
REPORT DIGEST

GENERAL ASSEMBLY RETIREMENT SYSTEM

FINANCIAL AUDIT

For the Year Ended:
June 30, 1996

Release Date:
February 6, 1997



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The unfunded liability of the System for pension benefits was \$84.7 million at June 30, 1996. This unfunded liability increased approximately \$6 million during FY 1996.
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INTRODUCTION

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

The System shares administrative staff and common administrative expenses with the Judges' Retirement System (JRS). The System reimburses the JRS for 40 percent of the administrative costs incurred.

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

UNDERFUNDING OF THE SYSTEM

Net assets available for benefits (at cost) totaled approximately \$42.6 million at June 30, 1996. The pension obligation was valued at \$127.3 million at June 30, 1996. The difference between the pension obligation and the net assets available for benefits of \$84.7 million reflects the unfunded liability of the System at June 30, 1996. The unfunded liability increased approximately \$6 million during FY 1996.

Unfunded Liability Increased \$6 million during FY 1996

An analysis of dollar amounts of net assets available for benefits, pension obligation, and unfunded liability should not be viewed in isolation. Expressing the net assets available for benefits as a percentage of the pension obligation provides one indication of funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. The following chart presents funding progress for the past five years.

Unfunded Liability at June 30, 1996 totals \$84.7 million

FY 96 Marks 1st Year for New State Funding Law

A new State funding law became effective in FY 1996 changing State retirement funding practices. Public Act 88-0593 provides for a stated 50-year funding plan which includes a 15 year phase-in period. State contributions are to be made through a continuing appropriation instead of the annual budgetary process. The law is designed to increase pension funding incrementally, until a 90% funded level is achieved.

Year Ended June 30	(1) Net Assets Available for Contributions	(2) Pension Obligation	(3) Funded Percentage (1)÷(2)	(4) Unfunded Liability (2)-(1)	(5) Unfunded Liability Increase In
1992	\$37.6	\$88.5	42.5%	\$50.9	\$ 2
1993	40.1	101.5	39.7%	61.8	11
1994	40.9	110.7	36.9%	69.8	8
1995	40.7	119.4	34.1%	78.7	9
1996	42.6	127.3	33.5%	84.7	6

AUDITORS' OPINION

Our auditors state that the June 30, 1996 financial statements of the System are fairly presented.

NOTE: Amounts in chart are shown in millions of dollars.

WILLIAM G. HOLLAND, Auditor General

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SPECIAL ASSISTANT AUDITORS

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

