

Judges' Retirement System

Actuarial Valuation as of June 30, 2023

Required Contributions for Fiscal Year

July 1, 2024, through June 30, 2025

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Actuarial Certification



February 2024

To the best of our knowledge, this report is complete and accurate and contains sufficient information to disclose, fully and fairly, the funded condition of the Judges' Retirement System, and satisfies the actuarial valuation requirements of Government Code section 7504. This valuation and related validation work was performed by the CalPERS Actuarial Office and is based on the member and financial data as of June 30, 2023, provided by the various CalPERS databases and the benefits under the Judges' Retirement Law as of the date this report was produced.

It is our opinion that the valuation has been performed in accordance with generally accepted actuarial principles, in accordance with the standards of practice prescribed by the Actuarial Standards Board, and that the assumptions and methods, as prescribed by the CalPERS Board of Administration, are internally consistent and reasonable for this plan.

The undersigned are actuaries who satisfy the *Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States* with regard to pensions.

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Highlights and Executive Summary

Introduction

This is the actuarial valuation report as of June 30, 2023 for the Judges' Retirement System (System). The actuarial valuation is used to recommend the fiscal year 2024-25 employer contributions. The System provides retirement and ancillary benefits to judges elected or appointed prior to November 9, 1994. The employer and member contribution rates for the plan are set by State statute and are each equal to 8% of payroll. The State currently funds the System using a pay-as-you-go approach since the 8% of payroll contributions made by both the State and members are not adequate to meet the System's current benefit payouts.

Purpose of Report

This report documents the results of the actuarial valuation prepared by the CalPERS Actuarial Office using data as of June 30, 2023. The purpose of the valuation is to:

- Set forth the assets and accrued liabilities of the System as of June 30, 2023;
- Provide expected benefit payouts and funding alternatives; and
- Provide actuarial information as of June 30, 2023, to the CalPERS Board of Administration (board) and other interested parties.

The pension funding information presented in this report should not be used in financial reports subject to Governmental Accounting Standards Board (GASB) Statement No. 68 for an Agent Employer Defined Benefit Pension Plan. A separate accounting valuation report for such purposes is available on the CalPERS website. The measurements shown in this actuarial valuation may not be applicable for other purposes. The agency should contact a CalPERS actuary before disseminating any portion of this report for any reason that is not explicitly described above.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; changes in actuarial policies; and changes in plan provisions or applicable law.

Assessment and Disclosure of Risk

This report includes the following risk disclosures consistent with the recommendations of Actuarial Standards of Practice No. 51 and recommended by the California Actuarial Advisory Panel (CAAP) in the Model Disclosure Elements document that would be applicable to a pay-as-you-go plan:

- A "Sensitivity Analysis," showing the impact on current valuation results using alternative discount rates of 2% and 4% and inflation rates of 1.3% and 3.3%.
- A "Sensitivity Analysis," showing the impact on current valuation results assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions adopted in 2021. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

Highlights and Executive Summary

Employer Contribution

The State contributes to the plan on a pay-as-you-go basis. In other words, member contributions plus employer contributions are designed to cover only benefit payments and expenses each year, with nothing left over for pre-funding. A pay-as-you-go approach is easy to understand. However, from an accounting viewpoint, pensions in the aggregate are considered a form of deferred wages and should generally be charged over the period of employment. Also, from the member's point of view, it is generally not satisfactory that their future benefit payments are dependent upon the continued willingness and ability of the employer to cover the benefit payments each year.

Pay-As-You-Go Employer Contributions

A comparison of the pay-as-you-go costs reduced by expected member contributions for the prior and current valuation is shown below.

| | Fiscal Year 2023-24 | Fiscal Year 2024-25 |
|--|------------------------|------------------------|
| Estimated Employer Pay-as-You-Go Cost (PAYG) | \$204,705,398 | \$200,376,273 |

The average expected remaining service for current actives is approximately 5.5 years. Some believe that pensions should be funded over a period similar to the remaining service life. CalPERS recognizes that making contributions equal to the entire Unfunded Actuarial Liability (UAL) within 6 years is potentially not realistic at this time. However, the lack of any accumulation of assets remains a serious concern. Advance funding of the System's benefits enables the pension assets to grow with investment earnings and would reduce future contribution requirements needed on a pay-as-you-go basis. It is recommended that the State consider some form of advanced funding.

Prefunded Employer Contributions

In the following table, we have shown three possible funding amounts, equal to the Normal Cost plus a 15-year, a 10-year and a 5-year level dollar amortization of the UAL, in addition to the PAYG amount. We recommend a 10-year or shorter amortization, since most, if not all, active members would be expected to retire within that time and the duration of benefit payments is 9.6. We have also shown the expected total amount of payments expected to be made over the life of the plan under each scenario. This demonstrates the amount of savings that can be realized when assets are invested.

Prefunded Employer Contributions

| | Pay-as-You-Go | Fiscal Year 2024-25 | | |
|--|----------------------|-------------------------------------|-------------------------------------|------------------------------------|
| | | Funding, 15-Year Amortization | Funding, 10-Year Amortization | Funding, 5-Year Amortization |
| Total Normal Cost | N/A | \$9,707,802 | \$9,707,802 | \$9,707,802 |
| Less Estimated Employee Contributions | N/A | (1,316,982) | (1,316,982) | (1,316,982) |
| Unfunded Accrued Liability Payment | N/A | 206,263,334 | 288,663,510 | 537,667,190 |
| Total Annual | \$200,376,273 | \$214,654,154 | \$297,054,330 | \$546,058,010 |
| Expected Total Payout over the Life of the Plan (Employer and Employee costs including the estimated PAYG costs for fiscal year 2023-24) | \$3,712,463,167 | \$3,359,667,770 | \$3,152,352,860 | \$2,954,053,708 |

CalPERS is ready to work with the Administration in establishing an acceptable advance-funding basis that satisfies both the recommendation for advanced funding and current fiscal limitations. The funding schedules above are based on a 3% discount rate. This 3% discount rate used in the valuation represents an expected return on a fixed income portfolio consistent with the capital market assumptions used by CalPERS in its most recent Asset Liability Management review.

Highlights and Executive Summary

Funded Status

The table below summarizes the funded status of the Judges' Retirement System as of June 30, 2023, and the prior valuation year.

| | June 30, 2022 | June 30, 2023 |
|--|------------------------|------------------------|
| 1) Present Value of Projected Benefits | \$2,885,084,886 | \$2,731,464,655 |
| 2) Entry Age Accrued Liability (also the LDROM) | 2,805,415,585 | 2,667,952,335 |
| 3) Market Value of Assets (MVA) | 52,709,366 | 50,015,399 |
| 4) Unfunded Accrued Liability [(2) - (3)] | \$2,752,706,219 | \$2,617,936,936 |
| 5) Funded Ratio [(3) / (2)] | 1.9% | 1.9% |

The Unfunded Accrued Liability and funded ratio are assessments of the need for future employer contributions based on the actuarial cost method used to fund the plan. The Unfunded Accrued Liability, if positive, is the present value of future employer contributions for service that has already been earned and is in addition to future normal cost contributions for active members.

The funded ratio, on the other hand, is a relative measure of funded status that allows for comparison between plans of different sizes. The funded ratio is not appropriate for assessing the sufficiency of plan assets to cover the estimated cost of settling the employer's benefit obligations.

Actuarial Standard of Practice (ASOP) No. 4, Measuring Pension Obligations and Determining Pension Plan Costs or Contributions, requires the disclosure of a low-default-risk obligation measure (LDROM) of benefit costs accrued as of the valuation date using a discount rate based on the yields of high-quality fixed income securities with cash flows that replicate expected benefit payments. Conceptually, this measure represents the level at which financial markets would value the accrued plan costs, and would be approximately equal to the cost of a portfolio of low-default-risk bonds with similar financial characteristics to accrued plan costs.

As permitted in ASOP No. 4, the Actuarial Office uses the Entry Age Actuarial Cost Method to calculate the LDROM. This methodology is in line with the measure of "benefit entitlements" calculated by the Bureau of Economic Analysis (BEA) and used by the Federal Reserve to report the indebtedness due to pensions of plan sponsors and, conversely, the household wealth due to pensions of plan members. Since the Entry Age Accrued Liability above is calculated using a discount rate derived from low-default-risk fixed income securities, it is the actuary's opinion that the Entry Age Accrued Liability shown above satisfies the disclosure requirement of the LDROM as defined by ASOP No. 4.

Benefit security for members of the plan relies on a combination of the assets in the plan, the investment income generated from those assets, and the ability of the plan sponsor to make necessary future contributions. The funded status above is not appropriate for assessing the need for future contributions, since the plan is funded on a pay-as-you-go basis and expected future contributions depend only on expected future benefit payments and do not depend on the actuarial cost method, the funded status or the discount rate.

Highlights and Executive Summary

Changes Since Prior Year's Valuation

Benefits

There are no significant changes to benefits for the June 30, 2023, actuarial valuation.

Actuarial Methods and Assumptions

There are no significant changes to actuarial methods or assumptions for the June 30, 2023 actuarial valuation.

A complete description of the actuarial methods and assumptions used in the June 30, 2023 valuation may be found in Appendix A of this report.

Plan Provisions

No changes were made since the prior valuation. A complete description of the principal plan provisions used in the June 30, 2023 valuation may be found in Appendix B of this report.

Subsequent Events

This actuarial valuation report reflects fund investment return through June 30, 2023 and statutory/regulatory changes and board actions through January 2024.

During the time period between the valuation date and the publication of this report, inflation has been higher than the expected inflation of 2.3% per annum. Since inflation influences cost-of-living increases for retirees and beneficiaries and active member pay increases, higher inflation is likely to put at least some upward pressure on contribution requirements and downward pressure on the funded status in the June 30, 2024 valuation. The actual impact of higher inflation on future valuation results will depend on, among other factors, how long higher inflation persists. At this time, we continue to believe the long-term inflation assumption of 2.3% is appropriate.

To the best of our knowledge, there have been no other subsequent events that could materially affect current or future certifications rendered in this report.

Assets

8 Reconciliation of the Market Value of Assets

8 Asset Allocation

Assets

Reconciliation of the Market Value of Assets

The following displays the change in the Market Value of Assets from the prior valuation date to June 30, 2023.

| Changes | Market Value |
|---|---------------------|
| Beginning Balance as of June 30, 2022. | \$52,709,366 |
| Prior Period Adjustment | 0 |
| Adjusted Beginning Balance as of June 30, 2022. | 52,709,366 |
| Contributions (Employer plus Employee) | 4,069,044 |
| Other Income | 3,027,980 |
| Transfer from General Fund | 206,413,000 |
| Investment Income ¹ | 2,233,310 |
| Contribution Refund | 0 |
| Administrative Costs | (2,166,448) |
| Benefit Payments | (216,270,854) |
| Ending Balance as of June 30, 2023. | \$50,015,399 |

(1) Net Fund return for the FY 2022- 23 is 4.45%

Asset Allocation

The asset allocation shown below reflects the allocation of the Judges' Retirement Fund (JRF) as of June 30, 2023. The asset allocation was approved by the Board of Administration at the March 2022 Investment Committee Meeting.

| Asset Allocation | Current Allocation (%) | Policy Weight (%) |
|------------------|------------------------|-------------------|
| Cash | 100.0% | 100.0% |
| Total JRF | 100.0% | 100.0% |

Liabilities and Employer Contributions

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Liabilities and Required Employer Contributions

Comparison of Current and Prior Year Results

Shown below are the comparisons of key valuation results for the current valuation date compared to corresponding values from the prior valuation date.

| | June 30, 2022 | June 30, 2023 |
|---|------------------------|------------------------|
| 1) Members Included in the Valuation | | |
| a) Active Members | 99 | 80 |
| b) Deferred Vested Separated Members & QDRO's | 2 | 0 |
| c) Receiving Payments | 1,647 | 1,609 |
| d) Total Members Included in the Valuation | 1,748 | 1,689 |
| 2) Payroll | | |
| a) Covered Annual Payroll | \$23,354,332 | \$19,330,022 |
| b) Projected Covered Annual Payroll | 20,082,887 | 16,462,272 |
| c) Average Covered Annual Payroll [(2a) / (1a)] | 235,902 | 241,625 |
| 3) Age and Service for Actives | | |
| a) Average Attained Age for Actives | 74.59 | 75.51 |
| b) Average Service for Actives | 33.77 | 35.07 |
| c) Average Future Service for Actives | 5.76 | 5.51 |
| 4) Present Value of Benefits at Valuation Date | | |
| a) Active Members | \$235,154,877 | \$190,660,030 |
| b) Deferred Vested Separated Members & QDRO's | 4,887,123 | 0 |
| c) Receiving Benefits | 2,645,042,886 | 2,540,804,625 |
| d) Total Present Value of Benefits at Valuation Date | \$2,885,084,886 | \$2,731,464,655 |
| 5) Present Value of Future Normal Costs at Valuation Date | | |
| a) Member Contributions | \$10,833,880 | \$8,580,006 |
| b) Employer Normal Costs | 68,835,421 | 54,932,314 |
| 6) Unfunded Accrued Actuarial Liability | | |
| a) Accrued Actuarial Liability | | |
| i. Active Members | \$155,485,576 | \$127,147,710 |
| ii. Deferred Vested Separated Members & QDRO's | 4,887,123 | 0 |
| iii. Receiving Benefits | 2,645,042,886 | 2,540,804,625 |
| iv. Total Accrued Actuarial Liability | \$2,805,415,585 | \$2,667,952,335 |
| b) Assets (Market Value) | 52,709,366 | 50,015,399 |
| c) Unfunded Actuarial Liability [(6 a iv) – (6b)] | 2,752,706,219 | 2,617,936,936 |
| d) Funded Ratio [(6b) / (6 a iv)] | 1.9% | 1.9% |
| 7) Normal Cost | \$11,754,513 | \$9,707,802 |
| 8) Employer Contributions | | |
| a) Recommended 10-Year Funding | | |
| i. Normal Cost | \$11,754,513 | \$9,707,802 |
| ii. Estimated Employee Contributions | 1,606,631 | 1,316,982 |
| iii. Payment on Unfunded Liability | 305,661,614 | 288,663,510 |
| iv. Total Recommended Employer Contribution [(8 a i) – (8 a ii) + (8 a iii)] | \$315,809,496 | \$297,054,330 |
| b) Estimated Pay-as-You-Go Costs (PAYG) | | |
| i. Estimated Benefit Payments | \$206,312,029 | \$201,693,255 |
| ii. Estimated Employee Contributions | 1,606,631 | 1,316,982 |
| iii. Estimated Employer Contributions [(8 b i) – (8 b ii)] | \$204,705,398 | \$200,376,273 |

Liabilities and Required Employer Contributions

(Gain)/Loss Analysis

To calculate the cost requirements of the plan, assumptions are made about future events that affect the amount and timing of benefits to be paid and assets to be accumulated. Each year, actual experience is compared to the expected experience based on the actuarial assumptions. This results in actuarial gains or losses, as shown below.

| 1) Total (Gain)/Loss for the Year | Amount |
|---|-----------------------|
| a)Unfunded Accrued Liability (UAL) as of 6/30/2022 | \$2,752,706,219 |
| b)Expected Pay as You Go Excluding Normal Cost | 192,950,885 |
| c)Interest through 6/30/23 $[0.03 \times 1a - ((1.03)^{1/2} - 1) \times 1b]$ | 86,421,554 |
| d)Expected UAL Before All Other Changes $[1a - 1b + 1c]$ | 2,646,176,888 |
| e)Change Due to Revised Actuarial Methods | 0 |
| f)Change Due to New Actuarial Assumptions | 0 |
| g)Expected UAL After All Changes $[1d + 1e + 1f]$ | 2,646,176,888 |
| h)Actual Unfunded Accrued Liability as of 6/30/2023 | 2,617,936,936 |
| i) Total (Gain)/Loss for FY 2022-23 [1h - 1g] | (\$28,239,952) |
| | |
| 2) Contribution (Gain)/Loss for the Year | Amount |
| a)Expected Contribution (Employer and Employee) | \$200,230,820 |
| b)Interest on Expected Contributions $[((1.03)^{1/2} - 1) \times 2a]$ | 2,981,268 |
| c)Actual Contribution | 210,482,044 |
| d)Interest on Actual Contributions $[((1.03)^{1/2} - 1) \times 2c]$ | 3,133,900 |
| e)Contribution (Gain)/Loss $[(2a + 2b) - (2c + 2d)]$ | (\$10,403,856) |
| | |
| 3) Asset (Gain)/Loss for the Year | Amount |
| a)Market Value of Assets as of 6/30/2022 | \$52,709,366 |
| b)Contributions Received | 210,482,044 |
| c)Benefits and Refunds Paid | (216,270,854) |
| d)Transfers, SCP, and Miscellaneous Adjustments | 3,027,980 |
| e)Expected Interest $[0.03 \times 3a + ((1.03)^{1/2} - 1) \times (3b + 3c + 3d)]$ | 1,540,175 |
| f)Expected Assets as of 6/30/2023 $[3a + 3b + 3c + 3d + 3e]$ | 51,488,712 |
| g)Actual Market Value of Assets as of 6/30/2023 | 50,015,399 |
| h)Asset (Gain)/Loss $[3f - 3g]$ | \$1,473,313 |
| | |
| 4) Liability (Gain)/Loss for the Year | Amount |
| a)Total (Gain)/Loss (1i) | (\$28,239,952) |
| b)Contribution (Gain)/Loss (2e) | (10,403,856) |
| c)Asset (Gain)/Loss (3h) | 1,473,313 |
| d)Liability (Gain)/Loss $[4a - 4b - 4c]$ | (\$19,309,409) |

Liabilities and Required Employer Contributions

Funding History

The Funding History below shows the recent history of the Actuarial Accrued Liability, the Market Value of Assets, Funded Ratio, the Annual Covered Payroll and the Pay-As-You-Go (PAYG) Cost.

| Valuation Date | Entry Age Accrued Liability | Market Value of Assets (MVA) | Unfunded Accrued Liability | Funded Ratio (MVA) | Annual Covered Payroll | PAYG Cost |
|----------------|-----------------------------|------------------------------|----------------------------|--------------------|------------------------|---------------|
| 6/30/23 | \$2,667,952,335 | \$50,015,399 | \$2,617,936,936 | 1.9% | \$19,330,022 | \$200,376,273 |
| 6/30/22 | 2,805,415,585 | 52,709,366 | 2,752,706,219 | 1.9% | 23,354,332 | 204,705,398 |
| 6/30/21 | 2,803,229,924 | 65,882,450 | 2,737,347,474 | 2.4% | 24,752,164 | 198,557,517 |
| 6/30/20 | 3,105,001,091 | 48,020,033 | 3,056,981,058 | 1.5% | 29,137,115 | 210,757,479 |
| 6/30/19 | 3,173,229,040 | 14,080,882 | 3,159,148,158 | 0.4% | 31,511,394 | 209,344,866 |
| 6/30/18 | 3,320,530,020 | 44,491,530 | 3,276,038,490 | 1.3% | 35,335,347 | 210,045,751 |
| 6/30/17 | 3,315,731,052 | 48,274,516 | 3,267,456,536 | 1.5% | 38,330,347 | 207,313,847 |
| 6/30/16 | 3,428,743,441 | 39,793,891 | 3,388,949,550 | 1.2% | 42,429,926 | 208,334,913 |
| 6/30/15 | 3,322,609,989 | 41,177,519 | 3,281,432,470 | 1.2% | 44,284,467 | 227,341,695 |
| 6/30/14 | 3,414,779,730 | 57,198,659 | 3,357,581,071 | 1.7% | 52,335,325 | 225,157,030 |

Projections of Contributions & Payouts

14 10-Year Projection of Contributions and Benefits

14 Projected Benefit Payouts

Projections of Contributions & Payouts

10-Year Projection of Contributions and Benefits

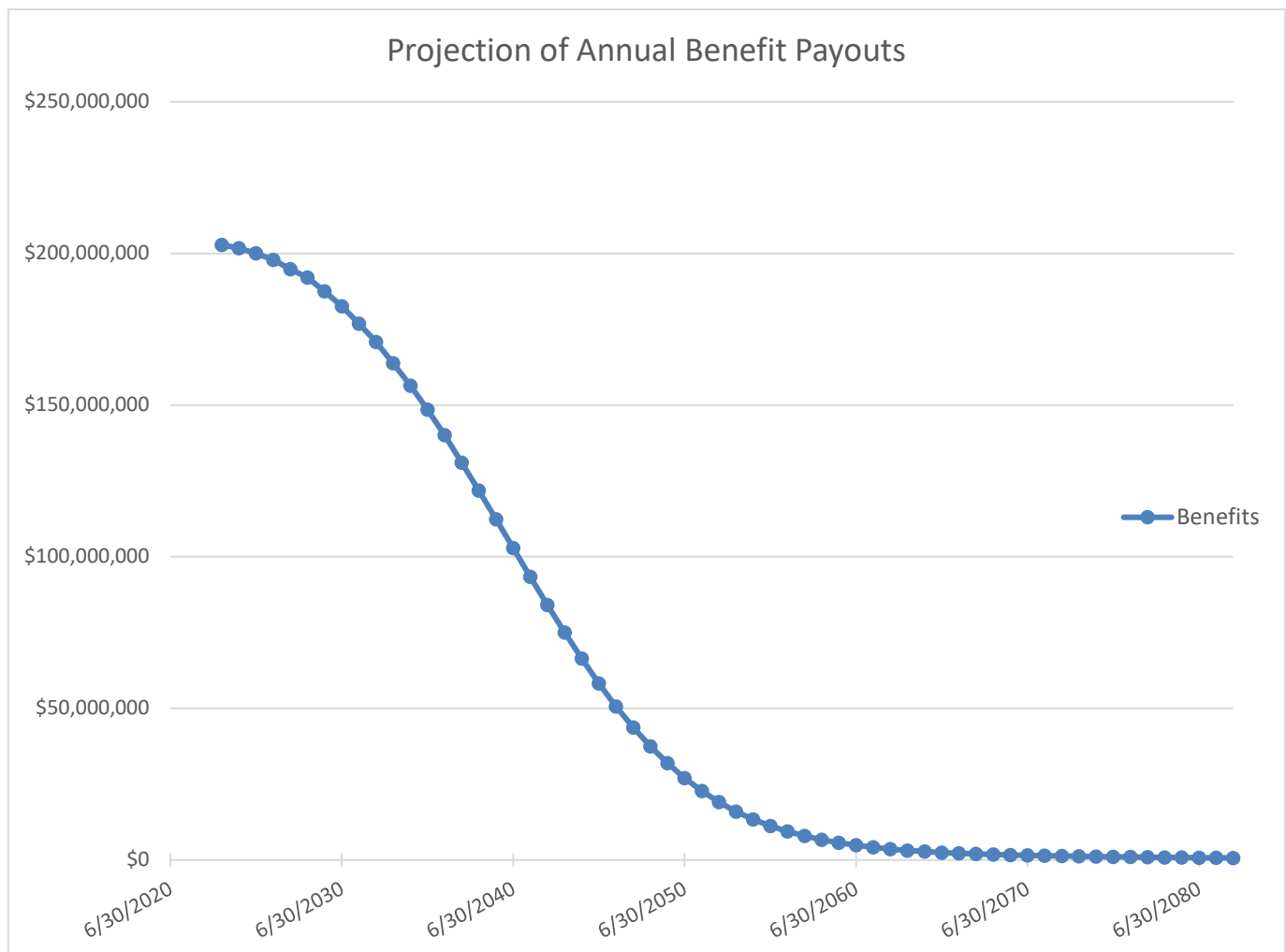
Shown below is a 10-year projection of expected State and member statutory contributions and expected benefit payouts.

| Fiscal Years Beginning July 1 | State Statutory Contributions ¹ | Member Statutory Contributions ¹ | Future Benefits Payouts |
|-------------------------------|--|---|-------------------------|
| 2024 | \$1,316,982 | \$1,316,982 | \$201,693,255 |
| 2025 | 1,165,610 | 1,165,610 | 200,084,670 |
| 2026 | 1,023,615 | 1,023,615 | 197,883,264 |
| 2027 | 892,733 | 892,733 | 194,861,947 |
| 2028 | 754,711 | 754,711 | 192,090,277 |
| 2029 | 625,463 | 625,463 | 187,496,228 |
| 2030 | 524,893 | 524,893 | 182,624,421 |
| 2031 | 441,170 | 441,170 | 176,826,200 |
| 2032 | 368,418 | 368,418 | 170,808,287 |
| 2033 | 300,452 | 300,452 | 163,855,846 |

(1) Statutory State contributions and statutory member contributions both equal eight percent (8%) of pay.

Projected Benefit Payouts

The graph below shows a projection of future annual benefit payouts from the System. Total projected benefit payments over the remaining life of the plan are \$3.71 billion with projected annual benefit payments declining each year.



Risk Analysis

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Risk Analysis

Future Investment Return Scenarios

Analysis was not performed to determine the effects of various future investment returns on required employer contributions for this plan because the results of such analysis would not have a material impact on the funding of this plan. This is primarily due to the lack of prefunding, which results in a relatively low level of assets.

Discount Rate Sensitivity

The discount rate assumption is calculated as the sum of the assumed real rate of return and the assumed annual price inflation, currently 0.50% and 2.50%, respectively. Changing either the price inflation assumption or the real rate of return assumption will change the discount rate. The sensitivity of the valuation results to the discount rate assumption depends on which component of the discount rate is changed. Shown below are various valuation results as of June 30, 2023 assuming alternate discount rates by changing the two components independently. Results are shown using the current discount rate of 3.0% as well as alternate discount rates of 2.0% and 4.0%. The rates of 2.0% and 4.0% were selected since they illustrate the impact of a 1.0% increase or decrease to the 3.0% assumption. This type of analysis gives the reader a sense of the long-term risk to the FY 2024-25 employer contribution rates.

Sensitivity to the Real Rate of Return Assumption

| As of June 30, 2023 | 1% Lower Real Return Rate | Current Real Return Rate | 1% Higher Real Return Rate |
|---|---------------------------|--------------------------|----------------------------|
| Discount Rate | 2.0% | 3.0% | 4.0% |
| Inflation | 2.3% | 2.3% | 2.3% |
| Real Rate of Return | (0.3%) | 0.7% | 1.7% |
| a) Total Normal Cost | 75.52% | 58.97% | 46.19% |
| b) Accrued Liability | \$2,919,054,208 | \$2,667,952,335 | \$2,451,157,022 |
| c) Market Value of Assets | 50,015,399 | 50,015,399 | 50,015,399 |
| d) Unfunded Liability (Surplus) [(b)-(c)] | 2,869,038,809 | 2,617,936,936 | 2,401,141,623 |
| e) Funded Status | 1.7% | 1.9% | 2.0% |

(1) Given this scenario results in a negative real rate of return, the table below likely provides more reasonable results under a 2% discount rate assumption.

Sensitivity to the Price Inflation Assumption

| As of June 30, 2023 | 1% Lower Inflation Rate | Current Inflation Rate | 1% Higher Inflation Rate |
|---|-------------------------|------------------------|--------------------------|
| Discount Rate | 2.0% | 3.0% | 4.0% |
| Inflation | 1.3% | 2.3% | 3.3% |
| Real Rate of Return | 0.7% | 0.7% | 0.7% |
| a) Total Normal Cost | 59.38% | 58.97% | 58.58% |
| b) Accrued Liability | \$2,681,661,597 | \$2,667,952,335 | \$2,654,325,364 |
| c) Market Value of Assets | 50,015,399 | 50,015,399 | 50,015,399 |
| d) Unfunded Liability (Surplus) [(b)-(c)] | 2,631,646,198 | 2,617,936,936 | 2,604,309,965 |
| e) Funded Status | 1.9% | 1.9% | 1.9% |

Mortality Rate Sensitivity

The following looks at the change in the June 30, 2023 plan costs and funded ratio under two different longevity scenarios, namely assuming rates of mortality are 10% lower or 10% higher than our current mortality assumptions. This type of analysis highlights the impact on the plan of improving or worsening mortality over the long-term.

| As of June 30, 2023 | 10% Lower Mortality Rates | Current Mortality | 10% Higher Mortality Rates |
|---|---------------------------|-------------------|----------------------------|
| a) Total Normal Cost | 60.94% | 58.97% | 57.22% |
| b) Accrued Liability | \$2,800,777,678 | \$2,667,952,335 | \$2,551,244,261 |
| c) Market Value of Assets | 50,015,399 | 50,015,399 | 50,015,399 |
| d) Unfunded Liability (Surplus) [(b)-(c)] | 2,750,762,279 | 2,617,936,936 | 2,501,228,862 |
| e) Funded Status | 1.8% | 1.9% | 2.0% |

Risk Analysis

Plan Maturity Measures

As pension plans mature they become much more sensitive to risks than plans that are less mature. Understanding plan maturity and how it affects the ability of a pension plan to tolerate risk is important in understanding how the plan is impacted by investment return volatility, other economic variables and changes in longevity or other demographic assumptions.

The Judges' Retirement plan closed to new entrants in 1994 and is a mature pension plan. For a plan that is closed to new entrants and does not prefund the pension benefits, plan maturity measures do not yield results that are very meaningful. For example, eventually there will be no payroll associated with this plan, so measuring contribution volatility with relation to payroll does not provide information consistent with plans that are open to new entrants. Additionally, eventually there will be no actives in this plan, so measuring the ratio of actives to retirees or retired to total accrued liability won't provide results that are consistent with plans open to new entrants. For these reasons, plan maturity measures have been omitted from this report.

Appendices

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Appendix A – Actuarial Methods and Assumptions

Actuarial Data

As stated in the Actuarial Certification, the data which serves as the basis of this valuation has been obtained from the various CalPERS databases. We have reviewed the valuation data and believe that it is reasonable and appropriate in aggregate. We are unaware of any potential data issues that would have a material effect on the results of this valuation, except that data does not always contain the latest salary information for former members now in reciprocal systems and does not recognize the potential for unusually large salary deviation in certain cases such as elected officials. Therefore, salary information in these cases may not be accurate. These situations are relatively infrequent, however, and generally do not have a material impact on the required employer contributions.

Actuarial Methods

Actuarial Cost Method

The actuarial cost method used to determine the optional funding schedules is the Entry Age Actuarial Cost Method. Under this funding method, projected benefits are determined for all members and the associated liabilities are spread in a manner that produces level annual cost as a percent of pay in each year from the age of hire (entry age) to the assumed retirement age. The cost allocated to the current fiscal year is called the normal cost.

The actuarial accrued liability for active members is then calculated as the Present Value of Benefits minus the present value of future Normal cost. The actuarial accrued liability for members currently receiving benefits and for members entitled to deferred benefits, is equal to the Present Value of Benefits. No normal costs are applicable for these participants.

Amortization Period

No formal amortization of the unfunded liability is currently in use, since contributions are being made on a pay-as-you-go basis. However, we have included a recommended contribution using an amortization period of 10 years.

Asset Valuation Method

The Actuarial Value of Assets is set equal to the market value of assets. Asset values include accounts receivable.

Actuarial Assumptions

The actuarial assumptions used in the actuarial valuation are shown below.

The assumptions for inflation, individual salary increase and overall payroll growth are based on the 2021 experience study performed by CalPERS staff based on the Public Employees' Retirement Fund (PERF) and adopted by the CalPERS Board of Administration in November 2021. These assumptions were implemented with June 30, 2021 annual valuation.

The discount rate is primarily based on reduced capital market assumptions provided by external investment consultants and CalPERS investment staff in March 2022. The discount rate (investment return assumption) for this valuation is 3.0% and is consistent with the expected 10-year return of a fixed income portfolio from the most recently approved Asset Liability Management process.

Appendix A - Actuarial Methods and Assumptions

Economic Assumptions

Investment Return (Interest)

3.00% per annum, compounded annually. The following table provides a brief history of the Investment Return Assumption.

| Time Frame | Investment Return Assumption |
|----------------------|------------------------------|
| 7/1/2017 - Current | 3.00% |
| 7/1/2016 – 6/30/2017 | 3.25% |
| 7/1/2011 – 6/30/2016 | 4.25% |
| 7/1/2010 – 6/30/2011 | 4.50% |
| 7/1/2003 – 6/30/2010 | 7.00% |
| 7/1/1998 – 6/30/2003 | 7.50% |

Individual Salary Increases

2.80% per annum, compounded annually.

Inflation

2.30% per annum, compounded annually. The current inflation assumption is based on the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. The following table provides a brief history of the Inflation Return Assumption.

| Time Frame | Inflation Assumption |
|----------------------|----------------------|
| 7/1/2021 - Current | 2.30% |
| 7/1/2017 – 6/30/2020 | 2.50% |
| 7/1/2011 - 6/30/2017 | 2.75% |
| 7/1/2003 - 6/30/2010 | 3.00% |
| 7/1/1998 – 7/1/2003 | 3.50% |

Cost-of-Living Adjustment

Benefits are fully adjusted for increases in wages for the active judges of the same court from which the member retired. Therefore, we assume that benefits will increase by 2.80% per annum compounded annually.

Extended Service Incentive Program (ESIP) Interest Crediting Rate

Based on the rate for 30-year U.S. Treasuries, or their equivalent, for the month of June of the valuation year. This rate for June 2023 equals 2.16% (a change from 1.49% as of June 2022).

Demographic Assumptions

The following decrements apply to all members.

Probability of Termination and Disability

No pre-retirement termination or disability rates were assumed.

Service Retirement

The table below illustrates the new assumptions used in the valuation to determine the probability of a judge retiring out of the System.

| Age | Rate |
|---------|------|
| 60 | 0.3 |
| 61-64 | 0.1 |
| 65-67 | 0.2 |
| 68-79 | 0.1 |
| 80 - 89 | 0.2 |
| > 89 | 1.0 |

Appendix A - Actuarial Methods and Assumptions

Mortality

The mortality assumptions are based on mortality rates resulting from the most recent CalPERS Experience Study adopted by the CalPERS Board in November 2021. For purposes of the mortality rates, the rates incorporate Generational Mortality to capture on-going mortality improvement using 80% of Scale MP 2020 published by the Society of Actuaries. Generational mortality explicitly assumes that members born more recently will live longer than the members born before them thereby capturing the mortality improvement seen in the past and expected continued improvement. For more details, please refer to the 2021 experience study report that can be found on the CalPERS website.

Pre-Retirement Mortality

Rates vary by age as shown in the table below. This table only contains a sample of the 2017 base table rates for illustrative purposes.

| Attained Age | Male | Female |
|--------------|---------|---------|
| 35 | 0.00058 | 0.00029 |
| 40 | 0.00075 | 0.00039 |
| 45 | 0.00093 | 0.00054 |
| 50 | 0.00134 | 0.00081 |
| 55 | 0.00198 | 0.00123 |
| 60 | 0.00287 | 0.00179 |
| 65 | 0.00403 | 0.00250 |
| 70 | 0.00594 | 0.00404 |
| 75 | 0.00933 | 0.00688 |
| 80 | 0.01515 | 0.01149 |

Post-Retirement Mortality

Rates vary by age as shown in the table below. This table only contains a sample of the 2017 base table rates for illustrative purposes.

| Attained Age | Standard | | Disability | |
|--------------|----------|---------|------------|---------|
| | Male | Female | Male | Female |
| 35 | 0.00058 | 0.00029 | 0.00644 | 0.00504 |
| 40 | 0.00075 | 0.00039 | 0.00807 | 0.00730 |
| 45 | 0.00093 | 0.00054 | 0.01114 | 0.01019 |
| 50 | 0.00266 | 0.00199 | 0.01701 | 0.01439 |
| 55 | 0.00390 | 0.00325 | 0.02210 | 0.01734 |
| 60 | 0.00578 | 0.00455 | 0.02708 | 0.01962 |
| 65 | 0.00857 | 0.00612 | 0.03334 | 0.02276 |
| 70 | 0.01333 | 0.00996 | 0.04001 | 0.02910 |
| 75 | 0.02391 | 0.01783 | 0.05376 | 0.04160 |
| 80 | 0.04371 | 0.03403 | 0.07936 | 0.06111 |
| 85 | 0.08274 | 0.06166 | 0.11561 | 0.09385 |
| 90 | 0.14539 | 0.11086 | 0.16608 | 0.14396 |
| 95 | 0.24664 | 0.20364 | 0.24664 | 0.20364 |
| 100 | 0.36198 | 0.31582 | 0.36198 | 0.31582 |
| 105 | 0.52229 | 0.44679 | 0.52229 | 0.44679 |
| 110 | 1.00000 | 1.00000 | 1.00000 | 1.00000 |

Marital Status

90% of non-retired members are assumed to be married.

Age of Spouse

Female spouses are assumed to be four years younger than male spouses. For retired members receiving some form of joint and survivor annuity, the spouse's actual date of birth was used in the valuation if such information was furnished. Otherwise, wives were assumed to be four years younger than their husbands.

Appendix A - Actuarial Methods and Assumptions

Form of Payment

For retired members for whom no optional form of payment was elected, the assumed form of payment was:

- 50% joint and survivor if beneficiary information was provided, or
- a life annuity if no beneficiary information was provided.

Miscellaneous

Models

The valuation results are based on proprietary actuarial valuation models. The models are centralized and maintained by a specialized team to achieve a high degree of accuracy and consistency. The Actuarial Office is responsible for confirming the appropriateness of the inputs (such as participant data, actuarial methods and assumptions, and plan provisions) as well as performing tests and validating the reasonableness of the output. The results of our models are independently confirmed by parallel valuations performed by outside actuaries on a periodic basis using their models. In our professional judgment, our actuarial valuation models produce comprehensive pension funding information consistent with the purposes of the valuation and have no material limitations or known weaknesses.

Internal Revenue Code Section 415

The limitations on benefits imposed by Internal Revenue Code section 415(b) are taken into account in this valuation. Each year the impact of any changes in this limitation other than assumed since the prior valuation is included and amortized as part of the actuarial gain or loss base. This results in lower contributions for those employers contributing to the Replacement Benefit Fund and protects CalPERS from prefunding expected benefits in excess of limits imposed by federal tax law. The Section 415(b) dollar limit for the 2023 calendar year is \$265,000.

Internal Revenue Code Section 401 (a)(17)

The limitations on compensation imposed by Internal Revenue Code section 401(a)(17) are taken into account in this valuation. Each year, the impact of any changes in the compensation limitation other than assumed since the prior valuation is included and amortized as part of the actuarial gain or loss base. The compensation limit for classic members for the 2023 calendar year is \$330,000.

Appendix B – Principal Plan Provisions

Eligibility of Membership

All Supreme Court, District Court of Appeal, Superior Court, and Municipal Court Judges and Justices were immediately eligible for membership, if elected or appointed before November 9, 1994.

Membership Contributions

8% of pay. Withdrawal of contributions results in forfeiture of all other benefits.

Service Retirement: Eligibility

To qualify for a Service Retirement, you must be at least age 60. The table below illustrates the percent of active judicial salary that the unmodified allowance is based upon given age and years of service.

| Retirement Age | Minimum Required Years of Service | Percent of Active Judicial Salary |
|----------------|-----------------------------------|-----------------------------------|
| 60+ | 20 | 75% |
| 66 | 18 | 65% |
| 67 | 16 | 65% |
| 68 | 14 | 65% |
| 69 | 12 | 65% |
| 70+ | 10 | 65% |

(1) Must be at least 5 years of service immediately precede retirement.

Service Retirement: Benefit

Members retiring after age 60 with at least 20 years of service receive 75% of pay of the last judicial office held. With less than 20 years of service, the benefit percentage is 65%.

Service Retirement: Form of Payment

50% of the retirement allowance will automatically be continued to the spouse upon the death of the retiree, without a reduction in the retiree's allowance. For post-January 1, 1980 judges, there is a one-year marriage requirement at benefit commencement. The remaining 50%, often referred to as the option portion, is paid to the retiree as an annuity for as long as he or she is alive. The retiree may choose to provide for some, or all, of the option portion to be paid to any designated beneficiary after the retiree's death, paid for by a reduction to the option portion of the allowance.

Termination Benefit: Eligibility

Completion of five years of service.

Termination Benefit: Benefit

3.75% of pay of last judicial office held had he or she remained continuously in service as a judge of a court of record multiplied by years of service to a maximum of 20 years. Benefit percentage is reduced by 0.25% for each year of service less than 12 years. Benefit begins at the earliest age that member would have been eligible for service retirement had he remained in service; and, the member is at least age 63, or age 60 with 20 years of service.

Minimum benefit for pre-January 1, 1974 judges: 5% of pay of last judicial office held multiplied by years of service, to a maximum of 8 years. Benefit is payable at age 65.

Termination Benefit: Form of Payment

50% contingent annuity with spouse as contingent annuitant. Minimum benefit is paid as life annuity only.

Disability Retirement: Eligibility

Four years of service (no service requirement is necessary for a work-related disability), two years of service for pre-January 1, 1989 judges. No service requirement for pre-January 1, 1980 judges.

Appendix B - Principal Plan Provisions

Disability Retirement: Benefit

With 20 years of service, 75% of pay of last judicial office held, payable immediately. With less than 20 years of service, the benefit is 65% of pay.

Pre-Retirement Death: Spouse's Benefit

25% of pay of last judicial office held, payable for spouse's lifetime if not eligible for retirement. If a member dies after being eligible to retire, the surviving spouse will receive a monthly allowance equal to 50% of the monthly allowance the member would have received, had he/she retired, for life.

Pre-Retirement Death: Contributory Benefit

After 10 years of service, spouse or minor child receives 1.625% of pay of last judicial office held multiplied by years of service, to a maximum of 20 years. Spouse's benefit is payable for life. Child's benefit ceases at age 18, or at age 22 if a full-time student. Requires \$2 monthly contribution.

Pre-Retirement Death: Benefit with No Spouse or Children

Refund of accumulated member contributions plus one month's pay multiplied by years of service, to a maximum of 6 years.

Post Retirement Adjustments

The retirement allowances of retired judges, beneficiaries and individuals receiving benefits under domestic relation orders will increase proportionately according to increases in judicial salary increases for the judicial office last held by the member.

Extended Service Incentive Program (ESIP): Eligibility

An active member shall automatically participate in the program if he/she has 20 or more years of creditable service and has attained the age of 60 or more on or after January 1, 2001.

Extended Service Incentive Program (ESIP): Vesting

36 months of creditable service after the later of January 1, 2001 or the date the judge first becomes eligible to participate in the program. However, the 36 months of creditable service requirement is waived in the event of the member's death, disability, or because he/she was unsuccessful in his/her efforts to be reelected or retained in office.

Extended Service Incentive Program (ESIP): Benefit

For the first 60 months of participation in the program, 20% of the judge's monthly salaries and 8% of the judge's monthly salaries for the 61st to the 120th months of participation plus interest based on market yield on 30-year constant maturity U.S. Treasury Bonds shall be credited to the judge. The benefit shall be paid in the form of a single, lump sum payment.

Appendix C – Participant Data

Summary of Valuation Data

The table below illustrates counts of records processed by this valuation and the previous year valuation.

| | June 30, 2022 | June 30, 2023 |
|---|---------------|-------------------|
| 1) Active Members | | |
| a) Counts | 99 | 80 |
| b) Average Attained Age | 74.59 | 75.51 |
| c) Average Entry Age to Rate Plan | 39.09 | 38.66 |
| d) Average Years of Service | 33.77 | 35.07 |
| e) Average Annual Covered Pay | \$235,902 | \$241,625 |
| f) Annual Covered Payroll | 23,354,332 | 19,330,022 |
| g) Projected Annual Payroll | 20,082,887 | 16,462,272 |
| h) Present Value of Future Payroll | 135,423,493 | 107,250,076 |
| 2) Transferred and Vested Termination Members and QDRO's | | |
| a) Counts | 2 | 0 |
| 3) Receiving Payments | | |
| a) Counts | 1,647 | 1,609 |
| b) Average Attained Age | 80.28 | 80.57 |
| c) Average Annual Benefits | 10,426 | 10,480 |
| 4) Active to Retired Ratio [(1a) / (3)] | 0.06 | 0.05 |

Reconciliation of Participants

The table below illustrates a reconciliation of the participant data over the course of the valuation year. It identifies numerically who entered the plan, who left the plan and who remained in the plan in the same status as on the previous valuation date or who moved to a new status over the course of the year.

Reconciliation of Participants for the Fiscal Year Ending June 30, 2023.

| | Actives Judges | Vested Separated Judges | Retired Judges | Beneficiaries | QDRO ¹ Receiving Benefits | QDRO ¹ Not Receiving Benefits | Total Participants |
|---|----------------|-------------------------|----------------|---------------|--------------------------------------|--|--------------------|
| As of June 30, 2022 | 99 | 1 | 1,043 | 530 | 74 | 1 | 1,748 |
| New Entrants | - | - | - | - | - | - | - |
| Rehires | - | - | - | - | - | - | - |
| Disability Retirements | - | - | - | - | - | - | - |
| Service Retirements | (19) | (1) | 20 | - | 1 | (1) | - |
| Vested Terminations | - | - | - | - | - | - | - |
| Termination with Refund | - | - | - | - | - | - | - |
| Died, With Beneficiaries' Benefit Payable | - | - | (38) | 39 | (1) | - | - |
| Divorce Settlements | - | - | - | - | - | - | - |
| Died, without Beneficiary; and Other Terminations | - | - | (25) | (37) | (2) | - | (64) |
| Data Corrections ² | - | - | - | 5 | - | - | 5 |
| As of June 30, 2023 | 80 | - | 1,000 | 537 | 72 | - | 1,689 |

(1) Qualified Domestic Relations Order

(2) Data Corrections due to a change in QDRO grouping. Pre-Retirement Community Property Splits will now be valued with the corresponding Retired Judge.

Appendix C - Participant Data

Distribution of Active Members

The following table displays the number of active members and valuation payroll by age and service used in the June 30, 2023 valuation.

| Attained Age | Years of Service at Valuation Date ¹ | | | | | | | Total Count | Valuation Payroll |
|--------------|---|-------|---------|---------|----------|----------|-----------|-------------|---------------------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ | | |
| 15 - 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | \$0 |
| 20 - 24 | - | - | - | - | - | - | - | - | - |
| 25 - 29 | - | - | - | - | - | - | - | - | - |
| 30 - 34 | - | - | - | - | - | - | - | - | - |
| 35 - 39 | - | - | - | - | - | - | - | - | - |
| 40 - 44 | - | - | - | - | - | - | - | - | - |
| 45 - 49 | - | - | - | - | - | - | - | - | - |
| 50 - 54 | - | - | - | - | - | - | - | - | - |
| 55 - 59 | - | - | - | - | - | - | - | - | - |
| 60 - 64 | - | - | - | - | - | 1 | 1 | 2 | 462,348 |
| 65 - 69 | - | - | - | - | 3 | 2 | 4 | 9 | 2,164,937 |
| 70 - 74 | - | - | - | - | 1 | 3 | 22 | 26 | 6,228,367 |
| 75 - 79 | - | - | - | - | - | 1 | 24 | 25 | 6,146,398 |
| 80 - 84 | - | - | - | - | 1 | 1 | 16 | 18 | 4,327,972 |
| 85+ | - | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | 5 | 8 | 67 | 80 | \$19,330,022 |

(1) Years of Service at Valuation Date may include service related to a Qualified Domestic Relations Order.

Distribution of Average Annual Salaries

The following table displays the average annual payroll of active participants by age and service used in the June 30, 2023 valuation.

| Attained Age | Years of Service at Valuation Date ¹ | | | | | | | Average Valuation Payroll |
|----------------|---|------------|------------|------------|------------------|------------------|------------------|---------------------------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ | |
| 15 - 19 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 20 - 24 | - | - | - | - | - | - | - | - |
| 25 - 29 | - | - | - | - | - | - | - | - |
| 30 - 34 | - | - | - | - | - | - | - | - |
| 35 - 39 | - | - | - | - | - | - | - | - |
| 40 - 44 | - | - | - | - | - | - | - | - |
| 45 - 49 | - | - | - | - | - | - | - | - |
| 50 - 54 | - | - | - | - | - | - | - | - |
| 55 - 59 | - | - | - | - | - | - | - | - |
| 60 - 64 | - | - | - | - | - | 231,174 | 231,174 | 231,174 |
| 65 - 69 | - | - | - | - | 248,175 | 231,174 | 239,516 | 240,549 |
| 70 - 74 | - | - | - | - | 231,174 | 231,174 | 241,076 | 239,553 |
| 75 - 79 | - | - | - | - | - | 231,174 | 246,468 | 245,856 |
| 80 - 84 | - | - | - | - | 264,542 | 231,174 | 239,516 | 240,443 |
| 85+ | - | - | - | - | - | - | - | - |
| Average | \$0 | \$0 | \$0 | \$0 | \$248,048 | \$231,174 | \$242,394 | \$241,625 |

(1) Years of Service at Valuation Date may include service related to a Qualified Domestic Relations Order.

Appendix C - Participant Data

Distribution of Separated Vested Members & QDRO's Not Receiving Benefits

The following table displays the number of separated vested members and QDRO's not receiving benefits by age and service used in the June 30, 2023 valuation

| Attained Age | Years of Service at Valuation Date | | | | | | | Total Count |
|--------------|------------------------------------|-------|---------|---------|---------|---------|-----|-------------|
| | 0 - 4 | 5 - 9 | 10 - 14 | 15 - 19 | 20 - 24 | 25 - 29 | 30+ | |
| 15 - 19 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 20 - 24 | - | - | - | - | - | - | - | - |
| 25 - 29 | - | - | - | - | - | - | - | - |
| 30 - 34 | - | - | - | - | - | - | - | - |
| 35 - 39 | - | - | - | - | - | - | - | - |
| 40 - 44 | - | - | - | - | - | - | - | - |
| 45 - 49 | - | - | - | - | - | - | - | - |
| 50 - 54 | - | - | - | - | - | - | - | - |
| 55 - 59 | - | - | - | - | - | - | - | - |
| 60 - 64 | - | - | - | - | - | - | - | - |
| 65 - 69 | - | - | - | - | - | - | - | - |
| 70 - 74 | - | - | - | - | - | - | - | - |
| 75 - 79 | - | - | - | - | - | - | - | - |
| 80 - 84 | - | - | - | - | - | - | - | - |
| 85+ | - | - | - | - | - | - | - | - |
| Total | - | - | - | - | - | - | - | - |

Distribution of Retired Judges, Beneficiaries & QDRO's Receiving Benefits

The following table displays the distribution of retired judges, beneficiaries & QDRO's receiving benefits by age used in the June 30, 2023 valuation.

| Attained Age | Service Retirement | Non-Industrial Disability | Industrial Disability | Beneficiaries & QDRO | Total Count of Participants Receiving Benefits |
|--------------|--------------------|---------------------------|-----------------------|----------------------|--|
| Under 30 | 0 | 0 | 0 | 0 | 0 |
| 30 - 34 | - | - | - | - | - |
| 35 - 39 | - | - | - | 1 | 1 |
| 40 - 44 | - | - | - | 2 | 2 |
| 45 - 49 | - | - | - | 1 | 1 |
| 50 - 54 | - | - | - | 5 | 5 |
| 55 - 59 | - | - | - | 9 | 9 |
| 60 - 64 | 3 | - | - | 15 | 18 |
| 65 - 69 | 34 | 3 | - | 39 | 76 |
| 70 - 74 | 194 | 3 | - | 58 | 255 |
| 75 - 79 | 277 | 7 | - | 114 | 398 |
| 80 - 84 | 257 | 6 | - | 132 | 395 |
| 85+ | 212 | 4 | - | 233 | 449 |
| Total | 977 | 23 | - | 609 | 1,609 |

Appendix C - Participant Data

Distribution Annual Benefits for Retired Judges, Beneficiaries & QDRO's

The following table displays the distribution of annual benefits for retirees, beneficiaries & QDRO's by age used in the June 30, 2023 valuation.

| Attained Age | Service Retirement | Non-Industrial Disability | Industrial Disability | Beneficiaries & QDRO | Annual Benefits Paid |
|--------------------------|--------------------|---------------------------|-----------------------|----------------------|----------------------|
| Under 30 | \$0 | \$0 | \$0 | \$0 | \$0 |
| 30 - 34 | - | - | - | - | - |
| 35 - 39 | - | - | - | 44,062 | 44,062 |
| 40 - 44 | - | - | - | 72,959 | 72,959 |
| 45 - 49 | - | - | - | 57,794 | 57,794 |
| 50 - 54 | - | - | - | 278,701 | 278,701 |
| 55 - 59 | - | - | - | 422,604 | 422,604 |
| 60 - 64 | 535,031 | - | - | 977,335 | 1,512,366 |
| 65 - 69 | 5,212,279 | 450,150 | - | 3,039,692 | 8,702,120 |
| 70 - 74 | 30,038,549 | 447,889 | - | 4,626,393 | 35,112,831 |
| 75 - 79 | 43,235,093 | 1,091,411 | - | 10,148,126 | 54,474,630 |
| 80 - 84 | 39,075,688 | 946,385 | - | 11,758,869 | 51,780,943 |
| 85+ | 32,277,936 | 624,170 | - | 19,512,836 | 52,414,942 |
| Total¹ | 150,374,576 | 3,560,005 | - | 50,939,371 | 204,873,952 |
| Average | \$153,915 | \$154,783 | \$0 | \$83,644 | \$127,330 |

(1) Total does not include ESIP benefit payments.

Appendix D - Glossary

Accrued Liability (Actuarial Accrued Liability)

The portion of the Present Value of Benefits allocated to prior years. It can also be expressed as the Present Value of Benefits minus the present value of future Normal Cost. Different actuarial cost methods and different assumptions will lead to different measures of Accrued Liability.

Actuarial Assumptions

Assumptions made about certain events that will affect pension costs. Assumptions generally can be broken down into two categories: demographic and economic. Demographic assumptions include such things as mortality, disability and retirement rates. Economic assumptions include discount rate, salary growth and inflation.

Actuarial Methods

Procedures employed by actuaries to achieve certain funding goals of a pension plan. Actuarial methods include an actuarial cost method, an amortization policy, and an asset valuation method.

Actuarial Valuation

The determination, as of a valuation date of the Normal Cost, Accrued Liability, and related actuarial present values for a pension plan. These valuations are performed annually or when an employer is contemplating a change to their plan provisions.

Amortization Period

The number of years required to pay off an Amortization Base.

Entry Age

The earliest age at which a plan member begins to accrue benefits under a defined benefit pension plan. In most cases, this is the age of the member on their date of hire.

Entry Age Actuarial Cost Method

An actuarial cost method that allocates the cost of the projected benefits on an individual basis as a level percent of earnings for the individual between entry age and retirement age. This method is designed to yield a rate expressed as a level percentage of payroll, which is designed to remain level throughout the member's career.

Funded Ratio

A measure of how well funded, or how "on track" a plan or risk pool is with respect to assets versus accrued liabilities. A ratio greater than 100% means the plan or risk pool has more assets than liabilities and a ratio less than 100% means liabilities are greater than assets.

GASB 68

Statement No. 68 of the Governmental Accounting Standards Board. The accounting standard governing a state or local governmental employer's accounting and financial reporting for pensions.

Normal Cost

The portion of the Present Value of Benefits allocated to the upcoming fiscal year for active employees. The normal cost plus the required amortization of the UAL, if any, make up the required contributions.

Pension Actuary

A business professional proficient in mathematics and statistics who performs the calculations necessary to properly fund a pension plan and allow the plan sponsor to disclose its liabilities. A pension actuary must satisfy the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States with regard to pensions.

Present Value of Benefits (PVB)

The total dollars needed as of the valuation date to fund all benefits earned in the past or expected to be earned in the future for current members.

Unfunded Liability (UAL)

The Accrued Liability minus the Market Value of Assets. If the UAL for a rate plan is positive, the employer is required to make contributions in excess of the Normal Cost.

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California Public Employees' Retirement System
A Component Unit of the State of California