



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

STATE EMPLOYEES' RETIREMENT SYSTEM

Financial Audit
For the Year Ended June 30, 2019

Release Date: January 22, 2020

FINDINGS THIS AUDIT:	0
FINDINGS LAST AUDIT:	0

INTRODUCTION

This digest covers the financial statement audit of the State Employees' Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2019. The State Employees' Retirement System's Compliance Examination covering the year ended June 30, 2019 will be issued in a separate report at a later date.

The System's total pension liability is \$51.9 billion at June 30, 2019, an increase of \$1.4 billion from \$50.5 billion at June 30, 2018. The System's net pension liability at June 30, 2019 is \$33.4 billion, which is the difference between the System's fiduciary net position of \$18.5 billion and the total pension liability. The System's net position as a percentage of the total pension liability is 35.64% at June 30, 2019 as compared to 34.57% at June 30, 2018. The criteria used for computing pension liability information in the financial report in accordance with GASB Statement No. 67 differs from the criteria used to compute the actuarial accrued liability and actuarial unfunded liability under the State's funding plan, therefore this information under the State's funding plan is no longer reported in the financial statements. There were no findings reported under *Government Auditing Standards* in our audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the System as of and for the year ended June 30, 2019 are fairly stated in all material respects.

This financial audit was conducted by RSM LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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{Financial information is summarized on the next page.}

STATE EMPLOYEES' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For the Years Ended June 30, 2019 and 2018

STATEMENT OF CHANGES IN PLAN NET POSITION	2019	2018
Additions:		
Contributions - Participants.....	\$ 275,675,175	\$ 254,442,466
Contributions - State Agencies and Appropriations.....	2,274,925,279	1,929,175,044
Total Contributions.....	<u>2,550,600,454</u>	<u>2,183,617,510</u>
Net Appreciation (Depreciation) in Fair Value of Investments.....	845,866,191	902,665,327
Investment Income.....	297,231,841	380,029,465
Investment Expense.....	(24,669,122)	(25,654,957)
Net Investment Income.....	<u>1,118,428,910</u>	<u>1,257,039,835</u>
Total Additions.....	<u>3,669,029,364</u>	<u>3,440,657,345</u>
Deductions:		
Benefits.....	2,601,306,593	2,464,832,022
Refunds.....	24,133,508	27,469,348
Administrative Expenses.....	14,978,852	15,257,526
Total Deductions.....	<u>2,640,418,953</u>	<u>2,507,558,896</u>
Net Increase (Decrease) in Net Position.....	<u>\$ 1,028,610,411</u>	<u>\$ 933,098,449</u>
STATEMENT OF NET POSITION AND INVESTMENT SUMMARY - (All investments held in the Illinois State Board of Investment Commingled Fund at fair value)		
	June 30, 2019	June 30, 2018
U.S. Government and Agency Obligations.....	\$ 249,211,178	\$ 3,772,996,557
Foreign Obligations.....	145,836,447	317,071,356
Corporate Obligations.....	687,426,898	978,155,830
Municipal Bonds.....	2,174,758	8,911,164
Common Stock & Equity Funds.....	2,961,709,654	5,227,218,322
Commingled Funds.....	10,791,639,807	1,721,839,058
Foreign Equity Securities (including Preferred Stock).....	233,224,060	2,310,044,822
Hedge Funds.....	141,715,793	360,744,003
Opportunistic Debt.....	506,150,801	225,053,335
Real Estate Funds.....	1,737,430,583	1,594,774,574
Private Equity.....	779,475,084	706,768,270
Infrastructure.....	316,264,251	408,985,767
Bank Loans.....	392,020,733	464,315,920
Money Market Instruments.....	156,715,534	231,743,812
Foreign Currency Forward Contracts.....	-	(7,847,062)
Total Investment Portfolio.....	<u>19,100,995,581</u>	<u>18,320,775,728</u>
Other ISBI Assets Less Liabilities.....	58,269,428	15,658,721
ISBI Net Position.....	<u>19,159,265,009</u>	<u>18,336,434,449</u>
Investments owned by other retirement systems and other entities.....	(1,134,216,509)	(1,068,296,974)
State Employees' Retirement System Investments.....	18,025,048,500	17,268,137,475
Cash, Receivables and Other Assets.....	558,400,453	381,538,586
Less: Total Liabilities.....	<u>(91,560,301)</u>	<u>(186,397,820)</u>
Net Position - Restricted for Pensions.....	<u>\$ 18,491,888,652</u>	<u>\$ 17,463,278,241</u>
ADMINISTRATIVE EXPENSES	2019	2018
Personal Services.....	\$ 4,932,669	\$ 4,823,735
Retirement, Group Insurance & Social Security.....	4,306,979	4,002,427
Electronic Data Processing.....	2,731,088	3,937,347
Contractual Services.....	1,953,466	1,658,160
Depreciation and Amortization.....	972,770	831,625
Other Expenses (Net).....	81,880	4,232
Total Administrative Expenses.....	<u>\$ 14,978,852</u>	<u>\$ 15,257,526</u>
SUPPLEMENTARY INFORMATION	June 30, 2019	June 30, 2018
Benefit Recipients.....	74,589	73,179
Active Members.....	62,026	61,397
Inactive Members.....	3,843	3,925
Total.....	<u>140,458</u>	<u>138,501</u>
PENSION LIABILITY	June 30, 2019	June 30, 2018
Total Pension Liability.....	\$ 51,885,938,889	\$ 50,519,687,332
Plan Fiduciary Net Position.....	18,491,888,652	17,463,278,241
Net Pension Liability.....	<u>\$ 33,394,050,237</u>	<u>\$ 33,056,409,091</u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability.....	35.64%	34.57%
EXECUTIVE SECRETARY		
During Engagement Period: Timothy B. Blair		
Currently: Timothy B. Blair		