

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

BECKY HULTBERG, COMMISSIONER

SEAN PARNELL, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200

PHONE: (907) 465-2200
FAX: (907) 465-2135

To: Becky Hultberg
Commissioner
Department of Administration

Date: September 19, 2011

From:  Jim Puckett
Director
Division of Retirement and Benefits
Department of Administration

Phone: 465-4471

Subject: FY 2013 Contribution Rate for
the Judicial Retirement System

BACKGROUND

AS 22.25.046 (a) states, "The state court system shall contribute to the judicial retirement system at the rate established by the Commissioner of Administration. The contribution rate shall be based on the results of an actuarial valuation of the judicial retirement system. The results of the actuarial valuation shall be based on actuarial methods and assumptions adopted by the Commissioner of Administration."

DISCUSSION

At the request of the Division of Retirement & Benefits (Division), Buck Consultants, a Xerox Company, completed an actuarial valuation as of June 30, 2010, for the Judicial Retirement System (JRS). The DRAFT actuarial valuation report dated April 8, 2011 is attached for your review.

Traditionally, actuarial valuations for the JRS are completed every even fiscal year (e.g. 2008, 2010, and 2012) to calculate the actuarially required contribution rate for the fiscal year three years forward (in this case, Fiscal Year 2013). In the odd fiscal years (e.g. 2007, 2009, and 2011), an analysis is prepared using data from the previous year's actuarial valuation report, with financial data and assumptions rolled forward to calculate the actuarially required contribution rate.

As stated in the valuation report, the valuation is based on the provisions of the JRS as well as employee and financial data as of June 30, 2010. The valuation report reflects a funding ratio of 72.9%; down from the funding ratio reflected in the June 30, 2009, roll-forward valuation report of 81.2%.

When setting the budget for FY 2013 the Alaska Court System should request legislative authorization and appropriation to pay the employer normal cost rate of 40.3% for FY 2013, and the employer past service cost of 29.18% for FY 2013.

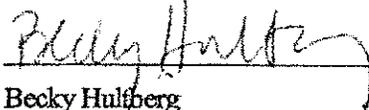
RECOMMENDATION

The attached JRS actuarial valuation report recommends an employer normal cost contribution rate of 40.3% for Fiscal Year 2013, an increase from the Fiscal Year 2012 employer normal cost contribution rate of 29.79%. The report recommends a past service cost employer contribution rate of 29.18%, an increase from the Fiscal Year 2012 past service cost employer contribution rate of 17.79%. The total employer contribution rate for Fiscal year 2013 is 69.48%, an increase from the Fiscal Year 2012 total employer contribution rate of 47.58%.

Please note below your approval or disapproval of the Fiscal Year 2013 Judicial Retirement System's total employer cost contribution rate of 69.48%:

Approve

Disapprove


Becky Hultberg
Commissioner

9.19.11
Date

June 6, 2011

VIA EMAIL

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

Re: Alaska PERS, TRS, and JRS – Allocation of the Additional State Contributions for FY13

Dear Jim:

As requested, we have calculated the allocation between the pension and healthcare funds of the Additional State Contributions for FY13 for the State of Alaska Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS) and Judicial Retirement System (JRS).

SUMMARY OF RESULTS

The enclosed exhibit summarizes the allocation of the State of Alaska employer relief funds to the pension and healthcare funds for PERS and TRS. Please note that all contribution rate determinations for PERS and TRS are based on total payroll (Defined Benefit (DB) and Defined Contribution Retirement (DCR) payrolls combined). We have also included the projected FY11 and FY13 annual salaries for PERS and TRS split by employer in the attached spreadsheet.

The allocation of the past service cost rate between pension and healthcare contributions for JRS is shown below:

JRS			
	FY13 Projected Pay	Past Service Cost Rate	FY13 Past Service Contribution Amount
Pension Plan	\$ 12,973,171	28.14%	\$ 3,650,650
Healthcare Plan	12,973,171	1.04%	134,921
Total	\$ 12,973,171	29.18%	\$ 3,785,571

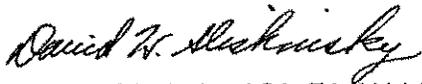
Mr. Jim Puckett
June 6, 2011
Page 2

DATA, ASSUMPTIONS, METHODS AND PROVISIONS

The data, assumptions, plan provisions and methods used for the DB and DCR plan costs are described in the draft June 30, 2010 valuation reports. For PERS and TRS, the allocation of the contribution between pension and healthcare is based on the past service portion of the contribution rate.

Please let us know if you have any questions or if we can be of further assistance.

Sincerely,



David H. Sliskinsky, ASA, EA, MAAA
Principal, Consulting Actuary

/mlp

Attachment

c: Mr. Michael Barnhill, State of Alaska
Ms. Teresa Kesey, State of Alaska
Mr. Chris Hulla, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

State of Alaska
Allocation of Projected FY13 Employer and State Assistance Contributions
Based on June 30, 2010 Valuation

	PERS	TRS
Projected FY13 DB Payroll *	\$1,453,264,000	\$531,139,000
Projected FY13 DCR Payroll *	<u>\$ 767,129,000</u>	<u>\$223,728,000</u>
Projected Total FY13 Payroll *	\$2,220,393,000	\$754,867,000

	Percent of Total Payroll	Dollar Amount	Percent of Total Payroll	Dollar Amount
<u>Employer Contributions</u>				
DB Plan	8.06%	\$178,963,676	4.44%	\$33,516,095
DB Healthcare Plan	10.93%	242,688,954	5.01%	37,818,837
DCR Plan	3.01% ***	66,833,829	3.11% ***	23,476,364
Total	<u>22.00%</u>	<u>\$488,486,459</u>	<u>12.56%</u>	<u>\$94,811,296</u>
<u>State Assistance Contributions to DB</u>				
DB Plan	7.39% **	\$164,087,043	26.09% **	\$196,944,800
DB Healthcare Plan	6.45% **	143,215,349	14.02% **	105,832,353
Total	<u>13.84%</u>	<u>\$307,302,392</u>	<u>40.11%</u>	<u>\$302,777,153</u>
<u>Total DB</u>				
DB Plan	15.45%	\$343,050,719	30.53%	\$230,460,895
DB Healthcare Plan	17.38%	385,904,303	19.03%	143,651,190
Total	<u>32.83% *</u>	<u>\$728,955,022</u>	<u>49.56% *</u>	<u>\$374,112,085</u>

* Based on projections from June 30, 2010 valuation.

** Contribution was allocated based on the past service portion of the contribution rate as of June 30, 2010 for pension and healthcare.

***Based on total payroll.

Data, assumptions, plan provisions and methods used for the DB plan costs are described in the draft actuarial valuation reports as of June 30, 2010.

Data, assumptions, plan provisions and methods used for the DCR plan costs are described in the draft actuarial valuation reports and are as of June 30, 2010.

This exhibit is an attachment to the June 3, 2011 letter.



State of Alaska
Judicial Retirement System

Actuarial Valuation Report
As of June 30, 2010

buckconsultants

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

Report Highlights

This report has been prepared by Buck Consultants, an ACS Company, to:

- Present the results of a valuation of the State of Alaska Judicial Retirement System as of June 30, 2010;
- Review experience under the System for the period July 1, 2008 to June 30, 2010;
- Determine the contribution rate for the System for Fiscal Year 2013;
- Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the System during the 2008/2009 and 2010 plan years, the current annual costs, and reporting and disclosure information.

Section 2 provides reporting and disclosure information for financial statements, governmental agencies and other interested parties.

Section 3 describes the basis of the valuation. It summarizes the System provisions, provides information relating to the System members, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principal results are as follows:

Funding Status as of June 30	2008	2010
(a) Valuation assets	\$ 141,235,655	\$ 134,694,195
(b) Pension accrued liability	130,596,048	164,523,775
(c) Healthcare accrued liability	18,141,832	20,304,331
(d) Accrued liability, (b)+(c)	\$ 148,737,880	\$ 184,828,106
(e) Funding Ratio, (a)/(d)	95.0%	72.9%

Recommended Contribution Rates for Pension:	FY11	FY13
(a) Employer Normal Cost Rate	25.97%	34.82%
(b) Past Service Cost Rate	<u>5.77%</u>	<u>28.14%</u>
(c) Total Employer Contribution Rate, (a)+(b)	31.74%	62.96%

Recommended Contribution Rates for Healthcare:	FY11	FY13
(a) Employer Normal Cost Rate	3.97%	5.48%
(b) Past Service Cost Rate	<u>0.49%</u>	<u>1.04%</u>
(c) Total Employer Contribution Rate, (a)+(b)	4.46%	6.52%

Recommended Contribution Rates:	FY11	FY13
(a) Employer Normal Cost Rate	29.94%	40.30%
(b) Past Service Cost Rate	<u>6.26%</u>	<u>29.18%</u>
(c) Total Employer Contribution Rate, (a)+(b)	36.20%	69.48%

For the June 30, 2009 valuation results, we performed a roll forward of liabilities and determined the FY12 contribution rates using actual assets. The contribution rates that were calculated for FY12 were 42.80% for Pension, 4.78% for Healthcare, and 47.58% in Total.