



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE

December 1, 2011

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Judicial Retirement System for the year ended June 30, 2011. The System provides retirement, disability and death benefits to judges serving on the Supreme Court, the Court of Appeals and the District Courts. The System covered 385 active and retired judges in fiscal year 2011.

The System's net assets held in trust for pension benefits totaled \$111,571,876 at June 30, 2011. Additions included \$2,372,814 of interest and dividends, \$8,101,876 from employer contributions, \$2,475,578 from member contributions and a net increase in fair value of investments of \$16,383,608. Deductions for the fiscal year included \$8,680,508 for annuity benefits.

The System's unfunded actuarial accrued liability decreased approximately \$1,614,000 during fiscal year 2011, from \$56,613,000 at June 30, 2010 to \$54,999,000 at June 30, 2011. The unfunded actuarial accrued liability as a percentage of covered payroll decreased from 222% for fiscal year 2010 to 208% for fiscal year 2011.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/1260-4441-0000.pdf>.

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IOWA JUDICIAL RETIREMENT SYSTEM

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2011

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Iowa Judicial Retirement System

Officials

Name

Title

State

Honorable Chester J. Culver
(Ended during January 2011)

Honorable Terry E. Branstad
(Began during January 2011)

Director, Department of Management

Richard C. Oshlo, Jr.
(Ended during January 2011)

David Roederer
(Began during January 2011)

Director, Legislative Services Agency

Glen P. Dickinson

Agency

Honorable Mark S. Cady
Honorable Rosemary Sackett
David K. Boyd
Peggy Sullivan

Chief Justice
Chief Judge – Court of Appeals
State Court Administrator
Director of Finance/Personnel

Iowa Judicial Retirement System



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Independent Auditor's Report

To the Members of the Iowa
Judicial Retirement System:

We have audited the accompanying statement of plan net assets of the Iowa Judicial Retirement System as of June 30, 2011, and the related statement of changes in plan net assets for the year then ended. These financial statements are the responsibility of the Iowa Judicial Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

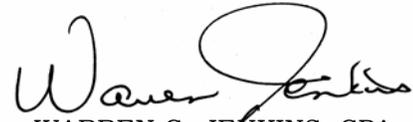
As discussed in Note 2, the financial statements present the financial position and changes in financial position of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Iowa Judicial Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2011, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Iowa Judicial Retirement System at June 30, 2011, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 7 through 9, the Schedule of Funding Progress on page 22 and the Schedule of Employer Contributions on page 23 are not required parts of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. We did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 7, 2011 on our consideration of the Iowa Judicial Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.


DAVID A. VAUDT, CPA
Auditor of State


WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Iowa Judicial Retirement System provides an overview of the retirement system's financial activities for the fiscal year ended June 30, 2011.

2011 FINANCIAL HIGHLIGHTS

- Plan net assets held in trust for pension benefits increased approximately \$20.3 million during fiscal year 2011 (FY11). At June 30, 2011, total plan assets were approximately \$118.1 million and total liabilities were approximately \$6.5 million, resulting in plan net assets held in trust for pension benefits of approximately \$111.6 million.
- Covered payroll, upon which both employee and employer pension contributions are calculated, increased approximately \$923,000 from FY10 and totaled approximately \$26.4 million for FY11. Employer contributions increased 3.8%, from \$7,806,398 in FY10 to \$8,101,876 in FY11. Member contributions increased 11.4%, or \$253,563.
- Net investment gain, after investment-related expenses, was approximately \$18.4 million in FY11 compared to a net investment gain of approximately \$10.0 million in FY10. Investment management expenses increased from \$366,612 for the fiscal year ended June 30, 2010 to \$390,028 for the fiscal year ended June 30, 2011.
- Total additions for the year resulted in a positive impact of approximately \$28.9 million in FY11 compared to a positive impact of approximately \$20.0 million in FY10.
- Pension benefits to members increased \$677,264. Payments to members totaled approximately \$8.7 million in FY11.
- Administrative expenses totaled \$13,264 for the fiscal year ended June 30, 2011, compared to \$9,265 for the fiscal year ended June 30, 2010, an increase of \$3,999.

USING THIS FINANCIAL REPORT

This report reflects the activities of the Iowa Judicial Retirement System as reported in the Statement of Plan Net Assets (see page 12) and the Statement of Changes in Plan Net Assets (see page 13). These statements are presented on an accrual basis and reflect all trust activities as incurred. The Notes to Financial Statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The required supplementary information following the Notes to Financial Statements provides historical and additional detailed information considered useful in evaluating the condition of the plan.

ANALYSIS OF PLAN NET ASSETS

Tables 1 and 2 present condensed summaries of plan net assets and a breakdown of the changes in plan net assets, with comparisons to the previous fiscal year.

PLAN NET ASSETS

Table 1

<u>June 30</u>	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Cash and investments	\$116,389,182	\$95,731,438	20,657,744	21.6%
Receivables	<u>1,717,539</u>	<u>937,292</u>	<u>780,247</u>	83.2
Total assets	118,106,721	96,668,730	21,437,991	22.2
Total liabilities	<u>6,534,845</u>	<u>5,346,930</u>	<u>1,187,915</u>	22.2
Plan net assets	<u>\$ 111,571,876</u>	<u>\$ 91,321,800</u>	<u>20,250,076</u>	22.2

Approximately 94.6% of total assets are investments held to provide retirement, survivor and disability benefits to qualified members and their beneficiaries. Other assets, including cash and cash equivalents, receivables from members and receivables from investment-related transactions, comprise the remaining 5.4% of total assets. Total assets increased approximately \$21.4 million, or 22.2%. Total receivables increased approximately \$780 thousand, or 83.2%, from FY10 due to an increase in the receivables for investments sold.

Total liabilities represent current liabilities and consist primarily of amounts owed for investment-related transactions, amounts owed to members or their beneficiaries and amounts owed to contractors and vendors. Total liabilities increased approximately \$1.2 million, or 22.2%, from FY10 due, in large part, to an increase in investment-related payables.

CHANGES IN PLAN NET ASSETS

Table 2

<u>Fiscal years ended June 30</u>	<u>2011</u>	<u>2010</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Additions:				
Employer contributions	\$ 8,101,876	\$ 7,806,398	295,478	3.8%
Member contributions	2,475,578	2,222,015	253,563	11.4
Net investment gain	<u>18,366,394</u>	<u>9,973,962</u>	<u>8,392,433</u>	84.1
Total additions	<u>28,943,848</u>	<u>20,002,375</u>	<u>8,941,474</u>	44.7
Deductions:				
Annuity benefits	8,680,508	8,003,244	677,264	8.5
Administrative expenses	<u>13,264</u>	<u>9,265</u>	<u>3,999</u>	43.2
Total deductions	<u>8,693,772</u>	<u>8,012,509</u>	<u>681,263</u>	8.5
Increase in plan net assets	<u>\$ 20,250,076</u>	<u>\$ 11,989,866</u>	<u>8,260,211</u>	68.9

Global stock and bond markets continued to advance robustly during the fiscal year, resulting in a net investment gain of approximately \$18.4 million for FY11. Contributions of approximately \$10.6 million exceeded benefits of approximately \$8.7 million by approximately \$1.9 million for FY11 compared to approximately \$2.0 million in FY10. Contributions received exceeded benefits paid because the judges' contribution rate increased and the state share was 30.6% of actual salaries paid and not an amount directly appropriated into the fund as done in previous fiscal years. The investment rate of return for the fiscal year was 20.24%.

The following table contains the fiscal year performance of each asset class, benchmark and the Plan's actual asset allocation as of June 30, 2011.

Table 3

Asset Class	Return	Benchmark	Allocation
Large capitalization stocks	22.36 %	30.69 %	26.84 %
Small capitalization stocks	21.43	43.50	7.10
Small capitalization value	33.03	31.35	7.89
Core fixed income	7.12	4.78	28.20
International equities	34.40	30.36	25.07
Cash equivalents	0.02	0.16	1.43
Real estate	n/a	n/a	3.47
Equity reits	26.67	16.03	n/a
Total	20.24	22.86	<u>100.00 %</u>

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide our membership, taxpayers and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Iowa Judicial Retirement System, 1111 E. Court Avenue, Des Moines, IA, 50319.

Iowa Judicial Retirement System

Financial Statements

Exhibit A

Iowa Judicial Retirement System

Statement of Plan Net Assets

June 30, 2011

Assets:

Cash and cash equivalents		\$ 4,631,036
Member contributions receivable		47,763
Employer contributions receivable		156,315
Receivable for investments sold		1,513,461
Investments, at fair value:		
Common stock	\$ 43,168,866	
Convertible investments	10,309	
Fixed income securities	60,724,458	
Real estate	3,892,738	
Securities lending collateral pool	1,996,575	
Securities on loan with brokers	1,965,200	111,758,146
Total assets		<u>118,106,721</u>

Liabilities:

Accounts payable		104,120
Payable for investments purchased		4,434,150
Payable to brokers for rebate and collateral deposits		1,996,575
Total liabilities		<u>6,534,845</u>

Net assets held in trust for pension benefits (Note 3, page 18) \$ 111,571,876

See notes to financial statements.

Iowa Judicial Retirement System
Statement of Changes in Plan Net Assets
Year ended June 30, 2011

Additions:		
Contributions:		
Members		\$ 2,475,578
Employer		8,101,876
Investment income:		
Interest	\$ 1,395,611	
Dividends	977,203	
Net increase in fair value of investments	16,383,608	
Less investment expense	<u>(390,028)</u>	
Net investment income		<u>18,366,394</u>
Total additions		<u>28,943,848</u>
Deductions:		
Annuity benefits		8,680,508
Administrative expenses		<u>13,264</u>
Total deductions		<u>8,693,772</u>
Net increase in net assets held in trust for pension benefits		20,250,076
Net assets held in trust for pension benefits:		
Beginning of year		<u>91,321,800</u>
End of year		<u>\$ 111,571,876</u>

See notes to financial statements.

Iowa Judicial Retirement System

Notes to Financial Statements

June 30, 2011

(1) Plan Description

Plan Membership

The Iowa Judicial Retirement System (System), a single-employer public employee retirement system (PERS), is the administrator of a defined benefit pension plan.

The System was established to provide pension benefits to judges serving on the Supreme Court, the District Courts and the Court of Appeals. The plan's membership as of June 30, 2011 was as follows:

Retirees and beneficiaries currently receiving benefits	180
Terminated members entitled to but not yet receiving benefits	8
Current members:	
Fully vested members	150
Non-vested active judges covered by the plan	<u>47</u>
Total	<u>385</u>

Plan Benefits

Pursuant to Chapter 602 of the Code of Iowa, a member who has had a total of at least four years of service as a judge of one or more of the above courts and is at least sixty-five years of age or who has served twenty years of consecutive service as a judge of one or more of the above courts and has attained the age of fifty years shall qualify for an annuity. The annual annuity of a judge under the System is an amount equal to three and one-fourth percent of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, three and one-fourth percent of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) fifty percent for judges who retired prior to July 1, 1998, (2) fifty-two percent for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) fifty-six percent for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) sixty percent for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006 and (5) sixty-five percent for judges who retire and receive annuity on or after July 1, 2006.

Any member who has served as a judge for a total of four years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Beginning July 1, 2010, judges contribute to the System at the rate of 9.35% multiplied by the basic salary of the judge. Beginning July 1, 2008, and for each subsequent fiscal year until the System attains fully funded status, the state contributes an amount equal to 30.6% of the basic salary of all covered judges. Commencing with the first fiscal year in which the System attains fully funded status, and for each subsequent fiscal year, the state contribution shall be equal to sixty percent of the required contribution rate.

(2) Summary of Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, the System has included all funds. The System has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the System are such that exclusion would cause the System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the System to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the System. The System has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The System is treated for accounting purposes as a Pension Trust Fund. The operations of the fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, additions and deductions.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. System contributions are recognized when due and the System has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash and money market investments held by the Treasurer of State and cash allocated to the System's investment manager for investment. The System's deposits throughout the year and at year end were entirely covered by federal depository insurance and the State Sinking Fund.

E. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates.

Mortgages are valued on the basis of future principal and interest payments and are discounted at prevailing interest rates for similar instruments. The fair value of real estate investments is based on independent appraisals. Investments without an established market are reported at estimated fair value.

The Treasurer of State is responsible for investing the System's funds. The System is authorized by statute to invest in any form of indebtedness issued, assumed or guaranteed by the federal government. In addition, the fund may be invested in a manner consistent with the "Uniform Prudent Investor Act." The act requires a trustee to invest and manage trust property as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

Investments in government bonds and treasury notes constitute approximately 8.51% of net assets held in trust for pension benefits.

The System spent \$390,028 for investment management expenses, which was .35% of the market value of the net assets held in trust for pension benefits at June 30, 2011.

The System's investments in common stock, fixed income securities and real estate, stated at cost, are \$40,533,396, \$48,227,062, and \$3,319,625, respectively.

Credit risk - Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligation to the System. As of June 30, 2011, the System's fixed income assets not government guaranteed represented 88.7% of the fixed income holdings, including collateral for repurchase agreements and securities lending collateral. The following table summarizes the System's fixed income portfolio exposure levels and credit qualities.

Investment Type:	Credit Risk-S&P Quality Ratings										Total	
	TSY	AGY	AAA	AA	A	BBB	BB	B	Below B	Not Rated		
1) Short Term Investments:												
Pooled Funds and Mutual Funds	\$ -	-	-	-	-	-	-	-	-	-	2,275,277	2,275,277
2) Fixed Income Investments:												
A) U.S. Government:												
1) U.S. Government Treasury Notes	4,785,367	-	-	-	-	-	-	-	-	-	-	4,785,367
2) U.S. Government Treasury Bonds	607,390	-	-	-	-	-	-	-	-	-	-	607,390
3) U.S. Government Agencies	-	-	-	94,651	-	-	-	-	-	-	-	94,651
4) Other Government Fixed Income	-	-	-	-	-	519,714	-	-	-	-	-	519,714
B) Mortgage Backed:												
1) Government National Mortgage Association	-	1,129,803	-	-	-	-	-	-	-	-	1,122,736	2,252,539
2) Federal Home Loan Mortgage Corporation	-	-	-	1,710,970	-	-	-	-	-	-	-	1,710,970
3) Federal National Mortgage Association	-	-	-	4,011,283	-	-	-	-	-	-	1,397,336	5,408,619
C) Corporate Fixed Income:												
1) Government CMO's	-	-	12,842	-	26,766	220,358	37,769	9,573	3,699	114,578	-	425,585
D) Corporate:												
1) Corporate Bonds	-	-	52,119	204,248	3,629,483	3,260,354	964,632	360,609	72,721	28,459	-	8,572,625
2) Corporate Asset Backed	-	-	1,741,170	76,827	-	236,840	-	108,406	43,839	564,526	-	2,771,608
3) Private Placement	-	-	939,769	131,388	397,461	702,021	184,196	143,503	222,381	566,394	-	3,287,113
4) Miscellaneous	-	-	664,765	-	183,005	245,729	122,975	20,715	-	29,429,907	-	30,667,096
3) Convertible Investments:												
A) Convertible Corporate Bonds	-	-	-	-	-	-	-	-	-	5,088	-	5,088
Total	\$ 5,392,757	1,129,803	3,410,665	6,229,367	4,236,715	5,185,016	1,309,572	642,806	347,728	35,499,213	-	63,383,642

There are no System-wide policy limitations for credit risk exposures within the portfolio. Each portfolio is managed in accordance with an investment contract specific as to permissible credit quality ranges and the average credit quality of the overall portfolios. Policies related to credit risk pertaining to the System's securities lending program are included within the securities lending disclosures found later in this Note to Financial Statements.

Concentration of credit risk - Concentration of credit risk is the risk of loss that may be attributed to the magnitude of the System's investment in a single issue.

The System's investment policy states no investment manager shall be permitted to invest more than 5% of its system account in any one corporate issuer without written direction and approval of the Treasurer of State.

Interest rate risk - Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

Interest Rate Sensitivity-Duration

Investment Type:	Fair Value	Duration (In Years)
1) Short-term Investments:		
Pooled Funds and Mutual Funds	\$ 2,275,277	-
2) Fixed Income Investments:		
A) U.S. Government:		
1) U.S. Government Treasury, Notes	4,785,367	5.38
2) U.S. Government Treasury, Bonds	607,390	13.16
3) U.S. Government Agencies	94,651	12.34
4) Other Government Fixed Income	519,714	6.88
B) Mortgage Backed:		
1) Government National Mortgage Association	2,252,539	4.09
2) Federal Home Loan Mortgage Corporation	1,710,970	3.46
3) Federal National Mortgage Association	5,408,619	3.58
C) Collateralized Mortgage Obligations:		
1) Government CMO's	425,585	2.26
E) Corporate:		
1) Corporate Bonds	8,572,625	7.27
2) Corporate Asset Backed	2,771,608	1.65
3) Private Placement	3,287,113	5.85
4) Miscellaneous	30,667,096	4.27
3) Convertible Investments:		
A) Convertible Corporate Bonds	5,088	16.90
Total Invested Assets	\$ 63,383,642	
Portfolio duration		4.76

The Treasurer of State has selected Bank of New York Mellon to serve as the custodian bank for the System and the lending agent for the securities lending program. In its capacity as lending agent, Bank of New York Mellon is responsible for operating the program and is permitted to lend any of the securities it holds in custody for the System to broker-dealers and other entities in exchange for collateral. The Bank of New York Mellon is permitted to accept collateral in the form of cash in U.S. dollars, U.S. government securities or irrevocable letters of credit. A borrower is required to initially deliver collateral in an amount equal to 102 percent of the fair value of any U.S. securities lent and 105 percent of the fair value of any non-U.S. securities lent. Borrowers are required to provide additional collateral any time the value of the collateral drops below 100 percent of the value of the security lent plus accrued interest income.

At year-end, the System had no credit risk exposure to borrowers because the amounts they owed the System did not exceed the amount the System owed the borrowers. The contract with Bank of New York Mellon requires it to indemnify the System if a borrower fails to return the securities or fails to return all of the income attributable to securities on loan. The securities lending contract does not allow the System to pledge or sell collateral securities received unless the borrower defaults. As of June 30, 2011, the System had securities on loan, including accrued interest income, with a total value of \$1,965,200 against collateral with a total value of \$1,996,575.

The majority of securities loans are open loans, i.e., one day maturity, where the rebate rate due the borrower is renegotiated daily. All securities loans can be terminated on demand by either the System or the borrower. Cash collateral received from borrowers is invested in a separate cash collateral investment pool which is managed by the custodian bank in accordance with investment guidelines established by the System. The System bears investment risk if Bank of New York Mellon invests in securities which decrease in value or default. The investment guidelines do not require a matching of investment maturities with loan maturities, but do establish minimum levels of liquidity and other investment restrictions designed to minimize the interest rate risk associated with not matching the maturity of the investments with the loans.

(3) Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation for the System for the current year were as follows:

Annual required contribution	\$ 7,994,811
Interest on net pension obligation	1,260,348
Adjustment to annual required contribution	<u>(1,457,522)</u>
Annual pension cost	7,797,637
Contributions made	<u>8,101,876</u>
Decrease in net pension obligation	(304,239)
Net pension obligation beginning of year	<u>17,108,873</u>
Net pension obligation end of year	<u><u>\$ 16,804,634</u></u>

For calculation of the net pension obligation, the transition date is July 1, 1995. The net pension obligation was calculated by the actuary as the cumulative difference between the System's annual required contributions and the System's actual contributions for fiscal years 1988 through 2011.

Three-year trend information is as follows:

Year Ended June 30,	Annual Pension Cost (APC)	Employer Contributions Made	Percentage of APC Contributed	Net Pension Obligation
2009	\$ 8,635,894	7,720,271	89%	\$ 16,851,785
2010	8,063,486	7,806,398	97	17,108,873
2011	7,797,637	8,101,876	104	16,804,634

As of July 1, 2011, the most recent actuarial valuation date, the plan was 67% funded. The actuarial accrued liability for benefits was approximately \$164.5 million and the actuarial value of assets was approximately \$109.5 million, resulting in an unfunded actuarial accrued liability (UAAL) of approximately \$55 million. The covered payroll (annual payroll of active employees covered by the plan) was approximately \$26.4 million and the ratio of the UAAL to the covered payroll was 208%.

The Schedule of Funding Progress, presented as Required Supplementary Information in Schedule 1 following the Notes to Financial Statements, presents multiyear trend information about whether the actuarial value of plan assets are increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial cost method used to determine the annual required contribution for the current year was the entry age normal actuarial cost method. The actuarial assumptions include (a) 7.5% investment rate of return, (b) projected salary increase of 4.5% per year and (c) inflationary increase of 3.25% per year. The assumptions included post retirement benefit increases in accordance with the law. The actuarial value of assets was determined using a smoothing method where the actuarial value of assets is equal to the expected value (using the assumed rate of return) plus 25% of the difference between actual market value and expected value. The unfunded actuarial accrued liability is being amortized using a level dollar amortization method on a closed basis. The unfunded actuarial accrued liability (UAAL) as of July 1, 2009 was amortized over a closed 25 year period. Subsequent changes in the UAAL each year are amortized over a new, closed 25 year period so there are multiple amortization bases and payments. Given the outstanding balance of the amortization bases and the current payment, it will take 23 years to amortize the UAAL.

(4) Contributions Required and Contributions Made

The contributions to the System were made pursuant to section 602.9104 of the Code of Iowa and were not actuarially determined. Therefore, actual contributions differ from the annual required contribution described in Note 3 above, which is actuarially determined.

The member contributions required and contributed was \$2,475,578, representing 9.35% of current year covered payroll. The State's contribution required by statute was \$8,101,876. The State's share was based on 30.6% of actual salaries. Costs of administering the plan are financed through State appropriation, member contributions and investment income.

An actuarial valuation of the System's assets and liabilities is required at least once every four years per section 602.9116 of the Code of Iowa.

(5) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. There were no significant reductions in insurance coverage from the prior year and settlements have not exceeded coverage for the past three fiscal years. The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts.

A contingent fund exists under section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Iowa Judicial Retirement System

Required Supplementary Information

Schedule 1

Iowa Judicial Retirement System
Schedule of Funding Progress
Required Supplementary Information

For the Last Six Fiscal Years
(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/ Covered Payroll ((b-a)/c)
7/1/2006	\$ 86,110	123,670	37,560	70%	\$ 24,094	156%
7/1/2007	96,613	138,662	42,049	70	24,426	172
7/1/2008*	88,198	141,364	53,166	62	26,663	199
7/1/2009	93,045	151,029	57,984	62	26,811	216
7/1/2010	99,416	156,029	56,613	64	25,480	222
7/1/2011	109,512	164,511	54,999	67	26,403	208

*The actuarial cost method used to determine the annual required contribution was the entry age normal actuarial cost method effective with the July 1, 2008 valuation.

The smoothing method is used to determine the actuarial (market related) value of assets. The smoothing method is designed to reduce changes in the actuarial contribution rate which could result from fluctuations in the fair value of the assets of the System. The smoothed value is determined by calculating the expected value plus 25% of the difference between actual and expected values effective with the July 1, 2009 valuation.

The decrease in unfunded AAL for the July 1, 2011 valuation was primarily the result of an increase in the fair value of investments due to an improvement in financial market conditions.

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

Iowa Judicial Retirement System
 Schedule of Employer Contributions
 Required Supplementary Information
 For the Last Six Fiscal Years

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contribution
2006	\$ 4,614,846	2,039,664	44%
2007	7,560,981	2,039,664	27
2008	7,552,722	5,450,963	72
2009	9,024,252	7,720,271	86
2010	8,257,696	7,806,398	95
2011	7,994,811	8,101,876	101

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

David A. Vaudt, CPA
Auditor of State

Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Iowa
Judicial Retirement System:

We have audited the accompanying financial statements of the Iowa Judicial Retirement System as of and for the year ended June 30, 2011, and have issued our report thereon dated November 7, 2011. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Judicial Retirement System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the Iowa Judicial Retirement System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Iowa Judicial Retirement System's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility a material misstatement of the Iowa Judicial Retirement System's financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance all deficiencies, significant deficiencies or material weaknesses have been identified. We did not identify any deficiencies in internal control over financial reporting we consider to be material weaknesses, as defined above.

Compliance and Other Matters

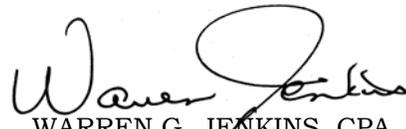
As part of obtaining reasonable assurance about whether the Iowa Judicial Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters which are required to be reported under Government Auditing Standards.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Retirement System, citizens of the State of Iowa and other parties to whom the Iowa Judicial Retirement System may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Retirement System during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 7, 2011

Iowa Judicial Retirement System

Staff

This audit was performed by:

Deborah A. Moser, CPA, Manager
Jennifer L. Wall, CPA, Senior Auditor
Samantha J. Brincks, CPA, Staff Auditor
Jamie Reuter, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State