REPORT DIGEST

GENERAL ASSEMBLY RETIREMENT SYSTEM

COMPLIANCE AUDIT
For the Year Ended:
June 30, 1996

Summary of Findings:

Total this audit	0
Total last audit	0
Repeated from last audit	0

Release Date:

State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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INTRODUCTION

This digest covers our compliance audit of the System for the year ended June 30, 1996. A financial audit covering the year ending June 30, 1996 was previously issued.

It should be noted that, pursuant to the Illinois Pension Code, investments of the System are managed by the Illinois State Board of Investment.

There were no material findings of noncompliance disclosed during our audit tests. We commend the System for maintaining effective fiscal controls.

FUTURE REPORTING REQUIREMENTS

In November 1994, the Governmental Accounting Standards Board issued Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans". This Statement requires that plan assets be reported at fair value, rather than at cost. In addition, this Statement establishes a new financial reporting framework that will result in significant changes to the financial statements as well as the required supplementary information. The requirements of this Statement are effective for periods beginning after June 15, 1996, with earlier implementation encouraged. If comparative financial statements are presented, restatement of the prior year financial statements is required.

{Financial Information and Activity Measures are summarized on the reverse page.}

GENERAL ASSEMBLY RETIREMENT SYSTEM
INFORMATION FROM FINANCIAL AND COMPLIANCE AUDITS
TWO YEARS ENDED JUNE 30, 1996

FINANCIAL OPERATIONS	**FY 1996**	**FY 1995**
REVENUES		
Contributions:		
Participants	$ 1,141,155	$ 1,174,764
State General Revenue Fund	2,178,400	1,911,800
State Pension Fund	221,600	236,400
Other employers	--	163,814
Net investment income	1,929,722	2,090,016
Net realized gain on sale of investments	3,653,389	965,272
Other	87,745	100,367
Total Revenue	$ 9,212,011	$ 6,642,433
EXPENSES		
Benefits:		
Retirement annuities	$ 5,561,571	$ 5,203,413
Survivors' annuities	1,429,802	1,336,508
Refunds	90,464	117,386
Administration	202,880	198,091
Total Expenses	$ 7,284,717	$ 6,855,398

SELECTED ACCOUNT BALANCES	**JUNE 30, 1996**	**JUNE 30, 1995**
Cash	$1,836,256	$1,693,213
Receivables	$7,600	$8,941
Investments, at cost	$40,864,224	$39,081,113
Property and equipment, net of accumulated depreciation	$5,128	$9,384
Liabilities	$88,312	$95,049
Net Assets Available for Benefits	$42,624,896	$40,697,602
Actuarial Pension Obligation	$127,364,913	$119,362,113
Unfunded Pension Liability	$84,740,017	$78,664,511

SUPPLEMENTARY INFORMATION	**FY 1996**	**FY 1995**
Number of System employees (shared with Judges' Retirement System)	8	8
Number of retirees and beneficiaries currently receiving benefits	353	361
Inactive members not yet receiving benefits	108	114
Current Members:		
Vested	106	103
Nonvested	75	79

EXECUTIVE SECRETARY
During Audit Period: Michael L. Mory
Currently: Michael L. Mory

Funding ratio at 40.4% if current market value method is used

The System intends to adopt this Statement beginning with the fiscal year ending June 30, 1997. One effect of this Statement will be to increase the net assets by the difference between fair value and cost of the net assets on the date of adoption. The Statement, however, allows for different valuation methods of assets related to some function of market value (i.e. smoothing of market values over time or current market values) for determining funded status and the annual required contribution. If the System had implemented Statement No. 25 at June 30, 1996 and used the current market value method, the net assets available for benefits would have been $51,404,258 resulting in a funding ratio of 40.4%.

Funding ratio at 33.5% with investments valued at cost

At present, investments are valued at cost or book value as specified by State law. Thus, implementation of Statement No. 25 will require a change to existing State law to comply with generally accepted accounting principles. Net assets available for benefits at cost at June 30, 1996 were $42,624,896 resulting in a funding ratio of 33.5%.

WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

SPECIAL ASSISTANT AUDITORS

McGladrey & Pullen, LLP were our special assistant auditors for this audit.