



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

STATE EMPLOYEES' RETIREMENT SYSTEM

**COMPLIANCE EXAMINATION
For the Year Ended: June 30, 2012**

Release Date: May 30, 2013

Summary of Findings:

• Compliance Examination	0
• Financial Audit (previously reported 1-16-13)	<u>1</u>
Total findings:	1
Total last report:	4
Repeated from last audit:	0

SYNOPSIS

This digest covers our compliance examination of the State Employees' Retirement System (System) for the year ended June 30, 2012. A financial audit covering the year ending June 30, 2012 was previously released on January 16, 2013. In total this report contains one finding, which was previously reported in the Financial Audit.

ACCOUNTANTS' REPORT

The auditors conducted a compliance attestation examination of the System for the year ended June 30, 2012 as required by the Illinois State Auditing Act. The accountants' report does not contain any scope limitations, disclaimers or other significant non-standard language.

A handwritten signature in blue ink, appearing to read 'William G. Holland', written over a horizontal line.

WILLIAM G. HOLLAND

.. Auditor General

WGH:JAF:rt

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this compliance examination were BKD LLP.

{Expenditures and Activity Measures are summarized on the reverse page.}

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2012

EXPENDITURE STATISTICS	FY 2012	FY 2011
Total Expenditures.....	\$ 2,593,396,827	\$ 2,290,241,519
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	899,504,680	36,576,873
Continuing appropriation fiscal year shortfall.....	4,630,573	2,393,750
All other expenses.....	94,443	92,494
State Employees' Retirement System Fund - 479:		
Pensions, annuities and benefits.....	1,603,234,431	1,470,756,550
Purchase of investments.....	-	689,122,201
Refunds.....	40,254,114	53,151,988
Payments to General Obligation Retirement Fund.....	29,941,271	24,708,844
Electronic data processing.....	4,930,573	3,604,444
Personal services.....	4,802,680	4,478,720
Other payroll costs (Retirement, Social Security and Group Insurance).....	3,262,800	2,688,879
Contractual services.....	2,409,792	2,270,500
All other expenses.....	267,911	343,216
State Employee Retirement System Excess Benefit Fund - 788:		
Pensions, annuities and benefits.....	63,559	53,060
Total Receipts.....	\$ 1,744,371,291	\$ 2,216,398,963
ANALYSIS OF PLAN INVESTMENTS	June 30, 2012	June 30, 2011
Balance at beginning of year, at fair value.....	\$ 10,882,484,004	\$ 9,120,601,694
Net cash transferred from investments.....	(212,000,000)	(167,877,799)
Net investments (1).....	10,670,484,004	8,952,723,895
Investment income - interest, dividends and other.....	288,329,452	256,627,471
Investment expenses.....	(34,422,808)	(35,138,357)
Net investment income (2).....	253,906,644	221,489,114
Net realized gain (loss) on sales of investments.....	318,388,993	309,896,777
Net unrealized gain (loss) on investments.....	(567,007,380)	1,398,374,218
Net appreciation (depreciation) in fair value of investments (3).....	(248,618,387)	1,708,270,995
Total net investment income (4), (2) + (3).....	5,288,257	1,929,760,109
Balance at end of year, at fair value (1) + (4).....	\$ 10,675,772,261	\$ 10,882,484,004
INVESTMENTS USED FOR BENEFITS AND EXPENSES (UNAUDITED)	FY 2012	FY 2011
CONTRIBUTIONS: Participants.....	\$ 259,122,881	\$ 254,201,379
Appropriations & other.....	1,391,416,375	1,127,886,796
Total Contributions (5).....	1,650,539,256	1,382,088,175
DEDUCTIONS: Benefits.....	1,627,373,601	1,492,063,647
Refunds.....	23,500,325	37,575,929
Administration.....	15,705,561	13,734,961
Total Deductions (6).....	1,666,579,487	1,543,374,537
Investments used to pay Benefits and Expenses (5) - (6).....	\$ (16,040,231)	\$ (161,286,362)
SUPPLEMENTARY INFORMATION (UNAUDITED)	June 30, 2012	June 30, 2011
Number of System employees.....	87	90
Retirees and beneficiaries receiving benefits	62,788	59,786
Total members	85,373	87,661
Total active members	62,732	66,363
Total return on investments	0.1%	21.7%
EXECUTIVE SECRETARY		
During Engagement Period: Timothy Blair		
Currently: Timothy Blair		