STATE OF IOWA
JUDICIAL RETIREMENT FUND

Actuarial Valuation Report
as of July 1, 2009

Prepared by:

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**ACTUARIAL VALUATION OF THE STATE OF IOWA
JUDICIAL RETIREMENT FUND**

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November 3, 2009

State of Iowa Judicial Retirement Fund
State Court Administrator's Office
1111 E. Court Ave.
Des Moines, IA 50319

Dear State Court Administrator:

At your request, we have performed an actuarial valuation of the Iowa Judicial Retirement Fund as of July 1, 2009 for the year ending June 30, 2010. The major findings of the valuation are contained in this report. There was no change in the benefit provisions or actuarial assumptions and methods used in the prior (July 1, 2008) valuation.

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. We found this information to be reasonably consistent and comparable with information used for other purposes. 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.

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.

Future actuarial measurements may differ significantly from the current measurements 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. Due to the limited scope of our assignment, we did not perform an analysis of the potential range of future measurements. The State Court Administrator has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Appendix A.

Actuarial computations presented in this report are for purposes of determining the recommended funding amounts for the System. Actuarial computations presented in this report under GASB Statements No. 25 and 27 are for purposes of fulfilling financial accounting requirements. The computations prepared for these two purposes may differ as disclosed in our report. The calculations in the enclosed report have been made on a basis consistent with our understanding of

the System's funding requirements and goals. The calculations in this report have been made on a basis consistent with our understanding of the plan provisions described in Appendix B of this report, and of GASB Statements No. 25 and 27. 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.

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(a) The System may provide a copy of Milliman's work, in its entirety, to the System's professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the System.

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The consultants who worked on this assignment are pension actuaries. Milliman's advice is not intended to be a substitute for qualified legal or accounting counsel.

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.

We respectfully submit the following report and look forward to discussing it with you.

MILLIMAN, Inc.

Patrice A. Beckham, F.S.A.
Consulting Actuary

Brent A. Banister, F.S.A.
Consulting Actuary

SECTION I

EXECUTIVE SUMMARY

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	376,409	778,108
4. Total Contribution (1) + (2) + (3)	10,598,772	11,152,885
5. Expected Member Contributions	2,341,076	2,128,633
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	93,045,276
Unfunded Actuarial Accrued Liability/(Surplus)	$ 57,984,095

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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:

Ÿ   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.

Ÿ   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.

Ÿ   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.

Contribution Analysis
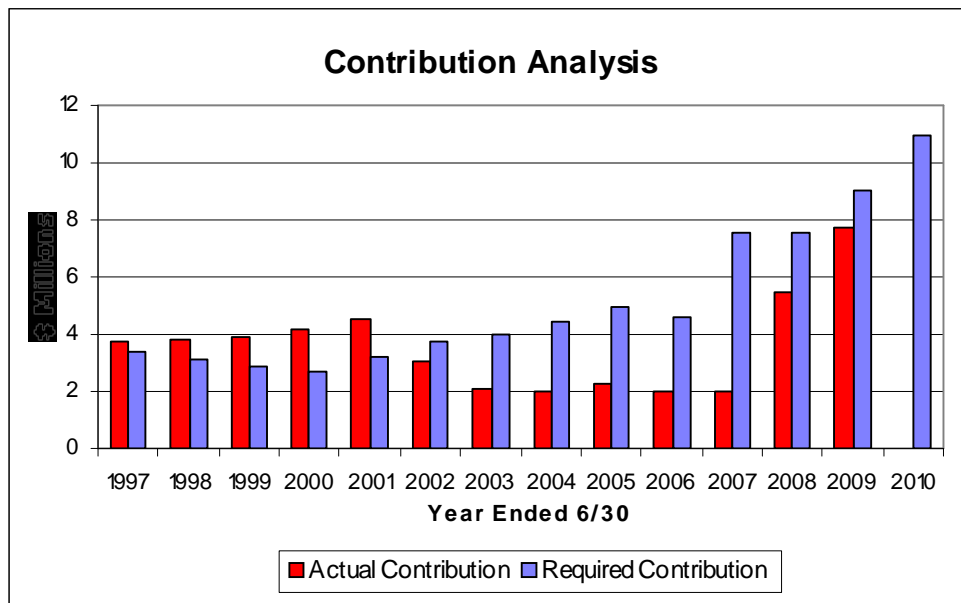
COMMENTS

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	18.7%	21.00%
Total Actuarial Contribution	39.5%	41.5%
Less Member Contribution	(8.7%)	(7.7%)
State Contribution	30.8%	33.8%
Less Statutory Contribution	30.6%	30.6%
Shortfall	0.2%	3.2%

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SECTION II

SUMMARY OF VALUATION RESULTS

SECTION II

SUMMARY OF VALUATION RESULTS

STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year End June 30, 2008	Year End June 30, 2009
Additions		
1. Contributions		
a. State	$ 5,450,963	$ 7,720,271
b. Members	1,424,099	2,078,085
c. Total Contributions (a + b)	6,875,062	9,798,356
2. Investment Income		
a. Interest	$ 1,980,706	$ 1,895,578
b. Dividends	888,818	377,989
c. Gain on Sale of Investments	(11,442,255)	(13,538,041)
d. Net Appreciation	(81,708)	(2,295)
e. Investment Expenses	(364,613)	(291,166)
f. Total Investment Income (a + b + c + d + e)	(9,019,052)	(11,557,935)
3. Total Additions (1c + 2f)	$(2,143,990)	$ (1,759,579)
Deductions		
4. Deductions		
a. Benefit Payments	$ 6,261,875	$ 7,093,916
b. Administrative Expense	10,066	12,122
c. Total Deductions (a + b)	6,271,941	7,106,038
5. Net Increase (3 – 4c)	$ (8,415,931)	$ (8,865,617)
6. Net Assets Held in Trust for Pension Benefits		
a. Beginning of Year	96,613,482	88,197,551
b. End of Year	88,197,551	79,331,934

SECTION II

SUMMARY OF VALUATION RESULTS

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

As of July 1, 2009

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 market experience by recognizing 25% of the difference between the expected value (based on the actuarial assumption) and market value.

1. Actuarial Value of Assets as of July 1, 2008	$	88,197,551
2. Actual Contribution/Disbursements		
a. Contributions	$	9,798,356
b. Benefit Payments and Refunds		(7,093,916)
c. Net	$	2,704,440
3. Expected Value of Assets as of July 1, 2009 $[(1) \times 1.075] + [(2c) \times (1.075)^{1/2}]$	$	97,616,390
4. Market Value of Assets as of July 1, 20	$	79,331,934
5. Difference Between Market and Expected Values (4) - (3)	$	(18,284,456)
6. Actuarial Value of Assets as of December 31, 2008 (3) + [(5) x 25%]	$	93,045,276
7. Actuarial Value of Assets divided by Market Value of Assets (6) / (4)		117.3%
8. Market Value of Assets less Actuarial Value of Assets (4) - (6)	$	(13,713,342)

SECTION II

SUMMARY OF VALUATION RESULTS

PRESENT VALUE OF FUTURE BENEFITS
AS OF JULY 1, 2009

1. Active employees
   a. Retirement Benefit $127,893,164
   b. Withdrawal Benefit   31,439
   c. Pre-Retirement Death Benefit   2,256,336
   d. Total $130,180,939

2. Inactive Vested Members   1,516,357

3. Retirees and Beneficiaries   69,225,049

4. Total Present Value of Future Benefits $200,922,345
   (1d) + (2) +(3) + (4)

SECTION II

SUMMARY OF VALUATION RESULTS

UNFUNDED ACTUARIAL ACCRUED LIABLITY
as of July 1, 2009

1. Present Value of Future Benefits

    a. Active Employees $ 130,180,939

    b. Inactive Employees $ 70,741,406

    c. Total $ 200,922,345

2. Present Value of Future Normal Costs $ 49,892,974

3. Total Actuarial Accrued Liability $ 151,029,371
    (1c) – (2)

4. Actuarial Value of Assets $ 93,045,276

5. Unfunded Actuarial Accrued Liability $ 57,984,095

SECTION II

SUMMARY OF VALUATION RESULTS

ACTUARIAL BALANCE SHEET
July 1, 2009

A S S E T S

Actuarial value of assets	$	93,045,276
Present value of future normal costs		49,892,974
Payments on Unfunded Actuarial Accrued Liability	$	57,984,095
Total Net Assets	$	200,922,345

L I A B I L I T I E S

Present Value of Projected Benefits:

Active Members		
Retirement Benefits	$	127,893,164
Pre-Retirement Death Benefits		2,256,336
Withdrawal Benefits		31,439
Members with Deferred Benefits		1,516,357
Members Receiving Benefits	$	69,225,049
Total Liabilities	$	200,922,345

SECTION II

SUMMARY OF VALUATION RESULTS

ACTUARIAL GAIN/(LOSS)
July 1, 2009

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, 2009.

1. Expected actuarial accrued liability
   a. Actuarial accrued liability at July 1, 2008 $ 141,364,072
   b. Normal cost at July 1, 2008   5,279,250
   c. Benefit payments for fiscal year ending June 30, 2009   (7,093,916)
   d. Interest at 7.5% on (a), (b), and (c)   10,737,036
   e. Expected actuarial accrued liability at July 1, 2009 $ 150,286,442
      (a) + (b) + (c) + (d) + (e)

2. Actuarial accrued liability at July 1, 2009 $ 151,029,371

3. Actuarial accrued liability gain/(loss) $ (742,929)
      (1e) - (2)

4. Expected actuarial value of assets
   a. Actuarial value of assets at July 1, 2008 $ 88,197,551
   b. Contributions for fiscal year ending June 30, 2009   9,798,356
   c. Benefit payments and administrative expenses for   (7,093,916)
      fiscal year ending June 30, 2009
   d. Interest at 7.5% on (a), (b), and (c)   6,714,399
   e. Expected actuarial value of assets at July 1, 2009 $ 97,616,390
      (a) + (b) + (c) + (d)

5. Actuarial value of assets at July 1, 2009 (before change to asset $ 79,331,934
   smoothing methodology)

6. Actuarial value of assets gain/(loss) $ (18,284,456)
      (5) - (4e)

7. Net actuarial gain/(loss) $ (19,027,385)
      (3) + (6)

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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   18,255
    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**
    $[(1) + (3)] \times 1.075^{\frac{1}{2}}$ $ 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

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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.

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SECTION III

PLAN ACCOUNTING INFORMATION

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
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.

SECTION III

PLAN ACCOUNTING INFORMATION

Determination of Annual Required Contribution (ARC)

In Accordance with Statement No. 25 of the Governmental Accounting Standards Board

Determination of Annual Required Contribution (ARC)

1.	Normal Cost at July 1, 2009	$ 5,383,487
2. a.	Unfunded Actuarial Accrued Liability (UAAL)	$57,984,095
b.	Amortization Factor to Recognize UAAL Over 25 Years	11.98297
c.	Amortization Amount of Beginning of Year (a ÷ b)	4,838,876
3.	Total Annual Required Contribution [(1) + (2c)] x $1.075^{\frac{1}{2}}$	$10,598,772
4.	Projected Payroll for FY2010	$26,810,700
5.	Total Contribution Rate (3) ÷ (4)	39.5%
6.	Member Contribution Rate	8.7%
7.	State Contribution Rate (5) – (6)	30.8%
8.	Annual Required Contribution (ARC)	8,257,696

SECTION III

PLAN ACCOUNTING INFORMATION

**Development of the Net Pension Obligation
and Annual Pension Cost**

**In Accordance with Statement No. 27 of the
Governmental Accounting Standards Board**

Determination of Net Pension Obligation

Net Pension Obligation as of July 1, 2008	$15,936,162
Annual Pension Cost for the Year Ended June 30, 2009	8,635,894
Employer Contributions for the Year Ended June 30, 2009	7,720,271
Net Pension Obligation as of June 30, 2009	
(1) + (2) - (3)	$16,851,785

Determination of Annual Pension Cost

1.	Annual Required Contribution (ARC)	$8,257,696
2.	a. Net Pension Obligation (NPO)	16,851,785
	b. Interest Rate	7.50%
	c. Interest on NPO	1,263,884
3.	a. NPO	16,851,785
	b. Amortization Factor (25 years)	11.98297
	c. Adjustment to ARC	1,458,094
	$[(a) / (b)] \times 1.075^{1/2}$	
4.	Annual Pension Cost	8,063,486
	(1 + 2.c. − 3.c.)	

APPENDIX A

ACTUARIAL ASSUMPTIONS AND METHODS

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ACTUARIAL ASSUMPTIONS AND METHODS

Actuarial Assumptions

Interest	7.5% per annum.
Mortality	RP-2000 Healthy Annuitant and Employee Mortality Tables with generational improvements and a one year age set back.
Turnover	1.0% per year for all participants under age 45. The termination rate experienced by the system has been very small, and this trend is assumed to continue.
Rate of Disablement; Disabled Life Mortality	No incidence of disability was assumed.
Salary Increases	Salaries will increase 4.5% per annum.
Incidence of Retirement	The following table indicates the assumed rate of retirement at each age.

Age	Rate
50 - 60	3%
61	4
62	10
63	5
64	5
65	20
66	15
67	15
68-71	20
72	100

Spouse's Benefit	85% of employees were assumed married, with the spouse four years younger.
Internal Revenue Service Limits on Recognized Pay	The limit is assumed to increase based on cost of living increases of 3.0% per year.
Retiring Judges Electing Senior Judge Status	80%.

Adjustment to Benefit
for Senior Judges

Became Senior Judge	Adjustment
Before 1/1/93	4.5% for life
1/1/93 to 7/1/94	4.5% to age 78
7/1/94 and later	3.375% to age 78

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 <u>ongoing</u> 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 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 actuarial value of assets.

Actuarial Cost Method

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

Sometimes called "funding method", this is a particular technique used by actuaries for establishing the amount of the annual actuarial cost of pension System 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.

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 on a building). Because payroll can be expected to increase as a result of inflation, level dollar payments generally represent a decreasing percentage of payroll; in dollars adjusted for inflation, the payments can be expected to decrease over time.

Amortization Period

The amortization period on the existing UAL at July 1, 2009 was set to a closed 25-year period. A new amortization base will be established each year, reflecting the difference in actual and expected experience. Each base established after 2009, is amortized over a new closed 25-year period.

APPENDIX B

SUMMARY OF PLAN PROVISIONS

STATE OF IOWA
JUDICIAL RETIREMENT FUND

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.

Credited Service	All years of service as a judge are credited.
Average Monthly Salary	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.
Accrued Benefit	The benefit payable at Normal Retirement Date which the judge has earned based on average earnings and credited service to date.
Normal Form	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.
Eligible Spouse	A spouse is eligible if married to the judge for at least the one year preceding death.
Retirement Eligibility	Age 65 with a minimum of four years service or 20 years of service and age 50.
Mandatory Retirement Date	Age 72 for active judges. Age 78 for judges participating in the Senior Judge Program, unless reappointed at the discretion of the Supreme Court.
Monthly Retirement Benefit	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.
Disability Retirement	Upon total and permanent disability with a minimum of four years of credited service, the Judge receives the accrued benefit.
Vesting	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.

Pre-Retirement Death Benefit	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.
Judge's Required Contribution Rate	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. Thereafter, the member contribution rate is 40% of the actuarially required contribution rate.
State's Required Contribution Rate	For the fiscal year beginning July 1, 2008, and for each subsequent fiscal year until the system attains fully funded status, thirty and six-tenths percent of pay. Commencing with the first fiscal year in which the system attains fully funded status, and for each subsequent fiscal year, the percentage rate equal to sixty percent of the actuarially required contribution rate.

*Annuity for Senior Judges
   and Retired Senior Judges*

(a) Judges retiring and becoming Senior Judges before January 1, 1993:

 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 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

ACTIVE MEMBERS AS OF JULY 1, 2009

| | Number of Employees | | | | Annual Salaries | | |
Age	Male	Female	Total		Male	Female	Total
30-34	0	0	0		0	0	0
35-39	1	1	2		122,400	122,400	244,800
40-44	7	4	11		887,400	535,500	1,422,900
45-49	11	5	16		1,438,200	642,600	2,080,800
50-54	28	11	39		3,697,500	1,453,500	5,151,000
55-59	42	12	54		5,712,000	1,637,100	7,349,100
60-64	44	8	52		5,967,000	1,076,100	7,043,100
65-69	21	3	24		2,850,900	392,700	3,243,600
70 & over	2	0	2		275,400	0	275,400
Totals	156	44	200		20,950,800	5,859,900	26,810,700

ACTIVE AGE / SERVICE DISTRIBUTION AS OF JULY 1, 2009

| | Years of Service | | | | | | | | |
| | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30-34 | 35 + | Total |
Age	Count	Count	Count	Count	Count	Count	Count	Count	Count
30-34	0	0	0	0	0	0	0	0	0
35-39	2	0	0	0	0	0	0	0	2
40-44	10	1	0	0	0	0	0	0	11
45-49	6	4	5	1	0	0	0	0	16
50-54	10	6	18	3	2	0	0	0	39
55-59	9	10	12	11	7	4	1	0	54
60-64	3	9	13	7	15	4	1	0	52
65-69	0	2	4	8	4	5	0	1	24
70 & over	0	0	0	0	1	1	0	0	2
Totals	40	32	52	30	29	14	2	1	200

DEFERRED VESTED MEMBERS
as of July 1, 2009

	Number of Members			Annual Benefit		
Age	Male	Female	Total	Male	Female	Total
53	0	1	1	0	23,834	23,834
54	0	1	1	0	46,628	46,628
58	1	0	1	27,726	0	27,726
60	0	1	1	0	45,825	45,825
61	0	1	1	0	31,958	31,958
64	1	0	1	30,268	0	30,268
68	1	0	1	8,918	0	8,918
Totals	3	4	7	66,912	148,244	215,157

RETIREES AND BENEFICIARIES
as of July 1, 2009

	Number of Members				Annual Benefit			
Age	Retired	Senior	Beneficiaries	Total	Retired	Senior	Beneficiaries	Total
52	0	0	2	2	0	0	55,866	55,866
54	0	0	1	1	0	0	57,071	57,071
56	1	1	0	2	30,162	79,129	0	109,290
58	1	1	0	2	76,349	89,669	0	166,018
60	0	2	0	2	0	162,563	0	162,563
61	1	0	1	2	49,158	0	11,997	61,155
62	0	3	0	3	0	244,325	0	244,325
63	1	2	0	3	15,614	170,874	0	186,488
64	0	4	0	4	0	330,628	0	330,628
65	0	1	0	1	0	66,736	0	66,736
66	2	2	1	5	41,513	130,408	13,440	185,361
67	0	0	1	1	0	0	49,104	49,104
68	1	3	1	5	55,042	241,627	17,241	313,911
69	1	3	1	5	50,716	183,994	19,436	254,147
70	1	0	1	2	50,422	0	15,999	66,420
71	2	3	2	7	122,217	203,572	93,948	419,737
72	2	1	1	4	40,522	58,269	30,750	129,541
73	2	1	0	3	54,388	84,291	0	138,679
74	3	2	1	6	104,352	167,993	16,543	288,888
75	4	1	1	6	186,289	78,403	34,530	299,222
76	3	1	2	6	132,949	71,425	86,506	290,881
77	6	2	0	8	288,942	95,870	0	384,811
78	6	2	0	8	247,775	151,498	0	399,273
79	6	1	0	7	291,236	76,500	0	367,736
80	4	0	1	5	206,783	0	41,144	247,927
81	6	0	3	9	294,155	0	77,303	371,458
82	6	0	1	7	278,135	0	46,902	325,036
83	2	2	1	5	70,713	130,135	30,733	231,581
84	5	0	3	8	181,751	0	22,876	204,626
85	4	0	2	6	152,288	0	45,429	197,717
86	0	0	2	2	0	0	28,125	28,125
87	1	0	2	3	45,787	0	27,122	72,909
88	1	2	1	4	44,183	102,199	4,416	150,798
89	3	0	1	4	80,037	0	13,500	93,537
90	0	1	0	1	0	49,086	0	49,086
91	0	0	4	4	0	0	29,858	29,858
92	0	0	2	2	0	0	41,824	41,824
93	0	0	1	1	0	0	6,000	6,000
94	1	0	2	3	4,765	0	16,000	20,765
95	0	1	1	2	0	48,994	15,225	64,219
96	0	0	1	1	0	0	14,275	14,275
97	0	1	0	1	0	68,848	0	68,848
98	0	0	1	1	0	0	7,898	7,898
101	0	0	1	1	0	0	10,598	10,598
Totals	76	43	46	165	3,196,241	3,087,037	981,656	7,264,934

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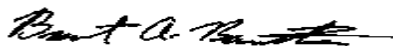
The undersigned credentialed actuaries meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained in this report.

_____   November 3, 2009
Patrice A. Beckham, F.S.A.   Date

_____   November 3, 2009
Brent A. Banister, F.S.A.   Date

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	2,998,804	2,749,651
Total	8,382,291	8,028,901
Interest to Year End	308,653	602,168
Total Actuarially Required Contribution at Year End	8,690,944	8,631,069
Less Employee contributions with interest	2,418,420	2,128,633
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