

**BOARD OF TRUSTEES**

(as constituted January 1, 1975)

**RICHARD W. FRKES, Chairman**  
(Public Member)

**ELLIOT S. EPSTEIN**  
Director of Finance  
(Member Ex Officio)

**HON. GEORGE W. LINDBERG**  
State Comptroller  
(Member Ex Officio)

**CLASCENNA HARVEY**  
(State Employee)

**MICHAEL L. MORY**  
Secretary

STATE EMPLOYEES' RETIREMENT SYSTEM  
OF ILLINOIS

**ANNUAL STATEMENT  
OF THE  
BOARD OF TRUSTEES  
TO THE MEMBERS  
JUNE 30, 1974**

# ANNUAL ACTUARIAL VALUATION

Under the law governing the System an actuarial valuation of the assets and liabilities of the System must be completed as of the close of each fiscal year. The purpose of the valuation is to establish the financial condition of the System from a technical standpoint. The results of the valuation made as of June 30, 1974, are presented below. It indicates the extent to which the accrued pension liabilities are covered by present assets:

Assets	1974	June 30th 1973	1972
Present assets			
Cash	1,358,242	1,124,150	1,004,662
Accounts receivable	5,550,861	3,855,884	4,796,895
Investments	441,204,262	392,386,370	337,711,454
Prospective assets	520,940,328	439,872,414	398,023,356
Deferred assets—Due from State of Illinois as an unfunded accrued liability (note)	572,116,385	516,683,117	468,687,460
Totals	\$1,541,170,078	\$1,353,871,935	\$1,210,423,857
Liabilities			
Current liabilities—Benefits payable	818,634	491,983	457,208
Refunds payable	354,237	585,384	351,400
Administrative expenses	24,398	23,359	
Future service liability	520,940,328	439,872,414	398,023,356
Reserve liabilities	1,019,032,481	912,898,795	811,591,863
Totals	\$1,541,170,078	\$1,353,871,935	\$1,210,423,857

Note: The amount due from the State of Illinois referred to above as "Deferred assets" represents past service credits of the members. It is to be discharged by future appropriations by the State.

## GENERAL

The foregoing figures illustrate the financial progress of the System and its current financial condition. Operating results reveal continuing increases in reserves for the System to meet the accruing pension liabilities arising from additional service of the members. These increases are necessary to meet the prescribed obligations and to insure the financial integrity of the System.

More than 70% of the State employees are now covered by Federal Social Security plus the supplemental benefits provided by the State Employees' Retirement System. This dual coverage will expand with continuing operations of the System, thus providing more employees with the advantages and principal features of both programs. Since all new entrants into State service must come under the coordinated retirement plan, ultimately all State employees will be covered by Federal Social Security plus the supplemental benefit provisions.

# FINANCIAL FACTS

## Statement of Assets, Liabilities and Reserves

Assets	1974	June 30th 1973	1972
Cash	1,358,241	1,124,150	949,661
Accounts receivable	5,550,862	3,855,884	4,851,894
Investments	441,204,262	392,386,370	337,711,455
Totals	\$448,113,365	\$397,366,404	\$343,513,010
Liabilities and Reserves			
Benefits payable	818,634	491,983	457,208
Refunds and Administrative expenses payable	378,635	608,743	351,400
General Reserve	446,916,096	396,265,678	342,704,402
Totals	\$448,113,365	\$397,366,404	\$343,513,010

## Statement of Revenues and Expenditures

	Fiscal Year Ended June 30th		
	1974	1973	1972
Revenues			
Member contributions	\$40,306,570	\$38,096,472	\$34,293,905
State contributions	41,549,357	39,068,840	33,198,612
Investment income	23,817,892	19,174,915	15,150,068
Total Revenues	\$105,673,819	\$96,340,227	\$82,642,585
Expenditures			
Retirement annuities and survivors benefits	\$34,634,429	\$28,107,065	\$23,926,937
Disability benefits	7,071,054	5,418,505	3,952,349
Death benefits	2,458,721	2,489,435	2,413,647
Refunds	9,980,751	6,020,424	4,012,936
Administrative expenses	878,448	743,522	603,329
Total Expenditures	\$55,023,401	\$42,778,951	\$34,909,398
Excess of Revenues over Expenditures (credited to reserves)	\$50,650,418	\$53,561,276	\$47,733,187

## SUMMARY OF INVESTMENT ACCOUNT WITH ILLINOIS STATE BOARD OF INVESTMENT JULY 1, 1973 TO JUNE 30, 1974

Investments at July 1, 1973 at cost	\$392,386,370
Investments at July 1, 1973 at cost	\$392,386,370
Add—	
Funds transferred to the Illinois State Board of Investment during the year	25,000,000
Income for the year	18,475,543
Interest	5,564,067
Dividends	\$441,425,980
Total	\$441,425,980
Deduct—	
Management expense—proportion allocated to State Employees' Retirement System	221,718
Investments at June 30, 1974 at cost	\$441,204,262

Note 1. Market value of investments at June 30, 1974 according to Illinois State Board of Investment—\$375,442,993

Note 2. The average rate of investment income return for the year as reported by the aforesaid Board was 6.00%.

# ANNUAL REPORT TO THE MEMBERS

One of the responsibilities of the Board of Trustees in the management of the System is to submit periodically a report dealing with its financial operations and other significant related data. In the discharge of this responsibility the Board is submitting herewith a financial report as of June 30, 1974, with comparative figures for the 1973 and 1972 fiscal years.

The plan of operation of the System constitutes a pooling arrangement whereby the equities of the employees are combined for the purpose of assuring each employee a reasonable life income. The prescribed benefits represent a contractual agreement between the employees and the State as the employer in consideration of services rendered. This constitutes the basic principles underlying the Retirement System.

Revenues for the System are derived from three major sources, namely, employee contributions, State contributions and investment income. Reserves must be accumulated during the active service of the members so as to produce at retirement funds sufficient to pay out the retirement pensions during their lifetime on retirement, and to meet the cost of death and disability benefits. Thus, a condition of financial stability and security is assured.

Investment functions are performed by the Illinois State Board of Investment of which the Chairman of this Board is ex officio a member. Investments of the Board are in the highest quality fixed income securities and equities. Its efforts are directed towards obtaining a reasonable rate of income on the funds entrusted to it consistent with a prudent investment policy.

Current economic trends make it necessary to reexamine the benefit schedule periodically. Developments within the State service frequently dictate changes in the retirement plan. The Board of Trustees and its staff are alert to these factors and conditions, and recommend revisions in pension standards from time to time in order that the System may continue to fulfill most effectively its major function as an essential part of a progressive policy for the State government.

Finally, methods of internal administration and procedure are constantly reviewed and improved in order to maintain high standards of efficiency in administration and to provide the members with a full measure of service.

MICHAEL L. MORY  
Secretary

## MEMBERSHIP

	June 30th	
	1974	1973
Active contributing members	74,408	70,493
Service retirement annuitants	11,031	10,118
Survivor beneficiaries	3,982	3,629
	89,421	84,240