SUMMARY REPORT DIGEST

STATE UNIVERSITIES RETIREMENT SYSTEM

Financial Audit- Schedule of Allocation   **Release Date: January 11, 2018**
  For the Year Ended June 30, 2017

INTRODUCTION

This digest covers the Financial Audit of the Schedule of Allocation as of and for the years ended June 30, 2017 and the related notes to the Schedules. In addition, the digest also covers the Financial Audit of the total for all entities of the columns titled net pension liability as of June 30, 2017, total deferred outflows of resources, total deferred inflows of resources, and total pension expense subject to allocation (specified column totals) in the Schedule of Pension Amounts of the State Universities Retirement System (System) as of and for the year ended June 30, 2017. We previously released a separate Financial Audit of the System's financial statements (released December 21, 2017) and Compliance Examination (released January 11, 2018) as of and for the year ending June 30, 2017.

The System is the administrator of a cost-sharing, multiple-employer defined benefit public employee retirement system. The System was established to provide retirement annuities and other benefits for staff members and employees of the State universities, certain affiliated organizations and certain other State educational and scientific agencies and for survivors, dependents, and other beneficiaries of such employees.   Certain contributions are statutorily required to be made to the System by employees, employers and the State of Illinois (State), who would be considered a non-employer contributing entity. The Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions as amendment of GASB statement No. 27* requires the participating employers and non-employer that prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) to recognize their proportionate share of certain collective pension amounts in their financial statements, which includes the net pension liability.

The State is considered a non-employer contributing entity. The Schedule of Allocations and Schedule of Pension Amounts include amounts for the State. Prior to the implementation of GASB Statement 68, the portion of the System's liability not covered by assets was not allocated to the State for financial reporting purposes. Consequently, the State did not report the cumulative pension amounts, including the net pension liability, in either their audited financial statements or notes, even though they have an obligation to provide pension benefits to the employees.

Due to the State needing to report the pension amounts in their financial statements prepared in accordance with GAAP, the System has prepared the Schedule of Allocation and the Schedule of Pension Amounts which provides the necessary financial information for the State. By having these Schedules audited, this will also provide the State's auditors an Independent Auditor's Opinion in regard to those Schedules.

The System's net pension liability at June 30, 2017 was $25.48 billion of which 100% is allocated to the State of Illinois as their portion of the net pension liability.

AUDITORS' OPINION

Our auditors stated the Schedule of Allocation and the total for all entities of the columns titled net pension liability as of June 30, 2017, total deferred outflows of resources, total deferred inflows of resources, and total pension expense subject to allocation (specified column totals) in the Schedule of Pension Amounts of the State Universities Retirement System (System) as of and for the year ended June 30, 2017, and the related notes to the Schedules, are fairly stated in all material respects.

This financial audit was 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

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