



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, 2014**

Release Date: January 22, 2015

FINDINGS THIS AUDIT: 2			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>
Category 1:	0	0	0
Category 2:	2	0	2
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	2	0	2
FINDINGS LAST AUDIT: 0			

INTRODUCTION

This digest covers the financial statement audit of the General Assembly Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2014. The General Assembly 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 \$397.5 million at June 30, 2014. The net pension liability at June 30, 2014 is \$340.7 million, which is the difference between the System’s fiduciary net position of \$56.8 million and the total pension liability. The System’s funded ratio is 14.29%. 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.

FINDING SYNOPSIS

- (14-2) The General Assembly Retirement System has weaknesses in controls over creditable earnings and member census data reported by the Illinois Office of the Comptroller.

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.}

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For the Year Ended June 30, 2014

STATEMENT OF CHANGES IN PLAN NET POSITION	2014	2013
Additions:		
Contributions - Participants.....	\$ 1,502,605	\$ 1,451,227
Contributions - Employer/Appropriations.....	13,956,669	14,150,000
Total Contributions.....	<u>15,459,274</u>	<u>15,601,227</u>
Net Appreciation in Fair Value of Investments.....	6,988,375	5,138,885
Investment Income **.....	1,528,630	1,353,713
Investment Expense	(153,577)	-
Net Investment Income.....	<u>8,363,428</u>	<u>6,492,598</u>
Total Additions.....	<u>23,822,702</u>	<u>22,093,825</u>
Deductions:		
Benefits.....	20,800,502	20,110,119
Refunds.....	245,133	41,110
Administrative Expenses.....	334,628	339,494
Total Deductions.....	<u>21,380,263</u>	<u>20,490,723</u>
Net Increase.....	<u>\$ 2,442,439</u>	<u>\$ 1,603,102</u>

** - Investment income is presented net of investment expenses in fiscal year 2013.....

INVESTMENT SUMMARY - (All investments held in the Illinois State Board of Investment Commingled Fund at fair value)	June 30, 2014	June 30, 2013
U.S. Government and Agency Obligations.....	\$ 784,475,648	\$ 887,400,073
Foreign Obligations.....	832,282,402	415,070,013
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	317,408,396
Foreign Equity Securities (including Preferred Stock).....	2,346,576,036	2,329,869,123
Hedge Funds.....	1,485,145,060	1,166,602,482
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)	(412,825)
Total Investment Portfolio.....	<u>15,116,104,672</u>	<u>12,849,984,270</u>
Other ISBI Assets Less Liabilities.....	(6,729,297)	16,472,966
ISBI Net Position.....	<u>15,109,375,375</u>	<u>12,866,457,236</u>
Investments owned by other retirement systems and other entities.....	(15,057,826,001)	(12,817,453,452)
State Employees' Retirement System Investments.....	<u>\$ 51,549,374</u>	<u>\$ 49,003,784</u>

ADMINISTRATIVE EXPENSES	2014	2013
Personal Services.....	\$ 133,567	\$ 126,791
Retirement, Group Insurance & Social Security.....	98,204	95,735
Contractual Services.....	95,473	108,182
Other Expenses (Net).....	7,384	8,786
Total Administrative Expenses.....	<u>\$ 334,628</u>	<u>\$ 339,494</u>

SUPPLEMENTARY INFORMATION	June 30, 2014	June 30, 2013
Benefit Recipients.....	421	429
Active Members.....	158	160
Inactive Members.....	74	86
Total.....	<u>653</u>	<u>675</u>

PENSION LIABILITY	June 30, 2014	June 30, 2013
Total Pension Liability.....	\$ 397,502,761	*
Plan Fiduciary Net Position.....	56,789,460	*
Net Pension Liability.....	<u>\$ 340,713,301</u>	*
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	14.29%	*

* - 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
Currently: Timothy B. Blair

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

CONTROLS OVER CENSUS DATA

Weaknesses noted in controls over member census data

The General Assembly Retirement System of the State of Illinois (System) has weaknesses in controls over creditable earnings and member census data reported by the Illinois Office of the Comptroller (Comptroller).

Limited controls in place to verify the census information

During our current fiscal year testing we noted no errors in census data reported to the System out of 16 active members tested. During a review of the System's internal controls over creditable earnings and member census data, it was noted the System's current processes and controls for verifying the data rely heavily on the reporting of the information by the Comptroller 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 audits of the Comptroller to verify census data. (Finding 2, pages 35-36)

System officials agree with auditors

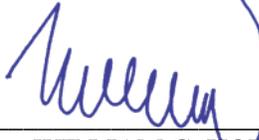
The System accepted our recommendation to update current processes and controls to include the verification of significant elements of census data.

OTHER FINDING

The remaining finding is 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 General Assembly 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.