STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1993

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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Letter of Transmittal

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, 1993

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, 1993 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, 1993 are approximately $3.5 billion, and there are 77,146 active members.

Significant events and dates during the forty-nine 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).*

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.*

January 25, 1993: *Governor Jim Edger signed Senate Bill 1650 into law (P.A. 87-1265). The bill contained an Early Retirement Incentive (ERI) program for State Police and provided for the repayment of the additional retirement costs of this ERI program over a seven-year period. More importantly, the bill introduced a new funding mechanism (i.e. a continuing appropriation) which guarantees the repayment of this additional cost.*

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 $545.0 million during the fiscal year ending June 30, 1993, which is a slight decrease from revenue reported for fiscal year 1992, shown as follows:

	1993 (Millions)	1992 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Retirement System Trust Fund				
Contributions:				
Employees	$120.0	$ 141.9	$(21.9)	(15.4)%
Employer	114.4	98.5	15.9	16.1
Investments	310.5	344.2	(33.7)	(9.8)
	$544.9	$ 584.6	$(39.7)	6.8%
Social Security Contribution Fund				
General Revenue, less balances lapsed	.1	.1	-	-
	$545.0	$ 584.7	$(39.7)	6.8%

Employee contributions have exceeded employer contributions for the past five 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 1993 and 1992. In Fiscal Year 1992, members retiring under the ERI program were permitted to purchase up to 5 years of service credit accounting for a substantial increase in member contributions.

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 1993 and 1992 are shown for comparison purposes.

	1993 (Millions)	1992 (Millions)	Increase/(Decrease) (Millions)	(Percentage)
Retirement System Trust Fund				
Benefits:				
Retirement annuities	$256.7	$ 215.5	$41.2	19.1%
Survivors' annuities	27.0	25.1	1.9	7.6
Disability benefits	17.9	17.8	.1	.6
Lump-sum death benefits	8.4	8.3	.1	1.2
	$310.0	$ 266.7	$43.3	16.2%
Refunds (including Transfers)	12.0	16.9	(4.9)	(29.0)
Administrative expenses	4.7	4.2	.5	11.9
	$326.7	$ 287.8	$38.9	13.5%
Social Security Contribution Fund				
Administrative expenses	.1	.1	-	-
	$326.8	$ 287.9	$38.9	13.5%

The increase in benefit payments results primarily from an increase in the average benefit payment amount, and a full fiscal year (1993) of benefits paid to retirees under the statewide ERI program conducted in fiscal year 1992.

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 $310.5 million during fiscal year 1993, a decrease of $33.7 million from fiscal year 1992. Both domestic equity and fixed income portfolios produced strong returns and the Illinois State Board of Investment (ISBI) Fund's performance in these sectors was superior relative to the market's indices. Income from investments represents 57.0% of total fund revenue. The ISBI had a 12.1% rate of return on market values for the year ended June 30, 1993.

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, 1993, amounted to $6.044 billion. The fund balances for participant contributions, interest accumulations and other future benefits amounted to $3.496 billion as of the same date. The amount by which the liability exceeds the reserves is called the "unfunded present value of credited projected benefits". The unfunded present value of credited projected benefits amounted to $2.548 billion and reflects the continuing state policy of appropriating funds at amounts less than the actuarially determined contribution requirement. A detailed discussion of funding is provided in the Actuarial Section of this report.

ECONOMIC CONDITION AND OUTLOOK

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 four years of the phase-in period.

The System also 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 conducted in FY92, and discussed later in this transmittal letter, there were other legislative changes that had a direct impact on the funding of 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 reflected some 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 resulted in the availability of an additional $50 million which was divided among the five state financed retirement systems during FY93. As a result of this legislation, the System received an additional $8.6 million.

The General Assembly also approved House Bill 3230, providing for a continuing appropriation of funds to 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, hopeful that once the state budget crisis is brought under control, legislation will be enacted which will establish a sound actuarial funding schedule. Additionally, we support any action by the General Assembly which would improve the System's basic retirement benefit formula that 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

Projects initiated in fiscal year 1993 include: a) A review of the benefit application package; b) A review of the in-house education program; and c) Installation of a new computer system designed to meet the data processing needs of the System. In the past two years, several long-range projects have also been established. These projects 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. Fiscal year 1994 operational projects also include a telecommunications study and a review of in-house methods and procedures for several divisions.

ACCOUNTING SYSTEM AND INTERNAL CONTROL

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

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

PROFESSIONAL SERVICES

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

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State Employees' Retirement System of Illinois for its component unit financial report for the fiscal year ended June 30, 1992. 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 seven consecutive years (fiscal years ended June 30, 1986 through June 30, 1992). 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
Executive Secretary

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

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Representing Dawn Clark Netsch
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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, 1992

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.

President

Executive Director

FINANCIAL SECTION

Independent Auditor's Report

Component Unit 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 component unit financial statements of the State Employees' Retirement System of Illinois as of and for the years ended June 30, 1993 and 1992. 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. 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 and for the years ended June 30, 1993 and 1992, 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 30,1993 and 1992, taken as a whole. The supplementary information included on pages 26 through 33 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, 1993 and 1992, 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 22, 1993

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Combined Balance Sheets - June 30, 1993 and 1992

Assets	1993	1992
Cash	$ 13,750,680	$ 12,413,156
Cash, restricted for Social Security remittances	100,000	812,879
Receivables:		
Contributions:		
Participants	4,694,413	4,502,477
Employing state agencies	2,277,579	3,290,664
Other accounts	783,878	753,394
	$ 7,755,870	$ 8,546,535
Investments - held in the Illinois State Board of Investment Commingled Fund at cost (Market value: 1993, $3,965,605,241 1992, $3,619,656,868) (Note 4)	3,477,072,371	3,257,144,759
Property and equipment, net of accumulated depreciation (Note 9)	4,834,164	4,311,268
Total Assets	$3,503,513,085	$3,283,228,597
Liabilities and Fund Balance		
Liabilities		
Benefits payable	$ 1,373,583	$ 1,396,870
Refunds payable	414,196	452,602
Administrative expenses payable (Notes 10 and 11)	1,295,537	684,529
Participants' deferred service credit accounts	3,843,369	1,634,160
Unremitted Social Security contributions	-	101,879
Amounts held for Social Security remittances	100,000	711,000
Total Liabilities	$ 7,026,685	$ 4,981,040
Fund Balance		
Actuarial present value of credited projected benefits (Notes 4 and 6)	6,044,465,371	5,600,766,741
(Less) unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(2,547,978,971)	(2,322,519,184)
Total Fund Balance (Note 12)	$3,496,486,400	$3,278,247,557
Total Liabilities and Fund Balance	$3,503,513,085	$3,283,228,597

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, 1993 and 1992

	1993	1992
Revenue:		
Contributions:		
Participants	$ 120,041,823	$ 141,862,797
Employing State agencies and appropriations	114,413,597	98,532,783
Total Contributions revenue	234,455,420	240,395,580
Investments:		
Net investments income	178,295,366	190,811,723
Interest earned on cash balances	542,884	666,874
Net realized gain on sale of investments	131,632,246	152,759,253
Total Investments revenue	310,470,496	344,237,850
	544,925,916	584,633,430
General Revenue Fund appropriations, less balances lapsed	62,408	56,972
Total Revenue	544,988,324	584,690,402
Expenses:		
Benefits:		
Retirement annuities	256,666,173	215,470,012
Survivors' annuities	26,958,900	25,104,054
Disability benefits	17,893,919	17,764,029
Lump-sum death benefits	8,417,740	8,314,277
Total Benefits	309,936,732	266,652,372
Refunds	11,668,602	16,858,445
Administrative, System Trust Fund (Note 8)	4,741,217	4,229,293
Transfers to reciprocating retirement systems	340,522	60,316
	326,687,073	287,800,426
Administrative, Contribution Fund (Note 8)	62,408	56,972
Total Expenses	326,749,481	287,857,398
Excess of revenue over expenses	$ 218,238,843	$ 296,833,004
Fund Balance at beginning of year	3,278,247,557	2,981,414,553
Fund Balance at end of year	$3,496,486,400	$3,278,247,557

See accompanying notes to financial statements.

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 1993 and 1992

(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, 1993 and 1992, the number of participating state agencies, boards and commissions totaled:

	1993	1992
State agencies	43	43
State boards and commissions	48	51
Total	91	94

At June 30, 1993 and 1992 the System Trust Fund membership consisted of:

	1993	1992
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	28,308	28,501
Survivors' annuities	9,115	8,951
Disability benefits	1,643	1,559
	39,066	39,011
Inactive employees entitled to benefits but not yet receiving them	2,652	2,415
Total	41,718	41,426
Current Employees:		
Vested:		
Coordinated with Social Security	40,160	36,997
Noncoordinated	5,134	5,286
Nonvested:		
Coordinated with Social Security	30,946	33,713
Noncoordinated	906	1,198
Total	77,146	77,194

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. Generally, 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 Chapter 40, Article 5/14 of the Illinois Compiled Statues (ILCS) and all administrative expenses of the System Trust Fund to the extent specified in the ILCS.

(c) Benefits

The System is governed by Chapter 40, Article 5/14 of the ILCS. Vesting and benefit provisions under the System Trust Fund are defined in the ILCS. 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 Chapter 40, Article 5/21 of the ILCS. 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 balance in this fund is 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.

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's master custodian is the The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) 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 Chapter 40, Section 5/22A-112 of the ILCS. 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.

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, 1993 and 1992 the ISBI Board had outstanding loaned investment securities having a market value of approximately $513,658,273 and $344,993,007 respectively, against which it had received collateral of approximately $529,068,021 and $352,913,054 respectively.

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 owns approximately 93.8% of the ISBI Commingled Fund as of June 30, 1993.

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 counterparty's agent in the ISBI Board's name. Category II includes uninsured and unregistered investments and for which the securities are held by the counterparty's agent 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	Total
Investments, at Market Value				
U.S. Government and Agency Obligations	$ 264,679,865	$ -	$ -	$ 264,679,865
Foreign Obligations	54,811,977	-	-	54,811,977
Foreign Equity Securities	212,849,265	-	-	212,849,265
Corporate Obligations	886,704,885	-	-	886,704,885
Convertible Bonds	25,747,138	-	-	25,747,138
Common Stock	1,272,669,933	-	-	1,272,669,933
Convertible Preferred Stock	16,812,250	-	-	16,812,250
Preferred Stock	9,228,611	-	-	9,228,611
Money Market Instruments	72,585,125	-	-	72,585,125
SUBTOTAL	$2,816,089,049	$ -	$ -	$ 2,816,089,049
Non-categorized Investments				1,400,900,569
TOTAL INVESTMENTS				$ 4,216,989,618

(c) Fixed Assets

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

(d) Actuarial Experience Review

In accordance with Illinois Compiled 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, 1993 and 1992, the unfunded pension benefit obligation was $2,547,978,971 and $2,322,519,184 as follows:

	1993	1992
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits	$3,221,629,786	$3,047,923,522
Terminated employees not yet receiving benefits	6,904,527	10,803,485
Current Employees:		
Accumulated employee contributions and interest	1,337,518,200	1,222,039,072
Employer-financed vested	1,303,436,543	1,160,994,685
Employer-financed nonvested	99,783,833	96,669,576
Inactive members - Accumulated contributions and interest	75,192,482	62,336,401
Total Pension benefit obligation	$6,044,465,371	$5,600,766,741
Net assets available for benefits, at cost (market value at June 30, 1993 - $3,985,019,270; 1992 - $3,640,759,666)	3,496,486,400	3,278,247,557
Unfunded pension benefit obligation	$2,547,978,971	$2,322,519,184

Senate Bill 1650 was signed into law by Governor Jim Edgar on January 25, 1993 and became Public Act 87-1265. The bill had several significant changes to the statutes governing SERS. These changes included the following: a) allows for several classifications of members to transfer service from other public pension funds to SERS; b) allows for an early retirement incentive program for the Department of State Police and c) extends the alternative retirement annuity formula to four new position classifications, as well as other minor changes. The estimated cost of this bill is approximately $48,242,386.

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 approximately 4,600 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.

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, 1993. 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 1993 and 1992, 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 1993 and 1992, were 4.87% and 4.74%, respectively.

The Illinois General Assembly appropriated the employer's contribution for the legislatively funded agencies at 4.05% for fiscal year 1993 and 3.95% for fiscal year 1992. 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.

The total amount of actuarially determined employer contributions required for the fiscal year ended June 30, 1993 amounted to $119,332,045 and consisted of (a) $75,274,752 normal cost and (b) $44,057,293 amortization of the unfunded actuarial accrued liability. Actual employer contributions totaling $114,413,597 were made during fiscal year 1993 and consisted of (a) $75,274,752 normal cost and (b) $39,138,845 amortization of the unfunded actuarial liability. Employee contributions made during fiscal year 1993 amounted to $120,041,823 and are all considered to be part of normal cost.

A comparison of the actuarially determined funding requirement versus the actual funding for the fiscal year ended June 30, 1993, shows that the state's employer contributions were not made in accordance with the actuarially determined employer contribution requirement for the fiscal year.

	Pension Contributions			
	Required			Received
	Normal Cost	Amortization of Unfunded Liability	Total	
Employee	$ 120,041,823	$ -	$ 120,041,823	$ 120,041,823
Percent of Pay	4.90%	-	4.90%	4.90%
Employer	75,274,752	44,057,293	119,332,045	114,413,597
Percent of Pay	3.07%	1.80%	4.87%	4.67%
Total	$ 195,316,575	$ 44,057,293	$ 239,373,868	$ 234,455,420
Percent of Pay	7.97%	1.80%	9.77%	9.57%
Participant Payroll				$ 2,450,350,000

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.

The separate dollar effects on contribution requirements of any current year changes in: a) actuarial assumptions, b) benefit provisions, c) actuarial funding method and/or d) other significant factors, are the same as those described in Note 5.

(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 26 - 27.

(8) Administrative Expenses

A summary of the administrative expenses of the System for fiscal years 1993 and 1992 are as follows:

	1993		1992	
	System Trust Fund	Contribution Fund	System Trust Fund	Contribution Fund
Personal services	$1,979,917	$27,594	$1,933,008	$ 26,514
Employer retirement pickup	78,839	1,104	37,366	533
Retirement contributions	96,616	1,300	91,803	1,000
Social Security contributions	141,888	2,010	136,596	1,943
Group insurance	290,400	-	237,164	-
Contractual services	682,864	27,489	718,941	23,802
Travel	51,630	1,489	33,218	1,260
Commodities	25,410	396	31,558	397
Printing	61,634	-	39,903	95
Electronic Data Processing	858,571	651	634,880	723
Telecommunications	47,794	375	53,389	705
Automotive	7,832	-	7,888	-
Depreciation	304,524	-	233,031	-
Other	113,298	-	40,548	-
Total	$4,741,217	$62,408	$4,229,293	$ 56,972

The System's fiscal years 1993 and 1992 employer retirement contribution requirement each represented .10% of total contributions required of all state agency/department employers participating in the SERS for both years. 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 1993 and 1992 were $2.487 million and $2.336 million, respectively.

- The System's (i.e., the employers') actuarially determined contribution requirements for fiscal years 1993 and 1992 were $121 thousand and $111 thousand, respectively, or 4.87% and 4.74% of the System's covered payrolls. For fiscal year 1993, the System's and employee contributions actually made were $121 thousand and $102 thousand, respectively, which represents 4.87% and 4.1%, respectively, of the current year covered payroll. For fiscal year 1992, the System's and employee contributions actually made were $111 thousand and $96 thousand, respectively, which represent 4.74% and 4.1%, 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 requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former employees. Substantially all state employees including the System's employees may become eligible for postemployment 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.

For fiscal year 1993, the state did not segregate payments made to annuitants from those made to current employees for health and dental, and life insurance benefits. The total cost of all benefits including postemployment health and dental, and life insurance benefits is recognized as an expenditure in the state's financial statements as claims are reported and are financed on a pay-as-you-go basis. For fiscal year 1993, the state's total cost of providing postemployment health and dental, and life insurance benefits for approximately 59,000 annuitants was estimated to be $130.9 million and $9.9 million, respectively. For fiscal year 1992, the state's total cost of providing postemployement health and dental, and life insurance benefits for approximately 60,000 annuitants was estimated to be $111.4 million and $8.4 million, respectively. Cost information by individual state agency is not available. 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 1993 and 1992 is as follows:

	1993			
	Beginning Balance	Additions	Deletions	Ending Balance
Land	$ 655,241	$ -	$ -	$ 655,241
Land Improvements	198,623	-	-	198,623
Building	3,208,920	-	-	3,208,920
Equipment	1,190,127	838,954	(199,282)	1,829,799
Total	5,252,911	838,954	(199,282)	5,892,583
Accumulated Depreciation	(941,643)	(304,524)	187,749	(1,058,419)
Property and equipment, net	$ 4,311,268	$ 534,430	$ (11,534)	$4,834,164

	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
Equipment	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

(10) Pledged Assets and Long-Term Debt

A summary of the System's long-term debt, and collateral pledged thereon, consisted of the following at June 30, 1993:

Installment purchase agreement of computer equipment, discounted at a rate of 5.37 percent, due in quarterly installments of $33,663 including interest to July 31, 1995	$283,533
Installment purchase agreement of computer equipment, discounted at a rate of 5.57 percent, due in quarterly installments of $35,320 including interest to December 31, 1995	327,587
	$611,120
Less current maturities	(247,454)
Long-term portion	$363,666

Aggregate maturities required on long-term debt at June 30, 1993 are due in future years as follows:

1994	$247,454
1995	261,275
1996	102,391
	$611,120

The remaining portion of the installment purchase agreements are included as Administrative Expenses Payable in the financial statements.

(11) Accrued Compensated Absences

Employees of the System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after January 1, 1984 upon termination of employment. The value of accrued compensated absences for System employees as of June 30, 1993 and 1992 was $544,326 and $455,933, respectively. These amounts are included as Administrative Expenses Payable in the financial statements.

(12) Analysis of Changes in Fund Balances

The System Trust Fund maintains three reserve accounts which, when combined, comprise the total 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
Years ended June 30, 1993 and 1992

	Participants' contributions	Interest accumulations	Other future benefits	Total Fund Balance
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
Add (deduct):				
Excess of revenue over expenses	102,709,756	-	115,529,087	218,238,843
Reserve transfers:				
Accumulated contributions of members who retired during the year, less contributions of annuitants returning to active status	(30,505,732)	-	30,505,732	-
Interest credited to members' accounts	-	56,131,185	(56,131,185)	-
Balance at June 30, 1993	$939,206,550	$473,504,132	$2,083,775,718	$3,496,486,400

Analysis of Funding Progress (in millions of dollars)

Fiscal Year	(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	80.0
1992	3,278.2	5,600.8	58.5	2,322.6	2,439.7	95.2
1993	3,496.5	6,044.5	57.8	2,548.0	2,450.3	104.0

*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

Fiscal Year Ended June 30	Member Contributions	State Contributions	Investment Income	Sub Total	General Revenue Fund Appropriations, Less balances Lapsed	Total
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
1993	120,041,823	114,413,597	310,470,496	544,925,916	62,408	544,988,324

Expenses by Type

Fiscal Year Ended June 30	Benefits	Contribution Refunds and Transfers	Administrative Expenses, System Trust Fund	Sub Total	Administrative Expenses, Contribution Fund	Total
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
1993	309,936,732	12,009,124	4,741,217	326,687,073	62,408	326,749,481

Analysis of Employer Contributions
Fiscal Year 1984 through 1993

Fiscal Year	(1) Board Approved Rate (A)	(2) Annual Covered Payroll	(3) Employer Contributions Required (1 x 2)	Employer Contribution Made (4) Employer Contr. (B)	(5) State Pension (C)	(6) Senate Res. No. 33 (D)	(7) Other (E)	(8) (4+5+6+7) Total	(8-3) (Deficiency) of Contrib. Made Over Contr. Req.	(8 ÷ 2) Employer Contrib. as a % of Covered Payroll
1984	6.400%	$1,437,546,000	$ 92,002,944	$ 81,358,279	$2,378,000	$2,728,000	$ -	$ 86,464,279	$ (5,538,665)	6.01%
1985	8.090	1,569,532,000	126,975,139	89,482,193	2,378,500	2,596,000	-	94,456,693	(32,518,446)	6.02
1986	7.532	1,713,755,000	129,080,027	97,741,393	2,130,000	2,342,300	-	102,213,693	(26,866,334)	5.96
1987	8.400	1,825,196,000	153,316,464	105,095,840	2,215,500	2,248,600	-	109,559,940	(43,756,524)	6.00
1988	7.240	1,953,960,000	141,466,704	97,725,922	1,673,700	591,300	-	99,990,922	(41,475,782)	5.12
1989	6.300	2,106,121,000	132,685,623	96,564,193	1,907,800	-	-	98,471,993	(34,213,630)	4.68
1990	6.200	2,270,303,000	140,758,786	104,019,494	2,030,000	-	1,888,600	107,938,094	(32,820,692)	4.75
1991	4.720	2,461,352,000	116,175,814	109,930,868	6,048,700	-	-	115,979,568	(196,246)	4.71
1992	4.740	2,439,708,000	115,642,159	96,459,883	2,072,900	-	-	98,532,783	(17,109,376)	4.04
1993	4.870	2,450,350,000	119,332,045	102,441,787	11,971,810	-	-	114,413,597	(4,918,448)	4.67

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

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

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

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

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

Combining Balance Sheets June 30, 1993 and 1992

	1993			1992		
	Pension Trust Fund State Employees' Retirement System	Agency Fund Social Security Contribution	Total	Pension Trust Fund State Employees' Retirement System	Agency Fund Social Security Contribution	Total
Assets						
Cash	$ 13,750,680	$ -	$ 13,750,680	$ 12,413,156	$ -	$ 12,413,156
Cash, restricted for Social Security remittances	-	100,000	100,000	-	812,879	812,879
Receivables:						
Contributions:						
Participants	4,694,413	-	4,694,413	4,502,477	-	4,502,477
Employing State Agencies	2,277,579	-	2,277,579	3,290,664	-	3,290,664
Other accounts	783,878	-	783,878	753,394	-	753,394
	7,755,870		7,755,870	8,546,535	-	8,546,535
Investments	3,477,072,371		3,477,072,371	3,257,144,759	-	3,257,144,759
Property and equipment, net of accumulated depreciation	4,834,164	-	4,834,164	4,311,268	-	4,311,268
Total Assets	$ 3,503,413,085	$ 100,000	$3,503,513,085	$3,282,415,718	$812,879	$3,283,228,597
Liabilities and Fund Balance						
Liabilities						
Benefits payable	$ 1,373,583	$ -	$ 1,373,583	$ 1,396,870	-	$ 1,396,870
Refunds payable	414,196	-	414,196	452,602	-	452,602
Administrative expenses payable	1,295,537	-	1,295,537	684,529	-	684,529
Participants' deferred service credit accounts	3,843,369	-	3,843,369	1,634,160	-	1,634,160
Unremitted Social Security contributions	-	-	-	-	101,879	101,879
Amounts held for Social Security remittances	-	100,000	100,000	-	711,000	711,000
Total Liabilities	$ 6,926,685	$ 100,000	$ 7,026,685	$ 4,168,161	$812,879	$ 4,981,040
Fund Balance						
Actuarial present value of credited projected benefits	6,044,465,371	-	6,044,465,371	5,600,766,741	-	5,600,766,741
(Less) unfunded present value of credited projected benefits representing an obligation of the State of Ill.	2,547,978,971	-	2,547,978,971	(2,322,519,184)	-	(2,322,519,184)
Total Fund Balance	3,496,486,400	-	3,496,486,400	$3,278,247,557	-	$3,278,247,557
Total Liabilities & Fund Balance	$3,503,413,085	$ 100,000	$3,503,513,085	$3,282,415,718	$812,879	$3,283,228,597

Social Security Contribution Fund
Statements of Changes in Assets and Liabilities Years Ended June 30, 1993 and 1992

	1993				1992			
Assets	Balance July 1, 1992	Additions	(Deductions)	Balance June 30, 1993	Balance July 1, 1991	Additions	(Deductions)	Balance June 30, 1992
Cash, restricted for Social Security remittances	$ 812,879	$ 43,577	$(756,456)	$100,000	$944,799	$282,284	$(414,204)	$812,879
Liabilities								
Unremitted Social Security contributions	$ 101,879	$ -	$(101,879)	$ -	$436,539	$ 2,080	$(336,740)	$101,879
Amounts held for Social Security remittances	711,000	-	(611,000)	100,000	508,260	202,740	-	711,000
	$ 812,879	$ -	$(712,879)	$100,000	$944,799	$204,820	$(336,740)	$812,879

SYSTEM TRUST FUND — SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 1993 and 1992

	1993	1992
Contributions:		
Participants	$115,207,244	$117,435,765
Repayments of contributions refunded	588,532	1,334,874
Interest received from participants	1,866,079	4,869,231
ERI service purchase	2,379,968	18,222,927
Total participants contributions	$120,041,823	$141,862,797
Employing state agencies	$102,441,787	$ 96,459,883
State Pension Fund appropriation	11,971,810	2,072,900
Total state contributions and appropriations	$114,413,597	$ 98,532,783
Investments:		
Net investment income	$178,295,366	$190,811,723
Interest earned on cash balances	542,884	666,874
Net realized gain on sale of investments	131,632,246	152,759,253
Total investment revenue	$310,470,496	$344,237,850
Total Revenue	$544,925,916	$584,633,430

SYSTEM TRUST FUND — SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 1993 and 1992

	1993	1992
Cash balance, beginning of year	$ 12,413,156	$ 18,682,979
Receipts:		
Member contributions	117,038,437	139,235,944
Employer contributions	103,455,883	99,677,842
State Pension Fund contribution	11,971,810	2,072,900
Transfers from Illinois State Board of Investment	90,000,000	50,000,000
Interest income on cash balance	549,374	632,936
Claims receivable payments	908,447	933,336
Installment payments - prior service credit	2,971,912	1,639,093
Other	169,237	189,610
Total cash receipts	$ 327,065,100	$ 294,381,661
Disbursements:		
Annuity payments:		
Retirement annuities	$ 256,948,482	$ 215,693,427
Widow's annuities	2,707,959	2,739,418
Survivors' annuities	23,961,860	22,047,515
Death benefits	8,921,112	8,852,982
Disability benefits	15,992,609	15,950,395
Refunds	12,480,857	17,213,634
Administrative expenses	4,714,697	4,154,113
Transfers to Illinois State Board of Investment	0	14,000,000
Total cash disbursements	$ 325,727,576	$ 300,651,484
Cash balance, end of year	$ 13,750,680	$ 12,413,156

REVENUES

Total revenue of $544.9 million for FY 1993 was a $39.7 million decrease from the FY 1992 level of $584.6 million. Net income from investments and net realized gains on sales of investments decreased slightly from the prior fiscal year.

Revenue Source	FY 93 (Millions)	FY 92 (Millions)	Increase/(Decrease) (Amount)	(Percentage)
Member Contributions	$120.0	$ 141.9	$(21.9)	(15.4)%
State Contributions	114.4	98.5	15.9	16.1
Investment Income	310.5	344.2	(33.7)	(9.8)
Total	$544.9	$ 584.6	$(39.7)	(6.8)%

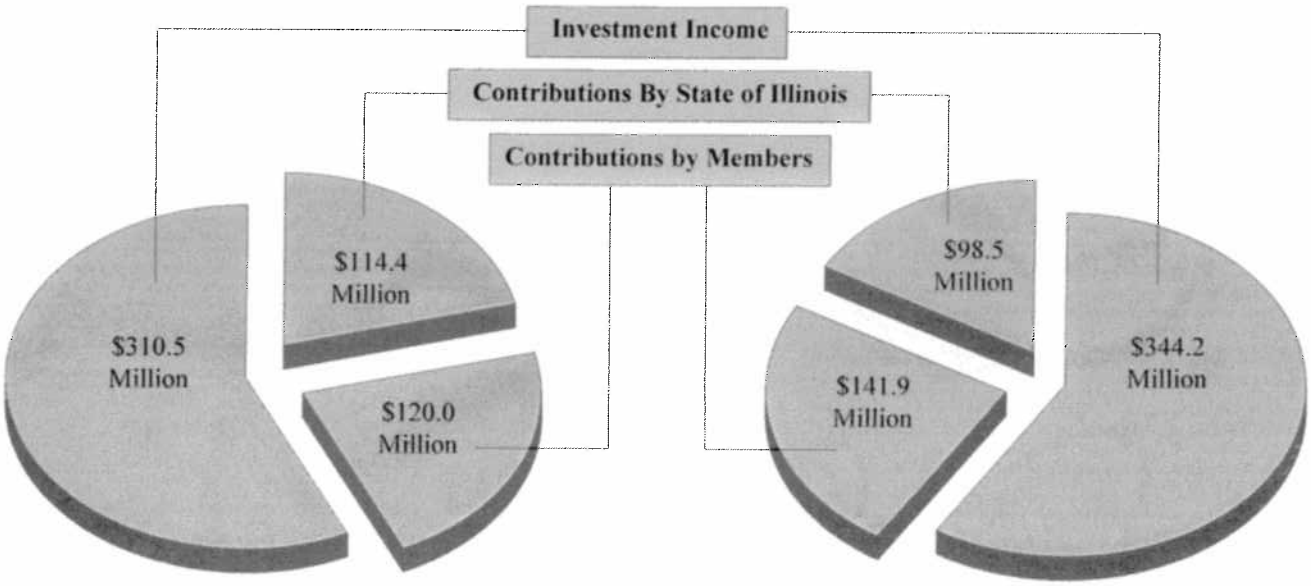
There were 48 fewer active members as of June 30, 1993 than on June 30, 1992. This nominal decrease in membership and lower than average wage increases resulted in a negligible increase of .4% in wages subject to retirement contributions. State contributions increased by 15.9% ($16.1 million). A substantial portion of this increase ($8.6 million) was due to an additional disbursement by the State Pensions Fund to SERS. The additional disbursement was the result of a change in the formula used to calculate the unclaimed property of the state. Member contributions were $120.0 million which is a $21.9 million decrease from FY 1992. The average employee contribution rate in FY1992 increased substantially from prior fiscal years due to the volume of optional service payments received for the purchase of military service and the ERI program. As shown in the table below, the average rate of contributions by members in FY 1993 was 4.90% compared to 5.81% in FY 1992.

Active Membership	FY 93	FY 92	Increase/(Decrease) (Number/Amount)	(Percentage)
Coordinated Members	71,106	70,710	396	.6%
Noncoordinated Members	6,040	6,484	(444)	(6.8)
Total Active Members	77,146	77,194	(48)	(.1)%
Earnings Reported All Members (Millions)	$2,450.3	$2,439.7	$10.6	.4%
Average Rate of Contributions All Members	4.90%	5.81%		

The System has approximately $823,000 of arrearages and overpayments as of June 30, 1993. There were 527 past due accounts with arrearages, 189 claim overpayments and 6 refund overpayments. The System employs several different methods for the collection of its outstanding receivables. These methods include collections by the System, use of the office of the Comptroller's involuntary offset system, contracting with private collection firms and legal action through the office of the Attorney General.

REVENUES BY SOURCE 1993
TOTAL REVENUES
$ 544.9 MILLION

REVENUES BY SOURCE 1992
TOTAL REVENUES
$ 584.6 MILLION



Gross investment income for 1993 of $190,257,914 less the Investment Board's administrative expenses of $11,962,548, resulted in net investment income of $178,295,366. This amount, when combined with the net realized gain on sale of investments of $131,632,246, provided net revenue from investments of $309,927,612. There were no transfers of funds to the Illinois State Board of Investment in Fiscal Year 1993. Transfers from the Board amounted to $90,000,000. The balance of investments at cost increased by $219,927,612 from June 30, 1992 through June 30, 1993. The following table shows a comparison of investment operations for FY 1993 and FY 1992.

	1993	1992	Increase/(Decrease) (Amount)	(Percentage)
Balance at beginning of year, at cost	$ 3,257,144,759	$ 2,949,573,783	$ 307,570,976	10.4%
Cash remitted to (from) investment (net)	(90,000,000)	(36,000,000)	(54,000,000)	N/A
Investment income:				
Commingled Fund income	190,257,914	202,537,271	(12,279,357)	(6.1)
Less Expenses	(11,962,548)	(11,725,548)	(237,000)	2.0
Net investment income	178,295,366	190,811,723	(12,516,357)	(6.6)
Distributed Net Realized Gain/ (Loss) on Sale of Investments	131,632,246	152,759,253	(21,127,007)	(13.8)
Balance at end of year, at cost	$3,477,072,371	$ 3,257,144,759	$219,927,612	6.8%
Market value	$3,965,605,241	$ 3,619,656,868	$345,948,373	9.6%

In addition, interest on the average balance in the System Trust Fund's account for FY 1993 was $542,884 compared to $666,874 during FY 1992.

EXPENSES

The number of members receiving retirement annuities on June 30, 1993 was slightly less than the June 30, 1992 level, primarily reflecting the after effects of the early retirement incentive (ERI)conducted in FY 1992. The cost of these annuities increased by 19.1% over the FY 1992 level. Higher salaries for current retirees, post retirement increases granted each January 1, and an increase in the minimum retirement annuity also resulted in costs rising at an accelerated pace. Survivors' annuities increased at a near normal rate of 1.8% in number with 7.6% increase in dollar costs. Disability recipients increased by 5.4% while disability benefits increased in dollar amount by .6%.

	FY 93 (Millions)	FY 92 (Millions)	Increase/(Decrease) (Amount)	(Percentage)
Retirement annuities	$256.7	$215.5	$41.2	19.1%
Survivors' annuities	27.0	25.1	1.9	7.6
Disability benefits	17.9	17.8	.1	.6
Lump sum death benefits	8.4	8.3	.1	1.2
Refunds (Including Transfers)	12.0	16.9	(4.9)	(29.0)
Administrative expense	4.7	4.2	.5	11.9
TOTAL EXPENSES	$326.7	$287.8	$38.9	13.5%

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1992	New claims Processed During FY 93	Benefits Ceased During FY 93	FY Ended June 30, 1993	Increase/(Decrease) (Amount)	(Percentage)
Retirement	28,501	974	(1,167)	28,308	(193)	.7%
Survivors'	8,951	605	(441)	9,115	164	1.8
Disability	1,559	2,005	(1,921)	1,643	84	5.4
TOTALS	39,011	3,584	(3,529)	39,066	55	.1%

Lump sum death benefits are primarily refunds of member contributions and will vary from year to year. Refunds to members have been decreasing in the past few years; however, the number of refunds processed (i.e. widows/survivors contributions and alternative formula refunds) increased substantially as a result of the ERI program in FY 1992. Employees who retire without a qualified widow/survivor and those who contribute to the System under the alternative formulas, but are not entitled to receive the higher benefits due to other service requirements, receive refunds of their excess contributions.

RESERVES

As of June 30, 1993, the funds available for payment of current and future benefits were $3,496.5 million as shown in the following schedule:

Assets	FY93 (Millions)	FY92 (Millions)	Increase/ (Decrease)
Cash	$ 13.8	$ 12.4	$ 1.4
Receivables (less payables)	.8	4.4	(3.6)
Investments	3,477.1	3,257.1	220.0
Fixed Assets (net of accumulated depreciation)	4.8	4.3	.5
NET ASSETS	$3,496.5	$ 3,278.2	$218.3

Total System Trust Fund revenues for FY 1993 of $545.0 less expenditures of $326.7 million resulted in a net increase to reserves of $218.3 million.

Reserves	FY93 (Millions)	FY92 (Millions)	Net Increase
Member Contributions	$ 939.2	$ 867.0	$ 72.2
Interest Accumulations	473.5	417.4	56.1
Future Operations	2,083.8	1,993.8	90.0
NET ASSETS	$3,496.5	$ 3,278.2	$218.3

Member contributions transferred to the Reserve for Future Operations due to retirement or death of active members during the year amounted to $30.5 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. In addition to extending new coverage, the System, as State Administrator, was responsible for collecting and transmitting social security contributions to the U.S. Department of Health and Human Services for approximately 1,600 towns, villages and other political entities. Members of two retirement systems in the State of Illinois, the Illinois Municipal Retirement Fund (IMRF) and the State Employees' Retirement System (SERS), are also covered by social security. During fiscal year 1993, the Social Security Unit receipted approximately $43,500 of contributions from various political subdivisions and refunds from the federal government. In addition, the Unit vouchered approximately $110,000 to political subdivisions as refunds of contribution overpayments and $646,000 to the State of Illinois. Due to the passage of federal legislation which mandated that state and local government employers conform to the same remittance schedule as private employers, the responsibility for the collection and remittance of Social Security and Medicare taxes was transferred from this agency to the Office of the Comptroller of the State of Illinois effective, January 1, 1987. Adjustments to Social Security or Medicare taxes for wages paid through December 31, 1986, continue to be processed through the Contribution Fund. Effective January 1, 1987, any adjustments to Social Security or Medicare taxes are reported through the Office of the Comptroller.

The Social Security Division has a staff of one full-time employee. Data processing and accounting services are performed by other divisions of the System on a contractual basis. Expenses are appropriated by the General Assembly. The total amount of expenses appropriated from the General Revenue Fund for the administration of the Contribution Fund was $62,408 and $56,972 for fiscal years 1993 and 1992, respectively.

ACTUARIAL SECTION

Actuary's Report

Introduction

Actuarial Cost Method and Summary of Major Actuarial Assumptions

Valuation Results

Glossary of Pension Terms

Short-term Solvency Test

Analysis of Funding

Analysis of Financial Experience

Schedule of Active Member Valuation Data

Schedule of Retirants Added to and Removed From Rolls

Schedule of Survivors' Annuitants Added to and Removed From Rolls

Schedule of Disability Recipients Added to and Removed From Rolls

Reconciliation of Unfunded Actuarial Liability

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Wyatt

October 19, 1993

Board of Trustees and Executive Secretary
State Employees' Retirement System of Illinois
P.O. Box 19255
2101 South Veterans Parkway
Springfield, IL 62794-9255

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the assets and liabilities of the State Employees' Retirement System of Illinois as of June 30, 1993.

Since the last valuation Senate Bill 1650, approved in January 1993, provided an Early Retirement Incentive program under which active State Police Officers who retired during a one month window, after attaining age 45 and accumulating 20 years of creditable service or after attaining age 50 and accumulating 15 years of creditable service, could purchase up to 5 additional years of creditable service. More than 200 State Police Officers retired under this program. Senate Bill 1650 also allowed for optional service purchases and transfers and provided for certain members to establish creditable service under the alternative formula.

Pursuant to the law establishing the System, the actuary shall investigate the experience under the System at least once every five years. The Wyatt Company, as the actuary, completed such a review for the five year period ending June 30, 1990 and recommended assumptions which were adopted by the Board effective June 30, 1990, and which were used for the current valuation. We believe that, in the aggregate, the current assumptions relate reasonably to the past and anticipated experience of the plan.

The financing objective of the System is to accumulate assets equal to the value of the portion of all future benefits that is based on members' service as of the valuation date. A contribution rate has been determined using the Projected Unit Credit Cost Method, providing for the normal cost plus an amortization of the unfunded accrued actuarial liability as required by 40 ILCS Section 5/14-131(f).

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Future normal cost rates are expected to remain constant, as a percentage of payroll, while the amortization contribution rate will increase in equal annual increments from the 1994 fiscal year rate until the 1996 fiscal year rate is reached. The total contribution rate can thus be expected to rise gradually until June 30, 1996, remain level until June 30, 2035, and then drop to a constant normal cost rate. Employer contributions in recent years have been less than that required to meet this financing objective.

For purposes of determining contribution rates, assets have been valued at cost as reported by the Illinois State Board of Investment. The liabilities have been valued based on employee data which is supplied by the administrative staff of the System and verified by the System's auditor. We have made additional tests to ensure its accuracy.

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, 1993. The contribution rate determined complies with the applicable law in force as of June 30, 1993.

THE WYATT COMPANY

By W. Mark Duda
W. Mark Duda
Actuarial Assistant

By Erminelia Q. Pestañas
Erminelia Q. Pestañas
Associate of the Society of Actuaries

By William J. Mimer
William J. Mimer
Fellow of the Society of Actuaries

INTRODUCTION

The System Trust Fund receives contributions from several sources which can be considered as employer contributions, with the largest source being the regular state appropriation. The System Trust Fund also receives an annual appropriation from the State Pension Fund.

Annually, the System's actuarial consultant prepares a valuation of the liabilities and reserves of the System Trust Fund in order to make a determination of the amount of contributions required from the state. In fiscal years 1993 and 1992, the actuary has determined the required employer contribution rate and amount using the projected unit credit cost method. Based upon the state's actual funding method described above, the System, in recent years, has not received the minimum actuarially determined employer contribution amount.

The employers' contribution amount, together with members' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial reserve requirements, pursuant to Chapter 40, Section 5/14-131 of the Illinois Compiled Statutes. The statutes define "actuarial reserves" as "An accumulation of funds in advance of benefit payments which will be sufficient with respect to each member and his beneficiaries, if any, to pay the prescribed benefits, computed according to the actuarial tables, without further contributions by or on behalf of the member."

The underfunding of employer contributions continues to place undue pressure on one of the other major sources of revenue to the System, namely income from investments, to consistently provide an increasing percentage of total fund revenue. In recent years, the higher than assumed rate of return on investments distorts the fact that employer contributions have not kept pace with prior, current, and future estimated benefit costs. For the fifth consecutive year, employee contributions have exceeded employer contributions to the System Trust Fund. This fact underscores the need for the development and implementation of a systematic and rational funding plan for the System.

In an attempt to address the pension funding dilemma, the state legislature passed S.B.95 in August, 1989, which provided for a standardized funding method (projected unit credit) and a specified term for the amortization of prior unfunded pension costs (40 years, level percentage of payroll). There is a seven-year phase in period of the required employer contributions to attain the 40-year amortization level.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

For fiscal years 1993 and 1992, a projected unit credit normal cost method is used. Under this method, the projected pension at retirement age is first calculated and the value thereof at the individual member's current or attained age is determined. The normal cost for the member for the current year is equal to the value so determined divided by the member's projected service at retirement. The normal cost for the plan for the year is the sum of the individual normal costs.

Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. For purposes of determining future employer contributions, however, the actuarial gains and losses are amortized over a 40-year period as a level percentage of payroll. The actuarial liability at any point in time is the value of the projected pensions at that time less the value of future normal costs.

For ancillary benefits for active members, in particular disability benefits, death and survivor benefits, termination benefits, and the post-retirement increments, the same procedure as outlined above is followed.

A description of the actuarial assumptions utilized for FY-93 and FY-92 follows:

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1989; all other assumptions were adopted June 30, 1990.

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. Five percent of deaths amongst active employees are assumed to be in the performance of their duty.

Interest: 8% per annum, compounded annually.

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

	Rate			Rate	
Age	Males	Females	Age	Males	Females
20	.188	.377	40	.047	.056
25	.126	.144	45	.038	.041
30	.085	.096	50	.032	.030
35	.062	.072	55+	.030	.030

Salary Increases: Illustrative rates of increase per annum, compounded annually:

	Males &	Components			Males &	Components	
Age	Females	Merit	Inflation	Age	Females	Merit	Inflation
20	9.2%	4.7%	4.5%	45	6.7	2.2	4.5
25	8.7	4.2	4.5	50	6.2	1.7	4.5
30	8.2	3.7	4.5	55	5.7	1.2	4.5
35	7.7	3.2	4.5	60	5.2	.7	4.5
40	7.2	2.7	4.5	65	5.0	.5	4.5

Retirement Rates: Listed below are rates of retirement that vary by age:

	General	Alternative Formula		General	Alternative Formula
Age	Employees	Employees*	Age	Employees	Employees*
50-54	– %	20%	63-64	15 %	20%
55-59	10	20	65	40	40
60	25	20	66-69	25	30
61	15	20	70	100	100
62	20	20			

*An additional 10% are assumed to retire in the year in which the employee completes 30 years of service. The rates apply only to employees who have fulfilled the service requirement necessary for retirement at any given age.

Assets: Assets available for benefits are valued at book value (cost).

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

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

Spouse's Age: The female spouse is assumed to be three years younger than the male spouse.

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.

VALUATION RESULTS

Actuarial Liability (Reserves)	FY-93	FY-92
For Annuitants:		
For Benefit Recipients:		
Retirement Annuities	$ 2,876,425,201	$ 2,724,404,388
Survivor Annuities	259,034,207	242,397,888
Disability Annuities	77,116,299	71,118,112
Deferred:		
Retirement Annuities	878,050	1,071,193
Survivor Annuities	8,176,029	8,931,941
Total	$ 3,221,629,786	$ 3,047,923,522
For Inactive Members:		
Eligible for Deferred Vested Pension Benefits	73,075,948	65,945,280
Eligible for Return of Contributions Only	9,021,061	7,194,606
Total	$ 82,097,009	$ 73,139,886
For Active Members	$ 2,740,738,576	2,479,703,333
Actuarial Present Value of Credited Projected Benefits	6,044,465,371	$ 5,600,766,741
Assets, Book Value (Cost)	3,496,486,400	3,278,247,557
Unfunded Actuarial Present Value of Credited Projected Benefits	$ 2,547,978,971	$ 2,322,519,184

* GLOSSARY OF PENSION TERMS:

1. ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS -
This value is defined in GASB Statement No. 5 as the pension benefit obligation (PBO), which is "a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date".

2. UNFUNDED ACTUARIAL PRESENT VALUE OF CREDITED PROJECTED BENEFITS -
This is the difference between the actuarial present value of credited projected benefits and the actuarial value of assets of the pension plan. It includes the unfunded prior and past service costs as well as normal costs not funded by the employer and actuarial gains and losses.

3. NORMAL COST -
This is the pension cost for service during the period as determined by an actuarial cost method.

4. PAST SERVICE COST -
At the inception of a plan, credit is often given to employees for services rendered before creation of the plan. Naturally, no contributions would have beenmade by the employer. Therefore, a cost has been incurred but not funded. This is called past service cost.

Generally accepted accounting principles provide that these costs should be deferred and recognized over future periods. The logic to this follows from thepresumption that the employer granted these pension benefits for past service because some future value from better employee morale and higher productivity will be obtained. Thus, past service costs are deferred and recognized over the expected period of benefit. The convention has been to amortizepast service costs over a period of 40 years, which is the approximate working lifetime of employees.

Past service costs can be amortized using a level dollar amount or a level percent of pay. Amortization payments are determined in the same way a mortgage payment is determined.

5. PRIOR SERVICE COSTS -
Pension plan benefits are often changed by amendments. When such a change gives credit for employee services rendered prior to the amendment, it gives rise to what are called prior service costs.

These are treated like past service costs, that is, the amount is deferred and amortized over future periods. As a practical matter, actuaries do not treat past and prior service costs separately but are instead handled as one value.

6. ACTUARIAL GAINS AND LOSSES -
Actual events usually differ from assumptions made by an actuary. The dollar effect of these variances from assumed values is an actuarial gain or loss. Actuarial gains and losses can also include the effects on the actuarial present value of benefits resulting from changes in actuarial assumptions.

Portfolio investment returns are another major source of actuarial gains and losses affecting pension expense (contribution) for the period. The discountrate was the expected return on pension plan investments. Therefore, if the portfolio's actual returns exceed the expected return (discount rate), an actuarialgain results and employer contributions are reduced. If returns are less than expected, there is an actuarial loss, and employer contributions are increased.

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SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short- term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active member contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active members. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active members (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

The State of Illinois, however, has generally funded the System based on benefit payout, a level which increases over time reflecting a larger work force and higher salary levels.

Computed Actuarial Values (in thousands of dollars)

Fiscal Year	Member Contributions (1)	Current Retirees and Beneficiaries (2)	Active and Inactive Members, Employer Financed Portion (3)	Net Assets Available For Benefits	Percentage of Actuarial Values Covered by Net Assets Available (1)	(2)	(3)
1984	$517,008	$1,150,634	$1,414,552	$1,581,326	100.0%	92.5%	0.0%
1985	554,823	1,172,344	1,100,162	1,707,259	100.0	98.3	0.0
1986	597,438	1,287,644	1,228,253	1,974,095	100.0	100.0	7.2
1987	644,749	1,431,161	1,285,813	2,225,883	100.0	100.0	11.7
1988	699,190	1,546,828	1,395,561	2,381,806	100.0	100.0	9.7
1989	757,180	1,653,880	1,341,074	2,580,199	100.0	100.0	12.6
1990	823,025	1,932,126	1,782,923	2,795,567	100.0	100.0	2.3
1991	897,690	2,078,059	1,974,131	2,981,415	100.0	100.0	0.3
1992	867,003	3,047,923	1,685,841	3,278,248	100.0	79.1	0.0
1993	939,207	3,221,630	1,883,628	3,496,486	100.0	79.4	0.0

ANALYSIS OF FUNDING

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active member payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

(in thousands of dollars)

Fiscal Year	Total Actuarial Liability	Net Assets	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Member Payroll	Unfunded Actuarial Liability as a % of Member Payroll
1984	$3,082,194	$1,581,326	51.3%	$1,500,907	$1,437,546	104.4%
1985	2,827,329	1,707,259	60.4	1,120,070	1,569,532	71.4
1986	3,113,335	1,974,095	63.4	1,139,240	1,713,755	66.5
1987	3,361,723	2,225,883	66.2	1,135,840	1,825,196	62.2
1988	3,641,579	2,381,806	65.4	1,259,773	1,953,960	64.4
1989	3,752,134	2,580,199	68.8	1,171,935	2,106,121	55.6
1990	4,538,074	2,795,567	61.6	1,742,507	2,270,303	76.8
1991	4,949,880	2,981,415	60.2	1,968,465	2,461,352	80.0
1992	5,600,767	3,278,248	58.5	2,322,519	2,439,708	95.2
1993	6,044,465	3,496,486	57.8	2,547,979	2,450,350	104.0

ANALYSIS OF FINANCIAL EXPERIENCE

Gains (Losses) in Actuarial Liability for Fiscal Years ending June 30, 1993 and 1992 are as follows:

	1993	1992
1. Actuarial Gains (Losses)		
(a) Incidence of Disability	$1,365,151	(1,067,300)
(b) In-Service Mortality	(2,574,123)	(3,133,983)
(c) Retiree Mortality	8,473,849	1,428,949
(d) Disabled Mortality	32,494	21,315
(e) Termination of Employment	(23,442,805)	(30,420,487)
(f) Salary Increases	306,597	725,809
(g) Investment Income	51,828,983	107,584,401
(h) Other	(70,257,064)	(29,203,202)
Total Actuarial Gain (Loss)	$ (34,266,918)	$ 45,935,502
2. Contribution (Income)	$(142,950,483)	$(132,967,051)
3. Non-Recurring Items		
(a) Increase due to new legislation		
(i) Early Retirement Incentive (SB 45)	-	(231,418,950)
(ii) Employer Pickup (SB 341)	-	27,517,752
(iii) Optional service purchases and repayments under HB 971 and SB 1951	-	(44,632,309)
(iv) State Police Early Retirement Incentive (SB 1650)	(48,242,386)	-
(b) Change in Data Handling	-	(18,488,469)
Total Non-recurring Items	$ (48,242,386)	$(267,021,976)
Total Financial Gain (Loss)	$(225,459,787)	$(354,053,525)

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
6/30/84	68,975	$1,437,546,000	$20,842	10.4%
6/30/85	71,647	1,569,532,000	21,906	5.1
6/30/86	74,012	1,713,755,000	23,155	5.7
6/30/87	74,732	1,825,196,000	24,423	5.5
6/30/88	74,923	1,953,960,000	26,080	6.8
6/30/89	76,651	2,106,121,000	27,477	5.4
6/30/90	79,211	2,270,303,000	28,661	4.3
6/30/91	81,023	2,461,352,000	30,378	6.0
6/30/92	77,194	2,439,708,000	31,605	4.0
6/30/93	77,146	2,450,350,000	31,763	.5

SCHEDULE OF RETIRANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Beginning Balance	Additions	(Removals)	Ending Balance
1984	19,306	1,648	(797)	20,157
1985	20,157	1,639	(827)	20,969
1986	20,969	1,635	(833)	21,771
1987	21,771	1,629	(871)	22,529
1988	22,529	1,506	(997)	23,038
1989	23,038	1,532	(998)	23,572
1990	23,572	1,356	(1,064)	23,864
1991	23,864	1,428	(1,009)	24,283
1992	24,283	5,270	(1,052)	28,501
1993	28,501	974	(1,167)	28,308

SCHEDULE OF SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Beginning Balance	Additions	(Removals)	Ending Balance
1984	7,139	535	(303)	7,371
1985	7,371	568	(313)	7,626
1986	7,626	492	(295)	7,823
1987	7,823	514	(322)	8,015
1988	8,015	617	(336)	8,296
1989	8,296	578	(375)	8,499
1990	8,499	525	(395)	8,629
1991	8,629	576	(386)	8,819
1992	8,819	564	(432)	8,951
1993	8,951	605	(441)	9,115

SCHEDULE OF DISABILITY RECIPIENTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Beginning Balance	Additions	(Removals)	Ending Balance
1984	1,851	2,323	(2,375)	1,799
1985	1,799	2,182	(2,247)	1,734
1986	1,734	2,002	(2,033)	1,703
1987	1,703	1,800	(1,926)	1,577
1988	1,577	1,779	(1,820)	1,536
1989	1,536	1,713	(1,791)	1,458
1990	1,458	1,724	(1,681)	1,501
1991	1,501	2,027	(1,945)	1,583
1992	1,583	2,057	(2,081)	1,559
1993	1,559	2,005	(1,921)	1,643

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

		FY-93	FY-92
Unfunded Liability, Beginning of Fiscal Year		$ 2,322,519,184	$ 1,968,465,659
Contributions Due			
Interest on the Unfunded Liability		185,801,535	157,477,253
Total Normal Cost		73,180,153	74,947,830
Participants (includes Repayment of Refunds)		120,041,823	141,862,797
Interest on Normal Cost		7,580,192	8,505,586
Total Due		$ 386,603,703	$ 382,793,466
Contributions Paid			
Participants (includes Repayment of Refunds)		$ 120,041,823	$ 141,862,797
Employing State Agencies and Appropriations		114,413,597	98,532,783
Interest on Contributions		9,197,800	9,430,835
Total Paid		$ 243,653,220	$ 249,826,415
Increase in the Unfunded Liability		$ 142,950,483	$ 132,967,051
Actuarial (Gains) Losses:			
From Investment Return Greater (Less)Than 8%		$ (51,828,983)	$ (107,584,401)
From Retirement at Other Than Expected Age	+	23,442,805	-
From Fewer Terminations Than Expected		-	30,420,487
From Other Sources		62,653,096	31,228,412
Total Actuarial (Gains) Losses		$ 34,266,918	$ (45,935,502)
Non-Recurring Items:			
Plan Amendments		$ 48,242,386	$ 276,051,259
Employee Pickup of employee contributions	+	-	(27,517,752)
Additional Data Provided by SERS, Change in handling data		-	18,488,469
Total Non-Recurring Items		$ 48,242,386	$ 267,021,976
Total Increase (Decrease) in Actuarial Liability	=	$ 225,459,787	$ 354,053,525
Unfunded Liability, End of Fiscal Year		$ 2,547,978,971	$ 2,322,519,184

INVESTMENT SECTION

Investment Report

Investment Portfolio Summary

Analysis of Investment Performance

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI Board). The ISBI Board was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state. In addition to the assets of the State Employees' Retirement System, the ISBI Board also manages the investment function for the Judges' and General Assembly Retirement Systems. As of June 30, 1993, total net assets under management valued at market, amounted to $4.232 billion. Of the total market value of assets under management, $3.966 billion or 93.8% represented assets of the State Employees' Retirement System.

Management Approach

The ISBI Board manages the Fund in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI Board has established a long-range investment policy which, in line with the prudent person rule, affirms that the Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the Fund, within prudent risk parameters. Further, it is the ISBI Board's philosophy that the assets owned by the participating systems and managed by the ISBI Board are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries. In line with this philosophy, the ISBI Board from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

Total Fund Results

The Illinois State Board of Investment Commingled Fund (ISBI Fund) had a market value of $4.232 billion as of the end of its fiscal year, June 30, 1993. The ISBI Fund had an increase in market value of $366 million for the fiscal year, all of which was the result of earnings, as the member systems withdrew $99.2 million on a net basis during the fiscal year.

The ISBI Fund's total rate of return for fiscal 1993, net of expenses, was 12.1%. Both domestic equity and fixed income portfolios produced strong returns and the ISBI Fund's performance in these sectors was superior relative to market indices. For the first time in several years, foreign equity markets on an aggregate basis outperformed the U.S. market, with the Japanese market exhibiting particular strength. As a result, the ISBI Fund's global and international managers earned a rate of return in excess of domestic equity return. The two asset classes with disappointing results for the fiscal year were real estate and nonmarketable securities. Downward adjustments in real estate values more than offset cash-on-cash yields, leading to a negative total real estate return. The nonmarketable securities portfolio also experienced a negative rate of return, dominated by the results in one major holding. During fiscal 1993, the ISBI Board implemented the following actions to adjust the asset mix: 1) transferred $80 million from domestic equities to global equities; 2) added incrementally to nonmarketable securities through $17 million commitments to new limited partnerships of existing managers, and 3) utilized the fixed income portfolio to meet required cash needs for benefit payments.

Frequently, an investment firm's best results are in the early years of its existence before increasing asset size starts to constrain investment flexibility. Prior to fiscal 1993, the ISBI Board had appointed a total of four investment managers for whom the ISBI Fund was their first major institutional client. During fiscal 1993 the ISBI Board conducted a search for three domestic equity "emerging managers." After an extensive and detailed national search, the ISBI Board appointed three managers to be funded with $10 million each on July 1, 1993: Sloate, Weisman, Murray & Company; Valenzuela Capital Management; and Woodford Capital Management. The ISBI Board is confident that these firms will add value to the overall return of the ISBI Fund.

Fixed Income

Substantially all fixed income assets are managed internally, excepting approximately $210 million allocated to external high yield bond managers. During fiscal 1993, the continued decline in both long-term and short-term interest rates resulted in strong performance for all fixed income markets, with particularly good results in high yield securities. The internal account outperformed market benchmarks in both the core and the high yield portfolios, and produced a 14.9% return for the fiscal year, over 300 basis points higher than the market benchmark. Good performance from the external managers further improved the total fixed income return to 15.6%, making fixed income the highest performing asset class for the second year in a row.

Comparative average annual rates of return for the total fixed income portfolio versus the market index benchmark.

	1 Year	3 Years	5 Years
ISBI	15.6%	14.4%	12.3%
Shearson Lehman Aggregate	11.8	12.2	11.3

Domestic Equities

Overall, U.S. equity markets earned strong double digit returns during fiscal 1993. However, results varied widely across industry sectors and stocks with different market capitalizations. Small company stocks significantly outperformed the stocks of larger companies, and certain industries such as health care and consumer product companies did not benefit from the general market strength. The ISBI Fund's domestic equity portfolio, which is all managed by external investment firms, achieved a rate of return of 13.7% for fiscal 1993, modestly ahead of the S&P 500 return of 13.6%.

The composite average annual rates of return for the domestic equity portfolio:

	1 Year	3 Years	5 Years
ISBI	13.7%	13.0%	13.2%
S&P 500	13.6	11.5	14.2

Global/International Equities

Overseas equity markets experienced very strong returns during fiscal 1993, especially when converted into U.S. dollar terms. The results in Japan were particularly spectacular, aided by a strong yen relative to the dollar. The Morgan Stanley World Index ("MSCI World") earned 17.4% for fiscal 1993, and the Morgan Stanley Europe Australia Far East Index ("MSCI EAFE") was up 20.7%.

All foreign security accounts are managed by external investment firms. "Global" managers have the discretion to invest in both domestic as well as foreign equities, while "international" managers are limited to non-U.S. securities; thereby assuring a certain amount of diversification. For the fiscal year, the global equity managers' return of 17.3% was in line with the MSCI World Index return of 17.4%, in spite of an underweight exposure to Japan relative to the Index. The 10.2% investment return of the international managers was disappointing, compared to the 20.7% return of the MSCI EAFE Index. The under performance was adversely affected by the results of a manager terminated during Fiscal 1993, and by the low weighting of Japan in the other international manager's account.

The new effect of having foreign securities as part of the ISBI Fund's equity portfolio was positive for the fiscal year. The total return for global/international equity accounts for fiscal 1993 was 15.2%, higher than the 13.7% return for U.S. equities. This is consistent with the ISBI Board's belief that including foreign securities in the portfolio is a prudent diversification that over time will stabilize and enhance the total investment return.

Real Estate

Other than a reclassification of a farmland investment, the ISBI Fund has made no new commitments to real estate investments since fiscal 1989. All of the ISBI Fund's investments in real estate are passive and are represented by interests in limited partnerships, trusts and other forms of pooled investments.

During fiscal 1993 although the ISBI Fund received a 6.1% cash-on-cash yield on its real estate investments, the asset category was written down 11.7%, resulting in an aggregate negative rate of return of 5.6%. Despite the disappointing results in this asset category, the ISBI Board believes that real estate has diversification benefits in a pension plan portfolio, and plans to maintain some level of commitment to it.

Average annual rates of return for the combined real estate portfolio compared to the market benchmark for unleveraged institutional grade property returns.

	1 Year	3 Years	5 Years
ISBI	(5.6)%	(6.5)%	(1.0)%
NCRIEF	(3.6)	(3.2)	0.6

Nonmarketable Equity Interests

The (1.1)% total rate of return for this asset category during fiscal 1993 was disappointing. Recognizing that this is the riskiest asset class, the ISBI Board has allocated only a small percentage of total assets to it, 4% as of June 1993. The portfolio's largest investment is with the Kohlberg Kravis Roberts leveraged buyout limited partnership, which accounts for approximately 73% of this category. That partnership's most significant investment is in RJR Nabisco, whose stock price was negatively impacted this year by both political and competitive factors. Other than KKR, this asset class consists primarily of passive interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities.

	1 Year	3 Years	5 Years
ISBI	(1.1)%	9.2%	9.9%

Management Expenses

Total operating expenses, including fees to external managers, for the fiscal year were $12,767,218 as compared to $12,525,388 for the previous fiscal year. The expense ratio (expenses divided by average net assets under management) was .31% as compared to .33% last fiscal year. The State Employees' Retirement System's share of total operating expenses amounted to $11,962,548.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1993. A copy of the report can be obtained from the ISBI Board at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1993		June 30, 1992	
	Market Value	Percentage	Market Value	Percentage
Fixed Income[1]	$1,675,111,606	39.6%	$1,458,154,013	37.7%
Equities	1,514,340,786	35.8%	1,429,178,675	37.0%
Foreign Equities	284,093,447	6.7%	221,817,510	5.8%
Real Estate	301,829,401	7.1%	325,963,498	8.4%
Non-Marketable[2]	170,390,328	4.0%	178,844,300	4.6%
Cash equivalents[3]	286,270,733	6.8%	251,975,370	6.5%
	$4,232,036,301	100.0%	$3,865,933,366	100.0%

[1]Maturities of one year or longer, including convertible bonds.
[2]Interests in limited partnerships and other entities which have limited liquidity.
[3]Cash Equivalents includes other assets, less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE

	1993	1992	1991	1990	1989
Total Return* - Past 3 years		10.2%			
Total Return* - Past 5 years			10.6%		
Total Return* - year by year	12.1%	11.6%	7.0%	8.0%	14.3%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	4.7%	5.4%	5.2%	5.2%	5.5%
Comparative rates of return on fixed income securities					
Total fixed income - ISBI	15.6%	17.1%	9.0%	5.9%	12.0%
Comparison index: Shearson Lehman Aggregate	11.8%	14.2%	10.2%	7.1%	12.3%
Comparative rates of return on equities					
Total equities - ISBI	13.7%	14.4%	7.3%	10.5%	17.0%
Comparison index: S&P 500	13.6%	13.5%	7.4%	16.4%	20.6%

*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

STATISTICAL SECTION

Balance Sheet Assets

Balance Sheet Liabilities

Revenues by Source

Expenses by Type

Benefit Expenses by Type

Total Membership

Active Membership

Number of Recurring Benefit Payments

Termination Refunds - Number/Amount

Retirement Annuities - Average Monthly Benefit For Current Year Retirees by Type

Retirement Annuities - Current Age of Active Recipients

Retirement Annuities - Average Service (in months) For Current Year Retirees at Effective Date of Benefit

Annuitants by Benefit Range (Monthly)

Widows' and Survivors' by Benefit Range (Monthly)

Occupational and Non-Occupational (Incl. Temp.) Disabilities by Benefit Range (Monthly)

Active Retirees by State

BALANCE SHEET ASSETS - SYSTEM TRUST FUND

FY Ended June 30	Cash	Receivables	Investments At Cost	Fixed Assets, Net of Accumulated Depreciation	Total
1984	$ 9,100,232	$ 9,923,500	$1,564,277,185	$ 189,494	$1,583,490,411
1985	11,216,376	9,799,827	1,688,252,032	127,268	1,709,395,503
1986	7,618,809	8,931,617	1,959,702,313	124,916	1,976,377,655
1987	5,977,771	10,189,788	2,211,906,317	168,785	2,228,242,661
1988	9,893,839	6,931,093	2,367,063,722	823,484	2,384,712,138
1989	9,730,385	7,047,705	2,565,152,803	1,103,973	2,583,034,866
1990	11,187,478	8,072,524	2,775,885,256	4,340,351	2,799,485,609
1991	18,682,979	12,050,151	2,949,573,783	4,436,451	2,984,743,364
1992	12,413,156	8,546,535	3,257,144,759	4,311,268	3,282,415,718
1993	13,750,680	7,755,870	3,477,072,371	4,834,164	3,503,413,085

BALANCE SHEET LIABILITIES - SYSTEM TRUST FUND

FY Ended June 30	Accounts Payable	Reserve For Member Contributions	Reserve For Interest Accumulations and Future Operations	Total
1984	$2,164,123	$517,008,266	$1,064,318,022	$1,583,490,411
1985	2,136,041	554,822,852	1,152,436,610	1,709,395,503
1986	2,282,972	597,438,053	1,376,656,630	1,976,377,655
1987	2,359,515	644,749,034	1,581,134,112	2,228,242,661
1988	2,906,072	699,189,621	1,682,616,445	2,384,712,138
1989	2,836,020	757,180,186	1,823,018,660	2,583,034,866
1990	3,918,499	823,025,513	1,972,541,597	2,799,485,609
1991	3,328,811	897,689,637	2,083,724,916	2,984,743,364
1992	4,168,161	867,002,526	2,411,245,031	3,282,415,718
1993	6,926,685	939,206,550	2,557,279,850	3,503,413,085

REVENUES BY SOURCE - SYSTEM TRUST FUND*

FY Ended June 30	Member Contributions	State Contributions	Investment Income	Total
1984	$ 73,442,196	$ 86,464,279	$150,170,315	$310,076,790
1985	77,830,806	94,456,693	101,754,931	274,042,430
1986	84,563,536	102,213,693	240,235,534	427,012,763
1987	90,096,279	109,559,940	226,929,603	426,585,822
1988	95,928,239	99,990,922	148,802,057	344,721,218
1989	101,805,417	98,471,993	199,452,398	399,729,808
1990	110,109,685	107,938,094	213,139,724	431,187,503
1991	120,263,354	115,979,568	180,520,373	416,763,295
1992	141,862,797	98,532,783	344,237,850	584,633,430
1993	120,041,823	114,413,597	310,470,496	544,925,916

*These amounts do not include the General Revenue Fund appropriation for the administrative expenses of the Contribution Fund.

EXPENSES BY TYPE - SYSTEM TRUST FUND*

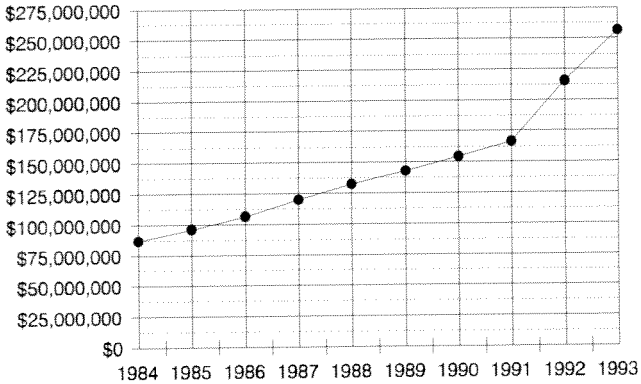
FY Ended June 30	Benefits	Contribution Refunds (Incl. Transfers)	Administrative Expenses	Total
1984	$120,996,071	$14,145,496	$2,428,623	$137,570,190
1985	132,316,478	13,240,326	2,552,452	148,109,256
1986	143,548,518	13,780,843	2,848,181	160,177,542
1987	159,614,328	12,182,099	3,000,932	174,797,359
1988	173,644,549	11,983,814	3,169,935	188,798,298
1989	185,354,303	12,602,555	3,380,170	201,337,028
1990	199,606,912	12,325,179	3,887,148	215,819,239
1991	215,290,386	11,851,930	3,773,536	230,915,852
1992	266,652,372	16,918,761	4,229,293	287,800,426
1993	309,936,732	12,009,124	4,741,217	326,687,073

*These amounts do not include the General Revenue Fund Appropriations for the administrative expenses of the Contribution Fund.

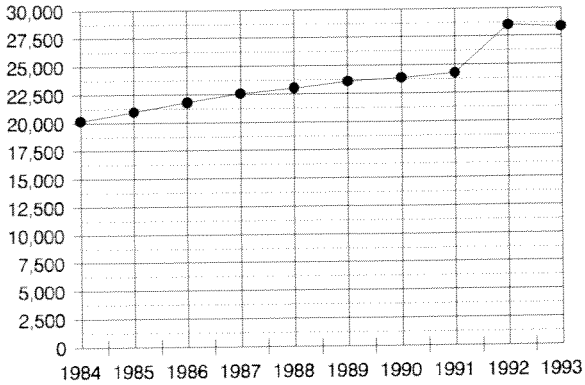
BENEFIT EXPENSES BY TYPE - SYSTEM TRUST FUND

FY Ended June 30	Retirement Annuities	Survivors' Annuities	Disability Benefits	Lump Sum Death Benefits	Total
1984	$ 86,651,697	$16,114,837	$13,985,426	$4,244,111	$120,996,071
1985	95,965,469	17,086,453	14,164,732	5,099,824	132,316,478
1986	106,475,314	17,856,166	14,452,304	4,764,734	143,548,518
1987	119,758,023	18,955,079	14,521,296	6,379,930	159,614,328
1988	132,265,411	20,319,659	14,660,199	6,399,280	173,644,549
1989	142,706,550	20,987,489	14,379,147	7,281,117	185,354,303
1990	154,368,901	22,014,615	15,313,434	7,909,962	199,606,912
1991	166,360,086	23,592,609	16,655,172	8,682,519	215,290,386
1992	215,470,012	25,104,054	17,764,029	8,314,277	266,652,372
1993	256,666,173	26,958,900	17,893,919	8,417,740	309,936,732

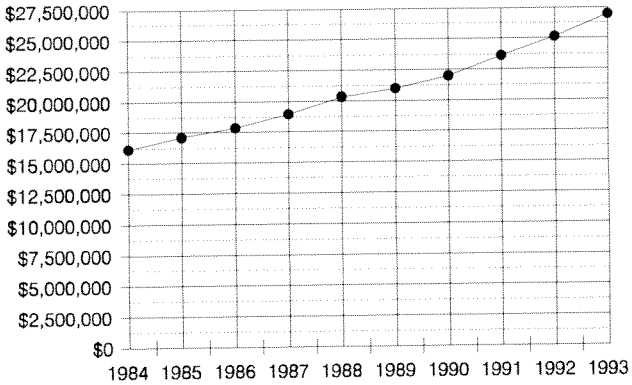
Retirement Annuities



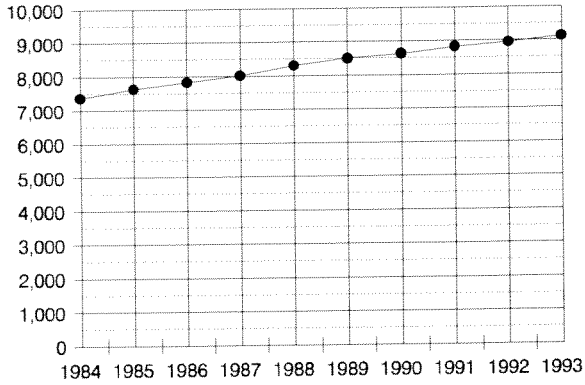
Number of Retirement Annuities



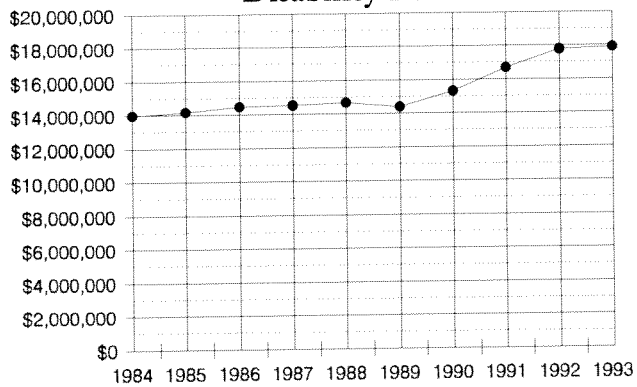
Survivors' Annuities



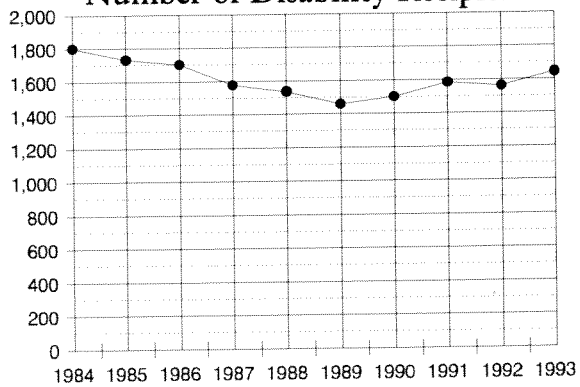
Number of Survivors' Annuities



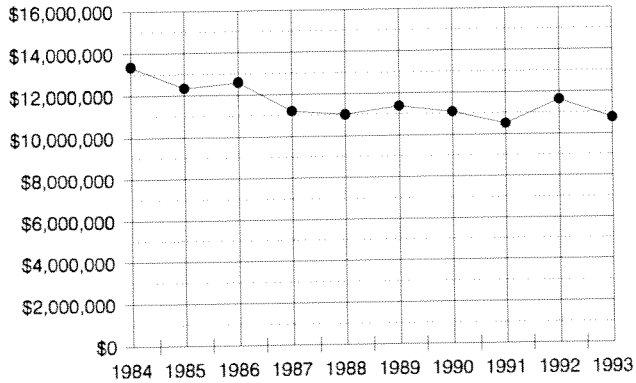
Disability Benefits



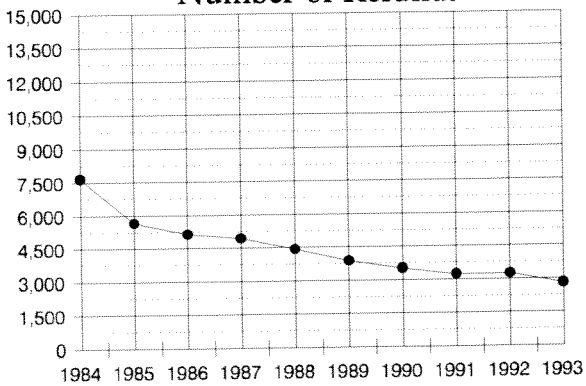
Number of Disability Recipients



Termination Refunds



Number of Refunds



TOTAL MEMBERSHIP - COORDINATED/NONCOORDINATED

FY Ended June 30	COORDINATED MEMBERS			NONCOORDINATED MEMBERS					
	Male	Female	Total	Male	Female	Total	Total Male Members	Total Female Members	Total Members
1984	40,547	40,136	80,683	7,338	5,915	13,253	47,885	46,051	93,936
1985	42,349	40,966	83,315	6,977	5,415	12,392	49,326	46,381	95,707
1986	43,762	41,935	85,697	6,716	4,997	11,713	50,478	46,932	97,410
1987	43,865	41,736	85,601	6,416	4,631	11,047	50,281	46,367	96,648
1988	43,988	41,914	85,902	6,257	4,342	10,599	50,245	46,256	96,501
1989	44,449	43,086	87,535	5,947	4,027	9,974	50,396	47,113	97,509
1990	45,885	44,683	90,568	5,750	3,741	9,491	51,635	48,424	100,059
1991	47,223	45,939	93,162	5,608	3,499	9,107	52,831	49,438	102,269
1992	46,536	45,131	91,667	4,316	2,639	6,955	50,852	47,770	98,622
1993	47,471	45,577	93,048	3,983	2,528	6,511	51,454	48,105	99,559

ACTIVE MEMBERSHIP - COORDINATED/NONCOORDINATED

FY Ended June 30	COORDINATED MEMBERS			NONCOORDINATED MEMBERS						
	Male	Female	Total	Male	Female	Total	Total Male Members	Total Female Members	Total Active Members	Annual Earnings Reported
1984	27,457	29,488	56,945	6,636	5,394	12,030	34,093	34,882	68,975	$1,437,546,000
1985	29,763	30,583	60,346	6,349	4,952	11,301	36,112	35,535	71,647	1,569,532,000
1986	31,486	31,832	63,318	6,135	4,559	10,694	37,621	36,391	74,012	1,713,755,000
1987	32,294	32,270	64,564	5,924	4,244	10,168	38,218	36,514	74,732	1,825,196,000
1988	32,567	32,570	65,137	5,804	3,982	9,786	38,371	36,552	74,923	1,953,960,000
1989	33,342	34,047	67,389	5,557	3,705	9,262	38,899	37,752	76,651	2,106,121,000
1990	34,818	35,476	70,294	5,433	3,484	8,917	40,251	38,960	79,211	2,270,303,000
1991	35,984	36,461	72,445	5,325	3,253	8,578	41,309	39,714	81,023	2,461,352,000
1992	35,263	35,447	70,710	4,069	2,415	6,484	39,332	37,862	77,194	2,439,708,000
1993	35,782	35,324	71,106	3,734	2,306	6,040	39,516	37,630	77,146	2,450,350,000

NUMBER OF RECURRING BENEFIT PAYMENTS - SYSTEM TRUST FUND

FY Ended June 30	Retirement Annuities	Survivors' Annuities	Disability* Benefits	Total
1984	20,157	7,371	1,799	29,327
1985	20,969	7,626	1,734	30,329
1986	21,771	7,823	1,703	31,297
1987	22,529	8,015	1,577	32,121
1988	23,038	8,296	1,536	32,870
1989	23,572	8,499	1,458	33,529
1990	23,864	8,629	1,501	33,994
1991	24,283	8,819	1,583	34,685
1992	28,501	8,951	1,559	39,011
1993	28,308	9,115	1,643	39,066

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

TERMINATION REFUNDS - NUMBER/AMOUNT - SYSTEM TRUST FUND

1984	7,664	$13,349,332
1985	5,638	12,339,874
1986	5,118	12,587,868
1987	4,930	11,192,197
1988	4,431	11,015,216
1989	3,879	11,393,289
1990	3,509	11,088,659
1991	3,235	10,488,713
1992	3,257	11,634,268
1993	2,797	10,737,417

RETIREMENT ANNUITIES - SYSTEM TRUST FUND
Average Monthly Benefit For Current Year Retirees By Type

Fiscal Year Ending June 30	1993	1992	1991	1990	1989
Not Coordinated with Social Security	$ 1,057.75	$ 1,860.38	$ 1,237.79	$ 1,153.58	$ 975.24
Coordinated with Social Security	418.51	683.38	404.26	411.07	371.83
Alternative Formula	3,425.19	2,863.17	2,821.34	2,903.27	2,450.98
Dept. of Corrections - Special Formula - Not Coordinated with Social Security	2,111.92	1,944.69	1,640.16	1,469.27	1,393.57
Dept. of Corrections - Special Formula Coordinated with Social Security	945.65	1,341.49	993.56	968.73	863.82
Air Pilots - Coordinated with Social Security	-	2,082.77	-	-	-
Court Reporters - Not Coordinated with Social Security	-	1,981.77	1,440.34	1,949.44	-
Court Reporters - Coordinated with Social Security	399.37	1,120.78	328.58	705.94	-
Total Average	$ 1,302.27	$ 1,243.94	$ 784.48	$ 802.07	$ 672.93

RETIREMENT ANNUITIES - SYSTEM TRUST FUND
Current Age of Active Recipients

	Fiscal Year Ending June 30				
Age	1993	1992	1991	1990	1989
Under 51	223	109	8	6	1
51-55	768	905	159	168	196
56-60	1,880	1,973	792	770	735
61-65	4,184	4,563	3,495	3,517	3,697
66-70	6,375	6,354	5,865	5,808	5,705
71-75	5,755	5,665	5,460	5,485	5,480
76-80	4,589	4,634	4,495	4,325	4,190
81-85	2,871	2,684	2,516	2,391	2,242
86-89	1,038	1,030	934	899	852
Over 89	625	584	559	495	474
Total	28,308	28,501	24,283	23,864	23,572
Average age	71.44	71.19	72.70	72.55	72.35

RETIREMENT ANNUITIES - SYSTEM TRUST FUND
Average Service (in months) for Current Year Retirees at Effective Date of Benefit

Fiscal Year Ending June 30	1993	1992	1991	1990	1989
Not Coordinated with Social Security	350.78	407.93	344.13	339.78	319.85
Coordinated with Social Security	216.06	207.55	209.78	209.45	205.34
Alternative Formula	350.02	346.61	341.68	346.42	333.31
Dept. of Corrections - Special Formula - Not Coordinated with Social Security	354.05	369.84	324.05	327.02	326.29
Dept. of Corrections -Special Formula - Coordinated with Social Security	277.78	307.44	278.35	261.29	275.29
Air Pilots - Coordinated with Social Security	-	338.00	-	-	-
Court Reporters - Not Coordinated with Social Security	-	380.92	309.05	389.80	-
Court Reporters - Coordinated with Social Security	177.75	299.71	172.00	199.37	-
Total Average	279.31	324.55	259.32	260.82	252.01

Annuitants by Benefit Range (Monthly) June 30, 1993

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-100	987	987	3.5	3.5
101-200	4,280	5,265	15.1	18.6
201-300	4,012	9,279	14.2	32.8
301-400	3,187	12,466	11.3	44.1
401-500	2,397	14,863	8.5	52.6
501-600	1,920	16,783	6.8	59.4
601-700	1,464	18,247	5.2	64.6
701-800	1,109	19,356	3.9	68.5
801-900	952	20,308	3.4	71.9
901-1000	798	21,106	2.8	74.7
1001-1100	791	21,897	2.8	77.5
1101-1200	656	22,553	2.3	79.8
1201-1300	553	23,106	2.0	81.8
1301-1400	494	23,600	1.7	83.5
1401-1500	424	24,024	1.5	85.0
1501-1600	434	24,458	1.5	86.5
1601-1700	379	24,837	1.3	87.8
1701-1800	335	25,172	1.2	89.0
1801-1900	306	25,478	1.1	90.1
1901-2000	304	25,782	1.1	91.2
2001-2100	229	26,011	0.8	92.0
2101-2200	221	26,232	0.8	92.8
2201-5000	2,073	28,305	7.3	100.0
5000- & over	3	28,308	0.0	100.0

Widow's and Survivors' by Benefit Range (Monthly) June 30, 1993

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-100	2,435	2,435	26.7	26.7
101-200	2,224	4,659	24.4	51.1
201-300	1,798	6,457	19.7	70.8
301-400	1,164	7,621	12.8	83.6
401-500	741	8,362	8.1	91.7
501-600	238	8,600	2.6	94.3
601-700	154	8,754	1.7	96.0
701-800	122	8,876	1.3	97.3
801-900	84	8,960	0.9	98.2
901-1000	54	9,014	0.6	98.8
1001-1100	28	9,042	0.3	99.1
1101-1200	26	9,068	0.3	99.4
1201-1300	16	9,084	0.2	99.6
1301-1400	11	9,095	0.1	99.7
1401-1500	5	9,100	0.1	99.8
1501-1600	4	9,104	0.1	99.9
1601-1700	4	9,108	0.0	99.9
1701-1800	3	9,111	0.0	99.9
1801-1900	1	9,112	0.0	99.9
1901-2000	1	9,113	0.0	99.9
2001-2100	0	9,113	0.0	99.9
2101-2200	2	9,115	0.1	100.0
2201-5000	0	9,115	0.0	100.0

Occupational and Non-Occupational (Incl. Temp) Disabilities by Benefit Range (Monthly) June 30, 1993

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-100	34	34	2.1	2.1
101-200	116	150	7.1	9.2
201-300	227	377	13.8	23.0
301-400	206	583	12.5	35.5
401-500	143	726	8.7	44.2
501-600	97	823	5.9	50.1
601-700	76	899	4.6	54.7
701-800	98	997	6.0	60.7
801-900	105	1,102	6.4	67.1
901-1000	120	1,222	7.3	74.4
1001-1100	88	1,310	5.4	79.8
1101-1200	67	1,377	4.1	83.9
1201-1300	79	1,456	4.8	88.7
1301-1400	60	1,516	3.7	92.4
1401-1500	42	1,558	2.6	95.0
1501-1600	18	1,576	1.1	96.1
1601-1700	21	1,597	1.3	97.4
1701-1800	13	1,610	0.8	98.2
1801-1900	8	1,618	0.5	98.7
1901-2000	7	1,625	0.4	99.1
2001-2100	7	1,632	0.4	99.5
2101-2200	2	1,634	0.1	99.6
2201-5000	9	1,643	0.5	100.0

Active Retirees by State

PLAN SUMMARY AND LEGISLATIVE SECTION

Plan Summary

Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 1993)

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 themselves and their dependents 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 consisting of seven 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 ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

Generally all persons entering state service become members of the System after serving a six-month qualifying period unless their position is subject to membership in another state supported system. Any enrollee of the Young Adult Conservation Corps is excluded from membership. Employees appointed by the Governor and requiring confirmation by the State of Illinois Senate may elect to become members of the System. Several other exceptions may also apply.

4. MEMBERS 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, Special Agents, Firefighters, Secretary of State Investigators, Conservation Police Officers, Department of Revenue Investigators, Central Management Services Security Police, Mental Health Police Officers, Dangerous Drug Investigators for Department of Alcoholism and Substance Abuse, Attorney General Investigators, State's Attorneys Appellate Prosecutor Investigators, and Commerce Comission Police Officer - 9 1/2% of salary

D. Full Time Security Employees of the Department of Corrections; Air Pilots -
(1) Coordinated with Social Security - 5 1/2% of salary
(2) Without Social Security - 9 1/2% of salary

Members coordinated with social security also pay the current social security tax rate.

Effective January 1, 1992, most state agencies began participation in an employer pickup of employee retirement contributions program. The employer (i.e. the State of Illinois) now pays all or a part of the required employee contributions on behalf of their employees.

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. Security employees of the Department of Corrections and the Department of Mental Health and Developmental Disabilities - Chester, Illinois who are not eligible for the Alternative Formula must have at least 20 years of membership service to qualify for special pension formulas which will apply only to the service earned while in a security position.

Members in Alternative Formula positions are eligible at age 50 with at least 25 years of eligible creditable service or at age 55 with at least 20 years of eligible creditable service in such a position.

B. Amount of Pension

The pension is based on the member's final average compensation and the number of years of pension credit that have been established. The pension formula reflects a graded or progressive method according to length of service as follows:

Years of Credit	Employees Under Social Security	Employees Not Under Social Security	Full Time Security Employees- Dept. of Corrections* Under S.S./Not Under S.S.		Alternative Formula, i.e. Police and other positions Under S.S./Not Under S.S.		Court Reporter Under S.S./Not Under S.S.	
Each of the first 10 years of credit	1.0%	1.67%	1.67%	1.90%	1.67%	2.25%	1.5%	2.2%
Each of the second 10 years of credit	1.1%	1.90%	1.90%	2.10%	1.90%	2.50%	1.5%	2.2%
Each of the third 10 years of credit	1.3%	2.10%	2.10%	2.25%	2.10%	2.75%	1.5%	2.2%
Each year above 30 years	1.5%	2.30%	2.30%	2.50%	2.30%	2.75%	1.5%	2.2%

*Who are not eligible for the Alternative Formula. Also included in this group are Department of Mental Health - Chester, Illinois security employees.

The maximum pension payable is 75% of final average compensation. The minimum pension payable is $7.50 for each year of covered employment and $15.00 for each year of noncovered employment.

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 62, the age at which the member can receive unreduced social security benefits 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% are granted to members effective each January 1, after receipt of benefits for one full year.

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 or over 18 if mentally or physically disabled; unmarried children under age 18 if no spouse survives; or dependent parents at age 50 if neither an eligible spouse nor eligible children survive the member.

A spouse that is the sole nominated beneficiary and sole survivor may elect other death benefits in Number 9 on page 61.

B. Amount of Payment

If the member's death occurs before retirement, the named beneficiary receives a lump sum refund of all the member's pension contributions plus the interest credited to the member's account, excluding contributions for widow and survivors' benefits. A single lump sum payment of $1,000 is also made 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 or 80% of final average compensation. If only eligible children survive, the monthly annuity may not exceed the lessor 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 the same as during active employment or 80% of the earned pension at date of death.

The minimum total survivor benefit payable to the survivors' annuity beneficiaries of a deceased member or annuitant shall be 50% of the amount of retirement annuity that was or would have been payable to the deceased member on the date of death. 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 eligible to receive from social security as a widow(er). The social security offset may not reduce the benefit by more than 50%.

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, which terminate at death or gainful employment. Dependent parents' benefits terminate at death or remarriage.

D. Annual Increase in Benefit

The survivor benefit is increased by 3% each January 1, after receipt of benefits for one full year.

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 Survivors' 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 5% 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 eligible to receive from social security as a widow. The social security offset may not reduce the benefit by more than 50%.

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).

D. Annual Increase in Benefit

The widow's benefit is increased by 3% each January 1, after receipt of benefits for one full year.

8. OCCUPATIONAL DEATH BENEFIT

A. Qualification of Survivors

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

B. Amount of Payment

The nominated beneficiary receives a lump sum payment consisting of all contributions made by the member plus the interest credited to the member's account. A surviving spouse is entitled to a monthly benefit equal to 50% of the member's final average compensation. 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 eligible spouse and children under age 18 survive, each child receives a monthly allowance of 15% of the final average compensation. The combined payment to children may not exceed 50% of the member's final average compensation. If there is no eligible 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 Workers' Compensation Act or Workers' Occupational Diseases Act.

C. Duration of Payment

The monthly annuity payable to a spouse terminates at death, or remarriage before age 55; to children at death, or attainment of age 18, or marriage.

D. Annual Increase in Benefits

The Occupational Death Benefit is increased by 3% each January 1 after receipt of benefits for one full year.

9. OTHER DEATH BENEFITS

If the beneficiary(ies) 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 a member's death occurred while in state service the benefit consists of: (1) a refund of all contributions plus the 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 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 the 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 who has established at least one and one-half years of creditable service and who has been granted a disability leave of absence by the employing agency. The benefit is 50% of final average compensation and credit to the member's account of service and contributions. It begins on the 31st day of absence from service on account of disability (including any periods for which sick pay was received).

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 or retirement 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; (4) attainment of age 65, if benefit commenced prior to the attainment of age 60; (5) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60; or (6) death of the member.

C. Increase in Benefit

The Nonoccupational Disability benefit shall be increased by 7% following the fourth anniversary of the benefit and 3% each year thereafter.

11. OCCUPATIONAL DISABILITY BENEFIT

A. Qualification and Amount of Payment

Provided for any member who becomes disabled as the direct result of injury or disease 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 payment received under the Workers' Compensation Act or Workers' Occupational Diseases Act.

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; (4) the fifth anniversary of the effective date of the benefit if the benefit commenced on or after the attainment of age 60; or (5) death of the member.

C. Increase in Benefit

The Occupational Disability benefit shall be increased by 7% following the fourth anniversary of the benefit and 3% each year thereafter.

12. TEMPORARY DISABILITY BENEFIT

A. Qualification and Amount of Benefit

Available to any member who becomes disabled, has established at least one and one - half years of creditable service, has been denied benefits under the Workers' Compensation Act or the Workers' Occupational Diseases Act, and has filed an appeal with the Industrial Commission of Illinois. The benefit is 50% of final average compensation plus credit to the member's account of service and contributions. The benefit shall begin to accrue on the 31st day of absence from service and shall be payable upon the expiration of 180 days from the day the member last received compensation.

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 or retirement payment to which he is eligible 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 the 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; or (6) death of the member.

13. SEPARATION BENEFITS

Upon termination of state employment by resignation, discharge, dismissal or layoff, 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.

LEGISLATION

LEGISLATIVE AMENDMENTS - Amendments with an effective date during fiscal year 1993 having an impact on the System were:

SENATE BILL 1949 (P.A. 87-0925)

Changed the state's Unclaimed Property Act to provide for a holding period of five instead of seven years. This resulted in the availability of an additional $50 million which was divided among the five state financed retirement systems during FY93. As a result of this legislation, the System received an additional $8.6 million.

HOUSE BILL 3230 (P.A. 87-0923)

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 that $4 million a year, enactment of this legislation establishes a very positive precedent.

SENATE BILL 1650 (P.A. 87-1265)

This bill contained a significant number of changes to the law governing the State Employees' Retirement System. A summary of these changes are as follows:

- The Illinois Pension Code general provisions were modified to allow for the direct transfer of taxable contributions to an Individual Retirement Account (IRA), for those members requesting a refund of their contributions.

- Allows any active member of SERS who is an investigator for the officer of State's Attorneys Appellate Prosecutor to transfer certain police pension fund credit to SERS upon payment of the required amount.

- Made technical changes to the definition of "Compensation"

- Allows full-time employees of the LEAA-ILEC grant project to establish service credit for time prior to that project becoming State's Attorneys Appellate Service Commission, now known as the Office of the State's Attorneys Appellate Prosecutor.

- Allows an employee who was erroneously classified for social security purposes to have his/her time worked to be deemed as non-covered, providing the employee makes application to the SERS board within 30 days of this Act. The time period subject to error is specified in the Act.

- Allows a member to establish service credit for up to one year while he/she was on leave of absence subject to certain conditions.

- Allows for transfer of creditable service from Article 5 and 7 pension funds under certain conditions.

- Allows for an early retirement incentive program (ERI) for State Police. Eligibility provisions are stipulated in the Act and qualifying members were able to establish up to 5 years of service credit. For each month of service credit established under Section 14-108.4, a person's age at retirement shall be deemed to be one month older than it actually is.

  Provides that the SERS board shall determine the unfunded accrued liability created by the granting of early retirement benefits to state policemen under Section 14-108.4 and certify that amount to Department of State Police, the State Comptroller, the State Treasurer, and the Bureau of the Budget by June 1, 1993. The department of State Police shall pay to SERS the amount of the unfunded accrued liability over a 7- year period at a rate of 14.3% per year, plus interest on the unpaid balance at an actuarially determined rate.

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Senate Bill 1650 (P.A. 87-1265) - continued

If for any reason the General Assembly fails by September 1 of any fiscal year to appropriate the amount necessary to the Department of State Police, a continuing appropriation authority shall be invoked.

- Extends the benefits of the Alternative Retirement Annuity formula to the following categories:
  1) investigator for the Office of the Attorney General;
  2) controlled substance inspector of the Department of Alcoholism and Substance Abuse;
  3) investigator for the Office of the State's Attorneys Appellate Prosecutor; and
  4) police officer of the Illinois Commerce Commission.

- Under certain conditions, state policemen and investigators for the Office of the State's Attorney Appellate Prosecutor may elect to establish service credit by transferring service from other public pension funds to SERS, accompanied by an amount prescribed in the Act.

- The timing of the automatic increase in retirement annuity was modified.

- Allows for repayment of a refund without a return to service, provided the application and repayment are made by April 1, 1993; and

- Technical changes were made to the definition of the SERS Board and voting requirements.

NEW LEGISLATION - There was no new legislation with an effective date subsequent to June 30, 1993, affecting the operation of the System.