

**STATE EMPLOYEES'
RETIREMENT
SYSTEM** of Illinois

1980

**ANNUAL
REPORT**

ANNUAL REPORT

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

2815 West Washington Street
P.O. Box 4064
Springfield, Illinois 62708

BOARD OF TRUSTEES

(As Constituted December 17, 1980)



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Chairman
Appointed by Governor



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Representing
Roland W. Burris
Comptroller,
State of Illinois



Marcia E. Tiers
Representing
Robert L. Mandeville
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State of Illinois



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Appointed by Governor



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Appointed by Governor

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Accounting Division

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Data Processing Division

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Service and Refunds Division

Michael K. Blankenship, Manager
Social Security Division

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We wish to express our thanks to the Illinois Information Service, Graphics and Photography Departments, for the cover design and chart layouts for this report.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

P.O. Box 4064 - 2815 West Washington Street, Springfield, IL 62708

December 17, 1980

Phone (217) 753-0444



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, 1980.

Respectfully submitted,

Chairman

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

P.O. Box 4064 - 2815 West Washington Street, Springfield, IL 62708

Phone (217) 753-0444



Board of Trustees
State Employees' Retirement System
Springfield, Illinois

The annual report of the State Employees' Retirement System for the year ended June 30, 1980, is submitted herewith. This report embodies essential facts of financial, statistical and actuarial nature concerning the operation of the System covering a period from July 1, 1979, through June 30, 1980.

HIGHLIGHTS OF OPERATIONS

While the excess of revenues over expenditures was at a record level during FY-80, \$137.5 million, the overall financial condition of the System as measured by the relationship of net assets to the actuarial accrued liability showed a slight decline from 51.7% at the end of FY-79 to 50.7% as of June 30, 1980. This decline of 1% was due primarily to:

- (1) A change in actuarial assumptions utilized for valuation purposes resulting from a five-year experience analysis required by law;
- (2) A slight increase in the number of active members participating in the System; and
- (3) A greater than expected level of salary increases.

Although the funding ratio decreased slightly at the end of FY-80, projections made by the System's actuary, which assume continuation of the existing benefit plan, funding policy, and realization of the actuarial assumptions utilized, reflects an expected continued improvement in the funded level of the System over the next 15 years.

| | Fiscal Year Ending | | | |
|--|---------------------|----------------|----------------|----------------|
| | <u>6/30/81</u> | <u>6/30/86</u> | <u>6/30/91</u> | <u>6/30/96</u> |
| Number of Active Members | 84,669 | 84,669 | 84,669 | 84,669 |
| | Dollars In Billions | | | |
| Payroll | \$1.246 | \$1.905 | \$2.735 | \$3.927 |
| Benefit Payments and Administrative Expense | .089 | .130 | .201 | .304 |
| Assets (Book Value) | 1.126 | 2.048 | 3.519 | 5.854 |
| Unfunded Actuarial Liability | 1.110 | 1.967 | 3.022 | 4.369 |
| (Funded %) | (50.4%) | (51.0%) | (53.8%) | (57.3%) |
| State Contribution | .095 | .130 | .201 | .304 |
| (% Payroll) | (7.62%) | (6.82%) | (7.35%) | (7.74%) |

It should be noted that assets available for active members (i.e., assets in excess of the reserves for benefit payments that have commenced) relative to the actuarial reserve for active and inactive members (determined on entry age normal method) are projected to increase from 22.4% in FY-81 to 44.1% in FY-96.

In support of the System's commitment of maintaining a high level of internal control, while expanding and improving services provided to the membership, the following projects and activities were undertaken during FY-80:

- (1) Development of an installment payment procedure that allows members to establish creditable service by utilizing installment payments for required contributions.
- (2) Further development of a disability control program that has resulted in savings to the Retirement Trust Fund of over \$1.5 million over the past two years.
- (3) Continued expansion of the Field Service Program - Benefit Seminars have furnished information to over 5,500 individuals during the fiscal year; and the comprehensive Preretirement Counseling Program, just implemented in FY-79, has been presented on 14 occasions during FY-80 to 362 State employees approaching retirement age.
- (4) Relocation of the System's Springfield office to a modern facility.

Annual Report 1980

TRANSMITTAL LETTER

REVENUES:

Total revenue for the fiscal year 1980 of \$232.9 million was an increase of \$30.3 million or 15% over revenue for the 1979 fiscal year.

| Revenue Source | FY-80 | FY-79 | Increase | |
|----------------------|----------------|----------------|---------------|--------------|
| | (Millions) | (Millions) | Amount | Percentage |
| Member Contributions | \$ 59.4 | \$ 56.3 | \$ 3.1 | 5.5% |
| State Contributions | 94.1 | 84.8 | 9.3 | 11.0% |
| Investment Income | 79.4 | 61.5 | 17.9 | 29.1% |
| Total | \$232.9 | \$202.6 | \$30.3 | 15.0% |

Direct contributions by the members to establish credit for past periods of employment amounted to \$0.5 million. Member contributions from payroll deductions totaled \$58.9 million on wages of \$1,137.7 million.

| Active Membership | FY-80 | FY-79 | Increase (Decrease) | |
|--|-----------|-----------|---------------------|------------|
| | | | Number/Amount | Percentage |
| Coordinated Members | 64,577 | 60,839 | 3738 | 6.1% |
| Noncoordinated Members | 15,997 | 17,022 | (1025) | (6.0%) |
| Earnings Reports for All Members (millions) | \$1,137.7 | \$1,069.9 | \$67.8 | 6.3% |

Contributions by the State of Illinois were \$2.7 million distributed from the State Pension Fund and \$91.4 million received from State Agencies which represented 8% of the gross wages of employees in positions covered by the System. Employer contributions for FY-80 exceeded the combined benefit and administrative expense pay out of \$83.1 million by \$8.3 million. The 7.76% rate of contributions in FY-79 produced an excess of \$7.3 million. Since employer contributions are a part of each agency's budget, the rates are established each year based on estimated wage levels and projected benefit and administrative expenses several months before agency budgets are known.

| Distribution of Revenues - FY80 | Contributions | Investment | Contributions | Totals |
|------------------------------------|---------------|---------------|---------------|----------------|
| | By Members | Income | By Employer | |
| | | (Millions) | | |
| Reserve - Future Operations* | \$ 0.2 | \$79.4 | \$12.9 | \$ 92.5 |
| Reserve - Member Contributions | 45.0 | | | 45.0 |
| Benefit Payments | 1.9 | | 79.4 | 81.3 |
| Refunds | 12.3 | | | 12.3 |
| Administrative Exp. | | | 1.8 | 1.8 |
| Totals | \$59.4 | \$79.4 | \$94.1 | \$232.9 |

*This is the reserve from which future benefits will be paid.

The Illinois State Board of Investment reported income for the System of \$78.7 million for fiscal year 1980. This was a rate of return of 8.8% on average cost and 9.5% on average market. Total investment return for the year on funds controlled by the Investment Board, including realized and nonrealized market appreciation/depreciation, was 5.0% compared to 9.5% for FY-79.