

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

June 30, 2007 Actuarial Valuation Report

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

July 10, 2009

Mr. Héctor M. Mayol Kauffman
Adminstrator
Puerto Rico Judiciary Retirement System
P.O. Box 42003 – Minilas Station
San Juan, PR 00940-2003

Dear Mr. Mayol:

This report presents the results of the actuarial valuation of the Puerto Rico Judiciary Retirement System (PRJRS) as of June 30, 2007. Section I contains highlights of the valuation including a general discussion and comments on the various schedules included in the report. The subsequent Sections contain schedules summarizing the underlying calculations, asset information, participant data, plan benefits and actuarial assumptions and methods.

Purpose

The main purposes of this report are:

- to provide the Annual Required Contribution and Annual Pension Cost for the Fiscal Year ending June 30, 2008 based on relevant Statements of the Government Accounting Standards Board (GASB);
- to review the experience under the plan since the previous valuation;
- to present information pertaining to the operation of the plan for inclusion in financial statements; and
- to assess the relative funded position of the plan.

The use of this report for purposes other than those stated above may not be appropriate and should be reviewed with Milliman.

The report was prepared solely to provide assistance to the Commonwealth of Puerto Rico Judiciary Retirement System for a specific and limited purpose. It is a complex,

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

technical analysis that assumes a high level of knowledge concerning PRJRS's operations, and uses PRJRS's data, which Milliman has not audited. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this report. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Data Reliance

In performing this analysis, we relied on the census data, asset information, and other information (both written and oral) provided by the System. We have not audited or verified the census data, asset information, or other information. To the extent that any of these are inaccurate or incomplete, the results of this valuation may likewise be inaccurate or incomplete.

We did not audit the data used in our analysis, but did review it for reasonableness and consistency and have not found material defects in the data. It is possible that material defects in the data would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Future Measurements

Future actuarial measurements may differ significantly from the current measurements presented in this report due to factors such as the following:

- Plan experience differing from the actuarial assumptions;
- Future changes in the actuarial assumptions;
- Increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as potential additional contribution requirements due to changes in the plan's funded status); and,
- Changes in the plan provisions or accounting standards.

Due to the limited scope of our assignment, we did not perform an analysis of the potential range of such measurements.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

Mr. Héctor M. Mayol
July 10, 2009
Page 3

Certification

We hereby certify that, to the best of our knowledge, this report is complete and accurate and all costs and liabilities were determined in conformance with generally accepted actuarial principles and practices which are consistent with the Actuarial Standards of Practice promulgated by the Actuarial Standards Board and the applicable Guides to Professional Conduct, amplifying Opinions, and supporting recommendations of the American Academy of Actuaries and are based on actuarial assumptions and methods adopted by the System. All of the actuarial assumptions were developed by Milliman in consultation with PRJRS.

Actuarial computations presented in this report are for purposes of fulfilling financial accounting requirements under the GASB Statements 25, 27, and 45. The calculations in the enclosed report have been made on a basis consistent with our understanding of the plan provisions described in Section VI of this report, and of the applicable GASB Statements. Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, additional determinations may be needed for other purposes.

Qualifications

We are members of the Society of Actuaries and meet the qualification standards of the American Academy of Actuaries to render this actuarial opinion.

Respectfully submitted,

MILLIMAN, INC.



By Glenn D. Bowen, F.S.A.
Member American Academy of Actuaries



Katherine A. Warren, F.S.A.
Member American Academy of Actuaries

GDB:KAW:mIm\PRJ01-10
g:\corr09\prj\Val_2007_PRJRS_Draft.doc

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

TABLE OF CONTENTS

	<u>Page</u>
SECTION I - SUMMARY	1
Subsection A - Summary of Principal Results	1
Subsection B - General Discussion	3
Subsection C - Discussion of Supporting Exhibits	9
SECTION II - SYSTEM ASSETS	14
Subsection A - Market Value of Assets	14
Subsection B - Reconciliation of Market Value of Assets	15
Subsection C - Development of Actuarial Value of Assets	15
Subsection D - Estimated Annual Rate of Return	16
Subsection E - Estimated Historical Rates of Return	16
SECTION III - MANAGEMENT INFORMATION	17
Subsection A - Allocation of Assets for Basic System Benefits	17
Subsection B - Projected Cash Flows for Basic System Benefits	18
SECTION IV - BASIC SYSTEM BENEFITS INFORMATION	19
Subsection A - Development of Present Value of Benefits	19
Subsection B - Development of Actuarial Accrued Liability	20
Subsection C - Development of Employer Normal Cost	21
Subsection D - Development of Unfunded Actuarial Accrued Liability and Amortization Payment	22
Subsection E - Development of Annual Required Contribution	22
SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION	23
Subsection A - Benefit Obligations	23
Subsection B - Development of Unfunded Actuarial Accrued Liability and Amortization Payment	24
Subsection C - Development of Annual Required Contribution	24
Subsection D - Development of Net Pension Obligation	25

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

TABLE OF CONTENTS

	<u>Page</u>
Subsection E - Development of Annual Pension Cost	25
Subsection F - Schedule of Employer Contributions	26
Subsection G - Schedule of Funding Progress	27
Subsection H - Additional Information	28
SECTION VI - GASB 45 ACCOUNTING INFORMATION	29
Subsection A - Benefit Obligations	29
Subsection B - Development of Unfunded Actuarial Accrued Liability and Amortization Payment	30
Subsection C - Development of Annual Required Contribution	30
SECTION VII - CENSUS DATA	31
Subsection A - Reconciliation with Prior Valuation	31
Subsection B - Summary of Active Members	32
Subsection C - Summary of Terminated Vested Members	35
Subsection D - Summary of Retirees	36
Subsection E - Summary of Beneficiaries	37
SECTION VIII - SUMMARY OF PRINCIPAL PLAN PROVISIONS	38
SECTION IX - ACTUARIAL ASSUMPTIONS	46
SECTION X - ACTUARIAL METHODS	50

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

A. Summary of Principal Results of June 30, 2007 Actuarial Valuation (*\$ amounts in thousands*)

	Basic System Pension Benefits only	System Administered Pension Benefits only	GASB 25 & 27 Accounting (Basic System and System Administered Pension Benefits)	GASB 45 Accounting (Other Postemployment Benefits)
Present Value of Benefits ¹	\$278,688	\$35,771	\$314,459	\$5,768
Actuarial Accrued Liability	228,128	30,449	258,577	4,677
Actuarial Value of Assets	<u>81,473</u>	<u>0</u>	<u>81,473</u>	<u>0</u>
Unfunded Actuarial Accrued Liability	146,655	30,449	177,104	4,677
Employer Normal Cost ² as a percent of payroll	5,297 16.95%	687 2.20%	5,984 19.15%	134 0.43%
Annual Required Contribution (ARC) as a percent of payroll	16,740 53.56%	3,063 9.80%	19,803 63.36%	408 1.30%
Annual Pension / OPEB Cost as a percent of payroll	N/A N/A	N/A N/A	19,829 63.44%	408 1.30%
Employer Contributions (<i>estimated</i>) as a percent of payroll	6,251 20.00%	1,011 3.23%	7,262 23.23%	257 0.82%
Portion of ARC not covered (<i>estimated</i>) as a percent of payroll	10,489 33.56%	2,052 6.57%	12,541 40.13%	151 0.48%

¹ A discussion of the benefits included in the respective Present Value of Benefits begins on page 3 of this section.

² Employer Normal Cost and all subsequent annual amounts are on behalf of the July 1, 2007 to June 30, 2008 fiscal year.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

June 30, 2007
Valuation

Participant Data

Active Members

Number	352
Average Salary	\$88,796
Total Annual Salary	\$31,256,135

Retirees

Number	285
Average Monthly Benefit without COLAs	\$3,679
Average Monthly Benefit with COLAs	\$3,892

Disabled Members

Number	0
Average Monthly Benefit without COLAs	n/a
Average Monthly Benefit with COLAs	n/a

Beneficiaries

Number	70
Average Monthly Benefit without COLAs	\$1,091
Average Monthly Benefit with COLAs	\$1,183

Terminated Vested Members

Number	39*
Average Monthly Benefit (for those assumed to receive an annuity)	\$2,739

* Terminated vested members include both (a) 18 members due a deferred annuity benefit and (b) 21 members who are due a refund of member and, if applicable, employer contributions. Former active members who are not vested in PRJRS but are covered by another Puerto Rico government system are assumed to be due both their member and employer contributions with interest.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

B. General Discussion

Basic System Benefits

As summarized in Section VIII, the Puerto Rico Judiciary Retirement System (PRJRS) provides benefits to members, or their beneficiaries, upon:

- Retirement
- Disability
- Vested withdrawal
- Death
- Nonvested withdrawal (return of contributions)
- Christmas bonus (\$150)

The statutory funding requirement for these benefits as of the June 30, 2007 valuation date totals 28.0% of payroll, comprising 8.0% member and 20.0% employer contributions. The employer contribution rate increased to 30.34% of payroll as of July 1, 2008.

These benefits will be referred to as the “Basic System Benefits” throughout this report.

System Administered Benefits

Also summarized in Section VIII are benefits granted under a series of special laws that are administered by PRJRS, including:

- Additional minimum death benefit
- Cost-of-living adjustments (COLAs)
- Medical insurance plan contribution
- Summer bonus
- Medication bonus
- Christmas bonus (\$450)

These benefits are funded on a pay-as-you-go basis from the General Fund of the Commonwealth of Puerto Rico and will be referred to as “System Administered Benefits” throughout this report. These benefits are not an obligation of the PRJRS assets.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

Experience Study

We were provided with enhanced June 30, 2003, June 30, 2005, and June 30, 2007 census data files by the System. We analyzed the demographic experience over the two two-year periods and converted the results into annualized rates to develop new assumptions for termination and retirement. The experience regarding mortality and disability rates was not significant enough to develop independent assumptions. The mortality assumption uses the RP-2000 mortality tables with white collar adjustments. The disability rates are 50% of the 1987 Commissioners Group Disability Table.

In addition, several ancillary assumptions such as the probability of marriage and spouse age difference assumptions were developed. All assumptions were reviewed with PRJRS staff for reasonableness and are documented in Section IX. A summary of the June 30, 2007 census data files and a reconciliation from June 30, 2005 are presented in Section VII.

GASB Accounting Information

In the June 30, 2005 and prior valuations, the Basic System Benefits (excluding the \$150 Christmas bonus) were valued and reported under Governmental Accounting Standards Board Statement No. 25, "*Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans*" (GASB 25) and Statement No. 27, "*Accounting for Pensions by State and Local Governmental Employers*" (GASB 27). Based on our understanding of prior valuations, the \$150 Christmas bonus included in the Basic System Benefits for this actuarial valuation was not previously reflected in the actuarial valuations.

In the June 30, 2003 and prior valuations, the past and future COLAs (3% every three years) (a System Administered Benefit) were valued and reported under GASB 25 and GASB 27. Based on our understanding of the prior valuations, System Administered Benefits other than the past and future COLAs were not reflected in the prior actuarial valuations.

Since the prior valuation, Governmental Accounting Standards Board Statement No. 45, "*Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*" (GASB 45) has been released and is effective for Phase 1 entities (total

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

annual revenues of over \$100 million for the first fiscal year beginning after June 15, 1999) for fiscal years beginning after December 15, 2006.

Accounting results under GASB 25, 27, and 45 are presented in two sections in this report as discussed below. In addition, as requested by PRJRS, we have separately determined the Annual Required Contribution based on GASB 25 and 27 rules for just the Basic System Benefits.

Basic System Benefits Information

We have performed a June 30, 2007 actuarial valuation of the Basic System Benefits and have prepared accounting results for them based on GASB 25 and 27 rules.

The FY 2007-8 ARC for the Basic System Benefits only based on GASB 25 and 27 rules would be \$16,739,894, which equals 55.56% of payroll. The ARC represents the portion of the cost of PRJRS' Basic System Benefits that employers should pay in order for PRJRS to be actuarially sound; i.e., the ARC has been reduced to reflect the fact that active members contribute 8% of pay to the system. The employer portion of the statutory funding requirement, which is 20.0% of payroll, is less than the ARC by 33.56% of payroll, or \$10,488,667.

As shown in Subsection D of Section IV, PRJRS has Unfunded Actuarial Accrued Liabilities of \$146.7 million on behalf of Basic System Benefits, which should be amortized over a period not to exceed 30 years in accordance with GASB 25 and 27 rules. Based on the current statutory member and employer funding requirements, the UAAL is expected to grow indefinitely into the future instead of being amortized. Effectively, this means that the statutory member and employer contributions to PRJRS are not adequate to fund PRJRS' Basic System Benefits. Instead, PRJRS is being gradually defunded.

GASB 25 and 27 Accounting Information

We have performed a June 30, 2007 actuarial valuation of the Basic System Benefits and the System Administered Benefits (excluding the Medical Insurance Plan Contribution) and have prepared accounting results under GASB 25 for the financial statements of the System and under GASB 27 for the Commonwealth of Puerto Rico's financial statements.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

Based on our understanding of the 2005 valuation, only the Basic System Benefits (excluding the \$150 Christmas bonus) were reflected in the actuarial valuation as of June 30, 2005. The Annual Required Contribution (ARC) and the Annual Pension Cost (APC) determined in that valuation have been the basis for reporting for FYs 2005-6 and 2006-7.

The FY 2007-8 ARC under GASB 25 and 27 is \$19,803,209, which equals 63.36% of payroll. This includes the Basic System Benefits and the System Administered Benefits (excluding the Medical Insurance Plan Contribution). The FY 2007-8 APC under GASB 27 is \$19,828,957, which equals 63.44% of payroll.

As shown in Subsection B of Section V, the Unfunded Actuarial Accrued Liability on a GASB 25 and 27 basis is \$177.1 million. Based on the current funding requirements, the UAAL is expected to grow indefinitely into the future. As discussed above, the statutory member and employer contributions to PRJRS are not adequate to fund PRJRS' Basic System Benefits. Instead, PRJRS is being gradually disfunded. The System Administered Benefits are financed on a pay-as-you-go basis from the General Fund of the Commonwealth of Puerto Rico

GASB 45 Accounting Information

We have performed a June 30, 2007 actuarial valuation of the Medical Insurance Plan Contribution and have prepared accounting results for the Commonwealth of Puerto Rico's financial statements under GASB 45. This benefit has not been previously valued. (Note that the Medication Bonus has been included in the GASB 25 and 27 results as a Pension Benefit because members can receive the bonus without submitting documentation to substantiate medication expenses.)

The FY 2007-8 ARC for the Medical Insurance Plan Contribution under GASB 45 is \$407,693, which equals 1.30% of payroll.

There are no member or employer contributions on behalf of the Medical Insurance Plan Contribution. This benefit is financed on a pay-as-you-go basis from the General Fund of the Commonwealth of Puerto Rico. Since this is an Other Postemployment Benefit that is not funded in advance, the ARC for this benefit has been calculated based on an assumed investment return rate of 4.0%, instead of the 7.5% rate used for

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

the Pension Benefits. As shown in Subsection B of Section VI, the Unfunded Actuarial Accrued Liability on a GASB 45 basis for this benefit is \$4.7 million.

Solvency Test for Basic System Benefits

Subsection A of Section III determines the solvency percentage for each membership group for the Basic System Benefits. The Actuarial Value of Assets was allocated to each membership group by first allocating based on the accumulated member contributions with interest. The remaining assets were then assigned first to retirees, disabled members, and beneficiaries, second to terminated members with rights to a deferred pension, and then to active members. As shown in Subsection A of Section III, the overall solvency percentage is 35.7%. For retirees, disabled members, and beneficiaries, the solvency percentage is 52.6%. Vested terminated members with rights to deferred pensions or due a refund of member contributions and active members have solvency percentages of 31.5% and 13.4%, respectively.

Note there were insufficient assets to cover all of the benefit obligations attributable to retirees, disabled members, and beneficiaries. Therefore, the assets allocated to vested terminated members with the right to a deferred pension or due a refund of member contributions and active members are solely attributable to the accumulated value of their own contributions; no employer contributions are available to fund their benefit obligations based on this allocation procedure.

Cash Flow Projection for Basic System Benefits

PRJRS is a mature retirement system with a significant retiree population. Based on the current statutory funding requirements, the annual benefit payments and administrative expenses paid by the system are significantly larger than the member and employer contributions made to the system. Thus investment income must be used to cover this negative cash flow. As a result, system assets can be expected to grow very slowly over time and then to decline when the negative cash flow exceeds investment income. PRJRS' liabilities for the Basic System Benefits will continue to increase significantly over time. Thus the funded status can be expected to decline over time based on the actuarial assumptions used to prepare this actuarial valuation. For example, the funded ratio of PRJRS for the Basic System Benefits as determined by this actuarial valuation was 35.7% as of June 30, 2007. We have roughly forecasted that this ratio can be expected to decrease to approximately 25% over the next 10 years

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

if actual experience is consistent with the actuarial assumptions, including the 7.5% assumed investment return.

The table shown in Subsection B of Section III illustrates the expected negative net cash flows over the next 10 years. Annual payroll growth of 3.0% is assumed, as future members are assumed to replace current members who terminate or retire. (Note, we did not attempt to include in the expected benefit payments any benefit payments attributable to new members in preparing this table. Members who join PRJRS in the future will generate some cash outflow during the next 10 years due to refunds of their contributions, death and disability benefits, and immediate annuities due to service purchases, etc. We expect that these amounts will be relatively modest and they have not been included in the results shown. Doing so would increase the expected negative net cash flow.)

We recommend that the statutory funding requirements be significantly increased in excess of the recent employer contribution rate increase to 30.34% in light of:

- the expected negative net cash flows;
- the forecast decrease in funded status; and,
- the Annual Required Contribution based on GASB 25 and 27.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

C. Discussion of Supporting Exhibits

System Assets

Section II summarizes the plan assets taken into account in the preparation of the GASB 27 Employer Accounting results for PRJRS.

Subsection A summarizes the Market Value of Assets as of June 30, 2007, including the additional amounts due to the contribution receivables, if any.

Subsection B summarizes the reconciliation of the Market Value of Assets from June 30, 2006 to June 30, 2007. We have adjusted the amounts shown in the audited financial statements to show the appropriation of \$500,000 as a special contribution instead of an adjustment to annuity payments.

Subsection C summarizes the development of the Actuarial Value of Assets as of June 30, 2007. The Actuarial Value of Assets is equal to the Market Value of Assets.

Subsection D develops an estimated rate of return on plan assets for the previous plan year. The estimated rate of return from June 30, 2006 to June 30, 2007 was 19.8% on the Market Value of Assets.

Subsection E summarizes the historical estimated rate of return on plan assets on a market value basis.

The asset information used for the valuation was taken from financial statements provided by PRJRS as of June 30, 2007.

Management Information

Section III presents additional information that has been derived from the valuation process and is illustrative of the expected future decline in funded status that is projected based upon our analysis of the valuation results.

Subsection A shows the allocation of assets to liability for Basic System Benefits by membership group and determines the solvency percentage for each group. Please see Subsection B of Section I for a description of this determination.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

Subsection B shows a projected cash flow for the current fiscal year and the next ten fiscal years for Basic System Benefits. Please see Subsection B of Section I for a description of this projection.

Basic System Benefits Information

Section IV summarizes the Actuarial Accrued Liability and the development of the Annual Required Contribution for just the Basic System Benefits under GASB 25 and 27 for the fiscal year ending June 30, 2008 (please see Subsection B of Section I for a description of the benefits included in this valuation).

Subsection A summarizes the development of the Present Value of Benefits as of June 30, 2007.

Subsection B summarizes the development of the Actuarial Accrued Liability as of June 30, 2007.

Subsection C summarizes the development of the Employer Normal Cost. The Employer Normal Cost is the total normal cost under the Projected Unit Credit Actuarial Cost Method adjusted for interest to mid-year, increased by expected administrative expenses paid from the fund, and reduced by expected member contributions.

Subsection D summarizes the development of the amortization payment of the Unfunded Actuarial Accrued liability. The amortization period used to calculate the ARC is 19 years from June 30, 2007 with annual payments increasing each year by 3.0% to remain as a level percent of payroll.

Subsection E summarizes the development of the Annual Required Contribution (ARC). The ARC is the sum of the employer normal cost and the amortization payments, adjusted to mid-year to reflect that payments are made throughout the year.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

GASB 25 and 27 Accounting Information

Section V summarizes the Actuarial Accrued Liability and the development of the Annual Required Contribution and Annual Pension Cost under GASB 25 and 27 for the fiscal year ending June 30, 2008 (please see Subsection B of Section I for a description of the benefits included in these valuation results). Results are shown in total for GASB 25 and 27, with the Actuarial Accrued Liability and Employer Normal Cost presented for the underlying Basic System Benefits and for the underlying System Administered Benefits that are included in this valuation.

Subsection A summarizes the development of the Actuarial Accrued Liability as of June 30, 2007 and Employer Normal Cost as of December 31, 2007.

Subsection B summarizes the development of the amortization payment of the Unfunded Actuarial Accrued liability. The amortization period used to calculate the ARC is 19 years from June 30, 2007 with annual payments increasing each year by 3.0% to remain as a level percent of payroll.

Subsection C summarizes the development of the Annual Required Contribution (ARC). The ARC is the sum of the employer normal cost and the amortization payments, adjusted to mid-year to reflect that payments are made throughout the year.

Subsection D summarizes the development of the Net Pension Obligation (NPO) as of June 30, 2007. The NPO is defined as the cumulative difference between the Annual Pension Cost (APC) and the employer's contribution to the plan, including any pension liability (asset) at transition. These amounts were presented on the June 30, 2007 Commonwealth of Puerto Rico financial statement.

Subsection E summarizes the development of the APC for the fiscal year ending June 30, 2008. The APC is the amount recognized in the employer's financial statements as the cost of the pension plan and is determined in accordance with GASB Statement No. 27. The APC is equal to the ARC plus interest on the NPO, if any, as of June 30, 2007 less an amortization of this NPO.

Subsection F shows a seven-year history of the ARC, APC, and the percentage contributed. This schedule is required by GASB Statements No. 25 and 27. The FY 2007-8 contribution percentage assumes that employer contributions for Basic System

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

Benefits will remain at the statutory level of 20.0% of payroll and that employer contributions for the applicable System Administered Benefits will be the anticipated pay-as-you-go payments. Based on our understanding of prior valuations, the ARCs and APCs shown for the years ending June 30, 2004 through June 30, 2007 do not include the liability for any System Administered Benefits and the ARCs and APCs shown for the years ending June 30, 2002 and June 30, 2003 include the liability for the past and future COLAs but do not include the liability for any of the other applicable System Administered Benefits. In addition, the Actual Employer Contributions shown for fiscal years ending June 30, 2002 through June 30, 2007 only reflect the contributions for the Basic System Benefit, no contributions for the System Administered Benefits have been included. The amounts shown for the fiscal year ending June 30, 2007 and earlier are from the audited financial statements for the System and for the Commonwealth of Puerto Rico.

Subsection G shows a six-year history of the funding progress of the plan. This schedule is required by GASB Statements No. 25 and 27. Please refer to the paragraph above for the benefits that appear not to be reflected in the Accrued Liability as of June 30, 2005 and earlier, based on our understanding of prior valuations. The amounts shown for the fiscal year ending June 30, 2007 and earlier are from the audited financial statements for the System.

Schedule H summarizes information used to determine the Annual Required Contribution for the fiscal year ending June 30, 2008.

GASB 45 Accounting Information

Section VI summarizes the Actuarial Accrued Liability and the development of the Annual Required Contribution for the fiscal year ending June 30, 2008 for the Medical Insurance Plan Contribution.

Subsection A summarizes the development of the Actuarial Accrued Liability as of June 30, 2007 and Employer Normal Cost as of December 31, 2007.

Subsection B summarizes the development of the amortization payment of the Unfunded Actuarial Accrued liability. The amortization period used to calculate the ARC is 19 years from June 30, 2007 with annual payments increasing each year by 3.0% to remain as a level percent of payroll.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION I – SUMMARY

Subsection C summarizes the development of the Annual Required Contribution (ARC). The ARC is the sum of the employer normal cost and the amortization payments, adjusted to mid-year to reflect that payments are made throughout the year.

Census Data

Section VII summarizes the census data provided by the System and utilized in the preparation of the actuarial valuation. Subsection A provides a reconciliation of the current year participant counts from the prior valuation. Subsection B presents a profile of active participants, summarized by gender and age and service groups. Subsections C, D, and E show the number and average benefit of the terminated vested participants, retirees, and beneficiaries, respectively. Special data adjustments are discussed in Section IX.

Summary of Principal Plan Provisions

Section VIII summarizes the principal plan provisions as of the valuation date and denotes any changes from the previous valuation.

Actuarial Assumptions and Methods

Sections IX and X summarize the actuarial assumptions and methods that were utilized in the preparation of this actuarial valuation and denote any changes from the previous valuation.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION II - SYSTEM ASSETS

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

1. Assets		
Cash	\$	2,932,000
Corporate Bonds		9,307,000
Government Bonds		11,421,000
Stocks		68,654,000
Total Loans to Plan Members		256,000
Accounts Receivable		<u>467,000</u>
Total	\$	93,037,000
2. Total Liabilities	\$	11,564,000
3. Market Value of Assets as of June 30, 2007: (1) - (2)	\$	81,473,000

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION II - SYSTEM ASSETS

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

1. Market Value of Assets as of June 30, 2006	\$	72,850,000
2. Additions		
a. Contributions		
Member Contributions	\$	2,828,000
Employer Contributions		6,632,000
Appropriations for Special Laws		<u>500,000</u>
Total Contributions	\$	9,960,000
b. Investment Income		
Interest Income	\$	1,447,000
Dividends Income		224,000
Net Appreciation of Investments		12,438,000
Investment Related Expenses		<u>(192,000)</u>
Net Investment Income	\$	13,917,000
Total Additions	\$	23,877,000
3. Decreases		
Refund of Member Contributions	\$	38,000
Annuities, Death Benefits, and Special Law Benefits		13,961,000
Administrative Expenses		<u>1,255,000</u>
Total	\$	15,254,000
4. Net Increase (Decrease) in Market Value of Assets	\$	8,623,000
5. Market Value of Assets as of June 30, 2007	\$	81,473,000

C. Development of Actuarial Value of Assets as of June 30, 2007

The Actuarial Value of Assets as of June 30, 2007 is equal to the Market Value of Assets as of June 30, 2007 of \$81,473,000.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION II - SYSTEM ASSETS

D. Estimated Annual Rate of Return for year ending June 30, 2007

	<u>Market Value</u>
1. Value of Assets as of June 30, 2006	\$ 72,850,000
2. Total Contributions	9,960,000
3. Benefit Payments and Expenses	15,254,000
4. Value of Assets as of June 30, 2007	81,473,000
5. Non-Investment Increment: (2) - (3)	(5,294,000)
6. Investment Increment: (4) - (1) - (5)	13,917,000
7. Time Weighted Value: (1) +.5 * (5)	70,203,000
8. Estimated Annual Rate of Return: (6) / (7)	19.82%

E. Estimated Historical Rates of Return

<u>Plan Year Ending</u>	<u>Market Value</u>
June 30, 2007	19.82%
June 30, 2006	10.27%
June 30, 2005	8.19%
June 30, 2004	15.32%
June 30, 2003	7.00%
5-year Compounded Annual Return	12.02%

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION III - MANAGEMENT INFORMATION

A. Allocation of Assets for Basic System Benefits to Membership Group

Membership Group	Actuarial Accrued <u>Liability</u>	Allocated Assets *	Solvency Percentage
1. Retirees, Disabled Members, and Beneficiaries	\$127,824,158	\$ 67,199,082	52.6%
2. Vested Terminated Members	4,604,372	1,452,071	31.5%
3. Active Members	<u>95,699,177</u>	<u>12,821,847</u>	<u>13.4%</u>
4. Total	\$228,127,707	\$ 81,473,000	35.7%

* Allocated assets are determined by first assigning the accumulated member contributions with interest to each membership category. Remaining assets are then allocated first to retirees, disabled members, and beneficiaries, second to vested terminated members, and the rest to active members.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION III - MANAGEMENT INFORMATION

B. Projected Cash Flows for Basic System Benefits

Plan Year <u>Ending</u>	Estimated <u>Payroll</u>	Estimated Member and Employer <u>Contributions</u>	Estimated Benefit Payments and Administrative <u>Expenses</u>	Net <u>Cash Flow</u>
6/30/2008	31,256,135	8,751,718	15,966,957	(7,215,239)
6/30/2009	32,193,819	12,343,111	15,839,854	(3,496,743)
6/30/2010	33,159,634	12,713,404	16,730,851	(4,017,447)
6/30/2011	34,154,423	13,094,806	17,747,906	(4,653,100)
6/30/2012	35,179,056	13,487,650	18,830,833	(5,343,183)
6/30/2013	36,234,428	13,892,279	20,236,966	(6,344,687)
6/30/2014	37,321,461	14,309,048	21,119,554	(6,810,506)
6/30/2015	38,441,105	14,738,319	22,162,758	(7,424,439)
6/30/2016	39,594,338	15,180,469	22,942,235	(7,761,766)
6/30/2017	40,782,168	15,635,883	23,819,302	(8,183,419)
6/30/2018	42,005,633	16,104,960	24,607,133	(8,502,173)

Notes:

- Estimated Payroll is assumed to grow 3.0% annually.
- Member and Employer Contributions were estimated to be 28.0% of Estimated Payroll for plan year ending 06/30/2008 and 38.34% for each year thereafter.
- The Estimated Benefit Payments do not include amounts expected to be made to future participants, such as:
 - refund of contributions to terminated nonvested participants,
 - disability benefits,
 - death benefits,
 - retirement benefits due to service purchase,
 and thus are slightly understated.
- Administrative Expenses are assumed to grow 2.5% annually.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IV - BASIC SYSTEM BENEFITS INFORMATION

A. Development of Present Value of Benefits as of June 30, 2007

1. Projected Benefits Payable to Retirees and Beneficiaries		
Retirees	\$	121,066,826
Disabled Members		0
Beneficiaries		<u>6,757,332</u>
Total	\$	127,824,158
2. Projected Benefits for Vested Terminated Members		4,604,372
3. Projected Benefits for Active Members		
Retirement	\$	136,711,943
Disability		4,107,694
Pre Retirement Death		1,902,030
Return of Members' Contributions		1,111,294
Vested Withdrawal		<u>2,426,586</u>
Total	\$	146,259,547
4. Total Present Value of Benefits: (1) + (2) + (3)	\$	278,688,077

The above liabilities are for Basic System Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IV - BASIC SYSTEM BENEFITS INFORMATION

B. Development of Actuarial Accrued Liability as of June 30, 2007

1. Projected Benefits Payable to Retirees and Beneficiaries		
Retirees	\$	121,066,826
Disabled Members		0
Beneficiaries		<u>6,757,332</u>
Total	\$	127,824,158
2. Projected Benefits for Vested Terminated Members		4,604,372
3. Actuarial Accrued Liability for Active Members		
Retirement	\$	88,671,404
Disability		3,400,286
Pre Retirement Death		1,412,645
Return of Members' Contributions		421,706
Vested Withdrawal		<u>1,793,136</u>
Total	\$	95,699,177
4. Total Actuarial Accrued Liability: (1) + (2) + (3)	\$	228,127,707

The above liabilities are for Basic System Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IV - BASIC SYSTEM BENEFITS INFORMATION

C. Development of Employer Normal Cost Payable as of December 31, 2007

1. Total Normal Cost as of June 30, 2007		
Retirement	\$	5,780,860
Disability		141,877
Pre Retirement Death		82,654
Return of Members' Contributions		155,717
Vested Withdrawal		<u>158,274</u>
Total	\$	6,319,382
2. Expected Member Contributions	\$	2,480,200
3. Load for Administrative Expenses:	\$	1,225,000
4. Total Employer Normal Cost as of December 31, 2007: (1) * (1.075 ^ 0.5) - (2) + (3)	\$	5,296,875

The above liabilities are for Basic System Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IV - BASIC SYSTEM BENEFITS INFORMATION

D. Development of Unfunded Actuarial Accrued Liability and Amortization Payment Payable as of December 31, 2007

1. Actuarial Accrued Liability as of June 30, 2007	\$	228,127,707
2. Actuarial Value of Assets as of June 30, 2007	\$	81,473,000
3. Unfunded Actuarial Accrued Liability as of June 30, 2007: (1) - (2)	\$	146,654,707
4. Amortization Period in years		19
5. Amortization Factor at beginning of year *		13.2880
6. Amortization Amount Payable as of December 31, 2007: [(3) / (5)] * (1.075 ^ 0.5)	\$	11,443,019

* Amortization calculated as a level percent of pay increasing 3.0% per year.

E. Development of Annual Required Contribution

1. Total Employer Normal Cost as of December 31, 2007	\$	5,296,875
2. Amortization Payment as of December 31, 2007	\$	11,443,019
3. Annual Required Contribution*: (1) + (2)	\$	16,739,894

* Assumes payments made throughout the year.

The above liabilities are for Basic System Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

A. Benefit Obligations

	<u>Basic System Benefits</u>		<u>System Administered Benefits</u>		<u>Total</u>
1. Projected Benefits as of June 30, 2007 Payable to:					
Retirees	\$ 121,066,826	\$	18,356,326	\$	139,423,152
Disabled Members	0		0		0
Beneficiaries	6,757,332		1,274,982		8,032,314
Vested Terminated Members	4,604,372		426,852		5,031,224
Active Members	<u>146,259,547</u>		<u>15,713,080</u>		<u>161,972,627</u>
Total	\$ 278,688,077	\$	35,771,240	\$	314,459,317
2. Actuarial Accrued Liability for Active Members	\$ 95,699,177	\$	10,391,261	\$	106,090,438
3. Actuarial Accrued Liability as of June 30, 2007	\$ 228,127,707	\$	30,449,421	\$	258,577,128
4. Total Employer Normal Cost as of December 31, 2007	\$ 5,296,875	\$	687,440	\$	5,984,315

The above liabilities are for Basic System Benefits and selected System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

B. Development of Unfunded Accrued Liability and Amortization Payment Payable as of December 31, 2007

1. Accrued Liability as of June 30, 2007	\$	258,577,128
2. Actuarial Value of Assets as of June 30, 2007	\$	81,473,000
3. Unfunded Accrued Liability as of June 30, 2007 (1) - (2):	\$	177,104,128
4. Amortization Period in years		19
5. Amortization Factor at beginning of year *		13.2880
6. Amortization Amount Payable as of December 31, 2007: [(3) / (5)] * (1.075 ^ 0.5)	\$	13,818,894

* Amortization calculated as a level percent of pay increasing 3.0% per year.

C. Development of Annual Required Contribution

1. Total Employer Normal Cost as of December 31, 2007	\$	5,984,315
2. Amortization Payment as of December 31, 2007	\$	13,818,894
3. Annual Required Contribution*: (1) + (2)	\$	19,803,209

* Assumes payments made throughout the year.

The above liabilities are for Basic System Benefits and selected System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

D. Development of Net Pension Obligation as of June 30, 2007

1. Net Pension Obligation as of June 30, 2006	\$	(7,285,000)
2. Annual Pension Cost for Fiscal Year 2006 - 2007	\$	9,553,000
3. Fiscal Year 2006 - 2007 Employer Contribution	\$	6,632,000
4. Net Pension Obligation as of June 30, 2007: (1) + (2) - (3)	\$	(4,364,000)

E. Development of Fiscal Year 2007 - 2008 Annual Pension Cost

1. Annual Required Contribution	\$	19,803,209
2. Interest on Net Pension Obligation as of June 30, 2007	\$	(327,300)
3. Adjustment to the Annual Required Contribution	\$	(353,048)
4. Fiscal Year 2007 - 2008 Annual Pension Cost: (1) + (2) - (3)	\$	19,828,957

The above liabilities are for Basic System Benefits and selected System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

F. Schedule of Employer Contributions

<u>Year Ended June 30</u>	<u>Actual Employer Contribution</u>	<u>Annual Required Contribution</u>	<u>Percent Contributed</u>	<u>Annual Pension Cost</u>	<u>Percent Contributed</u>
2008	\$7,262,000	\$19,803,209	36.67%*	\$19,828,957	36.62%*
2007	6,632,000	9,735,243	68.12	9,553,000	69.42
2006	6,727,000	9,735,243	69.10	9,553,000	70.42
2005	6,470,000	8,707,337	74.31	8,380,000	77.21
2004	5,556,000	8,707,337	63.81	8,380,000	66.30
2003	5,536,000	6,891,708	80.33	6,464,000	85.64
2002	5,412,000	6,891,708	78.53	6,464,000	83.73

* Percentage contributed for the year ended June 30, 2008 assumes the actual employer contribution is 20.0% of expected payroll for the Basic System Benefits plus the expected pay-as-you-go amounts for the selected System Administered Benefits.

Please refer to pages 11-12 for a discussion of the benefits not reflected in the above amounts for the years ending on or before June 30, 2007, which may impair the comparison of prior valuation amounts.

The above liabilities are for Basic System Benefits and selected System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

G. Schedule of Funding Progress

	(a)	(b)	(c)=(b)-(a)	(d)=(a)/(b)	(e)	(f)=(c)/(e)
Actuarial Valuation <u>Date</u>	Actuarial Value of <u>Assets</u>	Accrued <u>Liability</u>	Unfunded <u>Liability</u>	Funded <u>Ratio</u>	Annual <u>Salary</u>	Unfunded Liability as a % of Annual <u>Salary</u>
6/30/2007	\$81,473,000	\$258,577,128	\$177,104,128	31.5%	\$31,256,135	566.6%
6/30/2006	72,850,000	N/A	N/A	N/A	N/A	N/A
6/30/2005	69,797,000	174,454,131	104,657,131	40.0%	29,331,112	356.8%
6/30/2004	67,851,000	N/A	N/A	N/A	N/A	N/A
6/30/2003	61,781,000	166,732,009	104,951,009	37.1%	25,711,000	408.2%
6/30/2002	60,438,000	N/A	N/A	N/A	N/A	N/A

The above liabilities are for Basic System Benefits and selected System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION V - GASB 25 AND 27 ACCOUNTING INFORMATION

H. Additional Information

The following information was used to determine the Annual Required Contribution for the fiscal year ending June 30, 2008. The ARC is for the Basic System Benefits and selected System Administered Benefits. See Section I for more information.

Valuation Date:	June 30, 2007
Actuarial Cost Method:	Projected unit credit cost method; with straight proration based on service to decrement
Amortization method:	30 years closed, level percent of payroll
Remaining Amortization Period:	19 years
Asset valuation method:	Market Value of Assets
Assumptions:	
Investment rate of return	7.5%
Projected Salary Increases	3.0%
Inflation	2.5%
Cost of Living Adjustments	0.99% annual COLA to approximate 3% triennial increases.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VI - GASB 45 ACCOUNTING INFORMATION

A. Benefit Obligations

1. Projected Benefits as of June 30, 2007 Payable to:		
Retirees	\$	2,744,510
Disabled Members		0
Beneficiaries		0
Vested Terminated Members		167,338
Active Members		<u>2,855,903</u>
Total	\$	5,767,751
2. Actuarial Accrued Liability for Active Members	\$	1,765,000
3. Actuarial Accrued Liability as of June 30, 2007	\$	4,676,848
4. Total Employer Normal Cost as of December 31, 2007	\$	134,246

The above liabilities are for the Medical Insurance Plan Contribution portion of the System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VI - GASB 45 ACCOUNTING INFORMATION

B. Development of Unfunded Actuarial Accrued Liability and Amortization Payment Payable as of December 31, 2007

1. Actuarial Accrued Liability as of June 30, 2007	\$	4,676,848
2. Actuarial Value of Assets as of June 30, 2007	\$	0
3. Unfunded Actuarial Accrued Liability as of June 30, 2007: (1) - (2)	\$	4,676,848
4. Amortization Period in years		19
5. Amortization Factor at beginning of year *		17.4420
6. Amortization Amount Payable as of December 31, 2007: [(3) / (5)] * (1.04 ^ 0.5)	\$	273,447

* Amortization calculated as a level percent of pay increasing 3.0% per year.

C. Development of Annual Required Contribution

1. Total Employer Normal Cost as of December 31, 2007	\$	134,246
2. Amortization Payment as of December 31, 2007	\$	273,447
3. Annual Required Contribution*: (1) + (2)	\$	407,693

* Assumes payments made throughout the year.

The above liabilities are for the Medical Insurance Plan Contribution portion of the System Administered Benefits. See Section I for more information.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

A. Reconciliation with Prior Valuation

	<u>Active</u>	<u>Terminated Vested</u>	<u>Retirees, Disabled Members, and Beneficiaries</u>	<u>Total</u>
Members as of June 30, 2005 Valuation Report	370	56	311	737
Changes				
Terminated Vested	(11)	11	0	0
Retired & Disabled	(27)	(9)	36	0
Death	0	0	(2)	(2)
Disappeared	(14)	(19)	(3)	(36)
New	34	0	13	47
Members as of June 30, 2007	352	39	355	746

Terminated vested members include both (a) 18 members due a deferred annuity benefit and (b) 21 members who are due a refund of member and, if applicable, employer contributions. Former active members who are not vested in PRJRS but are covered by another Puerto Rico government system are assumed to be due both their member and employer contributions with interest.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

B. Summary of Active Members as of June 30, 2007

Number of Male Participants by Age and Service Groups

Age	Years of Service										Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	-	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-	-
30-34	2	-	-	-	-	-	-	-	-	-	-	2
35-39	1	11	3	2	-	-	-	-	-	-	-	17
40-44	2	4	4	6	3	-	-	-	-	-	-	19
45-49	-	9	2	5	9	3	2	-	-	-	-	30
50-54	-	4	4	7	10	10	7	-	-	-	-	42
55-59	1	6	4	7	6	10	3	-	-	-	-	37
60-64	-	1	5	4	5	3	-	-	-	-	-	18
65-69	-	-	1	4	3	-	1	-	-	-	-	9
70&Up	-	-	-	-	-	-	-	-	-	-	-	-
Total	6	35	23	35	36	26	13	-	-	-	-	174

Average Compensation of Male Participants by Age and Service Groups

Age	Years of Service										Average	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	-	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-	-
30-34	69,600	-	-	-	-	-	-	-	-	-	-	69,600
35-39	89,600	80,509	89,600	79,600	-	-	-	-	-	-	-	82,541
40-44	89,600	79,600	79,600	82,933	89,600	-	-	-	-	-	-	83,284
45-49	-	89,089	89,600	81,600	89,089	89,600	89,600	-	-	-	-	87,960
50-54	-	93,450	84,600	88,943	94,220	95,760	89,600	-	-	-	-	91,948
55-59	89,600	97,300	89,600	88,943	97,233	89,140	89,600	-	-	-	-	91,838
60-64	-	69,600	89,600	93,450	92,680	94,733	-	-	-	-	-	91,056
65-69	-	-	69,600	93,450	110,000	-	120,000	-	-	-	-	99,267
70&Up	-	-	-	-	-	-	-	-	-	-	-	-
Average	82,933	86,657	86,122	87,360	94,156	92,385	91,938	-	-	-	-	89,401

Average compensation values shown above are as of June 30, 2007. Compensation values shown elsewhere in this report are estimated for the 2007-2008 fiscal year reflecting mid-year increases.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

Number of Female Participants by Age and Service Groups

Age	Years of Service									Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Up
0-24	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-
30-34	-	5	-	-	-	-	-	-	-	-	5
35-39	-	14	3	8	1	-	-	-	-	-	26
40-44	1	12	4	10	3	-	1	-	-	-	31
45-49	2	9	4	10	8	3	-	-	-	-	36
50-54	-	5	5	10	7	5	6	-	-	-	38
55-59	-	7	1	4	9	5	2	-	-	-	28
60-64	1	-	2	4	2	1	2	-	-	-	12
65-69	-	-	1	1	-	-	-	-	-	-	2
70&Up	-	-	-	-	-	-	-	-	-	-	-
Total	4	52	20	47	30	14	11	-	-	-	178

Average Compensation of Female Participants by Age and Service Groups

Age	Years of Service									Average	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39		40&Up
0-24	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-
30-34	-	73,600	-	-	-	-	-	-	-	-	73,600
35-39	-	79,600	76,267	77,100	69,600	-	-	-	-	-	78,062
40-44	89,600	76,267	84,600	83,600	89,600	-	89,600	-	-	-	81,858
45-49	79,600	89,600	89,600	83,600	86,525	94,733	-	-	-	-	87,122
50-54	-	88,680	85,600	83,140	88,943	92,680	94,733	-	-	-	88,347
55-59	-	98,343	89,600	89,600	89,089	95,760	89,600	-	-	-	92,721
60-64	105,000	-	79,600	84,600	104,800	69,600	97,300	-	-	-	89,700
65-69	-	-	69,600	89,600	-	-	-	-	-	-	79,600
70&Up	-	-	-	-	-	-	-	-	-	-	-
Average	88,450	83,381	83,600	83,119	88,820	92,571	93,800	-	-	-	85,734

Average compensation values shown above are as of June 30, 2007. Compensation values shown elsewhere in this report are estimated for the 2007-2008 fiscal year reflecting mid-year increases.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

Number of Active Participants by Age and Service Groups

Age	Years of Service										Total	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	-	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-	-
30-34	2	5	-	-	-	-	-	-	-	-	-	7
35-39	1	25	6	10	1	-	-	-	-	-	-	43
40-44	3	16	8	16	6	-	1	-	-	-	-	50
45-49	2	18	6	15	17	6	2	-	-	-	-	66
50-54	-	9	9	17	17	15	13	-	-	-	-	80
55-59	1	13	5	11	15	15	5	-	-	-	-	65
60-64	1	1	7	8	7	4	2	-	-	-	-	30
65-69	-	-	2	5	3	-	1	-	-	-	-	11
70&Up	-	-	-	-	-	-	-	-	-	-	-	-
Total	10	87	43	82	66	40	24	-	-	-	-	352

Average Compensation of Active Participants by Age and Service Groups

Age	Years of Service										Average	
	<1	1-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40&Up		
0-24	-	-	-	-	-	-	-	-	-	-	-	-
25-29	-	-	-	-	-	-	-	-	-	-	-	-
30-34	69,600	73,600	-	-	-	-	-	-	-	-	-	72,457
35-39	89,600	80,000	82,933	77,600	69,600	-	-	-	-	-	-	79,833
40-44	89,600	77,100	82,100	83,350	89,600	-	89,600	-	-	-	-	82,400
45-49	79,600	89,344	89,600	82,933	87,882	92,167	89,600	-	-	-	-	87,503
50-54	-	90,800	85,156	85,529	92,047	94,733	91,969	-	-	-	-	90,238
55-59	89,600	97,862	89,600	89,182	92,347	91,347	89,600	-	-	-	-	92,218
60-64	105,000	69,600	86,743	89,025	96,143	88,450	97,300	-	-	-	-	90,513
65-69	-	-	69,600	92,680	110,000	-	120,000	-	-	-	-	95,691
70&Up	-	-	-	-	-	-	-	-	-	-	-	-
Average	85,140	84,699	84,949	84,929	91,730	92,450	92,792	-	-	-	-	87,547

Average compensation values shown above are as of June 30, 2007. Compensation values shown elsewhere in this report are estimated for the 2007-2008 fiscal year reflecting mid-year increases.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

C. Summary of Terminated Vested Members as of June 30, 2007

<u>Age</u>	<u>Male</u>		<u>Female</u>		<u>Total</u>	
	<u>Count</u>	<u>Average Annual Pension</u>	<u>Count</u>	<u>Average Annual Pension</u>	<u>Count</u>	<u>Average Annual Pension</u>
Under 35	0	0	0	0	0	0
35-39	1	15,000	0	0	1	15,000
40-44	0	0	3	16,200	3	16,200
45-49	4	38,100	1	15,000	5	33,480
50-54	3	52,000	2	60,000	5	55,200
55-59	2	18,000	2	24,300	4	21,150
60-64	0	0	0	0	0	0
65 & Over	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
All Ages	10	35,940	8	29,025	18	32,867

The Average Annual Pension amounts above are as of June 30, 2007 for terminated vested participants who are due a deferred annuity. In addition, there are 21 former participants who are due accumulated member and, if applicable, employer contributions totaling \$904,427 as of June 30, 2007.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

D. Summary of Retirees as of June 30, 2007

Age	Count	Males		Count	Females		Count	Total	
		<u>Average Annual Pension</u> w/o COLAs	<u>w/ COLAs</u>		<u>Average Annual Pension</u> w/o COLAs	<u>w/ COLAs</u>		<u>Average Annual Pension</u> w/o COLAs	<u>w/ COLAs</u>
Under 45	0	0	0	0	0	0	0	0	0
45-49	0	0	0	0	0	0	0	0	0
50-54	0	0	0	1	12,440	12,825	1	12,440	12,825
55-59	18	57,326	58,136	8	58,728	59,851	26	57,758	58,663
60-64	31	58,391	60,543	14	53,989	55,761	45	57,022	59,055
65-69	40	47,637	50,760	12	53,704	56,195	52	49,037	52,015
70-74	64	43,516	46,371	8	55,468	58,456	72	44,844	47,714
75-79	43	29,657	32,351	4	36,073	38,221	47	30,203	32,850
80-84	14	25,028	27,425	1	15,909	17,433	15	24,420	26,758
85-89	15	43,019	47,139	0	0	0	15	43,019	47,139
90-94	9	28,513	31,244	0	0	0	9	28,513	31,244
95-99	2	13,864	15,192	0	0	0	2	13,864	15,192
100 & Over	<u>1</u>	<u>9,404</u>	<u>10,305</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>1</u>	<u>9,404</u>	<u>10,305</u>
All Ages	237	42,604	45,255	48	51,802	53,845	285	44,153	46,702

The Average Annual Pension amounts above are as of June 30, 2007.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VII – CENSUS DATA

E. Summary of Beneficiaries as of June 30, 2007

Age	Males			Females			Total		
	Count	Average Annual Pension		Count	Average Annual Pension		Count	Average Annual Pension	
		w/o COLAs	w/ COLAs		w/o COLAs	w/ COLAs		w/o COLAs	w/ COLAs
Under 35	3	6,045	6,222	3	2,662	2,712	6	4,353	4,467
35-39	0	0	0	0	0	0	0	0	0
40-44	0	0	0	0	0	0	0	0	0
45-49	0	0	0	1	34,920	36,000	1	34,920	36,000
50-54	0	0	0	2	7,011	7,278	2	7,011	7,278
55-59	0	0	0	2	19,802	20,852	2	19,802	20,852
60-64	0	0	0	4	17,468	18,562	4	17,468	18,562
65-69	1	14,809	16,227	4	16,377	18,507	5	16,063	18,051
70-74	2	15,488	16,281	6	18,221	18,816	8	17,538	18,182
75-79	5	13,160	14,420	5	12,266	13,258	10	12,713	13,839
80-84	5	9,583	10,452	7	15,319	16,351	12	12,929	13,893
85-89	2	12,373	13,558	5	9,667	12,845	7	10,440	13,049
90-94	2	8,006	8,772	3	8,614	9,126	5	8,371	8,984
95-99	0	0	0	2	34,474	36,712	2	34,474	36,712
100 & Over	<u>5</u>	<u>8,640</u>	<u>9,467</u>	<u>1</u>	<u>2,232</u>	<u>2,232</u>	<u>6</u>	<u>7,572</u>	<u>8,261</u>
All Ages	25	10,464	11,353	45	14,559	15,768	70	13,096	14,191

The Average Annual Pension amounts above are as of June 30, 2007.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

This summary of plan provisions is intended only to describe the essential features of the plan for valuation purposes. All eligibility requirements and benefit amounts shall be determined in strict accordance with the plan document itself.

1. Type of Plan

The System is a contributory, defined benefit plan.

2. Effective Date

The Plan was established in 1954 by Act 12. The plan was last amended under Act 54, approved June 28, 2007.

3. Eligibility for Membership

Members of the Judiciary Retirement System of Puerto Rico include all persons holding a position as Judge of the Supreme Court, Judge of the Court of Appeals, Superior Judges of the Court of First Instance, and Municipal Judges of the Court of First Instance in the Commonwealth of Puerto Rico (Section 235 and Act 201 of 2003).

4. Definitions

- a. Fiscal Year: A Fiscal Year is a 12-month period beginning on July 1 and ending on June 30 (Section 234).
- b. General Fund: The General Expenses Budget of the Government of the Commonwealth of Puerto Rico.
- c. Creditable Service: The years and months (where fractional months are counted as full months of service) of System participation, beginning on the Date Credit Begins and ending on the date of separation of service. All intervening periods following a resignation, separation or expiration of any term by election or appointment during which a participant was not in government service are excluded. Periods for which no contributions have been made or for which contributions were refunded are also excluded. However, credit will be granted

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

for refund periods if the participant returns any refunded Accumulated Contributions with interest to the System. (Section 234)

- d. Date Credit Begins: For participants with less than eight years of Credited Service as a judge, Creditable Service begins on the day of appointment as a judge. For participants with at least eight years of Creditable Service as a judge, Credited Service begins on the earlier of (1) the day of appointment as a judge or (2) the day first employed by the Government of Puerto Rico, provided that Accumulated Contributions for prior government service are transferred to the System. (Section 234)
- e. Salary: The annual compensation received by a judge for his services in that capacity (Section 234).
- f. Highest Salary: The highest salary received as a judge (Section 236).
- g. Average Compensation: The average of the 36 highest months of salary that the participant has received for Creditable Service (System Disability Regulation).
- h. Contributions: The amount deducted from the compensation of a Member (Sections 242 and 244).
- i. Interest: 2.5% compounded annually, or any other rate as may subsequently be prescribed by the Board of Trustees based on the System's experience (Section 234). The rate of 2.5% has always been in effect.
- j. Accumulated Contributions: The sum of all amounts deducted from the compensation of a Member with interest (Section 239).
- k. Actuarial Equivalent: Equality in value such that the present value of the amount under any form of payment is essentially the same as the present value of the amount under the normal form of annuity payment for single participants. Actuarially Equivalent factors are determined based on annuity and mortality tables adopted by the Board of Trustees based on the system's experience and in accordance with the recommendations of the actuary. (Section 234)

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

5. Retirement Benefits

a. Normal Retirement

Basic Eligibility: Age 60 with 10 years of Creditable Service (Section 236).

Basic Benefit: 25% of Highest Salary, plus 5% of Highest Salary for each year of Creditable Service in excess of 10 years, subject to a maximum of 75% of Highest Salary (Section 236).

Eligibility for judges who serve without a fixed tenure: 10 years of Creditable Service (Section 236, as interpreted by the System). This enhanced eligibility is not available to judges who are appointed after June 28, 2007 to an unlimited term (Act 54, Section 2).

Benefit for judges who serve without a fixed tenure: 25% of the Salary corresponding to the office during the retirement period, plus 5% of such Salary for each year of Creditable Service in excess of 10 years, subject to a maximum of 100% of such Salary. If the judge has served in a position without a fixed tenure for a total of at least 8 years, the 25% increases to 50% in the preceding formula. (Section 236). This enhanced benefit is not available to judges who are appointed after June 28, 2007 to an unlimited term (Act 54, Section 2).

Optional Eligibility: Age and Creditable Service as shown in the table below, provided at least 8 years of Creditable Service were earned in office as a judge (Section 236a).

Age	Years of Creditable Service
Less than 60	30
62	20
61	21
60	22
59	23
58	24
57	25
56	26
55	27

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

Optional Benefit: 75% of Highest Salary (Section 236a).

Enhanced Eligibility: Any judge who has served without a fixed tenure for at least 3 years and has at least 25 years of Creditable Service (Section 236). This enhanced benefit is not available to judges who are appointed after June 28, 2007 to an unlimited term (Act 54, Section 2).

Enhanced Benefit: 75% of the Salary earned at the time of retirement (Section 236).

Compulsory Retirement: All judges must retire by age 70. If the judge has less than 10 years of creditable service, the judge can elect a refund of Accumulated Contributions or a proportional part of the Basic Benefit based on completed years and months of creditable service. (Section 236)

b. Early Retirement

Basic Eligibility: 20 years of Creditable Service before age 60 (Section 236).

Basic Benefit: The Basic Benefit payable under Normal Retirement, reduced on an actuarial equivalent basis for each month that Early Retirement Date precedes age 60. However, no actuarial reduction is applied for judges who serve without a fixed tenure. (Section 236).

Optional Eligibility: 20 years of Creditable Service, provided at least 8 years of Creditable Service were earned in office as a judge (Section 236a).

Optional Benefit: 75% of Highest Salary, reduced on an actuarial equivalent basis for each month that Early Retirement Date precedes the age specified in the table under Optional Eligibility under Normal Retirement for the applicable years of Creditable Service (Section 236a).

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

6. Termination Benefits

a. Lump Sum Withdrawal

Eligibility: A Member is eligible upon termination of service.

Benefit: The benefit equals a refund of Accumulated Contributions (Section 239).

b. Deferred Retirement

Eligibility: A Member is eligible upon termination of service prior to age 60 and after 10 years of Creditable Service, provided the member has not taken a lump sum withdrawal.

Benefit: The benefit, commencing at age 60, is equal to the benefit payable upon Normal Retirement (Section 236).

7. Death Benefits

a. Occupational Death Benefit

Eligibility: The beneficiaries of any active participant who dies from an employment-related cause under the Workmen's Accident Compensation Act (Section 240).

Spouse's Benefit: 50% of the participant's Salary at date of death, payable as an annuity until death or remarriage (Section 240)

Children's Benefit: \$10 (\$20 if full orphan) for each child payable monthly until child's age 18 or completion of studies, if later. The maximum family benefit is 75% of the participant's Salary at date of death. (Section 240)

Benefit if no spouse or children: Refund of Accumulated Contributions, plus an amount equal to one year of Compensation in effect at the time of death (Section 240).

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

b. Pre-retirement Death Benefit

Eligibility: Any current non-retired member is eligible, provided not eligible for the Occupational Death Benefit (Section 240).

Benefit: The benefit is as follows:

- (i) While in active service, the benefit equals a refund of Accumulated Contributions; plus an amount equal to one year of Compensation in effect at the time of death (Section 240).
- (ii) While not in active service, the benefit equals a refund of Accumulated Contributions.

c. Special Pre-retirement Death Benefit

Eligibility: An active participant who was eligible to retire at the date of death with a surviving spouse or dependent children (Section 240a).

Benefit: The post-retirement death benefits described below assuming the active participant retired the day before the date of death (Section 240a).

d. Post-retirement Death Benefit

Eligibility: Any retiree or disabled member receiving a monthly benefit.

Benefit: The benefit is as follows:

- (i) For those married or with dependent children at the time of death, an annual income equal to 60% of the Retirement Benefit at time of death, payable for life for a surviving spouse and/or disabled children and payable until age 18 or completion of studies, if later, for non-disabled children (Section 240a).
- (ii) The benefit, when there is no relation as stated above, is equal to the remaining balance of Accumulated Contributions at the time of retirement after the deduction of lifetime annual income paid and is payable to a beneficiary or to the Member's estate. In no case shall the benefit be less

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

than \$1,000. The General Fund pays the difference, up to \$500, between (1) the Accumulated Fees with interest less the lifetime annual income paid and (2) \$1,000. The System pays for the rest. (Section 240 and Act 548)

8. Disability Benefits

a. Non-occupational Disability

Eligibility: All members are eligible for Non-occupational Disability upon 10 years of Creditable Service and the occurrence of disability (Section 238).

Benefit: 30% of Average Compensation, plus 1% of Average Compensation for each year of creditable service in excess of 10 years, payable as an annuity; subject to a maximum of 50% of Average Compensation (Section 238).

b. Occupational Disability

Eligibility: All members disabled while in the course and as a consequence of their work, as certified by two physicians appointed by the Plan Administrator, and provided the member is receiving compensation from the Workmen's Accident Compensation Act (Section 238).

Benefit: 50% of Salary at date of disability, payable as an annuity, reduced by any payments received from the State Insurance Fund under the Workmen's Accident Compensation Act (Section 238).

9. Cost-of-Living Adjustments (COLA) to Pension Benefits: Effective January 1, 2001 and subsequently every three years, the annual benefit is increased by 3% for retirees, beneficiaries, and disabled members provided that the member (including the retired member for beneficiaries) had been receiving payments for at least three years (Section 236c). These COLAs are paid by the General Fund. In addition, an ad-hoc 3% COLA was granted effective January 1, 1999 and is paid by the System (Section 236b).

10. Medical Insurance Plan Contribution: A payment of up to \$100 per month to the eligible medical insurance plan selected by the retiree or disabled member. This benefit is paid by the General Fund (Act 483).

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION VIII – SUMMARY OF PRINCIPAL PLAN PROVISIONS AS OF JUNE 30, 2007

11. Special “Bonus” Benefits:

- a. Christmas Bonus: An annual bonus of \$600 for each retiree, beneficiary, and disabled member paid in December. The System pays \$150 per retiree, beneficiary, and disabled member and the balance is paid by the General Fund (Act 144).
- b. Summer Bonus: An annual bonus of \$100 for each retiree, beneficiary, and disabled member paid in July. The amount is prorated if there are multiple beneficiaries. This benefit is paid by the General Fund (Act 37).
- c. Medication Bonus: An annual bonus of \$100 for each retiree, beneficiary, and disabled member to cover health costs paid in July. Evidence of coverage is not required. The amount is prorated if there are multiple beneficiaries. This benefit is paid by the General Fund (Act 155).

12. Forms of Payment

The basic pension benefits described in the above sections are payable in the form of a cash refund annuity. Optional benefits are provided upon a member's death to the surviving beneficiaries as described in 7.d.

13. Contributions

Member Contributions: Contributions by Members are 8.0% of Compensation (Sections 234, 240a and 242).

Employer Contributions: Contributions by the Commonwealth of Puerto Rico are currently 20.0% of Compensation (Section 242). Effective July 1, 2008, the employer contribution rate increased to 30.34% of Compensation.

14. Changes in Plan Provisions since Prior Valuation

This valuation reflects the adoption of Act 54 on June 28, 2007.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IX – SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JUNE 30, 2007

Interest: 7.50% per annum, net of investment expenses, for GASB 25 and 27.
4.00% per annum for GASB 45.

Compensation Increases: 3.0% per year.

Termination – Judges who serve with a fixed tenure: Withdrawal rates vary by age and years of Creditable Service as a judge (not including any prior governmental service).

Years of Creditable Service	Less than Age 45	Age 45 and older
0 - 6	3.5%	0.0%
7	0.0	0.0
8	30.0	15.0
9 - 11	3.0	3.0
12+	0.0	0.0

Retirement – Judges who serve with a fixed tenure: Rates of retirement vary by age and years of Creditable Service (including any prior governmental service). Retirement rates are not applied prior to completion of 8 years of Creditable Service as a judge.

If Eligible for the 75% of Highest Salary Maximum Benefit:

A retirement rate of 45% per year is assumed for active members who are eligible for retirement with the maximum benefit (e.g. age 60 with 20 years of Creditable Service, 30 years of Creditable Service, or Optional Eligibility).

If Not Yet Eligible for the 75% of Highest Salary Maximum Benefit:

The rates shown below apply when an active member is eligible for retirement with less than the maximum benefit (e.g. age 60 with 10 years of Creditable Service, or 20 years of Creditable Service before age 60).

Age	Less than 20 years of Creditable Service	20 or more years of Creditable Service
Less than 60	N/A	1.5%
60 and older	8.0%	N/A

At age 70, a retirement rate of 100% is applied.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IX – SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JUNE 30, 2007

Termination – Judges who serve without a fixed tenure: No termination is assumed prior to retirement eligibility.

Retirement – Judges who serve without a fixed tenure: Rates of retirement vary by age. The rates do not apply until the completion of 10 years of Creditable Service with 8 years earned as judge.

Age	Rate of Retirement
Under 65	0%
65 to 69	20
70 & Over	100

For benefit purposes, all Judges who serve without a fixed tenure are assumed to retire with at least 8 years of Creditable Service earned as a judge without a fixed tenure.

Commencement of benefits for terminated vested members: Current terminated members with a vested benefit are assumed to retire at age 60 or at the attained age on the valuation date if later.

Disability: 50% of the six month elimination period rates in the 1987 Commissioners Group Disability Table. 100% of disabilities are assumed to be occupational. Rates of disability cease to apply once a member is eligible for the 75% of Highest Salary maximum benefit.

Pre-retirement Mortality: RP-2000 Employee Mortality Rates with white collar adjustments for males and females, projected on a generational basis using Scale AA.

Among deaths while in active service, 50% are assumed to be occupational, 50% are assumed to be non-occupational.

Post-retirement Healthy Mortality: RP-2000 Healthy Annuitant Mortality Rates with white collar adjustments for males and females, projected on a generational basis using Scale AA.

Post-retirement Disabled Mortality: RP-2000 Disabled Annuitant Mortality Rates, without projection.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IX – SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JUNE 30, 2007

Marriage: 75% of current active and terminated members are assumed to be married at retirement with males 3 years older than females.

Form of Payment: Future retired members are assumed to receive a joint and 60% survivor annuity if married and a modified cash refund (approximated by a single life annuity with 2 years certain) if not married.

Spousal information was not provided for current retired and disabled members. If the retiree or disabled member was indicated as married, that member was assumed to receive a joint and 60% survivor annuity. The spouse's date of birth was imputed based on an assumed age difference of 3 years with males older than females. If the retiree or disabled member was indicated as not married, that member was assumed to receive a modified cash refund (approximate by a single life annuity with 2 years certain).

No future dependent children were assumed to become beneficiaries.

Members who terminate employment with at least 10 years of Creditable Service are assumed to elect to receive a deferred pension benefit in lieu of a refund of contributions.

Medical Insurance Plan Contribution: 75% of future and current service and disability retirees are assumed to receive a monthly medical insurance continuation benefit of \$100 per month.

Future 3% COLA Adjustments: An annual compound COLA of 0.99% per year is assumed to be granted in the future to retirees, beneficiaries, and disabled members to approximate the triennial 3% increases.

Administrative Expenses: Average of past two year's expense is added to the normal cost. For the 2007-08 plan year, this amount is \$1,225,000.

Tenure as Judge: Supreme Court judges are assumed to serve with unlimited terms. All other judges are assumed to have a fixed tenure.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION IX – SUMMARY OF ACTUARIAL ASSUMPTIONS AS OF JUNE 30, 2007

Special Data Adjustments: The following adjustments were made to the census data received from the System.

Benefits for some of the current terminated vested members were estimated based on the provided years of creditable service and the last monthly salary.

Refer to the Form of Payment assumption above for a description of form of payment and spousal data imputation for current retired and disabled members.

Benefits not valued: The minimum post-retirement death benefit of \$1,000 for retirees without surviving beneficiaries is not explicitly valued. The additional liability associated with this benefit is expected to be de minimus.

Changes in actuarial assumptions since the prior valuation: Demographic assumptions used in this valuation were developed by analyzing the cumulative experience between census data files as of June 30, 2003 and June 30, 2007 provided by the System.

In addition, the interest rate for GASB 25 and 27 purposes was lowered from 8.5% per annum to 7.5% per annum. The rate of compensation increases was also lowered from 5.0% to 3.0%.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.

PUERTO RICO JUDICIARY RETIREMENT SYSTEM

SECTION X – SUMMARY OF ACTUARIAL METHODS AS OF JUNE 30, 2007

The ultimate cost of a pension plan is the excess of actual benefits and administrative expenses paid over actual net investment return on plan assets during the plan's existence until the last payment has been made to the last participant. The plan's "actuarial cost method" determines the expected incidence of actuarial costs by allocating portions of the ultimate cost to each plan year. The cost method is thus a budgeting tool to help to ensure that the plan will be adequately and systematically funded and accounted for. There are several commonly-used cost methods which differ in how much of the ultimate cost is assigned to each prior and future year. Therefore, the pattern of annual contributions and accounting expense varies with the choice of cost method. Annual contributions and accounting expense are also affected by the "asset valuation method" (as well as the plan provisions, actuarial assumptions, and actual plan demographic and investment experience each year).

Actuarial Cost Method

The plan's actuarial cost method is the projected unit credit method. Under this method, a projected benefit is determined at each active participant's assumed retirement age assuming future compensation increases. The projected benefit is attributed to each year of service using straight proration based on projected service to each assumed retirement age. The plan's normal cost is the sum of the present value of the portion of each active participant's projected benefit attributable to the current year of service. The plan's accrued liability is the sum of (a) the present value of the portion of each active participant's projected benefit attributable to all prior years of service plus (b) the present value of each inactive participant's future benefits.

Asset Valuation Method

The Actuarial Value of Assets is equal to the Market Value of Assets.

This report was prepared solely to provide assistance to PRJRS. Milliman and PRJRS do not intend to benefit and assume no duty or liability to other parties who receive this work. Milliman and PRJRS recommend that any third party recipient of this report be aided by its own actuary or other qualified professional when reviewing the Milliman report.