

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2006**

V00856JC.DOC



January 10, 2007

State House Commission
The Judicial Retirement System
of New Jersey
Trenton, New Jersey 08625

Members of the Commission:

The law governing the operation of The Judicial Retirement System of New Jersey provides for annual actuarial valuations of the System. The results of the July 1, 2006 valuation are submitted in this report which also includes a comparison with the preceding year's valuation.

The valuation shows the financial condition of the Plan as of July 1, 2006 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2006.

The valuation was prepared using the same actuarial assumptions that were used for the July 1, 2005 actuarial valuation, including an 8.25% interest rate.

The valuation also reflects the potential effect of the Appropriation Act for fiscal year 2007 (57.5% of the contribution recommended for the July 1, 2005 valuation has been included as a receivable contribution for this valuation).

The Table of Contents, which follows, highlights the Sections of the Report.

Respectfully submitted,

(Signed) JANET H. CRANNA

Janet H. Cranna
Principal, Consulting Actuary

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REPORT ON THE ANNUAL
VALUATION OF
THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
PREPARED AS OF JULY 1, 2006

SECTION I - SUMMARY OF KEY RESULTS

The Judicial Retirement System of New Jersey became effective June 1, 1973. This report, prepared as of July 1, 2006, presents the results of the annual actuarial valuation of the Fund.

For convenience of reference, the principal results of the valuation and a comparison with the preceding year's results are summarized on the following pages.

Valuation Date	July 1, 2006	July 1, 2005
Number of Members	440	426
Annual Compensation	\$ 62,492,250	\$ 60,506,750
Number of Retirees and Beneficiaries	437	426
Annual Allowances	\$ 31,517,980	\$ 29,487,686
Number of Vested Terminated Members	3	4
Annual Allowances	\$ 97,472	\$ 130,582
<u>Assets</u>		
Market Value of Assets	\$ 351,647,844**	\$ 335,570,876
Valuation Assets	\$ 382,849,386**	\$ 377,463,366
<u>Contribution Amounts</u>		
Normal Contribution	\$ 17,546,722	\$ 17,381,246
Accrued Liability Contribution	6,741,891	5,389,845
Total Contribution	\$ 24,288,613***	\$ 22,771,091*

* The contribution requirement could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2007.

** Assets include a fiscal year 2007 receivable contribution of \$13,355,587 which is 57.5% of the contribution recommended for the July 1, 2005 valuation (potential effect of the Appropriation Act for fiscal year 2007).

***The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2008.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A. There were no changes from the provisions and funding policy used in the previous valuation. However, the valuation reflects the potential impact of the Appropriation Act for fiscal year 2007 which allows the State Treasurer to reduce the State normal and accrued liability contributions for fiscal year 2007 of \$22,154,128 by 42.5%. (This amount excludes the estimated premium paid to the Non-Contributory Insurance Premium Fund of \$616,963 for the lump sum death benefit during active service.) Accordingly, a fiscal year 2007 State appropriation receivable of only \$13,355,587 (comprised of the reduced contribution of \$12,738,624 plus the estimated non-contributory group insurance premium of \$616,963) was recognized for purposes of this valuation.

The actuarial assumptions and methods used for valuing the Fund are summarized in Appendix B. There were no changes in actuarial assumptions and methods since the previous valuation.

The combination of the plan provisions, actuarial assumptions and member and beneficiary data is used to generate the overall required level of State contributions. These contributions are composed of two separate portions, an “accrued liability contribution” and a “normal contribution”. The required contribution is developed in Section III G.

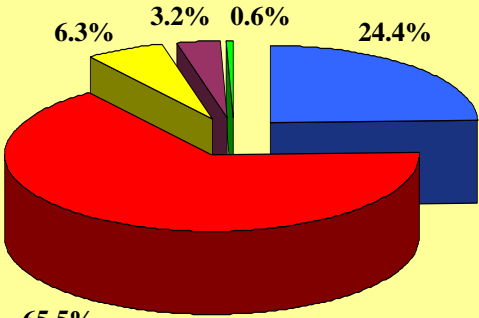
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2005 and July 1, 2006 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

**TABLE I
COMPARATIVE BALANCE SHEET**

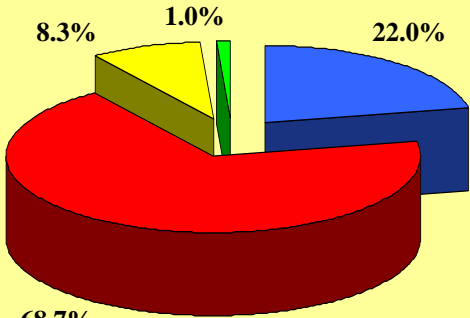
<u>ASSETS</u>	2006	2005
Actuarial value of assets of Fund	\$ 382,849,386	\$ 377,463,366
Unfunded accrued liability/(surplus)	110,928,621	88,682,546
Total Assets	\$ 493,778,007	\$ 466,145,912
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 297,797,512	\$ 279,050,350
Present value of benefits to present active members and terminated vested members	195,980,495	187,095,562
Total Liabilities	\$ 493,778,007	\$ 466,145,912

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

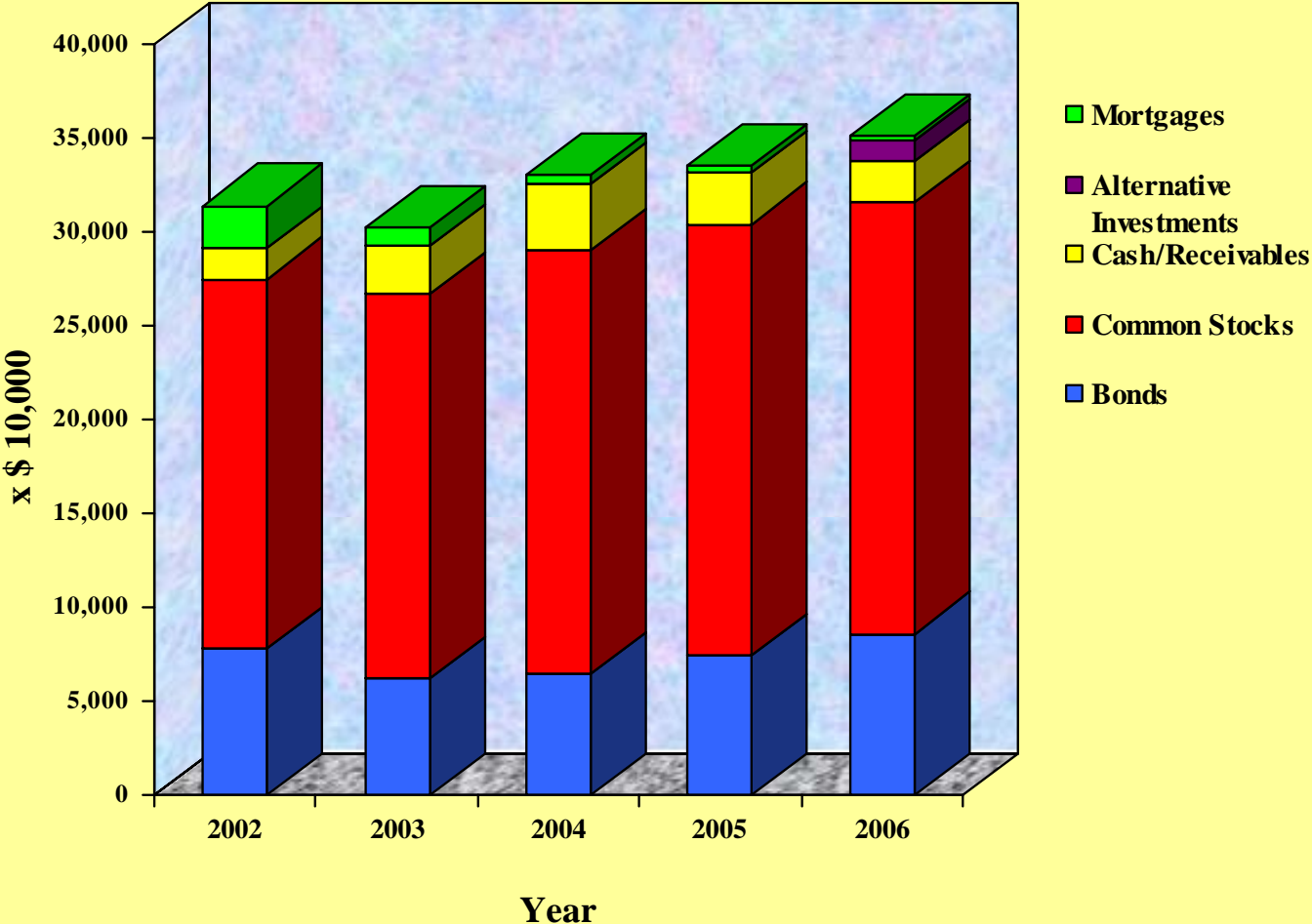
ASSET ALLOCATION MARKET VALUE



2006



2005



SECTION II - EMPLOYEE DATA

The data employed for the valuations were furnished to the actuary by the Division of Pensions and Benefits. The following summarizes and compares the Fund membership as of July 1, 2005 and July 1, 2006 by various categories.

ACTIVE MEMBERSHIP

Group	2006		2005	
	Number	Annual Compensation	Number	Annual Compensation
Men	335	\$ 47,534,000	326	\$ 46,268,250
Women	105	\$ 14,958,250	100	\$ 14,238,500

RETIRED MEMBERS AND BENEFICIARIES

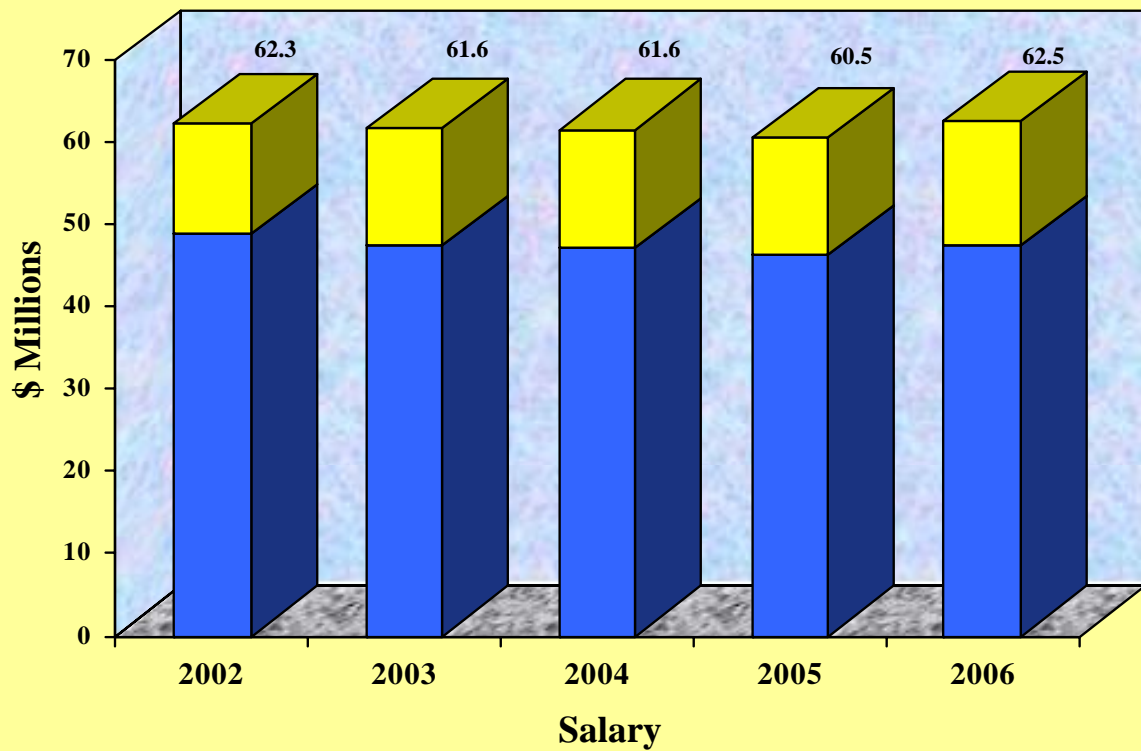
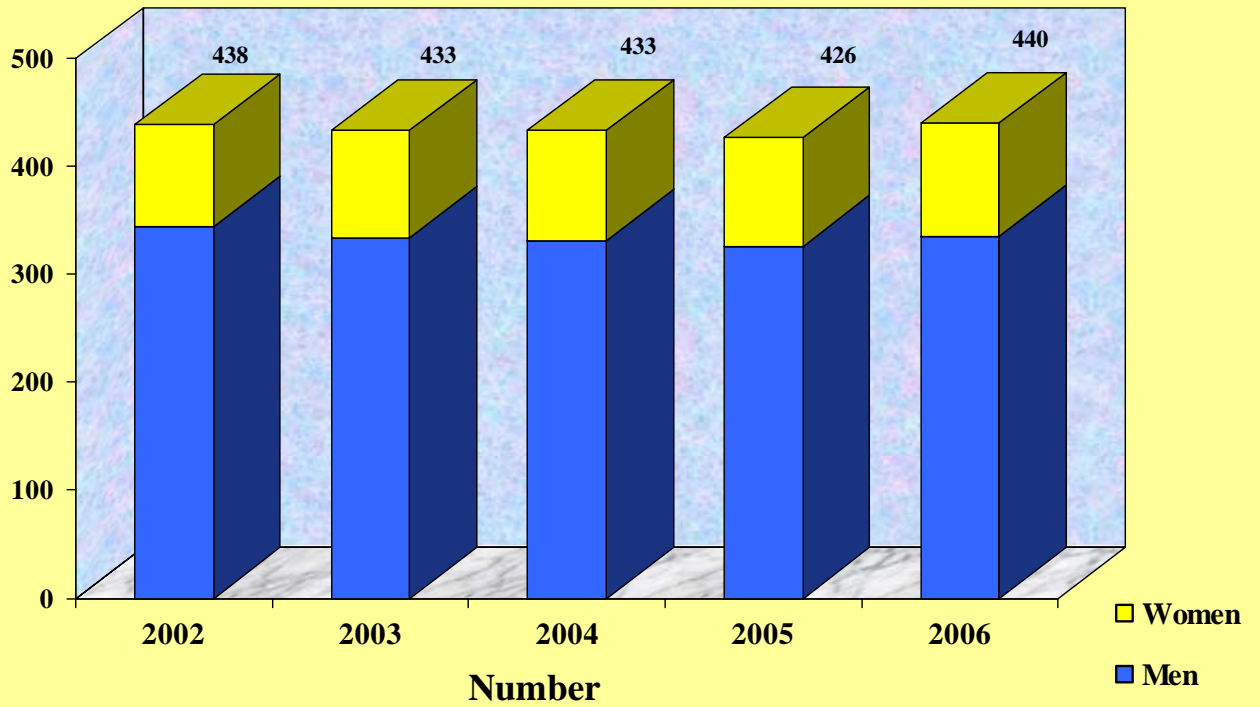
GROUP	2006		2005	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	3	\$ 97,472	4	\$ 130,582
Service Retirements	293	\$ 25,695,640	283	\$ 24,285,010
Disability Retirements	7	\$ 645,387	6	\$ 532,979
Beneficiaries	137	\$ 5,176,953	137	\$ 4,669,697

Appendix C provides a detailed distribution between groups.

Graphic presentations of the statistical data on membership for the five preceding years are shown on the following pages.

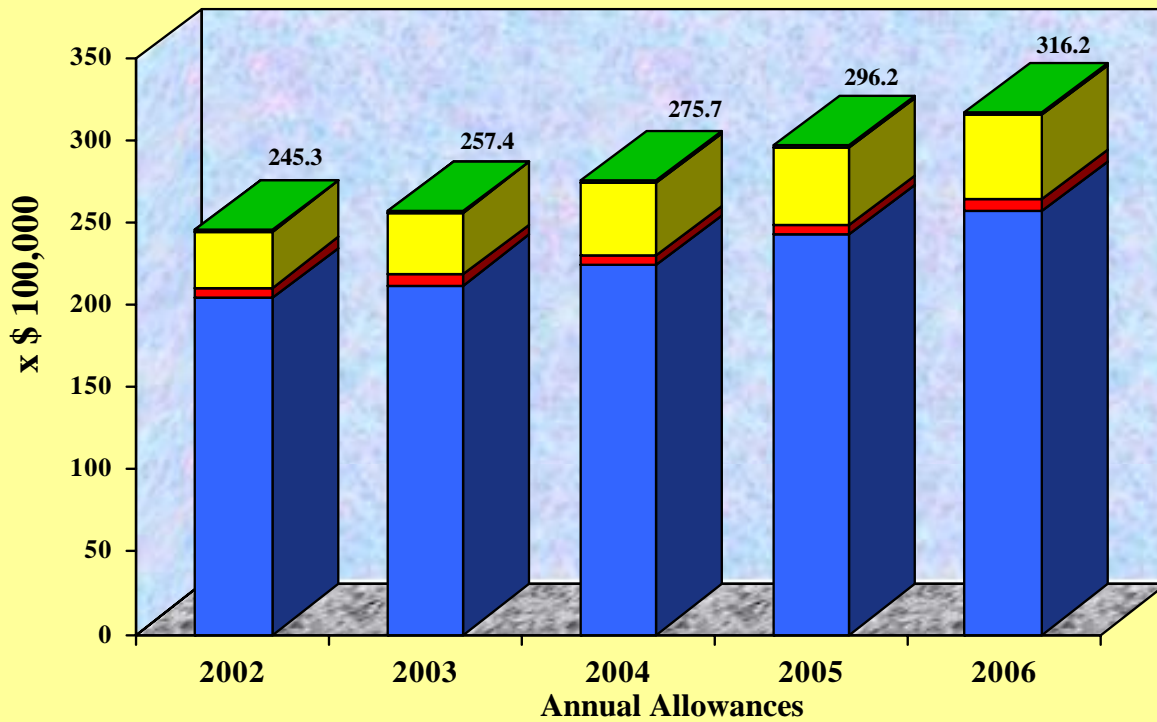
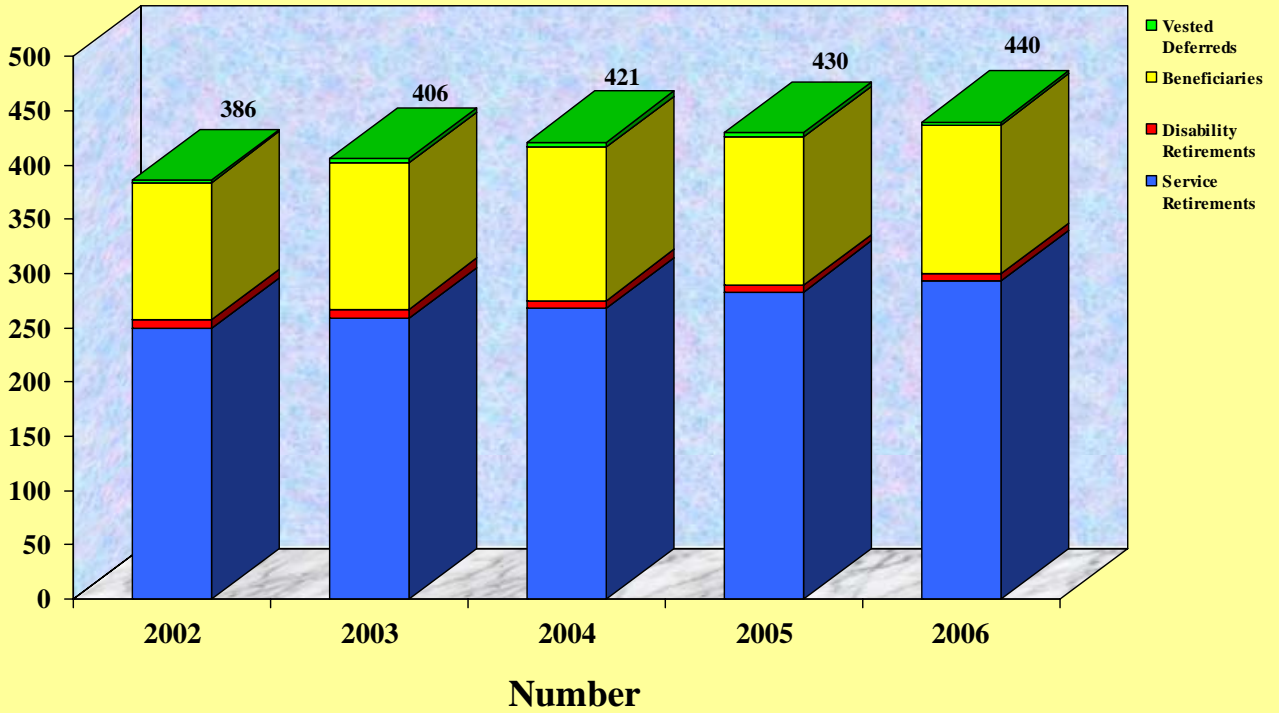
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF ACTIVE PARTICIPATION



THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF RETIRED PARTICIPATION



SECTION III - ASSETS, LIABILITIES AND CONTRIBUTIONS**A. Market Value of Assets as of June 30, 2006**

1.	Assets		
	a.	Cash	\$ 42,023
	b.	Securities Lending Collateral	64,982,023
	c.	Investment Holdings	336,088,388
	d.	Interest Receivable on Investments	1,154,613
	e.	Employer Contribution Receivable – NCGI	42,484
	f.	Members' Contributions Receivable	71,828
	g.	Accounts Receivable	53,987
	h.	Dividends Receivable	1,112,283
	i.	Loans Receivable	712,775
	j.	Interest Receivable – Member Loans	<u>1,635</u>
	k.	Total	\$ 404,262,039
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 254,092
	b.	Pension Adjustment Payroll Payable	115,844
	c.	Withholdings Payable	605,303
	d.	Securities Lending Collateral and Rebates Payable	64,982,023
	e.	Accounts Payable – Other	2,092
	f.	Administrative Expense Payable	<u>10,428</u>
	g.	Total	\$ 65,969,782
3.	Preliminary Market Value of Assets as of June 30, 2006: 1(k) - 2(g)		\$ 338,292,257
4.	State Appropriations Receivable		<u>13,355,587*</u>
5.	Market Value of Assets as of June 30, 2006: 3 + 4		\$ 351,647,844

* The amount shown as the fiscal year 2007 receivable contribution is 57.5% of the contribution recommended for the July 1, 2005 valuation (potential effect of the Appropriation Act for fiscal year 2007).

B. Reconciliation of Market Value of Assets: June 30, 2005 to June 30, 2006

1.	Market Value of Assets as of June 30, 2005	\$	327,598,876
2.	Increases		
a.	Pension Contributions		
	Members' Contributions	\$	1,567,578
	Transfer from Other Systems		10,745
b.	Accumulative Interest		
	Transfer from Other Systems		5,146
c.	Employers' Contributions		
	State Appropriations		7,413,714
	Non-Contributory Group Insurance		558,286
	Transfer from Other Systems		0
d.	Income		
	Per Statement		32,475,104
e.	Total	\$	42,030,573
3.	Decreases		
a.	Benefits Provided by Members		
	Withdrawals – Members' Contributions		
	Regular	\$	0
	Transfer		8,456
	Withdrawals – Member Interest		
	Regular		0
	Transfer		11,750
b.	Benefits Provided by Employers and Members		
	Retirement Allowances		27,411,244
c.	Benefits Provided by Employers		
	Benefit Expense – Pension Adjustment – State		3,168,069
	Administrative Expense		179,387
	Transfer Withdrawal – Employer Benefits		0
	Miscellaneous Expense		0
	NCGI Premium Expense		558,286
d.	Total	\$	31,337,192
4.	Preliminary Market Value of Assets as of June 30, 2006: 1 + 2(e) – 3(d)	\$	338,292,257
5.	State Appropriations Receivable		<u>13,355,587*</u>
6.	Market Value of Assets as of June 30, 2006: 4 + 5	\$	351,647,844

* The amount shown as the fiscal year 2007 receivable contribution is 57.5% of the contribution recommended for the July 1, 2005 valuation (potential effect of the Appropriation Act for fiscal year 2007).

C. Development of Actuarial Value of Assets as of July 1, 2006

The actuarial value of plan assets is determined using a five-year average of market value with write-up. The following summary shows the development of the actuarial value of plan assets for the current valuation.

1.	Actuarial Value of Assets as of July 1, 2005 (without State Appropriations Receivable)	\$	369,491,366
2.	Net Cash Flow excluding investment income		(21,781,723)
3.	Expected Investment Income at 8.25%		
	a. Interest on assets as of July 1, 2005	\$	30,483,038
	b. Interest on Net Cash Flow		(898,496)
	c. Total	\$	29,584,542
4.	Expected Actuarial Value of Assets as of July 1, 2006: 1. + 2. + 3.(c)	\$	377,294,185
5.	20% of Difference from Preliminary Market Value of Assets		(7,800,386)
6.	State Appropriations Receivable		13,355,587*
7.	Actuarial Value of Assets as of July 1, 2006 = 4. + 5. + 6.	\$	382,849,386

* The amount shown as the fiscal year 2007 receivable contribution is 57.5% of the contribution recommended for the July 1, 2005 valuation (potential effect of the Appropriation Act for fiscal year 2007).

D. Present Value of Projected Benefits as of July 1, 2006

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	247,861,667
	b. Disability Retirement		5,919,102
	c. Beneficiaries		40,702,282
	d. Lump Sum Death Benefits		3,314,461
	e. Total	\$	297,797,512
2.	Terminated Vested Members	\$	1,126,303
3.	Active Participants		
	a. Service Retirement	\$	182,338,192
	b. Disability Retirement		6,268,884
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,533,076
	d. Lump Sum Death Benefit*		1,714,040
	e. Total	\$	194,854,192
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	493,778,007

*Excludes lump sum death benefits payable during active service.

E. Development of Excess Valuation Assets

Chapter 115, P.L. 1997 prescribed the procedure for determining the value of excess valuation assets. This law provided for a reduction in the normal contributions for the valuation periods ended June 30, 1996 and June 30, 1997 to the extent possible by the excess valuation assets and permitted the State Treasurer to reduce the normal contribution payable by the State for valuations after June 30, 1997 up to a specified portion of excess valuation assets (50% for the current valuation). The development of excess valuation assets is summarized as follows:

1. Valuation Assets	\$ 382,849,386
2. Actuarial Accrued Liability	<u>493,778,007</u>
3. Excess Valuation Assets = 1. - 2. (not less than zero)	\$ 0

F. Development of Normal Cost as of July 1, 2006

1. Service Retirement	\$ 15,654,067
2. Disability Retirement	912,573
3. Spousal Annuity Death Benefit (Pre-Retirement)	653,646
4. Lump Sum Death Benefit*	<u>152,027</u>
5. Total (Excluding Non-Contributory Group Insurance Premium) = 1. + 2. + 3. + 4.	\$ 17,372,313
6. Non-Contributory Group Insurance Premium	<u>351,735</u>
7. Total Including Non-Contributory Group Insurance Premium = 5. + 6.	\$ 17,724,048

*Excludes Non-Contributory Group Insurance Premium (term cost for lump sum death benefits payable during active service).

G. Development of State Contributions

1.	Present Value of Benefits	\$	493,778,007
2.	Actuarial Value of Assets		<u>382,849,386</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	110,928,621
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2007	\$	6,741,891
6. (a)	Gross Normal Cost (excluding Non-Contributory Group Insurance Premium)	\$	17,372,313
(b)	Expected Member Contributions		<u>1,514,605</u>
(c)	State Normal Cost = (a) - (b)	\$	15,857,708
(d)	State Normal Cost payable July 1, 2007 = (c) * 1.0825	\$	17,165,969
(e)	Excess Valuation Assets*		0
(f)	Non-Contributory Group Insurance Premium payable July 1, 2007		<u>380,753</u>
(g)	State Net Normal Cost payable July 1, 2007 = (d) - (e) + (f)	\$	17,546,722
7.	Total Required Contribution as of July 1, 2007 = 5. + 6.(g)	\$	24,288,613**

*Excess Valuation Assets are allocated as follows:

1.	Excess Valuation Assets (from Section E)	\$	0
2.	Excess Valuation Assets as of July 1, 2007 = 1. * 1.0825	\$	0
3.	Reduction Due to Normal Contribution for the Valuation Period ending June 30, 2006 payable July 1, 2007 = .50 * 2 not greater than 6(d) above		<u>0</u>
4.	Net Excess Valuation Assets After Reductions as of July 1, 2007 = 2. - 3.	\$	0

**Contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2008.

SECTION IV - COMMENTS CONCERNING THE VALUATION

The variation in liabilities and contributions reflects the System's actual experience during the year. The System experienced a net actuarial loss during the year that ended June 30, 2006.

The loss is primarily due to an actual return on System assets less than expected. For valuation purposes, an 8.25% per annum rate of return was assumed. The actual return on the Fund's actuarial value of assets was approximately 6.07% for the period from July 1, 2005 through June 30, 2006. There was also a net loss due to experience among active and retired members.

The following shows the development of the actuarial experience and identifies the major experience components:

A. Calculation of Actuarial Experience for the Year Ended June 30, 2005

1.	Unfunded Accrued Liability as of July 1, 2005	\$	88,682,546
2.	Gross Normal Cost as of July 1, 2005		17,522,135
3.	Interest on (1) and (2)		8,761,886
4.	Actual Members' Contributions Received		1,567,578
5.	Employers' Contributions (including receivable)		13,355,587
6.	Interest on Contributions (excluding receivables)		<u>64,663</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2006 = (1) + (2) + (3) - (4) - (5) - (6)	\$	99,978,739
8.	Actual Unfunded Accrued Liability as of July 1, 2006	\$	110,928,621
9.	Actuarial (Gain)/Loss = (8) - (7)	\$	10,949,882

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$	7,800,386
2.	Other (Gain)/Loss, including mortality, cost of living adjustments more than expected, salary increases less than expected and changes in employee data		<u>3,149,496</u>
3.	Total Actuarial (Gain)/Loss	\$	10,949,882

SECTION V - ACCOUNTING INFORMATION

Statement No. 5 of the Governmental Accounting Standards Board, issued November 1986, established standards of disclosure of pension information by public retirement systems. Statement No. 25 of the Governmental Accounting Standards Board, issued November 1994, established financial reporting standards for defined benefit pension plans and for the notes to the financial statements of defined contribution plans of state and local governmental liabilities and superseded Statement No. 5 effective for periods beginning after June 15, 1996. Statement No. 27, Accounting for Pensions by State and Local Governmental Employers superseded Statement 5 for employers participating in pension plans and is effective for periods beginning after June 15, 1997.

The information required by Statements No. 25 and No. 27 is presented in the following tables. These include the development of the Annual Required Contribution (ARC), the development of the Net Pension Obligation (NPO), the Schedule of Funding Progress and the Schedule of Employer Contributions.

(A) Development of the Annual Required Contribution (ARC) as of June 30, 2008:

1. Actuarial Value of Plan Assets as of June 30, 2006		
(a) Valuation Assets as of June 30, 2006	\$	382,849,386
(b) Adjustment for Receivable Contributions included in (a)		<u>13,355,587</u>
(c) Valuation Assets as of June 30, 2006 for GASB Disclosure = (a) - (b)	\$	369,493,799

2.	Actuarial Accrued Liability as of June 30, 2006 for GASB Disclosure	\$	493,778,007
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2006 = 2. - 1.(c)	\$	124,284,208
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$	6,977,923
5.	Normal Cost as of June 30, 2006	\$	16,209,443
6.	Annual Required Contribution as of June 30, 2008		
(a)	Annual Required Contribution as of June 30, 2006 = 4. + 5.	\$	23,187,366
(b)	Interest Adjustment to June 30, 2008		<u>3,983,734</u>
(c)	Annual Required Contribution as of June 30, 2008 = (a) + (b)	\$	27,171,100

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2008:

1.	Annual Required Contribution as of June 30, 2008	\$	27,171,100
2.	Interest on Net Pension Obligation		820,257
3.	Adjustment to Annual Required Contribution		<u>(604,274)</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$	27,387,083
5.	Expected Employer Contributions for Fiscal Year 2008	\$	24,288,613
6.	Increase in Net Pension Obligation = 4. - 5.	\$	3,098,470
7.	Net Pension Obligation at June 30, 2007	\$	9,942,504*
8.	Net Pension Obligation at June 30, 2008 = 6. + 7.	\$	13,040,974

*The June 30, 2007 Net Pension Obligation amount has been revised from the amount shown in the prior year's report to reflect the potential impact of the Appropriation Act for fiscal year 2007.

(C) Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll (b-a)/c
6/30/2001	\$ 379,592,346	\$ 372,760,069	\$ (6,832,277)	101.8%	\$ 57,800,334	(11.8)%
6/30/2002	\$ 373,231,198	\$ 388,950,803	\$ 15,719,605	96.0%	\$ 61,873,500	25.4%
6/30/2003	\$ 372,835,265	\$ 431,450,218	\$ 58,614,953	86.4%	\$ 61,600,500	95.2%
6/30/2004	\$ 371,730,163	\$ 445,922,358	\$ 74,192,195	83.4%	\$ 61,576,750	120.5%
6/30/2005	\$ 369,491,366	\$ 466,145,912	\$ 96,654,546	79.3%	\$ 60,506,750	159.7%
6/30/2006	\$ 369,493,799	\$ 493,778,007	\$ 124,284,208	74.8%	\$ 62,492,250	198.9%

(D) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
2003	\$ 16,913,237	\$ 8,467,286	50.1%
2004	\$ 18,720,233	\$ 3,355,438	17.9%
2005	\$ 22,525,773	\$ 6,162,076	27.4%
2006	\$ 23,212,502	\$ 7,972,000	34.3%
2007	\$ 25,174,191	\$ 13,355,587*	53.1%
2008	\$ 27,171,100	\$ 24,288,613**	89.4%

* The fiscal year 2007 required contribution of \$22,771,091 has been reduced to \$13,355,587 in anticipation of the provisions of the Appropriation Act for fiscal year 2007.

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2008.

(E) The information presented in the required supplementary schedules was determined as part of the actuarial valuation. Additional information follows:

Valuation Date	June 30, 2006
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Five Year Average of Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increases	5.45%
Cost of Living Adjustments	60% of the assumed CPI increase of 3.0%

SECTION VI - LEVEL OF FUNDING

Although the value of accrued benefits and the funding ratios shown in the previous section are required for the State's financial statements, it is instructive to also look at these values under an alternative approach. For this purpose, we are presenting liabilities determined on a Financial Accounting Standards Board Statement No. 87 Accumulated Benefit Obligation (ABO) basis. This is the same approach as that used for the GASB Actuarial Accrued Liability except that no assumption is made as to future salary increases.

<u>FASB 87 ABO Funded Ratios</u>		
Actuarial present value of accumulated benefits:	June 30, 2006	June 30, 2005
Vested benefits		
Participants currently receiving payments	\$ 297,797,512	\$ 279,050,350
Other participants	97,419,858	89,359,889
	\$ 395,217,370	\$ 368,410,239
Non-vested benefits	58,303,685	60,557,599
Total	\$ 453,521,055	\$ 428,967,838
Assets at market value	\$ 351,647,844	\$ 335,570,876
Ratio of Assets to Total Present Value	77.5%	78.2%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.25% for both 2006 and 2005.

APPENDIX A

BRIEF SUMMARY OF THE BENEFIT AND
CONTRIBUTION PROVISIONS AS INTERPRETED
FOR VALUATION PURPOSES

Eligibility for Membership

Chief Justice and associate justices of the Supreme Court, judges of the Superior Court and tax courts of the State of New Jersey.

1. Definitions

Plan Year	The 12-month period beginning on July 1 and ending on June 30.
Service	A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.
Final Salary	Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)
Accumulated Deductions	The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.
Retirement Allowance	Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. Benefits

Service Retirement	<p>(A) Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:</p> <ul style="list-style-type: none"> (a) Age 70 and 10 years of judicial service; (b) Age 65 and 15 years of judicial service; or (c) Age 60 and 20 years of judicial service. <p>Benefit is an annual retirement allowance equal to 75% of final salary.</p> <p>(B) Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or</p> <p>Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.</p> <p>Benefit is an annual retirement allowance equal to 50% of final salary.</p>
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(C) Age 60 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years.

(D) Age 60 while serving as a judge. Benefit is an annual retirement allowance equal to 2% of final salary for each year of judicial service up to 25 years plus 1% for each year in excess of 25 years.

Early Retirement

Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.

Vested Termination

Termination of service prior to age 60, with 5 consecutive years of judicial service and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% for service in excess of 25 years.

Death Benefits

Before Retirement

Death of an active member of the plan. Benefit is equal to:

- (a) Lump sum payment equal to 1-1/2 times final salary, plus
- (b) Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children). If there is no surviving spouse (or dependent children), 20% or 30% of final salary to one or two dependent parents.

After Retirement

Death of a retired member of the plan. Benefit is equal to:

- (a) Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60, plus
- (b) Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of

15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement Physically or otherwise incapacitated for the full and efficient service to State in his judicial capacity and such incapacity is likely to be permanent. Benefit is an annual retirement allowance of 75% of final salary.

Member Contributions Any member enrolled prior to January 1, 1996 contributes 3% of the difference between current salary and salary for that position on January 18, 1982. Members enrolled on and after January 1, 1996 contribute 3% of their full salary.

APPENDIX B

OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS

VALUATION INTEREST RATE: 8.25% per annum, compounded annually.

COLA: The COLA is 60% of the assumed CPI increase. CPI is assumed to increase at 3.0% per annum, compounded annually.

SALARY INCREASES: Salaries are assumed to increase by 5.45% per year for inflation.

SEPARATIONS FROM SERVICE: Representative mortality and disability rates are as follows:

<u>Age</u>	<u>Lives per Thousand</u>		
	<u>Male</u>	<u>Female</u>	<u>Disability</u>
30	0.46	0.34	0.22
35	0.61	0.48	0.26
40	0.86	0.67	0.33
45	1.24	1.01	0.64
50	2.18	1.65	1.14
55	3.91	2.54	1.97
60	6.13	4.24	3.26
65	9.16	7.06	4.73

DEATHS AFTER RETIREMENT: Illustrative rates of mortality for retired members are shown below:

<u>Age</u>	<u>Lives Per Thousand</u>					<u>Disabled Males and Females</u>
	<u>Retired Members</u>		<u>Beneficiaries of Deceased Members</u>			
	<u>Males</u>	<u>Females</u>	<u>Males</u>	<u>Females</u>		
55	4.8	2.5	4.8	2.5	11.1	
60	7.1	4.2	7.1	4.2	19.8	
65	11.1	7.1	11.1	7.1	33.4	
70	19.8	12.4	19.8	12.4	54.8	
75	33.4	24.0	33.4	24.0	89.3	
80	39.6	39.7	39.6	39.7	133.9	
85	59.8	59.6	59.8	59.6	190.5	
90	109.6	79.3	109.6	79.3	264.0	

RETIREMENT: It was assumed that the probability of retirement at age 65 for those judges who have 12 or more years of judicial service at age 65 is at 25% per year. In addition, retirement for members who have attained age 60 with 20 years of judicial service or attained age 65 with 15 years judicial service is at 30% at age 60, 25% at age 65 and 20% for all other ages between ages 60 and 70. At age 70, all remaining active members are assumed to retire.

VALUATION METHOD: Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions.

HEALTH INSURANCE BENEFITS: Retiree Health Insurance benefits are funded by the State on a pay-as-you-go basis and are not included in the actuarial valuation.

ASSET VALUATION METHOD: A five year average of market values with write-up was used. This method takes into account appreciation (depreciation) in investments in order to smooth asset values by averaging the excess of the actual over the expected income, on a market value basis, over a five-year period.

APPENDIX C**TABULATIONS USED AS A BASIS FOR THE 2006 VALUATION**

The following table gives a reconciliation of data from July 1, 2005 to June 30, 2006. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2006 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2006.

TABLE 1
RECONCILIATION OF DATA FROM JULY 1, 2005 TO JUNE 30, 2006

	Actives		Deferred Vested	Retirees			Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total	
	Contrib.	Noncontrib.		Service	Special	Deferred					Disabled
Members as of July 1, 2005	425	1	4	269	2	4	6	132	5	8	856
Status Change: To Contributing To Noncontributing	-3	+3									
New Deferred Vested											
New Terminated Non-Vested											
New Service Retirement	-16			+16							
New Special Retirement											
New Deferred Vesteds Now Payable			-1			+1					
New Disabled	-2						+2				
New Death	-2						-1				
Payments Begin											
New Beneficiaries								+11		+1	+12
End of Payments											
New Actives	+34										+34
Rehires											
Data Corrections											
Members as of June 30, 2006	436	4	3	277	2	5	7	132	5	9	880

TABLE 2
DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE

AGE	SERVICE	1	5	10	15	20	25	30	35	TOTAL
20	Number Salary									
25	Number Salary									
30	Number Salary									
35	Number Salary									
40	Number Salary		1 141,000							1 141,000
45	Number Salary	15 2,115,000	17 2,397,000	1 141,000						33 4,653,000
50	Number Salary	16 2,256,000	30 4,247,500	15 2,124,000	7 1,001,750					68 9,629,250
55	Number Salary	18 2,538,000	31 4,388,500	20 2,829,000	43 6,101,500	1 141,000				113 15,998,000
60	Number Salary	11 1,551,000	31 4,371,000	31 4,380,000	36 5,105,500	16 2,309,250	3 441,000			128 18,157,750
63	Number Salary		8 1,128,000	7 996,000	20 2,843,750	15 2,174,250	5 723,000	1 158,500		56 8,023,500
66 and over	Number Salary		6 863,500	11 1,583,250	8 1,137,000	10 1,430,500	2 291,000	2 296,750	2 287,750	41 5,889,750
TOTAL	Number Salary	60 8,460,000	124 17,536,500	85 12,053,250	114 16,189,500	42 6,055,000	10 1,455,000	3 455,250	2 287,750	440 62,492,250

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2006

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
42	1	\$ 141,000		
44	2	282,000	3	\$ 423,000
45	1	141,000	7	987,000
46	5	705,000	2	282,000
47	2	282,000	3	423,000
48	10	1,410,000	5	705,000
49	5	705,000		
50	6	855,000	4	564,000
51	8	1,128,000	8	1,128,000
52	11	1,551,000	7	1,013,500
53	13	1,833,000	6	851,750
54	17	2,423,500	5	714,000
55	18	2,538,000	2	282,000
56	17	2,411,750	7	987,000
57	14	1,974,000	11	1,565,750
58	24	3,384,000	8	1,128,000
59	27	3,839,750	3	432,000
60	14	1,983,000	3	437,750
61	27	3,821,750	5	705,000
62	21	2,981,500	3	423,000
63	13	1,842,000	4	573,000
64	22	3,152,250	2	308,500
65	14	1,988,750	2	291,000
66	12	1,710,000	1	141,000
67	7	1,014,000	1	146,750
68	7	1,001,750	1	141,000
69	17	2,435,000	2	305,250
TOTAL	335	\$ 47,534,000	105	\$ 14,958,250

Of the 440 active members included in the June 30, 2006 valuation data, 171 are vested and 269 have not yet completed the vesting service requirement.

TABLE 4
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY SERVICE
AS OF JUNE 30, 2006

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	6	\$ 846,000		
1	27	3,807,000	8	\$ 1,128,000
2	16	2,256,000	3	423,000
3	9	1,269,000	6	846,000
4	25	3,542,500	9	1,269,000
5	25	3,525,000	6	846,000
6	17	2,414,500	7	1,004,500
7	15	2,115,000	5	705,000
8	13	1,833,000	6	846,000
9	13	1,842,000	12	1,701,000
10	7	987,000	2	305,250
11	24	3,393,000	3	432,000
12	3	423,000	2	291,000
13	19	2,697,000	8	1,137,000
14	21	2,966,750	5	719,750
15	24	3,416,750	5	710,750
16	8	1,142,750	2	282,000
17	15	2,124,000	7	992,750
18	11	1,574,750	1	150,000
19	7	998,500	1	146,750
20	9	1,292,750	1	141,000
21	1	150,000	2	291,000
22	8	1,169,250	1	141,000
23	4	573,000	1	141,000
25	3	450,000	1	150,000
27	1	141,000		
28	1	146,750	1	158,500
29	1	150,000		
33	2	287,750		
TOTAL	335	\$ 47,534,000	105	\$ 14,958,250

Of the 440 active members included in the June 30, 2006 valuation data, 171 are vested and 269 have not yet completed the vesting service requirement.

TABLE 5
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2006

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
60	2	\$ 86,517		
61	2	194,051		
62	2	185,024		
63	5	433,291	1	\$ 107,091
64	4	439,645	2	181,192
65	8	812,298	1	108,175
66	9	824,782	1	105,750
67	13	1,104,137	1	70,500
68	3	323,418	4	346,479
69	12	1,099,887		
70	10	935,137	1	104,073
71	13	1,167,636	2	205,068
72	22	1,893,940	2	230,916
73	14	1,231,274		
74	16	1,408,134		
75	11	1,025,147	3	234,147
76	16	1,558,196	1	106,924
77	13	1,149,430	1	96,364
78	7	539,104	2	185,213
79	10	926,312		
80	10	832,373		
81	6	541,172		
82	18	1,473,081		
83	7	602,506		
84	2	182,691	1	93,128
85	8	561,542	1	84,279
86	6	475,167		
87	2	159,010		
88	3	216,608		
89	3	213,421		
90	4	252,270		
91	3	225,117		
92	1	87,416		
93				
94	1	82,244		
95	1	76,434		
96	2	117,930		
TOTAL	269	\$ 23,436,342	24	\$ 2,259,298

TABLE 6
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2006

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
50			1	107,091
64	1	86,715		
66	1	86,186		
72	1	89,663		
75	1	108,175		
82	1	80,465		
86	1	87,092		
TOTAL	6	\$ 538,296	1	\$ 107,091

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2006**

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
64			1	\$ 36,753
67	1	\$ 32,121	1	25,505
69			3	91,149
70			2	64,071
71			1	31,042
72			2	62,009
73			2	61,077
75			2	56,352
77			2	60,452
82			1	25,505
85			1	23,356
86			1	26,790
92			1	26,630
TOTAL	1	\$ 32,121	20	\$ 590,692

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2006**

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	\$ 8,660		
21	1	8,660		
49			1	\$ 14,006
55			2	64,923
57			1	123,022
58	1	10,729	1	36,058
59			1	26,822
60			1	37,433
61	1	11,237		
62			2	99,289
64			1	37,500
65			1	39,383
66			1	34,291
67			1	105,884
68			1	105,056
69			2	60,509
70			1	27,415
71			1	36,753
72			1	31,050
73			3	101,662
74			4	236,406
75			4	308,865
76			2	52,222
77			4	136,590
78			3	85,690
79			4	143,652
80			5	308,263
81			2	70,544
82			8	266,397
83			6	286,002
84			9	337,586
85			3	95,042
86			5	169,743
87			2	66,250
88			5	143,706
89			2	57,500
90			3	75,747
91			2	47,562
92			3	96,851
93			4	206,887

TABLE 8

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2006**

**RETIRED MEMBERS' DEATH BENEFITS
(continued)**

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
94			3	78,347
95			2	52,570
97			1	100,498
98			1	27,092
99			2	62,536
101			1	21,250
TOTAL	4	\$ 39,285	112	\$ 4,514,855

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2006**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
53	1	\$ 27,555		
61	1	21,250		
63	1	48,667		
TOTAL	3	\$ 97,472		