OFFICE OF AUDITOR OF STATE

STATE OF IOWA

Mary Mosiman, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

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NEWS RELEASE

Contact: Andy Nielsen
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FOR RELEASE December 9, 2013

Auditor of State Mary Mosiman today released an audit report on the Iowa Judicial Retirement System for the year ended June 30, 2013. 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 400 active and retired judges in fiscal year 2013.

The System's net position restricted for pension benefits totaled $128,928,834 at June 30, 2013. Additions included $2,475,489 of interest and dividends, $8,050,254 from employer contributions, $2,459,805 from member contributions and an increase in fair value of investments of $17,218,403. Deductions for the fiscal year included $10,015,106 for annuity benefits.

The System's unfunded actuarial accrued liability decreased approximately $1,588,000 during fiscal year 2013, from $52,960,000 at June 30, 2012 to $51,372,000 at June 30, 2013. The unfunded actuarial accrued liability as a percentage of covered payroll decreased from 206% at June 30, 2012 to 182% at June 30, 2013.

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/1460-4441-0000.pdf.

# # #

IOWA JUDICIAL RETIREMENT SYSTEM

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2013

1460-4441-0000

Table of Contents

Iowa Judicial Retirement System

Officials

Name	Title
State	
Honorable Terry E. Branstad	Governor
David Roederer	Director, Department of Management
Glen P. Dickinson	Director, Legislative Services Agency
Agency	
Honorable Mark S. Cady	Chief Justice
David K. Boyd	State Court Administrator
Peggy Sullivan	Director of Finance/Personnel

Iowa Judicial Retirement System

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Mary Mosiman, CPA
Auditor of State

Independent Auditor's Report

To the Members of the Iowa
Judicial Retirement System:

Report on the Financial Statements

We have audited the accompanying financial statements of the Iowa Judicial Retirement System (System) as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the System's basic financial statements listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles. This includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the System's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the Iowa Judicial Retirement System as of June 30, 2013, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

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, 2013, 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.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require 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 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with U.S. generally accepted auditing standards, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 22, 2013 on our consideration of the Iowa Judicial Retirement System's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements 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 in considering the Iowa Judicial Retirement System's internal control over financial reporting and compliance.

Mary Mosiman

MARY MOSIMAN, CPA
Auditor of State

Warren Jenkins

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Iowa Judicial Retirement System provides an overview of the System's financial activities for the fiscal year ended June 30, 2013.

2013 FINANCIAL HIGHLIGHTS

- Net fiduciary position restricted for pension benefits increased approximately $17.7 million during fiscal year 2013 (FY13). At June 30, 2013, total assets were approximately $134.3 million and total liabilities were approximately $5.4 million, resulting in a net fiduciary position restricted for pension benefits of approximately $129 million.

- Covered payroll, upon which both employee and employer pension contributions are calculated, was $26.3 million for FY13. Employer contributions decreased 2%, from $8,215,668 in FY12 to $8,050,254 in FY13. Member contributions decreased 2%, or $50,543.

- Net investment gain, after investment-related expenses, was approximately $17.2 million in FY13 compared to a net investment loss of approximately $1.8 million in FY12. Investment management expenses decreased from $395,052 for the fiscal year ended June 30, 2012 to $377,289 for the fiscal year ended June 30, 2013.

- Total additions for the year resulted in a positive impact of approximately $27.7 million in FY13 compared to a positive impact of approximately $8.9 million in FY12.

- Pension benefits to members increased $796,760. Payments to members totaled approximately $10 million in FY13.

- Administrative expenses totaled $9,400 for the fiscal year ended June 30, 2013, compared to $9,200 for the fiscal year ended June 30, 2012, an increase of $200.

USING THIS FINANCIAL REPORT

This report reflects the activities of the Iowa Judicial Retirement System as reported in the Statement of Fiduciary Net Position (see page 12) and the Statement of Changes in Fiduciary Net Position (see page 13). These financial 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 financial 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 system.

ANALYSIS OF PLAN NET POSITION

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

FIDUCIARY NET POSITION

Table 1

June 30	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percent
Cash and investments	$ 129,506,523	$ 115,766,603	13,739,920	11.87%
Receivables	4,782,607	1,129,066	3,653,541	323.59%
Total assets	134,289,130	116,895,669	17,393,461	14.88%
Total liabilities	5,360,296	5,670,791	(310,495)	-5.48%
Net Position	$ 128,928,834	$ 111,224,878	17,703,956	15.92%

Approximately 94.3% 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 5.7% of total assets. Total assets increased approximately $17.4 million, or 14.9%. Total receivables increased approximately $3.6 million, or 323.6%, over fiscal year 2012 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 decreased approximately $310,000, or 5.48%, from fiscal year 2012 due, in large part, to a decrease in investment-related payables.

CHANGES IN FIDUCIARY NET POSITION

Table 2

Fiscal years ended June 30,	2013	2012	Increase (Decrease) Amount	Increase (Decrease) Percent
Additions				
Employer contributions	$ 8,050,254	$ 8,215,668	(165,414)	-2.01%
Member contributions	2,459,805	2,510,348	(50,543)	-2.01%
Net investment gain (loss)	17,218,403	(1,845,468)	19,063,871	-1033.01%
Total additions	27,728,462	8,880,548	18,847,914	212.24%
Deductions				
Annuity benefits	10,015,106	9,218,346	796,760	8.64%
Addministrative expenses	9,400	9,200	200	2.17%
Total deductions	10,024,506	9,227,546	796,960	8.64%
Change in net position	$ 17,703,956	$ (346,998)	18,050,954	-5202.03%

Contributions of approximately $10.5 million exceeded benefits of approximately $10.0 million by approximately $.5 million for fiscal year 2013 compared to approximately $1.5 million in fiscal year 2012. The investment rate of return for the fiscal year was 15.48%.

The following table contains the fiscal year performance of each asset class, benchmark and the System's actual asset allocation as of June 30, 2013.

Table 3

Asset Class	Return	Benchmark	Allocation
Large capitalization stocks	24.28%	20.60%	29.29 %
Small capitalization stocks	33.37	23.67	7.75
Small capitalization value	29.21	24.77	8.74
Core fixed income	1.19	.24	24.80
International equities	16.01	18.62	22.03
Cash equivalents	0.07	0.11	.46
Real estate	n/a	n/a	n/a
Equity reits	13.18	10.52	6.93
Total	15.48	13.76	100.00 %

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

Basic Financial Statements

Iowa Judicial Retirement System

Statement of Fiduciary Net Position

June 30, 2013

Assets:		
Cash and cash equivalents		$ 2,830,581
Member contributions receivable		58,405
Employer contributions receivable		191,143
Receivable for investments sold		4,533,059
Investments, at fair value:		
Equity investments	$ 84,204,395	
Fixed income securities	33,589,189	
Real estate	4,928,401	
Securities lending collateral pool	1,999,999	
Securities on loan with brokers	1,953,958	126,675,942
Total assets		134,289,130
Liabilities:		
Accounts payable		121,518
Payable for investments purchased		3,238,779
Payable to brokers for rebate and collateral deposits		1,999,999
Total liabilities		5,360,296
Net position restricted for pension benefits		$ 128,928,834

See notes to financial statements.

Iowa Judicial Retirement System

Statement of Changes in Fiduciary Net Position

Year ended June 30, 2013

Additions:		
Contributions:		
Members		$ 2,459,805
Employer		8,050,254
Investment income:		
Interest	$ 1,411,128	
Dividends	1,064,361	
Net increase in fair value of investments	15,120,203	
Less investment expense	(377,289)	
Net investment gain		17,218,403
Total additions		27,728,462
Deductions:		
Annuity benefits		10,015,106
Administrative expenses		9,400
Total deductions		10,024,506
Net increase in fiduciary net position		17,703,956
Net positon restricted for pension benefits:		
Beginning of year		111,224,878
End of year		$ 128,928,834

See notes to financial statements.

(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 System's membership as of June 30, 2013 was as follows:

Retirees and beneficiaries currently receiving benefits	191
Terminated members entitled to but not yet receiving benefits	7
Current members:	
Fully vested members	145
Non-vested active judges covered by the plan	57
Total	400

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 section 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 separated from service. The specified percentage is as follows: (1) 50% for judges who retired prior to July 1, 1998, (2) 52% for judges who retired and received an annuity on or after July 1, 1998 but before July 1, 2000, (3) 56% for judges who retired and received an annuity on or after July 1, 2000 but before July 1, 2001, (4) 60% for judges who retire and receive an annuity on or after July 1, 2001 but before July 1, 2006 and (5) 65% for judges who retire and receive an 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 60% 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 position, 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 6.12% of total assets

The System spent $377,289 for investment management expenses, which was .28% of the market value of total assets at June 30, 2013.

The System's investments in equity investments, fixed income securities and real estate, stated at cost, are $66,578,753, $33,933,826 and $3,318,695, 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, 2013, the System's fixed income assets not government guaranteed represented 71.62% 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.

		Credit Risk-S&P Quality Ratings									
Investment Type:	**TSY**	**AGY**	**AAA**	**AA**	**A**	**BBB**	**BB**	**B**	**Below B**	**Not Rated**	**Total**
1) Short Term Investments:											
Pooled Funds and Mutual Funds	$ -	-	-	-	-	-	-	-	-	2,830,577	2,830,577
2) Fixed Income Investments:											
A) U.S. Government:											
1) U.S. Government Treasury Notes	8,081,672	-	-	-	-	-	-	-	-	-	8,081,672
2) U.S. Government Treasury Bonds	140,687	-	-	-	-	-	-	-	-	-	140,687
3) Other Government Fixed Income	-	-	-	-	27,075	230,770	-	-	-	106,750	364,595
B) Mortgage Backed:											
1) Government National Mortgage Association	-	1,823,236		-	-	-	-	-	-	312,979	2,136,215
2) Federal Home Loan Mortgage Corporation	-	-	-	1,680,410	-	-	-	-	-	-	1,680,410
3) Federal National Mortgage Association	-	-	-	3,464,128	-	-	-	-	-	2,023,728	5,487,856
4) Collaterized Mortgage Backed Securities	-	-	198,223	-	176,661	189,865	-	23,392	-	208,642	796,783
5) Backed Securities Other Government Mortgage	-	-	9,646	-	-	-	-	-	-	-	9,646
C) Corporate Fixed Income:											
1) Government CMO's	-	-	-	-	7,637	-	-	39,460	-	4,078	51,175
D) Corporate:											
1) Corporate Bonds	-	-	-	872,062	3,382,870	3,924,444	538,693	368,756	146,500	11,041	9,244,366
2) Corporate Asset Backed	-	-	849,265	235,877	-	-	-	41,534	95,337	827,445	2,049,458
3) Private Placement	-	-	746,619	33,356	708,131	1,085,344	220,267	114,006	188,113	135,592	3,231,428
4) Fixed Income Commingled Funds	-	-	-	-	-	-	-	-	-	400,787	400,787
Total	$8,222,359	1,823,236	1,803,753	6,285,833	4,302,374	5,430,423	758,960	587,148	429,950	6,861,619	36,505,655

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	$ 2,830,577	0.00
2) Fixed Income Investments:		
A) U.S. Government:		
1) U.S. Government Treasury Notes	8,081,672	2.99
2) U.S. Government Treasury Bonds	140,687	17.51
3) Other Government Fixed Income	364,595	8.72
B) Mortgage Backed:		
1) Government National Mortgage Association	2,136,215	2.81
2) Federal Home Loan Mortgage Corporation	1,680,410	4.25
3) Federal National Mortgage Association	5,487,856	4.02
4) Collateralized Mortgage Backed Securities	796,783	2.89
5) Other Government Mortgage Backed Securities	9,646	0.83
C) Corporate Fixed Income:		
1) Government CMO's	51,175	0.27
D) Corporate:		
1) Corporate Bonds	9,244,366	6.74
2) Corporate Asset Backed	2,049,458	0.24
3) Private Placement	3,231,428	4.56
4) Fixed Income Commingled Funds	400,787	0.00
Total Invested Assets	$ 36,505,655	
Portfolio duration		3.97

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% of the fair value of any U.S. securities lent and 105% 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% 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, 2013, the System had securities on loan, including accrued interest income, with a total value of $1,953,958 against collateral with a total value of $1,999,999.

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 annual pension cost and net pension obligation for the System for the current year were as follows:

Annual required contribution	$ 8,085,627
Interest on net pension obligation	1,221,185
Adjustment to annual required contribution	(1,594,942)
Annual pension cost	7,711,870
Contributions made	8,050,254
Decrease in net pension obligation	(338,384)
Net pension obligation beginning of year	16,620,857
Net pension obligation end of year	$ 16,282,473

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 2013.

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
2011	$ 7,797,637	8,101,876	104%	$ 16,804,634
2012	8,031,891	8,215,668	102	16,620,857
2013	7,711,870	8,050,254	104	16,282,473

As of July 1, 2013, the most recent actuarial valuation date, the plan was 71% funded. The actuarial accrued liability for benefits was approximately $178.7 million and the actuarial value of assets was approximately $127.3 million, resulting in an unfunded actuarial accrued liability (UAAL) of approximately $51.4 million. The projected covered payroll (annual payroll of active employees covered by the plan) was approximately $28.3 million and the ratio of the UAAL to the covered payroll was 182%.

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 include 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. Based on the outstanding balance of the amortization bases and the current year payment, it will take 21 years to amortize the unfunded actuarial accrued liability.

(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 $2,459,805, representing 9.35% of current year covered payroll. The State's contribution required by statute was $8,050,254. 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

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)	Projected Covered Payroll (c)	UAAL/ Covered Payroll ((b-a)/c)
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
7/1/2012	117,272	170,232	52,960	69	25,760	206
7/1/2013	127,353	178,725	51,372	71	28,278	182

*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, 2013 valuation was primarily the result of the return on the actuarial value of assets was approximately 7.9%, which is slightly higher than the actuarial assumption of 7.5%.

See Note 3 for additional information on the 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
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
2012	8,225,558	8,215,668	100
2013	8,085,627	8,050,254	100

See Note 3 for additional information on the 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 <u>Government Auditing Standards</u>

OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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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 in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Governmental Auditing Standards, issued by the Comptroller General of the United States, the financial statements of the Iowa Judicial Retirement System, as of and for the year ended June 30, 2013, and the related Notes to Financial Statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated November 22, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Iowa Judicial Retirement System's internal control over financial reporting to determine the audit procedures appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Iowa Judicial Retirement System's internal control. Accordingly, we do not express an opinion on the effectiveness of the Iowa Judicial Retirement System's internal control.

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 System's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control which is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 that are required to be reported under Government Auditing Standards.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the System's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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.

MARY MOSIAN, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 22, 2013

Staff

This audit was performed by:

Michelle B. Meyer, CPA, Manager
Brandon J. Vogel, Staff Auditor
Lucas D. Bernhard, Assistant Auditor

Andrew E. Nielsen

Andrew E. Nielsen, CPA
Deputy Auditor of State