
State Employees' Retirement System Of Illinois



1978

ANNUAL REPORT

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

Board of Trustees
(As Constituted June 30, 1978)

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STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

1201 SOUTH FIFTH STREET SPRINGFIELD, ILLINOIS 62706

December 19, 1978

Phone 217-782-7008

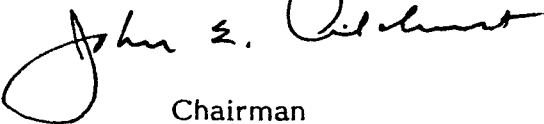


The Honorable James R. Thompson
Governor of the State of Illinois
Springfield, Illinois

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, 1978.

Respectfully Submitted,


Chairman

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

1201 SOUTH FIFTH STREET SPRINGFIELD, ILLINOIS 62706

December 18, 1978

Phone 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, 1978 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, 1977 through June 30, 1978.

HIGHLIGHTS OF OPERATIONS:

The actuarial report for the year ending June 30, 1978, again indicates a slight improvement in the financial condition of the System. A comparison of the current rate of funding to that of the previous year shows an increase in the security ratio of 1.8%, a slightly higher increase than experienced in recent years.

(In Millions of Dollars)

<u>Fiscal Year</u>	<u>Net Real Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Reserve Requirement</u>	<u>Rate of Funding</u>
1978	\$730.0	\$812.2	\$1,542.2	47.3%
1977	\$650.3	\$779.1	\$1,429.4	45.5%

This improvement in funding is due primarily to (1) a slight decrease in active membership, (2) increased contributions by the State, (3) a lower rate of increase in benefit payments, and (4) a continuing increase in investment income. With an unfunded accrued liability in excess of \$800 million, however, an increased level of State contributions is needed to provide long-range financial stability.

Many projects have been, or are soon to be, implemented, which will improve service to the members as well as the administration of the System. Those having the greatest impact include:

1. Development of bi-annual newsletters to be mailed to all active members and benefit recipients in February and October each year. These mailings will be timed to coincide with the dates on which

financial and legislative information is available and the distribution of the member's annual statement of contributions and service. Thus, both members and benefit recipients will be better informed of changes affecting their benefits.

2. Continuation of benefit seminars for active members and establishment of a Field Service Office in Chicago which opened in October of this year will improve communications with the membership. A new pre-retirement counseling program is also being designed for implementation during FY80.
3. Computer calculation of benefits was implemented during the year resulting in improved accuracy and faster initial payment of claims. Design of an on-line benefits system with implementation scheduled for FY79 should further improve claims service.
4. Improved methods of identification of ineligible benefit recipients, particularly in the area of disabilities, should reduce efforts at recovery of overpayments. The capability of identifying recipients who return to work in other than State employment, as well as identifying those who are receiving Social Security benefits, which may be used as an offset, is helping to reduce total disability benefit expenditures. An upgrading of System staff allowing in-house evaluation of disabling conditions of both new and existing claims is scheduled for implementation in FY79.
5. Computer vouchering of contribution refunds combined with direct posting to the member accounts at the time the voucher is written has improved both speed and accuracy of refunds to members.
6. A computer based management information system is being developed to make available on a current basis a variety of financial and statistical information required for operations and forecasting of income and expenditures.

REVENUES:

Income to the System is derived from three sources: (1) contributions and interest from members, (2) contributions from the State pension fund and from employing agencies, and (3) income on investments, which includes interest credited to working capital reserves maintained in the System's trust fund account by the State Treasurer. Total revenues during FY78 amounted to \$164.4 million. This is an increase of \$18.3 million or 12.5% over revenues for the 1977 fiscal year.

<u>Revenue Source</u>	<u>FY-78 (Millions)</u>	<u>FY-77 (Millions)</u>	<u>Increase</u>	
			<u>Amount</u>	<u>Percentage</u>
Member Contributions	\$51.0	\$48.2	\$2.8	5.8%
State Contributions	69.4	59.8	9.6	16.1%
Investment Income	44.0	38.1	5.9	15.5%
Total	\$164.4	\$146.1	\$18.3	12.5%

The rate of member contributions to the System as fixed by Statute remained unchanged for FY78, that is, 4% for those coordinated with Social Security, 8% for noncoordinated members and 9% or 9½% for certain hazardous duty personnel. Although active membership showed a slight decline during the year and most new members are required to participate in the coordinated plan at the 4% rate, the rate of increase in member contributions was higher than normal due to a change in the law effective January 1, 1978, requiring contributions on overtime pay and interest on direct payments by members to establish service for periods of employment when no contributions were deducted. To avoid the interest assessment, the number of these direct payments increased to 3,750 during FY78, over three times the number of payments received the previous year, accounting for \$1.7 million of the income from member contributions.

Active Membership	FY-78	FY-77	Increase (Decrease)	
			Number/Amount	Percentage
Coordinated Members	60,931	60,372	559	0.9%
Noncoordinated Members	16,510	17,412	(902)	(5.2%)
Earnings Reported for All Members (millions)	\$925.1	\$884.5	\$40.6	4.6%

The State's contribution rate was established with the intent to generate income equal to benefit payments and administrative expenses. Each agency pays State contributions on total payrolls of employees eligible for membership in the System from appropriated or other funds made available for this purpose.

The effect of a decreasing active membership on the State's contributions was offset by an increase in the contribution rate from 6.7% to 7.3%, and by the addition of overtime wages subject to employer contributions after January 1, 1978, resulting in an \$8.3 million increase over the previous year. Distribution from the State Pension Fund accounted for \$1.9 million in revenue for a total State contribution of \$69.4 million, an increase of \$9.6 million or 16.1% over FY77. Benefits and administrative expenses increased, however, for FY78 by \$6.4 million to a level of \$72.3 million, resulting again in a deficiency of \$2.9 million in the target level of State contributions. This problem has occurred in recent years due to the need to forecast payroll levels almost a year in advance. While the results of collective bargaining negotiations will always be impossible to predict, with constantly improving records of wages and methods of forecasting, we believe such deficiencies can be significantly reduced, or even eliminated, in future years.

Investment income consists of the yield from interest on the trust fund balance credited by the State Treasurer and income from long term investments managed by the Illinois State Board of Investment. Interest credited monthly by the State Treasurer on the average balance in the System's Trust Fund amounted to \$430,278 during the year, an average yield of 6.1%. The annual report of the Investment Board for the 1978 fiscal year reflects System net investment income of \$43.6 million, a rate of return of 6.4% on average cost and 6.8% on average market value during the year. A comparison of the source of the System's net assets valued on a market basis in the Segregated Investment Funds of the Board from June 30, 1977, to June 30, 1978, follows:

	FY-78 (Millions)	FY-77 (Millions)	Increase	
			Amount	Percentage
Investments Transferred at cost June 30, 1970	\$265.1	\$265.1	\$ ---	---
Additional Amounts transferred for investment	267.0	231.0	36.0	15.6%
Accumulated Net Income	215.7	172.1	43.6	25.3%
Accumulated Net Realized loss on sale of investments	(26.6)	(26.6)	---	---
Net Assets at Cost	721.2	641.6	79.6	12.4%
Unrealized Appreciation (Depreciation) on Investments	(56.9)	(21.2)	(35.7)	168.4%
Net Assets at Market	<u>\$664.3</u>	<u>\$620.4</u>	<u>\$43.9</u>	<u>7.1%</u>

Total investment return for the year, on funds under the control of the Investment Board including realized and unrealized market appreciation/depreciation, was 1.3% compared to 7.5% for the previous fiscal year.

EXPENSES:

Expenses of the System amounted to \$84.7 million for the 1978 fiscal year, an increase of \$7.4 million or 9.6% over the total for FY77. While most expenses increased at a normal level, disability benefits and contribution refunds were only slightly higher than those of previous years.

Expenses	FY-78 (Millions)	FY-77 (Millions)	Increase	
			Amount	Percentage
Retirement Benefits	\$46.0	\$41.6	\$4.4	10.6%
Survivors Benefits	10.4	9.5	.9	9.5%
Disability Benefits	11.6	11.0	.6	5.5%
Lump Sum Death Benefits	3.0	2.7	.3	11.1%
Contribution Refunds	12.4	11.4	1.0	8.8%
Administrative Expenses	1.3	1.1	.2	18.2%
Total	<u>\$84.7</u>	<u>\$77.3</u>	<u>\$7.4</u>	<u>9.6%</u>

Type of Payments	Number of Recipients		Increase	
	6-30-78	6-30-77	Number	Percentage
Retirement Benefits	14,689	13,885	804	5.8%
Survivors Benefits	5,534	5,228	306	5.9%
Disability Benefits	1,943	1,920	23	1.2%

Total number of disability benefit recipients as of June 30, 1978, was 1,943 or 23 more than at June 30, 1977. The slight dollar increase in disability payments of \$0.6 million included \$224,045 in maternity disability benefits which are of a short term nature and do not affect the monthly rolls. General increases in rates of pay also increased the rate of disability benefits for recipients added to the roll during the fiscal year. These increases, plus the higher number of recipients account for the remainder of the increase in disability expenses. Continued efforts to identify disability recipients engaged in gainful employment outside State service, and the obtaining of Social Security offset information, helped to reduce the percentage increase in the level of total payments as compared to experience in recent years.

Administrative costs were slightly higher for FY78 due primarily to increased costs in personal services, contractual services, printing and data processing expenses.

RESERVES:

As of June 30, 1978, total funds available for payment of current and future benefits amounted to \$730.0 million as shown in the following schedule:

<u>Reserves</u>	<u>FY-78 (Millions)</u>	<u>FY-77 (Millions)</u>	<u>Reserve Transfer</u>	<u>Net Increase</u>
Member Contributions	\$316.9	\$272.7	\$19.6	\$24.6
Future Operations	<u>413.1</u>	<u>377.6</u>	<u>(19.6)</u>	<u>55.1</u>
TOTAL RESERVES	<u><u>\$730.0</u></u>	<u><u>\$650.3</u></u>	<u><u>-0-</u></u>	<u><u>\$79.7</u></u>

Effective January 1, 1978, the elimination by statute of the Automatic Annuity Increase Reserve reported as a part of the Reserve for Future Operations resulted in a reclassification of \$19.6 million to the Reserve for Member Contributions.

The net increase in reserves as a result of FY-78 income of \$164.4 million in excess of expenditures of \$84.7 million is reflected in the change in net assets as follows:

<u>Assets</u>	<u>FY-78 (Millions)</u>	<u>FY-77 (Millions)</u>	<u>Increase (Decrease)</u>
Cash	\$ 3.1	\$ 3.4	(\$.3)
Receivables (Less Payables)	5.7	5.3	.4
Investments	<u>721.2</u>	<u>641.6</u>	<u>79.6</u>
NET ASSETS	<u><u>\$730.0</u></u>	<u><u>\$650.3</u></u>	<u><u>\$79.7</u></u>

SOCIAL SECURITY:

As State Social Security Administrator, the System collects and transmits social security contributions and wage information to the Secretary of the Department of Health, Education and Welfare under a Federal-State agreement signed September 15, 1953. Coverage is provided for two retirement system groups, the State Employees' Retirement System and the Illinois Municipal Retirement Fund, as well as for 1,524

towns, villages and other political entities. The number of individuals covered by social security on June 30, 1978, and the total contributions collected and transmitted during FY-78 were:

<u>Coverage Groups</u>	<u>Employees</u>	<u>Contributions</u>
Towns, Villages, and Other Entities	26,027	\$ 16,662,016
State Employees' Retirement System	61,948	75,082,039
Illinois Municipal Retirement Fund	<u>199,311</u>	<u>127,657,310</u>
TOTAL	<u>287,286</u>	<u>\$219,401,365</u>

The current contribution rate for both employee and employer is 6.05% on maximum wages of \$17,700. Social Security contributions are administered through a revolving fund. Operating expenses are appropriated by the General Assembly and subsequently recovered from the reporting entities on a pro rata basis for deposit in the General Revenue Fund.

The Social Security Division has a staff of 4 full-time employees and, in addition, some services are performed by other divisions of the System on a fee basis.

LEGISLATIVE AMENDMENTS:

Only two of the legislative amendments with an effective date during fiscal year 1978 had significant financial impact on the System. They were:

Senate Bill 751 - Established a minimum monthly pension of \$150 for present retirees who as of September 16, 1977, were 65 or more years of age, and, who retired with 20 or more years of creditable service. To qualify, an annuitant was required to pay 1% of his final average monthly compensation times the number of his full years of creditable service. During FY78 a total of \$10,681.55 was remitted by 139 retirees which increased monthly benefits by \$7,066.28, effective September 16, 1977.

House Bill 1782 - Was a complete rewrite of Article 14 of the Illinois Pension Code. Two of the provisions in this bill affected current and future income and expense; (1) overtime wages are now subject to employee and employer contributions, increasing income to the System; by increasing average final compensation, this change will eventually increase pension and survivor benefit payments; (2) interest is charged at 5% per annum on contributions of members wishing to establish credit for service prior to their date of membership. This resulted in a 300% increase in such receipts during FY-78, as members applied to establish such service prior to the effective date of the interest assessment, effective January 1, 1978.

New legislation with effective dates subsequent to June 30, 1978, affecting the operations of the System is summarized below:

House Bill 1803 - Provides for an annual increase of 3% of original annuity for retirees eligible for such increases, effective January 1, 1979.

House Bill 2943 - Provides that retirees removed from the group insurance coverage as of March 31, 1978, will now be reinstated in the group insurance program as of October 1, 1978.

Senate Bill 571 - Applies to CETA employees and their participation as members of the Retirement System, effective August 18, 1978.

Senate Bill 554 - Affects the System in two ways; recodified provisions of the Social Security Enabling Act and provides for interest free payment of the qualifying period for a member who returned to service but had not completed the two year service requirement as of January 1, 1978, effective September 8, 1978.

House Bill 3386 - Applies to special agents of the Illinois Bureau of Investigation being changed to the Department of Law Enforcement. It also includes service in the Division of Narcotics for the purpose of meeting the requirement to qualify for the alternative retirement annuity formula, effective January 1, 1979.

ADMINISTRATION AND REPORTING

Administrative operations of the System are under the direction of the Executive Secretary assisted by a staff of 62 full-time employees, excluding Social Security Division personnel.

All funds belonging to the System required for current operations are held by the Treasurer of the State of Illinois, who is exofficio, the Treasurer of the System. Receipts to and disbursements from the System's trust fund are accomplished through the Comptroller of the State of Illinois according to rules and regulations issued under statutory authority by the Comptroller and the Treasurer.

Annual statements of member's contributions and service were mailed in October, 1978. In the future, this mailing will also include a newsletter containing legislative changes, and other information of interest to the membership.

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 1978 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 1978 fiscal year.

ACKNOWLEDGMENT

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 R. 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 sheets of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois as of June 30, 1978 and 1977, and the related statements of revenue and expenditures and changes in funded reserves for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the 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, 1978 and 1977, and the results of its financial transactions for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis. The information included in the schedule of administrative expenses was derived from the accounting records tested by us as part of the auditing procedures followed in our examinations 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
November 22, 1978



BALANCE SHEETS

STATE EMPLOYEES' RETIREMENT SYSTEM TRUST FUND

	June 30	
	1978	1977
ASSETS		
Cash	\$ 3,050,460	\$ 3,415,765
Receivables:		
Contributions receivable:		
Participants	3,015,622	2,836,785
Employing State agencies	4,615,329	3,874,332
Other accounts receivable	250,205	224,068
	<u>7,881,156</u>	<u>6,935,185</u>
Investments:		
Held in the State Employees' Investment Fund of the Illinois State Board of Investment (market value: 1978--\$664,359,179; 1977--\$620,409,169)--Note B	<u>721,232,408</u>	<u>641,637,642</u>
	<u>\$ 732,164,024</u>	<u>\$ 651,988,592</u>
LIABILITIES		
Benefits payable	\$ 1,288,547	\$ 861,348
Refunds payable	742,105	774,706
Administrative expenses payable	117,160	70,315
	<u>2,147,812</u>	<u>1,706,369</u>
Reserves:		
Actuarially-determined accrued benefit cost--Note C	1,542,156,049	1,429,366,705
Less unfunded accrued benefit cost--representing an obligation of the State of Illinois	812,139,837	779,084,482
Funded reserves	<u>730,016,212</u>	<u>650,282,223</u>
	<u>\$ 732,164,024</u>	<u>\$ 651,988,592</u>

See notes to financial statements

STATEMENTS OF REVENUE AND EXPENDITURES

STATE EMPLOYEES' RETIREMENT SYSTEM TRUST FUND

	Year Ended June 30	
	1978	1977
Revenue:		
Contributions:		
Participants	\$ 50,401,953	\$ 47,848,876
Employing State agencies	67,531,874	59,260,881
State Pension Fund	1,853,000	536,900
	<u>119,786,827</u>	<u>107,646,657</u>
Net investment income	43,594,766	38,035,539
Repayment of contributions , refunded	395,652	285,525
Interest earned on cash balances	430,278	37,507
Interest received from participants	227,689	88,880
	<u>164,435,212</u>	<u>146,094,108</u>
Expenditures:		
Benefits:		
Retirement annuities	46,017,123	41,548,561
Survivors' annuities	10,428,913	9,512,724
Disability benefits	11,558,867	11,026,764
Lump sum death benefits	2,981,007	2,707,167
	<u>70,985,910</u>	<u>64,795,216</u>
Refunds	12,438,437	11,416,099
Administrative expenses	1,276,876	1,131,579
Transfers to reciprocating retirement systems		270
	<u>84,701,223</u>	<u>77,343,164</u>
	<u>84,701,223</u>	<u>77,343,164</u>
EXCESS OF REVENUE OVER EXPENDITURES	<u>\$ 79,733,989</u>	<u>\$ 68,750,944</u>

See notes to financial statements

STATEMENTS OF CHANGES IN FUNDED RESERVES

STATE EMPLOYEES' RETIREMENT SYSTEM TRUST FUND

Two years ended June 30, 1978

	<u>Total</u>	<u>Reserve for Participants' Contributions</u>
Balance at July 1, 1976	\$581,531,279	\$251,772,923
Add (deduct):		
Excess (deficiency) of revenue over expenditures	68,750,944	31,639,064
Reserve transfers:		
Accumulated contributions of members who retired during the year, less contri- butions of annuitants returning to active status		(10,754,144)
Interest credited to members' accounts		
Reserve for automatic annuity increase credited with interest at 4% on the reserve balance at beginning of year		
Reserve for supplemental annuity credited with investment income in excess of 4% on average investments		
Balance at June 30, 1977	<u>650,282,223</u>	<u>272,657,843</u>
Add (deduct):		
Excess of revenue over expenditures	79,733,989	36,540,146
Reserve transfers:		
Reserves for supplemental annuity and automatic annuity increase eliminated--Note D		19,648,657
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status		(11,969,499)
Interest credited to members' accounts		
BALANCE AT JUNE 30, 1978	<u>\$730,016,212</u>	<u>\$316,877,147</u>

See notes to financial statements

Reserve for Future Operations

Supplemental Annuity	Automatic Annuity Increase	Interest Accumulations	Other Future Benefits
\$35,531,197	\$42,421,747	\$36,892,945	\$214,912,467
(1,345,347)	6,499,816		31,957,411
		8,073,881	10,754,144 (8,073,881)
	1,696,870		(1,696,870)
<u>13,730,744</u> 47,916,594	<u>50,618,433</u>	<u>44,966,826</u>	<u>(13,730,744)</u> 234,122,527
			43,193,843
(47,916,594)	(50,618,433)		78,886,370
		8,775,619	11,969,499 (8,775,619)
<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$53,742,445</u>	<u>\$359,396,620</u>

NOTES TO FINANCIAL STATEMENTS

STATE EMPLOYEES' RETIREMENT SYSTEM TRUST FUND

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: Investments of the System Trust Fund are held in the State Employees' Investment Fund of the Illinois State Board of Investment and are 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. The investments at June 30, 1978 and 1977 are summarized below:

	June 30, 1978		June 30, 1977	
	Cost	Market Value	Cost	Market Value
Illinois Bond Fund (52,649,866 and 46,837,396 units, respectively)	\$496,545,321	\$469,973,782	\$443,222,448	\$443,168,549
Illinois Equity Fund (19,389,988 and 16,797,456 units, respectively)	220,566,620	190,264,931	195,266,460	174,091,886
Corporate short-term notes	4,117,327	4,117,327	3,150,000	3,150,000
Other assets--net	<u>3,140</u>	<u>3,139</u>	<u>(1,266)</u>	<u>(1,266)</u>
Total	<u>\$721,232,408</u>	<u>\$664,359,179</u>	<u>\$641,637,642</u>	<u>\$620,409,169</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. The Governor and 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 accrued benefit cost (arising from service credits in periods prior to June 30, 1978 and 1977, respectively) were made by a consulting actuary as of June 30, 1978 and 1977 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

NOTE D--RESERVES FOR SUPPLEMENTAL ANNUITY AND AUTOMATIC ANNUITY INCREASE

Amendments to Article 14 of the Pension Code, effective January 1, 1978, removed the requirement to maintain special reserve accounts for supplemental annuity and automatic annuity increase benefits. Accordingly, the June 30, 1977 balances in these reserves were transferred to the reserves for participants' contributions and other future benefits.

SCHEDULE OF ADMINISTRATIVE EXPENSES

STATE EMPLOYEES' RETIREMENT SYSTEM TRUST FUND

	Year Ended June 30	
	1978	1977
Personal services	\$ 650,919	\$ 616,642
Contributions to retirement system	46,859	41,142
Contributions for social security	26,480	25,170
Group insurance	30,625	-
Contractual services	164,860	150,947
Travel	7,116	6,427
Printing	26,571	9,158
Commodities	16,416	18,378
Equipment	19,898	18,350
Telecommunications	15,375	16,241
Electronic data processing	269,428	225,522
Other	<u>2,329</u>	<u>3,602</u>
Total administrative expenses	<u>\$1,276,876</u>	<u>\$1,131,579</u>


**ACTUARY'S
REPORT**

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, 1978 and June 30, 1977.

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

In our opinion, the accompanying comparative Valuation Balance Sheet fairly presents the financial condition of the State Employees' Retirement System of Illinois 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 20, 1978

State Employees' Retirement System

VALUATION BALANCE SHEET

At June 30, 1978 and June 30, 1977 in Comparison

ASSETS

PRESENT ASSETS

	<u>June 30, 1978</u>	<u>June 30, 1977</u>
Cash	\$ 3,050,460	\$ 3,415,765
Accounts Receivable	7,881,156	6,935,185
Investments	721,232,408	641,637,642

DEFERRED RECEIVABLE

Due from the State of Illinois for Unfunded Accrued Pension Credits	<u>812,139,837</u>	<u>779,084,482</u>
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TOTAL ASSETS	<u>\$1,544,303,861</u>	<u>\$1,431,073,074</u>
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LIABILITIES AND RESERVES

CURRENT LIABILITIES

Benefits Payable	\$ 1,288,547	\$ 861,348
Refunds Payable	742,105	774,706
Administration Expense	117,160	70,315
	<u>2,147,812</u>	<u>1,706,369</u>

RESERVE LIABILITIES

For retirement annuities and
survivors' annuities entered
upon and in force -

Retirement annuities	\$ 410,254,333	\$ 389,772,651
Survivors' annuities and other benefits	142,062,718	121,806,467

For pension credits earned by the
active members for service
rendered prior to July 1, 1978
or July 1, 1977

	<u>989,838,998</u>	<u>917,787,587</u>
	<u>\$1,542,156,049</u>	<u>\$1,429,366,705</u>

TOTAL LIABILITIES
AND RESERVES

	<u>\$1,544,303,861</u>	<u>\$1,431,073,074</u>
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NOTE: The actuarial value of vested benefits
at June 30, 1978, amounted to \$258,688,214.

**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>
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
1977	3,415,765	6,935,185	641,637,642	651,988,592
1978	3,050,460	7,881,156	721,232,408	732,164,024

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>
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
1977	1,706,369	272,657,843	377,624,380	651,988,592
1978	2,147,812	316,877,147	413,139,065	732,164,024

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>
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
1977	650,282,223	779,084,482	1,429,366,705	45.5
1978	730,016,212	812,139,837	1,542,156,049	47.3

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>
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
1977	48,223,281	59,797,781	38,073,046	146,094,108
1978	51,025,294	69,384,874	44,025,044	164,435,212

BALANCE SHEET ASSETS

<u>Fiscal Year Ending June 30</u>	<u>Cash</u>	<u>Receivables</u>	<u>Investments</u>	<u>Total</u>
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
1977	3,415,765	6,935,185	641,637,642	651,988,592
1978	3,050,460	7,881,156	721,232,408	732,164,024

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>
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
1977	1,706,369	272,657,843	377,624,380	651,988,592
1978	2,147,812	316,877,147	413,139,065	732,164,024