Judges' Retirement System of Illinois

2101 South Veterans Parkway, P. O. Box 19255
Springfield, Illinois 62794-9255
Phone 217-782-8500 · Fax 217-785-7019
Internet: http://www.state.il.us/srs
E-mail: ser@mail.state.il.us

Fiscal Year 2005 Highlights

962	Total Membership
928	Active Contributing Members
$564,999,447	Net Assets Held in Trust for Pension Benefits, fair value
	Contributions:
$13,268,530	Participants
$32,043,009	Employer
$50,848,968	Investment Income
10.1%	Investment Return
	Benefit Recipients:
562	Retirement Annuities
338	Survivors' Annuities
$64,539,560	Benefits Paid
$1,236,512,156	Accrued Actuarial Liability
$671,512,709	Unfunded Actuarial Liability
45.7%	Funded Ratio

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.

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, 2005

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

December 15, 2005

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 (CAFR) of the Judges' Retirement System of Illinois (System) as of and for the fiscal year ended June 30, 2005 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.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The System's MD&A can be found immediately following the report of the independent auditors.

The report consists of six sections:

1. **The Introductory Section** 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** contains management's discussion and analysis, the report of the Independent Auditors, the financial statements of the System and certain required and other supplementary financial information;

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

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

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

6. **The Plan Summary and Legislative Section** 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 was established as a single-employer 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 $84,000. The fair value of plan net assets at the end of fiscal year 2005 amounted to $565.0 million, and there were 928 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."

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 Statues, 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 is intended to reduce overall risk and increase returns. As further detailed in the Investment Section, the ISBI Commingled Fund earned 10.1%, net of expenses, for the fiscal year ended June 30, 2005.

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.

The funding plan for the System, enacted in 1994 with subsequent modifications, 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 fiscal years up through 2010, the required state contributions, except for fiscal years 2006 and 2007, 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. For fiscal years 2006 and 2007, the state will contribute $29,189,400 and $35,236,800, respectively, as required by Public Act 94-0004.

The funding legislation also provides 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.

On April 7, 2003 Governor Blagojevich signed House Bill 2660 into law as Public Act 93-0002. This legislation authorized the State to issue $10 billion in general obligation bonds for the purpose of making required contributions to the five state-funded retirement systems, including the Judges' Retirement System. On July 1, 2003, the net bond proceeds were allocated and distributed to each of the five state-funded retirement systems based on each system's relative percentage of the total unfunded liability at June 30, 2002. The Judges' Retirement System received an allocation of bond proceeds totaling $141,955,483 and deposited all of the proceeds into the Illinois State Board of Investment Commingled Fund on July 2, 2003.

The actuarial determined liability of the System using the projected unit credit actuarial cost method at June 30, 2005, amounted to $1.237 billion. The actuarial value of assets (at fair value) amounted to $565.0 million resulting in an unfunded accrued actuarial liability of $671.5 million as of the same date. A detailed discussion of funding is provided in the Actuarial Section of this report.

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 and the American Institute of Certified Public Accountants.

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. The System's investment function is managed by the Illinois State Board of Investment.

The annual financial audit of the System was conducted by the accounting firm of McGladrey & Pullen, LLP, under the direction of the Auditor General of the State of Illinois. In addition to the annual financial audit, a compliance attestation examination was also performed by the auditors.

The purpose of the compliance attestation examination was to determine whether the 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.

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, 2004.

The Certificate of Achievement is a prestigious national award recognizing excellence in the preparation of state and local government financial reports. To be awarded a Certificate of Achievement, a governmental unit must publish an easily readable and efficiently organized CAFR, whose contents meet or exceed program standards. This 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 past sixteen consecutive years (fiscal years ended June 30, 1989 through June 30, 2004).

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.

ACKNOWLEDGMENTS & COMMENTS

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 for determining responsible stewardship for the assets contributed by the members 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,

Robert V. Knox
Executive Secretary

David M. Richter, CPA
Accounting Division

ADMINISTRATION

JUSTICE
Thomas E. Hoffman
Chairman

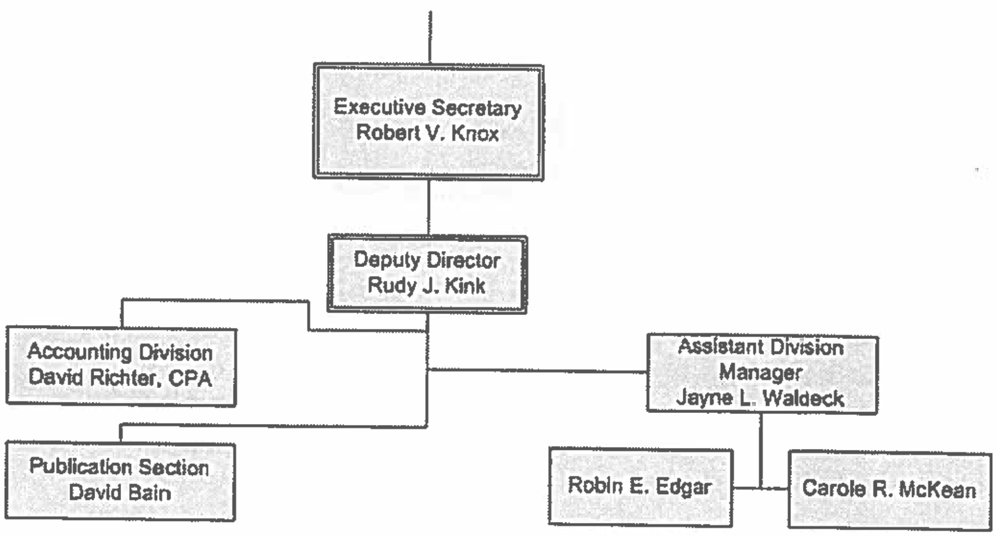
JUSTICE
John J. Bowman
Vice-Chairman

CHIEF JUDGE
Timothy C. Evans

CHIEF JUSTICE
Mary Ann McMorrow

STATE TREASURER
Judy Baar Topinka

BOARD OF TRUSTEES



Advisors, Auditors, and Administrators

Consulting Actuary	Goldstein & Associates Chicago, Illinois
External Auditor	McGladrey & Pullen, LLP Schaumburg, Illinois
Investments	Illinois State Board of Investment Chicago, Illinois

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, 2004

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

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FINANCIAL SECTION

McGladrey & Pullen
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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 of the Judges' Retirement System of Illinois (the System), as of June 30, 2005 and 2004 and the related statements of changes in plan net assets for the years then ended, as listed in the table of contents. 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 the financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Judges' Retirement System of Illinois as of June 30, 2005 and 2004, and the changes in plan net assets 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 November 3, 2005 on our consideration of the System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audits.

McGladrey & Pullen, LLP is a member firm of RSM International –
an affiliation of separate and independent legal entities.

The management's discussion and analysis on pages 14 and 15 and the schedules of funding progress and employer contributions on page 30 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements of the System. The introductory section, supplementary financial information on pages 31 and 32, investment section, actuarial section, statistical section and plan summary and legislative section, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplementary financial information on pages 31 and 32 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory, investment, actuarial, statistical and plan summary and legislative sections listed in the table of contents have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

McGladrey & Pullen, LLP

Schaumburg, Illinois
November 3, 2005

This financial report is designed to provide a general overview of the Judges' Retirement System's finances for all those with an interest in the System's finances.

This section presents management's discussion and analysis of the financial position and performance of the Judges' Retirement System of Illinois (System) for the years ended June 30, 2005 and 2004. It is presented as a narrative overview and analysis. Readers are encouraged to consider the information presented here in conjunction with the Letter of Transmittal included in the Introductory Section, of the Comprehensive Annual Financial Report.

The System is a defined benefit, single-employer public employee retirement system. It provides services to 928 active judges and 900 benefit recipients. Throughout this discussion and analysis units of measure (i.e. billions, millions, thousands) are approximate, being rounded up or down to the nearest tenth of the respective unit value.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the System's financial reporting which is comprised of the following components:

1. **Basic Financial Statements.** For the fiscal years ended June 30, 2005 and 2004, basic financial statements are presented for the System. This information presents the net assets held in trust for pension benefits for the System as of June 30, 2005 and 2004. This financial information also summarizes the changes in net assets held in trust for pension benefits for the years then ended.

2. **Notes to the Financial Statements.** The notes to the Financial Statements provide additional information that is essential to achieve a full understanding of the data provided in the basic financial statements.

3. **Required Supplementary Information.** The required supplementary information consists of two schedules and related notes concerning actuarial information, funded status and required contributions for the System.

4. **Other Supplementary Schedules.** Other schedules include more detailed information pertaining to the System, including schedules of revenues by source, cash receipts and disbursements, and payments to consultants.

FINANCIAL HIGHLIGHTS

- The System's net assets increased by $30.4 million, or 5.7% during fiscal year 2005. The increase was primarily due to a $29.0 million, or 5.6%, increase in the System's investments, at fair value.
- The System was actuarially funded at 45.7% as of June 30, 2005 a slight decrease from 46.2% as of June 30, 2004.
- The overall rate of return for the Illinois State Board of Investment (ISBI) Commingled Fund was 10.1% for fiscal year 2005 compared to 16.4% for fiscal year 2004.

The condensed Statements of Plan Net Assets reflect the resources available to pay benefits to members, including retirees and beneficiaries, at the end of the years reported. A summary of the System's Plan Net Assets is presented below.

Condensed Statements of Plan Net Assets
(in thousands)

	2005	2004	2003	Increase/(Decrease) from 2004 o 2005 Dollar Change	Percent Change
Cash	$ 11,788.7	$ 13,326.8	$ 7,324.2	$ (1,538.1)	(11.5)%
Receivables	2,945.3	536.4	5,362.6	2,408.9	449.1
Investments, at fair value	550,350.1	521,373.0	317,541.1	28,977.1	5.6
Equipment, net	3.3	1.7	2.3	1.6	94.1
Total assets	565,087.4	535,237.9	330,230.2	29,849.5	5.6
Liabilities	88.0	658.1	176.6	(570.1)	(86.6)
Total plan net assets	$564,999.4	$534,579.8	$330,053.6	$ 30,419.6	5.7%

ADDITIONS TO PLAN NET ASSETS

Additions to Plan Net Assets include employer and participant contributions and net income from investment activities. Participant contributions were $13.3 million and $13.7 million for the years ended June 30, 2005 and 2004, respectively. Participant contribution rates are set by statute as a percentage of gross salary. Employer contributions decreased to $32.0 million in 2005 from $178.6 million in 2004. This decrease was primarily due to additional employer contributions of $142 million received from the sale of General Obligation bonds by the State of Illinois during fiscal year 2004.

DEDUCTIONS FROM PLAN NET ASSETS

Deductions from Plan Net Assets are primarily benefit payments. During 2005 and 2004, the System paid out $65.3 million and $61.4 million, respectively, in benefits and refunds, an increase of approximately 6.4% from 2004. Those higher payments were mainly due to an increase in the number of annuitants as well as a 3% automatic annuity increase paid each year to offset the effects of inflation. The administrative costs of the System represented less than 1% of total deductions in both 2005 and 2004.

FUNDED RATIO

The funded ratio of the plan measures the ratio of net assets against actuarially determined liabilities and is one indicator of the fiscal strength of a pension fund's ability to meet obligations to its members. An annual actuarial valuation is required by statute. The most recent available valuation showed the funded status of the System on June 30, 2005 slightly decreased to 45.7% from 46.2% on June 30, 2004.

The amount by which actuarially determined liabilities exceeded net assets was $671.5 million on June 30, 2005 compared to $621.5 million on June 30, 2004.

INVESTMENTS

Investments of the System are combined in a commingled investment pool with the State Employees' Retirement System and the General Assembly Retirement System. Each system owns an equity position in the pool and receives proportionate investment income from the pool in accordance with respective ownership percentage. Investment gains or losses are reported in the Statement of Changes in Plan Net Assets of each retirement system.

Net investment income less expenses of the total ISBI Commingled Fund was approximately $1.0 billion during fiscal year 2005, versus net investment income of $1.5 billion during fiscal year 2004, resulting in returns of 10.1% and 16.4%, respectively.

For the three, five, and ten year period ended June 30, 2005, the ISBI Commingled Fund earned a compounded rate of return of 8.7%, 2.1%, and 8.7%, respectively.

NEW LEGISLATION

On June 1, 2005, Public Act 94-0004 was enacted into law. This legislation includes employer contribution funding reductions of approximately $8.8 million and $9.3 million for fiscal years 2006 and 2007, respectively. This will result in increased transfers from the ISBI Commingled Fund in fiscal years 2006 and 2007 to funding requirements for benefit obligations.

Questions concerning any of the information provided in this report or requests for additional financial information should be sent to the Judges' Retirement System of Illinois, Accounting Division, 2101 S. Veterans Parkway, P. O. Box 19255, Springfield, Illinois 62794

The condensed Statements of Changes in Plan Net Assets reflect the changes in the resources available to pay benefits to members, including retirees and beneficiaries.

Condensed Statements of Changes in Plan Net Assets
(in thousands)

	2005	2004	2003	Increase/(Decrease) from 2004 to 2005 Dollar Change	Percent Change
Additions					
Participant contributions	$ 13,268.5	$ 13,720.9	$ 12,905.0	$ (452.4)	(3.3)%
Employer contributions	32,043.0	178,593.1	31,440.1	(146,550.1)	(82.1)
Net investment income/(loss)	50,849.0	74,012.8	(226.1)	(23,163.8)	(31.3)
Total additions	96,160.5	266,326.8	44,119.0	(170,166.3)	(63.9)
Deductions					
Benefits	64,539.6	60,912.9	56,714.5	3,626.7	6.0
Refunds	740.5	439.6	582.5	300.9	68.4
Administrative expenses	460.8	448.1	427.7	12.7	2.8
Total deductions	65,740.9	61,800.6	57,724.7	3,940.3	6.4
Net increase/(decrease) in plan net assets	$ 30,419.6	$ 204,526.2	$(13,605.7)	$(174,106.6)	(85.1)%

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Plan Net Assets
June 30, 2005 and 2004

	2005	2004
Assets		
Cash	$ 11,788,710	$ 13,326,833
Receivables:		
Employer contributions	2,515,000	-
Participants' contributions	266,114	430,677
Refundable annuities	68,421	21,635
Interest on cash balances	32,589	10,100
Due from General Assembly Retirement System	63,202	73,994
Total receivables	2,945,326	536,406
Investments - held in the Illinois State Board of Investment Commingled Fund at fair value	550,350,071	521,372,992
Equipment, net of accumulated depreciation	3,278	1,704
Total Assets	$ 565,087,385	$ 535,237,935
Liabilities		
Benefits payable	-	405,508
Refunds payable	23,617	189,164
Participants' deferred service credit accounts	14,250	12,000
Administrative expenses payable	50,071	51,440
Total Liabilities	87,938	658,112
Net assets held in trust for pension benefits	$ 564,999,447	$ 534,579,823

(A schedule of funding progress is presented on page 30.)

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Statements of Changes in Plan Net Assets
Years Ended June 30, 2005 and 2004

	2005	2004
Additions:		
Contributions:		
Participants	$ 13,268,530	$ 13,720,911
Employer	32,043,009	178,593,095
Total contributions	45,311,539	192,314,006
Investments:		
Net investment income	12,111,036	8,350,649
Interest earned on cash balances	271,889	136,396
Net appreciation in fair value of investments	38,466,043	65,525,769
Total net investment income	50,848,968	74,012,814
Total Additions	96,160,507	266,326,820
Deductions:		
Benefits:		
Retirement annuities	50,718,643	47,965,512
Survivors' annuities	13,820,917	12,947,383
Total benefits	64,539,560	60,912,895
Refunds of contributions	740,497	439,575
Administrative expenses	460,826	448,087
Total Deductions	65,740,883	61,800,557
Net Increase	30,419,624	204,526,263
Net assets held in trust for pension benefits:		
Beginning of year	534,579,823	330,053,560
End of year	$ 564,999,447	$ 534,579,823

See accompanying notes to financial statements.

JUDGES' RETIREMENT SYSTEM OF ILLINOIS

Notes to Financial Statements June 30, 2005 and 2004

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.

At June 30, 2005 and 2004, the System membership consisted of:

	2005	2004
Retirees and beneficiaries currently receiving benefits:		
Retirement annuities	562	535
Survivors' annuities	338	338
	900	873
Inactive participants entitled to benefits but not yet receiving them	34	35
Total	934	908
Current participants:		
Vested	657	663
Nonvested	271	243
Total	928	906

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

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 2005 and 2004 were each less than $225,000. 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.

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 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.

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%	

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 when due pursuant to statutory requirements. Benefits and refunds are recognized as expenses when due and payable in accordance with the terms of the plan.

b. Cash
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.

c. Implementation of New Accounting Standard

On July 1, 2004, the System implemented the provisions required by the Governmental Accounting Standards Board (GASB) Statement No. 40, *Deposit and Investment Risk Disclosures, an amendment of GASB Statement No. 3*. This pronouncement requires additional disclosures presented in these notes, but has no impact on the net assets of the ISBI or the System. These disclosures address common deposits and investment risks related to credit risk, concentration of credit risk, interest rate risk, and foreign currency risk. Data related to these disclosures for the year ended June 30, 2004 were unavailable.

d. Investments

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. 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 State Street Bank & 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.

Investments owned are reported at fair value as follows: (1) U.S. Government and Agency, Foreign and Corporate Obligations, Convertible Bonds – prices quoted by a major dealer in such securities; (2) Common Stock and Equity Funds, Convertible Preferred Stock, Preferred Stock, Foreign Equity Securities, Forward Foreign Currency Contracts and Options: (a) Listed – closing prices as reported on the composite summary of national securities exchanges; (b) Over-the-counter – bid prices; (3) Money Market Instruments – average cost which approximates fair values; (4) Real Estate Funds – fair values as determined by the ISBI and its investment managers; and (5) Alternative (Private Equity) Investments – fair values as determined by the ISBI and its investment managers.

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.

Investment Summary

Summary of the ISBI Fund's investments at fair value by type	June 30, 2005
Government and agency obligations	$ 1,112,360,428
Foreign obligations	198,858,369
Corporate obligations	1,551,766,590
Convertible bonds	1,404,244
Common stock & equity funds	5,579,812,196
Preferred stock	487,946
Foreign equity securities	986,200,950
Real estate investments	778,951,123
Alternative investments	466,871,030
Money market instruments	283,461,008
Forward foreign exchange contracts	(497,874)
Total investments	$10,959,676,010

Custodial Credit Risk for Investments

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the ISBI will not be able to recover the value of investments or collateral securities that are in the possession of an outside party. As of June 30, 2005 , the investments listed in the table to the right were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent but not in the ISBI's name.

Common stock	$ 2,283,261
Government and agency obligations	16,885,000
Corporate obligations	4,725,000
Total	$ 23,893,261

Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the ISBI's deposits may not be returned. All non-investment related bank balances at year end are insured or collateralized with securities held by the Illinois State Treasurer or agents in the name of the State Treasurer. Cash held in the investment related bank account is neither insured nor collateralized for amounts in excess of $100,000. There is no related deposit policy for custodial risk. These assets are under the custody of State Street Bank and Trust. State Street Bank and Trust has a AA Long-term Deposit/Debt rating by Standards & Poor and an Aa2 rating by Moody.

	June 30, 2005
Carrying amount of cash	$13,722,061
Bank balance total	$13,729,252
Amount exposed to custodial credit risk	$13,501,974

	Moody's Quality Rating	Fair Value
Foreign obligations	AAA	$ 33,511,439
	AA	39,246,537
	A	25,030,605
	BAA	32,380,713
	BA	40,288,397
	B	12,747,269
	Not rated	15,653,409
Total foreign obligations		$ 198,858,369
Corporate obligations	AAA	$ 458,629,951
	AA	151,320,801
	A	191,083,432
	BAA	161,122,804
	BA	217,555,371
	B	300,234,513
	CAA	12,093,496
	CA	660,671
	Not rated	59,065,551
Total corporate obligations		$1,551,766,590
Convertible bonds	AAA	$ 1,111,744
	BAA	292,500
Total convertible bonds		$ 1,404,244
Agency obligations	AAA	$ 556,191,256
U.S. Government obligations		556,169,172
Total Government and agency obligations		$1,112,360,428
Total credit risk debt securities		$2,864,389,631

Concentration of Credit Risk and Credit Risk for Investments

The portfolio is managed by professional investment management firms. These investment management firms are required to maintain diversified portfolios. Each investment manager must comply with risk management guidelines individually assigned to them as part of their Investment Management Agreement. The ISBI did not have any single issuer investment that exceeded 5% of the total net assets of the fund as of June 30, 2005 and 2004. The table at left presents the quality ratings of debt securities held by the ISBI as of June 30, 2005.

Investment Type	Fair Value	Effective Weighted Duration
Government & agency obligations		
U.S. Treasury	$ 556,169,172	4.5
Federal agency	544,212,466	2.8
Municipal	11,978,790	4.8
Foreign obligations	198,858,369	4.5
Corporate obligations		
Bank and finance	392,252,843	2.9
Collateralized mortgage obligations	68,338,116	3.3
Industrials	798,619,662	4.9
Other	292,555,969	4.2
Convertible bonds	1,404,244	30.5
	$2,864,389,631	

Interest Rate Risk

The ISBI manages its exposure to fair value losses arising from interest rate risk by diversifying the debt securities portfolio and maintaining the debt securities portfolio to an effective weighted average rate between 80 and 120 percent of the benchmark index.

Duration is a measure of a debt investment's exposure to fair value changes arising from changing interest rates. It uses the present value of cash flows, weighted for those cash flows as a percentage of the investment's full price. The effective duration measures the sensitivity of market price to parallel shifts in the yield curve. The ISBI benchmarks its debt security portfolio to Lehman Brothers Aggregate. At June 30, 2005 the effective duration of the Lehman Brothers Aggregate was 4.2. At the same point in time, the effective duration of the ISBI debt security portfolio was 4.0.

Foreign Currency Risk

The international portfolio is constructed on the principles of diversification, quality growth and value. Risk of loss arises from changes in currency exchange rates. International managers may also engage in transactions to hedge currency at their discretion. The table at right presents the foreign currency risk by type of investment as of June 30, 2005.

	Foreign Equity Securities	Foreign Obligations
Australian Dollar	$ 47,593,913	$ (228,293)
Brazilian Real	1,278,605	0
Canadian Dollar	30,812,582	1,851,713
Cayman Islands Dollar	31,956	0
Chinese Yuan	194,278	0
Danish Krone	11,599,786	0
English Pound Sterling	202,514,123	798,051
Euro Currency	282,661,685	3,056,801
Finnish Markka	0	54,634
Hong Kong Dollar	45,015,304	0
Indian Rupee	2,251,086	0
Indonesian Rupian	691,050	0
Israeli New Shekel	518,923	0
Japanese Yen	228,925,684	7,558,941
Malaysian Ringgit	103,494	0
Mexican Peso	0	2,573,969
New Zealand Dollar	519,315	2,741,363
Norwegian Krone	5,641,689	0
Philippine Peso	110,031	0
Polish Zolty	0	74,147
Singapore Dollar	9,859,571	0
South African Rand	1,914,821	0
South Korean Won	21,385,395	0
Swedish Krona	28,388,258	0
Taiwan Dollar	2,786,713	0
Turkish Lira	1,069,802	0
Swiss Franc	52,437,403	0
Foreign investments denominated in U.S. Dollars	7,895,483	180,377,043
Total	$ 986,200,950	$ 198,858,369

Securities Lending

Effective December 1, 2004, the master custodian is State Street Bank & Trust Company. The ISBI participates in a securities lending program with State Street who acts as securities lending agent. Securities are loaned to brokers and, in return, the ISBI has rights to a portion of a collateral pool. All of the 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 exceeding 102% of the value of the loaned securities (105% for non-U.S. securities). In the event of borrower default, State Street provides the ISBI with counterparty default indemnification. The ISBI had no credit risk as a result of its securities lending program as the collateral held exceeded the fair value of the securities lent. As of June 30, 2005 and 2004, there were outstanding loaned investment securities having fair values of $1,442,715,435 and $1,146,769,008 respectively; against which collateral was received with a value of $1,476,263,962 and $1,402,058,848, respectively. Collateral received at June 30, 2005 and 2004 consisted of $1,444,871,284 and $1,172,847,123, respectively, in cash and $31,392,678 and $266,896,652, respectively, in securities for which the ISBI does not have the ability to pledge or sell.

Derivative Securities

Some of the ISBI managers invest in derivative securities. A derivative security is an investment whose payoff depends upon the value of other assets such as bond and stock prices, a market index, or commodity prices. The ISBI's investments in derivatives are not leveraged. Obligations to purchase (long a financial future or a call option) are held in cash or cash equivalents. In the case of obligations to sell (short a financial future or a put option), the reference security is held in the portfolio. Derivatives transactions involve, to varying degrees, credit risk and market risk. Credit risk is the possibility that a loss may occur because a party to a transaction fails to perform according to terms. Market risk is the possibility that a change in interest or currency rates will cause the value of a financial instrument to decrease or become more costly to settle. The market risk associated with derivatives, the prices of which are constantly fluctuating, is regulated by imposing strict limits as to the types, amounts and degree of risk that investment managers may undertake. The ISBI Board and senior management approve these limits, and the risk positions of the investment managers are reviewed on a regular basis to monitor compliance with the limits.

During the year, derivative investments included forward foreign currency contracts, collateralized mortgage obligations (CMO's), futures and options. The remaining derivative securities are used to improve the yields or to hedge changes in interest rates. Forward foreign currency contracts are used to hedge against the currency risk in the ISBI's foreign stock and fixed income portfolios.

Forward foreign currency contracts are agreements to buy or sell specific amounts of a foreign currency at a specified delivery or maturity date for an agreed upon price. As the fair value of the forward contracts varies, the ISBI records an unrealized gain or loss. Forward foreign currency contracts represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The fair value of forward foreign currency contracts outstanding at June 30, 2005 and 2004, were as follows:

	Cost	Fair Value	Gain/(Loss)
As of June 30, 2005			
Forward currency purchases	$41,391,551	$40,355,914	$ (1,035,637)
Forward currency sales	47,581,929	47,044,166	537,763
Total gain/(loss)			$ (497,874)

	Cost	Fair Value	Gain/(Loss)
As of June 30, 2004			
Forward currency purchases	$86,354,036	$86,816,176	$ 462,140
Forward currency sales	86,354,036	87,241,866	(887,830)
Total gain/(loss)			$ (425,690)

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. As of June 30, 2005 and 2004, the fair value of the ISBI's CMO holdings totaled $68,338,116 and $57,368,826, respectively.

The ISBI investment managers utilize financial futures to replicate an underlying security they desire to hold (sell) in the portfolio. In certain instances, it may be beneficial to own a futures contract rather than the underlying security (arbitrage). Financial future contracts are also used to improve the yield or adjust the duration of the portfolio. Financial futures contracts are agreements to buy or sell a specified amount at a specified delivery or maturity date for an agreed upon price. The fair values of the futures contracts vary from the original contract price, a gain or loss is recognized and paid to or received from the clearinghouse. Financial futures represent an off-balance sheet obligation, as there are no balance sheet assets or liabilities associated with those contracts. The cash or securities to meet these obligations are held in the investment portfolio.

The ISBI's investment managers utilize options in an effort to add value to the portfolio (collect premiums) or protect (hedge) a position in the portfolio. Options are agreements that give one party the right, but not the obligation, to buy or sell a specific amount of an asset for a specific price (called the strike price) on or before a specified expiration date. As the writer of financial options, the ISBI received a premium at the outset of the agreement and bears the risk of an unfavorable change in the price of the instrument underlying the option. As the purchaser, the ISBI pays a premium at the outset of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option.

Investment Commitments

Real estate and private equity investment portfolios consist of passive interests in limited partnerships. The ISBI had outstanding commitments to these limited partnerships of approximately $524 million and $270 million, as of June 30, 2005 and 2004, respectively. Also, at the end of fiscal year 2005, the ISBI had an outstanding commitment of $60 million to a separate real estate account.

Futures and options positions held by the ISBI as of June 30, 2005 and 2004

	2005		2004	
	Number of Contracts	Contract Principal*	Number of Contracts	Contract Principal*
Domestic				
Equity futures purchased	0	$ 0	808	$ 230,360,800
Fixed income futures purchased	689	453,930,689	197	20,523,243
Fixed income futures sold	523	59,071,375	678	73,536,627
Fixed income written put options	138	14,877,875	303	385,079
Fixed income written called options	172	19,378,750	467	553,900
Fixed income purchased call options	218	133,779,531	0	0
Fixed income purchased put options	131	77,660,000	0	0

* Contract principal amounts shown represent the fair value of the underlying assets the contracts control. These are shown to present the volume of the transactions but do not reflect the extent to which positions may offset one another. These amounts do not represent the much smaller amounts potentially subject to risk. Contract principal values also do not represent recorded values.

Other Information
The System owns approximately 5.0% of the net investment assets of the ISBI Commingled Fund as of June 30, 2005. A schedule of investment expenses is included in the ISBI's annual report.

For additional information on ISBI's investments, please refer to their Annual Report as of June 30, 2005. A copy of the report can be obtained from the ISBI at 180 North LaSalle Street, Suite 2015, Chicago, Illinois 60601.

e. Actuarial Experience Review
In accordance with Illinois Compiled Statutes, an actuarial experience review is to be performed at least once every five years to determine the adequacy of actuarial assumptions regarding the mortality, retirement, disability, employment, turnover, interest and earnable compensation of the members and beneficiaries of the System. An experience review was last performed as of June 30, 2002.

f. Administrative Expenses
Expenses related to the administration of the System are financed through investment earnings and employer retirement contributions. These expenses are budgeted and approved 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, 2005 and 2004, were $265,474 and $254,886, respectively.

g. 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 2005 and 2004, the required employer contributions were computed in accordance with Public Act 88-0593, as modified by Public Act 93-0002. This funding legislation 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 2005 and 2004 was $31,991,000 and $36,526,000, respectively. The total amount of employer contributions received from the state during fiscal years 2005 and 2004 was $31,991,000 and $178,481,483, respectively. The fiscal year 2004 amount includes $141,955,483 of additional employer contributions received from the sale of General Obligation bonds by the State of Illinois.

In fiscal years 2006 and 2007, state contributions will be based on dollar amounts specified by Public Act 94-0004, rather than actuarial calculations. The legislation contains a two-year funding reduction of nearly 22% or $18.0 million for the System. State contributions will be higher in future years to make up for the two-year funding reduction, as the overall goal of 90% funding in fiscal year 2045 is unchanged.

5. Administrative Expenses

A summary of the administrative expenses for the Judges' Retirement System for fiscal years 2005 and 2004 are listed below.

Administrative expenses for fiscal years 2005 and 2004

	2005	2004
Personal services	$246,258	$247,832
Employee retirement contributions paid by employer	9,772	9,773
Employer retirement contributions	39,537	33,322
Social security contributions	16,787	16,912
Group insurance	39,643	31,168
Contractual services	82,017	83,573
Travel	7,868	9,772
Printing	3,587	3,362
Commodities	647	558
Telecommunications	2,168	2,295
Electronic data processing	10,631	11,531
Depreciation	1,154	929
Change in accrued compensated absences	757	(2,940)
Total	$460,826	$448,087

6. Equipment

Capital 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 equipment for fiscal years 2005 and 2004

2005	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 39,972	$ 2,728	$ (5,407)	$ 37,293
Accumulated depreciation	(38,268)	(1,154)	5,407	(34,015)
Equipment, net	$ 1,704	$ 1,574	$ -	$ 3,278

2004	Beginning Balance	Additions	Deletions	Ending Balance
Equipment	$ 43,947	$ 327	$ (4,302)	$ 39,972
Accumulated depreciation	(41,641)	(929)	4,302	(38,268)
Equipment, net	$ 2,306	$ (602)	$ -	$ 1,704

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, 2005 and 2004 total $38,180 and $37,423, 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 2005 and 2004 are included in the State of Illinois' Comprehensive Annual Financial Report (CAFR) for the years ended June 30, 2005 and 2004, 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 employer retirement contributions based upon an actuarially determined percentage of its payrolls. For fiscal years 2005, 2004, and 2003 the employer contribution rates were 16.107%, 13.439%, and 10.321%, respectively. The System's contributions to SERS for fiscal years 2005, 2004, and 2003 were $39,537, $33,322, and $25,277, respectively, and were equal to the required contributions for each fiscal year.

Other Post-Employment Benefits. In addition to providing pension benefits, the State Employees Group Insurance Act of 1971, as amended, requires that certain health, dental and life insurance benefits shall be provided by the state to annuitants who are former state employees. This includes annuitants of the 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, 2005 and 2004. 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, 2005 and 2004

	Participants' Contributions	Future Operations	Total Reserve Balances
Balance at June 30, 2003	$121,873,715	$208,179,845	$330,053,560
Add (deduct):			
Excess of revenues over expenses	13,468,297	191,057,966	204,526,263
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(4,794,652)	4,794,652	-
Balance at June 30, 2004	130,547,360	404,032,463	534,579,823
Add (deduct):			
Excess of revenues over expenses	12,580,042	17,839,582	30,419,624
Reserve transfers:			
Accumulated contributions of participants who retired or died with eligible survivor during the year	(7,686,847)	7,686,847	-
Balance at June 30, 2005	$135,440,555	$429,558,892	$564,999,447

Schedule of Funding Progress

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)
6/30/00	$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
6/30/02	343,659,294	1,020,846,773	677,187,479	33.7	118,700,000	570.5
6/30/03	330,053,560	1,076,231,965	746,178,405	30.7	123,900,000	602.2
6/30/04	534,579,823	1,156,092,951	621,513,128	46.2	127,200,000	488.6
6/30/05	564,999,447	1,236,512,156	671,512,709	45.7	128,700,000	521.8

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contribution per GASB Statement No. 25	Percentage Contributed	Annual Required Contribution per State Statute	Percentage Contributed
2000	$40,205,224	53.2%	$21,388,000	100.0%
2001	42,546,928	56.9	24,218,000	100.0
2002	47,277,311	58.2	27,532,000	100.0
2003	53,470,841	58.7	31,373,000	100.0
2004	63,261,895	57.7	36,526,000	100.0 (1)
2005	57,749,460	55.4	31,991,000	100.0

(1) This percentage excludes the additional employer contributions received from the sale of General Obligation bonds by the State of Illinois. These proceeds were not part of the current fiscal year required contributions.

Notes to Required Supplementary Information

Valuation date: June 30, 2005

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: 40 years, closed

Asset valuation method: Fair value

Actuarial assumptions:

Investment rate of return:	8.0 percent per year, compounded annually
Projected salary increases:	5.5 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, 2005 and 2004

	2005	2004
Contributions:		
Participants:		
Participants	$ 13,129,477	$ 13,552,646
Interest paid by participants	97,557	105,223
Repayment of refunds	14,545	-
Transferred from reciprocating systems	26,951	63,042
Total participant contributions	13,268,530	13,720,911
Employer:		
Pension Contribution Fund	-	151,624,713
General Revenue Fund	15,090,000	26,247,001
State Pension Fund	16,901,000	609,769
Paid by participants	52,009	111,612
Total employer contributions	32,043,009	178,593,095
Total contributions revenue	45,311,539	192,314,006
Investments:		
Net investment income	12,111,036	8,350,649
Interest earned on cash balances	271,889	136,396
Net appreciation in fair value of investments	38,466,043	65,525,769
Total net investment income	50,848,968	74,012,814
Total revenues	$ 96,160,507	$ 266,326,820

SUMMARY SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
Years Ended June 30, 2005 and 2004

	2005	2004
Cash balance, beginning of year	$ 13,326,833	$ 7,324,152
Receipts:		
Participant contributions	13,258,866	13,609,323
Employer contributions:		
Pension Contribution Fund	-	151,624,713
General Revenue Fund	12,575,000	31,105,001
State Pension Fund	16,901,000	609,769
Paid by participants	52,009	66,041
Interest income on cash balances	249,400	133,053
Reimbursements from General Assembly Retirement System	276,266	251,961
Post-tax installment payments	2,483	3,000
Cancellation of refunds	483	-
Cancellation of annuities, net of overpayments	47,804	74,638
Cancellation of administrative expenses	3,030	-
Tax-deferred installment payments	129,522	149,972
Repayment of refunds	17,755	-
Transfers from reciprocating systems	26,951	63,042
Transfers from Illinois State Board of Investment	21,600,000	12,000,000
Miscellaneous	170	107
Total cash receipts	65,140,739	209,690,620
Disbursements:		
Benefit payments:		
Retirement annuities	51,097,430	47,641,912
Survivors' annuities	13,942,228	12,948,351
Refunds	909,236	397,240
Transfers to Illinois State Board of Investment	-	141,955,483
Administrative expenses	729,968	744,953
Total cash disbursements	66,678,862	203,687,939
Cash balance, end of year	$ 11,788,710	$ 13,326,833

SCHEDULE OF PAYMENTS TO CONSULTANTS
Years Ended June 30, 2005 and 2004

	2005	2004
Actuary	$20,500	$21,500
Audit fees	18,957	18,110
Legal services	226	1,991
Financial planner	600	1,200
Medical services	140	280
Total	$40,423	$43,081

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). On December 1, 2004 the ISBI's assets were transferred from its predecessor custodian bank to State Street Bank & Trust.

As of June 30, 2005, total net assets under management valued at market, amounted to $10.902 billion. Of the total market value of assets under management, $550.4 million or approximately 5% 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 that is reviewed and approved at least 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 that is at least equal to the assumed actuarial interest rate, currently 8.0% per year, and at least equal to the return of the composite (policy-weighted) benchmark, a theoretical "indexed" implementation of ISBI's asset allocation policy.

Asset Allocation

The investment policy of the ISBI Board establishes asset allocation targets and ranges for each asset class, selected to achieve overall risk and return objectives. This policy is implemented by allocations to investment managers with assignments to invest in specific asset classes, with defined security selection styles and methodologies.

Throughout fiscal year 2005, the ISBI continued to revise its portfolio in order to implement the asset allocation model adopted in December, 2003. The ISBI Board finalized changes to the equity portfolio, with a $300 million allocation to international small cap, as well as changes to the fixed income portfolio with allocations to various mortgage strategies.

The ISBI Board also selected a manager to invest $60 million in Illinois real estate in March of 2005. By the end of fiscal year 2005, the ISBI had commenced its search for hedge fund of funds managers, its first ever, and made its first private equity allocation since the Fall of 2003.

	Actual Asset Allocation	Policy Target
U.S. Equity	51%	45%
U.S. Equity Hedge Funds	-	5
International Equity	9	10
Fixed Income	26	25
Real Estate	7	10
Alternative Investments	4	5
Cash	3	-
Total	100%	100%

The ISBI's asset allocation policy allocates 45% to U.S. equities, 10% to international equities, 25% to fixed income, 10% to real estate, 5% to private equity, and 5% to hedge funds. The actual allocation of the portfolio at June 30, 2005, relative to the target is set forth in the table above.

Investment Results

In fiscal year 2005, investors benefited from improvements in the equity markets. The ISBI total fund was up 10.1% for fiscal year 2005, net of expenses. This follows a 16.4% and 0.3% return for fiscal years 2004 and 2003, respectively, and losses of (6.9)% and (7.1)% for fiscal years 2002 and 2001, respectively. The long-term objective of the 8.0% assumed actuarial interest rate was surpassed, with the portfolio trailing the composite benchmark return by 0.8%. Comparison to fund benchmarks show that even as the critical asset allocation decisions made by the ISBI Board in 2003 are working as expected, there are still enhancements to be made in selected portions of the portfolio through improved manager selection. These positive returns occurred even as the ISBI Board made (and continues to make) significant changes to the asset managers charged with investing the assets under the ISBI's fiduciary control.

International Equities

Foreign markets were a strong performing asset class in fiscal year 2005. The Morgan Stanley EAFE Index returned 14.1% for the fiscal year; approximately 6 percentage points above the U.S. return. The ISBI's international equity portfolio was up 14.8%, slightly exceeding the benchmark 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.

Fixed Income

The ISBI's fixed income portfolio had a positive return of 6.9% for the fiscal year compared to the Lehman U.S. Universal Bond Index which returned 7.4% for the year. During the fiscal year, the ISBI finished the repositioning of the portfolio by adding managers in the high yield and intermediate government/credit disciplines. The ISBI Board believes that the new structure will minimize negative surprises, such as those experienced in the past, and result in more predictable fixed income returns.

U.S. Equities

For the twelve months ended June 30, 2005, the Wilshire 5000 Index, a broad representation of the U.S. market, was up 8.4%. Value stocks substantially exceeded growth stocks, with the Russell 3000 Value Index up 14.1%, compared to the Russell 3000 Growth Index up 1.9%. Small capitalization stocks outperformed large capitalization stocks, with the Russell 2000 Index up 9.5% compared with the S&P 500 Index up 6.3%. The ISBI's U.S. equity portfolio was up 9.3% for the fiscal year, 0.9% above the Wilshire 5000 Index. The ISBI Board, through structure analysis, rebalancing, and risk management, has achieved the objective of tracking the market with predictable consistency.

U.S. EQUITIES

	1 Year	3 Years	5 Years
ISBI	9.3%	9.6%	0.2%
Wilshire 5000 Index	8.4	10.0	(1.3)

INTERNATIONAL EQUITIES

	1 Year	3 Years	5 Years
ISBI	14.8%	11.2%	0.4%
MSCI-EAFE Index	14.1	12.5	(0.2)

FIXED INCOME

	1 Year	3 Years	5 Years
ISBI	6.9%	5.3%	6.1%
Lehman U.S. Univ. Bond Index	7.4	6.6	7.6

REAL ESTATE			
	1 Year	3 Years	5 Years
ISBI	14.8%	8.6%	8.9%
NCREIF Real Estate Index	15.6	10.7	10.2

Real Estate

The ISBI's real estate portfolio earned a 14.8% return. The NCREIF Real Estate Index, a measure of core, operating, non-leveraged real estate, earned 15.6%. Prior to the 2003 asset allocation model, the ISBI Board's real estate policy was to exploit higher risk, higher return value-added or opportunistic strategies. However, over the last three years the ISBI Board has increased the real estate strategic allocation from 5% to 10% of the total fund with the new allocation targeting 70% of its real estate to core, income producing real estate, with the balance in higher return strategies. The ISBI's real estate portfolio is invested primarily through interests in limited partnerships, trusts, and other forms of pooled investments, with one commitment (representing approximately 5 percent of the real estate portfolio) through a separate account vehicle.

Alternative Investments

Overall, the ISBI's alternative investment portfolio has provided the greatest return in the portfolio at 29.6% for the fiscal year. The alternative investment portfolio consists of interests in limited partnerships and other commingled vehicles that invest in venture capital, management buyouts, and other private placement equity strategy activities. In spite of the setbacks of the previous few fiscal years, long-term results, show that alternative investments remain the best performing asset class for the ten-year period ended June 30, 2005.

Management Expenses

Total ISBI expenses for fiscal year 2005, based on $10.9 billion in total assets, were $24.5 million, compared to $17.9 million based on $10.4 billion in total assets for fiscal year 2004. The resulting expense ratio (expenses divided by average fair value of assets) was .23% for fiscal year 2005, as compared to .18% for fiscal year 2004. Increased expenses in fiscal year 2005 were mainly a result of increased assets managed more actively versus passively in fiscal year 2004.

INVESTMENT PORTFOLIO SUMMARY

	June 30, 2005		June 30, 2004	
Investments, at fair value				
Government and Agency Obligations	$ 1,112,360,428	10.20%	$1,472,563,096	14.10%
Foreign Obligations	198,858,369	1.82	141,984,456	1.36
Corporate Obligations	1,551,766,590	14.23	1,384,436,108	13.26
Convertible Bonds	1,404,244	0.01	2,745,915	0.03
Common Stock & Equity Funds	5,579,812,196	51.18	5,087,663,744	48.72
Preferred Stock	487,946	0.00	4,590,819	0.04
Foreign Equity Securities	986,200,950	9.05	1,087,681,488	10.42
Real Estate Investments	778,951,123	7.14	616,134,095	5.90
Alternative Investments	466,871,030	4.28	441,033,580	4.22
Money Market Instruments	283,461,008	2.60	425,397,983	4.07
Forward Foreign Exchange Contracts	(497,874)	0.00	(425,690)	0.00
	10,959,676,010	100.51	10,663,805,594	102.12
Other Assets, Less Liabilities	(57,196,343)	(0.51)	(221,067,040)	(2.12)
Net Assets, at Fair Value	$10,902,479,667	100.00%	$10,442,738,554	100.00%

ANALYSIS OF INVESTMENT PERFORMANCE[1]

	2005	2004	2003	2002	2001
Total Return* - Past 3 years		8.7%			
Total Return* - Past 5 years			2.1%		
Total Return* - year by year	10.1%	16.4%	0.3%	(6.9)%	(7.1)%
Actuarial Assumed Rate of Return			8.0%		
Comparative rates of return on fixed income securities					
Total fixed income - ISBI	6.9%	0.7%	8.3%	5.5%	9.5%
Comparison index:					
Lehman U.S. Universal Bond Index	7.4%	1.0%	11.5%	7.7%	10.8%
Comparative rates of return on equities					
U.S. equities - ISBI	9.3%	21.7%	0.9%	(14.6)%	(10.3)%
Comparison index:					
Wilshire 5000 Index	8.4%	21.2%	1.3%	(16.6)%	(15.3)%

[1]The State Steet Bank & 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).

ADDITIONAL INVESTMENT INFORMATION

The following table shows a comparison of ISBI investment operations of the System for fiscal years 2005 and 2004:

	2005	2004	Increase/(Decrease) Amount	Increase/(Decrease) Percentage
Balance at beginning of year, at fair value	$521,372,992	$ 317,541,091	$203,831,901	64.2%
Cash transferred to/(from) ISBI, net	(21,600,000)	129,955,483	(151,555,483)	(116.6)
Net ISBI investment revenue:				
ISBI Commingled Fund income	13,341,258	9,238,465	4,102,793	44.4
Less ISBI expenses	(1,230,222)	(887,816)	342,406	38.6
Net ISBI investment income	12,111,036	8,350,649	3,760,387	45.0
Net appreciation in fair value of ISBI investments	38,466,043	65,525,769	(27,059,726)	(41.3)
Net ISBI investment revenue	50,577,079	73,876,418	(23,299,339)	(31.5)
Balance at end of year, at fair value	$550,350,071	$ 521,372,992	$ 28,977,079	5.6%

In addition, interest on the average balance in the System's cash account in the State Treasury for FY 2005 was $271,889 compared to $136,396 during FY 2004.

ACTUARIAL SECTION

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

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October 25, 2005

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, 2005. The purpose of the valuation was to determine the financial condition and funding requirements of the retirement system.

There have been no changes in the benefit provisions of the system that had an impact on the actuarial valuation during the period between the date of the last actuarial valuation and the date of the current valuation.

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 1996-2001. Based on this experience analysis, we recommended actuarial assumptions which were adopted by the system's board effective June 30, 2002 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.

Senate Bill 27, signed into law on June 1, 2005 as Public Act 94-0004, made some changes in the funding provisions of the system that are contained in Section 5/18-131 of the Illinois Pension Code. As amended by Public Act 94-0004, Section 5/18-131 of the Illinois Pension Code provides the following funding plan for the system:

For fiscal years 2011 through 2045, the minimum State contribution to the system for each fiscal year shall be an amount determined by the system to bring the total assets of the system up to 90% of the total actuarial liabilities by the end of fiscal year 2045. In making these determinations, the required State contribution shall be calculated as a level percentage of payroll over the years through 2045. For fiscal year 2006, the total required State contribution is $29,189,400. For fiscal year 2007, the total required State contribution is $35,236,800. For fiscal years 2008 through 2010, the State contribution as a percentage of the applicable payroll shall be increased in equal annual increments from the required contribution for fiscal year 2007, so that by fiscal year 2011, the State is contributing at the required rate.

GOLDSTEIN & ASSOCIATES
Actuaries and Consultants

Based on the provisions of the current funding plan as modified by Public Act 94-0004, the required contribution for fiscal year 2007 is not dependent on the results of the June 30, 2005 actuarial valuation. Based on the results of the June 30, 2005 valuation, we have estimated 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, 2005. 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.
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, Senate Bill 533 was signed into law as Public Act 88-0593. This funding legislation, which became effective July 1, 1995, provides that:

- For fiscal years 1996 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.

- 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.

- 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.

In April, 2003, House Bill 2660 was signed into law as Public Act 93-0002. This legislation authorized the sale of $10 billion of General Obligation bonds for the purpose of making contributions to the five state-financed retirement systems. This legislation also modified the funding plan by mandating that, beginning in fiscal year 2005, the required state contribution for each fiscal year not exceed the state contributions that would have been required had the General Obligation bond program not been in effect, reduced by the total debt service for each year for the System's portion of the General Obligation bond proceeds.

In June, 2005, Senate Bill 0027 was signed into law as Public Act 94-0004. This legislation further modified the funding plan by reducing the amount of required employer contributions for fiscal years 2006 and 2007 that would have otherwise been required under Public Act 88-0593, as modified by Public Act 93-0002. The required state contributions for fiscal years 2008 through 2010 will then be increased incrementally as a percentage of the participant payroll so that by fiscal year 2011 the state is contributing at the required level contribution rate to achieve the financing objective of a 90% funded status by the end of fiscal year 2045.

The funding legislation also provides 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.

Although long-term in nature, this legislation has been a positive step forward which will ensure the long-term financial integrity of the state's retirement systems including the Judges' Retirement System.

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

For fiscal years 2005 and 2004, the System received the actuarially determined employer contributions in accordance with the state's funding plan described above.

ACTUARIAL COST METHOD AND SUMMARY OF MAJOR ACTUARIAL ASSUMPTIONS

The System utilizes the projected unit credit actuarial cost method. Under this method, the actuarial liability is the actuarial present value or that portion of a participant's projected benefit that is attributable to service to date on the basis of future compensation projected to retirement. The normal cost represents the actuarial present value of the participant's projected benefit that is attributable to service in the current year, again based on future compensation projected to retirement.

Actuarial gains and losses are recognized immediately in the unfunded actuarial liability of the System. However, for purposes of determining future employer contributions, the actuarial gains and losses are amortized in accordance with the funding plan as previously described.

A description of the actuarial assumptions utilized for fiscal years 2005 and 2004 follows:

Dates of Adoption: The Projected Unit Credit Actuarial Cost Method was adopted June 30, 1987; all other assumptions were adopted June 30, 2002.

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, rated down two years.

Salary Increase: A salary increase assumption of 5.5% per year (consisting of a general increase component of 4.5% 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	.080
60	.220
65	.110
70	.110
75	.200
80 and over	1.000

The above retirement rates are equivalent to an average retirement age of approximately 65.

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.

SHORT-TERM SOLVENCY TEST

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

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)
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
2002	116,811,581	555,922,720	348,112,472	343,659,294	100.0	40.8	0.0
2003	121,873,715	607,038,789	347,319,461	330,053,560	100.0	34.3	0.0
2004	130,547,360	633,302,100	392,243,491	534,579,823	100.0	63.8	0.0
2005	135,440,555	690,111,273	410,960,328	564,999,447	100.0	62.2	0.0

VALUATION RESULTS

Actuarial Liability:	June 30, 2005	June 30, 2004
For Active Participants:		
Basic retirement annuity	$ 340,002,912	$ 330,101,044
Annual increase in retirement annuity	114,236,852	104,397,161
Pre-retirement survivors' annuity	31,716,101	30,591,436
Post-retirement survivors' annuity	42,135,711	40,633,446
Withdrawal benefits	5,924,701	5,958,801
Disability benefits	2,075,789	2,067,153
Total	536,092,066	513,749,041
For Participants Receiving Benefits:		
Retirement annuities	568,052,382	516,778,969
Survivor annuities	122,058,891	116,523,131
Total	690,111,273	633,302,100
For Inactive Participants	10,308,817	9,041,810
Total Actuarial Liability	1,236,512,156	1,156,092,951
Net Assets, Fair Value	564,999,447	534,579,823
Unfunded Actuarial Liability	$ 671,512,709	$ 621,513,128

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
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%
2002	1,020,846,773	343,659,294	33.7%	677,187,479	118,700,000	570.5%
2003	1,076,231,965	330,053,560	30.7%	746,178,405	123,900,000	602.2%
2004	1,156,092,951	534,579,823	46.2%	621,513,128	127,200,000	488.6%
2005	1,236,512,156	564,999,447	45.7%	671,512,709	128,700,000	521.8%

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

Fiscal	Annuitants				Survivors				
Year	Beginning	Additions	Deletions	Ending	Beginning	Additions	Deletions	Ending	Total
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
2002	506	43	32	517	316	24	19	321	838
2003	517	51	29	539	321	19	15	325	864
2004	539	29	33	535	325	30	17	338	873
2005	535	51	24	562	338	24	24	338	900

SCHEDULE OF ACTIVE MEMBER VALUATION DATA

Valuation Date June 30	Active Members Number	Annual Payroll	Annual Average Pay	% Increase/(decrease) In Average Pay
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%
2002	909	118,700,000	130,583	8.1%
2003	920	123,900,000	134,674	3.1%
2004	906	127,200,000	140,397	4.2%
2005	928	128,700,000	138,685	(1.2)%

RECONCILIATION OF UNFUNDED ACTUARIAL LIABILITY

	FY 2005	FY 2004
Unfunded actuarial liability at Beginning of FY	$621,513,128	$746,178,405
Employer contribution requirement of normal cost plus interest on the unfunded liability	78,470,314	86,297,853
Actual employer contribution for the year	32,043,009	178,593,095
Increase/(decrease) in unfunded liability due to employer contributions being less/(greater) than normal cost plus interest on unfunded liability	46,427,305	(92,295,242)
(Decrease) in unfunded liability due to investment return greater than assumed	(8,899,756)	(36,709,772)
Increase/(decrease) in unfunded liability due to salary increases greater/(lower) than assumed	(15,087,614)	6,291,883
Increase/(decrease) in unfunded liability due to other sources	27,559,646	(1,952,146)
Total Actuarial (Gains)/Losses	3,572,276	(32,370,035)
Net increase/(decrease) in unfunded liability for the year	49,999,581	(124,665,277)
Unfunded actuarial liability at End of FY	$671,512,709	$621,513,128

STATISTICAL SECTION

ASSET BALANCES

Fiscal Year Ended June 30	Cash	Receivables	Investments	Fixed Assets Net of Accumulated Depreciation	Total
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
2002	6,593,476	4,718,760	332,424,596	3,131	343,739,963
2003	7,324,152	5,362,571	317,541,091	2,306	330,230,120
2004	13,326,833	536,406	521,372,992	1,704	535,237,935
2005	11,788,710	2,945,326	550,350,071	3,278	565,087,385

LIABILITIES AND RESERVE BALANCES

Fiscal Year Ended June 30	Total Liabilities	Reserve for Participant Contributions	Reserve for Future Operations	Total Reserves	Total
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
2002	80,669	116,811,581	226,847,713	343,659,294	343,739,963
2003	176,560	121,873,715	208,179,845	330,053,560	330,230,120
2004	658,112	130,547,360	404,032,463	534,579,823	535,237,935
2005	87,938	135,440,555	429,558,892	564,999,447	565,087,385

REVENUES BY SOURCE

Fiscal Year Ended June 30	Participant Contributions	Employer Contributions			Net Investment Revenue/(Loss)	Total
		State of Illinois	Other Sources	Total		
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
2002	12,487,303	27,532,000	-	27,532,000	(24,493,880)	15,525,423
2003	12,904,997	31,373,000	67,103	31,440,103	(226,117)	44,118,983
2004	13,720,911	178,481,483	111,612	178,593,095	74,012,814	266,326,820
2005	13,268,530	31,991,000	52,009	32,043,009	50,848,968	96,160,507

EXPENSES BY TYPE

Fiscal Year Ended June 30	Benefits	Refunds of Contributions	Administrative Expenses	Total
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
2002	52,822,314	353,163	424,233	53,599,710
2003	56,714,562	582,469	427,686	57,724,717
2004	60,912,895	439,575	448,087	61,800,557
2005	64,539,560	740,497	460,826	65,740,883

BENEFIT EXPENSES BY TYPE

Fiscal Year Ended June 30	Retirement Annuities	Survivors' Annuities	Total
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
2002	41,145,096	11,677,218	52,822,314
2003	44,507,057	12,207,505	56,714,562
2004	47,965,512	12,947,383	60,912,895
2005	50,718,643	13,820,917	64,539,560

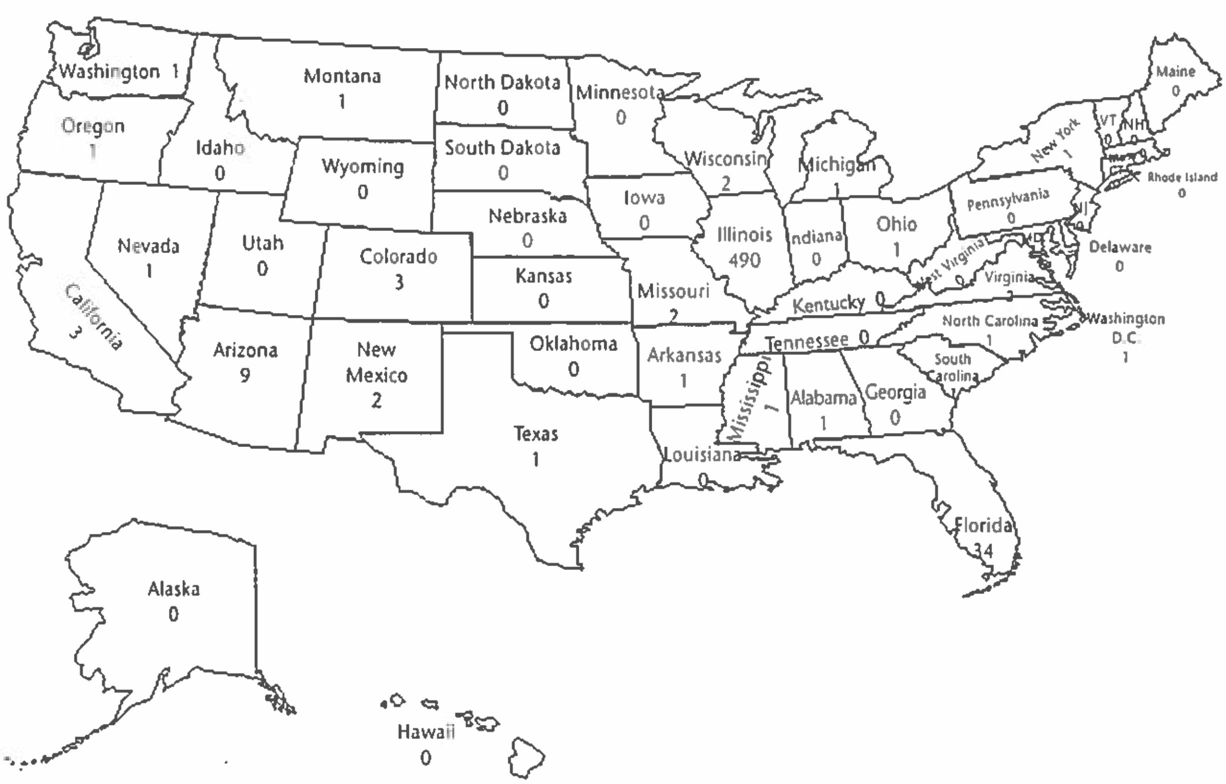
NUMBER OF RECURRING BENEFIT PAYMENTS

On June 30	Retirement Annuities	Survivors' Annuities	Total
1996	444	275	719
1997	460	286	746
1998	460	297	757
1999	471	301	772
2000	476	308	784
2001	506	316	822
2002	517	321	838
2003	539	325	864
2004	535	338	873
2005	562	338	900

NUMBER ON ACTIVE PAYROLLS

On June 30	Supreme Court Justices	Appellate Court Justices	Circuit Court Judges	Retired Judges Recalled	Admin. Office of Courts	Total
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
2002	7	42	855	9	-	913
2003	7	42	862	12	-	923
2004	7	41	847	14	-	909
2005	7	40	862	21	-	930

ACTIVE RETIREES BY STATE



RETIREMENT ANNUITANTS STATISTICS AND AVERAGE MONTHLY BENEFITS

	At Retirement			
Fiscal Year Ended June 30	Average Age	Average Length of Service *	Average Current Age	Average Current Monthly Benefit
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
2002	64.0	17.5	72.6	6,723
2003	63.8	17.8	72.4	7,107
2004	63.5	17.8	72.3	7,418
2005	63.4	17.5	72.3	7,730

* in years

NUMBER OF PARTICIPANTS

At June 30	Active	Inactive	Total
1996	866	35	901
1997	881	59	940
1998	898	52	950
1999	895	56	951
2000	908	43	951
2001	910	39	949
2002	909	35	944
2003	920	42	962
2004	906	35	941
2005	928	34	962

TERMINATION REFUNDS

Fiscal Year Ended June 30	Number	Amount
1996	2	$ 106,020
1997	3	55,033
1998	3	80,534
1999	2	15,953
2000	5	138,915
2001	4	124,913
2002	0	-
2003	2	57,588
2004	3	44,569
2005	0	-

Annuitants by Benefit Range (Monthly) on June 30, 2005

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	1	1	0.2	0.2
501-1000	8	9	1.4	1.6
1001-1500	10	19	1.8	3.4
1501-2000	6	25	1.1	4.5
2001-2500	9	34	1.6	6.1
2501-3000	13	47	2.3	8.4
3001-3500	10	57	1.8	10.2
3501-4000	13	70	2.3	12.5
4001-4500	10	80	1.8	14.3
4501-5000	17	97	3.0	17.3
5001-5500	12	109	2.1	19.4
5501-6000	19	128	3.4	22.8
6001-6500	34	162	6.0	28.8
6501-7000	25	187	4.4	33.2
7001-7500	27	214	4.8	38.0
7501-8000	31	245	5.5	43.5
8001-8500	43	288	7.7	51.2
8501-9000	46	334	8.2	59.4
9001-9500	46	380	8.2	67.6
9501-10000	74	454	13.2	80.8
over 10000	108	562	19.2	100.0

Survivors by Benefit Range (Monthly) on June 30, 2005

Benefit Range	Total	Cumulative Total	% of Total	Cumulative % of Total
$ 1-500	17	17	5.0	5.0
501-1000	34	51	10.1	15.1
1001-1500	16	67	4.7	19.8
1501-2000	27	94	8.0	27.8
2001-2500	21	115	6.2	34.0
2501-3000	30	145	8.9	42.9
3001-3500	16	161	4.7	47.6
3501-4000	25	186	7.4	55.0
4001-4500	27	213	8.0	63.0
4501-5000	36	249	10.7	73.7
5001-5500	23	272	6.8	80.5
5501-6000	29	301	8.6	89.1
6001-6500	18	319	5.3	94.4
6501-7000	14	333	4.1	98.5
7001-7500	3	336	0.9	99.4
7501-8000	1	337	0.3	99.7
8001-8500	1	338	0.3	100.0

PLAN SUMMARY & LEGISLATIVE SECTION

SUMMARY OF RETIREMENT SYSTEM PLAN

(As of June 30, 2005)

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%
Total	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 other than legal counsel in the Office of the Governor or Chief Deputy Attorney General (assuming the annuitant does not participate in any pension fund or retirement system under the Illinois Pension Code with respect to such service and, has filed prior to July 1, 2005, a written election with the System), or

3. 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.

The retirement annuity to any judge shall not be suspended:

1. If the annuitant accepts employment in any teaching or non-teaching capacity with a state college or university as long as the annuitant did not elect the provisions of the Reciprocal Act upon retirement with the State Universities Retirement System, or

2. If the annuitant accepts employment in an administrative or teaching position with a secondary school district as long as the district level positions participate in the Teachers' Retirement System of Illinois and are not considered state positions which participate in the State Employees' Retirement System of Illinois, or

3. If the annuitant serves as a part-time employee (not required to work at least 35 hours per week) in any of the following positions and has not elected to participate in the State Employees' Retirement System of Illinois with respect to such service.

- Legislative Inspector General
- Special Legislative Inspector General
- Office of the Legislative Inspector General employee
- Executive Director of the Legislative Ethics Commission
- Legislative Ethics Commission staff

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 2005 having an impact on the System.

Senate Bill 1897 (P.A. 93-0685, effective July 8, 2004)
Allows a judge who is receiving a retirement annuity from the System to serve as a part-time employee (not required to work at least 35 hours per week) in any of the following positions without having their retirement benefits suspended, diminished, or otherwise impaired solely as a consequence of such service provided the judge has not elected to participate in the State Employees' Retirement System of Illinois with respect to such service.

- Legislative Inspector General
- Special Legislative Inspector General
- Office of the Legislative Inspector General employee
- Executive Director of the Legislative Ethics Commission
- Legislative Ethics Commission staff

Senate Bill 0027 (P.A. 94-0004, effective June 1, 2005)
• Specifies the required state contribution amounts for fiscal years 2006 and 2007.

• Requires the Board recalculate and recertify to the Governor on or before July 1, 2005 the amount of required state contributions to the System for fiscal year 2006, taking into account the changes made by this amendatory Act.

• Requires that, for fiscal years 2008 through 2010, the state contribution to the System, as a percentage of the applicable employee payroll, shall be increased in equal annual increments from the required state contribution for fiscal year 2007, so that by fiscal year 2011, the State is contributing at the amount determined to be sufficient to bring the System's total assets up to 90% of the System's total actuarial liabilities by the end of the fiscal year 2045.

• Creates a 15 member Advisory Commission on Pension Benefits to consider and make recommendations concerning pension related issues to the Governor and the General Assembly on or before November 1, 2005.

• Requires that all new benefit increases be fully funded by an identified funding source and expire at (a) the end of the fiscal year when certification is made by the Public Pension Division of the Commission on Government Forecasting and Accountability stating the additional funding has become inadequate, or (b) 5 years after the effective date of the new benefit increase, if not reauthorized by law.

Senate Bill 3199 (P.A. 93-1069, effective January 15, 2005)
Allows a participant of the System to serve either as legal counsel in the Office of the Governor or as Chief Deputy Attorney General with no retirement annuity or other benefit from the System subject to forfeiture, diminishment, suspension, or other impairment solely by virtue of such service provided that, such participant does not participate in any pension fund or retirement system under the Illinois Pension Code with respect to such service and, files a written election with the System by July 1, 2005.

NEW LEGISLATION

Legislative amendments with an effective date subsequent to June 30, 2005 having an impact on the System.

Senate Bill 1446 (P.A. 94-0657, effective July 1, 2006)
Amends the general provisions of the Illinois Pension Code pertaining to Qualified Illinois Domestic Relations Orders (QILDRO's). Defines who would receive earned benefits and allows for the division of non-periodic death benefits as well as the division of benefits on a percentage basis in addition to a specific dollar amount.

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