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Judges' Retirement System I
Actuarial Valuation
as of
June 30, 2008

Table of Contents

Actuarial Certification

Actuarial Certification

May 2009

To the best of our knowledge, this report is complete and accurate and contains sufficient information to fully and fairly disclose the actuarial funded condition of the Judges' Retirement System, as of June 30, 2008. Based on the employee data provided by the CalPERS Judges and Legislators Office, the statement of assets provided by the CalPERS Fiscal Services Division, and the benefits as outlined in Appendix B, it is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles and that the assumptions and methods, as prescribed by the CalPERS Board of Administration, are reasonable for the System.

Gale D. Patrick, FSA, MAAA
Enrolled Actuary
Senior Pension Actuary, CalPERS

Ron Seeling, Ph.D., FCA, ASA, MAAA
Enrolled Actuary
Chief Actuary, CalPERS

Highlights and Executive Summary

Contents

This section contains the following topics:

Highlights & Executive Summary

Purpose of the Report

This actuarial valuation of the Judges' Retirement System of the State of California was performed by CalPERS' staff actuaries as of June 30, 2008 in order to:

- set forth the actuarial assets and projected liabilities of the System as of June 30, 2008;
- provide actuarial information as of June 30, 2008, to the CalPERS Board of Administration and other interested parties; and,
- provide recommendations for financing the benefits provided under the System.

The use of this report for other purposes may be inappropriate.

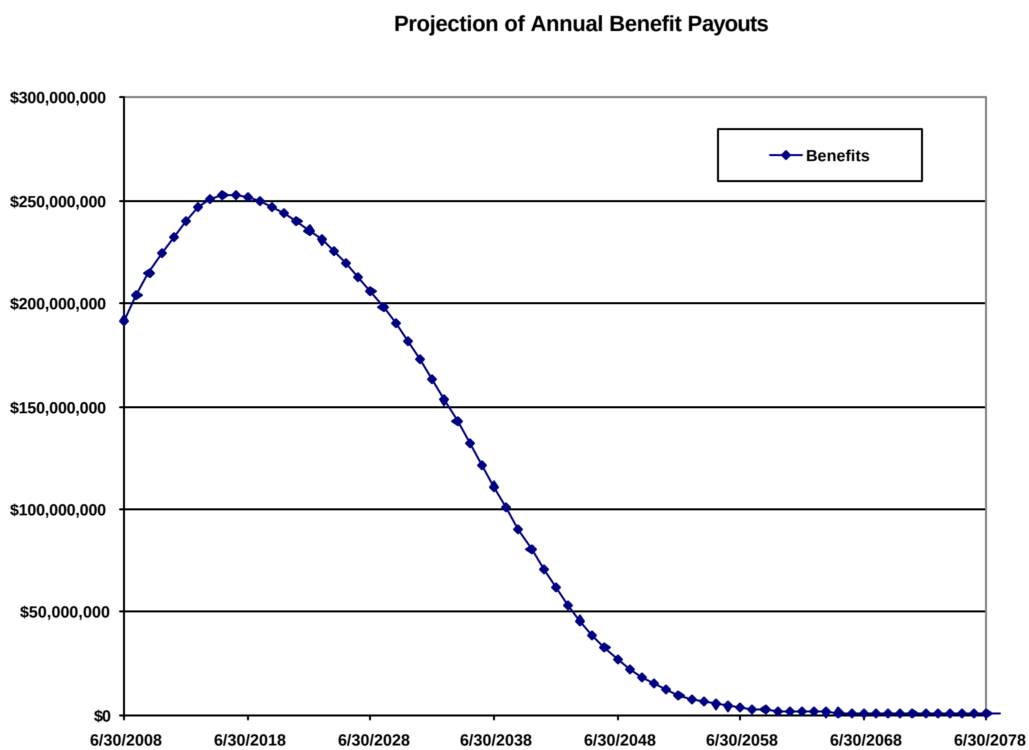
General Discussion

The Judges' Retirement System provides retirement and ancillary benefits to judges elected or appointed prior to November 9, 1994. The employer contribution rate for the System is set by State statute and equals eight percent (8%) of payroll. The member contribution rate is set by State statute and equals eight percent (8%) of payroll.

The State currently funds the System using a pay-as-you-go approach since the eight percent (8%) of payroll contributions made by both the State and members are not adequate to meet the System's current benefit payouts. The graph on the following page shows a projection of future annual benefit payouts from the System. Funding the System using the pay-as-you-go approach has certain implications for future State budgets and causes concern for the CalPERS Board on the ability of the System to meet its future benefit payout obligations. This concern is heightened as the System is a closed group, with a decreasing payroll base. No new members are permitted to enter the System after November 8, 1994.

Projection of Annual Benefit Payouts

The graph on this page shows a projection of future annual benefit payouts from the System. Total benefit payments from the System are projected to increase from $193 million during the 2008-2009 fiscal year to approximately $254 million in the 2016-2017 fiscal year as active members retire. This will result in significant increases in required contributions from the State to meet the future payout needs of the System.



As a result of CalPERS Board's concerns noted earlier, the CalPERS Board recommends that the State commence advance funding the benefits from the System commencing with fiscal year 2009-2010.

Appendix C shows a more detailed projection of expected statutory contributions and projected future benefit payouts for the next ten (10) fiscal years beginning July 1, 2009.

Recommendations for Financing the System's Benefits

The State currently funds the System using a pay-as-you-go approach. This method of pension funding is easy to understand. But, this funding basis has two disadvantages. First, from an accounting viewpoint, pensions in the aggregate are considered to be a form of deferred wages and should be charged over the period of employment or some other period of time according to the accounting guidelines set forth in Statement No. 27 of the Governmental Accounting Standards Board.

The second disadvantage of using the pay-as-you-go funding method is the dependency of the payment of benefits upon the continuation of employer contributions. From the member's point of view, it is generally not satisfactory that his/her future benefit payments are dependent upon the continued willingness and ability of the employer to meet the benefit payroll. That being said, one could argue that government employees need not be concerned on this point because of the government's taxing power, provided that the willingness to tax is not an issue.

It is recommended that the State adopt an advanced funding basis and fund the System's benefits using an actuarial basis that produces employer contributions which comply with guidelines established by the Governmental According Standards Board. Further, it is recommended that the method produce a contribution pattern that will be sufficient to meet the System's future benefit payouts without requiring the infusion of significant additional periodic contributions from the State in order to meet benefit payouts. Long term, advance funding of the System's benefits should enable the pension assets to grow with corresponding investment earnings being used to reduce future contribution requirements that would be needed under a pay-as-you-go basis. CalPERS will be happy to work with the State Controller's Office in establishing an acceptable advance funding basis that satisfies these recommendations.

Accounting Information

The employer's annual required contribution (ARC) for the System is determined as a level dollar basis over the average future service of the active members between the valuation and assumed exit dates under the aggregate actuarial cost method. The ARC has been determined according to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). The ARC for the fiscal year July 1, 2009 through June 30, 2010 is equal to $1,167,007,021 as developed in Appendix D based on the actuarial assumptions set forth in Appendix A. For the 2008 valuation, the actuarial assumptions used in determining the accounting information have been revised and are described in the next section of the report.

Changes Since Prior Valuation

Actuarial Assumptions – Except as described below, all assumptions used for June 30, 2008 are the same as for June 30, 2007. The interest crediting rate for the Extended Service Incentive Program (ESIP), which is based on the rate for 30 year U.S. Treasuries or their equivalent for the month of June of the valuation year decreased from 5.20% as of June 2007 to 4.69% as of June 2008. A description of the actuarial assumptions used in the valuation may be found in Appendix A of this report.

Beginning with the June 30, 2008 actuarial valuation, the investment return assumption used to disclose the financial reporting numbers under GASB 27 are based on a lower interest rate and is consistent with the expected yield of the State's short-term investments. The lower interest rate is the same interest rate used for the pay-as-you-go scenario in the OPEB actuarial valuation report most recently issued by the State Controller's Office and is equal to 4.50%.

Actuarial Methods – There were no changes in the actuarial funding methods since the prior valuation. A description of the actuarial methods used in the valuation may be found in Appendix A of this report.

Plan Provisions – There were no significant plan changes since the prior valuation. A description of the principal plan provisions may be found in Appendix B of this report.

The standard actuarial practice at CalPERS is to recognize benefit changes and salary changes in the first actuarial valuation following the effective date of those changes. This practice is allowed under Federal rules that apply only to non-public retirement plans and is common practice in the private sector.

Comparison of Current and Prior Year Results *

	June 30, 2007	June 30, 2008
Members Included in the Valuation		
Active Members	681	610
Deferred Vested Terminated Members & QDRO's	92	92
Receiving Payments	1,703	1,740
Total	2,476	2,442
Covered Annual Payroll	$119,273,894	$111,464,465
Projected Covered Annual Payroll	$110,772,003	$102,017,248
Average Covered Annual Pay	$175,145	$182,729
Average Attained Age for Actives	61.3	61.9
Present Value of Benefits at Valuation Date		
Actives Members	$1,069,661,992	$1,019,454,261
Deferred Vested Terminated Members & QDRO's	87,615,800	89,819,837
Receiving Benefits	1,686,065,744	1,794,136,350
Total	$2,843,343,536	$2,903,410,448
Assets		
Market Value	$11,672,313	$19,289,333
Actuarial Value	$11,672,313	$19,289,333
Present Value of Future Employee Contributions	$32,875,919	$27,598,270
Present Value of Future Employer Normal Costs	$2,798,795,304	$2,856,522,845

* The liabilities shown are determined using the actuarial assumptions set forth in Appendix A of this report. The investment return assumption used in determining these liabilities is 7.00%, which is deemed appropriate if the State were to commence advance funding (pre-funding) the System's benefits. If the State continues funding the System's benefit obligations using the current pay-as-you-go basis, a lower interest rate that is consistent with the expected yield of the State's short term investments may be more appropriate in measuring the System's liabilities. Appendix D provides a measure of the liabilities of the System, under a pay-as-you-go funding basis, that has been used in the development of the annual required contribution (ARC) according to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Under this funding basis, the lower interest rate, 4.50%, is consistent with the interest rate used by the State Controller's Office in the most recent OPEB actuarial valuation report under its pay-as-you-go policy for those benefits.

Supporting Exhibits

Contents

This section contains the following topics:

Summary of Assets

Contents

This section contains the following topics:

Summary of Assets

Shown below is the market value of assets, by asset type, as of June 30, 2008.

Summary of Assets Ending June 30, 2008

Cash & Equivalents	$ 3,633
Receivables (Member, Agency, State, School, Other)	3,039,565
Due from PERF Fund	2,456
Accrued Interest Receivable	49,033
Investments Short Term Domestic Securities	17,136,612
Retirement Benefits in Process of Payment	(174,067)
Due to Other Funds	(108,357)
Other Program Liabilities*	(659,542)
Total Assets (Market Value)**	$ 19,289,333

* Reflects the elimination of the OPEB expense incorrectly charged to the fund
** Market value equals book value. This information was received from the CalPERS Fiscal Services Division.

Reconciliation of Assets

The following displays the change in the market value of assets from the prior valuation date to June 30, 2008.

Reconciliation of Assets from Prior Fiscal Year

Beginning Balance as of 6/30/2007	$ 11,672,313
Prior Year Adjustments	0
Member and Employer Contributions	22,462,978
Other Income	3,827,046
Transfer from General Fund	150,312,000
Interest Income	384,435
Contribution Refund	(136,204)
Administrative Expenses *	(928,764)
Benefit Payments	(168,304,471)
Ending Balance as of 6/30/2008**	$ 19,289,333

* Reflects the elimination of the OPEB expense incorrectly charged to the fund

** As of June 30, 2008, assets of the fund are invested in short term domestic securities, with the cost and market values of the fund the same value. This information was received from the CalPERS Fiscal Services Division

Summary of Member Data

Contents

This section contains the following topics:

Reconciliation of Members

The table below provides a reconciliation of the member data over the course of the valuation year.

Reconciliation of Members for the Fiscal Year Ending June 30, 2008

	Active Judges	Vested Terminated Judges	Disabled Judges	Retired Judges	Beneficiaries	QDRO* Receiving Benefits	QDRO* Not Receiving Benefits	Total Participants
June 30, 2007	681	74	52	1,079	493	79	18	2,476
1. New Entrants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
2. Rehires	1	0	0	0	N/A	N/A	N/A	1
3. Disability Retirements	0	N/A	0	N/A	N/A	N/A	N/A	0
4. Service Retirements	(62)	(8)	0	70	N/A	0	0	0
5. Vested Terminations	(8)	8	N/A	N/A	N/A	N/A	N/A	0
6. Termination with Refund	0	0	0	0	0	0	0	0
7. Died, With Beneficiaries' Benefit Payable	(2)	0	(4)	(43)	49	0	N/A	0
8. Divorce Settlements	0	0	0	0	0	5	0	5
9. Died, Without Beneficiary; and Other Terminations	0	0	(1)	(9)	N/A	(2)	0	(12)
10. Beneficiary Deaths	N/A	N/A	N/A	N/A	(28)	N/A	N/A	(28)
11. Data Corrections	0	0	0	0	0	0	0	0
June 30, 2008	610	74	47	1,097	514	82	18	2,442

* Qualified Domestic Relations Order

Distribution of Active Members

The following table displays the number of active members by age and service as of June 30, 2008.

Distribution of Active Members by Age & Service
as of June 30, 2008

Attained Age	--Years of Service at Valuation Date-- 0-4	5-9	10-14	15-19	20-29	30+	Total No.	Total Valuation Payroll
15-19	0	0	0	0	0	0	0	$ 0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0
45-49	0	0	2	2	0	0	4	740,966
50-54	1	0	15	20	2	0	38	6,871,412
55-59	1	1	31	91	56	0	180	32,646,600
60-64	0	0	21	110	83	2	216	39,316,760
65+	0	1	11	69	73	18	172	31,888,727
Total	**2**	**2**	**80**	**292**	**214**	**20**	**610**	**$111,464,465**

Distribution of Average Annual Payroll

The following table displays the average annual payroll of active members by age and service as of June 30, 2008.

Distribution of Average Annual Payroll by Age & Service as of June 30, 2008

--Years of Service at Valuation Date--

Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Total Valuation Payroll
15-19	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
20-24	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	178,789	191,694	0	0	0	0	185,242
50-54	178,789	0	178,789	182,660	178,789	0	0	0	180,827
55-59	204,599	178,789	178,789	180,774	183,628	182,015	0	0	181,370
60-64	0	0	180,018	179,728	184,346	186,436	204,599	0	182,022
65+	0	178,789	181,135	182,551	188,042	184,617	192,687	199,126	185,400
All Ages	**$191,694**	**$178,789**	**$179,434**	**$181,004**	**$185,087**	**$185,046**	**$194,275**	**$199,126**	**$182,729**

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits

The following table displays the number of terminated vested members and QDRO's not receiving benefits by age and service as of June 30, 2008.

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits by Age & Service as of June 30, 2008

Attained	--Years of Service at Valuation Date --							
Age	**0-4**	**5-9**	**10-14**	**15-19**	**20-24**	**25-29**	**30+**	**Total**
15-19	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0
35-39	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0
45-49	0	0	0	1	0	1	0	2
50-54	0	0	1	3	2	0	0	6
55-59	0	0	7	20	10	4	0	41
60-64	0	0	5	14	6	7	0	32
65+	0	0	2	8	1	0	0	11
Totals	**0**	**0**	**15**	**46**	**19**	**12**	**0**	**92**

Distribution of Retired Judges, Beneficiaries & QDRO's Receiving Benefits

The following table displays the distribution of retired judges, beneficiaries & QDRO's receiving benefits by age as of June 30, 2008.

Distribution of Retired Judges, Beneficiaries &QDRO's Receiving Benefits by Age as of June 30, 2008

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	0	3	3
30-34	0	0	0
35-39	0	1	1
40-44	0	4	4
45-49	0	1	1
50-54	0	3	3
55-59	4	21	25
60-64	107	42	149
65-69	232	63	295
70-74	231	76	307
75-79	223	87	310
80-84	188	128	316
85+	159	167	326
Total	**1,144**	**596**	**1,740**

Distribution of Annual Benefits for Retirees, Beneficiaries & QDRO's

The following table displays the distribution of annual benefits for retirees, beneficiaries & QDRO's by age as of June 30, 2008.

Distribution of Annual Benefits for Retirees, Beneficiaries & QDRO's By Age as of June 30, 2008

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	$ 0	78,069	78,069
30-34	0	0	0
35-39	0	20,472	20,472
40-44	0	176,912	176,912
45-49	0	68,887	68,887
50-54	0	138,114	138,114
55-59	480,488	1,324,502	1,804,990
60-64	13,211,785	2,070,838	15,282,623
65-69	27,005,402	3,784,102	30,789,504
70-74	26,659,619	4,339,519	30,999,138
75-79	25,861,292	5,203,151	31,064,443
80-84	21,962,773	7,205,428	29,168,201
85+	19,003,983	10,105,035	29,109,018
Total	**$ 134,185,342**	**$ 34,515,029**	**$ 168,700,371**

Appendix A - Statement of Actuarial Methods and Assumptions

Actuarial Funding Method

The method used to determine the recommended employer contribution was the "Aggregate" actuarial cost method.

Under this funding method the actuarial present value of projected pension, termination, death and disability benefits for members and beneficiaries are determined as of the valuation date using the actuarial assumptions set forth below. The recommended employer contribution is determined as the amount needed to amortize the difference between the total present value of all benefits and the sum of (i) the actuarial value of assets and (ii) the present value of future member contributions as of the valuation date.

Amortization Period

The recommended employer contribution has been determined using a thirty (30) year amortization period.

Asset Valuation Method

As of June 30, 2008 the actuarial value of assets equals the market value of the fund plus accrued interest.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2008 actuarial valuation are shown below.

Economic Assumptions:

Investment Return	7.00% per annum, compounded annually. (Assumes the System is being prefunded.)
	4.50% per annum, compounded annually. (Used for financial disclosure reporting only and is consistent with the State's short-term investments for the current year.)
Salary Increases	3.25% per annum compounded annually.
Inflation	3.00% per annum compounded annually.

Cost-of-Living Adjustment	Benefits are fully adjusted for increases in wages for the active judges of the same court from which the member retired.

ESIP Interest Crediting Rate:

Based on the rate for 30-year U.S. Treasuries, or their equivalent, for the month of June of the valuation year. This rate for June 2008 equals 4.69%.

Demographic Assumptions:

(a) Assumed rates of decrement for disability, retirement and termination.

The following decrements apply to all members.

Probability of Termination from Active Service

Age	Non-vested Withdrawal	Disability	Vested Termination
40	0.012	0.0008	0.0030
45	0.010	0.0014	0.0043
50	0.012	0.0024	0.0085
55	0.015	0.0041	0.0150
60	0.000	0.0064	0.0180
65	0.000	0.0092	0.0250
70	0.000	0.0000	0.0000

Probability of Service Retirement

Age	Rate	Age	Rate
60	.30	66	.40
61	.60	67	.40
62	.70	68	.45
63	.60	69	.50
64	.60	70	.75
65	.50	71-79	.50
		80	1.00

(b) Mortality

Mortality for active and retired members and beneficiaries is in accordance with the 1994 Group Annuity Mortality Table. Mortality for disabled members is based on the PBGC Mortality Table for disabled lives not receiving Social Security Benefits to age 64, and on the 1994 Group Annuity Mortality Table at age 65 and after.

(c) Proportion of members with spouses and form of payment

90% of non-retired members are assumed to be married; wives assumed to be three years younger than their husbands. For retired members receiving some form of joint and survivor annuity, the spouse's actual date of birth was used in the valuation if such information was furnished. Otherwise, wives were assumed to be three years younger than their husbands for members receiving a joint and survivor form of annuity.

For retired members not receiving a joint and survivor form of annuity and for whom no optional form of payment was elected, the assumed form of payment was a life annuity.

(d) Administrative Expense - The administrative expense for the year is set equal to the amount of administrative expenses paid from the System's fund during the fiscal year ending on the valuation date.

<u>Changes in Actuarial Assumptions</u>

Except as described below, all assumptions used for June 30, 2008 are the same as for June 30, 2007. The interest crediting rate for the Extended Service Incentive Program (ESIP), which is based on the rate for 30 year U.S. Treasuries or their equivalent for the month of June of the valuation year, decreased from 5.20% as of June 2007 to 4.69% as of June 2008.

Beginning with the June 30, 2008 actuarial valuation, the investment return assumption used to disclose the financial reporting numbers under GASB 27 was decreased from 7.00% to 4.50%.

Appendix B - Summary of Principal Plan Provisions

Eligibility of Membership

All Supreme Court, District Court of Appeal, Superior Court, and Municipal Court Judges and Justices were immediately eligible for membership, if elected or appointed before November 9, 1994.

Member Contributions

8% of pay. Withdrawal of contributions results in forfeiture of all other benefits.

Service Retirement

- Eligibility – A member who has met the age and service qualifications in one of the following subdivisions shall be eligible for Service Retirement upon specifying the date upon which his or her retirement is to be effective.

Age at Retirement	Service Qualifications	Pre-Retirement Time Limit for Accrual of Service
70 or older	20 years	*
70 or older	10 years	15 years
69	12 years	16 years
68	14 years	18 years
67	16 years	20 years
66	18 years	22 years
65	20 years	24 years
60	20 years	No Limit

* At least 5 years service must immediately precede retirement.

- Benefit - Members retiring after age 60 with at least 20 years service receive 75% of pay of the last judicial office held. With less than 20 years of service, the benefit percentage is 65%.
- Form of Payment - Unreduced 50% contingent annuity with spouse as contingent annuitant. For post-January 1, 1980 judges, there is a one year marriage requirement at benefit commencement.

Termination Benefit

- Eligibility - Completion of 5 years of service.
- Benefit - 3.75% of pay of last judicial office held multiplied by years of service to a maximum of 20 years. Benefit percentage is reduced by 0.25% for each year of service less than 12 years. Benefit begins at the earliest age that member would have been eligible for service retirement had he remained in service; and, the member is at least age 63, or age 60 with 20 years of service.
- Minimum benefit for pre-January 1, 1974 judges - 5% of pay of last judicial office held multiplied by years of service, to a maximum of 8 years. Benefit is payable at age 65.
- Form of Payment - 50% contingent annuity with spouse as contingent annuitant. Minimum benefit is paid as life annuity only.

Disability Retirement

- Eligibility - 4 years of service (no service requirement is necessary for a work-related disability), 2 years of service for pre-January 1, 1989 judges. No service requirement for pre-January 1, 1980 judges.
- Benefit - With 20 years of service, 75% of pay of last judicial office held, payable immediately. With less than 20 years of service, the benefit is 65% of pay.

Pre-retirement Death Benefits

- Spouse's Benefit - 25% of pay of last judicial office held, payable for spouse's lifetime if not eligible for retirement. If a member dies after being eligible to retire, the surviving spouse will receive a monthly allowance equal to 50% of the monthly allowance the member would have received, had he/she retired, for life.
- Contributory Benefit - After 10 years of service, spouse or minor child receives 1.625% of pay of last judicial office held multiplied by years of service, to a maximum of 20 years. Spouse's benefit is payable for life. Child's benefit ceases at age 18, or at age 22 if a full-time student. Requires $2 monthly contribution.
- Benefit with No Spouse or Children - Refund of accumulated member contributions plus one month's pay multiplied by years of service, to a maximum of 6 years.

Post-Retirement Adjustments

- The retirement allowances of retired judges, beneficiaries and individuals receiving benefits under domestic relation orders will increase proportionately according to increases in judicial salary increases for the judicial office last held by the member.

Extended Service Incentive Program (ESIP)

- Eligibility – An active member shall automatically participate in the program if he/she has 20 or more years of creditable service and has attained the age of 60 or more on or after January 1, 2001.
- Vesting – 36 months of creditable service after the later of January 1, 2001 or the date the judge first becomes eligible to participate in the program. However, the 36 months of creditable service requirement is waived in the event of the member's death, disability, or because he/she was unsuccessful in his/her efforts to be reelected or retained in office.
- Benefit – For the first 60 months of participation in the program, 20% of the judge's monthly salaries and 8% of the judge's monthly salaries for the 61st to the 120th months of participation plus interest based on 30-year U.S. Treasury Bonds shall be credited to the judge. The benefit shall be paid in the form of a single, lump sum payment.

Summary of Plan Changes

There have been no significant changes in the plan provisions for the Judges' Retirement System since the prior valuation.

Appendix C - Summary of 10 Year Projections of Contributions & Payouts

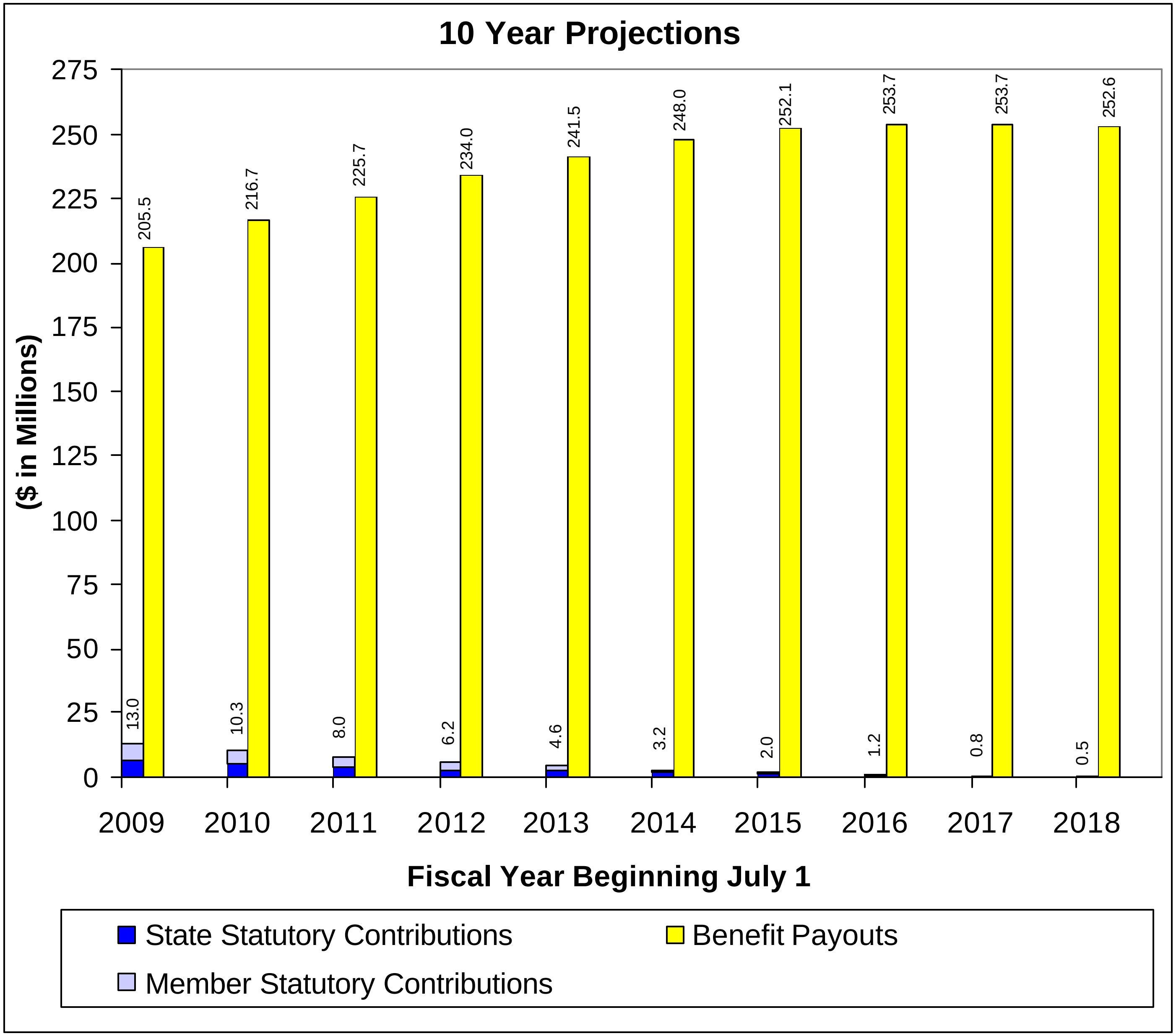
10 Year Projections of Expected State & Member Statutory Contributions and Future Benefit Payouts

Fiscal Years Beginning July 1	State Statutory Contributions*	Member Statutory Contributions**	Future Benefit Payouts
2009	$ 6,491,456	$ 6,491,456	$ 205,460,807
2010	5,129,215	5,129,215	216,692,022
2011	4,002,548	4,002,548	225,718,135
2012	3,098,954	3,098,954	234,021,530
2013	2,308,430	2,308,430	241,483,307
2014	1,592,879	1,592,879	247,956,638
2015	1,005,556	1,005,556	252,063,542
2016	609,110	609,110	253,703,193
2017	380,972	380,972	253,683,475
2018	244,748	244,748	252,595,351

* **Statutory state contributions equal eight percent (8%) of pay.**

** **Statutory member contributions are equal to the amount of statutory contributions shown for the State and are equal to eight percent (8%) of pay.**

The projection information summarized above on this page is presented in graph format on the following page, C-2.


10 Year Projections
($ in Millions)
275
250
225
200
175
150
125
100
75
50
25
0
205.5
216.7
225.7
234.0
241.5
248.0
252.1
253.7
253.7
252.6
13.0
10.3
8.0
6.2
4.6
3.2
2.0
1.2
0.8
0.5
2009
2010
2011
2012
2013
2014
2015
2016
2017
2018
Fiscal Year Beginning July 1
State Statutory Contributions
Benefit Payouts
Member Statutory Contributions

Appendix D - Development of Annual Required Contribution According to GASB 27

GASB 27 The table below shows the development of annual required contribution (ARC) according to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27).

Development of the GASB 27 Annual Required Contribution*

Valuation Date	6/30/2008
1. Present Value of Benefits as of Valuation Date	
a. Active Members	$1,434,367,822
b. Deferred Vested Terminated Members & QDRO's	$126,962,549
c. Receiving Benefits	$2,247,691,927
d. Total	$3,809,022,298
2. Present Value of Future Employee Contributions as of the Valuation Date	$29,404,851
3. Actuarial Value of Assets as of the Valuation Date	$19,289,333
4. Present Value of Required Future Employer Contributions as of the Valuation Date [(1d) – (2) – (3), but not less than zero]	$3,760,328,114
5. Average Future Service of Active Members (in years)	3.37
6. Employer Normal Cost For Benefits [(4) / (5)]	$1,115,824,366
7. Administrative Expenses	$928,764
8. Total Employer Normal Cost [(6)+(7)]	$1,116,753,130
9. Total Annual Required Contribution (ARC) for the Employer for Fiscal Year 2009-20010 [(8) x 1.0450] **	$1,167,007,021

* Statement No. 50 of the Governmental Accounting Standards Board (GASB 50) amended GASB 27 by requiring defined benefit pensions plans, such as the Judges' Retirement System, using the aggregate actuarial cost method for determining the ARC to disclose additional information to the notes of its financial statements and required supplemental information. This additional information imposed by GASB 50 is provided on the following page.

** The ARC shown here is based on an investment return assumption of 4.50%. Had the ARC been determined using the 7.00% investment return assumption used in determining the recommended contributions, the ARC would have been $ 907,960,971.

Funded Status and Funding Progress

GASB Statements No. 25 and No. 27 were amended to require additional pension disclosures for the Judges' Retirement System since it uses the aggregate actuarial cost method to calculate the ARC.

GASB 50 requires the System to prepare funded status information calculated using the entry age actuarial cost method because the aggregate cost method does not identify or separately amortize unfunded actuarial liabilities. The following information about the plan's funded status and funding progress has been prepared using the entry age actuarial cost method for that purpose, and that the information presented is intended to serve as a surrogate for the funded status and funding progress of the plan.

The funded status at the current and prior year's actuarial valuations are as follows:

Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b – a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b – a) / c]
6/30/2006	$17,885,942	$2,389,467,524	$2,371,581,582	0.7%	$114,962,265	2062.9%
6/30/2007	$11,672,313	$2,713,640,306	$2,701,967,993	0.4%	$119,273,894	2265.3%
6/30/2008	$19,289,333	$3,606,845,149	$3,587,555,816	0.5%	$111,464,465	3218.6%

Appendix E – Glossary of Actuarial Terms

Accrued Liability
The portion of the actuarial present value of projected benefits allocated to service before the valuation date in accordance with the actuarial cost method. Some actuarial cost methods, such as the Aggregate actuarial cost method used for this System, do not define an accrued liability and allocate all of the actuarial present value of projected benefits to future normal costs.

Actuarial Assumptions
Assumptions made about the occurrence of future events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include investment return, salary growth and inflation.

Actuarial Cost Method
A procedure employed by actuaries for the allocation of the actuarial present value of projected benefits to time periods, usually in the form of a normal cost and an actuarial accrued liability to achieve certain funding goals for a pension plan. Sometimes this is referred to as the "funding method."

Actuarial Valuation
The determination, as of a valuation date, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan.

Actuarial Value of Assets
The value of assets used for funding purposes. The actuarial value of assets may be equal to the fair market value of assets, or it may spread the recognition of certain investment gains or losses through an asset smoothing technique where investment gains and losses are partially recognized in the year they are incurred, with the remainder recognized in subsequent years in accordance with an asset valuation method. The actuarial value of assets has been set to equal the fair market value of assets for this System.

Amortization Period
The period of time used for determining the amount, timing, and pattern of recognition of contributions. This period of time is thirty (30) years for developing the recommended employer contribution. The period for determining the employer's periodic required contributions (ARC) under GASB 27 equals the average future working period for the active members in the plan as of the valuation date.

Annual Required Contributions (ARC)	The employer's periodic required contributions to a defined benefit pension plan, calculated in accordance with the parameters of GASB 27.
Normal Cost	The portion of the actuarial present value of projected benefits that is allocated to a period, typically twelve months, under the actuarial cost method. The normal cost may include a provision for expenses.
Pension Actuary	A person who is responsible for the calculations necessary to properly fund a pension plan.
Present Value of Benefits	Sometimes called the "actuarial present value of benefits," the total dollars needed as of the valuation date to make future payments of all benefits, earned in the past or expected to be earned in the future, for current members by application of a particular set of actuarial assumptions.
Statement No. 27 of the Governmental Accounting standards Board (GASB 27)	The accounting standard governing a state or local governmental employer's accounting for pensions.