



Michigan
Office of the Auditor General
REPORT SUMMARY

Financial Audit

Report Number:
 900-0140-11

Michigan Legislative Retirement System

October 1, 2008 through September 30, 2010

Released:
 September 2011

A financial audit determines if the financial statements are fairly presented; considers internal control over financial reporting; and determines compliance with requirements material to the financial statements. This financial audit of the Michigan Legislative Retirement System (MLRS) was conducted as part of the constitutional responsibility of the Office of the Auditor General.

Financial Statements:

Auditor's Report Issued

We issued an unqualified opinion on the MLRS financial statements.

~ ~ ~ ~ ~

Internal Control Over Financial Reporting

We identified a significant deficiency in internal control over financial reporting (Finding 1).

MLRS's controls over financial reporting did not ensure the accuracy of the investment classifications on MLRS's statement of pension plan and other postemployment benefits (OPEB) plan net assets. As a result, mutual funds were overstated and alternative investments were understated by \$7.8 million as of September 30, 2010. In addition, the amount of equities reported to the Office of Financial Management for inclusion in the *State of Michigan Comprehensive Annual Financial Report* was not properly classified between domestic and international equities.

~ ~ ~ ~ ~

**Noncompliance and Other Matters
 Material to the Financial Statements**

We did not identify any instances of noncompliance or other matters applicable to the financial statements that are required to be reported under *Government Auditing Standards*.

~ ~ ~ ~ ~

Agency Response:

Our audit report includes 1 finding and 1 corresponding recommendation. MLRS's preliminary response indicates that it agrees with the recommendation.

~ ~ ~ ~ ~

Background:

MLRS is a single employer, public employee, defined benefit retirement plan and postemployment healthcare plan governed by the State of Michigan. MLRS was created by Act 261, P.A. 1957, as amended, and provides retirement and ancillary benefits to eligible current and former State legislators. MLRS's financial statements

are included as pension and other employee benefit trust funds in the combined financial statements of the State of Michigan.

MLRS operates within the legislative branch of State government. The MLRS Board of Trustees appoints the director who serves as executive secretary to the MLRS Board, with whom the general oversight of MLRS resides. Act 486, P.A. 1996, amended the MLRS enabling statute to mandate that persons elected to the Michigan Legislature after March 30, 1997 participate in a Statewide defined contribution retirement plan administered by the Department of Technology, Management, and Budget. The defined contribution retirement plan operates as a 401(k) plan and is part of the State of Michigan 401K Plan. The State of Michigan 401K Plan annual financial report is issued separately.

~ ~ ~ ~ ~

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General
201 N. Washington Square
Lansing, Michigan 48913

Thomas H. McTavish, C.P.A.
Auditor General

Scott M. Strong, C.P.A., C.I.A.
Deputy Auditor General