

IOWA JUDICIAL RETIREMENT SYSTEM

STATUS OF JUDICIAL RETIREMENT FUND

PRESENTATION TO PUBLIC RETIREMENT SYSTEMS COMMITTEE



November 9, 2009

JUDICIAL RETIREMENT MEMBERSHIP

ACTIVE MEMBERS (7/1/09):

▪ Supreme Court Justices	7
▪ Court of Appeals Judges	9
▪ District Court Judges	116
▪ District Associate Judges	61
▪ Associate Juvenile Judges	7

Total	200

RETIRED MEMBERS:

▪ Senior Judges and Retired Senior Judges	43
▪ Retired Judges	76
▪ Surviving Spouses	46

Total Receiving Monthly Benefit	165
Inactive	7

BASIC RETIREMENT BENEFIT:

- Average salary last three (3) years of service
- Times three and one-fourth percent (3.25%)
- Times years of service
- Equals yearly benefit

Not to exceed sixty-five percent (65%) of highest basic annual salary

ELIGIBILITY FOR RETIREMENT:

Eligibility for retirement is four (4) years of service as a judge **AND** sixty-five (65) years of age **OR** twenty (20) years of service and age fifty (50)

Iowa Judicial Retirement System

Brief History of Funding

- May 13, 1949 – Established by the 53rd General Assembly – Supreme Court Justices and District Court Judges covered.

A judge contributes 3% and the State 3%, or as much as necessary to finance the system.

- 1961 – Judge's contribution increased to 4%.
- 1962 – Amendment to the State constitution states that the General Assembly shall prescribe mandatory retirement for judges and provide for adequate retirement compensation.
- 1981 – Miscellaneous court costs redirected into judicial retirement fund.
- 1985 -- Additional court costs redirected into judicial retirement fund.
- 1994 – Change in funding of State share to 23.7% instead of filing fees being paid directly to the fund (July 1st). Appropriated directly to Judicial Retirement Fund.
- July 1, 2000 – Judge's contribution increased from 4% to 5%.
- July 1, 2001 – State contributes 15.65% in FY 02.
- July 1, 2002 – State contributes 10.2% for FY 03.
- July 1, 2003 – State contributes 9.90% for FY 04.
- July 1, 2004 – State contributes 9.71% for FY 05.
- July 1, 2005 – State contributes 9.71% for FY 06.
- July 1, 2006 – State contributes 9.16% for FY 07.
- July 1, 2006 -- Judge's contribution increased to 6% multiplied by a fraction equal to the actual percentage rate contributed by the State divided by 23.7%.
- July 1, 2007 – State contributes 22.52% for FY 08.
- July 1, 2008 – Judge's contribution increased to 7.7% - State contributes 30.6% for FY 09

- July 1, 2009 – Judge’s contribution increased to 8.7% - State contributes 30.6% of payroll for FY 10 from Judicial Branch’s operation appropriation. The State share is no longer a direct appropriation to the Judicial Retirement Fund.
- July 1, 2010 – Judge’s contribution increased to 9.35% - State contributes 30.6% of payroll for FY 11.

Source: State Court Administrator's Office

Date: November 9, 2009

SECTION I

EXECUTIVE SUMMARY

This report presents the results of the July 1, 2009 actuarial valuation for the State of Iowa Judicial Retirement Fund (System). The primary purposes of performing an actuarial valuation are to:

- determine the employer contribution rates required to fund the System on an actuarial basis,
- disclose asset and liability measures as of the valuation date,
- 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.

Section I of the report is a summary of the principal results of the valuation.

Section II of the report provides details of the assets and liabilities used in the actuarial valuation.

Section III of the report provides the calculation of the Annual Required Contribution, the Net Pension Obligation, and the Annual Pension Cost. Much of this information is necessary for compliance with Statements Number 25 and 27 of the Governmental Accounting Standards Board.

The Appendices provide a summary of the data, methods and assumptions used in the preparation of this report. The assumptions and methods used in our calculation are acceptable for purposes of GASB as well as for purposes of determining an appropriate level of contributions that should be made to the fund.

The 2008 Legislature passed SF2424, which contains statutory reporting requirements for all statewide public retirement systems, including the Judicial Retirement System. The System must report the following information under the Entry Age Normal actuarial cost method, in addition to the regular valuation results (if different):

- a) Actuarially required contribution rate, defined as the normal cost plus a payment to amortize the unfunded actuarial accrued liability as a level percent of payroll over thirty years,
- b) Normal cost rate.

This information is contained in the Addendum at the end of this report.

The valuation results provide a “snapshot” view of the Retirement Fund’s financial condition on July 1, 2009. The System has an unfunded actuarial accrued liability (UAAL) of \$58 million. The UAAL increased by \$5 million from last year’s amount due to various factors. A more complete analysis of the change in the unfunded actuarial accrued liability from July 1, 2008 to July 1, 2009 is shown on page 14.

Two changes in actuarial methodology were adopted in this valuation: (1) an asset smoothing method (which develops the actuarial value of assets) was implemented, and (2) the amortization period was extended. The actuarial value of assets is equal to the expected value (using the assumed rate of return) plus 25% of the difference between actual market value and expected value. The amortization period was also reset to a closed 25-year period commencing in 2009. Amortization bases established in subsequent valuations will reflect any differences in the actual and expected experience. Each new base is amortized over a new 25-year period, starting on that valuation date. These two changes lowered the actuarial contribution rate from 40.8% to 30.8%

The highlights of the valuation are:

Funded Status	Actuarial Valuation Date	
	July 1, 2009	July 1, 2008
<u>Using Actuarial Value of Assets</u>		
Actuarial Accrued Liability	\$151.0M	\$141.4M
Actuarial Assets	93.0	88.2
Unfunded Actuarial Accrued Liability	58.0	\$ 53.2
Funded Ratio	61.6%	62.4%
<u>Using Market Value of Assets</u>		
Actuarial Accrued Liability	\$151.0M	\$141.4M
Actuarial Assets	79.3	88.2
Unfunded Actuarial Accrued Liability	\$ 71.7	\$ 53.2
Funded Ratio	52.5%	62.4%

The total actuarial required contribution in the 2009 valuation decreased both as a dollar amount and as a percent of payroll. As a result of the implementation of an asset smoothing method, extending the amortization period and an increase in the member contribution rate from 7.7% to 8.7%, the State's contribution rate decreased from 33.8% in the 2008 valuation to 30.8% in the 2009 valuation. The statutory contribution rate is 30.6% of pay.

Required Contribution Rate	Actuarial Valuation Date	
	July 1, 2009	July 1, 2008
1. Normal Cost	\$5,383,487	\$5,279,250
2. Amortization Payment	4,838,876	5,095,527
3. Interest	<u>376,409</u>	<u>778,108</u>
4. Total Contribution (1) + (2) + (3)	10,598,772	11,152,885
5. Expected Member Contributions	<u>2,341,076</u>	<u>2,128,633</u>
6. State Contributions (4) - (5)	\$8,257,696	\$9,024,252
7. State Contribution Rate	30.8%	33.8%
8. Statutory Contribution Rate	30.6%	30.6%
9. Shortfall	0.2%	3.2%

EXPERIENCE

July 1, 2008 – June 30, 2009

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, 2009. 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 employers in the future to balance the System assets and liabilities.

Changes in the System's assets and liabilities impacted the change in the actuarial contribution rates between the July 1, 2008 and July 1, 2009 actuarial valuations. On the following pages each component is discussed.

ASSETS

As of July 1, 2009, the System had total funds when measured on a market value basis, of \$79 million. This was a decrease of \$9 million from the July 1, 2008 figure of \$88 million.

The market value of assets is not used directly in the calculation of contribution rates. An asset valuation method, first implemented this year, is used to smooth the effect of market fluctuations. See page 10 for the detailed development of the actuarial value of assets as of July 1, 2009.

The actuarial value of assets as of July 1, 2009, was \$93 million. The annualized dollar-weighted rate of return for FY2009 measured on the actuarial value of assets was approximately 2.4% and measured on the market value of assets, was a -12.9%, net of investment expenses. The components of the change in the market and actuarial value of assets for the Retirement System (in millions) are set forth below.

	Market Value \$(millions)	Actuarial Value \$(millions)
Net Assets, July 1, 2008	\$88	\$88
• Employer and Member Contributions	10	10
• Benefit Payments and Expenses	(7)	(7)
• Investment Income	(12)	2
Net Assets, July 1, 2009	\$79	\$93
Estimated Rate of Return	-12.9%	2.4%

Due to the use of an asset smoothing method, there is about \$14 million of net deferred investment loss that has not yet been recognized. Absent favorable investment experience in future years to offset the recognition of the deferred loss, it will decrease the System's funding and increase the actuarial contribution rate as it is reflected through the 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 asset values at the same date is referred to as the unfunded actuarial accrued liability (UAAL). The unfunded actuarial accrued liability will be reduced if the employer's contributions exceed the employer's normal cost for the year, after allowing for interest earned on the previous balance of the unfunded actuarial accrued liability.

The unfunded actuarial accrued liability as of July 1, 2009 is shown below:

Actuarial Accrued Liability	\$ 151,029,371
Actuarial Value of Assets	<u>93,045,276</u>
Unfunded Actuarial Accrued Liability/(Surplus)	\$ 57,984,095

Factors influencing the UAAL from year to year include actual experience versus that expected based on the actuarial assumptions (both asset and liability), 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 2009). The most significant change was due to the experience loss on the actuarial value of assets. There was a small experience loss on the actuarial accrued liability.

The unfunded actuarial accrued liability (UAAL) increased from \$53 million on July 1, 2008 to \$58 million on July 1, 2009. Several factors contributed to the change in the UAAL:

- The Fund experienced an actuarial loss of \$19.4 million for the year ending June 30, 2009. Actuarial experience (gain or loss) is measured by comparing the expected UAAL and the actual UAAL. The return on plan assets was approximately -13%, significantly lower than the actuarial assumption of +7.5%. This increased the UAAL by \$19 million.
- An asset smoothing method was implemented with the July 1, 2009 actuarial valuation. Actual market value had been used in prior years. See page 10 for the detailed calculation of the actuarial value of assets. The UAAL decreased by \$14 million due to the implementation of an asset smoothing method.
- The UAAL also increased because actual contributions in the last year were less than the actuarial contribution rate. From July 1, 2008 to July 1, 2009, actual contributions to the Fund were more than \$1 million below the actuarial required rate. The lower contribution amount increased the UAAL.

CONTRIBUTION RATES

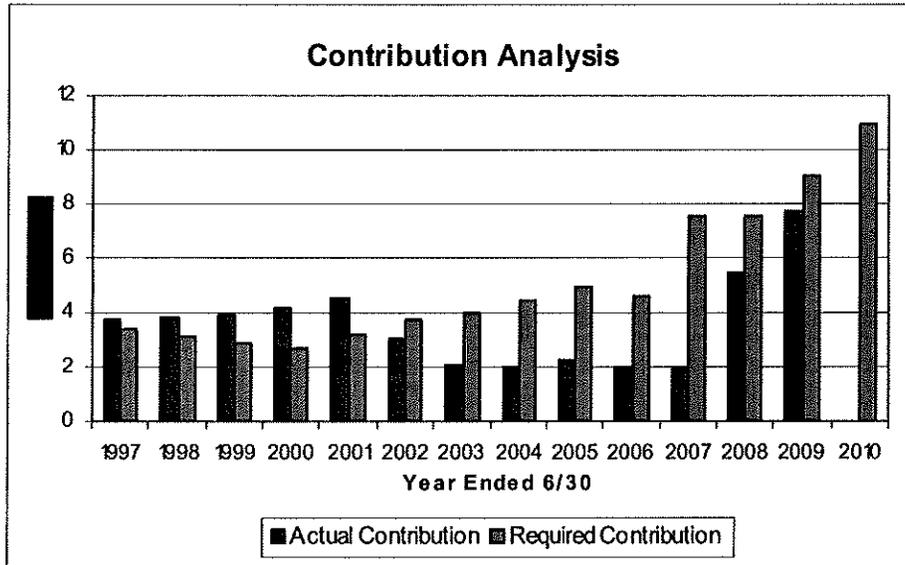
The funding objective of the System is to pay the normal cost rate plus an amount which will pay off the unfunded actuarial accrued liability at July 1, 2009 over a 25-year period commencing July 1, 2009.

Under the Entry Age Normal cost method, the actuarial contribution rate consists of:

- a "normal cost" for the portion of projected liabilities allocated by the actuarial cost method to service of members during the year following the valuation date,
- 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 on hand.

Contributions to the Retirement System are made by the members and the state. The rates are set in statute. The member contribution rate is 8.7% of pay for FY2010 and increases to 9.35% in FY2011. The employer contribution rate is 30.6% of pay.

The following graph summarizes the actual and the actuarial employer contributions in recent years.



COMMENTS

Over the period from 2003 through 2009, the State contributed far less than the actuarial contribution rate and the funded ratio of the System declined. The 2008 Legislature passed SF2424, which provided for significantly higher contributions to the retirement system. While the higher contribution rates will strengthen the long-term funding of the System, the investment experience in FY2009 was a significant setback. Given the amount of the investment loss, the actuarial contribution rate is expected to increase in future years to an ultimate rate around 40% of pay, if all actuarial assumptions are met in the future. The funded ratio is also expected to decline as the deferred investment experience is recognized through the asset smoothing methodology.

**STATE OF IOWA
JUDICIAL RETIREMENT FUND**

SUMMARY OF PRINCIPAL VALUATION RESULTS

	Actuarial Valuation as of July 1, 2009	Actuarial Valuation as of July 1, 2008
1. SUMMARY OF DATA		
Active Judges	200	199
Senior Judges and Retired Senior Judges	54	51
Retired Judges	65	60
Beneficiaries of Deceased Judges	46	47
Inactive Judges with Contributions Remaining in the	7	9
Total Members	372	362
2. ACTIVE PARTICIPANT STATISTICS		
Total Compensation	\$26,810,700	\$26,662,800
Average Compensation	134,054	133,984
Average Age	57.0	56.4
Average Service	12.9	12.9
3. ASSET AND LIABILITY INFORMATION		
Actuarial Accrued Liability	\$151,029,371	\$141,364,072
Actuarial Value of Assets	93,045,276	88,197,551
Unfunded Actuarial Accrued Liability (UAAL)	\$57,984,095	\$53,166,521
Funded Ratio (Actuarial Value)	61.6%	62.4%
Market Value of Assets	79,331,934	88,197,551
Funded Ratio (Market Value)	52.5%	62.4%
4. CONTRIBUTION INFORMATION		
Normal Cost	20.8%	20.5%
UAAL Payment	<u>18.7%</u>	<u>21.00%</u>
Total Actuarial Contribution	39.5%	41.5%
Less Member Contribution	<u>(8.7%)</u>	<u>(7.7%)</u>
State Contribution	30.8%	33.8%
Less Statutory Contribution	<u>30.6%</u>	<u>30.6%</u>
Shortfall	0.2%	3.2%

SECTION II

SUMMARY OF VALUATION RESULTS

DETERMINATION OF REQUIRED CONTRIBUTION RATE

1.	Normal Cost	
	Retirement Benefits	\$ 5,251,543
	Pre-Retirement Death Benefits	113,689
	Withdrawal Benefits	<u>18,255</u>
	Total	\$ 5,383,487
2.	Unfunded Actuarial Accrued Liability	
	Actuarial Accrued Liability	\$ 151,029,371
	Actuarial Value of Assets	93,045,276
	Unfunded Actuarial Accrued Liability (UAAL)	57,984,095
3.	Amortization Payment on UAAL (over 25 years as level dollar)	\$ 4,838,876
4.	Total Contribution for Fiscal Year [(1) + (3)] x 1.075%	\$ 10,598,772
5.	Projected Payroll for Fiscal Year	\$ 26,810,700
6.	Total Contribution as Percent of Payroll	39.5%
7.	Member Contributions	8.7%
8.	State Contribution (6) – (7)	30.8%
9.	State Statutory Contribution Rate	30.6%
10.	Shortfall Contribution Rate	0.2%

SECTION III

PLAN ACCOUNTING INFORMATION

Schedule of Funding Progress (In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets ² (a)	Actuarial Accrued Liability (AAL) ¹ (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/ Covered Payroll ((b - a)/c)
July 1, 2004	\$78,023	\$99,124	\$21,101	79%	\$20,894	101%
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%

¹ Reporting for years before 2008 is based on the Projected Unit Credit Cost method. For 2008 and later, the Entry Age Normal cost method is used.

² 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.

SECTION III

PLAN ACCOUNTING INFORMATION

Schedule of Employer Contributions

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 2004	\$4,401,516	46%
June 30, 2005	4,394,389	46%
June 30, 2006	4,614,846	44%
June 30, 2007	7,560,981	27%
June 30, 2008	7,552,722	72%
June 30, 2009	9,024,252	86%

Notes to the Required Schedules:

1. The cost method was the Projected Unit Credit for years ending June 30, 2008 and before. After that, the cost method is Entry Age Normal.
2. The actuarial value of assets was equal to the fair market value.
3. Economic assumptions are as follows: Inflation rate of 3.25%.
Investment return rate of 7.50%.
Salary increases of 4.5% per year.
Post-retirement benefit increases vary from 0.00% to 4.50%.
4. The amortization method is a closed period of 20 years measured from July 1, 2006, determined as a level dollar amount.

ADDENDUM

IOWA JUDICIAL RETIREMENT FUND CERTIFICATION

We have prepared an actuarial valuation of the Iowa Judicial Retirement Fund as of July 1, 2009, for the fiscal year ending June 30, 2010. The results of the valuation are set forth in this addendum, which reflects the benefit provisions in effect on July 1, 2009.

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, 2009 valuation for the Iowa Judicial Retirement Fund.

The results shown in this Addendum are not consistent with those in the regular July 1, 2009 valuation. The July 1, 2009, 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.

Milliman's work product was prepared exclusively for the Iowa Judicial Retirement Fund (IJRF) for a specific and limited purpose. It is a complex technical analysis that assumes a high level of knowledge concerning IJRF's operations, and used IJRF data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose other than to provide the required reporting to the Iowa Public Retirement Systems Committee. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage a qualified professional for advice appropriate to its own specific needs.

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 Beckham

Patrice A. Beckham, F.S.A.

November 3, 2009

Date

Brent A. Banister

Brent A. Banister, F.S.A.

November 3, 2009

Date



This work product was prepared solely for Iowa Judicial Retirement Fund for the purposes described herein and may not be appropriate for other purposes. Milliman does not intend to benefit and assumes no duty or liability to other parties who receive this work.

ADDENDUM

IOWA JUDICIAL RETIREMENT FUND 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 Fund as of July 1, 2009, based on the prescribed methodology under current statutes and regulations issued thereunder.

The unfunded actuarial accrued liability has been amortized as a level percent of payroll over 30 years. The payroll growth assumption used was 4%.

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

	Actuarial Valuation as of	
	July 1, 2009	July 1, 2008
Summary of Costs		
Normal cost at July 1	\$5,383,487	\$5,279,250
UAAL amortization	<u>2,998,804</u>	<u>2,749,651</u>
Total	8,382,291	8,028,901
Interest to Year End	<u>308,653</u>	<u>602,168</u>
Total Actuarially Required Contribution at Year End	8,690,944	8,631,069
Less Employee contributions with interest	<u>2,418,420</u>	<u>2,128,633</u>
State Required Contribution	6,272,524	6,502,436
Expected Payroll FYE	\$26,810,700	\$26,662,800
State Actuarially Required Contribution Rate	23.40%	24.39%
Funded Status		
Actuarial accrued liability	\$151,029,371	\$141,364,072
Actuarial value of assets	93,045,276	88,197,551
Unfunded actuarial accrued liability	\$71,697,437	\$53,166,521
Funded Ratio	61.6%	62.4%
Asset Values		
Market value of assets	\$79,331,934	\$88,197,551
Actuarial Value of Assets	\$93,045,276	\$88,197,551



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Executive Summary

The Iowa Judicial Retirement Fund

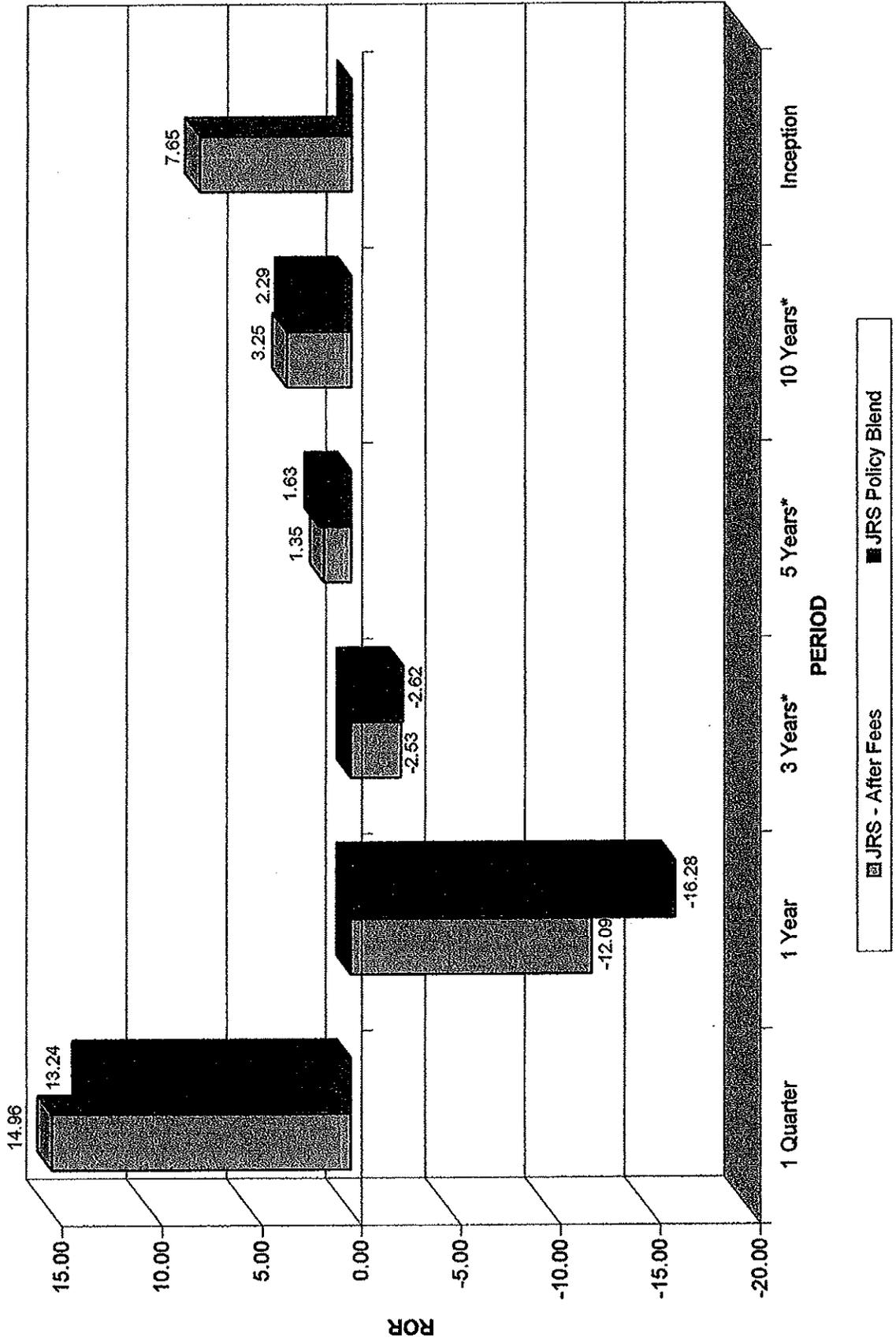
The market value of the Iowa Judicial Retirement Fund (Fund) investments was \$79,818,677.86 on June 30, 2009. That is an increase of \$9,210,167.10 from the market value on March 31, 2009. For a year over year comparison, the portfolio decreased \$8,934,151.10 from the market value on June 30, 2008. For the quarter, the Fund had an annualized return of 15.07% before fees. The quarterly performance of the Fund (before fees) ranked in the 16th percentile of all master trusts reporting to the Trust Universe Comparison Service (TUCS)¹. The performance before fees was above that of the Policy Index, which had an annualized return of 13.24% for the quarter. (The Policy Index measures the performance of a strictly passive investment strategy, and is the weighted average return that would result if the Fund's assets had been allocated to the passive indices representing each asset class in the exact proportions established in the investment policy.)

The Fund earned an annual return after fees of -12.09% for the year ending June 30, 2009. This performance was below the policy goal of beating inflation by four percentage points (inflation was -1.32% for the one-year period) and below the actuarial interest rate assumption of 8.00%. The Fund's performance for the one-year period was above the Policy Index return of -16.28%. The Fund's annual return (before fees) for the year ranked in the 18th percentile of all master trusts reporting to TUCS. Victory Capital Management showed a 14.66% return for their first full quarter. For comparison, the S&P 500 Index had a quarterly return of 15.93%. This gave Victory a TUCS ranking of 73rd. For the quarter ending June 30, 2009, William Blair, the small cap growth stock manager, had a quarter return of 37.36% versus a 23.37% rate of return for the Russell 2000 Small Growth. William Blair's performance before fees ranked 1st in the TUCS small cap growth universe while the Russell 2000 Growth ranked 14th. Wasatch Advisors, the fund's small cap value manager, reported a 32.54% quarter return, which ranked 2nd in the TUCS small cap value universe. Wasatch's benchmark is the Russell 2000 Value Index, which had a quarter return of 18.00% and placed 40th in the index of all accounts reporting to TUCS. For the year ending June 30, 2009, Wasatch had a return of -20.24%, ranking them 18th in the TUCS universe. Baillie Gifford, the international equities index manager for the fund, had a quarterly return of 27.33%, which ranked them 30th in the TUCS universe. Baillie Gifford's benchmark is the MSCI EAFE Index, which experienced a quarter return of 25.43%. Principal Global Investors and Dix Hills, the core plus fixed income managers, returned 6.61% and -1.96% for the quarter, respectively. For the quarter, Principal's return was above the benchmark, while Dix Hills was below the benchmark. Guggenheim, the real estate manager, had a return of -4.53% for the quarter versus the benchmark (70% NCREIF, 30% NAREIF) of 4.78%.

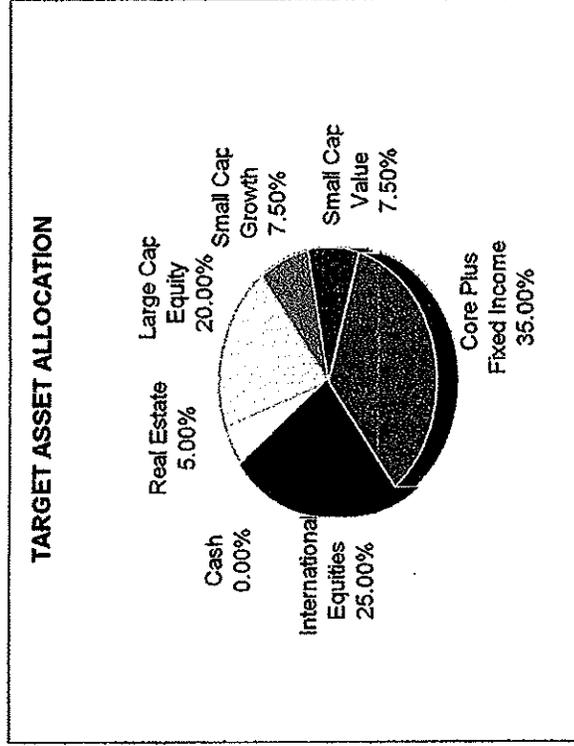
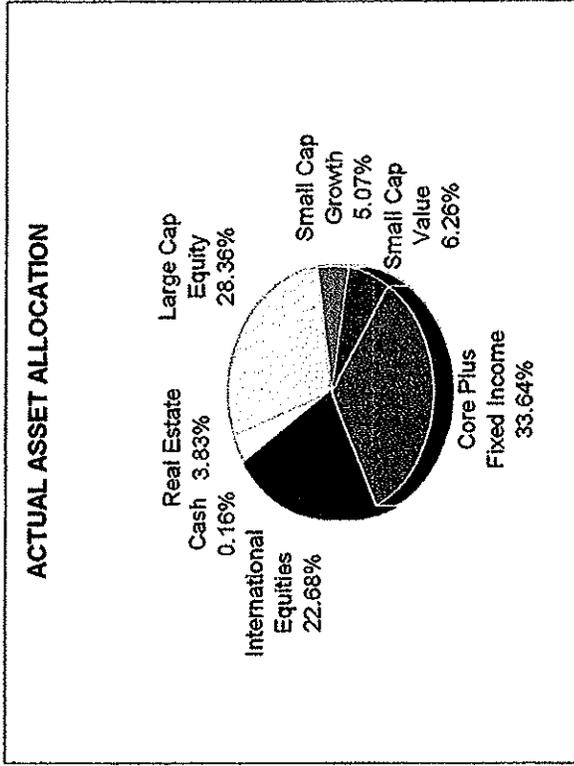
For the three-year period, the Fund has earned an annualized return of -2.20% before fees. This performance is below the policy goal of beating inflation by four percentage points (inflation was 1.90% for the three-year period) and below the actuarial interest rate assumption of 8.00%. The Fund outperformed the Policy Index, which returned -2.62%. The Fund's performance ranks in the 31st percentile of all master trusts reporting to TUCS for the three-year period. Over the five-year period, the Fund has earned an annualized return of 1.71% before fees. This performance did not meet the policy goal of outperforming inflation plus four percentage points (6.54%), and was above the Policy Index return of 1.63%. The Fund ranks in the 47th percentile of the TUCS universe of master trusts for the five-year period. The Fund's Sharpe Ratio, which measures excess return per unit of risk, for the five-year period was -0.18, which was less than the -0.14 Sharpe ratio for the Policy Index.

¹ Please note that other funds reporting to TUCS may be greatly larger or may have significantly riskier investment policies than the Fund.

**JUDICIAL RETIREMENT SYSTEM vs. POLICY INDEX
FOR THE PERIOD ENDING 06/30/2009**

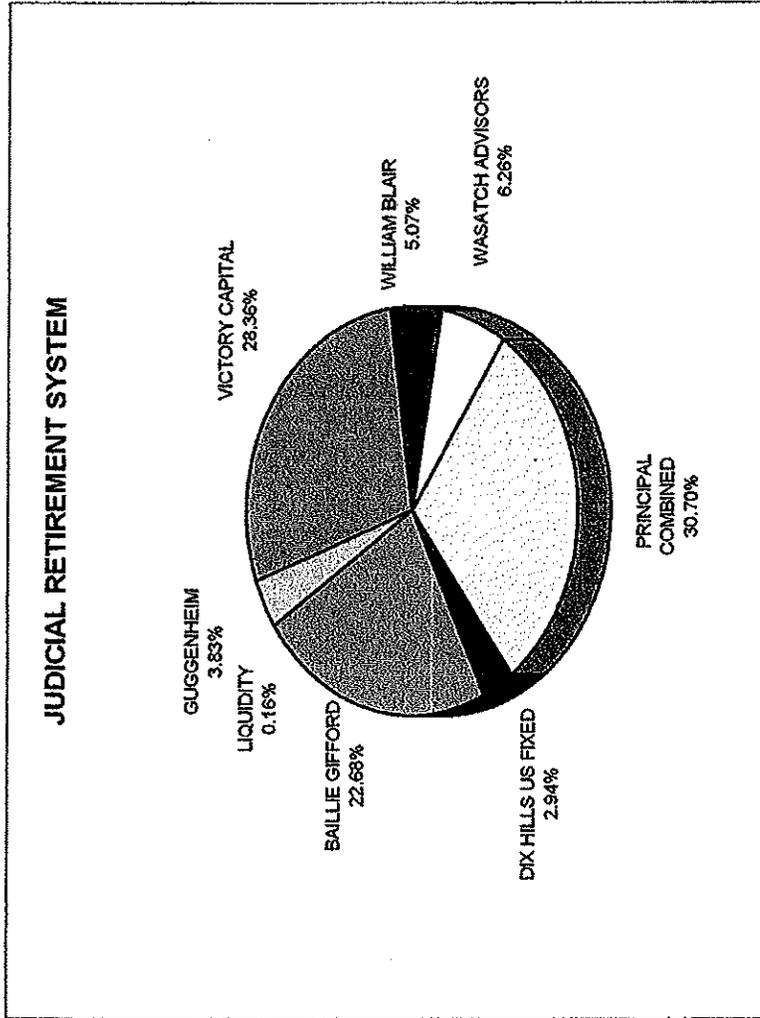


ACTUAL ASSET ALLOCATION VERSUS TARGET ASSET ALLOCATION AS OF JUNE 30, 2009



Asset Class	\$ Value		Percent		Percent Difference	\$ Difference
	Actual	Target	Actual	Target		
Large Cap Equity	22,636,099	20,000,000	28.36%	20.00%	8.4%	6,672,363
Small Cap Growth	4,045,087	7,500,000	5.07%	7.50%	-2.4%	-1,941,314
Small Cap Value	4,999,927	7,500,000	6.26%	7.50%	-1.2%	-986,474
Core Plus Fixed Income	26,851,953	35,000,000	33.64%	35.00%	-1.4%	-1,084,584
International Equities	18,100,736	25,000,000	22.68%	25.00%	-2.3%	-1,853,933
Cash	124,336	0.00%	0.16%	0.00%	0.2%	124,336
Real Estate	3,060,539	5,000,000	3.83%	5.00%	-1.2%	-930,395
Total Fund	79,818,678	100%	100%	100%		

MANAGER DISTRIBUTION AS OF JUNE 30, 2009



<u>MGR NAME</u>	<u>MARKET VALUE</u>	<u>% OF TOTAL</u>
VICTORY CAPITAL	22,636,098.98	28.36%
WILLIAM BLAIR	4,045,086.91	5.07%
WASATCH ADVISORS	4,999,927.10	6.26%
PRINCIPAL COMBINED	24,505,397.69	30.70%
DIX HILLS US FIXED	2,346,555.64	2.94%
BAILLIE GIFFORD	18,100,736.13	22.68%
LIQUIDITY	124,336.41	0.16%
GUGGENHEIM	3,060,538.99	3.83%
TOTAL	79,818,677.85	100.00%