

State of Illinois
General Assembly Retirement System
Compliance Examination
For the Year Ended June 30, 2013
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois



**General Assembly Retirement System
of the State of Illinois
Compliance Examination
For the Year Ended June 30, 2013**

Table of Contents

	Schedule	Page(s)
General Assembly Retirement System of Illinois Officials		1
Management Assertion Letter		2
Compliance Report		
Summary		3
Independent Accountant’s Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes		4
Independent Auditor’s Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		8
Schedule of Findings		
Current Finding – State Compliance		10
Prior Finding Not Repeated		12
Financial Statement Report		
The System’s financial statement report for the year ended June 30, 2013, which includes the independent auditors’ report, management discussion and analysis, required supplementary information other than management discussion and analysis, basic financial statements and notes, supplementary information, and the independent auditor’s report on internal control over financial reporting and on compliance and other matters based on an audit of basic financial statements performed in accordance with <i>Government Auditing Standards</i> has been issued separately.		
Supplementary Information for State Compliance Purposes		
Summary		13
Fiscal Schedules and Analysis		
Schedule of Appropriations, Expenditures and Lapsed Balances	1	14
Comparative Schedules of Net Appropriations, Expenditures and Lapsed Balances	2	15
Schedule of Changes in State Property	3	16
Comparative Schedule of Cash Receipts	4	17

**General Assembly Retirement System
of the State of Illinois
Compliance Examination
For the Year Ended June 30, 2013**

	Schedule	Page(s)
Continued		
Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller	5	18
Analysis of Significant Variations in Expenses	6	19
Analysis of Significant Variations in Cash Receipts	7	20
Schedules of Funding Progress and Employer Contributions	8	21
Analysis of Significant Statement of Plan Net Position Accounts	9	23
Analysis of Contributions Receivable	10	24
Analysis of Operations (Unaudited)		
System's Functions and Planning Program (Unaudited)		25
Progress in Funding the System (Unaudited)		26
Rates of Return and Analysis of Investment Performance (Unaudited)		29
Average Number of System Employees (Unaudited)		30
Comparison of Administrative Expenses to Total Expenses (Unaudited)		30
Schedule of Contributions/Deductions and Effect on Investments (Unaudited)		31
Service Efforts and Accomplishments (Unaudited)		32

General Assembly Retirement System of the State of Illinois

For the Year Ended June 30, 2013

System Officials

Executive Secretary
Division Manager
Accounting Division Supervisor

Timothy B. Blair
Jayne Waldeck
David M. Richter, CPA

Office Locations

2101 South Veterans Parkway
P.O. Box 19255
Springfield, Illinois 62794-9255

State of Illinois Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601



**STATE
RETIREMENT
SYSTEMS**

- State Employees' Retirement System of Illinois
- General Assembly Retirement System
- Judges' Retirement System of Illinois

Internet: <http://www.srs.illinois.gov> E-Mail: sers@srs.illinois.gov

2101 South Veterans Parkway, P.O. Box 19255, Springfield, IL 62794-9255

February 26, 2014

BKD, LLP
Certified Public Accountants
225 North Water Street, Suite 400
Post Office Box 1580
Decatur, IL 62525-1580

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 General Assembly Retirement System (System). 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 System's compliance with the following assertions during the year ended June 30, 2013. Based on this evaluation, we assert that during the year ended June 30, 2013 the System has materially complied with the assertions below.

- A. The System 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 System 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 System 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 system 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 System on behalf of the State or held in trust by the System have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

General Assembly Retirement System of Illinois

Timothy B. Blair
Timothy B. Blair, Executive Secretary

David M. Richter
David M. Richter, CPA, Accounting Division Supervisor

- State Employees' Retirement System of Illinois (217)785-7444
- TTY (217)785-7218
- Accounting (217)785-7161
- Admin. Services (217)785-6971
- Deaths (217)785-7366
- Deaths Fax (217) 524-2293
- Disabilities (217)785-7318
- Disabilities Fax (217) 785-8961
- Group Insurance (217)785-7150
- Group Ins. Fax (217) 557-0510
- Pensions (217)785-7343
- Pensions Fax (217) 524-2293
- Vouchering (217)785-7034
- Vouchering Fax (217) 557-0510
- Data Processing (217)785-6967
- Exec. Offices (217)785-7016
- Exec. Office Fax (217)557-3943
- Gen. Info. Fax (217)785-7018
- Field Services (217)785-6979
- Field Serv. Fax (217)557-5154
- Refunds (217)785-7167
- Service (217)785-7167
- Service & Refunds Fax (217)785-6964
- Chicago Office (312)814-5853
- Chicago Fax (312)814-5805
- Judges' Retirement System of Illinois (217)782-8500
- General Assembly Retirement System (217)782-8500

Compliance Report

**General Assembly Retirement System
of the State of Illinois
Compliance Report Summary
For the Year Ended June 30, 2013**

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

Accountants' 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

Number of	Current Report	Prior Report
Findings	1	1
Repeated findings	0	0
Prior recommendations implemented or not repeated	1	1

Schedule of Findings

Item No.	Page	Description	Finding Type
Findings (Government Auditing Standards)			
No matters were reported.			
Findings (State Compliance)			
2013-001	10	Lack of Project Management over the Development of Computer Systems	Significant Deficiency and Noncompliance
Prior Finding Not Repeated			
A.	12	Noncompliance with Fiscal Control and Internal Auditing Act	

Exit Conference

System officials waived a formal exit conference in correspondence dated January 29, 2014. Responses to the recommendations were provided by Alan Fowler, Accounting Division Manager, in correspondence dated February 6, 2014.

**Independent Accountant’s 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
and
The Board of Trustees
General Assembly Retirement System of the State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the General Assembly Retirement System of the State of Illinois’s (System) 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 year ended June 30, 2013. The management of the System is responsible for compliance with these requirements. Our responsibility is to express an opinion on the System’s compliance based on our examination.

- A. The System 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 System 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 System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the System 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 System on behalf of the State or held in trust by the System 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 System's compliance with those requirements listed in the first paragraph of this report 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 System's compliance with specified requirements.

In our opinion, the System complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2013. However, the results of our procedures disclosed instances of noncompliance with the 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 and which are described in the accompanying schedule of findings as item 2013-001.

Internal Control

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the System's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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, but not for the purpose of expressing an opinion on the effectiveness of the System's internal controls over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as item 2013-001, that we consider to be a significant deficiency.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter to your office.

The System's response to the finding identified in our examination is described in the accompanying schedule of findings. We did not examine the System's response and, accordingly, we express no opinion on the response.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the System as of and for the year ended June 30, 2013 (not presented herein) and have issued our report thereon dated December 20, 2013 which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. We did not audit the 2013 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 85 percent, 90 percent, and 29 percent, respectively in 2013 of total assets, net position restricted for pension benefits, and total additions of the System. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Illinois State Board of Investment is based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to December 20, 2013. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 1 through 10 is presented for purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying supplementary information for the year ended June 30, 2013 in Schedules 1 through 10 has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying basic supplementary information for the year ended June 30, 2013 in Schedules 1 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

We have previously audited, in accordance with auditing standards generally accepted in the United States of America, the System's basic financial statements as of and for the years ended June 30, 2012, 2011, 2010, 2009 and 2008 (not presented herein) and have issued our reports thereon dated January 9, 2013, January 27, 2012, February 17, 2011, February 2, 2010, and December 17, 2008, respectively, which contained unqualified opinions on the respective financial statements. We did not audit the 2012, 2011, 2010, 2009 and 2008 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represents 90, 96, 92, 86 and 95 percent of total assets; 93, 95, 94, 87 and 95 percent of net position restricted for pension benefits; and (.80), 43, 28, 359 and (125) percent of total additions to the System, respectively. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Illinois State Board of Investment is based solely on the report of the other auditors. The accompanying supplementary information for the years ended June 30, 2012, 2011, 2010, 2009 and 2008 in Schedules 2 and 4 through 10 is the responsibility of management and was derived from and relates directly to underlying accounting and other records used to prepare the June 30, 2012, 2011, 2010, 2009 and 2008 financial statements. The accompanying supplementary information for the years ended June 30, 2012, 2011, 2010, 2009 and 2008 in Schedules 2 and 4 through 10 has been subjected to the auditing procedures applied in the audits of the June 30, 2012, 2011, 2010, 2009 and 2008 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in

accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information for the years ended June 30, 2012, 2011, 2010, 2009 and 2008 in Schedules 2 and 4 through 10 is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the General Assembly Retirement System of the State of Illinois Board of Trustees, and the System's management, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

Decatur, Illinois

February 26, 2014, except for the Supplementary Information for State Compliance purposes, as to which the date is December 20, 2013

**Independent Auditor's Report on Internal Control over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of the Financial Statements Performed
in Accordance With *Government Auditing Standards***

The Honorable William G. Holland
Auditor General
State of Illinois
and
The Board of Trustees
General Assembly Retirement System of the State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the General Assembly Retirement System of the State of Illinois (System), as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated December 20, 2013. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatement on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the System's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of the audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Decatur, Illinois
December 20, 2013

General Assembly Retirement System of the State of Illinois

Current Finding – State Compliance

June 30, 2013

2013-001. Finding – Lack of Project Management over the Development of Computer Systems

The General Assembly Retirement System (System) did not have an adequate project management framework, and had not ensured the development process over computer system projects was properly controlled and documented.

The System had not developed a project management framework to help ensure the projects met the Systems' goals and objectives. During our examination we noted that there were problems with the Modernization - Re-Engineering Project. The project has been ongoing for five years, is only 20% complete, and over \$2,000,000 has been expended by the State Retirement Systems (State Employees', Judges', and General Assembly), collectively. Due to staffing issues and the lack of a project management framework and the associated documentation, the project has not been fully implemented. In addition, formal documentation to provide detailed information on the current status and projected completion date is lacking.

In addition, we found that the generally accepted practices and steps associated with an effective system development methodology were not instituted.

Generally accepted information technology guidance endorses the implementation of a process to ensure computer system development activities meet management's objectives. A defined process promotes the effective and efficient use of resources resulting in computer systems that meet expectations.

System management stated a lack of adequate staffing led to the delays in the re-engineering project.

The lack of an effective and controlled project management/system development process may lead to excessive expenditures, over-reliance on staff or contractors, and a system that does not meet the needs of the System. In addition, an inadequate development process increases the risk that the system will not have the required accuracy, integrity, availability, and security. (Finding Code No. 2013-001)

General Assembly Retirement System of the State of Illinois

Current Finding – State Compliance

June 30, 2013

2013-001. Finding – Lack of Project Management over the Development of Computer Systems (Continued)

Recommendation

The System should:

- Develop and implement a project management framework and tools to ensure projects are adequately monitored and documented.
- Ensure all required documentation is developed, reviewed, and approved by the System prior to system implementation.
- Ensure all system and user testing is properly conducted, reviewed, approved and documented prior to system implementation.
- Ensure all changes are adequately reviewed, tested, approved and documented prior to system implementation.

System Response

The System agrees with the recommendation. A project management framework, application development methodologies, and change management controls have since been implemented to address these issues.

General Assembly Retirement System of the State of Illinois

Prior Finding Not Repeated

June 30, 2013

A. Finding – Noncompliance with Fiscal Control and Internal Auditing Act

The General Assembly Retirement System (System) was not in compliance with the Fiscal Control and Internal Auditing Act (the Act). (Finding Code No. 12-1)

During the current year audit, we noted the System hired a full-time internal auditor. As a result, the System was able to complete audits in accordance with its current two-year plan for fiscal years 2013-2014. The System also prepared and transmitted to the Auditor General a certification that the systems of internal fiscal and administrative controls of the System complied with the requirements of the Act (30 ILCS 10/1003) within the required timeframe.

**Supplementary Information
for State Compliance Purposes**

**General Assembly Retirement System
of the State of Illinois**
Supplementary Information for State Compliance Purposes
Summary
For the Year Ended June 30, 2013

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
 - Comparative Schedules of Cash Receipts
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenses
 - Analysis of Significant Variations in Cash Receipts
 - Schedules of Funding Progress and Employer Contributions
 - Analysis of Significant Statement of Plan Net Position Accounts
 - Analysis of Contributions Receivable

- Analysis of Operations (Unaudited):
 - System's Functions and Planning Program (Unaudited)
 - Progress in Funding the System (Unaudited)
 - Rates of Return and Analysis of Investment Performance (Unaudited)
 - Average Number of System Employees (Unaudited)
 - Comparison of Administrative Expenses to Total Expenses (Unaudited)
 - Schedule of Contributions/Deductions and Effect on Investments (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The accountants' report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditors' opinion, it is fairly stated in all material respects in relation to the basic financial statements as a whole from which it has been derived. The accountants' report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

Fiscal Schedules and Analysis

General Assembly Retirement System of the State of Illinois

Schedule of Appropriations, Expenditures and Lapsed Balances Appropriations for Fiscal Year 2013 Fourteen Months ended August 31, 2013

	Appropriations (Net After Transfers)	Expenditures Through June 30, 2013	Lapse Period Expenditures July 1, 2013 through August 31, 2013	Total Expenditures	Balances Lapsed
Public Act 97-0685					
Appropriated Funds					
<u>General Revenue Fund – 0001</u>					
Continuing appropriation for pension contributions	\$ 14,150,000	\$ 14,150,000	\$ —	\$ 14,150,000	\$ —
Total all appropriated funds	<u>\$ 14,150,000</u>	<u>\$ 14,150,000</u>	<u>\$ —</u>	<u>\$ 14,150,000</u>	<u>\$ —</u>
Nonappropriated Funds					
<u>General Assembly Retirement</u>					
<u>System Fund – 0481</u>					
Personal services		\$ 88,685	\$ 38,106	\$ 126,791	
Employee retirement pickup		1,563	646	2,209	
Retirement contributions		33,725	14,510	48,235	
Social Security contributions		6,536	2,818	9,354	
Group insurance		25,455	10,482	35,937	
Contractual services		65,819	3,438	69,257	
Travel		509	68	577	
Commodities		97	145	242	
Printing		—	1,787	1,787	
Equipment		109	—	109	
Electronic data processing		644	640	1,284	
Telecommunications		503	354	857	
Automotive		226	145	371	
Nonrecurring refunds and distributions		27,789	—	27,789	
Pensions, annuities and benefits		20,083,871	—	20,083,871	
Refunds, prior calendar year contributions		15,343	—	15,343	
Refunds, not elsewhere classified		<u>30,730</u>	<u>—</u>	<u>30,730</u>	
Subtotal – Fund 0481		<u>20,381,604</u>	<u>73,139</u>	<u>20,454,743</u>	
General Assembly Retirement Excess Benefit Fund – 0786					
Pensions, annuities and benefits		<u>41,710</u>	<u>—</u>	<u>41,710</u>	
Total nonappropriated funds		<u>20,423,314</u>	<u>73,139</u>	<u>20,496,453</u>	
Grand total, all Funds		<u>\$ 34,573,314</u>	<u>\$ 73,139</u>	<u>\$ 34,646,453</u>	

Note: The above data was taken from records of the State Comptroller.

General Assembly Retirement System of the State of Illinois

Comparative Schedules of Net Appropriations, Expenditures and Lapsed Balances For the Years Ended June 30, 2013, 2012 and 2011

	Fiscal Year		
	2013	2012	2011
	P.A. 97-0685	P.A. 97-0068	
Appropriated Funds			
<u>General Revenue Fund – 0001</u>			
Appropriations	\$ 14,150,000	\$ 10,502,000	\$ 2,009,666
Expenditures			
General Assembly Retirement	—	—	—
Continuing appropriation for pension contributions	14,150,000	10,502,000	2,009,666
Total all appropriated funds	<u>14,150,000</u>	<u>10,502,000</u>	<u>2,009,666</u>
Lapsed balances	<u>—</u>	<u>—</u>	<u>—</u>
Nonappropriated Funds			
<u>General Assembly Retirement System Fund – 0481</u>			
Expenditures			
Personal services	\$ 126,791	\$ 122,061	\$ 131,342
Employee retirement pickup	2,209	2,194	3,330
Retirement contributions	48,235	41,758	36,776
Social Security contributions	9,354	9,039	9,766
Group insurance	35,937	27,827	24,664
Contractual services	69,257	51,628	58,425
Travel	577	252	565
Purchase of investments	—	—	9,037,344
Commodities	242	238	322
Printing	1,787	1,750	1,660
Equipment	109	355	271
Electronic data processing	1,284	4,598	1,150
Telecommunications	857	902	1,155
Automotive	371	957	848
Nonrecurring refunds and distributions	27,789	135,712	52,503
Pensions, annuities and benefits	20,083,871	19,202,730	17,652,459
Refunds, prior calendar year contributions	15,343	5,814	3,209
Refunds, not elsewhere classified	<u>30,730</u>	<u>5,907</u>	<u>16,569</u>
Total expenditures	<u>20,454,743</u>	<u>19,613,722</u>	<u>27,032,358</u>
<u>General Assembly Retirement Excess Benefit Fund – 0786</u>			
Pensions, annuities and benefits	<u>41,710</u>	<u>39,037</u>	<u>29,636</u>
Total nonappropriated expenditures	<u>20,496,453</u>	<u>19,652,759</u>	<u>27,061,994</u>
Grand total, all Funds	<u>\$ 34,646,453</u>	<u>\$ 30,154,759</u>	<u>\$ 29,071,660</u>

General Assembly Retirement System of the State of Illinois

Schedule of Changes in State Property For the Year Ended June 30, 2013

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 15,555	\$ 108	\$ (587)	\$ 15,076
Accumulated depreciation	<u>(11,945)</u>	<u>(757)</u>	<u>587</u>	<u>(12,115)</u>
Equipment, net	\$ <u>3,610</u>	\$ <u>(649)</u>	\$ <u>—</u>	\$ <u>2,961</u>

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the Code is different than the capitalization policy established by the Office of the Comptroller for financial reporting in accordance with generally accepted accounting principles.

General Assembly Retirement System of the State of Illinois

Comparative Schedule of Cash Receipts For the Years Ended June 30, 2013 and 2012

	2013	2012
Receipts:		
Participant contributions	\$ 1,452,244	\$ 1,566,217
Employer contributions:		
General Revenue Fund	14,283,540	9,189,260
Interest income on cash balances	13,432	15,326
Tax-deferred installment payments	5,611	11,744
Cancellation of annuities	40,635	16,190
Repayment of refunds	—	52,915
Transfers from Illinois State Board of Investment	6,500,000	8,225,000
Miscellaneous	50	70
Total cash receipts, per book	\$ 22,295,512	\$ 19,076,722

General Assembly Retirement System of the State of Illinois

Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller For the Years Ended June 30, 2013 and 2012

	2013	2012
Total cash receipts, per book	\$ 22,295,512	\$ 19,076,722
Add (deduct)		
Interest on cash balances	(13,432)	(15,326)
Cancellation of annuities	(40,635)	(16,190)
Deposits in transit		
Beginning of year	50	—
End of year	(50)	(50)
Cash in transit		
Beginning of year	—	11,164
End of year	—	—
Cancellation of annuities (IRS tax levys) processed as receipt deposits	30,729	—
Deposits remitted to the State Comptroller for order into the State Treasury	\$ 22,272,174	\$ 19,056,320

**General Assembly Retirement System
of the State of Illinois**
Analysis of Significant Variations in Expenses
For the Year Ended June 30, 2013

The System's expenses, obtained from Schedule 2, have been analyzed for fluctuations greater than \$250,000 and 20% from the previous year.

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Expenditures, state contributions	\$ 14,150,000	\$ 10,502,000	\$ 3,648,000 (1)

(1) The increase in expenditures in fiscal year 2013 is attributed to the higher appropriation amount than in fiscal year 2012 due to the actuarially calculated funding level required by State statute. According to the actuary's report the funding policy of the State tends to back-load and defer contributions. In addition, the General Assembly Retirement System has had to draw down from plan assets in order to meet benefit payment obligations. All of these factors have led to significant increases in the State's required contribution on a year-to-year basis.

General Assembly Retirement System of the State of Illinois

Analysis of Significant Variations in Cash Receipts For the Years Ended June 30, 2013

The System's cash receipts, obtained from Schedule 4, have been analyzed for fluctuations greater than \$250,000 and 20% from the previous year.

	<u>2013</u>	<u>2012</u>	<u>Increase (Decrease)</u>
Employer contributions – general revenue fund	\$ 14,283,540	\$ 9,189,260	\$ 5,094,280 (1)
Transfers from Illinois State Board of Investment	6,500,000	8,225,000	(1,725,000) (2)

(1) The fiscal year 2013 statutorily required employer contribution was higher than that for fiscal year 2012 due to the actuarially calculated funding level required by State statute. According to the actuary's report the funding policy of the State tends to back-load and defer contributions. In addition, the General Assembly Retirement System has had to draw down from plan assets in order to meet benefit payment obligations. All of these factors have led to significant increases in the State's required contribution on a year-to-year basis.

(2) It is the System's goal to maintain a cash balance that is sufficient to pay two months of operating expenditures (i.e. benefits, refunds, and administrative). As a result, it is necessary for the System to transfer funds from or to the ISBI as the cash balance falls below or exceeds the projected target balance.

During fiscal year 2013, the System transferred \$6,500,000 from the Illinois State Board of Investment, a decrease of \$1,725,000 from the amount transferred during fiscal year 2012. The primary reason for the decrease was due to GARS receiving General Revenue Fund employer contributions on a more timely basis during fiscal year 2013.

General Assembly Retirement System of the State of Illinois

**Schedules of Funding Progress and Employer Contributions
For the Years Ended June 30, 2013, 2012, 2011, 2010, 2009 and 2008**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets* (a)	Actuarial Accrued Liability (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
6/30/08	\$ 75,405,943	\$ 235,780,071	\$ 160,374,128	32.0%	\$12,871,000	1,246.0%
6/30/09	71,573,865	245,226,299	173,652,434	29.2	14,728,000	1,179.1
6/30/10	66,212,244	251,764,834	185,552,590	26.3	14,775,000	1,255.9
6/30/11	63,161,047	298,408,371	235,247,324	21.2	15,188,000	1,548.9
6/30/12	56,090,081	303,469,263	247,379,182	18.5	15,275,000	1,619.5
6/30/13	51,849,558	320,461,498	268,611,940	16.2	14,902,000	1,802.5

* For fiscal years prior to 2009, the actuarial value of assets was equal to the fair value of assets. Beginning in fiscal year 2009, the actuarial value of assets was equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25	Percentage Contributed	Annual Required Payroll Contribution per State Statute	Percentage Contributed
2008	\$ 10,672,535	63.8%	\$ 6,809,800	100.0%
2009	11,129,440	79.5	8,847,000	100.0
2010	12,064,078	86.3	10,454,000	99.6
2011	13,086,199	84.4	11,039,000	100.1
2012	13,365,820	78.6	10,502,000	100.0
2013	17,064,640	82.9	14,150,000	100.0

General Assembly Retirement System of the State of Illinois

Schedules of Funding Progress and Employer Contributions For the Years Ended June 30, 2013, 2012, 2011, 2010, 2009 and 2008

Notes to Required Supplementary Information

Valuation date	June 30, 2013	June 30, 2012
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method:		
(a) For GASB Statement No. 25 reporting purposes	Level percent of payroll	Level percent of payroll
(b) Per State Statute	15-year phase-in to a level percent of payroll until a 90% funding level is achieved	15-year phase-in to a level percent of payroll until a 90% funding level is achieved
Remaining amortization period:		
(a) For GASB Statement No. 25 reporting purposes	30 years, open	30 years, open
(b) Per State Statute	32 years, closed	33 years, closed
Asset valuation method	Fair value, adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized over a 5 year period at a rate of 20 percent per year.	Fair value, adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized over a 5 year period at a rate of 20 percent per year.
Actuarial assumptions:		
Investment rate of return	7.0 percent per year, compounded annually	7.0 percent per year, compounded annually
Projected salary increases	3.5 percent per year (consisting of an inflation component of 3.0 percent per year, a productivity component of .40 percent per year, and a merit/promotion component of .10 percent per year), compounded annually. In addition, no pay increases are assumed for the next 2 years.	4.0 percent per year (consisting of an inflation component of 3.0 percent per year, a seniority/merit component of 1.0 per year), compounded annually.
Assumed inflation rate	3.0 percent	3.0 percent
Group size growth rate	0.0 percent	0.0 percent
Postretirement increase	Tier 1: 3.0 percent per year, compounded annually Tier 2: 3.0 percent per year or the annual change in the Consumer Price Index, whichever is less, compounded annually	Tier 1: 3.0 percent per year, compounded annually Tier 2: 3.0 percent per year or the annual change in the Consumer Price Index, whichever is less, compounded annually.
Mortality Rates:	Post-retirement: RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2015, setback 3 years for males and 2 years for females Pre-retirement: 85% of post-retirement mortality for males and 70% of post-retirement mortality for females	Active and retired members: The UP-1994 Mortality Table for Males, rated down 4 years. Survivors: The UP-1994 Mortality Table for Females, rated down 1 year.

General Assembly Retirement System of the State of Illinois

Analysis of Significant Statement of Plan Net Position Accounts For the Years Ended June 30, 2013 and 2012

Cash Balances

	2013	2012
Cash in State Treasury	\$ 4,238,695	\$ 2,481,335

The increase in cash balances from the prior year is mainly due to timing differences in the receipts, expenditures, and transfer of funds from the Illinois State Board of Investment (ISBI).

Investments

General Information:

Pursuant to Article 22A of the Illinois Pension Code, investments of the General Assembly Retirement System of Illinois are managed by the ISBI and are held in the ISBI Commingled Fund. Units of the ISBI Commingled Fund are issued to the member systems on the last day of the month based on the unit net asset value calculated as of that date. Net investment income of the ISBI Commingled Fund is allocated to each of the member systems on the last day of the month on the basis of percentage of accumulated units owned by the respective systems.

Investment portfolio management and performance are the direct responsibility of the ISBI which establishes investment policy and strategy.

Comparison of the changes in the System's investments held in the ISBI Commingled Fund for the years ended June 30, 2013 and 2012 is summarized as follows:

	2013	2012
Balance at beginning of year, at fair value	\$ 49,025,145	\$ 57,346,442
Net cash transferred from investments	<u>(6,500,000)</u>	<u>(8,225,000)</u>
	<u>42,525,145</u>	<u>49,121,442</u>
Investment income		
Interest, dividends and other	1,491,417	1,391,187
Expenses	<u>(151,663)</u>	<u>(165,570)</u>
Net investment income	<u>1,339,754</u>	<u>1,225,617</u>
Net appreciation (depreciation) in fair value of investments		
Net unrealized gain (loss) on investments	4,148,435	(2,905,421)
Net realized gain on sales of investments	<u>990,450</u>	<u>1,583,507</u>
Net appreciation (depreciation) in fair value of investments	<u>5,138,885</u>	<u>(1,321,914)</u>
Total net investment income (loss)	<u>6,478,639</u>	<u>(96,297)</u>
Balance at end of year, at fair value	<u>\$ 49,003,784</u>	<u>\$ 49,025,145</u>

**General Assembly Retirement System
of the State of Illinois**

**Analysis of Contributions Receivable
For the Years Ended June 30, 2013 and 2012**

	<u>2013</u>	<u>2012</u>
Employer contributions	\$ 1,179,200	\$ 1,312,740
Participants' contributions	14,608	21,073
Refundable annuities	2,201	6,682
Interest on cash balances	<u>1,495</u>	<u>968</u>
Total receivables	<u>\$ 1,197,504</u>	<u>\$ 1,341,463</u>

The variance in total receivables from 2012 and 2013 is due to approximately \$130 thousand less employer contributions receivable from the General Revenue Fund at June 30, 2013. During fiscal years 2013 and 2012, the monthly allocations of employer contributions from the General Revenue Fund were \$589,600 and \$437,580, respectively. At June 30, 2013 and 2012, the System was due one month of allocated employer contributions, or \$1,179,200 and one and a half months employer contributions, or \$1,312,740, respectively. No receivables were deemed uncollectable at June 30, 2013. Accounts are first analyzed by System personnel for collectability before being sent to the Attorney General's office for final determination.

Analysis of Operations

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited) For the Years Ended June 30, 2013 and 2012

System's Functions and Planning Program (Unaudited)

The General Assembly Retirement System, State of Illinois (System) was created to provide retirement annuities, survivors' annuities and other benefits for members and presiding officers of the General Assembly and their survivors. The governing statute was amended in 1975 (P.A. 79-969) to extend coverage to certain elected State executive officers.

The System began operations on November 1, 1947, and is governed by Chapter 40 Act 5, Article 2, of the Illinois Compiled Statutes. It is administered by a Board of Trustees consisting of seven persons, as follows: The President of the Senate, ex officio, or his designee, two members of the Senate appointed by the President of the Senate, three members of the House of Representatives appointed by the Speaker of the House of Representatives, and one person elected from the member annuitants.

Senator James Clayborne, Jr. is Chairman of the Board of Trustees (Board) and Mr. Timothy B. Blair is the Executive Secretary of the System. The Executive Secretary is appointed by the Board and is charged with the administration of the detailed affairs of the System.

The System is also responsible for the general administration of the State Employees Group Insurance Program as it applies to eligible annuitants. This includes enrollment, processing life insurance claims and other administrative details related to that program.

Currently, the System utilizes a formal planning program which includes, among other things, operational project planning as well as administrative expense budgeting.

During fiscal year 2013, the System, in conjunction with the State Employees' Retirement System's Information Technology Division, worked on modernization projects including: implementation of the accounting functions and payroll processing, virtualization of all servers, implementation of a new data storage system, completion of the comprehensive off-site Disaster Recovery Plan, conversion of participant file documents to the imaging system, as well as several operating and application software upgrades.

During fiscal year 2014, the System will continue to work with the State Employees' Retirement System's Information Technology Division on the following new projects; conversion of existing mainframe member services applications, a benefit calculation engine, new member statements, interactive web applications for Reciprocal Systems, Employer, and Member Services, full off-site testing for legacy and new applications, installation of a new VOIP phone system, LAN switch upgrades, wireless access, as well as PC and application software upgrades

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited)

For the Years Ended June 30, 2013 and 2012

Progress in Funding the System (Unaudited)

In August 1994, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50-year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90 percent. In addition, the funding plan provides for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Once the 15-year phase-in is complete, the State's contribution will then remain at a level percentage of payroll for the next 35 years until the 90 percent funded level is achieved.

The funding legislation also provides for the establishment of a continuing appropriation of the required employer contributions to the System. This, in effect, removed the appropriation of those funds from the annual budgetary process.

Public Act 93-0002 became law on April 7, 2003, and authorized the State to issue \$10 billion in general obligation bonds for the purpose of making contributions to the retirement systems. On June 12, 2003, the State issued \$10 billion in General Obligation Bonds, Pension Funding Series of June 2003.

Commencing with fiscal year 2005, the maximum State contribution under Public Act 93-0002 equals the State contribution that would have been required if the general obligation bond contribution had not been made, reduced – but not below zero – by the State's debt service on each system's respective portion of the full \$10 billion of General Obligation Bond, Pension Funding Series of June 2003.

In June 2005, Public Act 94-0004 became law. This legislation further modified the funding plan by reducing the amount of required employer contributions for fiscal years 2006 and 2007 that would have otherwise been required under Public Act 88-0593, as modified by Public Act 93-0002. This act specified the appropriation amounts for fiscal years 2006 and 2007. The required State contributions for fiscal years 2008 through 2010 will then be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the State is contributing at the required level contribution rate to achieve the financing objective of a 90% funded status by the end of fiscal year 2045.

Public Act 96-0043 became law on July 15, 2009. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation. The method was changed from the market/fair value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year, beginning with FY09, in equal amounts over the ensuing five-year period.

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited)

For the Years Ended June 30, 2013 and 2012

Public Act 96-0889 added a lower tier of benefits for members who first contribute to GARS on or after January 1, 2011. When Public Act 96-1511 was enacted in January 2011, it required the System to assume that the provisions of Public Act 96-0889 were in effect on June 30, 2009 and to recalculate and recertify the fiscal year 2011 state funding requirement. Under this recertification, the fiscal year 2011 state contribution requirement was reduced by \$1.1 million, from \$12.1 million to \$11.0 million.

The actuarial accrued liability of the System at June 30, 2013, amounted to approximately \$320.5 million. The actuarial value of assets (at smoothed value) at June 30, 2013 amounted to approximately \$51.8 million. The difference between the actuarial accrued liability and the actuarial value of assets of \$268.7 million reflects the unfunded actuarial accrued liability of the System at June 30, 2013. The System had a funded ratio (at smoothed value) of 16.2% at June 30, 2013.

On June 30, 2013, the market/fair value of assets was \$54.3 million. The difference between the System's 2013 accrued liability and the market value of assets was \$266.2 million and the funded ratio using market/fair value of assets was 16.9%. On June 30, 2012, the market/fair value of assets used by the actuaries in the 2012 valuation was \$52.7 million. The difference between the System's 2012 accrued liability and the market/fair value of assets was \$250.7 million and the funded ratio using market/fair value of assets was 17.4%.

The market/fair value of the assets of the fund, that were available for benefits, increased from \$52.7 million as of June 30, 2012 to \$54.3 million as of June 30, 2013. The actuarial value of the assets of \$51.8 million at June 30, 2013, is \$2.5 million lower than the market/fair value of the assets due to recognition of 100% of the actuarial loss in fiscal year 2009, 80% of the actuarial gain in fiscal year 2010, 60% of the actuarial gain in fiscal year 2011, 40% actuarial loss in fiscal year 2012, and 20% of the actuarial gain in fiscal year 2013.

The Governmental Accounting Standards Board (GASB) has promulgated Statements No. 25 and 27 that mandate, among other things, the use of market or market related (actuarial) asset value. Prior to the valuation as of June 30, 2009, it was agreed that market/fair value, without adjustment, would be used for all actuarial purposes. Under Public Act 96-0043, effective in the June 30, 2009 valuation, the contribution projections would be set based on the actuarial value of assets. Funding status determinations and the Annual Required Contributions (ARC) were calculated based on the actuarial value of assets.

State required contributions to the System for the next five fiscal years are noted in the table below.

Year Ended June 30	Required State Contribution (in millions)
2014	\$ 13.9
2015	15.8
2016	15.7
2017	16.2
2018	16.9

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited) For the Years Ended June 30, 2013 and 2012

The Schedule of Funding Progress (in millions) for fiscal years ending June 30, 2013 and 2012 are noted in the table below.

Actuarial Valuation Date	Actuarial Value of Assets	Accrued Liability (AAL- Projected Unit Credit)	Funded Ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered Payroll	Unfunded Actuarial Accrued Liability as a Percentage of Covered payroll
6/30/13	\$ 51.8	\$ 320.5	16.2%	\$ 268.6	\$ 14.9	1,802.5%
6/30/12	56.1	303.5	18.5	247.4	15.3	1,619.5

The Schedule of Employer Contributions (in millions) for the fiscal years ending June 30, 2013 and 2012 are noted in the table below.

Year Ended June 30	Employer Contributions	Annual Required Contribution per GASB Statement #25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
2013	\$ 14.2	\$ 17.1	82.9%	\$ 14.2	100.0%
2012	10.5	13.4	78.6	10.5	100.0

The Government Accounting Standards Board (GASB) requires disclosure of the Annual Required Contribution (ARC) under a standard funding methodology. Amounts shown as the ARCs for each year are different from the contributions required by State statute. The cumulative difference between the ARC and the annual required contribution per State statute represents the net pension obligation (NPO). The NPO is \$72.2 million at June 30, 2013, which is an increase of \$3.8 million from the June 30, 2012 NPO of \$68.4 million.

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited)

For the Years Ended June 30, 2013 and 2012

Rates of Return (Unaudited)

Pursuant to Article 22A of the Illinois Pension Code, investments of the General Assembly Retirement System of Illinois are managed by the Illinois State Board of Investment (ISBI) and are held in the ISBI Commingled Fund. ISBI operates under a long-range investment plan with the objective to maximize the total rate of return. The objectives set forth are as follows:

- At least equal to the assumed actuarial interest rate, currently 7.0% per year.
- At least equal to the return of a composite benchmark of market indices in the same proportions as the Board's asset allocation policy targets.

The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was 14.1% for fiscal year 2013 compared to 0.1% for fiscal year 2012. The ISBI's total fund performance was better than the composite benchmark of 11.8% for the year ended June 30, 2013.

Analysis of Investment Performance (Unaudited)

An analysis of investment performance for the years ended June 30, 2009 through June 30, 2013 is summarized as follows:

	2013	2012	2011	2010	2009
Total return*	14.1%	0.1%	21.7%	9.1%	(20.1)%

* Total return is the combined effect of income earned and market appreciation (depreciation).

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited)

For the Years Ended June 30, 2013 and 2012

Average Number of System Employees (Unaudited)

The System does not have any designated employees. However, personal services and all related expenses are shared with the Judges' Retirement System of Illinois as explained below:

Comparison of Administrative Expenses to Total Expenses (Unaudited)

	2013	2012
Total expenses		
Benefits	\$ 20,110,119	\$ 19,246,885
Refunds	41,110	149,294
Administrative	339,494	298,104
Total expenses	\$ 20,490,723	\$ 19,694,283
Administrative expenses as a percentage of total expenses	1.7%	1.5%

Administrative expenses are not subject to appropriation control but are controlled by budgets adopted by the Board of Trustees. Administrative expenses common to the General Assembly Retirement System, State of Illinois and Judges' Retirement System of Illinois are paid 25 percent by the General Assembly Retirement System, State of Illinois and 75 percent by the Judges' Retirement System of Illinois. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System of Illinois and the applicable percent is allocated to and reimbursed by the General Assembly Retirement System, State of Illinois.

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited) For the Years Ended June 30, 2013 and 2012

Schedule of Contributions/Deductions and Effect on Investments (Unaudited)

Below is a schedule of contributions received by the System and expenditures of the System for benefits and operations and the effect of these transactions on the System's investments.

	2013	2012
Contributions		
Participant Contributions	\$ 1,451,227	\$ 1,622,742
Employer Contributions	<u>14,150,000</u>	<u>10,502,000</u>
Total Contributions	<u>15,601,227</u>	<u>12,124,742</u>
Deductions		
Retirement Benefits	16,602,650	15,903,041
Survivor Benefits	3,507,469	3,343,844
Refunds	41,110	149,294
Administrative Expenses	<u>339,494</u>	<u>298,104</u>
Total Deductions	<u>20,490,723</u>	<u>19,694,283</u>
Investments Used to Pay Benefits and Expenses	<u>\$ (4,889,496)</u>	<u>\$ (7,569,541)</u>

General Assembly Retirement System of the State of Illinois

Analysis of Operations (Unaudited) For the Years Ended June 30, 2013 and 2012

Service Efforts and Accomplishments (Unaudited)

	2013	2012
Membership data		
Active members	160	176
Inactive members	86	79
Total members	246	255
Benefit payments processed		
Recurring		
Retirement annuities (1)	310	294
Survivors' annuities (2)	118	119
Reversionary annuities	1	1
Total	429	414
Termination refunds processed	0	2
Retirement counseling*		
One-on-one counseling programs held	23	25

* Held in conjunction with the Judges' Retirement System of Illinois.

(1) 89 percent of the fiscal year 2013 retirement annuities were processed in less than 30 days.

(2) 100 percent of the fiscal year 2013 survivors' annuities were processed in less than 30 days.