

REPORT DIGEST

**GENERAL ASSEMBLY RETIREMENT SYSTEM
COMPLIANCE AUDIT
FOR THE TWO YEARS ENDED JUNE 30, 1992
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1992**

INTRODUCTION

The audit of the General Assembly Retirement System (System) is issued in two reports. The financial report, prepared by the System, contains our opinion on the financial statements.

The System shares administrative staff and common administrative expenses with the Judges' Retirement System (JRS). The System reimburses the JRS for 40 percent of the administrative costs incurred.

It should be noted that, pursuant to the Illinois Pension Code, the System's investments are managed by the Illinois State Board of Investment.

UNDERFUNDING OF THE SYSTEM

Net assets available for benefits (at cost) totaled \$38 million at June 30, 1992. The pension obligation was valued at \$89 million at June 30, 1992. The difference between the pension obligation and the net assets available for benefits of \$51 million reflects the unfunded liability of the System at June 30, 1992. The unfunded liability increased approximately \$2 million during FY 1992.

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 presents funding progress for the past three years.

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
1990	\$34	\$79	43%	\$45	\$14
1991	35	84	42%	49	4
1992	38	89	43%	51	2

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

In Fiscal Year 1990, Public Act 86-0273 became effective. This law provided for a seven year phase-in approach to improve the State's funding of its five State-financed retirement systems. The long term intent was to provide increased contributions sufficient to pay normal costs, and to amortize the unfunded pension obligation over 40 years after a seven year phase-in period. Even with the passage of this Act the unfunded liability has increased \$20 million over the past 3 years.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

There were no material findings of noncompliance disclosed during our audit tests. We commend the System for maintaining effective fiscal controls.

AUDITORS' OPINION

Our auditors state the June 30, 1992 financial statements of the System are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of This Audit</u>	<u>Prior Audit</u>
Audit Findings	00
Repeated Findings	00
Recommendations Implemented or	
Not Repeated	06

SPECIAL ASSISTANT AUDITORS

McGladrey & Pullen were our special assistant auditors for this audit.