

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2003**

April 12, 2004

State House Commission
The Judicial Retirement System
of New Jersey
Trenton, New Jersey 08625

Members of the Commission:

The law governing the operation of The Judicial Retirement System of New Jersey provides for annual actuarial valuations of the System. The results of the July 1, 2003 valuation are submitted in this report which also includes a comparison with the preceding year's valuation.

The valuation shows the financial condition of the Plan as of July 1, 2003 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2003.

The valuation was prepared on the basis of the revised actuarial assumptions that were determined from the July 1, 1999 – June 30, 2002 Experience Study and an interest rate of 8.75% per year. In addition, the valuation reflects the funding policy provisions of Chapter 122, P.L. 2003 (Appropriation Act of 2003) which reduced the required fiscal year 2004 contribution of \$16,777,190 by 80% to \$3,355,438. Finally, the report also incorporates the provisions of Chapter 54, P.L. 2002 which allowed retiring members to elect a reduced retirement allowance which provides for a survivor benefit.

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

Respectfully submitted,

(Signed) GEORGE M. LOVAGLIO

George M. Lovaglio
Principal, Consulting Actuary

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REPORT ON THE ANNUAL
VALUATION OF
THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
PREPARED AS OF JULY 1, 2003

SECTION I - SUMMARY OF KEY RESULTS

The Judicial Retirement System of New Jersey became effective June 1, 1973. This report, prepared as of July 1, 2003, presents the results of the annual actuarial valuation of the Fund.

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the following pages.

Valuation Date	July 1, 2003	July 1, 2002
Number of Members	433	438
Annual Compensation	\$ 61,600,500	\$ 62,288,830
Number of Retirees and Beneficiaries	402	384
Annual Allowances	\$ 25,609,088	\$ 24,499,032
Number of Vested Terminated Members	4	2
Annual Allowances	\$ 130,582	\$ 51,425
<u>Assets</u>		
Market Value of Assets	\$ 302,753,496	\$ 314,243,327
Valuation Assets	\$ 376,190,703	\$ 381,698,485
<u>Contribution Amounts</u>		
Normal Contribution	\$ 17,689,477	\$ 16,403,051
Accrued Liability Contribution	2,850,775	374,139
Total Contribution	\$ 20,540,242*	\$ 16,777,190**

*The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2005.

**The fiscal year 2004 required contribution of \$16,777,190 has been reduced by 80% to \$3,355,438 in accordance with the provisions of Chapter 122, P.L. 2003 (Appropriation Act of 2003).

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A. The valuation also reflects the provisions of Chapter 54, P.L. 2002 and Chapter 122, P.L. 2003 which provided for the following changes.

- Chapter 54, P.L. 2002

The provisions of Chapter 54, P.L. 2002 allow members to elect a reduced retirement allowance upon retirement which provides for a survivor benefit in addition to those currently provided by the System. Since the actuarial reduction factors used to determine these optional forms of payment were prepared on an actuarially equivalent basis, there is no additional cost to the System.

- Chapter 122, P.L. 2003 (Appropriation Act of 2003)

The Appropriation Act of 2003 provides that the State Treasurer will reduce State employer's normal and accrued liability contributions for fiscal year 2004 by 80%. Accordingly, a fiscal year 2004 receivable employer contribution of \$3,355,438 was recognized for purposes of this valuation. This amount is 20% of the original employer contribution of \$16,777,190 determined as part of the July 1, 2002 actuarial valuation.

It should be noted that State employer contributions determined for subsequent fiscal years may also be subject to reduction due to similar legislation.

There were no other changes from the provisions and funding policy used in the previous valuation.

The valuation reflects the revised actuarial assumptions that were determined from the July 1, 1999 – June 30, 2002 Experience Study. The revised actuarial assumptions and methods used for valuing the Fund are

summarized in Appendix B. There were no other changes in actuarial assumptions and methods since the previous valuation.

The combination of the plan provisions, actuarial assumptions and member and beneficiary data is used to generate the overall required level of State contributions. These contributions are composed of two separate portions, an “accrued liability contribution” and a “normal contribution”. The required contribution is developed in Section III G.

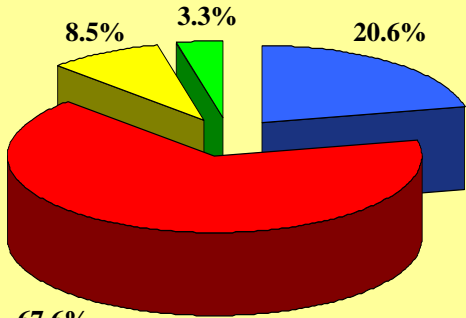
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2002 and July 1, 2003 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 6.

**TABLE I
COMPARATIVE BALANCE SHEET**

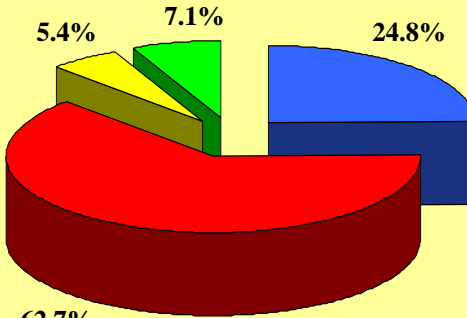
<u>ASSETS</u>	2003	2002
Actuarial value of assets of Fund	\$ 376,190,703	\$ 381,698,485
Unfunded accrued liability/(surplus)	55,259,515	7,252,318
Total Assets	\$ 431,450,218	\$ 388,950,803
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 242,660,854	\$ 216,734,820
Present value of benefits to present active members	188,789,364	172,215,983
Total Liabilities	\$ 431,450,218	\$ 388,950,803

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

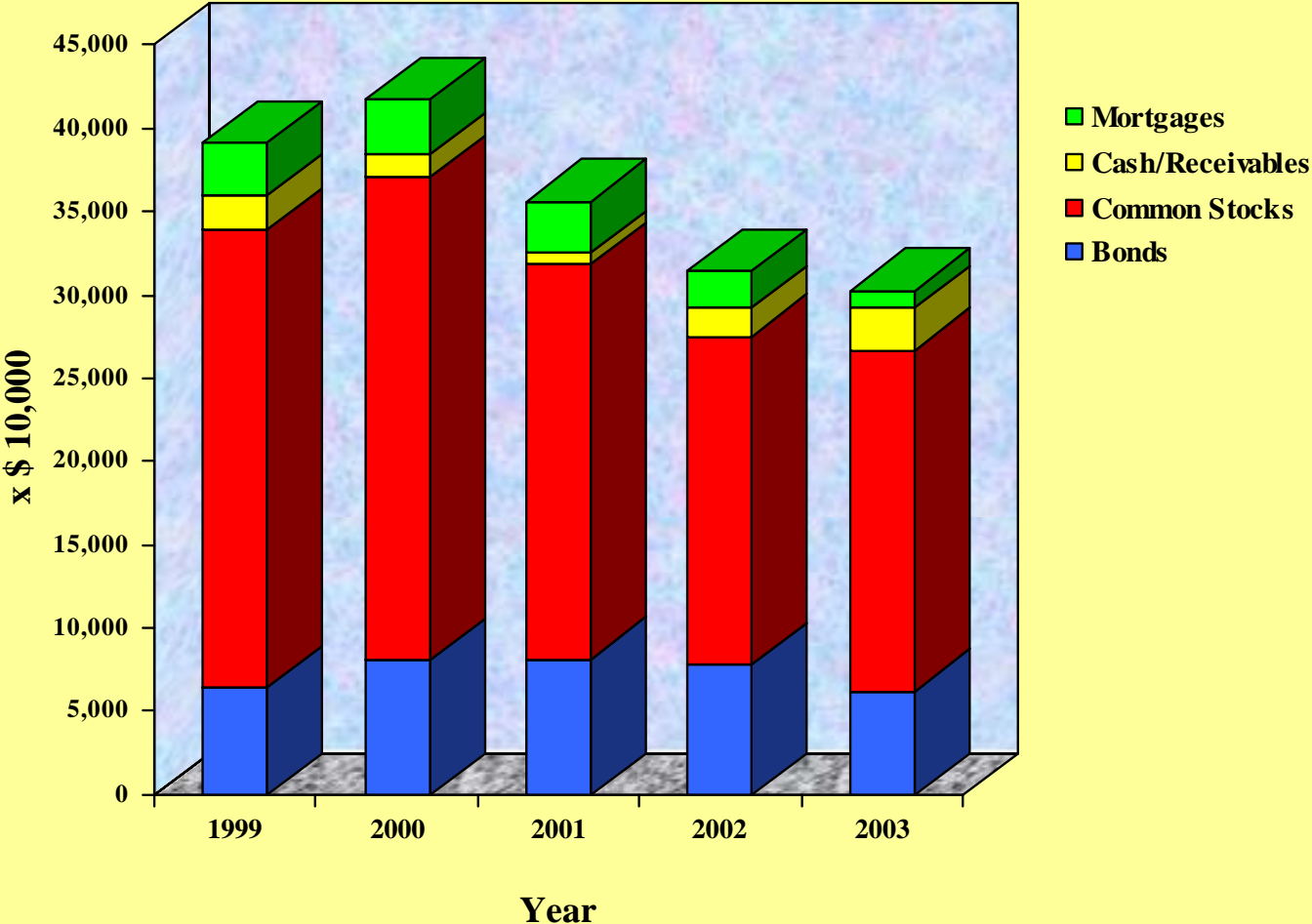
ASSET ALLOCATION MARKET VALUE



2003



2002



SECTION II - EMPLOYEE DATA

The data employed for the valuations were furnished to the actuary by the Division of Pensions and Benefits. The following summarizes and compares the Fund membership as of July 1, 2002 and July 1, 2003 by various categories.

ACTIVE MEMBERSHIP

Group	2003		2002	
	Number	Annual Compensation	Number	Annual Compensation
Men	334	\$ 47,476,000	344	\$ 48,887,330
Women	99	\$ 14,124,500	94	\$ 13,401,500

RETIRED MEMBERS AND BENEFICIARIES

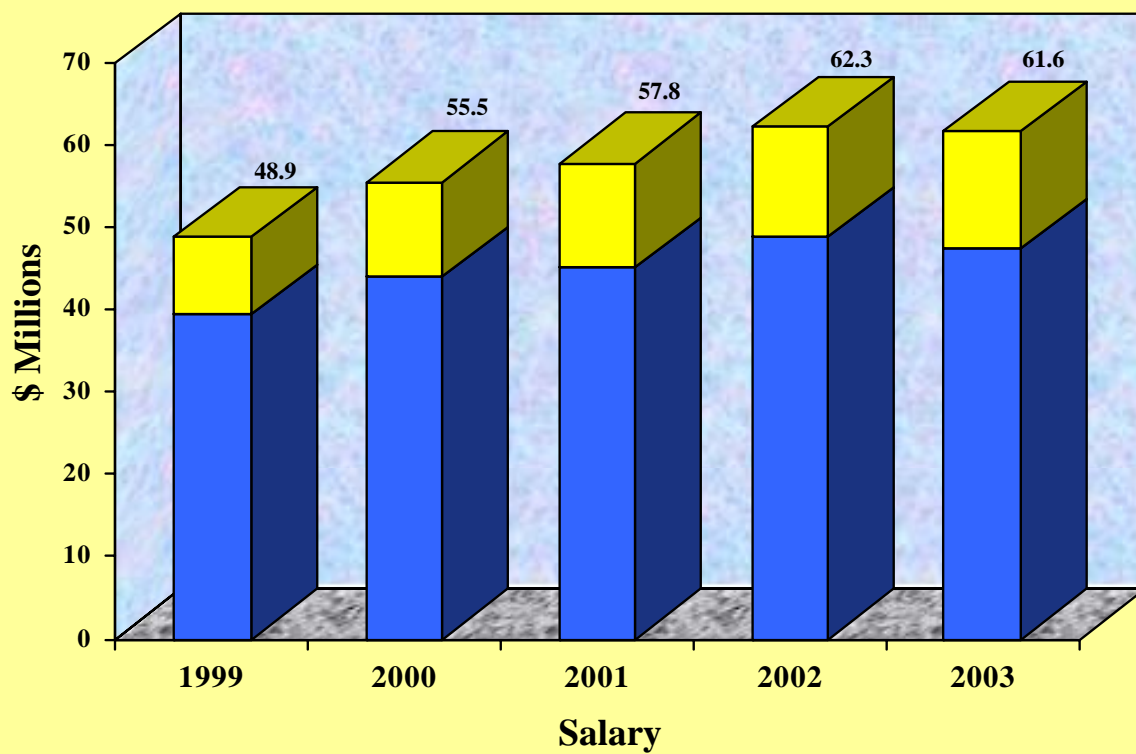
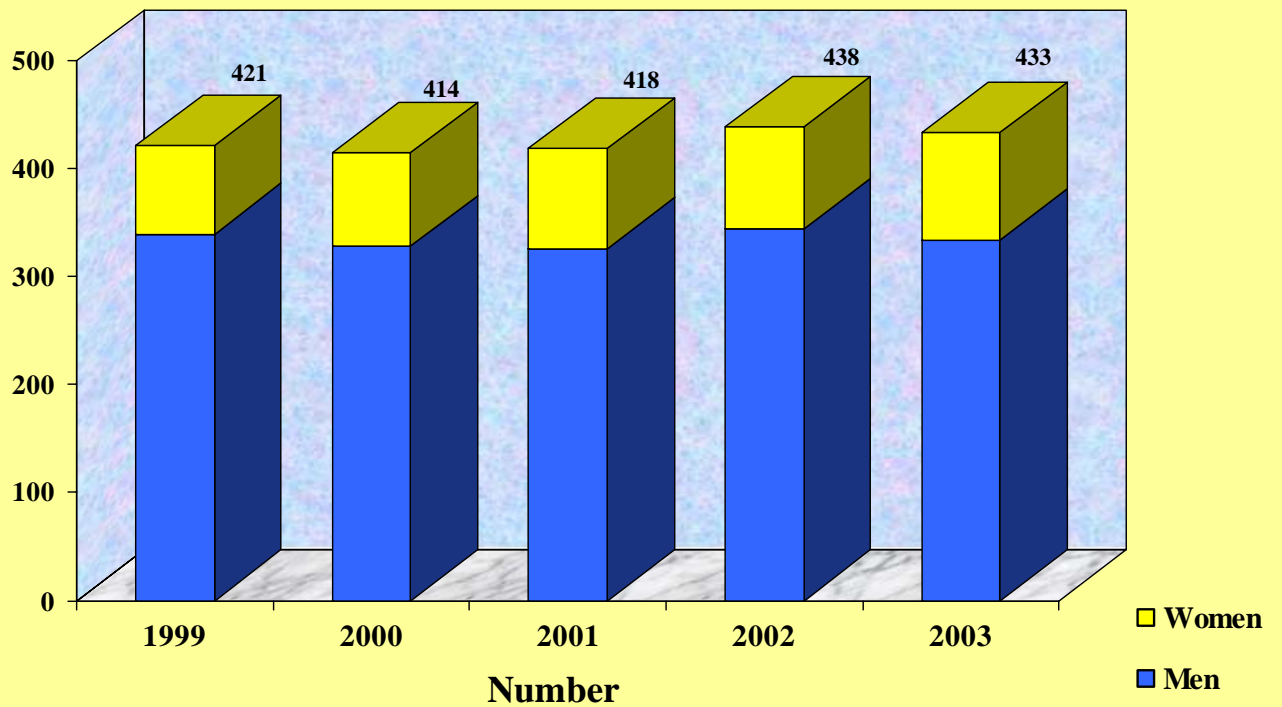
GROUP	2003		2002	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	4	\$ 130,582	2	\$ 51,425
Service Retirements	259	\$ 21,196,697	249	\$ 20,449,734
Disability Retirements	8	\$ 591,172	8	\$ 630,240
Beneficiaries	135	\$ 3,821,219	127	\$ 3,419,058

Appendix C provides a detailed distribution between groups.

Graphic presentations of the statistical data on membership for the five preceding years are shown on the following pages.

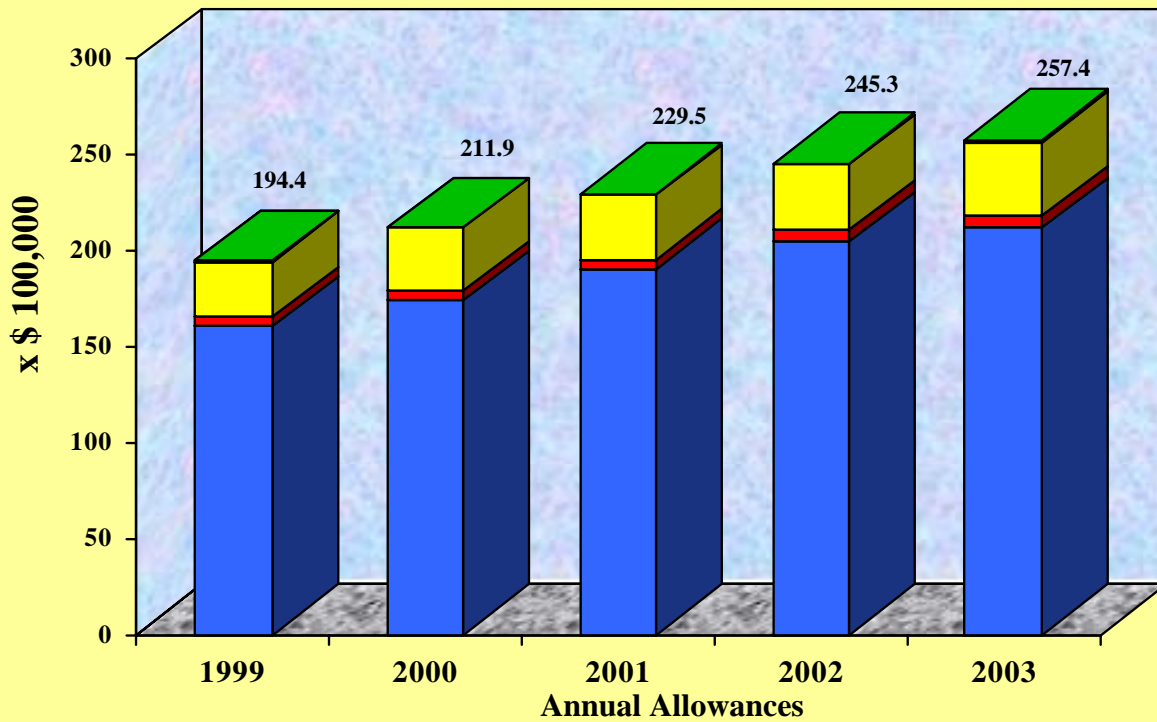
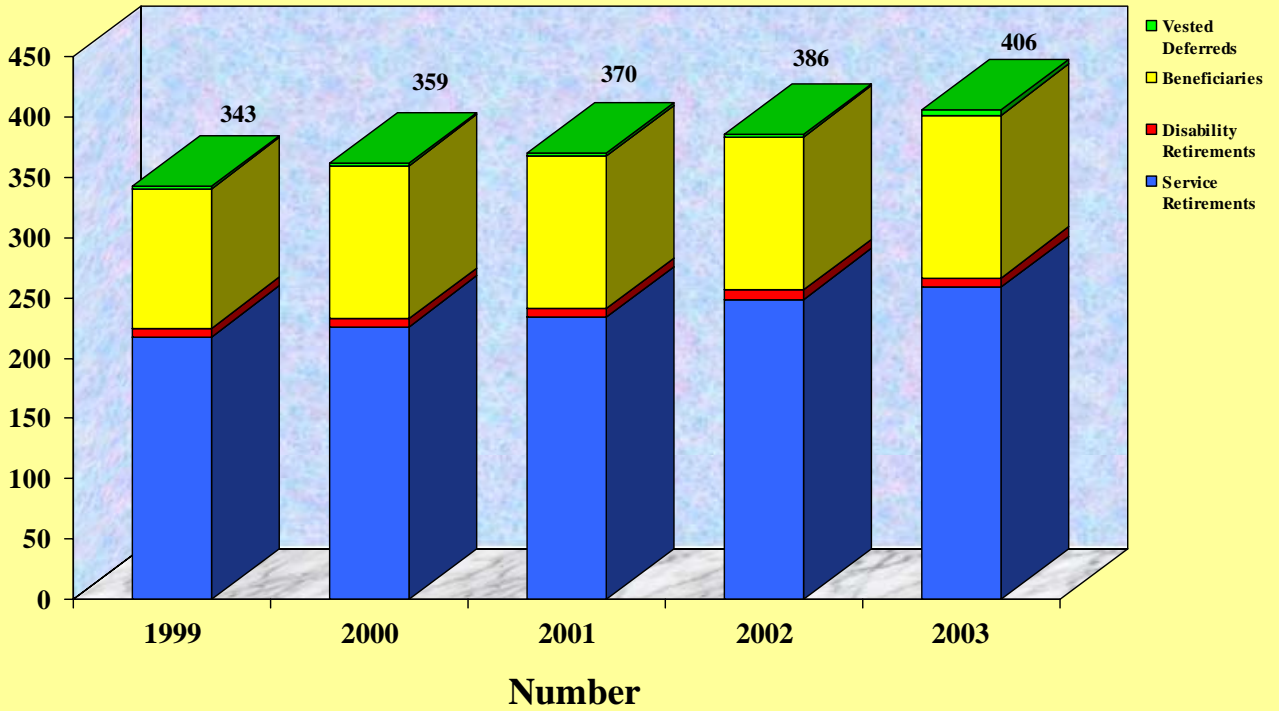
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF ACTIVE PARTICIPATION



THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF RETIRED PARTICIPATION



SECTION III - ASSETS, LIABILITIES AND CONTRIBUTIONS**A. Market Value of Assets as of June 30, 2003**

1.	Assets		
	a.	Cash	\$ 59,056
	b.	Investment Holdings	299,407,454
	c.	Interest Receivable on Investments	769,901
	d.	Members' Contributions Receivable	67,924
	e.	Loans Receivable	547,780
	f.	Dividends Receivable	649,963
	g.	Accounts Receivable – Other	0
	h.	Interest Receivable – Member Loans	<u>1,635</u>
	i.	Total	\$ 301,503,713
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 2,085,227
	b.	Accounts Payable and Accrued Expense	<u>20,428</u>
	c.	Total	\$ 2,105,655
3.	Preliminary Market Value of Assets as of June 30, 2003: 1(i) - 2(c)		\$ 299,398,058
4.	State Appropriations Receivable		<u>3,355,438*</u>
5.	Market Value of Assets as of June 30, 2003: 3 + 4		\$ 302,753,496

*The fiscal year 2004 required contribution of \$16,777,190 has been reduced by 80% to \$3,355,438 in accordance with the provisions of the Appropriation Act of 2003.

B. Reconciliation of Market Value of Assets: June 30, 2002 to June 30, 2003

1.	Market Value of Assets as of June 30, 2002		\$ 305,776,040
2.	Increases		
	a.	Members' Contributions	\$ 2,578,621
	b.	State Appropriations	8,467,287
	c.	Employers' Contributions – Transfer from other Systems	598,148
	d.	Investment Income	<u>7,700,448</u>
	e.	Total	\$ 19,344,504
3.	Decreases		
	a.	Withdrawal of Members	\$ 128,278
	b.	NCGI Premium Expense	240,883
	c.	Administrative Expenses	43,207
	d.	Benefit Payments	22,512,789
	e.	COLA Benefit Programs	<u>2,797,329</u>
	f.	Total	\$ 25,722,486
4.	Preliminary Market Value of Assets as of June 30, 2003: 1 + 2(e) – 3(f)		\$ 299,398,058
5.	State Appropriations Receivable		<u>\$ 3,355,438*</u>
6.	Market Value of Assets as of June 30, 2003: 4 + 5		\$ 302,753,496

*The fiscal year 2004 required contribution of \$16,777,190 has been reduced by 80% to \$3,355,438 in accordance with the provisions of the Appropriation Act of 2003.

C. Development of Actuarial Value of Assets as of July 1, 2003

The actuarial value of plan assets is determined using a five-year average of market value with write-up. The following summary shows the development of the actuarial value of plan assets for the current valuation.

1.	Actuarial Value of Assets as of July 1, 2002 (without State Appropriations Receivable)	\$	373,231,198
2.	Net Cash Flow excluding investment income		(14,078,430)
3.	Expected Investment Income at 8.75%		
	a. Interest on assets as of July 1, 2002	\$	32,657,730
	b. Interest on Net Cash Flow		(615,931)
	c. Total	\$	32,041,799
4.	Expected Actuarial Value of Assets as of July 1, 2003: 1. + 2. + 3.(c)	\$	391,194,567
5.	20% of Difference from Preliminary Market Value of Assets		(18,359,302)
6.	State Appropriations Receivable		3,355,438*
7.	Actuarial Value of Assets as of July 1, 2003 = 4. + 5. + 6.	\$	376,190,703

*The fiscal year 2004 required contribution of \$16,777,190 has been reduced by 80% to \$3,355,438 in accordance with the provisions of the Appropriation Act of 2003.

D. Present Value of Projected Benefits as of July 1, 2003

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	205,307,067
	b. Disability Retirement		4,312,868
	c. Beneficiaries		30,378,275
	d. Lump Sum Death Benefits		2,662,644
	e. Total	\$	242,660,854
2.	Terminated Vested Members	\$	1,244,864
3.	Active Participants		
	a. Service Retirement	\$	175,449,842
	b. Disability Retirement		6,121,208
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,462,210
	d. Lump Sum Death Benefit*		1,511,240
	e. Total	\$	187,544,500
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	431,450,218

*Excludes lump sum death benefits payable during active service.

E. Development of Excess Valuation Assets

Chapter 115, P.L. 1997 prescribed the procedure for determining the value of excess valuation assets. This law provided for a reduction in the normal contributions for the valuation periods ended June 30, 1996 and June 30, 1997 to the extent possible by the excess valuation assets and permitted the State Treasurer to reduce the normal contribution payable by the State for valuations after June 30, 1997 up to a specified portion of excess valuation assets (68% for the current valuation). The development of excess valuation assets is summarized as follows:

1. Valuation Assets	\$ 376,190,703
2. Actuarial Accrued Liability	<u>431,450,218</u>
3. Excess Valuation Assets = 1. - 2. (not less than zero)	\$ 0

F. Development of Normal Cost as of July 1, 2003

1. Service Retirement	\$ 15,408,621
2. Disability Retirement	904,474
3. Spousal Annuity Death Benefit (Pre-Retirement)	649,999
4. Lump Sum Death Benefit*	140,812
5. Term Cost Lump Sum Death Benefit During Active Service	<u>608,753</u>
6. Total	\$ 17,712,659

*Excludes lump sum death benefits payable during active service.

G. Development of State Contributions

1.	Present Value of Benefits	\$	431,450,218
2.	Actuarial Value of Assets		<u>376,190,703</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	55,259,515
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2004	\$	2,850,775
6. (a)	Gross Normal Cost	\$	17,712,659
(b)	Expected Member Contributions		<u>1,446,473</u>
(c)	State Normal Cost = (a) - (b)	\$	16,266,186
(d)	State Normal Cost payable July 1, 2004 = (c) * 1.0875	\$	17,689,477
(e)	Excess Valuation Assets*		<u>0</u>
(f)	State Net Normal Cost payable July 1, 2004 = (d) - (e)	\$	17,689,477
7.	Total Required Contribution as of July 1, 2004 = 5. + 6.(f)	\$	20,540,252**

*Excess Valuation Assets are allocated as follows:

1.	Excess Valuation Assets (from Section E)	\$	0
2.	Excess Valuation Assets as of July 1, 2004 = 1. * 1.0875	\$	0
3.	Reduction Due to Normal Contribution for the Valuation Period ending June 30, 2003 payable July 1, 2004 = .68 * 2 not greater than 6(d) above		<u>0</u>
4.	Net Excess Valuation Assets After Reductions as of July 1, 2004 = 2. - 3.	\$	0

**The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2005.

SECTION IV - COMMENTS CONCERNING THE VALUATION

The variation in liabilities and contributions reflects the System's actual experience during the year. The System experienced a net actuarial loss during the year that ended June 30, 2003.

The loss is primarily due to an actual return on System assets less than that expected. For valuation purposes, an 8.75% per annum rate of return was assumed. The actual return on the Fund's actuarial value of assets was approximately 3.74% for the period from July 1, 2002 through June 30, 2003. There was also an offsetting gain due to experience among active and retired participants.

The following shows the development of the actuarial experience and identifies the major experience components:

A. Calculation of Actuarial Experience for the Year Ended June 30, 2003

1.	Unfunded Accrued Liability as of July 1, 2002	\$	7,252,318
2.	Gross Normal Cost as of July 1, 2002		16,505,875
3.	Interest on (1) and (2)		2,078,842
4.	Actual Members' Contributions Received		2,578,621
5.	Employers' Contributions (including receivable and transfers from other funds)		3,953,586
6.	Interest on Contributions (excluding receivables)		<u>138,984</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2003 =(1) + (2) + (3) - (4) - (5) - (6)	\$	19,165,844
8.	Increase in Unfunded Liability due to assumption changes	\$	29,369,775
9.	Actual Unfunded Accrued Liability as of July 1, 2003	\$	55,259,515
10.	Actuarial (Gain)/Loss = (9) - (7) - (8)	\$	6,723,896

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$ 18,359,302
2.	Other (Gain)/Loss, including mortality, cost of living adjustments less than expected and changes in employee data	<u>(11,635,406)</u>
3.	Total Actuarial (Gain)/Loss	\$ 6,723,896

SECTION V - ACCOUNTING INFORMATION

Statement No. 5 of the Governmental Accounting Standards Board, issued November 1986, established standards of disclosure of pension information by public retirement systems. Statement No. 25 of the Governmental Accounting Standards Board, issued November 1994, established financial reporting standards for defined benefit pension plans and for the notes to the financial statements of defined contribution plans of state and local governmental liabilities and superseded Statement No. 5 effective for periods beginning after June 15, 1996. Statement No. 27, Accounting for Pensions by State and Local Governmental Employers superseded Statement 5 for employers participating in pension plans and is effective for periods beginning after June 15, 1997.

The information required by Statements No. 25 and No. 27 is presented in the following tables. These include the development of the Annual Required Contribution (ARC), the development of the Net Pension Obligation (NPO), the Schedule of Funding Progress and the Schedule of Employer Contributions.

(A) Development of the Annual Required Contribution (ARC) as of June 30, 2005:

1. Actuarial Value of Plan Assets as of June 30, 2003		
(a) Valuation Assets as of June 30, 2003	\$	376,190,703
(b) Adjustment for Receivable Contributions included in (a)		3,355,438
(c) Valuation Assets as of June 30, 2003 for GASB Disclosure = (a) - (b)	\$	372,835,265

2.	Actuarial Accrued Liability as of June 30, 2003 for GASB Disclosure	\$	431,450,218
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2003 = 2. - 1.(c)	\$	58,614,953
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$	2,780,577
5.	Normal Cost as of June 30, 2003	\$	16,266,186
6.	Annual Required Contribution as of June 30, 2005		
(a)	Annual Required Contribution as of June 30, 2003 = 4. + 5.	\$	19,046,763
(b)	Interest Adjustment to June 30, 2005		<u>3,479,010</u>
(c)	Annual Required Contribution as of June 30, 2005 = (a) + (b)	\$	22,525,773

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2005:

1.	Annual Required Contribution as of June 30, 2005	\$	22,525,773
2.	Interest on Net Pension Obligation		3,968,337
3.	Adjustment to Annual Required Contribution		<u>(2,339,679)</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$	24,154,431
5.	Expected Employer Contributions for Fiscal Year 2005	\$	20,540,252
6.	Increase in Net Pension Obligation = 4. - 5.	\$	3,614,179
7.	Net Pension Obligation at June 30, 2004		<u>45,352,422</u>
8.	Net Pension Obligation at June 30, 2005 = 6. + 7.	\$	48,966,601

(C) Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll $\frac{(b-a)}{c}$
6/30/1998	\$ 333,437,794	\$ 305,779,217	\$ (27,658,577)	109.0%	\$ 48,196,350	(57.4)%
6/30/1999	\$ 352,858,160	\$ 313,873,659	\$ (38,984,501)	112.4%	\$ 48,886,350	(79.7)%
6/30/2000	\$ 374,486,433	\$ 350,920,345	\$ (23,566,088)	106.7%	\$ 55,514,214	(42.5)%
6/30/2001	\$ 379,592,346	\$ 372,760,069	\$ (6,832,277)	101.8%	\$ 57,800,334	(11.8)%
6/30/2002	\$ 373,231,198	\$ 388,950,803	\$ 15,719,605	96.0%	\$ 61,873,500	25.4%
6/30/2003	\$ 372,835,265	\$ 431,450,218	\$ 58,614,953	86.4%	\$ 61,600,500	95.2%

(D) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
2000	\$ 13,407,153	\$ 0	0.0%
2001	\$ 12,816,557	\$ 0	0.0%
2002	\$ 15,575,602	\$ 0	0.0%
2003	\$ 16,913,237	\$ 8,467,286	50.1%
2004	\$ 18,720,233	\$ 3,355,438*	17.9%
2005	\$ 22,525,773	\$ 20,540,252**	91.2%

*The fiscal year 2004 required contribution has been revised to reflect the provisions of the Appropriation Act of 2003 which reduced the fiscal year 2004 contribution by 80% from \$16,777,190 to \$3,355,438.

**The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2005.

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

Valuation Date	June 30, 2003
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Dollar, closed
Remaining Amortization Period	30 years
Asset Valuation Method	Five Year Average of Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.75%
Projected Salary Increases	5.95%
Cost of Living Adjustments	60% of the maximum of the CPI increase and 4.0%

SECTION VI - LEVEL OF FUNDING

Although the value of accrued benefits and the funding ratios shown in the previous section are required for the State's financial statements, it is instructive to also look at these values under an alternative approach. For this purpose, we are presenting liabilities determined on a Financial Accounting Standards Board Statement No. 87 Accumulated Benefit Obligation (ABO) basis. This is the same approach as that used for the GASB Actuarial Accrued Liability except that no assumption is made as to future salary increases.

<u>FASB 87 ABO Funded Ratios</u>		
Actuarial present value of accumulated benefits:	June 30, 2003	June 30, 2002
Vested benefits		
Participants currently receiving payments	\$ 242,660,854	\$ 216,290,946
Other participants	86,886,317	61,842,506
	\$ 329,547,171	\$ 278,133,446
Non-vested benefits	58,065,091	46,436,199
Total	\$ 387,612,262	\$ 324,569,645
Assets at market value	\$ 302,753,496	\$ 314,243,327
Ratio of Assets to Total Present Value	78.1%	96.8%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.75% for both 2002 and 2003.

APPENDIX A

BRIEF SUMMARY OF THE BENEFIT AND
CONTRIBUTION PROVISIONS AS INTERPRETED
FOR VALUATION PURPOSES

Eligibility for Membership

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

1. Definitions

Plan Year	The 12-month period beginning on July 1 and ending on June 30.
Service	A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.
Final Salary	Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code).
Accumulated Deductions	The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.
Retirement Allowance	Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. Benefits

Service Retirement	<p>(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:</p> <ul style="list-style-type: none"> (a) Age 70 and 10 years of judicial service; (b) Age 65 and 15 years of judicial service; or (c) Age 60 and 20 years of judicial service. <p>Benefit is an annual retirement allowance equal to 75% of final salary.</p> <p>(B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or</p> <p>Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.</p>
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Benefit is an annual retirement allowance equal to 50% of final salary.

- (C) Age 60 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years.
- (D) Age 60 while serving as a judge. Benefit is an annual retirement allowance equal to 2% of final salary for each year of judicial service up to 25 years plus 1% for each year in excess of 25 years.

Early Retirement Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.

Vested Termination Termination of service prior to age 60, with 5 consecutive years of judicial service and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% for service in excess of 25 years.

Death Benefits

Before Retirement Death of an active member of the plan. Benefit is equal to:

- (a) Lump sum payment equal to 1-1/2 times final salary, plus
- (b) Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

After Retirement Death of a retired member of the plan. Benefit is equal to:

- (a) Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60, plus

- (b) Spousal life annuity of 25% of final salary plus 10% (15%) to one (two or more) surviving children payable until spouse's death or remarriage. If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement

Physically or otherwise incapacitated for the full and efficient service to State in his judicial capacity and such incapacity is likely to be permanent. Benefit is an annual retirement allowance of 75% of final salary.

Member Contributions

Any member enrolled prior to January 1, 1996 contributes 3% of the difference between current salary and salary for that position on January 18, 1982. Members enrolled on and after January 1, 1996 contribute 3% of their full salary.

APPENDIX B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION INTEREST RATE: 8.75% per annum, compounded annually.

COLA: 4.0% per annum, compounded annually. The COLA is 60% of the cumulative increase.

SALARY INCREASES: Salaries are assumed to increase by 5.95% per year for inflation.

SEPARATIONS FROM SERVICE: Representative mortality and disability rates are as follows:

<u>Age</u>	<u>Lives per Thousand</u>		
	<u>Male</u>	<u>Female</u>	<u>Disability</u>
30	0.46	0.34	0.22
35	0.61	0.48	0.26
40	0.86	0.67	0.33
45	1.24	1.01	0.64
50	2.18	1.65	1.14
55	3.91	2.54	1.97
60	6.13	4.24	3.26
65	9.16	7.06	4.73

DEATHS AFTER RETIREMENT: Illustrative rates of mortality for retired members are shown below:

<u>Age</u>	<u>Lives Per Thousand</u>				
	<u>Retired Members</u>		<u>Beneficiaries of Deceased Members</u>		<u>Disabled Males and Females</u>
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>	
55	4.8	2.5	4.8	2.5	11.1
60	7.1	4.2	7.1	4.2	19.8
65	11.1	7.1	11.1	7.1	33.4
70	19.8	12.4	19.8	12.4	54.8
75	33.4	24.0	33.4	28.8	89.3
80	39.6	39.7	39.6	39.7	133.9
85	59.8	59.6	59.8	59.6	190.5
90	109.6	79.3	79.3	79.3	264.0

RETIREMENT: It was assumed that the probability of retirement at age 65 for those judges who have 12 or more years of judicial service at age 65 is at 25% per year. In addition, retirement for members who have attained age 60 with 20 years of judicial service or attained age 65 with 15 years judicial service is at 30% at age 60, 25% at age 65 and 20% for all other ages between ages 60 and 70. At age 70, all remaining active members are assumed to retire.

VALUATION METHOD: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions.

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

ASSET VALUATION METHOD: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five-year period.

APPENDIX C**TABULATIONS USED AS A BASIS FOR THE 2003 VALUATION**

The following table gives a reconciliation of data from July 1, 2002 to June 30, 2003. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2003 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2003.

TABLE 1

RECONCILIATION OF DATA FROM JULY 1, 2002 TO JUNE 30, 2003

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2002	435	3	2	238	2	3	8	121	6	6	824
Status Change: To Contributing To Noncontributing											
New Deferred Vested	-1	-2	3								
New Terminated Non-Vested	-3	-1									-4
New Service Retirement	-22			22							
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled											
New Death				-13				-4			-17
Payments Begin											
New Beneficiaries								13			13
End of Payments									-1		-1
New Actives	23										23
Rehires	1		-1								
Data Corrections						1					1
Members as of June 30, 2003	433	0	4	247	2	4	8	130	5	6	839

TABLE 2

DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE

AGE	SERVICE	1	5	10	15	20	25	30	35	TOTAL
20	Number									
	Salary									
25	Number									
	Salary									
30	Number									
	Salary									
35	Number									
	Salary									
40	Number	7	2							9
	Salary	987,000	282,000							1,269,000
45	Number	13	13	8						34
	Salary	1,833,000	1,850,500	1,137,000						4,820,500
50	Number	21	24	21	8					74
	Salary	2,978,500	3,401,500	2,988,000	1,137,000					10,505,000
55	Number	19	32	38	25	4				118
	Salary	2,679,000	4,512,000	5,384,250	3,572,500	582,000				16,729,750
60	Number	9	17	39	19	28	3			115
	Salary	1,269,000	2,397,000	5,549,750	2,699,500	4,025,250	440,500			16,381,000
63	Number	3	6	7	16	10	3			45
	Salary	423,000	855,000	1,005,000	2,282,250	1,428,000	446,750			6,440,000
66 and over	Number		7	7	10	5	3	6		38
	Salary		1,027,750	987,000	1,410,000	705,000	446,750	878,750		5,455,250
TOTAL	Number	72	101	120	78	47	9	6		433
	Salary	10,169,500	14,325,750	17,051,000	11,101,250	6,740,250	1,334,000	878,750		61,600,500

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2003

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
40				
41			2	\$ 282,000
42	1	\$ 141,000	5	705,000
43	2	282,000	1	141,000
44	1	158,500	1	141,000
45	7	987,000	2	282,000
46	4	564,000		
47	5	714,000	5	705,000
48	5	705,000	5	705,000
49	7	987,000	7	1,013,500
50	9	1,269,000	5	705,000
51	15	2,141,500	2	291,000
52	13	1,833,000	2	282,000
53	16	2,270,750	7	987,000
54	12	1,692,000	10	1,415,750
55	16	2,256,000	8	1,128,000
56	24	3,416,750	3	432,000
57	13	1,842,000	3	437,750
58	26	3,680,750	4	564,000
59	21	2,984,750	3	423,000
60	17	2,406,000	5	714,000
61	27	3,854,000	3	449,500
62	16	2,279,750	2	291,000
63	16	2,274,000	2	282,000
64	13	1,869,000	2	287,750
65	10	1,430,500	5	714,000
66	9	1,307,000	1	150,000
67	12	1,692,000	2	305,250
68	6	873,000	1	141,000
69	8	1,142,750	1	150,000
70	3	423,000		
TOTAL	334	\$ 47,476,000	99	\$ 14,124,500

Of the 433 active members included in the June 30, 2003 valuation data, 151 are vested and 282 have not yet completed the vesting service requirement.

TABLE 4
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2003

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	4	\$ 564,000	1	\$ 141,000
1	29	4,106,500	8	1,128,000
2	24	3,384,000	6	846,000
3	15	2,132,500	7	1,004,500
4	17	2,414,500	5	705,000
5	14	1,974,000	6	846,000
6	16	2,265,000	12	1,692,000
7	7	987,000	2	305,250
8	23	3,252,000	3	432,000
9	3	423,000	3	432,000
10	19	2,697,000	10	1,428,000
11	23	3,257,750	5	719,750
12	26	3,698,750	5	710,750
13	9	1,283,750	2	282,000
14	20	2,834,750	8	1,128,000
15	12	1,706,750	1	150,000
16	9	1,274,750	2	296,750
17	14	2,003,500	1	141,000
18	2	291,000	4	573,000
19	13	1,877,500	3	423,000
20	8	1,133,750	2	282,000
21	5	705,000		
22	9	1,305,000	1	150,000
23	1	150,000		
24	1	141,000		
25	2	287,750	1	158,500
26	2	300,000		
27	2	296,750		
28				
29				
30	4	578,750	1	150,000
31	1	150,000		
TOTAL	334	\$ 47,476,000	99	\$ 14,124,500

Of the 433 active members included in the June 30, 2003 valuation data, 151 are vested and 282 have not yet completed the vesting service requirement.

TABLE 5

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
57	1	\$ 51,916		
60	1	15,283		
61	1	112,500	1	\$ 78,442
62	5	473,635	1	103,337
63	5	503,721		
64	6	469,547		
66	10	869,189		
67	7	616,315	2	123,513
68	8	650,152	1	16,665
69	13	1,121,685	1	111,704
70	10	883,172	2	49,871
71	18	1,582,857	1	47,443
72	10	960,747	3	223,564
73	18	1,683,856	1	102,093
74	15	1,278,245	1	91,898
75	8	586,815	2	176,498
76	12	1,062,727		
77	11	841,043	1	20,662
78	7	603,626		
79	17	1,353,061		
80	9	752,713		
81	3	262,406	1	88,571
82	11	813,339	1	80,036
83	6	451,034		
84	4	273,509		
85	3	205,184		
86	4	260,098		
87	4	238,738		
88	4	282,715		
89	1	82,794		
91	1	77,823		
92	2	138,775		
93	2	111,348		
94	1	76,210		
95	1	71,956		
96	1	63,664		
TOTAL	240	\$ 19,882,400	19	\$ 1,314,297

TABLE 6

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
67	1	\$ 49,783		
69	1	85,355		
72	1	103,337		
77	2	126,872		
79	1	76,172		
83	1	82,646		
93	1	67,007		
TOTAL	8	\$ 591,172		

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
61			1	\$ 35,250
64	1	\$ 30,633	1	24,169
66			3	86,651
67			2	60,931
68			1	29,523
69			2	59,084
70			2	58,154
72			2	53,403
74			2	57,532
79			1	24,169
82			1	22,017
83			2	47,162
85			1	22,063
86			2	42,306
89			1	25,031
93			1	24,416
TOTAL	1	\$ 30,633	25	\$ 671,862

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
14	1	\$ 8,251		
18	1	8,251		
46			1	\$ 11,589
52			2	61,949
55	1	10,156	1	34,446
56			1	25,391
57			1	35,758
58	1	10,671		
63			1	34,291
66			2	60,294
67			2	55,465
68			1	35,250
69			1	31,050
70			3	100,174
71			3	92,686
72			2	64,000
73			2	49,520
74			1	28,972
75			4	118,171
76			2	57,061
77			3	92,750
78			2	70,544
79			7	224,647
80			8	282,988
81			7	204,925
82			2	58,273
83			4	104,922
84			1	28,750
85			6	166,299
86			2	57,500
87			3	71,145
88			3	71,641
89			5	146,699
90			6	178,923
91			4	96,653
92			3	72,739
93			1	19,982
95			2	82,770
96			3	87,471
97			2	44,458
98			1	21,250
TOTAL	4	\$ 37,329	105	\$ 3,081,395

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2003**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
50	1	\$ 27,555		
57	1	33,110		
58	1	21,250		
60	1	48,667		
TOTAL	4	\$ 130,582		