



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

NEWS RELEASE

FOR RELEASE

December 15, 2025

Contact: Brian Brustkern
515/281-5834

Auditor of State Rob Sand today released an audit report on the Iowa Judicial Retirement System for the year ended June 30, 2025. The System provides retirement, disability and death benefits to judges serving on the Supreme Court, the Court of Appeals and the District Courts. The System covered 484 active and retired judges in fiscal year 2025.

FINANCIAL HIGHLIGHTS:

The System's fiduciary net position restricted for pension benefits totaled \$300,885,184 at June 30, 2025. Additions included \$5,734,169 from employer contributions, \$3,087,626 from member contributions and net investment income of \$32,329,713. Deductions for the year ended June 30, 2025 included \$18,610,762 for annuity benefits.

The System's net pension liability decreased approximately \$14,201,000 during fiscal year 2025, from a net pension asset of approximately \$1,593,000 at June 30, 2024 to a net pension asset of approximately \$15,794,000 at June 30, 2025. The net pension asset as a percentage of covered payroll was -45.34% at June 30, 2025.

AUDIT FINDINGS:

Consistent with the prior year, Sand reported no findings pertaining to the Iowa Judicial Retirement System.

A copy of the audit report is available for review on the Auditor of State's website at [Audit Reports – Auditor of State](#).

#

IOWA JUDICIAL RETIREMENT SYSTEM

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2025

Iowa Judicial Retirement System



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

December 9, 2025

Iowa Judicial Retirement System
Des Moines, Iowa

To the Members of the Iowa Judicial Retirement System:

I am pleased to submit to you the financial and compliance audit report for the Iowa Judicial Retirement System for the year ended June 30, 2025. The audit was performed in accordance with U.S. Auditing Standards and the standards applicable to financial audits contained in Government Auditing Standards.

I appreciate the cooperation and courtesy extended by the officials and employees of Iowa Judicial Retirement System throughout the audit. If I or this office can be of any further assistance, please contact me or my staff at 515-281-5834.

Sincerely,

A handwritten signature in black ink, appearing to read "Rob Sand".

Rob Sand
Auditor of State

Table of Contents

	<u>Page</u>
Officials	3
Independent Auditor's Report	5-7
Management's Discussion and Analysis	8-10
Basic Financial Statements:	<u>Exhibit</u>
Statement of Fiduciary Net Position	A 12
Statement of Changes in Fiduciary Net Position	B 13
Notes to Financial Statements	14-20
Required Supplementary Information:	<u>Schedule</u>
Schedule of Changes in the System's	
Net Pension Liability (Asset) and Related Ratios	1 22-23
Schedule of System Contributions	2 24-25
Schedule of Investment Returns	3 26-27
Notes to Required Supplementary Information – Pension Liability (Asset)	28-29
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <u>Government Auditing Standards</u>	30-31
Staff	32

Iowa Judicial Retirement System

Officials

Name

Title

State

Honorable Kim Reynolds
Kraig Paulsen
Timothy McDermott

Governor
Director, Department of Management
Director, Legislative Services Agency

Agency

Honorable Susan Christensen
Robert Gast
Kent Farver

Chief Justice
State Court Administrator
Director of Finance

Iowa Judicial Retirement System



OFFICE OF AUDITOR OF STATE STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

Independent Auditor's Report

To the Members of the Iowa Judicial Retirement System:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Iowa Judicial Retirement System as of and for the year ended June 30, 2025, and the related Notes to Financial Statements, which collectively comprise the Iowa Judicial Retirement System's basic financial statements listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Iowa Judicial Retirement System as of June 30, 2025 and the respective changes in fiduciary net position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Iowa Judicial Retirement System, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of a Matter

As discussed in Note 2, the financial statements present the financial position and changes in financial position of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Judicial Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2025, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Judicial Retirement System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Iowa Judicial Retirement System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Iowa Judicial Retirement System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, the Schedule of the Changes in the System's Net Pension Liability (Asset) and Related Ratios, the Schedule of System Contributions, the Schedule of Investment Returns and Notes on pages 8 through 10 and 22 through 29 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated December 9, 2025 on our consideration of the Iowa Judicial Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Judicial Retirement System's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Iowa Judicial Retirement System's internal control over financial reporting and compliance.



Brian R. Brustkern, CPA
Deputy Auditor of State

December 9, 2025

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Iowa Judicial Retirement System provides an overview of the System's financial activities for the fiscal year ended June 30, 2025.

2025 FINANCIAL HIGHLIGHTS

- Fiduciary net position restricted for pensions increased approximately \$22.5 million during fiscal year 2025 (FY25). At June 30, 2025, total assets were approximately \$322.3 million and total liabilities were approximately \$21.4 million, resulting in a fiduciary net position restricted for pensions of approximately \$300.9 million.
- Covered payroll, upon which both employee and employer pension contributions are calculated, was approximately \$34.8 million for FY25. Employer and member contributions were \$5,734,169 and \$3,087,626, respectively.
- Net investment income, after investment-related expenses, was approximately \$32.3 million in FY25 compared to net investment income of approximately \$31.8 million in FY24. Investment management expenses increased from \$471,084 for the fiscal year ended June 30, 2024 to \$488,999 for the fiscal year ended June 30, 2025.
- Total additions for the year resulted in a positive impact of approximately \$41.2 million in FY25 compared to a positive impact of approximately \$40.3 million in FY24.
- Pension benefits to members increased \$1,282,253. Payments to members totaled approximately \$18.6 million in FY25.
- Administrative expenses totaled \$36,814 for the fiscal year ended June 30, 2025, compared to \$39,001 for the fiscal year ended June 30, 2024, a decrease of \$2,187.

USING THIS FINANCIAL REPORT

This report reflects the activities of the Iowa Judicial Retirement System as reported in the Statement of Fiduciary Net Position (see page 12) and the Statement of Changes in Fiduciary Net Position (see page 13). These financial statements are presented on an accrual basis and reflect all trust activities as incurred. The Notes to Financial Statements are an integral part of the financial statements and include additional information not readily evident in the financial statements themselves. The required supplementary information following the Notes to Financial Statements provides historical and additional detailed information considered useful in evaluating the condition of the System.

ANALYSIS OF PLAN NET POSITION

Tables 1 and 2 present condensed summaries of the fiduciary net position and a breakdown of the changes in fiduciary net position, with comparisons to the previous fiscal year.

FIDUCIARY NET POSITION

Table 1

June 30,	2025	2024	Increase (Decrease) Amount	Increase (Decrease) Percent
Cash and investments	\$ 314,603,026	305,495,268	9,107,758	2.98%
Receivables	7,646,042	8,016,341	(370,299)	(4.62)
Total assets	322,249,068	313,511,609	8,737,459	2.79
Total liabilities	21,363,884	35,130,357	(13,766,473)	(39.19)
Net Position	\$ 300,885,184	278,381,252	22,503,932	8.08

Approximately 93.3% of total assets are investments held to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Other assets, including cash and cash equivalents, receivables from members and receivables from investment-related transactions, comprise the remaining 6.7% of total assets. Total assets increased approximately \$8.7 million, or 2.8%. This increase correlates with the 11.82% return experienced for the year. Total receivables decreased approximately \$370,000, or 4.6%. Receivables consist of mortgage-backed security (MBS) pool trades. The pools are contracts for certain coupon and credit quality, but unspecified as to the precise loan composition, and as such allow for liquid trading in this market. This allows for cost effective trading in the MBS market for the latest coupon MBS pools and helps us set MBS allocation. Investment managers have the ability to sell assets and realize gains when they believe it would be most beneficial to the plan.

Total liabilities represent current liabilities and consist primarily of amounts owed for investment-related transactions, amounts owed to members, or their beneficiaries and amounts owed to contractors and vendors. Total liabilities decreased approximately \$13.8 million, or 39.2%, due, in large part, to a decrease in investment purchases.

CHANGES IN FIDUCIARY NET POSITION

Table 2

Fiscal years ended June 30,	2025	2024	Increase (Decrease) Amount	Increase (Decrease) Percent
Additions				
Member contributions	\$ 3,087,626	3,407,001	(319,375)	(9.37%)
Employer contributions	5,734,169	5,132,571	601,598	11.72
Net investment income	32,329,713	31,761,980	567,733	1.79
Total additions	41,151,508	40,301,552	849,956	2.11
Deductions				
Annuity benefits	18,610,762	17,328,509	1,282,253	7.40
Administrative expenses	36,814	39,001	(2,187)	(5.61)
Total deductions	18,647,576	17,367,510	1,280,066	7.37
Change in net position	\$ 22,503,932	22,934,042	(430,110)	(1.88)

Contributions of approximately \$8.8 million were less than the benefits of approximately \$18.6 million by approximately \$9.8 million for fiscal year 2025 compared to contributions below benefits by approximately \$8.8 million in fiscal year 2024. The investment rate of return for fiscal year 2025 was 11.82%.

The following table contains the fiscal year performance of each asset class, benchmark and the System's actual and target asset allocation as of June 30, 2025.

Table 3

Asset Class	Return	Benchmark	Actual Allocation	Target Allocation
Large capitalization stocks	15.08%	15.16%	28.64%	20.00%
Small capitalization stocks	4.89	9.73	8.42	7.50
Small capitalization value	0.94	5.54	8.48	7.50
Core fixed income	6.12	6.08	18.18	20.00
International equities	20.46	18.38	27.43	25.00
Cash equivalents	4.84	4.71	0.16	0.00
Real estate/Equity REITs	7.55	8.47	8.69	10.00
Private Debt	0.00	0.00	0.00	5.00
Private Credit	0.00	0.00	0.00	5.00
Total	11.82%	12.18%	<u>100.00%</u>	<u>100.00%</u>

CONTACTING THE SYSTEM'S FINANCIAL MANAGEMENT

This financial report is designed to provide our membership, taxpayers and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Iowa Judicial Retirement System, 1111 E Court Avenue, Des Moines, Iowa 50319.

Basic Financial Statements

Exhibit A

Iowa Judicial Retirement System
Statement of Fiduciary Net Position
June 30, 2025

Assets:		
Cash and cash equivalents		\$ 7,551,638
Receivables:		
Member contributions	\$ 86,472	
Employer contributions	160,595	
Investments sold	<u>7,398,975</u>	7,646,042
Investments, at fair value:		
Equity investments	244,334,450	
Fixed income securities	<u>56,332,331</u>	300,666,781
Securities lending collateral pool		<u>6,384,607</u>
Total assets		322,249,068
Liabilities:		
Payables:		
Accounts	116,708	
Investments purchased	14,862,569	
Brokers for rebate and collateral deposits	<u>6,384,607</u>	<u>21,363,884</u>
Net position restricted for pensions		<u>\$ 300,885,184</u>
See notes to financial statements.		

Iowa Judicial Retirement System
Statement of Changes in Fiduciary Net Position
Year ended June 30, 2025

Additions:		
Contributions:		
Member		\$ 3,087,626
Employer		<u>5,734,169</u>
Total contributions		<u>8,821,795</u>
Investment income:		
Interest	\$ 2,113,285	
Dividends	2,820,966	
Net increase in fair value of investments	27,865,527	
Less investment expense, other than from securities lending	<u>(487,106)</u>	
Net investment income from investing, other than from securities lending		32,312,672
Securities lending income	18,934	
Less securities lending expense	<u>(1,893)</u>	
Net income from securities lending		<u>17,041</u>
Net investment income		<u>32,329,713</u>
Total additions		<u>41,151,508</u>
Deductions:		
Annuity benefits		18,610,762
Administrative expenses		<u>36,814</u>
Total deductions		<u>18,647,576</u>
Net increase in net position		22,503,932
Net position restricted for pensions:		
Beginning of year		<u>278,381,252</u>
End of year		<u>\$ 300,885,184</u>

See notes to financial statements.

Iowa Judicial Retirement System

Notes to Financial Statements

June 30, 2025

(1) Plan Description

Plan Membership

The Iowa Judicial Retirement System (System), a single-employer public employee retirement system (PERS), is the administrator of a defined benefit pension plan.

The System was established to provide pension benefits to judges serving on the Supreme Court, the District Courts and the Court of Appeals. The System's membership as of June 30, 2025 was as follows:

Inactive employees or beneficiaries currently receiving benefit payments	263
Inactive members entitled to but not yet receiving benefit payments	4
Active plan members	<u>217</u>
Total	<u>484</u>

Plan Benefits

Pursuant to Chapter 602 of the Code of Iowa, a member who has had a total of at least four years of service as a judge of one or more of the above courts and is at least sixty-five years of age or who has twenty years of consecutive service as a judge of one or more of the above courts and has attained the age of fifty years shall qualify for an annuity. The annual annuity of a judge under the System is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under section 602.9202 of the Code of Iowa, three and one-fourth percent of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retired and received an annuity on or after July 1, 2001 but before July 1, 2006 and (5) 65% for judges who retire and receive an annuity on or after July 1, 2006. In addition, the annual annuity for senior judges who became a senior judge before July 1, 1994 is adjusted at the same salary percentage increase as an active judge. The annual annuity for senior judges who became a senior judge on or after July 1, 1994 is adjusted at 75% of the salary percentage increase of an active judge.

Any member who served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

The survivor of a judge who qualified for retirement compensation at the time of the judge's death is entitled to receive 50% of the amount the judge was receiving or would have been entitled to receive at the time of their death.

Contributions

The 2024 Iowa Legislative Session passed Senate File 2436 (SF 2436), which decreased member contributions to 35% and increased employer contributions to 65% of the required contribution. SF 2436 also provides for a 1% cap on the change in total required contribution rate and became effective July 1, 2024.

(2) Summary of Significant Accounting Policies

A. Reporting Entity

The Iowa Judicial Retirement System is an integral part of the primary government of the State of Iowa and, accordingly, has been included as a Pension Trust Fund in the Iowa Annual Comprehensive Financial Report.

For financial reporting purposes, the System has included all funds. The System has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the System to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the System. The System has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The System is treated for accounting purposes as a Pension Trust Fund. The operations of the fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, net position, additions and deductions.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. System contributions are recognized when due and the State has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash and money market investments held by the Treasurer of State and cash allocated to the System's investment manager for investment. The System's deposits throughout the year and at year end were entirely covered by federal depository insurance or the State Sinking Fund.

E. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. Investments without an established market are reported at estimated fair value.

The System uses the fair value hierarchy established by generally accepted accounting principles based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets. Level 2 inputs are significant other observable inputs. Level 3 inputs are significant unobservable inputs. The System's investments at June 30, 2025 by Level were as follows:

	Total	Level 1	Level 2	Level 3
Investments by fair value level				
Equity	\$ 244,059,364	161,666,455	-	82,392,909
Fixed Income Securities	55,967,259	22,572,624	33,394,635	-
Cash and Cash Equivalents	7,250,175	4,467,309	-	2,782,866
Total investments by fair value level	307,276,798	188,706,388	33,394,635	85,175,775
Investments measured at the net asset value (NAV)				
Invested securities lending collateral:				
Overnight repurchase agreements	6,404,124			
Total investments measured at fair value	\$ 313,680,922			

Investments measured at the NAV

Investment Type	Fair Value	Credit Risk	Investment Maturity (Years)	Redemption Frequency	Redemption Notice Period
		Not Rated			
Overnight repurchase agreements	\$ 6,404,124	6,404,124	Less than 1	N/A	N/A

The Treasurer of State is responsible for investing the System's funds. The System is authorized by statute to invest in any form of indebtedness issued, assumed or guaranteed by the federal government. In addition, the System's funds may be invested in a manner consistent with the "Uniform Prudent Investor Act." The act requires a trustee to invest and manage trust property as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution. The target asset allocation is identified in Note 3 to Financial Statements.

Investments in governmental bonds and treasury notes constitute approximately 6.3% of total assets.

The System spent \$488,999 for investment management expenses, which was 0.15% of the market value of the total assets at June 30, 2025.

The System's investments in equity investments and fixed income securities, stated at cost, are \$160,007,828 and \$56,093,088, respectively.

Credit Risk – Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2025, the System’s fixed income assets not government guaranteed represented 67.7% of the fixed income holdings, including collateral for repurchase agreements and securities lending collateral. The following table summarizes the System’s fixed income portfolio exposure levels and credit qualities.

Investment Type:	Credit Risk-S&P Quality Ratings						Not Rated	Total
	TSY	AAA	AA	A	BBB			
1) Short Term Investments:								
1) Pooled Funds and Mutual Funds	\$ -	-	-	-	-	2,782,866	-	2,782,866
2) Treasuries	-	-	4,467,309	-	-	-	-	4,467,309
2) Fixed Income Investments:								
A) U.S. Government:								
1) U.S. Government Treasury Notes	15,015,227	-	-	-	-	-	-	15,015,227
2) U.S. Government Treasury Bonds	3,815,935	-	-	-	-	-	-	3,815,935
3) U.S. Government Treasury TIPS	1,577,270	-	-	-	-	-	-	1,577,270
B) Mortgage Backed:								
1) Federal National								
Mortgage Association	-	-	101,797	-	-	7,517,309	-	7,619,106
2) Collateralized Mortgage								
Backed Securities	-	440,399	-	-	-	973,725	-	1,414,124
C) State and Local Obligations	-	-	912,854	-	-	-	-	912,854
D) Corporate:								
1) Corporate Bonds	-	-	609,677	5,855,454	6,848,439	-	-	13,313,570
2) Corporate Asset Backed	-	1,538,304	165,934	-	-	1,242,445	-	2,946,683
3) Private Placement	-	216,680	24,877	549,887	116,946	6,279,908	-	7,188,298
4) Fixed Income Commingled Funds	-	-	-	-	-	2,164,192	-	2,164,192
Total	\$ 20,408,432	2,195,383	6,282,448	6,405,341	6,965,385	20,960,445	-	63,217,434

There are no System-wide policy limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with an investment contract specific as to permissible credit quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to the System’s securities lending program are included within the securities lending program disclosures found later in this Note to Financial Statements.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System’s investment in a single issue.

The System’s investment policy states no investment manager shall be permitted to invest more than 5% of its System account in any one corporate issuer without written direction and approval of the Treasurer of State.

Rate of Return – For the year ended June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of investment expense, was 11.96%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Interest Rate Risk – Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

Interest Rate Sensitivity-Duration

Investment Type:	Fair Value	Duration (In Years)
1) Short-term Investments:		
1) Pooled Funds and Mutual Funds	\$ 2,782,866	0.08
2) Treasuries	4,467,309	0.17
2) Fixed Income Investments:		
A) U.S. Government:		
1) U.S. Government Treasury Notes	15,015,227	4.69
2) U.S. Government Treasury Bonds	3,815,935	14.61
3) U.S. Government Treasury TIPS	1,577,270	7.12
B) Mortgage Backed:		
1) Federal National Mortgage Association	7,619,106	5.67
2) Collateralized Mortgage Backed Securities	1,414,124	5.06
C) State and Local Obligations	912,854	8.11
D) Corporate:		
1) Corporate Bonds	13,313,570	6.63
2) Corporate Asset Backed	2,946,683	0.83
3) Private Placement	7,188,298	4.66
4) Fixed Income Commingled Funds	2,164,192	
Total	\$ 63,217,434	
Portfolio duration		5.25

Securities Lending Program – The Treasurer of State selects a bank to serve as the custodian bank and lending agent for the System’s securities lending program. During the year, BNY Mellon served as the custodial bank and Deutsche Bank AG served as the lending agent for the System. In its capacity as lending agent, Deutsche Bank AG is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the System to broker-dealers and other entities in exchange for collateral. The custodian bank is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. A borrower is required to initially deliver collateral in an amount equal to 102% of the fair value of any U.S. securities lent and 105% of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100% of the value of the security lent plus accrued interest income.

At year-end, the System had no credit risk exposure to borrowers because the amounts they owed the System did not exceed the amount the System owed the borrowers. The contract with the custodian bank requires it to indemnify the System if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contract does not allow the System to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2025, the System had securities on loan, including accrued interest income, with a total value of \$6,244,613 against collateral with a total value of \$6,384,607.

The majority of securities loans are open loans, i.e., one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from borrowers is invested in a separate cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the System. The System bears investment risk if the custodian bank invests in securities which decrease in value or default. The investment guidelines do not require a matching of investment maturities with loan maturities but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans.

(3) Net Pension Liability

The components of the net pension liability (asset) of the System at June 30, 2025 were as follows:

Total pension liability	\$ 285,091,101
Plan fiduciary net position	<u>300,885,184</u>
Net pension liability (asset)	<u>\$ (15,794,083)</u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	105.54%

Actuarial Assumptions – The total pension liability was determined by an actuarial valuation as of July 1, 2025 using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement:

Rate of inflation:	2.60%.
Salary increase:	3.75% including inflation.
Investment rate of return:	6.75% compounded annually, net of investment expense, and including inflation.

Mortality rates were based on the Pub-2010 General Above Median Mortality Tables with a three-year age setback and generational improvements using MP-2021.

The actuarial assumptions used in the July 1, 2025 valuation are based on the results of the most recent actuarial experience study. The most recent study was performed, and results provided on July 2, 2024.

The long-term expected rate of return on pension plan investments is reviewed regularly as part of the experience study. Several factors are considered in evaluating the long-term rate of return assumption, including the long-term historical data, estimates inherent in current market data and an analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of investment expense and inflation), along with estimates of variability and correlations for each asset class, were developed by the System's investment consultant. These ranges were combined to develop the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Large Cap Equity	20.00%	4.4%
Small/Mid Cap Equity	15.00	4.6
International Equity	25.00	4.2
Private Equity	5.00	7.3
US Fixed Income	14.25	3.7
Diversified Fixed Income	5.75	2.7
Private Debt	5.00	6.5
Real Estate (Non-Core)	6.00	5.4
Real Estate (Core)	<u>4.00</u>	3.6
Total	<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 6.75%. The projection of cash flows used to determine the discount rate assumed plan contributions from members and the State will be made at the current contribution rates as set in State statute:

- a. Employee contribution rate: 35% of the actuarially required contribution rate.
- b. State contribution rate: 65% of the actuarially required contribution rate.

Based on those assumptions, the fiduciary net position is projected to be available to make all projected future benefit payments to current members. Therefore, the long-term expected rate of return on System assets was applied to all periods of projected benefit payments to determine the total pension liability. The municipal bond rate was not used in determining the discount rate, but if it were required, the rate would have been 5.25%. The projected future benefit payments for all current plan members were projected through 2124.

Sensitivity Analysis – The sensitivity of the net pension liability (asset) to changes in the discount rate presents the net pension liability (asset) of the System, calculated using the discount rate of 6.75%, as well as what the System's net pension liability (asset) calculated using a discount rate 1% lower (5.75%) or 1% higher (7.75%) than the current discount rate:

	1% Decrease (5.75%)	Current Discount Rate (6.75%)	1% Increase (7.75%)
Net pension liability (asset)	\$ 14,556,874	(15,794,083)	(41,650,828)

(4) Contributions Required and Contributions Made

The contributions to the System were made pursuant to section 602.9104 of the Code of Iowa. Commencing with the July 1, 2024 actuarial valuation, the State contributions are 65% of the actuarially required contribution and will apply to the fiscal year beginning one year after the valuation.

The member contributions required and contributed were \$3,087,626, representing 8.86% of current year covered payroll. The State's contribution required by statute was \$5,734,169. The State's share was based on 16.46% of actual salaries. Costs of administering the plan are financed through State appropriations, member contributions and investment income.

An actuarial valuation of the System's assets and liabilities is required at least once every four years per section 602.9116 of the Code of Iowa.

(5) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years. The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts.

A contingent fund exists under section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Required Supplementary Information

Iowa Judicial Retirement System

Schedule of Changes in the System's Net Pension Liability (Asset)
And Related Ratios
Required Supplementary Information

For the Last Ten Years
(in Thousands)

	2025	2024	2023	2022
Total pension liability				
Service cost	\$ 8,885	8,279	8,402	7,928
Interest	18,065	17,366	17,056	16,434
Benefit changes	(304)	-	-	-
Differences between expected and actual experience	267	3,562	(4,007)	980
Changes of assumptions	-	(868)	-	-
Benefit payments	(18,611)	(17,329)	(16,448)	(15,803)
Net change in total pension liability	8,302	11,010	5,003	9,539
Total pension liability beginning of year	276,789	265,779	260,776	251,237
Total pension liability end of year (a)	\$ 285,091	276,789	265,779	260,776
Plan fiduciary net position				
Employer contributions	\$ 5,734	5,133	4,916	9,373
Member contributions	3,088	3,407	3,277	2,965
Net investment income (loss), including other sources of \$2,500,000 for 2015	32,330	31,762	28,351	(71,280)
Benefit payments	(18,611)	(17,329)	(16,448)	(15,803)
Administrative expenses	(37)	(39)	(47)	(22)
Net change in plan fiduciary net position	22,504	22,934	20,049	(74,767)
Plan fiduciary net position beginning of year	278,381	255,447	235,398	310,165
Plan fiduciary net position end of year (b)	\$ 300,885	278,381	255,447	235,398
Net pension liability (asset) end of year (a) - (b)	\$ (15,794)	(1,592)	10,332	25,378
Plan fiduciary net position as a percentage of the total pension liability	105.54%	100.58%	96.11%	90.27%
Covered payroll	\$ 34,837	33,049	32,839	30,633
Net pension liability (asset) as a percentage of covered payroll	-45.34%	-4.82%	31.46%	82.85%

See accompanying independent auditor's report.

2021	2020	2019	2018	2017	2016
7,823	7,666	7,124	6,230	6,235	6,231
16,048	15,957	15,417	14,396	13,880	13,548
-	-	-	(1,208)	-	-
(2,634)	(7,323)	(328)	(3,222)	(865)	(3,655)
-	-	-	33,526	-	-
(15,233)	(14,699)	(13,724)	(12,812)	(11,950)	(11,460)
6,004	1,601	8,489	36,910	7,300	4,664
245,233	243,632	235,143	198,233	190,933	186,269
251,237	245,233	243,632	235,143	198,233	190,933
9,200	9,211	8,771	8,503	8,544	8,667
2,811	2,815	2,680	2,598	2,611	2,648
81,921	17,776	7,237	26,227	26,632	(2,672)
(15,233)	(14,699)	(13,724)	(12,812)	(11,950)	(11,460)
(20)	(22)	(26)	(21)	(18)	(20)
78,679	15,081	4,938	24,495	25,819	(2,837)
231,486	216,405	211,467	186,972	161,153	163,990
310,165	231,486	216,405	211,467	186,972	161,153
(58,928)	13,747	27,227	23,676	11,261	29,780
123.46%	94.39%	88.82%	89.93%	94.32%	84.40%
30,065	30,100	28,664	27,788	27,922	28,322
-196.00%	45.67%	94.99%	85.20%	40.33%	105.15%

Iowa Judicial Retirement System
Schedule of System Contributions
Required Supplementary Information

For the Last Ten Years
(in Thousands)

	2025	2024	2023	2022
Actuarially determined contribution	\$ 5,734	5,133	4,916	7,836
Actual employer contributions	5,734	5,133	4,916	9,374
Contribution deficiency (excess)	\$ -	-	-	(1,538)
Covered payroll	\$ 34,837	33,049	32,839	30,633
Actual contributions as a percentage of covered employee payroll	16.46%	15.53%	14.97%	30.60%

See accompanying independent auditor's report.

2021	2020	2019	2018	2017	2016
7,691	8,567	8,674	5,688	6,201	6,667
9,200	9,211	8,771	8,503	8,544	8,667
(1,509)	(644)	(97)	(2,815)	(2,343)	(2,000)
30,065	30,100	28,664	27,788	27,922	28,322
30.60%	30.60%	30.60%	30.60%	30.60%	30.60%

Iowa Judicial Retirement System
Schedule of Investment Returns
Required Supplementary Information
For the Last Ten Years

	2025	2024	2023	2022
Annual money-weighted rate of return, net of investment expense	11.96%	12.95%	12.47%	(23.04)%

See accompanying independent auditor's report.

2021	2020	2019	2018	2017	2016
35.81%	8.48%	3.69%	14.48%	17.03%	(1.19)%

Iowa Judicial Retirement System

Notes to Required Supplementary Information – Pension Liability (Asset)

Year ended June 30, 2025

Valuation date: July 1, 2025

The System was funded with fixed contribution rates for both the employees and the State until the System's funded ratio is at 100%. The System became 100% funded with the July 1, 2021 actuarial valuation. The actuarially determined contributions are calculated annually on each valuation date and apply to the fiscal year beginning one year after the valuation.

The following actuarial methods and assumptions (from the July 2023 actuarial valuation) were used to determine the actuarially determined contribution reported for the fiscal year ended June 30, 2025.

Actuarial cost method	Entry age normal
Amortization method	Level dollar, closed
Amortization period	Initial base established July 1, 2022 over a closed 25-year period. New bases will be established in each subsequent year equal to the difference in actual versus expected experience. The new base is amortized over a new, closed 25-year period commencing on the date it is established.
Asset valuation method	75% expected value plus 25% market value
Price inflation	2.60%
Salary increases, including inflation	3.75%
Long-term rate of return, net of investment expense, and including inflation	6.75% compounded annually
Mortality	Pub-2010 General Above Median Mortality Table with a three-year age set back and generational improvements using MP-2021.

Changes of Benefit and Funding Terms

The following changes to the plan provisions were made by the Iowa Legislature and are reflected in the valuation performed as of July 1 listed below:

2025: The 2025 Iowa Legislature Session passed House File 956 (HF 956) which increased the mandatory retirement age from 72 to 78 for judicial officers and from 78 to 84 for Senior Judges.

2024: The 2024 Iowa Legislative Session passed Senate File 2436 (SF 2436) which decreased the members' share of the total required contribution rate from 40% to 35% effective July 1, 2024. SF 2436 also provides for a 1% cap on the change in the total required contribution each year. This change had no impact on the liabilities in the July 1, 2024 valuation but will impact the employer required contribution rate beginning with the fiscal year ended June 30, 2025.

2018: Effective January 1, 2018, a judge must be 62 years of age or older at the time the judge assumes senior status. Senior Judges may only serve for a total of six years and shall cease holding office upon reaching age 78. These requirements do not apply to judges who have 20 years of service prior to January 1, 2018.

Changes in Assumptions

July 1, 2025 valuation:

- Retirement rates were adjusted to model anticipated retirement behavior changes due to HF956
- Long-term member contribution rate was lowered from 10.25% to 9.00%.

July 1, 2024 valuation:

- Retirement rates were adjusted to partially reflect observed experience.
- Termination assumption was eliminated.
- Election of Senior Judge status assumption decreased from 80% to 75%.
- Administrative expense assumption increased from 0.06% to 0.07% of payroll.
- Mortality assumption was changed to the Pub-2010 General Employees Above Median Mortality Tables for males and females, with a three-year age set back. Future mortality improvements are anticipated with Projection Scale MP-2021.

July 1, 2018 valuation:

- Price inflation assumption decreased from 3.00% to 2.60%.
- Investment return assumption decreased from 7.50% to 6.75%.
- Individual salary increase assumption decreased from 4.25% to 3.75%.
- Senior Judge benefit adjustment assumption decreased from 3.1875% to 3.00%.
- An explicit assumption of the annual administrative expenses was adopted.
- Mortality assumption was changed to the RP-2014 White Collar Mortality Table for males and females, with a two-year age setback. Future mortality improvements are anticipated with Projection Scale MP-2017.



OFFICE OF AUDITOR OF STATE STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0006
Telephone (515) 281-5834

Rob Sand
Auditor of State

Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

To the Members of the Iowa Judicial Retirement System:

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa Judicial Retirement System as of and for the year ended June 30, 2025, and the related Notes to Financial Statements, which collectively comprise the Judicial Retirement System's basic financial statements, and have issued our report thereon dated December 9, 2025.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa Judicial Retirement System's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Judicial Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Judicial Retirement System's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the System's financial statements will not be prevented or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Iowa Judicial Retirement System's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters which are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Judicial Retirement System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the Judicial Retirement System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Retirement System during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



Brian R. Brustkern, CPA
Deputy Auditor of State

December 9, 2025

Iowa Judicial Retirement System

Staff

This audit was performed by:

Brian R. Brustkern, CPA, Deputy
Alexander N. Kawamura, CPA, Manager
Brandon L. Weddell, CPA, Senior Auditor
Matthew W. Beerman, Staff Auditor
Jason A. Weuve, Assistant Auditor