



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**STATE EMPLOYEES' RETIREMENT SYSTEM**

**Financial Audit**  
**For the Year Ended June 30, 2018**

**Release Date: January 23, 2019**

<b>FINDINGS THIS AUDIT:</b>	<b>0</b>
<b>FINDINGS LAST AUDIT:</b>	<b>0</b>

**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, 2018. The State Employees' Retirement System's Compliance Examination covering the year ended June 30, 2018 will be issued in a separate report at a later date.

The System's total pension liability is \$50.5 billion at June 30, 2018, an increase of \$1.1 billion from \$49.4 billion at June 30, 2017. The System's net pension liability at June 30, 2018 is \$33.0 billion, which is the difference between the System's fiduciary net position of \$17.5 billion and the total pension liability. The System's net position as a percentage of the total pension liability is 34.57% at June 30, 2018 as compared to 33.44% at June 30, 2017. 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, therefore this information under the State's funding plan is no longer reported in the financial statements. There were no findings reported under *Government Auditing Standards* in our audit.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the System as of and for the year ended June 30, 2018 are fairly stated in all material respects.

This financial audit was conducted by RSM LLP.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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{Financial information is summarized on the next page.}

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS  
FINANCIAL AUDIT**

**For the Years Ended June 30, 2018 and 2017**

<b>STATEMENT OF CHANGES IN PLAN NET POSITION</b>	<b>2018</b>	<b>2017</b>
Additions:		
Contributions - Participants.....	\$ 254,442,466	\$ 251,610,974
Contributions - State Agencies and Appropriations.....	1,929,175,044	1,798,348,440
Total Contributions.....	<u>2,183,617,510</u>	<u>2,049,959,414</u>
Net Appreciation (Depreciation) in Fair Value of Investments.....	902,665,327	1,442,502,754
Investment Income.....	380,029,465	399,249,867
Investment Expense.....	(25,654,957)	(28,874,161)
Net Investment Income.....	<u>1,257,039,835</u>	<u>1,812,878,460</u>
Total Additions.....	<u>3,440,657,345</u>	<u>3,862,837,874</u>
Deductions:		
Benefits.....	2,464,832,022	2,328,620,783
Refunds.....	27,469,348	26,608,011
Administrative Expenses.....	15,257,526	15,957,439
Total Deductions.....	<u>2,507,558,896</u>	<u>2,371,186,233</u>
Net Increase (Decrease) in Net Position.....	<u>\$ 933,098,449</u>	<u>\$ 1,491,651,641</u>
<b>STATEMENT OF NET POSITION AND INVESTMENT SUMMARY -</b>		
<b>(All investments held in the Illinois State Board of Investment Commingled Fund at fair value)</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
U.S. Government and Agency Obligations.....	\$ 3,772,996,557	\$ 3,167,555,410
Foreign Obligations.....	317,071,356	259,928,956
Corporate Obligations.....	978,155,830	782,703,583
Municipal Bonds.....	8,911,164	8,524,180
Common Stock & Equity Funds.....	5,227,218,322	4,960,020,282
Commingled Funds.....	1,721,839,058	1,334,987,865
Foreign Equity Securities (including Preferred Stock).....	2,310,044,822	2,517,173,942
Hedge Funds.....	360,744,003	831,753,718
Opportunistic Debt.....	225,053,335	-
Real Estate Funds.....	1,594,774,574	1,601,026,564
Private Equity.....	706,768,270	609,298,253
Money Market Instruments.....	231,743,812	294,723,455
Infrastructure.....	408,985,767	587,711,767
Bank Loans.....	464,315,920	424,188,017
Foreign Currency Forward Contracts.....	(7,847,062)	(11,493,448)
Total Investment Portfolio.....	<u>18,320,775,728</u>	<u>17,368,102,544</u>
Other ISBI Assets Less Liabilities.....	15,658,721	(61,804,339)
ISBI Net Position.....	<u>18,336,434,449</u>	<u>17,306,298,205</u>
Investments owned by other retirement systems and other entities.....	(1,068,296,974)	(983,692,868)
State Employees' Retirement System Investments.....	17,268,137,475	16,322,605,337
Cash, Receivables and Other Assets.....	381,538,586	387,746,107
Less: Total Liabilities.....	<u>(186,397,820)</u>	<u>(180,171,652)</u>
Net Position - Restricted for Pensions.....	<u>\$ 17,463,278,241</u>	<u>\$ 16,530,179,792</u>
<b>ADMINISTRATIVE EXPENSES</b>		
	<b>2018</b>	<b>2017</b>
Personal Services.....	\$ 4,823,735	\$ 5,124,651
Retirement, Group Insurance & Social Security.....	4,002,427	4,231,251
Electronic Data Processing.....	3,937,347	4,480,375
Contractual Services.....	1,658,160	1,295,113
Depreciation and Amortization.....	831,625	691,737
Other Expenses (Net).....	4,232	134,312
Total Administrative Expenses.....	<u>\$ 15,257,526</u>	<u>\$ 15,957,439</u>
<b>SUPPLEMENTARY INFORMATION</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Benefit Recipients.....	73,179	71,805
Active Members.....	61,397	60,612
Inactive Members.....	3,925	4,022
Total.....	<u>138,501</u>	<u>136,439</u>
<b>PENSION LIABILITY</b>		
	<b>June 30, 2018</b>	<b>June 30, 2017</b>
Total Pension Liability.....	\$ 50,519,687,332	\$ 49,437,205,016
Plan Fiduciary Net Position.....	17,463,278,241	16,530,179,792
Net Pension Liability.....	<u>\$ 33,056,409,091</u>	<u>\$ 32,907,025,224</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	34.57%	33.44%
<b>EXECUTIVE SECRETARY</b>		
During Engagement Period: Timothy B. Blair		
Currently: Timothy B. Blair		