



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

NEWS RELEASE

FOR RELEASE _____

February 11, 2004

Contact: Andy Nielsen
515/281-5834

Auditor of State David A. Vaudt today released an audit report on the Iowa Judicial Retirement System for the year ended June 30, 2003. The System provides retirement, disability and death benefits to judges serving on the Supreme Court, the Court of Appeals, and the District Courts. The System covered 341 active and retired judges in fiscal year 2003.

The System's net assets held in trust for pension benefits totaled \$70,017,875 at June 30, 2003. The System reported total additions of \$6,918,973 for the year ended June 30, 2003. Additions included \$2,432,420 in interest and dividends, \$2,039,664 from state appropriation, \$1,015,079 from member contributions and a net increase in fair value of investments of \$1,713,285. Deductions for the fiscal year totaled \$4,608,714, primarily for annuity benefits.

The System's unfunded actuarial accrued liability increased approximately \$3,199,000 during fiscal year 2003, from \$20,344,000 at June 30, 2002 to \$23,543,000 at June 30, 2003, due primarily to a lower than expected rate of return on investments and a decrease in the State's contribution to the system from 15.9% of covered payroll in fiscal year 2002 to 9.9% of covered payroll in fiscal year 2003. The unfunded actuarial accrued liability as a percentage of covered payroll increased from 102% for fiscal year 2002 to 114% for fiscal year 2003.

A copy of the audit report is available for review in the Office of Auditor of State.

###

IOWA JUDICIAL RETIREMENT SYSTEM

**INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

JUNE 30, 2003

Table of Contents

		<u>Page</u>
Officials		3
Independent Auditor's Report		5-6
Management's Discussion and Analysis		7-9
Financial Statements:	<u>Exhibit</u>	
Statement of Fiduciary Net Assets	A	13
Statement of Changes in Fiduciary Net Assets	B	14
Notes to Financial Statements		15-18
Supplementary Information:	<u>Schedule</u>	
Schedule of Funding Progress	1	20
Schedule of Employer Contributions	2	21
Independent Auditor's Report on Compliance and on Internal Control over Financial Reporting		23
Staff		24

Iowa Judicial Retirement System

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Cynthia P. Eisenhauer
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Agency

Honorable Louis Lavorato
Honorable Rosemary Sackett
William J. O'Brien (retired May 2003)
David K. Boyd (appointed May 2003)
Peggy Sullivan

Chief Justice
Chief Judge – Court of Appeals
State Court Administrator
State Court Administrator
Director of Finance/Personnel

Iowa Judicial Retirement System



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report

To the Members of the Iowa Judicial
Retirement System:

We have audited the financial statements, listed as exhibits in the table of contents of this report, of the Iowa Judicial Retirement System, as of and for the year ended June 30, 2003. These financial statements are the responsibility of the Iowa Judicial Retirement System's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions 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.

As discussed in Note 2, the financial statements of the Iowa Judicial Retirement System are intended to present the financial position and results of operations of only that portion of the financial reporting entity of the State of Iowa that is attributable to the transactions of the Iowa Judicial Retirement System. They do not purport to, and do not, present fairly the financial position of the State of Iowa as of June 30, 2003, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with U.S generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Iowa Judicial Retirement System at June 30, 2003, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 7 through 9 is not a required part of the financial statements, but is supplementary information required by the Governmental Accounting Standards Board. We applied limited procedures, consisting principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion thereon.

In accordance with Government Auditing Standards, we have also issued our report dated December 12, 2003 on our consideration of the Iowa Judicial Retirement System's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations and contracts. This report is an integral part of an audit performed in accordance with Government Auditing Standards and should be read in conjunction with this report in considering the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the five years ended June 30, 2002 (none of which are presented herein) and expressed unqualified opinions on those financial statements. The accompanying financial information listed as supplementary information in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2003

MANAGEMENT'S DISCUSSION AND ANALYSIS

This discussion and analysis of the Iowa Judicial Retirement System provides an overview of the retirement system's financial activities for the fiscal year ended June 30, 2003.

2003 FINANCIAL HIGHLIGHTS

- ◆ Plan net assets held in trust for pension benefits increased by \$2.3 million during fiscal year 2003 (FY03). At June 30, 2003, total plan assets were approximately \$74 million and total liabilities were approximately \$4 million, resulting in plan net assets held in trust for pension benefits of \$70 million.
- ◆ Covered payroll, upon which both employee and employer pension contributions are calculated, increased by \$834,000 over FY02 and totaled \$20.7 million. Employer contributions decreased by \$999,534 or 3.3%. Member contributions increased by 2.2% or \$21,414.
- ◆ Market conditions improved in FY03 and net investment income fared better than in FY02. Net investment income, after all investment-related expenses, was \$3.9 million in FY03 compared to a loss of \$4.3 million in FY02. Investment management expenses declined from \$297,662 for the year ended June 30, 2002 to \$281,475 for the fiscal year ended June 30, 2003.
- ◆ Total additions for the year resulted in a positive impact to the fund of \$ 6.9 million compared to a negative impact of \$4.3 million in FY02.
- ◆ Pension benefits to members increased by \$200,691. Payments to members totaled \$4.6 million in FY03.
- ◆ Administrative expenses totaled \$7,500 for the fiscal year ended June 30, 2003, as compared to \$4,500 for the fiscal year ended June 30, 2002, an increase of \$3,000.

USING THIS FINANCIAL REPORT

This report reflects the activities of the Iowa Judicial Retirement System as reported in the Statement of Fiduciary Net Assets (see page 11) and Statement of Changes in Fiduciary Net Assets (see page 12). These Statements are presented on an accrual basis and reflect all trust activities as incurred. The notes to the financial statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The other supplementary information following the notes to the financial statements provide historical and additional detailed information considered useful in evaluating the condition of the plan.

ANALYSIS OF PLAN NET ASSETS

Tables 1 and 2 on the pages that follow present condensed summaries of plan net assets and a breakdown of the changes to the plan net assets with comparisons to the previous fiscal year.

PLAN NET ASSETS

Table 1

June 30	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Cash and investments	\$71,219,325	68,991,161	2,228,164	3.2%
Receivables	<u>2,709,666</u>	<u>61,430</u>	<u>2,648,236</u>	4310.9
Total assets	73,928,991	69,052,591	4,876,400	7.1
Total liabilities	<u>3,911,116</u>	<u>1,344,975</u>	<u>2,566,141</u>	190.8
Plan net assets	<u>\$70,017,875</u>	<u>67,707,616</u>	<u>2,310,259</u>	3.4

Approximately 94% of total assets are investments held to provide retirement, survivor, and disability benefits to qualified members and their beneficiaries. Other assets, including cash and cash equivalents, receivables from member and receivables from investment-related transactions comprise the remaining 6% of total assets. Total assets increased by \$4.9 million or 7.1%.

Total liabilities represent current liabilities and consist primarily of amounts owed for investment-related transactions, amounts owed to members or their beneficiaries, and amounts owed to contractors and vendors. Total liabilities increased by \$2.6 million, or 190.8%, from FY02, due in large part to increase in investment-related payables.

CHANGES IN PLAN NET ASSETS

Table 2

Fiscal years ended June 30	<u>2003</u>	<u>2002</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Additions:				
Employer contributions	\$ 2,039,664	3,039,198	(999,534)	(32.9%)
Member contributions	1,015,079	993,664	21,415	2.2
Net investment income (loss)	<u>3,864,230</u>	<u>(4,294,762)</u>	<u>8,158,992</u>	190.0
Total additions	6,918,973	(261,900)	7,180,873	2,741.8
Deductions:				
Annuity benefits	4,601,214	4,400,523	200,691	4.6
Administrative expenses	<u>7,500</u>	<u>4,500</u>	<u>3,000</u>	66.7
Total deductions	<u>4,608,714</u>	<u>4,405,023</u>	<u>203,691</u>	4.6
Increase (decrease) in Plan Net Assets	<u>\$2,310,259</u>	<u>(4,666,923)</u>	<u>6,977,182</u>	149.5

The positive change in plan net assets is due to improved economic conditions, as reflected in the net investment income of \$3.9 million. Benefits of \$4.6 million exceeded contributions of \$3 million by \$1.6 million for FY03 compared to the \$367,661 by which benefits exceeded contributions in FY02. This excess of benefits paid relative to contributions received is characteristic of a mature pension plan such as the Iowa Judicial Retirement System. The investment rate of return for the fiscal year was 6.56%.

The following table contains the fiscal year performance of each asset class, benchmark, and the Plan's actual asset allocation as of June 30, 2003.

Table 3

Asset Class	Return	Benchmark	Allocation
Large capitalization stocks	(.62%)	.23%	29.20%
Small capitalization stocks	15.12	16.06	13.67
Small capitalization value	(6.39)	(3.8)	7.77
Core fixed income	10.7	11.52	38.52
International equities	N/A	(6.46)	9.22
Cash equivalents	1.58	N/A	1.63
Total	6.56	5.62	100

CONTACTING SYSTEM FINANCIAL MANAGEMENT

This financial report is designed to provide our membership, taxpayers, and creditors with a general overview of the System's finances and to demonstrate the System's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Iowa Judicial Retirement System, 1111 E. Court Avenue, Des Moines, IA, 50319.

Iowa Judicial Retirement System

Financial Statements

Iowa Judicial Retirement System

Iowa Judicial Retirement System
Statement of Fiduciary Net Assets
June 30, 2003

Assets:		
Cash and cash equivalents		\$ 1,783,123
Member contributions receivable		27,728
Receivable for investments sold		2,681,938
Investments, at fair value (note 2):		
Common stock	\$ 42,246,312	
Fixed income securities	<u>27,189,890</u>	<u>69,436,202</u>
Total assets		<u>73,928,991</u>
Liabilities:		
Accounts payable		131,317
Payable for investments purchased		<u>3,779,799</u>
Total liabilities		<u>3,911,116</u>
Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 20)		<u>\$ 70,017,875</u>

See notes to financial statements.

Exhibit B

Iowa Judicial Retirement System
Statement of Changes in Fiduciary Net Assets
Year ended June 30, 2003

Additions:		
Contributions:		
Members		\$ 1,015,079
Employer - state appropriation		2,039,664
Investment income:		
Interest	\$ 1,830,966	
Dividends	601,454	
Net increase in fair value of investments	1,713,285	
Less investment expense	<u>(281,475)</u>	
Net investment income		<u>3,864,230</u>
Total additions		<u>6,918,973</u>
Deductions:		
Annuity benefits		4,601,214
Administrative expenses		<u>7,500</u>
Total deductions		<u>4,608,714</u>
Net increase in net assets held in trust for pension benefits		2,310,259
Net assets held in trust for pension benefits:		
Beginning of year		<u>67,707,616</u>
End of year		<u>\$ 70,017,875</u>

See notes to financial statements.

Iowa Judicial Retirement System

Notes to Financial Statements

June 30, 2003

(1) Plan Description

The Iowa Judicial Retirement System, a single-employer public employee retirement system (PERS), is the administrator of a defined benefit pension plan.

The Iowa Judicial Retirement System was established to provide pension benefits to judges serving on the Supreme Court, District Courts and the Court of Appeals. The plan's membership as of June 30, 2003 was as follows:

Retirees and beneficiaries currently receiving benefits	139
Terminated members entitled to but not yet receiving benefits	8
Current members:	
Fully vested members	144
Non-vested active judges covered by the plan	50

Pursuant to Chapter 602 of the Code of Iowa, a member who has had a total of at least six years of service as a judge of one or more of the above courts and is at least sixty-five years of age or who has served twenty-five years of consecutive service as a judge of one or more of the above courts shall qualify for an annuity. The annual annuity of a judge under this system is an amount equal to three percent of the judge's average annual basic salary for the judge's highest three years as a judge multiplied by the judge's years of service or, for a member who meets the definition of a senior judge under Chapter 602.9202 of the Code of Iowa, three percent of the basic senior judge salary multiplied by the judge's years of service, limited to a specified percentage of the highest basic annual salary or basic senior judge salary, as applicable, which the judge is receiving or had received as of the time the judge or senior judge became separated from service. The specified percentage is as follows: (1) fifty percent for judges who retired prior to July 1, 1998; (2) fifty-two percent for judges who retire and receive an annuity on or after July 1, 1998 but before July 1, 2000; (3) fifty-six percent for judges who retire and receive an annuity on or after July 1, 2000 but before July 1, 2001; and (4) sixty percent for judges who retire and receive an annuity on or after July 1, 2001.

Any member who has served as a judge for a total of six years or more and is deemed permanently incapacitated, mentally or physically, to perform his/her duties shall be entitled to an annuity that would be the same as computed under a retirement annuity.

Judges contribute to the system at the rate of 5% of their basic salary. The state contributes annually at rates established by statute until the system attains fully funded status, at which time the state shall contribute at a rate necessary to maintain fully funded status. For the year ended June 30, 2003, the state contributed an amount equal to at least 9.9% of the basic salary of all covered judges.

(2) Summary of Significant Accounting Policies

A. Reporting Entity

For financial reporting purposes, the Iowa Judicial Retirement System has included all funds. The Iowa Judicial Retirement System has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the Iowa Judicial Retirement System are such that exclusion would cause the Iowa Judicial Retirement System's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the System to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the Iowa Judicial Retirement System.

The Iowa Judicial Retirement System has no component units which meet the Governmental Accounting Standards Board criteria.

B. Fund Accounting

The Iowa Judicial Retirement System is treated for accounting purposes as a Pension Trust Fund, which is a fiduciary fund type. The operations of the fund are accounted for with a separate set of self-balancing accounts which comprise its assets, liabilities, net assets, additions and deductions.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

The Iowa Judicial Retirement System's financial statements are prepared using the accrual basis of accounting. Plan member contributions are recognized in the period in which the contributions are due. System contributions are recognized when due and the System has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

D. Cash and Cash Equivalents

Cash and cash equivalents represent cash and money market investments held by the Treasurer of State and cash allocated to the System's investment manager for investment. The System's deposits throughout the year and at year end were entirely covered by federal depository insurance and the State Sinking Fund.

E. Investments

Investments are reported at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar

instruments. The fair value of real estate investments is based on independent appraisals. Investments that do not have an established market are reported at estimated fair value.

The Treasurer of the State of Iowa is responsible for investing the Iowa Judicial Retirement System's funds. The system is authorized by statute to invest in any form of indebtedness issued, assumed, or guaranteed by the federal government. In addition, the fund may be invested in a manner consistent with the "Model Prudent Person Investment Act." The act requires that in investing, acquiring, reinvesting, exchanging, retaining and managing property, judgment and care be taken which persons of prudence, discretion and intelligence exercise in the management of their own affairs.

Investments in governmental bonds and treasury notes constitute approximately 3.15% of net assets held in trust for pension benefits. The System has no investments in the stocks or bonds of any commercial or industrial organization where market value exceeds 5 percent or more of the net assets held in trust for pension benefits. The System does not invest in obligations of the State of Iowa or its political subdivisions.

The System spent \$281,475 for investment management expenses, which was .40% of the market value of the net assets held in trust for pension benefits at June 30, 2003.

The System's investments are categorized to give an indication of the level of credit risk assumed by the System at year end. The System's investments are all category 1 and are all insured and registered investments held by the State of Iowa or held by the State of Iowa's agent in the name of the state. The System's investments in common stock and fixed income securities, stated at cost, are \$38,593,328 and \$26,349,273, respectively.

(3) Annual Pension Cost and Net Pension Obligation

The State's annual pension cost and net pension obligation for the Iowa Judicial Retirement System for the current year were as follows:

Annual required contribution	\$ 4,024,203
Interest on net pension obligation	128,201
Adjustment to annual required contribution	<u>(127,339)</u>
Annual pension cost	4,025,065
Contributions made	<u>2,039,664</u>
Increase in net pension obligation	1,985,401
(Assets in excess of) pension obligation beginning of year	<u>(382,886)</u>
Net pension obligation end of year	<u>\$ 1,602,515</u>

For calculation of the net pension obligation, the transition date is July 1, 1995. The net pension obligation was calculated by the actuary as the cumulative difference between the System's annual required contributions and the System's actual contributions for fiscal years 1988 through 2003.

The annual required contribution for the current year was determined as part of the July 1, 2002 actuarial valuation using the projected unit credit actuarial cost method. The actuarial assumptions included (a) 8% investment rate of return and (b) projected salary and inflationary increases of 5% per year. The assumptions included post retirement benefit increases in accordance with the law. The actuarial value of assets was determined using the market value of investments. The unfunded actuarial accrued liability is being amortized using a level dollar amortization method on an open basis. The remaining amortization period at June 30, 2003 was 30 years.

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Employer Contributions Made	Percentage of APC Contributed	(Assets in Excess of) Net Pension Obligation
2001	\$ 3,208,886	4,499,350	140	(1,075,242)
2002	3,731,554	3,039,198	81	(382,886)
2003	4,025,065	2,039,664	51	1,602,515

(4) Contribution Required and Contribution Made

The contributions to the Iowa Judicial Retirement System were made pursuant to Chapter 602.9104 of the Code of Iowa, and were not actuarially determined. Therefore, actual contributions differ from the annual required contribution described in note 3 above, which is actuarially determined.

The member contribution required and contributed was \$1,015,079, representing 5 percent of the current year covered payroll. The state contribution required by statute was \$2,039,664. The state share is to be based on 9.9 percent of the current year covered payroll. Costs of administering the plan are financed through state appropriation, member contributions and investment income.

An actuarial valuation of the System's assets and liabilities is required at least once every four years per Chapter 602.9116 of the Code of Iowa.

(5) Risk Management

State employee benefits for health, dental, long-term disability and life insurance coverage are fully insured through commercial insurers. There were no significant reductions in insurance coverage for the prior year and settlements have not exceeded coverage for the past three fiscal years. The State of Iowa self-insures on behalf of its agencies for losses related to workers' compensation, its motor vehicle fleet, property damage and torts.

A contingent fund exists under Section 29C.20 of the Code of Iowa to provide compensation for loss or damage to state property (casualty losses).

Supplementary Information

Schedule 1

Iowa Judicial Retirement System

Schedule of Funding Progress

For the Last Six Fiscal Years
(in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL/ Covered Payroll ((b-a)/c)
7/1/98	\$ 55,048	\$ 65,243	\$ 10,195	84%	\$ 16,824	61%
7/1/99	62,018	68,768	6,750	90	17,023	40
7/1/00	71,693	82,070	10,377	87	19,295	54
7/1/01	72,375	87,800	15,425	82	19,896	78
7/1/02	67,707	88,051	20,344	77	19,878	102
7/1/03	70,018	93,561	23,543	75	20,712	114

The increase in unfunded AAL for the July 1, 2003 valuation was primarily due to a lower than expected rate of return on investments. Also, the State's contribution to the system decreased from 15.9% of covered payroll for the year ended June 30, 2002 to 9.9% of covered payroll for the year ended June 30, 2003.

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

Iowa Judicial Retirement System
Schedule of Employer Contributions
For the Last Six Fiscal Years

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percentage Contributed
1998	\$ 3,150,939	\$ 3,806,457	121%
1999	2,858,734	3,944,059	138
2000	2,700,338	4,202,697	156
2001	3,209,370	4,499,350	140
2002	3,738,659	3,039,198	81
2003	4,024,203	2,039,664	51

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

Iowa Judicial Retirement System



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

David A. Vaudt, CPA
Auditor of State

State Capitol Building
Des Moines, Iowa 50319-0004

Telephone (515) 281-5834 Facsimile (515) 242-6134

Independent Auditor's Report on Compliance
and on Internal Control over Financial Reporting

To the Members of the Iowa Judicial
Retirement System:

We have audited the financial statements of the Iowa Judicial Retirement System, as of and for the year ended June 30, 2003, and have issued our report thereon dated December 12, 2003. We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the Iowa Judicial Retirement System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws and regulations, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance that are required to be reported under Government Auditing Standards.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Iowa Judicial Retirement System's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report, a public record by law, is intended solely for the information and use of the officials and employees of the Iowa Judicial Retirement System, citizens of the State of Iowa and other parties to whom the Iowa Judicial Retirement System may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Iowa Judicial Retirement System during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

DAVID A. VAUDT, CPA
Auditor of State

WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 12, 2003

Iowa Judicial Retirement System

Staff

This audit was performed by:

Marlys K. Gaston, CPA, Manager
Karen L. Brustkern CPA, Senior Auditor
Brad T. Holtan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State