



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

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

**Financial Audit
For the Year Ended June 30, 2016**

Release Date: January 12, 2017

| | |
|-----------------------------|----------|
| FINDINGS THIS AUDIT: | 0 |
| FINDINGS LAST AUDIT: | 1 |

INTRODUCTION

This digest covers the financial statement audit of Teachers' Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2016. The Teachers' Retirement System's Compliance Examination covering the year ended June 30, 2016 will be issued in a separate report at a later date.

The System's total pension liability is \$124.2 billion at June 30, 2016, an increase of \$12.3 billion from \$111.9 billion at June 30, 2015. The net pension liability at June 30, 2016 is \$78.9 billion, which is the difference between the System's fiduciary net position of \$45.3 billion and the total pension liability. The System's net position as a percentage of the total pension liability is 36.4% at June 30, 2016 as compared to 41.5% at June 30, 2015. The criteria used for computing pension liability information in the financial report in accordance with GASB Statement No. 67 differs from the criteria used to compute the actuarial accrued liability and actuarial unfunded liability used for funding purposes, therefore this information is no longer reported in the financial statements. There were no findings reported under *Government Auditing Standards* in our audit.

AUDITORS' OPINION

Our auditors stated the financial statements of the System as of June 30, 2016, and for the year then ended, are fairly stated in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JAF

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this audit were RSM US LLP.

{Financial information is summarized on the next page.}

TEACHERS' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
For the Year Ended June 30, 2016

| OPERATING STATEMENT ANALYSIS | 2016 | 2015 |
|---|---------------------------|--------------------------|
| Additions: | | |
| Contributions - Members..... | \$ 951,809,398 | \$ 935,451,049 |
| Contributions - State of Illinois..... | 3,742,469,245 | 3,377,664,945 |
| Contributions - School Districts / Employers..... | 148,040,767 | 145,591,585 |
| Total Contributions..... | <u>4,842,319,410</u> | <u>4,458,707,579</u> |
| Investment Income - Net Increase (Decrease) in Fair Value..... | (843,377,824) | 753,800,289 |
| Investment Income - Income From Investments..... | 1,549,462,897 | 1,341,293,406 |
| Investment Expense..... | (750,188,251) | (324,544,162) |
| Total Investment Income..... | <u>(44,103,178)</u> | <u>1,770,549,533</u> |
| Total Additions..... | <u>4,798,216,232</u> | <u>6,229,257,112</u> |
| Deductions: | | |
| Benefits..... | 5,848,180,208 | 5,536,399,447 |
| Refunds..... | 83,026,969 | 88,637,726 |
| Administrative Expenses..... | 22,967,917 | 21,686,860 |
| Total Expenses..... | <u>5,954,175,094</u> | <u>5,646,724,033</u> |
| Net Increase (Decrease) in Net Position..... | <u>\$ (1,155,958,862)</u> | <u>\$ 582,533,079</u> |
| INVESTMENT PORTFOLIO ANALYSIS - Fair Value | June 30, 2016 | June 30, 2015 |
| Fixed Income..... | \$ 9,887,153,436 | \$ 8,697,165,058 |
| Equities..... | 16,083,525,866 | 18,475,666,319 |
| Real Estate..... | 6,943,206,220 | 6,255,857,685 |
| Short-term Investments..... | 1,127,440,142 | 848,587,909 |
| Private Equity Investments..... | 5,465,171,512 | 5,281,073,621 |
| Real Return..... | 2,889,159,873 | 2,994,366,309 |
| Absolute Return..... | 3,196,766,195 | 3,471,868,205 |
| Foreign Currency..... | 103,219,472 | 74,142,815 |
| Derivatives..... | (62,716,360) | 936,964 |
| Total Investment Portfolio..... | <u>\$ 45,632,926,356</u> | <u>\$ 46,099,664,885</u> |
| ADMINISTRATIVE EXPENSES | 2016 | 2015 |
| Personal Services..... | \$ 17,585,286 | \$ 16,466,754 |
| Depreciation..... | 1,100,476 | 1,161,278 |
| Professional Services..... | 1,061,094 | 1,197,347 |
| Other Operating Expenses..... | 957,760 | 852,781 |
| Software Licenses and Maintenance..... | 770,930 | 554,341 |
| Communications (postage, printing & copying and telephone)..... | 562,888 | 559,379 |
| Building Operations and Maintenance..... | 558,848 | 509,740 |
| Insurance..... | 370,635 | 385,240 |
| Total Administrative Expenses..... | <u>\$ 22,967,917</u> | <u>\$ 21,686,860</u> |
| SUPPLEMENTARY INFORMATION | June 30, 2016 | June 30, 2015 |
| Benefit Recipients..... | 117,650 | 114,922 |
| Active Members..... | 159,735 | 159,707 |
| Inactive Members..... | 129,470 | 125,969 |
| Total..... | <u>406,855</u> | <u>400,598</u> |
| PENSION LIABILITY | June 30, 2016 | June 30, 2015 |
| Total Pension Liability..... | \$ 124,187,003,384 | \$ 111,916,989,345 |
| Plan Fiduciary Net Position..... | 45,250,956,731 | 46,406,915,593 |
| Net Pension Liability..... | <u>\$ 78,936,046,653</u> | <u>\$ 65,510,073,752</u> |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability..... | 36.4% | 41.5% |
| EXECUTIVE DIRECTOR | | |
| During Engagement Period: Richard W. Ingram | | |
| Currently: Richard W. Ingram | | |