

***JUDGES, FAMILY SUPPORT MAGISTRATES,  
AND COMPENSATION COMMISSIONERS  
RETIREMENT SYSTEM***

***ACTUARIAL VALUATION  
JUNE 30, 2006***



**Milliman**

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November 3, 2006

State of Connecticut  
State Employees Retirement Commission  
55 Elm Street  
Hartford, CT 06106

Re: Connecticut State Judges, Family Support Magistrates, and Compensation  
Commissioners Retirement System July 1, 2006 Actuarial Valuation

Members of the Commission:

At your request, we have made a full actuarial valuation of the Connecticut State Judges, Family Support Magistrates, and Compensation Commissioners Retirement System as of July 1, 2006. The results of the valuation are contained in the following report.

Section I contains an Executive Summary in which we present the principal results of this valuation. Details regarding System assets and liabilities are found in Sections II and III, respectively. The Appendices contain information regarding System membership, an outline of the benefit provisions, and a description of the actuarial methods and assumptions employed in this valuation.

The recommended Employer contribution is \$13,433,610 for the fiscal year beginning July 1, 2007 and \$14,172,454 for the fiscal year beginning July 1, 2008.

Respectfully submitted,

Rebecca A. Sielman, F.S.A.

Principal and Consulting Actuary

RAS/cyg 10 CSJ2006Val&Report

# JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM

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*SECTION I*

*EXECUTIVE SUMMARY*

**JUDGES, FAMILY SUPPORT MAGISTRATES, AND  
COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

We have performed an actuarial valuation of the Connecticut State Judges, Family Support Magistrates, and Compensation Commissioners Retirement System as of June 30, 2006 to determine the contributions for the Fiscal Years beginning July 1, 2007 and July 1, 2008. The results of this valuation, along with supporting data, are set forth in the following report.

Milliman's work product was prepared exclusively for the System for a specific and limited purpose. It is a complex, technical analysis that assumes a high level of knowledge concerning the System's operations, and uses the System's data, which Milliman has not audited. It is not for the use or benefit of any third party for any purpose. Any third party recipient of Milliman's work product who desires professional guidance should not rely upon Milliman's work product, but should engage qualified professionals for advice appropriate to its own specific needs.

In preparing this report, we relied without audit on employee census data and financial information as of the valuation date, furnished by the State of Connecticut. This information includes, but is not limited to, statutory provisions, employee data, and financial information. In our examination of these data, we have found them to be reasonably consistent and comparable with data used for other purposes. Since the valuation results are dependent on the integrity of the data supplied, the results can be expected to differ if the underlying data is incomplete or missing. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised. If there are material defects in the data, it is possible that they 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.

The calculations reported herein have been made on a basis consistent with our understanding of the Connecticut General Statutes with guidance from the Retirement Commission. Additional determinations may be needed for purposes other than meeting funding requirements, such as judging benefit security at plan termination or meeting employer accounting requirements.

On the basis of the foregoing, 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 based on actuarial assumptions and methods adopted by the System. Differences between our projections and actual amounts depend on the extent to which future experience conforms to the assumptions made for this analysis. Actual experience will not conform exactly to the assumptions made for this analysis. Actual amounts will differ from projected amounts to the extent that actual experience deviates from expected experience.

**JUDGES, FAMILY SUPPORT MAGISTRATES, AND  
COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

This report may not be used for purposes other than those listed on the following page without Milliman's prior written consent. If this report is distributed to other parties, we request that it be copied in its entirety, including this section.

We are members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

MILLIMAN INC.

November 3, 2006



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Rebecca A. Sielman, F.S.A.

Principal and Consulting Actuary

# **JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

## **EXECUTIVE SUMMARY PURPOSE OF REPORT**

Starting with the June 30, 1998 valuation, complete actuarial valuations are performed only every other year. This report presents the results of the June 30, 2006 full actuarial valuation of the Connecticut State Judges, Family Support Magistrates, and Compensation Commissioners Retirement System. The primary purposes for performing the valuation are:

- to determine the Employer contribution for the Fiscal Year beginning July 1, 2007;
- to determine the Employer contribution for the Fiscal Year beginning July 1, 2008;
- to disclose asset and liability measures as of June 30, 2006; and
- to analyze and report on trends in System assets and liabilities over the past several years.

## **ORGANIZATION OF THE EXECUTIVE SUMMARY**

The executive summary contains the following information:

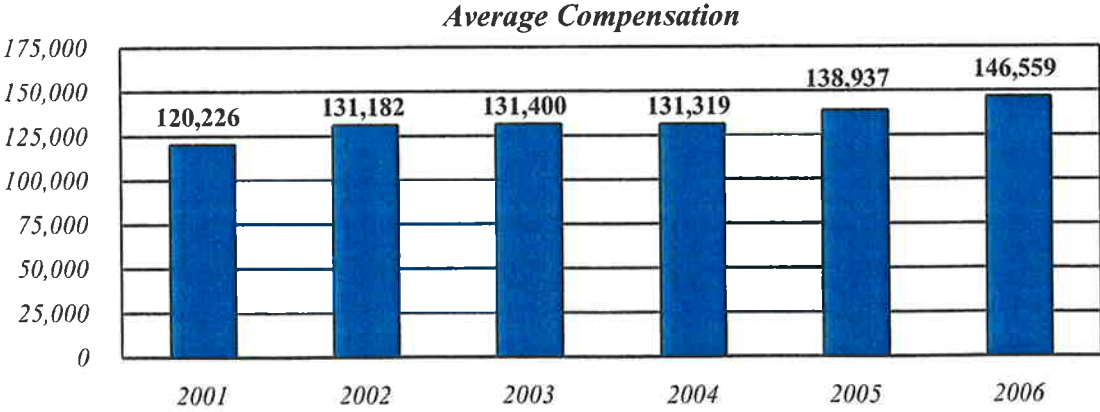
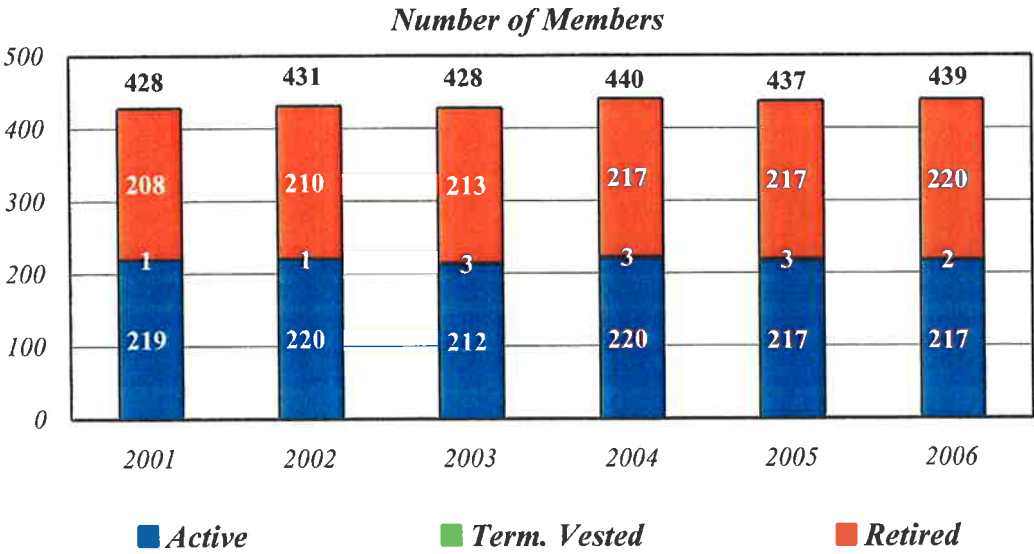
- **Highlights...** shows graphically, key results for several years.
- **Discussion of Results...** highlights the major events influencing this valuation.
- **Principal Results...** contains a summary of comparative statistics for the current and prior valuations.

# JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM

## EXECUTIVE SUMMARY HIGHLIGHTS

### Participants

The number of System members is summarized in the first graph below. The membership of the System increased slightly. The second graph below shows historical average compensation figures.



More statistics on System membership can be found in Appendix A.



# JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM

## EXECUTIVE SUMMARY HIGHLIGHTS

### Assets

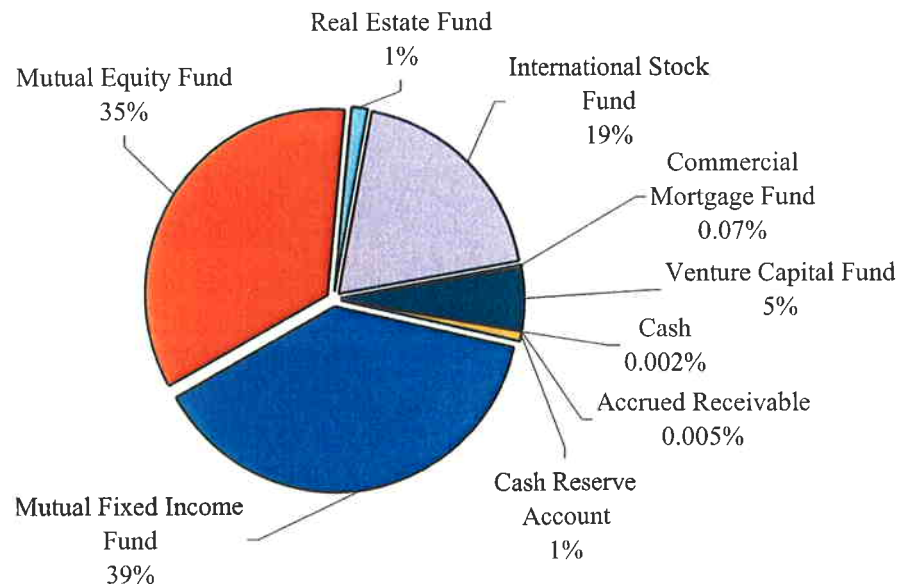
The performance of the fund from June 30, 2005 through June 30, 2006 was strong, reflecting market conditions for the period. The Market Value of Assets as of June 30, 2006 was \$164,193,044 compared to \$152,712,773 as of June 30, 2005.

The approximate rate of return on a market value basis was 9.44%, compared to 9.75% for the prior year.

As part of the valuation process, we smooth market fluctuations to determine the Actuarial Value of Assets. The Actuarial Value of Assets as of June 30, 2006 was \$169,666,234 compared to \$160,322,228 as of June 30, 2005.

During 2005-06 the State made contributions totaling \$11,730,025. In addition, member contributions of \$1,490,884 were received. This cash inflow was less than the cash outflow of \$16,027,706 in benefit payments, refunds and expenses.

The plan held investments on June 30, 2006 as follows:



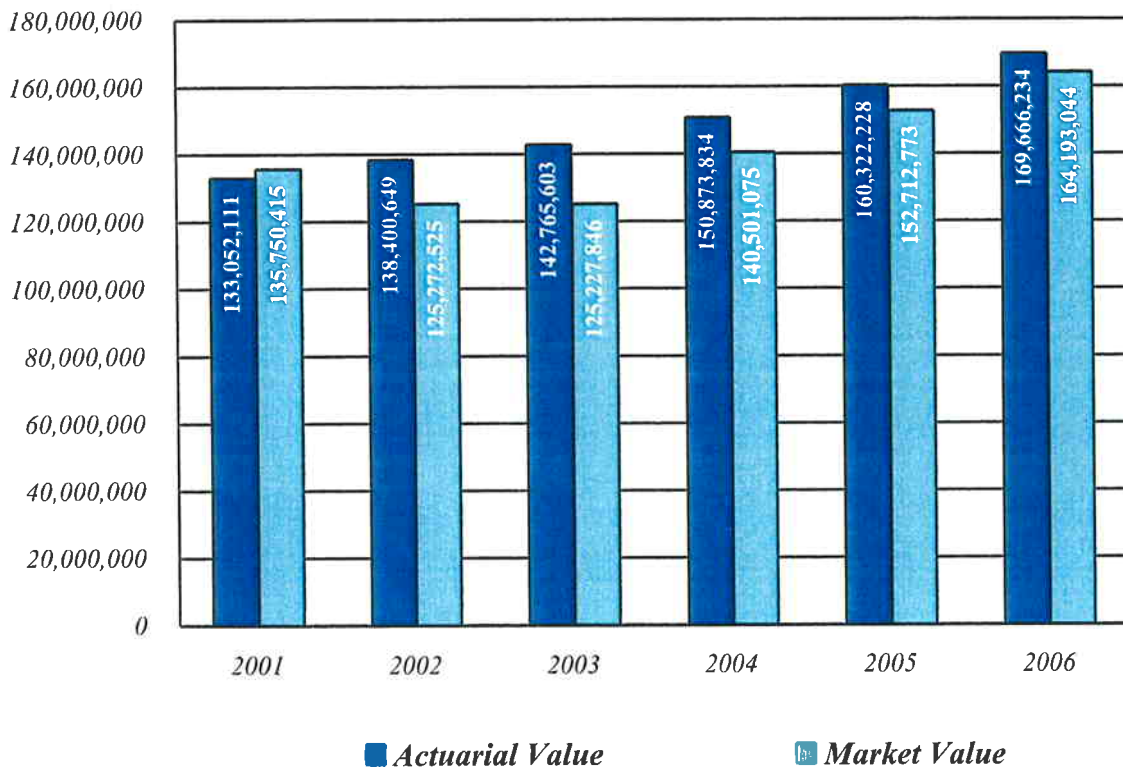
More details on the plan assets can be found in Section II.

# JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM

## EXECUTIVE SUMMARY HIGHLIGHTS

### Assets (continued)

Historical information on the level of System assets is shown below:



# **JUDGES, FAMILY SUPPORT MAGISTRATES, AND COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

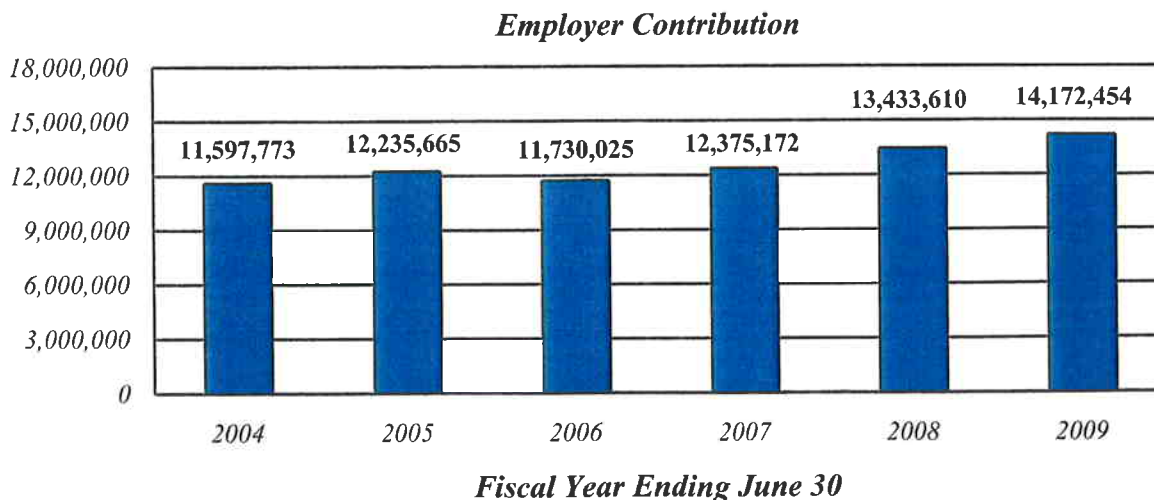
## **EXECUTIVE SUMMARY HIGHLIGHTS**

### Contributions

The primary purpose of our actuarial valuation is to take the asset and membership information discussed on the previous pages, apply our actuarial methods and assumptions, and determine a contribution amount that will continue the System on a sound funding basis. The resulting contributions for the two fiscal years in the coming biennial budget cycle are:

<i>(\$ millions)</i>	<i>Fiscal Year</i>	
	<i>July 1, 2007 to June 30, 2008</i>	<i>July 1, 2008 to June 30, 2009</i>
Employer Normal Cost	\$8,704,772	\$9,183,530
Net Amortization Payment Towards Unfunded Actuarial Accrued Liability	4,728,838	4,988,924
Total Employer Cost	13,433,610	14,172,454
Total Employer Cost as a Percent of Payroll	42.2%	42.2%

More details on the development of the contributions and the allocation of the contributions to the three groups covered by the System can be found in Section IV. Historical contribution amounts are shown below.



**JUDGES, FAMILY SUPPORT MAGISTRATES, AND  
COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

**EXECUTIVE SUMMARY  
PRINCIPAL RESULTS**

	<i>As of June 30, 2004</i>	<i>As of June 30, 2005</i>	<i>As of June 30, 2006</i>
<b><i>Membership</i></b>			
<b>Active Membership</b>			
Number of Members	220	217	217
Payroll	\$28,890,267	\$30,149,222	\$31,803,233
Average Pay	131,319	138,937	146,559
<b>Inactive Membership</b>			
Number of Inactive Members	220	220	222
Annual Retired Members Benefits	\$14,496,210	\$15,455,979	\$16,430,182
Avg. Annual Retired Members Benefits	66,803	71,226	74,683
<b><i>Assets and Liabilities</i></b>			
<b>Assets</b>			
Market Value	\$140,501,075	\$152,712,773	\$164,193,044
Actuarial Value	150,873,834	160,322,228	169,666,234
<b>Actuarial Accrued Liability</b>			
Inactive Members	\$139,262,212	\$146,964,451	\$153,501,597
Active Members	80,586,472	88,042,833	93,369,898
Total Actuarial Accrued Liability	219,848,684	235,007,284	246,871,495
Unfunded Actuarial Accrued Liability	68,974,850	74,685,056	77,205,261
<b><i>Employer Contribution</i></b>			
First fiscal year in budget cycle	<b><i>FY 2005-06</i></b>		<b><i>FY 2007-08</i></b>
Normal Cost	\$7,732,397		\$8,704,772
Amortization Payment of Unfunded Liability	3,997,628		4,728,838
Total Employer Contribution	11,730,025		13,433,610
Total Contribution as a Percent of Payroll	40.6%		42.2%
Second fiscal year in budget cycle	<b><i>FY 2006-07</i></b>		<b><i>FY 2008-09</i></b>
Normal Cost	\$8,157,675		\$9,183,530
Amortization Payment of Unfunded Liability	4,217,497		4,988,924
Total Employer Contribution	12,375,172		14,172,454
Total Contribution as a Percent of Payroll	40.6%		42.2%

**SECTION II**

***ASSETS***

**JUDGES, FAMILY SUPPORT MAGISTRATES, AND  
COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

**SYSTEM ASSETS  
Table II-1**

**Summary of Fund Transactions**

	<i>July 1, 2004 to June 30, 2005</i>	<i>July 1, 2005 to June 30, 2006</i>
<b>Market Value as of July 1</b>	\$140,501,075	\$152,712,773
<b>Contributions</b>		
State	12,235,665	11,730,025
Employee	1,430,192	1,490,884
Total	13,665,857	13,220,909
<b>Investment Income</b>		
Interest and Dividends	6,070,208	5,957,421
Accounts Receivable	0	0
Realized Gains	(2,784)	150,479
Change in Unrealized Gains	7,580,782	8,179,168
Total	13,648,206	14,287,068
<b>Disbursements</b>		
Annuity Payments	15,084,905	15,893,207
Operating Expenses	17,460	(530)
Employee Refunds	0	135,029
Total	15,102,365	16,027,706
<b>Market Value as of June 30</b>	152,712,773	164,193,044
<b>Approximate Rate of Return</b>	9.75%	9.44%

**JUDGES, FAMILY SUPPORT MAGISTRATES, AND  
COMPENSATION COMMISSIONERS RETIREMENT SYSTEM**

**SYSTEM ASSETS**

*Table II-2*

**Breakdown of Investments**

The following is the Market Value of the Retirement Fund assets as reported to us by the Retirement Division:

	<b><i>Amount</i></b>	<b><i>% of Total</i></b>
Cash	\$3,099.27	0.00%
Accrued Receivable	7,617.89	0.00%
Cash Reserve Account	1,313,786.80	0.80%
Mutual Fixed Income Fund	63,195,752.00	38.49%
Mutual Equity Fund	56,723,992.44	34.55%
Real Estate Fund	2,336,456.81	1.42%
International Stock Fund	31,674,145.02	19.29%
Commercial Mortgage Fund	107,899.15	0.07%
Venture Capital Fund	8,830,295.23	5.38%
<b>Total Investments</b>	<b>164,182,327.45</b>	<b>100.00%</b>
<b>Market Value of Assets as of June 30, 2006</b>	<b>164,193,044.61</b>	<b>100.00%</b>