-30-84	3,000,000	3,000,000	2,347,500
General Electric Credit Corporation	8.250	02-15-86	5,000,000	4,988,429	3,987,500
General Electric Credit Corporation	4.650	05-15-86	4,300,000	3,698,423	2,854,125
General Electric Credit Corporation	7.625	02-01-88	5,000,000	4,988,213	3,756,250
General Motors Acceptance Corporation	8.250	03-01-82	5,000,000	5,001,393	4,825,000
General Motors Acceptance Corporation	8.625	11-15-85	5,000,000	5,000,000	4,031,250

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Corporate Securities – Notes (Continued)	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
Getty Oil Company	10.000%	07-15-87	\$ 10,100,000	8,794,032	8,723,875
Humble Transportation Company	7.400	07-01-02	10,000,000	10,000,000	5,700,000
Interamerican Development Bank	8.250	01-15-85	10,000,000	10,003,152	8,275,000
Interco Incorporated	14.250	02-15-91	5,000,000	5,000,000	4,975,000
International Bank for Reconstruction and Development	8.375	07-01-86	5,000,000	5,000,000	3,987,500
International Bank for Reconstruction and Development	7.800	12-01-86	10,622,000	10,608,802	7,993,055
K Mart Corporation	9.875	07-15-85	5,000,000	4,971,474	4,356,250
Kroger Company	5.300	10-19-81	500,000	500,000	484,375
Marathon Pipe Line Company	7.750	12-15-96	4,259,259	4,259,259	2,859,028
Mercantile Trust Company	4.600	12-01-83	3,000,000	3,000,000	2,418,750
Pan American World Airways Incorporated	6.500	12-01-92	5,104,930	5,104,930	3,592,594
Pencorp Financial Incorporated	5.000	08-01-83	103,455	103,455	98,282
Pfizer Incorporated	8.875	08-15-85	10,000,000	10,000,000	8,287,500
Pittsburgh Plate Glass Industries Incorporated	8.000	02-15-85	5,000,000	4,993,194	4,131,250
Private Export Funding Corporation	9.500	09-15-85	5,000,000	5,000,000	4,206,250
Private Export Funding Corporation	7.700	03-31-87	5,000,000	4,992,801	3,737,500
Private Export Funding Corporation	11.750	10-30-87	5,000,000	4,988,691	4,512,500
Republic National Corporation	4.500	10-01-89	2,131,387	2,126,233	1,116,314
Research Properties Incorporated	8.250	11-01-99	4,840,334	4,840,334	3,206,721
Tenneco Incorporated	13.375	01-15-91	5,000,000	4,976,099	4,800,000
Texaco Incorporated	4.500	12-15-89	2,100,000	2,100,000	1,354,500
Times Mirror Company	9.625	09-15-86	10,000,000	9,981,372	8,375,000
U. S. Bancorp	8.600	04-15-88	5,000,000	5,000,000	3,787,500
Union Bank Los Angeles	4.625	11-26-88	2,000,000	2,000,000	1,125,000
United California Bank	4.500	09-17-88	3,000,000	3,000,000	1,672,500
Wells Fargo and Company	11.550	01-15-83	5,000,000	5,000,000	4,756,250
Wells Fargo and Company	9.550	07-01-85	5,000,000	5,000,000	4,315,650
Wells Fargo and Company	10.625	12-15-85	5,000,000	4,987,527	4,462,500
Western Electric Company Incorporated	7.500	06-01-03	10,000,000	10,000,000	5,950,000
Western Slope Gas Company	7.750	12-01-97	10,000,000	10,000,000	5,912,500
TOTAL			\$480,803,865	475,057,014	399,484,295

CORPORATE SECURITIES –
EQUIPMENT TRUST CERTIFICATES

General American Transportation Corporation	8.500%	03-01-94	\$ 6,500,000	6,500,000	4,785,625
Louisville and Nashville Railroad	12.300	02-01-95	5,000,000	5,000,000	4,270,700
Pullman Transport Leasing Corporation	7.750	05-01-93	10,000,000	10,000,000	6,225,000
Seaboard Coastline Railroad Company	11.375	05-15-95	5,000,000	4,975,363	4,030,900
Union Tank Car Company	9.300	11-15-89	1,500,000	1,500,000	1,152,000
Union Tank Car Company	9.800	06-01-99	10,000,000	10,000,000	6,971,600
Union Tank Car Company	14.000	01-15-01	10,000,000	9,871,149	9,551,500
TOTAL			\$ 48,000,000	47,846,512	36,987,325



	Interest Rate	Maturity Date	Par Value	Book Value	Market Value
GOVERNMENT NATIONAL MORTGAGE ASSOCIATION MORTGAGED BACKED SECURITIES PROGRAM					
Pool 23867	9.000%	08-15-08	\$ 4,678,103	4,592,500	3,167,076
Pool 26352	9.000	10-15-08	4,739,376	4,661,740	3,208,317
Pool 26685	9.000	10-15-08	4,570,859	4,498,938	3,106,789
Pool 22995	9.000	11-15-08	4,876,947	4,721,460	3,301,425
Pool 26914	9.000	11-15-08	4,452,036	4,370,673	3,013,606
Pool 28473	9.000	11-15-08	4,747,118	4,655,450	3,222,609
Pool 27245	9.000	12-15-08	3,036,109	2,143,360	2,051,195
Pool 28178	9.000	02-15-09	9,659,851	9,251,483	6,538,938
Pool 28843	9.000	02-15-09	4,852,772	4,664,986	3,284,992
Pool 29739	9.000	03-15-09	3,285,260	2,309,705	2,219,521
Pool 31155	9.000	04-15-09	4,689,639	4,460,190	3,198,659
Pool 29168	9.000	05-15-09	4,773,122	3,422,022	3,471,621
Pool 31660	9.500	06-15-09	4,858,742	4,713,232	3,405,913
Pool 31951	9.000	06-15-09	9,754,752	9,401,538	6,636,116
Pool 32876	9.500	07-15-09	4,823,087	4,682,470	3,366,953
Pool 33990	9.500	07-15-09	4,886,369	4,741,239	3,421,246
Pool 35345	9.500	09-15-09	4,823,434	4,575,394	3,400,511
Pool 35947	9.500	09-15-09	4,783,032	4,560,222	3,350,970
Pool 33368	9.500	10-15-09	4,886,357	4,635,980	3,429,251
Pool 33966	9.500	10-15-09	4,829,719	4,560,602	3,393,784
Pool 35697	10.000	11-15-09	4,910,689	4,656,046	3,550,619
Pool 36739	10.000	11-15-09	2,922,398	2,769,633	2,120,077
Pool 37733	10.000	11-15-09	1,984,000	1,882,116	1,431,750
Pool 36785	10.000	12-15-09	9,768,800	8,507,593	7,049,385
Pool 34673	11.000	01-15-10	4,938,221	4,672,248	3,796,992
Pool 37512	11.000	01-15-10	4,908,183	4,586,632	3,774,235
Pool 36953	11.000	02-15-10	4,994,833	4,672,887	3,839,496
Pool 38664	11.000	02-15-10	4,932,398	4,666,426	3,791,403
Pool 39314	12.500	04-15-10	4,902,525	4,579,254	4,146,104
Project 13632008	7.400	01-01-18	1,259,697	906,709	679,534
Project 12135482	7.400	06-01-18	1,827,853	1,132,348	987,969
Project 07135242 PM	7.460	12-01-18	10,184,546	8,253,018	5,512,543
Project 06235126	7.400	04-01-19	1,716,314	1,056,596	925,754
Project 07144134 NP	8.950	04-30-19	477,482	404,469	444,058
Project 11435227	7.400	06-01-19	1,739,030	1,070,383	937,978
Project 11635097	7.400	06-01-19	1,671,360	1,081,068	901,485
Project 04435458	7.400	07-01-19	2,036,262	1,257,493	1,098,287
Project 11635096	7.400	07-01-19	2,138,983	1,377,746	1,152,377
Project 00035131	7.450	08-01-19	14,999,554	9,234,726	8,090,102
Project 12135627	7.450	08-01-19	3,997,451	2,836,424	2,169,070
Project 12135642	7.400	10-01-19	2,037,392	1,487,097	1,098,872
Project 12135645	7.450	11-01-19	4,261,095	3,036,452	2,314,519
Project 06435179	7.400	11-01-19	6,725,995	4,439,257	3,627,627
Project 08635110	7.400	12-01-19	4,941,473	3,239,563	2,665,155
Project 13635519	7.400	12-01-19	1,261,925	781,933	680,612
Project 13635540	7.400	02-01-20	1,987,614	1,450,824	1,071,993
Project 06235194	7.400	03-01-20	1,718,744	1,061,511	926,975
Project 13635561	7.400	04-01-20	2,206,208	1,582,445	1,189,872
Project 12135651	7.400	05-01-20	2,489,238	1,810,677	1,342,508
Project 13635546	7.400	05-01-20	4,228,957	3,076,565	2,267,462
Project 12135632	7.400	06-01-20	1,942,886	1,383,917	1,047,840
Project 13635552	7.400	06-01-20	1,952,745	1,400,674	1,053,157
Project 13635558	7.400	06-01-20	2,085,398	1,506,322	1,124,700
Project 00035189	7.400	07-01-20	3,200,840	2,264,540	1,726,269
Project 08235178	7.400	09-01-20	2,697,293	1,901,986	1,454,687
Project 13635538	7.400	09-01-20	2,509,518	1,832,572	1,353,408
FHA Project Illinois Mortgages	7.450	05-01-21	37,957,360	20,965,328	20,598,931
TOTAL			\$272,521,944	218,448,662	172,133,297

FEDERAL HOUSING ADMINISTRATION MORTGAGE LOANS

	Interest Rate	Maturity Date	Par Value
Project Loans (34)	4.000—6.000%	07-01-89	\$ 17,157,233



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 active and retired membership and four persons 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 term.

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

*Includes amendments made during 1981 session of the Illinois General Assembly.

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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:

- 6-½% for retirement purposes
- ½% for post-retirement increases
- 1% for survivor benefits

E. Survivor Benefits

Payable if death occurs while employed as a teacher; during the first year following termination of such employment for reasons other than retirement; while in retirement.

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

Non-dependent Beneficiaries are eligible on-

ly 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—final salary rate)
- A return of accumulated contributions.

3. Monthly income option

Payable only to Dependent Beneficiaries provided the member had established 1-½ 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 \$400 per month for one Dependent Beneficiary and \$600 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.

4. Survivor Benefit Refund

Upon retirement, a member with no dependent beneficiary may elect to accept a refund of actual survivor benefit contributions and waive all rights to survivor benefits.

F. Disability Benefits

Members who become disabled while employed



as a teacher or within 90 days after such employment may qualify for disability benefits. However, no benefit may 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 have a minimum of three years of service. A Permanent Disability Benefit is available to teachers who have received a Temporary Disability Benefit for the maximum eligible period. An Accidental Disability Benefit is available to teachers under age 70 who are disabled due to a duty-related accident or illness.

1. Benefit amounts

- Temporary disability—40% of current salary.
- Permanent disability—the greater of 35% of last salary or the amount computed by the age retirement formula. (If disability occurs prior to age 55, the amount computed by the age retirement formula is reduced by ½% for each month the member is under age 55.)
- 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 accepts any gainful employment; or benefits are paid for a period equal to one-fourth of the member's creditable service.

- Accidental Disability Benefits are payable until member is able to engage in any gainful employment.
- Temporary and Accidental Disability Benefits are further limited as follows: If disability occurs prior to age 60, benefits cease at age 65; if disability occurs at age 60 or over, benefits cease after five years or attainment of age 70, whichever occurs first.
- 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.
- Members who are receiving a Temporary Disability Benefit may request termination of this benefit and transfer to a Permanent Disability Benefit. Members who are receiving a Temporary or Accidental Disability Benefit may elect to transfer to an Age Retirement Allowance, if eligible.

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 attaining one of the following combinations of age and years of service:

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



If retirement occurs between the ages of 55 and 60 with 20 or more, but less than 35 years of credit, the allowance will be 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 which is the average of the four highest consecutive annual salary rates within the last ten years of creditable service. In computing the average salary, each annual salary rate earned after June 30, 1979, 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 years of service according to the following formula:

- 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 before June 30, 1985; (b) retirement occurs within six months of the last day of teaching for which retirement contributions 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.

H. 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. TRS Health and Prescription Drug Plan

Persons who are receiving a monthly retirement, disability or survivor benefit from TRS and their eligible dependents qualify for the TRS Health and Prescription Drug Plan. This partially subsidized plan covers hospital and physicians' medical expenses and may provide 100% coverage for prescription drugs.

J. Refunds

TRS will refund a member's contributions provided the member has officially resigned from teaching 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 excluding 1% survivor benefit contribution.

K. 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.

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