

REPORT DIGEST

JUDGES' RETIREMENT SYSTEM OF ILLINOIS COMPLIANCE AUDIT FOR THE YEAR ENDED JUNE 30, 1995

INTRODUCTION

This digest covers our compliance audit of the System for the year ended June 30, 1995. A financial audit covering the year ending June 30, 1995 was previously issued.

It should be noted that, pursuant to the Illinois Pension Code, investments of the System are managed by the Illinois State Board of Investment.

There were no material findings of noncompliance disclosed during our audit tests. We commend the System for maintaining effective fiscal controls.

FUTURE REPORTING REQUIREMENTS

In November 1994, the Governmental Accounting Standards Board issued Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans". This Statement requires that plan assets be reported at fair value, rather than at cost. In addition, this Statement establishes a new financial reporting framework that will result in significant changes to the financial statements as well as the required supplementary information. The requirements of this Statement are effective for periods beginning after June 15, 1996, with earlier implementation encouraged. If comparative financial statements are presented, restatement of the prior year financial statements is required.

The System intends to adopt this Statement beginning with the fiscal year ending June 30, 1997. The effect of this Statement will be to increase the net assets by the difference between fair value and cost of the net assets on the date of adoption. The Statement, however,

{Expenditures and Activity Measures are summarized on the reverse page.}

allows for different valuation methods of assets related to some function of market value (i.e. smoothing of market values over time or current market values) for determining funded status and the annual required contribution. If the System had implemented Statement No. 25 at June 30, 1995 and used the current market value method, the net assets available for benefits would have been \$249,334,066 resulting in a funding ratio of 47.6%.

At present, investments are valued at cost or book value as specified by State law. Thus, implementation of Statement No. 25 will require a change to existing State law to comply with generally accepted accounting principles. Net assets available for benefits at cost at June 30, 1995 were \$214,104,027 resulting in a funding ratio of 40.9%.

WILLIAM G. HOLLAND, Auditor General
WGH:KMA:pp

SUMMARY OF AUDIT FINDINGS

Number of This Audit Prior Audit
Audit findings 00
Repeated findings 00
Recommendations implemented or
not repeated 00

SPECIAL ASSISTANT AUDITORS

McGladrey & Pullen, LLP were our special assistant auditors for this audit.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
INFORMATION FROM FINANCIAL AND COMPLIANCE AUDITS
FOR THE YEAR ENDED JUNE 30, 1995

FINANCIAL OPERATIONS	FY 1995	FY 1994
REVENUES		
Contributions:		
Participants	\$ 8,942,657	\$ 7,822,346
State General Revenue Fund	9,815,300	9,815,300
State Pension Fund	990,700	950,700
Other	345,577	-
Net investment income	10,785,719	10,053,759
Net realized gain on sale of investments	4,927,137	7,204,019
Other	<u>287,673</u>	<u>167,107</u>
Total Revenue	<u>\$ 36,094,763</u>	<u>\$ 36,013,231</u>
EXPENSES		
Benefits:		
Retirement annuities	\$ 22,701,599	\$ 21,206,102
Survivors' annuities	6,476,027	6,028,777
Refunds	347,711	332,930
Administration	<u>302,417</u>	<u>288,168</u>
Total Expenses	<u>\$ 29,827,754</u>	<u>\$ 27,855,977</u>
SELECTED ACCOUNT BALANCES	JUNE 30, 1995	JUNE 30, 1994
Cash	\$5,514,304	\$5,967,371
Receivables	\$178,587	\$217,006
Investments, at cost	\$208,585,962	\$201,873,106
Property and equipment, net of accumulated depreciation	\$14,298	\$18,434
Liabilities	\$189,124	\$238,899
Net Assets Available for Benefits	\$214,104,027	\$207,837,018
Actuarial Pension Obligation	\$523,685,631	\$479,129,504
Unfunded Pension Liability	\$309,581,604	\$271,292,486
SUPPLEMENTARY INFORMATION	FY 1995	FY 1994
Number of System employees (shared with General Assembly Retirement System)	8	8
Number of retirees and beneficiaries currently receiving benefits	688	673
Inactive members not yet receiving benefits	37	41
Current Members:		
Vested	606	567
Nonvested	269	269

EXECUTIVE SECRETARY

During Audit Period: Michael L. Mory
Currently: Michael L. Mory