

**Delaware State Judiciary
Pension Plan**

**Actuarial Valuation
as of June 30, 2006**

Produced by [Cheiron](#)

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April 11, 2007

Board of Pension Trustees
State of Delaware
McArdle Building
860 Silver Lake Boulevard, Suite 1
Dover, Delaware 19904

Dear Members of the Board:

At your request, we have conducted our annual actuarial valuation of the Delaware State Judiciary Pension Plan as of June 30, 2006. The results of the valuation are contained in this report. The purpose of the valuation is discussed in the Foreword.

This report contains information on Plan assets, as well as analyses which combine asset and liability performance and projections. The report also discloses employer contribution levels, and required disclosures under the Governmental Accounting Standards Board Statement #25.

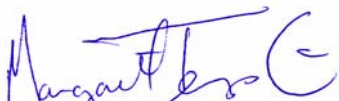
Your attention is called to the Foreword in which we refer to the general approach employed in the preparation of this report. We also comment on the sources and reliability of both the data and the actuarial assumptions on which our findings are based. Those comments are the basis for our certification that this report is complete and accurate to the best of our knowledge and belief. The results of this report are only applicable to the State contribution for Fiscal Year ending 2008 and rely on future plan experience conforming to the underlying assumptions. To the extent that actual plan experience deviates from the underlying assumptions, the results would vary accordingly.

We hereby certify that, to the best of our knowledge, this report is complete and accurate and has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the Code of Professional Conduct and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board, and that as Members of the American Academy of Actuaries, we meet the Qualification Standards to render the opinions contained herein.

Sincerely,
Cheiron



Fiona E. Liston, FSA
Consulting Actuary



Margaret A. Tempkin, FSA
Actuary



DELAWARE STATE JUDICIARY PENSION PLAN

FOREWORD

Cheiron has performed the actuarial valuation of the Delaware State Judiciary Pension Plan as of June 30, 2006. The purpose of this report is to:

- 1) **Measure and disclose**, as of the valuation date, the financial condition of the Plan;
- 2) **Indicate trends** in the financial progress of the Plan;
- 3) **Determine the contribution rate** to be paid by the State for Fiscal Year 2008; and
- 4) **Provide specific information** and documentation required by the Governmental Accounting Standards Board (GASB).

An actuarial valuation establishes and analyzes Plan assets and liabilities on a consistent basis, and traces the progress of both from one year to the next. It includes measurement of the Plan's investment performance as well as an analysis of actuarial liability gains and losses.

Section I presents a summary containing our findings and disclosing important trends experienced by the Plan in recent years.

Section II contains details on various asset measures, together with pertinent performance measurements.

Section III shows similar information on Plan liabilities, measured for actuarial, accounting, and government reporting purposes.

Section IV develops the State contribution rate determined using actuarial techniques and compares that to the rate developed using the corridor method of funding.

Section V includes the required disclosures under GASB Statement number 25.

The appendices to this report contain a summary of the Plan's membership at the valuation date, a summary of the major provisions of the Plan, and the actuarial methods and assumptions used in the valuations.

In preparing our report, we relied without audit, on information (some oral and some written) supplied by the Plan's staff. This information includes, but is not limited to, plan provisions, employee data, and financial information.

The actuarial assumptions reflect our understanding of the likely future experience of the Plan and the assumptions as a whole represent our best estimate for the future experience of the Plan. The results of this report are dependent upon future experience conforming to these assumptions. To the extent that future experience deviates from the actuarial assumptions, the true cost of the Plan could vary from our results.

Finally, in preparing this report, we have conformed to generally accepted actuarial principles and practices which are consistent with the Code of Professional Conduct, and applicable Actuarial Standards of Practice set out by the Actuarial Standards Board.

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION I BOARD SUMMARY

General Comments

The numbers listed under the headings “June 30, 2005” throughout this report are those produced by the prior actuary and disclosed in their June 30, 2005 report.

The actuarially determined contribution rate increased from 25.87% for FY 2007 to 27.99% for FY 2008. There were several reasons for this increase: a slight gain on the actuarial value of assets; a loss on the Plan’s liability, and other normal plan operations. During the year ended June 30, 2006, the Plan’s assets earned 11.97% on a market value basis. However, due to the Plan’s asset-smoothing technique and an accumulation of past asset losses, the return on the actuarial asset value was 8.57%. This return is slightly above the assumed rate of return of 8.0% and resulted in an actuarial gain on investments of \$0.2 million.

The plan also experienced an actuarial loss on Plan liabilities resulting from salary increases different than assumed and members retiring, terminating, becoming disabled and dying at rates different from the actuarial assumptions. The loss added \$2.7 million to the actuarial liability (5.7% of total actuarial liability). \$3.0 million of this loss was due to a correction that we made to the way in which disability benefits were being valued. The remaining \$0.3 million actuarial gain was small as a percent of liabilities. This type of activity is normal in the course of plan experience. The Plan will experience actuarial gains and losses over time because we cannot predict exactly how people will behave. When a plan experiences alternating gains and losses that are small compared to the total actuarial liability, then the plan’s actuarial assumptions are reasonable.

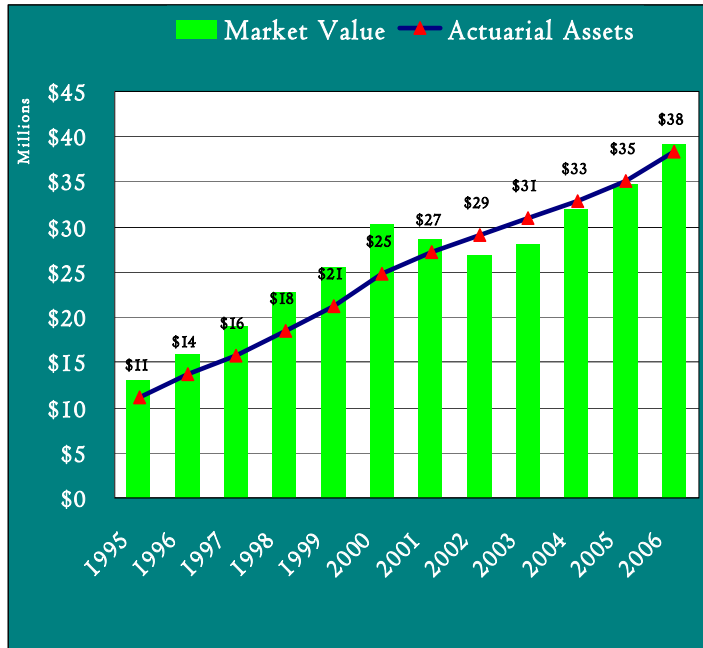
As of the June 30, 2006 actuarial valuation, the Plan’s unfunded actuarial liability/(surplus) was (\$11.8) million. This is an increase from last year’s unfunded actuarial liability/(surplus) of (\$9.0) million. Components of the increase in the Unfunded Actuarial Liability (UAL) include a \$0.2 million gain on Plan assets, the \$0.3 million gain on Plan liabilities, a \$0.4 million increase due to the Post-Retirement Increase (PRI), and the \$3 million increase due to correcting the disability valuation. The entire cost of the PRI is being funded by transfers from the Post-Retirement Increase Fund over the next five years.

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION I BOARD SUMMARY

Trends

Growth in Assets



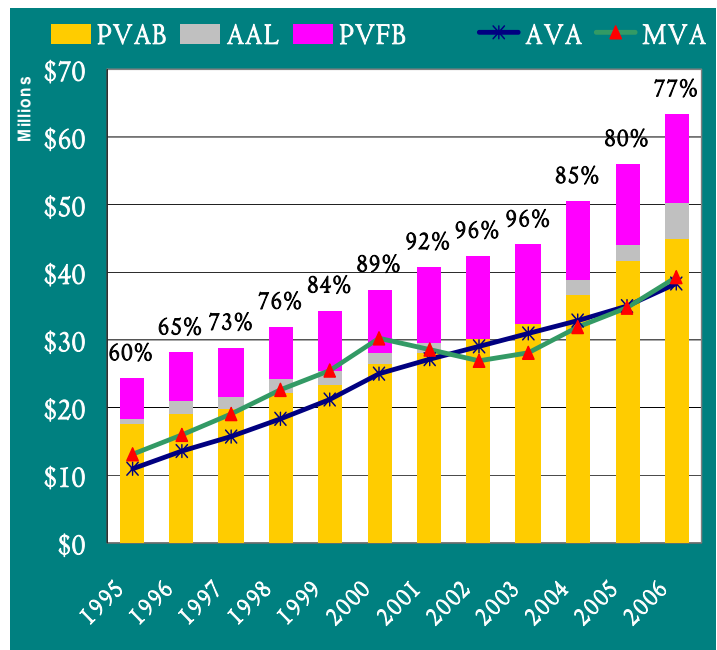
The market value of assets (MVA) continues to rebound since the market slide of 2000-2002. Due to the asset smoothing method in place, the actuarial value of assets has tracked a much smoother path through those turbulent years.

Over the period July 1, 1995 to June 30, 2006 the Plan's assets returned approximately 11.4% per year measured at actuarial value, compared to a valuation assumption of 8% per year.

Assets and Liabilities

The three colored bars represent the three different measures of liability mentioned in this report. For funding purposes, the target amount is represented by the top of the gray bar. We compare the actuarial value of assets to this measure of liability in developing the funded percent. These are the percentages shown in the graph labels.

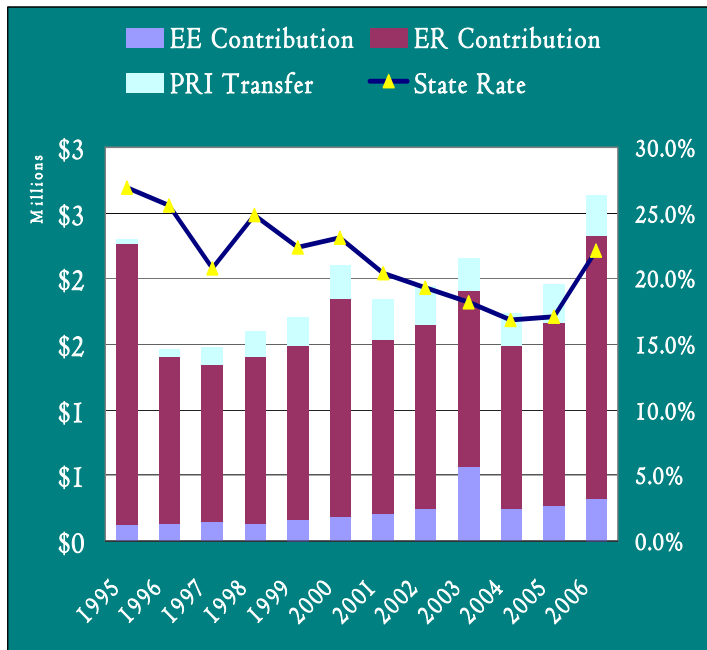
As you can see, the Plan had its highest funded percentage (96%) in July 1, 2002 and 2003, before the change in assumptions and liability corrections occurred. The amount represented by the top of the pink bars, the Present Value of Future Benefits (PVFB), is the amount needed to provide all benefits for the current participants and their beneficiaries. If the Plan had assets equal to the PVFB no contributions would, in theory, be needed for the current members.



DELAWARE STATE JUDICIARY PENSION PLAN

SECTION I BOARD SUMMARY

Contribution Rates

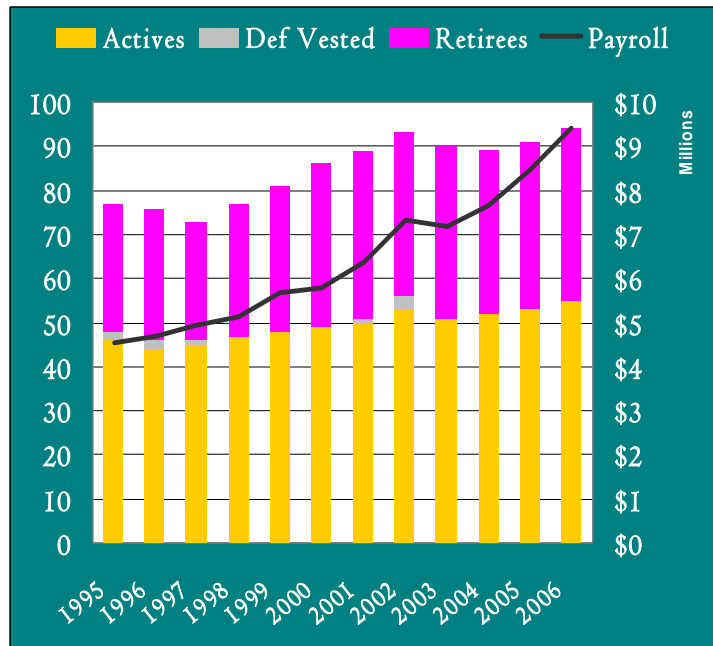


The stacked bars in this graph show the contributions made by the State, the PRI Fund, and the members (left hand scale). The black line shows the State contribution rate as a percent of payroll (right hand scale).

The member contribution rate is set by State law, depending on which plan the member participates in. The State contribution rate is set by the actuarial process and PRI Fund transfers depend on the increase granted. Please note there is a lag in the rate shown. For example, the 2006 value is the rate prepared by the 2004 valuation and implemented for the period July 1, 2005 to June 30, 2006.

Participant Trends

As with many funds in this country, there has been a steady growth in the number of retired members as the Plan has matured. The active-to-inactive ratio has decreased from 1.6 actives to each inactive in 1995 to 1.4 actives for each inactive today. While this would be an alarming trend in a pay-as-you-go system, the pool of invested assets has been established in anticipation of this development.

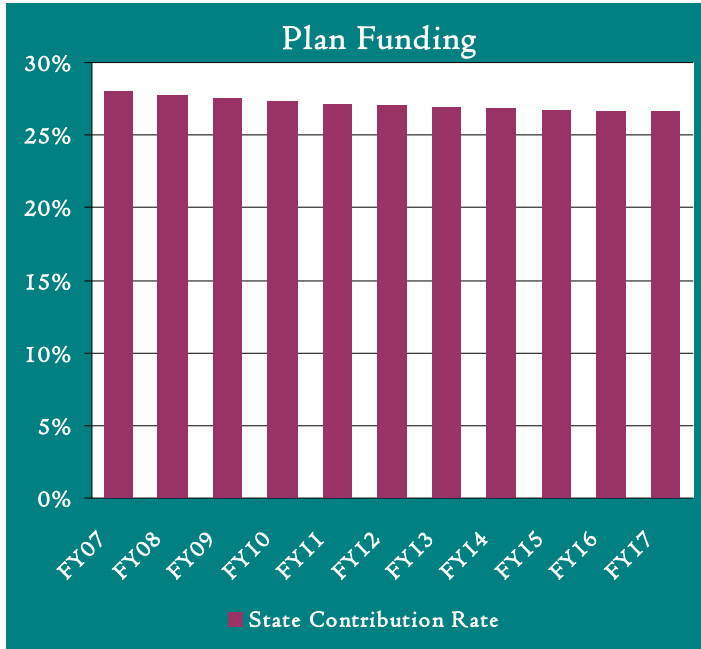


DELAWARE STATE JUDICIARY PENSION PLAN

SECTION I BOARD SUMMARY

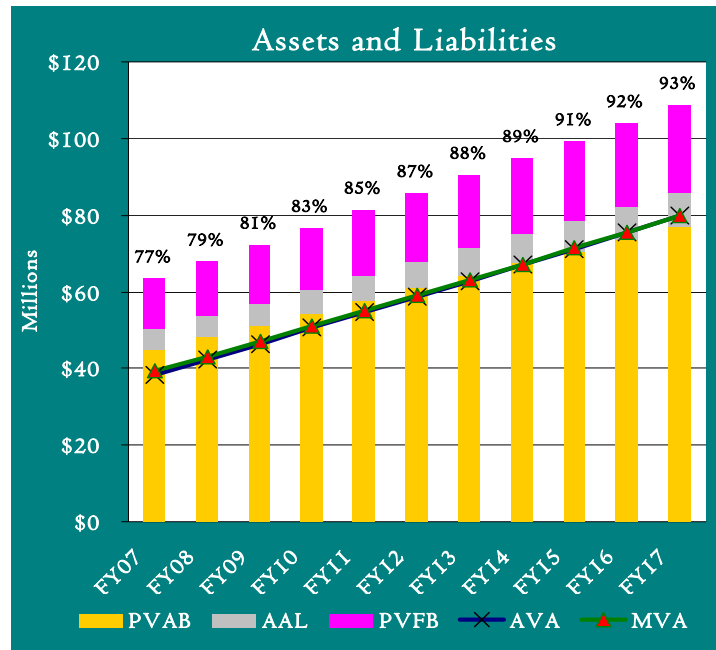
Future Outlook

Base Line Projections



These graphs show the expected progress of the Plan over the next ten years assuming the Plan’s assets earn 8% on their *market value*. The chart entitled “Plan Funding” shows that the State rate is expected to drop slightly over the next nine years.

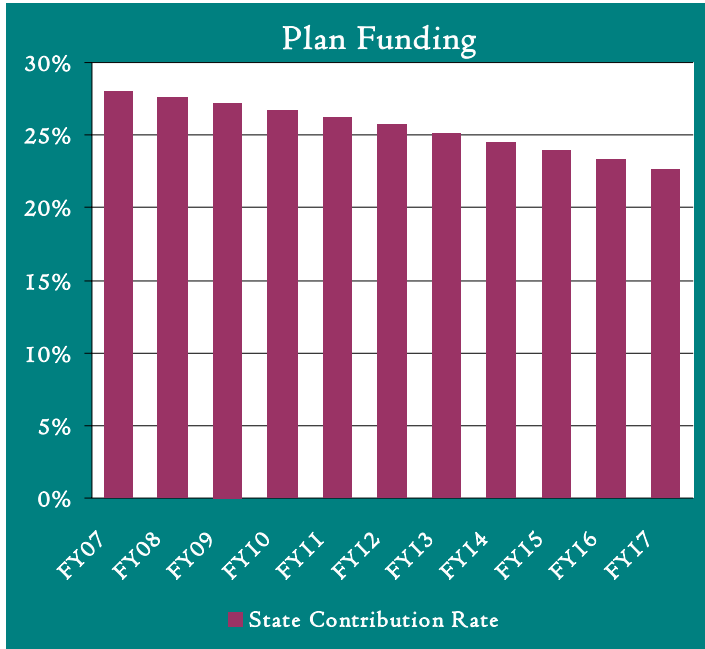
The “Assets and Liabilities” graph shows the projected funding status over the next ten years. The Plan’s funded status is projected to improve significantly during this period.



DELAWARE STATE JUDICIARY PENSION PLAN

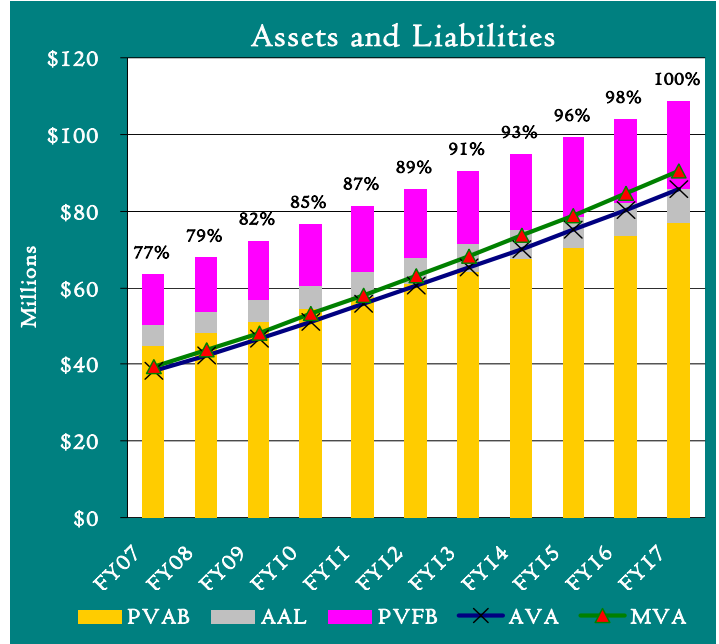
SECTION I BOARD SUMMARY

Projections With Asset Returns of 9.5%



The future funding status of this Plan will be influenced by the investment earnings. The next two charts show what the next ten years would look like with a 9.5% annual return in each year. The Plan has earned an average 11.4% per year over the ten-year period ending June 30, 2006.

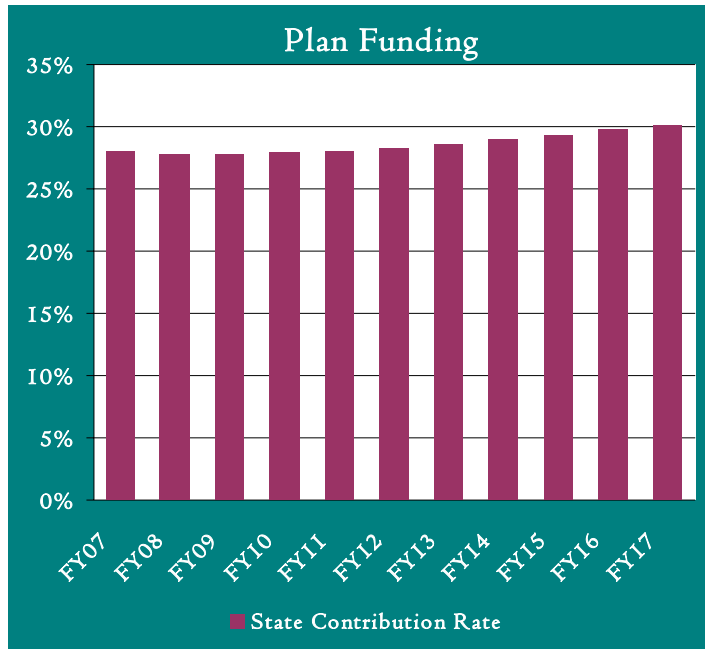
As you can see, the Plan would reach 100% funding by 2017. The contribution rate drops down more quickly than it does under the “baseline” scenario.



DELAWARE STATE JUDICIARY PENSION PLAN

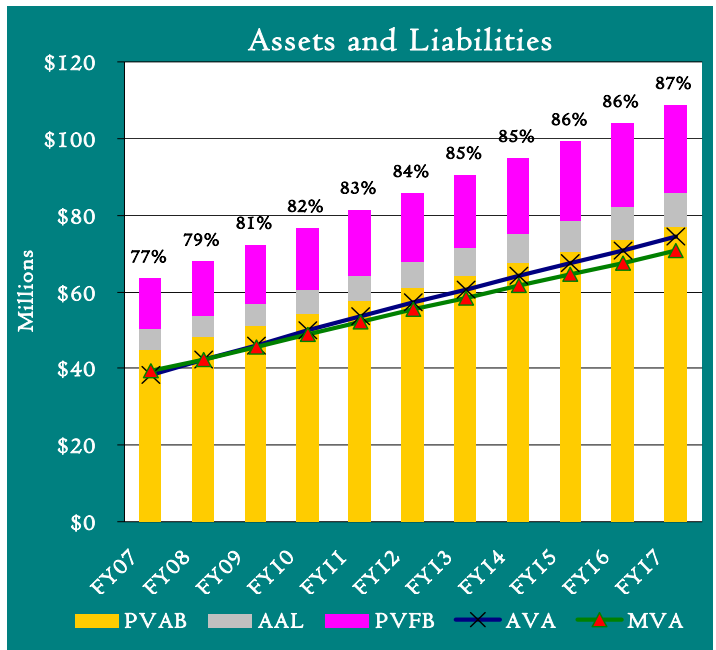
SECTION I BOARD SUMMARY

Projections With Asset Returns of 6.5%



To further demonstrate how the future funding of this Plan will be driven by investment earnings, we show the anticipated plan funding projections if the invested assets earn 6.5% per year over the entire ten-year period. Under this scenario the State's contribution rate increases.

This projection shows continued improvement of the Plan's funded status from the current 77% up to 87% by the end of the period. This demonstrates that the level of the State's contribution is a major factor in the projected funded status of this Plan.



DELAWARE STATE JUDICIARY PENSION PLAN

SECTION I BOARD SUMMARY

Delaware State Judiciary Pension Plan Summary of Principal Plan Results			
Valuation as of:	June 30, 2005	June 30, 2006	% Change
<u>Participant Counts</u>			
Active Participants	53	55	3.77%
Disabled Participants	2	2	0.00%
Retirees and Beneficiaries	36	37	2.78%
Terminated Vested Participants	0	0	NA
Inactive Participants	0	0	NA
Total	91	94	3.30%
Annual Salaries of Active Members*	\$ 8,475,300	\$ 9,396,500	10.87%
Annual Retirement Allowances for Retired Members and Beneficiaries**	\$ 2,254,000	\$ 2,409,000	6.88%
<u>Assets and Liabilities</u>			
Actuarial Accrued Liability (AAL)	\$ 44,078,700	\$ 50,176,900	13.83%
Actuarial Value of Assets	<u>35,111,700</u>	<u>38,406,900</u>	<u>9.38%</u>
Unfunded AAL	8,967,000	11,770,000	31.26%
Funded Ratio	79.7%	76.5%	
Present Value of Accrued Benefits (PVAB)	\$ 41,759,700	\$ 45,041,000	7.86%
Market Value of Assets	<u>34,759,500</u>	<u>39,211,500</u>	<u>12.81%</u>
Unfunded PVAB	7,000,200	5,829,500	(16.72%)
Accrued Benefit Funding Ratio	83.2%	87.1%	
<u>Contributions as a Percentage of Payroll</u>			
	Fiscal Year 2007	Fiscal Year 2008	
Normal Cost Contribution	17.54%	17.54%	
Unfunded Actuarial Liability Contribution	8.18%	10.30%	
Administrative Expense	<u>0.15%</u>	<u>0.15%</u>	
Total State Contribution	25.87%	27.99%	

* Assumes one year of payroll projection.

** Reflects PRI granted as of July 1 of each year

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION II ASSETS

Pension Plan assets play a key role in the financial operation of the Plan and in the decisions the Trustees may make with respect to future deployment of those assets. The level of assets, the allocation of assets among asset classes, and the methodology used to measure assets will likely impact upon benefit levels, State contributions, and the ultimate security of participants' benefits.

In this section, we present detailed information on Plan assets including:

- **Disclosure** of Plan assets at June 30, 2005 and June 30, 2006;
- Statement of the **changes** in market values during the year;
- Development of the **Actuarial Value of Assets**;
- An assessment of **investment performance**; and
- A projection of the Plan's expected **cashflows** for the next ten years.

Disclosure

The market value of assets represents a "snap-shot" or "cash-out" values which provide the principal basis for measuring financial performance from one year to the next. Market values, however, can fluctuate widely with corresponding swings in the marketplace. As a result, market values are usually not suitable for long-range planning.

The actuarial values are market values which have been smoothed and are the actuary's best estimate of long-term asset values. They are used for evaluating the Plan's ongoing liability to meet its obligations.

Current methods employed by this Plan set the actuarial value equal to the expected value plus 20% of the difference between the expected value of assets and the actual market value. Where the expected value is equal to the prior year's actuarial value, rolled forward with actual contributions and benefit payments plus interest imputed at 8%.

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION II
ASSETS

Changes in Market Values	
Value of Assets – June 30, 2005	\$ 34,759,500
<u>Additions</u>	
Member Contributions	\$ 319,900
Employer Contributions	2,002,300
PRI Fund Transfer	307,500
Investment Return	<u>4,177,800</u>
Total Additions	\$ 6,807,500
<u>Deductions</u>	
Benefit Payments	\$ 2,345,700
Administrative Expenses	<u>9,800</u>
Total Deductions	\$ 2,355,500
Value of Assets – June 30, 2006	\$ 39,211,500

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION II ASSETS

Development of Actuarial Value of Assets		
1.	Actuarial Value of Assets at June 30, 2005	\$ 35,111,700
2.	Amount in (1) with interest to June 30, 2006	37,920,600
3.	Employer, PRI and member contributions for the Plan Year ended June 30, 2006	2,629,700
4.	Interest on contributions assuming payments made uniformly throughout the year to June 30, 2006 at 8.00% per year	105,200
5.	Disbursements from Trust except investment expenses, June 30, 2005 through June 30, 2006	2,355,500
6.	Interest on disbursements to June 30, 2006 at 8.00% per year	94,200
7.	Expected Actuarial Value of Assets at June 30, 2006 = (2) + (3) + (4) – (5) – (6)	38,205,800
8.	Actual Market Value of Assets at June 30, 2006	39,211,500
9.	Excess of (8) over (7)	1,005,700
10.	Actuarial Value of Assets at June 30, 2006 = (7) + 20% of (9)	\$ 38,406,900

Actuarial Value of Assets

The actuarial value of assets represents a “smoothed” value developed by the actuary to reduce, or eliminate, erratic results which could develop from short-term fluctuations in the market value of assets. For this Plan, the actuarial value has been calculated by adding 20% of the difference between market value and expected value to the expected value. The above table illustrates the calculation of actuarial value of assets for the June 30, 2006 valuation.

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION II ASSETS

Investment Performance

The market value of assets (MVA) returned 11.97% during 2006, which is greater than the assumed 8% return. A return of 8.60% on the actuarial value of assets (AVA) is primarily the result of the asset smoothing method being utilized for the calculation of the Actuarial Value of Assets. Since only 20% of the gain or loss from the performance of the Plan is recognized in a given year, in periods of very good performance, the AVA can lag significantly behind the MVA. In a period of negative returns, the AVA does not decline as rapidly as the MVA.

Projection of Plan's Benefit Payments		
Year Beginning July 1,	Expected Benefit Payments	Expected Contributions*
2006	\$ 2,679,000	\$ 3,273,000
2007	2,966,000	3,396,000
2008	3,243,000	3,454,000
2009	3,533,000	3,510,000
2010	3,901,000	3,543,000
2011	4,318,000	3,574,000
2012	4,669,000	3,708,000
2013	5,095,000	3,847,000
2014	5,436,000	3,991,000
2015	5,648,000	4,141,000

Expected benefit payments are projected for the closed group valued at June 30, 2006. Projecting any farther than ten years using a closed-group would not yield reliable predictions due to the omission of new hires.

* Expected contributions include State Contributions, Member Contributions, and PRI Transfers. For illustration purposes, we have assumed the State Contribution rate will remain level and that payroll will increase at the actuarially assumed rate of 3.75% per year.

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION III LIABILITIES

In this section, we present detailed information on Plan liabilities including:

- **Disclosure** of Plan liabilities at June 30, 2005 and June 30, 2006;
- Statement of **changes** in these liabilities during the year; and
- A **projection** of future liabilities.

Disclosure

Several types of liabilities are calculated and presented in this report. Each type is distinguished by the people ultimately using the figures and the purpose for which they are using them.

- **Present Value of Benefits:** Used for analyzing the financial outlook of the Plan, this represents the amount of money needed today to fully pay off all future benefits and expenses of the Plan, assuming participants continue to accrue benefits.
- **Actuarial Accrued Liability:** Used for funding calculations and GASB disclosures, this liability is calculated taking the Present Value of Benefits and subtracting the present value of future Member Contributions and future Employer Normal Costs under an acceptable actuarial funding method. This method is referred to as the **Entry Age Normal** funding method.
- **Present Value of Accrued Liabilities:** Used for communicating the current level of liabilities, this liability represents the total amount of money needed today to fully pay off the current accrued obligations of the Plan, assuming no future accruals of benefits. These liabilities are also required for accounting purposes (FAS 35) and used to assess whether the Plan can meet its current benefit commitments.

The following table discloses each of these liabilities for the current and prior valuations. With respect to each disclosure, a subtraction of the appropriate value of Plan assets yields, for each respective type, a **net surplus** or an **unfunded liability**.

DELAWARE STATE JUDICIARY PENSION PLAN

**SECTION III
LIABILITIES**

Liabilities/Net (Surplus)/Unfunded		
	June 30, 2005	June 30, 2006
<u>Present Value of Benefits</u>		
Active Participant Benefits	\$ 36,382,100	\$ 42,695,200
Retiree and Inactive Benefits	19,624,400	20,740,800
Present Value of Benefits (PVB)	\$ 56,006,500	\$ 63,436,000
Market Value of Assets (MVA)	\$ 34,759,500	\$ 39,211,500
Future Member Contributions	2,054,000	2,283,200
Future State Contributions & PRI Fund Transfers	19,193,000	21,941,300
Total Resources	\$ 56,006,500	\$ 63,436,000
<u>Actuarial Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 56,006,500	\$ 63,436,000
Present Value of Future Normal Costs (PVFNC)	9,873,800	10,975,900
Present Value of Future Member Contributions	2,054,000	2,283,200
Actuarial Accrued Liability (AAL = PVB – PVFNC)	44,078,700	50,176,900
Actuarial Value of Assets (AVA)	35,111,700	38,406,900
Net (Surplus)/Unfunded (AAL – AVA)	\$ 8,967,000	\$ 11,770,000
<u>Present Value of Accrued Liability</u>		
Present Value of Benefits (PVB)	\$ 56,006,500	\$ 63,436,000
Present Value of Future Benefit Accruals (PVFBA)	14,246,800	18,395,000
Present Value of Accrued Liability (PVAB=PVB–PVFBA)	41,759,700	45,041,000
Market Value of Assets (MVA)	34,759,500	39,211,500
Net Unfunded (PVAB – MVA)	\$ 7,000,200	\$ 5,829,500

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION III LIABILITIES

Changes in Liabilities

Each of the Liabilities disclosed in the prior table are expected to change at each valuation. The components of that change, depending upon which liability is analyzed, can include:

- New hires since the last valuation
- Benefits accrued since the last valuation
- Plan amendments increasing benefits
- Passage of time which adds interest to the prior liability
- Benefits paid to retirees since the last valuation
- Participants retiring, terminating, or dying at rates different than expected
- A change in actuarial or investment assumptions
- A change in the actuarial funding method

Unfunded liabilities will change because of all of the above, and also due to changes in Plan assets resulting from:

- Employer contributions different than expected
- Investment earnings different than expected
- A change in the method used to measure plan assets

In each valuation, we report on those elements of change which are of particular significance, potentially affecting the long-term financial outlook of the Plan. Below we present key changes in liabilities since the last valuation, in thousands.

(In Thousands)	Present Value of Benefits	Actuarial Accrued Liability	Present Value of Accrued Liability
Liabilities June 30, 2005	\$ 56,007	\$ 44,079	\$ 41,760
Liabilities June 30, 2006	63,436	50,177	45,041
Liability Increase (Decrease)	7,430	6,098	3,281
Change Due to:			
PRI Increase	377	377	377
Disability Correction	NC*	3,058	NC*
Actuarial (Gain)/Loss	NC*	(364)	NC*
Benefits Accumulated and Other Sources	7,052	3,027	2,904

* NC = not calculated.

DELAWARE STATE JUDICIARY PENSION PLAN

**SECTION III
LIABILITIES**

Actuarial Liabilities for Funding		
	June 30, 2005	June 30, 2006
1. Actuarial Liabilities		
Retiree and Inactive Benefits	\$ 19,624,400	\$ 20,740,800
Active Members	<u>24,454,300</u>	<u>29,436,100</u>
Total Actuarial Liability	\$ 44,078,700	\$ 50,176,900
2. Actuarial Value of Assets	\$ 35,111,700	\$ 38,406,900
3. Unfunded Actuarial Liability	\$ 8,967,000	\$ 11,770,000
4. Allocation of Unfunded Actuarial Liability / (Amortization Period as of July 1, 2006)		
a. Outstanding PRI Transfers/(1 – 5 years)	\$ 960,200	\$ 1,091,800
b. Social Security Decoupling/(15 years)	692,900	686,200
c. Final Average Compensation/(15 years)	638,400	632,200
d. Assumption Change/(15 years)	6,349,400	6,288,000
e. Unified Service/(15 years)	<u>1,144,000</u>	<u>1,132,900</u>
f. Total of Allocated Bases	\$ 9,784,900	\$ 9,831,100
5. Net Gain Base for 15 Year Amortization (3-4f)	\$ (817,900)	\$ 1,938,900

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION IV CONTRIBUTIONS

In the process of evaluating the financial condition of any pension plan, the actuary analyzes the assets and liabilities to determine what level (if any) of contributions is needed to properly maintain the funding status of the Plan. Typically, the actuarial process will use a funding technique that will result in a pattern of contributions that are both stable and predictable.

For this Plan, the funding method employed is the **Entry Age Actuarial Cost Method**. Under this method, there are three components to the total contribution: the **normal cost rate**, the **unfunded actuarial liability rate** (UAL rate), and the **administrative expense rate**. The normal cost rate is determined in the following steps. First, for a typical new entrant an individual normal cost rate is determined by taking the value, as of entry age into the plan, of that member's projected future benefits. This value is then divided by the value, also at entry age, of the member's expected future salary. Finally, the total normal cost rate is reduced by the member contribution rate to produce the employer normal cost rate.

The unfunded actuarial liability is amortized by annual payments over a 40-year period from July 1, 1981. Once the period reaches 15 years (June 30, 2006), the cumulative actuarial gain/loss measured as of each valuation date will be amortized over a rolling 15 year period. All payments are determined assuming total pay increases by the annual inflation rate.

The assumed administrative expense rate is 0.15% of payroll. This rate, when applied to payroll, is intended to provide an allowance above the cost of funding the benefits to pay for the expense of operating the Plan.

The table below presents and compares the employer contribution rates for the Plan for this valuation and the prior one.

Employer Contribution Rate		
	June 30, 2005	June 30, 2006
Entry Age Normal Cost Rate	17.54%	17.54%
Amortization Payment Expense	8.18%	10.30%
	<u>0.15%</u>	<u>0.15%</u>
Actuarially Determined Contribution	25.87%	27.99%

DELAWARE STATE JUDICIARY PENSION PLAN

**SECTION IV
CONTRIBUTIONS**

Development of Plan Cost as of June 30, 2006		
	In Dollars	As % of Payroll
1. Present value of projected benefits attributable to:		
a. Total Normal Cost	\$ 1,967,600	20.94%
b. Expected Members Contribution	<u>319,500</u>	<u>3.40%</u>
c. Employer Paid Normal Cost (a) – (b)	\$ 1,648,100	17.54%
2. Amortization of Unfunded Liability/ (Amortization Period)		
a. Social Security Decoupling/(15 years)	\$ 62,200	0.66%
b. Final Average Compensation Change/(15 years)	57,300	0.61%
c. Assumption Change/(15 years)	570,100	6.07%
d. Unified Service/(15 years)	102,700	1.09%
e. Remaining Gain Base/(15 years)	<u>175,800</u>	<u>1.87%</u>
f. Total Amortization Payments	\$ 968,100	10.30%
3. Allowance for Expense	\$ 14,100	0.15%
4. Total Employer Contribution Rate (1) + (2) + (3)	\$ 2,630,300	27.99%

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION V ACCOUNTING STATEMENT INFORMATION

Statement No. 35 of the Financial Accounting Standards Board requires the Plan to disclose certain information regarding its funded status. Statement No. 25 of the Governmental Accounting Standards Board (GASB) establishes standards for disclosure of pension information by public employee retirement systems (PERS) and governmental employers in notes to financial statements and supplementary information.

The FASB-35 disclosures provide a quasi “snap shot” view of how the Plan’s assets compare to its liabilities if contributions stopped and accrued benefit claims had to be satisfied. However, due to potential legal requirements and the possibility that alternative interest rates would have to be used to determine the liabilities, these values may not be a good indication of the amount of money it would take to buy the benefits for all members if the Plan were to terminate.

The GASB-25 actuarial accrued liability is the same as the actuarial liability amount calculated for funding purposes.

Both the present value of accrued benefits (FASB-35) and the actuarial accrued liability (GASB-25) are determined assuming that the Plan is on-going and participants continue to terminate employment, retire, etc., in accordance with the actuarial assumptions. Liabilities are discounted at the assumed valuation interest rate of 8% per annum.

FASB Statement No. 35 specifies that a comparison of the present value of accrued (accumulated) benefits with the market value of the assets as of the valuation date must be provided. GASB Statement No. 25 requires the actuarial accrued liability be compared with the actuarial value of assets for funding purposes. The relevant amounts as of June 30, 2006 are exhibited in Table V-1. Finally, Table V-2 reconciles the FASB-35 liabilities determined as of the prior valuation, July 1, 2005, to the liabilities as of June 30, 2006.

Tables V-3 through V-5 are exhibits to be used with the State CAFR report. Table V-3 is the Note to Required Supplementary Information, Table V-4 is a history of gains and losses in Accrued Liability, and Table V-5 is the Solvency Test which shows the portion of Accrued Liability covered by Assets.

DELAWARE STATE JUDICIARY PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

Table V-1		
Accounting Statement Information		
	June 30, 2005	June 30, 2006
A. FASB No. 35 Basis		
1. Present Value of Benefits Accrued and Vested to Date		
a. Members Currently Receiving Payments	\$ 19,624,400	\$ 20,740,800
b. Former Vested Members	0	0
c. Active Members	<u>22,135,300</u>	<u>24,300,200</u>
2. Total Present Value of Accrued Benefits (1 (a) + 1(b) + 1(c))	\$ 41,759,700	\$ 45,041,000
3. Assets at Market Value	<u>34,759,500</u>	<u>39,211,500</u>
4. Unfunded Present Value of Accrued Benefits (2 – 3)	\$ 7,000,200	\$ 5,829,500
5. Ratio of Assets to Present Value of Benefits (3 / 2)	83.2%	87.1%
B. GASB No. 25 Basis		
1. Actuarial Accrued Liabilities for retirees and beneficiaries currently receiving benefits and terminated employees not yet receiving benefits	\$ 19,624,400	\$ 20,740,800
2. Actuarial Accrued Liabilities for current employees	<u>24,454,300</u>	<u>29,436,100</u>
3. Total Actuarial Accrued Liability (1 + 2)	\$ 44,078,700	\$ 50,176,900
4. Net Actuarial Assets available for benefits	<u>35,111,700</u>	<u>38,406,900</u>
5. Unfunded Actuarial Accrued Liability (3 – 4)	\$ 8,967,000	\$ 11,770,000

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-2	
Statement of Changes in Total Actuarial Present Value of All Accrued Benefits	
	Accumulated Benefit Obligation (FASB 35)
Actuarial Present Value of Accrued Benefits at June 30, 2005	\$ 41,759,700
Increase (Decrease) During Years Attributable to:	
Passage of Time	3,246,900
Benefit Paid – FY 2006	(2,345,700)
Plan/Assumption Change	0
PRI	377,500
Benefits Accrued, Other Gains/Losses	<u>2,002,600</u>
Net Increase (Decrease)	3,281,300
Actuarial Present Value of Accrued Benefits at June 30, 2006	\$ 45,041,000

DELAWARE STATE JUDICIARY PENSION PLAN

SECTION V
ACCOUNTING STATEMENT INFORMATION

Table V-3
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION

The information presented in the required supplementary schedules was determined as part of the actuarial valuation at the date indicated. Additional information as of the latest actuarial valuation follows.

Valuation date	July 1, 2006
Actuarial cost method	Entry age
Amortization method	Level percent closed
Remaining amortization period	15 years
Asset valuation method	5-Year smoothed market
Actuarial assumptions:	
Investment rate of return*	8.0%
Projected salary increases*	4.3%-12.8%
*Includes inflation at	3.75%
Cost-of-living adjustments	ad hoc

The actuarial assumptions used have been recommended by the actuary and adopted by the Plan's Board of Trustees based on the most recent review of the Plan's experience, completed in 2004.

The rate of employer contributions to the Plan is composed of the normal cost, amortization of the unfunded actuarial accrued liability and an allowance for administrative expenses. The normal cost is a level percent of payroll cost which, along with member contributions, will pay for projected benefits at retirement for the average plan participant. The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and the funds accumulated as of the same date is the unfunded actuarial accrued liability. The allowance for administrative expenses is based upon the Plan's actual administrative expenses.

DELAWARE STATE JUDICIARY PENSION PLAN

**SECTION V
ACCOUNTING STATEMENT INFORMATION**

**Table V-4
ANALYSIS OF FINANCIAL EXPERIENCE**

**Gain and Loss in Accrued Liability During Years Ended June 30
Resulting from Differences Between Assumed Experience and Actual Experience**
*Gain (or Loss) for Year ending June 30,
(expressed in thousands)*
2006

Type of Activity	
Investment Income on Actuarial Assets	\$ (200)
Combined Liability Experience	<u>(2,694)</u>
(Loss)/Gain During Year from Financial Experience	\$ (2,894)
Non-Recurring Items	<u>(377)</u>
Composite Gain (or Loss) During Year	\$ (3,271)

**Table V-5
SOLVENCY TEST
Aggregate Accrued Liabilities for
(expressed in thousands)**

Valuation Date June 30,	Active Member Contributions	Retirants & Beneficiaries	Active Member Employer Financed Contributions	Actuarial Value of Reported Assets	Portion of Accrued Liabilities Covered by Reported Assets		
	(1)	(2)	(3)		(1)	(2)	(3)
2006	\$ 3,473	\$ 20,741	\$ 25,963	\$ 38,407	100%	100%	55%
2005	3,126	19,624	21,329	35,112	100%	100%	58%
2004	2,763	18,817	17,284	32,841	100%	100%	65%
2003	2,498	18,447	11,374	30,961	100%	100%	88%
2002	2,300	15,705	12,117	29,049	100%	100%	91%
2001	1,932	16,622	11,081	27,231	100%	100%	78%

DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Judiciary Pension Plan Distribution of Active Members
by Age and Service as of June 30, 2006**

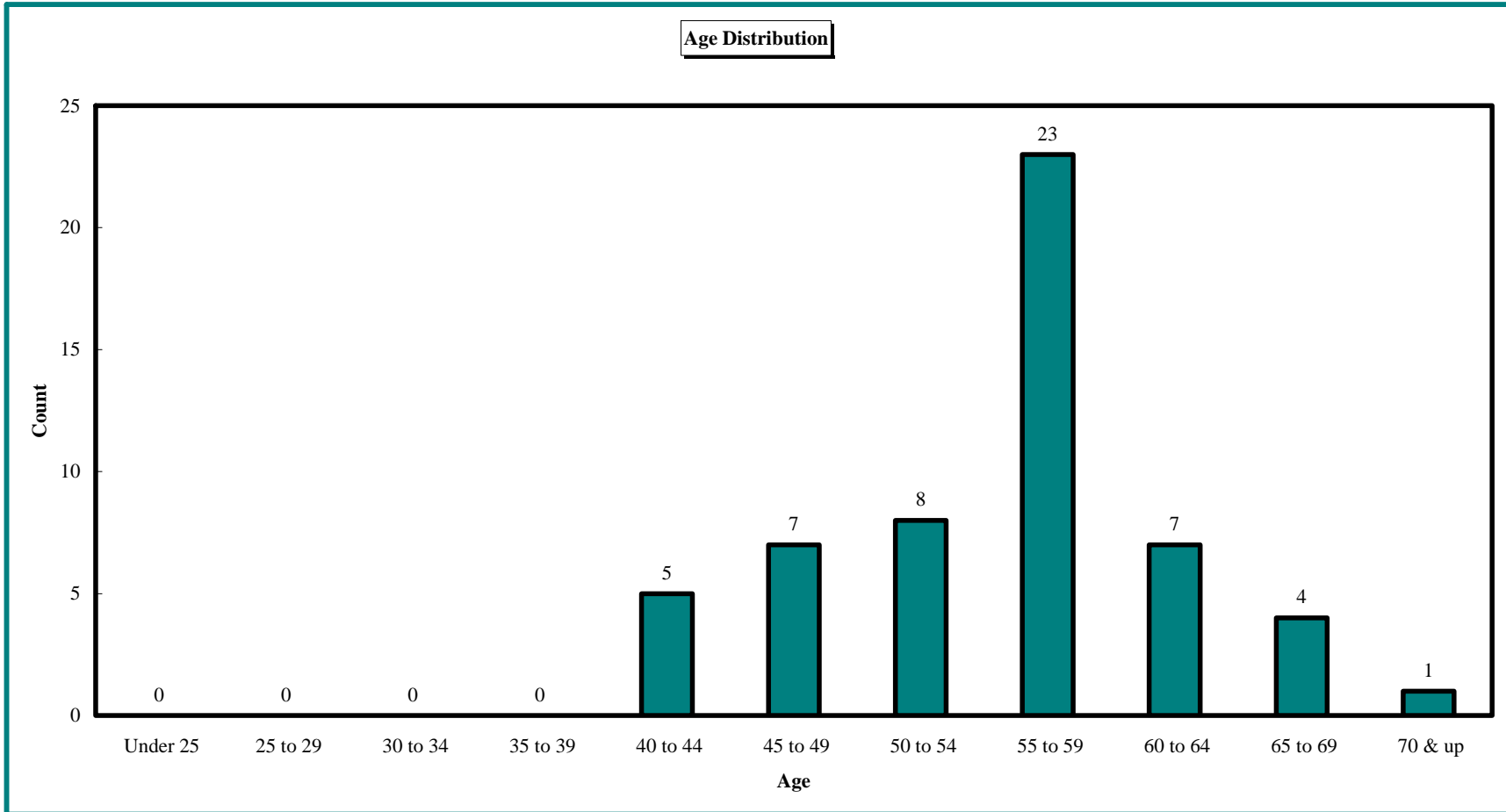
COUNTS BY AGE/SERVICE

Age	Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	0	0	0	0	0	0	0	0	0	0	0	0
25 to 29	0	0	0	0	0	0	0	0	0	0	0	0
30 to 34	0	0	0	0	0	0	0	0	0	0	0	0
35 to 39	0	0	0	0	0	0	0	0	0	0	0	0
40 to 44	0	1	4	0	0	0	0	0	0	0	0	5
45 to 49	0	2	4	1	0	0	0	0	0	0	0	7
50 to 54	1	2	2	3	0	0	0	0	0	0	0	8
55 to 59	0	2	7	6	4	4	0	0	0	0	0	23
60 to 64	0	1	1	1	2	2	0	0	0	0	0	7
65 to 69	0	0	0	0	1	1	2	0	0	0	0	4
70 & up	0	0	0	0	0	0	0	1	0	0	0	1
Total	1	8	18	11	7	7	2	1	0	0	0	55

DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

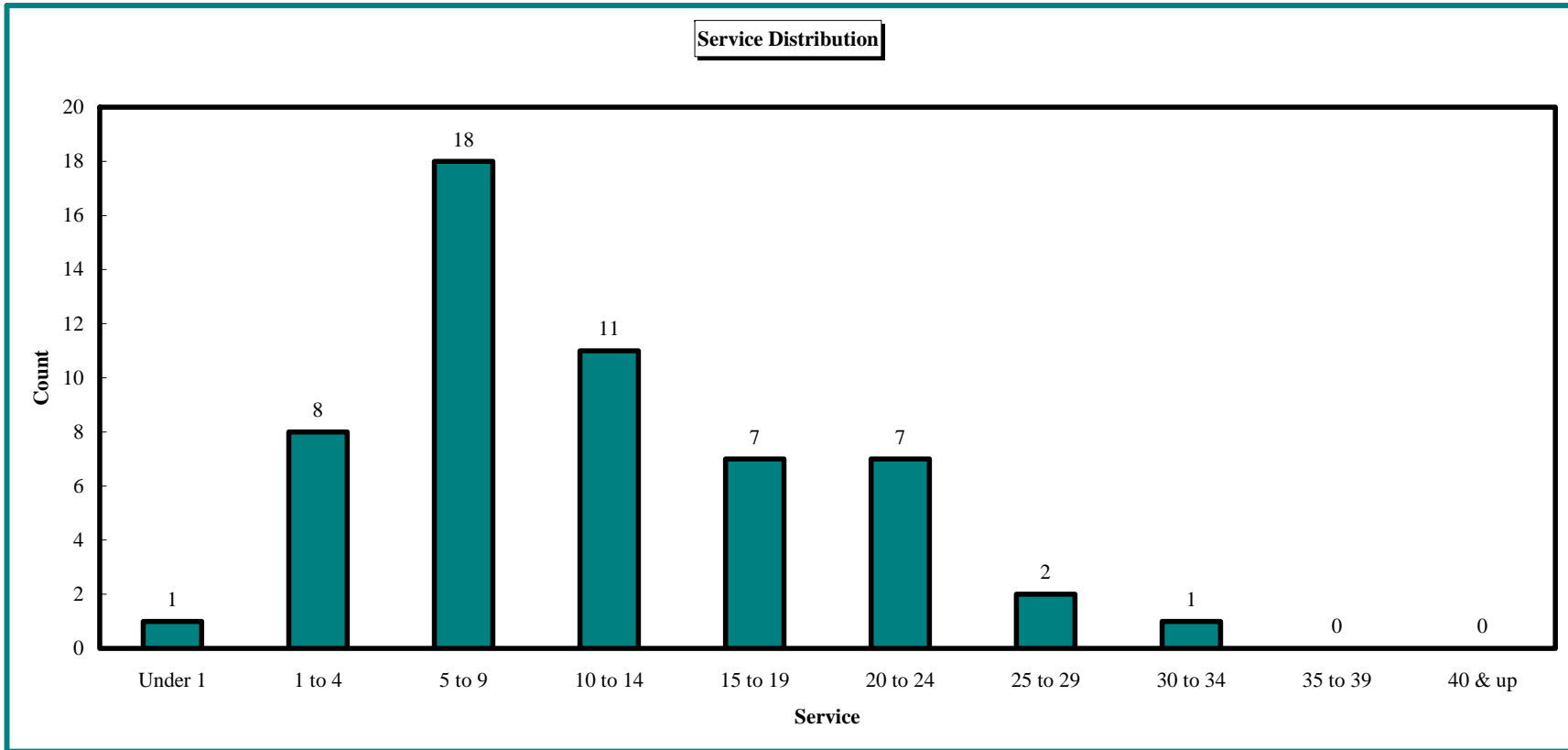
**Delaware State Judiciary Pension Plan Distribution of Active Members
by Age as of June 30, 2006**



DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Judiciary Pension Plan Distribution of Active Members
by Service as of June 30, 2006**



DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Judiciary Pension Plan Distribution of Active Members
by Age and Service as of June 30, 2006**

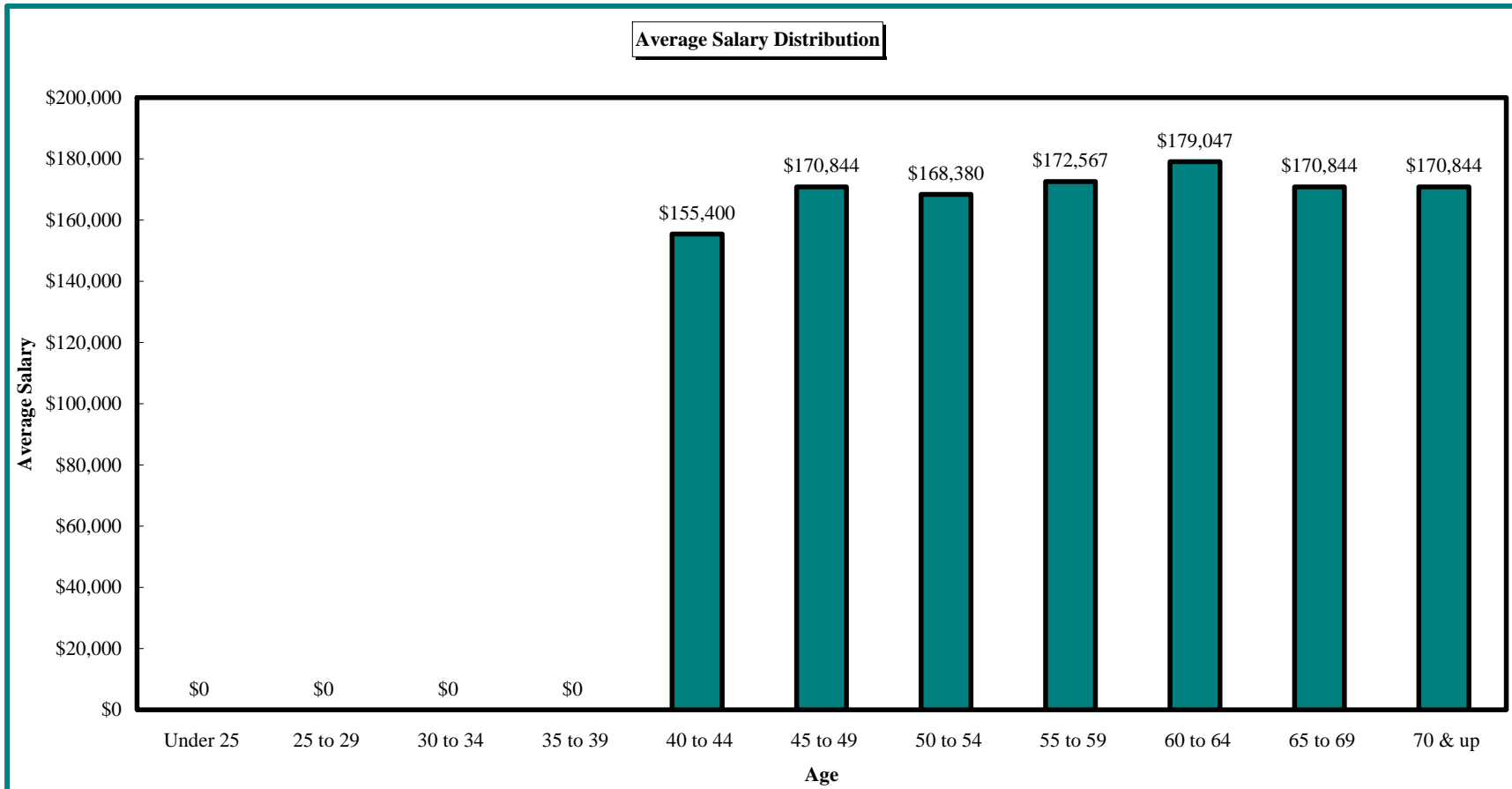
AVERAGE SALARY BY AGE/SERVICE

Age	Service										Total	
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & up		
Under 25	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
25 to 29	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
30 to 34	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
35 to 39	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
40 to 44	\$0	\$72,280	\$176,180	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$155,400
45 to 49	\$0	\$170,844	\$170,844	\$170,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$170,844
50 to 54	\$151,135	\$170,844	\$170,844	\$170,844	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$168,380
55 to 59	\$0	\$135,937	\$174,792	\$173,361	\$174,968	\$183,396	\$0	\$0	\$0	\$0	\$0	\$172,567
60 to 64	\$0	\$185,294	\$170,844	\$170,844	\$184,081	\$179,092	\$0	\$0	\$0	\$0	\$0	\$179,047
65 to 69	\$0	\$0	\$0	\$0	\$170,844	\$170,844	\$170,844	\$0	\$0	\$0	\$0	\$170,844
70 & up	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$170,844	\$0	\$0	\$0	\$170,844
Total	\$151,135	\$151,603	\$173,565	\$172,217	\$176,983	\$180,373	\$170,844	\$170,844	\$0	\$0	\$0	\$170,846

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

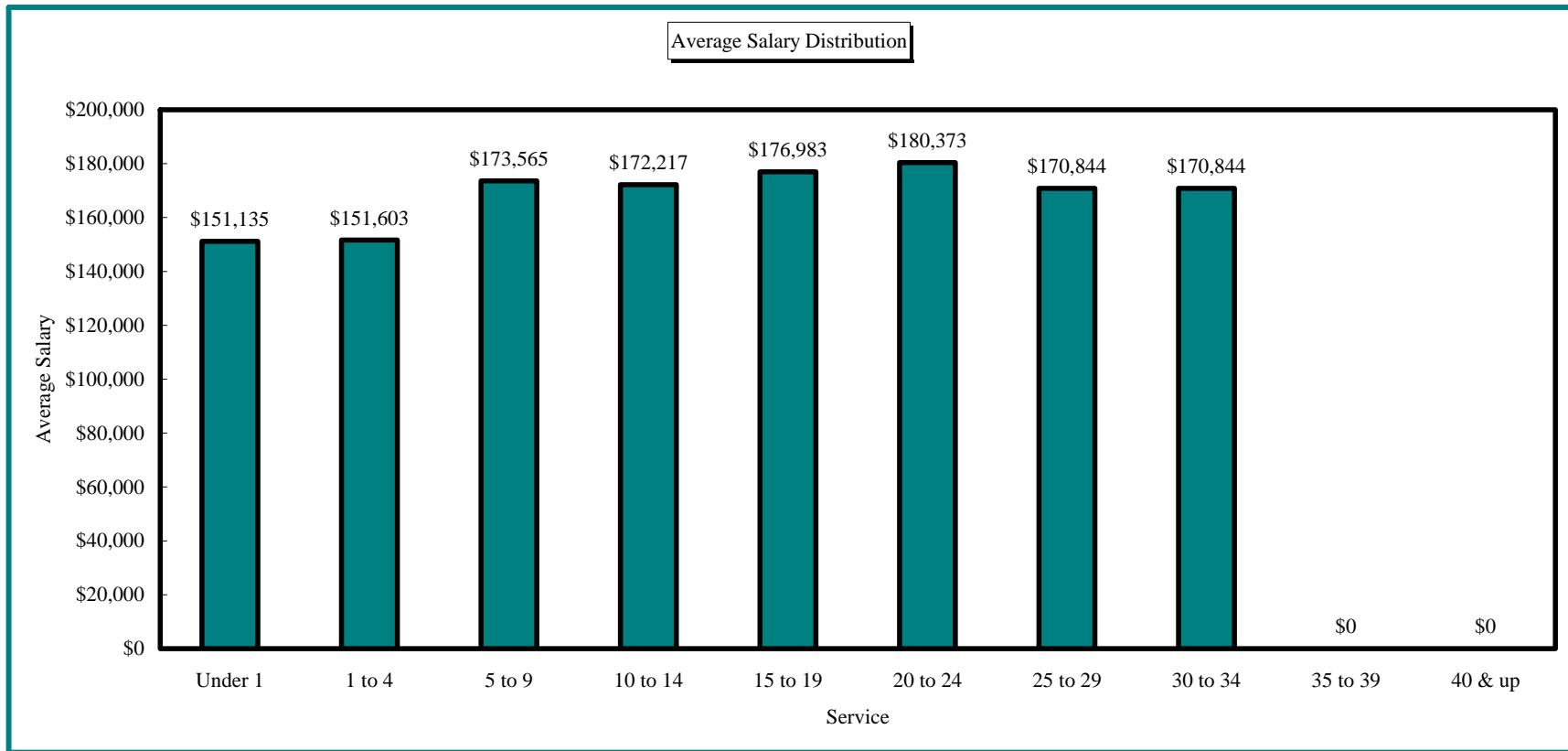
Delaware State Judiciary Pension Plan Distribution of Active Members
by Age as of June 30, 2006



DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

**Delaware State Judiciary Pension Plan Distribution of Active Members
by Service as of June 30, 2006**



DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX A
MEMBERSHIP INFORMATION**

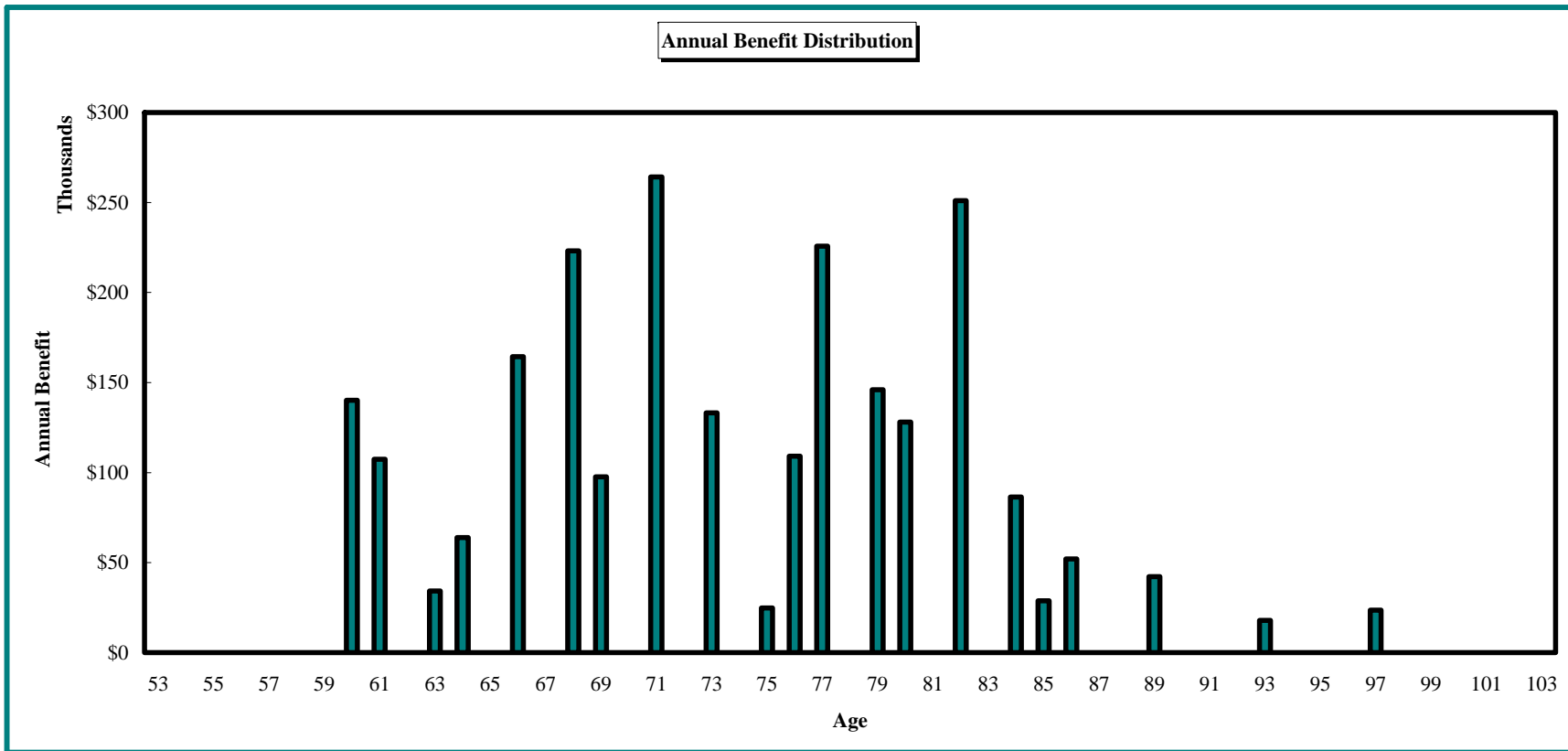
**Delaware State Judiciary Pension Plan Distribution of Retired Members, Survivors,
and Disabled Members as of June 30, 2006**

Age	Count	Annual Benefit	Age	Count	Annual Benefit
<25	0	\$0	73	2	\$133,119
25	0	\$0	74	0	\$0
26	0	\$0	75	1	\$24,801
27	0	\$0	76	1	\$109,066
28	0	\$0	77	4	\$225,790
29	0	\$0	78	0	\$0
30	0	\$0	79	2	\$146,032
31	0	\$0	80	3	\$128,031
32	0	\$0	81	0	\$0
33	0	\$0	82	4	\$251,027
34	0	\$0	83	0	\$0
35	0	\$0	84	2	\$86,365
36	0	\$0	85	1	\$28,805
37	0	\$0	86	1	\$51,982
38	0	\$0	87	0	\$0
39	0	\$0	88	0	\$0
40	0	\$0	89	1	\$42,169
41	0	\$0	90	0	\$0
42	0	\$0	91	0	\$0
43	0	\$0	92	0	\$0
44	0	\$0	93	1	\$17,943
45	0	\$0	94	0	\$0
46	0	\$0	95	0	\$0
47	0	\$0	96	0	\$0
48	0	\$0	97	1	\$23,582
49	0	\$0	98	0	\$0
50	0	\$0	99	0	\$0
51	0	\$0	100	0	\$0
52	0	\$0	101	0	\$0
53	0	\$0	102	0	\$0
54	0	\$0	103	0	\$0
55	0	\$0	104	0	\$0
56	0	\$0	105	0	\$0
57	0	\$0	106	0	\$0
58	0	\$0	107	0	\$0
59	0	\$0	108	0	\$0
60	2	\$140,134	109	0	\$0
61	1	\$107,425	110	0	\$0
62	0	\$0	111	0	\$0
63	1	\$34,224	112	0	\$0
64	1	\$63,985	113	0	\$0
65	0	\$0	114	0	\$0
66	2	\$164,376	115	0	\$0
67	0	\$0	116	0	\$0
68	3	\$223,195	117	0	\$0
69	1	\$97,662	118	0	\$0
70	0	\$0	119	0	\$0
71	4	\$264,234	120	0	\$0
72	0	\$0			
			Totals	39	\$2,363,947

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX A
MEMBERSHIP INFORMATION

Delaware State Judiciary Pension Plan Distribution of Retired Members, Survivors,
and Disabled Members as of June 30, 2006



DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

A. Long-Term Assumptions Used to Determine Plan Costs and Liabilities

1. Demographic Assumptions

a. Healthy Inactive Mortality

With Mortality Improvements (Projection Scale)

Male: 122% of RP-2000 MB Mortality Table

Female: 87% of RP-2000 FW Mortality Table

Rates of Healthy Inactive Mortality				
Age	Rates (Prior to Projection)		Projection Scale	
	Male	Female	Male	Female
40	0.24%	0.09%	0.80%	1.50%
45	0.42	0.14	1.30	1.60
50	0.73	0.21	1.80	1.70
55	0.66	0.30	1.90	0.80
60	0.81	0.49	1.60	0.50
65	1.42	0.79	1.40	0.50
70	2.35	1.32	1.50	0.50
75	4.10	2.24	1.40	0.80
80	7.25	3.75	1.00	0.70

b. Healthy Active Mortality

Male: 110% of RP-2000 RE Mortality Table

Female: 80% of RP-2000 RE Mortality Table

Rates of Healthy Active Mortality		
Age	Male	Female
20	0.04%	0.02%
25	0.04	0.02
30	0.05	0.02
35	0.09	0.04
40	0.12	0.06
45	0.17	0.09
50	0.24	0.13
55	0.33	0.20
60	0.54	0.31

DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

c. Disabled Inactive Mortality

Male: 51% of 1944 Railroad Retirement Board Disabled Mortality
Female: 92% of 1981 PBGC Disabled Mortality with Social Security

Rates of Disabled Inactive Mortality		
Age	Male	Female
40	1.33%	1.92%
45	1.38	2.06
50	1.58	2.36
55	2.50	2.71
60	3.16	3.05
65	3.72	3.40
70	4.54	3.78
75	5.41	4.53
80	7.34	6.86

d. Rates of Active Disability

45% of 1946 Railroad Retirement Board Disability Rates

Rates of Active Disability	
Age	Current
20	0.09%
25	0.10
30	0.11
35	0.11
40	0.13
45	0.18
50	0.32
55	0.60
60	1.24

e. Termination of Employment (Prior to Normal Retirement Eligibility)

None assumed.

DELAWARE STATE JUDICIARY PENSION PLAN

**APPENDIX B
ACTUARIAL ASSUMPTIONS AND METHODS**

f. Retirement

Normal Retirement: 1-year Select & Ultimate (age-based) upon attaining the earliest of:

- a) age 65 with 12 years of credited service
- b) 24 years of credited service

Normal Retirement		
Age	Select	Ultimate
< 55	40.00%	0.00%
55-61	40.00	30.00
62-69	50.00	40.00
70 +	100.00	100.00

g. Merit/Seniority Salary Increase (in addition to across-the-board increase)

10-year Select (service-based) & Ultimate (age-based) merit tables plus an annual inflation rate of 3.75% (rates shown below exclude amount for inflation.)

Select	
Service (Years)	Increase
0	9.00%
1-9	0.50

Ultimate	
Age	Increase
All ages	0.50%

h. Family Composition

Female spouses are assumed to be three years younger than males.

80% are assumed married for both male and female employees.

Actual marital characteristics are used for pensioners.

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

2. Economic Assumptions

a. Rate of Investment Return:	8.00%
b. Rate of General Wage Increase:	3.75%
c. Rate of Increase in Cost of Living:	0.00%
d. Rate of Increase in Total Payroll (for Amortization):	3.75%
e. Administrative Expenses as a Percentage of Payroll:	0.15%

3. Changes Since Last Valuation

None.

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX B ACTUARIAL ASSUMPTIONS AND METHODS

B. Actuarial Methods

1. Funding Method

The Entry Age Normal Actuarial Cost method is used to determine costs. Under this funding method, a normal cost rate is determined as a level percent of pay for a typical new entrant. The normal cost rate times payroll equals the normal cost. The normal cost plus member contributions will pay for projected benefits at retirement for the average plan participant.

The actuarial accrued liability is that portion of the present value of projected benefits that will not be paid by future employer normal costs or member contributions. The difference between this liability and funds accumulated as of the same date is referred to as the unfunded actuarial liability.

The portion of the actuarial accrued liability in excess of plan assets is funded according to a schedule which is intended to amortize such unfunded actuarial liability fully after a period of years. Under this cost method, actuarial gains and losses are directly reflected in the size of the unfunded actuarial liability.

The unfunded liability is amortized by annual payments over a 40 year period from July 1, 1981. From June 30, 2006 there are 15 years remaining. Once the remaining amortization period equals 15 year (June 30, 2006) the cumulative actuarial gain/loss measured as of each valuation date will be amortized over a rolling 15-year period. All payments are determined assuming total pay increases by the annual inflation rate.

2. Actuarial Value of Assets

For purposes of determining the State Judiciary employer contribution rate to the plan we use an actuarial value of assets. The asset adjustment method dampens the volatility in asset values that could occur because of fluctuations in market conditions. Use of an asset smoothing method is consistent with the long-term nature of the actuarial valuation process.

The actuarial value of assets is a weighted average giving 20% weight to the current market value and 80% weight to the prior year's actuarial value increased by expected interest and contributions and decreased by benefit payments and expenses. This is mathematically equivalent to recognizing 100% of the actuarially assumed interest rate, plus contribution, less payments each year, and 20% of the portion of each year's returns that have not already been reflected in asset values.

3. Changes Since Last Valuation

None.

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

1. Membership

The plan covers individuals while members of the State Judiciary.

2. Member Contributions

Judges appointed before July 1, 1980:

\$500 for each of the first 25 years of service.

Judges appointed after June 30, 1980:

3% of compensation which exceeds \$6,000 per annum plus an additional
2% of compensation in excess of the Social Security wage base.

3. Credited Service

All service as a member.

After accruing 12 years of Judicial service, previous State service may be credited for purposes of retirement eligibility.

4. Final Average Compensation

Final Average Compensation is the average over the highest three consecutive years (or shorter period of service) of compensation paid to the judge.

5. Normal Retirement

Judges appointed before July 1, 1980:

Eligibility: (i) age 65 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Benefit: 3% of final average compensation for each year of service as a judge, subject to a maximum pension of 75% of final average compensation and a minimum pension of 50% of final average compensation.

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

Judges appointed after June 30, 1980:

Eligibility: (i) age 62 with 12 years of service as a judge; or (ii) any age with 24 years of service; or (iii) involuntarily retired after 22 years of service as a judge.

Benefit: 1/24 of final average compensation for each of the first 12 years of service as a judge plus 1/48 of final average compensation for each of the next 12 years of service as a judge.

For Judges appointed before July 1, 1980 who elect the revised plan, their Normal Retirement Benefit is the greater of the two benefits described above.

6. Disability Benefit

Eligibility: Permanently disabled while active.

Benefit: Normal retirement benefit with the following revisions: For judges appointed after June 30, 1980, a minimum of 12 years of service as a judge is used in the benefit determination.

7. Survivor's Benefit

A pension is payable to the surviving spouse of a judge who dies in office regardless of his or her number of years of service at the time of death. A pension is also payable to the surviving spouse of a former judge with a vested right to a pension or a retired judge. If a judge is not survived by a spouse, a pension is payable to surviving dependent children, if any, in equal shares until the youngest unmarried child attains age 18, as follows:

Judge appointed before July 1, 1980:

Eligibility: Death while in office or death after retirement.

Benefit: For eligible survivors of members who die in office: 2/3 of the pension the member would have received if he retired for disability on the date of death.

For eligible survivors of pensioners who die: 2/3 of the pension the member was receiving at the time of death.

Judges appointed after June 30, 1980:

Eligibility: Death while in office or death after retirement.

DELAWARE STATE JUDICIARY PENSION PLAN

APPENDIX C SUMMARY OF PLAN PROVISIONS

Benefit: For eligible survivors of members who die in office: $\frac{1}{2}$ of the member's accrued pension based on not less than 12 years of service, deferred to age 50, or reduced if paid prior to age 50.

For eligible survivors of pensioners who die: $\frac{1}{2}$ of the pension the member was receiving at the time of death.

8. Vesting

Eligibility: 12 or more years of service as a judge.

Benefit: Normal Retirement based on final average compensation and service at date of termination. In lieu of a pension, a member may receive a refund of accumulated contributions (with interest for judges appointed after June 30, 1980). Upon application for a refund of contributions a member's vested right to a monthly benefit shall be forfeited.

9. Withdrawal

Eligibility: Terminates service and is not eligible for other benefits.

Benefit: Accumulated employee contributions with interest for judges appointed prior to July 1, 1980. Accumulated employee contributions with interest for judges appointed after June 30, 1980.

10. Changes Since Last Valuation

A Post-Retirement Increase (PRI) was granted effective July 1, 2006. The increase provided an increase of 2% for all pre-July 1, 2005 retirees. All pre-January 1, 1981 retirees will receive an increase equal to the greater of 2% or \$25 per month.