



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

**TEACHERS' RETIREMENT SYSTEM OF
THE STATE OF ILLINOIS**

**Financial Audit - Report on Allocation of Pension Amounts
For the Year(s) Ended June 30, 2014 cpf '4235**

Release Date: August 13, 2015

INTRODUCTION

This digest covers the Financial Audit of the Schedule of Employer Allocations as of and for the years ended June 30, 2014 and 2013 and the related notes. In addition, the digest also covers the Financial Audit of the totals of the columns titled net pension liability as of June 30, 2014 and 2013, total deferred outflows of resources, total deferred inflows of resources and total pension expense subject to allocation (specified column totals) in the Schedule of Pension Amounts by Employer of the Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2014. We previously released a separate Financial Audit of the System's financial statements (released January 22, 2015) and Compliance Examination (released May 7, 2015) as of and for the year ending June 30, 2014.

The System is the administrator of a cost-sharing, multiple-employer defined benefit public employee retirement system. Membership is mandatory for all full-time, part-time and substitute public school personnel employed outside of Chicago in positions requiring certification. Certain contributions are statutorily required to be made to the System by employees, employers and the State of Illinois (State), who would be considered a non-employer contributing entity. For the year ending June 30, 2015, employers and non-employers that make contributions to the System will be required to adopt Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions*. GASB Statement 68 requires the participating employers and non-employer that prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) to recognize their proportionate share of certain collective pension amounts in their financial statements, which includes the net pension liability.

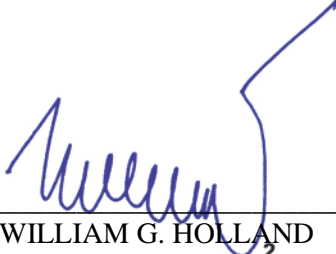
Within a cost sharing plan like the System the pension obligation to the employees of more than one employer are pooled and System assets can be used to pay the benefits of the employees of any employer that is a member of the System. Prior to the implementation of GASB Statement 68, the portion of the System's liability not covered by assets was not allocated among the employers or State for financial reporting purposes. Consequently, employers and the State did not report the cumulative pension amounts, including the net pension liability, in either their audited financial statements or notes, even though they have an obligation to provide pension benefits to the employees. GASB Statement 68 changed previously followed financial reporting requirements and now requires employers and the State to calculate their proportion of the System's collective pension amounts. As a result, employers and the State will be required to report their portion of the collective pension amounts in their GAAP basis financial statements.

Due to employers and the State of Illinois needing to report their proportionate share of the collective pension amounts in their financial statements prepared in accordance with GAAP, the System has prepared the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer which provide the necessary financial information for each employer and the State. By having these Schedules audited this will also provide the employers and the State's auditors an Independent Auditor's Opinion in regard to those Schedules.

The System's net pension liability at June 30, 2014 was \$60.9 billion of which \$58.7 billion (96.4%) is allocated to the State of Illinois as their portion of the net pension liability, the remaining amount, \$2.2 billion is allocated to the other 1,020 employers.

AUDITORS' OPINION

Our auditors stated the Schedule of Employer Allocations for the years ended June 30, 2014 and 2013 and the totals of the columns titled net pension liability as of June 30, 2014 (ending) and 2013 (beginning), total deferred outflows of resources, total deferred inflows of resources and total pension expense subject to allocation (specified column totals) in the Schedule of Pension Amounts by Employer of the Teachers' Retirement System of the State of Illinois (System) for the year ended June 30, 2014 and the related notes 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 McGladrey LLP.