STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1992

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

Letter of Transmittal

Chairman's Letter

Administration, Board of Trustees and Administrative Staff

Certificate of Achievement for Excellence in Financial Reporting

STATE RETIREMENT SYSTEMS

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255, Ph. (217)785-7444

November 30, 1992

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, 1992 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, 1992 are approximately $3.3 billion, and there are 77,194 active members.

Significant events and dates during the forty-eight 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.*

July 24, 1991: *An Early Retirement Incentive (ERI) bill is signed into law (P.A. 87-0014). This ERI bill allows eligible members to establish up to five years of service credit and age by making contributions for one-half of the service to be established.*

January 1, 1992: *Effective on this date, virtually all state agencies participating in SERS began to pay all or a part of the required employee retirement contributions due to SERS. This plan is commonly referred to as an "employer pickup" plan of employee retirement contributions.*

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 $584.7 million during the fiscal year ending June 30, 1992, which is a substantial increase from revenue reported for fiscal year 1991, shown as follows:

	1992	1991	Increase/(Decrease)	
	(Millions)	(Millions)	(Millions)	(Percentage)
Retirement System Trust Fund				
Contributions:				
Employees	$ 141.9	$ 120.2	$ 21.7	18.1%
Employer	98.5	116.0	(17.5)	(15.1)
Investments	344.2	180.5	163.7	90.7
	$ 584.6	$ 416.7	$ 167.9	40.3%
Social Security Contribution Fund				
General Revenue,				
less balances lapsed	.1	.1	-	-
	$ 584.7	$ 416.8	$ 167.9	40.3%

Employee contributions have exceeded employer contributions for the past four 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 1992 and 1991. The increase in employee contributions is also largely due to optional service purchases by members taking advantage of the ERI program and recently enacted legislation which allows for the purchase of service while serving in the military.

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 1992 and 1991 are shown for comparison purposes.

	1992 (Millions)	1991 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Retirement System Trust Fund				
Benefits:				
Retirement annuities	$ 215.5	$ 166.4	$ 49.1	29.5%
Survivors' annuities	25.1	23.6	1.5	6.4
Disability benefits	17.8	16.6	1.2	7.2
Lump-sum death benefits	8.3	8.7	(.4)	(4.6)
	$ 266.7	$ 215.3	$ 51.4	23.9%
Refunds (including Transfers)	16.9	11.8	5.1	43.2
Administrative expenses	4.2	3.8	.4	10.5
	$ 287.8	$ 230.9	$ 56.9	24.6%
Social Security Contribution Fund				
Administrative expenses	.1	.1	-	-
	$ 287.9	$ 231.0	$ 56.9	24.6%

The increase in benefit payments results primarily from the Early Retirement Incentive program 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 $344.2 million during fiscal year 1992, an increase of $163.7 million from fiscal year 1991. Both domestic equity and fixed income portfolios produced strong returns and the Illinois State Board of Investment (ISBI) Fund's performance in these areas was far superior to the industry's averages. Income from investments represents 58.9% of total fund revenue. The ISBI had a 11.6% rate of return on market values for the year ended June 30, 1992.

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, 1992, amounted to $5,600.8 million. The fund balances for participant contributions, interest accumulations and other future benefits amounted to $3,278.2 million 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 $2,322.6 million 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

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. However, the state has not appropriated sufficient monies to cover the employer share of retirement contributions during the past three years of the phase-in period.

The System monitors any legislative proposals which may have a potential impact on the status of the Trust Fund. In addition to the Early Retirement Incentive (ERI) Program, which is discussed later in this transmittal letter, there were other legislative changes that had a direct impact on the System. These changes were a direct reflection of current economic conditions in the State of Illinois.

As part of the ERI legislation, authorization was also given to the Governor to transfer up to $50 million from certain miscellaneous funds to the General Revenue Fund. Under this authority, the Governor requested the transfer of $21 million from unclaimed property receipts which normally are appropriated to the five state financed retirement systems. Although this action was opposed in court, the transfer was ultimately made on June 1, 1992.

While both the ERI and fund transfer unquestionably had a negative impact on the financial condition of the System, legislation introduced and passed during the 1992 spring session of the General Assembly reflects a positive movement. Specifically, Senate Bill 1949 changed the state's Unclaimed Property Act to provide for a holding period of five instead of seven years. This will result in the availability of an additional $50 million which will be divided among the five state financed retirement systems during FY93. As a result of this legislation, the System should receive an additional $8.6 million.

Also, the General Assembly approved House Bill 3230, which provides for a continuing appropriation of funds due the five state financed retirement systems from unclaimed property receipts. This legislation has the effect of making the annual appropriation of these funds automatic, not requiring specific action of the General Assembly. While the normal level of financing from unclaimed property is small, less than $4 million a year, enactment of this legislation establishes a very positive precedent. We are optimistic that over the next two years new funding legislation will be enacted to address the unfunded liability issue, and we strongly believe that this legislation should be accompanied by a continuing appropriation to ensure that, once enacted, the plan will be followed in future years. Both of these bills, Senate Bill 1949 and House Bill 3230, were signed into law by Governor Edgar on August 26, 1992. The Governor has also indicated publicly that he considers the underfunding of the System an important issue which he intends to address during his administration. Leaders in the General Assembly have also indicated a similar interest. We are, therefore, optimistic that once the state budget crisis is brought under control, legislation which will establish a solid actuarial funding program will be forthcoming. Also, we are optimistic that the General Assembly will address the improvement of the System's retirement benefit formula which applies to over 60,000 state employees.

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

Fiscal year 1992 projects included two pieces of legislation: 1) On July 24, 1991, Governor Jim Edgar signed Senate Bill 0045 into law as Public Act 86-0014. This bill allowed for an early retirement incentive program for employees meeting certain criteria specified in the bill. Generally, an employee was 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; 2) Effective January 1, 1992, the state began to "pickup" or make payment on behalf of employees for their share of retirement contributions to the System. This pickup was done on an agency-by-agency basis and required agency director certification.

New projects for fiscal year 1993 include: a) A review of the benefit application package; b) A review of the in-house education program in order to maintain a high level of technical ability regarding items such as letter composition, time management, etc.; and c) Installation of a new computer system designed to meet the data processing needs of the System. In addition, several long-range projects have been established. These projects will generally have a timetable of 3 to 5 years to complete and involve virtually all divisions within the System. The long-range projects include: a) voice activated response systems; b) computer imaging and automated data entry; and c) expanded benefit information, among others.

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. In addition to the annual financial audit, a two year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the State Employees' Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law. 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, 1991. 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 six consecutive years (fiscal years ended June 30, 1986 through June 30, 1991). 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

STATE
RETIREMENT
SYSTEMS

• State Employees' Retirement System of Illinois
• General Assembly Retirement System
• Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255, Ph. (217)785-7444

TO: All Members of the State Employees' Retirement System of Illinois

This has been one of the most dynamic and also one of the most difficult years in the history of the State Employees' Retirement System (SERS).

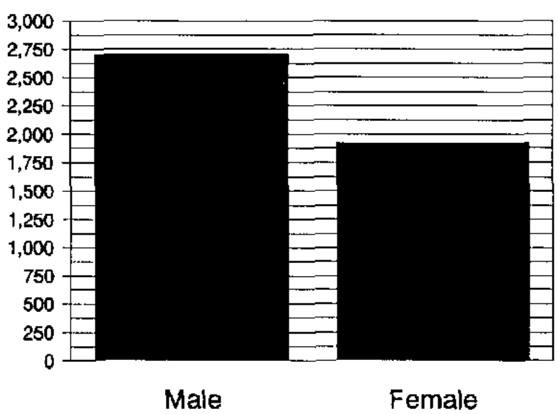
On July 24, 1991, Governor Jim Edgar signed Senate Bill 45 into law as Public Act 87-0014. This legislation provided an opportunity for members of SERS to purchase up to five years of service credit at one-half of the normal employee contribution rate. It was the first time since the establishment of SERS that an Early Retirement Incentive (ERI) program was extended to the membership.

There were approximately 14,000 members who were eligible for the ERI program. Of these eligible employees, slightly over 4,600 members elected to participate. The actuarial cost of the ERI program to SERS was nearly $231.5 million. Unfortunately, the General Assembly did not pass any legislation to provide funding for the additional liability to SERS. This has had a negative effect on the funded status of the system.

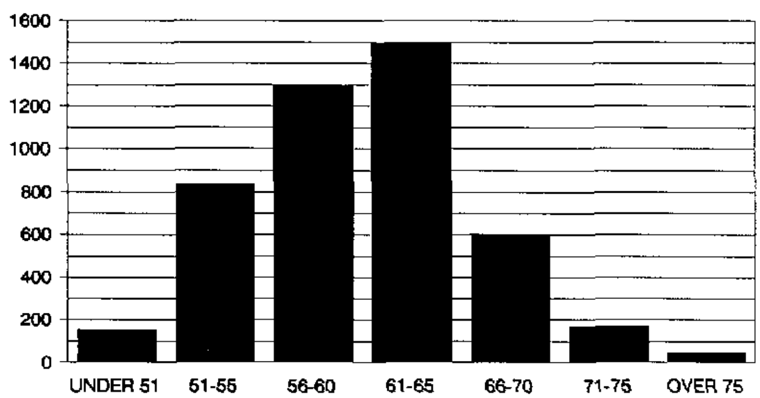
The goal of the ERI program was to provide state employees with the opportunity to retire early in the face of a very difficult budgetary year. This past fiscal year has included large scale cutbacks and, sad to say, a significant number of layoffs. The ERI program also allowed the State of Illinois to replace some retiring employees with newer employees at lower rates of pay, thereby generating some additional savings to the state.

A summary of the members who took advantage of the ERI program follows:

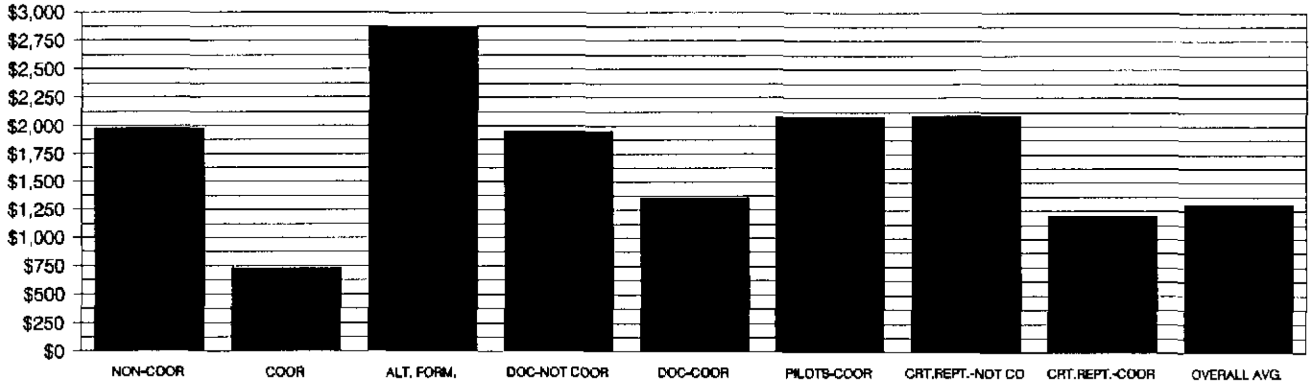
Retirees by Sex



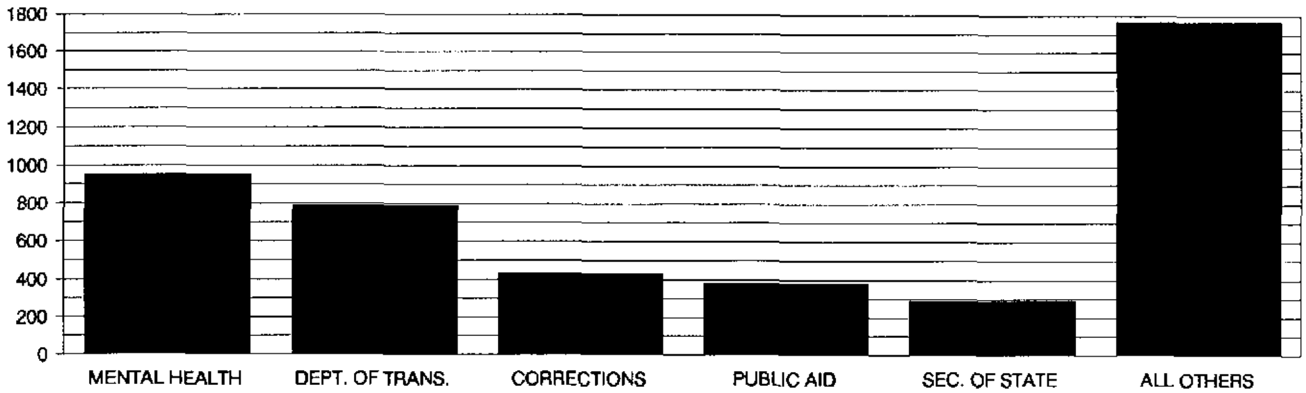
Retirees by Age



Average Benefit by Type



Retirees by Agency (Top 5 and other)

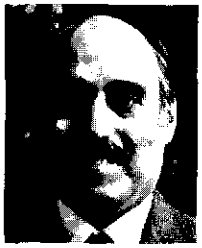


The overwhelming success of administering the ERI program was due to the outstanding effort and superb dedication of the staff of SERS. I want to personally thank each member of the staff for their persistence and determination in seeing that this tremendous task was performed in an orderly and efficient manner.

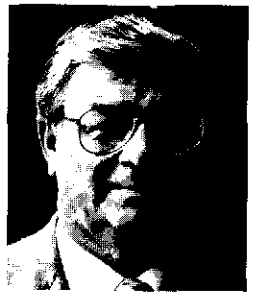
Sincerely yours,

Kenneth W. Obrecht Chairman
Board of Trustees

Board of Trustees

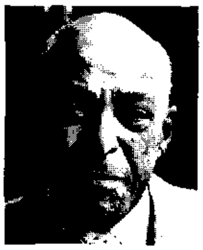


Loren Iglarsh
Representing Dawn Clark Netsch
Comptroller



Kenneth Obrecht
Chairman, appointed
by the Governor

Michael Colsch
Representing Joan Walters
Director of the Bureau of the Budget



Edward L. Stewart
Annuitant, Appointed
by the Governor

Doris Clark
Elected Annuitant

Jerry Rittenhouse
Elected Employee

Trustee position of State Employee, Appointed by the Governor is currently vacant

Illinois State Board of Investment

Internal and External Investment Managers

Consultants

- Medical Consultants
- Actuary
- Certified Public Accountants

Staff

- Executive Secretary — Michael L. Mory
- Internal Auditor — Terry E. Radliff
- Associate Executive Secretary — Robert V. Knox
- Accounting and Social Security Divisions — Nicholas C. Merrill, Jr.
- Administrative Services Division — William T. Weir
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- Service & Refunds Division — Joseph S. Maggio

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State Employees' Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1991

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 (CUFRs) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

FINANCIAL SECTION

Independent Auditor's Report

Financial Statements

Required Supplementary Information

Supplementary Financial Information

Additional Financial Information

McGLADREY & PULLEN

Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable William G. Holland
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 combined balance sheets of the State Employees' Retirement System of Illinois as of June 30, 1992 and 1991, and the related statements of revenue, expenses and changes in fund balance for the years 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 audits.

We conducted our audits in accordance with generally accepted auditing standards and "Government Auditing Standards" issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 audits provide a reasonable basis for our opinion.

In our opinion, the 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, 1992 and 1991, and the results of its operations for the years then ended in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the component unit financial statements as of and for the years ended June 30,1992 and 1991, taken as a whole. The supplementary information included on pages 28 through 35 is presented for purposes of additional analysis and is not a required part of the component unit financial statements. Such information as of and for the years ended June 30, 1992 and 1991, has been subjected to the auditing procedures applied in the audits of the component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the component unit financial statements taken as a whole.

McGladrey & Pullen

Springfield, Illinois
October 15, 1992

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Combined Balance Sheets - June 30, 1992 and 1991

	1992	1991
Assets		
Cash	$ 12,413,156	$ 18,682,979
Cash, restricted for Social Security remittances	812,879	944,799
Receivables:		
Contributions receivable:		
Participants	4,502,477	4,823,032
Employing state agencies	3,290,664	6,469,173
Other accounts receivable	753,394	757,946
	$ 8,546,535	$ 12,050,151
Investments - held in the Illinois State Board of Investment Commingled Fund at cost (Market value: 1992, $3,619,656,868; 1991, $3,275,201,134) (Note 4)	3,257,144,759	2,949,573,783
Property and equipment, net of accumulated depreciation (Note 9)	4,311,268	4,436,451
Total Assets	$3,283,228,597	$2,985,688,163
Liabilities and Fund Balance		
Benefits payable	$ 1,396,870	$ 1,484,896
Refunds payable	452,602	267,894
Administrative expenses payable (Note 8)	684,529	677,736
Participants' deferred service credit accounts	1,634,160	898,285
Unremitted Social Security contributions	101,879	436,539
Amounts held for Social Security remittances	711,000	508,260
Total Liabilities	$ 4,981,040	$ 4,273,610
Fund Balance		
Actuarial present value of credited projected benefits (Notes 4 and 6)	5,600,766,741	4,949,880,212
(Less) unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(2,322,519,184)	(1,968,465,659)
Total Fund Balance (Note 11)	$3,278,247,557	$2,981,414,553
Total Liabilities and Fund Balance	$3,283,228,597	$2,985,688,163

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, 1992 and 1991

	1992	1991
Revenue:		
Contributions:		
Participants	$ 141,862,797	$ 120,263,354
Employing State agencies and appropriations	98,532,783	115,979,568
Total Contributions revenue	240,395,580	236,242,922
Investments:		
Net investments income	190,811,723	159,804,265
Interest earned on cash balances	666,874	831,847
Net realized gain on sale of investments	152,759,253	19,884,261
Total Investments revenue	344,237,850	180,520,373
	584,633,430	416,763,295
General Revenue Fund appropriations, less balances lapsed	56,972	59,736
Total Revenue	584,690,402	416,823,031
Expenses:		
Benefits:		
Retirement annuities	215,470,012	166,360,086
Survivors' annuities	25,104,054	23,592,609
Disability benefits	17,764,029	16,655,172
Lump-sum death benefits	8,314,277	8,682,519
	266,652,372	215,290,386
Refunds	16,858,445	11,701,256
Administrative expense, System Trust Fund (Note 8)	4,229,293	3,773,536
Transfers to reciprocating retirement systems	60,316	150,674
	287,800,426	230,915,852
Administrative expense, Contribution Fund (Note 8)	56,972	59,736
Total Expenses	287,857,398	230,975,588
Excess of revenue over expenses	$ 296,833,004	$ 185,847,443
Fund Balance at beginning of year	2,981,414,553	2,795,567,110
Fund Balance at end of year	$3,278,247,557	$2,981,414,553

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 1992 and 1991

(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, 1992 and 1991, the number of participating state agencies, boards and commissions totaled:

	1992	1991
State agencies	43	42
State boards and commissions	51	51
Total	94	93

At June 30, 1992 and 1991 the System Trust Fund membership consisted of:

	1992	1991
Retirees and beneficiaries		
currently receiving benefits:		
Retirement annuities	28,501	24,283
Survivors' annuities	8,951	8,819
Disability benefits	1,559	1,583
	39,011	34,685
Inactive employees entitled		
to benefits but not yet		
receiving them	2,415	2,291
Total	41,426	36,976
Current Employees:		
Vested:		
Coordinated with Social Security	36,997	37,648
Noncoordinated	5,286	7,248
Nonvested:		
Coordinated with Social Security	33,713	34,797
Noncoordinated	1,198	1,330
Total	77,194	81,023

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. Effective January 1, 1992, the State of Illinois initiated an employer pickup of employee retirement contributions for most state employees. The amount of the pickup is dependent upon the contribution rates specified above, however, the contributions made on behalf of the member are included in the individual member's account. The State of Illinois is obligated to make payment for the required departmental employer 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 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, 1992 and 1991 the ISBI Board had outstanding loaned investment securities having a market value of approximately $344,993,007 and $313,109,467 respectively, against which it had received collateral of approximately $352,913,054 and $329,552,739 respectively.

The System Trust Fund owns approximately 93.7% of the ISBI Commingled Fund as of June 30, 1992.

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 and Agency Obligations	$ 543,839,646	$ -	$ -	$ 543,839,646	$ 571,466,100
Foreign Obligations	27,315,635	-	-	27,315,635	28,117,356
Foreign Equity Securities	223,701,749	-	-	223,701,749	221,817,510
Corporate Obligations	750,688,012	-	-	750,688,012	786,650,074
Convertible Bonds	69,310,839	-	-	69,310,839	71,920,483
Common Stock & Equity Funds	1,137,385,198	-	-	1,137,385,198	1,404,854,602
Convertible Preferred Stock	16,388,418	-	-	16,388,418	18,796,336
Preferred Stock	10,352,924	-	-	10,352,924	5,527,737
Money Market Instruments	231,800,369	-	-	231,800,369	231,088,936
SUBTOTAL	$ 3,010,782,790	$ -	$ -		
Non-categorized Assets:					
Real Estate Pooled Funds				317,107,108	325,963,498
Non-marketable Securities				128,411,196	178,844,300
Other Assets, Less Liabilities				20,886,434	20,886,434
Net Assets				$ 3,477,187,528	$ 3,865,933,366

(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, 1992 and 1991, the unfunded pension benefit obligation was $2,322,519,184 and $1,968,465,659 as follows:

	1992	1991
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits	$3,047,923,522	$2,078,058,684
Terminated employees not yet receiving benefits	10,803,485	14,714,928
Current Employees:		
Accumulated employee contributions and interest	1,222,039,072	1,273,596,927
Employer-financed vested	1,160,994,685	1,432,302,881
Employer-financed nonvested	96,669,576	94,921,440
Inactive members - Accumulated contributions and interest	62,336,401	56,285,352
Total Pension benefit obligation	$5,600,766,741	$ 4,949,880,212
Net assets available for benefits, at cost (market value at June 30, 1992 - $3,640,759,666; 1991 - $3,307,041,904)	3,278,247,557	2,981,414,553
Unfunded pension benefit obligation	$2,322,519,184	$1,968,465,659

On July 30, 1991, Senate Bill 341 was signed by the governor. This bill provided for an employer pickup of a portion of the required member contributions: 4% of pay for regular employees, and 5 1/2% pay for alternative formula employees. The pickup was effective January 1, 1992, and the cost to the state was partially offset by lowered salary increases for fiscal 1992, which resulted in a $27,517,752 decrease in the accrued actuarial liability for active employees.

Senate Bill 45, approved in August of 1991, provided an early retirement incentive program under which employees who were active at any time during May, 1991, who either attained age 50 or accumulated 30 or more years of creditable service by December 31, 1991, could establish up to 5 years of creditable service by making an employee contribution to the System based on the member's final rate of compensation and on one-half of the retirement contribution rate in effect for the member on the date of withdrawal. There were 4,608 employees who retired under this program at an estimated cost to the System of $231,418,950.

House Bill 971, approved in November, 1991, provided members with the opportunity to purchase prior military service. Senate Bill 1951, approved in January 1991, provided a six month window during which refunds could be repaid at an interest charge of 2.5% per annum. Applications for repayment that were received in June of 1991 are reflected for the first time in this valuation. The combined impact of these bills resulted in a net increase in the actuarial liability of $44,632,309.

Changes in the reporting and processing of information provided to the actuary resulted in an increase of $18,488,469 in the actuarial liability for fiscal year 1992.

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.

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, 1992. 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.

(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 years 1992 and 1991, the actuary has used the projected unit credit actuarial method for determining the proper employer contribution rate and amount. The Board certified actuarial required contribution rates for fiscal years 1992 and 1991, were 4.74% and 4.72%, respectively.

The Illinois General Assembly appropriated the employer's contribution for the legislatively funded agencies at 3.95% for fiscal year 1992 and 4.15% for fiscal year 1991. 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 4.74%, the total amount of employer contributions required for the fiscal year ended June 30, 1992 amounted to $115,642,159. The total amount of employer contributions made was $98,532,783 (normal cost - $71,532,239, amortization of unfunded accrued actuarial liability - $27,000,544) thereby resulting in an underfunding of $17,109,376.

Schedule of Contributions Required and Contributions Made
(in thousands)

	1992	1991	1990	1989	1988
Covered Payroll	$ 2,439,708	$ 2,461,352	$ 2,270,303	$ 2,106,121	$ 1,953,960
Employer Contributions	$ 98,532	$ 115,980	$ 107,938	$ 98,472	$ 99,991
Actual Employer Contribution Rate	4.04%	4.71%	4.75%	4.68%	5.12%
Board of Trustees Recommended Contribution Rate	4.74%	4.72%	6.2%	6.3%	7.24%
Employee Contributions	$ 141,863	$ 120,263	$ 110,110	$ 101,805	$ 95,928
Employee Contribution Rate (Average)	5.81% *	4.89%	4.85%	4.83%	4.91%

*The average employee contribution rate increased substantially due to the volume of optional service payments received for the purchase of military service and the ERI program.

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.

On July 30, 1991, Senate Bill 341 was signed by the governor. This bill provided for an employer pickup of a portion of the required member contributions: 4% of pay for regular employees, and 5 1/2% pay for alternative formula employees. The pickup was effective January 1, 1992, and the cost to the state was partially offset by lowered salary increases for fiscal 1992, which resulted in a $27,517,752 decrease in the accrued actuarial liability for active employees.

Senate Bill 45, approved in August of 1991, provided an early retirement incentive program under which employees who were active at any time during May, 1991, who either attained age 50 or accumulated 30 or more years of creditable service by December 31, 1991, could establish up to 5 years of creditable service by making an employee contribution to the System based on the member's final rate of compensation and on one-half of the retirement contribution rate in effect for the member on the date of withdrawal. There were 4,608 employees who retired under this program at an estimated cost to the System of $231,418,950.

House Bill 971, approved in November, 1991, provided members with the opportunity to purchase prior military service. Senate Bill 1951, approved in January 1991, provided a six month window during which refunds could be repaid at an interest charge of 2.5% per annum. Applications for repayment that were received in June of 1991 are reflected for the first time in this valuation. The combined impact of these bills resulted in a net increase in the actuarial liability of $44,632,309.

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(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 28 - 29.

(8) Administrative Expenses

A summary of the administrative expenses of the System for fiscal years 1992 and 1991 are as follows:

	1992		1991	
	System Trust Fund	Contribution Fund	System Trust Fund	Contribution Fund
Personal services	$1,933,008	$ 26,514	$ 1,869,680	$ 26,364
Employer retirement pickup	37,366	533	-	-
Retirement contributions	91,803	1,000	89,200	1,100
Social Security contributions	136,596	1,943	128,806	1,951
Group insurance	237,164	-	124,240	-
Contractual services	718,941	23,802	651,981	27,075
Travel	33,218	1,260	39,350	1,470
Commodities	31,558	397	31,527	92
Printing	39,903	95	45,445	-
Electronic Data Processing	634,880	723	532,190	784
Telecommunications	53,389	705	50,759	900
Automotive	7,888	-	6,521	-
Depreciation	233,031	-	126,218	-
Other	40,548	-	77,619	-
Total	$4,229,293	$ 56,972	$ 3,773,536	$ 59,736

The System's fiscal years 1992 and 1991 employer retirement contribution requirement represented .10% and .09% 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 1992 and 1991 were $2,336 thousand and $2,219 thousand respectively.
- The System's (i.e., the employers') actuarially determined contribution requirements for fiscal years 1992 and 1991 were $111 thousand and $105 thousand, respectively, or 4.74% and 4.72% of the System's covered payrolls. For fiscal year 1992, the System's and employee contributions actually made were $111 thousand and $96 thousand, respectively, which represents 4.74% and 4.1%, respectively, of the current year covered payroll. For fiscal year 1991, the System's and employee contributions actually made were $105 thousand and $92 thousand, respectively, which represent 4.72% and 4.2%, respectively, of the covered payroll.

Effective January 1, 1992, the System began making payment of the required employee retirement contributions on behalf of its employees. This "pickup" of employee retirement contributions was included in the fiscal year 1992 operating budget approved by the System's Board of Trustees, and was, in part, paid in lieu of a salary increase.

In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the System. Substantially all state employees including the System's employees may become eligible for post employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the year ended June 30, 1992. However, the cost for the state as a whole for all state agencies/departments for dependent health, dental and life insurance for annuitants and their dependents approximated $119.8 million for fiscal year 1992. Cost information by individual state agency is not available. Payments are made on a pay as you go basis. The System is not the administrator of any of the other post employment benefits described above.

(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 1992 and 1991 is as follows:

		1992		
	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 655,241	$ -	$ -	$ 655,241
Land Improvements	195,298	3,325	-	198,623
Building	3,166,920	42,000	-	3,208,920
Fixed Assets	1,139,596	63,281	(12,750)	1,190,127
Total	5,157,055	108,606	(12,750)	5,252,911
Accumulated Depreciation	(720,604)	(233,031)	11,992	(941,643)
Property and equipment, net	$ 4,436,451	$ (124,425)	$ (758)	$4,311,268

		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
Total	4,966,299	243,604	(52,848)	5,157,055
Accumulated Depreciation	(625,948)	(126,218)	31,562	(720,604)
Property and equipment, net	$ 4,340,351	$ 117,386	$ (21,286)	$4,436,451

(10) 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 for System employees as of June 30, 1992 and 1991 was $455,933 and $416,143, respectively.

(11) 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, 1992 and 1991

	Participants' contributions	Interest accumulations	Other future benefits	Total Fund Balance
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
Add (deduct):				
Excess of revenue over expenses	116,482,327	-	180,350,677	296,833,004
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(147,169,438)	-	147,169,438	-
Interest credited to members' accounts	-	(14,819,695)	14,819,695	-
Balance at June 30, 1992	$ 867,002,526	$ 417,372,947	$1,993,872,084	$3,278,247,557

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
1992	3,278.2	5,600.8	58.5	2,322.6	2,439.7	95.2

*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
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
1992	141,862,797	98,532,783	344,237,850	584,633,430	56,972	584,690,402

Expenses by Type

FY Ended June 30	Benefits	Contribution Refunds and Transfers	Administrative Expenses, System Trust Fund	Sub Total	Administrative Expenses, Contribution Fund	Total
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
1992	266,652,372	16,918,761	4,229,293	287,800,426	56,972	287,857,398