



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, 2020

Release Date: February 10, 2021

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	0	1				
FINDINGS LAST AUDIT: 0							

INTRODUCTION

This digest covers our compliance examination of the State Universities Retirement System (System) for the year ended June 30, 2020. A separate Financial Audit as of and for the year ending June 30, 2020, was previously released on December 22, 2020.

SYNOPSIS

- **(20-1)** The System has not adopted administrative rules regarding the determination of whether any person is an employee under §15-107 of the Illinois Pension Code.

- 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.

STATE UNIVERSITIES RETIREMENT SYSTEM
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2020

FINANCIAL OPERATIONS	2020	2019
Additions		
Contributions		
Participants.....	\$ 378,095,400	\$ 368,588,213
Employer.....	1,917,039,188	1,713,287,608
Total Contributions.....	<u>2,295,134,588</u>	<u>2,081,875,821</u>
Investment Income		
Net appreciation (depreciation) in fair market value.....	437,310,669	958,763,679
Interest.....	191,342,519	155,798,932
Dividends.....	200,038,867	237,287,406
Securities lending.....	5,597,401	5,191,144
Less: Investment expense.....	(68,471,370)	(64,578,560)
Net Investment Income.....	<u>765,818,086</u>	<u>1,292,462,601</u>
Total Additions.....	<u>3,060,952,674</u>	<u>3,374,338,422</u>
Deductions		
Benefits.....	2,744,120,674	2,617,196,859
Refund of contributions.....	104,409,976	115,051,659
Administrative expense.....	19,234,313	16,662,874
Total Deductions.....	<u>2,867,764,963</u>	<u>2,748,911,392</u>
Net Increase.....	<u>\$ 193,187,711</u>	<u>\$ 625,427,030</u>
INVESTMENTS USED FOR BENEFITS AND EXPENSES (Defined Benefit Plan)(Unaudited)	JUNE 30, 2020	JUNE 30, 2019
Contributions		
Participants.....	\$ 282,367,290	\$ 280,017,618
State of Illinois.....	1,785,817,785	1,592,639,155
Federal/Trust and other sources.....	52,968,295	49,415,109
Total Contributions.....	<u>2,121,153,370</u>	<u>1,922,071,882</u>
Deductions		
Benefits.....	2,676,192,703	2,558,990,197
Refunds.....	69,001,514	80,538,398
Administrative Expenses.....	18,469,275	16,083,589
Total Deductions.....	<u>2,763,663,492</u>	<u>2,655,612,184</u>
Investments Used to Pay Benefits and Expenses.....	<u>\$ (642,510,122)</u>	<u>\$ (733,540,302)</u>
SUPPLEMENTARY INFORMATION	JUNE 30, 2020	JUNE 30, 2019
Asset management expenses.....	\$ 67,967,190	\$ 64,109,736
Investment return.....	2.6%	6.0%
Average number of employees (Unaudited).....	157	137
Number of active members.....	76,335	75,120
Number of inactive members.....	94,024	93,077
Number of retirement benefit recipients (Unaudited).....	59,060	57,890
Number of survivor benefit recipients (Unaudited).....	9,157	8,973
Number of disabilities benefit recipients (Unaudited).....	583	599
Number of disabilities retirement allowance recipients (Unaudited).....	372	380
EXECUTIVE DIRECTOR		
During Audit Period: Martin Noven		
Current: Martin Noven		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

Noncompliance with the Illinois Pension Code

Administrative rules not adopted

The State Universities Retirement System (System) has not adopted administrative rules regarding the determination of whether any person is an employee under § 15-107 of the Illinois Pension Code (Code) (40 ILCS 5/15-107).

During testing, we noted Public Act 99-0897, which was effective on January 1, 2017, amended the Code to require the System adopt administrative rules regarding the determination of whether a person is an employee under § 15-107. Further, we noted the proper conclusion of whether a person is an “employee” under § 15-107 determines whether that person will participate in either the System’s defined benefit pension plan or self-managed plan (now known as the Retirement Savings Plan).

The Code (40 ILCS 5/15-107) requires the System’s Board of Trustees to promulgate rules with respect to determining whether any person is an employee within the meaning of § 15-107. (Finding 1, page 10).

We recommended the System’s Board of Trustees promulgate rules with respect to determining whether any person is an employee within the meaning of § 15-107.

System agrees with the auditors

System officials agreed with the finding and stated due to the complicated nature of the rule, each employer having a different policy, and competing priorities, drafting the definition has taken several years. System officials also stated there is a draft that has been circulated for employer comment and staff are currently working to have a final draft rule in place by the end of 2021.

AUDITOR’S OPINION

The auditors stated the financial statements of the System as of and for the year ended June 30, 2020 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, 2020, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2020-001. Except for the noncompliance described in this finding, the accountants stated the System complied, in all material respects, with the requirements described in the report.

This compliance examination was conducted by BKD, LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

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

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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