

Arkansas Judicial Retirement System



Annual Financial Report
2004

Arkansas Judicial Retirement System

**A Pension Trust Fund of
the State of Arkansas**

Comprehensive Annual Financial Report

***For the Year Ended
June 30, 2004***

**Prepared by
APERS Administrative Staff**

**124 West Capitol Avenue, Suite 400
Little Rock, AR 72201**

**Gail H. Stone, Executive Director
Michele Williams, Deputy Director**

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Introduction

A Brief History of AIRS

Letter from the Board Chair/Executive Director

Board of Trustees

Organizational Chart and Administrative staff

Professional Consultants and Investment Managers

Membership Information

*A Brief History of**Arkansas Judicial Retirement System*

Established on March 28, 1953, with the passage of Act 365, the Arkansas General Assembly created the Arkansas Judicial Retirement System (AJRS).

This System provides for the retirement of all Circuit Judges, Court of Appeals Judges and Supreme Court Justices. Act 399 of 1999 created a Tier II benefit plan for all persons who become members of the System after the effective date of this Act. Any active member of the System prior to the effective date of Act 399 has until the end of the term in office in which the member is serving on the effective date to elect coverage under Tier II.

The statutes providing for and governing the Arkansas Judicial Retirement System may be found in Chapters 2 and 8 of Title 24 of the Arkansas Code Annotated. The administration and control of the System is vested in the Board of Trustees. The Board is appointed by the Arkansas Judicial Council.

This annual financial report, which covers the period from July 1, 2003 through June 30, 2004, provides comprehensive information about the System including statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants and benefit payments, as well as a description of the retirement plan.



ARKANSAS JUDICIAL RETIREMENT SYSTEM

BOARD OF TRUSTEES

ROBERT EDWARDS, Chairman
Circuit Judge

GAYLE FORD
Circuit Judge

COLLINS KILGORE
Circuit Judge

CAROL CRAFTON ANTHONY
Circuit Judge

JIM GUNTER
Circuit Judge

December 17, 2004

GAIL H. STONE, Executive Director
One Union National Plaza
124 West Capitol, Suite 400
Little Rock, AR 72201

Dear AJRS Members:

The Arkansas Judicial Retirement System (AJRS) is pleased to present the Annual Financial Report for the period ending June 30, 2004. The report is designed to provide a clear and concise picture of the financial conditions of the System. The report includes the following sections:

- ◆ Introduction
- ◆ Financial
- ◆ Investment
- ◆ Actuarial
- ◆ Statistical

Accounting System

The accrual basis of accounting is used to record the assets, liabilities, revenues, and expenses of the Arkansas Judicial Retirement System Trust Fund. Revenues are recognized in the accounting period in which they are earned, without regard to date of collection, and expenses are recorded when incurred, regardless of when payment is made. Investments are reported at market values determined by the custodial agent. The agent's determination of market value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Revenues

The fiscal year 2004 revenue from employer and employee contributions totaled \$4.0 million. This amount is approximately the same as the amount received in fiscal year 2003.

Court fees for fiscal year 2004 were \$902,800, a decrease of \$800 from fiscal year 2003.

Miscellaneous income was \$17 for fiscal year 2004, a decrease of \$47,900 from fiscal year 2003.

Net investment income for fiscal year 2004 was \$16.0 million (after investment expenses of \$637,000 (see page 31)), an increase of \$10.7 million from fiscal year 2003. Overall, the System's revenues increased by \$10.7 million from fiscal year 2003.

Expenses

Benefit payments for fiscal year 2004 were \$6.4 million, or \$.6 million greater than fiscal year 2003. Administrative expenses were \$40,100, of which \$11,000 was for professional fees and \$21,000 was transferred to APERS for indirect administrative costs.

Funding

The System is funded through contributions from the State, employees and investment income. The general financial objective of the System is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation.

Investments

In accordance with the Investment Code contained in the Arkansas Code Annotated (A.C.A.), Title 24, Chapter 2, the Board of Trustees is required to invest the funds in conformity with the "prudent investor rule." The Investment Code permits the Board to establish an investment policy based upon certain investment criteria and allows the Board to retain professional investment advisors to assist the Board in making investments. The Board has established an investment policy that reflects the level of risk that is deemed appropriate for the Fund. The investment advisor retained by the Board is listed on the schedule of professional services' contractors.

Professional Services

Professional services are provided to AJRS by a firm selected by the AJRS Board of Trustees to aid in the efficient and effective management of the System. A listing for this firm as well as other professional services' contractors retained by AJRS is shown on page 12 of this report.

Acknowledgments

This report is the result of the combined efforts of the Arkansas Public Employees Retirement System staff under the direction of the Arkansas Judicial Retirement System Board of Trustees. Its purpose is to provide complete and reliable information as a basis for making management decisions, as a means for determining compliance with legal provisions, and as a means for determining responsible stewardship over the assets contributed by the members and employers.



Judge Robert Edwards
Chairman, AJRS Board



Gail H. Stone
Executive Director

Board of Trustees

The Honorable Robert Edwards, Chair

Circuit Judge
White County Courthouse
Searcy, AR 72143
501-279-6212

The Honorable Gayle Ford

Retired Circuit Judge
P.O. Box 1586
Mena, AR 71953
479-394-5475

The Honorable Collins Kilgore

Circuit Judge
401 W. Markham, Suite 330
Little Rock, AR 72201
501-340-8534

The Honorable Carol Crafton Anthony

Circuit Judge
101 N. Washington, Suite 203
El Dorado, AR 71730
870-864-1947

The Honorable Jim Gunter

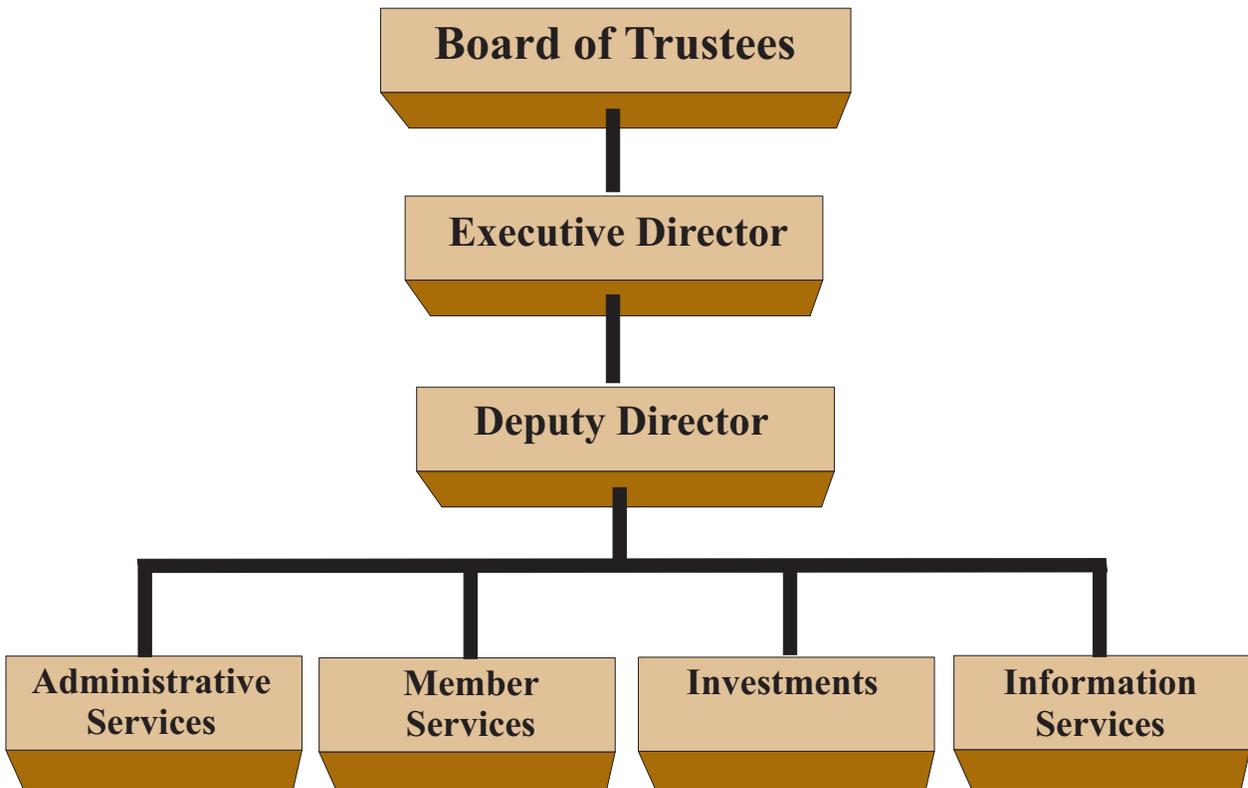
Circuit Judge
P.O. Box 621
Hope, AR 71801
870-777-4544

Administrative Office

Gail H. Stone, Executive Director

Arkansas Judicial Retirement System
124 West Capitol Avenue, Suite 400
Little Rock, AR 72201-1070
501-682-7800
1-800-682-7377

Organizational Chart



Administrative Staff

Gail H. Stone	Executive Director
Michele Williams	Deputy Director
Susan Bowers	Associate Director, Investments
Becky Walker	Administrative Services Manager
Jackie Parrish	Member Services Manager
Jon Aucoin	Information Services Manager

Professional Consultants

Actuary

Gabriel, Roeder, Smith & Company
Actuaries and Consultants
One Towne Square, Suite 800
Southfield, MI 48076

Custodian Bank

The Bank of New York
One Wall Street
New York, NY 10286

Investment Consultant

Callan Associates, Inc.
Six Concourse Parkway, Suite 2900
Atlanta, GA 30328

Investment Managers

Loomis, Sayles & Company, L.P.
One Financial Center
Boston, MA 02111

Boston Partners Asset Management
28 State Street
Boston, MA 02109

Batterymarch Financial Management, Inc.
200 Clarendon Street
Boston, MA 02116

Membership Information
As of June 30, 2004

Active Members

Number	134
Average Age	55.6 Years
Average Years	10.5 Years
Average Annual Salary	\$ 121,505

Total Retirees

Number	100
Average Monthly Benefit	\$ 5,510

*2004 Retirees**

	Age and Service
Number	1
Average Age	68.6
Average Years of Service	N/A
Average Monthly Benefit	\$ 6,819

* Does not include beneficiaries.

Financial Section

*Legislative Auditors' Report
Statements of Plan Net Assets
Statements of Changes in Plan Net Assets
Notes to Financial Statement
Schedule of Employer Contributions
Schedule of Funding Progress
Note to Required Supplementary Information
Schedule of Administrative Expense
Schedule of Investment Expense and Payments
for Professional Consultants*

This letter will be included in AJRS.

Sen. Kevin A. Smith
Senate Co-Chair
Rep. Danny W. Ferguson
House Co-Chair
Sen. Henry "Hank" Wilkins, IV
Senate Co-Vice Chair
Rep. Tommy Roebuck
House Co-Vice Chair

Arkansas



Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Public Employees Retirement System
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the Arkansas Public Employees Retirement System, a Pension Trust Fund of the State of Arkansas (the "System") administered by the Arkansas Public Employees Retirement System Board of Trustees as of and for the year ended June 30, 2001, as listed in the foregoing table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audits.

The financial statements for the year ended June 30, 2000 were audited by us and we expressed an unqualified opinion on them in our report dated November 17, 2000, but we have not performed any auditing procedures since that date.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the System as of June 30, 2001, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were performed for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying financial information listed as supporting schedules in the foregoing table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the System. Such information has been subjected to the auditing procedures applied in the audit of financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

We did not audit the data included in the Introductory, Investment, Actuarial and Statistical Sections of this report, and accordingly, express no opinion thereon.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Charles L. Robinson".

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
December 12, 2001

Statements of Plan Net Assets
June 30, 2004 and 2003

ASSETS	<u>2004</u>	<u>2003</u>
Cash and Cash Equivalents	\$ 7,555,976	\$ 10,126,682
<u>Receivables:</u>		
Contributions	207,788	-
Investment Principal Receivable	925,373	505,128
Accrued Investment Income Receivable	<u>526,128</u>	<u>527,316</u>
Total Receivables	1,659,289	1,032,444
<u>Investments, At Fair Value:</u>		
Government Securities:		
U.S. Government Securities	5,205,944	3,603,963
U. S. Government Agency Securities	19,726,271	17,560,777
Corporate Securities:		
Asset Backed Securities	1,489,583	1,663,981
Corporate CMO	2,078,937	364,579
Corporate Bonds	20,096,881	18,252,821
Equity Securities	<u>72,461,077</u>	<u>64,639,803</u>
Total Investments	\$ 121,058,693	\$ 106,085,924
Fixed Assets, Net *	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>130,273,958</u>	<u>117,245,050</u>
LIABILITIES		
Accrued Expenses and Other Liabilities	185,791	149,343
Investment Principal Payable	<u>560,776</u>	<u>1,977,292</u>
TOTAL LIABILITIES	<u>746,567</u>	<u>2,126,635</u>
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	<u><u>\$ 129,527,391</u></u>	<u><u>\$ 115,118,415</u></u>

(A schedule of funding progress is presented on page 28.)

* Assets owned by the System are fully depreciated.

**Statements of Changes in Plan Net Assets
For the Years Ending June 30, 2004 and 2003**

ADDITIONS	<u>2004</u>	<u>2003</u>
<u>Contributions:</u>		
Employer	\$ 3,223,394	\$ 3,162,016
Employee	801,072	795,852
Court Fees	<u>902,797</u>	<u>903,622</u>
Total Contributions	4,927,263	4,861,490
<u>Investment Income:</u>		
Interest	2,438,679	2,840,927
Dividends	486,344	764,263
Investment Gain	<u>13,671,873</u>	<u>2,255,947</u>
Total Investment Income	16,596,896	5,861,137
Less: Investment Expense	<u>636,987</u>	<u>556,599</u>
Net Investment Income	15,959,909	5,304,538
<u>Other Additions:</u>		
Miscellaneous Additions	<u>17</u>	<u>47,966</u>
TOTAL ADDITIONS	20,887,189	10,213,994
 DEDUCTIONS		
Benefits	6,438,128	5,799,943
Refunds of Contributions	-	964
Administrative Expenses	<u>40,085</u>	<u>38,613</u>
TOTAL DEDUCTIONS	6,478,213	5,839,520
 NET INCREASE	 14,408,976	 4,374,474
 NET ASSETS		
Beginning of Year	<u>\$ 115,118,415</u>	<u>\$ 110,743,941</u>
End of Year	<u>\$ 129,527,391</u>	<u>\$ 115,118,415</u>

Notes To The Financial Statements

For the Years Ending June 30, 2004 and 2003

Note 1. Description of the System

General Information - The Arkansas Judicial Retirement System (AJRS) is a single employer, defined benefit pension plan established on March 28, 1953.

This system provides for the retirement of all Circuit Judges, Court of Appeals Judges, and Supreme Court Justices. The laws governing operations of AJRS are set forth in Ark. Code of 1987 (Annotated) 24-8-204 through 24-8-228 and 24-8-701 through 24-8-717.

The administration and control of the System is vested in the Board of Trustees of AJRS, which includes five (5) members selected by the Arkansas Judicial Council.

Membership - As of June 30, 2004, there was one participating employer in the plan. In addition, supplemental contributions are paid to the system from the Constitutional and Fiscal Agencies Fund in accordance with Section 8 of Act 922 of 1983.

As of June 30, 2004 and 2003, Membership was as follows:

	<u>2004</u>	<u>2003</u>
Retirees and Beneficiaries Receiving Benefits	100	98
Terminated Plan Members Entitled To But Not Receiving Benefits	0	0
Active Plan Members	134	134

Contributions – Contribution provisions are established by state law and may be amended only by the Arkansas General Assembly. The contribution rate of each member of the System shall be 6% of annual salary (A.C.A. 24-8-209) for Tier I and 5% of annual salary (A.C.A. 24-8-706) for Tier II. When a judge is certified as eligible for retirement, no further contribution shall be required of him (A.C.A. 24-8-211) for Tier I and (A.C.A. 24-8-712) for Tier II. The employer contribution rate is 12% of salaries paid. In addition to the 12% employer rate, the Chief Fiscal Officer of the State is required to transfer from the Constitutional and Fiscal Agencies Fund an amount that is equal to the difference between the mandatory contribution rate and the actuarially determined rate necessary to fund the plan (A.C.A. 24-8-210).

Plan Administration – Costs for administering the plan are paid out of the investment earnings.

Benefit Eligibility - An active member in Tier I with a minimum of ten (10) years of credited service may voluntarily retire upon reaching sixty-five (65) years of age or thereafter upon filing a written application with the Board. Any other Tier I member who has a minimum of twenty (20) years of credited service may retire regardless of age, and any deferred judge or justice who has served at least fourteen (14) years shall be eligible for benefits upon reaching age sixty-five (65) years.

In all cases of age and service retirement for judges or justices elected after July 1, 1983 and remaining in Tier I, the member must have a minimum of eight (8) years of actual service as a Justice of the Supreme Court or a judge of the Circuit Courts or the Court of Appeals. An active or former member in Tier II may retire at age 65 with eight (8) or more years of credited service, or after twenty (20) years of credited service regardless of age.

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 July 1, 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%. Authority for post retirement increases are: Tier I-(1) A.C.A. 24-8-218 (c) (1) (B) for judges first elected prior to 7-1-83 and (2) A.C.A. 24-8-223 for judges first elected after 7-1-83; Tier II-A.C.A. 24-8-715.

Note 2. Summary of Significant Accounting Policies

Method of Accounting – The financial statements of the System presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned.

Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

Cash and cash equivalents – Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, and all short-term instruments with maturities at purchase of 90 days or less. Short-term investments are stated at amortized cost, which approximates fair value.

Investments – According to the Arkansas Code of 1987 annotated and 1993 Cumulative Supplement, Title 24, Chapter 2, the System’s investments are governed by the prudent investor rule, and include U.S. Government and government agency obligations, and corporate debt and equity obligations. Investments are reported at fair value.

Security transactions and any resulting gains or losses are accounted for on a trade date basis.

Investments are reported at fair values determined by the custodial agent. The agent’s determination of fair values includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

Approximately 19% of the net assets available for benefits are invested in securities of the U.S. government and its instrumentalities. The System has no investments of any commercial or industrial organization whose market value equal 5% or more of the System’s net assets available for benefits.

Net investment income includes net appreciation in the fair value of investments, interest income, dividend income and total investment expense, which includes investment management and custodial fees and all other significant investment related costs.

Fixed Assets – Fixed assets used in the plan operations consist of equipment, which is recorded at historical cost less accumulated depreciation. All such assets are depreciated over five years using the straight-line method of depreciation.

Note 3. Deposits, Investments and Securities Lending Collateral Investments

The following is a reconciliation of the carrying amounts of cash and investments at June 30, 2004 and 2003.

As presented in the Statement of Plan Net Assets:

	<u>2004</u>	<u>2003</u>
Cash and cash equivalents	\$ 7,555,976	\$ 10,126,682
Investments	<u>121,058,693</u>	<u>106,085,924</u>
Total	<u>\$ 128,614,669</u>	<u>\$ 116,212,606</u>
As presented in (a) and (b) below:		
	<u>2004</u>	<u>2003</u>
Deposits	\$ 51,507	\$ 51,070
Investments	<u>128,563,162</u>	<u>116,161,536</u>
Total	<u>\$ 128,614,669</u>	<u>\$ 116,212,606</u>

Listed below is a summary of the deposit and investment portfolio as of June 30, 2004 and 2003.

Investing is governed by the prudent investor rule (in accordance with A.C.A. 24-2-601 et. seq.). All investments of the System are considered to have been made in accordance with these governing statutes.

(a) Deposits

Deposits with financial institutions are classified depending on whether they are insured or collateralized. Bank balances are classified in the following categories of credit risk:

- Category 1: The deposits are insured or collateralized with securities held by the entity or by its agent in the System's name.
- Category 2: Deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.
- Category 3: Deposits are uncollateralized or deposits are collateralized and the related securities are held by the pledging financial institution or by its trust department or agent, but not in the System's name.

A summary of deposits at June 30, 2004 and 2003 is as follows:

June 30, 2004	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Insured deposits	\$ 50,847	\$	\$	\$ 50,847
Total deposits	<u>\$ 50,847</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,847</u>

Carrying amount of insured deposits totaling \$50,847 is \$50,847. In addition to cash deposits with financial institutions AJRS has cash in State Treasury of \$660 at year's end.

June 30, 2003	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>	<u>Total</u>
Insured deposits	\$ 50,943	\$	\$	\$ 50,943
Total deposits	<u>\$ 50,943</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 50,943</u>

Carrying amount of insured deposits totaling \$50,943 is \$50,943. In addition to cash deposits with financial institutions AJRS has cash in State Treasury of \$127 at year's end.

(b) Investments

The table which follows provides information about the collateral credit risk associated with the System's investments. Investments are categorized as follows:

- Category 1: The custodian is the System's agent and is not the counterparty or the counterparty financial institution's trust department. The custodian holds the securities in the System's name.
- Category 2: The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian holds the securities in the System's name.
- Category 3: The custodian is the counterparty, regardless of whether it holds the securities in the system's name.

OR

The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian does not hold the securities in the System's name.

Collateral Credit Risk June 30, 2004				
Investments:	Category 1	Category 2	Category 3	Total
<u>Categorized:</u>				
U.S. Government securities	\$ 24,932,215			\$ 24,932,215
Corporate securities	<u>96,126,478</u>			<u>96,126,478</u>
Total	<u>121,058,693</u>			<u>121,058,693</u>
<u>Uncategorized:</u>				
Mutual funds (STIF)				<u>7,504,469</u>
Total Investments	<u>\$ 121,058,693</u>			<u>\$ 128,563,162</u>

Collateral Credit Risk June 30, 2003				
Investments:	Category 1	Category 2	Category 3	Total
<u>Categorized:</u>				
U.S. Government securities	\$ 21,164,740			\$ 21,164,740
Corporate securities	<u>84,921,184</u>			<u>84,921,184</u>
Total	<u>106,085,924</u>			<u>106,085,924</u>
<u>Uncategorized:</u>				
Mutual funds (STIF)				<u>10,075,612</u>
Total Investments	<u>\$ 106,085,924</u>			<u>\$ 116,161,536</u>

Note 4. Derivatives

Mortgage-Backed Securities – As of June 30, 2004 and 2003, the System held mortgage-backed securities of approximately \$19.3 million and \$14.9 million respectively, at fair value.

The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

Asset-Backed Securities – As of June 30, 2004 and 2003, the System held asset-backed securities with a fair value of approximately \$1.5 million and \$1.7 million, respectively. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Note 5. Securities Lending Transactions

AJRS did not participate in any securities transactions for years ending June 30, 2004 and 2003; therefore, GASB Statement No. 28 does not apply.

Note 6. Legally Required Reserves

A description of reserve accounts and their balances for years ended June 30, 2004 and 2003 are as follows:

The Members' Deposit Account ("MDA") represents members' contributions held in trust until member's retirement, at which time contributions are transferred to the Retirement Reserve Account, described below.

The Employers' Accumulation Account accumulates employers' contributions to be used in providing the reserves required for transfer to the Retirement Reserve Account as members retire or become eligible for disability benefits.

The Retirement Reserve Account is the account to which member contributions, interest on those contributions, and employer contributions are transferred upon member retirement.

	<u>2004</u>	<u>2003</u>
Members Deposit Account	\$ 10,947,941	\$ 10,147,567
Members Deposit Account Interest Reserve	698	0
Employer Accumulation Account	46,463,262	52,749,750
Retirement Reserve Account	<u>72,115,490</u>	<u>52,221,098</u>
Total	<u>\$ 129,527,391</u>	<u>\$ 115,118,415</u>

Actuarial Computed Liabilities - The total unfunded actuarial computed liability of the System as adjusted to fair value, based on Entry Age Normal Cost Method which is the Projected Benefit Method with a supplemental cost, used for determining required contributions as appears in the actuarial valuation, was \$12,709,846 as of June 30, 2004.

Actuarial Present Value of	(1) Total Present Value	(2) Portion Covered By Future Normal Cost Contributions	(3) Actuarial Accrued Liabilities (1) - (2)
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	\$ 74,226,744	\$ 0	\$ 74,226,744
Age and service allowances based on total service likely to be rendered by present active members	92,937,392	31,053,100	61,884,292
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	1,603,037	1,309,902	293,135
Disability benefits likely to be paid to present active members	4,627,016	2,523,665	2,103,351
Death in service benefits likely to be paid on behalf of present active members (employer financed portion)	<u>5,598,375</u>	<u>2,331,386</u>	<u>3,266,989</u>
Total	\$ 178,992,564	\$ 37,218,053	\$ 141,774,511
Applicable Assets (Funding Value)	<u>129,064,665</u>	<u>0</u>	<u>129,064,665</u>
Liabilities to be covered by future Contributions	<u>\$ 49,927,899</u>	<u>\$ 37,218,053</u>	<u>\$ 12,709,846</u>

Actuarial Cost Method and Assumptions - The Board engages an independent firm of actuaries to estimate the present value of actuarial accrued liability and the pension benefit obligations for the purpose of determining required reserves for current and terminated participants, retired individuals and beneficiaries, and for the determination of employer contribution rates.

Actuarial accrued liabilities are those future periodic payments including lump sum distributions that are attributable to the service employees have rendered to date and the plan provisions of the System. The present value of actuarial accrued liabilities is calculated based on the entry age actuarial cost method with benefits based on projected salary increases.

The schedule on the preceding page presents the primary actuarial assumptions used in the actuarial report dated June 30, 2004. The actuarial assumed interest rate of 7.0% was allocated to appropriate actuarial accrued liabilities.

Actuarial Gains and Losses - Actuarial gains and losses result from the differences between the actuarial accrued liability amount computed by the actuary and those same amounts reflected in the required supplemental schedules as of the date of the actuarial report. The net actuarial gain or loss increases or decreases the unfunded actuarial accrued liability based on the annual actuarial valuation.

The 2004 actuarial gains and losses were due to routine adjustments of actuarial assumptions and methodology as well as normal experience gains and losses. The resulting actuarial loss was \$1.4 million.

Note 7. Required Supplementary Schedules

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information.

Required supplementary information is included immediately following the notes to the financial statements.



**Required Supplementary Information
Schedule of Employer Contributions**

For Fiscal Years 1994-2004

<u>Year</u>	<u>Annual Required Contribution</u>	<u>Percentage Contributed (1)</u>
1994	\$ 2,843,864	100%
1995	3,097,838	100
1996	3,291,509	100
1997	4,441,390	100
1998	3,650,957	100
1999	3,160,812	100
2000	3,183,709	100
2001	3,136,072	100
2002	3,319,233	100
2003	4,065,638	100
2004	4,126,190	100

(1) Amounts are included per Act 922 of 1983, which authorizes an annual transfer from the Constitutional Officers Fund and the State Central Services Fund to provide full actuarial funding for the System. Because of the timing of this annual transfer, the actual percentage contributed in any single fiscal year may vary from the annual required contribution amount.

Required Supplementary Information
Schedule of Funding Progress

(000)

Valuation Date June 30	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL)	(3) Unfunded Accrued Liability (UAAL) (2 - 1)	(4) Funded Ratio (1/2)	(5) Covered Payroll	(6) UAAL* As Percentile of Covered Payroll (3/5)
1996	\$ 51,478	\$ 63,452	\$ 11,974	81.1%	\$ 11,714	102%
1997	63,285	65,657	2,372	96.4%	12,422	19%
1998	77,175	71,274	(5,901)	108.3%	13,084	(45%)
1999	91,783	82,776	(9,007)	110.9%	13,891	(65%)
2000	107,059	83,211	(23,848)	128.7%	14,371	(166%)
2001	119,191	116,073	(3,118)	102.7%	14,869	(21%)
2002	124,212	124,734	522	99.6%	15,487	3%
2003	126,520	137,925	11,405	91.7%	15,935	72%
2004	129,065	141,775	12,710	91.0%	16,282	78%

Note: Dollars in thousands.

* Unfunded Actuarial Accrued Liability

Note To Required Supplementary Information

Actuarial Assumptions - The information presented in the required supplemental schedules was determined as part of the actuarial valuations at the date indicated. Additional information as of the latest actuarial valuation date follows:

Valuation date	June 30, 2004
Actuarial cost method	Entry age
Amortization Method	
Tier I	Level percent of payroll
Tier II	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4 year smoothed market
<u>Actuarial Assumptions:</u>	
Investment rate of return	7.0%
Projected salary increases	4.0%
Including price inflation at	3.0%
Post retirement cost-of-living-increases:	
Pre July 1, 1983 Retirees	Increased with increases in active judges' pay
Post June 30, 1983 Retirees	3.0%, Compounded
Mortality Table	1994 Group Annuity Mortality Table
Group Size Growth Rate	0.00%

Supporting Schedule

Schedule of Administrative Expense
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Communications		
Printing and Advertising	\$ 3,480	\$ 2,491
Travel	2,715	1,200
Purchases		
Office Supplies	19	-
Services and Charges		
Professional Fees & Services	11,000	13,309
Bank & Federal Service Charges	<u>2,190</u>	<u>1,917</u>
Total Service and Charges	13,190	15,226
Transfer to APERS for Administration	<u>20,681</u>	<u>19,696</u>
Total Administrative Expenses	<u>\$ 40,085</u>	<u>\$ 38,613</u>

Supporting Schedule

Schedule of Investment Expense
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Custodian Bank Fees	\$ 15,000	\$ 15,000
Investment Consultant Fee	34,189	55,766
Investment Manager Fees	<u>587,798</u>	<u>485,833</u>
Total	<u>\$ 636,987</u>	<u>\$ 556,599</u>

Supporting Schedule

Schedule of Payments for Professional Consultants
For the Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Gabriel, Roeder, Smith & Company	<u>\$ 11,000</u>	<u>\$ 13,309</u>
TOTAL PAYMENTS FOR PROFESSIONAL CONSULTANTS	<u><u>\$ 11,000</u></u>	<u><u>\$ 13,309</u></u>

For fees paid to investment managers, please see "Schedule of Investment Fees" shown on page 46 in the Investment Section of this report.

Investment Section

Report on Investments
Outline of Investment Policies
Actual vs. Target Asset Allocation
Manager Distribution
Portfolio Characteristics
Fiscal Years 2000 through 2004
Current Year and Preceding 3 Year and 5 Year
Rates of Return
List of Ten Largest Assets Held
Schedule of Brokerage Commissions
Schedule of Investment Fees
Comparative Schedule of Investments

CALLAN ASSOCIATES

Carl W. Deane
Senior Vice-President



September 8, 2004

Dear Trustees:

We are pleased to provide a brief review of the progress of the Arkansas Judicial Retirement System for the fiscal year ending June 30, 2004.

Following the AJRS review is Callan's observations regarding the markets, institutional behavior and our general views.

Introduction and Background

As with all retirement plans, there are three factors which influence performance:

- Manager Investment Strategies
- Investment Policy adopted by the Fund, and
- The Investment Environment

Year ending June 30, 2004 was positive for equities. The S&P 500 stock index posted a return of 19.11% and the EAFE index 32.37%. US Bonds showed signs of weakness, as interest rates rose. The Lehman Aggregate delivered a return of 0.32%.

Fund Progress and Results

The AJRS portfolio structure is based on the Fund's Investment Policy. The target asset mix is established using an analysis of the financial needs of the Fund and the Trustees' tolerance for investment risk. The target asset mix and the actual allocation as of 6/30/04 is listed below:

	<u>Target</u>	<u>Actual</u>
Domestic Equity	55%	57%
Domestic Fixed	40%	39%
Cash & Equivalents	5%	3%

The asset allocation is different from the target due to year-to-date (through 6/30/04) returns for equity, which have been robust thus far.

For fiscal year ended 2004, the total fund rate of return, including gains, losses and income was 14.19%. This return is calculated using the time-weighted rate of return methodology endorsed by the Association for Investment Management and Research (AIMR). All performance results presented in the investment section of the CAFR are based on AIMR methodology.

Over the past 5 years, the Fund has had an annualized return of 5.11%. This level of performance meets the performance objectives of the Fund which is to deliver a real rate of return (return in excess of the inflation rate) of 3%. However, the return failed to exceed the actuarially assumed interest rate assumption of 7%.

At the beginning of the fiscal year, the net assets of the fund totaled \$115.1 million; at June 30, 2004, the net fund assets totaled \$129.5 million. Positive performance of the equity markets in the 1st and 2nd quarters is primarily responsible for the gain.

Summary

The operations of the investment program continue to function within the *long-term* guidelines established by the Board of Trustees.

Sincerely,



Carl W. Deane

Outline of Investment Policies

Introduction

The basic policy of the Board shall be to provide all the benefits specified by law to the members of the Arkansas Judicial Retirement System and their beneficiaries.

The Board shall manage the System's funds as provided by Ark. Code Ann. 24-2-601 through 24-2-619 (1997), and shall manage the funds of the System in accordance with the prudent investor rule, by giving consideration to both the funded and unfunded actuarial accrued liabilities and the period of time necessary to amortize all unfunded actuarial accrued liabilities, the anticipated long term return from both equities and bonds, the need for short term liquidity for disbursements to beneficiaries, the general economic conditions, the effects of inflation or deflation, and any other material actuarial, fiscal, or economic factors. The Board shall at all times act solely in the best interest of the beneficiaries of the System.

Investment Objectives

The Board's investment objective shall be to achieve a rate of return on the system's assets of at least two and one-half percent above the rate of inflation and a total return of the actuarially assumed rate of seven percent.

In pursuing this objective the Board shall attempt to maximize the total return in both income and capital appreciation, but with the greater emphasis being on the appreciation of capital. However, the effort to obtain maximum returns must be consistent with prudent risk-taking, and short-term fluctuations in market value shall be considered secondary to long-term results. The Board shall review individual investment decisions in context of the entire trust fund and as a part of an overall investment strategy and with risk and return objectives being reasonably suited to the entire fund.

Asset Allocation

The Board, with advice by investment consultants and investment managers, shall cause the System's funds to be invested primarily in equities and fixed income securities.

The System frequently has cash from dividends, interest, sale of securities, and contributions, and it is invested in very short-term, or overnight, investments. The Board is authorized to delegate its investment functions. Accordingly, the Board has employed investment managers that invest in both equities and fixed income securities and has employed a custodian bank that makes overnight investments with cash.

The Board, after consultation with investment consultants and investment managers, periodically will determine the allocation to be made with the System's assets. The Board currently has allocated 55% of the funds to domestic equity investments, 40% to domestic fixed income securities, and 5% to cash, with ranges of plus or minus 5% to be tolerated as transitory occurrences. Thus, the current asset allocation is to be as follows:

Equities	50% to 60%
Fixed Income	35% to 45%
Cash	0% to 10%

Review of Investment Processes

The Board is authorized to directly manage the System's funds or to delegate its investment function.

Currently the Board has delegated its investment function to investment managers and has delegated investment discretion to the Managers, by separate contract. The duties and responsibilities of each of the investment managers retained by the board shall include the following:

Outline of Investment Policies

Review of Investment Processes

(Continued)

- A. Manage the assets the Manager holds in accordance with the policy guidelines and objectives expressed in this statement. If some deviation from this statement is deemed prudent and desirable by both the Board and Manager, they may accordingly modify in writing this policy statement.

- B. Demonstrate satisfactory performance in investing the System's funds. In evaluating a Manager's performance the Board will give consideration to the investment conditions during the evaluation period, the Manager's style of investment, and these investment guidelines. The Board will determine the length of a reasonable demonstration period, but each Manager's performance will be reviewed at least annually. The Manager's performance will be compared against a neutral benchmark of 55% Standard & Poor's 500 Index and 45% Lehman Bros. Aggregate Index, as well as against a universe of similarly managed funds in the Investment Consultant's database. The Board may also consider how proxies are voted, the stockbrokers employed by the Investment Manager and the commissions paid to them.

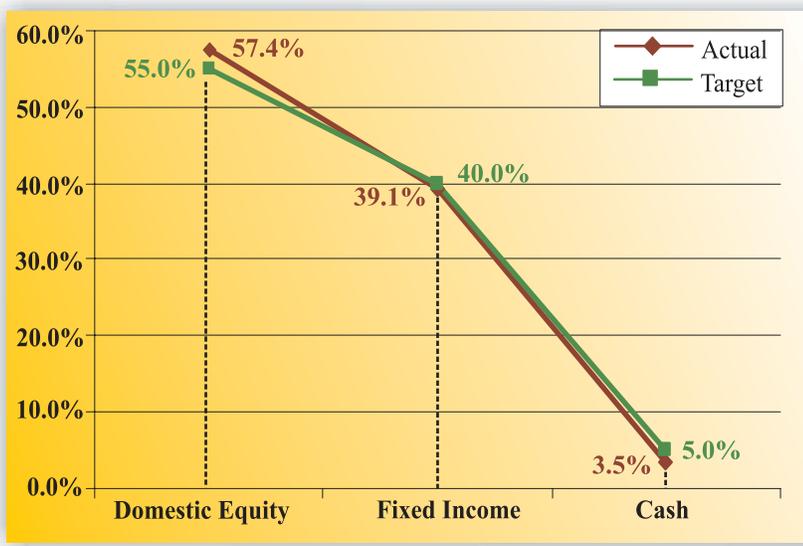
- C. Promptly informing the Board of significant changes in the Manager's corporate structure or strategies, including but not limited to the following:
 - 1. Substantive changes in investment strategy, portfolio structure and market value of managed assets,
 - 2. The Manager's progress in meeting the investment objectives set forth in this statement, and
 - 3. Significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing, or clientele of the Manager.

- D. Comply with all of the duties and responsibilities the Manager has as a fiduciary. In addition, the Fund's assets are to be invested with the care, skill, prudence, and diligence that a prudent professional investment manager would use in similar circumstances.



Actual vs. Target Asset Allocation

**Actual Asset and Target Asset Allocation
For the Period Ended June 30, 2004**



The line graph to the left shows the Fund asset allocation as of June 30, 2004. For each pair of points, the brown points represent each asset class in the Actual Funds asset allocation as a percentage of all assets in the Fund.

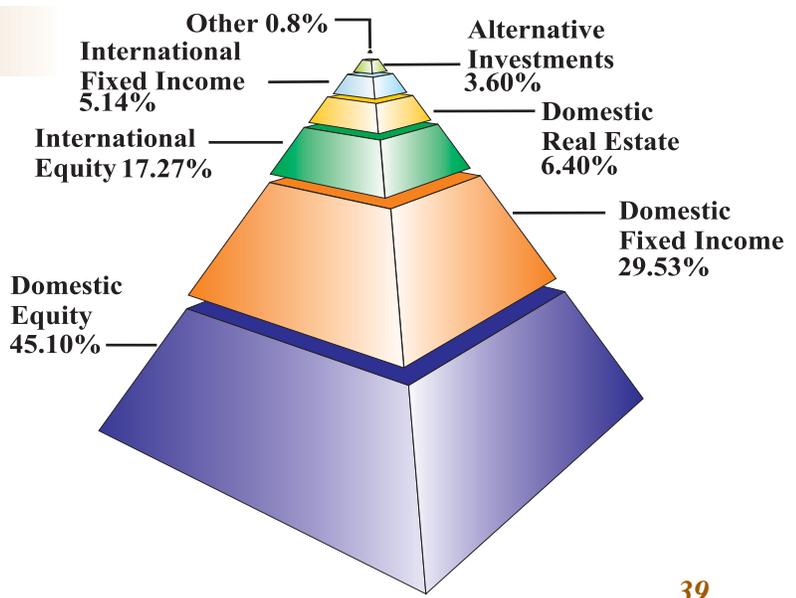
The green points represent each asset class in the Fund's Target asset allocation as outlined in the investment policy statement.

The table below gives a more complete breakdown by asset class and dollar value for the percentages shown on the line graph.

<u>Asset Class</u>	<u>\$ 000s Actual</u>	<u>Percent Actual</u>	<u>Percent Target</u>	<u>Percent Difference</u>	<u>\$000s Difference</u>
Domestic Equity	\$ 74,287	57.4 %	55 %	2.4 %	\$ 3,055
Fixed Income	50,691	39.1	40	(0.9)	(1,090)
Cash	<u>4,475</u>	<u>3.5</u>	<u>5</u>	(1.5)	(1,997)
Total	<u>\$ 129,453</u>	100.0	100		

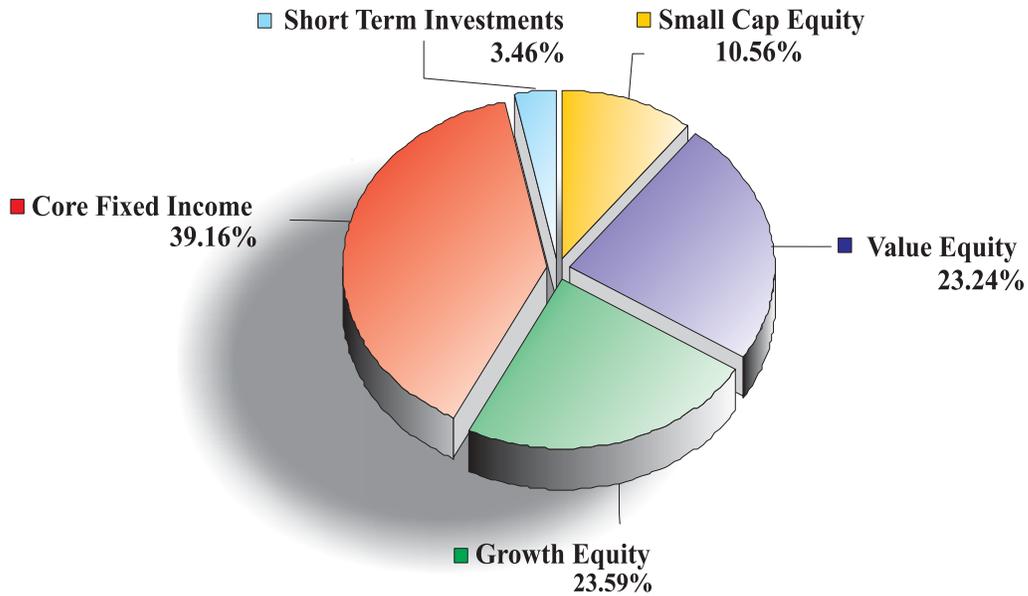
Public Plan Sponsor Database

This pyramid graph to the right shows the average percentages of the overall asset allocation by asset type for the Callan Associates Inc. Public Plan Sponsor Database.



Manager Distribution

For the Period Ended June 30, 2004



Investment Portfolio Distribution June 30, 2004

(Market Value)

<u>Small Cap Equity</u>	
Batterymarch Financial Management	\$ 13,665,387
<u>Value Equity</u>	
Boston Partners	30,084,075
<u>Growth Equity</u>	
Loomis Sayles & Co.	30,537,819
<u>Core Fixed Income</u>	
Loomis Sayles & Co.	50,691,270
<u>Short Term Investments</u>	
	<u>4,475,335</u>
Total Investments	<u>\$ 129,453,886</u>

Portfolio Characteristics
Fiscal Years Ended June 30

	<u>6/30/04</u>	<u>6/30/03</u>
Selected Bond Characteristics:		
Yield to Maturity (Market)	4.65 %	3.54 %
Current Yield	5.16	5.23
Average Coupon Rate	5.25	5.48
Average Maturity	6.61 Yrs.	6.02 Yrs.
Quality Breakdown:		
AAA (Including Govts. & Agencies)	49.6 %	54.3 %
AA	2.5	6.2
A	8.1	15.4
BAA	28.7	17.9
*Cash	11.1	6.2
Selected Stock Characteristics:		
Average P/E Ratio	17.67 x	20.83 x
Estimated Earnings Growth Rate (Next 5 Years)	13.22 %	14.15 %
Current Yield	0.91 %	1.10 %

* Includes Short-Term Investment Fund.

Source: Callan Associates.

Performance Comparisons
Fiscal Years Ended June 30

Fiscal Years Ended June 30	<u>2004</u>	<u>2003</u>	<u>2002</u>	<u>2001</u>	<u>2000</u>
Total Fund:					
Arkansas Judicial Retirement System	14.19 %	5.03 %	(2.92) %	(0.87) %	11.16 %
Callan Total Public Fund Median	14.96	3.74	(5.15)	(4.06)	10.00
Inflation (Consumer Price Index)	3.17	2.10	0.74	3.19	3.87
Equities:					
Arkansas Judicial Retirement System	24.36	(0.75)	(11.62)	(12.05)	16.29
Callan Total Equity Database Median	23.54	(0.15)	(15.84)	(5.29)	11.63
Standard & Poor's 500 Index	19.11	0.25	(17.99)	(14.83)	7.24
Fixed Income:					
Arkansas Judicial Retirement System	0.64	9.59	7.18	11.99	4.02
Callan Total Fixed Income Database Median	0.71	10.58	7.86	11.03	4.57
Lehman Bros. Aggregate Index	0.32	10.40	8.63	11.22	4.57

Source: Callan Associates Inc. (CAI database contains returns of over 115 Public retirement funds.)

Performance Comparisons
Current Year and Preceding 3-Year and 5-Year Rates of Return

<u>Fiscal Years Ended June 30</u>	2004	Annualized	
		<u>3-Year</u>	<u>5-Year</u>
Total Fund:			
Arkansas Judicial Retirement System	14.19 %	5.20 %	5.11 %
Callan Total Public Fund Median	14.96	4.42	3.91
Inflation (Consumer Price Index)	3.17	2.00	2.62
Equities:			
Arkansas Judicial Retirement System	24.36 %	2.94 %	2.21 %
Callan Total Equity Database Median	23.54	2.38	3.75
Standard & Poor's 500 Index	19.11	(0.70)	(2.20)
Fixed Income:			
Arkansas Judicial Retirement System	0.64 %	5.73 %	6.61 %
Callan Total Fixed Income Database Median	0.71	6.42	6.90
Lehman Bros. Aggregate Index	0.32	6.36	6.95

Source: Callan Associates Inc. (CAI database contains returns of over 115 Public retirement funds.)

**List of Ten Largest Assets Held
As of June 30, 2004**

Fixed Income Holdings (By Market Value)

<u>Par</u>	<u>Description</u>	<u>Coupon</u>	<u>Maturity</u>	<u>Market Value</u>
\$ 1,435,372	FNMA Pool #755318	5.500 %	12/01/33	\$ 1,432,645
1,364,212	FNMA Pool #728709	5.500 %	05/01/33	1,361,620
1,315,000	US Treasury Note	1.625 %	10/31/05	1,303,494
1,163,052	FNMA Pool #555692	5.500 %	07/01/33	1,160,842
1,141,519	GNMA Pool #3415	5.500 %	07/20/33	1,141,199
1,005,000	US Treasury Note	2.625 %	11/15/06	998,091
1,000,000	US Treasury Bond	5.250 %	02/15/29	980,625
808,622	FNMA Pool #687885	5.500 %	03/01/18	829,064
835,000	US Treasury Note	3.000 %	11/15/07	827,172
877,865	FNMA Pool #730495	4.500 %	08/01/33	<u>822,199</u>
	Total			<u><u>\$ 10,856,951</u></u>

Equity Holdings (By Market Value)

<u>Shares</u>	<u>Description</u>	<u>Market Value</u>
50,225	Microsoft Corp.	\$ 1,434,426
20,049	Countrywide Financial Corp.	1,408,442
50,975	Nextel Communications Inc. Cl. A	1,358,994
22,900	Procter & Gamble Co.	1,246,676
51,000	Cisco Systems Inc.	1,208,700
16,890	American International Group Inc.	1,203,919
20,500	Johnson & Johnson	1,141,850
12,775	Zimmer Holdings Inc.	1,126,755
17,400	Federal Home Loan Mortgage Corp.	1,101,420
32,005	Pfizer Inc.	<u>1,097,131</u>
	Total	<u><u>\$ 12,328,313</u></u>

Schedule of Brokerage Commissions
As of June 30, 2004

<u>Brokerage Firm</u>	<u>Number of Shares Traded</u>	<u>Total Commission</u>	<u>Commission Per Share</u>
Merrill Lynch	423,353	\$ 19,026	0.04
Bear Stearns	457,041	16,848	0.04
CS First Boston Global	468,455	14,423	0.03
UBS	354,280	13,572	0.04
Goldman Sachs	307,075	11,122	0.04
CITIGROUP Global Markets	214,100	10,319	0.05
Morgan Stanley	248,335	10,086	0.04
Banc of America Securities LLC	186,936	9,201	0.05
J. P. Morgan Securities	195,529	7,900	0.04
Instinet	364,125	7,281	0.02
Sanford Bernstein	138,200	6,439	0.05
Fact Set	127,150	6,358	0.05
Westminister	192,250	6,139	0.03
Lehman Brothers	149,425	5,854	0.04
Deutsche Bank Capital	119,875	5,626	0.05
Weeden & Co.	183,500	5,020	0.03
Prudential	122,675	4,004	0.03
Jefferies	153,000	3,963	0.03
Blair William & Company LLC	87,775	3,874	0.04
Liquidnet	188,996	3,780	0.02
Others (includes 76 brokerage firms)	<u>1,484,062</u>	<u>49,993</u>	0.03
	<u>6,166,137</u>	<u>\$ 220,828</u>	0.04

Schedule of Investment Fees
As of June 30, 2004

<u>Equities</u>	<u>Market Value</u>	<u>Fee</u>	<u>Basis Points</u>
Loomis, Sayles	\$ 30,537,819	\$ 115,806	38
Batterymarch Financial Management	13,665,387	124,886	85
Boston Partners	<u>30,084,075</u>	<u>166,324</u>	58
Total Equity	\$ 74,287,281	\$ 407,016	
<u>Fixed Income</u>	<u>Market Value</u>	<u>Fee</u>	<u>Basis Points</u>
Loomis, Sayles	\$ 50,691,270	<u>\$ 180,782</u>	38
Total Fixed Income		\$ 180,782	
<u>Other Services</u>		<u>Fee</u>	
Bank of New York (Custodian)		\$ 15,000	
Callan Associates (Consultant)		<u>34,189</u>	
Total Other Services		<u>\$ 49,189</u>	
Total Investment Service Fees		<u><u>\$ 636,987</u></u>	

Note: 100 basis points equal 1.0%

Comparative Schedule of Investments
For the Fiscal Years Ended June 30, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>U.S. Government Securities</u>		
U. S. Government Securities	\$ 5,205,944	\$ 3,603,963
U. S. Government Agency Securities	19,726,271	17,560,777
<u>Corporate Securities</u>		
Asset-Backed Securities	1,489,583	1,663,981
Corporate CMO	2,078,937	364,579
Corporate Bonds	20,096,881	18,252,821
Common Stock	72,461,077	64,639,803
<u>Short-Term Investments</u>	<u>7,504,469</u>	<u>10,075,612</u>
Total Investments	<u>\$ 128,563,162</u>	<u>\$ 116,161,536</u>

Actuarial Section

Actuary' Certification Letter

*Summary of Assumptions Used in Valuation
Data*

*Summary of Actuarial Method And
Assumptions*

Active Member Valuation Data

*Short Condition Test - 10 Year Comparative
Statement*

*Retirees and Beneficiaries Tabulated by
Attained Age*

*Active Members By Attained Age and Years
of Service*

Analysis of Financial Esperance

*Analysis of Financial Experience -Gain and
Losses by Risk Area*

*Summary of Plan Provisions (Tier I and
Tier II)*



GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries

One Towne Square ● Suite 800 ● Southfield, Michigan 48076 ● 248-799-9000 ● 800-521-0498 ● fax 248-799-9020

December 2, 2004

The Board of Trustees
Arkansas Judicial Retirement System
Little Rock, Arkansas

Dear Board Members:

The basic financial objective of the Arkansas Judicial Retirement System as provided in the Arkansas Code is to establish and receive contributions which, expressed as percents of active member payroll, will remain approximately level from generation to generation of Arkansas citizens and when combined with present assets and future investment return will be sufficient to meet the financial obligations of AJRS to present and future benefit recipients.

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the cost assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provisions as of June 30, 2004.

The AJRS administrative staff provides the actuary with data for the actuarial valuation. The actuary relies on the data after reviewing it for internal and year-to-year consistency. The actuary summarizes and tabulates population data in order to analyze longer term trends.

The actuarial report included the following supporting schedules for use in the Comprehensive Annual Financial Report.

Actuarial Section

Summary of Actuarial Assumptions

Percent Retiring Next Year

Probabilities of Retirement for Members Eligible to Retire

Percent Separating Within Next Year

Individual Member Pay Increases

Analysis of Financial Experience

Financial Section

Schedule of Funding Progress

Assets are valued on a market related basis that recognizes each year's difference between actual and assumed investment return over a closed four year period.

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2004 valuations were based upon assumptions that were recommended in connection with a study of experience through June 30, 2001.

On the basis of the 2004 valuations and the benefits and contribution rates then in effect, it is our opinion that the Retirement System is in sound condition in accordance with actuarial principles of level cost financing.

Respectfully submitted,



Norman L. Jones, F.S.A., M.A.A.A.

Summary of Assumptions Used for Arkansas Judicial Actuarial Valuations

Assumptions adopted by Board of Trustees after consulting with the Actuary

Economic Assumptions

The investment return rate used in making the valuation was 7.0% per year, compounded annually (net after administrative and investment expenses).

Pay increase assumptions for individual active members are shown on page 56. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes wage inflation. This wage

inflation assumption consists of 3.0% for price inflation and 1.0% for real wage growth.

Total active member payroll is assumed to increase 4.0% per 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 mortality table used to measure retired life mortality was the 1994 Group Annuity Mortality Table. This table and values are shown on page 55.

The probabilities of withdrawal due to death-in-service, disability, or other reasons are shown for sample ages on page 56.

The probabilities of retirement for members eligible to retire are shown on page 57.

95% of active members are assumed to be married at the time of retirement or death in service, and the spouse is assumed to be three years younger than the member.

The entry age actuarial cost method of valuation was used in determining annuity liabilities and normal cost. Under this method:

- ◆ Differences in the past between assumed experience and actual experience (“actuarial

gains and losses”) become part of the actuarial accrued liabilities.

- ◆ Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent of payroll contributions.

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 (M.A.A.A.).

Summary of Actuarial Methods and Assumptions
June 30, 2004 Valuation

Valuation date	June 30, 2004
Actuarial cost method	Entry age
Amortization Method	
Tier I	Level percent of payroll
Tier II	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4 year smoothed market
<u>Actuarial Assumptions:</u>	
Investment rate of return	7.0%
Projected salary increases	4.0%
Including price inflation at	3.0%
Post retirement cost-of-living-increases:	
Pre July 1, 1983 Retirees	Increased with increases in active judges' pay
Post June 30, 1983 Retirees	3.0%, Compounded
Mortality Table	1994 Group Annuity Mortality Table
Group Size Growth Rate	0.00%

Summary of Actuarial Methods and Assumptions
June 30, 2004 Valuation

Pre-July 1, 1983 Hires*

Sample Ages	Present Value of \$1 Monthly for Life		Present Value of \$1 Monthly for Life Increasing 4% Annually		Future Life Expectancy (Years)	
	Men	Women	Men	Women	Men	Women
50	\$ 147.78	\$ 154.93	\$ 237.09	\$ 257.98	30.69	34.89
55	138.58	147.42	212.68	235.17	26.15	30.17
60	127.35	137.85	186.69	210.13	21.83	25.59
65	114.51	126.50	160.21	183.92	17.84	21.28
70	100.68	113.58	134.44	157.28	14.29	17.30
75	85.70	98.39	109.28	129.67	11.12	13.60
80	70.13	81.90	85.62	102.86	8.37	10.31

Sample Ages	\$100 Benefit Increasing 4.0 % Annually	Portion of Age 65 Lives Still Alive	
		Men	Women
65	\$ 100.00	100 %	100 %
70	121.67	91	95
75	148.02	79	87
80	180.09	62	75
85	219.11	42	58

For disabled members, mortality rates from the mortality table are set forward 10 years.

Post June 30, 1983 Hires*

Sample Ages	Present Value of \$1 Monthly for Life Increasing 3% Annually		Sample Ages	\$100 Benefit Increasing 3.0 % Annually
	Men	Women		
50	\$ 208.24	\$ 224.03	65	\$ 100.00
55	189.32	206.95	70	115.93
60	168.45	187.47	75	134.39
65	146.52	166.38	80	155.80
70	124.57	144.28	85	180.61
75	102.56	120.61		
80	81.31	96.94		

****Single Life Retirement Values. Based on 1994 Group Annuity Mortality Table and 7.0% Interest.***

**Summary of Actuarial Methods and Assumptions
June 30, 2004 Valuation**

Separation from Active Employment Before Age and Service Retirement

Percent of Active Members Separating Within The Next Year

Sample Ages	Years of Service	Male		Female		Withdrawal For Other Reasons (Male and Female)
		Death	Disability	Death	Disability	
	0					10.00%
	1					6.00
	2					4.20
	3					3.36
	4					3.02
30	5+	0.08%	0.08%	0.04%	0.10%	1.00
35		0.09	0.08	0.05	0.10	1.00
40		0.11	0.20	0.07	0.36	1.00
45		0.16	0.26	0.10	0.41	1.00
50		0.26	0.49	0.14	0.57	1.00
55		0.44	0.89	0.23	0.77	1.00
60		0.80	1.41	0.44	1.02	1.00
65		1.45	1.66	0.86	1.23	1.00

Pay Increase Assumptions for an Individual Member

Sample Ages	Merit & Seniority	Base (Economic)	Increase Next Year
30	0.00 %	4.00 %	4.00 %
35	0.00	4.00	4.00
40	0.00	4.00	4.00
45	0.00	4.00	4.00
50	0.00	4.00	4.00
55	0.00	4.00	4.00
60	0.00	4.00	4.00
65	0.00	4.00	4.00

Summary of Actuarial Methods and Assumptions
June 30, 2004 Valuation

Probabilities of Retirement for Members Eligible to Retire

<u>Percent of Eligible Active Members Retiring Within Next Year</u>		<u>Percent of Eligible Active Members Electing Early Retirement Within Next Year</u>	
Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	Retirement Ages	Percent of Eligible Active Members Electing Early Retirement Within Next Year
50	6 %	62	2 %
51	6	63	2
52	8	64	2
53	8		
54	10		
55	12		
56	12		
57	14		
58	14		
59	14		
60	18		
61	18		
62	30		
63	30		
64	30		
65-79	30		
80 & Over	100		

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.

Schedule of Active Member Valuation Data
Active Members - Historic Comparative Schedule

Valuation Date June 30	<u>Active Members</u>			
	<u>Number</u>	<u>Annual Valuation Payroll (\$ Millions)</u>	<u>Average Pay Dollars</u>	<u>% Change</u>
1991	112	\$ 7.6	\$ 67,981	N/A
1992	112	7.9	70,679	4.0%
1993	117	10.0	85,286	20.7
1994	117	10.5	89,783	5.3
1995	119	11.0	92,287	2.8
1996	121	11.7	96,810	4.9
1997	125	12.4	99,376	2.7
1998	125	13.1	104,673	5.3
1999	129	13.9	107,679	2.9
2000	130	14.4	110,545	2.7
2001	131	14.9	113,502	2.7
2002	133	15.5	116,441	2.6
2003	134	15.9	118,915	2.1
2004	134	16.3	121,505	2.2

Short Condition Test – 10-Year Comparative Statement

The AJRS funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll.

If the contributions to the System are level in concept and soundly executed, the System will *pay all promised benefits when due—the ultimate test of financial soundness*. Testing for level contribution rates is *the* long-term test.

A *short condition test* is one means of checking a system's progress under its funding program. In a short condition test, the plan's present assets (cash and investments) are compared with:

- 1) Member accumulated contributions;
- 2) The liabilities for future benefits to present retired lives;
- 3) The employer financed portion of liabilities for service already rendered by non-retired members.

In a system that has been following the discipline of level percent of payroll financing, active member contributions (liability 1) and the liabilities for future benefits to present retired lives (liability 2) will be fully covered by present assets. In addition, the liabilities for service already rendered by active members (liability 3) will be partially covered by the remainder of present assets. The larger the funded portion of liability 3, the stronger the condition of the System.

Entry Age Accrued Liability

Valuation Date June 30	(1)	(2)	(3)	Present Assets	Portion of Present Values Covered By Valuation Assets			Total
	Active Members Contr.	Retirees And Benef.	Active Member (Employer Financed Portion)		(1)	(2)	(3)	
(\$ in Thousands)								
1994	\$ 3,720	\$ 25,161	\$ 25,263	\$ 37,310	100%	100%	33%	69%
1995(a)	4,261	28,845	26,627	41,095	100	100	30	69
1996(a)	4,828	32,063	26,561	51,478	100	100	55	81
1997	5,418	33,295	26,944	63,284	100	100	91	96
1998	6,067	33,218	31,989	77,175	100	100	118	108
1999	6,817	38,040	32,486	91,783	100	100	144	119
1999(a)	6,817	38,040	37,919	91,783	100	100	124	111
2000(a)	7,740	39,255	36,217	107,059	100	100	166	129
2001	8,522	42,713	38,532	119,191	100	100	176	133
2001(a)	8,522	54,712	52,839	119,191	100	100	106	103
2002	9,316	53,046	57,544	124,212	100	100	107	104
2002(a)	9,316	54,216	61,202	124,212	100	100	99	99
2003	10,147	74,060	53,718	126,520	100	100	79	92
2004	10,948	74,227	56,600	129,065	100	100	78	91

(a) After changes in benefit provisions and/or actuarial assumptions and methods.

Retirees and Beneficiaries as of June 30, 2004
Tabulated by Attained Age

Attained Age	Retirees		Survivors/ Beneficiaries		Total	
	No.	Annual Allowances	No.	Annual Benefits	No.	Annual Allowances
46			1	\$ 43,704	1	\$ 43,704
56	1	\$ 71,472			1	71,472
57	1	78,816			1	78,816
58	1	72,384			1	72,384
59	2	128,112	2	111,816	4	239,928
60			1	50,112	1	50,112
61	3	255,360	2	95,976	5	351,336
62			1	51,084	1	51,084
63	1	72,384	1	51,720	2	124,104
64	1	76,248			1	76,248
66	4	330,468			4	330,468
67	7	499,236			7	499,236
68	3	210,312			3	210,312
69	6	470,568			6	470,568
70	2	150,828	1	48,492	3	199,320
71	1	83,484			1	83,484
72	3	216,924			3	216,924
73	2	141,600	1	48,492	3	190,092
74	2	139,356			2	139,356
75	1	72,936	2	96,984	3	169,920
76	1	72,384	3	145,488	4	217,872
77			2	96,984	2	96,984
78	4	350,712	1	48,492	5	399,204
79	4	280,056	1	50,112	5	330,168
80	3	252,552			3	252,552
81	1	75,996	3	145,488	4	221,484
82	1	72,384	1	48,492	2	120,876
83	2	144,756			2	144,756
84	2	147,168	1	48,492	3	195,660
85			1	48,492	1	48,492
86	1	72,379	1	43,068	2	115,447
87	1	72,384	1	48,492	2	120,876
88	2	148,380			2	148,380
89			2	100,224	2	100,224
90	1	72,384			1	72,384
91			2	104,424	2	104,424
92			2	104,424	2	104,424
93			1	48,492	1	48,492
95			1	51,720	1	51,720
98			1	48,492	1	48,492
Totals	64	\$ 4,832,023	36	\$ 1,779,756	100	\$ 6,611,779

**Active Members as of June 30, 2004
By Attained Age and Years of Service**

Tier I

Attained Age	Years of Service to Valuation Date						No.	Totals
	0-4	5-9	10-14	15-19	20-24	25-29		Valuation Payroll
40-44		2					2	\$ 241,264
45-49								
50-54		10	6	2		1	19	2,308,085
55-59		6	9	4	1		20	2,412,640
60		1	2				3	361,896
61		1	1				2	245,284
62			1				1	120,632
63		3	2	1			6	739,869
64				2	1		3	365,916
65				1			1	120,632
66			1	1	1		3	361,896
70				1			1	120,632
71			1				1	120,632
73			1				1	126,661
76		1					1	128,669
Totals		24	24	12	3	1	64	\$ 7,774,708

Tier II

Attained Age	Years of Service to Valuation Date						No.	Totals
	0-4	5-9	10-14	15-19	20-24	25-29		Valuation Payroll
40-44	6	2					8	\$ 969,076
45-49	8	2					10	1,210,340
50-54	8	3	7				18	2,171,376
55-59	9	1	3	3	4		20	2,416,660
60	2			1	1	1	5	611,197
61					1		1	120,632
62			1	1			2	245,284
63					1		1	120,632
64	1						1	139,143
65					1		1	124,652
66					1	1	2	257,338
67					1		1	120,632
Totals	34	8	11	5	10	2	70	\$ 8,506,962

Averages

Group	No.	Age	Service	Annual Pay
Tier I	64	58.0 years	11.9 years	\$121,480
Tier II	70	53.5	9.2	\$121,528
Total	134	55.6	10.5	\$121,505

**Analysis of Financial Experience
Year Ended June 30, 2004**

Actual experience will never (except by coincidence) coincide exactly with assumed experience. It is hoped that gains and losses will cancel each other over a period of years, but sizable year to year fluctuations are common. Detail on the derivation of the experience gain (loss) is shown below.

	<u>Total</u>
(1) UAAL* at start of year	\$ 11,404,528
(2) Normal cost from last valuation	4,098,386
(3) Employer contributions	4,126,207
(4) Interest accrual: (1)*.070 + ((2) - (3))* .035	797,343
(5) Expected UAAL before changes: (1) + (2) - (3) + (4)	12,174,050
(6) Change in actuarial assumptions@	(865,000)
(7) Expected UAAL after changes: (5) + (6)	11,309,050
(8) Actual UAAL at end of year	<u>12,709,846</u>
(9) Gain (loss): (7) - (8)	<u>\$ (1,400,796)</u>
(10) Gain (loss) as percent of actuarial accrued liabilities at start of year: \$137,924,807	(1.0) %

* Unfunded actuarial accrued liability.

@ Including transfers and data changes.

Analysis of Financial Experience
Gains and Losses By Risk Area

Year Ended June 30, 2004

Type of Risk Area	<u>Gain (Loss) During Year</u>	
	\$ in Millions	Percent of Liabilities
ECONOMIC RISK AREAS		
<u>Pay Increases</u>		
If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss. This includes gains and losses related to Tier I pre-July 1, 1983 retired member increases.	\$ 2.2	1.6 %
<u>Investment Return</u>		
If there is greater investment return than assumed, there is a gain. If less return, a loss.	(4.7)	(3.4) %
NON-ECONOMIC RISK AREAS		
<u>Age & Service Retirements</u>		
If members retire at older ages or with lower final average pays than assumed, there is a gain. If younger ages or higher average pays, a loss.	1.4	1.0 %
<u>Disability Retirements</u>		
If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.3	0.2 %
<u>Death-in-Service Benefits</u>		
If there are fewer claims than assumed, there is a gain. If more, a loss.	(0.3)	(0.2) %
<u>Withdrawal</u>		
If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(0.5)	(0.3) %
<u>Other</u>		
Gains and losses resulting from group size change, data adjustments, timing of financial transactions, retiree mortality, additional contributions and miscellaneous unidentified sources.	<u>0.2</u>	<u>0.1 %</u>
Experience Gain/(Loss)	\$ (1.4)	(1.0) %

*Summary of Provisions**July 1, 2004***Tier I****Tier II***Description*

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

Elected or appointed after the effective date of Act 399 of 1999 or electing to participate in Tier II by October 28, 1999.

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 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

A member's salary at the end of the last judicial office.

A member's salary at the end of the last judicial office.

Age & Service Annuity

Sixty percent 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.

*Summary of Provisions**July 1, 2004***Tier I****Tier II***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 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 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 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 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. 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 Courts, or the Court of Appeals.

*Summary of Provisions**July 1, 2004***Tier I****Tier II***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 the 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 years 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.

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.

Statistical Section

Schedule of Revenues by Source

Schedule of Expenses by Type

Schedule of Benefit Expenses by Type

*Schedule of Retired Members by Type of
Benefit*

Schedule of Average Benefit Payments

Statistical Charts

**Schedule of Revenues by Source
For the Fiscal Years 1999-2004**

Year Ending June 30	Employee Contributions	Employer & Other Entity Contributions	Court Fees	Misc.	Investment Income	Total
1999	\$ 685,233	\$ 3,160,811	\$ 908,327	\$147,783	\$ 12,206,449	\$ 17,108,603
2000	732,545	3,183,709	870,629	218,263	11,231,322	16,236,468
2001	745,311	3,136,072	940,424	53,267	(1,763,834)	3,111,240
2002	772,874	2,415,200	904,033	35,323	(3,872,610)	254,820
2003	795,852	3,162,016	903,622	47,966	5,304,538	10,213,994
2004	801,072	3,223,394	902,797	17	15,959,909	20,887,189

**Schedule of Expenses By Type
For the Fiscal Years 1999-2004**

Year Ending June 30	Benefit Payments	Refunds	Administrative Expenses	Total
1999	\$ 3,302,660	\$ 74,625	\$ 38,483	\$ 3,415,768
2000	3,695,138	34,730	46,476	3,776,344
2001	3,769,698	19,199	49,485	3,838,382
2002	4,966,371	14,634	44,607	5,025,612
2003	5,799,943	964	38,613	5,839,520
2004	6,438,128	0	40,085	6,478,213

**Schedule of Benefit Expenses By Type
For the Fiscal Years 1999-2004***

Year Ending June 30	Age & Service		Disability
	Retirees	Survivors	Retirees
1999	N/A	N/A	N/A
2000	\$ 2,933,794	\$ 752,320	\$ 58,655
2001	3,663,355	1,284,567	72,208
2002	3,482,427	1,449,876	74,085
2003	4,841,242	1,532,412	75,636
2004	4,754,790	1,779,788	77,201

* Data was unavailable for year 1999 for Age and Service retirees and survivors, and for disability retirees.

* Expenses are based on June 30 benefit amounts annualized.

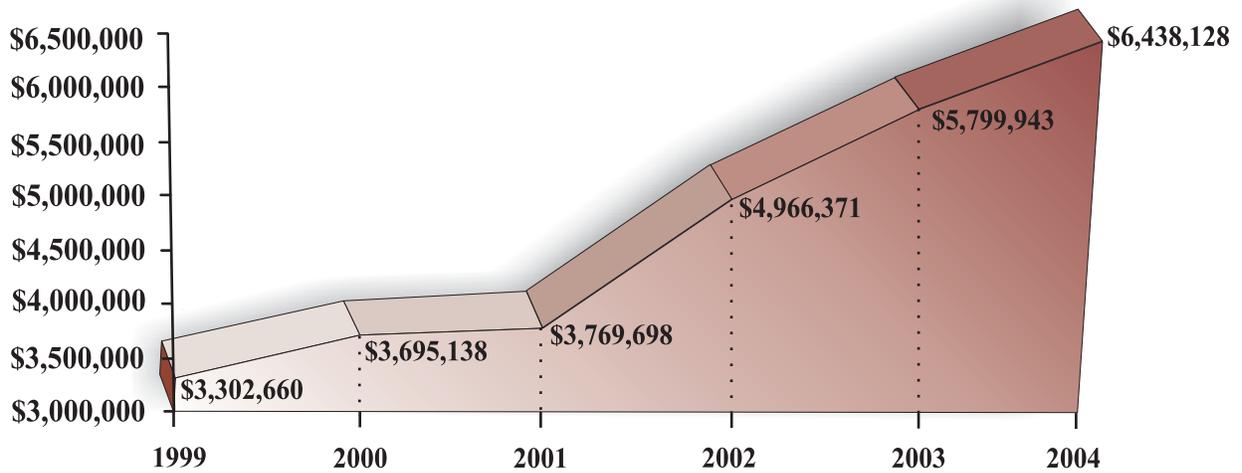
Schedule of Retired Members by Type of Benefit
As of June 30, 2004

<u>Type of Annuity</u>	<u>Number</u>	<u>Annuities</u>	<u>Liabilities</u>
Age & Service Retirees			
Life	16	\$ 1,230,221	\$ 12,724,849
Option B-75	<u>47</u>	<u>3,524,569</u>	<u>44,280,216</u>
Totals	63	4,754,790	57,005,065
Beneficiaries of Age & Service Retirees			
Life	<u>36</u>	<u>1,779,788</u>	<u>16,602,384</u>
Totals	36	1,779,788	16,602,384
Total Age & Service Retirees and Beneficiaries	<u>99</u>	<u>6,534,578</u>	<u>73,607,449</u>
Disability Retirees			
Option B-75	<u>1</u>	<u>77,201</u>	<u>619,303</u>
Totals	1	77,201	619,303
Beneficiaries of Disability Retirees	<u>0</u>	<u>0</u>	<u>0</u>
Total Disability Retirees and Beneficiaries	1	77,201	619,303
Death in Service Beneficiaries	<u>0</u>	<u>0</u>	<u>0</u>
Grand Total of All Retirees and Beneficiaries	<u>100</u>	<u>\$ 6,611,779</u>	<u>\$ 74,226,752</u>

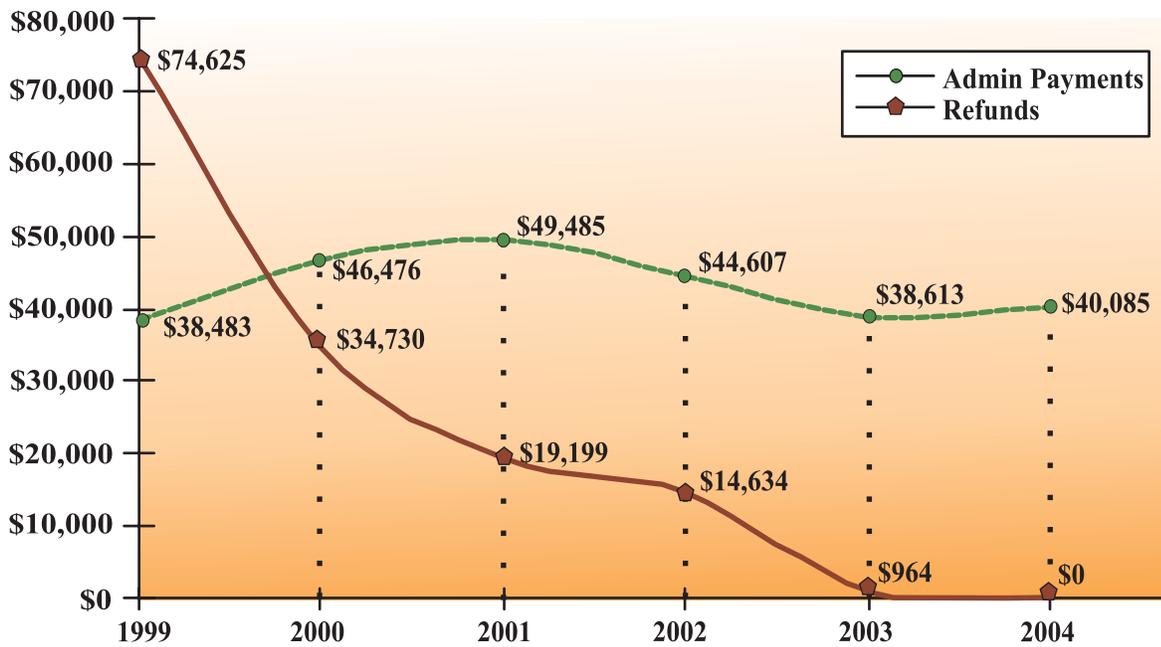
Statistical Graphs

As of June 30, 2004

Benefit Payments



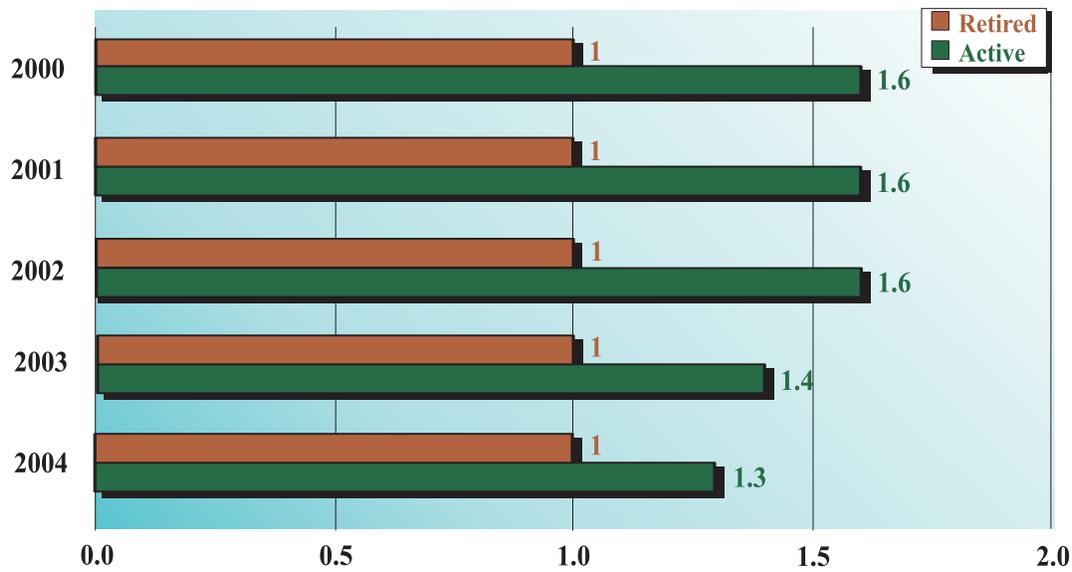
Refunds and Administrative Payments



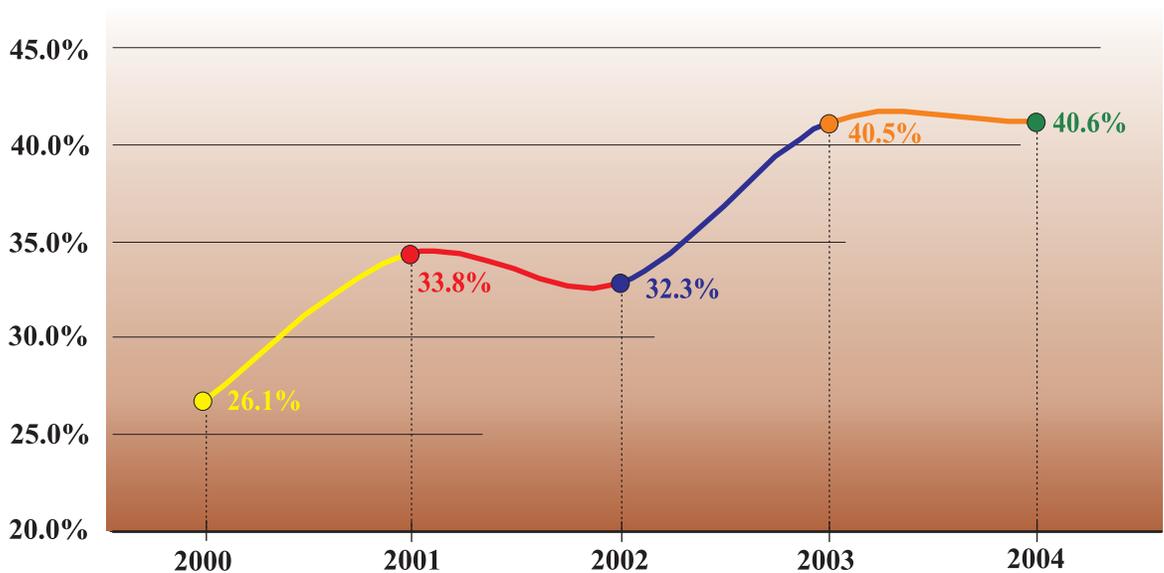
Statistical Graphs

As of June 30, 2004

**Ratio of Active Members To Retired Members
For Years 2000 to 2004**



**Annual Benefits Paid Retirees
As a Percent of Payroll
From 2000 to 2004**



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