



Fiscal Year 2005 Financial Highlights

Operations

Total revenue includes participant and employer contributions as well as net income from investment activities.

Participant contribution rates are set by statute as a percentage of salary. For fiscal year 2005, participant contributions totaled \$1.5 million, a 9.0% decrease from the fiscal year 2004 participant contributions. This decrease was primarily due to a decrease in optional service purchases during fiscal year 2005.

Employer contributions in fiscal year 2004 were \$32.9 million, including \$27.1 million in proceeds from the sale of General Obligation bonds by the State of Illinois. Without these bond proceeds, the fiscal year 2004 employer contributions were \$5.8 million as required by the state's funding plan. For fiscal year 2005, employer contributions totaled \$4.7 million as required by the state's funding plan.

Total expenses include benefit payments, refunds and administrative expenses. During fiscal year 2005, the System paid out approximately \$13.4 million in benefits and refunds, an increase of 6.5% from fiscal year 2004. This increase was mainly due to an increase in the number of retirees and annual cost of living annuity increases

FINANCIALS (continued on page 2)

One-On-One Counseling

Below is a list of the one-on-one counseling sessions through August, 2006. Please contact the GARS staff at 217-782-8500 to schedule an appointment.

February 9

Michael A. Bilandic Building
160 North LaSalle, Suite N-725
Chicago 312-814-5853
1 p.m. - 4:30 p.m.

February 10

Michael A. Bilandic Building
160 North LaSalle, Suite N-725
Chicago 312-814-5853
9 a.m. - 2:30 p.m.

March 22

State Capitol Building
Springfield
Dates & Times to be Announced

April 20

Rock Island County Courthouse
Rock Island
10:30 a.m. - 12:30 p.m.

April 20

Carroll County Courthouse
Mt. Carroll 2 p.m. - 3 p.m.

April 21

Winnebago County Courthouse
Rockford 8:30 a.m. - 10:30 a.m.

June 14

2nd Municipal District
Skokie 11 a.m. - 2 p.m.

June 15

4th Municipal District
Maywood 8:30 a.m. - 11 a.m.

July 13

LaSalle County Courthouse
Ottawa 11:30 a.m. - 2:30 p.m.

July 14

Will County Courthouse
Joliet 9 a.m. - 11 a.m.

July 14

Kankakee County Courthouse
Kankakee 12:30 p.m. - 2:30 p.m.

August 3

6th Municipal District
Markham 10:30 a.m. - 12:30 p.m.

August 3

5th Municipal District
Bridgeview 1:30 p.m. - 3:30 p.m.

August 4

3rd Municipal District
Rolling Meadows 9 a.m. - 11 a.m.

The Education for Tomorrow's Choices Preretirement Workshop is a free, one-day workshop to be held in Chicago on May 25, 2006. It covers money management, investment strategies, Deferred Compensation, Social Security, insurance and GARS benefits. Contact GARS if you want to attend.

FINANCIALS (continued from page 1)

granted each year. The System's total administrative costs represented approximately 3% of total expenses.

Investments

By State law, the System's investment function is managed by the Illinois State Board of Investment (ISBI) along with the Judges' and State Employees' Retirement Systems. All investments are accounted for in a commingled ISBI fund.

The ISBI operates under a strategic investment policy that is reviewed and approved at least every two years. 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.

As a result of the continued improvements in the equity markets, the ISBI fund was up 10.1% for fiscal year 2005, net of expenses.

Funding

The System's funding plan requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of net assets to the actuarial accrued liability (funding ratio) will be 90%.

At June 30, 2005, the System's accrued actuarial liability amounted to \$212.9 million. The actuarial value of net assets (at fair value) amounted to \$83.3 million as of the same date, resulting in a funding ratio of 39.1%.

Visit our website at www.state.il.us/srs for information about your retirement system: tax information, legislation, a calculator, and FAQ's.

Statements of Plan Net Assets June 30, 2005 and 2004 (unaudited)

	2005	2004
ASSETS		
Cash	\$ 2,220,504	\$ 2,029,406
Receivables	375,087	4,344
Investments, at fair value	80,772,801	81,287,682
Equipment, net of acc. depr.	2,033	947
Total Assets	83,370,425	83,322,379
Total Liabilities	97,383	114,377
Net assets held in trust for pension benefits	\$ 83,273,042	\$ 83,208,002

Statements of Changes in Plan Net Assets June 30, 2005 and 2004 (unaudited)

	2005	2004
REVENUES		
Contributions:		
Participants	\$ 1,451,282	\$ 1,596,695
Employer	4,675,000	32,951,754
Total Contributions	6,126,282	34,548,449
Investment Income	7,642,461	11,851,709
Total Revenues	13,768,743	46,400,158
EXPENSES		
Benefits	13,363,342	12,465,971
Refunds	23,200	97,835
Administrative	317,161	304,652
Total Expenses	13,703,703	12,868,458
Net Increase	65,040	33,531,700
Net assets held in trust for pension benefits:		
Beginning of year	83,208,002	49,676,302
End of year	\$ 83,273,042	\$ 83,208,002

Tax Deferral of Optional Service Purchases

Members of the General Assembly Retirement System (GARS) may purchase optional service credit, including previously refunded service, military service credit, and service credit for certain other types of public employment.

In addition to making these contributions in a lump-sum post-tax basis, these optional service credit purchases may also be made through payroll deduction to GARS on a pre-tax basis, or may be transferred from an eligible pension plan or Individual Retirement Account.

Payroll Deduction

Members of GARS may choose to purchase optional service on a pre-tax basis by authorizing the contributions to be made in installments through payroll deduction.

The installment period may not be longer than five years unless specifically requested by the participant. The election to make pre-tax contributions through payroll deduction is irrevocable, and the withholding of contributions may not be terminated or changed for any reason other than the death or disability of the participant or termination of employment.

Optional service credit is only granted after all required contributions are paid to GARS in full. If a General Assembly member becomes disabled or terminates employment before the end of the installment period, the total balance remaining must be paid to GARS within 30 days on a post-tax basis.

In the event of the death of a participant prior to the end of the installment period, the qualified survivor may choose to have partial credit granted based on contributions and interest paid as of the date of death.

Active General Assembly members who wish to repay a refund or establish other optional service credit with the Teachers' Retirement System, the State Universities Retirement System, the State Employees' Retirement System or the Judges' Retirement System may do so through payroll deduction.

Each of these systems has adopted policies and guidelines for the establishment of optional service credit. The payroll deduction option is not available when establishing optional service credit in the Chicago and Cook County Funds and the Illinois Municipal Retirement Fund.

Rollover from Qualified Plan

Members of GARS may purchase optional service credit by "rolling over" funds to GARS from other eligible pension plans; i.e. Individual Retirement Accounts and Deferred Compensation Accounts. The optional service credit is granted by GARS upon payment of the required contribution.

If you have any questions about the purchase of optional service credit and the available payment options, please contact the General Assembly Retirement System at 217-782-8500.

State of Illinois Benefits Handbook

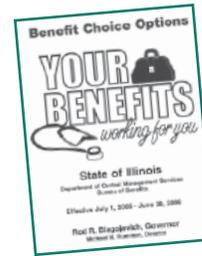
The Illinois Department of Central Management Services (CMS) is mailing the State of Illinois Benefits Handbook to all State of Illinois employees, retirees and survivors.

According to CMS, everyone should receive a mailed copy by the end of January 2006. Please be sure to retain your copy, since the Handbook provides details of the various State-sponsored insurance and benefit programs for all employees, retirees and survivors.

The Handbook is dated July 1, 2004, which is the effective date of the current collective bargaining agreement between the State of Illinois and the American Federation of State, County and Municipal Employees (AF-SCME).

Each May, a copy of the Benefits Choice Options Booklet is mailed to all State of Illinois employees, retirees and survivors during the Benefits Choice enrollment period.

The Benefits Handbook, Benefits Choice Options Booklet, and various CMS forms are also available on the CMS website at www.benefitschoice.il.gov. As always, you may direct questions regarding group insurance and retirement benefits directly to GARS.



GARS Factoid

There are 263 GARS members receiving a retirement benefit with an average monthly amount of \$3,534.

Personnel Changes at GARS



After 27 years of state service, the Judges' & General Assembly Retirement System's Deputy Director **Rudy Kink** retired on November 30, 2005. Rudy was appointed the JRS/GARS Division Manager on November 1, 1989 shortly after they merged with the State Employees' Retirement System.



Carole McKean also retired on November 30 after working over 30 years with JRS/GARS. She joined JRS/GARS in August, 1975. Many of our members dealt with Carole over the years when filing pension or survivor claims.

We wish Rudy and Carole many happy years of retirement!

The New Staff of the General Assembly Retirement System



General Assembly Retirement Staff: front row; Tim Blair, GARS Division Manager; Lori Demuzio, Pension & Death Benefit Technician; back row; Jayne Waldeck, Assistant Division Manager; Robin Edgar, Insurance Analyst.

Tim Blair took over for Rudy as the GARS Division Manager on December 1, 2005. Before joining GARS, he worked with the General Assembly on various pension legislation for the Reciprocal Systems. Tim holds both a bachelor's and master's degree. He resides in the Springfield area with his wife Tiffany and their three children.

Lori Demuzio joined the GARS staff on November 16, 2005 as Carole's replacement. Lori previously worked for SERS from 1983-1993.

She lives in Carlinville with her husband Brad and their two children.

Jayne Waldeck became the GARS Assistant Manager in October, 2000. Before joining GARS, she was the SERS Pension Supervisor for 10 years and has been a member of the SRS staff since February, 1979.

Robin Edgar has been the Insurance Representative with GARS since April 1, 1992. Since 1980, she held a position in the Insurance Section at SERS.

RETIREES: Federal Income Tax Withholding

Monthly GARS benefits are subject to federal income tax withholding. Federal law requires us to ask benefit recipients to complete a W-4P to determine if they want federal income tax withheld from their benefit.

If you fail to inform us of your decision, taxes are withheld from your benefit as a married individual with three exemptions. No withholding is required for a benefit less than \$1,492.00 per month unless you request it.

Tax penalties may be incurred if you do not withhold income taxes and your estimated tax payment is insufficient for the year.

You may notify us at any time to change or end your withholding.

The Solon is published by the General Assembly Retirement System of Illinois

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