



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

STATE UNIVERSITIES RETIREMENT SYSTEM

**Financial Audit
 For the Year Ended June 30, 2014**

Release Date: January 22, 2015

FINDINGS THIS AUDIT: 1			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>
Category 1:	0	0	0
Category 2:	1	0	1
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>
TOTAL	1	0	1
FINDINGS LAST AUDIT: 0			

INTRODUCTION

This digest covers the financial statement audit of the State Universities Retirement System (System) as of and for the year ended June 30, 2014. The State Universities Retirement System’s Compliance Examination covering the year ended June 30, 2014 will be issued in a separate report at a later date.

During fiscal year 2014 the System implemented Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*. Implementation of the new statement requires the System to disclose the total pension liability and net pension liability in the financial statement notes as well as other related information as required supplementary information. The System’s total pension liability is \$39.182 billion at June 30, 2014. The net pension liability at June 30, 2014 is \$21.791 billion, which is the difference between the System’s fiduciary net position of \$17.391 billion and the total pension liability. The System’s funded ratio is 44.39%. The criteria used for computing pension liability information in the financial report in accordance with GASB Statement No. 67 differs from the criteria used to compute the actuarial accrued liability and actuarial unfunded liability under the State’s funding plan. The pension information under the State’s funding plan is no longer reported in the financial statements.

FINDING SYNOPSIS

- (14-1) The State Universities Retirement System has weaknesses in controls over creditable earnings and member census data reported by its employers.

Category 1:	Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).
Category 2:	Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.
Category 3:	Findings that have no internal control issues but are in noncompliance with State laws and regulations.

{Financial information is summarized on next page.}

STATE UNIVERSITIES RETIREMENT SYSTEM
FINANCIAL AUDIT
For the Year Ended June 30, 2014

FINANCIAL OPERATIONS	2014	2013
Additions		
Contributions		
Participants.....	\$ 348,612,466	\$ 305,079,175
Employer and Non-employer contributing entity.....	1,560,025,406	1,450,720,295
Total Contributions.....	<u>1,908,637,872</u>	<u>1,755,799,470</u>
Investment Income		
Net appreciation in fair market value.....	2,650,003,387	1,549,836,544
Interest.....	97,719,525	100,489,294
Dividends.....	214,220,387	237,085,587
Securities lending.....	4,147,244	4,404,538
Less: Investment expense.....	(51,901,633)	(49,548,198)
Net Investment Income.....	<u>2,914,188,910</u>	<u>1,842,267,765</u>
Total Additions.....	<u>4,822,826,782</u>	<u>3,598,067,235</u>
Deductions		
Benefits.....	2,021,245,873	1,934,136,239
Refund of contributions.....	107,710,940	101,598,796
Administrative expense.....	14,297,630	13,852,565
Total Deductions.....	<u>2,143,254,443</u>	<u>2,049,587,600</u>
Net Increase	<u>\$ 2,679,572,339</u>	<u>\$ 1,548,479,635</u>
INVESTMENT PORTFOLIO ANALYSIS		
(Fair Value)	JUNE 30, 2014	JUNE 30, 2013
Equities.....	\$ 12,010,571,148	\$ 10,320,326,214
Fixed income.....	4,097,642,745	3,825,328,939
Real estate.....	637,361,774	382,755,515
Mutual funds and variable annuities.....	1,490,380,389	1,179,889,253
Total.....	<u>\$ 18,235,956,056</u>	<u>\$ 15,708,299,921</u>
PENSION LIABILITY (in millions)		
Total Pension Liability.....	\$ 39,182.3	*
Plan Net Position.....	17,391.3	*
Net Pension Liability.....	<u>\$ 21,791.0</u>	*
Plan Net Position as a Percentage of the Total Pension Liability.....	44.39%	*
* With the implementation of GASB Statement No. 67 during fiscal year 2014 comparable amounts for fiscal year 2013 were not available		
SUPPLEMENTARY INFORMATION		
Benefit recipients.....	59,787	57,563
Active members.....	80,845	81,302
Inactive members.....	83,484	82,196
Total.....	<u>224,116</u>	<u>221,061</u>
AGENCY DIRECTOR		
During Audit Period and Current: William Mabe		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

CONTROLS OVER CENSUS DATA

Weaknesses noted in controls over member census data

The State Universities Retirement System (System) has weaknesses in controls over creditable earnings and member census data reported by its employers.

During testing of System's internal controls over creditable earnings and member census data, it was noted that the information was accumulated from multiple participating employers which increased the likelihood of errors in the data.

Limited controls in place to verify the census information

The System's current processes and controls for verifying the data rely on the reporting of the information by the participating employers, and there are limited controls in place by the System to verify the creditable earnings and member census information.

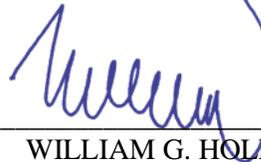
System officials indicated the System did not believe it was necessary to perform on-site employer visits to verify census data for active members. (Finding 1, pages 38-39)

System officials agree with auditors

System officials concurred with our finding and stated they will contract for employer audit services this year to test control systems and verify census data including creditable earnings. In addition, the System will examine current processes and procedures to determine if the System could independently verify some or part of the census data with members or with vendors for the entire membership.

AUDITOR'S OPINION

Our auditors stated the financial statements of the State Universities Retirement System as of June 30, 2014, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND
- Auditor General

WGH:TLK

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were McGladrey LLP.