Judges' Retirement System of Illinois

Mission Statement:

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

Fiscal Year 1991 Highlights

877	Total Membership
848	Active Contributing Members
$ 173,989,204	Net Assets Available for Benefits
	Contributions:
$ 10,657,400	Employer
$ 7,154,549	Employee
$ 10,784,883	Investment Income
7%	Investment Return
	Benefit Recipients:
359	Retirement Annuities
258	Survivors' Annuities
$ 21,148,512	Benefits Paid
$ 385,528,189	Accrued Actuarial Liability
$ 211,538,985	Unfunded Actuarial Liability
45.1%	Funded Ratio

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

COMPONENT UNIT FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 1991

JUDGES' RETIREMENT SYSTEM
OF ILLINOIS

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

Prepared by the
Accounting Division

Printed by Authority of the State of Illinois

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

November 22, 1991

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

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, 1991 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.

PLAN HISTORY AND SERVICES PROVIDED

The Judges' Retirement System of Illinois (System) was established as a public employee retirement system (PERS) by state statute on July 1, 1941. The mission of the System as prescribed by state statute is to "establish an efficient method of permitting retirement, without hardship or prejudice, of judges who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death, and termination of employment".

Responsibility for operation of the System and the direction of its policies is vested in a Board of Trustees consisting of five members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable state statute.

At the February 22, 1991 meeting of the Board of Trustees, the System seated three new Board members. The new members are Chief Justice Ben K. Miller, Judge Thomas Hoffman, and State Treasurer Patrick A. Quinn. Justice Carl Lund was reelected Chairman and Chief Justice Ben K. Miller was elected Vice Chairman. The trustees are Justice Michael Bilandic, Judge Thomas Hoffman, and State Treasurer Patrick A. Quinn as an ex-officio member.

REVENUES

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These income sources totaled $28,596.8 thousand during the fiscal year ending June 30, 1991, which is a decrease from revenue reported for fiscal year 1990, shown as follows:

	1991 (Thousands)	1990 (Thousands)	Increase/(Decrease) (Thousands)	(Percentage)
Contributions:				
Participants	$ 7,154.5	$ 7,143.0	$ 11.5	0.2%
Employer	10,657.4	10,686.0	(28.6)	(0.3%)
Investments	10,784.9	13,206.4	(2,421.5)	(18.3%)
Total Revenue	$ 28,596.8	$ 31,035.4	$ (2,438.6)	(7.9%)

As indicated in the total above, a substantial portion of the total revenue is derived from investment income, including the realization of net gains on the sale of investments.

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 fiscal year 1991 and 1990 are shown below for comparison purposes.

	1991 (Thousands)	1990 (Thousands)	Increase/(Decrease) (Thousands)	(Percentage)
Benefits:				
Retirement annuities	$ 16,541.6	$ 16,043.5	$ 498.1	3.1%
Survivors' annuities	4,606.9	3,784.0	822.9	21.7%
Total Benefits Expenses	$ 21,148.5	$ 19,827.5	$ 1,321.0	6.7%
Refunds	226.7	275.2	(48.5)	(17.6%)
Administrative expenses	216.9	187.0	29.9	16.0%
Total Expenses	$ 21,592.1	$ 20,289.7	$ 1,302.4	6.4%

The increase in benefit payments resulted primarily from (1) a growth in the number of benefits paid, (2) an increase in the average benefit payment amount, and (3) post retirement annuity increases granted each January 1.

INVESTMENTS

The System's investments are managed by the Illinois State Board of Investment (ISBI) pursuant to Article 22A of the Illinois Pension Code. For the fiscal year ended June 30, 1991, the total investment return on the market value of assets managed by the ISBI was 7.0% compared to 8.0% during the fiscal year ended June 30, 1990.

Total investment income, including net realized gains on the sale of investments, amounted to $10,784.9 thousand during fiscal year 1991, a decrease of $2,421.5 thousand from fiscal year 1990. This reflects the general stability of the stock market and lower interest rates in the bond markets during the last fiscal year. The System's total investments revenue for fiscal year 1991 and 1990 is shown below for comparison purposes.

	1991 (Thousands)	1990 (Thousands)	Increase/(Decrease) (Thousands)	Increase/(Decrease) (Percentage)
Net investments income	$ 9,416.1	$ 9,345.0	$ 71.1	0.8%
Net realized gain on sale of investments	1,142.7	3,494.0	(2,351.3)	(67.3%)
Interest earned on cash balances	226.1	367.4	(141.3)	(38.5%)
Total Investments revenue	$ 10,784.9	$ 13,206.4	$ (2,421.5)	(18.3%)

Income from investments has, over the years, become a greater share of the total revenue of the System. For the fiscal year ended June 30, 1991, income from investments represents 37.7% of total fund revenue.

A detailed discussion of investment performance and strategies are provided in the Investment Section of this report.

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, 1991, amounted to $385.5 million. The fund balances for participant contributions and future operations amounted to $174.0 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 $211.5 million and reflects the continuing state policy of appropriating funds at amounts less than the actuarially determined contribution requirement. 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. Since fiscal year 1982, state appropriations have been less than 100% of benefit payout, and during the past ten years have been as low as 50% of benefit 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. In August, 1989, then Governor Thompson signed Senate Bill 95 into law. This Bill provided for the increased funding of the unfunded actuarial liability which has been steadily increasing for the past several years. 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 was to 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. However, the state has not appropriated sufficient monies to cover the employer share of retirement contributions during the first two years of the phase-in 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 continually increasing 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

During the past fiscal year, the System completed work on several major projects. Most significant was the publishing of a retirees' and survivors' benefit handbook and the implementation of a Field Services program designed to provide valuable information to all members, annuitants and survivors utilizing one-on-one consultation sessions by staff personnel at various locations throughout the state.

Additionally, in a joint effort, the Judges', General Assembly and State Employees' Retirement Systems established an in-house publication and printing center. The publication and printing center, designed to stabilize the increasing cost of publications by utilizing System personnel to develop and produce all communications, will be responsible for the publication of all communications distributed to the membership including this annual report.

Projects for fiscal year 1992 include the continuation of the development and implementation of an automated benefit calculation system; the expansion of the current Field Services program, in which approximately 25% of the active membership participated in during fiscal year 1991, to include other sections of the state; the development of a new and expanded annual statement provided to active members to include current contributions, service, projected retirement, survivor and disability benefits, and beneficiary designations; and the updating of the participant handbook titled "BENEFITS - Your Rights and Responsibilities" for mailing to the membership during early 1992. A new tax information brochure specifically designed to explain the tax consequences associated with our benefits in accordance with current IRS statutes is also being developed for publication during fiscal year 1992.

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 operation of the System. Actuarial services are provided by Goldstein & Associates, Chicago, Illinois. The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen 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.

CERTIFICATE OF ACHIEVEMENT

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Judges' Retirement System of Illinois for its component unit financial report for the fiscal year ended June 30, 1990. The Certificate of Achievement is the highest form of recognition for excellence in state and local government financial reporting.

In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized component unit financial report, whose contents conform to program standards. Such component unit financial report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The Judges' Retirement System of Illinois has received a Certificate of Achievement for the last two fiscal years (fiscal years ended June 30, 1989 and June 30, 1990). We believe our current report continues to conform to the Certificate of Achievement program requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

ADDITIONAL COMMENTS

On a sad note, Judge Cornelius F. Dore, Jr. and Norman E. Lentz, two long time associates of the Judges' Retirement System, passed away in December, 1990.

Judge Cornelius F. Dore, Jr., Vice Chairman of the System's Board of Trustees, served the Board of Trustees of the System as proxy for State Treasurer Alan J. Dixon, State Treasurer Donald R. Smith, and for Chief Justice William G. Clark. In 1988, he was appointed a member of the Board by Chief Justice Thomas J. Moran.

Norman E. Lentz, former Executive Secretary of the System, served the State Retirement Systems in various capacities from 1953 to 1969. In January, 1970, he was appointed to the position of Executive Secretary of the Judges' Retirement System and served in that capacity until the time of his retirement in 1989.

Judge Cornelius F. Dore, Jr. and Norman E. Lentz will both be remembered 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 Board of Trustees. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and 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 ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory

David M. Richter

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
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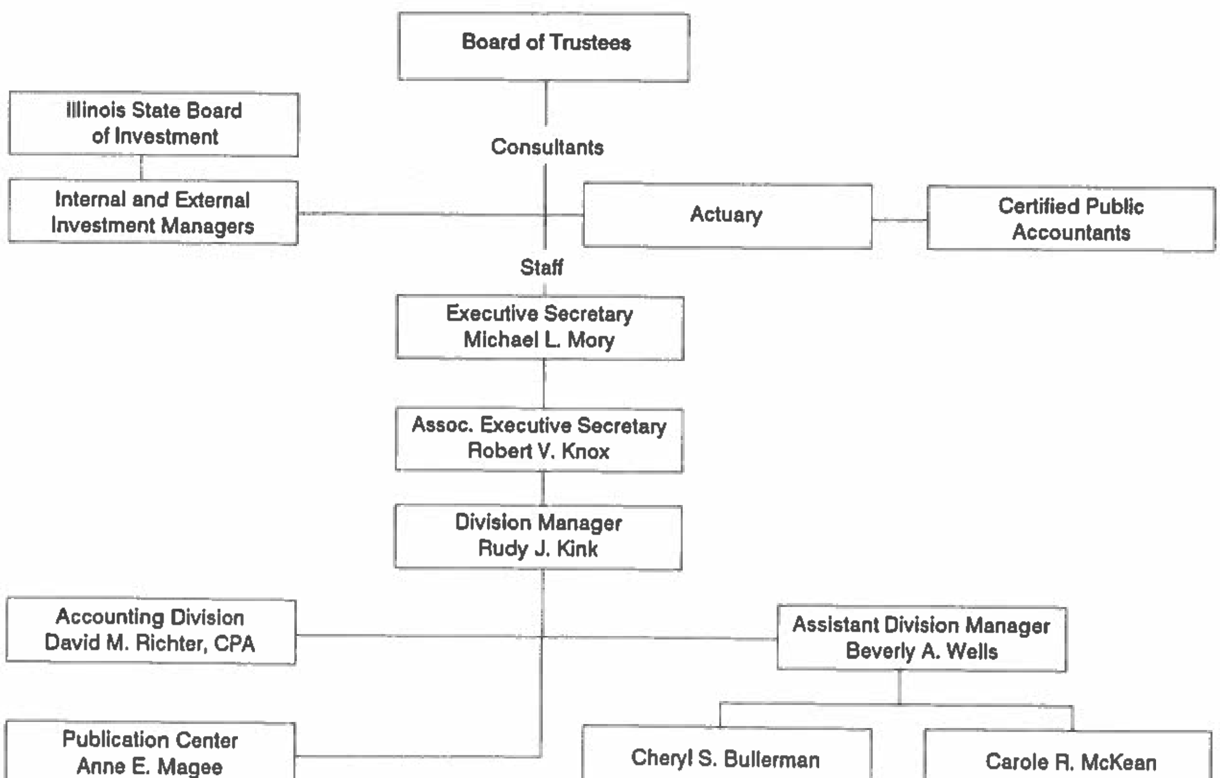

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Judges Retirement System of Illinois

For its Component Unit
Financial Report
for the Fiscal Year Ended
June 30, 1990

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose component unit financial reports (CUFR's) achieve the highest standards in government accounting and financial reporting.

GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Gary R. Norstrem
President

Jeffrey L. Esser
Executive Director

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McGLADREY & PULLEN
Certified Public Accountants and Consultants

INDEPENDENT AUDITOR'S REPORT

To the Honorable Robert G. Cronson
Auditor General, State of Illinois
Springfield, Illinois

Board of Trustees
Judges' Retirement System of Illinois
Springfield, Illinois

We have audited, as special assistant auditors for the Illinois Auditor General, the accompanying balance sheet of the Judges' Retirement System of Illinois as of June 30, 1991,and the related statement of revenue, expenses and changes in fund balance for the year then ended. These component unit financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these component unit financial statements based on our audit. The component unit financial statements of the Judges' Retirement System of Illinois as of and for the year ended June 30, 1990, were audited by other auditors whose report, dated October 19, 1990, expressed an unqualified opinion on those statements.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the component unit financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the component unit 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 audit provides a reasonable basis for our opinion.

In our opinion, the 1991 component unit 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, 1991, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

Our audit was made for the purpose of forming an opinion on the basic component unit financial statements as of and for the year ended June 30, 1991, taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the basic component unit financial statements. The supplementary information as of and for the year ended June 30, 1991, has been subjected to the auditing procedures applied in the audit of the basic component unit financial statements and, in our opinion, is fairly presented in all material respects in relation to the basic component unit financial statements taken as a whole. The related supplemental schedules for the years ended June 30, 1982 through 1990 have been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

McGladrey & Pullen

Springfield, Illinois
October 18, 1991

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Balance Sheets
June 30, 1991 and 1990

	1991	1990
Assets		
Cash	$ 3,996,379	$ 3,828,060
Receivables:		
Participants' contributions	$ 128,522	$ 85,833
Refundable annuities	23,634	22,570
Interest on cash balances	4,833	27,305
Due from General Assembly Retirement System	37,856	38,259
	$ 194,845	$ 173,967
Investments - held in the Illinois State Board of Investment Commingled Fund, at cost (Market value: 1991, $189,426,482 1990, $180,672,724) (Note 3)	$ 169,881,722	$ 163,122,923
Equipment, net of accumulated depreciation (Note 8)	28,623	26,585
Total Assets	$ 174,101,569	$ 167,151,535
Liabilities and Fund Balance		
Benefits payable	$ 3,068	$ 2,246
Refunds payable	62,455	108,993
Administrative expenses payable (Note 7)	42,842	54,862
Participants' deferred service credit accounts	4,000	1,000
Total Liabilities	$ 112,365	$ 167,101
Fund Balance		
Actuarial present value of credited projected benefits (Note 5)	$ 385,528,189	$ 366,116,393
Less unfunded present value of credited projected benefits representing an obligation of the State of Illinois	(211,538,985)	(199,131,959)
Total Fund Balance (Note 11)	$ 173,989,204	$ 166,984,434
Total Liabilities and Fund Balance	$ 174,101,569	$ 167,151,535

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Revenue, Expenses and Changes in Fund Balance
Years ended June 30, 1991 and 1990

	1991	1990
Revenue:		
Contributions:		
Participants	$ 7,154,549	$ 7,142,961
Employer	10,657,400	10,686,020
Total Contributions revenue	$ 17,811,949	$ 17,828,981
Investments:		
Net investments income	$ 9,416,140	$ 9,344,932
Interest earned on cash balances	226,084	367,446
Net realized gain on sale of investments	1,142,659	3,494,004
Total Investments revenue	$ 10,784,883	$ 13,206,382
Total Revenue	$ 28,596,832	$ 31,035,363
Expenses:		
Benefits:		
Retirement annuities	$ 16,541,569	$ 16,043,479
Survivors' annuities	4,606,943	3,783,974
Total Benefits expenses	$ 21,148,512	$ 19,827,453
Refunds	226,702	275,233
Administrative (Note 7)	216,848	187,005
Total Expenses	$ 21,592,062	$ 20,289,691
Excess of Revenue over Expenses	$ 7,004,770	$ 10,745,672
Fund Balance at beginning of year	$ 166,984,434	$ 156,238,762
Fund Balance at end of year	$ 173,989,204	$ 166,984,434

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements
June 30, 1991 and 1990

(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, 1991 and 1990, the System membership consisted of:

	1991	1990
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	359	353
Survivors' annuities	258	245
	617	598
Inactive participants entitled to benefits but not yet receiving them	29	22
Total	646	620
Current Participants:		
Vested	545	520
Nonvested	303	307
Total	848	827

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 108-1/2, 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 for retirees and survivors, 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 3-1/2% for each of the first 10 years of service, plus 5% for each year of service in excess of 10, based upon the applicable final salary. The maximum retirement annuity is 85% of the applicable salary base. Annual automatic increases of 3% of the current amount of 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 (Treasurer). All deposits are fully collateralized by the Treasurer. "Available cash" is determined to be that amount which is required for the current operating expenditures of the System.

The excess of available cash is transferred to the Illinois State Board of Investment (ISBI) for purposes of long-term investment for the System.

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 108-1/2, 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 on the next page 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, 1991, the ISBI Board's deposits and investments were categorized as follows:

	Category I	Category II	Category III	Cost	Market Value
U.S. Government Obligations	$ 575,488,977	$ -	$ -	$ 575,488,977	$ 588,016,750
Foreign Obligations - Bonds	25,492,490	-	-	25,492,490	24,762,061
Foreign Obligations - Equities	186,809,794	-	-	186,809,794	172,856,349
Corporate Obligations	658,082,641	-	-	658,082,641	680,616,840
Convertible Bonds	84,862,088	-	-	84,862,088	81,619,370
Common Stock & Equity Funds	1,040,601,506	-	-	1,040,601,506	1,271,667,415
Convertible Preferred Stock	15,634,110	-	-	15,634,110	15,277,541
Preferred Stock	10,441,162	-	-	10,441,162	3,213,256
Money Market Instruments	108,733,615	-	1,935,153	110,668,768	111,840,839
SUBTOTAL	$ 2,706,146,383	$ -	$ 1,935,153	$ 2,708,081,536	$ 2,949,870,421
Real Estate Pooled Funds				295,958,956	341,066,237
Venture Capital				121,447,935	183,670,238
Other assets, less liabilities				28,407,190	28,407,190
TOTAL				$ 3,153,895,617	$ 3,503,014,086

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, 1991 and 1990, the ISBI Board had outstanding loaned investment securities having a market value of approximately $313,109,467 and $332,849,772, respectively, against which it had received collateral of approximately $329,552,739 and $337,371,274, respectively.

The System owns 5.4% of the ISBI Commingled Fund as of June 30, 1991.

(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 $129,272 and $119,787 for the years ended June 30, 1991 and 1990, respectively.

(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 measure is the same as the actuarial funding method used to determine contributions to the System Trust Fund discussed in Note 5.

The pension benefit obligation was determined as part of an actuarial valuation as of June 30, 1991. Significant actuarial assumptions used include (a) rates of return on the investment of present and future assets of 8.0% per year (consisting of an inflation component of 5% per year and a real rate of return component of 3% per year), compounded annually, (b) projected salary increase of 6% per year (consisting of an inflation component of 5% per year and a seniority/merit component of 1% per year), compounded annually, (c) mortality rates based upon the UP 1984 Mortality Table, (d) assumed age at retirement ranging from 55 to 75, based upon recent history with the System, (e) 75% of participants are assumed to be married, (f) the age of the spouse is assumed to be 4 years younger than the age of the participant, and (g) the rate of turnover without vested benefits assumes a high scale at younger age levels, becoming progressively lower as age advances.

At June 30, 1991 and 1990, the unfunded pension benefit obligation was $211,538,985 and $199,131,959 as follows:

	1991	1990
Pension benefit obligation:		
Retirees & beneficiaries currently receiving benefits	$ 203,184,276	$ 185,952,152
Inactive participants not yet receiving benefits	8,637,608	6,441,295
Current Participants:		
Accumulated participant contributions	53,106,096	50,788,720
Employer-financed vested	70,675,585	73,014,185
Employer-financed nonvested	49,924,624	49,920,041
Total Pension benefit obligation	$ 385,528,189	$ 366,116,393
Net assets available for benefits, at cost (market value at June 30, 1991 $193,533,964; June 30, 1990 $184,534,235)	173,989,204	166,984,434
Unfunded pension benefit obligation	$ 211,538,985	$ 199,131,959

Public Act 86-0273, which was signed into law on August 23, 1989, enacted several changes in the benefit provisions of the System effective January 1, 1990. These changes provide for (1) 3% automatic annual increases in retirement annuities based on the current amount of annuity instead of the originally granted amount of annuity and (2) a 3% automatic annual increase in the amount of survivors' annuities based on the current amount of annuity.

These benefit changes enacted under Public Act 86-0273 had the effect of increasing the actuarial present value of credited projected benefits and the related unfunded actuarial liability by $30,071,594 during fiscal year 1990.

There were no benefit changes enacted during fiscal year 1991 having an impact on the actuarial present value of credited projected benefits and the related unfunded actuarial liability.

(5) Contributions Required and Contributions Made

In the past, the Illinois State Legislature has generally followed a funding policy of appropriating funds based upon a percentage of benefit payout. Since fiscal year 1982, state appropriations have been less than 100% of benefit payout, and during the past ten years have been as low as 50% of benefit payout.

Public Act 86-0273, which was signed into law on August 23, 1989, enacted a funding policy under which, starting with fiscal year 1990, the employer contributions made by the State of Illinois shall be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state employer contribution shall be an amount that is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

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 were used to determine the contribution requirements as are used to compute the pension benefit obligation discussed in Note 4. For fiscal years prior to 1990, the required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been actuarially determined in accordance with the funding policy legislated by Public Act 86-0273. The state, however, has not followed the funding policy established by law for the fiscal years ended June 30, 1991 and June 30, 1990.

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 actuarially determined State of Illinois employer contributions required for the fiscal year ended June 30, 1991 amounted to $12,357,369. However, the state's employer contributions were not made in accordance with the actuarially determined contribution requirements for fiscal year 1991. The total amount of employer contributions made by the state was $10,657,400 and consisted of (a) $9,519,947 normal cost and (b) $1,137,453 amortization of the unfunded actuarial accrued liability.

Schedule of Contributions Required and Contributions Made

	1991	1990	1989	1988	1987
Covered Payroll	$ 66,294,898	$ 64,670,416	$ 63,478,721	$ 62,366,208	$ 59,266,115
Required Employer Contributions	$ 12,357,369	$ 14,329,107	$ 21,990,938	$ 20,182,837	not available
Actual Employer Contributions	$ 10,657,400	$ 10,657,400	$ 9,918,700	$ 9,137,000	$ 9,832,000
Actual Employer Contribution Rate	16.1%	16.5%	15.6%	14.7%	16.6%
Board of Trustees Recommended Contribution Rate	18.6%	22.2%	34.6%	32.4%	not available
Participant Contributions	$ 7,154,549	$ 7,142,961	$ 6,909,017	$ 6,885,514	$ 6,248,636
Participant Contribution Rate	10.8%	11.0%	10.9%	11.0%	10.5%

(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 23 - 24.

(7) Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal years 1991 and 1990 is as follows:

	1991	1990
Personal services	$ 129,595	$ 126,964
Retirement contributions	6,199	7,878
Social Security contributions	9,578	7,116
Group insurance	7,721	6,420
Contractual services	33,231	29,065
Travel	4,857	3,933
Printing	4,492	4,666
Commodities	1,835	1,026
Telecommunications	1,563	1,947
Electronic Data Processing	8,410	5,605
Depreciation	4,567	2,640
Other	4,800	(10,255)
Total	$ 216,848	$ 187,005

(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 - 6 years, and (3) certain electronic data processing equipment - 3 years.

A summary of the changes in fixed assets for fiscal years 1991 and 1990 is as follows:

1991	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 35,380	$ 16,199	$(10,368)	$ 41,211
Accumulated Depreciation	(8,795)	(4,567)	774	(12,588)
Equipment, net	$ 26,585	$ 11,632	$ (9,594)	$ 28,623

1990	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 29,679	$ 10,055	$ (4,354)	$ 35,380
Accumulated Depreciation	(9,381)	(2,640)	3,226	(8,795)
Equipment, net	$ 20,298	$ 7,415	$ (1,128)	$ 26,585

(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, 1991 and 1990 were $16,407 and $13,103, respectively.

(10) 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 defined benefit public employee retirement system (PERS) in which state agencies, including the System, participate on a cost-sharing basis. The financial position and results of operations of the SERS for FY1991 and FY1990 and the related GASB Statement 5 employer disclosures are included in the State's Comprehensive Annual Financial Report for the years ended June 30, 1991 and 1990, respectively. The SERS also issues a separate component unit financial report (CUFR).

A summary of SERS benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, is included as an integral part of the SERS CUFR. Also included is a discussion of employer and employee obligations to contribute, the authority under which those obligations are established, as well as an explanation of the pension benefit obligation. 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 employee service to date. The measure is the actuarial present value of credited projected benefits.

The pension benefit obligation at June 30, 1991 and June 30, 1990 for the SERS as a whole, determined through an actuarial valuation at that date was $4,949.9 million and $4,538.1 million, respectively. The SERS net assets available for benefits on these respective dates (valued at cost) were $2,979.4 million and $2,795.6 million, leaving unfunded pension benefit obligations of $1,970.5 million and $1,742.5 million. The System's FY1991 and FY1990 contribution requirement represented .005% and .006%, respectively 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 CUFRs for the years ended June 30, 1991 and June 30, 1990, respectively.

Pertinent financial information relating to the System's participation in SERS is summarized as follows:

The System's covered payrolls for FY1991 and FY1990 were $130.0 thousand and $127.0 thousand and the payrolls for all System employees were $130.0 thousand and $127.0 thousand, respectively.

The System's (i.e., the employers') actuarially determined contribution requirements for FY1991 and FY1990 were $6.2 thousand and $7.9 thousand, respectively, or 4.7% and 6.2% of the System's covered payrolls. For FY1991, the System's and employee contributions actually made were $6.2 thousand and $4.9 thousand, respectively, which represents 4.7% and 3.8%, respectively, of the current year covered payroll. For FY1990, the System's and employee contributions actually made were $7.9 thousand and $4.7 thousand, respectively, which represents 6.2% and 3.7%, respectively, of the covered payroll.

(11) 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 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, 1991 and 1990

	Participants' Contributions	Future Operations	Total Fund Balance
Balance at June 30, 1989	$ 50,923,236	$ 105,315,526	$ 156,238,762
Add (deduct):			
Excess (deficiency) of revenues over expenses	6,916,551	3,829,121	10,745,672
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(1,485,532)	1,485,532	-
Balance at June 30, 1990	$ 56,354,255	$ 110,630,179	$ 166,984,434
Add (deduct):			
Excess (deficiency) of revenues over expenses	6,972,363	32,407	7,004,770
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(3,702,661)	3,702,661	-
Balance at June 30, 1991	$ 59,623,957	$ 114,365,247	$ 173,989,204

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%
1990	166,984,434	366,116,393	45.6%	199,131,959	64,670,416	307.9%
1991	173,989,204	385,528,189	45.1%	211,538,985	66,294,898	319.1%

* At cost

** The pension benefit obligation information is not available for fiscal years prior to 1987.

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	Employer Contributions: State of Illinois	Employer Contributions: Paid by Participant	Employer Contributions: Total	Income from Investments	Total
1982	$ 3,777,339	$ 6,703,000	$ -	$ 6,703,000	$ 6,612,346	$ 17,092,685
1983	4,532,645	7,791,700	-	7,791,700	12,424,402	24,748,747
1984	5,140,219	5,645,600	-	5,645,600	9,655,020	20,440,839
1985	5,147,228	8,527,500	-	8,527,500	6,621,882	20,296,610
1986	5,983,871	9,345,100	-	9,345,100	15,225,759	30,554,730
1987	6,248,636	9,832,000	-	9,832,000	14,240,835	30,321,471
1988	6,885,514	9,137,000	-	9,137,000	9,666,884	25,689,398
1989	6,909,017	9,918,700	-	9,918,700	12,245,936	29,073,653
1990	7,142,961	10,657,400	28,620	10,686,020	13,206,382	31,035,363
1991	7,154,549	10,657,400	-	10,657,400	10,784,883	28,596,832

Expenses by Type

FY Ended June 30	Benefits	Refunds	Admin. Expenses	Other	Total
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
1990	19,827,453	275,233	187,005	-	20,289,691
1991	21,148,512	226,702	216,848	-	21,592,062

Analysis of Employer Contributions - Fiscal Year 1988 through 1991

Fiscal Year (A)	(1) Covered Payroll	(2) State of Illinois Employer Contributions Required (B)	(3) State of Illinois Employer Contributions Required as a % of Covered Payroll (2) ÷ (1)	(4) State of Illinois Employer Contributions Received	(5) State of Illinois Employer Contributions Received as a % of Covered Payroll (4) ÷ (1)	(6) Contributions Required in Excess of Contributions Received (2) — (4)
1988	$ 62,366,208	$ 20,182,837	32.4%	$ 9,137,000	14.7%	$ 11,045,837
1989	63,478,721	21,990,938	34.6%	9,918,700	15.6%	12,072,238
1990	64,670,416	14,329,107	22.2%	10,657,400	16.5%	3,671,707
1991	66,294,898	12,357,369	18.6%	10,657,400	16.1%	1,699,969

(A) = Prior to fiscal year 1988, the Actuary did not determine an "Employer Contribution Required" amount.

(B) = For fiscal year 1988 and 1989, the State of Illinois required employer contributions were computed in accordance with the Board of Trustee's approved funding policy of normal cost plus interest on the unfunded actuarial liability. For fiscal years after 1989, required employer contributions have been computed in accordance with Public Act 86-0273 which was signed into law on August 23, 1989. Public Act 86-0273 enacted a funding plan under which, starting with fiscal year 1990, the state's contribution shall be increased incrementally over a seven year period so that by fiscal year 1996, the minimum state contribution shall be an amount that is sufficient to meet the normal cost and amortize the unfunded actuarial liability over forty years as a level percent of payroll as determined under the projected unit credit actuarial cost method.

Schedule of Employer Contributions as a Percentage of Covered Payroll

Fiscal Year	Covered Payroll	State of Illinois Employer Contributions Received	State of Illinois Employer Contributions Received as a % of Covered Payroll
1982	$ 35,178,000	$ 6,703,000	19.1%
1983	41,713,000	7,791,700	18.7%
1984	47,972,000	5,645,600	11.8%
1985	49,607,000	8,527,500	17.2%
1986	54,461,000	9,345,100	17.2%
1987	59,266,115	9,832,000	16.6%
1988	62,366,208	9,137,000	14.7%
1989	63,478,721	9,918,700	15.6%
1990	64,670,416	10,657,400	16.5%
1991	66,294,898	10,657,400	16.1%

SUMMARY OF REVENUES BY SOURCE
Years Ended June 30, 1991 and 1990

	1991	1990
Contributions:		
Participants	$ 7,154,549	$ 7,142,961
Employer:		
General Revenue Fund	$ 9,815,300	$ 10,371,100
State Pension Fund	842,100	286,300
Paid by Participants	-	28,620
Total employer contributions	$ 10,657,400	$ 10,686,020
Total contributions revenue	$ 17,811,949	$ 17,828,981
Investments:		
Net investments income	$ 9,416,140	$ 9,344,932
Interest earned on cash balances	226,084	367,446
Net realized gain on sale of investments	1,142,659	3,494,004
Total Investments revenue	$ 10,784,883	$ 13,206,382
Total Revenue	$ 28,596,832	$ 31,035,363

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 1991 and 1990

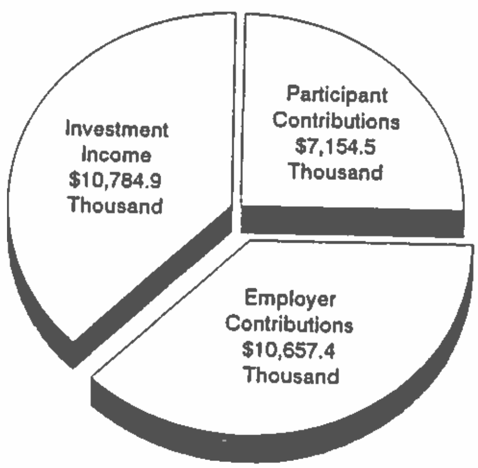
	1991	1990
Cash balance, beginning of year	$ 3,828,060	$ 656,579
Receipts:		
Participant contributions	$ 7,109,359	$ 7,131,424
Employer contributions:		
General Revenue Fund	9,815,300	10,371,100
State Pension Fund	842,100	286,300
Paid by Participants	-	28,620
Interest income on cash balances	248,556	351,134
Reimbursements from General Assembly Retirement System	129,675	111,614
Participants' deferred service credit payments	5,500	1,000
Cancellation of annuities	42,623	22,140
Transfers from Illinois State Board of Investment	7,800,000	11,425,000
Total cash receipts	$ 25,993,113	$ 29,728,332
Disbursements:		
Benefit payments:		
Retirement annuities	$ 16,568,274	$ 16,044,123
Survivors' annuities	4,623,102	3,827,949
Refunds	273,240	388,978
Administrative expenses	360,178	295,801
Transfers to Illinois State Board of Investment	4,000,000	6,000,000
Total cash disbursements	$ 25,824,794	$ 26,556,851
Cash balance, end of year	$ 3,996,379	$ 3,828,060

REVENUES

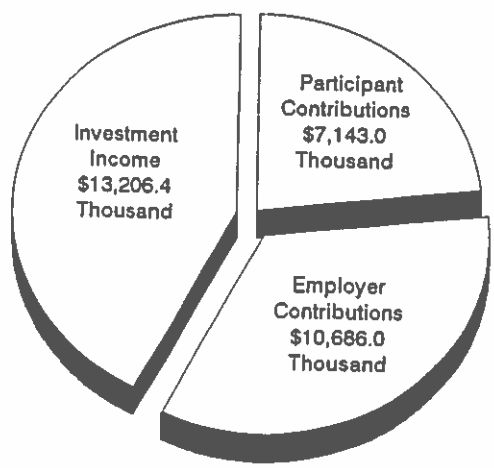
Total revenue of $28,596.8 thousand for FY 1991 was a $2,438.6 thousand decrease from the FY 1990 level of $31,035.4 thousand. Net income from investments and net realized gains on sales of investments were $2,421.5 thousand less than the prior fiscal year primarily due to a decrease in the net realized gains on sale of investments. Employer contributions show a decrease of .3% ($28.6 thousand). Participant contributions were $11.5 thousand (.2%) higher than for FY 1990.

Revenue Source	FY 91 (Thousands)	FY 90 (Thousands)	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Participant Contributions	$ 7,154.5	$ 7,143.0	$ 11.5	0.2%
Employer Contributions	10,657.4	10,686.0	(28.6)	(0.3%)
Investment Income	10,784.9	13,206.4	(2,421.5)	(18.3%)
Total	$ 28,596.8	$ 31,035.4	$ (2,438.6)	(7.9%)

REVENUES BY SOURCE 1991
TOTAL REVENUES
$ 28,596.8 Thousand



REVENUES BY SOURCE 1990
TOTAL REVENUES
$ 31,035.4 Thousand



Gross investment income for FY 1991 of $10,046,922 less the Investment Board's administrative expenses of $630,782 resulted in net investment income of $9,416,140. This amount, when combined with the net realized gain on sale of investments of $1,142,659 provided net revenue from investments of $10,558,799. Net cash transfers from the Illinois State Board of Investment were $3,800,000 during FY 1991. The balance of investments at cost increased by $6,758,799 from June 30, 1990 thru June 30, 1991. The following table shows a comparison of investment operations for FY 1991 and FY 1990.

	1991	1990	Increase/(Decrease) Amount	Percentage
Balance at beginning of year, at cost	$ 163,122,923	$ 155,708,987	$ 7,413,936	4.8%
Cash transferred from ISBI (net)	(3,800,000)	(5,425,000)	(1,625,000)	(30.0%)
Investment income:				
Commingled Fund income	$ 10,046,922	$ 9,905,020	$ 141,902	1.4%
Less Expenses	(630,782)	(560,088)	70,694	12.6%
Net investment income	$ 9,416,140	$ 9,344,932	$ 71,208	.8%
Distributed Net Realized Gain on Sale of Investments	$ 1,142,659	$ 3,494,004	($ 2,351,345)	(67.3%)
Balance at end of year, at cost	$ 169,881,722	$ 163,122,923	$ 6,758,799	4.1%
Market value	$ 189,426,482	$ 180,672,724	$ 8,753,758	4.8%

In addition, interest on the average balance in the System Trust Fund's account for FY 1991 was $226,084 compared to $367,446 during FY 1990 primarily due to lower average interest yields during FY 1991.

EXPENSES

The number of participants receiving retirement annuities on June 30, 1991 was 1.7% higher than the June 30, 1990 level while the dollar cost of these annuities increased by 3.1% over the FY 1990 level. Higher salaries for current retirees and post retirement annuity increases granted each January 1 resulted in costs rising at a more rapid pace than the number of annuitants. Survivor annuities increased by 5.3% in number with a 21.7% increase in dollar costs. Higher earned retirement annuities of current year deceased annuitants/participants and annual increases granted on January 1 attributed to the increase in survivors annuity cost. Total refunds of $226.7 thousand for FY 1991 was a $48.5 thousand (17.6%) decrease from the FY 1990 level of $275.2 thousand.

	FY 91 (Thousands)	FY 90 (Thousands)	Increase/(Decrease) Amount	Percentage
Retirement annuities	$ 16,541.6	$ 16,043.5	$ 498.1	3.1%
Survivors' annuities	4,606.9	3,784.0	822.9	21.7%
Refunds	226.7	275.2	(48.5)	(17.6%)
Administrative expense	216.9	187.0	29.9	16.0%
TOTAL EXPENSES	$ 21,592.1	$ 20,289.7	$ 1,302.4	6.4%

NUMBER OF RECURRING BENEFIT PAYMENTS

	FY Ended June 30, 1990	New Claims Processed During FY 91	Benefits Ceased During FY 91	FY Ended June 30, 1991	Increase/(Decrease) Amount	Percentage
Retirement	353	38	32	359	6	1.7%
Survivors	245	25	12	258	13	5.3%
TOTALS	598	63	44	617	19	3.2%

RESERVES

As of June 30, 1991, the funds available for payment of current and future benefits were $173,989.2 thousand as shown in the following schedule:

Assets	FY 91 (Thousands)	FY 90 (Thousands)	Increase (Decrease)
Cash	$ 3,996.4	$ 3,828.1	$ 168.3
Receivables (less payables)	82.5	6.9	75.6
Investments	169,881.7	163,122.9	6,758.8
Fixed Assets (net of accumulated depreciation)	28.6	26.6	2.0
NET ASSETS	$ 173,989.2	$ 166,984.5	$ 7,004.7

Total System revenues for FY 1991 of $28,596.8 thousand less expenditures of $21,592.1 thousand resulted in a net increase to reserves of $7,004.7 thousand.

Reserves	FY 91 (Thousands)	FY 90 (Thousands)	Net Increase
Participants' Contributions	$ 59,624.0	$ 56,354.3	$ 3,269.7
Future Operations	114,365.2	110,630.2	3,735.0
TOTAL RESERVES	$ 173,989.2	$ 166,984.5	$ 7,004.7

Participant contributions transferred to the Reserve for Future Operations due to retirement or death of participants during the year amounted to $3,702.7 thousand.

Actuarial Section

GOLDSTEIN & ASSOCIATES
Consulting Actuaries

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October 2, 1991

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

ACTUARIAL CERTIFICATION

I have completed the annual actuarial valuation of the Judges' Retirement System of Illinois as of June 30, 1991. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system. The same actuarial assumptions were used for the June 30, 1991 valuation as were used for the June 30, 1990 valuation.

Since the last actuarial valuation, Senate Bill 1951 which was signed into law in January 1991 as Public Act 86-1488 made the following changes in the provisions of the system: (1) a married participant who elected not to participate in the survivor's annuity may elect to participate therein by filing a written recision before January 1, 1992; (2) beginning January 1, 1991, a participant receiving a retirement annuity who accepts temporary employment in a capacity other than a judge from an employer for a period not exceeding 75 working days in a calendar year shall not be deemed to have resumed service as a judge for retirement annuity purposes; (3) modifies the date of commencement of the automatic annual increase in survivor's annuity. I have estimated that these changes have a relatively minor impact on the system's total actuarial liability.

Pursuant to the law governing the system, the actuary shall investigate the experience of the system at least once every five 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.

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The financing objective of the system is to accumulate assets equal to the value of the system's total actuarial liability determined under the projected unit credit actuarial cost method. 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 until the 1996 fiscal year 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 financing plan. For fiscal year 1992, employer contributions are expected to fall $3,107,900 short of the amount required under Public Act 86-0273.

The asset values used for the valuation were based on the asset information reported by the system. For purposes of the valuation, the book value of the assets of the system (assets valued at cost), less the amount of liabilities, was used.

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, 1991. 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

The state's policy on pension funding has been based on variations of the pay-as-you-go approach. Since fiscal year 1982, state appropriations have been less than 100% of benefit payout, and during the past ten years have been as low as 50% of benefit 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.

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 Public Act 86-0273 in August, 1989, which provided 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 began in fiscal year 1990, however, the state has not adequately funded the System with the actuarially required contributions during the first two years of the phase-in period.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement. Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized over a 40 year period as a level percentage of payroll.

A description of the actuarial assumptions utilized for fiscal year 1991 and fiscal year 1990 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	.060
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 (consisting of an inflation component of 5% per year and a seniority/merit component of 1% per year), compounded annually, was used.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 5% per year and a real rate of return component of 3% per year), compounded annually, was used.

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):	June 30, 1991	June 30, 1990
For Active Participants:		
Basic retirement annuity	$ 102,903,643	$ 102,764,317
Annual increase in retirement annuity	23,686,538	23,684,089
Pre-retirement survivors' annuity	23,330,227	23,324,065
Post-retirement survivors' annuity	21,627,668	21,842,953
Withdrawal benefits	985,908	978,486
Disability benefits	1,172,321	1,129,036
Total	$ 173,706,305	$ 173,722,946
For Participants Receiving Benefits:		
Retirement annuities	$ 160,720,678	$ 149,803,290
Survivor annuities	42,463,598	36,148,862
Total	$ 203,184,276	$ 185,952,152
For Inactive Participants	$ 8,637,608	$ 6,441,295
Total Actuarial Liability	$ 385,528,189	$ 366,116,393
Net Assets, Book Value (Cost)	173,989,204	166,984,434
Unfunded Actuarial Liability	$ 211,538,985	$ 199,131,959

SHORT-TERM SOLVENCY TEST

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

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

Fiscal Year	Aggregate Accrued Liabilities For: (1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Real Assets	Percentage of Accrued Liabilities Covered By Net Real Assets: (1)	(2)	(3)
1983	$ 31,614,699	$ 104,787,674	$ 161,204,995	$ 91,326,865	100.0%	57.0%	0.0%
1984	35,201,444	131,606,634	213,229,417	100,647,996	100.0	49.7	0.0
1985	37,395,886	157,415,057	277,686,503	108,209,963	100.0	45.0	0.0
1986	40,584,225	212,608,346	361,909,545	124,419,661	100.0	39.4	0.0
1987	44,020,513	154,453,849	108,589,706	138,927,534	100.0	61.4	0.0
1988	47,271,278	171,513,047	116,523,133	146,534,436	100.0	57.9	0.0
1989	50,923,236	168,946,414	99,532,942	156,238,762	100.0	62.3	0.0
1990	56,354,255	185,952,152	123,809,986	166,984,434	100.0	59.5	0.0
1991	59,623,957	203,184,276	122,719,956	173,989,204	100.0	56.3	0.0

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 and the change in the actuarial interest rate assumption from 7.5% to 8.0% during fiscal year 1989.)

Fiscal Year	Total Actuarial Liability	Net Assets	Net Assets as a % of Actuarial Liability	Total Unfunded Actuarial Liability	Annual Covered Payroll	Unfunded Actuarial Liability as a % of Annual Covered Payroll
1983	$ 297,607,368	$ 91,326,865	30.7%	$ 206,280,503	$ 41,713,000	494.5%
1984	380,037,495	100,647,996	26.5%	279,389,499	47,972,000	582.4%
1985	472,497,446	108,209,963	22.9%	364,287,483	49,607,000	734.3%
1986	615,102,116	124,419,661	20.2%	490,682,455	54,461,000	901.0%
1987	307,064,068	138,927,534	45.2%	168,136,534	59,266,115	283.7%
1988	335,307,458	146,534,436	43.7%	188,773,022	62,366,208	302.7%
1989	319,402,592	156,238,762	48.9%	163,163,830	63,478,721	257.0%
1990	366,116,393	166,984,434	45.6%	199,131,959	64,670,416	307.9%
1991	385,528,189	173,989,204	45.1%	211,538,985	66,294,898	319.1%

BENEFICIARIES ADDED TO AND REMOVED FROM ROLLS

Fiscal Year	Annuitants				Survivors				
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
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
1990	367	18	32	353	242	17	14	245	598
1991	353	38	32	359	245	25	12	258	617

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members			
	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1982	727	$ 35,178,000	$ 48,388	0.0%
1983	744	41,713,000	56,066	15.9%
1984	756	47,972,000	63,455	13.2%
1985	782	49,607,000	63,436	0.0%
1986	768	54,461,000	70,913	11.8%
1987	794	59,266,115	74,642	5.3%
1988	796	62,366,208	78,350	5.0%
1989	821	63,478,721	77,319	(1.3%)
1990	827	64,670,416	78,199	1.1%
1991	848	66,294,898	78,178	0.0%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 91	FY 90
Unfunded actuarial liability at Beginning of FY	$ 199,131,959	$ 163,163,830
Employer contribution requirement of normal cost plus interest on the unfunded liability	$ 24,438,147	$ 19,518,963
Actual employer contribution for the year	10,657,400	10,657,400
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	$ 13,780,747	$ 8,861,563
Increase/(Decrease) in unfunded liability due to investment return lower/(greater) than assumed	2,422,667	(1,623,709)
(Decrease) in unfunded liability due to salary increases less than assumed	(9,381,039)	(7,810,598)
Increase in unfunded liability due to benefit increases enacted under Public Act 86-0273	-	30,071,594
Increase in unfunded liability due to other sources	5,584,651	6,469,279
Total Actuarial (Gains) Losses	$ (1,373,721)	$ 27,106,566
Net Increase in unfunded liability for the year	$ 12,407,026	$ 35,968,129
Unfunded actuarial liability at End of FY	$ 211,538,985	$ 199,131,959

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, 1991, total net assets under management valued at market, amounted to $3.503 billion. Of the total assets under management, $189.4 million or 5.4% 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

The Illinois State Board of Investment Commingled Fund (ISBI Fund) had a market value of $3.503 billion as of the end of its fiscal year, June 30, 1991. The ISBI Fund had an increase in market value of $219.2 million for the fiscal year, all of which resulted from net appreciation of assets and net realized yield on investments, as the member systems withdrew $10 million on a net basis during the fiscal year.

Due to strong domestic equity and bond markets during the last six months of the fiscal year, the ISBI Fund produced a total rate of return of 7% for fiscal year 1991. As set forth in more detail below, domestic equities, fixed income and non-marketable securities achieved results well above the ISBI Fund's total rate of return, while international securities and real estate produced lower results.

The objective of the ISBI Fund is to allocate assets among the various investment categories in a manner that maximizes return and minimizes risk in the security markets. Focusing on that objective, the ISBI Board has engaged a consulting firm to make a comprehensive and quantitative review of the ISBI Fund's portfolio mix, including conformance to pre-determined asset allocation policies and investment guidelines, as well as performance benchmarks for its external managers. It is anticipated that this project will be completed before the end of calendar year 1991 and the ISBI Board intends to then review and possibly adopt a new three to five year investment strategy.

Over the nine year period since the adoption of the prudent person legislation, the ISBI Fund has produced a compounded annual rate of return, net of expenses and charges, of 13.2% and its net assets have increased by $2.4 billion. The last three and five year average annual returns were 9.9% and 8.1%, respectively.

Fixed Income

Substantially all of the investments in the fixed income component are managed internally except for approximately $264.6 million managed by external high yield and convertible debt managers. Internally managed fixed income investments produced a 10.4% rate of return which is slightly better than the benchmark. External managers produced net rates of return approximating their benchmark indices.

Comparative average annual rates of return for the composite of the funds allocated to the fixed income managers and the benchmark market indices are set forth below:

	1 Year	3 Years	5 Years
ISBI	9.0%	8.9%	8.4%
Shearson Lehman G/C	10.2%	9.9%	8.3%
Shearson Lehman Aggregate	10.1%	10.2%	8.8%

Equity

The ISBI Board's stated policy of having all equity investments managed externally has been implemented. As of June 30,1991, funds under management by domestic, global, and international equity mangers totaled $1,273 million, $207 million, and $87 million, respectively.

All three equity categories performed better than their market benchmarks with domestic equities substantially outperforming global and international equities during the fiscal year. Domestic equity managers produced a 9.9% rate of return for the fiscal year, as compared to 7.4% for the S & P 500; global managers had a loss of .3%, as compared to a 4% loss for the Morgan Stanley Capital International World Index (MSCI); and international managers had a loss of 10.9%, as compared to an 11.2% loss for the Morgan Stanley Capital International Perspective Index for Europe, Australia, and the Far East (EAFE) for the fiscal year.

The composite average annual rates of return for investments managed by all of the equity managers, as compared to the S & P 500, are set forth below:

	1 Year	3 Years	5 Years
ISBI	7.3%	11.5%	8.6%
S&P 500	7.4%	14.7%	11.9%

Real Estate

The combined real estate portfolio is well diversified by property type and substantially non-leveraged. Nonetheless, write-downs on appraised values exceeded cash returns to the ISBI Fund, thereby resulting in a loss of 1.4% for fiscal year 1991. All of the ISBI Fund's investments in real estate are passive and are represented by interests in limited partnerships, trusts, and other forms of pooled investments. The allocation according to property type is 32% retail, 23% office, 12% apartment, 6% warehouse and research and development, with the remaining 27% in mixed use, land and miscellaneous. The ISBI Board made no new commitments to the real estate sector during fiscal years 1990 and 1991.

Average annual returns for the combined real estate portfolio compared to the benchmark market index for unleveraged institutional grade property returns are as follows:

	1 Year	3 Years	5 Years
ISBI	(1.4)%	3.6%	4.9%
NCREIF	(1.1)%	2.0%	3.7%

Non-Marketable Securities

The total rate of return for this category of investment was an excellent 22.7% for the fiscal year. A substantial portion of the return was attributable to one leveraged buyout external manager's performance and the fact that initial public offerings were effected by a number of portfolio companies. This category of investments consists primarily of passive interests in limited partnerships and other entities that have pooled financial resources and engage in leveraged buyouts, venture capital and other private placement activities. As of June 30, 1991, the market value of the non-marketable securities portfolio amounts to 5.2% of the total ISBI Fund.

Average annual returns for additional time periods for this category are set forth below:

	1 Year	3 Years	5 Years
ISBI	22.7%	14.8%	11.1%

Management Expenses

Total operating expenses, including fees to external managers, for the fiscal year were $11,486,438, as compared to $9,915,278 for the previous fiscal year. The expense ratio (expenses divided by assets under management) was .33% as compared to .31% last fiscal year. The Judges' Retirement System's share of total operating expenses amounted to $630,782.

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, 1991. 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, 1991		June 30, 1990	
	Market Value	Percentage	Market Value	Percentage
Fixed Income	$ 1,375,015,021	39.3%	$ 1,280,391,270	39.0%
Equities	1,473,327,061	42.1%	1,415,536,152	43.1%
Real Estate	341,066,237	9.7%	338,205,156	10.3%
Non-Marketable	183,670,238	5.2%	157,978,812	4.8%
Cash equivalents**	129,935,529	3.7%	91,665,687	2.8%
Net assets at market value	$ 3,503,014,086 *	100.0%	$ 3,283,777,077 *	100.0%
Net assets, at cost	$ 3,153,895,617 *		$ 2,971,557,481 *	

* 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 1991 were $189,426,482 and $169,881,722, respectively. For fiscal year 1990 the market and cost values were $180,672,724 and $163,122,923, respectively.

** Cash equivalents includes other assets less liabilities.

ANALYSIS OF INVESTMENT PERFORMANCE

	1991	1990	1989	1988	1987
Total Return* - Past 3 years		9.9%			
Total Return* - Past 5 years			8.1%		
Total Return* - year by year	7.0%	8.0%	14.3%	2.5%	8.8%
Actuarial Assumed Rate of Return		8.0%			7.5%
Average Net Income Yield*	5.2%	5.2%	5.5%	5.6%	5.3%

Comparative rates of return on fixed income securities

	1991	1990	1989	1988	1987
Total fixed income - ISBI	9.0%	5.9%	12.0%	9.3%	5.7%
Comparison index: Shearson Lehman Government/ Corporate Bond Index	10.2%	7.1%	12.3%	7.5%	4.7%

Comparative rates of return on equities

	1991	1990	1989	1988	1987
Total equities - ISBI	7.3%	10.5%	17.0%	(4.6%)	14.4%
Comparison index: S&P 500	7.4%	16.4%	20.6%	(6.9%)	25.1%

* 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
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
1990	3,828,060	173,967	163,122,923	26,585	167,151,535
1991	3,996,379	194,845	169,881,722	28,623	174,101,569

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
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
1990	167,101	56,354,255	-	110,630,179	167,151,535
1991	112,365	59,623,957	-	114,365,247	174,101,569

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Income From Investments	Total
		State of Illinois	Paid by Participant	Total		
1982	$ 3,777,339	$ 6,703,000	$ -	$ 6,703,000	$ 6,612,346	$ 17,092,685
1983	4,532,645	7,791,700	-	7,791,700	12,424,402	24,748,747
1984	5,140,219	5,645,600	-	5,645,600	9,655,020	20,440,839
1985	5,147,228	8,527,500	-	8,527,500	6,621,882	20,296,610
1986	5,983,871	9,345,100	-	9,345,100	15,225,759	30,554,730
1987	6,248,636	9,832,000	-	9,832,000	14,240,835	30,321,471
1988	6,885,514	9,137,000	-	9,137,000	9,666,884	25,689,398
1989	6,909,017	9,918,700	-	9,918,700	12,245,936	29,073,653
1990	7,142,961	10,657,400	28,620	10,686,020	13,206,382	31,035,363
1991	7,154,549	10,657,400	-	10,657,400	10,784,883	28,596,832

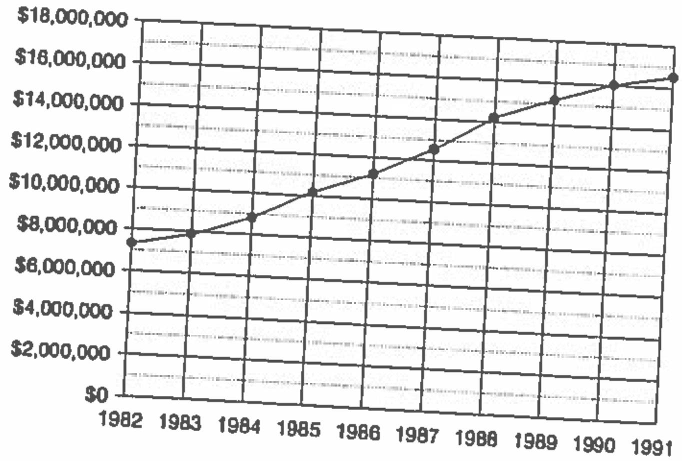
EXPENSES BY TYPE

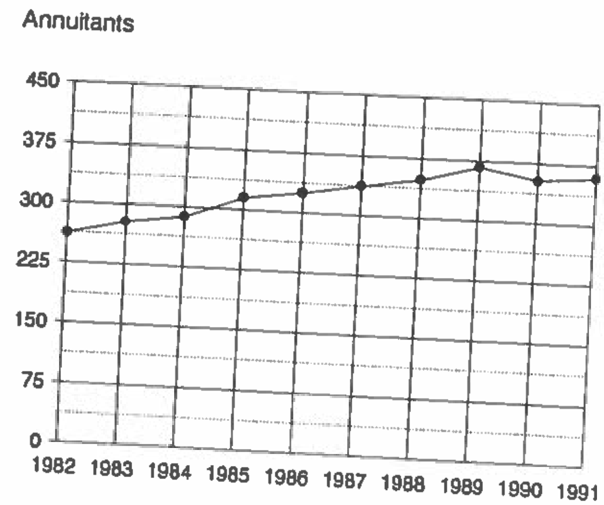
Fiscal Year Ended June 30	Benefits	Refunds	Administrative Expenses	Others	Total
1982	$ 8,947,827	$ 285,589	$ 101,270	$ (156,910)	$ 9,177,776
1983	9,704,670	156,519	110,597	-	9,971,786
1984	10,810,013	194,517	115,178	-	11,119,708
1985	12,352,558	263,219	118,866	-	12,734,643
1986	13,616,195	600,279	128,558	-	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
1990	19,827,453	275,233	187,005	-	20,289,691
1991	21,148,512	226,702	216,848	-	21,592,062

BENEFIT EXPENSES BY TYPE

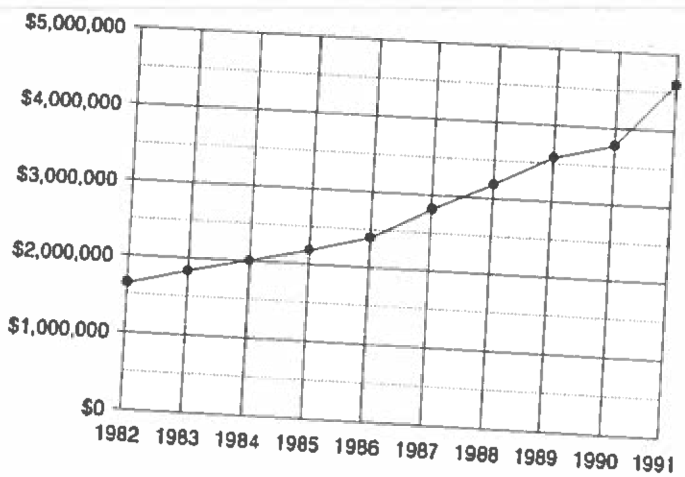
Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities	Total
1982	$ 7,302,943	$ 1,644,884	$ 8,947,827
1983	7,867,674	1,836,996	9,704,670
1984	8,803,447	2,006,566	10,810,013
1985	10,164,086	2,188,472	12,352,558
1986	11,214,816	2,401,379	13,616,195
1987	12,557,636	2,818,899	15,376,535
1988	14,193,135	3,189,583	17,382,718
1989	15,194,821	3,581,432	18,776,253
1990	16,043,479	3,783,974	19,827,453
1991	16,541,569	4,606,943	21,148,512

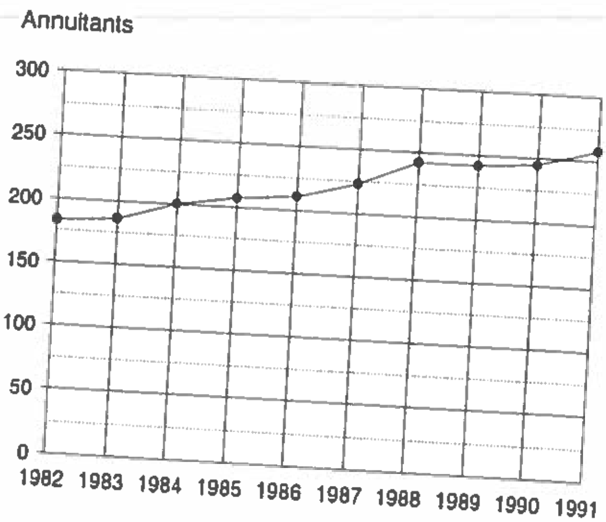
Retirement Annuities



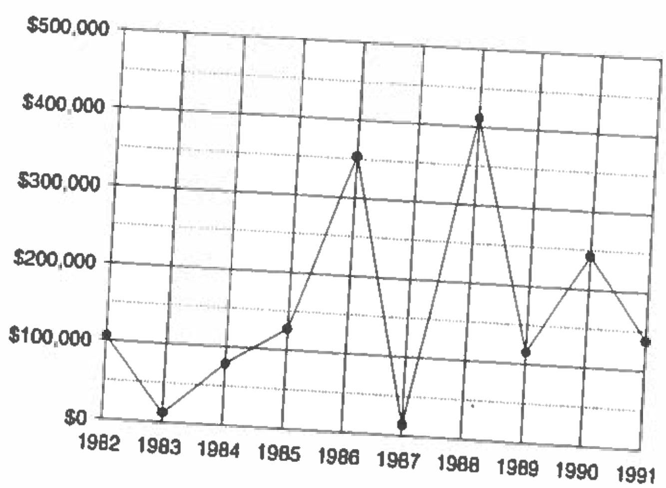


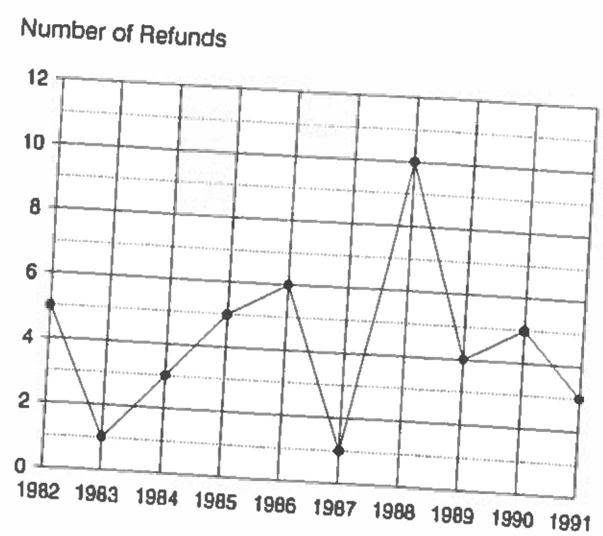
Survivor Annuities





Termination Refunds





NUMBER OF RECURRING BENEFIT PAYMENTS

at June 30	Retirement Annuities	Survivors' Annuities	Total
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
1990	353	245	598
1991	359	258	617

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
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
1990	5	242,847
1991	3	137,631

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
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
1990	7	34	176	203	196	205	23	-	844
1991	8	36	177	210	202	208	27	-	868

ACTIVE RETIREES BY STATE

RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

Fiscal Year Ended June 30	At Retirement: Average Age	At Retirement: Average Length of Service *	Average Current Age	Average Current Monthly Benefit
1982	65.5	18.4	71.6	$ 2,319
1983	65.6	18.2	72.0	2,478
1984	65.2	17.9	71.9	2,562
1985	65.3	18.1	72.1	2,788
1986	65.0	17.9	71.8	2,987
1987	64.9	18.2	71.9	3,228
1988	64.9	18.0	72.0	3,416
1989	65.0	17.8	72.1	3,617
1990	64.7	17.5	72.4	3,751
1991	64.7	17.5	72.4	3,909

* in years

Annuitants by Benefit Range (Monthly) June 30, 1991

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	14	14	3.9	3.9
501-1000	12	26	3.3	7.2
1001-1500	10	36	2.8	10.0
1501-2000	20	56	5.6	15.6
2001-2500	26	82	7.2	22.8
2501-3000	24	106	6.7	29.5
3001-3500	29	135	8.1	37.6
3501-4000	25	160	7.0	44.6
4001-4500	38	198	10.6	55.2
4501-5000	58	256	16.2	71.4
5001-5500	28	284	7.8	79.2
5501-6000	44	328	12.3	91.5
6001-6500	22	350	6.1	97.6
6501-7000	8	358	2.2	99.8
7001-7500	1	359	0.2	100.0

Survivors by Benefit Range (Monthly) June 30, 1991

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	58	58	22.5	22.5
501-1000	39	97	15.1	37.6
1001-1500	36	133	14.0	51.6
1501-2000	33	166	12.8	64.4
2001-2500	33	199	12.8	77.2
2501-3000	32	231	12.4	89.6
3001-3500	15	246	5.8	95.4
3501-4000	10	256	3.9	99.3
4001-4500	2	258	0.7	100.0

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1982	727	17	744
1983	744	19	763
1984	756	19	775
1985	782	18	800
1986	768	11	779
1987	794	15	809
1988	796	15	811
1989	821	22	843
1990	827	22	849
1991	848	29	877

Plan Summary and Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN
(As of June 30, 1991)

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 five members. The administration of the detailed affairs of the System is the responsibility of the Executive Secretary who is appointed by the Board of Trustees. Administrative policies and procedures are designed to ensure an accurate accounting of funds of the System and prompt payment of claims for benefits within the applicable statute.

3. EMPLOYEE MEMBERSHIP

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

4. PARTICIPANT CONTRIBUTIONS

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

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

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

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 1/2 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.

C. Annual Increases in Retirement Annuity
Post retirement increases of 3% of the current amount of annuity are granted to participants effective in January of the year next following the first anniversary of retirement and in January of each year thereafter.

D. Suspension of Retirement Annuity
The retirement annuity to any judge shall be suspended

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

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

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

An eligible spouse, who has been married to the participant or annuitant for a continuous period of at least one year immediately preceding the date of death, qualifies at age 50 or at any age if there is in the care of the spouse any unmarried children of the member under age 18 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 7 1/2%, of salary or 66 2/3% of earned retirement annuity, whichever is greater. Eligible children of the participant would receive 5% of salary for each child with a maximum for all children of 20% of salary or 66 2/3% of earned retirement annuity, whichever is greater.

If the participant's death occurs after termination of service or retirement, the surviving spouse is eligible to 66 2/3% of earned retirement annuity. Eligible children would receive a survivors' annuity equal to the benefit of surviving children of a participant in service.

C. Annual Increases in Survivors' Annuity
Increases of 3% of the current amount of annuity are granted to survivors in each January occurring on or after the commencement of the annuity if the deceased participant died while receiving a retirement annuity. In the event of an active participant's death, increases of 3% of the current amount of annuity are granted to survivors effective in January of the year next following the first anniversary of the commencement of the annuity and in January of each year thereafter.

D. 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. By accepting a refund, a participant forfeits all accrued rights and benefits in the System for his or herself and beneficiaries.

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

LEGISLATIVE AMENDMENTS

Amendments with an effective date during fiscal year 1991 having an impact on the System were:

SENATE BILL 1951

1. Provides that the Board may adopt rules prescribing the manner of repaying refunds and purchasing optional credits.

2. Provides that rollover contributions from other retirement plans qualified under the U.S. Internal Revenue Code may be used to purchase any optional credit or repay any refund.

3. Allows a married participant who elected not to participate in the survivor's annuity provisions and who is still a judge, to elect to participate therein by filing with the Board before January 1, 1992, a written recision of the election not to participate.

4. Provides that, beginning January 1, 1991, any participant receiving a retirement annuity who accepts temporary employment from the State of Illinois or any county in Illinois for a period not exceeding 75 working days in any calendar year shall not be deemed to be regularly employed for compensation or to have resumed service as a judge and shall not have his or her retirement annuity payments suspended during such employment.

5. Provides that every survivor's annuity shall be increased (1) on each January 1 occurring on or after the commencement of the annuity if the deceased member died while receiving a retirement annuity, or (2) on each January 1 occurring on or after the first anniversary of the commencement of the annuity in the event of an active participant's death.

6. Allows any elected city officer who is a participant in the pension fund established under Article 8 of the Illinois Pension Code to transfer his or her accumulated credits and creditable service from the System to such pension fund. In addition, any such elected city officer may reinstate credits and creditable service terminated upon receipt of a refund, by repaying to the System the amount of the refund together with interest thereon to the date of payment.

NEW LEGISLATION

There was no new legislation with effective dates subsequent to June 30, 1991, affecting the operation of the System.