

The Judicial Retirement System of New Jersey Annual Report of the Actuary

Prepared as of July 1, 2014



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April 1, 2015

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

Members of the Commission:

The law governing the operation of The Judicial Retirement System of New Jersey provides for annual actuarial valuations of the System. The results of the July 1, 2014 valuation are submitted in this report, which also includes a comparison with the results of the July 1, 2013 valuation.

The valuation provides information concerning the financial condition of the Plan as of July 1, 2014, and sets forth the basis for determining the recommended annual contribution for the plan year beginning July 1, 2014.

The valuation reflects Chapter 78, P.L. 2011, which increased member contributions by 9% of salary phased-in over a period of seven years, beginning October 2011. The increase in member contributions will be fully phased-in in July 2017.

As required under Chapter 140, P.L. 1973, experience studies are performed once in every three year period. The valuation was prepared using demographic assumptions recommended on the basis of the July 1, 2008 – June 30, 2011 Experience Study and approved by the State House Commission. These assumptions will be reviewed in a June 30, 2014 experience study and will remain in effect for valuation purposes until such time as the State House Commission adopts revised assumptions.

The valuation reflects economic assumptions recommended by the Treasurer, which include a rate of investment return of 7.90% per annum and assumed future salary increases of 2.50% per annum through fiscal year ending 2021 and 3.50% per annum for fiscal years ending 2022 and thereafter. These assumptions will remain in effect for valuation purposes until such time the State House Commission or the Treasurer recommends revised assumptions.

In my opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of the System and to reasonable long-term expectations. These assumptions were selected in accordance with applicable Actuarial Standards of Practice published by the Actuarial Standards Board.

The valuation reflects actual fiscal year 2014 State contributions of \$15,334,000, which have been reduced from the recommended pension contribution of \$43,050,167. In addition, the fiscal year 2015 recommended pension contribution of \$44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

Reporting requirements of Statements No. 67 and No. 68 are effective as of the June 30, 2014 and June 30, 2015 reporting dates, respectively. These requirements are addressed in separate reports.

The State of New Jersey's Division of Pensions and Benefits reported the individual data for members of the Judicial Retirement System of New Jersey as of the valuation date for use in the preparation of this report. While we did not verify the data at their source, we did perform tests for internal consistency and reasonableness. The amount of assets in the trust fund taken into account in the valuation was based on statements prepared for us by the Division of Pensions and Benefits. The accuracy of the results presented in this report is dependent on the accuracy of the data.


Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of future results is beyond the scope of this valuation.

Use of this report for any other purpose or by anyone other than the State House Commission or staff of the State of New Jersey's Division of Pensions and Benefits may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods, or inapplicability of the report for that purpose. No one may make any representations or warranties based on any statements or conclusions contained in this report without Buck Consultants' prior written consent.

I am a Fellow of the Society of Actuaries and a Member of the American Academy of Actuaries. I meet the Qualification Standards of the Academy to render the actuarial opinions contained herein. This report has been prepared in accordance with all applicable Actuarial Standards of Practice, and I am available to answer questions concerning it.

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Aaron Shapiro".

Aaron Shapiro, FSA, EA, MAAA
Principal, Consulting Actuary

AS:hn

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Section I – Summary of Key Results

The Judicial Retirement System of New Jersey became effective June 1, 1973. This report, prepared as of July 1, 2014, presents the results of the annual actuarial valuation of the Fund.

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

Valuation Date	July 1, 2014	July 1, 2013
Number of Members	397	409
Annual Compensation	\$ 66,028,491	\$ 67,810,110
Number of Retirees and Beneficiaries	561	549
Annual Allowances	\$ 49,946,393	\$ 48,237,168
Number of Vested Terminated Members	4	4
Annual Allowances	\$ 183,500	\$ 183,500
<u>Assets</u>		
Market Value of Assets	\$ 244,567,822 ¹	\$ 244,280,889
Valuation Assets	\$ 258,101,497 ¹	\$ 276,966,331
<u>Contribution Rates</u>		
Recommended Pension Contribution		
Normal Contribution	20.51%	20.82%
Accrued Liability Contribution	49.92	44.56
Total Pension Contribution	70.43%	65.38%
Non-Contributory Group Insurance Premium	1.22%	1.18%
<u>Contribution Amounts</u>		
Recommended Pension Contribution		
Normal Contribution	\$ 13,543,400	\$ 14,117,622
Accrued Liability Contribution	32,959,419	30,216,882
Total Pension Contribution	\$ 46,502,819	\$ 44,334,504
Non-Contributory Group Insurance Premium	\$ 803,000	\$ 802,000

¹ The fiscal year 2015 recommended pension contribution of \$ 44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

The major benefit and contribution provisions of the statute as reflected in the valuation are summarized in Appendix A.

For purposes of the valuation, the fiscal year 2015 recommended pension contribution of \$44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted at the valuation interest rate of 7.90% from the expected payment date of June 30, 2015 to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

There were no other changes to the benefit and contribution provisions.

The valuation reflects Chapter 78, P.L. 2011, which increased member contributions by 9% of salary phased-in over a period of seven years, beginning October 2011. The increase in member contributions will be fully phased-in in July 2017.

Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code. The compensation limit for the 2014 valuation is \$260,000. Effective with the July 1, 2014 valuation, the compensation limit is assumed to increase annually at a rate of 3% per annum.

As required under Chapter 140, P.L. 1973, experience studies are performed once in every three year period. The valuation was prepared using demographic assumptions recommended on the basis of the July 1, 2008 – June 30, 2011 Experience Study and approved by the State House Commission.

The valuation reflects economic assumptions which were recommended by the Treasurer, which include a rate of investment return of 7.90% per annum and assumed future salary increases of 2.50% per annum through fiscal year ending 2021 and 3.50% per annum for fiscal years ending 2022 and thereafter. These assumptions will remain in effect for valuation purposes until such time the State House Commission or the Treasurer recommends revised assumptions.

There were no other changes to the actuarial assumptions and methods from those used in the prior valuation. The actuarial assumptions and methods used in this valuation are summarized in Appendix B.

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

The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2013 and July 1, 2014 is set forth in the following table.

Table I

Comparative Balance Sheet

	2014	2013
Assets		
Actuarial value of assets of Fund	\$ 258,101,497	\$ 276,966,331
Unfunded accrued liability/(surplus)	374,578,440	343,409,961
Total Assets	\$ 632,679,937	\$ 620,376,292
Accrued Liabilities		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 444,577,573	\$ 435,970,958
Present value of benefits to present active members and terminated vested members	188,102,364	184,405,334
Total Accrued Liabilities	\$ 632,679,937	\$ 620,376,292

Section II – Employee Data

The data employed for the valuations were furnished to the actuary by the Division of Pensions and Benefits. The following summarizes and compares the Fund membership as of July 1, 2013 and July 1, 2014 by various categories.

Active Membership

Group	2014		2013	
	Number	Annual Compensation	Number	Annual Compensation
Men	270	\$ 44,872,464	284	\$ 47,025,930
Women	127	\$ 21,156,027	125	\$ 20,784,180

Retired Members and Beneficiaries

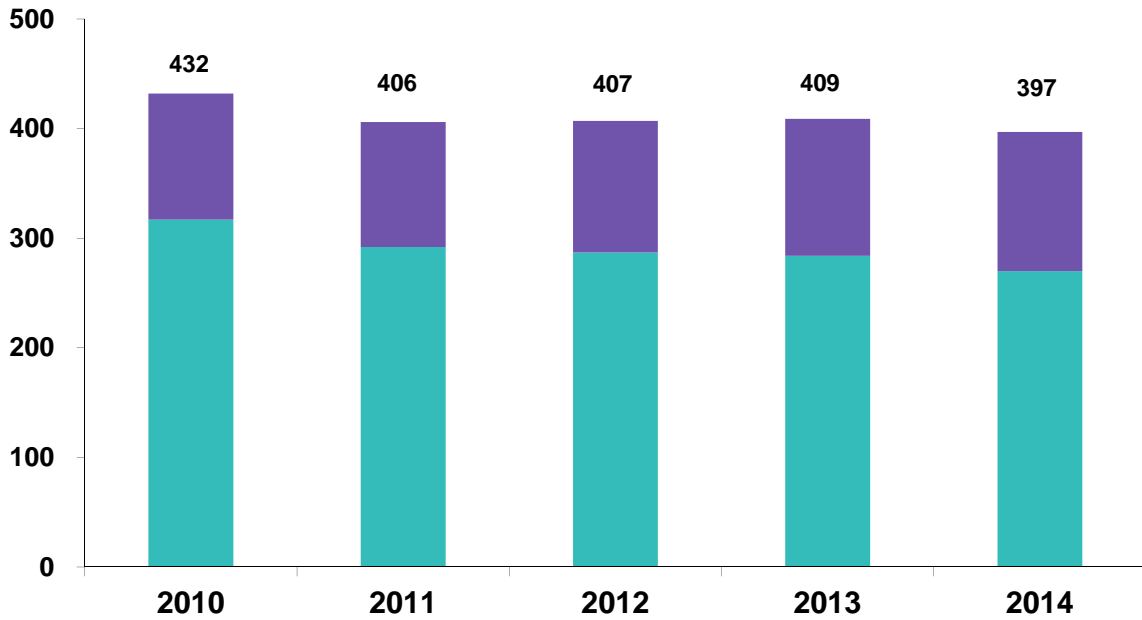
Group	2014		2013	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	4	\$ 183,500	4	\$ 183,500
Service Retirements	402	\$ 41,297,731	390	\$ 39,846,255
Disability Retirements	7	\$ 818,564	8	\$ 928,702
Beneficiaries	152	\$ 7,830,098	151	\$ 7,462,211

Appendix C provides a detailed distribution between groups.

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

The Judicial Retirement System of New Jersey

Summary of Active Participation

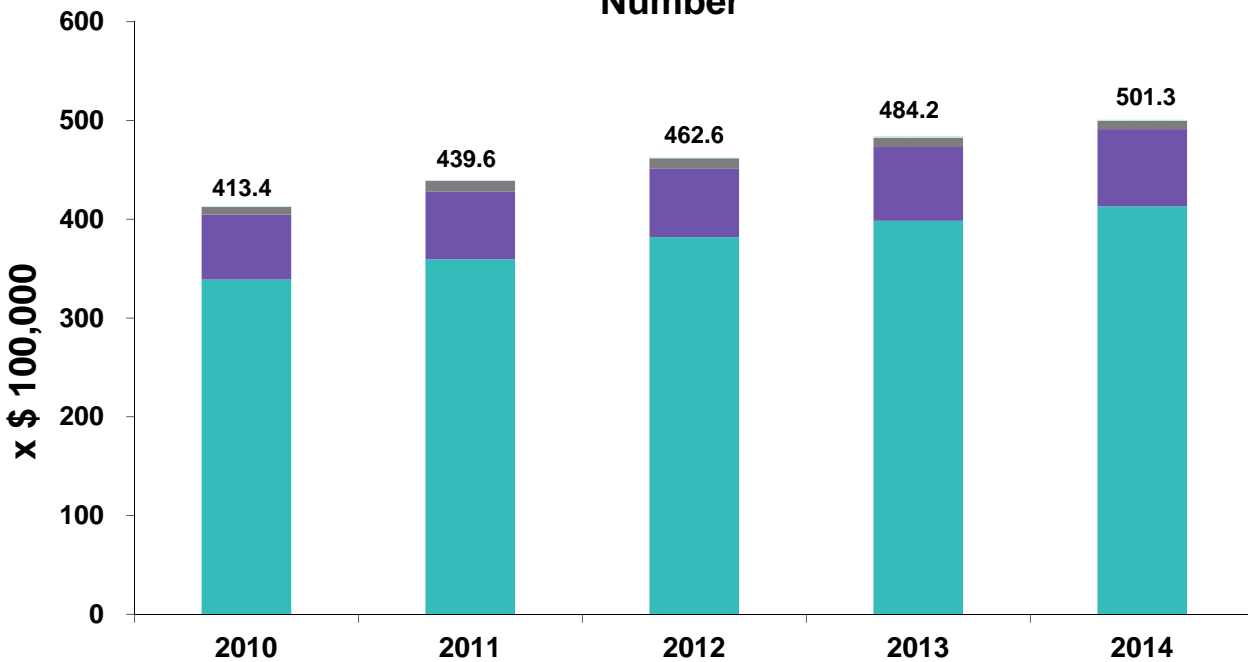


The Judicial Retirement System of New Jersey

Summary of Retired Participation



Number



Annual Allowances

Section III - Assets, Liabilities and Contributions

A. Market Value of Assets as of June 30, 2014

1.	Assets		
	a.	Cash	\$ 75,929
	b.	Securities Lending Collateral	3,694,880
	c.	Investment Holdings	234,135,934
	d.	Interest Receivable on Investments	127
	e.	Employer Contribution Receivable – NCGI	22,525
	f.	Members Contribution Receivable	281,763
	g.	Accounts Receivable	161,077
	h.	Dividends Receivable	0
	i.	Loans Receivable	972,969
	j.	Interest Receivable – Member Loans	0
	k.	Total	<u>\$ 239,345,204</u>
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 2,930,736
	b.	Pension Adjustment Payroll Payable	325,379
	c.	Withholdings Payable	891,107
	d.	Securities Lending Collateral and Rebates Payable	3,691,615
	e.	Accounts Payable – Other	7
	f.	Securities Purchased in Transit	0
	g.	Death Benefits Payable	<u>22,525</u>
	h.	Total	<u>\$ 7,861,369</u>
3.	Preliminary Market Value of Assets as of June 30, 2014: 1(k) - 2(h)		\$ 231,483,835
4.	Discounted State Appropriations Receivable		<u>13,083,987</u> ¹
5.	Market Value of Assets as of June 30, 2014: 3. + 4.		<u>\$ 244,567,822</u> ²

¹ The fiscal year 2015 recommended pension contribution of \$ 44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

² Excludes assets held in the Non-Contributory Group Insurance Fund.

B. Reconciliation of Market Value of Assets: June 30, 2013 to June 30, 2014

1.	Market Value of Assets as of June 30, 2013	\$ 225,830,817
2.	Increases	
	a. Pension Contributions	
	Members' Contributions	\$ 4,499,285
	Transfer from Other Systems	205,386
	b. Accumulative Interest	
	Transfer from Other Systems	391,906
	c. Employers' Contributions	
	State Appropriations	15,334,000
	Non-Contributory Group Insurance	540,681
	Transfer from Other Systems	0
	Administrative Fee Loans	176
	d. Income	
	Per Statement	<u>34,448,036</u>
	e. Total	<u>\$ 55,419,470</u>
3.	Decreases	
	a. Benefits Provided by Members	
	Withdrawals – Members' Contributions	
	Regular	\$ 53,218
	Transfer	0
	Withdrawals – Member Interest	
	Regular	0
	Transfer	0
	b. Benefits Provided by Employers and Members	
	Retirement Allowances	45,079,634
	c. Benefits Provided by Employers	
	Benefit Expense – Pension Adjustment – State	3,930,547
	Administrative Expense	162,180
	Transfer Withdrawal – Employer Benefits	0
	Administrative Expense Loans	192
	NCGI Premium Expense	<u>540,681</u>
	d. Total	<u>\$ 49,766,452</u>
4.	Preliminary Market Value of Assets as of June 30, 2014: 1 + 2(e) – 3(d)	\$ 231,483,835
5.	Discounted State Appropriations Receivable	<u>13,083,987</u> ¹
6.	Market Value of Assets as of June 30, 2014: 4. + 5.	\$ 244,567,822 ²

¹ The fiscal year 2015 recommended pension contribution of \$ 44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

² Excludes assets held in the Non-Contributory Group Insurance Fund.

C. Development of Actuarial Value of Assets as of July 1, 2014

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

1.	Actuarial Value of Assets as of July 1, 2013 (without State Appropriations Receivable)	\$ 258,516,259
2.	Net Cash Flow excluding investment income	(28,795,018)
3.	Expected Investment Income at 7.90%	
a.	Interest on assets as of July 1, 2013	\$ 20,422,784
b.	Interest on Net Cash Flow	(1,743,096)
c.	Total	\$ 18,679,688
4.	Expected Actuarial Value of Assets as of July 1, 2014: 1. + 2. + 3.(c)	\$ 248,400,929
5.	20% of Difference from Preliminary Market Value of Assets	(3,383,419)
6.	Discounted State Appropriations Receivable	13,083,987 ¹
7.	Actuarial Value of Assets as of July 1, 2014 = 4. + 5. + 6.	\$ 258,101,497 ²

¹ The fiscal year 2015 recommended pension contribution of \$ 44,334,504 has been reduced to \$13,083,987. This amount reflects the State's planned fiscal year 2015 contribution of \$14,117,622, the recommended employer normal cost, discounted to the valuation date. This amount may be subject to change per the requirements of the State's fiscal year 2015 spending plan.

² Excludes assets held in the Non-Contributory Group Insurance Fund.

D. Accrued Liabilities as of July 1, 2014

1.	Retirees and Beneficiaries	
a.	Service Retirement	\$ 380,884,084
b.	Disability Retirement	6,344,034
c.	Beneficiaries	57,349,455
d.	Total	\$ 444,577,573
2.	Terminated Vested Members	\$ 1,560,133
3.	Active Participants	
a.	Service Retirement	\$ 177,496,875
b.	Disability Retirement	6,195,862
c.	Spousal Annuity Death Benefit	2,849,494
d.	Total	\$ 186,542,231
4.	Total Actuarial Accrued Liability ¹ : 1(d) + 2 + 3(d)	\$ 632,679,937

¹ Excludes lump sum death benefits payable from the Non-Contributory Group Insurance Premium Fund.

E. Development of Normal Cost as of July 1, 2014

1.	Service Retirement	\$ 16,331,082
2.	Disability Retirement	894,262
3.	Spousal Annuity Death Benefit	<u>394,122</u>
4.	Total Pension Normal Cost ¹ = 1. + 2. + 3.	\$ 17,619,466

¹ Excludes lump sum death benefits payable from the Non-Contributory Group Insurance Premium Fund.

F. Development of Recommended State Pension Contributions

1.	Accrued Liability	\$ 632,679,937
2.	Actuarial Value of Assets	<u>258,101,497</u>
3.	Unfunded Actuarial Accrued Liability/ (Surplus) = 1. - 2.	\$ 374,578,440
4.	Amortization Period	30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2015 (Level Dollar)	\$ 32,959,419
6. (a)	Gross Normal Cost (excluding Non-Contributory Group Insurance Premium)	\$ 17,619,466
(b)	Expected Member Contributions	<u>5,067,659</u>
(c)	State Normal Cost = (a) - (b)	\$ 12,551,807
(d)	State Normal Cost payable July 1, 2015 = (c) * 1.0790	\$ 13,543,400
7.	Total Recommended Pension Contribution as of July 1, 2015 = 5. + 6.(d)	\$ 46,502,819

G. Non-Contributory Group Insurance Premium (one-year term cost)

\$ 803,000

Section IV – Comments Concerning the Valuation

The variation in liabilities and contributions reflects the System's actual experience during the year. The System experienced a net actuarial gain during the year that ended June 30, 2014.

The System experienced a net liability gain among active and retired members. There was an offsetting loss due to an actual return on System assets less than expected. For valuation purposes, a 7.90% per annum rate of return was assumed for the period July 1, 2013 through June 30, 2014. The actual return on the Fund's actuarial value of assets was approximately 6.27% for the period from July 1, 2013 through June 30, 2014.

The following shows the development of the actuarial experience, identifies the major experience components, and discusses the impact of the unfunded liability on various funded ratios:

A. Calculation of Actuarial Experience for the Year Ended June 30, 2014

1.	Unfunded Accrued Liability as of July 1, 2013	\$	343,409,961
2.	Gross Normal Cost as of July 1, 2013		17,510,216
3.	Interest on (1) and (2) at 7.90%		28,512,694
4.	Actual Members' Contributions Received		4,499,285
5.	Employers' Contributions (including discounted receivable)		13,083,987
6.	Interest on Contributions (excluding receivables) at 7.90%		<u>177,722</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2014 = (1) + (2) + (3) - (4) - (5) - (6)	\$	371,671,877
8.	Change in Unfunded Accrued Liability due to the revised fiscal year 2014 State contribution ¹		3,362,242
9.	Change in Unfunded Accrued Liability due to changing the pay limit increase assumption		550,325
10.	Change in Unfunded Accrued Liability due to the discounting of the fiscal year 2015 State contribution		1,033,635
11.	Actual Unfunded Accrued Liability as of July 1, 2014		<u>374,578,440</u>
12.	Actuarial (Gain)/Loss = (11) – (7) – (8) – (9) – (10)	\$	(2,039,639)

¹ The anticipated fiscal year 2014 contribution of \$18,450,072 has been reduced to \$15,334,000 to reflect the actual State contribution made during fiscal year 2014. The amount also reflects a one-year interest adjustment of \$246,170.

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$	3,383,419
2.	Other (Gain)/Loss, including mortality, salary increases different than expected, and changes in employee data		<u>(5,423,058)</u>
3.	Total Actuarial (Gain)/Loss	\$	(2,039,639)

C. Funded Ratios

The following table presents the System's funded ratio based on the actuarial value of assets (including receivables) and market value basis (including receivables).

	June 30, 2014	June 30, 2013	Change
Actuarial Value of Assets¹	40.8%	44.6%	(3.8)%
Market Value of Assets	38.7%	39.4%	(0.7)%

¹Statutory funded ratio.

The System's statutory funded ratio is 44.6% and 40.8% as of June 30, 2013 and June 30, 2014, respectively. For purposes of Chapter 78, P.L. 2011, the "target funded ratio" is 77.142% and 77.857% for June 30, 2013 and June 30, 2014, respectively. Therefore, the System's statutory funded ratio did not reach the "target funded ratio" for June 30, 2013 and remained below the "target funded ratio" for June 30, 2014.

There is a difference on a market value basis since the actuarial value smoothes the investment gains and losses over time. Since July 1, 2000, the funded ratio on a market value basis has decreased by 80.3%. This decrease is primarily due to investment losses experienced over the period, State contributions less than the statutorily determined amounts, and the strengthening of actuarial assumptions.

As of June 30, 2014, the market value of assets is less than the actuarial liability attributable to retirees. Furthermore, if the assets contained in the Annuity Savings Fund (ASF) of \$50,759,400 are excluded, the funded ratio of the remaining market value of assets to the actuarial accrued liability for retirees is 43.6%.

As of June 30, 2014, the ratio of market value of assets to the prior year's benefit payment is 5.0. This is a simplistic measure of the number of years that the assets can cover benefit payments, excluding future increases in those payments, State and member contributions, and investment income. This ratio decreased by 3.8% from the previous year's ratio of 5.2. If ASF assets are excluded, since they represent accumulated contributions from active and inactive members, the ratio is 4.0.

D. Schedule of Assets and Liabilities

The following presents a ten-year schedule of the System's assets, liabilities and funded ratio. The System's assets and funded ratio are provided on a market value (including receivables) basis and actuarial value of assets (including receivables) basis.

Actuarial Valuation Date	Market Value of Assets ² (a)	Actuarial Value of Assets ² (b)	Actuarial Accrued Liability (c)	Funded Ratio	
				Market Value (a)/(c)	Actuarial Value (b)/(c)
6/30/2014	\$ 244,567,822	\$ 258,101,497	\$ 632,679,937	38.7%	40.8%
6/30/2013	\$ 244,280,889	\$ 276,966,331	\$ 620,376,292	39.4%	44.6%
6/30/2012	\$ 243,679,037	\$ 290,191,842	\$ 605,180,634	40.3%	48.0%
6/30/2011	\$ 270,183,306	\$ 310,724,782	\$ 585,700,787	46.1%	53.1%
6/30/2010	\$ 261,523,992	\$ 329,030,387	\$ 554,540,403	47.2%	59.3%
6/30/2009	\$ 261,751,336	\$ 355,522,646	\$ 594,043,375	44.1%	59.8%
6/30/2008	\$ 352,989,790	\$ 383,958,713	\$ 553,284,647	63.8%	69.4%
6/30/2007	\$ 384,497,896	\$ 391,321,939	\$ 524,970,330	73.2%	74.5%
6/30/2006	\$ 351,647,844	\$ 382,849,386	\$ 493,778,007	71.2%	77.5%
6/30/2005	\$ 335,570,876	\$ 377,463,366	\$ 466,145,912	72.0%	81.0%

2. The information in the above table has been taken directly from the final valuation reports for each plan year and does not reflect subsequent changes in actual employer contribution amounts from the reported receivable contribution after the valuation reports were issued.

E. Schedule of Employer Pension Contributions

The following table presents a ten-year schedule that provides information about the System's actuarially determined contribution and the percentage of the actuarially determined contribution recognized by the System as contributed.

Fiscal Year Ending June 30	Actuarially Determined Contribution ¹ (a)	Actual Pension Contribution (b)	Contribution Deficiency (a) – (b)	Percentage of Contribution Made	
				Annual (b)/(a)	Five-Year Average
2015	\$ 44,334,504	\$ 14,117,622	\$ 30,216,882	31.84%	22.06%
2014	\$ 43,050,167	\$ 15,334,000	\$ 27,716,167	35.62%	15.70%
2013	\$ 40,751,804	\$ 11,643,000	\$ 29,108,804	28.57%	9.46%
2012	\$ 38,352,572	\$ 5,479,000	\$ 32,873,572	14.29%	13.75%
2011	\$ 34,653,737	\$ 0	\$ 34,653,737	0.00%	22.26%
2010	\$ 28,857,945	\$ 0	\$ 28,857,945	0.00%	29.48%
2009	\$ 26,089,212	\$ 1,157,000	\$ 24,932,212	4.43%	
2008	\$ 23,907,860	\$ 11,957,000	\$ 11,950,860	50.01%	
2007	\$ 22,154,128	\$ 12,596,255	\$ 9,557,873	56.86%	
2006	\$ 20,547,728	\$ 7,413,714	\$ 13,134,014	36.08%	

1. The information in the above table has been taken directly from the final valuation reports for each plan year and does not reflect subsequent changes in actual employer contribution amounts from the reported receivable contribution after the valuation reports were issued.

Section V – Level of Funding

The tables below present the liabilities determined on a Financial Accounting Standards Board ASC 715 (formerly Statement No. 87) Accumulated Benefit Obligation (ABO) basis. This is the same approach as was used under GASB Statement No. 5 except that no assumption is made as to future salary increases and assets are at market value with receivables.

ASC 715 ABO Funded Ratios

Actuarial present value of accumulated benefits:	June 30, 2014	June 30, 2013
Vested benefits		
Participants currently receiving payments	\$ 444,577,573	\$ 435,970,958
Other participants	<u>118,028,961</u>	<u>102,004,717</u>
	\$ 562,606,534	\$ 537,975,675
Non-vested benefits	<u>46,677,135</u>	<u>61,805,753</u>
Total	\$ 609,283,669	\$ 599,781,428
Assets at market value	\$ 244,567,822	\$ 244,280,889
Ratio of assets to total present value	40.1%	40.7%

As in the case of the Governmental Accounting Standard Board Statement No. 25, the actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 7.90% for 2014 and 2013.

Appendix A

Brief Summary of the Benefit and Contribution Provisions as Interpreted for Valuation Purposes

Eligibility for Membership

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

1. Definitions

Plan Year

The 12-month period beginning on July 1 and ending on June 30.

Service

A year is credited for each year of service as a public employee in the State of New Jersey. Any service, for which member did not receive annual salary of at least \$500, shall be excluded.

Final Salary

Annual salary received by the member at the time of retirement or other termination of service. (Effective June 30, 1996, Chapter 113, P.L. 1997 provided that the amount of compensation used for employer and member contributions and benefits under the program cannot exceed the compensation limitation of Section 401(a)(17) of the Internal Revenue Code.)

Accumulated Deductions

The sum of all amounts deducted from the compensation of a member or contributed by him or on his behalf.

Retirement Allowance

Pension derived from contributions of the State plus the annuity derived from employee contributions.

2. Benefits

Service Retirement

A. Mandatory retirement at age 70. Voluntary retirement prior to age 70 as follows:

- i. Age 70 and 10 years of judicial service;
- ii. Age 65 and 15 years of judicial service; or
- iii. Age 60 and 20 years of judicial service.

Benefit is an annual retirement allowance equal to 75% of final salary.

B. Age 65 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service; or

Age 60 while serving as a judge, 5 consecutive years of judicial service and 20 years in the aggregate of public service.

Benefit is an annual retirement allowance equal to 50% of final salary.

C. Age 60 while serving as a judge, 5 consecutive years of judicial service and 15 years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year in excess of 25 years.

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

Early Retirement

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

Vested Termination

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

Death Benefits

Before Retirement

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

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

After Retirement

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

- A. Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60, plus
- B. Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of 15% (20%, 30%) of final salary payable to one (two, three or more) dependent child (children).

Disability Retirement

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

Member Contributions

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

Chapter 78, P.L. 2011 increased Member Contributions by 9% of salary phased-in over a period of seven years beginning October 2011. (The additional 9% of salary will be fully phased-in in July 2017.)

- A. For members enrolled prior to January 1, 1996:
 - i. Member Contributions of 9% (phased-in over a period of seven years beginning October 2011) of the salary for that position on January 18, 1982.
 - ii. Member Contributions increase from 3% to 12% (phased-in over a period of seven years beginning October 2011) of the difference between current salary and salary for that position on January 18, 1982.
- B. For members enrolled on or after January 1, 1996, Member Contributions increase from 3% to 12% of full salary phased-in over a period of seven years beginning October 2011.

Appendix B

Outline of Actuarial Assumptions and Methods

Valuation Interest Rate

7.90% per annum, compounded annually.

COLA

No future COLA is assumed.

Salary Increase

Salaries are assumed to increase by 2.50% per year through fiscal year ending 2021 and 3.50% per year for fiscal years ending 2022 and thereafter.

401(a)(17) Pay Limit

\$260,000 for 2014 increasing 3.00% per annum, compounded annually.

Separations from Service

Representative mortality and disability rates are as follows:

Age	Lives per Thousand		
	Death ¹		Disability
	Male	Female	
30	0.38	0.22	0.22
35	0.44	0.35	0.26
40	0.77	0.55	0.33
45	1.08	0.85	0.64
50	1.51	1.33	1.14
55	2.14	2.02	1.97
60	3.62	3.48	3.26
65	6.75	6.66	4.73

¹ RP-2000 Combined Healthy Male and RP-2000 Combined Healthy Female Mortality Tables (set back 5 years for males and 3 years for females) projected on a generational basis from the base year of 2012 using Projection Scale AA. The above rates are unadjusted for Projection Scale AA.

Deaths after Retirement

RP-2000 Combined Healthy Mortality Tables (set back 5 years for males and 3 years for females) for service retirement and beneficiaries of former members projected on a generational basis from the base year of 2012 using Projection Scale AA. The RP-2000 Disability Mortality Tables (set forward 2 years for males and females) are used to value disabled retirees. Representative values of the annual rates of mortality unadjusted for Projection Scale AA are as follows:

Age	Lives Per Thousand			
	Retired Members & Beneficiaries of Deceased Members		Disabled Members	
	Males	Females	Males	Females
55	2.14	2.02	38.03	18.65
60	3.62	3.48	44.98	24.08
65	6.75	6.66	54.45	31.32
70	12.74	12.16	69.41	42.85
75	22.21	20.66	92.15	59.54
80	37.83	34.11	121.88	82.30
85	64.37	56.29	155.23	114.51
90	110.76	96.34	216.61	159.92

Retirement

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

Marriage

Husbands are assumed to be 3 years older than wives. Among the active population, 90% of participants are assumed married. No children are assumed. Neither the percentage married nor the number of children assumption is individually explicit but are considered reasonable as a single combined assumption.

Valuation Method

Projected Unit Credit Method. This method essentially funds the System's benefits accrued to the valuation date. Experience gains and losses are recognized in future accrued liability contributions. In accordance with Chapter 78, P.L. 2011, beginning with the July 1, 2010 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize the unfunded accrued liability over an open 30 year period. Beginning with the July 1, 2019 actuarial valuation, the accrued liability contribution shall be computed so that if the contribution is paid annually in level dollars, it will amortize the unfunded accrued liability over a closed 30 year period (i.e., for each subsequent actuarial valuation the amortization period shall decrease by one year.) Beginning with the July 1, 2029 actuarial valuation, when the remaining amortization period reaches 20 years, any increase or decrease in the unfunded accrued liability as a result of actuarial basis or gains for subsequent valuation years shall serve to increase or decrease, respectively, the amortization period for the unfunded accrued liability, unless an increase in the amortization period will cause it to exceed 20 years. If an increase in the amortization period as a result of actuarial losses for a valuation year would exceed 20 years, the accrued liability contribution shall be computed for the valuation year using a 20 year amortization period.

Receivable Contributions

State contributions expected to be paid the June 30th following the valuation date are discounted by the valuation interest rate of 7.90% to the valuation date.

Asset Valuation Method

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

Appendix C

Tabulations Used as a Basis for the 2014 Valuation

The following table gives a reconciliation of data from July 1, 2013 to June 30, 2014. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2014 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2014.

Table 1

Reconciliation of Data from July 1, 2013 to June 30, 2014

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2013	404	5	4	375	3	4	8	147	4	8	962
Status Change: To Contributing To Noncontributing	(1)	1									0
New Deferred Vested											
New Terminated Non-Vested	(1)										(1)
New Service Retirement	(22)			22							0
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled											
New Death				(12)			(1)	(9)			(22)
Payments Begin											
New Beneficiaries								10		2	12
End of Payments											
New Actives	11										11
Rehires											
Data Corrections											
Members as of June 30, 2014	391	6	4	385	3	4	7	148	4	10	962

Table 2

Distribution of Active Members by Age and Service

Age	Service	1	5	10	15	20	25	30	35	Total
20	Number Salary									
25	Number Salary									
30	Number Salary									
35	Number Salary									
40	Number Salary	3 495,000	1 165,000							4 660,000
45	Number Salary	10 1,650,000	12 1,980,000							22 3,630,000
50	Number Salary	15 2,475,000	22 3,630,000	5 825,000						42 6,930,000
55	Number Salary	11 1,815,000	38 6,328,811	21 3,486,068	15 2,502,799					85 14,132,678
60	Number Salary	14 2,310,000	27 4,455,000	33 5,506,743	29 4,864,883	13 2,172,799	5 848,996		1 165,000	122 20,323,421
63	Number Salary		13 2,145,000	11 1,846,602	16 2,678,333	12 2,007,799	10 1,695,064			62 10,372,798
66 and over	Number Salary	1 165,000	7 1,155,000	25 4,163,333	15 2,475,000	4 666,731	6 1,013,996	2 340,534		60 9,979,594
Total	Number Salary	54 8,910,000	120 19,858,811	95 15,827,746	75 12,521,015	29 4,847,329	21 3,558,056	2 340,534	1 165,000	397 66,028,491

Table 3



The Number And Annual Compensation Of
Active Members Distributed By Age
As Of June 30, 2014

Age	Men		Women	
	Number	Amount	Number	Amount
40	1	\$ 165,000		
41	1	165,000		
42			2	\$ 330,000
43	1	165,000	2	330,000
44			3	495,000
45	3	495,000	1	165,000
46	4	660,000	1	165,000
47	3	495,000	4	660,000
48	4	660,000	1	165,000
49	3	495,000	3	495,000
50	7	1,155,000	4	660,000
51	4	660,000	2	330,000
52	9	1,485,000	5	825,000
53	2	330,000	9	1,495,534
54	18	3,008,329	5	825,000
55	7	1,155,000	7	1,192,747
56	14	2,320,534	9	1,485,000
57	12	1,990,534	2	330,000
58	11	1,832,265	9	1,491,731
59	12	1,980,000	10	1,660,534
60	18	2,997,799	6	1,017,213
61	17	2,826,068	12	2,014,530
62	20	3,337,747	7	1,165,534
63	19	3,183,867	2	330,000
64	13	2,190,064	7	1,165,534
65	15	2,481,731	6	1,021,602
66	18	2,976,731	3	495,000
67	16	2,667,799	3	505,534
68	7	1,165,534		
69	6	996,731	2	340,534
70 and over	5	831,731		
Total	270	\$ 44,872,464	127	\$ 21,156,027

Of the 397 active members included in the June 30, 2014 valuation data, 275 are vested and 122 have not yet completed the vesting service requirement.

Table 4



The Number And Annual Compensation Of
Active Members Distributed By Service
As Of June 30, 2014

Service	Men		Women	
	Number	Amount	Number	Amount
1	17	\$ 2,805,000	16	\$ 2,640,000
2	12	1,980,000	9	1,485,000
3	18	2,980,534	10	1,670,482
4	16	2,640,000	7	1,155,000
5	19	3,135,000	10	1,650,000
6	16	2,640,000	7	1,155,000
7	11	1,842,795	6	990,000
8	12	1,990,534	1	165,000
9	17	2,828,996	6	1,000,534
10	12	2,007,799	4	670,534
11	10	1,671,068	6	990,000
12	21	3,502,747	6	1,000,534
13	20	3,310,534	5	842,265
14	9	1,485,000	5	852,213
15	10	1,671,068	3	495,000
16	7	1,172,265	3	505,534
17	7	1,165,534	6	1,021,602
18	2	330,000	1	165,000
19	8	1,330,534	2	336,731
21	6	1,017,799	4	670,534
22	4	666,731	2	330,000
23	4	666,731	2	336,731
24	2	347,265	1	165,000
25	6	1,007,265	4	687,799
26			1	175,534
27	1	171,731		
29	1	175,534		
30	1	165,000		
35	1	165,000		
Total	270	\$ 44,872,464	127	\$ 21,156,027

Of the 397 active members included in the June 30, 2014 valuation data, 275 are vested and 122 have not yet completed the vesting service requirement.

Table 5

Average Age and Annual Benefit at Retirement

	Service Retirement		Disability Retirement		Survivors	
	Average Age At Retirement	Average Annual Benefit At Retirement ¹	Average Age At Retirement	Average Annual Benefit At Retirement ¹	Average Age At Retirement ²	Average Annual Benefit At Retirement ¹
All Retirees	66.0	\$ 97,600	61.6	\$ 110,798	58.7	\$ 46,020
New Retirees	66.9	\$ 116,486	N/A	N/A	62.8	\$ 54,498

	All Retirements (Excluding Survivors)	
	Average Age At Retirement	Average Annual Benefit At Retirement ¹
All Retirees	65.9	\$ 97,833

¹ The Average Annual Benefit at Retirement does not reflect COLA's granted after retirement.

² Calculated as of member's date of retirement.

Table 6

The Number And Annual Retirement Allowances Of Retired Members Distributed By Age As Of June 30, 2014

Service Retirements

Age	Men		Women	
	Number	Amount	Number	Amount
60			1	\$ 139,116
61	1	\$ 79,860		
62	2	222,063	1	131,651
63			1	51,102
64	6	682,479	2	173,679
65	4	454,896	7	838,414
66	11	1,228,504	3	215,007
67	11	1,216,755	4	256,629
68	8	780,300	3	373,222
69	21	2,316,518	5	548,597
70	17	1,791,399	3	364,196
71	19	2,058,560	4	358,208
72	20	2,351,343	6	684,619
73	22	2,312,234	1	117,925
74	18	1,936,777	1	123,750
75	16	1,549,276		
76	10	1,146,784	4	430,997
77	20	1,984,084		
78	17	1,605,643	2	183,012
79	10	994,756	2	221,229
80	19	1,742,531	1	126,528
81	12	1,116,599		
82	14	1,308,080		
83	8	902,944	2	160,453
84	11	1,147,250		
85	10	1,008,733	1	104,422
86	5	465,408	1	103,503
87	5	499,368		
88	5	469,373		
89	3	293,984		
90	10	869,046		
91	4	372,235		
92	2	198,674	1	101,350
93			1	91,935
94	2	147,584		
99	1	79,346		
104	1	64,801		
Total	345	\$ 35,398,187	57	\$ 5,899,544

Table 7

The Number And Annual Retirement Allowances Of Retired Members Distributed By Age As Of June 30, 2014

Disability Retirements

Age	Men		Women	
	Number	Amount	Number	Amount
58			1	\$ 115,531
64	1	\$ 124,922		
66			1	123,750
67	1	123,750		
69	1	123,750		
71	1	111,746		
94	1	95,115		
Total	5	\$ 579,283	2	\$ 239,281

Table 8

The Number And Annual Retirement Allowances Of Beneficiaries Distributed By Age As Of June 30, 2014

Active Members' Death Benefits

Age	Men		Women	
	Number	Amount	Number	Amount
72			1	\$ 39,703
75	1	\$ 34,807		
77			3	99,266
78			2	69,737
79			1	33,783
80			2	67,285
81			2	66,353
83			2	61,673
85			1	33,783
90			1	27,915
Total	1	\$ 34,807	15	\$ 499,498

Table 9

The Number And Annual Retirement Allowances Of Beneficiaries Distributed By Age As Of June 30, 2014

Retired Members' Death Benefits

Age	Men		Women	
	Number	Amount	Number	Amount
17			2	\$ 79,412
47	1	\$ 21,252		
60	1	19,082	1	58,709
62			1	41,250
63			3	139,074
64			1	136,039
65			1	128,955
66	1	11,761	3	155,216
67			3	200,799
68			3	154,152
69			2	102,382
70			5	397,732
71			2	80,711
72	1	41,250	6	551,980
73	1	43,239	4	337,923
74			4	282,283
75			1	114,313
76	1	41,250	2	146,217
77			5	237,360
78			5	304,883
79			2	113,858
80			5	283,650
81			5	186,848
82			3	189,616
83	1	65,135	4	319,237
84	2	108,339	1	41,250
85			7	295,953
86			3	90,686
87			9	393,333
88			5	255,323
89			1	35,250
90			6	221,163
91			6	317,003
92			3	102,139
93			2	69,033
94			3	84,779
95			1	30,139
96			5	208,914
97			1	28,750
98			1	28,171
Total	9	\$ 351,308	127	\$ 6,944,485

Table 10

The Number And Annual Retirement Allowances Of Retired Members Distributed By Age As Of June 30, 2014

Deferred Terminated Vesteds

Age	Men		Women	
	Number	Amount	Number	Amount
52			1	\$ 39,875
53			1	66,000
55	1	\$ 56,375		
69	1	21,250		
Total	2	\$ 77,625	2	\$ 105,875