

STATE OF ILLINOIS

**SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF
STATE APPROPRIATIONS
TO THE
PUBLIC SCHOOL TEACHERS' PENSION
AND RETIREMENT FUND OF CHICAGO**

For the Two Years Ended June 30, 2013

STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE
APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO
For the Two Years Ended June 30, 2013

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AGENCY OFFICIALS

Executive Director	Mr. Kevin Huber
Chief Fiscal Officer (10/22/12 - Present)	Dr. Kasthuri Henry
Chief Fiscal Officer (1/10/12 - 10/21/12)	Vacant
Chief Fiscal Officer (Until 1/9/12)	Ms. Patricia Hambrick

Agency offices are located at:

203 N. LaSalle Street, Suite 2600
Chicago, IL 60601



Chicago Teachers' Pension Fund

203 North La Salle Street, suite 2600 | Chicago, Illinois 60601-1231

MANAGEMENT ASSERTION LETTER

11/13/2013

Honorable William G. Holland
Illinois Auditor General
740 East Ash Street
Springfield, IL 62703-3154

Dear Mr. Holland:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's compliance with the following assertions during the two-year period ended June 30, 2013. Based on this evaluation, we assert that during the years ended June 30, 2012 and June 30, 2013, the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago has materially complied with the assertions below.

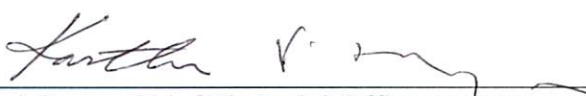
- A. The State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago has expended public funds of the State in accordance with the purposes for which such funds have been appropriated.
- B. The State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago has submitted its annual report to the State as required by law.

Yours very truly,

Public School Teachers' Pension and Retirement Fund of Chicago



Kevin Huber, Executive Director



Kasthuri Henry, Chief Financial Officer

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For the Two Years Ended June 30, 2013

COMPLIANCE REPORT

SUMMARY

The special limited compliance examination testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

ACCOUNTANT'S REPORTS

The Independent Accountant's Report on Special Limited State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	-	-
Repeated findings	-	-
Prior recommendations implemented or not repeated	-	-

EXIT CONFERENCE

The Public School Teachers' Pension and Retirement Fund of Chicago waived an exit conference in a correspondence dated November 8, 2013.

SPRINGFIELD OFFICE:

ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046

FAX: 217/785-8222 • TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. · SUITE S-900
160 NORTH LASALLE · 60601-3103

PHONE: 312/814-4000

FAX: 312/814-4006

FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL

WILLIAM G. HOLLAND

INDEPENDENT ACCOUNTANT'S REPORT ON SPECIAL LIMITED STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's (Fund) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, insofar as such standards are applicable to this special limited testing, during the two years ended June 30, 2013. The management of the Fund is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Fund's compliance based on our examination.

- A. The Fund has expended public funds of the State in accordance with the purpose for which such funds have been appropriated.
- B. The Fund has submitted its annual report to the State as required by law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Fund's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with specified requirements.

Our special limited compliance testing was restricted to the appropriations made from the Illinois General Assembly to the Fund from the General Revenue Fund (001) and the related expenditures. We have not examined the financial statements of the Fund and, accordingly, we do not express an opinion on them.

In our opinion, the Fund complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2013.

Internal Control

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the Fund's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2013 and June 30, 2012 in Schedules 1 through 4 is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 4. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the June 30, 2011 accompanying supplementary information in Schedules 3 and 4, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, Fund management, and the Fund's governing board and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA

Director of Financial & Compliance Audits

Springfield, Illinois

November 13, 2013

STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE
APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO
For the Two Years Ended June 30, 2013

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
Fiscal Year 2013

- Schedule of Appropriations, Expenditures and Lapsed Balances
Fiscal Year 2012

- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
Analysis of Significant Variations in Expenditures

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2013 and June 30, 2012 accompanying supplementary information in Schedules 1 through 4. However, the accountants do not express an opinion on the supplementary information.

SCHEDULE 1

STATE OF ILLINOIS
 SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE APPROPRIATIONS
 TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Year Ended June 30, 2013

Fourteen Months Ended August 31, 2013

Appropriations	Expenditures Through 6/30/2013	Lapse Period Expenditures 7/01 - 8/31/2013	Total Expenditures	Balances Lapsed
\$ 10,931,000	\$ 10,020,085	\$ 910,915	\$ 10,931,000	\$ -
\$ 10,931,000	\$ 10,020,085	\$ 910,915	\$ 10,931,000	\$ -

P.A. 97-0685

GENERAL REVENUE FUND - 001

For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago

GRAND TOTAL

Note 1: Appropriations, expenditures, and lapsed balances were obtained from Agency Records and have been reconciled to the State Comptroller records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

SCHEDULE 2

STATE OF ILLINOIS
 SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE APPROPRIATIONS
 TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Year Ended June 30, 2012

Fourteen Months Ended August 31, 2012

	Expenditures Through 6/30/2012	Lapse Period Expenditures 7/01 - 8/31/2012	Total Expenditures	Balances Lapsed
<u>P.A. 97-0067</u>				
<u>GENERAL REVENUE FUND - 001</u>				
For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago	\$ 10,449,000	\$ 9,578,277	\$ 870,723	\$ 10,449,000
<u>GRAND TOTAL</u>	<u>\$ 10,449,000</u>	<u>\$ 9,578,277</u>	<u>\$ 870,723</u>	<u>\$ 10,449,000</u>
				<u>\$ -</u>

Note 1: Appropriations, expenditures, and lapsed balances were obtained from Agency Records and have been reconciled to the State Comptroller records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE APPROPRIATIONS
TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**

SCHEDULE 3

For the Fiscal Years Ended June 30, 2013, 2012, and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 97-0685	P.A. 97-0067	P.A. 96-0956
General Revenue Fund - 001			
Appropriations	\$ 10,931,000	\$ 10,449,000	\$ 10,449,000
Expenditures			
For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago	\$ 10,931,000	\$ 10,449,000	\$ 10,448,973
Total Expenditures	\$ 10,931,000	\$ 10,449,000	\$ 10,448,973
Lapsed Balances	\$ -	\$ -	\$ 27
Education Assistance Fund - 007			
Appropriations	\$ -	\$ -	\$ 32,522,400
Expenditures			
For payment of the State's Contribution to the Health Insurance Fund of the Public School Teachers' Pension and Retirement Fund of Chicago	\$ -	\$ -	\$ 32,522,400
Total Expenditures	\$ -	\$ -	\$ 32,522,400
Lapsed Balances	\$ -	\$ -	\$ -
GRAND TOTAL - ALL FUNDS			
Appropriations	\$ 10,931,000	\$ 10,449,000	\$ 42,971,400
Total Expenditures	\$ 10,931,000	\$ 10,449,000	\$ 42,971,373
Lapsed Balances	\$ -	\$ -	\$ 27

STATE OF ILLINOIS **SCHEDULE 4**
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE
APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2013

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2011 AND 2012**

Education Assistance Fund (007) State's Contribution to the Health Insurance Fund of the Public
School Teachers' Pension and Retirement Fund of Chicago Expenditures (100% Decrease)

The decrease was due to FY11 being the final year appropriations were made from the Education Assistance Fund for expenditures to the Health Insurance Fund.