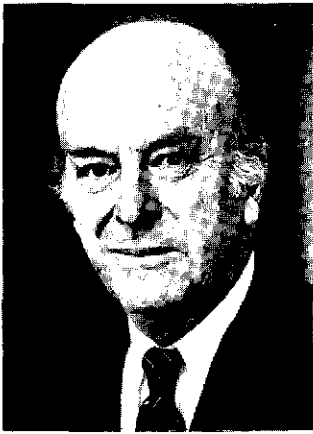


State Employees Retirement System of Illinois

1983 Annual Report



Robert A. Morris
Chairman
Appointed by Governor

1983 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 15, 1983)



Alice Kirby
Representing
Roland W. Burriss
Comptroller,
State of Illinois



Mark Gallagher
Representing
Robert L. Mandeville
Director, Bureau of the Budget
State of Illinois



Joseph T. Pisano
State Employee
Appointed by Governor



E. Allen Bernardi
State Employee
Appointed by Governor

ADMINISTRATIVE STAFF

Michael L. Mory
Executive Secretary

Robert V. Knox
Associate Executive Secretary

Patrick P. Cummings, Manager
Claims Division

Robert E. Doolen, Manager
Accounting Division

Joseph S. Maggio, Manager
Service and Refunds Division

Terry E. Radliff
Internal Auditor

William T. Weir, Manager
Administrative Services Division

Dwight N. Garmon, Manager
Data Processing Division

Michael K. Blankenship, Manager
Social Security Division

William R. Thompson, Manager
Field Services Division

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**state employees'
retirement
system
of illinois**



2815 West Washington, P.O. Box 4064, Springfield, IL 62708 - 4064, Ph.217/753 - 0444

December 15, 1983

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, 1983.

Respectfully submitted,

A handwritten signature in cursive script that reads 'Robert A. Morris'.

Robert A. Morris
Chairman

RAM:bjm

state employees' retirement system of illinois



2815 West Washington, P.O. Box 4064, Springfield, IL 62708 - 4064, Ph.217/753 - 0444

Board of Trustees
State Employees' Retirement System of Illinois
2815 W. Washington St., P.O. Box 4064
Springfield, IL 62708

The annual report of the State Employees' Retirement System for the year ended June 30, 1983, is submitted herewith. This report embodies essential facts of a financial, statistical and actuarial nature concerning the operation of the System covering a period from July 1, 1982 through June 30, 1983.

FINANCIAL CONDITION

While contributions from the State were reduced for the second straight year, the financial condition of the System as measured by the ratio of net assets to accrued actuarial liabilities, reflects significant improvement as of the end of FY-83 compared to FY-82 increasing from 47.9% to 50.2%. Upon analyzing this situation, it becomes readily apparent that the improvement achieved was totally the result of exceptional investment performance during the fiscal year. A total rate of return in excess of 44% was obtained as measured on a market value basis, which included capital gains of over \$92 million also realized during the year. Without this level of investment performance which certainly cannot be expected on a regular basis, the financial health of the system most certainly would have eroded during the year.

The issue of the state's contribution to the System was once again in the forefront during FY-83. Not only was the initial appropriation level reduced below full payout (100% of benefit payments plus administrative expenses) but additional legislation was introduced and passed during March of 1983 reducing state contributions a second time. Unfortunately, this practice is being continued into FY-84 despite the passage of several measures designed to substantially increase state revenues. A summary of the state contribution as compared to benefit payout for FY-82 and FY-83 follows along with a projection of contributions and expenses for FY-84.

	<u>Benefits Plus Administrative Expenses</u>	<u>State Contributions</u>	<u>Shortfall</u>
	(millions)	(millions)	(millions)
FY-82	\$102.7	\$ 61.5	\$ 41.2
FY-83	114.1	71.8	42.3
FY-84 (projected)	<u>125.7</u>	<u>82.2</u>	<u>43.5</u>
Total	\$342.5	\$215.5	\$127.0

While it is acknowledged that the recession of 1981 and 1982 had a particularly adverse impact on state government, this situation serves to emphasize the need to reassess current funding policy. Recognizing the long-term nature of pension liabilities, immediate consideration must be given to the establishment of a funding objective which relates directly to the level of future benefit commitments. Once this objective has been established and a reasonable plan developed to achieve the end result, brief periods of economic instability requiring contribution adjustments can be handled without creating uncertainties as to the state's ultimate ability to meet pension fund obligations in future years.

Transmittal Letter ANNUAL REPORT 1983

ADMINISTRATION AND REPORTING

Administrative operations of the System are under the direction of the Executive Secretary assisted by a staff of 65 full-time employees, excluding Social Security Division personnel.

All funds of the System required for current operations are held by the Treasurer of the State of Illinois. 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.

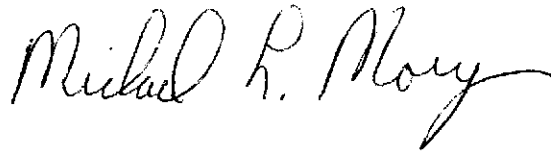
Annual statements of members' contributions, service and estimated benefits were mailed in October 1983, along with a newsletter containing legislative changes and other information of interest to the membership.

The annual audit for the 1983 fiscal year was conducted under the direction of the Auditor General by the firm of Peat, Marwick, Mitchell and Co. Actuarial services for the System were performed by The Wyatt Company.

ACKNOWLEDGEMENT

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,

A handwritten signature in cursive script that reads "Michael L. Mory". The signature is written in black ink and is positioned above the printed name of the signatory.

Michael L. Mory, Executive Secretary

Financial Statement ANNUAL REPORT 1983



Peat, Marwick, Mitchell & Co.
Certified Public Accountants
Peat Marwick Plaza
303 East Wacker Drive
Chicago, Illinois 60601
312-938-1000

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
State Employees' Retirement
System 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, 1983 and 1982 and the related statements of revenue and expenses, changes in reserve balances, and changes in financial position 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 aforementioned financial statements present fairly the financial position of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois at June 30, 1983 and 1982 and the results of its operations, changes in its reserve balances, and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information included in the Schedule is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the examinations of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Peat Marwick Mitchell & Co.

October 14, 1983

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Balance Sheets June 30, 1983 and 1982

	<u>Assets</u>	<u>1983</u>	<u>1982</u>
Cash		\$ 7,219,474	7,494,162
Receivables:			
Contributions receivable:			
Participants		2,766,318	3,011,809
Employing State agencies		4,779,279	2,943,989
Other accounts receivable		438,767	435,071
		7,984,364	6,390,869
Investments:			
Held in the Illinois State Board of Investment Commingled Fund:			
At cost		1,395,936,136	1,236,672,447
Allowance for undistributed net realized loss on sale of investments		—	(48,013,214)
At adjusted cost (market value: 1983, \$1,456,182,526; 1982, \$997,629,105)		1,395,936,136	1,188,659,233
		\$1,411,139,974	1,202,544,264
	<u>Liabilities and Reserves</u>		
Benefits payable		1,371,736	1,217,614
Refunds payable		715,378	940,095
Administrative expenses payable		135,608	154,547
Participants' deferred service credit accounts		137,058	90,213
		2,359,780	2,402,469
Reserves:			
Actuarially determined accrued benefit cost (note 3) ...		2,803,699,177	2,507,806,579
Less unfunded accrued benefit cost representing an obligation of the State of Illinois		1,394,918,983	1,307,664,784
Funded reserves		1,408,780,194	1,200,141,795
		\$1,411,139,974	1,202,544,264

See accompanying notes to financial statements.

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Statements of Revenue and Expenses Years ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Revenue:		
Contributions:		
Participants	\$ 71,754,999	68,912,099
Employing State agencies	70,008,203	60,348,375
State Pension Fund	1,838,200	1,152,000
	143,601,402	130,412,474
Net investment income	98,798,290	100,469,910
Repayment of contributions refunded	215,329	136,280
Interest earned on cash balances	796,354	1,227,592
Interest received from participants	400,918	252,570
Net realized gain on sale of investments (note 4)	92,978,613	—
	336,790,906	232,498,826
Expenses:		
Benefits:		
Retirement annuities	77,472,708	68,602,104
Survivors' annuities	15,253,035	14,236,031
Disability benefits	14,101,575	13,163,602
Lump-sum death benefits	5,025,528	4,451,938
	111,852,846	100,453,675
Refunds	13,938,134	13,935,176
Administrative expenses	2,290,492	2,245,727
Transfers to reciprocating retirement systems	71,035	7,629
	128,152,507	116,642,207
Excess of revenue over expenses before provision	208,638,399	115,856,619
Provision for undistributed gain on sale of investments	—	2,480,124
Excess of revenue over expenses	\$208,638,399	118,336,743

See accompanying notes to financial statements.

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Statements of Changes in Reserve Balances Years ended June 30, 1983 and 1982

	Reserve for participants' contributions	Reserve for future operations		Total funded reserves
		Interest accumulations	Other future benefits	
Balance at June 30, 1981	\$ 413,772,565	93,254,129	574,778,358	1,081,805,052
Add (deduct):				
Excess of revenue over expenses	52,573,102	—	65,763,641	118,336,743
Reserve transfers:				
Accumulated con- tributions of members who retired during the year, less contributions of annuitants returning to active status	(17,437,403)	—	17,437,403	—
Interest credited to members' accounts	—	22,973,980	(22,973,980)	—
Balance at June 30, 1982	448,908,264	116,228,109	635,005,422	1,200,141,795
Add (deduct):				
Excess of revenue over expenses	55,257,326	—	153,381,073	208,638,399
Reserve transfers:				
Accumulated con- tributions of members who retired during the year, less contributions of annuitants returning to active status	(21,182,483)	—	21,182,483	—
Interest credited to members' accounts	—	23,994,255	(23,994,255)	—
Balance at June 30, 1983	<u>\$ 482,983,107</u>	<u>140,222,364</u>	<u>785,574,723</u>	<u>1,408,780,194</u>

See accompanying notes to financial statements.

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Statements of Changes in Financial Position Years ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Sources of working capital:		
Working capital provided by operations — excess of revenue over expenses	\$ 208,638,399	118,336,743
Deduct item not providing working capital — net realized gain on sale of investments	<u>(92,978,613)</u>	<u>(2,480,124)</u>
Total sources of working capital	<u>115,659,786</u>	<u>115,856,619</u>
Uses of working capital — investment purchases:		
Amounts transmitted by SERS	15,500,000	16,500,000
Reinvested earnings	<u>98,798,290</u>	<u>100,469,910</u>
Total uses of working capital	<u>114,298,290</u>	<u>116,969,910</u>
Net increase (decrease) in working capital	<u>\$ 1,361,496</u>	<u>(1,113,291)</u>
Elements of net increase (decrease) in working capital:		
Cash	(274,688)	1,292,998
Receivables	1,593,495	(1,919,256)
Benefits payable	(154,122)	(242,268)
Refunds payable	224,717	(197,034)
Administrative expenses payable	18,939	(16,472)
Participants' deferred service credit accounts	<u>(46,845)</u>	<u>(31,259)</u>
Net increase (decrease) in working capital	<u>\$ 1,361,496</u>	<u>(1,113,291)</u>

See accompanying notes to financial statements.

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Notes to Financial Statements June 30, 1983 and 1982

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Investments

Investments of the System Trust Fund are managed by the Illinois State Board of Investment (ISBI) pursuant to Article 22A of the Illinois Pension Code and are held in the ISBI Commingled Fund. Such investments are valued at the cost of the System Trust Fund's units of participation in the ISBI Commingled Fund adjusted in 1982 by an allowance for undistributed net realized loss on sale of investments.

(c) 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.

(d) Actuarial Valuation

In accordance with the Illinois Revised Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest, and earnable compensation of the members and beneficiaries of the System. The last such experience review was performed on June 30, 1980. An annual actuarial valuation is performed which is used to value the current reserves.

(2) Benefits

The 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 those in positions subject to membership in other State sponsored retirement systems, persons employed after June 30, 1979 as public service employment program participants under the Federal CETA program, and enrollees in the Illinois Young Adult Conservation Corps become members of the 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 rate is 5½% or 9½% 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 and administering the System on a funded basis in accordance with actuarial requirements. The employer contribution rate was 5.55% for the current fiscal year. During fiscal year 1982 the contribution rate was 4½%.

(Continued)

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund Notes to Financial Statements

(3) **Accrued Benefit Cost**

The calculations of accrued benefit cost (actuarial liability) were made by the consulting actuaries 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	7½ %
Average age at retirement	65 years, except age 60 was used for those employees eligible for the "alternative retirement annuity"
Rate of turnover without vested benefits	A high scale at younger age levels, becoming progressively lower as age advances — consistent with the System's experience
Mortality basis	1971 Group Annuity Mortality Table projected to 1986
Salary increases	7½ % annual increase

(4) **Net Realized Gain of Sale of Investments**

The net realized gain on sale of investments represents the distribution made by ISBI applicable to investment transactions for the year ended June 30, 1983. The ISBI also distributed, in the year ended June 30, 1983, the accumulated undistributed net realized loss on sale of investments at June 30, 1982 of \$48,013,214. As the allowance for undistributed net realized loss on sale of investments was established to provide annual accounting recognition for undistributed realized capital gains and losses resulting from investment transactions by the ISBI, the distribution of the accumulated loss was accomplished by closing out the allowance for undistributed net realized loss to investments held in ISBI Commingled Fund at cost.

(5) **Investments Held in the Illinois State Board of Investments Commingled Fund**

The distribution by ISBI of the undistributed net realized loss on sale of investments was made on the basis of units of participation at June 30, 1983. This one-time allocation method resulted in minor differences with the figures reported by the individual retirement systems which used the data furnished by the ISBI in prior years. Adjustments were recorded by the ISBI during the first quarter of fiscal year 1984 which reconciled the minor differences reflected on the records of the System Trust Fund as of June 30, 1983 with the ISBI Annual Report. The amount of the difference applicable to the System Trust Fund is as follows:

	Cost
ISBI Annual Report	\$ 1,395,996,408
System Trust Fund	<u>1,395,936,136</u>
Difference	<u>\$ 60,272</u>

Financial Statement ANNUAL REPORT 1983

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS State Employees' Retirement System Trust Fund SCHEDULE OF ADMINISTRATIVE EXPENSES Years ended June 30, 1983 and 1982

	<u>1983</u>	<u>1982</u>
Personal Services	\$1,108,606	\$1,032,229
Retirement Contributions	61,535	46,457
Social Security Contributions	61,206	56,027
Group Insurance	50,650	40,002
Contractual Services	432,992	527,635
Travel	19,715	25,713
Printing	24,491	50,475
Commodities	14,813	13,310
Equipment	14,480	15,291
Telecommunications	21,177	20,961
Electronic Data Processing	470,954	412,090
Automotive	<u>9,873</u>	<u>5,537</u>
TOTAL	<u>\$2,290,492</u>	<u>\$2,245,727</u>

Additional Financial Information ANNUAL REPORT 1983

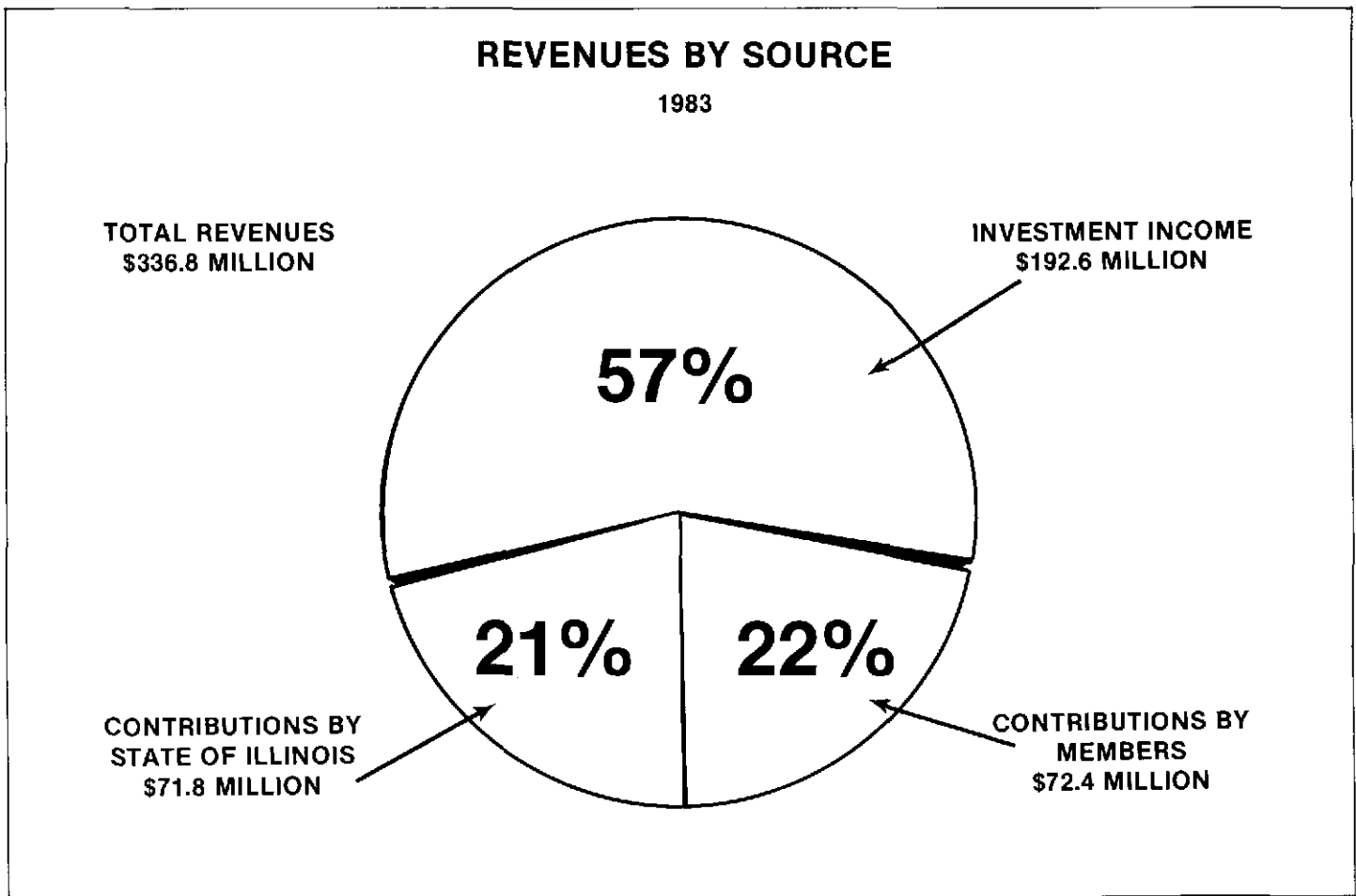
REVENUES:

Revenues of the System are derived from three sources, contributions by members, contributions by the State, and interest/investment income. During FY 1983, members contributed \$72.4 million, the State contributed \$71.8 million, and investment income amounted to \$192.6 million. FY 1983 income is compared to that of FY 1982 in the following table:

Revenue Source	FY 83 (Millions)	FY 82 (Millions)	Increase / (Decrease)	
			Amount	Percentage
Member Contributions	\$ 72.4	\$ 69.3	\$ 3.1	4.5%
State Contributions	71.8	61.5	10.3	16.7%
Investment Income	192.6	101.7	90.9	89.4%
Total	\$336.8	\$232.5	\$104.3	44.9%

During the year, there was again a decline in active membership (members currently employed by the State) to the lowest level in 10 years; however, member earnings continued to increase, although at a slower rate. Total active membership was down from 76,904 in FY 1982 to 73,050 in FY 1983. Earnings were up \$44,473,000 to a level of \$1,378,735,000.

Active Membership	FY 83	FY 82	Increase / (Decrease)	
			Number/Amount	Percentage
Coordinated Members	60,097	62,901	(2804)	(4.5%)
Noncoordinated Members	12,953	14,003	(1050)	(7.5%)
Total Active Members	73,050	76,904	(3854)	(5.0%)
Earnings Reported				
All Members (Millions)	\$1,378.7	\$1,334.3	\$44.4	3.3%



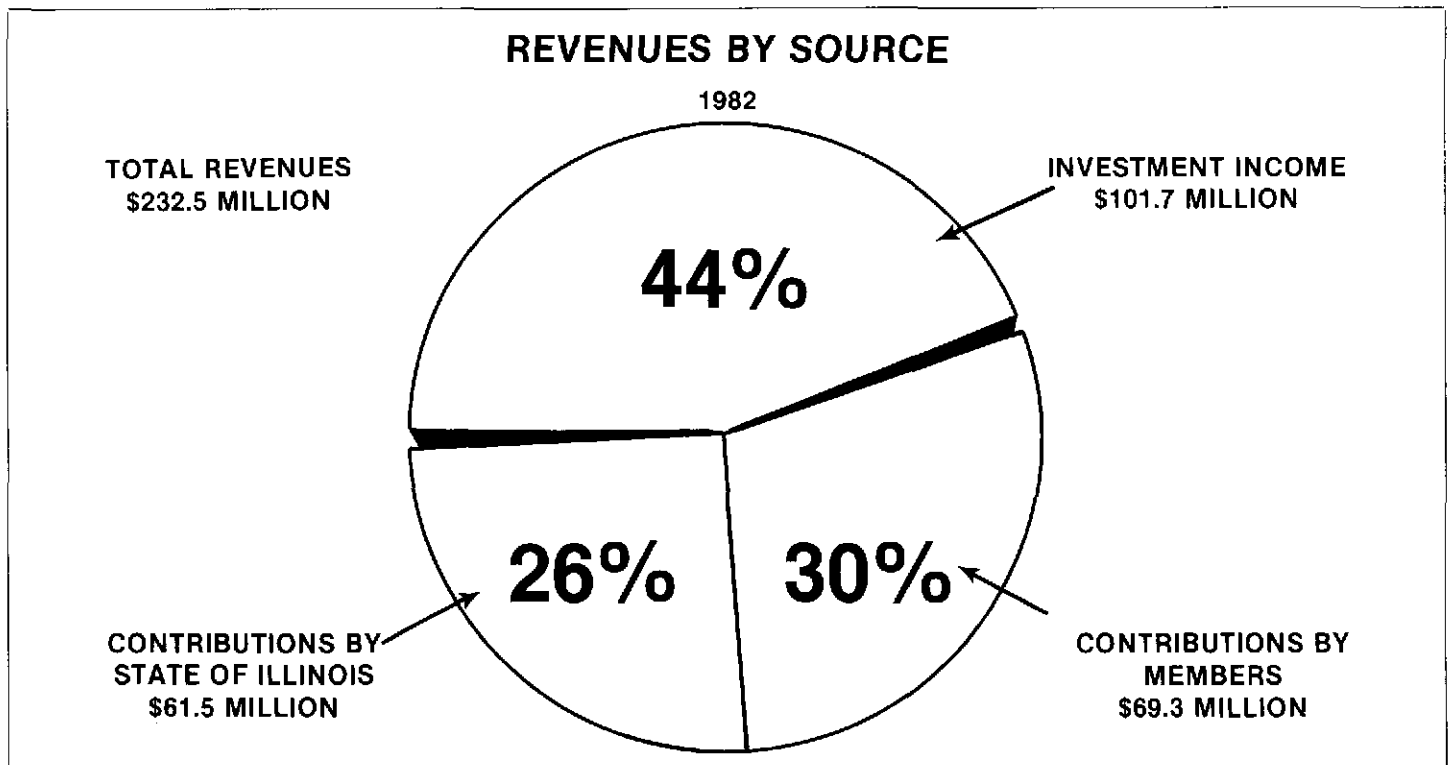
Additional Financial Information ANNUAL REPORT 1983

REVENUES (continued):

The Illinois State Board of Investment reported net income allocated to this System for FY 1983 of \$98,798,290, and net realized gain on sale of investments was \$92,978,613. Excess funds not needed for current operating expenses amounting to \$15,500,000 were transferred to the Investment Board during the year. These funds combined with the net income and net realized gain reported for the year resulted in an increase of balance sheet assets for investments of \$207,276,903. The following table shows a comparison of the investment operations for FY 1983 and FY 1982:

	1983	1982	Increase / (Decrease) Amount	Percentage
Balance at beginning of year, at cost	\$1,188,659,233	\$1,119,702,537	\$ 68,956,696	6.2%
Cash remitted for investment	15,500,000	16,500,000	(1,000,000)	(6.1%)
Investment income:				
Commingled Fund income	99,217,090	100,907,185	(1,690,095)	(1.7%)
Less Expenses	(418,800)	(437,275)	(18,475)	(4.2%)
Distributed Net Realized Gain on Sale of Investments	92,978,613	--	92,978,613	--
Net investment income	<u>\$ 191,776,903</u>	<u>\$ 100,469,910</u>	<u>\$ 91,306,993</u>	90.9%
Balance at end of year, at cost	\$1,395,936,136	\$1,236,672,447	\$159,263,689	12.9%
Allowance for undistributed net realized loss on sale of investments		(48,013,214)	(48,013,214)	--
Balance at end of year, at adjusted cost	<u>\$1,395,936,136</u>	<u>\$1,188,659,233</u>	<u>\$207,276,903</u>	17.4%
Market value	<u>\$1,456,182,526</u>	<u>\$ 997,629,105</u>	<u>\$458,553,421</u>	46.0%

Credit of \$796,354 was also received from the State Treasurer during the year representing interest on the average balance in the System's Operating Fund.



Additional Financial Information ANNUAL REPORT 1983

REVENUES (continued):

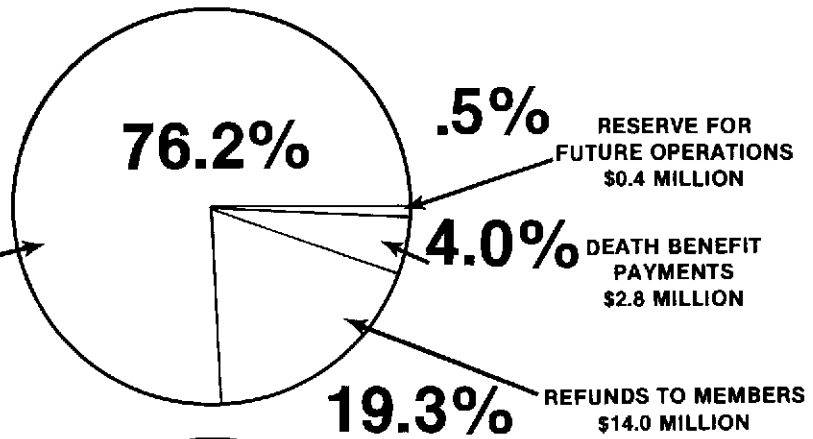
Revenues were used to pay current expenses or credited to the appropriate reserve accounts as shown below:

Distribution of Revenues — FY 83	Contributions by Members	Investment Income	Contributions by Employer	Totals
	(Millions)			
Reserve — Future Operations	\$ 0.4	\$153.0		\$153.4
Reserve — Member Contributions	55.2			55.2
Benefit Payments	2.8	39.6	\$69.5	111.9
Refunds	14.0			14.0
Administrative Expense			2.3	2.3
TOTAL	\$72.4	\$192.6	\$71.8	\$336.8

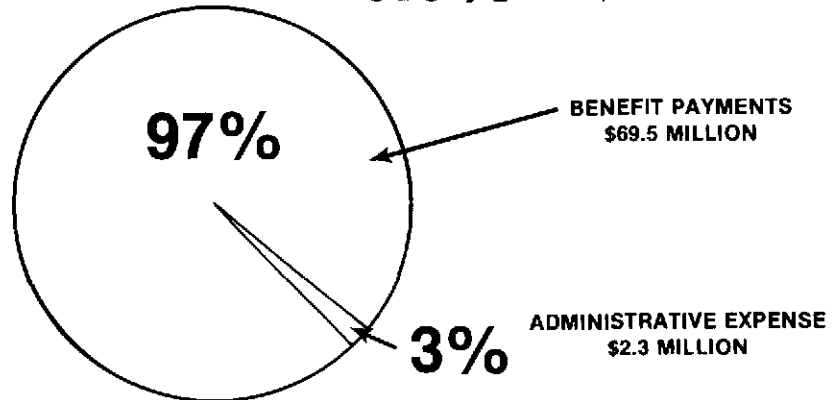
REVENUES FY 1983 — HOW THEY WERE USED

MEMBER CONTRIBUTIONS
\$72.4 MILLION

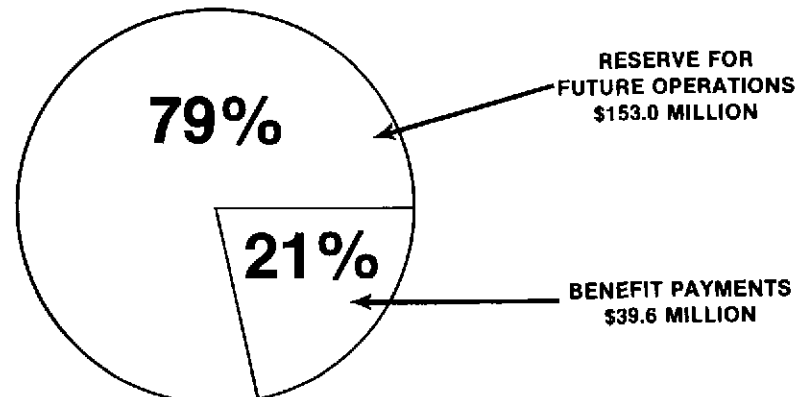
RESERVE FOR MEMBER CONTRIBUTIONS
\$55.2 MILLION



CONTRIBUTIONS BY STATE OF ILLINOIS
\$71.8 MILLION



INVESTMENT INCOME
\$192.6 MILLION



Additional Financial Information ANNUAL REPORT 1983

EXPENSES:

The rate of increase in total expenses was slightly lower in fiscal year 1983 at 9.9% compared to 12.8% in the previous year. Administrative expenses remained at the FY 1982 level. The number of refunds paid during 1983 was lower by 2,641 however the dollar amount remained nearly the same as for 1982. Disability benefits increased only 6.8% during the year due partially to the lowered rate of salary increases throughout state employment.

	FY 83 (Millions)	FY 82 (Millions)	Increase / (Decrease)	
			Amount	Percentage
Retirement Benefits	\$ 77.5	\$ 68.6	\$ 8.9	13.0%
Survivors Benefits	15.3	14.2	1.1	7.7%
Disability Benefits	14.1	13.2	0.9	6.8%
Lump Sum Death Benefits	5.0	4.5	0.5	11.1%
Contribution Refunds	14.0	13.9	0.1	.7%
Administrative Expenses	2.3	2.3	0.0	---
TOTAL EXPENSES	\$128.2	\$116.7	\$11.5	9.9%
Net Undistributed Realized Loss (Gain) on Investments	-0-	(2.5)	2.5	---
GRAND TOTAL	\$128.2	\$114.2	\$14.0	12.3%

All realized gains and losses of the Illinois State Board of Investment were distributed at the end of the fiscal year.

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1982	New Claims Processed During FY-83	Benefits Ceased During FY 83	FY Ended June 30, 1983
Survivors	6,863	516	240	7,139
Disability	1,888	2,532	2,569	1,851
TOTALS	26,998	4,812	3,514	28,296

Retirement and survivor annuities increased at about the same rate as in prior years. The number of members on the disability rolls decreased slightly as the total number of members on current payrolls declined.

RESERVES:

As of June 30, 1983, the total funds available for payment of current and future benefits were \$1,408.7 million as shown in the following schedule:

Assets	FY-83 (Millions)	FY-82 (Millions)	Increase (Decrease)
Cash	\$ 7.2	\$ 7.5	\$ (.3)
Receivables (less payables)	5.6	3.9	1.7
Investments	1,395.9	1,188.7	207.2
NET ASSETS	\$1,408.7	\$1,200.1	\$208.6

Additional Financial Information ANNUAL REPORT 1983

RESERVES (continued):

Total revenues for FY-83 of \$336.8 million less expenditures of \$128.2 million resulted in a net increase to reserves of \$208.6 million.

<u>Reserves</u>	<u>FY-83 (Millions)</u>	<u>FY-82 (Millions)</u>	<u>Net Increase</u>
Member Contributions	\$ 483.0	\$ 448.9	\$ 34.1
Future Operations	925.7	751.2	174.5
TOTAL RESERVES	<u>\$1,408.7</u>	<u>\$1,200.1</u>	<u>\$208.6</u>

Member contributions transferred to the Reserve for Future Operations due to retirement or death of active members during the year amounted to \$21.2 million.

SOCIAL SECURITY:

On September 15, 1953, the State of Illinois and the Federal Government signed an agreement making Social Security Coverage available to public employees in Illinois. The System, as State Administrator, collects and transmits Social Security contributions to the U.S. Department of Health and Human Services for approximately 1500 towns, villages, and other political entities. Members of two retirement systems in the State, the Illinois Municipal Retirement Fund (IMRF) and the State Employees' Retirement System (SERS) are also covered by Social Security. During fiscal year 1983, contributions collected and transmitted for the political entities amounted to \$28.6 million for approximately 25,000 employees, and for the SERS, \$143.6 million for 71,800 members. Since monthly deposits of FICA contributions are now required, the IMRF is transmitting directly to the Federal Government. Auditing of FICA contributions of political entities reporting through IMRF is performed by this office.

The Social Security Division has a staff of five full-time employees. Data processing and accounting services are performed by other divisions of the System on a contractual basis. 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 contribution rate for 1983 was 6.7% on maximum wages of \$35,700. Collections and transmittals are administered through a State Trust Fund in the custody of the Treasurer of the State of Illinois.

Actuary's Report ANNUAL REPORT 1983

ATLANTA
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CHICAGO
CLEVELAND
DALLAS-
FORT WORTH
DETROIT
GRAND RAPIDS
HONOLULU
HOUSTON
LOS ANGELES
MEMPHIS
MIAMI
MINNEAPOLIS-
ST. PAUL
NEW YORK

THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

PENSION PLANS EMPLOYEE BENEFITS COMPENSATION PROGRAMS INTERNATIONAL BENEFITS EMPLOYEE COMMUNICATIONS RISK MANAGEMENT

SUITE 5600 SEARS TOWER
233 SOUTH WACKER DRIVE
CHICAGO, ILLINOIS 60606

(312) 876-2000

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TORONTO
VANCOUVER

ACTUARIAL CERTIFICATION


We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1983.

For purposes of determining contribution rates, assets have been valued at Cost as reported by the Illinois State Board of Investment. The liabilities have been valued based on employee data supplied by the staff of the System and based on actuarial assumptions. A summary of the major actuarial assumptions follows.

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Employees' Retirement System of Illinois as of June 30, 1983 and the contribution rate complies with the applicable law in force as of the valuation date.

THE WYATT COMPANY

By 
Lloyd L. Nordstrom
Fellow of the Society of Actuaries

By 
Robert L. Barnes
Fellow of the Society of Actuaries

Chicago, Illinois

Actuary's Report ANNUAL REPORT 1983

VALUATION RESULTS

Actuarial Liability (Reserves)

a) For Members Receiving Annuities:		
i) Retirement Annuities	\$	834,445,756
ii) Survivor Annuities		131,773,936
iii) Disability		78,423,248
iv) Total		<u>\$1,044,642,940</u>
b) For Inactive Members and Deferred Annuities:	\$	67,063,634
c) For Active Members		\$1,691,992,603
d) Total		\$2,803,699,177
Assets (Cost Value)		\$1,408,780,194
Unfunded Actuarial Liability		\$1,394,918,983

CONTRIBUTION RATE

	<u>% of Payroll¹</u>	<u>Annual Contributions¹</u>
1. Normal Cost	5.805%	\$ 87,075,000
2. Amortization of the Unfunded Actuarial Liability Over a 40-year Period from July 1, 1980	7.490%	\$112,350,000
3. Total Contribution	13.295%	\$199,425,000

¹ Based on assumed payroll of \$1,500,000,000 for Fiscal Year July 1, 1984 - June 30, 1985.

Actuary's Report ANNUAL REPORT 1983

SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

Mortality: 1986 Projected Experience Table, a table based on experience underlying the 1971 Group Annuity Mortality Table, without margins, with a projection for mortality improvements to 1986. 5% of deaths among active employees are assumed to be in the performance of their duty.

Interest: 7½ % per annum, compounded annually.

Termination: Illustrative rates follow. It is assumed that terminated employees will not be rehired.

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.374	40	.073
25	.249	45	.047
30	.174	50	.020
35	.124	55	—

Salary Increases: 7½ % per annum, compounded annually.

Retirement Rates: Retirement was assumed to occur at age 65 except for "uniform services", which were assumed to retire at age 60.

Assets: Assets available for benefits are valued at cost.

Expenses: As estimated and advised by SERS staff, based on current expenses with an allowance for expected increases.

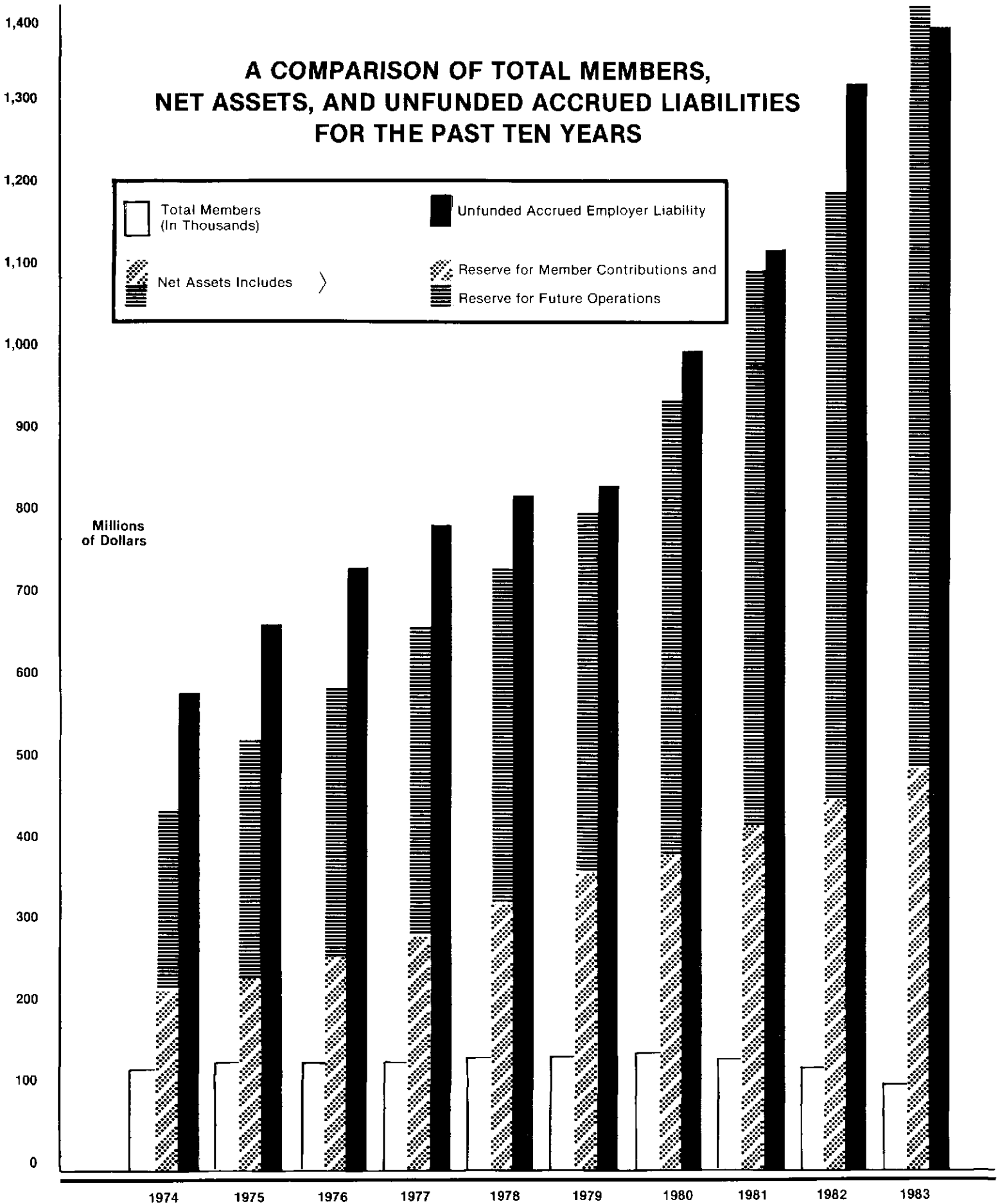
Marital Status: 85% of employees are assumed to be married.

Spouse's Age: The spouses of eligible employees were assumed to be 3 years younger than the employees.

In addition to the above, other assumptions used include disability incidence, recovery from disability, mortality of disabled lives, remarriage rates, ages and numbers of children and Social Security benefit levels.

Financial & Statistical Tables ANNUAL REPORT 1983

A COMPARISON OF TOTAL MEMBERS, NET ASSETS, AND UNFUNDED ACCRUED LIABILITIES FOR THE PAST TEN YEARS



Financial & Statistical Tables ANNUAL REPORT 1983

BALANCE SHEET ASSETS

FY Ended June 30	Cash	Receivables	Investments At Cost	Investment Adjustment*	Total
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
1979	2,344,567	10,233,683	832,097,108	*(42,998,251)	801,677,107
1980	2,902,092	12,467,758	966,813,414	*(45,458,776)	936,724,488
1981	6,201,164	8,310,125	1,119,702,537	*(50,493,338)	1,083,720,488
1982	7,494,162	6,390,869	1,236,672,447	*(48,013,214)	1,202,544,264
1983	7,219,474	7,984,364	1,395,936,136	— 0 —	1,411,139,974

*Allowance for accumulated net realized loss undistributed by the Illinois State Board of Investment.

BALANCE SHEET LIABILITIES

FY Ended June 30	Accounts Payable	Reserve For Member Contributions	Reserve For Future Operations	Total
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
1979	1,873,826	347,173,321	452,629,960	801,677,107
1980	1,860,828	378,467,810	556,395,850	936,724,488
1981	1,915,436	413,772,565	668,032,487	1,083,720,488
1982	2,402,469	448,908,264	751,233,531	1,202,544,264
1983	2,359,780	482,983,107	925,797,087	1,411,139,974

Financial & Statistical Tables ANNUAL REPORT 1983

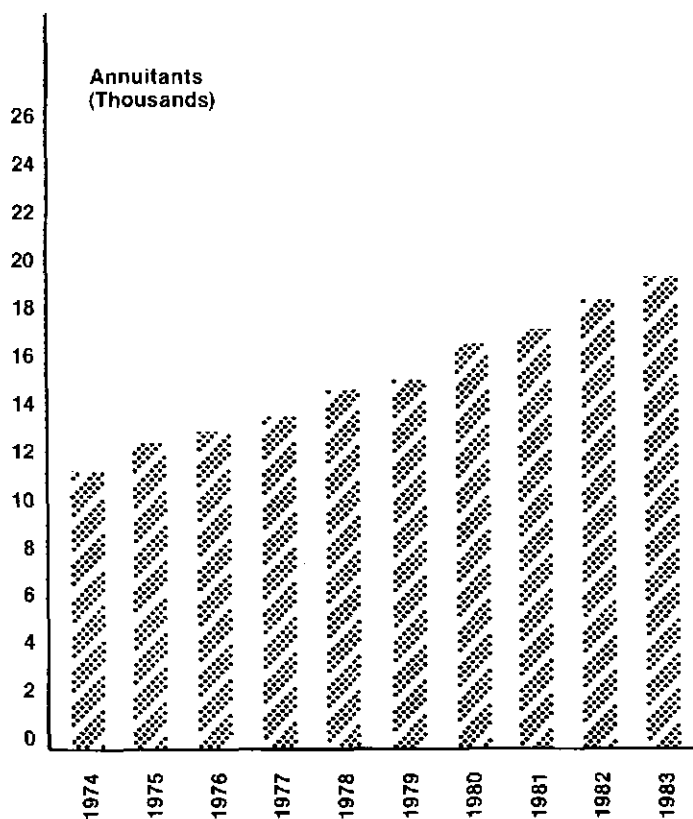
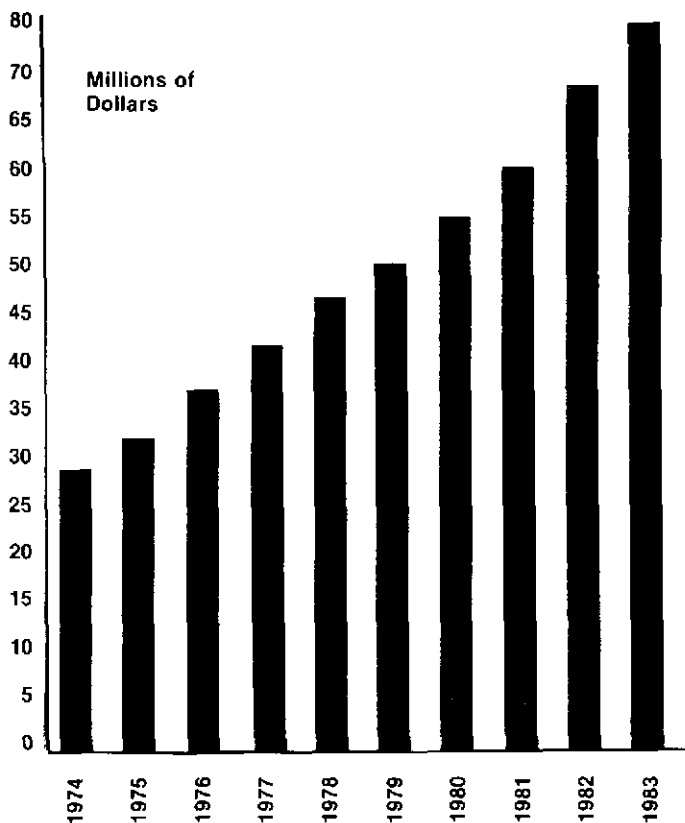
ANALYSIS OF FUNDING

FY Ended June 30	Funded Reserves	Unfunded Accrued Liability	Reserve Requirement	Rate of Funding
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%
1979	799,803,281	829,962,465	1,629,765,746	49.1%
1980	934,863,660	999,190,028	1,934,053,688	48.3%
1981	1,081,805,052	1,111,325,317	2,193,130,369	49.3%
1982	1,200,141,795	1,307,664,784	2,507,806,579	47.9%
1983	1,408,780,194	1,394,918,983	2,803,699,177	50.2%

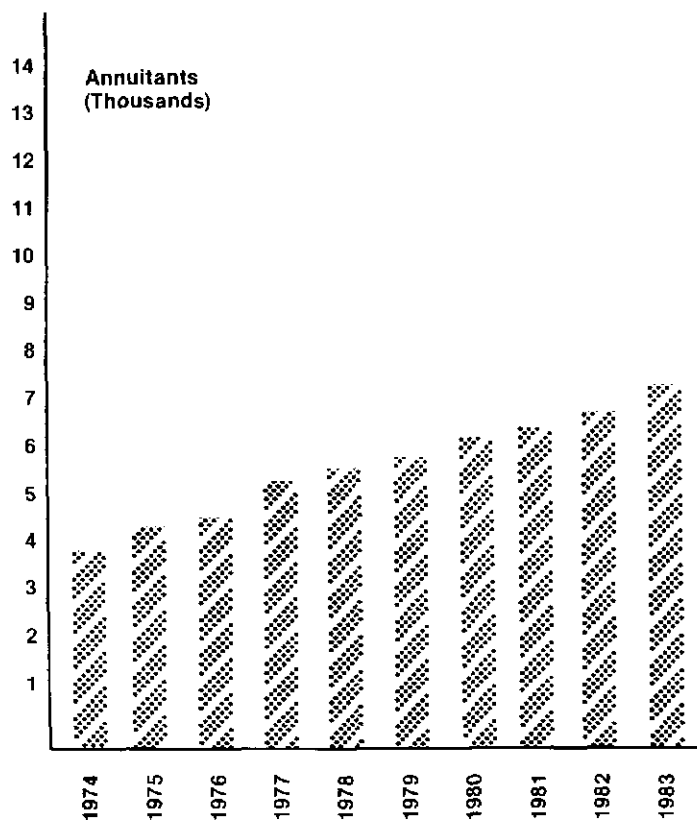
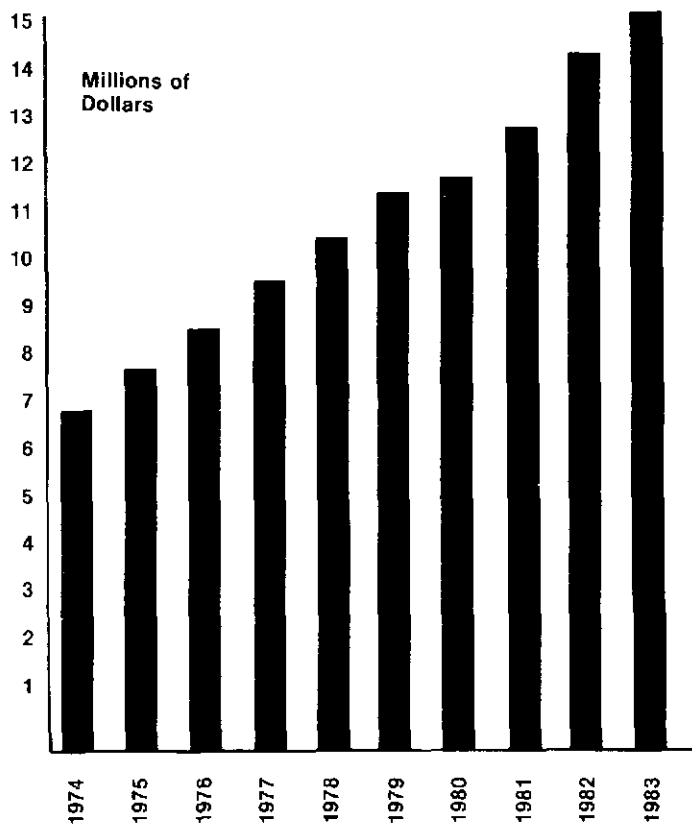
REVENUES BY SOURCE

FY Ended June 30	Member Contributions	State Contributions	Investment Income	Total
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
1979	56,328,543	84,762,923	61,496,348	202,587,814
1980	59,448,493	94,056,122	79,438,744	232,943,359
1981	64,573,084	96,918,451	93,957,329	255,448,864
1982	69,300,949	61,500,375	101,697,502	232,498,826
1983	72,371,246	71,846,403	192,573,257	336,790,906

AGE RETIREMENT ANNUITIES

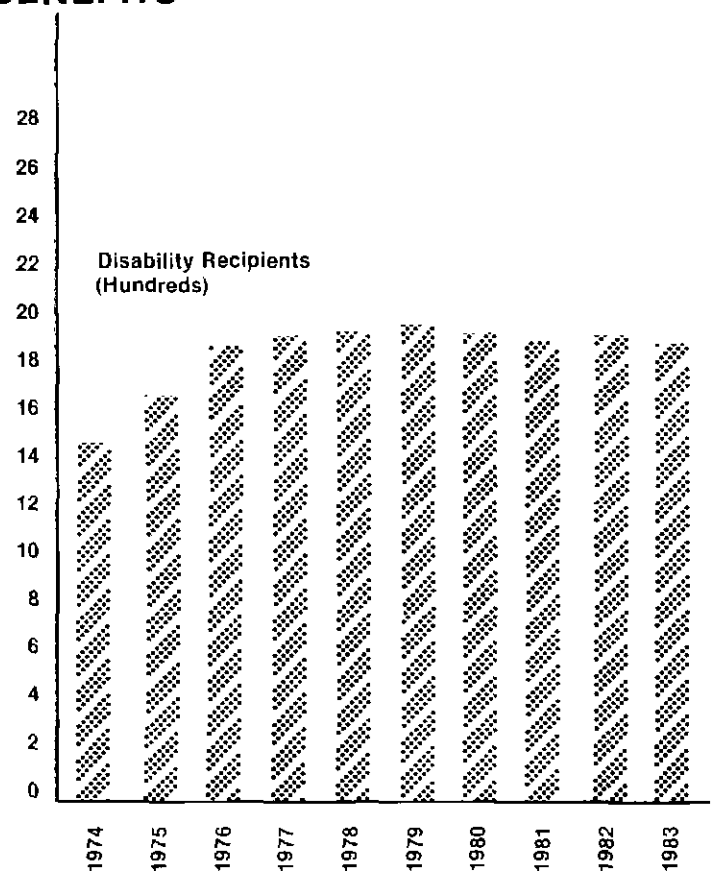
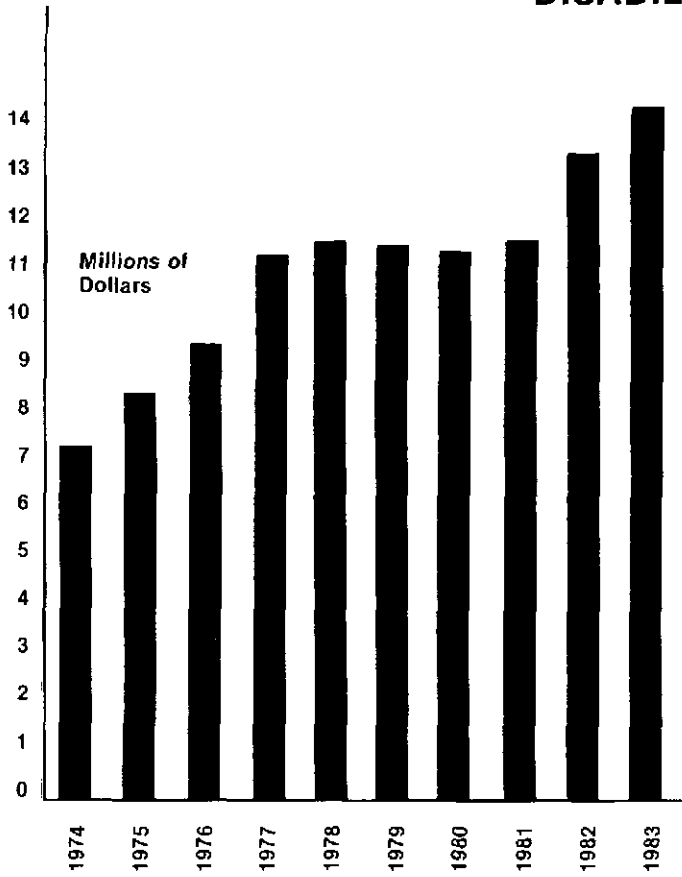


SURVIVOR ANNUITIES

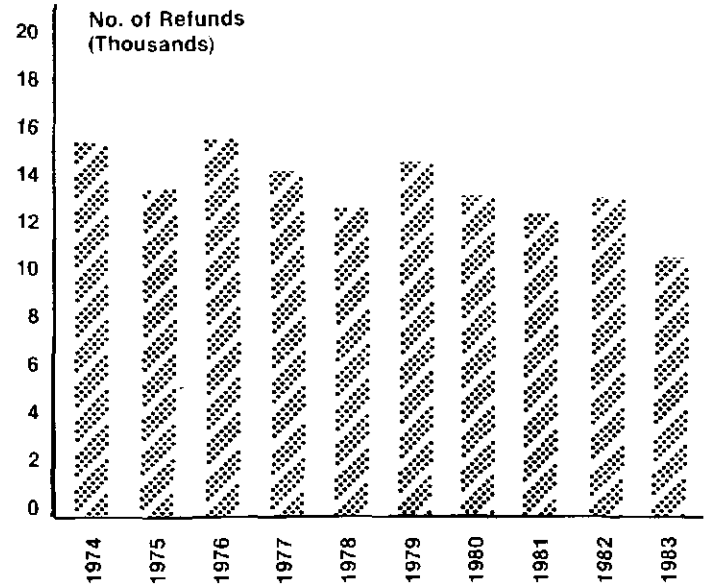
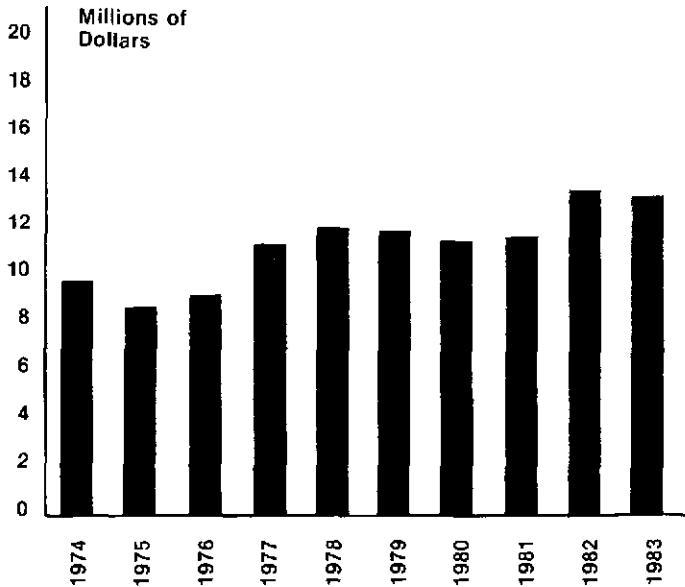


Financial & Statistical Tables ANNUAL REPORT 1983

DISABILITY BENEFITS



TERMINATION REFUNDS



Financial & Statistical Tables ANNUAL REPORT 1983

EXPENSES BY TYPE

FY Ended June 30	Benefits	Contribution Refunds	Administrative Expenses	Other Expenses*	Total
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
1977	64,795,216	11,416,369	1,131,579		77,343,164
1978	70,985,910	12,438,437	1,276,876		84,701,223
1979	76,000,765	12,344,851	1,456,878		89,802,494
1980	81,342,048	12,328,329	1,752,078	2,460,525	97,882,980
1981	89,147,299	12,352,136	1,973,475	5,034,562	108,507,472
1982	100,453,675	13,942,805	2,245,727	(2,480,124)	114,162,083
1983	111,852,846	14,009,169	2,290,492	— 0 —	128,152,507

*Net realized loss or (gain) on investments undistributed by the Illinois State Board of Investment. Accumulated net losses from 1970 through 1979 amounted to \$42,998,251.

BENEFIT EXPENSES BY TYPE

FY Ended June 30	Retirement Annuities	Survivors Annuities	Disability Benefits	Lump Sum Death Benefits	Total
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
1977	41,548,561	9,512,724	11,026,764	2,707,167	64,795,216
1978	46,017,123	10,428,913	11,558,867	2,981,007	70,985,910
1979	50,360,362	11,249,401	11,481,378	2,909,624	76,000,765
1980	55,063,529	11,902,744	11,327,382	3,048,393	81,342,048
1981	60,675,795	12,939,271	11,598,809	3,933,424	89,147,299
1982	68,602,104	14,236,031	13,163,602	4,451,938	100,453,675
1983	77,472,708	15,253,035	14,101,575	5,025,528	111,852,846

TOTAL MEMBERSHIP — COORDINATED / NONCOORDINATED

FY Ended June 30	COORDINATED MEMBERS			NONCOORDINATED MEMBERS			Total Male Members	Total Female Members	Total Members
	Male	Female	Total	Male	Female	Total			
1974	39,334	34,409	73,743	14,812	13,295	28,107	54,146	47,704	101,850
1975	43,101	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
1977	43,032	40,158	83,190	10,829	10,675	21,504	53,861	50,833	104,694
1978	44,516	42,297	86,813	10,342	9,863	20,205	54,858	52,160	107,018
1979	45,310	43,705	89,015	9,824	9,109	18,933	55,134	52,814	107,948
1980	46,029	46,626	92,655	9,339	8,446	17,785	55,368	55,072	110,440
1981	45,713	46,153	91,866	8,876	7,775	16,651	54,589	53,928	108,517
1982	43,764	44,376	88,140	8,315	7,096	15,411	52,079	51,472	103,551
1983	42,009	42,122	84,131	8,024	6,585	14,609	50,033	48,707	98,740

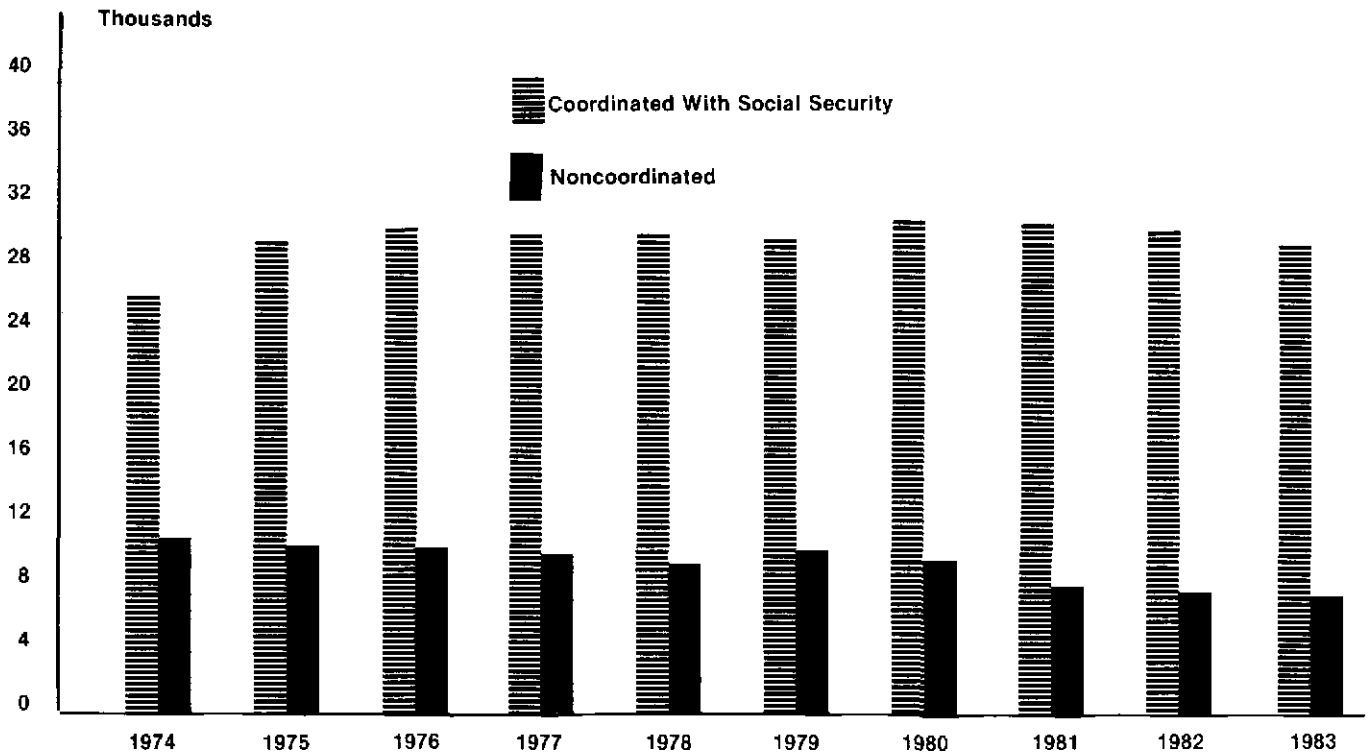
Financial & Statistical Tables ANNUAL REPORT 1983

ACTIVE MEMBERSHIP — COORDINATED / NONCOORDINATED

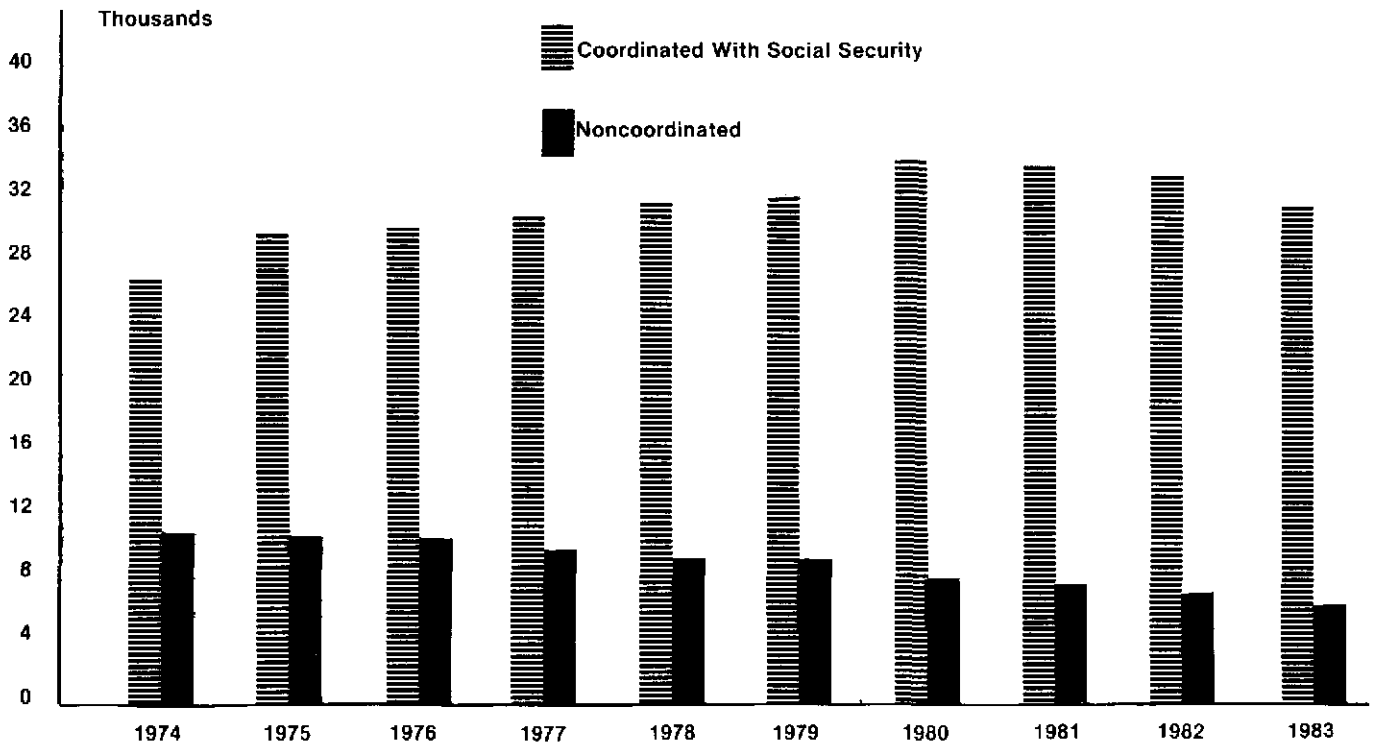
FY Ended June 30	COORDINATED MEMBERS			NONCOORDINATED MEMBERS			Total Male Members	Total Female Members	Total Active Members	Annual Earnings Reported
	Male	Female	Total	Male	Female	Total				
1974	26,139	26,719	52,858	10,505	10,045	20,550	37,664	36,764	74,408	689,839,300
1975	29,563	29,117	58,680	10,231	10,026	20,257	39,794	39,143	78,937	808,560,000
1976	29,975	29,718	59,693	9,293	9,007	18,300	39,268	38,725	77,993	864,154,000
1977	29,617	30,755	60,372	8,717	8,695	17,412	38,334	39,450	77,784	884,493,000
1978	29,667	31,264	60,931	8,265	8,245	16,510	37,932	39,509	77,441	925,094,200
1979	29,144	31,695	60,839	8,763	8,259	17,022	37,907	39,954	77,861	1,069,885,900
1980	30,482	34,095	64,577	8,392	7,605	15,997	38,874	41,700	80,574	1,137,667,500
1981	30,462	33,642	64,104	7,991	7,035	15,026	38,453	40,677	79,130	1,253,016,000
1982	29,801	33,100	62,901	7,517	6,486	14,003	37,318	39,586	76,904	1,334,262,000
1983	28,868	31,229	60,097	7,037	5,916	12,953	35,905	37,145	73,050	1,378,735,000

Financial & Statistical Tables ANNUAL REPORT 1983

ACTIVE MEMBERS — MALE



ACTIVE MEMBERS — FEMALE



Financial & Statistical Tables ANNUAL REPORT 1983

NUMBER OF RECURRING BENEFIT PAYMENTS

FY Ended June 30	Retirement Annuities	Survivors Annuities	Disability* Benefits	Total
1974	11,031	3,997	1,447	16,475
1975	12,063	4,351	1,610	18,024
1976	12,969	4,699	1,848	19,516
1977	13,885	5,228	1,920	21,033
1978	14,689	5,534	1,943	22,166
1979	15,560	5,894	1,976	23,430
1980	16,445	6,187	1,927	24,559
1981	17,307	6,485	1,871	25,663
1982	18,247	6,863	1,888	26,998
1983	19,306	7,139	1,851	28,296

*Includes individuals receiving total temporary disability payments under the Workers' Compensation Act.

TERMINATION REFUNDS — NUMBER / AMOUNT

FY Ended June 30	Number	Amount
1974	15,044	9,531,584
1975	13,777	8,180,657
1976	15,820	8,840,660
1977	14,055	10,988,479
1978	12,491	11,984,738
1979	14,354	11,900,531
1980	13,449	11,799,600
1981	12,171	11,810,898
1982	12,893	13,212,484
1983	10,252	13,149,550

Financial & Statistical Tables ANNUAL REPORT 1983

SCHEDULE OF INSURANCE IN FORCE June 30, 1983

Name of Company	Type of Coverage	
Reliance Insurance Company	Employee Dishonesty Bond	
	Policy Number	Policy Period
	B 404965	From To 7-13-82 / 7-13-83
	Detail of Coverage	Liability Limits
	Honesty Blanket Bond and Faithful Performance Blanket Bond	\$10,000,000 (\$100,000 Deductible)

Name of Company	Type of Coverage	
Home Insurance Company	E.D.P. Equipment	
	Policy Number	Policy Period
	DP-312309	From To 7-1-82 / 7-1-83
	Detail of Coverage	Liability Limits
	Data processing systems inc. equipment and component parts.	Replacement Cost

Name of Company	Type of Coverage	
Illinois National Insurance Company	Office Contents	
	Policy Number	Policy Period
	POP 2947968	From To 12-1-82 / 6-30-83
	Detail of Coverage	Liability Limits
	Mercantile robbery	\$275,000 (\$1,000 Deductible)

Plan Summary ANNUAL REPORT 1983

SUMMARY OF RETIREMENT SYSTEM PLAN (As of June 30, 1983)

1. PURPOSE

The State Employees' Retirement System of Illinois, a State Agency, provides an orderly means whereby aged or disabled employees may be retired from active service without prejudice or hardship and enables the employees to accumulate reserves for old age, disability, death and termination of employment.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees of five members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to insure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

All persons entering State service become members of the System upon their first day of employment unless their position is subject to membership under another State supported system. Any person who becomes an employee after June 30, 1979 as a public service employment program participant under the federal CETA program, or any enrollee of the Young Adult Conservation Corps is excluded from membership. Administrative code officers appointed by the Governor may elect to become members of the System.

4. MEMBER CONTRIBUTIONS

Members are required to contribute a percentage of salary as their share of meeting the cost of the various benefits. Contribution rates are as shown below:

- A. Members Coordinated With Social Security — 4% of Salary
- B. Members Without Social Security — 8% of Salary
- C. State Police, Certain Firefighters, Special Agents, Secretary of State Investigators, Conservation Police Officers and Certain Air Pilots — 9½% of Salary
- D. Full Time Security Employees of the Department of Corrections —
 - (1) Coordinated with Social Security — 5½% of Salary
 - (2) Without Social Security — 9½% of Salary

Members coordinated with Social Security also pay the current Social Security tax rate.

5. RETIREMENT PENSION

A. Qualification of Member

Upon termination of State service, a member is eligible for a pension at age 60 with at least eight years of pension credit; at any age with 35 or more years of credit; between ages 55 and 60 with 30 to 35 years of credit with the pension reduced by one-half of 1% for each month the member is under age 60. Department of Corrections security employees must have at least 20 years of membership service to qualify for the special pension formulas which will apply only to the service earned while in a security position.

State Police, Special Agents, Secretary of State Investigators, Conservation Police Officers and Certain Firefighters are eligible at age 50 with at least 25 years of pension credit or at age 55 with at least 20 years of pension credit in such a position. Certain Air Pilots are eligible at age 55 with 20 or more years of such pension credit.

B. Amount of pension

The pension is based on the member's final average compensation, and the number of years of pension credit that has been established.

The pension formula reflects a graded or progressive method according to length of service as follows:

Plan Summary ANNUAL REPORT 1983

Years of Credit	Employees Under Social Security	Employees Not Under Social Security	Full Time Security Employees — Dept. of Corrections Under S.S. / Not Under S.S.		Special Formula, i.e., Police and positions listed in 4-C above
Each of the first 10 years of credit	1.0%	1.67%	1.67%	1.9%	2.25%
Each of the next 10 years of credit	1.1%	1.9%	1.9%	2.1%	2.5%
Each of the third 10 years of credit	1.3%	2.1%	2.1%	2.25%	2.75%
Each year above 30	1.5%	2.3%	2.3%	2.5%	2.75%

The maximum pension payable is 75% of final average compensation.

C. Optional Forms of Payment

Reversionary Annuity — a member may elect to receive a small pension during his lifetime in order to provide a spouse or a designated dependent with a lifetime income. That payment would be in addition to any other benefit payable by the System. **Level Income** — A member who contributes to Social Security as a State employee may elect to have his pension payments increased before age 65 and reduced after that age to provide a uniform pension income throughout his retired life. To be eligible for this election the member must have established eligibility for a Social Security pension.

D. Annual Increases in Pension

Post retirement increases of 3% of the original pension are granted to members effective each January 1.

6. SURVIVORS ANNUITY

A. Qualification of Survivor

If death occurs while in State employment the member must have established at least 18 months of pension credit. If death occurs after termination of State service and the member was not receiving a retirement pension, the member must have established at least eight years of pension credit.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse any unmarried children of the member under age 18; unmarried children under age 18 if no spouse survives; dependent parents at age 50 if neither an eligible spouse nor children survive the member.

B. Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all of the member's pension contributions plus interest, excluding contributions for widows and survivors benefits. A single lump sum payment of \$1,000 is also made immediately to the survivor beneficiary of the member.

An eligible spouse receives a monthly annuity equal to 30% of the member's final average compensation subject to a maximum of \$400. If children of the member are under the care of the spouse, the annuity is increased for each child, subject to a maximum of \$600. If only eligible children survive, the monthly annuity may not exceed the lesser of \$600 or 80% of final average compensation. The maximum combined monthly payment to parents may not exceed \$400. If the member's death occurs after retirement or after termination of State employment but before the member receives a pension, the monthly benefit is further limited to 80% of the pension received or earned by the member. Monthly benefits payable to survivors of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits they are entitled to from Social Security.

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C. Duration of Payment

The monthly annuity payable to a spouse terminates upon death, or remarriage prior to attainment of age 55; to children upon death, marriage or attainment of age 18, except for a child who at age 18 is physically or mentally disabled and unable to accept gainful employment.

7. WIDOW'S ANNUITY OPTION

The widow of a male member who was a participant in the System prior to July 19, 1961, may have the option of taking a Widow's Annuity rather than the Survivor's Annuity.

A. Qualification of Widow

An eligible widow receives a Widow's Annuity if she is age 50 or over or has in her care any of the member's unmarried children under age 18. If she is not age 50 and has no such children in her care, she becomes eligible at age 50.

B. Amount of Payment

The Widow's Annuity consists of a lump sum payment of \$500, plus a monthly annuity equal to 50% of the pension earned or received by the member at the date of death. If the widow has in her care eligible children of the member, the monthly annuity is increased because of each child, subject to a maximum payment equal to 66 $\frac{2}{3}$ % of the earned pension. Monthly benefits payable to a widow of a member who was covered by Social Security as a State employee are reduced by one-half of the amount of benefits she is entitled to from Social Security.

C. Duration of Payment

The monthly payment to the widow continues for her lifetime whether or not she remarries. If the amount of benefit was increased because of eligible children it is adjusted downward as these children's benefits are terminated (death, marriage or attainment of age 18).

8. OCCUPATIONAL DEATH BENEFIT

A. Qualification of Survivors

If a member's death results from an injury on the job or a job related cause, the spouse may be eligible for an Occupational Death benefit. If only unmarried children under age 18 survive, they would be eligible for the benefit. If neither a spouse nor eligible children survive, a dependent father or mother would be eligible.

B. Amount and Duration of Payment

The nominated beneficiary receives a lump sum payment consisting of all contributions made by the member plus interest credited to his account.

A surviving spouse is entitled to a monthly benefit equal to 50% of the member's final average compensation. The benefit is payable until remarriage of the spouse unless the remarriage occurs after attainment of age 55. If children under age 18 also survive, the annuity is increased by 15% of such average because of each child subject to a maximum of 75%. If there is no spouse, or if the spouse remarries prior to attainment of age 55 or dies before all children have attained age 18, each child receives a monthly allowance of 15% of final average compensation.

The combined payment to children may not exceed 50% of the member's final average compensation. Payments to or on account of children terminate upon their death, marriage or attainment of age 18.

If there is no spouse or eligible children a benefit of 25% of final average compensation is payable to each surviving dependent parent for life.

The monthly benefit is reduced by any payments awarded under the Workmen's Compensation or Occupational Diseases Acts.

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9. OTHER DEATH BENEFITS

If the beneficiaries of the member do not qualify for any of the previously described death benefits, one of the following benefits is payable.

A. Before Retirement

If the member's death occurred while in State service the benefit consists of: (1) a refund of all contributions plus interest credited to the member's account; (2) a payment equal to one month's salary for each full year of pension credit not to exceed six months' salary. The minimum payment is equal to one month's salary.

If the member had terminated State service but not yet qualified for a pension the benefit consists of a refund of all of the member's contributions to the System plus the interest credited to the member's account.

B. After Retirement

The benefit consists of a lump sum payment equal to the excess of contributions plus interest credited to the member's account over the total amount of pension payments made to the member. The minimum payment is \$500.

10. NONOCCUPATIONAL DISABILITY BENEFITS

A. Qualification and Amount of Payment

Available to any member under age 70 who has established at least one and one-half years of creditable service and who has been granted a disability leave of absence by his employing agency. The benefit is 50% of final average compensation plus a credit to the member's account of service and contributions. It begins on the 31st day of absence from service on account of disability.

If the member has Social Security coverage as a State employee, the benefit payable by the System is reduced by the amount of any disability payment to which he is entitled under Social Security.

B. Duration of Payment

The member is eligible for the monthly benefit until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; (3) payments are made for a period of time equal to one-half of the pension credit established as of the date disability began; or (4) attainment of age 65, if benefit commenced prior to the attainment of age 60; or (5) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60, but not beyond age 70.

11. OCCUPATIONAL DISABILITY BENEFIT

A. Qualification and Amount of Payment

Provided for any member under age 70 who becomes disabled as the direct result of injury or diseases arising out of and in the course of State employment.

The benefit is 75% of final average compensation plus a credit to the member's account of service and contributions. The cash benefit is reduced by any payments received under the Workmen's Compensation or Occupational Diseases Acts.

B. Duration of Payment

Monthly benefits are payable until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; or (3) attainment of age 65, if benefit commenced prior to the attainment of age 60; or (4) the fifth anniversary of the ef-

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fective date of the benefit if the benefit commenced on or after the attainment of age 60, but not beyond age 70.

If termination of the benefit is due to the member having attained maximum age limit, the member is entitled to a retirement pension based upon service credit established as of that date.

12. SEPARATION BENEFITS

Upon termination of State employment a member may obtain a refund of the contributions made to the System. By accepting a refund, a member forfeits all accrued rights and benefits in the System for himself and his beneficiaries.

LEGISLATIVE AMENDMENTS:

Amendments with an effective date during fiscal year 1982 having an impact on the System were:

SENATE BILL 1126 — Removes eligibility for membership for enrollees and temporary staff of programs administered by the Department of Conservation under the Youth Conservation Corps Act of 1970, and for emergency and temporary employees, as defined in Sections 8b8 and 8b9 of the "Personnel Code".

Effective July 1, 1982.

SENATE BILL 1579 — Provides for the elimination of the legal list of authorized investments and specifies that the Illinois State Board of Investment shall follow the prudent person rule in investing assets of the Retirement System. Fiduciary standards applicable to fund trustees and other administrative personnel were also expanded.

Effective August 25, 1982.

HOUSE BILL 2502 — Provides for the inclusion of Department of Revenue fraud investigators under the alternative retirement formula.

Effective October 1, 1982.

NEW LEGISLATION with effective dates subsequent to June 30, 1982, affecting the operation of the System is summarized below:

HOUSE BILL 775 — Amends the Finance Act and the Retirement System Act to provide for the payment for accrued sick leave earned after January 1, 1984. Payment will be at the rate of one-half of the salary. This bill allows members of the Retirement System who received payment in a lump sum for either sick leave or vacation leave to establish pension credit by making the required contribution within 90 days of retirement. This bill does not affect the *present provision* of the Retirement Act granting pension credit for unused sick leave. Effective December 6, 1983.

HOUSE BILL 798 — Affects certain Secretary of State Investigators who were employed between January 1, 1967 and December 31, 1975 and who will attain age 60 before accumulating 20 years of credit as an investigator. This bill allows those individuals to receive the alternative retirement formula at

the time of their retirement based on the number of years earned as an investigator prior to attainment of age 60. Effective January 1, 1984.

HOUSE BILL 1048 — Changes the method of calculation for a Survivors Annuity Benefit. Presently, survivor benefits are based upon a calculation of the final average salary or pension, but are limited to a maximum of \$400 for an individual and \$600 for a family benefit. This bill will provide a minimum survivors annuity of 50% of the members' earned pension at the time of death. Effective for all deaths occurring on or after January 1, 1984.

HOUSE BILL 1414 — Allows Secretary of State investigators to utilize prior periods of service as Conservation Police Officers to meet the 20 year requirement for the alternative retirement formula. Senate Bill 768 (mentioned below) further expands this philosophy to