STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

STATE EMPLOYEES' RETIREMENT SYSTEM

Financial Audit For the Year Ended June 30, 2014

Release Date: January 22, 2015

FINDINGS THIS AUDIT: 3 New Repeat Total									
Category 1:	0	0	0						
Category 2:	3	0	3						
Category 3:	0	_0	_0						
TOTAL	3	0	3						
FINDINGS L	AST A	UDIT: 1							

INTRODUCTION

This digest covers the financial statement audit of the State Employees' Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2014. The State Employees' Retirement System's Compliance Examination covering the year ended June 30, 2014 will be issued in a separate report at a later date.

During fiscal year 2014 the System implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Implementation of the new statement requires the System to disclose the total pension liability and net pension liability in the financial statement notes as well as other related information as required supplementary information. The System's total pension liability is \$41.7 billion at June 30, 2014. The net pension liability at June 30, 2014 is \$27.1 billion, which is the difference between the System's fiduciary net position of \$14.6 billion and the total pension liability. The System's funded ratio is 34.98%. The criteria used for computing pension liability information in the financial report in accordance with GASB Statement No. 67 differs from the criteria used to compute the actuarial accrued liability and actuarial unfunded liability under the State's funding plan. The pension information under the State's funding plan is no longer reported in the financial statements.

FINDINGS SYNOPSIS

• (14-2) The State Employees' Retirement System has weaknesses in controls over creditable earnings and member census data reported by its participating State agencies.

Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).

Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.

Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.

{Financial information is summarized on next page.}

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS FINANCIAL AUDIT

For the Year Ended June 30, 2014

Contributions - State Agencies and Appropriations	STATEMENT OF CHANGES IN PLAN NET POSITION		2014		2013
Contributions 1.699,447,826 1.513,1923 1.780,101,184 Not Appreciation in Fair Value of Investments 1.988,8800,672 1.780,101,184 Not Appreciation in Fair Value of Investment					
Total Contributions	Contributions - Participants	\$	269,232,241	\$	248,169,706
Next Appreciation in Fair Value of Investments Income ** 399,860,754 1,185,000,555 1,095,100,100,100,100,100,100,100,100,100,10	Contributions - State Agencies and Appropriations				1,531,932,137
Investment Income ##					1,780,101,843
Investment Expense	Net Appreciation in Fair Value of Investments		1,809,958,589		1,185,000,651
Net Investment Income.	Investment Income **		399,860,754		316,237,540
Total Additions. (3.281,340,032) Deductions: Benefits. (1.917,062,639) (1.799,965,655) Refunds. (2.3082,814) (2.209,040) Administrative Expenses. (1.6615,105) (1.7471,327,7614) Administrative Expenses. (1.956,760),558 (1.8417,27,88) Net Increase presented ater direction to a continuous presented ater of investment agencia faced year 2013. Net Increase presented ater of investment appears in faced year 2013. NESSTIMENT SUMMARY - (All investments beld in the Illinois State Board of the Processing of the Continuous of the Contin	Investment Expense				-
Deductions:	Net Investment Income		2,169,346,258		1,501,238,191
Benefits	Total Additions		4,138,026,325		3,281,340,034
Refinals. 23,082,814 (a.16,615,105) 21,290,200 Administrative Expenses. 1,956,760,558 1,841,727,38* Net Increase. \$ 2,181,205,707 \$ 1,439,612,655* Increase. \$ 784,475,648 \$ 887,400,075* Foreign Obligations. \$ 784,475,648 \$ 887,400,075* Common Stock & Equity Funds. \$ 4,553,283,316 3 916,478,30* Comminged Punds. \$ 1,333,010,980 317,468,30* Foreign Equity Securities (including Preferred Stock) \$ 2,346,576,036 2,329,869,122* Ledge Funds. \$ 667,730,266 643,775,528 Real Estate Funds. \$ 677,302,66 643,775,528 Hedge Funds. \$ 677,302,66 643,775,528 Money Market Instruments. \$ 217,737,000 237,649,78 Real Assets. \$ 524,284,793 \$ 550,739,34 Foreign Currency Forwar	Deductions:				
Administrative Expenses	Benefits		1,917,062,639		1,799,965,655
Total Deductions. 1,956,700,558 1,841,727,386 1,914,727	Refunds		23,082,814		24,290,402
Net Increase \$ 2,181.265,767 \$ 1,439.612.655	Administrative Expenses		16,615,105		17,471,327
	Total Deductions				1,841,727,384
NESTMENT SUMARRY - (All investments held in the Illinois State Board of Investment Commingled Fund at fair value) June 30, 2014 June 30, 2013	Net Increase	\$	2,181,265,767	\$	1,439,612,650
Interestment Commingled Fund at fair value) June 30, 2014 June 30, 2013 U.S. Government and Agency Obligations. \$ 784, 475, 648 \$ 887, 400, 077 Foreign Obligations. 799,5114, 242 674, 154, 124 Corporate Obligations. 799,5114, 242 674, 154, 124 Common Stock & Equity Funds. 4, 553, 233, 316 3.316, 478, 396 Commingled Funds. 733,010, 980 317, 408, 396 Foreign Equity Securities (including Preferred Stock). 2,346, 576, 036 2,329, 869, 122 Hedge Funds. 1,485, 145, 060 1,166, 602, 485 Real Estate Funds. 1,483, 445, 971 1,294, 600, 97 Private Equity. 667, 300, 266 643, 775, 522 Money Market Instruments. 6217, 737, 000 237, 649, 781 Real Assets. 524, 284, 793 550, 739, 042 Bank Loans. 689, 256, 558 416, 649, 248 Foreign Currency Forward Contracts. 689, 256, 558 416, 649, 248 Foreign Currency Forward Contracts. 15, 116, 104, 672 12, 499, 842, 77 Other ISBI Assets Less Liabilities. 67, 29, 297 16, 472, 366	**- Investment income is presented net of investment expenses in fiscal year 2013				
U.S. Government and Agency Obligations	INVESTMENT SUMMARY - (All investments held in the Illinois State Board				
Poreign Obligations.	of Investment Commingled Fund at fair value)		June 30, 2014		June 30, 2013
Corporate Obligations 799,514,242 674,154,128 Common Stock & Equity Funds 4,553,283,316 3,916,478,305 Commingled Funds 733,010,980 317,408,399 Foreign Equity Securities (including Preferred Stock) 2,346,576,036 2,329,869,127 Hedge Funds 1,485,145,060 1,166,602,485 Real Estate Funds 1,483,445,971 1,294,600,976 Private Equity 667,730,266 643,775,522 Money Market Instruments 217,737,000 237,649,781 Real Assets 524,284,793 550,739,044 Real Assets 689,256,558 416,649,244 Foreign Currency Forward Contracts (637,600) (412,822 Total Investment Portfolio 15,116,104,672 12,849,984,276 ISBI Net Position (57,2927) 16,472,966 ISBI Net Position (57,2927) 16,472,966 Isbit Net Position (57,202) (689,990,013 \$ 12,176,459,191 Abult Net Test Processing \$ 1,203,353,375 12,866,457,236 Investments owned by other retirement system investments \$ 1,508,631 \$ 6,699,	U.S. Government and Agency Obligations	\$	784,475,648	\$	887,400,073
Common Stock & Equity Funds. 4,553,283,316 3,916,478,30 Commingled Funds. 733,010,980 317,408,39 Foreign Equity Securities (including Preferred Stock). 2,346,576,036 2,329,880,12 Hedge Funds. 1,485,145,060 1,166,602,48 Real Estate Funds. 1,483,445,971 1,294,600,97 Private Equity. 667,730,266 643,775,529 Moncy Market Instruments. 217,737,000 237,649,78 Real Assets. 524,284,793 550,739,044 Bank Loans. 689,256,558 416,649,24 Foreign Currency Forward Contracts. (637,600) (412,82) Total Investment Portfolio. 15,116,467 12,849,984,276 Other ISBI Assets Less Liabilities. (637,600) 16,472,966 ISBI Net Position. 15,109,375,375 12,866,457,233 Investments owned by other retirement systems and other entities. (822,876,362) (689,998,042 State Employees' Retirement System Investments. 8 14,286,499,013 5 12,176,459,191 ADMINISTRATIVE EXPENSE 2014 201 Personal Services. 5 6,631,310	Foreign Obligations		832,282,402		415,070,013
Commingled Funds. 733,010,980 317,408,398 Foreign Equity Securities (including Preferred Stock). 2,346,576,036 2,329,869,122 Hedge Funds. 1,485,145,060 1,166,602,48 Real Estate Funds. 1,483,445,971 1,294,600,975 Private Equity. 667,730,266 643,775,522 Money Market Instruments. 217,737,000 237,649,78 Real Assets. 524,284,793 550,739,04 Bank Loans. 689,256,558 416,649,24 Foreign Currency Forward Contracts (637,600) (412,822 Total Investment Portfolio. 15,116,104,672 12,849,948,276 Other ISBI Assets Less Liabilities. (6729,297) 16,472,966 INSUMINITION (822,876,362) (889,980,048 State Employees' Retirement System Investments. 8,252,876,362 (889,980,048 State Employees' Retirement System Investments. 9,142,864,499,013 12,176,459,191 Abmistrative Expenses. 9,164,286,499,013 15,197,492 Retirement, Group Insurance & Social Security. 4,268,112 4,028,422 Electronic Data Processing. 1	Corporate Obligations		799,514,242		674,154,128
Poreign Equity Securities (including Preferred Stock)	Common Stock & Equity Funds		4,553,283,316		3,916,478,305
Poreign Equity Securities (including Preferred Stock)					317,408,396
Real Estate Funds 1,483,445,971 1,294,600,976 Private Equity 667,730,266 643,775,529 Money Market Instruments 217,737,000 237,649,781 Real Assets 524,284,793 550,739,042 Bank Loans 689,256,558 416,649,247 Foreign Currency Forward Contracts (637,600) 412,829 Total Investment Portfolio 15,116,104,672 12,849,984,270 Other ISBI Assets Less Liabilities (6,729,297) 16,472,961 ISBI Net Position 15,103,373,375 12,866,457,234 Investments owned by other retirement systems and other entities (822,876,362) (689,998,045 State Employees' Retirement System Investment 8 2,049,003 \$ 21,176,459,191 IOMINISTRATIVE EXPENSES 201 201 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Electronic Data Processing 4,029,536 4,758,678 Other Expenses (Net) 110,725 399,955 Total Administrative Expenses 5 16,615,43					2,329,869,123
Real Estate Funds 1,483,445,971 1,294,600,976 Private Equity 667,730,266 643,775,529 Money Market Instruments 217,737,000 237,649,781 Real Assets 524,284,793 550,739,042 Bank Loans 689,256,558 416,649,247 Foreign Currency Forward Contracts (637,600) 412,829 Total Investment Portfolio 15,116,104,672 12,849,984,270 Other ISBI Assets Less Liabilities (6,729,297) 16,472,961 ISBI Net Position 15,103,373,375 12,866,457,234 Investments owned by other retirement systems and other entities (822,876,362) (689,998,045 State Employees' Retirement System Investment 8 2,049,003 \$ 21,176,459,191 IOMINISTRATIVE EXPENSES 201 201 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Electronic Data Processing 4,029,536 4,758,678 Other Expenses (Net) 110,725 399,955 Total Administrative Expenses 5 16,615,43					1,166,602,482
Private Equity 667,730,266 643,775,525 Money Market Instruments 217,737,000 237,649,781 Real Assets 524,284,793 550,739,044 Bank Loans 689,256,558 416,649,244 Foreign Currency Forward Contracts 687,500 (412,822 Total Investment Portfolio 15,116,104,672 12,849,984,277 Other ISBI Assets Less Liabilities (6,729,297) 16,472,966 ISBI Net Position 15,1109,375,375 12,866,457,236 Investments owned by other retirement systems and other entities (822,876,362) (689,980,404) State Employees' Retirement System Investments 2014 201 Personal Services \$ 5,693,130 \$ 5,179,492 Retirement, Group Insurance & Social Security 4,268,112 4,028,122 Electronic Data Processing 4,029,536 4,758,679 Contractual Services 2,068,488 2,691,900 Oepercation 445,114 39,487 Other Expenses (Net) June 30,201 30,958 Total Administrative Expenses 66,609 65,050 R			1,483,445,971		1,294,600,976
Money Market Instruments. 217,737,000 237,649,781 Real Assets. 524,284,793 550,730,042 Bank Loans. 689,256,558 416,649,247 Foreign Currency Forward Contracts. (637,600) (412,822 Total Investment Portfolio. 15,116,04,672 12,849,984,279 Other ISBI Assets Less Liabilities. (6,729,297) 16,472,960 ISBI Net Position. 15,109,375,375 12,866,457,236 Investments owned by other retirement systems and other entities. (82,2876,362) (689,998,045 State Employees' Retirement System Investments. \$1,216,459,191 ADMINISTRATIVE EXPENSES 2014 2013 Personal Services. \$ 5,693,130 \$ 5,197,492 Retirement, Group Insurance & Social Security. 4,208,112 4,028,422 Electronic Data Processing. 4,029,536 4,758,679 Other Expenses (Net). 110,725 399,955 Total Administrative Expenses. \$ 16,615,105 \$ 17,471,322 SUPPLEMENTARY INFORMATION June 30,2014 June 30,2013 Benefit Receipients. 66,609 65,050 <td>Private Equity</td> <td></td> <td></td> <td></td> <td>643,775,529</td>	Private Equity				643,775,529
Real Assets. 524,284,793 550,739,042 Bank Loans. 689,256,558 416,649,247 Foreign Currency Forward Contracts. (637,600) (412,825 Total Investment Portfolio. 15,116,104,672 12,849,984,270 Other ISBI Assets Less Liabilities. (6,729,297) 16,472,966 ISBI Net Position. 15,109,375,375 12,866,457,236 Investments owned by other retirement systems and other entities. (822,876,362) (689,998,045 State Employees' Retirement System Investments. \$ 14,286,499,013 \$ 12,176,459,191 ADMINISTRATIVE EXPENSES 2014 2013 Personal Services. \$ 5,693,130 \$ 5,197,492 Retirement, Group Insurance & Social Security. 4,084,812 4,028,422 Electronic Data Processing. 4,029,536 4,758,679 Contractual Services. 2,068,488 2,691,900 Obspeciation. 445,114 394,875 Other Expenses (Net). 110,725 399,955 Total Administrative Expenses. 66,609 65,056 Active Members. 66,609 65,056					
Bank Loans 689,256,558 416,649,247 Foreign Currency Forward Contracts (637,600) (412,825 Total Investment Portfolio 15,116,104,672 12,849,984,277 Other ISBI Assets Less Liabilities (6,729,297) 16,472,966 ISBI Net Position 15,109,375,375 12,866,457,235 Investments owned by other retirement systems and other entities (822,876,362) (689,998,045 State Employee's Retirement System Investments 9 14,286,499,013 \$ 12,176,459,191 ADMINISTRATIVE EXPENSES 2014 2013 Personal Services \$ 5,693,130 \$ 5,197,492 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Electronic Data Processing 4,029,536 4,758,675 Contractual Services 2,068,488 2,691,900 Depreciation 445,114 394,875 Other Expenses (Net) 110,725 399,958 Total Administrative Expenses \$ 16,615,105 \$ 17,471,327 SUPPLEMENTARY INFORMATION June 30,201 June 30,201 Benefit Receipients 62,844 61,544					550,739,042
Proreign Currency Forward Contracts					416,649,247
Total Investment Portfolio	Foreign Currency Forward Contracts.				(412,825)
Other ISBI Assets Less Liabilities (6,729,297) 16,472,966 ISBI Net Position 15,109,375,375 12,866,457,236 Investments owned by other retirement systems and other entities (822,876,362) (689,998,045) State Employees' Retirement System Investments 2014 2017 ADMINISTRATIVE EXPENSES 2014 2013 Personal Services \$ 5,693,130 \$ 5,197,492 Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Electronic Data Processing 4,084,112 4,028,422 Contractual Services 2,068,488 2,691,900 Depreciation 445,114 394,875 Other Expenses (Net) 3110,725 399,955 Total Administrative Expenses 66,609 66,609 Benefit Receipients 66,609 65,052 Active Members 62,844 61,545 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30,2014 June 30,2014 Plan Fiduciary Net Position 4,14,88,506,241					12,849,984,270
15,109,375,375 12,866,457,236 12,876,362 (689,998,045 12,876,362 (689,998,045 12,876,362 (689,998,045 12,876,362 (689,998,045 12,876,362 (689,998,045 12,876,362 (689,998,045 12,876,459,191 12,876	Other ISBI Assets Less Liabilities				16,472,966
Investments owned by other retirement systems and other entities (822,876,362) (689,998,042) (814,286,499,013) (12,176,459,191) (12,17	ISBI Net Position.				12,866,457,236
State Employees' Retirement System Investments \$ 14,286,499,013 \$ 12,176,459,191 ADMINISTRATIVE EXPENSES 2014 2013 Personal Services \$ 5,693,130 \$ 5,197,492 Retirement, Group Insurance & Social Security 4,268,112 4,028,423 Electronic Data Processing 4,029,536 4,758,679 Contractual Services 2,068,488 2,691,900 Depreciation 445,114 394,875 Other Expenses (Net) 110,725 399,958 Total Administrative Expenses \$ 16,615,105 \$ 17,471,327 SUPPLEMENTARY INFORMATION June 30, 2014 June 30, 2013 Benefit Receipients 66,609 65,056 Active Members 62,844 61,545 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34,98% * *- With the implementation of GASB Statement No. 67 during	Investments owned by other retirement systems and other entities				(689,998,045)
Personal Services		\$		\$	12,176,459,191
Personal Services	ADMINISTRATIVE EXPENSES		2014		2013
Retirement, Group Insurance & Social Security 4,268,112 4,028,422 Electronic Data Processing 4,029,536 4,758,678 Contractual Services 2,068,488 2,691,906 Depreciation 445,114 394,875 Other Expenses (Net) 110,725 399,958 Total Administrative Expenses \$ 16,615,105 \$ 17,471,327 SUPPLEMENTARY INFORMATION June 30, 2014 June 30, 2013 Benefit Receipients 66,609 65,050 Active Members 62,844 61,545 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34,98% * *- With the implementation of GASB Statement No. 67 duri		\$	5,693,130	\$	
Electronic Data Processing					4,028,423
Contractual Services 2,068,488 2,691,900 Depreciation 445,114 394,875 Other Expenses (Net) 110,725 399,958 Total Administrative Expenses \$ 16,615,105 \$ 17,471,327 SUPPLEMENTARY INFORMATION June 30, 2014 June 30, 2013 Benefit Receipients 66,609 65,050 Active Members 62,844 61,545 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position 14,581,566,241 * Net Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34,98% * *- With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair Active Members 2,068,484 2,691,502	ė		4,029,536		4,758,679
Depreciation	Contractual Services.		2,068,488		2,691,900
Other Expenses (Net) 110,725 399,958 Total Administrative Expenses \$ 16,615,105 \$ 17,471,327 SUPPLEMENTARY INFORMATION June 30, 2014 June 30, 2013 Benefit Receipients 66,609 65,050 Active Members 62,844 61,542 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position 14,581,566,241 * Net Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34.98% * * With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. * EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair	Depreciation				
Total Administrative Expenses \$ 16,615,105 \$ 17,471,327	1		,		399,958
SUPPLEMENTARY INFORMATION June 30, 2014 June 30, 2013 Benefit Receipients 66,609 65,050 Active Members 62,844 61,545 Inactive Members 4,178 4,370 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position 14,581,566,241 * Net Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34,98% * * With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair		\$		\$	17,471,327
Benefit Receipients					June 30, 2013
Active Members 62,844 61,545 Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position 14,581,566,241 * Net Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34.98% * * - With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair Executive Timothy B. Blair					65,050
Inactive Members 4,178 4,376 Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability \$ 41,685,086,183 * Plan Fiduciary Net Position 14,581,566,241 * Net Pension Liability \$ 27,103,519,942 * Plan Fiduciary Net Position as a Percentage of the Total Pension Liability 34,98% * *- With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair			,		,
Total 133,631 130,971 PENSION LIABILITY June 30, 2014 June 30, 2013 Total Pension Liability					
PENSION LIABILITY Total Pension Liability				-	
Total Pension Liability					
Plan Fiduciary Net Position		¢	,		•
Net Pension Liability		ψ			
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability		Φ			
* - With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available. EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair		Ψ			
EXECUTIVE SECRETARY During Engagement Period: Timothy B. Blair		vear 20			•
During Engagement Period: Timothy B. Blair		year 20	15 were not available.		
	During Engagement Period: Timothy B. Blair				

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER CENSUS DATA

Weaknesses noted in controls over member census data

The State Employees' Retirement System of the State of Illinois (System) has weaknesses in controls over creditable earnings and member census data reported by its participating State agencies.

Data accumulated from multiple State agencies

Increases likelihood of error

Limited controls in place to verify the census information

System officials agree with auditors

During our current fiscal year testing we noted 3 errors in certain demographic census data reported to the System out of 240 active members tested. There were no errors in the creditable earnings information tested. During a review of the System's internal controls over creditable earnings and member census data, it was noted that creditable earnings and member census data for the System is accumulated from multiple State agencies which increases the likelihood of errors within the data. The System's current processes and controls for verifying the data rely heavily on the reporting of the information by the participating State agencies and there are limited controls in place by the System to verify the creditable earnings and member census information.

System officials indicated the System did not have procedures in place to conduct State agency audits to verify census data. (Finding 2, pages 39-40)

The System accepted our recommendation to update current processes and controls to include the verification of significant elements of census data.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the System. We will review the System's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

Our auditors stated the financial statements of the State Employees' Retirement System as of June 30, 2014, and for the year then ended, are fairly stated in all material respects.

> WILLIAM G. HOLLAND Auditor General

WGH:JAF

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were BKD LLP.