
REPORT DIGEST

STATE UNIVERSITIES RETIREMENT SYSTEM OF ILLINOIS

FINANCIAL AUDIT

For the Year Ended:
June 30, 1996

Release Date:
February 6, 1997



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The unfunded liability of the System for pension benefits was \$5,072 million at June 30, 1996. This liability increased approximately \$367 million during FY 1996.
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Year Ended June 30	(1) Net Assets Available for Benefits	(2) Pension Obligation	(3) Percentage Funded (1)/(2)	(4) Unfunded Liability (2)-(1)	(5) Annual Increase in Unfunded Liability
1992	\$3,902	\$ 7,360	53.0%	\$3,458	\$340
1993	4,188	7,838	53.4%	3,650	192
1994	4,447	8,586	51.8%	4,139	489
1995	4,674	9,379	49.8%	4,705	566
1996	5,083	10,155	50.1%	5,072	367

NOTE: Amounts in chart are shown in millions of dollars.

INTRODUCTION

This digest covers our financial audit of the System for the year ended June 30, 1996. A compliance audit covering the year ending June 30, 1996 will be issued at a later date.

UNDERFUNDING OF THE SYSTEM

Net assets available for benefits (at cost) totaled approximately \$5,083 million at June 30, 1996. The pension obligation was valued at \$10,155 million at June 30, 1996. The difference between the pension obligation and the net assets available for benefits of \$5,072 million reflects the unfunded liability of the System at June 30, 1996. The unfunded liability increased approximately \$367 million during FY 1996.

**Unfunded Liability Increases
\$367 million during FY**

An analysis of dollar amounts of net assets available for benefits, pension obligation, and unfunded liability should not be viewed in isolation. Expressing the net assets available for benefits as a percentage of the pension obligation provides one indication of funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. The following chart gives a listing of funding progress for the past five years.

**Unfunded Liability at June
30, 1996 totals \$5,072 million**

**FY 96 marks 1st Year for
New State Funding Law**

A new State funding law became effective in FY 1996 changing State retirement funding practices. Public Act 88-0593 provides for a stated 50-year funding plan which includes a 15 year phase-in period. State contributions are made through a continuing appropriation instead of the annual budgetary process. The law is designed to increase pension funding incrementally.

AUDITORS' OPINION

Our auditors state that the June 30, 1996 financial statements of the System are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

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SPECIAL ASSISTANT AUDITORS

KPMG Peat Marwick LLP were our special assistant auditors for this audit.

