



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**GENERAL ASSEMBLY RETIREMENT SYSTEM**

Compliance Examination  
 For the Year Ended June 30, 2015

Release Date: April 14, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2014		15-1	
Category 2:	1	1	2				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 2							

**INTRODUCTION**

This digest covers our Compliance Examination of the General Assembly Retirement System for the year ended June 30, 2015. A separate Financial Audit as of and for the year ending June 30, 2015, was previously released on January 12, 2016. In total, this report contains 2 findings, 1 of which was also reported in the Financial Audit.

**SYNOPSIS**

- (15-2) The General Assembly Retirement System failed to comply with the Ethics training provisions of the Illinois Pension Code.

**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.

{Expenditures and Activity Measures are summarized on next page.}

**GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2015**

<b>EXPENDITURE STATISTICS</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>Total Expenditures.....</b>	<b>\$ 38,673,343</b>	<b>\$ 35,239,599</b>
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	15,809,000	13,856,000
Kanerva vs. State Trust Fund - 234:		
Annuitant disbursement.....	302,728	-
General Assembly Retirement System Fund - 481:		
Pensions, annuities and benefits.....	21,236,699	20,741,824
Purchase of investments.....	700,000	-
Refunds.....	211,018	292,603
Personal services.....	156,562	133,567
Other payroll costs .....	109,297	98,204
Contractual services.....	86,690	66,945
All other expenses.....	7,123	5,861
General Assembly Retirement Excess Benefit Fund - 786:		
Pensions, annuities and benefits.....	54,226	44,595
<b>Total Receipts.....</b>	<b>\$ 21,661,972</b>	<b>\$ 21,947,245</b>
<b>ANALYSIS OF PLAN INVESTMENTS</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Balance at beginning of year, at fair value.....	\$ 51,549,374	\$ 49,003,784
Net cash transferred from investments.....	(4,650,000)	(5,800,000)
Net investments.....	46,899,374	43,203,784
Investment income - interest, dividends and other.....	1,640,460	1,510,792
Investment expenses.....	(143,291)	(153,577)
Net investment income.....	1,497,169	1,357,215
Net unrealized gain (loss) on investments.....	(905,449)	4,881,464
Net realized gain on sale of investments.....	1,674,582	2,106,911
Net appreciation in fair value of investments.....	769,133	6,988,375
Total net investment income.....	2,266,302	8,345,590
Balance at end of year, at fair value.....	<u>\$ 49,165,676</u>	<u>\$ 51,549,374</u>
<b>INVESTMENTS USED FOR BENEFITS AND EXPENSES (UNAUDITED)</b>	<b>FY 2015</b>	<b>FY 2014</b>
<b>CONTRIBUTIONS:</b>		
Participant.....	\$ 1,487,346	\$ 1,502,605
Employer.....	15,870,941	13,956,669
Total Contributions.....	17,358,287	15,459,274
<b>DEDUCTIONS:</b>		
Benefits.....	21,274,949	20,800,502
Refunds.....	191,755	245,133
Administration.....	394,695	334,628
Total Deductions.....	21,861,399	21,380,263
Investments used to pay Benefits and Expenses.....	<u>\$ (4,503,112)</u>	<u>\$ (5,920,989)</u>
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>June 30, 2015</b>	<b>June 30, 2014</b>
Retirees and beneficiaries receiving benefits.....	424	421
Total members.....	220	232
Total active members.....	145	158
Money-weighted rate of return.....	3.24%	18.12%
<b>EXECUTIVE SECRETARY</b>		
During Engagement Period: Timothy Blair		
Currently: Timothy Blair		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**NONCOMPLIANCE WITH ETHICS TRAINING  
REQUIREMENTS**

The General Assembly Retirement System of the State of Illinois (System) did not comply with the Ethics training provision of the Illinois Pension Code.

**Ethics training not tracked**

The auditors noted the System did not track the ethics training completed by its Board members and did not submit the required annual certification of compliance certifying ethics training completed by its Board members with the Department of Insurance. (Finding 2, page 12)

**Annual certification of compliance  
not submitted**

We recommended the System develop a process to track ethics training completed by its Board members to insure its Board members complete 8 hours annually and submit the required annual certification to the Department of Insurance.

**System agrees with auditors**

System officials agreed with the auditors and indicated they are working on procedures to better track, report and certify the required ethics training of each of the members of the Board of Trustees.

**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 engagement.

**ACCOUNTANT'S OPINION**

The auditors conducted a State compliance examination of the General Assembly Retirement System for the year ended June 30, 2015, as required by the Illinois State Auditing Act. The accountants stated the System complied, in all material respect, with the requirements described in the report.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this examination were BKD LLP.