

**THE JUDICIAL RETIREMENT SYSTEM  
OF NEW JERSEY  
ANNUAL REPORT  
OF THE ACTUARY  
PREPARED AS OF JULY 1, 2002**

March 12, 2003

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, 2002 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, 2002 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2002.

The valuation was prepared on the basis of the same actuarial assumptions as were employed for the previous valuation which include an interest rate of 8.75% per year.

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

Respectfully submitted,

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REPORT ON THE ANNUAL  
VALUATION OF  
THE JUDICIAL RETIREMENT SYSTEM  
OF NEW JERSEY  
PREPARED AS OF JULY 1, 2002

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, 2002, 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.

<b>Valuation Date</b>	<b>July 1, 2002</b>	<b>July 1, 2001</b>
Number of Members	438	418
Annual Compensation	\$ 62,288,830	\$ 57,800,334
Number of Retirees and Beneficiaries	384	368
Annual Allowances	\$ 24,499,032	\$ 22,895,875
Number of Vested Terminated Members	2	2
Annual Allowances	\$ 51,425	\$ 51,425
<u>Assets</u>		
Market Value of Assets	\$ 314,243,327	\$ 356,290,354
Valuation Assets	\$ 381,698,485	\$ 379,592,346
<u>Contribution Amounts</u>		
Normal Contribution	\$ 16,403,051	\$ 8,467,287*
Accrued Liability Contribution	374,139	0
<b>Total Contribution</b>	<b>\$ 16,777,190</b>	<b>\$ 8,467,287</b>

\* Required contributions were reduced by a portion of excess valuation assets.

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 used in the previous valuation.

The actuarial assumptions and methods used for valuing the Fund are summarized in Appendix B. There were no 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.

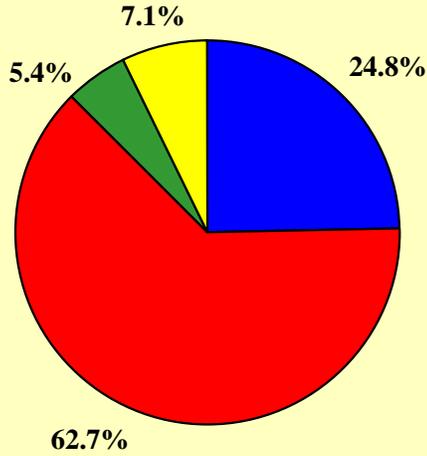
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2001 and July 1, 2002 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

**TABLE I**  
**COMPARATIVE BALANCE SHEET**

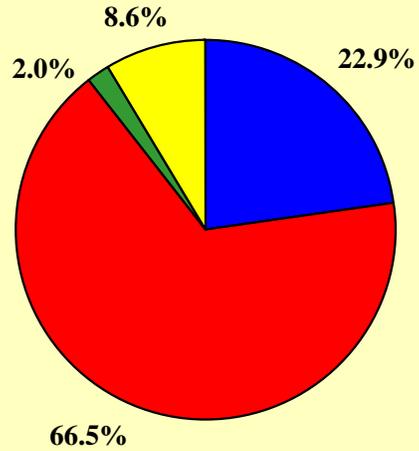
<u><b>ASSETS</b></u>	<b>2002</b>	<b>2001</b>
Actuarial value of assets of Fund	\$ 381,698,485	\$ 379,592,346
Unfunded accrued liability/(surplus)	7,252,318	(6,832,277)
Total Assets	\$ 388,950,803	\$ 372,760,069
<u><b>LIABILITIES</b></u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 216,734,820	\$ 203,748,939
Present value of benefits to present active members	172,215,983	169,011,130
Total Liabilities	\$ 388,950,803	\$ 372,760,069

# THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

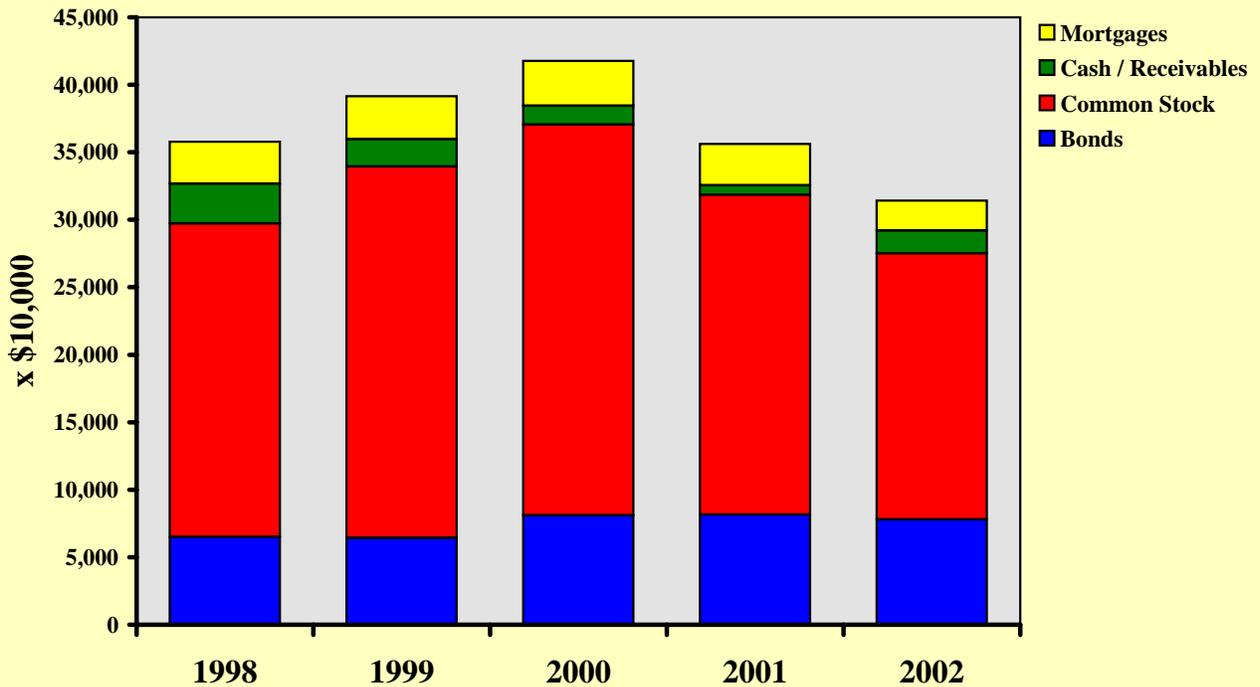
## ASSET ALLOCATION MARKET VALUE



**2002**



**2001**



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, 2001 and July 1, 2002 by various categories.

**ACTIVE MEMBERSHIP**

<b>Group</b>	<b>2002</b>		<b>2001</b>	
	<b>Number</b>	<b>Annual Compensation</b>	<b>Number</b>	<b>Annual Compensation</b>
Men	344	\$ 48,887,330	326	\$ 45,074,474
Women	94	\$ 13,401,500	92	\$ 12,725,860

**RETIRED MEMBERS AND BENEFICIARIES**

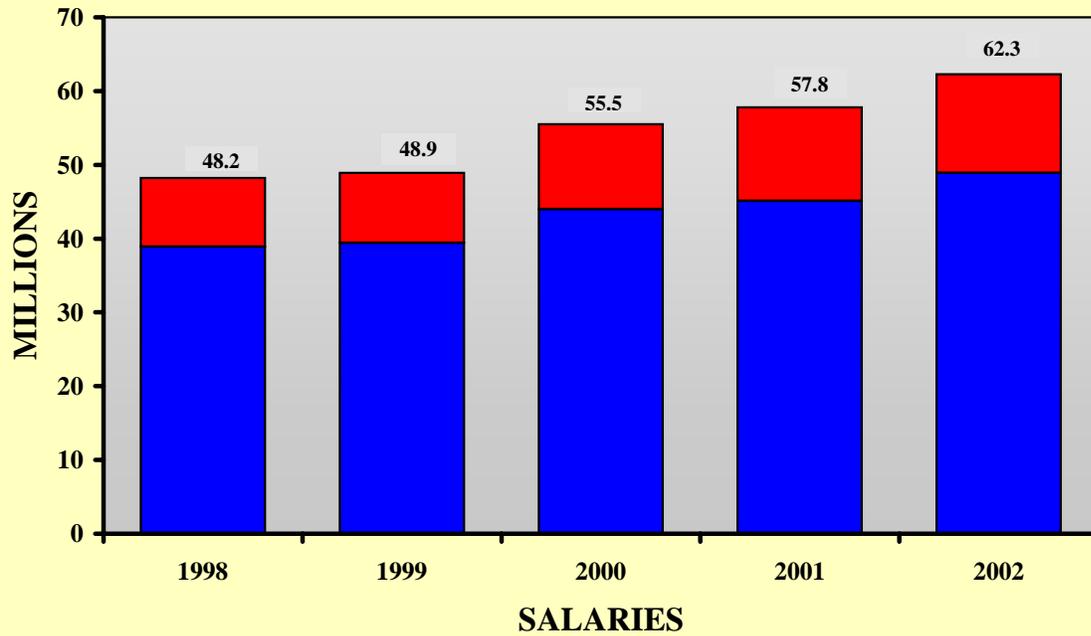
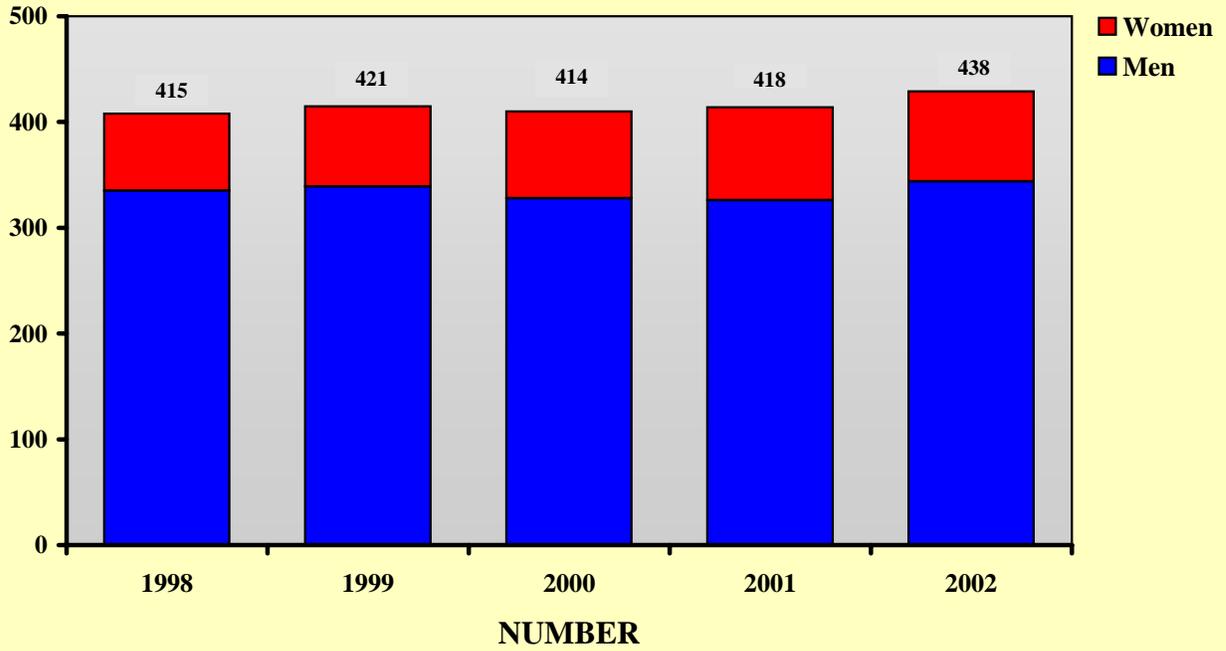
<b>GROUP</b>	<b>2002</b>		<b>2001</b>	
	<b>Number</b>	<b>Annual Allowances</b>	<b>Number</b>	<b>Annual Allowances</b>
Deferred Terminated Vesteds	2	\$ 51,425	2	\$ 51,425
Service Retirements	249	\$ 20,449,734	234	\$ 19,015,378
Disability Retirements	8	\$ 630,240	7	\$ 515,460
Beneficiaries	127	\$ 3,419,058	127	\$ 3,365,037

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.

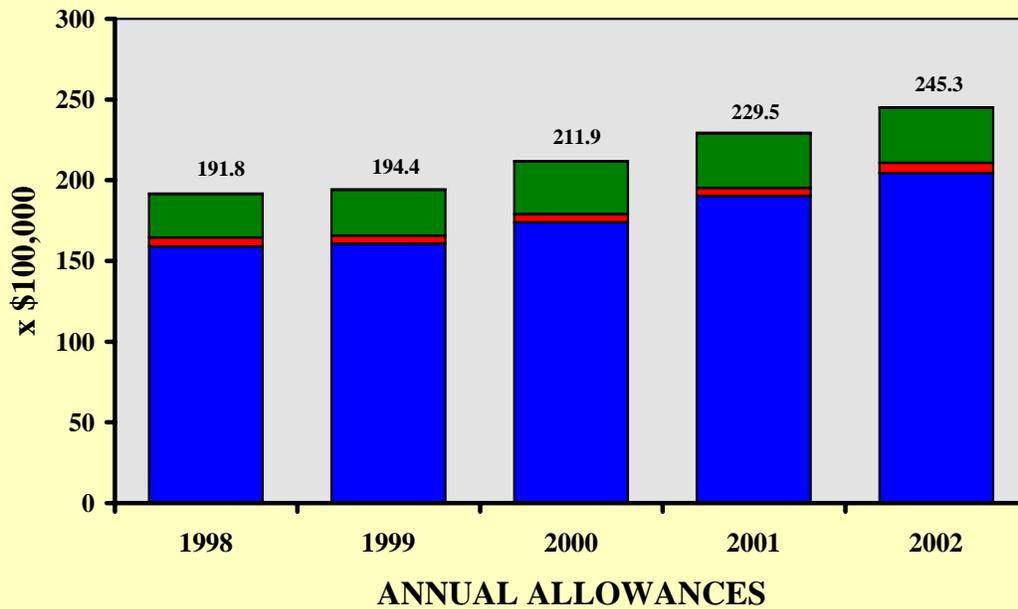
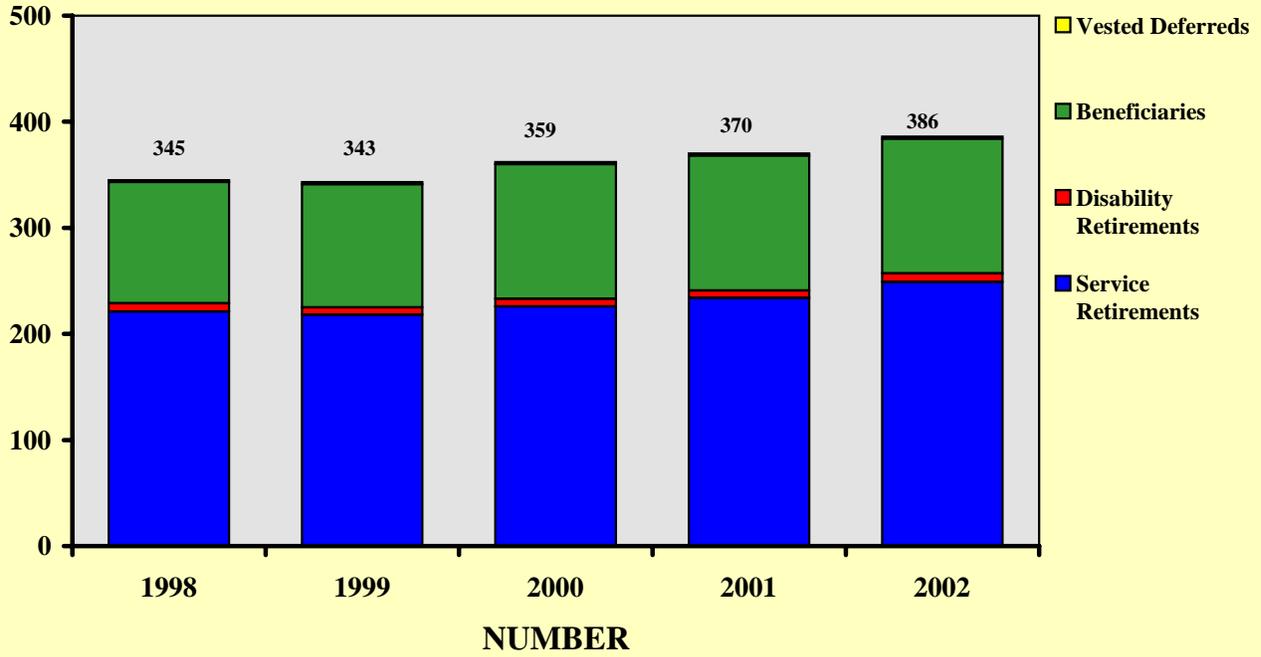
# THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

## 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, 2002**

1.	Assets		
	a.	Cash	\$ 17,102
	b.	Investment Holdings	305,721,863
	c.	Interest Receivable on Investments	1,221,726
	d.	Members' Contributions Receivable	64,739
	e.	Loans Receivable	583,488
	f.	Dividends Receivable	544,290
	g.	Accounts Receivable – Other	0
	h.	Interest Receivable – Member Loans	<u>1,322</u>
	i.	Total	\$ 308,154,530
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 1,575,475
	b.	Accounts Payable and Accrued Expense	<u>803,015</u>
	c.	Total	\$ 2,378,490
3.	Preliminary Market Value of Assets as of June 30, 2002: 1(i) - 2(c)		\$ 305,776,040
4.	State Appropriations Receivable		<u>8,467,287</u>
5.	Market Value of Assets as of June 30, 2002: 3 + 4		\$ 314,243,327

**B. Reconciliation of Market Value of Assets: June 30, 2001 to June 30, 2002**

1.	Market Value of Assets as of June 30, 2001		\$ 356,290,354
2.	Increases		
	a.	Members' Contributions	\$ 2,323,835
	b.	State Appropriations	0
	c.	Employers' Contributions – Transfer from other Systems	579,630
	d.	Investment Income	<u>(28,754,613)</u>
	e.	Total	\$ (25,851,148)
3.	Decreases		
	a.	Withdrawal of Members	\$ 35,980
	b.	NCGI Premium Expense	808,064
	c.	Administrative Expenses	40,963
	d.	Benefit Payments	21,103,046
	e.	COLA Benefit Programs	<u>2,675,113</u>
	f.	Total	\$ 24,663,166
4.	Preliminary Market Value of Assets as of June 30, 2002: 1 + 2(e) – 3(f)		\$ 305,776,040
5.	State Appropriations Receivable		\$ 8,467,287
6.	Market Value of Assets as of June 30, 2002: 4 + 5		\$ 314,243,327

**C. Development of Actuarial Value of Assets as of July 1, 2002**

Chapter 115, P.L. 1997 revalued the actuarial value of plan assets to market for the July 1, 1996 valuation. Beginning with the July 1, 1997 valuation, the five-year average of market value with write-up was used. 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, 2001 (without State Appropriations Receivable)	\$	379,592,346
2.	Net Cash Flow excluding investment income		(21,759,701)
3.	Expected Investment Income at 8.75%		
	a. Interest on assets as of July 1, 2001	\$	33,214,330
	b. Interest on Net Cash Flow		(951,987)
	c. Total	\$	32,262,343
4.	Expected Actuarial Value of Assets as of July 1, 2002: 1. + 2. + 3.(c)	\$	390,094,988
5.	20% of Difference from Preliminary Market Value of Assets		(16,863,790)
6.	State Appropriations Receivable		8,467,287
7.	Actuarial Value of Assets as of July 1, 2002 = 4. + 5. + 6.	\$	381,698,485

**D. Present Value of Projected Benefits as of July 1, 2002**

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	183,713,411
	b. Disability Retirement		4,108,089
	c. Beneficiaries		25,757,551
	d. Lump Sum Death Benefits		2,711,895
	e. Total	\$	216,290,946
2.	Terminated Vested Members	\$	443,874
3.	Active Participants		
	a. Service Retirement	\$	159,454,685
	b. Disability Retirement		6,478,209
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,694,611
	d. Lump Sum Death Benefit*		1,588,478
	e. Total	\$	172,215,983
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	388,950,803

\*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. The development of excess valuation assets for the current valuation is developed below:

1. Valuation Assets	\$ 381,698,485
2. Actuarial Accrued Liability	<u>388,950,803</u>
3. Excess Valuation Assets = 1. - 2.	\$ 0

**F. Development of Normal Cost as of July 1, 2002**

1. Service Retirement	\$ 14,055,600
2. Disability Retirement	970,351
3. Spousal Annuity Death Benefit (Pre-Retirement)	690,805
4. Lump Sum Death Benefit*	147,201
5. Term Cost Lump Sum Death Benefit During Active Service	<u>641,918</u>
6. Total	\$ 16,505,875

\*Excludes lump sum death benefits payable during active service.

**G. Development of State Contributions**

1.	Present Value of Benefits	\$	388,950,803
2.	Actuarial Value of Assets		<u>381,698,485</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	7,252,318
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2003	\$	374,139
6. (a)	Gross Normal Cost	\$	16,505,875
(b)	Expected Member Contributions		<u>1,422,610</u>
(c)	State Normal Cost = (a) - (b)	\$	15,083,265
(d)	State Normal Cost payable July 1, 2003 = (c) * 1.0875	\$	16,403,051
(e)	Excess Valuation Assets*		<u>0</u>
(f)	State Net Normal Cost payable July 1, 2003 = (d) - (e)	\$	16,403,051
7.	Total Required Contribution as of July 1, 2003 = 5. + 6.(f)	\$	16,777,190

\*Excess Valuation Assets are allocated as follows:

1.	Excess Valuation Assets (from Section E)	\$	0
2.	Excess Valuation Assets as of July 1, 2003 = 1. * 1.0875	\$	0
3.	Reduction Due to Normal Contribution for the Valuation Period ending June 30, 2002 payable July 1, 2003		<u>0</u>
4.	Net Excess Valuation Assets After Reductions as of July 1, 2003 = 2. - 3.	\$	0

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, 2002.

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 4.13% for the period from July 1, 2001 through June 30, 2002. 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, 2002**

1.	Unfunded Accrued Liability as of July 1, 2001	\$ (6,832,277)
2.	Gross Normal Cost as of July 1, 2001	15,878,048
3.	Interest on (1) and (2)	791,505
4.	Actual Members' Contributions Received	2,323,835
5.	Employers' Contributions (including receivable and transfers from other funds)	579,630
6.	Interest on Contributions (excluding receivables)	<u>127,027</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2002 =(1) + (2) + (3) - (4) - (5) - (6)	\$ 6,806,784
8.	Actual Unfunded Accrued Liability as of July 1, 2002	\$ 7,252,318
9.	Actuarial (Gain)/Loss = (8) - (7)	\$ 445,534

**B. Components of Actuarial Experience**

1.	Investment (Gain)/Loss	\$ 16,863,790
2.	Other (Gain)/Loss, including mortality, cost of living adjustments less than expected and changes in employee data	<u>(16,418,256)</u>
3.	Total Actuarial (Gain)/Loss	\$ 445,534

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, 2004:**

1. Actuarial Value of Plan Assets as of June 30, 2002		
(a) Valuation Assets as of June 30, 2002	\$	381,698,485
(b) Adjustment for Receivable Contributions included in (a)		<u>8,467,287</u>
(c) Valuation Assets as of June 30, 2002 for GASB Disclosure = (a) - (b)	\$	373,231,198

2.	Actuarial Accrued Liability as of June 30, 2002 for GASB Disclosure	\$	388,950,803
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2002 = 2. - 1.(c)	\$	15,719,605
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$	745,707
5.	Normal Cost as of June 30, 2002	\$	15,083,265
6.	Annual Required Contribution as of June 30, 2004		
(a)	Annual Required Contribution as of June 30, 2002 = 4. + 5.	\$	15,828,972
(b)	Interest Adjustment to June 30, 2004		<u>2,891,261</u>
(c)	Annual Required Contribution as of June 30, 2004 = (a) + (b)	\$	18,720,233

**(B) Development of the Net Pension Obligation (NPO) as of June 30, 2004:**

1.	Annual Required Contribution as of June 30, 2004	\$	18,720,233
2.	Interest on Net Pension Obligation		(3,994,892)
3.	Adjustment to Annual Required Contribution		<u>2,355,336</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$	17,080,677
5.	Expected Employer Contributions for Fiscal Year 2004	\$	16,777,190
6.	Increase in Net Pension Obligation = 4. - 5.	\$	303,487
7.	Net Pension Obligation at June 30, 2003		<u>(45,655,909)</u>
8.	Net Pension Obligation at June 30, 2004 = 6. + 7.	\$	45,352,422

**(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 $\frac{(b-a)}{c}$
6/30/1997	\$ 317,289,094	\$ 295,150,638	\$ (22,138,456)	107.5%	\$ 46,912,950	(47.2)%
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%

**(D) Schedule of Employer Contributions**

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
1999	\$ 13,416,851	\$ 0	0.0%
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	\$ 16,777,190	89.6%

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

Valuation Date	June 30, 2002
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, 2002	June 30, 2001
Vested benefits		
Participants currently receiving payments	\$ 216,290,946	\$ 203,342,902
Other participants	61,842,506	63,559,405
	\$ 278,133,446	\$ 266,902,307
Non-vested benefits	46,436,199	41,625,092
Total	\$ 324,569,645	\$ 308,527,399
Assets at market value	\$ 314,243,327	\$ 356,290,354
Ratio of Assets to Total Present Value	96.8%	115.5%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.75% for both 2001 and 2002.

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"> <li>(a) Age 70 and 10 years of judicial service;</li> <li>(b) Age 65 and 15 years of judicial service; or</li> <li>(c) Age 60 and 20 years of judicial service.</li> </ul> <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.

- (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.

DISABILITY: The assumed rate of disability varies by age, as illustrated below:

<u>Age</u>	<u>Disabilities Per 1,000 Lives</u>
30	0.22
35	0.26
40	0.33
45	0.64
50	1.14
55	1.97
60	3.26
65	4.73

MORTALITY: It was assumed that mortality would follow the 1983 Group Annuity Mortality Table except for retired males, male beneficiaries and disabled lives. For retired males and male beneficiaries, the 1983 Group Annuity Mortality table for males with ages set back 3 years was used. For disabled lives, the 1983 Group Annuity Table for males with ages set forward 7 years was used for both males and females.

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 10% 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 2002 VALUATION**

The following table gives a reconciliation of data from July 1, 2001 to June 30, 2002. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2002 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2002.

**TABLE 1**

**RECONCILIATION OF DATA FROM JULY 1, 2001 TO JUNE 30, 2002**

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2001	415	3	2	229	2	3	7	119	6	2	788
Status Change: To Contributing To Noncontributing	-1	1									0
New Deferred Vested											
New Terminated Non-Vested											
New Service Retirement	-15	-1		16							0
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled	-2						2				0
New Death	-1			-7			-1	-2			-11
Payments Begin										4	4
New Beneficiaries								4			4
End of Payments											
New Actives	39										39
Rehires											
Data Corrections											
Members as of June 30, 2002	435	3	2	238	2	3	8	121	6	6	824

**TABLE 2**

**DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE**

<b>SERVICE</b>	<b>1</b>	<b>5</b>	<b>10</b>	<b>15</b>	<b>20</b>	<b>25</b>	<b>30</b>	<b>35</b>	<b>TOTAL</b>
<b>AGE</b>									
<b>20</b> Number									
Salary									
<b>25</b> Number									
Salary									
<b>30</b> Number									
Salary									
<b>35</b> Number									
Salary									
<b>40</b> Number	6	1							7
Salary	846,000	141,000							987,000
<b>45</b> Number	16	16	4						36
Salary	2,273,500	2,273,500	573,000						5,120,000
<b>50</b> Number	17	25	31	11					84
Salary	2,397,000	3,525,000	4,400,500	1,551,000					11,873,500
<b>55</b> Number	22	33	36	19	7				117
Salary	3,102,000	4,653,000	5,092,080	2,729,750	996,000				16,572,830
<b>60</b> Number	12	19	24	25	26	5			111
Salary	1,692,000	2,688,000	3,407,750	3,554,500	3,734,750	740,500			15,817,500
<b>63</b> Number	1	10	9	14	8	2	2		46
Salary	158,500	1,442,250	1,278,000	2,000,250	1,146,000	296,750	287,750		6,609,500
<b>66 and over</b> Number		3	7	10	8	3	6		37
Salary		423,000	987,000	1,410,000	1,154,500	437,750	896,250		5,308,500
<b>TOTAL</b> Number	<b>74</b>	<b>107</b>	<b>111</b>	<b>79</b>	<b>49</b>	<b>10</b>	<b>8</b>		<b>438</b>
Salary	<b>10,469,000</b>	<b>15,145,750</b>	<b>15,738,330</b>	<b>11,245,500</b>	<b>7,031,250</b>	<b>1,475,000</b>	<b>1,184,000</b>		<b>62,288,830</b>

**TABLE 3**  
**THE NUMBER AND ANNUAL COMPENSATION OF**  
**ACTIVE MEMBERS DISTRIBUTED BY AGE**  
**AS OF JUNE 30, 2002**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
40			1	\$ 141,000
41	1	\$ 141,000	3	423,000
42			1	141,000
43	1	158,500	1	141,000
44	6	846,000	2	282,000
45	4	564,000		
46	3	432,000	5	705,000
47	5	705,000	5	705,000
48	6	846,000	6	863,500
49	10	1,410,000	5	705,000
50	11	1,551,000	3	432,000
51	13	1,833,000	2	282,000
52	16	2,270,750	6	846,000
53	12	1,692,000	10	1,415,750
54	16	2,256,000	8	1,128,000
55	22	3,125,750	2	291,000
56	14	1,975,330	3	437,750
57	24	3,393,000	4	564,000
58	20	2,843,750	3	423,000
59	18	2,547,000	5	714,000
60	28	3,995,500	3	449,500
61	19	2,702,750	2	291,000
62	19	2,706,000	2	282,000
63	14	2,010,000	2	287,750
64	10	1,430,500	5	714,000
65	11	1,589,000	1	141,000
66	12	1,692,000	2	305,250
67	6	873,000	1	141,000
68	11	1,565,750	1	150,000
69	7	1,027,750		
70	5	705,000		
<b>TOTAL</b>	<b>344</b>	<b>\$ 48,887,330</b>	<b>94</b>	<b>\$ 13,401,500</b>

Of the 438 active members included in the June 30, 2002 valuation data, 144 are vested and 294 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, 2002**

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	8	\$ 1,128,000	1	\$ 141,000
1	33	4,653,000	8	1,128,000
2	17	2,414,500	7	1,004,500
3	18	2,555,500	5	705,000
4	13	1,833,000	7	987,000
5	15	2,124,000	12	1,692,000
6	9	1,269,000	2	305,250
7	23	3,243,000	3	432,000
8	3	423,000	3	423,000
9	18	2,547,000	10	1,419,000
10	27	3,821,750	5	719,750
11	27	3,839,750	5	710,750
12	11	1,552,330	2	282,000
13	22	3,116,750	8	1,128,000
14	12	1,706,750	1	150,000
15	10	1,415,750	2	296,750
16	17	2,426,500	1	141,000
17	2	291,000	4	573,000
18	14	2,027,500	3	423,000
19	9	1,274,750	2	282,000
20	3	423,000		
21	15	2,160,000	1	150,000
22	2	291,000		
23	1	141,000		
24	3	437,750	1	158,500
25	2	300,000		
26	3	437,750		
27				
28	1	146,750		
29	5	737,250	1	150,000
30	1	150,000		
<b>TOTAL</b>	<b>344</b>	<b>\$ 48,887,330</b>	<b>94</b>	<b>\$ 13,401,500</b>

Of the 438 active members included in the June 30, 2002 valuation data, 144 are vested and 294 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, 2002**

**SERVICE RETIREMENTS**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
55			1	\$ 17,208
59			1	24,264
60			1	78,442
61	3	\$ 324,132	1	102,874
62	2	210,468		
63	5	401,656		
64				
65	8	663,702		
66	7	641,808	1	98,434
67	8	649,816	1	16,524
68	10	867,061	1	110,810
69	7	574,710	1	32,387
70	13	1,129,559	1	47,046
71	10	953,475	3	244,420
72	18	1,724,860	1	101,277
73	16	1,379,092	1	91,143
74	9	707,665	2	175,025
75	12	1,075,209		
76	11	866,499	1	20,474
77	7	598,438		
78	17	1,380,105		
79	10	859,241		
80	4	344,514	1	87,800
81	11	819,565	1	79,318
82	6	472,632		
83	5	352,834		
84	4	294,423		
85	5	346,126		
86	6	384,559		
87	5	323,879		
88	1	82,014		
89				
90	1	77,076		
91	3	206,253		
92	2	129,200		
93	2	147,534		
94	1	71,199		
95	1	62,985		
<b>TOTAL</b>	<b>230</b>	<b>\$ 19,122,289</b>	<b>19</b>	<b>\$ 1,327,445</b>

TABLE 6

**THE NUMBER AND ANNUAL RETIREMENT  
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED  
BY AGE AS OF JUNE 30, 2002**

**DISABILITY RETIREMENTS**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
66	1	\$ 73,602		
68	1	84,627		
71	1	102,874		
76	2	145,514		
78	1	75,446		
82	1	81,894		
92	1	66,283		
TOTAL	8	\$ 630,240		

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT  
ALLOWANCES OF BENEFICIARIES DISTRIBUTED  
BY AGE AS OF JUNE 30, 2002**

**ACTIVE MEMBERS' DEATH BENEFITS**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
63			1	\$ 23,943
65			3	85,890
66			2	60,400
67			1	29,266
68			2	58,590
69			2	57,659
71			2	52,904
73			2	57,038
78			1	23,943
81			1	21,790
82			2	46,657
84			1	21,843
85			2	41,873
88			1	24,761
92			1	24,130
TOTAL			24	\$ 630,689

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT  
ALLOWANCES OF BENEFICIARIES DISTRIBUTED  
BY AGE AS OF JUNE 30, 2002**

**RETIRED MEMBERS' DEATH BENEFITS**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
13	1	\$ 8,182		
17	1	8,182		
20			1	\$ 11,912
45			1	11,500
51			2	61,564
54	1	10,059	1	34,291
55			1	25,149
56			1	35,598
57	1	10,576		
62			1	34,291
63	1	30,381		
65			2	60,294
66			3	83,708
68			1	31,050
69			2	64,672
70			3	92,215
71			1	28,750
72			2	49,063
73			1	28,723
74			3	82,453
75			2	56,800
76			3	92,750
77			1	35,294
78			5	154,147
79			5	149,117
80			7	203,929
81			3	83,016
82			4	104,473
83			1	28,750
84			6	165,539
85			2	57,500
86			3	70,367
87			4	96,495
88			5	145,865
89			4	92,404
90			4	95,933
91			3	72,212
92			1	19,782
94			2	82,485
95			3	86,488
96			3	71,160
97			1	21,250
TOTAL	5	\$ 67,380	98	\$ 2,720,989

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT  
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED  
BY AGE AS OF JUNE 30, 2002**

**DEFERRED TERMINATED VESTEDS**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
57	2	\$ 51,425		
<b>TOTAL</b>	2	\$ 51,425		