

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, 2015

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, 2015

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AGENCY OFFICIALS

Executive Director (3/16/15 - Present)	Mr. Charles A Burbridge
Interim Executive Director (1/1/15 - 3/15/15)	Mr. Peter A. Driscoll
Executive Director (1/1/99 - 12/31/14)	Mr. Kevin Huber
Director of Finance (9/7/2015 – Present)	Ms. Saron Tegegne
Acting Chief Fiscal Officer (7/1/15 - 9/7/15)	Mr. Charles A. Burbridge
Chief Fiscal Officer (10/22/12 - 6/30/15)	Dr. Kasthuri Henry
Chief Legal Officer (8/20/14 - present)	Ms. Tiffany R. Madson
Chief Legal Officer (6/20/14 – 8/19/14)	Vacant
Chief Legal Officer (7/1/13 - 6/19/14)	Mr. Scott Miller
Deputy Executive Director (4/27/15 - Present)	Ms. Tiffany R. Madson

Agency offices are located at:
203 N. LaSalle Street, Suite 2600
Chicago, IL 60601



Chicago Teachers' Pension Fund

203 North La Salle Street, suite 2600 | Chicago, Illinois 60601-1231

SPECIAL LIMITED STATE COMPLIANCE EXAMINATION
MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

February 4, 2016

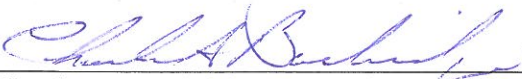
Dear Mr. Mautino:

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 Public School Teachers' Pension and Retirement Fund of Chicago for appropriations made by the General Assembly to the Public School Teachers' Pension and Retirement Fund of Chicago from the General Revenue 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 Public School Teachers' Pension and Retirement Fund of Chicago's compliance with the following assertions during the two-year period ended June 30, 2015. Based on this evaluation, we assert that during the years ended June 30, 2014, and June 30, 2015, the Public School Teachers' Pension and Retirement Fund of Chicago has materially complied with the assertions below.

- A. The Public School Teachers' Pension and Retirement Fund of Chicago has obligated, expended, received, and used public funds of the State of Illinois in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Public School Teachers' Pension and Retirement Fund of Chicago has made available its annual reports to the State of Illinois as required by law.

Yours very truly,

Public School Teachers' Pension and Retirement Fund of Chicago


Charles A. Burbridge, Executive Director


Saron Tegegne, Director of Finance

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APPROPRIATIONS TO THE PUBLIC SCHOOL TEACHERS' PENSION AND
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For the Two Years Ended June 30, 2015

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.

ACCOUNTANT'S REPORTS

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

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	-	-
Repeated findings	-	-
Prior recommendations implemented or not repeated	-	-

EXIT CONFERENCE

The Public School Teachers' Pension and Retirement Fund of Chicago waived an exit conference in a correspondence dated February 4, 2016.

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OFFICE OF THE AUDITOR GENERAL
FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON SPECIAL LIMITED STATE COMPLIANCE, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's 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, during the two years ended June 30, 2015. The management of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's compliance based on our examination.

- A. The State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago has submitted its annual reports to the State as required by law.

Our 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; and, accordingly, included examining, on a test basis, evidence about the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's compliance with those requirements listed in the first paragraph of this report 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 State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's compliance with specified requirements.

In our opinion, the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2015.

Internal Control

Management of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Public School Teachers' Pension and Retirement Fund of Chicago's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

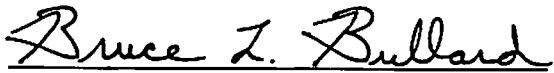
There were no immaterial findings that have been excluded from this report.

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 for the years ended June 30, 2015 and June 30, 2014 in Schedules 1 through 4 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 June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 4. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the June 30, 2013 accompanying supplementary information in Schedules 3 and 4, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Public School Teachers' Pension and Retirement Fund of Chicago management, and the Public School Teachers' Pension and Retirement Fund of Chicago's governing board and is not intended to be and should not be used by anyone other than these specified parties.



BRUCE L. BULLARD, CPA

Director of Financial and Compliance Audits

Springfield, Illinois

February 4, 2016

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, 2015

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
Fiscal Year 2015

- Schedule of Appropriations, Expenditures and Lapsed Balances
Fiscal Year 2014

- Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
Analysis of Significant Variations in Expenditures

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2015 and June 30, 2014 accompanying supplementary information in Schedules 1 through 4. However, the accountants do not express an opinion on the supplementary information.

SCHEDULE 1

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

For the Fiscal Year Ended June 30, 2015

Fourteen Months Ended August 31, 2015

	Appropriations	Expenditures Through 6/30/2015	Lapse Period Expenditures 7/01 - 8/31/2015	Total Expenditures	Lapsed Balances
P.A. 98-0680 & P.A. 98-0675	\$ 12,145,000	\$ 11,132,917	\$ 1,012,083	\$ 12,145,000	\$ -
<u>GENERAL REVENUE FUND - 001</u>					
For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago	\$ 50,000,000	\$ 45,833,333	\$ 4,166,667	\$ 50,000,000	\$ -
For payment of the State's Contribution for retirement contributions to the Public School Teachers' Pension and Retirement Fund of Chicago	\$ 62,145,000	\$ 56,966,250	\$ 5,178,750	\$ 62,145,000	\$ -
GRAND TOTAL	\$ 121,145,000	\$ 102,802,590	\$ 9,345,427	\$ 111,457,167	\$ 9,687,833

Note 1: Appropriations, expenditures and lapsed balances were obtained from the State Comptroller records and have been reconciled to the Fund's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Fund and submitted to the State Comptroller for payment.

SCHEDULE 2

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

For the Fiscal Year Ended June 30, 2014

Fourteen Months Ended August 31, 2014

P.A. 98-0017

GENERAL REVENUE FUND - 001

For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago

GRAND TOTAL

Appropriations	Expenditures Through 6/30/2014	Lapse Period Expenditures 7/01 - 8/31/2014	Total Expenditures	Lapsed Balances
\$ 11,903,000	\$ 10,911,083	\$ 991,917	\$ 11,903,000	\$ -
<u>\$ 11,903,000</u>	<u>\$ 10,911,083</u>	<u>\$ 991,917</u>	<u>\$ 11,903,000</u>	<u>\$ -</u>

Note 1: Appropriations, expenditures and lapsed balances were obtained from the State Comptroller records and have been reconciled to the Fund's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Fund and submitted to the State Comptroller for payment.

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

SCHEDULE 3

For the Fiscal Years Ended June 30, 2015, 2014, and 2013

	2015	Fiscal Year 2014	2013
	P.A. 98-0680 & P.A. 98-0675	P.A. 98-0017	P.A. 97-0685
General Revenue Fund - 001			
Appropriations	\$ 62,145,000	\$ 11,903,000	\$ 10,931,000
Expenditures			
For payment of the State's Contribution for retirement contributions under Section 17-127 of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago	\$ 12,145,000	\$ 11,903,000	\$ 10,931,000
For payment of the State's Contribution for retirement contributions to the Public School Teachers' Pension and Retirement Fund of Chicago	50,000,000	-	-
Total Expenditures	\$ 62,145,000	\$ 11,903,000	\$ 10,931,000
Lapsed Balances	\$ -	\$ -	\$ -

STATE OF ILLINOIS **SCHEDULE 4**
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, 2015

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL
YEARS 2015 AND 2014**

General Revenue Fund (001)

For Payment of the State's Contribution for the Retirement Contributions to the Public School Teachers' Pension and Retirement Fund of Chicago (100% Increase)

In FY15, an additional appropriation was passed by the General Assembly to increase funding from the General Revenue Fund for the Public School Teachers' Pension and Retirement Fund of Chicago.