



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, 2016**

**Release Date: January 26, 2017**

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

**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, 2016. The General Assembly Retirement System's Compliance Examination covering the year ended June 30, 2016 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 \$373.7 million at June 30, 2016. The net pension liability at June 30, 2016 is \$324.6 million, which is the difference between the System's fiduciary net position of \$49.1 million and the total pension liability. The System's funded ratio is 13.13%. 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.

**FINDINGS SYNOPSIS**

- (16-1) 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, 2016 and 2015**

STATEMENT OF CHANGES IN PLAN NET POSITION	2016	2015
Additions:		
Contributions - Participants.....	\$ 1,309,697	\$ 1,487,346
Contributions - Employer/Appropriations.....	16,073,000	15,870,941
Total Contributions.....	<u>17,382,697</u>	<u>17,358,287</u>
Net Appreciation (Depreciation) in Fair Value of Investments.....	(1,811,781)	769,133
Investment Income.....	1,389,953	1,662,074
Investment Expense.....	(117,666)	(143,291)
Net Investment Income.....	<u>(539,494)</u>	<u>2,287,916</u>
Total Additions.....	<u>16,843,203</u>	<u>19,646,203</u>
Deductions:		
Benefits.....	21,841,237	21,274,949
Refunds.....	141,817	191,755
Administrative Expenses.....	382,340	394,695
Total Deductions.....	<u>22,365,394</u>	<u>21,861,399</u>
Net Increase (Decrease) in Net Position.....	<u>\$ (5,522,191)</u>	<u>\$ (2,215,196)</u>

STATEMENT OF NET POSITION AND INVESTMENT SUMMARY - (All investments held in the Illinois State Board of Investment Commingled Fund at fair value)	June 30, 2016	June 30, 2015
U.S. Government and Agency Obligations.....	\$ 2,349,026,919	\$ 907,835,826
Foreign Obligations.....	80,165,287	892,854,266
Corporate Obligations.....	746,537,021	814,440,237
Common Stock & Equity Funds.....	4,317,909,601	4,748,492,740
Commingled Funds.....	961,730,986	770,805,046
Foreign Equity Securities (including Preferred Stock).....	2,244,023,753	2,380,176,737
Hedge Funds.....	1,181,203,258	1,576,250,129
Real Estate Funds.....	1,704,064,846	1,610,826,230
Private Equity.....	582,943,357	667,080,662
Money Market Instruments.....	356,617,721	231,115,398
Real Assets.....	592,736,380	532,718,107
Bank Loans.....	449,925,261	697,836,613
Foreign Currency Forward Contracts.....	(1,337,420)	979,645
Total Investment Portfolio.....	<u>15,565,546,970</u>	<u>15,831,411,636</u>
Other ISBI Assets Less Liabilities.....	36,121,555	14,481,914
ISBI Net Position.....	<u>15,601,668,525</u>	<u>15,845,893,550</u>
Investments owned by other retirement systems and other entities.....	(15,559,064,084)	(15,796,727,874)
General Assembly Retirement System Investments.....	42,604,441	49,165,676
Cash, Receivables and Other Assets.....	7,910,785	7,754,661
Less: Total Liabilities.....	<u>(1,463,153)</u>	<u>(2,346,073)</u>
Net Position - Restricted for Pensions.....	<u>\$ 49,052,073</u>	<u>\$ 54,574,264</u>

ADMINISTRATIVE EXPENSES	2016	2015
Personal Services.....	\$ 131,051	\$ 156,562
Retirement, Group Insurance & Social Security.....	100,231	109,298
Contractual Services.....	132,404	120,095
Other Expenses (Net).....	18,654	8,740
Total Administrative Expenses.....	<u>\$ 382,340</u>	<u>\$ 394,695</u>

SUPPLEMENTARY INFORMATION	June 30, 2016	June 30, 2015
Benefit Recipients.....	415	424
Active Members.....	141	145
Inactive Members.....	55	75
Total.....	<u>611</u>	<u>644</u>

PENSION LIABILITY	June 30, 2016	June 30, 2015
Total Pension Liability.....	\$ 373,665,822	\$ 333,336,936
Plan Fiduciary Net Position.....	49,052,073	54,574,264
Net Pension Liability.....	<u>\$ 324,613,749</u>	<u>\$ 278,762,672</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	13.13%	16.37%

**EXECUTIVE SECRETARY**  
During Engagement Period: Timothy B. Blair  
Currently: Timothy B. Blair

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

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

**Noncompliance with Act**

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

**Internal audits of all major  
internal control systems to be  
conducted every two years**

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 was unable to complete  
required internal audits**

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. (Finding 1, page 37). **This finding has been repeated since 2014.**

**Additional resources needed**

**System officials agree with  
auditors**

System officials accepted our recommendation to develop a plan to ensure the internal audit function has the resources necessary to comply with the Act. (*For the previous System response, see Digest Footnote #1.*)

**AUDITOR'S OPINION**

Our auditors stated the financial statements of the General Assembly Retirement System as of June 30, 2016, and for the year then ended, are fairly stated in all material respects.

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

FJM:JAF

**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this audit were RSM US LLP.

## **DIGEST FOOTNOTES**

### **#1 - Noncompliance with the Fiscal Control and Internal Audit Act - Previous System Response**

The System accepts the finding and will develop a plan to ensure that the internal audit function continues in the event of another vacancy within the position over a significant period of time.