JUDGES' RETIREMENT SYSTEM OF THE STATE OF ILLINOIS

FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 2023

PERFORMED AS SPECIAL ASSISTANT AUDITORS
FOR THE AUDITOR GENERAL, STATE OF ILLINOIS

Judges' Retirement System
of the State of Illinois

Financial Audit
For the Year Ended June 30, 2023

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Other Reports Issued Under a Separate Cover

The Judges' Retirement System of the State of Illinois State Compliance Examination for the two years ended June 30, 2023, will be issued under a separate cover.

System Officials

Executive Secretary	Timothy B. Blair
Accounting Division Manager	Kristi Conrad, (1/1/2023 to present) Alan Fowler, CPA (7/1/2022 – 12/31/2022)
Legal Counsel	Samantha Goetz (10/3/2022 to present) Vacant (7/1/2022 – 10/2/2022)
Division Manager	Angie Ackerson
Chief Internal Auditor	Casey Evans

Governing Board

Chair of the Board of Trustees
Justice Debra B. Walker (1/1/23 - present)
Vacant (9/18/2022 – 12/31/2022)
Justice Mary S. Schostok (1/1/2014 - 9/17/2022)

Vice-Chair
Judge Charles Feeney (1/1/2024 – present)
Vacant (9/28/2023 – 12/31/2023)
Judge John C. Anderson (1/1/2023 – 9/27/2023)
Justice Debra Walker (1/1/2022 – 12/31/2023)

Trustee (9/18/2022 - present) Trustee (10/9/2012 – 9/17/2022)	Judge Karen Wall Justice Mary S. Schostok
Trustee (9/18/2021 – present) Trustee (9/18/2012 - 9/17/2021)	Judge Charles Feeney Justice James R. Moore
Trustee (9/28/2023 – present) Trustee (9/28/2014 - 9/27/2023)	Justice Thomas Hoffman Judge John C. Anderson
Trustee	State Treasurer Michael Frerichs
Trustee (10/26/2022 to present) Trustee (09/26/2019 to 10/25/2022)	Chief Justice Mary Jane Theis Chief Justice Anne Burke

Office Locations

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

Chicago Office
State of Illinois Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601

Summary

The audit of the accompanying financial statements of the Judges' Retirement System of the State of Illinois (System) was performed by RSM US LLP.

Based on their audit and the report of other auditors, the auditors expressed an unmodified opinion on the System's basic financial statements.

Exit Conference

The System waived an exit conference in correspondence from Timothy Blair, Executive Secretary, and Casey Evans, Chief Internal Auditor, on January 31, 2024.

RSM

Independent Auditor's Report

RSM US LLP

Honorable Frank J. Mautino, Auditor General – State of Illinois

Board of Trustees, Judges' Retirement System of the State of Illinois

Report on the Audit of the Financial Statements

Opinion
As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the Judges' Retirement System of the State of Illinois (the System), a component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System, as of June 30, 2023, 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.

Basis for Opinion
We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter
As discussed in Notes 5 and 6 of the financial statements, the actuarially determined net 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. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements
Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis, the schedule of changes in net pension liability and related ratios, the schedule of investment returns, the schedule of contributions and the notes to the schedules be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The other supplementary information including the schedule of payments to consultants and advisors is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the other supplementary information, including the schedule of payments to consultants and advisors is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*
In accordance with *Government Auditing Standards*, we have also issued our report dated February 5, 2024, on our consideration of the System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control over financial reporting and compliance.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 5, 2024

This section presents management's discussion and analysis of the financial position and performance of the Judges' Retirement System of Illinois (System) for the year ended June 30, 2023. It is presented as a narrative overview and analysis.

The System is a defined benefit, single-employer public employee retirement system. It provides services to 953 active participants, 8 vested inactive participants, and 1,348 benefit recipients. Throughout this discussion and analysis, units of measure (i.e. billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

1. Basic Financial Statements and Notes. For the fiscal year ended June 30, 2023, 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, 2023. This financial information also summarizes the changes in fiduciary net position restricted for pensions for the year then ended. The notes to the financial statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.
2. Required Supplementary Information. The required supplementary information consists of three schedules and related notes concerning actuarial information, funded status, information on state contributions and investment returns.
3. Other Supplementary Schedules. Other supplementary schedules include more detailed information pertaining to the System, including the schedule of payments to consultants.

FINANCIAL HIGHLIGHTS

- The fiduciary net position increased by $44.6 million during fiscal year 2023. The change was primarily the result of increases in investments of $44.6 million.
- The System's Plan Fiduciary Net Position as a percentage of the Total Pension Liability was 42.7% as of June 30, 2023.
- The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was a gain of 6.2% for fiscal year 2023 and the System's annual money-weighted rate of return on its investment in the ISBI Commingled Fund was a gain of 6.1%.

Condensed Statements of Fiduciary Net Position
(in thousands)

	As of June 30, 2023	As of June 30, 2022	Increase/(Decrease) from 2022 to 2023
Cash	$ 18,852.5	$ 18,876.2	$ (23.7)
Receivables	209.4	89.7	119.7
Investments, at fair value *	1,305,753.7	1,261,194.3	44,559.4
Capital Assets, net	172.6	162.8	9.8
Total assets	1,324,988.2	1,280,323.0	44,665.2
Liabilities *	2,661.0	2,558.7	102.3
Total fiduciary net position	$ 1,322,327.2	$ 1,277,764.3	$ 44,562.9

** 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 $15.0 million and $14.6 million for the years ended June 30, 2023 and June 30, 2022, respectively. Participant contribution rates are set by statute as a percentage of gross salary. For fiscal year 2023, employer contributions decreased to approximately $147.4 million from $156.0 million in fiscal year 2022. These changes were 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 2023 and 2022, the System paid out approximately $193.1 million and $181.2 million in benefits and refunds, respectively. This increase of 6.5% from 2022 to 2023 is mainly the result of the annual scheduled 3% increase in retirement and other benefit payments as well as the increase in the number of retirees and beneficiaries. The administrative costs of the System represented less than 1% 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, 2023	For the Year Ended June 30, 2022	Increase/(Decrease) from 2022 to 2023
Additions			
Participant contributions	$ 15,006.6	$ 14,573.8	$ 432.8
Employer contributions	147,429.9	155,993.0	(8,563.1)
Net Investment income (loss)	76,262.0	(90,889.3)	167,151.3
Total additions	238,698.5	79,677.5	159,021.0
Deductions			
Benefits	192,312.6	180,422.9	11,889.7
Refunds	747.9	804.0	(56.1)
Administrative expenses	1,075.1	1,123.9	(48.8)
Total deductions	194,135.6	182,350.8	11,784.8
Net increase\(decrease) in fiduciary net position	$ 44,562.9	$(102,673.3)	$ 147,236.2

FUNDED RATIO

The funded ratio of the plan measures the ratio of the fiduciary net position against total pension liability as measured by the actuary 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 42.7% on June 30, 2023. The amount by which total pension liability exceeded the fiduciary net position was $1,776.0 million on June 30, 2023.

INVESTMENTS

Investments of the System are combined in an internal commingled investment pool and held by the Illinois State Board of Investment (ISBI) with the State Employees' Retirement System, General Assembly 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 gain of the total ISBI Commingled Fund was approximately $1,411.0 million during fiscal year 2023, resulting in a positive return of 6.2%. 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, 2023, the ISBI Commingled Fund earned a compounded rate of return of 7.8%, 7.0%, and 7.6%, 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. In light of the current global events and associated national and global economic volatility, readers of these financial statements are advised that financial markets remain volatile and may experience significant changes on a daily basis.

FUTURE OUTLOOK

The actuarial assumptions used in the June 30, 2023 funding valuation were based on the experience review for the three years ended June 30, 2021, and the annual review of all economic assumptions. The state's statutory employer contribution for fiscal year 2024 will increase by $5.2 million, or 3.6%

Tier 2 active members' annual earnings on which they can contribute were capped at $134,071 in 2023 and will be capped at $138,094 in 2024. The caps on Tier 2 members' earnings decreases the anticipated amount of future earnings credit as well as the associated contributions.

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

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

REQUESTS FOR INFORMATION

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

JUDGES' RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Fiduciary Net Position

June 30, 2023

Assets	
Cash	$ 18,852,450
Receivables:	
Participants' contributions	104,310
Interest on cash balances	49,912
Due from General Assembly Retirement System	55,184
Total receivables	209,406
Investments:	
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	1,303,262,688
Securities lending collateral with State Treasurer	2,491,000
Total Investments	1,305,753,688
Capital Assets, net	172,627
Total Assets	1,324,988,171
Liabilities	
Refunds payable	815
Administrative expenses payable	169,152
Securities lending collateral	2,491,000
Total Liabilities	2,660,967
Net position – restricted for pensions	$ 1,322,327,204

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM, STATE OF ILLINOIS

Statement of Changes in Fiduciary Net Position
for the Year Ended June 30, 2023

Additions:	
Contributions:	
Participants	$ 15,006,659
Employer	147,429,857
Total contributions	162,436,516
Investment income:	
Net appreciation/(depreciation) in fair value of investments	60,240,552
Interest and dividends	17,035,643
Less investment expense	(1,014,224)
Net investment income (loss)	76,261,971
Total Additions	238,698,487
Deductions:	
Benefits:	
Retirement annuities	162,422,191
Survivors' annuities	29,890,385
Total benefits	192,312,576
Refunds of contributions	747,851
Administrative expenses	1,075,130
Total Deductions	194,135,557
Net increase/(decrease) in net position	44,562,930
Net position - restricted for pensions:	
Beginning of year	1,277,764,274
End of year	$ 1,322,327,204

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 2023

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 Judges' Retirement System of Illinois (System) is administered by a Board of Trustees consisting of five persons, which include the State Treasurer, the Chief of the Supreme Court, ex officio, and three participating judges appointed by the Supreme Court. 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 (GASB) No. 61, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System. However, GASB 84 stipulates that the System is a fiduciary component unit and pension trust fund of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' annual financial report.

At June 30, 2023, the System membership consisted of:

Retirees and beneficiaries currently receiving benefits:	
Retirement annuities	1,019
* Survivors' annuities	329
Temporary disability	-
	1,348
Inactive participants entitled to benefits but not yet receiving them	8
Total	1,356
Active participants:	
Vested	480
Nonvested	473
Total	953

** Excludes 30 alternate payees resulting from Qualified Illinois Domestic Relations Orders (QILDRO's)*

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 Judges' Retirement System covers Judges, Associate Judges and, under certain conditions, the Administrative Director of the Illinois courts. Participation by Judges, either appointed or elected, is mandatory unless the Judge files an election not to participate within thirty days of receipt of notice of this option.

b. Contributions

In accordance with Chapter 40, Section 5/18-133 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities, and annual increases.

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 rate is $134,071 for calendar year 2023. Contributions are excluded from gross income for Federal and State income tax purposes.

Participants who are eligible to receive the maximum rate of annuity may irrevocably elect to discontinue contributions and have their benefits "frozen" based upon the applicable salary in effect immediately prior to the effective date of such election.

Participants who have attained age 60 and are eligible to receive the maximum rate of annuity and have not elected to discontinue contributing to the System may irrevocably elect to have their contributions based only on the salary increases received on or after the effective date of such election rather than on the total salary received. The total contribution rate is 11% if the participants elect to contribute for their spouse and dependents as shown below:

7.5%	Retirement annuity
2.5%	Survivors' annuity
1.0%	Automatic annual increases
11.0%	

The statutes governing the Judges' 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 5/18 of the Illinois Compiled Statutes.

c. Benefits Retirement Annuity: Tier 1

Participants have vested rights to full retirement benefits beginning at age 60 with at least 10 years of credited service or reduced retirement benefits beginning at age 55. Participants also have vested rights to full retirement benefits at age 62 upon completing 6 years of credited service or at age 55 upon completing 26 years of credited service.

The retirement annuity provided is 3-1/2% for each of the first 10 years of service, plus 5% for each year of service in excess of 10, based upon the applicable final salary. 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 Judges' Retirement System also provides survivors' annuity benefits, temporary and/or total disability benefits and, under certain specified conditions, lump-sum death benefits.

Participants who terminate service and are not eligible for an immediate annuity may receive, upon application, a refund of their total contributions. Participants or annuitants who are not married are entitled to refunds of their contributions for survivors.

3. Summary of Significant Accounting Policies & 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. 93, "Replacement of Interbank Offered Rates" addresses accounting and financial reporting implications that result from the replacement of an interbank offered rate (IBOR). This GASB has no impact on the System nor on the Illinois State Board of Investment.

GASB Statement No. 94 "Public-Private and Public-Public Partnerships and Availability Payment Arrangements (PPPs)" requires governments to report assets and liabilities related to PPPs consistently and disclose PPP transactional information. A PPP is defined as an arrangement in which a governmental entity contracts with an operator to provide public services by assigning control of the right to operate or use a nonfinancial asset for a period in an exchange transaction. The Statement also provides guidance for accounting and financial reporting for Availability Payment Arrangements (APAs). The GASB is effective June 15, 2022 and all reporting periods thereafter. This GASB has no impact on the System or the financial statements.

GASB Statement No. 96 "Subscription Based IT Arrangement (SBITA)" requires the recognition of certain SBITAs (previously classified as contractual expenses), as assets and liabilities. It establishes a model for SBITA accounting based on the principle that SBITAs are contracts that convey control of the right to use another party's IT software, for a specified period-of-time. Under this Statement, a government recognizes a right to use an (intangible) subscription asset, with a corresponding subscription liability. The GASB is effective for fiscal years beginning after June 15, 2022 and all reporting periods thereafter. This GASB has no impact on the System or the financial statements.

GASB Statement No. 99 "Omnibus 2022" makes technical corrections and clarifications regarding the extension and use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions and pledges of future revenues. It also provides clarification of requirements related to leases, PPPs and SBITAs. Additionally, requirements related to financial guarantees and the classification and reporting of derivative instruments are provided. The GASB is effective for periods after June 15, 2023 (fiscal year 2024) and its potential impact is being reviewed.

GASB Statement No. 100 "Accounting Changes and Error Corrections" is an amendment of GASB No. 62 and requires accounting changes (or changes in accounting principles, changes in estimates and/or changes to or within the financial reporting entity) be identified prospective or retrospective upon implementation. The GASB is effective for periods after June 15, 2023 (fiscal year 2024) and its potential impact is being reviewed.

GASB Statement No. 101 "Compensated Absences" requires compensated absences' liabilities be recognized for a) leave that has not been used and b) leave that has been used but not yet paid in cash or non-cash means. The GASB is effective for reporting periods after December 15, 2023 (fiscal year 2025) and is being reviewed for possible impact on the System's financial statements.

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 plan net position or the changes in plan 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. 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, 2018 to June 30, 2021 resulting in the adoption of new assumptions as of June 30, 2022. Assumptions changes include changes to the investment returns, rate of inflation, mortality and others as detailed in the Required Supplementary Information of this financial report.

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 Judges' Retirement System and the General Assembly Retirement System are allocated 80% to the Judges' Retirement System and 20% to the General Assembly 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, 2023 was $213,112. The total administrative expenses attributable to the Judges' Retirement System was $1,075,130 for fiscal year 2023.

h. Risk Management

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

i. Use of Estimates

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

4. Investments

Introduction

Investments of the System are combined in a commingled internal investment pool and held by the Illinois State Board of Investment (ISBI). The System owns approximately 5.4% ($1,303,262,688) of the net position of the ISBI commingled fund as of June 30, 2023. 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, 2023. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601 or by visiting their website, https://www.isbinvestment.com.

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

	June 30, 2023
U.S. govt. agency and municipal obligations	$ 541,162,376
Domestic Equities	3,971,415,156
International Equities	255,573,082
Domestic Bank Loans	125,535,488
Domestic Obligations	206,488,310
International Obligations	20,127,751
Commingled Funds	11,666,738,909
Real Estate Funds	2,727,334,591
Private Equity Funds	2,400,092,174
Private Credit Funds	1,652,431,070
Infrastructure Funds	551,606,026
Hedge Funds	180,591
Money market instruments	160,666,276
Deposit (Subscription advance)	-
Total investments	$ 24,279,351,800

Rate of Return

For the fiscal year ended June 30, 2023, the annual money-weighted rate of return on the System's pension plan investments, net of pension plan investment expense, was 6.1%. 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, 2023, the ISBI had a non-investment related bank balance of $669,183. A Custodial Credit Risk Policy was implemented by the ISBI staff and formally adopted by the ISBI Board in July of 2007. The policy outlines the control procedures used to monitor custodial credit risk. These assets are under the custody of Northern Trust. Northern Trust has an A+ Long-term Deposit/Debt rating by Standard & Poor's and an A2 rating by Moody's. Certain investments of the ISBI with maturities of 90 days or less would be considered cash equivalents; these consist of short-term investment funds and U.S. Treasury bills with maturities of 90 days or less, which are not subject to the custodial credit risk. For financial statement presentation and investment purposes, the ISBI reports these types of cash equivalents as Money Market Instruments within their investments. As of June 30, 2023, the ISBI had an investment related bank balance of $14,228,651 This balance includes USD and foreign cash balances. Cash held in the investment related bank account is neither federally insured nor collateralized for amounts in excess of $250,000. However, the ISBI is the beneficiary of multiple policies and bonds held by Northern Trust providing for recovery of various potential losses related to services provided by Northern Trust as the ISBI's custodian. At any given point and time, the foreign cash balances may be exposed to custodial credit risk.

Investment Commitments

The ISBI had total investment commitments of $4.2 billion at the end of fiscal year 2023. The ISBI's real estate, private equity, infrastructure and private credit investment portfolios consist of passive interests in limited partnerships. The ISBI would fund outstanding commitments by utilizing available cash and then selling liquid securities in the portfolio as necessary.

Investment Liquidity

The majority of the ISBI's portfolio is highly liquid. However, the ISBI holds investments in hedge funds, real estate funds, opportunistic debt funds, private equity funds, commingled funds, bank loans and infrastructure funds that are considered illiquid by the very nature of the investment. Market risk exists with respect to these investments as the ISBI may not be able to exit from the illiquid investments during periods of significant fair value declines.

Fair Value Measurements

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

- Level 1 – Unadjusted quoted prices in active markets for identical assets.
- Level 2 – Inputs other than quoted prices that are observable for the asset, either directly or indirectly. These inputs include:
  a. quoted prices for similar assets in active markets;
  b. quoted prices for identical or similar assets in markets that are not active;
  c. inputs other than quoted prices that are observable for the asset; or
  d. inputs that are derived principally from or corroborated by observable market data by correlation or other means.
- Level 3 – Inputs that are unobservable for the asset. The valuation of these investments requires significant judgment 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;
- International Government and Corporate Obligations: broker's quote in an active market;
- Corporate Bonds: quoted prices for similar securities in active markets;
- Municipal 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;
- Domestic / International Equity Securities and Commingled Funds made up entirely of index tracking marketable securities: quoted prices for identical securities in an active market. Broker's quote in an active market;
- Money Market Funds: amortized cost which approximates fair value;
- Derivative Instruments: valued using a market approach that considers foreign exchange rates.

The recurring fair value measurements for the year ended June 30, 2023 are as follows:

At June 30, 2023
Fair Value Measurements Using

	Level 1	Level 2	Level 3	Totals
Investments by fair value level				
Debt Securities				
US Government, agency, and municipal obligations	$ 219,061	$ 540,943,315	$ -	$ 541,162,376
Domestic bank loans	-	99,775,508	25,759,980	125,535,488
Domestic corporate obligations	2,347,548	190,556,898	13,583,864	206,488,310
International obligations	-	16,142,502	3,985,249	20,127,751
Total debt securities	$ 2,566,609	$ 847,418,223	$ 43,329,093	$ 893,313,925
Equity Securities				
Domestic equities	$ 3,960,984,312	$ -	$ 10,430,844	$ 3,971,415,156
International equities	255,124,988	-	448,094	255,573,082
Total equity securities	$ 4,216,109,300	$ -	$ 10,878,938	$ 4,226,988,238
Other				
Commingled funds [1]	$ 9,745,713,404	$ -	$ -	$ 9,745,713,404
Total other	$ 9,745,713,404	$ -	$ -	$ 9,745,713,404
Total investments by fair value level	$ 13,964,389,313	$ 847,418,223	$ 54,208,031	$ 14,866,015,567
Investments measured at the Net Asset Value (NAV)				
Commingled fund				$ 1,921,025,505
Real estate funds				2,727,334,591
Private equity funds				2,400,092,174
Private credit funds				1,652,431,070
Infrastructure funds				551,606,026
Hedge funds				180,591
Total investments measured at the NAV				$ 9,252,669,957
Investments not measured at fair value				
Money market instruments				$ 160,666,276
Deposit (Subscription advance)				-
Total investments not measured at fair value				160,666,276
Total investments				$ 24,279,351,800

1. Commingled funds with readily determinable fair value reported as Level 1.

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

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

	June 30, 2023			
	Fair Value	Unfunded Commitments*	Redemption Frequency	Redemption Notice Period
Commingled funds	$ 1,921,025,505	$ -	Quarterly	90 Days
Real estate funds	2,727,334,591	747,760,829	Quarterly	90 Days
Private equity funds	2,400,092,174	1,411,802,888	N/A	N/A
Private credit funds	1,652,431,070	1,711,593,063	N/A	N/A
Infrastructure funds	551,606,026	322,406,216	Quarterly	90 Days
Hedge funds	180,591	-	Quarterly	90 Days
Total Investments measured at the NAV	$ 9,252,669,957			

* *In millions*

1) Commingled Funds measured at NAV – The ISBI's assets in this category consist of various investments that are blended together in order to provide economies of scale, allowing for lower trading costs per dollar of investment and diversification. These investments provide primarily liquid exposure to publicly traded equity and fixed income markets. The equity and fixed income portfolios provide diversification benefits and return enhancement to the overall fund in both domestic and international markets. Commingled funds are also called "pooled funds" and "master trusts". The ISBI's current NAV measured Commingled fund exposure consists of investments in thirty-seven domestic and international public equity (thirty-six) and fixed income (one) funds. Sixteen of these funds are domestic and twenty-one are international. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. The ISBI has no plans to liquidate these investments as of June 30, 2023. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

2) Real Estate Funds – The ISBI's assets in this category consist of investments in Core and Non-Core Real Estate Fund categories. The ISBI's current Real Estate exposure consists of investments in seventy-eight funds with the goals of diversifying the ISBI's overall portfolio, providing capital appreciation and supplementing the total return of the portfolio through exposure to private real estate assets in both open-end and closed-end structures. Investments in this category are globally diversified and consist of office, industrial, multi-family, retail, storage and other types of assets. Core assets are expected to provide strong diversification through primary markets and high-income potential. Non-Core assets are typically higher risk assets with stronger capital appreciation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. The ISBI has no plans to liquidate these investments as of June 30, 2023. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

3) Private Equity Funds – The ISBI's assets in this category consist of investments in funds not listed on public exchanges. The ISBI's current Private Equity exposure consists of investments in one hundred and sixteen funds with the goals of generating returns significantly greater than typically available in the public market and diversifying the ISBI's overall portfolio that is comprised predominantly of equity and fixed income assets. The strategies of Private Equity funds include, but are not limited to, leveraged buyouts, venture capital and growth capital. Returns are commensurate with the risks presented by this asset class which include illiquidity. The fair value of these investments is based on audited financial statements of the funds

adjusted for activity from the audit date to year-end. The ISBI has no plans to liquidate these investments as of June 30, 2023. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

4) Private Credit Funds – The ISBI's assets in this category consist of investments in private fixed income markets. The ISBI's current Private Credit exposure consists of investments in one hundred and one funds with the goals of diversifying ISBI's overall portfolio, providing downside protection through assets that are capital collateralized, and supplementing the total return of the portfolio which is comprised predominantly of equity and fixed income assets. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. The ISBI has no plans to liquidate these investments as of June 30, 2023. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

5) Infrastructure Funds– The ISBI's assets in this category consist of investments in funds that target infrastructure assets that provide essential services or facilities to a community (ports, bridges, toll roads, etc.). The ISBI's current infrastructure exposure consists of investments in twenty three funds that seek to diversify the ISBI's overall portfolio (comprised predominantly of equity and fixed income assets) and provide capital appreciation and income generation through both open-end and closed-end structures. Investments in this category are globally diversified and consist of Core and Non-Core assets. Core assets are expected to provide strong diversification through primary markets and high-income potential. Non-Core assets are typically higher risk assets with stronger capital appreciation. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. The ISBI has no plans to liquidate these investments as of June 30, 2023. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

6) Hedge Funds – The ISBI's assets in this category have historically consisted of investments in funds that seek to generate better than average return and provide a hedge against a downward trend in the overall market. The ISBI is currently in the process of transitioning investments in hedge fund vehicles to long-only equity vehicles. The ISBI's current Hedge Fund exposure consists of investments in four funds including hedge fund and long only equity assets. Returns are commensurate with the risks presented by this asset class which include illiquidity. The fair value of these investments is based on audited financial statements of the funds adjusted for activity from the audit date to year-end. It is not probable that any investment will be sold at an amount different from the NAV of the plan's ownership interest.

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, 2023, there were no investments that were uninsured and unregistered securities held by the counterparty or by its trust department or agent but not in the ISBI's name.

Interest Rate Risk

The ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted duration consistent with the Barclay's U.S. Universal Index (benchmark index). As of June 30, 2023, the effective weighted duration of the ISBI's fixed income portfolio was 6.6 years and the effective duration of the benchmark index was 6.1 years.

Duration is the measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's fair value. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The table below shows the detail of the duration by investment type as of June 30, 2023:

Investment Type	Fair Value	Effective Weighted Duration Years
U.S. government, agency, and municipal obligations		
U.S. Government	$ 540,943,315	8.7
U.S. federal agency	219,061	0.0
Total U.S. government, agency, and municipal obligations	541,162,376	
Domestic obligations		
Banks	74,024,330	0.7
Insurance	1,985,000	1.1
Other	130,478,980	2.3
Total domestic obligations	206,488,310	
International obligations	20,127,751	1.2
Grand Total	$ 767,778,437	

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, 2023, the weighted average maturity of the ISBI's bank loan portfolio was 0.7 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 not have any single issuer investment that exceeded 5% of the total investments of the fund as of June 30, 2023. The table on the next page, presents the quality ratings of debt securities held by the ISBI as of June 30, 2023.

	Moody's Quality Rating	
U.S. Government and Agency Obligations		
	AAA	$ 541,162,376
Total U.S. Government and Agency Obligations		$ 541,162,376
Domestic corporate obligations		
Banks	A	$ 72,530,905
	NR	1,493,426
Total banks		$ 74,024,330
Insurance	CAA	$ 1,985,000
Total insurance		$ 1,985,000
Other		
	AA	$ 9,308,529
	A	8,097,361
	BAA	3,065,589
	BA	15,985,784
	B	16,632,941
	CAA	10,237,093
	CA	4,364,862
	Not rated	62,786,821
Total other		$ 130,478,980
Total domestic corporate obligations		$ 206,488,310
Domestic bank loans		
	B	$ 998,796
	CAA	34,357,295
	C	127,518
	Not rated	90,051,879
Total bank loans		$ 125,535,488
International obligations		
	B	$ 3,820,887
	BA	2,895,223
	BAA	932,435
	Not rated	12,479,206
Total international obligations		$ 20,127,751
Money market instruments		
	Not rated	$ 160,666,276
Total Rated Securities		$ 1,053,980,201

Foreign Currency Risk

The ISBI's international portfolio is constructed on the principles of diversification, quality, growth, and value. Risk of loss arises from changes in currency exchange rates and other factors. Certain investments held in infrastructure, private credit, private equity and real estate funds trade in a reported currency of Euro-based or British pound based dollars valued at $550,804,308 as of June 30, 2023. The table below presents the foreign currency risk by type of investment as of June 30, 2023.

Currency	International Equities	International Obligations
Australian Dollar	$ 6,847,485	$ -
Brazilian Real	7,069,888	-
British Pound Sterling	26,787,069	377,591
Canadian Dollar	13,134,966	1,111,867
Danish Krone	3,375,928	-
Euro Currency	81,943,152	-
Hong Kong Dollar	5,803,043	-
Japanese Yen	40,567,440	-
Mexican Peso	119,584	-
New Israeli Shekel	427,855	-
New Taiwan Dollar	715,648	-
Norwegian Krone	1,427,939	473,653
Singapore Dollar	1,115,427	-
South Korean Won	15,008,008	-
Swedish Krona	3,630,637	-
Swiss Franc	14,848,528	-
Foreign investments denominated in U.S. Dollars	32,750,485	18,164,640
Total	$ 255,573,082	$ 20,127,751

Securities Lending

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 2023, Deutsche Bank AG lent U.S. Agency securities and U.S. Treasury securities and received as collateral U.S. dollar denominated cash. Borrowers were required to deliver collateral for each loan equal to at least 100% of the aggregate fair value of the loaned securities. Loans are marked to market daily. If the fair value of collateral falls below 100%, the borrower must provide additional collateral to raise the fair value to 100%.

The State Treasurer did not impose any restrictions during fiscal year 2023 on the amount of the loans of available, eligible securities. In the event of borrower default, Deutsche Bank AG provides the State Treasurer with counterparty default indemnification. In addition, Deutsche Bank AG is obligated to indemnify the State Treasurer if Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. There were no losses during fiscal year 2023 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal year 2023, the State Treasurer and the borrowers maintained the right to terminate all securities lending transactions on demand. The cash collateral received on each loan was invested in repurchase agreements with approved counterparties collateralized with securities approved by Deutsche Bank AG and marked to market daily at no less than 102%. Because the loans are terminable at will, their duration did not generally match the duration of the investments made with cash collateral. The State Treasurer had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. The securities lending collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2023 were $4,839,941,771 and $4,746,251,183, respectively. The System's portion of securities lending collateral that was invested in repurchase agreements as of June 30, 2023 was $2,491,022.

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 futures, options, rights and warrants, and swaps. The ISBI's derivatives are considered investment derivatives.

Rights and warrants allow the ISBI 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. These investments are reported at fair value in the investment section of the 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 Statement of Changes in Net Position.

The table below presents the investment derivative instruments aggregated by type that were held by the ISBI as of June 30, 2023.

	Changes in Fair Value	Fair Value at Year-End	Notional Amount Number of Shares
Rights/Warrants	$ 3,048	$ 365,112	196,910
	$ 3,048	$ 365,112	196,910

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.

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 2023, the actuary used the projected unit credit actuarial method for determining the proper employer contribution amount.

For fiscal year 2023, 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 2023 was $142,659,000. The total amount of employer contributions received from the state and other sources during fiscal year 2023 was $147,429,857.

6. Net Pension Liability of the State

The components of the State's net pension liability for this plan at June 30, 2023 are as follows:

Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability	Plan FNP as % of TPL
$ 3,098,284,001	$ 1,322,327,204	$ 1,775,956,797	42.68 %

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, 2023, using the following actuarial assumptions, which were based on the results of an actuarial experience study for the period from July 1, 2018 to June 30, 2021:

Actuarial Cost Method:	Entry Age Normal
Mortality rates:	
Post retirement:	Pub-2010 Above-Median Income General Healthy Retiree Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scale, providing a margin for future mortality improvements.
Pre-retirement:	Included terminated vested members prior to attaining age 50. Pub-2010 Above-Median Income General Employee Mortality tables, sex distinct, with no scaling factors, and the MP-2021 two-dimensional generational mortality improvement scale. This assumption provides a margin for future mortality improvements. Future mortality improvements are reflected by projecting the base mortality tables forward from the year 2010 using the MP-2021 projection scale.
Inflation:	2.25%
Investment rate of return:	6.5%
Salary increases:	2.5% per year (consisting of an inflation component of 2.25% per year, a productivity / merit / promotion component of 0.25% per year).
Group size growth rate:	0.0%
Post-retirement increase:	Tier 1: 3.0% per year, compounded annually. Tier 2: 3.0% per year or the annual increase 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 is reviewed annually by the System's actuary, Gabriel Roeder Smith & Company (GRS), as part of the economic assumptions review. The actuarial assumptions are developed using historical data and projections employed to model future returns as provided by the Illinois State Board of Investments (ISBI) in conjunction with its investment consultant. The assumed rate of inflation which must be combined with the projected real return is 2.25%.

The target allocations and forward looking annualized geometric real rates of return for each major asset class, which are applicable for a 20-year projection period, are summarized in the following table. The 20-year projections produced an estimated annual real return of 5.54% and a standard deviation of 12.2% for the aggregate portfolio.

	Asset Allocation	
Asset Class	Target Allocation	20 Year Simulated Real Rate of Return
U.S. Equity	23%	4.6%
Developed Foreign Equity	13%	5.3%
Emerging Market Equity	8%	6.2%
Private Equity	9%	7.8%
High Yield Bonds	2%	2.2%
Private Debt	9%	5.1%
Investment Grade Bonds	15%	0.2%
Long-term Government Bonds	5%	0.6%
TIPS	3%	0.2%
Real Estate	10%	5.2%
Infrastructure	3%	5.5%
Total	100%	

Discount Rate

A single discount rate of 6.37% was used to measure the total pension liability as of June 30, 2023. This represents an increase of 0.01% from the discount rate used for the June 30, 2022 valuation, 6.36%.

The single discount rate was based on an expected rate of return on pension plan investments of 6.5% and a municipal bond rate of 3.86% as of June 30, 2023. 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 2065 at June 30, 2023. As a result, for fiscal year 2023, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2065, 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 2023, the following table presents the plan's net pension liability using a single discount rate of 6.37%, 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, 2023		
	1% decrease 5.37%	Current Discount Rate 6.37%	1% increase 7.37%
State's net pension liability	$ 2,095,722,145	$ 1,775,956,797	$ 1,502,681,571

7. Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal year 2023 are listed below.

Personal services	$446,088
Employee retirement contributions paid by employer	6,232
Employer retirement contributions	237,946
Social Security contributions	32,219
Group insurance	111,290
Contractual services	182,514
Travel	1,206
Printing	162
Commodities	293
Telecommunications	1,135
Information technology	54,166
Automotive	1,005
Depreciation/amortization	13,487
Change in accrued compensated absences	(12,613)
Total	$1,075,130

8. Compensated Absences

Employees of the Judges' 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. Accrued compensated absences, which are included in administrative expenses payable, shown in the following table:

	Beginning Balance	Additions	Deletions	Ending Balance
Accrued Compensated Absences	$ 42,987	$ 59,705	$ (72,318)	$ 30,374

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 2023 is included in the State of Illinois' Annual Financial Report for the year ended June 30, 2023. The SERS also issues a separate annual report 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' annual report 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' annual report. 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 Employees' Retirement System do not contribute towards health, dental, and vision benefits. For annuitants who retired on or after January 1, 1998, the annuitant's contribution amount is reduced 5% for each year of credited service with the State allowing those annuitants with twenty or more years of credited service to not have to contribute towards health, dental, and vision benefits. Annuitants also receive life insurance coverage equal to the annual salary on 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 Annual Financial Report. The State finances the costs on a pay-as-you-go basis. The total costs incurred for health, dental, vision, and life insurance benefits are separated by individual department or fund for annuitants and their dependents and active employees and their dependents after the State adopted GASB Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other than Pensions. The System and the State Comptroller has determined that it would be inappropriate for the System to record its allocated share of the State's other post-employment benefits (OPEB) expense and liability associated with its employees because accounting standards would require that those costs be reallocated and recovered from other state agencies and funds through employer pension contributions.

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 $1,000 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 2023 is as follows:

	Beginning Balance	Current Year Additions	Current Year Deletions	Ending Balance
Capital Assets				
Equipment	$ 19,983	$ -	$ (10,450)	$ 9,533
Capitalized Software Costs	200,257	23,321	-	223,578
Total	220,240	23,321	(10,450)	233,111
Accumulated Depreciation & Amortization				
Equipment	(15,404)	(2,308)	10,450	(7,262)
Capitalized Software Costs	(42,043)	(11,179)	-	(53,222)
Total	(57,447)	(13,487)	10,450	(60,484)
Net Capital Assets	$ 162,793	$ 9,834	$ -	$ 172,627

SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
Fiscal Years Ended June 30, 2023 through 2014

	2023	2022	2021
Total pension liability			
Service cost	$ 42,160,813	$ 46,586,718	$ 48,073,322
Interest on the total pension liability	186,960,018	182,714,037	179,914,768
Difference between expected and actual experience	51,265,911	23,623,605	19,224,126
Assumption changes	(2,952,096)	(109,631,607)	42,844,293
Benefit payments	(192,312,576)	(180,422,869)	(172,641,570)
Refunds	(747,851)	(804,052)	(853,921)
Administrative expense (1)	-	-	(1,012,863)
Net change in total pension liability	84,374,219	(37,934,168)	115,548,155
Total pension liability - beginning	3,013,909,782	3,051,843,950	2,936,295,795
Total pension liability - ending (a)	$ 3,098,284,001	$ 3,013,909,782	$ 3,051,843,950
Plan fiduciary net position			
Contributions - employer	$ 147,429,857	$ 155,993,000	$ 148,624,591
Contributions - participant	15,006,659	14,573,802	14,600,156
Net investment (loss) income	76,261,971	(90,889,351)	278,835,996
Benefit payments	(192,312,576)	(180,422,869)	(172,641,570)
Refunds	(747,851)	(804,052)	(853,921)
Administrative expense	(1,075,130)	(1,123,921)	(1,012,863)
Net change in plan fiduciary net position	44,562,930	(102,673,391)	267,552,389
Plan fiduciary net position - beginning	1,277,764,274	1,380,437,665	1,112,885,276
Plan fiduciary net position - ending (b)	$ 1,322,327,204	$ 1,277,764,274	$ 1,380,437,665
State's net pension liability - ending (a)-(b)	$ 1,775,956,797	$ 1,736,145,508	$ 1,671,406,285
Plan fiduciary net position as a percentage of the total pension liability	42.68%	42.40%	45.23%
Covered payroll	$ 139,622,989	$ 133,830,177	$ 137,421,597
State's net pension liability as a percentage of covered payroll	1,271.97%	1,297.28%	1,216.26%
Single discount rate, Beginning of Year	6.36%	6.12%	6.26%
Single discount rate, End of Year	6.37%	6.36%	6.12%
Long-term municipal bond rate	3.86%	3.69%	1.92%
Long-term municipal bond rate date	6/30/23	6/30/22	6/30/21

(1) Prior to fiscal year end 2022, administrative expenses werre included in the service cost.

	2020	2019	2018	2017	2016	2015	2014
	$ 48,964,384	$ 50,008,782	$ 53,221,872	$ 56,166,214	$ 58,041,274	$ 59,619,744	$ 57,138,961
	177,034,059	180,187,890	175,399,302	168,163,770	158,611,299	151,431,750	145,993,903
	3,087,539	37,888,398	6,190,925	23,042,316	(3,260,012)	28,713,856	4,490,010
	23,770,693	(42,248,829)	(14,445,948)	(29,511,474)	205,404,829	9,482,302	-
	(165,544,383)	(157,349,969)	(148,146,938)	(140,497,204)	(132,571,796)	(125,654,349)	(118,590,965)
	(437,766)	(990,688)	(481,716)	(974,665)	(658,051)	(945,807)	(687,923)
	(1,031,845)	(910,537)	(897,285)	(914,405)	(942,950)	(982,656)	(831,652)
	85,842,681	66,585,047	70,840,212	75,474,552	284,624,593	121,664,840	87,512,334
	2,850,453,114	2,783,868,067	2,713,027,855	2,637,553,303	2,352,928,710	2,231,263,870	2,143,751,536
	$ 2,936,295,795	$ 2,850,453,114	$2,783,868,067	$2,713,027,855	$2,637,553,303	$ 2,352,928,710	$ 2,231,263,870
	$ 144,160,000	$ 140,518,962	$ 135,962,000	$ 131,334,000	$ 132,060,000	$ 134,039,684	$ 126,815,881
	14,508,095	14,610,446	14,295,562	14,770,467	14,962,055	15,431,105	15,918,732
	48,127,424	64,740,736	69,949,646	97,796,479	(6,470,553)	36,009,150	110,058,987
	(165,544,383)	(157,349,969)	(148,146,938)	(140,497,204)	(132,571,796)	(125,654,349)	(118,590,965)
	(437,766)	(990,688)	(481,716)	(974,665)	(658,051)	(945,807)	(687,923)
	(1,031,845)	(910,537)	(897,285)	(914,405)	(942,950)	(982,656)	(831,652)
	39,781,525	60,618,950	70,681,269	101,514,672	6,378,705	57,897,127	132,683,060
	1,073,103,751	1,012,484,801	941,803,532	840,288,860	833,910,155	776,013,028	643,329,968
	$ 1,112,885,276	$ 1,073,103,751	$1,012,484,801	$ 941,803,532	$ 840,288,860	$ 833,910,155	$ 776,013,028
	$ 1,823,410,519	$ 1,777,349,363	$1,771,383,266	$1,771,224,323	$1,797,264,443	$ 1,519,018,555	$ 1,455,250,842
	37.90%	37.65%	36.37%	34.71%	31.86%	35.44%	34.78%
	$ 135,392,337	$ 138,415,234	$ 132,064,855	$ 139,737,508	$ 139,537,967	$ 145,903,074	$ 150,280,023
	1,346.76%	1,284.07%	1,341.30%	1,267.54%	1,288.01%	1,041.11%	968.36%
	6.34%	6.60%	6.58%	6.48%	6.85%	6.89%	6.91%
	6.26%	6.34%	6.60%	6.58%	6.48%	6.85%	6.89%
	2.45%	3.13%	3.62%	3.56%	2.85%	3.80%	4.29%
	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14

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

Valuation Date: June 30, 2023

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

2023 Changes in Assumptions:

- There were no significant assumption changes.

2022 Changes in Assumptions:

- The mortality tables were updated to the Pub-2010 Above-Median Income General Healthy Retiree and Employee Mortality Tables with no adjustments and future mortality improvements using the scale MP-2021.
- The normal retirement rates for Tier 1 were updated to better reflect observed experience.
- The current turnover rates were updated to better reflect observed experience.

2021 Changes in Assumptions:

- There were no significant assumption changes.

2020 Changes in Assumptions:

- There were no significant assumption changes.

2019 Changes in Assumptions:

- The investment rate of return assumption decreased from 6.75% to 6.5%.
- The rate of inflation decreased from 2.5% to 2.25%.
- The salary increase assumption decreased from 2.75% to 2.5%.
- The mortality tables were updated to Pub-2010 Above-Median Income General Healthy Retiree and Employee Mortality Tables with adjustments for the System's credibility factors and future mortality improvements using scale MP-2018.
- The normal and early retirement rates were updated to better reflect observed experience.
- The turnover rates were updated to better reflect observed experience.

2018 Changes in Assumptions:

- The rate of inflation decreased from 2.75% to 2.5%.
- The salary increase assumption decreased from 3.00% to 2.75%.

2017 Changes in Assumptions:

- There were no significant assumption changes.

2016 Changes in Assumptions:

- The rate of inflation decreased from 3.00% to 2.75%.
- The investment return assumption was decreased from 7.00% to 6.75%.
- The salary increase assumption was changed from 3.75% to 3.00% per year, compounded annually. That rate includes a 0.25% per year productive/merit/promotion component.
- 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 1.75%.

- The overall normal retirement rates were decreased 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:

- There were no significant assumption changes.

SCHEDULE OF INVESTMENT RETURNS

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	6.1%	(6.7)%	26.0%	4.7%	7.2%	7.5%	12.4%	(0.6)%	5.1%	17.5%

SCHEDULE OF CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially determined contribution	Contributions received	Contribution (deficiency) excess	Covered Payroll	Contributions received as a percentage of covered payroll
2014	$125,061,595	$126,815,881	$1,754,286	$150,280,023	84.39%
2015	124,215,990	134,039,684	9,823,694	145,903,074	91.87%
2016	121,362,703	132,060,000	10,697,297	139,537,967	94.64%
2017	152,699,188	131,334,000	(21,365,188)	139,737,508	93.99%
2018	168,056,916	135,962,000	(32,094,916)	132,064,855	102.95%
2019	169,632,403	140,518,962	(29,113,441)	138,415,234	101.52%
2020	173,704,375	144,160,000	(29,544,375)	135,392,337	106.48%
2021	173,205,430	148,624,591	(24,580,839)	137,421,597	108.15%
2022	175,823,406	155,993,000	(19,830,406)	133,830,177	116.56%
2023	174,869,681	147,429,857	(27,439,824)	139,622,989	105.59%

Notes to Schedule of Contributions

Valuation Date: June 30, 2021

Notes: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions will be made.

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

Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date

Actuarial Cost Method: Projected Unit Credit

Amortization Method: Normal cost plus a 25 year level percentage of capped payroll closed-period amortization of the unfunded accrued liability.

Remaining Amortization Period: 19 years, closed.

Asset Valuation Method: 5 year smoothed market

Inflation: 2.25%

Salary Increases: 2.5% per year (2.25% inflation and 0.25% productivity components per year).

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

Investment Rate of Return: 6.5%

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

Mortality:

Post-retirement: Pub-2010 Above-Median Income General Employee Mortality tables, sex distinct, with scaling factors of 102 percent for males and 98 percent for females, and the MP-2018 two-dimensional generational mortality improvement scale.

Pre-retirement: Pub-2010 Above-Median Income General Employee Mortality tables, sex distinct, with scaling factors of 99 percent for males and females, and the MP-2018 two-dimensional generational mortality improvement scale.

SCHEDULE OF PAYMENTS TO CONSULTANTS
Year Ended June 30, 2023

Actuary	$ 76,766
Audit fees	33,323
Legal services	-
Total	$110,089

RSM US LLP

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Independent Auditor's Report

Honorable Frank J. Mautino, Auditor General – State of Illinois

Board of Trustees, Judges' Retirement System of the State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Judges' Retirement System of the State of Illinois (the System), a fiduciary component unit of the State of Illinois, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents and we have issued our report thereon dated February 5, 2024. Our report also includes a reference to the fact that the actuarially determined net pension liability is dependent on several assumptions, including the assumption that future required contributions from State sources are made based on statutory requirements.

Report on Internal Control over Financial Reporting
In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters
As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report
The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
February 5, 2024