



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

GENERAL ASSEMBLY RETIREMENT SYSTEM

**FINANCIAL AUDIT
For the Year Ended: June 30, 2010**

Release Date: March 3, 2011

Summary of Findings:

Total this audit:	0
Total last audit:	0
Repeated from last audit:	0

INTRODUCTION

This digest covers our financial audit of the General Assembly Retirement System, State of Illinois (System) for the year ended June 30, 2010. A compliance examination report covering the year ending June 30, 2010 will be issued separately.

UNDERFUNDING OF THE SYSTEM

The actuarial accrued liability was valued at \$251.8 million at June 30, 2010. The actuarial value of assets (at smoothed value) totaled approximately \$66.2 million at June 30, 2010. The method for determining the actuarial value of the assets was changed beginning with the June 30, 2009 valuation. The method was changed from the market value to a smoothed value where the actuarial investment gains or losses for each year are recognized in equal amounts over the ensuing five-year period.

The difference between the actuarial accrued liability and the actuarial value of assets of \$185.6 million reflects the unfunded liability of the System at June 30, 2010. The System had a funded ratio (at smoothed value) of 26.3% at June 30, 2010. When using the market value, the System would have had a funded ratio of 21.8% at June 30, 2010.

LEGISLATIVE CHANGE TO PENSION CODE

Public Act 96-0889, which was signed into law April 2010, adds a new section to the Pension Code that applies different benefits to anyone first hired in a position covered by the System on or after January 1, 2011. Changes in the pension law include initiating a cap on the salaries used to calculate retirement benefits, raising the minimum eligibility to draw a retirement benefit to age 67 with at least 8 years of service or age 62 with at least 8 years of service credit with a reduced annuity, and limiting cost-of-living annuity adjustments to the lesser of 3% or the annual increase in the Consumer Price Index, whichever is less. The pension law changes do not apply to anyone who has System service prior to January 1, 2011.

AUDITORS' OPINION

The auditors stated the financial statements of the General Assembly Retirement System of the State of Illinois as of June 30, 2010, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND 2
Auditor General

WGH:AKS

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were BKD, LLP.

{Financial data is summarized on the next page}

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

FINANCIAL AUDIT

For The Year Ended June 30, 2010

STATEMENT OF CHANGES IN PLAN NET ASSETS	FY 2010	FY 2009
ADDITIONS: Contributions - Participants.....	\$ 1,680,603	\$ 1,697,575
Contributions - Employer / Appropriations.....	10,411,274	8,856,422
Total Contributions.....	<u>\$ 12,091,877</u>	<u>\$ 10,553,997</u>
Increase / (Decrease) in Fair Value of Investments.....	3,590,964	(16,141,323)
Investment Income - Net of Management Expenses.....	1,157,595	1,411,133
Interest Earned on Cash Balances.....	21,974	67,905
Total Revenues / (Loss).....	<u>\$ 16,862,410</u>	<u>\$ (4,108,288)</u>
DEDUCTIONS: Benefits.....	\$ 16,769,032	\$ 15,857,219
Refunds.....	222,094	71,589
Administrative Expenses.....	272,253	276,722
Total Expenses.....	<u>\$ 17,263,379</u>	<u>\$ 16,205,530</u>
Revenue Over / (Under) Expenses.....	<u>\$ (400,969)</u>	<u>\$ (20,313,818)</u>
INVESTMENT SUMMARY - (All investments held in the Illinois State Board of Investment commingled fund at fair value)	June 30, 2010	June 30, 2009
Government and Agency Obligations.....	\$ 810,739,312	\$ 665,018,889
Foreign Obligations.....	44,409,906	33,237,090
Corporate Obligations.....	925,668,388	668,047,761
Common Stock & Equity Funds (including Commingled Funds).....	3,127,655,201	2,945,702,917
Preferred Stock.....	697,600	334,285
Foreign Equity Securities.....	1,733,177,670	1,482,594,431
Hedge Funds.....	917,854,201	880,939,190
Real Estate Investments.....	750,210,957	875,929,700
Private Equity.....	542,441,291	450,491,810
Money Market Instruments.....	270,231,935	235,126,490
Infrastructure Funds.....	320,293,041	305,969,947
Bank Loans.....	222,623,999	197,259,098
Forward Foreign Currency Contracts.....	(266,410)	(5,594,545)
Total Investment Portfolio.....	<u>\$ 9,665,737,091</u>	<u>\$ 8,735,057,063</u>
Other ISBI Assets Less Liabilities.....	12,966,711	(51,002,791)
ISBI Net Assets.....	<u>\$ 9,678,703,802</u>	<u>\$ 8,684,054,272</u>
Investments owned by other retirement systems, SERS & JRS.....	(9,627,065,216)	(8,636,360,519)
General Assembly Retirement System Investments.....	<u>\$ 51,638,586</u>	<u>\$ 47,693,753</u>
ADMINISTRATIVE EXPENSES	FY 2010	FY 2009
Personal Services.....	\$ 119,330	\$ 117,817
Retirement, Insurance & Social Security.....	67,938	60,722
Contractual Services.....	76,439	88,043
Electronic Data Processing.....	2,390	2,682
Printing.....	1,670	1,910
Telecommunication.....	1,169	999
Travel.....	1,255	608
Commodities.....	192	303
Operation of Automotive Equipment.....	521	648
Provision for Depreciation.....	386	663
Change in Accrued Compensated Absences.....	963	2,327.00
Total Administrative Expenses.....	<u>\$ 272,253</u>	<u>\$ 276,722</u>
FUNDING PROGRESS - at smoothed value	June 30, 2010	June 30, 2009
Actuarial Accrued Liability.....	\$ 251,764,834	\$ 245,226,299
Actuarial Value of Assets.....	66,212,244	71,573,865
Unfunded Actuarial Accrued Liability.....	<u>\$ 185,552,590</u>	<u>\$ 173,652,434</u>
Funded Ratio.....	26.3%	29.2%
EXECUTIVE DIRECTOR		
During Engagement Period: Tim Blair, Acting		
Currently: Tim Blair		