



**Milliman**

*Consultants and Actuaries*

1120 South 101st Street, Suite 400  
Omaha, NE 68124-1088  
Tel +1 402 393.9400  
Fax +1 402.393.1037  
[www.milliman.com](http://www.milliman.com)

October 5, 2005

Personal & Confidential

Ms. Peggy Sullivan  
Director, Finance and Personnel  
Iowa Judicial Retirement Fund  
State Court Administrator Office  
1111 E. Court Ave.  
Des Moines, IA 50319

**Re: July 1, 2005 Update for GASB Statements No. 25 and 27**

Dear Peggy:

As you requested, we have updated the disclosure information for the State of Iowa Judicial Retirement Fund under Governmental Accounting Standards Board Statements 25 and 27. Because an actuarial valuation of the System is only performed biennially, the previous year's (2004) actuarial valuation has been updated to reflect benefit accruals and changes in asset values during the previous fiscal year.

Information needed for the June 30, 2005 financial statements is included in the attached Exhibits 1, 2 and 3. Cost information for the fiscal year ending June 30, 2006 is in Exhibit 3 and 4.

- Exhibit 1 - Statement of Changes in Net Plan Assets
- Exhibit 2 - Schedule of Funding Progress and Schedule of Employer Contributions
- Exhibit 3 - Determination of Annual Required Contribution
- Exhibit 4 - Calculation of Net Pension Obligation and Determination of Annual Pension Cost

The liabilities are based on calculations using census data as of July 1, 2004 which were projected to June 30, 2005 using standard actuarial formulae in order to reflect benefit accruals and actual benefit payments. The asset information as of July 1, 2005 is based on the Statement of Changes in Plan Net Assets report that you provided.

The actuarial assumptions used for this update are the same as those used for the July 1, 2004 actuarial valuation and can be found in Appendix A of the July 1, 2004 valuation report. Key assumptions are interest rate (8%), annual rate of salary increases (5%) and the 1983 Group Annuity Mortality Table for males and females.



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The following table compares the Annual Required Contribution (ARC), the Annual Pension Cost (APC), and the Net Pension Obligation (NPO) as of July 1, 2004 and July 1, 2005.

	<u>July 1, 2004</u> <u>Valuation</u>	<u>July 1, 2005</u> <u>Update</u>
ARC	\$ 4,394,389	\$4,614,846
APC	4,385,487	4,573,703
NPO	3,960,761	6,306,584

Please feel free to call, if you have any questions.

Sincerely,

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

## EXHIBIT I

### STATEMENT OF CHANGES IN PLAN NET ASSETS

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	<u>Year Ended</u> <u>June 30, 2005</u>
<b>Additions</b>	
1. Contributions	
a. State	\$ 2,039,664
b. Members	<u>1,042,199</u>
c. Total Contributions (a + b)	3,081,863
2. Investment Income	
a. Interest	\$ 1,463,307
b. Dividends	600,084
c. Gain on Sale of Investments	3,512,463
d. Net Appreciation	310,353
e. Investment Expenses	<u>(385,469)</u>
f. Net Investment Income (a + b + c + d + e)	5,500,738
3. Total Additions (1c + 2f)	\$ 8,582,601
<b>Deductions</b>	
4. Deductions	
a. Benefit Payments	\$ 4,992,457
b. Administrative Expense	<u>7,700</u>
c. Total Deductions (a + b)	5,000,157
5. Net Increase (3 - 4c)	\$ 3,582,444
6. Net Assets Held in Trust for Pension Benefits	
a. Beginning of Year	\$ 78,023,055
b. End of Year	\$ 81,605,499



## EXHIBIT II

### SCHEDULE OF FUNDING PROGRESS

(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (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, 1996	\$37,479	\$55,647	\$18,168	67%	\$15,171	120%
July 1, 1997	45,894	59,786	13,892	77%	15,721	88%
July 1, 1998	55,048	65,243	10,195	84%	16,824	61%
July 1, 1999	61,869	68,768	6,899	90%	17,023	41%
July 1, 2000	71,693	82,070	10,377	87%	19,295	54%
July 1, 2001	72,375	87,800	15,425	82%	19,896	78%
July 1, 2002	67,707	88,051	20,344	77%	19,878	102%
July 1, 2003	70,018	93,561	23,543	75%	20,712	114%
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%



EXHIBIT II (continued)

SCHEDULE OF EMPLOYER CONTRIBUTIONS

<u>Year Ended</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed</u>
June 30, 1996	3,427,188	92%
June 30, 1997	3,368,976	111%
June 30, 1998	3,150,939	121%
June 30, 1999	2,858,734	138%
June 30, 2000	2,700,338	156%
June 30, 2001	3,209,370	140%
June 30, 2002	3,738,659	81%
June 30, 2003	4,024,203	51%
June 30, 2004	4,401,516	46%
June 30, 2005	4,394,389	46%

Notes to the Required Schedules:

1. The cost method is the Projected Unit Credit Cost Method.
2. The assets are shown at fair market value.
3. Economic assumptions are as follows:
  - Inflation rate of 3.00%
  - Investment return rate of 8.00%
  - Salary increases of 5% per year.
  - Post-retirement benefit increases vary from 0.00% to 5.00%.
4. The amortization method is an open period of 30 years determined as a level dollar amount.



### EXHIBIT III

## DETERMINATION OF ANNUAL REQUIRED CONTRIBUTION (ARC)

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

#### Determination of Annual Required Contribution (ARC) for Plan Year Ending June 30, 2006

1. a. Normal Cost at July 1, 2005	\$ 3,305,857
b. Interest for Year	264,469
c. Total Normal Cost as of June 30, 2006	3,570,326
2. a. Unfunded Actuarial Accrued Liability (UAAL)	\$ 23,866,710
b. Amortization Factor to Recognize UAAL Over 30 Years	12.158
c. Amortization Amount of Beginning of Year (a + b)	1,963,046
d. Interest for Year (c x .08)	157,044
e. Amortization Amount at End of Year	2,120,090
3. Total Annual Required Contribution	\$ 5,690,416
4. Portion Paid by Employee Contributions	
a. Annual Payroll for Upcoming Plan Year	\$ 20,684,040
b. Employee Contribution Rate	5.00%
c. Employee Contributions (a x b)	1,034,202
d. Interest on Employee Contributions	41,368
e. Employee Contributions as of June 30, 2006	1,075,570
5. Annual Required Contribution (ARC) (3 - 4.e.)	\$ 4,614,846
6. Annual Required Contribution (ARC) as a Percentage of Pay	22.3%



## EXHIBIT IV

### DEVELOPMENT OF THE NET PENSION OBLIGATION AND ANNUAL PENSION COST

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

#### Determination of Net Pension Obligation as of June 30, 2005

Net Pension Obligation as of July 1, 2004	\$ 3,960,761
Annual Pension Cost for the Year Ended June 30, 2005	4,385,487
Employer Contributions for the Year Ended June 30, 2005	<u>2,039,664</u>
Net Pension Obligation as of June 30, 2005	
(1) + (2) - (3)	\$6,306,584

#### Determination of Annual Pension Cost for Plan Year Ending June 30, 2006

1. Annual Required Contribution (ARC)	\$4,614,846
2. a. Net Pension Obligation (NPO)	6,306,584
b. Interest Rate	8.00%
c. Interest on NPO	504,527
3. a. NPO	6,306,584
b. Amortization Factor	12.158
c. Adjustment to ARC	518,719
4. Annual Pension Cost (1 + 2.c. - 3.c.)	4,600,654
5. Annual Pension Cost as a Percentage of Pay	22.2%

