

**STATE UNIVERSITIES RETIREMENT SYSTEM
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2017**

FINANCIAL OPERATIONS	2017	2016
Additions		
Contributions		
Participants.....	\$ 363,859,687	\$ 355,341,100
Employer.....	1,717,467,545	1,647,664,587
Total Contributions.....	<u>2,081,327,232</u>	<u>2,003,005,687</u>
Investment Income		
Net appreciation (depreciation) in fair market value.....	1,967,912,694	(256,708,352)
Interest.....	114,131,741	113,996,822
Dividends.....	236,551,585	220,725,192
Securities lending.....	5,885,222	4,215,195
Less: Investment expense.....	<u>(63,821,279)</u>	<u>(61,993,569)</u>
Net Investment Income.....	<u>2,260,659,963</u>	<u>20,235,288</u>
Total Additions.....	<u>4,341,987,195</u>	<u>2,023,240,975</u>
Deductions		
Benefits.....	2,383,819,393	2,281,769,695
Refund of contributions.....	118,929,259	111,646,866
Administrative expense.....	<u>15,303,608</u>	<u>15,210,543</u>
Total Deductions.....	<u>2,518,052,260</u>	<u>2,408,627,104</u>
Net Increase (Decrease).....	<u>\$ 1,823,934,935</u>	<u>\$ (385,386,129)</u>
INVESTMENTS USED FOR BENEFITS AND EXPENSES (Defined Benefit Plan)(Unaudited)		
	JUNE 30, 2017	JUNE 30, 2016
Contributions		
Participants.....	\$ 278,642,830	\$ 278,883,776
State of Illinois.....	1,612,164,501	1,542,946,474
Federal/Trust and other sources.....	38,386,209	39,348,478
Total Contributions.....	<u>1,929,193,540</u>	<u>1,861,178,728</u>
Deductions		
Benefits.....	2,339,897,357	2,235,812,995
Refunds.....	89,569,617	85,015,923
Administrative Expenses.....	<u>14,847,009</u>	<u>14,731,372</u>
Total Deductions.....	<u>2,444,313,983</u>	<u>2,335,560,290</u>
Investments Used to Pay Benefits and Expenses.....	<u>\$ (515,120,443)</u>	<u>\$ (474,381,562)</u>
SUPPLEMENTARY INFORMATION		
	JUNE 30, 2017	JUNE 30, 2016
Asset management expenses.....	\$ 63,291,609	\$ 61,614,201
Investment return.....	12.2%	0.2%
Average number of employees (Unaudited).....	127	125
Number of active members.....	75,969	78,125
Number of inactive members.....	90,819	88,536
Number of retirement benefit recipients (Unaudited).....	54,902	53,596
Number of survivor benefit recipients (Unaudited).....	8,614	8,481
Number of disabilities benefit recipients (Unaudited).....	643	671
Number of disabilities retirement allowance recipients (Unaudited).....	386	398
EXECUTIVE DIRECTOR		
During Audit Period: W. Bryan Lewis (through 7-5-16), William Mabe (Interim 7-1-16 through 11-14-16), Martin Noven (11-2-16 through current)		
Current: Martin Noven		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NONCOMPLIANCE WITH THE ILLINOIS PENSION
CODE**

**Need to comply with the Illinois
Pension Code**

The State Universities Retirement System (System) did not always obtain fully completed disclosures from investment managers as required in the Illinois Pension Code.

**2 of 9 (22%) investment managers
did not properly disclose
information required by the Illinois
Pension Code**

During testing, the auditors noted two of nine (22%) investment manager disclosures returned to the System where the investment manager did not properly disclose the number of contracts with minority, women and disabled person owned businesses and the number of contracts with other than those businesses owned by minority, women or disabled persons. (Finding 1, pages 11-13)

We recommended the System comply with the Illinois Pension Code or seek legislative remedy.

System disagrees with the auditors

System management disagreed with the finding. In their response to the finding System management stated they are required by law to operate under the broad financial and fiduciary standards set forth in 40 ILCS 5/1-109. They further stated that some of the investment managers indicated that they did not know or did not track the requested information.

AUDITOR'S OPINION

The auditors stated the financial statements of the System as of June 30, 2017, and for the year then ended, are fairly stated in all material respects.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the System for the year ended June 30, 2017, as required by the Illinois State Auditing Act. The accountants stated the System complied, in all material respects, with the requirements described in the report.

This financial audit and compliance examination were conducted by BKD LLP.

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Jane Clark
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO
Auditor General

FJM:TLK