

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2005**

V00041GL.DOC



January 30, 2006

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, 2005 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, 2005 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2005.

The valuation was prepared on the basis of the demographic actuarial assumptions that were determined from the July 1, 1999 – June 30, 2002 Experience Study and the economic assumptions which were approved by the Treasurer (these include an investment return rate of 8.25% per annum, assumed future salary increases of 5.45% per annum and a Cost-of-Living Adjustment assumption of 60% of the assumed CPI increase of 3.0% per annum). These are the same assumptions that were used for the July 1, 2004 actuarial valuation.

The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2006 (approximately 40% of the contribution recommended for the July 1, 2004 valuation has been included as a receivable contribution for this valuation).

The Table of Contents, which follows, highlights the Sections of the Report.

Respectfully submitted,

(Signed) JANET H. CRANNA

Janet H. Cranna
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, 2005

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, 2005, 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, 2005	July 1, 2004
Number of Members	426	433
Annual Compensation	\$ 60,506,750	\$ 61,576,750
Number of Retirees and Beneficiaries	426	417
Annual Allowances	\$ 29,487,686	\$ 27,442,244
Number of Vested Terminated Members	4	4
Annual Allowances	\$ 130,582	\$ 130,582
<u>Assets</u>		
Market Value of Assets	\$ 335,570,876**	\$ 328,542,236
Valuation Assets	\$ 377,463,366**	\$ 377,892,239
<u>Contribution Amounts</u>		
Normal Contribution	\$ 17,381,246	\$ 16,934,252
Accrued Liability Contribution	5,389,845	4,134,655
Total Contribution	\$ 22,771,091***	\$ 21,068,907*

* The contribution requirement could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2006.

** Assets include a fiscal year 2006 receivable contribution of \$7,972,000 which is approximately 40% of the contribution recommended for the July 1, 2004 valuation (potential effect of the Appropriation Act for fiscal year 2006).

*** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2007.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A. There were no changes from the provisions and funding policy used in the previous valuation. However, the valuation does reflect the potential effect of the Appropriation Act for fiscal year 2006 (approximately 40% of the contribution recommended for the July 1, 2004 valuation has been included as a receivable contribution for this 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 G.

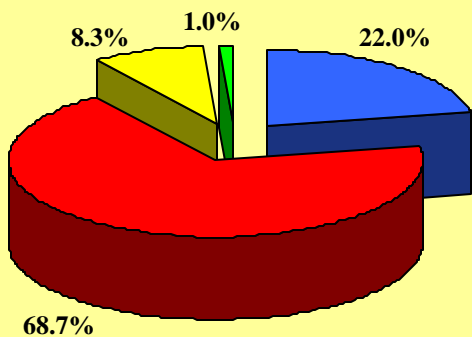
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2004 and July 1, 2005 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

**TABLE I
COMPARATIVE BALANCE SHEET**

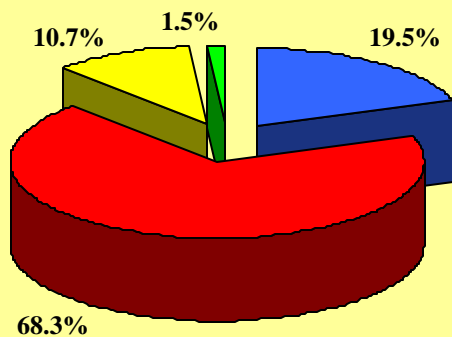
<u>ASSETS</u>	2005	2004
Actuarial value of assets of Fund	\$ 377,463,366	\$ 377,892,239
Unfunded accrued liability/(surplus)	88,682,546	68,030,119
Total Assets	\$ 466,145,912	\$ 445,922,358
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 279,050,350	\$ 259,849,101
Present value of benefits to present active members and terminated vested members	187,095,562	186,073,257
Total Liabilities	\$ 466,145,912	\$ 445,922,358

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

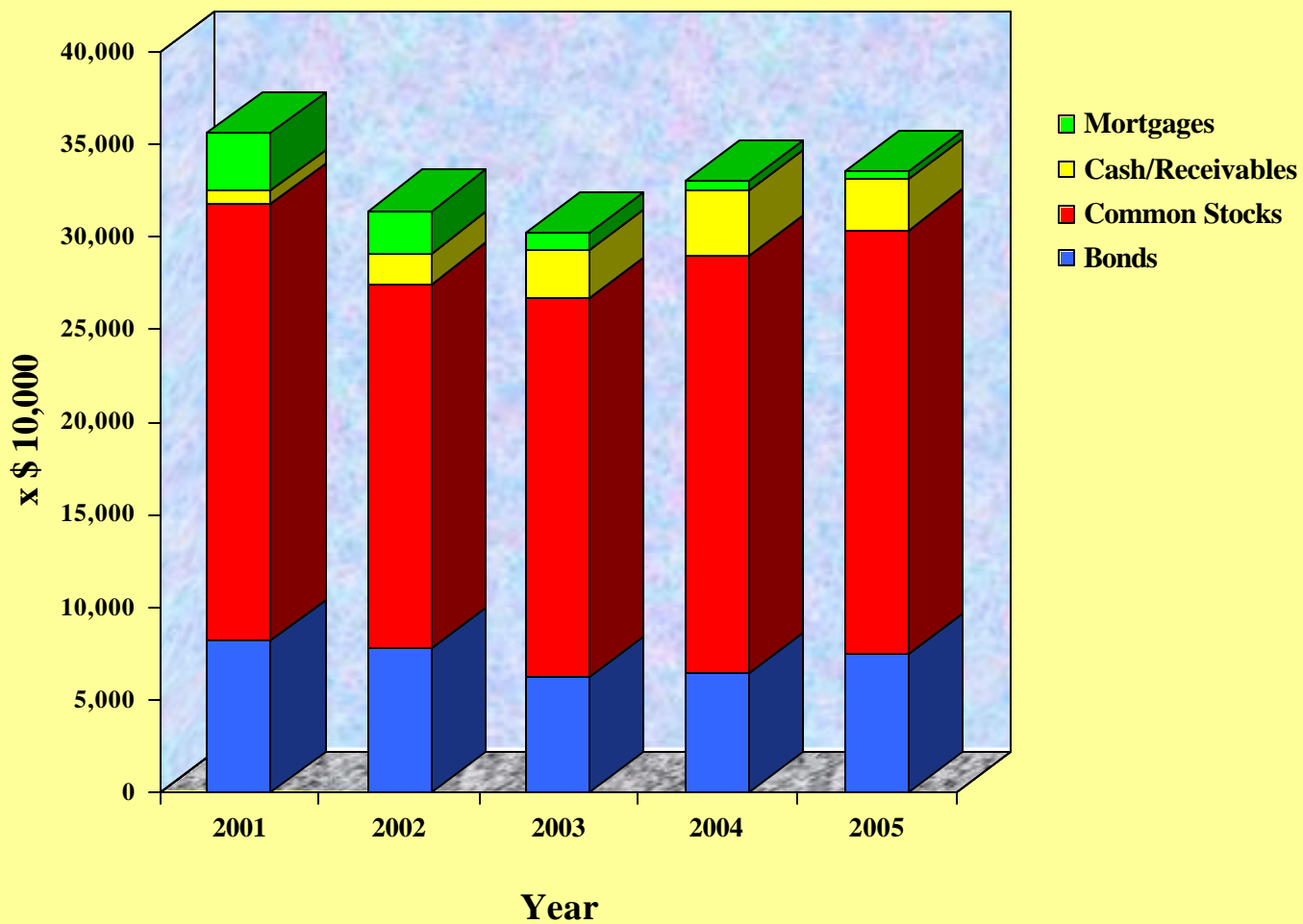
ASSET ALLOCATION MARKET VALUE



2005



2004



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, 2004 and July 1, 2005 by various categories.

ACTIVE MEMBERSHIP

Group	2005		2004	
	Number	Annual Compensation	Number	Annual Compensation
Men	326	\$ 46,268,250	331	\$ 47,047,250
Women	100	\$ 14,238,500	102	\$ 14,529,500

RETIRED MEMBERS AND BENEFICIARIES

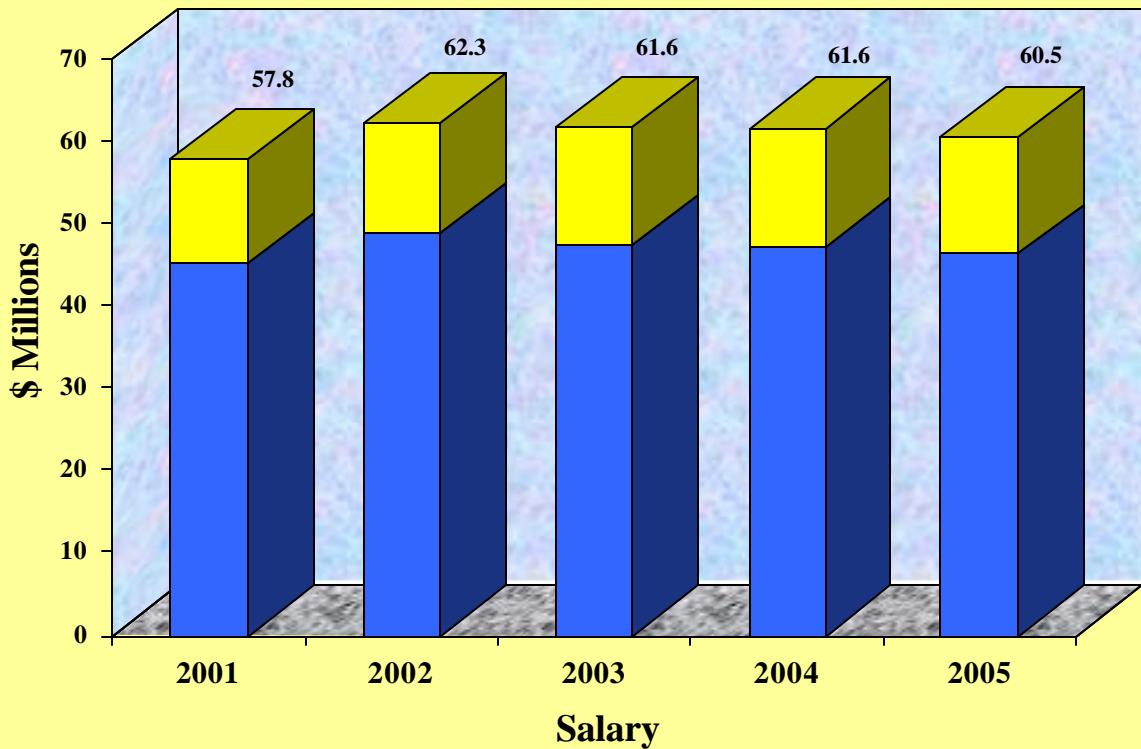
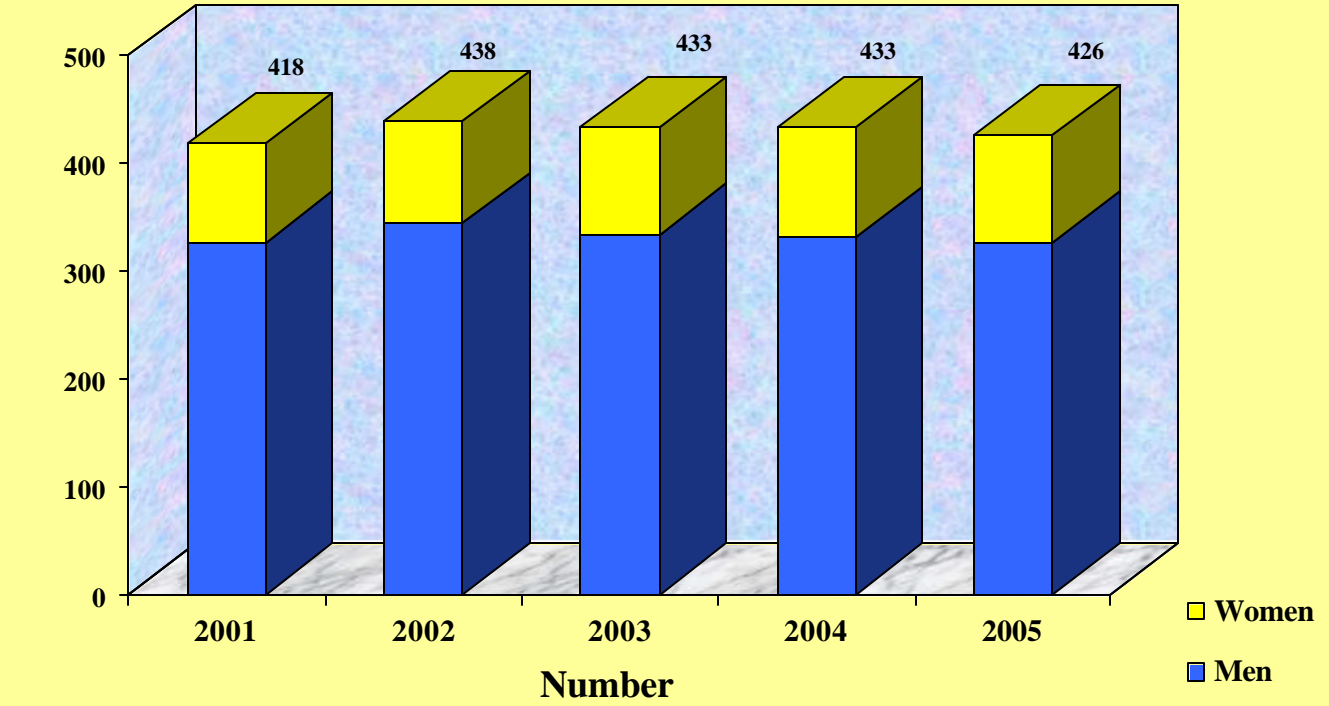
GROUP	2005		2004	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	4	\$ 130,582	4	\$ 130,582
Service Retirements	283	\$ 24,285,010	268	\$ 22,434,382
Disability Retirements	6	\$ 532,979	7	\$ 539,357
Beneficiaries	137	\$ 4,669,697	142	\$ 4,468,505

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.

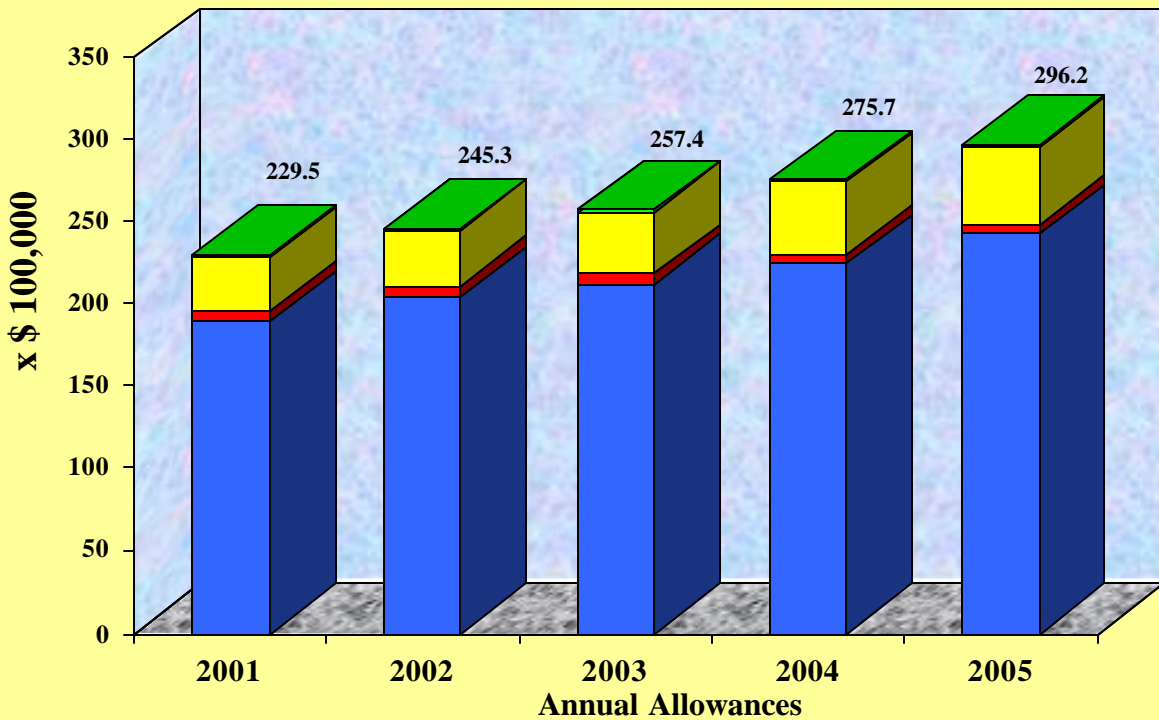
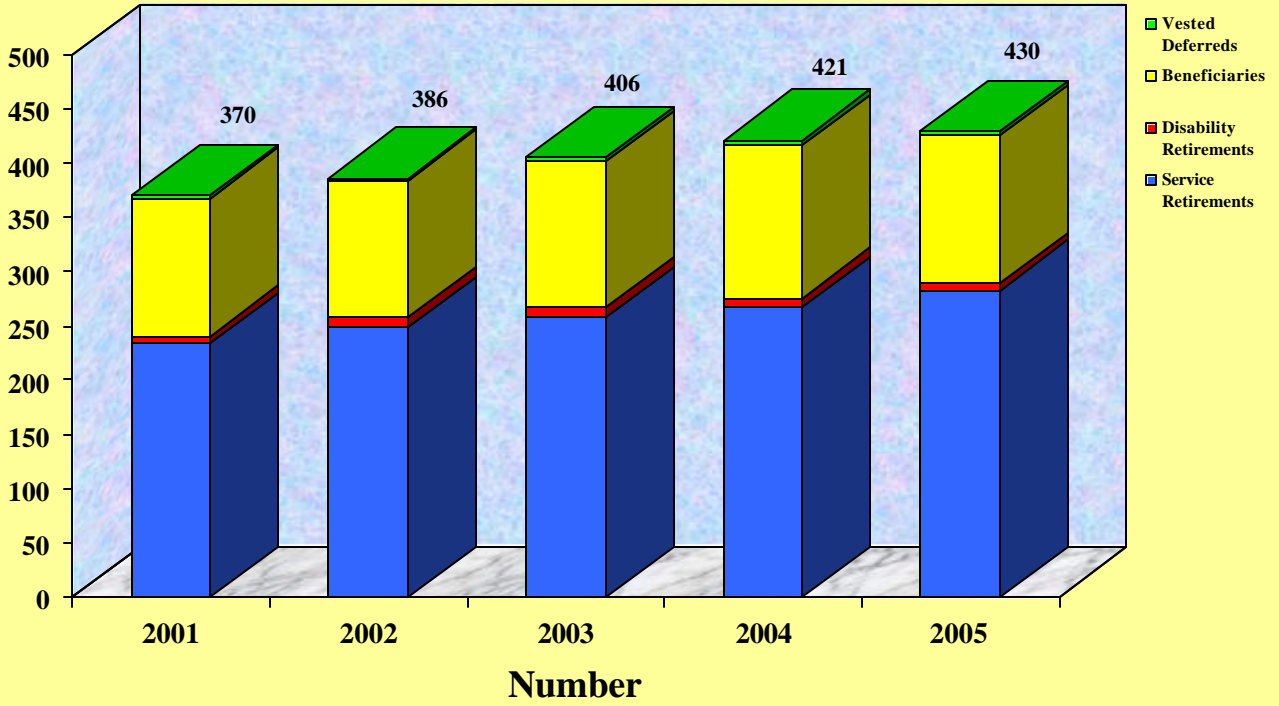
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

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, 2005**

1.	Assets		
	a.	Cash	\$ 33,576
	b.	Investment Holdings	327,724,925
	c.	Interest Receivable on Investments	983,611
	d.	Members' Contributions Receivable	70,225
	e.	Loans Receivable	617,118
	f.	Dividends Receivable	704,964
	g.	Accounts Receivable – Other	0
	h.	Interest Receivable – Member Loans	1,635
	i.	Total	\$ 330,136,054
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 2,486,459
	b.	Accounts Payable and Accrued Expense	50,719
	c.	Total	\$ 2,537,178
3.	Preliminary Market Value of Assets as of June 30, 2005: 1(i) - 2(c)		\$ 327,598,876
4.	State Appropriations Receivable		7,972,000*
5.	Market Value of Assets as of June 30, 2005: 3 + 4		\$ 335,570,876

* The amount shown as the fiscal year 2006 receivable contribution is approximately 40% of the contribution recommended for the July 1, 2004 valuation (potential effect of the Appropriation Act for fiscal year 2006).

B. Reconciliation of Market Value of Assets: June 30, 2004 to June 30, 2005

1.	Market Value of Assets as of June 30, 2004		\$ 322,380,160
2.	Increases		
	a.	Members' Contributions	\$ 1,480,942
	b.	State Appropriations	6,162,076
	c.	Employers' Contributions – Transfer from other Systems	0
	d.	Investment Income	26,763,410
	e.	Total	\$ 34,406,428
3.	Decreases		
	a.	Withdrawal of Members	\$ 0
	b.	NCGI Premium Expense	261,987
	c.	Administrative Expenses	169,357
	d.	Benefit Payments	25,775,961
	e.	COLA Benefit Programs	2,980,407
	f.	Total	\$ 29,187,712
4.	Preliminary Market Value of Assets as of June 30, 2005: 1 + 2(e) – 3(f)		\$ 327,598,876
5.	State Appropriations Receivable		7,972,000*
6.	Market Value of Assets as of June 30, 2005: 4 + 5		\$ 335,570,876

* The amount shown as the fiscal year 2006 receivable contribution is approximately 40% of the contribution recommended for the July 1, 2004 valuation (potential effect of the Appropriation Act for fiscal year 2006).

C. Development of Actuarial Value of Assets as of July 1, 2005

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, 2004 (without State Appropriations Receivable)	\$	371,730,163
2.	Net Cash Flow excluding investment income		(21,544,694)
3.	Expected Investment Income at 8.25%		
	a. Interest on assets as of July 1, 2004	\$	30,667,738
	b. Interest on Net Cash Flow		(888,719)
	c. Total	\$	29,779,019
4.	Expected Actuarial Value of Assets as of July 1, 2005:		
	1. + 2. + 3.(c)	\$	379,964,488
5.	20% of Difference from Preliminary Market Value of Assets		(10,473,122)
6.	State Appropriations Receivable		7,972,000*
7.	Actuarial Value of Assets as of July 1, 2005 = 4. + 5. + 6.	\$	377,463,366

* The amount shown as the fiscal year 2006 receivable contribution is approximately 40% of the contribution recommended for the July 1, 2004 valuation (potential effect of the Appropriation Act for fiscal year 2006).

D. Present Value of Projected Benefits as of July 1, 2005

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	235,380,736
	b. Disability Retirement		3,710,545
	c. Beneficiaries		36,865,640
	d. Lump Sum Death Benefits		3,093,429
	e. Total	\$	279,050,350
2.	Terminated Vested Members	\$	1,519,335
3.	Active Participants		
	a. Service Retirement	\$	173,323,501
	b. Disability Retirement		6,161,972
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,468,543
	d. Lump Sum Death Benefit*		1,622,211
	e. Total	\$	185,576,227
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	466,145,912

*Excludes lump sum death benefits payable during active service.

E. Development of Excess Valuation Assets

Chapter 115, P.L. 1997 prescribed the procedure for determining the value of excess valuation assets. This law provided for a reduction in the normal contributions for the valuation periods ended June 30, 1996 and June 30, 1997 to the extent possible by the excess valuation assets and permitted the State Treasurer to reduce the normal contribution payable by the State for valuations after June 30, 1997 up to a specified portion of excess valuation assets (50% for the current valuation). The development of excess valuation assets is summarized as follows:

1. Valuation Assets	\$ 377,463,366
2. Actuarial Accrued Liability	<u>466,145,912</u>
3. Excess Valuation Assets = 1. - 2. (not less than zero)	\$ 0

F. Development of Normal Cost as of July 1, 2005

1. Service Retirement	\$ 15,317,924
2. Disability Retirement	863,225
3. Spousal Annuity Death Benefit (Pre-Retirement)	619,211
4. Lump Sum Death Benefit*	151,832
5. Term Cost Lump Sum Death Benefit During Active Service	<u>569,943</u>
6. Total	\$ 17,522,135

*Excludes lump sum death benefits payable during active service.

G. Development of State Contributions

1.	Present Value of Benefits	\$	466,145,912
2.	Actuarial Value of Assets		<u>377,463,366</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	88,682,546
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2006	\$	5,389,845
6. (a)	Gross Normal Cost	\$	17,522,135
(b)	Expected Member Contributions		<u>1,465,557</u>
(c)	State Normal Cost = (a) - (b)	\$	16,056,578
(d)	State Normal Cost payable July 1, 2006 = (c) * 1.0825	\$	17,381,246
(e)	Excess Valuation Assets*		<u>0</u>
(f)	State Net Normal Cost payable July 1, 2006 = (d) - (e)	\$	17,381,246
7.	Total Required Contribution as of July 1, 2006 = 5. + 6.(f)	\$	22,771,091**

*Excess Valuation Assets are allocated as follows:

1.	Excess Valuation Assets (from Section E)	\$	0
2.	Excess Valuation Assets as of July 1, 2006 = 1. * 1.0825	\$	0
3.	Reduction Due to Normal Contribution for the Valuation Period ending June 30, 2005 payable July 1, 2006 = .50 * 2 not greater than 6(d) above		<u>0</u>
4.	Net Excess Valuation Assets After Reductions as of July 1, 2006 = 2. - 3.	\$	0

**Contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2007.

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, 2005.

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 5.35% for the period from July 1, 2004 through June 30, 2005. This was partially offset by a net experience gain which was primarily due to the fact that there were no salary increases reflected for continuing active members for the period July 1, 2004 through July 1, 2005 (for valuation purposes, a 5.45% per annum salary increase rate was assumed).

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, 2005

1.	Unfunded Accrued Liability as of July 1, 2004	\$	68,030,119
2.	Gross Normal Cost as of July 1, 2004		17,101,741
3.	Interest on (1) and (2)		7,023,378
4.	Actual Members' Contributions Received		1,480,942
5.	Employers' Contributions (including receivable and transfers from other funds)		7,972,000
6.	Interest on Contributions (excluding receivables)		<u>61,089</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2005 =(1) + (2) + (3) - (4) - (5) - (6)	\$	82,641,207
8.	Actual Unfunded Accrued Liability as of July 1, 2005	\$	88,682,546
9.	Actuarial (Gain)/Loss = (8) - (7)	\$	6,041,339

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$	10,473,122
2.	Other (Gain)/Loss, including mortality, cost of living adjustments less than expected, salary increases less than expected and changes in employee data		<u>(4,431,783)</u>
3.	Total Actuarial (Gain)/Loss	\$	6,041,339

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.

The information required by Statements No. 25 and No. 27 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, 2007:

1. Actuarial Value of Plan Assets as of June 30, 2005		
(a) Valuation Assets as of June 30, 2005	\$	377,463,366
(b) Adjustment for Receivable Contributions included in (a)		<u>7,972,000</u>
(c) Valuation Assets as of June 30, 2005 for GASB Disclosure = (a) - (b)	\$	369,491,366

2.	Actuarial Accrued Liability as of June 30, 2005 for GASB Disclosure	\$	466,145,912
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2005 = 2. - 1.(c)	\$	96,654,546
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$	5,426,659
5.	Normal Cost as of June 30, 2005	\$	16,056,578
6.	Annual Required Contribution as of June 30, 2007		
(a)	Annual Required Contribution as of June 30, 2005 = 4. + 5.	\$	21,483,237
(b)	Interest Adjustment to June 30, 2007		<u>3,690,954</u>
(c)	Annual Required Contribution as of June 30, 2007 = (a) + (b)	\$	25,174,191

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2007:

1.	Annual Required Contribution as of June 30, 2007	\$	25,174,191
2.	Interest on Net Pension Obligation		(151,487)
3.	Adjustment to Annual Required Contribution		<u>111,599</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$	25,134,303
5.	Expected Employer Contributions for Fiscal Year 2007	\$	22,771,091
6.	Increase in Net Pension Obligation = 4. - 5.	\$	2,363,212
7.	Net Pension Obligation at June 30, 2006	\$	(1,836,212)*
8.	Net Pension Obligation at June 30, 2007 = 6. + 7.	\$	527,000

*The June 30, 2006 Net Pension Obligation amount has been revised from the amount shown in the prior year's report to reflect the potential impact of the Appropriation Act for fiscal year 2006.

(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
6/30/2000	\$ 374,486,433	\$ 350,920,345	\$ (23,566,088)	106.7%	\$ 55,514,214	(42.5)%
6/30/2001	\$ 379,592,346	\$ 372,760,069	\$ (6,832,277)	101.8%	\$ 57,800,334	(11.8)%
6/30/2002	\$ 373,231,198	\$ 388,950,803	\$ 15,719,605	96.0%	\$ 61,873,500	25.4%
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%

(D) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
2002	\$ 15,575,602	\$ 0	0.0%
2003	\$ 16,913,237	\$ 8,467,286	50.1%
2004	\$ 18,720,233	\$ 3,355,438	17.9%
2005	\$ 22,525,773	\$ 6,162,076	27.4%
2006	\$ 23,212,502	\$ 7,972,000*	34.3%
2007	\$ 25,174,191	\$ 22,771,091**	90.5%

* The fiscal year 2006 required contribution of \$21,068,907 has been reduced to \$7,972,000 in anticipation of the provisions of the Appropriation Act for fiscal year 2006.

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2007.

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

Valuation Date	June 30, 2005
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, closed
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>		
Actuarial present value of accumulated benefits:	June 30, 2005	June 30, 2004
Vested benefits		
Participants currently receiving payments	\$ 279,050,350	\$ 259,849,101
Other participants	89,359,889	90,541,816
	\$ 368,410,239	\$ 350,390,917
Non-vested benefits	60,557,599	60,080,269
Total	\$ 428,967,838	\$ 410,471,186
Assets at market value	\$ 335,570,876	\$ 328,542,236
Ratio of Assets to Total Present Value	78.2%	80.0%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.25% for both 2005 and 2004.

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>Death</u>		<u>Disability</u>
	<u>Male</u>	<u>Female</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>Retired Members</u>		<u>Beneficiaries of Deceased Members</u>		<u>Disabled Males and Females</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	28.8	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	79.3	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.

HEALTH INSURANCE BENEFITS: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

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 2005 VALUATION**

The following table gives a reconciliation of data from July 1, 2004 to June 30, 2005. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2005 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2005.

TABLE 1
RECONCILIATION OF DATA FROM JULY 1, 2004 TO JUNE 30, 2005

	Actives		Deferred Vested	Retirees			Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total	
	Contrib.	Noncontrib.		Service	Special	Deferred					Disabled
Members as of July 1, 2004	433	0	4	254	2	4	7	137	5	8	854
Status Change: To Contributing To Noncontributing	-1	1									
New Deferred Vested											
New Terminated Non-Vested											
New Service Retirement				21							
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled		-1					1				
New Death		-1					-2				
New Beneficiaries											
End of Payments											
New Actives		20									
Rehires											
Data Corrections		-4									
Members as of June 30, 2005	425	1	4	269	2	4	6	132	5	8	856

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	1	2							3
	Salary	141,000	282,000							423,000
45	Number	5	18	2						25
	Salary	705,000	2,538,000	282,000						3,525,000
50	Number	17	31	16	7					71
	Salary	2,397,000	4,406,000	2,283,000	987,000					10,073,000
55	Number	13	33	31	38	3				118
	Salary	1,833,000	4,653,000	4,380,000	5,396,500	432,000				16,694,500
60	Number	7	31	28	35	16	2			119
	Salary	987,000	4,371,000	3,966,000	4,973,500	2,300,250	291,000			16,888,750
63	Number		10	6	13	15	3	1		48
	Salary		1,410,000	846,000	1,847,750	2,150,500	458,500	150,000		6,862,750
66 and over	Number		4	10	11	10	3	4		42
	Salary		581,500	1,442,250	1,565,750	1,424,750	446,750	578,750		6,039,750
TOTAL	Number	43	129	93	104	44	8	5		426
	Salary	6,063,000	18,241,500	13,199,250	14,770,500	6,307,500	1,196,250	728,750		60,506,750

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2005

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
41	1	\$ 141,000		
43			2	\$ 282,000
44	1	141,000	6	846,000
45	3	423,000	2	282,000
46			1	141,000
47	8	1,128,000	3	423,000
48	5	705,000		
49	6	855,000	4	564,000
50	6	846,000	8	1,128,000
51	10	1,410,000	7	1,013,500
52	12	1,692,000	5	705,000
53	17	2,423,500	5	714,000
54	15	2,115,000	2	282,000
55	17	2,411,750	7	987,000
56	12	1,692,000	10	1,415,750
57	21	2,961,000	8	1,128,000
58	25	3,557,750	3	432,000
59	13	1,842,000	3	437,750
60	26	3,680,750	5	705,000
61	22	3,116,750	3	423,000
62	14	1,983,000	4	573,000
63	24	3,425,250	3	449,500
64	14	1,988,750	2	291,000
65	15	2,133,000	2	282,000
66	8	1,155,000	1	146,750
67	7	1,001,750	2	282,000
68	8	1,166,000		
69	16	2,274,000	2	305,250
TOTAL	326	\$ 46,268,250	100	\$ 14,238,500

Of the 426 active members included in the June 30, 2005 valuation data, 159 are vested and 267 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, 2005

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	3	\$ 423,000	1	\$ 141,000
1	18	2,538,000	3	423,000
2	12	1,692,000	6	846,000
3	27	3,824,500	8	1,128,000
4	24	3,384,000	6	846,000
5	16	2,273,500	7	1,004,500
6	16	2,256,000	6	846,000
7	13	1,833,000	6	846,000
8	14	1,983,000	12	1,692,000
9	7	987,000	2	305,250
10	23	3,252,000	3	432,000
11	3	423,000	2	291,000
12	19	2,697,000	8	1,137,000
13	22	3,107,750	5	719,750
14	26	3,698,750	5	710,750
15	9	1,283,750	2	282,000
16	15	2,124,000	7	987,000
17	12	1,706,750	1	150,000
18	7	992,750	1	146,750
19	11	1,580,500	1	141,000
20	2	300,000	4	573,000
21	11	1,586,500	1	141,000
22	5	705,000	1	141,000
24	4	600,000	1	150,000
26	1	141,000		
27	1	146,750	1	158,500
28	1	150,000		
31	2	291,000		
32	2	287,750		
TOTAL	326	\$ 46,268,250	100	\$ 14,238,500

Of the 426 active members included in the June 30, 2005 valuation data, 159 are vested and 267 have not yet completed the vesting service requirement.

TABLE 5
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2005

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
59	1	\$ 52,401		
60	1	88,301		
61	2	182,707		
62	4	318,221	1	\$ 105,750
63	4	434,098	1	80,235
64	7	699,960	1	106,111
65	6	620,739		
66	12	990,501	1	70,500
67	3	318,708	3	321,455
68	12	1,079,813		
69	7	633,107	1	102,016
70	9	748,378	2	202,500
71	22	1,861,710	2	227,236
72	14	1,207,573		
73	17	1,475,376		
74	11	1,005,021	3	229,625
75	16	1,527,777	1	104,864
76	13	1,127,311	1	94,459
77	7	528,040	2	181,497
78	11	998,710		
79	11	865,580		
80	7	621,217		
81	18	1,442,130		
82	7	589,872		
83	3	270,098	1	91,184
84	8	549,560	1	82,470
85	6	464,875		
86	3	199,753		
87	3	211,736		
88	3	208,693		
89	4	246,499		
90	4	291,924		
91	1	85,445		
93	1	80,359		
94	2	143,791		
95	2	115,123		
TOTAL	262	\$ 22,285,108	21	\$ 1,999,902

TABLE 6
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2005

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
49			1	\$ 105,750
71	1	\$ 87,826		
74	1	106,111		
81	1	78,635		
85	1	85,196		
95	1	69,461		
TOTAL	5	\$ 427,229	1	\$ 105,750

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2005**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
63			1	\$ 36,055
66	1	\$ 31,486	1	24,935
68			3	89,231
69			2	62,732
70			1	30,395
71			2	60,762
72			2	59,830
74			2	55,094
76			2	59,206
81			1	24,935
84			1	22,785
85			1	26,089
87			1	22,811
88			1	21,990
91			1	25,948
TOTAL	1	\$ 31,486	22	\$ 622,800

TABLE 8
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2005

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	\$ 8,485		
20	1	8,485		
48			1	\$ 13,717
54			2	63,655
57	1	10,485	1	35,370
58			1	26,211
59			1	36,719
60	1	10,996		
61			1	61,191
63			1	37,500
65			1	34,291
66			1	103,891
67			1	86,507
68			2	60,294
69			2	57,181
70			1	36,055
71			1	31,050
72			3	101,028
73			4	220,076
74			5	331,735
75			2	51,069
76			3	100,319
77			4	119,759
78			3	93,195
79			3	92,750
80			2	70,544
81			7	231,147
82			7	301,011
83			9	324,320
84			3	94,395
85			4	106,445
86			1	28,750
87			5	141,669
88			2	57,500
89			3	73,784
90			3	73,201
91			3	94,213
92			4	180,739
93			4	99,094

TABLE 8
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2005

RETIRED MEMBERS' DEATH BENEFITS
(continued)

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
94			2	\$ 51,372
96			1	100,498
97			1	26,372
98			2	60,872
99			2	46,223
100			1	21,250
TOTAL	4	\$ 38,451	110	\$ 3,976,960

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2005**

DEFERRED TERMINATED VESTEDS

AGE	NUMBER	MEN		WOMEN	
		NUMBER	AMOUNT	NUMBER	AMOUNT
52	1		\$ 27,555		
59	1		33,110		
60	1		21,250		
62	1		48,667		
TOTAL	4		\$ 130,582		