



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, 2017

Release Date: April 26, 2018

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	2016		17-2	
Category 2:	0	2	2	2015		17-1	
Category 3:	0	0	0				
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>2</b>				
FINDINGS LAST AUDIT: 3							

**INTRODUCTION**

This digest covers our Compliance Examination of the General Assembly Retirement System for the year ended June 30, 2017. A separate Financial Audit as of and for the year ending June 30, 2017, was previously released on February 8, 2018. In total, this report contains 2 findings, none of which were reported in the Financial Audit.

**SYNOPSIS**

- (17-1) The General Assembly Retirement System of the State of Illinois 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, 2017**

<b>EXPENSE AND RECEIPT STATISTICS</b>	<b>FY 2017</b>	<b>FY 2016</b>
<b>Total Expenditures.....</b>	<b>\$ 46,535,184</b>	<b>\$ 38,515,375</b>
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	21,721,000	16,073,000
General Assembly Retirement System Fund - 481:		
Pensions, annuities and benefits.....	22,282,948	21,771,752
Purchase of investments.....	2,000,000	-
Personal services.....	129,208	131,051
Refunds.....	126,111	229,306
Other payroll costs .....	96,023	100,231
Contractual services.....	75,514	97,712
Electronic data processing.....	21,528	40,210
All other expenses.....	1,941	1,978
General Assembly Retirement Excess Benefit Fund - 786:		
Pensions, annuities and benefits.....	80,911	70,135
<b>Total Receipts.....</b>	<b>\$ 23,852,595</b>	<b>\$ 23,086,278</b>
<b>CHANGES IN INVESTMENT BALANCES</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Balance at beginning of year, at fair value.....	\$ 42,604,441	\$ 49,165,676
Net cash added (withdrawn) to (from) investments, net.....	(550,000)	(6,000,000)
Net investments.....	42,054,441	43,165,676
Investment income - interest, dividends and other.....	1,128,101	1,368,212
Investment expenses.....	(82,239)	(117,666)
Net investment income.....	1,045,862	1,250,546
Net realized gain (loss) on investments.....	1,201,068	365,103
Net unrealized gain (loss) on sale of investments.....	2,846,734	(2,176,884)
Net appreciation (depreciation) in fair value of investments.....	4,047,802	(1,811,781)
Total net investment income (loss).....	5,093,664	(561,235)
Balance at end of year, at fair value.....	\$ 47,148,105	\$ 42,604,441
<b>CONTRIBUTIONS/DEDUCTIONS AND EFFECT ON INVESTMENTS USED</b>	<b>FY 2017</b>	<b>FY 2016</b>
<b>CONTRIBUTIONS:</b>		
Participant.....	\$ 1,284,707	\$ 1,309,697
Employer.....	21,721,000	16,073,000
Total Contributions.....	23,005,707	17,382,697
<b>DEDUCTIONS:</b>		
Benefits.....	22,362,526	21,841,237
Refunds.....	130,885	141,817
Administration.....	355,711	382,340
Total Deductions.....	22,849,122	22,365,394
Contributions in Excess of Deductions (Investments used to pay Benefits and Expenses).....	\$ 156,585	\$ (4,982,697)
<b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Retirees and beneficiaries receiving benefits.....	421	415
Total members.....	193	196
Total active members.....	135	141
Money-weighted rate of return.....	12.3%	0.3%
<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 provisions of the Illinois Pension Code.

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

During the 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 was completed by its Board members with the Department of Insurance.

**Annual certification not submitted**

**Training was not offered**

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. Further, System officials stated there are two or three Board meetings annually and there are scheduling challenges given the legislative schedule. (Finding 1, page 10) **This finding has been repeated since 2015.**

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 auditor's recommendation**

The System accepted the auditor's recommendation and indicated they will continue to work with the Trustees of the Board to schedule and implement required training in the future. (*For the previous System response, see Digest Footnote #1.*)

**OTHER FINDING**

The remaining finding pertains to weaknesses in change management procedures for their information systems. 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 General Assembly Retirement System for the year ended June 30, 2017, 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.

**SIGNED ORIGINAL ON FILE**

JANE CLARK  
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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## **DIGEST FOOTNOTE**

### **#1 – NONCOMPLIANCE WITH ETHICS TRAINING REQUIREMENTS – prior response**

2016: The System accepts the finding. Management will continue to work towards implementing a future trustee training program for the Board members.