



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

STATE UNIVERSITIES RETIREMENT SYSTEM

**Financial Audit
 For the Year Ended June 30, 2023**

Release Date: February 29, 2024

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 the financial statement audit of the State Universities Retirement System (System) as of and for the year ended June 30, 2023.

The System’s total pension liability was \$52.638 billion at June 30, 2023. The net pension liability at June 30, 2023, was \$29.445 billion, which is the difference between the System’s fiduciary net position of \$23.193 billion and the total pension liability. The System’s funded ratio was 44%. 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; therefore, this information under the State’s funding plan is no longer reported in the financial statements. There were no findings reported under *Government Auditing Standards* in our audit.

FINDING SYNOPSIS

- **(23-1)** The State Universities Retirement System had not implemented adequate controls over its service providers.

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
FINANCIAL AUDIT
For the Year Ended June 30, 2023

FINANCIAL OPERATIONS (Defined Benefit)	2023	2022
ADDITIONS		
Contributions		
Participants.....	\$ 299,585,024	\$ 289,070,662
Employer and Non-employer contributing entity.....	2,138,711,702	2,136,059,142
Total Contributions.....	<u>2,438,296,726</u>	<u>2,425,129,804</u>
Investment Income		
Net (depreciation) appreciation in fair market value.....	1,000,441,425	(993,854,105)
Interest.....	181,395,783	180,085,919
Dividends.....	261,258,010	233,414,277
Securities lending.....	3,901,358	6,360,276
Less: Investment expense.....	(117,274,945)	(111,639,331)
Net Investment (loss) Income.....	<u>1,329,721,631</u>	<u>(685,632,964)</u>
Total Additions.....	<u>3,768,018,357</u>	<u>1,739,496,840</u>
DEDUCTIONS		
Benefits.....	2,995,372,248	2,879,643,912
Refund of contributions.....	79,236,365	82,458,931
Administrative expense.....	23,715,248	22,583,852
Total Deductions.....	<u>3,098,323,861</u>	<u>2,984,686,695</u>
Net Increase (Decrease).....	<u>\$ 669,694,496</u>	<u>\$ (1,245,189,855)</u>
INVESTMENT PORTFOLIO ANALYSIS		
(Fair Value) (Defined Benefit)	JUNE 30, 2023	JUNE 30, 2022
Equities.....	\$ 8,298,495,950	\$ 7,827,398,404
Fixed income.....	5,547,651,496	5,206,315,692
Real asset investments.....	2,600,700,821	2,091,471,758
Alternative investments.....	6,249,490,239	6,153,566,562
Total.....	<u>\$ 22,696,338,506</u>	<u>\$ 21,278,752,416</u>
PENSION LIABILITY (in millions)		
Total Pension Liability.....	\$ 52,637.8	\$ 51,601.2
Plan Net Position.....	23,193.3	22,523.1
Net Pension Liability.....	<u>\$ 29,444.5</u>	<u>\$ 29,078.1</u>
Plan Net Position as a Percentage of the Total Pension Liability.....	44.06%	43.65%
SUPPLEMENTARY INFORMATION (Defined Benefit)		
Benefit recipients.....	72,580	71,458
Active members.....	61,509	60,281
Inactive members.....	89,724	87,829
Total.....	<u>223,813</u>	<u>219,568</u>
AGENCY DIRECTOR		
During Audit Period and Current: Suzanne Mayer		

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE CONTROLS OVER SERVICE PROVIDERS

Need to implement adequate controls over service providers

The State Universities Retirement System (System) had not implemented adequate internal controls over its service providers.

There was no documentation provided the population of service providers was complete and accurate

We requested the System provide a population of their service providers utilized in order to determine if the System had reviewed the internal controls of its service providers. Although the System provided a population of service providers, they did not provide documentation demonstrating the population was complete and accurate.

Due to these conditions, we were unable to conclude the System's population records were sufficiently precise and detailed under the Professional Standards promulgated by the American Institute of Certified Public Accountants (AU-C § 330, AU-C § 530, AT-C § 205). Even given the population limitations, we tested a sample of five service providers, noting the System had not:

- Implemented a process for the review of their service providers' internal controls.
- Ensured service provider agreements included documented roles and responsibilities and requirements to ensure the security, integrity, availability, confidentiality, and privacy controls over the System's applications and data.
- Conducted an analysis of deviations noted in the service providers' System and Organization Control (SOC) Report to determine the impact to their internal control environment.
- Conducted an analysis to determine if the subservice providers' service impacted the System's internal control environment.
- Conducted a review of the Complementary User Entity Controls and the System's related controls.

Due to these conditions, we were unable to determine if the internal controls of the service providers were adequate, and we were required to perform alternative procedures. No exceptions

were noted during the performance of the alternative procedures. (Finding 1, pages 53-54).

We recommended the System strengthen its controls in identifying and documenting all service providers which are utilized and document the process into a formalized policy. Further we recommended the System:

- Implement a process for the review of the service providers' internal controls.
- Document roles and responsibilities and requirements to ensure the security, integrity, availability, confidentiality, and privacy controls over the System's applications and data within the service providers' agreements.
- Conduct an analysis of deviations noted in the service providers' System and Organization Control (SOC) Report and determine the impact to their internal control environment.
- Conduct an analysis to determine if the subservice providers' service impact the System's internal control environment.
- Conduct a review of the Complementary User Entity Controls and the System's related controls.

The System accepted the finding

System officials accepted the finding and stated they have already begun to address the items noted in the finding.

AUDITOR'S OPINION(S)

The auditors stated the financial statements of the System as of and for the year ended June 30, 2023 are fairly stated in all material respects.

This financial audit was conducted by RSM US 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

FJM:TLK