

EXECUTIVE DIGEST

MICHIGAN LEGISLATIVE RETIREMENT SYSTEM

INTRODUCTION

This report contains the results of our financial audit* of the Michigan Legislative Retirement System (MLRS) for the period October 1, 1996 through September 30, 1998.

AUDIT PURPOSE

This financial audit was conducted as part of the constitutional responsibility of the Office of the Auditor General. Financial audits are conducted at various intervals to permit the Auditor General to express an opinion on the State's financial statements. This audit is required on a biennial basis by Section 38.1041 of the *Michigan Compiled Laws*.

BACKGROUND

The mission* of MLRS is to administer and maintain the retirement system for members* of the Legislature and its presiding officers and to provide retirement allowances and other benefits* , such as life, health, and dental insurance, to participants, survivors, and beneficiaries.

MLRS was created by Act 261, P.A. 1957 (Sections 38.1001 - 38.1080 of the *Michigan Compiled Laws*). An 11-member Board of Trustees administers MLRS.

Act 486, P.A. 1996, amended the MLRS enabling statute to mandate that persons elected to the Michigan Legislature after March 31, 1997 participate in a Statewide defined contribution pension plan administered by the State Treasurer. Thus, the defined benefit plan is a closed plan.

MLRS is funded by State appropriations, participant contributions, circuit and district court fees (as provided by Sections 600.2529 and 600.8381 of the *Michigan Compiled Laws*), and income from investments.

There were 215 and 214 persons (retirees, spouses, and dependent children) receiving retirement benefits as of September 30, 1998 and September 30, 1997, respectively. The retirement payroll for the fiscal years ended September 30, 1998 and September 30, 1997 was \$4,961,742 and \$4,469,808, respectively.

AUDIT OBJECTIVES
AND CONCLUSIONS

Audit Objective: To assess and report on MLRS's compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and on its internal control* over financial reporting, based on our audit of the financial statements.

Conclusion: Our assessment of compliance did not disclose any instances of noncompliance that could have a material effect on MLRS's financial statements. Also, our assessment of internal control over financial reporting did not disclose any material weaknesses* . However, we

identified reportable conditions* related to separation of duties and fund balance reconciliations (Findings 1 and 2).

Audit Objective: To audit MLRS's financial statements as of and for the fiscal years ended September 30, 1998 and September 30, 1997.

Conclusion: We expressed an unqualified opinion on the financial statements.

AUDIT SCOPE

Our audit scope was to examine the financial and other records of the Michigan Legislative Retirement System for the period October 1, 1996 through September 30, 1998. Our audit was conducted in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and, accordingly, included such tests of the records and such other auditing procedures as we considered necessary in the circumstances.

AGENCY RESPONSES

Our audit report contains 2 findings and 2 corresponding recommendations. MLRS indicated that it has either complied with or taken steps to comply with the recommendations.