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April 18, 2016

VIA EMAIL

Mr. Sheldon Fisher
 Commissioner
 Division of Retirement and Benefits
 Department of Administration
 State of Alaska
 333 Willoughby Avenue
 6th Floor State Office Building
 Juneau, AK 99811-0208

**Re: Judicial Retirement System and National Guard and Naval Militia
 Retirement System Roll-Forward Actuarial Valuations as of June 30, 2015**

Dear Sheldon:

We have completed the roll-forward actuarial valuations for the State of Alaska Judicial Retirement System (JRS) and the National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2015. The valuations have been performed by a projection or “roll forward” of results from the last valuation date of June 30, 2014 to June 30, 2015. A summary of results and description of methods are included in this letter. More detailed results for each System are attached to this letter.

The purposes of these roll forward valuations are to (i) determine the employer contributions necessary to meet the Board’s funding policy for each System, (ii) disclose the funding assets and liability measures as of the valuation date, and (iii) review the current funded status of each System and assess the funded status as an appropriate measure for determining future actuarially determined contributions.

Summary of Results

The June 30, 2015 roll-forward valuations produced the following results (results from the June 30, 2014 valuations are shown for comparison purposes):

	June 30, 2014	June 30, 2015
Judicial Retirement System		
• Funded Status		
○ Pension	65.8%	69.3%
○ Healthcare	139.9%	146.4%
○ Total	71.9%	75.6%

	June 30, 2014	June 30, 2015
• Employer Contribution Rates ¹		
○ Pension	74.32%	72.83%
○ Healthcare	2.17%	1.38%
○ Total	76.49%	74.21%
National Guard and Naval Militia Retirement System		
• Funded Status	98.8%	98.8%
• Recommended Contribution ²	\$866,900	\$907,231

Actuarial Assumptions and Methods

In lieu of collecting new data as of June 30, 2015 and performing a full actuarial valuation, it is an acceptable practice to project or “roll forward” results from the valuation as of June 30, 2014 to June 30, 2015 by assuming the actuarial assumptions during the year are exactly realized. This process produces liabilities and normal costs which reflect the best available estimates of the major factors that would be reflected in a full actuarial valuation, including salary increases, cost of living adjustments and increases in medical costs. All data, actuarial assumptions, methods and plan provisions are the same as those shown in the June 30, 2014 valuation reports dated October 6, 2015³. These assumptions include a valuation interest rate of 8.00% for JRS, a valuation interest rate of 7.00% for NGNMRS, and payroll growth for JRS of 3.62%.

The actuarial value of assets was calculated as of June 30, 2015 using actual assets and cash flows during FY15. Investment gains and losses are recognized at a rate of 20% per year.

The sources of actuarial gain/(loss) for these June 30, 2015 roll-forward valuations are as follows:

	JRS	NGNMRS
Asset gain/(loss)	\$ 4,271,432	\$ 13,008
Healthcare benefit gain/(loss)	505,092	N/A
Contribution gain/(loss)	(33,821)	(278,699)
Total gain/(loss)	\$ 4,742,703	\$ (265,691)

Net actuarial gains/losses have the effect of decreasing/increasing the unfunded actuarial accrued liability versus what was expected based on the previous valuation. These gains/losses decrease/increase the employer contributions as the amortization of the unfunded actuarial accrued liability decreases/increases.

¹ The June 30, 2014 valuation determined the contribution rates for FY17. The June 30, 2015 valuation determines the contribution rates for FY18.

² The June 30, 2014 valuation determined the recommended contribution for FY17. The June 30, 2015 valuation determines the recommended contribution for FY18.

³ The administrative expense assumption for NGNMRS remained unchanged (the average of the actual administrative expenses paid in the prior two years, rounded to the nearest \$1,000). For the June 30, 2014 valuation, the expense load was \$194,000. For the June 30, 2015 valuation, the expense load was \$232,000.

The Board and staff of the State of Alaska may use this report for the review of the operations of JRS and NGNMRS. Use of this report, for any other purpose or by anyone other than the Board or staff of the State of Alaska may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Buck to review any statement you wish to make on the results contained in this report. Buck will not accept any liability for any such statement made without review by Buck.

Future actuarial measurements may differ from current measurements due to such factors as: plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of these valuations.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of each System and reasonable long-term expectations, and represent our best estimate of the long-term anticipated experience under each System.

Larry Langer is an Associate of the Society of Actuaries, David Kershner is a Fellow of the Society of Actuaries, and Melissa Bissett is a Fellow of the Society of Actuaries. Both Larry and David are Enrolled Actuaries. All three are Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this letter. This letter has been prepared in accordance with all applicable Actuarial Standards of Practice.

Please let us know if you have any questions or if you would like to discuss these results in more detail.

Sincerely,



Larry Langer, ASA, EA, MAAA, FCA
Principal and Consulting Actuary



David J. Kershner, FSA, EA, MAAA, FCA
Principal and Consulting Actuary



Melissa Bissett, FSA, MAAA
Senior Consultant, Healthcare Actuary

Attachments

c: Mr. John Boucher, State of Alaska
Ms. Kathy Lea, State of Alaska
Mr. Kevin Worley, State of Alaska
Mr. Todd Kanaster, Buck Consultants

**State of Alaska
Judicial Retirement System**

	June 30, 2014	June 30, 2015
Pension		
Actuarial Accrued Liability	\$ 194,430,266	\$ 205,160,847
Actuarial Value of Assets (AVA)	\$ 128,004,452	\$ 142,191,071
Unfunded Actuarial Accrued Liability	\$ 66,425,814	\$ 62,969,776
Funded Ratio based on AVA	65.8%	69.3%
Market Value of Assets (MVA)	\$ 139,547,440	\$ 144,160,024
Funded Ratio based on MVA	71.8%	70.3%
Normal Cost	\$ 5,814,128	\$ 6,024,599
Healthcare		
Actuarial Accrued Liability	\$ 17,207,952	\$ 18,304,497
Actuarial Value of Assets (AVA)	\$ 24,074,313	\$ 26,800,113
Unfunded Actuarial Accrued Liability	\$ (6,866,361)	\$ (8,495,616)
Funded Ratio based on AVA	139.9%	146.4%
Market Value of Assets (MVA)	\$ 26,301,968	\$ 27,142,381
Funded Ratio based on MVA	152.8%	148.3%
Normal Cost	\$ 605,706	\$ 605,706
Total		
Actuarial Accrued Liability	\$ 211,638,218	\$ 223,465,344
Actuarial Value of Assets	\$ 152,078,765	\$ 168,991,184
Unfunded Actuarial Accrued Liability	\$ 59,559,453	\$ 54,474,160
Funded Ratio based on Actuarial Value of Assets	71.9%	75.6%
Market Value of Assets	\$ 165,849,408	\$ 171,302,405
Funded Ratio based on Market Value of Assets	78.4%	76.7%
Normal Cost	\$ 6,419,834	\$ 6,630,305
Pension Contribution Rate		
– Employer Normal Cost Rate	37.00%	37.00%
– Past Service Cost Rate	37.32%	35.83%
– Total Employer Contribution Rate	74.32%	72.83%
Healthcare Contribution Rate		
– Employer Normal Cost Rate	4.48%	4.33%
– Past Service Cost Rate	-2.31%	-2.95%
– Total Employer Contribution Rate	2.17%	1.38%
Total Contribution Rate		
– Employer Normal Cost Rate	41.48%	41.33%
– Past Service Cost Rate	35.01%	32.88%
– Total Employer Contribution Rate	76.49%	74.21%

**State of Alaska
National Guard and Naval Militia Retirement System**

	June 30, 2014	June 30, 2015
Actuarial Accrued Liability	\$ 36,715,287	\$ 38,313,473
Actuarial Value of Assets	36,271,836	37,855,133
Unfunded Actuarial Accrued Liability	443,451	458,340
Funded Ratio based on Actuarial Value of Assets	98.8%	98.8%
Market Value of Assets	\$ 37,467,105	\$ 36,879,840
Funded Ratio based on Market Value of Assets	102.0%	96.3%
Normal Cost	\$ 603,495	\$ 603,495
Past Service Cost	69,405	71,736
Administrative Expense Load	194,000	232,000
Total Contribution	\$ 866,900	\$ 907,231
Fiscal Year Contribution Applies to	FY17	FY18