

February 18, 2014

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: Judicial Retirement System and National Guard and
Naval Militia Retirement System Roll-Forward Actuarial Valuations as of June 30, 2013**

Dear Jim:

We have completed the roll-forward actuarial valuations for the State of Alaska Judicial Retirement System (JRS) and the National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2013. The valuations have been performed by a projection or "roll forward" of liabilities from the last valuation date of June 30, 2012 to June 30, 2013. A summary of our results and methods is included in this letter.

RESULTS

The actuarial valuation produced an increase of 3.42% in the employer contribution rate for JRS and an increase of \$107,233 in the annual contribution amount for NGNMRS. A full description of the results can be found in the attachments. A summary of the results are as follows:

	<u>June 30, 2012</u>	<u>June 30, 2013</u>
Judicial Retirement System	79.06%	82.48%
National Guard and Naval Militia Retirement System	\$627,327	\$734,560

ACTUARIAL ASSUMPTIONS AND METHODS

In lieu of collecting new data as of June 30, 2013 and performing a full actuarial valuation, it is an acceptable practice to project or "roll forward" liabilities calculated in the last complete valuation as of June 30, 2012 to June 30, 2013 by assuming the actuarial assumptions during the year are exactly realized. This process produces liabilities and normal costs which reflect the best available estimates of the major factors that would be reflected in a full actuarial valuation, including salary increases, cost of living adjustments and increases in medical costs. All data, actuarial assumptions, methods and plan provisions are the same as those used for the June 30, 2012 valuation unless otherwise noted in this letter, including a valuation interest rate of 8.00% for JRS, a valuation interest rate of 7.00% for NGNMRS, and payroll growth for JRS of 3.62%.

The actuarial value of assets was calculated as of June 30, 2013 using actual assets and cash flows during the year. Asset gains experienced during FY13 are recognized at 20%.

Contributions during the year were less than the 2012 actuarial valuation requirement for JRS, creating an actuarial loss, and more than the 2012 actuarial valuation requirement for NGNMRS, creating an actuarial gain. Investment gains were experienced during the year by both plans with 20% of the asset gains recognized in this valuation and 80% deferred over the next four years. However, large asset losses still being recognized from prior years created net asset losses for both plans. The net result was an overall actuarial loss for both plans. The net actuarial loss for JRS was \$7,023,000, and the net actuarial loss was \$699,000 for NGNMRS. The sources of actuarial gain/(loss) for these roll-forward valuations are as follows:

	JRS	NGNMRS
Asset gain/(loss)	\$ (5,800,251)	\$ (792,570)
Healthcare claims gain/(loss)	(235,395)	N/A
Contribution gain/(loss)	(987,135)	93,291
Total gain/(loss)	\$ (7,022,781)	\$ (699,279)

Net actuarial losses have the effect of increasing the unfunded liability from what was expected. Given the differences between actual and expected contributions and investment return, changes result in the employer contributions from the previous year. Fiscal year 2013 marks the last year significant asset losses experienced in 2009 are recognized in the actuarial value of assets which have increased contribution amounts and rates over the last five years.

Please let us know if you have any questions.

Sincerely,



David H. Sliskinsky, A.S.A.
Principal and Consulting Actuary

/mlp

Attachments

c: Ms. Mike Barnhill, State of Alaska
Mr. Kevin Worley, State of Alaska
Ms. Melissa Bissett, Buck Consultants
Mr. Lee James, Buck Consultants
Ms. Kyla Kaltenbach, Buck Consultants

State of Alaska Judicial Retirement System

	June 30, 2012	June 30, 2013
Total Pension Accrued Liability	\$ 182,267,524	\$ 191,505,115
Pension Actuarial Value of Assets (AVA)	\$ 112,870,360	\$ 115,032,531
Pension Funded Ratio based on AVA	61.9%	60.1%
Pension Market Value of Assets (MVA)	\$ 107,134,255	\$ 118,704,624
Pension Funded Ratio based on MVA	58.8%	62.0%
Annual Pension Normal Cost	\$ 5,004,795	\$ 5,185,969
Total Postemployment Healthcare Accrued Liability	\$ 16,654,623	\$ 17,583,031
Postemployment Healthcare Actuarial Value of Assets (AVA)	\$ 20,835,672	\$ 21,706,165
Postemployment Healthcare Funded Ratio based on AVA	125.1%	123.4%
Postemployment Healthcare Market Value of Assets (MVA)	\$ 20,244,447	\$ 22,491,803
Postemployment Healthcare Funded Ratio based on MVA	121.6%	127.9%
Annual Postemployment Healthcare Normal Cost	\$ 466,382	\$ 466,382
Total Accrued Liability	\$ 198,922,147	\$ 209,088,146
Actuarial Value of Assets	\$ 133,706,032	\$ 136,738,696
Unfunded Liability	\$ 65,216,115	\$ 72,349,450
Funded Ratio based on Actuarial Value of Assets	67.2%	65.4%
Market Value of Assets	\$ 127,378,702	\$ 141,196,427
Funded Ratio based on Market Value of Assets	64.0%	67.5%
Total Normal Cost	\$ 5,471,177	\$ 5,652,351
Pension Contribution Rate		
– Employer Normal Cost Rate	35.92%	35.92%
– Past Service Rate	40.55%	43.98%
– Pension Contribution Rate	76.47%	79.90%
Postemployment Healthcare Contribution Rate		
– Employer Normal Cost Rate	3.87%	3.74%
– Past Service Rate	-1.28%	-1.16%
– Postemployment Healthcare Contribution Rate	2.59%	2.58%
Total Employer Contribution Rate		
– Employer Normal Cost Rate	39.79%	39.66%
– Past Service Rate	39.27%	42.82%
– Total Employer Contribution Rate	79.06%	82.48%

This exhibit is an attachment to a letter dated February 18, 2014.

State of Alaska
National Guard and Naval Militia Retirement System

	June 30, 2012	June 30, 2013
Total Accrued Liability	\$ 32,771,017	\$ 33,907,968
Actuarial Value of Assets	33,682,091	34,178,622
Unfunded Liability	(911,074)	(270,654)
Funded Ratio based on Actuarial Value of Assets	102.8%	100.8%
Market Value of Assets	\$ 32,638,434	\$ 34,033,152
Funded Ratio based on Market Value of Assets	99.6%	100.4%
Normal Cost	\$ 631,921	\$ 631,921
Past Service Payment	(142,594)	(42,361)
Expense Load	138,000	145,000
Total Contribution	\$ 627,327	\$ 734,560

This exhibit is an attachment to a letter dated February 18, 2014.