

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

## **Compliance Examination**

For the Year Ended June 30, 2019  
Performed as Special Assistant Auditors for  
the Auditor General, State of Illinois



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

**For the Year Ended June 30, 2019**

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

**Year Ended June 30, 2019**

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Other Reports Issued Under a Separate Cover:

The General Assembly Retirement System's (System) financial statements as of and for the year ended June 30, 2019, have been issued under a separate cover.

**General Assembly Retirement System of the State of Illinois  
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**For the Year Ended June 30, 2019**

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***System Officials***

Executive Secretary	Timothy B. Blair
Division Manager	Angie Ackerson
Accounting Division Manager	Alan Fowler, CPA
Internal Auditor	Casey Evans

**Governing Board**

Chair of the Board of Trustees	Representative Robert Martwick
Trustee (Vice-Chair)	Senator Sue Rezin
Trustee	Senator Napoleon Harris III
Trustee	Senator Don Harmon
Trustee	Representative Charles Meier
Trustee	Representative Michael Zalewski
Trustee	Representative Daniel Pierce, Retired Annuitant Member

***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

MANAGEMENT ASSERTION LETTER

April 1, 2020

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 of the State of Illinois (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 System's compliance with the following specified requirements during the year ended June 30, 2019. Based on this evaluation, we assert that during the year ended June 30, 2019, the System has materially complied with the specified requirements listed below.

- A. The System has obligated, expended, received, and used public funds of the State of Illinois (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.

Yours truly,

General Assembly Retirement System

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Timothy B. Blair, Executive Secretary

**SIGNED ORIGINAL ON FILE**

\_\_\_\_\_  
Alan Fowler, CPA, Accounting Division Manager

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

**For the Year Ended June 30, 2019**

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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 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	2	1
Repeated findings	1	1
Prior recommendations implemented or not repeated	0	1

**Schedule of Findings**

<b>Item No.</b>	<b>Page</b>	<b>Last Reported</b>	<b>Description</b>	<b>Finding Type</b>
<b>Findings (State Compliance)</b>				
2019-001	10	2018	Noncompliance with Ethics Training Requirements	Noncompliance and Significant Deficiency
2019-002	11	New	Failure to Report State Hispanic and Asian American Employment Plan	Noncompliance and Significant Deficiency

**Exit Conference**

The System waived an exit conference in a correspondence from Casey Evans, Internal Auditor, on January 30, 2020. The responses to the recommendations were provided by Casey Evans, Internal Auditor, in a correspondence dated February 10, 2020.



**Independent Accountant's Report  
on State Compliance, on Internal Control Over Compliance,  
and on Supplementary Information for State Compliance Purposes**

RSM US LLP

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 compliance by the General Assembly Retirement System of the State of Illinois (System) 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, during the year ended June 30, 2019. Management of the System is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the System's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The System has obligated, expended, received, and used public funds of the State of Illinois (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*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the System complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the System complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, 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 System's compliance with the specified requirements.

In our opinion, the System complied with the specified requirements during the year ended June 30, 2019, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2019-001 and 2019-002.

The System's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The System's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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 System 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 System's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the System's compliance with the specified requirements and to test and report on the System's internal control in accordance with the *Audit Guide*, 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, 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 and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our examination, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings as items 2019-001 and 2019-002 that we consider to be significant deficiencies.

As required by the *Audit Guide*, immaterial findings excluded from this report have been reported in a separate letter.

The System's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The System's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying Statement of Fiduciary Net Position of the General Assembly Retirement System of the State of Illinois (System), as of June 30, 2019, and the Statement of Changes in Fiduciary Net Position for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements (not presented herein), and have issued our report thereon dated December 13, 2019, 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 2019 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 90 percent, 91 percent and 12 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 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 13, 2019. The accompanying supplementary information for the year ended June 30, 2019, in Schedules 1 through 6 is presented for the purposes of additional analysis and is not a required part of the basic financial statements of the System. Such information is the responsibility of System 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 the year ended June 30, 2019, in Schedules 1 through 6 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 the year ended June 30, 2019, in Schedules 1 through 6 is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2019.

We also 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, 2018 and June 30, 2017 (not presented herein), and have issued our reports thereon dated December 14, 2018 and January 19, 2018, which contained unmodified opinions on the respective 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 of the System. We also 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. 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, 2018 and June 30, 2017 in Schedules 2 through 6 and Schedule 2, respectively, is the responsibility of System management and was derived from and relates directly to the underlying accounting and other records used to prepare the June 30, 2018 and June 30, 2017 financial statements. The accompanying supplementary information for the years ended June 30, 2018 and June 30, 2017 in Schedules 2 through 6 and Schedule 2, respectively, has been subjected to the auditing procedures applied in the audit of the June 30, 2018 and June 30, 2017 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, 2018 and June 30, 2017 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 for the years ended June 30, 2018 and June 30, 2017.

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 1, 2020, except for our report on the Supplementary Information  
for State Compliance Purposes, as to which the date is  
December 13, 2019

**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

**Report on the Financial Statements**

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, 2019, 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 we have issued our report thereon dated December 13, 2019. 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 (internal control) 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 net pension liability is dependent on several assumptions, including the assumption that future required contributions from State sources are made based on statutory requirements.

**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*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the 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.

**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 13, 2019

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

**Schedule of Findings – State Compliance**

**Year Ended June 30, 2019**

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**Finding No. 2019-001 Noncompliance with Ethics Training Requirements**

The General Assembly Retirement System of the State of Illinois (System) continues to not comply with the ethics training provisions of the Illinois Pension Code.

During the current year examination testing, we determined through our compliance testing 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 Illinois Department of Financial and Professional Regulation, Division of Insurance (DFPR).

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 DFPR.

System officials stated they continue to work with the Board on documenting their required ethics training and have drafted their certification for calendar year 2019 which they anticipate to file with DFPR early in calendar year 2020.

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. 2019-001, 2018-001, 2017-001, 2016-002, 2015-002)

**Recommendation:**

We recommend the System finalize their draft certification for calendar year 2019 and submit the required annual certification to DFPR.

**System Response:**

The System accepts the finding and will submit the required annual certification to DFPR.

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

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

**Year Ended June 30, 2019**

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**Finding No. 2019-002 Failure to Report State Hispanic and Asian American Employment Plan**

The General Assembly Retirement System of the State of Illinois (System) did not file the Hispanic and Asian American Employment Plan Survey.

During the current compliance examination, we determined based on our compliance testing the System did not report to the Department of Central Management Services (DCMS) and the Department of Human Rights (DHR), on forms prescribed by those Departments, all of the System's activities in implementing the State Hispanic and Asian American Employment Plan.

The Civil Administrative Code of Illinois (20 ILCS 405/405-120 & 125) requires each State agency to report annually to the Department of Central Management Services and the Department of Human Rights, in a format prescribed by the Department (DCMS), all of the agency's activities in implementing the State Hispanic Employment Plan and the State Asian-American Employment Plan. According to the State Hispanic and Asian American Employment Plan survey submitted by DCMS to the General Assembly, they requested State agencies to submit their employment plan surveys for fiscal year 2018 between December 5, 2018 and December 21, 2018, with extensions granted through January 11, 2019.

System officials stated that the report filing period was missed due to staff oversight and that the reporting system would not allow the System to submit the employment plan surveys after the due date.

Failure to adequately report on forms prescribed by DCMS and DHR denies valuable information related to the System's workforce to members of the General Assembly and State government officials charged with the goal of improving the employment of these diverse groups within State government. (Finding Code No. 2019-002)

**Recommendation:**

We recommend the System implement a formal process to ensure timely reporting of the System's State Hispanic and Asian American Employment Plan with DCMS and DHR.

**System Response:**

The System accepts the finding and the Human Resources Manager has developed a calendar to ensure reports are completed and timely filed. The System has timely filed its State Hispanic and Asian American Employment Plans for calendar year 2020 ahead of established due dates.

Schedule of Appropriations, Expenditures and Lapsed Balances  
Appropriations for Fiscal Year 2019  
Sixteen Months Ended October 31, 2019

Public Act 100-0586	Appropriations (Net of Transfers)	Expenditures through June 30	Lapse Period Expenditures July 1, through October 31	Total Expenditures 16 Months Ended October 31	Balances Lapsed October 31
<b>Appropriated Funds</b>					
<b>General Revenue Fund - 0001</b>					
Appropriation for State's contribution	\$ 23,221,000	\$ 23,221,000	\$ -	\$ 23,221,000	\$ -
Total appropriated funds	\$ 23,221,000	\$ 23,221,000	\$ -	\$ 23,221,000	\$ -
<b>Nonappropriated Funds</b>					
<b>General Assembly Retirement</b>					
<b>System Fund - 0481</b>					
Personal services		\$ 77,594	\$ 39,785	\$ 117,379	
Employee retirement contributions paid by employer		995	438	1,433	
Retirement contributions		40,089	20,372	60,461	
Social Security and Medicare contributions		5,697	2,929	8,626	
Group insurance		19,451	10,006	29,457	
Contractual services		114,697	4,312	119,009	
Travel		987	783	1,770	
Commodities		-	21	21	
Printing		-	84	84	
Electronic data processing		481	21,483	21,964	
Telecommunications		202	144	346	
Automotive		420	483	903	
Nonrecurring refunds and distributions		149,530	-	149,530	
Pensions, annuities and benefits		24,469,745	(702)	24,469,043	
Refunds, prior calendar year contributions		3,396	-	3,396	
Refunds, not elsewhere classified		16,208	-	16,208	
Subtotal - Fund 0481		24,899,492	100,138	24,999,630	
<b>General Assembly Retirement</b>					
<b>Excess Benefit Fund - 0786</b>					
Pensions, annuities and benefits		89,396	-	89,396	
Total nonappropriated funds		24,988,888	100,138	25,089,026	
Grand total, all Funds	\$	48,209,888	\$ 100,138	\$ 48,310,026	

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2019 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, 2019, 2018 and 2017

	Fiscal Year		
	2019	2018	2017
	P.A. 100-0586	P.A. 100-0021	Continuing Appropriations
<b>Appropriated Funds</b>			
<b>General Revenue Fund - 0001</b>			
Appropriations	\$ 23,221,000	\$ 26,679,000	\$ 21,721,000
Expenditures			
Appropriation for State's contribution	23,221,000	21,155,000	-
Continuing appropriation for pension contributions	-	-	21,721,000
Total appropriated funds	23,221,000	21,155,000	21,721,000
Lapsed balances	\$ -	\$ 5,524,000	\$ -
<b>Nonappropriated Funds</b>			
<b>General Assembly Retirement System Fund - 0481</b>			
Expenditures			
Personal services	\$ 117,379	\$ 130,636	\$ 129,208
Employee retirement contributions paid by employer	1,433	1,291	1,463
Retirement contributions	60,461	61,820	57,686
Social Security and Medicare contributions	8,626	9,613	9,544
Group insurance	29,457	25,319	27,330
Contractual services	119,009	74,078	75,514
Travel	1,770	1,478	555
Purchase of investments	-	700,000	2,000,000
Commodities	21	20	63
Printing	84	78	122
Equipment	-	-	255
Electronic data processing	21,964	20,974	21,528
Telecommunications	346	349	357
Automotive	903	303	589
Nonrecurring refunds and distributions	149,530	48,116	126,111
Pensions, annuities and benefits	24,469,043	23,202,390	22,282,948
Refunds, prior year contributions	3,396	1,300	-
Refunds, not elsewhere classified	16,208	-	-
Total expenditures - Fund 0481	24,999,630	24,277,765	24,733,273
<b>General Assembly Retirement Excess Benefit Fund - 0786</b>			
Expenditures			
Pensions, annuities and benefits	89,396	84,954	80,911
Total nonappropriated expenditures	25,089,026	24,362,719	24,814,184
Grand total expenditures, all Funds	\$ 48,310,026	\$ 45,517,719	\$ 46,535,184

Note 1: Appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of October 31, 2019, September 30, 2018 and September 30, 2017 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 year 2017 appropriations for Fund 001 were established as the amount certified to the Governor and General Assembly as the State's required contribution for that fiscal year.



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

**Schedule 3**

**Comparative Schedule of Cash Receipts and Reconciliation of Cash  
Receipts to Deposits Remitted to the State Comptroller  
For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
<b>General Assembly Retirement System Fund - 0481</b>		
Participant contributions	\$ 1,260,258	\$ 1,256,727
Employer contributions:		
General Revenue Fund	22,819,760	23,159,326
From participants	32,426	-
Interest income on cash balances	73,762	91,012
Tax-deferred installment payments	3,576	5,101
Cancellation of annuities, net of overpayments	8,663	26,142
Transfers from Illinois State Board of Investment	260,000	-
Miscellaneous	150	-
Total cash receipts per System	<u>24,458,595</u>	<u>24,538,308</u>
Less - Interest on cash balances	(73,762)	(91,012)
Less - Cancellation of annuities	(8,663)	(26,142)
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*	(651,300)	(2,715,126)
Current fiscal year intergovernmental payment vouchers submitted to the Comptroller's office but not yet deposited into the GARS Trust Fund (Fund 481)*	967,540	651,300
Total cash receipts per State Comptroller's Records	<u>\$ 24,692,410</u>	<u>\$ 22,357,328</u>
<b>General Assembly Retirement System Excess Benefit - Fund 0786</b>		
Employer contributions	\$ 85,000	\$ 59,500
Interest income on cash balances	1,072	869
Total cash receipts per System	<u>86,072</u>	<u>60,369</u>
Less - Interest on cash balances	(1,072)	(869)
Total cash receipts per State Comptroller's Records Fund 0786	<u>\$ 85,000</u>	<u>\$ 59,500</u>
<b>GRAND TOTAL - ALL FUNDS</b>		
Total cash receipts per System	\$ 24,544,667	\$ 24,598,677
Less - Reconciling items from above	(734,797)	(2,833,149)
Plus - Reconciling items from above	967,540	651,300
Total cash receipts per State Comptroller's Records - All Funds	<u>\$ 24,777,410</u>	<u>\$ 22,416,828</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.

Schedule of Changes in State Property  
For the Year Ended June 30, 2019

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 17,020	\$ 367	\$ (1,404)	\$ 15,983
Accumulated depreciation	(16,353)	(333)	1,404	(15,282)
Equipment, net	667	34	-	701
Internally developed software	25,214	11,119	-	36,333
Accumulated amortization	(3,266)	(1,816)	-	(5,082)
Internally developed software, net	21,948	9,303	-	31,251
Capital assets, net	\$ 22,615	\$ 9,337	\$ -	\$ 31,952

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  
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**Schedule 5**

**Comparative Schedule of Cash Balances  
For the Years Ended June 30, 2019 and 2018**

	<b>2019</b>	<b>2018</b>
State Treasury	\$ 4,144,035	\$ 4,718,266

The decrease 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  
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**Schedule 6**

**Comparative Schedule of Changes in Investment Balances  
For the Years Ended June 30, 2019 and 2018**

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, 2019 and 2018 is summarized as follows:

	<b>2019</b>	<b>2018</b>
Balance at beginning of year, at fair value	\$ 51,487,943	\$ 47,148,105
Net cash added (withdrawn) to (from) investment, net	(260,000)	700,000
	<u>51,227,943</u>	<u>47,848,105</u>
Investment income		
Interest, dividends and other	881,479	1,103,641
Expenses	(74,362)	(74,462)
	<u>807,117</u>	<u>1,029,179</u>
Net appreciation (depreciation) in fair value of investments		
Net realized gain on sales of investments	3,113,956	2,550,442
Net unrealized gain (loss) on investment	(544,584)	60,217
	<u>2,569,372</u>	<u>2,610,659</u>
Total net investment income	<u>3,376,489</u>	<u>3,639,838</u>
Balance at end of year, at fair value	<u>\$ 54,604,432</u>	<u>\$ 51,487,943</u>

Securities lending collateral decreased by \$1.086 million in fiscal year 2019 compared to the fiscal year 2018 ending balance (\$863,000 from \$1,949,000). 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) For the Years Ended June 30, 2019 and 2018**

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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.

Representative Robert Martwick 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 2019, the System staff worked to improve communications with members through updated forms and handbooks. Some member forms had not been reviewed nor updated for several years. This has led to misunderstandings with the membership that required a complete overhaul in order to make forms more user friendly and get the required information more effectively.

Staff has continued to work on the modernization of the internally developed software platform to create efficiencies and improvements within our business practices. As FY 2020 begins, we are working diligently to improve procedures and systems in trying to streamline the retirement process.

#### ***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, 2019 and 2018**

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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, 2019, amounted to approximately \$374.6 million. The actuarial value of assets (at smoothed value) at June 30, 2019 amounted to approximately \$60.1 million. The difference between the actuarial accrued liability and the actuarial value of assets of \$314.5 million reflects the unfunded actuarial accrued liability of the System at June 30, 2019 under the State's funding plan. The System had a funded ratio based on the State's funding plan of 16.0% at June 30, 2019.

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

**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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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 6.41% combining the assumed rate of return of 6.5% and a municipal bond rate of 3.13% 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, 2019, the System reported for financial reporting purposes under GASB Statement No. 67 that the market value of assets was \$59.7 million. The difference between the total pension liability of \$381.6 million and the market value of assets was the net pension liability of \$321.9 million and the funded ratio was 15.7%. On June 30, 2018, the market value of assets was \$56.8 million. The difference between the System's June 30, 2018 total pension liabilities of \$382.8 million and the market value of assets was the June 30, 2018 net pension liability of \$326.0 million and the funded ratio was 14.8%.

The market value of the assets of the fund, that were available for benefits, increased from \$56.8 million as of June 30, 2018 to \$59.7 million as of June 30, 2019. The actuarial value of the assets of \$60.1 million at June 30, 2019, is \$0.4 million higher than the market value of the assets due to recognition of 100% of the actuarial gain in fiscal year 2015, 80% of the actuarial loss in fiscal year 2016, 60% of the actuarial gain in fiscal year 2017, 40% of the actuarial gain in fiscal year 2018 and 20% of the actuarial gain in fiscal year 2019.

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>
2020	\$ 25.8
2021	27.3
2022	27.2
2023	26.5
2024	26.1

**General Assembly Retirement System of the State of Illinois  
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**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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

The Schedule of the State's Net Pension Liability (in millions) for fiscal years ended June 30, 2019 and 2018 are noted in the table below.

	<u>2019</u>	<u>2018</u>
Total pension liability	\$ 381.6	\$ 382.8
Plan fiduciary net position	59.7	56.8
	<u>\$ 321.9</u>	<u>\$ 326.0</u>
State's net pension liability (asset)		
Plan fiduciary net position as a percentage of the total pension liability	15.7 %	14.8 %
Covered payroll	\$ 10.2	\$ 10.7
State's net pension liability (asset) as a percentage of covered payroll	3,167.96 %	3,043.36 %

The Schedule of State Contributions for the fiscal years ended June 30, 2019 and 2018 are noted in the table below.

Year Ended June 30,	Actuarially Determined Contribution	Contributions Received	Contribution (Deficiency) Excess	Covered Payroll	Contributions Received as a Percentage of Covered Payroll
2019	\$32,650,450	\$23,253,426	(\$9,397,024)	\$10,159,312	228.89%
2018	32,082,644	21,155,000	(10,927,644)	10,711,024	197.51%

Notes to the Schedule of State Contributions

Valuation date: June 30, 2017

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.



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**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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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 20-year level percentage of capped payroll closed-period amortization of the unfunded accrued liability.
Remaining Amortization Period:	18 years, closed
Asset Valuation Method:	5 year smoothed market
Inflation:	2.75 percent
Salary Increases:	A salary increase rates based on age-related productivity and merit rated plus inflation.
Post-Retirement Benefits:	Post-retirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or one-half of the annual increase in the Consumer Price Index, whichever is less, simple 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.
Mortality:	
Post-retirement:	RP-2014 White Collar Healthy Annuitant mortality table, sex distinct, and generator mortality improvements using the MP 2014 two-dimensional mortality improvement scales.
Pre-retirement:	RP-2014 White Collar Total Employee mortality table, sex distinct, and generational mortality improvement using MP-2014 two-dimensional mortality improvement scales.

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**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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***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.

	2019	2018	Increase (Decrease)
Nonrecurring refunds and distributions	\$ 149,530	\$ 48,116	\$ 101,414 (1)
Purchase of investments	-	700,000	(700,000) (2)

- (1) The System experienced an increase in the number of members who elected to not participate (2 members vs. 7 members), causing an increase in the non-recurring refunds reported for FY19.
- (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.

	2019	2018	Increase (Decrease)
Transfers from the Illinois State Board of Investment	\$ 260,000	\$ -	\$ 260,000 (a)

- (a) 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 increase represents the greater need to transfer from the Illinois State Board of Investment for benefit payments in fiscal year 2019 than fiscal year 2018.

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

**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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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 2019 appropriated lines that met the criteria.

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

	2019	2018
Employer contributions	\$ 967,540	\$ 651,300
Participants' contributions	70,197	20,419
Refundable annuities	2,374	5,220
Irrevocable tax deferred installment agreements	3,576	-
Interest on cash balances	5,889	7,796
	<hr/>	<hr/>
Total receivables	<u>\$ 1,049,576</u>	<u>\$ 684,735</u>

Receivables included above represent amounts due from participants and the State of Illinois. No receivables were deemed uncollectible at June 30, 2019. Accounts are first analyzed by System personnel for collectability before being sent to the Attorney General's Office for final Determination.

The variance in total receivables from 2019 to 2018 is primarily due to the increase of general revenue funds due from the Illinois Office of the Comptroller at the end of fiscal year 2019. The actuarially determined employer contribution amount increased by \$2.1 million (or 9.8%) in fiscal year 2019. Given the aggregate cash needs by Illinois (managed by the Illinois Office of the Comptroller), the associated receivable correspondingly increased.

***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 6.5% 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)  
For the Years Ended June 30, 2019 and 2018**

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

The time-weighted rate of return of the ISBI Commingled Fund was 7.1% for fiscal year 2019. The ISBI's total fund performance was more than the composite benchmark of 7.0% for the year ended June 30, 2019.

The annual money-weighted rate of return, net of investment expense, as of June 30, 2019 and 2018 was as follows:

	<u>2019</u>	<u>2018</u>
Money-weighted return*	7.2%	7.5%

\* 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>2019</u>	<u>2018</u>
Total expenses		
Benefits	\$ 24,558,440	\$ 23,283,020
Refunds	168,920	44,856
Administrative	389,833	348,384
	<u>389,833</u>	<u>348,384</u>
Total expenses	<u>\$ 25,117,193</u>	<u>\$ 23,676,260</u>
Administrative expenses as a percentage of total expenses	<u>1.6%</u>	<u>1.5%</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  
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**Analysis of Operations (Unaudited)  
For the Years Ended June 30, 2019 and 2018**

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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>2019</u>	<u>2018</u>
<b>Contributions</b>		
Participant Contributions	\$ 1,317,187	\$ 1,255,232
Employer Contributions	23,253,426	21,155,000
<b>Total Contributions</b>	<u>24,570,613</u>	<u>22,410,232</u>
<b>Deductions</b>		
Retirement Benefits	20,590,350	19,188,301
Survivor Benefits	3,968,090	4,094,719
Refunds	168,920	44,856
Administrative Expenses	389,833	348,384
<b>Total Deductions</b>	<u>25,117,193</u>	<u>23,676,260</u>
<b>Contributions in Excess of Deduction/(Investments Used to Pay Benefits and Expenses)</b>	<u>\$ (546,580)</u>	<u>\$ (1,266,028)</u>