

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

For the Two Years Ended June 30, 2019

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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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, 2019

FUND OFFICIALS

| | |
|---|--------------------------|
| Executive Director | Mr. Charles A. Burbridge |
| Deputy Executive Director | Ms. Mary Cavallaro |
| Director, Accounting and Finance* (07/01/17 – 02/16/18) | Ms. Saron Tegegne |
| Chief Financial Officer | Ms. Alise White |
| Chief Legal Officer (03/04/19 – Present) | Mr. Daniel Hurtado |
| Chief Legal Officer (03/02/19 – 03/03/19) | Vacant |
| Chief Legal Officer (07/01/17 – 03/01/19) | Mr. John Schomberg |
| Internal Audit Director (11/27/17 – Present) | Ms. Adriane McCoy |
| Internal Audit Director (07/01/17 – 11/26/17) | Vacant |

*This position no longer exists at the Fund.

The Fund's office is located at:
203 North LaSalle Street, Suite 2600
Chicago, Illinois 60601



Chicago Teachers' Pension Fund

203 North LaSalle Street, Suite 2600 | Chicago, Illinois 60601-1231

MANAGEMENT ASSERTION LETTER

October 31, 2019

Honorable Frank J. Mautino
Auditor General
State of Illinois
740 East Ash Street
Springfield, Illinois 62703-3154

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 Common School 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 specified requirements during the two-year period ended June 30, 2019. Based on this evaluation, we assert that during the years ended June 30, 2018, and June 30, 2019, the Public School Teachers' Pension and Retirement Fund of Chicago has materially complied with the specified requirements listed 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 of Illinois as required by law.

Yours truly,

Public School Teachers' Pension and Retirement Fund of Chicago

SIGNED ORIGINAL ON FILE

Charles A. Burbridge, Executive Director

BOARD OF TRUSTEES

Jeffery Blackwell Mary Sharon Reilly
President *Vice President*

Robert F. Bures Miguel del Valle Jerry Travlos
James Cavallero Tina Padilla Dwayne Truss

Charles A. Burbridge
Executive Director

Gregory Redfeairn Jacquelyn Price Ward
Financial Secretary *Recording Secretary*

Gervaise Clay Maria J. Rodriguez

SIGNED ORIGINAL ON FILE

Alise White, Chief Financial Officer

SIGNED ORIGINAL ON FILE

Daniel Hurtado, Chief Legal Officer

PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2019

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 correspondence from Alise White, Chief Financial Officer, on October 22, 2019.

SPRINGFIELD OFFICE:
ILES PARK PLAZA
740 EAST ASH • 62703-3154
PHONE: 217/782-6046
FAX: 217/785-8222 • TTY: 888/261-2887
FRAUD HOTLINE: 1-855-217-1895



CHICAGO OFFICE:
MICHAEL A. BILANDIC BLDG. • SUITE S-900
160 NORTH LASALLE • 60601-3103
PHONE: 312/814-4000
FAX: 312/814-4006
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

and

Governing Board
Public School Teachers' Pension and Retirement Fund of Chicago

Compliance

We have examined compliance by the Public School Teachers' Pension and Retirement Fund of Chicago (Fund) with the specified 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 Fund from the Common School Fund during the two years ended June 30, 2019. Management of the Fund is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Fund's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Fund 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 Fund has submitted its annual reports to the State of Illinois 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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain

reasonable assurance about whether the Fund complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Fund complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, 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 Fund's compliance with the specified requirements.

In our opinion, the Fund complied with the specified requirements during the two years ended June 30, 2019, in all material respects.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Internal Control Over Compliance

Management of the Fund is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control).

In planning and performing our examination, we considered the Fund's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Fund's compliance with the specified requirements and to test and report on the Fund's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund'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, noncompliance with the specified requirements 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 material noncompliance with the specified requirements 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 examination, 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.

There were no immaterial findings that have been excluded from this report.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. 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 the Fund's compliance with the specified requirements. The accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 through 3 and the Analysis of Operations section are presented for purposes of additional analysis. Such information is the responsibility of Fund management. We have applied certain limited procedures as prescribed by the *Audit Guide* to the accompanying supplementary information for the years ended June 30, 2018, and June 30, 2019, in Schedules 1 through 3. We have not applied procedures to the accompanying supplementary information for the year ended June 30, 2017, in Schedule 3 and in the Analysis of Operations Section. We do not express an opinion, a conclusion, nor provide any assurance on the accompanying supplementary information in Schedules 1 through 3 or the Analysis of Operations Section.

SIGNED ORIGINAL ON FILE

JANE CLARK, CPA
Director of Financial and Compliance Audits

Springfield, Illinois
October 31, 2019

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 2019

For the Fifteen Months Ended September 30, 2019

| | Appropriations | Expenditures Through 06/30/19 | Lapse Period Expenditures 07/01 - 09/30/19 | Total Expenditures | Balances Lapsed |
|--|-----------------------|-------------------------------------|--|-----------------------|--------------------|
| <u>Public Act 100-0586</u> | | | | | |
| <u>APPROPRIATED FUNDS</u> | | | | | |
| <u>COMMON SCHOOL FUND - 0412</u> | | | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(d) of the Illinois Pension Code | \$ 226,782,000 | \$ 188,985,000 | \$ 37,797,000 | \$ 226,782,000 | \$ - |
| Total - All Appropriated Funds | <u>\$ 226,782,000</u> | <u>\$ 188,985,000</u> | <u>\$ 37,797,000</u> | <u>\$ 226,782,000</u> | <u>\$ -</u> |
| <u>NON-APPROPRIATED FUNDS</u> | | | | | |
| <u>COMMON SCHOOL FUND - 0412</u> | | | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(c) of the Illinois Pension Code | | \$ 12,087,000 | \$ - | \$ 12,087,000 | |
| Total - All Non-Appropriated Funds | | <u>\$ 12,087,000</u> | <u>\$ -</u> | <u>\$ 12,087,000</u> | |
| GRAND TOTAL ALL FUNDS | <u>\$ 226,782,000</u> | <u>\$ 201,072,000</u> | <u>\$ 37,797,000</u> | <u>\$ 238,869,000</u> | <u>\$ -</u> |

Note 1: Expenditure amounts in this schedule were prepared by the Fund and have been reconciled to the State Comptroller as of September 30, 2019.

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 2018

For the Fourteen Months Ended August 31, 2018

| | Expenditures Through <u>06/30/18</u> | Lapse Period Expenditures <u>07/01 - 08/31/18</u> | Total <u>Expenditures</u> | Balances <u>Lapsed</u> |
|--|--|---|------------------------------|---------------------------|
| <u>NON-APPROPRIATED FUNDS</u> | | | | |
| <u>COMMON SCHOOL FUND - 0412</u> | | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(c) of the Illinois Pension Code | \$ 11,692,000 | \$ - | \$ 11,692,000 | |
| Total - All Non-Appropriated Funds | \$ 11,692,000 | \$ - | \$ 11,692,000 | |
| GRAND TOTAL ALL FUNDS | \$ 11,692,000 | \$ - | \$ 11,692,000 | |

Note 1 : Expenditure amounts in this schedule were prepared by the Fund and have been reconciled to the State Comptroller as of August 31, 2018.
 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 APPROPRIATIONS,
EXPENDITURES, AND LAPSED BALANCES**
For the Fiscal Year Ended June 30,

| | Fiscal Year | | |
|---|-----------------------|----------------------|----------------------|
| | 2019 | 2018 | 2017 |
| | Public Act 100-0586 | Public Act 99-0524 | |
| <u>APPROPRIATED FUNDS</u> | | | |
| General Revenue Fund - 0001 | | | |
| Appropriations | \$ - | \$ - | \$ 12,186,000 |
| Expenditures | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(b) of the Illinois Pension Code | \$ - | \$ - | \$ 12,186,000 |
| Total Expenditures | \$ - | \$ - | \$ 12,186,000 |
| Lapsed Balances | \$ - | \$ - | \$ - |
| Common School Fund - 0412 | | | |
| Appropriations | \$ 226,782,000 | \$ - | \$ - |
| Expenditures | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(d) of the Illinois Pension Code | 226,782,000 | - | - |
| Total Expenditures | \$ 226,782,000 | \$ - | \$ - |
| Lapsed Balances | \$ - | \$ - | \$ - |
| GRAND TOTALS - ALL APPROPRIATED FUNDS | | | |
| Appropriations | \$ 226,782,000 | \$ - | \$ 12,186,000 |
| Total Expenditures | \$ 226,782,000 | \$ - | \$ 12,186,000 |
| Lapsed Balances | \$ - | \$ - | \$ - |
| <u>NON-APPROPRIATED FUNDS</u> | | | |
| Common School Fund - 0412 | | | |
| Expenditures | | | |
| Contribution to the Public School Teachers' Pension and Retirement Fund of Chicago under Section 17-127(c) of the Illinois Pension Code | \$ 12,087,000 | \$ 11,692,000 | \$ - |
| Total All Non-Appropriated Funds | \$ 12,087,000 | \$ 11,692,000 | \$ - |
| GRAND TOTAL EXPENDITURES - ALL FUNDS | \$ 238,869,000 | \$ 11,692,000 | \$ 12,186,000 |

Note 1: Expenditure amounts in this schedule were prepared by the Fund and have been reconciled to the State Comptroller as of August 31, 2018 and September 30, 2019.

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

Note 3: § 17-127(b) of the Illinois Pension Code was recodified as § 17-127(c) of the Illinois Pension Code by Public Act 100-0465.

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, 2019

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2019 AND 2018

Common School Fund – 412

For Payment of the State's Contribution for Retirement Contributions under Section 17-127(d) of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago

The increase in expenditures was due to additional funding during Fiscal Year 2019 approved pursuant to Public Act 100-0465, which states that beginning in State Fiscal Year 2019, the State shall contribute for each fiscal year an amount to be determined by the Fund equal to the employer normal cost for that fiscal year. During Fiscal Year 2019, the Fund determined the additional contribution amount to be \$226,782,000. No such funds were expended during Fiscal Year 2018.

ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND 2017

General Revenue Fund – 001

For Payment of the State's Contribution for Retirement Contributions under Section 17-127(b) of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago

The decrease in expenditures is due to the change in the fund from which these contributions are paid out of. During Fiscal Year 2017 they were paid out of the General Revenue Fund and during Fiscal Year 2018 they were paid out of the Common School Fund.

Common School Fund – 412

For Payment of the State's Contribution for Retirement Contributions under Section 17-127(c) of the Pension Code to the Public School Teachers' Pension and Retirement Fund of Chicago

The increased in expenditures is due to the change in the fund from which these contributions are paid out of. During Fiscal Year 2017 they were paid out of the General Revenue Fund and during Fiscal Year 2018 they were paid out of the Common School Fund.

**PUBLIC SCHOOL TEACHERS' PENSION AND RETIREMENT FUND OF CHICAGO
SPECIAL LIMITED SCOPE COMPLIANCE EXAMINATION
ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING
For the Two Years Ended June 30, 2019**

There were no significant expenditures incurred during the Lapse Period during Fiscal Year 2018 and Fiscal Year 2019.