

**THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
ANNUAL REPORT
OF THE ACTUARY
PREPARED AS OF JULY 1, 2007**

V00483JC.DOC

January 18, 2008

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, 2007 valuation are submitted in this report which also includes a comparison with the preceding year's valuation.

The valuation shows the financial condition of the Plan as of July 1, 2007 and gives the basis for determining the required annual contribution for the plan year beginning July 1, 2007.

The valuation was prepared using the same actuarial assumptions that were used for the July 1, 2006 actuarial valuation, including an 8.25% interest rate.

The valuation also reflects the provisions of Chapter 92, P.L. 2007 which removed language from existing law that permits the State Treasurer to reduce the normal contribution needed to fund the System when excess assets are available. This legislation also eliminates the four percent fixed rate of interest for loans from the System and provides that the rate of interest will be set by the Treasurer at a commercially reasonable rate as required by the Internal Revenue Code. It also permits the charging of an administrative fee for such loans.

Finally, the valuation also reflects the potential effect of the Appropriation Act for fiscal year 2008. (The fiscal year 2008 required pension contribution of \$23,907,860 has been reduced to \$11,957,000 and is included as a receivable contribution for this valuation.)

To the best of our knowledge, this report is complete and accurate. The valuation was performed by, and under the supervision of, independent qualified actuaries who are members of the American Academy of Actuaries with experience in performing valuations for public retirement systems.

The valuation was prepared in accordance with the principles of practice prescribed by the Actuarial Standards Board and generally accepted actuarial procedures and methods. The calculations are based on the current provisions of the System, and on actuarial assumptions that are individually and in the aggregate internally consistent and reasonable based on the actual experience of the System.

State House Commission
January 18, 2008
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Respectfully submitted,

A handwritten signature in dark ink, appearing to read "JH Cranna".

Janet H. Cranna, F.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary

JC:hn/

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REPORT ON THE ANNUAL
VALUATION OF
THE JUDICIAL RETIREMENT SYSTEM
OF NEW JERSEY
PREPARED AS OF JULY 1, 2007

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, 2007, 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, 2007	July 1, 2006
Number of Members	421	440
Annual Compensation	\$ 63,144,685	\$ 62,492,250
Number of Retirees and Beneficiaries	451	437
Annual Allowances	\$ 33,889,262	\$ 31,517,980
Number of Vested Terminated Members	3	3
Annual Allowances	\$ 93,690	\$ 97,472
<u>Assets</u>		
Market Value of Assets	\$ 384,497,896*	\$ 351,647,844
Valuation Assets	\$ 391,321,939*	\$ 382,849,386
<u>Contribution Amounts</u>		
Normal Contribution	\$ 17,966,485	\$ 17,165,969
Accrued Liability Contribution	8,122,727	6,741,891
Total Pension Contribution	\$ 26,089,212**	\$ 23,907,860 [#]
Non-Contributory Group Insurance Premium	\$ 721,984	\$ 380,753

* Assets include a fiscal year 2008 receivable contribution of \$11,957,000 instead of the \$23,907,860 contribution recommended for the July 1, 2006 valuation (potential effect of the Appropriation Act for fiscal year 2008).

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2009.

[#] The contribution requirement could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2008.

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

The valuation reflects the provisions of Chapter 92, P.L. 2007 which removed language from existing law that permits the State Treasurer to reduce the normal contributions needed to fund the System when excess assets are available. This legislation eliminates the four percent fixed rate of interest for loans from the System and provides that the rate of interest will be set by the Treasurer at a commercially reasonable rate as required by the Internal Revenue Code. It also permits the charging of an administrative fee for such loans.

The valuation also reflects the potential impact of the Appropriation Act for fiscal year 2008 which allows the State Treasurer to reduce the State normal and accrued liability contributions for fiscal year 2008 of \$23,907,860 to \$11,957,000. (This amount excludes the estimated premium paid to the Non-Contributory Insurance Premium Fund of \$380,753 for the lump sum death benefit during active service.) Accordingly, a fiscal year 2008 State appropriation receivable of only \$11,957,000 was recognized for purposes of this valuation.

There were no other changes from the provisions and funding policy used in the previous valuation.

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

The combination of the plan provisions, actuarial assumptions and member and beneficiary data is used to generate the overall required level of State contributions. These contributions are composed of two separate

portions, an “accrued liability contribution” and a “normal contribution”. The required contribution is developed in Section III F.

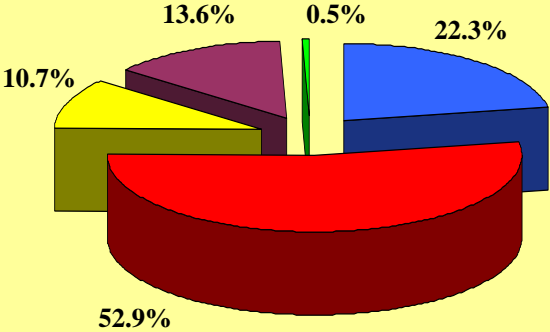
The valuation generates a balance sheet which summarizes in some detail the total present and prospective assets and liabilities of the Fund. A summary comparison of the balance sheets as of July 1, 2006 and July 1, 2007 is set forth in the following table. The allocation of assets among the various investment alternatives is shown in graphic form on page 5.

**TABLE I
COMPARATIVE BALANCE SHEET**

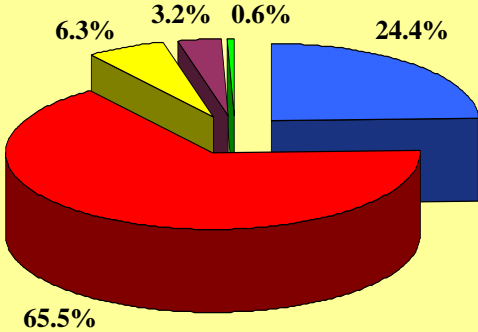
<u>ASSETS</u>	2007	2006
Actuarial value of assets of Fund	\$ 391,321,939	\$ 382,849,386
Unfunded accrued liability/(surplus)	133,648,391	110,928,621
Total Assets	\$ 524,970,330	\$ 493,778,007
<u>LIABILITIES</u>		
Present value of benefits to present beneficiaries payable from the Retirement Reserve Fund	\$ 319,653,218	\$ 297,797,512
Present value of benefits to present active members and terminated vested members	205,317,112	195,980,495
Total Liabilities	\$ 524,970,330	\$ 493,778,007

THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

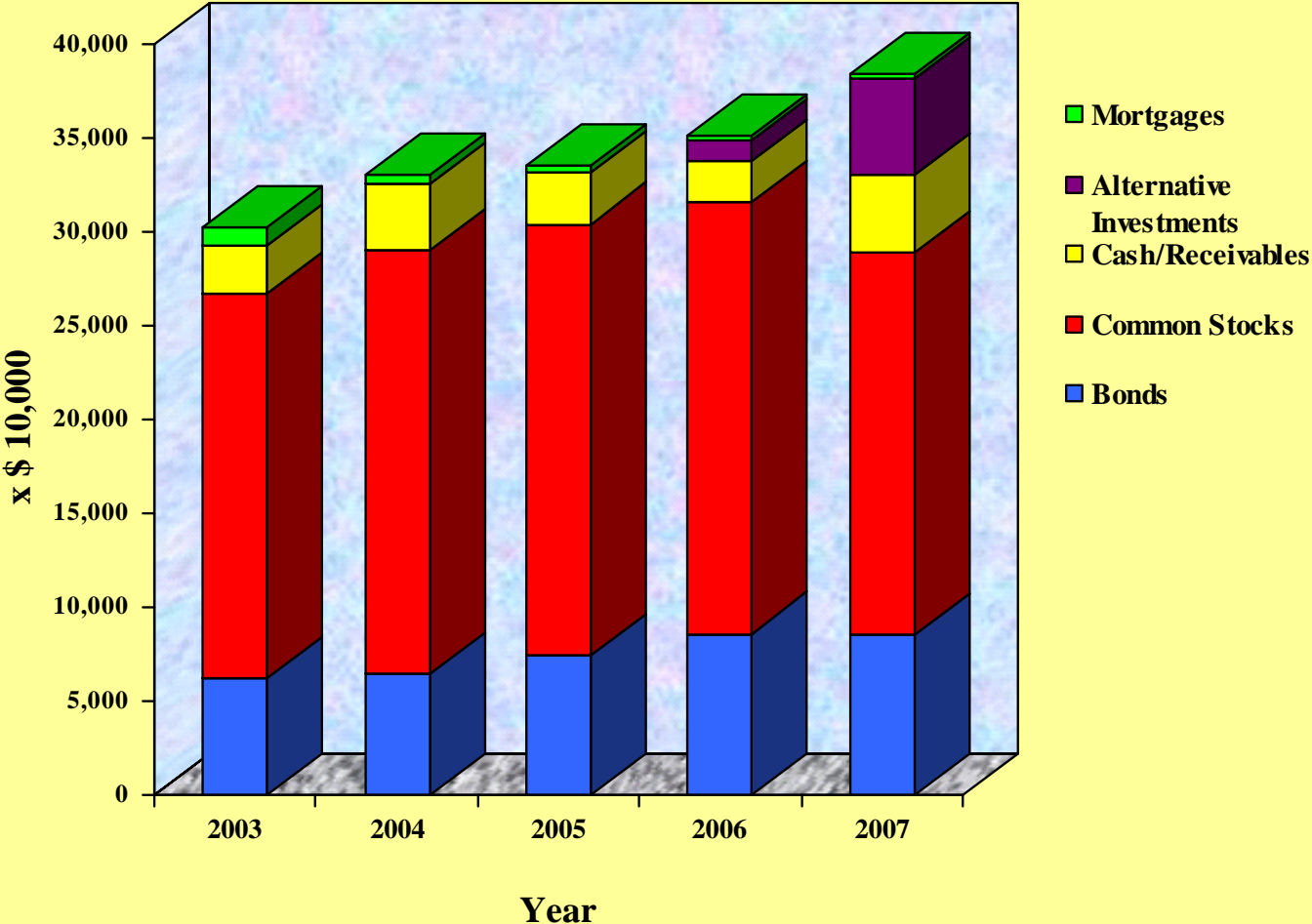
ASSET ALLOCATION MARKET VALUE



2007



2006



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, 2006 and July 1, 2007 by various categories.

ACTIVE MEMBERSHIP

Group	2007		2006	
	Number	Annual Compensation	Number	Annual Compensation
Men	321	\$ 48,124,818	335	\$ 47,534,000
Women	100	\$ 15,019,867	105	\$ 14,958,250

RETIRED MEMBERS AND BENEFICIARIES

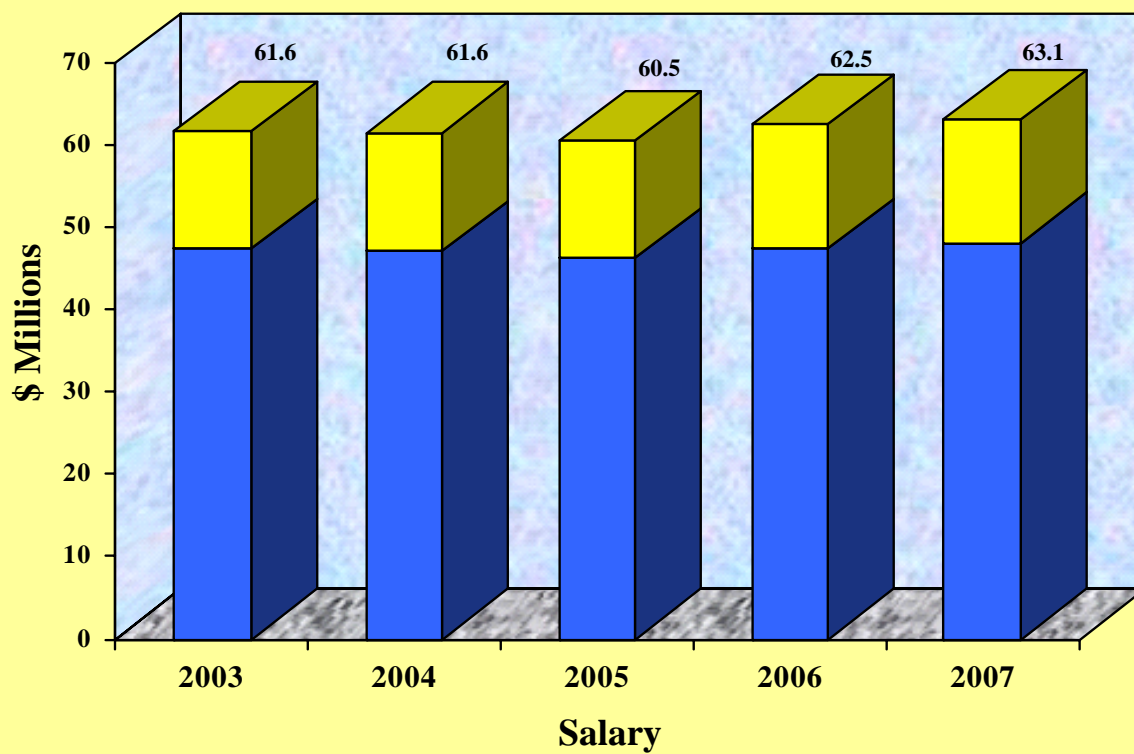
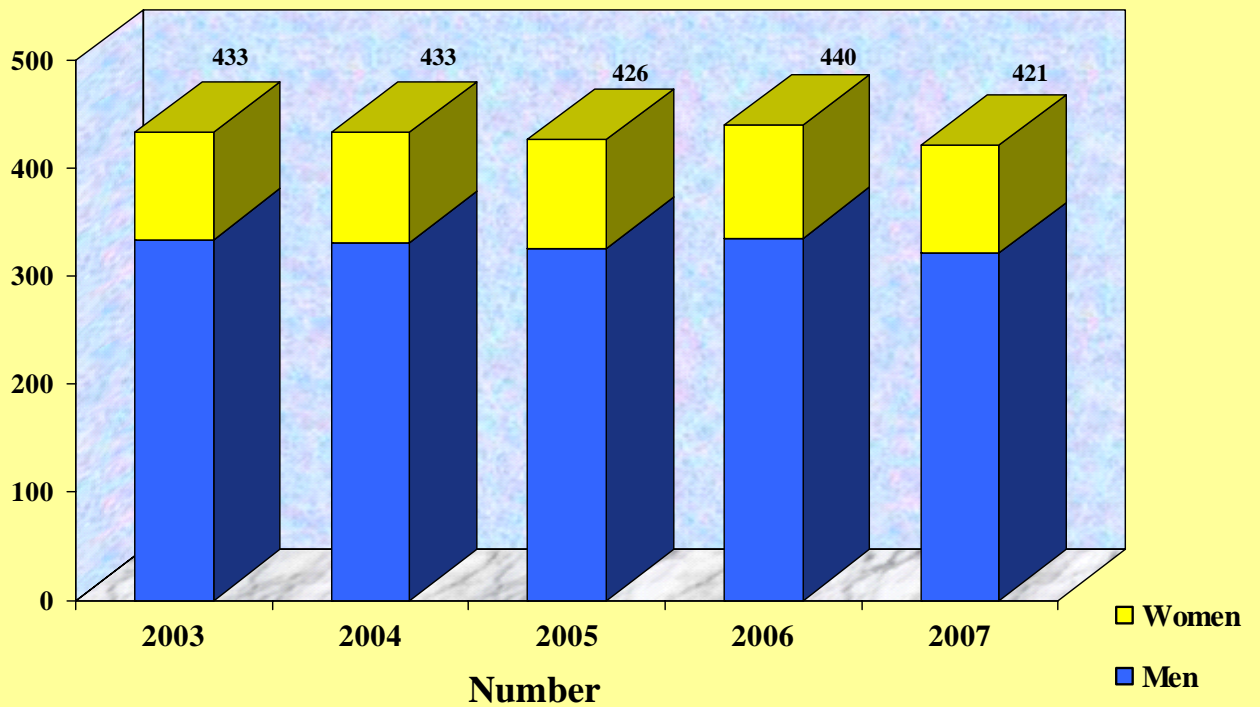
GROUP	2007		2006	
	Number	Annual Allowances	Number	Annual Allowances
Deferred Terminated Vesteds	3	\$ 93,690	3	\$ 97,472
Service Retirements	310	\$ 28,084,380	293	\$ 25,695,640
Disability Retirements	7	\$ 659,349	7	\$ 645,387
Beneficiaries	134	\$ 5,145,533	137	\$ 5,176,953

Appendix C provides a detailed distribution between groups.

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

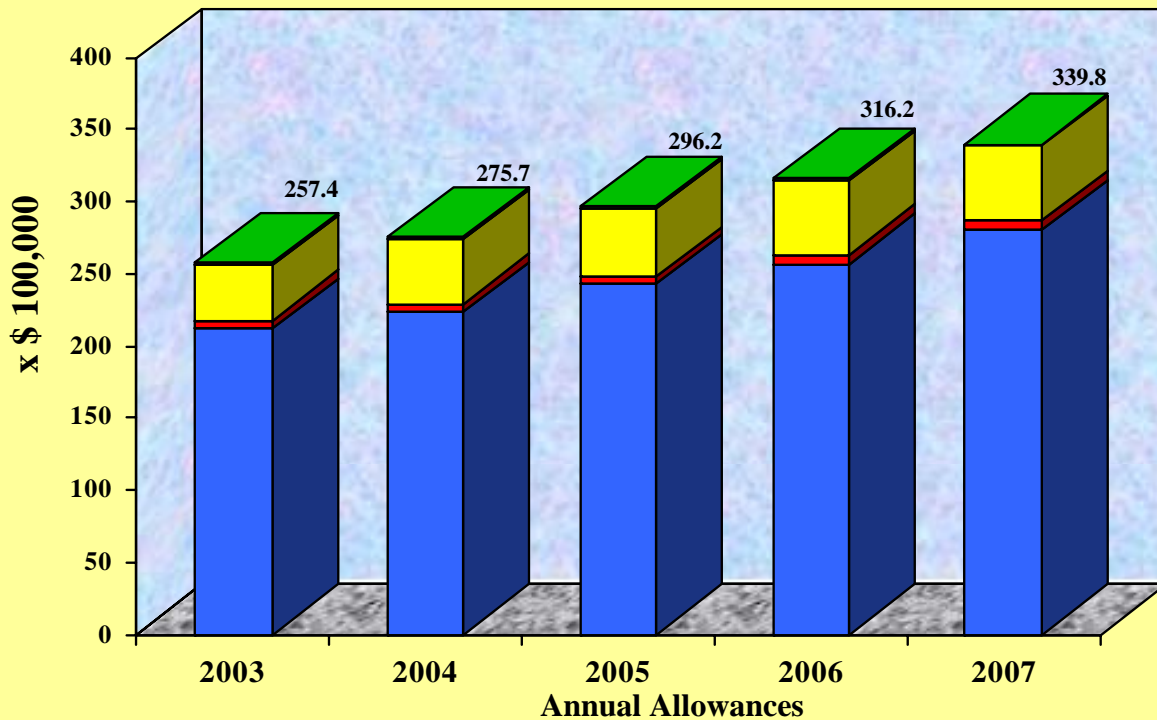
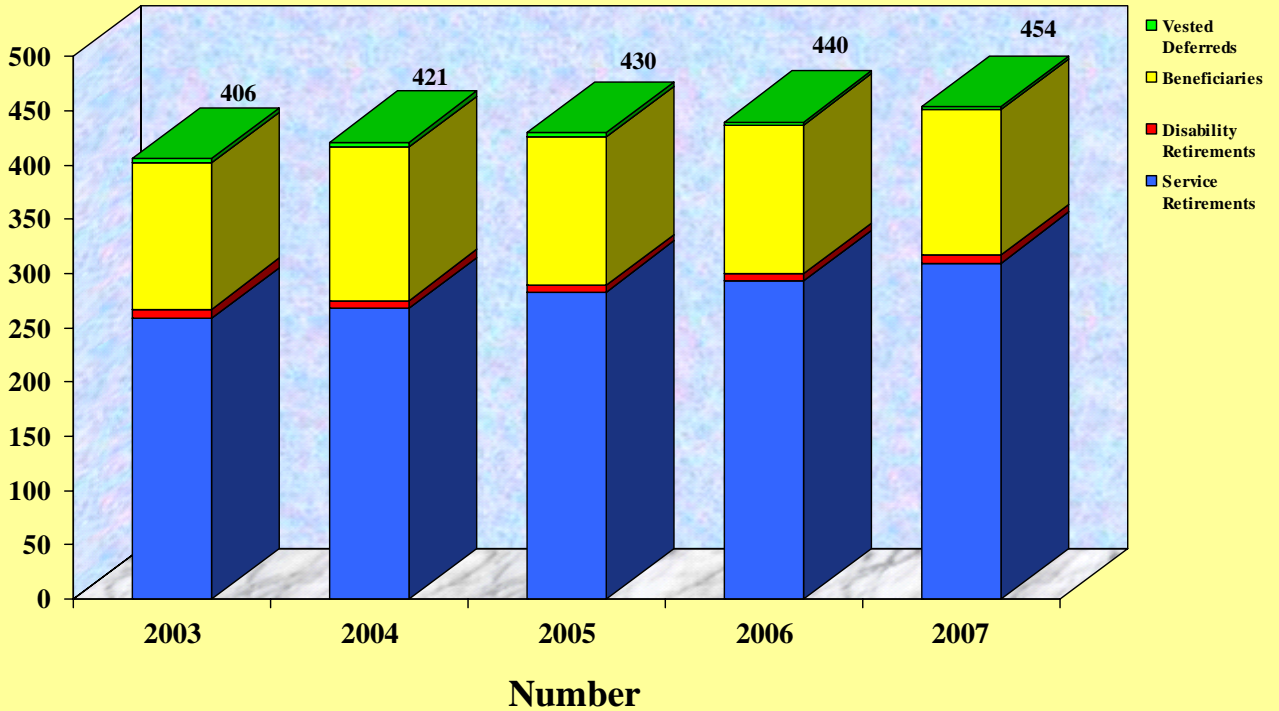
THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF ACTIVE PARTICIPATION



THE JUDICIAL RETIREMENT SYSTEM OF NEW JERSEY

SUMMARY OF RETIRED PARTICIPATION



SECTION III - ASSETS, LIABILITIES AND CONTRIBUTIONS

A. Market Value of Assets as of June 30, 2007

1.	Assets		
	a.	Cash	\$ 32,274
	b.	Securities Lending Collateral	74,378,233
	c.	Investment Holdings	370,243,313
	d.	Interest Receivable on Investments	1,711,064
	e.	Employer Contribution Receivable – NCGI	0
	f.	Members' Contributions Receivable	67,030
	g.	Accounts Receivable	74,719
	h.	Dividends Receivable	644,896
	i.	Loans Receivable	787,801
	j.	Interest Receivable – Member Loans	<u>2,084</u>
	k.	Total	\$ 447,941,414
2.	Liabilities		
	a.	Pension Payroll Payable	\$ 304,090
	b.	Pension Adjustment Payroll Payable	49,414
	c.	Withholdings Payable	659,218
	d.	Securities Lending Collateral and Rebates Payable	74,378,233
	e.	Accounts Payable – Other	0
	f.	Administrative Expense Payable	<u>9,563</u>
	g.	Total	\$ 75,400,518
3.	Preliminary Market Value of Assets as of June 30, 2007: 1(k) - 2(g)		\$ 372,540,896
4.	State Appropriations Receivable		<u>11,957,000*</u>
5.	Market Value of Assets as of June 30, 2007: 3. + 4.		\$ 384,497,896**

* The fiscal year 2008 required contribution of \$23,907,860 has been reduced to \$11,957,000 to reflect the potential impact of the Appropriation Act for fiscal year 2008.

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

B. Reconciliation of Market Value of Assets: June 30, 2006 to June 30, 2007

1.	Market Value of Assets as of June 30, 2006	\$	338,292,257
2.	Increases		
a.	Pension Contributions		
	Members' Contributions	\$	1,513,069
	Transfer from Other Systems		348,258
b.	Accumulative Interest		
	Transfer from Other Systems		340,200
c.	Employers' Contributions		
	State Appropriations		12,596,255
	Non-Contributory Group Insurance		145,643
	Transfer from Other Systems		0
d.	Income		
	Per Statement		52,405,745
e.	Total	\$	67,349,170
3.	Decreases		
a.	Benefits Provided by Members		
	Withdrawals – Members' Contributions		
	Regular	\$	0
	Transfer		0
	Withdrawals – Member Interest		
	Regular		0
	Transfer		0
b.	Benefits Provided by Employers and Members		
	Retirement Allowances		29,173,626
c.	Benefits Provided by Employers		
	Benefit Expense – Pension Adjustment – State		3,621,922
	Administrative Expense		159,340
	Transfer Withdrawal – Employer Benefits		0
	Miscellaneous Expense		0
	NCGI Premium Expense		145,643
d.	Total	\$	33,100,531
4.	Preliminary Market Value of Assets as of June 30, 2007: 1 + 2(e) – 3(d)	\$	372,540,896
5.	State Appropriations Receivable		11,957,000*
6.	Market Value of Assets as of June 30, 2007: 4. + 5.	\$	384,497,896**

* The fiscal year 2008 required contribution of \$23,907,860 has been reduced to \$11,957,000 to reflect the potential impact of the Appropriation Act for fiscal year 2008.

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

C. Development of Actuarial Value of Assets as of July 1, 2007

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, 2006 (without State Appropriations Receivable)	\$	369,493,799
2.	Net Cash Flow excluding investment income		(18,157,106)
3.	Expected Investment Income at 8.25%		
	a. Interest on assets as of July 1, 2006	\$	30,483,238
	b. Interest on Net Cash Flow		<u>(748,981)</u>
	c. Total	\$	29,734,257
4.	Expected Actuarial Value of Assets as of July 1, 2007: 1. + 2. + 3.(c)	\$	381,070,950
5.	20% of Difference from Preliminary Market Value of Assets		(1,706,011)
6.	State Appropriations Receivable		<u>11,957,000*</u>
7.	Actuarial Value of Assets as of July 1, 2007 = 4. + 5. + 6.	\$	391,321,939**

* The fiscal year 2008 required contribution of \$23,907,860 has been reduced to \$11,957,000 to reflect the potential impact of the Appropriation Act for fiscal year 2008.

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

D. Present Value of Projected Benefits as of July 1, 2007

1.	Retirees and Beneficiaries		
	a. Service Retirement	\$	269,737,756
	b. Disability Retirement		5,935,251
	c. Beneficiaries		40,369,471
	d. Lump Sum Death Benefits		<u>3,610,740</u>
	e. Total	\$	319,653,218
2.	Terminated Vested Members	\$	717,925
3.	Active Participants		
	a. Service Retirement	\$	191,402,405
	b. Disability Retirement		6,613,375
	c. Spousal Annuity Death Benefit (Pre-Retirement)		4,798,468
	d. Lump Sum Death Benefit*		<u>1,784,939</u>
	e. Total	\$	204,599,187
4.	Total Actuarial Accrued Liability: 1(e) + 2 + 3(e)	\$	524,970,330

*Excludes lump sum death benefits payable during active service.

E. Development of Normal Cost as of July 1, 2007

1.	Service Retirement	\$	16,503,006
2.	Disability Retirement		886,221
3.	Spousal Annuity Death Benefit (Pre-Retirement)		640,417
4.	Lump Sum Death Benefit*		<u>162,180</u>
5.	Total Pension Normal Cost* = 1. + 2. + 3. + 4.	\$	18,191,824

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

F. Development of State Contributions

1.	Present Value of Benefits	\$	524,970,330
2.	Actuarial Value of Assets		<u>391,321,939</u>
3.	Unfunded Actuarial Accrued Liability/(Surplus) = 1. - 2.	\$	133,648,391
4.	Amortization Period		30
5.	Amortization of Unfunded Actuarial Accrued Liability payable July 1, 2008	\$	8,122,727
6. (a)	Gross Normal Cost (excluding Non-Contributory Group Insurance Premium)	\$	18,191,824
(b)	Expected Member Contributions		<u>1,594,609</u>
(c)	State Normal Cost = (a) - (b)	\$	16,597,215
(d)	State Normal Cost payable July 1, 2008 = (c) * 1.0825	\$	17,966,485
7.	Total Required Pension Contribution as of July 1, 2008 = 5. + 6.(d)	\$	26,089,212*
8.	Non-Contributory Group Insurance Premium	\$	721,984

*Contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2009.

SECTION IV - COMMENTS CONCERNING THE VALUATION

The variation in liabilities and contributions reflects the System's actual experience during the year. The System experienced a net actuarial loss during the year that ended June 30, 2007.

The loss is primarily due to an actual return on System assets less than expected and cost of living adjustments greater than expected. For valuation purposes, an 8.25% per annum rate of return was assumed. The actual return on the Fund's actuarial value of assets was approximately 7.78% for the period from July 1, 2006 through June 30, 2007. There was also a net loss due to experience among active and retired members.

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

A. Calculation of Actuarial Experience for the Year Ended June 30, 2007

1.	Unfunded Accrued Liability as of July 1, 2006	\$ 110,928,621
2.	Gross Normal Cost as of July 1, 2006	17,372,313
3.	Interest on (1) and (2)	10,584,827
4.	Actual Members' Contributions Received	1,513,069
5.	Employers' Contributions (including receivable)	11,957,000
6.	Interest on Contributions (excluding receivables)	<u>62,414</u>
7.	Expected Unfunded Accrued Liability as of July 1, 2007 = (1) + (2) + (3) - (4) - (5) - (6)	\$ 125,353,278
8.	Actual Unfunded Accrued Liability as of July 1, 2007	\$ 133,648,391
9.	Actuarial (Gain)/Loss = (8) - (7)	\$ 8,295,113

B. Components of Actuarial Experience

1.	Investment (Gain)/Loss	\$ 1,706,011
2.	Other (Gain)/Loss, including mortality, cost of living adjustments more than expected, salary increases greater than expected and changes in employee data	<u>6,589,102</u>
3.	Total Actuarial (Gain)/Loss	\$ 8,295,113

SECTION V - ACCOUNTING INFORMATION

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

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

(A) Development of the Annual Required Contribution (ARC) as of June 30, 2009:

1. Actuarial Value of Plan Assets as of June 30, 2007	
(a) Valuation Assets as of June 30, 2007	\$ 391,321,939
(b) Adjustment for Receivable Contributions included in (a)	<u>11,957,000</u>
(c) Valuation Assets as of June 30, 2007 for GASB Disclosure = (a) - (b)	\$ 379,364,939

2.	Actuarial Accrued Liability as of June 30, 2007 for GASB Disclosure	\$ 524,970,330
3.	Unfunded Actuarial Accrued Liability/(Surplus) as of June 30, 2007 = 2. - 1.(c)	\$ 145,605,391
4.	Amortization of Unfunded Actuarial Accrued Liability/(Surplus) over 30 years	\$ 8,174,998
5.	Normal Cost as of June 30, 2007*	\$ 16,597,215
6.	Annual Required Contribution as of June 30, 2009	
(a)	Annual Required Contribution as of June 30, 2007 = 4. + 5.	\$ 24,772,213
(b)	Interest Adjustment to June 30, 2009	<u>4,256,021</u>
(c)	Annual Required Contribution as of June 30, 2009 = (a) + (b)	\$ 29,028,234

(B) Development of the Net Pension Obligation (NPO) as of June 30, 2009:

1.	Annual Required Contribution as of June 30, 2009	\$ 29,028,234
2.	Interest on Net Pension Obligation	2,059,235
3.	Adjustment to Annual Required Contribution	<u>(1,517,016)</u>
4.	Annual Pension Cost = 1. + 2. + 3.	\$ 29,570,453
5.	Expected Employer Contributions for Fiscal Year 2009	\$ 26,089,212
6.	Increase in Net Pension Obligation = 4. - 5.	\$ 3,481,241
7.	Net Pension Obligation at June 30, 2008	\$ 24,960,422**
8.	Net Pension Obligation at June 30, 2009 = 6. + 7.	\$ 28,441,663

* Excludes the estimated premium payable to the Non-Contributory Group Insurance Fund.

** The June 30, 2008 Net Pension Obligation amount has been revised from the amount shown in the prior year's report to reflect the adjustment to the fiscal year 2008 receivable contribution.

(C) Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded Actuarial Accrued Liability (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	Unfunded Actuarial Accrued Liability as a Percentage of Covered Payroll $\frac{(b-a)}{c}$
6/30/2002	\$ 373,231,198	\$ 388,950,803	\$ 15,719,605	96.0%	\$ 61,873,500	25.4%
6/30/2003	\$ 372,835,265	\$ 431,450,218	\$ 58,614,953	86.4%	\$ 61,600,500	95.2%
6/30/2004	\$ 371,730,163	\$ 445,922,358	\$ 74,192,195	83.4%	\$ 61,576,750	120.5%
6/30/2005	\$ 369,491,366	\$ 466,145,912	\$ 96,654,546	79.3%	\$ 60,506,750	159.7%
6/30/2006	\$ 369,493,799	\$ 493,778,007	\$ 124,284,208	74.8%	\$ 62,492,250	198.9%
6/30/2007	\$ 379,364,939	\$ 524,970,330	\$ 145,605,391	72.3%	\$ 63,144,685	230.6%

(D) Schedule of Employer Contributions

Fiscal Year	Annual Required Contribution	Employer Contribution	Percentage Contributed
2004	\$ 18,720,233	\$ 3,355,438	17.9%
2005	\$ 22,525,773	\$ 6,162,076	27.4%
2006	\$ 23,212,502	\$ 7,972,000	34.3%
2007	\$ 25,174,191	\$ 13,355,587	53.1%
2008 ^o	\$ 26,758,935	\$ 11,957,000*	44.7%
2009 ^o	\$ 29,028,234	\$ 26,089,212**	89.9%

* The fiscal year 2008 required contribution of \$23,907,860 has been reduced to \$11,957,000 in anticipation of the provisions of the Appropriation Act for fiscal year 2008.

** The required contribution could be subject to reduction in accordance with the provisions of the Appropriation Act for fiscal year 2009.

^o Excludes the estimated premium payable to the Non-Contributory Group Insurance Fund.

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

Valuation Date	June 30, 2007
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level Percent, Open
Remaining Amortization Period	30 years
Asset Valuation Method	Five Year Average of Market Value
Actuarial Assumptions:	
Investment Rate of Return	8.25%
Projected Salary Increases	5.45%
Cost of Living Adjustments	60% of the assumed CPI increase of 3.0%

SECTION VI - LEVEL OF FUNDING

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

<u>FASB 87 ABO Funded Ratios</u>		
Actuarial present value of accumulated benefits:	June 30, 2007	June 30, 2006
Vested benefits		
Participants currently receiving payments	\$ 319,653,218	\$ 297,797,512
Other participants	100,219,448	97,419,858
	\$ 419,872,666	\$ 395,217,370
Non-vested benefits	63,579,816	58,303,685
Total	\$ 483,452,482	\$ 453,521,055
Assets at market value	\$ 384,497,896	\$ 351,647,844
Ratio of Assets to Total Present Value	79.5%	77.5%

The actuarial present value of vested and non-vested accrued benefits was based on an interest rate of 8.25% for both 2007 and 2006.

APPENDIX A

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

Eligibility for Membership

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

1. Definitions

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

2. Benefits

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

Early Retirement	Prior to age 60 while serving as a judge, 5 consecutive years of judicial service and 25 or more years in the aggregate of public service. Benefit is an annual retirement allowance equal to 2% of final salary for each year of public service up to 25 years plus 1% of final salary for each year of public service in excess of 25 years, actuarially reduced for commencement prior to age 60.
Vested Termination	Termination of service prior to age 60, with 5 consecutive years of judicial service and 10 years in the aggregate of public service. Benefit is a refund of accumulated deductions, or a deferred life annuity beginning at age 60 equal to 2% of final salary for each year of public service up to 25 years, plus 1% for service in excess of 25 years.
Death Benefits	
Before Retirement	Death of an active member of the plan. Benefit is equal to: <ul style="list-style-type: none"> (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: <ul style="list-style-type: none"> (a) Lump sum of 25% of final salary for a member retired under normal or early retirement. If a member were receiving a disability benefit, a lump sum 1-1/2 times final salary if death occurred before the member attained age 60 and 1/4 times final salary if death occurred after age 60, plus (b) Spousal life annuity of 25% of final salary payable until spouse's remarriage plus 10% (15%) to one (two or more) dependent child (children). If there is no surviving spouse, or upon death or remarriage, a total of

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

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

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

APPENDIX B**OUTLINE OF ACTUARIAL ASSUMPTIONS AND METHODS**

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

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

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

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

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

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

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

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

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

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

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

APPENDIX C**TABULATIONS USED AS A BASIS FOR THE 2007 VALUATION**

The following table gives a reconciliation of data from July 1, 2006 to June 30, 2007. Tables are also given showing the distribution of active members' salaries by age and length of service as of July 1, 2007 and showing the number and retirement allowances of beneficiaries classified by age as of July 1, 2007.

TABLE 1

RECONCILIATION OF DATA FROM JULY 1, 2006 TO JUNE 30, 2007

	Actives		Deferred Vested	Retirees				Beneficiaries	Dependents	Domestic Relations Beneficiaries	Total
	Contrib.	Noncontrib.		Service	Special	Deferred	Disabled				
Members as of July 1, 2006	436	4	3	277	2	5	7	132	5	9	880
Status Change:											
To Contributing	4	-4									
To Noncontributing	-2	2									
New Deferred Vested	-1		+1								
New Terminated Non-Vested	-1										-1
New Service Retirement	-24			+24							
New Special Retirement											
New Deferred Vesteds Now Payable											
New Disabled											
New Death				-7				-6			-13
Payments Begin											
New Beneficiaries								+3			+3
End of Payments											
New Actives	+7										+7
Rehires											
Data Corrections			-1								-1
Members as of June 30, 2007	419	2	3	294	2	5	7	129	5	9	875

TABLE 2**DISTRIBUTION OF ACTIVE MEMBERS BY AGE AND SERVICE**

AGE	SERVI CE	1	5	10	15	20	25	30	35	TOTAL
20	Number Salary									
25	Number Salary									
30	Number Salary									
35	Number Salary									
40	Number Salary		1 149,000							1 149,000
45	Number Salary	7 1,043,000	14 2,086,000							21 3,129,000
50	Number Salary	14 2,086,000	28 4,190,493	15 2,235,000	3 466,022					60 8,977,515
55	Number Salary	8 1,192,000	34 5,084,493	25 3,725,000	29 4,345,685	11 1,654,587				107 16,001,765
60	Number Salary	15 2,235,000	32 4,768,000	33 4,936,022	36 5,385,663	17 2,577,120	4 602,076			137 20,503,881
63	Number Salary		9 1,341,000	13 1,956,022	16 2,399,587	12 1,813,098	6 931,515	2 316,493		58 8,757,715
66 and over	Number Salary		7 1,061,493	8 1,201,511	6 903,511	8 1,204,152	6 941,555	2 313,587		37 5,625,809
TOTAL	Number Salary	44 6,556,000	125 18,680,479	94 14,053,555	90 13,500,468	48 7,248,957	16 2,475,146	4 630,080		421 63,144,685

TABLE 3
THE NUMBER AND ANNUAL COMPENSATION OF
ACTIVE MEMBERS DISTRIBUTED BY AGE
AS OF JUNE 30, 2007

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
43	1	\$ 149,000		
45	2	298,000	3	\$ 447,000
46	1	149,000	6	894,000
47	5	745,000	2	298,000
48	3	447,000	3	447,000
49	10	1,490,000	5	745,000
50	5	745,000		
51	6	903,511	4	596,000
52	8	1,192,000	8	1,192,000
53	12	1,788,000	7	1,063,004
54	13	1,937,000	6	900,076
55	16	2,412,004	5	754,511
56	18	2,674,000	2	298,000
57	18	2,697,587	7	1,043,000
58	14	2,086,000	12	1,813,098
59	25	3,725,000	8	1,192,000
60	27	4,057,609	3	456,511
61	16	2,393,511	2	304,076
62	26	3,880,076	5	745,000
63	19	2,846,587	3	447,000
64	13	1,956,022	3	456,511
65	22	3,331,102	2	326,004
66	13	1,952,587	1	149,000
67	12	1,816,533	1	149,000
68	5	764,022	1	155,076
69	11	1,688,667	1	149,000
TOTAL	321	\$ 48,124,818	100	\$ 15,019,867

Of the 421 active members included in the June 30, 2007 valuation data, 173 are vested and 248 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, 2007

YEARS OF SERVICE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
0	2	\$ 298,000		
1	10	1,490,000	1	\$ 149,000
2	23	3,427,000	8	1,192,000
3	16	2,384,000	3	447,000
4	13	1,937,000	6	894,000
5	26	3,892,493	9	1,341,000
6	23	3,427,000	6	894,000
7	16	2,402,493	7	1,061,493
8	14	2,086,000	4	596,000
9	13	1,937,000	6	894,000
10	13	1,946,511	11	1,648,511
11	7	1,052,511	1	149,000
12	22	3,287,511	3	456,511
13	2	298,000	2	307,511
14	18	2,693,022	8	1,201,511
15	20	2,986,076	5	752,587
16	21	3,154,098	5	751,076
17	7	1,058,587	2	298,000
18	14	2,095,511	7	1,058,587
19	10	1,515,098	1	158,511
20	7	1,055,152	1	155,076
21	5	754,511	1	149,000
22	1	158,511	1	149,000
23	8	1,235,591		
24	4	615,022	1	149,000
26	3	475,533		
28	1	149,000		
29	1	155,076		
30	1	158,511	1	167,493
TOTAL	321	\$ 48,124,818	100	\$ 15,019,867

Of the 421 active members included in the June 30, 2007 valuation data, 173 are vested and 248 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	Average Age At Retirement	Average Annual Benefit At Retirement	Average Age At Retirement*	Average Annual Benefit At Retirement
	All Retirees	66.1	\$ 82,495	61.9	\$ 81,825	58.8
New Retirees	67.6	\$ 93,785	N/A	N/A	59.3	\$ 36,750

	All Retirements (Excluding Survivors)	
	Average Age At Retirement	Average Annual Benefit At Retirement
	All Retirees	66.0

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

**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, 2007

SERVICE RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
61	2	\$ 87,833	1	\$ 112,500
62	3	303,213		
63	4	365,712		
64	6	548,720	1	109,705
65	4	449,498	2	184,787
66	9	925,152	1	112,500
67	9	842,978	1	105,750
68	15	1,325,198	1	71,608
69	3	331,338	4	354,789
70	16	1,520,898		
71	19	1,730,625	3	281,361
72	12	1,165,682	2	210,074
73	22	1,939,309	2	236,651
74	14	1,260,669		
75	15	1,344,932		
76	11	1,051,518	3	240,071
77	16	1,598,061	1	109,624
78	12	1,143,059	1	98,859
79	7	553,602	2	190,082
80	10	950,929		
81	10	854,783		
82	6	555,766		
83	18	1,513,637		
84	7	619,062		
85	2	187,641	1	95,674
86	8	577,244	1	86,650
87	6	488,653		
88	1	86,650		
89	2	144,358		
90	3	219,615		
91	3	190,258		
92	3	231,844		
93	1	89,998		
95	1	84,715		
96	1	78,936		
97	2	121,609		
TOTAL	283	\$ 25,483,695	27	\$ 2,600,685

TABLE 7

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2007**

DISABILITY RETIREMENTS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
51			1	\$ 109,705
65	1	\$ 86,715		
67	1	87,540		
73	1	92,069		
76	1	110,878		
83	1	82,864		
87	1	89,577		
TOTAL	6	\$ 549,644	1	\$ 109,705

TABLE 8
THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2007

ACTIVE MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
65			1	\$ 37,667
68			1	26,252
69	1	\$ 32,953		
70			3	93,663
71			2	65,826
72			1	31,891
73			2	63,643
74			2	62,711
76			2	58,000
78			2	62,083
83			1	26,252
86			1	24,105
87			1	27,710
93			1	27,524
TOTAL	1	\$ 32,953	20	\$ 607,325

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2007**

RETIRED MEMBERS' DEATH BENEFITS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
19	1	\$ 8,888		
22	1	8,888		
50			1	\$ 14,386
56			2	66,586
58			1	123,022
59	1	11,048	1	36,959
60			1	27,621
61			1	38,368
62	1	11,553		
63			2	103,323
65			1	37,500
66			1	40,403
67			1	34,291
68			1	108,494
69			1	123,931
70			2	61,244
71			1	28,238
72			1	37,667
73			1	31,050
74			3	102,494
75			4	255,245
76			4	324,574
77			2	53,731
78			5	173,565
79			3	87,237
80			5	184,270
81			6	351,945
82			2	70,544
83			8	266,397
84			6	307,047
85			9	353,658
86			3	95,891
87			5	171,226
88			1	28,750
89			5	146,375
90			2	57,500
91			3	78,318
92			1	23,310
93			2	62,544

TABLE 9

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF BENEFICIARIES DISTRIBUTED
BY AGE AS OF JUNE 30, 2007**

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

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
94			3	\$ 72,751
95			3	79,977
96			2	54,348
98			1	100,498
99			1	28,035
102			1	21,562
TOTAL	4	\$ 40,378	109	\$ 4,464,877

TABLE 10

**THE NUMBER AND ANNUAL RETIREMENT
ALLOWANCES OF RETIRED MEMBERS DISTRIBUTED
BY AGE AS OF JUNE 30, 2007**

DEFERRED TERMINATED VESTEDS

AGE	MEN		WOMEN	
	NUMBER	AMOUNT	NUMBER	AMOUNT
46			1	\$ 44,885
54	1	\$ 27,555		
62	1	21,250		
TOTAL	2	\$ 48,805	1	\$ 44,885