

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2004**

June 6, 2005

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, 2004 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, 2004 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2004.

The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, has approved a change in the economic assumptions used for the valuation. The rate of investment return has been revised from 8.75% per annum to 8.25% per annum, the assumed future salary increases has been revised from 5.95% per annum to 5.45% per annum, and the Cost-of-Living Adjustment assumption for future benefit increases has been revised from 4.0% per annum to 3.0% per annum.

The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2005 (30% of the contribution recommended for the July 1, 2003 valuation has been included as a receivable contribution for this valuation).

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, 2004

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, 2004, 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, 2004	July 1, 2003
Number of Members	433	433
Annual Compensation	\$ 61,576,750	\$ 61,600,500
Number of Retirees and Beneficiaries	417	402
Annual Allowances	\$ 27,442,244	\$ 25,609,088
Number of Vested Terminated Members	4	4
Annual Allowances	\$ 130,582	\$ 130,582
<u>Assets</u>		
Market Value of Assets	\$ 328,542,236**	\$ 302,753,496
Valuation Assets	\$ 377,892,239**	\$ 376,190,703
<u>Contribution Amounts</u>		
Normal Contribution	\$ 16,934,252	\$ 17,689,477
Accrued Liability Contribution	4,134,655	2,850,775
Total Contribution	\$ 21,068,907***	\$ 20,540,252*

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

** Assets include a fiscal year 2005 receivable contribution that assumes that 30% of the contribution recommended for the July 1, 2003 valuation will be paid (potential effect of the Appropriation Act for fiscal year 2005).

*** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2006.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A. There were no changes from the provisions and funding policy used in the previous valuation. However, the valuation does reflect the potential effect of the Appropriation Act for fiscal year 2005 (30% of the contribution recommended for the July 1, 2003 valuation has been included as a receivable contribution for this valuation).

The actuarial assumptions and methods used for valuing the Fund are summarized in Appendix B. The valuation reflects a change in the assumed rate of investment return from 8.75% to 8.25%, a decrease in the rate of annual salary increases from 5.95% to 5.45%, and a decrease in the Cost-of-Living Adjustment from 4.0% to 3.0% per year. The Treasurer, upon recommendation from the Directors of the Division of Pensions and Benefits and the Division of Investments, has approved these changes in order to better reflect the expected investment return for the System's current investment portfolio. 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.

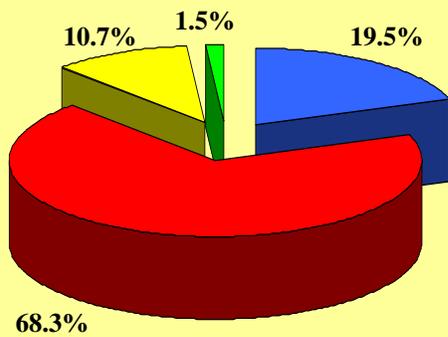
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2003 and July 1, 2004 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

**TABLE I
COMPARATIVE BALANCE SHEET**

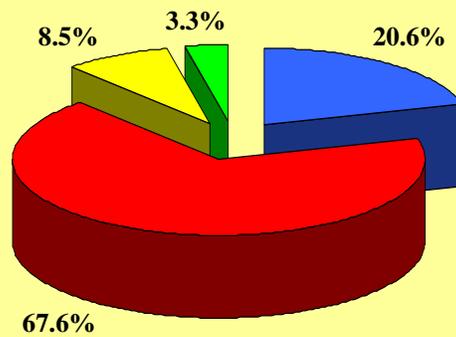
<u>ASSETS</u>	2004	2003
Actuarial value of assets of Fund	\$ 377,892,239	\$ 376,190,703
Unfunded accrued liability/(surplus)	68,030,119	55,259,515
Total Assets	\$ 445,922,358	\$ 431,450,218
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 259,849,101	\$ 242,660,854
Present value of benefits to present active members	186,073,257	188,789,364
Total Liabilities	\$ 445,922,358	\$ 431,450,218

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

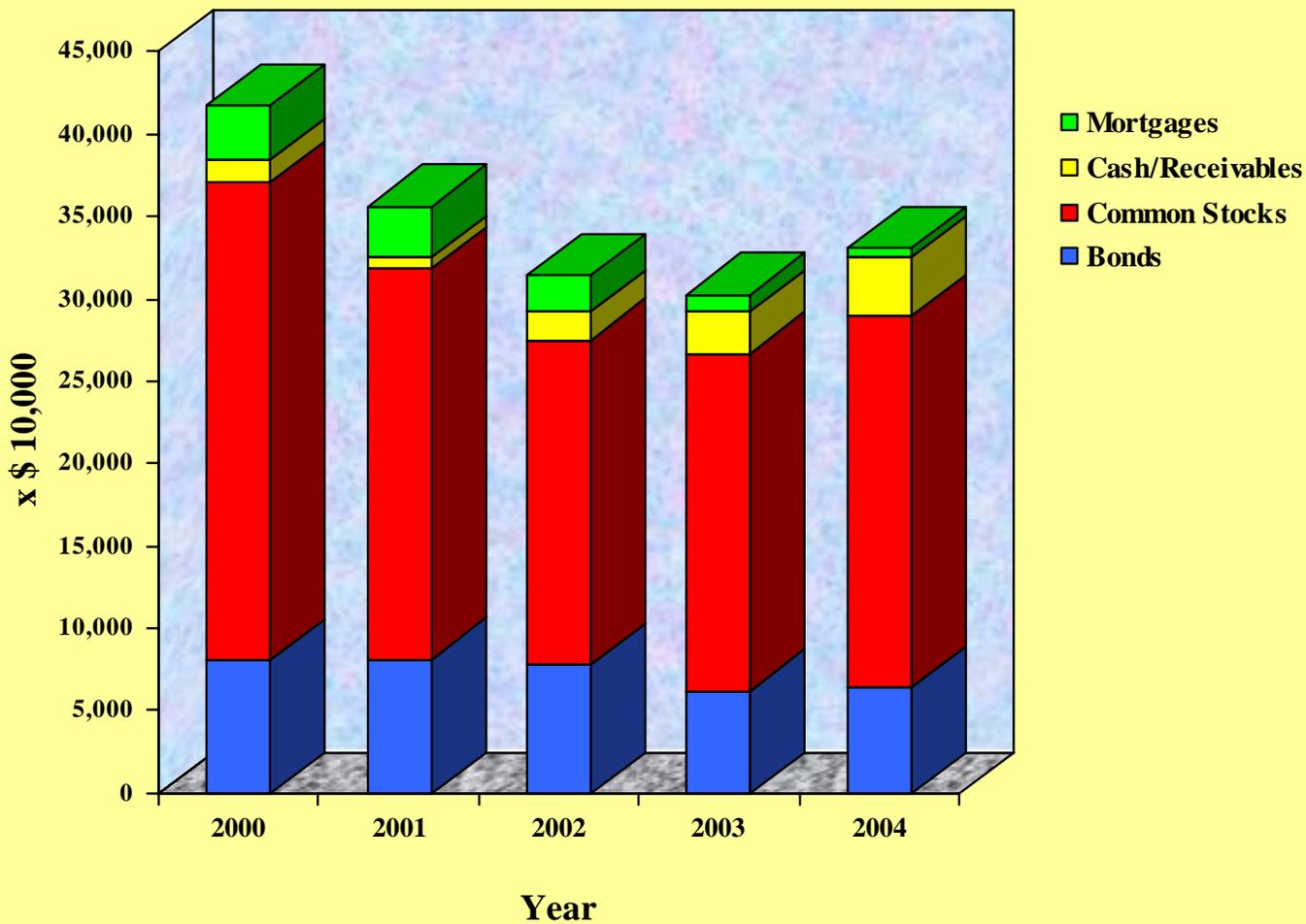
ASSET ALLOCATION MARKET VALUE



2004



2003



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, 2003 and July 1, 2004 by various categories.

ACTIVE MEMBERSHIP

Group	2004		2003	
	Number	Annual Compensation	Number	Annual Compensation
Men	331	\$ 47,047,250	334	\$ 47,476,000
Women	102	\$ 14,529,500	99	\$ 14,124,500

RETIRED MEMBERS AND BENEFICIARIES

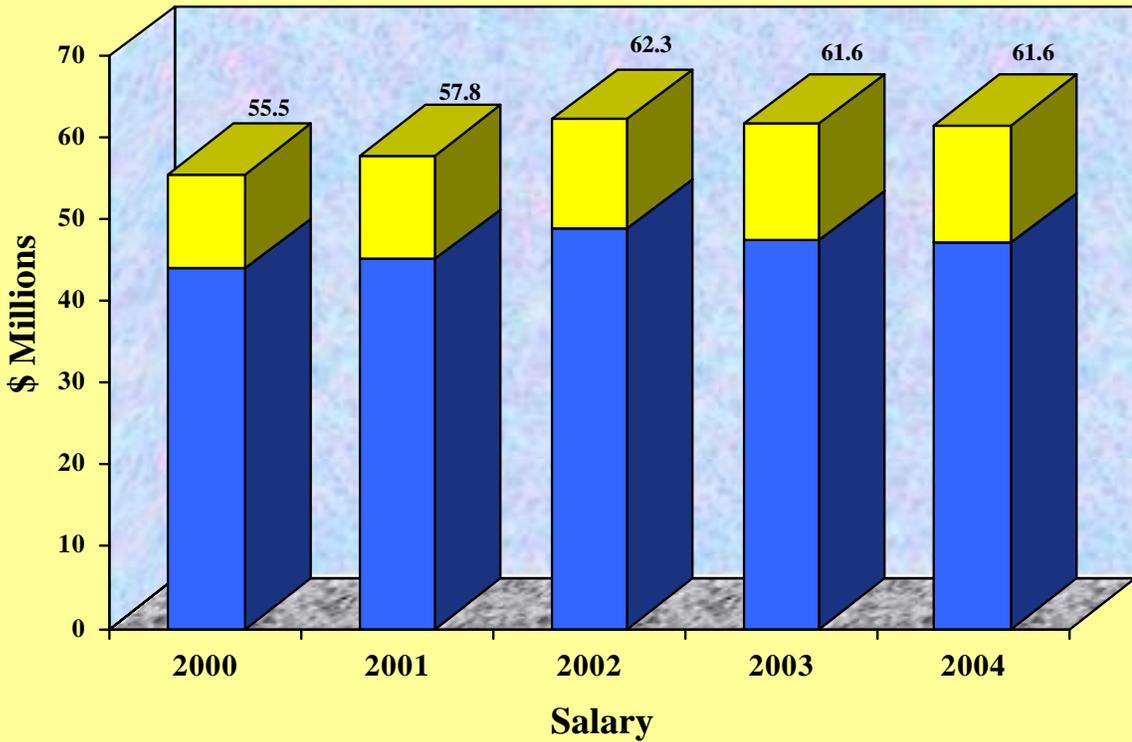
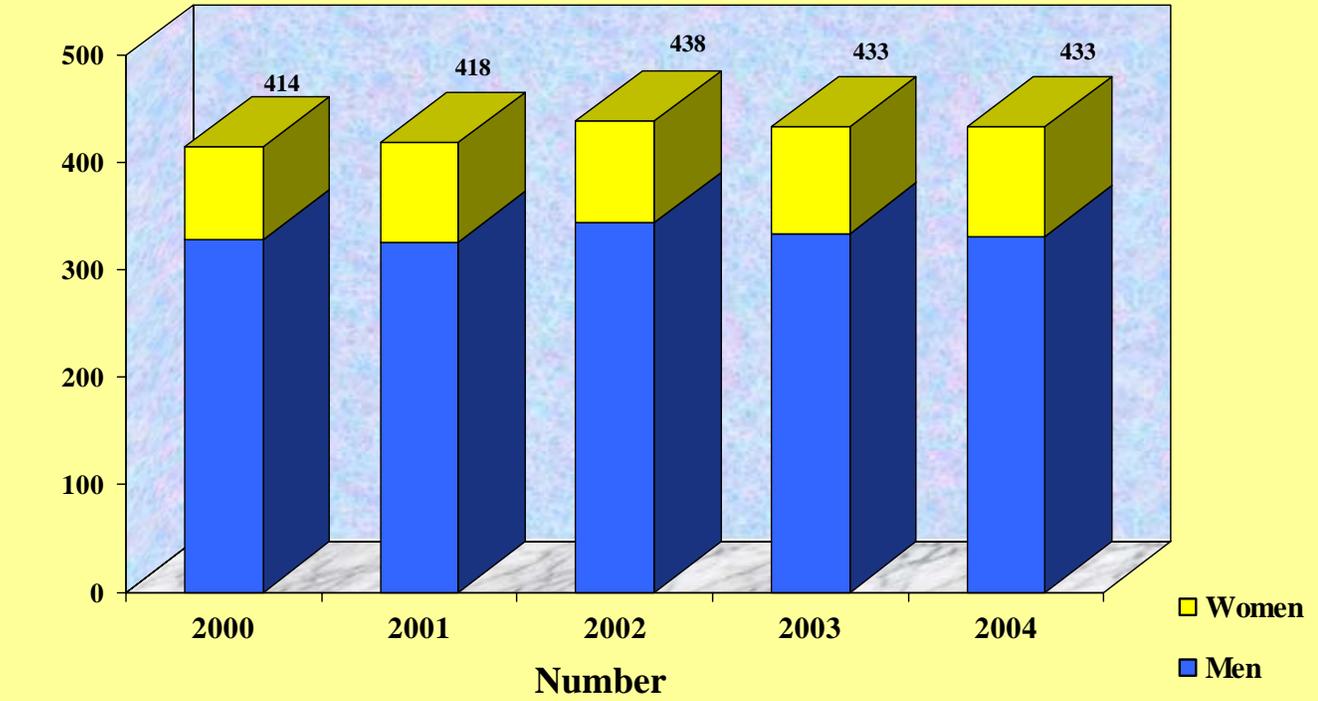
GROUP	2004		2003	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	4	\$ 130,582	4	\$ 130,582
Service Retirements	268	\$ 22,434,382	259	\$ 21,196,697
Disability Retirements	7	\$ 539,357	8	\$ 591,172
Beneficiaries	142	\$ 4,468,505	135	\$ 3,821,219

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.

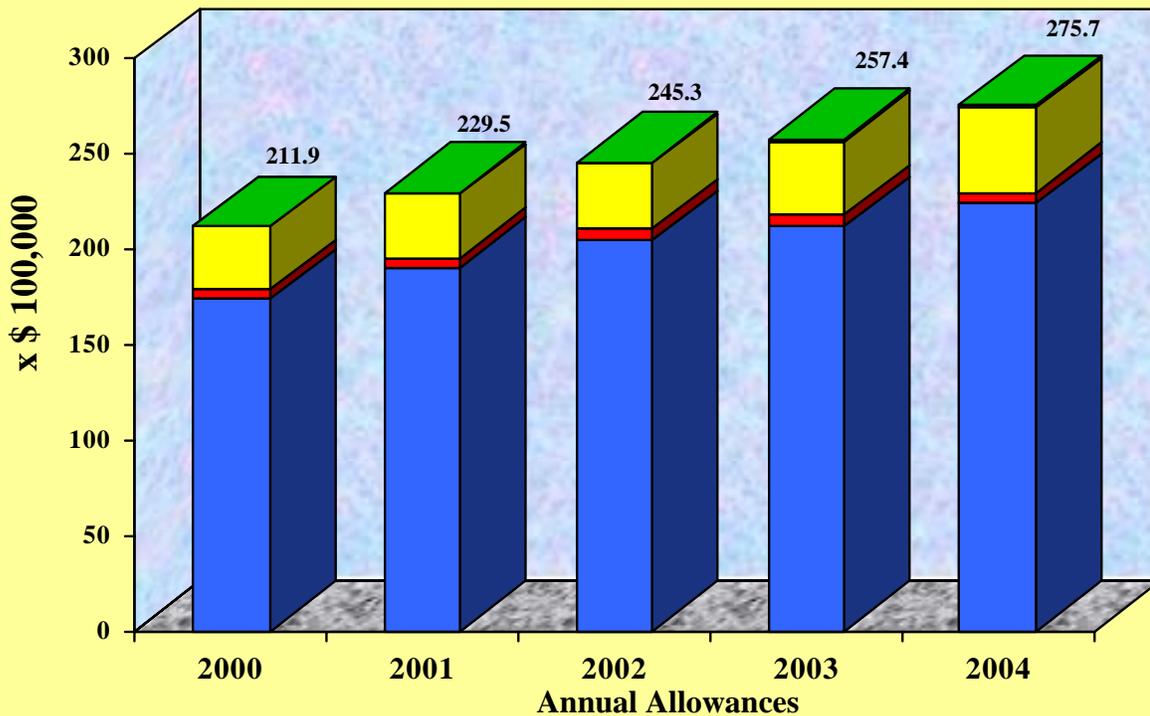
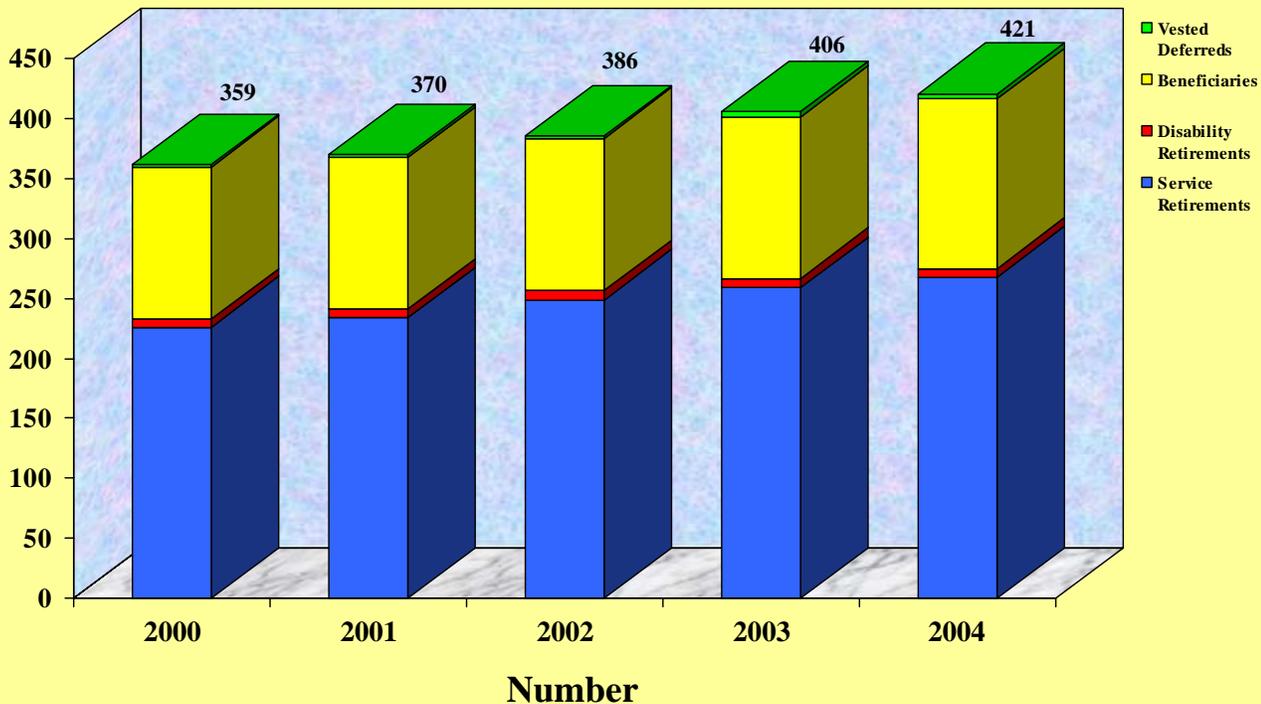
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

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, 2004**

1.	Assets		
	a.	Cash	\$ 15,943
	b.	Investment Holdings	322,560,760
	c.	Interest Receivable on Investments	653,932
	d.	Members' Contributions Receivable	66,107
	e.	Loans Receivable	608,411
	f.	Dividends Receivable	712,943
	g.	Accounts Receivable – Other	0
	h.	Interest Receivable – Member Loans	<u>1,635</u>
	i.	Total	\$ 324,619,731
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 2,219,424
	b.	Accounts Payable and Accrued Expense	<u>20,147</u>
	c.	Total	\$ 2,239,571
3.	Preliminary Market Value of Assets as of June 30, 2004: 1(i) - 2(c)		\$ 322,380,160
4.	State Appropriations Receivable		<u>6,162,076*</u>
5.	Market Value of Assets as of June 30, 2004: 3 + 4		\$ 328,542,236

*The amount shown as the fiscal year 2005 receivable contribution assumes that 30% of the contribution recommended for the July 1, 2003 valuation will be paid (potential effect of the Appropriation Act for fiscal year 2005).

B. Reconciliation of Market Value of Assets: June 30, 2003 to June 30, 2004

1.	Market Value of Assets as of June 30, 2003		\$ 299,398,058
2.	Increases		
	a.	Members' Contributions	\$ 1,795,721
	b.	State Appropriations	3,355,438
	c.	Employers' Contributions – Transfer from other Systems	1,588,988
	d.	Investment Income	<u>43,476,173</u>
	e.	Total	\$ 50,216,320
3.	Decreases		
	a.	Withdrawal of Members	\$ 0
	b.	NCGI Premium Expense	487,548
	c.	Administrative Expenses	169,825
	d.	Benefit Payments	23,787,468
	e.	COLA Benefit Programs	<u>2,789,377</u>
	f.	Total	\$ 27,234,218
4.	Preliminary Market Value of Assets as of June 30, 2004: 1 + 2(e) – 3(f)		\$ 322,380,160
5.	State Appropriations Receivable		<u>6,162,076*</u>
6.	Market Value of Assets as of June 30, 2004: 4 + 5		\$ 328,542,236

*The amount shown as the fiscal year 2005 receivable contribution assumes that 30% of the contribution recommended for the July 1, 2003 valuation will be paid (potential effect of the Appropriation Act for fiscal year 2005).

C. Development of Actuarial Value of Assets as of July 1, 2004

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, 2003 (without State Appropriations Receivable)	\$	372,835,265
2.	Net Cash Flow excluding investment income		(20,494,071)
3.	Expected Investment Income at 8.75%		
	a. Interest on assets as of July 1, 2003	\$	32,623,086
	b. Interest on Net Cash Flow		(896,616)
	c. Total	\$	31,726,470
4.	Expected Actuarial Value of Assets as of July 1, 2004: 1. + 2. + 3.(c)	\$	384,067,664
5.	20% of Difference from Preliminary Market Value of Assets		(12,337,501)
6.	State Appropriations Receivable		6,162,076*
7.	Actuarial Value of Assets as of July 1, 2004 = 4. + 5. + 6.	\$	377,892,239

*The amount shown as the fiscal year 2005 receivable contribution assumes that 30% of the contribution recommended for the July 1, 2003 valuation will be paid (potential effect of the Appropriation Act for fiscal year 2005).

D. Present Value of Projected Benefits as of July 1, 2004

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	218,119,496
	b. Disability Retirement		3,896,659
	c. Beneficiaries		34,983,236
	d. Lump Sum Death Benefits		2,849,710
	e. Total	\$	259,849,101
2.	Terminated Vested Members	\$	1,447,369
3.	Active Participants		
	a. Service Retirement	\$	172,378,630
	b. Disability Retirement		6,166,240
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,472,690
	d. Lump Sum Death Benefit*		1,608,328
	e. Total	\$	184,625,888
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	445,922,358

*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 (50% for the current valuation). The development of excess valuation assets is summarized as follows:

1. Valuation Assets	\$ 377,892,239
2. Actuarial Accrued Liability	<u>445,922,358</u>
3. Excess Valuation Assets = 1. - 2. (not less than zero)	\$ 0

F. Development of Normal Cost as of July 1, 2004

1. Service Retirement	\$ 14,980,664
2. Disability Retirement	871,038
3. Spousal Annuity Death Benefit (Pre-Retirement)	622,589
4. Lump Sum Death Benefit*	145,991
5. Term Cost Lump Sum Death Benefit During Active Service	<u>481,459</u>
6. Total	\$ 17,101,741

*Excludes lump sum death benefits payable during active service.

G. Development of State Contributions

1.	Present Value of Benefits	\$	445,922,358
2.	Actuarial Value of Assets		<u>377,892,239</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	68,030,119
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2005	\$	4,134,655
6. (a)	Gross Normal Cost	\$	17,101,741
(b)	Expected Member Contributions		<u>1,458,090</u>
(c)	State Normal Cost = (a) - (b)	\$	15,643,651
(d)	State Normal Cost payable July 1, 2005 = (c) * 1.0825	\$	16,934,252
(e)	Excess Valuation Assets*		<u>0</u>
(f)	State Net Normal Cost payable July 1, 2005 = (d) - (e)	\$	16,934,252
7.	Total Required Contribution as of July 1, 2005 = 5. + 6.(f)	\$	21,068,907**

*Excess Valuation Assets are allocated as follows:

1.	Excess Valuation Assets (from Section E)	\$	0
2.	Excess Valuation Assets as of July 1, 2005 = 1. * 1.0825	\$	0
3.	Reduction Due to Normal Contribution for the Valuation Period ending June 30, 2004 payable July 1, 2005 = .50 * 2 not greater than 6(d) above		<u>0</u>
4.	Net Excess Valuation Assets After Reductions as of July 1, 2005 = 2. - 3.	\$	0

**Contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2006.

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 gain during the year that ended June 30, 2004.

The gain is primarily due to experience among active and retired participants. For valuation purposes, a 5.95% per annum salary increase rate for actives was assumed. There were no salary increases for continuing active members for the period July 1, 2003 through June 30, 2004. In addition, the cost of living adjustment for current retired members was less than that expected.

There was also a loss due to an actual return on System assets less than 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 5.35% for the period from July 1, 2003 through June 30, 2004.

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, 2004

1.	Unfunded Accrued Liability as of July 1, 2003	\$	55,259,515
2.	Gross Normal Cost as of July 1, 2003		17,712,659
3.	Interest on (1) and (2)		6,385,065
4.	Actual Members' Contributions Received		1,795,721
5.	Employers' Contributions (including receivable and transfers from other funds)		7,751,060
6.	Interest on Contributions (excluding receivables)		<u>148,081</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2004 =(1) + (2) + (3) - (4) - (5) - (6)	\$	69,662,377
8.	Net Change in Unfunded Accrued Liability due to Revised Economic Assumptions	\$	854,534
9.	Actual Unfunded Accrued Liability as of July 1, 2004	\$	68,030,119
10.	Actuarial (Gain)/Loss = (9) - (7) - (8)	\$	(2,486,792)

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$ 12,337,501
2.	Other (Gain)/Loss, including mortality, cost of living adjustments less than expected, changes in employee data and clarification of System pay limitation level	<u>(14,824,293)</u>
3.	Total Actuarial (Gain)/Loss	\$ (2,486,792)

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, 2006:

1. Actuarial Value of Plan Assets as of June 30, 2004	
(a) Valuation Assets as of June 30, 2004	\$ 377,892,239
(b) Adjustment for Receivable Contributions included in (a)	6,162,076
(c) Valuation Assets as of June 30, 2004 for GASB Disclosure = (a) - (b)	\$ 371,730,163

2.	Actuarial Accrued Liability as of June 30, 2004 for GASB Disclosure	\$	445,922,358
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2004 = 2. - 1.(c)	\$	74,192,195
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$	4,165,513
5.	Normal Cost as of June 30, 2004	\$	15,643,651
6.	Annual Required Contribution as of June 30, 2006		
(a)	Annual Required Contribution as of June 30, 2004 = 4. + 5.	\$	19,809,164
(b)	Interest Adjustment to June 30, 2006		<u>3,403,338</u>
(c)	Annual Required Contribution as of June 30, 2006 = (a) + (b)	\$	23,212,502

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2006:

1.	Annual Required Contribution as of June 30, 2006	\$	23,212,502
2.	Interest on Net Pension Obligation		(1,378,875)
3.	Adjustment to Annual Required Contribution		<u>1,015,802</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$	22,849,429
5.	Expected Employer Contributions for Fiscal Year 2006	\$	21,068,907
6.	Increase in Net Pension Obligation = 4. - 5.	\$	1,780,522
7.	Net Pension Obligation at June 30, 2005		<u>(16,713,641)*</u>
8.	Net Pension Obligation at June 30, 2006 = 6. + 7.	\$	(14,933,119)

*The June 30, 2005 Net Pension Obligation amount has been revised from the amount shown in the prior year's report to reflect the net reduction in employer contributions as mandated by the Appropriation Act of 2003 and the potential impact of the Appropriation Act for fiscal year 2005.

(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 $\frac{(b-a)}{c}$
6/30/1999	\$ 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%
6/30/2004	\$ 371,730,163	\$ 445,922,358	\$ 74,192,195	83.4%	\$ 61,576,750	120.5%

(D) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
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	\$ 6,162,076*	27.4%
2006	\$ 23,212,502	\$ 21,068,907**	90.8%

* The fiscal year 2005 required contribution of \$20,540,252 has been reduced by 70% to \$6,162,076 in anticipation of the Appropriation Act for fiscal year 2005 provisions.

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2006.

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

Valuation Date	June 30, 2004
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	8.25%
Projected Salary Increases	4.0%
Cost of Living Adjustments	60% of the maximum of the CPI increase and 3.0%

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, 2004	June 30, 2003
Vested benefits		
Participants currently receiving payments	\$ 259,849,101	\$ 242,660,854
Other participants	90,541,816	86,886,317
	\$ 350,390,917	\$ 329,547,171
Non-vested benefits	60,080,269	58,065,091
Total	\$ 410,471,186	\$ 387,612,262
Assets at market value	\$ 328,542,236	\$ 302,753,496
Ratio of Assets to Total Present Value	80.0%	78.1%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.25% for 2004 and 8.75% for 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> <p>Benefit is an annual retirement allowance equal to 50% of final salary.</p>
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- (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: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (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: 8.25% per annum, compounded annually.

COLA: 3.0% per annum, compounded annually. The COLA is 60% of the cumulative increase.

SALARY INCREASES: Salaries are assumed to increase by 5.45% per year for inflation.

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

<u>Age</u>	<u>Lives per Thousand</u>		<u>Disability</u>
	<u>Male</u>	<u>Female</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>Retired Members</u>		<u>Lives Per Thousand</u> <u>Beneficiaries of</u> <u>Deceased Members</u>		<u>Disabled Males</u> <u>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 2004 VALUATION**

The following table gives a reconciliation of data from July 1, 2003 to June 30, 2004. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2004 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2004.

TABLE 1

RECONCILIATION OF DATA FROM JULY 1, 2003 TO JUNE 30, 2004

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2003	433	0	4	247	2	4	8	130	5	6	839
Status Change: To Contributing To Noncontributing											
New Deferred Vested											
New Terminated Non-Vested											
New Service Retirement	-17			17							
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled											
New Death				-10			-1	-2			-13
Payments Begin											
New Beneficiaries								9		2	11
End of Payments											
New Actives	17										17
Rehires											
Data Corrections											
Members as of June 30, 2004	433	0	4	254	2	4	7	137	5	8	854

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	2	3							5
	Salary	282,000	423,000							705,000
45	Number	11	17	2						30
	Salary	1,551,000	2,414,500	282,000						4,247,500
50	Number	20	28	18	6					72
	Salary	2,837,500	3,965,500	2,574,000	846,000					10,223,000
55	Number	12	40	29	33	3				117
	Salary	1,692,000	5,640,000	4,103,750	4,706,250	432,000				16,574,000
60	Number	11	20	33	28	26	3			121
	Salary	1,551,000	2,820,000	4,685,750	3,962,750	3,745,750	449,500			17,214,750
63	Number	2	7	8	12	11	5			45
	Salary	282,000	987,000	1,128,000	1,715,750	1,560,000	750,000			6,422,750
66 and over	Number		8	7	11	9	3	5		43
	Salary		1,154,500	1,019,250	1,562,500	1,278,000	446,750	728,750		6,189,750
TOTAL	Number	58	123	97	90	49	11	5		433
	Salary	8,195,500	17,404,500	13,792,750	12,793,250	7,015,750	1,646,250	728,750		61,576,750

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2004

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
40	1	\$ 141,000		
41				
42			2	\$ 282,000
43	1	141,000	6	846,000
44	2	282,000	2	282,000
45	1	158,500	1	141,000
46	7	987,000	3	423,000
47	4	564,000		
48	5	714,000	5	705,000
49	6	846,000	6	846,000
50	8	1,128,000	7	1,013,500
51	10	1,410,000	5	705,000
52	14	2,000,500	5	714,000
53	15	2,115,000	2	282,000
54	16	2,270,750	7	987,000
55	12	1,692,000	10	1,415,750
56	18	2,538,000	8	1,128,000
57	25	3,557,750	3	432,000
58	13	1,842,000	3	437,750
59	26	3,680,750	4	564,000
60	22	3,125,750	3	423,000
61	15	2,124,000	5	714,000
62	25	3,572,000	3	449,500
63	16	2,279,750	2	291,000
64	16	2,274,000	2	282,000
65	12	1,728,000	2	287,750
66	9	1,289,500	3	423,000
67	8	1,166,000	1	150,000
68	12	1,692,000	2	305,250
69	6	873,000		
70	5	714,000		
71	1	141,000		
TOTAL	331	\$ 47,047,250	102	\$ 14,529,500

Of the 433 active members included in the June 30, 2004 valuation data, 157 are vested and 276 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, 2004

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	2	\$ 282,000	1	\$ 141,000
1	14	1,974,000	6	846,000
2	27	3,824,500	8	1,128,000
3	24	3,384,000	6	846,000
4	17	2,432,000	7	1,004,500
5	16	2,256,000	5	705,000
6	15	2,115,000	7	987,000
7	14	1,983,000	12	1,692,000
8	7	987,000	2	305,250
9	23	3,252,000	3	432,000
10	3	423,000	5	723,000
11	20	2,847,000	8	1,137,000
12	21	2,966,750	5	719,750
13	26	3,698,750	5	710,750
14	11	1,571,500	2	282,000
15	17	2,406,000	7	987,000
16	11	1,565,750	1	150,000
17	9	1,274,750	1	146,750
18	13	1,862,500	2	282,000
19	2	291,000	3	432,000
20	11	1,595,500	3	423,000
21	9	1,274,750	1	141,000
22	5	714,000		
23	3	450,000	1	150,000
24	1	150,000		
25	1	141,000		
26	2	296,750	1	158,500
27	2	300,000		
28				
29				
30				
31	4	578,750		
32	1	150,000		
TOTAL	331	\$ 47,047,250	102	\$ 14,529,500

Of the 433 active members included in the June 30, 2004 valuation data, 157 are vested and 276 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, 2004

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
58	1	\$ 51,916		
60	1	89,887		
61	3	222,553		
62	3	321,585	1	\$ 79,192
63	6	584,757	1	104,723
64	5	508,571		
65	7	537,334	1	42,300
66	2	207,693	2	214,654
67	11	978,810		
68	7	624,709	1	100,633
69	8	658,814	1	105,750
70	18	1,467,140	2	225,719
71	13	1,184,694	1	8,840
72	18	1,549,295		
73	11	991,485	3	226,585
74	17	1,578,712	1	103,479
75	13	1,112,441	1	93,178
76	7	520,600	2	178,997
77	11	984,769		
78	11	853,309		
79	7	612,421		
80	18	1,421,316		
81	8	673,972		
82	3	266,252	1	89,877
83	10	686,719	1	81,253
84	6	457,954		
85	3	196,613		
86	3	208,460		
87	3	205,515		
88	4	242,618		
89	4	287,319		
90	1	84,120		
92	1	79,091		
93	2	141,283		
94	2	113,236		
96	1	73,240		
TOTAL	249	\$ 20,779,202	19	\$ 1,655,180

TABLE 6

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2004**

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
68	1	\$ 50,580		
70	1	86,591		
73	1	104,723		
78	1	67,904		
80	1	77,403		
84	1	83,921		
94	1	68,234		
TOTAL	7	\$ 539,357		

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2004**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
62			1	\$ 35,587
65	1	\$ 31,059	1	24,552
67			3	87,941
68			2	61,832
69			1	29,959
70			2	59,923
71			2	58,992
73			2	54,248
75			2	58,369
80			1	24,552
83			1	22,401
84			2	48,018
86			1	22,437
87			2	43,039
90			1	25,490
94			1	24,416
TOTAL	1	\$ 31,059	25	\$ 681,756

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2004**

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
15	1	\$ 8,368		
19	1	8,368		
47			1	13521.96
53	1	10,320	2	62801.521
56			1	34907.762
57			1	25801.08
58			1	36238.32
59	1	10,834		
64			1	34291.199
65			1	102930
67			2	60294
68			2	56322.602
69			1	35586.602
70			1	31050
71			3	100600.68
72			4	205772.037
73			4	219099.961
74			2	50294.879
75			3	99895.68
76			4	118965.121
77			2	57502.682
78			4	127999.922
79			2	70544.039
80			8	259899.604
81			7	284737.922
82			8	276944.885
83			3	93958.922
84			4	105683.281
85			1	28749.961
86			5	140503.441
87			2	57499.922
88			3	72464.76
89			3	72406.801
90			5	148112.76
91			5	180954.359
92			4	97873.082
93			3	73632.121
95			1	35250
96			2	88977.84
97			3	89139.721
98			2	45340.561
99			1	21249.961
TOTAL	4	\$ 37,890	112	\$ 3,717,800

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2004**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
51	1	\$ 27,555		
58	1	33,110		
59	1	21,250		
61	1	48,667		
TOTAL	4	\$ 130,582		