

STATE OF IOWA JUDICIAL RETIREMENT SYSTEM



ACTUARIAL VALUATION REPORT AS OF JULY 1, 2024

SUBMITTED: OCTOBER 14, 2024



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October 14, 2024

Mr. Robert Gast
State Court Administrator
1111 E. Court Ave.
Des Moines, IA 50319

Dear Mr. Gast:

At your request, we have performed an actuarial valuation of the Iowa Judicial Retirement System as of July 1, 2024. The major findings of the valuation are included in this report. The purpose of this report is to provide a summary of the funded status of the System as of July 1, 2024 and to determine the member and State contribution rates for the fiscal year beginning July 1, 2025. There have been no changes to the plan provisions. There have been several changes to the set of actuarial assumptions due to the most recent five-year experience study which covered the period from July 1, 2018 through June 30, 2023. Due to the passage of Senate File 2436 during the 2024 Iowa Legislative Session, there have also been changes to the System's funding policy since last year. These changes and their impact on the current valuation results are discussed in further detail in the Executive Summary of this report.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the State Court Administrator's office. This information includes, but is not limited to, statutory provisions, member data and financial information. While not verifying the data at its source, the actuary has performed tests for consistency and reasonability. We found this information to be reasonably consistent and comparable with information provided in prior years. The valuation results depend on the integrity of this information. If any of this information is inaccurate or incomplete, our results may be different, and our calculations may need to be revised.

We further certify that all costs, liabilities, rates of interest and other factors for the System have been determined on the basis of actuarial assumptions and methods which are individually reasonable (taking into account the experience of the System and reasonable expectations); and which, in combination, offer our best estimate of anticipated experience affecting the System. Nevertheless, the emerging costs will vary from those presented in this report to the extent actual experience differs from that anticipated by the actuarial assumptions.



In order to prepare the results in this report, we have utilized actuarial models that were developed to measure liabilities and develop actuarial costs. These models include tools that we have produced and tested, along with commercially available valuation software that we have reviewed to confirm the appropriateness and accuracy of the output. In utilizing these models, we develop and use input parameters and assumptions about future contingent events along with recognized actuarial approaches to develop the needed results. Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.

Actuarial computations presented in this report are for the purpose of calculating the member and State contribution rates for funding the System. The calculations in the enclosed report have been made on a basis consistent with our understanding of the System's funding requirements and goals. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes. Actuarial computations for the purposes of fulfilling financial accounting requirements for the System under Governmental Accounting Standards No. 67 and No. 68 are provided in separate reports.

On the basis of the foregoing, we hereby certify that, to the best of our knowledge and belief, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices. We are members of the American Academy of Actuaries and meet the Qualification Standards to render the actuarial opinion contained herein.

Respectfully submitted,

Patrice A. Beckham, FSA, EA, FCA, MAAA
Consulting Actuary

Aaron Chochon, ASA, EA, FCA, MAAA
Senior Actuary



SECTION I – EXECUTIVE SUMMARY

This report presents the results of the July 1, 2024 actuarial valuation for the State of Iowa Judicial Retirement System (System). The primary purposes of performing an actuarial valuation are to:

- measure and disclose asset and liability measures as of the valuation date;
- determine the Required Contribution Rate required to fund the System;
- assess and disclose the key risks associated with funding the System;
- determine the experience of the System since the last valuation date; and
- analyze and report on trends in System contributions, assets, and liabilities over the past several years.

There were several changes to the actuarial assumptions used in this valuation as a result of the completion of a five-year experience study earlier in 2024. All of the recommended changes from the experience study were adopted and are first used in this valuation, including:

- Changing the mortality assumption to the Pub-2010 General Healthy Retiree Above Median Mortality Table for males and females, with a three-year age set back. Future mortality improvements are modeled with the MP-2021 projection scale, the most recent projection scale. Other mortality assumptions (active and beneficiary death) follow a similar age adjustment and are from the Pub-2010 General Above Median family of mortality tables. The same mortality improvement scale is used, Scale MP-2021.
- Adjusting the retirement rates at ages 64 and 70 to improve the fit of the current assumption to actual experience.
- Eliminating the termination of employment assumption; and
- Lowering the probability of retiring judges who elect senior judge status from 80% to 75%.
- Increasing the administrative expense assumption from 0.06% of payroll to 0.07% of payroll.

The net impact of the changes to the actuarial assumptions was a decrease in the actuarial accrued liability of \$0.9 million and a decrease in the Required Contribution Rate of 0.085%. Although a number of assumptions were changed, the most significant was adopting the Pub-2010 mortality tables.

Due to the passage of Senate File 2436 (SF 2436) during the 2024 legislative session, the members' share of the Required Contribution Rate decreased from 40% to 35%, effective July 1, 2024. As a result, the member contribution rate during FY 2025, which was calculated in the 2023 valuation, has decreased from 10.128% to 8.862% while the State contribution rate increased from 15.192% to 16.458%. However, the total Required Contribution Rate did not change. SF 2436 also implemented a 1% cap on the change in the Required Contribution Rate each year. While SF 2436 impacted the members' and State's share of the Required Contribution Rate, it did not impact the actuarial contribution rate in the current valuation or the actuarial accrued liability.





SECTION I – EXECUTIVE SUMMARY

A summary of the key valuation results of the July 1, 2024 valuation compared to the prior valuation is shown in the following table:

	Actuarial Valuation Date	
	July 1, 2024	July 1, 2023
<u>Funded Status</u>		
Unfunded Actuarial Accrued Liability	\$1,587,394	\$427,967
Funded Ratio (Actuarial Value)	99.4%	99.8%
Funded Ratio (Market Value)	100.6%	96.1%
<u>Contribution Rates</u>		
Actuarial Contribution Rate	25.689%	25.320%
Required Contribution Rate	25.689%	25.320%
Member Contribution Rate	8.991%	8.862%
State Contribution Rate	16.698%	16.458%

*Reflects impact of SF 2436 on member and State Required Contribution Rates.

The valuation results provide a “snapshot” view of the System’s financial condition on the valuation date, July 1, 2024. The unfunded actuarial accrued liability (UAAL) increased by \$1.2 million, from \$0.4 million as of July 1, 2023 to about \$1.6 million as of July 1, 2024, indicating overall unfavorable experience for fiscal year 2024. A more complete analysis of the change in the unfunded actuarial accrued liability from July 1, 2023 to July 1, 2024 is shown on page 6.

Actual experience on both the System’s assets and liabilities impacts the System’s funded status and the Actuarial Contribution Rate. Experience that is more favorable than anticipated, based on the actuarial assumptions, will generally lower the UAAL and the Required Contribution Rate, while experience that is less favorable than expected will generally increase the UAAL and the Required Contribution Rate. The System had unfavorable liability experience this year with an actuarial loss of \$3.6 million, largely due to more retirements and larger salary increases than assumed. In addition, due to the Senior Judge program these salary increases also resulted in larger benefit increases for Senior Judges than assumed. The System also experienced a 12.8% return, net of fees, during FY 2024, higher than the assumed 6.75% rate of return. However, due to the use of an asset smoothing method that recognizes the difference between the actual investment experience and the expected experience over time, the return on the actuarial (smoothed) value of assets was 7.2%. Because this return is higher than the expected return of 6.75%, it resulted in an actuarial gain of \$1.1 million. The net actuarial experience for the plan year (both assets and liability) was an actuarial loss of \$2.5 million which resulted in an increase in the UAAL.

Pursuant to state statutes, the System was funded by fixed contribution rates for both the members (9.35% of pay) and the state of Iowa (30.60% of pay) until the System reached fully funded status (actuarial assets equal to or greater than actuarial accrued liability). In the July 1, 2021 valuation, the actuarial value of assets exceeded the actuarial accrued liability. As a result, for the fiscal years beginning July 1, 2022 and July 1, 2023 the state and member Required Contribution Rates were equal to the Actuarial Contribution Rate which can change every year.





SECTION I – EXECUTIVE SUMMARY

In order to address the potential volatility in the contribution rates each year, legislation to introduce a 1% cap on the annual change in the Required Contribution Rate was introduced and passed in the 2024 session (SF 2436). The 1% cap was effective July 1, 2024. As a result, if the Actuarial Contribution Rate increases/decreases by more than 1% in a single year, a temporary contribution shortfall/margin will occur as the Required Contribution Rate adjusts accordingly.

The Required Contribution Rate in this valuation was 25.689%, an increase of 0.369% from the Required Contribution Rate of 25.320% in the prior valuation. The State contribution rate is 65% of the Required Contribution Rate (16.698% of pay in the 2024 valuation), and the member contribution rate is 35% of the Required Contribution Rate (8.991% of pay in the 2024 valuation). Because the member and State contribution rates are based on the Required Contribution Rate determined each year in the annual actuarial valuation, the member and employer contribution rates are expected to change every year.

Detailed discussions on the assets, liabilities and contribution rates can be found in the following pages of this Executive Summary.

As discussed earlier, the Required Contribution Rate in the 2024 valuation is slightly higher than last year due to the net unfavorable experience. The State's portion of the Required Contribution Rate increased from 16.458% in the 2023 valuation to 16.698% in the 2024 valuation. The Required Contribution Rate is split between members and the State (35%/65%).

Contribution Rates	Actuarial Valuation Date	
	July 1, 2024	July 1, 2023
1. Normal Cost	25.303%	25.260%
2. Amortization Payment	0.386%	0.060%
3. Actuarial Contribution Rate (1) + (2)	25.689%	25.320%
4. Required Contribution Rate	25.689%	25.320%
5. Member Contribution Rate	8.991%	8.862%
6. State Contribution Rate	16.698%	16.458%
7. Contribution Shortfall/(Margin) (3) - (4)	0.000%	0.000%

Note: the contribution rates in the July 1, 2024 valuation will be effective July 1, 2025.

There is currently \$3.2 million of unrecognized investment gains (difference between the actuarial and market value of assets). If all actuarial assumptions are met in the future, the deferred investment gains will flow through the asset smoothing method, increasing the funded ratio and lowering the Actuarial Contribution Rate in the future.

MEMBERSHIP

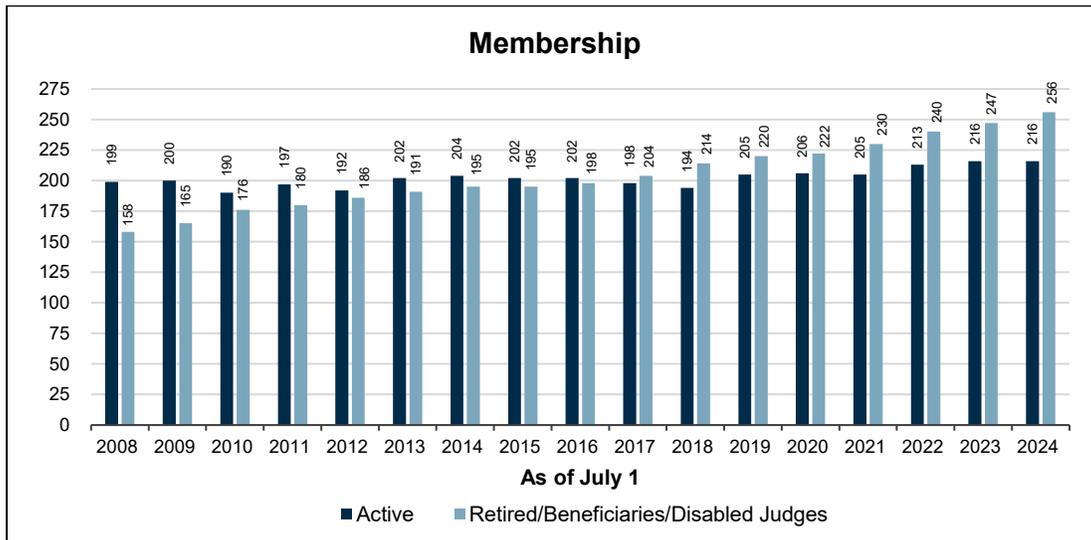
The number of active members remained level, with 216 in the current valuation and the prior valuation. Given the nature of the active membership for a judicial retirement system, the number





SECTION I – EXECUTIVE SUMMARY

of active members is expected to be relatively stable over time. However, due to the trend of improving mortality rates, the number of retirees and beneficiaries receiving benefits under the plan has increased. As the following graph demonstrates, the number of participants receiving a benefit continues to be greater than the number of active participants contributing to the System. This is not uncommon in a mature retirement system, but we would note that it does create additional funding risk and contribution volatility, given the ratio of assets to covered payroll.



EXPERIENCE

July 1, 2023 to June 30, 2024

In many respects, an actuarial valuation can be thought of as an inventory process. The inventory is taken as of the actuarial valuation date, which for this valuation is July 1, 2024. On that date, the assets available for the payment of benefits are appraised. The assets are compared with the liabilities of the System, which are generally in excess of assets. The actuarial process leads to a method of determining the contributions needed by members and the employer in the future to balance the System's assets and liabilities.

Changes in both the System's assets and liabilities impacted the change in the Actuarial Contribution Rate between the July 1, 2023 and July 1, 2024 actuarial valuations. On the following pages each component is discussed.

ASSETS

As of July 1, 2024, the System had total funds on a market value basis of \$278.4 million. This was an increase of \$22.9 million from the July 1, 2023 value of \$255.4 million.

The market value of assets is not used directly in the calculation of the Actuarial Contribution Rate. An asset valuation method is used to smooth the impact of market value fluctuations. See page 13 for the detailed development of the actuarial value of assets as of July 1, 2024.





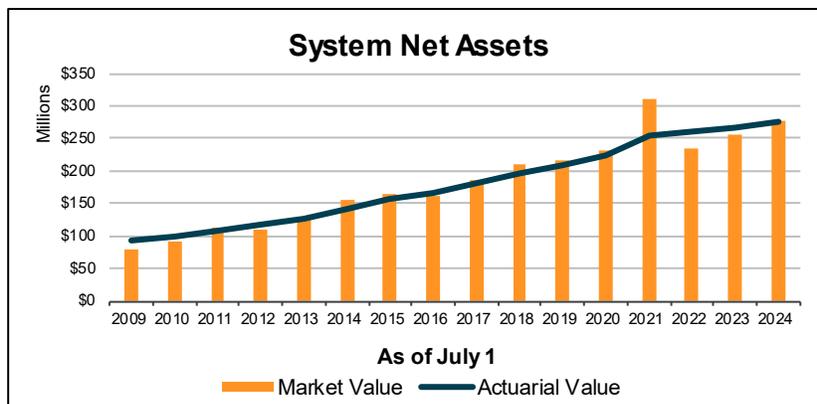
SECTION I – EXECUTIVE SUMMARY

The actuarial value of assets as of July 1, 2024, was \$275.2 million. The estimated annualized net dollar-weighted rate of return for fiscal year 2024, measured on the actuarial value of assets, was 7.2%, and, measured on the market value of assets, was 12.8%. The components of the change in the market and actuarial value of assets for the System (in millions) are set forth below.

	\$(millions)	
	Market Value	Actuarial Value
Net Assets, July 1, 2023	\$255.4	\$265.4
· Employer and Member Contributions	8.5	8.5
· Benefit Payments and Admin Expenses	(17.4)	(17.4)
· Investment Income, Net of Expenses	<u>31.9</u>	<u>18.7</u>
Net Assets, July 1, 2024	\$278.4	\$275.2
Rate of Return, Net of Expenses*	12.8%	7.2%

*The net annual money-weighted rate of return on the market value of assets as reported by the Iowa Treasurer's office.

The rate of return on the actuarial value of assets was higher than the assumed rate of 6.75%, resulting in an actuarial gain on assets. As of July 1, 2024, there is \$3.2 million of deferred investment gain that has not yet been recognized, compared to \$9.9 million loss in the 2023 valuation. Absent unfavorable investment experience in future years to offset the recognition of the deferred investment experience, it will flow through the asset smoothing method and future Actuarial Contribution Rates are expected to decrease.

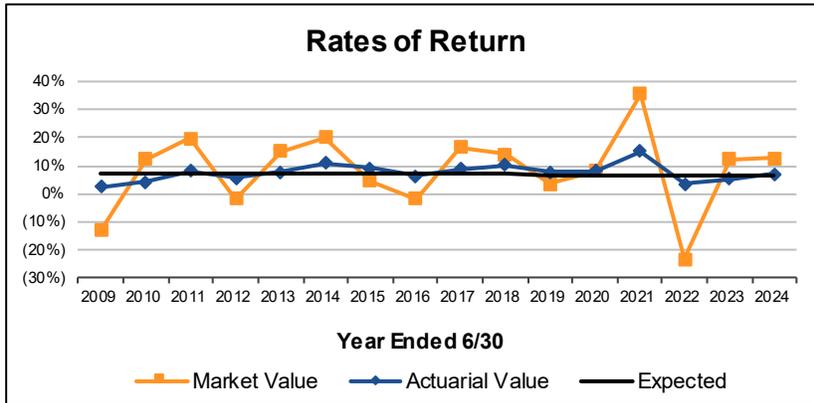


Since the asset smoothing method was implemented in 2009, the actuarial value of assets has been both above and below the market value of assets, which is expected when using an asset smoothing method.





SECTION I – EXECUTIVE SUMMARY



Rates of return on the market value of assets have been extremely volatile, while the return on the actuarial value of assets has been more stable. This illustrates the advantage of using an asset smoothing method.

LIABILITIES

The actuarial accrued liability is that portion of the present value of future benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the actuarial value of assets as of the valuation date is referred to as the unfunded actuarial accrued liability (UAAL). The UAAL will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest on the previous balance of the unfunded actuarial accrued liability.

The UAAL as of July 1, 2024 is shown below:

Actuarial Accrued Liability	\$276,788,677
Actuarial Value of Assets	275,201,283
Unfunded Actuarial Accrued Liability	<u>\$1,587,394</u>

Factors influencing the UAAL from year to year include actual experience versus that expected based on the actuarial assumptions (both asset and liability), and if applicable, changes in actuarial assumptions, procedures or methods and changes in benefit provisions. The actual experience measured in this valuation is that which occurred during the prior plan year (fiscal year ending June 30, 2024). There was an experience loss on liabilities of approximately \$3.6 million and an experience gain on assets of approximately \$1.1 million.

The UAAL increased from \$0.4 million on July 1, 2023 to \$1.6 million on July 1, 2024. The System experienced a net actuarial loss (actual versus expected experience) of \$2.5 million for the year ending June 30, 2024. Actuarial experience (gain or loss) is measured by comparing the expected UAAL (developed using the actuarial assumptions in the prior valuation) and the actual UAAL. As discussed earlier, the return on the actuarial value of assets was 7.2% which resulted in an actuarial gain of \$1.1 million, decreasing the UAAL. However, that actuarial gain was more than offset by the actuarial loss on the liabilities of \$3.6 million, which was largely due to more retirements and larger salary increases than assumed. In addition, due to the Senior Judge program these salary increases also resulted in larger benefit increases for Senior Judges than assumed.





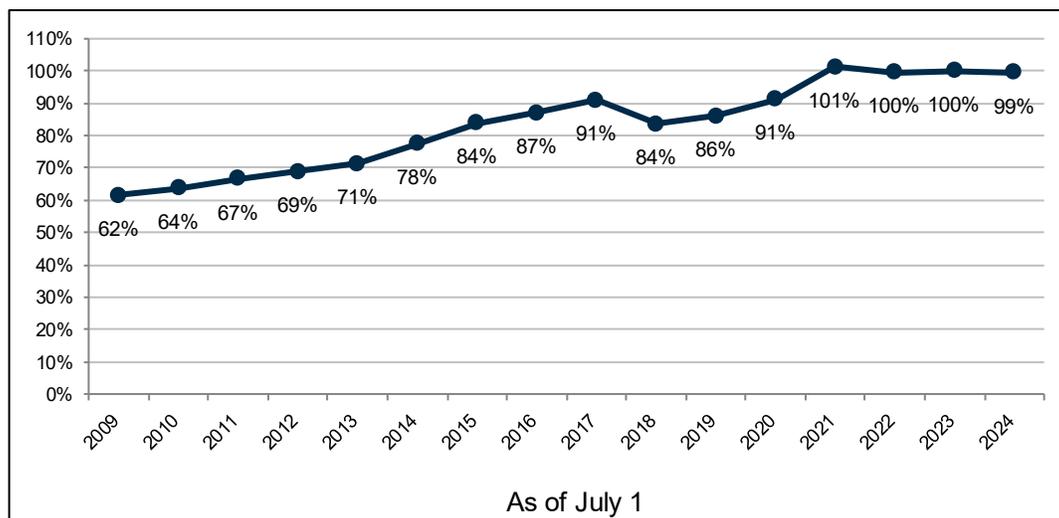
SECTION I – EXECUTIVE SUMMARY

Between July 1, 2023 and July 1, 2024, the change in the unfunded actuarial accrued liability for the System was as follows (in millions):

	<u>\$ millions</u>
Unfunded Actuarial Accrued Liability, July 1, 2023	0.4
▪ expected change	0.2
▪ effect of contribution lag	(0.2)
▪ investment experience	(1.1)
▪ liability experience ¹	3.6
▪ assumption changes	(0.9)
▪ other actuarial experience	<u>(0.4)</u>
Unfunded Actuarial Accrued Liability, July 1, 2024	1.6

¹ Liability loss was 1.30% of expected actuarial accrued liability

An evaluation of the unfunded actuarial accrued liability on a pure dollar basis may not provide a complete analysis since only the difference between the assets and liabilities (which are both large numbers) is reflected. Another way to evaluate the progress made in the System's funding is to track the funded status, which is the ratio of the actuarial value of assets to the actuarial accrued liability. The funded status is shown in the following graph.



The drop in the funded ratio in 2018 was the result of changes in the actuarial assumptions, including a reduction in the investment return assumption from 7.50% to 6.75% and the adoption of a more recent mortality table.

It is important to note that the funded ratio would be different if it was calculated using the market value of assets. Furthermore, the funded ratio is not an indication of the ability of the System to settle its obligations and may not be sufficient as an indication of the need for future contributions.





SECTION I – EXECUTIVE SUMMARY

CONTRIBUTION RATES

The funding objective of the System is to pay the normal cost rate and amortize the unfunded actuarial accrued liability, using level-dollar payments, over a 25-year closed period commencing with the valuation date on which the base was created (called layered amortization).

Under the Entry Age Normal cost method, the Actuarial Contribution Rate consists of:

- a "normal cost", including administrative expenses, for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date, and
- an "unfunded actuarial accrued liability contribution" for the excess of the portion of projected liabilities allocated to service to date over the actuarial value of assets.

Before the July 1, 2021 valuation, contributions were set in statute at 9.35% for members and 30.60% for the State for a total statutory contribution rate of 39.95%. The July 1, 2021 actuarial results indicated the System's funded ratio exceeded 100% (i.e., System was fully funded). With the one-year lag, the required contribution rates first became actuarially based for the fiscal year beginning July 1, 2022. The State contribution rate was 60% of the Actuarial Contribution Rate and the member contribution rate was 40%. Effective July 1, 2024, the Required Contribution Rate continues to be determined based on the Actuarial Contribution Rate but it cannot change by more than 1% in a single year. The allocation of the Required Contribution Rate also changed to 65% for the state and 35% for the members.

The components that impacted the Actuarial Contribution Rate from the prior to the current valuation are shown in the following table.

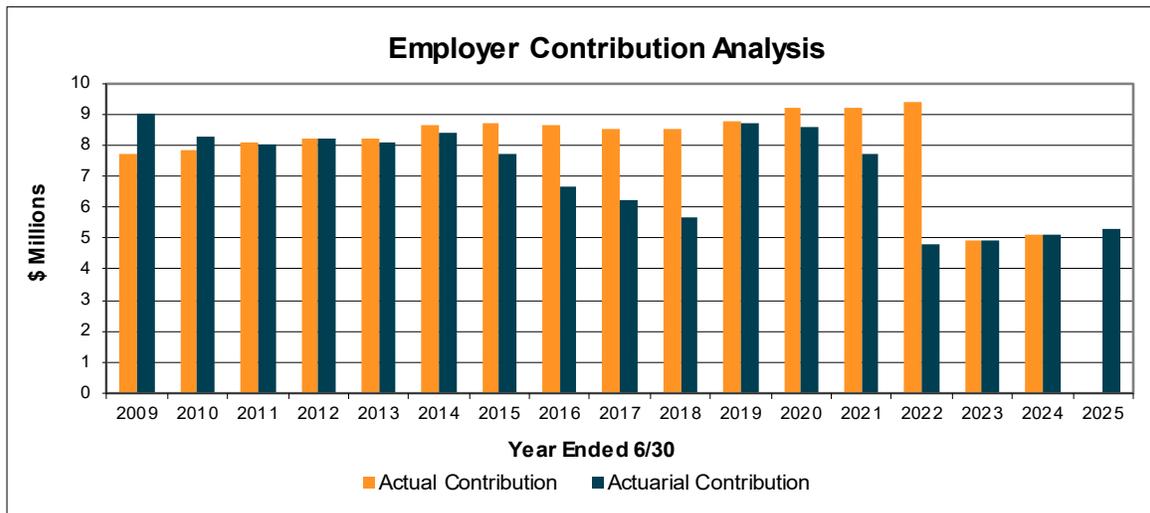
	Valuation Date	
	<u>July 1, 2024</u>	<u>July 1, 2023</u>
Prior year Actuarial Contribution Rate	25.320%	25.890%
• change in normal cost	(0.072%)	(0.360%)
• change due to amortization method	(0.002%)	(0.010%)
• change due to asset (gains)/losses	(0.255%)	0.840%
• change due to liability/other actuarial experience	0.830%	(1.040%)
• change due to contribution lag	(0.047%)	0.000%
• change due to assumption changes	<u>(0.085%)</u>	<u>0.000%</u>
Current year Actuarial Contribution Rate	25.689%	25.320%





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The following graph summarizes the historical actual and actuarial employer contributions.



COMMENTS

Over the last 15 years, the funded status of the System has improved due to actuarial gains on assets (investment returns higher than the assumed rate of return) and liability gains (lower than expected liabilities), largely due to lower than expected salary increases. The average rate of return on the market value of assets has been over 8% since the 2009 valuation. The combined impact of this experience has improved the System's funded status from 62% in the 2009 valuation to nearly 100% in the current valuation. In addition to the favorable experience, the total contributions to the System were well above the actuarial required amount during the nine-year period from July 1, 2013 to June 30, 2022 which accelerated the improvement in the funded ratio.

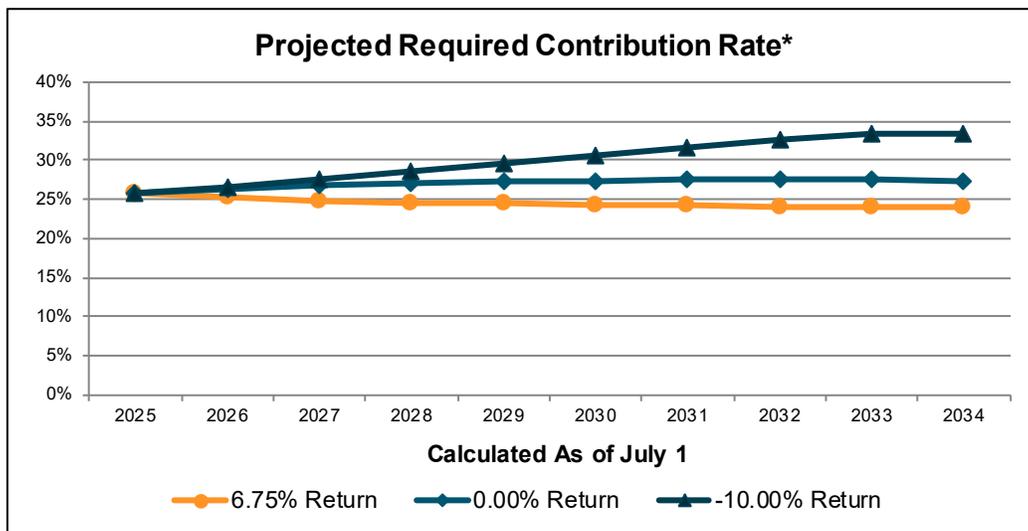
The Required Contribution Rate has been equal to the Actuarial Contribution Rate since the System reached fully funded status in the July 1, 2021 valuation. Contributing the full Actuarial Contribution Rate is key to helping the System maintain its strong funded status. However, the Actuarial Contribution Rate is expected to vary from year to year as actual experience deviates from that assumed. Effective July 1, 2024, there is a 1% cap on the change in Required Contribution Rate each year. As a result, if the Actuarial Contribution Rate increases/decreases by more than 1% in a single year, it will result in a temporary contribution shortfall/margin as the Required Contribution Rate adjusts accordingly.

If all actuarial assumptions are met in future years, the deferred investment experience will be recognized in the actuarial value of assets and will increase the funded ratio of the System. However, future investment experience is expected to vary from year to year, significantly at times given the asset allocation of the Fund. That volatility and how the actual returns unfold from year to year will heavily impact the funding of the System and the Required Contribution Rate. The following graph compares the potential impact of various investment returns in the short term on the Required Contribution Rate. The three alternate investment return scenarios include: (1) baseline: all assumptions met in the future, (2) return of 0% for FY 2025 and 6.75% thereafter, and (3) -10% return in FY 2025 and 6.75% return thereafter.





SECTION I – EXECUTIVE SUMMARY



* Reflects 1% cap on the annual change to the Required Contribution Rate.

Likewise, investment returns above the assumed rate of 6.75% will serve to lower the Actuarial Contribution Rate. Under Scenario 3 (-10% return for FY 2025) the 1% cap on the annual change in contribution rates results in contribution shortfalls until the Required Contribution Rate converges with the Actuarial Contribution Rate in the July 1, 2033 valuation.

A typical retirement plan faces many different risks. The term “risk” is commonly associated with an outcome with undesirable results. However, in the actuarial world risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions each year and that uncertainty, whether favorable or unfavorable, creates risk. Actuarial Standard of Practice Number 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions. Risk evaluation is an important part of managing a defined benefit plan. Please see Section III of this report for an in-depth discussion of the specific risks facing the State of Iowa Judicial Retirement System.

We conclude this executive summary by presenting comparative statistics and actuarial information on both the July 1, 2024 and July 1, 2023 valuations.





SECTION I – EXECUTIVE SUMMARY

STATE OF IOWA JUDICIAL RETIREMENT SYSTEM

SUMMARY OF PRINCIPAL VALUATION RESULTS

	<u>July 1, 2024</u>	<u>July 1, 2023</u>	<u>% Change</u>
1. SUMMARY OF DATA			
Active Judges	216	216	0.0%
Senior Judges and Retired Senior Judges	58	61	(4.9%)
Retired and Disabled Judges	143	132	8.3%
Beneficiaries	55	54	1.9%
Inactive Vested Judges	4	4	0.0%
Total Members	<u>476</u>	<u>467</u>	1.9%
2. PARTICIPANT STATISTICS			
Total Compensation for Plan Year	\$ 34,694,734	\$ 33,019,148	5.1%
Average Compensation	160,624	152,866	5.1%
Average Active Age	53.70	54.30	(1.1%)
Average Active Service	8.87	9.14	(3.0%)
Average Annual Benefit in Receipt	\$ 69,319	\$ 66,667	4.0%
3. ASSET AND LIABILITY INFORMATION			
Actuarial Accrued Liability	\$ 276,788,677	\$ 265,779,076	4.1%
Actuarial Value of Assets	275,201,283	265,351,109	3.7%
Unfunded Actuarial Accrued Liability (UAAL)	1,587,394	427,967	270.9%
Funded Ratio (Actuarial Value)	99.4%	99.8%	(0.4%)
Market Value of Assets	\$ 278,381,252	\$ 255,447,210	9.0%
Funded Ratio (Market Value)	100.6%	96.1%	4.7%
4. CONTRIBUTION INFORMATION			
Normal Cost Rate	25.303%	25.260%	0.2%
UAAL Payment Rate	<u>0.386%</u>	<u>0.060%</u>	543.3%
Actuarial Contribution Rate	25.689%	25.320%	1.5%
Required Contribution Rate*	25.689%	25.320%	1.5%
Less Member Contribution Rate	<u>(8.991%)</u>	<u>(8.862%)</u>	1.5%
State Actuarial Contribution Rate	16.698%	16.458%	1.5%
Contribution Shortfall/(Margin)	0.000%	0.000%	0.0%

* Required Contribution Rate is equal to the Actuarial Contribution Rate, but cannot change by more than 1% each year.

Note: Effective with the FY 2025 contributions, which were calculated in the July 1, 2023 valuation, the member share of the total contribution rate decreased from 40% to 35%. Prior year results reflect this change.





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 1
STATEMENT OF CHANGE IN FIDUCIARY NET POSITION

	<u>Year End</u> <u>June 30, 2024</u>	<u>Year End</u> <u>June 30, 2023</u>
Additions		
1. Contributions		
a. State	\$ 5,132,571	\$ 4,915,985
b. Members	3,407,001	3,277,342
c. Total Contributions (a + b)	<u>8,539,572</u>	<u>8,193,327</u>
2. Net Investment Income	\$ 31,761,980	\$ 28,350,917
3. Total Additions (1c + 2)	\$ 40,301,552	\$ 36,544,244
Deductions		
4. Deductions		
a. Benefit Payments	\$ 17,328,509	\$ 16,448,101
b. Administrative Expense	39,001	46,516
c. Total Deductions (a + b)	<u>17,367,510</u>	<u>16,494,617</u>
5. Net Increase (3 – 4c)	\$ 22,934,042	\$ 20,049,627
6. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	\$ 255,447,210	\$ 235,397,583
b. End of Year	\$ 278,381,252	\$ 255,447,210





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 2
DEVELOPMENT OF ACTUARIAL VALUE
OF ASSETS

As of July 1, 2024

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens swings in the market value while still indirectly recognizing market values. This methodology smoothes the volatility of market experience by only recognizing 25% of the difference between the expected value of the actuarial value of assets (based on the actuarial assumptions) and the actual market value.

1. Actuarial Value of Assets as of July 1, 2023	\$ 265,351,109
2. Actual Contribution/Disbursements	
a. Contributions	\$ 8,539,572
b. Benefit Payments and Expenses	<u>(17,367,510)</u>
c. Net	\$ (8,827,938)
3. Expected Value of Assets as of July 1, 2024 [(1) x 1.0675] + [(2c) x (1.0675) ^{1/2}]	\$ 274,141,293
4. Market Value of Assets as of July 1, 2024	\$ 278,381,252
5. Difference Between Market and Expected Values (4) - (3)	\$ 4,239,959
6. Preliminary Actuarial Value of Assets as of July 1, 2024 (3) + [(5) x 25%]	\$ 275,201,283
7. Corridor	
a. 80% of MVA	\$ 222,705,002
b. 120% of MVA	\$ 334,057,502
8. Final Actuarial Value of Assets as of July 1, 2024 (6), but not less than (7a) and not more than (7b)	\$ 275,201,283
9. Actuarial Value of Assets divided by Market Value of Assets (8) / (4)	98.9%
10. Market Value of Assets less Actuarial Value of Assets (4) - (8)	\$ 3,179,969





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 3

**PRESENT VALUE OF FUTURE BENEFITS
AS OF JULY 1, 2024**

1. Active employees	
a. Retirement Benefit	\$174,170,128
b. Withdrawal Benefit	0
c. Pre-Retirement Death Benefit	1,278,458
d. Total	<u>\$175,448,586</u>
2. Inactive Vested Members	1,126,059
3. Senior Judges	60,435,245
4. Retired Members	104,420,055
5. Disabled Members	0
6. Beneficiaries	<u>20,783,667</u>
7. Total Present Value of Future Benefits	<u><u>\$362,213,612</u></u>
(1d) + (2) + (3) + (4) + (5) + (6)	





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 4
UNFUNDED ACTUARIAL ACCRUED LIABILITY
as of July 1, 2024

1. Present Value of Future Benefits	
a. Active Employees	\$175,448,586
b. Inactive Employees	<u>186,765,026</u>
c. Total	\$362,213,612
2. Present Value of Future Normal Costs	85,424,935
3. Total Actuarial Accrued Liability (1c) - (2)	276,788,677
4. Actuarial Value of Assets	275,201,283
5. Unfunded Actuarial Accrued Liability (3) - (4)	\$1,587,394





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 5

**ACTUARIAL BALANCE SHEET
July 1, 2024**

ASSETS

Actuarial value of assets	\$	275,201,283
Present value of future normal costs		85,424,935
Payments on Unfunded Actuarial Accrued Liability	\$	<u>1,587,394</u>
Total Net Assets	\$	362,213,612

LIABILITIES

Present Value of Projected Benefits:

Active Members		
Retirement Benefits	\$	174,170,128
Withdrawal Benefits		0
Pre-Retirement Death Benefits		1,278,458
Members with Deferred Benefits		1,126,059
Members Receiving Benefits	\$	<u>185,638,967</u>
Total Liabilities	\$	362,213,612





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 6

**ACTUARIAL GAIN/(LOSS)
Plan Year Ending June 30, 2024**

The actuarial gain/(loss) is comprised of both the liability and the actuarial asset gain/(loss). Each of these represents the difference between the expected and actual values as of July 1, 2024.

1. Expected actuarial accrued liability		
a. Actuarial accrued liability at July 1, 2023	\$	265,779,076
b. Normal cost for fiscal year ending June 30, 2024		7,755,430
c. Benefit payments for fiscal year ending June 30, 2024		(17,328,509)
d. Interest at 6.75% on (a), (b), and (c)		17,888,291
e. Assumption Changes		(867,745)
f. Expected actuarial accrued liability at July 1, 2024	\$	<u>273,226,543</u>
2. Actuarial accrued liability at July 1, 2024	\$	276,788,677
3. Actuarial accrued liability gain/(loss) (1f) - (2)	\$	(3,562,134)
4. Expected actuarial value of assets		
a. Actuarial value of assets at July 1, 2023	\$	265,351,109
b. Contributions for fiscal year ending June 30, 2024		8,539,572
c. Benefit payments and expenses for fiscal year ending June 30, 2024		(17,367,510)
d. Interest at 6.75% on (a), (b), and (c)		17,618,122
e. Expected actuarial value of assets at July 1, 2024	\$	<u>274,141,293</u>
5. Actuarial value of assets at July 1, 2024	\$	275,201,283
6. Actuarial value of assets gain/(loss) (5) - (4e)	\$	1,059,990
7. Net actuarial gain/(loss) (3) + (6)	\$	(2,502,144)





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 7

ACTUARIAL GAIN/(LOSS) BY SOURCE

The purpose of conducting an actuarial valuation of a retirement plan is to estimate the costs and liabilities for the benefits expected to be paid from the plan, to determine the annual level of contribution for the current plan year that should be made to support these benefits and, finally, to analyze the plan's experience. The costs and liabilities of this retirement plan depend not only upon the benefit formula and plan provisions but also upon factors such as the investment return on the System, mortality rates among active and retired members, withdrawal and retirement rates among active members, rates at which salaries increase and the rate at which the cost of living increases.

The actuarial assumptions employed as to these and other contingencies in the current valuation are set forth in Appendix A of this report.

Since the overall results of the valuation will reflect the choice of assumptions made, periodic studies of the various components of the plan's experience are conducted in which the experience for each component is analyzed in relation to the assumption used for that component (called an experience study). This summary is not intended to be an actual "experience study" but rather an analysis of sources of gain and loss in the past plan year.

Gain/(Loss) By Source

The System experienced a net actuarial loss on liabilities of \$3,562,000 during the plan year ended June 30, 2024, and an actuarial gain on assets of \$1,060,000. The net actuarial loss was \$2,502,000. The major components of this net actuarial experience gain are shown below:

Liability Sources	<u>Gain/(Loss)</u>
Salary Increases	\$ (1,143,000)
Retirements	(1,139,000)
Terminations	97,000
Deaths	(876,000)
New Entrants/Rehires	(345,000)
Senior Judges' Benefit Adjustment	(266,000)
Miscellaneous	110,000
Total Liability Gain/(Loss)	\$ (3,562,000)
Asset Gain/(Loss)	\$ 1,060,000
Net Actuarial Gain/(Loss)	\$ (2,502,000)





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 8
PROJECTED UAAL AT JULY 1, 2025

1. Actuarial Accrued Liability as of July 1, 2024	\$	276,788,677
2. Actuarial Value of Assets	\$	275,201,283
3. Unfunded Actuarial Accrued Liability as of July 1, 2024	\$	1,587,394
4. Required Contribution Rate for FY 2025*		25.320%
5. Normal Cost Rate		25.303%
6. Contribution Rate Applied to Fund the UAAL for FY 2025 (4) - (5)		0.017%
7. Expected Payroll for FY 2025	\$	34,694,734
8. Projected UAAL on July 1, 2025 [(3) * 1.0675] - [(6) * (7) * 1.0675 ⁵]	\$	1,688,449

* Reflects member contributions of 8.862% and City contributions of 16.458%.





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 9

SUMMARY OF AMORTIZATION BASES

We believe the use of the layered amortization policy, with new bases amortized over a closed 25-year period, complies with Actuarial Standard of Practice Number 4. This policy will fully amortize the individual, as well as the total, unfunded actuarial accrued liability (UAAL) within a reasonable timeframe and/or reduce the amount of the UAAL by a reasonable amount within a sufficiently short period.

Amortization Base	Original Amount	Years Remaining	Projected July 1, 2025 Balance	Amortization Payment*
2022 Initial UAAL	\$1,076,100	23	\$1,039,642	\$87,370
2023 Experience	(816,538)	24	(803,157)	(66,296)
2024 Assumption Change	(886,886)	25	(886,886)	(72,008)
2024 Experience	2,338,850	25	2,338,850	189,895
Total			\$1,688,449	\$138,961

*Amortization Payment reflects mid-year timing.

Total UAAL Amortization Payment	\$138,961
Projected Payroll for FYE 2026	\$35,995,787
UAAL Amortization Payment Rate	0.386%

Note: If the Plan reaches a funded ratio of 100% or more based on the actuarial value of assets, all prior amortization bases are eliminated, and the surplus assets are amortized as a level-dollar amount over 30 years.





SECTION II – SUMMARY OF VALUATION RESULTS

TABLE 10

DETERMINATION OF REQUIRED CONTRIBUTION RATE

1. Normal Cost	
a. Retirement Benefits	25.006%
b. Pre-Retirement Death Benefits	0.227%
c. Withdrawal Benefits	0.000%
d. Administrative Expenses	<u>0.070%</u>
e. Total	25.303%
2. UAAL Amortization Payment (See Table 9)	0.386%
3. Actuarial Contribution Rate During FYE 2026 (1e) + (2)	25.689%
4. Required Contribution Rate During FYE 2025	25.320%
5. Required Contribution Rate During FYE 2026 (3), but not more than 1% change from (4)	25.689%
6. Member Contribution Rate [35% of (5)]	8.991%
7. State Contribution Rate (5) - (6)	16.698%





SECTION III – RISK CONSIDERATIONS

Actuarial Standards of Practice are issued by the Actuarial Standards Board and are binding on credentialed actuaries practicing in the United States. These standards generally identify what the actuary should consider, document and disclose when performing an actuarial assignment. In September, 2017, Actuarial Standard of Practice Number 51, *Assessment and Disclosure of Risk in Measuring Pension Obligations*, (ASOP 51) was issued as final with application to measurement dates on or after November 1, 2018. This ASOP, which applies to funding valuations, actuarial projections, and actuarial cost studies of proposed plan changes, was first applicable for the July 1, 2019 actuarial valuation for the State of Iowa Judicial Retirement System (System).

A typical retirement plan faces many different risks, but the greatest risk is the inability to make benefit payments when due. If plan assets are depleted, benefits may not be paid which could create legal and litigation risk or the plan could become “pay as you go”. The term “risk” is most commonly associated with an outcome with undesirable results. However, in the actuarial world, risk can be translated as uncertainty. The actuarial valuation process uses many actuarial assumptions to project how future contributions and investment returns will meet the cash flow needs for future benefit payments. Of course, we know that actual experience will not unfold exactly as anticipated by the assumptions and that uncertainty, whether favorable or unfavorable, creates risk. ASOP 51 defines risk as the potential of actual future measurements to deviate from expected results due to actual experience that is different than the actuarial assumptions.

The various risk factors for a given plan can have a significant impact – positive or negative – on the actuarial projection of liability and contribution rates.

There are a number of risks inherent in the funding of a defined benefit plan. These include:

- economic risks, such as investment return and price inflation;
- demographic risks such as mortality, payroll growth, aging population including impact of baby boomers, and retirement ages;
- contribution risk, i.e., the potential for contribution rates to be too high for the plan sponsor/employer to pay and
- external risks such as the regulatory and political environment.

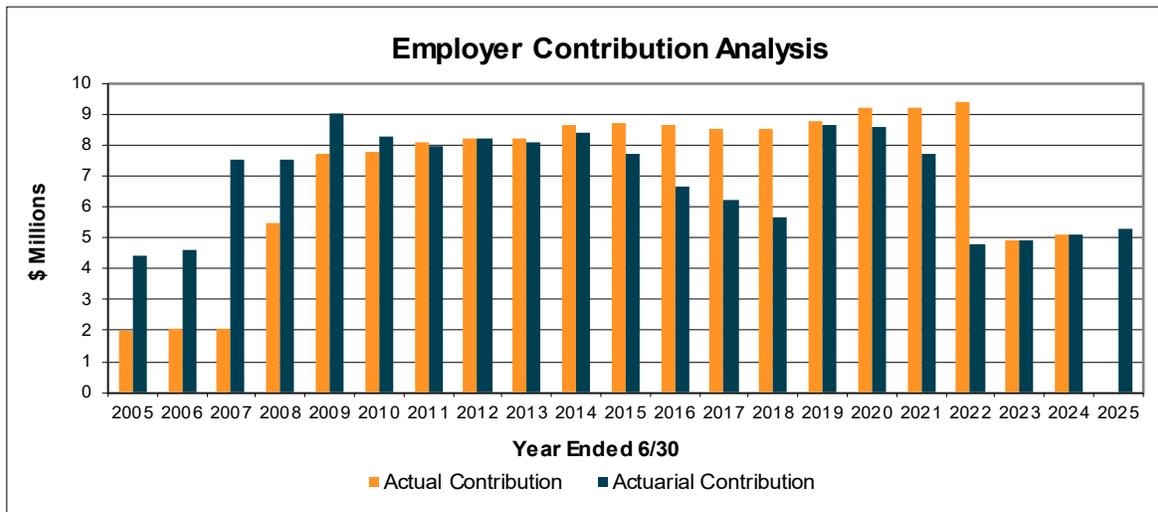
Although the last two are risks to the System, ASOP 51 does not require the actuary to opine on these particular risks, so no discussion is included here.

There is a direct correlation between healthy, well-funded retirement plans and consistent contributions equal to the full Actuarial Contribution Rate each year. Prior to the July 1, 2021 valuation, fixed contribution rates to the Judicial Retirement System were made by both the members and the State. In accordance with the System’s funding policy, after reaching 100% funded in the July 1, 2021 actuarial valuation, members and the State each contribute a percentage of the Required Contribution Rate (currently 35% for members and 65% for the State). Contributing the full Actuarial Contribution Rate in the future is key to helping the System maintain its strong funded status. As the following graph illustrates, the required State contribution amount has met or exceeded the actuarial required contribution over the last 14 years.





SECTION III – RISK CONSIDERATIONS



The most significant risk factor for the State of Iowa Judicial Retirement System is investment return because of the volatility of returns and the size of plan assets compared to payroll (see Table 11). A perusal of historical returns over 10-20 years reveals that the actual return each year is rarely close to the average return for the same period. This is to be expected, given the underlying capital market assumptions and the System's asset allocation.

Under the revised Actuarial Standards of Practice (ASOP) No. 4 effective for valuations after February 15, 2023, we are required to include a low-default-risk obligation measure of the System's liability in our funding valuation report. This is an informational disclosure as described below and would not be appropriate for assessing the funding progress or health of the plan. This measure uses the unit credit cost method and reflects all the assumptions and provisions of the funding valuation except the discount rate is derived from considering low-default-risk fixed income securities. We used the FTSE Pension Discount Curve based on market bond rates published by the Society of Actuaries as of June 30, 2024 with the 30-year spot rate used for all durations beyond 30. Using these assumptions, we calculate a liability of \$298.5 million. This amount approximates a termination liability if the plan (or all covered employment) ended on the valuation date and all of the accrued benefits had to be paid with cash-flow matched bonds. This assessment of funded status and benefit security is typically more relevant for corporate plans than for governmental plans, since governments rarely have the need or option to completely terminate a pension plan.

A key demographic risk for all retirement systems, including the State of Iowa Judicial Retirement System, is improvements in mortality (longevity) greater than anticipated. While the actuarial assumptions reflect small, continuous improvements in mortality experience over time and these assumptions are refined every experience study, the risk arises because there is a possibility of some sudden shift, perhaps from a significant medical breakthrough that could quickly increase liabilities. Likewise, there is some possibility of a significant public health crisis that could result in a significant number of additional deaths in a short time period, as experienced with the COVID-19 pandemic. This type of event is also significant, although more easily absorbed. While either of these events could happen, it represents a small probability and thus represents much less risk to the System than the volatility associated with investment returns.





SECTION III – RISK CONSIDERATIONS

The following exhibits summarize some historical information that helps indicate how certain key risk metrics have changed over time. Many are due to the natural maturing of the retirement system over time.





SECTION III – RISK CONSIDERATIONS

TABLE 11

HISTORICAL ASSET VOLATILITY RATIOS

As a retirement system matures, the size of the market value of assets typically increases relative to the covered payroll of active members, on which the System is funded. The size of the plan assets relative to covered payroll, sometimes referred to as the asset volatility ratio, is an important indicator of the contribution risk for the System. The higher this ratio, the more sensitive a plan's contribution rate is to investment return volatility. In other words, it will be harder to recover from investment losses with increased contributions.

Actuarial Valuation Date	Market Value of Assets	Estimated Plan Year Payroll	Asset Volatility Ratio	Increase in ACR with a Return 10% Lower than Assumed*
7/1/2010	\$91,321,799	\$25,479,600	3.58	2.91%
7/1/2011	111,571,876	26,402,700	4.23	3.43%
7/1/2012	111,224,878	25,760,100	4.32	3.51%
7/1/2013	128,928,834	28,278,385	4.56	3.70%
7/1/2014	155,974,313	28,534,201	5.47	4.44%
7/1/2015	163,990,416	28,270,390	5.80	4.71%
7/1/2016	161,152,637	28,254,401	5.70	4.63%
7/1/2017	186,971,193	28,403,543	6.58	5.34%
7/1/2018	211,467,232	27,764,403	7.62	6.19%
7/1/2019	216,405,241	29,957,857	7.22	5.86%
7/1/2020	231,485,500	30,108,301	7.69	6.24%
7/1/2021	310,164,529	30,873,786	10.05	8.16%
7/1/2022	235,397,583	32,615,224	7.22	5.86%
7/1/2023	255,447,210	33,019,148	7.74	6.28%
7/1/2024	278,381,252	34,694,734	8.02	6.51%

*The impact of asset smoothing is not reflected in the impact on the Actuarial Contribution Rate (ACR). Current year assumptions and a 25-year amortization period are used for all years shown.

The amount of assets at July 1, 2024 is 8.02 times the covered payroll, so underperforming the investment return assumption by 10.00% (i.e., earn -3.25% for one year) is equivalent to an actuarial loss of \$27.8 million or 80.2% of payroll. While the actual impact in the first year is mitigated by the asset smoothing method and amortization of the UAAL, the magnitude of the ultimate contribution increase illustrates the contribution risk associated with volatile investment returns.





SECTION III – RISK CONSIDERATIONS

TABLE 12

HISTORICAL CASH FLOWS

Plans with negative cash flows tend to experience increased sensitivity to investment return volatility. Cash flows, for this purpose, are measured as contributions less benefit payments and the difference must be funded with investment income. Typically, a negative cash flow of more than 5% of market value may cause significant concerns. Furthermore, if the System has negative cash flows and then experiences returns below the assumed rate, there are fewer assets to be reinvested to earn the higher returns that typically follow.

Year End	Market Value of Assets (MVA)	Contributions	Benefit Payments and Expenses	Net Cash Flow	Net Cash Flow as a Percent of MVA
6/30/2005	\$81,605,499	\$3,081,863	\$5,000,157	(\$1,918,294)	(2.35%)
6/30/2006	86,109,848	3,143,508	5,088,523	(1,945,015)	(2.26%)
6/30/2007	96,618,857	2,648,842	5,769,593	(3,120,751)	(3.23%)
6/30/2008	88,197,551	6,875,062	6,271,941	603,121	0.68%
6/30/2009	79,331,934	9,798,356	7,106,038	2,692,318	3.39%
6/30/2010	91,321,799	10,028,413	8,012,509	2,015,904	2.21%
6/30/2011	111,571,876	10,577,454	8,693,772	1,883,682	1.69%
6/30/2012	111,224,878	10,726,016	9,227,546	1,498,470	1.35%
6/30/2013	128,928,834	10,747,940	10,024,506	723,434	0.56%
6/30/2014	155,974,313	11,555,867	10,394,091	1,161,776	0.74%
6/30/2015	163,990,416	11,389,693	10,906,494	483,199	0.29%
6/30/2016	161,152,637	11,314,666	11,479,902	(165,236)	(0.10%)
6/30/2017	186,971,193	11,154,766	11,968,331	(813,565)	(0.44%)
6/30/2018	211,467,232	11,101,178	12,832,255	(1,731,077)	(0.82%)
6/30/2019	216,405,241	11,451,258	13,749,946	(2,298,688)	(1.06%)
6/30/2020	231,485,500	12,025,119	14,721,028	(2,695,909)	(1.16%)
6/30/2021	310,164,529	12,010,787	15,252,508	(3,241,721)	(1.05%)
6/30/2022	235,397,583	12,338,129	15,825,250	(3,487,121)	(1.48%)
6/30/2023	255,447,210	8,193,327	16,494,617	(8,301,290)	(3.25%)
6/30/2024	278,381,252	8,539,572	17,367,510	(8,827,938)	(3.17%)

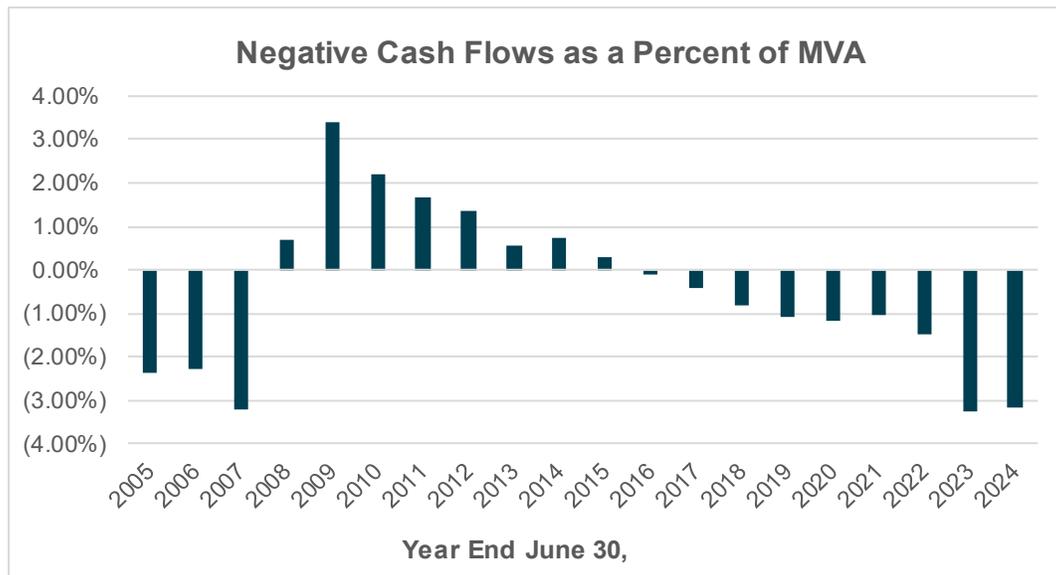
Note: Years prior to 6/30/2010 were provided by the prior actuary.





SECTION III – RISK CONSIDERATIONS

TABLE 12
HISTORICAL CASH FLOWS
(continued)



The change from negative to positive cash flows towards the beginning of this period coincides with increases in the member and State contribution rates. The member contribution rate increased to 7.7% of pay effective July 1, 2008, 8.7% effective July 1, 2009, and 9.35% effective July 1, 2010 until the System attained fully funded status in the 2021 valuation. The State's contribution rate was 23.7% of pay, but beginning July 1, 2008 was increased to 30.6% of pay until the System attained fully funded status in 2021. Effective July 1, 2024, the member contribution rate is 35% of the Required Contribution Rate and the State contribution rate is 65% of the Required Contribution Rate. Given the significant combined contribution rate prior to July 1, 2021, there have been small negative cash flows from July 1, 2015 through June 30, 2021. However, now that the System is close to fully funded and contributes the Required Contribution Rate based on the results of the actuarial valuation, future contributions are expected to be significantly lower than they were before FY 2023. Consequently, negative cash flows are expected to be a greater risk in the future.





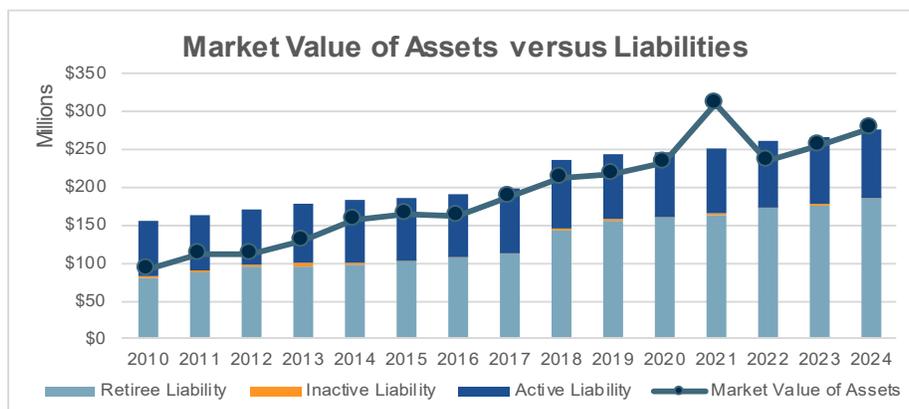
SECTION III – RISK CONSIDERATIONS

TABLE 13

LIABILITY MATURITY MEASUREMENTS

Most public sector retirement systems have been in operation for many years. As a result, they have aging plan populations, and in some cases declining active populations, resulting in an increasing ratio of retirees to active members and a growing percentage of retiree liability. With more of the total liability residing with retirees, investment volatility has a greater impact on the funding of the system because it is more difficult to restore the system financially after losses occur when there is comparatively less payroll over which to spread costs.

Year End	Retiree Liability (a)	Total Actuarial Accrued Liability (b)	Retiree Percentage (a) / (b)
6/30/2010	\$80,531,008	\$156,029,125	51.6%
6/30/2011	86,757,124	164,511,490	52.7%
6/30/2012	94,627,210	170,232,283	55.6%
6/30/2013	96,676,981	178,725,295	54.1%
6/30/2014	99,174,350	183,915,864	53.9%
6/30/2015	102,063,335	186,269,470	54.8%
6/30/2016	107,719,863	190,933,661	56.4%
6/30/2017	113,167,558	198,233,533	57.1%
6/30/2018	144,164,726	235,143,470	61.3%
6/30/2019	156,028,897	243,632,678	64.0%
6/30/2020	160,673,845	245,233,479	65.5%
6/30/2021	164,126,804	251,237,006	65.3%
6/30/2022	173,252,198	260,775,671	66.4%
6/30/2023	176,247,468	265,779,076	66.3%
6/30/2024	185,638,967	276,788,677	67.1%





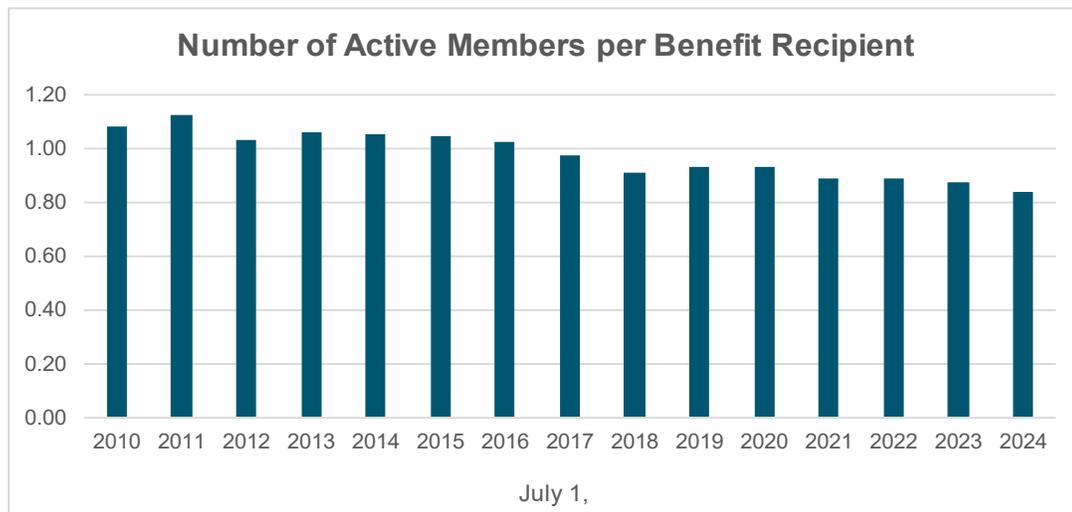
SECTION III – RISK CONSIDERATIONS

TABLE 14

HISTORICAL MEMBER STATISTICS

Valuation Date July, 1	Active Members	Payroll	Payroll Increase	Retired Members*	Active/ Retired
2010	190	\$25,479,600	(4.96%)	176	1.08
2011	197	26,402,700	3.62%	176	1.12
2012	192	25,760,100	(2.43%)	186	1.03
2013	202	28,278,385	9.78%	191	1.06
2014	204	28,534,201	0.90%	195	1.05
2015	202	28,270,390	(0.92%)	195	1.04
2016	202	28,254,401	(0.06%)	198	1.02
2017	198	28,403,543	0.53%	204	0.97
2018	194	27,764,403	(2.25%)	214	0.91
2019	205	29,957,857	7.90%	220	0.93
2020	206	30,108,301	0.50%	222	0.93
2021	205	30,873,786	2.54%	230	0.89
2022	213	32,615,224	5.64%	240	0.89
2023	216	33,019,148	1.24%	247	0.87
2024	216	34,694,734	5.07%	256	0.84

*Includes Senior Judges





SECTION III – RISK CONSIDERATIONS

TABLE 15

**COMPARISON OF VALUATION RESULTS UNDER
ALTERNATE INVESTMENT RETURN ASSUMPTIONS
(\$ In Thousands)**

This exhibit compares the key July 1, 2024 valuation results under five (5) different investment return assumptions to illustrate the impact of different assumptions on the funding of the System. Note that only the investment return assumption is changed, as identified in the heading below. All other assumptions are unchanged for purposes of this analysis.

Investment Return Assumption	6.25%	6.50%	6.75%	7.00%	7.25%
Contribution Rates					
Total Normal Cost	27.991%	26.608%	25.303%	24.069%	22.903%
Unfunded Actuarial Accrued Liability	3.804%	2.101%	0.386%	(1.264%)	(2.904%)
Total Actuarial Contribution	31.795%	28.709%	25.689%	22.805%	19.999%
Total Required Contribution	26.320%	26.320%	25.689%	24.320%	24.320%
Member Contribution Rate	9.212%	9.212%	8.991%	8.512%	8.512%
State Contribution Rate	17.108%	17.108%	16.698%	15.808%	15.808%
Contribution Shortfall/(Margin)	5.475%	2.389%	0.000%	(1.515%)	(4.321%)
Actuarial Accrued Liability	\$290,865	\$283,685	\$276,789	\$270,162	\$263,792
Actuarial Value of Assets	<u>275,201</u>	<u>275,201</u>	<u>275,201</u>	<u>275,201</u>	<u>275,201</u>
Unfunded Actuarial Accrued Liability	\$15,664	\$8,484	\$1,587	(\$5,039)	(\$11,409)
Funded Ratio	94.6%	97.0%	99.4%	101.9%	104.3%

Note: All other assumptions are unchanged for purposes of this sensitivity analysis.





SECTION IV – OTHER INFORMATION

TABLE 16

SCHEDULE OF FUNDING PROGRESS (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets ¹ (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/ Covered Payroll ((b-a)/c)
July 1, 2005	\$81,605	\$105,472	\$23,867	77%	\$20,684	115%
July 1, 2006	86,110	123,670	37,560	70%	24,094	156%
July 1, 2007	96,619	138,662	42,043	70%	24,426	172%
July 1, 2008	88,198	141,364	53,166	62%	26,663	199%
July 1, 2009	93,045	151,029	57,984	62%	26,811	216%
July 1, 2010	99,416	156,029	56,613	64%	25,480	222%
July 1, 2011	109,512	164,511	54,999	67%	26,403	208%
July 1, 2012	117,272	170,232	52,960	69%	25,760	206%
July 1, 2013	127,353	178,725	51,372	71%	28,278	182%
July 1, 2014	142,589	183,916	41,327	78%	28,534	145%
July 1, 2015	156,347	186,269	29,922	84%	28,270	106%
July 1, 2016	166,230	190,934	24,704	87%	28,254	87%
July 1, 2017	180,147	198,234	18,087	91%	28,404	64%
July 1, 2018	196,781	235,143	38,362	84%	27,764	138%
July 1, 2019	209,888	243,633	33,745	86%	29,958	113%
July 1, 2020	223,841	245,233	21,392	91%	30,108	71%
July 1, 2021	254,242	251,237	(3,005)	101%	30,874	(10%)
July 1, 2022	259,700	260,776	1,076	100%	32,615	3%
July 1, 2023	265,351	265,779	428	100%	33,019	1%
July 1, 2024	275,201	276,789	1,587	99%	34,695	5%

¹ The actuarial value of assets was changed from pure market value to the expected value plus 25% of the difference between actual and expected value effective with the July 1, 2009 valuation.

Note: Results before July 1, 2010 were calculated by the prior actuary.
Numbers may not add due to rounding.





TABLE 17
SCHEDULE OF EMPLOYER CONTRIBUTIONS

Fiscal Year <u>Ended</u>	Actuarial Required <u>Contribution</u>	Actual Employer <u>Contribution</u>	Percentage of ARC <u>Contributed</u>
June 30, 2005	\$4,418,900	\$2,039,664	46%
June 30, 2006	4,966,452	2,039,664	41%
June 30, 2007	7,597,352	2,039,664	27%
June 30, 2008	7,705,698	5,450,963	71%
June 30, 2009	8,539,188	7,720,271	90%
June 30, 2010	7,857,421	7,806,398	99%
June 30, 2011	8,307,680	8,101,876	98%
June 30, 2012	8,364,471	8,215,668	98%
June 30, 2013	8,444,509	8,232,461	97%
June 30, 2014	8,376,176	8,630,064	103%
June 30, 2015	7,709,058	8,724,008	113%
June 30, 2016	6,667,006	8,666,541	130%
June 30, 2017	6,201,427	8,544,064	138%
June 30, 2018	5,688,134	8,503,024	149%
June 30, 2019	8,673,714	8,771,171	101%
June 30, 2020	8,566,572	9,210,720	108%
June 30, 2021	7,690,504	9,199,743	120%
June 30, 2022	4,778,671	9,373,547	196%
June 30, 2023	4,915,985	4,915,985	100%
June 30, 2024	5,132,571	5,132,571	100%

Note: The State’s contribution rate was 23.7% of pay, but beginning July 1, 2008 was increased to 30.6% of pay until the System attained fully funded status in the 2021 valuation. Currently, the State contribution rate is equal to 65% of the Required Contribution Rate and is effective one year after the valuation date.





APPENDIX A
ACTUARIAL ASSUMPTIONS AND METHODS





APPENDIX A – ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Interest

6.75% per annum.

Mortality

Active Members:

Pub-2010 General Above Median Employees Mortality Table with a three-year age set back and generational improvements using MP-2021.

Retired Members:

Pub-2010 General Above Median Retiree Mortality Table with a three-year age set back and generational improvements using MP-2021.

Beneficiaries:

Pub-2010 Above Median Contingent Survivor Mortality Table with a three-year age set back and generational improvements using MP-2021.

Turnover

No incidence of turnover was assumed.

**Rate of Disablement;
Disabled Life Mortality**

No incidence of disability was assumed.

Salary Increases

Salaries will increase 3.75% per year.

Incidence of Retirement

The following table indicates the assumed rate of retirement at each age.

<u>Age</u>	<u>Rate</u>
50 - 59	3%
60 - 63	12%
64 - 69	20%
70	30%
71	20%
72	100%

Inactive vested members are assumed to begin receiving benefits at age 65.

Spouse's Benefit

85% of employees were assumed married, with the female spouse four years younger.

Form of Payment

Retirees missing a form of payment were assumed eligible for a 50% Joint & Survivor benefit if a spouse date of birth was provided.

Employee Contributions

Employee contributions are assumed to be 10.25% of pay.





APPENDIX A – ACTUARIAL ASSUMPTIONS AND METHODS

***Internal Revenue Service
Limits on Recognized Pay***

The limit is assumed to increase based on cost of living increases of 2.60% per year.

***Retiring Judges Electing
Senior Judge Status***

75%, with 60% relinquishing after 6 years if before 78. Senior Judges must relinquish after 6 years (does not apply to judges with more than 20 years of service at January 1, 2018).

***Adjustment to Benefit
for Senior Judges***

<u>Became Senior Judge</u>	<u>Adjustment</u>
Before 1/1/93	3.75% for life
1/1/93 to 7/1/94	3.75% to age 78
7/1/94 and later	3.00% to age 78

Decrement Timing

Middle of year

Administrative Expense Load

0.07% of covered payroll





APPENDIX A – ACTUARIAL ASSUMPTIONS AND METHODS

Asset Valuation Method

The market value of assets, representing a fair value of System assets, may not necessarily be the best measure of the System's ongoing ability to meet its obligations.

To arrive at a suitable value for the actuarial valuation, a technique for determining the actuarial value of assets is used which dampens volatility in the market value while still indirectly recognizing market value. The specific technique follows:

- Step 1:** Determine the expected value of plan assets at the current valuation date using the actuarial value of assets from the prior valuation, the actuarial assumption for investment return and the actual receipts and disbursements of the fund for the previous 12 months.
- Step 2:** Subtract the expected value determined in Step 1 from the total market value of the Fund at the current valuation date.
- Step 3:** Multiply the difference between market and expected values determined in Step 2 by 25%.
- Step 4:** Add the expected value of Step 1 and the product of Step 3 to determine the preliminary actuarial value of assets.
- Step 5:** The final actuarial value of assets cannot be less than 80% or greater than 120% of the market value of assets.

Actuarial Cost Method

Liabilities and contributions shown in this report are computed using the Individual Entry Age Normal method of funding.

Sometimes called the “funding method”, this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension benefits, or normal cost, and the related unfunded actuarial accrued liability. Ordinarily the annual contribution to the System is comprised of (1) the normal cost and (2) an amortization payment on the unfunded actuarial accrued liability.

Under the Entry Age Actuarial Cost Method, the **Normal Cost** is computed as the level percentage of pay which, if paid from the earliest time each member would have been eligible to join the System if it then existed (thus, entry age) until his retirement or termination, would accumulate with interest at the rate assumed in the valuation to a fund sufficient to pay all benefits under the System.

The **Actuarial Accrued Liability** under this method at any point in time is the theoretical amount of the fund that would have accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The **Unfunded Actuarial Accrued Liability** is the excess of the actuarial accrued liability over the actuarial value of System assets on the valuation date.





APPENDIX A – ACTUARIAL ASSUMPTIONS AND METHODS

Under this method experience gains or losses, i.e. decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

Amortization Method

Level-Dollar Amortization Method

The amount to be amortized is divided into equal dollar amounts to be paid over a given number of years; part of each payment is interest and part is principal (similar to a mortgage payment).

Amortization Period

The unfunded actuarial accrued liability is amortized using a “layered” approach. Annual changes in the UAAL due to actuarial experience gain/losses, benefit changes or assumption changes are amortized over a closed 25-year period, each with their own individual payment schedule. If the UAAL is less than or equal to zero, then all prior bases are eliminated, and the surplus (assets in excess of actuarial accrued liability) is amortized over an open 30-year period as of the actuarial valuation date.

Please note that the use of closed amortization periods, coupled with the State contributing the full actuarial required contribution each year, will result in the System being fully funded at the end of the amortization period, if all actuarial assumptions are met. In our opinion, the amortization method meets the requirements of Actuarial Standard of Practice Number 4 and the System’s funding policy produces a reasonable actuarial required contribution. The funding policy is intended to promote stable contributions, balance cost among generations of members, and ensure adequate advance funding of benefits. Furthermore, the funding policy is expected to accumulate sufficient assets to make all future benefit payments as they become due if all assumptions are met.





APPENDIX B
SUMMARY OF PLAN PROVISIONS





APPENDIX B – SUMMARY OF PLAN PROVISIONS

STATE OF IOWA JUDICIAL RETIREMENT SYSTEM

Summary of Plan Provisions

An actuarial valuation involves the projection of the amount and timing of future benefit payments. Summarized below are the principal provisions of the plan which were used to estimate future benefit payments.

<i>Credited Service</i>	All years of service as a judge are credited.
<i>Average Monthly Salary</i>	Average monthly basic salary for highest three years as a judge. Each year's pay is limited to the compensation limit in Section 401(a)(17) of the Internal Revenue Code.
<i>Accrued Benefit</i>	The benefit payable at Normal Retirement Date which the judge has earned based on average salary and credited service to date.
<i>Normal Form</i>	The normal form of payment is an annuity payable for the life of the judge with one-half such amount payable to an eligible surviving spouse with a guarantee that payments totaling at least the amount of the judge's contributions will be made.
<i>Eligible Spouse</i>	A spouse is eligible if married to the judge for at least the one year preceding death.
<i>Retirement Eligibility</i>	Age 65 with a minimum of four years of service or 20 years of service and age 50.
<i>Mandatory Retirement Date</i>	Age 72 for active judges. Age 78 for judges participating in the Senior Judge Program.
<i>Monthly Retirement Benefit</i>	Effective July 1, 2006, 3.25% of Average Monthly Salary times years of credited service subject to a maximum of 65% of final earnings. Prior to 2006 the formula was 3% of average monthly salary times years of service subject to a maximum of 50% until July 1, 1998, 52% from July 1, 1998 until June 30, 2000, 56% from July 1, 2000 to June 30, 2001, 60% effective July 1, 2001. Commencing July 1, 1992, a judge or a survivor of a judge who retired before June 1, 1977, shall receive a minimum monthly annuity payment of \$500.
<i>Disability Retirement</i>	Upon total and permanent disability with a minimum of four years of credited service, the Judge receives the accrued benefit.





APPENDIX B – SUMMARY OF PLAN PROVISIONS

<i>Vesting</i>	100% vesting for voluntary terminations after 4 years of credited service (6 years prior to July 1, 2006). 100% vesting for Judges' contributions at all times.
<i>Pre-Retirement Death Benefit</i>	Four years of service required. The death benefit payable to an eligible spouse is one-half the accrued benefit at the date of death. The death benefit shall commence on the later of the date of death or the date the spouse reaches age 60.
<i>Judge's Required Contribution Rate</i>	July 1, 2008, 7.7% of pay. Effective July 1, 2009, 8.7% of pay. Effective July 1, 2010 and for each subsequent fiscal year until the System attains fully funded status, 9.35% of pay. Due to reaching fully funded status with the July 1, 2021 valuation, the member contribution rate became 40% of the Required Contribution Rate. Effective July 1, 2024, members contribute 35% of the Required Contribution Rate.
<i>State's Required Contribution Rate</i>	For the fiscal year beginning July 1, 2008, and for each subsequent fiscal year until the system attains fully funded status, 30.6% of pay. Due to reaching fully funded status with the July 1, 2021 valuation, the State contribution rate became 60% of the Required Contribution Rate. Effective July 1, 2024, the State contributes 65% of the Required Contribution Rate.
<i>Senior Judge Program</i>	<p>Upon retirement, a judge may elect to work as a Senior Judge for 13 weeks per year with an annual salary set by the legislature and a monthly annuity. In addition to an annual salary, Senior Judges receive an increase in retirement benefit when active judges receive salary increases.</p> <p>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 78 years of age. These requirements do not apply to judges who had 20 years of service prior to January 1, 2018.</p>
<i>Annuity for Senior Judges and Retired Senior Judges</i>	<p>(a) Judges retiring and becoming Senior Judges before January 1, 1993:</p> <p>The annuity for all Senior Judges or retired Senior Judges will be equal to 3% of the current base salary of the office in which the judge last served before</p>





APPENDIX B – SUMMARY OF PLAN PROVISIONS

retirement as a judge or Senior Judge, multiplied by the judge's years of service prior to retirement as a judge, subject to a maximum of 50% of such current base salary.

- (b) Judges retiring and becoming Senior Judges on or after January 1, 1993 and before July 1, 1994:

The annuity is the same as (a) above, except that the annuity will increase only until the year in which the judge attains age 78. At that point, it will remain the same until the judges' death.

- (c) Judges retiring and becoming Senior Judges on or after July 1, 1994:

The annuity is the same as (b) above, except that the percentage increase of the annuity each year is only 75% of the amount that it would have been under (b).

- (d) Judges retiring and becoming Senior Judges on or after July 1, 1998:

The annuity is the same as (c) above, except that the maximum benefit is 52% of the current base salary.

- (e) Judges retiring and becoming Senior Judges on or after July 1, 2000:

The annuity is the same as (d) above, except that the maximum benefit is 56% of the current base salary.

- (f) Judges retiring and becoming Senior Judges on or after July 1, 2001:

The annuity is the same as (e) above, except that the maximum benefit is 60% of the current base salary.

- (g) Judges retiring and becoming Senior Judges on or after July 1, 2006: The percentage multiplier is 3.25% per year of service and the maximum benefit is 65% of the current base salary.





APPENDIX C
SYSTEM MEMBERSHIP INFORMATION





APPENDIX C – SYSTEM MEMBERSHIP INFORMATION

RECONCILIATION OF MEMBER STATUS

From July 1, 2023 to July 1, 2024

	<u>Active Members</u>	<u>Inactive Vesteds</u>	<u>Senior Judge*</u>	<u>Retired Members**</u>	<u>Beneficiaries</u>	<u>Total</u>
Members as of July 1, 2023	216	4	61	132	54	467
New Entrants	14	0	0	0	4	18
Non-vested Terminations	0	0	0	0	0	0
Vested Terminations	(1)	1	0	0	0	0
Senior Judge Status	(6)	0	6	0	0	0
Relinquished Senior Judge Status	0	0	(8)	8	0	0
Retirement	(7)	(1)	0	8	0	0
Deceased	0	0	(1)	(5)	(3)	(9)
Benefit Ended	0	0	0	0	0	0
Data Adjustments	0	0	0	0	0	0
Members as of July 1, 2024	216	4	58	143	55	476

*Senior Judges include both those serving as Senior Judges as well as those still entitled to future benefit increases.

**Includes QDRO's





APPENDIX C – SYSTEM MEMBERSHIP INFORMATION

ACTIVE MEMBERS AS OF JULY 1, 2024

Age	Number of Employees			Compensation for Plan Year		
	Male	Female	Total	Male	Female	Total
under 30	0	0	0	\$ 0	\$ 0	\$ 0
30-34	1	2	3	147,520	295,040	442,560
35-39	10	5	15	1,598,128	792,917	2,391,045
40-44	17	13	30	2,722,963	1,973,077	4,696,040
45-49	16	16	32	2,606,176	2,538,565	5,144,741
50-54	17	9	26	2,784,427	1,426,022	4,210,449
55-59	29	20	49	4,677,595	3,233,136	7,910,731
60-64	27	8	35	4,357,969	1,306,162	5,664,131
65-69	15	6	21	2,489,389	952,731	3,442,120
70 & up	4	1	5	626,958	165,959	792,917
Totals	136	80	216	\$22,011,125	\$12,683,609	\$34,694,734

ACTIVE AGE / SERVICE DISTRIBUTION AS OF JULY 1, 2024

Age	Years of Service								Total Count
	0-4 Count	5-9 Count	10-14 Count	15-19 Count	20-24 Count	25-29 Count	30-34 Count	35+ Count	
under 30	0	0	0	0	0	0	0	0	0
30-34	3	0	0	0	0	0	0	0	3
35-39	12	3	0	0	0	0	0	0	15
40-44	18	12	0	0	0	0	0	0	30
45-49	13	17	2	0	0	0	0	0	32
50-54	4	15	5	2	0	0	0	0	26
55-59	8	13	17	11	0	0	0	0	49
60-64	3	5	12	7	3	4	1	0	35
65-69	0	2	10	6	3	0	0	0	21
70 & up	0	0	3	1	0	0	1	0	5
Totals	61	67	49	27	6	4	2	0	216





APPENDIX C – SYSTEM MEMBERSHIP INFORMATION

INACTIVE VESTED MEMBERS as of July 1, 2024

Age	Number of Members			Annual Benefit		
	Male	Female	Total	Male	Female	Total
under 30	0	0	0	\$ 0	\$ 0	\$ 0
30-34	0	0	0	0	0	0
35-39	0	0	0	0	0	0
40-44	0	0	0	0	0	0
45-49	0	0	0	0	0	0
50-54	0	0	0	0	0	0
55-59	2	1	3	54,308	61,427	115,735
60-64	0	1	1	0	25,950	25,950
65-69	0	0	0	0	0	0
70 & up	0	0	0	0	0	0
Totals	2	2	4	\$54,308	\$87,377	\$141,685





APPENDIX C – SYSTEM MEMBERSHIP INFORMATION

RETIREES AND BENEFICIARIES as of July 1, 2024

Age	Number of Members				Annual Benefit			
	Retired*	Senior	Beneficiaries	Total	Retired	Senior	Beneficiaries	Total
under 55	0	0	1	1	\$ 0	\$ 0	\$54,226	\$54,226
55 to 59	1	0	0	1	102,079	0	0	102,079
60 to 64	2	2	1	5	178,472	203,408	33,859	415,739
65 to 69	23	13	7	43	1,644,767	1,135,909	264,899	3,045,575
70 to 74	39	22	7	68	2,802,614	1,995,901	448,029	5,246,544
75 to 79	40	11	10	61	3,130,637	1,060,306	590,324	4,781,267
80 to 84	25	3	9	37	1,602,925	235,060	383,122	2,221,107
85 to 89	4	4	6	14	247,234	315,224	183,794	746,252
90 to 94	7	2	11	20	298,630	122,769	525,012	946,411
95 to 99	2	1	3	6	55,956	56,183	74,373	186,512
100 & over	0	0	0	0	0	0	0	0
Totals	143	58	55	256	\$10,063,314	\$5,124,760	\$2,557,638	\$17,745,712

* Includes QDRO's and disabled members, if any.





ADDENDUM – STATUTORY REPORTING

IOWA JUDICIAL RETIREMENT SYSTEM CERTIFICATION

We have prepared an actuarial valuation of the Iowa Judicial Retirement System as of July 1, 2024, for the fiscal year ending June 30, 2025. The results of the valuation are set forth in this addendum, which reflects the benefit provisions in effect on July 1, 2024.

In preparing this report, we relied, without audit, on information (some oral and some in writing) supplied by the System’s staff. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

The results in this Addendum have been prepared for the sole purpose of providing the information required under Chapter 97 D.5 of the Iowa code. Calculations are based on the following prescribed methods:

- Actuarial cost method: Entry Age Normal
- Amortization method: Level percent of payroll
- Amortization period: 30 years, open period

All other assumptions, methodologies, and System provisions used are consistent with those used in the regular July 1, 2024 valuation for the Iowa Judicial Retirement System.

The results shown in this Addendum are not consistent with those in the regular July 1, 2024 valuation. The July 1, 2024 valuation results were determined in accordance with generally accepted actuarial principles and practices that are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying opinion and supporting recommendations of the American Academy of Actuaries. The results shown in this Addendum are not necessarily based on the methodologies adopted by the System.

We are available to answer any questions on the material contained in this report, or to provide explanations or further details as may be appropriate.

The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.



 Patrice A. Beckham, F.S.A.

October 14, 2024

 Date



 Aaron Chochon, A.S.A.

October 14, 2024

 Date





ADDENDUM – STATUTORY REPORTING

IOWA JUDICIAL RETIREMENT SYSTEM SUMMARY OF VALUATION RESULTS UNDER PRESCRIBED METHODOLOGY

This addendum report has been prepared to present the results of a valuation of the State of Iowa Judicial Retirement System as of July 1, 2024, based on the prescribed methodology under current statutes and regulations issued there under.

The unfunded actuarial accrued liability has been amortized as a level percent of payroll over 30 years. The payroll growth assumption used was 3.75%.

A summary of principal valuation results from the current and the prior valuation follows:

	Actuarial Valuation as of	
	July 1, 2024	July 1, 2023
Summary of Costs		
Normal cost	25.303%	25.260%
UAAL amortization	<u>0.231%</u>	<u>0.070%</u>
Total	25.534%	25.330%
Less Employee Contribution Rate	<u>(8.937%)</u>	<u>(8.870%)</u>
State Required Contribution	16.597%	16.460%
Funded Status		
Actuarial accrued liability	\$276,788,677	\$265,779,076
Actuarial value of assets	275,201,283	265,351,109
Unfunded actuarial accrued liability	\$1,587,394	\$427,967
Funded Ratio	99.43%	99.84%
Asset Values		
Market value of assets (MVA)	\$278,381,252	\$255,447,210
Actuarial value of assets (AVA)	275,201,283	265,351,109
MVA/AVA	101.16%	96.27%

