

General Assembly Retirement System, State of Illinois



A PENSION TRUST FUND
OF THE STATE OF ILLINOIS

Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018

GENERAL ASSEMBLY RETIREMENT SYSTEM OF ILLINOIS

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Springfield, Illinois 62794-9255

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FISCAL YEAR 2018 HIGHLIGHTS

200 Total Membership

132 Active Contributing Members

\$56,816,384 Net Position—Restricted for
Pensions, fair value

CONTRIBUTIONS

\$1,255,232 Participants

\$21,155,000 Employer

\$3,733,504 Net Investment Income

7.5% Investment Return

BENEFIT RECIPIENTS

302 Retirement Annuities

115 Survivors' Annuities

\$23,283,020 Benefits Paid

\$382,791,456 Total Pension Liability

\$56,816,384 Fiduciary Net Position

\$325,975,072 Net Pension Liability

14.84% Funded Ratio

MISSION STATEMENT

To establish an efficient method of permitting retirement, without hardship or prejudice, to General Assembly members and certain elected state officials who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment.

This year's cover commemorates the bicentennial of the State of Illinois.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

A Pension Trust Fund of the State of Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2018

GENERAL ASSEMBLY RETIREMENT SYSTEM,
STATE OF ILLINOIS

2101 South Veterans Parkway
P. O. Box 19255
Springfield, Illinois 62794-9255

Prepared by the Accounting Division



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TABLE OF CONTENTS

INTRODUCTORY SECTION.....	3	Additional Investment Information	50
Letter of Transmittal.....	4	Management Expenses.....	50
Board of Trustees	8	Analysis of Investment Performance	50
Administrative Staff.....	9		
Certificate of Achievement for Excellence in Financial Reporting	10		
FINANCIAL SECTION.....	11	ACTUARIAL SECTION	53
Independent Auditor’s Report.....	12	Actuary’s Certification Letter	54
Management’s Discussion and Analysis	14	Introduction	57
Basic Financial Statements:		Review by the State Actuary	58
Statement of Fiduciary Net Position.....	17	Actuarial Cost Method and Summary of Major Actuarial Assumptions	58
Statement of Changes in Fiduciary Net Position	18	Summary of and Changes to the Plan Provisions	60
Notes to Financial Statements	19	Short-Term Solvency Test	60
Required Supplementary Information:		Schedule of Retirants and Survivors’ Annuitants Added to and Removed from Rolls	61
Schedule of Changes in the State’s Net Pension Liability and Related Ratios.....	40	Summary of Accrued and Unfunded Accrued Liabilities (Analysis of Funding)	61
Notes to the Schedule of Changes in the State’s Net Pension Liability and Related Ratios	42	Reconciliation of Unfunded Actuarial Liability	62
Schedule of Investment Returns	42	Schedule of Active Member Valuation Data.....	63
Schedule of State Contributions	43	Valuation Results	63
Notes to Schedule of State Contributions.....	43	STATISTICAL SECTION	65
Supplementary Financial Information:		Asset Balances.....	66
Summary of Revenues by Source	44	Liabilities and Reserve Balances	66
Schedule of Payments to Consultants.....	44	Number of Participants.....	66
Summary Schedule of Cash Receipts and Disbursements	45	Number of Recurring Benefit Payments/ Termination Refunds	67
		Number on Active Payrolls	67
		Active Retirees by State	67
		Changes in Fiduciary Net Position	68
		Retirement Annuitants Statistics and Average Monthly Benefits.....	70
		Annuitants by Benefit Range (Monthly).....	70
		Survivors by Benefit Range (Monthly).....	70
		Average Benefit Payments.....	71
INVESTMENT SECTION	47	PLAN SUMMARY AND LEGISLATIVE SECTION.....	73
Investment Report	48		
Investment Policy and Asset Allocation.....	48		
Investment Portfolio Summary	49		

INTRODUCTORY SECTION

LETTER OF TRANSMITTAL



December 14, 2018

The Board of Trustees and Members
General Assembly Retirement System,
State of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report (CAFR) of the General Assembly Retirement System, State of Illinois (System) as of and for the fiscal year ended June 30, 2018 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

The report consists of six sections:

1. The Introductory Section contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;
2. The Financial Section contains management's discussion and analysis, the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;
3. The Investment Section contains a report on investment activity, investment policies, investment results and various investment schedules;
4. The Actuarial Section contains the Actuary's Certification Letter and the results of the annual actuarial valuation;
5. The Statistical Section contains significant statistical data; and
6. The Plan Summary and Legislative Section contains the System's plan provisions and current legislative changes.

Generally accepted accounting principles require that the financial reporting entity include:

1. the primary government;
2. organizations for which the primary government is financially accountable; and
3. other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

LETTER OF TRANSMITTAL

Based on the criteria of the Governmental Accounting Standards Board Statement No. 61, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the General Assembly Retirement System, Judges' Retirement System and State Employees' Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the General Assembly Retirement System do not include fiduciary net position information nor the changes in fiduciary net position of the State Employees' Retirement System or Judges' Retirement System.

PLAN HISTORY & SERVICES PROVIDED

The General Assembly Retirement System was established as a public employee retirement system (PERS) by state statute on July 1, 1947. As of June 30, 1948, the end of the System's first fiscal year of operations, there were a total of 190 participants and the fiduciary net position valued at cost amounted to approximately \$39,000. The fair value of fiduciary net position at the end of fiscal year 2018 amounted to approximately \$56.8 million, and there were 200 total active and inactive participants.

The mission of the System as prescribed by state statute is to "provide retirement annuities, survivors' annuities, and other benefits for members of the General Assembly, certain elected officials, and their beneficiaries."

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes, using the "prudent person rule".

This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position.

The ISBI maintains a wide diversification of investments within this fund which is intended to reduce overall risk and increase returns. As further detailed in the Investment Section, the ISBI Commingled Fund had a gain of 7.6%, net of expenses for the fiscal year ended June 30, 2018. Information regarding the Schedule of Fees and Commissions paid is included in the ISBI annual report.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

The funding plan for the System, enacted in 1994 with subsequent modifications, requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll.

For fiscal years up through 2010, the required state contributions, except for fiscal years 2006 and 2007, were to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045. For fiscal year 2018, the statutorily required state contribution was \$21,155,000. The total amount of contributions received from the state for fiscal year 2018 was \$21,155,000.

The funding legislation also provides for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

LETTER OF TRANSMITTAL

The actuarial determined liability of the System using the State's projected unit credit actuarial cost method for funding purposes at June 30, 2018, amounted to \$375.8 million. The actuarial value of assets amounted to \$57.6 million resulting in an unfunded accrued actuarial liability of \$318.2 million as of the same date. The actuarial determined liability, actuarial value of assets, and unfunded accrued actuarial liability of the System as presented above and in the Actuarial section of this report using the state's funding method does not conform with GASB Statement No. 67 and therefore, the amounts presented above and in the Actuarial section of this report differ from the amounts presented for financial reporting purposes in the Financial section of this report. A detailed discussion of funding is provided in the Actuarial Section of this report.

MAJOR EVENTS/INITIATIVES

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.

ACCOUNTING SYSTEM & INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made.

The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements.

In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgments by management. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Gabriel, Roeder, Smith & Company, Chicago, Illinois. The System's investment function is managed by the Illinois State Board of Investment.

The annual financial audit of the System was conducted by the accounting firm of RSM US LLP, under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a compliance attestation examination is also performed by the auditors.

The purpose of the compliance attestation examination was to determine whether the System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law.

LETTER OF TRANSMITTAL

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the General Assembly Retirement System for its comprehensive annual financial report (CAFR) for the fiscal year ended June 30, 2017.

The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The General Assembly Retirement System has received a Certificate of Achievement for the past twenty-nine consecutive years (fiscal years ended June 30, 1989 through June 30, 2017).

We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS & COMMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members in the State of Illinois.

On behalf of the Board of Trustees, we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,



Timothy B. Blair
Executive Secretary



Alan T. Fowler CPA
Chief Fiscal Officer

BOARD OF TRUSTEES



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Chairman



REPRESENTATIVE
David Harris
Vice-Chairman



SENATOR
Sue Rezin



SENATOR
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REPRESENTATIVE
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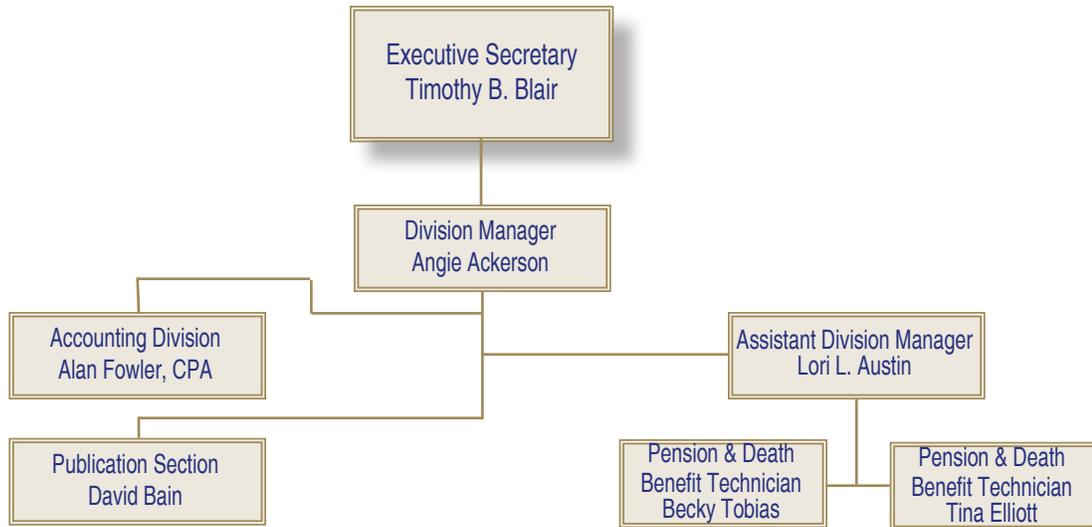
REPRESENTATIVE
Robert Martwick



REPRESENTATIVE
Daniel Pierce
Retired Annuitant Member

ADMINISTRATION

ADMINISTRATIVE STAFF



Advisors, Auditors, and Administrators

Consulting Actuary	Gabriel, Roeder, Smith & Company Chicago, Illinois
External Auditor	RSM US LLP Schaumburg, Illinois
Investments	Illinois State Board of Investment Chicago, Illinois



Government Finance Officers Association

Certificate of
Achievement
for Excellence
in Financial
Reporting

Presented to

**General Assembly Retirement System
State of Illinois**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2017

Christopher P. Morill

Executive Director/CEO

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT



Independent Auditor's Report

RSM US LLP

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 the accompanying Statement of Fiduciary Net Position of the General Assembly Retirement System of the State of Illinois (System) as of June 30, 2018, 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 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. 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. 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 other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2018, and the changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The actuarially determined pension liability, calculated as required by GASB Statement No. 67, is dependent on several assumptions including the assumption that future required contributions from State sources are made based on statutory requirements in existence as of the date of this report. These assumptions and required contributions are discussed in Notes 5 and 6 of the financial statements on pages 35 through 37. Our opinion is not modified with respect to this matter.

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INDEPENDENT AUDITOR'S REPORT

Other Matters

Required Supplementary Information:

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 14 through 16 and the required supplementary information as listed in the table of contents on pages 40 through 43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information:

Our audit for the year ended June 30, 2018 was conducted for the purpose of forming an opinion on the System's basic financial statements. The supplementary financial information in the financial section, as listed in the table of contents, and the accompanying introductory, investment, actuarial, statistical and plan summary and legislative sections are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary financial information in the financial section, as listed in the table of contents, for the year ended June 30, 2018 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. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2018 and certain additional procedures, including comparing and reconciling such information directly to 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 by us and other auditors. In our opinion, based on our audit and the report of other auditors, the supplementary financial information in the financial section, as listed in the table of contents, is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2018.

The introductory, investment, actuarial, statistical and plan summary and legislative sections have 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 them.

RSM US LLP

Schaumburg, Illinois
December 14, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section presents management's discussion and analysis of the financial position and performance of the General Assembly Retirement System (System) for the year ended June 30, 2018. It is presented as a narrative overview and analysis. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal included in the Introductory Section of the Comprehensive Annual Financial Report.

The System is a defined benefit, single-employer public employee retirement system. It provides services to 132 active participants and 417 benefit recipients. Throughout this discussion and analysis, units of measure (i.e. billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's financial reporting which is comprised of the following components:

1. **Basic Financial Statements and Notes.** For the fiscal year ended June 30, 2018, basic financial statements are presented for the System. This information presents the fiduciary net position restricted for pensions for the System as of June 30, 2018. This financial information also summarizes the changes in the fiduciary net position restricted for pensions for the year then ended. The notes to the financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
2. **Required Supplementary Information.** The required supplementary information consists of three schedules and related notes concerning actuarial information, funded status, information on State contributions, and investment returns.
3. **Other Supplementary Schedules.** Other supplementary schedules include more detailed information pertaining to the System, including schedules of revenues by source, cash receipts and disbursements, and payments to consultants and advisors.

FINANCIAL HIGHLIGHTS

- The fiduciary net position increased by \$2.5 million during fiscal year 2018. This change was primarily the result of increases in investments of \$4.3 million during fiscal year 2018.
- The System was funded at 14.8% as of June 30, 2018.
- The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was a gain of 7.6% in fiscal year 2018. The System's annual money-weighted rate of return on its investment in the ISBI Commingled Fund was a gain of 7.5% for fiscal year 2018.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Condensed Statements of Fiduciary Net Position (in thousands)			
	As of June 30,		Increase/(Decrease) from
	2018	2017	2017 to 2018
Cash	\$ 4,718.3	\$ 4,535.0	\$ 183.3
Receivables	684.7	2,754.4	(2,069.7)
Investments, at fair value *	53,436.9	49,113.1	4,323.8
Capital Assets, net	22.6	18.3	4.3
Total assets	<u>58,862.5</u>	<u>56,420.8</u>	<u>2,441.7</u>
Liabilities *	2,046.2	2,071.9	(25.7)
Total fiduciary net position	<u>\$ 56,816.3</u>	<u>\$ 54,348.9</u>	<u>\$ 2,467.4</u>

* Including securities lending collateral

ADDITIONS TO FIDUCIARY NET POSITION

Additions to Fiduciary Net Position include employer and participant contributions and net income from investment activities. Participant contributions were approximately \$1.3 million for both years ended June 30, 2018 and June 30, 2017. Participant contribution rates are set by statute as a percentage of gross salary. For fiscal year 2018, employer contributions decreased to approximately \$21.2 million from \$21.7 million in fiscal year 2017. This decrease was the result of the actuarially determined employer contributions required by the State's funding plan.

DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions from Fiduciary Net Position are primarily benefit and refund payments. During fiscal years 2018 and 2017, the System paid out approximately \$23.3 million and \$22.5 million in benefits and refunds, respectively. This increase of 3.6% from 2017 to 2018 is mainly the result of the annual scheduled 3% increase in retirement and other benefit payments. The administrative costs of the System represented less than 2% of the total deductions in each of the fiscal years presented within the condensed statements.

Condensed Statements of Changes in Fiduciary Net Position (in thousands)			
	For the Year Ended June 30,		Increase/(Decrease) from
	2018	2017	2017 to 2018
Additions			
Participant contributions	\$ 1,255.2	\$ 1,284.7	\$ (29.5)
Employer contributions	21,155.0	21,721.0	(566.0)
Net Investment income gain/(loss)	3,733.5	5,140.2	(1,406.7)
Total additions	<u>26,143.7</u>	<u>28,145.9</u>	<u>(2,002.2)</u>
Deductions			
Benefits	23,283.0	22,362.5	920.5
Refunds	44.9	130.9	(86.0)
Administrative expenses	348.4	355.7	(7.3)
Total deductions	<u>23,676.3</u>	<u>22,849.1</u>	<u>827.2</u>
Net increase/(decrease) in fiduciary net position	<u>\$ 2,467.4</u>	<u>\$ 5,296.8</u>	<u>\$ (2,829.4)</u>

FUNDED RATIO

The funded ratio of the plan measures the ratio of the fiduciary net position against the total pension liability and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is performed. The most recent available valuation showed the funded status of the System was 14.8% on June 30, 2018. The amount by which the total pension liability exceeded the fiduciary net position was \$326.0 million on June 30, 2018.

INVESTMENTS

Investments of the System are combined in an internal commingled investment pool held by the Illinois State Board of Investment (ISBI). The other entities participating in this commingled pool are the Judges' Retirement System, State Employees' Retirement System, and one other state agency. The investments of this other state agency are immaterial to the total commingled investment pool. Each participating entity owns an equity position in the pool and receives proportionate investment income from the pool in accordance with respective ownership percentage. Investment gains or losses are reported in the Statement of Changes in Fiduciary Net Position of each participating entity.

The net investment income of the total ISBI Commingled Fund was approximately \$1,331.5 million during fiscal year 2018, resulting in a return of 7.6%. The actual rate of return earned by the System will vary from the return earned on the total ISBI Commingled Fund as the result of overall market conditions at the time of additional investments in or withdrawals from the ISBI Commingled Fund. For the three, five, and ten year periods ended June 30, 2018, the ISBI Commingled Fund earned a compounded rate of return of 6.2%, 8.1%, and 6.0%, respectively.

The ISBI is exposed to general market risk. This general market risk is reflected in asset valuations fluctuating with market volatility. Any impact from market volatility on the ISBI's investment portfolio depends in large measure on how deep the market downturn is, how long it lasts, and how it fits within fiscal year reporting periods. The resulting market risk and associated realized and unrealized gains and losses could significantly impact the ISBI's financial condition.

FUTURE OUTLOOK

The actuarial assumptions adopted as of June 30, 2018 were based on the experience review for the three years ended June 30, 2015, and annual review of all economic assumptions. The state's statutory employer contribution for fiscal year 2019 will increase by \$ 2.1 million, or 9.8%.

Tier 2 active members' annual earnings on which they can contribute were capped at \$119,792 in 2018 and will be capped at \$122,547 in 2019. The caps on Tier 2 members' earnings decreases the anticipated amount of future earnings credit as well as the associated contributions.

Benefit payments are projected to continue to grow at a rate of approximately 4% to 6%, primarily as a result of the increasing numbers of retirees and the 3% annual COLA.

The ISBI plans to continue to improve the overall investment portfolio performance by increasing reliance on passive investment strategies and reducing investment advisor and management fees.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Systems' finances. For questions concerning the information in this report or for additional information, contact the Accounting Division of the State Retirement Systems at srsacctgdiv@srs.illinois.gov.

FINANCIAL STATEMENTS

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Fiduciary Net Position

June 30, 2018

Assets	
Cash	\$ 4,718,266
Receivables:	
Employer contributions	651,300
Participants' contributions	20,419
Refundable annuities	5,220
Interest on cash balances	7,796
Total receivables	<u>684,735</u>
Investments	
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	51,487,943
Securities lending collateral with State Treasurer	1,949,000
Total Investments	<u>53,436,943</u>
Capital Assets, net	<u>22,615</u>
Total Assets	<u>58,862,559</u>
Liabilities	
Benefits payable	-
Refunds payable	214
Administrative expenses payable	34,394
Due to Judges' Retirement System of Illinois	62,567
Securities lending collateral	1,949,000
Total Liabilities	<u>2,046,175</u>
Net position – restricted for pensions	<u>\$ 56,816,384</u>
<i>See accompanying notes to financial statements.</i>	

FINANCIAL STATEMENTS

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Changes in Fiduciary Net Position for the Year Ended June 30, 2018

Additions:	
Contributions:	
Participants	\$ 1,255,232
Employer	21,155,000
Total contributions	<u>22,410,232</u>
Investment income:	
Net appreciation/(depreciation) in fair value of investments	2,610,659
Interest and dividends	1,192,267
Less investment expense, other than from securities lending	<u>(74,462)</u>
Net income (loss) from investing, other than from securities lending	3,728,464
Net securities lending income	<u>5,040</u>
Net investment income (loss)	<u>3,733,504</u>
Total Additions	<u>26,143,736</u>
Deductions:	
Benefits:	
Retirement annuities	19,188,301
Survivors' annuities	<u>4,094,719</u>
Total benefits	23,283,020
Refunds of contributions	44,856
Administrative expenses	<u>348,384</u>
Total Deductions	<u>23,676,260</u>
Net increase/(decrease) in net position	<u>2,467,476</u>
Net position - restricted for pensions:	
Beginning of year	<u>54,348,908</u>
End of year	<u>\$ 56,816,384</u>

See accompanying notes to financial statements.

FINANCIAL STATEMENTS

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements June 30, 2018

1. Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government, (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The General Assembly Retirement System (System) is administered by a Board of Trustees consisting of seven persons, which include 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. Operation of the System and the direction of its policies are the responsibility of the Board of Trustees.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 61, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is a pension trust fund of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal year 2018 were each less than \$85,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

At June 30, 2018, the System membership consisted of:

	2018
Retirees and beneficiaries	
currently receiving benefits:	
Retirement annuities	302
Survivors' annuities	115
Reversionary annuities	-
	<u>417</u>
Inactive participants entitled to benefits	
but not yet receiving them	52
Total	<u>469</u>
Active participants:	
Vested	70
Nonvested	62
Total	<u>132</u>

2. Plan Description

The System is the administrator of a single-employer defined benefit public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants. The plan is comprised of two tiers of contribution requirements and benefit levels. Tier 1 pertains to participants who first became a participant of the System prior to January 1, 2011. Tier 2 pertains to participants who first became a participant of the System on or after January 1, 2011.

FINANCIAL STATEMENTS

a. Eligibility and Membership

The General Assembly Retirement System covers members of the General Assembly of the State and persons elected to the offices of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller and Attorney General for the period of service in such offices and the Clerks and Assistant Clerks of the respective Houses of the General Assembly. Participation by eligible persons is optional.

b. Contributions

In accordance with Chapter 40, Section 5/2-126 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities, and automatic annual increases as shown below. Tier 1 participants contribute based on total annual compensation. Beginning January 1, 2011, Tier 2 participants contribute based on an annual compensation rate not to exceed \$106,800 with limitations for future years increased by the lesser of 3% or the annual percentage increase in the Consumer Price Index. The compensation limitation for 2018 was \$119,792. Contributions are excluded from gross income for Federal and State income tax purposes. The total contribution rate is 11.5% as shown below:

8.5%	Retirement annuity
2.0%	Survivors' annuity
1.0%	Automatic annual increases
<u>11.5%</u>	

The statutes governing the General Assembly Retirement System provide for optional contributions by participants, with interest at prescribed rates, to retroactively establish service credits for periods of prior creditable service.

The Board of Trustees has adopted the policy that interest payments by a participant, included in optional contributions to retroactively establish service credits, shall be considered an integral part of the participant's investment in annuity expectancies and, as such, shall be included as a part of any refund payable.

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/2 of the Illinois Compiled Statutes.

c. Benefits Retirement Annuity: Tier 1

Participants have vested rights to full retirement benefits beginning at age 55 with at least 8 years of credited service or at age 62 with at least 4 years of credited service.

The retirement annuity is determined according to the following formula based upon the applicable final salary:

- 3.0% for each of the first 4 years of service
- 3.5% for each of the next 2 years of service
- 4.0% for each of the next 2 years of service
- 4.5% for each of the next 4 years of service
- 5.0% for each year of service in excess of 12 years.

The maximum retirement annuity is 85% of the applicable final salary. Annual automatic increases of 3% of the current amount of retirement annuity are provided.

Retirement Annuity: Tier 2

Participants have vested rights to full retirement benefits at age 67 with at least 8 years of credited service or reduced retirement benefits at age 62 with at least 8 years of credited service.

The retirement annuity provided is 3% for each year of service based upon the applicable final average salary. The maximum retirement annuity is 60% of the applicable final average salary. Annual automatic increases equal to the lesser of 3% or the annual change in the Consumer Price Index are provided.

Other Benefits

The General Assembly Retirement System also provides survivors' annuity benefits, reversionary annuity benefits, and under certain specified conditions, lump-sum death benefits.

Participants who terminate service may receive, upon application, a refund of their total contributions. Participants who are not married are entitled to refunds of their contributions for survivors.

3. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

Participant and employer contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan.

b. Cash

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois (Treasurer). All deposits are fully collateralized by the Treasurer.

"Available cash" is determined to be that amount which is required for the current operating expenditures of the System. The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

c. Implementation of New Accounting Standards

GASB Statement No. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*", addresses accounting and financial reporting for OPEB that is provided to the employees of state and local governmental employers. The statement establishes standards for recognizing and measuring liabilities, deferred outflows/deferred inflows of resources and expense/expenditures. In the case of defined benefit OPEB, the statement also identifies methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosures and required supplementary information about defined benefit OPEB are also addressed. This GASB is effective for fiscal years beginning after June 15, 2017 (FY 2018) and it has been determined that it will not impact the System's financial statements.

GASB Statement No. 82, "*Pension Issues – Amendment to GASB 67 & 68*", addresses the presentation of payroll related measures in the required supplementary information and the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The System has implemented this statement for the year ended June 30, 2017. The impact of implementation is reflected in the updated RSI schedules applicable to covered payroll.

d. General Litigation

The System is subject to claims and lawsuits that arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the fiduciary net position or the changes in fiduciary net position of the System.

e. Methods Used to Value Investments

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund.

Investments are reported at fair value as follows: (1) U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities; (2) Common Stock and Equity Funds, Foreign Preferred Stock, Foreign Equity Securities, Forward Foreign Currency Contracts and Options: (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices; (3) Money Market Instruments – amortized cost; (4) Real Estate Investments – fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end; (5) Alternative Investments (Private Equity, Hedge Funds,

FINANCIAL STATEMENTS

Bank Loans, and Opportunistic Debt and Infrastructure) – fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end; (6) Commingled Funds – fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end.

Units of the ISBI Commingled Fund are issued to the participating entities 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 participating entities on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake.

f. Actuarial Experience Review

In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every three years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was last performed for the period from July 1, 2012 to June 30, 2015 resulting in the adoption of new assumptions as of June 30, 2016.

g. Administrative Expenses

Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved by the System's Board of Trustees.

Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are allocated 25% to the General Assembly Retirement System and 75% to the Judges' Retirement System.

Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System, and the appropriate amount is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System as of June 30, 2018 was \$236,908. The total administrative expenses attributable to the General Assembly Retirement System is \$348,384 for fiscal year 2018.

h. Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

i. Use of Estimates

In preparing financial statements in conformity with U.S. generally accepted accounting principles, the System makes estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates and assumptions.

4. Investments

Introduction

Investments of the System are combined in a commingled internal investment pool and held by the Illinois State Board of Investment (ISBI). The System owns approximately 1% of the net position of the ISBI commingled fund as of June 30, 2018. A schedule of investment expenses is included in the ISBI's annual report.

For additional information on ISBI's investments, please refer to their Annual Report as of June 30, 2018. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601 or by visiting their website, <https://www.isbinvestment.com>.

Summary of the ISBI Fund's investments at fair value by type

	June 30, 2018
U.S. govt. and agency obligations	\$ 3,772,996,557
Foreign obligations	317,071,356
Corporate obligations	978,155,830
Municipal bonds	8,911,164
Common stock & equity funds	5,227,218,322
Commingled funds	1,721,839,058
Foreign equity securities	2,301,280,852
Foreign preferred stock	8,763,970
Hedge funds	360,744,003
Opportunistic debt	225,053,335
Real estate funds	1,594,774,574
Private equity	706,768,270
Infrastructure	408,985,767
Bank loans	464,315,920
Foreign currency forward contracts	(7,847,062)
Money market instruments	231,743,812
Total investments	\$ 18,320,775,728

Rate of Return

For the fiscal year ended June 30, 2018, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 7.5%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Deposits

Custodial credit risk for deposits is the risk that, in the event of a financial institution failure, the System's and ISBI's deposits may not be returned. All non-investment related bank balances at year end are insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. As of June 30, 2018, the ISBI had a non-investment related bank balance of \$903,541. A Credit Risk Policy was implemented by the ISBI staff and formally adopted by the ISBI Board in July of 2007. The policy outlines the control procedures used to monitor custodial credit risk. These assets are under the custody of Northern Trust. Northern Trust has an A+ Long-term Deposit/Debt rating by Standard & Poor's and an A2 rating by Moody's. Certain investments of the ISBI with maturities of 90 days or less would be considered cash equivalents; these consist of short-term investment funds and U.S. Treasury bills with maturities of 90 days or less, which are not subject to the custodial credit risk. For financial statement presentation and investment purposes, the ISBI reports these types of cash equivalents as Money Market Instruments within their investments. As of June 30, 2018, the ISBI had an investment related bank balance of \$13,382,746. This balance includes USD and foreign cash balances. As of January 1, 2013, cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of \$250,000. However, the ISBI is the beneficiary of multiple policies and bonds held by Northern Trust providing for recovery of various potential losses related to services provided by Northern Trust as the ISBI's custodian. At any given point and time, the foreign cash balances may be exposed to custodial credit risk.

Investment Commitments

The ISBI had total investment commitments of \$2.1 billion at the end of fiscal year 2018. The ISBI's real estate, private equity, infrastructure and opportunistic debt investment portfolios consist of passive interests in limited partnerships. At the end of fiscal year 2018, the ISBI had no outstanding commitments to separate real estate accounts within the real estate and private equity investment portfolios. The ISBI would fund outstanding commitments by utilizing available cash and then selling liquid securities in the portfolio as necessary.

Investment Liquidity

The ISBI holds investments in hedge funds, real estate funds, opportunistic debt funds, private equity funds and infrastructure funds that are considered illiquid by the very nature of the investment. Market risk exists with respect to these investments as the ISBI may not be able to exit from the illiquid investments during periods of significant market value declines.

Alternative Investments

The ISBI's investments in alternative investment vehicles consist of Commingled Funds, Private Equity Funds, Hedge Funds, Infrastructure Funds, Opportunistic Debt Funds and Real Estate Funds. These types of vehicles are used for making investments in various equity and debt securities according to the investment strategies as determined by the fund managers at the commencement of the fund.

Fair Value Measurements

Fair value is the amount that would be received to sell the investment in an orderly transaction between market participants at the measurement date (i.e. exit price). The fair value measurements are determined within a framework that utilizes a three-tier hierarchy, which maximizes the use of observable inputs and minimizes the use of unobservable inputs. Investments measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Unadjusted quoted prices in active markets for identical assets.
- Level 2 – Inputs other than quoted prices that are observable for the asset, either directly or indirectly. These inputs include:
 - a. quoted prices for similar assets in active markets;
 - b. quoted prices for identical or similar assets in markets that are not active;
 - c. inputs other than quoted prices that are observable for the asset or;
 - d. inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable for the asset. The valuation of these investments requires significant judgement due to the absence of quoted market values, inherent lack of liquidity, and changes in market conditions.

The valuation methodologies are as follows:

- U.S. Treasuries and U.S. Agencies: quoted prices for identical securities in markets that are not active;
- Foreign Government Obligations and Foreign Corporate Obligations: Broker quote in an active market;
- Corporate Bonds: quoted prices for similar securities in active markets;
- Bank Loans: discounted cashflow, internal assumptions, weighting of the best available pricing inputs and third party pricing services;
- Common Stock and Equity Funds, Foreign Preferred Stocks, Foreign Equity Securities and Commingled Funds-Domestic and Foreign: quoted prices for identical securities in an active market. Brokers quote in an active market;
- Money Market Funds: Average cost which approximates fair value;
- Derivative Instruments: valued using a market approach that considers foreign exchange rates.

FINANCIAL STATEMENTS

The recurring fair value measurements for the year ended June 30, 2018 are as follows:

	At June 30, 2018			
	Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Totals
Investments by fair value level				
Debt Securities				
Government and agency obligations	\$ -	\$ 3,772,996,557	\$ -	\$ 3,772,996,557
Municipal bonds	-	8,911,164	-	8,911,164
Foreign obligations	-	316,170,777	900,579	317,071,356
Corporate obligations	-	973,728,079	4,427,751	978,155,830
Bank loans	-	36,604,268	427,711,652	464,315,920
Total debt securities	<u>\$ -</u>	<u>\$ 5,108,410,845</u>	<u>\$ 433,039,982</u>	<u>\$ 5,541,450,827</u>
Equity Securities				
Common stock and equity funds	\$ 5,226,061,569	\$ 1,134,591	\$ 22,162	\$ 5,227,218,322
Foreign equity securities	2,297,170,419	3,662,373	448,060	2,301,280,852
Foreign preferred stocks	8,763,970	-	-	8,763,970
Total equity securities	<u>\$ 7,531,995,958</u>	<u>\$ 4,796,964</u>	<u>\$ 470,222</u>	<u>\$ 7,537,263,144</u>
Other				
Foreign currency forward contracts	\$ (7,847,062)	\$ -	\$ -	\$ (7,847,062)
Total other	<u>\$ (7,847,062)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (7,847,062)</u>
Total investments by fair value level	<u>\$ 7,524,148,896</u>	<u>\$ 5,113,207,809</u>	<u>\$ 433,510,204</u>	<u>\$ 13,070,866,909</u>
Investments measured at the Net Asset Value (NAV)				
Commingled funds				\$ 1,721,839,058
Real estate funds				1,594,774,574
Private equity				706,768,270
Infrastructure				408,985,767
Opportunistic debt				225,053,335
Hedge funds				360,744,003
Total investments measured at the NAV				<u>\$ 5,018,165,007</u>
Investments not measured at fair value				
Money market instruments				<u>\$ 231,743,812</u>
Total investments				<u>\$ 18,320,775,728</u>

FINANCIAL STATEMENTS

Investments valued using the net asset value (NAV) per share (or its equivalent) are considered “alternative investments” and, unlike more traditional investments, generally do not have readily obtainable market values and take the form of limited partnerships. The ISBI values these investments based on the partnerships’ audited financial statements. If June 30 statements are available, those values are used preferentially. However, some partnerships have fiscal years ending at other than June 30. If June 30 valuations are not available, the value is adjusted from the most recently available valuation taking into account subsequent calls and distributions, adjusted for unrealized appreciation/depreciation, other income and fees.

The following table presents the unfunded commitments, redemption frequency (if currently eligible), and the redemption notice period for alternative investments measured at NAV:

	June 30, 2018			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commingled funds	\$ 1,721,839,058	-	Quarterly	90 Days
Real estate funds	1,594,774,574	\$ 713.3 million	Quarterly	90 Days
Private equity	706,768,270	707.6 million	N/A	N/A
Opportunistic debt	225,053,335	660.1 million	N/A	N/A
Hedge funds	360,744,003	-	Quarterly	90 Days
Infrastructure	408,985,767	23.5 million	Quarterly	90 Days
Total Investments measured at the NAV	<u>\$ 5,018,165,007</u>			

1) Commingled Funds – The ISBI’s investments in this category consist of assets that are blended together with other investments in order to provide economies of scale which allows for lower trading costs per dollar of investment and diversification. These investments provide primarily liquid exposure to publicly traded equity and fixed income markets. The equity portfolios provide diversification benefits and return enhancement to the overall fund in both domestic and international equity markets. Commingled funds are also called “pooled funds” and “master trusts”. Investment strategies consist of investments in six diversified funds focusing on emerging markets and six long-only equity funds. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. The ISBI has no plans to liquidate these investments as of June 30, 2018. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan’s ownership interest.

2) Private Equity – The ISBI’s assets in this category consist of investments in funds not listed on public exchanges. Investment strategies consist of investments in sixty-five funds with the goals of generating returns significantly greater than typically available in the public market and diversifying the ISBI’s overall portfolio which is comprised predominantly of fixed income and equity assets. The strategies of Private Equity funds include, but are not limited to, leveraged buyouts, venture capital, growth capital and mezzanine capital. Returns are commensurate with the risks presented by this asset class which include illiquidity and lack of standard historical evaluation data. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. The ISBI has no plans to liquidate these investments as of June 30, 2018. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan’s ownership interest.

3) Hedge Funds – The ISBI is currently in the process of transitioning investments in hedge fund vehicles to long-only equity vehicles. Assets in this category have historically consisted of investments in funds that seek to generate better than average return and provide a hedge against a downward trend in the overall market. Investment strategies currently consist of investments in eighteen funds including hedge fund and long only

FINANCIAL STATEMENTS

equity assets. Returns are commensurate with the risks presented by this asset class which include illiquidity and lack of standard historical evaluation data. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. As of June 30, 2018, for the majority of the hedge fund investments, the ISBI has plans to transition out entirely or to long only equity assets. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan's ownership interest.

4) Infrastructure – The ISBI's assets in this category consist of investments in funds that identify infrastructure assets which provide essential services or facilities to a community (ports, bridges, toll roads etc.) and are typically made as a part of a privatization initiative on the part of a government entity. Investment strategies consist of investments in six funds with the goals of diversifying the ISBI's overall portfolio which is comprised predominantly of fixed income and equity assets and providing capital appreciation and income generation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. The ISBI has no plans to liquidate these investments as of June 30, 2018. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan's ownership interest.

5) Opportunistic Debt – The ISBI's assets in this category consist of investments in private fixed income markets. Investment strategies consist of investments in seventeen funds with the goals of diversifying the ISBI's overall portfolio, providing downside protection through assets that are capital collateralized and supplementing the total return of the portfolio which is comprised predominantly of fixed income and equity assets. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. The ISBI has no plans to liquidate these investments as of June 30, 2018. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan's ownership interest.

6) Real Estate Funds – The ISBI's assets in this category consist of investments in the Core and Non-Core Real Estate Fund categories. Investment strategies consist of investments in thirty-six funds with the goals of diversifying the ISBI's overall portfolio, providing capital appreciation and supplementing the total return of the portfolio through exposure to private real estate assets in both open-end and closed-end structures. Investments in this category are globally diversified and consist of office, industrial, multi-family, storage and other types of assets. Core assets are expected to provide strong diversification through primary markets and high-income potential. Non-Core assets are typically higher risk assets with stronger capital appreciation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year end. The ISBI has no plans to liquidate these investments as of June 30, 2018. It is probable that any investments sold will be sold at an amount different from the current NAV of the plan's ownership interest.

Certain real estate investments are leveraged whereby partnerships have been established to purchase properties through a combination of contributions from the ISBI and through acquisition of debt. At June 30, 2018, real estate equities of approximately \$1,595 million are reported at estimated fair value. Of this amount, \$1,679 million is net assets and \$84 million is long term debt.

Required repayment of real estate debt, which is non-recourse debt, is as follows as of June 30, 2018:

Debt Maturities Year Ending June 30	2018
2019	\$ 25,492,500
2020	57,963,872
	<u>\$ 83,456,372</u>

FINANCIAL STATEMENTS

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the ISBI will not be able to recover the value of investments or collateral securities that are in the possession of a counterparty. As of June 30, 2018, there were no investments that were uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the ISBI's name.

Interest Rate Risk

The ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted duration consistent with the Barclay's U.S. Universal Index (benchmark index). As of June 30, 2018, the effective weighted duration of the ISBI's fixed income portfolio was 6.7 years and the effective duration of the benchmark index was 5.8 years.

Duration is the measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's fair value. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The table below shows the detail of the duration by investment type as of June 30, 2018:

Investment Type	Fair Value	Effective Weighted Duration Years
U.S. Govt. and Agency Obligations		
U.S. Government	\$ 3,051,823,420	8.4
Federal Agency	721,173,138	5.4
Municipal Obligations	8,911,164	10.7
Foreign Obligations	317,071,356	5.3
Corporate Obligations		
Bank & Finance	306,945,996	3.3
Industrial	92,423,482	5.7
Other	578,786,351	5.1
Total	<u>\$ 5,077,134,907</u>	

FINANCIAL STATEMENTS

For the ISBI's bank loan portfolio, the appropriate measure of interest rate risk is weighted average maturity. Weighted average maturity is the average time it takes for securities in a portfolio to measure weighted in proportion to the dollar amount that is invested in the portfolio. Weighted average maturity measures the sensitivity of fixed-income portfolios to interest rate changes. At June 30, 2018, the weighted average maturity of ISBI's bank loan portfolio was 5.1 years.

Concentration of Credit Risk and Credit Risk for Investments

The ISBI's portfolio of investments is managed by professional investment management firms. These investment management firms are required to maintain diversified portfolios. Each investment manager must comply with risk management guidelines individually assigned to them as part of their investment management agreement. The ISBI did have one issuer investment that exceeded 5% of the total investments of the fund as of June 30, 2018. This security was U.S. Treasury Notes/Bills with a Moody's rating of Aaa. This investment represented 7.0% of the total investments of the fund. The table below and continued on the next page, presents the quality ratings of debt securities held by the ISBI as of June 30, 2018.

	Moody's Quality Rating	
U.S. Government and Agency Obligations	AAA	\$ 3,763,976,416
	Not Rated	9,020,142
Total U.S. Government and Agency Obligations		<u>\$ 3,772,996,557</u>
Municipal Obligations	AAA	\$ 838,626
	AA	1,511,700
	A	1,269,124
	CA	19,320
	Not Rated	5,272,393
Total Municipal Obligations		<u>\$ 8,911,164</u>
Foreign Obligations	AAA	\$ 41,977,946
	AA	27,460,930
	A	54,344,245
	BAA	59,881,915
	BA	27,877,269
	B	47,658,967
	CAA	19,185,346
	CA	740,870
	C	487,825
	Not rated	37,456,043
Total Foreign Obligations		<u>\$ 317,071,356</u>

FINANCIAL STATEMENTS

	Moody's Quality Rating	
Corporate Obligations		
Bank and Finance		
	AAA	\$ 30,463,803
	AA	1,918,280
	A	186,631,850
	BAA	40,936,878
	BA	17,326,045
	B	10,584,845
	CAA	1,040,188
	C	192,675
	Not Rated	17,851,432
Total Bank and Finance		<u>\$ 306,945,996</u>
Industrial		
	AAA	\$ 170,856
	AA	55,479
	A	16,784,165
	BAA	22,770,802
	BA	7,207,064
	B	27,952,272
	CAA	10,735,935
	Not Rated	6,746,912
Total Industrial		<u>\$ 92,423,482</u>
Other		
	AAA	\$ 12,892,695
	AA	39,432,846
	A	131,626,425
	BAA	140,301,493
	BA	56,287,806
	B	117,871,856
	CAA	52,532,525
	CA	761,400
	C	546,904
	Not Rated	26,532,402
Total Other		<u>\$ 578,786,352</u>
Total Corporate Obligations		<u>\$ 978,155,830</u>
Total Bank Loans	Not Rated	<u>\$ 464,315,920</u>
Total Money Market	Not Rated	<u>\$ 231,743,812</u>

FINANCIAL STATEMENTS

Foreign Currency Risk

The ISBI's international portfolio is constructed on the principles of diversification, quality, growth, and value. Risk of loss arises from changes in currency exchange rates and other factors. Certain investments held in infrastructure and real estate funds trade in a reported currency of Euro-based dollars valued at \$120,121,360 as of June 30, 2018. The table below presents the foreign currency risk by type of investment as of June 30, 2018.

Currency	2018	
	Foreign Equity Securities & Foreign Preferred Stock	Foreign Obligations
Australian Dollar	\$ 140,703,692	\$ -
Brazilian Real	2,328,245	-
Canadian Dollar	34,869,856	-
Danish Krone	34,178,475	-
English Pound Sterling	379,925,049	-
Euro Currency	697,623,140	-
Hong Kong Dollar	81,794,995	-
Japanese Yen	563,029,069	-
Mexican Peso	2,758,008	-
New Israeli Sheqel	9,802,812	-
Norwegian Krone	23,598,464	-
Singapore Dollar	26,008,370	-
South African Rand	5,241	-
South Korean Won	15,771,428	-
Swedish Krona	65,000,505	-
Swiss Franc	167,379,349	-
Thailand Baht	3,152,176	-
UAE Dirham	464,120	-
Foreign investments denominated in U.S. Dollars	<u>61,651,828</u>	<u>317,071,356</u>
Total	<u>\$ 2,310,044,822</u>	<u>\$ 317,071,356</u>

Securities Lending

The ISBI participated in a securities lending program with Deutsche Bank AG, New York Branch as of June 30, 2018 who acts as securities lending agent. The ISBI is in the process of winding down this program and therefore, as of June 30, 2018 there were no outstanding loans or balances associated with any of the related financial statement accounts on the Statement of Net Position. Public markets securities are loaned to brokers and, in return, the ISBI receives cash and non-cash collateral. All of the public market securities were eligible for the securities lending program. Collateral consists solely of cash, government securities and certain equity securities having a fair value equal to or exceeding 102% of the value of the loaned securities (105% for non-U.S. securities). In the event of borrower default, Deutsche Bank AG, New York Branch provides the ISBI with counterparty default indemnification. Investments in the cash collateral account represent securities that were distributed to the ISBI in connection with the in-kind redemption of the ISBI's ownership in the State Street Bank and Trust Company Quality Funds for Short-Term Investment (Quality D). Deutsche Bank is not responsible for any losses with regards to these legacy investments. This arrangement subjects the ISBI to credit risk as the credit quality of these investments may decline over time. The credit risk on the legacy investments is the risk of a possible loss arising from the inability of counterparty to meet its obligations. This loss could include the loss of principal, interest and/or decreased expected cash flows in any of the

FINANCIAL STATEMENTS

investments held in the ISBI's cash collateral account. In the event counterparty defaults on its obligations, the ISBI would need to credit the cash collateral account with the amount of the default to make the account whole so that once loaned securities are returned, the cash pledged by borrowers can be returned to them.

Cash and cash equivalents included in the System's Statement of Fiduciary Net Position consist of deposits held in the State Treasury. The Illinois Office of the Treasurer invests the deposits held and allocates investment income on a monthly basis.

The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same securities in the future. The State Treasurer has, through a Securities Lending Agreement, authorized Deutsche Bank AG to lend the State Treasurer's securities to broker-dealers and banks pursuant to a form of loan agreement.

During fiscal year 2018, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2018 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2018 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2018, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2018 were \$4,521,091,000 and \$4,451,198,793, respectively. The System's portion of securities lending collateral that was invested in repurchase agreements as of June 30, 2018 was \$1,949,000.

Derivative Securities

In fiscal year 2010, the ISBI implemented GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, with respect to investments held in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as commodity prices, bond and stock prices, or a market index. The ISBI invests in derivative instruments including forward foreign currency contracts, futures, rights and warrants. The ISBI's derivatives are considered investment derivatives.

Foreign currency forward contracts (FX forwards) are used to protect against the currency risk in the ISBI's foreign equity portfolio. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis. These investments are reported at fair value in the investment section of the ISBI's Statement of Net Position. The gain or loss arising from the difference between the original contracts and the closing of such contracts is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position. As of June 30, 2018, all foreign currency forward contracts are held by the ISBI's custodian and one investment manager, Northern Trust Asset Management, which is permitted per the investment guidelines to invest in this type of contract under established guidelines.

FINANCIAL STATEMENTS

The ISBI's investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, financial futures are used in the ISBI's fixed income portfolio to adjust portfolio strategy and overall portfolio duration. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. If the fair values of the futures contract vary from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The gain or loss is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the ISBI's investment portfolio.

The ISBI's investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the ISBI receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability in the ISBI's Statement of Net Position. As a purchaser of financial options, the ISBI pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The gain or loss associated with options is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position.

Rights and warrants allow the ISBI's investment managers to replicate an underlying security they wish to hold (sell) in the portfolio. Rights and warrants provide the holder with the right, but not the obligation, to buy or sell a company's stock at a predetermined price. Rights usually expire after a few weeks and warrants can expire from one to several years. Under certain circumstances, a type of warrant called Participatory Notes (P-Notes) are used in the portfolio by the ISBI's investment managers that are not registered to trade in domestic Indian Capital Markets. P-Notes are issued by Indian-based brokerage firms against an underlying Indian security permitting holders to get a share in the income from the security. These investments are reported at fair value in the investment section of the ISBI's Statement of Net Position within the common stock and foreign equity classifications. The gain or loss associated with rights and warrants is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position.

The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows. Futures contracts are exchange traded instruments where the fair value is determined by the equilibrium between the forces of supply and demand. The fair value of a right or warrant closely tracks the intrinsic value of the underlying stock and can be determined either by formulaic methodology (most commonly Black-Scholes) or intrinsic value methodology.

The table below presents the investment derivative instruments aggregated by type that were held by the ISBI as of June 30, 2018.

	Changes in Fair Value	Fair Value at Year End	Notional Amount Number of Shares
	2018	2018	2018
FX Forwards	\$ 3,646,386	\$ (7,847,062)	-
Futures	-	-	276
Rights/Warrants	50,984	181,512	435,088
	<u>\$ 3,697,370</u>	<u>\$ (7,665,550)</u>	<u>435,364</u>

FINANCIAL STATEMENTS

The table below shows the futures positions held by the ISBI as of June 30, 2018.

	2018	
	Number of Contracts	Contract Principal*
Equity Futures Purchased	263	\$29,211,622
Fixed Income Futures Purchased	-	-
Fixed Income Futures Sold	13	(1,562,438)

* Contract principal amounts shown represent the fair value of the underlying assets the contracts control. These are shown to present the volume of the transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual recorded values reported in the ISBI's Statement of Net Position.

Derivative transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Derivatives which are exchange traded are not subject to credit risk. No derivatives held are subject to custodial credit risk. Market risk is the possibility that a change in interest (interest rate risk) or currency rates (foreign currency risk) will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. These limits are approved by the Board of Trustees and management of the ISBI and the risk positions of the investment managers are reviewed on a periodic basis to monitor compliance with the limits. As of June 30, 2018, the ISBI held futures contracts whose underlying instruments were exposed to interest risk but there were no GASB 53 reportable elements. The ISBI has not adopted a formal policy specific to master netting arrangements.

The following table presents the fair value of derivative investments exposed to foreign currency risk as of June 30, 2018:

Currency	2018	
	FX Forwards	Rights
Australian Dollar	\$ (794,928)	\$ 2,265
English Pound Sterling	(1,706,100)	76,108
Euro Currency	(2,533,864)	103,139
Japanese Yen	(2,812,170)	-
	<u>\$ (7,847,062)</u>	<u>\$ 181,512</u>

The ISBI's derivative investments in foreign currency forward contracts are held with counterparties. The counterparties were not rated and the fair value and net exposure as of June 30, 2018 for these contracts were \$0.

5. Funding - Statutory Contributions Required & Contributions Made

On an annual basis, a valuation of the liabilities and reserves of the System is performed by the System's actuarial consultants in order to determine the amount of contributions statutorily required from the State of Illinois. For fiscal year 2018, the actuary used the projected unit credit actuarial method for determining the proper employer contribution amount.

For fiscal year 2018, the required employer contribution was computed in accordance with the State's funding plan. This funding legislation 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 provides for a 15 year phase-in period to allow the state to adapt to the increased financial commitment. Since the 15-year phase-in period ended June 30 2010, the state's contribution will remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal year 2018 was \$21,155,000. The total amount of employer contributions received from the state during fiscal year 2018 was \$21,155,000.

6. Net Pension Liability of the State

The components of the State's net pension liability for this plan at June 30, 2018 are as follows:

The System is significantly underfunded which raises concerns about its future financial solvency should there be a significant market downturn coupled with the State's inability or unwillingness to pay the employer contributions.

Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability	Plan FNP as % of TPL
\$382,791,456	\$56,816,384	\$325,975,072	14.84%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2018, using the following actuarial assumptions, which were based on the results of an actuarial experience study for the period from July 1, 2012 to June 30, 2015, applied to all periods included in the measurement:

Actuarial Cost Method: Individual Entry-Age

Mortality rates:

Post retirement: RP-2014 White Collar Total Healthy Annuitant mortality table, sex distinct, with rates set forward one (1) year for males and set back one (1) year for females and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales recently released by the Society of Actuaries (SOA).

Pre-retirement: RP-2014 White Collar Total Employee mortality table, sex distinct and generational mortality improvements using MP-2014 two-dimensional mortality improvement scales recently released by the SOA, to reflect that experience shows active members having lower mortality rates than retirees of the same age.

Inflation: 2.5%, compounded annually

Investment rate of return: 6.75% per year, compounded annually

Salary increases: 2.75% per year (consisting of an inflation component of 2.5% per year, a productivity component of .25% per year).

FINANCIAL STATEMENTS

Group size growth rate: Based on recent experience, the size of the current active group is projected to decrease by approximately 50% by the year 2051 due to the assumption that 50% of future members will elect to opt out of participating in the System.

Post-retirement increase: Tier 1: 3.0% per year, compounded annually. Tier 2: 3.0% per year or the annual change in the Consumer Price Index, whichever is less, compounded annually.

Long-term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined based on an analysis performed by the System's actuary, Gabriel Roeder Smith and Company (GRS), during their annual review of economic actuarial assumptions, with data provided by the Illinois State Board of Investments (ISBI) in conjunction with its investment consultant. The annualized geometric return for each major asset class were combined to produce the long-term expected rate of return by weighting the expected future returns by the target asset allocation percentage and factoring in the impact of each asset classes correlation relative to other assets and finally, by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2018, the 20-year simulated real rates of return are summarized in the following table:

Asset Class	Asset Allocation	
	Target Allocation	20 Year Simulated Real Rate of Return
U.S. Equity	23.0%	5.5%
Developed Foreign Equity	13.0%	5.3%
Emerging Market Equity	8.0%	7.8%
Private Equity	7.0%	7.6%
Intermediate Investment Grade Bonds	14.0%	1.5%
Long-term Government Bonds	4.0%	1.8%
TIPS	4.0%	1.5%
High Yield and Bank Loans	5.0%	3.8%
Opportunistic Debt	8.0%	5.0%
Emerging Market Debt	2.0%	3.7%
Core Real Estate	5.5%	3.7%
Non Core Real Estate	4.5%	5.9%
Infrastructure	2.0%	5.8%
Total	100%	

Discount Rate

A single discount rate of 6.68% was used to measure the total pension liability as of June 30, 2018. This represents an increase of 0.02% from the discount rate used for the June 30, 2017 valuation, 6.66%.

The single discount rate was based on the June 30, 2018 expected rate of return on pension plan investments of 6.75% and a municipal bond rate, based on an index of 20-year general obligation bonds with an average AA credit rating as published by the Federal Reserve, of 3.62% as of June 30, 2018. The projection of cash flows used to determine the single discount rates assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between statutory contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position and future contributions were sufficient to finance the benefit payments through the year 2071 at June 30, 2018. As a result, for fiscal year 2018, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2071, and the municipal bond rate was applied to all benefit payments after that date.

FINANCIAL STATEMENTS

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

For fiscal year 2018, the following table presents the plan's net pension liability using a single discount rate of 6.68%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage point lower or 1-percentage point higher.

	June 30, 2018		
	1% decrease 5.68%	Current Discount Rate 6.68%	1% increase 7.68%
State's net pension liability	\$370,134,348	\$325,975,072	\$289,173,152

7. Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal year 2018 is listed below.

	2018
Personal services	\$130,636
Employee retirement contributions paid by employer	1,291
Employer retirement contributions	61,820
Social security contributions	9,612
Group insurance	25,319
Contractual services	107,700
Travel	1,478
Printing	77
Commodities	20
Telecommunications	348
Information technology	14,570
Automotive	303
Depreciation/amortization	2,070
Change in accrued compensated absences	(6,936)
Interest on lease obligation	76
Total	<u>\$348,384</u>

8. Compensated Absences

Employees of the General Assembly Retirement System are entitled to receive compensation for all accrued but unused vacation time upon termination of employment. Additionally, employees of the System are entitled to receive compensation for one-half of the unused sick days that were earned on and after January 1, 1984 and before January 1, 1998, upon termination of employment. The accrued compensated absences as of June 30, 2018 total \$7,601 and are included in administrative expenses payable.

9. Pension Plan & Other Post-Employment Benefits

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity.

The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems.

The financial position and results of operations of the SERS for fiscal year 2018 is included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2018. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois 62794-9255 or by calling 217-785-7202.

The State of Illinois' CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois 62704-1858 or by calling 217-782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute and the authority under which those obligations are established.

Other Post-Employment Benefits. The State provides health, dental, vision, and life insurance benefits for retirees and their dependents in a program administered by the Department of Central Management Services. Substantially all State employees become eligible for post-employment benefits if they eventually become annuitants of one of the State sponsored pension plans. Health, dental, and vision benefits include basic benefits for annuitants and dependents under the State's self-insurance plan and insurance contracts currently in force. Annuitants may be required to contribute towards health, dental, and vision benefits with the amount based on factors such as date of retirement, years of credited service with the State, whether the annuitant is covered by Medicare, and whether the annuitant has chosen a managed health care plan. Annuitants who retired prior to January 1, 1998, and who are vested in the State Employee's Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced 5% for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary of the last day of employment until age 60, at which time the benefit becomes \$5,000.

The State pays the System's portion of employer costs for the benefits provided. The total cost of the State's portion of health, dental, vision, and life insurance benefits of all members, including post-employment health, dental, vision, and life insurance benefits, is recognized as an expenditure by the State in the Illinois Comprehensive Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are separated by individual department or fund for annuitants and their dependents and active employees and their dependents.

A summary of post-employment benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established are included as an integral part of the financial statements of the Department of Central Management Services. A copy of the financial statements of the Department of Central Management Services may be obtained by writing to the Department of Central Management Services, Stratton Office Building, 401 South Spring Street, Springfield, Illinois 62706.

FINANCIAL STATEMENTS

10. Capital Assets

Capital assets over \$100 are capitalized at their cost at the time of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of the asset. The estimated useful lives are as follows: (1) office furniture - 10 years, (2) equipment - 6 years, (3) certain electronic data processing equipment - 3 years, and (4) internally developed software - 20 years. The summary of changes in Capital Assets for fiscal year 2018 is as follows:

	Beginning Balance	2018		Ending Balance
		Additions	Deletions	
Equipment	\$ 17,051	\$ -	\$ (31)	\$ 17,020
Accumulated depreciation	(15,575)	(809)	31	(16,353)
Internally developed software	18,810	6,404	-	25,214
Accumulated amortization	(2,005)	(1,261)	-	(3,266)
Capital Assets, net	<u>\$ 18,281</u>	<u>\$ 4,334</u>	<u>\$ -</u>	<u>\$ 22,615</u>

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE STATE'S NET
PENSION LIABILITY AND RELATED RATIOS
Fiscal Years Ended June 30, 2018 through 2014

	2018	2017
Total pension liability		
Service cost	\$ 3,535,911	\$ 3,879,813
Interest on the total pension liability	24,541,949	24,045,958
Difference between expected and actual experience	1,197,364	2,093,742
Assumption changes	(1,213,112)	(2,430,609)
Benefit payments	(23,283,020)	(22,362,526)
Refunds	(44,856)	(130,885)
Administrative expense	(348,384)	(355,711)
Net change in total pension liability	<u>4,385,852</u>	<u>4,739,782</u>
Total pension liability - beginning	<u>378,405,604</u>	<u>373,665,822</u>
Total pension liability - ending (a)	<u>\$382,791,456</u>	<u>\$378,405,604</u>
Plan fiduciary net position		
Contributions - employer	\$ 21,155,000	\$ 21,721,000
Contributions - participant	1,255,232	1,284,707
Net investment income	3,733,504	5,140,250
Benefit payments	(23,283,020)	(22,362,526)
Refunds	(44,856)	(130,885)
Administrative expense	(348,384)	(355,711)
Net change in plan fiduciary net position	<u>2,467,476</u>	<u>5,296,835</u>
Plan fiduciary net position - beginning	<u>54,348,908</u>	<u>49,052,073</u>
Plan fiduciary net position - ending (b)	<u>\$ 56,816,384</u>	<u>\$ 54,348,908</u>
State's net pension liability - ending (a)-(b)	<u>\$325,975,072</u>	<u>\$324,056,696</u>
Plan fiduciary net position as a percentage of the total pension liability	14.84%	14.36%
Covered payroll	\$ 10,711,024	\$ 10,996,284
State's net pension liability as a percentage of covered payroll	3,043.36%	2,946.97%

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF CHANGES IN THE STATE'S NET
PENSION LIABILITY AND RELATED RATIOS
Fiscal Years Ended June 30, 2018 through 2014

	2016	2015	2014
Total pension liability			
Service cost	\$ 3,577,188	\$ 5,957,132	\$ 5,383,133
Interest on the total pension liability	22,395,292	19,911,100	20,110,452
Difference between expected and actual experience	(5,400,812)	2,366,032	12,389,130
Assumption changes	42,122,612	(70,538,690)	-
Benefit payments	(21,841,237)	(21,274,949)	(20,800,502)
Refunds	(141,817)	(191,755)	(245,133)
Administrative expense	(382,340)	(394,695)	(334,628)
Net change in total pension liability	<u>40,328,886</u>	<u>(64,165,825)</u>	<u>16,502,452</u>
Total pension liability - beginning	<u>333,336,936</u>	<u>397,502,761</u>	<u>381,000,309</u>
Total pension liability - ending (a)	<u>\$373,665,822</u>	<u>\$333,336,936</u>	<u>\$397,502,761</u>
Plan fiduciary net position			
Contributions - employer	\$ 16,073,000	\$ 15,870,941	\$ 13,956,669
Contributions - participant	1,309,697	1,487,346	1,502,605
Net investment income	(539,494)	2,287,916	8,363,428
Benefit payments	(21,841,237)	(21,274,949)	(20,800,502)
Refunds	(141,817)	(191,755)	(245,133)
Administrative expense	(382,340)	(394,695)	(334,628)
Net change in plan fiduciary net position	<u>(5,522,191)</u>	<u>(2,215,196)</u>	<u>2,442,439</u>
Plan fiduciary net position - beginning	<u>54,574,264</u>	<u>56,789,460</u>	<u>54,347,021</u>
Plan fiduciary net position - ending (b)	<u>\$ 49,052,073</u>	<u>\$ 54,574,264</u>	<u>\$ 56,789,460</u>
State's net pension liability - ending (a)-(b)	<u>\$324,613,749</u>	<u>\$278,762,672</u>	<u>\$340,713,301</u>
Plan fiduciary net position as a percentage of the total pension liability	13.13%	16.37%	14.29%
Covered payroll	\$ 11,297,614	\$ 11,587,285	\$ 12,754,356
State's net pension liability as a percentage of covered payroll	2,873.29%	2,405.76%	2,671.35%

REQUIRED SUPPLEMENTARY INFORMATION

Notes to the Schedule of Changes in the State's Net Pension Liability and Related Ratios

Valuation Date: June 30, 2018

This Schedule is intended to show information for ten (10) years. Information prior to 2014 is not available. The additional years will be added, prospectively, as they become available.

Key Assumption Changes Related to the Schedule of Changes in the State's Net Pension Liability and Related Ratios

2018 Changes in Assumptions:

- The rate of inflation decreased from 2.75% to 2.50%.
- The salary increase assumption was decreased to 2.75% from 3.00%.

2017 Changes in Assumptions:

- There were no significant assumption changes.

2016 Changes in Assumptions:

- The rate of inflation decreased from 3.00% to 2.75%.
- The investment return assumption was decreased from 7.00% to 6.75%.
- The salary increase assumption was decreased from 3.5% to 3.00%.
- Turnover rates were increased for both Tier 1 and Tier 2 members. For Tier 2 members with less than five years of service, the turnover rate was increased to a flat rate of 10%.
- The overall salary increase rates were decreased to better reflect observed experience.
- The overall normal retirement rates were increased to better reflect observed experience.
- Generational mortality improvement factors were added to reflect future mortality improvements. The new mortality tables move from a single dimensional age-based table to a two dimensional table where the year of a person's birth influences their mortality rate.

2015 Changes in Assumptions:

- Future members electing to participate in the System changed from 100% to 50%.

SCHEDULE OF INVESTMENT RETURNS					
	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	7.5%	12.3%	0.3%	3.2%	18.1%

* **NOTE:** This Schedule is intended to show information for ten (10) years. Information prior to 2014 is not available. The additional years will be added, prospectively, as they become available.

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF STATE CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially determined contribution	Contributions received	Contribution (deficiency) excess	Covered Payroll	Contributions received as a percentage of covered payroll
2009	\$ 11,129,440	\$ 8,856,422	\$ (2,273,018)	\$ 14,728,000	60.13%
2010	12,064,078	10,411,274	(1,652,804)	14,775,000	70.47%
2011	13,086,199	11,433,614	(1,652,585)	15,188,000	75.28%
2012	13,365,820	10,502,000	(2,863,820)	15,263,164	68.81%
2013	17,064,640	14,150,000	(2,914,640)	14,876,335	95.12%
2014	17,110,135	13,956,669	(3,153,466)	12,754,356	109.43%
2015	16,900,876	15,870,941	(1,029,935)	11,587,285	136.97%
2016	17,140,656	16,073,000	(1,067,656)	11,297,614	142.27%
2017	26,984,621	21,721,000	(5,263,621)	10,996,284	197.53%
2018	32,082,644	21,155,000	(10,927,644)	10,711,024	197.51%

Notes to 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 on and after June 30, 2012, were restated to comply with the requirements of GASB Statement No. 82. For fiscal years prior to June 30, 2012, covered payroll was not restated to comply with the requirements of GASB Statement No. 82 due to system limitations.

Methods and Assumptions 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%

Salary Increases: A salary increase assumption of 3.00% per annum, compounded annually, was used. Includes an inflation component of 2.75% and productivity component of 0.25% per annum.

Post Retirement Benefit: Post-retirement benefit increases of 3.00%, compounded, for Tier 1 and 3.00% or the annual change in the Consumer Price Index, whichever is less, compounded for Tier 2.

Investment Rate of Return: 6.75%

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 generational 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.

SUPPLEMENTARY FINANCIAL INFORMATION

SUMMARY OF REVENUES BY SOURCE
Year Ended June 30, 2018

	2018
Contributions:	
Participants:	
Participants	\$ 1,251,470
Interest paid by participants	<u>3,762</u>
Total participant contributions	<u>1,255,232</u>
Employer:	
General Revenue Fund	21,155,000
Paid by participants	<u>-</u>
Total employer contributions	<u>21,155,000</u>
Total contributions revenue	<u>22,410,232</u>
Investment income:	
Net appreciation/(depreciation) in fair value of investments	2,610,659
Interest and dividends from investments	1,098,601
Interest earned on cash balances	93,666
Less investment expense, other than from securities lending	<u>(74,462)</u>
Net income (loss) from investing, other than from securities lending	3,728,464
Net securities lending income	<u>5,040</u>
Net investment income (loss)	<u>3,733,504</u>
Total revenues	<u><u>\$26,143,736</u></u>

SCHEDULE OF PAYMENTS TO CONSULTANTS
Year Ended June 30, 2018

	2018
Actuary	\$ 51,200
Audit fees	34,155
Legal services	<u>856</u>
Total	<u><u>\$ 86,211</u></u>

SUPPLEMENTARY FINANCIAL INFORMATION

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended June 30, 2018

	2018
Cash balance, beginning of year	\$ <u>4,535,006</u>
Receipts:	
Participant contributions	1,256,727
Employer contributions:	
General Revenue Fund	23,218,826
Paid by participants	-
Received from Reciprocal Systems	-
Interest income on cash balances	91,881
Tax-deferred installment payments	5,101
Post tax installment payments	-
Cancellation of annuities, net overpayments	26,142
Transfers from Illinois State Board of Investment	-
Receipts from Reciprocal Systems	-
Miscellaneous	-
Total cash receipts	<u>24,598,677</u>
Disbursements:	
Benefit payments:	
Retirement annuities	19,189,932
Survivors' annuities	4,119,855
Reversionary annuities	-
Refunds	49,416
Transfers to Illinois State Board of Investment	700,000
Administrative expenses	356,214
Total cash disbursements	<u>24,415,417</u>
Cash balance, end of year	<u>\$ <u>4,718,266</u></u>

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INVESTMENT SECTION

INVESTMENT SECTION

INVESTMENT REPORT

By state law, the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state.

In addition to the assets of the General Assembly Retirement System, the ISBI also manages the investment function for the Judges' Retirement System, State Employees' Retirement System, and one other state agency. All ISBI investments are accounted for in a commingled fund (ISBI Fund).

Units of the ISBI Commingled Fund are issued to the participating entities 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 participating entities on the last day of the month on the basis of percentage of accumulated units owned by the respective systems. Management expenses are deducted monthly from income before distribution.

As of June 30, 2018, the ISBI's total net position under management, valued at market, amounted to \$18.3 billion. Of the total market value of the net position under management, \$51.5 million or approximately 1% represented assets of the General Assembly Retirement System as of June 30, 2018.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A of the Illinois Compiled Statutes (ILCS). Such investment authority requires that all opportunities be undertaken with care, skill, prudence and diligence given prevailing circumstances that a prudent person acting in like capacity and experience would undertake.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firms and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report. A copy of the ISBI Annual Report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601 or by visiting the ISBI's website at www.ISBI.Illinois.gov.

The following investment information and analysis has been prepared from information provided by the ISBI. Investment performance returns are prepared by Northern Trust. Investment activities are presented on a trade date basis and measurements are calculated using time weighted rates of return consistent with investment industry standards.

INVESTMENT POLICY AND ASSET ALLOCATION

The ISBI operates under a strategic investment policy. The investment objective of the total portfolio is to maximize the rate of return on investments within a prudent level of risk. To achieve this objective, the ISBI invests in different types of assets and uses multiple managers to ensure diversification.

The investment policy of the ISBI establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. This policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies.

Changes made to the portfolio during fiscal year 2018 amounted to routine adjustments associated with the administration of an institutional portfolio – periodic rebalancing, funding of private equity and real estate commitments, selection of new limited partnerships, and continual monitoring of the portfolio.

The portfolio is regularly adjusted to manage exposures and to closely track the asset allocation policy adopted by the ISBI Board. The asset allocation policy targets and actual allocations for fiscal years 2018 are shown in the following table.

INVESTMENT SECTION

INVESTMENT ASSET ALLOCATION

	Fair Value	2018 Actual Asset Mix	Policy Target
U.S. equity	\$ 5,227,218,322	28%	23%
U.S. equity hedge funds	360,744,003	2	0
International equity	2,310,044,822	13	21
Commingled funds ⁴	1,721,839,058	9	0
Fixed income ¹	5,077,134,906	28	26
Bank loans	464,315,921	3	3
Real estate	1,594,774,575	9	10
Private equity ²	706,768,270	4	7
Infrastructure ²	408,985,767	2	2
Opportunistic Debt	225,053,335	1	8
Cash ³	239,555,471	1	0
Total	<u>\$ 18,336,434,449</u>	<u>100%</u>	<u>100%</u>

1 Maturities of one year or longer, including convertible bonds.

2 Interests in limited partnerships and other entities which have limited liquidity.

3 Includes money market instruments and other assets, less liabilities.

4 Holdings include fixed income and equity investments.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 2018	
Investments, at fair value		
U.S. Govt. and Agency Obligations	\$ 3,772,996,557	20.58%
Foreign Obligations	317,071,356	1.73%
Corporate Obligations	978,155,830	5.33%
Municipal Bonds	8,911,164	0.05%
Common Stock & Equity Funds	5,227,218,322	28.51%
Commingled Funds	1,721,839,058	9.39%
Foreign Equity Securities	2,301,280,852	12.55%
Foreign Preferred Stock	8,763,970	0.05%
Hedge Funds	360,744,003	1.97%
Opportunistic Debt	225,053,335	1.23%
Real Estate Funds	1,594,774,574	8.70%
Private Equity	706,768,270	3.85%
Money Market Instruments	231,743,812	1.26%
Real Assets	408,985,767	2.23%
Bank Loans	464,315,920	2.53%
Foreign Currency Forward Contracts	(7,847,062)	(0.04)%
	<u>18,320,775,728</u>	<u>99.91%</u>
Other Assets, Less Liabilities	15,658,721	0.09%
Net Position, at Fair Value	<u>\$ 18,336,434,449</u>	<u>100.00%</u>

INVESTMENT SECTION

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations of the System for fiscal years 2018 and 2017:

	2018	2017	Increase/(Decrease)	
			Amount	Percentage
Balance at beginning of year, at fair value	\$ 47,148,105	\$ 42,604,441	\$ 4,543,664	10.7%
Cash transferred to (from) ISBI, net	700,000	(550,000)	1,250,000	227.3%
Net ISBI investment revenue:				
Net appreciation in fair value of investments	2,610,659	4,047,802	(1,437,143)	(35.5)%
Interest and dividends	1,098,601	1,125,949	(27,348)	(2.4)%
Less investment expense, other than from securities lending	(74,462)	(82,239)	7,777	9.5%
Net income (loss) from investing, other than from securities lending	3,634,798	5,091,512	(1,456,714)	(28.6)%
Net securities lending income	5,040	2,152	2,888	134.2%
Net ISBI investment revenue (loss)	3,639,838	5,093,664	(1,453,826)	(28.5)%
Balance at end of year, at fair value	\$ 51,487,943	\$ 47,148,105	\$ 4,339,838	9.2%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY2018 was \$93,666 compared to \$46,586 during FY2017.

MANAGEMENT EXPENSES

The ISBI's total expenses for fiscal year 2018, based on \$18.3 billion in net position, was \$27.2 million. The resulting expense ratio (expenses divided by average fair value of assets) for fiscal year 2018 was 0.15%. As a result of the ISBI's commitment to control costs, the investment management fees are typically in the bottom quartile of fees paid by the ISBI's peer group.

ANALYSIS OF INVESTMENT PERFORMANCE

In fiscal year 2018, investors enjoyed gains in international and U.S. equities as measured by the market indices. The ISBI's total fund was up 7.6% for fiscal year 2018, net of all expenses. This follows a positive return of 12.3% in 2017 after having experienced a negative return of 0.8% in fiscal year 2016. Positive returns of 4.7% and 17.9% occurred during fiscal years 2015 and 2014, respectively.

The ISBI staff, as well as its retained consultants, aggressively monitors the totality of the portfolio.

The following table reflects the investment performance over the last five years as well as the three, five, and ten year average returns for all categories in addition to their individual benchmarks.

INVESTMENT SECTION

ANALYSIS OF INVESTMENT PERFORMANCE

	2018	2017	2016	2015	2014	3 Years	5 Years	10 Years
Total Fund	7.6%	12.3%	(0.8)%	4.7%	17.9%	6.2%	8.1%	6.0%
Composite Benchmark*	7.4	12.0	0.7	4.0	16.3	6.6	7.9	6.0
Consumer Price Index	2.9	1.6	0.1	0.1	2.1	1.8	1.5	1.6
U.S. Equities	14.3	18.7	(1.7)	6.4	24.1	10.0	11.9	9.8
Russell 3000 Index	14.8	18.5	2.1	7.3	25.2	11.6	13.3	10.2
International Equities	7.6	22.1	(7.1)	(1.0)	23.8	6.7	8.1	4.9
MSCI-ACWI ex US Index IMI Gross	7.7	20.5	(9.2)	(4.6)	22.8	5.5	6.4	2.9
Fixed Income	0.9	0.9	1.6	(1.4)	6.5	1.1	1.6	2.4
Barclays Capital U.S. Universal Index	(0.3)	0.9	5.8	1.6	5.2	2.1	2.6	4.1
Real Estate	7.3	7.1	12.0	16.3	14.5	8.4	10.8	3.6
NCREIF Real Estate Index	7.1	6.9	10.8	13.4	11.7	8.3	10.0	6.3
Private Equity	20.6	17.9	7.9	21.5	24.7	14.8	17.6	12.3

Note: Calculations are based on a time series of linked monthly returns (IRR), producing a time weighted effect. Total fund return is presented net of fees. All other return information is presented gross of fees

* Composite Benchmark:

Effective 07/17: 23% Russell 3000; 13% MSCI-EAFE Index; 8% MSCI Emerging Markets Index; 7% Cambridge Private Equity Index (1Q lagged); 10% Barclays Aggregate; 4% Barclays Intermediate Treasuries; 4% Barclays Long Term Treasury Index; 4% Barclays US TIPS Index; 2.5% Barclays High Yield Index; 2.5% CSFB Leveraged Loan Index; 1.0% JPM GBI EM Global Diversified (unhedged); 1.0% JPM EMBI Global Diversified (hedged); 8% S&P/LSTA US Levered Loan 100 Index; 10% NCREIF ODCE ; 2% CPI + 3.5%.

Effective 07/16: 23% Russell 3000; 13% MSCI-EAFE index; 7% MSCI Emerging Markets index; 10% Cambridge Private Equity index; 11% Barclays Aggregate; 3% Barclays Long Term Treasury index; 10% Barclays US TIPS index; 3% Barclays High Yield index; 3% CSFB Leveraged Loan index; 1.5% JPM GBI EII Global Diversified (unhedged); 1.5% JPM EMBI Global Diversified (hedged); 11% NCREIF ODCE; 5% CPI +4%; 3% HFRF Fund of Fund Composite.

Effective 06/14: 30% Russell 3000; 20% MSCI-ACWI ex US IMI Gross; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Custom Private Equity Benchmark which is based on preliminary data subject to change; 10% HFRF Fund of Funds Index. The Custom Private Equity benchmark is based on peer universe return data compiled and published by Cambridge Associates, LLC. The custom benchmark returns are calculated as pooled internal rates of return (IRR).

Effective 01/14: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRF Fund of Funds Index.

Effective 07/11: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 07/07: 30% Russell 3000; 20% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 03/06: 8% Russell Midcap Growth; 7% Russell 2000 Value; 5% Russell 1000 Growth; 15% Russell 1000 Value; 10% S&P 500; 3% S&P Dev. Ex-U.S.<\$2B; 7% MSCI-EAFE; 10% NCREIF; 5% Lehman High Yield; 10% Lehman Aggregate; 10% Lehman Int. Govt/Corp; 10% NCREIF

Effective 12/03: 45% Wilshire 5000; 10% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economic All Private Equity Index which is based on preliminary data subject to revision on a quarterly basis; 5% HFRX Equity Hedged Index.

Effective 11/08, the Lehman Universal benchmark ceased to exist. Barclays Capital U.S. Universal is the benchmark currently used by ISBI.

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ACTUARIAL SECTION

The schedules in this section of the report were prepared to support the actuarially determined contribution for fiscal year 2020 under the State of Illinois' funding plan. The total actuarial liability, the actuarial value of assets, and unfunded accrued actuarial liability as presented in the Actuarial section of this report using the State's funding method does not conform with GASB Statement No. 67 and therefore, the amounts presented in the Actuarial section of this report differ from the amounts presented for financial reporting purposes in the financial section of this report.

ACTUARY'S CERTIFICATION LETTER



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November 26, 2018

Board of Trustees and Executive Secretary
General Assembly Retirement System of Illinois
P. O. Box 19255
2101 S. Veterans Parkway
Springfield, Illinois 62794-9255

Re: Actuarial Certification

At your request, we have performed the annual actuarial valuation of the assets and liabilities of the General Assembly Retirement System of Illinois ("GARS") as of June 30, 2018. This actuarial valuation has been performed to measure the funding status of the System and determine the State's statutory contribution rate for the year beginning July 1, 2019, and ending June 30, 2020. Public Act ("P.A.") 100-0023, effective July 6, 2017, modified the State's funding policy to include smoothing State contribution rate increases or decreases due to changes in actuarial assumptions, including investment return assumptions, over a five-year period in equal annual amounts beginning in fiscal year 2018. In addition, changes in actuarial or investment assumptions that increased or decreased the State contribution rate in fiscal years 2014 through 2017 are to be smoothed over a five year period in equal annual amounts, applying only to the portion of the five year phase-in that is applicable to fiscal years on and after 2018.

Gabriel, Roeder, Smith & Company ("GRS") has prepared this report exclusively for the Trustees of the General Assembly Retirement System of Illinois; GRS is not responsible for reliance upon this report by any other party. This report may be provided to parties other than GARS only in its entirety and only with the permission of the Trustees.

The required statutory contribution rate has been determined under the Projected Unit Credit Cost Method, providing for 90 percent funding of total actuarial liabilities by fiscal year 2045 as required by 40 ILCS Section 5/2-124(c). Contribution rates are determined according to P.A. 93-0002 and P.A. 100-0023 reflecting the infusion of the proceeds from the sale of general obligation bonds and five-year smoothing of State contribution rate increases due to changes in actuarial assumptions resulting from the 2012 and 2016 experience reviews, and 2018 economic assumption review of GARS and a future population cost analysis performed in 2015. The contribution rates also reflect the impact of P.A. 96-0889, which created a second tier for members of GARS hired after December 31, 2010.

For the actuarial valuation as of June 30, 2018, the assumed rate of return used to discount liabilities and project assets was 6.75 percent.

The required statutory contribution rates and amounts for fiscal year beginning July 1, 2019, as determined in the June 30, 2018, actuarial valuation are shown on the following page.

120 North LaSalle Street | Suite 1350 | Chicago, Illinois 60602-3495

ACTUARY'S CERTIFICATION LETTER

Board of Trustees and Executive Secretary
November 26, 2018
Page 2

	Employer's Normal Cost ^a	Amortization Payment ^b	Total
Required Rate	23.192%	234.588%	257.780%
Required Contribution	2,317,000	23,437,000	25,754,000

^a Includes Administrative Expenses.

^b Under the Statutory funding policy an amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution.

Based on the provisions of P.A. 97-0694, the required statutory contribution for the fiscal year beginning July 1, 2019, is submitted to the state actuary, governor, and General Assembly. Under the act, the state actuary is required to review the assumptions and methods used to perform the actuarial valuation and develop the required statutory contributions. The final certification of the required statutory contribution is due January 15, 2019.

Pursuant to P.A. 96-0043, for purposes of determining the statutory contribution rate, an actuarial value of the System's assets was used. The actuarial value of assets is assumed to earn a rate of return equal to the System's actuarially assumed rate of return. The liabilities have been valued based on financial and employee data, which is supplied by the administrative staff of the System and verified by the System's auditor. We did not audit this data, but have reviewed the statistical support and concluded that the data is reasonable and consistent with the prior year's data.

In our opinion, the calculations also comply with the requirements of Illinois state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The System's current contribution rate determined under the statutory funding policy may not conform with the Actuarial Standards of Practice. Therefore, the Board adopted a contribution policy to be used to calculate the Actuarially Determined Contribution ("ADC") under GASB Statements Nos. 67 and 68 for financial reporting purposes. All of our work conforms with generally accepted actuarial principles and practices, and with the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Although the statutory contribution requirements were met, the statutory funding method generates a contribution requirement that is less than a reasonable actuarially determined contribution. Meeting the statutory requirement does not mean that the undersigned agree that adequate actuarial funding has been achieved. We recommend the adherence to a funding policy, such as the Board policy used to calculate the ADC under GASB Statements Nos. 67 and 68, that finances the normal cost of the plan as well as an amortization payment that seeks to pay off any unfunded accrued liability over a closed-period of 20 years, as a level percent of capped payroll.

This actuarial valuation assumed the continuing ability of the plan sponsor to make the contributions necessary to fund this plan. A determination regarding whether or not the plan sponsor is actually able to do so is outside our scope of expertise and was not performed.



ACTUARY'S CERTIFICATION LETTER

Board of Trustees and Executive Secretary
November 26, 2018
Page 3

We certify that the information presented herein is accurate and fairly portrays the actuarial position of GARS as of June 30, 2018. We prepared the accompanying Summary of Actuarial Cost Method and Major Actuarial Assumptions, but the GARS staff prepared the other supporting schedules in this section and the trend tables in the financial section, based on information supplied in our report.

This actuarial certification is provided to the intended user, the Board of Trustees, in conjunction with the GARS actuarial valuation report as of June 30, 2018. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full actuarial valuation report as of June 30, 2018, which is available on the GARS website, and is an integral part of this certification.

This report has been prepared by actuaries who have substantial experience valuing public employee retirement systems. To the best of our knowledge the information contained in this report is accurate and fairly presents the actuarial position of the GARS as of the actuarial valuation date. All calculations have been made in conformity with generally accepted actuarial principles and practices, with the Actuarial Standards of Practice issued by the Actuarial Standards Board and with applicable statutes.

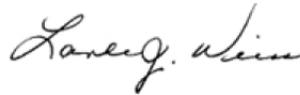
Alex Rivera and Lance J. Weiss are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company



Alex Rivera, FSA, EA, MAAA
Senior Consultant



Lance J. Weiss, EA, MAAA, FCA
Senior Consultant



INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount, required to be paid to the System by the state during the succeeding fiscal year.

The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements, pursuant to Chapter 40, Section 5/2-124 of the Illinois Compiled Statutes.

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 that:

- For fiscal years 1996 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.
- For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.
- Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total assets of the System at 90% of the total actuarial liabilities of the System.

The funding legislation also provides for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

In April, 2003, House Bill 2660 was signed into law as Public Act 93-0002. This legislation authorized the sale of \$10 billion of General Obligation bonds for the purpose of making contributions to the five state-financed retirement systems. This legislation also modified the funding plan by mandating that, beginning in fiscal year 2005, the required state contribution for each fiscal year not exceed the state contributions that would have been required had the General Obligation bond program not been in effect, reduced by the total debt service for each year for the System's portion of the General Obligation bond proceeds.

In June, 2005, Senate Bill 0027 was signed into law as Public Act 94-0004. 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. The required state contributions for fiscal years 2008 through 2010 were then to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state would be contributing at the required level contribution rate to achieve the financing objective of a 90% funded status by the end of fiscal year 2045.

The total amount of statutorily required employer contributions for fiscal year 2018 was \$21,155,000. The total amount of employer contributions received from the state during fiscal year 2018 was \$21,155,000. As stated in the actuarial certification letter, although the statutory funding plan has been met, the contributions are less than the Board's policy to calculate the actuarially determined contribution under GASB 67 and 68.

The Schedule of State Contributions contained within the Required Supplementary Information (RSI) section of this report, includes a ten-year comparative history of the actuarially determined contributions and the actual contributions paid by the State.

Review by the State Actuary

Pursuant to state law, the assumptions and valuations prepared by the actuaries of each of the state-funded retirement systems are to be reviewed annually by the State Actuary, Cheiron. Within the review of the FY 2017 GARS actuarial valuation, Cheiron recognized and recommended the continued annual review of economic assumptions prior to the commencement of the valuation so that changes to the assumptions can be implemented in the valuation.

Cheiron recognized that the actual funding of the System is based on State statute and a statutory change would be required to fully implement their recommendations to change the funding methodology. Finally, they recommended the inclusion of stress testing within the valuation report itself to document the variety of stressors can have on State costs to sustain the System.

A summary of the assumption changes adopted for recent valuations can be found in this section and within the RSI of this annual report.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The actuarial cost method used by the System for funding purposes that is statutorily required by the State of Illinois differs from the entry age actuarial cost method mandated by GASB Statement No. 67 that is used for financial reporting purposes. The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Certain assumptions used to determine the State's required contribution under its statutory funding plan differ from assumptions used for financial reporting purposes that are mandated by GASB Statement No. 67. GASB Statement No. 67 mandates the use of a long-term blended rate of return that utilizes the System's 6.75% expected rate of return until the projected fiduciary net position of the System is exhausted at which point a 20 year tax-exempt general obligation municipal bond rate is used (3.62%) resulting in a long-term blended rate of return of 6.68% that differs from the System's expected rate of return of 6.75% used for State funding purposes. The State uses an actuarial value of assets of \$57,618,152 that recognizes gains and losses from investment returns in equal amounts over a five year period in its assumptions. GASB Statement No. 67 mandates the use of the market value of assets of \$56,816,384 in its assumptions used for financial reporting purposes.

Actuarial gains and losses are recognized in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan as previously described.

A description of the actuarial assumptions utilized for fiscal year 2018 follows:

Dates of Adoption: The Projected Unit Credit Actuarial Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 2016.

Asset Valuation Method: The actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

Mortality Rates: Post-retirement mortality: RP-2014 White Collar Healthy Annuitant Mortality Table, sex distinct, set forward 1 year for males and set back 1 year for females. Generational mortality improvements are factored in using the MP-2014 two-dimensional mortality improvement scales recently released by the Society of Actuaries, providing a margin for mortality improvements. Pre-retirement mortality: RP-2014 White Collar Total Employee mortality table, sex distinct, with generational mortality improvement using MP-2014 two dimensional mortality improvement scales.

Salary Increase: 2.75% per year (consisting of an inflation component of 2.5% per year, a productivity component of .025% per year), compounded annually, excluding fiscal year 2018. In determining total covered payroll,

ACTUARIAL SECTION

based on recent experience, the size of the current active group is projected to decrease by approximately 50% by the year 2045 due to the assumption that 50% of future members will elect to opt out of participating in the System.

Inactive Member Pay Increase: 10.0% load on inactive vested liabilities to reflect increases in inactive members' pay due to current participation in a reciprocal system.

General Inflation: 2.5% per year, compounded annually.

Interest Rate: 6.75% per year, compounded annually, net of expenses.

Marital Status: It was assumed that 75% of active and retired participants are married.

Spouse's Age: The age of the female spouse was assumed to be 4 years younger than the age of the male spouse.

Post-Retirement Increase: Tier 1: 3.0% per year, compounded annually. Tier 2: 3.0% per year or the annual change in the Consumer Price Index, whichever is less, compounded annually.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

Tier 1 and Tier 2	
Age	Rate of Termination
20 - 65	.050

It is assumed that terminated participants will not be rehired. The rates apply only to participants who have not fulfilled the service requirement necessary for retirement at any given age.

NOTE: for Tier 2 members with less than five years of service, rates of withdrawal are assumed to be equal to 10% for all ages 20 to 65.

Disability Rates: There is no assumption for disability.

Retirement Rates: Tier 1 rates of retirement for each age from 55 to 75 and Tier 2 rates of retirement for each age from 62 to 75, based on the recent experience of the System, were used. The following are the rates of retirement that were used:

Tier 1		Tier 2	
Age	Rate of Retirement	Age	Rate of Retirement
55	.050	62	.250
56-59	.150	63	.120
60-74	.200	64	.140
75	1.000	65	.160
		66	.180
		67	.400
		68-70	.300
		71-74	.200
		75	1.000

The retirement rates are equivalent to an average retirement age of approximately 60.4 for Tier 1 and 65.6 for Tier 2.

Experience Review: New assumptions were adopted as of June 30, 2016 as a result of an experience review for the three year period ending June 30, 2015. An economic assumption review was performed in 2018.

NOTE: The actuarial assumptions have been recommended by the actuary and adopted by the System's Board of Trustees, at the dates indicated previously.

ACTUARIAL SECTION

There were no significant assumption changes for FY 2018, however, the key assumption changes which were based on the most recently completed experience study included the following:

- The rate of inflation decreased from 3.00% to 2.75%.
- The investment return assumption was decreased from 7.00% to 6.75%.
- The payroll growth assumption was decreased from 3.5% to 3.00%.
- Turnover rates were increased for both Tier 1 and Tier 2 members. For Tier 2 members with less than five years of service, the turnover rate was increased to a flat rate of 10%.
- The overall salary increase rates were decreased to better reflect observed experience.
- The overall normal retirement rates were increased to better reflect observed experience.
- Generational mortality improvement factors were added to reflect future mortality improvements. The new mortality tables move from a single dimensional age-based table to a two dimensional table where the year of a person's birth influences their mortality rate.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary.

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

COMPUTED ACTUARIAL VALUES

Fiscal Year	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
	(1)	(2)	(3)	Actuarial Value of Assets *	(1)	(2)	(3)
	Active and Inactive Participant Contributions	Retirement and Survivor Annuities	Active and Inactive Participants (Employer Financed Portion)				
2009	\$ 16,875,510	\$ 174,259,645	\$ 54,091,144	\$ 71,573,865	100.0%	31.4%	0.0%
2010	17,746,754	179,696,573	54,321,507	66,212,244	100.0	27.0	0.0
2011	17,366,231	218,660,407	62,381,733	63,161,047	100.0	20.9	0.0
2012	17,371,734	228,860,428	57,237,101	56,090,081	100.0	16.9	0.0
2013	16,059,997	250,515,633	53,885,868	51,849,558	100.0	14.3	0.0
2014	16,620,511	249,212,274	57,546,685	51,598,149	100.0	14.0	0.0
2015	16,264,544	258,544,897	53,434,265	52,564,685	100.0	14.0	0.0
2016	16,588,088	277,472,547	69,276,341	50,823,211	100.0	12.3	0.0
2017	16,349,026	284,746,890	69,662,338	55,063,012	100.0	13.6	0.0
2018	16,418,414	291,629,897	67,730,282	57,618,152	100.0	14.1	0.0

* For fiscal years prior to 2009, the actuarial value of assets was equal to the fair value of assets. Beginning in fiscal year 2009, the actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

ACTUARIAL SECTION

SCHEDULE OF RETIRANTS AND SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants				Survivors*				Total
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	
2009	269	16	10	275	126	7	7	126	401
2010	275	9	6	278	126	3	9	120	398
2011	278	22	9	291	120	7	8	119	410
2012	291	15	12	294	119	9	8	120	414
2013	294	28	12	310	120	6	7	119	429
2014	310	6	13	303	119	8	9	118	421
2015	303	16	10	309	118	8	11	115	424
2016	309	6	16	299	115	9	8	116	415
2017	299	13	12	300	116	8	3	121	421
2018	300	9	7	302	121	6	12	115	417

*Includes reversionary annuities

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Actuarial Value of Assets *	Actuarial Value of Assets as a % of Actuarial Liability		Total Unfunded Actuarial Liability	Employee Covered Payroll	Unfunded Actuarial Liability as a % of Employee Covered Payroll
			29.2%	26.3%			
2009	\$ 245,226,299	\$ 71,573,865	29.2%		\$ 173,652,434	\$ 14,728,000	1,179.1%
2010	251,764,834	66,212,244	26.3%		185,552,590	14,775,000	1,255.9%
2011	298,408,371	63,161,047	21.2%		235,247,324	15,188,000	1,548.9%
2012	303,469,263	56,090,081	18.5%		247,379,182	15,275,000	1,619.5%
2013	320,461,498	51,849,558	16.2%		268,611,940	14,902,000	1,802.5%
2014	323,379,470	51,598,149	16.0%		271,781,321	14,515,000	1,872.4%
2015	328,243,706	52,564,685	16.0%		275,679,021	12,940,000	2,130.4%
2016	363,336,976	50,823,211	14.0%		312,513,765	12,686,000	2,463.4%
2017	370,758,254	55,063,012	14.9%		315,695,242	11,142,000	2,833.4%
2018	375,778,593	57,618,152	15.3%		318,160,441	10,440,000	3,047.5%

* For fiscal years prior to 2009, the actuarial value of assets was equal to the fair value of assets. Beginning in fiscal year 2009, the actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

ACTUARIAL SECTION

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	2018
Unfunded actuarial liability, beginning of fiscal year	\$ 315,695,242
Contributions due:	
Interest on the unfunded actuarial liability	21,309,429
Participant contributions	1,255,232
Employer normal cost	2,628,512
Interest on participant contributions and employer normal cost	128,936
Total contributions due	25,322,109
Contributions paid:	
Participant contributions	1,255,232
Employer contributions	21,155,000
Interest on participant contributions and State contributions	743,995
Total contributions paid	23,154,227
Contribution shortfall	2,167,882
Actuarial (gain)/loss:	
Retirements	(575,290)
In-service mortality	26,256
Retiree mortality and other	2,375,695
Salary increases	(935,739)
Terminations	28,580
Investment	(146,446)
New entrant liability	27,157
Other	227,087
Total actuarial (gain)/loss:	1,027,300
Assumption Changes	+ (729,983)
Total increase in unfunded actuarial liability	= 2,465,199
Unfunded actuarial liability, end of fiscal year	\$ 318,160,441

ACTUARIAL SECTION

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date	Number	Active Members		
		Employee Payroll	Annual Average Pay	% Increase/(Decrease) In Average Pay
June 30				
2009	181	14,728,000	81,370	15.1%
2010	182	14,775,000	81,181	(0.2)%
2011	180	15,188,000	84,378	3.9%
2012	176	15,275,000	86,790	2.9%
2013	160	14,902,000	93,138	7.3%
2014	158	14,515,000	91,867	(1.4)%
2015	145	12,940,000	89,241	(2.9)%
2016	141	12,686,000	89,972	0.8%
2017	135	11,142,000	82,533	(8.3)%
2018	132	10,440,000	79,091	(4.2)%

VALUATION RESULTS

Actuarial Liability:	June 30, 2018
For Active Participants:	
Pension benefits	\$ 37,854,668
Cost-of-living adjustments	13,420,542
Death benefits	652,296
Withdrawal benefits	3,390,808
Total	<u>55,318,314</u>
For Participants Receiving Benefits:	
Retirement annuities	253,164,539
Survivor annuities	38,465,358
Total	<u>291,629,897</u>
For Inactive Participants	<u>28,830,382</u>
Total Actuarial Liability	<u>375,778,593</u>
Actuarial Value of Assets	57,618,152
Unfunded Actuarial Liability	<u>\$ 318,160,441</u>

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The tables in this section present historical financial information as well as certain historical demographic information pertaining to participants and benefit recipients.

STATISTICAL SECTION

Financial Schedules:

These schedules present information pertaining to assets, liabilities, reserves, and changes in fiduciary net position over a 10-year period.

Asset Balances: page 66

Liabilities & Reserve Balances: page 66

Changes in Fiduciary Net Position: page 68

Source: The System's Comprehensive Annual Financial Report (CAFR) for the relevant year.

Participant Demographic Schedules:

These schedules present certain information pertaining to active and inactive participants over a 10-year period.

Number of Participants: page 66

Number on Active Payrolls: page 67

Source: Annual report and data produced from the System's electronic files for the relevant year.

Benefit Recipient Demographic Schedules:

These schedules present certain information pertaining to benefit recipients, benefit types, average monthly benefits, ranges of monthly benefits, and location of retirees.

Number of Recurring Benefit Payments/Termination Refunds: page 67

Active Retirees by State: page 67

Retirement Annuitant Statistics and Average Monthly Benefits: page 70

Annuitants and Survivors by Monthly Benefit Range Amount: page 70

Schedule of Average Benefit Payments: page 71

Source: Annual report and data produced from the System's electronic files for the relevant year.

STATISTICAL SECTION

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments	Securities lending collateral with State Treasurer	Capital Assets Net of Accumulated Depreciation	Total
2009	\$ 3,705,657	\$ 3,777,472	\$ 47,693,753	\$ -	\$ 1,695	\$ 55,178,577
2010	3,099,436	50,015	51,638,586	1,143,000	1,867	55,932,904
2011	3,102,265	30,652	57,346,442	1,270,000	1,757	61,751,116
2012	2,481,335	1,341,463	49,025,145	1,385,000	3,610	54,236,553
2013	4,238,695	1,197,504	49,003,784	3,108,000	2,961	57,550,944
2014	4,767,584	589,878	51,549,374	2,269,000	3,187	59,179,023
2015	4,904,253	667,290	49,165,676	2,174,000	9,118	56,920,337
2016	5,542,851	993,161	42,604,441	1,359,000	15,773	50,515,226
2017	4,535,006	2,754,377	47,148,105	1,965,000	18,281	56,420,769
2018	4,718,266	684,735	51,487,943	1,949,000	22,615	58,862,559

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations	Total
2009	\$ 86,452	\$ 16,875,510	\$ 38,216,615	\$ 55,178,577
2010	1,241,748	17,746,754	36,944,402	55,932,904
2011	1,356,208	17,366,231	43,028,677	61,751,116
2012	1,492,634	17,371,734	35,372,185	54,236,553
2013	3,203,923	16,059,997	38,287,024	57,550,944
2014	2,389,563	16,620,511	40,168,949	59,179,023
2015	2,346,073	16,264,544	38,309,720	56,920,337
2016	1,463,153	16,588,088	32,463,985	50,515,226
2017	2,071,861	16,349,026	37,999,882	56,420,769
2018	2,046,175	16,418,414	40,397,970	58,862,559

NUMBER OF PARTICIPANTS

At June 30	Active			Inactive			Total
	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total	
2009	181	-	181	78	-	78	259
2010	182	-	182	73	-	73	255
2011	156	24	180	86	-	86	266
2012	147	29	176	79	-	79	255
2013	121	39	160	77	9	86	246
2014	118	40	158	69	5	74	232
2015	99	46	145	69	6	75	220
2016	94	47	141	64	7	71	212
2017	81	54	135	64	9	73	208
2018	74	58	132	61	7	68	200

STATISTICAL SECTION

NUMBER OF RECURRING BENEFIT PAYMENTS / TERMINATION REFUNDS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total Recurring Benefit Payments	Termination Refunds
2009	275	125	1	401	2
2010	278	119	1	398	2
2011	291	118	1	410	1
2012	294	119	1	414	2
2013	310	118	1	429	-
2014	303	117	1	421	8
2015	309	114	1	424	3
2016	299	115	1	415	2
2017	300	121	-	421	2
2018	302	115	-	417	2

NUMBER ON ACTIVE PAYROLLS

At June 30	Elected State Officers	House Members	Senate Members	Miscellaneous	Total
2009	5	118	59	-	182
2010	5	118	59	1	183
2011	6	119	59	1	185
2012	6	118	59	1	184
2013	6	118	59	1	184
2014	6	118	59	1	184
2015	6	118	59	1	184
2016	6	118	59	1	184
2017	6	118	59	1	184
2018	6	118	59	1	184

ACTIVE RETIREES BY STATE



STATISTICAL SECTION

CHANGES IN FIDUCIARY NET POSITION

Fiscal Year	2009	2010	2011	2012
Additions				
Participant contributions	\$ 1,697,575	\$ 1,680,603	\$ 2,006,200	\$ 1,622,742
Employer Contributions:				
State of Illinois	8,847,000	10,411,274	11,047,010	10,502,000
Other sources	9,422	-	386,604	-
Total employer contributions	8,856,422	10,411,274	11,433,614	10,502,000
Net investment income/(loss)	(14,662,285)	4,770,533	10,291,381	(81,448)
Miscellaneous	-	-	10,000	-
Total additions to /(deduction from) fiduciary net position	(4,108,288)	16,862,410	23,741,195	12,043,294
Deductions				
Benefit Payments:				
Retirement annuities	13,020,316	13,770,131	14,564,699	15,903,041
Survivors' annuities	2,836,903	2,998,901	3,112,152	3,343,844
Total benefit payments	15,857,219	16,769,032	17,676,851	19,246,885
Refunds:				
Termination	5,494	38,465	43,842	31,604
Other	66,095	183,629	17,634	117,690
Total refunds	71,589	222,094	61,476	149,294
Administrative expenses	276,722	272,253	299,116	298,104
Total deductions from fiduciary net position	16,205,530	17,263,379	18,037,443	19,694,283
Change in fiduciary net position	\$ (20,313,818)	\$ (400,969)	\$ 5,703,752	\$ (7,650,989)

STATISTICAL SECTION

2013	2014	2015	2016	2017	2018
\$ 1,451,227	\$ 1,502,605	\$ 1,487,346	\$ 1,309,697	\$ 1,284,707	\$ 1,255,232
14,150,000	13,856,000	15,809,000	16,073,000	21,721,000	21,155,000
-	100,669	61,941	-	-	-
14,150,000	13,956,669	15,870,941	16,073,000	21,721,000	21,155,000
6,492,598	8,363,428	2,287,916	(539,494)	5,140,250	3,733,504
-	-	-	-	-	-
22,093,825	23,822,702	19,646,203	16,843,203	28,145,957	26,143,736
16,602,650	17,218,504	17,663,009	18,104,674	18,354,695	19,188,301
3,507,469	3,581,998	3,611,940	3,736,563	4,007,831	4,094,719
20,110,119	20,800,502	21,274,949	21,841,237	22,362,526	23,283,020
-	147,059	117,986	54,527	70,336	43,556
41,110	98,074	73,769	87,290	60,549	1,300
41,110	245,133	191,755	141,817	130,885	44,856
339,494	334,628	394,695	382,340	355,711	348,384
20,490,723	21,380,263	21,861,399	22,365,394	22,849,122	23,676,260
\$ 1,603,102	\$ 2,442,439	\$ (2,215,196)	\$ (5,522,191)	\$ 5,296,835	\$ 2,467,476

STATISTICAL SECTION

RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

At Retirement				
Fiscal Year Ended June 30	Average Age	Average Length of Service *	Average Current Age	Average Current Monthly Benefit
2009	59.8	13.5	72.0	\$ 4,026
2010	59.6	13.4	72.3	4,149
2011	59.9	13.6	72.4	4,349
2012	59.9	13.7	72.3	4,486
2013	60.0	13.4	72.0	4,544
2014	60.2	13.4	72.5	4,710
2015	60.3	13.4	72.8	4,887
2016	60.4	13.5	72.9	5,009
2017	60.4	13.4	72.9	5,151
2018	60.3	13.5	73.2	5,336
* in years				

Annuitants by Benefit Range (Monthly) on June 30, 2018					Survivors* by Benefit Range (Monthly) on June 30, 2018				
Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total	Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
\$ 1-2,000	60	60	19.9%	19.9%	\$ 1-2,000	41	41	35.7%	35.7%
2,001-4,000	68	128	22.5	42.4	2,001-4,000	44	85	38.3	74.0
4,001-6,000	46	174	15.2	57.6	4,001-6,000	20	105	17.4	91.4
6,001-8,000	68	242	22.5	80.1	6,001-8,000	8	113	6.9	98.3
8,001-10,000	26	268	8.6	88.7	8,001-9,000	2	115	1.7	100.0
10,001-15,000	32	300	10.6	99.3					
15,001-21,000	2	302	0.7	100.0					
* includes reversionary annuities									

STATISTICAL SECTION

Average Benefit Payments Fiscal Years 2009 through 2018

Retirement Effective Dates	Years Credited Service						
	0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/08 to 6/30/09							
Average monthly benefit	\$ 3,934	\$ 3,598	\$ 5,160	\$ 4,439	\$ 2,123	\$ 6,267	\$ 6,751
Final average salary	\$ 7,392	\$ 5,909	\$ 5,017	\$ 6,513	\$ 6,066	\$ 7,373	\$ 7,942
Number of retired members*	4	2	2	2	1	1	2
Period 7/1/09 to 6/30/10							
Average monthly benefit	\$ 8,935	\$ 4,098	\$ 3,518	\$ -	\$ -	\$ 1,373	\$ -
Final average salary	\$ 9,890	\$ 6,513	\$ 8,014	\$ -	\$ -	\$ 2,770	\$ -
Number of retired members*	2	1	3	-	-	2	-
Period 7/1/10 to 6/30/11							
Average monthly benefit	\$ 377	\$ 2,078	\$ 5,136	\$ 6,370	\$ 8,035	\$ 7,006	\$ 6,207
Final average salary	\$ 5,653	\$ 6,329	\$ 8,579	\$ 8,158	\$ 12,696	\$ 7,338	\$ 7,302
Number of retired members*	1	6	2	8	2	2	1
Period 7/1/11 to 6/30/12							
Average monthly benefit	\$ 235	\$ 810	\$ 3,388	\$ 4,553	\$ -	\$ 6,085	\$ 10,255
Final average salary	\$ 3,131	\$ 2,972	\$ 6,919	\$ 6,448	\$ -	\$ 7,159	\$ 12,519
Number of retired members*	2	1	4	4	-	1	1
Period 7/1/12 to 6/30/13							
Average monthly benefit	\$ 1,200	\$ 2,430	\$ 2,949	\$ 5,109	\$ 5,674	\$ -	\$ -
Final average salary	\$ 3,920	\$ 5,370	\$ 6,600	\$ 6,944	\$ 6,675	\$ -	\$ -
Number of retired members*	1	5	10	7	4	-	-
Period 7/1/13 to 6/30/14							
Average monthly benefit	\$ 1,050	\$ 1,389	\$ 3,290	\$ -	\$ 5,537	\$ -	\$ -
Final average salary	\$ 3,208	\$ 6,098	\$ 6,385	\$ -	\$ 6,514	\$ -	\$ -
Number of retired members*	1	2	2	-	1	-	-
Period 7/1/14 to 6/30/15							
Average monthly benefit	\$ 667	\$ 1,954	\$ 4,033	\$ 8,186	\$ 7,224	\$ -	\$ -
Final average salary	\$ 6,724	\$ 6,514	\$ 6,772	\$ 10,971	\$ 8,499	\$ -	\$ -
Number of retired members*	3	1	5	2	4	-	-
Period 7/1/15 to 6/30/16							
Average monthly benefit	\$ 693	\$ 610	\$ 2,393	\$ -	\$ 5,988	\$ -	\$ -
Final average salary	\$ 6,493	\$ 3,208	\$ 6,648	\$ -	\$ 7,045	\$ -	\$ -
Number of retired members*	2	1	1	-	2	-	-
Period 7/1/16 to 6/30/17							
Average monthly benefit	\$ -	\$ 1,759	\$ 3,230	\$ 4,813	\$ 5,872	\$ -	\$ -
Final average salary	\$ -	\$ 6,514	\$ 6,552	\$ 6,514	\$ 6,908	\$ -	\$ -
Number of retired members*	-	1	7	2	2	-	-
Period 7/1/17 to 6/30/18							
Average monthly benefit	\$ -	\$ 5,679	\$ 3,610	\$ 4,653	\$ 3,553	\$ -	\$ -
Final average salary	\$ -	\$ 14,167	\$ 6,514	\$ 7,159	\$ 4,214	\$ -	\$ -
Number of retired members*	-	1	1	1	4	-	-

* The number of retired members excludes new retirements with retroactive benefit start dates prior to the beginning of the period as well as resumptions of retirement benefits with original benefit start dates prior to the beginning of the period.

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PLAN SUMMARY AND LEGISLATIVE SECTION

PLAN SUMMARY

SUMMARY OF RETIREMENT SYSTEM PLAN (As of June 30, 2018)

1. Purpose

The purpose of the System is to provide retirement annuities, survivors' annuities and other benefits for members of the General Assembly, certain elected officials, and their beneficiaries.

The single employer defined benefit plan is comprised of two tiers of contribution requirements and benefit levels. Tier 1 pertains to participants who first became a participant of the System prior to January 1, 2011. Tier 2 pertains to participants who first became a participant of the System on or after January 1, 2011.

The provisions below apply to both Tier 1 and Tier 2 participants except where noted.

2. Administration

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of seven members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees.

Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. Employee Membership

All members of the Illinois General Assembly and any person elected to the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller or Attorney General become participants of the System unless they file an election not to participate within 24 months of taking office.

Any person who has served 10 or more years as Clerk or Assistant Clerk of the House of Representatives, Secretary or Assistant Secretary of the Senate or any combination thereof, may elect to become a participant.

4. Participant Contributions

Participants are required to contribute a percentage of salary as their share of meeting the various benefits at the following rates:

Retirement Annuity	8.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.0%
Total	11.5%

Tier 1 participants contribute based on total annual compensation. Tier 2 participants contribute based on a statutorily capped compensation amount which is increased each year by 3% or the annual percentage increase in the Consumer Price Index, whichever is less.

A participant who has no eligible survivors' annuity beneficiary may elect to not participate in the survivors' annuity provisions in which case the total participant contribution rate is 9.5% of salary.

5. Retirement Annuity

A. Qualification of Participant

Tier 1: Upon termination of service, a participant is eligible for a retirement annuity at age 55 with at least eight years of credit, or at age 62 with at least four years of credit.

Tier 2: Upon termination of service, a participant is eligible for an unreduced retirement annuity at age 67 with at least 8 years of credit.

The retirement annuity of a participant who retires between the ages of 62 and 67 with at least 8 years of credit shall be reduced $\frac{1}{2}$ of 1% for each month the participant's age is under 67.

PLAN SUMMARY

B. Amount of Annuity

Tier 1: The retirement annuity is determined according to the following formula based upon the applicable salary:

3.0% for each of the first 4 years of credit;
3.5% for each of the next 2 years of credit;
4.0% for each of the next 2 years of credit;
4.5% for each of the next 4 years of credit;
5.0% for each year of service over 12 years.

The maximum annuity is 85% of the applicable final average salary.

For participants who first become a participant before August 10, 2009 and, are either a member of the General Assembly or hold the office of Governor, Lieutenant Governor, Secretary of State, Treasurer, Comptroller, or Attorney General on their last day of service, final average salary is the highest salary prescribed by law on the participant's last day of service.

For participants who first become a participant before August 10, 2009 and, hold the office of Clerk or Assistant Clerk of the House of Representatives or Secretary or Assistant Secretary of the Senate on their last day of service, final average salary is the salary received for service in that capacity but not to exceed the highest salary that is prescribed by law for the highest paid officer of the General Assembly.

For participants who first become a participant on or after August 10, 2009 and before January 1, 2011, final average salary is the average monthly salary during the 48 consecutive months of service within the last 120 months of service in which the total salary was the highest.

Tier 2: The retirement annuity is determined according to the following formula based upon the applicable final average salary:

- 3.0% for each year of credit

The maximum annuity is 60% of the applicable final average salary.

The applicable final average salary is the average monthly salary during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest. The salary for any calendar year is capped in accordance with the statute governing the System. The cap is increased each year by 3% or the annual percentage increase in the Consumer Price Index, whichever is less.

C. Optional Forms of Payment

Reversionary Annuity: A participant may elect to receive a reduced annuity during his or her lifetime in order to provide a spouse, parent, child, brother or sister with a lifetime income. Such payment to a spouse would be in addition to the survivors' annuity benefit. The election should be filed with the System at least 2 years prior to retirement.

D. Annual Increases in Retirement Annuity

Tier 1: Post-retirement increases of 3% of the current amount of annuity are granted to participants effective in January or July of the year following the first anniversary of retirement and in January or July of each year thereafter. However, if the participant has not attained age 60 at that date, the payment of such annual increase shall be deferred until the first of the month following their 60th birthday.

For participants who first became members of the System on or before August 8, 2003 and remain in service after attaining 20 years of creditable service, the 3% annual increases shall begin to accrue on the January 1 following the date when the participant (1) attains age 55, or (2) attains 20 years of creditable service, whichever occurs later. In addition, the annual increases shall continue to accrue while the participant remains in service; however, such increases shall not become payable until (1) the January 1 or the July 1 next following the first anniversary of retirement, or (2) the first of the month following attainment of age 60, whichever occurs later.

PLAN SUMMARY

Tier 2: Post-retirement increases to the current amount of annuity in an amount equal to the lesser of 3% or the annual percentage increase in the Consumer Price Index for all Urban Consumers are granted to participants effective in January of the year next following the first anniversary of retirement and in January of each year thereafter, but in no event prior to age 67.

E. Suspension of Retirement Annuity

Tier 1: An annuitant who reenters service becomes a participant and resumes contributions to the System as of the date of reentry and retirement annuity payments cease.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payable by the General Assembly Retirement System to be suspended.

Tier 2: The retirement annuity being paid is suspended when an annuitant is employed on a full time basis and becomes a member or participant of the General Assembly Retirement System Article or any other Article of the Illinois Pension Code.

6. Survivors' Annuity

A. Qualification of Survivor

If death occurs while in service, the participant must have established at least two years of credit. If death occurs after termination of service and prior to receipt of a retirement annuity, the participant must have established at least 4 years of credit.

To be eligible for the survivors' annuity, the spouse and participant or annuitant must have been married for at least 1 year immediately preceding the date of death.

An eligible spouse qualifies at age 50 or at any age if there is in the care of the spouse unmarried children who are (1) under age 18 or (2) over age 18 if mentally or physically disabled or (3) under age 22 and a full-time student. Eligible surviving children would be entitled to benefits if no spouse survives.

B. Amount of Payment

If the participant's death occurs while in service, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity, subject to a minimum of 10% of salary. A surviving spouse with eligible children would receive the greater of 66-2/3% of the earned retirement annuity or 30% of salary increased by 10% of salary for each minor child, subject to a maximum of 50% of salary to a family, unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

If the participant's death occurs after termination of service or retirement, the surviving spouse without eligible children would be eligible to 66-2/3% of earned retirement annuity. The maximum a surviving spouse with eligible children would receive is 75% of the earned retirement annuity unless survived by a dependent disabled child in which case the annuity to a surviving spouse would not be less than 100% of the earned retirement annuity.

The minimum survivors' annuity for any qualified survivor shall be \$300 per month.

C. Duration of Payment

When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age.

D. Annual Increases in Survivors' Annuity

Tier 1: Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity.

PLAN SUMMARY

In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

Tier 2: Increases to the current amount of annuity in an amount equal to the lesser of 3% or the annual percentage increase in the Consumer Price Index for All Urban Consumers are granted to survivors. Such increases are payable on each January 1 occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity or, in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, but in no event prior to age 67.

7. Death Benefits

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement

If the participant's death occurs while in service, a refund of total contributions to the System, without interest, in the participant's account.

B. After Retirement

If the participant's death occurs after retirement, a refund of the excess of contributions to the System over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant

Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions to the System over total retirement and survivors' annuity payments, if any.

8. Disability Benefit

A participant with at least 8 years of service who becomes permanently disabled while in service as a contributing participant is eligible for a retirement annuity regardless of age.

If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

9. Refund of Contributions

Upon termination of service, a participant is entitled to a refund of total contributions to the System without interest. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

A participant who has no eligible survivors is entitled to a full refund of contributions for the survivors' annuity benefit. The refund may be repaid, with required interest, to qualify a spouse for survivors' annuity benefits if the participant marries or remarries after retirement.

LEGISLATIVE SECTION

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 2018 having an impact on the System:

Senate Bill 0042 (Public Act 100-0023; effective July 6, 2017)

Requires that any changes in the pension liability that result from actuarial assumption modifications, shall be smoothed over a five-year period, retroactive to the beginning of fiscal year 2018. In addition, any actuarial assumption changes that impacted the State contribution rate in fiscal years 2014 through 2017 are to be smoothed over a five-year period applying only the portion of the five-year phase in that is applicable to fiscal years on and after 2018. No later than November 1, 2017, the Board shall recalculate and recertify the FY 2018 contribution, factoring the changes to the required State contribution formula resulting from this legislation.

House Bill 0350 (Public Act 100-0334; effective August 25, 2017)

Provides that an eligible survivor of a member shall be ineligible for benefits if convicted of any felony relating to, arising out of, or in connection with the service of the member that earned such benefit.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 2018 having an impact on the System:

House Bill 4412 (Public Act 100-0902; effective August 27, 2018)

Provides that most retirement systems regulated under the Illinois Pension Code, shall make its best efforts to ensure that the racial and ethnic makeup of the senior administrative staff reflects such demographics of the membership of the respective fund.