



**Cavanaugh Macdonald**  
CONSULTING, LLC

*The experience and dedication you deserve*



**PERA**

Public Employees  
Retirement Association  
of New Mexico

**INVESTED IN TOMORROW.**

**New Mexico Judicial Retirement Fund  
Annual Actuarial Valuation  
as of June 30, 2016**





# Cavanaugh Macdonald

## CONSULTING, LLC

*The experience and dedication you deserve*

November 17, 2016

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, 2016; 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 30-year period. The results of this valuation apply to the fiscal year beginning July 1, 2016 and ending June 30, 2017 (FY 2017). 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 economic assumptions were adopted for the June 30, 2016 valuations as follows:

Assumption	Previous	Current-First 10 Years	All Other Years
Rate of Inflation	3.00%	2.25%	2.75%
Investment Rate of Return	7.75%	7.25%	7.75%
Rate of Payroll Growth	3.50%	2.75%	3.25%

In addition, new demographic assumptions and methods were adopted for the June 30, 2016 valuation as follows:

Summary of Recommendations	
<b>Withdrawal</b>	Recommend changing rates
<b>Retirement</b>	Recommend no change
<b>Mortality</b>	Will be determined by next PERA experience study



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.

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, flowing 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, flowing script.

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



## **TABLE OF CONTENTS**

<u>Section</u>	<u>Item</u>	<u>Page No.</u>
I	Board Summary	1
II	Membership Data	3
III	Fund Assets	5
IV	Fund Liabilities	8
V	Actuarial Funding Calculation	11
VI	Accounting Information	12
 <u>Appendices</u>		
A	Additional Membership Data	14
B	Summary of Actuarial Assumptions and Methods	18
C	Summary of Plan Provisions	23

## Section I: Board Summary



The table below summarizes the results of the June 30, 2016 actuarial valuation as compared with the prior year.

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

Valuation Date	June 30, 2016	June 30, 2015
Total Annual Payroll	\$ 15,078,274	\$ 15,084,263
Total Valuation Payroll	\$ 15,492,927	\$ 15,612,212
Actuarial Accrued Liability (AAL)		
Active and Deferred Vested Members	\$ 47,080,690	\$ 47,095,010
Retired Members and Survivors	<u>99,854,220</u>	<u>94,186,145</u>
Total	\$ 146,934,910	\$ 141,281,155
Actuarial Value of Assets	\$ 90,471,110	\$ 88,249,418
Funded Ratio	61.6 %	62.5 %
Unfunded Actuarial Accrued Liability (UAAL) (AAL - Actuarial Value of Assets)	\$ 56,463,800	\$ 53,031,737
<b>Calculation of Required Contribution (Fiscal Year Ending)</b>	<b>June 30, 2017</b>	<b>June 30, 2016</b>
Normal Cost		
Retirement	16.47 %	17.87 %
Termination	3.15 %	2.51 %
Pre-Retirement Survivors	0.64 %	0.68 %
Disability	<u>0.00 %</u>	<u>0.00 %</u>
Total Normal Cost	20.26 %	21.06 %
Administrative Expenses	0.45 %	0.45 %
UAAL 30-Year Amortization Rate	<u>21.90 %</u>	<u>19.84 %</u>
Actuarially Determined Contribution Rate	42.61 %	41.35 %
Actuarially Determined Contribution Amount	\$ 6,601,548	\$ 6,455,003
Statutory Contribution Rates		
Employer Contribution Rate	15.00 %	15.00 %
Expected Docket Fees	12.77 %	12.69 %
Member Contribution Rate	<u>10.50 %</u>	<u>10.50 %</u>
Total Statutory Rate	38.27 %	38.19 %
Expected Statutory Amount	\$ 5,929,143	\$ 5,962,304
Amortization Period Based on Statutory Rates	55	45
Deficiency in Statutory Rate	4.34%	3.16%
Deficiency in Expected Statutory Amount	\$ 672,405	\$ 492,699



## Section I: Board Summary

---

### 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 30 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, 2017 (FY 2017) is 42.61% of covered payroll. This is an increase of 1.26% of payroll from the total contribution requirement of 41.35% of covered payroll from the prior valuation.

The total normal cost contribution as a percent of valuation payroll decreased from 21.06% to 20.26%. The UAAL increased from \$53.0 million to \$56.5 million and the annual amortization amount increased from 19.84% to 21.90% of payroll. The funded ratio of the Fund has decreased from 62.5% to 61.6%. 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 \$429,480 for the plan year related to the 7.75% expected investment return on the actuarial value of assets. This represents a 0.3% 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 \$1,893,531 in liabilities due to non-investment related experience gains. Salary increases that were less than expected was the primary source of this gain. This represents a 0.8% increase to the funded ratio.
- The Fund received \$660,535 less in contributions than expected. This represents a 0.5% decrease to the funded ratio.
- 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 \$3,423,578 to Fund liabilities and a decrease of 1.4% to the funded ratio.
- The financing period for the unfunded liability based upon the statutory contribution rates is 55 years compared with 45 years last year.

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, 2016 compared with that reported for the prior year.

**Table II-1: Summary of Membership Data as of June 30, 2016**

Group	June 30, 2016	June 30, 2015
<b>Total Active Members</b>	<b>127</b>	<b>127</b>
<b>Inactive Members</b>		
Deferred Vested	17	19
Other	<u>3</u>	<u>4</u>
<b>Total Inactive Members</b>	<b>20</b>	<b>23</b>
<b>Retirees</b>		
Service*	125	119
Disabled	2	2
Beneficiaries	<u>33</u>	<u>31</u>
<b>Total Retirees</b>	<b>160</b>	<b>152</b>
<b>Totals</b>	<b>307</b>	<b>302</b>

\*Includes 9 Co-Payees as of June 30, 2016 and 8 Co-Payees as of June 30, 2015.

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

Valuation Date	Number	Annual Payroll	Annual Average Pay	% Change in Average Pay
6/30/2016	127	\$ 15,078,274	\$ 118,727	(0.04)%
6/30/2015	127	15,084,263	118,774	9.18 %
6/30/2014	121	13,163,305	108,788	1.17 %
6/30/2013	123	13,226,142	107,530	(0.02)%
6/30/2012	118	12,690,503	107,547	(0.05)%
6/30/2011	114	12,266,852	107,604	(0.17)%



## Section II: Membership Data

**Table II-3: Deferred Members, Retired Members and Beneficiaries as of June 30, 2016**

Group	Number	Total Annual Benefits	Average Annual Benefits	Average Age
<b>Deferred Vested</b>	<b>17</b>	<b>\$ 467,404</b>	<b>\$ 27,494</b>	<b>55.15</b>
<b>Retirees</b>				
Service*	125	8,196,711	65,574	70.62
Disability	2	73,195	36,598	64.83
Survivors	<u>33</u>	<u>1,610,308</u>	48,797	75.80
<b>Retiree Totals</b>	<b>160</b>	<b>\$ 9,880,214</b>	<b>\$ 61,751</b>	<b>71.62</b>
<b>Total</b>	<b>177</b>	<b>\$10,347,618</b>	<b>\$ 58,461</b>	<b>70.03</b>

\*Includes 9 Co-Payees as of June 30, 2016.





### 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, 2016	June 30, 2015
Beginning of Year Market Value	\$ 88,988,252	\$ 91,141,300
Audit Adjustment	(256,521)	-
Revised Beginning of Year Market Value	\$ 88,731,731	\$ 91,141,300
Revenues:		
Member Contributions	1,581,685	1,546,335
Docket Fees	1,977,879	1,980,506
Employer Contributions	2,259,545	2,215,770
Purchase of Service	-	32,845
Investment Income		
Interest, dividends, etc.	1,928,123	3,003,021
Realized/Unrealized gains (losses)	(1,579,614)	(1,311,824)
Security lending	15,794	(7,532)
Other Income	-	(117,558)
Settlement Award	71,531	150,653
Total Revenues	\$ 6,254,943	\$ 7,492,216
Expenditures:		
Benefit Payments	9,812,803	9,373,041
Refunds of Member Contributions	45,432	40,197
Investment Expenses	132,092	172,007
Administrative Expenses	64,326	60,019
Total Expenditures	\$ 10,054,653	\$ 9,645,264
End of Year Market Value	\$ 84,932,021	\$ 88,988,252

The market value rate of return for the plan year is 0.27%. The Fund's cash flow is -4.6 % as a percentage of average market value compared to -4.1% 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, 2016**

1. Actuarial Value Beginning of Year		\$	88,249,418
2. Market Value End of Year			84,932,021
3. Market Value Beginning of Year			88,731,731
4. Cash Flow			
a. Contributions		\$	5,819,109
b. Service Purchases			-
c. Benefit Payments and Refunds			(9,858,235)
d. Administrative Expenses			(64,326)
e. Other			71,531
f. Net		\$	(4,031,921)
5. Investment Income			
a. Market Total (2 - 3 - 4f)		\$	232,211
b. Assumed Rate			7.75 %
c. Amount for Immediate Recognition			6,683,093
d. Amount for Phased-In Recognition			(6,450,882)
6. Phased-In Recognition of Investment Income			
a. Current Year: $0.25 \times 5d$		\$	(1,612,721)
b. First Prior Year (2014/2015)	\$ (4,978,586) x 25%		(1,244,647)
c. Second Prior Year (2013/2014)	\$ 7,153,469 x 25%		1,788,367
d. Third Prior Year (2012/2013)	\$ 3,584,166 x 25%		896,042
e. Total Recognized Investment Gain		\$	(172,959)
7. Audit Adjustment		\$	(256,521)
8. Actuarial Value End of Year (1 + 4f + 5c + 6e + 7)		\$	90,471,110
9. Difference Between Market & Actuarial Values (2 - 8)		\$	(5,539,089)
10. Rate of Return on Actuarial Value			7.25 %
11. Actuarial Value of Assets as a % of Market Value of Assets			106.5 %



### Section III: Fund Assets

The actuarial valuation assumes the rate of investment return on the assets of the Fund is 7.25% annually for the 10 year period beginning with the June 30, 2016 valuation, and 7.75% thereafter. 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, 2016 (based on the 7.75% assumed rate of return in effect for the prior valuation).

**Table III-3: Actuarial Investment Gain (Loss) for the Year Ended June 30, 2016**

1. Beginning of Year Actuarial Value of Assets (AVA)	\$ 88,249,418
2. Employee and Employer Contributions	5,819,109
3. Benefit Payments	(9,858,235)
4. Administrative Expenses	(64,326)
5. Other	71,531
6. Interest [ $1 \times 7.75\% + (2 + 3 + 4 + 5) \times 7.75\% \times 0.5$ ]	6,683,093
7. Expected End of Year AVA	90,900,590
8. Actual End of Year AVA	90,471,110
<b>9. Actuarial Investment Gain (Loss) (8 - 7)</b>	<b>\$ (429,480)</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, 2016**

	Actuarial Accrued Liability	Present Value of Future Normal Cost	Actuarial Present Value of Benefits
<b>Active Members</b>			
Service Retirement	\$ 41,095,393	\$ 16,418,434	\$ 57,513,827
Termination Benefits	1,333,427	3,341,446	4,674,873
Survivor Benefits	895,543	652,669	1,548,212
Disability Retirement	-	-	-
Total for Active Members	\$ 43,324,363	\$ 20,412,549	\$ 63,736,912
<b>Inactive Members</b>	\$ 3,756,327		\$ 3,756,327
<b>Retirees and Beneficiaries</b>			
Service Retirements	\$ 86,542,744		\$ 86,542,744
Beneficiaries	12,443,765		12,443,765
Disability Retirements	867,711		867,711
Total for Retirees and Beneficiaries	\$ 99,854,220		\$ 99,854,220
<b>Total</b>	<b>\$146,934,910</b>	<b>\$ 20,412,549</b>	<b>\$ 167,347,459</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, 2016	June 30, 2015
1. Actuarial Accrued Liability	146,934,910	141,281,155
2. Actuarial Value of Assets	90,471,110	88,249,418
3. Unfunded Actuarial Accrued Liability (1 - 2)	56,463,800	53,031,737
Funded Ratio (2 / 1)	61.6%	62.5%

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 30 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, 2016, the funded ratio of the Fund is 61.6% as compared to a ratio of 62.5% as of June 30, 2015. 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>\$ 53,031,737</b>	<b>62.5 %</b>
2. Normal Cost	3,287,278	
3. Expected Contributions	(6,455,003)	
4. Other Income/Expense	(7,205)	
5. Interest [ (1 x 7.75%) + (2 + 3 + 4) x 7.75% x 0.5 ]	3,986,931	
6. Expected End of Year	\$ 53,843,738	63.0 %
7. Actuarial Experience (Gain) / Loss		
Contribution Shortfall (with interest)	\$ 660,535	(0.5)%
Investment Experience	429,480	(0.3)%
Liability Experience	(1,893,531)	0.8 %
Total Actuarial Experience (Gain) / Loss	\$ (803,516)	
8. End of Year Prior to Plan/Assumption Changes (6 + 7)	\$ 53,040,222	63.0 %
9. Plan Changes	-	
10. Change in Actuarial Assumptions	3,423,578	(1.4)%
<b>11. Actual End of Year (8 + 9 + 10)</b>	<b>\$ 56,463,800</b>	<b>61.6 %</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 30 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, 2016	June 30, 2015
1. Total Valuation Payroll	\$ 15,492,927	\$ 15,612,212
2. Present Value of Future Benefits	167,347,459	163,711,205
3. Present Value of Future Normal Costs	20,412,549	22,430,050
4. Actuarial Accrued Liability (2 - 3)	\$ 146,934,910	\$ 141,281,155
5. Actuarial Value of Assets	90,471,110	88,249,418
6. Unfunded Actuarial Accrued Liability (UAAL) (4 - 5)	\$ 56,463,800	\$ 53,031,737
7. UAAL Amortization Payment (30 year funding)	\$ 3,392,739	\$ 3,097,470
a. Amortization Payment as a Percent of Payroll (7 / 1)	21.90%	19.84%
8. Total Normal Cost	\$ 3,139,091	\$ 3,287,278
a. Normal Cost as a Percent of Payroll (8 / 1)	20.26%	21.06%
9. Expected Administrative Expenses	\$ 69,718	\$ 70,255
a. Administrative Expense as a Percent of Payroll (9 / 1)	0.45%	0.45%
10. Actuarially Determined Contribution (ADC)	\$ 6,601,548	\$ 6,455,003
a. ADC Rate (7a + 8a + 9a)	42.61%	41.35%
11. Expected Statutory Contribution Rates		
a. Employer Contribution Rate	15.00%	15.00%
b. Expected Docket Fees as a Percent of Payroll	12.77%	12.69%
c. Member Contribution Rate	10.50%	10.50%
d. Total Statutory Contribution Rate (a + b + c)	38.27%	38.19%
12. (Excess)/Shortfall of Statutory Rates (10a - 11d)	4.34%	3.16%



## Section VI: Accounting 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. GASB Statement No. 25 information is provided below.

**Table VI-1: GASB Statement No. 25 Schedule of Funding Progress**

Actuarial Valuation Date	Actuarial Value of Plan Assets (a)	Actuarial Accrued 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)
6/30/2016	\$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 %
6/30/2010	79,644,583	130,135,898	50,491,315	61.2 %	13,041,980	387.1 %
6/30/2009	73,161,152	120,840,622	47,679,470	60.5 %	13,011,196	366.4 %
6/30/2008	87,429,745	111,721,411	24,291,666	78.3 %	11,697,421	207.7 %
6/30/2007	82,569,524	104,040,035	21,470,512	79.4 %	11,754,248	182.7 %

**Table VI-2: Solvency Test**

Valuation Date	Aggregate Accrued Liabilities For				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)	Actuarial Value of Assets	(1)	(2)	(3)
6/30/2016	\$ 11,641,376	\$ 103,610,547	\$ 31,682,987	\$90,471,110	100.00%	76.08%	0.00%
6/30/2015	11,063,301	97,761,695	32,456,159	88,249,418	100.00	78.95	0.00
6/30/2014	10,878,347	93,176,816	29,291,252	85,577,431	100.00	80.17	0.00
6/30/2013	10,484,159	99,609,628	33,652,184	80,007,287	100.00	69.80	0.00
6/30/2012	9,430,314	102,121,251	36,371,278	75,506,702	100.00	64.70	0.00



## Section VI: Accounting 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		
6/30/2016	14	\$ 768,805	6	\$ 390,090	160	\$ 9,880,214	3.99%	\$ 61,751
6/30/2015	14	759,235	3	136,169	152	9,501,499	7.02%	62,510
6/30/2014	10	687,978	2	108,230	141	8,878,433	6.99%	62,968
6/30/2013	12	935,944	6	396,548	133	8,298,685	6.95%	62,396
6/30/2012	12	774,812	3	234,997	127	7,759,289	7.48%	61,097

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

Valuation Date	June 30, 2016
Actuarial cost method	Entry Age Normal
Amortization method	Level Percent of Payroll, Open
Payroll Growth Rate	2.75% for 1st 10 years, 3.25% thereafter
Remaining amortization period	30 years
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return*	7.25% for 1st 10 years, 7.75% thereafter
Administrative expenses	0.45% of payroll
Projected salary increases*	3.5% for 1st 10 years, 4.0% thereafter
Post-Retirement Benefit Increases:	0.67% compounded annually
* Includes inflation at 2.25% for 1st 10 years, 2.75% thereafter	



## Appendix A: Additional Membership Data

**Table A-1: Schedule of Active Participant Data as of June 30, 2016**

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	1	0	0	0	0	0	0	1	\$ 112,466
35 to 39	2	0	0	0	0	0	0	2	\$ 236,787
40 to 44	6	4	1	0	0	0	0	11	\$ 1,280,406
45 to 49	6	4	2	3	0	0	0	15	\$ 1,764,339
50 to 54	1	3	9	3	3	2	0	21	\$ 2,452,486
55 to 59	4	5	11	5	2	0	0	27	\$ 3,221,026
60	1	2	2	0	0	0	0	5	\$ 598,187
61	1	0	2	1	1	0	0	5	\$ 607,984
62	1	0	2	1	1	1	0	6	\$ 713,939
63	0	3	1	1	0	0	0	5	\$ 591,968
64	3	0	2	1	0	0	0	6	\$ 718,370
65	0	0	2	1	0	0	0	3	\$ 365,082
66	1	0	1	0	0	0	0	2	\$ 238,576
67	0	1	1	0	1	0	0	3	\$ 363,189
68	0	0	1	0	0	0	0	1	\$ 118,394
69	1	3	3	0	0	0	1	8	\$ 957,486
70	1	0	0	0	0	0	0	1	\$ 118,394
71	0	0	1	0	0	0	0	1	\$ 118,394
72	0	0	0	0	1	0	0	1	\$ 124,613
73	0	1	0	0	0	0	0	1	\$ 133,182
74	1	0	0	0	0	0	0	1	\$ 118,394
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	1	0	0	0	1	\$ 124,613
79	0	0	0	0	0	0	0	0	\$ -
80 & Over	0	0	0	0	0	0	0	0	\$ -
Total	30	26	41	17	9	3	1	127	\$15,078,274

Average Age: 56.56

Average Service: 10.51



## Appendix A: Additional Membership Data

**Table A-2: Number of Annual Retirement Allowances of Benefit Recipients  
as of June 30, 2016**

Type of Pension	Number	Total Annual Benefits	Average Annual Pension
<b>Normal Retirement Pensions</b>			
Two Life 75% Survivor Pension:			
Retired Member Recipient	116	\$7,972,538	\$ 68,729
Survivor Recipient	27	\$1,324,084	\$ 49,040
Co-Payee Recipient	9	\$ 224,173	\$ 24,908
<b>Total Normal Retirement Pensions</b>	<b>152</b>	<b>\$9,520,795</b>	<b>\$ 62,637</b>
<b>Disability Retirement Pensions</b>			
Duty Disability	1	\$ 31,797	\$ 31,797
Non-Duty Disability	1	\$ 41,398	\$ 41,398
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>\$ 73,195</b>	<b>\$ 36,598</b>
<b>Pre-Retirement Survivor Pensions</b>			
Survivor Spouse Recipient	6	\$ 286,224	\$ 47,704
Survivor Child Recipient	0	N/A	N/A
<b>Total Pre-Retirement Survivor Pensions</b>	<b>6</b>	<b>\$ 286,224</b>	<b>\$ 47,704</b>
<b>Total Pensions Being Paid</b>	<b>160</b>	<b>\$9,880,214</b>	<b>\$ 61,751</b>



## Appendix A: Additional Membership Data

**Table A-3: Distribution of Participants Receiving Benefits as of June 30, 2016**

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	\$ -
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	1	59,546	0	0	1	66,633	2	126,179
55 to 59	7	222,160	0	0	0	0	7	222,160
60 to 64	21	1,358,306	1	41,398	5	174,915	27	1,574,619
65 to 69	46	2,993,315	1	31,797	4	167,438	51	3,192,550
70 to 74	18	1,208,005	0	0	5	281,961	23	1,489,966
75 to 79	15	1,132,320	0	0	7	343,214	22	1,475,534
80 to 84	6	439,958	0	0	4	227,525	10	667,483
85 to 89	8	504,276	0	0	2	85,598	10	589,874
90 to 94	2	198,340	0	0	5	263,024	7	461,364
95 to 99	1	80,485	0	0	0	0	1	80,485
100 & Over	0	0	0	0	0	0	0	0
<b>Total</b>	<b>125</b>	<b>\$8,196,711</b>	<b>2</b>	<b>\$ 73,195</b>	<b>33</b>	<b>\$1,610,308</b>	<b>160</b>	<b>\$9,880,214</b>

\*Includes 9 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							
	Under 5	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30+	Total
Average Monthly Benefit*	\$ 3,285	\$3,148	\$ 5,140	\$ 6,745	\$ 5,897	\$ 5,556	\$6,988	\$5,733
Average Final Average Salary	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of Retirees*	2	14	24	39	9	11	13	112

\*Does not include 4 retirees with missing years of service at retirement.

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

	2011-12 Retirees	2012-13 Retirees	2013-14 Retirees	2014-15 Retirees	2015-16 Retirees	All Current Retirees
Number	8	7	7	11	7	116
Average Monthly Benefit at Retirement	\$ 4,913	\$ 6,429	\$ 5,200	\$ 6,200	\$ 6,175	\$ 5,279
Average Age at Retirement	65.78	61.79	62.82	65.52	65.58	61.82



## 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, 2015</b>	<b>127</b>	<b>23</b>	<b>119</b>	<b>2</b>	<b>31</b>	<b>302</b>
Increase (Decrease) From:						
Service Retirement	(6)	(3)	9			
Disability Retirement						
Deaths			(4)		(2)	(6)
Survivors					4	4
Co-Payee			1			1
Other Terminations						
Vested Terminations	(1)	1				
Refund of Contributions		(1)				(1)
New Entrants/Rehires	7					7
Data Adjustments						0
<b>June 30, 2016</b>	<b>127</b>	<b>20</b>	<b>125</b>	<b>2</b>	<b>33</b>	<b>307</b>

\* Includes 17 deferred vested members and 3 inactive members at June 30, 2016.

\*\*Includes 9 Co-Payees at June 30, 2016



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

---

### **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 0.45% 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 30 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 2.75% per year (3.5% prior to the June 30, 2016 valuation and 4.0% prior to the June 30, 2014 valuation) 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, 2016 valuation)

**Assumed Rate of Investment Return.** 7.25%, net of investment expenses for the first 10 years, 7.75% thereafter

**Price Inflation.** 2.25% per annum, compounded annually, for the first 10 years, and 2.75% per annum thereafter

**Real Investment Return.** 5.00% per annum compounded annually.

**Salary Increases.** Annual salaries of active members are assumed to increase at an annual rate of 3.5% per year for the first 10 years and 4.0% thereafter.

**Administrative Expenses.** 0.45% 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	15
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, 2016 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.** The mortality assumptions are based on the RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA. This assumption includes between 5% and 8% margin sufficient to allow for modest future improvement in the rates of mortality.

Sample Mortality Rates								
Pre-Retirement			Post-Retirement			Disabled		
Age	Male	Female	Age	Male	Female	Age	Male	Female
25	0.0003	0.0002	45	0.0012	0.0008	45	0.0178	0.0056
30	0.0004	0.0002	50	0.0015	0.0012	50	0.0209	0.0085
35	0.0007	0.0004	55	0.0026	0.0024	55	0.0251	0.0143
40	0.0009	0.0005	60	0.0050	0.0046	60	0.0314	0.0200
45	0.0012	0.0008	65	0.0099	0.0089	65	Uses healthy post-retirement rates upon surviving to normal retirement age.	
50	0.0015	0.0012	70	0.0169	0.0153	70		
55	0.0021	0.0022	75	0.0294	0.0243	75		
60	0.0036	0.0036	80	0.0537	0.0404	80		
65	0.0059	0.0053	85	0.0976	0.0695	85		





## Appendix B: Summary of Actuarial Assumptions and Methods

---

### 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

---

### 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

---

### 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 5 year final average salary.

**Post 7-1-80 plan:** 37.5% of one year final average salary plus 3.75% 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 (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 5 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 5 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  $\frac{1}{2}\%$  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

---

### **Final Average Salary**

For service credit earned before June 30, 2014, the salary received during the last 1 year in office prior to retirement. For service credit earned on or after July 1, 2014, the average salary received for the highest 5 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 5 year final average salary.

***Post 7-1-80 plan:*** 37.5% of one year final average salary plus 3.75% 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 (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 5 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 5 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**

---

### **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**

---

### **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.