

# STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

\* \* \*

## TWENTY-SEVENTH ANNUAL REPORT OF THE BOARD OF TRUSTEES

JUNE 30, 1970

\* \* \*



State of Illinois  
RICHARD B. OGILVIE, Governor

1201 South Fifth Street  
Springfield, Illinois 62706

(As Constituted June 30, 1970)

HOWARD C. REEDER, *Chairman*  
*Chairman, Executive Committee*  
Continental Assurance Company

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*Auditor of Public Accounts*  
(Member Ex Officio)

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*Director of Finance*  
(Member Ex Officio)

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*Director of General Services*  
Department of Mental Health

\*\* THEODORE F. MORF  
*Deputy Chief Highway Engineer*  
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\* \* \*

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*State Treasurer*  
*Treasurer*

A. A. WEINBERG  
*Consulting Actuary*

HON. WILLIAM J. SCOTT  
*Attorney General*  
*Counsel*

\* Retired. Succeeded by Robert E. Lanier, July 13, 1970.  
\*\* Retired. Succeeded by Ralph D. Brown, Jr., July 23, 1970.

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**LETTER OF TRANSMITTAL**

May 15, 1971

To His Excellency  
The Honorable Richard B. Ogilvie  
Governor of the State of Illinois  
Springfield, Illinois

Sir:

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Twenty-Seventh Annual Report of the Board for the fiscal year ended June 30, 1970.

Respectfully submitted,



Chairman

## FINANCIAL FACTS — IN COMPARISON

<i>For the Year</i>	<i>Fiscal Year Ended June 30th</i>	
	<i>1970</i>	<i>1969</i>
Total Revenue .....	\$ 69,176,977	\$ 63,531,792
Total Expenditures and Charges .....	30,252,210	30,731,357
Excess of Total Revenues Over Total Expenditures .....	38,924,767	32,800,435
Contributions by Members .....	23,784,831	23,319,177
Contributions by Employer .....	32,069,702	29,596,832
Investment Income .....	13,322,444	10,615,783
Investment Income as Proportion of Total Revenues .....	19.3%	16.7%
Service Retirement Allowances .....	14,142,828	12,111,419
Survivors' Annuity and Widows' Annuity Payments .....	3,776,941	3,313,250
Disability Benefits .....	1,956,664	1,697,328
Death Benefits .....	1,858,711	2,075,139
Refunds .....	8,517,066	8,199,796
Net Loss on Bond Conversions .....	—	3,334,425
 <i>At End of Year</i>		
Net Present Assets .....	\$ 272,476,887	\$ 233,552,120
Accrued Liabilities .....	551,639,998	503,132,139
Unfunded Accrued Liabilities .....	279,163,111	269,580,019
Per Cent Funded .....	49.4%	46.4%
Amortized Book Value of Investments .....	265,117,966	225,189,129
Average Yield on Investments .....	5.73%	5.40%

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# STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

## TWENTY-SEVENTH ANNUAL REPORT OF THE BOARD OF TRUSTEES

Fiscal Year Ended June 30, 1970

In keeping with established policy, there is presented herewith the Twenty-Seventh Annual Report of the Board of Trustees. This report embodies essential facts concerning the operations of the System for the year, and its financial condition at the close of the year, supplemented by a variety of statistical data on the members and pensioners and their dependents.

*General.* The current financial condition of the System has shown improvement during the year. The rate of funding, or security ratio as it is otherwise referred to, increased from 46.4% to 49.4%. This represents the extent to which the total accrued liabilities for the various benefit obligations are covered by net present assets. The accrued liabilities consist of (a) the actuarial value of the lifetime payments to pensioners on the roll, plus (b) the actuarial value of the proportionate pension credits earned by the active members, including liabilities for death and survivors' benefits. This trend may be construed as evidence of improved financial stability and definite progress in operations.

*Membership.* Total membership of State employees at the close of the year was 65,244. Coverage of State employees under social security increased greatly since the inception of this program on January 1, 1969. At that time, 19% of the eligible members in service elected to come under the coordinated plan under the option then in effect. This was equal to approximately 9,500 employees. At that date, approximately 19,000 other State employees who had not as yet qualified for State System membership under the one-year waiting period were subject to compulsory coverage by social security.

At June 30, 1970, approximately 40,000 State employees were under the coordinated plan.

*Financial operations.* Total revenue for the year amounted to \$69,176,977 compared to \$63,531,792 for the preceding year. These revenues are steadily increasing as the result of an increased membership, larger salaries and improved investment

income. Expenditures for the year for pensions, benefits and refunds totalled \$30,252,210 compared to \$27,396,932 a year ago. These payments are also in an upward trend in keeping with the increase in the pension and benefit rolls.

The excess of revenues over expenditures for the year amounted to \$38,924,767. Last year this excess was \$32,800,435 after giving effect to a net loss on sale of investments of \$3,334,425. Excess revenues represent, for the most part, additional pension credits earned by the employees for the service rendered during the year for which reserves must be accumulated and maintained by the System.

The pension roll has shown its normal increase, both in the number and amount of payments. Total pension payments during the year amounted to \$14,142,828 compared with \$12,111,419 during the preceding year. Pension payments will continue in an upward trend for many years until the pension roll attains a balance between additions thereto and separations therefrom by death.

Ordinary disability benefits showed a marked increase during the year reflecting the general trend. Accidental disability benefits also showed an increase for the year. Payments for these benefits increased from \$1,697,328 to \$1,956,664. A larger number of claims was incurred during the year. Refunds for the year were also greater than in the preceding year increasing from \$8,199,796 to \$8,517,066. It is noted that payments on account of death claims were lower, both in number and amount. This development is in accord with the general expectancy.

*Reserves.* At the close of the year total reserves amounted to \$272,476,887. The reserves increased in the sum of \$38,924,767 which is represented by the excess of revenues over expenditures for the year.

The reserves included the amount of \$160,282,451 representing member contributions plus interest accumulations, a provision for death benefits payable upon death of pensioners of \$8,005,729, and a reserve for post-retirement increases to present and future retirees of \$5,906,522. The remainder of \$98,282,185 represented the general reserve to meet the accrued and accruing liabilities of the System.

### INVESTMENTS

At June 30, 1970, the Board transferred all its investments and the accrued income therefrom to a new agency created by the State, namely, Illinois State Board of Investment. This transfer was made in accordance with an amendment to the Illinois Pension Code approved October 10, 1969 establishing the aforesaid Board. This new agency began operations on July 1, 1970.

The amendment granted authority to the new Board to manage, invest and reinvest the reserves and monies of the State Employees' Retirement System, the General Assembly Retirement System and the Judges Retirement System. The amendment further stipulated that a transfer shall be made prior to July 1, 1970 of all investments owned by these three systems and accrued income. Thereafter, periodic transfers were to be made of all funds becoming available for investment.

The investments and accrued income transferred to such agency at June 30, 1970 were credited to this System on the books of the Illinois State Board of Investment. Each investment transferred to the said Board at that date was valued at amortized cost.

Based upon a report rendered by the Illinois State Board of Investment, the book value of the investments transferred at June 30, 1970 was \$261,245,208. This was in agreement with the audited reports rendered by auditors employed by our Board of Trustees. The market value of the investments at that date was \$206,367,715.

*Amendments.* Consideration has been given by the Board from time to time to possible revisions of the benefit provisions to give effect to underlying economic trends. While the formulation of policy on public employee pensions is essentially a function and responsibility of the Illinois Public Employees Pension Laws Commission, the Board directed that suggestions with respect to possible basic changes should be formulated and presented to the said Commission for evaluation, report and recommendation.

Accordingly, the Board directed the staff of the System to submit periodically proposals for changes in the retirement plan with the view of effecting desirable improvements in the provisions thereof.

*Annual actuarial valuation.* An actuarial valuation was completed as of June 30, 1970 in accordance with the specific directive of the law governing the System. The report of the actuary, which is a part of this annual report, discloses that the unfunded accrued liability at the aforesaid date was \$279,163,111. This represented the actuarially computed value of the unfinanced pension credits on the part of the State of Illinois which are to be discharged by future appropriations to the System by the State.

The actuary previously reported the State's normal cost for financing the System was 6.2% of payroll for fiscal year 1970.

*Conclusion.* Administrative policies and procedures are geared to high standards in order that a full measure of service may be provided the membership of the System at all times.



The trustees acknowledge with appreciation the cooperation and service during the year of the officials of the State of Illinois and the competence and loyalty of the administrative staff of the System.

BOARD OF TRUSTEES  
State Employees' Retirement System of  
Illinois

*Arnold C. Fisher*

Chairman

*Michael J. Howlett*

*John W. McClure, Jr.*

*Raymond Brown*

*Robert E. Lomax*

*Norman E. Lutz*

Secretary

## ACTUARY'S CERTIFICATION

Board of Trustees  
State Employees' Retirement  
System of Illinois  
Springfield, Illinois

We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1970.

Appended hereto is a Valuation Balance Sheet showing the total assets, liabilities and reserves of the System at the aforesaid date. Present assets and current liabilities applied in this statement were derived from the Audit Report dated April 19, 1971 of McGladrey, Hansen, Dunn & Company.

In our opinion, the accompanying Valuation Balance Sheet correctly presents the condition of the State Employees' Retirement System of Illinois at June 30, 1970, giving effect to the accrued liabilities on all benefits comprising the benefit schedule and total reserve requirements under the applicable law.

A. A. Weinberg  
Consulting Actuary

May 14, 1971

**VALUATION BALANCE SHEET — JUNE 30, 1970**  
**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**ASSETS**

**PRESENT ASSETS:**

Cash .....	\$ 2,868,729	
Accounts receivable .....	5,064,179	
Investments (at amortized cost) .....	265,117,967	\$ 273,050,875

**PROSPECTIVE ASSETS:**

Obligations for service to be rendered after June 30, 1970—		
Male members .....	\$ 87,332,718	
Female members .....	52,134,651	
State of Illinois .....	129,266,113	268,733,482

**DEFERRED ASSETS:**

Due from the State of Illinois for un-financed accrued pension credits ....		279,163,111

TOTAL ASSETS .....		\$ 820,947,468

## VALUATION BALANCE SHEET — JUNE 30, 1970

## STATEMENT OF ASSETS, LIABILITIES AND RESERVES

## LIABILITIES

## CURRENT LIABILITIES:

Benefits payable .....	\$ 291,549	
Refunds payable .....	282,439	\$ 573,988
	<hr/>	

## FUTURE SERVICE LIABILITY:

For pension credits on account of service after June 30, 1970		
Male members .....	\$ 151,273,051	
Female members .....	117,460,431	268,733,482
	<hr/>	

## RESERVE LIABILITIES

## MEMBERS' CONTRIBUTIONS:

For prospective retirement and widows' annuities on account of active mem- bers .....	\$ 90,110,087	
For future refunds and death benefits— actuarial value of future payments ..	70,172,363	160,282,450
	<hr/>	

## EMPLOYER CONTRIBUTIONS:

For prospective retirement and widows' annuities on account of active mem- bers—present value of total liability for accrued requirements .....	\$ 310,252,469	
Less, Members' contribution credits ....	90,110,087	220,142,382
	<hr/>	

## RETIREMENT AND BENEFITS RESERVE:

Actuarial value of retirement, widows' and survivors' annuities in force ....		171,215,166
		<hr/>

<b>TOTAL LIABILITIES AND RESERVE REQUIREMENTS .....</b>		<b>\$ 820,947,468</b>
		<hr/> <hr/>

The following explanation is given regarding the several items comprising the assets, liabilities and reserves of the System in order to facilitate an understanding thereof.

*Present Assets* comprise the assets on hand as taken from the audit report of McGladrey, Hansen, Dunn & Company for the 1970 fiscal year, dated April 19, 1971.

*Prospective Assets* represent the obligations of the participants and the State for service to be rendered subsequent to June 30, 1970. They consist of amounts, actuarially determined, with the application of the factors of mortality, interest, turnover and others that enter into the computation of the present value of liabilities for benefits accruing on account of future service.

*Deferred Assets* constitute the amount accrued and unpaid on account of service rendered prior to the balance sheet date. This item is referred to as the "unfunded accrued liability" or "actuarial deficit." This is an obligation of the State to be discharged in future years by increasing appropriations to the System.

*Current Liabilities* consist of the accrued benefits and deferred credits.

*Future Service Liability* is an offset to Prospective Assets and represents the present value of the proportionate pension credits to be earned by the participants during future service extending from the balance sheet date to the assumed ages of retirement.

*Reserve Liabilities* embrace three items and represent the amounts necessary to fully fund all accrued liabilities for pensions and refunds for service prior to the balance sheet date. The three items comprising these requirements are described below.

*Reserve for Members' Contributions* represent the participants' own contribution credits including interest to the balance sheet date. Part of these credits are subject to refund in future years on account of resignation, dismissal or death, and part are to be applied to finance a portion of the retirement annuities and survivors' benefits to become due in the case of participants now in service or their beneficiaries who will ultimately qualify for such benefits.

*Reserve for State Contributions* represents the State's portion of the accrued pension credits for those participants now in service who ultimately will become entitled to retirement annuities at the ages assumed for their retirement or whose beneficiaries may become eligible for payments under the widows' or survivors' benefit provisions.

*Retirement and Benefits Reserve* constitutes the amount required to pay out during the future lifetime of the present pensioners and beneficiaries the pensions and other benefits previously granted and in force at the balance sheet date.

## REPORT OF THE ACTUARY

Article 14 of the Illinois Pension Code governing the State Employees' Retirement System provides that the actuary shall

"make an annual valuation of the liabilities and reserves of the system, an annual determination of the amount of contributions required from the State under this Article, and certify the results thereof to the Board,"

In accordance with this directive, an actuarial valuation of the State Employees' Retirement System was completed as of June 30, 1970.

*Basis of valuation.* The benefit and contribution provisions governing the System forming the basis of this valuation are summarized in the appendix. Effect thereto has been given in this valuation to all amendatory changes in the benefits prior to the date of valuation in order to establish the financial condition of the System on a current basis.

The valuation of reserves and liabilities under the established benefit schedule was made according to the GA-1951 table of mortality with an interest assumption of 4% per annum. Deaths occurring while in service were valued upon the basis of the 1960 Commissioners Standard Group Table.

*Results of valuation.* The accompanying Valuation Balance Sheet presents the results of this valuation and illustrates the financial condition of the System at June 30, 1970. Total accrued liabilities are shown at \$551,639,998. To meet these liabilities, the System had net present assets amounting to \$272,476,887. The difference between these two amounts of \$279,163,111 represents the unfunded accrued liability, commonly referred to as the actuarial reserve deficiency. It constitutes a deferred obligation of the State of Illinois to be discharged by future appropriations.

*Statistical data.* The statistics required for the preparation of this report were compiled and tabulated by the staff of the System under the direction and supervision of the Secretary. Detailed tables reflecting this data are presented in the latter pages of this report. Summaries of the data are presented in the succeeding pages.

*Membership.* Pertinent facts pertaining to membership are as follows:

	<i>Male</i>	<i>Female</i>
Number of members .....	34,260	30,984
Proportion of total .....	52.5%	47.5%
Aggregate annual salaries .....	\$289,950,240	\$200,269,392
Average annual salary .....	\$8,463	\$6,464
Average age .....	47.6	45.6
Average service .....	6.2	6.5

*Service retirement.* The number of retired members at the close of the year are shown with the following characteristics:

	<i>Male</i>	<i>Female</i>
Number of retired members .....	4,136	4,043
Proportion of total .....	50.6%	49.4%
Aggregate annual payments .....	\$8,220,159	\$6,317,902
Average annual payment .....	\$1,987	\$1,562
Average age at June 30, 1970 .....	71.7	72.4
Average age at retirement .....	65.7	65.6

*Survivors' benefits.* The following statistics are pertinent to survivors' benefits payable by the System:

	<i>Widows' Annuities</i>	<i>Survivors' Annuities</i>
Number of beneficiaries .....	1,067	1,546
Annual payments .....	\$930,802	\$2,632,557
Average annual payment .....	\$872	\$1,702
Average age (exclusive of 79 children) ....	71.9	60.7

*Non-occupational death benefit.* This ordinary death benefit which is payable when no eligible dependent survives consists of (a) members' accumulated contributions, and (b) an amount equal to 1/12th of the annual rate of salary for each year of credited service not to exceed 50% of salary. The benefit represents a substantial amount of life insurance for State employees.

Claims incurred during the year on deaths occurring while in service consisted of 202 compared to 218 for the preceding fiscal year. The rate of incidence approximates the expectancy according to the assumed mortality standards.

*Occupational death.* The rate of incidence of these claims was below the expectancy according to the standard in use in an evaluation of the effect of these risks among the employees comprising the membership of the System.

*Non-occupational disability.* Only members with at least 5 years of credited service who are under age 65 are qualified for the non-occupational disability benefit. The number of these claims has fluctuated during recent years due principally to (a) the normal increase in incidents as a result of a larger membership and (b) to personnel policies of the several State departments. Claim payments increased during the year approximately 16%.

*Withdrawal benefits—refunds.* It is noted that an increase occurred in refund payments both in number and amount in the case of State employees withdrawing from service. For the fiscal year under review, a total of 6,794 requests for refunds were processed involving payments aggregating \$8,517,066 compared to 6,210 for the 1969 fiscal year with refund payments amounting to \$8,199,796. The number of withdrawals from the System exceeded the rates of separation assumed in the actuarial functions used for our valuation and cost calculations. It is noted that approximately 73% of the refund payments were made to employees having completed less than 5 years of service.

*Financing the System.* A check of the normal cost rate for the State of Illinois indicates that the rate of 6.4% of payroll for fiscal year 1971 is reasonably adequate in meeting the accruing cost for future service of the members of the System. The rate for fiscal year 1972 has been determined to be 5.54% of payroll. The rate, however, may have to be revised if certain amendatory changes of the law of a substantive character presently under consideration are enacted into law.

*General.* The report presents pertinent facts pertaining to the condition of the System and the results of its operation for the 1970 fiscal year. It is hoped that the systematic plan of financing the System's obligations providing for current budgeting on a departmental basis will be maintained according to the rates certified by the board of trustees. This is the method conceived by the Pension Laws Commission and constitutes the only sound approach to the problem of financing pensions to insure a stable and financially sound financial structure for the Retirement System.

A. A. Weinberg  
Consulting Actuary



**AUDITORS' REPORT  
AND  
FINANCIAL STATEMENTS  
JUNE 30, 1970**

## AUDITORS' REPORT

Auditor General  
State of Illinois  
Springfield, Illinois

We have examined the accompanying statement of assets, liabilities and reserves of the System Trust Fund of State Employees' Retirement System of Illinois at June 30, 1970 and the related statement of income, expenditures and changes in reserve balances 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.

As more extensively described in Notes 1 and 2 of the Notes to Financial Statements, the accompanying statements of the System Trust Fund do not reflect certain actuarially determined financial data. Accordingly, they do not purport to present the financial position and results of operations of the System Trust Fund in accordance with generally accepted accounting principles.

In our opinion, the financial statements mentioned above present fairly the individual assets, liabilities and reserves shown on the statement of assets, liabilities and reserves of the System Trust Fund of State Employees' Retirement System of Illinois at June 30, 1970 and the income and expenditures and changes in reserve balances of the System Trust Fund for the year then ended in conformity with the System's accounting policy as described in Note 1 of the Notes to Financial Statements applied on a consistent basis.

McGladrey, Hansen, Dunn &  
Company  
Certified Public Accountants

Springfield, Illinois  
April 19, 1971

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS  
SYSTEM TRUST FUND**

**STATEMENT OF ASSETS, LIABILITIES AND RESERVES**

**JUNE 30, 1970**

**ASSETS**

Cash .....		\$ 2,868,729
Receivables:		
Members' Contributions .....	\$ 2,025,677	
Contributions by employers .....	2,999,645	
Allowances from other systems .....	4,826	
Cancellation of benefits .....	34,031	5,064,179
Investments, at amortized cost (Notes 3 and 4):		
Equity in State Employees' Investment Fund of Illinois State Board of In- vestment .....		265,117,967
Total Assets .....		<u>\$ 273,050,875</u>

**LIABILITIES AND RESERVES**

Liabilities:		
Benefits Payable .....	\$ 291,549	
Refunds Payable .....	282,439	
Total Liabilities .....		\$ 573,988
Reserves (Notes 2 and 5):		
Members' contributions .....	\$ 144,124,835	
Interest accumulations .....	16,157,616	
Annuitants' death benefits .....	8,005,729	
Retired members' supplemental annuity .....	3,632,810	
Automatic annuity increase .....	2,273,712	
Contingent general .....	98,282,185	
Total Reserves .....		272,476,887
Total Liabilities and Reserves .....		<u>\$ 273,050,875</u>

The Notes to Financial Statements are an integral part of this statement.

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**SYSTEM TRUST FUND**  
**STATEMENT OF INCOME, EXPENDITURES and CHANGES IN RESERVE BALANCES**  
**Year Ended June 30, 1970**

	<i>Allocated To</i>						
	<i>Total</i>	<i>Members' Contributions</i>	<i>Interest Accumulations</i>	<i>Annuity Death Benefits</i>	<i>Retired Members' Supplementary Annuity</i>	<i>Automatic Annuity Increase</i>	<i>Contingent General</i>
<b>Income:</b>							
Contributions by members .....	\$ 23,755,429	\$ 22,445,108			\$ 313,874	\$ 996,447	
Contributions by employers .....	30,369,702						\$30,369,702
Contributions from State of Illinois from appropriations made directly to State Employees' Retirement System of Illinois .....	1,700,000						
<b>Interest income:</b>							
On investments .....	13,322,444					1,275,000	425,000
From members .....	29,402						13,322,444
<b>Total Income .....</b>	<b>\$ 69,176,977</b>	<b>\$ 22,445,108</b>			<b>\$ 313,874</b>	<b>\$ 2,271,447</b>	<b>\$44,146,548</b>
<b>Expenditures:</b>							
<b>Benefits:</b>							
Service retirement allowance .....	\$ 13,865,992						\$13,865,992
Death benefit after retirement .....	98,604						98,604
Ordinary death .....	1,472,241	\$ 1,071,485					400,756
Accidental death .....	287,866	32,431					255,435
Ordinary disability .....	1,848,618						1,848,618
Accidental disability .....	108,046						108,046
Survivors' annuity .....	2,808,614						2,808,614
Widows' annuity .....	958,185						958,185
Retired members' supplementary annuity increase .....	276,836				\$ 276,836		
Reversionary annuity .....	10,142						10,142
Refunds .....	8,517,066	8,517,066					
<b>Total Expenditures .....</b>	<b>\$ 30,252,210</b>	<b>\$ 9,620,982</b>			<b>\$ 276,836</b>		<b>\$20,354,392</b>
<b>Excess of income over expenditures .....</b>	<b>\$ 38,924,767</b>	<b>\$ 12,824,126</b>			<b>\$ 37,038</b>	<b>\$ 2,271,447</b>	<b>\$23,792,156</b>

<b>Reserve transfers (Note 5) :</b>	
Interest credited to members' accounts, net of interest on accounts of members who retired or received refunds during the year . . . . .	\$ 1,396,547
Transfer accumulated contributions of members who retired during the year, net of accumulated contributions of annuitants who resumed employment, to contingent general reserve . . . . .	\$ (5,706,978)
Transfer to adjust annuitants' death benefit reserve to an amount representing the excess of annuitants' contributions over payments made. Contributions credited to members' accounts during periods of temporary disability . . . . .	281,298
Interest income in excess of 4% of average investments at June 30, 1970 . . . . .	\$ 2,265
Reserve transfers, net . . . . .	\$ 3,595,772
Net increase in reserves for the year . . . . .	\$ 1,406,930
Reserve balances, beginning . . . . .	\$ 1,406,930
Reserve balances, ending (Notes 1, 2, and 5) . . . . .	\$ 2,273,712
	\$ 2,273,712
	\$ 22,816,322
	75,465,863
	\$ 98,282,185

The Notes to Financial Statements are an integral part of this statement.

## NOTES TO FINANCIAL STATEMENTS

### Note 1. Method of Accounting

The State Employees' Retirement System of Illinois follows the practice of recording in its accounts of the System Trust Fund only those funds for which it is accountable and its accounts do not reflect the employer contributions which would be required from State appropriations to provide for the actuarial requirements of the benefits provided for by the Illinois Pension Code. Accordingly, the accompanying financial statements also do not include the unrecorded benefits actuarially accrued. (Also see Note 5). Expenditures for benefits are included on the basis of those actually paid which are applicable to the year ended June 30, 1970, rather than on the basis of full provision for the current cost of benefits accrued as actuarially determined. (Certain actuarial data is shown in Note 2). The assets, liabilities, members contributions reserve, interest accumulations reserve, income and expenditures are stated in accordance with generally accepted accounting principles.

### Note 2. Actuarial Data

Effective July 1, 1967, contributions by the State of Illinois to State Employees' Retirement System of Illinois are made by each department or other agency with employees covered by the System on the basis of a percentage of their total compensation (6.2% for year ended June 30, 1970). This percentage is determined by the actuary annually in accordance with the provision of legislation enacted by the 75th General Assembly (S. B. 1220), which provided that the State's contribution, together with members' contributions, interest and other income, should be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements.

Prior to July 1, 1967, the State's contributions were primarily based on estimated biennial cash requirements. Cumulative contributions by the State of Illinois to the State Employees' Retirement System have, therefore, not provided for the funding of benefits on an actuarial basis as determined by the regularly retained actuary as of June 30, 1969, the latest date on which a determination had been completed as of April 19, 1971. The amount reported by the actuary as of June 30, 1969 is shown in the following summary:

	1969
Reserve requirements as shown by the actuarial balance sheet..	\$ 503,132,139
Net present assets of the System (equal to the reserves as shown on the books of the System) .....	233,552,120
Unfunded accrued liability and unfunded obligation of the State of Illinois as reported by the actuary .....	\$ 269,580,019