

STATE OF ILLINOIS

**SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING
OF STATE APPROPRIATIONS TO THE
PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO**

For the Two Years Ended June 30, 2005

STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE
APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO
For the Two Years Ended June 30, 2005

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STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE
APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
RETIREMENT FUND OF CHICAGO

AGENCY OFFICIALS

Executive Director	(6/30/05 to present)	Mr. Kevin Huber
Interim Executive Director	(9/10/04 to 6/30/05)	Mr. Kevin Huber
Executive Director	(8/27/97 to 9/10/04)	Mr. Michael Nehf
Chief Financial Officer	(6/30/05 to present)	Ms. Patricia Hambrick
Interim Chief Financial Officer	(9/10/04 to 6/30/05)	Ms. Patricia Hambrick
Chief Financial Officer	(1/1/99 to 9/10/04)	Mr. Kevin Huber

Agency offices are located at:

203 N. LaSalle, Suite 2600
Chicago, IL 60601



Chicago Teachers' Pension Fund

203 N LaSalle, Suite 2600
Chicago, IL 60601-1210

MANAGEMENT ASSERTION LETTER

January 26, 2006

Honorable William G. Holland
Illinois Auditor General
740 East Ash Street
Springfield, IL 62703

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Fund. We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Fund's compliance with the following assertions during the two-year period ended June 30, 2005. Based on this evaluation, we assert that during the years ended June 30, 2005 and June 30, 2004, the Fund has materially complied with the assertions below.

- A. The Fund has expended public funds of the State in accordance with the purposes for which such funds have been appropriated.
- B. The Fund has submitted its annual report to the State as required by law.

Yours very truly,

Public School Teachers' Pension and Retirement Fund of Chicago

A handwritten signature in black ink, appearing to read 'Kevin Huber', written over a horizontal line.

Kevin Huber, Executive Director

A handwritten signature in black ink, appearing to read 'Patricia C. Hambrick', written over a horizontal line.

Patricia Hambrick, Chief Financial Officer

COMPLIANCE REPORT

SUMMARY

The special limited compliance examination testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on Special Limited State Compliance Testing, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

There were no findings of noncompliance disclosed by our special limited State compliance examination tests in this examination or in the prior examination which are required to be reported in accordance with the Audit Guide.

EXIT CONFERENCE

The Public School Teachers' Pension and Retirement Fund of Chicago waived an exit conference in a letter dated February 22, 2006.

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

**INDEPENDENT ACCOUNTANTS' REPORT ON SPECIAL LIMITED STATE
COMPLIANCE TESTING, AND ON SUPPLEMENTARY INFORMATION FOR STATE
COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Public School Teachers' Pension and Retirement Fund of Chicago's (Fund) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General insofar as such standards are applicable to this special limited testing during the two years ended June 30, 2005. The management of the Fund is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Fund's compliance based on our examination.

- A. The Fund has expended, public funds of the State in accordance with the purpose for which such funds have been appropriated.
- B. The Fund has submitted its annual report to the State as authorized by law.

Our special limited scope compliance examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act insofar as such standards are applicable to this special limited testing; and, accordingly, included examining, on a test basis, evidence about the Fund's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Fund's compliance with specified requirements.

Our special limited compliance testing was restricted to the appropriations made from the Illinois General Assembly to the Fund. We have not examined the financial statements of the Fund and, accordingly, we do not express an opinion on them.

In our opinion, the Fund complied, in all material respects, with the aforementioned requirements during the year ended June 30, 2005. The results of our procedures disclosed no instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. There were no immaterial findings developed in this special limited State compliance testing which have been excluded from this report.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2004 and the 2005 Supplementary Information for State Compliance Purposes. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2003 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and Fund management and is not intended to be and should not be used by anyone other than these specified parties.


BRUCE L. BULLARD, CPA
Compliance Audit Director

January 26, 2006

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances

- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances

- Analysis of Significant Variations in Expenditures

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states we have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General. However, we do not express an opinion on the supplementary information.

STATE OF ILLINOIS
 STATE APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SCHEDULE OF STATE APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
 For the Fiscal Year Ended June 30, 2005

	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
P.A. 93-0842					
FISCAL YEAR 2005					
General Revenue Fund - 001					
For payment of the State's Contribution to Public School Teachers' Pension and Retirement Fund of Chicago as provided by law and pursuant to P.A. 90-548.	\$ 65,044,700	\$ 59,674,308	\$ 5,370,392	\$ 65,044,700	\$ -
Total Fiscal Year 2005	<u>\$ 65,044,700</u>	<u>\$ 59,674,308</u>	<u>\$ 5,370,392</u>	<u>\$ 65,044,700</u>	<u>\$ -</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
 STATE APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SCHEDULE OF STATE APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES

For the Fiscal Year Ended June 30, 2004

P.A. 93-62 FISCAL YEAR 2004	Appropriations (Net of Transfers)	Lapse Period		Total Expenditures 14 Months Ended August 31	Balances Lapsed August 31
		Expenditures Through June 30	Expenditures July 1 to August 31		
General Revenue Fund - 001					
For supplementary payments as set forth in Sections 17-154, 17-155, and 17-156 of the "Illinois Pension Code."	\$ 50,000	\$ 50,000	\$ -	\$ 50,000	\$ -
Total Fiscal Year 2004	<u>\$ 50,000</u>	<u>\$ 50,000</u>	<u>\$ -</u>	<u>\$ 50,000</u>	<u>\$ -</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
STATE APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS'
PENSION AND RETIREMENT FUND OF CHICAGO
**COMPARATIVE SCHEDULE OF NET STATE APPROPRIATIONS,
EXPENDITURES AND LAPSED BALANCES**

For the Fiscal Years Ended June 30,

	2005	2004	2003
General Revenue Fund - 001	P.A. 93-0842	P.A. 93-62	P.A. 92-0538
	\$ 65,044,700	\$ 50,000	\$ 65,094,700
<u>Expenditures</u>			
For supplementary payments as set forth in Sections 17-154, 17-155, and 17-156 of the "Illinois Pension Code."	\$ -	\$ 50,000	\$ 50,000
For payment of the State's Contribution to Public School Teachers' Pension and Retirement Fund of Chicago as provided by law and pursuant to P.A. 90-548.	\$ 65,044,700	\$ -	\$ 65,044,700
Total Expenditures	\$ 65,044,700	\$ 50,000	\$ 65,094,700
Lapsed Balances	\$ -	\$ -	\$ -

STATE OF ILLINOIS
SPECIAL LIMITED COMPLIANCE EXAMINATION TESTING OF STATE APPROPRIATIONS
TO THE PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2005

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2004 AND 2005

General Revenue Fund (001)

Supplementary payments (Sections 17-154, 155, and 156 of the "Illinois Pension Code")

The supplementary payments expenditures decreased due to no payments being made by the Fund because no money was appropriated for this purpose in FY05.

State's contribution to the Fund as provided by law and pursuant to P.A. 90-548.

The State's contribution expenditures increased in FY05 because the Fund was again directly appropriated money in FY05 for this purpose.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2003 AND 2004

General Revenue Fund (001)

State's contribution to the Fund as provided by law and pursuant to P.A. 90-548

The State's contribution expenditures decreased in FY04 because the Fund was not appropriated money for this purpose in FY04. The State contribution during FY04 came from the overall appropriation the State made to the Chicago Public Schools. The Chicago Public Schools then made the \$65,044,700 contribution from their own funds.