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SUPPLEMENTAL DIGEST TO RETIREMENT SYSTEMS' AUDITS

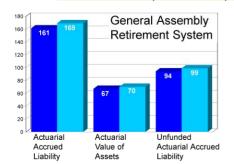
According to figures provided by the retirement systems, the cumulative unfunded actuarial accrued liability for the five State-financed retirement systems as of June 30, 2000 was \$15.6 billion. The unfunded liability increased about \$223 million during FY 00. While the unfunded accrued liability is still a problem, improvements have been made and funding ratios have generally improved during the past few years.

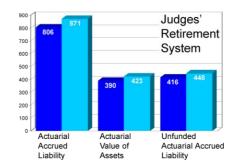
In FY 1996 a State funding law became effective changing State retirement funding practices. Public Act 88-0593 provided for a stated 50 year funding plan which included a 15 year phase-in period. State contributions were to be made through a continuing appropriation instead of the annual budgetary process.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

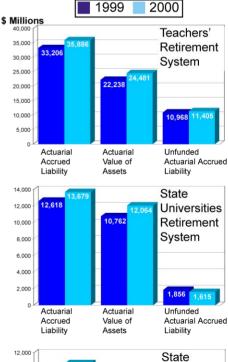
In FY 1997 the retirement systems adopted a new accounting statement for financial reporting. It required that plan assets be reported at *fair* value rather than *cost*. According to figures provided by the retirement systems, the adoption had the cumulative effect of *increasing* the financial reporting value of the assets by approximately \$5.9 billion for the five State-financed retirement systems at June 30, 1997 thereby decreasing the amount of the Systems' unfunded liability by that amount.

In recent years investment performance generally has had a positive impact on funded ratios.

| June 30, 2000 Unfunded Actuarial Accrued Liability and Funded Ratio (millions) | | | | |
|--|-----------------------------------|---------------------------------|--|-----------------------------|
| | (a) | (b) | (c) | (d) |
| Retirement System | Actuarial Accrued Liability | Actuarial Value of Assets | Unfunded Actuarial Accrued Liability [col. (a) - col. (b)] | Funded Ratio [col. (b)/(a)] |
| Teachers' | \$35,886 | \$24,481 | \$11,405 | 68.2% |
| State Universities | \$13,679 | \$12,064 | \$1,615 | 88.2% |
| State Employees' | \$10,913 | \$8,911 | \$2,002 | 81.7% |
| Judges' | \$871 | \$423 | \$448 | 48.5% |
| General Assembly | \$169 | \$70 | \$99 | 41.6% |
| TOTAL | \$61,518 | \$45,949 | \$15,569 | |







Actuarial

Value of

10.000

8.000

6,000

4.000

Actuaria

Accrued

Liability

Employees

Retirement

System

2.012

Unfunded

Liability

Actuarial Accrued