



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**GENERAL ASSEMBLY RETIREMENT SYSTEM**

**COMPLIANCE EXAMINATION  
For the Year Ended: June 30, 2013**

**Release Date: March 20, 2014**

**Summary of Findings:**

• Compliance Examination	1
• Financial Audit (previously reported 1-8-14)	<u>0</u>
<b>Total findings:</b>	<b>1</b>
<b>Total last report:</b>	<b>1</b>
<b>Repeated from last audit:</b>	<b>0</b>

**SYNOPSIS**

This digest covers our compliance examination of the General Assembly Retirement System (System) for the year ended June 30, 2013. A financial audit covering the year ending June 30, 2013 was previously released on January 8, 2014. In total this report contains one finding, which was not previously reported in the Financial Audit.

- The System lacked an adequate project management framework, and the development process over computer system projects was not properly controlled and documented.

{Financial data is summarized on the reverse page.}

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS**  
**COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2013**

<b>EXPENDITURE STATISTICS</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>Total Expenditures</b> .....	<b>\$ 34,646,453</b>	<b>\$ 30,154,759</b>
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	14,150,000	10,502,000
General Assembly Retirement System Fund - 481:		
Pensions, annuities and benefits.....	20,083,871	19,202,730
Personal services.....	126,791	122,061
Other payroll costs (Retirement, Social Security and Group Insurance).....	95,735	80,818
Refunds.....	73,862	147,433
Contractual services.....	69,257	51,628
All other expenses.....	5,227	9,052
General Assembly Retirement Excess Benefit Fund - 786:		
Pensions, annuities and benefits.....	41,710	39,037
<b>Total Receipts</b> .....	<b>\$ 22,295,512</b>	<b>\$ 19,076,722</b>
<b>ANALYSIS OF PLAN INVESTMENTS</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Balance at beginning of year, at fair value.....	\$ 49,025,145	\$ 57,346,442
Net cash transferred from investments.....	(6,500,000)	(8,225,000)
Net investments.....	42,525,145	49,121,442
Investment income - interest, dividends and other.....	1,491,417	1,391,187
Investment expenses.....	(151,663)	(165,570)
Net investment income.....	1,339,754	1,225,617
Net realized gain on sale of investments.....	990,450	1,583,507
Net unrealized gain (loss) on investments.....	4,148,435	(2,905,421)
Net appreciation (depreciation) in fair value of investments.....	5,138,885	(1,321,914)
Total net investment income (loss).....	6,478,639	(96,297)
Balance at end of year, at fair value.....	\$ 49,003,784	\$ 49,025,145
<b>INVESTMENTS USED FOR BENEFITS AND EXPENSES (UNAUDITED)</b>	<b>FY 2013</b>	<b>FY 2012</b>
<b>CONTRIBUTIONS:</b>		
Participant.....	\$ 1,451,227	\$ 1,622,742
Employer.....	14,150,000	10,502,000
Total Contributions.....	15,601,227	12,124,742
<b>DEDUCTIONS:</b>		
Benefits.....	20,110,119	19,246,885
Refunds.....	41,110	149,294
Administration.....	339,494	298,104
Total Deductions.....	20,490,723	19,694,283
Investments used to pay Benefits and Expenses).....	\$ (4,889,496)	\$ (7,569,541)
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>June 30, 2013</b>	<b>June 30, 2012</b>
Retirees and beneficiaries receiving benefits.....	429	414
Total members.....	246	255
Total active members.....	160	176
Total return on investments .....	14.1%	0.1%
<b>EXECUTIVE SECRETARY</b>		
During Engagement Period: Timothy Blair		
Currently: Timothy Blair		

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**NEED TO IMPROVE PROJECT MANAGEMENT  
OVER THE DEVELOPMENT OF COMPUTER  
SYSTEMS**

The General Assembly Retirement System (System) did not have an adequate project management framework, and had not ensured the development process over computer system projects was properly controlled and documented.

**Project ongoing for five years**

During our examination we noted that there were problems with the Modernization - Re-Engineering Project. The project has been ongoing for five years, is only 20% complete, and over \$2,000,000 has been expended by the State Retirement Systems collectively. Due to staffing issues and the lack of a project management framework and the associated documentation, the project has not been fully implemented. In addition, formal documentation to provide detailed information on the current status and projected completion date is lacking.

**Lack of documentation**

**System development methodologies  
were not instituted**

We also found that the generally accepted practices and steps associated with an effective system development methodology were not instituted. System management stated a lack of adequate staffing led to the delays in the re-engineering project. (Finding 1, pages 10-11)

We recommended the System:

- Develop and implement a project management framework and tools to ensure projects are adequately monitored and documented.
- Ensure all required documentation is developed, reviewed, and approved by the System prior to system implementation.
- Ensure all system and user testing is properly conducted, reviewed, approved and documented prior to system implementation.
- Ensure all changes are adequately reviewed, tested, approved and documented prior to system implementation.

**System agrees with auditors**

System officials agreed with our recommendation and indicated that a project management framework, application development methodologies, and change management controls have since been implemented to address these issues.

**ACCOUNTANTS' REPORT**

The auditors conducted a compliance attestation examination of the System for the year ended June 30, 2013 as required by the Illinois State Auditing Act. The accountants' report does not contain any scope limitations, disclaimers or other significant non-standard language.



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WILLIAM G. HOLLAND  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors for the compliance examination were BKD LLP.