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Judges' Retirement System I
Actuarial Valuation
as of
June 30, 2009

Establishing Required Contributions
for the Fiscal Year
July 1, 2010 through June 30, 2011

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Actuarial Certification

Actuarial Certification

May 2010

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, 2009. 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.

[redacted]

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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, 2009 in order to:

- set forth the actuarial assets and projected liabilities of the System as of June 30, 2009;
- provide actuarial information as of June 30, 2009, to the CalPERS Board of Administration and other interested parties; and,
- provide the amount of the employer's annual required contribution (ARC) for the System as determined according to the Governmental Accounting Standards Board (GASB 27) for fiscal year 2010-2011 for the current pay-as-you-go funding approach being followed by the State.

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

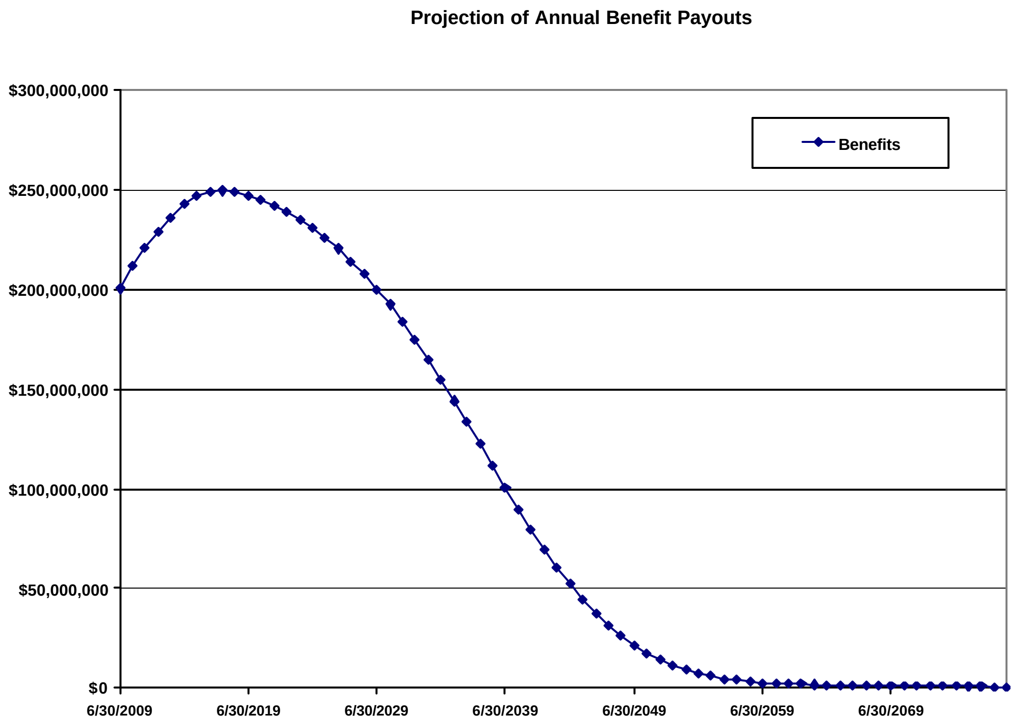
General Discussion

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 $200 million during the 2009-2010 fiscal year to approximately $250 million in the 2017-2018 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 2010-2011.

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, 2010.

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, 2010 through June 30, 2011 is equal to $1,262,446,956 as developed in Appendix D based on the actuarial assumptions set forth in Appendix A. For the 2009 valuation, the actuarial assumptions used in determining the accounting information have been revised and are noted in the next section and Appendix A of this report.

Changes Since Prior Valuation

Actuarial Assumptions – There were changes made in the actuarial assumptions since the prior valuation. A description of the actuarial assumptions used in the June 30, 2009 actuarial valuation and a description of changes made since the prior valuation may be found in Appendix A of this report.

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.

Financial Impact of Actuarial Assumption Changes – As a result of the assumption changes described in Appendix A for the June 30, 2009 actuarial valuation, the present value of benefits for the System increased by $29,194,940 to $2,874,930,390 based on the 7.00% investment return assumption used to determine liabilities assuming the State were to commence advance funding (pre-funding) the System's benefits. Under the pay-as-you-go funding basis currently followed by the State in funding this System, the liabilities for the System are based on a 4.50% investment return assumption for purposes of developing the annual required contribution (ARC) according to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27). Under the 4.50% investment return assumption used for GASB 27, the present value of benefits, increased by $41,769,293 to $3,745,946,578. The GASB 27 annual required contribution (ARC) decreased by $6,592,879 to $1,262,446,956 for fiscal year 2010-2011 as a direct result of the future working lifetime for the active members increasing under the revised preretirement mortality assumptions adopted for the June 30, 2009 annual actuarial valuation.

Comparison of Current and Prior Year Results *

	June 30, 2008	June 30, 2009
Members Included in the Valuation		
Active Members	610	528
Deferred Vested Terminated Members & QDRO's	92	90
Receiving Payments	1,740	1,790
Total	2,442	2,408
Covered Annual Payroll	$111,464,465	$96,648,907
Projected Covered Annual Payroll	$102,017,248	$86,665,917
Average Covered Annual Pay	$182,729	$183,047
Average Attained Age for Actives	61.9	62.6
Present Value of Benefits at Valuation Date		
Actives Members	$1,019,454,261	$925,753,164
Deferred Vested Terminated Members & QDRO's	89,819,837	$94,992,479
Receiving Benefits	1,794,136,350	1,854,184,747
Total	$2,903,410,448	$2,874,930,390
Assets		
Market Value	$19,289,333	$41,390,491
Actuarial Value	$19,289,333	$41,390,491
Present Value of Future Employee Contributions	$27,598,270	$21,750,870
Present Value of Future Employer Normal Costs	$2,856,522,845	$2,811,789,029

* 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, 2009.

Summary of Assets Ending June 30, 2009

Cash & Equivalents	$ 595
Receivables (Member, Agency, State, School, Other)	250,522
Due from PERF Fund	0
Accrued Interest Receivable	1,231
Investments Short Term Domestic Securities	44,276,090
Retirement Benefits in Process of Payment	(19,535)
Due to Other Funds	0
Other Program Liabilities	(3,118,412)
Total Assets (Market Value)*	$ 41,390,491

* 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, 2009.

Reconciliation of Assets from Prior Fiscal Year

Beginning Balance as of 6/30/2008	$ 19,289,333
Prior Year Adjustments	0
Member and Employer Contributions	16,042,634
Other Income	2,951,809
Transfer from General Fund	178,803,000
Interest Income	244,994
Contribution Refund	(3,986)
Administrative Expenses	(1,038,827)
Benefit Payments	(174,898,466)
Ending Balance as of 6/30/2009*	$ 41,390,491

* As of June 30, 2009, 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, 2009

	Active Judges	Vested Terminated Judges	Disabled Judges	Retired Judges	Beneficiaries	QDRO* Receiving Benefits	QDRO* Not Receiving Benefits	Total Participants
June 30, 2008	610	74	47	1,097	514	82	18	2,442
1. New Entrants	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0
2. Rehires	0	0	0	0	N/A	N/A	N/A	0
3. Disability Retirements	(3)	N/A	3	N/A	N/A	N/A	N/A	0
4. Service Retirements	(66)	(11)	N/A	77	N/A	0	0	0
5. Vested Terminations	(10)	10	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	(2)	(24)	31	0	N/A	3
8. Divorce Settlements	0	0	0	0	0	5	(1)	4
9. Died, Without Beneficiary; and Other Terminations	(1)	0	0	(12)	N/A	(1)	0	(14)
10. Beneficiary Deaths	N/A	N/A	N/A	N/A	(27)	N/A	N/A	(27)
11. Data Corrections	0	0	1	(1)	0	0	0	0
June 30, 2009	528	73	49	1,137	518	86	17	2,408

* 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, 2009.

Distribution of Active Members by Age & Service
as of June 30, 2009

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	0	2	0	0	2	357,578
50-54	1	0	3	15	0	0	19	3,422,801
55-59	1	1	11	83	50	1	147	26,772,373
60-64	0	0	10	106	86	0	202	36,710,474
65+	0	1	4	55	75	23	158	29,385,681
Total	**2**	**2**	**28**	**261**	**211**	**24**	**528**	**$96,648,907**

Distribution of Average Annual Payroll

The following table displays the average annual payroll of active members by age and service as of June 30, 2009.

Distribution of Average Annual Payroll by Age & Service as of June 30, 2009

--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	0	178,789	0	0	0	0	178,789
50-54	178,789	0	178,789	180,510	0	0	0	0	180,147
55-59	204,599	178,789	178,789	180,966	182,804	199,437	178,789	0	182,125
60-64	0	0	178,789	179,763	182,866	186,901	0	0	181,735
65+	0	178,789	185,242	181,853	186,411	185,909	194,562	199,126	185,985
All Ages	**$191,694**	**$178,789**	**$179,711**	**$180,621**	**$183,995**	**$187,392**	**$193,732**	**$199,126**	**$183,047**

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, 2009.

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits by Age & Service as of June 30, 2009

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	0	0	1
50-54	0	0	0	5	0	1	0	6
55-59	0	0	2	12	17	2	0	33
60-64	0	0	2	19	9	6	1	37
65+	0	0	3	10	0	0	0	13
Totals	**0**	**0**	**7**	**47**	**26**	**9**	**1**	**90**

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, 2009.

Distribution of Retired Judges, Beneficiaries &QDRO's Receiving Benefits by Age as of June 30, 2009

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	0	4	4
30-34	0	0	0
35-39	0	3	3
40-44	0	4	4
45-49	0	0	0
50-54	1	4	5
55-59	4	20	24
60-64	114	46	160
65-69	246	61	307
70-74	227	77	304
75-79	237	80	317
80-84	189	119	308
85+	168	186	354
Total	**1,186**	**604**	**1,790**

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, 2009.

Distribution of Annual Benefits
for Retirees, Beneficiaries & QDRO's By Age
as of June 30, 2009

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	$ 0	$ 100,418	$ 100,418
30-34	0	0	0
35-39	0	65,170	65,170
40-44	0	176,912	176,912
45-49	0	0	0
50-54	115,718	207,001	322,719
55-59	462,609	1,378,735	1,841,344
60-64	13,897,002	2,407,470	16,304,472
65-69	28,567,793	3,753,172	32,320,965
70-74	26,606,150	4,367,127	30,973,277
75-79	27,046,723	4,569,874	31,616,597
80-84	22,205,726	6,843,690	29,049,416
85+	20,111,896	11,278,689	31,390,585
Total	**$ 139,013,617**	**$ 35,148,258**	**$ 174,161,875**

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 annual required contribution (ARC) according to GASB 27 has been determined using an amortization period equal to the current average future working lifetime of the active members, 3.05 years as of June 30, 2009.

Asset Valuation Method

As of June 30, 2009 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, 2009 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 2009 equals 4.52%.

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

The mortality assumptions for the June 30, 2009 annual actuarial valuation are based on mortality rates resulting from the CalPERS Experience Study for the 1997 to 2007 time period adopted by the CalPERS Board. For purposes of the post-retirement mortality rates, the revised rates include 5 years of projected on-going mortality improvement using Scale AA published by the Society of Actuaries.

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

90% of non-retired members are assumed to be married; wives assumed to be four 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 four 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.

Changes in Actuarial Assumptions

Except as described below, all assumptions used for the June 30, 2009 annual actuarial valuation are the same as for June 30, 2008. The changes in the actuarial assumptions described below were made to provide a better estimate the System's liabilities based on the benefits currently being provided under the System.

- 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 4.69% as of June 2008 to 4.52% as of June 2009.

- As a result of analyzing the age difference between retired members and their spouses in recent years, wives are assumed to be 4 years younger than their husbands for purposes of the June 30, 2009 annual actuarial valuation. Previously, the age difference between wives and their husbands assumed that wives were 3 years younger than their husbands.

- As a result of the 1997 to 2007 CalPERS Experience Study recently presented to and adopted by the CalPERS Board, the mortality assumptions have been changed for (i) active, inactive and retired members that were previously based on the 1994 Group Annuity Mortality Table, and (ii) disabled retirees that were previously based on the PBGC Mortality Table for disabled lives not receiving Social Security Benefits to age 64 and the 1994 Group Annuity Mortality Table at age 65 and later.

  As of the June 30, 2009 annual actuarial valuation, the revised mortality rates are based on the mortality experience that resulted from the CalPERS Experience Study for the 1997 to 2007 time period. For purposes of the post-retirement mortality rates, the revised rates include 5 years of projected on-going mortality improvement using Scale AA as published by the Society of Actuaries.

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

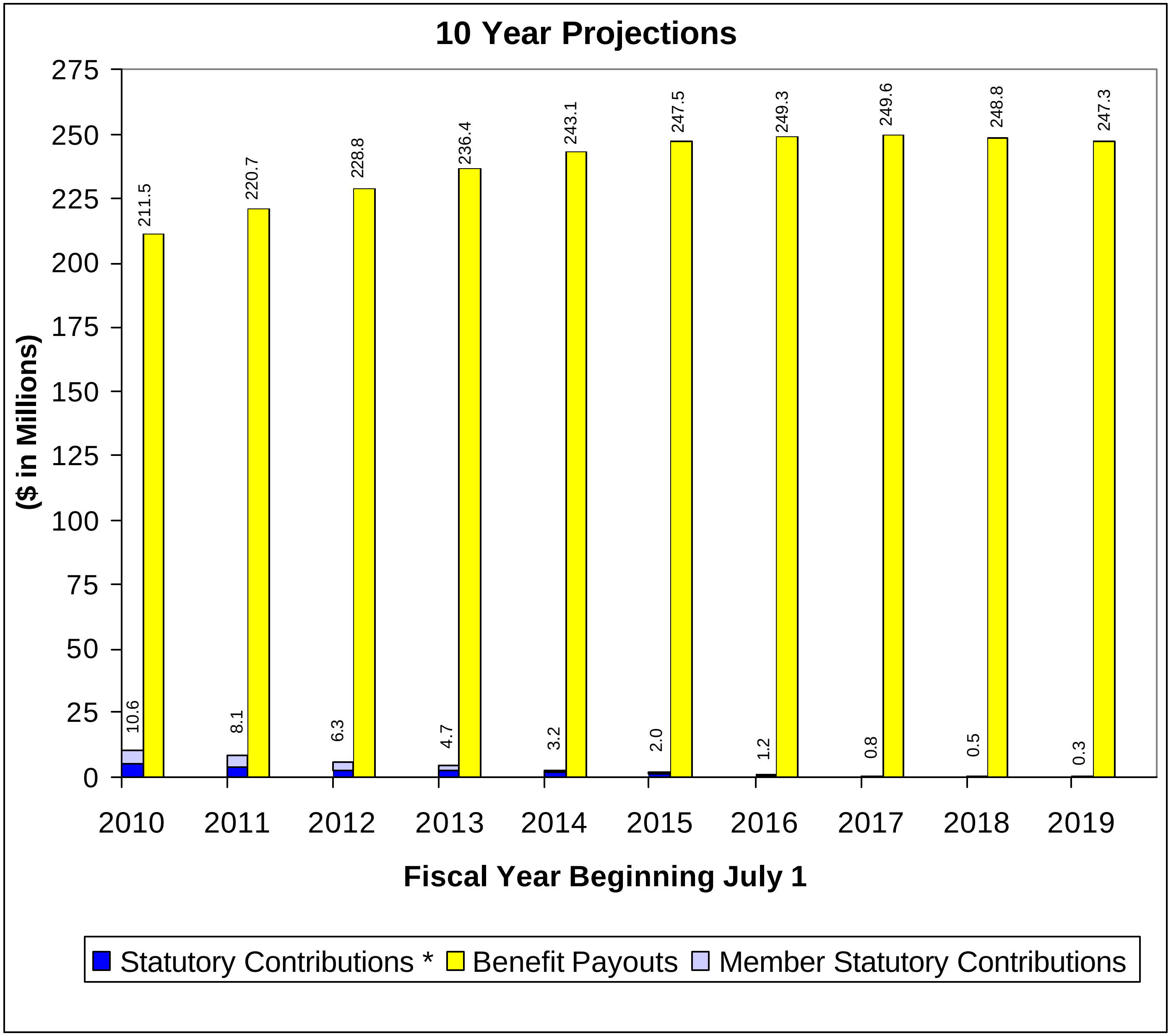
and Future Benefit Payouts

Fiscal Years Beginning July 1	State Statutory Contributions*	Member Statutory Contributions**	Future Benefit Payouts
2010	$ 5,276,687	$ 5,276,687	$ 211,503,607
2011	4,069,425	4,069,425	220,736,478
2012	3,136,582	3,136,582	228,794,091
2013	2,329,947	2,329,947	236,384,560
2014	1,601,671	1,601,671	243,057,738
2015	1,002,366	1,002,366	247,495,498
2016	600,065	600,065	249,297,798
2017	375,761	375,761	249,568,916
2018	245,145	245,145	248,823,467
2019	164,689	164,689	247,330,312

***** **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
211.5
220.7
228.8
236.4
243.1
247.5
249.3
249.6
248.8
247.3
10.6
8.1
6.3
4.7
3.2
2.0
1.2
0.8
0.5
0.3
2010
2011
2012
2013
2014
2015
2016
2017
2018
2019
Fiscal Year Beginning July 1
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	6/30/2009
1. Present Value of Benefits as of Valuation Date	
a. Active Members	$1,291,822,246
b. Deferred Vested Terminated Members & QDRO's	$ 133,007,524
c. Receiving Benefits	$2,321,116,808
d. Total	$3,745,946,578
2. Present Value of Future Employee Contributions as of the Valuation Date	$23,070,716
3. Actuarial Value of Assets as of the Valuation Date	$41,390,491
4. Present Value of Required Future Employer Contributions as of the Valuation Date [(1d) – (2) – (3), but not less than zero]	$3,681,485,371
5. Average Future Service of Active Members (in years)	3.05
6. Employer Normal Cost For Benefits [(4) / (5)]	$1,207,044,384
7. Administrative Expenses	$1,038,827
8. Total Employer Normal Cost [(6)+(7)]	$1,208,083,211
9. Total Annual Required Contribution (ARC) for the Employer for Fiscal Year 2010-2011 [(8) x 1.0450]	$1,262,446,956

* 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.

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]
6/30/2007	$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%
6/30/2009	$41,390,491	$ 3,582,992,463	$ 3,541,601,972	1.2%	$ 96,648,907	3664.4%

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. The period for determining the employer's annual 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.