Arkansas Judicial Retirement System

2003 Annual Financial Report

Arkansas Judicial Retirement System

A Pension Trust Fund of the State of Arkansas

Comprehensive Annual Financial Report

For the Year Ended June 30, 2003

Prepared by

APERS Administrative Staff

**One Union National Plaza, Suite 400
124 West Capitol
Little Rock, AR 72201-1070**

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

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I Introduction

A Brief History of AJRS

Established on March 28, 1953, with the passage of Act 365, the Arkansas General Assembly created the Arkansas Judicial Retirement System (AJRS). This System provides for the retirement of all Circuit Judges, Court of Appeals Judges and Supreme Court Justices. Act 399 of 1999 created a Tier II benefit plan for all persons who become members of the System after the effective date of this Act. Any active member of the System prior to the effective date of Act 399 has until the end of the term in office in which the member is serving on the effective date to elect coverage under Tier II.

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

This annual financial report, which covers the period from July 1, 2002 through June 30, 2003, provides comprehensive information about the System including statements of financial condition, investment objectives and policy, an actuarial report, historical and statistical information on active members, annuitants and benefit payments, as well as a description of the retirement plan.

ARKANSAS JUDICIAL RETIREMENT SYSTEM

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

December 22, 2003

Dear AJRS Members:

The Arkansas Judicial Retirement System (AJRS) is pleased to present the Annual Financial Report for the period ending June 30, 2003. The report is designed to provide a clear and concise picture of the financial conditions of the System. The report includes the following sections:

- Introduction
- Financial
- Investment
- Actuarial
- Statistical

Accounting System

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

Revenues

The fiscal year 2003 revenue from employer and employee contributions totaled $4.0 million. This amount is $769,800 more than the amount received in fiscal year 2002.

Court fees for fiscal year 2003 were $903,600, a decrease of $400 from fiscal year 2002.

Phone Number (501) 682-7800 FAX Number (501) 682-7825 WATS Line 1-800-682-7377

Miscellaneous income was $48,000 for fiscal year 2003, an increase of $13,000 from fiscal year 2002.

Net investment income for fiscal year 2003 was $5.3 million, (after investment expenses of $557,000 (see page 31)), an increase of $9.2 million from fiscal year 2002. Overall, the System's revenues increased by $9.9 million from fiscal year 2002.

Expenses

Benefit payments for fiscal year 2003 were $5.8 million, or $.8 million greater than fiscal year 2002. Administrative expenses were $39,000, of which $13,000 was for professional fees and $20,000 was transferred to APERS for indirect administrative costs. Refund expenses were $1,000.

Funding

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

Investments

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

Professional Services

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

Acknowledgments

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

Robert Edwards

Judge Robert Edwards
Chairman, AJRS Board

Gail H. Stone

Gail H. Stone
Executive Director

Board of Trustees

Administrative Office

Gail H. Stone, Executive Director
Arkansas Judicial Retirement System
One Union National Plaza, Suite 400
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501-682-7800
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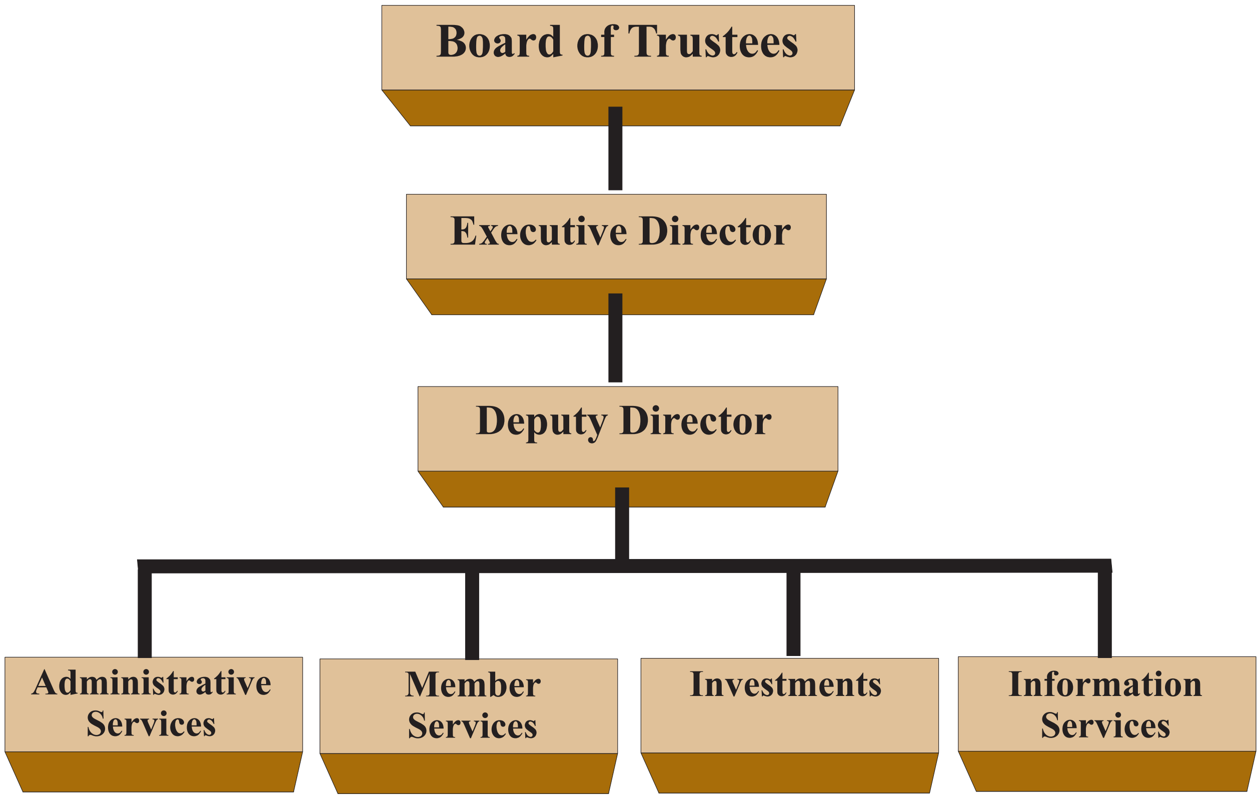
Organizational Chart



Administrative Staff

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

Professional Consultants

Actuary

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

Custodian Bank

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

Investment Manager

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

Boston Partners Asset Management
28 State Street
Boston, MA 02109

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

Investment Consultant

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

Membership Information
As of June 30, 2003

Active Members

Number	134
Average Age	54.9 Years
Average Years	10.0 Years
Average Annual Salary	$ 118,915

Total Retirees*

Number	98
Average Monthly Benefit	$ 5,484

2003 Retirees*

	Age and Service
Number	16
Average Age	64.5
Average Years of Service	N/A
Average Monthly Benefit	* $ 6,622

* Average Monthly Benefits are based on June 30, 2003 annualized benefit amounts.

II Financial Section

Arkansas

Charles L. Robinson, CPA, CFE
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Judicial Retirement System
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of the fiduciary pension trust fund of the Arkansas Judicial Retirement System (the "System"), an Office of Arkansas State government, administered by the Arkansas Judicial Retirement System Board of Trustees as of and for the year ended June 30, 2003, as listed in the forgoing table of contents. These financial statements are the responsibility of the management of the System. Our responsibility is to express an opinion on these financial statements based on our audits.

The financial statements for the year ended June 30, 2002 were audited by us and we expressed an unqualified opinion on them in our report dated March 21, 2003, but we have not performed any auditing procedures since that date.

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

As indicated above, the financial statements of the Arkansas Judicial Retirement System are intended to present the financial position and the changes in financial position of only that portion of the fiduciary pension trust fund of the State that is attributable to the transactions of the Arkansas Judicial Retirement System. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2003, and the changes in its financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the fiduciary pension trust fund for the Arkansas Judicial Retirement System as of June 30, 2003, and the changes in its financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

The 2002-2003 fiscal year supplementary information on pages 27 through 29 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. However, we have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information

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

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
November 24, 2003

172 STATE CAPITOL • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE (501) 683-8600 • FAX (501) 683-8605 • TDD (501) 683-8610

Statements of Plan Net Assets
June 30, 2003 and 2002

ASSETS	2003	2002
Cash and Cash Equivalents	$ 10,126,682	$ 18,233,177
Receivables:		
Contributions	-	115
Investment Principal Receivable	505,128	580,282
Accrued Investment Income Receivable	527,316	720,660
Total Receivables	1,032,444	1,301,057
Investments, At Fair Value:		
Government Securities:		
U.S. Government Securities	3,603,963	3,386,680
U. S. Government Agency Securities	17,560,777	18,242,072
Corporate Securities:		
Asset Backed Securities	1,663,981	2,864,569
Corporate CMO	364,579	825,644
Corporate Bonds	18,252,821	23,360,960
Equity Securities	64,639,803	44,129,766
Total Investments	$ 106,085,924	$ 92,809,691
Fixed Assets, Net *	-	-
TOTAL ASSETS	117,245,050	112,343,925
LIABILITIES		
Accrued Expenses and Other Liabilities	149,343	132,090
Investment Principal Payable	1,977,292	1,467,894
TOTAL LIABILITIES	2,126,635	1,599,984
NET ASSETS HELD IN TRUST FOR PENSION BENEFITS	$ 115,118,415	$ 110,743,941

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

* Assets owned by the System are fully depreciated.

Statements of Changes in Plan Net Assets
For the Years Ending June 30, 2003 and 2002

ADDITIONS	2003	2002
Contributions:		
Employer	$ 3,162,016	$ 2,415,200
Employee	795,852	772,874
Court Fees	903,622	904,033
Total Contributions	4,861,490	4,092,107
Investment Income:		
Interest	2,840,927	3,356,995
Dividends	764,263	629,907
Investment Gain	2,255,947	(7,347,696)
Total Investment Income	5,861,137	(3,360,794)
Less: Investment Expense	556,599	511,816
Net Investment Income	5,304,538	(3,872,610)
Other Additions:		
Miscellaneous Additions	47,966	35,323
TOTAL ADDITIONS	10,213,994	254,820
DEDUCTIONS		
Benefits	5,799,943	4,966,371
Refunds of Contributions	964	14,634
Administrative Expenses	38,613	44,607
TOTAL DEDUCTIONS	5,839,520	5,025,612
NET INCREASE	4,374,474	(4,770,792)
NET ASSETS		
Beginning of Year	$ 110,743,941	$ 115,514,733
End of Year	$ 115,118,415	$ 110,743,941

Notes to Financial Statements
For the Years Ending June 30, 2003 and 2002

1. DESCRIPTION OF THE SYSTEM

General Information - The Arkansas Judicial Retirement System (AJRS) is a single employer, defined benefit pension plan established on March 28, 1953. This system provides for the retirement of all Circuit Judges, Court of Appeals Judges, and Supreme Court Justices. The laws governing operations of AJRS are set forth in Ark. Code of 1987 (Annotated) 24-8-204 through 24-8-228 and 24-8-701 through 24-8-717.

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

Membership - As of June 30, 2003, there was one participating employer in the plan. In addition, supplemental contributions are paid to the system from the Constitutional and Fiscal Agencies Fund in accordance with Section 8 of Act 922 of 1983.

As of June 30, 2003 and 2002, Membership was as follows:

	2003	2002
Retirees and Beneficiaries Receiving Benefits	98	81
Terminated Plan Members Entitled To But Not Receiving Benefits	0	1
Active Plan Members	134	133

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

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

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

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

Increases After Retirement - For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased from time to time as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected after July 1, 1983, and who have received retirement benefits from the system for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%. Authority for post retirement increases are: Tier I-(1) A.C.A. 24-8-218 (c) (1) (B) for judges first elected prior to 7-1-83 and (2) A.C.A. 24-8-223 for judges first elected after 7-1-83; Tier II-A.C.A. 24-8-715.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Method of Accounting – The financial statements of the System presented herein have been prepared on the accrual basis of accounting under which expenses are recorded when the liability is incurred and revenues are recorded in the accounting period in which they are earned. Employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. These contributions are considered to be fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

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

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

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

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

Approximately 18% of the net assets available for benefits are invested in securities of the U.S. government and its instrumentalities. The System has no investments of any commercial or industrial organization whose market value equal 5% or more of the System's net assets available for benefits.

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

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

3. DEPOSITS, INVESTMENTS AND SECURITIES LENDING COLLATERAL INVESTMENTS

The following is a reconciliation of the carrying amounts of cash and investments at June 30, 2003 and 2002:

As presented in the Statement of Plan Net Assets:

	2003	2002
Cash and cash equivalents	$ 10,126,682	$ 18,233,177
Investments	106,085,924	92,809,691
Total	$ 116,212,606	$ 111,042,868

As presented in (a) and (b) below:

	2003	2002
Deposits	$ 51,070	$ 267,150
Investments	116,161,536	110,775,718
Total	$ 116,212,606	$ 111,042,868

Listed below is a summary of the deposit and investment portfolio as of June 30, 2003 and 2002.

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

(a) Deposits

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

Category 1: The deposits are insured or collateralized with securities held by the entity or by its agent in the System's name.

Category 2: Deposits are collateralized with securities held by the pledging financial institution's trust department or agent in the System's name.

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

A summary of deposits at June 30, 2003 and 2002 is as follows:

June 30, 2003	Category 1	Category 2	Category 3	Total
Insured deposits	$ 50,943	$	$	$ 50,943
Total deposits	$ 50,943	$ 0	$ 0	$ 50,943

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

June 30, 2002				
Insured deposits	$ 241,430			$ 241,430
Total deposits	$ 241,430	$ 0	$ 0	$ 241,430

Carrying amount of insured deposits totaling $241,430 is $241,430. In addition to cash deposits with financial institutions AJRS has cash in State Treasury of $25,720 at year's end.

(b) Investments

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

Category 1: The custodian is the System's agent and is not the counterparty or the counterparty financial institution's trust department. The custodian holds the securities in the System's name.

Category 2: The custodian is the counterparty financial institution's trust department or the counterparty's agent and the custodian holds the securities in the System's name.

Category 3: The custodian is the counterparty, regardless of whether it holds the securities in the system's name.

OR

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

Collateral Credit Risk
June 30, 2003

	Category 1	Category 2	Category 3	Total
Investments:				
Categorized:				
U.S. Government securities	$ 21,164,740			$ 21,164,740
Corporate securities	84,921,184			84,921,184
Total	106,085,924			106,085,924
Uncategorized:				
Mutual funds (STIF)				10,075,612
Total Investments	$ 106,085,924			$ 116,161,536

Collateral Credit Risk
June 30, 2002

	Category 1	Category 2	Category 3	Total
Investments:				
Categorized:				
U.S. Government securities	$ 21,628,751			$ 21,628,751
Corporate securities	71,180,940			71,180,940
Total	92,809,691			92,809,691
Uncategorized:				
Mutual funds (STIF)				17,966,027
Total Investments	$ 92,809,691			$ 110,775,718

4. DERIVATIVES

Mortgage-Backed Securities – As of June 30, 2003 and 2002, the System held mortgage-backed securities of approximately $14.9 million and $14.7 million, respectively, at fair value. The overall return or yield on mortgage-backed securities depends on the amount of interest collected over the life of the security and the change in the market value. Although the System will receive the full amount of principal if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment is lost. Accordingly, the yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. If market rates fall below a mortgage loan's contractual rate, it is generally to the borrower's advantage to prepay the existing loan and obtain new lower financing. In addition to changes in interest rates, mortgage loan prepayments depend on other factors such as loan types and geographic location of the related properties.

Asset-Backed Securities – As of June 30, 2003 and 2002, the System held asset-backed securities with a fair value of approximately $1.7 million and $2.9 million, respectively. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The System's ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

5. SECURITIES LENDING TRANSACTIONS

AJRS did not participate in any securities transactions for years ending June 30, 2003 and 2002, therefore, GASB Statement No. 28 does not apply.

6. LEGALLY REQUIRED RESERVES

A description of reserve accounts and their balances for years ended June 30, 2003 and 2002 are as follows:

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

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

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

	2003	2002
Members Deposit Account	$ 10,147,567	$ 9,315,835
Employer Accumulation Account	52,749,750	48,385,019
Retirement Reserve Account	52,221,098	53,043,087
Deferred Annuity Account	0	0
Total	$ 115,118,415	$ 110,743,941

Actuarial Computed Liabilities - The total unfunded actuarial computed liability of the System as adjusted to fair value, based on Entry Age Normal Cost Method which is the Projected Benefit Method with a supplemental cost, used for determining required contributions as appears in the actuarial valuation, was $11,404,528 as of June 30, 2003.

Actuarial Present Value of	**(1) Total Present Value**	**(2) Portion Covered By Future Normal Cost Contributions**	**(3) Actuarial Accrued Liabilities (1) - (2)**
Benefits to be paid to current retirees, beneficiaries, and future beneficiaries of current retirees	$ 74,059,524	$ 0	$ 74,059,524
Age and service allowances based on total service likely to be rendered by present active members	90,058,891	31,858,127	58,200,764
Separation benefits (refunds of contributions and deferred allowances) likely to be paid to present active and inactive members	1,602,857	1,343,194	259,663
Disability benefits likely to be paid to present active members	4,836,519	2,588,702	2,247,817
Death in service benefits likely to be paid on behalf of present active members (employer financed portion)	5,550,367	2,393,328	3,157,039
Total	$ 176,108,158	$ 38,183,351	$ 137,924,807
Applicable Assets (Funding Value)	126,520,279	0	126,520,279
Liabilities to be covered by future Contributions	$ 49,587,879	$ 38,183,351	$ 11,404,528

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

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

The schedule on the preceding page presents the primary actuarial assumptions used in the actuarial report dated June 30, 2003. The actuarial assumed interest rate of 7.0% was allocated to appropriate actuarial accrued liabilities.

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

The 2003 actuarial gains and losses were due to routine adjustments of actuarial assumptions and methodology as well as normal experience gains and losses. The resulting actuarial loss was $8.3 million.

7. REQUIRED SUPPLEMENTARY SCHEDULES

The historical trend information designed to provide information about the System's progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information is included immediately following the notes to the financial statements.

* * * * * * *

Required Supplementary Information
Schedule of Employer Contributions
For Fiscal Years 1994-2003

Year	Annual Required Contribution	Percentage Contributed (1)
1994	$ 2,843,864	100%
1995	3,097,838	100
1996	3,291,509	100
1997	4,441,390	100
1998	4,564,797	100
1999	4,069,138	100
2000	4,048,117	100
2001	4,076,497	100
2002	3,319,233	100
2003	**4,065,638**	**100**

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

Required Supplementary Information
Schedule of Funding Progress

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

Note: Dollars in thousands.

* Unfunded Actuarial Accrued Liability

Note To Required Supplementary Information

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

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization Method	
Tier I	Level percent of payroll
Tier II	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Including price inflation at	3.0%
Post retirement cost-of-living-increases:	
Pre July 1, 1983 Retirees	Increased with increases in active judges' pay
Post June 30, 1983 Retirees	3.0%-Compounded
Mortality Table	1994 Group Annuity Mortality Table
Group Size Growth Rate	0.00%

Supporting Schedule
Schedule of Administrative Expense
For the Years Ended June 30, 2003 and 2002

	2003	2002
Communications		
Printing and Advertising	$ 2,491	$ 4,139
Travel	1,200	3,266
Purchases		
Office Supplies	-	296
Services and Charges		
Professional Fees & Services	13,309	14,400
Bank & Federal Service Charges	1,917	1,606
Data Processing Service Center Charges	-	1,778
Total Service and Charges	15,226	17,784
Transfer to APERS for Administration	19,696	19,122
Total Administrative Expenses	$ 38,613	$ 44,607

Supporting Schedule
Schedule of Investment Expense
For the Years Ended June 30, 2003 and 2002

	2003	2002
Custodian Bank Fees	$ 15,000	$ 15,000
Investment Consultant Fee	55,766	29,870
Investment Manager Fees	485,833	466,946
Total	$ 556,599	$ 511,816

Supporting Schedule
Schedule of Payments for Professional Consultants
For the Years Ended June 30, 2003 and 2002

	2003	2002
Gabriel, Roeder, Smith & Company	$ 13,309	$ 14,400
TOTAL PAYMENTS FOR PROFESSIONAL CONSULTANTS	$ 13,309	$ 14,400

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

III

Investments Section

CALLAN ASSOCIATES INC

Carl W. Deane
Senior Vice-President

October 9, 2003

SAN FRANCISCO
NEW YORK
CHICAGO
ATLANTA
DENVER

Dear Trustees:

We are pleased to provide a brief review of the progress of the Arkansas Judicial Retirement System for the fiscal year ending June 30, 2003.

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

Introduction and Background

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

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

Year ending June 30, 2003 was very volatile for equities. The S&P 500 stock index posted a return of 0.25% and the EAFE index –6.46%. US Bonds were the bright spot with the Lehman Aggregate delivering a return of 10.40%.

Fund Progress and Results

The AJRS portfolio structure is based on the Fund's Investment Policy. The target asset mix is established using an analysis of the financial needs of the Fund and the Trustees' tolerance for investment risk. The target asset mix and the actual allocation as of 6/30/03 is listed below:

	Target	Actual
Domestic Equity	55%	58%
Domestic Fixed	40%	39%
Cash & Equivalents	5%	3%

The asset allocation is different from the target due to year-to-date (through 6/30/03) returns for equity, which have been robust thus far.

6 Concourse Parkway, Suite 2900, Atlanta, Georgia 30328 Phone: 770-804-5585 Facsimile: 770-804-5586

For fiscal year ended 2003, the total fund rate of return, including gains, losses and income was 5.03%. This return is calculated using the time-weighted rate of return methodology endorsed by the Association for Investment Management and Research (AIMR). All performance results presented in the investment section of the CAFR are based on AIMR methodology.

Over the past 5 years, the Fund has had an annualized return of 4.86%. This level of performance meets the performance objectives of the Fund which is to deliver a real rate of return (return in excess of the inflation rate) of 3%. However, the return failed to exceed the actuarially assumed interest rate assumption of 7%.

At the beginning of the fiscal year, the net assets of the fund totaled $110.7 million; at June 30, 2003, the net fund assets totaled $115.1 million. Positive performance of the equity markets in the 1st and 2nd quarters is primarily responsible for the gain.

Summary

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

Sincerely,

Carl W. Deane

Carl W. Deane

Outline of Investment Policies

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

Investment Objective

The Board's investment objective shall be to achieve a rate of return on the system's assets of at least two and one-half percent above the rate of inflation and a total return of the actuarially assumed rate of seven percent. In pursuing this objective the Board shall attempt to maximize the total return in both income and capital appreciation, but with the greater emphasis being on the appreciation of capital. However, the effort to obtain maximum returns must be consistent with prudent risk-taking, and short-term fluctuations in market value shall be considered secondary to long-term results. The Board shall review individual investment decisions in context of the entire trust fund and as a part of an overall investment strategy and with risk and return objectives being reasonably suited to the entire fund.

Asset Allocation (By Major Categories)

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

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

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

Review of Investment Process

The Board is authorized to directly manage the System's funds or to delegate its investment function. Currently the Board has delegated its investment function to investment managers and has delegated investment discretion to the Managers, by separate contract. The duties and responsibilities of each of the investment managers retained by the board shall include the following:

A. Manage the assets the Manager holds in accordance with the policy guidelines and objectives expressed in this statement. If some deviation from this statement of deemed

Outline of Investment Polices

prudent and desirable by both the Board and Manager, they may accordingly modify in writing this policy statement.

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

C. Promptly informing the Board of significant changes in the Manager's corporate structure or strategies, including but not limited to the following:

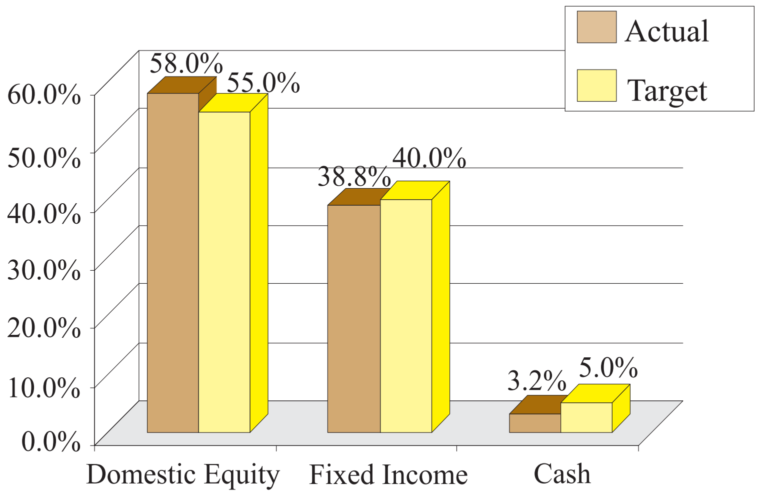
   1. Substantive changes in investment strategy, portfolio structure and market value of managed assets,
   2. The Manager's progress in meeting the investment objectives set forth in this statement, and
   3. Significant changes in the ownership, affiliations, organizational structure, financial condition, professional personnel staffing, or clientele of the Manager.

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

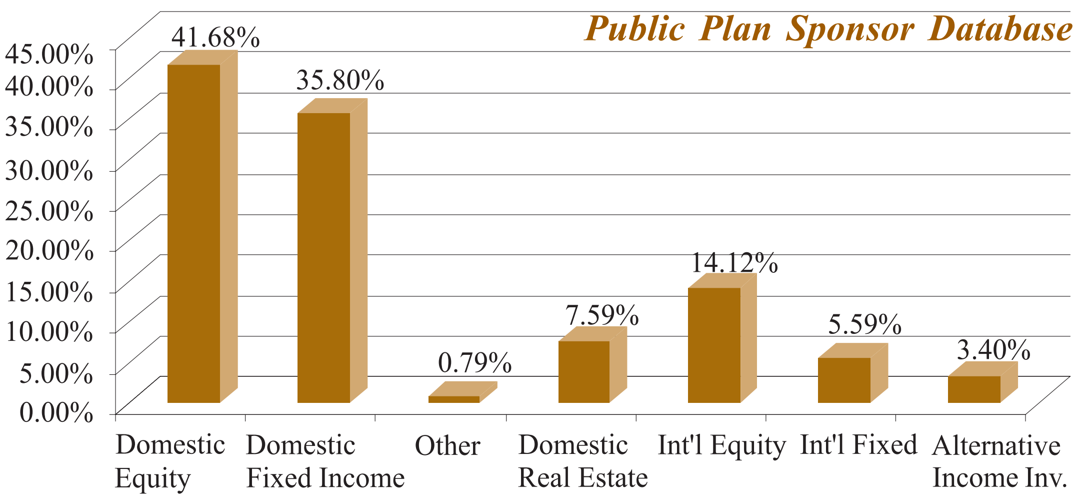
Actual vs. Target Asset Allocation

The first bar graph shows the Fund asset allocation as of June 30, 2003. In each pair of bars, the left-side bar represents the Actual Funds asset allocation; the right-side bar represents the Fund's target asset allocation as outlined in the investment policy statement. The middle bar graph shows the average asset allocation for the Callan Associates Inc. Public Plan Sponsor Database.

Actual Asset and Target Asset Allocations

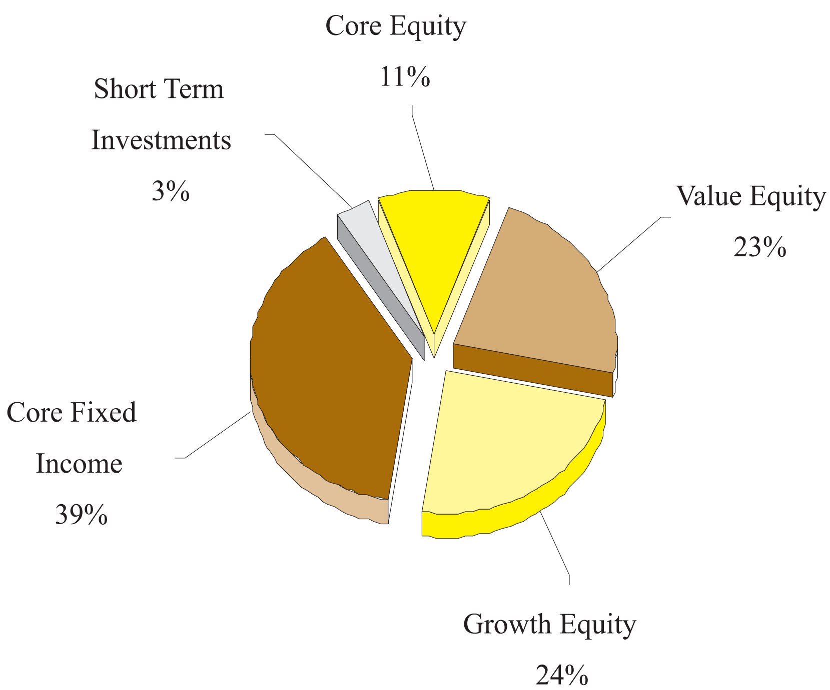


Public Plan Sponsor Database



Asset Class	**$ 000s Actual**	**Percent Actual**	**Percent Target**	**Percent Difference**	**$000s Difference**
Domestic Equity	$ 66,882	58.0 %	55 %	3.0 %	$ 3,512
Fixed Income	44,654	38.8	40	(1.2)	(1,433)
Cash	3,681	3.2	5	(1.8)	(2,079)
Total	$ 115,217	100.0	100		

Manager Distribution for the Period Ended June 30, 2003



Investment Portfolio Distribution
June 30, 2003
(Market Value)

Core Equity	
Batterymarch Financial Management	$ 12,661,175
Value Equity	
Boston Partners	26,259,778
Growth Equity	
Loomis Sayles & Co.	27,960,547
Core Fixed Income	
Loomis Sayles & Co.	44,653,779
Short Term Investments	3,681,408
Total Investments	$ 115,216,687

Portfolio Characteristics
Fiscal Years Ended June 30

	6/30/03	6/30/02
Selected Bond Characteristics:		
Yield to Maturity (Market)	3.54 %	5.45 %
Current Yield	5.23	6.25
Average Coupon Rate	5.48	6.34
Average Maturity	6.02 Yrs.	6.08 Yrs.
Quality Breakdown:		
AAA (Including Govts. & Agencies)	54.3 %	48.8 %
AA	6.2	2.9
A	15.4	14.9
BAA	17.9	24.3
*Cash	6.2	9.1
Selected Stock Characteristics:		
Average P/E Ratio	20.83 x	29.99 x
Estimated Earnings Growth Rate (Next 5 Years)	14.15 %	13.22 %
Current Yield	1.10 %	1.19 %

* Includes Short-Term Investment Fund.

Source: Callan Associates.

Performance Comparisons
Fiscal Years Ended June 30

Fiscal Years Ended June 30	2003	2002	2001	2000	1999
Total Fund:					
Arkansas Judicial Retirement System	5.03 %	(2.92) %	(0.87) %	11.16 %	12.83 %
Callan Total Public Fund Median	3.74	(5.15)	(4.06)	10.00	10.65
Inflation (Consumer Price Index)	2.10	0.74	3.19	3.87	1.94
Equities:					
Arkansas Judicial Retirement System	(0.75)	(11.62)	(12.05)	16.29	21.40
Callan Total Equity Database Median	(0.15)	(15.84)	(5.29)	11.63	14.44
Standard & Poor's 500 Index	0.25	(17.99)	(14.83)	7.24	22.76
Fixed Income:					
Arkansas Judicial Retirement System	9.59	7.18	11.99	4.02	3.40
Callan Total Fixed Income Database Median	10.58	7.86	11.03	4.57	3.46
Lehman Bros. Aggregate Index	10.40	8.63	11.22	4.57	3.15

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

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

Fiscal Years Ended June 30	2003	Annualized 3-Year	5-Year
Total Fund:			
Arkansas Judicial Retirement System	5.03 %	0.36 %	4.86 %
Callan Total Public Fund Median	3.74	(1.66)	2.93
Inflation (Consumer Price Index)	2.10	2.01	2.38
Equities:			
Arkansas Judicial Retirement System	(0.75) %	(8.29) %	1.72 %
Callan Total Equity Database Median	(0.15)	(5.92)	1.72
Standard & Poor's 500 Index	0.25	(11.20)	(1.61)
Fixed Income:			
Arkansas Judicial Retirement System	9.59 %	9.57 %	7.18 %
Callan Total Fixed Income Database Median	10.58	10.18	7.56
Lehman Bros. Aggregate Index	10.40	10.08	7.54

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

List of Ten Largest Assets Held
As of June 30, 2003

Fixed Income Holdings (By Market Value)

Par	Description	Coupon	Maturity	Market Value
$ 1,272,664	GNMA Pool #569838	6.000 %	06/15/32	$ 1,334,694
1,285,457	FNMA Pool #711203	5.500 %	05/01/33	1,330,898
1,263,384	FNMA Pool #685203	5.500 %	04/01/18	1,312,391
1,154,784	FNMA Pool #555101	6.000 %	11/01/17	1,205,305
1,110,110	FNMA Pool #687885	5.500 %	03/01/18	1,153,171
900,000	Federal Home Loan Mtg. Corp.	5.250 %	01/15/06	979,594
926,988	Green Tree Financial	6.530 %	12/01/30	933,172
809,298	FNMA Pool #254479	6.500 %	10/01/32	843,960
804,062	FNMA Pool #666317	6.500 %	09/01/32	838,500
776,944	FHLMC Gold Pool #E00975	6.000 %	05/01/16	808,037
	Total			$ 10,739,722

Equity Holdings (By Market Value)

Shares	Description	Market Value
39,502	Citigroup Inc.	$ 1,690,686
25,215	American International Group Inc.	1,391,364
38,805	Pfizer Inc.	1,325,191
41,225	General Electric Co.	1,182,333
45,825	Microsoft Corp.	1,174,953
14,550	Countrywide Financial Corp.	1,012,244
13,400	Amgen Inc.	883,596
52,125	Cisco Systems Inc.	875,179
70,850	Oracle Corp.	850,909
26,650	Dell Computer Corp.	848,536
	Total	$ 11,234,991

Schedule of Brokerage Commissions
As of June 30, 2003

Brokerage Firm	Number of Shares Traded	Total Commission	Commission Per Share
Merrill Lynch	506,175	$ 23,936	0.05
Jefferies	586,166	23,632	0.04
Goldman Sachs	373,517	14,662	0.04
UBS	329,350	14,349	0.04
Lehman Brothers	295,350	13,723	0.05
CS First Boston	320,785	12,006	0.04
Morgan Stanley	354,123	11,194	0.03
Instinet	476,950	9,864	0.02
Thom Weisal Partners	159,725	7,858	0.05
Bear Stearns	202,970	7,584	0.04
CITIGROUP Global Markets	148,800	7,440	0.05
Salomon Smith Barney	149,725	7,330	0.05
Banc of America Securities LLC	116,825	5,522	0.05
Blair William & Company LLC	103,800	5,190	0.05
Bridge Trading Co.	90,337	3,903	0.04
Deutsche Bank Capital	72,525	3,626	0.05
ITG	100,975	3,448	0.03
Fact Set	77,525	3,389	0.04
SBS Warburg Dillon Read Inc.	54,775	2,504	0.05
CIBC World Markets	45,700	2,285	0.05
Others (includes 70 brokerage firms)	1,371,883	50,537	0.04
	5,937,981	$ 233,982	0.04

Schedule of Investment Fees
As of June 30, 2003

Equities	Market Value	Fee	Basis Points
Loomis, Sayles	$ 27,960,547	$ 81,957	38
Batterymarch Financial Management	12,661,175	84,328	85
Boston Partners	26,259,778	138,989	58
Total Equity	$ 66,881,500	$ 305,274	

Fixed Income	Market Value	Fee	Basis Points
Loomis, Sayles	$ 44,653,779	$ 180,559	38
Total Fixed Income		$ 180,559	

Other Services	Fee
Bank of New York (Custodian)	$ 15,000
Callan Associates (Consultant)	55,766
Total Other Services	$ 70,766

Total Investment Service Fees	$ 556,599

Comparative Schedule of Investments
For the Fiscal Years Ended June 30, 2003 and 2002

	2003	2002
U.S. Government Securities		
U. S. Government Securities	$ 3,603,963	$ 3,386,680
U. S. Government Agency Securities	17,560,777	18,242,072
Corporate Securities		
Asset-Backed Securities	1,663,981	2,864,569
Corporate CMO	364,579	825,644
Corporate Bonds	18,252,821	23,360,960
Common Stock	64,639,803	44,129,766
Short-Term Investments	10,075,612	17,966,027
Total Investments	$ 116,161,536	$ 110,775,718

IV

Actuarial Section

GABRIEL, ROEDER, SMITH & COMPANY
Consultants & Actuaries
One Towne Square • Suite 800 • Southfield, Michigan 48076 • 248-799-9000 • 800-521-0498 • fax 248-799-9020

December 3, 2003

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

Dear Board Members:

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

The financial objective is addressed within the annual actuarial valuation. The valuation process develops contribution rates that are sufficient to fund the plan's normal cost (i.e., the cost assigned by the valuation method to the year of service about to be rendered) as well as to fund unfunded actuarial accrued liabilities as a level percent of active member payroll over a finite period. The most recent valuations were completed based upon population data, asset data, and plan provision as of June 30, 2003.

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

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

Actuarial Section

Summary of Actuarial Assumptions

Percent Retiring Next Year

Probabilities of Retirement for Members Eligible to Retire

Percent Separating Within Next Year

Individual Member Pay Increases

Analysis of Financial Experience

Financial Section

Schedule of Funding Progress

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

Actuarial valuations are based upon assumptions regarding future activity in specific risk areas including the rates of investment return and payroll growth, eligibility for the various classes of benefits, and longevity among retired lives. These assumptions are adopted by the Board after considering the advice of the actuary and other professionals. The assumptions and the methods comply with the requirements of Statement No. 25 of the Governmental Accounting Standards Board. Each actuarial valuation takes into account all prior differences between actual and assumed experience in each risk area and adjusts the contribution rates as needed. The June 30, 2003 valuations were based upon assumptions that were recommended in connection with a study of experience through June 30, 2001.

On the basis of the 2003 valuations and the benefits and contribution rates then in effect, it is our opinion that the Retirement System is in sound condition in accordance with actuarial principles of level cost financing.

Respectfully submitted,

Norman L. Jones

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

NLJ:kmg

Summary of Assumptions Used for Arkansas Judicial Actuarial Valuations
Assumptions Adopted by Board of Trustees
After Consulting with the Actuary

Economic Assumptions

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

Pay increase assumptions for individual active members are shown on page 56. Part of the assumption for each age is for a merit and/or seniority increase, and the other 4.0% recognizes wage inflation. This wage inflation assumption consists of 3.0% for price inflation and 1.0% for real wage growth.

Total active member payroll is assumed to increase 4.0% per year, which is the portion of the individual pay increase assumptions recognizing inflation.

The number of active members is assumed to continue at the present number.

Non-Economic Assumptions

The mortality table used to measure retired life mortality was the 1994 Group Annuity Mortality Table. This table and values are shown on page 55.

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

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

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

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

- Differences in the past between assumed experience and actual experience ("actuarial gains and losses") become part of the actuarial accrued liabilities.
- Unfunded actuarial accrued liabilities are amortized to produce contribution amounts (principal and interest) which are level percent of payroll contributions.

Funding value of assets (cash & investments) was determined by phasing in differences between actual market return and the assumed rate of return over a four-year period.

The data about persons now covered and about present assets was furnished by the System's administrative staff. Although examined for general reasonableness, the data was not audited by the actuary.

The Actuarial valuation computations were made by or under the supervision of a Member of the American Academy of Actuaries (M.A.A.A.).

Summary of Actuarial Methods and Assumptions
June 30, 2003 Valuation

Valuation date	June 30, 2003
Actuarial cost method	Entry age
Amortization Method	
Tier I	Level percent of payroll
Tier II	Level percent of payroll
Remaining Amortization Period	30 years
Asset Valuation Method	4 year smoothed market
Actuarial Assumptions:	
Investment rate of return	7.0%
Projected salary increases	4.0%
Including price inflation at	3.0%
Post retirement cost-of-living-increases:	
Pre July 1, 1983 Retirees	Increased with increases in active judges' pay
Post June 30, 1983 Retirees	3.0% -Compounded
Mortality Table	1994 Group Annuity Mortality Table
Group Size Growth Rate	0.00%

Summary of Actuarial Methods and Assumptions
June 30, 2003 Valuation

Pre-July 1, 1983 Hires*

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

Sample Attained Ages	$100 Benefit Increasing 4.0 % Annually	Portion of Age 65 Lives Still Alive	
		Men	Women
65	$ 100.00	100%	100 %
70	121.67	87	92
75	148.02	70	81
80	180.09	49	64
85	219.11	29	46

Post June 30, 1983 Hires*

Sample Ages	Present Value of $1 Monthly for Life Increasing 3% Annually	
	Men	Women
50	$ 208.24	$ 224.03
55	189.32	206.95
60	168.45	187.47
65	146.52	166.38
70	124.57	144.28
75	102.56	120.61
80	81.31	96.94

Sample Attained Ages	$100 Benefit Increasing 3.0 % Annually
65	$ 100.00
70	115.93
75	134.39
80	155.80
85	180.61

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

Summary of Actuarial Methods and Assumptions June 30, 2003 Valuation

Separation from Active Employment Before Age and Service Retirment

Percent of Active Members Separating Within The Next Year

Sample	Male		Female		Other Reasons
Ages	Death	Disability	Death	Disability	(Male & Female)
30	0.08%	0.08%	0.04%	0.10%	1.00%
35	0.09	0.08	0.05	0.10	1.00
40	0.11	0.20	0.07	0.36	1.00
45	0.16	0.26	0.10	0.41	1.00
50	0.26	0.49	0.14	0.57	1.00
55	0.44	0.89	0.23	0.77	1.00
60	0.80	1.41	0.44	1.02	1.00
65	1.45	1.66	0.86	1.23	1.00

Pay Increase Assumptions for an Individual Member

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

Summary of Actuarial Methods and Assumptions
June 30, 2003 Valuation

Probabilities of Retirement for Members Eligible to Retire

Percent of Eligible Active Members Retiring Within Next Year

Retirement Ages	Percent of Eligible Active Members Retiring Within Next Year	Percent of Eligible Active Members Electing Early Retirement Within Next Year
50	6%	
51	6	
52	8	
53	8	
54	10	
55	12	
56	12	
57	14	
58	14	
59	14	
60	18	
61	18	2%
62	30	2
63	30	2
64	30	
65	30	
66	30	
67	30	
68	30	
69	30	
70 & Over	30	

A member was assumed eligible to retire at age 50 with 20 years of service, or at age 65 with 10 years of service. A member was assumed eligible to retire early at age 62 with 14 years of service.

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

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

Short Condition Test – 10-Year Comparative Statement

The AJRS funding objective is to meet long-term benefit promises through contributions that remain approximately level from year to year as a percent of member payroll. If the contributions to the System are level in concept and soundly executed, the System will ***pay all promised benefits when due—the ultimate test of financial soundness***. Testing for level contribution rates is ***the*** long-term test.

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

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

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

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

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

Retirees and Beneficiaries as of June 30, 2003
Tabulated by Attained Age

Attained Age	Retirees No.	Retirees Annual Allowances	Survivors/ Beneficiaries No.	Survivors/ Beneficiaries Annual Benefits	Total No.	Total Annual Allowances
45			1	$ 42,432	1	$ 42,432
55	1	$ 69,396			1	69,396
56	1	76,524			1	76,524
57	1	70,872			1	70,872
58	1	50,352	1	47,484	2	97,836
59			1	49,080	1	49,080
60	3	248,532			3	248,532
61			1	49,344	1	49,344
62	2	141,756	1	50,676	3	192,432
63	1	74,016			1	74,016
65	4	321,384			4	321,384
66	7	552,972			7	552,972
67	2	141,756			2	141,756
68	6	442,956			6	442,956
69	2	147,108	1	47,484	3	194,592
70	1	81,828			1	81,828
71	3	211,824			3	211,824
72	2	138,081	1	47,484	3	185,565
73	2	135,888			2	135,888
74	1	70,812	2	94,980	3	165,792
75	1	70,872	3	142,464	4	213,336
76			2	94,980	2	94,980
77	4	338,796	1	47,484	5	386,280
78	4	274,332			4	274,332
79	2	170,856			2	170,856
80	1	74,448	3	142,464	4	216,912
81	1	70,872	1	47,484	2	118,356
82	3	212,628			3	212,628
83	2	144,132	1	47,484	3	191,616
84	1	73,256	1	47,484	2	120,740
85	1	70,877	1	41,820	2	112,697
86	2	141,756	2	98,160	4	239,916
87	2	145,320			2	145,320
88			2	98,160	2	98,160
89			1	47,484	1	47,484
91	1	81,828	2	102,312	3	184,140
92			1	47,484	1	47,484
94			1	50,676	1	50,676
95	1	70,872			1	70,872
97			1	47,484	1	47,484
Totals	**66**	**$ 4,916,902**	**32**	**$ 1,532,388**	**98**	**$ 6,449,290**

Active Members as of June 30, 2003
By Attained Age and Years of Service

Tier I

	Years of Service to Valuation Date						Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	No.	Valuation Payroll
40-44	2						2	$ 236,256
45-49			2				2	236,256
50-54	6	6	7	1	1	1	22	2,612,692
55-59	1	5	11	2			19	2,244,432
60	1		1				2	240,221
61		1					1	118,128
62	1	2	4				7	840,772
63			2	1			3	358,349
64				1			1	118,128
65			1	1	1		3	354,384
68			1				1	126,054
69				1			1	118,128
70			1				1	118,128
72			1				1	136,384
75		1					1	124,074
Totals	**11**	**15**	**31**	**7**	**2**	**1**	**67**	**$ 7,982,386**

Tier II

	Years of Service to Valuation Date						Totals	
Attained Age	0-4	5-9	10-14	15-19	20-24	25-29	No.	Valuation Payroll
35-39	2						2	$ 236,256
40-44	4	2					6	712,733
45-49	13	2	1				16	1,894,013
50-54	6	1	6	1	1		15	1,771,920
55-59	9		3	2	5		19	2,254,343
60					1		1	118,128
61			1	1			2	240,221
62					1	1	2	236,256
64					1		1	122,093
65					2		2	248,148
66					1		1	118,128
Totals	**34**	**5**	**11**	**4**	**12**	**1**	**67**	**$ 7,952,239**

Averages

Group	No.	Age	Service	Annual Pay
Tier I	67	57.2 years	11.0 years	$119,140
Tier II	67	52.6	9.0	$118,690
Total	134	54.9	10.0	$118,915

Analysis of Financial Experience
Year Ended June 30, 2003

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

		Total
(1)	UAAL* at start of year	$ 522,498
(2)	Normal cost from last valuation	3,964,583
(3)	Employer contributions	4,065,638
(4)	Interest accrual: (1)*.070 + ((2) - (3)* .035)	33,038
(5)	Expected UAAL before changes: (1) + (2) - (3) + (4)	454,481
(6)	Change in actuarial assumptions@	2,662,560
(7)	Expected UAAL after changes: (5) + (6)	3,117,041
(8)	Actual UAAL at end of year	11,404,528
(9)	Gain (loss): (7) - (8)	$ (8,287,487)
(10)	Gain (loss) as percent of actuarial accrued liabilities at start of year: $124,734,250	(6.6) %

* Unfunded actuarial accrued liability.
@ Including transfers and data changes.

Analysis of Financial Experience
Gains and Losses By Risk Area
Year Ended June 30, 2003

Type of Risk Area	Gain (Loss) During Year: $ in Millions	Gain (Loss) During Year: Percent of Liabilities
ECONOMIC RISK AREAS		
Pay Increases If there are smaller pay increases than assumed, there is a gain. If greater increases, a loss.	$ 0.8	0.7 %
Investment Return If there is greater investment return than assumed, there is a gain. If less return, a loss.	(5.4)	(4.4) %
NON-ECONOMIC RISK AREAS		
Age & Service Retirements If members retire at older ages or with lower final average pays than assumed, there is a gain. If younger ages or higher average pays, a loss.	(3.5)	(2.8) %
Disability Retirements If there are fewer disabilities than assumed, there is a gain. If more, a loss.	0.3	0.2 %
Death-in-Service Benefits If there are fewer claims than assumed, there is a gain. If more, a loss.	0.1	0.1 %
Withdrawal If more liabilities are released by other separations than assumed, there is a gain. If smaller releases, a loss.	(0.2)	(0.2) %
Other Gains and losses resulting from group size change, data adjustments, timing of financial transactions, retiree mortality, additional contributions and miscellaneous unidentified sources.	(0.4)	(0.3) %
Experience Gain/Loss	$ (8.3)	(6.6) %
Beginning of Year Accrued Liabilities	$ 124.7	100.0 %

Summary of Provisions
July 1, 2003

	Tier I	Tier II
Description	Elected or appointed prior to the effective date of Act 399 of 1999 and who do not elect to participate in Tier II.	Elected or appointed after the effective date of Act 399 of 1999 or electing to participate in Tier II by October 28, 1999.
Regular Retirement	An active member may retire at age 65 with 10 or more years of credited service, or after 20 years of credited service regardless of age. Persons who become members after June 30, 1983, must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit Courts or the Court of Appeals.	An active member or former member may retire at age 65 with 8 or more years of credited service, or after 20 years of credited service regardless of age.
Compulsory Retirement	Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.	Any judge or justice who attains 70 years of age during a term of office to which he has been elected may complete the term without forfeiting rights to retirement benefits. Any judge or justice who is not eligible to retire at age 70 may continue to serve as judge until completion of the term in which there has accrued sufficient credited service to retire. Otherwise, judges or justices must retire by their 70th birthday or lose their retirement benefits.
Final Salary	A member's salary at the end of the last judicial office.	A member's salary at the end of the last judicial office.
Age & Service Annuity	Sixty percent of the judge's final salary, for life.	3.2% of the salary of the last judicial office held multiplied by the number of years of service not to exceed 80% of the salary of the last judicial office held.

Summary of Provisions
July 1, 2003

Deferred Retirement

Tier I

An inactive member who has 14 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65. Persons who become members after June 30, 1983 must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit Courts or the Court of Appeals.

Tier II

An inactive member who has 8 or more years of credited service and left judicial service before attaining age 65 will be entitled to an age and service annuity beginning at age 65.

Disability Retirement

Tier I

An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity. The 3 years service is not required for persons who were members before July 1, 1983.

Tier II

An active member with 3 or more consecutive years of credited service who becomes totally and permanently disabled may be retired and receive a disability annuity computed in the same manner as an age and service annuity, except that the benefit shall not be less than 25.6% of final salary.

Early Retirement

Tier I

A member who became a member before July 1, 1983, and who has 18 but less than 20 years credited service may retire, regardless of age, and receive an immediate annuity. The amount is the full age and service amount reduced proportionately for service less than 20 years.

A member with 14 years credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month retirement age is younger than age 65. Persons who become members after June 30, 1983, must also have at least 8 years of actual service as a justice of the Supreme Court, or as a judge of the Circuit or Chancery Courts, or the Court of Appeals.

Tier II

A member with 8 years credited service may retire between ages 62 and 65 and receive an immediate annuity. The amount is the full age and service amount reduced 1/2 of 1% for each month retirement age is younger than age 65.

Summary of Provisions
July 1, 2003

Survivor Benefits

Tier I

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 40.2% of the judge's final salary is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Tier II

Upon the death of a member with 3 or more years of service, before or after retirement, an annuity of 67% of the judge's benefit, but not less than 17.152% of the final salary, is payable to the following survivors (shared if there is more than one eligible survivor):

- A surviving spouse married to the judge more than 1 year at the time of death.
- A minor child of the judge.

The 3-year service requirement is not required of those who became members prior to July 1, 1983.

Increases After Retirement

Tier I

For any person who was a member on or before June 30, 1983, the retirement benefits are increased or decreased from time to time as the salary for the particular judicial office is increased or decreased.

For all judges or justices first elected after June 30, 1983, and who have received retirement benefits from the system for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.

Tier II

For all judges or justices who have received retirement benefits from the system for at least 12 full calendar months, the retirement benefits are increased each July 1st by 3%.

Member Contributions

Tier I

Active members contribute 6% of their salaries. Members with 20 or more years of service and members age 65 or older with 10 years or more years of service do not contribute to the retirement system.

If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.

Tier II

Active members contribute 5% of their salaries. Members with 25 or more years of service do not contribute to the retirement system.

If a member leaves service before becoming eligible to retire, accumulated contributions may be refunded.

V

Statistical Section

- Schedules of Revenues by Source
- Schedule of Expenses by Type
- Schedule of Benefit Expenses by Type
- Schedule of Retired Members by Type Of Benefit
- Statistical Charts

Schedule of Revenues by Source
For the Fiscal Years 1998-2003

Year Ending June 30	Employee Contributions	Employer & Other Entity Contributions	Court Fees	Misc.	Investment Income	Total
1998	$ 642,686	$ 3,650,957	$ 913,840	$ 39,008	$ 16,078,109	$ 21,324,600
1999	685,233	3,160,811	908,327	147,783	12,206,449	17,108,603
2000	732,545	3,183,709	870,629	218,263	11,231,322	16,236,468
2001	745,311	3,136,072	940,424	53,267	(1,763,834)	3,111,240
2002	772,874	2,415,200	904,033	35,323	(3,872,610)	254,820
2003	**795,852**	**3,162,016**	**903,622**	**47,966**	**5,304,538**	**10,213,994**

Schedule of Expenses By Type
For the Fiscal Years 1998-2003

Year Ending June 30	Benefit Payments	Refunds	Administrative Expenses	Total
1998	$ 3,013,630	$ 34,125	$ 39,638	$ 3,087,393
1999	3,302,660	74,625	38,483	3,415,768
2000	3,695,138	34,730	46,476	3,776,344
2001	3,769,698	19,199	49,485	3,838,382
2002	4,966,371	14,634	44,607	5,025,612
2003	**5,799,943**	**964**	**38,613**	**5,839,520**

Schedule of Benefit Expenses By Type
For the Fiscal Years 1998-2003*

Year Ending	Age & Service		Disability	
June 30	Retirees	Survivors	Retirees	Refunds
1998	N/A	N/A	N/A	$ 34,125
1999	N/A	N/A	N/A	74,625
2000	$ 2,933,794	$ 752,320	$ 58,655	34,730
2001	3,663,355	1,284,567	72,208	19,199
2002	3,482,427	1,449,876	74,085	14,634
2003	**4,841,242**	**1,532,412**	**75,636**	**964**

* Data was unavailable for years 1998 and 1999 for Age and Service retirees and survivors, and for disability retirees.

* Expenses are based on June 30 benefit amounts annualized.

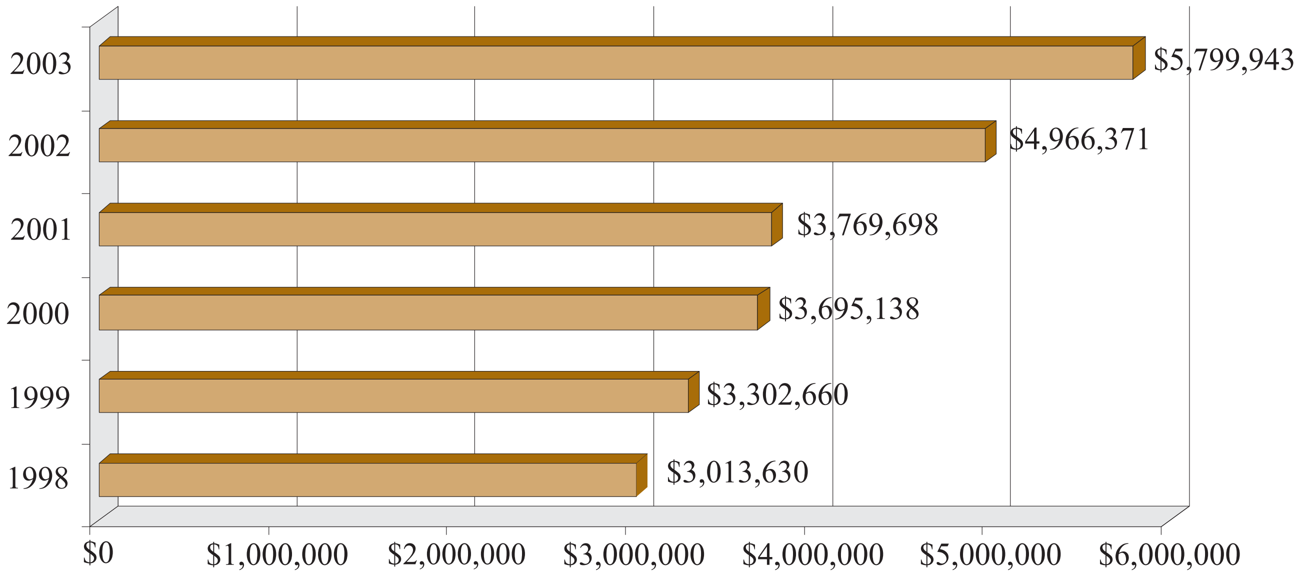
Schedule of Retired Members by Type of Benefit
*As of June 30, 2003**

Type of Annuity	Number	Annuities	Liabilities
Age & Service Retirees			
Life	15	$ 1,108,019	$ 11,537,514
Option B-75	50	3,733,223	48,173,520
Totals	65	4,841,242	59,711,034
Beneficiaries of Age & Service Retirees			
Life	32	1,532,412	13,805,453
Option B-75	0	0	0
Totals	32	1,532,412	13,805,453
Total Age & Service Retirees and Beneficiaries	97	6,373,654	73,516,487
Disability Retirees			
Life	0	0	0
Option B-75	1	75,636	543,038
Totals	1	75,636	543,038
Beneficiaries of Disability Retirees			
Life	0	0	0
Option B-50	0	0	0
Totals	0	0	0
Total Disability Retirees and Beneficiaries	1	75,636	543,038
Death in Service Beneficiaries	0	0	0
Grand Total of All Retirees and Beneficiaries	**98**	**$ 6,449,290**	**$ 74,059,525**

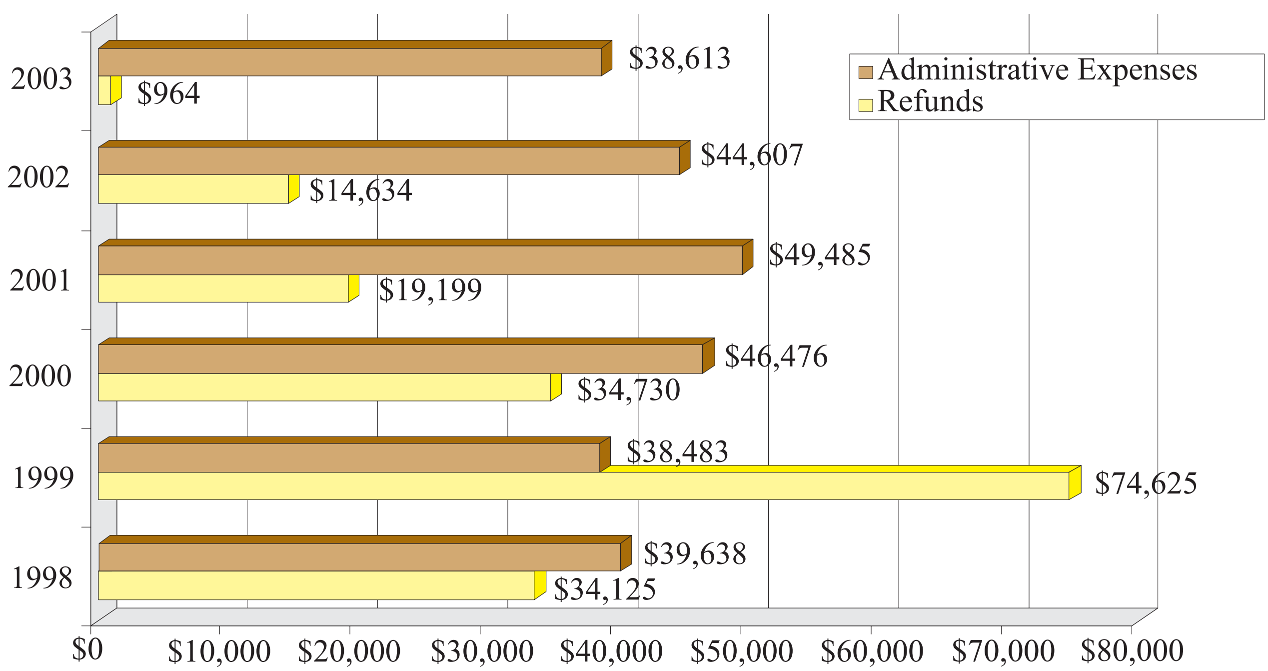
* Annuity amounts and liabilities are based on June 30 amounts annualized.

Statistical Charts
As of June 30, 2003

Benefit Payments

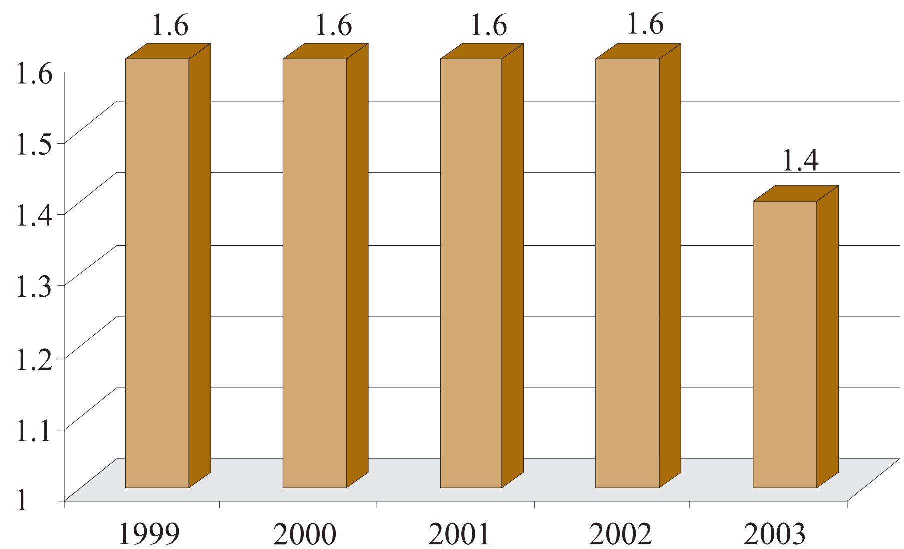


Refunds and Administrative Payments

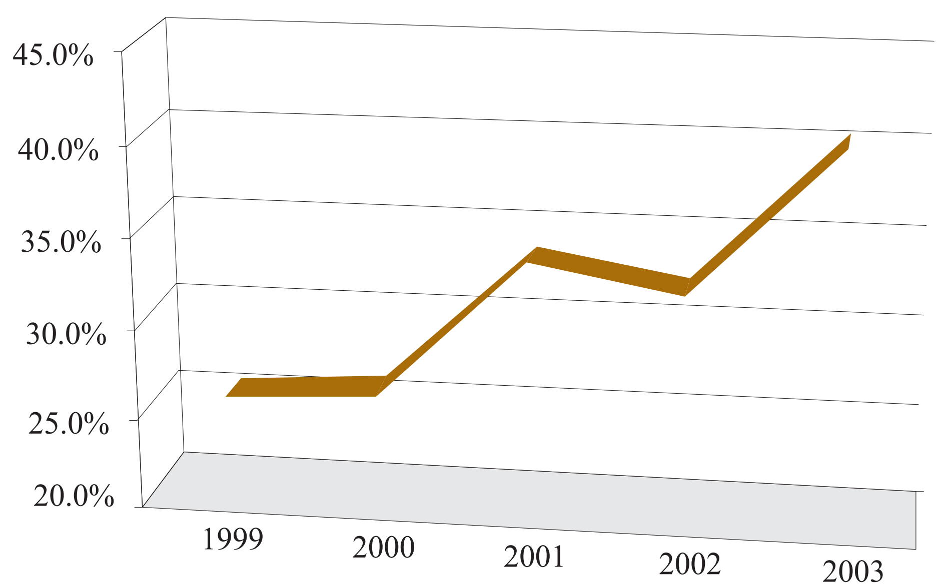


Statistical Charts
As of June 30, 2003

Ratio of Active Members To Retired Members
For Years 1999 to 2003



Annual Benefits Paid Retirees As a Percent of Payroll
From 1999 to 2003



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