Judicial Retirement System

Presentation to

Public Retirement Systems Committee

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Governance

- Established in Iowa Code chapter 602
- Referenced in the State Constitution: General Assembly "shall prescribe mandatory retirement for judges of the supreme court and the district court at a specific age and shall provide for adequate retirement compensation".
- System is administered by the State Court Administrator who is appointed by the Supreme Court (David Boyd)
- Funds are invested by the State Treasurer

Membership

- Supreme Court and Court of Appeals judges
- District judges and district associate judges
- Full-time probate judges and juvenile judges
- Magistrates and other employees of the Judicial Branch are members of IPERS

Funding

- Contributions by both judges and the employer as established in statute
- Current contribution rates:
  - Employee: 9.35%
  - Employer: 30.60%
- Once fully funded, the contribution rate will vary each year with employees paying 40% and the employer paying 60%

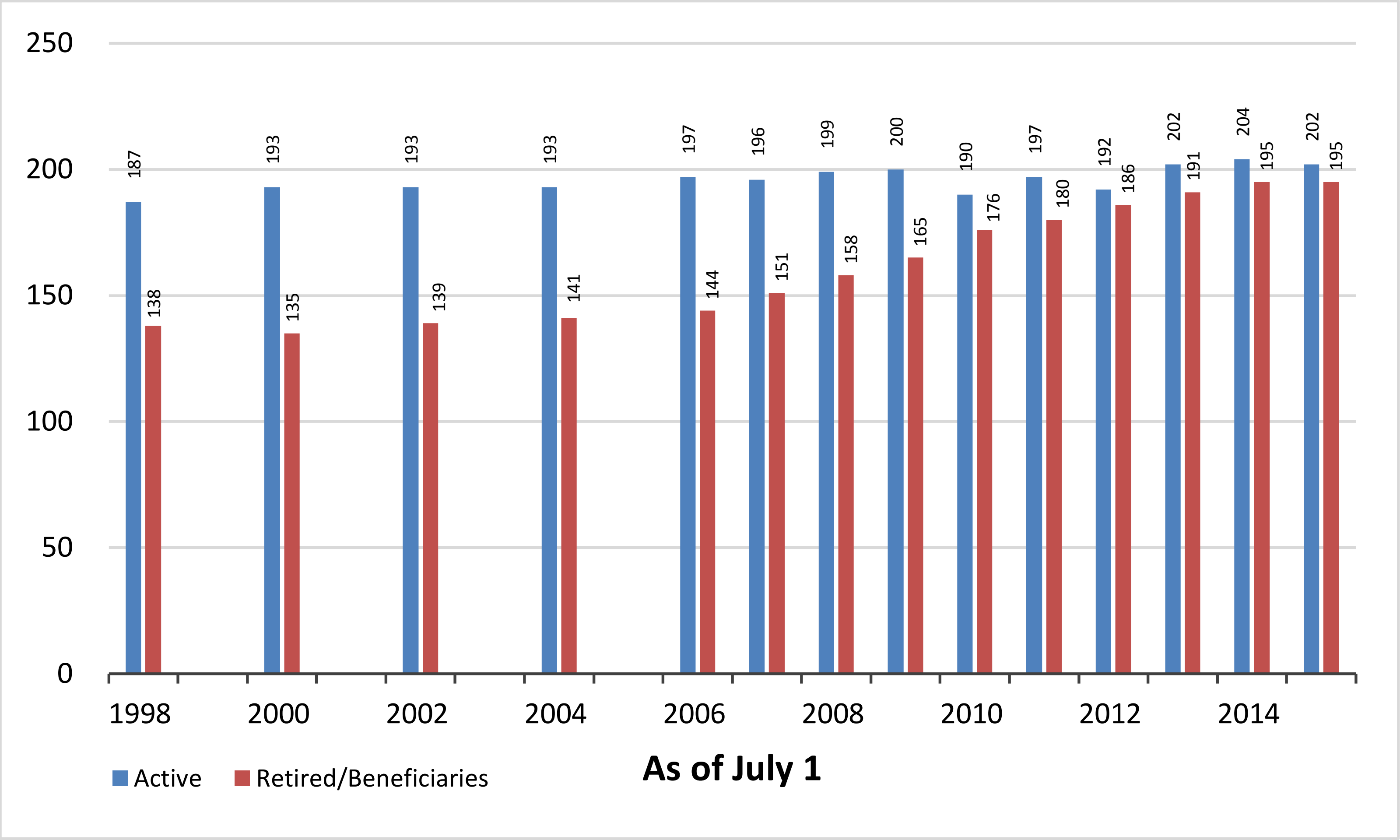
Benefit Overview

- Defined Benefit Plan
- Benefit is 3.25% of Average Salary (3 highest Basic Annual Salary) times years of service
- Maximum benefit: 65% of Highest Monthly Salary
- Benefit payable for life of judge with 50% continuing to surviving spouse
- Normal Retirement: age 65 with 4 years of service or age 50 and 20 years of service
- Mandatory retirement: age 72 for active judges

Benefit Overview

- Senior Judge Program
  - Provides additional judicial resources of a minimum of 13 weeks per year per judge
  - Senior judges receive a salary as determined by the General Assembly and an increase in their retirement benefit when active judges receive a salary increase

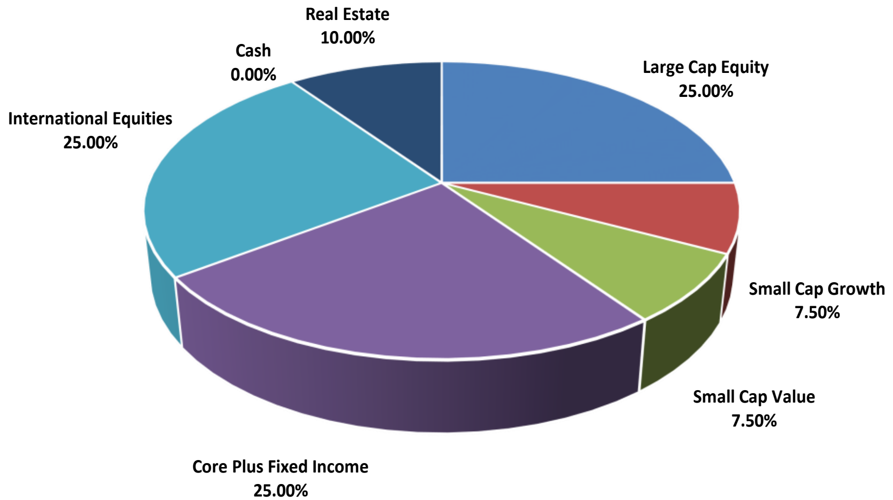
Judicial Retirement System Membership



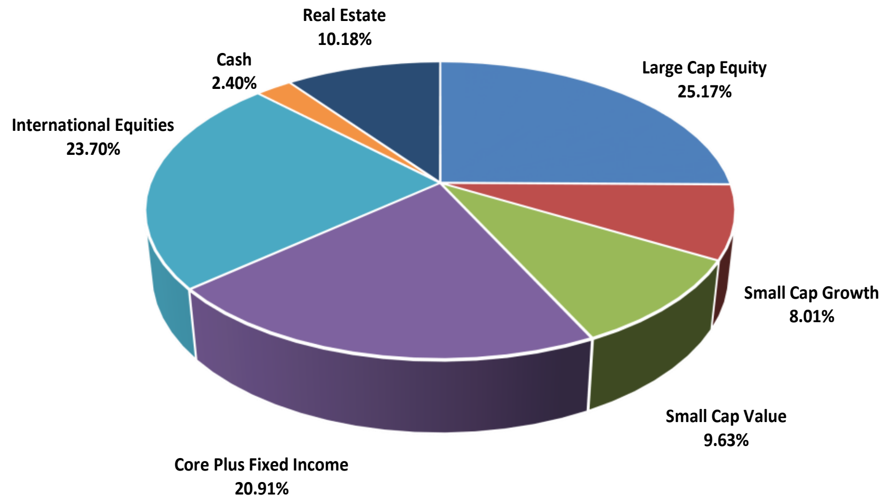
Note: Actuarial valuations were performed every two years prior to 2006.

Current Asset Allocation

Target Allocation



Actual Allocation



Funding a Retirement Program

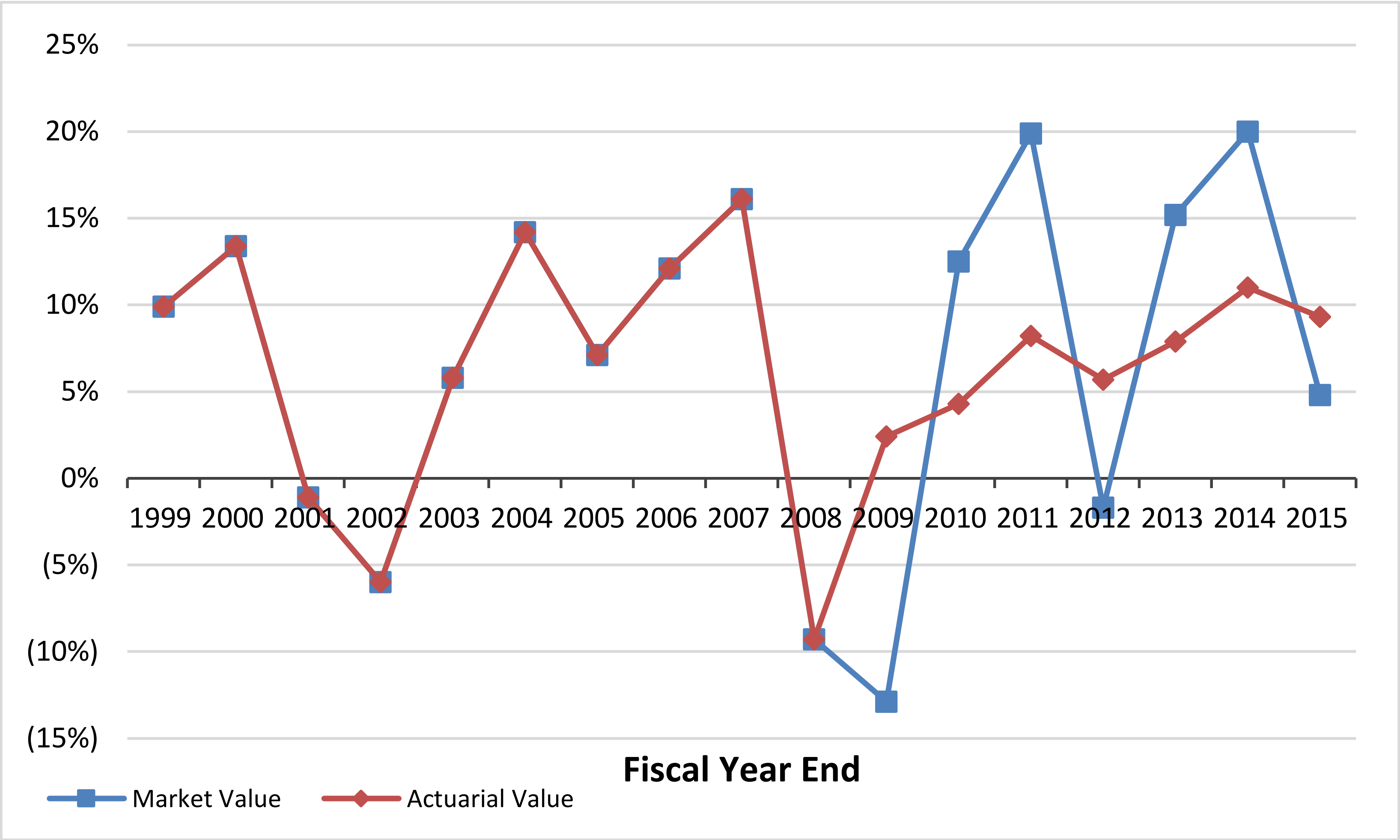
C = Contributions
I = Investment Income

B = Benefits
E = Expenses

Actuarial Valuation Metrics

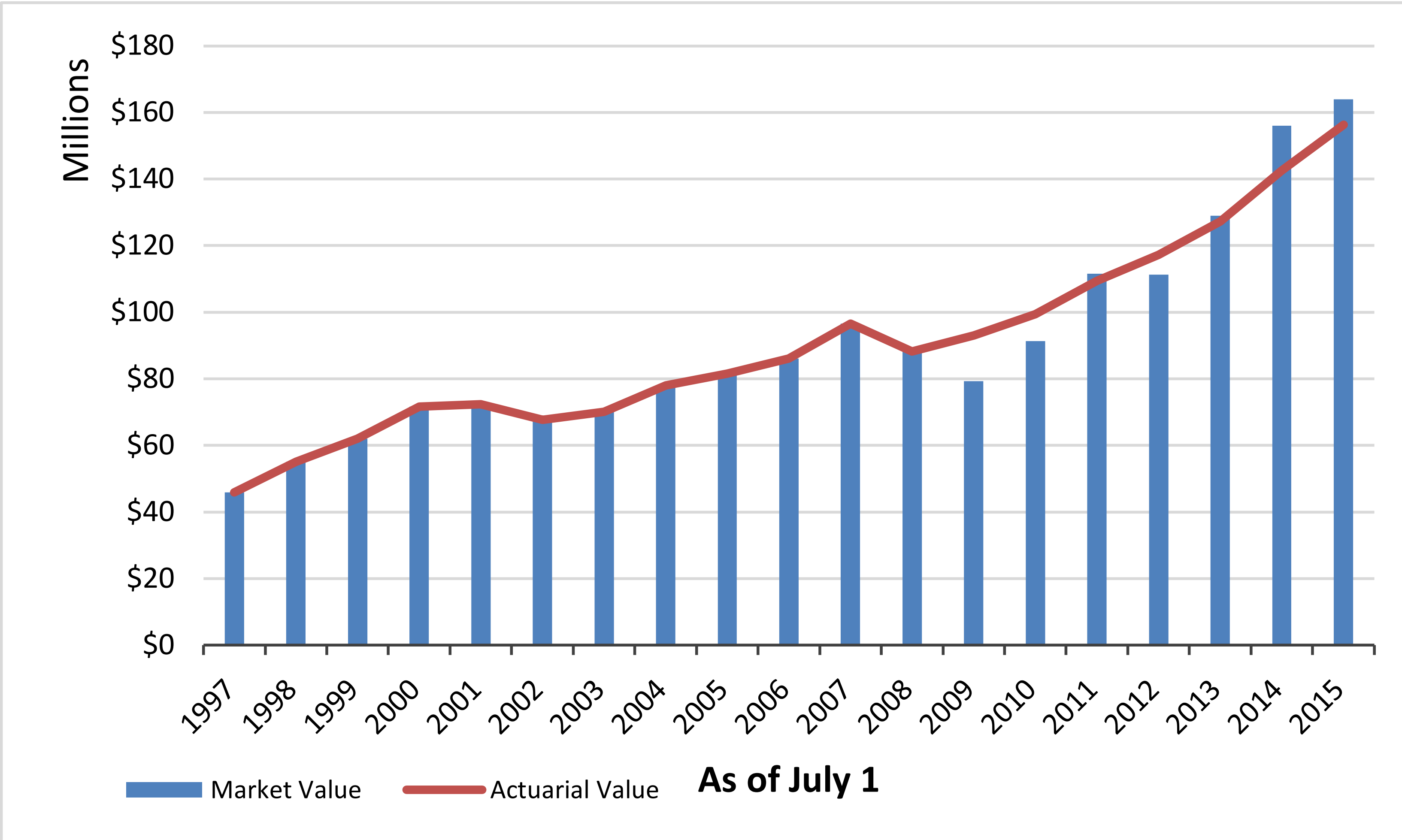
- Actuarial Assets: Smoothed value of assets used in the valuation process
- Unfunded Actuarial Liability (UAL): Actuarial Liability minus Actuarial Assets
- Funded ratio: Actuarial Assets divided by Actuarial Liability
- Actuarial Contribution Rate = Sum of Normal Cost and UAL Payment

Rate of Return
(Market and Actuarial Value)



Note: Asset smoothing method was first reflected in the 2009 valuation.

Value of Assets: Market and Actuarial



Note: Asset smoothing method was first reflected in the 2009 valuation.

Key Valuation Results

($ in Millions)

	As of July 1,	
	2015	**2014**
1. Actuarial Liability	$ 186.3	$ 183.9
2. Actuarial Assets	156.3	142.6
3. Unfunded AL: (1)-(2)	$ 29.9	$ 41.3
4. Funded Ratio: (2)/(1)	84%	78%
5. Market Value Assets	$ 164.0	$ 156.0
6. Funded Ratio: (5)/(1)	88%	85%

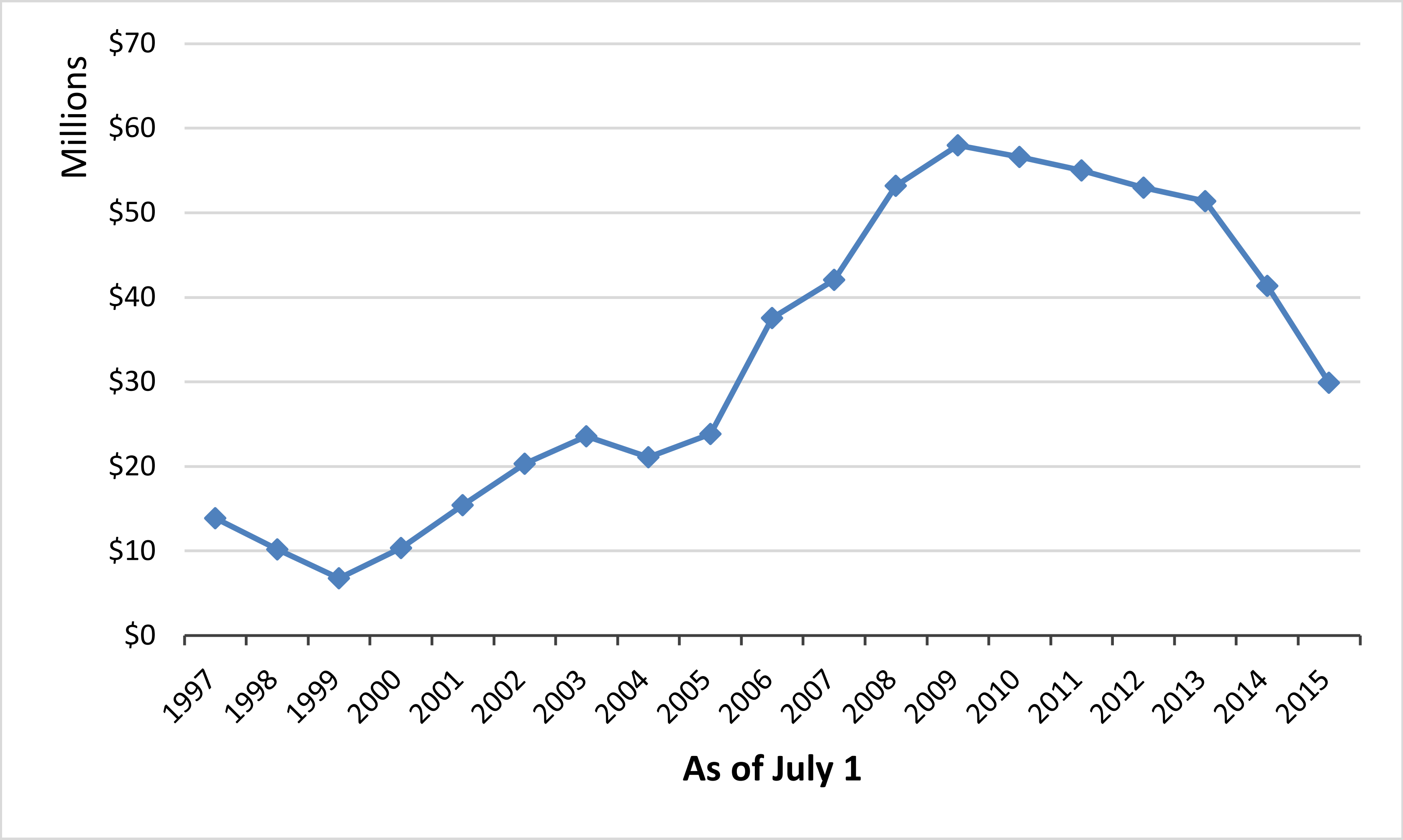
Note: numbers may not add due to rounding.

Key Valuation Results

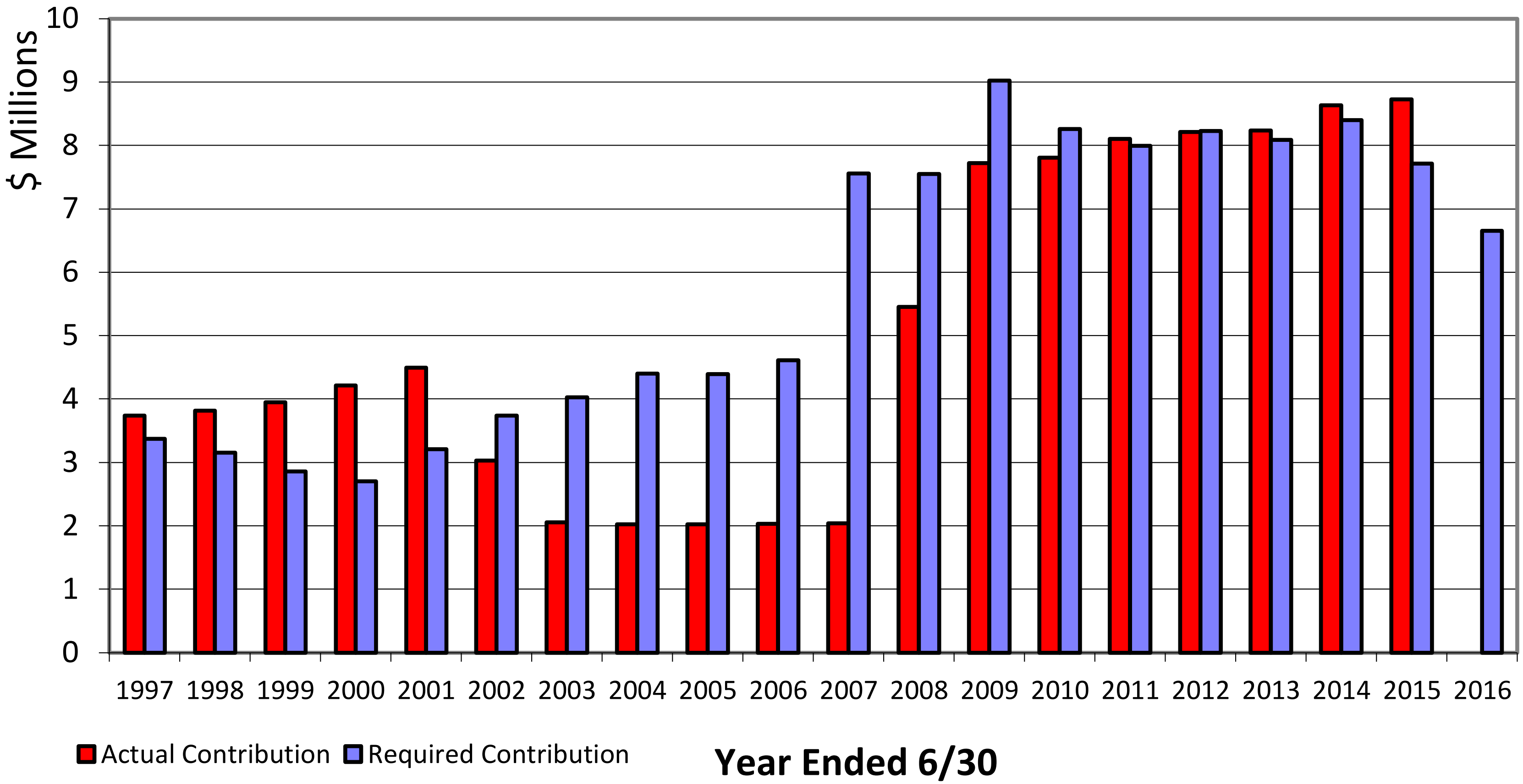
	As of July 1,	
	2015	**2014**
1. Normal Cost	21.93%	22.39%
2. UAL Payment	10.96%	14.00%
3. Total Actuarial Contribution Rate (1) + (2)	32.89%	36.39%
4. Member Rate	(9.35%)	(9.35%)
5. State Rate: (3) – (4)	23.54%	27.04%
6. Statutory Contribution Rate	(30.60%)	(30.60%)
7. Contribution Margin: (5)-(6)	**(7.06%)**	**(3.56%)**

The contribution margin will serve as a cushion to absorb adverse experience in the future or to pay off the UAL more rapidly.

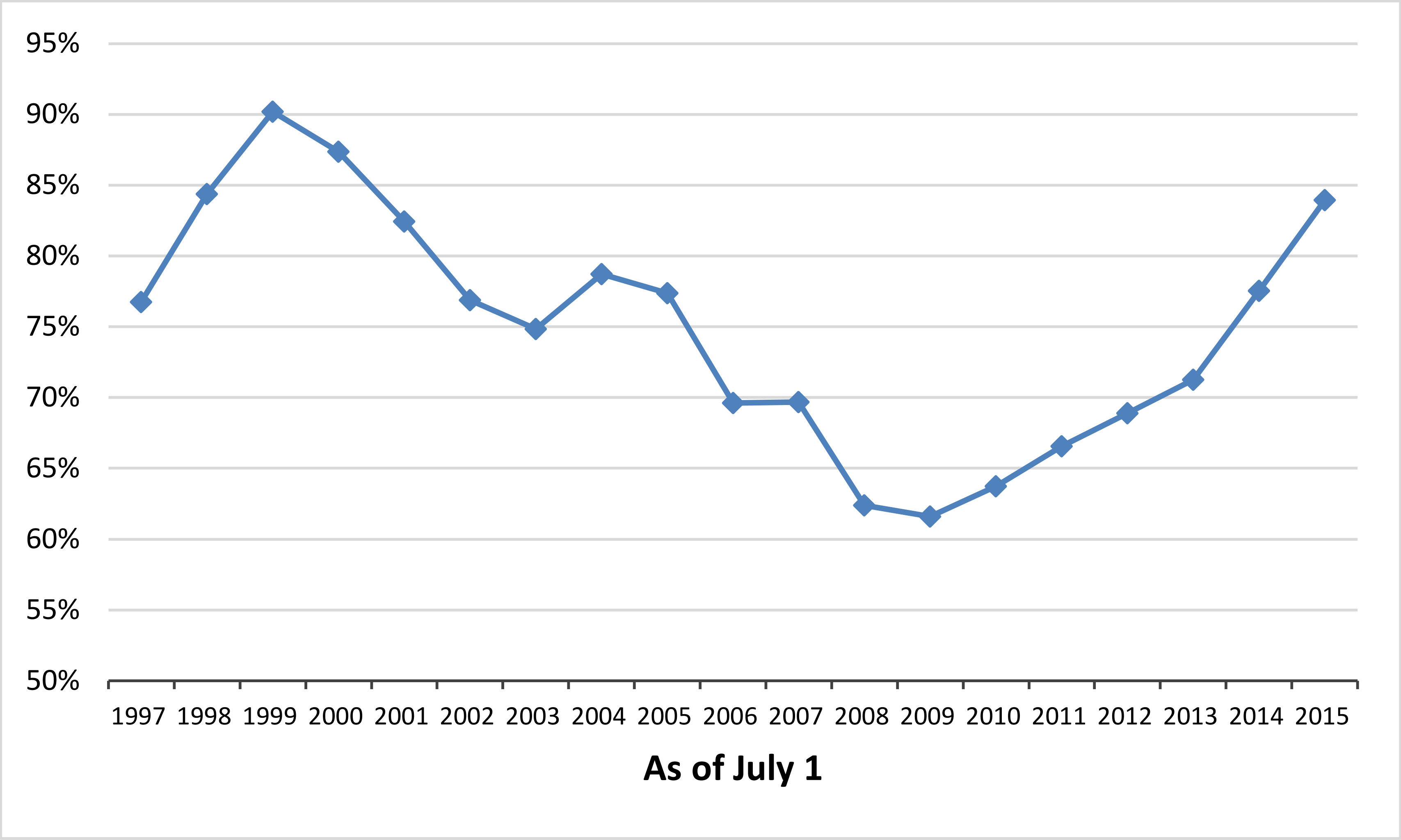
Unfunded Actuarial Liability
(Actuarial Liability less Actuarial Assets)



Historical Contributions



Historical Funded Ratio
(Assets/Actuarial Liability)



Summary of Valuation Results

- Actual investment return has exceeded the 7.5% assumed rate over last five years
  - Also experience gains, i.e. lower actuarial liability than expected
  - Funded ratio has increased from 64% in 2010 to 84% in 2015
- Contributions
  - Currently, the statutory contribution rate exceeds the actuarial contribution rate
  - Contribution margin is necessary in some years to offset those years when statutory contribution rate will be less than the actuarial rate
  - <u>If all actuarial assumptions are met</u>, the System is expected to be fully funded around July 1, 2022.
  - Future experience, particularly investment returns, will heavily influence the funding of the System and the sufficiency of the current statutory contribution rates.