

**PUBLIC SCHOOL TEACHERS' PENSION
AND RETIREMENT FUND OF CHICAGO**
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION

For the Two Years Ended June 30, 2017

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

FUND OFFICIALS

Executive Director	Mr. Charles Burbridge
Deputy Executive Director (06/22/17 - Present)	Ms. Mary Cavallaro
Deputy Executive Director (07/01/15 - 06/21/17)	Ms. Tiffany Reeves
Director, Accounting and Finance* (09/07/15 - Present)	Ms. Saron Tegegne
Chief Financial Executive** (03/28/17 - Present)	Ms. Alise White
Chief Legal Officer (05/15/17 - Present)	Mr. John Schomberg
Chief Legal Officer (05/13/17 - 05/14/17)	Vacant
Chief Legal Officer (07/01/15 - 05/12/17)	Ms. Tiffany Madson
Internal Auditor (02/02/17 - Present)	Vacant
Internal Auditor (07/01/15 - 02/01/17)	Mr. Bob Jurinek

*This is a newly created position as of 09/01/15.

**This is a newly created position as of 03/28/17.

The Fund's offices are located at:
203 N. LaSalle Street, Suite 2600
Chicago, Illinois 60601



Chicago Teachers' Pension Fund

203 North La Salle Street, suite 2600 | Chicago, Illinois 60601-1231

STATE COMPLIANCE EXAMINATION
MANAGEMENT ASSERTION LETTER

Honorable Frank J. Mautino
Auditor General
Iles Park Plaza
740 East Ash Street
Springfield, Illinois 62703

December 12, 2017

Auditor General Mautino:

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 Public School Teachers' Pension and Retirement Fund of Chicago for appropriations made by the General Assembly to the Public School Teachers' Pension and Retirement Fund of Chicago from the General Revenue Fund. 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 Public School Teachers' Pension and Retirement Fund of Chicago's compliance with the following assertions during the two-year period ended June 30, 2017. Based on this evaluation, we assert that during the years ended June 30, 2017, and June 30, 2016, the Public School Teachers' Pension and Retirement Fund of Chicago has materially complied with the assertions below.

- A. The Public School Teachers' Pension and Retirement Fund of Chicago 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 Public School Teachers' Pension and Retirement Fund of Chicago has submitted its annual reports to the State as required by law.

Yours truly,

Public School Teachers' Pension and Retirement Fund of Chicago

SIGNED ORIGINAL ON FILE

Charles Burbridge, Executive Director

SIGNED ORIGINAL ON FILE

Alise White, Chief Financial Executive

SIGNED ORIGINAL ON FILE

John Schomberg, Chief Legal Officer



PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

COMPLIANCE REPORT

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.

ACCOUNTANT'S REPORT

The Independent Accountant's 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>Current</u> <u>Report</u>	<u>Prior</u> <u>Report</u>
Findings	0	0
Repeated findings	0	0
Prior recommendations implemented or not repeated	0	0

EXIT CONFERENCE

The Fund's management waived a formal exit conference in a correspondence dated November 21, 2017.

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CHICAGO OFFICE:

MICHAEL A. BILANDIC BLDG. - SUITE S-900
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FRAUD HOTLINE: 1-855-217-1895

OFFICE OF THE AUDITOR GENERAL

FRANK J. MAUTINO

INDEPENDENT ACCOUNTANT'S REPORT ON STATE COMPLIANCE,
ON INTERNAL CONTROL OVER COMPLIANCE, AND ON
SUPPLEMENTARY INFORMATION FOR STATE COMPLIANCE PURPOSES

Honorable Frank J. Mautino
Auditor General
State of Illinois

Compliance

We have examined the Public School Teachers' Pension and Retirement Fund of Chicago's 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, for appropriations made by the General Assembly to the Public School Teachers' Pension and Retirement Fund from the General Revenue Fund during the two years ended June 30, 2017. The management of the Public School Teachers' Pension and Retirement Fund of Chicago is responsible for compliance with these requirements. Our responsibility is to express an opinion on the Public School Teachers' Pension and Retirement Fund of Chicago's compliance based on our examination.

- A. The Public School Teachers' Pension and Retirement Fund of Chicago 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 Public School Teachers' Pension and Retirement Fund of Chicago has submitted its annual reports to the State as required by 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 (the Audit Guide). Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the Public School Teachers' Pension and Retirement Fund of Chicago complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the Public School Teachers' Pension and Retirement Fund of Chicago complied with the specified requirements listed above. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the Public School Teachers' Pension and Retirement Fund of Chicago's compliance with specified requirements.

In our opinion, the Public School Teachers' Pension and Retirement Fund of Chicago complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2017.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Internal Control

Management of the Public School Teachers' Pension and Retirement Fund of Chicago 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 Public School Teachers' Pension and Retirement Fund of Chicago'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 Public School Teachers' Pension and Retirement Fund of Chicago's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Public School Teachers' Pension and Retirement Fund of Chicago'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

As required by the Audit Guide, an immaterial finding excluded from this report has been reported in a separate letter.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

Supplementary Information for State Compliance Purposes

Our examination was conducted for the purpose of forming an opinion on compliance with the requirements listed in the first paragraph of this report. The accompanying supplementary information for the years ended June 30, 2017, and June 30, 2016, in Schedules 1 through 3 and in the Analysis of Operations Section is presented for purposes of additional analysis. We have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 3. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2015, accompanying supplementary information in Schedule 3 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
December 12, 2017

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2017

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 – Fiscal Year 2017

- Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2016

- Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances

- Analysis of Operations (Not Examined)

- Analysis of Significant Variations in Expenditures (Not Examined)

- Analysis of Significant Lapse Period Spending (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2017, and June 30, 2016, accompanying supplementary information in Schedules 1 through 3. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section, and accordingly, they do not express an opinion or provide any assurance on it.

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2017

For the Fifteen Months Ended September 30, 2017

	Expenditures Through <u>06/30/17</u>	Lapse Period Expenditures <u>07/01 - 9/30/17</u>	Total <u>Expenditures</u>	Balances <u>Lapsed</u>
<u>Public Act 99-0524</u>				
<u>GENERAL REVENUE FUND - 001</u>				
Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127 of the Illinois Pension Code	\$ 12,186,000	\$ 2,031,000	\$ 12,186,000	\$ -
GRAND TOTAL	<u>\$ 12,186,000</u>	<u>\$ 2,031,000</u>	<u>\$ 12,186,000</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to the Fund's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Fund and submitted to the State Comptroller for payment to the vendor.

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES

Appropriations for Fiscal Year 2016

Fourteen Months Ended August 31, 2016

	Expenditures Through <u>06/30/16</u>	Lapse Period Expenditures <u>07/01 - 08/31/16</u>	Total <u>Expenditures</u>	Balances <u>Lapsed</u>
<u>Public Act 99-0005</u>				
<u>GENERAL REVENUE FUND - 001</u>				
Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127 of the Illinois Pension Code	\$ 12,105,000	\$ -	\$ 12,105,000	\$ -
GRAND TOTAL	<u>\$ 12,105,000</u>	<u>\$ -</u>	<u>\$ 12,105,000</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2016, and have been reconciled to the Fund's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Fund and submitted to the State Comptroller for payment to the vendor.

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
**COMPARATIVE SCHEDULE OF NET STATE APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2017	2016	2015
	P.A. 99-0524	P.A. 99-0005	P.A. 98-0680 & P.A. 98-0675
General Revenue Fund - 0001			
Appropriations	\$ 12,186,000	\$ 12,105,000	\$ 62,145,000
Expenditures			
Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127 of the Illinois Pension Code	\$ 12,186,000	\$ 12,105,000	\$ 12,145,000
For payment of the State's contribution for retirement contributions to the Public School Teachers' Pension and Retirement Fund of Chicago	-	-	50,000,000
Total Expenditures	<u>\$ 12,186,000</u>	<u>\$ 12,105,000</u>	<u>\$ 62,145,000</u>
Lapsed Balances	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and September 30, 2016, and have been reconciled to the Fund's records.

Note 2: Expenditure amounts are vouchers approved for payment by the Fund and submitted to the State Comptroller for payment to the vendor.

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES
For the Two Years Ended June 30, 2017

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2015 AND 2016

General Revenue Fund (001)

For Payment of the State's contribution for retirement contributions to the Public School Teachers' Pension and Retirement Fund of Chicago

The decrease in expenditures was due to an additional contribution of \$50,000,000 that was approved by the State for Fiscal Year 2015, but not for Fiscal Year 2016. The additional funding was approved pursuant to 40 ILCS 5/17-127, which states that the State shall include an additional contribution equal to 0.544% of the Fund's total teacher payroll, unless the Fund has certified in the previous fiscal year that it is at least 90% funded, based on actuarial determinations.

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT VARIATIONS IN LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2017

There were no significant expenditures incurred during the Lapse Period during Fiscal Year 2016 and Fiscal Year 2017.