



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS

FINANCIAL AUDIT

For the Year Ended: June 30, 2012

Release Date: January 16, 2013

Summary of Findings:

Total this audit:	1
Total last audit:	1
Repeated from last audit:	0

INTRODUCTION

This digest covers our financial audit of the General Assembly Retirement System, State of Illinois (System) for the year ended June 30, 2012. A compliance examination report covering the year ending June 30, 2012 will be issued in a separate report at a later date.

FUNDED RATIO

The actuarial accrued liability was valued at \$303.5 million at June 30, 2012. The actuarial value of assets (at smoothed value) totaled approximately \$56.1 million at June 30, 2012. The method for determining the actuarial value of the assets was changed beginning with the June 30, 2009 valuation from the market value to a smoothed value where the actuarial investment gains or losses for each year are recognized in equal amounts over the ensuing five-year period.

The difference between the actuarial accrued liability and the actuarial value of assets of \$247.4 million reflects the unfunded liability of the System at June 30, 2012. The System had a funded ratio (at smoothed value) of 18.5% at June 30, 2012. When using the market value, the System would have had a funded ratio of 17.4% at June 30, 2012.

SYNOPSIS

- The General Assembly Retirement System of Illinois was not in compliance with the Fiscal Control and Internal Auditing Act.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

FINANCIAL AUDIT

For The Year Ended June 30, 2012

STATEMENT OF CHANGES IN PLAN NET ASSETS	FY 2012	FY 2011
ADDITIONS: Contributions - Participants.....	\$ 1,622,742	\$ 2,006,200
Contributions - Employer / Appropriations.....	10,502,000	11,433,614
Total Contributions.....	<u>\$ 12,124,742</u>	<u>\$ 13,439,814</u>
Increase / (Decrease) in Fair Value of Investments.....	(1,321,914)	9,098,602
Investment Income - Net of Management Expenses.....	1,225,617	1,171,910
Interest Earned on Cash Balances.....	14,849	20,869
Miscellaneous.....	-	10,000
Total Additions.....	<u>\$ 12,043,294</u>	<u>\$ 23,741,195</u>
DEDUCTIONS: Benefits.....	\$ 19,246,885	\$ 17,676,851
Refunds.....	149,294	61,476
Administrative Expenses.....	298,104	299,116
Total Deductions.....	<u>\$ 19,694,283</u>	<u>\$ 18,037,443</u>
Net Increase (Decrease).....	<u>\$ (7,650,989)</u>	<u>\$ 5,703,752</u>

INVESTMENT SUMMARY - (All investments held in the Illinois State Board of Investment commingled fund at fair value)	June 30, 2012	June 30, 2011
Government and Agency Obligations.....	\$ 958,131,279	\$ 1,367,098,751
Foreign Obligations.....	385,628,617	37,951,769
Corporate Obligations.....	656,977,663	762,833,382
Common Stock & Equity Funds	3,253,103,566	3,380,198,858
Commingled Funds.....	225,608,712	256,817,374
Foreign Equity Securities (including Preferred Stock).....	2,013,366,729	2,195,241,217
Hedge Funds.....	1,026,725,785	1,075,584,754
Real Estate Funds.....	967,346,450	780,336,465
Private Equity.....	678,423,383	629,256,286
Money Market Instruments.....	256,922,180	303,501,465
Real Assets.....	507,019,665	455,984,316
Bank Loans.....	328,593,596	253,447,070
Forward Foreign Currency Contracts.....	(43,859)	(353)
Total Investment Portfolio.....	<u>\$ 11,257,803,766</u>	<u>\$ 11,498,251,354</u>
Other ISBI Assets Less Liabilities.....	<u>26,132,919</u>	<u>29,373,670</u>
ISBI Net Assets.....	<u>\$ 11,283,936,685</u>	<u>\$ 11,527,625,024</u>
Investments owned by other retirement systems, SERS & JRS.....	<u>(11,234,911,540)</u>	<u>(11,470,278,582)</u>
General Assembly Retirement System Investments.....	<u>\$ 49,025,145</u>	<u>\$ 57,346,442</u>

ADMINISTRATIVE EXPENSES	FY 2012	FY 2011
Personal Services.....	\$ 122,061	\$ 131,342
Contractual Services.....	91,533	84,630
Retirement, Insurance & Social Security.....	80,818	74,535
Information technology.....	2,335	1,087
Printing.....	1,750	1,660
Operation of Automotive Equipment.....	957	848
Telecommunication.....	902	1,155
Depreciation.....	705	444
Travel.....	252	565
Commodities.....	238	322
Loss on disposal of equipment.....	60	-
Change in Accrued Compensated Absences.....	(3,507)	2,528
Total Administrative Expenses.....	<u>\$ 298,104</u>	<u>\$ 299,116</u>

FUNDING PROGRESS - at smoothed value	June 30, 2012	June 30, 2011
Actuarial Accrued Liability.....	\$ 303,469,263	\$ 298,408,371
Actuarial Value of Assets.....	<u>56,090,081</u>	<u>63,161,047</u>
Unfunded Actuarial Accrued Liability.....	<u>\$ 247,379,182</u>	<u>\$ 235,247,324</u>
Funded Ratio.....	18.5%	21.2%

EXECUTIVE SECRETARY
 During Engagement Period: Timothy B. Blair
 Currently: Timothy B. Blair

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**NONCOMPLIANCE WITH THE FISCAL
CONTROL AND INTERNAL AUDITING ACT**

The General Assembly Retirement System (System) was not in compliance with the Fiscal Control and Internal Auditing Act (the Act).

Internal audit position vacant

**Only one of eight internal audits
completed**

The Internal Auditor position became vacant during January 2012 and a new internal auditor was not hired until the first quarter of fiscal year 2013. As a result of the vacancy only one of the eight internal audits planned for fiscal year 2012 under the Systems current two-year plan for fiscal years 2011-2012 was completed.

Certification was late

The System is also required to prepare and transmit to the Auditor General a certification that the systems of internal fiscal and administrative controls of the System comply or do not comply with the requirements of the Act. This certification is required by May 1 of each year, and the System did not transmit their certification until August 29, 2012, 120 days late.

According to System officials the System was not able to fill the internal audit position as quickly as they had hoped because of difficulty in finding an appropriate candidate to fill the position. (Finding #1, page 31)

We recommended System management develop a plan to ensure the internal audit function continues in the event the position is left vacant for a period of time.

**System officials agree with
auditors**

System officials accepted our finding and recommendation.

AUDITORS' OPINION

The auditors stated the financial statements of the General Assembly Retirement System of Illinois as of June 30, 2012, and for the year then ended, are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

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SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were BKD LLP.