



# West Virginia Judges' Retirement System

Actuarial Valuation  
As of July 1, 2010

Prepared by:

**buck**consultants

A Xerox Company

for the  
West Virginia Consolidated Public Retirement Board

January 2011

January 14, 2011

West Virginia Consolidated Public Retirement Board  
4101 MacCorkle Avenue, SE  
Charleston, WV 25304

**Re: West Virginia Judges' Retirement System: Actuarial Valuation as of July 1, 2010**

Retirement Board Members:

We respectfully present our report on the actuarial valuation of the West Virginia Judges' Retirement System as of July 1, 2010. This valuation presents the annual cost and related liabilities of the plan as of the valuation date.

Some key highlights are:

- The valuation was prepared under the same assumptions used in the prior, July 1, 2009, valuation.
- The valuation indicates that the recommended State contribution for Fiscal Year 2012, projected from the FY 2011 valuation results, is \$2,740,000.
- The yield on investments for the year ending June 30, 2010 for valuation purposes (assuming mid-year transactions) was 15.84%, which is higher than the valuation assumed return of 7.50%. The yield on a time-weighted basis (excluding administrative expense) determined by the Investment Management Board was 16.00%.

This report contains supporting data and background information pertaining to the development of costs and related liabilities of the plan. The valuation is based on:

- membership data as of June 30, 2010 maintained by the West Virginia Consolidated Public Retirement Board.
- the new benefit structure established for Judges first appointed on or after July 2, 2005.
- financial information received from the West Virginia Investment Management Board.

This report presents fairly the actuarial position of the West Virginia Judges' Retirement System as of July 1, 2010 in accordance with generally accepted actuarial principles applied on a basis consistent with that of the preceding valuation. In our opinion, the assumptions used in preparing the liabilities and costs are individually reasonable in respect to the Judges' Retirement System experience and represent our best estimate of anticipated experience under the System. We are prepared to certify the results of this report as required at any time.

I am a Fellow of the Society of Actuaries and a member of the American Academy of Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions about it.

Respectfully submitted,

*David L. Driscoll*

David L. Driscoll, FSA, EA  
Principal and Consulting Actuary

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This report presents the results of the July 1, 2010, actuarial valuation of the West Virginia Judges' Retirement System. The development of the results, including for comparison purposes the valuation results as of July 1, 2009, is presented in Table 1. The report includes disclosure information under GASB 25 and GASB 27. A summary of the plan features, a summary of the method, factors, and assumptions and supplementary membership tables used in the valuation are also included.

### **Valuation Results**

The West Virginia Judges' Retirement System is a defined benefit plan. For current members, the plan provides unreduced monthly benefits upon retirement at age 65 after completing 16 years of service or at any age with 24 years of service. The plan also provides reduced early retirement benefits, benefits in the event of disability or death while active, and deferred benefits to members who terminate prior to retirement, providing plan eligibility conditions are met.

The plan is funded through member contributions of 10.5% of payroll and employer contributions as appropriated by the State Legislature upon consideration of the actuary's recommendation. Effective July 1, 1988, the amount appropriated by the State each year, combined with member contributions, is targeted to fund the annual normal cost plus amortize the unfunded accrued liability over a 30-year period ending June 30, 2018. As of July 1, 2010, the plan has no unfunded actuarial liability.

The major purpose of the valuation is to determine the required employer contribution amount with respect to funding expected plan liabilities. The valuation indicates that the recommended State contribution for Fiscal Year 2012, projected from the Fiscal Year 2011 valuation results, is \$2,740,000.

The valuation is based upon the assumption that judges currently participating in the Public Employees' Retirement System elect to transfer their membership to this plan as of the valuation date.

### Comments on Valuation Results

Table 1 presents the development of the valuation results as of July 1, 2010, and for comparison purposes July 1, 2009. The unfunded liability as of July 1, 2010 is \$(6,806,000). The valuation results for July 1, 2010, were determined using an interest rate of 7.50%. The return on assets for the year ending June 30, 2010, for valuation purposes, was 15.84%, which is more than the assumed rate of return of 7.50%.

The valuation develops a recommended State contribution of \$2,385,000 for FY 2011 compared to a projected FY 2011 contribution of \$3,454,000 in the prior year valuation. The decrease is primarily due to the return on assets being higher than the 7.50% assumed. The projected FY 2012 State contribution is \$2,740,000.

Under the funding method, the annual cost is expected to remain level from year-to-year when measured as a percentage of payroll. The method anticipates that payroll for continuing members will increase each year, which would produce an increasing dollar amount of contribution for a group with the same members each year. However, actual pay increases occur about every 5 years. Therefore, expressing cost as a percentage of payroll for periods between statutory pay increases may be misleading. As a result, commencing with the July 1, 2000 valuation, the projected contribution is shown in dollar amounts rather than as a percentage of pay.

The cost for FY 2011 is the normal cost. The projected cost for FY 2012 is the FY 2011 normal cost increased by the assumed salary increase of 14.88% (the CPI-U from 7/1/2005 to 7/1/2010, with a maximum of 3.00% per year, increased by 4.50% to bring it to 7/1/2011) plus the amount necessary to amortize the unfunded accrued liability in level dollar amounts over the statutorily required period. As of July 1, 2010, there is no unfunded accrued liability, and therefore the amortization amount is zero.

### Funding Progress

The measure of funding status used by accountants for both the State's and the Plan's financial statements are presented in Table 3, which provides information required under Governmental Accounting Standards Board Statement Numbers 25 and 27 (GASB 25 and GASB 27).

### Plan Membership

A summary of plan membership, with a comparison to the prior valuation, follows:

	July 1, 2010	July 1, 2009
Active Participants in JRS	53	54
Potential Transfers from PERS	18 *	17 *
Retired Participants	36	38
Beneficiaries	20	20
Disabled Retirees	0	0
Terminated Vested Participants	0	0
Terminated Non-vested Entitled to Return of Contributions	2 *	3 *
Total Number Included in the Valuation	129	132

\* Includes 1 non-vested termination in JRS with the potential to transfer from PERS for 2010 and 2 for 2009.

Tables 2, 6, and 7 present additional information on plan membership.

**Table 1**  
**Development of Valuation Results**

	July 1, 2010	July 1, 2009
1. Present Value of Future Benefits		
a. Active members	\$ 71,260,000	\$ 69,007,000
b. Inactive members	48,116,000	49,555,000
c. Total Present Value of Future Benefits	\$ 119,376,000	\$ 118,562,000
2. Actuarial Accrued Liability		
a. Active members	\$ 47,892,000	\$ 43,631,000
b. Inactive members		
- Retirees	40,777,000	42,233,000
- Beneficiaries	7,287,000	7,231,000
- Disabled Retirees	-	-
- Vested Terminated	-	-
- Refundable contributions of nonvesteds	52,000	90,000
- Total Inactive Liability	48,116,000	49,554,000
c. Total Accrued Liability	\$ 96,008,000	\$ 93,185,000
3. Assets for Valuation	\$ 102,814,000	\$ 88,310,000
4. Unfunded Accrued Liability (UAL) (2.c. - 3.)	\$ (6,806,000)	\$ 4,875,000
5. Normal Cost: Pre 7/1/2005 Group		
a. Present value of future normal cost	\$ 14,347,000	\$ 20,102,000
b. Present value of future pay	33,164,000	46,774,000
c. Total Normal Cost as a % of Payroll (5.a. / 5.b.)	43.2608%	42.9769%
d. Member share	10.5000%	10.5000%
e. Share from assumed transfer of PERS members	0.4041%	0.2374%
f. State share (5.c. - 5.d. - 5.e.)	32.3567%	32.2395%
g. Total payroll (rate effective 7/1/2005)	\$ 5,926,000	\$ 6,743,000
h. Member share (mid year) (5.d. x 5.g. x 1.036822)	645,000	734,000
i. State share (5.f. x 5.g.)	\$ 1,917,000	\$ 2,174,000
6. Normal Cost: Post 7/1/2005 Group		
a. Present value of future normal cost	\$ 9,021,000	\$ 5,274,000
b. Present value of future pay	33,222,000	20,118,000
c. Total Normal Cost as a % of Payroll (6.a. / 6.b.)	27.1537%	26.2153%
d. Member share	10.5000%	10.5000%
e. Share from assumed transfer of PERS members	0.1963%	1.0364%
f. State share (6.c. - 6.d. - 6.e.)	16.4574%	14.6789%
g. Total payroll (rate effective 7/1/2005)	\$ 2,330,000	\$ 1,397,000
h. Member share (mid year) (6.d. x 6.g. x 1.036822)	254,000	152,000
i. State share (6.f. x 6.g.)	\$ 383,000	\$ 205,000
7. Recommended State Contribution (assumed to be made mid year)		
a. Number of Years to Amortize the UAL	N/A	10
b. Annual Payment on UAL (beginning in following FY)	\$ -	\$ 710,000
c. FY 2011 (2010) Recommended Contribution ((5.i + 6.i) x 1.036822)	\$ 2,385,000	\$ 2,467,000
d. FY 2012 (2011) Actuarially Determined Contribution for Budgeting (((5.i + 6.i) x 1.1488 + 7.b.) x 1.036822) (((5.i + 6.i) x 1.1017 + 7.b.) x 1.036822) previously)	\$ 2,740,000	\$ 3,454,000



**Table 2**  
**Summary of Membership Payroll**

	<u>July 1, 2010</u>	<u>July 1, 2009</u>
<b>Active Members</b>		
Participants in JRS	53	54
Potential Transfers from PERS	18 <sup>1</sup>	17 <sup>1</sup>
Total	<u>71</u>	<u>71</u>
<b>Inactive Members</b>		
Retirees	36	38
Beneficiaries	20	20
Disabled Retirees	-	-
Vested Terminated	-	-
Non-vested Terminated	2 <sup>1</sup>	3 <sup>1</sup>
Total	<u>58</u>	<u>61</u>
<b>Payroll for Normal Cost</b>		
Participants in JRS	\$ 6,158,000 <sup>2</sup>	\$ 6,273,576 <sup>3</sup>
Potential Transfers from PERS	2,098,000 <sup>2</sup>	1,866,000 <sup>3</sup>
Total	<u>\$ 8,256,000</u>	<u>\$ 8,139,576</u>
<b>Present Value of Future Payroll</b>	\$ 66,385,922	\$ 66,891,507
<b>Present Value of Member Contributions</b>	\$ 7,170,009	\$ 7,343,376

<sup>1</sup> Includes 1 non-vested termination in JRS with the potential to transfer from PERS for 2010 and 2 for 2009.

<sup>2</sup> Active payroll at July 1, 2010 (no increases since July 1, 2005).

<sup>3</sup> Active payroll at July 1, 2009 (no increases since July 1, 2005).

Table 3

**GASB 25 and GASB 27 Supplementary Disclosure Information as of June 30, 2010**

Governmental Accounting Standards Board Statements 25 and 27 set forth certain items of required supplementary information to be disclosed in the financial statement of the System and the employer. The following information is intended to be used for this purpose in conjunction with other information prepared by the auditor.

## 1. Number of Members as of June 30, 2010

Group	June 30, 2010	June 30, 2009
Retirees, disabled retirees and beneficiaries currently receiving benefits	56	58
Terminated employees entitled to benefits but not yet receiving benefits	0	0
Terminated employees entitled to a return of employee contributions	2 *	3 *
Active Plan members		
Vested	24	24
Non-vested	47 *	47 *
Total	129	132

\* Includes 1 non-vested termination in JRS with the potential to transfer from PERS for 2010 and 2 for 2009.

## 2. Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (Entry Age) (b)	Unfunded Accrued Liability (UAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAL as a Percentage of Covered Payroll (b-a)/(c)
6/30/2000	\$43,779,000	\$83,982,000	\$40,203,000	52.1%	\$6,055,000	664.0%
6/30/2001	46,635,000	84,791,000	38,156,000	55.0%	6,325,000	603.3%
6/30/2002	47,620,000	92,215,000	44,595,000	51.6%	6,325,000	705.1%
6/30/2003	52,779,000	96,709,000	43,930,000	54.6%	6,325,000	694.5%
6/30/2004	63,559,000	85,778,000	22,219,000	74.1%	6,325,000	351.3%
6/30/2005	74,757,000	90,528,000	15,771,000	82.6%	8,145,000	193.6%
6/30/2006	85,932,000	91,820,000	5,888,000	93.6%	8,029,000	73.3%
6/30/2007	104,127,000	96,018,000	(8,109,000)	108.4%	8,261,000	0.0%
6/30/2008	100,186,000	97,965,000	(2,221,000)	102.3%	8,261,000	0.0%
6/30/2009	88,310,000	93,185,000	4,875,000	94.8%	8,140,000	59.9%
6/30/2010	102,814,000	96,008,000	(6,806,000)	107.1%	8,256,000	0.0%

3. The information presented in the required supplementary schedules was determined as part of the actuarial valuation at July 1, 2010. Additional information follows.

Valuation date	7/1/2010
Actuarial cost method	Entry age
Amortization method	Level dollar amount
Remaining amortization period	N/A; no unfunded liability presently exists
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return	7.5%
Projected salary increases	4.5% <sup>1/</sup>
Annual increase to benefits	4.5% <sup>1/</sup>

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<sup>1/</sup> Increased by the CPI-U not less than 0% but not greater than 3.0% annually from July 1, 2005 (when the last increase prior to the valuation was granted) to the valuation date. 4.5% compounded annually is assumed for future increases.

Table 4A

## Valuation Assets as of June 30, 2010

	<u>June 30, 2010</u>	<u>June 30, 2009</u>
Assets		
Cash with State Treasurer	\$ -	\$ -
Investments at Fair Value	102,814,000	88,310,000
Contributions Receivable	-	-
Participant Loans Receivable	-	-
Total Assets	<u>\$ 102,814,000</u>	<u>\$ 88,310,000</u>
Liabilities		
Accrued Expenses and other Payables	<u>-</u>	<u>-</u>
Net Assets for Pension Benefits	\$ 102,814,000	\$ 88,310,000

Table 4B

**Statement of Changes in Net Assets for Benefits  
For Year Ended June 30, 2010**

Net Assets for Pension Benefits - Beginning of Year	\$ 88,310,000
Additions	
Contributions	
Member	649,000
Member PERS Transferred	-
Employer	3,954,000
Subtotal	<u>4,603,000</u>
Investment Income	
Net Appreciation in Fair Value *	14,034,000
Interest	-
Subtotal	<u>14,034,000</u>
Other Income	-
Total	<u>18,637,000</u>
Deductions and Transfers	
Benefit Expense	3,937,000
Refunds of Contributions	86,000
Administrative Expenses	7,000
Transfers (to)/from plans	103,000
Total	<u>4,133,000</u>
Net Increase	14,504,000
Net Assets for Pension Benefits - End of Year	\$ 102,814,000
Investment Return for Year:	
Valuation purposes (assumes mid-year transactions and offsets investment income by investment and administrative expense)	15.84%
Per Investment Management Board (time-weighted, excluding administrative expense)	16.00%

\* Net of Investment Expense

Table 5  
 Estimated Progress of Pension Plan from Fiscal Year 2011 through Fiscal Year 2025

Fiscal Year	Fund Balance at Beginning of Year	Contributions During Year	Disbursements	Income	Increase to Fund During Year	Fund Balance at End of Year
2011	\$ 102,814,000	\$ 4,430,000	\$ 4,717,000	\$ 7,700,000	\$ 7,413,000	\$ 110,227,000
2012	110,227,000	3,773,000	5,433,000	8,205,000	6,545,000	116,772,000
2013	116,772,000	3,942,000	5,605,000	8,696,000	7,033,000	123,805,000
2014	123,805,000	4,120,000	5,856,000	9,220,000	7,484,000	131,289,000
2015	131,289,000	4,305,000	6,341,000	9,770,000	7,734,000	139,023,000
2016	139,023,000	4,499,000	6,733,000	10,343,000	8,109,000	147,132,000
2017	147,132,000	4,702,000	7,513,000	10,929,000	8,118,000	155,250,000
2018	155,250,000	4,914,000	8,070,000	11,525,000	8,369,000	163,619,000
2019	163,619,000	5,135,000	9,031,000	12,125,000	8,229,000	171,848,000
2020	171,848,000	5,366,000	9,280,000	12,742,000	8,828,000	180,676,000
2021	180,676,000	5,607,000	9,903,000	13,390,000	9,094,000	189,770,000
2022	189,770,000	5,860,000	10,690,000	14,052,000	9,222,000	198,992,000
2023	198,992,000	6,124,000	11,096,000	14,738,000	9,766,000	208,758,000
2024	208,758,000	6,399,000	11,401,000	15,469,000	10,467,000	219,225,000
2025	219,225,000	6,687,000	12,611,000	16,220,000	10,296,000	229,521,000

Notes:

1. The fund balance as of July 1, 2010 is the market value of the fund.
2. The contribution payable for FY 2011 is determined from the prior year's valuation. The contribution payable for FY 2012 and later is determined as the level dollar amortization of the unfunded accrued liability plus 27.86% of anticipated covered payroll paid by the state plus 10.5% member contributions, all adjusted with interest to mid year. Payroll for FY 2012 and later is assumed to increase by the CPI-U not less than 0.0% but not greater than 3.0% annually from July 1, 2005 to the valuation date and 4.5% per year thereafter.
3. The projection of future benefit payments is based on all participants included in the valuation, including active participants who are not yet receiving benefits.

Table 6A  
 Number and Total Annual Compensation of Full-time Active Participants  
 Currently Participating in JRS as of July 1, 2010

Attained Age	Years of Contributory Service														Total No./ Comp.		
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up							
	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.							
Under 25																	
25 to 29																	
30 to 34																	
35 to 39																	
40 to 44		2 232,000															2 232,000
45 to 49		1 116,000															2 232,000
50 to 54			1 121,000	3 353,000	3 348,000												7 822,000
55 to 59		1 116,000	6 696,000	9 1,044,000	3 348,000	2 232,000											21 2,436,000
60 to 64			2 232,000	3 348,000	3 348,000	1 116,000											10 1,160,000
65 to 69				1 116,000	4 464,000												6 696,000
70 & up					1 116,000	1 116,000	2 232,000										5 580,000
Total	- -	4 464,000	10 1,165,000	16 1,861,000	14 1,624,000	4 464,000	4 464,000	- -	1 116,000	1 116,000	4 464,000	1 116,000	1 116,000	1 116,000	1 116,000	1 116,000	53 6,158,000

Table 6B  
 Number and Total Annual Compensation of Full-time Active Participants  
 Currently Participating in PERS as of July 1, 2010

Attained Age	Years of Contributory Service														Total No./ Comp.	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up						
	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	No./ Comp.	
Under 25																-
25 to 29																-
30 to 34																-
35 to 39																-
40 to 44	1 116,000	2 232,000														3 348,000
45 to 49		3 348,000														3 348,000
50 to 54		1 116,000	1 116,000													2 232,000
55 to 59		3 348,000			1 116,000											4 464,000
60 to 64		3 353,000														3 353,000
65 to 69	1 116,000	2 237,000														3 353,000
70 & up																-
Total	2 232,000	14 1,634,000	1 116,000	-	1 116,000	-	-	-	-	-	-	-	-	-	-	18 2,098,000



Table 7A  
 Distribution of the Number and Average Monthly Benefits  
 of Retired Participants by Fifth Age as of July 1, 2010

Current Age	Service Retirees			Beneficiaries			Total		
	Number	Average Age	Average Monthly Benefit	Number	Average Age	Average Monthly Benefit	Number	Average Age	Average Monthly Benefit
Under 60	1	59	\$ 7,250	-	-	-	1	59	\$ 7,250
60-64	4	64	6,750	1	63	\$ 560	5	64	5,512
65-69	8	67	7,301	-	-	-	8	67	7,301
70-74	8	73	7,289	3	73	3,702	11	73	6,311
75-79	6	78	7,157	3	77	3,922	9	78	6,079
80-84	4	81	7,237	6	83	3,867	10	82	5,215
85-89	3	89	7,250	6	88	3,894	9	88	5,013
90-94	2	92	7,250	1	90	3,867	3	91	6,122
95 & over	-	-	-	-	-	-	-	-	-
Total	36	74	\$ 7,197	20	82	\$ 3,693	56	77	\$ 5,946
Total Annual Benefits			\$ 3,109,286			\$ 886,377			\$ 3,995,663

Table 7B

**Distribution of the Number and Average  
Monthly Benefits of Participants Entitled to  
Deferred Benefits as of July 1, 2010**

Current Age	Deferred Vested		
	Number	Avg. Age	Average Monthly Benefit
Under 55	-	-	-
55-59	-	-	-
60-64	-	-	-
65-69	-	-	-
70-74	-	-	-
Total	-	-	\$ -
Total Annual Benefits			\$ -

**A. DEFINITIONS**

1. **Plan Name:** The West Virginia Judges' Retirement System
2. **Effective Date:** The West Virginia Retirement System for Judges of Courts of Record was originally enacted in 1949.
3. **Plan Membership:** Every individual serving as a judge of any court of record of the State of West Virginia is eligible to participate in the Judges' Retirement System. A judge may within 30 days of taking office notify the State Auditor or county court that he elects not to participate, choosing instead to participate in the Public Employees' Retirement System. Any judge who elects not to participate in the plan may thereafter elect to participate by paying to the Fund all contributions which would have been paid had he elected to participate when first eligible.
4. **Credited Service:** Credited Service for the plan purposes includes:
  - **Contributory Service:** Years during which a member makes contributions to the retirement system while serving as a judge of a court of record.
  - **Military Service:** Active service in the U.S. military is credited up to a maximum of 5 years, provided the member has 12 or more years of Contributory Service or 14 or more years of Contributory Service if appointed or elected for the first time as a judge of a court of record AFTER July 1, 2005.
  - **Other Service:** Any member who was sitting as judge of a court of record as of March 14, 1987 receives credit for periods of time served as a prosecuting attorney prior to January 1, 1989. This is contingent on the member having 12 or more years of Contributory Service, and contributing to the Fund 9% of the salary received as a prosecuting attorney, plus applicable interest.

5. *Final Average Salary:* The average annual compensation measured over the highest 36 consecutive months of compensation received by the member as a judge of any court of record.

## B. CONTRIBUTIONS

1. *Member Contributions:* Effective July 1, 2005, members contribute 10.5% of their salary to the system (9% from January 1, 1995 to June 30, 2005 and 6% prior to January 1, 1995).
2. *Employer Contributions:* The State contributes annually to the system the actuarially determined contribution recommended in the actuarial valuation for the Plan.

## C. NORMAL RETIREMENT BENEFIT

1. *Eligibility:* A member is eligible for a normal retirement benefit upon attaining any of the following requirements:
  - a. Age 65, with 16 years of credited service which include at least 12 years of Contributory Service, or at least 14 years of Contributory Service if appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005.
  - b. Any age, with 24 years of credited service which include at least 12 years of Contributory Service or at least 14 years of Contributory Service if appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005.
  - c. Any age, upon completion of 8 years of Contributory Service earned after attaining age 65 (or 6 years of contributing service after age 65, if the member becomes incapacitated). This eligibility provision does not apply to any member who was

appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005.

2. ***Benefit Amount:*** The annual normal retirement benefit, payable in monthly installments, is equal to 75% of the highest salary of the office from which the member retires. Benefits for retirees and survivors are increased in proportion to salary increases given to sitting judges.

The annual normal retirement benefit, payable in monthly installments, for a member who was appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005, is equal to 75% of the members Final Average Salary. The retirement benefit of a member who was appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005 is not increased by virtue of any salary increases given to sitting judges.

3. ***Normal Form of Benefit:***

- a. ***Single Members:*** The normal form of the retirement benefit is a single life cash refund annuity. This provides for a pension payable only during the member's lifetime. If the member dies before receiving pension payments which total the amount of his accumulated contributions (without interest) at the time of his retirement, then the difference will be paid to his beneficiary.
- b. ***Married Members:*** The normal form of the retirement benefit is a joint and survivor annuity with his or her spouse as beneficiary, providing 40% of the highest salary of the office continuing to the surviving spouse during the spouse's remaining lifetime following the death of the member.

The normal form of the retirement benefit for a member who was appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005 is a joint and survivor annuity with his or her spouse as the beneficiary, providing 40%

of the member's Final Average Salary continuing to the surviving spouse during the spouse's remaining lifetime following the death of the member.

#### **D. DEFERRED VESTED BENEFIT**

- 1. Eligibility:* A terminating member who has completed 16 years of service, including at least 12 years of Contributory Service or at least 14 years of Contributory Service if appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005, is entitled to a deferred vested benefit commencing at age 65.
- 2. Amount:* The deferred vested pension, payable in monthly installments, is equal to 75% of the highest salary of the office from which the member terminates, or 75% of the members Final Average Salary if the member was appointed or elected for the first time as a sitting judge of a court of record **AFTER** July 1, 2005.

#### **E. EARLY RETIREMENT BENEFIT**

- 1. Eligibility:* A member is eligible for an early retirement benefit upon attainment of age 62 with 16 years of credited service, which includes at least 12 years of Contributory Service or at least 14 years of Contributory Service if appointed or elected for the first time as a judge of a court of record **AFTER** July 1, 2005.
- 2. Amount:* The early retirement benefit is payable in monthly installments under the same normal or optional forms as the normal retirement benefit and is equal to the normal retirement benefit actuarially reduced for the number of years by which his early retirement precedes age 65.

**F. DISABILITY BENEFIT**

1. *Eligibility:* A member may receive disability retirement after completing 10 years of Contributory Service (at least 6 years if the member is over age 65), provided that the member becomes incapacitated to perform the duties of his office as a judge during the remainder of his term, as determined by the Governor upon application by the member.
2. *Amount:* An annual amount, payable monthly in the following amount(s):
  1. For a judge who was a member in the system before April 1, 1987, the full amount of salary until what would have been the end of the member's term of office, and thereafter the Normal Retirement Benefit as defined above.
  2. For other members, the Normal Retirement Benefit as defined above.

**G. PRERETIREMENT DEATH BENEFITS**

1. *Eligibility:* The surviving spouse of a deceased member dying in service who has served at least 5 years as a sitting judge of a court of record is eligible to receive a "widow's annuity". The surviving spouse of a retired judge receives a similar annuity.
2. *Amount:* The benefit is the continuation portion of the Joint and Survivor annuity of the Normal Retirement Benefit for married members as described above.

**H. POSTRETIREMENT DEATH BENEFITS**

Other than the death benefit inherent in the cash refund feature of the normal form of benefit, or the survivor's annuity in the case of a joint and survivor pension, no postretirement death benefits are payable under this retirement plan.

**I. OTHER TERMINATIONS**

A member who terminates employment other than by death and prior to becoming eligible for a normal retirement, early retirement, deferred vested or disability benefit, will receive a refund of his contributions, without interest. After receiving a refund of contributions, a member has no further right to benefits under this retirement system.

**J. MEMBERSHIP IN PERS**

When a judge begins employment, he or she may elect to participate in either the Judges' Retirement System (JRS) or the Public Employees' Retirement System (PERS). Judges participating in PERS may at any time thereafter elect to transfer their membership to JRS. To do so, a judge must transfer his or her accumulated member's contributions from PERS plus an additional amount determined so that the total amount transferred to the JRS fund will equal what the member's JRS contributions would have totaled in JRS at the transfer date, had the member initially elected to participate in JRS and the member's contributions had then compounded at an annual interest rate based on Moody's bond rate.



**A. Valuation Date**

July 1, 2010

**B. Funding Method**

The valuation is prepared under the Entry Age Cost Method with individually computed accrued liabilities. The Normal Cost is computed in aggregate. Entry is based on date of hire. Active liabilities include amounts calculated for judges currently participating in the Public Employees' Retirement System (PERS) who may in the future transfer into the Judges' Retirement System (JRS) with an adjustment for the anticipated transfer of required member contributions. The Unfunded Accrued Liability is being amortized over the fixed period ending on June 30, 2018.

**C. Interest Rate and Expenses**

The valuation interest assumption is 7.50% annually with no loading for plan expenses.

**D. Salary Scale and Normal Cost**

4.5% annually from the current valuation date. Increases are assumed to be delayed, occurring every few years. Missed increases are assumed to be made up at the CPI-U inflation rate for such missed year not less than 0%, but not more than the 3.0% inflation rate assumption. The valuation year salary scale increase of 4.5% is adjusted to include the missed inflation increases at the end of the valuation year. Retiree COLA increases are adjusted consistent with the salary scale adjustments since they are tied to current salaries. The most recent pay increase occurred at July 1, 2005.

**E. Automatic Cost-of-Living Increases to Pensions**

Pensions for judges appointed or elected prior to July 2, 2005 are assumed to increase at the same time as active salaries increase, and by the same percentage.

**F. Mortality**

The 1994 GAM Mortality, male and female tables are used. Disabled mortality is the same as the regular mortality assumption. No mortality is assumed prior to retirement due to the small number of active members.

**G. Withdrawal From Service**

No withdrawal is assumed due to the small number of active members.

**H. Retirement Rates and Service**

For those eligible to retire prior to age 65, 5% are assumed to retire each year through age 64 with 100% retiring at age 65. For those first eligible at age 65 or later, 100% are assumed to retire when they become eligible.

In determining eligibility, actual military service was provided both for judges participating in JRS and judges currently in PERS. No creditable prosecuting attorney service is assumed.

**I. Transfers From PERS**

It is assumed that all judges in PERS who earn sufficient service to vest under JRS will join JRS. Liabilities for potential transfers from PERS are included in this valuation and are calculated as if the judge had always been a member of JRS. Accumulated member contributions under PERS are treated as an offset to plan liabilities for valuation purposes. The shortfall of PERS accumulated member contributions versus the amount they would have contributed under the plan had they always been a participant under JRS is recognized in the development of the normal cost.

**J. Family Composition**

All judges are assumed to be married. Where spousal data was not available, it is assumed that male judges are 5 years older than their spouses and female judges are 5 years younger than their spouses. Surviving children's benefits were not explicitly valued.

**K. Asset Valuation Method**

Assets for valuation purposes are included at Market Value.

**L. Plan Contributions**

Plan contributions, both employee and employer, are assumed to be paid in the middle of the year.