

**STATE EMPLOYEES'  
RETIREMENT SYSTEM  
ANNUAL REPORT  
1976**

STATE EMPLOYEES' RETIREMENT SYSTEM  
1201 South Fifth Street  
Springfield, Illinois 62706

Board of Trustees  
(As Constituted June 30, 1976)

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George Lindberg Comptroller	Ex-Officio	Trustee
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Data Processing Division

Ann Kirk, Supervisor  
Service and Refunds Division

Paul Stark, Supervisor  
Social Security Unit

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**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**1201 South Fifth Street Springfield, IL 62706 217/782-7008**

January 10, 1977

The Honorable James R. Thompson  
Governor of the State of Illinois  
Springfield, Illinois

Dear Governor

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Annual Report of the Board for the fiscal year ended June 30, 1976.

Respectfully Submitted,



Chairman

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**1201 South Fifth Street Springfield, IL 62706 217/782-7008**

Board of Trustees  
State Employees' Retirement System  
Springfield, Illinois

The annual report of the State Employees' Retirement System for the year ended June 30, 1976 is submitted herewith. This report embodies essential facts of a financial, statistical and actuarial nature concerning the operations of the System covering a period from July 1, 1975 through June 30, 1976.

GENERAL OBSERVATIONS:

The current financial condition of the System has shown some improvement during the year as evidenced by a comparison of the funding or security ratio (net present assets divided by accrued actuarial liabilities) of 44.6% for 1976 as compared to 43.6% as of 1975. This improvement is the direct result of increased revenues generated from employee and employer contributions as well as income from the investment of System reserves.

While the funding policy of the State has remained on a "payout" basis (annual benefit payments plus administrative expenses), this policy continues to evidence further movement toward minimum actuarial requirements due to the progressive increase in benefit payment levels. This fact notwithstanding, projected payout levels, as illustrated below, require careful consideration of this policy in the near future based on the State's current fiscal condition, as well as the possibility of Federal intervention resulting from extension of the Employee Retirement Income Security Act of 1974 to the public sector. Benefit payout projections at five year intervals to the year 2000 as furnished by the System's Actuary follows:

<u>Year Ended</u> <u>June 30</u>	<u>Amount of Pension</u> <u>and Benefit Payouts</u>
1980	\$ 84,300,000
1985	122,800,000
1990	161,400,000
1995	194,200,000
2000	222,000,000

REVENUES:

The primary sources of income to the System are the contributions received from active members and the State, as well as income earned on the investment of reserves. During the 1976 fiscal year total revenues amounted to \$137.7 million. This represents an increase of \$12.2 million, or 9.7% over revenues received during the 1975 fiscal year.

<u>Revenue Source</u>	<u>FY-76</u>	<u>FY-75</u>	<u>Increase</u>	
	(millions)	(millions)	<u>Amount</u>	<u>Percentage</u>
Member Contributions	\$ 47.5	\$ 45.3	\$ 2.2	4.9%
State Contributions	58.1	51.9	6.2	11.9%
Investment Income	<u>32.1</u>	<u>28.3</u>	<u>3.8</u>	13.4%
Total	<u>\$137.7</u>	<u>\$125.5</u>	<u>\$12.2</u>	<u>9.7%</u>

Member contributions to the System are fixed by Statute and are applied on a payroll deduction basis as a percentage of base salary applicable to the position held. Due to the split system approach utilized in 1968 to adopt social security coverage for State employees, different contribution rates are applied depending on whether an employee in service, or on an authorized leave of absence in 1968, opted for or against the plan of coordination. Most State employees becoming members after October 31, 1968 automatically participate in the coordinated plan. While the trend toward a gradual increase in the annual dollar amount of member contributions continues, due primarily to salary increases, the percentage increase continues to decline since most new employees participate in the coordinated plan. Statistics regarding membership and contribution rates follow:

<u>Active Membership</u>	<u>FY-76</u>	<u>FY-75</u>	<u>Increase(Decrease)</u>	
			<u>Amount</u>	<u>Percentage</u>
Coordinated Members	59693	58680	1013	1.7%
Non-Coordinated Members	18300	20257	(1957)	(9.7%)
Base Earnings Reported for All Members (millions)	\$864.2	\$808.6	\$55.6	6.9%

Member contribution rates for coordinated and non-coordinated employees did not change during the year. However, an increase in the social security taxable wage base from \$14,100 to \$15,300 was effective January 1, 1976.

The State contribution rate, which is also applied as a percentage of base earnings, is determined annually by the Actuary and certified by the Board of Trustees. Annual appropriations are approved by the General Assembly for each participating State Agency and are dispersed to the System by the Comptroller through trailer warrants written as a function of the payroll process. The increase in employer contributions for the 1976 fiscal year

resulted from an increase in the employer contribution rate as well as the base earnings of active members participating during the year.

Contribution Rates

<u>Members*</u>	<u>FY-76</u>	<u>FY-75</u>	<u>Increase</u>	
	(Percent)	(Percent)	<u>Amount</u>	<u>Percentage</u>
Coordinated Rate	4.00%	4.00%	0	0
Non-Coordinated Rate	8.00%	8.00%	0	0
Social Security Rate	5.85%	5.85%	0	0
 <u>State</u>				
Retirement Rate (All Members)	6.70%	6.40%	.3%	4.7%
Social Security Rate (Coordinated Members Only)	5.85%	5.85%	0	0

\*This schedule does not include special retirement rates applicable to certain police and fire positions.

Increased investment income resulted from an increased dollar level of reserves available for investment and continued emphasis in the area of fixed income investments.

EXPENSES:

Benefit payments, the primary expense category of the System, continued to increase during the year both from the standpoint of dollar amount and number of recipients. This trend results from a higher base earnings level used to compute new benefits as well as higher levels of State employment experienced since establishment of the System in 1944. The increase in benefit payments by type has remained relatively consistent, reflecting these factors. Administrative expenses incurred reflected a higher than normal increase due primarily to the installation of a new filing system used for maintenance of member records. One time expenses incurred in the installation of this system amounted to \$106,905.

<u>Expenses</u>	<u>FY-76</u>	<u>FY-75</u>	<u>Increase(Decrease)</u>	
	(millions)	(millions)	<u>Amount</u>	<u>Percentage</u>
Retirement Benefits	\$37.2	\$32.7	\$4.5	13.8%
Survivors Benefits	8.6	7.8	.8	10.3%
Disability Benefits	9.4	8.1	1.3	16.0%
Lump Sum Death Benefits	2.3	2.4	(.1)	(4.2%)
Contribution Refunds	9.3	8.6	.7	8.1%
Administrative Expenses	<u>1.2</u>	<u>1.0</u>	<u>.2</u>	20.0%
Total	<u>\$68.0</u>	<u>\$60.6</u>	<u>\$7.4</u>	<u>12.2%</u>

<u>Type of Payments</u>	<u>Number of Recipients</u>		<u>Increase</u>	
	<u>6-30-76</u>	<u>6-30-75</u>	<u>Number</u>	<u>Percentage</u>
Retirement Benefits	12,969	12,063	906	7.5%
Survivors Benefits	4,699	4,351	348	8.0%
Disability Benefits	1,848	1,610	238	14.8%

While not deposited in nor dispersed from the Retirement Trust Fund, Social Security taxes paid to the Federal Government on behalf of State employees amounted to \$65.9 million for the 1976 fiscal year as compared to \$56.5 million during the 1975 fiscal year.

RESERVES:

At the close of the year, total reserves, which are the dollars available to meet current and future benefit payments, amounted to \$581.6 million. These reserves increased in the sum of \$69.7 million which represents the excess of revenues amounting to \$137.7 million over expenses of \$68.0 million. The following schedule illustrates the addition of these excess dollars to the asset and reserve accounts of the System.



<u>Assets</u>	<u>FY-76</u> (millions)	<u>FY-75</u> (millions)	<u>Increase(Decrease)</u>
Cash	\$ 3.8	\$ .0	\$ 3.8
Receivables	5.5	7.9	(2.4)
Investments	<u>573.6</u>	<u>505.1</u>	<u>68.5</u>
	582.9	513.0	69.9
Less Payables	<u>1.3</u>	<u>1.1</u>	<u>.2</u>
Net Assets	<u>\$581.6</u>	<u>\$511.9</u>	<u>\$69.7</u>
<u>Reserves</u>	<u>FY-76</u> (millions)	<u>FY-75</u> (millions)	<u>Increase</u>
Member	\$251.8	\$229.5	\$22.3
Future Operations	<u>329.8</u>	<u>282.4</u>	<u>47.4</u>
	<u>\$581.6</u>	<u>\$511.9</u>	<u>\$69.7</u>

Total System reserves amounting to \$581.6 million represent net present assets of the System as of the end of the 1976 fiscal year. A valuation made by the System's Consulting Actuary as of the same date indicated total accrued liabilities of the System to be \$1,304.5 million resulting in an unfunded liability of \$722.9 million. The unfunded accrued liability represents the actuarially computed value of accrued and unfinanced pension credits. It constitutes an accrued obligation of the State of Illinois to be discharged by future appropriations by the State to the System.

#### INVESTMENTS:

The investment activity of the System, as provided by Article 22A of the Illinois Pension Code, is under the complete control of the Illinois State Board of Investment. As provided by Article 14-185 of the Code, cash accruing to the System's Trust Fund not required for current operating expenditures is to be transferred to said Board for purposes of investment for the System. During the 1976 fiscal year \$36.5 million was transferred as compared to \$35.5 million during the 1975 fiscal year.

The annual report of the Illinois State Board of Investment for the 1976 fiscal year reflects total income return on the assets under its management of 5.95% on average cost and 6.36% on average market value. Securities by type comprising the portfolio of the System and fiscal year 1976 average net income yields on cost and market, based on the average of beginning and ending cost and market values, were as follows:

<u>Type of Investments</u>	<u>Amount</u> (millions)		<u>Percent</u> <u>of Total</u>		<u>Yields</u>	
	<u>Cost</u>	<u>Market</u>	<u>Cost</u>	<u>Market</u>	<u>Percent on</u> <u>Average Cost</u>	<u>Percent on</u> <u>Average Market</u>
Fixed Income Investments (Illinois Bond Fund)	\$384.8	\$365.9	67.1%	66.9%	7.35%	7.84%
Equity Investments (Illinois Equity Fund)	185.5	177.6	32.3	32.5	3.21%	3.45%
Cash and Equivalents	<u>3.3</u>	<u>3.3</u>	<u>.6</u>	<u>.6</u>	*	*
	<u>\$573.6</u>	<u>\$546.8</u>	<u>100%</u>	<u>100%</u>	5.95% Composite	6.36% Composite

\*Rate of return included in yield on Fixed Income Investments.

#### LEGISLATIVE AMENDMENTS:

During the 1976 fiscal year, several legislative amendments were passed by the General Assembly and approved by the Governor affecting the operations and/or benefit structure of the System. A summary of these amendments follows:

Senate Bill 184 - effective September 18, 1975. Provides that a member who prior to January 1, 1976 was employed by the State on a contractual basis could establish pension credit for such employment up to a period not to exceed five years by making the necessary contributions to the System before July 1, 1976.

Senate Bill 236 - effective October 1, 1975. Provides that disability, widows, and survivor benefits which are reduced by reason of social security benefit shall not be further reduced by any subsequent increases in social security benefits.

Senate Bill 596 - effective October 1, 1975. Extends occupational death benefits to a surviving spouse rather than only the widow of a deceased member. Provides for refund of excess contributions by persons in positions for which alternate retirement allowances are provided who failed to qualify under the alternate formula. Provides that all annuity payments shall be effective the first of the month following establishment of eligibility and continue through the end of the month in which eligibility ceases. Establishes subrogation rights for the System when occupational disability or death benefits are paid and a third party settlement is involved. Provides that the System may require the disclosure of social security numbers by members and may use such numbers for record maintenance purposes.

Senate Bill 659 - effective September 5, 1975. Amends various sections of the Reciprocal Act contained in the Illinois Pension Code. Removes certain inequities in the law which tended to restrict freedom of transfer of employment among public agencies within the State. Provides that in the calculation of final average salary, employment in all agencies under the various systems involved should be considered.

Senate Bill 1105 - effective October 1, 1975. Authorizes both the Comptroller and the Director of Finance to designate an employee from the same agency to serve in his or her place on the Board of Trustees.

House Bill 459 - effective October 1, 1975. Provides that a member may obtain fractional monthly pension credit for employment rendered after July 1, 1960. Previously such credit could be established for employment only after July 1, 1963.

House Bill 574 - effective December 18, 1975. Increases the maximum monthly amount of survivors annuity from \$250 to \$350 for a spouse only or for dependent parents and from \$350 to \$500 for a spouse and dependent children or dependent children only. Also provides that a mentally or physically disabled child is eligible for survivors annuity benefits beyond age 18 so long as the disability continues. Provides that the person filling the office of Governor would continue to have an election with respect to membership in the State Employees' Retirement System. (Also see House Bill 2784.)

House Bill 988 - effective September 11, 1975. Provides for retirement benefits beginning at age 50 for a State policeman who terminates State employment after twenty-five years of service but before attaining age 50. Increases the formula for computation of retirement annuities for State policemen and increases their contribution rate by one-half of one percent of salary.

House Bill 1160 - effective October 1, 1975. Provides that special agents of the Illinois Bureau of Investigation are subject to the same retirement formula and contribution rate as those applicable to State police.

House Bill 2784 - effective October 1, 1975. Provides that persons filling the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General would participate in the General Assembly Retirement System rather than in the State Employees' Retirement System. (Also see House Bill 574.)

#### ADMINISTRATION AND REPORTING:

Under the direction of the Executive Secretary, administrative operations of the System are accomplished by a staff of full-time employees which numbered 61 as of the end of the 1976 fiscal year, as compared to 59 at the end of the 1975 fiscal year. These figures do not include the Social Security Unit staff of five employees.

Annual statements of account were mailed in August of 1976 to all active and inactive members having an account balance of \$1.00 or more as of June 30, 1976. Financial Statements for the 1975 fiscal year were also distributed to all active and retired members.

The State Treasurer of Illinois is the Ex-Officio Treasurer of the System. All moneys are deposited through the Treasurer's office who then orders these funds credited to accounts maintained by the State Comptroller. Disbursements are accomplished by vouchers authorized by the Executive Secretary and issued to the State Comptroller.

The Board of Trustees must appoint an Actuary to perform all necessary actuarial requirements of the System. These duties were performed by Mr. A. A. Weinberg, Consulting Actuary, for the 1976 fiscal year.

The System must have an audit of its accounts annually by a certified public accountant. This audit was performed under the direction of the Auditor General by the firm of Ernst & Ernst for the 1976 fiscal year.

In addition to administering the retirement program, the System also performs the function of State Social Security Administrator for all public employees in Illinois. As State Administrator the System initiates social security coverage agreements, collects and transmits social security taxes to the Secretary of the Department of Health, Education and Welfare.

ACKNOWLEDGMENTS:

This report has been prepared through the efforts and cooperation of the administrative staff, and the System's professional consultants. Their assistance is hereby acknowledged with grateful appreciation.

Respectfully Submitted,

*Michael H. Mory*

**FINANCIAL  
STATEMENTS**

# Ernst & Ernst

First National Bank Building • Springfield, Illinois 62701 • Phone 217/528-2551

## ACCOUNTANTS' REPORT

Board of Trustees  
State Employees' Retirement System  
of Illinois  
and  
Auditor General  
State of Illinois

We have examined the balance sheet of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois as of June 30, 1976, and the related statements of revenue and expenditures and changes in reserves 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 for the previous year were examined by other auditors.

In our opinion, the 1976 financial statements referred to above present fairly the financial position of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois at June 30, 1976, and the results of its financial transactions for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. The information included in the schedule of administrative expenses for the year ended June 30, 1976 was derived from the accounting records tested by us as part of the auditing procedures followed in our examination of the aforementioned financial statements and, in our opinion it is fairly presented in all material respects in relation to the financial statements taken as a whole.

*Ernst & Ernst*

Springfield, Illinois  
December 3, 1976



## BALANCE SHEETS

## STATE EMPLOYEES' RETIREMENT SYSTEM

	June 30, 1976	June 30, 1975
ASSETS		
Cash	\$ 3,764,437	\$ 39,974
Receivables:		
Contributions receivable:		
Participants	2,310,377	3,487,595
Employing State agencies	2,984,743	4,184,870
Other accounts receivable	<u>215,243</u>	<u>183,735</u>
	5,510,363	7,856,200
Investments - equity in the State Employees' Investment Fund of the Illinois State Board of Investment (market value: 1976 - \$546,848,483; 1975 - \$462,198,963) - Note B	<u>573,602,103</u>	<u>505,050,292</u>
	<u>\$ 582,876,903</u>	<u>\$ 512,946,466</u>
LIABILITIES		
Benefits payable	\$ 850,111	\$ 793,061
Refunds payable	477,978	214,431
Administrative expenses payable	<u>17,535</u>	<u>74,725</u>
	1,345,624	1,082,217
Reserves:		
For participants' contributions	251,772,923	229,511,987
For future operations	<u>329,758,356</u>	<u>282,352,262</u>
	581,531,279	511,864,249
	<u>\$ 582,876,903</u>	<u>\$ 512,946,466</u>
Actuarially-determined accrued benefit cost - Note C	\$1,304,455,262	\$1,173,777,118
Less funded reserves of the System	<u>581,531,279</u>	<u>511,864,249</u>
Unfunded accrued benefit cost - representing an obligation of the State of Illinois	<u>\$ 722,923,983</u>	<u>\$ 661,912,869</u>

See notes to financial statements.

STATEMENTS OF REVENUE AND EXPENDITURES

STATE EMPLOYEES' RETIREMENT SYSTEM

	<u>Year Ended June 30</u>	
	1976	1975
<b>Revenue:</b>		
<b>Contributions:</b>		
Participants	X \$ 47,168,304	\$ 44,956,204
Employing State agencies	— 57,898,332	51,747,834
State Pension Fund	— 173,000	178,600
	<u>105,239,636</u>	<u>96,882,638</u>
Net investment income	32,051,811	28,346,030
Repayment of contributions refunded	X 281,610	227,428
Interest received from participants	X 83,727	93,675
	<u>137,656,784</u>	<u>125,549,771</u>
<b>Expenditures:</b>		
<b>Benefits:</b>		
Retirement annuities	37,171,787	32,650,218
Survivors' annuities	8,600,668	7,784,809
Disability benefits	9,384,124	8,124,471
Lump sum death benefits	2,285,270	2,411,329
	<u>57,441,849</u>	<u>50,970,827</u>
Refunds	9,235,848	8,602,390
Administrative expenses	1,250,217	1,025,554
Transfers to reciprocating retirement systems	61,840	2,848
	<u>67,989,754</u>	<u>60,601,619</u>
Excess of revenue over expenditures	<u>\$ 69,667,030</u>	<u>\$ 64,948,152</u>

See notes to financial statements.



STATEMENT OF CHANGES IN RESERVES

STATE EMPLOYEES' RETIREMENT SYSTEM

Year ended June 30, 1976

	Reserve for Participants' Contributions	Reserve for Future Operations			Other Future Benefits
		Supplemental Annuity	Automatic Annuity Increase	Interest Accumulations	
Balance at July 1, 1975	\$511,864,249	\$26,332,647	\$33,527,421	\$29,578,052	\$192,914,142
Add (deduct):					
Excess (deficiency) of revenue over expenditures					
Reserve transfers:					
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	69,667,030	( 1,280,213)	7,026,451		30,672,664
Interest credited to members' accounts	( 10,987,192)				10,987,192
Reserve for automatic annuity increase credited with interest at 4% on the reserve balance at beginning of year				7,314,893	( 7,314,893)
Reserve for supplemental annuity credited with investment income in excess of 4% on average investments			1,341,097		( 1,341,097)
Reclassification of members' contributions for automatic annuity increase, previously transferred to the reserve for other future benefits		10,478,763			( 10,478,763)
Balance at June 30, 1976	<u>\$581,531,279</u>	<u>\$35,531,197</u>	<u>\$42,421,747*</u>	<u>\$36,892,945</u>	<u>\$214,912,467</u>

\* Includes active members' accumulated contributions of \$16,837,336.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE EMPLOYEES' RETIREMENT SYSTEM

June 30, 1976

Note A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting:

The financial transactions of the State Employees' Retirement System Trust Fund (System Trust Fund) are recorded on the accrual basis.

Investments:

Equity of the System Trust Fund in the State Employees' Investment Fund of the Illinois State Board of Investment represents the underlying net assets of the investment fund valued on the basis of cost.

Office Equipment:

Expenditures for equipment are charged to administrative expenses. The equipment acquisitions are also recorded in property control records at cost for accountability purposes.

Note B - INVESTMENTS

Investments of the System Trust Fund are managed by the Illinois State Board of Investment pursuant to Article 22A of the Illinois Pension Code and are held in the State Employees' Investment Fund of that Board. Net assets of the investment fund at June 30, 1976 and 1975 comprised the following:

	June 30, 1976		June 30, 1975	
	Cost	Market Value	Cost	Market Value
Investments:				
Illinois Equity Fund (15,876,900 and 15,305,680 units, respectively)	\$185,515,633	\$177,588,566	\$179,654,718	\$162,254,265
Illinois Bond Fund (40,512,681 and 31,215,521 units, respectively)	384,746,913	365,920,360	303,000,751	277,580,804
Bank time deposits			17,500,000	17,500,000
Corporate short- term notes	3,325,000	3,325,000	4,771,000	4,771,000
Other assets - net	14,557	14,557	123,823	92,894
Net assets	<u>\$573,602,103</u>	<u>\$546,848,483</u>	<u>\$505,050,292</u>	<u>\$462,198,963</u>

NOTES TO FINANCIAL STATEMENTS - CONT'D

Note C - BENEFITS

The retirement system is governed by Article 14 of the Illinois Pension Code and benefits under the system are defined in the Code. All persons entering State service, except in positions subject to membership in other State sponsored retirement systems, become members of the State Employees' Retirement System upon their first day of compensated employment. Administrative Code officers appointed by the Governor may elect to become members of the system. Participating members contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases in retirement annuities. The total contribution rates are 4% if coordinated with social security and 8% if not coordinated, except that the rates are either 9% or 9-1/2% for members in certain employment categories who are eligible for benefits under alternative formulas. Participants' contributions are fully refundable, without interest, upon withdrawal from State employment. The State of Illinois is obligated by statute to contribute, through department appropriations, the funds not otherwise provided which are necessary to meet the cost of maintaining the system.

The calculations of the accrued benefit cost (arising from service credits in periods prior to June 30, 1976 and 1975, respectively) were made by a consulting actuary as of June 30, 1976 and 1975 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%
Average age at retirement	64 years
Rate of turnover without vested benefits	A high scale at younger age levels, becoming progressively lower as ages advance - consistent with the System's experience.
Mortality basis	1951 Group Annuity Mortality Table (modified)
Salary increases	4% annual increase (1975 - 3-1/2%)

SCHEDULE OF ADMINISTRATIVE EXPENSES  
STATE EMPLOYEES' RETIREMENT SYSTEM

	<u>Year Ended June 30</u>	
	1976	1975
Personal services	\$ 576,829	\$ 474,889
Contributions to retirement system	38,326	30,002
Contributions for social security	23,397	18,154
Contractual services	175,863	116,230
Travel	5,938	2,911
Printing	20,272	7,486
Commodities	40,210	12,454
Equipment	71,833	16,939
Telecommunications	16,183	10,962
Operation of automotive equipment	672	1,654
Electronic data processing	<u>280,694</u>	<u>333,873</u>
Total administrative expenses	<u>\$1,250,217</u>	<u>\$1,025,554</u>

**ACTUARY'S  
REPORT**

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A. A. WEINBERG  
CONSULTING ACTUARY  
CHICAGO 60604

C E R T I F I C A T I O N

We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1976 and June 30, 1975.

Present assets and current liabilities as of the aforesaid dates were derived from financial statements submitted by the Secretary of the System.

In our opinion, the accompanying comparative Valuation Balance Sheets fairly present the financial condition of the State Employees' Retirement System, as of the dates indicated, giving effect to accrued liabilities and reserve requirements under the applicable law in force at the respective dates.

  
A. A. Weinberg  
Actuary

November 15, 1976

State Employees' Retirement System

VALUATION BALANCE SHEET

At June 30, 1976 and June 30, 1975 in Comparison

ASSETS

<u>PRESENT ASSETS</u>	<u>1976</u>	<u>1975</u>
Cash	\$ 3,764,437	\$ 39,974
Accounts Receivable	5,510,363	7,856,200
Investments	573,602,103	505,050,292
 <u>DEFERRED RECEIVABLE</u>		
Due from the State of Illinois for Unfunded Accrued Pension Credits	<u>722,923,983</u>	<u>661,912,869</u>
 TOTAL ASSETS	 <u>\$1,305,800,886</u>	 <u>\$1,174,859,335</u>

LIABILITIES AND RESERVES

CURRENT LIABILITIES

Benefits Payable	\$ 850,111	\$ 793,061
Refunds Payable	477,979	214,431
Administration Expense	17,534	74,725

RESERVE LIABILITIES

Liability for Retirement and Survivors' Annuities in Force and Pension Credits for Active Members	<u>1,304,455,262</u>	<u>1,173,777,118</u>
 TOTAL LIABILITIES AND RESERVES	 <u>\$1,305,800,886</u>	 <u>\$1,174,859,335</u>

**FINANCIAL  
AND  
STATISTICAL  
TABLES**



BALANCE SHEET ASSETS

<u>Fiscal Year Ending June 30</u>	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Total</u>
1967	\$ 474,917	\$3,623,223	\$158,963,683	\$163,061,823
1968	590,659	9,095,635	191,542,831	201,229,125
1969	3,659,339	9,721,205	225,189,129	238,569,673
1970	2,868,729	5,064,179	265,117,967	273,050,875
1971	401,866	5,137,043	315,868,292	321,407,201
1972	949,662	4,851,894	337,711,455	343,513,011
1973	1,124,150	3,855,884	392,386,370	397,366,404
1974	1,358,242	5,550,862	441,204,262	448,113,366
1975	39,974	7,856,200	505,050,292	512,946,466
1976	3,764,437	5,510,363	573,602,103	582,876,903

BALANCE SHEET LIABILITIES

<u>Fiscal Year Ending June 30</u>	<u>Accounts Payable</u>	<u>Reserve For Member Contributions</u>	<u>Reserve For Future Operations</u>	<u>Total</u>
1967	\$ 704,192	\$111,762,996	\$ 50,594,635	\$163,061,823
1968	477,439	127,466,271	73,285,415	201,229,125
1969	5,017,553	136,726,389	96,825,731	238,569,673
1970	573,988	144,124,835	128,352,052	273,050,875
1971	482,610	156,521,044	164,403,547	321,407,201
1972	808,609	174,729,172	167,975,230	343,513,011
1973	1,100,726	193,150,279	203,115,399	397,366,404
1974	1,197,269 ✓	208,356,891 ✓	238,559,206	448,113,366
1975	1,082,217	229,511,987	282,352,262	512,946,466
1976	1,345,624	251,772,923	329,758,356	582,876,903

ANALYSIS OF FUNDING

<u>Fiscal Year Ending June 30</u>	<u>Net Real Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Reserve Requirement</u>	<u>Rate of Funding</u>
1967	\$162,357,631	\$255,670,544	\$ 418,028,175	38.8%
1968	200,751,686	265,632,530	466,384,216	43.0
1969	233,552,120	269,580,019	503,132,139	46.4
1970	272,476,887	279,163,111	551,639,998	49.4
1971	320,924,592	396,462,891	717,387,483	44.7
1972	342,704,402	468,887,461	811,591,863	42.2
1973	396,265,678	516,633,117	912,898,795	43.4
1974	446,916,097	572,116,385	1,019,032,482	43.8
1975	511,864,249	661,912,869	1,173,777,118	43.6
1976	581,531,279	722,923,983	1,304,455,262	44.6

REVENUES BY SOURCE

<u>Fiscal Year Ending June 30</u>	<u>Member Contributions</u>	<u>State Contributions</u>	<u>Investment Income</u>	<u>Total</u>
1967	\$19,984,742	\$ 9,889,351	\$ 6,076,849	\$ 35,950,942
1968	23,510,567	28,271,625	7,214,144	58,996,336
1969	23,569,519	29,597,348	7,281,358	60,448,225
1970	24,351,890	31,786,205	13,322,444	69,460,539
1971	27,370,573	36,801,296	15,500,326	79,672,195
1972	34,293,906	33,198,611	(11,406,837)	56,085,680
1973	38,096,473	39,068,840	19,174,915	96,340,228
1974	40,306,572	41,549,357	23,817,892	105,673,821
1975	45,277,307	51,926,434	28,346,030	125,549,771
1976	47,533,641	58,071,332	32,051,811	137,656,784

## EXPENSES BY TYPE

<u>Fiscal Year Ending June 30</u>	<u>Benefits</u>	<u>Contribution Refunds</u>	<u>Administrative Expenses</u>	<u>Total</u>
1967	\$15,256,391	\$3,987,670	\$ 370,142	\$19,614,203
1968	17,009,712	3,592,570	416,767	21,019,049
1969	19,447,994	8,199,796	459,813	28,107,603
1970	22,018,707	8,517,066	510,901	31,046,674
1971	25,623,031	5,601,459	579,028	31,803,518
1972	30,292,935	4,012,935	644,557	34,950,427
1973	36,015,006	6,020,424	743,522	42,778,952
1974	44,164,205	9,980,751	878,446	55,023,402
1975	50,970,827	8,605,238	1,025,554	60,601,619
1976	57,441,849	9,297,688	1,250,217	67,989,754

## BENEFIT EXPENSES BY TYPE

<u>Fiscal Year Ending June 30</u>	<u>Retirement Annuities</u>	<u>Survivors Annuities</u>	<u>Disability Benefits</u>	<u>Lump Sum Death Benefits</u>	<u>Total</u>
1967	\$10,184,111	\$2,421,128	\$1,414,626	\$1,236,526	\$15,256,391
1968	11,086,387	2,925,121	1,567,167	1,431,037	17,009,712
1969	12,111,419	3,533,700	1,948,186	1,854,689	19,447,994
1970	14,142,829	4,027,678	2,240,226	1,607,974	22,018,707
1971	16,272,616	4,549,625	2,955,476	1,845,314	25,623,031
1972	18,938,860	5,299,054	3,952,349	2,102,672	30,292,935
1973	22,300,169	6,127,247	5,418,505	2,169,085	36,015,006
1974	28,076,974	6,934,764	7,071,054	2,081,413	44,164,205
1975	32,650,218	7,784,809	8,124,471	2,411,329	50,970,827
1976	37,171,787	8,600,668	9,384,124	2,285,270	57,441,849

TOTAL MEMBERSHIP - COORDINATED/NON-COORDINATED

Fiscal Year Ending June 30	Coordinated Members			Non-Coordinated Members			Total Male Members	Total Female Members	Total Members
	Male	Female	Total	Male	Female	Total			
1967	-	-	-	30,510	23,787	54,297	30,510	23,787	54,297
1968	-	-	-	32,710	27,490	60,200	32,710	27,490	60,200
1969	6,956	7,390	14,346	25,838	22,188	48,026	32,794	29,578	62,372
1970	11,202	10,543	21,745	23,058	20,441	43,499	34,260	30,984	65,244
1971	17,152	15,009	32,161	20,880	17,198	38,078	38,032	32,207	70,239
1972	34,387	27,492	61,879	16,215	15,230	31,445	50,602	42,722	93,324
1973	38,465	31,596	70,061	15,093	13,967	29,060	53,558	45,563	99,121
1974	39,334	34,409	73,743	14,812	13,295	28,107	54,146	47,704	101,850
1975	43,010	37,906	80,916	11,556	12,358	23,914	54,566	50,264	104,830
1976	42,925	39,047	81,972	11,260	11,439	22,699	54,185	50,486	104,671

ACTIVE MEMBERSHIP - COORDINATED/NON-COORDINATED

Fiscal Year Ending June 30	Coordinated Members		Non-Coordinated Members		Total Male Members	Total Female Members	Total Active Members	Annual Base Earnings Reported
	Male	Female	Male	Female				
1970	14,581	10,212	14,079	13,047	28,660	23,259	51,919	\$512,680,000
1971	17,944	13,512	12,229	11,382	30,173	24,894	55,067	560,645,000
1972	24,084	20,885	11,736	11,123	35,820	32,008	67,828	597,235,000
1973	26,049	23,342	11,023	10,079	37,072	33,421	70,493	647,147,300
1974	27,139	26,719	10,505	10,045	37,644	36,764	74,408	689,839,300
1975	29,563	29,117	10,231	10,026	39,794	39,143	78,937	808,560,000
1976	29,975	29,718	9,293	9,007	39,268	38,725	77,993	864,154,000