Judges' Retirement System I
Actuarial Valuation
as of
June 30, 2010

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Actuarial Certification

Actuarial Certification

April 2011

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, 2010. 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 are reasonable for the System.

[redacted]

Barbara Ware, FSA, MAAA
Senior Pension Actuary
Actuarial Office
CalPERS

[redacted]

Alan Milligan, FSA, FCIA, MAAA, FCA
Chief Actuary
CalPERS

Highlights and Executive Summary

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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, 2010 in order to:

- set forth the actuarial assets and projected liabilities of the System as of June 30, 2010;
- provide actuarial information as of June 30, 2010, 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 2011-2012 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.

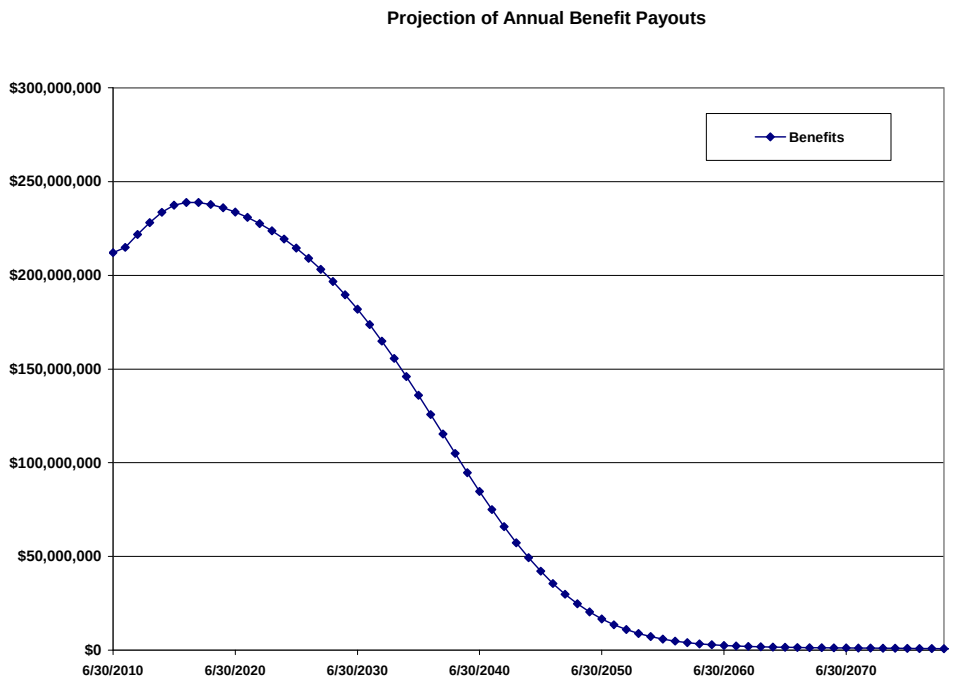
General Discussion

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

Projection of Annual Benefit Payouts

The graph below shows a projection of future annual benefit payouts from the System. Total benefit payments from the System are projected to increase from $212 million during the 2010-2011 fiscal year to a high of approximately $239 million in the 2017-2018 fiscal year as active members retire. This represents an increase of 13% over the next 7 years. The rate of increase is expected to be especially steep during fiscal years 2012-2013 and 2013-2014. After 2018, benefit payouts will begin to decline gradually but will not return to the current level until about 2025.

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, 2011.



Accounting Information

The employer's annual required contribution (ARC) for the System, according to Statement No. 27 of the Governmental Accounting Standards Board (GASB 27), is determined as a level dollar basis over the average future service of the active members under the entry age normal actuarial cost method. The ARC for the fiscal year July 1, 2011 through June 30, 2012 is equal to $1,366,702,281.

Recommendations for Financing the System's Benefits

A comparison of the pay as you go costs, currently used to fund the System, and the ARC is shown below for the prior and current valuations.

	FY 2010/2011	FY 2011/2012
Estimated Employer Pay-as-You-Go Cost (PAYG)	$ 206,226,920	$ 210,566,972
GASB Actuarial Required Contribution (ARC)	$1,262,446,956	$1,366,702,281

A pay-as-you-go approach is easy to understand, but 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.

As can be seen in the above table, the difference between the PAYG cost and the ARC is extremely large. This is because no pre-funding has occurred under this plan and the average remaining service for current actives is less than 3 years. Under any actuarial funding method the money for all future benefits should be invested by that time.

CalPERS recognizes that making payments equal to the ARC is not realistic at this time. However, the lack of any accumulation of assets is of concern. Advance funding of the System's benefits enable the pension assets to grow with investment earnings and could reduce future contribution requirements that would be needed under the pay-as-you-go basis. It is recommended that the State consider some form of advanced funding. One possible scenario is that, because the PAYG costs will soon reach their peak, the State could continue paying at that amount, once it is reached, and continue until the Present Value of Benefits is completely paid.

CalPERS will be happy to work with the Administration in establishing an acceptable advance funding basis that satisfies both the recommendation for advanced funding and current fiscal limitations.

Changes Since Prior Valuation

Actuarial Assumptions – There were no changes made in the actuarial assumptions since the prior valuation. A description of the actuarial assumptions used in the June 30, 2010 actuarial valuation may be found in Appendix A of this report.

Actuarial Methods – There were changes in the actuarial funding methods since the prior valuation. Valuation results under the aggregate funding method using a 7% investment return are no longer included since no pre-funding is happening and it is unclear what asset allocation (and hence investment rate of return) would be appropriate given the nature of the plan. For purposes of determining the ARC, we have changed from the aggregate funding method to the entry age normal funding method in order to better conform to GASB requirements. The result of this change is an increase in the ARC of about $900,000 (less than 0.1%). A complete 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.

Supporting Exhibits

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Comparison of Current and Prior Years

	June 30, 2009 *	June 30, 2010
1. Members Included in the Valuation		
a. Active Members	528	468
b. Deferred Vested Terminated Members & QDRO's	90	67
c. Receiving Payments	1,790	1,843
d. Total	2,408	2,378
2. Demographic Information		
a. Covered Annual Payroll	$96,648,907	$85,947,377
b. Average Covered Annual Payroll [(2a) /(1a)]	$183,047	$183,648
c. Average Attained Age for Actives	62.58	63.39
d. Average Service for Actives	20.63	21.68
e. Average Future Service for Actives	3.05	2.66
3. Present Value of Benefits at Valuation Date		
a. Actives Members	$1,291,822,246	$1,151,075,812
b. Deferred Vested Terminated Members & QDRO's	$133,007,524	$26,678,671
c. Receiving Benefits	$2,321,116,808	$2,378,240,882
d. Total	$3,745,946,578	$3,555,995,365
4. Accrued Actuarial Liability		
a. Actives Members	$1,128,868,131	$1,024,461,351
b. Deferred Vested Terminated Members & QDRO's	133,007,524	26,678,671
c. Receiving Benefits	$ 2,321,116,808	$ 2,378,240,882
d. Total	$3,582,992,463	$3,429,380,904
5. Assets (Market Value)	$41,390,491	$63,828,344
6. Unfunded Accrued Actuarial Liability [(4d) - (5)]	$3,541,601,972	$3,365,552,560
7. Normal Cost	$49,395,941	$42,603,749
Employer Contributions	FY 10/11 *	FY 11/12
8. GASB Actuarial Required Contribution (ARC)		
a. Normal Cost [(7)*1.045]	$51,618,758	$44,520,918
b. Payment on Unfunded Liability {[(6) / (2e)]*1.045}	1,213,434,118	1,322,181,363
c. Total [(8a) + (8b)]	$1,265,052,876	$1,366,702,281
9. Estimated Pay-as-You-Go Costs (PAYG)		
a. Estimated Benefit Payments	$211,503,607	$214,897,454
b. Estimated Employee Contributions	5,276,687	4,330,482
c. Estimated Employer Contributions [(9a) - (9b)]	$206,226,920	$210,566,972

* Prior year numbers are based on the methodology used in the current valuation and may not match numbers shown in the prior valuation report.

Summary of Assets

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Summary of Assets

Shown below is the market value of assets, by asset type, as of June 30, 2010.

Summary of Assets Ending June 30, 2010

Cash & Equivalents	$ 676
Receivables (Member, Agency, State, School, Other)	3,054,298
Due from PERF Fund	0
Accrued Interest Receivable	49,702
Investments Short Term Domestic Securities	61,381,808
Retirement Benefits in Process of Payment	0
Due to Other Funds	0
Other Program Liabilities	(658,141)
Total Assets (Market Value)*	$ 63,828,344

* 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, 2010.

Reconciliation of Assets from Prior Fiscal Year

Beginning Balance as of 6/30/2009	$ 41,390,491
Prior Year Adjustments	5,086,070
Member and Employer Contributions	18,084,352
Other Income	3,485,947
Transfer from General Fund	175,242,000
Interest Income	332,009
Contribution Refund	(32,369)
Administrative Expenses	(898,673)
Benefit Payments	(178,861,483)
Ending Balance as of 6/30/2010*	$ 63,828,344

* As of June 30, 2010, 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

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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, 2010

	Active Judges	Vested Terminated Judges	Disabled Judges	Retired Judges	Beneficiaries	QDRO* Receiving Benefits	QDRO* Not Receiving Benefits	Total Participants
June 30, 2009	528	73	49	1,137	518	86	17	2,408
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	(1)	N/A	1	N/A	N/A	N/A	N/A	0
4. Service Retirements	(56)	(21)	N/A	77	N/A	0	0	0
5. Vested Terminations	(2)	2	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	(1)	(2)	(2)	(30)	40	0	N/A	5
8. Divorce Settlements	0	0	0	0	0	10	(2)	8
9. Died, Without Beneficiary; and Other Terminations	0	0	(2)	(12)	N/A	(2)	0	(16)
10. Beneficiary Deaths	N/A	N/A	N/A	N/A	(27)	N/A	N/A	(27)
11. Data Corrections	0	0	0	0	0	0	0	0
June 30, 2010	468	52	46	1,172	531	94	15	2,378

* 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, 2010.

Distribution of Active Members by Age & Service as of June 30, 2010

Attained Age	--Years of Service at Valuation Date-- 0-4	5-9	10-14	15-19	20-29	30+	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	1	0	0	1	178,789
50-54	0	0	0	11	1	0	12	2,171,278
55-59	1	0	0	65	54	0	120	21,790,210
60-64	0	1	1	75	96	2	175	32,012,221
65-69	0	0	0	28	46	8	82	15,178,364
70-74	0	1	0	11	35	9	56	10,476,677
75+	0	0	0	7	7	8	22	4,139,838
Total	**1**	**2**	**1**	**198**	**239**	**27**	**468**	**$85,947,377**

Distribution of Average Annual Payroll

The following table displays the average annual payroll of active members by age and service as of June 30, 2010.

Distribution of Average Annual Payroll by Age & Service as of June 30, 2010

--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	0	0	0	181,135	178,789	0	0	0	180,940
55-59	204,599	0	0	179,980	182,919	185,242	0	0	181,585
60-64	0	178,789	178,789	179,821	183,467	188,376	191,694	0	182,927
65-69	0	0	0	180,633	185,294	185,958	198,147	0	185,102
70-74	0	178,789	0	187,068	183,342	185,672	193,538	216,728	187,084
75+	0	0	0	189,850	178,789	191,694	185,242	191,694	188,174
All Ages	**$204,599**	**$178,789**	**$178,789**	**$180,813**	**$183,483**	**$187,279**	**$193,538**	**$200,038**	**$183,648**

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, 2010.

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits by Age & Service as of June 30, 2010

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	1	2	1	0	4
55-59	0	0	0	9	12	3	0	24
60-64	0	0	0	13	11	5	0	29
65-69	0	0	0	8	0	0	0	8
70-74	0	0	0	0	0	0	0	0
75+	0	0	0	1	0	0	0	1
Totals	**0**	**0**	**0**	**33**	**25**	**9**	**0**	**67**

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, 2010.

Distribution of Retired Judges, Beneficiaries &QDRO's Receiving Benefits by Age as of June 30, 2010

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	0	4	4
30-34	0	0	0
35-39	0	2	2
40-44	0	7	7
45-49	0	1	1
50-54	2	6	8
55-59	2	18	20
60-64	128	45	173
65-69	251	67	318
70-74	234	79	313
75-79	230	81	311
80-84	192	118	310
85+	179	197	376
Total	**1,218**	**625**	**1,843**

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, 2010.

Distribution of Annual Benefits for Retirees, Beneficiaries & QDRO's By Age as of June 30, 2010

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	42,821	42,821
40-44	0	288,655	288,655
45-49	0	6,537	6,537
50-54	231,931	231,696	463,627
55-59	232,426	1,068,938	1,301,364
60-64	15,594,873	2,492,965	18,087,838
65-69	29,090,520	4,125,984	33,216,504
70-74	27,370,352	4,579,362	31,949,714
75-79	26,558,016	4,817,014	31,375,030
80-84	22,563,291	6,857,999	29,421,290
85+	21,255,420	11,784,718	33,040,138
Total	**$142,896,829**	**$36,397,107**	**$179,293,936**
Average	**$117,321**	**$58,235**	**$97,284**

Appendix A - Statement of Actuarial Methods and Assumptions

Actuarial Funding Method

The method used to determine the GASB Actuarial Required Contribution (ARC) was the Entry Age Normal 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 cost allocated to the current fiscal year is called the normal cost. The actuarial accrued liability for active members is then calculated as the portion of the total cost of the plan allocated to prior years. The actuarial accrued liability for members currently receiving benefits, for active members beyond the assumed retirement age, and for members entitled to deferred benefits, is equal to the present value of the benefits expected to be paid. No normal costs are applicable for these participants. The excess of the total actuarial accrued liability over the actuarial value of plan assets is called the unfunded actuarial accrued liability. Funding requirements are determined by adding the normal cost and an amortization of the unfunded liability over the average remaining service for current active members.

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, 2.66 years as of June 30, 2010.

Asset Valuation Method

As of June 30, 2010 the actuarial value of assets equals the market value of the fund plus accrued interest.

Change in Method

The method used to determine the GASB Actuarial Required Contribution (ARC) was changed from the Aggregate cost method to the Entry Age Normal cost method.

Also the calculation of valuation results using the Aggregate cost method and a 7% investment return assumption was eliminated.

Actuarial Assumptions

The actuarial assumptions used in the June 30, 2010 actuarial valuation are shown below.

Economic Assumptions:

Investment Return	4.50% per annum, compounded annually. (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 2010 equals 4.13%.

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, 2010 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, 2010 annual actuarial valuation are the same as for June 30, 2009.

- 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 4.52% as of June 2009 to 4.13% as of June 2010.

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

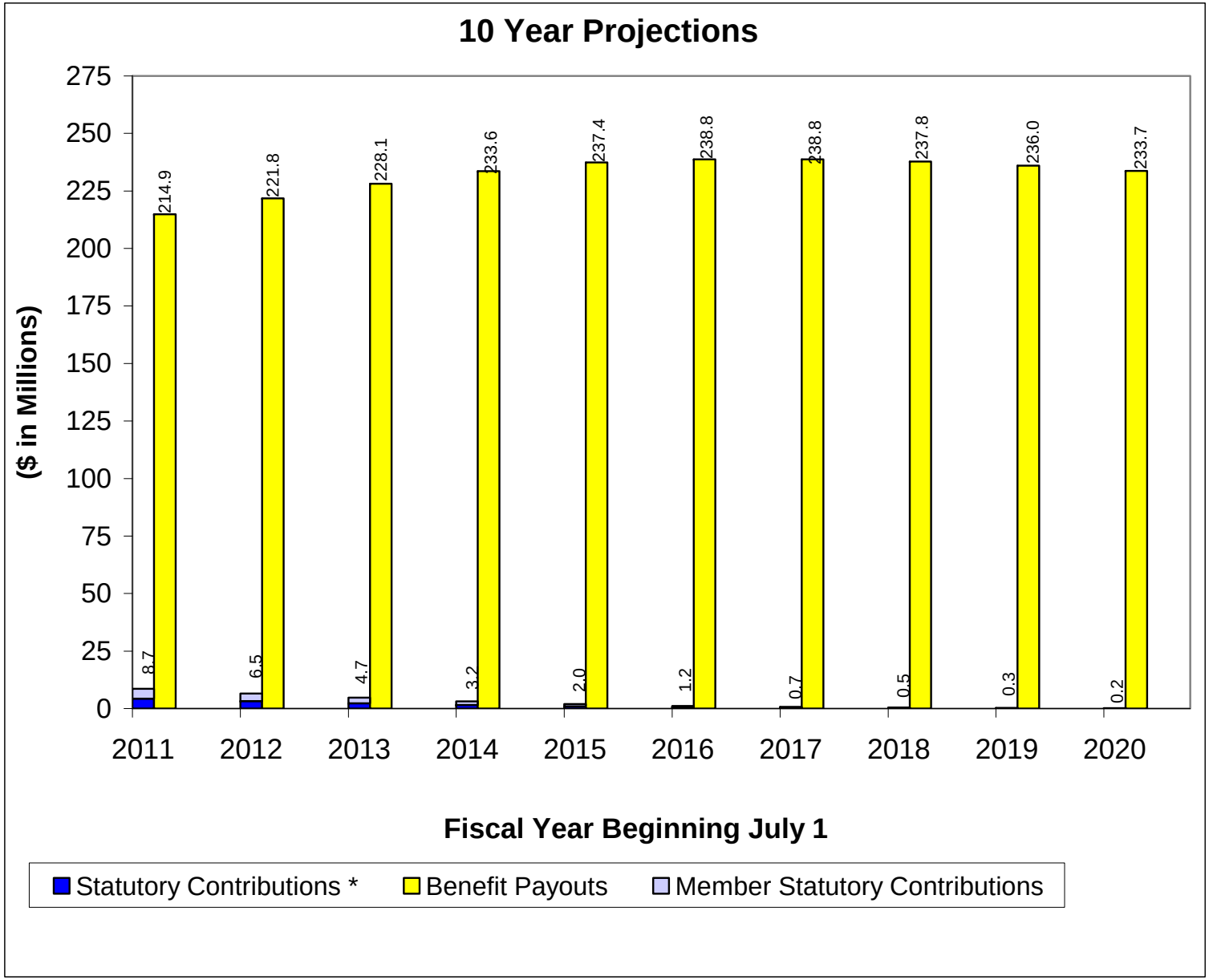
10 Year Projections of Expected State & Member Statutory Contributions and Future Benefit Payouts

Fiscal Years Beginning July 1	State Statutory Contributions*	Member Statutory Contributions**	Future Benefit Payouts
2011	$4,330,482	$4,330,482	$214,897,454
2012	3,235,132	3,235,132	221,810,814
2013	2,352,066	2,352,066	228,055,750
2014	1,590,982	1,590,982	233,571,219
2015	981,199	981,199	237,403,919
2016	577,988	577,988	238,831,097
2017	354,300	354,300	238,843,638
2018	225,066	225,066	237,770,788
2019	146,070	146,070	236,015,954
2020	89,654	89,654	233,739,209

*** 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
214.9
221.8
228.1
233.6
237.4
238.8
238.8
237.8
236.0
233.7
8.7
6.5
4.7
3.2
2.0
1.2
0.7
0.5
0.3
0.2
2011
2012
2013
2014
2015
2016
2017
2018
2019
2020
Fiscal Year Beginning July 1
Statutory Contributions *
Benefit Payouts
Member Statutory Contributions

Appendix D – Information for Compliance with GASB Statement No. 27

GASB 27 Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contributions for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2011 to June 30, 2012 has been determined by an actuarial valuation of the plan as of June 30, 2010 and is equal to $1,366,702,281. The employer and the employer's auditor are responsible for determining the NPO and the APC.

A summary of principal assumptions and methods used to determine the ARC is shown below.

	Retirement Program
Valuation Date	June 30, 2010
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar
Average Remaining Period	2.66 Years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	4.5%
Inflation	3.00%
Salary Growth	3.25%

Complete information on assumptions and methods is provided in Appendix A of this report. Appendix B contains a description of benefits included in the valuation.

The Schedule of Funding Progress below shows the recent history of the actuarial accrued liability, actuarial value of assets, their relationship and the relationship of the unfunded actuarial accrued liability to payroll.

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%
6/30/2009	$ 41,390,491	$ 3,582,992,463	$ 3,541,601,972	1.2%	$ 96,648,907	3664.4%
6/30/2010	$ 63,828,344	$ 3,429,380,904	$ 3,365,552,560	1.9%	$ 85,947,377	3915.8%

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.
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.