

# **General Assembly Retirement System of the State of Illinois**

## **Compliance Examination**

For the Year Ended June 30, 2016  
Performed as Special Assistant Auditors for  
the Auditor General, State of Illinois



**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Year Ended June 30, 2016**

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The System's financial statement report for the year ended June 30, 2016, which includes the independent auditor's report, management's discussion and analysis, basic financial statements and notes, required supplementary information other than management's discussion and analysis, supplementary information, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

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**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Year Ended June 30, 2016**

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**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**For the Year Ended June 30, 2016**

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***System Officials***

Executive Secretary  
Division Manager  
Accounting Division Manager  
Internal Auditor

Timothy B. Blair  
Jayne Waldeck  
Alan Fowler, CPA  
Casey Evans

***Office Locations***

2101 South Veterans Parkway  
P.O. Box 19255  
Springfield, Illinois 62794-9255

State of Illinois Building  
160 North LaSalle Street, Suite N725  
Chicago, Illinois 60601



**STATE  
RETIREMENT  
SYSTEMS**

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

Internet: <http://www.srs.illinois.gov> E-Mail: [sers@srs.illinois.gov](mailto:sers@srs.illinois.gov)

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

April 24, 2017

RSM US LLP  
20 North Martingale Road, Suite 500  
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the General Assembly Retirement System of Illinois (System). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the System's compliance with the following assertions during the year ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, the System has materially complied with the assertions below.

- A. The System has obligated, expended, received and used public funds of the State in accordance with the purpose for which funds have been appropriated or otherwise authorized by law.
- B. The System has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

General Assembly Retirement System

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Timothy B. Blair, Executive Secretary

\_\_\_\_\_  
Alan Fowler, CPA, Accounting Division Manager

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Year Ended June 30, 2016**

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**Compliance Report**

**Summary**

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

**Accountant's Report**

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

**Summary of Findings**

<b>Number of</b>	<b>Current Report</b>	<b>Prior Report</b>
Findings	3	2
Repeated findings	2	1
Prior recommendations implemented or not repeated	0	1

**Schedule of Findings**

<b>Item No.</b>	<b>Page</b>	<b>Description</b>	<b>Finding Type</b>
<b>FINDINGS (GOVERNMENT AUDITING STANDARDS)</b>			
2016-001	9	Noncompliance with Fiscal Control and Internal Auditing Act	Significant Deficiency
<b>FINDINGS (STATE COMPLIANCE)</b>			
2016-002	10	Noncompliance with Ethics Training Requirements	Noncompliance and Significant Deficiency
2016-003	11	Change Management Weaknesses	Noncompliance and Significant Deficiency

In addition, the following findings which are reported as current findings related to *Government Auditing Standards* also met the reporting requirements for State Compliance.

2016-001	9	Noncompliance with Fiscal Control and Internal Auditing Act	Noncompliance and Significant Deficiency
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**Exit Conference**

System officials elected to waive a formal exit conference in correspondence dated March 15, 2017. The responses to the recommendations were provided by Casey Evans, Internal Auditor, in correspondence dated April 3, 2017.

**Independent Accountant’s Report on State Compliance,  
on Internal Control Over Compliance, and on  
Supplementary Information for State Compliance Purposes**

Honorable Frank J. Mautino  
Auditor General, State of Illinois  
and  
Board of Trustees  
General Assembly Retirement System of the State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined the General Assembly Retirement System of the State of Illinois’ (System) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2016. The management of the System is responsible for compliance with these requirements. Our responsibility is to express an opinion on the System’s compliance based on our examination.

- A. The System has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The System has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the System’s compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the System’s compliance with specified requirements.

In our opinion, the System complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2016. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2016-001, 2016-002 and 2016-003.

### **Internal Control**

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the System's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

*A deficiency in an entity's internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2016-001, 2016-002 and 2016-003 that we consider to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

The System's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the System's responses and, accordingly, we express no opinion on the responses.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited and issued under separate cover the Statement of Fiduciary Net Position of the General Assembly Retirement System of the State of Illinois (System) as of June 30, 2016, and the Statement of Changes in Fiduciary Net Position for the year then ended, and have issued our report thereon dated January 4, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. We did not audit the 2016 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 84 percent, 87 percent and (3) percent respectively of total assets, net position restricted for pension benefits, and total additions to the System. Those financial statements were

audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Illinois State Board of Investment is based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to January 4, 2017. The accompanying supplementary information for State compliance purposes, consisting of the Fiscal Schedules and Analysis Section (Schedules 1 through 11), for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying Fiscal Schedules and Analysis Section (Schedules 1 through 11) for the year ended June 30, 2016 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Fiscal Schedules and Analysis Section (Schedules 1 through 11) for the year ended June 30, 2016 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

The System's basic financial statements as of and for the years ended June 30, 2015 and June 30, 2014 (not presented herein), were audited by other auditors whose reports thereon dated December 18, 2015 and December 22, 2014, respectively, expressed unmodified opinions on the basic financial statements. The reports of other auditors dated December 18, 2015 and December 22, 2014, stated that the accompanying supplementary information for the State compliance purposes for the years ended June 30, 2015 and June 30, 2014, respectively, consisting of the Fiscal Schedules and Analysis section (Schedules 2, 4 through 7, and 9 through 11) was subjected to the auditing procedures applied in the audit of the June 30, 2015 and June 30, 2014 basic financial statements and certain additional auditing procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2015 and June 30, 2014.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees of the System and System management, and is not intended to be and should not be used by anyone other than these specified parties.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
April 24, 2017, except for the supplementary information  
for State compliance purposes, as to which the date  
is January 4, 2017

**Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards**

Honorable Frank J. Mautino  
Auditor General, State of Illinois

Board of Trustees  
General Assembly Retirement System of the State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position of the General Assembly Retirement System of the State of Illinois (System), as of and for the year ended June 30, 2016, and the related notes to the financial statements, and have issued our report thereon dated January 4, 2017. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a significant deficiency.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Response to Findings**

The System's response to the finding identified in our audit is described in the accompanying schedule of findings. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
January 4, 2017

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule of Findings - *Government Auditing Standards***

**Year Ended June 30, 2016**

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**Finding No. 2016-001 Noncompliance with the 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).

The Act (30 ILCS 10/2003) 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. The System was unable to complete internal audits of all major systems of internal control at least every two years as required by the Act.

System officials indicated the System was not able to provide additional resources to the internal audit function and therefore the current internal auditor did not have adequate time during the fiscal year to complete internal audits as required.

Failure to comply with the Act increases the risk that fraud, misuse of funds, or internal control weaknesses would not be detected on a timely basis. (Finding Code No. 2016-001, 2015-001, 2014-001)

**Recommendation:**

We recommend System management develop a plan to ensure the internal audit function has the resources necessary to comply with the Act.

**Response:**

The System accepts the finding. The SERS Board of Trustees has created and funded an additional internal auditor position in fiscal year 2017 to aid the Chief Internal Auditor in performing audit duties. The new position has been posted and candidates have been interviewed.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule of Findings – State Compliance**

**Year Ended June 30, 2016**

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**Finding No. 2016-002 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.

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.

The Illinois Pension Code (40 ILCS 5/1-113.18) states all board members of a retirement system must attend ethics training of at least 8 hours per year. Each board shall annually certify compliance with this Section and submit an annual certification to the Department of Insurance.

System officials stated ethics training was not offered to the System's Board Members. The Board members receive training outside of the System as part of the Board's duties as legislators; however, the amount of training was not specific to their duties as members of the System's Board and the System was not able to track the ethics training in order to submit the annual certification because they did not become aware of the requirement until late in fiscal year 2016.

Failure by the System to track and certify the ethics training completed by its Board members increases the risk that its Board members will not complete the required 8 hours of annual ethics training required by the Illinois Pension Code. (Finding Code No. 2016-002, 2015-002)

**Recommendation:**

We recommend 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 Response:**

The System accepts the finding. Management will continue to work towards implementing a future trustee training program for the Board members.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule of Findings – State Compliance**

**Year Ended June 30, 2016**

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**Finding No. 2016-003 Change Management Weaknesses**

The State Retirement System, which administers the General Assembly Retirement System (System), has weaknesses in their change management procedures.

The System develops and deploys custom software to manage pension accounts of Illinois members and collects, stores, and processes confidential and protected information related to this mission.

The System had established formal change management procedures; however, the procedures did not address migrating changes into the production environment. In addition, programmers developing and making changes to applications had access to the production environment and the capability to implement changes. Furthermore, monitoring tools were not in place to detect unauthorized code migrations.

Generally accepted information technology guidance endorses the implementation of change management procedures to reduce the risk of unauthorized, improper, or erroneous changes to computer systems. These procedures include restricting programmers from making a change and moving it into production.

Management stated that a plan was in place to restrict developer access to production for the central application but due to oversight the plan was not fully executed. The System is working on incorporating automated approval and deployment of changes into the production environment; however, it has not yet completed this process.

The lack of adequate change control procedures increases the risk that unauthorized changes are put into production that could compromise system integrity and data. (Finding Code No. 2016-003)

**Recommendation:**

We recommend the System update its change management procedures to address specific procedures for migrating changes into the production environment. The procedures should include a standard form for requesting a change be moved into production and include user and management approval. In addition, programmers should be prevented from migrating changes into the production environment. If the Office determines that programmer access is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate and documented management oversight and approval.

**System Response:**

The System accepts the finding. A change control process has been implemented for all legacy computerized systems and the SRS IT Division is currently working towards implementing an automated approval and deployment process which it hopes to achieve in calendar year 2017.

## **General Assembly Retirement System of the State of Illinois Compliance Examination**

**Year Ended June 30, 2016**

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### **Supplementary Information for State Compliance Purposes**

#### **Summary**

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- **Fiscal Schedules and Analysis:**
  - Schedule of Appropriations, Expenditures and Lapsed Balances
  - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts
  - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Cash Receipts
  - Analysis of Significant Lapse Period Spending
  - Comparative Schedule of Cash Balances
  - Comparative Schedule of Changes in Investment Balances
  - Analysis of Contributions Receivable
  
- **Analysis of Operations (Unaudited):**
  - System Functions and Planning Program (Unaudited)
  - Progress in Funding the System (Unaudited)
  - Budget Impasse Disclosures (Unaudited)
  - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
  - Interest Costs on Fiscal Year 2016 Invoices (Unaudited)
  - Money-Weighted Rate of Return (Unaudited)
  - Average Number of System Employees (Unaudited)
  - Comparison of Administrative Expenses to Total Expenses (Unaudited)
  - Schedule of Contributions/Deductions and Effect on Investments (Unaudited)
  - Service Efforts and Accomplishments (Unaudited)

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section and states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

Schedule of Appropriations, Expenditures and Lapsed Balances  
Expenditure Authority for Fiscal Year 2016  
Fourteen Months Ended August 31, 2016

	Expenditure Authority (Net of Transfers)	Expenditures through June 30, 2016	Lapse Period Expenditures July 1, 2016 through August 31, 2016	Total Expenditures 14 Months Ended Total August 31, 2016	Balances Lapsed August 31, 2016
<b>Continuing Appropriations</b>					
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 0001</b>					
Continuing appropriation for pension contributions	\$ 16,073,000	\$ 16,073,000	\$ -	\$ 16,073,000	\$ -
Total appropriated funds	\$ 16,073,000	\$ 16,073,000	\$ -	\$ 16,073,000	\$ -
<b>Nonappropriated Funds</b>					
<b>General Assembly Retirement</b>					
<b>System Fund - 0481</b>					
Personal services		\$ 95,906	\$ 35,145	\$ 131,051	
Employee retirement pickup		1,088	363	1,451	
Retirement contributions		43,767	16,038	59,805	
Social Security contributions		7,084	2,593	9,677	
Group insurance		21,291	8,007	29,298	
Contractual services		93,657	4,055	97,712	
Travel		1,055	66	1,121	
Commodities		34	59	93	
Printing		100	-	100	
Electronic data processing		17,974	22,236	40,210	
Telecommunications		285	123	408	
Automotive		190	66	256	
Nonrecurring refunds and distributions		172,644	-	172,644	
Pensions, annuities and benefits		21,771,752	-	21,771,752	
Refunds, prior calendar year contributions		7,801	-	7,801	
Refunds, not elsewhere classified		48,861	-	48,861	
Subtotal - Fund 0481		22,283,489	88,751	22,372,240	
<b>General Assembly Retirement</b>					
<b>Excess Benefit Fund - 0786</b>					
Pensions, annuities and benefits		70,135	-	70,135	
Total nonappropriated funds		22,353,624	88,751	22,442,375	
Grand total, all Funds	\$	38,426,624	\$ 88,751	\$ 38,515,375	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016 and have been reconciled to System records.

Note 2: Expenditure amounts are vouchers approved for payment by the System and submitted to the State Comptroller for payment to the vendor.

Note 3: The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.1(a)) provides a continuing annual appropriation for the State's Contributions to the System such that the State's total contributions are no less than the required State contributions lawfully submitted by the System under the Illinois Pension Code (40 ILCS 5/2-134). The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the System pursuant to this Statute. Therefore, the System's fiscal year 2016 appropriation for Fund 001 was established as the amount certified to the Governor and General Assembly as the State's required contribution on January 15, 2015.

Comparative Schedules of Net Appropriations,  
Expenditures and Lapsed Balances  
For the Years Ended June 30, 2016, 2015 and 2014

	Fiscal Year		
	2016	2015	2014
	Continuing Appropriations	P.A. 98-0680	P.A. 98-0017
<b>Appropriated Funds</b>			
<b>General Revenue Fund - 0001</b>			
Appropriations	\$ 16,073,000	\$ 15,809,000	\$ 13,856,000
Expenditures			
Continuing appropriation for pension contributions	16,073,000	15,809,000	13,856,000
Total appropriated funds	16,073,000	15,809,000	13,856,000
Lapsed balances	\$ -	\$ -	\$ -
<b>Nonappropriated Funds</b>			
<b>Kanerva vs State Trust Fund - 0234</b>			
Expenditures			
Annuitant disbursement	\$ -	\$ 302,728	\$ -
<b>General Assembly Retirement System Fund - 0481</b>			
Expenditures			
Personal services	131,051	156,562	133,567
Employee retirement pickup	1,451	2,523	2,252
Retirement contributions	59,805	66,371	53,907
Social Security contributions	9,677	11,613	9,781
Group insurance	29,298	28,790	32,264
Contractual services	97,712	86,690	66,945
Travel	1,121	831	501
Purchase of investments	-	700,000	-
Commodities	93	210	194
Printing	100	-	1,675
Equipment	-	-	237
Electronic data processing	40,210	4,944	2,003
Telecommunications	408	934	873
Automotive	256	204	378
Nonrecurring refunds and distributions	172,644	146,524	225,806
Pensions, annuities and benefits	21,771,752	21,236,699	20,741,824
Refunds, prior calendar year contributions	7,801	11,814	14,117
Refunds, not elsewhere classified	48,861	52,680	52,680
Total expenditures - Fund 0481	22,372,240	22,507,389	21,339,004
<b>General Assembly Retirement Excess Benefit Fund - 0786</b>			
Expenditures			
Pensions, annuities and benefits	70,135	54,226	44,595
Total nonappropriated expenditures	22,442,375	22,864,343	21,383,599
Grand total expenditures, all Funds	\$ 38,515,375	\$ 38,673,343	\$ 35,239,599

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016 and have been reconciled to System records.

Note 2: Expenditure amounts are vouchers approved for payment by the System and submitted to the State Comptroller for payment to the vendor.

Note 3: The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.1(a)) provides a continuing annual appropriation for the State's Contributions to the System such that the State's total contributions are no less than the required State contributions lawfully submitted by the System under the Illinois Pension Code (40 ILCS 5/2-134). The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the System pursuant to this Statute. Therefore, the System's fiscal year 2016 appropriation for Fund 001 was established as the amount certified to the Governor and General Assembly as the State's required contribution on January 15, 2015.

Schedule of Changes in State Property  
 For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 15,424	\$ 1,372	\$ -	\$ 16,796
Accumulated depreciation	(12,946)	(1,311)	-	(14,257)
Equipment, net	2,478	61	-	2,539
Internally developed software	6,990	7,308	-	14,298
Accumulated amortization	(350)	(714)	-	(1,064)
Internally developed software, net	6,640	6,594	-	13,234
Capital assets, net	\$ 9,118	\$ 6,655	\$ -	\$ 15,773

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule 4**

**Comparative Schedule of Cash Receipts  
For the Years Ended June 30, 2016 and 2015**

	2016	2015
<b>Receipts:</b>		
Participant contributions	\$ 991,831	\$ 1,457,814
Employer contributions:		
General Revenue Fund	16,061,999	15,727,661
Paid by participants	-	34,602
Received from reciprocal systems	-	27,340
Interest income on cash balances	21,412	21,159
Tax-deferred installment payments	1,470	5,342
Post tax installment payments	-	2,042
Receipts from reciprocal systems	-	25,471
Cancellation of annuities, net of overpayments	9,391	10,441
Transfers from Illinois State Board of Investment	6,000,000	5,350,000
Miscellaneous	175	100
	<hr/>	<hr/>
Total cash receipts, per book	<u>\$ 23,086,278</u>	<u>\$ 22,661,972</u>

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule 5**

**Reconciliation Schedule of Cash Receipts  
to Deposits Remitted to the State Comptroller  
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Total cash receipts, per books	\$ 23,086,278	\$ 22,661,972
Add (deduct)		
Interest on cash balances	(21,412)	(21,159)
Cancellation of annuities	(9,963)	(10,441)
Deposits in transit		
Beginning of year	2,220	-
End of year	-	(2,220)
Cancellation of annuities (IRS tax levies) processed as receipt deposits	48,861	52,680
Prior fiscal year intergovernmental payment vouchers deposited into the GARS Trust Fund (Fund #0481) during the current fiscal year*	(658,709)	(577,370)
Current fiscal year intergovernmental payment vouchers submitted to the Comptroller's office but not yet deposited into the GARS Trust Fund (Fund #0481)*	669,710	658,709
Deposits remitted to the State Comptroller for order into the State Treasury	\$ 23,116,986	\$ 22,762,171

\* Intergovernmental transfers are GRF employer contributions that are deposited in the GARS Trust Fund (Fund #0481). Intergovernmental transfers are recorded as revenue on the monthly revenue report (SB04) at the time the intergovernmental payment voucher is entered into the SAMS system. GARS does not record the intergovernment transfer as a receipt until the voucher has been released and the payment has been deposited into the Trust Fund.

**Analysis of Significant Variations in Expenditures  
For the Year Ended June 30, 2016**

The System's expenditures, obtained from Schedule 2, have been analyzed for fluctuations greater than \$75,000 and 20 percent from the previous year.

	2016	2015	Increase (Decrease)
Kanerva vs. State Trust Fund	\$ -	\$ 302,728	\$ (302,728) (1)
Purchase of investments	-	700,000	(700,000) (2)

- (1) From July, 2013 through October, 2014, annuitants with less than 20 years of service started paying a portion of their health insurance as required by the pension reform law passed by the legislature in 2012. The Supreme Court later ruled that the 2012 pension reform law violated the state constitution's pension protection clause and, as a result, the premium payments were refunded to the annuitants. The decrease represents the amount of retiree health insurance premiums refunded to annuitants during fiscal year 2015. All refunds were to be completed in FY15 by court order.
- (2) The System strives to maintain a Trust Fund cash balance sufficient to cover two months of operating expenses. Any projected Trust Fund balance excess or shortfall is transferred to or transferred from the Illinois State Board of Investment (ISBI), respectively. The increase represents the projected excess cash balance that was transferred to the Illinois State Board of Investment for long term investment. Due to the uncertainty of the release of the employer contributions, the cash balance was increased and excess funds were not transferred up to the ISBI in FY 2016.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule 7**

**Analysis of Significant Variations in Cash Receipts  
For the Year Ended June 30, 2016**

The System's expenditures, obtained from Schedule 4, have been analyzed for fluctuations greater than \$75,000 and 20 percent from the previous year.

	2016	2015	Increase (Decrease)
Participant contributions	\$ 991,831	\$ 1,457,814	\$ (465,983) (a)

- (a) The participant contributions were lower during FY 2016 due to the halting of the processing of the General Assembly monthly payroll because of the lack of a state budget.

**Analysis of Significant Lapse Period Spending  
For the Year Ended June 30, 2016**

The System's lapse period spending, obtained from Schedule 1, has been analyzed for spending greater than \$15,000 and 20 percent in any appropriate line item.

There was no lapse period spending in FY 2016 appropriated lines that met the criteria.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule 9**

**Comparative Schedule of Cash Balances  
For the Years Ended June 30, 2016 and 2015**

	<b>2016</b>	<b>2015</b>
State Treasury	\$ 5,542,851	\$ 4,904,253

The increase in the cash balance at the end of the fiscal year due to the uncertainty of the timing of the release of the GRF employer contribution payment. The timing of receipts, as well as expenses, can fluctuate and variances in the cash balance can occur from year to year.

**Comparative Schedule of Changes in Investment Balances  
For the Years Ended June 30, 2016 and 2015**

Pursuant to Article 22A of the Illinois Pension Code, investments of the General Assembly Retirement System of the State of Illinois are managed by the Illinois State Board of Investment (ISBI) and are held in the ISBI Commingled Fund. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective

Investment portfolio management and performance are the direct responsibility of ISBI which establishes investment policy and strategy.

Comparison of the changes in the System's investments held in the ISBI Commingled Fund for the year: ended June 30, 2016 and 2015 is summarized as follows:

	<b>2016</b>	<b>2015</b>
Balance at beginning of year, at fair value	\$ 49,165,676	\$ 51,549,374
Net cash added (withdrawn) to (from) investment, net	(6,000,000)	(4,650,000)
	<u>43,165,676</u>	<u>46,899,374</u>
Investment income		
Interest, dividends and other	1,368,212	1,640,460
Expenses	(117,666)	(143,291)
	<u>1,250,546</u>	<u>1,497,169</u>
Net appreciation (depreciation) in fair value of investments		
Net realized gain (loss) on sales of investments	365,103	(905,449)
Net unrealized gain (loss) on investment	(2,176,884)	1,674,582
	<u>(1,811,781)</u>	<u>769,133</u>
Total net investment income (loss)	<u>(561,235)</u>	<u>2,266,302</u>
Balance at end of year, at fair value	<u>\$ 42,604,441</u>	<u>\$ 49,165,676</u>

Securities lending collateral decreased by \$815.0 thousand in fiscal year 2016 compared to the fiscal year 2015 ending balance from \$2,174,000 to \$1,359,000. The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same security in the future. Each year the Treasurer provides an allocation to the Comptroller to adjust each State Agency's financial statements to include their proportionate share of the securities lending transaction balances at year end. Securities lending activity can vary from year to year depending on market conditions and the availability of securities to lend.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Schedule 11**

**Analysis of Contributions Receivable  
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Employer contributions	\$ 669,710	\$ 658,709
Participants' contributions	320,629	4,234
Refundable annuities	382	2,236
Interest on cash balances	2,440	2,111
	<hr/>	<hr/>
Total receivables	<u>\$ 993,161</u>	<u>\$ 667,290</u>

The variance in total receivables from 2015 to 2016 is primarily due to the ceasing of the processing of the monthly General Assembly payroll. At June 30, 2016, a receivable had to be established to accrue the GA participants' retirement contributions for April, May and June of 2016 as those payrolls had not been processed. No receivables were deemed uncollectable at June 30, 2016. Accounts are first analyzed by System personnel for collectability before being sent to the Attorney General's office for final determination.

## **General Assembly Retirement System of the State of Illinois Compliance Examination**

### **Analysis of Operations (Unaudited) For the Years Ended June 30, 2016 and 2015**

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#### ***System Functions and Planning Program (Unaudited)***

The General Assembly Retirement System, State of Illinois (System) was created to provide retirement annuities, survivors' annuities and other benefits for members and presiding officers of the General Assembly and their survivors. The governing statute was amended in 1975 (P.A. 79-969) to extend coverage to certain elected State executive officers.

The System began operations on November 1, 1947, and is governed by Chapter 40 Act 5, Article 2, of the Illinois Compiled Statutes. It is administered by a Board of Trustees consisting of seven persons, as follows: The President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Senator James Clayborne, Jr. is Chairman of the Board of Trustees (Board) and Mr. Timothy B. Blair is the Executive Secretary of the System. The Executive Secretary is appointed by the Board and is charged with the administration of the detailed affairs of the System.

The System is also responsible for the general administration of the State Employees Group Insurance Program as it applies to eligible annuitants. This includes enrollment, processing life insurance claims and other administrative details related to that program.

Currently, the System utilizes a formal planning program which includes, among other things, operational project planning as well as administrative expense budgeting.

During fiscal year 2016, the System, in conjunction with the State Employees' Retirement System's Information Technology Division, worked on several modernization/reengineering projects which included: the sync of retirement benefit data, and design of the new benefit setup process and pension calculations, system performance tuning, and changes to the annual benefit statements.

During fiscal year 2017, the System will continue to work with the State Employees' Retirement System's Information Technology Division on the following new projects: the implementation of the new benefit setup and pension calculation, and the design of the service purchase set up, the cash receipts, and the accounts receivable modules.

#### ***Progress in Funding the System (Unaudited)***

In August 1994, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50-year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90 percent. In addition, the funding plan provides for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Once the 15-year phase-in is complete, the State's contribution will then remain at a level percentage of payroll for the next 35 years until the 90 percent funded level is achieved.

The funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This, in effect, removed the appropriation of those funds from the annual budgetary process.

Public Act 93-0002 became law on April 7, 2003, and authorized the State to issue \$10 billion in general obligation bonds for the purpose of making contributions to the retirement systems. On June 12, 2003, the State issued \$10 billion in General Obligation Bonds, Pension Funding Series of June 2003.

## **General Assembly Retirement System of the State of Illinois Compliance Examination**

### **Analysis of Operations (Unaudited) (Continued) For the Years Ended June 30, 2016 and 2015**

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#### ***Progress in Funding the System (Unaudited) (Continued)***

Commencing with fiscal year 2005, the maximum State contribution under Public Act 93-0002 equals the State contribution that would have been required if the general obligation bond contribution had not been made, reduced – but not below zero – by the State's debt service on each system's respective portion of the full \$10 billion of General Obligation Bond, Pension Funding Series of June 2003.

In June 2005, Public Act 94-0004 became law. This legislation further modified the funding plan by reducing the amount of required employer contributions for fiscal years 2006 and 2007 that would have otherwise been required under Public Act 88-0593, as modified by Public Act 93-0002. This act specified the appropriation amounts for fiscal years 2006 and 2007. The required State contributions for fiscal years 2008 through 2010 will then be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the State is contributing at the required level contribution rate to achieve the financing objective of a 90% funded status by the end of fiscal year 2045.

Public Act 96-0043 became law on July 15, 2009. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation. The method was changed from the market/fair value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year, beginning with FY09, in equal amounts over the ensuing five-year period.

Public Act 96-0889 added a lower tier of benefits for members who first contribute to GARS on or after January 1, 2011. When Public Act 96-1511 was enacted in January 2011, it required the System to assume that the provisions of Public Act 96-0889 were in effect on June 30, 2009 and to recalculate and recertify the fiscal year 2011 state funding requirement. Under this recertification, the fiscal year 2011 state contribution requirement was reduced by \$1.1 million, from \$12.1 million to \$11.0 million.

Under the State's funding plan, the actuarial accrued liability of the System at June 30, 2016, amounted to approximately \$363.3 million. The actuarial value of assets (at smoothed value) at June 30, 2016 amounted to approximately \$50.8 million. The difference between the actuarial accrued liability and the actuarial value of assets of \$312.5 million reflects the unfunded actuarial accrued liability of the System at June 30, 2016 under the State's funding plan. The System had a funded ratio based on the State's funding plan of 14.0% at June 30, 2016.

For financial reporting purposes, the System adopted GASB Statement No. 67, *Financial Reporting for Pension Plans* in the fiscal year ended June 30, 2014. GASB Statement No. 67 requires the use of the market value of assets rather than the actuarial value of assets (smoothed value) used under the State's funding plan in calculating the net pension liability. It also requires that the System use the entry age actuarial cost method rather than the projected unit credit cost method used under the State's funding plan for calculating the total pension liability. In addition, it requires the System use a blended rate of return of 6.60% combining the assumed rate of return of 6.75% and a municipal bond rate of 2.85% based on an index of 20 year general obligation bonds with an average AA rating for investments in the event the System's assets are exhausted in the future.

On June 30, 2016, the System reported for financial reporting purposes under GASB Statement No. 67 that the market value of assets was \$49.1 million. The difference between the total pension liability of \$373.7 million and the market value of assets was the net pension liability of \$324.6 million and the funded ratio was 13.1%. On June 30, 2015, the market value of assets was \$54.6 million. The difference between the System's June 30, 2015 total pension liabilities of \$333.3 million and the market value of assets was the June 30, 2015 net pension liability of \$278.7 million and the funded ratio was 16.4%.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2016 and 2015**

***Progress in Funding the System (Unaudited) (Continued)***

The market value of the assets of the fund, that were available for benefits, decreased from \$54.6 million as of June 30, 2015 to \$49.1 million as of June 30, 2016. The actuarial value of the assets of \$50.8 million at June 30, 2016, is \$1.7 million higher than the market value of the assets due to recognition of 100% of the actuarial loss in fiscal year 2012, 80% of the actuarial gain in fiscal year 2013, 60% of the actuarial gain in fiscal year 2014, 40% of the actuarial loss in fiscal year 2015, and 20% of the actuarial loss in fiscal year 2016.

State required contributions to the System for the next five fiscal years are noted in the table below.

Year Ended June 30	Required State Contribution (in millions)
2017	\$ 21.7
2018	26.7
2019	26.0
2020	25.8
2021	25.4

The Schedule of the State's Net Pension Liability (in millions) for fiscal years ended June 30, 2016 and 2015 are noted in the table below.

	2016	2015
Total pension liability	\$ 373.7	\$ 333.3
Plan fiduciary net position	49.1	54.6
State's net pension liability (asset)	\$ 324.6	\$ 278.7
Plan fiduciary net position as a percentage of the total pension liability	13.13 %	16.37 %
Covered employee payroll	\$ 11.3	\$ 11.6
State's net pension liability (asset) as a percentage of Covered employee payroll	2,873.29 %	2,401.18 %

The Schedule of State Contributions for the fiscal years ended June 30, 2016 and 2015 are noted in the table below.

Year Ended June 30,	Actuarially Determined Contribution	Contributions Received	Contribution (Deficiency) Excess	Covered Employee Payroll	Contributions Received as a Percentage of Covered Employee Payroll
2016	\$17,140,656	\$16,073,000	(\$1,067,656)	\$11,297,614	142.27%
2015	16,900,876	15,870,941	(1,029,935)	11,609,403	136.71%

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2016 and 2015**

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**Notes to the Schedule of State Contributions**

Valuation date: June 30, 2014

Notes: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions will be made.

**Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date**

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Normal cost plus a level percentage of uncapped payroll amortization of the unfunded accrued liability.

Remaining Amortization Period: 30 years, open

Asset Valuation Method: 5 year smoothed market

Inflation: 3.00 percent

Salary Increases: A salary increase assumption of 3.50 percent per annum, compounded annually, was used. This 3.50 percent salary increase assumption includes an inflation component of 3.00 percent per annum, a productivity component of 0.40 percent per annum, and a merit/promotion component of 0.10 per cent per annum. Salaries were assumed to remain at the current rate for fiscal year 2016.

Post-Retirement Benefits: Post-retirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or the annual change in the Consumer Price Index, whichever is less, compounded for Tier 2.

Investment Rate of Return: 7.00 percent

Retirement Age: Age-based table of rates that are specific to the type of eligibility

Mortality: RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2016 (static table) setback three (3) years for males and two (2) years for females.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2016 and 2015**

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***Budget Impasse Disclosures (Unaudited)***

All of the System's Fiscal Year 2016 costs were paid pursuant to continuing appropriations. The System did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 lapse period on August 31, 2016.

***Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors***

The System and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

None of the System's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016.

***Interest Costs on Fiscal Year 2016 Invoices (Unaudited)***

The System did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The System's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

***Money-Weighted Rate of Return (Unaudited)***

Pursuant to Article 22A of the Illinois Pension Code, investments of the General Assembly Retirement System of Illinois are managed by the Illinois State Board of Investment (ISBI) and are held in the ISBI Commingled Fund. ISBI operates under a long-range investment plan with the objective to maximize the total rate of return. The objectives set forth are as follows:

- At least equal to the assumed actuarial interest rate, currently 6.75% per year.
- At least equal to the return of a composite benchmark of market indices in the same proportions as the Board's asset allocation policy targets.

The time-weighted rate of return of the Illinois State Board of Investment (ISBI) Commingled Fund was (0.8)% for fiscal year 2016. The ISBI's total fund performance was less than the composite benchmark of 0.7% for the year ended June 30, 2016.

The annual money-weighted rate of return, net of investment expense, as of June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Money-weighted return*	0.32%	3.24%

\* The annual money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2016 and 2015**

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***Average Number of System Employees (Unaudited)***

The System does not have any designated employees. However, personal services and all related expenses are shared with the Judges' Retirement System of Illinois as explained below:

***Comparison of Administrative Expenses to Total Expenses (Unaudited)***

	<u>2016</u>	<u>2015</u>
Total expenses		
Benefits	\$ 21,841,237	\$ 21,274,949
Refunds	141,817	191,755
Administrative	382,340	394,695
	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 22,365,394</u>	<u>\$ 21,861,399</u>
Administrative expenses as a percentage of total expenses	<u>1.7%</u>	<u>1.8%</u>

Administrative expenses are not subject to appropriation control but are controlled by budgets adopted by the Board of Trustees. Administrative expenses common to the General Assembly Retirement System of Illinois and Judges' Retirement System of Illinois are paid 25 percent by the General Assembly Retirement System of Illinois and 75 percent by the Judges' Retirement System of Illinois. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System of Illinois and the applicable percent is allocated to and reimbursed by the General Assembly Retirement System of Illinois.

***Schedule of Contributions/Deductions and Effect on Investments (Unaudited)***

Below is a schedule of contributions received by the System and expenditures of the System for benefits and operations and the effect of these transactions on the System's investments.

	<u>2016</u>	<u>2015</u>
<b>Contributions</b>		
Participant Contributions	\$ 1,309,697	\$ 1,487,346
Employer Contributions	16,073,000	15,870,941
	<u>                    </u>	<u>                    </u>
<b>Total Contributions</b>	<u>17,382,697</u>	<u>17,358,287</u>
<b>Deductions</b>		
Retirement Benefits	18,104,674	17,663,009
Survivor Benefits	3,736,563	3,611,940
Refunds	141,817	191,755
Administrative Expenses	382,340	394,695
	<u>                    </u>	<u>                    </u>
<b>Total Deductions</b>	<u>22,365,394</u>	<u>21,861,399</u>
<b>Investments Used to Pay Benefits and Expenses</b>	<u>\$ (4,982,697)</u>	<u>\$ (4,503,112)</u>

**General Assembly Retirement System of the State of Illinois  
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2016 and 2015**

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***Service Efforts and Accomplishments (Unaudited)***

	<u>2016</u>	<u>2015</u>
Membership data		
Active members	141	145
Inactive members	55	60
	<u>196</u>	<u>205</u>
Benefit payments processed		
Recurring		
Retirement annuities (1)	299	309
Survivors' Annuities (2)	115	114
Reversionary annuities	1	1
	<u>415</u>	<u>424</u>
Termination refunds processed	<u>2</u>	<u>3</u>
Retirement counseling		
One-on-one counseling programs held*	27	28
One-on-one counseling programs held (GARS only)	2	-

\* Held in conjunction with the Judges' Retirement System of Illinois.

(1) 75 percent of the fiscal year 2016 retirement annuities were processed in less than 30 days.

(2) 89 percent of the fiscal year 2016 survivors' annuities were processed in less than 30 days.