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**PERA**

Public Employees  
Retirement Association  
of New Mexico

**INVESTED IN TOMORROW.**

**New Mexico Judicial Retirement Fund  
Annual Actuarial Valuation  
as of June 30, 2020**





# Cavanaugh Macdonald

CONSULTING, LLC

*The experience and dedication you deserve*

October 29, 2020

The Retirement Board  
Public Employees Retirement Association  
Santa Fe, New Mexico

Members of the Board:

We have conducted the annual actuarial valuation of the New Mexico Judicial Retirement Fund as of June 30, 2020; the results of the valuation are contained in the following report. The annual valuation is used to determine the sufficiency of the statutory contribution rates and, if necessary, the amount required to fund the annual normal cost and fully amortize the unfunded actuarial accrued liability with annual payments over a 25-year period. The results of this valuation apply to the fiscal year beginning July 1, 2020 and ending June 30, 2021 (FY 2021). Information contained in our report for plan years ending prior to June 30, 2010 is based upon valuations performed by the Fund's prior actuary.

In performing the valuation, we relied on data supplied by the Public Employees Retirement Association (PERA) and performed limited tests on the data for consistency and reasonableness. In determining the Fund's liabilities, future events, such as investment returns, deaths, retirements, etc., are anticipated based upon the set of actuarial assumptions as approved by the Board. New demographic assumptions and methods were adopted for the June 30, 2020 valuation as follows:

Summary of Recommendations	
<b>Retirement</b>	Increased rates for ages 63-74
<b>Salary Merit Scale</b>	Lowered merit scale
<b>Mortality</b>	Will be determined by next PERA experience study

The valuation also reflects the passage of Senate Bill 122, which provides for a monthly distribution of \$100,000 to the Fund until achieving 100% funded status.

Future actuarial results may differ significantly from the current results presented in this report due to such factors as the following: fund experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; and changes in plan provisions or applicable law. Since the potential impact of such factors is outside the scope of a normal annual actuarial valuation, an analysis of the range of results is not presented herein.



This actuarial valuation was performed to determine the adequacy of statutory contributions to fund the plan. The asset values used to determine unfunded liabilities and funded ratios are not market values but less volatile market related values. A smoothing technique is applied to market values to determine the market related values. The unfunded liability amounts and funded ratios using the market value of assets would be different. The interest rate used for determining liabilities is based on the expected return on assets. Therefore, liability amounts in this report cannot be used to assess a settlement of the obligation.

Measuring pension obligations and actuarially determined contributions requires the use of assumptions regarding future economic and demographic experience. Whenever assumptions are made about future events, there is risk that actual experience will differ from expected. Actuarial valuations include the risk that actual future measurements will deviate from expected future measurements due to actual experience that is different than the actuarial assumptions. The primary areas of risk in this actuarial valuation are:

- Investment Risk – the potential that investment returns will be different than expected. Appendix D of this report demonstrates the sensitivity of future projected results to asset returns deviating from expected returns.
- Longevity and Other Demographic Risks – the potential that mortality or other demographic experience will be different than expected.
- Contribution Risk – The potential that actual contributions are different than the actuarially determined contributions.

Annual actuarial valuations are performed for the Fund which re-measure the assets and liabilities and compute a new actuarially determined contribution. The Fund also has experience studies performed every four to five years to analyze the discrepancies between actuarial assumptions and actual experience and determine if the actuarial assumptions need to be changed. Annual actuarial valuations and periodic experience studies are practical ways to monitor and reassess risk.

This is to certify that the undersigned are members of the American Academy of Actuaries and have experience in performing valuations for public retirement systems, that the valuation was prepared in accordance with principles of practice prescribed by the Actuarial Standards Board, and that the actuarial calculations were performed by qualified actuaries in accordance with accepted actuarial procedures, based on the current provisions of the Fund.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'John J. Garrett', with a stylized, cursive script.

John J. Garrett, ASA, FCA, MAAA  
Principal and Consulting Actuary

A handwritten signature in blue ink, appearing to read 'Jonathan T. Craven', with a stylized, cursive script.

Jonathan T. Craven, ASA, EA, FCA, MAAA  
Consulting Actuary



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## Section I: Board Summary

The table below summarizes the results of the June 30, 2020 actuarial valuation as compared with the prior year.

**Table I-1: Comparative Summary of Principal Results**

Valuation Date	June 30, 2020	June 30, 2019
Total Annual Payroll	\$ 16,490,136	\$ 15,621,802
Total Valuation Payroll	\$ 16,984,840	\$ 16,090,456
Actuarial Accrued Liability (AAL)		
Active and Deferred Vested Members	\$ 48,544,753	\$ 47,413,874
Retired Members and Survivors	<u>122,210,894</u>	<u>119,784,661</u>
Total	\$ 170,755,647	\$ 167,198,535
Actuarial Value of Assets	\$ 91,269,164	\$ 92,081,178
Funded Ratio	53.5 %	55.1 %
Unfunded Actuarial Accrued Liability (UAAL) (AAL - Actuarial Value of Assets)	\$ 79,486,483	\$ 75,117,357
<b>Calculation of Required Contribution*</b> <b>(Fiscal Year Ending)</b>	June 30, 2021	June 30, 2020
Normal Cost		
Retirement	16.76 %	15.99 %
Termination	3.56 %	3.25 %
Pre-Retirement Survivors	1.03 %	1.05 %
Disability	<u>0.00 %</u>	<u>0.00 %</u>
Total Normal Cost	21.35 %	20.29 %
Administrative Expenses	0.50 %	0.50 %
UAAL 25-Year Amortization Rate	30.21 %	30.14 %
Reduction for SB122 Distribution	<u>(7.07)%</u>	<u>N/A</u>
Actuarially Determined Contribution Rate	44.99 %	50.93 %
Actuarially Determined Contribution Amount	\$ 7,641,728	\$ 8,194,159
Statutory Contribution Rates		
Employer Contribution Rate	15.00 %	15.00 %
Expected Docket Fees	14.71 %	14.76 %
Member Contribution Rate	<u>10.50 %</u>	<u>10.50 %</u>
Total Statutory Rate	40.21 %	40.26 %
Expected Statutory Amount	\$ 6,829,604	\$ 6,478,018
Amortization Period Based on Statutory Rates	Infinite	104
Deficiency in Statutory Rate	4.78%	10.67%
Deficiency in Expected Statutory Amount	\$ 812,124	\$ 1,716,141

\*Valuation results as of June 30, 2019 have been adjusted for a 25-year amortization period.



## Section I: Board Summary

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### Summary of Key Findings

The funding policy for the Fund determines the employer contribution required to satisfy the annual normal cost plus an amount to fully amortize the unfunded actuarial accrued liability (UAAL) over a period not to exceed 25 years. This resulting contribution amount is compared to the expected statutory contribution amount to assess the sufficiency of the statutory contribution. The actuarially determined contribution rate for the Fund in the fiscal year ending June 30, 2021 (FY 2021) is 44.99% of covered payroll. This is a decrease of 5.94% of payroll from the total contribution requirement of 50.93% of covered payroll from the prior valuation.

The total normal cost contribution as a percent of valuation payroll increased from 20.29% to 21.35%. The UAAL increased from \$75.1 million to \$79.5 million and the annual amortization amount increased from 30.14% to 30.21% of payroll. The funded ratio of the Fund has decreased from 55.1% to 53.5%. The UAAL and funded ratio are reconciled in Table IV-3. We note the following key findings:

- The Fund experienced an actuarial loss on Fund assets of \$1,647,208 for the plan year related to the 7.25% expected investment return on the actuarial value of assets. This represents a 1.0% decrease to the funded ratio. Table III-3 provides the calculation of the investment loss for this year.
- In addition, the Fund experienced a net decrease of \$23,577 in liabilities due to non-investment related experience losses.
- The Fund received \$1,314,016 less in contributions than expected. This represents a 0.7% decrease to the funded ratio.
- Senate Bill 122 provides for a monthly distribution of \$100,000 to the Fund until 100% funded. These changes resulted in a decrease of 7.07% to the actuarially determined contribution rate.
- As a result of an experience study performed in the last year, there were assumption changes made for the current valuation. These changes resulted in an increase of \$532,716 to Fund liabilities and a decrease of 0.1% to the funded ratio.

Section II of the report provides summarized information on the membership data used in the valuation. Section III covers the Fund's assets and Section IV covers the Fund's liabilities. The results of the valuation are provided in Section V and the accounting information is in Section VI. The appendices provide additional information on A) the Fund members, B) the actuarial assumptions and methods, and C) the summary of the benefit provisions of the Fund. It is important to note that all information contained in this report for periods prior to June 30, 2010 were produced by a prior actuarial consulting firm.



## Section II: Membership Data

Data regarding the membership of the Fund for use in the valuation were furnished by PERA. The following tables summarize the membership data as of June 30, 2020 compared with that reported for the prior year.

**Table II-1: Summary of Membership Data as of June 30, 2020**

Group	June 30, 2020	June 30, 2019
<b>Total Active Members</b>	<b>123</b>	<b>124</b>
<b>Inactive Members</b>		
Deferred Vested	25	23
Other	<u>2</u>	<u>3</u>
<b>Total Inactive Members</b>	<b>27</b>	<b>26</b>
<b>Retirees</b>		
Service*	146	143
Disabled	2	2
Beneficiaries	<u>45</u>	<u>41</u>
<b>Total Retirees</b>	<b>193</b>	<b>186</b>
<b>Totals</b>	<b>343</b>	<b>336</b>

\*Includes 10 Co-Payees as of June 30, 2020 and 10 Co-Payees as of June 30, 2019.

**Table II-2: Historical Summary of Active Membership Valuation Data**

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Change in Average Pay
6/30/2020	123	\$ 16,490,136	\$ 134,066	6.42 %
6/30/2019	124	15,621,802	125,982	(0.44)%
6/30/2018	125	15,817,424	126,539	6.59 %
6/30/2017	124	14,721,304	118,720	(0.01)%
6/30/2016	127	15,078,274	118,727	(0.04)%
6/30/2015	127	15,084,263	118,774	9.18 %



## Section II: Membership Data

Table II-3: Deferred Members, Retired Members and Beneficiaries as of June 30, 2020

Group	Number	Total Annual Benefits	Average Annual Benefits	Average Age
<b>Deferred Vested</b>	<b>25</b>	<b>\$ 899,989</b>	<b>\$ 36,000</b>	<b>57.64</b>
<b>Retirees</b>				
Service*	146	9,879,886	67,670	71.90
Disability	2	74,659	37,330	69.00
Survivors	45	2,174,118	48,314	75.85
<b>Retiree Totals</b>	<b>193</b>	<b>\$ 12,128,663</b>	<b>\$ 62,843</b>	<b>72.79</b>
<b>Total</b>	<b>218</b>	<b>\$ 13,028,652</b>	<b>\$ 59,764</b>	<b>71.05</b>

\*Includes 10 Co-Payees as of June 30, 2020.





### Section III: Fund Assets

The following tables provide information on the Fund’s assets at market value and the development of the actuarial value of assets.

**Table III-1: Market Value Reconciliation**

	June 30, 2020	June 30, 2019
Beginning of Year Market Value	\$ 91,759,352	\$ 91,330,642
Audit Adjustment	-	-
Revised Beginning of Year Market Value	\$ 91,759,352	\$ 91,330,642
Revenues:		
Member Contributions	1,783,295	1,649,240
Docket Fees	2,499,127	2,375,231
Employer Contributions	2,184,003	2,356,261
Purchase of Service	-	41,597
Investment Income		
Interest, dividends, etc.	1,737,006	2,484,074
Realized/Unrealized gains (losses)	(2,636,746)	3,399,817
Security lending	17,761	19,738
Other Income	-	10,280
Settlement Award	-	-
Total Revenues	\$ 5,584,446	\$ 12,336,238
Expenditures:		
Benefit Payments	12,013,293	11,351,839
Refunds of Member Contributions	7,599	100,360
Investment Expenses	370,497	375,965
Administrative Expenses	81,906	79,364
Total Expenditures	\$ 12,473,295	\$ 11,907,528
End of Year Market Value	\$ 84,870,503	\$ 91,759,352

The market value rate of return for the plan year is -1.41%. The Fund’s cash flow is -6.38% as a percentage of average market value compared to -5.57% last year.



### Section III: Fund Assets

The actuarial value of assets represents a "smoothed" value developed with the purpose of dampening the impact of market volatility on the assets used in determining valuation results. The actuarial value of assets has been calculated by spreading the recognition of unexpected investment income over four years. The amount of unexpected investment income in each year is the difference between expected actuarial value investment income and actual market value investment income. Table III-2 below provides the calculation of the actuarial value of assets.

**Table III-2: Development of Actuarial Value of Assets as of June 30, 2020**

1. Actuarial Value Beginning of Year		\$	92,081,178
2. Market Value End of Year			84,870,503
3. Market Value Beginning of Year			91,759,352
4. Cash Flow			
a. Contributions		\$	6,466,425
b. Service Purchases			-
c. Benefit Payments and Refunds			(12,020,892)
d. Administrative Expenses			(81,906)
e. Other			-
f. Net		\$	(5,636,373)
5. Investment Income			
a. Market Total (2 - 3 - 4f)		\$	(1,252,476)
b. Assumed Rate			7.25 %
c. Amount for Immediate Recognition			6,471,567
d. Amount for Phased-In Recognition			(7,724,043)
6. Phased-In Recognition of Investment Income			
a. Current Year: 0.25 * 5d		\$	(1,931,011)
b. First Prior Year (2018/2019)	\$	(959,114) x 25%	(239,779)
c. Second Prior Year (2017/2018)	\$	(504,294) x 25%	(126,074)
d. Third Prior Year (2016/2017)	\$	2,598,622 x 25%	649,656
e. Total Recognized Investment Gain		\$	(1,647,208)
7. Audit Adjustment		\$	-
8. Actuarial Value End of Year (1 + 4f + 5c + 6e + 7)		\$	91,269,164
9. Difference Between Market & Actuarial Values (2 - 8)		\$	(6,398,661)
10. Rate of Return on Actuarial Value			5.40 %
11. Actuarial Value of Assets as a % of Market Value of Assets			107.5 %



### Section III: Fund Assets

The actuarial valuation assumes the rate of investment return on the assets of the Fund is 7.25% annually. This assumption is based upon the reasonable long-term expected return on the assets. In each year, the Fund will experience actuarial gains and losses due to the actual investment return of the assets. Table III-3 provides the calculation of the gain or loss due to the investment experience on the actuarial value of assets for the year ended June 30, 2020.

**Table III-3: Actuarial Investment Gain (Loss) for the Year Ended June 30, 2020**

1. Beginning of Year Actuarial Value of Assets (AVA)	\$ 92,081,178
2. Employee and Employer Contributions	6,466,425
3. Benefit Payments	(12,020,892)
4. Administrative Expenses	(81,906)
5. Other	-
6. Interest [1 x 7.25% + (2 + 3 + 4 + 5) x 7.25% x 0.5]	6,471,567
7. Expected End of Year AVA	92,916,372
8. Actual End of Year AVA	91,269,164
<b>9. Actuarial Investment Gain (Loss) (8 - 7)</b>	<b>\$ (1,647,208)</b>



## Section IV: Fund Liabilities

The total actuarial present value of benefits is the value as of the valuation date of all future benefits expected to be paid to current members of the Fund. An actuarial cost method allocates each individual's present value of benefits to past and future years of service. The actuarial accrued liability includes the portion of the active member present value of benefits allocated to past service as well as the entire present value of benefits for retirees, beneficiaries and inactive members. The portion of the actuarial present value allocated to the future service of active members is called the present value of future normal costs. Table IV-1 presents the calculation and allocation of the actuarial present value of benefits.

**Table IV-1: Allocation of the Actuarial Present Value of Benefits as of June 30, 2020**

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Actuarial Present Value of Benefits
<b>Active Members</b>			
Service Retirement	\$ 38,051,103	\$ 18,752,608	\$ 56,803,711
Termination Benefits	1,560,322	4,403,904	5,964,226
Survivor Benefits	1,305,555	1,152,592	2,458,147
Disability Retirement	-	-	-
Total for Active Members	\$ 40,916,980	\$ 24,309,104	\$ 65,226,084
<b>Inactive Members</b>	\$ 7,627,773		\$ 7,627,773
<b>Retirees and Beneficiaries</b>			
Service Retirements	\$ 105,241,226		\$ 105,241,226
Beneficiaries	16,127,208		16,127,208
Disability Retirements	842,460		842,460
Total for Retirees and Beneficiaries	\$ 122,210,894		\$ 122,210,894
<b>Total</b>	<b>\$170,755,647</b>	<b>\$ 24,309,104</b>	<b>\$ 195,064,751</b>



## Section IV: Fund Liabilities

Under the valuation funding method, an unfunded actuarial accrued liability (UAAL) exists to the extent that the actuarial accrued liability exceeds the actuarial value of assets as presented in Section III. The calculation of the UAAL as of the valuation date is shown in Table IV-2.

**Table IV-2: Calculation of the Unfunded Actuarial Accrued Liability and Funded Ratio**

	June 30, 2020	June 30, 2019
1. Actuarial Accrued Liability	170,755,647	167,198,535
2. Actuarial Value of Assets	91,269,164	92,081,178
3. Unfunded Actuarial Accrued Liability (1 - 2)	79,486,483	75,117,357
Funded Ratio (2 / 1)	53.5%	55.1%

Although the terminology used to describe the excess of the Fund's actuarial accrued liability over the Fund's actuarial value of assets is call the "unfunded" actuarial accrued liability, the actuarially determined contribution in the valuation includes an annual amortization payment required to fully amortize the UAAL within 25 years.

The funded ratio is the ratio of the actuarial value of assets to the actuarial accrued liability (Table IV-1) as of the valuation date. As of June 30, 2020, the funded ratio of the Fund is 53.5% as compared to a ratio of 55.1% as of June 30, 2019. The ratio is a commonly used measure of the funding progress and can be useful in reviewing the historical trend of a Fund's funding progress. Such a review should also consider the impact to this measure over the historical period due to changes to fund benefits, changes to the actuarial assumptions and methods, and the significant impact that investment experience can have on the ratio over short-term periods. We caution that no single "point in time" measure can provide a universal basis for comparing one plan's funded status to another.



## Section IV: Fund Liabilities

The calculation of the Fund's actuarial assets and liabilities requires the use of several assumptions concerning the future experience of the Fund and its members. In each annual valuation, the latest year of actual experience is compared to that expected by the prior valuation. The differences are actuarial gains and losses which decrease or increase the UAAL. Table IV-3 provides the reconciliation of the UAAL.

**Table IV-3: Reconciliation of the UAAL**

	UAAL	Funded Ratio
<b>1. Beginning of Year</b>	<b>\$ 75,117,357</b>	<b>55.1 %</b>
2. Normal Cost	3,264,394	
3. Expected Contributions	(7,734,474)	
4. Other Income/Expense	81,906	
5. Interest [ (1 x 7.25%) + (2 + 3 + 4) x 7.25% x 0.5 ]	5,286,937	
6. Expected End of Year	\$ 76,016,120	55.3 %
7. Actuarial Experience (Gain) / Loss		
Contribution Shortfall (with interest)	\$ 1,314,016	(0.7)%
Investment Experience	1,647,208	(1.0)%
Liability Experience	(23,577)	0.0 %
Total Actuarial Experience (Gain) / Loss	\$ 2,937,647	
8. End of Year Prior to Plan/Assumption Changes (6 + 7)	\$ 78,953,767	53.6 %
9. Plan Changes	-	
10. Change in Actuarial Assumptions	532,716	(0.1)%
<b>11. Actual End of Year (8 + 9 + 10)</b>	<b>\$ 79,486,483</b>	<b>53.5 %</b>



## Section V: Actuarial Funding Calculation

Section IV of this report presented the Fund's actuarial accrued liability as the portion of the present value of benefits allocated to past years of service. The portion of the active members' present value of benefits allocated to future years of service is funded through annual normal cost contributions comprised of both active member and employer contributions.

The actuarially determined contribution rate is the percentage of valuation payroll necessary to fund the annual normal cost of the Fund and fully amortize the UAAL over 25 years. The amount calculated is expected to remain constant over the remaining amortization period and is provided in Table V-1.

**Table V-1: Calculation of Actuarially Determined Contribution Rate**

	June 30, 2020	June 30, 2019
1. Total Valuation Payroll	\$ 16,984,840	\$ 16,090,456
2. Present Value of Future Benefits	195,064,751	190,704,126
3. Present Value of Future Normal Costs	24,309,104	23,505,591
4. Actuarial Accrued Liability (2 - 3)	\$ 170,755,647	\$ 167,198,535
5. Actuarial Value of Assets	91,269,164	92,081,178
6. Unfunded Actuarial Accrued Liability (UAAL) (4 - 5)	\$ 79,486,483	\$ 75,117,357
7. UAAL Amortization Payment (25 year funding)	\$ 5,131,369	\$ 4,849,313
a. Amortization Payment as a Percent of Payroll (7 / 1)	30.21%	30.14%
8. Total Normal Cost	\$ 3,625,435	\$ 3,264,394
a. Normal Cost as a Percent of Payroll (8 / 1)	21.35%	20.29%
9. Expected Administrative Expenses	\$ 84,924	\$ 80,452
a. Administrative Expense as a Percent of Payroll (9 / 1)	0.50%	0.50%
10. Reduction for SB122 Distribution	\$ 1,200,000	N/A
a. as a Percent of Payroll (10 / 1)	7.07%	N/A
11. Actuarially Determined Contribution (ADC)	\$ 7,641,728	\$ 8,194,159
a. ADC Rate (7a + 8a + 9a - 10a)	44.99%	50.93%
12. Expected Statutory Contribution Rates		
a. Employer Contribution Rate	15.00%	15.00%
b. Expected Docket Fees as a Percent of Payroll	14.71%	14.76%
c. Member Contribution Rate	10.50%	10.50%
d. Total Statutory Contribution Rate (a + b + c)	40.21%	40.26%
13. (Excess)/Shortfall of Statutory Rates (11a - 12d)	4.78%	10.67%



## Section VI: Additional Disclosure Information

The tables provided in this section present information relevant for the annual financial reporting of the Fund. GASB Statement No. 67 required disclosure information will be provided in a separate supplemental report. Additional disclosure information is provided below.

**Table VI-1: Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Liability (AAL) Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Annual Payroll (c)	UAAL as a Percentage of Annual Payroll ((b - a) / c)
6/30/2020	\$ 91,269,164	\$ 170,755,647	\$79,486,483	53.5 %	\$16,490,136	482.0 %
6/30/2019	92,081,178	167,198,535	75,117,357	55.1 %	15,621,802	480.8 %
6/30/2018	92,022,272	163,383,292	71,361,020	56.3 %	15,817,424	451.2 %
6/30/2017	92,137,316	149,412,786	57,275,470	61.7 %	14,721,304	389.1 %
6/30/2016	90,471,110	146,934,910	56,463,800	61.6 %	15,078,274	374.5 %
6/30/2015	88,249,418	141,281,155	53,031,737	62.5 %	15,084,263	351.6 %
6/30/2014	85,577,431	133,346,415	47,768,984	64.2 %	13,163,305	362.9 %
6/30/2013	80,007,287	143,745,971	63,738,684	55.7 %	13,226,142	481.9 %
6/30/2012	75,506,702	147,922,843	72,416,141	51.0 %	12,690,503	570.6 %
6/30/2011	78,199,003	139,709,488	61,510,485	56.0 %	12,266,852	501.4 %

**Table VI-2: Solvency Test**

Valuation Date	Aggregate Accrued Liabilities For			Actuarial Value of Assets	Portion of Accrued Liabilities Covered by Actuarial Value of Assets		
	(1) Active Member Contributions	(2) Retirees, Survivors and Inactive Members	(3) Active Members (Employer Financed Portion)		(1)	(2)	(3)
6/30/2020	\$ 12,600,961	\$ 129,838,667	\$ 28,316,019	\$ 91,269,164	100.00%	60.59%	0.00%
6/30/2019	11,618,040	125,839,968	29,740,527	92,081,178	100.00	63.94	0.00
6/30/2018	12,916,868	116,119,124	34,347,300	92,022,272	100.00	68.12	0.00
6/30/2017	12,589,634	106,164,363	30,658,789	92,137,316	100.00	74.93	0.00
6/30/2016	11,641,376	103,610,547	31,682,987	90,471,110	100.00	76.08	0.00





## Section VI: Additional Disclosure Information

**Table VI-3: Schedule of Retirants Added to and Removed from Rolls**

Valuation Date	Added to Rolls		Removed from Rolls		Rolls End of Year		% Increase in Annual Allowances	Average Annual Allowances
	Number Added	Annual Allowances	Number Removed	Annual Allowances	Number	Annual Allowances		
6/30/2020	11	\$ 580,112	4	\$ 166,902	193	\$ 12,128,663	3.53%	\$ 62,843
6/30/2019	24	1,758,836	12	814,665	186	11,715,453	8.77%	62,986
6/30/2018	14	890,836	3	261,534	174	10,771,282	6.20%	61,904
6/30/2017	7	504,314	4	242,548	163	10,141,980	2.65%	62,221
6/30/2016	14	768,805	6	390,090	160	9,880,214	3.99%	61,751

**Table VI-4: Summary of Actuarial Methods and Assumptions**

Valuation Date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Open
Payroll Growth Rate	3.00%
Remaining amortization period	25 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.25%
Administrative expenses	0.50% of payroll
Projected salary increases*	3.25% Annually
Post-Retirement Benefit Increases:	0.67% compounded annually
* Includes inflation at 2.50%	



## Appendix A: Additional Membership Data

**Table A-1: Schedule of Active Participant Data as of June 30, 2020**

Nearest Age	Completed Years of Service							Total	Payroll
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+		
30 to 34	0	1	0	0	0	0	0	1	\$ 127,067
35 to 39	3	2	0	0	0	0	0	5	\$ 662,459
40 to 44	8	2	3	0	0	0	0	13	\$ 1,734,699
45 to 49	10	5	5	0	0	0	0	20	\$ 2,680,579
50 to 54	4	7	4	3	2	1	0	21	\$ 2,822,872
55 to 59	2	5	7	4	1	2	0	21	\$ 2,792,878
60	0	0	0	1	1	1	0	3	\$ 411,029
61	2	0	0	0	2	0	0	4	\$ 549,494
62	0	3	4	0	0	0	0	7	\$ 939,931
63	1	0	2	1	0	0	0	4	\$ 538,637
64	0	1	1	0	0	0	0	2	\$ 267,530
65	2	0	1	0	1	0	0	4	\$ 545,667
66	0	1	0	0	0	0	0	1	\$ 133,765
67	1	0	2	0	0	0	0	3	\$ 401,294
68	1	1	0	1	0	0	0	3	\$ 403,083
69	0	1	1	1	0	0	0	3	\$ 415,730
70	0	0	1	0	0	0	0	1	\$ 133,765
71	0	0	1	0	0	0	0	1	\$ 133,765
72	0	0	1	0	0	0	0	1	\$ 133,765
73	0	2	1	2	0	0	0	5	\$ -
74	0	0	0	0	0	0	0	0	\$ -
75	0	0	0	0	0	0	0	0	\$ -
76	0	0	0	0	0	0	0	0	\$ -
77	0	0	0	0	0	0	0	0	\$ -
78	0	0	0	0	0	0	0	0	\$ -
79	0	0	0	0	0	0	0	0	\$ -
80 & Over	0	0	0	0	0	0	0	0	\$ -
Total	34	31	34	13	7	4	0	123	\$16,490,136

Average Age: 55.00

Average Service: 10.10



## Appendix A: Additional Membership Data

**Table A-2: Number of Annual Retirement Allowances of Benefit Recipients  
as of June 30, 2020**

Type of Pension	Number	Total Annual Benefits	Average Annual Pension
<b>Normal Retirement Pensions</b>			
Two Life 75% Survivor Pension:			
Retired Member Recipient	136	\$ 9,642,817	\$ 70,903
Survivor Recipient	39	\$ 1,882,169	\$ 48,261
Co-Payee Recipient	10	\$ 237,069	\$ 23,707
<b>Total Normal Retirement Pensions</b>	<b>185</b>	<b>\$ 11,762,055</b>	<b>\$ 63,579</b>
<b>Disability Retirement Pensions</b>			
Duty Disability	2	\$ 74,659	\$ 37,330
Non-Duty Disability	0	N/A	N/A
Survivor Recipient	0	N/A	N/A
Co-Payee Recipient	0	N/A	N/A
<b>Total Disability Retirement Pensions</b>	<b>2</b>	<b>\$ 74,659</b>	<b>\$ 37,330</b>
<b>Pre-Retirement Survivor Pensions</b>			
Survivor Spouse Recipient	6	\$ 291,949	\$ 48,658
Survivor Child Recipient	0	N/A	N/A
<b>Total Pre-Retirement Survivor Pensions</b>	<b>6</b>	<b>\$ 291,949</b>	<b>\$ 48,658</b>
<b>Total Pensions Being Paid</b>	<b>193</b>	<b>\$ 12,128,663</b>	<b>\$ 62,843</b>



## Appendix A: Additional Membership Data

**Table A-3: Distribution of Participants Receiving Benefits as of June 30, 2020**

Attained Age	Retired Member*		Disabled Member		Survivor Beneficiaries		Totals	
	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions	Number	Annual Pensions
Under 40	0	\$ 0	0	\$ 0	2	\$ 9,726	2	\$ 9,726
40 to 44	0	0	0	0	0	0	0	0
45 to 49	0	0	0	0	0	0	0	0
50 to 54	0	0	0	0	1	67,965	1	67,965
55 to 59	4	294,214	0	0	0	0	4	294,214
60 to 64	17	1,026,385	0	0	0	0	17	1,026,385
65 to 69	34	2,154,867	1	42,226	8	366,486	43	2,563,579
70 to 74	49	3,315,782	1	32,433	6	214,952	56	3,563,167
75 to 79	22	1,606,952	0	0	9	488,085	31	2,095,037
80 to 84	10	824,324	0	0	8	419,207	18	1,243,531
85 to 89	6	425,766	0	0	8	493,720	14	919,486
90 to 94	4	231,597	0	0	1	25,739	5	257,336
95 to 99	0	0	0	0	1	56,603	1	56,603
100 & Over	0	0	0	0	1	31,634	1	31,634
<b>Total</b>	<b>146</b>	<b>\$ 9,879,887</b>	<b>2</b>	<b>\$ 74,659</b>	<b>45</b>	<b>\$ 2,174,117</b>	<b>193</b>	<b>\$ 12,128,663</b>

\*Includes 10 Co-Payees.

**Table A-4: Distribution of Retirees by Years of Service at Retirement (not including Disabled Members, Beneficiaries, and Co-Payees)**

	Years of Credited Service at Retirement							Total
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	
Average Monthly Benefit	\$ 2,342	\$3,492	\$ 5,462	\$ 6,924	\$ 6,739	\$ 6,223	\$7,267	\$5,909
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Retirees	7	16	30	46	16	11	10	136

**Table A-5: Distribution of Recent Retiree Ages at Retirement (not including Disabled Members, Beneficiaries, and Co-Payees)**

	2015-16 Retirees	2016-17 Retirees	2017-18 Retirees	2018-19 Retirees	2019-20 Retirees	All Current Retirees
Number	7	4	8	16	6	136
Average Monthly Benefit at Retirement	\$ 6,175	\$ 8,285	\$ 7,808	\$ 6,833	\$ 5,027	\$ 5,808
Average Age at Retirement	65.58	65.65	65.55	64.97	65.14	62.65



## Appendix A: Additional Membership Data

**Table A-6: Status Reconciliation**

	Active Members	Terminated Members *	Pension Recipients			Total
			Service Retired**	Disability Retired	All Beneficiaries	
<b>June 30, 2019</b>	<b>124</b>	<b>26</b>	<b>143</b>	<b>2</b>	<b>41</b>	<b>336</b>
Increase (Decrease) From:						
Service Retirement	(6)		6			
Disability Retirement						
Deaths			(4)		(1)	(5)
Survivors					5	5
Co-Payee						
Other Terminations						
Vested Terminations	(2)	2				
Refund of Contributions		(1)				(1)
New Entrants/Rehires	7					7
Data Adjustments			1			1
<b>June 30, 2020</b>	<b>123</b>	<b>27</b>	<b>146</b>	<b>2</b>	<b>45</b>	<b>343</b>

\* Includes 25 deferred vested members and 2 inactive members at June 30, 2020.

\*\*Includes 10 Co-Payees at June 30, 2020



## **Appendix B: Summary of Actuarial Assumptions and Methods**

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### **Actuarial Cost Methods Used for the Valuation**

An actuarial cost method is a procedure for allocating the actuarial present value of benefits and expenses to time periods. The method used for this valuation is known as the individual entry-age actuarial cost method and has the following characteristics:

- (i) The annual normal costs for each individual active judge are sufficient to accumulate the value of the judge's pension at time of retirement.
- (ii) Each annual normal cost is a constant percentage of the judge's year-by-year projected pensionable compensation.

The individual entry-age actuarial cost method allocates the actuarial present value of each judge's projected benefits on a level basis over the judge's pensionable compensation between the entry age of the judge and the expected exit ages. Normal cost for each judge is based on the benefits payable to that judge. Expected administrative expenses of 0.50% of payroll is included in the calculation of the annual contribution requirement.

The portion of the actuarial present value allocated to the valuation year is called the normal cost. The portion of the actuarial present value not provided for by the actuarial present value of future normal costs is called the actuarial accrued liability. Deducting the actuarial value of assets from the actuarial accrued liability determines the unfunded actuarial accrued liability. Unfunded actuarial accrued liability was amortized as a level percent of payroll over 25 years to determine the computed contribution rate. This period is consistent with the policy established by the Retirement Board in October 1996.

Active judge payroll was projected to increase 3.00% per year for the purpose of determining the contribution needed to amortize the unfunded actuarial accrued liability. This estimate is consistent with the base rate of increase in salaries used to calculate actuarial present values.

The actuarial value of assets used for funding purposes is derived as follows: prior year actuarial value of assets is increased by contributions and expected investment income and reduced by refunds, benefit payments and expenses. To this amount 25% of the difference between expected and actual investment income for each of the previous four years is added. As of June 30, 2012, the actuarial value is no longer limited in the degree it can vary from market value by use of a 20% corridor. This change was recommended in the latest experience study and is consistent with the asset valuation method used in the other PERA plans.



## Appendix B: Summary of Actuarial Assumptions and Methods

### Actuarial Assumptions Used for the Valuation

#### Economic Assumptions (effective with June 30, 2018 valuation)

**Assumed Rate of Investment Return.** 7.25%, net of investment expenses.

**Price Inflation.** 2.50% per annum, compounded annually.

**Real Investment Return.** 4.75% per annum compounded annually.

**Salary Increases (effective with June 30, 2020 valuation).** Annual salaries of active members are assumed to increase at an annual rate of 3.25%.

**Administrative Expenses.** 0.50% of payroll.

#### Demographic Assumptions

**Rates of Retirement.** These rates are used to measure the probability of an eligible judge retiring at the indicated ages.

Sample Ages	Percent Retiring During Year Following Attainment of Indicated Ages
50-54	15%
55-61	20
62	25
63-74	20
75+	100

A judge was assumed to be eligible for retirement after satisfying the following conditions:

	Pre 7/2005 Hire Date	Post 7/2005 Hire Date	Post 7/2014 Hire Date
<b>Early Retirement Eligibility</b>	Age 50 with 18 years of service	N/A	N/A
<b>Normal Retirement Eligibility</b>	Age 60 with 15 years of service; or age 65 with 5 years of service	Age 55 with 16 years of service; or age 65 with 5 years of service	Age 60 with 15 years of service; or age 65 with 8 years of service



## Appendix B: Summary of Actuarial Assumptions and Methods

**Rates of Disability.** Beginning with the June 30, 2008 valuation, there are assumed to be no future disabled retirees.

**Rates of Separation from Active Membership (effective with June 30, 2017 valuation).** The rates are used to measure probabilities of active members terminating that status for a reason other than disability or death. The rates do not apply to judges who are eligible for retirement.

Sample Ages	Percent of Active Judges Separating Within the Next Year
20-34	1.00 %
37	2.00
42	2.50
47	3.00
52	3.50
57	4.00
62	4.50
65	4.50

**Mortality Assumption (effective with June 30, 2018 valuation).** RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally.

Sample Mortality Rates (Base Rates)								
Pre-Commencement			Post-Commencement			Post-Commencement		
Age	Male	Female	Age	Male	Female	Age	Male	Female
25	0.000733	0.000244	35	0.001793	0.001169	80	0.053460	0.042932
30	0.000717	0.000317	40	0.002156	0.001611	85	0.088524	0.072752
35	0.000797	0.000417	45	0.003275	0.002671	90	0.146859	0.125111
40	0.000958	0.000598	50	0.005604	0.004235	95	0.223428	0.197901
45	0.001455	0.001013	55	0.007342	0.005165	100	0.313988	0.291040
50	0.002490	0.001685	60	0.009893	0.006890	105	Disabled retirees use the same assumption as healthy lives.	
55	0.004071	0.002510	65	0.014089	0.010092	110		
60	0.006743	0.003606	70	0.021101	0.016038	115		
65	0.011612	0.005456	75	0.032952	0.026199	120		





## **Appendix B: Summary of Actuarial Assumptions and Methods**

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### **Miscellaneous and Technical Assumptions**

<b>Marriage Assumption:</b>	All members are assumed to be married for purposes of death-in-service benefits. Male spouses are assumed to be three years older than female spouses. At retirement 86% of members are assumed to be married for purposes of valuing death after retirement benefits.
<b>Pay Increase Timing:</b>	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur at the beginning of the year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Neither disability nor withdrawal decrements operate during retirement eligibility.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent of payroll shown in this report and the actual payroll payable at the time contributions are made.
<b>Benefit Service:</b>	Exact fractional service is used to determine the amount of benefit payable.



## **Appendix B: Summary of Actuarial Assumptions and Methods**

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### **Definitions of Technical Terms**

***Accrued Service.*** Service credited under the system which was rendered before the date of the actuarial valuation.

***Actuarial Accrued Liability.*** The difference between the actuarial present value of future benefit payments and the actuarial present value of future normal costs.

***Actuarial Cost Method.*** A mathematical budgeting procedure for allocating the dollar amount of the “actuarial present value of future benefit payments” between future normal cost and actuarial accrued liability.

***Actuarial Present Value.*** The amount of funds currently required to provide a payment or series of payments in the future. It is determined by discounting future payments at predetermined rates of interest and by probabilities of payment.

***Amortization.*** Paying off an amount with periodic payments of interest and principal – as opposed to paying off with a lump sum payment.

***Experience Gain (Loss).*** The difference between actual actuarial costs and anticipated actuarial costs – during the period between two valuation dates.

***Normal Cost.*** The actuarial cost allocated to the current year by the actuarial cost method.

***Unfunded Actuarial Accrued Liability.*** The difference between the actuarial accrued liability and the funding value of assets. Sometimes referred to as the “unfunded accrued liability.”



## Appendix C: Summary of Plan Provisions

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### Membership

Includes Metropolitan judges and all judges of district courts and justices of the Supreme Court and Court of Appeals. Judges in office on or before July 1, 1980 had the opportunity to choose coverage under the post July 1, 1980 plan upon filing of an irrevocable election prior to December 1, 1980.

### Voluntary Retirement

A judge may voluntarily retire:

- 1) At age 65 with 5 or more years of service.
- 2) At age 60 with 15 or more years of service.

For members hired after July 1, 2005:

- 1) At age 65 with 5 or more years of service.
- 2) At age 55 with 16 or more years of service.

For members hired after June 30, 2014:

- 1) At age 65 with 8 or more years of service.
- 2) At age 60 with 15 or more years of service.

### Retirement Pension

**Pre 7-1-80 plan:** 37.5% of one-year final average salary plus 7.5% of one-year final average salary for each year of service in excess of 5 years. Maximum is 75% of one-year final average salary (10 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-80 plan:** 75% of one-year final average salary x 5% x (years of service prior to 7/1/2014 (not exceeding 15) plus 5). Maximum is 75% of one-year final average salary (15 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-05 plan:** 3.75% of one-year final average salary for each year of service. Maximum is 75% of one-year final average salary (20 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-14 plan:** 3.25% of five-year final average salary for each year of service. Maximum is 85% of five-year final average salary.

### Early Retirement Pension

Applicable to judges between the ages of 50 and 60 with 18 or more years of service. The pension is equal to 70% of FAS plus ½% of FAS multiplied by the number of complete years the age at retirement exceeds age 50. Members hired after July 1, 2005 are not eligible for early retirement.



## **Appendix C: Summary of Plan Provisions**

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### **Final Average Salary**

For service credit earned before June 30, 2014, the salary received during the last one year in office prior to retirement. For service credit earned on or after July 1, 2014, the average salary received for the highest five-year consecutive period.

### **Deferred Retirement Pension**

If judicial service terminates after 5 years of such service, the judge and spouse retain entitlement to benefits of the Fund. Five-year service requirement is waived if the result of a duty-related disability.

**Pre 7-1-80 plan:** 37.5% of one-year final average salary plus 7.5% of one-year final average salary for each year of service in excess of 5 years. Maximum is 75% of one-year final average salary (10 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-80 plan:** 75% of one-year final average salary x 5% x (years of service prior to 7/1/2014 (not exceeding 15) plus 5). Maximum is 75% of one-year final average salary (15 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-05 plan:** 3.75% of one-year final average salary for each year of service. Maximum is 75% of one-year final average salary (20 or more years of service). For service credit earned on or after July 1, 2014, 3.5% of five-year final average salary with a maximum of 85% of five-year final average salary.

**Post 7-1-14 plan:** 3.25% of five-year final average salary for each year of service. Maximum is 85% of five-year final average salary.

Payment of the judge's pension commences upon reaching the age and service requirement for voluntary retirement.

### **Survivor's Pension – Retired Judges**

The surviving spouse of a retired judge hired prior to July 1, 2014 receives a pension of 75% of the judge's retirement pension until death. Pension is payable to deceased judge's minor and dependent children if there is no eligible surviving spouse. For a judge hired on or after July 1, 2014, any benefit the surviving spouse receives depends on the payment form elected by the judge at retirement.



## **Appendix C: Summary of Plan Provisions**

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### **Survivor's Pension – Active Judges**

Applicable if judge had 5 (8 if hired after June 30, 2014) or more years of service. The surviving spouse of a judge hired prior to July 1, 2014 would receive 75% of the judge's vested pension until death. The surviving spouse of a judge hired after June 30, 2014 would receive the greater of 30% of final average salary or the accrued normal retirement pension under the 100% joint and survivor payment form. Pension is payable to deceased judge's minor and dependent children if there is no eligible surviving spouse.

### **Disability**

Applicable if judge has 5 (8 if hired after June 30, 2014) or more years of service and becomes incapacitated to perform duties of office. The amount of the disability pension is equal to the judge's accrued vested benefit.

### **Cost-of-Living Increases**

Effective July 1, 2014, there will be no COLA increases for 2014 and 2015. Starting July 1, 2016, annual 2% COLA increases will be subject to PERA's certification based on the Fund's current year and projected next year funded ratio being equal to or greater than 100%. At a minimum, a 2% COLA increase will be granted every third year. COLA increases are subject to the following eligibility periods:

- If member retires prior to July 1, 2014, COLA is payable after retirement has been in effect for at least 2 full calendar years.
- If member retires on or after July 1, 2014 but prior to July 1, 2015, COLA is payable after retirement has been in effect for at least 3 full calendar years.
- If member retires on or after July 1, 2015 but prior to July 1, 2016, COLA is payable after retirement has been in effect for at least 4 full calendar years.
- If member retires on or after July 1, 2016, COLA is payable after retirement has been in effect for at least 7 full calendar years.

If retired on account of disability or if at least age 65, the above waiting period is reduced to 1 full calendar year.

### **Judge's Contributions**

Members contribute 10.5% of salary.



## **Appendix C: Summary of Plan Provisions**

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### **Refund of Judge's Contributions**

If a judge leaves service or dies and no pension becomes payable, the accumulated contributions are refunded or paid to the designated beneficiary.

### **Public Payments**

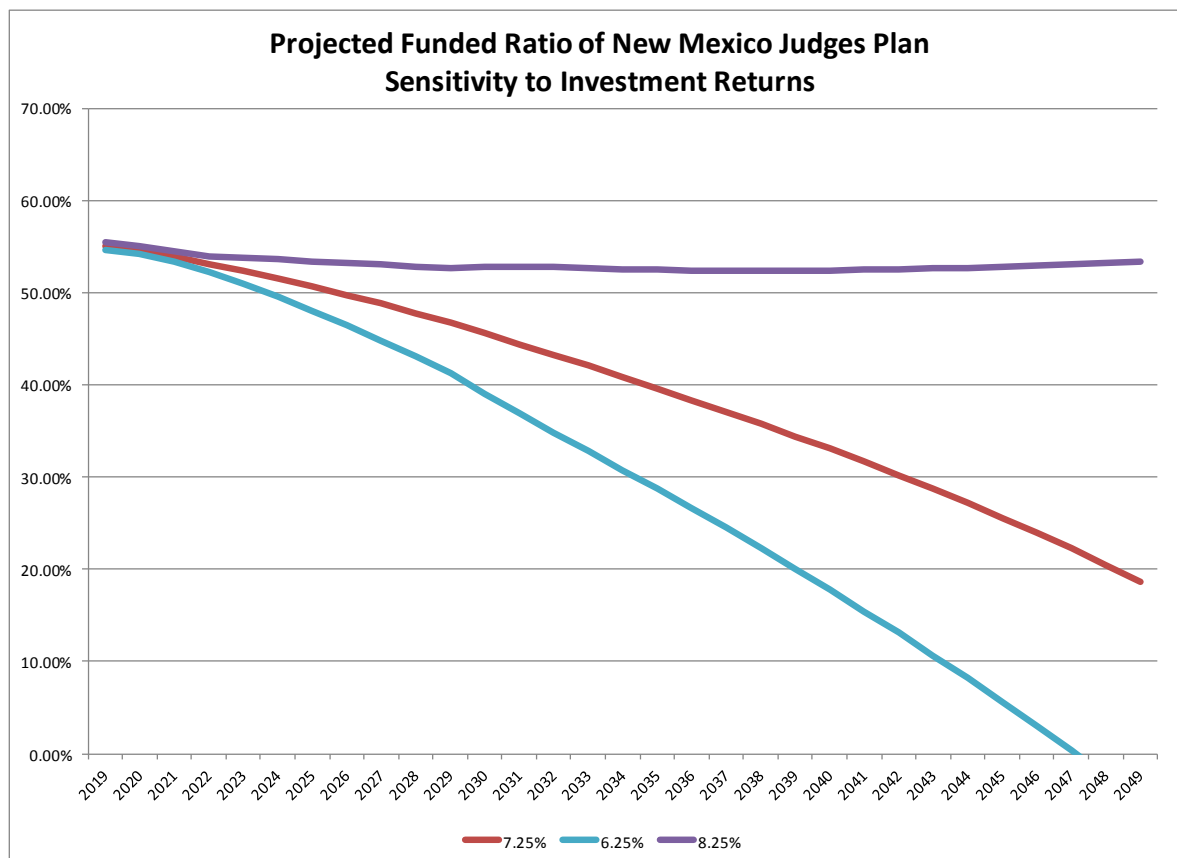
Payroll based contributions: 15.0% of salary. Dollar Contributions: \$38.00 from each civil case docket fee paid in the district court (increased from \$27.25 effective June 19, 1987) plus \$25.00 from each civil case docket fee and \$10.00 from each civil action jury fee paid in the metropolitan courts.

### **Other Service**

PERA, MRA and ERA service may be combined with Judicial service for purposes of satisfying age and service requirements once a member has attained one month of Judicial service. When combining service, members may retire under the JRA after satisfying either the JRA or PERA age and service requirements for immediate benefits.



## Appendix D: Investment Risk Sensitivity



**Note: These projections do not include the impact of Senate Bill 122.**