CalPERS

Judges' Retirement System Actuarial Valuation as of June 30, 2011

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Actuarial Certification

Actuarial Certification

April 2012

This report is 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. 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, 2011. 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]

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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, 2011 in order to:

- set forth the actuarial assets and projected liabilities of the System as of June 30, 2011;
- provide actuarial information as of June 30, 2011, 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 2012-2013.

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

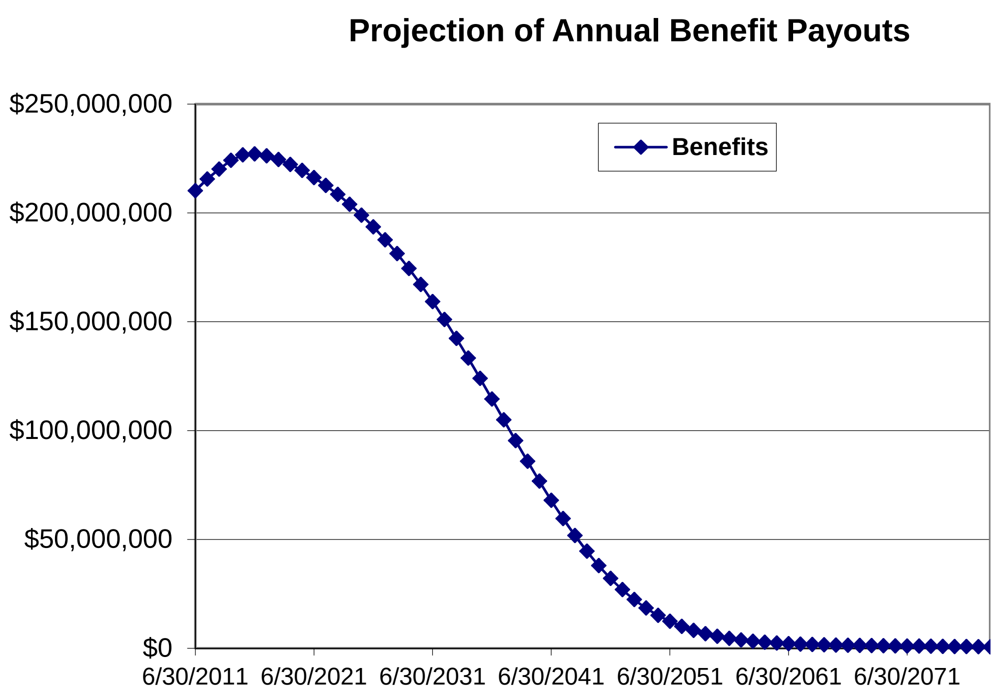
General Discussion

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 $210 million during the 2011-2012 fiscal year to a high of approximately $227 million in the 2016-2017 fiscal year as active members retire. This represents an increase of 8% over the next 5 years. After 2017, benefit payouts are expected to decline gradually but not return to the current level until about 2023.

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, 2012.



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 under the entry age normal actuarial cost method, with the Unfunded Liability amortized on a level dollar basis over the average future service of the active members. The ARC for the fiscal year July 1, 2012 through June 30, 2013 is equal to $1,467,053,208.

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 2011/2012	FY 2012/2013
Estimated Employer Pay-as-You-Go Cost (PAYG)	$ 210,566,972	$ 212,005,561
GASB Actuarial Required Contribution (ARC)	$1,366,702,281	$1,467,053,208

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.

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 enables the pension assets to grow with investment earnings and could reduce future contribution requirements that would be needed on a 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 – On March 14, 2012 the CalPERS Board voted to lower the assumed rate of inflation from 3% to 2.75% for plans in the Public Employees' Retirement System. Consequently the assumed investment return has been lowered from 4.5% to 4.25% and assumed salary increase has been lowered from 3.25% to 3%. A description of the actuarial assumptions used in the June 30, 2011 actuarial 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 complete description of the actuarial methods used in the valuation may be found in Appendix A of this report.

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

Supporting Exhibits

Contents

This section contains the following topics:

Comparison of Current and Prior Years

	June 30, 2010	June 30, 2011	
		Prior assumptions*	New assumptions*
1. Members Included in the Valuation			
a. Active Members	468	413	413
b. Deferred Vested Terminated Members & QDRO's	67	57	57
c. Receiving Payments	1,843	1,873	1,873
d. Total	2,378	2,343	2,343
2. Demographic Information			
a. Covered Annual Payroll	$85,947,377	$75,919,674	$75,919,674
b. Average Covered Annual Payroll [(2a) /(1a)]	$183,648	$183,825	$183,825
c. Average Attained Age for Actives	63.39	64.18	64.18
d. Average Service for Actives	21.68	22.53	22.53
e. Average Future Service for Actives	2.66	2.36	2.36
3. Present Value of Benefits at Valuation Date			
a. Actives Members	$1,151,075,812	$890,796,777	$891,696,090
b. Deferred Vested Terminated Members & QDRO's**	26,678,671	90,602,824	90,712,539
c. Receiving Benefits	2,378,240,882	2,401,647,279	2,403,940,648
d. Total	$3,555,995,365	$3,383,046,880	$3,386,349,277
4. Accrued Actuarial Liability			
a. Actives Members	$1,024,461,351	$801,087,904	$801,884,616
b. Deferred Vested Terminated Members & QDRO's**	26,678,671	90,602,824	90,712,539
c. Receiving Benefits	2,378,240,882	2,401,647,279	2,403,940,648
d. Total	$3,429,380,904	$3,293,338,007	$3,296,537,803
5. Assets (Market Value)	$63,828,344	$54,383,026	$54,383,026
6. Unfunded Accrued Actuarial Liability [(4d) - (5)]	$3,365,552,560	$3,283,954,981	$3,242,154,777
7. Normal Cost	$42,603,749	$33,452,867	$33,450,886
Employer Contributions	FY 11/12	FY 12/13	FY 12/13
8. GASB Actuarial Required Contribution (ARC)			
a. Normal Cost [(7) * (1 + i)]	$44,520,918	$34,958,246	$34,872,549
b. Payment on Unfunded Liability {[(6) / (2e)]*(1 + i)}	1,322,181,363	1,434,198,286	1,432,180,659
c. Total [(8a) + (8b)]	$1,366,702,281	$1,469,156,532	$1,467,053,208
9. Estimated Pay-as-You-Go Costs (PAYG)			
a. Estimated Benefit Payments	$214,897,454	$216,130,729	$215,588,392
b. Estimated Employee Contributions	4,330,482	3,600,643	3,582,831
c. Estimated Employer Contributions [(9a) - (9b)]	$210,566,972	$212,530,086	$212,005,561

* Prior assumptions, used in the 6/30/10 valuation, are 4.5% investment return (i) and 3.25% salary increase; new assumptions are 4.25% investment return and 3% salary increase.

** The Present Value of Benefits for Deferred Vested Terminated Members & QDRO's as of June 30, 2010 was incorrectly calculated due to a programming error. The corrected amount is $94,218,214. This miscalculation resulted in a 1.9% understatement in the total Present Value of Benefits and total Accrued Actuarial Liability in the 6/30/2010 valuation.

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, 2011.

Allocation of Assets Ending June 30, 2011

Cash & Equivalents	$ 624
Receivables (Member, Agency, State, School, Other)	2,414,369
Due from PERF Fund	0
Accrued Interest Receivable	24,296
Investments Short Term Domestic Securities	52,595,771
Retirement Benefits in Process of Payment	0
Due to Other Funds	0
Other Program Liabilities	(652,033)
Total Assets (Market Value)*	$ 54,383,026

* 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, 2011.

Reconciliation of Assets from Prior Fiscal Year

Beginning Balance as of 6/30/2010	$ 63,828,344
Prior Year Adjustments	(575,910)
Member and Employer Contributions	14,979,093
Other Income	3,216,461
Transfer from General Fund	158,982,000
Interest Income	184,358
Contribution Refund	0
Administrative Expenses	(1,112,279)
Benefit Payments	(185,119,041)
Ending Balance as of 6/30/2011*	$ 54,383,026

* As of June 30, 2011, 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, 2011

	Active Judges	Vested Terminated Judges	Disabled Judges	Retired Judges	Benefi-ciaries	QDRO* Receiving Benefits	QDRO* Not Receiving Benefits	Total Participants
June 30, 2010	468	52	46	1,172	531	94	15	2,378
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	0	N/A	0	N/A	N/A	N/A	N/A	0
4. Service Retirements	(51)	(13)	N/A	64	N/A	0	0	0
5. Vested Terminations	(4)	4	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	0	(1)	0	(30)	33	0	N/A	2
8. Divorce Settlements	0	0	0	0	0	5	0	5
9. Died, Without Beneficiary; and Other Terminations	0	0	0	(7)	N/A	(1)	0	(8)
10. Beneficiary Deaths	N/A	N/A	N/A	N/A	(34)	N/A	N/A	(34)
11. Data Corrections	0	0	0	0	0	0	0	0
June 30, 2011	413	42	46	1,199	530	98	15	2,343

* 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, 2011.

Distribution of Active Members by Age & Service
as of June 30, 2011

Attained Age	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	6	2	0	8	1,480,379
55-59	0	0	0	45	40	0	85	15,455,165
60-64	0	1	1	50	96	6	154	28,011,724
65-69	0	0	0	24	52	13	89	16,442,059
70-74	0	0	1	8	32	11	52	9,788,884
75+	0	0	0	6	8	10	24	4,562,674
Total	**0**	**1**	**2**	**140**	**230**	**40**	**413**	**$75,919,674**

Distribution of Average Annual Payroll

The following table displays the average annual payroll of active members by age and service as of June 30, 2011.

Distribution of Average Annual Payroll by Age & Service as of June 30, 2011

--Years of Service at Valuation Date--

Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35+	Average 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	178,789	203,822	0	0	0	185,047
55-59	0	0	0	179,363	184,223	191,694	0	0	181,825
60-64	0	204,599	178,789	179,821	181,054	186,610	178,789	0	181,894
65-69	0	0	0	180,940	184,041	187,392	189,543	204,599	184,742
70-74	0	0	178,789	182,015	185,282	192,668	190,260	204,599	188,248
75+	0	0	0	193,967	183,951	195,996	183,951	194,275	190,111
All Ages	**$ 0**	**$204,599**	**$178,789**	**$180,546**	**$183,306**	**$188,623**	**$186,855**	**$198,147**	**$183,825**

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, 2011.

Distribution of Terminated Vested Members & QDRO's Not Receiving Benefits by Age & Service as of June 30, 2011

Attained Age	--Years of Service at Valuation Date --							
	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	0	1	0	0	1
50-54	0	0	0	0	1	1	0	2
55-59	0	0	0	4	7	3	0	14
60-64	0	0	0	17	14	4	0	35
65-69	0	0	0	4	1	0	0	5
70-74	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0
Totals	**0**	**0**	**0**	**25**	**24**	**8**	**0**	**57**

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, 2011.

Distribution of Retired Judges, Beneficiaries &QDRO's Receiving Benefits by Age as of June 30, 2011

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	0	2	2
30-34	0	0	0
35-39	0	1	1
40-44	0	7	7
45-49	0	2	2
50-54	1	6	7
55-59	2	17	19
60-64	123	45	168
65-69	257	65	322
70-74	249	83	332
75-79	221	81	302
80-84	200	121	321
85+	192	198	390
Total	**1,245**	**628**	**1,873**

Distribution of Annual Benefits for Retired Judges, Beneficiaries & QDRO's

The following table displays the distribution of annual benefits for retirees, beneficiaries & QDRO's by age as of June 30, 2011.

Distribution of Annual Benefits for Retired Judges, Beneficiaries & QDRO's By Age as of June 30, 2011

Attained Age	Service & Disability Retired Judges	Beneficiaries & QDRO's	Total
Under 30	$ 0	$ 66,895	$ 66,895
30-34	0	0	0
35-39	0	22,349	22,349
40-44	0	288,655	288,655
45-49	0	27,009	27,009
50-54	116213	263,187	379,400
55-59	231,931	928,029	1,159,960
60-64	14,831,236	2,473,623	17,304,859
65-69	29,506,934	3,823,479	33,330,413
70-74	29,096,396	5,118,811	34,215,207
75-79	25,529,944	4,797,480	30,327,424
80-84	23,485,936	7,214,188	30,700,124
85+	22,839,008	11,770,011	34,609,019
Total	**$145,637,598**	**$36,793,716**	**$182,431,314**
Average	**$116,978**	**$58,589**	**$97,401**

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, 2.36 years as of June 30, 2011.

Asset Valuation Method

As of June 30, 2011 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, 2011 actuarial valuation are shown below.

Economic Assumptions:

Investment Return	4.25% per annum, compounded annually. (Consistent with the State's short-term investments for the current year.)
Salary Increases	3.00% per annum compounded annually.
Inflation	2.75% 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 2011 equals 4.23%.

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 are based on mortality rates resulting from the most recent CalPERS Experience Study 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. For more details, please refer to the experience study report that can be found at the following link:
http://www.calpers.ca.gov/eip-docs/about/pubs/experience-study.pdf

Attained Age	Standard		Non-Industrial Disability	
	Male	Female	Male	Female
35	0.00075	0.00043	0.00984	0.00548
40	0.00093	0.00062	0.01666	0.00674
45	0.00133	0.00085	0.01646	0.00985
50	0.00239	0.00125	0.01632	0.01245
55	0.00474	0.00243	0.01936	0.01580
60	0.00720	0.00431	0.02293	0.01628
65	0.01069	0.00775	0.03174	0.01969
70	0.01675	0.01244	0.03870	0.03019
75	0.03080	0.02071	0.06001	0.03915
80	0.05270	0.03749	0.08388	0.05555
85	0.09775	0.07005	0.14035	0.09577
90	0.16747	0.12404	0.21554	0.14949
95	0.25659	0.21556	0.31025	0.23055
100	0.34551	0.31876	0.45905	0.37662
105	0.58527	0.56093	0.67923	0.61523
110	1.00000	1.00000	1.00000	1.00000

(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 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

On March 14, 2012 the CalPERS Board voted to lower the assumed rate of inflation from 3% to 2.75%. Accordingly, the assumed investment return has been lowered from 4.5% to 4.25% and the assumed salary increase has been lowered from 3.25% to 3%.

In addition, 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, increased from 4.13% as of June 2010 to 4.23% as of June 2011.

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-

- The retirement allowances of retired judges, beneficiaries and individuals

Retirement Adjustments

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 - 10-Year Projections of Contributions & Payouts

10 Year Projections of Expected State & Member Statutory Contributions

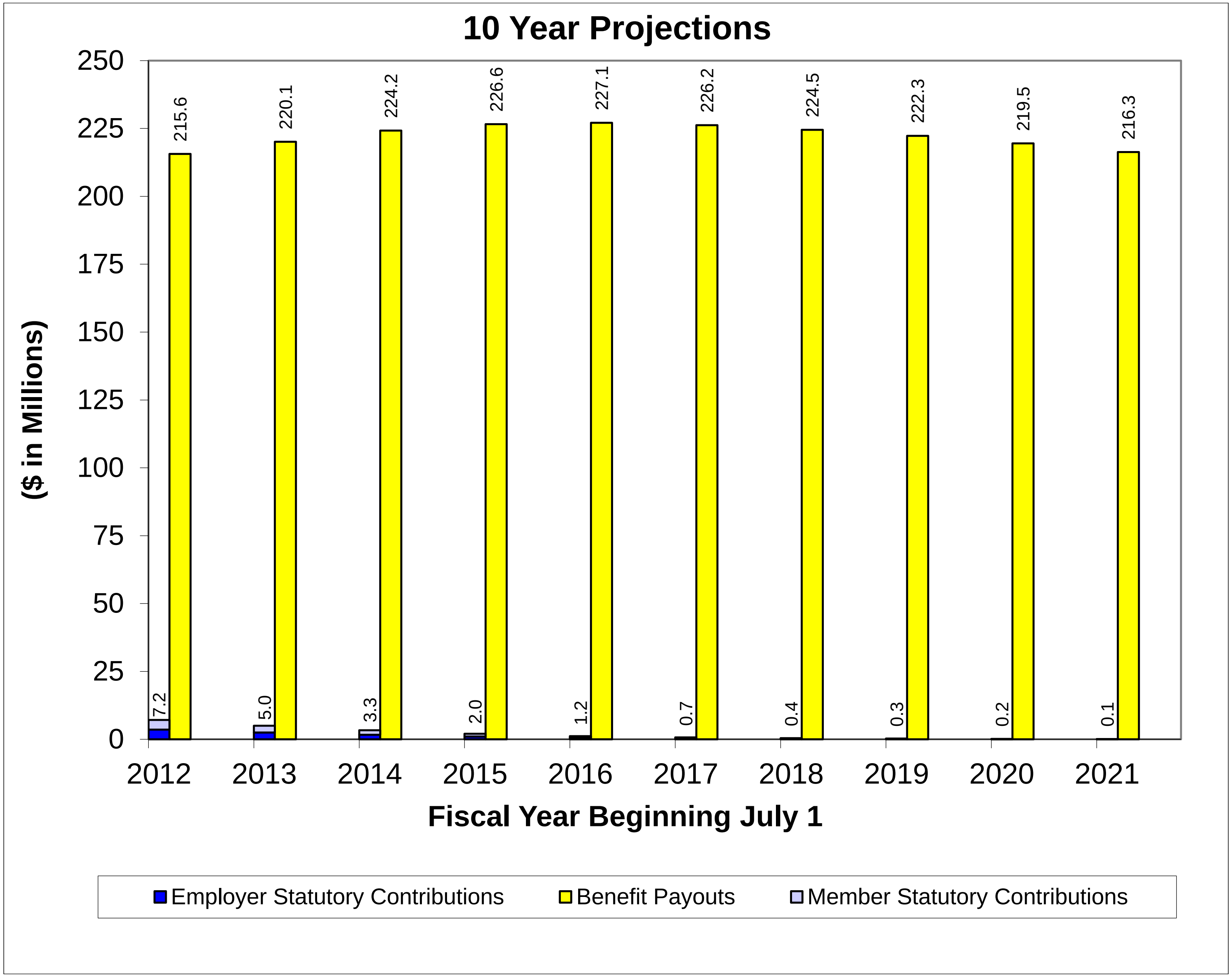
and Future Benefit Payouts

Fiscal Years Beginning July 1	State Statutory Contributions*	Member Statutory Contributions**	Future Benefit Payouts
2012	$3,582,831	$3,582,831	$215,588,392
2013	2,510,013	2,510,013	220,110,576
2014	1,665,998	1,665,998	224,159,688
2015	1,015,525	1,015,525	226,639,516
2016	591,840	591,840	227,071,234
2017	358,006	358,006	226,210,966
2018	224,751	224,751	224,538,037
2019	144,533	144,533	222,282,019
2020	87,904	87,904	219,504,650
2021	48,339	48,339	216,252,653

* **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.


10 Year Projections
($ in Millions)
250
225
200
175
150
125
100
75
50
25
0
215.6
220.1
224.2
226.6
227.1
226.2
224.5
222.3
219.5
216.3
7.2
5.0
3.3
2.0
1.2
0.7
0.4
0.3
0.2
0.1
2012
2013
2014
2015
2016
2017
2018
2019
2020
2021
Fiscal Year Beginning July 1
Employer 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, 2012 to June 30, 2013 has been determined by an actuarial valuation of the plan as of June 30, 2011 and is equal to $1,467,053,208. 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, 2011
Actuarial Cost Method	Entry Age Normal Cost Method
Amortization Method	Level Dollar
Average Remaining Period	2.36 Years
Asset Valuation Method	Market Value
Actuarial Assumptions	
Investment Rate of Return	4.25%
Inflation	2.75%
Salary Growth	3.00%

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]
6/30/2007	$ 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%
6/30/2011	$ 54,383,026	$ 3,296,537,803	$ 3,242,154,777	1.6%	$ 75,919,674	4270.5%

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.