



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, 2018

Release Date: April 18, 2019

| 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> | 2015           |            | 18-1       |            |
| 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: 2 |                                     |          |          |                |            |            |            |

**INTRODUCTION**

This digest covers our Compliance Examination of the General Assembly Retirement System for the year ended June 30, 2018. A separate Financial Audit as of and for the year ending June 30, 2018, was previously released on January 23, 2019. In total, this report contains 1 finding, which was not reported in the Financial Audit.

**SYNOPSIS**

- (18-1) 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, 2018**

| <b>EXPENSE AND RECEIPT STATISTICS</b>  | <b>FY 2018</b>        | <b>FY 2017</b>       |
|--|-----------------------|----------------------|
| <b>Total Expenditures.....</b>   | <b>\$ 45,517,719</b>  | <b>\$ 46,535,184</b> |
| General Revenue Fund - 001:  |                       |                      |
| Appropriation for State's contribution.....  | 21,155,000            | -                    |
| Continuing appropriation for pension contributions.....  | -                     | 21,721,000           |
| General Assembly Retirement System Fund - 481:   |                       |                      |
| Pensions, annuities and benefits.....  | 23,202,390            | 22,282,948           |
| Purchase of investments.....   | 700,000               | 2,000,000            |
| Personal services.....   | 130,636               | 129,208              |
| Other payroll costs .....  | 98,043                | 96,023               |
| Contractual services.....  | 74,078                | 75,514               |
| Refunds.....   | 49,416                | 126,111              |
| Electronic data processing.....  | 20,974                | 21,528               |
| All other expenses.....  | 2,228                 | 1,941                |
| General Assembly Retirement Excess Benefit Fund - 786:   |                       |                      |
| Pensions, annuities and benefits.....  | 84,954                | 80,911               |
| <b>Total Receipts.....</b>   | <b>\$ 24,598,677</b>  | <b>\$ 23,852,595</b> |
| <b>CHANGES IN INVESTMENT BALANCES</b>  | <b>June 30, 2018</b>  | <b>June 30, 2017</b> |
| Balance at beginning of year, at fair value.....   | \$ 47,148,105         | \$ 42,604,441        |
| Net cash added (withdrawn) to (from) investments, net.....   | 700,000               | (550,000)            |
| Net investments.....   | 47,848,105            | 42,054,441           |
| Investment income - interest, dividends and other.....   | 1,103,641             | 1,128,101            |
| Investment expenses.....   | (74,462)              | (82,239)             |
| Net investment income.....   | 1,029,179             | 1,045,862            |
| Net realized gain (loss) on investments.....   | 2,550,442             | 1,201,068            |
| Net unrealized gain (loss) on sale of investments.....   | 60,217                | 2,846,734            |
| Net appreciation (depreciation) in fair value of investments.....                                    | 2,610,659             | 4,047,802            |
| Total net investment income (loss).....  | 3,639,838             | 5,093,664            |
| Balance at end of year, at fair value.....   | <u>\$ 51,487,943</u>  | <u>\$ 47,148,105</u> |
| <b>CONTRIBUTIONS/DEDUCTIONS AND EFFECT ON INVESTMENTS USED FOR BENEFITS AND EXPENSES (UNAUDITED)</b> | <b>FY 2018</b>        | <b>FY 2017</b>       |
| <b>CONTRIBUTIONS:</b>  |                       |                      |
| Participant.....   | \$ 1,255,232          | \$ 1,284,707         |
| Employer.....  | 21,155,000            | 21,721,000           |
| Total Contributions.....   | <u>22,410,232</u>     | <u>23,005,707</u>    |
| <b>DEDUCTIONS:</b>   |                       |                      |
| Benefits.....  | 23,283,020            | 22,362,526           |
| Refunds.....   | 44,856                | 130,885              |
| Administration.....  | 348,384               | 355,711              |
| Total Deductions.....  | <u>23,676,260</u>     | <u>22,849,122</u>    |
| Contributions in Excess of Deductions (Investments used to pay Benefits and Expenses).....           | <u>\$ (1,266,028)</u> | <u>\$ 156,585</u>    |
| <b>SUPPLEMENTARY INFORMATION (UNAUDITED)</b>   | <b>June 30, 2018</b>  | <b>June 30, 2017</b> |
| Retirees and beneficiaries receiving benefits.....   | 417                   | 421                  |
| Total members.....   | 184                   | 193                  |
| Total active members.....  | 132                   | 135                  |
| Money-weighted rate of return.....   | 7.5%                  | 12.3%                |
| <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**

**Annual certification not submitted**

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. (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 or seek legislative remedy from the statutory requirement.

**System officials accepted auditor's recommendation**

System officials accepted the finding and stated they will work towards scheduling training for trustees when their schedule allows. They also noted that six of the seven members of the GARS Board are current legislators who have been involved in the drafting, debate and passage of legislation affecting the various public retirement systems and pension funds in Illinois. *(For the previous Department response, see Digest Footnote #1.)*

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the General Assembly Retirement System for the year ended June 30, 2018, as required by the Illinois State Auditing Act. The accountants stated the General Assembly Retirement 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**

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JANE CLARK  
Division Director

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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**DIGEST FOOTNOTES**

**#1 – Noncompliance with Ethics Training Requirements**

The System accepts the finding and will continue to work with the Trustees of the Board to schedule and implement required training in the future.