



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**GENERAL ASSEMBLY RETIREMENT SYSTEM**

**Financial Audit  
 For the Year Ended June 30, 2015**

**Release Date: January 12, 2016**

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

**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, 2015. The General Assembly Retirement System's Compliance Examination covering the year ended June 30, 2015 will be issued in a separate report at a later date.

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans* 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 \$333.3 million at June 30, 2015. The net pension liability at June 30, 2015 is \$278.8 million, which is the difference between the System's fiduciary net position of \$54.5 million and the total pension liability. The System's funded ratio is 16.37%. 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, therefore this information under the State's funding plan is no longer reported in the financial statements.

**FINDING SYNOPSIS**

- **(15-1)** The General Assembly Retirement System was not in compliance with the Fiscal Control and Internal Auditing Act.

**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, 2015 and 2014**

| <b>STATEMENT OF CHANGES IN PLAN NET POSITION</b>   | <b>2015</b>           | <b>2014</b>           |
|--|-----------------------|-----------------------|
| Additions:   |                       |                       |
| Contributions - Participants.....  | \$ 1,487,346          | \$ 1,502,605          |
| Contributions - Employer/Appropriations.....   | 15,870,941            | 13,956,669            |
| Total Contributions.....   | <u>17,358,287</u>     | <u>15,459,274</u>     |
| Net Appreciation in Fair Value of Investments.....   | 769,133               | 6,988,375             |
| Investment Income.....   | 1,662,074             | 1,528,630             |
| Investment Expense.....  | (143,291)             | (153,577)             |
| Net Investment Income.....   | <u>2,287,916</u>      | <u>8,363,428</u>      |
| Total Additions.....   | <u>19,646,203</u>     | <u>23,822,702</u>     |
| Deductions:  |                       |                       |
| Benefits.....  | 21,274,949            | 20,800,502            |
| Refunds.....   | 191,755               | 245,133               |
| Administrative Expenses.....   | 394,695               | 334,628               |
| Total Deductions.....  | <u>21,861,399</u>     | <u>21,380,263</u>     |
| Net Increase / (Decrease).....   | <u>\$ (2,215,196)</u> | <u>\$ 2,442,439</u>   |
| <b>STATEMENT OF NET POSITION AND INVESTMENT SUMMARY -<br/>(All investments held in the Illinois State Board of Investment Commingled<br/>Fund at fair value)</b> | <b>June 30, 2015</b>  | <b>June 30, 2014</b>  |
| U.S. Government and Agency Obligations.....  | \$ 907,835,826        | \$ 784,475,648        |
| Foreign Obligations.....   | 892,854,266           | 832,282,402           |
| Corporate Obligations.....   | 814,440,237           | 799,514,242           |
| Common Stock & Equity Funds.....   | 4,748,492,740         | 4,553,283,316         |
| Commingled Funds.....  | 770,805,046           | 733,010,980           |
| Foreign Equity Securities (including Preferred Stock).....   | 2,380,176,737         | 2,346,576,036         |
| Hedge Funds.....   | 1,576,250,129         | 1,485,145,060         |
| Real Estate Funds.....   | 1,610,826,230         | 1,483,445,971         |
| Private Equity.....  | 667,080,662           | 667,730,266           |
| Money Market Instruments.....  | 231,115,398           | 217,737,000           |
| Real Assets.....   | 532,718,107           | 524,284,793           |
| Bank Loans.....  | 697,836,613           | 689,256,558           |
| Foreign Currency Forward Contracts.....  | 979,645               | (637,600)             |
| Total Investment Portfolio.....  | <u>15,831,411,636</u> | <u>15,116,104,672</u> |
| Other ISBI Assets Less Liabilities.....  | 14,481,914            | (6,729,297)           |
| ISBI Net Position.....   | <u>15,845,893,550</u> | <u>15,109,375,375</u> |
| Investments owned by other retirement systems and other entities.....  | (15,796,727,874)      | (15,057,826,001)      |
| General Assembly Retirement System Investments.....  | 49,165,676            | 51,549,374            |
| Cash, Receivables and Other Assets.....  | 7,754,661             | 7,629,649             |
| Less: Total Liabilities.....   | (2,346,073)           | (2,389,563)           |
| Net Position - Restricted for Pensions.....  | <u>\$ 54,574,264</u>  | <u>\$ 56,789,460</u>  |
| <b>ADMINISTRATIVE EXPENSES</b>   | <b>2015</b>           | <b>2014</b>           |
| Personal Services.....   | \$ 156,562            | \$ 133,567            |
| Retirement, Group Insurance & Social Security.....   | 109,298               | 98,204                |
| Contractual Services.....  | 120,095               | 95,473                |
| Other Expenses (Net).....  | 8,740                 | 7,384                 |
| Total Administrative Expenses.....   | <u>\$ 394,695</u>     | <u>\$ 334,628</u>     |
| <b>SUPPLEMENTARY INFORMATION</b>   | <b>June 30, 2015</b>  | <b>June 30, 2014</b>  |
| Benefit Recipients.....  | 424                   | 421                   |
| Active Members.....  | 145                   | 158                   |
| Inactive Members.....  | 75                    | 74                    |
| Total.....   | <u>644</u>            | <u>653</u>            |
| <b>PENSION LIABILITY</b>   | <b>June 30, 2015</b>  | <b>June 30, 2014</b>  |
| Total Pension Liability.....   | \$ 333,336,936        | \$ 397,502,761        |
| Plan Fiduciary Net Position.....   | 54,574,264            | 56,789,460            |
| Net Pension Liability.....   | <u>\$ 278,762,672</u> | <u>\$ 340,713,301</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....  | 16.37%                | 14.29%                |
| <b>EXECUTIVE SECRETARY</b>   |                       |                       |
| During Engagement Period: Timothy B. Blair   |                       |                       |
| Currently: Timothy B. Blair  |                       |                       |

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**NONCOMPLIANCE WITH FISCAL CONTROL AND  
INTERNAL AUDITING ACT**

The General Assembly Retirement System (System) was not in compliance with the Fiscal Control and Internal Auditing Act (the Act).

**System filled internal audit position**

During the prior year's audit, we noted that the System was required by the Act (30 ILCS 10/2001) to have a full-time program of internal auditing. The System filled the Internal Auditor position in October 2014. Therefore this part of the prior year's finding is not repeated in the current fiscal year's audit.

**One of seven internal audits planned  
was completed**

The Act (30 ILCS 10/2003) also requires the chief executive officer to ensure that internal audits of all major systems of internal control are conducted at least once every two years. As a result of the vacancy in the Internal Auditor position during part of the fiscal year, only one of the seven internal audits of major systems planned for fiscal year 2015 was completed. Therefore, the System was not in compliance with this provision of the Act.

According to System officials the System was not able to fill the internal audit position sooner and therefore the current internal auditor did not have adequate time during the fiscal year to complete internal audits as planned. (Finding 1, page 34)

**System officials agree with auditors**

The System accepted our recommendation to develop a plan to ensure that the internal audit function continues in the event the position is left vacant for a period of time.

**AUDITOR'S OPINION**

Our auditors stated the financial statements of the General Assembly Retirement System as of June 30, 2015, and for the year then ended, are fairly stated in all material respects.

**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 audit were BKD LLP.