



OFFICE OF AUDITOR OF STATE
STATE OF IOWA

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NEWS RELEASE

FOR RELEASE _____ May 4, 2007

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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, 2006. 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 2006.

The System's net assets held in trust for pension benefits totaled \$86,109,848 at June 30, 2006. The System reported total additions of \$9,592,872 for the year ended June 30, 2006. Additions included \$2,083,377 in interest and dividends, \$2,039,664 from state appropriation, \$1,103,844 from member contributions and a net increase in fair value of investments of \$4,734,637. Deductions for the fiscal year included \$5,083,248 for annuity benefits.

The System's unfunded actuarial accrued liability increased approximately \$13,693,000 during fiscal year 2006, from \$23,867,000 at June 30, 2005 to \$37,560,000 at June 30, 2006, due primarily to a change in the qualifications for retirement as provided in HF 729 of the Acts of the 2006 General Assembly. The unfunded actuarial accrued liability as a percentage of covered payroll increased from 115% for fiscal year 2005 to 156% for fiscal year 2006.

A copy of the audit report is available for review in the Office of Auditor of State and on the Auditor of State's web site at <http://auditor.iowa.gov/reports/reports.htm>.

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IOWA JUDICIAL RETIREMENT SYSTEM

INDEPENDENT AUDITOR'S REPORTS
FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2006

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Iowa Judicial Retirement System

Officials

State

Governor

Honorable Thomas J. Vilsack
(Ended during January 2007)

Honorable Chester J. Culver
(Began during January 2007)

Director, Department of Management

Michael L. Tramontina
(Ended during January 2007)

Charles J. Krogmeier
(Began during January 2007)

Director, Legislative Services Agency

Dennis C. Prouty

Agency

Honorable Louis Lavorato (retired 9/29/06)
Honorable Marsha K. Ternus
Honorable Rosemary Sackett
David K. Boyd
Peggy Sullivan

Chief Justice
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, 2006, 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.

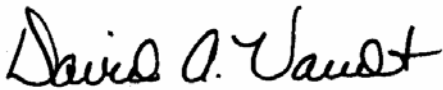
We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe 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, 2006, and the changes in its financial position for the year then ended in conformity with U.S. generally accepted accounting principles.

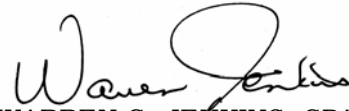
In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the Iowa Judicial Retirement System at June 30, 2006, and the changes in plan net assets for the year then ended in conformity with U.S. generally accepted accounting principles.

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 have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with Government Auditing Standards, we have also issued our report dated November 1, 2006 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, contracts and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.



DAVID A. VAUDT, CPA
Auditor of State



WARREN G. JENKINS, CPA
Chief Deputy Auditor of State

November 1, 2006

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, 2006.

2006 FINANCIAL HIGHLIGHTS

- Plan net assets held in trust for pension benefits increased by \$4.5 million during fiscal year 2006 (FY06). At June 30, 2006, total plan assets were approximately \$90.2 million and total liabilities were approximately \$4.1 million, resulting in plan net assets held in trust for pension benefits of \$86.1 million.
- Covered payroll, upon which both employee and employer pension contributions are calculated, increased by \$3,410,000 from FY05 and totaled \$24.1 million. Employer contributions were unchanged. Member contributions increased by 5.9%, or \$61,645.
- Net investment income, after all investment-related expenses, was \$6.4 million in FY06 compared to \$5.5 million in FY05. Investment management expenses decreased from \$385,469 for the fiscal year ended June 30, 2005 to \$368,650 for the fiscal year ended June 30, 2006.
- Total additions for the year resulted in a positive impact to the fund of \$9.6 million compared to a positive impact of \$8.5 million in FY05.
- Pension benefits to members increased by \$90,791. Payments to members totaled approximately \$5.1 million in FY06.
- Administrative expenses totaled \$5,275 for the fiscal year ended June 30, 2006, as compared to \$7,700 for the fiscal year ended June 30, 2005, a decrease of \$2,425.

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 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>2006</u>	<u>2005</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Cash and investments	\$89,976,213	83,388,705	6,587,508	7.9%
Receivables	<u>191,473</u>	<u>241,598</u>	<u>(50,125)</u>	(20.7)
Total assets	90,167,686	83,630,303	6,537,383	7.8
Total liabilities	<u>4,057,838</u>	<u>2,024,804</u>	<u>2,033,034</u>	100.4
Plan net assets	<u>\$86,109,848</u>	<u>81,605,499</u>	<u>4,504,349</u>	5.5

Approximately 87% 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 13% of total assets. Total assets increased by approximately \$6.5 million, or 7.8%.

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 million, or 100.4%, from FY05, 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>2006</u>	<u>2005</u>	<u>Increase (Decrease) Amount</u>	<u>Increase (Decrease) Percent</u>
Additions:				
Employer contributions	\$2,039,664	2,039,664	-	0.0%
Member contributions	1,103,844	1,042,199	61,645	5.9
Net investment income	<u>6,449,364</u>	<u>5,500,738</u>	<u>948,626</u>	17.2
Total additions	<u>9,592,872</u>	<u>8,582,601</u>	<u>1,010,271</u>	11.8
Deductions:				
Annuity benefits	5,083,248	4,992,457	90,791	1.8
Administrative expenses	<u>5,275</u>	<u>7,700</u>	<u>(2,425)</u>	(31.5)
Total deductions	<u>5,088,523</u>	<u>5,000,157</u>	<u>88,366</u>	1.8
Increase in plan net assets	<u>\$4,504,349</u>	<u>3,582,444</u>	<u>921,905</u>	25.7

Favorable market conditions and a slightly lower than expected rate of return on investments resulted in net investment income of \$6.4 million. Benefits of \$5.1 million exceeded contributions of \$3.1 million by \$2 million for FY06 compared to the \$1.9 million by which benefits exceeded contributions in FY05. 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 8.28%.

The following table contains the FY06 performance of each asset class, benchmark and the Plan's actual asset allocation as of June 30, 2006.

Table 3

Asset Class	Return	Benchmark	Allocation
Large capitalization stocks	8.73%	8.64%	31.99%
Small capitalization stocks	n/a	14.57	6.99
Small capitalization value	13.20	14.60	9.06
Core fixed income	(.01)	(.26)	24.86
International equities	21.32	26.56	17.36
Real Estate	n/a	n/a	5.78
Cash equivalents	4.15	3.98	<u>3.96</u>
Total	8.28	8.07	<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, 2006

Assets:

Cash and cash equivalents		\$ 11,884,082
Member contributions receivable		44,955
Receivable for investments sold		146,518
Investments, at fair value:		
Common stock	\$ 56,587,310	
Fixed income securities	21,370,377	
Convertible investments	134,444	78,092,131
Total assets		<u>90,167,686</u>

Liabilities:

Accounts payable		132,111
Payable for investments purchased		3,925,727
Total liabilities		<u>4,057,838</u>

Net assets held in trust for pension benefits (A schedule
of funding progress is presented on page 23)

\$ 86,109,848

See notes to financial statements.

Exhibit B

Iowa Judicial Retirement System
Statement of Changes in Plan Net Assets
Year ended June 30, 2006

Additions:		
Contributions:		
Members		\$ 1,103,844
Employer - state appropriation		2,039,664
Investment income:		
Interest	\$ 1,460,171	
Dividends	623,206	
Net increase in fair value of investments	4,734,637	
Less investment expense	(368,650)	
Net investment income		<u>6,449,364</u>
Total additions		<u>9,592,872</u>
Deductions:		
Annuity benefits		5,083,248
Administrative expenses		5,275
Total deductions		<u>5,088,523</u>
Net increase in net assets held in trust for pension benefits		4,504,349
Net assets held in trust for pension benefits:		
Beginning of year		<u>81,605,499</u>
End of year		<u>\$ 86,109,848</u>

See notes to financial statements.

Iowa Judicial Retirement System

Notes to Financial Statements

June 30, 2006

(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, 2006 was as follows:

Retirees and beneficiaries currently receiving benefits	138
Terminated members entitled to but not yet receiving benefits	11
Current members:	
Fully vested members	171
Non-vested active judges covered by the plan	<u>22</u>
Total	<u>342</u>

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, 2006, the state contributed an amount equal to at least 9.7% 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 government bonds and treasury notes constitute approximately .89% of 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 \$368,650 for investment management expenses, which was .43% of the market value of the net assets held in trust for pension benefits at June 30, 2006.

The System's investments in common stock, fixed income securities and convertible investments, stated at cost, are \$48,190,689, \$21,658,202 and \$131,952, respectively.

Credit risk - Credit risk is the risk an issuer or other counterparty to an investment will not fulfill its obligations to the Iowa Judicial Retirement System. As of June 30, 2006, the Iowa Judicial Retirement System's fixed income assets that are not government guaranteed represented 46.6% of the fixed income holdings, including collateral for repurchase agreements and securities lending collateral. The following table summarizes the Iowa Judicial Retirement System's fixed income portfolio exposure levels and credit qualities.

Credit Risk-S&P Quality Ratings

Investment Type:	<u>TSY</u>	<u>AGY</u>	<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>BBB</u>	<u>Not Rated</u>	<u>Total</u>
1) U.S. Fixed Income:								
A) U.S. Government								
1) U.S. Government Treasury, Notes, Bonds	\$ 780,130	-	-	-	-	-	-	780,130
2) U.S. Government Agency	-	-	964,979	-	-	-	-	964,979
B) Mortgage Backed								
1) Government Pass-Through	-	7,755,519	-	-	-	-	-	7,755,519
2) Corporate Pass-Through	-	-	803,773	110,461	-	-	165,117	1,079,351
C) Collateralized Mortgage Obligations								
1) Government CMO's	-	1,984,321	-	-	-	-	-	1,984,321
2) Corporate CMO's	-	-	2,072,830	-	-	-	205,510	2,278,340
D) Corporate								
1) Corporate Bonds	-	-	-	309,747	1,209,466	1,866,363	-	3,385,576
2) Corporate Asset Backed	-	-	1,245,438	-	-	-	-	1,245,438
3) Private Placement	-	-	-	-	-	206,446	-	206,446
2) Non-U.S. Fixed Income:								
A) Developed Markets								
1) Developed Government/Sovereign	-	-	1,138,819	-	-	-	-	1,138,819
2) Developed Corporate	-	-	685,902	-	-	-	-	685,902
Totals	\$ 780,130	9,739,840	6,911,741	420,208	1,209,466	2,072,809	370,627	21,504,821

Concentration of credit risk - Concentration of credit risk is the risk of loss that may be attributed to the magnitude of a government's investment in a single issue. The Iowa Judicial Retirement System's investment policy states no investment manager shall be permitted to invest more than 5% of its system account in any one corporate issuer without written direction and approval of the Treasurer of State.

Interest rate risk - Interest rate risk is the risk changes in interest rates will adversely affect the fair value of an investment. This risk is managed within the portfolio using the effective duration methodology. It is widely used in the management of fixed income portfolios in that it quantifies to a much greater degree the risk of interest rate changes. The methodology takes into account optionality on bonds and scales the risk of price changes on bonds depending upon the degree of change in rates and the slope of the yield curve.

Interest Rate Sensitivity-Duration

Investment Type:	Fair Value	Duration
1) U.S. Fixed Income:		
A) U.S. Government		
1) U.S. Government Treasury, Notes, Bonds	\$ 780,130	11.42
2) U.S. Government Agency	964,979	7.34
B) Mortgage Backed		
1) Government Pass-Through	7,755,519	4.61
2) Corporate Pass-Through	1,079,351	4.21
C) Collateralized Mortgage Obligations		
1) Government CMO's	1,984,321	3.39
2) Corporate CMO's	2,278,340	3.34
D) Corporate		
1) Corporate Bonds	3,385,576	6.04
2) Corporate Asset Backed	1,245,438	2.48
3) Private Placement	206,446	0.72
2) Non-U.S. Fixed Income:		
A) Developed Markets		
1) Developed Government/Sovereign	1,138,819	1.95
2) Developed Corporate	685,902	2.36
Total Invested Assets	\$ 21,504,821	
Portfolio duration		4.56

Foreign currency risk - Foreign currency risk is the risk changes in exchange rates will adversely impact the fair value of an investment. From time to time, the Iowa Judicial Retirement System's external managers may or may not hedge the portfolio's foreign currency exposures with forward foreign exchange contracts, currency options, currency futures or options on currency futures depending on their views on a specific foreign currency relative to the U.S. dollar.

Foreign Currency Risk (Rounded to the nearest thousand)

Currency by Investment and Fair Value	Total	Fixed Income	Equity	Cash
British Pound Sterling	\$ 402,000	390,000	-	12,000
Canadian Dollar	697,000	535,000	146,000	16,000
Euro Currency	330,000	330,000	-	-
Japanese Yen	235,000	233,000	-	2,000
New Zealand Dollar	121,000	118,000	-	3,000
Swedish Krona	134,000	129,000	-	5,000
Swiss Franc	91,000	90,000	-	1,000
Total	\$ 2,010,000	1,825,000	146,000	39,000

(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	\$ 4,614,846
Interest on net pension obligation	709,406
Adjustment to annual required contribution	<u>(723,598)</u>
Annual pension cost	4,600,654
Contributions made	<u>2,039,664</u>
Increase in net pension obligation	2,560,990
Pension obligation beginning of year	<u>6,306,584</u>
Net pension obligation end of year	<u><u>\$ 8,867,574</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 2006.

The annual required contribution for the current year was determined as part of the July 1, 2006 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, 2006 was 30 years.

Three-year trend information:

Year Ended June 30,	Annual Pension Cost (APC)	Employer Contributions Made	Percentage of APC Contributed	Net Pension Obligation
2004	\$ 4,397,910	2,039,664	46%	3,960,761
2005	4,385,487	2,039,664	47	6,306,584
2006	4,600,654	2,039,664	44	8,867,574

(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 \$1,103,844, 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 9.7 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

Iowa Judicial Retirement System

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		Funded Ratio (a/b)	Covered Payroll (c)	UAAAL/ Covered Payroll ((b-a)/c)
		Accrued Liability (AAL) (b)	Unfunded AAL (UAAAL) (b-a)			
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
7/1/2005	81,605	105,472	23,867	77	20,684	115
7/1/2006	86,110	123,670	37,560	70	24,094	156

The increase in unfunded AAL for the July 1, 2006 valuation was primarily due to a change in the qualifications for retirement. Effective July 1, 2006, HF 729 of the Acts of the 2006 General Assembly amended a number of the criteria for computing judicial retirement benefits. These include, but are not limited to, changes to the number of years of service required, the percentage of the judge's average annual basic salary used to compute the judge's highest three years of service and the maximum specified percentage was increased to sixty-five percent for judges who retire on or after July 1, 2006.

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

Schedule 2

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
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
2005	4,394,389	2,039,664	46
2006	4,614,846	2,039,664	44

See Note 3 for additional information on actuarial valuation.

See accompanying independent auditor's report.

**Independent Auditor's Report on Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards**

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 Internal Control
over Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in Accordance with
Government Auditing Standards

To the Members of the Iowa
Judicial Retirement System:

We have audited the accompanying financial statements of the Iowa Judicial Retirement System as of and for the year ended June 30, 2006, and have issued our report thereon dated November 1, 2006. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

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 an opinion 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 reportable 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 caused by error or fraud 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.

Compliance and Other Matters

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, contracts and grant agreements and other matters, 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 or other matters that are required to be reported under Government Auditing Standards.

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

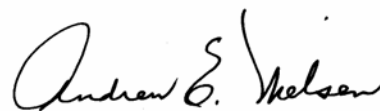
November 1, 2006

Iowa Judicial Retirement System

Staff

This audit was performed by:

Joe T. Marturello, CIA, Manager
Karen L. Brustkern, CPA, Senior Auditor II
Michael R. Field, Assistant Auditor

A handwritten signature in black ink that reads "Andrew E. Nielsen". The signature is written in a cursive style with a large initial "A" and "N".

Andrew E. Nielsen, CPA
Deputy Auditor of State