



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**TEACHERS' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS**

Compliance Examination  
 For the Year Ended June 30, 2014

Release Date: May 7, 2015

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

**INTRODUCTION**

This digest covers our Compliance Examination of the Teachers' Retirement System of the State of Illinois for the year ended June 30, 2014. A separate Financial Audit as of and for the year ending June 30, 2014, was previously released on January 22, 2015. This report contains 1 finding, which was also reported in the Financial Audit.

**AUDITORS' OPINION**

The auditors conducted a State compliance examination of the Teachers' Retirement System of the State of Illinois for the year ended June 30, 2014, as required by the Illinois State Auditing Act. The accountant's report does not contain any scope limitations, disclaimers or other significant non-standard language.

WILLIAM G. HOLLAND  
 Auditor General

WGH:RPU

**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this compliance examination were McGladrey LLP.

- 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.

{Expenditure, Financial and Activity data are summarized on next page. }

**TEACHERS' RETIREMENT SYSTEM OF ILLINOIS**  
**COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2014**

<b>EXPENSE STATISTICS</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>Total Expenses</b> .....	<b>\$ 5,341,881,048</b>	<b>\$ 5,001,739,336</b>
Benefits and Refunds:		
Retirement Benefits .....	\$ 4,986,155,845	\$ 4,670,384,710
Survivor Benefits .....	208,424,078	192,390,237
Disability Benefits .....	30,626,905	30,309,287
Refunds .....	95,456,151	88,397,549
Total Benefits and Refunds .....	<u>\$ 5,320,662,979</u>	<u>4,981,481,783</u>
Administrative:		
Salaries .....	\$ 10,015,342	\$ 9,481,562
Other Payroll Costs (Retirement, Social Security and Group Insurance) .....	5,872,797	6,001,112
Professional Services (Actuary, Legal, Audit, Consulting) .....	1,340,022	1,460,844
Communications (Postage, Printing, Telephone) .....	624,126	610,578
Building Operations and Maintenance .....	601,630	491,791
Insurance .....	385,017	11,762
Software Licenses and Maintenance, EDP Supplies and Equipment .....	515,327	512,954
Equipment Repairs, Rentals and Maintenance .....	286,121	284,505
Depreciation .....	1,122,457	911,893
All Other Expenses .....	455,230	490,552
Total Administrative .....	<u>\$ 21,218,069</u>	<u>\$ 20,257,553</u>
<b>Total Revenues</b> .....	<b>\$ 11,307,495,063</b>	<b>\$ 8,343,682,496</b>
<b>SCHEDULE OF INVESTMENTS (fair value)</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
U.S. Treasuries and Agencies .....	\$ 1,006,399,129	\$ 1,266,248,184
U.S. Government-Backed Mortgages .....	321,377,157	545,611,651
U.S. Government Special Situations .....	-	2,122,118
Municipals .....	39,018,468	58,776,219
Asset Backed Securities .....	317,429,427	163,658,569
Commercial and Collateralized Mortgages .....	336,457,416	349,793,376
Commingled Funds (U.S. and International) .....	1,530,792,546	1,357,813,108
Domestic Corporate Obligations .....	2,228,946,669	1,497,383,563
Foreign Debt/Corporate Obligations .....	2,633,164,126	1,631,025,723
U.S. Equities .....	9,069,286,089	8,754,689,111
International Equities .....	10,081,847,807	8,361,383,273
Absolute Return .....	2,618,256,628	2,110,246,003
Private Equity .....	5,038,446,122	4,687,146,815
Real Estate .....	5,638,680,343	4,680,490,237
Real Return Strategies .....	3,055,818,516	2,661,472,243
Derivatives - Options, Futures and Swaps .....	2,805,648	(9,415,670)
Cash and Cash Equivalents .....	1,432,002,394	1,448,944,819
Foreign Currency .....	84,850,132	114,363,611
Total at End of Year .....	<u>\$ 45,435,578,617</u>	<u>\$ 39,681,752,953</u>
<b>INVESTMENTS USED FOR BENEFITS AND EXPENSES</b>	<b>FY 2014</b>	<b>FY 2013</b>
<b>CONTRIBUTIONS:</b>		
Members / Participants .....	\$ 928,745,853	\$ 921,422,657
Employers .....	158,334,598	157,179,243
State of Illinois .....	3,438,382,892	2,703,312,213
Total Contributions .....	<u>4,525,463,343</u>	<u>3,781,914,113</u>
<b>DEDUCTIONS:</b>		
Benefits .....	5,225,206,828	4,893,084,234
Refunds .....	95,456,151	88,397,549
Administration .....	21,218,069	20,257,553
Total Deductions .....	<u>5,341,881,048</u>	<u>5,001,739,336</u>
Investments Used For Benefits and Expenses .....	<u>\$ (816,417,705)</u>	<u>\$ (1,219,825,223)</u>
<b>SUPPLEMENTARY INFORMATION</b>	<b>June 30, 2014</b>	<b>June 30, 2013</b>
Number of System Employees (unaudited) .....	186	174
Retirees and Beneficiaries Receiving Benefits .....	112,333	108,783
Inactive Members (currently not contributing) .....	122,964	120,325
Active Members (currently contributing) .....	159,838	160,692
Time-Weighted Rate of Return (unaudited) .....	17.4%	12.8%
<b>EXECUTIVE DIRECTOR</b>		
During Engagement Period: Richard W. Ingram		
Currently: Richard W. Ingram		