REPORT DIGEST

JUDGES' RETIREMENT SYSTEM OF ILLINOIS
FINANCIAL AUDIT
FOR THE YEAR ENDED JUNE 30, 1993

INTRODUCTION

This digest covers our financial audit of the System for the year ended June 30, 1993. A compliance audit covering the two years ending June 30, 1994 will be performed next year. The System shares administrative staff and common administrative expenses with the General Assembly Retirement System (GARS). The GARS reimburses the System for 40 percent of the administrative costs incurred.

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

UNDERFUNDING OF THE SYSTEM

Net assets available for benefits (at cost) totaled $200 million at June 30, 1993. The pension obligation was valued at $459 million at June 30, 1993. The difference between the pension obligation and the net assets available for benefits of $259 million reflects the unfunded liability of the System at June 30, 1993. The unfunded liability increased over $23 million during FY 1993.

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

Year Ended June 30	(1) Net Assets Available for Benefits	(2) Pension Obligation	(3) Percentage Funded (1)÷(2)	(4) Unfunded Liability (2)-(1)	(5) Annual Increase In Unfunded Liability
1990	$167	$366	45.6%	$199	$36
1991	174	386	45.1%	212	13
1992	188	424	44.3%	236	24
1993	200	459	43.5%	259	23

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

In Fiscal Year 1990, Public Act 86-0273 became effective. This law provided for a seven year phase-in approach to improve the State's funding of its five State-financed retirement systems. The long term intent was to provide increased contributions sufficient to pay normal costs, and to amortize the unfunded pension obligation over 40 years after a seven year phase-in period. Even with the passage of this Act the unfunded liability has increased $96 million over the past four years.

AUDITORS' OPINION

Our auditors state that the June 30, 1993 financial statements of the System are fairly presented.

WILLIAM G. HOLLAND, Auditor General

WGH:KMA:pp

SPECIAL ASSISTANT AUDITORS

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