
REPORT DIGEST

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

COMPLIANCE AUDIT
For the Year Ended:
June 30, 1996

Summary of Findings:

Total this audit	0
Total prior audit	0
Repeated from last audit	0

Release Date:



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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INTRODUCTION

This digest covers our compliance audit of the System for the year ended June 30, 1996. A financial audit covering the year ending June 30, 1996 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.

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

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
INFORMATION FROM FINANCIAL AND COMPLIANCE AUDITS
TWO YEARS ENDED JUNE 30, 1996

FINANCIAL OPERATIONS	FY 1996	FY 1995
REVENUES		
Contributions:		
Participants.....	\$ 9,785,891	\$ 8,942,657
State General Revenue Fund	11,268,000	9,815,300
State Pension Fund	861,000	990,700
Other	-	345,577
Net investment income	10,383,841	10,785,719
Net realized gain on sale of investments	19,661,969	4,927,137
Other.....	<u>274,272</u>	<u>287,673</u>
Total Revenue.....	<u>\$ 52,234,973</u>	<u>\$ 36,094,763</u>
EXPENSES		
Benefits:		
Retirement annuities.....	\$ 26,186,330	\$ 22,701,599
Survivors' annuities.....	6,910,470	6,476,027
Refunds	503,455	347,711
Administration	<u>305,752</u>	<u>302,417</u>
Total Expenses	<u>\$ 33,906,007</u>	<u>\$ 29,827,754</u>
SELECTED ACCOUNT BALANCES		
	JUNE 30, 1996	JUNE 30, 1995
Cash.....	\$4,267,254	\$5,514,304
Receivables	\$1,114,097	\$178,587
Investments, at cost.....	\$227,231,772	\$208,585,962
Property and equipment, net of accumulated depreciation.....	\$8,237	\$14,298
Liabilities	\$188,367	\$189,124
Net Assets Available for Benefits.....	\$232,432,993	\$214,104,027
Actuarial Pension Obligation.....	\$577,792,256	\$523,685,631
Unfunded Pension Liability	\$345,359,263	\$309,581,604
SUPPLEMENTARY INFORMATION		
	FY 1996	FY 1995
Number of System employees (shared with General Assembly Retirement System)	8	8
Number of retirees and beneficiaries currently receiving benefits	719	688
Inactive members not yet receiving benefits.....	35	37
Current Members:		
Vested	576	606
Nonvested	290	269

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

**Funding ratio at 48.0% if
current market value method
is used**

The System intends to adopt this Statement beginning with the fiscal year ending June 30, 1997. One 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, 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, 1996 and used the current market value method, the net assets available for benefits would have been \$277,098,999 resulting in a funding ratio of 48.0%.

**Funding ratio at 40.2% with
investments valued at cost**

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, 1996 were \$232,432,993 resulting in a funding ratio of 40.2%.

WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

SPECIAL ASSISTANT AUDITORS

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

