

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

## **Compliance Examination**

For the Year Ended June 30, 2018  
Performed as Special Assistant Auditors for  
the Auditor General, State of Illinois



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

**Year Ended June 30, 2018**

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Financial Statement Report

The System's financial statement report for the year ended June 30, 2018, which includes the independent auditor's report, management's discussion and analysis, basic financial statements and notes, required supplementary information other than management's discussion and analysis, 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 financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

Supplementary Information for State Compliance Purposes

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

**For the Year Ended June 30, 2018**

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***System Officials***

Executive Secretary  
Division Manager  
Accounting Division Manager  
Internal Auditor

Timothy B. Blair  
Angie Ackerson  
Alan Fowler, CPA  
Casey Evans

***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

April 3, 2019

RSM US 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 General Assembly Retirement 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 General Assembly Retirement System's compliance with the following assertions during the year ended June 30, 2018. Based on this evaluation, we assert that during the year ended June 30, 2018, the General Assembly Retirement System has materially complied with the assertions below.

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

Yours truly,

General Assembly Retirement System

**SIGNED ORIGINAL ON FILE**

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Timothy B. Blair, Executive Secretary

**SIGNED ORIGINAL ON FILE**

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Alan Fowler, CPA, Accounting Division Manager

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

**Year Ended June 30, 2018**

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**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 Management's Assertion 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**

<b>Number of</b>	<b>Current Report</b>	<b>Prior Report</b>
Findings	1	2
Repeated findings	1	2
Prior recommendations implemented or not repeated	1	1

**Schedule of Findings**

<b>Item No.</b>	<b>Page</b>	<b>Description</b>	<b>Finding Type</b>
FINDINGS (STATE COMPLIANCE)			
2018-001	10	Noncompliance with Ethics Training Requirements	Noncompliance and Significant Deficiency
PRIOR FINDINGS NOT REPEATED			
A	11	Change Management Weaknesses	

**Exit Conference**

System officials waived an exit conference in correspondence from Casey Evans, Internal Auditor, dated February 28, 2019. The responses to the recommendations were provided by Casey Evans, Internal Auditor, in correspondence dated March 5, 2019.



RSM US LLP

**Independent Accountant's Report on Management's Assertion  
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

Board of Trustees  
General Assembly Retirement System of the State of Illinois

**Compliance**

As Special Assistant Auditors for the Auditor General, we have examined management's assertion the General Assembly Retirement System of the State of Illinois' (System) complied with the compliance 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, 2018. The management of the System is responsible for compliance with these requirements as described in its assertion. Our responsibility is to express an opinion on management's assertion about the System's compliance with the compliance requirements listed below, 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 (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 management's assertion the System complied with the specified requirements listed above, is fairly stated, in all material respects. An examination involves performing procedures to obtain evidence about whether management's assertion that the System complied with the specified requirements listed above is fairly stated, in all material respects. The nature, timing and extent of the procedures selected depend on our judgment, including an assessment of the risks of material misstatement of management's assertion, resulting from 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 System's compliance with specified requirements.

In our opinion, management's assertion that the System complied with the compliance requirements listed in the first paragraph of this report during the year ended June 30, 2018 is fairly stated, in all material respects. However, the results of our procedures disclosed an instance of noncompliance with the requirements, which is required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which is described in the accompanying schedule of findings as item 2018-001.

The System's response to the finding identified in our examination is described in the accompanying schedule of findings. The System's response was not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the response.

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 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 control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

*A deficiency in an entity's 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings as item 2018-001 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 internal control finding identified in our examination is described in the accompanying schedule of findings. The System's response was not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the response.



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**

As Special Assistant Auditors for the Auditor General, we have audited and issued under separate cover the Statement of Fiduciary Net Position of the System as of June 30, 2018, and the Statement of Changes in Fiduciary Net Position for the year then ended, and have issued our report thereon dated December 14, 2018, which contained an unmodified 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 2018 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 87 percent, 91 percent and 14 percent, respectively, of total assets, net position restricted for pension benefits, and total additions to 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 14, 2018. The accompanying supplementary information for State compliance purposes in Schedules 1 through 6 for the year ended June 30, 2018 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 State compliance purposes in Schedules 1 through 6 for the year ended June 30, 2018 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 supplementary information for State compliance purposes in Schedules 1 through 6 for the year ended June 30, 2018 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2018.

We also 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, 2017 and June 30, 2016 (not presented herein), and have issued our reports thereon dated January 19, 2018 and January 4, 2017, respectively, which contained unmodified opinions on those basic financial statements. We did not audit the 2017 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 84 percent, 87 percent and 18 percent, respectively, of total assets, net position restricted for pension benefits, and total additions of the System. We also did not audit the 2016 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 84 percent, 87 percent and (3) percent, respectively, of total assets, net position restricted for pension benefits, and total additions of the System. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as it relates to the amounts included for the Illinois State Board of Investment is based solely on the reports of other auditors. The accompanying supplementary information for the years ended June 30, 2017 and June 30, 2016 in Schedules 2 through 6 and Schedule 2, respectively, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2017 and June 30, 2016 financial statements. The accompanying supplementary information for the year ended June 30, 2017 and June 30, 2016 in Schedules 2 through 6 and Schedule 2, respectively, has been subjected to the auditing procedures applied in the audit of the June 30, 2017 and June 30, 2016 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, 2017 and June 30, 2016 in Schedules 2 through 6 and Schedule 2, respectively, 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.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
April 3, 2019, except for our report on the Supplementary Information  
for State Compliance Purposes, as to which the date is  
December 14, 2018

**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 Government Auditing Standards**

Honorable Frank J. Mautino  
Auditor General, State of Illinois

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 Statement of Fiduciary Net Position and Statement of Changes in Fiduciary Net Position of the General Assembly Retirement System of the State of Illinois (System), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 14, 2018. 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. Our report also includes a reference to the fact that the actuarially determined pension liability is dependent on several assumptions, including the assumption that future required contributions from State sources are made based on statutory requirements.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) 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, misstatements 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 entity'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 from 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 an 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.

**SIGNED ORIGINAL ON FILE**

Schaumburg, Illinois  
December 14, 2018

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

**Schedule of Findings – State Compliance**

**Year Ended June 30, 2018**

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**Finding No. 2018-001 Noncompliance with Ethics Training Requirements**

The General Assembly Retirement System of the State of Illinois (System) did not comply with the Ethics training provisions of the Illinois Pension Code.

During the current year compliance examination testing, the auditors noted the System did not track the ethics training completed by its Board members and did not submit the required annual certification of compliance certifying ethics training was completed by its Board members with the Department of Insurance.

The Illinois Pension Code (40 ILCS 5/1-113.18) states all board members of a retirement system must attend ethics training of at least 8 hours per year. Each board shall annually certify compliance with this Section and submit an annual certification to the Department of Insurance.

System officials stated they continue to work with the Board on acquiring their required ethics training, but with only two to three meetings annually and competing priorities they were unable to comply with the statutory requirements.

Failure by the System to track and certify the ethics training completed by its Board members increases the risk that its Board members will not complete the required 8 hours of annual ethics training required by the Illinois Pension Code. (Finding Code No. 2018-001, 2017-001, 2016-002, 2015-002)

**Recommendation:**

We recommend the System offer the Board members the opportunity to participate in the 8 hours of ethics training in order to internally process and track each Board member's ethics training requirements and submit the required annual certification to the Department of Insurance or seek legislative remedy from the statutory requirement.

**System Response:**

The System accepts the finding and will work towards scheduling training for trustees when their schedule allows. It should be noted that six of the seven members of the GARS Board are current legislators who have been involved in the drafting, debate and passage of legislation affecting the various public retirement systems and pension funds in Illinois. Legislative involvement and oversight of public plans, and related fiduciary issues has increased dramatically over the last several years. The legislature has held several subject matter hearings over the last few years, with experts from all public plan areas providing testimony. Many of the members of the GARS Board are on the committees that hold these hearings.

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

**Schedule of Findings – State Compliance (Continued)**

**Year Ended June 30, 2018**

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**Prior Finding Not Repeated**

**A. Change Management Weaknesses**

In the prior compliance examination, the General Assembly Retirement System of the State of Illinois (System) had weaknesses in their change management procedures. Auditors noted the System had formal change management procedures, however, the procedures did not address migrating changes into the production environment. In addition, programmers developing and making changes to applications had access to the production environment and the capability to implement changes. Further, monitoring tools were not in place to detect unauthorized code migrations. (Finding Code No. 2017-002, 2016-003)

During the current compliance examination, auditors noted the system's IT management implemented upgrades to the existing software which remedied the change management weaknesses.

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

**Year Ended June 30, 2018**

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**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 Schedule of Net Appropriations, Expenditures and Lapsed Balances
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
  - Comparative Schedule of Cash Balances
  - Comparative Schedule of Changes in Investment Balances
- Analysis of Operations (Unaudited):
  - System Functions and Planning Program (Unaudited)
  - Progress in Funding the System (Unaudited)
  - Analysis of Significant Variations in Expenditures (Unaudited)
  - Analysis of Significant Variations in Cash Receipts (Unaudited)
  - Analysis of Significant Lapse Period Spending (Unaudited)
  - Analysis of Contributions Receivable (Unaudited)
  - Budget Impasse Disclosures (Unaudited)
  - Money-Weighted Rate of Return (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 auditor's 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 accountant's 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.

Schedule of Appropriations, Expenditures and Lapsed Balances  
Appropriations for Fiscal Year 2018  
Fifteen Months Ended September 30, 2018

Public Act 100-0021	Appropriations (Net of Transfers)	Expenditures through June 30	Lapse Period Expenditures July 1, through September 30	Total Expenditures 15 Months Ended September 30	Balances Lapsed September 30
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 0001</b>					
Appropriation for State's contribution	\$ 26,679,000	\$ 21,155,000	\$ -	\$ 21,155,000	\$ 5,524,000
Total appropriated funds	\$ 26,679,000	\$ 21,155,000	\$ -	\$ 21,155,000	\$ 5,524,000
<b>Nonappropriated Funds</b>					
<b>General Assembly Retirement System Fund - 0481</b>					
Personal services		\$ 91,754	\$ 38,882	\$ 130,636	
Employee retirement contributions paid by employer		857	434	1,291	
Retirement contributions		48,173	13,647	61,820	
Social Security and Medicare contributions		6,767	2,846	9,613	
Group insurance		16,512	8,807	25,319	
Contractual services		70,599	3,479	74,078	
Travel		1,478	-	1,478	
Purchase of investments		700,000	-	700,000	
Commodities		-	20	20	
Printing		-	78	78	
Electronic data processing		84	20,890	20,974	
Telecommunications		234	115	349	
Automotive		254	49	303	
Nonrecurring refunds and distributions		48,116	-	48,116	
Pensions, annuities and benefits		23,202,555	(165)	23,202,390	
Refunds, prior calendar year contributions		1,300	-	1,300	
Subtotal - Fund 0481		24,188,683	89,082	24,277,765	
<b>General Assembly Retirement Excess Benefit Fund - 0786</b>					
Pensions, annuities and benefits		84,954	-	84,954	
Total nonappropriated funds		24,273,637	89,082	24,362,719	
Grand total, all Funds	\$	45,428,637	\$ 89,082	\$ 45,517,719	

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2018 and have been reconciled to System records.

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



Comparative Schedules of Net Appropriations,  
Expenditures and Lapsed Balances  
For the Years Ended June 30, 2018, 2017 and 2016

	Fiscal Year		
	2018	2017	2016
	P.A. 100-0021	Continuing Appropriations	Continuing Appropriations
<b>Appropriated Funds</b>			
<b>General Revenue Fund - 0001</b>			
Appropriations	\$ 26,679,000	\$ 21,721,000	\$ 16,073,000
Expenditures			
Appropriation for State's contribution	21,155,000	-	-
Continuing appropriation for pension contributions	-	21,721,000	16,073,000
Total appropriated funds	21,155,000	21,721,000	16,073,000
Lapsed balances	\$ 5,524,000	\$ -	\$ -
<b>Nonappropriated Funds</b>			
<b>General Assembly Retirement System Fund - 0481</b>			
Expenditures			
Personal services	130,636	129,208	131,051
Employee retirement contributions paid by employer	1,291	1,463	1,451
Retirement contributions	61,820	57,686	59,805
Social Security and Medicare contributions	9,613	9,544	9,677
Group insurance	25,319	27,330	29,298
Contractual services	74,078	75,514	97,712
Travel	1,478	555	1,121
Purchase of investments	700,000	2,000,000	-
Commodities	20	63	93
Printing	78	122	100
Equipment	-	255	-
Electronic data processing	20,974	21,528	40,210
Telecommunications	349	357	408
Automotive	303	589	256
Nonrecurring refunds and distributions	48,116	126,111	172,644
Pensions, annuities and benefits	23,202,390	22,282,948	21,771,752
Refunds, prior year contributions	1,300	-	7,801
Refunds, not elsewhere classified	-	-	48,861
Total expenditures - Fund 0481	24,277,765	24,733,273	22,372,240
<b>General Assembly Retirement Excess Benefit Fund - 0786</b>			
Expenditures			
Pensions, annuities and benefits	84,954	80,911	70,135
Total nonappropriated expenditures	24,362,719	24,814,184	22,442,375
Grand total expenditures, all Funds	\$ 45,517,719	\$ 46,535,184	\$ 38,515,375

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2018, 2017 and 2016 and have been reconciled to System records.

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

Note 3: The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.1(a)) provides a continuing annual appropriation for the State's Contributions to the System such that the State's total contributions are no less than the required State contributions lawfully submitted by the System under the Illinois Pension Code (40 ILCS 5/2-134). The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the System pursuant to this Statute. Therefore, the System's fiscal years 2016 and 2017 appropriations for Fund 001 were established as the amount certified to the Governor and General Assembly as the State's required contribution for those fiscal years.

Schedule of Changes in State Property  
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 17,051	\$ -	\$ (31)	\$ 17,020
Accumulated depreciation	(15,575)	(809)	31	(16,353)
Equipment, net	1,476	(809)	-	667
Internally developed software	18,810	6,404	-	25,214
Accumulated amortization	(2,005)	(1,261)	-	(3,266)
Internally developed software, net	16,805	5,143	-	21,948
Capital assets, net	\$ 18,281	\$ 4,334	\$ -	\$ 22,615

Note 1: This schedule has been reconciled to property reports (C-15 Agency Report of State Property) submitted to the Office of the State Comptroller.

Note 2: 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 State Comptroller for financial reporting in accordance with generally accepted accounting principles.

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

**Schedule 4**

**Comparative Schedule of Cash Receipts and Reconciliation of Cash  
Receipts to Deposits Remitted to the State Comptroller  
For the Years Ended June 30, 2018 and 2017**

	2018	2017
<b>General Assembly Retirement System Fund - 0481</b>		
Participant contributions	\$ 1,256,727	\$ 1,571,620
Employer contributions:		
General Revenue Fund	23,159,326	19,560,584
Interest income on cash balances	91,012	42,605
Tax-deferred installment payments	5,101	6,551
Post tax installment payments	-	150
Cancellation of annuities, net of overpayments	26,142	5,475
Transfers from Illinois State Board of Investment	-	2,550,000
Miscellaneous	-	200
Total cash receipts per System	<u>24,538,308</u>	<u>23,737,185</u>
Less - Interest on cash balances	(91,012)	(42,605)
Less - Cancellation of annuities	(26,142)	(5,476)
Less - In transit at End of Year	-	-
Plus - In transit at Beginning of Year	-	-
Prior fiscal year intergovernmental payment vouchers deposited into GARS Trust Fund (Fund 481) during the current fiscal year*	(2,715,126)	(669,710)
Current fiscal year intergovernmental payment vouchers submitted to the Comptroller's office by not yet deposited into the GARS Trust Fund (Fund 481)*	651,300	2,715,126
Total cash receipts per State Comptroller's Records Fund 481	<u>\$ 22,357,328</u>	<u>\$ 25,734,520</u>
<b>General Assembly Retirement System Excess Benefit - Fund 0786</b>		
Employer contributions	\$ 59,500	\$ 115,000
Interest income on cash balances	869	410
Total cash receipts per System	<u>60,369</u>	<u>115,410</u>
Less - Interest on cash balances	(869)	(410)
Total cash receipts per State Comptroller's Records Fund 0786	<u>\$ 59,500</u>	<u>\$ 115,000</u>
<b>GRAND TOTAL - ALL FUNDS</b>		
Total cash receipts per System	\$ 24,598,677	\$ 23,852,595
Less - Reconciling items from above	(2,833,149)	(718,201)
Plus - Reconciling items from above	651,300	2,715,126
Total cash receipts per State Comptroller's Records - All Funds	<u>\$ 22,416,828</u>	<u>\$ 25,849,520</u>

\* Intergovernmental transfers are GRF employer contributions that are deposited in the GARS Trust Fund (Fund #0481). Intergovernmental transfers are recorded as revenue on the monthly revenue report (SB04) at the time the intergovernmental payment voucher is entered into the SAMS system. GARS does not record the intergovernmental transfer as a receipt until the voucher has been released and the payment has been deposited into the Trust Fund.

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

**Schedule 5**

**Comparative Schedule of Cash Balances  
For the Years Ended June 30, 2018 and 2017**

	<b>2018</b>	<b>2017</b>
State Treasury	\$ 4,718,266	\$ 4,535,006

The increase in the cash balance at the end of the fiscal year is due to the timing of the release of the GRF employer contribution payment. The timing of receipts, as well as expenses, can fluctuate and variances in the cash balance can occur from year to year.

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

**Schedule 6**

**Comparative Schedule of Changes in Investment Balances  
For the Years Ended June 30, 2018 and 2017**

Pursuant to Article 22A of the Illinois Pension Code, investments of the General Assembly Retirement System of the State of Illinois are managed by the Illinois State Board of Investment (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 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, 2018 and 2017 is summarized as follows:

	<b>2018</b>	<b>2017</b>
Balance at beginning of year, at fair value	\$ 47,148,105	\$ 42,604,441
Net cash added (withdrawn) to (from) investment, net	700,000	(550,000)
	<u>47,848,105</u>	<u>42,054,441</u>
Investment income		
Interest, dividends and other	1,103,641	1,128,101
Expenses	(74,462)	(82,239)
	<u>1,029,179</u>	<u>1,045,862</u>
Net appreciation (depreciation) in fair value of investments		
Net realized gain on sales of investments	2,550,442	1,201,068
Net unrealized gain (loss) on investment	60,217	2,846,734
	<u>2,610,659</u>	<u>4,047,802</u>
Total net investment income (loss)	<u>3,639,838</u>	<u>5,093,664</u>
Balance at end of year, at fair value	<u>\$ 51,487,943</u>	<u>\$ 47,148,105</u>

Securities lending collateral decreased by \$16.0 thousand in fiscal year 2018 compared to the fiscal year 2017 ending balance (\$1,949,000 from \$1,965,000). The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same security in the future. Each year the Treasurer provides an allocation to the Comptroller to adjust each State Agency's financial statements to include their proportionate share of the securities lending transaction balances at year-end. Securities lending activity can vary from year-to-year depending on market conditions and the availability of securities to lend.

## **General Assembly Retirement System of the State of Illinois Compliance Examination**

### **Analysis of Operations (Unaudited) (Continued) For the Years Ended June 30, 2018 and 2017**

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#### ***System 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 FY 2018, System staff continued to work on the modernization of several business processes through the application developed by the Information Technology Division. Significant progress was made on the development of the module to set up and track System receivables, as well as the module that will allow for the request and tracking of optional service purchases. Additionally, through diligent staff efforts, the process by which initial retirement benefits are set up to be processed was coded. As FY 2019 begins, the benefit set up process will be reviewed, end-user tested, and ultimately placed into production. Likewise, the service purchase module and receivable modules will continue to be tested and developed through FY 19 and go into production in the later part of the fiscal year.

#### ***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%. In addition, the funding plan provided for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Now that the 15-year phase-in is complete, the State's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

## **General Assembly Retirement System of the State of Illinois Compliance Examination**

### **Analysis of Operations (Unaudited) (Continued) For the Years Ended June 30, 2018 and 2017**

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

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 were then increased incrementally as a percentage of the participant payroll so that by fiscal year 2011, the State was 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 Public Act 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.

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.

Public Act 100-0023 became law on July 6, 2017. Public Act 100-0023 directed the System to smooth the effects of changes in assumptions on the State's contribution by amortizing the effect of the changes over a five-year period retroactive to 2014. The System was also required to recalculate the State's fiscal year 2018 contribution resulting in a \$5.5 million reduction in the State contribution from \$26.7 million to \$21.2 million.

Under the State's funding plan, the actuarial accrued liability of the System at June 30, 2018, amounted to approximately \$375.8 million. The actuarial value of assets (at smoothed value) at June 30, 2018 amounted to approximately \$57.6 million. The difference between the actuarial accrued liability and the actuarial value of assets of \$318.2 million reflects the unfunded actuarial accrued liability of the System at June 30, 2018 under the State's funding plan. The System had a funded ratio based on the State's funding plan of 15.3% at June 30, 2018.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***Progress in Funding the System (Unaudited) (Continued)***

For financial reporting purposes, the System adopted GASB Statement No. 67, *Financial Reporting for Pension Plans*, in the fiscal year ended June 30, 2014. GASB Statement No. 67 requires the use of the market value of assets rather than the actuarial value of assets (smoothed value) used under the State's funding plan in calculating the net pension liability. It also requires that the System use the entry age actuarial cost method rather than the projected unit credit cost method used under the State's funding plan for calculating the total pension liability. In addition, it requires the System use a blended rate of return of 6.68% combining the assumed rate of return of 6.75% and a municipal bond rate of 3.62% based on an index of 20-year general obligation bonds with an average AA rating for investments in the event the System's assets are exhausted in the future.

On June 30, 2018, the System reported for financial reporting purposes under GASB Statement No. 67 that the market value of assets was \$56.8 million. The difference between the total pension liability of \$382.8 million and the market value of assets was the net pension liability of \$326.0 million and the funded ratio was 14.8%. On June 30, 2017, the market value of assets was \$54.3 million. The difference between the System's June 30, 2017 total pension liabilities of \$378.4 million and the market value of assets was the June 30, 2017 net pension liability of \$324.1 million and the funded ratio was 14.4%.

The market value of the assets of the fund, that were available for benefits, increased from \$54.3 million as of June 30, 2017 to \$56.8 million as of June 30, 2018. The actuarial value of the assets of \$57.6 million at June 30, 2018, is \$0.8 million higher than the market value of the assets due to recognition of 100% of the actuarial gain in fiscal year 2014, 80% of the actuarial gain in fiscal year 2015, 60% of the actuarial loss in fiscal year 2016, 40% of the actuarial gain in fiscal year 2017 and 20% of the actuarial gain in fiscal year 2018.

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

<b>Year Ended June 30</b>	<b>Required State Contribution (in millions)</b>
2019	\$ 23.2
2020	25.8
2021	26.9
2022	27.1
2023	26.6

The Schedule of the State's Net Pension Liability (in millions) for fiscal years ended June 30, 2018 and 2017 are noted in the table below.



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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

***Progress in Funding the System (Unaudited) (Continued)***

	<b>2018</b>	<b>2017</b>
Total pension liability	\$ 382.8	\$ 378.4
Plan fiduciary net position	56.8	54.3
State's net pension liability (asset)	<u>\$ 326.0</u>	<u>\$ 324.1</u>
Plan fiduciary net position as a percentage of the total pension liability	14.8 %	14.4 %
Covered payroll	\$ 10.7	\$ 11.0
State's net pension liability (asset) as a percentage of covered payroll	3,043.36 %	2,946.97 %

The Schedule of State Contributions for the fiscal years ended June 30, 2018 and 2017 are noted in the table below.

<b>Year Ended June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Contributions Received</b>	<b>Contribution (Deficiency) Excess</b>	<b>Covered Payroll</b>	<b>Contributions Received as a Percentage of Covered Payroll</b>
2018	\$32,082,644	\$21,155,000	(\$10,927,644)	\$10,711,024	197.51%
2017	26,984,621	21,721,000	(5,263,621)	10,996,284	197.53%

Notes to the Schedule of State Contributions

Valuation date: June 30, 2016

Notes: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions will be made. Covered payroll for fiscal years June 30, 2018 and June 30, 2017 were restated to comply with the requirements of GASB Statement No. 82.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***Progress in Funding the System (Unaudited) (Continued)***

Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date

Actuarial Cost Method:	Projected Unit Credit
Amortization Method:	Normal cost plus a level percentage of capped payroll amortization of the unfunded accrued liability.
Remaining Amortization Period:	20 years, closed
Asset Valuation Method:	5 year smoothed market
Inflation:	2.75 percent
Salary Increases:	A salary increase assumption of 3.00 percent per annum, compounded annually, was used. This includes an inflation component of 2.75 percent per annum, and productivity component of 0.25 percent per annum.
Post-Retirement Benefits:	Post-retirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or the annual change in the Consumer Price Index, whichever is less, compounded for Tier 2.
Investment Rate of Return:	6.75 percent
Retirement Age:	Experienced-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2014 White Collar Healthy Annuitant Mortality Table, sex distinct, and generator mortality improvements using the MP 2014 two-dimensional mortality improvement scales.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

**Analysis of Significant Variations in Expenditures (Unaudited)**

The System's expenditures, obtained from Schedule 2, have been analyzed for fluctuations greater than \$75,000 and 20% from the previous year.

	2018	2017	Increase (Decrease)
Nonrecurring refunds and distributions	\$ 48,116	\$ 126,111	\$ (77,995) (1)
Purchase of investments	700,000	2,000,000	(1,300,000) (2)

- (1) The System experienced a decrease in the number of members who elected to withdraw contributions (5 members vs. 4 members). In addition, the refund dollar amount per member was less in fiscal year 2018 as compared to fiscal year 2017.
- (2) The System strives to maintain a Trust Fund cash balance sufficient to cover two months of operating expenses. Any projected Trust Fund balance excess or shortfall is transferred to or transferred from the Illinois State Board of Investment, respectively. The decrease represents the projected decrease of the excess cash balance that was transferred to the Illinois State Board of Investment for long-term investment.

**Analysis of Significant Variations in Cash Receipts (Unaudited)**

The System's cash receipts, obtained from Schedule 4, have been analyzed for fluctuations greater than \$75,000 and 20% from the previous year.

	2018	2017	Increase (Decrease)
Participant contributions	\$ 1,256,727	\$ 1,571,620	\$ (314,893) (a)
Transfers from the Illinois State Board of Investment	-	2,550,000	(2,550,000) (b)

- (a) The cash receipts of participant contributions were inflated in fiscal year 2017 due to the halting of the processing of three fiscal year 2016 General Assembly monthly payrolls because of the lack of a state budget. The fiscal year 2016 halted payrolls were processed in fiscal year 2017, thus inflating the participant contributions. The fiscal year 2018 participant contributions reflect a regular annual cycle of payroll contributions.
- (b) The System strives to maintain a Trust Fund cash balance sufficient to cover two months of operating expenses. Any projected Trust Fund balance excess or shortfall is transferred to or transferred from the Illinois State Board of Investment, respectively. The decrease represents the lesser need to transfer from the Illinois State Board of Investment for benefit payments in fiscal year 2018 than fiscal year 2017.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***Analysis of Significant Lapse Period Spending (Unaudited)***

The System's lapse period spending, obtained from Schedule 1, has been analyzed for spending greater than \$15,000 and 20% in any appropriated line item.

There was no lapse period spending in fiscal year 2018 appropriated lines that met the criteria.

***Analysis of Contributions Receivable (Unaudited)***

	2018	2017
Employer contributions	\$ 651,300	\$ 2,715,126
Participants' contributions	20,419	27,014
Refundable annuities	5,220	6,226
Interest on cash balances	7,796	6,011
	<hr/>	<hr/>
Total receivables	<u>\$ 684,735</u>	<u>\$ 2,754,377</u>

The variance in total receivables from 2018 to 2017 is primarily due to the decrease of general revenue funds due from the Illinois Office of the Comptroller at the end of fiscal year 2018. The actuarially determined employer contribution amount decreased by \$566,000 (or 3%) in fiscal year 2018. Given the aggregate cash needs by Illinois (managed by the Illinois Office of the Comptroller), the associated receivable correspondingly decreased. Accounts are first analyzed by System personnel for collectability before being sent to the Attorney General's Office for a final determination.

***Budget Impasse Disclosures (Unaudited)***

Article 998 of Public Act 100-0021 authorized the System to pay its unpaid fiscal year 2017 costs using either the System's fiscal year 2017 or fiscal year 2018 appropriations for non-payroll expenditures. The System did not have any outstanding invoices from fiscal year 2017 unpaid after the closure of the fiscal year 2017 Lapse Period on September 30, 2017. Therefore, the System did not use its fiscal year 2018 appropriations to pay its fiscal year 2017 costs.

***Money-Weighted Rate 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 6.75% 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.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***Money-Weighted Rate of Return (Unaudited) (Continued)***

The time-weighted rate of return of the ISBI Commingled Fund was 7.6% for fiscal year 2018. The ISBI's total fund performance was more than the composite benchmark of 7.4% for the year ended June 30, 2018.

The annual money-weighted rate of return, net of investment expense, as of June 30, 2018 and 2017 was as follows:

	<u>2018</u>	<u>2017</u>
Money-weighted return*	7.5%	12.3%

\* The annual money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

***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)***

	<u>2018</u>	<u>2017</u>
Total expenses		
Benefits	\$ 23,283,020	\$ 22,362,526
Refunds	44,856	130,885
Administrative	348,384	355,711
	<u>                    </u>	<u>                    </u>
Total expenses	<u>\$ 23,676,260</u>	<u>\$ 22,849,122</u>
Administrative expenses as a percentage of total expenses	<u>1.5%</u>	<u>1.6%</u>

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 of Illinois and Judges' Retirement System of Illinois are paid 25% by the General Assembly Retirement System of Illinois and 75% 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 of Illinois.

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***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.

	<u>2018</u>	<u>2017</u>
<b>Contributions</b>		
Participant Contributions	\$ 1,255,232	\$ 1,284,707
Employer Contributions	21,155,000	21,721,000
<b>Total Contributions</b>	<u>22,410,232</u>	<u>23,005,707</u>
<b>Deductions</b>		
Retirement Benefits	19,188,301	18,354,695
Survivor Benefits	4,094,719	4,007,831
Refunds	44,856	130,885
Administrative Expenses	348,384	355,711
<b>Total Deductions</b>	<u>23,676,260</u>	<u>22,849,122</u>
<b>Contributions in Excess of Deduction/(Investments Used to Pay Benefits and Expenses)</b>	<u>\$ (1,266,028)</u>	<u>\$ 156,585</u>

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

**Analysis of Operations (Unaudited) (Continued)  
For the Years Ended June 30, 2018 and 2017**

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***Service Efforts and Accomplishments (Unaudited)***

	<u>2018</u>	<u>2017</u>
Membership data		
Active members	132	135
Inactive members	<u>52</u>	<u>58</u>
Total members	<u><u>184</u></u>	<u><u>193</u></u>
Benefit payments processed		
Recurring		
Retirement annuities (1)	302	300
Survivors' annuities (2)	115	121
Reversionary annuities	<u>-</u>	<u>-</u>
Total	<u><u>417</u></u>	<u><u>421</u></u>
Termination refunds processed	<u><u>2</u></u>	<u><u>2</u></u>
Retirement counseling		
One-on-one counseling programs held*	54	26
One-on-one counseling programs held (GARS only)	3	3

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

(1) 100% of the fiscal year 2018 retirement annuities were processed in less than 30 days.

(2) 100% of the fiscal year 2018 survivors' annuities were processed in less than 30 days.