JUDGES' RETIREMENT SYSTEM OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1989

JUDGES' RETIREMENT SYSTEM
OF ILLINOIS

2815 West Washington Street
P.O. Box 19255 Springfield, Illinois 62794 • 9255

Prepared by the
Accounting Division

Printed by Authority of the State of Illinois

Introductory Section

Letter of Transmittal

Administration, Board of Trustees and Administrative Staff

SRS STATE RETIREMENT SYSTEMS

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

2815 WEST WASHINGTON, P.O. BOX 19255, SPRINGFIELD, IL 62794-9255, PH. (217) 753-0444

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

November 22, 1989

Dear Board of Trustees and Members:

The component unit annual financial report of the Judges' Retirement System of Illinois (System) for the fiscal year ended June 30, 1989 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.

The report consists of six sections:

1. An Introductory Section which contains this letter of transmittal and the identification of the administrative organization;
2. The Financial Section which contains the report of the independent public accountants, the financial statements of the System, and the supplementary and additional financial information;
3. The Actuarial Section which contains the report of the Actuary as well as the summary of major actuarial assumptions and certain tables;
4. The Investment Section which contains a summary of the System's investment management approach and selected summary tables, including investment performance;
5. The Statistical Section which contains significant statistical data; and
6. A summary of the System's plan provisions and current legislative changes.

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 balance sheet information nor the results of operations of the State Employees' Retirement System or General Assembly Retirement System.

REVENUES

Collection of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These income sources totaled $29,073.7 thousand during the fiscal year ending June 30, 1989, which is a significant increase from revenue reported for fiscal year 1988, shown as follows:

	1989 (Thousands)	1988 (Thousands)	Increase/(Decrease) (Thousands)	Increase/(Decrease) (Percentage)
Contributions:				
Participants	$ 6,909.0	$ 6,885.5	$ 23.5	.3%
State of Illinois	9,918.7	9,137.0	781.7	8.6%
Investments	12,246.0	9,666.9	2,579.1	26.7%
Total Revenue	$29,073.7	$25,689.4	$3,384.3	13.2%

As indicated in the total above, a substantial portion of the total revenue is derived from investment income, including the realization of substantial gains on the sales of investments, during both fiscal years 1989 and 1988.

EXPENSES

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. The payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for 1989 and 1988 are shown for comparison purposes.

	1989 (Thousands)	1988 (Thousands)	Increase/(Decrease) (Thousands)	(Percentage)
Benefits:				
Retirement annuities	$13,427.0	$12,630.5	$ 796.5	6.3%
Survivors' annuities	3,581.4	3,189.6	391.8	12.3%
Automatic annuity increase	1,767.9	1,562.6	205.3	13.1%
Total Benefits Expenses	$18,776.3	$17,382.7	$1,393.6	8.0%
Refunds	421.1	551.3	(130.2)	(23.6)%
Administrative expenses	171.9	148.5	23.4	15.8%
Total Expenses	$19,369.3	$18,082.5	$1,286.8	7.1%

The increase in benefit payments resulted primarily from a growth in the number of benefits paid and in the average benefit payment.

INVESTMENTS

Income from investments has, over the years, increasingly become a greater share of the total revenue of the System. Net investment income, combined with a net realized gain on the sale of investments, amounted to $12,245,936 during fiscal year 1989, an increase of $2,579,052 from fiscal year 1988. This reflects the generally upward trend in the financial markets during the last fiscal year. Income from investments represents 42.1% of total fund revenue.

FUNDING AND RESERVES

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 actuarial determined liability of the System at June 30, 1989, amounted to $319.4 million. The fund balances for participant contributions and future operations amounted to $156.2 million as of the same date. The amount by which the actuarial determined liability exceeds the fund balances is called the "unfunded present value of credited projected benefits". The unfunded present value of credited projected benefits amounts to $163.2 million and reflects the continuing state policy of appropriating funds based upon a percentage of the total amount of benefit payments made to current recipients. A detailed discussion of funding is provided in the Actuarial Section of this report.

ECONOMIC CONDITION AND OUTLOOK

The state's policy on pension funding has been based on variations of the pay-as-you-go approach. From fiscal year 1973 through fiscal year 1981, the state's contribution was approximately equal to 100% of payout (the dollar amount expected to be paid out in benefits each year).

Beginning in fiscal year 1982, however, state appropriations have been less than 100% of payout. In fiscal year 1982, the appropriation fell to 62.5% of payout, while in fiscal year 1983 the appropriation declined to just over 50% of payout. These reductions were due in large part to the state's poor fiscal condition. From fiscal year 1984 to fiscal year 1987, the state's appropriation was approximately 60% of payout. The fiscal year 1988 regular contribution was approximately 48% of payout, and the fiscal year 1989 contribution was approximately 44% of payout.

Financing the retirement benefits that are being earned is one of the most important issues facing the Judges' Retirement System. Over the years, a number of organizations have stressed the need for sound funding of the System. Considerable progress was made toward this end when, in August, 1989, Governor Thompson signed Senate Bill 95 into law. This Bill provides for the increased funding of the unfunded actuarial liability. The amortization period of the unfunded liability was established at 40 years and is scheduled to begin in 1996. In order to defer the cost of a substantial increase in the required employer contributions, a seven-year phase in period was included in the legislation. The seven-year phase in period will be used to increase the amount of contributions from the current contribution level to that level required for the amortization of the unfunded liability over the 40-year period.

Assessing the financial status of any retirement system is a difficult task. The valuation of pension liabilities is a complex procedure requiring the application of actuarial techniques. It is not possible to provide a simple measure of the financial status of a retirement system because no universally accepted measure of the financial status presently exists. By any reasonable actuarial standard, however, the System's present financial condition must be described as precarious due to the dollar level of the unfunded liability. The events in the financial markets during the past several years serve as a constant reminder of the fact that no source of revenue can be guaranteed and that the ultimate responsibility for a sound funding policy and the related liability for contributions rests ultimately with the State of Illinois.

MAJOR INITIATIVES

The oversight responsibility for the daily operations of the Judges' Retirement System has been merged with that of the State Employees' Retirement System and the General Assembly Retirement System. The merger of these operations is intended to avoid duplication of computer equipment, computer programmers, professional staff, and other technical staff while maintaining a high level of service to participants, annuitants, and beneficiaries. The ultimate control of the Judges' Retirement System shall remain vested with the Judges' Retirement System Board of Trustees.

Plans for FY 1990 include the publishing of a participant handbook, as well as an annual newsletter. In addition, a procedures manual will be developed for the staff of the System to standardize procedures and serve as a training tool.

ACCOUNTING SYSTEM AND 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 assets, liabilities, revenues and expenses of the Judges' Retirement System. Revenues are recognized in the accounting period in which they are earned, without regard to the date of collection, and expenses are recorded when the corresponding liabilities are incurred, regardless of when payment is made. The Judges' Retirement System also uses the State of Illinois, Comptroller's Uniform Statewide Accounting System (CUSAS) 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. 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 operations of the System. Actuarial services are provided by S. Goldstein & Associates, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of Arthur Andersen & Co. under the direction of the Auditor General of the State of Illinois. The System's investment function is managed by the Illinois State Board of Investment.

ADDITIONAL COMMENTS

In August, 1989, Norman E. Lentz, long time Executive Secretary of the System, retired. In addition, M. D. Corrigan, employee of the System for many years and most recently Division Manager, retired effective November 1, 1989. All of the Board Members and Staff extend their gratitude to Mr. Lentz and Mr. Corrigan for their leadership and devotion during their many years of service.

ACKNOWLEDGEMENTS

The preparation of this report reflects the combined efforts of the System's staff under the direction of the Retirement Board. 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 as a means for determining responsible stewardship for the assets contributed by the participants 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 assure the successful operation of the System.

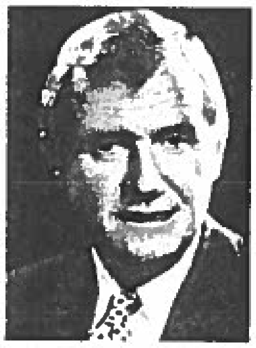
Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
BOARD OF TRUSTEES

JUSTICE CARL A. LUND
Chairman



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BEVERLY A. WELLS

Financial Section

Independent Auditors' Report

Financial Statements

Required Supplementary Information

Supplementary Financial Information

Additional Financial Information

ARTHUR ANDERSEN & CO.
CHICAGO, ILLINOIS

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Honorable Robert G. Cronson
Auditor General
State of Illinois

Board of Trustees
Judges' Retirement System
of Illinois

We have audited, as Special Assistant Auditors for the Auditor General, the accompanying balance sheets of the JUDGES' RETIREMENT SYSTEM OF ILLINOIS as of June 30, 1989 and 1988, and the related statements of revenue, expenses and changes in fund balance and changes in financial position for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Judges' Retirement System of Illinois as of June 30, 1989 and 1988, and the results of its operations and the changes in its financial position for the years then ended, in conformity with generally accepted accounting principles.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The statements of supplementary financial information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has been subjected to the auditing procedures applied in our audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Arthur Andersen & Co.
ARTHUR ANDERSEN & CO.

October 20, 1989

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Balance Sheets • June 30, 1989 and 1988

	1989	1988
Assets		
Cash	$ 656,579	$ 935,712
Receivables:		
Participants' contributions	$ 74,296	$ 58,650
Refundable annuities	-	10,791
Interest on cash balances	10,993	8,387
Due from General Assembly Retirement System	30,076	24,307
Other	413	-
	$ 115,778	$ 102,135
Investments - held in the Illinois State Board of Investment Commingled Fund, at cost (Market value: 1989, $172,623,478 1988, $152,844,556) (Note 3)	$ 155,708,987	$ 145,612,106
Equipment, net of accumulated depreciation (Note 8)	20,298	20,604
Total Assets	$ 156,501,642	$ 146,670,557
Liabilities and Fund Balance		
Benefits payable	$ 2,569	$ 3,368
Refunds payable	222,737	104,589
Administrative expenses payable (Note 7)	37,574	28,164
Total Liabilities	$ 262,880	$ 136,121
Fund Balance		
Actuarial present value of credited projected benefits (Note 5)	$ 319,402,592	$ 335,307,458
Less unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(163,163,830)	(188,773,022)
Total Fund Balance (Note 10)	$ 156,238,762	$ 146,534,436
Total Liabilities and Fund Balance	$ 156,501,642	$ 146,670,557

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Revenue, Expenses and Changes in Fund Balance
Years ended June 30, 1989 and 1988

	1989	1988
Revenue:		
Contributions:		
Participants	$ 6,909,017	$ 6,885,514
State of Illinois	9,918,700	9,137,000
Total Contributions revenue	$ 16,827,717	$ 16,022,514
Investments:		
Net investments income	$ 8,837,104	$ 8,121,347
Interest earned on cash balances	149,055	176,693
Net realized gain on sale of investments	3,259,777	1,368,844
Total Investments revenue	$ 12,245,936	$ 9,666,884
Total Revenue	$ 29,073,653	$ 25,689,398
Expenses:		
Benefits:		
Retirement annuities	$ 13,426,943	$ 12,630,509
Survivors' annuities	3,581,432	3,189,583
Automatic annuity increase	1,767,878	1,562,626
Total Benefits expenses	$ 18,776,253	$ 17,382,718
Refunds	421,138	551,268
Administrative (Note 7)	171,936	148,510
Total Expenses	$ 19,369,327	$ 18,082,496
Excess of Revenue over Expenses	$ 9,704,326	$ 7,606,902
Fund Balance at beginning of year	$ 146,534,436	$ 138,946,069
Restatement - record accrued compensated absences (Note 3)	-	(18,535)
Fund Balance at beginning of year (as restated)	$ 146,534,436	$ 138,927,534
Fund Balance at end of year	$ 156,238,762	$ 146,534,436

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Changes in Financial Position
Years ended June 30, 1989 and 1988

	1989	1988
Sources of working capital:		
Working capital provided by operations:		
Excess of revenue over expenses	$ 9,704,326	$ 7,606,902
Add (Deduct) items not providing working capital:		
Net realized (gain) on sale of investments reinvested	(3,259,777)	(1,368,844)
Net investments income reinvested	(8,837,104)	(8,121,347)
Depreciation expense	2,706	244
Loss on disposal of equipment	1,441	-
Other sources:		
Sale of investments	2,000,000	-
Total sources of working capital	$ (388,408)	$ (1,883,045)
Uses of working capital:		
Purchases of equipment	$ 3,841	$ 19,915
Total uses of working capital	$ 3,841	$ 19,915
Net (decrease) in working capital	$ (392,249)	$ (1,902,960)
Elements of net (decrease) in working capital:		
Cash	$ (279,133)	$ (2,024,650)
Receivables	13,643	51,795
Benefits payable	799	(291)
Refunds payable	(118,148)	78,477
Administrative expenses payable	(9,410)	(8,291)
Net (decrease) in working capital	$ (392,249)	$ (1,902,960)

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements

June 30, 1989 and 1988

(1)Reporting Entity

The Judges' Retirement System of Illinois (System) is a component unit of the State of Illinois. The System Trust Fund is considered part of the State of Illinois financial reporting entity and is included in the state's comprehensive annual financial report as a pension trust fund.

The System has developed criteria to determine whether other state agencies, boards or commissions which benefit the members of the System should be included within its financial reporting entity. The criteria include, but are not limited to, whether the System exercises oversight responsibility on financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters, scope of public service and special financing relationships.

Based upon the above criteria, there were no other agencies, boards or commissions which were required to be included within the financial reporting entity.

(2)Plan Description

The System is the administrator of a single-employer public employee retirement system (PERS) established and administered by the State of Illinois to provide pension benefits for its participants.

At June 30, 1989 and 1988, the System membership consisted of:

	1989	1988
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	367	348
Survivors' annuities	242	242
	609	590
Inactive participants entitled to benefits but not yet receiving them	22	15
Total	631	605
Current Participants:		
Vested	513	493
Nonvested	308	303
Total	821	796

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

(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 30 days of receipt of notice of this option.

(b) Contributions

Participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

The total contribution rate is 11% if the participant elects 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 Article 18 of the Illinois Pension Code.

(c) Benefits

The Judges' Retirement System of Illinois was established in 1941 as a component unit of the State of Illinois and is governed by Chapter 108-½, Article 18 of the Illinois Pension Code.

After 10 years of credited service, participants have vested rights to full retirement benefits beginning at age 60, or reduced retirement benefits beginning at age 55. Participants also have vested rights to benefits at age 62 upon completing 6 years of credited service. The Judges' Retirement System also provides annual automatic annuity increases after retirement, survivors' annuity benefits, temporary and/or total disability benefits and, under specified conditions, lump-sum death benefits.

The retirement annuity provided under the system is 3½% 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 salary base. Annual automatic increases of 3% of the originally granted retirement annuity are provided.

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 no longer married are entitled to refunds of their contributions for survivors. Participants who are entitled to receive the maximum rate of annuity, have at least 20 years of service credit and have attained age 60 may elect to discontinue contributions and have their retirement and survivors benefits "frozen."

(3) Summary of Significant Accounting Policies and Plan Asset Matters

(a) Basis of Accounting

The financial transactions of the System are recorded on the accrual basis of accounting and in conformity with generally accepted accounting principles. Participant and employer contributions are recognized as revenues in the period in which employee services are performed.

(b) Method Used to Value Investments

The System retains all of its available cash in a commingled investment pool managed by the Treasurer of the State of Illinois. "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.

Investments are managed by the ISBI pursuant to Article 22A of the Illinois Pension Code and are maintained in the ISBI Commingled Fund. Such investments are valued at the cost of the System's units of participation in the ISBI Commingled Fund. Units of the ISBI Commingled Fund are issued to the member systems 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 member systems 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. Investment income is recognized when earned.

The investment authority of the ISBI is provided in Illinois Revised Statutes Chapter 108-½, Article 22A-112. The ISBI investment authority includes investments in obligations of the U.S. Treasury and other agencies, notes secured by mortgages which are insured by the Federal Housing Commission, real estate, common and preferred stocks, convertible debt securities, deposits or certificates of deposit of federally insured institutions and options. 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.

Governmental Accounting Standards Board (GASB) Statement No. 3 entitled "Deposits with Financial Institutions, Investments (including Repurchase Agreements), and Reverse Repurchase Agreements" requires certain financial statement disclosure of deposits and investments, such as the disclosure of carrying amounts by type of investment and classification into one of three categories based upon credit risk. Investments in pools managed by other governmental agencies, in general, are to be disclosed but not categorized because they are not evidenced by securities that exist in physical or book entry form.

The System transfers money to the ISBI for investment in the ISBI Commingled Fund. This money is then allocated among various investment managers to pursue a specific investment strategy. All investment transactions are initiated by the investment managers (either internal or external). The transaction settlement information is then forwarded to the agent bank's trust department under a master custodial agreement. Custody of a majority of the actual physical securities is maintained at an agent of the agent bank's trust department using a book-entry system. The agent of the master custodian is Depository Trust Company.

Listed below are the ISBI investments, as categorized in the ISBI annual financial report. They are categorized to indicate the level of risk assumed by the ISBI Board at year end. Category I includes investments that are insured or registered or for which the securities are held by the master custodian in the ISBI Board's name. Category II includes uninsured and unregistered investments for which the securities are held by the master custodian in the ISBI Board's name. Category III includes uninsured and unregistered investments for which the securities are held by an agent of the master custodian but not in the ISBI Board's name.

At June 30, 1989, the ISBI Board's deposits and investments were categorized as follows:

	Category I	Category II	Category III	Cost	Market Value
U.S. Government Obligations	$ 339,753,884			$ 339,753,884	$ 353,336,657
Foreign Obligations	22,735,960			22,735,960	24,618,841
Corporate Obligations	590,622,601			590,622,601	626,270,488
Convertible Bonds	111,089,097			111,089,097	117,721,836
Common Stock & Equity Fund	986,535,992			986,535,992	1,140,800,556
Convertible Preferred Stock	32,671,322			32,671,322	31,196,660
Preferred Stock	18,417,967			18,417,967	17,168,947
Money Market Instruments	295,027,112		$ 4,307,882	299,334,994	299,334,994
SUBTOTAL	$2,396,853,935	$ 0	$ 4,307,882	$ 2,401,161,817	$ 2,610,448,979
Real Estate Pooled Funds				221,688,329	289,133,658
Venture Capital				84,210,543	104,600,570
TOTAL				$2,707,060,689	$ 3,004,183,207

The ISBI Board participates in a securities lending program whereby securities are loaned to brokers and, in return, the ISBI Board receives collateral of amounts slightly in excess of the market value of securities loaned. Collateral consists solely of cash, letters of credit, commercial paper and government securities. As of June 30, 1989 and 1988, the ISBI Board had outstanding loaned investment securities having a market value of approximately $148,865,699 and $181,214,000, respectively, against which it had received collateral of approximately $151,843,013 and $188,263,000, respectively.

The System owns 5.7% of the ISBI Commingled Fund as of June 30, 1989.

(c) Fixed Assets

Expenditures for fixed assets are capitalized and depreciated over their estimated useful lives.

(d) Actuarial Experience Review

In accordance with Illinois Revised 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, employment, turnover, interest and earnable compensation of the participants and beneficiaries of the System. An experience review was performed as of June 30, 1987.

(e) Administrative Expenses

Administrative expenses common to the Judges' Retirement System and the General Assembly Retirement System are borne 60% by the Judges' Retirement System and 40% by the General Assembly Retirement System. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System and 40% thereof is allocated to and reimbursed by the General Assembly Retirement System. Administrative expenses allocated to and reimbursed by the General Assembly Retirement System were $101,651 and $101,539 for the years ended June 30, 1989 and 1988, respectively.

(f) Retroactive Restatement

The financial statements reflect a retroactive restatement for fiscal years 1988 and 1987 to record the System's liability for accrued compensated absences. The restatement has a net effect of decreasing the excess of revenue over expenses and Total Fund Balance by $4,413 in 1988 and decreasing the Total Fund Balance by $18,535 in 1987.

(4)Funding Status and Progress

The amount shown below as "pension benefit obligation" is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of participant service to date. The measure is the actuarial present value of credited projected benefits and is intended to help users assess the Judges' Retirement System funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among PERS.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1989. Significant actuarial assumptions used include (a) rates of return on the investment of present and future assets of 8.0% and 7.5% per year compounded annually as of June 30, 1989 and 1988, respectively, (b) projected salary increase of 6% per year, (c) mortality rates based on the UP-1984 Mortality Table and (d) assumed age at retirement ranging from 55 to 75, based upon recent history with the System. The change in the actuarial assumed rate of return on the investment of present and future assets from 7.5% to 8.0% had the effect of decreasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $17,527,568 during fiscal year 1989.

At June 30, 1989 and 1988, the unfunded pension benefit obligation was $163,163,830 and $188,773,022 as follows:

	1989	1988
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits	$ 168,946,414	$ 171,513,047
Inactive participants not yet receiving benefits	5,815,477	2,159,295
Current Participants:		
Accumulated participant contributions	44,897,390	42,694,594
Employer-financed vested	43,821,372	57,032,478
Employer-financed nonvested	55,921,939	61,908,044
Total Pension benefit obligation	$ 319,402,592	$ 335,307,458
Net assets available for benefits, at cost (market value at June 30, 1989 $173,153,253; June 30, 1988 $153,766,886)	156,238,762	146,534,436
Unfunded pension benefit obligation	$ 163,163,830	$ 188,773,022

(5)Contributions Required and Contributions Made

Employer contributions made by the State of Illinois are based on the payout requirements of the System and are not actuarially determined. Prior to fiscal year 1988, employer contributions had been at a level of approximately 60% of the payout requirements of the System. For fiscal years 1989 and 1988, employer contributions have been at a level of approximately 44% of the payout requirements of the System.

For each fiscal year, the System's actuary performs an actuarial valuation and computes actuarially determined contribution requirements for the System, using the projected unit credit actuarial cost method. The same actuarial assumptions are used to determine the contribution requirements as are used to compute the pension benefit obligation discussed in Note 4. For the years ended June 30, 1989 and 1988, the System adopted an actuarially determined contribution requirement of normal cost plus interest on the unfunded liability.

It has been interpreted that the laws of the State of Illinois regarding state finance provide for the Governor and the state legislature to have specific authority to reduce or increase monies appropriated for the employer share of retirement contributions regardless of the rate certified by the Board of Trustees.

The total amount of employer contributions required for the fiscal year ended June 30, 1989 amounted to $21,990,938. The total amount of employer contributions made was $9,918,700, thereby resulting in an under funding of $12,072,238.

Schedule of Contributions Required and Contributions Made

	1989	1988	1987
Covered Payroll	$63,478,721	$62,366,208	$59,266,115
Required Employer Contributions	21,990,938	20,182,837	not available
Actual Employer Contributions	9,918,700	9,137,000	9,832,000
Actual Employer Contribution %	15.6%	14.7%	16.6%
Board of Trustees Recommended Contribution %	34.6%	32.4%	not available

(6)Historical Trend Information

Historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is presented on pages 22-23.

(7)Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal years 1989 and 1988 is as follows:

	1989	1988
Personal services	$107,023	$ 97,258
Retirement contributions	6,742	7,042
Social Security contributions	3,325	2,822
Group insurance	3,780	3,126
Contractual services	28,086	23,086
Travel	3,328	2,163
Printing	718	926
Commodities	1,067	507
Telecommunications	1,915	2,119
Electronic Data Processing	10,689	4,804
Depreciation	2,706	244
Other	2,557	4,413
Total	$171,936	$148,510

(8) Equipment

Fixed assets 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 and certain electronic data processing equipment - 6 to 10 years.

A summary of the changes in fixed assets for fiscal years 1989 and 1988 is as follows:

1989

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 29,266	$ 3,841	$ 3,428	$ 29,679
Accumulated Depreciation	8,662	2,706	1,987	9,381
Equipment, net	$ 20,604	$ 1,135	$ 1,441	$ 20,298

1988

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 9,351	$ 19,915	$ -	$ 29,266
Accumulated Depreciation	8,418	244	-	8,662
Equipment, net	$ 933	$ 19,671	$ -	$ 20,604

(9) Accrued 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 January 1, 1984 upon termination of employment. The value of accrued compensated absences as of June 30, 1989 and 1988 were $24,297 and $22,948, respectively.

(10) Analysis of Changes in Fund Balances — Reserved

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 Automatic Annuity Increase — This reserve represents participants' accumulated contributions for the automatic annuity increase, plus an equal amount contributed by the State of Illinois, plus 4% interest credited on the beginning balance, less automatic annuity increase benefits and refunds paid. This reserve was eliminated during the fiscal year ending June 30, 1988.

(c) 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.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
Statements of Changes in Fund Balances (Reserved)
Years ended June 30, 1989 and 1988

	Participants' Contributions	Participants' Contributions: Retirement Annuities	Participants' Contributions: Survivors' Annuities	Automatic Annuity Increase	Future Operations	Total Fund Balance
Balance at June 30, 1987 as previously reported	$ -	$ 28,376,857	$ 11,957,500	$ 6,828,951	$ 91,782,761	$138,946,069
Restatement to record accrued compensated absences	-	-	-	-	(18,535)	(18,535)
Balance at June 30, 1987, as restated	$ -	$ 28,376,857	$ 11,957,500	$ 6,828,951	$ 91,764,226	$138,927,534
Add (deduct):						
Excess (deficiency) of revenues over expenses	6,334,243	-	-	-	1,272,659	7,606,902
Reserve transfers:						
Accumulated contributions of participants who retired or died with eligible survivor during the year	(3,083,478)	-	-	-	3,083,478	-
Transfers to combine reserves for Participants' Contributions into one reserve for Participants' Contributions	44,020,513	(28,376,857)	(11,957,500)	(3,686,156)	-	-
Transfer to eliminate reserve for Automatic Annuity Increase no longer required by Statutes	-	-	-	(3,142,795)	3,142,795	-
Balance at June 30, 1988	$ 47,271,278	$ -	$ -	$ -	$ 99,263,158	$146,534,436
Add (deduct):						
Excess (deficiency) of revenues over expenses	6,505,209	-	-	-	3,199,117	9,704,326
Reserve transfers:						
Accumulated contributions of participants who retired or died with eligible survivor during the year	(2,853,251)	-	-	-	2,853,251	-
Balance at June 30, 1989	$ 50,923,236	$ -	$ -	$ -	$105,315,526	$156,238,762

(11) Pension Disclosure

All of the System's full-time employees who are not eligible for another State-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a component unit of the State of Illinois reporting entity. The SERS is a single-employer public employee retirement system (PERS) in which the State's departments and agencies participate on a cost-sharing basis. The SERS issues a separate component unit financial report (CUFR). The financial position and results of operations of the SERS for fiscal year 1989 and GASB Statement No. 5 footnote disclosures are also included in the State's Comprehensive Annual Financial Report (CAFR) for the fiscal year ended June 30, 1989.

The System's covered payroll for fiscal year 1989 was $107,023.

The SERS was established in 1944 and is governed by Article 14 of the Illinois Pension Code. Employees who retire at or after age 60 with 8 years of credited service (or at age 55 with at least 30 years of service with reduced benefits) are entitled to an annual retirement benefit payable monthly for life, in an amount based upon final average compensation (average salary for the 48 consecutive month period within the last 120 months of service in which total compensation was the highest) and credited service. The SERS provides for annuities of 1.0% to 1.67% of final average compensation for each of the first 10 years of service, 1.1% to 1.9% for each of the next 10 years, 1.3% to 2.1% for each of the third ten years and 1.5% to 2.3% for each year over 30 years of service. The maximum pension payable is 75% of final average compensation. Employees with 35 years of credited service may retire at any age with full benefits. The SERS also provides occupational, nonoccupational disability and death benefits.

Employees are obligated to contribute to the SERS based upon their compensation. Employees coordinated with Social Security generally contribute 4% while those not coordinated contribute 8%. The payments of required System contributions, all allowances, annuities, benefits granted under Article 14 of the Illinois Pension Code and all expenses of administration of the system are obligations of the State of Illinois to the extent specified in the Illinois Pension Code.

The System's actuarially determined contribution requirement for fiscal year 1989 was $6,742, or 6.3% of the current year covered payroll. Actual contributions made by the System and its employees were $6,742 and $6,636, respectively. These amounts represent 6.3% and 6.2%, respectively, of the current year covered payroll.

The pension benefit obligation (PBO) below is the actuarial present value of credited projected benefits for all members of the SERS including the Agencies. It is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and any step-rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the PERS funding status on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due and make comparisons among PERS. The SERS does not make separate measurement of assets and pension benefit obligations for individual departments and agencies (or systems).

The pension benefit obligation at June 30, 1989, for the SERS as a whole, determined through an actuarial valuation at that date, was $3,752.1 million. The SERS net assets available for benefits on that date (valued at cost) was $2,580.2 million, leaving an unfunded pension benefit obligation of $1,171.9 million. The System's fiscal year 1989 contribution requirement represented .005% of total contributions required of all State agency/department employers participating in the SERS.

Ten-year historical trend information designed to provide information about the SERS progress made in accumulating sufficient assets to pay benefits when due is presented in its separately issued CUFR for the year ended June 30, 1989.

(12)Subsequent Event

On August 23, 1989, the Governor signed into law Public Act 86-0273. This law will have significant impact on the Judges' Retirement System of Illinois as relates to its Pension Benefit Obligation. The provision for compounded annual increases for annuitants and survivors, effective January 1, 1990, will increase the Pension Benefit Obligation and the related unfunded accrued benefit cost by an estimated $28,000,000. In addition, the law provides for the systematic amortization of the unfunded liability over a 40-year period utilizing the projected unit credit actuarial cost method. There is a seven-year phase in period in order to raise the employer contributions from the current level to the level necessary to meet the 40-year amortization amount.

Analysis of Funding Progress

Fiscal Year	(1) Net Assets Available for Benefits*	(2) Pension Benefit Obligation	(3) Percentage Funded (1)÷(2)	(4) Unfunded Pension Benefit Obligation (2)−(1)	(5) Annual Covered Payroll	(6) Unfunded Pension Benefit Obligation as a % of Covered Payroll (4)÷(5)
1987	$138,927,534	$307,064,068	45.2%	$168,136,534	$59,266,115	283.7%
1988	146,534,436	335,307,458	43.7%	188,773,022	62,366,208	302.7%
1989	156,238,762	319,402,592	48.9%	163,163,830	63,478,721	257.0%

*At cost

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and unfunded pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the System's funding status on a going-concern basis. Analysis of this percentage over time indicates whether the System is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the public employees' retirement system (PERS). Trends in unfunded pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the unfunded pension benefit obligation as a percentage of annual covered payroll approximately adjusts for the effects of inflation and aids analysis of the System's progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage, the stronger the PERS.

Revenues by Source and Expenses by Type

Revenues by Source

FY Ended June 30	Participants' Contributions	State of Illinois*	Income from Investments	Total
1980	3,560,258	7,673,027	5,030,280	16,263,565
1981	3,625,128	9,797,000	6,064,175	19,486,303
1982	3,777,339	6,703,000	6,612,346	17,092,685
1983	4,532,645	7,791,700	12,424,402	24,748,747
1984	5,140,219	5,645,600	9,655,020	20,440,839
1985	5,147,228	8,527,500	6,621,882	20,296,610
1986	5,983,871	9,345,100	15,225,759	30,554,730
1987	6,248,636	9,832,000	14,240,835	30,321,471
1988	6,885,514	9,137,000	9,666,884	25,689,398
1989	6,909,017	9,918,700	12,245,936	29,073,653

*Includes transfers from other Systems

Expenses by Type

FY Ended June 30	Benefits	Refunds	Admin. Expenses	Other	Total
1980	7,141,992	163,299	86,276	-	7,391,567
1981	8,242,283	283,044	94,644	-	8,619,971
1982	8,947,827	285,589	101,270	(156,910)	9,177,776
1983	9,704,670	156,519	110,597	-	9,971,786
1984	10,810,013	194,517	115,178	-	11,119,708
1985	12,352,558	263,219	118,866	-	12,734,643
1986	13,616,195	600,279	128,558	-	14,345,032
1987	15,376,535	283,090	153,973	-	15,813,598
1988	17,382,718	551,268	148,510	-	18,082,496
1989	18,776,253	421,138	171,936	-	19,369,327

Analysis of Employer Contributions — Fiscal Year 1989 and 1988

Fiscal Year	Employer Contribution Required (A)	Employer Contribution Made	Contribution Required in Excess of Contribution Made
1988	$20,182,837	$9,137,000	$11,045,837
1989	21,990,938	9,918,700	12,072,238

(A)=Prior to Fiscal Year, 1988 the actuary did not determine an "Employer Contribution Required" amount.

SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 1989 and 1988

	1989	1988
Contributions:		
Participants	$ 6,909,017	$ 6,885,514
General Revenue	$ 9,130,800	$ 8,612,000
State Pension Fund	787,900	525,000
Total State contributions	$ 9,918,700	$ 9,137,000
Total contributions revenue	$16,827,717	$16,022,514
Investments:		
Net investments income	$ 8,837,104	$ 8,121,347
Interest earned on cash balances	149,055	176,693
Net realized gain on sale of investments	3,259,777	1,368,844
Total Investments revenue	$12,245,936	$ 9,666,884
Total Revenue	$29,073,653	$25,689,398

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 1989 and 1988

	1989	1988
Cash balance, beginning of year	$ 935,712	$ 2,960,362
Receipts:		
Participant contributions	$ 6,893,371	$ 6,838,661
State of Illinois contributions:		
General Revenue Fund	9,130,800	8,612,000
State Pension Fund	787,900	525,000
Interest income on cash balances	146,449	187,021
Cancellation of Administrative Expense	95,882	97,057
Transfer from Illinois State Board of Investment	2,000,000	-
Total cash receipts	$19,054,402	$16,259,739
Disbursements:		
Benefit payments:		
Retirement annuities	$13,422,598	$12,637,841
Survivors' annuities	3,576,210	3,192,326
Automatic annuity increase	1,767,453	1,563,051
Refunds	303,403	629,746
Administrative expenses	263,871	261,425
Total cash disbursements	$19,333,535	$18,284,389
Cash balance, end of year	$ 656,579	$ 935,712

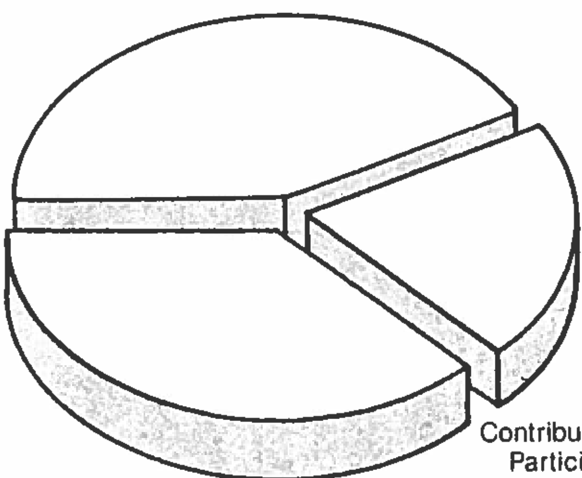
REVENUES

Total revenue of $29,073.7 thousand for FY 1989 was a $3,384.3 thousand increase from the FY 1988 level of $25,689.4 thousand. Net income from investments and net realized gains on sales of investments were significantly greater than the prior fiscal year. State contributions show an increase of 8.6% ($781.7 thousand). Participant contributions were $23.5 thousand (.3%) higher than for FY 1988.

Revenue Source	FY 89 (Thousands)	FY 88 (Thousands)	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Participant Contributions	$ 6,909.0	$ 6,885.5	$ 23.5	.3%
State Contributions	9,918.7	9,137.0	781.7	8.6%
Investment Income	12,246.0	9,666.9	2,579.1	26.7%
Total	$29,073.7	$25,689.4	$3,384.3	13.2%

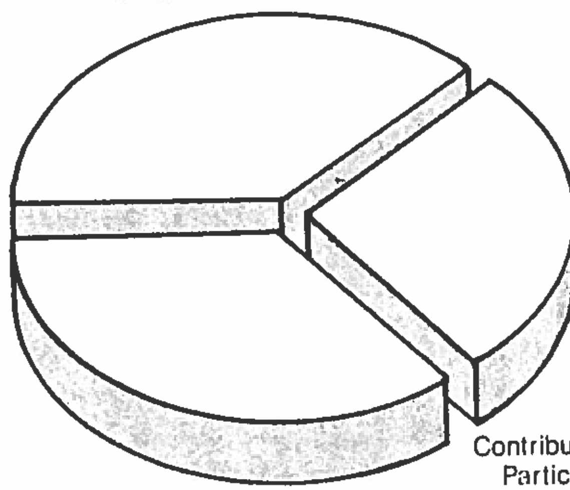
REVENUES BY SOURCE 1989

TOTAL REVENUES
$29,073.7 Thousand



REVENUES BY SOURCE 1988

TOTAL REVENUES
$25,689.4 Thousand



Gross investment income for 1989 of $9,258,174, less the Investment Board's administrative expenses of $421,070, resulted in net investment income of $8,837,104. This amount, when combined with the net realized gain on sale of investments of $3,259,777, provided net revenue from investments of $12,096,881. Cash transfers from the Illinois State Board of Investment were $2,000,000 during FY 1989. The balance of investments at cost increased by $10,096,881 from June 30, 1988 thru June 30, 1989. The following table shows a comparison of investment operations for FY 1989 and FY 1988.

	1989	1988	Increase/(Decrease) Amount	Percentage
Balance at beginning of year, at cost	$ 145,612,106	$ 136,121,915	$ 9,490,191	7.0%
Cash transferred from ISBI	(2,000,000)	-	2,000,000	100.0%
Investment income:				
Commingled Fund income	$ 9,258,174	$ 8,467,440	$ 790,734	9.3%
Less Expenses	(421,070)	(346,093)	74,977	21.7%
Net investment income	$ 8,837,104	$ 8,121,347	$ 715,757	8.8%
Distributed Net Realized Gain on Sale of Investments	$ 3,259,777	$ 1,368,844	$ 1,890,933	138.1%
Balance at end of year, at cost	$ 155,708,987	$ 145,612,106	$ 10,096,881	6.9%
Market value	$ 172,623,478	$ 152,844,556	$ 19,778,922	12.9%

In addition, interest on the average balance in the System Trust Fund's account for FY 1989 was $149,055 compared to $176,693 during FY 1988.

EXPENSES

The number of participants receiving retirement annuities on June 30, 1989 was 5.5% above the June 30, 1988 level. The cost of these annuities increased by 6.3% over the FY 1988 level. Survivor annuities did not increase in number, however there was a 12.3% increase in dollar costs.

	FY 89 (Thousands)	FY 88 (Thousands)	Increase/(Decrease) Amount	Percentage
Retirement annuities	$13,427.0	$12,630.5	$ 796.5	6.3%
Survivors' annuities	3,581.4	3,189.6	391.8	12.3%
Automatic annuity increase	1,767.9	1,562.6	205.3	13.1%
Refunds	421.1	551.3	(130.2)	(23.6)%
Administrative expense	171.9	148.5	23.4	15.8%
TOTAL EXPENSES	$19,369.3	$18,082.5	$1,286.8	7.1%

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1988	New Claims Processed During FY 89	Benefits Ceased During FY 89	FY Ended June 30, 1989	Increase/(Decrease) Amount	Percentage
Retirement	348	36	17	367	19	5.5%
Survivors	242	17	17	242	0	0.0%
TOTALS	590	53	34	609	19	3.2%

RESERVES

As of June 30, 1989, the funds available for payment of current and future benefits were $156,238.8 thousand as shown in the following schedule:

Assets	FY 89 (Thousands)	FY 88 (Thousands)	Increase (Decrease)
Cash	$ 656.6	$ 935.7	$ (279.1)
Receivables (less payables)	(147.1)	(34.0)	(113.1)
Investments	155,709.0	145,612.1	10,096.9
Fixed Assets (net of accumulated depreciation)	20.3	20.6	(.3)
NET ASSETS	$156,238.8	$146,534.4	$ 9,704.4

Total System revenues for FY 1989 of $29,073.7 thousand less expenditures of $19,369.3 thousand resulted in a net increase to reserves of $9,704.4 thousand.

Reserves	FY 89 (Thousands)	FY 88 (Thousands)	Net Increase
Participants' Contributions	$ 50,923.2	$ 47,271.3	$3,651.9
Future Operations	105,315.6	99,263.1	6,052.5
TOTAL RESERVES	$156,238.8	$146,534.4	$9,704.4

Participant contributions transferred to the Reserve for Future Operations due to retirement or death of active participants during the year amounted to $2,853.3 thousand.

Actuarial Section

S. Goldstein and Associates
consulting actuaries

One North LaSalle Street
Suite 4220
Chicago, Illinois 60602
(312) 726-5877

October 19, 1989

Board of Trustees and Executive Secretary
Judges' Retirement System of Illinois
2815 West Washington Street
P.O. Box 19255
Springfield, Illinois 62794-9255

ACTUARIAL CERTIFICATION

I have completed the annual actuarial valuation of the Judges' Retirement System of Illinois as of June 30, 1989. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system. The actuarial assumptions used for the current valuation were similar to those used for the last valuation except that the interest rate assumption was increased from 7.5% to 8.0%, resulting in a decrease of approximately 5.2% in the total actuarial liability.

Senate Bill 95 which was signed into law on August 23, 1989 as Public Act 86-0273 made a number of changes in the provisions of the system. The benefit changes made under Public Act 86-0273 were not taken into account in determining the actuarial liability as of June 30, 1989, as they were enacted after June 30, 1989. However, they were taken into account in determining State contribution requirements for Fiscal Years 1991-1996. The major changes enacted under Public Act 86-0273 are as follows: (1) Provides that the 3% automatic annual increase in retirement annuity shall be based on the current amount of annuity instead of the original amount of annuity; (2) Provides for 3% automatic annual increases in surviving spouse's annuities, based on the current amount of annuity; and (3) Provides that annual State appropriations shall be sufficient to meet the normal cost and amortize the unfunded liability over 40 years as a level percent of payroll, after an initial phase-in period ending June 30, 1996.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every three years and recommend as a result of such investigation the actuarial assumptions to be adopted. As the actuary, I have completed such an experience analysis for the three years ending June 30, 1987 and the assumptions used for the current valuation were based on that study. I believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

S. Goldstein and Associates
consulting actuaries

Contribution rates have been determined providing for the normal cost plus an amortization of the unfunded actuarial liability as required under Public Act 86-0273. Normal cost rates are expected to remain constant as a percent of payroll, while the amortization contribution rate will increase in equal annual increments from the 1990 fiscal year rate until the 1996 fiscal year rate is reached. The total contribution rate can thus be expected to rise gradually until fiscal year 1996, remain level until fiscal year 2035, and then drop to a constant normal cost rate. Employer contributions in recent years have been less than that required under this new financing plan.

The asset values used for the valuation were based on the asset information reported by the Illinois State Board of Investment. For purposes of the valuation, the value of assets at cost was increased by the average excess of market value over cost as of the last three year ends. The liabilities have been based on the membership data which was supplied by the administrative staff of the system and verified by the system's auditor. I have made additional tests to ensure its accuracy.

In my opinion, the following schedule of valuation results fairly presents the financial condition of the Judges' Retirement System of Illinois as of June 30, 1989. The contribution rates determined are in compliance with the provisions of the funding plan enacted under Public Act 86-0273.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein
Fellow of the Society of Actuaries
Enrolled Actuary No. 3402

INTRODUCTION

For many years, the state's contribution to the System has been based on projected benefit payments (payout). For FY 1989, regular state appropriations were made at a level of 44% of the System projected payout.

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 a rate of contribution, based upon participants' compensation, required to be paid to the System 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 Article 18-131 of the Illinois Revised Statutes.

The statutes do not currently specify any particular funding method to be utilized by the System; nor, is the amortization period to be used for prior unfunded service costs currently specified in the law.

Based upon the state's funding method described above, the System, in recent years, has not received the minimum actuarially determined employer contribution amount.

The underfunding of employer contributions places undue pressure on one of the other major sources of revenue to the System, namely income from investments, to consistently provide an increasing percentage of total fund revenue. In recent years, the higher than assumed rate of return on investments distorts the fact that employer contributions have not kept pace with prior, current, and future estimated benefit costs.

In an attempt to address the pension funding dilemma, the state legislature passed S.B.95, which provides for a standardized funding method (projected unit credit) and a specified term for the amortization of prior unfunded pension costs (40 years, level percentage of payroll). There is a seven-year phase in period of the required employer contributions to attain the 40-year amortization level. The phase in period begins in FY 1990.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit 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 participants' projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

A description of the actuarial assumptions utilized for FY-89 and FY-88 follows:

Mortality Rates: The UP-1984 Mortality Table was used for the valuation.

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
30	.054
35	.030
40	.012
45	.045
50	.003
55	.000

Disability Rates: Disability rates based on the recent experience of the System as well as on published disability rate tables were used. The following is a sample of the disability rates that were used for the valuation:

Age	Rate of Disability
30	.00057
35	.00064
40	.00083
45	.00115
50	.00170

Retirement Rates: Rates of retirement for each age from 55 to 75 based on the recent experience of the System were used. The following are samples of the rates of retirement that were used:

Age	Rate of Retirement
55	.04
60	.10
65	.05
70	.10
75	1.00

The above retirement rates are equivalent to an average retirement age of approximately 66.

Salary Increase: A salary increase assumption of 6.0% per year, compounded annually, was used.

Interest Rate: The interest rate assumption was increased to 8.0% per year, compounded annually, for FY-89. An interest rate assumption of 7.5% per year, compounded annually, was used for FY-88.

Marital Status: It was assumed that 75% of active participants will be married at the time of retirement.

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

VALUATION RESULTS

Actuarial Liability (Reserves):	FY-89	FY-88
For Active Participants:		
Basic retirement annuity	$ 89,859,711	$100,230,138
Annual increase in retirement annuity	14,074,271	16,762,699
Pre-retirement survivors' annuity	17,949,976	19,208,711
Post-retirement survivors' annuity	20,836,705	23,454,747
Withdrawal benefits	892,479	943,857
Disability benefits	1,027,559	1,034,964
Total	$144,640,701	$161,635,116
For Participants Receiving Benefits:		
Retirement annuities	$142,037,121	$144,220,117
Survivor annuities	26,909,293	27,292,930
Total	$168,946,414	$171,513,047
For Inactive Participants	$ 5,815,477	$ 2,159,295
Total Actuarial Liability	$319,402,592	$335,307,458
Assets, Book Value (Cost)	156,238,762	146,534,436
Unfunded Actuarial Liability	$163,163,830	$188,773,022

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 participant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for service already rendered by active participants. In a system that has been following level percent of payroll financing, the liabilities for active participant contributions on deposit (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.

The State of Illinois, however, has funded the System based on benefit payout, a level which increases over time reflecting a larger work force and higher salary levels.

Computed Actuarial Values

	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
Fiscal Year	(1) Active Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active Participants (Employer Financed Portion)	Net Real Assets	(1)	(2)	(3)
1983	$31,614,699	$104,787,674	$161,204,995	$ 91,326,865	100%	57.0%	-
1984	35,201,444	131,606,634	213,229,417	100,647,996	100	49.7	-
1985	37,395,886	157,415,057	277,686,503	108,209,963	100	45.0	-
1986	40,584,225	212,608,346	361,909,545	124,419,661	100	39.4	-
1987	44,020,513	154,453,849	108,589,706	138,927,534	100	61.4	-
1988	47,271,278	171,513,047	116,523,133	146,534,436	100	57.9	-
1989	50,923,236	168,946,414	99,532,942	156,238,762	100	62.3	-

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. (It should be noted that the improvement reflected in the following schedule for recent years results primarily from significant realized gains on the sale of investments previously described and the change in the actuarial interest rate assumption from 7.5% to 8.0% during fiscal year 1989.)

	Rate of Funding			
Fiscal Year	Reserve Requirement	Net Real Assets	Unfunded Accrued Liabilities	Rate of Funding
1983	$297,607,368	$ 91,326,865	$206,280,503	30.7%
1984	380,037,495	100,647,996	279,389,499	26.5%
1985	472,497,446	108,209,963	364,287,483	22.9%
1986	615,102,116	124,419,661	490,682,455	20.2%
1987	307,064,068	138,927,534	168,136,534	45.2%
1988	335,307,458	146,534,436	188,773,022	43.7%
1989	319,402,592	156,238,762	163,163,830	48.9%

BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

	Annuitants				Survivors				
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
1980	221	36	24	233	160	12	7	165	398
1981	233	40	5	268	165	14	8	171	439
1982	268	10	16	262	171	22	10	183	445
1983	262	29	13	278	183	17	14	186	464
1984	278	23	14	287	186	19	5	200	487
1985	287	41	13	315	200	15	8	207	522
1986	315	34	24	325	207	22	18	211	536
1987	325	31	19	337	211	23	11	223	560
1988	337	39	28	348	223	33	14	242	590
1989	348	36	17	367	242	17	17	242	609

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY-89	FY-88
Unfunded actuarial liability at Beginning of FY	$ 188,773,022	$ 168,136,534
Employer contribution requirement of normal cost plus interest on the unfunded liability	$ 21,990,938	$ 20,182,837
Actual employer contribution for the year	9,918,700	9,137,000
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	$ 12,072,238	$ 11,045,837
(Decrease) in unfunded liability due to investment return greater than assumed	(1,054,000)	(69,000)
(Decrease) in unfunded liability due to increase in interest rate assumption from 7.5% to 8.0%	(17,527,568)	-
(Decrease) in unfunded liability due to salary increases less than assumed	(8,688,000)	(1,616,000)
Increase/(Decrease) in unfunded liability due to other sources	(10,411,862)	11,275,651
Total Actuarial (Gains) Losses	$ (37,681,430)	$ 9,590,651
Net Increase/(Decrease) in unfunded liability for the year	$ (25,609,192)	$ 20,636,488
Unfunded actuarial liability at End of FY	$ 163,163,830	$ 188,773,022

Investment Section

Investment Report

Investment Portfolio Summary

Analysis of Investment Performance

INVESTMENT REPORT

By state law the System's investment function is managed by the Illinois State Board of Investment (ISBI Board). The ISBI Board 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. At the end of the fiscal year, in addition to the assets of the Judges' Retirement System, the ISBI Board also managed the investment function for the State Employees' and General Assembly Retirement Systems. As of June 30, 1989, total net assets under management valued at market, amounted to $3.049 billion. Of the total assets under management, $172.6 million or 5.7% represented assets of the Judges' Retirement System.

Management Approach

The ISBI Board manages the Fund in accordance with the "prudent person rule" as adopted by the Illinois General Assembly in 1982. The ISBI Board has established a long-range investment policy which, in line with the prudent person rule, affirms that the Fund's objective is to provide the greatest possible long-term benefits through maximization of the total return of the Fund, within prudent risk parameters. Further, it is the ISBI Board's philosophy that the assets owned by the participating systems and managed by the ISBI Board are held for the exclusive purpose of providing benefits to the participants and annuitants of the respective retirement systems and their beneficiaries.

In line with this philosophy, the ISBI Board from time to time evaluates its asset allocation which is considered by many to be the single most important factor in pension investment management. The three major asset classes are: bonds, equities and cash; with smaller positions being allocated to real estate, venture capital and other alternative investments.

Total Fund Results

As a result of the continuing recovery in the equity markets from the October, 1987 crash and as a result of the diversification of asset allocations by the ISBI Board, the Fund achieved a rate of return of 14.3% for the fiscal year ending June 30, 1989. Despite the somewhat defensive posture the ISBI Board has taken in determining acceptable risk and in determining asset allocation due to the relatively small amount of new investment capital from its member systems, the Fund was in the upper 40th percentile of performance by SEI State Retirement System Universe during the last fiscal year.

When viewed over the seven year period since the adoption of the prudent person legislation, the Fund has produced a compounded annual rate of return of 14.9%. The last three and five year returns were 8.4% and 14.1%, respectively. These results are far in excess of the ISBI Board's stated goal of producing total returns of 1½% to 3% in excess of the actuarial assumptions used by the three retirement systems.

No major changes in asset allocation were effectuated during the fiscal year. Maintaining a relatively low average allocation to cash during the year benefited the total Fund performance as cash was the poorest performing asset class.

During the last fiscal year, the ISBI Board and an investment consultant engaged for such purpose, made a detailed study of long-term investment opportunities in foreign securities. This review resulted in the ISBI Board adopting a policy of committing up to 10% of its assets to non-dollar equities. In doing so, the ISBI Board recognized that such securities represent a significant and increasing percentage of the world market place and that it is in the best interest of the Fund to participate in these investment opportunities. The primary objective being to further diversify the Fund's equity portfolio by asset allocation and to primarily utilize active external managers to accomplish this objective.

Fixed Income Results

The largest portion of the fixed income component is managed internally in a portfolio having an objective of outperforming the Shearson/Lehman Aggregate Bond Index. The internally managed account did outperform that benchmark by achieving a return of 12.6% versus 12.2%. Funds managed by the convertible bond and high-yield external managers are also included in fixed income allocation.

Comparative returns of the composite of the funds allocated to the fixed income managers and the benchmark indices are set forth below:

	1 Year	3 Years	5 Years
ISBI	12.0%	9.0%	15.3%
Shearson Lehman G/C	12.3%	8.1%	14.4%
Shearson Lehman A/C	12.2%	8.6%	14.8%

Equity Results

There were no changes made in fiscal year 1989 to the equity investment manager team. As previously noted, the internally managed portfolios were earmarked as the funding source for the new non-dollar equity allocation. Liquidation of a significant portion of each of the internal portfolios began in March (and will continue into fiscal year 1990), well ahead of the anticipated funding dates of the five international and global managers. This was done in order to reduce the negative market impact of selling the holdings of these largely small capitalization stock portfolios. The Fund's overall equity exposure was maintained at approximately 42% by buying S&P 500 futures contracts as stocks were sold.

The composite return of the funds managed by the ten external and two internal equity managers was 17.0% versus the S&P 500's return of 20.6% for the fiscal year. Returns for additional time periods are set forth below:

	1 Year	3 Years	5 Years
ISBI	17.0%	8.5%	14.2%
S&P 500	20.6%	12.0%	19.2%

Real Estate

The ISBI Board continued to diversify the real estate portfolio by approving commitments to the Zell/Merrill Lynch Real Estate Opportunity Partners L.P., which makes equity investments in undervalued and opportunistic real estate assets; the AMLI Land Development L.P., which acquires and improves parcels of land suitable for development; and the JMB Acquisition Partners L.P., which will acquire entire companies or divisions of companies where interests in real estate assets constitute the majority of the investment.

The real estate portfolio represents 9.8% of the total Fund which is very near the ISBI Board's target allocation for this asset class of 10%. The composite real estate portfolio achieved a total return of 11.0% for the fiscal year, which placed it in the upper quartile of return for real estate funds as tracked by Callan Associates.

Non-Marketable Equity Interests

This allocation grew from 2.2% of the total Fund at the beginning of the year to 3.4% at the end of the year as commitments were funded and investments appreciated. The combined return for the fiscal year on these limited partnerships (largely represented by equity interests in privately held companies) was 29.0%, which was largely attributed to income and appreciation in the Kohlberg Kravis Roberts & Co. limited partnership which exceeded 33%. As outstanding commitments are funded, the ISBI Board's target allocation to these alternative investments of 5% will be achieved.

Management Expense

Total operating expenses for the fiscal year were $7,382,920 as compared to $6,059,008 for the previous fiscal year. The expense ratio (expenses divided by assets under management) increased slightly from .23% to .26% reflecting a full year of external management fees versus a partial year for the convertible bond and high-yield external managers and the software design cost of a new accounting system. The Judges' Retirement System's share to total operating expenses amounted to $421,070.

Additional Information

For additional information regarding the System's investment function, please refer to the Annual Report of the Illinois State Board of Investment, June 30, 1989. A copy of the report can be obtained from the Board at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 1989 Market Value	Percentage	June 30, 1988 Market Value	Percentage
Fixed Income	$ 1,121,947,822	36.8%	$ 1,100,732,282	41.2%
Equities	1,273,481,163	41.8%	1,067,817,434	40.0%
Cash	215,019,994	7.0%	162,488,906	6.1%
Real Estate	289,133,658	9.5%	254,227,296	9.5%
Non-Marketable	104,600,570	3.4%	57,642,361	2.2%
	$ 3,004,183,207	98.5%	$ 2,642,908,279	99.0%
Other assets, less liabilities	45,078,925	1.5%	26,276,144	1.0%
Net assets at market value	$ 3,049,262,132*	100.0%	$ 2,669,184,423*	100.0%
Net assets, at cost	$ 2,752,152,181*		$ 2,542,296,711*	

*These amounts represent the total assets under management of the Illinois State Board of Investment. The assets of the Judges' Retirement System at market and cost for fiscal year 1989 were $172,623,478 and $155,708,987, respectively. For fiscal year 1988 the market and cost values were $152,844,556 and $145,612,106, respectively.

ANALYSIS OF INVESTMENT PERFORMANCE

	1989	1988	1987	1986	1985
Total Return* - Past 3 years		8.4%			
Total Return* - Past 5 years			14.1%		
Total Return* - year by year	14.3%	2.5%	8.8%	24.6%	22.0%
Actuarial Assumed Rate of Return	8.0%	7.5%		6.0%	
Average Net Income Yield*	5.7%	5.6%	5.3%	6.4%	7.3%
Comparative rates of return on fixed income securities					
Total fixed income — ISBI	12.0%	9.3%	5.7%	17.9%	34.9%
Comparison index: Shearson Lehman Government/ Corporate Bond Index	12.3%	7.5%	4.7%	20.6%	28.7%
Comparative rates of return on equities					
Total equities - ISBI	17.0%	(4.6)%	14.4%	36.5%	15.8%
Comparison index: S & P 500	20.6%	(6.9)%	25.1%	35.7%	30.7%

*Total return is the combined effect of income earned and market appreciation (depreciation). Average net income yield is the income earned for the year divided by the average market value of assets employed.

Statistical Section

BALANCE SHEET ASSETS

Fiscal Year Ended June 30	Cash	Receivables	Investments at Cost	Fixed Assets Net of Accumulated Depreciation	Total
1980	$ 951,039	$ 42,307	$ 59,903,961	$ 3,778	$ 60,901,085
1981	989,338	44,055	70,763,377	3,104	71,799,874
1982	2,356,261	128,493	74,123,555	3,389	76,611,698
1983	3,000,910	66,965	88,259,424	2,696	91,329,995
1984	1,406,567	58,749	99,193,192	2,245	100,660,753
1985	1,144,841	42,044	107,132,974	1,828	108,321,687
1986	2,351,774	45,673	122,130,095	1,302	124,528,844
1987	2,960,362	50,340	136,121,915	933	139,133,550
1988	935,712	102,135	145,612,106	20,604	146,670,557
1989	656,579	115,778	155,708,987	20,298	156,501,642

BALANCE SHEET LIABILITIES AND FUND BALANCE

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Automatic Annuity Increase	Reserve for Future Operations	Total
1980	$ 2,496	$22,588,674	$4,881,873	$33,428,042	$60,901,085
1981	34,953	24,196,382	5,344,469	42,224,070	71,799,874
1982	61,794	26,594,491	5,688,541	44,266,872	76,611,698
1983	3,130	29,130,077	6,102,502	56,094,286	91,329,995
1984	12,757	32,382,585	6,426,655	61,838,756	100,660,753
1985	111,724	34,388,865	6,592,138	67,228,960	108,321,687
1986	109,183	37,223,582	6,718,637	80,477,442	124,528,844
1987	206,016	40,334,357	6,828,951	91,764,226	139,133,550
1988	136,121	47,271,278	-	99,263,158	146,670,557
1989	262,880	50,923,236	-	105,315,526	156,501,642

REVENUES BY SOURCE

Fiscal year Ended June 30	Participant Contributions	State of Illinois*	Income From Investments	Total
1980	$3,560,258	$7,673,027	$ 5,030,280	$16,263,565
1981	3,625,128	9,797,000	6,064,175	19,486,303
1982	3,777,339	6,703,000	6,612,346	17,092,685
1983	4,532,645	7,791,700	12,424,402	24,748,747
1984	5,140,219	5,645,600	9,655,020	20,440,839
1985	5,147,228	8,527,500	6,621,882	20,296,610
1986	5,983,871	9,345,100	15,225,759	30,554,730
1987	6,248,636	9,832,000	14,240,835	30,321,471
1988	6,885,514	9,137,000	9,666,884	25,689,398
1989	6,909,017	9,918,700	12,245,936	29,073,653

*Includes transfers from other Systems

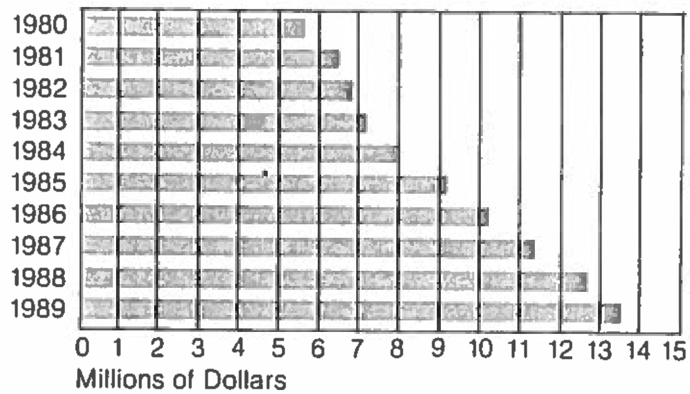
EXPENSES BY TYPE

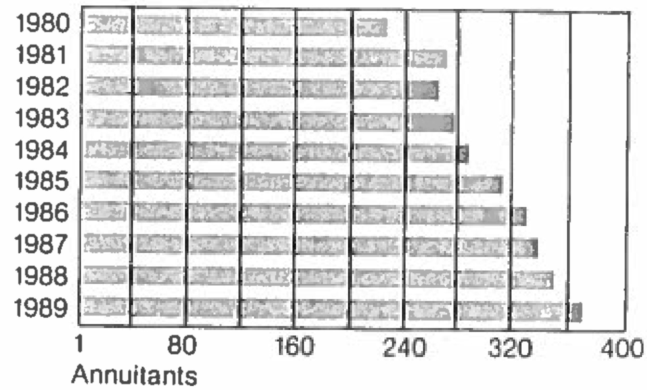
Fiscal Year Ended June 30	Benefits	Refunds	Adminsitrative Expenses	Others	Total
1980	$ 7,141,992	$163,299	$ 86,276	$ -	$ 7,391,567
1981	8,242,283	283,044	94,644	-	8,619,971
1982	8,947,827	285,589	101,270	(156,910)	9,177,776
1983	9,704,670	156,519	110,597	-	9,971,786
1984	10,810,013	194,517	115,178	-	11,119,708
1985	12,352,558	263,219	118,866	-	12,734,643
1986	13,616,195	600,279	128,558	-	14,345,032
1987	15,376,535	283,090	153,973	-	15,813,598
1988	17,382,718	551,268	148,510	-	18,082,496
1989	18,776,253	421,138	171,936	-	19,369,327

BENEFIT EXPENSES BY TYPE

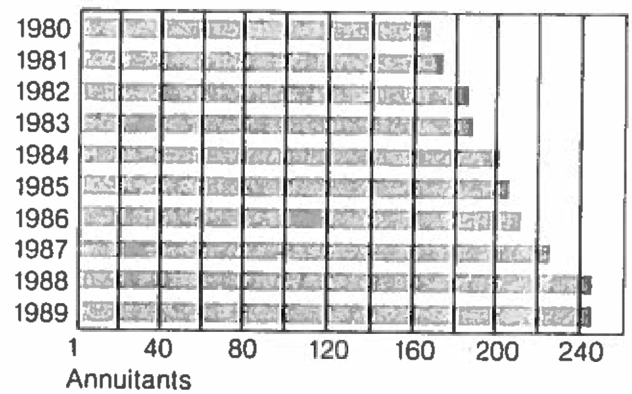
Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities	Automatic Annuity Increase	Total
1980	$ 5,582,476	$1,299,864	$ 259,652	$ 7,141,992
1981	6,398,782	1,468,178	375,323	8,242,283
1982	6,770,062	1,644,884	532,881	8,947,827
1983	7,181,511	1,836,996	686,163	9,704,670
1984	7,956,659	2,006,566	846,788	10,810,013
1985	9,149,321	2,188,472	1,014,765	12,352,558
1986	10,031,443	2,401,379	1,183,373	13,616,195
1987	11,206,422	2,818,899	1,351,214	15,376,535
1988	12,630,509	3,189,583	1,562,626	17,382,718
1989	13,426,943	3,581,432	1,767,878	18,776,253

Retirement Annuities

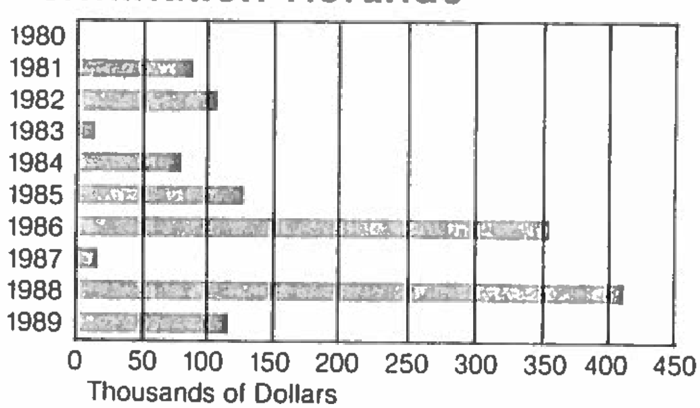


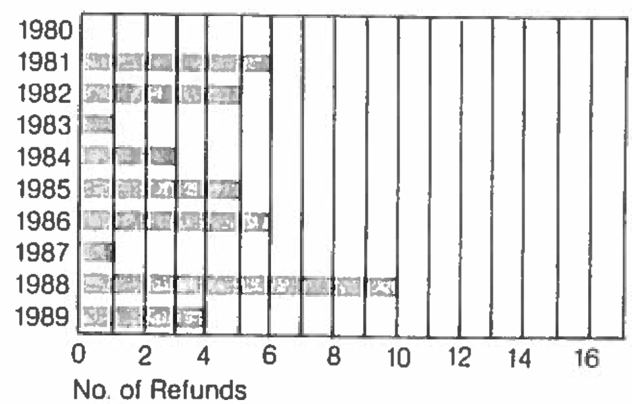


Survivor Annuities



Termination Refunds





NUMBER OF RECURRING BENEFIT PAYMENTS

at June 30	Retirement Annuities	Survivors' Annuities	Total
1980	233	165	398
1981	268	171	439
1982	262	183	445
1983	278	186	464
1984	287	200	487
1985	315	207	522
1986	325	211	536
1987	337	223	560
1988	348	242	590
1989	367	242	609

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1980	-	$ -
1981	6	91,449
1982	5	105,630
1983	1	11,639
1984	3	78,104
1985	5	127,081
1986	6	352,897
1987	1	14,551
1988	10	411,577
1989	4	115,097

ACTIVE RETIREES BY STATE

State	Number
ALABAMA	0
ALASKA	0
ARIZONA	7
ARKANSAS	1
CALIFORNIA	4
COLORADO	0
CONNECTICUT	0
DELAWARE	0
DISTRICT OF COLUMBIA	0
FLORIDA	16
GEORGIA	0
HAWAII	0
IDAHO	0
ILLINOIS	323
INDIANA	0
IOWA	0
KANSAS	0
KENTUCKY	0
LOUISIANA	0
MAINE	0
MARYLAND	2
MASSACHUSETTS	0
MICHIGAN	3
MINNESOTA	0
MISSISSIPPI	0
MISSOURI	1
MONTANA	0
NEBRASKA	0
NEVADA	0
NEW HAMPSHIRE	0
NEW JERSEY	0
NEW MEXICO	0
NEW YORK	0
NORTH CAROLINA	2
NORTH DAKOTA	0
OHIO	0
OKLAHOMA	1
OREGON	0
PENNSYLVANIA	1
RHODE ISLAND	0
SOUTH CAROLINA	1
SOUTH DAKOTA	0
TENNESSEE	0
TEXAS	1
UTAH	0
VERMONT	0
VIRGINIA	2
WASHINGTON	0
WEST VIRGINIA	0
WISCONSIN	2
WYOMING	0
OTHER COUNTRIES	0
TOTAL	367

NUMBER ON ACTIVE PAYROLLS

at June 30	Supreme Court	Appellate Court	Circuit Court	Associate Court	Cook County Magistrate	Downstate Magistrate	Retired Judges Recalled	Admin. Court	Total
1980	7	30	166	200	132	156	14	1	706
1981	7	32	168	209	137	159	10	1	723
1982	7	32	167	206	140	162	12	1	727
1983	7	34	168	210	136	176	12	1	744
1984	7	33	166	205	152	179	13	1	756
1985	7	31	169	211	165	180	18	1	782
1986	7	27	166	206	163	185	14	-	768
1987	7	31	170	210	167	194	15	-	794
1988	7	32	165	206	178	195	13	-	796
1989	7	37	170	211	189	197	18	-	829

RETIREMENT ANNUITANTS STATISTICS

	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980
1. Average annual annuity	$43,402	$40,990	$38,739	$35,849	$33,451	$30,743	$29,738	$27,825	$27,206	$25,940
2. Average age at retirement	65.0	64.9	64.9	65.0	65.3	65.2	65.6	65.5	66.0	65.7
3. Average length of service	72.1	72.0	71.9	71.8	72.1	71.9	72.0	71.6	71.3	70.8
4. Average annual salary at retirement	17.8	18.0	18.2	17.9	18.1	17.9	18.2	18.4	18.4	18.7
5. Average age at June 30	$55,932	$52,802	$49,389	$46,440	$43,442	$40,572	$39,154	$37,171	$37,068	$35,086
6. Proportion of married annuitants	79.0%	80.2%	82.2%	82.8%	82.2%	82.2%	83.5%	84.4%	85.4%	89.7%
7. Average annual annuity to an eligible spouse	$30,209	$28,117	$26,384	$24,571	$22,926	$20,825	$20,208	$18,887	$18,457	$17,678

NUMBER OF PARTICIPANTS

	Active				Inactive				
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
1980	701	53	48	706	26	4	1	29	735
1981	706	78	61	723	29	7	5	31	754
1982	723	23	19	727	31	1	15	17	744
1983	727	53	36	744	17	4	2	19	763
1984	744	48	36	756	19	1	1	19	775
1985	756	81	55	782	19	3	4	18	800
1986	782	28	42	768	18	0	7	11	779
1987	768	74	48	794	11	5	1	15	809
1988	794	58	56	796	15	5	5	15	811
1989	796	73	48	821	15	11	4	22	843

Plan Summary and Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 1989)

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.

2. ADMINISTRATION

Responsibility for the operation of the System and the direction of its policies is vested in a Board of Trustees consisting of 5 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 insure 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%
	11.0%

A married judge who elects not to participate in the survivors' annuity benefit or an unmarried judge is not required to contribute for such benefit and total contributions would be 8.5% of salary. Contributions for survivors' annuity are not required to qualify an eligible child for a child's annuity.

A participant with at least 20 years of service and age 60 or over may elect to discontinue contributions and have benefits "frozen" based upon the applicable salary in effect immediately prior to the effective date of such election. The election, once made, is irrevocable.

5. RETIREMENT ANNUITY

A. Qualification of Participant

Upon termination of service, a judge is eligible for a retirement annuity at age 60 with at least 10 years of credit; at age 62 with at least 6 years of credit; or at age 55 with at least 10 years of credit with the annuity reduced ½ of 1% for each month under age 60.

B. Amount of Annuity

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 final salary on the last day of employment as a judge after 20 years of service except for judges who became members on or after January 1, 1983, in which situation, the maximum annuity would be based on the average salary for the final year of service as a judge.

C. Annual Increases in Retirement Annuity

Post retirement increases of 3% of the original 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.

D. Suspension of Retirement Annuity

The retirement annuity to any judge shall be suspended during any period the annuitant is employed for compensation by the State of Illinois or by any County in Illinois.

If the provisions of the Retirement Systems' Reciprocal Act are elected at retirement, any employment which would result in the suspension of benefits under any of the retirement systems being considered would also cause the annuity payment by the Judges' Retirement System to be suspended.

6. SURVIVORS' ANNUITY

A. Qualification of Survivor

If death occurs while in service as a judge, the judge must have established 1½ 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 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 or over age 18 if mentally or physically disabled. 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, the surviving spouse would be eligible to 7½% of salary or 66⅔% 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 66⅔% of earned retirement annuity, whichever is greater.

If the participant's death occurs after termination of service or retirement, the surviving spouse is eligible to 66⅔% of earned retirement annuity. Eligible children would receive a survivors' annuity equal to the benefit of surviving children of a participant in service.

C. Duration of Payment

When all children, except for disabled children, are ineligible because of death, marriage or attainment of age 18, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age. A surviving spouse who remarries prior to age 50 would be disqualified for any future benefit payments.

7. DEATH BENEFITS

The following lump sum death benefits are considered only if there are no eligible survivors' annuity beneficiaries surviving the deceased participant.

A. Before Retirement

If the participant's death occurs while in service, 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.

C. 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. Total and Permanent 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 Workmen's Compensation Act and the Workmen's 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 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.

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

LEGISLATION

NEW LEGISLATION - Amendments with an effective date subsequent to June 30, 1989, affecting the operation of the System.

SENATE BILL 95

1. Eliminates from consideration as salary, any imputed income a participant might be receiving resulting from federal law based on the value of group term life insurance provided by the State.

2. Permits a judge whose service terminated before January 26, 1988 and whose pension payments began after January 1, 1988 to establish credit for service as public defender by making application and the payment of required contributions not later than 30 days after the effective date of this bill. This would qualify the member for a recalculation of the retirement annuity to be effective on the first day of the next calendar month beginning at least 30 days after the application is received.

3. Allows the participant to obtain credit in the System by payment for periods during which participant held elective office as a member of the board of trustees of a village and for any consecutive period not exceeding 5 years in appointive office as a member of the zoning board of appeals of the same village provided such period of appointive office terminated within 12 months prior to the date period of elective office commenced. Participant must have at least 6 years service as a judge and the staff of the System must secure certifications from the Illinois Municipal Retirement Fund and from the village.

4. Defines "Average Final Salary" for a participant who terminates service on or after January 1, 1990 as the salary on the last day of employment as a judge; for a participant who terminates after June 30, 1982 and before January 1, 1990 the average salary for the final year of service; for a participant who terminated after June 30, 1975 and before July 1, 1982 the salary on the last day of employment as a judge.

5. Provides that, beginning January 1, 1990, all automatic annual increases shall be calculated as a percentage of the total annuity payable at the time of the increase including previous increases granted.

6. Beginning January 1, 1990 every survivors' annuity shall be increased on each January 1 occurring on or after the first anniversary of the commencement of the annuity by an amount equal to 3% of the current annuity amount including any previous increases.

7. Provides that a person who would be eligible to receive a survivors' annuity except for the fact that the person has not yet attained age 50 shall be eligible for a monthly distribution provided that payment of such distribution is required by Federal Law.

8. Provides that, upon marriage or remarriage, a participant or annuitant shall receive full credit for the Survivors' Annuity purposes upon payment of the survivors' annuity contributions ordinarily required, repaying in full any sums theretofore refunded, and payment of contributions which would have been made while unmarried, plus interest at 3% per annum compounded.

9. Provides that contributions by the State of Illinois will be increased incrementally over a 7 year period to meet the funding requirements of the System.

10. Requires the System submit to the Governor estimated appropriation requirements on or before January 1, instead of November 1 for the following fiscal year.

11. Removes requirement of certification by the actuary of the amount of each annuity to be granted by the board.

HOUSE BILL 332

1. Includes as a service any period not exceeding 10 years that a participant served as Executive Director of the Home Rule Commission, as assistant corporation counsel in the Chicago Law Department, or as an employee of the Cook County Treasurer subject to certain conditions: (1) The participant must have at least 6 years service credited as a judge; (2) credits accrued to the participant under any other pension fund to be established under this paragraph have been transferred to the System; and (3) the participant has made payment to the System of the amount by which the amount transferred is less than the amount which would have been contributed during the period of time being counted as service based on contribution and salary rates in effect at the date of becoming a participant plus interest on such deficiency at 5% per annum compounded.

2. Provides that:

   (a) persons otherwise eligible to participate in the System who elect to continue participation in the General Assembly Retirement System may not participate in the System for the duration of their continued participation in the General Assembly Retirement System.

   (b) upon terminating such continued participation, a person may transfer credits accumulated in the General Assembly Retirement System to the System, upon payment to the System of the amount by which (1) the employee and employer contributions that would have been required if they had participated in the System during the period for which credit with the General Assembly Retirement System is being transferred, plus interest thereon at the prescribed rate from the date of such participation to the date of payment, exceeds (2) the amounts actually transferred from the General Assembly Retirement System to the System.