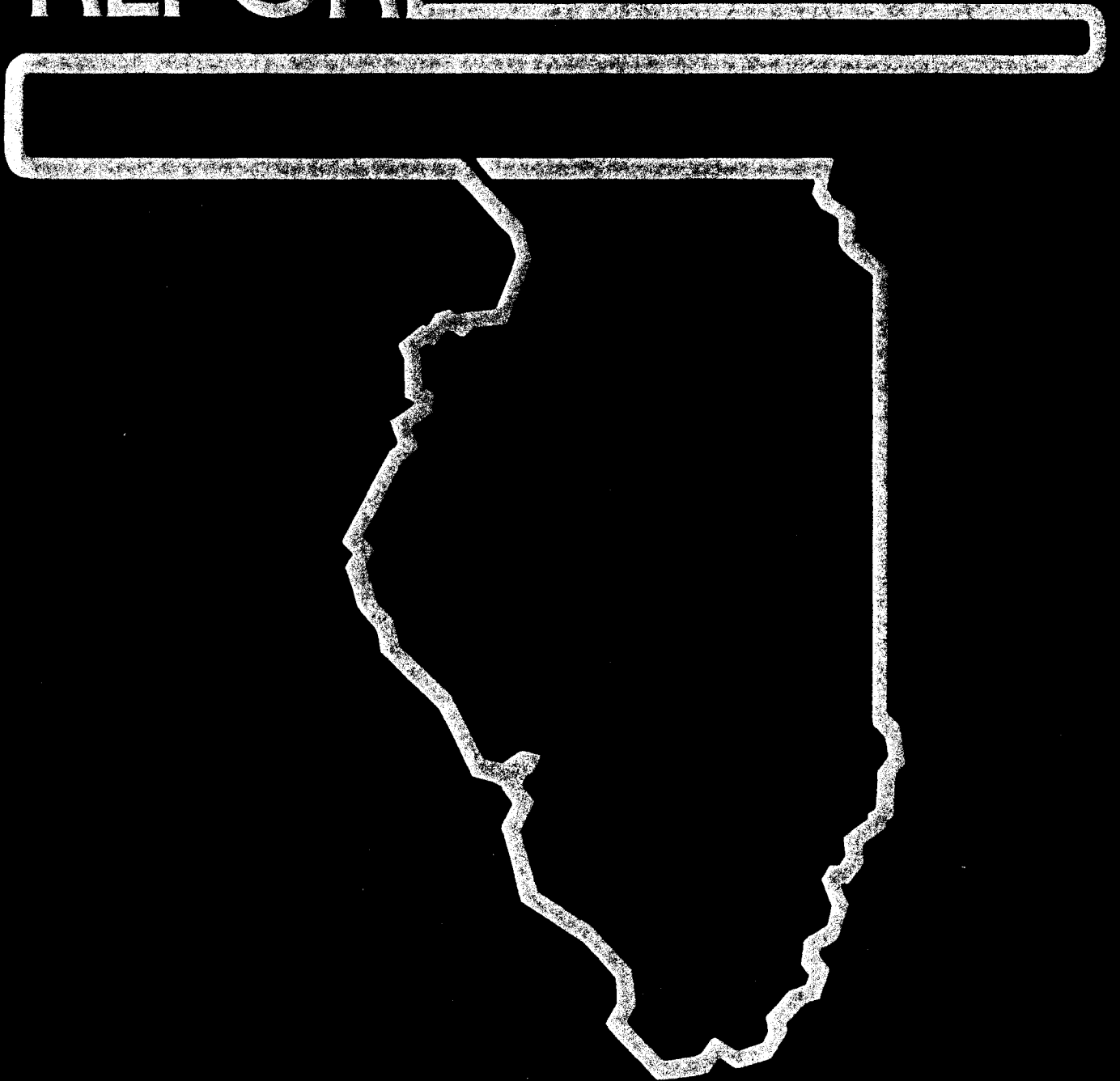


# 1982 ANNUAL REPORT

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS





**Robert A. Morris**  
Chairman  
Appointed by Governor

# 1982 annual report

## STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

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

### BOARD OF TRUSTEES (As constituted December 15, 1982)



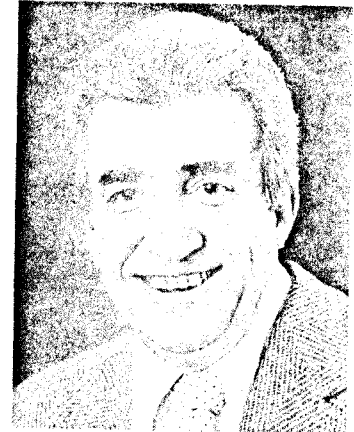
**Alice Kirby**  
Representing  
Roland W. Burris  
Comptroller,  
State of Illinois



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



**Joseph T. Pisano**  
State Employee  
Appointed by Governor



**E. Allen Bernardi**  
State Employee  
Appointed by Governor

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### ADMINISTRATIVE STAFF

---

Robert V. Knox  
Associate Executive Secretary

Michael L. Mory - Executive Secretary

Mabel M. Curtis  
Associate Executive Secretary

Patrick P. Cummings, Manager  
Claims Division

William T. Weir, Manager  
Administrative Services Division

Robert E. Doolen, Manager  
Accounting Division

Dwight N. Garmon, Manager  
Data Processing Division

Joseph S. Maggio, Manager  
Service and Refunds Division

Michael K. Blankenship, Manager  
Social Security Division

Terry E. Radliff  
Internal Auditor

William R. Thompson, Manager  
Field Services Division

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# annual report 1982

## table of contents

	<u>SECTION</u>	<u>PAGE</u>
Letter of Transmittal to Governor	A	1
Summary of Operations	A	2 - 12
Financial Statements:	B	
Accountants' Report		1
Balance Sheet		2
Statement of Revenue and Expenses		3
Statement of Changes in Funded Reserves		4
Statement of Changes in Financial Position		5
Notes of Financial Statements		6 - 7
Schedule of Administrative Expenses		8
Actuary's Report	C	1 - 3
Financial and Statistical Tables:	D	
Balance Sheet Assets		1
Balance Sheet Liabilities		1
Analysis of Funding		2
Revenues by Source		2
Expenses by Type		3
Benefit Expenses by Type		3
Total Membership		6
Active Membership		7
Number of Recurring Benefit Payments		9
Termination Refunds - Number/Amount		9
Schedule of Insurance in Force		10
Plan Summary	E	1 - 6

**state employees'  
retirement  
system  
of illinois**



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

December 15, 1982

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

Dear Governor:

On behalf of the Board of Trustees of the State Employees' Retirement System of Illinois, I take pleasure in submitting herewith the Annual Report of the Board for the fiscal year ended June 30, 1982.

Respectfully submitted,

Robert A. Morris  
Chairman

RAM:bjm

# state employees' retirement system of illinois



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

Board of Trustees  
State Employees' Retirement System  
Springfield, IL 62708

The annual report of the State Employees' Retirement System is presented herein for the purpose of informing the membership, governmental officials and the general public regarding significant facts pertaining to the System's operation for the fiscal year ended June 30, 1982. The report contains essential facts concerning the System's operations covering the period July 1, 1981 through June 30, 1982, as well as historical information to allow a comparison with prior fiscal years.

## FINANCIAL CONDITION

The overall financial condition of the System as evidenced by a comparison of the funding or security ratio (net assets divided by the actuarial accrued liability) declined from 49.3% as of the end of FY-81 to 47.9% as of June 30, 1982.

(In Millions of Dollars)

<u>Fiscal Year</u>	<u>Net Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Actuarial Reserve Requirement</u>	<u>Rate of Funding</u>
FY-82	1,200.1	1,307.7	2,507.8	47.9%
FY-81	1,081.8	1,111.3	2,193.1	49.3%

The decline in the System's funding ratio for FY-82 was due to three primary factors: a reduction in the dollar amount of state contributions, increases in plan benefits affecting both active and retired members, and salary increases granted to active members which exceeded the 7.5% assumption utilized for actuarial purposes. Of particular concern during the year was the reduction in state contributions to the five state-financed retirement systems to a level approximating 62.5% of payout (benefits plus administrative expenses). In the case of SERS, this resulted in a reduction of revenues of over \$37 million based on payout levels anticipated during the budget process and over \$34 million based on state contributions actually received during FY-81. While such action may have in fact been necessary during FY-82 because of economic conditions facing the State of Illinois, it must be noted that continuation of reduced levels of state contributions to the System over extended periods of time could impair the System's capability to meet future benefit commitments.

# annual report 1982

## summary of operations

Recently the Financial Accounting Standards Board issued a pronouncement pertaining to defined benefit pension plans, Statement No. 35. This statement, which is effective for plan years beginning after June 15, 1982, establishes standards of financial accounting and reporting. Among other disclosures the statement requires the preparation of certain actuarial information, namely, the actuarial present value of accumulated benefits and changes thereof from the prior year. This information differs from the actuarial reserves calculated for funding purposes in that it does not consider future pay increases or service in calculating benefits. Specifically, accumulated benefits are calculated based on each members pay history and service up to the valuation date, in this instance June 30, 1982.

Information is summarized below computed on the basis described above and using the same actuarial assumptions as utilized for funding purposes.

<u>Actuarial Present Value of Accumulated Benefits</u>	<u>June 30, 1982</u>	<u>June 30, 1981</u>
(a) Vested Benefits of Members Currently Receiving Payments	\$ 911,683,707	\$ 819,272,422
(b) Other Vested Benefits	728,822,050	655,687,905
(c) Non-Vested Benefits	<u>237,203,943</u>	<u>229,960,816</u>
(d) Total	\$1,877,709,700	\$1,704,921,143

Compared to assets valued on a cost basis, accumulated benefits are funded at a rate of 63.9% as of June 30, 1982. Utilizing the market value of assets as required by Statement No. 35, a funded percentage of 53.7% is developed.

While measurement of net assets against the actuarial present value of accumulated benefits provides an additional benchmark in evaluating funding progress, it is emphasized that utilization of these values for funding purposes is inappropriate for SERS due to the fact that plan benefits by law are based on earnings during the last four years of employment. Thus, for all employees except those approaching retirement age current earnings do not reflect the ultimate level of benefits payable.

### REVENUES:

Revenues for fiscal years 1982 and 1981 are compared below:

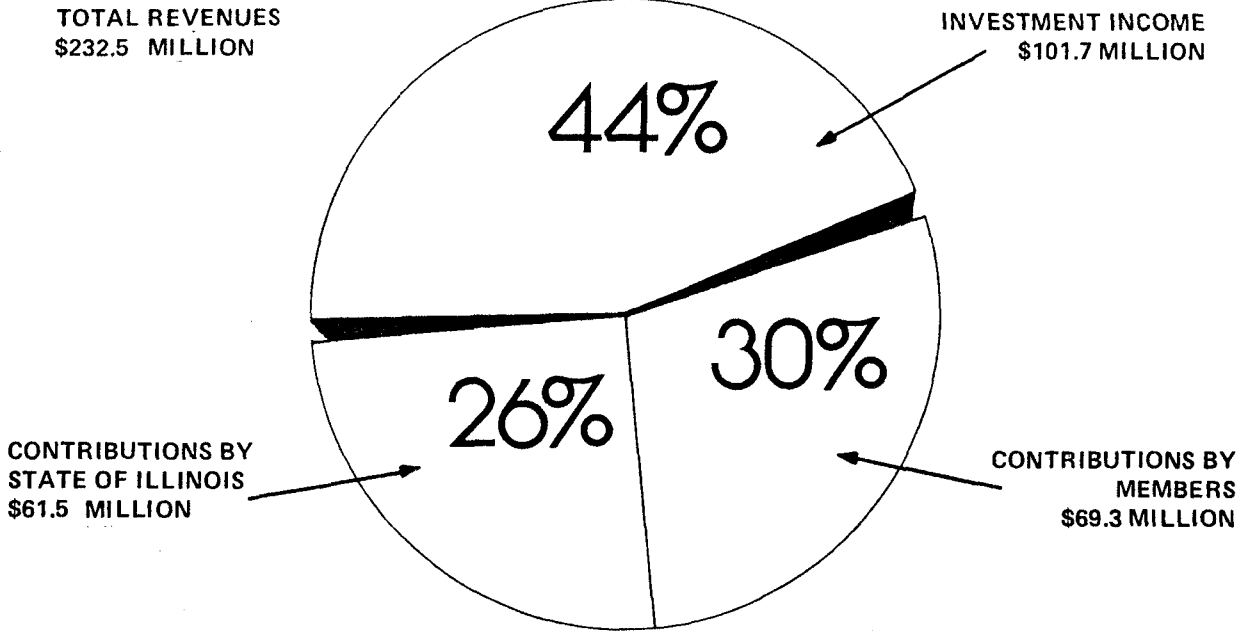
Revenue Source	FY-82 (Millions)	FY-81 (Millions)	Increase Amount	(Decrease) Percentage
Member Contributions	\$ 69.3	\$ 64.6	\$ 4.7	7.3%
State Contributions	61.5	96.9	(35.4)	(36.5%)
Investment Income	<u>101.7</u>	<u>93.9</u>	<u>7.8</u>	8.3%
Total	\$232.5	\$255.4	(\$22.9)	(9.0%)

# annual report 1982

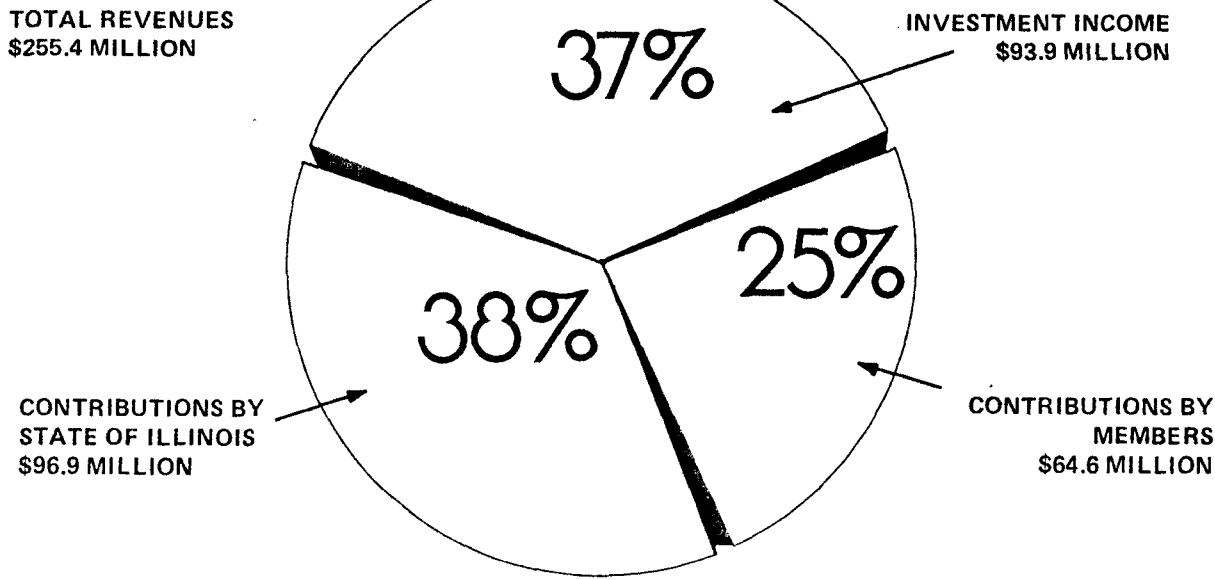
summary of operations

## REVENUES BY SOURCE

1982



1981



# annual report 1982

## summary of operations

Although the number of members actively employed on June 30, 1982 was 2,226 less than on June 30, 1981, an increase in total wages reported for the year of \$81.3 million resulted in a \$4.7 million increase in contributions by members.

<u>Active Membership</u>	<u>FY-82</u>	<u>FY-81</u>	<u>Increase (Decrease)</u>	
			<u>Number/Amount</u>	<u>Percentage</u>
Coordinated Members	62,901	64,104	(1203)	(1.9%)
Noncoordinated Members	14,003	15,026	(1023)	(6.8%)
Earnings Report				
All Members (Millions)	\$1,334.3	\$1,253.0	\$ 81.3	6.5%

The employer contribution rate required to provide income to pay current benefits and administrative expenses was actuarially determined to be 7.9%; however, the rate used for FY 1982 was 4.5% which equated approximately to the amounts appropriated for contributions to the System. This rate produced revenues of \$60.3 million, or \$42.5 million less than the total benefit and administrative expenditures of \$102.8 million. A distribution from the State Pension Fund of \$1.2 million brought the total State contributions to \$61.5 million, a 36.5% decrease from the fiscal year 1981 level of \$96.9 million.

<u>FY Ended</u>	<u>State Contributions From Payrolls</u>			<u>Administrative Expense</u>	<u>State Contributions Over/Under Expenses</u>
	<u>Rate</u>	<u>Amount</u>	<u>Benefit Expense</u>		
1978	7.30%	\$67.5	\$71.0	\$1.3	(\$4.8)
1979	7.76%	83.0	76.0	1.5	5.5
1980	8.00%	91.4	81.3	1.8	8.3
1981	7.50%	94.5	89.1	2.0	3.4
1982	4.50%	60.3	100.5	2.3	(42.5)

During fiscal year 1982, the State Treasurer credited the SERS fund with \$1.2 million in interest earned on the average fund balance. All funds not needed for current operations are transferred to the Illinois State Board of Investment. Income allocated by that Board to the System of \$100.5 million indicates a return of 8.5% on average cost, 8.9% on adjusted average cost (allowing for undistributed net realized losses), and 10.4% on average market. Total return for the year (combined effect of income earned and market appreciation / depreciation) was 4.8% compared to (0.1%) for FY-81.

Comparison of the changes in the Retirement System's investments held in the Commingled Fund for the years ended June 30, 1982 and 1981 are summarized below:

# annual report 1982

## summary of operations

	<u>1982</u>	<u>1981</u>	<u>INCREASE/(DECREASE)</u>	
			<u>Amount</u>	<u>Percent</u>
Balance at beginning of year, at cost	\$1,119,702,537	\$ 966,813,414	\$152,889,123	15.8%
Cash remitted for investment	16,500,000	60,000,000	(43,500,000)	(72.5%)
Investment income:				
Commingled Fund income	100,907,185	93,313,364	7,593,821	8.1%
Less Expenses	<u>(437,275)</u>	<u>(424,241)</u>	<u>13,034</u>	3.1%
Net investment income	<u>\$ 100,469,910</u>	<u>\$ 92,889,123</u>	<u>\$ 7,580,787</u>	8.2%
Balance at end of year, at cost	\$1,236,672,447	\$1,119,702,537	\$116,969,910	10.4%
Allowance for undistributed net realized loss on sale of investments	<u>48,013,214</u>	<u>50,493,338</u>	<u>(2,480,124)</u>	(4.9%)
Balance at end of year, at adjusted cost	<u>\$1,188,659,233</u>	<u>\$1,069,209,199</u>	<u>\$119,450,034</u>	11.2%
Market value	<u>\$ 997,629,105</u>	<u>\$ 939,315,501</u>	<u>\$ 58,313,604</u>	6.2%

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

<u>Distribution of Revenues - FY 82</u>	<u>Contributions by Members</u>	<u>Investment Income</u>	<u>Contributions by Employer</u>	<u>Totals</u>
		(Millions)		
Reserve - Future Operations	\$ 0.3	\$ 62.9		\$ 63.2
Reserve - Member Contributions	52.6			52.6
Benefit Payments	2.5	38.8	\$ 59.2	100.5
Refunds	13.9			13.9
Administrative Exp.			2.3	2.3
	<u>        </u>	<u>        </u>	<u>        </u>	<u>        </u>
Totals	<u>\$69.3</u>	<u>\$101.7</u>	<u>\$ 61.5</u>	<u>\$232.5</u>

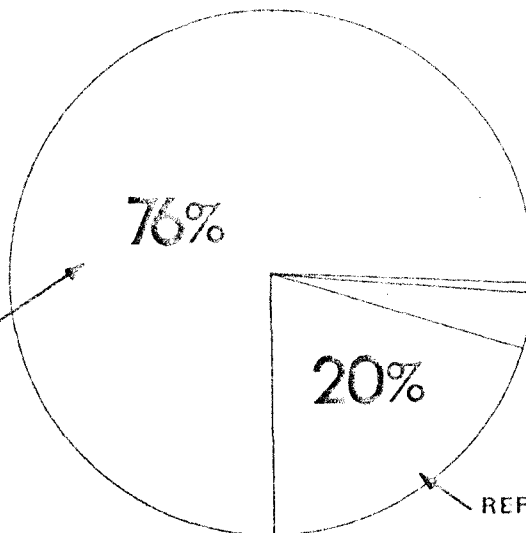
# annual report 1982

summary of operations

## DISTRIBUTION OF REVENUES - FY 1982

MEMBER CONTRIBUTIONS  
\$69.2 MILLION

RESERVE FOR  
MEMBER CONTRIBUTIONS  
\$52.6 MILLION



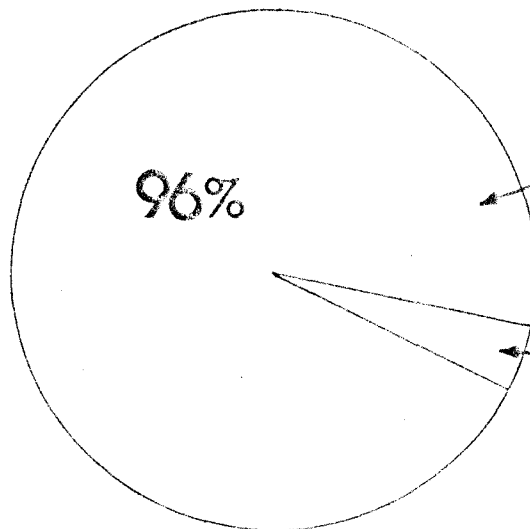
RESERVE FOR FUTURE  
OPERATIONS  
\$0.3 MILLION

.4%

3.6% DEATH BENEFIT  
PAYMENTS  
\$2.5 MILLION

REFUNDS TO MEMBERS  
\$13.9 MILLION

CONTRIBUTIONS BY  
STATE OF ILLINOIS  
\$81.5 MILLION

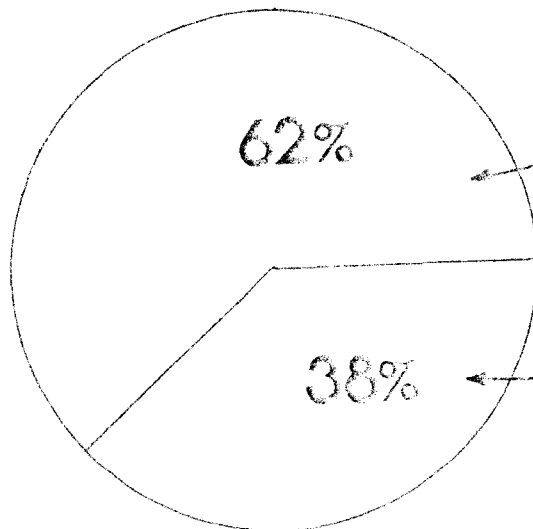


BENEFIT PAYMENTS  
\$59.2 MILLION

96%

4%  
ADMINISTRATIVE EXPENSE  
\$2.3 MILLION

INVESTMENT INCOME  
\$101.7 MILLION



RESERVE FOR FUTURE  
OPERATIONS  
\$62.9 MILLION

62%

BENEFIT PAYMENTS  
\$38.8 MILLION

38%

# annual report 1982

## summary of operations

### EXPENSES:

In fiscal year 1982, benefit payments amounted to \$100.5 million, administrative expenses \$2.3 million, and contribution refunds were \$13.9 million for an expenditure total of \$116.7 million. This was \$13.2 million or 12.8% higher than the total for FY-81.

	FY-82 (Millions)	FY-81 (Millions)	Increase (Decrease) Amount	Percentage
Retirement Benefits	\$ 68.6	\$ 60.7	\$ 7.9	13.0%
Survivors Benefits	14.2	12.9	1.3	10.1%
Disability Benefits	13.2	11.6	1.6	13.8%
Lump Sum Death Benefits	4.5	3.9	.6	15.4%
Contribution Refunds	13.9	12.4	1.5	12.1%
Administrative Expenses	<u>2.3</u>	<u>2.0</u>	<u>.3</u>	15.0%
 Total Expenses	 \$116.7	 \$103.5	 \$13.2	 12.8%
Net Undistributed Realized Loss (Gain) on Investments	<u>(2.5)</u>	<u>5.0</u>	<u>(7.5)</u>	-----
 Grand Total	 <u>\$114.2</u>	 <u>\$108.5</u>	 <u>\$ 5.7</u>	 5.3%

The net undistributed realized gain on investments reduced total expenses for FY-82 to \$114.2 million compared to \$108.5 million in FY-81.

Annuities for FY-82 show a 12.7% increase over FY-81 levels with Retirement and Disability benefits having the greatest increase as they are directly affected by wages earned. Average earnings for FY-82 were 9.6% above the FY-81 average.

### NUMBER OF RECURRING BENEFIT PAYMENTS

	June 30, 1981	New Claims Processed During FY-82	Benefits Ceased During FY-82	June 30, 1982
Retirement	17,307	1,623	683	18,247
Survivors	6,485	542	164	6,863
Disability	<u>1,871</u>	<u>2,543</u>	<u>2,526</u>	<u>1,888</u>
Totals	<u>25,663</u>	<u>4,708</u>	<u>3,373</u>	<u>26,998</u>

Annuity beneficiaries increased by 1,335 or 5.2% from June 30, 1981 to June 30, 1982. In addition, the salary rates of members who filed new claims were generally higher than those whose benefits ceased.

Lump sum death benefits are primarily the contributions and interest credited to the member's account and, therefore, these benefits will vary from year to year.

# annual report 1982

## summary of operations

Refunds expense was \$13.9 million in 1982 as compared to \$12.4 million in 1981, an increase of \$1.5 million. This was due to the number of members receiving refunds increasing from 12,675 in 1981 to 13,538 in 1982, an increase of approximately 7%, and the average refund payment increasing from \$973 in 1981 to \$1,029 in 1982, and increase of 6%.

The increase in administrative expenses for FY-82 was due primarily to a 14% increase in personal services, a 19% increase in contractual services, and a 240% increase in printing. The contractual services increase consisted of consultation fees in connection with the expanded annual statements for members; benefit investigations, and hospital and medical services in connection with disability examinations. Unusual printing costs incurred were for the expanded annual statements for members and a complete reprint of the handbook for members.

### RESERVES:

As of June 30, 1982, the total funds available for payment of current and future benefits were \$1,200.1 million as shown in the following schedule:

<u>Assets</u>	<u>FY-82</u> <u>(Millions)</u>	<u>FY-81</u> <u>(Millions)</u>	<u>Increase</u> <u>(Decrease)</u>
Cash	\$ 7.5	\$ 6.2	\$ 1.3
Receivables (less payables)	3.9	6.4	(2.5)
Investments	<u>1,188.7</u>	<u>1,069.2</u>	<u>119.5</u>
Net Assets	<u>\$1,200.1</u>	<u>\$1,081.8</u>	<u>\$ 118.3</u>

Total revenues for FY-82 of \$232.5 million less expenditures of \$114.2 million resulted in a net increase to reserves of \$118.3 million.

<u>Reserves</u>	<u>FY-82</u> <u>(Millions)</u>	<u>FY-81</u> <u>(Millions)</u>	<u>Net Increase</u>
Member Contributions	\$ 448.9	\$ 413.8	\$ 35.1
Future Operations	<u>751.2</u>	<u>668.0</u>	<u>83.2</u>
Total Reserves	<u>\$1,200.1</u>	<u>\$1,081.8</u>	<u>\$118.3</u>

Member contributions transferred to the Reserve for Future Operations due to retirement or death of active members during the year amounted to \$17.4 million.

### SOCIAL SECURITY:

On September 15, 1953, the State of Illinois and the Federal Government signed an agreement making Social Security Coverage available to public employees in Illinois. The System, as State Administrator, collects and transmits Social Security contributions to the U.S. Department of Health and Human Services for

# annual report 1982

## summary of operations

approximately 1500 towns, villages, and other political entities. Members of two retirement systems in the State, the Illinois Municipal Retirement Fund (IMRF) and the State Employees' Retirement System (SERS) are also covered by Social Security. During fiscal year 1982, contributions collected and transmitted for the political entities amounted to \$27.2 million for approximately 25,000 employees, and for the SERS, \$134.5 million for 62,900 members. Since monthly deposits of FICA contributions are now required, the IMRF is transmitting directly to the Federal Government. Auditing of FICA contributions of political entities reporting through IMRF is performed by this office.

The Social Security Division has a staff of five full-time employees. Data processing and accounting services are performed by other divisions of the System on a contractual basis. Expenses are appropriated by the General Assembly and subsequently recovered from the reporting entities on a pro-rata basis for deposit in the General Revenue Fund.

The contribution rate for 1982 was 6.7% on maximum wages of \$32,400. Collections and transmittals are administered through a State trust fund in the custody of the Treasurer of the State of Illinois.

### LEGISLATIVE AMENDMENTS:

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

Senate Bill 244 - Affects security employees of the Department of Corrections. The bill provides for an increase in the rates for benefit formulas and contributions. A minimum of 20 years of membership service is required in order to qualify for the increased formula. The increased formula is applicable only to the period of service earned as a security employee. Effective January 1, 1982.

Senate Bill 587 - Affects Conservation police officers by changing their contribution rate and benefit formula to include them under the alternative retirement annuity applicable to State police officers. Effective January 1, 1982.

Senate Bill 930 - Provides for a change from a maximum age of 65 to a maximum age of 70 for disability benefits. If benefits commence prior to attainment of age 60, the maximum benefit period is age 65. However, if benefits commence on or after attainment of age 60, the maximum benefit period is the fifth anniversary of the effective date of the benefit, but in no event beyond attainment of age 70. The change is effective retroactively to January 1, 1979.

Effective September 24, 1981.

Senate Bill 1058 - Changes the date from 1960 to 1950 for granting partial months of service credits; increases the dollar maximum for survivor benefits to \$400 for spouse or dependent parents, \$600 if there are dependent children; allows a spouse who is the sole survivor and sole beneficiary to select the nonoccupational death benefit in lieu of the survivor annuity.

Effective January 1, 1982.

# annual report 1982

## summary of operations

House Bill 291 - Removes the one year limitation for submitting application for a retirement annuity. The date the application is submitted will not be considered in determining the commencement date for the retirement annuity. Effective January 1, 1982.

House Bill 682 - Provides for an increase in retirement annuities on January 1, 1982, of \$1.00 per month for each year of creditable service for annuitants who began receiving a retirement annuity before January 1, 1977. Widow's and survivors annuities which commenced after January 1, 1971, but before January 1, 1981, will be increased by 1% for each full year since the annuity began. Effective September 16, 1981.

House Bill 1812 - Provides for a cost of living adjustment of 3% annually of the original monthly retirement allowance for retirees who terminated employment prior to January 1, 1970 with eight but less than fifteen years of creditable service; allows the beneficiary of a deceased member to receive survivor annuity benefits pending adjudication of a Worker's Compensation claim by the Industrial Commission. Effective January 1, 1982.

House Bill 1813 - Removes the provision that survivor annuity beneficiary children must be dependent on the member or annuitant. Effective January 1, 1982.

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

Senate Bill 1126 - Removes eligibility for membership for enrollees and temporary staff of programs administered by the Department of Conservation under the Youth Conservation Corps Act of 1970, and for emergency and temporary employees, as defined in Sections 8b8 and 8b9 of the "Personnel Code". Effective July 1, 1982.

Senate Bill 1579 - Provides for the elimination of the legal list of authorized investments and specifies that the Illinois State Board of Investment shall follow the prudent person rule in investing assets of the Retirement System. Fiduciary standards applicable to fund trustees and other administrative personnel were also expanded. Effective August 25, 1982.

House Bill 2502 - Provides for the inclusion of Department of Revenue fraud investigators under the alternative retirement formula. Effective October 1, 1982.

### ADMINISTRATION AND REPORTING

Administrative operations of the System are under the direction of the Executive Secretary assisted by a staff of 66 full-time employees, excluding Social Security Division personnel.

# annual report 1982

summary of operations

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

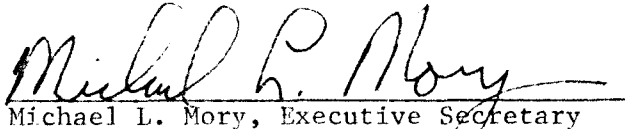
Annual statements of members' contributions, service and estimated benefits were mailed in November 1982, along with a newsletter containing legislative changes and other information of interest to the membership.

The Board of Trustees appointed The Wyatt Company to perform all necessary actuarial services for the System for the 1982 fiscal year. The annual audit for the 1982 fiscal year was performed under the direction of the Auditor General by the firm of Peat, Marwick, Mitchell and Co.

## ACKNOWLEDGEMENT

This report has been prepared through the efforts and cooperation of the administrative staff and the System's professional consultants. Their assistance is hereby acknowledged with grateful appreciation.

Respectfully submitted,

  
Michael L. Mory, Executive Secretary

  
Robert E. Doolen, Fiscal Officer

# annual report 1982

## financial statements

Certified Public Accountants



Peat, Marwick, Mitchell & Co.

Peat Marwick Plaza  
303 East Wacker Drive  
Chicago, Illinois 60601  
(312) 938-1000

Honorable Robert G. Cronson  
Auditor General  
State of Illinois

Board of Trustees  
State Employees' Retirement  
System of Illinois:

We have examined the balance sheets of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois as of June 30, 1982 and 1981 and the related statements of revenue and expenses, changes in reserve balances, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the standards for financial audits contained in the U.S. General Accounting Office's Standards for Audit of Governmental Organizations, Programs, Activities and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the aforementioned financial statements present fairly the financial position of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois at June 30, 1982 and 1981 and the results of its transactions, changes in reserve balances, and changes in its financial position for the years then ended, in conformity with generally accepted accounting principles applied on a consistent basis.

The supplementary data included in the schedule of administrative expenses are presented for supplementary analysis purposes and are not necessary for a fair presentation of the financial statements of the State Employees' Retirement System Trust Fund of the State Employees' Retirement System of Illinois. The supplementary data have been subjected to the auditing procedures applied in the examination of the basic financial statements and, in our opinion, are stated fairly in all material respects when considered in conjunction with the financial statements taken as a whole.

*Peat Marwick Mitchell & Co.*

October 28, 1982

# annual report 1982

## financial statements

### STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

#### State Employees' Retirement System Trust Fund

#### Balance Sheets

June 30, 1982 and 1981

	<u>Assets</u>	<u>1982</u>	<u>1981</u>
Cash		\$ 7,494,162	6,201,164
Receivables:			
Contributions receivable:			
Participants		3,011,809	3,028,314
Employing State agencies		2,943,989	4,835,993
Other accounts receivable		<u>435,071</u>	<u>445,818</u>
		6,390,869	8,310,125
Investments:			
Held in the Illinois State Board of Investment			
Commingled Fund:			
At cost		1,236,672,447	1,119,702,537
Allowance for undistributed net realized			
loss on sale of investments		<u>(48,013,214)</u>	<u>(50,493,338)</u>
At adjusted cost (market value: 1982,			
\$997,629,105; 1981, \$939,315,501)		<u>1,188,659,233</u>	<u>1,069,209,199</u>
		\$ <u>1,202,544,264</u>	<u>1,083,720,488</u>
	<u>Liabilities and Reserves</u>		
Benefits payable		1,217,614	975,346
Refunds payable		940,095	743,061
Administrative expenses payable		154,547	138,075
Participants' deferred service credit accounts		<u>90,213</u>	<u>58,954</u>
		2,402,469	1,915,436
Reserves:			
Actuarially determined accrued benefit cost			
(note 3)		2,507,806,579	2,193,130,369
Less unfunded accrued benefit cost - repre-			
senting an obligation of the State of			
Illinois		<u>1,307,664,784</u>	<u>1,111,325,317</u>
Funded reserves		<u>1,200,141,795</u>	<u>1,081,805,052</u>
		\$ <u>1,202,544,264</u>	<u>1,083,720,488</u>

See accompanying notes to financial statements.

# annual report 1982

## financial statements

### STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

#### State Employees' Retirement System Trust Fund

#### Statements of Revenue and Expenses

Years ended June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u>
<b>Revenue:</b>		
<b>Contributions:</b>		
Participants	\$ 68,912,099	64,227,096
Employing State agencies	60,348,375	94,542,451
State Pension Fund	<u>1,152,000</u>	<u>2,376,000</u>
	130,412,474	161,145,547
Net investment income	100,469,910	92,889,123
Repayment of contributions refunded	136,280	134,646
Interest earned on cash balances	1,227,592	1,068,206
Interest received from participants	<u>252,570</u>	<u>211,342</u>
	<u>232,498,826</u>	<u>255,448,864</u>
<b>Expenses:</b>		
<b>Benefits:</b>		
Retirement annuities	68,602,104	60,675,795
Survivors' annuities	14,236,031	12,939,271
Disability benefits	13,163,602	11,598,809
Lump-sum death benefits	<u>4,451,938</u>	<u>3,933,424</u>
	100,453,675	89,147,299
Refunds	13,935,176	12,334,019
Administrative expenses	2,245,727	1,973,475
Transfers to reciprocating retirement systems	7,629	18,117
Provision for undistributed net realized loss (gain) on sale of investments	<u>(2,480,124)</u>	<u>5,034,562</u>
	<u>114,162,083</u>	<u>108,507,472</u>
Excess of revenue over expenses	\$ <u><u>118,336,743</u></u>	<u><u>146,941,392</u></u>

See accompanying notes to financial statements.

# annual report 1982

## financial statements

### STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

#### State Employees' Retirement System Trust Fund

#### Statements of Changes in Reserve Balances

Years ended June 30, 1982 and 1981

	<u>Reserve for participants' contributions</u>	<u>Reserve for future operations</u> Interest accumulations	<u>Other future benefits</u>	<u>Total funded reserves</u>
Balance at June 30, 1980	\$ 378,467,810	77,722,510	478,673,340	934,863,660
Add (deduct):				
Excess of revenue over expenses	49,660,329	-	97,281,063	146,941,392
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(14,355,574)	-	14,355,574	-
Interest credited to members' accounts	<u>-</u>	<u>15,531,619</u>	<u>(15,531,619)</u>	<u>-</u>
Balance at June 30, 1981	413,772,565	93,254,129	574,778,358	1,081,805,052
Add (deduct):				
Excess of revenue over expenses	52,573,102	-	65,763,641	118,336,743
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(17,437,403)	-	17,437,403	-
Interest credited to members' accounts	<u>-</u>	<u>22,973,980</u>	<u>(22,973,980)</u>	<u>-</u>
Balance at June 30, 1982	\$ <u>448,908,264</u>	<u>116,228,109</u>	<u>635,005,422</u>	<u>1,200,141,795</u>

See accompanying notes to financial statements.

# annual report 1982

## financial statements

### STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

#### State Employees' Retirement System Trust Fund

#### Statements of Changes in Financial Position

Years ended June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u>
<b>Sources of working capital:</b>		
Working capital provided by operations	\$ 118,336,743	146,941,392
Add (deduct) item not requiring (providing) working capital - provision for undistributed loss (gain) on sale of investments	<u>(2,480,124)</u>	<u>5,034,562</u>
<b>Total sources of working capital</b>	<u>115,856,619</u>	<u>151,975,954</u>
<b>Uses of working capital - investment purchases:</b>		
Amounts transmitted by SERS	16,500,000	60,000,000
Reinvested earnings	<u>100,469,910</u>	<u>92,889,123</u>
<b>Total uses of working capital</b>	<u>116,969,910</u>	<u>152,889,123</u>
<b>Net decrease in working capital</b>	<u>\$ (1,113,291)</u>	<u>(913,169)</u>
<b>Elements of net decrease in working capital:</b>		
Cash	1,292,998	3,299,072
Receivables	(1,919,256)	(4,157,633)
Benefits payable	(242,268)	122,746
Refunds payable	(197,034)	(100,418)
Administrative expenses payable	(16,472)	(29,907)
Participants' deferred service credit accounts	<u>(31,259)</u>	<u>(47,029)</u>
<b>Net decrease in working capital</b>	<u>\$ (1,113,291)</u>	<u>(913,169)</u>

See accompanying notes to financial statements.

# annual report 1982

## financial statements

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Notes to Financial Statements

June 30, 1982 and 1981

(1) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Investments

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

(c) Office Equipment

Expenditures for equipment are charged to administrative expenses. The equipment acquisitions are also recorded in property control records at cost for accountability purposes.

(d) Actuarial Valuation

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

(2) Benefits

The System is governed by Article 14 of the Illinois Pension Code and benefits under the System are defined in the Code. All persons entering State service, except those in positions subject to membership in other State sponsored retirement systems, persons employed after June 30, 1979 as public service employment program participants under the Federal CETA program, and enrollees in the Illinois Young Adult Conservation Corps, become members of the System upon their first day of compensated employment. Administrative Code officers appointed by the Governor may elect to become members of the System.

# annual report 1982

## financial statements

### STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

#### State Employees' Retirement System Trust Fund

#### Notes to Financial Statements

Participating members contribute specified percentages of their salaries for retirement annuities, survivors' annuities, and automatic annual increases in retirement annuities. The total contribution rates are 4% if coordinated with social security and 8% if not coordinated, except that the rate is 5-1/2% or 9-1/2% for members in certain employment categories who are eligible for benefits under alternative formulas. Participants' contributions are fully refundable, without interest, upon withdrawal from State employment. The State of Illinois is obligated by statute to contribute, through department appropriations, the funds not otherwise provided which are necessary to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements. The employer contribution rate was 4-1/2% for the current fiscal year. During fiscal year 1981, the contribution rate was 7-1/2%.

#### (3) Accrued Benefit Cost

The calculations of accrued benefit cost (actuarial liability) were made by the consulting actuaries on the basis of the "entry age normal" cost method. The more significant assumptions underlying the actuarial computations are as follows:

Rate of return on investments	7-1/2%
Average age at retirement	65 years, except age 60 was used for those employees eligible for the "alternative retirement annuity"
Rate of turnover without vested benefits	A high scale at younger age levels, becoming progressively lower as age advances - consistent with the System's experience
Mortality basis	1971 Group Annuity Mortality Table projected to 1986
Salary increases	7-1/2% annual increase

# annual report 1982

financial statements

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

State Employees' Retirement System Trust Fund

Schedule of Administrative Expenses

Years ended June 30, 1982 and 1981

	<u>1982</u>	<u>1981</u>
Personal Services	\$1,032,229	\$ 903,223
Retirement Contributions	46,457	67,762
Social Security Contributions	56,027	46,577
Group Insurance	40,002	34,491
Contractual Services	527,635	444,266
Travel	25,713	18,983
Printing	50,475	14,803
Commodities	13,310	13,761
Equipment	15,291	22,769
Telecommunications	20,961	23,086
Electronic Data Processing	412,090	378,200
Automotive	<u>5,537</u>	<u>5,554</u>
Total	<u>\$2,245,727</u>	<u>\$1,973,475</u>

# annual report 1982

actuary's report

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

## THE *Wyatt* COMPANY

ACTUARIES AND CONSULTANTS

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

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

312) 876-2000

ORLANDO  
PHILADELPHIA  
PHOENIX  
PORTLAND  
SAN DIEGO  
SAN FRANCISCO  
SEATTLE  
STAMFORD  
WASHINGTON  
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CALGARY  
HALIFAX  
MONTREAL  
OTTAWA  
TORONTO  
VANCOUVER

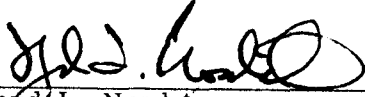
### ACTUARIAL CERTIFICATION

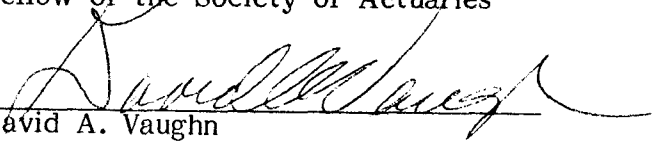
We have completed an actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1982.

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

In our opinion, the following schedule of valuation results fairly presents the financial condition of the State Employees' Retirement System of Illinois as of June 30, 1982 and the schedule of contribution rates complies with the applicable law in force as of the valuation date.

THE WYATT COMPANY

By   
Lloyd L. Nordstrom  
Fellow of the Society of Actuaries

By   
David A. Vaughn  
Senior Consultant

By   
Robert L. Barnes  
Fellow of the Society of Actuaries

Chicago, Illinois  
December 1, 1982

# annual report 1982

actuary's report

## VALUATION RESULTS

### Actuarial Liability (Reserves)

#### a) For Members Receiving Annuities:

i) Retirement Annuities	\$ 720,367,821
ii) Survivor Annuities	119,742,231
iii) Disability	71,573,655
iv) Total	<u>\$ 911,683,707</u>

b) For Inactive Members and Deferred \$ 60,795,426

c) For Active Members \$1,535,327,446

d) Total \$2,507,806,579

Assets (Book Value) \$1,200,141,794

Unfunded Actuarial Liability \$1,307,664,785

## CONTRIBUTION RATES

	<u>% of Payroll 1/</u>	<u>Annual Contributions 1/</u>
1. Normal Cost Only	6.279%	\$ 92,301,300
2. Normal Cost Plus 7-1/2% Interest on the Unfunded Actuarial Liability	12.951%	\$190,379,700
3. Normal Cost Plus an Amount to Amortize the Unfunded Actuarial Liability Over a 40-year Period from July 1, 1980	13.407%	\$197,082,900
4. Cash Payouts for Annuities, Benefits and Administrative Expenses	8.565%	\$125,900,000

1/ Based on assumed payroll of \$1,470,000,000 for Fiscal Year July 1, 1983 - June 30, 1984.

# annual report 1982

actuary's report

## SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

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

**Interest:** 7-1/2% per annum, compounded annually.

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

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

**Salary Increases:** 7-1/2% per annum, compounded annually.

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

**Assets:** Assets available for benefits are used at book value.

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

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

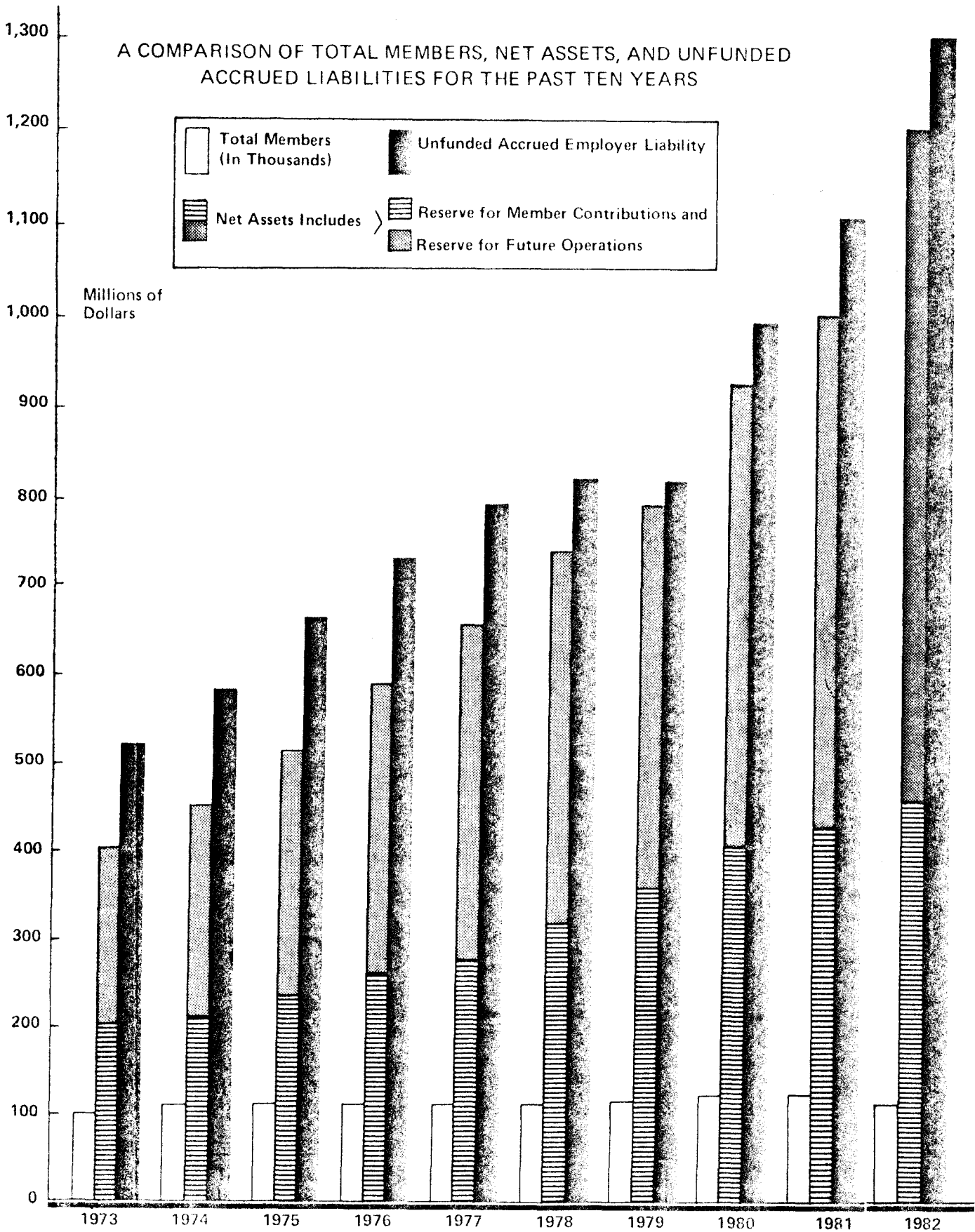
**Spouse's Age:** The spouses of eligible employees were assumed to be 3 years younger than the employees.

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

# annual report 1982

statistical tables

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



# annual report 1982

## statistical tables

### BALANCE SHEET ASSETS

<u>FY Ended June 30</u>	<u>Cash</u>	<u>Receivables</u>	<u>Investments At Cost</u>	<u>Investment Adjustment*</u>	<u>Total</u>
1973	1,124,150	3,855,884	392,386,370		397,366,404
1974	1,358,242	5,550,862	441,204,262		448,113,366
1975	39,974	7,856,200	505,050,292		512,946,466
1976	3,764,437	5,510,363	573,602,103		582,876,903
1977	3,415,765	6,935,185	641,637,642		651,988,592
1978	3,050,460	7,881,156	721,232,408		732,164,024
1979	2,344,567	10,233,683	832,097,108	*(42,998,251)	801,677,107
1980	2,902,092	12,467,758	966,813,414	*(45,458,776)	936,724,488
1981	6,201,164	8,310,125	1,119,702,537	*(50,493,338)	1,083,720,488
1982	7,494,162	6,390,869	1,236,672,447	*(48,013,214)	1,202,544,264

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

### BALANCE SHEET LIABILITIES

<u>FY Ended June 30</u>	<u>Accounts Payable</u>	<u>Reserve For Member Contributions</u>	<u>Reserve For Future Operations</u>	<u>Total</u>
1973	1,100,726	193,150,279	203,115,399	397,366,404
1974	1,197,269	208,356,891	238,559,206	448,113,366
1975	1,082,217	229,511,987	282,352,262	512,946,466
1976	1,345,624	251,772,923	329,758,356	582,876,903
1977	1,706,369	272,657,843	377,624,380	651,988,592
1978	2,147,812	316,877,147	413,139,065	732,164,024
1979	1,873,826	347,173,321	452,629,960	801,677,107
1980	1,860,828	378,467,810	556,395,850	936,724,488
1981	1,915,436	413,772,565	668,032,487	1,083,720,488
1982	2,402,469	448,908,264	751,233,531	1,202,544,264

# annual report 1982

## statistical tables

### ANALYSIS OF FUNDING

<u>FY Ended June 30</u>	<u>Net Real Assets</u>	<u>Unfunded Accrued Liability</u>	<u>Reserve Requirement</u>	<u>Rate of Funding</u>
1973	396,265,678	516,633,117	912,898,795	43.4%
1974	446,916,097	572,116,385	1,019,032,482	43.8%
1975	511,864,249	661,912,869	1,173,777,118	43.6%
1976	581,531,279	722,923,983	1,304,455,262	44.6%
1977	650,282,223	779,084,482	1,429,366,705	45.5%
1978	730,016,212	812,139,837	1,542,156,049	47.3%
1979	799,803,281	829,962,465	1,629,765,746	49.1%
1980	934,863,660	999,190,028	1,934,053,688	48.3%
1981	1,081,805,052	1,111,325,317	2,193,130,369	49.3%
1982	1,200,141,795	1,307,664,784	2,507,806,579	47.9%

### REVENUES BY SOURCE

<u>FY Ended June 30</u>	<u>Member Contributions</u>	<u>State Contributions</u>	<u>Investment Income</u>	<u>Total</u>
1973	38,096,473	39,068,840	19,174,915	96,340,228
1974	40,306,572	41,549,357	23,817,892	105,673,821
1975	45,277,307	51,926,434	28,346,030	125,549,771
1976	47,533,641	58,071,332	32,051,811	137,656,784
1977	48,223,281	59,797,781	38,073,046	146,094,108
1978	51,025,294	69,384,874	44,025,044	164,435,212
1979	56,328,543	84,762,923	61,496,348	202,587,814
1980	59,448,493	94,056,122	79,438,744	232,943,359
1981	64,573,084	96,918,451	93,957,329	255,448,864
1982	69,300,949	61,500,375	101,697,502	232,498,826

# annual report 1982

## statistical tables

### EXPENSES BY TYPE

<u>FY Ended June 30</u>	<u>Benefits</u>	<u>Contribution Refunds</u>	<u>Administrative Expenses</u>	<u>Other Expenses*</u>	<u>Total</u>
1973	36,015,006	6,020,424	743,522		42,778,952
1974	44,164,205	9,980,751	878,446		55,023,402
1975	50,970,827	8,605,238	1,025,554		60,601,619
1976	57,441,849	9,297,688	1,250,217		67,989,754
1977	64,795,216	11,416,369	1,131,579		77,343,164
1978	70,985,910	12,438,437	1,276,876		84,701,223
1979	76,000,765	12,344,851	1,456,878		89,802,494
1980	81,342,048	12,328,329	1,752,078	2,460,525	97,882,980
1981	89,147,299	12,352,136	1,973,475	5,034,562	108,507,472
1982	100,453,675	13,942,805	2,245,727	(2,480,124)	114,162,083

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

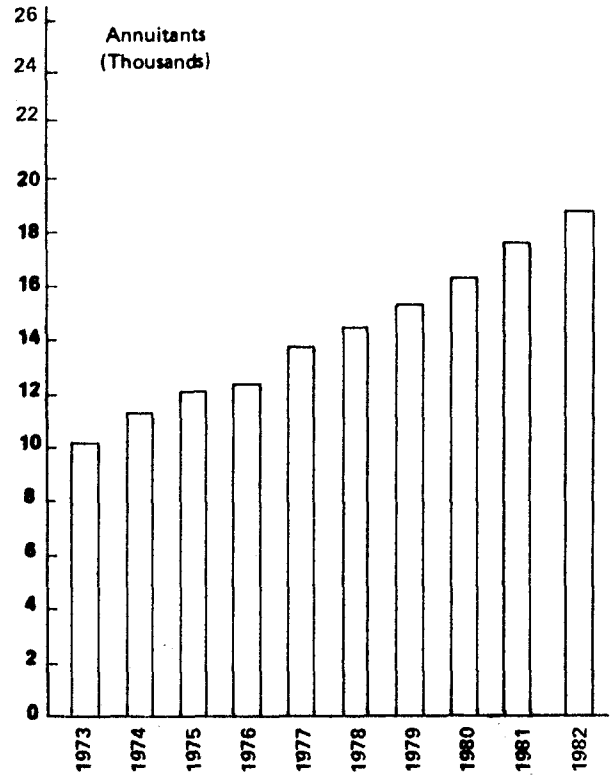
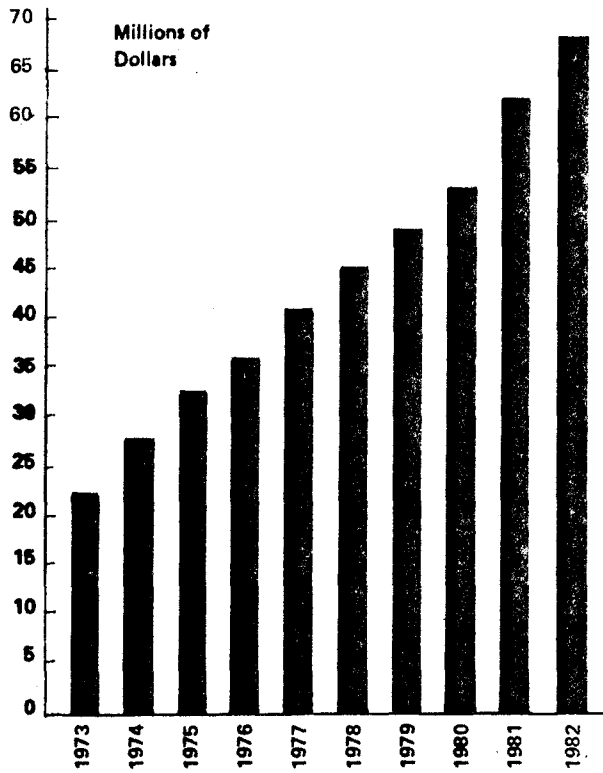
### BENEFIT EXPENSES BY TYPE

<u>FY Ended June 30</u>	<u>Retirement Annuities</u>	<u>Survivors Annuities</u>	<u>Disability Benefits</u>	<u>Lump Sum Death Benefits</u>	<u>Total</u>
1973	22,300,169	6,127,247	5,418,505	2,169,085	36,015,006
1974	28,076,974	6,934,764	7,071,054	2,081,413	44,164,205
1975	32,650,218	7,784,809	8,124,471	2,411,329	50,970,827
1976	37,171,787	8,600,668	9,384,124	2,285,270	57,441,849
1977	41,548,561	9,512,724	11,026,764	2,707,167	64,795,216
1978	46,017,123	10,428,913	11,558,867	2,981,007	70,985,910
1979	50,360,362	11,249,401	11,481,378	2,909,624	76,000,765
1980	55,063,529	11,902,744	11,327,382	3,048,393	81,342,048
1981	60,675,795	12,939,271	11,598,809	3,933,424	89,147,299
1982	68,602,104	14,236,031	13,163,602	4,451,938	100,453,675

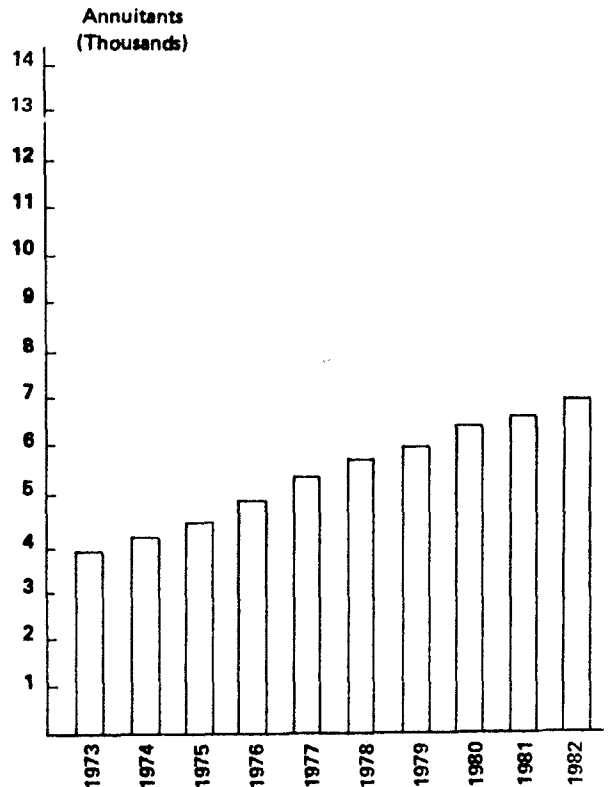
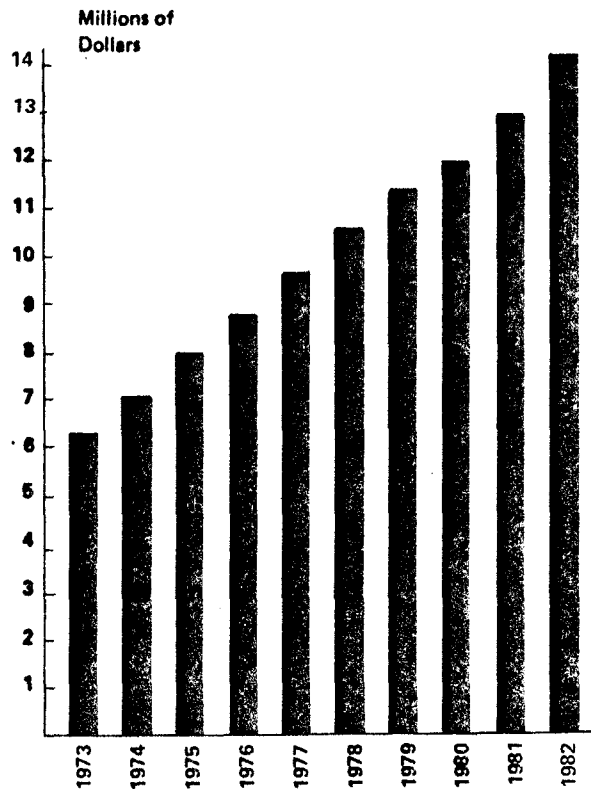
# annual report 1982

## statistical tables

### AGE RETIREMENT ANNUITIES



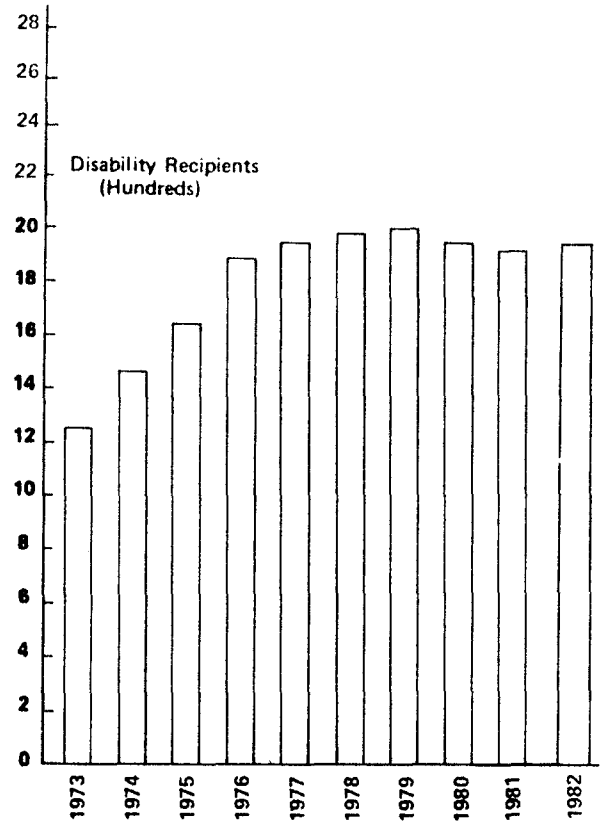
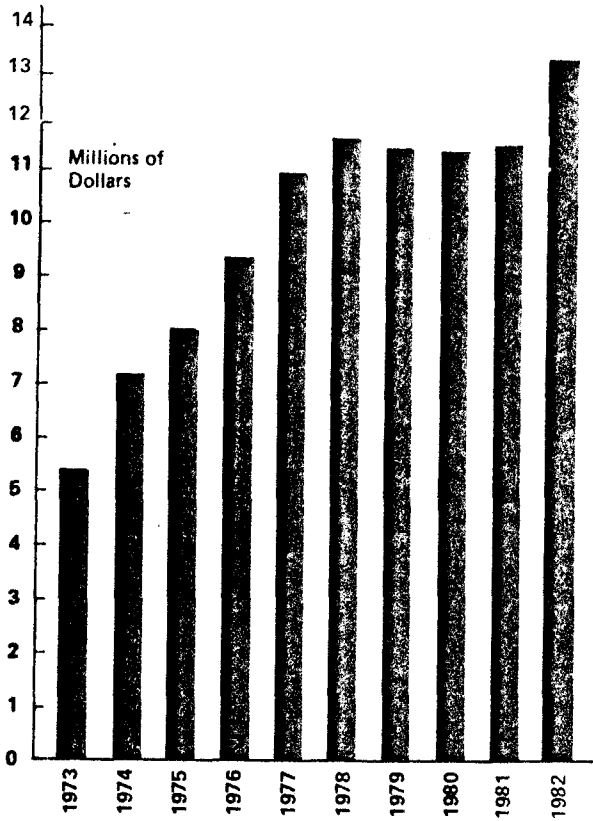
### SURVIVOR ANNUITIES



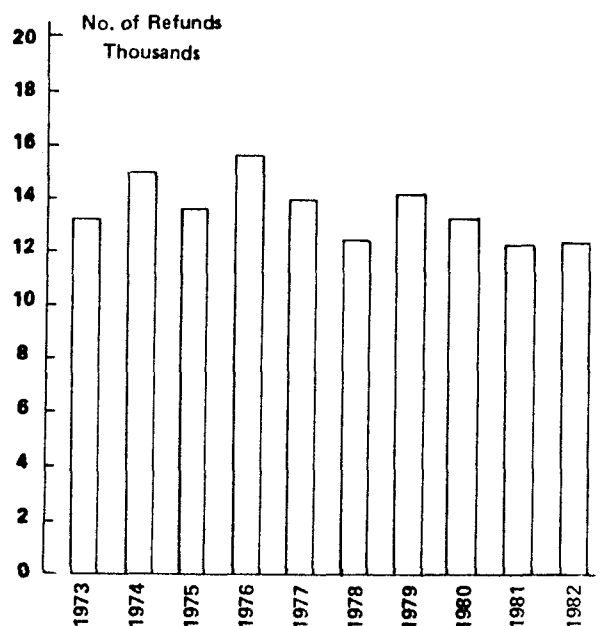
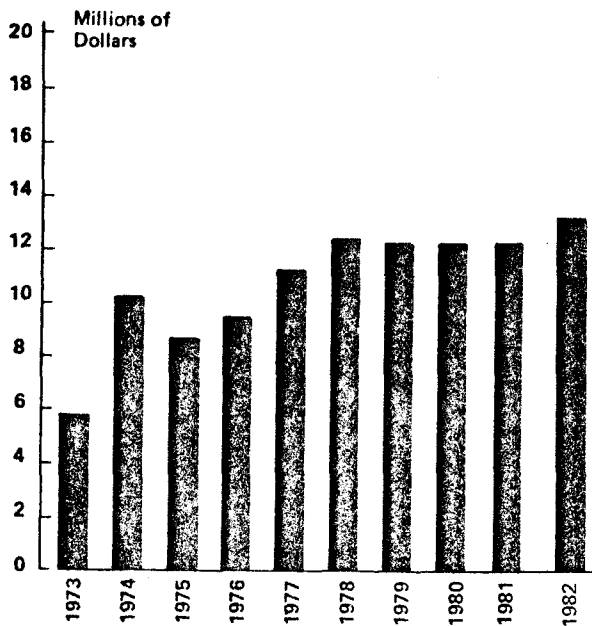
# annual report 1982

## statistical tables

### DISABILITY BENEFITS



### CONTRIBUTION REFUNDS



# annual report 1982

## statistical tables

### TOTAL MEMBERSHIP - COORDINATED/NONCOORDINATED

FY Ended June 30	<u>Coordinated Members</u>		<u>Noncoordinated Members</u>		<u>Total Male Members</u>	<u>Total Female Members</u>	<u>Total Members</u>		
	<u>Male</u>	<u>Female</u>	<u>Total</u>	<u>Female</u>				<u>Total</u>	
1973	38,465	31,596	70,061	15,093	13,967	29,060	53,558	45,563	99,121
1974	39,334	34,409	73,743	14,812	13,295	28,107	54,146	47,704	101,850
1975	43,101	37,906	80,916	11,556	12,358	23,914	54,566	50,264	104,830
1976	42,925	39,047	81,972	11,260	11,439	22,699	54,185	50,486	104,671
1977	43,032	40,158	83,190	10,829	10,675	21,504	53,861	50,833	104,694
1978	44,516	42,297	86,813	10,342	9,863	20,205	54,858	52,160	107,018
1979	45,310	43,705	89,015	9,824	9,109	18,933	55,134	52,814	107,948
1980	46,029	46,626	92,655	9,339	8,446	17,785	55,368	55,072	110,440
1981	45,713	46,153	91,866	8,876	7,775	16,651	54,589	53,928	108,517
1982	43,764	44,376	88,140	8,315	7,096	15,411	52,079	51,472	103,551

# annual report 1982

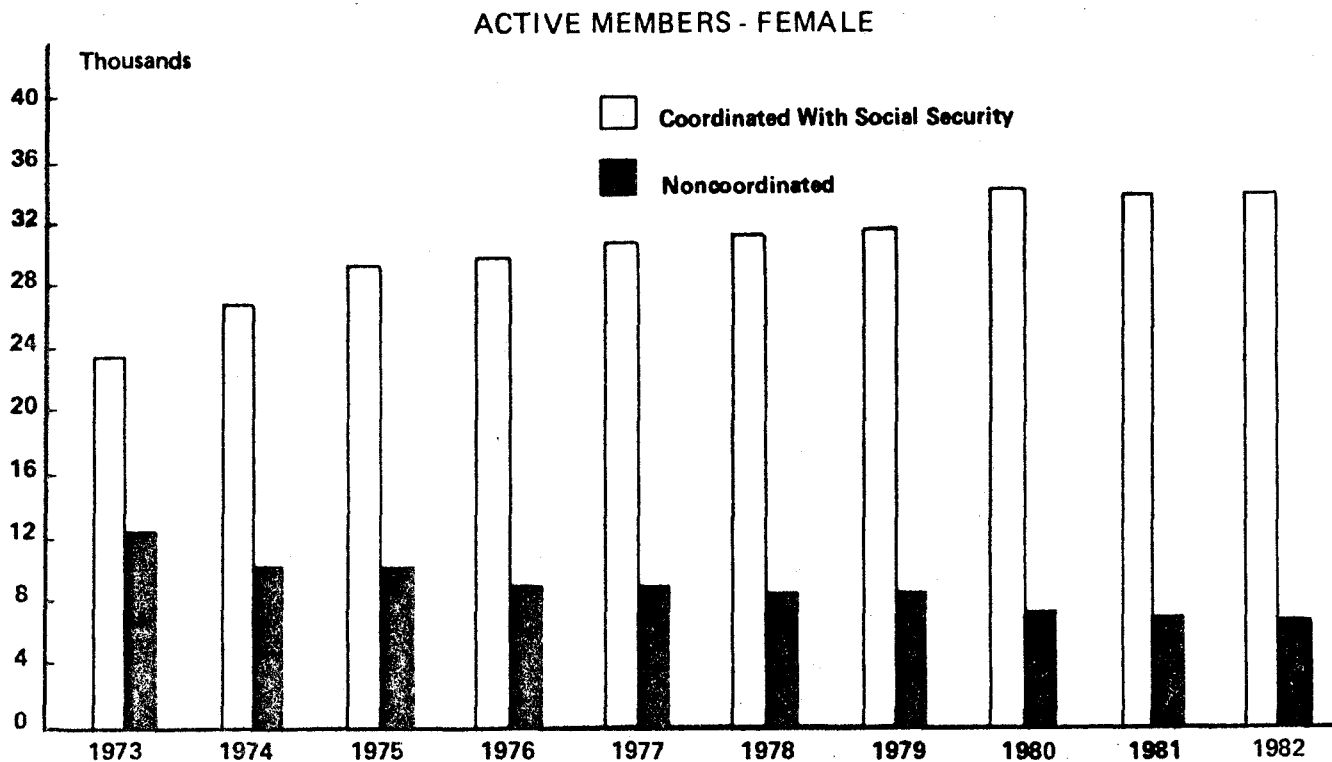
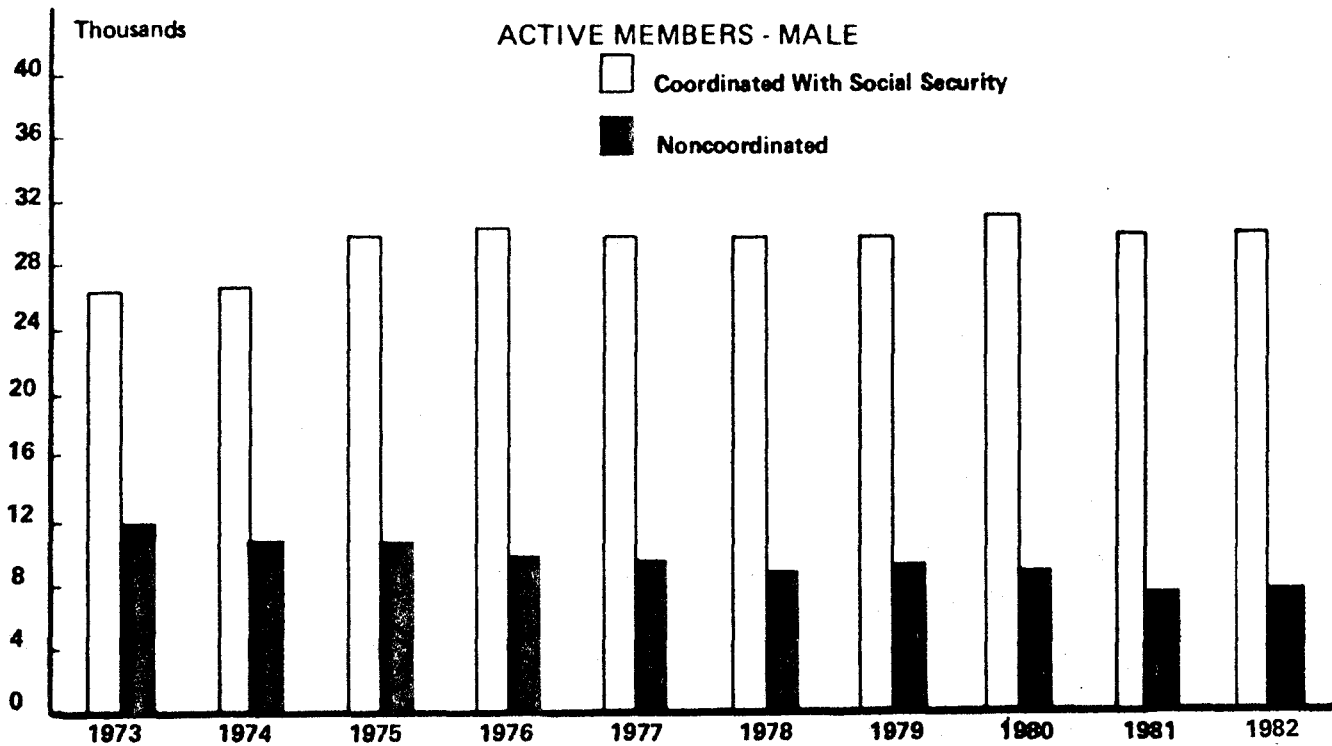
statistical tables

## ACTIVE MEMBERSHIP - COORDINATED/NONCOORDINATED

FY Ended June 30	<u>Coordinated Members</u>		<u>Noncoordinated Members</u>		Total Male Members	Total Female Members	Total Active Members	Annual Earnings Reported
	Male	Female	Male	Female				
1973	26,049	23,342	11,023	10,079	37,072	33,421	70,493	647,147,300
1974	26,139	26,719	10,505	10,045	37,644	36,764	74,408	689,839,300
1975	29,563	29,117	10,231	10,026	39,794	39,143	78,937	808,560,000
1976	29,975	29,718	9,293	9,007	39,268	38,725	77,993	864,154,000
1977	29,617	30,755	8,717	8,695	38,334	39,450	77,784	884,493,000
1978	29,667	31,264	8,265	8,245	37,932	39,509	77,441	925,094,200
1979	29,144	31,695	8,763	8,259	37,907	39,954	77,861	1,069,885,900
1980	30,482	34,095	8,392	7,605	38,874	41,700	80,574	1,137,667,500
1981	30,462	33,642	7,991	7,035	38,453	40,677	79,130	1,253,016,000
1982	29,801	33,100	7,517	6,486	37,318	39,586	76,904	1,334,262,000

# annual report 1982

statistical tables



# annual report 1982

## statistical tables

### NUMBER OF RECURRING BENEFIT PAYMENTS

<u>FY Ended June 30</u>	<u>Retirement Annuities</u>	<u>Survivors Annuities</u>	<u>Disability* Benefits</u>	<u>Total</u>
1973	10,118	3,642	1,229	14,989
1974	11,031	3,997	1,447	16,475
1975	12,063	4,351	1,610	18,024
1976	12,969	4,699	1,848	19,516
1977	13,885	5,228	1,920	21,033
1978	14,689	5,534	1,943	22,166
1979	15,560	5,894	1,976	23,430
1980	16,445	6,187	1,927	24,559
1981	17,307	6,485	1,871	25,663
1982	18,247	6,863	1,888	26,998

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

### TERMINATION REFUNDS - NUMBER/AMOUNT

<u>FY Ended June 30</u>	<u>Number</u>	<u>Amount</u>
1973	13,389	5,616,751
1974	15,044	9,531,584
1975	13,777	8,180,657
1976	15,820	8,840,660
1977	14,055	10,988,479
1978	12,491	11,984,738
1979	14,354	11,900,531
1980	13,449	11,799,600
1981	12,171	11,810,898
1982	12,893	13,212,484

# annual report 1982

statistical tables

## SCHEDULE OF INSURANCE IN FORCE

June 30, 1982

<u>Name of Company</u>	<u>Type of Coverage</u>	<u>Policy Number</u>	<u>Policy Period</u> <u>From</u> <u>To</u>	<u>Detail of Coverage</u>	<u>Liability Limits</u>
Aetna Casualty & Surety Company of Illinois	Employee Dishonesty Bond	08 F 10819 BCI	7-1-81/6-30-82	Employee Dishonesty Disappearance and Destruction Bond	\$10,000,000 per Occurrence (\$100,000 Deductible)

# annual report 1982

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plan summary

## SUMMARY OF RETIREMENT SYSTEM PLAN (As of June 30, 1982)

### 1. PURPOSE

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

### 2. ADMINISTRATION

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

### 3. EMPLOYEE MEMBERSHIP

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

### 4. MEMBER CONTRIBUTIONS

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

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

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

# annual report 1982

## plan summary

### 5. RETIREMENT PENSION

#### A. Qualification of Member

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

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

#### B. Amount of pension

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

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

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

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

# annual report 1982

## plan summary

### C. Optional Forms of Payment

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

### D. Annual Increases in Pension

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

## 6. SURVIVORS ANNUITY

### A. Qualification of Survivor

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

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

### B. Amount of Payment

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

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

# annual report 1982

## plan summary

### C. Duration of Payment

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

## 7. WIDOW'S ANNUITY OPTION

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

### A. Qualification of Widow

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

### B. Amount of Payment

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

### C. Duration of Payment

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

## 8. OCCUPATIONAL DEATH BENEFIT

### A. Qualification of Survivors

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

### B. Amount and Duration of Payment

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

# annual report 1982

## plan summary

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

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

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

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

### 9. OTHER DEATH BENEFITS

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

#### A. Before Retirement

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

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

#### B. After Retirement

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

### 10. NONOCCUPATIONAL DISABILITY BENEFITS

#### A. Qualification and Amount of Payment

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

# annual report 1982

## plan summary

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

### B. Duration of Payment

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

## 11. OCCUPATIONAL DISABILITY BENEFIT

### A. Qualification and Amount of Payment

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

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

### B. Duration of Payment

Monthly benefits are payable until the occurrence of any of the following events: (1) disability ceases; (2) resumption of gainful employment; or (3) attainment of age 65, if benefit commenced prior to the attainment of age 60; or (4) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60, but not beyond age 70.

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

## 12. SEPARATION BENEFITS

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