

# McGladrey & Pullen

Certified Public Accountants

## State of Illinois State Employees' Retirement System of Illinois

Compliance Examination  
Year Ended June 30, 2005  
Performed as Special Assistant Auditors  
for the Auditor General, State of Illinois

# State Employees' Retirement System of Illinois

## Compliance Examination

Year Ended June 30, 2005

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# State Employees' Retirement System of Illinois

## Compliance Examination

Year Ended June 30, 2005

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**State Employees' Retirement System of Illinois**

**Compliance Examination**

**Year Ended June 30, 2005**

**System Officials**

Executive Secretary

Robert V. Knox

Accounting Division Manager

Nicholas C. Merrill, Jr.

Legal Counsel

Attorney General's Office

Internal Auditor

Larry Stone

System offices are located at:

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



November 3, 2005

McGladrey & Pullen, LLP  
20 North Martingale Road  
Suite 500  
Schaumburg, IL 60173

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 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, 2005. Based on this evaluation, we assert that during the year ended June 30, 2005, 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 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. The 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,

State Employees' Retirement System of Illinois

Robert V. Knox, Executive Secretary

Nicholas C. Merrill, Jr., CPA, Accounting Division Manager



# State Employees' Retirement System of Illinois

## Compliance Report

Year Ended June 30, 2005

### Summary

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

### Auditor's 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	1	2
Repeated findings	None	None
Prior recommendations implementation or not repeated	2	1

Details of findings are presented in a separately tabbed report section.

### Schedule of Findings

<u>Item No.</u>	<u>Page</u>	<u>Description</u>
CURRENT FINDINGS (STATE COMPLIANCE)		
05-1	8	Late Deposits of Cash Receipts
PRIOR FINDINGS NOT REPEATED (STATE COMPLIANCE)		
05-2	9	Assignment of State Owned Vehicles to Employees
05-3	10	Time Sheets Not Maintained in Compliance With the State Officials and Employees Ethics Act

### Exit Conference

System management reviewed the entire report and waived a formal exit conference. Response to the recommendation was provided by Robert V. Knox, Executive Secretary, in a letter dated March 10, 2006.

# McGladrey & Pullen

Certified Public Accountants

## 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

As Special Assistant Auditors for the Auditor General, we have examined State Employees' Retirement System of Illinois' (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, 2005. 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. 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.

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 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 aforementioned requirements during the year ended June 30, 2005. However, the results of our procedures disclosed 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 and which are described in the accompanying schedule of State findings as finding 05-1. As required by the Audit Guide, immaterial findings relating to instances of noncompliance excluded from this report have been reported in a separate letter to your office.

### **Internal Control**

The management of the System 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 System'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. As required by the Audit Guide, immaterial findings relating to internal control deficiencies excluded from this report have been reported in a separate letter to your office.

### **Supplementary Information for State Compliance Purposes**

As Special Assistant Auditors for the Auditor General, we have audited and issued under separate cover the statements of plan net assets of the System as of June 30, 2005 and 2004, and the related statements of changes in plan net assets for the years then ended, and have issued our report thereon dated November 3, 2005. 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 and is not a required part of the basic financial statements of the System. The 2005 Supplementary Information for State Compliance Purposes, except for that portion marked "unaudited" on which we express no opinion, has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements for the year ended June 30, 2005, taken as a whole. We have also previously audited, in accordance with 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 System's basic financial statements for the years ended June 30, 2004 and 2003. In our reports dated November 5, 2004 and November 26, 2003, we expressed unqualified opinions on the respective statements of plan net assets and the related statements of changes in plan net assets. In our opinion, the 2004 and 2003 Supplementary Information for State Compliance Purposes, except for the portion marked "unaudited," is fairly stated in all material respects in relation to the basic financial statements for the years ended June 30, 2004 and 2003, taken as a whole.



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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
November 3, 2005

# McGladrey & Pullen

Certified Public Accountants

## Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards

Honorable William G. Holland  
Auditor General  
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the statement of plan net assets and statement of changes in plan net assets of the State Employees' Retirement System of Illinois (System), as of and for the year ended June 30, 2005, and have issued our report thereon dated November 3, 2005. We conducted our audit in accordance with 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.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited 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 the internal control over financial reporting and its operation that we consider to be material weaknesses. We noted certain immaterial instances of internal control deficiencies, which we have reported to management of the System in a separate letter dated November 3, 2005.

### 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*. However, we noted certain matters which are reported as State compliance findings in the schedule of findings. We also noted certain other matters which we have reported to management of the System in a separate letter dated November 3, 2005.

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

*McGladrey & Pullen, LLP*

Schaumburg, Illinois  
November 3, 2005

**State Employees' Retirement System  
Compliance Examination**

Year Ended June 30, 2005

**Schedule of Findings**

**Current Findings – State Compliance**

**Finding No. 05-1            Late Deposits of Cash Receipts**

Cash receipts collected by the State Employees' Retirement System's (System) Chicago office were not being deposited on a timely basis.

During our testing of cash receipts received by the Chicago office we noted the deposits of these cash receipts were not made into the State Treasury in accordance with the statutory requirements. The Chicago office sends the cash receipts they receive to the System's Springfield office to be deposited. There were 20 deposits of cash receipts received by the Chicago office in fiscal year 2005, and we determined 8 (40%) of the deposits were not made timely. The 8 exceptions identified were deposited within a range of time from 2 days to 4 days after being received by the Chicago office. The 8 deposits noted as exceptions totaled \$106,788 or approximately 85% of the total deposits of \$126,264 received by the Chicago office during fiscal year 2005.

The State Officers and Employees Money Disposition Act (Act) (30 ILCS 230/2) requires any single receipt exceeding \$10,000 to be deposited into the State Treasury the day of actual physical receipt. In addition, the Act requires that when an accumulation of receipts is greater than \$10,000 the receipts are required to be deposited within 24 hours and when an accumulation is between \$500 and \$10,000 they must be deposited within 48 hours of actual physical receipt. The Act goes on to note that if an accumulation of receipt does not exceed \$500 it can be held until the next succeeding 1<sup>st</sup> or 15<sup>th</sup> day of the month before being deposited into the State Treasury.

System personnel stated that Chicago office employees encourage participants to send payments directly to the Springfield office. However, in some situations payments/cash receipts are received by the Chicago office and then have to be forwarded to the Springfield office for processing. System personnel indicated the time delays of getting the cash receipts deposited are attributable to the process of forwarding these cash receipts to the Springfield office.

The System loses interest earnings on the cash receipts not being deposited timely as well as not complying with the State Officers and Employees Money Disposition Act. (Finding Code No. 05-1)

**Recommendation:**

We recommend the System either review their current policy and implement procedures to assure that all cash receipts received at the Chicago office be deposited into the State Treasury on a timely basis, or the System should request an extension of time from the Treasurer and Comptroller to make the deposits.

**System Response:**

The System concurs with the recommendation of the auditors. A review of the current policy will be conducted and either new procedures will be implemented to insure that all cash receipts at the Chicago Office be deposited into the State Treasury on a timely basis, or an extension of time will be requested from the Treasurer and Comptroller.

State Employees' Retirement Systems  
Compliance Examination

Year Ended June 30, 2005

Schedule of Findings

Prior Findings Not Repeated – State Compliance

Finding No. 05-2            Assignment of System Owned Vehicles to Employees

The System's usage of personally assigned vehicles did not ensure only those employees that travel on a consistent basis be assigned a System vehicle for the year ended June 30, 2004.

The finding will not be repeated due to action taken and the results of the current year compliance testing, which showed that vehicles were assigned to employees who used them on a regular basis for the assigned purposes. (Finding Code No. 04-1)

State Employees' Retirement Systems  
Compliance Examination

Year Ended June 30, 2005

Schedule of Findings

Prior Findings Not Repeated – State Compliance

**Finding No. 05-3            Time Sheets Not Maintained in Compliance With the State Officials and  
Employees Ethics Act**

The System was not maintaining time sheets for its employees in compliance with the State Officials and Employees Ethics Act. Employees' time was tracked using a "negative" timekeeping system whereby the employee was assumed to be working unless noted otherwise.

Time sheets to document the time spent each day on official State business to the nearest quarter hour were not maintained for the employees.

This finding will not be repeated due to the action taken to require employees to maintain time sheets. The results of the current year compliance testing disclosed that State employees prepared time sheets documenting the time spent each day on official State business to the nearest quarter hour. (Finding Code No. 04-2)

State Employees' Retirement System of Illinois  
Compliance Examination

Year Ended June 30, 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 Schedules of Net Appropriations, Expenditures and Lapsed Balances
- Schedule of Efficiency Initiative Payments
- Comparative Schedules of Revenue and Expenses
- Comparative Schedules of Administrative Expenses
- Schedule of Changes in State Property
- Reconciliation of Revenue to Cash Receipts and to Deposits Remitted to the State Comptroller
- Schedules of Funding Progress and Employer Contributions
- Explanation of Significant Variations in Revenues
- Explanation of Significant Variations in Expenses
- Analysis of Significant Statement of Plan Net Assets Accounts
- Analysis of Investment Performance (Unaudited)

Analysis of Operations:

- System's Functions and Planning Program
- Progress in Funding the System
- System Employees
- Social Security Contribution Fund
- Comparison of Administrative Expenses to Total Expenses
- Emergency Purchases
- Illinois First Projects
- Proceeds from General Obligation Bonds, Pension Funding Series June 2003 (Unaudited)
- Schedule of Contributions / Deductions and Effect on Investments
- Service Efforts and Accomplishments (Unaudited)

The auditor's 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 auditor's opinion, except for that portion marked "unaudited," on which they express no opinion, it is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

State Employees' Retirement System of Illinois

Compliance Examination

Schedule of Appropriations, Expenditures and Lapsed Balances  
Fourteen Months Ended August 31, 2005

<b>Appropriated Funds</b>	Appropriations (Net After Transfers)	Expenditures Through June 30, 2005	Lapse Period Expenditures July 1, 2005 Through August 31, 2005	Total Expenditures	Balances Lapsed
General Revenue Fund for Administration of the Social Security Enabling Act (Public Act 93-0842)					
Personal services	\$ 42,400	\$ 42,228	\$ -	\$ 42,228	\$ 172
Employer retirement contributions	6,810	6,802	-	6,802	8
Social Security contributions	3,300	3,120	-	3,120	180
Contractual services	19,350	19,050	300	19,350	-
Travel	1,090	494	-	494	596
Commodities	200	134	48	182	18
Telecommunications	400	313	28	341	59
Total	<u>73,550</u>	<u>72,141</u>	<u>376</u>	<u>72,517</u>	<u>1,033</u>
General Revenue Fund Appropriation for Certified FY04 Shortfall	65,769,356	65,769,356	-	65,769,356	-
General Revenue Fund Appropriation for Employee Retirement Contributions Paid by Employer for Prior Fiscal Years (Public Act 93-0842)	90,000	89,988	-	89,988	12
Total all appropriated funds	<u>65,932,906</u>	<u>65,931,485</u>	<u>376</u>	<u>65,931,861</u>	<u>1,045</u>
<b>Nonappropriated Funds</b>					
State Employees' Retirement System Trust Fund					
Benefits and other nonadministrative expenditures					
Pensions and annuities	\$ -	1,028,462,472	-	1,028,462,472	\$ -
Nonrecurring refunds and distributions	-	10,295,772	-	10,295,772	-
Refunds of prior calendar year retirement contributions	-	406,084	-	406,084	-
Refunds, not classified elsewhere	-	61,897,685	-	61,897,685	-
Payments to General Obligation Retirement Fund	-	117,516,992	16,564,088	134,081,080	-
	<u>-</u>	<u>1,218,579,005</u>	<u>16,564,088</u>	<u>1,235,143,093</u>	<u>-</u>
Administrative expenditures					
Personal services	-	3,119,207	-	3,119,207	-
Employee retirement contributions paid by employer	-	119,180	-	119,180	-
Retirement contributions	-	511,324	-	511,324	-
Social Security contributions	-	232,929	-	232,929	-
Group insurance	-	803,227	752	803,979	-
Contractual services	-	1,299,715	74,680	1,374,395	-
Travel	-	50,050	355	50,405	-
Commodities	-	24,332	732	25,064	-
Printing	-	66,868	3,836	70,704	-
Equipment	-	18,353	1,988	20,341	-
Electronic data processing	-	1,788,661	44,492	1,833,153	-
Telecommunications	-	59,399	5,007	64,406	-
Automotive	-	17,530	3,085	20,615	-
Land, land improvements and building	-	4,965	-	4,965	-
	<u>-</u>	<u>8,115,740</u>	<u>134,927</u>	<u>8,250,667</u>	<u>-</u>
Total nonappropriated funds	<u>\$ -</u>	<u>1,226,694,745</u>	<u>16,699,015</u>	<u>1,243,393,760</u>	<u>\$ -</u>
Grand total, all Funds		<u>\$ 1,292,626,230</u>	<u>\$ 16,699,391</u>	<u>\$ 1,309,325,621</u>	

The above data was taken from System records which have been reconciled to those of the State Comptroller.

# State Employees' Retirement System of Illinois

## Compliance Examination

### Comparative Schedules of Net Appropriations, Expenditures and Lapsed Balances Years Ended June 30, 2005, 2004 and 2003

	Fiscal Year		
	2005 P.A. 93-0842	2004 P.A. 93-0062	2003 P.A. 92-0538
<b>General Revenue Fund</b>			
Appropriations (net after transfers)	\$ 65,932,906	\$ 121,050	\$ 125,000
Expenditures			
Administration of the Social Security Enabling Act			
Personal services	42,228	42,228	42,024
Employee retirement contributions paid by employer	-	1,689	1,681
Employer retirement contributions	6,802	3,783	4,337
Social Security contributions	3,120	3,120	3,112
Contractual services	19,350	19,000	18,900
Travel	494	366	1,006
Commodities	182	169	395
Printing	-	-	100
Telecommunications	341	361	321
	<u>72,517</u>	<u>70,716</u>	<u>71,876</u>
Employee retirement contributions paid by employer for prior fiscal years	89,988	44,994	45,000
Certified FY04 Shortfall	65,769,356	-	-
Total expenditures	<u>65,931,861</u>	<u>115,710</u>	<u>116,876</u>
Lapsed balances	<u>\$ 1,045</u>	<u>\$ 5,340</u>	<u>\$ 8,124</u>
<b>Pension Contribution Fund</b>			
Appropriations (net after transfers)	\$ -	\$ 1,420,575,000	\$ -
Expenditures, annual allocation	-	1,385,895,278	-
Lapsed balances (1)	<u>\$ -</u>	<u>\$ 34,679,722</u>	<u>\$ -</u>
<b>State Pension Fund</b>			
Appropriations (net after transfers)	\$ -	\$ 15,150,000	\$ 17,195,000
Expenditures, annual allocation	-	5,970,645	17,195,000
Lapsed balances (1)	<u>\$ -</u>	<u>\$ 9,179,355</u>	<u>\$ -</u>
<b>Grand total, all Funds</b>			
Appropriations (net after transfers)	\$ 65,932,906	\$ 1,435,846,050	\$ 17,320,000
Total expenditures	<u>65,931,861</u>	<u>1,391,981,633</u>	<u>17,311,876</u>
Lapsed balances	<u>\$ 1,045</u>	<u>\$ 43,864,417</u>	<u>\$ 8,124</u>

(1) The fiscal year 2004 balance was lapsed in accordance with P.A. 93-0665 which prohibited the System from submitting vouchers for payment after the Public Act's effective date, March 5, 2004. The Act directed the State Comptroller and State Treasurer to transfer funds equal to the remaining certified contribution amount for fiscal year 2004 from State Pension Fund appropriations from the Pension Contribution Fund. \$96,676,347 was transferred to the System from the Pension Contribution Fund in March 2004.



State Employees' Retirement System of Illinois

Compliance Examination

Schedule of Efficiency Initiative Payments  
Year Ended June 30, 2005

No efficiency initiative payments were made by the System during fiscal year 2005.

State Employees' Retirement System of Illinois

Compliance Examination

Comparative Schedules of Revenue and Expenses  
Years Ended June 30, 2005 and 2004

	2005	2004
Revenue		
Contributions		
Participants	\$ 209,334,207	\$ 199,826,465
Employing state agencies and appropriations	427,434,612	1,864,673,411
Total contributions	<u>636,768,819</u>	<u>2,064,499,876</u>
Investments		
Net investment income	227,422,797	159,147,084
Interest earned on cash balances	4,300,338	823,886
Net appreciation in fair value of investments	721,856,118	1,261,941,570
Total net investment gain	<u>953,579,253</u>	<u>1,421,912,540</u>
Total revenue	<u>1,590,348,072</u>	<u>3,486,412,416</u>
Expenses		
Benefits		
Retirement annuities	935,677,837	879,638,039
Survivors' annuities	57,542,913	54,186,031
Disability benefits	36,828,758	33,482,302
Lump-sum benefits	33,920,915	10,894,638
Total benefits	<u>1,063,970,423</u>	<u>978,201,010</u>
Refunds of contributions (including transfers to reciprocating systems)	14,105,301	12,442,600
Administrative expenses	8,311,269	7,693,348
Total expenses	<u>1,086,386,993</u>	<u>998,336,958</u>
Excess of revenue over expenses	<u>\$ 503,961,079</u>	<u>\$ 2,488,075,458</u>

State Employees' Retirement System of Illinois

Compliance Examination

State Employees' Retirement System Trust Fund and  
General Revenue Fund - Social Security Division

Comparative Schedules of Administrative Expenses  
Years Ended June 30, 2005 and 2004

<b>Nonappropriated Funds</b>	2005	2004
State Employees' Retirement Trust Fund		
Personal services	\$ 3,119,207	\$ 2,981,335
Employee retirement contributions paid by employer	119,180	118,316
Employer retirement contributions	500,477	401,155
Social Security contributions	232,929	228,054
Group insurance	803,980	637,574
Contractual services	1,352,284	1,327,158
Travel	49,509	47,813
Commodities	25,081	21,260
Printing	65,592	41,987
Electronic data processing	1,724,842	1,547,417
Telecommunications	63,012	93,503
Automotive	20,615	18,706
Depreciation	242,571	202,677
Other	(8,010)	26,393
Total	<u>\$ 8,311,269</u>	<u>\$ 7,693,348</u>

**Appropriated Funds**

General Revenue Fund - Social Security Division		
Personal services	\$ 42,228	\$ 42,228
Employee retirement contributions paid by employer	-	1,689
Employer retirement contributions	6,802	3,783
Social Security contributions	3,120	3,120
Contractual services	19,350	19,000
Travel	494	366
Commodities	182	169
Telecommunications	341	361
Total	<u>\$ 72,517</u>	<u>\$ 70,716</u>

State Employees' Retirement System of Illinois

Compliance Examination

State Employees' Retirement System Trust Fund and  
General Revenue Fund - Social Security Division

Schedule of Changes in State Property  
Year Ended June 30, 2005

	Beginning Balance	Additions	Deletions	Ending Balance
State Employees' Retirement System Trust Fund				
Land	\$ 655,241	\$ -	\$ -	\$ 655,241
Land improvements	245,351	4,965	-	250,316
Building	3,352,428	-	-	3,352,428
Furniture and equipment	2,214,084	157,565	(161,824)	2,209,825
Total	<u>6,467,104</u>	<u>162,530</u>	<u>(161,824)</u>	<u>6,467,810</u>
Accumulated depreciation	<u>(3,315,023)</u>	<u>(242,571)</u>	<u>161,233</u>	<u>(3,396,361)</u>
Property and equipment - net	<u>\$ 3,152,081</u>	<u>\$ (80,041)</u>	<u>\$ (591)</u>	<u>\$ 3,071,449</u>
Social Security Contribution Fund				
Furniture and equipment	<u>\$ 4,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,851</u>

This schedule has been reconciled to property reports submitted to the Office of the Comptroller.

State Employees' Retirement System of Illinois

Compliance Examination

Reconciliation of Revenue to Cash Receipts and  
to Deposits Remitted to the State Comptroller  
Years Ended June 30, 2005 and 2004

	2005	2004
Total revenue for the year	\$ 1,590,348,072	\$ 3,486,412,416
Add (deduct)		
Net depreciation in fair value of investments reinvested in the Illinois State Board of Investment (ISBI) Commingled Fund	(721,856,118)	(1,261,941,570)
Net investment income reinvested in the ISBI Commingled Fund	(227,422,797)	(159,147,084)
Transferred from ISBI	518,000,000	403,000,000
(Increase) decrease in receivables	48,051,954	(54,386,144)
(Increase) decrease in amount due to State of Illinois for bond principal and interest payments	16,691,722	-
Contribution credits earned by members during periods of disability	(4,890,314)	(4,361,789)
Cancellation or reimbursement of benefits, refunds and administrative expenses	5,340,825	3,807,984
Contribution refunds	297,135	1,118,257
Installment collections to establish service credits	160,242	946,062
Other adjustments not affecting cash receipts	10,595	(46,091)
Total cash receipts	<u>1,224,731,316</u>	<u>2,415,402,041</u>
Add (deduct)		
Interest on cash balances	(3,851,374)	(808,514)
Cancelled warrants and adjustment deposits classified by the comptroller as reductions of expenditures	(5,223,381)	(4,175,181)
State Pension Fund allocation receipted in error and subsequently refunded to State Pension Fund (Fund #0054)	14,294,361	-
Employer contributions refunded to state agencies due to change in rate	8,536,282	-
Bond principal and interest payments collected and remitted to the State of Illinois	117,516,923	-
Cash in transit		
Beginning of year	-	1,533
End of year	-	-
Deposits in transit		
Beginning of year	279,524	329,587
End of year	<u>(281,225)</u>	<u>(279,524)</u>
Deposits remitted to the State Comptroller for order into the State Treasury	<u>\$ 1,356,002,426</u>	<u>\$ 2,410,469,942</u>

State Employees' Retirement System of Illinois

Compliance Examination

Schedules of Funding Progress and Employer Contributions

Schedules 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
06/30/2000	\$ 8,910,900,652	\$ 10,912,987,912	\$ 2,002,087,260	81.7%	\$ 3,370,696,000	59.4%
06/30/2001	8,276,661,352	12,572,240,145	4,295,578,793	65.8	3,564,441,000	120.5
06/30/2002	7,673,892,691	14,291,044,457	6,617,151,766	53.7	3,713,020,000	178.2
06/30/2003	7,502,111,416	17,593,980,039	10,091,868,623	42.6	3,639,334,000	277.3
06/30/2004	9,990,186,874	18,442,664,834	8,452,477,960	54.2	3,439,251,000	245.8
06/30/2005	10,494,147,953	19,304,646,648	8,810,498,695	54.4	3,475,528,000	253.5

Schedules of Employer Contributions

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25 <sup>(1)</sup>	Percentage Contributed	(A) Annual Required Payroll Contribution per State Statute <sup>(2)</sup>	(B) State Pension Fund Contribution	(A) + (B) Total Required State Contribution	Percentage Contributed
2000	\$ 299,081,856	114.0%	\$ 327,429,409	\$ 12,720,000	\$ 340,149,409	100%
2001	294,351,538	124.3	354,448,013	10,490,000	364,938,013	100
2002	306,509,801	126.0	372,787,208	10,290,000	383,077,208	100
2003	449,348,569	88.1	375,615,662	17,195,000	392,810,662	100
2004	576,219,951	83.1	462,200,942	15,150,000 (3)	477,350,942	100
2005	727,428,010	58.8	425,682,669	-	425,682,669	100

(1) This amount includes both payroll and nonpayroll employer required contributions.

(2) Employer required contribution determined in accordance with HB110 (P.A. 90-0065) and SB533 (P.A. 88-0593). These amounts reflect only payroll required contributions.

(3) The actual distribution from the State Pension Fund was \$5,970,645; the additional amount of \$9,179,355 was received in accordance with HB585 (P.A. 93-0665) as a distribution from the Pension Contribution Fund.

Notes to Required Supplementary Information

Valuation date	June 30, 2005
Actuarial cost method	Projected Unit Credit
Amortization method:	
(a) For GASB Statement No. 25 reporting purposes	Level percent of payroll
(b) Per State Statute	15-year phase-in to a level percent of payroll until a 90 percent funding level is achieved
Remaining amortization period:	
(a) For GASB Statement No. 25 reporting purposes	40 years, open
(b) Per State Statute	40 years, closed
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	8.5 percent
Projected salary increases	1.0 to 6.1 percent, based upon member's age
Assumed inflation rate	3.0 percent
Group size growth rate	0.0 percent
Postretirement increase	3.0 percent - compounded
Mortality table	1983 Group Annuity Mortality Table for males (with a one-year setback) and females (with no setback). Five percent of deaths amongst active employees are assumed to be in the performance of their duty.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

### Explanation of Significant Variations in Revenues

#### Comments on Significant Variations Between Certain Revenue Accounts

	2005	2004	Increase (Decrease)	
Contributions from participants	\$ 209,334,207	\$ 199,826,465	\$ 9,507,742	(1)
Contributions by employing state agencies	427,434,612	1,864,673,411	(1,437,238,799)	(2)
Net investment income	227,422,797	159,147,084	68,275,713	(3)
Net appreciation in fair value of investments	721,856,118	1,261,941,570	(540,085,452)	(3)

- (1) Total employee payroll increased from FY2004 to FY2005, and the scheduled increase in the alternative formula contribution rate was completed as of January 2004. The higher rate was in effect for six months of FY2004, and all of FY2005.
- (2) Employer contributions in FY2004 included approximately \$1.386 billion in proceeds from the sale of General Obligation Bonds by the State of Illinois. The proceeds of the bond sale were distributed among the five state sponsored pension funds. The increase in total employee payroll also provided for additional employer contributions in FY2005.
- (3) Investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes and were maintained in the ISBI Commingled Fund during the years ended June 30, 2005 and 2004.

Net appreciation in fair value was lower than the previous fiscal year. The upward trend of the financial markets continued, however, at a lower rate of increase.

State Employees' Retirement System of Illinois

Compliance Examination

Year Ended June 30, 2005

Explanation of Significant Variations in Expenses

Comments on Significant Variations Between Certain Expense Accounts

	2005	2004	Increase	
Retirement annuities	\$ 935,677,837	\$ 879,638,039	\$ 56,039,798	(1)
Lump-sum benefits	33,920,915	10,894,638	23,026,277	(2)

- (1) The increase is primarily due to a scheduled benefit increase and a larger number of annuitants receiving payments.
- (2) The lump-sum benefits increased by approximately \$23.0 million as a result of the State's Alternative Retirement Cancellation Payment (ARCP) program.



State Employees' Retirement System of Illinois

Compliance Examination

Year Ended June 30, 2005

Analysis of Significant Statement of Plan Net Assets Accounts

	<u>2005</u>	<u>2004</u>
<b>Cash balances</b>		
State Treasury	\$ 204,250,488	\$ 66,614,592
Vouchers in transit	(6,442)	(252,289)
Deposit and cash in transit	<u>281,225</u>	<u>279,524</u>
	204,525,271	66,641,827
Petty cash fund	<u>200</u>	<u>200</u>
	<u>\$ 204,525,471</u>	<u>\$ 66,642,027</u>

Over the course of the past several years, legislative changes have necessitated that a larger cash balance be available for the payment of: a) increased regularly recurring monthly benefits; and b) one-time payments to certain qualified individuals. The System has purposely increased the amount of cash available in the fund in order to handle these additional cash requirements.

	<u>2005</u>	<u>2004</u>
<b>Receivables</b>		
Participants' contributions	\$ 13,921,578	\$ 15,482,706
Employing State agencies	18,827,922	65,769,356 (1)
Other accounts	<u>4,188,506</u>	<u>3,783,213</u>
	<u>\$ 36,938,006</u>	<u>\$ 85,035,275</u>

- (1) The amount due from Employing State agencies was higher in FY2004 as a result of a legislative change in the timing of the contribution payments. The change was effective for FY2004 only.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

### Analysis of Significant Statement of Plan Net Assets Accounts (continued)

#### Investments

General information:

Pursuant to Article 22A of the Illinois Pension Code, investments of the State Employees' Retirement System of Illinois are managed by the Illinois State Board of Investments (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, 2005 and 2004 is summarized as follows:

	2005	2004
Balance at beginning of year, at fair value	\$ 9,840,077,880	\$ 7,436,093,948
Net cash added (withdrawn) to/from investments	(518,000,000)	982,895,278
	<u>9,322,077,880</u>	<u>8,418,989,226</u>
Investment income		
Interest, dividends and other	250,491,153	176,024,267
Expenses	(23,068,356)	(16,877,183)
	<u>227,422,797</u>	<u>159,147,084</u>
Net appreciation in fair value of investments		
Net realized gain on sale of investments	476,037,549	687,466,890
Net unrealized gain on investments	245,818,569	574,474,680
	<u>721,856,118</u>	<u>1,261,941,570</u>
<b>Total net investment gain</b>	<u>949,278,915</u>	<u>1,421,088,654</u>
Balance at end of year, at fair value	<u>\$ 10,271,356,795</u>	<u>\$ 9,840,077,880</u>

State Employees' Retirement System of Illinois

Compliance Examination

Year Ended June 30, 2005

Analysis of Significant Statement of Plan Net Assets Accounts (continued)

Investments (continued)

An analysis of net investment gain for the years ended June 30, 2005 and 2004 is summarized as follows:

	2005	2004	Increase (Decrease)
Net ISBI Investment income	\$ 227,422,797	\$ 159,147,084	\$ 68,275,713
Net appreciation in fair value of investments	721,856,118	1,261,941,570	(540,085,452)
Total net investment gain	<u>\$ 949,278,915</u>	<u>\$ 1,421,088,654</u>	<u>\$ (471,809,739)</u>

The decrease in the net investment gain of the System is the result of lower returns in FY2005 as compared to the extraordinarily high returns of FY2004. The investment rate of return for FY2005 was 10.1%; however, in FY2004, the rate of return was 16.4%.

State Employees' Retirement System of Illinois

Compliance Examination

Year Ended June 30, 2005

Analysis of Investment Performance (Unaudited)

An analysis of investment performance for the years ended June 30, 2005 and 2004 is summarized as follows:

	<u>2005</u>	<u>2004</u>
Total return *	10.1%	16.4%

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

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### System's Functions and Planning Program

The State Employees' Retirement System of Illinois was established on January 1, 1944 for the purpose of providing an orderly means whereby aged or disabled employees may be retired from active service, without prejudice or hardship, and to enable the employees to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment, thus affecting economy and efficiency in the administration of the State government.

The System is governed by Article 14 of the Illinois Pension Code (Chapter 40 of the Illinois Compiled Statutes). As of June 30, 2005, the System had approximately 54,800 benefit recipients and 69,200 active members.

Management of the System is vested in a Board of Trustees consisting of seven persons, as follows: (1) the Director of the Governor's Office of Management and Budget; (2) the Comptroller; (3) one trustee, not a State employee, who shall be Chairman, to be appointed by the Governor for a five-year term; (4) two members of the System, one of whom shall be an annuitant age 60 or over, having at least eight years of creditable service, to be appointed by the Governor for terms of five years; (5) one member of the System having at least eight years of creditable service, to be elected from the contributing membership of the System by the contributing members; (6) one annuitant of the System who has been an annuitant for at least one full year, to be elected from and by the annuitants of the System. The administration of the detailed affairs of the System is vested in the Executive Secretary, Robert V. Knox, under the direction of the Board. General policy relating to the administration of the System is stated in the minutes of the Board meetings.

The System also administers the Social Security Enabling Act, Article 21 of the Illinois Pension Code, which makes coverage under the Federal Social Security Program available to employees of the State and its political subdivisions. The purpose of the Social Security Contribution Fund of the System was to collect FICA contributions from employees, employing State agencies and various political subdivisions and remitting these contributions to the Federal government for calendar years prior to 1987. The responsibility of collecting and remitting Social Security contributions to the Federal government was transferred from this office to the Office of the Comptroller effective January 1, 1987. All adjustments for wages paid prior to January 1, 1987 were processed through this office. The Social Security Contribution Fund is an agency fund. The administrative expenses of the fund were appropriated by the General Assembly on a line item basis and, as such, always had a zero fund balance at year end.

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.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### System's Functions and Planning Program (continued)

Program planning activities of the System are under the direct supervision of the Executive Secretary and involve coordination between the governing Board and other executive staff of the System. The current planning program identifies various operational projects for fiscal 2005. The planning summary for each project includes the project scope and objectives, implementation phases and timing, resource application and expected benefits. Each project is assigned to a divisional level manager who acts as project leader during all implementation phases of the project. Implementation progress is reported to the Executive Secretary, who in turn reports such progress directly to the System's Board of Trustees.

The operational plan for fiscal year 2004 included two new projects: staff training to be coordinated through the Human Resource Division, and a review of the benefit calculation process by the Claims Division. The fiscal year 2004 plan also called for the continuation of several projects initiated in fiscal year 2003 or prior. These projects include: automation of the error processing used by the Accounting Division; expansion of internet services by the Administrative Services and EDP Divisions; study of System Mainframe needs by the EDP Division; and several other smaller projects.

New projects for fiscal year 2005 include: the replacement of the new computer mainframe; additional staff training; updated member information for the Accounting Division; a review of the Reciprocal System benefit processing; the creation of a new power point presentation for the Field Service Division; and an E-mail information study. Several of the fiscal year 2004 projects will also carry over into fiscal year 2005.

The information above constitutes System representations and no attempt has been made to evaluate the technical details of the planning or the System's progress toward implementation of these programs. Overall, it appears that the System's management and planning procedures are sufficient with regard to the System's needs and statutory requirements.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### Progress in Funding the System

The actuarial accrued liability of the System as of June 30, 2005 amounted to approximately \$19.3 billion. The actuarial value of the assets as of June 30, 2005 amounted to approximately \$10.5 billion, leaving an unfunded actuarial liability of approximately \$8.8 billion.

The Illinois Pension Code, 40 ILCS 5/14-131 (Code), as amended by Public Act 88-0593, provides a 15-year phase-in to a 35-year plan that will amortize the unfunded liability faced by the System. In general, the Code provides that:

- For fiscal years 1996 through 2010, the contribution to the System, as a percentage of payroll shall be increased in equal annual increments so that by fiscal year 2011, the State is contributing at the rate required in this Section of the law.
- For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90 percent of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.
- The funding legislation also provided for the establishment of a continuing appropriation of the required employer contributions to the System. This will, in effect, remove the appropriation of these funds from the annual budgetary process.

Public Act 92-0566 became effective June 25, 2002, and provided an early retirement incentive (ERI) for those participants under the State Employees' Retirement System who terminated service before December 31, 2002 (or April 30, 2003, for certain cases). The increase in the unfunded actuarial accrued liability due to the ERI was originally to be amortized over ten years. The law, as modified, now requires that, in addition to any employer contributions required above, the State shall pay an amount equal to \$70,000,000 for fiscal years 2004 and 2005; and in each fiscal year 2006 through 2015, a level-dollar payment based upon the increase in the present value of future benefits provided by the early retirement incentives amortized at 8.5 percent interest.

The annual required payroll contribution and rate as computed by the System's actuary for fiscal year 2004 was \$500,672,000 or 13.439 percent of covered payroll. The annual required payroll contribution and rate as computed by the System's actuary for fiscal year 2005 is \$432,344,000 or 12.248 percent of covered payroll (excluding the Debt Service component). The annual required payroll contribution and rate as computed by the System's actuary for fiscal year 2006 is \$690,000,000 or 19.701 percent of covered payroll (excluding the Debt Service component).

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 Bonds, Pension Funding Series of June 2003.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### Progress in Funding the System (Continued)

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. 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.



## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

### System Employees

#### State Employees' Retirement System Trust Fund

The average number of employees (not including the General Revenue Fund - Social Security Division) during the years ended June 30, 2005 and 2004 is summarized by functional classification as follows:

	2005	2004
Executive and administrative	12	13
Accounting, bookkeeping and clerical	27	27
Other office employees	27	26
Electronic data processing	15	15
Total	<u>81</u>	<u>81</u>

### Social Security Contribution Fund

The Social Security Contribution Fund had one employee for both the years ended June 30, 2005 and 2004.

### Comparison of Administrative Expenses to Total Expenses

	2005	2004
Total expenses		
Benefits	\$ 1,063,970,423	\$ 978,201,010
Refunds, including transfers to reciprocating systems	14,105,301	12,442,600
Administrative expenses	<u>8,311,269</u>	<u>7,693,348</u>
	<u>\$ 1,086,386,993</u>	<u>\$ 998,336,958</u>
Administrative expenses as a percentage of total expenses	<u>0.8%</u>	<u>0.8%</u>

### Emergency Purchases

No emergency purchases were reported by the System to the Office of the Auditor General during fiscal year 2005.

### Illinois First Projects

The System did not receive any funds for Illinois First Projects during fiscal year 2005.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### Proceeds from General Obligation Bonds, Pension Funding Series June 2003 (Unaudited)

Public Act 93-0002 (Act) became effective on April 7, 2003, and authorized the State of Illinois to issue \$10 billion of General Obligation Bonds for the purpose of making contributions to designated retirement systems. The State Employees' Retirement System was a "designated retirement system" for the purpose of this law.

On June 12, 2003, the State of Illinois issued \$10 billion of General Obligation Bonds, Pension Funding Series June 2003. The net bond proceeds were allocated among the five state-funded retirement systems to reduce their actuarial reserve deficiencies as provided in the Act.

The State Employees' Retirement System received their allocation of bond proceeds on July 1, 2003. The State Employees' Retirement System's portion of the allocation was \$1,385,895,278. The monies were deposited into the Master Trust Account with the Illinois State Board of Investment (Board) on July 2, 2003. The Board initially approved investing the pension bond proceeds in separate index funds. These index funds were subsequently liquidated and combined with the Board's other investments and invested in accordance with the asset allocation policy of the Board during the year ended June 30, 2004. The Board estimates the return of the pension bond proceeds earned an annual rate of return of 10.1% during the year ended June 30, 2005, which is the same as the overall return for the Board's investment portfolio.

## State Employees' Retirement System of Illinois

### Compliance Examination

Year Ended June 30, 2005

#### Schedule of Contributions / Deductions and Effect on Investments

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.

	2005	2004
<b>Contributions</b>		
Participant Contributions	\$ 209,334,207	\$ 199,826,465
State of Illinois Employer Contributions	427,434,612	1,864,673,411
<b>Total Contributions</b>	<b>636,768,819</b>	<b>2,064,499,876</b>
<b>Deductions</b>		
Retirement Benefits	935,677,837	879,638,039
Survivor Benefits	57,542,913	54,186,031
Disability Benefits	36,828,758	33,482,302
Lump-Sum Death Benefits	33,920,915	10,894,638
Refunds <i>(including transfers to reciprocating systems)</i>	14,105,301	12,442,600
Administrative Expenses	8,311,269	7,693,348
<b>Total Deductions</b>	<b>1,086,386,993</b>	<b>998,336,958</b>
<b>Contributions Available to Invest (Investments Used to Pay Benefits and Expenses)</b>	<b>\$ (449,618,174)</b>	<b>\$ 1,066,162,918</b>

State Employees' Retirement System of Illinois

Compliance Examination

Year Ended June 30, 2005

Service Efforts and Accomplishments (Unaudited)

	2005	2004
Membership data		
Coordinated members	88,306	90,196
Noncoordinated members	3,117	3,222
	<u>91,423</u>	<u>93,418</u>
Active members	<u>69,163</u>	<u>70,621</u>
Benefit payments processed		
Recurring		
Retirement annuities	42,649	42,307
Survivors' annuities	10,041	10,036
Disability benefits	2,138	1,955
	<u>54,828</u>	<u>54,298</u>
Termination refunds processed	<u>1,910</u>	<u>2,100</u>
Retirement counseling		
Preretirement sessions		
Number of sessions	284	482
Number of attendees	6,529	10,517
Postretirement sessions		
Number of sessions	40	36
Number of attendees	1,499	1,261
Regional and other meetings		
Number of sessions	258	203
Number of attendees	12,851	2,977