

REPORT DIGEST

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS COMPLIANCE AUDIT FOR THE YEAR ENDED JUNE 30, 1995

INTRODUCTION

This digest covers our compliance audit of the System for the year ended June 30, 1995. A financial audit covering the year ending June 30, 1995 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.

The System intends to adopt this Statement beginning with the fiscal year ending June 30, 1997. The 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,

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

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, 1995 and used the current market value method, the net assets available for benefits would have been \$4,530,413,822 resulting in a funding ratio of 64.8%.

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, 1995 were \$3,923,096,565 resulting in a funding ratio of 56.1%.

WILLIAM G. HOLLAND, Auditor General
WGH:KMA:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit
Audit findings 00
Repeated findings 00
Recommendations implemented or
not repeated 00

SPECIAL ASSISTANT AUDITORS

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

**STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
 INFORMATION FROM FINANCIAL AND COMPLIANCE AUDITS
 FOR THE YEAR ENDED JUNE 30, 1995**

FINANCIAL OPERATIONS	FY 1995	FY 1994
REVENUES		
Contributions:		
Participants	\$131,657,816	\$128,481,556
Employing State agencies	126,848,471	118,298,761
State pension fund	9,741,000	9,351,200
Net investment income	198,810,974	181,634,285
Net realized gain on sale of investments	90,700,469	129,841,907
Other	<u>1,331,327</u>	<u>681,510</u>
Total Revenue	<u>\$559,090,057</u>	<u>\$568,289,219</u>
EXPENSES		
Benefits:		
Retirement annuities	\$276,614,073	\$268,772,969
Survivors' annuities	31,066,250	28,934,211
Disability benefits	21,368,962	19,708,185
Lump-sum death benefits	9,813,132	8,915,170
Refunds	12,933,820	11,387,459
Administration	5,591,728	5,142,813
Other	<u>496,687</u>	<u>23,652</u>
Total Expenses	<u>\$357,884,652</u>	<u>\$342,884,459</u>
SELECTED ACCOUNT BALANCES	JUNE 30, 1995	JUNE 30, 1994
Cash	\$19,796,262	\$9,590,906
Restricted cash for social security remittances	\$113,323	\$112,760
Receivables	\$9,669,056	\$9,125,040
Investments, at cost	\$3,894,060,006	\$3,703,548,563
Property and equipment, net of accumulated depreciation	\$4,099,793	\$4,485,387
Liabilities	\$4,641,875	\$4,971,496
Net Assets Available for Benefits	\$3,923,096,565	\$3,721,891,160
Actuarial Pension Obligation	\$6,988,469,665	\$6,502,121,427
Unfunded Pension Liability	\$3,065,373,100	\$2,780,230,267
SUPPLEMENTARY INFORMATION	FY 1995	FY 1994
Number of System employees	77	77
Number of retirees and beneficiaries currently receiving benefits	39,104	39,082
Inactive members not yet receiving benefits	3,016	2,793
Current Members:		
Vested	49,060	47,458
Nonvested	29,736	30,982

EXECUTIVE SECRETARY

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