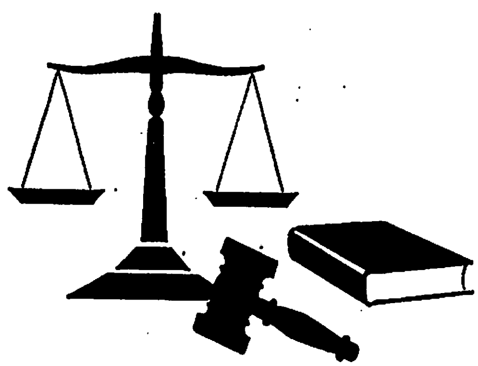
Attachment J

IOWA JUDICIAL RETIREMENT SYSTEM

STATUS OF JUDICIAL RETIREMENT FUND

PRESENTATION TO FISCAL COMMITTEE
OF THE LEGISLATIVE COUNCIL



December 17, 2003

JUDICIAL RETIREMENT MEMBERSHIP

ACTIVE MEMBERS:

▪ Supreme Court Justices	7
▪ Court of Appeals Judges	9
▪ District Court Judges	116
▪ District Associate Judges	54
▪ Associate Juvenile Judges	8

Total	194

RETIRED MEMBERS:

▪ Senior Judges	34
▪ Retired Senior Judges	12
▪ Retired Judges	56
▪ Surviving Spouses	37

Total Receiving Monthly Benefit	139

BASIC RETIREMENT BENEFIT:

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

Not to exceed sixty percent (60%) of current salary

ELIGIBILITY FOR RETIREMENT:

Eligibility for retirement is six (6) years of service as a judge **AND** sixty-five (65) years of age **OR** twenty-five (25) years of service

Judicial Branch
Judicial Retirement
Calcualtion of State Contributions
FY 02- FY 05

	FY 02 Rate	FY 02 $$$	FY 03 Rate	FY 03 $$$	FY 04 Rate	FY 04 $$$	FY 05 Rate	FY 05 $$$
Total Covered Payroll		$19,997,790		$20,598,090		$21,010,200		$21,010,200
State Contribution Required per code section 602.9104(4b)	23.70%	$4,739,476	23.70%	$4,881,747	23.70%	$4,979,417	23.7%	$4,979,417
State Contribution Received	15.20%	$3,039,198	9.90%	$2,039,664	9.71%	$2,039,664		
Difference	8.50%	$1,700,278	13.80%	$2,842,083	13.99%	$2,939,753		

Judges Contribution is 5%

A GLOBAL FIRM
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October 9, 2003

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, 2003 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 (2002) 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, 2003 financial statements is included in the attached Exhibits 1, 2 and 3. Cost information for the fiscal year ending June 30, 2004 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 liability calculations are based on census data as of July 1, 2002 projected to June 30, 2003 to reflect benefit accruals and actual benefit payments. The asset information as of July 1, 2003 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, 2002 actuarial valuation and can be found in Appendix A of the July 1, 2002 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.

The following table compares the Annual Required Contribution (ARC), the Annual Pension Cost (APC), and the Net Pension Obligation (NPO) as of July 1, 2002 and July 1, 2003.

	July 1, 2002 Valuation	July 1, 2003 Update
ARC	$ 4,024,203	$4,401,516
APC	4,025,065	4,397,910
NPO	(382,886)	1,602,515

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

Sincerely,

Patrice Beckham

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

EXHIBIT 1

STATEMENT OF CHANGES IN PLAN NET ASSETS

	Year Ended June 30, 2003
Additions	
1. Contributions	
a. Employer	$ 2,039,664
b. Employee	1,015,078
c. Total Contributions (a + b)	3,054,742
2. Investment Income	
a. Interest	$ 1,830,966
b. Dividends	601,454
c. Gain on Sale of Investments	(951,022)
d. Net Appreciation	2,664,308
e. Investment Expenses	(281,475)
f. Net Investment Income (a + b + c + d + e)	3,864,231
3. Total Additions (1c + 2f)	$ 6,918,973
Deductions	
4. Deductions	
a. Benefit Payments	$ 4,601,214
b. Administrative Expense	7,500
c. Total Deductions (a + b)	4,608,714
5. Net Increase (3 – 4c)	$ 2,310,259
6. Net Assets Held in Trust for Pension Benefits	
a. Beginning of Year	$ 67,707,616
b. End of Year	$ 70,017,875

EXHIBIT 2

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%

Schedule of Employer Contributions

Year Ended	Annual Required Contribution	Percentage Contributed
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%

Notes to the Required Schedules:

1. The cost method is the Projected Unit Credit.
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 3

Determination of Annual Required Contribution (ARC)

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

Determination of Annual Required Contribution (ARC) for Plan Year Ending June 30, 2004

1. a. Normal Cost at July 1, 2003	$ 3,136,320
b. Interest for Year	250,906
c. Total Normal Cost as of June 30, 2004	3,387,226
2. a. Unfunded Actuarial Accrued Liability (UAAL)	$23,542,941
b. Amortization Factor to Recognize UAAL Over 30 Years	12.158
c. Amortization Amount of Beginning of Year (a + b)	1,936,416
d. Interest for Year (c x .08)	154,913
e. Amortization Amount at End of Year	2,091,329
3. Total Annual Required Contribution	$ 5,478,555
4. Portion Paid by Employee Contributions	
a. Annual Payroll for Upcoming Plan Year	$20,712,275
b. Employee Contribution Rate	5.00%
c. Employee Contributions (a x b)	1,035,614
d. Interest on Employee Contributions	41,425
e. Employee Contributions as of June 30, 2004	1,077,039
5. Annual Required Contribution (ARC) (3 – 4.e.)	$ 4,401,516
6. Annual Required Contribution (ARC) as a Percentage of Pay	21.3%

EXHIBIT 4

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 as of June 30, 2003

Net Pension Obligation as of July 1, 2002	$ (382,886)
Annual Pension Cost for the Year Ended June 30, 2003	4,025,065
Employer Contributions for the Year Ended June 30, 2003	2,039,664
Net Pension Obligation as of June 30, 2003 (1) + (2) - (3)	$1,602,515

Determination of Annual Pension Cost for Plan Year Ending June 30, 2004

1. Annual Required Contribution (ARC)	$4,401,516
2. a. Net Pension Obligation (NPO)	1,602,515
b. Interest Rate	8.00%
c. Interest on NPO	128,201
3. a. NPO	1,602,515
b. Amortization Factor	12.158
c. Adjustment to ARC	131,807
4. Annual Pension Cost (1 + 2.c. – 3.c.)	4,397,910
5. Annual Pension Cost as a Percentage of Pay	21.2%

Executive Summary

The Iowa Judicial Retirement Fund

The market value of Iowa Judicial Retirement Fund (Fund) investments was $70,584,246.00 on June 30, 2003. That is an increase of $7,525,668 from the market value at March 31, 2003. For a year over year comparison the portfolio has increased $2,541,075 from the market value on June 30, 2002. For the quarter, the Fund had an annualized return of 13.30% before fees. The quarterly performance of the Fund (before fees) ranked in the 18th percentile of all master trusts reporting to the Trust Universe Comparison Service (TUCS)[1]. The performance was above that of the Policy Index, which had an annualized return of 12.07% 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 6.95% for the year ending June 30, 2003. This performance was above the policy goal of beating inflation by four percentage points (inflation was 2.22% for the one-year period) but fell below the actuarial interest rate assumption of 8%. The Fund performance for the one-year period was above the Policy Index return of 5.62%. The Fund's annual return (before fees) for the year ranked in the 8th percentile of all master trusts reporting to TUCS. The Fund's large cap stock investor, G.E. Investments, had a net annual return of –0.62%, a 54th percentile ranking in the equity accounts reporting to TUCS, versus the S&P 500 Index return for the year of 0.23%. Vanderbilt, the fund's core plus fixed income manager, reported a 3.48% quarter return and was ranked 34th for all accounts reporting to TUCS. Vanderbilt was above the Lehman Bros. Universal benchmark's 3.09% quarterly return. For the quarter ending June 30, 2003 Disciplined Growth Investors, the small cap growth stock manager, had a quarter return (gross of fees), of 38.39% versus a 23.42% rate of return for the Russell 2000. Disciplined Growth Investors' performance before fees ranked 1st in the TUCS small cap growth universe. For the year ending June 30, 2003, DGI's rate of return was 16.06% and this again ranked 1st in the TUCS small cap growth universe. Wasatch Advisors, the fund's small cap value, reported a 25.85% quarter return, which ranked 5th in the TUCS small cap value universe. Wasatch benchmark is the Russell 2000 Value Index, which had a quarter return of 22.72%, which put them at 13h of all accounts reporting to TUCS. UBS Global Asset Management, the international equities index manager for the fund, had a return of 17.76%, which ranked them 70th in the TUCS universe. UBS's benchmark is MSCI EAFE Index which experienced a quarter return of 19.27%.

For the three-year period the Fund has earned an annualized return of 0.24% before fees. This performance was below the policy goals of beating inflation by four percentage points (inflation was 2.11% for the three-year period) as well as the actuarial interest rate assumption of 8%. The Fund outperformed the Policy Index, which returned 0.07%. 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 4.76% before fees. This performance does not meet the policy goals but does exceed the Policy Index return of 3.83%. The Fund ranks in the 7th percentile of the TUCS universe of master trusts. The Fund's Sharpe Ratio, which measures excess return per unit of risk, for the five-year period was 0.04, which was greater than the –0.02 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.