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, 2016

General Assembly Retirement System of Illinois

2101 South Veterans Parkway, P. O. Box 19255
Springfield, Illinois 62794-9255
Phone 217-782-8500 • Fax 217-557-5154
Internet: http://www.srs.illinois.gov
Email: gars@srs.illinois.gov

Fiscal Year 2016 Highlights

212	Total Membership
141	Active Contributing Members
$49,052,073	Net Position–Restricted for Pensions, fair value

Contributions

$1,309,697	Participants
$16,073,000	Employer
$(539,494)	Net Investment Income (Loss)
0.3%	Investment Return

Benefit Recipients

299	Retirement Annuities
115	Survivors' Annuities
1	Reversionary Annuities
$21,841,237	Benefits Paid
$373,665,822	Total Pension Liability
$49,052,073	Fiduciary Net Position
$324,613,749	Net Pension Liability
13.1%	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.

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, 2016

GENERAL ASSEMBLY RETIREMENT SYSTEM,
STATE OF ILLINOIS

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

Prepared by the Accounting Division

Printed by Authority of the State of Illinois
Printed on Recycled Paper

TABLE OF CONTENTS

INTRODUCTORY SECTION

STATE RETIREMENT SYSTEMS

• State Employees' Retirement System of Illinois
• General Assembly Retirement System
• Judges' Retirement System of Illinois

2101 South Veterans Parkway, P.O.Box 19255, Springfield, IL 62794-9255 217-785-7444

January 4, 2017

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, 2016 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.

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 2016 amounted to approximately $49.1 million, and there were 212 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 Statues, 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 loss of 0.8%, net of expenses for the fiscal year ended June 30, 2016.

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 years 2016, the statutorily required state contribution was $16,073,000. The total amount of contributions received from the state for fiscal year 2016 was $16,073,000.

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.

The actuarial determined liability of the System using the State's projected unit credit actuarial cost method for funding purposes at June 30, 2016, amounted to $363.3 million. The actuarial value of assets amounted to $50.8 million resulting in an unfunded accrued actuarial liability of $312.5 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

The IT operational plan for FY 2016 encompassed numerous system modernization (re-engineering) projects and enhancements. These included the sync of retirement benefit data, the design of the new benefit setup process and pension calculations, system performance tuning, and changes to the annual benefit statements.

The new IT projects to be worked on during FY 2017 include the implementation of the new benefit setup and pension calculation, and the design of the service purchase set up, the cash receipts, and the accounts receivable modules.

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 judgements 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.

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 for the fiscal year ended June 30, 2015.

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-seven consecutive years (fiscal years ended June 30, 1989 through June 30, 2015).

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

SENATOR
James F. Clayborne, Jr.
Chairman

REPRESENTATIVE
David Harris
Vice-Chairman

SENATOR
William Brady

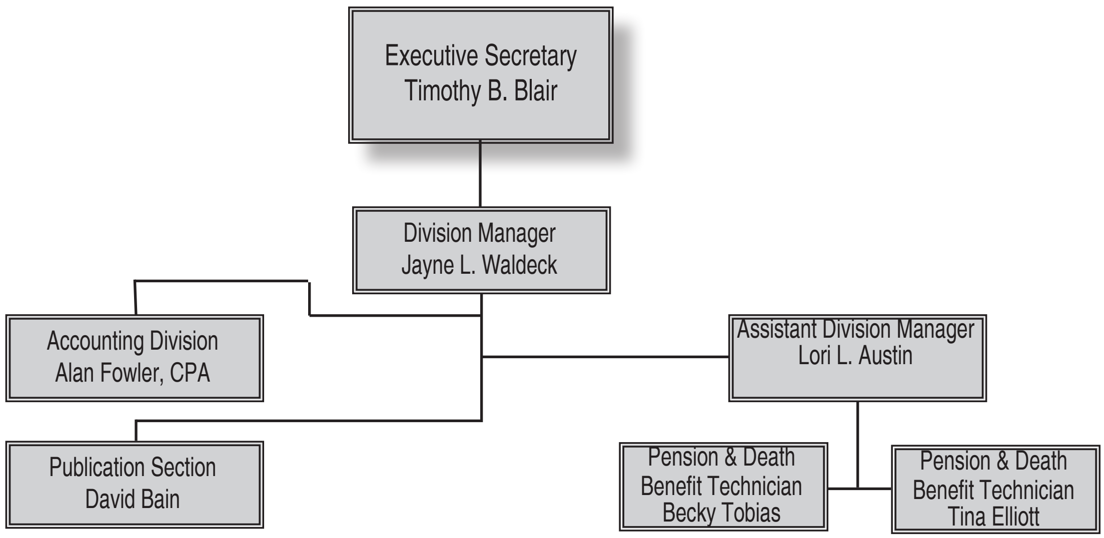
SENATOR
Don Harmon

REPRESENTATIVE
Michael Zalewski

REPRESENTATIVE
Elaine Nekritz

REPRESENTATIVE
Daniel Pierce
Retired Annuitant Member

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, 2015

Executive Director/CEO

FINANCIAL SECTION

RSM

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, 2016, 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 2016 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 84 percent, 87 percent and (3) percent respectively of total assets, net position restricted for pension benefits, and total additions of the System. Those financial statements were audited by other auditors whose 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, 2016, 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 are discussed in Note 6 of the financial statements on pages 34 through 36. Our opinion is not modified with respect to this matter.

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 38 through 40 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the 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 financial statements, and other knowledge we obtained during our audit of the 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, 2016 was conducted for the purpose of forming an opinion on the System's 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 financial statements.

The supplementary financial information in the financial section, as listed in the table of contents, for the year ended June 30, 2016 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements for the year ended June 30, 2016 and certain additional procedures, including comparing and reconciling such information directly to underlying accounting and other records used to prepare the financial statements, or to the 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 financial statements as a whole for the year ended June 30, 2016. 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 financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

RSM US LLP

Schaumburg, Illinois
January 4, 2017

This section presents management's discussion and analysis of the financial position and performance of the General Assembly Retirement System (System) for the years ended June 30, 2016. 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 141 active participants and 415 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. For the fiscal year ended June 30, 2016, 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, 2016. This financial information also summarizes the changes in the fiduciary net position restricted for pensions for the year then ended.
2. Notes to the Financial Statements. 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.
3. Required Supplementary Information. The required supplementary information consists of three schedules and related notes concerning actuarial information, funded status, actuarially determined contributions, and investment returns.
4. 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.

FINANCIAL HIGHLIGHTS

- The fiduciary net position decreased by $5.5 million during fiscal year 2016. This change was primarily the result of decreases in investments of $7.4 million during fiscal year 2016.
- The System was funded at 13.1% as of June 30, 2016.
- The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was a loss of 0.8% in fiscal year 2016. The System's annual money-weighted rate of return on its investment in the ISBI Commingled Fund was a gain of 0.32% for fiscal year 2016.

Condensed Statements of Fiduciary Net Position
(in thousands)

	As of June 30, 2016	As of June 30, 2015	Increase/(Decrease) from 2015 to 2016
Cash	$ 5,542.9	$ 4,904.2	$ 638.7
Receivables	993.2	667.3	325.9
Investments, at fair value *	43,963.4	51,339.7	(7,376.3)
Capital Assets, net	15.8	9.1	6.7
Total assets	50,515.3	56,920.3	(6,405.0)
Liabilities *	1,463.2	2,346.0	(882.8)
Total fiduciary net position	$ 49,052.1	$ 54,574.3	$ (5,522.2)

** 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 and $1.5 million for the years ended June 30, 2016 and June 30, 2015, respectively. Participant contribution rates are set by statute as a percentage of gross salary. For fiscal year 2016, employer contributions increased to approximately $16.1 million from $15.9 million in fiscal year 2015. This increase 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 2016 and 2015, the System paid out approximately $22.0 million and $21.5 million in benefits and refunds, respectively. This increase of 2.3% from 2015 to 2016 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, 2016	For the Year Ended June 30, 2015	Increase/(Decrease) from 2015 to 2016
Additions			
Participant contributions	$ 1,309.7	$ 1,487.4	$ (177.7)
Employer contributions	16,073.0	15,870.9	202.1
Net Investment income (loss)	(539.5)	2,287.9	(2,827.4)
Total additions	16,843.2	19,646.2	(2,803.0)
Deductions			
Benefits	21,841.2	21,274.9	566.3
Refunds	141.8	191.8	(50.0)
Administrative expenses	382.4	394.7	(12.3)
Total deductions	22,365.4	21,861.4	504.0
Net increase/(decrease) in fiduciary net position	$ (5,522.2)	$ (2,215.2)	$ (3,307.0)

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 13.1% on June 30, 2016. The amount by which the total pension liability exceeded the fiduciary net position was $324.6 million on June 30, 2016.

INVESTMENTS

Investments of the System are combined in a 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 loss of the total ISBI Commingled Fund was approximately $133.7 million during fiscal year 2016, resulting in a negative return of 0.8%. 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 period ended June 30, 2016, the ISBI Commingled Fund earned a compounded rate of return of 7.0%, 6.9%, and 5.0%, 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.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Fiduciary Net Position

June 30, 2016

	2016
Assets	
Cash	$ 5,542,851
Receivables:	
Employer contributions	669,710
Participants' contributions	320,629
Refundable annuities	382
Interest on cash balances	2,440
Total receivables	993,161
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	42,604,441
Securities lending collateral with State Treasurer	1,359,000
Capital Assets, net	15,773
Total Assets	50,515,226
Liabilities	
Benefits payable	600
Refunds payable	-
Administrative expenses payable	42,492
Due to Judges' Retirement System of Illinois	61,061
Securities lending collateral	1,359,000
Total Liabilities	1,463,153
Net position – restricted for pensions	$ 49,052,073

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2016

	2016
Additions:	
Contributions:	
Participants	$ 1,309,697
Employer	16,073,000
Total contributions	17,382,697
Investment income:	
Net appreciation/(depreciation) in fair value of investments	(1,811,781)
Interest and dividends	1,381,306
Less investment expense, other than from securities lending	(117,666)
Net income (loss) from investing, other than from securities lending	(548,141)
Net securities lending income	8,647
Net investment income (loss)	(539,494)
Total Additions	16,843,203
Deductions:	
Benefits:	
Retirement annuities	18,104,674
Survivors' annuities	3,736,563
Total benefits	21,841,237
Refunds of contributions	141,817
Administrative expenses	382,340
Total Deductions	22,365,394
Net Increase/(Decrease)	(5,522,191)
Net position - restricted for pensions:	
Beginning of year	54,574,264
End of year	$ 49,052,073

See accompanying notes to financial statements.

GENERAL ASSEMBLY RETIREMENT SYSTEM, STATE OF ILLINOIS

Notes to Financial Statements June 30, 2016

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 2016 was less than $81,000. 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, 2016, the System membership consisted of:

	2016
Retirees and beneficiaries	
currently receiving benefits:	
Retirement annuities	299
Survivors' annuities	115
Reversionary annuities	1
	415
Inactive participants entitled to benefits	
but not yet receiving them	55
Total	470
Current participants:	
Vested	74
Nonvested	67
Total	141

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.

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 2016 was $115,481. 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
11.5%	

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. 72, "Fair Value Measurement and Application", addresses accounting and financial reporting issues related to fair value measurements. The statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The ISBI and the System have implemented this Statement for the year ended June 30, 2016.

GASB Statement No. 73, "Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68", establishes requirements for defined benefit pensions that are not within the scope of GASB 68 and amends certain provisions of Statement No. 67 and 68 related to accounting and reporting. The System has implemented this Statement for the year ended June 30, 2016.

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 the impact on the System's financial statements, if any, has not been determined, at this time.

GASB Statement No. 76, "The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments", reduces the GAAP hierarchy to two categories of authoritative GAAP. The Statement also addresses the use of authoritative and nonauthoritative literature if the accounting treatment for a transaction is not covered within a source of authoritative GAAP. The System has implemented this Statement for the year ended June 30, 2016.

GASB Statement No. 79, "Certain External Investment Pools and Pool Participants", establishes whether an external investment pool may elect to use an amortized cost exception to fair value measurement. This Statement has not been implemented as it is not applicable to the System's investments.

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. This GASB is effective for fiscal years beginning after June 15, 2016 (FY 2017) and the System is currently reviewing the Statement for the purpose of implementing it for FY 2017.

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 owned 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, Bank Loans, and Real Assets) - 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, 2016 was $241,569. The total administrative expenses attributable to the General Assembly Retirement System is $382,340 for fiscal year 2016.

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 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, 2016. 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, 2016. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

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

	June 30, 2016
U.S. govt. and agency obligations	$ 2,349,026,919
Foreign obligations	80,165,287
Corporate obligations	746,537,021
Common stock & equity funds	4,317,909,601
Commingled funds	961,730,986
Foreign equity securities	2,243,595,695
Foreign preferred stock	428,058
Hedge funds	1,181,203,258
Real estate funds	1,704,064,846
Private equity	582,943,357
Money market instruments	356,617,721
Real assets	592,736,380
Bank loans	449,925,261
Foreign currency forward contracts	(1,337,420)
Total investments	$ 15,565,546,970

Rate of Return
For the fiscal year ended June 30, 2016, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 0.32 percent. 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, 2016, the ISBI had a non-investment related bank balance of $393,683. During fiscal year 2007, 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 State Street Bank and Trust Company and Deutsche Bank AG, NY Branch. State Street

Bank and Trust Company has an AA- Long-term Deposit/Debt rating by Standard & Poor's and an Aa1 rating by Moody. 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, 2016, the ISBI had an investment related bank balance of $5,602,210. 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. 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 $561 million at the end of fiscal year 2016. The ISBI's real estate and private equity investment portfolios consist of passive interests in limited partnerships. The ISBI had outstanding commitments to these limited partnerships of approximately $489 million as of June 30, 2016. Also, at the end of fiscal year 2016, the ISBI had no outstanding commitments to separate real estate accounts. At the end of fiscal year 2016, the ISBI had an outstanding amount of $72 million committed to real assets. 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, private equity funds and real assets 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 investments during periods of significant market value declines.

Alternative Investments

The ISBI's investments in hedge funds are structured to achieve a diversified hedged equity fund-of-funds portfolio. Capital is allocated to a select group of hedge fund managers that invest predominately in equity securities, both long and short. The investments shall be managed with the intent of preserving capital in a declining market and in a rising market they will generate a smaller return than the overall equity market. These investments are redeemable once the underlying assets are liquidated.

The ISBI's investments in Private Equity and Real Estate funds represent investment vehicles 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.

Investment strategies of Private Equity funds include, but are not limited to, leveraged buyouts, venture capital, growth capital and mezzanine capital.

Investment strategies of Real Estate investments include, but are not limited to, the purchase, development, ownership, management, rental and/or sale of real estate for profit.

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, 2016, real estate equities of approximately $1,704 million are reported at estimated fair value. Of this amount, $1,885 million is net assets and $181 million is long term debt.

Required repayment of real estate debt, which is non-recourse debt is as follows as of June 30, 2016:

Debt Maturities Year Ending June 30	2016
2016	$ –
2017	56,500,000
2018	22,500,000
2019	43,239,761
2020–2024	58,875,000
	$ 181,114,761

Fair Value Measurements

The recurring fair value measurements for the year ended June 30, 2016 are as follows:

	At June 30, 2016 Fair Value Measurements Using			
	Level 1	Level 2	Level 3	Totals
Investments by fair value level				
Debt securities				
Government and agency obligations	$ -	$ 2,349,026,919	$ -	$ 2,349,026,919
Foreign obligations	-	79,635,747	529,540	80,165,287
Corporate obligations	-	743,456,840	3,080,181	746,537,021
Bank loans	1,007,807	16,740	448,900,714	449,925,261
Total debt securities	$ 1,007,807	$ 3,172,136,246	$ 452,510,435	$ 3,625,654,488
Equity Securities				
Common stock and equity funds	$ 4,316,613,525	$ -	$ 1,296,076	$ 4,317,909,601
Foreign equity securities	2,236,025,790	4,728,166	2,841,739	2,243,595,695
Foreign preferred stocks	428,058	-	-	428,058
Total equity securities	$ 6,553,067,373	$ 4,728,166	$ 4,137,815	$ 6,561,933,354
Other				
Foreign curency forward contracts	$ -	$ -	$ (1,337,420)	$ (1,337,420)
Hedge funds (1)	-	376,979,363	11,659,156	388,638,519
Real estate funds (1)	-	-	534,162,163	534,162,163
Real assets (1)	-	-	2,563,610	2,563,610
Total other	$ -	$ 376,979,363	$ 547,047,509	$ 924,026,872
Total investments by fair value level	$ 6,554,075,180	$ 3,553,843,775	$ 1,003,695,760	$ 11,111,614,714
Investments measured at the Net Asset Value (NAV)				
Commingled funds				$ 961,730,986
Real estate				1,169,902,683
Private equity				582,943,357
Real assets				590,172,770
Hedge funds				792,564,739
Total investments measured at the NAV				$ 4,097,314,535
Investments not measured at fair value				
Money market instruments				$ 356,617,721
Total investments				$ 15,565,546,970
	Level 1	Level 2	Not Applicable	Total
Securities lending collateral	$ 8,832,036	$ 5,260,910	$ 2,030,705 (2)	$ 16,123,651

(1) Investments are held in separate accounts.

(2) Consists of cash, interest income and tri-party repos which are not subject to leveling.

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;
  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.

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. Certain alternative investments are categorized as Level 3 in instances where the ISBI owns substantially 100% of the applicable separate account.

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, 2016			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemtion Notice Period
Commingled Funds	$ 961,730,986	none	N/A	N/A
Real Estate	1,169,902,683	205.0 million	Quarterly	90 Days
Private Equity	582,943,357	284.0 million	Quarterly	90 Days
Real Assets	590,172,770	72.0 million	N/A	N/A
Total Investments measured at the NAV	$ 3,304,749,796			

The ISBI's investments in Real Assets represent pooled investment vehicles used to seek capital appreciation and current income by acquiring, holding, financing, refinancing and disposing of infrastructure investments and farmland assets. Real Assets include various public works (e.g. bridges, tunnels, toll roads, airports, public transportation and other public works) that are made typically as a part of a privatization initiative on the part of a government entity.

A Commingled fund is a kind of mutual fund or common trust fund which consists of multiple kinds of assets from several accounts combined together. 'Commingling' these separate assets mitigates risk for the trader through investment diversification and reduces the cost of managing each account separately. Commingled funds are also called "pooled funds" and "master trusts".

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, 2016, 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 between 80% and 120% of the benchmark index.

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. As of June 30, 2016, the ISBI benchmarked its debt security portfolio to Barclay's U.S. Universal Index. At June 30, 2016, the effective duration of the Barclay's U.S. Universal Index was 5.4 years. The table below shows the detail of the duration by investment type as of June 30, 2016.

	2016	
Investment Type	Fair Value	Effective Weighted Duration Years
U.S. Govt. and Agency Obligations		
U.S. Government	$ 1,626,996,131	8.4
Federal Agency	722,030,788	1.8
Foreign Obligations	80,165,287	5.8
Corporate Obligations		
Bank & Finance	233,128,652	5.8
Industrial	388,110,620	5.2
Other	125,297,749	5.3
Total	$ 3,175,729,227	

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, 2016, the weighted average maturity of ISBI's bank loan portfolio was 4.8 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, 2016. This security was U.S. Treasury Notes/Bills with a Moody's rating of Aaa. This investment represented 5.9% of the total investments of the fund. The table below presents the quality ratings of debt securities held by the ISBI as of June 30, 2016.

	Moody's Quality Rating	2016
U.S. Government and Agency obligations	AAA	$ 2,349,026,919
Foreign Obligations	AAA	$ 380,599
	AA	2,218,831
	A	15,233,213
	BAA	9,159,736
	BA	20,824,887
	B	21,451,133
	CAA	6,236,918
	Not rated	4,659,970
Total Foreign Obligations		$ 80,165,287
Corporate Obligations		
Bank and Finance	AA	$ 12,984,272
	A	87,259,544
	BAA	62,766,036
	BA	45,048,390
	B	14,003,148
	CAA	7,207,916
	Not Rated	3,859,346
Total Bank and Finance		$ 233,128,652
Industrial	AAA	$ 2,547,505
	AA	21,831,260
	A	36,110,999
	BAA	76,119,486
	BA	115,386,734
	B	117,195,788
	CAA	9,128,425
	CA	679,770
	Not Rated	9,110,653
Total Industrial		$ 388,110,620
Other	AAA	$ 2,329,295
	AA	13,443,171
	A	11,103,985
	BAA	20,849,512
	BA	33,367,395
	B	40,851,081
	CAA	3,353,310
Total Other		$ 125,297,749
Total Corporate Obligations		$ 746,537,021
Money Market	Not Rated	$ 356,617,721
Total Money Market		$ 356,617,721

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. International managers may also engage in transactions to hedge currency at their discretion. Certain investments held in infrastructure funds trade in a reported currency of Euro-based dollars valued at $51,927,037 as of June 30, 2016. The table below presents the foreign currency risk by type of investment as of June 30, 2016.

Currency	2016 Foreign Equity Securities & Foreign Preferred Stock	2016 Foreign Obligations
Australian Dollar	$ 90,105,481	$ -
Brazilian Real	20,706,299	-
Canadian Dollar	91,200,217	-
Colombian Peso	969,778	-
Czech Koruna	101,535	-
Danish Krone	26,423,355	-
Egyptian Pound	360,559	-
English Pound Sterling	279,258,238	-
Euro Currency	560,249,243	-
Hong Kong Dollar	135,746,604	-
Hungarian Forint	1,092,049	-
Indonesian Rupian	6,200,659	-
Israeli Shekel	1,248,503	-
Japanese Yen	379,507,896	-
Malaysian Ringgit	8,188,031	-
Mexican Peso	10,281,362	-
New Israeli Sheqel	889,951	-
New Zealand Dollar	3,935,677	-
Norwegian Krone	28,803,019	-
Philippine Peso	4,005,114	-
Qatari Rial	1,677,959	-
Singapore Dollar	31,698,390	-
South African Rand	15,942,233	-
South Korean Won	88,449,167	-
Swedish Krona	55,724,933	-
Swiss Franc	136,963,837	-
Thailand Baht	5,651,254	-
UAE Dirham	1,296,044	-
Foreign investments denominated in U.S. Dollars	257,346,362	80,165,287
Total	$ 2,244,023,753	$ 80,165,287

Securities Lending

The ISBI participates in a securities lending program with Deutsche Bank AG, New York Branch who acts as securities lending agent. Prior to June 22, 2015 the ISBI participated in a securities lending program with Credit Suisse AG, New York Branch, who acted as securities lending agent. Securities are loaned to brokers and, in return, the ISBI receives cash and non-cash collateral. All of the securities are eligible for the securities lending program. Collateral consists solely of cash and government 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 a counterparty to meet its obligations. These losses could include the loss of principal, interest and/or decreased expected cash flows in any of the investments held in the ISBI's cash collateral account. In the event a 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. As of June 30, 2016, the collateral received exceeded the fair value of the securities loaned. As of June 30, 2016, there was an outstanding loaned investment securities having a fair value of $100,576,391 against which collateral was received with a fair value of $102,133,052. Collateral received at June 30, 2016 consisted of $16,123,651 in cash and $86,009,401 in government securities for which the ISBI does not have the ability to pledge or sell.

The cash collateral received is invested in a short-term instrument having a fair value of $16,123,651 as of June 30, 2016. This investment pool had an average duration of 12.13 days as of June 30, 2016. Any decrease in the fair value of invested cash collateral is recorded by the ISBI as unrealized losses and reported as a component of the investment income/loss on the ISBI's Statement of Changes in Net Position.

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 2016, Deutsche Bank AG lent U.S. Treasury and U.S. Agency 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 aggregated 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 2016 on the amount of the loans 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 the Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during fiscal year 2016 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2016, 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 the 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 cash collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2016 were $2,603,015,000 and $2,587,869,617, respectively. The System's portion of securities lending collateral that was invested in repurchase agreements as of June 30, 2016 was $1,359,000.

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. In May 2011, the ISBI removed language from the investment management agreements allowing managers to hedge foreign currencies and/or to hedge equity positions.

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. As 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, 2016.

	Changes in Fair Value	Fair Value at Year End	Notional Amount Number of Shares
	2016	2016	2016
FX Forwards	$ 4,304,099	$ (1,337,420)	n/a
Futures	n/a	n/a	(4,454,480)
Options	(8,063)	-	-
Rights	(16,571)	73,490	632,334
Warrants	(134,625)	-	67
	$ 4,144,840	$ (1,263,930)	(3,822,079)

The table below shows the futures positions held by the ISBI as of June 30, 2016.

	2016	
	Number of Contracts	Contract Principal*
Equity Futures Purchased	472	$48,761,577
Fixed Income Futures Purchased	-	-
Fixed Income Futures Sold	1,541	138,538,104

** Contract principal amounts shown represent the market 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, 2016, 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, 2016:

	2016			
Currency	FX Forwards	Rights	Warrants	Options
Australian Dollar	$ (241,193)	$ -	$ -	$ -
Canadian Dollar	(137,931)	-	-	-
Danish Krone	(20,836)	-	-	-
English Pound Sterling	(115,086)	-	-	-
Euro Currency	(317,667)	36,136	-	-
Hong Kong Dollar	(5,723)	-	-	-
Israeli Shekel	(13,812)	-	-	-
Japanese Yen	(95,125)	-	-	-
Malaysian Ringgit	2,833	-	-	-
Mexican Peso	(29,456)	-	-	-
New Zealand Dollar	(19,332)	1,213	-	-
Norwegian Krone	(55,740)	-	-	-
Singapore Dollar	(16,950)	34,703	-	-
South African Rand	(76,027)	-	-	-
Swedish Krona	(59,673)	-	-	-
Swiss Franc	(133,041)	-	-	-
Thailand Baht	(2,662)	-	-	-
Investments denominated in U.S. dollars	-	1,438	-	-
	$ (1,337,420)	$ 73,490	$ -	$ -

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, 2016 for these contracts were $678,644.

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 2016, the actuary used the projected unit credit actuarial method for determining the proper employer contribution amount.

For fiscal year 2016, 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 2016 was $16,073,000. The total amount of employer contributions received from the state during fiscal year 2016 was $16,073,000.

6. Net Pension Liability of the State

The components of the State's net pension liability for this plan at June 30, 2016 are as follows:

Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability	Plan FNP as % of TPL
$373,665,822	$49,052,073	$324,613,749	13.13%

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.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2016, 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:	2.75 percent, compounded annually
Investment rate of return:	6.75 percent per year, compounded annually
Salary increases:	3.0 percent per year (consisting of an inflation component of 2.75 percent per year, a productivity component of .25 percent per year). For fiscal year 2017, salaries were assumed to remain at their current rate.

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

Post-retirement increase: Tier 1: 3.0 percent per year, compounded annually. Tier 2: 3.0 percent 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 information provided by the Illinois State Board of Investments (ISBI) in conjunction with its investment consultant, Meketa Investment Group. The ISBI and Meketa Investment Group provided the simulated average 20-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future real rate of return by the target asset allocation percentage and by adding expected inflation. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, the 20-year simulated real rates of return are summarized in the following table:

	Asset Allocation	
Asset Class	Target Allocation	20 Year Simulated Real Rate of Return
U.S. Equity	23%	5.8%
Developed Foreign Equity	13%	6.1%
Emerging Market Equity	7%	8.5%
Private Equity	9%	7.4%
Hedge Funds	3%	3.6%
Intermediate Investment Grade Bonds	11%	1.6%
Long-term Government Bonds	3%	1.6%
TIPS	5%	1.3%
High Yield and Bank Loans	5%	4.8%
Opportunistic Debt	4%	4.8%
Emerging Market Debt	2%	4.1%
Real Estate	10%	4.5%
Infrastructure	5%	5.9%
Total	100%	5.04%

Discount Rate

A single discount rate of 6.60% was used to measure the total pension liability as of June 30, 2016. The single discount rate was based on the June 30, 2016 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 2.85% as of June 30, 2016. 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 2069 at June 30, 2016. As a result, for fiscal year 2016, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2069, and the municipal bond rate was applied to all benefit payments after that date.

Sensitivity of the net pension liability to changes in the discount rate

For fiscal year 2016, the following table presents the plan's net pension liability using a single discount rate of 6.60%, 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, 2016		
	1% decrease (5.60%)	Current Discount Rate (6.60%)	1% increase (7.60%)
State's net pension liability	$369,183,960	$ 324,613,749	$287,579,906

7. Administrative Expenses

A summary of the administrative expenses for the General Assembly Retirement System for fiscal year 2016 is listed below.

	2016
Personal services	$131,051
Employee retirement contributions paid by employer	1,451
Employer retirement contributions	59,805
Social security contributions	9,677
Group insurance	29,298
Contractual services	132,404
Travel	1,121
Printing	100
Commodities	93
Telecommunications	408
Information technology	15,086
Automotive	256
Depreciation/Amortization	2,025
Change in accrued compensated absences	(491)
Interest on Lease Obligation	56
Total	$382,340

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, 2016 total $13,773, 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 2016 is included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2016. 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 five percent 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 not separated by department or component unit for annuitants and their dependents nor 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.

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 2016 is as follows:

	2016			
	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 15,424	$ 1,372	$ -	$ 16,796
Accumulated depreciation	(12,946)	(1,311)	-	(14,257)
Internally developed software	6,990	7,308	-	14,298
Accumulated amortization	(350)	(714)	-	(1,064)
Capital Assets, net	$ 9,118	$ 6,655	$ –	$ 15,773

SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
Fiscal Years Ended June 30, 2016 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	40,328,886	(64,165,825)	16,502,452
Total pension liability - beginning	333,336,936	397,502,761	381,000,309
Total pension liability - ending (a)	$373,665,822	$333,336,936	$397,502,761
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	(5,522,191)	(2,215,196)	2,442,439
Plan fiduciary net position - beginning	54,574,264	56,789,460	54,347,021
Plan fiduciary net position - ending (b)	$ 49,052,073	$ 54,574,264	$ 56,789,460
State's net pension liability - ending (a)-(b)	$324,613,749	$278,762,672	$340,713,301
Plan fiduciary net position as a percentage of the total pension liability	13.13%	16.37%	14.29%
Covered-employee payroll	$ 11,297,614	$ 11,609,403	$ 12,777,821
State's net pension liability as a percentage of covered employee payroll	2,873.29%	2,401.18%	2,666.44%

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

Valuation Date: June 30, 2016

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.

2016 Changes in Assumptions:

- The rate of inflation decreased from 3.00 percent to 2.75 percent.
- The investment return assumption was decreased from 7.00 percent to 6.75 percent.
- The payroll growth assumption was decreased from 3.5 percent to 3.00 percent.
- 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 percent.
- 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 percent to 50 percent.

SCHEDULE OF INVESTMENT RETURNS

	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	0.32%	3.24%	18.12%

* **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.

SCHEDULE OF STATE CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially determined contribution	Contributions received	Contribution (deficiency) excess	Covered Employee Payroll	Contributions received as a percentage of covered employee payroll
2007	$ 10,125,503	$ 5,470,429	$ (4,655,074)	$ 12,701,000	43.07%
2008	10,672,535	6,809,800	(3,862,735)	12,871,000	52.91%
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)	15,275,000	68.75%
2013	17,064,640	14,150,000	(2,914,640)	14,902,000	94.95%
2014	17,110,135	13,956,669	(3,153,466)	12,777,821	109.23%
2015	16,900,876	15,870,941	(1,029,935)	11,609,403	136.71%
2016	17,140,656	16,073,000	(1,067,656)	11,297,614	142.27%

Notes to Schedule of State Contributions:

Valuation Date: June 30, 2014

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.

Methods and Assumptions as of the Valuation Date:

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Normal cost plus a level percentage of uncapped payroll amortization of the unfunded accrued liability.

Remaining Amortization Period: 30 years, open.

Asset Valuation Method: 5 year smoothed market

Inflation: 3.00 percent

Salary Increases: A salary increase assumption of 3.50 percent per annum, compounded annually, was used. This 3.50 percent salary increase assumption includes an inflation component of 3.00 percent per annum, a productivity component of 0.40 percent per annum, and a merit/promotion component of 0.10 per cent per annum. Salaries were assumed to remain at the current rate for fiscal year 2016.

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

Investment Rate of Return: 7.00 percent

Retirement Age: Age-based table of rates that are specific to the type of eligibility

Mortality: RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2016 (static table) setback three (3) years for males and two (2) years for females.

SUMMARY OF REVENUES BY SOURCE
Year Ended June 30, 2016

	2016
Contributions:	
Participants:	
Participants	$ 1,306,761
Interest paid by participants	2,936
Total participant contributions	1,309,697
Employer:	
General Revenue Fund	16,073,000
Paid by participants	-
Total employer contributions	16,073,000
Total contributions revenue	17,382,697
Investment income:	
Net appreciation/(depreciation) in fair value of investments	(1,811,781)
Interest and dividends from investments	1,359,565
Interest earned on cash balances	21,741
Less investment expense, other than from securities lending	(117,666)
Net income (loss) from investing, other than from securities lending	(548,141)
Net securities lending income	8,647
Net investment income (loss)	(539,494)
Total revenues	$16,843,203

SCHEDULE OF PAYMENTS TO CONSULTANTS
Year Ended June 30, 2016

	2016
Actuary	$ 68,450
Audit fees	35,267
Legal Services	3,559
Total	$107,276

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Year Ended June 30, 2016

	2016
Cash balance, beginning of year	$ 4,904,254
Receipts:	
Participant contributions	991,831
Employer contributions:	
General Revenue Fund	16,061,999
Paid by participants	-
Received from Reciprocal Systems	-
Interest income on cash balances	21,412
Tax-deferred installment payments	1,470
Post tax installment payments	-
Cancellation of annuities, net overpayments	9,391
Transfers from Illinois State Board of Investment	6,000,000
Receipts from Reciprocal Systems	-
Miscellaneous	175
Total cash receipts	23,086,278
Disbursements:	
Benefit payments:	
Retirement annuities	18,118,409
Survivors' annuities	3,731,587
Refunds	180,445
Transfers to Illinois State Board of Investment	-
Administrative expenses	417,240
Total cash disbursements	22,447,681
Cash balance, end of year	$ 5,542,851

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, 2016, the ISBI's total net position under management, valued at market, amounted to $15.602 billion. Of the total market value of the net position under management, $42.6 million or approximately 1% represented assets of the General Assembly Retirement System as of June 30, 2016.

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 State Street Bank. 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 2016 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 2016 are shown in the following table.

INVESTMENT ASSET ALLOCATION

	Fair Value	2016 Actual Asset Mix	Policy Target
U.S. equity	$ 4,317,909,601	27%	23%
U.S. equity hedge funds	1,181,203,258	8	3
International equity	2,244,023,753	14	20
Commingled funds[4]	961,730,986	6	-
Fixed income[1]	3,175,729,227	20	25
Bank loans	449,925,261	3	3
Real estate	1,704,064,846	11	11
Private equity[2]	582,943,357	4	10
Real assets[2]	592,736,380	4	5
Cash[3]	391,401,856	3	-
Total	$ 15,601,668,525	100%	100%

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, 2016	
Investments, at fair value		
U.S. Govt. and Agency Obligations	$ 2,349,026,919	15.06%
Foreign Obligations	80,165,287	0.51
Corporate Obligations	746,537,021	4.78
Common Stock & Equity Funds	4,317,909,601	27.69
Commingled Funds	961,730,986	6.16
Foreign Equity Securities	2,243,595,695	14.38
Foreign Preferred Stock	428,058	0.00
Hedge Funds	1,181,203,258	7.57
Real Estate Funds	1,704,064,846	10.92
Private Equity	582,943,357	3.74
Money Market Instruments	356,617,721	2.29
Real Assets	592,736,380	3.80
Bank Loans	449,925,261	2.88
Foreign Currency Forward Contracts	(1,337,420)	(0.01)
	15,565,546,970	99.77
Other Assets, Less Liabilities	36,121,555	0.23
Net Position, at Fair Value	$ 15,601,668,525	100.00%

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations of the System for fiscal years 2016 and 2015:

	2016	2015	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Balance at beginning of year, at fair value	$ 49,165,676	$ 51,549,374	$ (2,383,698)	(4.62)%
Cash transferred to (from) ISBI, net	(6,000,000)	(4,650,000)	(1,350,000)	(29.03)%
Net ISBI investment revenue:				
Net appreciation in fair value of investments	(1,811,781)	769,133	(2,580,914)	(335.36)%
Interest and dividends	1,359,565	1,630,364	(270,799)	(16.61)%
Less investment expense, other than from securities lending	(117,666)	(143,291)	25,625	17.88%
Net income (loss) from investing, other than from securities lending	(569,882)	2,256,206	(2,826,088)	(125.26)%
Net securities lending income	8,647	10,096	(1,449)	(14.35)%
Net ISBI investment revenue (loss)	(561,235)	2,266,302	(2,827,537)	(124.76)%
Balance at end of year, at fair value	$ 42,604,441	$ 49,165,676	$ (6,561,235)	(13.35)%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY2016 was $21,741 compared to $21,614 during FY2015.

MANAGEMENT EXPENSES

The ISBI's total expenses for fiscal year 2016, based on $15.6 billion in net position, was $40.6 million. The resulting expense ratio (expenses divided by average fair value of assets) for fiscal year 2016 was 0.26%. 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 2016, investors suffered losses in international equities and hedge funds as measured by the market indices. The ISBI's total fund was down 0.8% for fiscal year 2016, net of all expenses. This follows positive net returns of 4.7%, 17.9%, 14.1%, and 0.1% for fiscal years 2015, 2014, 2013, and 2012, 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.

ANALYSIS OF INVESTMENT PERFORMANCE

	2016	2015	2014	2013	2012	3 Years	5 Years	10 Years
Total Fund	(0.8)%	4.7%	17.9%	14.1%	0.1%	7.0%	6.9%	5.0%
Composite Benchmark*	0.7	4.0	16.3	11.8	0.9	6.8	6.5	5.3
Consumer Price Index	0.1	0.1	2.1	1.8	1.7	1.1	1.3	1.7
U.S. Equities	(1.7)	6.4	24.1	23.3	1.3	9.1	10.2	7.2
Russell 3000 Index	2.1	7.3	25.2	21.5	3.8	11.1	11.6	7.4
Hedge Funds **	(8.9)	6.0	15.0	12.6	(4.3)	3.6	3.7	3.8
HFRX Equity Hedge	(5.4)	4.0	8.5	8.3	(10.7)	2.2	0.7	
(0.4)								
International Equities	(7.1)	(1.0)	23.8	16.8	(10.7)	4.4	3.5	3.9
MSCI-ACWI ex US Index IMI Gross	(9.2)	(4.6)	22.8	14.4	(14.4)	2.1	0.8	1.4
Fixed Income	1.6	(1.4)	6.5	2.4	6.8	2.2	3.1	3.7
Barclays Capital U.S. Universal Index	5.8	1.6	5.2	0.2	7.4	4.2	4.0	5.3
Real Estate	12.0	16.3	14.5	13.0	5.3	14.2	12.2	4.4
NCREIF Real Estate Index	10.8	13.4	11.7	11.1	11.3	12.0	11.7	7.5
Private Equity	7.9	21.5	24.7	16.2	7.6	17.8	15.4	11.4

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 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% HFRI 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% HFRI 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.

**Hedge Funds: ISBI began investing in Hedge Funds in Fiscal 2007, therefore actual return information is not available prior to that period.

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

This page left intentionally blank

ACTUARIAL SECTION

The schedules in this section of the report were prepared to support the actuarially determined contribution for fiscal year 2018 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.

GRS

Gabriel Roeder Smith & Company
Consultants & Actuaries

120 North LaSalle Street
Suite 1350
Chicago, IL 60602

312.456.9800 phone
312.683.3271 fax
www.gabrielroeder.com

October 31, 2016

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, 2016. 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, 2017, and ending June 30, 2018. Effective with fiscal year ending June 30, 2014, GASB Statement No. 67 replaced GASB Statement No. 25 for pension plan financial reporting requirements. Effective with fiscal year ending June 30, 2015, GASB Statement No. 68 replaced GASB Statement No. 27 for employer financial reporting. Information required by GASB Statements Nos. 67 and 68 is provided in a separate report.

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. 93-0589 reflecting the infusion of the proceeds from the sale of general obligation bonds. The contribution rates 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, 2016, 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, 2017, as determined in the June 30, 2016, actuarial valuation are shown below.

	Employer's Normal Cost [a]	Amortization Payment [b]	Total
Required Rate	26.101%	229.438%	255.539%
Required Contribution	2,725,000	23,954,000	26,679,000

[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, 2017, 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 by January 15, 2017.

Board of Trustees and Executive Secretary
October 31, 2016
Page 2

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.

This actuarial valuation assumes that the plan sponsor will be able to make future contributions on a timely basis. Failure to receive employer contributions on a timely basis could jeopardize the sustainability of the fund. We did not perform an analysis of the ability of the plan sponsor to make future contributions.

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 to 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.

We certify that the information presented herein is accurate and fairly portrays the actuarial position of GARS as of June 30, 2016. 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, 2016. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full actuarial valuation report as of June 30, 2016, which is available on the GARS website, and is an integral part of this certification.

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

Alex Rivera, FSA, EA, MAAA
Senior Consultant

Lance J. Weiss

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

Gabriel Roeder Smith & Company

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 5/2-146 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 2016 was $16,073,000. The total amount of employer contributions received from the state during fiscal year 2016 was $16,073,000.

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. In the review of the FY 2015 GARS actuarial valuation, Cheiron recommended the use of generational mortality improvements and an annual review of the economic assumptions (interest rate and inflation). Additionally, the report recommended that the GARS Board of Trustees periodically hire an independent actuary to conduct a full scope actuarial audit.

The Required Supplementary Information of this report contains a summary of the assumption changes adopted for the FY 2016 valuation. The System is in the process of hiring an independent actuary to conduct a full scope actuarial audit.

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 (2.85% for fiscal year 2016) resulting in a long-term blended rate of return of 6.60% 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 $50,823,211 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 $49,052,073 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 2016 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, projected to 2015, 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: 3.00% per year (consisting of an inflation component of 2.75% per year, a productivity component of .0.25% per year), compounded annually, excluding fiscal year 2017. In determining total covered payroll, based on recent experience, the size of the current active group is projected to decrease by approximately 50 percent by the year 2045 due to the assumption that 50 percent 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: 2.75% 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:

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.

Age	Rate of Termination
20 - 65	.050

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:

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

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

Experience Review: 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.

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

The key assumption changes which were based on the recently completed experience study included the following:

- The rate of inflation decreased from 3.00 percent to 2.75 percent.
- The investment return assumption was decreased from 7.00 percent to 6.75 percent.
- The payroll growth assumption was decreased from 3.5 percent to 3.00 percent.
- 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 percent.
- 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: (1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Actuarial Value of Assets *	Percentage of Accrued Liabilities Covered By Net Real Assets (1)	(2)	(3)
2007	$ 15,994,185	$ 162,006,322	$ 53,913,481	$ 87,182,175	100.0%	43.9%	0.0%
2008	16,766,150	167,065,987	51,947,934	75,405,943	100.0	35.1	0.0
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

** 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.*

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

Fiscal	Annuitants				Survivors*				
Year	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
2007	267	15	10	272	128	6	7	127	399
2008	272	12	15	269	127	8	9	126	395
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

**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	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
2007	$ 231,913,988	$ 87,182,175	37.6%	$ 144,731,813	$ 12,701,000	1,139.5%
2008	235,780,071	75,405,943	32.0%	160,374,128	12,871,000	1,246.0%
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%

** 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.*

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

		2016
Unfunded actuarial liability, beginning of fiscal year		$275,679,021
Contributions due:		
Interest on the unfunded actuarial liability		19,297,531
Participant contributions		1,309,697
Employer normal cost		2,191,924
Interest on participant contributions and employer normal cost		120,484
Total contributions due		22,919,636
Contributions paid:		
Participant contributions		1,309,697
Employer contributions		16,073,000
Interest on participant contributions and State contributions		598,105
Total contributions paid		17,980,802
Contribution shortfall		4,938,834
Actuarial (gain) loss:		
Retirements		(1,401,063)
In-service mortality		14,073
Retiree mortality and other		(2,654,020)
Salary increases	+	(1,548,273)
Terminations		48,771
Investment		266,861
New entrant liability		26,780
Other		413,619
Total actuarial (gain)		(4,833,252)
Assumption Changes	+	36,729,162
Total increase in unfunded actuarial liability	=	36,834,744
Unfunded actuarial liability, end of fiscal year		$ 312,513,765

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase/(Decrease) In Average Pay
2007	182	$ 12,701,000	$ 69,786	(0.3)%
2008	182	12,871,000	70,720	1.3%
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%

VALUATION RESULTS

Actuarial Liability:	June 30, 2016
For Active Participants:	
Pension benefits	$ 39,531,177
Cost-of-living adjustments	15,004,244
Death benefits	757,066
Withdrawal benefits	4,099,571
Total	59,392,058
For Participants Receiving Benefits:	
Retirement annuities	239,685,744
Survivor annuities	37,786,803
Total	277,472,547
For Inactive Participants	26,472,371
Total Actuarial Liability	363,336,976
Actuarial Value of Assets	50,823,211
Unfunded Actuarial Liability	$ 312,513,765

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.

Participant Demographic Schedules:

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

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.

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments	Securities lending collateral with State Treasurer	Capital Assets Net of Accumulated Depreciation	Total
2007	$ 3,234,905	$ 145,554	$ 83,864,942	$ -	$ 1,945	$ 87,247,346
2008	2,823,304	732,349	71,923,943	-	2,128	75,481,724
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

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations	Total
2007	$ 65,171	$ 15,994,185	$ 71,187,990	$ 87,247,346
2008	75,781	16,766,150	58,639,793	75,481,724
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

NUMBER OF PARTICIPANTS

	Active			Inactive			
At June 30	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total	Total
2007	182	-	182	85	-	85	267
2008	182	-	182	75	-	75	257
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

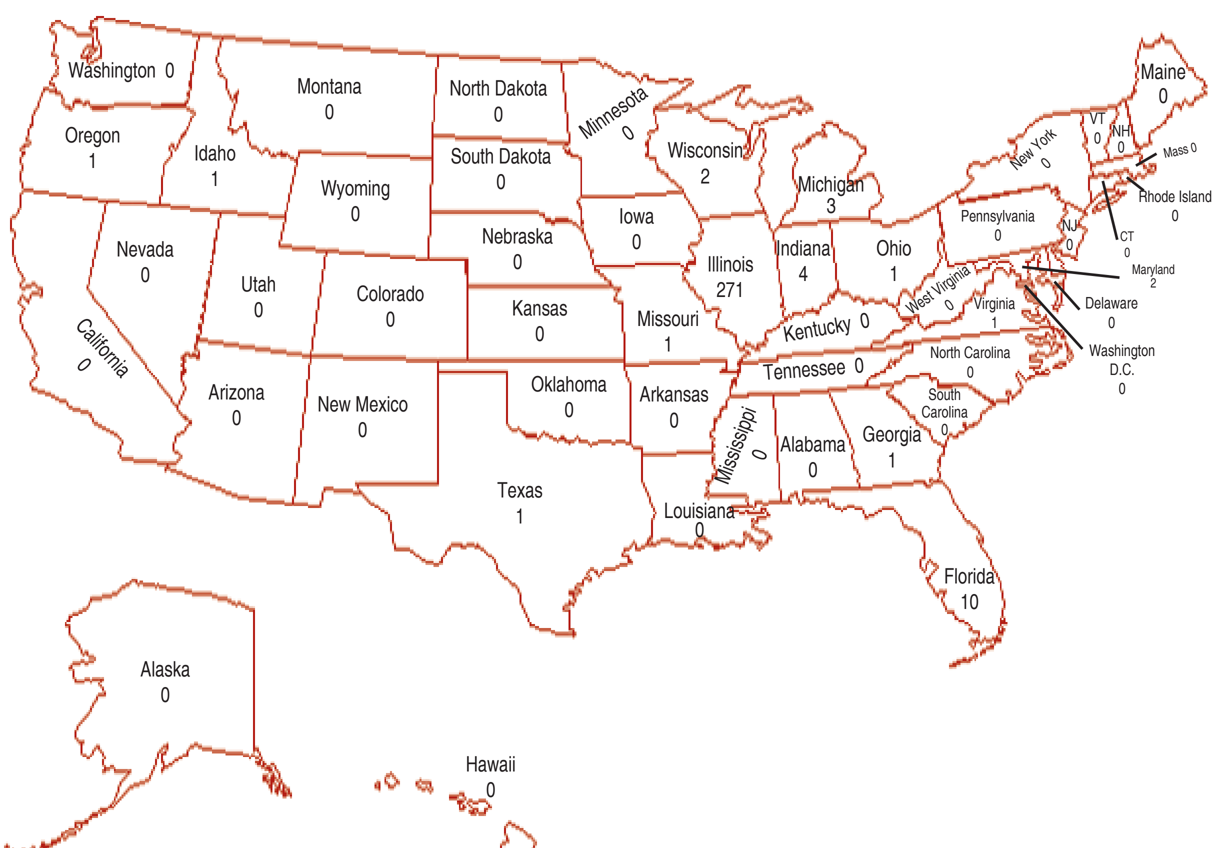
NUMBER OF RECURRING BENEFIT PAYMENTS / TERMINATION REFUNDS

At June 30	Retirement Annuities	Survivors' Annuities	Reversionary Annuities	Total Recurring Benefit Payments	Termination Refunds
2007	272	125	2	399	4
2008	269	125	1	395	1
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

NUMBER ON ACTIVE PAYROLLS

At June 30	Elected State Officers	House Members	Senate Members	Miscellaneous	Total
2007	6	118	59	-	183
2008	6	118	59	-	183
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

ACTIVE RETIREES BY STATE



CHANGES IN FIDUCIARY NET POSITION

Fiscal Year	2007	2008	2009	2010
Additions				
Participant contributions	$ 1,703,344	$ 1,772,860	$ 1,697,575	$ 1,680,603
Employer Contributions:				
State of Illinois	5,220,300	6,809,800	8,847,000	10,411,274
Other sources	250,129	-	9,422	-
Total employer contributions	5,470,429	6,809,800	8,856,422	10,411,274
Net investment income/(loss)	12,990,985	(4,708,297)	(14,662,285)	4,770,533
Miscellaneous	-	-	-	-
Total additions to /(deduction from) fiduciary net position	20,164,758	3,874,363	(4,108,288)	16,862,410
Deductions				
Benefit Payments:				
Retirement annuities	12,180,739	12,653,183	13,020,316	13,770,131
Survivors' annuities	2,538,553	2,605,438	2,836,903	2,998,901
Total benefit payments	14,719,292	15,258,621	15,857,219	16,769,032
Refunds:				
Termination	273,748	12,290	5,494	38,465
Other	24,042	135,514	66,095	183,629
Total refunds	297,790	147,804	71,589	222,094
Administrative expenses	220,333	244,170	276,722	272,253
Total deductions from fiduciary net position	15,237,415	15,650,595	16,205,530	17,263,379
Change in fiduciary net position	**$ 4,927,343**	**$ (11,776,232)**	**$ (20,313,818)**	**$ (400,969)**

2011	2012	2013	2014	2015	2016
$ 2,006,200	$ 1,622,742	$ 1,451,227	$ 1,502,605	$ 1,487,346	$ 1,309,697
11,047,010	10,502,000	14,150,000	13,856,000	15,809,000	16,073,000
386,604	-	-	100,669	61,941	-
11,433,614	10,502,000	14,150,000	13,956,669	15,870,941	16,073,000
10,291,381	(81,448)	6,492,598	8,363,428	2,287,916	(539,494)
10,000	-	-	-	-	-
23,741,195	12,043,294	22,093,825	23,822,702	19,646,203	16,843,203
14,564,699	15,903,041	16,602,650	17,218,504	17,663,009	18,104,674
3,112,152	3,343,844	3,507,469	3,581,998	3,611,940	3,736,563
17,676,851	19,246,885	20,110,119	20,800,502	21,274,949	21,841,237
43,842	31,604	-	147,059	117,986	54,527
17,634	117,690	41,110	98,074	73,769	87,290
61,476	149,294	41,110	245,133	191,755	141,817
299,116	298,104	339,494	334,628	394,695	382,340
18,037,443	19,694,283	20,490,723	21,380,263	21,861,399	22,365,394
$ 5,703,752	**$ (7,650,989)**	**$ 1,603,102**	**$ 2,442,439**	**$ (2,215,196)**	**$ (5,522,191)**

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
2007	59.8	13.8	71.8	3,788
2008	59.7	13.6	71.8	3,922
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

* in years

Annuitants by Benefit Range (Monthly) on June 30, 2016

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-2,000	64	64	21.4%	21.4%
2,001-4,000	72	136	24.1	45.5
4,001-6,000	50	186	16.7	62.2
6,001-8,000	56	242	18.7	80.9
8,001-10,000	28	270	9.4	90.3
10,001-15,000	27	297	9.0	99.3
15,001-20,000	2	299	0.7	100.0

Survivors* by Benefit Range (Monthly) on June 30, 2016

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-2,000	46	46	39.7%	39.7%
2,001-4,000	44	90	37.9	77.6
4,001-6,000	16	106	13.8	91.4
6,001-8,000	9	115	7.8	99.2
8,001-9,000	1	116	0.8	100.0

** includes reversionary annuities*

Average Benefit Payments
Fiscal Years 2007 through 2016

Retirement Effective Dates	Years Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/06 to 6/30/07							
Average monthly benefit	$ 1,606	$ 2,188	$ 4,778	$ 1,538	$ 5,640	$ 9,231	$ 4,334
Average final average salary	$ 5,843	$ 5,806	$ 11,129	$ 14,332	$ 6,635	$ 10,860	$ 6,714
Number of retired members*	2	2	3	1	2	1	3
Period 7/1/07 to 6/30/08							
Average monthly benefit	$ 7,626	$ 1,099	$ 3,025	$ –	$ 6,038	$ –	$ –
Average final average salary	$ 9,783	$ 2,770	$ 5,455	$ –	$ 7,103	$ –	$ –
Number of retired members*	2	2	4	–	1	–	–
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
Average 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	$ –
Average 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
Average 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
Average 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	$ –	$ –
Average 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	$ –	$ –
Average 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	$ –	$ –
Average 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	$ -	$ -
Average final average salary	$ 6,493	$ 3,208	$ 6,648	$ -	$ 7,045	$ -	$ -
Number of retired members*	2	1	1	-	2	-	-

* 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.

This page left intentionally blank

PLAN SUMMARY
AND LEGISLATIVE SECTION

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 2016)

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 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 ½ of 1% for each month the participant's age is under 67.

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.

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.

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 AMENDMENTS

Legislative amendments with an effective date during fiscal year 2016 having an impact on the System:

House Bill 422 (Public Act 99-232; effective August 3, 2015)
Provides that the five (5) state retirement systems shall conduct an actuarial experience study at least once every three (3) years, as opposed to current law which requires such studies to occur at least once every five (5) years.

House Bill 3484 (Public Act 99-450; effective August 24, 2015)
Authorizes the board of SERS and GARS to request information from any member, beneficiary, or employer that is necessary for proper administration of the System.

Senate Bill 1334 (Public Act 99-462; effective August 25, 2015)
Requires all State agencies to set goals so that 20% of the contracts awarded are payable to businesses owned by minorities, women, or disabled persons (MWD). Such goals shall apply to services including insurance, information technology, financial, architectural, engineering, and legal.

Each State agency shall utilize such businesses to the greatest extent feasible within the bounds of fiduciary prudence, and take affirmative steps to remove any barriers to the full participation of such businesses in the procurement and placement opportunities afforded.

Additionally, an agency shall adopt policies that identify its plan and procedures for increasing the use of MWD-owned businesses.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 2016 having an impact on the System:

House Bill 6030 (Public Act 99-0683; effective July 29, 2016)
Provides that each retirement system must implement a procedure to identify deceased annuitants. The procedure must include the requirement that the system check for deceased annuitants at least once per month. The bill also requires that the systems shall have access to the Illinois Department of Public Health vital records.