

Judges' Retirement System of the State of Illinois

Compliance Examination

For the Year Ended June 30, 2016
Performed as Special Assistant Auditors for
the Auditor General, State of Illinois



**Judges' Retirement System of the State of Illinois
Compliance Examination**

Year Ended June 30, 2016

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Financial Statement Report

The System's financial statement report for the year ended June 30, 2016, which includes the independent auditor's report, management's discussion and analysis, basic financial statements and notes, required supplementary information other than management's discussion and analysis, supplementary information, and the independent auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards* has been issued separately.

Supplementary Information for State Compliance Purposes

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**Judges' Retirement System of the State of Illinois
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Year Ended June 30, 2016

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**Judges' Retirement System of the State of Illinois
Compliance Examination**

For the Year Ended June 30, 2016

System Officials

Executive Secretary
Division Manager
Accounting Division Manager
Internal Auditor

Timothy B. Blair
Jayne Waldeck
Alan Fowler, CPA
Casey Evans

Office Locations

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

State of Illinois Building
160 North LaSalle Street, Suite N725
Chicago, Illinois 60601



April 24, 2017

RSM US LLP
20 North Martingale Road, Suite 500
Schaumburg, IL 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Judges' Retirement System of Illinois (System). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the System's compliance with the following assertions during the year ended June 30, 2016. Based on this evaluation, we assert that during the year ended June 30, 2016, the System has materially complied with the assertions below.

- A. The System has obligated, expended, received and used public funds of the State in accordance with the purpose for which funds have been appropriated or otherwise authorized by law.
- B. The System has obligated, expended, received and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. The money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate and in accordance with law.

Yours very truly,

Judges' Retirement System

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Timothy B. Blair, Executive Secretary

Alan Fowler, CPA, Accounting Division Manager

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Year Ended June 30, 2016

Compliance Report

Summary

The compliance testing performed during this examination was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

Accountant's Report

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations, disclaimers or other significant non-standard language.

Summary of Findings

Number of	Current Report	Prior Report
Findings	2	2
Repeated findings	1	1
Prior recommendations implemented or not repeated	1	1

Schedule of Findings

Item No.	Page	Description	Finding Type
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
2016-001	9	Noncompliance with the Fiscal Control and Internal Auditing Act	Significant Deficiency
FINDINGS (STATE COMPLIANCE)			
2016-002	10	Change Management Weaknesses	Noncompliance and Significant Deficiency

In addition, the following findings which are reported as current findings related to *Government Auditing Standards* also met the reporting requirements for State Compliance.

2016-001	9	Noncompliance with the Fiscal Control and Internal Auditing Act	Noncompliance and Significant Deficiency
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Prior Findings Not Repeated

A	11	Noncompliance with Ethics Training Requirements
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Exit Conference

System officials elected to waive a formal exit conference in correspondence dated March 15, 2017. The responses to the recommendation were provided by Casey Evans, Internal Auditor, in correspondence dated April 3, 2017.

**Independent Accountant's Report on State Compliance,
on Internal Control Over Compliance, and on
Supplementary Information for State Compliance Purposes**

Honorable Frank J. Mautino
Auditor General, State of Illinois
and
Board of Trustees
Judges' Retirement System of the State of Illinois

Compliance

As Special Assistant Auditors for the Auditor General, we have examined the Judges' Retirement System of the State of Illinois' (System) compliance with the requirements listed below, as more fully described in the Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide) as adopted by the Auditor General, during the year ended June 30, 2016. The management of the System is responsible for compliance with these requirements. Our responsibility is to express an opinion on the System's compliance based on our examination.

- A. The System has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The System has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions or mandatory directions imposed by law upon such obligation, expenditure, receipt or use.
- C. The System has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the System are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the System on behalf of the State or held in trust by the System have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act); and the Audit Guide as adopted by the Auditor General pursuant to the Act; and, accordingly, included examining, on a test basis, evidence about the System's compliance with those requirements listed in the first paragraph of this report and performing such other procedures as we considered necessary in the circumstances. We believe that our examination provides a reasonable basis for our opinion. Our examination does not provide a legal determination on the System's compliance with specified requirements.

In our opinion, the System complied, in all material respects, with the requirements listed in the first paragraph of this report during the year ended June 30, 2016. However, the results of our procedures disclosed instances of noncompliance with the requirements, which are required to be reported in accordance with criteria established by the Audit Guide, issued by the Illinois Office of the Auditor General and which are described in the accompanying schedule of findings as items 2016-001 and 2016-002.

Internal Control

Management of the System is responsible for establishing and maintaining effective internal control over compliance with the requirements listed in the first paragraph of this report. In planning and performing our examination, we considered the System's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with the Audit Guide, issued by the Illinois Office of the Auditor General, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in an entity's internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the requirements listed in the first paragraph of this report on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a requirement listed in the first paragraph of this report will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings as items 2016-001 and 2016-002 that we consider to be significant deficiencies.

There were no immaterial findings that have been excluded from this report.

The System's responses to the findings identified in our examination are described in the accompanying schedule of findings. We did not examine the System's responses and, accordingly, we express no opinion on the responses.

Supplementary Information for State Compliance Purposes

As Special Assistant Auditors for the Auditor General, we have audited and issued under separate cover the Statement of Fiduciary Net Position of the Judges' Retirement System of the State of Illinois (System) as of June 30, 2016, and the Statement of Changes in Fiduciary Net Position for the year then ended, and have issued our report thereon dated January 4, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. We did not audit the 2016 financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, which statements represent 92 percent, 93 percent and (5) percent, respectively, of total assets, net position restricted for pension benefits, and total additions to the System. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts

included for the Illinois State Board of Investment is based solely on the report of the other auditors. We have not performed any procedures with respect to the audited financial statements subsequent to January 4, 2017. The accompanying supplementary information for State compliance purposes, consisting of the Fiscal Schedules and Analysis Section (Schedules 1 through 11), for the year ended June 30, 2016 are presented for purposes of additional analysis and are not a required part of the basic financial statements of the System. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The accompanying Fiscal Schedules and Analysis Section (Schedules 1 through 11) for the year ended June 30, 2016 have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying Fiscal Schedules and Analysis Section (Schedules 1 through 11) for the year ended June 30, 2016 are fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2016.

The System's basic financial statements as of and for the years ended June 30, 2015 and June 30, 2014 (not presented herein), were audited by other auditors whose reports thereon dated December 18, 2015 and December 22, 2014, respectively, expressed unmodified opinions on the basic financial statements. The reports of other auditors dated December 18, 2015 and December 22, 2014, stated that the accompanying supplementary information for State compliance purposes for the years ended June 30, 2015 and June 30, 2014, respectively, consisting of the Fiscal Schedules and Analysis section (Schedules 2, 4 through 7, and 9 through 11) was subjected to the auditing procedures applied in the audit of the June 30, 2015 and June 30, 2014 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America and, in their opinion, was fairly stated in all material respects in relation to the basic financial statements as a whole for the years ended June 30, 2015 and June 30, 2014.

The accompanying supplementary information in the Analysis of Operations Section is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, the Board of Trustees of the System and System management, and is not intended to be, and should not be, used by anyone other than these specified parties.

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Schaumburg, Illinois
April 24, 2017, except for the supplementary information
for State compliance purposes, as to which the date
is January 4, 2017

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Honorable Frank J. Mautino
Auditor General, State of Illinois

Board of Trustees
Judges' Retirement System of the State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Judges' Retirement System of the State of Illinois (System), as of and for the year ended June 30, 2016, and the related notes to the financial statements as listed in the table of contents and have issued our report thereon dated January 4, 2017. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment, an internal investment pool of the State of Illinois, as described in our report on the System's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings as item 2016-001 that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Response to Findings

The System's response to the finding identified in our audit is described in the accompanying schedule of findings. The System's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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Schaumburg, Illinois
January 4, 2017

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule of Findings - *Government Auditing Standards*

Year Ended June 30, 2016

Finding No. 2016-001 Noncompliance with the Fiscal Control and Internal Auditing Act

The Judges' Retirement System (System) was not in compliance with the Fiscal Control and Internal Auditing Act (the Act).

The Act (30 ILCS 10/2003) requires the chief executive officer to ensure that internal audits of all major systems of internal control are conducted at least once every two years. The System was unable to complete internal audits of all major systems of internal control at least every two years as required by the Act.

System officials indicated the System was not able to provide additional resources to the internal audit function and therefore the current internal auditor did not have adequate time during the fiscal year to complete internal audits as required.

Failure to comply with the Act increases the risk that fraud, misuse of funds, or internal control weaknesses would not be detected on a timely basis. (Finding Code No. 2016-001, 2015-001, 2014-001)

Recommendation:

We recommend System management develop a plan to ensure the internal audit function has the resources necessary to comply with the Act.

Response:

The System accepts the finding. The SERS Board of Trustees has created and funded an additional internal auditor position in fiscal year 2017 to aid the Chief Internal Auditor in performing audit duties. The new position has been posted and candidates have been interviewed.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule of Findings – State Compliance

Year Ended June 30, 2016

Finding No. 2016-002 Change Management Weaknesses

The State Retirement System, which administers the Judges' Retirement System (System), has weaknesses in their change management procedures.

The System develops and deploys custom software to manage pension accounts of Illinois members and collects, stores, and processes confidential and protected information related to this mission.

The System had established formal change management procedures; however, the procedures did not address migrating changes into the production environment. In addition, programmers developing and making changes to applications had access to the production environment and the capability to implement changes. Furthermore, monitoring tools were not in place to detect unauthorized code migrations.

Generally accepted information technology guidance endorses the implementation of change management procedures to reduce the risk of unauthorized, improper, or erroneous changes to computer systems. These procedures include restricting programmers from making a change and moving it into production.

Management stated that a plan was in place to restrict developer access to production for the central application but due to oversight the plan was not fully executed. The System is working on incorporating automated approval and deployment of changes into the production environment; however, it has not yet completed this process.

The lack of adequate change control procedures increases the risk that unauthorized changes are put into production that could compromise system integrity and data. (Finding Code No. 2016-002)

Recommendation:

We recommend the System update its change management procedures to address specific procedures for migrating changes into the production environment. The procedures should include a standard form for requesting a change be moved into production and include user and management approval. In addition, programmers should be prevented from migrating changes into the production environment. If the Office determines that programmer access is necessary in some situations, it should establish and enforce compensating controls to ensure appropriate and documented management oversight and approval.

System Response:

The System accepts the finding. A change control process has been implemented for all legacy computerized systems and the SRS IT Division is currently working towards implementing an automated approval and deployment process which it hopes to achieve in calendar year 2017.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule of Findings

Year Ended June 30, 2016

Prior Findings Not Repeated

A. Finding - Noncompliance with Ethics Training Requirements

In the prior fiscal year compliance examination, the Judges Retirement System of the State of Illinois (System) did not comply with the ethics training provisions of the Illinois Pension Code. Auditors noted the System did not track the ethics training completed by its Board members and did not submit the required annual certification of compliance certifying ethics training completed by its Board members with the Chief Justice of the Supreme Court. (Finding Code No. 2015-002)

During the current fiscal year compliance examination, the System ensured all Board members completed a certification of the Board's ethics training and submitted the certification to the Chief Justice of the Illinois Supreme Court as required under the Illinois Pension Code.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Year Ended June 30, 2016

Supplementary Information for State Compliance Purposes

Summary

Supplementary Information for State Compliance Purposes presented in this section of the report includes the following:

- Fiscal Schedules and Analysis:
 - Schedule of Appropriations, Expenditures and Lapsed Balances
 - Comparative Schedule of Net Appropriations, Expenditures and Lapsed Balances
 - Schedule of Changes in State Property
 - Comparative Schedule of Cash Receipts
 - Reconciliation Schedule of Cash Receipts to Deposits Remitted to the State Comptroller
 - Analysis of Significant Variations in Expenditures
 - Analysis of Significant Variations in Cash Receipts
 - Analysis of Significant Lapse Period Spending
 - Comparative Schedule of Cash Balances
 - Comparative Schedule of Changes in Investment Balances
 - Analysis of Contributions Receivable

- Analysis of Operations (Unaudited):
 - System Functions and Planning Program (Unaudited)
 - Progress in Funding the System (Unaudited)
 - Budget Impasse Disclosures (Unaudited)
 - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Unaudited)
 - Interest Costs on Fiscal Year 2016 Invoices (Unaudited)
 - Money-Weighted Rate of Return (Unaudited)
 - Average Number of System Employees (Unaudited)
 - Comparison of Administrative Expenses to Total Expenses (Unaudited)
 - Schedule of Contributions/Deductions and Effect on Investments (Unaudited)
 - Service Efforts and Accomplishments (Unaudited)

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section and states that it has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in the auditor's opinion, it is fairly stated, in all material respects, in relation to the basic financial statements as a whole from which it has been derived. The accountant's report also states the Analysis of Operations Section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, they do not express an opinion or provide any assurance on it.

Schedule of Appropriations, Expenditures and Lapsed Balances
Expenditure Authority for Fiscal Year 2016
Fourteen Months ended August 31, 2016

Continuing Appropriations	Expenditure Authority (Net of Transfers)	Expenditures through June 30, 2016	Lapse Period Expenditures July 1, 2016 through August 31, 2016	Total Expenditures	Balances Lapsed
Appropriated Funds					
General Revenue Fund - 0001					
Continuing appropriation for pension contributions	\$ 132,060,000	\$ 132,060,000	\$ -	\$ 132,060,000	\$ -
Total appropriated funds	<u>\$ 132,060,000</u>	<u>\$ 132,060,000</u>	<u>\$ -</u>	<u>\$ 132,060,000</u>	<u>\$ -</u>
Judges' Retirement System Fund - 0477					
Personal services		\$ 511,483	10,097	\$ 521,580	
Employee retirement pickup		5,803	-	5,803	
Retirement contributions		233,414	4,608	238,022	
Social Security contributions		37,770	744	38,514	
Group insurance		113,547	2,838	116,385	
Contractual services		172,786	769	173,555	
Travel		5,172	793	5,965	
Purchase of investments		6,500,000	-	6,500,000	
Commodities		372	-	372	
Printing		740	-	740	
Electronic data processing		55,596	69,324	124,920	
Telecommunications		1,389	242	1,631	
Automotive		944	81	1,025	
Nonrecurring refunds and distributions		679,283	-	679,283	
Pensions, annuities and benefits		131,156,743	-	131,156,743	
Refunds, prior calendar year contributions		53,367	-	53,367	
Refunds, not elsewhere classified		27,255	-	27,255	
Subtotal - Fund 0477		<u>139,555,664</u>	<u>89,496</u>	<u>139,645,160</u>	
Judges' Retirement Excess Benefit Fund - 0787					
Pensions, annuities and benefits		1,422,089	-	1,422,089	
Total nonappropriated funds		<u>140,977,753</u>	<u>89,496</u>	<u>141,067,249</u>	
Grand total, all Funds		<u>\$ 273,037,753</u>	<u>\$ 89,496</u>	<u>\$ 273,127,249</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016 and have been reconciled to System records.

Note 2: Expenditure amounts are vouchers approved for payment by the System and submitted to the State Comptroller for payment to the vendor.

Note 3: The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.1(d)) provides a continuing annual appropriation for the State's Contributions to the System such that the State's total contributions are no less than the required State contributions lawfully submitted by the System under the Illinois Pension Code (40 ILCS 5/18-140). The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the System pursuant to this Statute. Therefore, the System's fiscal year 2016 appropriation for Fund 001 was established as the amount certified to the Governor and General Assembly as the State's required contribution on January 15, 2015.

Comparative Schedule of Net Appropriations,
Expenditures and Lapsed Balances
For the Years Ended June 30, 2016, 2015 and 2014

	Fiscal Year		
	2016	2015	2014
	Continuing Appropriations	P.A. 98-0680	P.A. 98-0017
Appropriated Funds			
<u>General Revenue Fund - 0001</u>			
Appropriations	\$ 132,060,000	\$ 133,982,000	\$ 126,808,000
Expenditures			
Continuing appropriation for pension contributions	132,060,000	133,982,000	126,808,000
Total appropriated funds	132,060,000	133,982,000	126,808,000
Lapsed balances	\$ -	\$ -	\$ -
Nonappropriated Funds			
<u>Kanerva vs State Trust Fund - 0234</u>			
Expenditures			
Annuitant disbursement	\$ -	\$ 1,897,535	\$ -
<u>Judges' Retirement System Fund - 0477</u>			
Expenditures			
Personal services	521,580	626,250	534,266
Employee retirement pickup	5,803	10,094	9,008
Retirement contributions	238,022	265,483	215,629
Social Security contributions	38,514	46,455	39,124
Group insurance	116,385	115,159	129,055
Contractual services	173,555	134,293	97,579
Travel	5,965	6,172	6,085
Purchase of investments	6,500,000	20,700,000	16,000,000
Commodities	372	841	776
Printing	740	400	3,550
Equipment	-	-	473
Electronic data processing	124,920	15,706	8,104
Telecommunications	1,631	3,735	3,491
Automotive	1,025	814	1,513
Nonrecurring refunds and distributions	679,283	926,725	524,864
Pensions, annuities and benefits	131,156,743	124,685,037	117,860,035
Refunds, prior calendar year contributions	53,367	323	5,934
Refunds, not elsewhere classified	27,255	29,950	772
Total expenditures - Fund 0477	139,645,160	147,567,437	135,440,258
<u>Judges' Retirement Excess Benefit Fund - 0787</u>			
Expenditures			
Pensions, annuities and benefits	1,422,089	981,497	774,222
Total nonappropriated expenditures	141,067,249	150,446,469	136,214,480
Grand total expenditures, all Funds	\$ 273,127,249	\$ 284,428,469	\$ 263,022,480

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller records as of September 30, 2016 and have been reconciled to System records.

Note 2: Expenditure amounts are vouchers approved for payment by the System and submitted to the State Comptroller for payment to the vendor.

Note 3: The State Pension Funds Continuing Appropriation Act (40 ILCS 15/1.1(d)) provides a continuing annual appropriation for the State's Contributions to the System such that the State's total contributions are no less than the required State contributions lawfully submitted by the System under the Illinois Pension Code (40 ILCS 5/18-140). The Circuit Court of Cook County in *People v. Munger* (15 CH 10243) ordered the State Comptroller, in the absence of enacted annual appropriations, to process and pay certified invoice vouchers from the System pursuant to this Statute. Therefore, the System's fiscal year 2016 appropriation for Fund 001 was established as the amount certified to the Governor and General Assembly as the State's required contribution on January 15, 2015.

Schedule of Changes in State Property
 For the Year Ended June 30, 2016

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	\$ 30,611	\$ 4,117	\$ -	\$ 34,728
Accumulated depreciation	(24,058)	(3,641)	-	(27,699)
Equipment, net	6,553	476	-	7,029
Internally developed software	21,448	22,774	-	44,222
Accumulated amortization	(1,072)	(2,211)	-	(3,283)
Internally developed software, net	20,376	20,563	-	40,939
Capital assets, net	\$ 26,929	\$ 21,039	\$ -	\$ 47,968

This summary schedule was prepared using State property records required by the Illinois Administrative Code. The capitalization policy in the code is different than the capitalization policy established by the Office of the State Comptroller for financial reporting in accordance with generally accepted accounting principles.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 4

**Comparative Schedule of Cash Receipts
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Receipts:		
Participant contributions	\$ 14,926,139	\$ 15,377,645
Employer contributions:		
General Revenue Fund	132,140,084	133,683,086
Paid by Participants	-	57,684
Interest income on cash balances	141,852	114,692
Reimbursement from General Assembly Retirement System	275,213	258,719
Cancellation of annuities, net of overpayments	72,006	97,721
Cancellation of refunds	-	33,789
Tax-deferred installment payments	12,740	14,171
Transfers from Illinois State Board of Investment	10,000,000	-
Repayment of refunds	-	57,341
Miscellaneous	700	175
	<hr/>	<hr/>
Total cash receipts, per book	<u>\$ 157,568,734</u>	<u>\$ 149,695,023</u>

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 5

**Reconciliation Schedule of Cash Receipts
to Deposits Remitted to the State Comptroller
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Total cash receipts, per books	\$ 157,568,734	\$ 149,695,023
Add (deduct)		
Interest on cash balances	(141,852)	(114,692)
Cancellation of annuities	(72,006)	(97,721)
Cancellation of refunds	-	(33,789)
Deposits in transit		
Beginning of year	-	21,139
End of year	(471)	-
Prior fiscal year intergovernmental payment vouchers deposited into the GARS Trust Fund (Fund #0477) during the current fiscal year*	(5,582,584)	(5,283,670)
Current fiscal year intergovernmental payment vouchers submitted to the Comptroller's office but not yet deposited into the GARS Trust Fund (Fund #0477)*	5,502,500	5,582,584
Deposits remitted to the State Comptroller for order into the State Treasury	<u>\$ 157,274,321</u>	<u>\$ 149,768,874</u>

* Intergovernmental transfers are GRF employer contributions that are deposited in the JRS Trust Fund (Fund #0477). Intergovernmental transfers are recorded as revenue on the monthly revenue report (SB04) at the time the intergovernmental payment voucher is entered into the SAMS system. JRS does not record the intergovernment transfer as a receipt until the voucher has been released and the payment has been deposited into the Trust Fund.

**Analysis of Significant Variations in Expenditures
For the Year Ended June 30, 2016**

The System's expenditures, obtained from Schedule 2, have been analyzed for fluctuations greater than \$250,000 and 20 percent from the previous year.

	2016	2015	Increase (Decrease)	
Fund 477				
Kanerva vs. State Trust Fund	\$ -	\$ 1,897,535	\$ (1,897,535)	(1)
Purchase of investments	6,500,000	20,700,000	(14,200,000)	(2)
Fund 787				
Pensions, annuities and benefits	1,422,089	981,497	440,592	(3)

- (1) From July, 2013 through October, 2014, annuitants with less than 20 years of service started paying a portion of their health insurance as required by the pension reform law passed by the legislature in 2012. The Supreme Court later ruled that the 2012 pension reform law violated the state constitution's pension protection clause and, as a result, the premium payments were refunded to the annuitants. The decrease represents the amount of retiree health insurance premiums refunded to annuitants during fiscal year 2015. The refunds were to be completed in fiscal year 2015 by order of the court.
- (2) The System strives to maintain a Trust Fund cash balance sufficient to cover two months of operating expenses. Any projected Trust Fund balance excess or shortfall is transferred to or transferred from the Illinois State Board of Investment, respectively. The decrease represents the decline in excess cash balance that was transferred to the Illinois State Board of Investment for long term investment due to the uncertainty of the timing of the GRF employer contribution payments going into the new fiscal year.
- (3) Fund 787 (Excess Benefit Fund) expenses for pension, annuities and benefits increased between FY 15 and FY 16 due to: the annual automatic compounded COLA (3%); and the IRC Section 415 (b)(1)(A) benefit limitations imposed by the IRS (which drives the Excess Benefit Fund expenditures) remaining level at a maximum of \$210,000.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 7

**Analysis of Significant Variations in Cash Receipts
For the Year Ended June 30, 2016**

The System's expenditures, obtained from Schedule 4, have been analyzed for fluctuations greater than \$250,000 and 20 percent from the previous year.

	2016	2015	Increase (Decrease)
Transfers from Illinois State Board of Investment	\$ 10,000,000	\$ -	\$ 10,000,000 (1)

- (1) During fiscal year 2016, the System had to draw down from plan assets in order to make the November 2015 benefit payment due to the delay in the receipt of the GRF employer contribution.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 8

**Analysis of Significant Lapse Period Spending
For the Year Ended June 30, 2016**

The System's lapse period spending, obtained from Schedule 1, has been analyzed for spending greater than \$50,000 and 20 percent in any appropriate line item

There was no lapse period spending in FY 2016 appropriated lines that met the criteria.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 9

**Comparative Schedule of Cash Balances
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Cash in State Treasury	<u>\$ 49,540,595</u>	<u>\$ 33,161,274</u>

The increase in cash balances from the prior year is mainly due to timing differences in the receipts, expenditures and transfer of funds from the Illinois State Board of Investment (ISBI).

**Comparative Schedule of Changes in Investment Balances
For the Years Ended June 30, 2016 and 2015**

Pursuant to Article 22A of the Illinois Pension Code, investments of the Judges' Retirement System of Illinois are managed by the Illinois State Board of Investment (ISBI) and are held 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.

Investment portfolio management and performance are the direct responsibility of the ISBI which establishes investment policy and strategy.

Comparison of the changes in the System's investments held in the ISBI Commingled fund for the years ended June 30, 2016 and 2015 is summarized as follows:

	<u>2016</u>	<u>2015</u>
Balance at beginning of year, at fair value	\$ 795,296,831	\$ 738,704,938
Cash transferred to (from) ISBI, net	<u>(3,500,000)</u>	<u>20,700,000</u>
	<u>791,796,831</u>	<u>759,404,938</u>
Investment income		
Interest, dividends and other	23,921,071	25,343,901
Expenses	<u>(2,045,207)</u>	<u>(2,215,206)</u>
	<u>21,875,864</u>	<u>23,128,695</u>
Net appreciation (depreciation) in fair value of investments		
Net unrealized gain (loss) on investments	(35,296,036)	(12,932,887)
Net realized gain on sales of investments	<u>6,799,503</u>	<u>25,696,085</u>
	<u>(28,496,533)</u>	<u>12,763,198</u>
Total net investment income (loss)	<u>(6,620,669)</u>	<u>35,891,893</u>
Balance at end of year, at fair value	<u>\$ 785,176,162</u>	<u>\$ 795,296,831</u>

Securities lending collateral decreased by \$1.273 million in fiscal year 2016 compared to the fiscal year 2015 ending balance from \$12.776 million to \$11.503 million. The State Treasurer lends securities to broker-dealers and other entities for collateral that will be returned for the same security in the future. Each year the Treasurer provides an allocation to the Comptroller to adjust each State Agency's financial statements to include their proportionate share of the securities lending transaction balances at year end. Securities lending activity can vary from year to year depending on market conditions and the availability of securities to lend.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

Schedule 11

**Analysis of Contributions Receivable
For the Years Ended June 30, 2016 and 2015**

	2016	2015
Employer contributions	\$ 5,502,500	\$ 5,582,584
Participants' contributions	114,096	90,919
Refundable annuities	5,660	17,010
Interest on cash balances	20,664	12,400
Due from General Assembly Retirement System, State of Illinois	61,061	94,705
Total receivables	<u>\$ 5,703,981</u>	<u>\$ 5,797,618</u>

The variance in total receivables from 2015 to 2016 is primarily due to approximately \$80,000 less employer contributions receivable from the General Revenue Fund at June 30, 2016. During fiscal years 2016 and 2015, the monthly allocations of employer contributions from the General Revenue Fund were \$11,005,000 and \$11,165,167, respectively. At June 30, 2016 and 2015, the System was due one half month of allocated employer contributions, or \$5,502,500 and \$5,582,584, respectively. No receivables were deemed noncollectable at June 30, 2016. Accounts are first analyzed by System personnel for collectability before being sent to the Attorney General's office for final determination.

Judges' Retirement System of the State of Illinois Compliance Examination

Analysis of Operations (Unaudited) For the Years Ended June 30, 2016 and 2015

System Functions and Planning Program (Unaudited)

The Judges' Retirement System of Illinois (System) was created effective July 1, 1941, to establish a method of permitting retirement, without hardship or prejudice, of judges who are aged or otherwise incapacitated, by enabling them to accumulate reserves for themselves and their dependents for old age, disability, death and termination of employment.

The System is governed by Chapter 40, Act 5, Article 18, of the "Illinois Compiled Statutes" and it is administered by a Board of Trustees consisting of five persons, as follows: the State Treasurer, the Chief of the Supreme Court, ex officio and three participating judges appointed by the Supreme Court.

Justice Mary Schostok is Chairperson of the Board of Trustees (Board) and Mr. Timothy B. Blair is the Executive Secretary of the System. The Executive Secretary is appointed by the Board and is charged with the administration of the detailed affairs of the System.

The System is also responsible for the general administration of the State Employees Group Insurance Program as it applies to eligible annuitants. This includes enrollment, processing life insurance claims and other administrative details related to that program.

Currently, the System utilizes a formal planning program which includes, among other things, operational project planning as well as administrative expense budgeting.

During fiscal year 2016, the System, in conjunction with the State Employees' Retirement System's Information Technology Division, worked on several modernization/reengineering projects which included: the syncing of retirement benefit data, the design of the new benefit set up process and pension calculations, system performance tuning, and changes to the annual benefit statements.

During fiscal year 2017, the System will continue to work with the State Employees' Retirement System's Information Technology Division on the following new projects: the implementation of the new benefit setup and pension calculation, and the design of the service purchase set up, the cash receipts, and the accounts receivable modules.

Progress in Funding the System (Unaudited)

In August 1994, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides for a systematic 50-year funding plan with an ultimate goal to fund the cost of maintaining and administering the System at an actuarial funded ratio of 90 percent. In addition, the funding plan provides for a 15-year phase-in period to allow the State to adapt to the increased financial commitment. Once the 15-year phase-in is complete, the State's contribution will then remain at a level percentage of payroll for the next 35 years until the 90 percent funded level is achieved.

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

Public Act 93-0002 became law on April 7, 2003, and authorized the State to issue \$10 billion in general obligation bonds for the purpose of making contributions to the retirement systems. On June 12, 2003, the State issued \$10 billion in General Obligation Bonds, Pension Funding Series of June 2003.

Judges' Retirement System of the State of Illinois Compliance Examination

Analysis of Operations (Unaudited) (Continued) For the Years Ended June 30, 2016 and 2015

Progress in Funding the System (Unaudited) (Continued)

Commencing with fiscal year 2005, the maximum State contribution under Public Act 93-0002 equals the State contribution that would have been required if the general obligation bond contribution had not been made, reduced – but not below zero – by the State's debt service on each system's respective portion of the full \$10 billion of General Obligation Bond, Pension Funding Series of June 2003.

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

Public Act 96-0043 became law on July 15, 2009. As required under PA 96-0043, the method for determining the actuarial value of assets used to determine the employer contribution rate was changed beginning with the June 30, 2009 valuation. The method was changed from the market/fair value to a smoothed value. The smoothed value recognizes actuarial investment gains or losses for each fiscal year, beginning with FY09, in equal amounts over the ensuing five-year period.

Public Act 96-0889 added a lower tier of benefits for members who first contribute to JRS on or after January 1, 2011. When Public Act 96-1511 was enacted in January 2011, it required the System to assume that the provisions of Public Act 96-0889 were in effect on June 30, 2009 and to recalculate and recertify the fiscal year 2011 state funding requirement. Under this recertification, the fiscal year 2011 state contribution requirement was reduced by \$27.9 million, from \$90.3 million to \$62.4 million.

Under the State's Funding Plan, the actuarial accrued liability of the System at June 30, 2016, amounted to approximately \$2,546.4 million. The actuarial value of assets (at smoothed value) at June 30, 2016 amounted to approximately \$870.9 million. The difference between the actuarial accrued liability and the actuarial value of assets of \$1,675.5 million reflects the unfunded actuarial accrued liability of the System at June 30, 2016 under the State's funding plan. The System had a funded ratio (based on the State's funding plan) of 34.2% at June 30, 2016.

For financial reporting purposes, the System adopted GASB Statement No. 67, *Financial Reporting for Pension Plans* in the fiscal year ended June 30, 2014. GASB Statement No. 67 requires the use of the market value of assets rather than the actuarial value of assets (smoothed value) used under the State's funding plan in calculating the net pension liability. It also requires that the System use the entry age actuarial cost method rather than the projected unit credit cost method used under the State's funding plan for calculating the total pension liability. In addition it requires the System use a blended rate of return of 6.48% combining the assumed rate of return of 6.75% and a municipal bond rate of 2.85% based on an index of 20 year general obligation bonds with an average AA rating for investments in the event the System's assets are exhausted in the future.

On June 30, 2016 the System reported for financial reporting purposes under GASB Statement No. 67 that the market value of assets was \$840.3 million. The difference between the total pension liability of \$2,637.6 million and the market value of assets was the net pension liability of \$1,797.3 million and the funded ratio was 31.9%. On June 30, 2015, the market value of assets was \$833.9 million. The difference between the System's June 30, 2015 total pension liability of \$2,352.9 million and the market value of assets was the June 30, 2015 net pension liability of \$1,519.0 million and the funded ratio was 35.4%.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

Progress in Funding the System (Unaudited) (Continued)

The market value of the assets of the fund, that were available for benefits, increased from \$833.9 million as of June 30, 2015 to \$840.3 million as of June 30, 2016. The increase is due to the favorable return on fund assets. The actuarial value of the assets of \$870.9 million at June 30, 2016, is \$30.6 million greater than the market value of the assets due to recognition of 100% of the actuarial loss in fiscal year 2012, 80% of the actuarial gain in fiscal year 2013, 60% of the actuarial gain in fiscal year 2014, 40% of the actuarial loss in fiscal year 2015, and 20% of the actuarial loss in fiscal year 2016.

State required contributions to the System for the next five fiscal years are noted in the table below.

Year Ended June 30	Required State Contribution (in millions)
2017	\$ 131.3
2018	146.8
2019	146.8
2020	147.7
2021	149.7

The Schedule of the State's Net Pension Liability (in millions) for fiscal years ending June 30, 2016 and 2015 are noted in the table below.

	2016	2015
Total pension liability	\$ 2,637.6	\$ 2,352.9
Plan fiduciary net position	840.3	833.9
State's net pension liability (asset)	\$ 1,797.3	\$ 1,519.0
Plan fiduciary net position as a percentage of the total pension liability	31.86 %	35.44 %
Covered employee payroll	\$ 178.0	\$ 177.2
State's net pension liability (asset) as a percentage of Covered employee payroll	1,009.75 %	857.41 %

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

The Schedule of State Contributions for the fiscal years ending June 30, 2016 and 2015 are noted in the table below.

Year Ended June 30,	Actuarially Determined Contribution	Contributions Received	Contribution (Deficiency) Excess	Covered Employee Payroll	Contributions Received as a Percentage of Covered Employee Payroll
2016	\$121,362,703	\$132,060,000	\$10,697,297	\$177,991,073	74.19%
2015	124,215,990	134,039,684	9,823,694	177,164,450	75.66%

Notes to the Schedule of State Contributions

Valuation date: June 30, 2014

Notes: Actuarially determined contribution rates are calculated as of June 30, which is 12 months prior to the beginning of the fiscal year in which the contributions will be made.

Methods and Assumptions Used to Determine Contribution Rates as of the Valuation Date

Actuarial Cost Method:	Projected Unit Cost
Amortization Method:	Normal cost plus a level percentage of capped payroll amortization of the unfunded accrued liability.
Remaining Amortization Period:	30 years, open
Asset Valuation Method:	5 year smoothed market
Inflation:	3.00 percent
Salary Increases:	A salary increase assumption of 3.75 percent per annum, compounded annually, was used. This 3.75 percent salary increase assumption includes an inflation component of 3.00 percent per annum, a productivity component of 0.60 percent per annum, and a merit/promotion component of 0.15 percent per annum.
Post-Retirement Benefits:	Post-retirement benefit increases of 3.00 percent, compounded, for Tier 1 and 3.00 percent or the annual change in the Consumer Price Index, whichever is less, compounded for Tier 2.
Investment Rate of Return:	7.00 percent
Retirement Age:	Age-based table of rates that are specific to the type of eligibility.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

Mortality: RP-2000 Combined Healthy Mortality Table, sex distinct, projected to 2015 (static table) setback three (3) years for males and two (2) years for females.

Budget Impasse Disclosures (Unaudited)

All of the System's Fiscal Year 2016 costs were paid pursuant to continuing appropriations. The System did not have any outstanding invoices from Fiscal Year 2016 unpaid after the closure of the Fiscal Year 2016 lapse period on August 31, 2016.

Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors

The System and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2016.

None of the System's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2016.

Interest Costs on Fiscal Year 2016 Invoices (Unaudited)

The System did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540). The System's vendors were paid from funds and accounts that are ineligible for prompt payment interest due to vendors under the Act.

Money-Weighted Rate of Return (Unaudited)

Pursuant to Article 22A of the Illinois Pension Code, investments of the Judges' Retirement System of Illinois are managed by the Illinois State Board of Investment (ISBI) and are held in the ISBI Commingled Fund. ISBI operates under a long-range investment plan with the objective to maximize the total rate of return. The objectives set forth are as follows:

- At least equal to the assumed actuarial interest rate, currently 6.75% per year.
- At least equal to the return of a composite benchmark of market indices in the same proportions as the Board's asset allocation policy targets.

The time-weighted rate of return of the Illinois State Board of Investment (ISBI) Commingled Fund was (0.8)% for fiscal year 2016. The ISBI's total fund performance was less than the composite benchmark of 0.7% for the year ended June 30, 2016.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

The annual money-weighted rate of return, net of investment expense, as of June 30, 2016 and 2015 was as follows:

	<u>2016</u>	<u>2015</u>
Money-weighted return*	(0.57)%	5.08%

* The annual money-weighted rate of return expresses the investment performance, net of investment expense, adjusted for changing amounts actually invested.

Average Number of System Employees (Unaudited)

The average number of employees during the years ended June 30, 2016 and 2015 are functionally classified as follows:

	<u>2016</u>	<u>2015</u>
Executive and administrative	3	3
Accounting, bookkeeping and clerical	3	3
Total	<u>6</u>	<u>6</u>

Comparison of Administrative Expenses to Total Expenses (Unaudited)

	<u>2016</u>	<u>2015</u>
Total expenses		
Benefits	\$ 132,571,796	\$ 125,654,349
Refunds	658,051	945,807
Administrative	942,950	982,656
Total expenses	<u>\$ 134,172,797</u>	<u>\$ 127,582,812</u>
Administrative expenses as a percentage of total expenses	<u>0.7%</u>	<u>0.8%</u>

Administrative expenses are not subject to appropriation control but are controlled by budgets adopted by the Board of Trustees. Administrative expenses common to the Judges' Retirement System of Illinois and the General Assembly Retirement System of Illinois are paid 75 percent by the Judges' Retirement System of Illinois and 25 percent by the General Assembly Retirement System of Illinois. Invoices/vouchers covering common expenses incurred are paid by the Judges' Retirement System of Illinois and the applicable percent is allocated to and reimbursed by the General Assembly Retirement System of Illinois.

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

Schedule of Contributions/Deductions and Effect on Investments (Unaudited)

Below is a schedule of contributions received by the System and expenditures of the System for benefits and operations and the effect of these transactions on the System's investments.

	<u>2016</u>	<u>2015</u>
Contributions		
Participant contributions	\$ 14,962,055	\$ 15,431,105
Employer contributions	132,060,000	134,039,684
	<hr/>	<hr/>
Total Contributions	147,022,055	149,470,789
	<hr/>	<hr/>
Deductions		
Retirement benefits	109,011,315	102,794,428
Survivor benefits	23,560,481	22,859,921
Refunds	658,051	945,807
Administrative expenses	942,950	982,656
	<hr/>	<hr/>
Total Deductions	134,172,797	127,582,812
	<hr/>	<hr/>
Contributions in Excess of Deductions	<u>\$ 12,849,258</u>	<u>\$ 21,887,977</u>

**Judges' Retirement System of the State of Illinois
Compliance Examination**

**Analysis of Operations (Unaudited) (Continued)
For the Years Ended June 30, 2016 and 2015**

Service Efforts and Accomplishments (Unaudited)

	<u>2016</u>	<u>2015</u>
Membership data		
Active members	947	961
Inactive members	12	24
	<u>959</u>	<u>985</u>
Benefit payments processed		
Recurring		
Retirement annuities (1)	817	787
Survivors' Annuities (2)	327	334
	<u>1,144</u>	<u>1,121</u>
Termination refunds processed	<u>1</u>	<u>3</u>
Retirement counseling*		
One-on-one counseling programs held	27	28
Preretirement seminars held	8	2

* Held in conjunction with the General Assembly Retirement System, State of Illinois.

(1) 100 percent of the fiscal year 2016 retirement annuities were processed in less than 30 days.

(2) 100 percent of the fiscal year 2016 survivors' annuities were processed in less than 30 days.