



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**STATE UNIVERSITIES RETIREMENT SYSTEM**

Compliance Examination  
 For the Year Ended June 30, 2015

Release Date: April 14, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	2014		15-1	
Category 2:	1	1	2				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
<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 Universities Retirement System (System) for the year ended June 30, 2015. A separate Financial Audit as of and for the year ending June 30, 2015, was previously released on January 12, 2016. In total, this report contains two findings, one of which was also reported in the Financial Audit.

**SYNOPSIS**

- (15-02) The System failed to identify an error within their payroll processing during the fiscal year ended June 30, 2015.

**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 data is summarized on next page.}

**STATE UNIVERSITIES RETIREMENT SYSTEM  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2015**

<b>FINANCIAL OPERATIONS</b>	<b>2015</b>	<b>2014</b>
<b>Additions</b>		
Contributions		
Participants.....	\$ 340,010,444	\$ 348,612,466
Employer.....	1,590,858,889	1,560,025,406
Total Contributions.....	<u>1,930,869,333</u>	<u>1,908,637,872</u>
Investment Income		
Net appreciation in fair market value.....	315,741,290	2,650,003,387
Interest.....	111,077,945	97,719,525
Dividends.....	218,278,974	214,220,387
Securities lending.....	4,690,554	4,147,244
Less: Investment expense.....	(56,127,346)	(51,901,633)
Net Investment Income.....	<u>593,661,417</u>	<u>2,914,188,910</u>
Total Additions.....	<u>2,524,530,750</u>	<u>4,822,826,782</u>
<b>Deductions</b>		
Benefits.....	2,160,843,600	2,021,245,873
Refund of contributions.....	108,644,121	107,710,940
Administrative expense.....	14,535,656	14,297,630
Total Deductions.....	<u>2,284,023,377</u>	<u>2,143,254,443</u>
Net Increase .....	<u>\$ 240,507,373</u>	<u>\$ 2,679,572,339</u>
<b>INVESTMENTS USED FOR BENEFITS AND EXPENSES (Defined Benefit Plan)</b>		
	<b>JUNE 30, 2015</b>	<b>JUNE 30, 2014</b>
<b>Contributions</b>		
Participants.....	\$ 267,682,083	\$ 283,081,326
State of Illinois.....	1,488,591,489	1,458,965,014
Federal/Trust and other sources.....	39,933,909	43,898,604
Total Contributions.....	<u>1,796,207,481</u>	<u>1,785,944,944</u>
<b>Deductions</b>		
Benefits.....	2,129,977,720	2,002,869,428
Refunds.....	83,715,721	82,897,092
Administrative Expenses.....	14,069,273	13,857,522
Total Deductions.....	<u>2,227,762,714</u>	<u>2,099,624,042</u>
Investments Used to Pay Benefits and Expenses.....	<u>\$ (431,555,233)</u>	<u>\$ (313,679,098)</u>
<b>SUPPLEMENTARY INFORMATION</b>		
	<b>JUNE 30, 2015</b>	<b>JUNE 30, 2014</b>
Asset management expenses.....	\$ 55,705,026	\$ 51,526,391
Investment return.....	2.9%	18.2%
Average number of employees (unaudited).....	125	120
Number of active members.....	81,309	80,845
Number of inactive members.....	85,460	83,484
Number of retirement benefit recipients.....	51,631	50,237
Number of survivor benefit recipients.....	8,342	8,144
Number of disabilities benefit recipients.....	656	634
<b>EXECUTIVE DIRECTOR</b>		
During Audit Period: William Mabe 7-1-14 thru 3-31-15, Vacant 4-1-15 thru 4-5-15		
Current: W. Bryan Lewis 4-6-15 thru current		

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**PAYROLL PROCESSING ERRORS**

The State Universities Retirement System (System) failed to identify an error within their payroll processing during the fiscal year ended June 30, 2015.

During our compliance testing over personal services, it was noted that an error existed within the payroll process which led to an overpayment of insurance expenses to the Department of Central Management Services for the employer portion of Health/Life/Dental insurance costs. The error led to an overpayment of \$402.48 on 24 out of 26 payroll vouchers for the fiscal year ended June 30, 2015 which comes to an overpayment of \$9,659.52 for the fiscal year.

**Amount overpaid totaled \$9,660**

In addition to the error noted for fiscal year 2015, it was also noted that the error dates back to 2012 and led to overpayments as follows: Fiscal year 2012 overpayment of \$28; Fiscal year 2013 overpayment of \$1,567.44; Fiscal year 2014 overpayment of \$7,749.36. (Finding 2, page 11)

We recommended the System follow controls in place to properly review and recalculate rates utilized for vouchers to ensure that payments made are calculated correctly in accordance with established rates.

**System agrees with the auditors**

System officials concurred with the finding stated they have collected the overpaid amounts noted in the audit finding.

**ACCOUNTANT'S OPINION**

The auditors conducted a State compliance examination of the State Universities Retirement System for the year ended June 30, 2015, as required by the Illinois State Auditing Act. The accountants stated the System complied, in all material respect, with the requirements described in the report.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:TLK

**SPECIAL ASSISTANT AUDITORS**

Our Special Assistant Auditors for this examination were RSM US LLP.