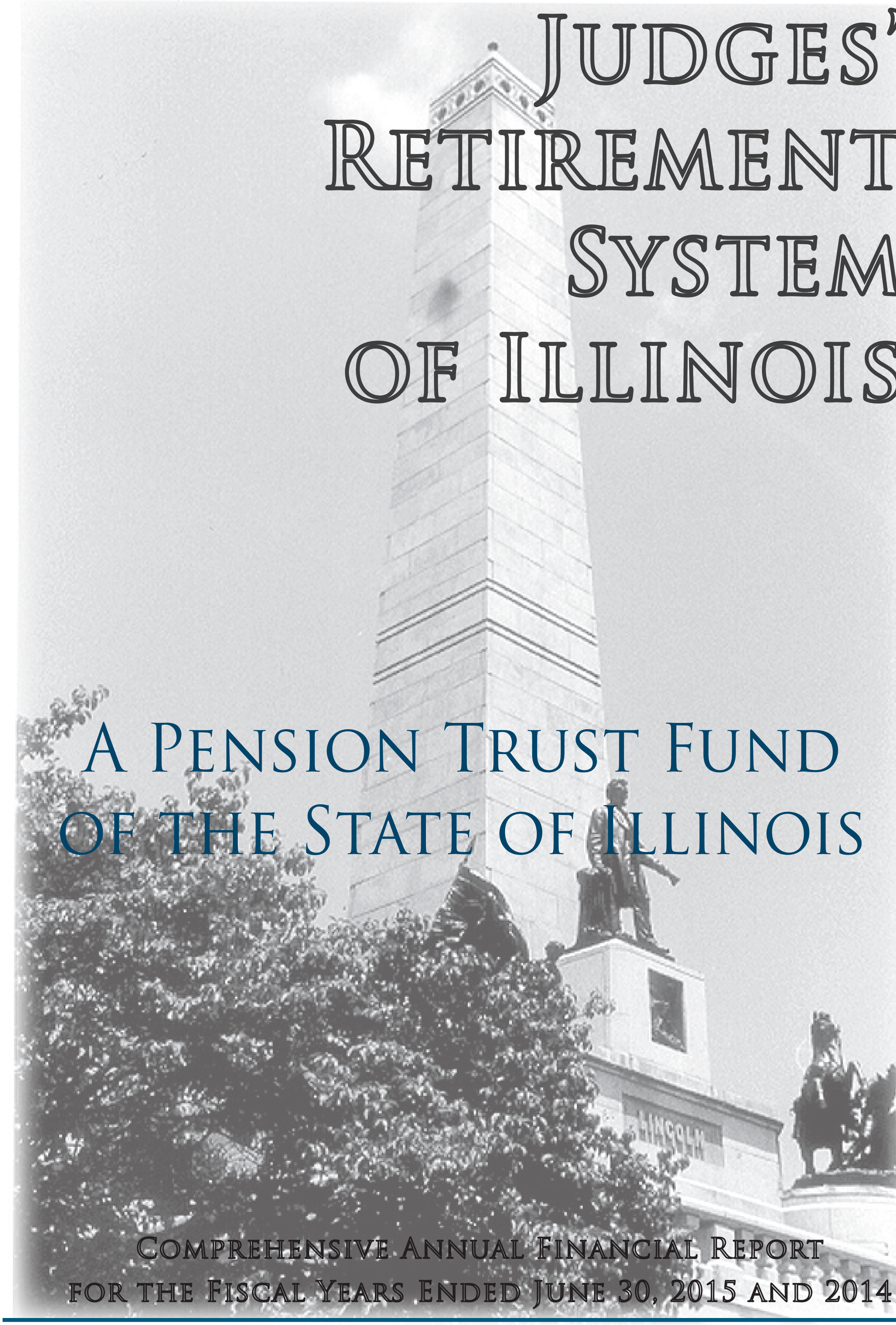
Judges' Retirement System of Illinois



A Pension Trust Fund of the State of Illinois

Comprehensive Annual Financial Report
for the Fiscal Years Ended June 30, 2015 and 2014

Judges' Retirement System of Illinois

2101 South Veterans Parkway, P. O. Box 19255
Springfield, Illinois 62794-9255
Phone 217-782-8500 • Fax 217-557-5154
Internet: http://www.srs.illinois.gov
Email: jrs@srs.illinois.gov

Fiscal Year 2015 Highlights

985	Total Membership
961	Active Contributing Members
$833,910,155	Net Position–Restricted for Pensions, fair value
	Contributions
$15,431,105	Participants
$134,039,684	Employer
$36,009,150	Net Investment Income
5.1%	Investment Return
	Benefit Recipients
787	Retirement Annuities
334	Survivors' Annuities
$125,654,349	Benefits Paid
$2,352,928,710	Total Pension Liability
$833,910,155	Fiduciary Net Position
$1,519,018,555	Net Pension Liability
35.4%	Funded Ratio

Mission Statement

To establish an efficient method of permitting retirement, without hardship or prejudice, of judges who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

A Pension Trust Fund of the State of Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEARS ENDED JUNE 30, 2015 AND 2014

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

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

Prepared by the Accounting Division

Printed by Authority of the State of Illinois
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INTRODUCTORY SECTION

STATE RETIREMENT SYSTEMS

• State Employees' Retirement System of Illinois
• General Assembly Retirement System
• Judges' Retirement System of Illinois

2101 South Veterans Parkway, P. O. Box 19255, Springfield, IL 62794-9255 217-785-7444

December 21, 2015

The Board of Trustees and Members
Judges' Retirement System of Illinois
Springfield, IL 62794

Dear Board of Trustees and Members:

The comprehensive annual financial report (CAFR) of the Judges' Retirement System of Illinois (System) as of and for the fiscal year ended June 30, 2015 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the System.

To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations of the System. All disclosures necessary to enable the reader to gain an understanding of the System's financial activities have been included.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

The report consists of six sections:

1. The Introductory Section contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;

2. The Financial Section contains management's discussion and analysis, the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

3. The Investment Section contains a report on investment activity, investment policies, investment results and various investment schedules;

4. The Actuarial Section contains the Actuary's Certification Letter and the results of the annual actuarial valuation;

5. The Statistical Section contains significant statistical data; and

6. The Plan Summary and Legislative Section contains the System's plan provisions and current legislative changes.

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.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 61, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Although the Judges' Retirement System, State Employees' Retirement System and General Assembly Retirement System share a common administration, they are separate entities for legal and financial reporting purposes. Therefore, the financial statements of the Judges' Retirement System do not include fiduciary net position information nor the changes in fiduciary net position of the State Employees' Retirement System or General Assembly Retirement System.

PLAN HISTORY & SERVICES PROVIDED

The Judges' Retirement System was established as a single-employer public employee retirement system (PERS) by state statute on July 1, 1941. As of June 30, 1942, the end of the System's first fiscal year of operations, there were a total of 260 participants and the fiduciary net position valued at cost amounted to approximately $84,000. The fair value of the fiduciary net position at the end of fiscal year 2015 amounted to approximately $833.9 million, and there were 961 active participants.

The mission of the System as prescribed by state statute is to "establish an efficient method of permitting retirement, without hardship or prejudice, of judges who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death, and termination of employment."

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statues, using the "prudent person rule".

This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position.

The ISBI maintains a wide diversification of investments within this fund which is intended to reduce overall risk and increase returns. As further detailed in the Investment Section, the ISBI Commingled Fund earned 4.7%, net of expenses, for the fiscal year ended June 30, 2015.

FUNDING

Funding is the process of specifically allocating monies for current and future use. Proper funding includes an actuarial review of the fund balances to ensure that funds will be available for current and future benefit payments. The greater the level of funding, the larger the ratio of accumulated assets to the actuarial accrued liability and the greater the level of investment potential.

The funding plan for the System, enacted in 1994 with subsequent modifications, requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of the actuarial value of assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll.

For fiscal years up through 2010, the required state contributions, except for fiscal years 2006 and 2007, were to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045. For fiscal years 2015 and 2014, the statutorily required state contributions were $133,982,000 and $126,808,000, respectively. The total amount of contributions received from the state for fiscal years 2015 and 2014 were $133,982,000 $126,808,000, respectively.

The funding legislation also provides for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

The actuarial determined liability of the System using the State's projected unit credit actuarial cost method for funding purposes at June 30, 2015, amounted to $2,314.1 million. The actuarial value of assets amounted to $804.2 million resulting in an unfunded accrued actuarial liability of $1,510.0 million as of the same date. The actuarial determined liability, actuarial value of assets, and unfunded accrued actuarial liability of the System as presented above and in the Actuarial section of this report using the state's funding method does not conform with GASB Statement No. 67 and therefore, the amounts presented above and in the Actuarial section of this report differ from the amounts presented for financial reporting purposes in the Financial section of this report. A detailed discussion of funding is provided in the Actuarial Section of this report.

ACCOUNTING SYSTEM & INTERNAL CONTROL

This report has been prepared to conform with the principles of governmental accounting and reporting pronounced by the Governmental Accounting Standards Board and the American Institute of Certified Public Accountants.

The accrual basis of accounting is used to record the financial transactions and activities of the System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recognized when the corresponding liabilities are incurred, regardless of when payment is made.

The System also uses the State of Illinois, Statewide Accounting Management System (SAMS) as a basis for the preparation of the financial statements.

In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived and that the valuation of costs and benefits requires estimates and judgements by management. Constant effort is directed by the System at improving this level to assure the participants of a financially sound retirement system.

PROFESSIONAL SERVICES

Independent consultants are retained by the Board of Trustees to perform professional services that are essential to the effective and efficient operation of the System. Actuarial services are provided by Gabriel, Roeder, Smith & Company, Chicago, Illinois. The System's investment function is managed by the Illinois State Board of Investment.

The annual financial audit of the System was conducted by the accounting firm of BKD, LLP, under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a compliance attestation examination is also performed by the auditors.

The purpose of the compliance attestation examination was to determine whether the System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Judges' Retirement System of Illinois for its comprehensive annual financial report for the fiscal year ended June 30, 2014.

The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Judges' Retirement System of Illinois has received a Certificate of Achievement for the past twenty-six consecutive years (fiscal years ended June 30, 1989 through June 30, 2014).

We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS & COMMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and for determining responsible stewardship for the assets contributed by the members in the State of Illinois.

On behalf of the Board of Trustees, we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Timothy B. Blair

Timothy B. Blair
Executive Secretary

David M. Richter

David M. Richter, CPA
Accounting Division

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Pension & Death Benefit Technician
Becky Tobias

Pension & Death Benefit Technician
Tina Elliott

Advisors, Auditors, and Administrators

Consulting Actuary	Gabriel, Roeder, Smith & Company Chicago Illinois
External Auditor	BKD,LLP Decatur, Illinois
Investments	Illinois State Board of Investment Chicago,Illinois

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Judges' Retirement System of Illinois

For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO

FINANCIAL SECTION

BKD LLP
CPAs & Advisors

225 N. Water Street, Suite 400 // Decatur, IL 62523-2326
217.429.2411 // fax 217.429.6109 // bkd.com

Independent Auditor's Report

The Honorable William G. Holland
Auditor General
State of Illinois
and
Board of Trustees
Judges' Retirement System of the State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Judges' Retirement System of the State of Illinois (System), as of and for the years ended June 30, 2015 and 2014, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We did not audit the 2015 and 2014 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 94 percent, 95 percent, and 19 percent, respectively in 2015 and 94 percent, 95 percent, and 44 percent, respectively in 2014 of total assets, net position restricted for pension benefits, and total additions of the System. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Illinois State Board of Investment is based solely on the report of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements 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, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2015 and 2014, and the respective changes in fiduciary net position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 7, the System is significantly underfunded which raises doubts about the financial solvency of the System if there is a significant market downturn. Our opinion is not modified with respect to this matter.

Other Matters

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 the State's net pension liability and related ratios, the schedule of investment returns, the schedule of state contributions, and notes to schedule of state contributions listed in the table of contents be presented to supplement the basic financial statements. Such information, although not 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 auditing standards generally accepted in the United States of America, 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.

Other 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 supplementary financial information in the financial section and the accompanying introductory, investment, actuarial, statistical and plan summary and legislative sections, as listed in the table of contents, are presented for purposes of additional analysis and are 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 supplementary financial information in the financial section, as listed in the table of contents, 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 auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, the supplementary financial information in the financial section, as listed in the table of contents, is fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory, investment, actuarial, statistical and plan summary and legislative sections as listed in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued, under separate cover, our report dated December 18, 2015 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 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 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.

BKD, LLP

Decatur, Illinois
December 18, 2015

This financial report is designed to provide a general overview of the Judges' Retirement System's finances for all those with an interest in the System's finances.

This section presents management's discussion and analysis of the financial position and performance of the Judges' Retirement System of Illinois (System) for the years ended June 30, 2015 and June 30, 2014. It is presented as a narrative overview and analysis. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal included in the Introductory Section, of the Comprehensive Annual Financial Report.

The System is a defined benefit, single-employer public employee retirement system. It provides services to 961 active judges and 1,121 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. For the fiscal years ended June 30, 2015 and June 30, 2014, 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, 2015 and June 30, 2014. This financial information also summarizes the changes in fiduciary net position restricted for pensions for the year then ended.

2. Notes to the Financial Statements. 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.

3. Required Supplementary Information. The required supplementary information consists of three schedules and related notes concerning actuarial information, funded status, actuarially determined contributions and investment returns.

4. Other Supplementary Schedules. Other supplementary schedules include more detailed information pertaining to the System, including schedules of revenues by source, cash receipts and disbursements, and payments to consultants.

FINANCIAL HIGHLIGHTS

- The fiduciary net position increased by $57.9 million and $132.7 million during fiscal years 2015 and 2014, respectively. These changes resulted in a $1.1 million increase in cash, a $56.6 million increase in investments (excluding securities lending collateral) and a $0.3 million increase in receivables during fiscal year 2015 and a $9.0 million increase in cash, a $126.0 million increase in investments (excluding securities lending collateral) offset by a $2.1 million decrease in receivables during fiscal year 2014.
- The System was actuarially funded at 35.4% as of June 30, 2015 an increase from 34.8% as of June 30, 2014.
- The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was 4.7% for fiscal year 2015 compared to 17.9% for fiscal year 2014. The System's annual money-weighted rate of return on its investment in the ISBI Commingled Fund was 5.08% for fiscal year 2015 compared to 17.45% for fiscal year 2014.

The condensed Statements of Fiduciary Net Position reflect the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the System's Fiduciary Net Position is presented below.

Condensed Statements of Fiduciary Net Position
(in thousands)

	As of June 30, 2015	As of June 30, 2014	As of June 30, 2013	Increase/(Decrease) from 2014 to 2015	Increase/(Decrease) from 2013 to 2014
Cash	$ 33,161.3	$ 32,055.6	$ 23,059.6	$ 1,105.7	$ 8,996.0
Receivables	5,797.6	5,486.8	7,621.8	310.8	(2,135.0)
Investments, at fair value *	808,072.9	752,179.9	629,286.6	55,893.0	122,893.3
Capital assets, net	26.9	8.4	7.7	18.5	0.7
Total assets	847,058.7	789,730.7	659,975.7	57,328.0	129,755.0
Liabilities*	13,148.5	13,717.7	16,645.7	(569.2)	(2,928.0)
Total fiduciary net position	$833,910.2	$776,013.0	$643,330.0	$ 57,897.2	$132,683.0

* 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 decreased by $0.5 million and $0.4 million for the years ended June 30, 2015 and June 30, 2014. Participant contribution rates are set by statute as a percentage of gross salary. Employer contributions increased to $134.0 million in 2015 from $126.8 million in 2014. This increase was the result of the State's funding plan.

DEDUCTIONS FROM FIDUCIARY NET POSITION

Deductions from Fiduciary Net Position are primarily benefit payments. During 2015 and 2014, the System paid out $126.6 million and $119.3 million in benefits and refunds, respectively. These higher payments were mainly due to an increase in the number of annuitants as well as a 3% automatic annuity increase paid each year. The administrative costs of the System represented less than 1% of total deductions in both 2015 and 2014.

FUNDED RATIO

The funded ratio of the plan measures the ratio of the fiduciary net position against actuarially determined liabilities 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 35.4% on June 30, 2015 compared to 34.8% on June 30, 2014. The amount by which actuarially determined liabilities exceeded the fiduciary net position was $1,519.0 million on June 30, 2015 as compared to $1,455.3 million on June 30, 2014.

INVESTMENTS

Investments of the System are combined in a commingled investment pool 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 income of the total ISBI Commingled Fund was approximately $720.5 million during fiscal year 2015 as compared to $2.3 billion during fiscal year 2014, resulting in returns of 4.7% and 17.9%, resectively. The actual rate of return earned by the System will vary from the return earned on the total ISBI Commingled Fund as a 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, 2015, the ISBI Commingled Fund earned a compounded rate of return of 12.1%, 11.4%, and 6.2%, 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.

Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Judges' Retirement System of Illinois, Accounting Division, 2101 S. Veterans Parkway, P. O. Box 19255, Springfield, Illinois 62794

The condensed Statements of Changes in Fiduciary Net Position reflect the changes in the resources available to pay benefits to members, including retirees and beneficiaries.

Condensed Statements of Changes in Fiduciary Net Position
(in thousands)

	For the Year Ended June 30, 2015	2014	2013	Increase/(Decrease) from 2014 to 2015	2013 to 2014
Additions					
Participant contributions	$ 15,431.1	$ 15,918.7	$ 16,368.6	$ (487.6)	$ (449.9)
Employer contributions	134,039.7	126,815.9	88,239.6	7,223.8	38,576.3
Net investment income	36,009.2	110,059.0	76,886.3	(74,049.8)	33,172.7
Total additions	185,480.0	252,793.6	181,494.5	(67,313.6)	71,299.1
Deductions					
Benefits	125,654.3	118,591.0	113,557.4	7,063.3	5,033.6
Refunds	945.8	687.9	1,751.5	257.9	(1,063.6)
Administrative expenses	982.7	831.7	832.0	151.0	(0.3)
Total deductions	127,582.8	120,110.6	116,140.9	7,472.2	3,969.7
Net increase/(decrease) in fiduciary net position	$ 57,897.2	$132,683.0	$ 65,353.6	$(74,785.8)	$ 67,329.4

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Fiduciary Net Position

June 30, 2015 and 2014

	2015	2014
Assets		
Cash	$ 33,161,274	$ 32,055,593
Receivables:		
Employer contributions	5,582,584	5,283,670
Participants' contributions	90,919	108,970
Refundable annuities	17,010	12,794
Interest on cash balances	12,400	9,835
Due from General Assembly Retirement System	94,705	71,539
Total Receivables	5,797,618	5,486,808
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	795,296,831	738,704,938
Securities lending collateral with State Treasurer	12,776,000	13,475,000
Capital Assets, net	26,929	8,389
Total Assets	847,058,652	789,730,728
Liabilities		
Refunds payable	147,799	158,990
Administrative expenses payable	224,698	83,710
Securities lending collateral	12,776,000	13,475,000
Total Liabilities	13,148,497	13,717,700
Net position - restricted for pension benefits	$ 833,910,155	$ 776,013,028

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Changes in Fiduciary Net Position
Years Ended June 30, 2015 and 2014

	2015	2014
Additions:		
Contributions:		
Participants	$ 15,431,105	$ 15,918,732
Employer	134,039,684	126,815,881
Total contributions	149,470,789	142,734,613
Investment Income:		
Net appreciation in fair value of investments	12,763,198	91,689,469
Interest and dividends	25,304,366	20,272,183
Less investment expense, other than from securities lending	(2,215,206)	(2,059,317)
Net income from investing, other than from securities lending	35,852,358	109,902,335
Net securities lending income	156,792	156,652
Net investment income	36,009,150	110,058,987
Total Additions	185,479,939	252,793,600
Deductions:		
Benefits:		
Retirement annuities	102,794,428	97,116,965
Survivors' annuities	22,859,921	21,474,000
Total benefits	125,654,349	118,590,965
Refunds of contributions	945,807	687,923
Administrative expenses	982,656	831,652
Total Deductions	127,582,812	120,110,540
Net Increase	57,897,127	132,683,060
Net position - restricted for pensions:		
Beginning of year	776,013,028	643,329,968
End of year	$ 833,910,155	$ 776,013,028

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 2015 and 2014

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.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 61, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal years 2015 and 2014 were each less than $1.2 million and $775.0 thousand, respectively. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

At June 30, 2015 and 2014, the System membership consisted of:

	2015	2014
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	787	767
Survivors' annuities	334	333
	1,121	1,100
Inactive participants entitled to benefits but not yet receiving them	24	19
Total	1,145	1,119
Current participants:		
Vested	666	654
Nonvested	295	297
Total	961	951

Operation of the System and the direction of its policies are the responsibility of the Board of Trustees.

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 calendar years 2015 and 2014 rates are $115,481 and $113,551, respectively. 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. 65, "Items Previously Reported as Assets and Liabilities", establishes accounting and financial reporting standards that reclassify and recognize, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities. The Statement also provides other financial reporting guidance related to the impact of the financial statement elements deferred outflows of resources and deferred inflows of resources, such as changes in the determination of the major fund calculations and limiting the use of the term "deferred" in financial statement presentations. The System has implemented this Statement for the year ended June 30, 2014. Adoption of GASB Statement No. 65 had no effect on the System's financial statements.

GASB Statement No. 67, "Financial Reporting for Pension Plans, an amendment of GASB Statement No. 25", was established to provide improved financial reporting by state and local governmental pension plans. The scope of the Statement addresses accounting and financial reporting for the activities of pension plans that are administered through trusts or equivalent arrangements. For defined benefit pension plans, the Statement establishes standards of financial reporting for separately issued financial reports and specifies the required approach to measuring the pension liability for benefits provided through the pension plan. The System implemented this Statement for the year ended June 30, 2014. Adoption of GASB Statement No. 67 had no effect on the System's fiduciary net position but changed the approach for measuring the pension liability and required certain changes to note disclosures and required supplementary information.

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 as follows: (1) U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities; (2) Common Stock and Equity Funds, Foreign Preferred Stock, Foreign Equity Securities, Forward Foreign Currency Contracts and Options: (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices; (3) Money Market Instruments – average cost which approximates fair values; (4) Real Estate Investments – fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end; (5) Alternative Investments (Private Equity, Hedge Funds, Bank Loans, and Real Assets) - fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end; (6) Commingled Funds - fair values based on audited financial statements of the funds and then adjusted by the ISBI and its investment managers for activity from audit date to fiscal year end.

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 five 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, 2006 to June 30, 2012 resulting in the adoption of new assumptions as of June 30, 2013.

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 75% to the Judges' Retirement System and 25% 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, 2015 and June 30, 2014 were $281,884 and $248,940 respectively. The total administrative expenses attributable to the Judges' Retirement System are $982,656 and $831,652 for fiscal years 2015 and 2014, respectively.

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

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

	June 30, 2015	June 30, 2014
U.S. govt. and agency obligations	$ 907,835,826	$ 784,475,648
Foreign obligations	892,854,266	832,282,402
Corporate obligations	814,440,237	799,514,242
Common stock & equity funds	4,748,492,740	4,553,283,316
Commingled funds	770,805,046	733,010,980
Foreign equity securities	2,379,999,098	2,346,503,129
Foreign preferred stock	177,639	72,907
Hedge funds	1,576,250,129	1,485,145,060
Real estate funds	1,610,826,230	1,483,445,971
Private equity	667,080,662	667,730,266
Money market instruments	231,115,398	217,737,000
Real assets	532,718,107	524,284,793
Bank loans	697,836,613	689,256,558
Foreign currency forward contracts	979,645	(637,600)
Total investments	$ 15,831,411,636	$15,116,104,672

Rate of Return

For the fiscal years ended June 30, 2015 and 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 4.74 percent and 17.86 percent, respectively. 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, 2015 and 2014, the ISBI had non-investment related bank balances of $1,433,111 and $474,083, respectively. During fiscal year 2007, a 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 State Street Bank and Trust Company and Deutsche Bank AG, NY Branch. State Street Bank and Trust Company has an AA- Long-term Deposit/Debt rating by Standard & Poor's and an Aa2 rating by Moody. Deutsche Bank AG has a BBB+ Long-term rating by Standard & Poor's and an A3 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, 2015 and 2014, the ISBI had investment related bank balances of $13,575,431 and $8,923,164, respectively. These balances include USD and foreign cash balances. As of January 1, 2013, cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of $250,000. At any given point and time, the foreign cash balances may be exposed to custodial credit risk.

Investment Commitments

The ISBI's real estate and private equity investment portfolios consist of passive interests in limited partnerships. The ISBI had outstanding commitments to these limited partnerships of approximately $460 million and $426 million as of June 30, 2015 and 2014, respectively. Also, at the end of fiscal years 2015 and 2014, the ISBI had outstanding commitments of $4 million and $61 million to separate real estate accounts, respectively. At the end of fiscal years 2015 and 2014, the ISBI had outstanding amounts of $153 million and $32 million committed to real assets, respectively. The ISBI would fund outstanding commitments by utilizing available cash and then selling liquid securities in the portfolio as necessary.

Investment Liquidity

The ISBI holds investments in hedge funds, real estate funds, private equity funds and real assets 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 investments during periods of significant market value declines.

Alternative Investments

The ISBI's investments in hedge funds are structured to achieve a diversified hedged equity fund-of-funds portfolio. Capital is allocated to a select group of hedge fund managers that invest predominately in equity securities, both long and short. The investments shall be managed with the intent of preserving capital in a declining market and in a rising market they will generate a smaller return than the overall equity market. These investments are redeemable once the underlying assets are liquidated.

The ISBI's investments in Private Equity and Real Estate funds represent investment vehicles used for making investments in various equity and debt securities according to the investment strategies as determined by the fund managers at the commencement of the fund.

Investment strategies of Private Equity funds include, but are not limited to, leveraged buyouts, venture capital, growth capital and mezzanine capital.

Investment strategies of Real Estate investments include, but are not limited to, the purchase, development, ownership, management, rental and/or sale of real estate for profit.

Certain real estate investments are leveraged whereby partnerships have been established to purchase properties through a combination of contributions from the ISBI and through acquisition of debt. At June 30, 2015, real estate equities of approximately $1,611 million are reported at estimated fair value. Of this amount, $1,415 million is equity and $196 million is long term debt. At June 30, 2014, real estate equities of approximately $1,483 million are reported at estimated fair value. Of this amount, $1,288 million is equity and $195 million is long term debt.

Required repayment of real estate debt, which is non-recourse debt is as follows as of June 30, 2015 and 2014:

Debt Maturities Year Ending June 30	2015	2014
2016	$ 27,418,790	$ 28,240,488
2017	56,584,691	57,416,040
2018	22,500,000	–
2019	44,355,719	–
2020–2024	45,057,515	88,046,051
2025–2026	–	21,321,503
	$ 195,916,715	$ 195,024,082

The ISBI's investments in Real Assets represent pooled investment vehicles used to seek capital appreciation and current income by acquiring, holding, financing, refinancing and disposing of infrastructure investments and farmland assets. Real Assets include various public works (e.g. bridges, tunnels, toll roads, airports, public transportation and other public works) that are made typically as a part of a privatization initiative on the part of a government entity.

A Commingled fund is a kind of mutual fund or common trust fund which consists of multiple kinds of assets from several accounts combined together. 'Commingling' these separate assets mitigates risk for the trader through investment diversification and reduces the cost of managing each account separately. Commingled funds are also called "pooled funds" and "master trusts".

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 net assets of the fund as of June 30, 2015 and 2014. The table to the right presents the quality ratings of debt securities held by the ISBI as of June 30, 2015 and 2014.

	Moody's Quality Rating	2015	2014
U.S. Government and	AAA	$ 378,200,000	$ 425,527,082
Agency obligations	AA	9,517,822	7,344,587
	A	–	12,943,001
	Not Rated	520,118,004	338,660,978
Total U.S. govt. and agency obligations		$ 907,835,826	$ 784,475,648
Foreign Obligations	AAA	$ 132,272,871	$ 141,563,493
	AA	192,601,201	186,950,502
	A	107,666,050	81,171,275
	BAA	228,447,204	204,409,825
	BA	44,533,922	36,645,027
	B	51,489,197	41,169,215
	Not rated	135,843,821	140,373,065
Total Foreign Obligations		$ 892,854,266	$ 832,282,402
Corporate Obligations			
Bank and Finance	AA	$ 3,829,086	$ 2,957,585
	A	42,709,447	50,029,728
	BAA	73,781,060	82,453,817
	BA	43,936,037	34,830,061
	B	38,781,176	35,544,808
	Not Rated	1,183	2,340,263
Total Bank and Finance		$ 203,037,989	$ 208,156,262
Industrial	AAA	$ 1,112,464	$ –
	AA	14,086,661	10,224,115
	A	19,011,440	21,987,306
	BAA	36,578,192	44,506,699
	BA	150,284,966	159,584,773
	B	220,705,212	209,039,592
	CAA	6,437,020	6,992,615
	Not Rated	19,036,249	13,073,374
Total Industrial		$ 467,252,204	$ 465,408,474
Other	AAA	$ 1,520,669	$ 1,521,596
	A	7,734,927	7,995,874
	BAA	15,470,896	19,568,129
	BA	47,098,831	48,791,454
	B	72,324,721	48,352,453
	Not rated	–	(280,000)
Total Other		$ 144,150,044	$ 125,949,506
Total Corporate Obligations		$ 814,440,237	$ 799,514,242
Money Market	Not Rated	$ 231,115,398	$ 217,737,000
Total Money Market		$ 231,115,398	$ 217,737,000

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, 2015 and 2014, 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 between 80% and 120% of the benchmark index.

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. As of June 30, 2015 and 2014, the ISBI benchmarked its debt security portfolio to Barclay's Capital Intermediate U.S. Government/Credit Bond Index. At June 30, 2015 and 2014, the effective duration of the Barclay's Capital Intermediate U.S. Government/Credit Bond Index was 5.6 years and 5.6 years, respectively. At the same point in time, the effective duration of the ISBI debt security portfolio at June 30, 2015 and 2014 was 5.7 years and 5.3 years, respectively. The table below shows the detail of the duration by investment type as of June 30, 2015 and 2014.

	2015		2014	
Investment Type	Fair Value	Effective Weighted Duration Years	Fair Value	Effective Weighted Duration Years
U.S. Govt. and Agency Obligations				
U.S. Government	$ 450,342,908	7.7	$ 380,521,606	6.7
Federal Agency	457,492,918	3.3	403,954,042	3.5
Foreign Obligations	892,854,266	6.3	832,282,402	5.8
Corporate Obligations				
Bank & Finance	203,037,989	5.5	208,156,262	5.8
Industrial	467,252,204	5.1	465,408,474	4.7
Other	144,150,044	4.6	125,949,506	4.6
Total	$ 2,615,130,329		$ 2,416,272,292	

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. International managers may also engage in transactions to hedge currency at their discretion. Certain investments held in infrastructure funds trade in a reported currency of Euro-based dollars valued at $52,895,123 and $61,343,167 as of June 30, 2015 and 2014, respectively. The table below presents the foreign currency risk by type of investment as of June 30, 2015 and 2014.

	2015		2014	
Currency	Foreign Equity Securities & Foreign Preferred Stock	Foreign Obligations	Foreign Equity Securities & Foreign Preferred Stock	Foreign Obligations
Argentine Peso	$ –	$ 564,401	$ –	$ –
Australian Dollar	101,071,595	26,524,849	90,774,346	23,031,004
Brazilian Real	19,506,199	22,032,221	20,078,894	29,522,411
Canadian Dollar	116,709,419	26,779,874	141,782,577	36,442,872
Chilean Peso	–	4,168,867	–	3,713,553
Colombian Peso	377,334	15,312,245	–	15,223,691
Czech Koruna	779,797	6,990,145	804,780	3,560,005
Danish Krone	56,479,696	4,766,276	44,415,985	5,392,244
Egyptian Pound	498,599	–	627,634	–
English Pound Sterling	407,189,285	61,148,582	410,712,209	46,015,531
Euro Currency	614,538,415	132,800,775	614,324,960	144,113,041
Hong Kong Dollar	147,171,701	2,586,762	129,948,463	2,550,498
Hungarian Forint	650,782	3,367,039	642,189	329,052
Indonesian Rupian	2,672,277	14,066,740	2,609,187	12,085,949
Israeli Shekel	2,693,371	4,780,588	2,886,339	4,040,894
Japanese Yen	315,281,746	71,139,096	302,710,537	66,876,957
Malaysian Ringgit	3,841,562	22,209,736	453,753	20,518,690
Mexican Peso	7,344,176	48,063,655	11,149,254	41,011,377
New Israeli Sheqel	1,226,963	–	–	–
New Russian Ruble	–	28,747,709	–	41,669,459
New Zealand Dollar	4,165,766	2,597,322	3,297,560	2,365,325
Nigerian Naira	–	–	–	10,909,408
Norwegian Krone	19,984,988	7,187,208	30,066,361	5,799,023
Peruvian Nouveau Sol	–	751,184	–	1,817,219
Philippine Peso	1,551,135	724,551	–	755,069
Polish Zloty	64,211	28,095,503	–	25,311,976
Qatari Rial	458,487	–	–	–
Singapore Dollar	26,658,642	5,534,326	34,481,140	5,121,850
South African Rand	19,045,501	25,092,609	14,851,595	23,599,596
South Korean Won	73,721,461	24,800,431	72,778,832	21,003,245
Swedish Krona	40,012,576	5,823,010	41,872,359	2,241,325
Swiss Franc	241,987,995	13,799,902	219,282,841	12,141,173
Thailand Baht	2,087,372	12,954,145	–	8,619,111
Turkish Lira	101,877	30,121,571	–	18,968,168
UAE Dirham	693,879	–	–	–
Uruguayan Peso	–	1,760,087	–	4,198,906
Foreign investments denominated in U.S. Dollars	151,609,930	237,562,857	156,024,241	193,333,780
Total	$ 2,380,176,737	$ 892,854,266	$ 2,346,576,036	$ 832,282,402

Securities Lending

The ISBI participates in a securities lending program with Deutsche Bank AG, New York Branch who acts as securities lending agent. Prior to June 22, 2015 the ISBI participated in a Securities lending program with Credit Suisse AG, New York Branch, who acted as securities lending agent. Securities are loaned to brokers and, in return, the ISBI receives cash and non-cash collateral. All of the securities are eligible for the securities lending program. Collateral consists solely of cash and government securities having a fair value equal to or exceeding 102% of the value of the loaned securities (105% for non-U.S. securities). In the event of borrower default, Deutsche Bank AG, New York Branch provides the ISBI with counterparty default indemnification. Investments in the cash collateral account represent securities that were distributed to the ISBI in connection with the in-kind redemption of the ISBI's ownership in the State Street Bank and Trust Company Quality Funds for Short-Term Investment (Quality D). Deutsche Bank is not responsible for any losses with regards to these legacy investments. This arrangement subjects the ISBI to credit risk as the credit quality of these investments may decline over time. The credit risk on the legacy investments is the risk of a possible loss arising from the inability of a counterparty to meet its obligations. These losses could include the loss of principal, interest and/or decreased expected cash flows in any of the investments held in the ISBI's cash collateral account. In the event a counterparty defaults on its obligations, the ISBI would need to credit the cash collateral account with the amount of the default to make the account whole so that once loaned securities are returned, the cash pledged by borrowers can be returned to them. As of June 30, 2015 and 2014, the collateral received exceeded the fair value of the securities loaned. As of June 30, 2015 and 2014, there were outstanding loaned investment securities having fair values of $107,922,255 and $168,534,354, respectively against which collateral was received with a fair value of $110,826,173 and $182,644,281, respectively. Collateral received at June 30, 2015 and 2014 consisted of $32,006,788 and $61,409,324, respectively in cash and $78,819,385 and $121,234,957, respectively in government securities for which the ISBI does not have the ability to pledge or sell.

The cash collateral received is invested in a short-term instrument having a fair value of $30,394,702 and $60,114,354 as of June 30, 2015 and 2014, respectively. This investment pool had an average duration of 32.19 days and 23.86 days as of June 30, 2015 and 2014, respectively. Any decrease in the fair value of invested cash collateral is recorded by the ISBI as unrealized losses and reported as a component of the investment income/loss on the ISBI's Statement of Changes in Net Position.

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 years 2015 and 2014, Deutsche Bank AG lent U.S. Treasury and U.S. Agency 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 aggregated 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 years 2015 and 2014 on the amount of the loans 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 the Deutsche Bank AG loses any securities, collateral or investments of the State Treasurer in Deutsche Bank AG's custody. Moreover, there were no losses during fiscal years 2015 and 2014 resulting from a default of the borrowers or Deutsche Bank AG.

During fiscal years 2015 and 2014, 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 the 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 cash collateral received that was invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2015 were $4,007,450,625 and $3,980,606,070, respectively. The securities cash value collateral invested in repurchase agreements and the fair value of securities on loan for the State Treasurer as of June 30, 2014 were $5,758,768,925 and $5,727,657,697, respectively. The System's portion of securities lending collateral that was invested in repurchase agreements as of June 30, 2015 and 2014 was $12,776,000 and $13,475,000, respectively.

Derivative Securities

In fiscal year 2010, the ISBI implemented GASB Statement No. 53 Accounting and Financial Reporting for Derivative Instruments with respect to investments held in 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 forward foreign currency contracts, futures, rights and warrants. The ISBI's derivatives are considered investment derivatives.

Foreign currency forward contracts (FX forwards) are used to protect against the currency risk in the ISBI's foreign equity portfolio. A foreign currency forward contract is an agreement to buy or sell a specific amount of a foreign currency at a specified delivery or maturity date for an agreed-upon price. Fluctuations in the market value of foreign currency forward contracts are marked to market on a daily basis. These investments are reported at fair value in the investment section of the ISBI's Statement of Net Position. The gain or loss arising from the difference between the original contracts and the closing of such contracts is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position. In May 2011, the ISBI removed language from the investment management agreements allowing managers to hedge foreign currencies and/or to hedge equity positions.

The ISBI's investment managers use financial futures to replicate an underlying security they wish to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Additionally, financial futures are used in the ISBI's fixed income portfolio to adjust portfolio strategy and overall portfolio duration. A financial futures contract is an agreement to buy or sell a specific amount at a specified delivery or maturity date for an agreed-upon price. As the fair values of the futures contract vary from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. The gain or loss is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the ISBI's investment portfolio.

The ISBI's investment managers use options in an attempt to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Financial options are an agreement that gives one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specified price, called the strike price, on or before a specified expiration date. As a writer of financial options, the ISBI receives a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. All written financial options are recognized as a liability in the ISBI's Statement of Net Position. As a purchaser of financial options, the ISBI pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. The gain or loss associated with options is recognized in the net increase/decrease in the fair value of investments in the ISBI's Statement of Changes in Net Position.

Rights and warrants allow the ISBI's 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. Under certain circumstances, a type of warrant called Participatory Notes (P-Notes) are used in the portfolio by the ISBI's investment managers that are not registered to trade in domestic Indian Capital Markets. P-Notes are issued by Indian-based brokerage firms against an underlying Indian security permitting holders to get a share in the income from the security. These investments are reported at fair value in the investment section of the ISBI's 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's Statement of Changes in Net Position.

The fair values of the forward contracts are estimated based on the present value of their estimated future cash flows. Futures contracts are exchange traded instruments where the fair value is determined by the equilibrium between the forces of supply and demand. The fair value of a right or warrant closely tracks the intrinsic value of the underlying stock and can be determined either by formulaic methodology (most commonly Black-Scholes) or intrinsic value methodology.

The table below presents the investment derivative instruments aggregated by type that were held by the ISBI as of June 30, 2015 and 2014.

	Changes in Fair Value		Fair Value at Year End		Notional Amount Number of Shares	
	2015	2014	2015	2014	2015	2014
FX Forwards	$ (1,677,653)	$ (4,557,072)	$ 979,645	$ (637,600)	n/a	n/a
Futures	n/a	n/a	n/a	n/a	9,942,012	(19,492,453)
Options	(5,588)	(9,152,466)	-	(2,635,570)	-	3,450,575
Rights	(303,610)	687,576	36,595	21,258	1,943,891	32,233
Warrants	154,914	43,476	300,696	145,805	74,061	77,375
	$ (1,831,937)	$ (12,978,487)	$ 1,316,936	$ (3,106,107)	11,959,964	(15,932,270)

The table below shows the futures positions held by the ISBI as of June 30, 2015 and 2014.

	2015		2014	
	Number of Contracts	Contract Principal*	Number of Contracts	Contract Principal*
Equity Futures Purchased	753	$78,343,610	984	$94,707,150
Fixed Income Futures Purchased	360	57,338,435	500	58,038,549
Fixed Income Futures Sold	366	49,307,563	519	90,728,863

* Contract principal amounts shown represent the market value of the underlying assets the contracts control. These are shown to present the volume of the transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent actual recorded values reported in the ISBI's Statement of Net Position.

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. As of June 30, 2015 and 2014, respectively, the ISBI held futures contracts whose underlying instruments were exposed to interest risk but there were no GASB 53 reportable elements. The ISBI has not adopted a formal policy specific to master netting arrangements.

The following table presents the fair value of derivative investments exposed to foreign currency risk as of June 30, 2015 and 2014:

	2015				2014			
Currency	FX Forwards	Rights	Warrants	Options	FX Forwards	Rights	Warrants	Options
Australian Dollar	$ 1,906	$ -	$ -	$ -	$ (10,223)	–	$ –	$ –
Brazilian Real	254,077	-	-	-	(468,235)	–	–	–
Canadian Dollar	(22,077)	140	-	-	18,701	–	–	–
Chilean Peso	(200,371)	-	-	-	(2,651)	–	–	–
Columbian Peso	372,529	-	-	-	(65,342)	–	–	–
Czech Koruna	14,308	-	-	-	(3,596)	–	–	–
Danish Krone	(1,024)	-	-	-	(2,479)	–	–	–
Egyptian Pound	-	-	-	-	–	–	–	–
English Pound Sterling	(8,411)	-	-	-	(15,658)	–	–	–
Euro Currency	(6,986)	28,398	300,524	-	(109,012)	8,011	140,436	–
Hong Kong Dollar	(61)	-	-	-	(455)	–	4,326	–
Hungarian Forint	71,267	-	-	-	3,661	–	–	–
Indian Ruppe	51,803	-	-	-	(40,098)	–	–	–
Indonesian Rupiah	11,571	-	-	-	6,912	–	–	–
Israeli Shekel	1,008	-	-	-	(1,833)	–	–	–
Japanese Yen	322,452	-	-	-	125,773	–	–	–
Malaysian Ringgit	215,479	-	-	-	(7,300)	11,665	–	–
Mexican Peso	(48,321)	-	-	-	4,770	–	–	–
New Zealand Dollar	-	-	-	-	1,912	–	–	–
Norwegian Krone	(63)	-	-	-	(2,286)	–	–	–
Peruvian Nouveau Sol	7,789	-	-	-	3,634	–	–	–
Polish Zloty	(12,107)	-	-	-	13,381	–	–	–
Russian Ruble	(402,898)	-	-	-	72,949	–	–	–
Singapore Dollar	15,482	-	-	-	(3,924)	–	–	–
South African Rand	135,668	-	-	-	(44,578)	–	–	–
South Korean Won	89,547	6,125	-	-	(20,558)	–	–	–
Swedish Krona	(68,590)	-	-	-	7,769	–	–	–
Swiss Franc	16,063	-	-	-	(65,602)	–	–	–
Taiwan Dollar	-	-	-	-	6,992	–	–	–
Thailand Baht	(4,634)	-	-	-	(944)	–	–	–
Turkish Lira	174,239	-	-	-	(8,039)	–	–	–
Yuan Renminbi	-	-	-	-	(31,241)	–	–	–
Investments denominated in U.S. dollars	-	1,932	172	-	–	1,582	1,043	(2,635,570)
	$ 979,645	$ 36,595	$ 300,696	$ -	$ (637,600)	$ 21,258	$ 145,805	$(2,635,570)

The ISBI's derivative investments in foreign currency forward contracts are held with counterparties. The credit ratings and net exposure as of June 30, 2015 and 2014 for the counterparties are as follows:

	2015			2014		
Moody's Rating	Fair Value	Net Exposure	Percentage of Net Exposure	Fair Value	Net Exposure	Pecentage of Net Exposure
Aa3	$ 1,017,321	$ 1,017,321	52.82%	$ 31,958	$ 31,958	5.47%
Aa2	290,223	290,223	15.07%	135,731	135,731	23.22%
Aa1	3,316	3,316	0.17%	-	-	-%
A3	288,895	288,895	15.00%	-	-	-%
A2	71,901	71,901	3.73%	291,685	291,685	49.89%
A1	251,850	251,850	13.08%	2,450	2,450	0.42%
Baa1	2,507	2,507	0.13%	16,943	16,943	2.90%
Baa2	-	-	-%	105,781	105,781	18.10%
	$ 1,926,013	$ 1,926,013	100.00%	$ 584,548	$ 584,548	100.00%

Other Information

The System owns approximately 5% of the net position of the ISBI Commingled Fund as of June 30, 2015 and 2014. 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, 2015. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

5. Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal years 2015 and 2014 are listed below.

Administrative expenses for fiscal years 2015 and 2014

	2015	2014
Personal services	$469,687	$400,700
Employee retirement contributions paid by employer	7,571	6,756
Employer retirement contributions	199,112	161,722
Social security contributions	34,841	29,343
Group insurance	86,369	96,791
Contractual services	153,857	110,933
Travel	5,827	5,584
Printing	400	3,450
Commodities	631	582
Telecommunications	2,249	2,618
Information technology	48,730	4,846
Automotive	611	1,135
Depreciation/Amortization	3,572	1,921
Change in accrued compensated absences	(30,801)	5,247
Loss on disposal of equipment	-	24
Total	$982,656	$831,652

6. 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 years 2015 and 2014, the actuary used the projected unit credit actuarial method for determining the proper employer contribution amount.

For fiscal years 2015 and 2014, 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 years 2015 and 2014 was $133,982,000 and $126,808,000, respectively. The total amount of employer contributions received from the state during fiscal years 2015 and 2014 was $133,982,000 and $126,808,000, respectively.

7. Net Pension Liability of the State

The components of the State's net pension liability for this plan at June 30, 2015 and 2014 are as follows:

FY Ended June 30	Total Pension Liability (TPL)	Plan Fiduciary Net Position (FNP)	Net Pension Liability	Plan FNP as % of TPL
2014	$2,231,263,870	$776,013,028	$1,455,250,842	34.78%
2015	2,352,928,710	833,910,155	1,519,018,555	35.44%

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 contribution.

Actuarial assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015 and 2014, using the following actuarial assumptions, which were based on the results of an actuarial experience study for the period from July 1, 2006 to June 30, 2012, applied to all periods included in the measurement:

Actuarial Cost Method: Individual Entry-Age

Mortality rates:
Post retirement: RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2015, setback 3 years for males and 2 years for females.
Pre-retirement: 85 percent of post-retirement mortality for males and 70 percent of post-retirement mortality for females.

Inflation: 3.0 percent

Investment rate of return:
7.0 percent per year, compounded annually

Salary increases:
3.75 percent per year (consisting of an inflation component of 3.0 percent per year, a productivity component of .60 percent per year, and a merit/promotion component of .15 percent per year), compounded annually.

Group size growth rate: 0.0 percent

Post-retirement increase:
Tier 1: 3.0 percent per year, compounded annually.
Tier 2: 3.0 percent per year or the annual change in the Consumer Price Index, whichever is less, compounded annually.

Long-term expected return on plan assets

The long-term expected real rate of return on pension plan investments was determined based on information provided by the Illinois State Board of Investment (ISBI) in conjunction with its investment consultant, Marquette Associates, Inc. The ISBI and Marquette Associates, Inc. provided the simulated average 10-year annualized geometric return for each major asset class. These returns are combined to produce the long-term expected rate of return by weighting the expected future rates of return by the target asset allocation percentage. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015 and 2014, the 10-year simulated real rates of return are summarized in the following table:

Asset Class	Asset Allocation: Target Allocation	10 Year Simulated Real Rate of Return
U.S. Equity	30%	5.69%
Fixed Income	20%	1.62%
Hedge Funds	10%	4.00%
International Equity	20%	6.23%
Real Estate	10%	5.50%
Infrastructure	5%	6.00%
Private Equity	5%	10.10%
Total	100%	5.03%

Discount Rate

A single discount rate of 6.85% and 6.89% was used to measure the total pension liability as of June 30, 2015 and 2014, respectively. These single discount rates were based on the June 30, 2015 and 2014 expected rate of return on pension plan investments of 7.0% and a municipal bond rate, based on an index of 20 year general obligation bonds with an average AA credit rating as published by the Federal Reserve, of 3.8% and 4.29% as of June 30, 2015 and 2014, respectively. 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 actuarially determined 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 2058 and 2057 at June 30, 2015 and 2014, respectively. As a result, for fiscal year 2015 and 2014, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through 2058 and 2057, respectively, and the municipal bond rate was applied to all benefit payments after those dates.

Sensitivity of the net pension liability to changes in the discount rate

For fiscal years 2015 and 2014, the following table presents the plan's net pension liability using a single discount rate of 6.85% and 6.89%, respectively, 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, 2015		
	1% decrease (5.85%)	Current Discount Rate (6.85%)	1% increase (7.85%)
State's net pension liability	$1,777,442,160	$1,519,018,555	$1,299,185,943

	June 30, 2014		
	1% decrease (5.89%)	Current Discount Rate (6.89%)	1% increase (7.89%)
State's net pension liability	$1,699,450,405	$1,455,250,842	$1,247,287,577

8. 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 years 2015 and 2014 is included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2015 and June 30, 2014, respectively. The SERS also issues a separate CAFR 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' CAFR 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' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal years 2015, 2014 and 2013, the System's contributions to SERS are shown in the table to the right:

	Fiscal Years 2015	2014	2013
Employer Contribution rates	42.339 %	40.312 %	37.987 %
JRS Staff	$ 199,112	$ 161,722	$ 144,707

The amounts shown reflect the required contributions for each fiscal year

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 Employee's 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 five percent 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 of 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 Comprehensive 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 not separated by department or component unit for annuitants and their dependents nor active employees and their dependents.

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.

9. Analysis of Changes in Reserve Balances

The funded statutory reserves of the Judges' Retirement System are composed of the following:

a. Reserve for Participants' Contributions

This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

b. Reserve for Future Operations

This reserve is the balance remaining in the Judges' Retirement System from State of Illinois contributions and revenue from investments after consideration of charges for payouts by the Judges' Retirement System.

10. Compensated Absences

Employees of the Judges' Retirement System are entitled to receive compensation for all accrued but unused vacation time and one-half of all unused sick leave earned after December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 2015 and June 30, 2014 total $42,793 and $73,594, respectively and are included in administrative expenses payable.

Statements of Changes in Reserve Balances
Years Ended June 30, 2015 and 2014

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 2013	$ 180,073,170	$ 463,256,798	$ 643,329,968
Add (deduct):			
Excess of revenues over expenses	15,264,592	117,418,468	132,683,060
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(9,514,057)	9,514,057	–
Balance at June 30, 2014	$ 185,823,705	$ 590,189,323	$ 776,013,028
Add (deduct):			
Excess of revenues over expenses	14,542,982	43,354,145	57,897,127
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(10,033,393)	10,033,393	–
Balance at June 30, 2015	$ 190,333,294	$ 643,576,861	$ 833,910,155

11. Capital Assets

Capital assets over $100 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, and (3) certain electronic data processing equipment - 3 years.

Summary of the changes in Capital Assets for fiscal years 2015 and 2014

2015

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 30,796	$ 664	$ 849	$ 30,611
Accumulated depreciation	(22,407)	(2,500)	849	(24,058)
Internally developed software	-	21,448	-	21,448
Accumulated amortization	-	(1,072)	-	(1,072)
Capital Assets, net	$ 8,389	$ 18,540	$ -	$ 26,929

2014

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 28,741	$ 2,656	$ (601)	$ 30,796
Accumulated depreciation	(21,063)	(1,921)	577	(22,407)
Capital Assets, net	$ 7,678	$ 735	$ (24)	$ 8,389

SCHEDULE OF CHANGES IN THE STATE'S NET PENSION LIABILITY AND RELATED RATIOS
Fiscal Years Ended June 30, 2015 and 2014

	2015	2014
Total pension liability		
Service Cost	$ 59,619,744	$ 57,138,961
Interest on the total pension liability	151,431,750	145,993,903
Difference between expected and actual experience	28,713,856	4,490,010
Assumption changes	9,482,302	-
Benefit payments	(125,654,349)	(118,590,965)
Refunds	(945,807)	(687,923)
Administrative expenses	(982,656)	(831,652)
Net change in total pension liability	121,664,840	87,512,334
Total pension liability - beginning	2,231,263,870	2,143,751,536
Total pension liability - ending (a)	$ 2,352,928,710	$ 2,231,263,870
Plan fiduciary net position		
Contributions - employer	$ 134,039,684	$ 126,815,881
Contributions - participant	15,431,105	15,918,732
Net investment income	36,009,150	110,058,987
Benefit payments	(125,654,349)	(118,590,965)
Refunds	(945,807)	(687,923)
Administrative expense	(982,656)	(831,652)
Net change in plan fiduciary net position	57,897,127	132,683,060
Plan fiduciary net position - beginning	776,013,028	643,329,968
Plan fiduciary net position - ending (b)	$ 833,910,155	$ 776,013,028
State's net pension liability - ending (a)-(b)	$ 1,519,018,555	$ 1,455,250,842
Plan fiduciary net position as a percentage of the total pension liability	35.44%	34.78%
Covered-employee payroll	$ 177,164,450	$ 172,846,373
State's net pension liability as a percentage of covered employee payroll	857.41%	841.93%

SCHEDULE OF INVESTMENT RETURNS

	2015	2014
Annual money-weighted rate of return, net of investment expense	5.08%	17.45%

SCHEDULE OF STATE CONTRIBUTIONS

Fiscal Year Ended June 30	Actuarially determined contribution	Contributions received	Contribution (deficiency) excess	Covered Employee Payroll	Contributions received as a percentage of covered employee payroll
2014	$125,061,595	$126,815,881	$1,754,286	$172,846,373	73.37%
2015	124,215,990	134,039,684	9,823,694	177,164,450	75.66%

Notes to Schedule of State Contributions

Valuation Date:	June 30, 2015
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.

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 level percentage of uncapped payroll amortization of the unfunded accrued liability.
Remaining Amortization Period:	30 years, open.
Asset Valuation Method:	5 year smoothed market
Inflation:	3.00 percent
Salary Increases:	A salary increase assumption of 3.75 percent per annum, compounded annually, was used. This 3.75 percent salary increase assumption includes an inflation component of 3.00 percent per annum, a productivity component of 0.60 percent per annum, and a merit/promotion component of 0.15 per cent per annum.
Post Retirement Benefits:	Post-retirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or the annual change in the Consumer Price Index, whichever is less, compounded for Tier 2.
Investment Rate of Return:	7.00 percent
Retirement Age:	Age-based table of rates that are specific to the type of eligibility condition.
Mortality:	RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2015 (static table) setback 3 years for males and 2 years for females.

SUMMARY OF REVENUES BY SOURCE
Years Ended June 30, 2015 and 2014

	2015	2014
Contributions:		
Participants:		
Participants	$ 15,350,170	$ 15,617,965
Interest paid by participants	40,760	201,556
Repayment of refunds	40,175	99,211
Total participant contributions	15,431,105	15,918,732
Employer:		
General Revenue Fund	133,982,000	126,808,000
Paid by participants	57,684	7,881
Total employer contributions	134,039,684	126,815,881
Total contributions	149,470,789	142,734,613
Investment income:		
Net appreciation in fair value of investments	12,763,198	91,689,469
Interest and dividends from investments	25,187,109	20,166,571
Interest earned on cash balances	117,257	105,612
Less investment expense, other than from securities lending	(2,215,206)	(2,059,317)
Net income from investing, other than from securities lending	35,852,358	109,902,335
Net securities lending income	156,792	156,652
Net investment income	36,009,150	110,058,987
Total revenues	$ 185,479,939	$ 252,793,600

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years Ended June 30, 2015 and 2014

	2015	2014
Actuary	$46,865	$26,000
Audit fees	33,994	27,448
Legal services	387	504
Financial planner	272	306
Medical services	280	280
Total	$81,798	$ 54,538

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 2015 and 2014

	2015	2014
Cash balance, beginning of year	$ 32,055,593	$ 23,059,590
Receipts:		
Participant contributions	15,377,645	15,842,146
Employer contributions:		
General Revenue Fund	133,683,086	128,875,200
Paid by participants	57,684	7,881
Interest income on cash balances	114,692	103,733
Reimbursements from General Assembly Retirement System	258,719	248,843
Cancellation of annuities, net of overpayments	97,721	54,860
Cancellation of refunds	33,789	-
Tax-deferred installment payments	14,171	13,575
Repayment of refunds	57,341	128,401
Miscellaneous	175	45
Total cash receipts	149,695,023	145,274,684
Disbursements:		
Benefit payments:		
Retirement annuities	102,864,481	97,137,924
Survivors' annuities	22,891,807	21,535,997
Refunds	990,787	531,569
Transfers to Illinois State Board of Investment	20,700,000	16,000,000
Administrative expenses	1,142,267	1,073,191
Total cash disbursements	148,589,342	136,278,681
Cash balance, end of year	$ 33,161,274	$ 32,055,593

INVESTMENT SECTION

INVESTMENT REPORT

By state law, the System's investment function is managed by the Illinois State Board of Investment (ISBI). The ISBI was created in 1969 to provide a means of centralizing the investment management function for public employee pension funds and retirement systems operating in the state.

In addition to the assets of the Judges' Retirement System, the ISBI also manages the investment function for the State Employees' Retirement System, General Assembly Retirement System, and one other state agency. All ISBI investments are accounted for in a commingled fund (ISBI Fund).

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.

As of June 30, 2015 and 2014, the ISBI's total net position under management, valued at market, amounted to $15.846 billion and $15.109 billion, respectively. Of the total market value of the net position under management, $795.3 million or approximately 5% and $738.7 million or approximately 5% represented assets of the Judges' Retirement System as of June 30, 2015 and 2014, respectively.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A of the Illinois Compiled Statutes (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.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firms and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report. A copy of the ISBI Annual Report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601 or by visiting the ISBI's website at www.ISBI.Illinois.gov.

The following investment information and analysis has been prepared from information provided by the ISBI. Investment performance returns are prepared by State Street Bank. Investment activities are presented on a trade date basis and measurements are calculated using time weighted rates of return consistent with investment industry standards.

INVESTMENT POLICY AND ASSET ALLOCATION

The ISBI operates under a strategic investment policy. The investment objective of the total portfolio is to maximize the rate of return on investments within a prudent level of risk. To achieve this objective, the ISBI invests in different types of assets and uses multiple managers to ensure diversification.

The investment policy of the ISBI establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. This policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies.

Changes made to the portfolio during fiscal year 2015 and 2014 amounted to routine adjustments associated with the administration of an institutional portfolio – periodic rebalancing, funding of private equity and real estate commitments, selection of new limited partnerships, and continual monitoring of the portfolio.

The portfolio is regularly adjusted to manage exposures and to closely track the asset allocation policy adopted by the ISBI Board. The asset allocation policy targets and actual allocations for fiscal years 2015 and 2014 are shown in the following table.

INVESTMENT ASSET ALLOCATION

	2015 Fair Value	2015 Actual Asset Mix	2015 Policy Target	2014 Fair Value	2014 Actual Asset Mix	2014 Policy Target
U.S. equity	$ 4,748,492,740	30%	30%	$ 4,553,283,316	30%	30%
U.S. equity hedge funds	1,576,250,129	10	10	1,485,145,060	10	10
International equity	2,380,176,737	15	20	2,346,576,036	16	20
Commingled funds[4]	770,805,046	5	-	733,010,980	5	-
Fixed income[1]	2,615,130,329	17	16	2,416,272,292	16	16
Bank loans	697,836,613	4	4	689,256,558	5	4
Real estate	1,610,826,230	10	10	1,483,445,971	10	10
Private equity[2]	667,080,662	4	5	667,730,266	4	5
Real assets[2]	532,718,107	3	5	524,284,793	3	5
Cash[3]	246,576,957	2	-	210,370,103	1	-
Total	$ 15,845,893,550	100%	100%	$ 15,109,375,375	100%	100%

1 Maturities of one year or longer, including convertible bonds.
2 Interests in limited partnerships and other entities which have limited liquidity.
3 Includes money market instruments and other assets, less liabilities.
4 Holdings include fixed income and equity investments.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 2015		June 30, 2014	
Investments, at fair value				
U.S. Govt. and Agency Obligations	$ 907,835,826	5.73%	$ 784,475,648	5.19%
Foreign Obligations	892,854,266	5.63	832,282,402	5.51
Corporate Obligations	814,440,237	5.14	799,514,242	5.29
Common Stock & Equity Funds	4,748,492,740	29.97	4,553,283,316	30.13
Commingled Funds	770,805,046	4.86	733,010,980	4.85
Foreign Equity Securities	2,379,999,098	15.02	2,346,503,129	15.53
Foreign Preferred Stock	177,639	0.00	72,907	0.00
Hedge Funds	1,576,250,129	9.95	1,485,145,060	9.83
Real Estate Funds	1,610,826,230	10.17	1,483,445,971	9.82
Private Equity	667,080,662	4.21	667,730,266	4.42
Money Market Instruments	231,115,398	1.46	217,737,000	1.44
Real Assets	532,718,107	3.36	524,284,793	3.47
Bank Loans	697,836,613	4.40	689,256,558	4.56
Foreign Currency Forward Contracts	979,645	0.01	(637,600)	0.00
	15,831,411,636	99.91	15,116,104,672	100.04
Other Assets, Less Liabilities	14,481,914	0.09	(6,729,297)	(0.04)
Net Position, at Fair Value	$ 15,845,893,550	100.00%	$ 15,109,375,375	100.00%

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations of the System for fiscal years 2015 and 2014:

	2015	2014	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Balance at beginning of year, at fair value	$ 738,704,938	$ 612,751,563	$ 125,953,375	20.6%
Cash transferred to (from) ISBI, net	20,700,000	16,000,000	4,700,000	29.4%
Net ISBI investment revenue:				
Net appreciation in fair value of investments	12,763,198	91,689,469	(78,926,271)	(86.1)%
Interest and dividends	25,187,109	20,166,571	5,020,538	24.9%
Less investment expense, other than from securities lending	(2,215,206)	(2,059,317)	(155,889)	(7.6)%
Net income from investing, other than from securities lending	35,735,101	109,796,723	(74,061,622)	(67.5)%
Net securities lending income	156,792	156,652	140	0.1%
Net ISBI investment revenue	35,891,893	109,953,375	(74,061,482)	(67.4)%
Balance at end of year, at fair value	$ 795,296,831	$ 738,704,938	$ 56,591,893	7.7%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY2015 was $117,257 compared to $105,612 during FY2014.

MANAGEMENT EXPENSES

The ISBI's total expenses for fiscal year 2015, based on $15.8 billion in net position, were $44.6 million, compared to $42.8 million based on $15.1 billion in net position for fiscal year 2014. The resulting expense ratios (expenses divided by average fair value of assets) for fiscal year 2015 and fiscal year 2014 were 0.29% and 0.30%, respectively. As a result of the ISBI's commitment to control costs, the investment management fees are typically in the bottom quartile of fees paid by the ISBI's peer group.

ANALYSIS OF INVESTMENT PERFORMANCE

In fiscal year 2015 and 2014, investors benefited from positive returns in U.S. equity, hedge funds, real estate, and private equity as measured by market indices. The ISBI's total fund was up 4.7% for fiscal year 2015, net of all expenses. This follows positive net returns of 17.9%, 14.1%, 0.1%, and 21.7% for fiscal years 2014, 2013, 2012, and 2011, respectively.

The ISBI staff, as well as its retained consultants, aggressively monitors the totality of the portfolio.

The following table reflects the investment performance over the last five years as well as the three, five, and ten year average returns for all categories in addition to their individual benchmarks.

ANALYSIS OF INVESTMENT PERFORMANCE

	2015	2014	2013	2012	2011	3 Years	5 Years	10Years
Total Fund	4.7%	17.9%	14.1%	0.1%	21.7%	12.1%	11.4%	6.2%
Composite Benchmark*	4.0	16.3	11.8	0.9	19.6	10.6	10.3	6.4
Consumer Price Index	0.1	2.1	1.8	1.7	3.6	1.3	1.8	2.1
U.S. Equities	6.4	24.1	23.3	1.3	33.9	17.7	17.2	8.5
Russell 3000 Index	7.3	25.2	21.5	3.8	32.4	17.7	17.5	8.2
Hedge Funds **	6.0	15.0	12.6	(4.3)	12.7	11.1	8.6	N/A
HFRX Equity Hedge	4.0	8.5	8.3	(10.7)	3.4	6.9	2.5	N/A
International Equities	(1.0)	23.8	16.8	(10.7)	32.7	12.7	11.1	7.3
MSCI-ACWI ex US Index IMI Gross	(4.6)	22.8	14.4	(14.4)	30.9	10.3	8.5	4.9
Fixed Income	(1.4)	6.5	2.4	6.8	5.7	2.5	4.0	3.6
Barclays Capital U.S. Universal Index	1.6	5.2	0.2	7.4	4.8	2.3	3.8	4.7
Real Estate	16.3	14.5	13.0	5.3	17.0	14.6	13.1	5.1
NCREIF Real Estate Index	13.4	11.7	11.1	11.3	16.7	12.1	12.8	8.2
Private Equity	21.5	24.7	16.2	7.6	24.0	20.8	18.6	12.7

Note: Calculations are based on a time series of linked monthly returns (IRR), producing a time weighted effect.
Total fund return is presented net of fees. All other return information is presented gross of fees

*** Composite Benchmark:**

Effective 06/14: 30% Russell 3000; 20% MSCI-ACWI ex US IMI Gross; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Custom Private Equity Benchmark which is based on preliminary data subject to change; 10% HFRI Fund of Funds Index. The Custom Private Equity benchmark is based on peer universe return data compiled and published by Cambridge Associates, LLC. The custom benchmark returns are calculated as pooled internal rates of return (IRR).

Effective 01/14: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRI Fund of Funds Index.

Effective 07/11: 30% Russell 3000; 20% MSCI-ACWI ex US; 25% Barclays Capital U.S. Universal; 10% NCREIF ODCE; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 07/07: 30% Russell 3000; 20% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economics Pooled Average Periodic IRR which is based on preliminary data subject to revision on a quarterly basis; 10% HFRX Equity Hedged Index.

Effective 03/06: 8% Russell Midcap Growth; 7% Russell 2000 Value; 5% Russell 1000 Growth; 15% Russell 1000 Value;10% S&P 500;3% S&P Dev. Ex-U.S.<$2B:7% MSCI-EAFE; 10% NCREIF; 5% Lehman High Yield;10% Lehman Aggregate;10% Lehman Int. Govt/Corp;10% NCREIF

Effective 12/03: 45% Wilshire 5000; 10% MSCI-EAFE; 25% Lehman Universal; 10% NCREIF; 5% Venture Economic All Private Equity Index which is based on preliminary data subject to revision on a quarterly basis; 5% HFRX Equity Hedged Index.

**Hedge Funds: ISBI began investing in Hedge Funds in Fiscal 2007, therefore actual return information is not available prior to that period.

Effective 11/08, the Lehman Universal benchmark ceased to exist. Barclays Capital U.S. Universal is the benchmark currently used by ISBI.

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ACTUARIAL SECTION

The schedules in this section of the report were prepared to support the actuarially determined contribution for fiscal year 2017 under the State of Illinois' funding plan. The total actuarial liability, the actuarial value of assets, and unfunded accrued actuarial liability as presented in the Actuarial section of this report using the State's funding method does not conform with GASB Statement No. 67 and therefore, the amounts presented in the Actuarial section of this report differ from the amounts presented for financial reporting purposes in the financial section of this report.

GRS

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October 28, 2015

Board of Trustees and Executive Secretary
Judges' Retirement System of Illinois
P. O. Box 19255
2101 S. Veterans Parkway
Springfield, Illinois 62794-9255

Re: Actuarial Certification

At your request, we have performed the annual actuarial valuation of the assets and liabilities of the Judges' Retirement System of Illinois ("JRS") as of June 30, 2015. This valuation has been performed to measure the funding status of the System and determine the employer statutory contribution rate for the year beginning July 1, 2016, and ending June 30, 2017. This valuation also provides historical information through fiscal year 2014 as required by the Governmental Accounting Standards Board ("GASB") Statements Nos. 25 and 27. Effective with fiscal year ending June 30, 2014, GASB Statement No. 67 replaced GASB Statement No. 25 for pension plan financial reporting requirements. Effective with fiscal year ending June 30, 2015, GASB Statement No. 68 is replacing GASB Statement No. 27 for employer financial reporting. Information required by GASB Statements Nos. 67 and 68 is provided in a separate report.

The required statutory contribution rate has been determined under the Projected Unit Credit Cost Method, providing for a 90 percent funding of total actuarial liabilities by fiscal year 2045 as required by 40 ILCS Section 5/18-131(c). Contribution rates are determined according to P.A. 93-0589 reflecting the infusion of the proceeds from the sale of general obligation bonds. The contribution rates reflect the impact of P.A. 96-0889, which created a second tier for members of JRS hired after December 31, 2010.

For the actuarial valuation as of June 30, 2015, the assumed rate of return used to discount liabilities and project assets was 7.0 percent.

The required statutory contribution rates and amounts for fiscal year beginning July 1, 2016, as determined in the June 30, 2015, actuarial valuation are shown below.

	Employer's Normal Cost [1]	Amortization Payment [2]	Total
Required Rate	24.993%	54.690%	79.683%
Required Contribution	41,194,000	90,140,000	131,334,000

[1] *Includes Administrative Expenses.*
[2] *Under the Statutory funding policy an amortization payment is not directly calculated. The amortization payment is the difference between the total statutory contribution and the employer normal cost contribution.*

Based on the provisions of P.A. 97-0694, the required statutory contribution for the fiscal year beginning July 1, 2016, is submitted to the state actuary, governor, and General Assembly. Under the act, the state actuary is required to review the assumptions and methods used to perform the actuarial valuation and develop the required statutory contributions. The final certification of the required statutory contribution is due by January 15, 2016.

Gabriel Roeder Smith & Company

Board of Trustees and Executive Secretary
October 28, 2015
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Pursuant to P.A. 96-0043, for purposes of determining the statutory contribution rate, an actuarial value of the System's assets was used. The actuarial value of assets is assumed to earn a rate of return equal to the System's actuarially assumed rate of return. The liabilities have been valued based on financial and employee data, which is supplied by the administrative staff of the System and verified by the System's auditor. We did not audit this data, but have reviewed the statistical support and concluded that the data is reasonable and consistent with the prior year's data.

This valuation assumes that the plan sponsor will be able to make future contributions on a timely basis. Failure to receive employer contributions on a timely basis could jeopardize the sustainability of the fund. We did not perform an analysis of the ability of the plan sponsor to make future contributions.

In our opinion, the calculations also comply with the requirements of Illinois state law and, where applicable, the Internal Revenue Code, ERISA, and the Statements of the Governmental Accounting Standards Board. The System's current contribution rate determined under the statutory funding policy may not conform to the Actuarial Standards of Practice. Therefore, the Board adopted a policy to be used to calculate the Actuarially Determined Contribution ("ADC") under GASB Statements Nos. 67 and 68 for financial reporting purposes. All of our work conforms with generally accepted actuarial principles and practices, and to the Actuarial Standards of Practice issued by the Actuarial Standards Board.

Although the statutory contribution requirements were met, the statutory funding method generates a contribution requirement that is less than a reasonable actuarially determined contribution. Meeting the statutory requirement does not mean that the undersigned agree that adequate actuarial funding has been achieved. We recommend the adherence to a funding policy, such as the Board policy used to calculate the ADC under GASB Statements Nos. 67 an 68, that finances the normal cost of the plan as well as an amortization payment that seeks to pay off any unfunded accrued liability over a closed period of 25 years, as a level percent of capped payroll.

We certify that the information presented herein is accurate and fairly portrays the actuarial position of JRS as of June 30, 2015. We prepared the accompanying Summary of Actuarial Cost Method and Major Actuarial Assumptions, but the JRS staff prepared the other supporting schedules in this section and the trend tables in the financial section, based on information supplied in our report.

This actuarial certification is provided to the intended user, the Board of Trustees, in conjunction with the JRS actuarial valuation report as of June 30, 2015. Additional information regarding actuarial assumptions and methods, and important additional disclosures are provided in the full actuarial valuation report as of June 30, 2015, which is available on the JRS website, and is an integral part of this certification.

Alex Rivera, David Kausch and Paul T. Wood are Members of the American Academy of Actuaries (MAAA) as indicated, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Gabriel, Roeder, Smith & Company

Alex Rivera | David T Kausch | Paul T Wood

Alex Rivera, FSA, EA, MAAA	David Kausch, FSA, EA, MAAA	Paul T. Wood, ASA, MAAA
Senior Consultant	Senior Consultant	Consultant

Gabriel Roeder Smith & Company

INTRODUCTION

Annually, the System's actuarial consultants perform a valuation of the liabilities and reserves of the System in order to make a determination of the amount of contributions required from the state. These results are then certified to the Board.

The Board, in turn, has the duty of certifying an employer contribution amount, required to be paid to the System by the state during the succeeding fiscal year.

The employers' contribution amount, together with participants' contributions, income from investments and any other income received by the System, shall be sufficient to meet the cost of maintaining and administering the System on a funded basis in accordance with actuarial requirements, pursuant to Chapter 40, Section 5/18-131 of the Illinois Compiled Statutes.

In August, 1994, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

- For fiscal years 1996 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

- For fiscal years 2011 through 2045, the minimum contribution to the System for each fiscal year shall be an amount determined to be sufficient to bring the total actuarial value of assets of the System up to 90% of the total actuarial liabilities of the System by the end of fiscal year 2045. In making these determinations, the required contribution shall be calculated each year as a level percentage of payroll over the years remaining to and including fiscal year 2045 and shall be determined under the projected unit credit actuarial cost method.

- Beginning in fiscal year 2045, the minimum contribution to the System for each fiscal year shall be the amount needed to maintain the total actuarial value of assets of the System at 90% of the total actuarial liabilities of the System.

The funding legislation also provides for the establishment of a continuing appropriation of the required state contributions to the System. This has, in effect, removed the appropriation of these funds from the annual budgetary process.

In April, 2003, House Bill 2660 was signed into law as Public Act 93-0002. This legislation authorized the sale of $10 billion of General Obligation bonds for the purpose of making contributions to the five state-financed retirement systems. This legislation also modified the funding plan by mandating that, beginning in fiscal year 2005, the required state contribution for each fiscal year not exceed the state contributions that would have been required had the General Obligation bond program not been in effect, reduced by the total debt service for each year for the System's portion of the General Obligation bond proceeds.

In June, 2005, Senate Bill 0027 was signed into law as Public Act 94-0004. This legislation further modified the funding plan by reducing the amount of required employer contributions for fiscal years 2006 and 2007 that would have otherwise been required under Public Act 88-0593, as modified by Public Act 93-0002. The required state contributions for fiscal years 2008 through 2010 were then to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state would be contributing at the required level contribution rate to achieve the financing objective of a 90% funded status by the end of fiscal year 2045.

The total amount of statutorily required employer contributions for fiscal years 2015 and 2014 were $133,982,000 and $126,808,000, respectively. The total amount of employer contributions received from the state during fiscal years 2015 and 2014 were $133,982,000 and $126,808,000, respectively.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The actuarial cost method used by the System for funding purposes that is statutorily required by the State of Illinois differs from the entry age actuarial cost method mandated by GASB Statement No. 67 that is used for financial reporting purposes. The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Certain assumptions used to determine the State's required contribution under its statutory funding plan differ from assumptions used for financial reporting purposes that are mandated by GASB Statement

No. 67. GASB Statement No. 67 mandates the use of a long-term blended rate of return that utilizes the System's 7.0% expected rate of return until the projected fiduciary net position of the System is exhausted at which point a 20 year tax-exempt general obligation municipal bond rate is used (3.80% for fiscal year 2015) resulting in a long-term blended rate of return of 6.85% that differs from the System's expected rate of return of 7.0% used for State funding purposes. The State uses an actuarial value of assets of $804,188,844 that recognizes gains and losses from investment returns in equal amounts over a five year period in its assumptions. GASB Statement No. 67 mandates the use of the market value of assets of $833,910,155 in its assumptions used for financial reporting purposes.

Actuarial gains and losses are recognized in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan as previously described.

A description of the actuarial assumptions utilized for fiscal years 2015 and 2014 follows:

Dates of Adoption: The Projected Unit Credit Actuarial Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 2013.

Asset Valuation Method: The actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

Mortality Rates: Post-retirement mortality - RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2015, setback 3 years for males and 2 years for females. The mortality table used is a static table with the provision for future mortality improvement in the projection to 2015 which is in sync with the next scheduled experience study. Pre-retirement mortality - rates are based on 85% for males and 70% for females of post-retirement mortality.

Salary Increase: 3.75% per year (consisting of an inflation component of 3.0% per year, a productivity component of .60% per year, and a merit/promotion component of .15% per year), compounded annually. In determining total covered payroll, the size of the active group is assumed to remain constant.

General Inflation: 3.0% per year, compounded annually.

Interest Rate: 7.0% per year, compounded annually, net of expenses.

Marital Status: It was assumed that 75% of active and retired participants are married.

Spouse's Age: The age of the female spouse was assumed to be 4 years younger than the age of the male spouse.

Post-Retirement Increase: Tier 1: 3.0% per year, compounded annually. Tier 2: 3.0% per year or the annual change in the Consumer Price Index, whichever is less, compounded annually.

Termination Rates: Termination rates based on the recent experience of the System were used. The following is a sample of the termination rates that were used:

Age	Rate of Termination	Age	Rate of Termination
30	.0128	50	.0058
35	.0110	55	.0042
40	.0094	60	.0024
45	.0076	65	.0007

It is assumed that terminated participants will not be rehired. The rates apply only to participants who have not fulfilled the service requirement necessary for retirement at any given age.

Disability Rates: There is no assumption for disability.

Retirement Rates: Tier 1 rates of retirement for each age from 55 to 80 and Tier 2 rates of retirement for each age from 62 to 80 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Tier 1		**Tier 2**	
Age	Rate of Retirement	Age	Rate of Retirement
55	.080	62	.300
60	.220	65	.160
65	.110	67	.300
70	.110	70	.120
75	.200	75	.200
80	1.000	80	1.000

The above retirement rates are equivalent to an average retirement age of 62.6 for Tier 1 and 67.6 for Tier 2.

Experience Review: An experience review was last performed for the period from July 1, 2006 to June 30, 2012 resulting in the adoption of new assumptions as of June 30, 2013.

NOTE: The actuarial assumptions have been recommended by the actuary and adopted by the System's Board of Trustees, at the dates indicated previously.

SCHEDULE OF RETIRANTS AND SURVIVORS' ANNUITANTS ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants Beginning	Annuitants Additions	Annuitants Deletions	Annuitants Ending	Survivors Beginning	Survivors Additions	Survivors Deletions	Survivors Ending	Total
2006	562	41	22	581	338	12	19	331	912
2007	581	67	28	620	331	19	24	326	946
2008	620	44	40	624	326	31	25	332	956
2009	624	60	37	647	332	19	16	335	982
2010	647	41	23	665	335	19	20	334	999
2011	665	83	28	720	334	14	21	327	1,047
2012	720	29	24	725	327	20	16	331	1,056
2013	725	60	30	755	331	20	28	323	1,078
2014	755	45	33	767	323	30	20	333	1,100
2015	767	48	28	787	333	21	20	334	1,121

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

Please refer to the Plan Summary and Legislative Section for a summary of the plan provisions and legislative amendments that were evaluated and considered by the actuary.

SHORT-TERM SOLVENCY TEST

A short-term solvency test is one means of checking a system's progress under its funding program. In a short-term solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active and inactive participants. In a system that has been following level percent of payroll financing, the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by the remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will increase over time, although it is very rare for a system to have its liability 3 fully funded.

COMPUTED ACTUARIAL VALUES

Fiscal Year	Aggregate Accrued Liabilities For: (1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Actuarial Value of Assets*	Percentage of Accrued Liabilities Covered By Assets (1)	(2)	(3)
2006	$ 142,846,641	$ 730,339,241	$ 418,208,979	$ 599,234,149	100.0%	62.5%	0.0%
2007	145,242,498	819,153,160	420,943,915	670,090,950	100.0	64.1	0.0
2008	152,455,812	856,958,002	447,922,240	612,680,574	100.0	53.7	0.0
2009	157,840,805	934,047,891	456,620,839	616,849,071	100.0	49.1	0.0
2010	166,360,698	1,070,374,455	582,712,673	619,925,786	100.0	42.4	0.0
2011	167,567,660	1,244,264,760	540,706,980	614,596,203	100.0	35.9	0.0
2012	177,546,650	1,289,080,804	555,088,342	601,219,999	100.0	32.9	0.0
2013	180,073,170	1,419,812,702	556,919,119	610,195,584	100.0	30.3	0.0
2014	185,823,705	1,481,437,495	562,015,980	705,250,403	100.0	35.1	0.0
2015	190,333,294	1,563,349,628	560,464,393	804,188,844	100.0	39.3	0.0

* For fiscal years prior to 2009, the actuarial value of assets was equal to the fair value of assets. Beginning in fiscal year 2009, the actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

VALUATION RESULTS

Actuarial Liability:	June 30, 2015	June 30, 2014
For Active Participants:		
Pension benefits	$ 548,358,004	$ 545,439,479
Cost-of-living adjustments	176,112,178	177,667,976
Death benefits	16,844,267	16,464,171
Withdrawal benefits	1,843,495	1,926,318
Total	743,157,944	741,497,944
For Participants Receiving Benefits:		
Retirement annuities	1,352,177,476	1,280,911,338
Survivor annuities	211,172,152	200,526,157
Total	1,563,349,628	1,481,437,495
For Inactive Participants	7,639,743	6,341,741
Total Actuarial Liability	2,314,147,315	2,229,277,180
Actuarial Value of Assets	804,188,844	705,250,403
Unfunded Actuarial Liability	$ 1,509,958,471	$ 1,524,026,777

SUMMARY OF ACCRUED AND UNFUNDED ACCRUED LIABILITIES (Analysis of Funding)

In an inflationary economy, the value of the dollar decreases. This environment results in employees' pay and retirement benefits increasing in dollar amounts resulting in unfunded accrued liabilities which increase in dollar amounts, all at a time when the actual substance of these items may be decreasing. Looking at just the dollar amounts of unfunded accrued liabilities can be misleading. The ratio of the unfunded accrued liabilities to active employee payroll provides an index which clarifies understanding. The smaller the ratio of unfunded liabilities to active participant payroll, the stronger the system. Observation of this relative index over a period of years will give an indication of whether the system is becoming financially stronger or weaker.

Fiscal Year	Total Actuarial Liability	Actuarial Value of Assets *	Actuarial Value of Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
2006	$ 1,291,394,861	$ 599,234,149	46.4%	$ 692,160,712	$ 135,400,000	511.2%
2007	1,385,339,573	670,090,950	48.4%	715,248,623	142,900,000	500.5%
2008	1,457,336,054	612,680,574	42.0%	844,655,480	143,700,000	587.8%
2009	1,548,509,535	616,849,071	39.8%	931,660,464	155,645,000	598.6%
2010	1,819,447,826	619,925,786	34.1%	1,199,522,040	161,164,000	744.3%
2011	1,952,539,400	614,596,203	31.5%	1,337,943,197	169,155,000	791.0%
2012	2,021,715,796	601,219,999	29.7%	1,420,495,797	171,498,000	828.3%
2013	2,156,804,991	610,195,584	28.3%	1,546,609,407	177,006,000	873.8%
2014	2,229,277,180	705,250,403	31.6%	1,524,026,777	171,152,000	890.5%
2015	2,314,147,315	804,188,844	34.8%	1,509,958,471	167,560,000	901.1%

* For fiscal years prior to 2009, the actuarial value of assets was equal to the fair value of assets. Beginning in fiscal year 2009, the actuarial value of assets is equal to the fair value of assets adjusted for any actuarial gains or losses from investment return incurred in the fiscal year recognized in equal amounts over the five year period following that fiscal year.

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase/(decrease) In Average Pay
2006	917	$135,400,000	$147,655	6.5%
2007	957	142,900,000	149,321	1.1%
2008	957	143,700,000	150,157	0.6%
2009	968	155,645,000	160,790	7.1%
2010	966	161,164,000	166,836	3.8%
2011	968	169,155,000	174,747	4.7%
2012	968	171,498,000	177,167	1.4%
2013	962	177,006,000	183,998	3.9%
2014	951	171,152,000	179,971	(2.2)%
2015	961	167,560,000	174,360	(3.1)%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 2015	FY 2014
Unfunded actuarial liability, beginning of fiscal year	$ 1,524,026,777	$ 1,546,609,407
Contributions due:		
Interest on the unfunded actuarial liability	106,681,874	108,262,658
Participant contributions	15,431,105	15,918,732
Employer normal cost	42,271,942	43,953,283
Interest on participant contributions and employer normal cost	1,985,449	2,060,079
Total contributions due	166,370,370	170,194,752
Contributions paid:		
Participant contributions	15,431,105	15,918,732
Employer contributions	134,039,684	126,815,881
Interest on participant contributions and State contributions	5,142,997	4,911,219
Total contributions paid	154,613,786	147,645,832
Contribution shortfall	11,756,584	22,548,920
Actuarial (gain) loss:		
Retirements	1,451,782	(6,302,841)
In-service mortality	(87,909)	(324,221)
Retiree mortality and other	8,838,562	2,389,765
Salary increases	(16,202,872)	(17,039,560)
Terminations	(383,119)	1,073,127
Investment	(26,929,814)	(28,938,605)
New entrant liability	1,726,536	2,420,649
Other	5,761,944	1,590,136
Total actuarial (gain)	(25,824,890)	(45,131,550)
Total (decrease) in unfunded actuarial liability	(14,068,306)	(22,582,630)
Unfunded actuarial liability, end of fiscal year	$ 1,509,958,471	$ 1,524,026,777

STATISTICAL SECTION

The tables in this section present historical financial information as well as certain historical demographic information pertaining to participants and benefit recipients.

Financial Schedules:
These schedules present information pertaining to assets, liabilities, reserves, and changes in fiduciary net position over a 10-year period.

Participant Demographic Schedules:
These schedules present certain information pertaining to active and inactive participants over a 10-year period.

Benefit Recipient Demographic Schedules:
These schedules present certain information pertaining to benefit recipients, benefit types, average monthly benefits, ranges of monthly benefits, and location of retirees.

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments	Securities lending collateral with State Treasurer	Capital Assets Net of Accumulated Depreciation	Total
2006	$ 16,363,642	$ 301,575	$ 582,604,390	$ -	$ 4,289	$ 599,273,896
2007	11,697,990	262,335	658,193,724	-	3,323	670,157,372
2008	19,411,250	4,187,003	589,155,697	-	3,895	612,757,845
2009	17,991,016	25,372,085	435,604,601	-	3,318	478,971,020
2010	16,644,537	261,482	506,463,522	6,242,000	3,841	529,615,382
2011	18,015,766	221,316	587,794,578	7,261,000	3,377	613,296,037
2012	10,690,635	8,211,574	559,139,279	5,945,000	9,326	583,995,814
2013	23,059,590	7,621,829	612,751,563	16,535,000	7,678	659,975,660
2014	32,055,593	5,486,808	738,704,938	13,475,000	8,389	789,730,728
2015	33,161,274	5,797,618	795,296,831	12,776,000	26,929	847,058,652

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations	Total Reserves	Total
2006	$ 39,747	$ 142,846,641	$ 456,387,508	$ 599,234,149	$ 599,273,896
2007	66,422	145,242,498	524,848,452	670,090,950	670,157,372
2008	77,271	152,455,812	460,224,762	612,680,574	612,757,845
2009	94,943	157,840,805	321,035,272	478,876,077	478,971,020
2010	6,339,230	166,360,698	356,915,454	523,276,152	529,615,382
2011	7,335,829	167,567,660	438,392,548	605,960,208	613,296,037
2012	6,019,447	177,546,650	400,429,717	577,976,367	583,995,814
2013	16,645,692	180,073,170	463,256,798	643,329,968	659,975,660
2014	13,717,700	185,823,705	590,189,323	776,013,028	789,730,728
2015	13,148,497	190,333,294	643,576,861	833,910,155	847,058,652

NUMBER OF PARTICIPANTS

	Active			Inactive			
At June 30	Tier 1	Tier 2	Total	Tier 1	Tier 2	Total	Total
2006	917	-	917	30	-	30	947
2007	957	-	957	33	-	33	990
2008	957	-	957	25	-	25	982
2009	968	-	968	23	-	23	991
2010	966	-	966	20	-	20	986
2011	955	13	968	16	-	16	984
2012	923	45	968	15	-	15	983
2013	854	108	962	19	3	22	984
2014	810	141	951	16	3	19	970
2015	760	201	961	20	4	24	985

CHANGES IN FIDUCIARY NET POSITION

Fiscal Year

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Additions										
Participant contributions	$ 13,833,096	$ 14,152,973	$ 15,443,114	$ 15,763,410	$ 16,001,619	$ 16,725,191	$ 16,444,796	$ 16,368,637	$ 15,918,732	$ 15,431,105
Employer contributions:										
State of Illinois	29,189,400	35,236,800	46,872,500	59,983,000	78,509,810	62,428,783	63,628,000	88,210,000	126,808,000	133,982,000
Other sources	148,511	-	105,461	-	-	265,677	16,099	29,564	7,881	57,684
Total employer contributions	29,337,911	35,236,800	46,977,961	59,983,000	78,509,810	62,694,460	63,644,099	88,239,564	126,815,881	134,039,684
Net investment income/(loss)	61,329,673	98,157,681	(37,976,460)	(122,716,471)	42,532,318	105,253,385	(69,096)	76,886,319	110,058,987	36,009,150
Miscellaneous	-	-	-	-	-	-5,000	–	–	–	-
Total additions to/(deductions from) fiduciary net position	104,500,680	147,547,454	24,444,615	(46,970,061)	137,043,747	184,678,036	80,019,799	181,494,520	252,793,600	185,479,939
Deductions										
Benefit Payments:										
Temporary disability	-	-	47,643	81,674	139,775	72,613	–	–	–	-
Retirement annuities	54,553,869	60,911,363	64,863,585	68,876,522	73,439,970	82,076,983	87,161,263	93,088,908	97,116,965	102,794,428
Survivors' annuities	14,443,234	14,704,503	15,601,364	16,861,343	17,990,012	18,570,146	19,491,832	20,468,521	21,474,000	22,859,921
Total benefit payments	68,997,103	75,615,866	80,512,592	85,819,539	91,569,757	100,719,742	106,653,095	113,557,429	118,590,965	125,654,349
Refunds:										
Termination	160,035	25,310	83,572	29,417	-	81,210	55	151,515	188,764	24,847
Other	661,602	595,267	758,431	419,892	510,555	570,983	586,400	1,600,025	499,159	920,960
Total refunds	821,637	620,577	842,003	449,309	510,555	652,193	586,455	1,751,540	687,923	945,807
Administrative expenses	447,238	454,210	500,396	565,588	563,360	622,045	764,090	831,950	831,652	982,656
Total deductions from fiduciary net position	70,265,978	76,690,653	81,854,991	86,834,436	92,643,672	101,993,980	108,003,640	116,140,919	120,110,540	127,582,812
Change in fiduciary net position	$ 34,234,702	$ 70,856,801	$ (57,410,376)	$ (133,804,497)	$ 44,400,075	$ 82,684,056	$ (27,983,841)	$ 65,353,601	$ 132,683,060	$ 57,897,127

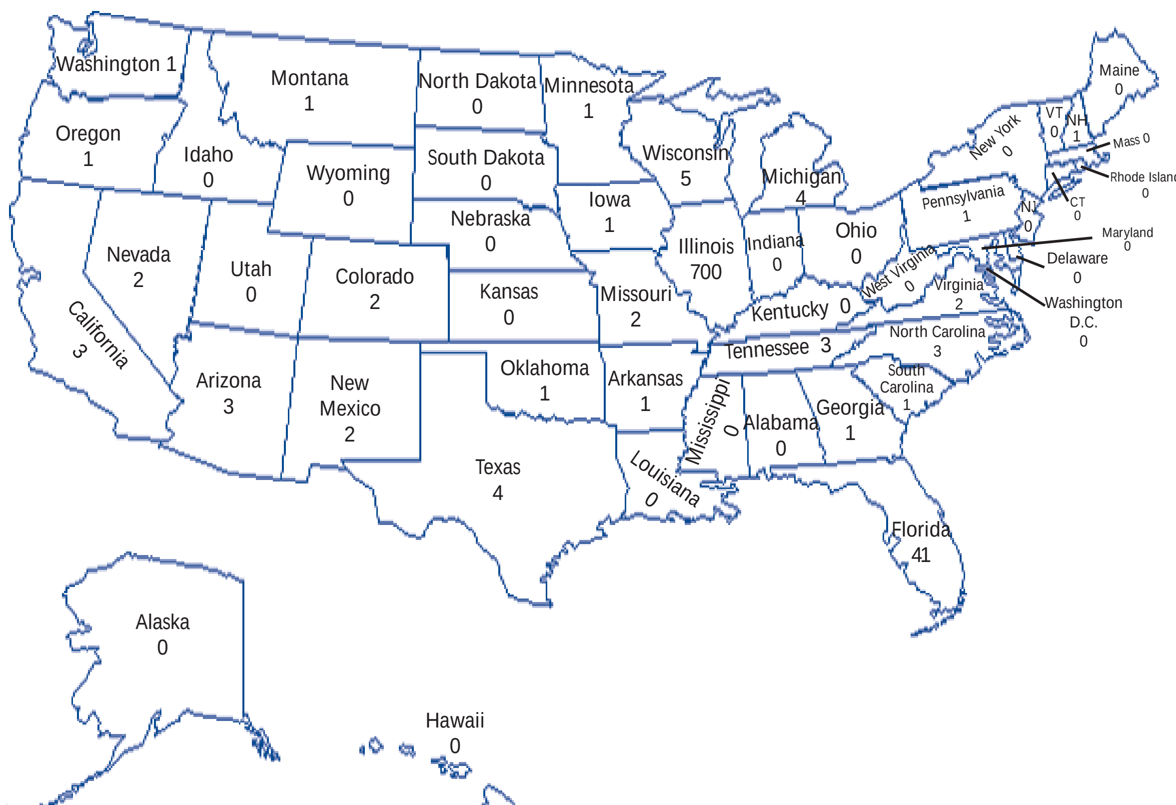
NUMBER OF RECURRING BENEFIT PAYMENTS/ TERMINATION REFUNDS

On June 30	Retirement Annuities	Survivors' Annuities	Temporary Disability	Total Recurring Benefit Payments	Termination Refunds
2006	581	331	–	912	2
2007	620	326	–	946	3
2008	624	332	1	957	4
2009	647	335	1	983	1
2010	665	334	2	1,001	–
2011	720	327	–	1,047	3
2012	725	331	–	1,056	1
2013	755	323	–	1,078	3
2014	767	333	–	1,100	2
2015	787	334	-	1,121	3

NUMBER ON ACTIVE PAYROLLS

On June 30	Supreme Court Justices	Appellate Court Justices	Circuit Court Judges	Retired Judges Recalled	Total
2006	7	41	852	18	918
2007	7	41	888	22	958
2008	7	41	885	25	958
2009	7	40	892	30	969
2010	7	39	894	27	967
2011	7	38	896	27	968
2012	7	37	903	21	968
2013	7	39	909	9	964
2014	7	39	902	5	953
2015	7	40	913	3	963

ACTIVE RETIREES BY STATE



RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	Average Age	Average Length of Service*	Average Current Age	Average Current Monthly Benefit
2006	63.2	17.4	72.3	$ 8,015
2007	62.9	17.6	71.9	8,443
2008	62.6	17.3	71.7	8,685
2009	62.5	17.2	71.4	9,098
2010	62.4	17.1	71.5	9,379
2011	62.4	17.1	71.2	9,797
2012	62.4	17.0	71.6	10,118
2013	62.3	17.0	71.6	10,441
2014	62.1	16.8	71.7	10,719
2015	62.0	16.7	71.7	11,052

* in years

Annuitants by Benefit Range (Monthly)
on June 30, 2015

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$1-1000	9	9	1.1%	1.1%
1001-2000	11	20	1.4	2.5
2001-3000	9	29	1.1	3.6
3001-4000	19	48	2.4	6.0
4001-5000	17	65	2.2	8.2
5001-6000	17	82	2.2	10.4
6001-7000	32	114	4.1	14.5
7001-8000	33	147	4.2	18.7
8001-9000	41	188	5.2	23.9
9001-10000	58	246	7.4	31.3
10001-11000	56	302	7.1	38.4
11001-12000	80	382	10.2	48.6
12001-13000	87	469	11.0	59.6
13001-14000	151	620	19.2	78.8
14001-15000	139	759	17.7	96.5
15001-16000	20	779	2.5	99.0
16001-17000	7	786	0.9	99.9
17001-18000	1	787	0.1	100.0

Survivors by Benefit Range (Monthly)
on June 30, 2015

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-1000	28	28	8.4%	8.4%
1001-2000	19	47	5.7	14.1
2001-3000	23	70	6.9	21.0
3001-4000	24	94	7.2	28.2
4001-5000	18	112	5.4	33.6
5001-6000	42	154	12.6	46.2
6001-7000	39	193	11.7	57.9
7001-8000	44	237	13.1	71.0
8001-9000	62	299	18.5	89.5
9001-10000	26	325	7.8	97.3
10001-11000	8	333	2.4	99.7
11001-12000	1	334	0.3	100.0

Average Benefit Payments
Fiscal Years 2006 through 2015

Retirement Effective Dates	Years Credited Service 0-5	5-10	10-15	15-20	20-25	25-30	30+
Period 7/1/05 to 6/30/06							
Average monthly benefit	$ 8,866	$ 7,057	$ -	$ 6,896	$ 9,468	$ 10,508	$ 10,650
Average final average salary	$ 12,139	$ 12,744	$ -	$ 12,595	$ 12,194	$ 12,363	$ 12,744
Number of retired members*	8	2	-	10	16	3	1
Period 7/1/06 to 6/30/07							
Average monthly benefit	$ 9,421	$ 7,967	$ 7,254	$ 8,636	$ 10,491	$ 11,322	$ 11,179
Average final average salary	$ 13,050	$ 13,152	$ 12,896	$ 12,752	$ 12,810	$ 13,320	$ 13,152
Number of retired members*	6	6	7	12	22	7	3
Period 7/1/07 to 6/30/08							
Average monthly benefit	$ 6,171	$ 8,394	$ 7,169	$ 9,912	$ 10,005	$ -	$ 11,570
Average final average salary	$ 9,595	$ 12,900	$ 12,512	$ 13,612	$ 12,880	$ -	$ 13,612
Number of retired members*	2	7	13	3	15	-	1
Period 7/1/08 to 6/30/09							
Average monthly benefit	$ 9,940	$ 9,313	$ 7,026	$ 7,699	$ 11,863	$ 12,369	$ 12,225
Average final average salary	$ 13,429	$ 14,113	$ 13,894	$ 13,708	$ 14,135	$ 14,552	$ 14,383
Number of retired members*	7	9	6	4	23	6	5
Period 7/1/09 to 6/30/10							
Average monthly benefit	$ 9,462	$ 9,855	$ 7,369	$ 7,372	$ 11,687	$ 9,670	$ 7,055
Average final average salary	$ 13,408	$ 14,306	$ 13,328	$ 13,830	$ 14,183	$ 14,814	$ 14,525
Number of retired members*	6	4	6	6	15	2	2
Period 7/1/10 to 6/30/11							
Average monthly benefit	$ 2,489	$ 4,922	$ 7,023	$ 11,074	$ 12,284	$ 12,760	$ 13,422
Average final average salary	$ 14,158	$ 12,927	$ 13,404	$ 14,724	$ 14,619	$ 14,720	$ 15,373
Number of retired members*	1	4	10	25	29	9	5
Period 7/1/11 to 6/30/12							
Average monthly benefit	$ 847	$ 3,601	$ 7,891	$ 10,649	$ 12,140	$ 12,420	$ 12,166
Average final average salary	$ 6,915	$ 13,897	$ 14,722	$ 14,825	$ 14,482	$ 14,612	$ 14,314
Number of retired members*	1	3	7	10	5	2	1
Period 7/1/12 to 6/30/13							
Average monthly benefit	$ –	$ 4,832	$ 8,174	$ 10,905	$ 12,890	$ 12,664	$ 12,922
Average final average salary	$ –	$ 15,050	$ 14,916	$ 15,059	$ 15,229	$ 14,898	$ 15,202
Number of retired members*	–	5	9	17	17	5	1
Period 7/1/13 TO 6/30/14							
Average monthly benefit	$ 1,999	$ 5,489	$ 8,093	$ 10,526	$ 12,825	$ 13,324	$ 12,411
Average final average salary	$ 14,632	$ 15,370	$ 15,015	$ 15,293	$ 15,242	$ 15,675	$ 14,601
Number of retired members*	2	3	13	12	12	2	1
Period 7/1/14 TO 6/30/15							
Average monthly benefit	$ 46	$ 6,279	$ 8,304	$ 11,446	$ 13,187	$ -	$ 14,436
Average final average salary	$ 15,202	$ 15,086	$ 15,390	$ 15,522	$ 15,629	$ -	$ 16,984
Number of retired members*	1	7	8	15	14	-	1

* The number of retired members excludes new retirements with retroactive benefit start dates prior to the beginning of the period as well as resumptions of retirement benefits with original benefit start dates prior to the beginning of the period.

PLAN SUMMARY AND LEGISLATIVE SECTION

SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 2015)

1. Purpose

The purpose of the System is to establish an efficient method of permitting retirement, without hardship or prejudice, of judges who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment.

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.

The provisions below apply to both Tier 1 and Tier 2 participants except where noted.

2. Administration

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of five members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees.

Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. Employee Membership

All persons elected or appointed as a judge or associate judge of a Court become members of the System unless they file an election not to participate within 30 days of the date they are notified of this option.

4. Participant Contributions

Participants are required to contribute a percentage of salary as their share of meeting the various benefits at the rates shown below:

Retirement Annuity	7.5%
Automatic Annual Increase	1.0%
Survivors' Annuity	2.5%
Total	11.0%

Tier 1 participants contribute based on total annual compensation. Tier 2 participants contribute based on a statutorily capped compensation amount which is increased each year by 3% or the annual percentage increase in the Consumer Price Index, whichever is less.

A judge who elects not to participate in the survivors' annuity benefit is not required to make contributions for the survivors' annuity benefit in which case the total participant contribution rate is 8 1/2% of salary. Contributions for survivors' annuity are not required to qualify an eligible child for a child's annuity.

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.

5. Retirement Annuity

A. Qualification of Participant

Tier 1: Upon termination of service, a judge is eligible for an unreduced retirement annuity at:

1. Age 60 with at least 10 years of credit
2. Age 62 with at least 6 years of credit
3. Age 55 with at least 26 years of credit

The retirement annuity of a judge who retires between the ages of 55 and 60 with at least 10 years of credit shall be reduced 1/2 of 1% for each month the judge's age is under age 60.

However, for a judge who retires on or after December 10, 1999, the percentage reduction in retirement annuity shall be reduced by 5/12 of 1% for every month of service in the System in excess of 20 years.

Tier 2: Upon termination of service, a judge is eligible for an unreduced retirement annuity at:

1. Age 67 with at least 8 years of credit

The retirement annuity of a judge who retires between the ages of 62 and 67 with at least 8 years of credit shall be reduced ½ of 1% for each month the judge's age is under 67.

B. Amount of Annuity

Tier 1: The retirement annuity is determined according to the following formula based upon the applicable salary:

- 3.5% for each of the first 10 years of credit
- 5.0% for each year of credit above 10 years.

The maximum annuity is 85% of the applicable final average salary.

For participants who first serve as a judge before August 10, 2009 and terminate service on or after July 14, 1995, final average salary is the salary on the last day of employment as a judge or the highest salary received for employment as a judge in a position held for at least 4 consecutive years, whichever is greater.

For participants who first serve as a judge on or after August 10, 2009 and before January 1, 2011, final average salary is the average monthly salary during the 48 consecutive months of service within the last 120 months of service in which the total salary was the highest.

Tier 2: The retirement annuity is determined according to the following formula based upon the applicable final average salary:

- 3.0% for each year of credit

The maximum annuity is 60% of the applicable final average salary. The applicable final average salary is the average monthly salary during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest. The salary for any calendar year is capped in accordance with the statute governing the System. The cap is increased each year by 3% or the annual percentage increase in the Consumer Price Index, whichever is less.

C. Annual Increases in Retirement Annuity

Tier 1: Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January of the year next following the first anniversary of retirement and in January of each year thereafter.

Tier 2: Post retirement increases to the current amount of annuity in an amount equal to the lesser of 3% or the annual percentage increase in the Consumer Price Index for All Urban Consumers are granted to participants effective in January of the year next following the first anniversary of retirement and in January of each year thereafter, but in no event prior to age 67.

D. Suspension of Retirement Annuity

Tier 1: The retirement annuity to any judge shall be suspended:

1. When the annuitant is employed for compensation by the State of Illinois as a judge, or

2. When the annuitant is employed for compensation by the State of Illinois in a permanent position other than legal counsel in the Office of the Governor or Chief Deputy Attorney General (assuming the annuitant does not participate in any pension fund or retirement system under the Illinois Pension Code with respect to such service and, has filed prior to July 1, 2005, a written election with the System), or

3. After 75 working days in any calendar year in which the annuitant is employed for compensation by the State of Illinois in a temporary position other than a judge.

The retirement annuity to any judge shall not be suspended:

1. If the annuitant accepts employment in any teaching or non-teaching capacity with a state college or university as long as the annuitant did not elect the provisions of the Reciprocal Act upon retirement with the State Universities Retirement System, or

2. If the annuitant accepts employment in an administrative or teaching position with a secondary school district as long as the district level positions participate in the Teachers' Retirement System of Illinois and are not considered state positions which participate in the State Employees' Retirement System of Illinois, or

3. If the annuitant serves as a part-time employee (not required to work at least 35 hours per week) in any of the following positions and has not elected to participate in the State Employees' Retirement System of Illinois with respect to such service.

- Legislative Inspector General
- Special Legislative Inspector General
- Office of the Legislative Inspector General Employee
- Executive Director of the Legislative Ethics Commission
- Legislative Ethics Commission staff

Tier 2: The retirement annuity being paid is suspended when an annuitant is employed on a full time basis and becomes a member or participant of the Judges' Retirement System Article or any other Article of the Illinois Pension Code.

6. Survivor's Annuity

A. Qualification of Survivor

If death occurs while in service as a judge, the judge must have established at least 1 1/2 years of credit. If death occurs after termination of service and prior to receipt of retirement annuity, the participant must have established at least 10 years of credit.

An eligible spouse, who has been married to the participant or annuitant for a continuous period of at least one year immediately preceding the date of death, qualifies at age 50, or at any age if there is in the care of the spouse any unmarried children of the member under age 18, over age 18 if mentally or physically disabled, or under age 22 and a full-time student. Eligible surviving children would be entitled to benefits even though the participant did not contribute for the survivors' annuity benefit.

B. Amount of Payment
If the participant's death occurs while in service, and assuming all payments have been made for full survivors' annuity credit, the surviving spouse would be eligible to 7 1/2% of salary or 66 2/3% of earned retirement annuity, whichever is greater. Eligible children of the participant would receive 5% of salary for each child with a maximum for all children of 20% of salary or 66 2/3% of earned retirement annuity, whichever is greater, regardless of whether full credit had been established for the survivors' annuity benefit.

If the participant's death occurs after termination of service or retirement, and assuming all payments have been made for full survivors' annuity credit, the surviving spouse would be eligible to 66 2/3% of earned retirement annuity. Eligible children would receive a survivors' annuity equal to the benefit of surviving children of a participant in service.

The benefit payment amount to a surviving spouse would be a prorated share of the full benefit amount noted above if the participant married or remarried after becoming a participant and elected to contribute for the survivors' annuity benefit prospectively from the date of marriage or remarriage.

C. Annual Increases in Survivors' Annuity
Tier 1: Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity.

In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

Tier 2: Increases to the current amount of annuity in an amount equal to the lesser of 3% or the annual percentage increase in the Consumer Price Index for All Urban Consumers are granted to survivors. Such increases are payable on each January 1 occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity or, in other cases, on each January 1 occurring on or after the first anniversary of the commencement of the annuity, but in no event prior to age 67.

D. Duration of Payment
When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age.

7. Death Benefit

The following lump sum death benefits are payable to the named beneficiaries or estate of the participant only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement
If the participant's death occurs before retirement, a refund of total contributions in the participant's account.

B. After Retirement
If the participant's death occurs after retirement, a refund of the excess of contributions over annuity payments, if any.

The following lump sum death benefit is payable to the named beneficiaries or estate of the survivor.

A. Death of Survivor Annuitant
Upon death of the survivor annuitant with no further survivors' annuity payable, a refund of excess contributions over total retirement and survivors' annuity payments, if any.

8. Disability Benefit

A. Permanent Total Disability
A participant who becomes totally and permanently disabled while serving as a judge with at least 10 years of credit is eligible for an unreduced retirement annuity regardless of age. If disability is service-connected, the annuity is subject to reduction by amounts received by a participant under the Workers' Compensation Act and the Workers' Occupational Diseases Act.

B. Temporary Total Disability
A participant with at least 2 years of service as a judge who becomes totally disabled and unable to perform the duties as a judge is entitled to a temporary disability benefit equal to 50% of salary payable during disability but not beyond the end of the term of office.

9. Refund of Contributions

A participant who terminates service as a judge may obtain a refund of total contributions made to the System, without interest, provided the participant is not immediately eligible to receive a retirement annuity. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

An unmarried participant or a married participant who becomes unmarried, either before or after retirement, is entitled to a refund of contributions made for the survivors' annuity benefit.

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 2015 having an impact on the System.

Senate Bill 3309 (P.A. 98-1117; effective August 26, 2014)

1. States that, if the System mistakenly sets any benefit at an incorrect amount, the System shall recalculate the benefit as soon as may be practicable after the mistake is discovered. If the benefit was mistakenly set too low, the System shall make a lump sum payment to the recipient of an amount equal to the difference between the benefits that should have been paid and those actually paid. If the benefit was mistakenly set too high, the System may recover the amount overpaid from the recipient thereof, either directly or by deducting such amount from the remaining benefits payable to the recipient. However, if (a) the amount of the benefit was mistakenly set too high, and (b) the error was undiscovered for 3 years or longer, and (c) the error was not the result of incorrect information supplied by the affected member or beneficiary then, upon discovery of the mistake, the benefit shall be adjusted to the correct level but the recipient of the benefit need not repay to the System the excess amount received in error. This applies to all mistakes in benefit calculations that occur before, on, or after the effective date of this amendatory Act.
2. Requires the adopted actuarial tables be used to determine the amount of all benefits payable by the System, including any optional forms of benefits.
3. States that, upon plan termination, a participant's interest in the pension fund will be nonforfeitable.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 2015 having an impact on the System.

House Bill 0422 (P.A. 99-0232; effective August 3, 2015)

Requires the System to conduct an actuarial experience study at least once every three (3) years.