GENERAL ASSEMBLY RETIREMENT SYSTEM

OF ILLINOIS

FORTY-FIRST ANNUAL REPORT

OF THE

BOARD OF TRUSTEES

FOR THE FISCAL YEAR ENDED

June 30, 1988

General Assembly Retirement System
415 Iles Park Place
Springfield, Illinois 62718

Telephone: (217) 782-8500

CONTENTS

STATE OF ILLINOIS

GENERAL ASSEMBLY RETIREMENT SYSTEM

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NORMAN E. LENTZ
ADMINISTRATIVE SECRETARY

February 28, 1989

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

Dear Governor Thompson:

On behalf of the Board of Trustees of the General Assembly Retirement System of Illinois, I take pleasure in presenting its FORTY-FIRST ANNUAL REPORT covering the operations of the System for the fiscal year ended June 30, 1988.

Respectfuly submitted,

Philip J. Rock

PHILIP J. ROCK,
Chairman

FORTY-FIRST ANNUAL REPORT OF THE BOARD OF TRUSTEES

For the Fiscal Year Ended June 30, 1988

Presented herewith is the Forty-First Annual Report of the Board of Trustees of the General Assembly Retirement System of Illinois for the fiscal year ended June 30, 1988. This report discusses the results of operations of the System for the year and includes a report by the Actuary on the results of an actuarial valuation as of the aforesaid date.

Membership Statistics

	Participants		Retired	Survivor	
	Active	Inactive	Members	Annuitants	Totals
Number at July 1, 1987	188	86	206	123	603
Additions	1	3	5	6	15
Deductions	(4)	(6)	(13)	(6)	(29)
Number at June 30, 1988	185	83	198	123	589

Inactive participants represent 83 former members of the General Assembly who elected to maintain their accumulated pension credits in the System. It is anticipated that the majority of these credits will eventually be used in the form of annuities upon attainment of the prescribed ages of retirement.

Retirements. Members on retirement at the close of the year numbered 198 receiving annual pension payments totaling $2,975,143. The following statistics cover these pension recipients:

1.	Average annual annuity	$15,026
2.	Average age at retirement	60.6
3.	Average length of service	14.2
4.	Average annual salary at retirement	$24,283
5.	Average age at June 30, 1987	69.5
6.	Proportion of married annuitants	90
7.	Average annual annuity to an eligible spouse	$14,556

Survivors' annuities. There were 123 survivors of deceased members in receipt of annuity payments totaling $594,668 per year. This compares with 123 recipients of these annuities at the end of the preceding fiscal year. The average age of these beneficiaries at June 30, 1988 was 74.1 years.

In addition there were 3 reversionary annuities in force at June 30, 1988 receiving a total of $16,644 per year. Their average age was 70.7 years.

Financial review. The accumulated reserves at the close of the year amounted to $30,108,655. The increase in these reserves for the year was $956,050. The accumulated contribution credits of the members were equal to 20.5% of the total reserves.

Total revenues for the 1988 fiscal year amounted to $4,699,468 from the following sources:

Contributions and interest paid by participants. . .	$ 796,372
Employer contributions by State	1,970,000
Income from Investments	1,760,301
Net realized gain on the sale of investments	172,795
Total revenues for the year	$4,699,468

Total expenditures for the year amounted to $3,030,995 for the following purposes:

Retirement annuities	$3,030,995
Survivors' annuities	587,088
Refunds of member contributions	16,717
Administrative expenses	108,618
Total expenditures for the year	$3,743,418
Excess of total revenues over total expenditures	$ 956,050

Net revenues for the year of $956,050 compare with $2,413,629 in the preceding fiscal year or a decrease of $1,457,579.

Investments. The investment of the net reserves of the System is under the management of the "Illinois State Board of Investment." That agency also manages the investments of the Judges Retirement System and the State Employees' Retirement System of Illinois. Under Article 22A of the Illinois Pension Code governing the Illinois State Board of Investment, the Chairman of the Board of Trustees of each participating retirement system is, ex officio, a member of the State Investment Board.

The assets of the General Assembly Retirement System are part of the Commingled Fund managed by the Illinois State Board of Investment which had a market value of approximately $2.669 billion as of June 30, 1988. The assets of the General Assembly Retirement System were approximately 1.165% of the Commingled Fund and were diversified in the following manner:

	Cost	Market
U.S. Government & Agency Obligations	$ 4,789,294	$ 4,792,969
Foreign Obligations	363,683	384,952
Corporate Obligations	6,192,697	6,547,408
Convertible Bonds	1,060,296	1,103,799
Common Stock & Equity Fund	11,648,466	12,113,115
Convertible Preferred Stock	274,602	295,653
Preferred Stock	67,002	36,734
Real Estate Pooled Funds	2,373,877	2,946,783
Venture Capital	636,568	671,827
Money Market Instruments	1,909,448	1,910,080
Other Assets, less liabilities	304,950	306,251
	$29,620,883	$31,109,571

The Commingled Fund produced a total rate of return (Capital appreciation plus income) of 2.5% for the fiscal year 1988.

Funding. The law governing the System requires that the Board of Trustees submit to the Governor, prior to each regular session of the General Assembly, the appropriation requirements of the System for the ensuing fiscal year. The appropriation by the State is to be in an amount which, when added to the current members' contributions and the amount of income accruing from other sources, will result in the accumulation of reserves to meet the actuarial or accrual funding of financial requirements of the System.

For the year 1988-1989 the Board of Trustees received an appropriation of $1,933,700 from the General Revenue Fund of the State of Illinois. Based on the findings and recommendations of the Actuary of the System, an amount of $3,679,100 has been requested for the 1989-1990 fiscal year. This has been based on an actuarial funding requirement of normal cost plus interest on the unfunded liability.

It is the policy of the Board and the efforts of the administrative staff to provide a full measure of service to the participating members and benefit recipients of the System.

Respectfully submitted,

Philip J. Rock
Chairman

REPORT OF THE ACTUARY

June 30, 1988

S. Goldstein and Associates
consulting actuaries

One North LaSalle Street
Suite 4220
Chicago, Illinois 60602
(312) 726-5877

October 28, 1988

Board of Trustees
General Assembly Retirement System of Illinois
415 Iles Park Place
Springfield, Illinois 62718

Re: Actuarial Valuation As Of June 30, 1988

I am pleased to submit my actuarial report on the financial position and funding requirements of the General Assembly Retirement System of Illinois based on the actuarial valuation as of June 30, 1988.

The report consists of 10 Sections as follows:

I would be pleased to discuss any aspects of this report with you at your convenience.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 3402

A. PURPOSE AND SUMMARY

We have carried out an actuarial valuation of the General Assembly Retirement System of Illinois as of June 30, 1988. The purpose of the valuation was to determine the financial position and funding requirements of the retirement system. This report is intended to present the results of the valuation. The results are summarized below:

1.	Total actuarial liability	$ 64,160,481
2.	Actuarial value of assets	32,480,301
3.	Unfunded actuarial liability	31,680,180
4.	Funded Ratio	50.6%
5.	Employer FY 89 funding requirement of normal cost plus interest on the unfunded liability	$ 3,514,623
6.	Employer FY 89 funding requirement of normal cost plus amount required to pay off unfunded liability over 40 years as a level percent of payroll	2,571,314
7.	Estimated total employer contribution for FY 88	1,997,500
8.	Employer FY 90 funding requirement of normal cost plus interest on the unfunded liability	3,679,149
9.	Employer FY 90 funding requirement of normal cost plus amount required to pay off unfunded liability over 40 years as a level percent of payroll	2,690,667
10.	Actuarial present value of credited projected benefits	$ 64,160,481

B. DATA USED FOR THE VALUATION

Participant Data. The participant data required to carry out the valuation was supplied by the retirement system. The membership of the system as of June 30, 1988 on which the valuation was based is summarized in Exhibit 1. It can be seen that there were 185 active members, 198 members receiving retirement annuities, and 123 members receiving surviving spouse's annuities included in the valuation. The total active payroll as of June 30, 1988 was $6,873,250.

Exhibit 1

Summary of Membership Data

1. Number of Members.		
(a) Active Members		185
(b) Members Receiving		
(i) Retirement Annuities		198
(ii) Surviving Spouse's Annuties		123
(c) Inactive Members		83
2. Annual Salaries		
(a) Total salary	$	6,873,250
(b) Average Salary		37,153
3. Total accumulated employee contributions	$	5,421,829
4. Annual Annuity Payments		
(a) Retirement Annuities	$	2,975,143
(b) Surviving Spouse's Annuities		594,668

Assets. The asset values used for the valuation were based on the asset information contained in the unaudited statement of assets as of June 30, 1988 prepared by the system. For purposes of the valuation, the book value of the assets of the system less the amount of current liabilities was increased by the average excess of the market value of assets over the book value of assets of the system as of the last three year ends. The resulting actuarial value of assets was $32,480,301. The development of this value is outlined in Exhibit 2.

Exhibit 2

Actuarial Value of Assets

1.	Total book value of assets	$ 30,134,856
2.	Current liabilities	26,201
3.	Net assets at book value (1-2)	$ 30,108,655
4.	Average excess of market value of assets over book value of assets over the last three years	2,371,646
5.	Actuarial value of assets	$ 32,480,301

C. RETIREMENT SYSTEM PROVISIONS

The actuarial valuation was based on the provisions of the retirement system in effect as of June 30, 1988 as provided in Article 2 of the Illinois Pension Code.

D. ACTUARIAL ASSUMPTIONS AND COST METHOD

Actuarial Assumptions

The same actuarial assumptions were used for the June 30, 1988 actuarial valuation as were used for the June 30, 1987 valuation. These actuarial assumptions were based on an experience analysis of the retirement system for the period 1984 through 1987. The major actuarial assumptions used for the valuation are summarized below:

Mortality Rates The UP-1984 Mortality Table was used for the valuation.

Termination Rates. Termination rates based on the recent experience of the system were used. The following termination rates were used:

Age	Rate of Termination
20 - 54	.080
55 and over	.000

Disability Rates. Disability rates based on the recent experience of the system as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability
30	.00057
35	.00064
40	.00083
45	.00115
50	.00170

Retirement Rates. Rates of retirement for each age from 55 to 70 based on the recent experience of the system were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.2
60	.1
65	.1
70	1.0

The above retirement rates are equivalent to an average retirement age of approximately 62.

Salary Increase. A salary increase assumption of 6.0% per year, compounded annually, was used.

Interest Rate. An interest rate assumption of 7.5% per year, compounded annually, was used.

Marital Status. It was assumed that 75% of active members will be married at the time of retirement.

Spouse's Age. The age of the spouse was assumed to be 4 years younger than the age of the employee.

Actuarial Cost Method

The projected unit credit actuarial cost method was used for the June 30, 1988 valuation. This is the same actuarial cost method that was used for the June 30, 1987 valuation.

E. ACTUARIAL LIABILITY

The actuarial liability as determined under the valuation for the various classes of members is summarized in Exhibit 3. The total actuarial liability is then compared with the actuarial value of assets in order to arrive at the unfunded actuarial liability.

As of June 30, 1988, the total actuarial liability is $64,160,481, the actuarial value of assets is $32,480,301, and the unfunded actuarial liability is $31,680,180. The ratio of the actuarial value of assets to the actuarial liability, or funded ratio, is 50.6%.

Exhibit 3

Actuarial Liability As Of June 30, 1988

1. Actuarial Liability For Active Members

(a) Basic retirement annuity	$ 11,371,459
(b) Annual increase in retirement annuity	2,026,428
(c) Pre-retirement survivor's annuity	1,069,933
(d) Post-retirement survivor's annuity	2,308,897
(e) Withdrawal benefits	4,812,165
(f) Disability benefits	147,696
(g) Total	$ 21,736,578

2. Actuarial Liability For Members Receiving Benefits

(a) Retirement annuities	$ 32,335,057
(b) Survivor annuties	4,820,324
(c) Total	$ 37,155,381

3. Actuarial Liability For Inactive Members	5,268,522
4. Total Actuarial Liability	$ 64,160,481
5. Actuarial Value of Assets	$ 32,480,301
6. Unfunded Actuarial Liability	$ 31,680,180
7. Funded Ratio	50.6%

F. Employer's Normal Cost

The employer's share of the normal cost for the year beginning July 1, 1988 is developed in Exhibit 4. For the year beginning July 1, 1988, the total normal cost is determined to be $2,013,416, employee contributions are estimated to be $790,424, resulting in the employer's share of the normal cost of $1,222,992.

Based on a payroll of $6,873,250, the employer's share of the normal cost can be expressed as 17.79% of payroll.

Exhibit 4

Employer's Normal Cost For Year Beginning July 1, 1988

		Dollar Amount	Per Cent Of Payroll
1.	Basic retirement annuity	$ 935,498	13.61%
2.	Annual increase in retirement annuity	160,902	2.34
3.	Pre-retirement survivor's annuity	103,613	1.51
4.	Post-retirement survivor's annuity	190,454	2.77
5.	Withdrawal benefits	494,556	7.20
6.	Disability benefits	14,344	.21
7.	Administrative expenses	114,049	1.66
8.	Total normal cost	$ 2,013,416	29.29%
9.	Employee contributions	790,424	11.50%
10.	Employer's share of normal cost	$ 1,222,992	17.79%

Note. The above figures are based on a total active payroll of $6,873,250 as of June 30, 1988.

G. EMPLOYER'S FUNDING REQUIREMENT FOR YEAR BEGINNING JULY 1, 1988

I. Employer's Actuarial Funding Requirement Of Normal Cost Plus Interest On The Unfunded Liability

A number of organizations that have in the past advocated actuarial funding for public retirement systems have recommended that as a minimum, public employers contribute annually an amount equal to "normal cost plus interest on the unfunded liability". By paying the normal cost each year, the accruing cost of pensions is met as service is rendered by employees. By paying interest on the unfunded actuarial liability, the unfunded actuarial liability is stabilized. Although no attempt is made to pay off the unfunded actuarial liability, this approach is nevertheless considered acceptable for public retirement systems where permanence can be taken for granted and full funding is not regarded as essential.

The employer's funding requirement of normal cost plus interest on the unfunded liability for the year beginning July 1, 1988 is developed in Exhibit 5.

It can be seen from Exhibit 5 that for the year beginning July 1, 1988, the employer funding requirement of normal cost plus interest on the unfunded actuarial liability amounts to $3,514,623. Total state appropriations for the year are estimated to amount to $1,997,500. Thus, employer contributions for the year are expected to fall short of the employer funding requirement by $1,517,123. This deficiency in employer contributions can be expressed as 22.07% of payroll.

Exhibit 5

Funding Requirement For Year Beginning July 1, 1988

1.	Employer's share of normal cost	$ 1,222,992
2.	Interest on the unfunded actuarial liability	2,291,631
3.	Employer's funding requirement of normal cost plus interest on the unfunded actuarial liability	$ 3,514,623
4.	Estimated employer contribution for the year	1,997,500
5.	Estimate of amount by which employer contributions are expected to fall short of the funding requirement of normal cost plus interest on the unfunded liability	$ 1,517,123

II. Employer's Actuarial Funding Requirement Of Normal Cost Plus Amount Required To Pay Off Unfunded Liability Over 40 Years As A Level Percent Of Payroll

Paying interest on the unfunded liability is one approach for controlling a retirement system's unfunded liability. There is an alternative to this approach under which contributions toward the unfunded liability are initially somewhat lower but which in the long run can still be considered to be a fiscally sound approach for funding public retirement systems. Under this alternative approach, the unfunded liability is amortized by payments which represent a level percentage of active membership payroll. This is sometimes referred to as the level percentage of payroll amortization approach.

Since the active payroll can be expected to increase over time, the level percentage of payroll amortization approach will require a lower contribution toward the unfunded liability in the earlier years than the "interest only" approach and will require greater contributions in the later years. However, the contribution as a percentage of payroll is expected to remain level over time.

In the early years, the level percentage of payroll payment toward the unfunded liability is less than an amount equal to interest on the unfunded liability, resulting in increases in the unfunded liability for a period of time. Eventually the payroll base will increase to a point where the level percentage of payroll approach should pay off the unfunded liability over the amortization period. A potential risk associated with this approach is that payroll increases that are assumed may not materialize. Nevertheless, the level percentage of payroll amortization approach can represent a fiscally sound approach for funding public retirement systems.

The employer's funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years as a level percent of payroll is developed in Exhibit 6.

It can be seen from Exhibit 6 that for the year beginning July 1, 1988, the employer funding requirement of normal cost plus the amount required to amortize the unfunded liability over 40 years as a level percent of payroll amounts to $2,571,314. Actual employer contributions for the year are estimated to amount to $1,997,500. Thus, employer contributions for the year are expected to fall short of the employer funding requirement determined under this basis by $573,814, which can be expressed as 8.35% of payroll.

Exhibit 6

Funding Requirement For Year Beginning July 1, 1988

1.	Employer's share of normal cost	$ 1,222,992
2.	Amount required to amortize the unfunded liability over 40 years as a level percent of payroll	1,348,322
3.	Employer's total funding requirement (1. + 2.)	$ 2,571,314
4.	Estimated employer contribution for the year	1,997,500
5.	Estimate of amount by which employer contributions are expected to fall short of funding requirement (3. - 4.)	$ 573,814

H. STATE APPROPRIATION REQUIREMENTS FOR FISCAL YEAR BEGINNING JULY 1, 1989

The June 30, 1988 actuarial valuation is used to develop the actuarial funding requirements of the system for the year beginning July 1, 1988. For State budgeting purposes, it is necessary to make a projection of the system's actuarial funding requirement for the fiscal year beginning July 1, 1989. Under Section 22-1001 of the Illinois Pension Code, the retirement system is required to submit to the Illinois Economic and Fiscal Commission information regarding the amount required to meet the State's share of the normal cost plus interest on the unfunded liability for the fiscal year commencing July 1, 1989.

We have therefore made some projections to estimate the amount of State appropriations required to meet the system's actuarial funding requirements for the fiscal year commencing July 1, 1989. This has been done under both of the approaches for controlling the system's unfunded liability that were outlined in Section G.

Actuarial Funding Requirement	Required State Appropriations For FY 90	
	Dollar Amount	% of Payroll
Normal Cost Plus Interest On The Unfunded Liability	$3,679,149	51.2%
Normal Cost Plus Amount Required To Amortize Unfunded Liability Over 40 Years As A Level Percent Of Payroll	$2,690,667	37.5%

Note. The above figures are based on a projected payroll of $7,182,546 for the fiscal year commencing July 1, 1989.

I. RECONCILIATION OF CHANGE IN UNFUNDED LIABILITY

The net actuarial experience during the period July 1, 1987 to June 30, 1988 resulted in an increase in the system's unfunded actuarial liability of $1,140,211. This increase in unfunded liability is a result of several kinds of gains and losses. The financial effect of the most significant gains and losses is illustrated in Exhibit 7.

The employer funding requirement for the year of normal cost plus interest on the unfunded actuarial liability amounted to $3,273,090, whereas the actual employer contribution for the year amounted to $1,970,000. Thus, the employer contribution for the year fell short of meeting normal cost plus interest on the unfunded liability by $1,267,090. Had all aspects of the system's experience been in line with the actuarial assumptions, the unfunded liability would have increased by this amount.

The net rate of investment return earned by the system was slightly under the assumed rate of 7.5%. This resulted in an increase in the unfunded liability of $18,000. Salaries increased at an average rate of 5.0% per year in comparison with an assumed rate of 6.0% per year, resulting in a decrease in the unfunded liability of $206,000.

The various other aspects of the system's experience resulted in a net increase in the unfunded liability of $1,140,211.

The aggregate financial experience of the system resulted in an increase in the unfunded liability of $2,219,301.

Exhibit 7

Reconciliation of Change in Unfunded Liability
Over the Period July 1, 1987 to June 30, 1988

1.	Unfunded actuarial liability as of 7/1/87	$ 29,460,879
2.	Employer contribution requirement of normal cost plus interest on the unfunded liability for the period 7/1/87 to 6/30/88	3,273,090
3.	Actual employer contribution for the year	1,970,000
4.	Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	1,267,090
5.	Increase in unfunded liability due to investment return greater than assumed	18,000
6.	Decrease in unfunded liability due to salary increases less than assumed	206,000
7.	Increase in unfunded liability due to other sources	1,140,211
8.	Net increase in unfunded liability for the year (4+5+7-6)	$ 2,219,301
9.	Unfunded actuarial liability as of 6/30/88 (1+8)	$ 31,680,180

J. Actuarial Present Value of Credited Projected Benefits

In November 1986, the Governmental Accounting Standards Board (GASB) issued Statement No. 5 entitled Disclosure of Pension Information by Public Employee Retirement Systems and State and Local Governmental Employers. The statement established standards of disclosure of pension information by public employee retirement systems.

GASB Statement No. 5 requires the disclosure of the actuarial present value of credited projected benefits as the standardized measure of the accrued pension obligation. This measure represents the discounted value of the amount of benefits estimated to be payable in the future as a result of employee service to date, computed by attributing an equal benefit amount to each year of service of the employee.

It should be noted that the actuarial present value of credited projected benefits is equal to the actuarial liability computed under the projected unit credit actuarial cost method. Thus, since the projected unit credit actuarial cost method was used for the valuation, the total actuarial liability of

$64,160,481 as developed in Section E of this report is also the actuarial present value of credited projected benefits that is required to be disclosed under GASB Statement No. 5.

In Exhibit 8 we have shown the actuarial present value of credited projected benefits in the format prescribed in GASB Statement No. 5. It can be seen that the total actuarial present value of credited projected benefits of $64,160,481 is the same as the total actuarial liability under the projected unit credit actuarial cost method.

Exhibit 8.

Actuarial Present Value of Credited Projected Benefits

1. For members in receipt of benefits and for inactive members	$ 42,423,903
2. For current employees	
Accumulated employee contributions	5,421,829
Employer-financed vested	10,761,199
Employer-financed nonvested	5,553,550
3. Total actuarial present value of credited projected benefits	$ 64,160,481
4. Net assets available for benefits, at cost (Market value is $ 31,623,543)	$ 30,134,856
5. Unfunded actuarial present value of credited projected benefits	$ 34,025,625

K. CERTIFICATION

This actuarial report has been prepared in accordance with generally accepted actuarial principles and practices and to the best of my knowledge, fairly represents the financial condition of the General Assembly Retirement System of Illinois as of June 30, 1988.

Respectfully submitted

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 3402

AUDITOR'S REPORT

June 30, 1988

ARTHUR ANDERSEN & CO.

CHICAGO, ILLINOIS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Honorable Robert G. Cronson
Auditor General
State of Illinois

We have examined the balance sheet of the GENERAL ASSEMBLY RETIREMENT SYSTEM--STATE OF ILLINOIS as of June 30, 1988 and 1987, and the related statements of revenues, expenses and changes in fund balance, and changes in financial position for the years then ended. Our examinations were made in accordance with generally accepted auditing standards and the standards for financial audits contained in the U. S. General Accounting Office's Standards for Audits of Governmental Organizations, Programs, Activities and Functions and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

An actuarial study performed by the new actuary employed by the General Assembly Retirement System during fiscal year 1987 resulted in a significant reduction in accrued benefit costs as of June 30, 1987, due to changes in certain actuarial assumptions and other material but not identified reasons. Generally accepted accounting principles require disclosure of the effects, if significant, of certain factors affecting the year-to-year change in accrued benefit cost information. As explained in Note 2 to the financial statements the General Assembly Retirement System has not identified or disclosed all significant factors affecting the change in accrued benefit cost.

In our opinion, except for the omission of information as discussed in the preceding paragraph, the financial statements referred to above present fairly the financial position of the General Assembly Retirement System--State of Illinois as of June 30, 1988 and 1987, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles which, except for the change, with which we concur, in the method used to compute the accrued benefit cost as described in Note 2 to the financial statements, applied on a basis consistent with that of the preceding year.

Our examinations were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary schedules (on Pages 37 to 41) listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our examination of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.

ARTHUR ANDERSEN & CO.

October 14, 1988

GENERAL ASSEMBLY RETIREMENT SYSTEM--
STATE OF ILLINOIS

BALANCE SHEETS

FOR THE YEARS ENDED JUNE 30, 1988 AND 1987

A S S E T S	1988	1987
Cash	$ 494,346	$ 534,782
Receivables-		
Participants' contributions	$ 8,157	$ 880
Refundable annuities	7,582	1,647
Interest on investments	3,889	1,261
	$ 19,628	$ 3,788
Investments held in the Illinois State Board of Investment Commingled Fund--at cost (market value: 1988, $31,109,570; 1987, $31,260,376)	$29,620,883	$28,649,631
	$30,134,857	$29,188,201

LIABILITIES AND FUND BALANCE	1988	1987
Liabilities-		
Annuities and refunds payable	$ -	$ 15,284
Accounts payable	1,894	487
Due to Judges Retirement System of Illinois	24,307	19,825
	$ 26,201	$ 35,596
Fund balance-		
Actuarially determined accrued benefit cost	$64,160,481	$60,635,325
Less- Unfunded accrued benefit cost representing an obligation of the State of Illinois	(34,051,825)	(31,482,720)
Fund balance--funded statutory reserves	$30,108,656	$29,152,605
	$30,134,857	$29,188,201

The accompanying notes to financial statements are an integral part of these statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

STATEMENTS OF REVENUE, EXPENSE AND CHANGES IN FUND BALANCE

FOR THE YEARS ENDED JUNE 30, 1988 AND 1987

	1988	1987
Contributions revenue-		
Participants	$ 796,393	$ 767,483
State of Illinois	1,970,000	2,214,100
Transfers from other systems	-	213
	$ 2,766,393	$ 2,981,796
Net investment income	1,698,455	1,582,462
Interest earned on cash balances	61,848	79,152
Interest received from participants	-	782
Net realized gain on sale of investments	172,795	1,402,272
	$ 4,699,491	$ 6,046,464
Expenses-		
Benefits-		
Retirement annuities	$ 2,681,553	$ 2,597,704
Survivors' annuities	587,092	547,413
Automatic annuity increase	349,442	316,095
	$ 3,618,087	$ 3,461,212
Refunds	16,717	80,202
Administrative	108,636	91,421
	$ 3,743,440	$ 3,632,835
Excess of revenue over expenses	$ 956,051	$ 2,413,629
Fund balance at beginning of year	29,152,605	26,738,976
Fund balance at end of year	$30,108,656	$29,152,605

The accompanying notes to financial statements are an integral part of these statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM--
STATE OF ILLINOIS

STATEMENTS OF CHANGES IN FINANCIAL POSITION
FOR THE YEARS ENDED JUNE 30, 1988 AND 1987

	1988	1987
Sources of working capital-		
Working capital provided by operations--excess of revenue over expense	$ 956,051	$2,413,629
Transfers from ISBI	900,000	550,002
Uses of working capital--investment purchases--reinvested earnings	(1,871,250)	(2,984,734)
Net decrease in working capital	$ (15,199)	$ (21,103)
Elements of net increase (decrease) in working capital-		
Cash	$ (40,434)	$ 22,986
Receivables	15,840	(30,464)
Annuities and refunds payable	15,284	(14,165)
Accounts payable	(1,407)	1,314
Due to Judges Retirement System of Illinois	(4,482)	(774)
Net decrease in working capital	$ (15,199)	$ (21,103)

The accompanying notes to financial statements are an integral part of these statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1988 AND 1987

(1) DESCRIPTION OF SYSTEM:

General-

The General Assembly Retirement System--State of Illinois (General Assembly Retirement System) was established in 1947 as a component unit of the State of Illinois and is governed by Chapter 108-1/2, Article 2 of the Illinois Revised Statutes. The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

At June 30, 1988, the membership of the System was as follows:

Retirees and beneficiaries currently receiving benefits	404
Terminated members entitled to benefits but not yet receiving them	83
Current members-	
Vested	147
Nonvested	38
	===

Pension Benefits-

After eight years of credited service, participants have vested rights to retirement benefits beginning at age 55, or after four years of service with retirement benefits beginning at age 62. The General Assembly Retirement System also provides annual automatic annuity increases after retirement, survivors' annuity benefits, reversionary annuity benefits and, under specified conditions, lump-sum death benefits. Participants who terminate service may receive, upon application, a refund of their total contributions.

The retirement annuity is determined according to the following formula based upon the member's final rate of salary:

3.0% for each of the first 4 years of service, plus
3.5% for each of the next 2 years of service, plus
4.0% for each of the next 2 years of service, plus
4.5% for each of the next 2 years of service, plus
5.0% for each year of service in excess of 12

The maximum retirement annuity payable is 85% of the final rate of salary.

Funding-

The General Assembly Retirement System is funded through contributions from participants, State of Illinois appropriations and investment income. Participants in the General Assembly Retirement System contribute 8-1/2% of their salaries for retirement annuities, 2% for survivors' annuities and 1% for an annual automatic increase in the retirement annuity.

(2) 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 Judges' Retirement System's funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among public employee retirement systems. The measure is independent of the actuarial funding method used to determine contributions to the system, as discussed in Note 3 below.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1988. Significant actuarial assumptions used include (a) a rate of return on the investment of present and future assets of 7.5% per year compounded annually, (b) projected salary increases of 6.0% per year, and (c) mortality rates based on the UP-1984 Mortality Table.

At June 30, 1988, the unfunded pension benefit obligation was $34,051,825 as follows:

Pension benefit obligation-	
Retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	$42,423,903
Current employees-	
Accumulated employee contributions	5,421,829
Employer financed-	
Vested	10,761,199
Nonvested	5,553,550
Total pension benefit obligation	$64,160,481
Net assets available for benefits, at cost (market value is $31,597,343)	30,108,656
Unfunded pension benefit obligation	$34,051,825

(3) CONTRIBUTIONS REQUIRED AND CONTRIBUTIONS MADE:

Employer contributions made by the State of Illinois are based on the payout requirements of the System and are not actuarially determined. Prior to fiscal year 1988, employer contributions had been at a level of approximately 60% of the payout requirements of the System. For fiscal years 1988 and 1989, employer contributions have been at a level of approximately 44% of the payout requirements of the System.

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method. The same actuarial assumptions are used to determine the contribution requirements as are used to compute the pension benefit obligation discussed in Note 2. In the past, the System has used an actuarially determined contribution requirement of normal cost plus interest on the unfunded liability in order to assess the adequacy of employer contributions.

For the year ended June 30, 1988, employee contributions amounted to $796,393, which is 11.5% of payroll. Employer contributions for the year amounted to $1,970,000, which is 28.7% of current-year payroll. The actuarially determined employer contribution requirement of normal cost plus interest on the unfunded liability amounted to $3,273,090. Thus, for the year ended June 30, 1988, employer contributions fell short of meeting the employer actuarially determined contribution requirement by $1,303,090.

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on Page 39.

(4) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Basis of Accounting-

The accounting records of the General Assembly Retirement System are maintained on the accrual basis.

Investments-

Investments of the General Assembly Retirement System are managed by the Illinois State Board of Investment (ISBI) pursuant to Article 22A of the Illinois Pension Code and are held in the Commingled Fund of the ISBI. Investments of the General Assembly Retirement System are reported at the cost of its units of participation in the Commingled Fund of the ISBI.

Units of the Commingled Fund of the ISBI 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 Commingled Fund of the ISBI is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution. Investment income is recognized when earned.

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

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

The General Assembly Retirement System transfers money to the ISBI for investment in the Commingled Fund of the ISBI. 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 investments managed by the Commingled Fund of the ISBI are reported in the appropriate credit risk category in the annual financial report of the Illinois State Board of Investment. Reference should be made to the 1988 annual financial report of the ISBI for additional information relating to the investments of the ISBI. The General Assembly Retirement System owned 1.2% of the ISBI Commingled Fund as of June 30, 1988 and 1987.

Accrued Benefit Cost-

The accrued benefit cost amounts as of June 30, 1988 and 1987, were $64,160,481 and $60,635,325, respectively. The calculations of the accrued benefit cost are made by consulting actuaries as of the end of each fiscal year. The significant assumptions underlying the actuarial computations for the calculations performed as of June 30, 1988, 1987 and 1986, are as follows:

	1988 and 1987	1986
Actuarial method	Projected unit credit cost	Entry age normal
Rate of return on investments	7.5%	6%
Rate of turnover	A moderate scale consistent with the System's experience	20% of active membership in a biennial period
Mortality basis	UP-1984 Mortality Table	1971 group annuity Mortality Table (adjusted by the actuary to provide a margin for mortality increase)
Salary increase	6%	5%
Assumed average age at retirement	62 years	63 years

As shown in the table above, certain actuarial assumptions and the actuarial method were changed in 1987 based on an experience analysis performed by the General Assembly Retirement System's actuary. Together, the changes reduced the accrued benefit cost by $10,840,898. The change in the assumed rate of return on investments from 6% to 7-1/2% together with the change in the assumed rate of annual salary increases from 5% to 6% reduced the accrued benefit cost by $9,680,419. The change in actuarial method from entry age normal method to the alternatively acceptable projected unit credit method reduced the accrued benefit cost by $1,160,479.

The offsetting increase of $5,025,562 in accrued benefit cost is attributable to a number of factors which have not been identified by the General Assembly Retirement System.

The General Assembly Retirement System and its actuary believe that the new method and assumptions are preferable taking into consideration the System's funding and payout experience.

Fund Balance-

The funded statutory reserves of the General Assembly Retirement System are composed of three components as follows:

(a) Reserve for Participants Refundable Contributions--This reserve consists of active participants' accumulated refundable contributions less refunds paid.

(b) Reserve for Automatic Annuity Increase--This reserve represents participants' accumulated contributions for the automatic annuity increase, plus an equal amount contributed by the State of Illinois, plus 4% interest credited on the beginning balance, less automatic annuity increase benefits and refunds paid.

(c) Reserve for Future Operations--This reserve is the balance remaining in the General Assembly Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the General Assembly Retirement System.

Administrative Expenses-

Administrative expenses common to the General Assembly Retirement System and the Judges Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges Retirement System. Invoice/vouchers covering common expenses incurred are paid by the Judges Retirement System, and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 1988 and 1987, were $108,636 and $91,421, respectively.

(5) PENSION DISCLOSURE:

All of the System's full-time employees who are not eligible for another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. The SERS is a single-employer public employee retirement system (PERS) in which the State's departments and agencies participate on a cost-sharing basis. The SERS issues a separate component unit financial report (CUFR). The financial position and results of operations of the SERS for fiscal year 1988 and GASB Statement No. 5 footnote disclosures are also included in the State's Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 1988.

The System's covered payroll fiscal year 1988 was $73,497.

The SERS was established in 1944 and is governed by Article 14 of the Illinois Pension Code. Employees who retire at or after age 60 with 8 years of credited service (or at age 55 with at least 30 years of service with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon final average compensation (average salary for the 48 consecutive month period within the last 120 months of service in which total compensation was the highest) and credited service. The SERS provides for annuities of 1% to 1.67% of final average compensation for each of the first 10 years of service, 1.1% to 1.9% for each of the next 10 years, 1.3% to 2.1% for each of the third ten years and 1.5% to 2.3% for each year over 30 years of service. The maximum pension payable is 75% of final average compensation. Employees with 35 years of credited service may retire at any age with full benefits. The SERS also provides occupational, nonoccupational disability and death benefits.

Employees are obligated to contribute to the SERS based upon their compensation. Employees coordinated with Social Security generally contribute 4% while those not coordinated contribute 8%. The payments of required System contributions, all allowances, annuities, benefits granted under Article 14 of the Illinois Pension Code and all expenses of administration of the system are obligations of the State of Illinois to the extent specified in the Illinois Pension Code.

The System's actuarially determined contribution requirement for fiscal year 1988 was $5,321, or 7.25% of the current year covered payroll. The System's and employee contributions actually made were $2,084 and $4,694, respectively, which represent 2.8% and 6.4%, respectively, of the current year covered payroll.

The pension benefit obligation (PBO) below is the actuarial present value of credited projected benefits for all members of the SERS including the Agencies. It 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. The measure is intended to help users assess the PERS funding status on the going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS. The SERS does not make separate measurement of assets and pension benefit obligations for individual departments and agencies (or systems).

The pension benefit obligation at June 30, 1988, for the SERS as a whole, determined through an actuarial valuation at that date, was $3,490.6 million. The SERS net assets available for benefits on that date (valued at cost) was $2,381.8 million, leaving an unfunded pension benefit obligation of $1,108.8 million. The System's fiscal year 1988 contribution requirement represented 2/10,000% of total contributions required of all State agency/department employers participating in the SERS.

Ten-year historical trend information designed to provide information about the SERS progress made in accumulating sufficient assets to pay benefits when due is presented in its separately issued CUFR for the year ended June 30, 1988.

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

STATEMENTS OF CHANGES IN FUNDED STATUTORY RESERVES

FOR THE YEARS ENDED JUNE 30, 1988 AND 1987

	Total Funded Reserves	Reserve for Participants' Contributions for Retirement and Survivors' Annuities	Reserve for Automatic Annuity Increase	Reserve for Future Operations
Balance at June 30, 1986	$26,738,976	$5,373,363	$1,009,112	$20,356,501
Add (deduct)-				
Excess (deficiency) of revenue over expense	2,413,629	627,739	(189,676)	1,975,566
Reserve transfers-				
Accumulated contributions of members who retired during the year	-	(446,085)	-	446,085
Reserve for automatic annuity increase credited with interest at 4% on the reserve balance at beginning of year	-	-	40,364	(40,364)
Balance at June 30, 1987	$29,152,605	$5,555,017	$ 859,800	$22,737,788
Add (deduct)-				
Excess (deficiency) of revenue over expense	956,031	722,112	(210,936)	444,855
Reserve transfers-				
Accumulated contributions of members who retired during the year	-	(99,190)	-	99,190
Reserve for automatic annuity increase credited with interest at 4% on the reserve balance at beginning of year	-	-	34,392	(34,392)
Other	20	-	-	-
Balance at June 30, 1988	$30,108,656	$6,177,939	$ 683,256	$23,247,441

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

SCHEDULE OF ADMINISTRATIVE EXPENSES

FOR THE YEARS ENDED JUNE 30, 1988 AND 1987

	1988	1987
Personal services and related payroll costs	$ 73,497	$69,835
Contractual services-		
Rentals-		
Office equipment	681	938
Real property	6,747	6,499
Professional and technical services	6,000	9,400
Other	5,678	2,027
Electronic data processing equipment	12,150	-
Travel	537	757
Commodities	1,253	1,055
Telecommunications	2,093	910
Total	$108,636	$91,421

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

ANALYSIS OF FUNDING PROGRESS

FOR THE TWO YEARS ENDED JUNE 30, 1988

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 Obligation as a % Pension Benefit of Covered Payroll (4)+(5)
1987	$29,152,605	$60,635,325	48.1%	$31,482,720	$6,643,710	473.9%
1988	30,108,656	64,160,481	46.9	34,051,825	6,873,250	495.4

Analysis of the dollar amounts of net assets available for benefits, pension 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 adjusted 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.

*At cost.

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

REVENUES BY SOURCE AND EXPENSE BY TYPE

FOR THE YEARS ENDED 1985 THROUGH 1988

REVENUES BY SOURCE

Fiscal Year Ended Year June 30	Member* Contribution	State Contributions	Investment Income	Total
1985	$ 696,185	$2,215,800	$1,501,977	$4,413,962
1986	1,309,140	2,216,200	3,292,056	6,817,396
1987	768,265	2,214,313	3,063,886	6,046,464
1988	796,393	1,970,000	1,933,098	4,699,491
	==========	==========	==========	==========

*Includes transfers from other system of $125,212 and $2,932 in 1986 and 1985, respectively.

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Contribution Refunds	Administrative Expenses	Total
1985	$2,955,395	$118,771	$ 79,401	$3,153,507
1986	3,200,212	42,316	86,763	3,329,291
1987	3,461,212	80,202	91,421	3,632,835
1988	3,618,087	16,717	108,636	3,743,440
	==========	========	========	==========

GENERAL ASSEMBLY RETIREMENT SYSTEM--

STATE OF ILLINOIS

ANALYSIS OF EMPLOYER CONTRIBUTIONS

FOR THE YEAR ENDED JUNE 30, 1988

Employer funding requirement of normal cost plus interest on the unfunded liability, as calculated by the actuary	$3,273,090
Employer contribution made	1,970,000
Deficiency of contribution made over normal cost plus interest on the unfunded liability, as calculated by the actuary	$1,303,090

A P P E N D I X

Summary of Provisions of the Act

Governing the General Assembly Retirement System

SUMMARY OF PROVISIONS OF THE GENERAL ASSEMBLY RETIREMENT SYSTEM

(Includes amendments enacted at the 1985 session of the 84th General Assembly. This summary should not be considered as a substitute for the applicable law)

Membership. Membership includes all members of the General Assembly and State officials of the executive branch who are elected by the vote of the people of the whole State of Illinois

1. PARTICIPATION AND CONTRIBUTIONS OF MEMBERS

Participation. A person eligible for membership must participate in the System as a condition of employment unless an "Election Not to Participate" is filed within 24 months from the date of assuming office.

Continued Participation. A member who has at least 6 years of service as a member of the General Assembly may, following termination of service in the General Assembly, elect to continue participation in the General Assembly Retirement System while employed in certain other positions of public service provided the salary is at least equal to the regular salary of members of the General Assembly. In such case contributions and benefits would be based on the regular salary applicable to members of the General Assembly in effect during such service. This election opportunity will expire December 31, 1991, and the allowance of such continued participation is limited to 4 years.

Contributions. Members must contribute for the following purposes, by payroll deductions, at the rates indicated:

Retirement Annuity	8.5%
Automatic Annuity Increase	1.0
Survivor Annuity	2.0
Total	11.5%

Member Contributions Not Subject to Federal or State Income Tax Until Distributed. Member contributions on earnings received after January 1, 1982 are picked up as employer contributions and, therefore, that amount of salary is not considered as taxable income for Federal or State Income Tax purposes in the year the compensation is received. However, these retirement contributions will be subject to Federal Income Tax when such amounts are distributed as a retirement annuity, survivor's annuity, lump-sum death benefit or refund.

Refund of Contributions. Upon termination of service a member is entitled to a refund of his total contributions without interest.

If unmarried at retirement, a member is entitled to a full refund of his contributions for survivor's annuity. However, this refund may be repaid, with required interest, to qualify a spouse for survivor's benefits if the member marries or remarries after retirement.

2. RETIREMENT ANNUITY

Formula. The retirement annuity is determined according to the following formula based upon the final rate of salary:

> 3.0% for each of the 1st 4 years of service credit;
> 3.5% for each of the next 2 years of service credit;
> 4.0% for each of the next 2 years of service credit;
> 4.5% for each of the next 4 years of service credit;
> 5.0% for each year of service in excess of 12 years;
> Maximum is 85% of salary after 20 years of credit.

SEE ESTIMATE CHART ON FOLLOWING PAGE.

Age and Service Requirements for Retirement. A member may retire at age 55 or over with at least 8 years of service credit or at age 62 or over with between 4 and 8 years of service credit.

Total and Permanent Disability. A participant with at least 8 years of credited service who becomes disabled while in service as a contributing member is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by the amounts received under the Workmen's Compensation Act and the Workmen's Occupational Diseases Act.

Automatic Annuity Increase. An annuitant is eligible for an annual increase of 3% in the base retirement annuity but not prior to age 60. Each annual increase is based upon the original grant of annuity. The initial increase is effective in the month of January of the year next following the year in which the first anniversary of retirement occurs or at age 60, whichever last occurs.

Suspension of Retirement Annuity. An annuitant who reenters service becomes a participant as of the date of reentry and retirement annuity payments cease. Upon subsequent retirement the member shall be entitled to a retirement annuity consisting of (1) the amount of retirement annuity previously granted, and (2) the amount of additional retirement annuity earned by the additional service, subject to the prescribed maximum.

In lieu of the above, such a member may elect to return to the System, in a single sum, all pension payments made to him prior to subsequent retirement and have his retirement annuity recalculated based on all service credited to him as though he had not previously retired.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits from any of the systems being considered would also cause the benefit being paid by the General Assembly Retirement System to be suspended.

ESTIMATE CHART

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS

The following table shows the approximate retirement annuity benefit with the corresponding spouse's annuity with between 8 and 20 years of service credit which is applicable to members terminating service after July 1, 1987, and based on a final annual salary of $35,661.

	RETIREMENT ANNUITY		SPOUSE'S ANNUITY (Note 2)
Years of Service	Percent of Salary	Monthly Amount at Age 55 or Over	Monthly Amount
4 (Note 1)			
8	27%	$ 802	$ 534
10	36%	1,069	712
12	45%	1,337	891
14	55%	1,634	1,089
16	65%	1,931	1,287
18	75%	2,228	1,485
20 and over	85%	2,525	1,683

Note 1. A member terminating service with at least 4 years of credit but less than 8 is eligible to a pension at age 62 or over: 12% for 4 years: $356 month
19% for 6 years: $564 month

Note 2. Payable at age 50 of the spouse if no children survive.

If an unmarried minor child under age 18 also survives the member, the annuity to the spouse begins as of the date of the member's death without regard to age and the annuity is increased.

3. SURVIVORS ANNUITY BENEFITS

Optional Reversionary Annuity. Any member may, prior to his retirement, elect to take a reduced annuity for himself and provide, on an actuarially equated basis, an annuity for a spouse, parent, child, or a brother or sister. A participant desiring to provide such a benefit should file his election with the System at least two years prior to his contemplated date of retirement.

Survivors Annuity - Qualifying Conditions. A surviving spouse without children may be considered for this benefit at age 50 or over provided marriage to the member had been in effect for at least 1 year immediately prior to the member's death.

A surviving spouse with unmarried eligible children of the member may be considered for a survivors annuity benefit at any age provided the marriage requirements forementioned have been met. When all children are disqualified because of death, marriage or attainment of age 18, the spouse's benefit is suspended, if the spouse is under age 50, until attainment of such age.

Remarriage prior to attainment of age 55 shall disqualify a surviving spouse for the receipt of an annuity.

An unmarried child of the member under age 18 may qualify for the survivors benefit if there is no surviving spouse or if the spouse remarries prior to attainment of age 55 or dies. Adopted children have the same status as children of the member if the preceedings for adoption were commenced at least one year prior to the date of the member's death.

Service Requirement. If the member dies while in service as a participant, he must have at least two years of service credit for the survivor's annuity eligibliity. If death occurs after termination of service but before retirement, the deceased member must have at least 8 years of service credit.

Amount of Survivor's Annuity. The benefits payable to survivors in the several categories, provided qualifying provisions and other requirements have been fulfilled, are as follows:

		DEATH IN SERVICE	DEATH AFTER TERMINATION OR RETIREMENT
(a)	Spouse without eligible children of the member	66-2/3% of earned retirement annuity subject to minimum of 10% of salary	66-2/3% of earned retirement annuity
(b)	Spouse with eligible children of the member	30% of salary increased 10% of salary on account of each minor child subject to a maximum of 50% of salary to a family	75% of earned retirement annuity

Amount of Survivor's Annuity. (Cont'd.)

	DEATH IN SERVICE	DEATH AFTER TERMINATION OR RETIREMENT
(c) Children of the member under age 18 when there is no eligible spouse	20% of salary each child subject to a combined total payment of 50% of salary.	20% of salary each child subject to combined total payment equal to 75% of member's earned retirement annuity.

Offset by Workmen's Compensation. The survivor's annuity is subject to reduction by any amounts received by a survivor under the Workmen's Compensation Act or the Workmen's Occupational Diseases Act.

4. LUMP SUM DEATH BENEFITS

Lump sum death benefits are considered only if there are no eligible "survivor's annuity" beneficiaries surviving the deceased member.

Conditions for Payment	Benefits Payable
(a) Death before retirement with no survivors eligible to a survivor's annuity	Refund of total contribution credits to nominated beneficiary or estate.
(b) Death after retirement with no survivors eligible to a survivor's annuity	Refund of excess of (a) contributions over, (b) pension payments. Payable to nominated beneficiary or estate. If total benefits paid equal or exceed contributions, no death benefit is payable.
(c) Death of survivor annuitant with no further survivor's annuity payable	Refund of excess of (a) contributions over, (b) total retirement and survivors payments. Payable to nominated beneficiary or estate of last survivor. If total benefits equal or exceed contributions, no death benefit is payable.

5. PENSION CREDITS ESTABLISHED IN OTHER PUBLIC EMPLOYEE RETIREMENT SYSTEMS IN ILLINOIS

Pension credit for service transferred from other retirement systems. Pension credit for service as a participating employee under Articles 3 through 18 of the Illinois Pension Code may be transferred to the General Assembly Retirement System at the option of a member and subject to the following conditions:

1. That the credits accrued under any of the articles forementioned have been transferred to this System, and

2. That the member has contributed to this System an amount equal to (a) employee contributions at the rate in effect for participants at the date of membership in this System based upon the salary then in effect for members of the General Assembly, (b) the funded cost for the State of Illinois, in effect at such date, and (c) interest at 6% per annum, compounded annually, from the date of membership to the date of payment by the member; less the amount of participant's credits transferred from the other system.

The direct transfer of credits to this system from another system must be made while the member is an active participant of the General Assembly Retirement System.

6. RECIPROCITY

The Retirement Systems' Reciprocal Act (Chapter 108½, Article 20, Illinois Revised Statutes) provides the means for giving effect to pension credits in certain other public retirement systems in Illinois by considering such credits with credits in the General Assembly Retirement System for the purpose of determining eligibility to benefits and for computing the benefits that may be payable to participants and their dependents.

Under the "Retirement Systems' Reciprocal Act", each retirement system considers the provisions of its law in effect on the last date of last termination of service of the member under any of the systems involved. Earnings under all systems are considered by each system in establishing the salary base on which benefits are to be computed. Public employment is considered in sequence by each system in arriving at the proper graded percentage rate of annuity applicable to the member under its graduated annuity formula. Each system is to pay its proportionate annuity to the annuitant but the total payments by all systems cannot exceed the highest maximum annuity of any of the systems being considered if all of the member's public employment had been credited in that system. No additional contributions are required for this provision to be applicable.

7. TAXATION OF BENEFITS

Retirement and survivor's annuity benefits paid by the System are subject to Federal Income Tax. The Tax Reform Act of 1986 made several changes in the tax treatment of pension payments. The three-year recovery rule was eliminated for any individual whose benefit commences after July 1, 1986, and a portion of the monthly annuity may be excluded as income for tax purposes with the balance considered as taxable income beginning with the first payment. The nontaxable amount of the benefit is determined from the member's tax free cost and the expected return based on the life expectancy of the pensioner at the beginning date of the benefit. Under the General Assembly Retirement System the member's cost would normally represent contributions prior to January 1, 1982. When benefits become payable, the member or survivor will be provided with information regarding the Federal Income Tax treatment of the benefit and the amount the recipient is to consider as the cost of annuity.

Benefits paid by the General Assembly Retirement System are not subject to Illinois State Income Tax.

8. STATE EMPLOYEES GROUP INSURANCE PROGRAM

A former member receiving benefits from the System is eligible to coverage under the State Group Insurance Program. Basic health premiums for the annuitant are paid by the State and premiums for any dependent health coverage are deducted from the monthly benefit. The maximum State-paid basic life insurance coverage is $2,000 for an annuitant at age 60 or over.

A member who begins to receive retirement benefits within one year of the date of removal from the payroll is considered an "immediate annuitant" and one who begins to receive retirement benefits after being off the payroll for more than one year is considered a "deferred annuitant" for group insurance purposes.

An "immediate annuitant" has basic life insurance coverage and may elect optional life coverage for self in multiples of up to four times the basic amount. Life coverage may also be elected for a spouse and eligible children. The State pays the premium for basic life but premiums for any optional life coverage are paid by the member by way of a deduction from the monthly benefit.

A "deferred annuitant" has basic life coverage with premiums State paid but is not eligible to elect any optional life coverage either for self or dependents.

A survivor who qualifies for monthly benefits upon the death of an active or retired member then becomes the annuitant and premiums for that survivor's basic health insurance coverage are paid by the State. A survivor annuitant of a deceased active member or "immediate annuitant" may elect $2,000 life insurance with premiums deducted from the monthly benefit.

A member who has at least 4 years of credit in this system but not yet eligible for retirement may have coverage under the State Group Insurance Program as long as membership in this system is not terminated by the acceptance of a refund. In such case the member would be required to pay for the entire cost of the coverage including premiums normally paid by the State. This special enrollment would be handled by the General Assembly Retirement System with premiums for the coverage remitted through this office.