



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

Actuarial Valuation Report
As of June 30, 2012

July 2013

buckconsultants®

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

State of Alaska National Guard and Naval Militia Retirement System

Table of Contents

Letter of Certification

Executive Summary	1
<i>Analysis of the Valuation</i>	2
Section 1: Actuarial Funding Results	3
1.1 Actuarial Liabilities and Normal Cost	4
1.2 Actuarial Contributions	5
1.3 Actuarial Gain/(Loss)	6
1.4 Development of Change in Unfunded Liability during FY12	
1.5 History of UAAL and Funded Ratio	8
Section 2: Plan Assets	9
2.1 Summary of Fair Value of Assets	10
2.2 Changes in Fair Value of Assets	11
2.3 Actuarial Value of Assets	12
2.4 Historical Asset Rate of Return	14
Section 3: Accounting Information	15
3.1 Schedule of Funding Progress	16
3.2 Schedule of Employer Contributions	17
3.3 Notes to Trend Data	18
Section 4: Member Data	19
4.1 Summary of Members Included	20
4.2(a) Age and Service Distributions of Active Participants – All Actives	21
4.2(b) Age and Service Distributions of Active Participants – Air Actives	22
4.2(c) Age and Service Distributions of Active Participants – Army Actives	23
4.2(d) Age and Service Distributions of Active Participants – Navy Actives	24
4.3 Member Data Reconciliation	25
Section 5: Basis of the Actuarial Valuation	26
5.1 Summary of Plan Provisions and Changes in Plan Provisions	27
5.2 Summary of Actuarial Methods and Assumptions	29
Glossary of Terms	31

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 National Guard and Naval Militia Retirement System (NGNMRS) 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 contribution requirements reflect the cost of benefits accruing in FY11 and FY12 and an amortization as a level dollar amount of the initial unfunded accrued liability and subsequent gains/losses over a period of 20 years less average military service of active members. The amortization period is set by the Alaska Retirement Management Board (Board). Contribution levels are recommended by the Actuary and adopted by the Board each year. This objective is currently being met and is projected to continue to be met.

July 19, 2013

Page 2

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. ASOP 35 mandates some recognition of future mortality improvements. We will address this during the next experience analysis. 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) to the State of Alaska National Guard and Naval Militia 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. 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 No. 25.

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. Sliskinsky, ASA, EA, MAAA, FCA
Principal, Consulting Actuary



Lee James, FSA, EA, MAAA, FCA
Director, Consulting Actuary

State of Alaska National Guard and Naval Militia Retirement System

Executive Summary

Overview

The State of Alaska National Guard and Naval Militia Retirement System provides pension benefits to the National Guard, naval militia 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 annual 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 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 NGNMRS 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:

Funding Status as of June 30	2010	2012
1. Valuation Assets	\$ 32,000,585	\$ 33,682,091
2. Accrued Liability	30,034,407	32,771,017
3. Funding Ratio, (1) ÷ (2)	106.5%	102.8%

Recommended Contribution Amounts	FY13	FY15
1. Normal Cost	\$ 605,097	\$ 631,921
2. Past Service Cost Amortization	(307,730)	(142,594)
3. Expense Load	134,000	138,000
4. Total Annual Contribution, (1) + (2) + (3)	\$ 431,367	\$ 627,327

The recommended contribution amount for FY14 based on a roll-forward valuation as of June 30, 2011 is \$474,791.

State of Alaska National Guard and Naval Militia Retirement System

Analysis of the Valuation

The funding ratio decreased from 106.5% at June 30, 2010, to 102.8% at June 30, 2012. This decrease was primarily due to the loss created by less than expected return on assets.

The annual rate of return on market value of assets during the year was 0.50%. The annual rate of return on actuarial value of assets during the year was 3.36%, compared to the assumed rate of 7.00%, resulting in an actuarial loss from investment return of approximately \$1.2 million for FY12.

Effective for the June 30, 2010 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary based on the results of an experience analysis performed on the population experience from July 1, 2005 through June 30, 2009. The changes in assumptions were adopted by the Board during the December 2010 Board meeting.

State of Alaska National Guard and Naval Militia Retirement System

Section 1

Actuarial Funding Results

State of Alaska National Guard and Naval Militia Retirement System

Section 1.1

Actuarial Liabilities and Normal Cost

As of June 30, 2012	Normal Cost	Accrued Liability	Present Value of Projected Benefits
Active Members			
1. Retirement Benefits	\$ 591,763	\$ 11,439,910	\$ 15,180,521
2. Termination Benefits	0	0	0
3. Death Benefits	23,274	274,347	423,774
4. Disability Benefits	16,884	310,507	420,893
5. Total Active Actuarial Value <i>(1) + (2) + (3) + (4)</i>	\$ 631,921	\$ 12,024,764	\$ 16,025,188
Inactive Members			
6. Vested Terminated		\$ 15,572,915	\$ 15,572,915
7. Retirees (including QDROs)		5,173,338	5,173,338
8. Total Inactive Actuarial Value (6) + (7)		\$ 20,746,253	\$ 20,746,253
Total Actuarial Value (5) + (8)	\$ 631,921	\$ 32,771,017	\$ 36,771,441

State of Alaska National Guard and Naval Militia Retirement System

Section 1.2

Actuarial Contribution – FY15

1. Accrued Liability	\$	32,771,017
2. Actuarial Value of Assets		33,682,091
3. Total Unfunded Accrued Liability, (1) – (2)	\$	(911,074)
4. Amortization Factor (8.0 years) (assuming payments at beginning of the year)		6.389289
5. Past Service Payment, (3) ÷ (4)	\$	(142,594)
6. Normal Cost		631,921
7. Expense Load		138,000
8. Total Contribution , (5) + (6) + (7)	\$	627,327

State of Alaska National Guard and Naval Militia Retirement System

Section 1.3

Actuarial Gain/(Loss) for FY12

1.	Accrued Liability, June 30, 2011	\$ 31,324,457
2.	Normal Cost for FY12	605,097
3.	Interest on (1) and (2) at 7.00%	2,235,069
4.	Benefit Payments for FY12	1,334,018
5.	Interest on (4) at 7.00% for one-half year	45,901
6.	Change in Assumptions	0
7.	Expected Accrued Liability, June 30, 2012 (1) + (2) + (3) - (4) - (5) + (6)	\$ 32,784,704
8.	Accrued Liability, June 30, 2012	32,771,017
9.	Liability Gain/(Loss) (7) - (8)	\$ 13,687
10.	Valuation Assets, June 30, 2011	\$ 33,019,577
11.	Interest on (10) at 7.00%	2,311,370
12.	Contributions for FY12	895,611
13.	Interest on (12) at 7.00% for one-half year	30,816
14.	Benefit Payments for FY12	1,334,018
15.	Interest on (14) at 7.00% for one-half year	45,901
16.	Expected Valuation Assets, June 30, 2012 (10) + (11) + (12) + (13) - (14) - (15)	\$ 34,877,455
17.	Valuation Assets, June 30, 2012	33,682,091
18.	Asset Gain/(Loss) (17) - (16)	\$ (1,195,364)
19.	Actuarial Gain/(Loss) (9) + (18)	\$ (1,181,677)

State of Alaska National Guard and Naval Militia Retirement System

Section 1.4

Development of Change in Unfunded Liability During FY12

1. 2011 Unfunded Liability		\$(1,695,120)
a. Interest on unfunded liability	\$(118,658)	
b. Normal cost	605,097	
c. Employer contributions	(895,611)	
d. Interest on b. and c.	<u>11,541</u>	
e. Expected change in unfunded liability during FY12		(397,631)
<hr/>		
2. Expected 2012 Unfunded Liability		\$(2,092,751)
a. Liability (gains)	\$(13,687)	
b. Assets losses	<u>1,195,364</u>	
c. Other changes in unfunded liability during FY12		1,181,677
<hr/>		
3. Actual 2012 Unfunded Liability		\$(911,074)
<hr/>		

State of Alaska National Guard and Naval Militia Retirement System

Section 1.5

History of UAAL and Funded Ratio

Valuation Date	Aggregate Accrued Liability	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)
June 30, 2000	\$ 17,967,471	\$ 13,734,397	76.4%	\$ 4,233,074
June 30, 2002	\$ 20,545,214	\$ 12,114,025	59.0%	\$ 8,431,189
June 30, 2004	\$ 19,749,305	\$ 13,391,055	67.8%	\$ 6,358,250
June 30, 2006	\$ 25,457,589	\$ 15,587,569	61.2%	\$ 9,870,020
June 30, 2007	\$ 26,289,978	\$ 16,882,529	64.2%	\$ 9,407,449
June 30, 2008	\$ 28,904,645	\$ 28,370,756	98.2%	\$ 533,889
June 30, 2009	\$ 30,208,411	\$ 30,123,348	99.7%	\$ 85,063
June 30, 2010	\$ 30,034,407	\$ 32,000,585	106.5%	\$ (1,966,178)
June 30, 2011	\$ 31,324,457	\$ 33,019,577	105.4%	\$ (1,695,120)
June 30, 2012	\$ 32,771,017	\$ 33,682,091	102.8%	\$ (911,074)

State of Alaska National Guard and Naval Militia Retirement System

Section 2

Plan Assets

State of Alaska National Guard and Naval Militia Retirement System

Section 2.1

Summary of Fair Value of Assets

Net Assets as of June 30	2011	2012
Assets:		
1. Cash and Cash Equivalents	\$ 24,456	\$ 487,744
2. Domestic Equity Pool	10,174,728	9,695,305
3. International Equity Pool	5,953,522	4,101,170
4. Retirement Fixed Income Pool	1,272,478	122,935
5. Domestic Fixed Income Pool	15,570,006	11,079,647
6. International Fixed Income Pool	0	2,346,226
7. Emerging Market Debt	0	773,651
8. Emerging Market Equity Pool	0	1,329,321
9. High Yield Pool	0	2,764,653
10. Total Assets <i>(1) + (2) + (3) + (4) + (5) + (6) + (7) + (8) + (9)</i>	32,995,190	32,700,652
Liabilities:		
11. Accrued expenses	60,815	54,551
12. Due to State of Alaska General Fund	21,560	7,667
13. Total Liabilities <i>(11) + (12)</i>	82,375	62,218
Total Net Assets <i>(10) – (13)</i>	\$ 32,912,815	\$ 32,638,434

State of Alaska National Guard and Naval Militia Retirement System

Section 2.2

Changes in Fair Value of Assets

Change in Net Assets as of June 30	2011	2012
Receipts:		
1. Employer Contributions	\$ 965,375	\$ 895,611
2. Investment Income	4,134,053	342,200
3. Other Income	32	25
4. Total Receipts (1) + (2)	\$ 5,099,460	\$ 1,237,836
Disbursements:		
5. Retirement Benefits	\$ 1,411,254	\$ 1,334,018
6. Administrative Expenses	152,328	123,725
7. Investment Expenses	54,785	54,474
8. Total Disbursements (5) + (6) + (7)	\$ 1,618,367	\$ 1,512,217
9. Net Income (4) - (8)	\$ 3,481,093	\$ (274,381)
10. Net Assets Available for Benefits at beginning of year	\$ 29,431,722	\$ 32,912,815
11. Net Assets Available for Benefits at end of year (9) + (10)	\$ 32,912,815	\$ 32,638,434
Estimated Investment Return, Net of All Expenses	13.4%	0.5%

State of Alaska National Guard and Naval Militia Retirement System

Section 2.3

Actuarial Value of Assets

The actuarial value of assets was equal to the market 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 market value as of the current valuation date.

In Thousands

1. Deferral of Investment Return for FY12		
a. Market Value, June 30, 2011	\$	32,912,815
b. Contributions for FY12		895,611
c. Benefit Payments for FY12		1,334,018
d. Actual Investment Return (<i>net of expenses</i>)		164,001
e. Expected Return Rate (<i>net of expenses</i>)		7.00%
f. Expected Return - Weighted for Timing		2,288,812
g. Investment Gain/(Loss) for the Year (<i>d. - f.</i>)		(2,124,811)
h. Deferred Investment Return/(Loss)		(1,043,657)
2. Actuarial Value, June 30, 2012		
a. Market Value, June 30, 2012	\$	32,638,434
b. 2012 Deferred Investment Return/(Loss)		(1,043,657)
c. Preliminary Actuarial Value, June 30, 2012 <i>(a. - b.)</i>		33,682,091
d. Upper Limit: 120% of Market Value, June 30, 2012		39,166,121
e. Lower Limit: 80% of Market Value, June 30, 2012		26,110,747
f. Actuarial Market Value, June 30, 2012 <i>(c. limited by d. and e.)</i>	\$	33,682,091
g. Ratio of Actuarial Value of Assets to Market Value of Assets		103.2%
h. Approximate Actuarial Value Investment Return Rate During FY12 Net of All Expenses		3.4%

State of Alaska National Guard and Naval Militia Retirement System

Section 2.3 (cont'd)

Actuarial Value of Assets

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

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2008	\$ (2,163,337)	\$ (1,730,670)	\$ (432,667)	\$ 0
6/30/2009	(4,701,746)	(2,821,047)	(940,349)	(940,350)
6/30/2010	1,168,219	467,288	233,644	467,287
6/30/2011	1,882,093	376,419	376,419	1,129,255
6/30/2012	(2,124,811)	0	(424,962)	(1,699,849)
Total	\$ (5,939,582)	\$ (3,708,010)	\$ (1,187,915)	\$ (1,043,657)

State of Alaska National Guard and Naval Militia Retirement System

Section 2.4

Historical Asset Rate of Return

Year Ending	Actuarial Value		Fair Value	
	Annual	Cumulative	Annual	Cumulative
June 30, 2005	N/A	N/A	6.4%	6.4%
June 30, 2006	N/A	N/A	5.2%	5.8%
June 30, 2007	8.4%	8.4%	13.1%	8.2%
June 30, 2008	6.4%	7.4%	(2.3)%	5.5%
June 30, 2009	2.8%	5.8%	(9.8)%	2.2%
June 30, 2010	3.0%	5.1%	11.8%	3.8%
June 30, 2011	4.6%	5.0%	13.4%	5.1%
June 30, 2012	3.4%	4.7%	0.5%	4.5%

State of Alaska National Guard and Naval Militia Retirement System

Section 3

Accounting Information

State of Alaska National Guard and Naval Militia Retirement System

Section 3.1

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) ¹ (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
June 30, 1998	\$ 12,671,276	\$ 14,252,184	\$ 1,580,908	88.9%	N/A	N/A
June 30, 2000	13,734,397	17,967,471	4,233,074	76.4%	N/A	N/A
June 30, 2002	12,114,025	20,545,214	8,431,189	59.0%	N/A	N/A
June 30, 2004	13,391,055	19,749,305	6,358,250	67.8%	N/A	N/A
June 30, 2006	15,587,569	25,457,589	9,870,020	61.2%	N/A	N/A
June 30, 2008	28,370,756	28,904,645	533,889	98.2%	N/A	N/A
June 30, 2010	32,000,585	30,034,407	(1,966,178)	106.5%	N/A	N/A
June 30, 2012	33,682,091	32,771,017	(911,074)	102.8%	N/A	N/A

¹ Prior to the June 30, 2006 valuation, Projected Unit Credit was the actuarial cost method used to determine actuarial accrued liability. Effective for the June 30, 2006 valuation, the Entry Age Normal Level Dollar Cost Method is used.

State of Alaska National Guard and Naval Militia Retirement System

Section 3.2

Schedule of Employer Contributions

Fiscal Year Ended June 30	Annual Required Contribution	Actual Annual Contribution	Supplemental Contributions	Total Contributions	Percentage Contributed
1996	\$ 1,359,862	\$ 1,104,400	\$ 8,000,000 ²	\$ 9,104,400	669.5%
1997	1,626,000	1,434,900	0	1,434,900	88.2%
1998	1,626,000	1,434,900	0	1,434,900	88.2%
1999	1,104,519	1,104,519	0	1,104,519	100.0%
2000	1,104,519	1,104,500	0	1,104,500	100.0%
2001	879,784	879,800	0	879,800	100.0%
2002	879,784	879,800	0	879,800	100.0%
2003	1,322,502	1,322,500	0	1,322,500	100.0%
2004	1,322,502	1,322,500	0	1,322,500	100.0%
2005	2,025,257	1,996,800	0	1,996,800	98.6%
2006	2,025,257	2,053,800	0	2,053,800	101.4%
2007	1,737,406	1,737,406	0	1,737,406	100.0%
2008	1,737,406	1,737,406	10,000,000 ³	11,737,406	675.6%
2009	2,473,282	2,473,300	0	2,473,300	100.0%
2010	2,415,077	2,603,300	0	2,603,300	107.8%
2011	965,329	965,375	0	965,375	100.0%
2012	895,565	895,611	0	895,611	100.0%

² During the year ended June 30, 1996, the System received an \$8,000,000 supplemental appropriation from the State of Alaska General Fund to increase System funding. This appropriation was in addition to the amount designated for the 1996 actuarial required contribution. The original contribution requirements for the years ended June 30, 1998 and 1997 were calculated to be \$2,584,919. These contribution requirements were revised to \$1,626,000 as a result of the supplemental contribution in fiscal year 1996.

³ During the year ended June 30, 2008, the System received a \$10,000,000 supplemental appropriation from the State of Alaska General Fund to increase System funding.

State of Alaska National Guard and Naval Militia Retirement System

Section 3.3

Notes to Trend Data

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Amortization Period	20 years less average military service of active members
Asset Valuation Method	5-year smoothed market, 80% / 120% of fair value corridor
Actuarial Assumptions	
Investment rate of return*	7.00% per annum
Projected salary increases	None
Cost-of-living adjustment	None

* Includes inflation at 3.12% per annum.

State of Alaska National Guard and Naval Militia Retirement System

Section 4

Member Data

State of Alaska National Guard and Naval Militia Retirement System

Section 4.1

Summary of Members Included

Census Information as of June 30	2010	2012
Active Air Guard Members		
Number	2,208	2,446
Number Vested	531	651
Average Age	35.53	36.00
Average Alaska Guard Service	7.81	8.10
Average Total Military Service	13.78	13.87
Active Army Guard Members		
Number	1,789	1,899
Number Vested	250	264
Average Age	31.99	31.81
Average Alaska Guard Service	5.09	5.10
Average Total Military Service	10.15	9.74
Active Naval Militia Members		
Number	88	52
Number Vested	18	5
Average Age	36.08	33.93
Average Alaska Militia Service	5.57	4.63
Average Total Military Service	11.23	9.58
Total Active Members		
Number	4,085	4,397
Number Vested	799	920
Average Age	33.99	34.16
Average Alaska Guard Service	6.57	6.76
Average Total Military Service	12.14	12.04
Vested Terminated Members		
Number	1,251	1,308
Average Age	54.78	56.49
Average Alaska Guard Service	17.96	17.52
Average Total Military Service	25.61	25.34
Retirees (including QDROs)		
Number	547	608
Average Age	58.75	57.95
Average Years Remaining	11.61	11.90

State of Alaska National Guard and Naval Militia Retirement System

Section 4.2(a)

Age and Service Distributions of Active Members – All Actives

Total Alaska Guard Service										
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	173	0	0	0	0	0	0	0	0	173
20-24	665	105	0	0	0	0	0	0	0	770
25-29	516	254	37	0	0	0	0	0	0	807
30-34	372	271	97	12	0	0	0	0	0	752
35-39	227	191	103	71	11	0	0	0	0	603
40-44	121	188	133	76	61	6	0	0	0	585
45-49	42	100	84	88	64	24	0	0	0	402
50-54	19	34	30	47	47	28	5	0	0	210
55-59	7	9	9	8	26	15	7	1	0	82
60-64	0	1	5	0	2	2	1	1	0	12
65-69	0	0	0	1	0	0	0	0	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	2,142	1,153	498	303	211	75	13	2	0	4,397

State of Alaska National Guard and Naval Militia Retirement System

Section 4.2(b)

Age and Service Distributions of Active Members – Air Actives

Total Alaska Guard Service										
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	53	0	0	0	0	0	0	0	0	53
20-24	227	39	0	0	0	0	0	0	0	266
25-29	263	155	27	0	0	0	0	0	0	445
30-34	211	171	64	6	0	0	0	0	0	452
35-39	128	112	76	57	9	0	0	0	0	382
40-44	61	112	94	51	41	3	0	0	0	362
45-49	18	63	59	71	54	17	0	0	0	282
50-54	8	17	20	37	34	17	4	0	0	137
55-59	4	5	5	3	20	11	7	1	0	56
60-64	0	0	5	0	1	2	1	1	0	10
65-69	0	0	0	1	0	0	0	0	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	973	674	350	226	159	50	12	2	0	2,446

State of Alaska National Guard and Naval Militia Retirement System

Section 4.2(c)

Age and Service Distributions of Active Members – Army Actives

Total Alaska Guard Service										
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	120	0	0	0	0	0	0	0	0	120
20-24	425	66	0	0	0	0	0	0	0	491
25-29	243	98	10	0	0	0	0	0	0	351
30-34	158	99	33	6	0	0	0	0	0	296
35-39	93	76	26	14	2	0	0	0	0	211
40-44	55	76	38	24	20	3	0	0	0	216
45-49	24	36	24	16	10	7	0	0	0	117
50-54	10	17	10	9	13	11	1	0	0	71
55-59	3	4	4	4	6	3	0	0	0	24
60-64	0	1	0	0	1	0	0	0	0	2
65-69	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	1,131	473	145	73	52	24	1	0	0	1,899

State of Alaska National Guard and Naval Militia Retirement System

Section 4.2(d)

Age and Service Distributions of Active Members – Navy Actives

Total Alaska Guard Service										
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	0	0	0	0	0	0	0	0	0	0
0-24	13	0	0	0	0	0	0	0	0	13
25-29	10	1	0	0	0	0	0	0	0	11
30-34	3	1	0	0	0	0	0	0	0	4
35-39	6	3	1	0	0	0	0	0	0	10
40-44	5	0	1	1	0	0	0	0	0	7
45-49	0	1	1	1	0	0	0	0	0	3
50-54	1	0	0	1	0	0	0	0	0	2
55-59	0	0	0	1	0	1	0	0	0	2
60-64	0	0	0	0	0	0	0	0	0	0
65-69	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	38	6	3	4	0	1	0	0	0	52

State of Alaska National Guard and Naval Militia Retirement System

Section 4.3

Member Data Reconciliation

	Active Members	Vested Members	Benefit Recipients	Total
Total at June 30, 2010	4,085	1,251	547	5,883
New Entrants	829	0	0	829
Rehires	53	0	(2)	51
Nonvested Terminations	(424)	0	0	(424)
Vested Terminations	(72)	72	0	0
Retirements	(72)	(23)	95	0
New Survivors	0	0	0	0
New QDROs	0	0	0	0
Deaths	(2)	(1)	(13)	(16)
Data Change/Expiration of Benefits	0	9	(19)	(10)
Total at June 30, 2012	4,397	1,308	608	6,313

State of Alaska National Guard and Naval Militia Retirement System

Section 5

Basis of the Actuarial Valuation

State of Alaska National Guard and Naval Militia Retirement System

Section 5.1

Summary of Plan Provisions and Changes in Plan Provisions

1. Effective Date

January 1, 1973.

2. Members Included

Members of the Alaska National Guard who were active on or after January 1, 1973, and members of the Alaska Naval Militia who were active on or after July 1, 1980.

3. Eligibility Service

Eligibility service is defined as the combined Alaska guard service, guard service in any other state, active military service and the reserves of them. A member must have 20 years of eligibility service to be vested in the National Guard and Naval Militia Retirement System.

4. Benefit Service

Benefit service is defined as satisfactory service in any branch of the Alaska guard. A member must have 5 years of benefit service to be vested in the National Guard and Naval Militia Retirement System. Benefit service is also used to determine the length of the member's pension retirement benefit.

5. Retirement

(a) Eligibility:

Members are eligible for voluntary retirement after completing 20 years of satisfactory service in the Alaska National Guard, Alaska Naval Militia or U.S. Armed Forces, and the reserve of them or any combination of that service if they have at least five years of Alaska National Guard or Naval Militia service. Credit is also allowed for Territorial Guard service rendered to the former territory of Alaska.

Members are eligible for involuntary retirement at any time assuming there has been no misconduct.

(b) Benefit:

Eligible members may elect to receive:

- (i) monthly benefits of \$100 which are payable for a period equal to the number of months that they were active members;
- (ii) a lump sum benefit equal to the actuarial equivalent of (i); or
- (iii) monthly payments until age 72 equal to the actuarial equivalent of (i).

6. Vesting

Members are 100% vested after 20 years of total service in the Alaska National Guard, Alaska Naval Militia, U.S. Armed Forces or Reserves, or any combination of that service if members have at least five years of Alaska National Guard or Naval Militia service.

State of Alaska National Guard and Naval Militia Retirement System

Section 5.1 (cont'd)

Summary of Plan Provisions and Changes in Plan Provisions

7. Death Benefits

(a) Active Members: If the member has at least five years of active service in the Alaska National Guard or Naval Militia, the designated beneficiary will receive a lump sum benefit equal to the benefit in 5(b) above.

(b) Retired or Terminated Vested Members:

The designated beneficiary will receive a lump benefit equal to the remaining benefits payable in 5(b) above.

8. Disability Benefits

Members are eligible to receive monthly disability benefits of \$100 (which are payable for a period equal to the number of months that they were active members) at any age if they become incapacitated and are vested in the plan.

State of Alaska National Guard and Naval Militia Retirement System

Section 5.2

Summary of Actuarial Methods and Assumptions

1. **Actuarial Method** – Entry Age Normal Actuarial Cost. Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 20 years less the average total military service of active members.

The 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 Liability is the excess of the actuarial accrued liability over the actuarial value of system assets measured on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

2. **Actuarial Assumptions**

- (a) Interest 7.00% per year, compounded annually, net of investment expenses.
- (b) Administrative Expenses The expense load is equal to the average of the prior 2 years actual administrative expenses rounded to the nearest \$1,000 as follows:

Fiscal Year Ending June 30	Amount
2011	\$ 152,328
2012	123,725
Total	\$ 276,053
	÷ 2
Expense Load (Rounded)	\$ 138,000

- (c) Mortality Pre-termination: 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin, projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females.

Post-termination: 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females.

Disability: RP-2000 Disabled Retiree Mortality Table.

- (d) Turnover Sample rates before 20 years of military service are:

Select Rates of Turnover During the First 5 Years of Employment		Ultimate Rates of Turnover After the First 5 Years of Employment	
Year of Employment	Unisex Rate	Age	Unisex Rate
1	20.00%	30	7.40%
2	10.00%	40	6.06%
3	10.00%	50	3.26%
4	10.00%		
5	10.00%		

State of Alaska National Guard and Naval Militia Retirement System

Section 5.2 (cont'd)

Summary of Actuarial Methods and Assumptions

- (e) Disability Incidence rates based upon the 2005-2009 actual experience of the State of Alaska Public Employees' Retirement System Peace Officer/Firefighter Plan.

Sample rates are shown below.

Age	Unisex Rate
20	.088%
25	.094%
30	.105%
35	.120%
40	.144%
45	.203%
50	.300%
55	.500%
60	1.054%

- (f) Retirement Age Active members are assumed to retire beginning at the earliest eligible retirement age with at least 20 years of military service according to the following rates:

Age	Rate	Age	Rate
<51	5%	58	56%
51	11%	59	62%
52	18%	60	68%
53	24%	61	75%
54	30%	62	81%
55	37%	63	87%
56	43%	64	94%
57	49%	65+	100%

Vested Terminated members are assumed to retire at current age or age 50, whichever is later.

- (g) 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 is initialized as of June 30, 2006 at market value and will be phased in over the next five years. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

3. Changes in Methods Since the Prior Valuation

There were no changes in methods from the prior valuation.

4. Changes in Assumptions Since the Prior Valuation

There were no changes in assumptions from the prior valuation.

State of Alaska National Guard and Naval Militia Retirement System

Glossary of Terms

Actuarial Accrued Liability	Total accumulated cost to fund pension benefits arising from service in all prior years.
Actuarial Cost Method	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of plan members to the years of service that give rise to that cost.
Actuarial Present Value of Projected Benefits	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
Actuarial Valuation	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
Actuary	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
Annual Required Contribution	Disclosure measure of annual pension cost.
GASB 25 and 27	Governmental Accounting Standards Board Statement Number 25 which specifies how the Annual Required Contribution (ARC) is to be calculated, and Number 27 which specifies Employer reporting of Pension Cost.
Normal Cost	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual member or the plan as a whole.
Unfunded Actuarial Accrued Liability (UAAL)	The portion of the actuarial accrued liability not offset by plan assets.
Vested Benefits	Benefits which are unconditionally guaranteed regardless of employment status.