State of Alaska
Judicial Retirement System

Actuarial Valuation Report
As of June 30, 2012

July 2013

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202
Table of Contents

Letter of Certification

Executive Summary ........................................................................................................................1

Comparative Summary of Key Actuarial Valuation Results .....................................................6

Section 1: Actuarial Funding Results ........................................................................................7
  1.1 Actuarial Liabilities and Normal Cost ..............................................................................8
  1.2 Actuarial Contributions ....................................................................................................9
  1.3 Actuarial Gain / (Loss) ..................................................................................................13
  1.4 Development of Change in Unfunded Liability during FY12 .....................................14
  1.5 History of UAAL and Funded Ratio ..............................................................................15

Section 2: Plan Assets ............................................................................................................16
  2.1 Summary of Fair Value of Assets as of June 30, 2011 ................................................17
  2.2 Changes in Fair Value of Assets as of June 30, 2011 ................................................18
  2.3 Summary of Fair Value of Assets as of June 30, 2012 ...............................................19
  2.4 Changes in Fair Value of Assets as of June 30, 2012 ................................................20
  2.5 Actuarial Value of Assets ............................................................................................21
  2.6 Historical Asset Rate of Return ..................................................................................23

Section 3: Accounting Information ..........................................................................................24
  3.1 Schedule of Funding Progress .....................................................................................25
  3.2 Schedule of Employer Contributions .......................................................................26
  3.3 Notes to Trend Data ....................................................................................................27

Section 4: Member Data ..........................................................................................................28
  4.1 Summary of Members Included ..................................................................................29
  4.2 Age and Service Distribution of Active Members .......................................................30
  4.3 Member Data Reconciliation .......................................................................................31

Section 5: Basis of the Actuarial Valuation ..........................................................................32
  5.1 Summary of Plan Provisions and Changes in Benefits ..............................................33
  5.2 Description of Actuarial Methods and Valuation Procedures ..................................36
  5.3 Summary of Actuarial Assumptions and Changes .....................................................42

Glossary ....................................................................................................................................50
July 19, 2013

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK  99811-0203

Certification of Actuarial Valuation

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

This report summarizes the annual actuarial valuation results of the State of Alaska Judicial Retirement System (JRS) as of June 30, 2012 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2012. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the System.

The State of Alaska Judicial Retirement System is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for the State of Alaska Judicial Retirement System is to pay required contributions that remain level as a percent of total JRS Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, System expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percentage of payroll over a closed 25-year period. The compensation used to determine required contributions is the total compensation of all active members in JRS. This objective is currently being met and is projected to continue to be met.
In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed in 2010. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claims cost rates, effective June 30, 2012, to better reflect expected future healthcare experience. In addition, members identified as being covered under PERS healthcare have been removed, reducing JRS healthcare liabilities. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 5 beginning on page 29.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Judicial Retirement System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the Schedule of Funding Progress, Schedule of Employer Contributions, and trend data schedules under GASB Nos. 25 and 43.

The undersigned are Enrolled Actuaries, a Fellow and an Associate of the Society of Actuaries and 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 report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC

David H. Slishinsky, ASA, EA, MAAA, FCA
Principal, Consulting Actuary

Lee James, FSA, EA, MAAA, FCA
Director, Consulting Actuary
The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.

Melissa Bissett, FSA, MAAA
Senior Consultant, Health & Productivity
State of Alaska Judicial Retirement System

Executive Summary

Overview

The State of Alaska Judicial Retirement System provides pension and postemployment healthcare benefits to judicial and other eligible members. The Commissioner of the Department of Administration is responsible for administering the System. The Alaska Retirement Management Board has fiduciary responsibility over the assets of the System. This report presents the results of the actuarial valuation of the System benefits as of the valuation date of June 30, 2012.

Purpose

An actuarial valuation is performed on the retirement plan bi-annually as of the beginning of the fiscal year. The main purposes of the actuarial valuation detailed in this report are:

1. To determine the Employer contribution necessary to meet the Board’s funding policy for the System;
2. To disclose the funding assets and liability measures as of the valuation date;
3. To disclose the accounting measures for the System required by GASB Nos. 25 and 43 as of the end of the last fiscal year;
4. To review the current funded status of the System;
5. To compare actual and expected experience under the System during the last fiscal year;
6. And to report trends in contributions, assets, liabilities, and funded status over the last several years.

The actuarial valuation provides a “snapshot” of the funded position of the JRS based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date.

Funding Status

The funding status is a measure of the progress that has been made in funding the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a plan that is ahead in funding, and a ratio of less than 100% represents a plan that is behind in funding on the valuation date. A comparative summary of the funding ratio from the prior and current actuarial valuations follows:

<table>
<thead>
<tr>
<th>Funding Status as of June 30¹</th>
<th>2010</th>
<th>2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Accrued Liability</td>
<td>$184,828,106</td>
<td>$198,922,147</td>
</tr>
<tr>
<td>(b) Valuation Assets</td>
<td>$134,694,195</td>
<td>$133,706,032</td>
</tr>
<tr>
<td>(c) Unfunded Accrued Liability, (a) – (b)</td>
<td>$50,133,911</td>
<td>$65,216,115</td>
</tr>
<tr>
<td>(d) Funding Ratio based on Valuation Assets, (b) ÷ (a)</td>
<td>72.9%</td>
<td>67.2%</td>
</tr>
<tr>
<td>(e) Fair Value of Assets</td>
<td>$112,816,935</td>
<td>$127,378,702</td>
</tr>
<tr>
<td>(f) Funding Ratio based on Fair Value of Assets, (e) ÷ (a)</td>
<td>61.0%</td>
<td>64.0%</td>
</tr>
</tbody>
</table>

¹ Includes pension and healthcare benefits.
Executive Summary (cont’d)

(1) Actuarial Methods and Assumptions
The actuarial cost method is Entry Age Normal. The actuarial value of assets is the 5-year smoothing method.

(2) Salary Increases
Salaries for active judges changed between June 30, 2010 and June 30, 2012. The following table presents the annual base salaries for the different court appointments:

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2010</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>District Court</td>
<td>$147,876</td>
<td>$153,840</td>
</tr>
<tr>
<td>Superior Court</td>
<td>174,396</td>
<td>181,440</td>
</tr>
<tr>
<td>Appellate Court</td>
<td>178,188</td>
<td>185,388</td>
</tr>
<tr>
<td>Supreme Court</td>
<td>188,604</td>
<td>196,224</td>
</tr>
<tr>
<td>Administrative Director</td>
<td>174,396</td>
<td>181,440</td>
</tr>
<tr>
<td>Chief Justice</td>
<td>189,156</td>
<td>196,800</td>
</tr>
</tbody>
</table>

(3) Investment Experience
The approximate FY11 investment return based on market values was 20.8% and the approximate FY12 investment return based on market values was 0.1% compared to the expected investment return of 8.00%. This resulted in a gain of approximately $14 million for FY11 and a loss of approximately $10 million for FY12 from investment experience. The asset valuation method recognizes 20 percent of the FY12 loss this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY09 loss, 20 percent of the FY10 gain and 20 percent of the FY11 gain were recognized this year. The actuarial value of assets cannot be less than 80% of the fair value of assets and cannot be greater than 120% of the fair value of assets. The approximate FY12 asset return based on actuarial value was 0.7% compared to the expected asset return of 8.00%. The net result was an actuarial asset loss of approximately $10 million to the System on the actuarial value of assets.

(4) Demographic Experience
The number of active members decreased from 72 to 69 for the two year period. There were 10 new entrants to the plan with an average entry age significantly higher than the continuing members. The average age of active members increased by 1.25 years, the average past service decreased by 0.16 years, and the average entry age increased by 1.41 years. Due to the increase in average entry age, the normal cost rate increased 3%. There were small changes in the inactive statistics as well. The membership statistics are found in Section 4 of this report. The overall demographic experience produced an actuarial loss.
Executive Summary (cont’d)

(5) Retiree Medical Experience and Assumptions

Healthcare cost assumptions regarding per capita claim costs and trend assumptions are the same as those used in the Public Employees’ Retirement System actuarial valuation. In summary, we evaluate and update per capita costs annually and we review trend assumptions annually, updating those every 3-5 years as appropriate.

Historical premium details are listed in the PERS valuation report for reference. In short, the monthly retiree medical premium for the January 1, 2013 to December 31, 2013 time period will increase to $1,223. This represents an increase of 2% from the previous year’s medical premium of $1,200. The health cost trend rates used for this valuation are described in Section 5.3. Over the last 10 years, annual premium rate changes have ranged from no change to up to 14%. Also, over the last ten years, the increase in the premium rate has been about 5.4% compounded annually.

Per Capita Claim cost development is described in detail later in this report and in the PERS valuation report. In summary, an analysis of medical costs was completed based on claims information and enrollment data provided. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. For the 2012 valuation, we updated incurred claims cost and Medicare offset analyses using fiscal year-to-date 2012 claims and enrollment information through April 2012. A lower average claims cost was applied to retirees covered by both Medicare Part A and B vs. retirees covered only by Medicare Part B. Based upon expected claim reserve levels as of June 2012, fiscal year-to-date 2012 paid claim experience was adjusted to estimate 2012 incurred claims.

Explicit per-member claim administration costs are derived from the current HealthSmart contract and are projected to increase at the assumed rate of 5%.

The valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. The State has shared its payments for calendar 2006 through June 2011 and this information was used to estimate future RDS payments in this valuation. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

The medical cost trend assumption was changed this year based on the proposed Society of Actuaries’ Healthcare Cost Trend Model updated for 2012. The new trend rate varies by year declining to 4.5% (was previously 5.0%) over 100 years. The trends vary by medical, pre-Medicare and Medicare, and aggregate prescription drugs. Based upon variations in medical cost trends between Medicare-eligible and pre-Medicare populations, Buck’s practice is to use separate healthcare cost trends for these populations. This, in conjunction with updates to legislation, long-term trend models and time since prior assumptions were set, indicated a need to re-set this assumption.

With the 2012 JRS retiree medical valuation, we are now implementing the census file indicator that identifies the primary plan under which a member receives retiree medical benefits. In 2012, there are 26 of 100 members where the primary retiree medical plan coverage is through the PERS plan. This reduced the actuarial/accrued liability accordingly, by about 25% or $5.9 million. These 26 members are included in the actuarial valuation of the PERS plan for healthcare benefits.
The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2012 as compared to 2011:

<table>
<thead>
<tr>
<th>Healthcare Cost Rate Data Source or Assumption Change, 2012 vs. 2011</th>
<th>Gain / Loss Impact on 2012 Valuation Results</th>
</tr>
</thead>
<tbody>
<tr>
<td>Claim lag specific to medical and prescription experience</td>
<td>Negligible</td>
</tr>
<tr>
<td>Individual claims level data</td>
<td>- No impact on cost data used for 2011/2012, though potentially a source of future modifications</td>
</tr>
<tr>
<td></td>
<td>- No impact on morbidity assumptions used for 2012, though potentially a source of future modifications</td>
</tr>
<tr>
<td>Explicit TPA fees</td>
<td>Negligible</td>
</tr>
<tr>
<td>Actual RDS payments received</td>
<td>Negligible</td>
</tr>
<tr>
<td>Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year</td>
<td>Minor loss due to updated assumptions in 2012</td>
</tr>
<tr>
<td>Aggregate claims data</td>
<td>Moderate gain due to experience, but dampened by weighting methodology</td>
</tr>
<tr>
<td>Census Data – Medicare Part B only participation</td>
<td>Gain due to fewer Medicare Part B only members as compared to historical estimates</td>
</tr>
<tr>
<td>Census Data – Primary retiree medical plan participation indicator</td>
<td>Material gain due to JRS members that are receiving retiree medical under the PERS plan and are thus valued in the PERS OPEB valuation</td>
</tr>
</tbody>
</table>

(6) Changes in Methods from the Prior Valuation

There have been no changes in asset methods or valuation methods since the prior valuation.

(7) Changes in Assumptions from the Prior Valuation

There have been no changes in actuarial assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend.
(8) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

(9) Summary

The overall effect of system experience during the two-year period resulted in a decrease in the funding ratio from 72.9% to 67.2%. The total contribution rate increased from 69.48% to 79.06%.
Comparative Summary of Key Actuarial Valuation Results

Recommended Contribution Rates for Pension: FY13 FY15
(a) Employer Normal Cost Rate 34.82% 35.92%
(b) Past Service Cost Rate 28.14% 40.55%
(c) Total Employer Contribution Rate, (a)+(b) 62.96% 76.47%

Recommended Contribution Rates for Healthcare: FY13 FY15
(a) Employer Normal Cost Rate 5.48% 3.87%
(b) Past Service Cost Rate 1.04% (1.28)%
(c) Total Employer Contribution Rate, (a)+(b) 6.52% 2.59%

Recommended Contribution Rates: FY13 FY15
(a) Employer Normal Cost Rate 40.30% 39.79%
(b) Past Service Cost Rate 29.18% 39.27%
(c) Total Employer Contribution Rate, (a)+(b) 69.48% 79.06%

For the June 30, 2011 valuation results, we performed a roll forward of liabilities and determined the FY14 contribution rates using actual assets. The contribution rates that were calculated for FY14 were 66.68% for Pension, 6.60% for Healthcare, and 73.28% in Total.

The following table summarizes the sources of change in the total Employer contribution rate based on total member payroll.

<table>
<thead>
<tr>
<th>Source of Change</th>
<th>FY13</th>
<th>FY15</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Total employer contribution rate from June 30, 2010 valuation</td>
<td>62.96%</td>
<td>6.52%</td>
<td>69.48%</td>
</tr>
<tr>
<td>2. Change during FY11</td>
<td>3.72%</td>
<td>0.08%</td>
<td>3.80%</td>
</tr>
<tr>
<td>3. Total employer contribution rate from June 30, 2011 roll-forward valuation</td>
<td>66.68%</td>
<td>6.60%</td>
<td>73.28%</td>
</tr>
<tr>
<td>4. Change due to:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>a. Effect of two-year delay in the contribution rate</td>
<td>1.78%</td>
<td>0.08%</td>
<td>1.86%</td>
</tr>
<tr>
<td>b. Change in assumptions</td>
<td>0.00%</td>
<td>0.26%</td>
<td>0.26%</td>
</tr>
<tr>
<td>c. Investment experience</td>
<td>4.68%</td>
<td>0.47%</td>
<td>5.15%</td>
</tr>
<tr>
<td>d. Effect of payroll decrease on amortization rate</td>
<td>2.47%</td>
<td>0.10%</td>
<td>2.57%</td>
</tr>
<tr>
<td>e. Demographic experience, medical experience and new entrants</td>
<td>0.86%</td>
<td>(0.06%)</td>
<td>0.80%</td>
</tr>
<tr>
<td>f. More precise data regarding which members are receiving healthcare benefits from JRS</td>
<td>0.00%</td>
<td>(4.86)%</td>
<td>(4.86)%</td>
</tr>
<tr>
<td>g. Total</td>
<td>9.79%</td>
<td>(4.01)%</td>
<td>5.78%</td>
</tr>
<tr>
<td>5. Total employer contribution rate this year [3 + 4g]</td>
<td>76.47%</td>
<td>2.59%</td>
<td>79.06%</td>
</tr>
</tbody>
</table>

---

Includes changes in future healthcare claims costs.
Section 1

Actuarial Funding Results
## Actuarial Liabilities and Normal Cost

### At June 30, 2012

<table>
<thead>
<tr>
<th></th>
<th>Normal Cost</th>
<th>Accrued Liability</th>
<th>Present Value of Projected Benefits</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Members</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retirement Benefits</td>
<td>$ 4,594,399</td>
<td>$ 46,464,557</td>
<td>$ 76,661,230</td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>12,922</td>
<td>(27,191)</td>
<td>67,962</td>
</tr>
<tr>
<td>Death Benefits</td>
<td>107,627</td>
<td>541,158</td>
<td>1,228,428</td>
</tr>
<tr>
<td>Termination Benefits&lt;sup&gt;1&lt;/sup&gt;</td>
<td>289,847</td>
<td>(860,659)</td>
<td>1,237,890</td>
</tr>
<tr>
<td>Medical and Prescription Drug Benefits</td>
<td>506,773</td>
<td>5,257,938</td>
<td>8,361,281</td>
</tr>
<tr>
<td>Medicare Part D Subsidy</td>
<td>(40,391)</td>
<td>(414,706)</td>
<td>(657,306)</td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 5,471,177</td>
<td>$ 50,961,097</td>
<td>$ 86,899,485</td>
</tr>
<tr>
<td><strong>Benefit Recipients</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Retiree Benefits</td>
<td>$ 119,042,160</td>
<td></td>
<td>$ 119,042,160</td>
</tr>
<tr>
<td>Survivor Benefits</td>
<td>12,426,785</td>
<td>12,426,785</td>
<td></td>
</tr>
<tr>
<td>Disability Benefits</td>
<td>0</td>
<td>0</td>
<td></td>
</tr>
<tr>
<td>Medical and Prescription Drug Benefits</td>
<td>11,967,968</td>
<td>11,967,968</td>
<td></td>
</tr>
<tr>
<td>Medicare Part D Subsidy</td>
<td>(1,101,641)</td>
<td>(1,101,641)</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 142,335,272</td>
<td></td>
<td>$ 142,335,272</td>
</tr>
<tr>
<td><strong>Vested Terminations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Deferred Retirement Benefits</td>
<td>$ 4,680,714</td>
<td>$ 4,680,714</td>
<td></td>
</tr>
<tr>
<td>Medical and Prescription Drug Benefits</td>
<td>1,010,198</td>
<td>1,010,198</td>
<td></td>
</tr>
<tr>
<td>Medicare Part D Subsidy</td>
<td>(65,134)</td>
<td>(65,134)</td>
<td></td>
</tr>
<tr>
<td><strong>Subtotal</strong></td>
<td>$ 5,625,778</td>
<td>$ 5,625,778</td>
<td></td>
</tr>
<tr>
<td><strong>Non-Vested Terminations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ 0</td>
<td>$ 0</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$ 5,471,177</td>
<td>$ 198,922,147</td>
<td>$ 234,860,535</td>
</tr>
<tr>
<td><strong>Total Pension</strong></td>
<td>$ 5,004,795</td>
<td>$ 182,267,524</td>
<td>$ 215,345,169</td>
</tr>
<tr>
<td><strong>Total Healthcare, Net of Part D Subsidy</strong></td>
<td>$ 466,382</td>
<td>$ 16,654,623</td>
<td>$ 19,515,366</td>
</tr>
</tbody>
</table>

<sup>1</sup> Includes return of contributions.
### Actuarial Contributions - FY15

<table>
<thead>
<tr>
<th>Normal Cost</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Total Normal Cost</td>
<td>$5,004,795</td>
<td>$466,382</td>
<td>$5,471,177</td>
</tr>
<tr>
<td>(2) Total Base Salaries for Upcoming Fiscal Year</td>
<td>$12,038,916</td>
<td>$12,038,916</td>
<td>$12,038,916</td>
</tr>
<tr>
<td>(3) Total Normal Cost Rate, (1) / (2)</td>
<td>41.57%</td>
<td>3.87%</td>
<td>45.44%</td>
</tr>
<tr>
<td>(4) Average Member Contribution Rate</td>
<td>5.65%</td>
<td>0.00%</td>
<td>5.65%</td>
</tr>
<tr>
<td>(5) Employer Normal Cost Rate, (3) - (4)</td>
<td>35.92%</td>
<td>3.87%</td>
<td>39.79%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Past Service Rate</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Accrued Liability</td>
<td>$182,267,524</td>
<td>$16,654,623</td>
<td>$198,922,147</td>
</tr>
<tr>
<td>(2) Valuation Assets</td>
<td>$112,870,360</td>
<td>$20,835,672</td>
<td>$133,706,032</td>
</tr>
<tr>
<td>(3) Total Unfunded Liability, (1) - (2)</td>
<td>$69,397,164</td>
<td>$(4,181,049)</td>
<td>$65,216,115</td>
</tr>
<tr>
<td>(4) Funded Ratio, (2) / (1)</td>
<td>61.9%</td>
<td>125.1%</td>
<td>67.2%</td>
</tr>
<tr>
<td>(5) Past Service Cost Amortization Payment</td>
<td>$4,882,292</td>
<td>$(153,834)</td>
<td>$4,728,458</td>
</tr>
<tr>
<td>(6) Total Base Salaries for Upcoming Fiscal Year</td>
<td>$12,038,916</td>
<td>$12,038,916</td>
<td>$12,038,916</td>
</tr>
<tr>
<td>(7) Past Service Cost Rate, (5) / (6)</td>
<td>40.55%</td>
<td>(1.28)%</td>
<td>39.27%</td>
</tr>
</tbody>
</table>

**Total Employer Contribution Rate**

<table>
<thead>
<tr>
<th></th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>76.47%</td>
<td>2.59%</td>
<td>79.06%</td>
<td></td>
</tr>
</tbody>
</table>
### Actuarial Contributions - FY15

<table>
<thead>
<tr>
<th>Charge</th>
<th>Date Created</th>
<th>Years Left</th>
<th>Initial balance</th>
<th>Outstanding balance</th>
<th>Beginning-of-Year Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Unfunded Liability¹</td>
<td>06/30/2002</td>
<td>15</td>
<td>$5,864,449</td>
<td>$6,153,817</td>
<td>$539,497</td>
</tr>
<tr>
<td>FY03/FY04 Loss¹</td>
<td>06/30/2004</td>
<td>17</td>
<td>855,068</td>
<td>906,055</td>
<td>72,720</td>
</tr>
<tr>
<td>Loss due to revaluation of plan</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>liabilities¹</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>FY05/FY06 Loss¹</td>
<td>06/30/2005</td>
<td>18</td>
<td>9,115,451</td>
<td>9,655,561</td>
<td>745,357</td>
</tr>
<tr>
<td>FY07 Loss</td>
<td>06/30/2007</td>
<td>20</td>
<td>1,364,721</td>
<td>1,433,001</td>
<td>103,210</td>
</tr>
<tr>
<td>FY08 Gain</td>
<td>06/30/2008</td>
<td>21</td>
<td>(29,014,739)</td>
<td>(30,261,623)</td>
<td>(2,113,063)</td>
</tr>
<tr>
<td>FY09 Loss</td>
<td>06/30/2009</td>
<td>22</td>
<td>21,273,454</td>
<td>21,991,589</td>
<td>1,491,926</td>
</tr>
<tr>
<td>Change in Assumptions</td>
<td>06/30/2010</td>
<td>23</td>
<td>13,976,981</td>
<td>14,293,511</td>
<td>943,927</td>
</tr>
<tr>
<td>FY10 Loss</td>
<td>06/30/2010</td>
<td>23</td>
<td>6,474,780</td>
<td>6,621,411</td>
<td>437,270</td>
</tr>
<tr>
<td>FY11 Loss</td>
<td>06/30/2011</td>
<td>24</td>
<td>7,397,917</td>
<td>7,487,210</td>
<td>482,160</td>
</tr>
<tr>
<td>FY12 Loss</td>
<td>06/30/2012</td>
<td>25</td>
<td>11,916,371</td>
<td>11,916,371</td>
<td>749,518</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$69,397,164</td>
<td>$4,882,292</td>
<td></td>
</tr>
</tbody>
</table>

¹ The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.
### Actuarial Contributions - FY15

#### Healthcare

<table>
<thead>
<tr>
<th>Charge</th>
<th>Date Created</th>
<th>Years Left</th>
<th>Initial</th>
<th>Outstanding</th>
<th>Beginning-of-Year Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Unfunded Liability&lt;sup&gt;1&lt;/sup&gt;</td>
<td>06/30/2002</td>
<td>15</td>
<td>$2,295,257</td>
<td>$2,408,512</td>
<td>$211,151</td>
</tr>
<tr>
<td>FY03/FY04 Loss&lt;sup&gt;1&lt;/sup&gt;</td>
<td>06/30/2004</td>
<td>17</td>
<td>334,660</td>
<td>354,616</td>
<td>28,461</td>
</tr>
<tr>
<td>Loss due to revaluation of plan liabilities&lt;sup&gt;1&lt;/sup&gt;</td>
<td>06/30/2005</td>
<td>18</td>
<td>3,567,649</td>
<td>3,779,038</td>
<td>291,721</td>
</tr>
<tr>
<td>FY05/FY06 Loss&lt;sup&gt;1&lt;/sup&gt;</td>
<td>06/30/2006</td>
<td>19</td>
<td>7,117,943</td>
<td>7,514,690</td>
<td>559,590</td>
</tr>
<tr>
<td>FY07 Gain</td>
<td>06/30/2007</td>
<td>20</td>
<td>(810,073)</td>
<td>(850,603)</td>
<td>(61,264)</td>
</tr>
<tr>
<td>FY08 Change in Assumptions</td>
<td>06/30/2008</td>
<td>21</td>
<td>789,072</td>
<td>822,982</td>
<td>57,466</td>
</tr>
<tr>
<td>FY08 Gain</td>
<td>06/30/2008</td>
<td>21</td>
<td>(14,011,596)</td>
<td>(14,613,733)</td>
<td>(1,020,426)</td>
</tr>
<tr>
<td>FY09 Loss</td>
<td>06/30/2009</td>
<td>22</td>
<td>901,355</td>
<td>931,783</td>
<td>63,213</td>
</tr>
<tr>
<td>Change in Assumptions</td>
<td>06/30/2010</td>
<td>23</td>
<td>2,006,196</td>
<td>2,051,630</td>
<td>135,487</td>
</tr>
<tr>
<td>FY10 Gain</td>
<td>06/30/2010</td>
<td>23</td>
<td>(1,930,656)</td>
<td>(1,974,378)</td>
<td>(130,386)</td>
</tr>
<tr>
<td>FY11 Loss</td>
<td>06/30/2011</td>
<td>24</td>
<td>550,376</td>
<td>557,019</td>
<td>35,871</td>
</tr>
<tr>
<td>Change in Assumptions</td>
<td>06/30/2012</td>
<td>25</td>
<td>353,605</td>
<td>353,605</td>
<td>22,241</td>
</tr>
<tr>
<td>FY12 Gain</td>
<td>06/30/2012</td>
<td>25</td>
<td>(5,516,210)</td>
<td>(5,516,210)</td>
<td>(346,959)</td>
</tr>
</tbody>
</table>

**Total** | $ (4,181,049) | $ (153,834) |

<sup>1</sup> The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.
### Actuarial Contributions - FY15

<table>
<thead>
<tr>
<th>Charge</th>
<th>Date Created</th>
<th>Years Left</th>
<th>Initial</th>
<th>Outstanding</th>
<th>Beginning-of-Year Payment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Initial Unfunded Liability</td>
<td>6/30/2002</td>
<td>15</td>
<td>$8,159,706</td>
<td>$8,562,329</td>
<td>$750,648</td>
</tr>
<tr>
<td>FY03/FY04 Loss</td>
<td>6/30/2004</td>
<td>17</td>
<td>1,189,728</td>
<td>1,260,671</td>
<td>101,181</td>
</tr>
<tr>
<td>Loss due to revaluation of plan liabilities</td>
<td>06/30/2005</td>
<td>18</td>
<td>12,683,100</td>
<td>13,434,599</td>
<td>1,037,078</td>
</tr>
<tr>
<td>FY05/FY06 Loss</td>
<td>06/30/2006</td>
<td>19</td>
<td>25,304,501</td>
<td>26,714,951</td>
<td>1,989,360</td>
</tr>
<tr>
<td>FY07 Loss</td>
<td>06/30/2007</td>
<td>20</td>
<td>554,648</td>
<td>582,398</td>
<td>41,946</td>
</tr>
<tr>
<td>FY08 Change in Assumptions</td>
<td>06/30/2008</td>
<td>21</td>
<td>789,072</td>
<td>822,982</td>
<td>57,466</td>
</tr>
<tr>
<td>FY08 Gain</td>
<td>06/30/2008</td>
<td>21</td>
<td>(43,026,335)</td>
<td>(44,875,356)</td>
<td>(3,133,489)</td>
</tr>
<tr>
<td>FY09 Loss</td>
<td>06/30/2009</td>
<td>22</td>
<td>22,174,809</td>
<td>22,923,372</td>
<td>1,555,139</td>
</tr>
<tr>
<td>Change in Assumptions</td>
<td>06/30/2010</td>
<td>23</td>
<td>15,983,177</td>
<td>16,345,141</td>
<td>1,079,414</td>
</tr>
<tr>
<td>FY10 Loss</td>
<td>06/30/2010</td>
<td>23</td>
<td>4,544,124</td>
<td>4,647,033</td>
<td>306,884</td>
</tr>
<tr>
<td>FY11 Loss</td>
<td>06/30/2011</td>
<td>24</td>
<td>7,948,293</td>
<td>8,044,229</td>
<td>518,031</td>
</tr>
<tr>
<td>Change in Assumptions</td>
<td>06/30/2012</td>
<td>25</td>
<td>353,605</td>
<td>353,605</td>
<td>22,241</td>
</tr>
<tr>
<td>FY12 Loss</td>
<td>06/30/2012</td>
<td>25</td>
<td>6,400,161</td>
<td>6,400,161</td>
<td>402,559</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>$65,216,115</td>
<td>$4,728,458</td>
<td></td>
</tr>
</tbody>
</table>

State of Alaska Judicial Retirement System
As of June 30, 2012
State of Alaska Judicial Retirement System

**Actuarial Gain / (Loss) For FY12**

<table>
<thead>
<tr>
<th>Liability Gain/(Loss)</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Accrued Liability, June 30, 2011</td>
<td>$173,424,484</td>
<td>$21,406,833</td>
<td>$194,831,317</td>
</tr>
<tr>
<td>(2) Normal Cost for FY12</td>
<td>5,062,095</td>
<td>661,591</td>
<td>5,723,686</td>
</tr>
<tr>
<td>(3) Interest on (1) and (2) at 8.00%</td>
<td>14,274,926</td>
<td>1,765,474</td>
<td>16,044,400</td>
</tr>
<tr>
<td>(4) Benefit Payments for FY12</td>
<td>9,666,901</td>
<td>925,977</td>
<td>10,592,878</td>
</tr>
<tr>
<td>(5) Refund of Contributions for FY12</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(6) Interest on (4) and (5) at 8.00% for one-half year</td>
<td>379,237</td>
<td>36,327</td>
<td>415,564</td>
</tr>
<tr>
<td>(7) Change in Assumptions</td>
<td>0</td>
<td>353,605</td>
<td>353,605</td>
</tr>
<tr>
<td>(9) Accrued Liability, June 30, 2012</td>
<td>$182,267,524</td>
<td>16,654,623</td>
<td>198,922,147</td>
</tr>
<tr>
<td>(10) Liability Gain/(Loss) (8) – (9)</td>
<td>$451,843</td>
<td>$6,570,576</td>
<td>$7,022,419</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Asset Gain/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(11) Valuation Assets, June 30, 2011</td>
</tr>
<tr>
<td>(12) Interest on (11) at 8.00%</td>
</tr>
<tr>
<td>(13) Member Contributions for FY12</td>
</tr>
<tr>
<td>(14) Employer Contributions for FY12</td>
</tr>
<tr>
<td>(15) State of Alaska Appropriation Relief</td>
</tr>
<tr>
<td>(16) Medicare Part D Subsidy</td>
</tr>
<tr>
<td>(17) Interest on (13), (14), (15) and (16) at 8.00% for one-half year</td>
</tr>
<tr>
<td>(18) Benefit Payments for FY12</td>
</tr>
<tr>
<td>(19) Refund of Contributions for FY12</td>
</tr>
<tr>
<td>(20) Interest on (18) and (19) at 8.00% for one-half year</td>
</tr>
<tr>
<td>(21) Expected Valuation Assets, June 30, 2012</td>
</tr>
<tr>
<td>(22) Valuation Assets, June 30, 2012</td>
</tr>
<tr>
<td>(23) Asset Gain/(Loss) (22) – (21)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Total Gain/(Loss)</th>
</tr>
</thead>
<tbody>
<tr>
<td>(24) Actuarial Gain/(Loss) (10) + (23)</td>
</tr>
<tr>
<td>(25) Effect of Delay on Contributions and State Appropriations</td>
</tr>
<tr>
<td>(26) Total Gain/(Loss) to be Amortized (24) + (25)</td>
</tr>
</tbody>
</table>

1 These contributions are premiums paid by retirees who are not eligible for system paid medical benefits.
### Development of Change in Unfunded Liability during FY12

1. **2011 Unfunded Liability**  
   $58,285,113
   
   - a. Interest on unfunded liability $4,662,809
   - b. Normal cost 5,723,686
   - c. Employee contributions (710,224)
   - d. Employer contributions (3,685,503)
   - e. State appropriation (2,331,725)
   - f. Medicare Part D subsidy (98,998)
   - g. Interest on b., c., d., e., and f. 190,101
   - h. Expected change in unfunded liability during FY12 3,750,146

2. **Expected 2012 Unfunded Liability**  
   $62,035,259
   
   - a. Liability (gains) $(7,022,419)
   - b. Assets losses 9,849,670
   - c. Change in healthcare assumptions 353,605
   - d. Other changes in unfunded liability during FY12 3,180,856

3. **Actual 2012 Unfunded Liability**  
   $65,216,115
## History of UAAL and Funded Ratio

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>Aggregate Accrued Liability</th>
<th>Valuation Assets</th>
<th>Assets as a Percent of Accrued Liability</th>
<th>Unfunded Accrued Liabilities (UAL)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2000</td>
<td>$73,483,475</td>
<td>$72,660,197</td>
<td>98.9%</td>
<td>$823,278</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>$71,843,615</td>
<td>$63,683,909</td>
<td>88.6%</td>
<td>$8,159,706</td>
</tr>
<tr>
<td>June 30, 2004</td>
<td>$80,052,559</td>
<td>$70,455,634</td>
<td>88.0%</td>
<td>$9,596,925</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>$127,725,758</td>
<td>$79,710,103</td>
<td>62.4%</td>
<td>$48,015,655</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>$133,988,906</td>
<td>$84,773,226</td>
<td>63.3%</td>
<td>$49,215,680</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$148,737,880</td>
<td>$141,235,655</td>
<td>95.0%</td>
<td>$7,502,225</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$156,679,506</td>
<td>$127,173,616</td>
<td>81.2%</td>
<td>$29,505,890</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$184,828,106</td>
<td>$134,694,195</td>
<td>72.9%</td>
<td>$50,133,911</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$194,831,317</td>
<td>$136,546,204</td>
<td>70.1%</td>
<td>$58,285,113</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$198,922,147</td>
<td>$133,706,032</td>
<td>67.2%</td>
<td>$65,216,115</td>
</tr>
</tbody>
</table>
Section 2

Plan Assets
## Summary of Fair Value of Assets

### As of June 30, 2011

<table>
<thead>
<tr>
<th></th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total Fair Value</th>
<th>Allocation Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Short-Term Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash and Cash Equivalents</td>
<td>$ 1,103,041</td>
<td>$ 207,520</td>
<td>$ 1,310,561</td>
<td>1.0%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$ 1,103,041</td>
<td>$ 207,520</td>
<td>$ 1,310,561</td>
<td>1.0%</td>
</tr>
<tr>
<td><strong>Fixed Income Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic Fixed Income Pool</td>
<td>$ 11,935,326</td>
<td>$ 2,311,515</td>
<td>$ 14,246,841</td>
<td>10.9%</td>
</tr>
<tr>
<td>- International Fixed Income Pool</td>
<td>2,552,596</td>
<td>470,338</td>
<td>3,022,934</td>
<td>2.3%</td>
</tr>
<tr>
<td>- High Yield Pool</td>
<td>2,755,523</td>
<td>507,738</td>
<td>3,263,261</td>
<td>2.5%</td>
</tr>
<tr>
<td>- Treasury Inflation Protection Pool</td>
<td>1,274,729</td>
<td>234,884</td>
<td>1,509,613</td>
<td>1.2%</td>
</tr>
<tr>
<td>- Emerging Debt Pool</td>
<td>861,447</td>
<td>158,732</td>
<td>1,020,179</td>
<td>0.8%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$ 19,379,621</td>
<td>$ 3,683,207</td>
<td>$ 23,062,828</td>
<td>17.7%</td>
</tr>
<tr>
<td><strong>Equity Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic Equity Pool</td>
<td>$ 33,103,648</td>
<td>$ 6,097,877</td>
<td>$ 39,201,525</td>
<td>29.9%</td>
</tr>
<tr>
<td>- International Equity Pool</td>
<td>19,883,585</td>
<td>3,663,394</td>
<td>23,546,979</td>
<td>18.0%</td>
</tr>
<tr>
<td>- Private Equity Pool</td>
<td>10,118,420</td>
<td>1,864,308</td>
<td>11,982,728</td>
<td>9.1%</td>
</tr>
<tr>
<td>- Emerging Markets Equity Pool</td>
<td>6,648,670</td>
<td>1,225,096</td>
<td>7,873,766</td>
<td>6.0%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$ 69,754,323</td>
<td>$ 12,850,675</td>
<td>$ 82,604,998</td>
<td>63.0%</td>
</tr>
<tr>
<td><strong>Other Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Real Estate Pool</td>
<td>$ 9,954,569</td>
<td>$ 1,835,061</td>
<td>$ 11,789,630</td>
<td>9.0%</td>
</tr>
<tr>
<td>- Other Investments Pool</td>
<td>5,434,452</td>
<td>1,001,376</td>
<td>6,435,828</td>
<td>4.9%</td>
</tr>
<tr>
<td>- Absolute Return Pool</td>
<td>4,872,968</td>
<td>897,884</td>
<td>5,770,852</td>
<td>4.4%</td>
</tr>
<tr>
<td>- Other Assets</td>
<td>0</td>
<td>8,499</td>
<td>8,499</td>
<td>nil</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$ 20,261,989</td>
<td>$ 3,742,820</td>
<td>$ 24,004,809</td>
<td>18.3%</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$ 110,498,974</td>
<td>$ 20,484,222</td>
<td>$ 130,983,196</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Net Accrued Receivables</strong></td>
<td>102,513</td>
<td>(103,091)</td>
<td>(578)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$ 110,601,487</td>
<td>$ 20,381,131</td>
<td>$112,816,935</td>
<td></td>
</tr>
</tbody>
</table>
## Changes in Fair Value of Assets

### Fiscal Year 2011

<table>
<thead>
<tr>
<th>Description</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Net Assets, June 30, 2010 (fair value)</td>
<td>$ 95,833,522</td>
<td>$ 16,983,413</td>
<td>$ 112,816,935</td>
</tr>
<tr>
<td>(2) Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Member Contributions</td>
<td>$ 685,542</td>
<td>$ 18,120</td>
<td>$ 703,662</td>
</tr>
<tr>
<td>(b) Employer Contributions</td>
<td>3,836,321</td>
<td>539,362</td>
<td>4,375,683</td>
</tr>
<tr>
<td>(c) State of Alaska Appropriation</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>(d) Interest and Dividend Income</td>
<td>2,364,610</td>
<td>425,876</td>
<td>2,790,486</td>
</tr>
<tr>
<td>(e) Net Appreciation/(Depreciation) in Fair Value of Investments</td>
<td>17,420,363</td>
<td>3,150,647</td>
<td>20,571,010</td>
</tr>
<tr>
<td>(f) Medicare Part D Subsidy</td>
<td>0</td>
<td>39,895</td>
<td>39,895</td>
</tr>
<tr>
<td>(g) Other</td>
<td>1,294</td>
<td>0</td>
<td>1,294</td>
</tr>
<tr>
<td>(h) Total Additions</td>
<td>$ 24,308,130</td>
<td>$ 4,173,900</td>
<td>$ 28,482,030</td>
</tr>
<tr>
<td>(3) Deductions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Medical Benefits</td>
<td>$ 0</td>
<td>$ 751,165</td>
<td>$ 751,165</td>
</tr>
<tr>
<td>(b) Retirement Benefits</td>
<td>9,177,235</td>
<td>0</td>
<td>9,177,235</td>
</tr>
<tr>
<td>(c) Investment Expenses</td>
<td>278,095</td>
<td>32</td>
<td>278,127</td>
</tr>
<tr>
<td>(d) Administrative Expenses</td>
<td>84,835</td>
<td>24,985</td>
<td>109,820</td>
</tr>
<tr>
<td>(e) Total Deductions</td>
<td>$ 9,540,165</td>
<td>$ 776,182</td>
<td>$ 10,316,347</td>
</tr>
<tr>
<td>(4) Net Assets, June 30, 2011 (fair value)</td>
<td>$ 110,601,487</td>
<td>$ 20,381,131</td>
<td>$ 130,982,618</td>
</tr>
</tbody>
</table>

Approximate Fair Value Investment Return Rate During FY11 Net of All Expenses: 20.8%

Allocation of assets between pension and postemployment healthcare was reported to us by the Division of Retirement and Benefits.

1 These contributions are premiums paid by retirees who are not eligible for system-paid medical benefits.
## Summary of Fair Value of Assets

### As of June 30, 2012

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total Fair Value</th>
<th>Allocation Percent</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Cash and Short-Term Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Cash and Cash Equivalents</td>
<td>$1,881,554</td>
<td>$332,989</td>
<td>$2,214,543</td>
<td>1.7%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$1,881,554</td>
<td>$332,989</td>
<td>$2,214,543</td>
<td>1.7%</td>
</tr>
<tr>
<td><strong>Fixed Income Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic Fixed Income Pool</td>
<td>$11,237,478</td>
<td>$2,262,148</td>
<td>$13,499,626</td>
<td>10.6%</td>
</tr>
<tr>
<td>- International Fixed Income Pool</td>
<td>2,472,820</td>
<td>470,866</td>
<td>2,943,686</td>
<td>2.3%</td>
</tr>
<tr>
<td>- High Yield Pool</td>
<td>2,913,772</td>
<td>554,846</td>
<td>3,468,618</td>
<td>2.7%</td>
</tr>
<tr>
<td>- Treasury Inflation Protection Pool</td>
<td>1,302,536</td>
<td>248,028</td>
<td>1,550,564</td>
<td>1.2%</td>
</tr>
<tr>
<td>- Emerging Debt Pool</td>
<td>815,377</td>
<td>155,267</td>
<td>970,644</td>
<td>0.8%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$18,741,983</td>
<td>$3,691,155</td>
<td>$22,433,138</td>
<td>17.6%</td>
</tr>
<tr>
<td><strong>Equity Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Domestic Equity Pool</td>
<td>$31,739,724</td>
<td>$6,043,819</td>
<td>$37,783,543</td>
<td>29.6%</td>
</tr>
<tr>
<td>- International Equity Pool</td>
<td>17,528,398</td>
<td>3,337,715</td>
<td>20,866,113</td>
<td>16.4%</td>
</tr>
<tr>
<td>- Private Equity Pool</td>
<td>10,622,797</td>
<td>2,022,838</td>
<td>12,645,635</td>
<td>9.9%</td>
</tr>
<tr>
<td>- Emerging Markets Equity Pool</td>
<td>5,681,464</td>
<td>1,081,854</td>
<td>6,763,318</td>
<td>5.3%</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$65,572,383</td>
<td>$12,466,226</td>
<td>$78,038,609</td>
<td>61.2%</td>
</tr>
<tr>
<td><strong>Other Investments</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Real Estate Pool</td>
<td>$9,809,572</td>
<td>$1,868,349</td>
<td>$11,677,921</td>
<td>9.2%</td>
</tr>
<tr>
<td>- Other Investments Pool</td>
<td>6,503,124</td>
<td>1,238,355</td>
<td>7,741,479</td>
<td>6.1%</td>
</tr>
<tr>
<td>- Absolute Return Pool</td>
<td>4,544,789</td>
<td>865,433</td>
<td>5,410,222</td>
<td>4.2%</td>
</tr>
<tr>
<td>- Other Assets</td>
<td>0</td>
<td>9,895</td>
<td>9,895</td>
<td>nil</td>
</tr>
<tr>
<td>- Subtotal</td>
<td>$20,857,485</td>
<td>$3,982,032</td>
<td>$24,839,517</td>
<td>19.5%</td>
</tr>
<tr>
<td><strong>Total Cash and Investments</strong></td>
<td>$107,053,405</td>
<td>$20,492,402</td>
<td>$127,545,807</td>
<td>100.0%</td>
</tr>
<tr>
<td><strong>Net Accrued Receivables</strong></td>
<td>80,850</td>
<td>(247,955)</td>
<td>(167,105)</td>
<td></td>
</tr>
<tr>
<td><strong>Net Assets</strong></td>
<td>$107,134,255</td>
<td>$20,244,447</td>
<td>$127,378,702</td>
<td></td>
</tr>
</tbody>
</table>
## Changes in Fair Value of Assets

<table>
<thead>
<tr>
<th>Fiscal Year 2012</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Net Assets, June 30, 2011 (fair value)</td>
<td>$110,601,487</td>
<td>$20,381,131</td>
<td>$130,982,618</td>
</tr>
<tr>
<td>(2) Additions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Member Contributions</td>
<td>$704,671</td>
<td>$5,553¹</td>
<td>$710,224</td>
</tr>
<tr>
<td>(b) Employer Contributions</td>
<td>3,212,901</td>
<td>472,602</td>
<td>3,685,503</td>
</tr>
<tr>
<td>(c) State of Alaska Appropriation</td>
<td>2,205,898</td>
<td>125,827</td>
<td>2,331,725</td>
</tr>
<tr>
<td>(d) Interest and Dividend Income</td>
<td>2,671,735</td>
<td>498,879</td>
<td>3,170,614</td>
</tr>
<tr>
<td>(e) Net Appreciation/(Depreciation) in Fair Value of Investments</td>
<td>(2,275,976)</td>
<td>(387,393)</td>
<td>(2,663,369)</td>
</tr>
<tr>
<td>(f) Medicare Part D Subsidy</td>
<td>0</td>
<td>98,986</td>
<td>98,986</td>
</tr>
<tr>
<td>(g) Other</td>
<td>12</td>
<td>0</td>
<td>12</td>
</tr>
<tr>
<td>(h) Total Additions</td>
<td>$6,519,241</td>
<td>$814,454</td>
<td>$7,333,695</td>
</tr>
<tr>
<td>(3) Deductions:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(a) Medical Benefits</td>
<td>$0</td>
<td>$925,977</td>
<td>$925,977</td>
</tr>
<tr>
<td>(b) Retirement Benefits</td>
<td>9,666,901</td>
<td>0</td>
<td>9,666,901</td>
</tr>
<tr>
<td>(c) Investment Expenses</td>
<td>274,717</td>
<td>79</td>
<td>274,796</td>
</tr>
<tr>
<td>(d) Administrative Expenses</td>
<td>44,855</td>
<td>25,082</td>
<td>69,937</td>
</tr>
<tr>
<td>(e) Total Deductions</td>
<td>$9,986,473</td>
<td>$951,138</td>
<td>$10,937,611</td>
</tr>
<tr>
<td>(4) Net Assets, June 30, 2012 (fair value)</td>
<td>$107,134,255</td>
<td>$20,244,447</td>
<td>$127,378,702</td>
</tr>
</tbody>
</table>

Approximate Fair Value Investment Return Rate During FY12 Net of All Expenses: 0.1% 0.4% 0.1%

Allocation of assets between pension and postemployment healthcare was reported to us by the Division of Retirement and Benefits.

¹ These contributions are premiums paid by retirees who are not eligible for system-paid medical benefits.
Section 2.5

Actuarial Value of Assets

The actuarial value of assets was set equal to the fair value at June 30, 2006. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of fair value as of the current valuation date.

<table>
<thead>
<tr>
<th>(1) Deferral of Investment Return for FY12</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fair Value, June 30, 2011</td>
<td>$110,601,487</td>
<td>$20,381,131</td>
<td>$130,982,618</td>
</tr>
<tr>
<td>(b) Contributions for FY12</td>
<td>6,123,470</td>
<td>603,982</td>
<td>6,727,452</td>
</tr>
<tr>
<td>(c) Medicare Part D Subsidy</td>
<td>0</td>
<td>98,986</td>
<td>98,986</td>
</tr>
<tr>
<td>(d) Benefit Payments for FY12</td>
<td>9,666,901</td>
<td>925,977</td>
<td>10,592,878</td>
</tr>
<tr>
<td>(e) Actual Investment Return <em>(net of expenses)</em></td>
<td>76,199</td>
<td>86,325</td>
<td>162,524</td>
</tr>
<tr>
<td>(f) Expected Return Rate <em>(net of expenses)</em></td>
<td>8.00%</td>
<td>8.00%</td>
<td>8.00%</td>
</tr>
<tr>
<td>(g) Expected Return - Weighted for Timing</td>
<td>8,709,108</td>
<td>1,617,858</td>
<td>10,326,966</td>
</tr>
<tr>
<td>(h) Investment Gain/(Loss) for the Year <em>(e. – g.)</em></td>
<td>(8,632,909)</td>
<td>(1,531,533)</td>
<td>(10,164,442)</td>
</tr>
<tr>
<td>(i) Deferred Investment Return</td>
<td>(5,736,105)</td>
<td>(591,225)</td>
<td>(6,327,330)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(2) Actuarial Value, June 30, 2012</th>
<th>Pension</th>
<th>Healthcare</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>(a) Fair Value, June 30, 2012</td>
<td>$107,134,255</td>
<td>$20,244,447</td>
<td>$127,378,702</td>
</tr>
<tr>
<td>(b) 2012 Deferred Investment Return/(Loss)</td>
<td>(5,736,105)</td>
<td>(591,225)</td>
<td>(6,327,330)</td>
</tr>
<tr>
<td>(c) Preliminary Actuarial Value, June 30, 2012</td>
<td>112,870,360</td>
<td>20,835,672</td>
<td>133,706,032</td>
</tr>
<tr>
<td><em>(a. - b.)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(d) Upper Limit: 120% of Fair Value, June 30, 2012</td>
<td>128,561,106</td>
<td>24,293,335</td>
<td>N/A</td>
</tr>
<tr>
<td>(e) Lower Limit: 80% of Fair Value, June 30, 2012</td>
<td>85,707,404</td>
<td>16,195,559</td>
<td>N/A</td>
</tr>
<tr>
<td>(f) Actuarial Value, June 30, 2012</td>
<td>$112,870,360</td>
<td>$20,835,672</td>
<td>$133,706,032</td>
</tr>
<tr>
<td><em>(c. limited by d. and e.)</em></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(g) Ratio of Actuarial Value of Assets to Fair Value of Assets</td>
<td>105.4%</td>
<td>102.9%</td>
<td>105.0%</td>
</tr>
<tr>
<td>(h) Approximate Actuarial Value Investment Return Rate During FY12 Net of All Expenses</td>
<td>0.2%</td>
<td>3.6%</td>
<td>0.7%</td>
</tr>
</tbody>
</table>
## Actuarial Value of Assets

The tables below show the development of gain/(loss) to be recognized in the current year.

### Pension

<table>
<thead>
<tr>
<th>Plan Year Ended</th>
<th>Asset Gain/(Loss)</th>
<th>Gain/(Loss) Recognized in Prior Years</th>
<th>Gain/(Loss) Recognized This Year</th>
<th>Gain/(Loss) Deferred to Future Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2008</td>
<td>$ (13,849,954)</td>
<td>$ (11,079,964)</td>
<td>$ (2,769,990)</td>
<td>$ 0</td>
</tr>
<tr>
<td>6/30/2009</td>
<td>(34,030,615)</td>
<td>(20,418,369)</td>
<td>(6,806,123)</td>
<td>(6,806,123)</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>2,031,934</td>
<td>812,774</td>
<td>406,387</td>
<td>812,773</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>11,939,288</td>
<td>2,387,858</td>
<td>2,387,858</td>
<td>7,163,572</td>
</tr>
<tr>
<td>6/30/2012</td>
<td>(8,632,909)</td>
<td>0</td>
<td>(1,726,582)</td>
<td>(6,906,327)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (42,542,256)</td>
<td>$ (28,297,701)</td>
<td>$ (8,508,450)</td>
<td>$ (5,736,105)</td>
</tr>
</tbody>
</table>

### Healthcare

<table>
<thead>
<tr>
<th>Plan Year Ended</th>
<th>Asset Gain/(Loss)</th>
<th>Gain/(Loss) Recognized in Prior Years</th>
<th>Gain/(Loss) Recognized This Year</th>
<th>Gain/(Loss) Deferred to Future Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2008</td>
<td>$ (1,192,229)</td>
<td>$ (953,784)</td>
<td>$ (238,445)</td>
<td>$ 0</td>
</tr>
<tr>
<td>6/30/2009</td>
<td>(4,404,642)</td>
<td>(2,642,784)</td>
<td>(880,929)</td>
<td>(880,929)</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>426,838</td>
<td>170,736</td>
<td>85,368</td>
<td>170,734</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>2,240,326</td>
<td>448,065</td>
<td>448,065</td>
<td>1,344,196</td>
</tr>
<tr>
<td>6/30/2012</td>
<td>(1,531,533)</td>
<td>0</td>
<td>(306,307)</td>
<td>(1,225,226)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (4,461,240)</td>
<td>$ (2,977,767)</td>
<td>$ (892,248)</td>
<td>$ (591,225)</td>
</tr>
</tbody>
</table>

### Total

<table>
<thead>
<tr>
<th>Plan Year Ended</th>
<th>Asset Gain/(Loss)</th>
<th>Gain/(Loss) Recognized in Prior Years</th>
<th>Gain/(Loss) Recognized This Year</th>
<th>Gain/(Loss) Deferred to Future Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>6/30/2008</td>
<td>$ (15,042,183)</td>
<td>$ (12,033,748)</td>
<td>$ (3,008,435)</td>
<td>$ 0</td>
</tr>
<tr>
<td>6/30/2009</td>
<td>(38,435,257)</td>
<td>(23,061,153)</td>
<td>(7,687,052)</td>
<td>(7,687,052)</td>
</tr>
<tr>
<td>6/30/2010</td>
<td>2,458,772</td>
<td>983,510</td>
<td>491,755</td>
<td>983,507</td>
</tr>
<tr>
<td>6/30/2011</td>
<td>14,179,614</td>
<td>2,835,923</td>
<td>2,835,923</td>
<td>8,507,768</td>
</tr>
<tr>
<td>6/30/2012</td>
<td>(10,164,442)</td>
<td>0</td>
<td>(2,032,889)</td>
<td>(8,131,553)</td>
</tr>
<tr>
<td>Total</td>
<td>$ (47,003,496)</td>
<td>$ (31,275,468)</td>
<td>$ (9,400,698)</td>
<td>$ (6,327,330)</td>
</tr>
</tbody>
</table>
## Historical Asset Rate of Return

<table>
<thead>
<tr>
<th>Year Ending</th>
<th>Actuarial Value</th>
<th>Fair Value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Annual</td>
<td>Cumulative</td>
</tr>
<tr>
<td>June 30, 2005</td>
<td>8.0%</td>
<td>8.0%</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>11.0%</td>
<td>9.5%</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>10.2%</td>
<td>9.7%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>7.4%</td>
<td>9.1%</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>(9.7)%</td>
<td>5.1%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>8.7%</td>
<td>5.7%</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>5.0%</td>
<td>5.6%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>0.7%</td>
<td>5.0%</td>
</tr>
</tbody>
</table>
Section 3

Accounting Information
## Schedule of Funding Progress

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liabilities (AAL) (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1998</td>
<td>$64,689,972</td>
<td>$61,483,386</td>
<td>N/A</td>
<td>105.2%</td>
<td>$5,716,092</td>
<td>N/A</td>
</tr>
<tr>
<td>June 30, 2000</td>
<td>$72,660,197</td>
<td>$73,483,475</td>
<td>823,278</td>
<td>98.9%</td>
<td>$5,701,980</td>
<td>14.4%</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>63,683,909</td>
<td>71,843,615</td>
<td>8,159,706</td>
<td>88.6%</td>
<td>5,941,860</td>
<td>137.3%</td>
</tr>
<tr>
<td>June 30, 2004</td>
<td>70,455,634</td>
<td>80,052,559</td>
<td>9,596,925</td>
<td>88.0%</td>
<td>6,529,608</td>
<td>147.0%</td>
</tr>
<tr>
<td>June 30, 2006</td>
<td>77,310,716</td>
<td>111,819,972</td>
<td>$34,509,256</td>
<td>69.1%</td>
<td>7,130,592</td>
<td>484.0%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>122,882,726</td>
<td>130,596,048</td>
<td>$7,713,322</td>
<td>94.1%</td>
<td>10,462,322</td>
<td>73.7%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>115,000,226</td>
<td>164,523,775</td>
<td>$49,523,549</td>
<td>69.9%</td>
<td>11,845,548</td>
<td>418.1%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>112,870,360</td>
<td>182,267,524</td>
<td>$69,397,164</td>
<td>61.9%</td>
<td>11,803,164</td>
<td>588.0%</td>
</tr>
</tbody>
</table>

Note: Prior to adoption of GASB Statements No. 25 and 26 in 1997, information which does not meet the parameters of GASB 25 was used to determine funding requirements. Therefore, the history prior to 1997 has not been shown.

The exhibit below shows the postemployment healthcare disclosure without regard to Medicare Part D under GASB No. 43.

<table>
<thead>
<tr>
<th>Actuarial Valuation Date</th>
<th>Actuarial Value of Assets (a)</th>
<th>Actuarial Accrued Liabilities (AAL) (b)</th>
<th>Unfunded AAL (UAAL) (b-a)</th>
<th>Funded Ratio (a/b)</th>
<th>Covered Payroll (c)</th>
<th>UAAL as a Percentage of Covered Payroll ((b-a)/c)</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006</td>
<td>$2,399,387</td>
<td>$17,794,213</td>
<td>$15,394,826</td>
<td>13.5%</td>
<td>7,130,592</td>
<td>215.9%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>18,352,929</td>
<td>19,941,128</td>
<td>$1,588,199</td>
<td>92.0%</td>
<td>10,462,322</td>
<td>15.2%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>19,693,969</td>
<td>22,346,395</td>
<td>$2,652,426</td>
<td>88.1%</td>
<td>11,845,548</td>
<td>22.4%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>20,835,672</td>
<td>18,236,104</td>
<td>$(2,599,568)</td>
<td>114.3%</td>
<td>11,803,164</td>
<td>(22.0)%</td>
</tr>
</tbody>
</table>
Section 3.2

Schedule of Employer Contributions

Prior to adoption of GASB Statement No. 25 and 26 in 1997, an ARC was not determined pursuant to the parameters of the statements. Therefore, history prior to 1997 has not been shown. The exhibit below shows the combined annual required contribution for fiscal years ending in 2004 and before.

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Annual Required Contribution (ARC)</th>
<th>Percentage of ARC Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 1998</td>
<td>$2,204,026</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2000</td>
<td>$1,510,516</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2002</td>
<td>$1,005,968</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2004</td>
<td>$1,786,835</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

The following shows pension disclosure under GASB No. 25 for fiscal year ending 2006 and later.

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Annual Required Contribution (ARC)</th>
<th>Percentage of ARC Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006</td>
<td>$2,133,876</td>
<td>115.6%</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>$3,168,943</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$3,898,001</td>
<td>1,045.0%</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$4,937,406</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$5,236,646</td>
<td>69.8%</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$3,895,881</td>
<td>98.5%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$5,051,754</td>
<td>107.3%</td>
</tr>
</tbody>
</table>

The following shows healthcare disclosure without regard to Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2006 and later.

<table>
<thead>
<tr>
<th>Fiscal Year Ending</th>
<th>Annual Required Contribution (ARC)</th>
<th>Percentage of ARC Contributed</th>
</tr>
</thead>
<tbody>
<tr>
<td>June 30, 2006</td>
<td>$262,631</td>
<td>115.6%</td>
</tr>
<tr>
<td>June 30, 2007</td>
<td>$486,800</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2008</td>
<td>$567,415</td>
<td>2,489.4%</td>
</tr>
<tr>
<td>June 30, 2009</td>
<td>$1,411,259</td>
<td>100.0%</td>
</tr>
<tr>
<td>June 30, 2010</td>
<td>$1,432,721</td>
<td>60.9%</td>
</tr>
<tr>
<td>June 30, 2011</td>
<td>$722,960</td>
<td>80.1%</td>
</tr>
<tr>
<td>June 30, 2012</td>
<td>$712,911</td>
<td>97.8%</td>
</tr>
</tbody>
</table>
### Notes to Trend Data

**Actuarial Assumptions, Methods and Additional Information Under GASB**

<table>
<thead>
<tr>
<th>Valuation Date</th>
<th>June 30, 2012</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial Cost Method</td>
<td>Entry Age Normal</td>
</tr>
<tr>
<td></td>
<td>Level Percentage of Pay Normal Cost Basis for Pension</td>
</tr>
<tr>
<td></td>
<td>Level Dollar Normal Cost Basis for Healthcare</td>
</tr>
<tr>
<td>Amortization Method</td>
<td>Level dollar, closed</td>
</tr>
<tr>
<td>Equivalent Single Amortization Period</td>
<td>20 years</td>
</tr>
<tr>
<td>Asset Valuation Method</td>
<td>5-year smoothed market, constrained to 80% / 120% of fair value corridor</td>
</tr>
</tbody>
</table>

**Actuarial Assumptions:**

- Investment rate of return*: 8.00%
- Projected salary increases: 4.12%

*Includes price inflation at 3.12%.

Cost-of-living adjustment: 4.12%

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The State of Alaska Judicial Retirement System’s retiree health care benefits are being fully funded. Therefore, the 8.00% discount rate used for GASB 25 reporting is also applied herein for GASB 43 reporting.

Based on GASB accounting rules, the retiree drug subsidy the State of Alaska receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2015 employer ARC for accounting purposes is 3.76% of pay for healthcare benefits and 80.23% of pay for healthcare and pension benefits combined.

---

*Retirement benefits are recalculated when the salary for the office held by the member at the time of retirement changes.*
Section 4

Member Data
### Section 4.1

#### Summary of Members Included

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Active Members</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number</td>
<td>62</td>
<td>66</td>
<td>73</td>
<td>72</td>
<td>69</td>
</tr>
<tr>
<td>2. Average Age</td>
<td>54.19</td>
<td>54.70</td>
<td>55.64</td>
<td>56.58</td>
<td>57.83</td>
</tr>
<tr>
<td>4. Average Entry Age</td>
<td>43.51</td>
<td>44.25</td>
<td>45.44</td>
<td>47.38</td>
<td>48.79</td>
</tr>
<tr>
<td>5. Average Annual Base Pay</td>
<td>$105,316</td>
<td>$146,458</td>
<td>$159,617</td>
<td>$167,813</td>
<td>$174,477</td>
</tr>
<tr>
<td>6. Number Vested</td>
<td>44</td>
<td>41</td>
<td>46</td>
<td>45</td>
<td>43</td>
</tr>
<tr>
<td><strong>Vested Terminated Members</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number</td>
<td>11</td>
<td>7</td>
<td>5</td>
<td>4</td>
<td>5</td>
</tr>
<tr>
<td>2. Average Age</td>
<td>54.94</td>
<td>55.88</td>
<td>54.81</td>
<td>57.53</td>
<td>52.28</td>
</tr>
<tr>
<td>3. Average Service</td>
<td>10.08</td>
<td>12.22</td>
<td>7.67</td>
<td>10.99</td>
<td>7.95</td>
</tr>
<tr>
<td>4. Average Monthly Benefit</td>
<td>$3,911</td>
<td>$6,653</td>
<td>$4,743</td>
<td>$6,823</td>
<td>$5,937</td>
</tr>
<tr>
<td><strong>Non-Vested Terminated Members</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>2. Average Age</td>
<td>0</td>
<td>0</td>
<td>56.95</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>3. Average Service</td>
<td>0</td>
<td>0</td>
<td>1.5</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>4. Average Account Balance</td>
<td>$0</td>
<td>$0</td>
<td>$12,191</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Benefit Recipients</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Number</td>
<td>75</td>
<td>86</td>
<td>90</td>
<td>99</td>
<td>108</td>
</tr>
<tr>
<td>2. Average Age</td>
<td>70.35</td>
<td>70.16</td>
<td>70.92</td>
<td>71.42</td>
<td>70.95</td>
</tr>
<tr>
<td>3. Average Monthly Benefit</td>
<td>$4,255</td>
<td>$6,029</td>
<td>$6,765</td>
<td>$7,484</td>
<td>$7,774</td>
</tr>
</tbody>
</table>
### Age and Service Distribution of Active Members

#### Annual Earnings By Age

<table>
<thead>
<tr>
<th>Age Groups</th>
<th>Number</th>
<th>Total Earnings</th>
<th>Average Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>20-24</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>25-29</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>30-34</td>
<td>0</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td>35-39</td>
<td>1</td>
<td>150,828</td>
<td>150,828</td>
</tr>
<tr>
<td>40-44</td>
<td>2</td>
<td>328,716</td>
<td>164,358</td>
</tr>
<tr>
<td>45-49</td>
<td>7</td>
<td>1,109,916</td>
<td>158,559</td>
</tr>
<tr>
<td>50-54</td>
<td>8</td>
<td>1,341,924</td>
<td>167,741</td>
</tr>
<tr>
<td>55-59</td>
<td>25</td>
<td>4,344,732</td>
<td>173,789</td>
</tr>
<tr>
<td>60-64</td>
<td>20</td>
<td>3,444,808</td>
<td>172,040</td>
</tr>
<tr>
<td>65-69</td>
<td>6</td>
<td>1,086,240</td>
<td>181,040</td>
</tr>
<tr>
<td>70-74</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>75-79</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>80 +</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>$11,803,164</td>
<td>$171,060</td>
</tr>
</tbody>
</table>

#### Annual Earnings By Service

<table>
<thead>
<tr>
<th>Years of Service</th>
<th>Number</th>
<th>Total Earnings</th>
<th>Average Earnings</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-4</td>
<td>5</td>
<td>$835,320</td>
<td>$167,064</td>
</tr>
<tr>
<td>5-9</td>
<td>26</td>
<td>$4,218,144</td>
<td>$174,885</td>
</tr>
<tr>
<td>10-14</td>
<td>5</td>
<td>866,244</td>
<td>173,249</td>
</tr>
<tr>
<td>15-19</td>
<td>5</td>
<td>862,380</td>
<td>172,476</td>
</tr>
<tr>
<td>20-24</td>
<td>3</td>
<td>524,952</td>
<td>174,984</td>
</tr>
<tr>
<td>25-29</td>
<td>4</td>
<td>699,540</td>
<td>174,885</td>
</tr>
<tr>
<td>30-34</td>
<td>1</td>
<td>181,752</td>
<td>181,752</td>
</tr>
<tr>
<td>35-39</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>40+</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>69</td>
<td>$11,803,164</td>
<td>$171,060</td>
</tr>
</tbody>
</table>

#### Years of Service by Age

<table>
<thead>
<tr>
<th>Age</th>
<th>0-4</th>
<th>5-9</th>
<th>10-14</th>
<th>15-19</th>
<th>20-24</th>
<th>25-29</th>
<th>30-34</th>
<th>35-39</th>
<th>40+</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-19</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>20-24</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>25-29</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>30-34</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>35-39</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>40-44</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>2</td>
</tr>
<tr>
<td>45-49</td>
<td>2</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>7</td>
</tr>
<tr>
<td>50-54</td>
<td>3</td>
<td>3</td>
<td>1</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>8</td>
</tr>
<tr>
<td>55-59</td>
<td>10</td>
<td>10</td>
<td>2</td>
<td>3</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>25</td>
</tr>
<tr>
<td>60-64</td>
<td>9</td>
<td>5</td>
<td>1</td>
<td>0</td>
<td>3</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>65-69</td>
<td>0</td>
<td>2</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>0</td>
<td>2</td>
<td>1</td>
<td>0</td>
<td>6</td>
</tr>
<tr>
<td>70-74</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>75+</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>26</td>
<td>25</td>
<td>5</td>
<td>5</td>
<td>3</td>
<td>4</td>
<td>1</td>
<td>0</td>
<td>0</td>
<td>69</td>
</tr>
</tbody>
</table>

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.
## Member Data Reconciliation

<table>
<thead>
<tr>
<th></th>
<th>Active Members</th>
<th>Vested Members</th>
<th>Nonvested Members</th>
<th>Benefit Recipients</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total at June 30, 2010</td>
<td>72</td>
<td>4</td>
<td>0</td>
<td>99</td>
<td>175</td>
</tr>
<tr>
<td>New Entrants</td>
<td>10</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>10</td>
</tr>
<tr>
<td>Rehires</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Nonvested Terminations</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Refund of Contributions</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Vested Terminations</td>
<td>(4)</td>
<td>4</td>
<td>0</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Retirements</td>
<td>(8)</td>
<td>(3)</td>
<td>0</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td>New Survivors</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>New QDROs</td>
<td>0</td>
<td>0</td>
<td>0</td>
<td>1</td>
<td>1</td>
</tr>
<tr>
<td>Deaths</td>
<td>(1)</td>
<td>0</td>
<td>0</td>
<td>(7)</td>
<td>(8)</td>
</tr>
<tr>
<td>Total at June 30, 2012</td>
<td>69</td>
<td>5</td>
<td>0</td>
<td>108</td>
<td>182</td>
</tr>
</tbody>
</table>
Section 5

Basis of the Actuarial Valuation
Section 5.1

Summary of Plan Provisions
and Changes in Plan Provisions

(1) Effective Date


(2) Administration of Plan

The Commissioner of Administration is responsible for administering the Judicial Retirement System (JRS). The Alaska Retirement Management Board is responsible for managing and investing the fund (Ch 5, SLA 2005).

(3) Members Included

JRS membership is mandatory for all Supreme Court justices and Superior, District and Appellate Court judges. The administrative director of the Court System may elect to participate in either the JRS or the Public Employees’ Retirement System (PERS).

(4) Credited Service

Members receive credit for each day of JRS employment. Earlier service as a magistrate or deputy magistrate before July 1, 1967 is covered under the JRS. JRS members become vested in the plan after reaching 5 years of credited service.

(5) Member Contributions

Members hired after July 1, 1978, are required to contribute 7% of their base annual salaries. Contributions are required for a maximum of 15 years. Members hired before July 1, 1978 are not required to contribute.

Interest Credited: 4.5% compounded semiannually on June 30 and December 31.

Refund of Contributions: Nonvested members may receive a refund of their contributions and interest earned if they terminate employment. Refunded contributions, plus 7% indebtedness interest, must be repaid before appointment to retirement.

JRS contributions for terminated members may be attached to satisfy claims under Alaska Statute 09.38.065 or federal tax levies. Contributions that are attached to satisfy claims or tax levies may be reinstated at any time. The member is not required to return to JRS employment.
(6) Retirement Eligibility and Benefits

Normal Retirement: Members are eligible for normal retirement at age 60 if they have at least five years of JRS service. Terminated, vested members may defer retirement and begin receiving normal retirement benefits when they reach age 60. Vesting is completion of at least five years of JRS service.

Early Retirement: Members are eligible for early retirement at any age if they have at least 20 years of service. Terminated, vested members may defer retirement and begin receiving early retirement benefits when they reach age 55. Under early retirement, members receive reduced benefits equal to the actuarial equivalent of their normal retirement benefits. Early benefits are based on the member’s service and early retirement date.

Type of Benefit: Lifetime monthly benefits are paid to the member. Upon the member’s death, a survivor’s benefit (below) may be payable if the member has an eligible spouse or dependent children.

Computation of Normal Retirement Benefit: 5% of authorized monthly base salary for each year of JRS service up to a maximum of 15 years. JRS retirement benefit payments are recalculated when the salary for the office held by the member at the time of retirement changes. The maximum JRS benefit payable to a member is 75% of the authorized salary.

(7) Survivor’s Benefits

Survivor’s benefits are payable to the spouse of a member if they have been married for at least one year immediately preceding the member’s death and the member has at least two years of JRS service. The monthly survivor’s benefit is equal to the greater of:

(a) one-half of the monthly benefit that the member would have received if retired at the time of death; or
(b) 30% of the authorized monthly base salary if the member was not eligible to retire, or was entitled to less than 60% of the authorized monthly base salary.

If there is no eligible surviving spouse, the member’s dependent children receive, in equal shares, 50% of the benefit under (a) or (b) until age 19 or 23 and attending an accredited educational or technical institution on a full-time basis.

When there is both an eligible surviving spouse and dependent children residing in separate households, the spouse and children share equally the benefit under (a) or (b) while the children are under 19 or 23 and attending an accredited educational or technical institution on a full-time basis.

When there is no surviving spouse or dependent children, the members’ contribution account balance, including interest earned, will be paid to the designated beneficiary.
Section 5.1 (cont’d)

Summary of Plan Provisions
and Changes in Plan Provisions

(8) Disability Benefits

Members are eligible to receive monthly disability benefits at any age if they become incapacitated and they have at least two years of JRS service. Disability benefits are calculated the same as normal retirement benefits.

(9) Medical Benefits

Medical benefits are provided at no cost to JRS members, their spouses and dependents while monthly retirement, disability and survivor benefits are being paid.

Changes Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.
Descriptions of Actuarial Methods and Valuation Procedures

Actuarial Method – Entry Age Actuarial Cost.

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years.

Projected pension and preretirement spouse's death benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits), from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

No termination or retirement benefits were projected to be greater than the dollar limitation required by the Internal Revenue Code Section 415 for governmental plans. Annual increases in salary were limited to the dollar amount defined under the Internal Revenue Code Section 401(a)(17) for affected members.

Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Assets are initialized at market value as of June 30, 2006. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.
Description of Actuarial Methods and Valuation Procedures

Valuation of Medical and Prescription Drug Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Judges’ Retirement System postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2012 to June 30, 2013.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

We analyzed HealthSmart and Premera management level reporting for fiscal 2009 through April 2012, as well as HealthSmart and Premera claim level data for the same period and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.

2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan members, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting was used to augment cost data by Medicare status.

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these “no-Part A” individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim experience is not available separately for members with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active members projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

Based on census data received from HealthSmart, 0.5% of the current retiree population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire and/or rehire, date of birth, tier, etc.

All claims cost rates developed from management level reporting have been compared to similar rates developed from claim level data.
4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We utilized incurred claim data projected from each historical data period to the valuation year using a weighted average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. We used estimated June 2012 reserve data to complete fiscal year 2012 claim costs.

5. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts have been included in the valuation results.

- Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We reviewed the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

- The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosures, Buck estimated the year in which the tax would potentially affect Alaska to be 2047, and with a minimal impact. Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.
Description of Actuarial Methods  
and Valuation Procedures

June 30, 2012 Valuation – FY 2013 Claims Cost Rates

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Medical Pre-Medicare</th>
<th>Medical Medicare A&amp;B Only</th>
<th>Medicare B Only</th>
<th>Prescription Drugs Pre-Medicare</th>
<th>Medicare A&amp;B Only</th>
<th>Medicare B Only</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fiscal 2009 Incurred Claims</strong></td>
<td>$207,452,753</td>
<td>$43,988,895</td>
<td>$4,422,726</td>
<td>$65,158,106</td>
<td>$64,232,955</td>
<td>$1,507,666</td>
<td>$386,763,101</td>
</tr>
<tr>
<td>Membership</td>
<td>32,943</td>
<td>24,624</td>
<td>539</td>
<td>32,943</td>
<td>24,624</td>
<td>539</td>
<td>58,106</td>
</tr>
<tr>
<td>Paid Claims Cost Rate</td>
<td>$6,297</td>
<td>$1,786</td>
<td>$8,204</td>
<td>$1,978</td>
<td>$2,609</td>
<td>$2,797</td>
<td>$6,656</td>
</tr>
<tr>
<td>Trend to FY2013</td>
<td>1.317</td>
<td>1.317</td>
<td>1.317</td>
<td>1.235</td>
<td>1.235</td>
<td>1.235</td>
<td>6,656</td>
</tr>
<tr>
<td>FY 2013 Paid Cost Rate</td>
<td>$8,295</td>
<td>$2,353</td>
<td>$10,806</td>
<td>$2,442</td>
<td>$3,221</td>
<td>$3,453</td>
<td>8,581</td>
</tr>
<tr>
<td>Paid to Incurred Factor</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>FY 2013 Incurred Cost Rate</strong></td>
<td>$8,295</td>
<td>$2,353</td>
<td>$10,806</td>
<td>$2,442</td>
<td>$3,221</td>
<td>$3,453</td>
<td>8,581</td>
</tr>
<tr>
<td><strong>Fiscal 2010 Incurred Claims</strong></td>
<td>$233,601,103</td>
<td>$60,082,942</td>
<td>$1,421,948</td>
<td>$59,287,225</td>
<td>$69,463,204</td>
<td>$394,011</td>
<td>$424,250,433</td>
</tr>
<tr>
<td>Membership</td>
<td>32,026</td>
<td>27,915</td>
<td>156</td>
<td>32,026</td>
<td>27,915</td>
<td>156</td>
<td>60,097</td>
</tr>
<tr>
<td>Paid Claims Cost Rate</td>
<td>$7,294</td>
<td>$2,152</td>
<td>$9,115</td>
<td>$1,851</td>
<td>$2,488</td>
<td>$2,526</td>
<td>7,059</td>
</tr>
<tr>
<td>Trend to FY2013</td>
<td>1.220</td>
<td>1.220</td>
<td>1.220</td>
<td>1.143</td>
<td>1.143</td>
<td>1.143</td>
<td>6,656</td>
</tr>
<tr>
<td>FY 2013 Paid Cost Rate</td>
<td>$8,896</td>
<td>$2,625</td>
<td>$11,117</td>
<td>$2,116</td>
<td>$2,845</td>
<td>$2,887</td>
<td>8,446</td>
</tr>
<tr>
<td>Paid to Incurred Factor</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>FY 2013 Incurred Cost Rate</strong></td>
<td>$8,896</td>
<td>$2,625</td>
<td>$11,117</td>
<td>$2,117</td>
<td>$2,845</td>
<td>$2,888</td>
<td>8,446</td>
</tr>
<tr>
<td><strong>Fiscal 2011 Incurred Claims</strong></td>
<td>$232,542,851</td>
<td>$55,569,969</td>
<td>$848,494</td>
<td>$48,384,466</td>
<td>$85,599,757</td>
<td>$393,794</td>
<td>$423,339,331</td>
</tr>
<tr>
<td>Membership</td>
<td>31,362</td>
<td>29,997</td>
<td>138</td>
<td>31,362</td>
<td>29,997</td>
<td>138</td>
<td>61,497</td>
</tr>
<tr>
<td>Paid Claims Cost Rate</td>
<td>$7,415</td>
<td>$1,852</td>
<td>$6,149</td>
<td>$1,543</td>
<td>$2,854</td>
<td>$2,854</td>
<td>6,684</td>
</tr>
<tr>
<td>Trend to FY2013</td>
<td>1.079</td>
<td>1.079</td>
<td>1.079</td>
<td>1.043</td>
<td>1.043</td>
<td>1.043</td>
<td>6,684</td>
</tr>
<tr>
<td>FY 2013 Paid Cost Rate</td>
<td>$8,001</td>
<td>$1,999</td>
<td>$6,634</td>
<td>$1,609</td>
<td>$2,977</td>
<td>$2,977</td>
<td>7,349</td>
</tr>
<tr>
<td>Paid to Incurred Factor</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td><strong>FY 2013 Incurred Cost Rate</strong></td>
<td>$8,001</td>
<td>$1,999</td>
<td>$6,634</td>
<td>$1,610</td>
<td>$2,977</td>
<td>$2,977</td>
<td>7,350</td>
</tr>
</tbody>
</table>
### Section 5.2 (cont’d)

#### Description of Actuarial Methods and Valuation Procedures

**June 30, 2012 Valuation – FY 2013 Claims Cost Rates**

<table>
<thead>
<tr>
<th></th>
<th>Medical</th>
<th>Prescription Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Pre-Medicare</td>
<td>Medicare A&amp;B Only</td>
</tr>
<tr>
<td>Fiscal 2012 Incurred Claims</td>
<td>$240,584,988</td>
<td>$73,566,159</td>
</tr>
<tr>
<td>Membership</td>
<td>29,438</td>
<td>33,560</td>
</tr>
<tr>
<td>Paid Claims Cost Rate</td>
<td>$8,173</td>
<td>$2,192</td>
</tr>
<tr>
<td>Trend to FY2013</td>
<td>1.004</td>
<td>1.004</td>
</tr>
<tr>
<td>FY 2013 Paid Cost Rate</td>
<td>$8,209</td>
<td>$2,202</td>
</tr>
<tr>
<td>Paid to Incurred Factor</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>FY 2013 Incurred Cost Rate</td>
<td>$8,209</td>
<td>$2,202</td>
</tr>
</tbody>
</table>

Weighted Average 7/1/2012-6/30/2013 Incurred Claims Cost Rates:

**At average age**

- $8,298  
- $2,228  
- $8,511  
- $1,874  
- $2,974  
- $3,020  

**At age 65**

- $9,856  
- $1,628  
- $6,219  
- $2,736  
- $2,736  
- $2,736  
- $8,214
Description of Actuarial Methods and Valuation Procedures

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

<table>
<thead>
<tr>
<th>Age</th>
<th>Medical and Medicare Parts A &amp; B</th>
<th>Medical and Medicare Part B Only</th>
<th>Prescription Drug</th>
<th>Medicare Retiree Drug Subsidy</th>
</tr>
</thead>
<tbody>
<tr>
<td>45</td>
<td>$ 5,458</td>
<td>$ 5,458</td>
<td>$ 1,443</td>
<td>$ 0</td>
</tr>
<tr>
<td>50</td>
<td>6,176</td>
<td>6,176</td>
<td>1,714</td>
<td>0</td>
</tr>
<tr>
<td>55</td>
<td>6,987</td>
<td>6,987</td>
<td>2,036</td>
<td>0</td>
</tr>
<tr>
<td>60</td>
<td>8,298</td>
<td>8,298</td>
<td>2,360</td>
<td>0</td>
</tr>
<tr>
<td>65</td>
<td>1,628</td>
<td>6,219</td>
<td>2,736</td>
<td>535</td>
</tr>
<tr>
<td>70</td>
<td>1,981</td>
<td>7,566</td>
<td>2,947</td>
<td>576</td>
</tr>
<tr>
<td>75</td>
<td>2,352</td>
<td>8,984</td>
<td>3,144</td>
<td>615</td>
</tr>
<tr>
<td>80</td>
<td>2,534</td>
<td>9,679</td>
<td>3,223</td>
<td>630</td>
</tr>
</tbody>
</table>

Changes in Methods Since the Prior Valuation

There were no changes in valuation methods except for the changes described in the healthcare sections above.
The demographic and economic assumptions used in the June 30, 2012 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the results of an experience study performed as of June 30, 2009.

### Summary of Actuarial Assumptions and Changes in Assumptions

**Investment Return**
8.00% per year, compound annually, net of expenses for all funding calculations and pension disclosure; 8.00% for healthcare liabilities under GASB 43.

**Pre-termination Mortality***
45% of the male rates and 55% of the female rates of the 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA. (See Table 1.)

**Post-termination Mortality***
1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA. Setback 1 year for females and 3 years for males. (See Table 2.)

**Salary Scale**
4.12% per year, compounded annually.

**Total Payroll Growth**
3.62% per year.

**Total Inflation**
Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.

**Cost-of-Living Adjustment**
4.12% per year. Retirement benefits are recalculated when the salary for the office held by the member at the time of retirement changes.

**Per Capita Claims Cost**
Sample claims cost rates adjusted to age 65 for FY13 medical and prescription are shown below:

<table>
<thead>
<tr>
<th></th>
<th>Medical</th>
<th>Prescription</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Medicare</td>
<td>$9,856</td>
<td>$2,736</td>
</tr>
<tr>
<td>Medicare Parts A &amp; B</td>
<td>$1,628</td>
<td>$2,736</td>
</tr>
<tr>
<td>Medicare Part B Only</td>
<td>$6,219</td>
<td>$2,736</td>
</tr>
<tr>
<td>Medicare Part D</td>
<td>N/A</td>
<td>$535</td>
</tr>
</tbody>
</table>

**Medicare Part B Only**
For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire.

---

*The mortality assumption includes an allowance for future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 143%.*
Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 9.0% is applied to the FY13 pre-Medicare medical claims costs to get the FY14 medical claims costs.

<table>
<thead>
<tr>
<th></th>
<th>Medical Pre-65</th>
<th>Medical Post-65</th>
<th>Prescription Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY13</td>
<td>9.0%</td>
<td>6.5%</td>
<td>6.4%</td>
</tr>
<tr>
<td>FY14</td>
<td>8.7%</td>
<td>6.4%</td>
<td>6.3%</td>
</tr>
<tr>
<td>FY15</td>
<td>8.5%</td>
<td>6.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>FY16</td>
<td>8.0%</td>
<td>6.3%</td>
<td>6.2%</td>
</tr>
<tr>
<td>FY17</td>
<td>7.5%</td>
<td>6.2%</td>
<td>6.1%</td>
</tr>
<tr>
<td>FY18</td>
<td>7.0%</td>
<td>6.1%</td>
<td>6.0%</td>
</tr>
<tr>
<td>FY19</td>
<td>6.6%</td>
<td>6.1%</td>
<td>5.8%</td>
</tr>
<tr>
<td>FY25</td>
<td>6.0%</td>
<td>6.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>FY50</td>
<td>5.0%</td>
<td>5.0%</td>
<td>5.0%</td>
</tr>
<tr>
<td>FY100</td>
<td>4.5%</td>
<td>4.5%</td>
<td>4.5%</td>
</tr>
</tbody>
</table>

For the June 30, 2012 valuation and later, the updated Society of Actuaries’ Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2012 and projects out to 2100. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska. The model asks the user to input estimated baseline costs for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of an SOA working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for years 2011-2015 (4% to 6%), but users may input their own estimates for these model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying a limit year after which the rate of growth in
Health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume). While this model is not directly applicable, it was used for a reference point in the ultimate pharmacy trend. We set pharmacy trend based upon recent plan and industry experience and grade down slowly in the select period (similar to post-65 medical trend) to an ultimate trend rate based upon what we are seeing for medical trend and consistent within the industry.

The following table compares plan-specific inputs and the model’s baseline assumptions for key assumptions as of June 30, 2012:

<table>
<thead>
<tr>
<th>Key Assumption</th>
<th>Base Line Value</th>
<th>Pre-Medicare Medical</th>
<th>Medicare Medical</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCCTR 2012-2013</td>
<td>4.6%</td>
<td>9.0%</td>
<td>6.1%</td>
</tr>
<tr>
<td>HCCTR 2013-2014</td>
<td>7.4%</td>
<td>8.0%</td>
<td>5.8%</td>
</tr>
<tr>
<td>HCCTR 2014-2015</td>
<td>5.0%</td>
<td>7.0%</td>
<td>5.5%</td>
</tr>
<tr>
<td>2015 GDP % of healthcare</td>
<td>18.3%</td>
<td>17.9%</td>
<td>17.9%</td>
</tr>
<tr>
<td>2015 PCCC</td>
<td>$10,000</td>
<td>$10,295</td>
<td>$2,596</td>
</tr>
<tr>
<td>CPI</td>
<td>2.5%</td>
<td>2.5%</td>
<td>2.5%</td>
</tr>
<tr>
<td>Real GDP</td>
<td>1.7%</td>
<td>1.5%</td>
<td>1.5%</td>
</tr>
<tr>
<td>Income Multiplier</td>
<td>1.40</td>
<td>1.30</td>
<td>1.30</td>
</tr>
<tr>
<td>Taste/Technology</td>
<td>1.1%</td>
<td>1.1%</td>
<td>1.1%</td>
</tr>
<tr>
<td>Max GDP as % of healthcare</td>
<td>25.0%</td>
<td>25.0%</td>
<td>25.0%</td>
</tr>
<tr>
<td>Year reached</td>
<td>2075</td>
<td>2075</td>
<td>2075</td>
</tr>
</tbody>
</table>

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.
### Section 5.3 (cont’d)

**Summary of Actuarial Assumptions and Changes in Assumptions**

<table>
<thead>
<tr>
<th>Aging Factors</th>
<th>Age</th>
<th>Medical</th>
<th>Prescription Drugs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>0-44</td>
<td>2.0%</td>
<td>4.5%</td>
</tr>
<tr>
<td></td>
<td>45-54</td>
<td>2.5%</td>
<td>3.5%</td>
</tr>
<tr>
<td></td>
<td>55-64</td>
<td>3.5%</td>
<td>3.0%</td>
</tr>
<tr>
<td></td>
<td>65-73</td>
<td>4.0%</td>
<td>1.5%</td>
</tr>
<tr>
<td></td>
<td>74-83</td>
<td>1.5%</td>
<td>0.5%</td>
</tr>
<tr>
<td></td>
<td>84-93</td>
<td>0.5%</td>
<td>0.0%</td>
</tr>
<tr>
<td></td>
<td>94+</td>
<td>0.0%</td>
<td>0.0%</td>
</tr>
</tbody>
</table>

**Medical Participation**

Because medical benefits are provided at no cost to the retiree, we have assumed 100% participation in the medical plans.

**Turnover**

a. 3% if service is less than 10 years.
b. 1% if service is greater than 10 years.

**Retirement**

a. 3% if vested and age is less than 59.
b. 10% if vested and age is greater than 59.
c. 100% at age 70.

Terminated vested members are expected to commence benefits at age 60.

**Disability**

In accordance with Table 3. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table.
### Summary of Actuarial Assumptions and Changes in Assumptions

#### Table 1
Pre-Termination Mortality Rates
Annual Rates Per 1,000 Members

<table>
<thead>
<tr>
<th>Age</th>
<th>Male</th>
<th>Female</th>
<th>Age</th>
<th>Male</th>
<th>Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>.170</td>
<td>.123</td>
<td>45</td>
<td>.596</td>
<td>.423</td>
</tr>
<tr>
<td>21</td>
<td>.182</td>
<td>.122</td>
<td>46</td>
<td>.638</td>
<td>.441</td>
</tr>
<tr>
<td>22</td>
<td>.194</td>
<td>.123</td>
<td>47</td>
<td>.690</td>
<td>.466</td>
</tr>
<tr>
<td>23</td>
<td>.214</td>
<td>.127</td>
<td>48</td>
<td>.749</td>
<td>.505</td>
</tr>
<tr>
<td>24</td>
<td>.235</td>
<td>.129</td>
<td>49</td>
<td>.813</td>
<td>.548</td>
</tr>
<tr>
<td>25</td>
<td>.264</td>
<td>.132</td>
<td>50</td>
<td>.884</td>
<td>.610</td>
</tr>
<tr>
<td>26</td>
<td>.301</td>
<td>.138</td>
<td>51</td>
<td>.965</td>
<td>.683</td>
</tr>
<tr>
<td>27</td>
<td>.320</td>
<td>.142</td>
<td>52</td>
<td>1.059</td>
<td>.784</td>
</tr>
<tr>
<td>28</td>
<td>.332</td>
<td>.148</td>
<td>53</td>
<td>1.181</td>
<td>.897</td>
</tr>
<tr>
<td>29</td>
<td>.343</td>
<td>.156</td>
<td>54</td>
<td>1.311</td>
<td>1.018</td>
</tr>
<tr>
<td>30</td>
<td>.353</td>
<td>.171</td>
<td>55</td>
<td>1.487</td>
<td>1.164</td>
</tr>
<tr>
<td>31</td>
<td>.361</td>
<td>.189</td>
<td>56</td>
<td>1.696</td>
<td>1.352</td>
</tr>
<tr>
<td>32</td>
<td>.369</td>
<td>.202</td>
<td>57</td>
<td>1.950</td>
<td>1.570</td>
</tr>
<tr>
<td>33</td>
<td>.373</td>
<td>.210</td>
<td>58</td>
<td>2.244</td>
<td>1.806</td>
</tr>
<tr>
<td>34</td>
<td>.374</td>
<td>.219</td>
<td>59</td>
<td>2.525</td>
<td>2.077</td>
</tr>
<tr>
<td>35</td>
<td>.374</td>
<td>.229</td>
<td>60</td>
<td>2.841</td>
<td>2.387</td>
</tr>
<tr>
<td>36</td>
<td>.379</td>
<td>.240</td>
<td>61</td>
<td>3.263</td>
<td>2.738</td>
</tr>
<tr>
<td>37</td>
<td>.392</td>
<td>.254</td>
<td>62</td>
<td>3.684</td>
<td>3.136</td>
</tr>
<tr>
<td>38</td>
<td>.405</td>
<td>.271</td>
<td>63</td>
<td>4.246</td>
<td>3.590</td>
</tr>
<tr>
<td>39</td>
<td>.423</td>
<td>.289</td>
<td>64</td>
<td>4.790</td>
<td>4.097</td>
</tr>
<tr>
<td>40</td>
<td>.445</td>
<td>.315</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>.471</td>
<td>.341</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>.500</td>
<td>.366</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>.530</td>
<td>.389</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>.561</td>
<td>.409</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
### Section 5.3 (cont’d)

**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 2**

*Post-Termination Mortality Rates Annual Rates Per 1,000 Members*

<table>
<thead>
<tr>
<th>Age</th>
<th>Rate Male</th>
<th>Rate Female</th>
<th>Age</th>
<th>Rate Male</th>
<th>Rate Female</th>
</tr>
</thead>
<tbody>
<tr>
<td>50</td>
<td>1.532</td>
<td>0.997</td>
<td>70</td>
<td>15.123</td>
<td>12.424</td>
</tr>
<tr>
<td>51</td>
<td>1.663</td>
<td>1.109</td>
<td>71</td>
<td>16.336</td>
<td>13.422</td>
</tr>
<tr>
<td>52</td>
<td>1.806</td>
<td>1.241</td>
<td>72</td>
<td>17.873</td>
<td>14.342</td>
</tr>
<tr>
<td>53</td>
<td>1.964</td>
<td>1.426</td>
<td>73</td>
<td>19.147</td>
<td>15.830</td>
</tr>
<tr>
<td>54</td>
<td>2.145</td>
<td>1.631</td>
<td>74</td>
<td>20.940</td>
<td>17.260</td>
</tr>
<tr>
<td>55</td>
<td>2.354</td>
<td>1.851</td>
<td>75</td>
<td>22.981</td>
<td>19.177</td>
</tr>
<tr>
<td>56</td>
<td>2.625</td>
<td>2.117</td>
<td>76</td>
<td>25.175</td>
<td>20.940</td>
</tr>
<tr>
<td>57</td>
<td>2.914</td>
<td>2.457</td>
<td>77</td>
<td>27.475</td>
<td>23.377</td>
</tr>
<tr>
<td>58</td>
<td>3.305</td>
<td>2.854</td>
<td>78</td>
<td>30.609</td>
<td>26.690</td>
</tr>
<tr>
<td>59</td>
<td>3.769</td>
<td>3.284</td>
<td>79</td>
<td>33.609</td>
<td>29.853</td>
</tr>
<tr>
<td>60</td>
<td>4.333</td>
<td>3.777</td>
<td>80</td>
<td>37.879</td>
<td>33.273</td>
</tr>
<tr>
<td>61</td>
<td>4.986</td>
<td>4.339</td>
<td>81</td>
<td>42.924</td>
<td>37.068</td>
</tr>
<tr>
<td>62</td>
<td>5.611</td>
<td>4.979</td>
<td>82</td>
<td>48.681</td>
<td>41.355</td>
</tr>
<tr>
<td>63</td>
<td>6.312</td>
<td>5.701</td>
<td>83</td>
<td>55.102</td>
<td>46.249</td>
</tr>
<tr>
<td>64</td>
<td>7.251</td>
<td>6.527</td>
<td>84</td>
<td>62.135</td>
<td>51.616</td>
</tr>
<tr>
<td>65</td>
<td>8.188</td>
<td>7.450</td>
<td>85</td>
<td>69.722</td>
<td>57.377</td>
</tr>
<tr>
<td>66</td>
<td>9.436</td>
<td>8.442</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>67</td>
<td>10.644</td>
<td>9.476</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>68</td>
<td>11.956</td>
<td>10.523</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>69</td>
<td>13.618</td>
<td>11.499</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Summary of Actuarial Assumptions and Changes in Assumptions

Table 3
Disability Rates
Annual Rates Per 1,000 Members

<table>
<thead>
<tr>
<th>Age</th>
<th>Rate</th>
<th>Age</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>20</td>
<td>.17</td>
<td>45</td>
<td>.41</td>
</tr>
<tr>
<td>21</td>
<td>.17</td>
<td>46</td>
<td>.44</td>
</tr>
<tr>
<td>22</td>
<td>.18</td>
<td>47</td>
<td>.48</td>
</tr>
<tr>
<td>23</td>
<td>.18</td>
<td>48</td>
<td>.52</td>
</tr>
<tr>
<td>24</td>
<td>.18</td>
<td>49</td>
<td>.56</td>
</tr>
<tr>
<td>25</td>
<td>.19</td>
<td>50</td>
<td>.60</td>
</tr>
<tr>
<td>26</td>
<td>.19</td>
<td>51</td>
<td>.65</td>
</tr>
<tr>
<td>27</td>
<td>.19</td>
<td>52</td>
<td>.72</td>
</tr>
<tr>
<td>28</td>
<td>.20</td>
<td>53</td>
<td>.80</td>
</tr>
<tr>
<td>29</td>
<td>.20</td>
<td>54</td>
<td>.89</td>
</tr>
<tr>
<td>30</td>
<td>.21</td>
<td>55</td>
<td>1.00</td>
</tr>
<tr>
<td>31</td>
<td>.21</td>
<td>56</td>
<td>1.15</td>
</tr>
<tr>
<td>32</td>
<td>.22</td>
<td>57</td>
<td>1.34</td>
</tr>
<tr>
<td>33</td>
<td>.22</td>
<td>58</td>
<td>1.53</td>
</tr>
<tr>
<td>34</td>
<td>.23</td>
<td>59</td>
<td>1.80</td>
</tr>
<tr>
<td>35</td>
<td>.24</td>
<td></td>
<td></td>
</tr>
<tr>
<td>36</td>
<td>.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>37</td>
<td>.26</td>
<td></td>
<td></td>
</tr>
<tr>
<td>38</td>
<td>.27</td>
<td></td>
<td></td>
</tr>
<tr>
<td>39</td>
<td>.28</td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td>.29</td>
<td></td>
<td></td>
</tr>
<tr>
<td>41</td>
<td>.30</td>
<td></td>
<td></td>
</tr>
<tr>
<td>42</td>
<td>.32</td>
<td></td>
<td></td>
</tr>
<tr>
<td>43</td>
<td>.34</td>
<td></td>
<td></td>
</tr>
<tr>
<td>44</td>
<td>.37</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Section 5.3 (cont’d)

Summary of Actuarial Assumptions
and Changes in Assumptions

Changes in Actuarial Assumptions since the Prior Valuation

There have been no changes in actuarial assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend.
<table>
<thead>
<tr>
<th><strong>Glossary of Terms</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Actuarial Accrued Liability</strong></td>
</tr>
<tr>
<td><strong>Actuarial Cost Method</strong></td>
</tr>
<tr>
<td><strong>Actuarial Present Value of Projected Benefits</strong></td>
</tr>
<tr>
<td><strong>Actuarial Valuation</strong></td>
</tr>
<tr>
<td><strong>Actuary</strong></td>
</tr>
<tr>
<td><strong>Annual Required Contribution</strong></td>
</tr>
<tr>
<td><strong>GASB 25 and 27</strong></td>
</tr>
<tr>
<td><strong>GASB 43 and 45</strong></td>
</tr>
<tr>
<td><strong>Liquidity Factor</strong></td>
</tr>
<tr>
<td><strong>Maturity Ratio</strong></td>
</tr>
<tr>
<td><strong>Normal Cost</strong></td>
</tr>
<tr>
<td><strong>Unfunded Actuarial Accrued Liability (UAAL)</strong></td>
</tr>
<tr>
<td><strong>Vested Benefits</strong></td>
</tr>
</tbody>
</table>