



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**STATE EMPLOYEES' RETIREMENT SYSTEM**

Compliance Examination  
 For the Year Ended June 30, 2019

Release Date: April 22, 2020

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			19-1
Category 2:	1	0	1				
Category 3:	0	1	1				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 1							

**INTRODUCTION**

This digest covers our Compliance Examination of the State Employees' Retirement System for the year ended June 30, 2019. A separate Financial Audit as of and for the year ending June 30, 2019, was previously released on January 22, 2020. This report contains two findings. The Financial Audit report contained no findings.

**SYNOPSIS**

- (19-2) The State Employees' Retirement System of Illinois did not file the Hispanic and Asian American Employment Plan Survey.

<p><b>Category 1:</b> Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).</p> <p><b>Category 2:</b> Findings that are <b>significant deficiencies</b> in internal control and <b>noncompliance</b> with State laws and regulations.</p> <p><b>Category 3:</b> Findings that have <b>no internal control issues but are in noncompliance</b> with State laws and regulations.</p>
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**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS**  
**COMPLIANCE EXAMINATION**  
**For the Year Ended June 30, 2019**

EXPENSE AND RECEIPT STATISTICS	FY 2019	FY 2018
<b>Total Expenditures.....</b>	<b>\$ 4,203,109,909</b>	<b>\$ 3,972,521,951</b>
General Revenue Fund - 001:		
Appropriations for State's contribution.....	1,124,893,450	1,104,971,850
Continuing appropriation for pension contributions.....	269,788,800	214,257,100
All other expenses.....	86,240	83,166
State Employees' Retirement System Fund - 479:		
Pensions, annuities and benefits.....	2,617,217,392	2,444,559,454
Refunds.....	113,746,073	163,757,998
Payments to General Obligation Retirement Fund.....	30,220,616	27,938,971
Electronic data processing.....	5,646,236	5,638,319
Personal services.....	4,945,482	4,846,294
Other payroll costs.....	4,295,952	4,007,179
Contractual services.....	1,907,074	1,630,291
All other expenses.....	312,347	307,036
State Employee Retirement System Excess Benefit Fund - 788:		
Pensions, annuities and benefits.....	471,959	524,293
Pension Obligation Acceleration Bond Fund - 825:		
COLA Buyout.....	29,578,288	-
<b>Total Receipts.....</b>	<b>\$ 2,782,287,674</b>	<b>\$ 2,588,628,566</b>
CHANGES IN INVESTMENT BALANCES	June 30, 2019	June 30, 2018
Balance at beginning of year, at fair value.....	\$ 17,268,137,475	\$ 16,322,605,336
Net cash added (withdrawn) from investments.....	(357,000,000)	(310,000,000)
Net investments.....	16,911,137,475	16,012,605,336
Investment income - interest, dividends and other.....	292,713,956	378,521,769
Investment expenses.....	(24,669,122)	(25,654,957)
Net investment income.....	268,044,834	352,866,812
Net realized gain (loss) on sales of investments.....	1,032,883,573	877,102,247
Net unrealized gain (loss) on investments.....	(187,017,382)	25,563,080
Net appreciation (depreciation) in fair value of investments.....	845,866,191	902,665,327
Total net investment income (loss).....	1,113,911,025	1,255,532,139
Balance at end of year, at fair value.....	<u>\$ 18,025,048,500</u>	<u>\$ 17,268,137,475</u>
SCHEDULE OF CONTRIBUTIONS/DEDUCTIONS AND EFFECTS ON INVESTMENTS (UNAUDITED)	FY 2019	FY 2018
<b>CONTRIBUTIONS:</b>		
Participant.....	\$ 275,675,175	\$ 254,442,466
Employer.....	2,274,925,279	1,929,175,044
Total Contributions.....	<u>2,550,600,454</u>	<u>2,183,617,510</u>
<b>DEDUCTIONS:</b>		
Benefits.....	2,601,306,593	2,464,832,022
Refunds.....	24,133,508	27,469,348
Administration.....	14,978,852	15,257,526
Total Deductions.....	<u>2,640,418,953</u>	<u>2,507,558,896</u>
Contributions in Excess of Deductions (Investments Used to pay Benefits and Expenses).....	<u>\$ (89,818,499)</u>	<u>\$ (323,941,386)</u>
SUPPLEMENTARY INFORMATION (UNAUDITED)	June 30, 2019	June 30, 2018
Average number of System employees.....	94	93
Money-weighted rate of return.....	7.1%	7.6%
EXECUTIVE SECRETARY		
During Engagement Period: Timothy Blair		
Currently: Timothy Blair		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**FAILURE TO REPORT STATE HISPANIC AND ASIAN  
AMERICAN EMPLOYMENT PLAN**

The State Employees' Retirement System of Illinois (System) did not file the Hispanic and Asian American Employment Plan Survey.

**The System did not report its  
Hispanic and Asian American Plan  
Survey**

During the current compliance examination, we determined based on our compliance testing the System did not report to the Department of Central Management Services (DCMS) and the Department of Human Rights (DHR), on forms prescribed by those Departments, all of the System's activities in implementing the State Hispanic and Asian American Employment Plan. (Finding 2, page 11)

We recommended the System implement a formal process to ensure timely reporting of the System's State Hispanic and Asian American Employment Plan with DCMS and DHR.

**System officials accepted  
recommendation**

The System accepted our recommendation and stated the Human Resources Manager has developed a calendar to ensure reports are completed and timely filed. Further, the System stated they timely filed their State Hispanic and Asian American Employment Plans for calendar year 2020 ahead of established due dates.

**OTHER FINDINGS**

The remaining finding pertains to a vacancy in the Board of Trustees. We will review the State Employees' Retirement System's progress towards the implementation of our recommendations in our next compliance examination.

**ACCOUNTANT'S OPINION**

The accountants conducted a compliance examination of the State Employees' Retirement System for the year ended June 30, 2019, as required by the Illinois State Auditing Act. The accountants stated the State Employees' Retirement System complied, in all material respects, with the requirements described in the report.

This 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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