
REPORT DIGEST

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

FINANCIAL AUDIT

For the Year Ended:
June 30, 1996

Release Date:
February 6, 1997



State of Illinois
Office of the Auditor General

WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- ◆ The unfunded liability of the System for pension benefits was \$345.4 million at June 30, 1996. This unfunded liability increased over \$35 million during FY 1996.
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INTRODUCTION

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

The System shares administrative staff and common administrative expenses with the General Assembly Retirement System (GARS). The GARS reimburses the System for 40 percent of the administrative costs incurred.

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

UNDERFUNDING OF THE SYSTEM

Net assets available for benefits (at cost) totaled approximately \$232.4 million at June 30, 1996. The pension obligation was valued at \$577.8 million at June 30, 1996. The difference between the pension obligation and the net assets available for benefits of \$345.4 million reflects the unfunded liability of the System at June 30, 1996. The unfunded liability increased approximately \$35.8 million during FY 1996.

Unfunded Liability Increased \$35.8 million during FY 1996

An analysis of dollar amounts of net assets available for benefits, pension obligation, and unfunded liability should not be viewed in isolation. Expressing the net assets available for benefits as a percentage of the pension obligation provides one indication of funding status. Analysis of this percentage over time indicates whether the system is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the System. The following chart presents funding progress for the past five years.

Unfunded Liability at June 30, 1996 totals \$345.4 million

FY 96 Marks 1st Year for New State Funding Law

Year Ended	(1) Assets Available for Benefits	(2) Pension Obligation	(3) Percentage Funded (1)÷(2)	(4) Unfunded Liability (2)-(1)	(5) Annual Increase or Decrease
1992	\$187.7	\$423.8	44.3%	\$236.1	24.6
1993	199.7	458.8	43.5%	259.1	23.0
1994	208.8	491.1	42.5%	282.3	23.5
1995	214.1	523.7	40.9%	309.6	38.3
1996	232.4	577.8	40.2%	345.4	35.8

NOTE: Amounts in chart are shown in millions of dollars.

until a 90% funded level is achieved.

AUDITORS' OPINION

Our auditors state that the June 30, 1996 financial statements of the System are fairly presented.

WILLIAM G. HOLLAND, Auditor General

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SPECIAL ASSISTANT AUDITORS

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

