

**RETIREMENT SYSTEMS FOR JUDGES, COMMISSIONERS
AND CLERKS**

**REPORT OF THE
VIRGINIA ADVISORY LEGISLATIVE COUNCIL**

To

THE GOVERNOR

And

THE GENERAL ASSEMBLY OF VIRGINIA



HD 16,1968

COMMONWEALTH OF VIRGINIA
Department of Purchases and Supply
Richmond
1967

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**RETIREMENT SYSTEMS FOR JUDGES, COMMISSIONERS
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REPORT OF THE VIRGINIA ADVISORY LEGISLATIVE COUNCIL
Richmond, Virginia, November 27, 1967

To:

HONORABLE MILLS E. GODWIN, JR., *Governor of Virginia*

and

THE GENERAL ASSEMBLY OF VIRGINIA

Only three State retirement systems remain today outside the administrative jurisdiction of the Board of Trustees of the Virginia Supplemental Retirement System and operate without planning or funding on an actuarially sound basis. The three systems and funds, which continue to be administered apart from the major State retirement programs, are those for (1) Judges, Commissioners and Assistant Attorneys General (2) Clerks of the Senate and House of Delegates, and (3) County Court Judges.

These three retirement systems were developed over the years to provide retirement benefits for these rather special categories and limited numbers of personnel, and this development has taken place without regard to basic retirement funding and planning principles or actuarial considerations.

The contrast between these retirement systems and the retirement program now established for the bulk of the State's employees, teachers and police naturally raises questions concerning the function and operation of these special systems and the State's obligations under them. These questions were raised by the 1966 General Assembly which directed the Council to conduct this study by the adoption of House Joint Resolution No. 124 which follows:

HOUSE JOINT RESOLUTION NO. 124

Directing the Virginia Advisory Legislative Council to study the operation and effect of certain State retirement programs.

Whereas, certain State retirement programs not within the jurisdiction of the Board of Trustees of the Virginia Supplemental Retirement System have been established by the General Assembly of Virginia; and

Whereas, it is desirable to ascertain the effect of the operation of such programs and to determine whether or not such programs should be revised or strengthened; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the Virginia Advisory Legislative Council be, and it hereby is, directed to study the operation of all State retirement programs not within the jurisdiction of the Board of Trustees of the Virginia Supplemental Retirement System, the statutes relating thereto and the experience thereunder, including the actuarial soundness of all such programs. The Council shall make such recommendations as it deems appropriate with respect to revising or strengthening such programs.

The Council may canvass the experience of other states in this field, and all agencies of the Commonwealth of Virginia are directed to assist the Council in its study.

The Council shall complete its study and make its report to the Governor and General Assembly by September 1, 1967.

As a first step in undertaking this study, the Council employed the actuarial firm of Bowles, Andrews and Towne to act as consultants to the Council and to examine these three systems to determine their actuarial soundness as presently operated.

A copy of the Report of the consultants dealing with this subject is set out in Appendix I, and it spells out their calculations concerning the financial status of the systems, the adequacy of State contributions and member contributions, and the conclusion of the consultants that these systems are far from being actuarially sound. In addition, their Report to the Council includes a useful and clear discussion of the methods by which retirement plans may be funded and the liabilities which the State incurs under the present pay-as-you-go approach as contrasted with a pre-funded program.

The Council carefully reviewed the Report submitted by the consultants and in addition reviewed with them a series of suggested changes to place these systems on an actuarially sound basis. The possible revisions in these systems which the Council has examined and which would be calculated to place these systems on a sounder basis actuarially, to simplify their administration, to eliminate some of the discrepancies among these systems and to bring them more closely in accord with the retirement treatment afforded by the State to the bulk of State employees, are all of necessity related matters and raise important questions especially as they affect the participants in these systems.

In view of the serious questions which arise in any determination of the funding and actuarial soundness of these systems and which concern the benefits to be paid, the rates of member and State contributions, mandatory participation and retirement, and eligibility for retirement, it is the conclusion of the Council that further study should be conducted which will involve the members of the systems.

RECOMMENDATION

It is, therefore, the Council's recommendation that this study be continued to permit the Council to appoint a committee which will include representatives of the groups immediately involved in these retirement programs and of the Virginia Supplemental Retirement System to assist the Council in its consideration of the information and data gathered to date and of the potential revisions in the programs which are discussed below. We believe that fair and careful consideration should be given to revision of these systems to assure the best use of State funds and at the same time to provide the most equitable retirement benefit program possible for these employees and that such a revision should be conducted with active participation by those contributing to these systems.

We submit the following resolution for adoption by the 1968 General Assembly to continue this study:

HOUSE JOINT RESOLUTION NO.

Whereas, the Virginia Advisory Legislative Council, pursuant to House Joint Resolution No. 124 of the 1966 Acts of Assembly,

has investigated the operation and actuarial soundness of those retirement programs not currently administered by the Board of Trustees of the Virginia Supplemental Retirement System; and

Whereas, the Council has concluded that such systems as currently constituted are not operated on an actuarially sound basis and changes may be in order to assure their more equitable and sounder operation both for the benefit of the Commonwealth and the participants of such systems; now, therefore, be it

Resolved by the House of Delegates, the Senate concurring, That the Virginia Advisory Legislative Council is directed to continue its study of the operation of all State retirement programs not within the jurisdiction of the Board of Trustees of the Virginia Supplemental Retirement System and to consult with representatives of the systems being reviewed and of the Virginia Supplemental Retirement System in the formulation of recommendations concerning the revision and future operation of such systems.

The Council shall complete its study and submit its report and recommendations to the Governor and General Assembly by September one, nineteen hundred sixty-nine.

BACKGROUND

1. *Present Systems.* The three State retirement systems currently administered outside the Board's jurisdiction are:

(a) *The Judges' and Commissioners' Fund.* This fund is established under Chapter 2 of Title 51 of the Code of Virginia. Justices of the Supreme Court of Appeals, judges of the circuit courts and city courts of record, commissioners of the State Corporation Commission and Industrial Commission and certain assistant attorneys general are covered under this system. Approximately 100 judges, commissioners and assistant attorneys general have elected to and were participating in this fund as of June 30, 1966. Some 29 former members or their widows were receiving benefits under this fund on that date.

The basic provisions of Chapter 2 provide that any eligible judge who elects to participate shall contribute a percentage of his salary ranging from 2% to 3% depending on age. Any judge who then attains the age of 65 and has served not less than ten years may retire and upon retirement be entitled to benefits equal to 75% of the basic annual salary paid him by the State immediately prior to retirement. Assistant attorneys general receive 50% of such salary (less social security benefits) if they retire before 20 years' service, and 75% (unreduced by social security benefits) after 20 years' service. There are additional provisions in Chapter 2 for retirement at other ages or after other terms of service which have been added for special cases over the years.

(b) *The Clerks' Fund.* Under the Senate and House of Delegates Clerks' retirement system, the clerks may elect to join the retirement system in the same manner as judges may under the judges' and commissioners' system. The percentage contribution of the clerks is the same as under the judges' and commissioners' system, but the service requirement is 20 years to retire at age 65, rather than ten, with the proviso that other State service may be counted. Retirement benefits are again equal to 75% of the annual salary received immediately prior to retirement. Two clerks were active participants in the fund and there was one beneficiary as of June 30, 1966.

(c) *The County Court Judges' Fund.* County court judges, also, have the option to join their retirement system, and contribute between 2% and 3% of their salaries depending upon age. Benefits payable to the county court judges under the system are to be equal to 75% of the annual salary paid prior to retirement with the proviso that social security benefits are to be deducted from benefits receivable under the system.

There were some 71 county court judges participating in the fund as of June 30, 1966, and there were 13 beneficiaries under this fund as of that date.

2. *Basic Findings Concerning Actuarial Soundness.* The Report of the actuarial consultants, which is appended, describes the status of these funds and the potential liabilities involved. To state their conclusion very simply, the funds are not actuarially sound and the present contributions by the participants and the State are not designed to establish a working fund but simply to pay the benefits payable under the systems as they occur on a pay-as-you-go or annual basis.

The consultants' Report spells out in detail the advantages of the funded approach to retirement financing and planning. Presently the total liabilities of each of these funds, that is, the present value of future benefits to be paid existing pensioners and participants, are \$8,432,137 for the Judges' and Commissioners' Fund, \$165,884 for the Clerks' Fund, and \$1,222,632 for the County Judges' Fund. The amount of the deficit or the present value of additional State contributions which must be paid out by the State to meet these liabilities (which when added to funds on hand and the present value of future participant and matching State contributions will equal the accrued liabilities) are estimated by the consultants to be \$7,693,593 for the Judges' and Commissioners' Fund, \$157,180 for the Clerks' Fund, and \$964,002 for the County Court Judges' Fund.

Continuing these funds on the current basis, the actuaries can project that the total retirement outlay by the State for these funds will be \$431,832 for the Judges' and Commissioners' Fund, \$18,291 for the Clerks' Fund, and \$56,066 for the County Court Judges' Fund in the year 1975-76, as opposed to \$229,268, \$8,414 and \$56,134 for these three funds, respectively, in the year 1965-66. In sum, these costs will almost double in this decade. These projections do not take into account any potential increases in the salaries of the participants in these retirement systems or any possible increase in the number of participants.

To place the funds on an actuarially sound basis and to develop a pre-funded approach to these retirement systems, the State would have to make payments to cover the accrued liability inherent in each of the funds and should adopt an actuarially sound "normal" contribution rate to raise the State's annual contributions to accord with future liabilities incurred each year.

3. *Possible Changes in the Statutes Establishing These Retirement Systems.* Several possible changes in the basic statutory provisions are possible to bring these retirement systems more into line with the retirement provisions applicable to the vast majority of State employees.

First. Membership in the systems or a combined system for these personnel, could be placed on a mandatory basis without age limitation.

Second. The amount of the member contribution, which under existing law for these funds ranges from 2% to 3% of salaries (as contrasted with the Virginia Supplemental Retirement System contribution rate of 5½%,

on that part of the salary exceeding \$1200), could be revised. At present the contribution rates are extremely low in view of the high retirement benefits received under the systems. As is indicated in the consultants' Report, only about 8% of the true annual cost of benefits is met through member contributions. It may be reasonable to provide that these personnel contribute at a rate no lower than other State employees, especially in view of the high benefits payable. On the other hand, it may be simpler to require no contributions by these personnel as is the case in at least 15 states.

Third. Under the Virginia Supplemental Retirement System, the State contributes an actuarially determined amount each year to keep the System on a pre-funded basis. The pre-funded approach could be adopted for a combined Judges' and Commissioners', Clerks' and County Court Judges' System or for each system.

Fourth. The varying age and the service requirements for retirement under these three funds could be brought into uniformity with adjustments being made through a benefit formula which takes into consideration length of service. For example, with benefits based on length of service, full benefits could be payable in all cases of retirement after age 65 and in cases of retirement between ages 60 and 65 where 25 years of service have been completed. Then actuarially reduced benefits could be granted in cases of retirement at an earlier age with a specified amount of service.

Fifth. A possible revision of the mandatory retirement ages for personnel covered by these systems may be considered in connection with any revamping of the retirement program.

Sixth. The amount of the retirement allowance could be revised for future members of the system to take into account length of service rather than being based on a straight 75% of annual salary as at present.

Seventh. Discrepancies among the funds could be eliminated. For example, social security benefits are allowed beneficiaries under the Judges' and Commissioners' Fund without any reduction in the amount of benefits, while beneficiaries under the County Court Judges' Fund have their benefits reduced to the extent of social security payments received by them.

4. *The Rationale for Special Treatment of These Personnel.* The Council recognizes that there were special considerations involved in the establishment of these systems apart from those which applied in creating the broader Virginia Supplemental Retirement System. The question of adequate salary and benefits to attract well-qualified men, the frequently shorter periods of service and the relatively advanced age of numerous appointees are factors affecting retirement programs established for these men. These special problems are reflected in the varied retirement provisions of most states as illustrated in the summary table of various state retirement provisions for judges attached as Appendix II to this Report.

We believe that further consideration of both the purposes and provisions of these systems is necessary if they are to be established on a more soundly planned basis and still to meet the problem of providing fair and proper retirement benefits to these State officials, and we so recommend.

ACKNOWLEDGEMENTS

The Council expresses its appreciation to its consultants and to those assisting it in the preparation of this Report.

Respectfully submitted,

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APPENDIX I

VIRGINIA JUDGES' RETIREMENT SYSTEMS

Report on Actuarial Valuation

as of July 1, 1966

Bowles, Andrews & Towne

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A. INTRODUCTION

1. *General Considerations*

An actuarial valuation was made as of July 1, 1966 of the status of each of these three funds:

- I. Judges' and Commissioners' Retirement Fund
- II. Clerks' of Senate and House of Delegates Retirement Fund
- III. County Court Judges' (Trial Justices') Retirement Fund

An actuarial valuation of any retirement plan is simply a comparison of the value of the future benefits promised by the plan with the value of the future contributions that can be expected to be made to the plan plus the assets on hand. If the value of the future benefits does not exceed the sum of the value of the future contributions and current assets, it is said that the plan is soundly financed or, as some say, is solvent. If, however, the value of future benefits exceeds the sum of the value of future contributions and current assets, the plan is not being soundly financed or, in other words, the plan is insolvent. If a plan is insolvent, the time will come when there will not be sufficient money to pay the benefits that are set forth by the plan unless either those benefits are reduced or the contributions made to the plan are increased. If the promised benefits are to be paid, the present value of future contributions must, together with the assets on hand, be at least equal to the present value of future benefits.

2. *Funding of Present Systems*

In the case of the three Funds considered in this study, only one (Fund III) had any assets as of June 30, 1966, and even in that case, the assets were very small. By law, the State is supposed to match the amount of the participants' stipulated contributions each year to Fund I, but in any event contribute enough, along with participants' contributions, to meet the benefit outlay. Apparently the same procedure is followed for Funds II and III.

For Funds I and II, the matching contributions are not even enough to meet the benefit payments currently falling due, so that the State is contributing at a considerably higher aggregate rate than are the active participants. For Fund III the matching contributions are getting very close to the point of being inadequate to meet the benefit payroll.

So long as the State is merely contributing enough to pay the present benefits, and is using the active participants' contributions to help meet this outlay, nothing at all is being set aside to provide the benefits for those present active participants who will retire in the future. The "pay-as-you-go" approach, which is really a form of robbing Peter to pay Paul, will be perpetuated. As more and more participants join the retirement roll, the State's annual outlay will continually increase until, at some point in the distant future, it may tend to level off.

3. *Merits of Pre-Funding*

The disadvantages of the pay-as-you-go approach to pension funding are widely recognized. The concept of pre-funding, for example, has been adopted by the Commonwealth of Virginia for the Virginia Supplemental Retirement System, and should be used for the Judges' systems also.

Meeting future pension costs by building funds during an employee's active working years is a logical approach for the State to take for several reasons:

- (a) Pension costs for an individual are charged each year during his active lifetime as an additional payroll cost and no further charges are necessary after he is no longer productive. This follows the depreciation theory used for equipment.
- (b) If the deferred compensation theory is accepted, the pay-as-you-go method is not equitable to employees since the employer has not set aside for their later use the compensation which was withheld during their active working years.
- (c) Smaller dollar cost are required over the years under a funded plan, although greater in the initial years, because the funds set aside during active working years are invested earnings thereon provide part of future payments. In the ultimate, contributions into a pension fund plus interest earnings on the fund will equal the amount of pensions paid out. Investment earnings can reduce pay-as-you-go costs by 50% or more.
- (d) Pension payments increase steadily over the years until the employee group, active and retired, has reached a stable distribution (unless the active employee group is continually expanding). The more or less level payroll cost for pension purposes available through funding methods, instead of the increasing pay-as-you-go-cost, has certain appeals from a budgeting point of view.
- (e) The pay-as-you-go method is inflexible in the sense that there is no possible leeway between the time and the amount of the employer's payments and the time and amount of the pensions to be paid. This is in direct contrast to advance funding methods.
- (f) The pay-as-you-go method gives no guarantee to the retired employee as to the continuation of his pensions except to the extent of a yearly appropriation for the payments. Unless the funded approach has been followed a retired employee may find that his pension rights are meaningless in the event of any termination of the plan.
- (g) A funded method acts as a brake on unsound liberalizations because there is an automatic adjustment in the funded costs, whereas under the pay-as-you-go method the impact of the liberalizations may not be felt until sometime in the future because of the deferred nature of the pension load.
- (h) The funded method of meeting pension costs puts the burden of providing the pensions on the generation of taxpayers which enjoys the services of the public employees, rather than shifting the costs to a later generation.

Under public employees plans, there has not been the same motivation toward the recognition of the need for funding the costs of a retirement plan as in the case of employers in business and industry, particularly because the availability of a deduction of pension plan contributions as a business expense for federal income tax purposes is of no advantage to tax-exempt employees. The same basic reasons for a funded plan apply, however, aside from the federal income tax aspects.

It is sometimes argued that, under the pay-as-you-go method, employers can use the funded contributions for other purposes but unless they are used for productive purposes and not current consumption, the ultimate load on the next generation of taxpayers will be increased.

One argument that is sometimes given to counteract the protection given to retired employees by a funded plan is that the State is assumed to continue in perpetuity and it can always use its taxing power. A steadily increasing tax rate, however, that will occur under the pay-as-you-go method, even assuming no liberalization in a pension plan, may create a burden that is too great for future taxpayers. The steadily increasing costs may occur in depression times when tax collections actually decrease.

Experience of public employee retirement plans over a long period of years has demonstrated that it is more economical for government to provide for the pension obligation as it is incurred than to begin paying it when the employees retire. The practice of deferring pension cost tends to conceal the true pension obligation. It results in measuring pension cost on a fictitious basis, and thus understates the true pension obligation.

To minimize or escape the pension burden through a makeshift method of financing inevitably results in much greater eventual pension cost. There is no short cut method to financing pensions. There is no magic formula for meeting this cost. In the final reckoning, a systematic budgeting of this cost, as it is incurred, is prudently economical and will actually reduce the pension burden for the governmental employer. By the application of certain controls, which apply automatically under this method, a considerably lower pension obligation can be achieved.

4. *Methods of Funding*

After an employer has decided on the use of a pre-retirement funding method to meet the costs of a retirement plan, he must decide when funds will be put aside to provide the pensions. The method of funding pension payments that follows the depreciation reserve theory requires that annual amounts, level or varying as desired, be invested each year during an employee's active service. After an employee's retirement, the fund principal and interest earnings are used to provide his pension payments.

The regular annual amounts payable during an employee's service, required by a fully funded plan are commonly referred to as the "normal cost" or "normal contribution."

If a funding method is adopted by an employer that has been in operation for a long period of time, or if liberalizations are made in an existing pension plan which are related to the entire period of employees' service, the employer is faced not only with making the regular annual pension fund contributions but also with building up the amount of fund accumulation that would have been on hand if all past annual pension fund contributions had been made during the employee's past period of service. This past fund accumulation is known as the "past service liability" or "accrued liability."

If a funding method is to be maintained, the minimum payment on account of the unfunded accrued liability is the amount of investment return that would otherwise be secured thereon if completely funded, otherwise, the unfunded accrued liability will increase over the years. If the amount of unfunded accrued liability does increase, eventually the funds of a system will have to be used as well as current contributions in order to provide the total amount of pension payments as due. The pay-

as-you-go basis will finally be reached when the funds have been exhausted. At that time the pay-as-you-go outgo will be of greater amount than the normal contribution.

If accrued liability payments in excess of the interest on the unfunded accrued liability are made each year, the liability will eventually be completely liquidated and the costs of the system will be equal to the normal contribution.

B. OUTLINE OF 1966 VALUATION

1. *Nature of Retirement Plan Costs*

The actual dollar costs of any retirement plan must depend, in the long run, on actual experience as it unfolds. The total cost may be thought of as:

- (a) Benefits actually paid out
 minus
- (b) Investment earnings on accumulated funds, less
 the expense of administration.

It is the actuary's job to estimate each of these items in advance, and to determine the contributions that should be made each year which, together with net investment earnings, will build up a fund sufficient to meet all benefit payments as they fall due. To do this, the actuary must make assumptions as to future experience in many aspects—some of these are noted in the following subsection. It should be kept in mind, however, that the actuarial cost estimates are just that—estimates of the technically "correct" contributions that should be made to the fund each year. Only actual unfolding experience can determine, retrospectively, whether previous contributions were "too high" or "too low." If they were too high, then subsequent contributions can be reduced, and if they were too low, subsequent contributions will have to be increased to maintain the desired incidence of building the fund.

2. *Valuation Assumptions*

It has been assumed that invested assets would earn interest at the rate of $3\frac{1}{2}\%$, net of any administrative expenses paid from the Fund. This should be a conservative assumption under current conditions. However, interest earnings are an important element in reducing costs, so that investment policy should be directed toward obtaining the maximum yield possible consistent with safety of principal.

Future mortality has been assumed to approximate that reflected in the 1951 Group Annuity table, with ages set back one year. This assumption should be conservative enough for the present purpose.

Whenever a participant terminates employment, and thus withdraws from the system, prior to retirement, any funds that the participant has contributed, or that the State has previously contributed on the participant's behalf, are released to be applied against the State's costs for benefits for continuing employees. Terminations of service in the future will thus be a source of gain to the fund. On the other hand, future increases in salary for any employee will be a source of loss to the Fund, since actual benefits will be based on actual final salaries, while anticipated benefits and resulting costs are computed on the basis of present salaries; that is, future salary increases will make present contributions retroactively deficient. These sources of gain and loss tend to counter one another. Actu-

ally, withdrawals have been infrequent, so that future losses from salary increases will probably more than offset gains from turnover. In the 1966 valuation, salary increases known to become effective July 1, 1967 were reflected.

One very important factor in computing the present value of future benefits to be paid is in estimating the age at which participants will retire. The lower the average retirement age, the more participants who will survive to retirement and the longer that pension payments will have to be made. The average retirement age is difficult to estimate, especially for participants for whom there is no mandatory retirement age. Assumptions were made which in general placed the average retirement age about midway between the minimum and maximum retirement age for employees subject to such a range, and slightly higher for employees not subject to a maximum retirement age.

3. Summary of Valuation Data

The personnel data used in the 1966 valuation may be summarized as follows:

Age Nearest Birthday at 7-1-66	Fund I Judges & Commissioners		Fund II Clerks		Fund III Trial Justices	
	No.	Total Annual Salary	No.	Total Annual Salary	No.	Total Annual Salary
Under 30	—	—	—	—	1	\$ 4,200
30 - 34	—	—	—	—	—	—
35 - 39	6	\$ 105,000	—	—	3	25,500
40 - 44	7	122,500	—	—	8	64,600
45 - 49	11	192,500	—	—	7	40,950
50 - 54	18	318,364	—	—	13	103,700
55 - 59	14	241,444	—	—	12	86,660
60 - 64	20	360,000	2	\$30,450	13	88,100
65 - 69	9	159,400	—	—	8	52,620
70 - 74	4	70,000	—	—	5	30,000
75 - 79	4	75,496	—	—	1	5,100
80 & over	3	68,100	—	—	—	—
Totals	96	\$1,712,804	2	\$30,450	71	\$501,430

Similarly, the information as to pensioners on the rolls as of June 30, 1966 was as shown below; many of the pensioners are widows of former participants.

Age Nearest Birthday at 7-1-66	Fund I Judges & Commissioners		Fund II Clerks		Fund III Trial Justices	
	No.	Mo. Pension	No.	Mo. Pension	No.	Mo. Pension
55 - 59	1	\$ 469.40	—	—	—	—
60 - 64	4	2,387.81	—	—	1	\$ 209.65
65 - 69	7	5,616.81	—	—	1	337.05
70 - 74	6	4,182.11	—	—	3	1,102.75
75 - 79	5	3,499.78	—	—	3	1,053.35
80 - 84	6	3,965.63	1	\$701.20	4	1,247.50
85 & over	—	—	—	—	1	284.50
Totals	29	\$20,121.54	1	\$701.20	13	\$4,234.80

The financial data indicated that as of June 30, 1966, the Trial Justices' Retirement Fund had a balance of \$6,790. There were no balances in Fund I or Fund II.

C. RESULTS OF 1966 VALUATION

1. *Comparison of Assets and Liabilities*

Using the methods, assumptions and data outlined in the preceding sections, the liabilities of each Fund were computed for comparison with its assets. In each case, the liabilities are the present value of future benefits to be paid in respect of present pensioners and present active participants, while the assets consist of the funds (if any) on hand plus the present value of future matching contributions by the participants and the State. The "deficit" is the balancing item and is the present value of State contributions that must be made in the future, over and above the "matching" contributions, on behalf of present participants, in order to pay the promised benefits.

	Fund I Judges & Commissioners	Fund II Clerks	Fund III Trial Justices
Liabilities			
Present Value of Future Pension Payments			
to — Present Pensioners	\$2,335,164	\$ 50,906	\$ 355,472
— Present Active Participants	6,096,973	114,978	867,160
Total	\$8,432,137	\$165,884	\$1,222,632
Assets			
Funds on Hand	-0-	-0-	\$ 6,790
Present Value of Future Contributions by Participants	\$ 369,272	\$ 4,352	125,920
Present Value of Matching Contributions by State	369,272	4,352	125,920
Deficit (P.V. of Additional State Contribu- tions)	7,693,593	157,180	964,002
Total	\$8,432,137	\$165,884	\$1,222,632

The fact that there should be a "deficit" in each Fund is hardly surprising; it is obvious in practice, by a comparison of the annual pension outlay with the matching contributions, that the State must do more than match participants' contributions in order to support the benefit levels of the three Funds.

2. *Projection of Pension Outlay*

Unless the funding procedures (i.e., the State's level of contributions) under the three systems are changed to a more realistic basis, the systems will remain on a pay as-you-go basis in perpetuity. The defects of this basis have been previously noted; one of the defects was the inexorable, increasing level of annual outlay.

Projections were made as to the approximate annual pension outlay that the Funds would have to meet in future years. Some small part of each year's outlay may be met by application of the then current contributions of active participants, but the bulk of the cost must be met by the State. For instance, the total annual contributions by participants for the 1965-66 fiscal year amounted only to these totals:

Fund I	\$36,834
Fund II	745
Fund III	15,184
Total	\$52,763

The total retirement outlay for 1965-66 is shown in the table below along with the projected outlay in selected future years.

	Fund I	Fund II	Fund III	Total
1966	\$229,268	\$ 8,414	\$56,134	\$283,075
1971	349,636	4,935	52,750	407,321
1976	431,832	18,291	56,066	506,188

The projected figures are based on a continuation of present salary levels and the assumption that no one joining a system after 1966 will have retired before 1976. If the members' contributions remain at the current level and are applied against the total annual retirement outlay, the State's share (the balance) will increase from \$230,312 in 1966 to about \$450,000 in 1976.

3. State Cost Under Pre-Funding

Obviously, the systems are in very poor financial condition. A continuation of the present pay-as-you-go approach to funding will result in a steadily increasing level of annual State cost.

The present situation would not have arisen if the State's contributions in the past had been computed on a sound actuarial basis. The "matching" concept was inadequate from the outset based on the stipulated rates of employee contributions and now, as could have been actuarially foreseen, has become meaningless, since it takes more than that just to meet the pension payments falling due. Of course, if the members' contribution rates had been high enough, the matching approach would have been satisfactory, but they would have had to be much higher than the law presently provides.

The table below shows, for each Fund, the average member contribution rate currently in effect, the total matching rate, and the total rate that actually should be in effect for the State and the members combined.

	Fund I	Fund II	Fund III
(a) Average Current Member Contribution Rate	2.50%	2.24%	2.32%
(b) Total "Matching" Rate or Current Basis	5.00%	4.49%	4.63%
(c) Total Contribution Rate Necessary	18.75%	7.38%	5.82%
(d) State Rate Necessary, (c) - (a)	16.25%	5.14%	3.50%
(e) Ratio, (d) ÷ (a)	6.5	2.3	1.5

The preceding table illustrates dramatically the inadequacy of the present level of contributions—especially for Fund I, but to a lesser extent for the other two Funds also. Instead of merely matching the member contributions, the State should have been contributing at 6.5 times the member rate for Fund I, 2.3 times for Fund II and 1.5 times for Fund III.

Even if the State were now to commence contributions at the indicated rates, the accumulated deficiency resulting from the inadequate contributions in the past must still be funded—by future contributions over and above the true "normal" contributions.

The actual unfunded accrued liabilities of the three Funds can be computed by comparing the total liabilities with the assets as they would appear if the State had commenced making the proper normal contributions on July 1, 1966. The results are shown below:

	Fund I	Fund II	Fund III
(1) Liabilities (from page 18)	\$8,432,137	\$165,884	\$1,222,632
Assets			
Funds on Hand	-0-	-0-	\$ 6,790
P.V. of Participants' Contributions	\$ 369,272	\$ 4,352	125,920
P.V. of State "Normal" Contributions	2,225,745	9,968	172,580
(2) Total	\$2,595,017	\$ 14,320	\$ 305,290
Unfunded Accrued Liability = (1) - (2)	\$5,837,120	\$151,564	\$ 917,342

The total unfunded accrued liability for the three Funds combined is thus \$6,906,026. Steps should be taken to amortize this "debt" of the State to the Funds by systematic annual payments. If the unfunded accrued liability were to be amortized over, say, 25 years, the total annual payment, in addition to the true normal cost, would be \$404,846.

In summary, to put each Fund on a sound actuarial basis, the State's annual contributions should be determined as the sum of the true normal cost plus a payment to fund the accrued liability. In dollars, based on 1966 assumed payroll, this approach would necessitate contributions as shown below.

	Fund I	Fund II	Fund III	Total
Accrued Liability Contribution	\$342,185	\$ 8,885	\$53,776	\$404,846
Normal Contribution	251,417	1,563	17,335	270,315
Total Annual State Contribution	593,602	10,448	71,111	675,161
Total Members' Contributions (at present rates)	42,838	683	11,617	55,138
Total Annual Cost	636,440	11,131	82,728	730,299

Unless the members' contribution rates were to be increased, the State's annual contributions should be in the amounts indicated in the third line in the table above. In future years, the State's normal contribution would increase as total payroll increased, but should remain fairly constant as a percentage of payroll if no significant actuarial gains or losses materialized. The accrued liability contribution should remain fairly constant as a dollar amount, so long as no additional liability were created, until 25 years had elapsed, at which time it would no longer be required.

Although contributions of the size indicated would be considerably greater than the State has become accustomed to, they are necessary for a soundly financed program.

APPENDIX II

Tables V and VII taken from the Council of State Governments publication, *State Court Systems* (1966 Rev. Ed.), relating to judges' salaries and retirement provisions in the fifty states.

TABLE V
COMPENSATION OF JUDGES OF STATE APPELLATE
COURTS AND TRIAL COURTS OF GENERAL JURISDICTION*

State	Appellate Courts			Major Trial Courts			
	Of Last Resort	Intermediate Appellate	Chancery	Circuit	District	Superior	Other
Alabama	\$16,500	\$16,000		\$12,000 ^a			
Alaska	24,500 ^b					\$21,000	
Arizona	19,500	18,500				17,500	
Arkansas	20,000 ^b		\$15,000 ^c	15,000 ^c			
California	32,000 ^b	30,000				25,000	
Colorado	18,000 ^b				\$14,000		
Connecticut	29,000 ^b					27,500	
Delaware	24,500 ^b		23,500 ^d			23,500 ^d	
Florida	24,000	23,000		19,000-22,000 ^a			\$20,000 ^e
Georgia	22,500	22,500				18,000-28,000 ^a	
Hawaii	27,000 ^b			25,000			
Idaho	17,500				14,500		
Illinois	37,500	25,000-34,500 ^a		17,500-29,000 ^a			
Indiana	22,500 ^c	22,500 ^c		12,000-22,000 ^a		12,000-22,000 ^a	12,000-22,000 ^{a, f}
Iowa	20,000					18,000	
Kansas	18,000 ^b					14,000	
Kentucky	20,000			12,500 ^g			
Louisiana	22,500 ^b	21,500			13,200-20,500 ^a		
Maine	18,000 ^b					17,500	
Maryland	25,000 ^b			20,000-23,000 ^{a, h}			25,000 ^{d, i}
Massachusetts	27,000 ^b					24,000 ^d	
Michigan	35,000	32,500		20,000-30,000 ^a			30,000 ^j
Minnesota	22,500 ^b				18,500-20,000 ^a		
Mississippi	15,000 ^{b, d}		13,500 ^k	13,500 ^k			
Missouri	22,500	21,000		16,000-19,000 ^a			
Montana	16,000 ^b				14,000		
Nebraska	17,000				15,000		
Nevada	22,000				19,500		
New Hampshire	22,000 ^b					20,000 ^d	
New Jersey	31,000 ^b	27,000				27,000	27,000 ^l

COMPENSATION OF JUDGES OF STATE APPELLATE
COURTS OF GENERAL JURISDICTION*—(Continued)

State	Appellate Courts			Major Trial Courts			
	Of Last Resort	Intermediate Appellate	Chancery	Circuit	District	Superior	Other
New Mexico	\$20,000	\$18,500			\$17,500		
New York	39,500 ^{b, m}	33,500-40,000 ^{d, m}					\$13,500-37,000 ^{m, n}
North Carolina	23,000 ^b					\$18,500 ^c	
North Dakota	14,000				12,000		
Ohio	24,000 ^b	21,000					9,500-21,000 ^o
Oklahoma	16,500				14,500-16,500 ^p	12,500-14,500 ^p	
Oregon	21,500			\$19,000			
Pennsylvania	32,500 ^b	30,500 ^d					21,500-27,500 ^o
Puerto Rico	22,000 ^b					13,800-16,800 ^q	
Rhode Island	20,000 ^b					18,000 ^d	
South Carolina	24,500 ^b			24,500			
South Dakota	17,500			16,000			
Tennessee	20,000 ^b	17,500	\$15,000	15,000			15,000 ^f
Texas	24,000	20,000			16,000-24,000 ^a		
Utah	16,500 ^b				14,000		
Vermont	18,000 ^b						16,500 ^{d, l}
Virginia	22,500 ^{b, r}		17,500	17,500			17,500 ^s
Washington	27,500					20,000	
West Virginia	22,500			12,500-20,000 ^a			
Wisconsin	24,000 ^b			20,000-25,000 ^a			
Wyoming	16,500				15,000		

TABLE V (Footnotes)

* Compensation is shown according to most recent legislation even though laws have not yet taken effect.

^a Salaries may be supplemented by counties. In Florida, Georgia, Illinois, Indiana, Louisiana, Maryland, Michigan, Minnesota, Missouri, Texas and Wisconsin the lower amount of the range is the salary paid by the state. In Georgia, the state salary of \$18,000 is supplemented by circuits in accordance with legislative determination, by \$1,000 to \$2,000, and \$10,000 in Fulton County (Atlanta). In Illinois, appellate court judges receive a \$9,500 supplement and circuit court judges (state salary \$20,000) a \$9,000 supplement in Cook County (Chicago); associate judges of the circuit court (state salary \$17,500) receive an optional supplement of \$1,500 in counties with a population of 70,000 to 500,000 and a \$9,000 supplement in Cook County. A magistrate's salary is \$10,000, supplemented by \$6,000 in Cook County. In Indiana, supplements

TABLE V (Footnotes)—(Continued)

are based on a population sliding scale; in addition, county commissioners may increase a judge's salary not to exceed \$4,000. In Minnesota, the supplement is \$1,500 in counties with a population of 200,000 or more. In Missouri, a \$3,000 supplement is compulsory in 2 counties; in other instances optional supplements range from \$1,800 to \$3,000.

^b These jurisdictions pay additional amounts to the Chief Justices of the courts of last resort. The additional sums are: \$500 in Colorado, Delaware, Maryland, Ohio, Pennsylvania, Puerto Rico, South Carolina and Utah; \$1,000 in Alaska, Connecticut, Hawaii, Kansas, Maine, Massachusetts, Minnesota, Mississippi, Montana, New Jersey, North Carolina, Rhode Island, Tennessee, Vermont and Wisconsin; \$1,700 in Virginia; \$2,000 in California; \$2,500 in Arkansas, Louisiana and New York; \$3,000 in New Hampshire.

^c In addition, expense allowances of \$2,400 in Arkansas and Indiana, and \$3,500 in North Carolina. In Arkansas, judges may elect to receive actual expenses incurred.

^d Presiding judges of these courts receive an additional \$500 in Delaware, Maryland, Mississippi, New York (3rd and 4th Departments), Pennsylvania and Vermont; \$1,000 in Massachusetts and Rhode Island; \$1,500 in New York (1st and 2nd Departments); \$2,000 in New Hampshire.

^e Court of Record—Escambia County.

^f Criminal courts; in Tennessee, also law-equity courts.

^g Regular circuit judges are ex officio special commissioners of the Court of Appeals and in that capacity receive an additional \$2,400.

^h In Prince George's County, additional \$2,500 for travel expenses.

ⁱ Supreme Bench of Baltimore City.

^j Recorder's Court of Detroit.

^k In addition, judges receive a statutory allowance of approximately \$500 in lieu of expenses.

^l County courts.

^m In addition, judges of the Court of Appeals receive \$6,000 for expenses, those of the Appellate Division (3rd and 4th Departments) \$6,500 (\$7,500 for Presiding Judge), and those of the Supreme Court (3rd and 4th Departments), \$3,000. Ranges are due to lower salaries paid to Judges in 3rd and 4th Departments.

ⁿ Supreme Court.

^o Courts of common pleas. Variations in salary based on population. In Ohio, state pays \$9,000; county a minimum of \$500, plus a per capita salary not to exceed \$11,500. In Pennsylvania, judges in districts with a population of more than 150,000 receive \$25,000; those where the population is between 100,000 and 150,000 receive \$22,500; and where the population is below 100,000, \$21,500; judges of the Commonwealth Court (Dauphin County) receive \$27,500.

^p Portion of salary above \$8,400 is paid from litigation fee fund—a charge of \$5.00 for each case filed.

^q Salary depends upon length of service with \$600 increment for each two years of service.

^r Plus \$1,500 travel expense in lieu of mileage.

^s Corporation, hustings, and law and equity courts.

TABLE VII
RETIREMENT AND PENSION PROVISIONS FOR JUDGES OF STATE
APPELLATE COURTS AND TRIAL COURTS OF GENERAL
JURISDICTION

State	Minimum Age	Years Minimum Service	Amount of Annuity	Amount of Judge's Contribution	Judges to Whom Applicable
Alabama ^a	65	15	\$7,200 ^b	None	Supreme, appeals
	65 ^c	15	5,200	None	Circuit
	Any age	25	5,200	None	Circuit
Alaska ^d	70	5 ^e	Up to ½ pay ^f	5%	Supreme, superior
	65 ^g	10 ^{e, g}	Up to ½ pay ^f	5%	Supreme, superior
Arizona ^a	65	12 ^a	Up to ¾ pay ^h	5%	Supreme, appeals, superior
Arkansas ^d	65	15 ^e	½ pay ^{i, j}	4%	Supreme, circuit, chancery
California ^d	60 to 70	20 ^e	¾ pay ^{i, j, k}	8%	Supreme, appeals, superior
	60 to 70	10 ^e	65% of pay ^{i, j, k}	8%	Supreme, appeals, superior
	Over 70	(e)	½ pay ^{i, j, k}	8%	Supreme, appeals, superior
Colorado ^a	65	10	\$3,000-5,000 ^l	None	Supreme
	75	20	4,000	None	Supreme
		30	5,000	None	Supreme
	65	10	¾ pay ^m	6%	Supreme, district
	65	16	½ pay ^m	6%	Supreme, district
Connecticut ^d	70	10	¾ pay ⁿ	None	Supreme, superior
Delaware ^a	Any age	24 ^o	2% of highest salary times number of years served	5% (max. \$375 a yr. for 20 yrs.)	Supreme, superior, chancery
Florida ^d	65	10 ^e	3-½% of aver. comp. for each year of service ^k	8%	Supreme, district courts of appeal, circuit
	55	10	(p)	8%	Supreme, district courts of appeal, circuit
Georgia ^a	70	10	¾ pay	None	Supreme, appeals
	65	20	¾ pay	None	Supreme
	Any age	19 ^e	¾ pay	5%	Superior
	70	11 ^e	¾ pay	5%	Superior
Hawaii ^d	55	10	Up to ¾ pay ^k	6%	Supreme, circuit
	Any age	25	Up to ¾ pay ^k	6%	Supreme, circuit

TABLE VII—(Continued)

RETIREMENT AND PENSION PROVISIONS FOR JUDGES OF STATE
APPELLATE COURTS AND TRIAL COURTS OF GENERAL
JURISDICTION—(Continued)

State	Minimum Age	Years Minimum Service	Amount of Annuity	Amount of Judge's Contribution	Judges to Whom Applicable
Idaho ^a	70	10 ^{q, r}	½ pay ^{q, r}	4%	Supreme, district
Illinois ^d	60	12 ^e	¼ pay ^s	7-½% ^t	Supreme, appellate, circuit
Indiana ^a	65 ^e	12 ^u	Up to \$4,800 ^v	5% ^w	Supreme, appellate, circuit superior, criminal
Iowa ^d	65	6	Up to ½ of last salary ^x	4%	Supreme, district
	Any age	25 ^e	Up to ½ of last salary ^x	4%	Supreme, district
Kansas ^d	65	10	3-⅓% of pay for each yr. of service	6%	Supreme, district
	70	8	3-⅓% of pay for each yr. of service	6%	Supreme, district
Kentucky	65 ^e	8	(y)	3%	Court of appeals, circuit
	Any age ^e	8	(y, z)	3%	Court of appeals, circuit
Louisiana	75-80 ^e	No minimum	(i, aa)	None	Supreme, appeals, district
	70 ^e	20	Full pay ⁱ	None	Supreme, appeals, district
	65 ^e	25 ^{ab}	Full pay ⁱ	None	Supreme, appeals
	65 ^e	20	⅔ pay ⁱ	None	Supreme, appeals, district
	Any age ^e	23	½ pay ⁱ	None	Supreme, appeals, district
Maine ^d	70 ^e	7	¾ pay ^j	None	Supreme, superior
Maryland ^d	60	No minimum	Up to \$12,000 ^{ac}	None	Court of appeals, circuit, Supreme Bench of Baltimore City
Massachusetts ^d	70	10	¾ pay	None	Supreme, superior
Michigan ^d	70	12	½ pay	7%	Supreme, appeals, circuit, recorders
	65	16	½ pay	7%	Supreme, appeals, circuit, recorders
	60	20	½ pay	7%	Supreme, appeals, circuit, recorders
	Any age	30	½ pay	7%	Supreme, appeals, circuit, recorders

Minnesota	65 ^a	16 ^e	$\frac{1}{2}$ pay ^{ad}	None ^{ae}	Supreme
	70 ^a	12 ^e	$\frac{1}{2}$ pay ^{ad}	None ^{ae}	Supreme
	70 ^d	12 ^e	$\frac{1}{2}$ pay	None ^{ae}	District
Mississippi ^a	65	15	(af, k)	1.65%	Supreme, chancery, circuit
	Any age	30	$\frac{1}{2}$ pay ^{k, ag}	1.65%	Supreme, chancery, circuit
Missouri ^d	65	12	$\frac{1}{2}$ pay ⁱ	None	Supreme, appellate, circuit
Montana ^a	60	10	(af)	Varies ^{ah}	Supreme, district
Nebraska ^d	65 ^{ai}	10	3- $\frac{1}{3}$ % of pay for each yr. of service	4%	Supreme, district
Nevada ^a	60	20	$\frac{2}{3}$ pay	None	Supreme, district
	60	12	$\frac{1}{3}$ pay	None	Supreme, district
New Hampshire ^d	62	No minimum ^e	Up to $\frac{1}{2}$ pay ^{af}	(aj)	Supreme, superior
New Jersey ^d	60	25 ^e	$\frac{3}{4}$ pay	10% of \$5,000	Supreme, superior
	65	10 ^e	$\frac{3}{4}$ pay	10% of 5,000	Supreme, superior
	70	15 ^e	$\frac{3}{4}$ pay	10% of 5,000	Supreme, superior
	70	10	$\frac{1}{2}$ pay ^l	None	County
New Mexico ^d	64	10	$\frac{1}{2}$ av. ann. salary of last 3 years	6%	Supreme, appeals, district
	60	16	$\frac{1}{2}$ av. ann. salary of last 3 years	6%	Supreme, appeals, district
New York ^d	60	No minimum	Up to $\frac{1}{2}$ pay ^{af}	Varies ^{ah}	Court of appeals, appellate, supreme, county
North Carolina ^a	75	8	$\frac{2}{3}$ pay ⁱ	None	Supreme
	65	12 ^e	$\frac{2}{3}$ pay ⁱ	None	Supreme
	65	15 ^e	$\frac{2}{3}$ pay ⁱ	None	Superior
	Any age	24	$\frac{2}{3}$ pay ⁱ	None	Supreme, superior
North Dakota ^d	70 ^{ak}	10 ^{ak}	$\frac{1}{2}$ pay ^{i, j, k, ak}	5%	Supreme, district
	65 ^{ak}	20 ^{ak}	$\frac{1}{2}$ pay ^{i, j, k, ak}	5%	Supreme, district
Ohio ^a	60	5	(af)	7%	Supreme, appeals, common pleas
	55	25 ^{al}	(af)	7%	Supreme, appeals, common pleas
	Any age	35	(af)	7%	Supreme, appeals, common pleas
Oklahoma ^a	65	10	$\frac{3}{4}$ pay ^b	None	Supreme, district, superior
	Any age	20	$\frac{3}{4}$ pay ^b	None	Supreme, district, superior, criminal appeals
Oregon ^d	70	12 ^a	$\frac{1}{2}$ pay	7% of salary	Supreme, circuit
	65 ^{am}	16	$\frac{1}{2}$ pay	7% of salary	Supreme, circuit
Pennsylvania	Any age	10	Varies ^{ah, k}	Varies ^{ah}	Supreme, superior, common pleas
	60	No minimum	Varies ^{ah, k}	Varies ^{ah}	Supreme, superior, common pleas

TABLE VII—(Continued)
RETIREMENT AND PENSION PROVISIONS FOR JUDGES OF STATE
APPELLATE COURTS AND TRIAL COURTS OF GENERAL
JURISDICTION—(Continued)

State	Minimum Age	Years Minimum Service	Amount of Annuity	Amount of Judge's Contribution	Judges to Whom Applicable
Puerto Rico ^d	60	10 ^{an}	(ao, k)	7-½%	Supreme, superior, district
Rhode Island ^a	70	15 ^{ap}	¾ pay	None	Supreme, superior
	65	20 ^{ap}	¾ pay	None	Supreme, superior
South Carolina ^d	72	No minimum	⅔ pay ^j	4%	Supreme, circuit
	70	15 ^e	⅔ pay ^j	4%	Supreme, circuit
	65	20 ^e	⅔ pay ^j	4%	Supreme, circuit
	Any age	25 ^e	⅔ pay ^j	4%	Supreme, circuit
South Dakota ^a	65	15 ^e	½ pay	4%	Supreme, circuit
Tennessee ^a	65	24 ^e	¼ of last pay ^k	8%	Supreme, appeals, circuit, criminal, law-equity
	54	12 ^e	Varies ^{aq}	8%	Supreme, appeals, circuit, criminal, law-equity
Texas ^d	65	10	½ pay	5%	Supreme, appeals, district
	Any age	24	½ pay	5%	Supreme, appeals, district
Utah ^a	70	10	½ pay up to \$6,000 ^s	7% (max. \$420)	Supreme, district
	Any age ^e	20	½ pay up to \$6,000 ^s	7% (max. \$420)	Supreme, district
Vermont ^d	65 ^{ai}	12	⅙ pay ^{k, ar}	Up to 10.21% ^{as}	Supreme, superior
Virginia ^d	65	10	⅙ pay ^k	Up to 3% ^{as}	Supreme, chancery, circuit, corporation, law and equity, law and chancery, hustings
	60 ^e	25	¾ pay	Up to 3% ^{as}	Chancery, circuit, corporation
Washington ^d	70	10	½ pay	6-½%	Supreme, superior
	Any age	18 ^{e, at}	½ pay ^{at}	6-½%	Supreme, superior
	Any age	12 ^e	(au)	6-½%	Supreme, superior
West Virginia	65	16	¾ pay	6%	Supreme, circuit
	73	8	¾ pay	6%	Supreme, circuit
Wisconsin ^d	55 ^{ai}	No minimum	(af, ai)	(av)	Supreme, circuit
Wyoming ^a	65	18 ^{aw}	40% of salary ^{j, ax}	None	Supreme, district

TABLE VII (Footnotes)

^a No compulsory retirement age.

^b Because the Alabama and Oklahoma constitutions prohibit payment of pensions, retired judges serve as supernumerary judges and are subject to call to assist judges in their respective states.

^c At age 60 if permanently and totally disabled.

^d Failure of judges to retire at 70 causes them to lose all pension benefits in Arkansas and Minnesota, and at 73 in North Dakota. If retiring after age 70, judge's and widow's benefits are reduced in California. In New Mexico, a judge who does not retire at age 70 forfeits widow's benefits. In Maine, retirement must occur before 71st birthday, with 7 years service; in Massachusetts, within 30 days after reaching 70. Retirement compulsory at age 70 in Alaska, Connecticut, Florida, Hawaii, Illinois, Kansas, Maryland, Michigan, Nebraska, New Hampshire, New Jersey, New York, Puerto Rico, Vermont, Virginia (judges of courts of record) and Wisconsin, except that in Kansas and Michigan a judge may complete a term started before reaching 70. Retirement compulsory at age 72 in Iowa and South Carolina, and at age 75 in Missouri (judges of Supreme Court and courts of appeals), Oregon, Texas, Virginia (Supreme Court judges), and Washington. Temporary provisions for incumbents exist in Arkansas, Connecticut, Florida, Illinois, Iowa, Massachusetts and Texas. Retirement is optional at 65 in Nebraska and Vermont, at 55 in Wisconsin.

^e Disabled judges in these states may retire on pensions at any age if they have completed the following number of years of service: Arizona, 5; Iowa and Oregon, 6; South Carolina and Virginia (when certified by Supreme Court, at $\frac{2}{3}$ pay), 7; North Carolina, 8; Florida, New Hampshire, South Dakota, Tennessee and Washington, 10; Illinois, Minnesota (Supreme), and Utah, 12; Minnesota (District), 15. In Alaska, 2 years if forced to retire, 5 years in case of voluntary retirement; in Georgia disabled Superior Court judges may retire at 62 after 10 years' service; in Louisiana, at full pay after 20 years; if less, in proportion that years of service bear to 20, but $\frac{2}{3}$ minimum. Retirement pension allowed regardless of length of service in Arkansas, California (at 65% of pay), Indiana, Kentucky, Maine, New Jersey (for Supreme and Superior Court judges, at full annuities), and Puerto Rico.

^f Annuity is 4% of salary received per year of service; if payments start before age 65 for reasons other than incapacity, computed on actuarial basis.

^g Or when age plus years of service equal 75.

^h Two-thirds of salary after 20 years' service. If fewer years, proportion that years of service bear to 20.

ⁱ Retired judges, with their consent, may be assigned to any court in Arkansas, California and Louisiana; to the court from which they retired, in North Dakota; they may be called to serve as referees or commissioners in Missouri, and as emergency judges in North Carolina. In North Dakota, they also are eligible to serve as referees in civil cases or judicial proceedings; if requested, they may serve as legal counsel in the office of the Attorney General, in any executive department, commission or bureau of the state, or for any committee of the Legislative Assembly.

^j Pension is listed portion of salary being paid to sitting justices. Amount of pension changes with changes in salary, except that in Arkansas pension cannot be more than half of salary fixed by law on July 1, 1965.

^k Options available for reduced annuities, with continuing annuities for surviving spouse and benefits to other named beneficiaries.

^l Justices may elect to come under Public Employees Retirement System in lieu of above pension.

^m Based on highest average salary during 5 consecutive years of last 10 years of service.

ⁿ In case of retirement after less than 10 years' service, retirement pay reduced proportionately.

^o If not reappointed at end of 12-year term, eligible for pension upon reaching age 65.

TABLE VII (Footnotes)—(Continued)

- p Judges between ages 55 and 60 with minimum of 10 years' service may retire and receive reduced benefits—the actuarial equivalent of retirement at 60 with 10 years service.
- q Judges retiring at age 70 or because of disability, who have served less than 10 years, are entitled to pension bearing the same relationship to full pension as their years of service bear to 10 years.
- r Judges retiring voluntarily or by expiration of their terms prior to age 70 are entitled, after reaching 65, to pension bearing the same relationship to full pension as their years of service bear to 15 years.
- s Plus 2-½% for each year in excess of 12 years' service, with a maximum of 60% of pay.
- t During the first 18 years, 7-½% (plus 2-½% if married); thereafter, 2-½% if married.
- u Judges must contribute to pension system for 16 years. Can retire after 12 years by paying up for remaining 4 years.
- v Pension is 50% of average salary received from state but not more than \$4,800.
- w State pays 5% of salary but not to exceed \$500 annually nor payable for more than 16 years.
- x Annuity is 3% of average basic salary for last 3 years multiplied by years of service in one or more of the courts covered.
- y Annuity is 5% of average compensation during last 5 years of service multiplied by number of years of service, not to exceed 100% of final compensation.
- z Equal to annuity upon retirement at age 65 if judge elects to have payments commence at age 65; if earlier, reduced actuarially.
- aa Proportion of salary which years of service bear to 20.
- ab Service need not have been on court of record.
- ac For each year of service, \$750. Judges of Court of Appeals allowed \$100 additional for each year of service up to \$13,600.
- ad Plus 2-½% of annual salary for each year in excess of minimum service, but not exceeding 75% of salary.
- ae Contribution of 4% to widows' pension fund.
- af Mississippi, Montana, New Hampshire, New York, Ohio and Wisconsin—based on length of service. In Mississippi, top retirement pay of 50% of salary after 30 years of state or local public service.
- ag Based on average salary for the 5 years preceding retirement.
- ah Depending on age. In Pennsylvania, also on other factors, including length of service as judge, previous nonjudicial state employment, average of salary of best 5 years and retirement plan selected.
- ai Also under Social Security.
- aj Integrated state retirement system and O.A.S.I. Judges contribute to retirement system 2.81-5.49% on salary of \$1,200-\$4,200; 5.62-10.98% on salary in excess of \$4,200.
- ak For each year between 65 and 70, required years of service reduced by 2. If upon retirement required minimum years not completed, annuity reduced in proportion that years of service bear to required years of service.
- al On a commuted basis.
- am Judges who cease to hold office before attaining age 65 and who have served for an aggregate of 16 years may receive pension at 65.
- an No minimum age required for pension if retirement is for reason of disability, or after 22 years of creditable government services, if last 8 years were as judge.
- ao Annuity is 25% of average salary plus 25/2 of 1% of said average salary for each month of creditable service in excess of 10 years. Creditable service includes services rendered as judge or to the government of Puerto Rico in any capacity if last 8 years were as judge.

TABLE VII (Footnotes)—(Continued)

^{ap} Any person who, on January 16, 1956, was a justice of the Supreme or Superior Court and has served as a justice on either or both courts for 25 years, or for 15 years and has reached 70, may receive a sum equal to salary at time of resignation.

^{aq} Actuarially determined.

^{ar} In addition to Social Security. Plus 3- $\frac{1}{8}$ % of salary for each additional year of service above 12, up to full pay after 30 or more years of service.

^{as} Depending on age upon taking office; Virginia, under 40, 2%, to 55, 2- $\frac{1}{2}$ %, over 55, 3%.

^{at} For additional years of service, $\frac{1}{18}$ of full salary allowed per year, up to 75% of salary at time of retirement.

^{au} In proportion that years of service bear to 18.

^{av} Annuity is 5% of compensation under \$6,000, 7% in excess of that amount. In addition, judges may contribute up to \$2,000 in 1 year.

^{aw} Reduced by 1 year for each full year by which judge exceeds age 70 at time of retirement (minimum 6 years).

^{ax} If less than 18 years' service, pension reduced in proportion number of years of service bears to 18, with adjustment for situation described in preceding footnote.

