Judges' Retirement System of Illinois

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Internet: http://www.state.il.us/srs
E-mail: ser@mail.state.il.us

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 2001 Highlights

949	Total Membership
910	Active Contributing Members
$381,733,581	Net Assets Held in Trust for Pension Benefits, fair value
	Contributions:
$12,291,097	Employee
$24,348,926	Employer
$(28,464,876)	Investment (Loss)
(7.1)%	Investment Return (negative)
	Benefit Recipients:
506	Retirement Annuities
316	Survivors' Annuities
$48,330,822	Benefits Paid
$937,091,513	Accrued Actuarial Liability
$555,357,932	Unfunded Actuarial Liability
40.7%	Funded Ratio

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

A Pension Trust Fund of the State of Illinois

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE FISCAL YEAR ENDED JUNE 30, 2001

JUDGES' RETIREMENT
SYSTEM OF ILLINOIS

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

Prepared by the Accounting Division

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Introductory Section

Administration:
(l to r) seated: Cheryl Bullerman, Dawn Blakeman.
standing: Executive Secretary, Michael Mory,
Associate Executive Secretary, Robert Knox.

Staff:
(l to r) seated: Robin Edgar, Jayne Waldeck.
standing: Dave Richter, Rudy Kink, Carole McKean,
Bill Hanney.

STATE RETIREMENT SYSTEMS

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

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

December 7, 2001

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

Dear Board of Trustees and Members:

The comprehensive annual financial report of the Judges' Retirement System of Illinois (System) as of and for the fiscal year ended June 30, 2001 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. **The Introductory Section** which contains this letter of transmittal, the identification of the administrative organization and the Certificate of Achievement for Excellence in Financial Reporting;

2. **The Financial Section** which contains the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

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

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

5. **The Statistical Section** which contains significant statistical data; and

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

Generally accepted accounting principles require that the financial reporting entity include:

1. the primary government;
2. organizations for which the primary government is financially accountable; and
3. other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

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

PLAN HISTORY & 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. As of June 30, 1942, the end of the System's first fiscal year of operations, there were a total of 260 participants and the plan net assets valued at cost amounted to approximately $84 thousand. The fair value of plan net assets at the end of fiscal year 2001 amounted to $381.7 million and there were 910 active participants.

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

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.

ADDITIONS TO PLAN NET ASSETS

Collections of employer and participant retirement contributions, as well as income from investments, provide the reserves necessary to finance retirement benefits. These revenue sources totaled $8.175 million during the fiscal year ending June 30, 2001, which is a significant decrease from the amount of revenue reported for fiscal year 2000, as shown in Table 1.

TABLE 1

	2001 (Millions)	2000 (Millions)	Increase/Decrease (Millions)	Increase/Decrease (Percentage)
Contributions:				
Participants	$ 12.291	$ 12.005	$ .286	2.4%
Employer	24.349	21.412	2.937	13.7%
Investments	(28.465)	44.848	(73.313)	(163.5)%
Total revenue	$ 8.175	$ 78.265	$ (70.090)	(89.6)%

The decrease in investment revenue was attributable to significant net depreciation in the fair value of the System's investments.

DEDUCTIONS FROM PLAN NET ASSETS

The primary expense of a retirement system relates to the purpose for which it is created; namely the payment of benefits. These payments, together with the expense to administer the plan, constitute the total expenses of the System. Expenses of the System for fiscal year 2001 and 2000 are shown in Table 2 for comparison purposes.

TABLE 2

	2001 (Millions)	2000 (Millions)	Increase/Decrease (Millions)	Increase/Decrease (Percentage)
Benefits:				
Retirement annuities	$ 37.510	$ 34.078	$ 3.432	10.1%
Survivors' annuities	10.821	10.141	.680	6.7%
Total benefits expenses	48.331	44.219	4.112	9.3%
Refunds	.633	.498	.135	27.1%
Administrative expenses	.411	.377	.034	9.0%
Total expenses	$ 49.375	$ 45.094	$ 4.281	9.5%

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 Chapter 40, Article 5/22A of the Illinois Compiled Statutes, using the "prudent person rule". This rule states that fiduciaries shall discharge their duties solely in the interest of the fund participants and beneficiaries and with the degree of diligence, care and skill which prudent men and women would ordinarily exercise under similar circumstances in a like position. The ISBI maintains a wide diversification of investments within this fund which serves to reduce overall risk and increase returns.

Income from investments has, over the years, generally been a significant share of the total revenue to the System. Fiscal year 2001 returns, however, were already set to be a challenge, even prior to the events of September 11, 2001. Net investment income, combined with the net depreciation in the fair value of investments, amounted to a loss of $28.5 million during fiscal year 2001, a decrease of $73.3 million from fiscal year 2000.

For fiscal year 2001, the total investment return on the market value of assets managed by the ISBI was a negative 7.1%. The ISBI's total investment return over the last three and five years was 5.5% and 10.5%, respectively.

A detailed discussion of investment performance and strategies is provided in the Investment Section of this report. Information regarding investment professionals providing services to the ISBI can be found in the separately issued ISBI annual financial report. To receive a copy of the ISBI annual financial report, please refer to the ISBI's address which is provided in the Investment Section of this report.

FUNDING

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

Senate Bill 533, which was signed into law on August 22, 1994 as Public Act 88-0593, enacted a funding plan for the System.

The financing objective of the funding plan requires that state contributions be paid to the System so that by the end of fiscal year 2045, the ratio of accumulated assets to the actuarial accrued liability will be 90%. For fiscal years 2011 through 2045, the required state contributions are to be computed as a level percentage of participant payroll. For those fiscal years up through 2010, the required state contributions are to be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective by the end of fiscal year 2045.

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

The actuarial determined liability of the System using the projected unit credit actuarial cost method at June 30, 2001, amounted to $937.1 million. The actuarial value of assets (at fair value) amounted to $381.7 million as of the same date.

A detailed discussion of funding is provided in the Actuarial Section of this report.

MAJOR EVENTS/INITIATIVES

During fiscal year 2001, the System reviewed and evaluated numerous automated general ledger accounting systems and ultimately purchased a new system that will allow for the efficient and timely preparation of financial reports and statements. In addition, the System continued to expand the services available through the State Retirement System's internet site to more fully enable the System's members to contact the System and learn about the benefits, financial and other pertinent information.

Projects for fiscal year 2002 include the installation of the newly purchased general ledger accounting system, the continued evaluation and expansion of services available through the System's internet site, and the implementation of changes required by the various pension provisions contained in the Economic Growth and Tax Relief Act of 2001 (H.R. 1836) that was passed by Congress and signed into law by President Bush on June 6, 2001.

Additionally, the System will continue to offer pre-retirement, post-retirement and one-on-one counseling sessions at various locations throughout the state.

ACCOUNTING SYSTEM & INTERNAL CONTROL

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

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

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

In developing the System's accounting system, consideration is given to the adequacy of internal accounting controls. These controls are designed to provide reasonable assurance regarding the safekeeping of assets and the reliability of financial records. 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. Tax consulting services are provided by the accounting firm of KPMG LLP, Chicago, Illinois.

The annual financial audit of the System was conducted by the accounting firm of Thomas Havey LLP under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a one year compliance audit was also performed by the auditors. The purpose of the compliance audit was to determine whether the Judges' Retirement System obligated, expended, received and used public funds of the state in accordance with the purpose for which such funds have been authorized by law.

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 comprehensive annual financial report for the fiscal year ended June 30, 2000. 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 comprehensive annual financial report, whose contents conform to program standards. Such 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 twelve consecutive years (fiscal years ended June 30, 1989 through June 30, 2000). 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

After almost 37 years of service with the State Retirement Systems, Judges' Retirement System Assistant Manager Beverly Wells retired effective December 31, 2000.

Beverly became a full time employee of the Judges' Retirement System in 1972 and was named to the position of Assistant Manager effective November 1, 1989. Over the course of her career, Beverly worked for all four State Retirement System Executive Secretaries and constantly strived to provide prompt and courteous service to the System's membership.

The System's Board of Trustees and staff would like to express their appreciation to Beverly for her leadership and devotion during her many years of service and wish her the very best in a well-deserved retirement.

ACKNOWLEDGMENTS

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.

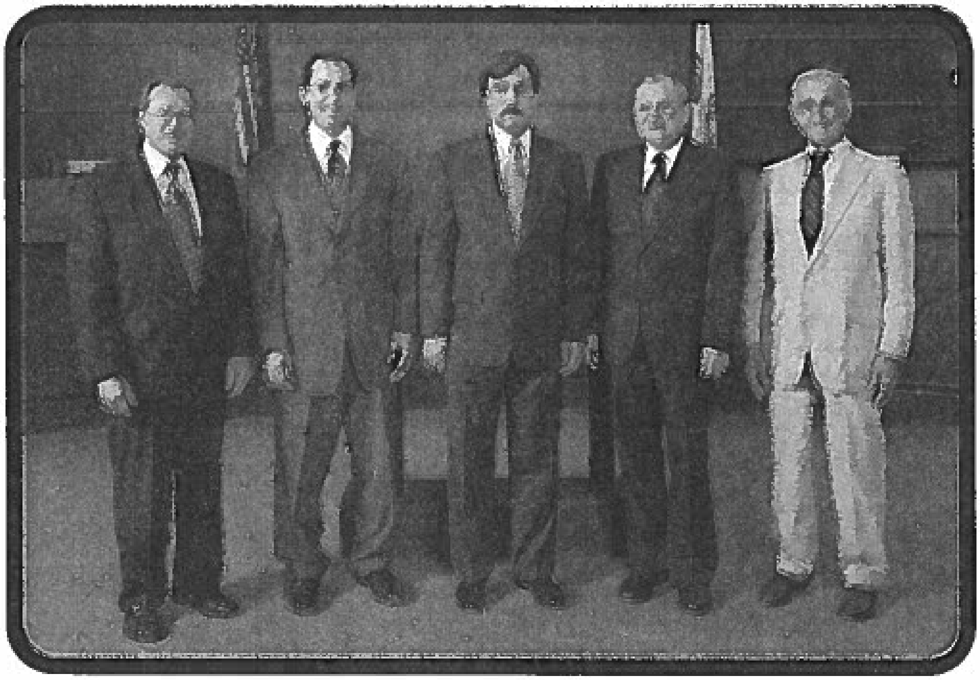
On behalf of the Board of Trustees we would like to express our appreciation to the staff and professional consultants who worked so effectively to ensure the successful operation of the System.

Respectfully submitted,

Michael L. Mory
Executive Secretary

David M. Richter, CPA
Accounting Division

Board of Trustees



(left to right) **Chief Judge Donald P. O'Connell**, Vice-Chairman,
Martin M. Noven (Proxy for State Treasurer Judy Baar Topinka),
Justice Thomas E. Hoffman, Chairman,
Judge Henry A. Budzinski (Proxy for Chief Justice Moses W. Harrison II),
Justice John J. Bowman

Consultants

Illinois State Board of Investment — Actuary — Certified Public Accountants

Internal and External Investment Managers

Staff

Executive Secretary
Michael L. Mory

Assoc. Executive Secretary
Robert V. Knox

Division Manager
Rudy J. Kink

Accounting Division
David M. Richter, CPA

Assistant Division Manager
Jayne L. Waldeck

Publication Section
William E. Hanney

Robin E. Edgar

Carole R. McKean

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Judges' Retirement System of Illinois

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2000

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 comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

President

Executive Director

Financial Section

THOMAS
HAVEY
LLP

INDEPENDENT AUDITORS' REPORT

To the Honorable William G. Holland
Auditor General, State of Illinois
Springfield, Illinois

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

As Special Assistant Auditors for the Auditor General, we have audited the accompanying statements of plan net assets as of June 30, 2001 and 2000 of the Judges' Retirement System of Illinois and the statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the System's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Judges' Retirement System of Illinois as of June 30, 2001 and 2000, and the results of its operations for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we will also issue, under separate cover, our report dated October 25, 2001 on our consideration of the Judges' Retirement System of Illinois' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

Our audits were made for the purpose of forming an opinion on the financial statements taken as a whole. The required supplementary information on page 24, and other supplementary information on pages 25 and 26, are presented for the purpose of additional analysis and are not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audits of the financial statements and, in our opinion, is fairly presented in all material respects in relation to the financial statements taken as a whole. The information for the years ended June 30, 1997 and 1998 has been derived from financial statements audited by other auditors whose reports thereon expressed an unqualified opinion.

The introductory, investment, actuarial, statistical, and plan summary and legislative sections listed in the table of contents were not audited by us and, accordingly, we do not express an opinion thereon.

October 25, 2001

Thomas Havey LLP

CERTIFIED PUBLIC ACCOUNTANTS AND CONSULTANTS
30 N. LASALLE STREET • SUITE 4200 • CHICAGO, IL 60602 • 312.368.0500 • 312.368.0746 FAX • www.havey.com

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Plan Net Assets
June 30, 2001 and 2000

	2001	2000
Assets		
Cash	$ 8,529,516	$ 7,752,714
Receivables:		
Participants' contributions	511,346	379,500
Refundable annuities	10,252	10,741
Interest on cash balances	29,446	35,166
Due from General Assembly Retirement System	62,280	51,422
Total Receivables	613,324	476,829
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	372,637,630	414,758,248
Equipment, net of accumulated depreciation	4,306	6,739
Total Assets	381,784,776	422,994,530
Liabilities		
Benefits payable	-	2,508
Participants' deferred service credit accounts	3,000	-
Administrative expenses payable	48,195	58,302
Total Liabilities	51,195	60,810
Net assets held in trust for pension benefits	$381,733,581	$422,933,720

(A schedule of funding progress is presented on page 24.)

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Changes in Plan Net Assets
Years Ended June 30, 2001 and 2000

	2001	2000
Additions:		
Contributions:		
Participants	$ 12,291,097	$ 12,005,415
Employer	24,348,926	21,411,577
Total contributions	36,640,023	33,416,992
Investments:		
Net investment income	10,031,772	9,543,171
Interest earned on cash balances	455,742	426,053
Net appreciation/(depreciation) in fair value of investments	(38,952,390)	34,879,225
Total net investment income/(loss)	(28,464,876)	44,848,449
Total Additions	8,175,147	78,265,441
Deductions:		
Benefits:		
Retirement annuities	37,509,685	34,078,117
Survivors' annuities	10,821,137	10,140,631
Total benefits	48,330,822	44,218,748
Refunds of contributions	633,610	498,183
Administrative expenses	410,854	376,713
Total Deductions	49,375,286	45,093,644
Net Increase/(Decrease)	(41,200,139)	33,171,797
Net assets held in trust for pension benefits:		
Beginning of year	422,933,720	389,761,923
End of year	$381,733,581	$422,933,720

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 2001 and 2000

1. Reporting Entity

Generally accepted accounting principles require that the financial reporting entity include (1) the primary government (2) organizations for which the primary government is financially accountable and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The Judges' Retirement System of Illinois (System) is administered by a Board of Trustees consisting of five persons, which include the State Treasurer, the Chief of the Supreme Court, ex officio, and three participating judges appointed by the Supreme Court.

Based on the criteria of the Governmental Accounting Standards Board Statement No. 14, there are no other state agencies, boards or commissions, or other organizations required to be combined with the System, however, the System is considered to be part of the State of Illinois financial reporting entity, and is to be combined and included in the State of Illinois' comprehensive annual financial report.

Pursuant to federal tax law and regulations governing the administration of public employee pension plans, the System has established a separate fund for the sole purpose of paying benefits in accordance with Section 415 of the Internal Revenue Code. The receipts and disbursements from the fund for fiscal years 2001 and 2000 were each less than $170,000. Due to the immaterial nature of the separate fund, these receipts and disbursements have been included in the System's financial statements.

2. Plan Description

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

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.

At June 30, 2001 and 2000, the System membership consisted of:

	2001	2000
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	506	476
Survivors' annuities	316	308
	822	784
Inactive participants entitled to benefits but not yet receiving them	39	43
Total	861	827
Current participants:		
Vested	615	607
Nonvested	295	301
Total	910	908

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

b. Contributions

In accordance with Chapter 40, Section 5/18-133 of the Illinois Compiled Statutes, participants contribute specified percentages of their salaries for retirement annuities, survivors' annuities and automatic annual increases. Contributions are excluded from gross income for Federal and State income tax purposes.

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 total contribution rate is 11% if the participants elect to contribute for their spouse and dependents as shown below:

7.5%	Retirement annuity
2.5%	Survivors' annuity
1.0%	Automatic annual increases
11.0%	

The payment of (1) the required State contributions, (2) all benefits granted under the System and (3) all expenses in connection with the administration and operation thereof are the obligations of the State to the extent specified in Chapter 40, Article 5/18 of the Illinois Compiled Statutes.

c. Benefits

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 full retirement benefits at age 62 upon completing 6 years of credited service or at age 55 upon completing 26 years of credited service.

The 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 final salary. 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 not married are entitled to refunds of their contributions for survivors.

Participants who are eligible to receive the maximum rate of annuity may irrevocably elect to discontinue contributions and have their benefits "frozen" based upon the applicable salary in effect immediately prior to the effective date of such election.

Participants who have attained age 60 and are eligible to receive the maximum rate of annuity and have not elected to discontinue contributing to the System may irrevocably elect to have their contributions based only on the salary increases received on or after the effective date of such election rather than on the total salary received.

3. Summary of Significant Accounting Policies and Plan Asset Matters

a. Basis of Accounting

The financial transactions of the System are maintained and these financial statements have been prepared using the accrual basis of accounting in conformity with generally accepted accounting principles.

Participant and employer contributions are recognized as revenues in the period in which employee services are performed. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan.

The System has elected to apply only applicable FASB Statements and Interpretations issued on or before November 30, 1989, that do not contradict GASB Pronouncements.

b. Cash and 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.

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 ISBI's master custodian is The Northern Trust Company. The agent of the master custodian is the Depository Trust Company.

Investments are managed by the ISBI pursuant to Chapter 40, Article 5/22A of the Illinois Compiled Statutes (ILCS) and are maintained in the ISBI Commingled Fund. The ISBI reports securities at fair value. Where appropriate, the fair value includes estimated disposition costs.

Fair value for stocks is determined by using the closing price listed on the national securities exchanges as of June 30. Market value for fixed income securities are determined principally by using quoted market prices provided by independent pricing services. For commingled equity funds, the net asset value is determined and certified by the commingled equity fund manager as of June 30. Fair value for directly owned real estate investments is determined by appraisals.

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.

The investment authority of the ISBI is provided in Chapter 40, Section 5/22A-112 of the ILCS. 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. The ISBI does not have any one investment which represents 5 percent or more of the ISBI's net assets.

The ISBI participates in a securities lending program at its custodian bank, whereby securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the ISBI's securities are eligible for the securities lending program. Collateral consists solely of cash, letters of credit, commercial paper and government securities having a market value equal to or greater than the securities loaned. There are no provisions for ISBI indemnification on the securities lending transactions. As of June 30, 2001 and 2000, the ISBI had outstanding loaned investment securities having market values of $1,011,910,854 and $1,030,242,633, respectively, against which it had received collateral with values of $1,047,527,926 and $1,064,062,213 , respectively.

The ISBI's international managers invest in derivative securities. During the year, the ISBI's derivative investments included forward foreign currency contracts. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios. The remaining derivative securities are used to improve yields, or to hedge changes in interest rates.

The ISBI also invests in mortgage-backed securities to maximize yields and to hedge against a rise in interest rates. These securities are based on cash flows from principal and interest payments on underlying mortgages. Therefore, they are sensitive to prepayments by mortgagees, which may result from a decline in interest rates.

The System owns approximately 4.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 2001. A schedule of investment expenses is included in the ISBI annual report.

For additional information regarding the ISBI's investments, please refer to the Annual Report of the ISBI as of June 30, 2001. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

ISBI investments, as categorized by ISBI, are categorized to indicate the level of risk assumed by the ISBI at year end.

•Category I includes investments that are insured or registered or the securities are held by the master custodian in the ISBI's name.

•Category II includes investments that are uninsured and unregistered with the securities held by the counter-party's agent in the ISBI's name.

•Category III includes investments that are uninsured and unregistered with the securities held by the counter-party but not in the ISBI's name.

Investments in pooled funds are not categorized because they are not evidenced by securities that exist in physical or book entry form.

c. Actuarial Experience Review

In accordance with Illinois Compiled Sta utes, an actuarial experience review is to l performed at least once every five years determine the adequacy of actuarial assum tions regarding the mortality, retirement, di ability, employment, turnover, interest an earnable compensation of the members an beneficiaries of the System. An experience re view was last performed as of June 30, 1997

d. Administrative Expenses

Expenses related to the administration o the System are financed through investmen earnings and employer retirement contribu tions. These expenses are budgeted and ap proved by the System's Board of Trustees.

Administrative expenses common to the General Assembly Retirement System and the Judges' Retirement System are borne 40% by the General Assembly Retirement System and 60% by the Judges' 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 as of June 30, 2001 and 2000, were $238,005 and $205,810 respectively.

ISBI's investments categorized as of June 30, 2001

	Fair Value	Category I	Non Categorized
U.S. Government & Agency Obligations	$1,134,638,341	$1,134,638,341	$
Foreign Obligations	108,110,344	108,110,344	
Corporate Obligations	799,240,560	799,240,560	
Convertible Bonds	55,706	55,706	
Common Stock & Equity Funds	3,777,918,575	1,997,025,795	1,780,892,780
Convertible Preferred Stock	3,375,353	3,375,353	
Preferred Stock	5,742,468	5,742,468	
Foreign Equity Securities	1,594,371,444	1,464,005,261	130,366,183
Real Estate Funds	349,790,999		349,790,999
Alternative Investments	494,792,298		494,792,298
Money Market Instruments	345,601,984		345,601,984
Forward Foreign Exchange Contracts	(52,875)	(52,875)	
Total Investments	$ 8,613,585,197	$ 5,512,140,953	$3,101,444,244

e. Risk Management

The System, as part of the primary government of the State, provides for risks of loss associated with workers' compensation and general liability through the State's self-insurance program. The System obtains commercial insurance for fidelity, surety, and property. There have been no commercial insurance claims in the past three fiscal years.

4. Funding - Statutory Contributions Required and Contributions Made

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.

For fiscal years 2001 and 2000, the required employer contributions were computed in accordance with 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%.

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 period is complete, the state's contribution will then remain at a level percentage of payroll for the next 35 years until the 90% funded level is achieved.

The total amount of statutorily required employer contributions for fiscal years 2001 and 2000 was $24,218,000 and $21,388,000, respectively. The total amount of employer contributions received from the state during fiscal years 2001 and 2000 was $24,218,000 and $21,388,000, respectively.

5. Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal years 2001 and 2000 is listed below.

	2001	2000
Personal services	$240,480	$205,833
Employee retirement contributions paid by employer	9,015	8,239
Employer retirement contributions	23,924	20,009
Social security contributions	16,683	14,097
Group insurance	26,271	20,360
Contractual services	75,551	76,967
Travel	9,679	9,590
Printing	3,160	2,920
Commodities	575	583
Telecommunications	2,270	1,995
Electronic data processing	7,350	7,803
Depreciation	3,048	4,166
Change in accrued compensated absences	(7,152)	4,151
Total	$410,854	$376,713

6. 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.

Summary of the changes in fixed assets for fiscal years 2001 and 2000

2001

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 47,020	$ 615	$ (3,515)	$ 44,120
Accumulated depreciation	(40,281)	(3,048)	3,515	(39,814)
Equipment, net	$ 6,739	$ (2,433)	$ -	$ 4,306

2000

	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 47,443	$ 2,121	$ (2,544)	$ 47,020
Accumulated depreciation	(38,659)	(4,166)	2,544	(40,281)
Equipment, net	$ 8,784	$ (2,045)	$ -	$ 6,739

7. 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 December 31, 1983 and prior to January 1, 1998 upon termination of employment. These accrued compensated absences as of June 30, 2001 and 2000 total $36,810 and $43,962, respectively and are included in administrative expenses payable.

8. Pension Plan

Plan Description. All of the System's full-time employees who are not eligible for participation in another state-sponsored retirement plan participate in the State Employees' Retirement System (SERS), which is a pension trust fund in the State of Illinois reporting entity.

The SERS is a single-employer defined benefit public employee retirement system (PERS) in which state employees participate, except those covered by the State Universities, Teachers', General Assembly, and Judges' Retirement Systems.

The financial position and results of operations of the SERS for fiscal years 2001 and 2000 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2001 and 2000, respectively. The SERS also issues a separate CAFR that may be obtained by writing to the SERS, 2101 South Veterans Parkway, Springfield, Illinois, 62794-9255 or by calling 217-785-7202.

The State of Illinois' CAFR may be obtained by writing to the State Comptroller's Office, Financial Reporting Department, 325 West Adams St., Springfield, Illinois, 62704-1858 or by calling 217-782-2053.

A summary of SERS' benefit provisions, changes in benefit provisions, employee eligibility requirements including eligibility for vesting, and the authority under which benefit provisions are established, are included as an integral part of the SERS' CAFR. Also included is a discussion of employer and employee obligations to contribute, and the authority under which those obligations are established.

Funding Policy. The System pays e ployer retirement contributions based u an actuarially determined percentage of its p rolls. For fiscal years 2001 and 2000 the e ployer contribution rates were 9.944% a 9.714%, respectively.

Effective for pay periods beginning af December 31, 1991, the State opted to p the employee portion of retirement for m state agencies with employees covered by t State Employees' and Teachers' Retireme Systems.

Generally, this "pickup" of employee r tirement was part of the fiscal year 1992 bu get process and was, in part, a substitute f salary increases. The pickup is subject to su ficient annual appropriations and those em ployees covered may vary across employe groups and state agencies. Currently, sta officers, judges, general assembly members, ar state university employees are not eligible fo the employee pickup.

Other Post-Employment Benefits. I addition to providing pension benefits, th State Employees Group Insurance Act of 197 as amended, requires that certain health, den tal and life insurance benefits shall be provide by the state to annuitants who are former stat employees. This includes annuitants of th System.

Substantially all state employees including the System's employees may become eligible for post-employment benefits if they eventually become annuitants. Health and dental benefits include basic benefits for annuitants under the state's self-insurance plan and insurance contracts currently in force. Life insurance benefits are limited to five thousand dollars per annuitant age 60 and older.

Costs incurred for health, dental and life insurance for annuitants and their dependents were not separated from benefits provided to active employees and their dependents for the years ended June 30, 2001 and 2000. However, post-employment costs for the state as a whole for all state agencies/departments for dependent health, dental and life insurance for annuitants and their dependents are disclosed in the State of Illinois' Comprehensive Annual Financial Report.

Cost information for retirees by individual state agency is not available. Payments are made on a "pay-as-you-go" basis. The System is not the administrator of any of the other post-employment benefits described above.

9. Analysis of Changes in Reserve Balances

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

a. Reserve for Participants' Contributions - This reserve consists of participants' accumulated contributions for retirement annuities, survivors' annuities and automatic annual increases.

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

Statements of Changes in Reserve Balances
Years Ended June 30, 2001 and 2000

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 1999	$ 100,902,055	$288,859,868	$389,761,923
Add (deduct):			
Excess of revenues over expenses	11,521,541	21,650,256	33,171,797
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(5,638,056)	5,638,056	-
Balance at June 30, 2000	106,785,540	316,148,180	422,933,720
Add (deduct):			
Excess of revenues over/(under) expenses	11,830,863	(53,031,002)	(41,200,139)
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(8,049,769)	8,049,769	-
Balance at June 30, 2001	$110,566,634	$271,166,947	$381,733,581

10. Subsequent Event

The ISBI Commingled Fund had a decline in its investment portfolio subsequent to year end due to turbulent market conditions. At September 30, 2001, the ISBI Commingled Fund had incurred an approximate $753 million (8.8%) decrease in its investment portfolio due to declines in the domestic and international equity markets.

Required Supplementary Information

Schedule of Funding Progress (1)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b-a]/c)
6/30/97	$ 314,561,229	$ 704,460,056	$ 389,898,827	44.7%	$ 87,171,000	447.3%
6/30/98	356,692,936	747,275,530	390,582,594	47.7	94,626,000	412.8
6/30/99	389,761,923	805,587,241	415,825,318	48.4	99,200,000	419.2
6/30/00	422,933,720	871,153,418	448,219,698	48.5	104,000,000	431.0
6/30/01	381,733,581	937,091,513	555,357,932	40.7	109,900,000	505.3

Schedule of Employer Contributions (1)

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
1997	$ 26,021,939	52.8%	$ 13,747,000	100.0%
1998	28,867,624	54.3	15,664,000	100.0
1999	38,631,275	48.4	18,293,000	102.2
2000	40,205,224	53.3	21,388,000	100.1
2001	42,546,928	56.9	24,218,000	100.0

(1) The required Schedules of Funding Progress and Employer Contributions are to include information for the current year and as many of the prior years as information according to the parameters stipulated in GASB Statement No. 25 entitled "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans" is available. The schedules should not include information that does not meet the parameters. The System has only five years of information which meet the requirements of the parameters, therefore, that is all the information which is presented.

Notes to Required Supplementary Information

Valuation date: June 30, 2001

Actuarial cost method: Projected Unit Credit

Amortization method:

a. For GASB Statement No. 25 reporting purposes: Level percent of payroll

b. Per state statute: 15-year phase-in to a level percent of payroll until a 90% funding level is achieved

Remaining amortization period:

a. For GASB Statement No. 25 reporting purposes: 40 years, open

b. Per state statute: 44 years, closed

Asset valuation method: Fair value

Actuarial assumptions:

Investment rate of return: 8.0 percent per year, compounded annually

Projected salary increases: 6.0 percent per year, compounded annually

Assumed inflation rate: 4.0 percent

Group size growth rate: 0.0 percent

Post-retirement increase: 3.0 percent per year, compounded annually

SUMMARY OF REVENUES BY SOURCE

Years Ended June 30, 2001 and 2000

	2001	2000
Contributions:		
Participants:		
Participants	$ 11,916,064	$ 11,829,072
Interest paid by participants	223,598	106,025
Repayments of contributions refunded	14,551	31,464
Transferred from reciprocating systems	136,884	38,854
Total participant contributions	12,291,097	12,005,415
Employer:		
General Revenue Fund	22,048,000	19,228,000
State Pension Fund	2,170,000	2,160,000
Paid by participants	22,928	18,585
Received from reciprocating systems	107,998	4,992
Total employer contributions	24,348,926	21,411,577
Total contributions revenue	36,640,023	33,416,992
Investments:		
Net investment income	10,031,772	9,543,171
Interest earned on cash balances	455,742	426,053
Net appreciation/(depreciation) in fair value of investments	(38,952,390)	34,879,225
Total net investment income/(loss)	(28,464,876)	44,848,449
Total revenues	$ 8,175,147	$ 78,265,441

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS

Years Ended June 30, 2001 and 2000

	2001	2000
Cash balance, beginning of year	$ 7,752,714	$ 7,279,856
Receipts:		
Participant contributions	11,708,475	11,570,520
Employer contributions:		
General Revenue Fund	22,048,000	19,228,000
State Pension Fund	2,170,000	2,160,000
Received from reciprocating systems	107,998	4,992
Paid by participants	22,928	-
Interest income on cash balances	461,462	417,350
Reimbursements from General Assembly Retirement System	227,147	211,060
After tax installment payments	3,000	970
Cancellation of refunds	3,724	2,927
Repayment of refunds	-	58,553
Cancellation of annuities	54,074	61,632
Tax deferred installment payments	252,585	183,643
Transfers from reciprocating systems	166,666	58,414
Transfers from Illinois State Board of Investment	13,200,000	11,900,000
Miscellaneous	71	6,386
Total cash receipts	50,426,130	45,864,447
Disbursements:		
Benefit payments:		
Retirement annuities	37,527,163	34,108,230
Survivors' annuities	10,859,752	10,165,233
Refunds	605,809	541,933
Administrative expenses	656,604	576,193
Total cash disbursements	49,649,328	45,391,589
Cash balance, end of year	$ 8,529,516	$ 7,752,714

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years Ended June 30, 2001 and 2000

	2001	2000
Actuary	$16,000	$16,00[illegible]
Audit fees	16,002	16,63[illegible]
Tax consultant	1,500	1,50[illegible]
Legal services	1,087	4,69[illegible]
Financial planner	1,203	1,06[illegible]
Medical services	532	1,05[illegible]
Total	$36,324	$40,95[illegible]

Investment Section

INVESTMENT REPORT

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

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

As of June 30, 2001, total net assets under management valued at market, amounted to $8.578 billion. Of the total market value of assets under management, $372.6 million or approximately 4% represented assets of the Judges' Retirement System.

A summary of the portfolio's largest holdings, as well as the complete listing of the ISBI portfolio, are included in the ISBI Annual Report. A schedule of fees and commissions paid by brokerage firm and a listing of transactions executed, including transaction value, are also contained in the ISBI Annual Report. The following investment information and analysis has been prepared by the ISBI.

Investment Policy

The ISBI operates under a strategic investment policy which is reviewed and approved every two years. The investment objective of the total portfolio is to maximize the rate of return on investments within a prudent level of risk.

To achieve this objective, the ISBI invests in different types of assets and uses multiple managers to ensure diversification. Over an investment cycle, the ISBI seeks to achieve a rate of return which is:

1. At least equal to the assumed a arial interest rate, currently 8.0% per yea
2. At least equal to the return of policy-weighted benchmark, a theoretical dexed" implementation of the ISBI's asse location policy.

Asset Allocation

The investment policy of the ISBI Bo establishes asset allocation targets and rai for each asset class, selected to achieve o all risk and return objectives. The polic implemented by allocations to investm managers with assignments to invest in cific asset classes, with defined security se tion styles and methodologies. The policy set allocation at June 30, 2001 was 43% equities, 20% international equities, 22% fi income, 7% real estate, and 8% alternative vestments.

The actual asset allocation of the por lio at June 30, 2001, as relative to the po target, is set forth below. The publicly tra asset classes (U.S. equity and fixed incor were modestly overweighted relative to policy target, to compensate for an un weight to private market categories (alter tive investments and real estate). Effective 1, 2000, the Board modestly increased the s tegic allocation for real estate (+2%) and alternative investments (+3%), and it takes t to implement those increases. As the I Board fills the alternatives and real estate c egories, U.S. equity and fixed income will reduced accordingly.

	Actual Asset Allocation	Policy Target
U.S. Equities	45%	43%
International Equities	19	20
Fixed Income	26	22
Real Estate	4	7
Alternative Investments	6	8
Total	100%	100%

Investment Results

After a six year run of double digit turns, the ISBI total fund experienced an abr correction. The ISBI total fund was down 7. for fiscal 2001, net of expenses. This rep sents the first negative fiscal year for the fu since 1983, and reflects the negative sto market environment, both in the U.S. a abroad. While the ISBI fund clearly did r meet its long-term objective of exceeding t 8.0% assumed actuarial interest rate, the turn was modestly ahead of the polic weighted benchmark return, which lost 7.3 For both the five and ten year periods end June 30, 2001, the fund has beat the actuar hurdle, with an average annual return of 10. and 11.1%, respectively, which in both cases modestly ahead of the benchmark return well.

U.S. Equities

For the twelve months ended June 30, 2001, U.S. investors' infatuation with the stock market finally came to a halt. The Russell 3000 Index, a broad representation of the U.S. market, lost 13.9%. Reversing another trend, value stocks far exceeded growth stock, with the Russell 3000 Value Index earning 11.6%, compared to the Russell 3000 Growth Index loss of 35.3%. Small capitalization stocks continued a two year streak of outperforming large capitalization stocks, with the Russell 2000 Index eking out a positive return of 0.6%, vs. a 14.8% loss for the S&P 500.

The ISBI's U.S. equity portfolio was down 10.3% for the fiscal year, 360 basis points ahead of the Russell 3000. While a negative return is never the desired result, the portfolio did perform as it was constructed to do; namely, to limit tracking error relative to the benchmark and to add value with active management. The ISBI Board, through structure analysis, rebalancing, and risk management, has achieved the objective of tracking the market with predictable consistency.

	1 Year	3 Years	5 Years
ISBI	(10.3)%	5.1%	13.4%
S&P 500 Stock Index	(14.8)	3.9	14.5
Russell 3000 Index	(13.9)	4.2	13.8

During fiscal 2001, the Board terminated it's large-cap value manager (Fidelity), and hired LSV to fill that slot.

International Equities

After a strong fiscal 2000, foreign stock markets also succumbed to the anxiety which hit the U.S. market. The Morgan Stanley All-Country Free ex US ('MS-AC Free ex US') Index, gave up 24.1% for the fiscal year, more than 10 percentage points below the U.S. return. As in the U.S., value stocks held up significantly better than growth stocks. For fiscal 2001, there was not a significant difference between developed and emerging market returns.

The ISBI's international equity portfolio, down 21.0%, outperformed the benchmark by over 300 basis points for the fiscal year. As with the U.S. equity portfolio, the ISBI Board has the twin objectives of limiting tracking error relative to the benchmark and adding value with active management. There were no manager changes in the international equity portfolio during fiscal 2001.

	1 Year	3 Years	5 Years
ISBI %	(21.0)%	0.3%	5.3%
MS-AC Free ex US Index	(24.1)	(0.6)	2.6

Fixed Income

The role of fixed income is to provide stability in times of difficult stock markets. During fiscal 2001, the fixed income portfolio fulfilled that role. As the Federal Reserve lowered short-term rates from 6.5% to 3.75% over the 12-month period, the Lehman Aggregate Bond Index responded and rose 11.2%. High yield bonds, as represented by the Merrill Lynch High Yield Index, were more negatively impacted by stock market activity and were only up 2.1%.

	1 Year	3 Years	5 Years
ISBI	9.5%	5.6%	7.4%
Lehman Aggregate Bond Index	11.2	6.2	7.5

Substantially all fixed income assets are managed internally, except approximately $120 million allocated to an external high yield bond manager. The investment grade internal account was slightly behind the Lehman Aggregate Bond index, with a return of 11.0%. Lower returns from high yield accounts, both internal and external, resulted in a total fixed income return of 9.5%.

Real Estate

Prior to fiscal 2001, the ISBI Board's real estate policy was to seek higher return real estate opportunities while controlling for risk. Therefore, investments focused on value-added or opportunistic strategies. However, effective July 1, 2000, the ISBI Board increased its strategic allocation to real estate from 5% to 7% of the total fund. At the new allocation level, the ISBI Board felt it was appropriate to review the strategic plan for real estate. The ISBI Board concluded that 50% of its real estate should be in core, income producing real estate, with the balance in higher return strategies. While the ISBI Board did not make any new commitments to real estate in fiscal 2001, a search is currently under way for commingled core real estate opportunities. All of ISBI's current investments in real estate are passive and are represented by interests in limited partnerships, trusts and other forms of pooled investments.

Real estate continued to provide solid returns during fiscal 2001, with the NCREIF Real Estate Index earning 12.5%. ISBI's real estate portfolio, dominated by a number of less mature investments, earned a more modest 7.0%. While below the index, the real estate return did provide a buffer for the negative results from the turbulent stock market.

	1 Year	3 Years	5 Years
ISBI	7.0%	5.7%	10.9%
NCREIF Real Estate Index	12.5	13.4	13.5

Alternative Investments

The alternative investments portfolio consists of passive interest in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts and other private placement activities.

As in the stock market, fiscal 2001 proved to be the end of a bull run for alternative investments. The abrupt closing of the initial public offering (IPO) market which accompanied the technology correction took its toll on private equity investments. Overall, ISBI's alternative investments portfolio lost 6.9% for the fiscal year. While this is not as dramatic as the results in the public stock market, there is the possibility that any recovery in private markets will lag the public one.

Effective July 1, 2000, the ISBI Board increased its strategic allocation for alternative investments from 5% to 8% of total assets. During fiscal 2001, the ISBI Board made commitments totaling $242.5 million to 10 limited partnerships. The new partnerships are:

Venture Capital: ABS Capital Partners IV; Sprout IX; Summit Partners VI; TL Ventures V; Weiss, Peck & Greer VI

Buyouts: Bear Stearns II; DLJ Merchant Banking III; Madison Dearborn IV; Welsh, Carson, Anderson & Stowe IX

Special Situations: Warburg Pincus VIII

Management Expenses

Total expenses for the fiscal year were $20.6 million, compared to $20.7 for fiscal 2000. The resulting expense ratio (expenses divided by total net assets) was 0.23% in fiscal 2001, unchanged from fiscal 2000.

INVESTMENT PORTFOLIO SUMMARY

Investments, at market value	June 30, 2001		June 30, 2000	
U.S. Government and Agency Obligations	$ 1,134,638,341	13.22%	$ 1,154,131,028	12.45%
Foreign Obligations	108,110,344	1.26	68,212,655	0.74
Corporate Obligations	799,240,560	9.31	543,874,357	5.87
Convertible Bonds	55,706	0.00	10,928,836	0.12
Common Stock & Equity Funds	3,777,918,575	44.04	3,957,626,585	42.69
Convertible Preferred Stock	3,375,353	0.04	38,141,900	0.41
Preferred Stock	5,742,468	0.07	6,764,833	0.07
Foreign Equity Securities	1,594,371,444	18.59	2,086,712,466	22.51
Real Estate Funds	349,790,999	4.08	284,414,376	3.07
Alternative Investments	494,792,298	5.77	535,793,992	5.78
Money Market Instruments	345,601,984	4.03	606,334,768	6.54
Forward Foreign Exchange Contracts	(52,875)	0.00	341,876	0.00
	8,613,585,197	100.41	9,293,277,672	100.25
Other Assets, Less Liabilities	(35,503,230)	(0.41)	(22,948,274)	(0.25)
Net Assets, at Market Value	$ 8,578,081,967	100.00%	$ 9,270,329,398	100.00%

ANALYSIS OF INVESTMENT PERFORMANCE[1]

	2001	2000	1999	1998	1997
Total Return* - Past 3 years		5.5%			
Total Return* - Past 5 years			10.5%		
Total Return* - year by year	(7.1)%	11.8%	12.9%	18.1%	18.8%
Actuarial Assumed Rate of Return			8.0%		
Average Net Income Yield*	2.6%	2.4%	2.8%	3.4%	3.9%
	Comparative rates of return on fixed income securities				
Total fixed income - ISBI	9.5%	4.0%	3.4%	11.1%	9.5%
Comparison index: Shearson Lehman Aggregate	11.2%	4.6%	3.1%	10.5%	8.2%
	Comparative rates of return on equities				
Domestic equities - ISBI	(10.3)%	10.3%	17.3%	27.6%	26.3%
Comparison index: S&P 500	(14.8)%	7.3%	22.7%	30.2%	34.6%

(1) The Northern Trust Company, the ISBI's master custodian, provides performance rates of return by portfolio, portfolio aggregation and the respective indices in accordance with the Association for Investment Management and Research (AIMR) performance presentation standards.

* 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.

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations for fiscal years 2001 and 2000:

	2001	2000	Increase/(Decrease) Amount	Percentag
Balance at beginning of year, at fair value	$ 414,758,248	$ 382,235,852	$ 32,522,396	8.5%
Cash transferred from ISBI (net)	(13,200,000)	(11,900,000)	1,300,000	10.9%
Net ISBI investment revenue:				
ISBI Commingled Fund income	10,939,200	10,480,075	459,125	4.4%
Less ISBI Expenses	(907,428)	(936,904)	(29,476)	(3.1)%
Net ISBI investment income	10,031,772	9,543,171	488,601	5.1%
Net appreciation/(depreciation) in fair value of ISBI investments	(38,952,390)	34,879,225	(73,831,615)	(211.7)%
Net ISBI investment revenue	(28,920,618)	44,422,396	(73,343,014)	(165.1)%
Balance at end of year, at fair value	$ 372,637,630	$ 414,758,248	$ (42,120,618)	(10.2)%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 2001 was $455,7 compared to $426,053 during FY 2000.

Actuarial Section

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

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October 8, 2001

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

ACTUARIAL CERTIFICATION

We have completed the annual actuarial valuation of the Judges' Retirement System of Illinois as of June 30, 2001. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

Since the effective date of the last actuarial valuation, House Bill 1583, which was signed into law on July 6, 2000 as Public Act 91-0887, made some changes in the benefit provisions of the system. The legislation allows a surviving spouse to remarry prior to the attainment of age 50 without being disqualified for the receipt of a survivor's annuity, provided such remarriage occurs on or after July 6, 2000. We have estimated that the benefit changes enacted under Public Act 91-0887 had a relatively minor financial impact on the system.

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, we have completed such an experience analysis for the five-year period 1991-1996. Based on this experience analysis, we recommended actuarial assumptions which were adopted by the system's board effective June 30, 1997 and which were used for the current valuation. We believe that, in the aggregate, the current actuarial assumptions relate reasonably to the past and anticipated experience of the system.

Section 5/18-131 of the Illinois Pension Code specifies the funding plan currently in effect for the system. The financing objective under this plan is to have the required State contributions sufficient to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. For fiscal years 2011 through 2045, the required State contributions are to be a level percentage of payroll. For fiscal years 1996 through 2010, the State contribution shall be increased as a percentage of the applicable payroll in equal annual increments so that by fiscal year 2011, the State is contributing at the required rate.

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

Based on the June 30, 2001 actuarial valuation, we have determined the required State contribution under this funding plan for fiscal year 2003. We have also estimated the required State contributions for future years.

The system's current funding plan does not meet the requirements for amortizing the unfunded liability provided under GASB Statement No. 25. In all other respects, the assumptions and methods used for funding purposes meet the parameters set for the disclosures presented in the financial section by GASB Statement No. 25.

The asset values used for the valuation were based on the audited asset information reported by the system. For purposes of the current valuation, the market value of the assets of the system, less the amount of liabilities, was used.

The actuarial liabilities have been valued on the basis of membership data, which is supplied by the administrative staff of the system and verified by the system's auditors. We have made additional tests to ensure its accuracy.

In our opinion, the information presented herein fairly presents the financial condition of the Judges' Retirement System of Illinois as of June 30, 2001. We prepared the accompanying Actuarial Cost Method and Summary of Major Actuarial Assumptions. The staff of the retirement system prepared the other supporting schedules in this section and the trend tables in the financial section, based on information contained in our actuarial reports.

Respectfully submitted,

Sandor Goldstein

Sandor Goldstein, F.S.A.
Consulting Actuary

Carl J. Smedinghoff

Carl J. Smedinghoff, A.S.A.
Associate Actuary

INTRODUCTION

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

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

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

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

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

- For fiscal years 2001 through 2010, the contribution to the System, as a percentage of the payroll, shall be increased in equal annual increments so that by fiscal year 2010 the contribution rate is at the same level as the contribution rate for fiscal years 2011 through 2045.

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

The amortization period required by the state's funding plan, as described above, does not meet the parameters of GASB Statement No. 25.

Most importantly, the funding legi[s]
also provides for the establishment of [a con-]
tinuing appropriation of the required em[ployer]
contributions to the System. This has, [in ef-]
fect, removed the appropriation of these
from the annual budgetary process.

Although long-term in nature, we b[elieve]
that this legislation has been an extremely
tive step forward which will ensure the
term financial integrity of the state's r[etire-]
ment systems including the Judges' Retire[ment]
System.

For fiscal years 2001 and 2000, the [Sys-]
tem received the actuarially determined [em-]
ployer contributions in accordance wit[h the]
state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMA[RY] OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected [unit]
credit actuarial cost method. Under [this]
method, the actuarial liability is the actua[rial]
present value or that portion of a participa[nt's]
projected benefit that is attributable to [ser-]
vice to date on the basis of future compe[nsa-]
tion projected to retirement. The normal c[ost]
represents the actuarial present value of [the]
participant's projected benefit that is attr[ib-]
utable to service in the current year, ag[ain]
based on future compensation projected [to]
retirement.

Actuarial gains and losses are recogniz[ed]
immediately in the unfunded actuarial liabil[ity]
of the System. However, for purposes of d[e-]
termining future employer contributions, t[he]
actuarial gains and losses are amortized in a[c-]
cordance with the funding plan established [by]
Public Act 88-0593.

DESCRIPTION OF THE ACTUARIAL ASSUMPTIONS UTILIZED FOR FISCAL YEAR 2001 & FISCAL YEAR 2000

Dates of Adoption: The Projected Unit Credit Normal Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 1997.

Mortality Rates: Active and retired members: The UP-1994 Mortality Table for Males, rated down 1 year.

Spouses: The UP-1994 Mortality Table for Females.

Salary Increase: A salary increase assumption of 6.0% per year (consisting of a general increase component of 5.0% per year, 4.0% of which is attributable to inflation, and a seniority/merit component of 1.0% per year), compounded annually, was used. In determining total covered payroll, the size of the active group is assumed to remain constant.

Interest Rate: An interest rate assumption of 8.0% per year (consisting of an inflation component of 4.0% per year and a real rate of return component of 4.0% 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.

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	.016
35	.014
40	.012
45	.010
50	.007
55	.005
60	.003
67 and over	.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:

Age	Rate of Disability	Age	Rate of Disability
30	.00057	45	.00115
35	.00064	50	.00170
40	.00083	55 and over	.00000

Retirement Rates: Rates of retirement for each age from 55 to 80 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	.060
60	.110
65	.090
70	.131
75	.200
80 and over	1.000

The above retirement rates are equivalent to an average retirement age of approximately 67.

SUMMARY OF AND CHANGES TO THE PLAN PROVISIONS

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

VALUATION RESULTS

Actuarial Liability (reserves):	June 30, 2001	June 30, 2000
For Active Participants:		
Basic retirement annuity	$267,360,318	$261,086,911
Annual increase in retirement annuity	81,525,083	79,213,700
Pre-retirement survivors' annuity	27,965,702	27,376,192
Post-retirement survivors' annuity	31,456,619	31,122,754
Withdrawal benefits	6,164,276	6,105,374
Disability benefits	2,350,915	2,359,465
Total	416,822,913	407,264,396
For Participants Receiving Benefits:		
Retirement annuities	417,422,091	365,757,170
Survivor annuities	92,903,970	87,682,057
Total	510,326,061	453,439,227
For Inactive Participants	9,942,539	10,449,795
Total Actuarial Liability	937,091,513	871,153,418
Net Assets, Fair Value	381,733,581	422,933,720
Unfunded Actuarial Liability	$555,357,932	$448,219,698

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-t solvency test, the plan's present assets (primarily cash and investments) are compared with: 1) active and inactive par pant contributions on deposit; 2) the liabilities for future benefits to present retired lives; and 3) the liabilities for ser already rendered by active and inactive participants. In a system that has been following level percent of payroll financ the liabilities for service already rendered by active and inactive participants (liability 3) should be partially covered by remainder of present assets. If the system continues using level cost financing, the funded portion of liability 3 will incre over time, although it is very rare for a system to have its liability 3 fully funded.

Computed Actuarial Values

	Aggregate Accrued Liabilities For				Percentage of Accrued Liabilities Covered By Net Real Assets		
Fiscal Year	(1) Active and Inactive Participant Contributions	(2) Retirement and Survivor Annuitants	(3) Active and Inactive Participants (Employer Financed Portion)	Net Assets Available for Benefits*	(1)	(2)	(3)
1992	$ 63,598,115	$ 224,698,818	$ 135,461,775	$ 187,627,388	100.0%	55.2%	0.0%
1993	69,139,981	247,358,088	142,328,365	199,679,764	100.0	52.8	0.0
1994	74,318,731	256,978,525	147,832,248	207,837,018	100.0	52.0	0.0
1995	79,012,691	279,270,677	165,402,263	214,104,027	100.0	48.4	0.0
1996	82,428,000	313,546,389	181,817,867	277,098,999	100.0	62.1	0.0
1997	87,394,372	380,997,371	236,068,313	314,561,229	100.0	59.6	0.0
1998	94,222,326	399,116,802	253,936,402	356,692,936	100.0	65.8	0.0
1999	100,902,055	422,297,709	282,387,477	389,761,923	100.0	68.4	0.0
2000	106,785,540	453,439,227	310,928,651	422,933,720	100.0	69.7	0.0
2001	110,566,634	510,326,061	316,198,818	381,733,581	100.0	53.1	0.0

* Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).

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

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

Fiscal Year	Total Actuarial Liability	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
1992	$ 423,758,708	$ 187,627,388	44.3%	$ 236,131,320	$ 67,904,000	347.7%
1993	458,826,434	199,679,764	43.5%	259,146,670	69,610,000	372.3%
1994	479,129,504	207,837,018	43.4%	271,292,486	70,997,000	382.1%
1995	523,685,631	214,104,027	40.9%	309,581,604	75,314,000	411.1%
1996	577,792,256	277,098,999	48.0%	300,693,257	75,996,000	395.7%
1997	704,460,056	314,561,229	44.7%	389,898,827	87,171,000	447.3%
1998	747,275,530	356,692,936	47.7%	390,582,594	94,626,000	412.8%
1999	805,587,241	389,761,923	48.4%	415,825,318	99,200,000	419.2%
2000	871,153,418	422,933,720	48.5%	448,219,698	104,000,000	431.0%
2001	937,091,513	381,733,581	40.7%	555,357,932	109,900,000	505.3%

* *Net assets are reported at fair value for fiscal years after 1995. For all other fiscal years, net assets are reported at cost (book value).*

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

Fiscal Year	Annuitants				Survivors				
	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
1992	359	34	22	371	258	28	18	268	639
1993	371	39	16	394	268	12	7	273	667
1994	394	25	20	399	273	15	14	274	673
1995	399	41	25	415	274	16	17	273	688
1996	415	55	26	444	273	21	19	275	719
1997	444	46	30	460	275	18	7	286	746
1998	460	27	27	460	286	26	15	297	757
1999	460	35	24	471	297	23	19	301	772
2000	471	37	32	476	301	24	17	308	784
2001	476	62	32	506	308	25	17	316	822

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members			
	Number	Annual Payroll	Annual Average Pay	% Increase In Average Pay
1992	828	$ 67,904,000	$ 82,010	4.9%
1993	848	69,610,000	82,087	.1%
1994	836	70,997,000	84,925	3.5%
1995	875	75,314,000	86,073	1.4%
1996	866	75,996,000	87,755	2.0%
1997	881	87,171,000	98,946	12.8%
1998	898	94,626,000	105,374	6.5%
1999	895	99,200,000	110,838	5.2%
2000	908	104,000,000	114,537	3.3%
2001	910	109,900,000	120,769	5.4%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 2001	FY 2000
Unfunded actuarial liability at Beginning of FY	$448,219,698	$415,825,318
Employer contribution requirement of normal cost plus interest on the unfunded liability	60,116,922	54,607,843
Actual employer contribution for the year	24,348,926	21,411,577
Increase in unfunded liability due to employer contributions being less than normal cost plus interest on unfunded liability	35,767,996	33,196,266
Increase/(decrease) in unfunded liability due to investment return lower/(greater) than assumed	61,790,163	(14,134,561)
Increase/(decrease) in unfunded liability due to salary increases lower/(greater) than assumed	(7,464,258)	2,215,672
Increase in unfunded liability due to changes in benefits enacted under Senate Bill 1020 (P.A. 91-0653)	-	2,848,501
Increase in unfunded liability due to other sources	17,044,333	8,268,502
Total Actuarial (Gains)/Losses	71,870,238	(801,886)
Net increase in unfunded liability for the year	107,138,234	32,394,880
Unfunded actuarial liability at End of FY	$555,357,932	$448,219,698

Statistical Section

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments*	Fixed Assets Net of Accumulated Depreciation	Total
1992	$ 4,122,969	$ 265,758	$ 183,415,396	$ 24,566	$ 187,828,689
1993	3,449,194	2,706,984	193,615,328	26,065	199,797,571
1994	5,967,371	217,006	201,873,106	18,434	208,075,917
1995	5,514,304	178,587	208,585,962	14,298	214,293,151
1996	4,267,254	1,114,097	271,897,778	8,237	277,287,366
1997	6,616,999	163,694	307,923,426	14,018	314,718,137
1998	6,867,811	327,432	349,612,772	10,281	356,818,296
1999	7,279,856	291,173	382,235,852	8,784	389,815,665
2000	7,752,714	476,829	414,758,248	6,739	422,994,530
2001	8,529,516	613,324	372,637,630	4,306	381,784,776

* Investments are reported at fair value after fiscal year 1995. For all other fiscal years investments are reported at cost (book valu

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations*	Total Reserves	Total
1992	$ 201,301	$ 63,598,115	$ 124,029,273	$ 187,627,388	$ 187,828,689
1993	117,807	69,139,981	130,539,783	199,679,764	199,797,571
1994	238,899	74,318,731	133,518,287	207,837,018	208,075,917
1995	189,124	79,012,691	135,091,336	214,104,027	214,293,151
1996	188,367	82,428,000	194,670,999	277,098,999	277,287,366
1997	156,908	87,394,372	227,166,857	314,561,229	314,718,137
1998	125,360	94,222,326	262,470,610	356,692,936	356,818,296
1999	53,742	100,902,055	288,859,868	389,761,923	389,815,665
2000	60,810	106,785,540	316,148,180	422,933,720	422,994,530
2001	51,195	110,566,634	271,166,947	381,733,581	381,784,776

* The Reserve for Future Operations reflects investments reported at fair value after fiscal year 1995.
For all other fiscal years, the Reserve for Future Operations reflects investments reported at cost (book value).

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Net Investment Revenue*	Total
		State of Illinois	Other Sources	Total		
1992	$ 7,371,637	$ 10,052,100	$ -	$ 10,052,100	$ 19,721,910	$ 37,145,647
1993	9,377,428	11,099,030	-	11,099,030	17,528,393	38,004,851
1994	7,822,346	10,766,000	-	10,766,000	17,424,885	36,013,231
1995	8,942,657	10,806,000	345,577	11,151,577	16,000,529	36,094,763
1996	9,785,891	12,129,000	-	12,129,000	39,756,049	61,670,940
1997	10,497,121	13,747,000	36,328	13,783,328	49,818,838	74,099,287
1998	10,832,669	15,664,000	28,152	15,692,152	55,141,638	81,666,459
1999	11,270,131	18,688,816	-	18,688,816	44,613,324	74,572,271
2000	12,005,415	21,388,000	23,577	21,411,577	44,848,449	78,265,441
2001	12,291,097	24,218,000	130,926	24,348,926	(28,464,876)	8,175,147

* The Net Investment Revenue includes both realized and unrealized gains and losses on investments after fiscal year 1995.
For all other fiscal years, the Net Investment Revenue includes only realized gains and losses on investments.

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
1992	$ 22,995,915	$ 280,106	$ 231,442	$ 23,507,463
1993	25,241,058	408,113	303,304	25,952,475
1994	27,234,879	332,930	288,168	27,855,977
1995	29,177,626	347,711	302,417	29,827,754
1996	33,096,800	503,455	305,752	33,906,007
1997	36,071,563	249,081	316,413	36,637,057
1998	38,632,724	568,419	333,609	39,534,752
1999	40,851,598	296,143	355,543	41,503,284
2000	44,218,748	498,183	376,713	45,093,644
2001	48,330,822	633,610	410,854	49,375,286

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities	Total
1992	$ 17,869,115	$ 5,126,800	$ 22,995,915
1993	19,613,167	5,627,891	25,241,058
1994	21,206,102	6,028,777	27,234,879
1995	22,701,599	6,476,027	29,177,626
1996	26,186,330	6,910,470	33,096,800
1997	28,369,249	7,702,314	36,071,563
1998	30,130,617	8,502,107	38,632,724
1999	31,553,425	9,298,173	40,851,598
2000	34,078,117	10,140,631	44,218,748
2001	37,509,685	10,821,137	48,330,822

NUMBER OF RECURRING BENEFIT PAYMENTS

On June 30	Retirement Annuities	Survivors' Annuities	Total
1992	371	268	639
1993	394	273	667
1994	399	274	673
1995	415	273	688
1996	444	275	719
1997	460	286	746
1998	460	297	757
1999	471	301	772
2000	476	308	784
2001	506	316	822

NUMBER ON ACTIVE PAYROLLS

On June 30	Supreme Court Justices	Appellate Court Justices	Circuit Court Judges	Retired Judges Recalled	Admin. Office of Courts	Total
1992	7	34	781	24	-	846
1993	7	36	803	20	-	866
1994	7	36	794	19	-	856
1995	7	41	825	15	1	889
1996	7	39	819	13	1	879
1997	7	41	832	13	-	893
1998	7	41	852	13	-	913
1999	7	40	855	8	-	910
2000	7	41	854	11	-	913
2001	7	42	857	8	-	914

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
1992	64.7	16.6	72.7	$4,076
1993	64.9	16.9	73.0	4,298
1994	64.8	16.9	73.4	4,468
1995	65.0	16.9	73.4	4,736
1996	65.0	17.2	73.4	5,004
1997	64.8	17.2	73.2	5,273
1998	64.8	17.5	73.5	5,537
1999	64.7	16.6	73.6	5,735
2000	64.5	17.4	73.4	6,043
2001	64.3	17.5	72.8	6,431

* in years

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1992	828	41	869
1993	848	42	890
1994	836	41	877
1995	875	37	912
1996	866	35	901
1997	881	59	940
1998	898	52	950
1999	895	56	951
2000	908	43	951
2001	910	39	949

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1992	3	$ 76,885
1993	5	238,566
1994	2	58,106
1995	4	119,964
1996	2	106,020
1997	3	55,033
1998	3	80,534
1999	2	15,953
2000	5	138,915
2001	4	124,913

Annuitants by Benefit Range
(Monthly)
on June 30, 2001

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	4	4	0.8	0.8
501-1000	9	13	1.8	2.6
1001-1500	9	22	1.8	4.4
1501-2000	3	25	0.6	5.0
2001-2500	19	44	3.8	8.8
2501-3000	14	58	2.8	11.6
3001-3500	14	72	2.8	14.4
3501-4000	10	82	2.0	16.4
4001-4500	20	102	4.0	20.4
4501-5000	19	121	3.8	24.2
5001-5500	24	145	4.7	28.9
5501-6000	41	186	8.1	37.0
6001-6500	34	220	6.7	43.7
6501-7000	41	261	8.1	51.8
7001-7500	44	305	8.7	60.5
7501-8000	56	361	11.1	71.6
8001-8500	44	405	8.7	80.3
8501-9000	63	468	12.5	92.8
9001-9500	29	497	5.7	98.5
9501-10000	2	499	0.4	98.9
over 10000	7	506	1.1	100.0

Survivors by Benefit Range
(Monthly)
on June 30, 2001

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	33	33	10.4	10.4
501-1000	21	54	6.6	17.0
1001-1500	24	78	7.6	24.6
1501-2000	25	103	7.9	32.5
2001-2500	27	130	8.5	41.0
2501-3000	31	161	9.9	50.9
3001-3500	23	184	7.3	58.2
3501-4000	28	212	8.9	67.1
4001-4500	40	252	12.7	79.8
4501-5000	24	276	7.6	87.4
5001-5500	23	299	7.3	94.7
5501-6000	14	313	4.4	99.1
6001-6500	3	316	0.9	100.0

Plan Summary & Legislative Section

SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 2001)

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

Participants who are eligible to receive the maximum rate of annuity may irrevocably elect to discontinue contributions and have their benefits "frozen" based upon the applicable salary in effect immediately prior to the effective date of such election.

Participants who have attained age 60 and are eligible to receive the maximum rate of annuity and have not elected to discontinue contributing to the System may irrevocably elect to have their contributions based only on the salary increases received on or after the effective date of such election rather than on the total salary received.

5. RETIREMENT ANNUITY

A. Qualification of Participant

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

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

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

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

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 or for any judge terminating service after July 14, 1995, the highest salary received as a judge for at least 4 consecutive years, whichever is greater, 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 as a judge, or

2. When the annuitant is employed for compensation by the State of Illinois in a permanent position or, after 75 working days in any calendar year in which the annuitant is employed for compensation by the State of Illinois in a temporary position other than a judge.

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, over age 18 if mentally or physically disabled, or under age 22 and a full-time student. Eligible surviving children would be entitled to benefits even though the participant did not contribute for the survivors' annuity benefit.

B. Amount of Payment

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

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

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

C. Annual Increases in Survivors' Annuity

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 or age 22 in the case of a full-time student, the spouse's benefit is suspended if the spouse is under age 50 until attainment of such age.

7. DEATH BENEFITS

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

A. Before Retirement

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

B. After Retirement

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

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

A. Death of Survivor Annuitant

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

8. DISABILITY BENEFIT

A. Permanent Total Disability

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

B. Temporary Total Disability

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

9. REFUND OF CONTRIBUTIONS

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

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

LEGISLATIVE AMENDMENTS

Legislative amendments with an effective date during fiscal year 2001 having an impact on the System were:

House Bill 1583 (P.A. 91-0887; effective July 6, 2000)

Allows a surviving spouse to remarry prior to the attainment of age 50 without being disqualified for the receipt of a survivor's annuity provided such remarriage occurs on or after the effective date of this amendatory Act.

NEW LEGISLATION

There were no legislative amendments with an effective date subsequent to June 30, 2001 having an impact on the System.