



STATE OF ILLINOIS
**OFFICE OF THE
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

JUDGES' RETIREMENT SYSTEM

Compliance Examination
 For the Year Ended June 30, 2015

Release Date: April 14, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	0	0	2014		15-1	
Category 2:	1	1	2				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 2							

INTRODUCTION

This digest covers our Compliance Examination of the Judges' Retirement System for the year ended June 30, 2015. A separate Financial Audit as of and for the year ending June 30, 2015, was previously released on January 12, 2016. In total, this report contains 2 findings, 1 of which was also reported in the Financial Audit.

SYNOPSIS

- (15-2) The Judges' Retirement System failed to comply with the Ethics training provisions of the Illinois Pension Code.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Financial data and Activity Measures are summarized on next page.}

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
COMPLIANCE EXAMINATION
For the Year Ended June 30, 2015

EXPENDITURE STATISTICS	FY 2015	FY 2014
Total Expenditures	\$ 284,428,469	\$ 263,022,480
General Revenue Fund - 001:		
Continuing appropriation for pension contributions.....	133,982,000	126,808,000
Kanerva vs. State Trust Fund - 0234:		
Annuitant disbursement.....	1,897,535	-
Judges' Retirement System Fund - 477:		
Pensions, annuities and benefits.....	124,685,037	117,860,035
Purchase of investments.....	20,700,000	16,000,000
Personal services.....	626,250	534,266
Refunds.....	956,998	531,570
Other payroll costs.....	437,191	392,816
Contractual services.....	134,293	97,579
All other expenses.....	27,668	23,992
Judges' Retirement Excess Benefit Fund - 787:		
Pensions, annuities and benefits.....	981,497	774,222
Total Receipts	\$ 149,695,023	\$ 145,274,684
ANALYSIS OF PLAN INVESTMENT	June 30, 2015	June 30, 2014
Balance at beginning of year, at fair value.....	\$ 738,704,938	\$ 612,751,563
Net cash transferred to investments.....	20,700,000	16,000,000
Net investments.....	<u>759,404,938</u>	<u>628,751,563</u>
Investment income - interest, dividends and other.....	25,343,901	20,323,223
Investment expenses.....	(2,215,206)	(2,059,317)
Net investment income.....	<u>23,128,695</u>	<u>18,263,906</u>
Net unrealized gain (loss) on investments.....	(12,932,887)	63,520,360
Net realized gain on sales of investments.....	25,696,085	28,169,109
Net appreciation in fair value of investments.....	<u>12,763,198</u>	<u>91,689,469</u>
Total net investment income.....	<u>35,891,893</u>	<u>109,953,375</u>
Balance at end of year, at fair value.....	<u>\$ 795,296,831</u>	<u>\$ 738,704,938</u>
INVESTMENTS USED FOR BENEFITS AND EXPENSES (UNAUDITED)	FY 2015	FY 2014
CONTRIBUTIONS:		
Participant.....	\$ 15,431,105	\$ 15,918,732
Employer.....	134,039,684	126,815,881
Total Contributions.....	<u>149,470,789</u>	<u>142,734,613</u>
DEDUCTIONS:		
Benefits.....	125,654,349	118,590,965
Refunds.....	945,807	687,923
Administration.....	982,656	831,652
Total Deductions.....	<u>127,582,812</u>	<u>120,110,540</u>
Contributions in Excess of Deductions (Investments used to pay Benefits and Expenses).....	<u>\$ 21,887,977</u>	<u>\$ 22,624,073</u>
SUPPLEMENTARY INFORMATION (UNAUDITED)	June 30, 2015	June 30, 2014
Number of System employees.....	6	6
Retirees and beneficiaries receiving benefits.....	1,121	1,100
Total members.....	985	970
Total active members.....	961	951
Money-weighted rate of return.....	5.08%	17.45%
EXECUTIVE SECRETARY		
During Engagement Period: Timothy Blair		
Currently: Timothy Blair		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**NONCOMPLIANCE WITH ETHICS TRAINING
REQUIREMENTS**

The Judges' Retirement System of the State of Illinois (System) did not comply with the Ethics training provisions of the Illinois Pension Code.

Ethics training not tracked

The auditors noted the System did not track the ethics training completed by its Board members and did not submit the required annual certification of compliance certifying ethics training completed by its Board members with the Chief Justice of the Supreme Court of Illinois. (Finding 2, page 12)

**Annual certification of compliance
not submitted**

We recommended the System develop a process to track ethics training completed by its Board members to insure its Board members complete 8 hours annually and submit the required annual certification to the Chief Justice of the Supreme Court of Illinois.

System agrees with auditors

System officials agreed with the auditors and indicated they are working on procedures to better track, report and certify the required ethics training of each of the members of the Board of Trustees.

OTHER FINDING

The remaining finding is reportedly being given attention by the System. We will review the System's progress towards the implementation of our recommendations in our next engagement.

ACCOUNTANT'S OPINION

The auditors conducted a State compliance examination of the Judges' Retirement System for the year ended June 30, 2015, as required by the Illinois State Auditing Act. The accountants stated the System complied, in all material respect, with the requirements described in the report.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JAF

SPECIAL ASSISTANT AUDITORS

Our Special Assistant Auditors for this examination were BKD LLP.