

GASB Statement Nos. 67 and 68 Accounting and  
Financial Reporting for Pensions  
June 30, 2020





November 12, 2020

Board of Trustees  
Arkansas Judicial Retirement System  
Little Rock, Arkansas

Ladies and Gentlemen:

This report provides information required by the Retirement System in connection with the Governmental Accounting Standards Board (GASB) Statement No. 67 "Financial Reporting for Pension Plans" and Governmental Accounting Standards Board (GASB) Statement No. 68 "Accounting and Financial Reporting for Pensions."

Our actuarial calculations for this report were prepared for the purpose of complying with the requirements of GASB Statement Nos. 67 and 68. These calculations have been made on a basis that is consistent with our understanding of these accounting standards.

Our calculation of the liability associated with the benefits described in this report was performed for the purpose of satisfying the requirements of GASB Statement Nos. 67 and 68. The Net Pension Liability is not an appropriate measure for measuring the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligation. The Net Pension Liability is not an appropriate measure for assessing the need for or amount of future employer contributions. The calculation of the plan's liability for this report may not be applicable for funding purposes of the plan. A calculation of the plan's liability for purposes other than satisfying the requirements of GASB Statement Nos. 67 and 68 may produce significantly different results. This report may be provided to parties other than the System only in its entirety and only with the permission of the Retirement Board. GRS is not responsible for unauthorized use of this report.

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

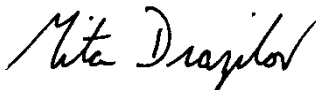
This information is presented in draft form for review by the plan's auditor. Please let us know if there are any items that the auditor changes so that we may maintain consistency with the plan's financial statements.

Please see the actuarial valuation report as of June 30, 2020 for additional discussions of the nature of actuarial calculations and more information related to participant data, economic and demographic assumptions, and benefit provisions.

This report was prepared using our proprietary valuation model and related software which in our professional judgment has the capability to provide results that are consistent with the purposes of the valuation. We performed tests to ensure that the model reasonably represents that which is intended to be modeled.

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

Respectfully submitted,



Mita D. Drazilov, ASA, FCA, MAAA



David L. Hoffman

MDD/DLH:sc

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# SECTION A



## EXECUTIVE SUMMARY

# Executive Summary as of June 30, 2020

Actuarial Valuation Date	June 30, 2020
Measurement Date of the Net Pension Liability	June 30, 2020
Employer's Fiscal Year Ending Date (Reporting Date)	June 30, 2020

## Membership

Number of	
- Retirees and Beneficiaries	148
- Inactive, Nonretired Members	8
- Active Members	142
- Total	298
Covered Payroll	\$ 24,586,078

## Net Pension Liability

Total Pension Liability	\$ 296,653,578
Plan Fiduciary Net Position	280,837,139
Net Pension Liability	\$ 15,816,439
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	94.67%
Net Pension Liability as a Percentage of Covered Payroll	64.33%

## Development of the Single Discount Rate

Single Discount Rate	5.75%
Long-Term Expected Rate of Investment Return	5.75%
Long-Term Municipal Bond Rate*	2.45%
Last year ending June 30 in the 2021 to 2120 projection period for which projected benefit payments are fully funded	2120

**Total Pension Expense** \$ 4,977,875

## Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,826,921	\$ 2,884,696
Changes in assumptions	0	-
Net difference between projected and actual earnings on pension plan investments	0	6,849,084
<b>Total</b>	<b>\$ 1,826,921</b>	<b>\$ 9,733,780</b>

*\*Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-Year Municipal GO AA Index" as of June 30, 2020. In describing this index, Fidelity notes that the municipal curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax-exempt securities.*



# Discussion

## Accounting Standard

For pension plans that are administered through trusts or equivalent arrangements, Governmental Accounting Standards Board (GASB) Statement No. 67 establishes standards of financial reporting for separately issued financial reports and specifies the required approach for measuring the pension liability. Similarly, GASB Statement No. 68 establishes standards for state and local government employers (as well as non-employer contributing entities) to account for and disclose the net pension liability, pension expense, and other information associated with providing retirement benefits to their employees (and former employees) on their basic financial statements.

The following discussion provides a summary of the information that is required to be disclosed under these accounting standards. A number of these disclosure items are provided in this report. However, certain information, such as notes regarding accounting policies and investments, is not included in this report and the Retirement System and/or plan sponsor will be responsible for preparing and disclosing that information to comply with these accounting standards.

## Financial Statements

GASB Statement No. 68 requires state or local governments to recognize the net pension liability and the pension expense on their financial statements. The net pension liability is the difference between the total pension liability and the plan's fiduciary net position. In traditional actuarial terms, this is analogous to the accrued liability less the market value of assets (not the smoothed actuarial value of assets that is often encountered in actuarial valuations performed to determine the employer's contribution requirement).

Paragraph 57 of GASB Statement No. 68 states, "Contributions to the pension plan from the employer subsequent to the measurement date of the collective net pension liability and before the end of the employer's reporting period should be reported as a deferred outflow of resources related to pensions." The information contained in this report does not incorporate any contributions made to the Arkansas Judicial Retirement System subsequent to the measurement date of **June 30, 2020**.

The pension expense recognized each fiscal year is equal to the change in the net pension liability from the beginning of the year to the end of the year, adjusted for deferred recognition of the liability and investment experience.

Pension plans that prepare their own, stand-alone financial statements are required to present two financial statements – a statement of fiduciary net position and a statement of changes in fiduciary net position in accordance with GASB Statement No. 67. The *statement of fiduciary net position* presents the assets and liabilities of the pension plan at the end of the pension plan's reporting period. The *statement of changes in fiduciary net position* presents the additions, such as contributions and investment income, and deductions, such as benefit payments and expenses, and net increase or decrease in the fiduciary net position.

## Notes to Financial Statements

GASB Statement No. 68 requires the notes of the employer's financial statements to disclose the total pension expense, the pension plan's liabilities and assets, and deferred outflows and inflows of resources related to pensions.

GASB Statement Nos. 67 and 68 require the notes of the financial statements for the employers and pension plans, to include certain additional information. The list of disclosure items should include:

- A description of benefits provided by the plan;
- The type of employees and number of members covered by the pension plan;
- A description of the plan's funding policy, which includes member and employer contribution requirements;
- The pension plan's investment policies;
- The pension plan's fiduciary net position, net pension liability, and the pension plan's fiduciary net position as a percentage of the total pension liability;
- The net pension liability using a discount rate that is 1% higher and 1% lower than used to calculate the total pension liability and net pension liability for financial reporting purposes;
- Significant assumptions and methods used to calculate the total pension liability;
- Inputs to the discount rates; and
- Certain information about mortality assumptions and the dates of experience studies.

Retirement systems that issue stand-alone financial statements are required to disclose additional information in accordance with GASB Statement No. 67. This information includes:

- The composition of the pension plan's Board and the authority under which benefit terms may be amended;
- A description of how fair value is determined;
- Information regarding certain reserves and investments, which include concentrations of investments greater than or equal to 5%, receivables, and insurance contracts excluded from plan assets; and
- Annual money-weighted rate of return.



## Required Supplementary Information

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

- Sources of changes in the net pension liability;
- Information about the components of the net pension liability and related ratios, including the pension plan's fiduciary net position as a percentage of the total pension liability, and the net pension liability as a percent of covered-employee payroll; and
- A comparison of the actual employer contributions to the actuarially determined contributions based on the plan's funding policy.

## Timing of the Valuation

An actuarial valuation to determine the total pension liability is required to be performed at least every two years. The net pension liability and pension expense should be measured as of the pension plan's fiscal year end (measurement date) on a date that is within the employer's prior fiscal year. If the actuarial valuation used to determine the total pension liability is not calculated as of the measurement date, the total pension liability is required to be rolled forward from the actuarial valuation date to the measurement date.

The total pension liability shown in this report is based on an actuarial valuation performed as of June 30, 2020 and a measurement date of June 30, 2020.

## Single Discount Rate

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.75%; the municipal bond rate is 2.45% (based on the weekly rate closest to but not later than the measurement date of the "20-Year Municipal GO AA Index" rate from Fidelity); and the resulting Single Discount Rate is 5.75%.

## **SECTION B**

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### **FINANCIAL STATEMENTS**

# Statement of Pension Expense Under GASB Statement No. 68

## Fiscal Year Ended June 30, 2020

### A. Expense

1. Service Cost	\$ 7,096,255
2. Interest on the Total Pension Liability	16,175,509
3. Current-Period Benefit Changes	0
4. Employee Contributions (made negative for addition here)	(1,138,323)
5. Projected Earnings on Plan Investments (made negative for addition here)	(15,257,121)
6. Pension Plan Administrative Expense	141,891
7. Other Changes in Plan Fiduciary Net Position (made negative for addition here)	(1,129)
8. Recognition of Outflow (Inflow) of Resources due to Liabilities	(689,610)
9. Recognition of Outflow (Inflow) of Resources due to Assets	<u>(1,349,597)</u>
<b>10. Total Pension Expense</b>	<b>\$ 4,977,875</b>

# Statement of Outflows and Inflows Arising from Current Reporting Period Fiscal Year Ended June 30, 2020

## A. Outflows (Inflows) of Resources due to Liabilities

1. Difference between expected and actual experience of the Total Pension Liability (gains) or losses	\$ 2,340,115
2. Assumption Changes (gains) or losses	\$ -
3. Recognition period for Liabilities: Average of the expected remaining service lives of all employees {in years}	4.5599
4. Outflow (Inflow) of Resources to be recognized in the current pension expense for the difference between expected and actual experience of the Total Pension Liability	\$ 513,194
5. Outflow (Inflow) of Resources to be recognized in the current pension expense for Assumption Changes	\$ -
6. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Liabilities: 4. + 5.	\$ 513,194
7. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for the difference between expected and actual experience of the Total Pension Liability: 1. - 4.	\$ 1,826,921
8. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses for Assumption Changes: 2. - 5.	\$ -
9. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Liabilities: 7. + 8.	\$ 1,826,921

## B. Outflows (Inflows) of Resources due to Assets

1. Net difference between projected and actual earnings on pension plan investments (gains) or losses	\$ (2,177,033)
2. Recognition period for Assets {in years}	5.0000
3. Outflow (Inflow) of Resources to be recognized in the current pension expense due to Assets	\$ (435,407)
4. Deferred Outflow (Inflow) of Resources to be recognized in future pension expenses due to Assets: 1. - 3.	\$ (1,741,626)

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2020

## A. Outflows and Inflows of Resources due to Liabilities and Assets to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Due to Liabilities	\$ 743,036	\$ 1,432,646	\$ (689,610)
2. Due to Assets	3,102,900	4,452,497	(1,349,597)
<b>3. Total</b>	<b>\$ 3,845,936</b>	<b>\$ 5,885,143</b>	<b>\$ (2,039,207)</b>

## B. Outflows and Inflows of Resources by Source to be Recognized in Current Pension Expense

	Outflows of Resources	Inflows of Resources	Net Outflows of Resources
1. Differences between expected and actual experience	\$ 513,194	\$ 1,432,646	\$ (919,452)
2. Assumption Changes	229,842	-	229,842
3. Net Difference between projected and actual earnings on pension plan investments	3,102,900	4,452,497	(1,349,597)
<b>4. Total</b>	<b>\$ 3,845,936</b>	<b>\$ 5,885,143</b>	<b>\$ (2,039,207)</b>

## C. Deferred Outflows and Deferred Inflows of Resources by Source to be Recognized in Future Pension Expenses

	Deferred Outflows of Resources	Deferred Inflows of Resources	Net Deferred Outflows of Resources
1. Differences between expected and actual experience	\$ 1,826,921	\$ 2,884,696	\$ (1,057,775)
2. Assumption Changes	-	-	0
3. Net Difference between projected and actual earnings on pension plan investments	-	6,849,084	(6,849,084)
<b>4. Total</b>	<b>\$ 1,826,921</b>	<b>\$ 9,733,780</b>	<b>\$ (7,906,859)</b>

## D. Deferred Outflows and Deferred Inflows of Resources by Year to be Recognized in Future Pension Expenses

Year Ending June 30	Net Deferred Outflows of Resources
2021	\$ (5,036,021)
2022	(2,105,652)
2023	(617,120)
2024	(148,066)
2025	0
Thereafter	0
<b>Total</b>	<b>\$ (7,906,859)</b>

# Statement of Outflows and Inflows Arising from Current and Prior Reporting Periods Fiscal Year Ended June 30, 2020

Year Established	Initial Amount	Initial Recognition Period	Current Year Recognition	Remaining Recognition	Remaining Recognition Period
<b>Deferred Outflow (Inflow) due to Differences Between Expected and Actual Experience on Liabilities</b>					
2017	\$ (3,462,751)	3.3223	\$ (335,926)	\$ -	0.0000
2018	(743,902)	5.0513	(147,269)	(302,095)	2.0513
2019	(4,481,503)	4.7201	(949,451)	(2,582,601)	2.7201
2020	2,340,115	4.5599	513,194	1,826,921	3.5599
<b>Total</b>			<b>\$ (919,452)</b>	<b>\$ (1,057,775)</b>	
<b>Deferred Outflow (Inflow) due to Assumption Changes</b>					
2017	\$ 2,369,244	3.3223	\$ 229,842	\$ -	0.0000
2018	-	5.0513	-	-	2.0513
2019	-	4.7201	-	-	2.7201
2020	-	4.5599	-	-	3.5599
<b>Total</b>			<b>\$ 229,842</b>	<b>\$ -</b>	
<b>Deferred Outflow (Inflow) due to Differences Between Projected and Actual Earnings on Plan Investments</b>					
2016	\$ 15,514,504	5.0000	\$ 3,102,900	\$ -	0.0000
2017	(14,651,848)	5.0000	(2,930,370)	(2,930,368)	1.0000
2018	(5,415,354)	5.0000	(1,083,071)	(2,166,141)	2.0000
2019	(18,247)	5.0000	(3,649)	(10,949)	3.0000
2020	(2,177,033)	5.0000	(435,407)	(1,741,626)	4.0000
<b>Total</b>			<b>\$ (1,349,597)</b>	<b>\$ (6,849,084)</b>	

## Statement of Fiduciary Net Position as of June 30, 2020

### Assets

Cash and Deposits	\$	2,307,123
Receivables		
Accounts Receivable - Sale of Investments	\$	1,446,507
Accrued Interest and Other Dividends		-
Contributions		169,504
Accounts Receivable - Other		-
Total Receivables	\$	1,616,011
Investments		
Fixed Income	\$	90,017,146
Domestic Equities		97,612,690
International Equities		54,262,022
Real Estate		24,220,615
Other		11,821,617
Total Investments	\$	277,934,090
<b>Total Assets</b>	<b>\$</b>	<b>281,857,224</b>

### Liabilities

Payables		
Accounts Payable - Purchase of Investments	\$	-
Accrued Expenses		274,689
Accounts Payable - Other		745,396
Total Liabilities	\$	1,020,085
<b>Net Position Restricted for Pensions</b>	<b>\$</b>	<b>280,837,139</b>

## Statement of Changes in Fiduciary Net Position for Year Ended June 30, 2020

### Additions

Contributions		
Employer	\$	8,572,697
Employee		1,138,323
Other		1,129
Total Contributions	\$	<u>9,712,149</u>
Investment Income		
Net Appreciation in Fair Value of Investments	\$	18,489,138
Interest and Dividends		-
Less Investment Expense		<u>(1,054,984)</u>
Net Investment Income	\$	<u>17,434,154</u>
Other	\$	<u>-</u>
<b>Total Additions</b>	<b>\$</b>	<b><u>27,146,303</u></b>

### Deductions

Benefit payments, including refunds of employee contributions	\$	13,446,760
Pension Plan Administrative Expense		141,891
Other		<u>-</u>
<b>Total Deductions</b>	<b>\$</b>	<b><u>13,588,651</u></b>
<b>Net Increase in Net Position</b>	<b>\$</b>	<b>13,557,652</b>

### Net Position Restricted for Pensions

Beginning of Year	<u>\$ 267,279,487</u>
End of Year	<u>\$ 280,837,139</u>



## SECTION C

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### REQUIRED SUPPLEMENTARY INFORMATION

**Schedules of Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios**  
**Current Period**  
**Fiscal Year Ended June 30, 2020**

<b>A. Total pension liability</b>	
1. Service Cost	\$ 7,096,255
2. Interest on the Total Pension Liability	16,175,509
3. Changes of benefit terms	0
4. Difference between expected and actual experience of the Total Pension Liability	2,340,115
5. Changes of assumptions	0
6. Benefit payments, including refunds of employee contributions	<u>(13,446,760)</u>
7. Net change in total pension liability	\$ 12,165,119
8. Total pension liability – beginning	<u>284,488,459</u>
9. Total pension liability – ending	<u><u>\$ 296,653,578</u></u>
<b>B. Plan fiduciary net position</b>	
1. Contributions – employer	\$ 8,572,697
2. Contributions – employee	1,138,323
3. Net investment income	17,434,154
4. Benefit payments, including refunds of employee contributions	(13,446,760)
5. Pension Plan Administrative Expense	(141,891)
6. Other	<u>1,129</u>
7. Net change in plan fiduciary net position	\$ 13,557,652
8. Plan fiduciary net position – beginning	<u>267,279,487</u>
9. Plan fiduciary net position – ending	<u><u>\$ 280,837,139</u></u>
<b>C. Net pension liability</b>	<u><u>\$ 15,816,439</u></u>
<b>D. Plan fiduciary net position as a percentage of the total pension liability</b>	<b>94.67%</b>
<b>E. Covered-employee payroll</b>	<b>\$ 24,586,078</b>
<b>F. Net pension liability as a percentage of covered-employee payroll</b>	<b>64.33%</b>

# Schedules of Required Supplementary Information

## Schedule of Changes in Net Pension Liability and Related Ratios

Ultimately 10 Fiscal Years will be Displayed

Fiscal year ending June 30,	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>							
Service Cost	\$ 7,096,255	\$ 6,919,400	\$ 6,927,257	\$ 7,221,153	\$ 7,230,267	\$ 5,342,168	\$ 5,319,836
Interest on the Total Pension Liability	16,175,509	15,877,675	15,378,982	16,121,127	15,770,309	14,883,382	14,607,426
Benefit Changes	-	-	-	-	-	-	-
Difference between Expected and Actual Experience	2,340,115	(4,481,503)	(743,902)	(3,462,751)	(5,184,045)	12,969,853	(5,751,106)
Assumption Changes	-	-	-	2,369,244	-	24,290,229	-
Benefit Payments	(13,440,774)	(12,979,769)	(12,769,175)	(12,310,422)	(12,007,538)	(10,762,871)	(9,966,020)
Refunds	(5,986)	(22,024)	-	(79,011)	(800)	(14,320)	(18,836)
<b>Net Change in Total Pension Liability</b>	<b>12,165,119</b>	<b>5,313,779</b>	<b>8,793,162</b>	<b>9,859,340</b>	<b>5,808,193</b>	<b>46,708,441</b>	<b>4,191,300</b>
<b>Total Pension Liability - Beginning</b>	<b>\$ 284,488,459</b>	<b>\$ 279,174,680</b>	<b>\$ 270,381,518</b>	<b>\$ 260,522,178</b>	<b>\$ 254,713,985</b>	<b>\$ 208,005,544</b>	<b>\$ 203,814,244</b>
<b>Total Pension Liability - Ending (a)</b>	<b>\$ 296,653,578</b>	<b>\$ 284,488,459</b>	<b>\$ 279,174,680</b>	<b>\$ 270,381,518</b>	<b>\$ 260,522,178</b>	<b>\$ 254,713,985</b>	<b>\$ 208,005,544</b>
<b>Plan Fiduciary Net Position</b>							
Employer Contributions	\$ 8,572,697	\$ 8,233,959	\$ 8,421,173	\$ 8,485,361	\$ 5,561,289	\$ 5,690,381	\$ 6,117,327
Employee Contributions	1,138,323	988,612	1,016,180	1,016,646	1,011,372	946,149	925,324
Pension Plan Net Investment Income	17,434,154	14,655,787	19,162,603	28,044,374	(1,744,085)	9,971,823	29,793,113
Benefit Payments	(13,440,774)	(12,979,769)	(12,769,175)	(12,310,422)	(12,007,538)	(10,762,871)	(9,966,020)
Refunds	(5,986)	(22,024)	-	(79,011)	(800)	(14,320)	(18,836)
Pension Plan Administrative Expense	(141,891)	(147,062)	(142,311)	(168,701)	(158,420)	(137,951)	(130,529)
Other	1,129	41,854	12	45,832	-	-	-
<b>Net Change in Plan Fiduciary Net Position</b>	<b>\$ 13,557,652</b>	<b>\$ 10,771,357</b>	<b>\$ 15,688,482</b>	<b>\$ 25,034,079</b>	<b>\$ (7,338,182)</b>	<b>\$ 5,693,211</b>	<b>\$ 26,720,379</b>
<b>Plan Fiduciary Net Position - Beginning</b>	<b>\$ 267,279,487</b>	<b>\$ 256,508,130</b>	<b>\$ 240,819,648</b>	<b>\$ 215,785,569</b>	<b>\$ 223,123,751</b>	<b>\$ 217,430,540</b>	<b>\$ 190,710,161</b>
<b>Plan Fiduciary Net Position - Ending (b)</b>	<b>\$ 280,837,139</b>	<b>\$ 267,279,487</b>	<b>\$ 256,508,130</b>	<b>\$ 240,819,648</b>	<b>\$ 215,785,569</b>	<b>\$ 223,123,751</b>	<b>\$ 217,430,540</b>
<b>Net Pension Liability - Ending (a) - (b)</b>	<b>\$ 15,816,439</b>	<b>\$ 17,208,972</b>	<b>\$ 22,666,550</b>	<b>\$ 29,561,870</b>	<b>\$ 44,736,609</b>	<b>\$ 31,590,234</b>	<b>\$ (9,424,996)</b>
<b>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</b>	94.67 %	93.95 %	91.88 %	89.07 %	82.83 %	87.60 %	104.53 %
<b>Covered-Employee Payroll</b>	\$ 24,586,078	\$ 23,602,735	\$ 23,434,639	\$ 22,917,870	\$ 22,308,000	\$ 22,308,000	\$ 19,781,628
<b>Net Pension Liability as a Percentage of Covered-Employee Payroll</b>	64.33 %	72.91 %	96.72 %	128.99 %	200.54 %	141.61 %	(47.65)%
<b>Notes to Schedule:</b>							
N/A							



# Schedules of Required Supplementary Information

## Schedule of the Net Pension Liability

Ultimately 10 Fiscal Years will be Displayed

FY Ending June 30,	Total Pension Liability	Plan Net Position	Net Pension Liability	Plan Net Position as a % of Total Pension Liability	Covered Payroll	Net Pension Liability as a % of Covered Payroll
2014	\$ 208,005,544	\$ 217,430,540	\$ (9,424,996)	104.53%	\$ 19,781,628	(47.65)%
2015	254,713,985	223,123,751	31,590,234	87.60%	22,308,000	141.61%
2016	260,522,178	215,785,569	44,736,609	82.83%	22,308,000	200.54%
2017	270,381,518	240,819,648	29,561,870	89.07%	22,917,870	128.99%
2018	279,174,680	256,508,130	22,666,550	91.88%	23,434,639	96.72%
2019	284,488,459	267,279,487	17,208,972	93.95%	23,602,735	72.91%
2020	296,653,578	280,837,139	15,816,439	94.67%	24,586,078	64.33%

# Schedule of Contributions

## Last 10 Fiscal Years

<b>FY Ending June 30,</b>	<b>Actuarially Determined Contribution</b>	<b>Actual Contribution</b>	<b>Contribution Deficiency (Excess)</b>	<b>Covered Payroll</b>	<b>Actual Contribution as a % of Covered Payroll*</b>
2011	\$ 5,220,623	\$ 5,220,623	\$ -	\$ 19,337,991	27.43%
2012	5,465,079	5,465,079	-	19,201,734	29.08%
2013	5,672,291	5,672,291	-	19,585,755	29.93%
2014	6,117,327	6,117,327	-	19,781,628	31.46%
2015	5,690,381	5,690,381	-	22,308,000	29.12%
2016	5,561,289	5,561,289	-	22,308,000	25.09%
2017	8,485,361	8,485,361	-	22,917,870	37.99%
2018	8,421,173	8,421,173	-	23,434,639	37.37%
2019	8,233,959	8,233,959	-	23,602,735	35.87%
2020	8,572,697	8,572,697	-	24,586,078	35.90%

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

## Notes to Schedule of Contributions

**Valuation Date:** June 30, 2018

**Methods and Assumptions Used to Determine Contribution Rates for Fiscal Year Ending June 30, 2020:**

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	Multiple periods of 14, 19 and 20 years
Asset Valuation Method	4-Year smoothed market; 25% corridor
Inflation	2.50% price inflation
Salary Increases	3.25%
Investment Rate of Return	5.75%
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	RP-2014 mortality tables, adjusted for mortality improvement back to the observation period base year of 2006, and using the MP-2016 improvement scale.

**Other Information:**

Notes Assumptions were updated based on the five-year Experience Study covering the period July 1, 2011 through June 30, 2016. There were no benefit changes reflected in the June 30, 2018 valuation.

# Schedule of Investment Returns Multiyear

## To be provided by System

### Last 10 Fiscal Years

<u>FY Ending June 30,</u>	<u>Annual Return<sup>1</sup></u>
2011	
2012	
2013	
2014	
2015	
2016	
2017	
2018	
2019	
2020	

<sup>1</sup> Annual money-weighted rate of return, net of investment expenses.

## **SECTION D**

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### **NOTES TO FINANCIAL STATEMENTS**



## Long-Term Expected Return on Plan Assets

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based upon capital market assumptions provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	6.22%
International Equity	15%	6.69%
Real Estate	8%	4.81%
Cash Equivalents	0%	0.02%
Domestic Fixed	40%	0.57%
Total	100%	
Total Real Rate of Return		3.92%
Plus: Price Inflation - Actuary's Assumption		2.50%
Less: Investment Expenses		0.00%
Net Expected Return		6.42%

## Single Discount Rate

A single discount rate of 5.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Regarding the sensitivity of the net pension liability to changes in the single discount rate, the following presents the plan's net pension liability, calculated using a single discount rate of 5.75%, as well as what the plan's net pension liability would be if it were calculated using a single discount rate that is 1-percentage-point lower or 1-percentage-point higher:

### Sensitivity of Net Pension Liability to the Single Discount Rate Assumption

	1% Decrease 4.75%	Current Single Discount Rate Assumption 5.75%	1% Increase 6.75%
Total Pension Liability (TPL)	\$ 332,112,954	\$ 296,653,578	\$ 266,594,642
Net Position Restricted for Pensions	280,837,139	280,837,139	280,837,139
<b>Net Pension Liability (NPL)</b>	<b>\$ 51,275,815</b>	<b>\$ 15,816,439</b>	<b>\$ (14,242,497)</b>

## Summary of Population Statistics as of June 30, 2020

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	148
Inactive Plan Members Entitled to But Not Yet Receiving Benefits	8
Active Plan Members	<u>142</u>
Total Plan Members	298

**SECTION E**

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**SUMMARY OF BENEFITS**

# Summary of Provisions Considered (July 1, 2020)

## Tier One

## Tier Two

### Description

Elected or appointed prior to the effective date of Act 399 of 1999 and who do not elect to participate in Tier Two.

Elected or appointed after the effective date of Act 399 of 1999 or elected to participate in Tier Two.

### Regular Retirement

An active member may retire at age 65 with 10 or more years of credited service, or after 20 years of credited service regardless of age. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts or the Court of Appeals.

An active member or former member may retire at age 65 with 8 or more years of credited service, or after 20 years of credited service regardless of age.

### Compulsory Retirement

Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.

Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.

### Final Salary

The annual salary for the last judicial office held.

The annual salary for the last judicial office held.

### Age & Service Annuity

60% of the judge's final salary, for life.

3.2% of the salary of the last judicial office held multiplied by the number of years of service not to exceed 80% of the salary of the last judicial office held.

Each year of additional service after twenty (20) years of judicial service, the benefit shall be increased by two and one-half percent (2.5%) with a maximum benefit payable of seventy-five percent (75%) of the judge's final salary.



# Summary of Provisions Considered (Continued)

## Tier One

## Tier Two

### Deferred Retirement

An inactive member who has 14 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts or the Court of Appeals.

An inactive member who has 8 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65.

### Disability Retirement

An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity. The 3 years of service is not required for persons who were members before July 1, 1983.

An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity, except that the benefit shall not be less than 25.6% of final salary.

### Early Retirement

A member who became a member before July 1, 1983 and who has 18 but less than 20 years credited service may retire, regardless of age, and receive an immediate annuity. The amount is the full age and service amount reduced proportionately for service less than 20 years.

A member with 8 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month retirement age is younger than age 65.

A member with 14 years of credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month that retirement age is younger than age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit Court or Chancery Courts or the Court of Appeals.

# Summary of Provisions Considered (Concluded)

## Tier One

## Tier Two

### Survivor Benefits

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

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

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

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

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

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

### Increases After Retirement

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

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

### Member Contributions

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

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

## SECTION F

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### **ACTUARIAL COST METHOD AND ACTUARIAL ASSUMPTIONS**



# Summary of Assumptions Used for Arkansas Judicial Actuarial Valuations Assumptions Adopted by Board of Trustees After Consulting with the Actuary

The actuarial assumptions used in the valuation are shown in this Section. Assumptions were established based upon an Experience Study covering the period July 1, 2011 through June 30, 2016 (please see report dated May 2, 2017). The actuarial assumptions represent estimates of future experience.

## Economic Assumptions

**The investment return rate** used in making the valuation was 5.75% per year, compounded annually (net after investment expenses). Adopted 2017.

**Pay increase assumptions** for individual active members are shown on page 25. Part of the assumption for each age is for a merit and/or seniority increase, and the other 3.25% recognizes wage inflation. This wage inflation assumption consists of 2.50% for price inflation and 0.75% for real wage growth. Adopted 2015 and readopted 2017.

**Total active member payroll** is assumed to increase 3.25% a year, which is the portion of the individual pay increase assumptions recognizing inflation.

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

## Non-Economic Assumptions

**The healthy mortality tables**, for post-retirement mortality, used in evaluating allowances to be paid were the RP-2014 Healthy Annuitant table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The **disabled retiree mortality tables**, for post-retirement mortality, used in evaluating allowances to be paid were the RP-2014 disabled mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. The **pre-retirement mortality tables** used were the RP-2014 employees mortality table for males and females, adjusted for mortality improvement back to the observation period base year of 2006. It was assumed that 100% of pre-retirement deaths would be non-duty related. Mortality rates for a particular calendar year are determined by applying the MP- 2016 improvement scale to the above described tables. Related values are shown on pages 25 and 27. Adopted 2017.

(Concluded on the following page.)

# Summary of Assumptions Used for Arkansas Judicial Actuarial Valuations Assumptions Adopted by Board of Trustees After Consulting with the Actuary (Concluded)

**The probabilities of retirement** for members eligible to retire are shown on page 26. Adopted 2012.

**The probabilities of withdrawal** from service, death-in-service and disability are shown for sample ages on page 25. Adopted 2017.

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

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

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

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

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

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

## Decrement and Pay Increase Assumptions for Active Members June 30, 2020

2020 Sample Ages	Years of Service	Percent of Active Members Separating Within the Next Year					Pay Increase Assumptions for Individual Member		
		Male		Female		Withdrawal	Merit & Seniority	Base (Economic)	Increase Next Year
		Death	Disability	Death	Disability				
	0					6.00%			
	1					6.00%			
	2					6.00%			
	3					6.00%			
	4					6.00%			
30	5+	0.05%	0.04%	0.02%	0.05%	1.00%	0.00%	3.25%	3.25%
35		0.05%	0.04%	0.03%	0.05%	1.00%	0.00%	3.25%	3.25%
40		0.06%	0.10%	0.04%	0.18%	1.00%	0.00%	3.25%	3.25%
45		0.09%	0.13%	0.06%	0.20%	1.00%	0.00%	3.25%	3.25%
50		0.16%	0.25%	0.10%	0.28%	1.00%	0.00%	3.25%	3.25%
55		0.27%	0.45%	0.17%	0.38%	1.00%	0.00%	3.25%	3.25%
60		0.47%	0.71%	0.26%	0.51%	1.00%	0.00%	3.25%	3.25%
65		0.85%	0.83%	0.38%	0.62%	1.00%	0.00%	3.25%	3.25%

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

Probabilities of death are for calendar year 2020.

## Probabilities of Retirement for Members Eligible to Retire June 30, 2020

Retirement Ages	Percent of Eligible Active Members Electing Early Retirement Within Next Year
62	2%
63	2%
64	2%

### **Normal Retirement**

- 1) For ages under 70, a 4% probability of retirement is used.
- 2) For ages 70 and over
  - a. If the future year of consideration is an odd year, then a 4% probability of retirement is used.
  - b. If the future year of consideration is an even year,
    - i. For members under the age of 76, a 33% probability of retirement is used.
    - ii. For members ages 76 or older, a 100% probability of retirement is used.

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

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

## Single Life Retirement Values June 30, 2020

Attained Age in 2020	Percent Dying Next Year		Present Value of \$1 Monthly for Life Increasing 3% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	0.3874%	0.2633%	\$235.52	\$245.57	34.79	37.37
55	0.5565%	0.3684%	217.47	228.22	30.02	32.43
60	0.7846%	0.5543%	196.97	208.22	25.44	27.64
65	1.1345%	0.8287%	174.18	185.77	21.08	23.07
70	1.6906%	1.2745%	149.37	160.89	16.99	18.73
75	2.6731%	2.0720%	123.06	134.04	13.20	14.68
80	4.4887%	3.5404%	96.50	106.52	9.81	11.03

Sample Attained Ages	\$100 Benefit Increasing 3% Annually	Portion of Age 65 Lives in 2017 Still Alive	
		Men	Women
65	\$100.00	100%	100%
70	115.93	93%	95%
75	134.39	85%	88%
80	155.80	73%	78%
85	180.61	56%	64%

Probabilities of death are for calendar year 2020.

# Summary of Assumptions Used

## June 30, 2020

### Miscellaneous and Technical Assumptions

<b>Marriage Assumption:</b>	80% of males and 80% of females are assumed to be married for purposes of death-in-service benefits. 80% of members are assumed to be married at retirement. Male spouses are assumed to be six years older than female spouses for active member valuation purposes. Actual data is used for retired valuation purposes.
<b>Pay Increase Timing:</b>	Beginning of (Fiscal) year. This is equivalent to assuming that reported pays represent amounts paid to members during the year ended on the valuation date.
<b>Decrement Timing:</b>	Decrements of all types are assumed to occur mid-year.
<b>Eligibility Testing:</b>	Eligibility for benefits is determined based upon the age nearest birthday and service nearest whole year on the date the decrement is assumed to occur.
<b>Benefit Service:</b>	Exact fractional service is used to determine the amount of benefit payable.
<b>Decrement Relativity:</b>	Decrement rates are used directly from the experience study, without adjustment for multiple decrement table effects.
<b>Decrement Operation:</b>	Disability and withdrawal do not operate during retirement eligibility.
<b>Normal Form of Benefit:</b>	The assumed normal form of benefit is the 67% joint and survivor benefit.
<b>Incidence of Contributions:</b>	Contributions are assumed to be received continuously throughout the year based upon the computed percent-of-payroll shown in this report, and the actual payroll payable at the time contributions are made.
<b>Tier 1 2.5% Benefit Multiplier Election:</b>	For present value of future benefit purposes, it was assumed that all Tier 1 members will elect to accrue the additional 2.5% benefit multiplier (if they have not already done so). Member contribution rates are based upon those members that have elected to accrue the additional 2.5% benefit multiplier as of the valuation date.
<b>Administrative Expenses:</b>	The computed contribution rate was increased by 0.7% of payroll to fund for administrative expenses.
<b>Additional Adjustments:</b>	The actuarial accrued liabilities were increased by \$4.3 million to reflect potential future salary/COLA increases in excess of the actuarial assumptions.

## **SECTION G**

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### **CALCULATION OF THE SINGLE DISCOUNT RATE**

## Calculation of the Single Discount Rate

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

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

For the purpose of this valuation, the expected rate of return on pension plan investments is 5.75%; the municipal bond rate is 2.45%; and the resulting single discount rate is 5.75%.

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

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

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

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



# Single Discount Rate Development Projection of Contributions

Year	Contributions from Current Employees	Normal Cost and Expense Contributions	UAL Contributions	Total Contributions
0				
1	\$ 893,848	\$ 6,470,123	\$ 1,883,321	\$ 9,247,293
2	825,525	6,092,154	1,844,458	8,762,136
3	757,755	5,745,964	1,893,600	8,397,320
4	692,217	5,380,820	1,945,599	8,018,636
5	587,260	5,079,261	2,052,324	7,718,845
6	548,895	4,702,862	2,160,663	7,412,420
7	516,531	4,379,588	2,284,241	7,180,360
8	442,589	4,082,047	2,407,442	6,932,078
9	409,847	3,856,965	2,502,703	6,769,515
10	366,508	3,629,639	2,584,041	6,580,188
11	340,682	3,399,671	2,668,022	6,408,375
12	295,226	3,176,534	2,754,733	6,226,493
13	283,596	2,965,516	(888,520)	2,360,592
14	251,012	2,762,346	(917,397)	2,095,961
15	222,422	2,623,615	(947,212)	1,898,824
16	205,272	2,464,268	(977,997)	1,691,544
17	198,824	2,304,219	(1,009,782)	1,493,261
18	163,670	2,165,750	(1,306,113)	1,023,307
19	144,264	1,977,306	(1,307,232)	814,338
20	124,376	1,777,970	(766,802)	1,135,543
21	114,604	1,596,887	-	1,711,491
22	75,106	1,438,268	-	1,513,374
23	68,218	1,294,790	-	1,363,008
24	12,433	1,194,646	-	1,207,079
25	3,516	1,012,928	-	1,016,444
26	-	818,724	-	818,724
27	-	701,566	-	701,566
28	-	580,145	-	580,145
29	-	497,586	-	497,586
30	-	411,872	-	411,872
31	-	327,448	-	327,448
32	-	239,752	-	239,752
33	-	202,777	-	202,777
34	-	164,412	-	164,412
35	-	122,950	-	122,950
36	-	79,911	-	79,911
37	-	51,721	-	51,721
38	-	22,507	-	22,507
39	-	18,756	-	18,756
40	-	14,874	-	14,874
41	-	7,559	-	7,559
42	-	-	-	-
43	-	-	-	-
44	-	-	-	-
45	-	-	-	-
46	-	-	-	-
47	-	-	-	-
48	-	-	-	-
49	-	-	-	-
50	-	-	-	-

# Single Discount Rate Development

## Projection of Plan Fiduciary Net Position

Year	Projected	Projected Total	Projected	Projected	Projected	Projected Ending Plan
	Beginning Plan		Benefit	Administrative	Investment	
	Net Position	Contributions	Payments	Expenses	Earnings at 5.75%	Net Position
	(a)	(b)	(c)	(d)	(e)	(f)=(a)+(b)-(c)-(d)+(e)
1	\$ 280,837,139	\$ 9,247,293	\$ 14,609,435	\$ 166,604	\$ 15,991,406	\$ 291,299,798
2	291,299,798	8,762,136	15,618,841	156,939	16,550,914	300,837,069
3	300,837,069	8,397,320	16,606,996	147,976	17,061,207	309,540,624
4	309,540,624	8,018,636	17,572,538	138,655	17,523,819	317,371,886
5	317,371,886	7,718,845	18,610,704	129,528	17,936,447	324,286,946
6	324,286,946	7,412,420	19,631,642	120,180	18,296,700	330,244,244
7	330,244,244	7,180,360	20,661,026	112,329	18,603,707	335,254,957
8	335,254,957	6,932,078	21,678,769	104,129	18,856,166	339,260,303
9	339,260,303	6,769,515	22,343,775	98,413	19,063,176	342,650,806
10	342,650,806	6,580,188	23,059,159	92,410	19,232,653	345,312,078
11	345,312,078	6,408,375	23,691,549	86,583	19,363,043	347,305,364
12	347,305,364	6,226,493	24,246,891	80,476	19,456,931	348,661,421
13	348,661,421	2,360,592	24,688,902	75,491	19,412,924	345,670,544
14	345,670,544	2,095,961	25,092,954	70,219	19,222,143	341,825,475
15	341,825,475	1,898,824	25,341,687	66,312	18,988,522	337,304,821
16	337,304,821	1,691,544	25,543,193	62,198	18,717,113	332,108,087
17	332,108,087	1,493,261	25,674,093	58,424	18,409,076	326,277,907
18	326,277,907	1,023,307	25,730,905	54,486	18,059,019	319,574,843
19	319,574,843	814,338	25,862,321	49,745	17,664,078	312,141,194
20	312,141,194	1,135,543	25,949,988	44,739	17,243,406	304,525,416
21	304,525,416	1,711,491	25,948,485	40,299	16,821,994	297,070,118
22	297,070,118	1,513,374	25,880,747	35,690	16,389,749	289,056,805
23	289,056,805	1,363,008	25,670,389	32,249	15,930,782	280,647,957
24	280,647,957	1,207,079	25,420,387	28,679	15,450,041	271,856,010
25	271,856,010	1,016,444	25,282,233	24,199	14,943,143	262,509,166
26	262,509,166	818,724	25,081,976	19,550	14,405,904	252,632,268
27	252,632,268	701,566	24,636,721	16,812	13,847,360	242,527,661
28	242,527,661	580,145	24,159,123	13,973	13,276,523	232,211,233
29	232,211,233	497,586	23,583,102	11,941	12,697,375	221,811,151
30	221,811,151	411,872	22,993,278	9,832	12,113,720	211,333,633
31	211,333,633	327,448	22,393,781	7,804	11,525,922	200,785,418
32	200,785,418	239,752	21,772,760	5,697	10,934,578	190,181,292
33	190,181,292	202,777	21,014,839	4,828	10,345,303	179,709,704
34	179,709,704	164,412	20,250,981	3,926	9,763,779	169,382,989
35	169,382,989	122,950	19,502,848	2,927	9,190,054	159,190,218
36	159,190,218	79,911	18,753,573	1,890	8,624,019	149,138,685
37	149,138,685	51,721	17,970,758	1,225	8,067,467	139,285,891
38	139,285,891	22,507	17,191,023	535	7,522,227	129,639,067
39	129,639,067	18,756	16,351,013	446	6,991,244	120,297,609
40	120,297,609	14,874	15,516,048	354	6,477,672	111,273,753
41	111,273,753	7,559	14,697,013	180	5,981,816	102,565,936
42	102,565,936	-	13,884,932	-	5,503,929	94,184,932
43	94,184,932	-	13,062,275	-	5,045,342	86,167,999
44	86,167,999	-	12,250,534	-	4,607,379	78,524,844
45	78,524,844	-	11,450,672	-	4,190,573	71,264,745
46	71,264,745	-	10,663,684	-	3,795,427	64,396,488
47	64,396,488	-	9,891,377	-	3,422,395	57,927,507
48	57,927,507	-	9,136,428	-	3,071,830	51,862,909
49	51,862,909	-	8,401,975	-	2,743,937	46,204,871
50	46,204,871	-	7,690,668	-	2,438,764	40,952,967

# Single Discount Rate Development

## Present Values of Projected Benefits

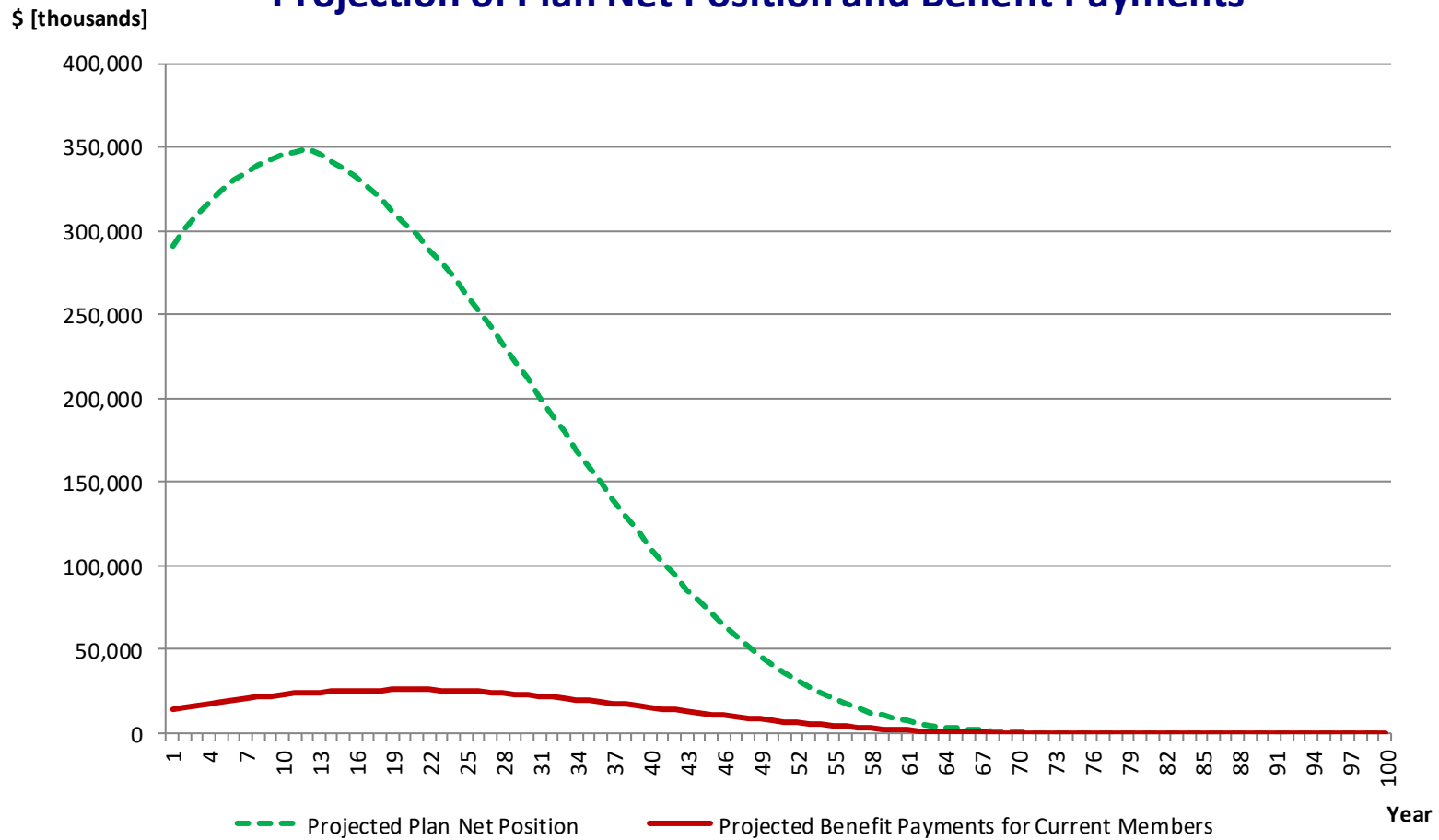
Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v <sup>a</sup> ((a)-.5)	(g)=(e)*vf <sup>a</sup> ((a)-.5)	(h)=(c)/((1+sdr) <sup>a</sup> (a-.5)
1	\$ 280,837,139	\$ 14,609,435	\$ 14,609,435	\$ -	\$ 14,206,701	\$ -	\$ 14,206,701
2	291,299,798	15,618,841	15,618,841	-	14,362,441	-	14,362,441
3	300,837,069	16,606,996	16,606,996	-	14,440,763	-	14,440,763
4	309,540,624	17,572,538	17,572,538	-	14,449,512	-	14,449,512
5	317,371,886	18,610,704	18,610,704	-	14,471,086	-	14,471,086
6	324,286,946	19,631,642	19,631,642	-	14,434,926	-	14,434,926
7	330,244,244	20,661,026	20,661,026	-	14,365,787	-	14,365,787
8	335,254,957	21,678,769	21,678,769	-	14,253,837	-	14,253,837
9	339,260,303	22,343,775	22,343,775	-	13,892,275	-	13,892,275
10	342,650,806	23,059,159	23,059,159	-	13,557,508	-	13,557,508
11	345,312,078	23,691,549	23,691,549	-	13,171,933	-	13,171,933
12	347,305,364	24,246,891	24,246,891	-	12,747,697	-	12,747,697
13	348,661,421	24,688,902	24,688,902	-	12,274,310	-	12,274,310
14	345,670,544	25,092,954	25,092,954	-	11,796,868	-	11,796,868
15	341,825,475	25,341,687	25,341,687	-	11,266,008	-	11,266,008
16	337,304,821	25,543,193	25,543,193	-	10,738,147	-	10,738,147
17	332,108,087	25,674,093	25,674,093	-	10,206,313	-	10,206,313
18	326,277,907	25,730,905	25,730,905	-	9,672,717	-	9,672,717
19	319,574,843	25,862,321	25,862,321	-	9,193,493	-	9,193,493
20	312,141,194	25,949,988	25,949,988	-	8,723,079	-	8,723,079
21	304,525,416	25,948,485	25,948,485	-	8,248,297	-	8,248,297
22	297,070,118	25,880,747	25,880,747	-	7,779,447	-	7,779,447
23	289,056,805	25,670,389	25,670,389	-	7,296,658	-	7,296,658
24	280,647,957	25,420,387	25,420,387	-	6,832,715	-	6,832,715
25	271,856,010	25,282,233	25,282,233	-	6,426,081	-	6,426,081
26	262,509,166	25,081,976	25,081,976	-	6,028,540	-	6,028,540
27	252,632,268	24,636,721	24,636,721	-	5,599,548	-	5,599,548
28	242,527,661	24,159,123	24,159,123	-	5,192,432	-	5,192,432
29	232,211,233	23,583,102	23,583,102	-	4,793,031	-	4,793,031
30	221,811,151	22,993,278	22,993,278	-	4,419,059	-	4,419,059
31	211,333,633	22,393,781	22,393,781	-	4,069,827	-	4,069,827
32	200,785,418	21,772,760	21,772,760	-	3,741,809	-	3,741,809
33	190,181,292	21,014,839	21,014,839	-	3,415,182	-	3,415,182
34	179,709,704	20,250,981	20,250,981	-	3,112,099	-	3,112,099
35	169,382,989	19,502,848	19,502,848	-	2,834,165	-	2,834,165
36	159,190,218	18,753,573	18,753,573	-	2,577,097	-	2,577,097
37	149,138,685	17,970,758	17,970,758	-	2,335,246	-	2,335,246
38	139,285,891	17,191,023	17,191,023	-	2,112,456	-	2,112,456
39	129,639,067	16,351,013	16,351,013	-	1,899,985	-	1,899,985
40	120,297,609	15,516,048	15,516,048	-	1,704,929	-	1,704,929
41	111,273,753	14,697,013	14,697,013	-	1,527,122	-	1,527,122
42	102,565,936	13,884,932	13,884,932	-	1,364,295	-	1,364,295
43	94,184,932	13,062,275	13,062,275	-	1,213,676	-	1,213,676
44	86,167,999	12,250,534	12,250,534	-	1,076,363	-	1,076,363
45	78,524,844	11,450,672	11,450,672	-	951,380	-	951,380
46	71,264,745	10,663,684	10,663,684	-	837,819	-	837,819
47	64,396,488	9,891,377	9,891,377	-	734,885	-	734,885
48	57,927,507	9,136,428	9,136,428	-	641,887	-	641,887
49	51,862,909	8,401,975	8,401,975	-	558,191	-	558,191
50	46,204,871	7,690,668	7,690,668	-	483,154	-	483,154

# Single Discount Rate Development Present Values of Projected Benefits (Concluded)

Year	Projected Beginning Plan Net Position	Projected Benefit Payments	Funded Portion of Benefit Payments	Unfunded Portion of Benefit Payments	Present Value of Funded Benefit Payments using Expected Return Rate (v)	Present Value of Unfunded Benefit Payments using Municipal Bond Rate (vf)	Present Value of Benefit Payments using Single Discount Rate (sdr)
(a)	(b)	(c)	(d)	(e)	(f)=(d)*v <sup>((a)-.5)</sup>	(g)=(e)*vf <sup>((a)-.5)</sup>	(h)=(c)/(1+sdr) <sup>((a)-.5)</sup>
51	\$ 40,952,967	\$ 7,004,768	\$ 7,004,768	\$ -	\$ 416,136	\$ -	\$ 416,136
52	36,104,422	6,346,964	6,346,964	-	356,555	-	356,555
53	31,653,538	5,720,259	5,720,259	-	303,876	-	303,876
54	27,591,198	5,127,437	5,127,437	-	257,573	-	257,573
55	23,904,901	4,570,376	4,570,376	-	217,106	-	217,106
56	20,579,495	4,049,582	4,049,582	-	181,907	-	181,907
57	17,598,435	3,565,029	3,565,029	-	151,433	-	151,433
58	14,944,254	3,117,043	3,117,043	-	125,205	-	125,205
59	12,598,143	2,706,090	2,706,090	-	102,787	-	102,787
60	10,539,734	2,332,393	2,332,393	-	83,776	-	83,776
61	8,747,256	1,995,402	1,995,402	-	67,775	-	67,775
62	7,198,256	1,693,686	1,693,686	-	54,399	-	54,399
63	5,870,457	1,425,438	1,425,438	-	43,294	-	43,294
64	4,742,162	1,188,816	1,188,816	-	34,144	-	34,144
65	3,792,319	981,978	981,978	-	26,670	-	26,670
66	3,000,562	802,963	802,963	-	20,622	-	20,622
67	2,347,369	649,601	649,601	-	15,776	-	15,776
68	1,814,327	519,516	519,516	-	11,931	-	11,931
69	1,384,407	410,340	410,340	-	8,911	-	8,911
70	1,042,038	319,827	319,827	-	6,568	-	6,568
71	773,061	245,798	245,798	-	4,773	-	4,773
72	564,746	186,095	186,095	-	3,417	-	3,417
73	405,849	138,641	138,641	-	2,407	-	2,407
74	286,614	101,510	101,510	-	1,667	-	1,667
75	198,707	72,979	72,979	-	1,133	-	1,133
76	135,084	51,473	51,473	-	756	-	756
77	89,919	35,557	35,557	-	494	-	494
78	58,524	24,017	24,017	-	315	-	315
79	37,191	15,840	15,840	-	197	-	197
80	23,041	10,192	10,192	-	120	-	120
81	13,885	6,384	6,384	-	71	-	71
82	8,118	3,886	3,886	-	41	-	41
83	4,589	2,287	2,287	-	23	-	23
84	2,501	1,298	1,298	-	12	-	12
85	1,310	706	706	-	6	-	6
86	659	363	363	-	3	-	3
87	324	181	181	-	1	-	1
88	156	91	91	-	1	-	1
89	72	47	47	-	-	-	-
90	28	24	24	-	-	-	-
91	5	5	5	-	-	-	-
92	-	-	-	-	-	-	-
93	-	-	-	-	-	-	-
94	-	-	-	-	-	-	-
95	-	-	-	-	-	-	-
96	-	-	-	-	-	-	-
97	-	-	-	-	-	-	-
98	-	-	-	-	-	-	-
99	-	-	-	-	-	-	-
100	-	-	-	-	-	-	-
<b>Totals</b>					<b>\$ 354,534,656</b>	<b>\$ -</b>	<b>\$ 354,534,656</b>



## Projection of Plan Net Position and Benefit Payments



## **SECTION H**

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### **GLOSSARY OF TERMS**

## Glossary of Terms

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

## Glossary of Terms

<b><i>Amortization Method</i></b>	The method used to determine the periodic amortization payment may be a level dollar amount, or a level percent of pay amount. The period will typically be expressed in years, and the method will either be “open” (meaning, reset each year) or “closed” (the number of years remaining will decline each year).
<b><i>Amortization Payment</i></b>	The amortization payment is the periodic payment required to pay off an interest-discounted amount with payments of interest and principal.
<b><i>Cost-of-Living Adjustments</i></b>	Postemployment benefit changes intended to adjust benefit payments for the effects of inflation.
<b><i>Cost-Sharing Multiple-Employer Defined Benefit Pension Plan (cost-sharing pension plan)</i></b>	A multiple-employer defined benefit pension plan in which the pension obligations to the employees of more than one employer are pooled and pension plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.
<b><i>Covered-Employee Payroll</i></b>	The payroll of covered employees, which is typically only the pensionable pay and does not include pay above any pay cap.
<b><i>Deferred Retirement Option Program (DROP)</i></b>	A program that permits a plan member to elect a calculation of benefit payments based on service credits and salary, as applicable, as of the DROP entry date. The plan member continues to provide service to the employer and is paid for the service by the employer after the DROP entry date; however, the pensions that would have been paid to the plan member are credited to an individual member account within the defined benefit pension plan until the end of the DROP period. Other variations for DROP exist and will be more fully detailed in the plan provision section of the valuation report.
<b><i>Deferred Inflows and Outflows</i></b>	The deferred inflows and outflows of pension resources are amounts used under GASB Statement No. 68 in developing the annual pension expense. Deferred inflows and outflows arise with differences between expected and actual experiences; changes of assumptions. The portion of these amounts not included in pension expense should be included in the deferred inflows or outflows of resources.
<b><i>Discount Rate</i></b>	For GASB purposes, the discount rate is the single rate of return that results in the present value of all projected benefit payments to be equal to the sum of the funded and unfunded projected benefit payments, specifically: <ol style="list-style-type: none"><li>1. The benefit payments to be made while the pension plan’s fiduciary net position is projected to be greater than the benefit payments that are projected to be made in the period; and</li><li>2. The present value of the benefit payments not in (1) above, discounted using the municipal bond rate.</li></ol>



## Glossary of Terms

<b><i>Entry Age Actuarial Cost Method (EAN)</i></b>	The EAN is a funding method for allocating the costs of the plan between the normal cost and the accrued liability. The actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis (either level dollar or level percent of pay) over the earnings or service of the individual between entry age and assumed exit age(s). The portion of the actuarial present value allocated to a valuation year is the normal cost. The portion of this actuarial present value not provided for at a valuation date by the actuarial present value of future normal costs is the actuarial accrued liability. The sum of the accrued liability plus the present value of all future normal costs is the present value of all benefits.
<b><i>Fiduciary Net Position</i></b>	The fiduciary net position is the value of the assets of the trust.
<b><i>GASB</i></b>	The Governmental Accounting Standards Board is an organization that exists in order to promulgate accounting standards for governmental entities.
<b><i>Long-Term Expected Rate of Return</i></b>	The long-term rate of return is the expected return to be earned over the entire trust portfolio based on the asset allocation of the portfolio.
<b><i>Money-Weighted Rate of Return</i></b>	The money-weighted rate of return is a method of calculating the returns that adjusts for the changing amounts actually invested. For purposes of GASB Statement No. 67, money-weighted rate of return is calculated as the internal rate of return on pension plan investments, net of pension plan investment expense.
<b><i>Multiple-Employer Defined Benefit Pension Plan</i></b>	A multiple-employer plan is a defined benefit pension plan that is used to provide pensions to the employees of more than one employer.
<b><i>Municipal Bond Rate</i></b>	The Municipal Bond Rate is the discount rate to be used for those benefit payments that occur after the assets of the trust have been depleted.
<b><i>Net Pension Liability (NPL)</i></b>	The NPL is the liability of employers and non-employer contribution entities to plan members for benefits provided through a defined benefit pension plan.
<b><i>Non-Employer Contribution Entities</i></b>	Non-employer contribution entities are entities that make contributions to a pension plan that is used to provide pensions to the employees of other entities. For purposes of the GASB Accounting statement plan members are not considered non-employer contribution entities.
<b><i>Normal Cost</i></b>	The actuarial present value of the pension trust benefits allocated to the current year by the actuarial cost method.

## Glossary of Terms

<b><i>Other Postemployment Benefits (OPEB)</i></b>	All postemployment benefits other than retirement income (such as death benefits, life insurance, disability, and long-term care) that are provided separately from a pension plan, as well as postemployment healthcare benefits regardless of the manner in which they are provided. Other post-employment benefits do not include termination benefits.
<b><i>Real Rate of Return</i></b>	The real rate of return is the rate of return on an investment after adjustment to eliminate inflation.
<b><i>Service Cost</i></b>	The service cost is the portion of the actuarial present value of projected benefit payments that is attributed to a valuation year.
<b><i>Total Pension Expense</i></b>	The total pension expense is the sum of the following items that are recognized at the end of the employer’s fiscal year: <ol style="list-style-type: none"><li>1. Service Cost</li><li>2. Interest on the Total Pension Liability</li><li>3. Current-Period Benefit Changes</li><li>4. Employee Contributions (made negative for addition here)</li><li>5. Projected Earnings on Plan Investments (made negative for addition here)</li><li>6. Pension Plan Administrative Expense</li><li>7. Other Changes in Plan Fiduciary Net Position</li><li>8. Recognition of Outflow (Inflow) of Resources due to Liabilities</li><li>9. Recognition of Outflow (Inflow) of Resources due to Assets</li></ol>
<b><i>Total Pension Liability (TPL)</i></b>	The TPL is the portion of the actuarial present value of projected benefit payments that is attributed to past periods of member service.
<b><i>Unfunded Actuarial Accrued Liability (UAAL)</i></b>	The UAAL is the difference between actuarial accrued liability and valuation assets.
<b><i>Valuation Assets</i></b>	The valuation assets are the assets used in determining the unfunded liability of the plan. For purposes of the GASB Statement No. 67, the valuation asset is equal to the market value of assets.



November 12, 2020

Mr. Duncan Baird  
Executive Director  
Arkansas Judicial Retirement System  
One Union National Plaza  
124 West Capitol, Suite 400  
Little Rock, Arkansas 72201

Dear Duncan:

Please find enclosed fifteen copies of the June 30, 2020 GASB Statement Nos. 67 and 68 Accounting and Financial Reporting for Pensions report of the Arkansas Judicial Retirement System.

Sincerely,

A handwritten signature in black ink that reads "Mita Drazilov". The signature is written in a cursive, flowing style.

Mita D. Drazilov, ASA, FCA, MAAA

MDD:sc  
Enclosures