STATE EMPLOYEES' RETIREMENT SYSTEM

COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1991

STATE EMPLOYEES'
RETIREMENT SYSTEM
OF ILLINOIS

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794 - 9255

Prepared by the
Accounting Division

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Introductory Section

STATE RETIREMENT SYSTEMS

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• General Assembly Retirement System
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November 22, 1991

The Board Of Trustees and Members
State Employees' Retirement System
Of Illinois
Springfield, IL 62794

Dear Board and Members:

The component unit annual financial report of the State Employees' Retirement System of Illinois (System) for the fiscal year ended June 30, 1991 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the various funds of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal and the identification of the administrative organization;

2. The Financial Section which contains the report of the independent public accountants, the financial statements of the System, and the required supplementary and additional financial information;

3. The Actuarial Section which contains the report of the Actuary as well as the summary of major actuarial assumptions and certain tables;

4. The Investment Section which contains a summary of the System's investment management approach and selected summary tables, including investment performance;

5. The Statistical Section which contains significant statistical data; and

6. A summary of the System's plan provisions and current legislative changes.

The combined financial statements include the State Employees' Retirement System Trust Fund (System Trust Fund) and the Social Security Contribution Fund (Contribution Fund), an Agency Fund. Based primarily upon the criteria of financial interdependency and ability to significantly influence operations and accountability for fiscal matters, the System has included the Social Security Contribution Fund in its combined financial statements. Although the State Employees' Retirement System, Judges' Retirement System and General Assembly Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the State Employees' Retirement System do not include balance sheet information nor the results of operations of the General Assembly Retirement System or Judges' Retirement System.

PLAN HISTORY AND SERVICES PROVIDED

The System is the administrator of a single-employer public employee retirement system established to provide pension benefits for State of Illinois employees. The System also administers widows and survivors benefits as well as the state's occupational and non-occupational disability programs.

The System Trust Fund was established January 1, 1944 and 17,237 state employees became members on that date. As of June 30, 1944, net assets of the System amounted to $1,255,778. Plan assets at the end of the fiscal year June 30, 1991 are approximately $3.0 billion, and there are 81,023 active members.

Significant events and dates during the forty-seven year history of the System Trust Fund are as follows:

January 1, 1969: *All members of the System Trust Fund (excluding State Police) had the option of voting to coordinate their benefits with the federal social security program or remain exclusively under the System Trust Fund. Any employee becoming a member of the System Trust Fund after December 31, 1968 was mandatorily covered by social security, unless the nature of their position excluded them from participation (i.e., "police" and "firemen" positions).*

October 1, 1975: *Several additional position classifications were determined to meet the definition of "police" for purposes of rendering the members ineligible for social security coverage.*

January 1, 1982: *A new benefit formula was established for members working at the Department of Corrections who have daily or direct contact with inmates.*

August 23, 1989: *Governor James R. Thompson signed Senate Bill No. 95 into law (P.A. 86-0273). The bill provides for a seven year "phase - in" approach to funding by the State of Illinois. The long term intention is to provide contributions sufficient to cover "normal cost" of the System Trust Fund and also amortize any prior year underfunding by the state.*

REVENUES

Collections of employer and employee retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These income sources totaled $416.8 million during the fiscal year ending June 30, 1991, which is a slight decrease from revenue reported for fiscal year 1990, shown as follows:

	1991 (Millions)	1990 (Millions)	Increase/(Decrease) (Millions)	Increase/(Decrease) (Percentage)
Retirement System Trust Fund				
Contributions:				
Employees	$ 120.2	$ 110.1	$ 10.1	9.2%
Employer	116.0	107.9	8.1	7.5
Investments	180.5	213.2	(32.7)	(15.3)
	$ 416.7	$ 431.2	$ (14.5)	(3.4)%
Social Security Contribution Fund				
General Revenue,				
less balances lapsed	.1	.1	-	-
	$ 416.8	$ 431.3	$ (14.5)	(3.4)%

Employee contributions have exceeded employer contributions for the past three fiscal years; and, as indicated in the total above, a substantial portion of the total revenue is derived from investment income. Investment income includes the realization of net gains on the sales of investments, during both fiscal years 1991 and 1990.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System Trust Fund. Expenses of the System Trust Fund and Social Security Contribution Fund for 1991 and 1990 are shown for comparison purposes.

	1991 (Millions)	1990 (Millions)	Increase/(Decrease) (Millions)	Increase/(Decrease) (Percentage)
Retirement System Trust Fund				
Benefits:				
Retirement annuities	$ 166.4	$ 154.4	$ 12.0	7.8%
Survivors' annuities	23.6	22.0	1.6	7.3
Disability benefits	16.6	15.3	1.3	8.5
Lump-sum death benefits	8.7	7.9	.8	10.1
	$ 215.3	$ 199.6	$ 15.7	7.9%
Refunds (including Transfers)	11.8	12.3	(.5)	(4.1)
Administrative expenses	3.8	3.9	(.1)	(2.6)
	$ 230.9	$ 215.8	$ 15.1	7.0%
Social Security Contribution Fund				
Administrative expenses	.1	.1	-	-
	$ 231.0	$ 215.9	$ 15.1	7.0%

The increase in benefit payments results primarily from a growth in the number of benefits paid and an increase in the average benefit payment amount.

INVESTMENTS

Income from investments has, over the years, increasingly become a greater share of the total revenue of the System. Net investment income, combined with a net realized gain on the sale of investments, amounted to $180,520,373 during fiscal year 1991, a decrease of $32,619,351 from fiscal year 1990. This reflects the general stability of the stock market and lower interest rates in the bond markets during the last fiscal year. Income from investments represents 43.3% of total fund revenue. The ISBI had a 7% rate of return on market values for the year ended June 30, 1991.

A detailed discussion of investment performance and strategies is provided in the Investment Section of this report.

FUNDING AND RESERVES

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments.

The actuarial determined liability of the System using the projected unit credit actuarial method at June 30, 1991, amounted to $4,949.9 billion. The fund balances for participant contributions, interest accumulations and other future benefits amounted to $2,981.4 billion as of the same date. The amount by which the liability exceeds the reserves is called the "unfunded present value of credited projected benefits". The unfunded present value of credited projected benefits amounted to $1,968.5 billion and reflects the continuing state policy of appropriating funds at amounts less than the actuarially determined contribution requirement. A detailed discussion of funding is provided in the Actuarial Section of this report.

ECONOMIC CONDITION AND OUTLOOK

The state's policy on pension funding has been based on variations of the pay-as-you-go approach. Since fiscal year 1982, state appropriations have been less than 100% of benefit payout, and, during the past ten years have been as little as 44% of benefit payout.

Financing the retirement benefits that are being earned is one of the most important issues facing the System Trust Fund. Over the years, a number of organizations have stressed the need for sound funding of the System. In August 1989, then Governor Thompson signed Senate Bill 95 into law. This Bill provided for the increased funding of the unfunded actuarial liability which has been steadily increasing over the past several years. The amortization period of the unfunded liability was established at 40 years and is scheduled to begin in 1996. In order to defer the cost of a substantial increase in the required employer contributions, a seven year phase-in period was included in the legislation. The seven year phase-in period was to be used to increase the amount of contributions from the current contribution level to that level required for the amortization of the unfunded liability over the 40-year period.

Assessing the financial status of any retirement system is a difficult task. The valuation of pension liabilities is a complex procedure requiring the application of actuarial techniques. It is not possible to provide a simple measure of the financial status of a retirement system because no universally accepted measure of the financial status presently exists. By any reasonable actuarial standard, however, the System's present financial condition must be described as precarious due to the continually increasing dollar level of the unfunded liability. The events in the financial markets during the past several years serve as a constant reminder of the fact that no source of revenue can be guaranteed and that the responsibility for a sound funding policy and the related liability for contributions rests ultimately with the State of Illinois.

MAJOR INITIATIVES

During the past fiscal year, the System completed work on several major projects. A Publication Section has been integrated into the System and it is responsible for the production of all newsletters, agency forms and this annual report. The Entitlement Video was updated and the election of an active member and retiree to the Board of Trustees was held. Ms. Doris Clark, retiree, was re-elected to her second term as trustee and Mr. Jerry Rittenhouse is the newly elected active member.

Several projects were initiated in fiscal year 1991 and will be continued into fiscal year 1992; among the most significant are: a) establishment of a data base of seminar attendees for the Field Services Division, b) service credit messages on employee annual statements, c) the development of a new workshop for annuitants, and d) a review of internal accounting reports and the processing of data flow.

New projects for fiscal year 1992 include two major programs: 1) On July 24, 1991, Governor Jim Edgar signed Senate Bill 0045 into law as Public Act 86-0014. This bill allows for an early retirement incentive for employees meeting certain criteria specified in the bill. Basically, an employee will be allowed to establish up to 60 months of additional creditable service upon payment of the required contributions at one-half of the normal contribution rate: and 2) Effective January 1, 1992, the state will "pickup" or make payment on behalf of employees for their share of retirement contributions to the System. This pickup will be done on an agency-by-agency basis and will require agency director certification.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants. The accrual basis of accounting is used to record the assets, liabilities, revenues and expenses of the System Trust Fund. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made.

The administrative expenses of the Social Security Contribution Fund are appropriated annually by the Illinois State Legislature and included in the financial statements of the System Trust Fund. The Contribution Fund uses the modified accrual basis of accounting. The System also uses the State of Illinois, Comptroller's Uniform

Statewide Accounting System (CUSAS) as a basis for the preparation of the financial statements. In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by The Wyatt Company, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen under the direction of the Auditor General of the State of Illinois. The System's investment function is managed by the Illinois State Board of Investment.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State Employees' Retirement System of Illinois for its component unit financial report for the fiscal year ended June 30, 1990. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such component unit financial reporting must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The State Employees' Retirement System of Illinois has received a Certificate of Achievement for the last five consecutive years (fiscal years ended June 30, 1986 through June 30, 1990). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS AND COMMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means for determining responsible stewardship for the assets contributed by the members in the State of Illinois. On behalf of the Board of Trustees, we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Michael L. Mory
Executive Secretary

Nicholas C. Merrill, Jr.
Nicholas C. Merrill, Jr., CPA
Chief Fiscal Officer

BOARD OF TRUSTEES

Left to Right: **Michael L. Mory**, Executive Secretary - **Jerry Rittenhouse**, elected state employee - **Joseph T. Pisano**, state employee appointed by the Governor - **Kenneth Obrecht**, Chairman, appointed by the Governor - **Doris Clark**, elected annuitant, **William Ledbetter**, representing Joan Walters, Director of the Bureau of the Budget - **Loren Iglarsh**, representing Dawn Clark Netsch, Comptroller - **J. Wayne Chambers**, annuitant appointed by the Governor

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Presented to

State Employees' Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1990

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.

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Executive Director

Financial Section

Independent Auditor's Report

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Additional Financial Information

McGLADREY & PULLEN

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Robert G. Cronson
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
State Employees' Retirement System of Illinois
Springfield, Illinois

We have audited, as special assistant auditors for the Illinois Auditor General, the accompanying balance sheet of the State Employees' Retirement System of Illinois as of June 30, 1991, and the related statement of revenue, expenses and changes in fund balance for the year then ended. These component unit financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit. The component unit financial statements of the State Employees' Retirement System of Illinois as of and for the year ended June 30, 1990, were audited by other auditors whose report, dated October 19, 1990, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the 1991 component unit financial statements referred to above present fairly, in all material respects, the financial position of the State Employees' Retirement System of Illinois as of June 30, 1991, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic component unit financial statements as of and for the year ended June 30,1991, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic component unit financial statements. The supplementary information as of and for the year ended June 30, 1991, has been subjected to the auditing procedures applied in the audit of the basic component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic component unit financial statements taken as a whole. The related supplemental schedules for the years ended June 30, 1982 through 1990 have been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

McGladrey & Pullen

Springfield, Illinois
October 18, 1991

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Combined Balance Sheets - June 30, 1991 and 1990

	1991	1990
Assets		
Cash	$ 18,682,979	$ 11,187,478
Cash, restricted for Social Security remittances	944,799	599,415
Receivables:		
Contributions receivable:		
Participants	4,823,032	4,449,365
Employing state agencies	6,469,173	2,927,125
Other accounts receivable	757,946	696,034
	$ 12,050,151	$ 8,072,524
Investments - held in the Illinois State Board of Investment Commingled Fund at cost (Market value: 1991, $3,275,201,134; 1990, $3,066,984,813) (Note 4)	2,949,573,783	2,775,885,256
Property and equipment, net of accumulated depreciation (Notes 9 and 12)	4,436,451	4,340,351
Total Assets	$2,985,688,163	$2,800,085,024
Liabilities and Fund Balance		
Benefits payable	$ 1,484,896	$ 1,503,057
Refunds payable	267,894	308,865
Administrative expenses payable (Note 8)	677,736	1,317,286
Participants' deferred service credit accounts	898,285	789,291
Unremitted Social Security contributions	436,539	223,636
Amounts held for Social Security remittances	508,260	375,779
Total Liabilities	$ 4,273,610	$ 4,517,914
Fund Balance		
Actuarial present value of credited projected benefits (Notes 4 and 6)	4,949,880,212	4,538,074,194
(Less) unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(1,968,465,659)	(1,742,507,084)
Total Fund Balance (Note 13)	$2,981,414,553	$2,795,567,110
Total Liabilities and Fund Balance	$2,985,688,163	$2,800,085,024

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees Retirement System Trust Fund
Statements of Revenue, Expenses and Changes in Fund Balance
Years ended June 30, 1991 and 1990

	1991	1990
Revenue:		
Contributions:		
Participants	$ 120,263,354	$ 110,109,685
Employing State agencies and appropriations	115,979,568	107,938,094
Total Contributions revenue	236,242,922	218,047,779
Investments:		
Net investments income	159,804,265	153,781,412
Interest earned on cash balances	831,847	1,407,272
Net realized gain on sale of investments	19,884,261	57,951,040
Total Investments revenue	180,520,373	213,139,724
	416,763,295	431,187,503
General Revenue Fund appropriations, less balances lapsed	59,736	69,142
Total Revenue	416,823,031	431,256,645
Expenses:		
Benefits:		
Retirement annuities	166,360,086	154,368,901
Survivors' annuities	23,592,609	22,014,615
Disability benefits	16,655,172	15,313,434
Lump-sum death benefits	8,682,519	7,909,962
	215,290,386	199,606,912
Refunds	11,701,256	12,201,403
Administrative expense, System Trust Fund (Note 8)	3,773,536	3,887,148
Transfers to reciprocating retirement systems	150,674	123,776
	230,915,852	215,819,239
Administrative expense, Contribution Fund (Note 8)	59,736	69,142
Total Expenses	230,975,588	215,888,381
Excess of revenue over expenses	$ 185,847,443	$ 215,368,264
Fund Balance at beginning of year	2,795,567,110	2,580,198,846
Fund Balance at end of year	$2,981,414,553	$2,795,567,110

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 1991 and 1990

(1) Reporting Entity

The State Employees' Retirement System of Illinois (System) is a component unit of the State of Illinois and is composed of the State Employees' Retirement System, a trust fund (System Trust Fund) and the Social Security *Contribution Fund, an agency fund (Contribution Fund). The System Trust Fund and the Contribution Fund are* considered part of the State of Illinois financial reporting entity and are included in the state's comprehensive annual financial report as a pension trust fund and an agency fund, respectively.

The System has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of the System should be included within its financial reporting entity. The criteria include, but are not limited to, whether the System exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based primarily upon the criteria of financial interdependency and ability to significantly influence operations and accountability for fiscal matters, the System has included the Social Security Contribution Fund in its combined financial statements.

(2) Plan Description

The System is the administrator of a single-employer public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its employees. At June 30, 1991 and 1990, the number of participating state agencies, boards and commissions totaled:

	1991	1990
State agencies	42	42
State boards and commissions	51	48
Total	93	90

At June 30, 1991 and 1990 the System Trust Fund membership consisted of:

	1991	1990
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	24,283	23,864
Survivors' annuities	8,819	8,629
Disability benefits	1,583	1,501
	34,685	33,994
Inactive employees entitled to benefits but not yet receiving them	2,291	2,233
Total	36,976	36,227
Current Employees:		
Vested:		
Coordinated with Social Security	37,648	36,391
Noncoordinated	7,248	7,638
Nonvested:		
Coordinated with Social Security	34,797	33,903
Noncoordinated	1,330	1,279
Total	81,023	79,211

Operation of the System Trust Fund and the direction of its policies are the responsibility of the Board of Trustees of the System.

(a) Eligibility and Membership

Membership is automatic for most state employees who are not eligible for another state-sponsored retirement plan. 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 completion of six months service. Employees appointed by the Governor and requiring confirmation by the State of Illinois Senate may elect to become members of the System.

(b) Contributions

Participating members contribute specified percentages of their salaries for retirement annuities and survivors' annuities. Contributions are excluded from gross income for Federal and State income tax purposes. The total contribution rate is 4% if the member is coordinated with Social Security and 8% if the member is not coordinated. Certain employment categories which are eligible for benefits under alternative formulas contribute at the rate of 5 1/2% or 9 1/2 % depending upon whether or not the employee is coordinated with Social Security. Participants' contributions are fully refundable, without interest, upon withdrawal from state employment. The State of Illinois is obligated to make payment for the required departmental contributions, all allowances, annuities, any benefits granted under Article 14 of the Illinois Pension Code (Code) and all administrative expenses of the System Trust Fund to the extent specified in the Code.

(c) Benefits

The System is governed by Article 14 of the Code. Vesting and benefit provisions under the System Trust Fund are defined in the Code. Employees who retire at or after age 60 with 8 years of credited service (or at age 55 with at least 30 years of credited service with reduced benefits) are entitled to an annual retirement benefit, payable monthly for life, in an amount based upon final average compensation and credited service. Employees with 35 years of credited service may retire at any age with full benefits. Final average compensation for retirement and survivors' annuities, is the employee's average salary, during a 48 consecutive month period within the last 120 months of service in which the total compensation was the highest. State policemen use their final rate of pay for the final average compensation.

Occupational and nonoccupational (including temporary) disability benefits are available through the System Trust Fund. To be eligible for nonoccupational (including temporary) disability benefits, an employee must have at least eighteen months of credited service with the System Trust Fund. The nonoccupational (including temporary) disability benefit is equal to 50% of the monthly rate of compensation of the employee on the date of removal from the payroll. Occupational disability benefits are provided when the member becomes disabled as a direct result of injuries or diseases arising out of and in the course of state employment. The monthly benefit is equal to 75% of the monthly rate of compensation on the date of removal from the payroll. This benefit amount is reduced by Workers' Compensation or payments under the Occupational Diseases Act.

Occupational and nonoccupational death benefits are also available through the System Trust Fund. Certain nonoccupational death benefits vest after eighteen months of credited service. Occupational death benefits are provided from the date of employment.

(3) Description of the Contribution Fund

The Contribution Fund was established pursuant to the 1951 Social Security Enabling Act, Article 21 of the Illinois Pension Code. It is a special fund in the State Treasury which serves as a clearinghouse account for the collection and transmittal of federal social security contributions of participating state employees and employing agencies and political subdivisions.

Effective January 1, 1987, the responsibility for the collection and transmittal of Social Security contributions for state agencies and participating state employees was transferred from the System to the Office of the Comptroller of the State of Illinois. As of that same date, political subdivisions of the state became responsible for their own remittance of social security contributions to the federal government. The balances in this fund are being maintained for final settlement of open years.

(4) Summary of Significant Accounting Policies and Plan Asset Matters

(a) Basis of Accounting - System Trust Fund

The financial transactions of the System Trust Fund are recorded on the accrual basis of accounting and in conformity with generally accepted accounting principles. Employee and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments

The System Trust Fund retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System Trust Fund. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System Trust Fund.

Investments are managed by the ISBI pursuant to Article 22A of the Illinois Pension Code and are maintained 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. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution. Investment income is recognized when earned.

The investment authority of the ISBI is provided in Illinois Revised Statutes Chapter 108 1/2, Article 22A-112. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake.

Governmental Accounting Standards Board (GASB) Statement No. 3 entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires certain financial statement disclosure of deposits and investments, such as the disclosure of carrying amounts by type of investment and classification into one of three categories based upon credit risk. Investments in pools managed by other governmental agencies, in general, are to be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

The System Trust Fund transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The agent of the master custodian is Depository Trust Company.

The ISBI Board participates in a securities lending program whereby securities are loaned to brokers and, in return, the ISBI Board receives collateral of amounts slightly in excess of the market value of securities loaned. Collateral consists solely of cash, letters of credit, commercial paper and government securities. As of June 30, 1991 and 1990 the ISBI Board had outstanding loaned investment securities having a market value of approximately $313,109,467 and $332,849,772 respectively, against which it had received collateral of approximately $329,552,739 and $337,371,274 respectively.

The System Trust Fund owns approximately 93.5% of the ISBI Commingled Fund as of June 30, 1991.

Following are the ISBI investments, as categorized in the ISBI annual financial report. They are categorized to indicate the level of risk assumed by the ISBI Board at year end. Category I includes investments that are insured or registered or for which the securities are held by the master custodian in the ISBI Board's name. Category II includes uninsured and unregistered investments for which the securities are held by the master custodian in the ISBI Board's name. Category III includes uninsured and unregistered investments for which the securities are held by an agent of the master custodian but not in the ISBI Board's name.

	Category I	Category II	Category III	Cost	Market Value
U.S. Government Obligations	$ 575,488,977	$ -	$ -	$ 575,488,977	$ 588,016,750
Foreign Obligations - Bonds	25,492,490	-	-	25,492,490	24,762,061
Foreign Obligations - Equities	186,809,794	-	-	186,809,794	172,856,349
Corporate Obligations	658,082,641	-	-	658,082,641	680,616,840
Convertible Bonds	84,862,088	-	-	84,862,088	81,619,370
Common Stock & Equity Funds	1,040,601,506	-	-	1,040,601,506	1,271,667,415
Convertible Preferred Stock	15,634,110	-	-	15,634,110	15,277,541
Preferred Stock	10,441,162	-	-	10,441,162	3,213,256
Money Market Instruments	108,733,615	-	1,935,153	110,668,768	111,840,839
SUBTOTAL	$ 2,706,146,383	$ -	$ 1,935,153	$ 2,708,081,536	$ 2,949,870,421
Real Estate Pooled Funds				295,958,956	341,066,237
Venture Capital				121,447,935	183,670,238
Other assets, less liabilities				28,407,190	28,407,190
TOTAL				$ 3,153,895,617	$ 3,503,014,086

(c) Fixed Assets

Expenditures for fixed assets are capitalized and depreciated over their estimated useful lives.

(d) Actuarial Experience Review

In accordance with 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. An experience review was performed as of June 30, 1990.

(e) Administrative Expenses

Expenses related to the administration of the System Trust Fund are budgeted and approved by the System's Board of Trustees. Administrative expenses for the Contribution Fund are appropriated annually by the State Legislature and are included in the financial statements of the System Trust Fund.

(f) Basis of Accounting - Contribution Fund

The collection and transmittal of federal Social Security contributions of participating state employees, employing agencies and political subdivisions through December 31, 1986, have been accounted for within the Contribution Fund on a modified accrual basis.

(5) Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the State Employees' Retirement System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS.

At June 30, 1991 and 1990, the unfunded pension benefit obligation was $1,968,465,659 and $1,742,507,084 as follows:

	1991	1990
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits	$ 2,078,058,684	$1,932,126,127
Terminated employees not yet receiving benefits	14,799,575	16,549,419
Current Employees:		
Accumulated employee contributions and interest	1,271,681,573	1,153,104,503
Employer-financed vested	1,433,978,680	1,308,230,363
Employer-financed nonvested	95,160,995	77,192,537
Inactive members - Accumulated contributions and interest	56,200,705	50,871,245
Total Pension benefit obligation	$ 4,949,880,212	$ 4,538,074,194
Net assets available for benefits, at cost (market value at June 30, 1991 - $3,305,041,904; 1990 - $3,086,666,667)	2,981,414,553	2,795,567,110
Unfunded pension benefit obligation	$ 1,968,465,659	$1,742,507,084

Public Act 86-1488, approved in January 1991, modified the date of application of the first automatic annual increase for widow and survivor annuities, added 3% automatic annual increases for disability benefits and occupational death annuities, and provided a six month window during which refunds could be repaid at the rate of 2.5% per annum. These changes had the effect of increasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $17,743,150 during fiscal year 1991.

Public Act 86-0273, which was signed into law on August 23, 1989, enacted several changes in the benefit provisions of the System effective January 1, 1990. These changes provide for (1) 3% automatic annual increases in retirement annuities based on the current amount of annuity instead of the originally granted amount of annuity and (2) a 3% automatic annual increase in the amount of survivors' annuities based on the current amount of annuity.

Public Act 86-0272, also signed on August 23, 1989, contained certain benefit changes regarding State Police service credit and removal of the age 70 limit on disability payments.

Benefit changes, enacted under Public Acts 86-0272 and 86-0273, had the effect of increasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $251,523,053 during fiscal year 1990.

The measure is the same as the actuarial funding method used to determine contributions to the System Trust Fund, discussed in Note 6 below.

The pension benefit obligation was determined as part of an actuarial valuation at June 30, 1991. Significant actuarial assumptions used include (a) rate of return on the investment of present and future assets of 8 percent per year compounded annually, (b) salary increase rates vary by age, ranging from .5% to 4.7% attributable to merit, and 4.5% attributable to inflation for all employees, (c) 85% of employees are presumed to be married, (d) the female spouse is assumed to be three years younger than the male spouse, (e) mortality rates are based upon the 1971 Group Annuity Mortality Table projected in 1986, (f) it is assumed that terminated employees will not be rehired, and (g) the rate of turnover without vested benefits assumes a high scale at younger age levels, becoming progressively lower as age advances.

The System's actuarial consultant performed an experience review for the five - year period ending June 30,1990. Based upon the results of the review, several changes were made to the actuarial assumptions. These changes had the effect of increasing the Pension Benefit Obligation and the related unfunded pension benefit obligation by $185,673,427, and were primarily the result of adjustments to expected salary increases, termination rates, and retirement rates.

(6) Contributions Required and Contributions Made

On an annual basis, a valuation of the liabilities and reserves of the System Trust Fund is performed by the System's actuarial consultants in order to determine the amount of contributions required from the State of Illinois. For fiscal year 1991, the actuary has used the projected unit credit actuarial method for determining the proper employer contribution rate and amount. For fiscal year 1990, the actuarial consultants submitted several alternative cost methods with various amortization periods for the unfunded prior costs to the Board. Each alternative is considered an acceptable cost or funding method. The alternatives were presented to the Board as a result of the state's long standing funding policy described below. Employer contributions are expressed as a percentage of annual covered payroll. The Board evaluated the alternatives and certified a contribution rate within the range of alternatives. This rate was then used as the "actuarial required contribution" rate. The Board certified actuarial required contribution rates for fiscal years 1991 and 1990, were 4.72% and 6.2%, respectively.

In the past, the Illinois State Legislature has generally followed a funding policy of appropriating funds based upon a percentage of benefit payout for those agencies which receive appropriated monies. The appropriated employer contribution rate for the legislatively funded agencies was 4.15% for fiscal year 1991 and 4.4% for fiscal year 1990.

State agencies which do not receive state appropriated funds for their share of employer retirement contributions contribute at the Board certified rate.

It has been interpreted that the laws of the State of Illinois regarding state finance provide for the Governor and the state legislature to have specific authority to reduce or increase monies appropriated for the employer share of retirement contributions regardless of the rate certified by the Board of Trustees.

Based upon the Board certified rate of 4.72%, the total amount of employer contributions required for the fiscal year ended June 30, 1991 amounted to $116,175,814. The total amount of employer contributions made was $115,979,568 (normal cost - $61,312,278, amortization of unfunded accrued actuarial liability - $54,667,290) thereby resulting in an underfunding of $196,246.

Schedule of Contributions Required and Contributions Made
(in thousands)

	1991	1990	1989	1988	1987
Covered Payroll	$ 2,461,352	$ 2,270,303	$ 2,106,121	$ 1,953,960	$ 1,825,196
Employer Contributions	$ 115,980	$ 107,938	$ 98,472	$ 99,991	$ 109,560
Actual Employer Contribution Rate	4.71%	4.75%	4.68%	5.12%	6.00%
Board of Trustees Recommended Contribution Rate	4.72%	6.2%	6.3%	7.24%	8.4%
Employee Contributions	$ 120,263	$ 110,110	$ 101,805	$ 95,928	$ 90,096
Employee Contribution Rate (Average)	4.89%	4.85%	4.83%	4.91%	4.94%

Beginning with the fiscal year which ended in 1990, the state's contribution was scheduled to be increased incrementally over a seven year period so that by the fiscal year ending June 30, 1996, the minimum contribution to be made by the state would be an amount that, when added to other sources of employer contribution, will be sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percentage of payroll, determined under the projected unit credit actuarial cost method. The state contribution, as a percentage of the applicable employee payroll, was scheduled to be increased in equal, annual increments over the seven year period, until the funding requirements, specified above, are met.

Significant actuarial assumptions used to compute contribution requirements are the same as those used to compute the standardized measure of the pension obligation discussed in Note 5.

Public Act 86-1488, approved in January 1991, modified the date of application of the first automatic annual increase for widow and survivor annuities, added 3% automatic annual increases for disability benefits and occupational death annuities, and provided a six month window during which refunds could be repaid at the rate of 2.5% per annum. These changes had the effect of increasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $17,743,150 during fiscal year 1991.

Benefit changes, enacted under Public Acts 86-0272 and 86-0273, had the effect of increasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $251,523,053 during fiscal year 1990.

The System's actuarial consultant performed an experience review for the five - year period ending June 30,1990. Based upon the results of the review, several changes were made to the actuarial assumptions. These changes had the effect of increasing the Pension Benefit Obligation and the related unfunded pension benefit obligation by $185,673,427.

(7) Historical Trend Information

Historical trend information designed to provide information about the System Trust Fund's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 24-25.

(8) Administrative Expenses

A summary of the administrative expenses of the System for fiscal years 1991 and 1990 are as follows:

	1991		1990	
	System Trust Fund	Contribution Fund	System Trust Fund	Contribution Fund
Personal services	$1,869,680	$ 26,364	$ 1,687,553	$ 27,359
Retirement contributions	89,200	1,100	104,927	1,698
Social Security contributions	128,806	1,951	114,037	1,991
Group insurance	124,240	-	110,362	-
Contractual services	651,981	27,075	850,705	30,454
Travel	39,350	1,470	40,490	2,360
Commodities	31,527	92	66,344	383
Printing	45,445	-	58,799	-
Equipment	-	-	-	3,027
Electronic Data Processing	532,190	784	583,924	984
Telecommunications	50,759	900	53,543	886
Automotive	6,521	-	7,926	-
Depreciation	126,218	-	155,631	-
Other	77,619	-	52,907	-
Total	$ 3,773,536	$ 59,736	$ 3,887,148	$ 69,142

The System's fiscal years 1991 and 1990 employer retirement contribution requirement represented .09% and .08% respectively of total contributions required of all state agency/department employers participating in the SERS. Pertinent financial information relating to the System's participation in SERS is summarized as follows:

- The System's total and covered payrolls for fiscal year 1991 and 1990 were $2,219 thousand and $2,047 thousand respectively.

- The System's (i.e., the employers') actuarially determined contribution requirements for fiscal years 1991 and 1990 were $105 thousand and $127 thousand, respectively, or 4.72% and 6.2% of the System's covered payrolls. For fiscal year 1991, the System's and employee contributions actually made were $105 thousand and $92 thousand, respectively, which represents 4.72% and 4.2%, respectively, of the current year covered payroll. For fiscal year 1990, the System's and employee contributions actually made were $127 thousand and $85 thousand, respectively, which represent 6.2% and 4.2%, respectively, of the covered payroll.

(9) Property and Equipment

Fixed assets are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, (3) automobiles and certain electronic data processing equipment - 3 years, and (4) building - 30 years.

Land is carried at its original cost, including applicable legal fees, surveying costs, etc.

A summary of the changes in fixed assets for 1991 and 1990 is as follows:

	1991			
	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 655,241	$ -	$ -	$ 655,241
Land Improvements	195,298	-	-	195,298
Building	3,141,538	25,382	-	3,166,920
Fixed Assets	974,222	218,222	(52,848)	1,139,596
Accumulated Depreciation	(625,948)	(126,218)	31,562	(720,604)
Property and equipment, net	$ 4,340,351	$ 117,386	$ (21,286)	$4,436,451

	1990			
	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 655,241	$ -	$ -	$ 655,241
Land Improvements	17,585	177,713	-	195,298
Building	268,688	2,872,850	-	3,141,538
Fixed Assets	672,172	350,620	(48,570)	974,222
Accumulated Depreciation	(509,713)	(155,631)	39,396	(625,948)
Property and equipment, net	$ 1,103,973	$ 3,245,552	$ (9,174)	$4,340,351

(10) Lease Agreement

The System previously leased its facilities under a sixty (60) month agreement in effect through June 30, 1990. Under the terms of this lease, the System was required to make monthly payments which included a provision for utilities and building maintenance. Office rental expense amounted to $269,799 for fiscal year 1990.

(11) Accrued Compensated Absences

Employees of the System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after January 1, 1984 upon termination of employment. The value of accrued compensated absences as of June 30, 1991 and 1990 was $416,143 and $359,810, respectively.

(12) New Office Facility

During the fiscal year ended June 30, 1990, the System completed construction of a new office facility. The cost of the building, including land, and land improvements was $4,017,459 through June 30, 1991.

(13) Analysis of Changes in Fund Balances - Reserved

The System Trust Fund maintains three reserve accounts which, when combined, comprise the total reserved fund balance. The reserves are defined as follows:

(a) Participants' contributions - accounts for assets contributed by each participant,

(b) Interest accumulations - accounts for interest credited to each participant's account, and

(c) Other future benefits - accounts for all assets not otherwise specifically provided for in items (a) and (b) above.

State Employees' Retirement System Trust Fund
Statements of Changes in Fund Balances (Reserved)
Years ended June 30, 1991 and 1990

	Participants' contributions	Interest accumulations	Other future benefits	Total Fund Balance
Balance at June 30, 1989	$ 757,180,186	$ 334,758,898	$1,488,259,762	$ 2,580,198,846
Add (deduct):				
Excess of revenue over expenses	93,218,474	-	122,149,790	215,368,264
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(27,373,147)	-	27,373,147	-
Interest credited to members' accounts	-	46,191,337	(46,191,337)	-
Balance at June 30, 1990	$ 823,025,513	$ 380,950,235	$1,591,591,362	$ 2,795,567,110
Add (deduct):				
Excess of revenue over expenses	102,817,359	-	83,030,084	185,847,443
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(28,153,235)	-	28,153,235	-
Interest credited to members' accounts	-	51,242,407	(51,242,407)	-
Balance at June 30, 1991	$ 897,689,637	$ 432,192,642	$1,651,532,274	$2,981,414,553

(14) Legislation Passed Subsequent to Year End

In July 1991, Governor Jim Edgar signed Senate Bill 0045 into law (P.A. 87-0014). This comprehensive bill provided for an Early Retirement Incentive (ERI) program for members of the System. Under certain circumstances a member would be allowed to establish up to 5 years of creditable service by making payment of the amounts prescribed in the statute.

Approximately 14,000 state employees will be eligible for the ERI program. While it is anticipated that 30% of those eligible to participate will take advantage of the ERI program, the actual cost to the System cannot be determined until the option period has closed.

Analysis of Funding Progress (in millions of dollars)

FY	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation**	(3) Percentage Funded (1) ÷ (2)	(4) Unfunded Pension Benefit Obligation (2) − (1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a % of Covered Payroll (4) ÷ (5)
1985	$1,707.2	$2,830.8	60.3%	$1,123.6	$1,569.5	71.6%
1986	1,974.1	3,082.8	64.0	1,108.7	1,713.8	64.7
1987	2,225.9	3,304.2	67.4	1,078.3	1,825.2	59.1
1988	2,381.8	3,490.7	68.2	1,108.9	1,954.0	56.8
1989	2,580.2	3,752.1	68.8	1,171.9	2,106.1	55.6
1990	2,795.6	4,538.1	61.6	1,742.5	2,270.3	76.8
1991	2,981.4	4,949.9	60.2	1,968.5	2,461.4	80.1

*At cost

**Pension Benefit Obligation information is not available for years prior to 1985.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System Trust Fund's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the public employees' retirement system (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System Trust Fund's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Revenues by Source and Expenses by Type

Revenues by Source

FY Ended June 30	Member Contributions	State Contributions	Investment Income	Sub Total	General Revenue Fund Appropriations, Less balances Lapsed	Total
1982	$69,300,949	$61,500,375	$101,697,502	$232,498,826	$145,503	$232,644,329
1983	72,371,246	71,846,403	192,573,257	336,790,906	149,002	336,939,908
1984	73,442,196	86,464,279	150,170,315	310,076,790	168,700	310,245,490
1985	77,830,806	94,456,693	101,754,931	274,042,430	174,482	274,216,912
1986	84,563,536	102,213,693	240,235,534	427,012,763	186,885	427,199,648
1987	90,096,279	109,559,940	226,929,603	426,585,822	168,326	426,754,148
1988	95,928,239	99,990,922	148,802,057	344,721,218	127,288	344,848,506
1989	101,805,417	98,471,993	199,452,398	399,729,808	97,958	399,827,766
1990	110,109,685	107,938,094	213,139,724	431,187,503	69,142	431,256,645
1991	120,263,354	115,979,568	180,520,373	416,763,295	59,736	416,823,031

Expenses by Type

FY Ended June 30	Benefits	Contribution Refunds and Transfers	Administrative Expenses, System Trust Fund	Other Expenses *	Sub Total	Administrative Expenses, Contribution Fund	Total
1982	$100,453,675	$13,942,805	$2,245,727	$(2,480,124)	$114,162,083	$145,503	$114,307,586
1983	111,852,846	14,009,169	2,290,492		128,152,507	149,002	128,301,509
1984	120,996,071	14,145,496	2,428,623		137,570,190	168,700	137,738,890
1985	132,316,478	13,240,326	2,552,452		148,109,256	174,482	148,283,738
1986	143,548,518	13,780,843	2,848,181		160,177,542	186,885	160,364,427
1987	159,614,328	12,182,099	3,000,932		174,797,359	168,326	174,965,685
1988	173,644,549	11,983,814	3,169,935		188,798,298	127,288	188,925,586
1989	185,354,303	12,602,555	3,380,170		201,337,028	97,958	201,434,986
1990	199,606,912	12,325,179	3,887,148		215,819,239	69,142	215,888,381
1991	215,290,386	11,851,930	3,773,536		230,915,852	59,736	230,975,588

*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. Since 1982 realized gains and losses have been distributed annually.

Analysis of Employer Contributions
Fiscal Year 1982 through 1991

Fiscal Year	(1) Board Approved Rate (A)	(2) Annual Covered Payroll	(3) Employer Contributions Required (1 x 2)	Employer Contribution Made					(8-3)	(8 ÷ 2)
				(4) Employer Contr. (B)	(5) State Pension (C)	(6) Senate Res. No. 33 (D)	(7) Other (E)	(8) (4+5+6+7) Total	(Deficiency) of Contrib. Made Over Contr. Req.	Employer Contrib. as a % of Covered Payroll
1982	6.820%	$1,334,262,000	$90,996,668	$60,348,375	$1,152,000	$ -	$ -	$61,500,375	$(29,496,293)	4.61%
1983	5.550	1,378,735,000	76,519,793	67,421,803	1,838,200	2,586,400	-	71,846,403	(4,673,390)	5.21
1984	6.400	1,437,546,000	92,002,944	81,358,279	2,378,000	2,728,000	-	86,464,279	(5,538,665)	6.01
1985	8.090	1,569,532,000	126,975,139	89,482,193	2,378,500	2,596,000	-	94,456,693	(32,518,446)	6.02
1986	7.532	1,713,755,000	129,080,027	97,741,393	2,130,000	2,342,300	-	102,213,693	(26,866,334)	5.96
1987	8.400	1,825,196,000	153,316,464	105,095,840	2,215,500	2,248,600	-	109,559,940	(43,756,524)	6.00
1988	7.240	1,953,960,000	141,466,704	97,725,922	1,673,700	591,300	-	99,990,922	(41,475,782)	5.12
1989	6.300	2,106,121,000	132,685,623	96,564,193	1,907,800	-	-	98,471,993	(34,213,630)	4.68
1990	6.200	2,270,303,000	140,758,786	104,019,494	2,030,000	-	1,888,600	107,938,094	(32,820,692)	4.75
1991	4.720	2,461,352,000	116,175,814	109,930,868	6,048,700	-	-	115,979,568	(196,246)	4.71

(A) = *For fiscal years 1982 and 1985, the contribution rate shown is the minimum rate recommended by the* actuarial consultants. The actual Board approved rate was 4.5% and 5.8% for FY 1982 and 1985, respectively. For all other years presented, the Board approved rate was at least equal to or greater than the minimum contribution rate recommended by the actuaries.

(B) = The System Trust Fund recognizes revenue based upon either the Board approved rate or the state appropriated rate, as appropriate.

(C) = The System Trust Fund receives an annual appropriation from the State Pension Fund. The State Pension Fund receives proceeds from the sale of abandoned and unclaimed property.

(D) = In fiscal year 1983, House Amendment No. 1 to Senate Bill 177 was adopted by the state legislature. This bill reduced the dollar amount appropriated for the employer's share of retirement contributions. Senate Joint *Resolution No. 33 provided that the System Trust Fund would be repaid the amount of the Senate Bill 177* reductions at the rate of 20% per year over the succeeding five fiscal years, including interest at 6% per annum. Final payment was received in FY 1988.

(E) = In fiscal year 1990, the System Trust Fund received an additional appropriation from the State of Illinois for the employer contribution.

Combining Balance Sheets
June 30, 1991 and 1990

	1991			1990		
	Pension Trust Fund State Employees' Retirement System	Agency Fund Social Security Contribution	Total	Pension Trust Fund State Employees' Retirement System	Agency Fund Social Security Contribution	Total
Assets						
Cash	$18,682,979	$ -	$18,682,979	$11,187,478	$ -	$11,187,478
Cash, restricted for Social Security remittances	-	944,799	944,799	-	599,415	599,415
Receivables:						
Contributions receivable:						
Participants	4,823,032	-	4,823,032	4,449,365	-	4,449,365
Employing State Agencies	6,469,173	-	6,469,173	2,927,125	-	2,927,125
Other accounts receivable	757,946	-	757,946	696,034	-	696,034
	12,050,151	-	12,050,151	8,072,524	-	8,072,524
Investments	2,949,573,783	-	2,949,573,783	2,775,885,256	-	2,775,885,256
Property and equipment, net of accumulated depreciation	4,436,451	-	4,436,451	4,340,351	-	4,340,351
Total Assets	$2,984,743,364	$944,799	$2,985,688,163	$2,799,485,609	$599,415	$2,800,085,024
Liabilities and Fund Balance						
Benefits payable	$1,484,896	$ -	$1,484,896	$1,503,057	$ -	$1,503,057
Refunds payable	267,894	-	267,894	308,865	-	308,865
Administrative expenses payable	677,736	-	677,736	1,317,286	-	1,317,286
Participants' deferred service credit accounts	898,285	-	898,285	789,291	-	789,291
Unremitted Social Security contributions	-	436,539	436,539	-	223,636	223,636
Amounts held for Social Security remittances	-	508,260	508,260	-	375,779	375,779
Total Liabilities	$3,328,811	$944,799	$4,273,610	$3,918,499	$ 599,415	$4,517,914
Fund Balance						
Actuarial present value of credited projected benefits	4,949,880,212	-	4,949,880,212	4,538,074,194	-	4,538,074,194
(Less) unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(1,968,465,659)	-	(1,968,456,659)	(1,742,507,084)	-	(1,742,507,084)
Total Fund Balance	$2,981,414,553	$ -	$2,981,414,553	$2,795,567,110	-	$2,795,567,110
Total Liabilities & Fund Balance	$2,984,743,364	$944,799	$2,985,688,163	$2,799,485,609	$ 599,415	$2,800,085,024

Social Security Contribution Fund
Statements of Changes in Assets and Liabilities
Years Ended June 30, 1991 and 1990

	1991				1990			
Assets	Balance July 1, 1990	Additions	(Deductions)	Balance June 30, 1991	Balance July 1, 1989	Additions	(Deductions)	Balance June 30, 1990
Cash, restricted for Social Security remittances	$599,415	$385,207	$(39,823)	$944,799	$2,937,582	$687,626	$(3,025,793)	$ 599,415
Liabilities								
Unremitted Social Security contributions	$223,636	$212,984	$(81)	$436,539	$ 2,297,725	$ -	$(2,074,089)	$ 223,636
Amounts held for Social Security remittances	375,779	132,481	-	508,260	639,857	-	(264,078)	375,779
	$599,415	$345,465	$(81)	$944,799	$ 2,937,582	$ -	$(2,338,167)	$599,415

SYSTEM TRUST FUND — SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 1991 and 1990

	1991	1990
Contributions:		
Participants	$116,775,047	$108,468,302
Repayments of contributions refunded	1,557,177	479,238
Interest received from participants	1,931,130	1,162,145
Total participants contributions	$120,263,354	$110,109,685
Employing state agencies	$109,930,868	$104,019,494
State Pension Fund appropriation	6,048,700	2,030,000
Supplemental state contribution	-	1,888,600
Total state contributions and appropriations	$115,979,568	$107,938,094
Investments:		
Net investment income	$159,804,265	$153,781,412
Interest earned on cash balances	831,847	1,407,272
Net realized gain on sale of investments	19,884,261	57,951,040
Total investment revenue	$180,520,373	$213,139,724
Total Revenue	$416,763,295	$431,187,503

SYSTEM TRUST FUND — SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 1991 and 1990

	1991	1990
Cash balance, beginning of year	$ 11,187,478	$ 9,730,385
Receipts:		
Member contributions	116,770,488	107,175,386
Employer contributions	106,325,812	105,359,811
State Pension Fund contribution	6,048,700	2,030,000
Transfers from Illinois State Board of Investment	18,000,000	24,000,000
Interest income on cash balance	888,482	1,404,658
Claims receivable payments	781,573	725,830
Installment payments - prior service credit	1,190,383	632,804
Other	135,507	138,625
Total cash receipts	$250,140,945	$241,467,114
Disbursements:		
Annuity payments:		
Retirement annuities	$166,566,596	$154,494,116
Widow's annuities	2,810,129	2,866,006
Survivors' annuities	20,508,955	18,806,757
Death benefits	9,185,371	8,363,251
Disability benefits	14,942,334	13,602,436
Refunds	12,138,207	12,419,696
Administrative expenses	4,493,852	6,457,759
Transfers to Illinois State Board of Investment	12,000,000	23,000,000
Total cash disbursements	$242,645,444	$240,010,021
Cash balance, end of year	$ 18,682,979	$ 11,187,478