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# REPORT DIGEST

## TEACHERS' RETIREMENT SYSTEM

### FINANCIAL AUDIT

For the Year Ended:

June 30, 1996

Release Date:  
February 6, 1997



State of Illinois  
Office of the Auditor General

**WILLIAM G. HOLLAND**  
AUDITOR GENERAL

Illes Park Plaza  
740 E. Ash Street  
Springfield, IL 62703  
(217) 782-6046

## SYNOPSIS

- ◆ The unfunded liability of the System for pension benefits was \$12,312 million at June 30, 1996. This liability increased \$973 million during FY 1996.
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Year Ended June 30	(1) Net Assets Available for Benefits	(2) Pension Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Liability (2)-(1)	(5) Annual Increase in Unfunded Liability
1992	\$ 9,812	\$16,659	58.9%	\$ 6,847	\$ 453
1993	10,880	18,486	58.9%	7,606	759
1994	11,992	21,747	55.1%	9,755	2,149
1995	12,642	23,981	52.7%	11,339	1,584
1996	13,830	26,142	52.9%	12,312	973

NOTE: Amounts in chart are shown in millions of dollars.

### **INTRODUCTION**

This digest covers our financial audit of the System for the year ended June 30, 1996. A compliance audit covering the year ending June 30, 1996, will be issued at a later date.

## UNDERFUNDING OF THE SYSTEM

**Unfunded Liability Increases  
\$973 million during FY**

Net assets available for benefits (at cost) totaled \$13,830 million at June 30, 1996. The pension obligation was valued at \$26,142 million at June 30, 1996. The difference between the pension obligation and the net assets available for benefits of \$12,312 million reflects the unfunded liability of the System at June 30, 1996. The unfunded liability increased approximately \$973 million during FY 1996.

**Unfunded Liability at June  
30, 1996 totals \$12,312  
million**

An analysis of dollar amounts of net assets available for benefits, pension obligation, and unfunded liability should not be viewed in isolation. Expressing the net assets available for benefits as a percentage of the pension obligation provides one indication of funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. The following chart gives a listing of funding progress for the past five years.

**FY 96 marks 1<sup>st</sup> Year for  
New State Funding Law**

A new State funding law became effective in FY 1996 changing State retirement funding practices. Public Act 88-0593 provides for a stated 50-year funding plan which includes a 15 year phase-in period. State contributions are made through a continuing appropriation instead of the annual budgetary process. The law is designed to increase pension funding incrementally.

## AUDITORS' OPINION

Our auditors state that the June 30, 1996 financial statements of the System are fairly presented in all material respects.

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WILLIAM G. HOLLAND, Auditor General

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## SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick LLP were our special assistant auditors for this audit.

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