



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, 2016

Release Date: May 11, 2017

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2015		16-2	
Category 2:	1	2	3	2014		16-1	
Category 3:	0	0	0				
TOTAL	1	2	3				
FINDINGS LAST AUDIT: 2							

INTRODUCTION

This digest covers our Compliance Examination of the General Assembly Retirement System for the year ended June 30, 2016. A separate Financial Audit as of and for the year ending June 30, 2016, was previously released on January 26, 2017. In total, this report contains 3 findings, 1 of which was also reported in the Financial Audit.

SYNOPSIS

- (16-2) The General Assembly Retirement System did not 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, 2016

EXPENSE AND RECEIPT STATISTICS	FY 2016	FY 2015
Total Expenditures.....	\$ 38,515,375	\$ 38,673,343
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	16,073,000	15,809,000
Kanerva vs. State Trust Fund - 234:		
Annuitant disbursement.....	-	302,728
General Assembly Retirement System Fund - 481:		
Pensions, annuities and benefits.....	21,771,752	21,236,699
Refunds.....	229,306	211,018
Personal services.....	131,051	156,562
Other payroll costs	100,231	109,297
Contractual services.....	97,712	86,690
Electronic data processing.....	40,210	4,944
All other expenses.....	1,978	2,179
Purchase of investments.....	-	700,000
General Assembly Retirement Excess Benefit Fund - 786:		
Pensions, annuities and benefits.....	70,135	54,226
Total Receipts.....	\$ 23,086,278	\$ 22,661,972
CHANGES IN INVESTMENT BALANCES	June 30, 2016	June 30, 2015
Balance at beginning of year, at fair value.....	\$ 49,165,676	\$ 51,549,374
Net cash added (withdrawn) to (from) investments, net.....	(6,000,000)	(4,650,000)
Net investments.....	43,165,676	46,899,374
Investment income - interest, dividends and other.....	1,368,212	1,640,460
Investment expenses.....	(117,666)	(143,291)
Net investment income.....	1,250,546	1,497,169
Net unrealized gain (loss) on investments.....	365,103	(905,449)
Net realized gain (loss) on sale of investments.....	(2,176,884)	1,674,582
Net appreciation (depreciation) in fair value of investments.....	(1,811,781)	769,133
Total net investment income (loss).....	(561,235)	2,266,302
Balance at end of year, at fair value.....	\$ 42,604,441	\$ 49,165,676
CONTRIBUTIONS/DEDUCTIONS AND EFFECT ON INVESTMENTS USED	FY 2016	FY 2015
CONTRIBUTIONS:		
Participant.....	\$ 1,309,697	\$ 1,487,346
Employer.....	16,073,000	15,870,941
Total Contributions.....	17,382,697	17,358,287
DEDUCTIONS:		
Benefits.....	21,841,237	21,274,949
Refunds.....	141,817	191,755
Administration.....	382,340	394,695
Total Deductions.....	22,365,394	21,861,399
Contributions in Excess of Deductions (Investments used to pay Benefits and Expenses).....	\$ (4,982,697)	\$ (4,503,112)
SUPPLEMENTARY INFORMATION (UNAUDITED)	June 30, 2016	June 30, 2015
Retirees and beneficiaries receiving benefits.....	415	424
Total members.....	196	205
Total active members.....	141	145
Money-weighted rate of return.....	0.32%	3.24%
EXECUTIVE SECRETARY		
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 provisions of the Illinois Pension Code.

The System did not track ethics training completed by its Board members

Annual certification not submitted

During current year examination testing, 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 10)

We recommended the System offer the Board members the opportunity to participate in the 8 hours of ethics training in order to internally process and track each Board member's ethics training requirements and submit the required annual certification to the Department of Insurance.

System officials accepted the auditor's recommendation

System officials accepted the auditor's recommendation and stated that they would continue to work towards implementing a future trustee training program for the Board members.

OTHER FINDINGS

The remaining findings pertain to noncompliance with the Fiscal Control and Internal Auditing Act and change management weaknesses. We will review the System's progress towards the implementation of our recommendations in our next State compliance examination.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the System for the year ended June 30, 2016, as required by the Illinois State Auditing Act. The accountants stated the System complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by RSM US LLP.

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BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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