

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2008**



March 12, 2009

State House Commission
The Judicial Retirement System
of New Jersey
Trenton, New Jersey 08625

Members of the Commission:

The law governing the operation of The Judicial Retirement System of New Jersey provides for annual actuarial valuations of the System. The results of the July 1, 2008 valuation are submitted in this report, which also includes a comparison with the preceding year's valuation.

The valuation shows the financial condition of the Plan as of July 1, 2008 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2008.

The valuation was prepared using the same actuarial assumptions that were used for the July 1, 2007 actuarial valuation, including an 8.25% interest rate.

The valuation reflects the potential effect of the Appropriation Act for fiscal year 2009. (The fiscal year 2009 required pension contribution of \$26,089,212 has been reduced to \$2,994,000 and is included as a receivable contribution for this valuation.)

The report does not take into account broad declines in U.S. equity and bond prices, and increases in bond yields, that have occurred after the valuation date. Taking these into account may significantly reduce the market and actuarial value of assets shown. The effect of these events on any funded ratios shown, and on Retirement System calculations, is not known. Retirement System funding and financial accounting rules generally prohibit reflection of changes in assets and underlying economic conditions that occur after the valuation date.

To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent qualified actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems.

The valuation was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board and generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are individually and in the aggregate internally consistent and reasonable based on the actual experience of the System.

State House Commission
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Respectfully submitted,



Janet H. Cranna, F.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary

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REPORT ON THE ANNUAL
VALUATION OF
THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
PREPARED AS OF JULY 1, 2008

SECTION I - SUMMARY OF KEY RESULTS

The Judicial Retirement System of New Jersey became effective June 1, 1973. This report, prepared as of July 1, 2008, presents the results of the annual actuarial valuation of the Fund.

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the following pages.

Valuation Date	July 1, 2008	July 1, 2007
Number of Members	425	421
Annual Compensation	\$ 67,159,516	\$ 63,144,685
Number of Retirees and Beneficiaries	465	451
Annual Allowances	\$ 35,650,855	\$ 33,889,262
Number of Vested Terminated Members	3	3
Annual Allowances	\$ 93,690	\$ 93,690
<u>Assets</u>		
Market Value of Assets	\$ 352,989,790*	\$ 384,497,896
Valuation Assets	\$ 383,958,713*	\$ 391,321,939
<u>Contribution Amounts</u>		
Normal Contribution	\$ 18,566,849	\$ 17,966,485
Accrued Liability Contribution	10,291,096	8,122,727
Total Pension Contribution	\$ 28,857,945**	\$ 26,089,212 [#]
Non-Contributory Group Insurance Premium	\$ 1,105,000	\$ 721,984

* Assets include a fiscal year 2009 receivable contribution of \$2,994,000 instead of the \$26,089,212 contribution recommended for the July 1, 2007 valuation (potential effect of the Appropriation Act for fiscal year 2009).

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2010.

[#] The contribution requirement could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2009.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A.

The valuation also reflects the potential impact of the Appropriation Act for fiscal year 2009, which allows the State Treasurer to reduce the State normal and accrued liability contributions for fiscal year 2009 of \$26,089,212 to \$2,994,000. (This amount excludes the estimated premium paid to the Non-Contributory Insurance Premium Fund of \$721,984 for the lump sum death benefit during active service.) Accordingly, a fiscal year 2009 State appropriation receivable of only \$2,994,000 was recognized for purposes of this valuation.

There were no other changes from the provisions and funding policy used in the previous valuation.

The actuarial assumptions and methods used for valuing the Fund are summarized in Appendix B. There were no changes in actuarial assumptions and methods since the previous valuation.

The combination of the plan provisions, actuarial assumptions and member and beneficiary data is used to generate the overall required level of State contributions. These contributions are composed of two separate portions, an “accrued liability contribution” and a “normal contribution”. The required contribution is developed in Section III F.

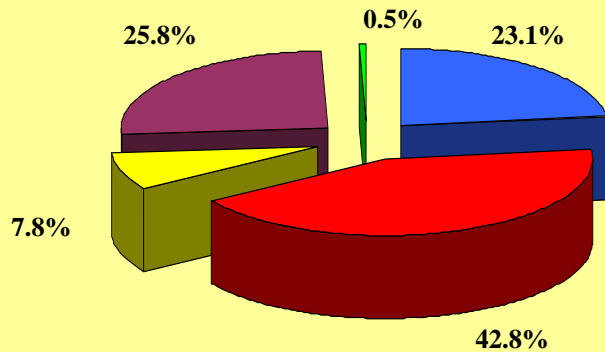
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2007 and July 1, 2008 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

TABLE I
COMPARATIVE BALANCE SHEET

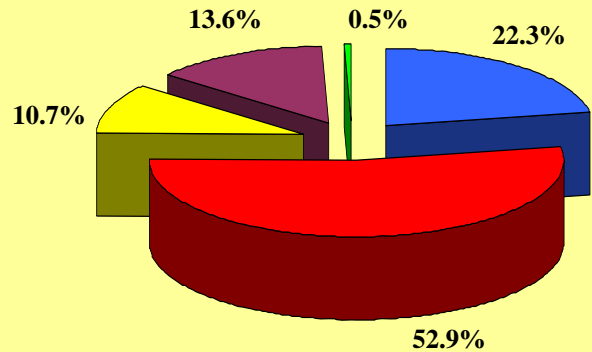
<u>ASSETS</u>	2008	2007
Actuarial value of assets of Fund	\$ 383,958,713	\$ 391,321,939
Unfunded accrued liability/(surplus)	169,325,934	133,648,391
Total Assets	\$ 553,284,647	\$ 524,970,330
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 336,317,176	\$ 319,653,218
Present value of benefits to present active members and terminated vested members	216,967,471	205,317,112
Total Liabilities	\$ 553,284,647	\$ 524,970,330

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

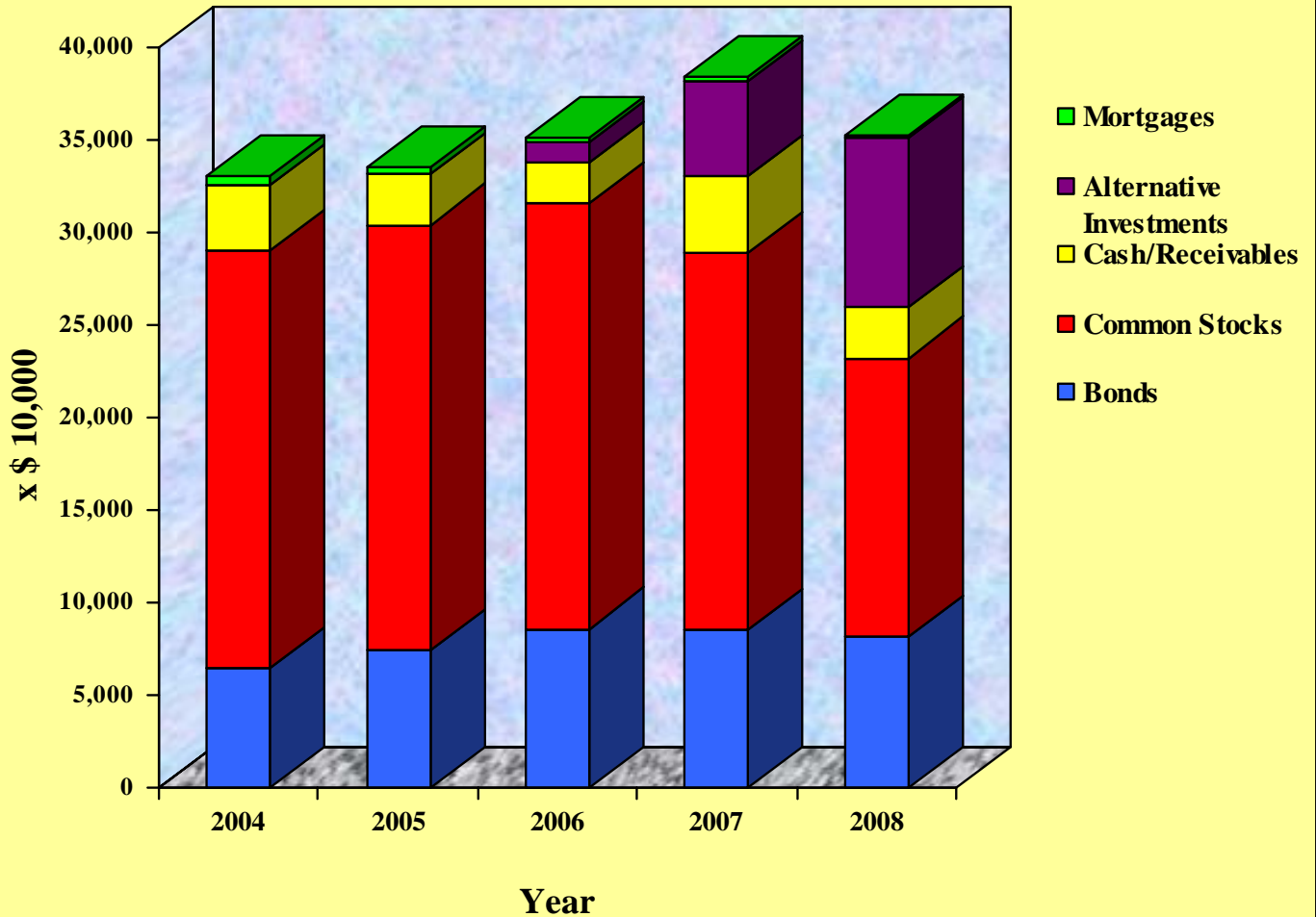
ASSET ALLOCATION MARKET VALUE



2008



2007



SECTION II - EMPLOYEE DATA

The data employed for the valuations were furnished to the actuary by the Division of Pensions and Benefits. The following summarizes and compares the Fund membership as of July 1, 2007 and July 1, 2008 by various categories.

ACTIVE MEMBERSHIP

Group	2008		2007	
	Number	Annual Compensation	Number	Annual Compensation
Men	319	\$ 50,341,541	321	\$ 48,124,818
Women	106	\$ 16,817,975	100	\$ 15,019,867

RETIRED MEMBERS AND BENEFICIARIES

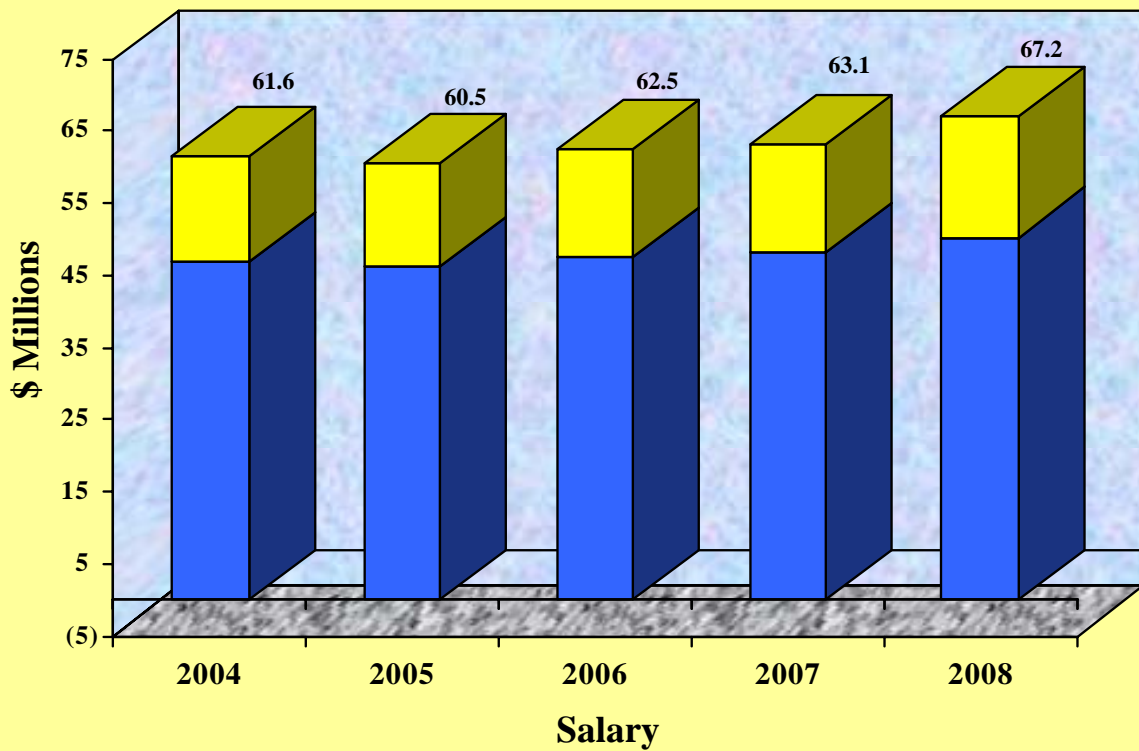
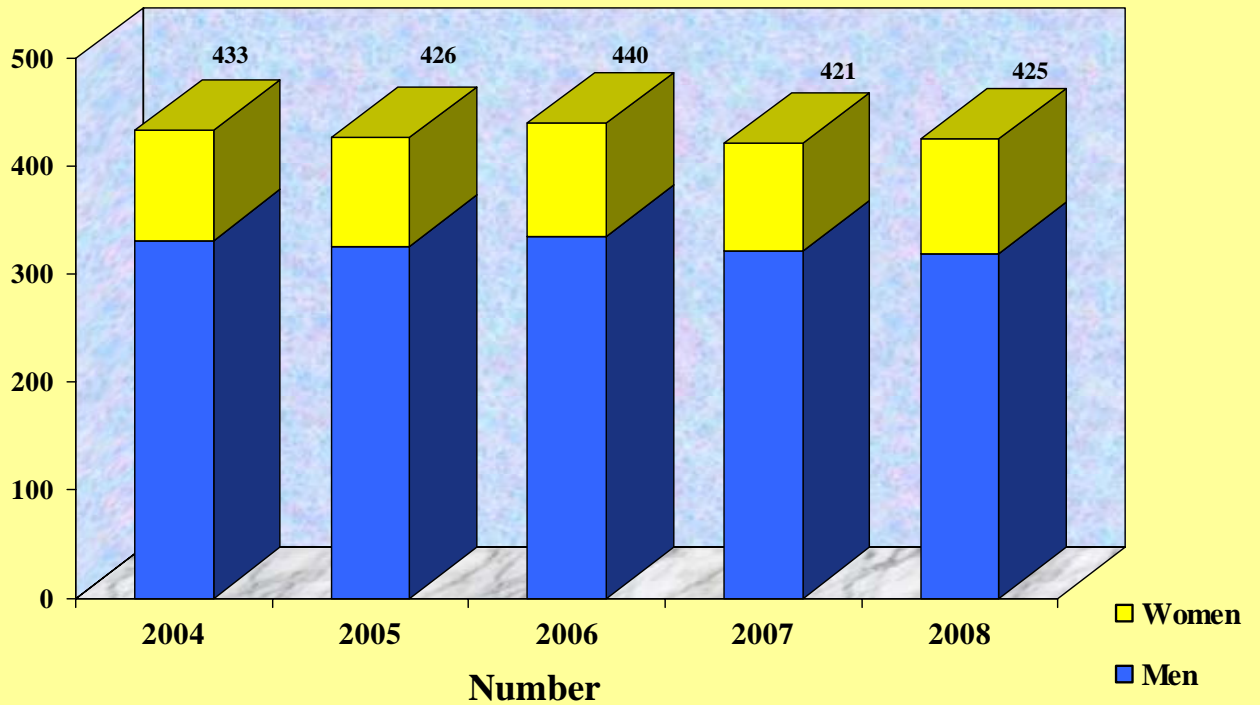
GROUP	2008		2007	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	3	\$ 93,690	3	\$ 93,690
Service Retirements	318	\$ 29,561,437	310	\$ 28,084,380
Disability Retirements	5	\$ 496,596	7	\$ 659,349
Beneficiaries	142	\$ 5,592,822	134	\$ 5,145,533

Appendix C provides a detailed distribution between groups.

Graphic presentations of the statistical data on membership for the five preceding years are shown on the following pages.

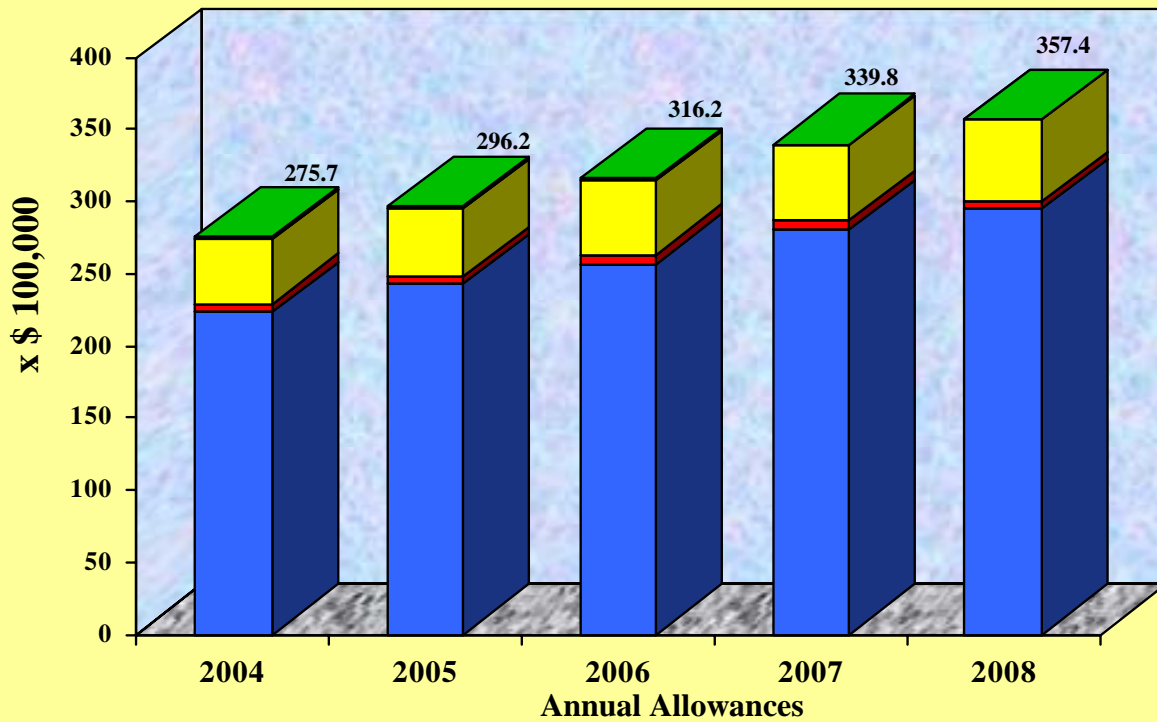
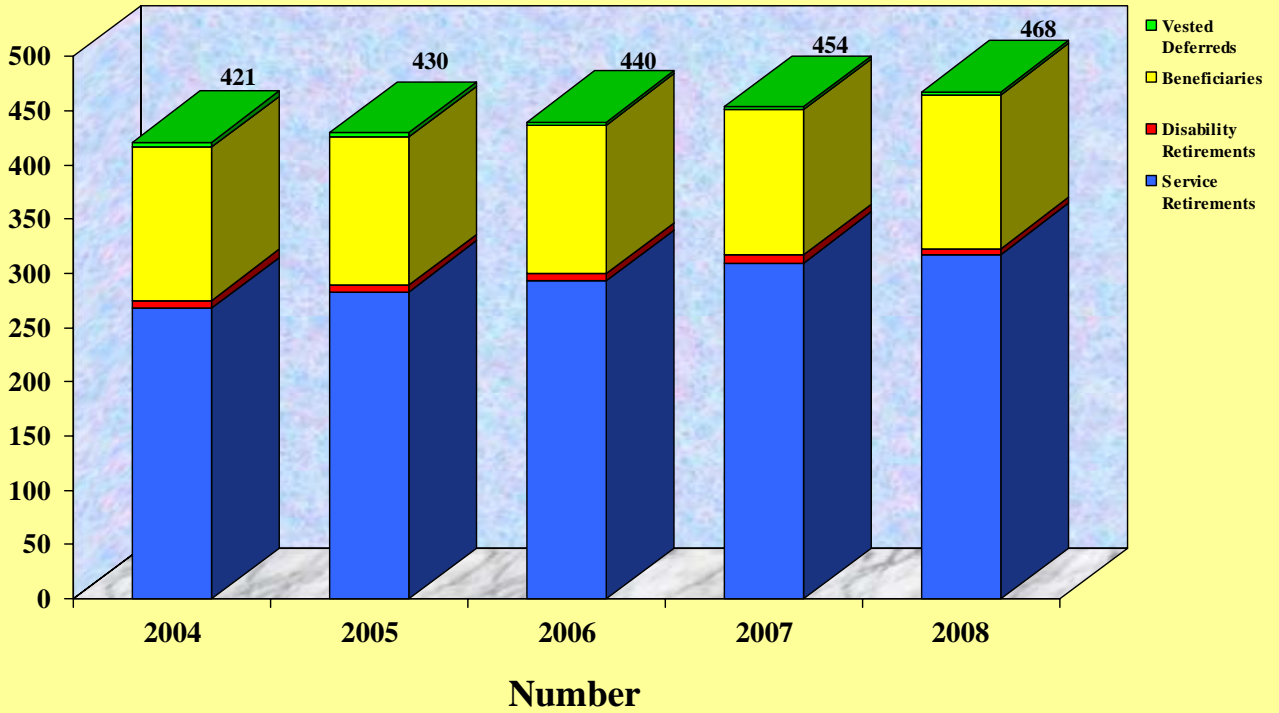
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF ACTIVE PARTICIPATION



THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF RETIRED PARTICIPATION



SECTION III - ASSETS, LIABILITIES AND CONTRIBUTIONS

A. Market Value of Assets as of June 30, 2008

1.	Assets		
	a.	Cash	\$ 48,642
	b.	Securities Lending Collateral	47,742,690
	c.	Investment Holdings	348,783,272
	d.	Interest Receivable on Investments	2,259,573
	e.	Employer Contribution Receivable – NCGI	98,050
	f.	Members’ Contributions Receivable	82,872
	g.	Accounts Receivable	51,368
	h.	Dividends Receivable	514,182
	i.	Loans Receivable	1,267,747
	j.	Interest Receivable – Member Loans	2,084
	k.	Total	\$ 400,850,480
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 2,081,839
	b.	Pension Adjustment Payroll Payable	339,565
	c.	Withholdings Payable	687,927
	d.	Securities Lending Collateral and Rebates Payable	47,742,690
	e.	Accounts Payable – Other	46
	f.	Administrative Expense Payable	2,623
	g.	Total	\$ 50,854,690
3.	Preliminary Market Value of Assets as of June 30, 2008: 1(k) - 2(g)		\$ 349,995,790
4.	State Appropriations Receivable		<u>2,994,000*</u>
5.	Market Value of Assets as of June 30, 2008: 3. + 4.		\$ 352,989,790**

* The fiscal year 2009 required contribution of \$26,089,212 has been reduced to \$2,994,000 to reflect the potential impact of the Appropriation Act for fiscal year 2009.

** Excludes assets held in the Non-Contributory Group Insurance Fund.

B. Reconciliation of Market Value of Assets: June 30, 2007 to June 30, 2008

1.	Market Value of Assets as of June 30, 2007	\$	372,350,548*
2.	Increases		
a.	Pension Contributions		
	Members' Contributions	\$	1,825,726
	Transfer from Other Systems		0
b.	Accumulative Interest		
	Transfer from Other Systems		0
c.	Employers' Contributions		
	State Appropriations		11,957,000
	Non-Contributory Group Insurance		956,890
	Transfer from Other Systems		0
	Administrative Fee Loans		96
d.	Income		
	Per Statement		(1,268,946)
e.	Total	\$	<u>13,470,766</u>
3.	Decreases		
a.	Benefits Provided by Members		
	Withdrawals – Members' Contributions		
	Regular	\$	9,642
	Transfer		0
	Withdrawals – Member Interest		
	Regular		0
	Transfer		0
b.	Benefits Provided by Employers and Members		
	Retirement Allowances		30,653,457
c.	Benefits Provided by Employers		
	Benefit Expense – Pension Adjustment – State		3,992,612
	Administrative Expense		212,923
	Transfer Withdrawal – Employer Benefits		0
	Miscellaneous Expense		0
	NCGI Premium Expense		<u>956,890</u>
d.	Total	\$	<u>35,825,524</u>
4.	Preliminary Market Value of Assets as of June 30, 2008: 1 + 2(e) – 3(d)	\$	349,995,790
5.	State Appropriations Receivable		<u>2,994,000**</u>
6.	Market Value of Assets as of June 30, 2008: 4. + 5.	\$	352,989,790#

* The June 30, 2007 Market Value of Assets amount has been revised from \$372,540,896 to \$372,350,548 to reflect the adjustment made to the June 30, 2007 Financial Report after the completion of the July 1, 2007 actuarial valuation.

** The fiscal year 2009 required contribution of \$26,089,212 has been reduced to \$2,994,000 to reflect the potential impact of the Appropriation Act for fiscal year 2009.

Excludes assets held in the Non-Contributory Group Insurance Fund.

C. Development of Actuarial Value of Assets as of July 1, 2008

The actuarial value of plan assets is determined using a five-year average of market value with write-up. The following summary shows the development of the actuarial value of plan assets for the current valuation.

1.	Actuarial Value of Assets as of July 1, 2007 (without State Appropriations Receivable)	\$ 379,364,939
2.	Net Cash Flow excluding investment income	(21,085,812)
3.	Expected Investment Income at 8.25%	
a.	Interest on assets as of July 1, 2007	\$ 31,297,607
b.	Interest on Net Cash Flow	(869,790)
c.	Total	\$ 30,427,817
4.	Expected Actuarial Value of Assets as of July 1, 2008: 1. + 2. + 3.(c)	\$ 388,706,944
5.	20% of Difference from Preliminary Market Value of Assets	(7,742,231)
6.	State Appropriations Receivable	2,994,000*
7.	Actuarial Value of Assets as of July 1, 2008 = 4. + 5. + 6.	\$ 383,958,713**

* The fiscal year 2009 required contribution of \$26,089,212 has been reduced to \$2,994,000 to reflect the potential impact of the Appropriation Act for fiscal year 2009.

** Excludes assets held in the Non-Contributory Group Insurance Fund.

D. Present Value of Projected Benefits as of July 1, 2008

1.	Retirees and Beneficiaries	
a.	Service Retirement	\$ 283,727,065
b.	Disability Retirement	4,223,659
c.	Beneficiaries	44,505,421
d.	Lump Sum Death Benefits	3,861,031
e.	Total	\$ 336,317,176
2.	Terminated Vested Members	\$ 755,167
3.	Active Participants	
a.	Service Retirement	\$ 202,537,587
b.	Disability Retirement	6,836,959
c.	Spousal Annuity Death Benefit (Pre-Retirement)	4,960,137
d.	Lump Sum Death Benefit*	1,877,621
e.	Total	\$ 216,212,304
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$ 553,284,647

*Excludes lump sum death benefits payable during active service.

E. Development of Normal Cost as of July 1, 2008

1.	Service Retirement	\$	17,120,841
2.	Disability Retirement		940,546
3.	Spousal Annuity Death Benefit (Pre-Retirement)		673,357
4.	Lump Sum Death Benefit*		<u>166,504</u>
5.	Total Pension Normal Cost* = 1. + 2. + 3. + 4.	\$	18,901,248

*Excludes Non-Contributory Group Insurance Premium (term cost for lump sum death benefits payable during active service).

F. Development of State Contributions

1.	Present Value of Benefits	\$	553,284,647
2.	Actuarial Value of Assets		<u>383,958,713</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	169,325,934
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2009	\$	10,291,096
6. (a)	Gross Normal Cost (excluding Non-Contributory Group Insurance Premium)	\$	18,901,248
(b)	Expected Member Contributions		<u>1,749,424</u>
(c)	State Normal Cost = (a) - (b)	\$	17,151,824
(d)	State Normal Cost payable July 1, 2009 = (c) * 1.0825	\$	18,566,849
7.	Total Required Pension Contribution as of July 1, 2009 = 5. + 6.(d)	\$	28,857,945*
8.	Non-Contributory Group Insurance Premium	\$	1,105,000

*Contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2010.

SECTION IV - COMMENTS CONCERNING THE VALUATION

The variation in liabilities and contributions reflects the System’s actual experience during the year. The System experienced a net actuarial loss during the year that ended June 30, 2008.

The loss is primarily due to an actual return on System assets less than expected. For valuation purposes, an 8.25% per annum rate of return was assumed. The actual return on the Fund’s actuarial value of assets was approximately 6.15% for the period from July 1, 2007 through June 30, 2008. There was also a net loss due to experience among active and retired members.

The following shows the development of the actuarial experience and identifies the major experience components:

A. Calculation of Actuarial Experience for the Year Ended June 30, 2008

1.	Unfunded Accrued Liability as of July 1, 2007	\$	133,648,391
2.	Gross Normal Cost as of July 1, 2007		18,191,824
3.	Interest on (1) and (2)		12,526,818
4.	Actual Members’ Contributions Received		1,825,726
5.	Employers’ Contributions (including receivable)		2,994,000
6.	Interest on Contributions (excluding receivables)		<u>75,311</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2008 = (1) + (2) + (3) - (4) - (5) - (6)	\$	159,471,996
8.	Actual Unfunded Accrued Liability as of July 1, 2008	\$	169,325,934
9.	Actuarial (Gain)/Loss = (8) – (7)	\$	9,853,938

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$	7,742,231
2.	Other (Gain)/Loss, including mortality, cost of living adjustments less than expected, salary increases greater than expected and changes in employee data		<u>2,111,707</u>
3.	Total Actuarial (Gain)/Loss	\$	9,853,938

SECTION V - ACCOUNTING INFORMATION

Statement No. 5 of the Governmental Accounting Standards Board, issued November 1986, established standards of disclosure of pension information by public retirement systems. Statement No. 25 of the Governmental Accounting Standards Board, issued November 1994, established financial reporting standards for defined benefit pension plans and for the notes to the financial statements of defined contribution plans of state and local governmental liabilities and superseded Statement No. 5 effective for periods beginning after June 15, 1996. Statement No. 27, Accounting for Pensions by State and Local Governmental Employers superseded Statement 5 for employers participating in pension plans and is effective for periods beginning after June 15, 1997. Statement No. 50, Accounting for Pensions by State and Local Governmental Employers amends the note disclosure and required supplementary information (RSI) of Statements No. 25 and No. 27 to conform with applicable changes adopted in Statements No. 43 and 45 for Postemployment Benefit Plans other than Pension Plans. Statement No. 50 is intended to improve the transparency of reported information about pensions by State and Local governmental plans and employers. Statement No. 50 is effective for periods beginning after June 15, 2007.

The information required by Statements No. 25, No. 27 and No. 50 is presented in the following tables. These include the development of the Annual Required Contribution (ARC), the development of the Net Pension Obligation (NPO), the Schedule of Funding Progress and the Schedule of Employer Contributions.

(A) Development of the Annual Required Contribution (ARC) as of June 30, 2010:

1.	Actuarial Value of Plan Assets as of June 30, 2008	
	(a) Valuation Assets as of June 30, 2008	\$ 383,958,713
	(b) Adjustment for Receivable Contributions included in (a)	<u>2,994,000</u>
	(c) Valuation Assets as of June 30, 2008 for GASB Disclosure = (a) - (b)	\$ 380,964,713
2.	Actuarial Accrued Liability as of June 30, 2008 for GASB Disclosure	\$ 553,284,647
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2008 = 2. - 1.(c)	\$ 172,319,934
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$ 9,674,884
5.	Normal Cost as of June 30, 2008 (excludes NCGIPF)	\$ 17,151,824
6.	Annual Required Contribution as of June 30, 2010	
	(a) Annual Required Contribution as of June 30, 2008 = 4. + 5.	\$ 26,826,708
	(b) Interest Adjustment to June 30, 2010	4,608,996
	(c) Non-Contributory Group Insurance Premium	<u>1,105,000</u>
	(d) Annual Required Contribution as of June 30, 2010 = (a) + (b) + (c)	\$ 32,540,704

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2010:

1.	Annual Required Contribution as of June 30, 2010	\$ 32,540,704
2.	Interest on Net Pension Obligation	4,216,811
3.	Adjustment to Annual Required Contribution	<u>(3,106,479)</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$ 33,651,036
5.	Expected Employer Contributions for Fiscal Year 2010	\$ 29,962,945
6.	Increase in Net Pension Obligation = 4. - 5.	\$ 3,688,091
7.	Net Pension Obligation at June 30, 2009	\$ 51,112,865*
8.	Net Pension Obligation at June 30, 2010 = 6. + 7.	\$ 54,800,956

* The June 30, 2009 Net Pension Obligation amount has been revised from the amount shown in the prior year's report to reflect the adjustment to the fiscal year 2008 employer contribution and fiscal year 2009 receivable employer contribution.

(C) **Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/c
6/30/2003	\$ 372,835,265	\$ 431,450,218	\$ 58,614,953	86.4%	\$ 61,600,500	95.2%
6/30/2004	\$ 371,730,163	\$ 445,922,358	\$ 74,192,195	83.4%	\$ 61,576,750	120.5%
6/30/2005	\$ 369,491,366	\$ 466,145,912	\$ 96,654,546	79.3%	\$ 60,506,750	159.7%
6/30/2006	\$ 369,493,799	\$ 493,778,007	\$ 124,284,208	74.8%	\$ 62,492,250	198.9%
6/30/2007	\$ 379,364,939	\$ 524,970,330	\$ 145,605,391	72.3%	\$ 63,144,685	230.6%
6/30/2008	\$ 380,964,713	\$ 553,284,647	\$ 172,319,934	68.9%	\$ 67,159,516	256.6%

(D) **Schedule of Employer Contributions**

Fiscal Year ^{∞∞}	Annual Required Contribution	Employer Contribution	Percentage Contributed
2005	\$ 22,525,773	\$ 6,162,076	27.4%
2006	\$ 23,212,502	\$ 7,972,000	34.3%
2007	\$ 25,174,191	\$ 13,355,587	53.1%
2008	\$ 27,171,100	\$ 12,913,890*	47.5%
2009	\$ 29,809,782	\$ 3,643,000**	12.2%
2010	\$ 32,540,704	\$ 29,962,945 [∅]	92.1%

* The fiscal year 2008 required contribution of \$24,288,613 has been reduced to \$12,913,890 in accordance with the provisions of the Appropriation Act for fiscal year 2008.

** The fiscal year 2009 required contribution of \$26,811,196 has been reduced to \$3,643,000 in anticipation of the provisions of the Appropriation Act for fiscal year 2009.

[∅] The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2010.

^{∞∞} The contribution amounts reflect premiums paid to the Non-Contributory Group Insurance Premium Fund.

(E) The information presented in the required supplementary schedules was determined as part of the actuarial valuation. Additional information follows:

Valuation Date	June 30, 2008
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Five-Year Average of Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increases	5.45%
Cost of Living Adjustments	60% of the assumed CPI increase of 3.0%

SECTION VI - LEVEL OF FUNDING

Although the value of accrued benefits and the funding ratios shown in the previous section are required for the State's financial statements, it is instructive to also look at these values under an alternative approach. For this purpose, we are presenting liabilities determined on a Financial Accounting Standards Board Statement No. 87 Accumulated Benefit Obligation (ABO) basis. This is the same approach as that used for the GASB Actuarial Accrued Liability except that no assumption is made as to future salary increases.

<u>FASB 87 ABO Funded Ratios</u>		
	June 30, 2008	June 30, 2007
Actuarial present value of accumulated benefits:		
Vested benefits		
Participants currently receiving payments	\$ 336,317,176	\$ 319,653,218
Other participants	109,115,674	100,219,448
	\$ 445,432,850	\$ 419,872,666
Non-vested benefits	66,090,828	63,579,816
Total	\$ 511,523,678	\$ 483,452,482
Assets at market value	\$ 352,989,790	\$ 384,497,896
Ratio of assets to total present value	69.0%	79.5%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.25% for both 2008 and 2007.

APPENDIX A

BRIEF SUMMARY OF THE BENEFIT AND
CONTRIBUTION PROVISIONS AS INTERPRETED
FOR VALUATION PURPOSES

Eligibility for Membership

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

1. Definitions

Plan Year	The 12-month period beginning on July 1 and ending on June 30.
Service	A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.
Final Salary	Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)
Accumulated Deductions	The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.
Retirement Allowance	Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. Benefits

Service Retirement	<p>(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:</p> <ul style="list-style-type: none"> (a) Age 70 and 10 years of judicial service; (b) Age 65 and 15 years of judicial service; or (c) Age 60 and 20 years of judicial service. <p>Benefit is an annual retirement allowance equal to 75% of final salary.</p> <p>(B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or</p> <p>Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.</p> <p>Benefit is an annual retirement allowance equal to 50% of final salary.</p>
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- (C) Age 60 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years.
- (D) Age 60 while serving as a judge. Benefit is an annual retirement allowance equal to 2% of final salary for each year of judicial service up to 25 years plus 1% for each year in excess of 25 years.

Early Retirement

Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.

Vested Termination

Termination of service prior to age 60, with 5 consecutive years of judicial service and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% for service in excess of 25 years.

Death Benefits

Before Retirement

Death of an active member of the plan. Benefit is equal to:

- (a) Lump sum payment equal to 1-1/2 times final salary, plus
- (b) Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

After Retirement

Death of a retired member of the plan. Benefit is equal to:

- (a) Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60, plus
- (b) Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of

15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement Physically or otherwise incapacitated for the full and efficient service to State in his judicial capacity and such incapacity is likely to be permanent. Benefit is an annual retirement allowance of 75% of final salary.

Member Contributions Any member enrolled prior to January 1, 1996 contributes 3% of the difference between current salary and salary for that position on January 18, 1982. Members enrolled on and after January 1, 1996 contribute 3% of their full salary.

APPENDIX B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION INTEREST RATE: 8.25% per annum, compounded annually.

COLA: The COLA is 60% of the assumed CPI increase. CPI is assumed to increase at 3.0% per annum, compounded annually.

SALARY INCREASES: Salaries are assumed to increase by 5.45% per year for inflation.

SEPARATIONS FROM SERVICE: Representative mortality and disability rates are as follows:

<u>Age</u>	<u>Lives per Thousand</u>		
	<u>Male</u>	<u>Female</u>	<u>Disability</u>
30	0.46	0.34	0.22
35	0.61	0.48	0.26
40	0.86	0.67	0.33
45	1.24	1.01	0.64
50	2.18	1.65	1.14
55	3.91	2.54	1.97
60	6.13	4.24	3.26
65	9.16	7.06	4.73

DEATHS AFTER RETIREMENT: Illustrative rates of mortality for retired members are shown below:

<u>Age</u>	<u>Lives Per Thousand</u>					<u>Disabled Males and Females</u>
	<u>Retired Members</u>		<u>Beneficiaries of Deceased Members</u>			
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>		
55	4.8	2.5	4.8	2.5	11.1	
60	7.1	4.2	7.1	4.2	19.8	
65	11.1	7.1	11.1	7.1	33.4	
70	19.8	12.4	19.8	12.4	54.8	
75	33.4	24.0	33.4	24.0	89.3	
80	39.6	39.7	39.6	39.7	133.9	
85	59.8	59.6	59.8	59.6	190.5	
90	109.6	79.3	109.6	79.3	264.0	

RETIREMENT: It was assumed that the probability of retirement at age 65 for those judges who have 12 or more years of judicial service at age 65 is at 25% per year. In addition, retirement for members who have attained age 60 with 20 years of judicial service or attained age 65 with 15 years judicial service is at 30% at age 60, 25% at age 65 and 20% for all other ages between ages 60 and 70. At age 70, all remaining active members are assumed to retire.

VALUATION METHOD: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions.

ASSET VALUATION METHOD: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five-year period.

APPENDIX C

TABULATIONS USED AS A BASIS FOR THE 2008 VALUATION

The following table gives a reconciliation of data from July 1, 2007 to June 30, 2008. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2008 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2008.

TABLE 1
RECONCILIATION OF DATA FROM JULY 1, 2007 TO JUNE 30, 2008

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2007	419	2	3	294	2	5	7	129	5	9	875
Status Change: To Contributing To Noncontributing	-4	4									
New Deferred Vested											
New Terminated Non-Vested	-3										-3
New Service Retirement	-24			+24							
New Special Retirement											
New Deferred Vested Now Payable											
New Disabled											
New Death				-14			-2	-5	-1	-2	-24
Payments Begin											
New Beneficiaries								+13	+1		+14
End of Payments											
New Actives	+31										+31
Rehires											
Data Corrections				-1	1						
Members as of June 30, 2008	419	6	3	303	3	5	5	137	5	7	893

TABLE 2

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE

AGE	SERVICE	1	5	10	15	20	25	30	35	TOTAL
20	Number									
	Salary									
25	Number									
	Salary									
30	Number									
	Salary									
35	Number									
	Salary									
40	Number	4								4
	Salary	628,000								628,000
45	Number	8	14	1						23
	Salary	1,256,000	2,198,000	157,000						3,611,000
50	Number	17	26	12	7					62
	Salary	2,695,182	4,092,023	1,894,023	1,109,023					9,790,251
55	Number	9	37	24	21	8	1			100
	Salary	1,413,000	5,839,976	3,817,557	3,304,534	1,292,473	157,000			15,824,540
60	Number	35	35	30	37	22	3			136
	Salary	1,413,000	5,487,000	4,722,046	5,848,258	3,510,519	481,023			21,461,846
63	Number		11	10	25	5	6	1		58
	Salary		1,737,023	1,580,023	3,951,450	785,000	982,092	157,000		9,192,588
66 and over	Number		4	8	9	14	5	2		42
	Salary		612,000	1,240,000	1,403,404	2,217,819	834,557	343,511		6,651,291
TOTAL	Number	47	127	85	99	49	15	3		425
	Salary	7,405,182	19,966,022	13,410,649	15,616,669	7,805,811	2,454,672	500,511		67,159,516

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2008

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
40	1	\$ 157,000		
41	1	157,000		
42	1	157,000	1	\$ 157,000
44	3	471,000	1	157,000
46	3	471,000	4	628,000
47	1	157,000	6	942,000
48	10	1,596,182	4	628,000
49	4	628,000	4	628,000
50	11	1,737,023	5	785,000
51	6	942,000		
52	7	1,109,023	5	785,000
53	9	1,413,000	8	1,266,023
54	13	2,041,000	7	1,121,976
55	13	2,070,511	6	972,069
56	16	2,533,511	5	805,046
57	18	2,810,000	2	314,000
58	18	2,840,831	9	1,413,000
59	15	2,365,023	12	1,910,450
60	27	4,231,000	5	785,000
61	27	4,279,092	3	481,023
62	15	2,365,023	2	330,427
63	25	3,931,404	5	795,023
64	18	2,846,046	3	471,000
65	13	2,071,069	3	477,404
66	16	2,561,557	2	343,511
67	10	1,586,427	1	157,000
68	9	1,407,023	1	157,000
69	9	1,406,796	2	308,023
TOTAL	319	\$ 50,341,541	106	\$ 16,817,975

Of the 425 active members included in the June 30, 2008 valuation data, 180 are vested and 245 have not yet completed the vesting service requirement.

TABLE 4
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2008

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	8	\$ 1,256,000	3	\$ 471,000
1	15	2,381,182	6	942,000
2	14	2,198,000	1	157,000
3	17	2,661,000	8	1,256,000
4	16	2,523,488	3	471,000
5	13	2,041,000	6	942,000
6	26	4,085,488	9	1,413,000
7	23	3,621,023	6	952,023
8	13	2,041,000	7	1,102,488
9	14	2,198,000	3	471,000
10	14	2,200,023	4	638,023
11	12	1,894,023	11	1,757,069
12	6	952,023	1	157,000
13	21	3,307,023	3	481,023
14	3	455,000	2	333,488
15	14	2,218,046	9	1,417,046
16	18	2,832,404	4	640,808
17	20	3,140,427	5	791,404
18	6	958,427	2	314,000
19	15	2,361,177	7	1,129,069
20	7	1,109,023	1	167,023
21	6	962,046	1	167,023
22	3	481,023	1	157,000
23	1	167,023	1	157,000
24	6	981,534		
25	2	334,046	1	157,000
27	4	658,069		
29	1	157,000		
30			1	176,488
31	1	167,023		
TOTAL	319	\$ 50,341,541	106	\$ 16,817,975

Of the 425 active members included in the June 30, 2008 valuation data, 180 are vested and 245 have not yet completed the vesting service requirement.

TABLE 5

AVERAGE AGE AND ANNUAL BENEFIT AT RETIREMENT

	Service Retirement		Disability Retirement		Survivors	
	Average Age At Retirement	Average Annual Benefit At Retirement	Average Age At Retirement	Average Annual Benefit At Retirement	Average Age At Retirement*	Average Annual Benefit At Retirement
All Retirees	66.1	\$ 84,076	62.0	\$ 81,010	59.3	\$ 34,644
New Retirees	66.7	\$ 99,785	N/A	N/A	63.1	\$ 55,986

	All Retirements (Excluding Survivors)	
	Average Age At Retirement	Average Annual Benefit At Retirement
All Retirees	66.0	\$ 84,117

Note: The Average Annual Benefit at Retirement does not reflect COLA's granted after retirement.

**Calculated as of Member's Date of Retirement.*

TABLE 6
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2008

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
60			1	\$ 85,827
61	1	\$ 55,205		
62	2	88,882	1	113,572
63	4	416,753		
64	5	463,660		
65	6	555,612	1	111,159
66	9	1,006,634	2	187,239
67	11	1,151,184	1	113,572
68	10	1,065,938	1	106,758
69	14	1,240,025	1	72,544
70	6	675,204	4	359,505
71	20	1,914,435		
72	19	1,749,995	3	284,526
73	12	1,112,284	2	212,858
74	21	1,861,061	2	239,842
75	14	1,277,919		
76	15	1,363,392		
77	11	1,066,198	3	243,369
78	16	1,620,251	1	111,127
79	12	1,159,190	1	100,248
80	7	561,671	2	192,792
81	10	964,634		
82	10	867,256		
83	5	463,006		
84	18	1,536,211		
85	7	628,277		
86	2	190,397	1	97,091
87	5	397,932	1	87,970
88	5	408,292		
89	1	87,970		
90	2	146,637		
91	1	83,565		
92	1	35,166		
93	3	235,588		
94	1	91,436		
96	1	86,090		
97	1	80,329		
98	2	133,155		
TOTAL	290	\$ 26,841,438	28	\$ 2,719,999

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2008**

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
52			1	\$ 111,159
68	1	\$ 88,685		
74	1	93,409		
77	1	112,383		
88	1	90,960		
TOTAL	4	\$ 385,437	1	\$ 111,159

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2008**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
66			1	\$ 38,175
69			1	26,667
70	1	\$ 33,416		
71			3	95,062
72			2	66,802
73			1	32,364
74			2	64,552
75			2	63,621
77			2	58,917
79			2	62,992
84			1	26,667
87			1	24,522
88			1	28,221
94			1	28,021
TOTAL	1	\$ 33,416	20	\$ 616,582

TABLE 9
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2008

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	\$ 9,015		
22				
51			1	\$ 14,597
54	1	15,851		
57			2	67,511
59			1	124,195
60	1	11,226	1	37,461
61			1	28,066
62			1	38,889
63	1	13,799		
64			3	205,186
65			1	39,250
66			3	220,562
67			1	36,689
68			1	34,291
69			1	109,948
70			1	90,041
71			3	146,782
72			1	28,697
73			1	38,175
74			2	95,204
75			3	102,957
76			4	216,434
77			4	309,511
78			2	54,571
79			5	174,525
80			3	88,098
81			6	228,791
82			7	395,379
83			2	74,500
84			8	266,397
85			7	301,884
86			9	330,059
87			4	144,586
88			5	172,052
89			1	28,750
90			6	212,310
91			3	94,750
92			3	79,750
93			1	23,727

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2008**

**RETIRED MEMBERS' DEATH BENEFITS
(CONTINUED)**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
95			3	73,576
96			3	80,884
97			2	55,337
100			1	28,561
TOTAL	4	\$ 49,892	117	\$ 4,892,932

TABLE 10

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2008**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
47			1	\$ 44,885
55	1	\$ 27,555		
63	1	21,250		
TOTAL	2	\$ 48,805	1	\$ 44,885