



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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Auditor of State

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NEWS RELEASE

FOR RELEASE _____ May 11, 2005 _____

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Auditor of State David A. Vaudt today released an audit report on the Iowa Judicial Retirement System for the year ended June 30, 2004. 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 342 active and retired judges in fiscal year 2004.

The System's net assets held in trust for pension benefits totaled \$78,023,055 at June 30, 2004. The System reported total additions of \$12,890,005 for the year ended June 30, 2004. Additions included \$1,834,759 in interest and dividends, \$2,039,664 from state appropriation, \$1,043,672 from member contributions and a net increase in fair value of investments of \$8,516,175. Deductions for the fiscal year included \$4,880,325 for annuity benefits.

The System's unfunded actuarial accrued liability decreased approximately \$2,442,000 during fiscal year 2004, from \$23,543,000 at June 30, 2003 to \$21,101,000 at June 30, 2004, due primarily to a higher than expected rate of return on investments. The unfunded actuarial accrued liability as a percentage of covered payroll decreased from 114% for fiscal year 2003 to 101% for fiscal year 2004.

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

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IOWA JUDICIAL RETIREMENT SYSTEM

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2004

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Iowa Judicial Retirement System

Officials

Name

Title

State

Honorable Thomas J. Vilsack
Michael L. Tramontina
Dennis C. Prouty

Governor
Director, Department of Management
Director, Legislative Services Agency

Agency

Honorable Louis Lavorato
Honorable Rosemary Sackett
David K. Boyd
Peggy Sullivan

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

Iowa Judicial Retirement System



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Independent Auditor's Report

To the Members of the Iowa Judicial
Retirement System:

We have audited the accompanying statement of plan net assets of the Iowa Judicial Retirement System as of June 30, 2004, and the related statement of changes in plan net assets for the year then ended. 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.

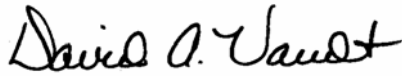
We conducted our audit in accordance with U.S. generally accepted auditing standards, Chapter 11 of the Code of Iowa and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards and provisions require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

As discussed in Note 2, the financial statements present the financial position and changes in financial position 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, 2004, 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.

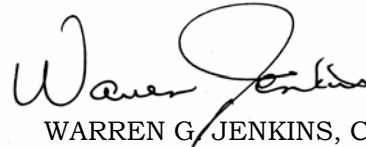
In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Iowa Judicial Retirement System at June 30, 2004, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

Management's Discussion and Analysis on pages 7 through 9, the Schedule of Funding Progress and the Schedule of Employer Contributions are not required parts of the financial statements, but are 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 17, 2004 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. That 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.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

December 17, 2004

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, 2004.

2004 FINANCIAL HIGHLIGHTS

- Plan net assets held in trust for pension benefits increased by \$8 million during fiscal year 2004 (FY04). At June 30, 2004, total plan assets were approximately \$83 million and total liabilities were approximately \$5 million, resulting in plan net assets held in trust for pension benefits of \$78 million.
- Covered payroll, upon which both employee and employer pension contributions are calculated, increased by \$182,000 over FY03 and totaled \$20.9 million. Employer contributions were unchanged. Member contributions increased by 2.8%, or \$28,593.
- Market conditions improved in FY04 and net investment income fared better than in FY03. Net investment income, after all investment-related expenses, was \$9.8 million in FY04 compared to \$3.9 million in FY03. Investment management expenses increased from \$281,475 for the fiscal year ended June 30, 2003 to \$544,265 for the fiscal year ended June 30, 2004.
- Total additions for the year resulted in a positive impact to the fund of \$12.9 million compared to a positive impact of \$6.9 million in FY03.
- Pension benefits to members increased by \$279,111. Payments to members totaled approximately \$4.9 million in FY04.
- Administrative expenses totaled \$4,500 for the fiscal year ended June 30, 2004, as compared to \$7,500 for the fiscal year ended June 30, 2003, a decrease of \$3,000.

USING THIS FINANCIAL REPORT

This report reflects the activities of the Iowa Judicial Retirement System as reported in the Statement of Plan Net Assets (see page 13) and the Statement of Changes in Plan Net Assets (see page 14). These Statements are presented on an accrual basis and reflect all trust activities as incurred. The notes to financial statements are an integral part of the financial statements and include additional information not readily evident in the statements themselves. The required supplementary information following the notes to financial statements provides 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 in plan net assets with comparisons to the previous fiscal year.

PLAN NET ASSETS

Table 1

| <u>June 30</u> | <u>2004</u> | <u>2003</u> | <u>Increase (Decrease) Amount</u> | <u>Increase (Decrease) Percent</u> |
|------------------------|---------------------|-------------------|---|--|
| Cash and investments | \$78,104,199 | 71,219,325 | 6,884,874 | 9.7% |
| Receivables | <u>4,968,415</u> | <u>2,709,666</u> | <u>2,258,749</u> | 83.4 |
| Total assets | 83,072,614 | 73,928,991 | 9,143,623 | 12.4 |
| Total liabilities | <u>5,049,559</u> | <u>3,911,116</u> | <u>1,138,443</u> | 29.1 |
| Plan net assets | <u>\$78,023,055</u> | <u>70,017,875</u> | <u>8,005,180</u> | 11.4 |

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 members and receivables from investment-related transactions, comprise the remaining 6% of total assets. Total assets increased by \$9.1 million, or 12.4%.

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 \$1.1 million, or 29.1%, from FY03, due in large part to an increase in investment-related payables.

CHANGES IN PLAN NET ASSETS

Table 2

| <u>Fiscal years ended June 30</u> | <u>2004</u> | <u>2003</u> | <u>Increase (Decrease) Amount</u> | <u>Increase (Decrease) Percent</u> |
|------------------------------------|---------------------|------------------|---|--|
| Additions: | | | | |
| Employer contributions | \$ 2,039,664 | 2,039,664 | - | 0.0% |
| Member contributions | 1,043,672 | 1,015,079 | 28,593 | 2.8 |
| Net investment income | <u>9,806,669</u> | <u>3,864,230</u> | <u>5,942,439</u> | 153.8 |
| Total additions | <u>12,890,005</u> | <u>6,918,973</u> | <u>5,971,032</u> | 86.3 |
| Deductions: | | | | |
| Annuity benefits | 4,880,325 | 4,601,214 | 279,111 | 6.1 |
| Administrative expenses | <u>4,500</u> | <u>7,500</u> | <u>(3,000)</u> | (40.0) |
| Total deductions | <u>4,884,825</u> | <u>4,608,714</u> | <u>276,111</u> | 6.0 |
| Increase in plan net assets | <u>\$ 8,005,180</u> | <u>2,310,259</u> | <u>5,694,921</u> | 246.5 |

The positive change in plan net assets is due to improved economic conditions, as reflected in the net investment income of \$9.8 million. Benefits of \$4.9 million exceeded contributions of \$3.1 million by \$1.8 million for FY04 compared to the \$1.6 million by which benefits exceeded contributions in FY03. 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 14.34%.

The following table contains the fiscal year performance of each asset class, benchmark and the Plan's actual asset allocation as of June 30, 2004.

Table 3

| Asset Class | Return | Benchmark | Allocation |
|-----------------------------|---------------|------------------|-------------------|
| Large capitalization stocks | 14.35% | 19.11% | 29.51% |
| Small capitalization stocks | 32.93 | 33.37 | 15.89 |
| Small capitalization value | 40.05 | 35.18 | 9.49 |
| Core fixed income | .09 | 1.01 | 31.70 |
| International equities | 27.50 | 32.37 | 10.31 |
| Cash equivalents | 1.01 | .98 | <u>3.10</u> |
| Total | 14.34 | 15.40 | <u>100.00%</u> |

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 Plan Net Assets

June 30, 2004

Assets:

| | | |
|---------------------------------|---------------|-------------------|
| Cash and cash equivalents | | \$ 2,031,596 |
| Member contributions receivable | | 36,169 |
| Receivable for investments sold | | 4,932,246 |
| Investments, at fair value: | | |
| Common stock | \$ 28,176,415 | |
| Fixed income securities | 24,557,729 | |
| Convertible investments | 129,969 | |
| Other assets | 23,208,490 | 76,072,603 |
| Total assets | | <u>83,072,614</u> |

Liabilities:

| | | |
|-----------------------------------|--|------------------|
| Accounts payable | | 147,131 |
| Payable for investments purchased | | <u>4,902,428</u> |
| Total liabilities | | <u>5,049,559</u> |

Net assets held in trust for pension benefits (A schedule of funding progress is presented on page 20)

\$ 78,023,055

See notes to financial statements.

Exhibit B

Iowa Judicial Retirement System
Statement of Changes in Plan Net Assets
Year ended June 30, 2004

| | | |
|---|------------------|----------------------|
| Additions: | | |
| Contributions: | | |
| Members | | \$ 1,043,672 |
| Employer - state appropriation | | 2,039,664 |
| Investment income: | | |
| Interest | \$ 1,342,915 | |
| Dividends | 491,844 | |
| Net increase in fair value of investments | 8,516,175 | |
| Less investment expense | <u>(544,265)</u> | |
| Net investment income | | <u>9,806,669</u> |
| Total additions | | <u>12,890,005</u> |
| Deductions: | | |
| Annuity benefits | | 4,880,325 |
| Administrative expenses | | <u>4,500</u> |
| Total deductions | | <u>4,884,825</u> |
| Net increase in net assets held in trust for pension benefits | | 8,005,180 |
| Net assets held in trust for pension benefits: | | |
| Beginning of year | | <u>70,017,875</u> |
| End of year | | <u>\$ 78,023,055</u> |

See notes to financial statements.

Iowa Judicial Retirement System

Notes to Financial Statements

June 30, 2004

(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, the District Courts and the Court of Appeals. The plan's membership as of June 30, 2004 was as follows:

| | |
|---|-----|
| Retirees and beneficiaries currently receiving benefits | 140 |
| Terminated members entitled to but not yet receiving benefits | 9 |
| Current members: | |
| Fully vested members | 173 |
| Non-vested active judges covered by the plan | 20 |

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 retired and received an annuity on or after July 1, 1998 but before July 1, 2000; (3) fifty-six percent for judges who retired and received 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, 2004, the state contributed an amount equal to at least 8.4% 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. 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 "Uniform Prudent Investor Act." The act requires that a trustee shall invest and manage trust property as a prudent investor would, by considering the purposes, terms, distribution requirements and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution.

Investments in governmental bonds and treasury notes constitute approximately 5.87% of net assets held in trust for pension benefits. The System has no investments in 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 \$544,265 for investment management expenses, which was .70% of the market value of the net assets held in trust for pension benefits at June 30, 2004.

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, fixed income securities, convertible investments and other assets, stated at cost, are \$21,728,993, \$24,530,946, \$129,969 and \$23,208,490, 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 | \$ 4,401,516 |
| Interest on net pension obligation | 316,861 |
| Adjustment to annual required contribution | <u>(320,467)</u> |
| Annual pension cost | 4,397,910 |
| Contributions made | <u>2,039,664</u> |
| Increase in net pension obligation | 2,358,246 |
| Pension obligation beginning of year | <u>1,602,515</u> |
| Net pension obligation end of year | <u><u>\$ 3,960,761</u></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 2004.

The annual required contribution for the current year was determined as part of the July 1, 2004 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, 2004 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 |
|---------------------|---------------------------|-----------------------------|-------------------------------|--|
| 2002 | \$ 3,731,554 | 3,039,198 | 81% | (382,886) |
| 2003 | 4,025,065 | 2,039,664 | 51 | 1,602,515 |
| 2004 | 4,397,910 | 2,039,664 | 46 | 3,960,761 |

(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 \$1,043,672, 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 8.4 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).

Required Supplementary Information

Schedule 1

Iowa Judicial Retirement System
 Schedule of Funding Progress
 Required Supplementary Information

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) |
|--------------------------------|--|---|---------------------------------|-----------------------|---------------------------|--|
| 7/1/1999 | \$ 62,018 | \$ 68,768 | \$ 6,750 | 90% | \$ 17,023 | 40% |
| 7/1/2000 | 71,693 | 82,070 | 10,377 | 87 | 19,295 | 54 |
| 7/1/2001 | 72,375 | 87,800 | 15,425 | 82 | 19,896 | 78 |
| 7/1/2002 | 67,707 | 88,051 | 20,344 | 77 | 19,878 | 102 |
| 7/1/2003 | 70,018 | 93,561 | 23,543 | 75 | 20,712 | 114 |
| 7/1/2004 | 78,023 | 99,124 | 21,101 | 79 | 20,894 | 101 |

The decrease in unfunded AAL for the July 1, 2004 valuation was primarily due to a higher than expected rate of return on investments and gains from demographic experience, primarily due to lower than expected salary increases.

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

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

| Year Ended June 30, | Annual Required Contribution | Actual Contribution | Percentage Contribution |
|---------------------------|------------------------------------|------------------------|----------------------------|
| 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 |
| 2004 | 4,401,516 | 2,039,664 | 46 |

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, 2004 and have issued our report thereon dated December 17, 2004. 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, regulations and contracts, 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 17, 2004

Iowa Judicial Retirement System

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Karen L. Brustkern CPA, Senior Auditor
Brad T. Holtan, Assistant Auditor

Andrew E. Nielsen, CPA
Deputy Auditor of State