



STATE OF ILLINOIS

OFFICE OF THE AUDITOR GENERAL

PENSION LAWS COMMISSION

COMPLIANCE EXAMINATION

**FOR THE SEVEN MONTHS ENDED JANUARY 31, 2004
(FINAL EXAMINATION)**

WILLIAM G. HOLLAND

AUDITOR GENERAL

STATE OF ILLINOIS
PENSION LAWS COMMISSION
COMPLIANCE EXAMINATION
For The Seven Months Ended January 31, 2004

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AGENCY OFFICIALS

PENSION LAWS COMMISSION

Effective February 1, 2004, the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/3A-1(f)) transferred all powers, duties, rights, responsibilities, personnel, assets, liabilities, and indebtedness of the Pension Laws Commission to the Commission on Government Forecasting and Accountability.

Acting Executive Director (8/1/03 – 1/31/04)

Mr. Tim Blair

Executive Director (7/1/03 – 7/31/03)

Ms. Patricia Stevens

Administrative Assistant (7/17/03 – 1/31/04)

Ms. Victoria Copp

Administrative Assistant (7/1/03 – 7/16/03)

Ms. Kristi Volz

Agency office was located at:

Pension Laws Commission
222 South College
Suite 302
Springfield, Illinois 62704

SENATE:

Thomas Walsh
Peter Roskam
James Clayborne, Jr.
Robert Molaro

PUBLIC:

John L. Novak
Stephen R. Kern
Christine Boardman
Larry E. Sims

Executive Director
Patricia A. Stevens



State of Illinois

Pension Laws Commission

HOUSE:

Harold Murphy
Michael Smith
David Leitch
Doug Hoeft

PUBLIC:

Sam Wolf
Hank Scheff
Greg Bielawski
John J. Fennell, Jr.

August 31, 2005

Office of the Auditor General
740 East Ash Street
Springfield, Illinois 62703

Ladies and Gentlemen:

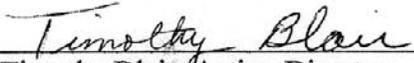
We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Pension Laws Commission. We are responsible for and we have established and maintained an effective system of, internal controls over compliance requirements. We have performed an evaluation of the Agency's compliance with the following assertions during the seven month period ended January 31, 2004. Based on this evaluation, we assert that during the seven months ended January 31, 2004, the Pension Laws Commission has materially complied with the assertions below.

- A. The Pension Laws Commission has obligated, expended, received and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Pension Laws Commission has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Pension Laws Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Pension Laws Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the Pension Laws Commission on behalf of the State or held in trust by the agency have been properly and

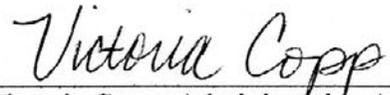
legally administered, and the accounting and recordkeeping relating thereto is proper,
accurate and in accordance with law.

Yours very truly,

Pension Laws Commission



Timothy Blair, Acting Director



Victoria Copp, Administrative Assistant

COMPLIANCE REPORT

SUMMARY

The compliance testing performed in this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITORS' REPORTS

The Independent Accountants' Report on State Compliance, on Internal Control Over Compliance and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>This Report</u>	<u>Prior Report</u>
Findings	0	0
Repeated Findings	0	0
Prior recommendations implemented or not Repeated	0	0

SUMMARY OF FINDINGS

The Pension Laws Commission did not have any current year or prior year findings.

EXIT CONFERENCE

The Commission waived an exit conference.

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740 EAST ASH • 62703-3154
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160 NORTH LASALLE • 60601-3103
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FAX: 312/814-4006

OFFICE OF THE AUDITOR GENERAL
WILLIAM G. HOLLAND

**INDEPENDENT ACCOUNTANTS' REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES**

Honorable William G. Holland
Auditor General
State of Illinois

Compliance

We have examined the Illinois Pension Laws Commission's (Commission) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the seven months ended January 31, 2004. The management of the Commission is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Commission's compliance based on our examination.

- A. The Commission has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or authorized by law.
- B. The Commission has obligated, expended, received, and used public funds in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The Commission has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. The State revenues and receipts collected by the Commission are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Commission on behalf of the State or held in trust by the Commission have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by

the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the Commission's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the Commission's compliance with specified requirements.

In our opinion, the Commission complied, in all material respects, with the aforementioned requirements during the seven months ended January 31, 2004. The results of our procedures did not disclose any instances of noncompliance with those requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. There were no immaterial findings relating to instances of noncompliance that have been excluded from this report.

Internal Control

The management of the Commission is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws and regulations. In planning and performing our examination, we considered the Commission's internal control over compliance with the aforementioned requirements in order to determine our examination procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General.

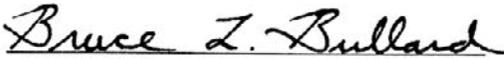
Our consideration of internal control over compliance with the aforementioned requirements would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws and regulations that would be material in relation to one or more of the aforementioned requirements being examined may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance that we consider to be material weaknesses. The results of our procedures did not disclose any other matters involving internal control which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General. There were no immaterial findings relating to internal control deficiencies that have been excluded from this report.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information as listed in the table of contents as Supplementary Information for State Compliance Purposes is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the 2004 Supplementary Information for State Compliance Purposes, except for information on the Service Efforts and Accomplishments on which we did not perform any procedures. However, we do not express an opinion on the supplementary information.

We have not applied procedures to the 2003 Supplementary Information for State Compliance Purposes, and accordingly, we do not express an opinion thereon.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, and agency management, and is not intended to be and should not be used by anyone other than these specified parties.


BRUCE L. BULLARD, CPA
Compliance Audit Director

August 31, 2005

SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

SUMMARY

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:

- Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
 - Schedule of Changes in State Property
 - Analysis of Significant Variations in Expenditures

- Analysis of Operations

- Agency Functions and Planning Program
 - Average Number of Employees
 - Service Efforts and Accomplishments (Not Examined)

The auditors' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the auditors have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General, except for information on the Service Efforts and Accomplishments on which they did not perform any procedures. However, the auditors do not express an opinion on the supplementary information.

STATE OF ILLINOIS
PENSION LAWS COMMISSION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Seven Months Ended January 31, 2004

P.A. 93-0091 FISCAL YEAR 2004	Appropriations (Net of Transfers)	Total Expenditures Through January 31	Balances Lapsed January 31
GENERAL REVENUE FUND-001			
Ordinary and Contingent Expenses	\$ 114,550	\$ 114,550	\$ 0
Total Fiscal Year 2004	<u>\$ 114,550</u>	<u>\$ 114,550</u>	<u>\$ 0</u>

Note: Appropriations, expenditures, and lapsed balances were obtained from Agency records and have been reconciled to records of the State Comptroller.

STATE OF ILLINOIS
PENSION LAWS COMMISSION
COMPARATIVE SCHEDULE OF NET APPROPRIATIONS, EXPENDITURES AND LAPSED BALANCES
For the Seven Months Ended January 31, 2004

	Fiscal Year	
	<u>2004</u>	<u>2003</u>
GENERAL REVENUE FUND-001	P.A. 93-0091	P.A. 92-0538
<hr/>		
Appropriations (Net of Transfers)	<u>\$ 114,550</u>	<u>\$ 350,500</u>
 <u>Expenditures</u>		
Ordinary and Contingent Expenses	<u>114,550</u>	<u>350,109</u>
Total Expenditures	<u>\$ 114,550</u>	<u>\$ 350,109</u>
Lapsed Balances	<u><u>0</u></u>	<u><u>391</u></u>

STATE OF ILLINOIS
PENSION LAWS COMMISSION
SCHEDULE OF CHANGES IN STATE PROPERTY
For the Seven Months Ended January 31, 2004

Balance at July 1, 2003	\$	110,390
Additions		0
Deletions		(7,103)
Net Transfers		(15,700)
*Reorganization Transfer		(87,587)
Balance at January 31, 2004	\$	<u>0</u>

Forecasting and Accountability.

reconciled to property reports submitted to the Office of the Comptroller.

STATE OF ILLINOIS
PENSION LAWS COMMISSION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES

For the Seven Months Ended January 31, 2004

The Commission received all of its financial resources for operations through a lump sum appropriation from the General Revenue Fund. Following is a breakdown of the Commission's expenditures by major object code.

	<u>Fiscal Year</u>	
	<u>2004</u>	<u>2003</u>
Personal Services	\$ 66,331	\$ 233,047
Employee Retirement Contribution		
Paid by Employer	2,222	8,330
State Contribution to State		
Employees Retirement System	8,916	24,067
State Contribution to Social Security	4,741	17,087
Contractual Services	27,951	60,197
Travel	1,112	2,215
Commodities	456	689
Printing	960	585
Equipment	0	0
Telecommunications	1,861	3,892
Total Expenditures	<u>\$ 114,550</u>	<u>\$ 350,109</u>

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN
FISCAL YEARS 2003 AND 2004**

The decrease in expenditures in FY04 was due to the merger of the Pension Laws Commission with the Commission on Government Forecasting and Accountability effective February 1, 2004.

STATE OF ILLINOIS
PENSION LAWS COMMISSION
ANALYSIS OF OPERATIONS
COMPLIANCE EXAMINATION
For The Seven Months Ended January 31, 2004

AGENCY FUNCTIONS AND PLANNING PROGRAM

Introduction

Effective February 1, 2004, the Legislative Commission Reorganization Act of 1984 (25 ILCS 130/3A-1(f)) transferred all powers, duties, rights, responsibilities, personnel, assets, liabilities, and indebtedness of the Pension Laws Commission to the Commission on Government Forecasting and Accountability.

Agency Functions

The Pension Laws Commission (Commission) was established as a legislative support services agency to provide a continuing study of the laws and practices pertaining to pensions and related retirement and disability benefits for persons in state or local governments and their dependents and to make recommendations on proposed changes to the Illinois Pension Code. The Commission was responsible for projecting system liabilities based on various actuarial funding levels and minimum required State contribution levels. The Commission was also responsible for preparing Pension System Impact Notes for any legislation introduced in either house of the General Assembly that would fiscally affect any of the State's pension systems.

The bipartisan Commission was comprised of 16 members appointed by the four leaders of the General Assembly. Eight members of the Commission are selected from the General Assembly and the other eight members consist of public citizens with an interest and knowledge of pension systems. The Commission members did not meet during the seven-month period, and there was one vacant seat. The Commissioners as of January 31, 2004 were:

GENERAL ASSEMBLY MEMBERS

Senator Bill Brady
Senator James Clayborne, Jr.
Senator Iris Martinez
Senator William Peterson
Representative Raymond Poe
Representative Timothy Schmitz
Representative Michael Smith

PUBLIC MEMBERS

Mr. John Novak
Mr. David B. Foreman
Ms. Christine Boardman
Mr. Larry Sims
Mr. Craig Larson
Mr. Hank Scheff
Mr. Jim McPike
Mr. Robert B. Williams

STATE OF ILLINOIS
PENSION LAWS COMMISSION
ANALYSIS OF OPERATIONS
COMPLIANCE EXAMINATION
For The Seven Months Ended January 31, 2004

Planning Program

The Commission’s objectives were defined by statute and their main goal was to effectively report to the General Assembly the effect of legislation on the State’s pension systems. Once a pension bill had been introduced, members of the House or Senate wishing to have their bills considered by the Commission contacted the Executive Director of the Commission and requested that the bill be scheduled for a hearing. An agenda was then prepared and all bills to be heard were posted prior to the scheduled meeting of the Commission. Commission meetings were held to discuss the pension legislation utilizing pension impact notes, personal knowledge, and expert testimony for the purpose of passing sound legislation on to the General Assembly.

Auditor’s Assessment

The Commission’s planning program appeared adequate to meet its statutorily mandated responsibilities.

AVERAGE NUMBER OF EMPLOYEES

The following table, prepared from Commission records, presents the average number of employees, by function, for the periods ended:

	<u>1/31/04</u>	<u>6/30/03</u>
Executive Director	1	1
Senior Pension Analyst	0	1
Pension Analyst	0	1
Administrative Assistant	1	1
Receptionist	0	1
Total average full-time employees	<u>2</u>	<u>5</u>

SERVICE EFFORTS AND ACCOMPLISHMENTS (Not Examined)

The Commission staff prepared Pension Impact Notes on 20 pieces of pension legislation. In addition, the Commission, with the assistance of the Legislative Information Service, maintained a web-site on the Internet, where interested parties could access information about the Commission, Pension Impact Notes, and find links to public pension funds and retirement systems in Illinois.