



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 - Report on Allocation of Pension Amounts
For the Year Ended June 30, 2016**

Release Date: May 3, 2017

INTRODUCTION

This digest covers the Financial Audit of the Schedule of Employer Allocations as of and for the years ended June 30, 2016 and 2015 and the related notes. In addition, the digest also covers the Financial Audit of the totals for all entities of the columns titled beginning net pension liability, ending net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) in the Schedule of Pension Amounts by Employer of the Teachers' Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2016. We previously released a separate Financial Audit of the System's financial statements (released January 12, 2017) as of and for the year ending June 30, 2016.

The System is the administrator of a cost-sharing, multiple-employer defined benefit public employee retirement system. Membership is mandatory for all full-time, part-time and substitute public school personnel employed outside of Chicago in positions requiring licensure. Certain contributions are statutorily required to be made to the System by employees, employers and the State of Illinois (State), who is considered a non-employer contributing entity. Beginning with the year ended June 30, 2015, employers and non-employer contributing entities that make contributions to the System were required to follow Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. GASB Statement 68 requires the participating employers and non-employer contributing entities that prepare financial statements in accordance with Generally Accepted Accounting Principles (GAAP) to recognize their proportionate share of certain collective pension amounts in their financial statements.

Within a cost sharing plan like the System, the pension obligation to the employees of more than one employer are pooled and System assets can be used to pay the benefits of the employees of any employer that is a member of the System. Prior to the implementation of GASB Statement 68, the portion of the System's liability not covered by assets was not allocated among the employers or State for financial reporting purposes. GASB Statement 68 changed previously followed financial reporting requirements and as a result employers and the State are required to report their portion of the collective pension amounts in their GAAP basis financial statements.

Due to employers and the State of Illinois needing to report their proportionate share of the collective pension amounts in their financial statements prepared in accordance with GAAP, the System has prepared the Schedule of Employer Allocations and the Schedule of Pension Amounts by Employer which provides the necessary financial information for each employer and the State to report their proportionate share of the collective pension amounts in their financial statements. By having these Schedules audited it also provides the employer's and the State's auditors an Independent Auditor's Opinion on the allocations and collective pension amounts reported in the Schedules.

The System's net pension liability at June 30, 2015 was \$65.5 billion. At June 30, 2016, the System's net pension liability was \$78.9 billion, of which \$76.3 billion (96.7%) was allocated to the State of Illinois as their portion of the net pension liability. The remaining amount, \$2.6 billion, was allocated to the other 1,044 employers.

AUDITORS' OPINION

Our auditors stated the Schedule of Employer Allocations for the years ended June 30, 2016 and 2015 and the totals of the columns titled beginning net pension liability, ending net pension liability, total deferred outflows of resources, total deferred inflows of resources and total pension expense (specified column totals) in the Schedule of Pension Amounts by Employer of the Teachers' Retirement System of the State of Illinois (System) as of and for the year ended June 30, 2016 and the related notes are fairly stated in all material respects.

This financial audit was conducted by the firm of RSM US LLP.

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BRUCE L. BULLARD
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

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