Gabriel Roeder Smith & Company
Consultants & Actuaries

ARKANSAS JUDICIAL RETIREMENT SYSTEM

GASB STATEMENT NO. 67 PLAN REPORTING AND ACCOUNTING SCHEDULES

JUNE 30, 2014

GRS
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December 2, 2014

The Board of Trustees
Arkansas Judicial Retirement System
Little Rock, Arkansas

Ladies and Gentlemen:

This report provides information required by the Retirement System in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 "Financial Reporting for Pension Plans."

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statement No. 67. These calculations have been made on a basis that is consistent with our understanding of this accounting standard.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement No. 67. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement No. 67 may produce significantly different results. This report may be provided to parties other than the System only in its entirety and only with the permission of the Retirement Board.

This report is based upon information, furnished to us by Retirement System staff, concerning retirement and ancillary benefits, active members, deferred vested members, retirees and beneficiaries, and financial data. If your understanding of this information is different, please let us know. This information was checked for internal consistency, but it was not otherwise audited.

This information is presented in draft form for review by the plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the plan's financial statements.

Please see the actuarial valuation report as of June 30, 2014 for additional discussions of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

To the best of our knowledge, this report is complete, accurate, and in accordance with generally recognized actuarial methods. Mita D. Drazilov is a Member of the American Academy of Actuaries and meets the Qualification Standards of the Academy of Actuaries to render the actuarial opinion herein. The signing actuaries are independent of the plan sponsor.

Respectfully submitted,

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

David L. Hoffman

David L. Hoffman

MDD/DLH:mrb

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SECTION A

EXECUTIVE SUMMARY

EXECUTIVE SUMMARY
AS OF JUNE 30, 2014

	2014
Actuarial Valuation Date	June 30, 2014
Pension Plan's Fiscal Year Ending Date (Measurement Date & Reporting Date)	June 30, 2014
Membership	
Number of	
- Retirees and Beneficiaries	124
- Inactive, Nonretired Members	4
- Active Members	140
- Total	268
Covered Payroll	$ 19,781,628
Net Pension Liability	
Total Pension Liability	$ 208,005,544
Plan Fiduciary Net Position	217,430,540
Net Pension Liability	$ (9,424,996)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.53%
Net Pension Liability as a Percentage of Covered Payroll	(47.65)%
Development of the Single Discount Rate	
Single Discount Rate	7.25%
Long-Term Expected Rate of Return	7.25%
Long-Term Municipal Bond Rate	4.29%
Last year ending June 30 in the 2015 to 2114 projection period for which projected benefit payments are fully funded	2114

**Based on the Bond Buyer 20-Bond Index of general obligation municipal bonds as of June, 2014(i.e., the weekly rate closest to but not later than the Measurement Date).*

DISCUSSION

Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67, "Financial Reporting for Pension Plans," replaces the requirements of GASB Statement No. 25, "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans," and GASB Statement No. 50, "Pension Disclosures." GASB Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability of employers and non-employer contributing entities for benefits provided through the pension plan.

The following discussion provides a summary of the information that is required to be disclosed under this new accounting standard. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report, and your internal staff will be responsible for preparing that information to comply with this accounting standard.

Financial Statements

GASB Statement No. 67 requires defined benefit pension plans to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position.

The *statement of fiduciary net position* presents the following items as of the end of the pension plan's reporting period, such as:

- assets;
- deferred inflows and outflows of resources;
- liabilities; and
- fiduciary net position (assets, plus deferred outflows, minus liabilities, minus deferred inflows).

The *statement of changes in fiduciary net position* presents the following for the plan's reporting period:

- additions, such as contributions and investment income;
- deductions, such as benefit payments and expenses; and
- net increase or decrease in the fiduciary net position (the difference between additions and deductions).

Notes to Financial Statements

GASB Statement No. 67 also requires the notes of the plan's financial statements to include additional disclosure information. This disclosure information should include:

- a description of the types of benefits provided by the plan, as well as automatic or ad hoc COLAs;
- the number and classes of employees covered by the benefit terms;
- the composition of the pension plan's board and the authority under which benefit terms may be amended;
- a description of the plan's funding policy, which includes member and employer contribution requirements;
- the pension plan's investment policies;
- a description of how fair value is determined;
- concentrations of investments greater than or equal to 5%;
- annual money-weighted rate of return on pension plan investments;
- the portion of the present value of benefits to be provided through the pension plan to current active and inactive plan members;
- the pension plan's fiduciary net position;
- the net pension liability;
- the pension plan's fiduciary net position as a percentage of the total pension liability;
- significant assumptions and methods used to calculate the total pension liability;
- inputs to the discount rates; and
- certain information about mortality assumptions and the dates of experience studies.

Required Supplementary Information

GASB Statement No. 67 requires a 10-year fiscal history of:

- sources of changes in the net pension liability;
- information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll;
- comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy; and
- the annual money-weighted rate of return on pension plan investments for each year.

The tables will be built prospectively as the information becomes available.

Measurement of the Net Pension Liability

The net pension liability is to be measured as the total pension liability, less the amount of the pension plan's fiduciary net position. In actuarial terms, this will be the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. If the actuarial valuation is not calculated as of the plan's fiscal year end, the total pension liability is required to be rolled forward from the actuarial valuation date to the pension plan's fiscal year end.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2014 and a measurement date of June 30, 2014.

Single Discount Rate

Projected benefit payments are required to be discounted to their actuarial present values using a single discount rate that reflects (1) a long-term expected rate of return on pension plan investments (to the extent that the plan's fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.29% (based on the weekly rate closest to but not later than the measurement date of the 20-Year Bond Buyer Index as published by the Federal Reserve); and the resulting single discount rate is 7.25%.

Effective Date and Transition

GASB Statement No. 67 is effective for a pension plan's fiscal years beginning after June 15, 2013; this corresponds to the fiscal year ending June 30, 2014.

SECTION B

FINANCIAL STATEMENTS

STATEMENT OF FIDUCIARY NET POSITION AS OF JUNE 30, 2014

TO BE PROVIDED BY SYSTEM

	2014
Assets	
Cash and Deposits	
Receivables	
Accounts Receivable - Sale of Investments	
Accrued Interest and Other Dividends	
Contributions	
Accounts Receivable - Other	
Total Receivables	
Investments	
Fixed Income	
Domestic Equities	
International Equities	
Real Estate	
Other	
Total Investments	
Total Assets	
Liabilities	
Payables	
Accounts Payable - Purchase of Investments	
Accrued Expenses	
Accounts Payable - Other	
Total Liabilities	
Net Position Restricted for Pensions	$ 217,430,540

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FOR YEAR ENDED JUNE 30, 2014

	2014
Additions	
Contributions	
Employer	$ 6,117,327
Employee	925,324
Other	-
Total Contributions	$ 7,042,651
Investment Income	
Net Appreciation in Fair Value of Investments	$ 30,893,395
Interest and Dividends	-
Less Investment Expense	(1,100,282)
Net Investment Income	$ 29,793,113
Other	$ -
Total Additions	$ 36,835,764
Deductions	
Benefit payments, including refunds of employee contributions	$ 9,984,856
Pension Plan Administrative Expense	130,529
Other	-
Total Deductions	$ 10,115,385
Net Increase in Net Position	$ 26,720,379
Net Position Restricted for Pensions	
Beginning of Year	$ 190,710,161
End of Year	$ 217,430,540

SECTION C

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
ULTIMATELY 10 FISCAL YEARS WILL BE DISPLAYED

Fiscal year ending June 30,	2014
Total Pension Liability	
Service Cost	$ 5,319,836
Interest on the Total Pension Liability	14,607,426
Benefit Changes	-
Difference between Expected and Actual Experience	(5,751,106)
Assumption Changes	-
Benefit Payments	(9,966,020)
Refunds	(18,836)
Net Change in Total Pension Liability	4,191,300
Total Pension Liability - Beginning	203,814,244
Total Pension Liability - Ending (a)	$ 208,005,544
Plan Fiduciary Net Position	
Employer Contributions	$ 6,117,327
Employee Contributions	925,324
Pension Plan Net Investment Income	29,793,113
Benefit Payments	(9,966,020)
Refunds	(18,836)
Pension Plan Administrative Expense	(130,529)
Other	-
Net Change in Plan Fiduciary Net Position	26,720,379
Plan Fiduciary Net Position - Beginning	190,710,161
Plan Fiduciary Net Position - Ending (b)	$ 217,430,540
Net Pension Liability - Ending (a) - (b)	(9,424,996)
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	104.53 %
Covered Employee Payroll	$ 19,781,628
Net Pension Liability as a Percentage of Covered Employee Payroll	(47.65)%

Notes to Schedule:

N/A

SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF THE NET PENSION LIABILITY
ULTIMATELY 10 FISCAL YEARS WILL BE DISPLAYED

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	$ 208,005,544	$ 217,430,540	$ (9,424,996)	104.53%	$ 19,781,628	(47.65)%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

FY Ending June 30,	Actuarially Determined Contribution	Actual Contribution	Contribution Deficiency (Excess)	Covered Payroll	Actual Contribution as a % of Covered Payroll*
2005	$ 4,774,986	$ 4,774,986	$ -	$ 16,637,573	29.34%
2006	4,904,699	4,904,699	-	17,009,056	29.46%
2007	5,182,016	5,182,016	-	17,333,983	30.44%
2008	5,144,958	5,144,958	-	18,074,314	29.36%
2009	4,466,571	4,466,571	-	18,874,986	24.20%
2010	4,667,612	4,667,612	-	18,629,861	24.59%
2011	5,220,623	5,220,623	-	19,337,991	27.43%
2012	5,465,079	5,465,079	-	19,201,734	29.08%
2013	5,672,291	5,672,291	-	19,585,755	29.93%
2014	6,117,327	6,117,327	-	19,781,628	31.46%

** Actual contributions are based on covered payroll at the time of the contribution. This payroll is not reported to the actuary. The covered payroll shown on this page is the valuation payroll.*

NOTES TO SCHEDULE OF CONTRIBUTIONS

Valuation Date: June 30, 2014

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	29 years
Asset Valuation Method	4-Year smoothed market; 25% corridor
Inflation	2.75% price inflation
Salary Increases	3.50%
Investment Rate of Return	7.25%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2000 mortality tables projected to 2020 using projection scale BB.

Other Information:

Notes	There were no benefit changes during the year.

SCHEDULE OF INVESTMENT RETURNS MULTIYEAR

TO BE PROVIDED BY SYSTEM

Last 10 Fiscal Years

FY Ending June 30,	Annual Return[1]
2005	
2006	
2007	
2008	
2009	
2010	
2011	
2012	
2013	
2014	

[1] *Annual money-weighted rate of return, net of investment expenses.*

SECTION D

NOTES TO FINANCIAL STATEMENTS

Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2014 to 2023 were provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates, provided by the plan's investment consultant, are summarized in the following table:

Asset Allocation

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income Domestic	35.0%	0.80%
Fixed Income High Yield	9.0%	3.35%
Large Cap Domestic Equity	32.0%	6.65%
Small/Mid Cap Domestic Equity	9.0%	7.90%
International Equity	12.0%	7.00%
Emerging Market Equity	3.0%	9.20%
Total	100.0%	
Total Real Rate of Return		4.54%
Plus: Price Inflation - Actuary's Assumption		2.75%
Less: Admin and Investment Expenses*		0.50%
Net Expected Return		6.79%

** This may overstate the investment expense as we understand the Callan capital market assumptions are based upon passive management. Our assumption for investment expense includes the cost of active management.*

The current assumed rate of investment return (net of administrative and investment expenses) used for actuarial valuation purposes was established based upon an Experience Study for the period July 1, 2006 through June 30, 2011. Based upon a measurement date of June 30, 2014, this assumption complied with Actuarial Standard of Practice (ASOP) No. 27. The assumption may need to be revised for the June 30, 2015 actuarial valuation.

Single Discount Rate

A single discount rate of 7.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 7.25%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

1% Decrease 6.25%	Current Single Rate Assumption 7.25%	1% Increase 8.25%
$13,279,845	($9,424,996)	($28,790,749)

Summary of Population Statistics

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	124
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	4
Active Plan Members	140
Total Plan Members	268

SECTION E

SUMMARY OF BENEFITS

SUMMARY OF PROVISIONS CONSIDERED (JULY 1, 2014)

Tier One	Tier Two
Description	
Elected or appointed prior to the effective date of Act 399 of 1999 and who do not elect to participate in Tier Two.	Elected or appointed after the effective date of Act 399 of 1999 or elected to participate in Tier Two.
Regular Retirement	
An active member may retire at age 65 with 10 or more years of credited service, or after 20 years of credited service regardless of age. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts or the Court of Appeals.	An active member or former member may retire at age 65 with 8 or more years of credited service, or after 20 years of credited service regardless of age.
Compulsory Retirement	
Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.	Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.
Final Salary	
The annual salary for the last judicial office held.	The annual salary for the last judicial office held.
Age & Service Annuity	
60% of the judge's final salary, for life. Each year of additional service after twenty (20) years of judicial service, the benefit shall be increased by two and one-half percent (2.5%) with a maximum benefit payable of seventy-five percent (75%) of the judge's final salary.	3.2% of the salary of the last judicial office held multiplied by the number of years of service not to exceed 80% of the salary of the last judicial office held.

SUMMARY OF PROVISIONS CONSIDERED (CONTINUED)

Tier One	Tier Two
Deferred Retirement	
An inactive member who has 14 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts or the Court of Appeals.	An inactive member who has 8 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65.
Disability Retirement	
An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity. The 3 years of service is not required for persons who were members before July 1, 1983.	An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity, except that the benefit shall not be less than 25.6% of final salary.
Early Retirement	
A member who became a member before July 1, 1983 and who has 18 but less than 20 years credited service may retire, regardless of age, and receive an immediate annuity. The amount is the full age and service amount reduced proportionately for service less than 20 years. A member with 14 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month that retirement age is younger than age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit Court or Chancery Courts or the Court of Appeals.	A member with 8 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month retirement age is younger than age 65.

SUMMARY OF PROVISIONS CONSIDERED (CONCLUDED)

Tier One	Tier Two

Survivor Benefits

Tier One

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 67% of the judge's benefit is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Tier Two

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 67% of the judge's benefit, but not less than 17.152% of final salary, is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Increases After Retirement

Tier One

For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased from time to time as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected after June 30, 1983, and who have received retirement benefits from the System for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.

Tier Two

For all judges or justices who have received retirement benefits from the System for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.

Member Contributions

Tier One

Active members contribute 6% of their salaries. Members with 20 or more years of service and members age 65 or older with 10 or more years of service do not contribute to the Retirement System. At any time a member is accruing the additional 2.5% of final salary benefit, member contributions would be required. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.

Tier Two

Active members contribute 5% of their salaries. Members with 25 or more years of service do not contribute to the Retirement System. If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.

SECTION F

ACTUARIAL ASSUMPTIONS

SUMMARY OF ASSUMPTIONS USED FOR ARKANSAS JUDICIAL ACTUARIAL VALUATIONS ASSUMPTIONS ADOPTED BY BOARD OF TRUSTEES AFTER CONSULTING WITH THE ACTUARY

Economic Assumptions

The investment return rate used in making the valuation was 7.25% per year, compounded annually (net after administrative and investment expenses).

Pay increase assumptions for individual active members are shown on page 20. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.50% recognizes wage inflation. This wage inflation assumption consists of 2.75% for price inflation and 0.75% for real wage growth. The wage inflation assumption was revised for the June 30, 2012 valuation.

Total active member payroll is assumed to increase 3.50% a year, which is the portion of the individual pay increase assumptions recognizing inflation.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

The mortality tables used to measure retired life mortality were the RP-2000 mortality tables projected to 2020 using projection scale BB. Related values are shown on page 22. The mortality rates used in evaluating disability allowances were the RP-2000 Combined Healthy mortality tables, set forward 10 years for males and set forward 10 years for females. Related values are shown on page 22. Based upon the experience observed in the most recent experience study for APERS, it appears that, at the time of the study, the current table provides for approximately 8 years of future mortality improvement. Adopted 2012.

(Concluded on the following page.)

SUMMARY OF ASSUMPTIONS USED FOR ARKANSAS JUDICIAL ACTUARIAL VALUATIONS (CONCLUDED)

The probabilities of retirement for members eligible to retire are shown on page 21. Adopted 2012.

The probabilities of withdrawal from service, death-in-service and disability are shown for sample ages on page 20. Adopted 2012.

Normal Cost. Normal Cost and the allocation of benefit values between service rendered before and after the valuation date was determined using an individual entry-age actuarial cost method having the following characteristics.

- The annual normal cost for each individual active member, payable from the date of employment to the date of retirement, is sufficient to accumulate the value of the member's benefit at the time of retirement;
- Each annual normal cost is a constant percentage of the member's year-by-year projected covered pay.

The normal cost, the present value of future normal cost and the present value of benefits are based on the benefit levels available to each member. The accrued liability is the difference between the present value of benefits and the present value of future normal cost.

Funding value of assets (cash & investments) was determined by phasing-in differences between actual market return and the assumed rate of return over a four-year period.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

The actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (MAAA).

DECREMENT AND PAY INCREASE ASSUMPTIONS FOR ACTIVE MEMBERS JUNE 30, 2014

Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year: Male Death	Male Disability	Female Death	Female Disability	Withdrawal	Pay Increase Assumptions For Individual Member: Merit & Seniority	Base (Economic)	Increase Next Year
	0					10.00%			
	1					6.00%			
	2					4.20%			
	3					3.36%			
	4					3.02%			
30	5+	0.02%	0.04%	0.01%	0.05%	0.85%	0.00%	3.50%	3.50%
35		0.04%	0.04%	0.02%	0.05%	0.85%	0.00%	3.50%	3.50%
40		0.05%	0.10%	0.03%	0.18%	0.85%	0.00%	3.50%	3.50%
45		0.07%	0.13%	0.05%	0.20%	0.85%	0.00%	3.50%	3.50%
50		0.10%	0.25%	0.08%	0.28%	0.85%	0.00%	3.50%	3.50%
55		0.17%	0.45%	0.12%	0.38%	0.85%	0.00%	3.50%	3.50%
60		0.29%	0.71%	0.21%	0.51%	0.85%	0.00%	3.50%	3.50%
65		0.50%	0.83%	0.38%	0.62%	0.85%	0.00%	3.50%	3.50%

The pay increase assumptions are age based only, and not service based.

PROBABILITIES OF RETIREMENT FOR MEMBERS ELIGIBLE TO RETIRE JUNE 30, 2014

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	Percent of Eligible Active Members Electing Early Retirement Within Next Year
50	4%	
51	4%	
52	6%	
53	6%	
54	8%	
55	10%	
56	10%	
57	12%	
58	12%	
59	12%	
60	14%	
61	14%	
62	20%	2%
63	20%	2%
64	20%	2%
65-69	24%	
70-74	30%	
75 & Over	100%	

For Tier One, a member was assumed eligible to retire at age 50 with 20 years of service, or at age 65 with 10 years of service. A member was assumed eligible to retire early at age 62 with 14 years of service.

For Tier Two, a member was assumed eligible to retire at age 50 with 20 years of service, or at age 65 with 8 years of service. A member was assumed eligible to retire early at age 62 with 8 years of service.

SINGLE LIFE RETIREMENT VALUES
JUNE 30, 2014

Sample Ages	Present Value of $1 Monthly for Life		Present Value of $1 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	$148.24	$151.62	$210.65	$218.65	32.99	35.59
55	140.64	144.96	194.10	203.31	28.37	30.90
60	131.19	136.37	175.47	185.59	23.94	26.34
65	119.78	125.79	154.95	165.79	19.74	21.98
70	106.30	113.43	132.82	144.60	15.83	17.93
75	90.97	99.45	109.73	122.53	12.26	14.25
80	74.57	84.09	86.87	100.14	9.13	10.95

Sample Attained Ages	$100 Benefit Increasing 3% Annually	Portion of Age 65 Lives Still Alive	
		Men	Women
65	$100.00	100%	100%
70	115.93	94%	95%
75	134.39	85%	88%
80	155.80	71%	76%
85	180.61	52%	61%

SUMMARY OF ASSUMPTIONS USED
JUNE 30, 2014
MISCELLANEOUS AND TECHNICAL ASSUMPTIONS

Marriage Assumption: 80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. 80% of members are assumed to be married at retirement. Male spouses are assumed to be six years older than female spouses for active member valuation purposes. Actual data is used for retired valuation purposes.

Pay Increase Timing: 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.

Decrement Timing: Decrements of all types are assumed to occur mid-year.

Eligibility Testing: 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.

Benefit Service: Exact fractional service is used to determine the amount of benefit payable.

Decrement Relativity: Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.

Decrement Operation: Disability and withdrawal do not operate during retirement eligibility.

Normal Form of Benefit: The assumed normal form of benefit is the 67% joint and survivor benefit.

Incidence of Contributions: 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.

Tier 1 2.5% Benefit Multiplier Election: For present value of future benefit purposes, it was assumed that all Tier 1 members will elect to accrue the additional 2.5% benefit multiplier (if they have not already done so). Member contribution rates are based upon those members that have elected to accrue the additional 2.5% benefit multiplier as of the valuation date.

SECTION G

CALCULATION OF THE SINGLE DISCOUNT RATE

CALCULATION OF THE SINGLE DISCOUNT RATE

GASB Statement No. 67 includes a specific requirement for the discount rate that is used for the purpose of the measurement of the Total Pension Liability. This rate considers the ability of the fund to meet benefit obligations in the future. To make this determination, employer contributions, employee contributions, benefit payments, expenses and investment returns are projected into the future. The Plan Net Position (assets) in future years can then be determined and compared to its obligation to make benefit payments in those years. As long as assets are projected to be on hand in a future year, the assumed valuation discount rate is used. In years where assets are not projected to be sufficient to meet benefit payments, the use of a “risk-free” rate is required, as described in the following paragraph.

The *Single Discount Rate* (SDR) is equivalent to applying these two rates to the benefits that are projected to be paid during the different time periods. The SDR reflects (1) the long-term expected rate of return on pension plan investments (during the period in which the fiduciary net position is projected to be sufficient to pay benefits) and (2) tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating (which is published by the Federal Reserve) as of the measurement date (to the extent that the contributions for use with the long-term expected rate of return are not met).

For the purpose of this valuation, the expected rate of return on pension plan investments is 7.25%; the municipal bond rate is 4.29%; and the resulting single discount rate is 7.25%.

The tables in this section provide background for the development of the single discount rate.

The **Projection of Contributions** table shows the development of expected contributions in future years. Normal Cost contributions for future hires are not included (nor are their liabilities).

The **Projection of Plan Fiduciary Net Position** table shows the development of expected asset levels in future years.

The **Present Values of Projected Benefit Payments** table shows the development of the Single Discount Rate (SDR). It breaks down the benefit payments into present values for funded and unfunded portions and shows the equivalent total at the SDR.

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF CONTRIBUTIONS

Year	Contributions from Current Employees	Normal Cost	Administrative Expense Contributions	UAL Contributions	Total Contributions
0					
1	$ 884,370	$ 4,457,798	$ -	$ 349,417	$ 5,691,585
2	777,116	3,979,193	-	86,139	4,842,447
3	688,252	3,567,915	-	(384,923)	3,871,244
4	627,982	3,184,007	-	(704,157)	3,107,832
5	573,486	2,828,918	-	(728,803)	2,673,601
6	511,330	2,514,191	-	(754,311)	2,271,210
7	462,870	2,237,791	-	(780,712)	1,919,949
8	419,886	2,000,579	-	(808,037)	1,612,428
9	382,990	1,789,494	-	(836,318)	1,336,166
10	345,323	1,596,970	-	(865,589)	1,076,704
11	304,138	1,438,450	-	(895,885)	846,702
12	270,476	1,288,969	-	(927,241)	632,204
13	243,702	1,139,247	-	(959,694)	423,255
14	206,173	1,013,514	-	(993,284)	226,403
15	183,813	891,277	-	(891,277)	183,813
16	160,724	782,473	-	(782,473)	160,724
17	136,986	681,389	-	(681,389)	136,986
18	111,462	584,877	-	(584,877)	111,462
19	93,614	486,600	-	(486,600)	93,614
20	51,323	426,006	-	(426,006)	51,323
21	36,497	350,138	-	(350,138)	36,497
22	23,120	285,278	-	(285,278)	23,120
23	17,945	225,273	-	(225,273)	17,945
24	1,671	188,563	-	(188,563)	1,671
25	-	148,563	-	(148,563)	0
26	-	115,077	-	(115,077)	0
27	-	88,476	-	(88,476)	0
28	-	66,108	-	(66,108)	0
29	-	48,357	-	(48,357)	0
30	-	33,851	-	(33,851)	0
31	-	21,940	-	(21,940)	0
32	-	15,168	-	(15,168)	0
33	-	10,529	-	(10,529)	0
34	-	6,627	-	(6,627)	0
35	-	3,960	-	(3,960)	0
36	-	2,619	-	(2,619)	0
37	-	1,877	-	(1,877)	0
38	-	1,338	-	(1,338)	0
39	-	950	-	(950)	0
40	-	408	-	(408)	0
41	-	-	-	-	0
42	-	-	-	-	0
43	-	-	-	-	0
44	-	-	-	-	0
45	-	-	-	-	0
46	-	-	-	-	0
47	-	-	-	-	0
48	-	-	-	-	0
49	-	-	-	-	0
50	-	-	-	-	0

SINGLE DISCOUNT RATE DEVELOPMENT
PROJECTION OF PLAN FIDUCIARY NET POSITION

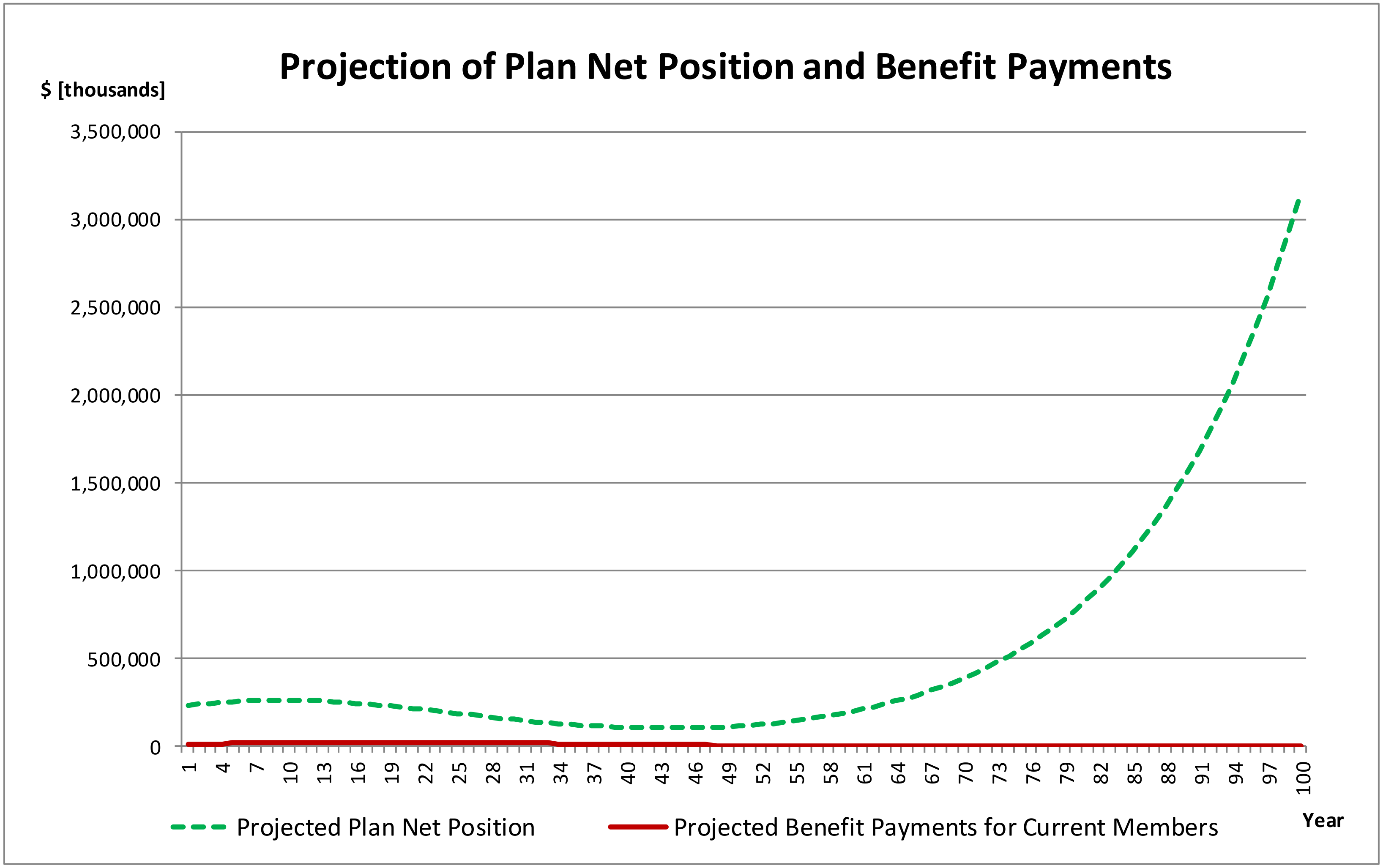
Year	Projected Beginning Plan Net Position	Projected Total Contributions	Projected Benefit Payments	Projected Administrative Expenses	Projected Investment Earnings at 7.25%	Projected Ending Plan Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	$ 217,430,540	$ 5,691,585	$ 10,785,863	$ -	$ 15,582,278	$ 227,918,539
2	227,918,539	4,842,447	12,217,918	-	16,261,411	236,804,480
3	236,804,480	3,871,244	13,502,010	-	16,825,318	243,999,032
4	243,999,032	3,107,832	14,623,480	-	17,279,791	249,763,174
5	249,763,174	2,673,601	15,718,482	-	17,643,227	254,361,520
6	254,361,520	2,271,210	16,714,544	-	17,926,800	257,844,986
7	257,844,986	1,919,949	17,609,918	-	18,134,951	260,289,968
8	260,289,968	1,612,428	18,358,614	-	18,274,595	261,818,377
9	261,818,377	1,336,166	19,041,841	-	18,351,231	262,463,934
10	262,463,934	1,076,704	19,669,563	-	18,366,436	262,237,511
11	262,237,511	846,702	20,205,418	-	18,322,744	261,201,540
12	261,201,540	632,204	20,677,218	-	18,223,193	259,379,720
13	259,379,720	423,255	21,099,833	-	18,068,618	256,771,759
14	256,771,759	226,403	21,477,387	-	17,859,083	253,379,857
15	253,379,857	183,813	21,758,039	-	17,601,657	249,407,288
16	249,407,288	160,724	22,003,248	-	17,304,090	244,868,856
17	244,868,856	136,986	22,150,514	-	16,968,964	239,824,291
18	239,824,291	111,462	22,237,842	-	16,599,213	234,297,123
19	234,297,123	93,614	22,262,620	-	16,196,975	228,325,092
20	228,325,092	51,323	22,215,437	-	15,764,177	221,925,156
21	221,925,156	36,497	22,095,465	-	15,303,927	215,170,114
22	215,170,114	23,120	21,880,159	-	14,821,378	208,134,454
23	208,134,454	17,945	21,572,342	-	14,322,072	200,902,128
24	200,902,128	1,671	21,184,513	-	13,810,961	193,530,248
25	193,530,248	0	20,713,982	-	13,293,199	186,109,465
26	186,109,465	0	20,166,890	-	12,774,677	178,717,251
27	178,717,251	0	19,556,363	-	12,260,486	171,421,375
28	171,421,375	0	18,897,038	-	11,755,017	164,279,354
29	164,279,354	0	18,193,848	-	11,262,265	157,347,772
30	157,347,772	0	17,461,569	-	10,785,806	150,672,009
31	150,672,009	0	16,704,311	-	10,328,784	144,296,482
32	144,296,482	0	15,918,300	-	9,894,553	138,272,735
33	138,272,735	0	15,122,931	-	9,486,159	132,635,963
34	132,635,963	0	14,328,857	-	9,105,774	127,412,880
35	127,412,880	0	13,540,089	-	8,755,193	122,627,984
36	122,627,984	0	12,760,747	-	8,436,045	118,303,283
37	118,303,283	0	11,996,849	-	8,149,711	114,456,145
38	114,456,145	0	11,252,329	-	7,897,310	111,101,126
39	111,101,126	0	10,529,434	-	7,679,818	108,251,510
40	108,251,510	0	9,830,617	-	7,498,110	105,919,002
41	105,919,002	0	9,156,003	-	7,353,030	104,116,029
42	104,116,029	0	8,505,488	-	7,245,483	102,856,024
43	102,856,024	0	7,879,713	-	7,176,420	102,152,730
44	102,152,730	0	7,277,824	-	7,146,868	102,021,775
45	102,021,775	0	6,699,479	-	7,157,972	102,480,267
46	102,480,267	0	6,143,980	-	7,210,997	103,547,284
47	103,547,284	0	5,611,318	-	7,307,327	105,243,293
48	105,243,293	0	5,102,359	-	7,448,414	107,589,348
49	107,589,348	0	4,617,897	-	7,635,758	110,607,209
50	110,607,209	0	4,158,532	-	7,870,913	114,319,590

SINGLE DISCOUNT RATE DEVELOPMENT
PRESENT VALUES OF PROJECTED BENEFITS

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf ^((a)-.5)	(h)=((c)/(1+sdr)^(a-.5)
1	$ 217,430,540	$ 10,785,863	$ 10,785,863	$ -	$ 10,414,927	$ -	$ 10,414,927
2	227,918,539	12,217,918	12,217,918	-	11,000,217	-	11,000,217
3	236,804,480	13,502,010	13,502,010	-	11,334,574	-	11,334,574
4	243,999,032	14,623,480	14,623,480	-	11,446,170	-	11,446,170
5	249,763,174	15,718,482	15,718,482	-	11,471,567	-	11,471,567
6	254,361,520	16,714,544	16,714,544	-	11,373,899	-	11,373,899
7	257,844,986	17,609,918	17,609,918	-	11,173,131	-	11,173,131
8	260,289,968	18,358,614	18,358,614	-	10,860,758	-	10,860,758
9	261,818,377	19,041,841	19,041,841	-	10,503,448	-	10,503,448
10	262,463,934	19,669,563	19,669,563	-	10,116,269	-	10,116,269
11	262,237,511	20,205,418	20,205,418	-	9,689,384	-	9,689,384
12	261,201,540	20,677,218	20,677,218	-	9,245,346	-	9,245,346
13	259,379,720	21,099,833	21,099,833	-	8,796,558	-	8,796,558
14	256,771,759	21,477,387	21,477,387	-	8,348,681	-	8,348,681
15	253,379,857	21,758,039	21,758,039	-	7,886,038	-	7,886,038
16	249,407,288	22,003,248	22,003,248	-	7,435,816	-	7,435,816
17	244,868,856	22,150,514	22,150,514	-	6,979,565	-	6,979,565
18	239,824,291	22,237,842	22,237,842	-	6,533,409	-	6,533,409
19	234,297,123	22,262,620	22,262,620	-	6,098,545	-	6,098,545
20	228,325,092	22,215,437	22,215,437	-	5,674,237	-	5,674,237
21	221,925,156	22,095,465	22,095,465	-	5,262,092	-	5,262,092
22	215,170,114	21,880,159	21,880,159	-	4,858,570	-	4,858,570
23	208,134,454	21,572,342	21,572,342	-	4,466,404	-	4,466,404
24	200,902,128	21,184,513	21,184,513	-	4,089,610	-	4,089,610
25	193,530,248	20,713,982	20,713,982	-	3,728,462	-	3,728,462
26	186,109,465	20,166,890	20,166,890	-	3,384,603	-	3,384,603
27	178,717,251	19,556,363	19,556,363	-	3,060,269	-	3,060,269
28	171,421,375	18,897,038	18,897,038	-	2,757,198	-	2,757,198
29	164,279,354	18,193,848	18,193,848	-	2,475,150	-	2,475,150
30	157,347,772	17,461,569	17,461,569	-	2,214,945	-	2,214,945
31	150,672,009	16,704,311	16,704,311	-	1,975,654	-	1,975,654
32	144,296,482	15,918,300	15,918,300	-	1,755,423	-	1,755,423
33	138,272,735	15,122,931	15,122,931	-	1,554,976	-	1,554,976
34	132,635,963	14,328,857	14,328,857	-	1,373,732	-	1,373,732
35	127,412,880	13,540,089	13,540,089	-	1,210,360	-	1,210,360
36	122,627,984	12,760,747	12,760,747	-	1,063,584	-	1,063,584
37	118,303,283	11,996,849	11,996,849	-	932,322	-	932,322
38	114,456,145	11,252,329	11,252,329	-	815,349	-	815,349
39	111,101,126	10,529,434	10,529,434	-	711,392	-	711,392
40	108,251,510	9,830,617	9,830,617	-	619,280	-	619,280
41	105,919,002	9,156,003	9,156,003	-	537,793	-	537,793
42	104,116,029	8,505,488	8,505,488	-	465,813	-	465,813
43	102,856,024	7,879,713	7,879,713	-	402,370	-	402,370
44	102,152,730	7,277,824	7,277,824	-	346,513	-	346,513
45	102,021,775	6,699,479	6,699,479	-	297,414	-	297,414
46	102,480,267	6,143,980	6,143,980	-	254,315	-	254,315
47	103,547,284	5,611,318	5,611,318	-	216,566	-	216,566
48	105,243,293	5,102,359	5,102,359	-	183,611	-	183,611
49	107,589,348	4,617,897	4,617,897	-	154,944	-	154,944
50	110,607,209	4,158,532	4,158,532	-	130,099	-	130,099

SINGLE DISCOUNT RATE DEVELOPMENT
PRESENT VALUES OF PROJECTED BENEFITS
(CONCLUDED)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v^((a)-.5)	(g)=(e)*vf ^((a)-.5)	(h)=((c)/(1+sdr)^(a-.5)
51	$ 114,319,590	$ 3,725,680	$ 3,725,680	$ -	$ 108,678	$ -	$ 108,678
52	118,749,387	3,320,062	3,320,062	-	90,299	-	90,299
53	123,920,409	2,942,389	2,942,389	-	74,618	-	74,618
54	129,857,454	2,593,576	2,593,576	-	61,326	-	61,326
55	136,586,171	2,273,251	2,273,251	-	50,118	-	50,118
56	144,134,453	1,980,757	1,980,757	-	40,717	-	40,717
57	152,532,898	1,715,244	1,715,244	-	32,876	-	32,876
58	161,815,199	1,475,775	1,475,775	-	26,374	-	26,374
59	172,018,465	1,261,528	1,261,528	-	21,021	-	21,021
60	183,183,345	1,070,952	1,070,952	-	16,639	-	16,639
61	195,355,043	902,708	902,708	-	13,077	-	13,077
62	208,583,425	754,804	754,804	-	10,195	-	10,195
63	222,924,037	625,587	625,587	-	7,879	-	7,879
64	238,438,162	513,545	513,545	-	6,030	-	6,030
65	255,193,094	417,223	417,223	-	4,568	-	4,568
66	273,262,510	335,155	335,155	-	3,422	-	3,422
67	292,726,950	265,943	265,943	-	2,531	-	2,531
68	313,674,240	208,165	208,165	-	1,848	-	1,848
69	336,200,043	160,598	160,598	-	1,329	-	1,329
70	360,408,228	122,057	122,057	-	942	-	942
71	386,411,420	91,401	91,401	-	658	-	658
72	414,331,591	67,487	67,487	-	453	-	453
73	444,300,741	49,118	49,118	-	307	-	307
74	476,461,677	35,240	35,240	-	206	-	206
75	510,968,653	24,897	24,897	-	135	-	135
76	547,988,097	17,307	17,307	-	88	-	88
77	587,699,311	11,842	11,842	-	56	-	56
78	630,295,247	7,975	7,975	-	35	-	35
79	675,983,393	5,285	5,285	-	22	-	22
80	724,986,715	3,454	3,454	-	13	-	13
81	777,544,676	2,204	2,204	-	8	-	8
82	833,914,382	1,301	1,301	-	4	-	4
83	894,371,828	817	817	-	3	-	3
84	959,212,939	508	508	-	1	-	1
85	1,028,755,351	309	309	-	1	-	1
86	1,103,339,795	183	183	-	0	-	0
87	1,183,331,740	109	109	-	0	-	0
88	1,269,123,179	65	65	-	0	-	0
89	1,361,134,542	33	33	-	0	-	0
90	1,459,816,762	20	20	-	0	-	0
91	1,565,653,457	8	8	-	0	-	0
92	1,679,163,324	-	-	-	-	-	-
93	1,800,902,665	-	-	-	-	-	-
94	1,931,468,108	-	-	-	-	-	-
95	2,071,499,546	-	-	-	-	-	-
96	2,221,683,263	-	-	-	-	-	-
97	2,382,755,300	-	-	-	-	-	-
98	2,555,505,059	-	-	-	-	-	-
99	2,740,779,176	-	-	-	-	-	-
100	2,939,485,666	-	-	-	-	-	-
				Totals	$ 238,257,830	$ -	$ 238,257,830


Projection of Plan Net Position and Benefit Payments
$ [thousands]
3,500,000
3,000,000
2,500,000
2,000,000
1,500,000
1,000,000
500,000
0
1 4 7 10 13 16 19 22 25 28 31 34 37 40 43 46 49 52 55 58 61 64 67 70 73 76 79 82 85 88 91 94 97 100
Year
Projected Plan Net Position
Projected Benefit Payments for Current Members

SECTION H

GLOSSARY OF TERMS

GLOSSARY OF TERMS

Actuarial Accrued Liability (AAL)	The AAL is the difference between the actuarial present value of all benefits and the actuarial value of future normal costs. The definition comes from the fundamental equation of funding which states that the present value of all benefits is the sum of the Actuarial Accrued Liability and the present value of future normal costs. The AAL may also be referred to as "accrued liability" or "actuarial liability."
Actuarial Assumptions	These assumptions are estimates of future experience with respect to rates of mortality, disability, turnover, retirement, rate or rates of investment income and compensation increases. Actuarial assumptions are generally based on past experience, often modified for projected changes in conditions. Economic assumptions (compensation increases, payroll growth, inflation and investment return) consist of an underlying real rate of return plus an assumption for a long-term average rate of inflation.
Accrued Service	Service credited under the system which was rendered before the date of the actuarial valuation.
Actuarial Equivalent	A single amount or series of amounts of equal actuarial value to another single amount or series of amounts, computed on the basis of appropriate actuarial assumptions.
Actuarial Cost Method	A mathematical budgeting procedure for allocating the dollar amount of the actuarial present value of the pension trust benefits between future normal cost and actuarial accrued liability. The actuarial cost method may also be referred to as the actuarial funding method.
Actuarial Gain (Loss)	The difference in liabilities between actual experience and expected experience during the period between two actuarial valuations is the gain (loss) on the accrued liabilities.
Actuarial Present Value (APV)	The amount of funds currently required to provide a payment or series of payments in the future. The present value is determined by discounting future payments at predetermined rates of interest and probabilities of payment.
Actuarial Valuation	The actuarial valuation report determines, as of the actuarial valuation date, the service cost, total pension liability, and related actuarial present value of projected benefit payments for pensions.
Actuarial Valuation Date	The date as of which an actuarial valuation is performed.
Actuarially Determined Contribution (ADC) or Annual Required Contribution (ARC)	A calculated contribution into a defined benefit pension plan for the reporting period, most often determined based on the funding policy of the plan. Typically the Actuarially Determined Contribution has a normal cost payment and an amortization payment.

GLOSSARY OF TERMS

Amortization Payment	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
Amortization Method	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be "open" (meaning, reset each year) or "closed" (the number of years remaining will decline each year.
Cost-of-Living Adjustments	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
Covered-Employee Payroll	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
Deferred Retirement Option Program (DROP)	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
Deferred Inflows and Outflows	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
Discount Rate	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: 1. The benefit payments to be made while the pension plans' fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period and; 2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.

GLOSSARY OF TERMS

Entry Age Actuarial Cost Method (EAN) The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit ages(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.

GASB The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.

Fiduciary Net Position The fiduciary net position is the value of the assets of the trust.

Long-Term Expected Rate of Return The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.

Money-Weighted Rate of Return The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.

Multiple-Employer Defined Benefit Pension Plan A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.

Municipal Bond Rate The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.

Net Pension Liability (NPL) The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.

Non-Employer Contribution Entities Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.

Normal Cost The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

GLOSSARY OF TERMS

Other Postemployment Benefits (OPEB)	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
Real Rate of Return	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
Service Cost	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
Total Pension Expense	The total pension expense is the sum of the following items that are recognized at the end of the employer's fiscal year: 1. Service Cost 2. Interest on the Total Pension Liability 3. Current-Period Benefit Changes 4. Employee Contributions (made negative for addition here) 5. Projected Earnings on Plan Investments (made negative for addition here) 6. Pension Plan Administrative Expense 7. Other Changes in Plan Fiduciary Net Position 8. Recognition of Outflow (Inflow) of Resources due to Liabilities 9. Recognition of Outflow (Inflow) of Resources due to Assets
Total Pension Liability (TPL)	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
Unfunded Actuarial Accrued Liability (UAAL)	The UAAL is the difference between actuarial accrued liability and valuation assets.
Valuation Assets	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.

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December 2, 2014

Ms. Gail H. Stone
Executive Director
Arkansas Judicial Retirement System
One Union National Plaza
124 West Capitol, Suite 400
Little Rock, Arkansas 72201

Dear Gail,

Please find enclosed copies of the GASB Statement No. 67 Plan Reporting Accounting Schedules report of the Arkansas Judicial Retirement System.

Sincerely,

Mita Drazilov

Mita D. Drazilov, ASA, MAAA

MDD:mrb
Enclosures