

ALASKA

• Public Employees' Retirement System •



A component unit of the State of Alaska

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

Bill Walker, Governor

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2016



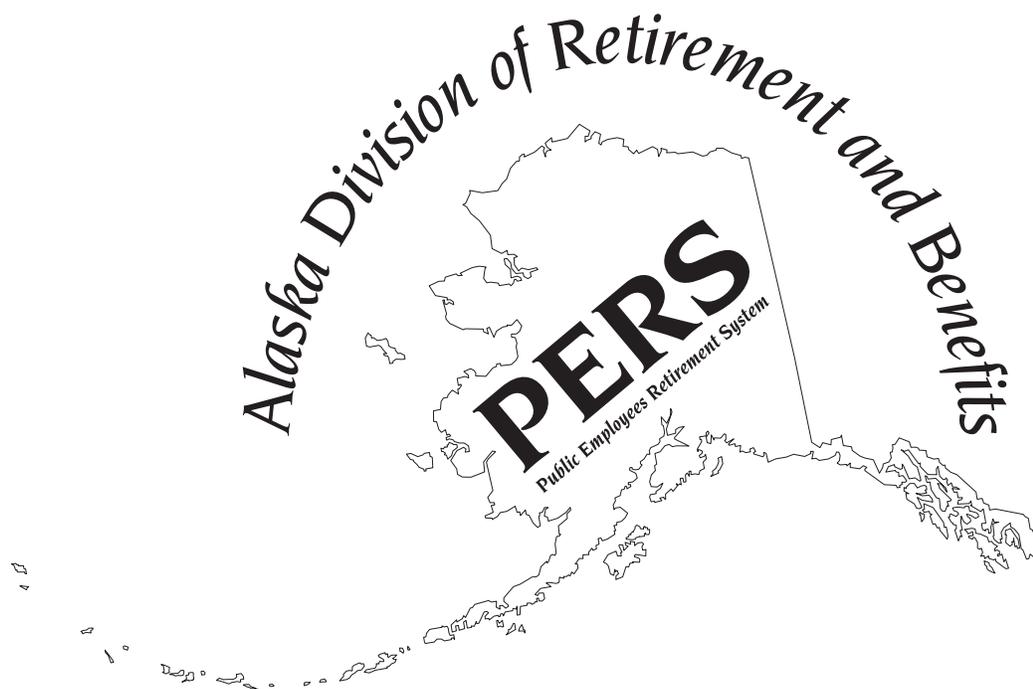
Bill Walker, Governor

Prepared by

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INTRODUCTORY SECTION

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System



THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

DIVISION OF RETIREMENT AND BENEFITS

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LETTER OF TRANSMITTAL

December 22, 2016

The Honorable Bill Walker, Governor
Members of the Alaska State Legislature
Alaska Retirement Management Board
Employers and Plan Members

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System (PERS) (System) for the fiscal year ended June 30, 2016. The CAFR is intended to fulfill the legal requirements of Alaska Statute (AS) 39.35.004(a)(8).

The CAFR provides comprehensive information on the financial operations of the System for the fiscal year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2016. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, has issued an unmodified opinion on the Systems' basic financial statements for the year ended June 30, 2016. The independent auditor's report is located at the beginning of the Financial Section of this report.

The management's discussion and analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

Introductory Section

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the organization chart of the Division, and a list of the members serving on the Alaska Retirement Management Board (Board);
- **Financial Section**, which contains the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and additional information;
- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;
- **Actuarial Section**, which contains the Actuarial Certification letter and the results of the most current annual actuarial valuation; and
- **Statistical Section**, which includes additional information related to financial trends, demographic and economic information, and operating information.

Profile of the System

The System was established in 1961 to provide pension benefits for eligible state and local government employees. Post-employment health care benefits were added in July 1, 1975. Senate Bill 141, signed into law on July 27, 2005, closed the Defined Benefit (DB) Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) Plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of: (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan and the Alaska Retiree Health Care Trust (Tiers I, II, and III). The DCR Plan includes the defined contribution retirement trust, occupational death and disability plan, retiree major medical plan, and the health reimbursement arrangement plan (Tier IV).

Reporting Entity

The System is considered a component unit of the State of Alaska (State) for financial reporting purposes. Due to the closeness of the System's relationship to the State, it is included in the State of Alaska CAFR as a fiduciary fund.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Plan Administrator of the Division of Retirement and Benefits (Division). The Plan Administrator is responsible for the daily operations of the System.

The Board, constituted effective October 1, 2005, replaced the Public Employees' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (effective October 1, 2005).

The Board is responsible for:

- adopting investment policies and developing investment objectives;
- providing a range of investment options and establishing the rules by which participants can direct their investments among those options, when applicable;
- establishing crediting rates for members' individual contribution accounts, when applicable;
- assisting in prescribing policies for the proper operation of the System;
- coordinating with the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the financial condition of the Systems to the Governor, Legislature, and individual employers participating in the System.

Major Initiatives / Changes

The System continues to make progress on several on-going projects. Most of these efforts are focused on improving customer service, technology, methods for employers to submit information, methods for members to obtain information, and continued compliance with accounting requirements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), as applicable.

The System continues to assess and retool its communication efforts, which include printed handbooks, newsletters, and website content. The System strives to ensure that all communication material is clear, accurate, and user-friendly.

The System strives to provide the highest degree of customer service to all members. The Division continues to enhance and develop the central Member Services Section with the goals of improving phone service, provide faster processing of all customer requests, and improving member education services.

The System continues to offer a broad array of fairs and seminars directed toward both active members and employers, with the goal to assist employers with successful marketing of the plans, educating members about all benefits available from early career through to retirement, encouraging healthy living, and how to best use the health plan.

Introductory Section

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2015, actuarial valuation report to the Plan Administrator, Division, and the Board. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report dated June 30, 2015, the System's DB Plan has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 78.3%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately \$4.5 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to System's employers in order to maintain an appropriate level of employer contributions while also paying the actuarially determined contribution rate adopted by the Board.

Investments

On June 30, 2016, the DB Plan's investment portfolio was valued at \$14.9 billion and earned a (0.36)% return for the fiscal year ended June 30, 2016. The DCR Plan's investment portfolio was valued at \$968.0 million for the fiscal year ended June 30, 2016. Over the past five years ending June 30, 2016, the DB Plan's investments earned a 6.64% return. The Board has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the Board. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The Board reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Accounting System

This CAFR has been prepared to conform to the principles of accounting and reporting established by the GASB. Specific accounting treatments are detailed in the Notes to Financial Statements found in the Financial Section of this report.

Internal Controls

Division management is responsible for establishing and maintaining a system of internal controls to protect System assets from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2015. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We are confident our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

Additionally, the Public Pension Coordinating Council (PPCC) awarded the Public Pension Standards Award for Funding and Administration certificate to the Division for the fiscal year ended June 30, 2016.

The Public Pension Standards Award for Funding and Administration certificate is valid for a period of one year. The Division is confident the System will continue to meet the standards award requirements and will apply to the PPCC for consideration in 2017.

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits; Department of Law; and the Department of Revenue, Treasury Division. This report is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the System's financial resources.

The report is available on the web at <http://doa.alaska.gov/drb/pers/perscafr.html> and mailed to those who submit a formal request. This report forms the link between the System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

Introductory Section

We are grateful to the Alaska Retirement Management Board, staff, advisors, and to the many people who have diligently worked to assure the successful operation of the System.

Respectfully submitted,



Sheldon Fisher
Commissioner



Ryan Mitchell-Colgan
Deputy Commissioner



Jim Puckett
Chief Operations Officer



Michele Michaud
Chief Health Official



Kathy Lea
Chief Pension Officer



Kevin Worley
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Alaska Public Employees'
Retirement System**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2015

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2016***

Presented to

Alaska Public Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

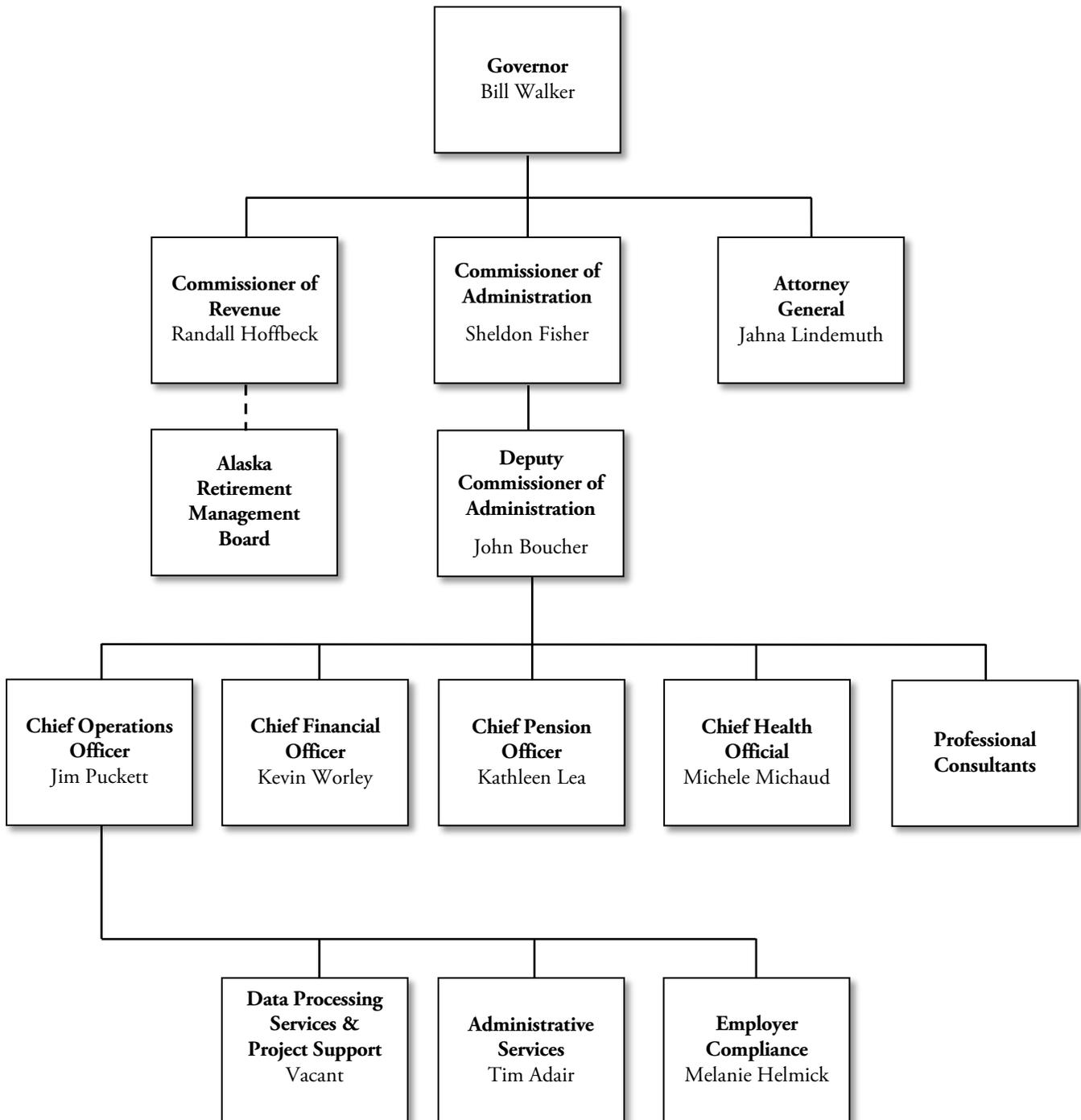
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

A handwritten signature in cursive script that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

ORGANIZATION CHART

As of June 30, 2016



Introductory Section

Section Responsibilities

The **Member Services Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. This section appoints members to retirement and maintains benefit payment information.

The **Health Plan Administration Section** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Financial Services Section** is responsible for maintaining the employee and employer records and accounts in each of the plans administered by the Division, producing financial statements and reports, and assuring compliance with Internal Revenue Service requirements.

The **Data Processing Services and Project Support Section** supports the information systems the System uses. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Services Section** is responsible for budget preparation, fiscal management of appropriations, procuring professional services, supplies, and equipment. The section manages the System's record center containing the members' physical records and performs other administrative functions such as legislative tracking and personnel management.

Professional Consultants		
<p>Consulting Actuary Buck Consultants <i>Denver, Colorado</i> Gabriel Roeder Smith <i>Denver, Colorado</i></p>	<p>Third-Party Healthcare Claim Administrator Aetna Life Insurance Company <i>Lexington, Kentucky</i> HealthSmart Benefit Solutions, Inc. <i>Charleston, West Virginia</i> Moda Health / Delta Dental of Alaska <i>Portland, Oregon</i> PayFlex Systems USA, Inc. <i>Omaha, Nebraska</i> CHCS Services, Inc. <i>Pensacola, Florida</i></p>	<p>Consulting Physicians Ward Hurlburt, M.D. <i>Juneau, Alaska</i> Terrence Tauschek <i>Anchorage, Alaska</i> Michael Fraser <i>San Diego, California</i> First Medical Advisory Group Inc. <i>Salem, Oregon</i> Maximus Federal Services <i>Reston, Virginia</i> Mountain State Orthopedic Consulting <i>Eagle, Idaho</i> Objective Medical Assessments Corp. <i>Seattle, Washington</i></p>
<p>Independent Auditors KPMG LLP <i>Anchorage, Alaska</i></p>	<p>Legal Counsel Joan Wilkerson Siobhan McIntyre Kevin Dilg Assistant Attorney Generals <i>Juneau, Alaska</i> Ice Miller LLP <i>Indianapolis, Indiana</i></p>	
<p>Benefits Consultants Maximus Federal Services <i>Reston, Virginia</i> The Segal Company <i>Greenwood Village, Colorado</i></p>		
<p>IT Consultants Computer Task Group Applied Microsystems, Inc. <i>Anchorage, Alaska</i> Alaska IT Group <i>Juneau, Alaska</i></p>		

A list of investment consultants can be found on pages 72-73 and on the Schedule of Investment Management Fees on pages 81-82.

Alaska Retirement Management Board

As of June 30, 2016

Gail Anagick Schubert, Chair, serves as the President and CEO of the Bering Straits Native Corp. (BSNC), one of the twelve Alaska Native regional corporations formed under the Alaska Native Claims Settlement Act. She is Treasurer of the Alaska Federation of Natives, Vice Chair of the Akeela Treatment Services Board, Vice Chair of the Alaska Native Justice Center, and Vice Chair of the ANCSA Regional Association. Ms. Schubert is the immediate past chair of the Alaska Native Heritage Center, which she served on for nearly 15 years. She is a member of the Anchorage Chamber of Commerce ATHENA Society, a program that recognizes women's leadership. She has served on the BSNC Board of Directors since 1992. Ms. Schubert is the 2014 recipient of the Northwest Indian Bar Association's Unsung Hero Award. The annual award honors an attorney for his or her outstanding contributions toward improving the legal and political landscape of Pacific Northwest Indian Country. Prior to joining BSNC, Ms. Schubert practiced law in Anchorage after a successful career on Wall Street, where she worked at the Federal Reserve Bank of New York and two Wall Street law firms. She earned an undergraduate degree from Stanford University, a MBA from Cornell University's Johnson School of Management with an emphasis in accounting and finance, and a JD from the Cornell University School of Law. Ms. Schubert was born and raised in Unalakleet, Alaska.

Robert M. ("Rob") Johnson, Vice Chair, has been an attorney in Alaska for over 40 years. In private practice, Mr. Johnson was outside counsel for ARMB since its inception in 2005 until he recently retired from full-time practice. He also was sole outside counsel for ARMB's predecessor entities, the Alaska State Pension Investment Board and the PERS and TRS board. Mr. Johnson's law practice included many matters of state-wide importance including Exxon Valdez litigation, public sector labor disputes under the Public Employees Relations Act, and multi-year controversies involving valuation of the Trans-Alaska Pipeline System. His public employment included tenures as an assistant attorney general and director of petroleum revenue. Mr. Johnson received his law degree from Stanford and a BA in history from Claremont McKenna College.

Gayle W. Harbo, Secretary, retired after teaching mathematics in Fairbanks for 25 years. She also served as math department chair, as advanced placement coordinator, on the district curriculum, evaluation and budget committees, and twice as chair of the Lathrop Self-Evaluation for Accreditation Committee. Ms. Harbo is a member of Alpha Delta Kappa, AARP, National Retired Teachers of Alaska, Fairbanks Retired Teachers Association, National Council of Teacher Retirement Systems, NCTR Education Committee, and the Alaska Teachers' Retirement Board. She is also a co-manager of a family trust. Ms. Harbo was named Alaska Teacher of the Year in 1989. She holds a BS in Mathematics from North Carolina State University, and a Masters in Teaching from the University of Alaska, Fairbanks, and has completed an additional 40 hours in mathematics, counseling, law and finance.

Tom Brice is the Business Representative for the Alaska District Council of Laborers administering the contracts in Southeast Alaska for Laborers Local 942 and Public Employees Local 71. He was elected to the position of Vice President of Laborers Local 942 in 2011, and has sat on the negotiating team for the state contract with Public Employees Local 71 for the past three contracts. Prior to this position, Mr. Brice was the Apprenticeship Outreach Coordinator for the Alaska Works Partnership. Here he developed and managed a statewide program focused on assisting qualified rural Alaskans to gain entrance to the various registered Alaskan Building Trade apprenticeships. Mr. Brice also served in the Alaska State House of Representatives between the 18th and 21st legislatures. He has a BA from the University of Alaska Fairbanks.

Kristin Erchinger is currently finance director for the city of Seward, having worked for the city in finance positions since 1994 including a year serving simultaneously as finance director and acting city manager. She became the finance director in 2000. Ms. Erchinger is past president of the Alaska Government Finance Officer's Association and

Introductory Section

represents that organization in the Alaska Municipal League. She also served on the Providence Alaska Region Board, the Graduate Medical Education Committee, the Alaska Municipal League Board, and the Board of the American Society for Public Administration, Alaska Chapter. Ms. Erchinger earned bachelor's degrees in international studies and Japanese language and literature, both from the University of Washington, and a master's degree in public administration from the University of Alaska Anchorage.

Sheldon Fisher, Commissioner of the Department of Administration, was appointed by Governor Walker in December 2014. Mr. Fisher was born and raised in Ashland, Oregon, and attended Brigham Young University (BYU), where he graduated with honors with a degree in economics. After BYU, Mr. Fisher went on to receive a law degree from Yale Law School and worked for a time for the law firm of Latham & Watkins. In 1994, Mr. Fisher left Latham & Watkins to pursue a career in telecommunications, working first for Hughes Electronics, and later, as the General Manager of Sprint's Broadband Wireless business. Mr. Fisher came to Alaska in 2004 taking a position as Senior Vice President of Sales and Product Marketing for Alaska Communications Systems, where he was responsible for all customer facing organizations, including all revenue generation. In 2010, Mr. Fisher resigned from ACS in order to run for Congress. In 2011, Mr. Fisher joined McKinley Capital Management, LLC, as the Chief Operating Officer, where he was responsible for the day to day administrative and general business operations of McKinley Capital. Mr. Fisher brings 20 years of management experience focusing on operations, technology infrastructure and marketing. Mr. Fisher has been married to his wife, Christine, for 26 years, and they are the parents of 7 children.

Randall Hoffbeck, Commissioner of the Department of Revenue, was appointed by Governor Walker in December 2014. Mr. Hoffbeck has 30+ years of experience in tax administration, valuation, and appraisal of real estate, as a contractor to the Tax Division from 1999-2001, and then as Petroleum Property Assessor for the State of Alaska from 2001-2006. In that capacity, he was the lead appraiser in the valuation and administration of tax assessments on all oil and gas properties in the State of Alaska. From 2006-2011 Mr. Hoffbeck served as the Director of Administration and Finance and CFO for the North Slope Borough before being appointed Chief of Staff in 2012. In late 2012 he retired from government service to focus on the completion of a Master of Divinity Degree which was completed in October 2014. Mr. Hoffbeck and his wife Cindy have just returned from serving with a short term Christian medical mission team in Kenya.

Norman West, CPA, is the Chief Financial Officer at Alaska USA Federal Credit Union with over 30 years of experience with employee benefit plans and management of large fixed income securities portfolios of \$200 million to \$1 billion. Mr. West is responsible for the investment of the Credit Union's fixed income portfolio as well as accounting and related activities. He served on the boards of the Credit Union subsidiaries, including Alaska USA Mortgage, Alaska USA Trust Company, Alaska USA Insurance Brokers, and served as a trustee on the Alaska USA Federal Credit Union's defined benefit plan. Prior to his Alaska USA employment, Mr. West was the Trust Controller and Chief Investment Officer for the Alaska Teamsters Employer Service Corp., the administrator for the union's benefit plans. He previously practiced as a CPA in Alaska, Arizona and Texas, and received training as an ERISA specialist in 1977. He has been active for many years in professional organizations as a member, officer and presenter, and served as a volunteer in church and Boy Scouts most of his adult life. Mr. West is a graduate of Brigham Young University with a B.S. in Accounting. He resides in Palmer and is the father of eleven children.

Bob Williams began his teaching career as a Peace Corps teacher in Gambia, Africa. He is a nationally board certified teacher, (NBCT, Math – AYA) and currently teaches Calculus and Geometry at Colony High School in Palmer. Mr. Williams is the Alaska 2009 Teacher of the Year, served as the president of the Alaska Council of Teachers of Mathematics from 2011-2013, and is the recipient of the Presidential Award for Excellence in Mathematics Teaching. He was one of five national recipients of the 2010 Horace Mann Teaching Excellence award and is a 2012 Aspen Teacher Leader Fellow. Mr. Williams has a B.S. in Petroleum Engineering from the University of Alaska, Fairbanks, an M.A. in Mathematics Education from Columbia University, and an M.Ed. in Educational Leadership from the University of Alaska, Anchorage.



FINANCIAL SECTION

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System



KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Public Employees' Retirement System:

We have audited the accompanying combining financial statements of the State of Alaska Public Employees' Retirement System (the System), a component unit of the State of Alaska, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Financial Section

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the fiduciary net position of the State of Alaska Public Employees' Retirement System as of June 30, 2016, and the changes in fiduciary net position for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2015 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 4, 2015. In our opinion, the summarized comparative information presented herein as of and for the year then ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15-24, and the schedule of changes in employer net pension liability and related ratios, schedule of employer and nonemployer contributions, schedule of investment returns, schedule of funding progress, and schedule of contributions from employers and the State of Alaska on pages 45-61 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 63 and 64 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

December 22, 2016

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2016

This section presents management's discussion and analysis (MD&A) of the Public Employees' Retirement System's (System) financial position and performance for the year ended June 30, 2016. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal year ended June 30, 2016.

Financial Highlights

The System's financial highlights as of June 30, 2016 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals decreased by \$467 million during fiscal year 2016.
- The System's plan member and employer contributions increased by \$5.8 million during fiscal year 2016.
- The State of Alaska directly appropriated \$126.5 million during fiscal year 2016.
- The System's net investment income decreased \$566.4 million to a loss of \$86.8 million during fiscal year 2016.
- The System's pension benefit expenditures totaled \$732.4 million during fiscal year 2016.
- The System's postemployment healthcare benefit expenditures totaled \$401.2 million in fiscal year 2016.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are composed of three components: (1) combining statement of fiduciary net position, (2) combining statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Combining Statement of Fiduciary Net Position – This statement presents information regarding the System's assets, liabilities, and resulting net position held in trust for pension benefits, postemployment healthcare benefits, and individuals. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets less liabilities at June 30, 2016.

Combining Statement of Changes in Fiduciary Net Position – This statement presents how the System's net position held in trust for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal year ended June 30, 2016. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2016 and the sources and uses of those funds during fiscal year 2016.

Financial Section

State of Alaska
Public Employees' Retirement System
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Notes to the Financial Statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the System's financial statements.

Required Supplementary Information and Related Notes – The required supplementary information consists of five schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplemental Schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information (in thousands)

Description	System net position				
	2016	2015	Increase (decrease)		2014
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 148,228	344,298	(196,070)	(56.9)%	\$ 501,598
Due from State of Alaska General Fund	19,922	17,210	2,712	15.8	16,981
Contributions receivable	27,733	29,744	(2,011)	(6.8)	29,188
Due from retiree health fund	—	2	(2)	—	—
Due from PERS Occupational death & disability	2	—	2	—	—
Other receivables	218	219	(1)	—	8
Investments, at fair value	15,838,187	16,115,456	(277,269)	(1.7)	14,872,108
Other assets	2,108	2,110	(2)	(0.1)	4,365
Total assets	<u>16,036,398</u>	<u>16,509,039</u>	<u>(472,641)</u>	<u>(2.9)</u>	<u>15,424,248</u>
Liabilities:					
Accrued expenses	10,368	13,150	(2,782)	(21.2)	11,416
Claims payable	45,313	46,147	(834)	(1.8)	48,280
Forfeiture payable	27,351	22,545	4,806	21.3	17,613
Due to PERS DB Pension Fund	2	—	2	—	—
Due to State of Alaska General Fund	4,568	11,854	(7,286)	(61.5)	5,641
Total liabilities	<u>87,602</u>	<u>93,696</u>	<u>(6,094)</u>	<u>(6.5)</u>	<u>82,950</u>
Net position	<u>\$ 15,948,796</u>	<u>16,415,343</u>	<u>(466,547)</u>	<u>(2.8)%</u>	<u>\$ 15,341,298</u>

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Description	Changes in system net position		Increase (decrease)		2014
	2016	2015	Amount	Percentage	
Net position, beginning of year	\$ 16,415,343	15,341,298	1,074,045	7.0%	\$ 13,011,799
Additions:					
Contributions - Employers and members	660,834	655,049	5,785	0.9	646,412
Nonemployer Contribution – State of Alaska	126,520	1,000,000	(873,480)	(87.3)	312,473
Net investment income (loss)	(86,770)	479,616	(566,386)	(118.1)	2,402,053
Other additions	31,963	47,020	(15,057)	(32.0)	17,438
Total additions	<u>732,547</u>	<u>2,181,685</u>	<u>(1,449,138)</u>	<u>(66.4)</u>	<u>3,378,376</u>
Deductions:					
Pension and postemployment healthcare benefits	1,133,712	1,048,786	84,926	8.1	996,129
Refund of contributions	40,744	34,116	6,628	19.4	30,503
Administrative	24,638	24,738	(100)	(0.4)	22,245
Total deductions	<u>1,199,094</u>	<u>1,107,640</u>	<u>91,454</u>	<u>8.3</u>	<u>1,048,877</u>
Increase (decrease) in net position	<u>(466,547)</u>	<u>1,074,045</u>	<u>(1,540,592)</u>	<u>(143.4)</u>	<u>2,329,499</u>
Net position, end of year	<u>\$ 15,948,796</u>	<u>16,415,343</u>	<u>(466,547)</u>	<u>(2.8)%</u>	<u>\$ 15,341,298</u>

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2016 and 2015 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of \$15,948,796,000 and \$16,415,343,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

These amounts represent a decrease in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of \$466,547,000 or (2.8%) from fiscal year 2015 to 2016 and an increase of \$1,074,045,000 or 7.0% from fiscal year 2014 to 2015. Over the long term, plan member, employer and nonemployer contributions, and State of Alaska appropriations, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

During the Twenty-Ninth Alaska State Legislature and as part of the State of Alaska's Fiscal Year 2016 Operating Budget, House Bill 2001 appropriated \$126.5 million from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension and the Alaska Retiree Healthcare Trust funds.

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Contributions, Investment Income, and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State of Alaska appropriation, investment income, and other additions as follows:

	Additions (in thousands)				
	2016	2015	Increase (decrease)		2014
			Amount	Percentage	
Employer contributions	\$ 486,979	483,881	3,098	0.6%	\$ 477,133
Plan member contributions	173,855	171,168	2,687	1.6	169,279
Nonemployer contributions – State of Alaska	126,520	1,000,000	(873,480)	(87.3)	312,473
Net investment income (loss)	(86,770)	479,616	(566,386)	(118.1)	2,402,053
Other additions	31,963	47,020	(15,057)	(32.0)	17,438
Total	<u>\$ 732,547</u>	<u>2,181,685</u>	<u>(1,449,138)</u>	<u>(66.4)%</u>	<u>\$ 3,378,376</u>

The System's employer contributions increased from \$483,881,000 in fiscal year 2015 to \$486,979,000 in fiscal year 2016, an increase of \$3,098,000 or 0.6%. The System's employer contributions increased from \$477,133,000 in fiscal year 2014 to \$483,881,000 in fiscal year 2015, an increase of \$6,748,000 or 1.4%. The increase in employer contributions is attributable to increased contributions from the defined benefit unfunded liability portion of DCR Plan salaries and salary floor payments.

The State of Alaska provided \$126.5 million for fiscal year 2016 and \$1 billion for fiscal year 2015 in nonemployer contributions per Alaska Statute (AS) 39.35.280. The employer on-behalf amount (or additional state contributions as defined in AS 39.35.280) is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The employer effective contribution rate of 22.00% is established in AS 39.35.255(a). In fiscal year 2015, in an effort to bolster the funding levels of both pension plans, the Alaska legislature appropriated an amount in excess of the actuarially determined contribution rate, in anticipation that this additional funding would decrease future nonemployer contributions.

The System's net investment income in fiscal year 2016 decreased by \$566,386,000 or a negative 118.1% from amounts recorded in fiscal year 2015. The System's net investment income in fiscal year 2015 decreased by \$1,922,437,000 or 80.0% from amounts recorded in fiscal year 2014. Over the long term, investment earnings play a significant role in funding plan benefits. Over the last two years, the investment environment has been challenging to plans across the country. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

Financial Section

State of Alaska
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The System's investment rates of return at June 30 are as follows:

	Year ended		
	2016	2015	2014
System returns	(0.36)%	3.29%	18.46%
Domestic equities	0.58	7.84	25.45
International equities	(9.15)	(3.32)	23.41
Fixed income	5.15	(0.74)	5.14
Private equity	4.71	13.77	24.19
Absolute return	(3.09)	9.24	6.51
Real assets	4.76	3.70	12.71
Cash equivalents	0.55	0.28	0.26
Alternative equity	3.41	(0.89)	24.55
Actuarial rate of return	8.00	8.00	8.00

Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and other postemployment benefits, primarily healthcare. The primary deduction of the DCR Plan is the refund of contributions. These benefit payments, healthcare claims paid, refunds of contributions, and the cost of administering the System comprise the cost of operations as follows:

	Deductions (in thousands)				
	2016	2015	Increase (decrease)		2014
			Amount	Percentage	
Pension benefits	\$ 732,479	686,493	45,986	6.7%	\$ 640,518
Postemployment healthcare benefits	401,233	362,293	38,940	10.7	355,611
Refund of contributions	40,744	34,116	6,628	19.4	30,503
Administrative	24,638	24,738	(100)	(0.4)	22,245
Total	\$ 1,199,094	1,107,640	91,454	8.3%	\$ 1,048,877

The System's pension benefit payments in 2016 increased \$45,648,000 or 6.6% from fiscal year 2015 and increased \$45,975,000 or 7.2% from fiscal year 2014 to 2015. The increase in pension benefits in fiscal year 2016 is the result of an increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2016 increased \$38,940,000 or 10.7% from fiscal year 2015 and increased \$6,682,000 or 1.9% from fiscal year 2014 to 2015. The System has seen an increase in plan utilization for healthcare as the number of retirees in the DB Plan continue to increase. The System continues to look at ways for cost containment while providing benefits applicable to the plan.

State of Alaska
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The System's refund of contributions increased \$6,628,000 or 19.4% from fiscal year 2015 to 2016 and increased \$3,613,000 or 11.8% from fiscal year 2014 to 2015. The increase in refunds is entirely in the DCR Plan, where refunds increased \$6,643,000 between fiscal year 2015 to 2016, and increased \$4,963,000 from fiscal year 2014 to 2015. The System continues to look at ways to retain member contributions by emphasizing the low investment costs to members to maintain funds within the DCR Plan, with a number of investment options available.

The System's administrative deductions in 2016 decreased \$100,000 or 0.4% from fiscal year 2015 and increased \$2,493,000 or 11.2% from fiscal year 2014 to 2015. The decrease in administrative costs in fiscal year 2016 is related to increases in management, consulting, and other professional services, offset by a decrease in Patient Protection and Affordable Care Act transitional reinsurance program fees.

Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 67, requires the Defined Benefit Pension (DB) Plan to report the Total Pension Liability (TPL), Fiduciary Net Position (FNP), and the Net Pension Liability (NPL). The TPL determines the total obligation for the DB Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The DB Plan's FNP determines the assets available to pay the DB Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the DB Plan. The difference between the TPL and FNP is the NPL, or the unfunded portion of the TPL.

The components of the net pension liability of the participating employers were as follows (in thousands):

	<u>2016</u>	<u>2015</u>
Total pension liability	\$ 13,817,285	13,456,876
Plan fiduciary net position	<u>(8,227,687)</u>	<u>(8,606,862)</u>
Employers' net pension liability	<u>\$ 5,589,598</u>	<u>4,850,014</u>
Plan fiduciary net position as a percentage of the total pension liability	59.55%	63.96%

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Funding

Retirement benefits are financed by accumulations from employers, plan members, State of Alaska nonemployer contributions, and income earned on System investments.

- The employer contribution rate is adopted and set by the Board annually based on actuarial determinations made by the System's consulting actuary as reviewed by the Board's contracted actuary. Alaska Statute 39.35.255(a) sets the employer effective contribution rate at 22.00%. The difference between the actuarially determined contribution rate adopted by the Board and the statutory employer effective rate is paid by the State of Alaska as a direct appropriation per AS 39.35.280.
- AS 39.35.280 provides that additional state contributions are made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions are sufficient to pay the System's past service liability at the contribution rate adopted by the Board for that fiscal year.
- Plan member contributions are set by Alaska Statute 39.35.160 for the DB Plan and Alaska Statute 39.35.730 for the DCR Plan.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2016, the Twenty-Ninth Alaska State Legislature enacted one law that affects the System:

- House Bill 256, Section 28(a) appropriates \$99.2 million from the General Fund and the Alaska Higher Education Investment Fund to the Department of Administration for deposit in the System's defined benefit pension fund and the retiree healthcare trust as partial payment of the participating employers' contribution for fiscal year ending June 30, 2017. This appropriation is to fund the difference between the statutory required contribution of 22% paid by participating employers for both defined benefit and defined contribution members, and the actuarially determined contribution rate adopted by the Board for that fiscal year, and is specified in Alaska Statute 39.35.280 – Additional State Contributions.

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)

Management's Discussion and Analysis

June 30, 2016

Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

Fiscal year 2016 was a year of negative investment returns. Net investment income decreased from \$479,616,000 in fiscal year 2015 to a loss of \$86,770,000 in fiscal year 2016, a decrease of \$566,386,000 or a negative 118.1%. The return on the System's investments was significantly below the 8.00% actuarially assumed rate of return with the System's actual rate of return of (0.36)% at June 30, 2016. In fiscal year 2015, the System's investments returned 3.29%, less than one-half the actuarially assumed rate of 8.00%. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended a decrease from the System's actuarially determined contribution rate of 44.03% in fiscal year 2015 to 27.19% in fiscal year 2016. The Board adopted the fiscal year 2016 actuarially determined contribution rate of 27.19%, which represented a decrease of 16.84%. The statutory employer effective contribution rate remained at 22.00% for fiscal years 2016 and 2015.

The June 30, 2015 and 2014 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 78.3% and 70.1%, respectively, as well as unfunded liabilities of \$4.5 billion and \$6.3 billion, respectively.

The System expected this decrease in the DB Plan's recommended actuarially determined contribution rate and the corresponding increase in the pension and healthcare funding ratios as of the June 30, 2015 actuarial valuation report with the infusion of the \$1 billion appropriated from the Constitutional Budget Reserve Fund during fiscal year 2015. Additionally, due to statutory changes implemented by the Alaska Legislature in conjunction with the \$1 billion infusion to the DB Plan, the statute (1) established the level percentage of pay approach as a replacement to the level dollar approach and (2) reset the 25-year amortization period beginning July 1, 2014.

For fiscal years 2016 and 2015, the DCR Plan's employer contribution rate was established by Alaska statute at 22.00%. The DCR Plan's actuarially determined occupational death and disability rate was adopted by the Board for fiscal years 2016 and 2017 to be 1.05% and 0.49%, respectively, for peace officers/firefighters; 0.22% and 0.17%, respectively, for all others. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board for fiscal years 2016 and 2017 to be 1.68% and 1.18%, respectively.

State of Alaska
Public Employees' Retirement System
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Management's Discussion and Analysis

June 30, 2016

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with interest in the finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

State of Alaska Public Employees' Retirement System
Division of Retirement and Benefits, Finance Section
P.O. Box 110203
Juneau, Alaska 99811-0203

Questions concerning any of the investment information provided in this report or requests for additional investment information should be addressed to:

State of Alaska
Department of Revenue, Treasury Division
P.O. Box 110405
Juneau, Alaska 99811-0405

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)

Combining Statement of Fiduciary Net Position

June 30, 2016
(With comparative totals for June 30, 2015)

(In thousands)

	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefit Plans			System total June 30, 2016	System total June 30, 2015
			Alaska retiree healthcare trust	Occupational death and disability	Retiree medical		
Assets:							
Cash and cash equivalents (note 3):							
Short-term fixed income pool	\$ 54,115	17,610	58,917	353	1,352	3,950	136,297
Empower money market fund - nonparticipant directed	—	11,931	—	—	—	—	11,931
Total cash and cash equivalents	54,115	29,541	58,917	353	1,352	3,950	148,228
Receivables:							
Contributions	27,201	193	243	3	25	68	27,733
Due from State of Alaska General Fund	—	8,384	7,997	222	1,130	2,189	19,922
Due from Retiree Health Fund	—	—	—	—	—	—	—
Due from PERS Occupational Death and Disability	2	—	—	—	—	—	2
Other accounts receivable	212	6	—	—	—	—	218
Total receivables	27,415	8,583	8,240	225	1,155	2,257	47,875
Investments (note 3), at fair value:							
Fixed income securities:							
U.S. Treasury fixed income pool	378,535	—	311,353	989	2,688	10,216	703,781
Taxable municipal bonds	93,079	—	76,559	243	661	2,512	173,054
Tactical fixed income pool	289,364	—	238,007	756	2,055	7,809	537,991
High yield pool	130,864	—	107,638	342	929	3,532	243,305
International fixed income pool	55,776	—	53,045	215	703	2,303	112,042
Emerging debt pool	56,071	—	46,120	146	398	1,513	104,248
Total fixed income securities	1,003,689	—	832,722	2,691	7,434	27,885	1,874,421
Broad domestic equity:							
Large cap pool	1,767,873	—	1,454,111	4,618	12,553	47,712	3,286,867
Small cap pool	376,067	—	309,322	982	2,671	10,150	699,192
Total broad domestic equity	2,143,940	—	1,763,433	5,600	15,224	57,862	3,986,059
Broad international equity:							
International equity pool	1,636,322	—	1,345,907	4,274	11,619	44,162	3,042,284
International equity small cap pool	111,130	—	91,406	291	789	2,999	206,615
Frontier market pool	—	—	—	—	—	—	—
Emerging markets equity pool	235,156	—	193,421	614	1,670	6,346	437,207
Total broad international equity	1,982,608	—	1,630,734	5,179	14,078	53,507	3,686,106
Alternative equity:							
Alternative equity	279,635	—	230,005	730	1,986	7,547	519,903
Convertible bond pool	70,302	—	57,825	184	499	1,897	130,707
Total alternative equity	349,937	—	287,830	914	2,485	9,444	650,610
Private equity pool	655,867	—	539,464	1,713	4,657	17,701	1,219,402
Absolute return pool	541,239	—	445,180	1,414	3,843	14,607	1,006,283
Real assets:							
Real estate pool	522,700	—	429,273	1,363	3,706	14,085	971,127
Real estate investment trust pool	125,519	—	103,242	328	891	3,388	233,368
Infrastructure private pool	114,141	—	93,883	298	811	3,081	212,214
Infrastructure public pool	73,897	—	60,782	193	525	1,994	137,391
Master limited partnership pool	173,833	—	142,981	454	1,234	4,691	325,193
Energy pool	25,548	—	21,014	67	181	690	47,500
Farmland pool	288,340	—	237,165	753	2,047	7,782	536,087
Timber pool	134,480	—	110,612	351	955	3,629	250,027
Treasury inflation protected securities pool	19,834	—	16,314	52	141	535	36,876
Total real assets	1,478,292	—	1,215,266	3,859	10,491	39,875	2,747,783
Other investment funds, at fair value:							
Pooled investment funds	—	366,668	—	—	—	—	366,668
Collective investment funds	—	300,855	—	—	—	—	300,855
Total other investment funds	—	667,523	—	—	—	—	667,523
Total investments	8,155,572	667,523	6,714,629	21,370	58,212	220,881	15,838,187
Other assets	15	—	2,093	—	—	—	2,108
Total assets	8,237,117	705,647	6,783,879	21,948	60,719	227,088	16,036,398
Liabilities:							
Accrued expenses	4,862	178	5,312	—	12	4	10,368
Forfeitures payable	—	27,351	—	—	—	—	27,351
Claims payable (note 6)	—	—	45,313	—	—	—	45,313
Due to PERS DB Pension Fund	—	—	—	2	—	—	2
Due to State of Alaska General Fund	4,568	—	—	—	—	—	4,568
Total liabilities	9,430	27,529	50,625	2	12	4	87,602
Net position held in trust for pension benefits, postemployment healthcare benefits, and individuals:	\$ 8,227,687	678,118	6,733,254	21,946	60,707	227,084	15,948,796
							16,415,343

See accompanying notes to financial statements.

Financial Section

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)
Combining Statement of Changes in Fiduciary Net Position
June 30, 2016
(With comparative totals for June 30, 2015)
(In thousands)

	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefit Plans				System total June 30, 2016	System total June 30, 2015
			Alaska retiree healthcare trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement		
Additions:								
Contributions:								
Employers	\$ 235,360	43,350	155,630	3,104	16,184	33,351	486,979	483,881
Plan members	96,024	77,196	621	14	—	—	173,855	171,168
Nonemployer State of Alaska	88,586	—	37,934	—	—	—	126,520	1,000,000
Total contributions	419,970	120,546	194,185	3,118	16,184	33,351	787,354	1,655,049
Investment income (loss):								
Net appreciation (depreciation) in fair value (note 2)	(184,340)	3,092	(148,263)	(356)	(677)	(3,499)	(334,043)	233,994
Interest	31,806	15	26,010	77	194	783	58,885	59,582
Dividends	120,406	—	98,742	292	740	2,983	223,163	222,163
Total investment income (loss)	(32,128)	3,107	(23,511)	13	257	267	(51,995)	515,739
Less investment expense	17,839	1,939	14,931	5	11	50	34,775	36,123
Net investment income (loss)	(49,967)	1,168	(38,442)	8	246	217	(86,770)	479,616
Other:								
Other	240	157	31,566	—	—	—	31,963	47,020
Total additions	370,243	121,871	187,309	3,126	16,430	33,568	732,547	2,181,685
Deductions:								
Pension and postemployment benefits	732,141	—	401,233	338	—	—	1,133,712	1,048,786
Refunds of contributions	10,034	30,710	—	—	—	—	40,744	34,116
Administrative	7,243	2,505	14,785	14	91	—	24,638	24,738
Total deductions	749,418	33,215	416,018	352	91	—	1,199,094	1,107,640
Net increase (decrease)	(379,175)	88,656	(228,709)	2,774	16,339	33,568	(466,547)	1,074,045
Net position held in trust for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	8,606,862	589,462	6,961,963	19,172	44,368	193,516	16,415,343	15,341,298
Balance, end of year	\$ 8,227,687	678,118	6,733,254	21,946	60,707	227,084	15,948,796	16,415,343

See accompanying notes to financial statements.

State of Alaska
Teachers' Retirement System
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2016

(With summarized financial information for June 30, 2015)

(1) Description

The State of Alaska Public Employees' Retirement System (PERS or the System) is a component unit of the State of Alaska (the State). The System is governed by the Alaska Retirement Management Board (the Board), which consists of nine trustees, as follows: two members, consisting of the commissioner of administration and the commissioner of revenue; two trustees who are members of the general public; one trustee who is employed as a finance officer for a political subdivision participating in either the PERS or Teachers' Retirement System (TRS); two trustees who are members of PERS; and two trustees who are members of TRS.

PERS acts as the common investment and administrative agency for the following multiple-employer plans:

Plan name	Type of plan
Defined Benefit Pension Plan	Cost-sharing, Defined Benefit Pension
Defined Contribution Pension Plan	Defined Contribution Pension
Defined Benefit Other Postemployment Benefits	
Alaska Retiree Healthcare Trust Plan	Cost-sharing, Defined Benefit OPEB
Occupational Death and Disability Plan	Cost-sharing, Defined Benefit OPEB
Retiree Medical Plan	Cost-sharing, Defined Benefit OPEB
Defined Contribution Other Postemployment Benefits	
Healthcare Reimbursement Arrangement Plan	Defined Contribution OPEB

At June 30, the number of participating local government employers and public organizations including the State was as follows:

	2016		
	Defined Benefit Pension	Defined Contribution Pension	OPEB Plans
State of Alaska	1	1	1
Municipalities	74	76	76
School districts	53	53	53
Other	27	27	27
Total employers	155	157	157

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	2015		
	Defined Benefit Pension	Defined Contribution Pension	OPEB Plans
State of Alaska	1	1	1
Municipalities	76	78	78
School districts	53	53	53
Other	27	27	27
Total employers	157	159	159

Inclusion in the plans is a condition of employment for eligible State employees, except as otherwise provided for judges, elected officers, and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and peace officer and firefighter employees covered by the System.

Defined Benefit Pension Plan

General

The Defined Benefit Pension (DB) Plan provides pension benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. With the passage of Senate Bill (SB) 141, the DB Plan is closed to all new members effective July 1, 2006.

The DB Plan's membership consisted of the following at June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	33,263
Inactive plan members entitled to but not yet receiving benefits	5,948
Active plan members	16,237
Total DB Plan membership	55,448

Pension Benefits

Members hired prior to July 1, 1986 with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members first hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Members with 30 or more years of credited service (20 years for peace officers and firefighters) may retire at any age and receive a normal benefit.

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The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officers and firefighters, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the members' five highest, consecutive years' salaries.

The benefit related to all years of service prior to July 1, 1986 and for years of service through a total of 10 years for general members is equal to 2% of the member's average monthly compensation for each year of service. The benefit for each year over 10 years of service subsequent to June 30, 1986 is equal to 2.25% of the member's average monthly compensation for the second 10 years and 2.5% for all remaining years of service. For peace officers and firefighters, the benefit for years of service through a total of 10 years is equal to 2% of the member's average monthly compensation and 2.5% for all remaining years of service.

Minimum benefits for members eligible for retirement are \$25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

The DB Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's Administrator if the funding ratio of the DB Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plans members' contribution rates are 7.5% for peace officers and firefighters, 9.76% for some school district employees, and 6.75% for general DB Plan members, as required by statute. Employer effective contribution rates are 22.00% of annual payroll. Alaska Statute 39.35.280 provides that the State, as a nonemployer contributing entity, contributes each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the Defined Contribution Retirement Pension (DCR) Plan payroll. The DBUL amount is computed as the difference between:

- (A) The amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less
- (B) The total of the employer contributions for:
 - (1) The defined contribution employer matching amount

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- (2) Major medical
- (3) Occupational death and disability
- (4) Health reimbursement arrangement.

The difference is deposited based on an actuarial allocation into the DB Plan's pension and healthcare funds.

Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they reestablish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan membership rights. Balances previously refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

Defined Contribution Retirement Pension Plan

General

DCR Plan provides retirement benefits for eligible employees hired after July 1, 2006. Additionally, certain active members of the DB Plan were eligible to transfer to the DCR Plan if that member had not vested in the DB Plan. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

At June 30, 2016, membership in the DCR Plan consisted of 1,611 Peace Officer and Firefighter members and 16,974 other members.

Retirement Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of (a) 25% with two years of service; (b) 50% with three years of service; (c) 75% with four years of service; and (d) 100% with five years of service.

Contributions

Alaska statutes require an 8.0% contribution rate for DCR Plan members. Employers are required to contribute 5.0% of the member's compensation.

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Participant Distributions and Refunds of Contributions

A member is eligible to request a refund of contributions from their account 60 days after termination of employment.

Participant Accounts

Participant accounts under the DCR Plan are self-directed with respect to investment options. Investment options are disclosed in note 3.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Record-keeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, and applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the record keeper and by the State. The investment management fees are netted out of the funds' performance.

Defined Benefit Other Postemployment Benefit Plans

Alaska Retiree Healthcare Trust Plan

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust Plan (ARHCT), a healthcare trust fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

Membership in the plan was as follows as of June 30, 2016:

Inactive plan members or beneficiaries currently receiving benefits	33,263
Inactive plan members entitled to but not yet receiving benefits	5,948
Active plan members	16,237
Total DB Plan membership	55,448

OPEB Benefits

Major medical benefits are provided to retirees and their surviving spouses at no premium cost for all members hired before July 1, 1986 (Tier 1) and disabled retirees. Members hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 [Tier 3]) must pay the full monthly premium if they are under age 60 and will receive benefits at no premium cost if they are over age 60. Tier 3 members with between five and ten years of credited service must

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pay the full monthly premium regardless of their age. Tier 2 and Tier 3 members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 members who are receiving a conditional benefit and are age eligible are eligible for

postemployment healthcare benefits. In addition, peace officers and their surviving spouses with 25 years of peace officer membership service and all other members and their surviving spouses with 30 years of membership service receive benefits at no premium cost, regardless of their age or date of hire. Peace officers/firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2016 employer effective contribution rate is 22.00% of member's compensation.

Occupational Death and Disability Plan

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Members in the Death and Disability Plan consisted of the following at June 30, 2016:

Active plan members	18,585
Participating employers	157
Open claims	11

Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

If an active general DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the DB Plan's member's salary. If an active peace officer or firefighter DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 50% of the DB Plan's member's salary or 75% of the member's retirement benefit calculated as if the member had survived until normal retirement age, whichever is greater. When death is due to occupational causes and there is no surviving spouse, the DB Plan's member's dependent child(ren) may receive the monthly pension until they are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump-sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the DB Plan member had lived. The new

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benefit is based on the DB Plan member's average monthly compensation at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If the death was from nonoccupational causes and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average monthly compensation at the time of death. If the DB Plan member is not married or vested, a lump-sum death benefit is payable to the named beneficiary(ies).

The monthly survivor's pension section for survivors of DCR Plan employees who were not peace officers or fire fighters is 40% of the employee's monthly compensation in the month in which the employee dies. The monthly survivor's pension for survivors of employees who were peace officers or firefighters is 50% of the monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

Disability Benefits

Active DB Plan members who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age, or when the service requirement for normal retirement is met. Although there are no minimum service requirements for DB Plan members to be eligible for occupational disability, DB Plan members must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the DB Plan's salary at the time of the disability. The nonoccupational disability benefit is based on the DB Plan member's service and salary at the time of disability. At normal retirement age, a disabled general DB Plan member receives normal retirement benefits. A peace officer or firefighter DB Plan member may elect to receive normal retirement benefits calculated under the occupational disability benefit rules.

A DCR Plan member is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the member's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2016, the rates are 5% for Occupational Death and Disability for peace officers and firefighters, and 5% for Occupational Death and Disability non-peace officers and firefighters.

Retiree Medical Plan

The retiree medical plan is established under AS 39.35.880 – Medical Benefits. The Department of Administration, Division of Retirement and Benefits, which administers the System's health plans, is in the

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process of formalizing and finalizing the retiree medical plan. Members will be eligible for the DCR Plan's health benefits plan beginning in June 2016. Currently, no members are eligible to use this plan until they have at least 10 years of service.

Defined Contribution Other Postemployment Benefit Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. For each member of the plan, an employer shall contribute an amount equal to 3.0% of the average annual compensation of all employees of all employers in the System. As of June 30, 2016, there were 28,468 members and 157 participating employers.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The accompanying financial statements have been prepared using the economic resources measurement focus and on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles (GAAP), as prescribed by the Governmental Accounting Standards Board (GASB). Contributions are due to the System when employee services have been performed and paid. Contributions are recognized as revenues when due pursuant to statutory requirements. Benefits and refunds are recognized when due and payable and expenses are recorded when the corresponding liabilities are incurred, regardless of when contributions are received or payment is made.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

Defined Benefit Pension and OPEB Investments

The System owns shares in various investment pools that are administered by the State of Alaska Department of Revenue, Division of Treasury (Treasury). The System's investment in the pools, except for the Short-term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury.

The Short-term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

Defined Contribution Participant – Directed Investments

The Board contracts with an external investment manager, through the Treasury, who is given the authority to invest in a wholly owned pooled environment to accommodate 13 participant-directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds. Income for the Pooled

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Investment and Collective Investment Funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Pooled Participant-directed Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets comprise domestic and international stocks, investment-grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year, which include but are not limited to commercial paper, asset-backed securities, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as obligations of the U.S. government and its agencies, and repurchase agreements collateralized by U.S. Treasury instruments.

Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are comprised commingled investment funds, alongside other investors, through ownership of equity shares.

Contributions Receivable

Contributions from the System's members and employers for service through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

Amounts due from (to) the State of Alaska General Fund represent the amounts paid by the System on behalf of others and amounts paid by others on behalf of the System.

Federal Income Tax Status

The DB Plan and DCR Plan are qualified plans under Sections 401(a) and 414(d) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

GASB Statement No. 67

GASB Statement No. 67, Financial Reporting for Pension Plans, requires the disclosures of the total pension liability, fiduciary net position, and net pension liability for single-employer and cost-sharing multiple-employer defined benefit pension plans. GASB Statement No. 67 also requires certain additional note disclosures for defined benefit pension plans including the annual money-weighted rate of return on plan investments. GASB Statement No. 67 revised the reporting requirements for required supplementary information to include

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schedules that provide trend information related to (1) changes in the net pension liability, (2) the actuarially and contractually determined contributions of employer contributing entities, and (3) the annual money-weighted rate of return on plan investments.

(3) Investments

The Board is the investment oversight authority of the System's investments. As the fiduciary, the Board has the statutory authority to invest assets under the Prudent Investor Rule. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DCR Participant Directed Pension Plans under the Board's fiduciary responsibility.

Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Treasury manages the U.S. Treasury Fixed Income Pool, Dow Jones Dividend 100 Index Fund in the Alternative Equity Strategies Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The Short-term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other state funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2016 for the defined benefit pension plan is -0.68%.

For additional information on interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at <http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx>.

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(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2016, were as follows (in thousands):

Total pension liability	\$	13,817,285
Plan fiduciary net position		<u>(8,227,687)</u>
Employers' net pension liability	\$	<u><u>5,589,598</u></u>
Plan fiduciary net position as a percentage of the total pension liability		59.55%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2016:

Inflation	3.12%
Salary increases	Graded by service, from 9.66% to 4.92% for Peace Officer/Firefighter Graded by age and service, from 8.55% to 4.34% for All Others
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

Pre-termination mortality rates were based upon the 2010–2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others. Post-termination mortality rates were based on 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

The actuarial assumptions used in the June 30, 2015 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions effective for the June 30, 2014 actuarial valuation adopted by the Board to better reflect expected future experience. The assumptions used in the June 30, 2015 actuarial valuation are the same as those used in the June 30, 2014 actuarial valuation.

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The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return with the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset class	Long-term expected real rate of return
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55
Private Equity	6.25
Fixed Income Composite	0.80
Real Estate	3.65
Alternative Equity	4.70
Cash equivalents	—

Discount Rate

The discount rate used to measure the total pension liability was 8.00%. The projection of cash flows used to determine the discount rate assumed that employer and nonemployer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the net pension liability of the System calculated using the discount rate of 8%, as well as what the Systems' net pension liability would be if it were calculated using a discount rate that is one percentage point lower (7%) or one-percentage point higher (9%) than the current rate (in thousands):

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability	\$ 7,199,118	5,589,597	4,232,040

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(5) Defined Benefit OPEB Funding Status

The funded status of the retiree healthcare trust, occupational death and disability, and retiree medical benefits is as follows (in thousands):

	<u>Actuarial valuation date</u>	<u>Actuarial accrued liability (AAL) entry age</u>	<u>Actuarial valuation assets</u>	<u>Funded ratio</u>	<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Healthcare trust	June 30, 2015	\$ 12,283,190	7,242,299	59.0%	5,040,891	\$ 1,420,479	354.9%
Occupational death and disability plan	June 30, 2015	5,049	19,014	376.6	(13,965)	778,980	(1.8)
Retiree medical	June 30, 2015	124,660	44,188	35.4	80,472	778,980	10.3

The funding ratio as of June 30, 2015 has increased. The funding ratio increase was primarily due to positive experiences in demographic experience and lower retiree medical costs compared to expected costs that lead to this increase.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of contributions (unaudited) from employers present trend information about the amounts contributed to the plan by employers in comparison to the actuarially required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB Statement No. 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation is as follows:

June 30, 2015	
	Defined Benefit
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare
Amortization method	Level percentage of pay, closed for pension; level dollar, closed for healthcare
Equivalent single amortization period	25 years as of June 30, 2014
Asset valuation method	5-year smoothed market starting FY 2015
Actuarial assumptions:	
Investment rate of return	8.00% for pension, 4.55% for healthcare; includes price inflation at 3.12%
Projected salary increases	Peace officer/firefighter: merit – 2.75% per the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Inflation - 3.12%. Others: merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0.0%. Productivity – 0.5% per year. Inflation - 3.12%.
Cost-of-living adjustment	Postretirement pension adjustment
June 30, 2015	
	ODD and Retiree Medical
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for occupational death and disability; level dollar normal cost basis for retiree medical
Amortization method	Level percent of pay for occupational death and disability; level dollar for, closed with retiree medical. Closed with bases established annually.
Equivalent single amortization period	20 years to reflect retiree medical liabilities without regard to Medicare Part D
Asset valuation method	5-year smoothed market. 80% to 120% of fair value corridor
Actuarial assumptions:	
Investment rate of return	8.00% for occupational death and disability (net of expenses), 5.41% for retiree medical. Inflation - 3.12%.
Projected salary increases	Peace officer/firefighter: merit – 2.75% per year for the first 4 years of employment, grading down 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Inflation - 3.12%. Others: merit – 6.00% per year, grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0.0%. Productivity – 0.5% per year. Inflation - 3.12%.

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GASB Statement No. 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 System's retiree healthcare benefits are partially funded. GASB Statement No. 43 outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on (1) the funded ratio and (2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State has utilized the second methodology to develop a discount rate of 4.55% as of June 30, 2013, to be used for June 30, 2016 disclosure.

The System's retiree medical benefits are fully funded. Therefore, the 8.00% discount rate used for GASB Statement 25 reporting is also applied herein for GASB Statement 43 disclosure purposes.

Based on GASB accounting rules, the retiree drug subsidy (RDS) the State receives under Medicare Part D has not been recognized for GASB Statement No. 43 disclosure purposes.

Financial Section

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Notes to Financial Statements

June 30, 2016

(With summarized financial information for June 30, 2015)

(6) Claims Payable

The liability for claims incurred but not reported represents the estimated amounts necessary to settle all outstanding claims, incurred but not reported, as of the balance sheet date. The ARHCT and Retiree Medical Plan's reserve estimates are based primarily on historical development patterns adjusted for current trends that would modify past experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

Changes in the balances of claims liabilities are as follows (in thousands):

	2016	2015
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ 9,753	—
Incurred but not reported	46,147	48,280
Total, beginning of year	55,900	48,280
Benefit deductions	401,233	361,930
Benefits paid	(409,805)	(354,310)
Total, end of year	\$ 47,328	55,900
End of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ —	9,753
Warrants outstanding	2,015	—
Incurred but not reported	45,313	46,147
Total, end of year	\$ 47,328	55,900

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June 30, 2016

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(7) Commitments and Contingencies

Contingencies

The Division of Retirement and Benefits (the Division) is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

(8) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The ARHCT was approved for participation in the Medicare Part D program beginning calendar year 2006.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

State of Alaska
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Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension Liability and Related Ratios - Defined Benefit Pension Plan

(In thousands)

	2016	2015	2014	2013	2012
Total pension liability:					
Service cost	\$ 172,304	184,712	160,828	167,203	172,968
Interest	1,049,226	1,020,947	940,786	927,692	887,361
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	(118,947)	10,791	—	56,229	42,847
Changes of assumptions	—	541,390	—	—	—
Benefit payments, including refunds of member contributions	(742,174)	(696,542)	(651,917)	(634,187)	(593,279)
Net change in total pension liability	360,409	1,061,298	449,697	516,937	509,897
Total pension liability – beginning	13,456,876	12,395,578	11,945,881	11,428,944	10,919,047
Total pension liability – ending (a)	13,817,285	13,456,876	12,395,578	11,945,881	11,428,944
Plan fiduciary net position:					
Contributions – employer	235,360	226,136	206,204	179,976	182,695
Contributions – member	96,024	100,036	106,565	110,808	112,703
Contributions – nonemployer entity (State)	88,586	1,000,000	176,794	164,087	130,912
Total net investment income (loss)	(49,967)	253,311	1,207,484	738,656	1,650
Other miscellaneous income	240	36	49	28	35
Benefit payments, including refunds of member contributions	(742,175)	(696,542)	(651,917)	(610,247)	(570,883)
Administrative expenses	(7,243)	(7,553)	(8,223)	(7,120)	(6,743)
Net change in plan fiduciary net position	(379,175)	875,424	1,036,956	576,188	(149,631)
Plan fiduciary net position – beginning	8,606,862	7,731,438	6,694,482	6,118,294	6,267,925
Plan fiduciary net position – ending (b)	8,227,687	8,606,862	7,731,438	6,694,482	6,118,294
Plan's net pension liability (a) - (b)	\$ 5,589,598	4,850,014	4,664,140	5,251,399	5,310,650
Plan fiduciary net position as a percentage of the total pension liability	59.55%	63.96%	62.37%	56.04%	53.53%
Covered-employee payroll	\$ 1,322,925	1,412,237	1,405,198	1,534,665	1,522,399
Net pension liability as a percentage of covered-employee payroll	422.52%	346.43%	331.92%	342.19%	348.83%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

State of Alaska
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Required Supplementary Information (Unaudited)
Schedule of Employer and Nonemployer Contributions
Defined Benefit Pension Plan
Last 10 Fiscal Years

(In thousands)

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Actuarially determined contribution	\$ 566,615	529,264	358,718	382,889	351,674
Contributions in relation to the actuarially determined contribution	<u>323,946</u>	<u>1,226,136</u>	<u>382,998</u>	<u>344,063</u>	<u>313,607</u>
Contribution deficiency (excess)	<u>\$ 242,669</u>	<u>(696,872)</u>	<u>(24,280)</u>	<u>38,826</u>	<u>38,067</u>
Covered-employee payroll	\$ 1,322,925	1,412,237	1,405,198	1,534,665	1,522,399
Contributions as a percentage of covered-employee payroll	24.49%	86.82%	27.26%	22.42%	20.60%

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

State of Alaska
Public Employees' Retirement System
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Required Supplementary Information (Unaudited)
Schedule of Employer and Nonemployer Contributions

Defined Benefit Pension Plan
Last 10 Fiscal Years (continued)

(In thousands)

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Actuarially determined contribution	\$ 220,419	217,080	166,016	140,729	268,742
Contributions in relation to the actuarially determined contribution	<u>204,262</u>	<u>186,617</u>	<u>192,740</u>	<u>151,198</u>	<u>207,539</u>
Contribution deficiency (excess)	<u>\$ 16,157</u>	<u>30,463</u>	<u>(26,724)</u>	<u>(10,469)</u>	<u>61,203</u>
Covered-employee payroll	\$ 1,559,938	1,586,697	1,585,490	1,577,846	1,605,819
Contributions as a percentage of covered-employee payroll	13.09%	11.76%	12.16%	9.58%	12.92%

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

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Schedule of Investment Returns

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	-0.68%	3.12%	18.43%

This schedule is intended to present information for 10 years. Additional years will be displayed as they become available.

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

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Required Supplementary Information (Unaudited)
Schedules of Funding Progress
Defined Benefit OPEB Plans

June 30, 2016
(In thousands)

Alaska Retiree Healthcare Trust Plan

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2008	\$ 13,013,450	3,829,334	29.4%	\$ 9,184,116	1,577,846	582.1%
2009	12,770,990	4,134,450	32.4	8,636,540	1,585,490	544.7
2010	9,304,504	4,687,632	50.4	4,616,872	1,586,697	291.0
2011	9,091,034	5,051,625	55.6	4,039,409	1,559,938	258.9
2012	9,812,274	5,301,609	54.0	4,510,665	1,522,399	296.3
2013	12,281,372	5,651,877	46.0	6,629,495	1,534,665	432.0
2014	12,758,985	6,913,160	54.2	5,845,825	1,491,583	391.9
2015	12,283,190	7,242,299	59.0	5,040,891	1,420,479	354.9

Occupational Death and Disability Benefits Plan

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2008	\$ 242	1,288	532.2%	\$ (1,046)	203,955	(0.5)%
2009	403	3,138	778.7	(2,735)	314,118	(0.9)
2010	853	4,801	562.8	(3,948)	421,187	(0.9)
2011	1,949	7,049	361.7	(5,100)	459,521	(1.1)
2012	2,412	9,142	379.0	(6,730)	558,760	(1.2)
2013	3,603	11,373	315.7	(7,770)	590,380	(1.3)
2014	3,627	14,995	413.4	(11,368)	678,840	(1.7)
2015	5,049	19,014	376.6	(13,965)	778,980	(1.8)

Retiree Medical Benefits Plan

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2008	\$ 2,123	2,719	128.1%	\$ (596)	203,955	(0.3)%
2009	4,594	5,475	119.2	(881)	314,118	(0.3)
2010	8,370	8,767	104.7	(397)	421,187	(0.1)
2011	13,142	12,009	91.4	1,133	459,521	0.2
2012	51,798	15,773	30.5	36,025	558,760	6.4
2013	69,144	20,336	29.4	48,808	590,380	8.3
2014	56,819	26,466	46.6	30,353	678,840	4.5
2015	124,660	44,188	35.4	80,472	778,980	10.3

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

Financial Section

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Required Supplementary Information (Unaudited)
Schedules of Contributions from Employers and the State of Alaska
Defined Benefit OPEB Plans

June 30, 2016
(In thousands)

Alaska Retiree Healthcare Trust Plan

Year ended June 30	Actuarial valuation year ended June 30 ⁽¹⁾	Annual required contribution	Percentage contributed		
			By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)
2008	2005	\$ 370,456	71.2%	36.2%	107.4%
2009	2006	391,321	68.1	41.4	109.5
2010 ⁽²⁾	2007	790,793	31.6	54.8	86.4
2011	2008	525,075	49.8	21.6	71.4
2012	2009	498,433	44.8	28.8	73.6
2013	2010	612,792	37.5	25.1	62.6
2014	2011	783,827	26.1	19.5	45.6
2015	2012	782,258	21.9	6.0	27.9

⁽¹⁾ Actuarial valuation related to annual required contribution for fiscal year.

⁽²⁾ In the year ended June 30, 2010, the post employment healthcare annual required contribution and percentage contributed included the Mercer legal settlement, net of legal fees, as well as the Medicare Part D subsidy contributed by the State to the healthcare fund.

Occupational Death and Disability Benefits Plan

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2008	\$ 1,063	100.0%
2009	1,787	100.0
2010	1,495	100.0
2011	1,852	100.0
2012	1,085	146.0
2013	1,328	116.0
2014	2,080	114.0
2015	2,337	119.0

Retiree Medical Benefits Plan

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2008	\$ 1,845	85.0%
2009	3,152	85.0
2010	3,469	87.0
2011	3,229	78.0
2012	3,464	82.0
2013	3,365	95.0
2014	3,937	94.0
2015	15,190	96.0

See accompanying notes to required supplementary information (unaudited) and independent auditors' report.

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June 30, 2016

(1) Description of Schedule of Funding Progress

Each time a new benefit is added, which applies to service already rendered, an “unfunded actuarial accrued liability” is created. Laws governing the System require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing.

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2015 are as follows:

- (a) Actuarial cost method – Entry Age Normal Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over a closed 25-year period (established June 30, 2014) as a level percentage of payroll amounts. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.
- (b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in 2015, the asset value method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements.
- (c) Valuation of medical benefits – 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, such as medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and historic credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription 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. 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. The valuation is prepared based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year and productivity 0.50% per year.

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- (f) Payroll growth – 3.62% per year (inflation + productivity).
- (g) 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.
- (h) Mortality (pre-termination) – Based upon 2010–2013 actual mortality experience. 60% of male rates and 65% of female rates of post-termination mortality rates. Deaths are assumed to be occupational 70% of the peace officer/firefighters, 50% of the time for others. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (i) Mortality (post-termination) – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (j) Total turnover – Based upon the 2010–2013 actual withdrawal experience.
- (k) Disability – Incidence rates based upon the 2010–2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year, projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighter, 50% of the time for others.
- (l) Retirement – Retirement rates based on the 2010–2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officer/firefighter, Tier 1 deferred vested members are assumed to retire at age 55 and Tiers 2 and 3 deferred vested members are assumed to retire at age 60. The modified cash refund annuity is valued as a three-year certain and life annuity.
- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officer/firefighters, 85% of male members and 60% of female members are assumed to be married.
- (n) Dependent children – Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
- (o) Contribution refunds – For others, 10% of terminating members with vested benefits are assumed to have their contributions refunded. For peace officer/firefighter, 15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with nonvested benefits are assumed to have their contributions refunded.
- (p) Imputed data – Data changes from the prior year, which are deemed to have an immaterial impact on liabilities and contribution rates, are assumed to be correct in the current year's client data. Nonvested

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terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated, with status based on their vesting percentage.

- (q) Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.
- (r) Postretirement pension adjustment (PRPA) – 50% and 75% of assumed inflation, or 1.56% and 2.34%, respectively, is valued for the annual automatic PRPA as specified in the statute.
- (s) Expenses – The investment return assumption is net of all expenses.
- (t) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighter and 0.65 years of credited service per year for other members.
- (u) Final average earnings – Final average earnings amount is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
- (v) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY16 medical and prescription drug benefits are shown below:

	Medical	drugs
Pre-Medicare	\$ 11,724	2,753
Medicare Parts A and B	1,461	2,753
Medicare Part B Only	6,700	2,753
Medicare Part D	N/A	496

- (w) Third-party administrator fees – \$194.18 per person per year; assumed trend rate of 5% per year.
- (x) Medicare Part B Only – For actives and retirees not yet Medicare-eligible, participation is set based on whether the member/retiree will have 40 quarters of employment covered by Social Security after March 31, 1986, depending upon date of hire and/or rehire.

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- (y) 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, 9.4% is applied to the FY16 pre-Medicare medical claims costs to get the FY17 medical claims cost.

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.0
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

For the June 30, 2014 valuations 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 2014 and projects out to 2090. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

- (z) Aging factors:

Age	Medical	Prescription drugs
0–44	2.0%	4.5%
45–54	2.5	3.5
55–64	3.5	3.0
65–73	4.0	1.5
74–83	1.5	0.5
84–93	0.5	—
94 +	—	—

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June 30, 2016

- (aa) Retired member contributions for medical benefits – Currently, contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for peace officers/firefighters). Eligible Tier 1 members are exempt from contribution requirements. Annual FY16 contributions based on monthly rates shown below for calendar 2015 and 2016 are assumed based on the coverage category for current retirees.

The composite rate shown is used for current active and inactive members in Tier 2 or Tier 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

<u>Coverage category</u>	<u>Calendar 2016 annual contribution</u>	<u>Calendar 2016 monthly contribution</u>	<u>Calendar 2015 monthly contribution</u>
Retiree only	\$ 9,324	777	823
Retiree and spouse	18,648	1,554	1,647
Retiree and child(ren)	13,164	1,097	1,163
Retiree and family	22,500	1,875	1,987
Composite	13,848	1,154	1,223

- (bb) Trend rate for retired member contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 6.6% is applied to the FY16 retired member medical contributions to get the FY17 retired member medical contributions.

<u>Fiscal year</u>	<u>Trend Assumption</u>
2016	6.6%
2017	6.2
2018	5.8
2019	5.4
2020	5.0
2021	4.7
2025	4.1
2050	4.0
2100	4.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2014 valuation. Note that actual FY16 retired member medical contributions are reflected in the valuation.

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June 30, 2016

- (cc) Healthcare participation – 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of nonsystem-paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

The significant actuarial assumptions used in the defined contribution occupational death and disability and retiree medical benefit plan valuation as of June 30, 2015 are as follows:

- (a) Actuarial cost method – Liabilities and contributions are computed using the Entry Age Normal Actuarial Cost Method. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. However, in keeping with Governmental Accounting Standards Board (GASB) requirements in effect when the plan was adopted, the net amortization period will not exceed 30 years. These requirements are being amended. Under the new accounting standards that will become applicable to postemployment benefit plans other than pension plans (GASB Statement Nos. 74 and 75), the GASB requirements will not directly control amortization periods used for funding of the plan.
- (b) Valuation of assets – Recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Fair value of assets were \$0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of fair value of assets.
- (c) Valuation of retiree medical benefits – Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2015 for PERS DB with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels, and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles, and out-of-pocket limits, upcoming FY16 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. The healthcare trend was reduced 0.2% each year to reflect the fact that the medical benefit to be offered to members will have annual indexing of member cost sharing features such as deductibles and out-of-pocket amounts. The valuation is prepared based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year. Productivity 0.5% per year.
- (f) Payroll growth – 3.62% per year (inflation + productivity).
- (g) 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.

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June 30, 2016

- (h) Mortality (pre-termination) – Based upon 2010–2013 actual mortality experience. 60% of male rates and 65% of female rates of the post-termination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (i) Mortality (post-termination) – Based upon 2010–2013 actual mortality experience. 96% of all rates of the RP-2000 table, 2000 Base Year, projected to 2018 with projection scale BB. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (j) Total turnover – Rates based upon the 2010–2013 actual experience.
- (k) Disability – Incidence rates based upon the 2010–2013 actual experience. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year, projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighter, 50% of the time for others. For peace officer/firefighters, members are assumed to take the monthly annuity 100% of the time.
- (l) Retirement – Retirement rates based upon the 2010–2013 actual experience.
- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officer/firefighters, 85% of male members and 75% of female members are assumed to be married at termination from active service.
- (n) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighter and 0.65 years of credited service per year for other members.
- (o) Peace officer/firefighter occupational disability retirement benefit commencement – The occupational disability retirement benefit is assumed to be first payable from the member's DC account and the retirement benefit payable from the occupational death and disability trust will commence five years later.

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2016

- (p) Per capita claims cost – Sample claims cost rates (before base claims cost adjustments described below) adjusted to age 65 for FY16 medical and prescription drug benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	\$ 11,724	2,753
Medicare Parts A and B	1,461	2,753
Medicare Part B Only	6,700	2,753
Medicare Part D	N/A	496

Members are assumed to attain Medicare eligibility at age 65.

- (q) Third-party administrator fees – \$194.18 per person per year; assumed trend rate of 5% per year.
- (r) Base claims cost adjustments – Due to higher initial copays, deductibles, out-of-pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates: 0.881 for the medical plan and 0.929 for the prescription drug plan.
- (s) Imputed data – Data changes from the prior year that are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Nonvested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)

Notes to Required Supplementary Information (Unaudited)

June 30, 2016

(t) Healthcare 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, 9.4% is applied to the FY16 pre-Medicare medical claims cost to get the FY17 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.2
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

As of the June 30, 2014 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 2014 and projects out to 2090. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

Each of the above trend rates was reduced by 0.2% to reflect the fact that the medical benefit offered to members will have annual indexing of member cost sharing.

Financial Section

State of Alaska
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Notes to Required Supplementary Information (Unaudited)

June 30, 2016

(u) Aging factors:

Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94 +	—	—

(v) Retiree medical participation:

Decrement due to disability		Decrement due to retirement	
Age	Percentage of participation	Age	Percentage of participation
<56	73.00%	55	40.0%
56	77.50	56	50.0
57	79.75	57	55.0
58	82.00	58	60.0
59	84.25	59	65.0
60	86.50	60	70.0
61	88.75	61	75.0
62	91.00	62	80.0
63	93.25	63	85.0
64	95.50	64	90.0
65+	94.00	65+	Years of service
			<15
			15-19
			20-24
			25-29
			30+

Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower-cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans.

State of Alaska
Public Employees' Retirement System
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Notes to Required Supplementary Information (Unaudited)

June 30, 2016

Changes in Actuarial Assumptions and Methods Since the Prior Valuation

Defined benefit pension and postemployment healthcare benefit plan

There have been no changes in the assumptions since the prior valuation. Healthcare claim costs are updated annually.

There have been no material changes in the asset or valuation methods since the prior valuation. To increase the efficiency of the data process, assumptions are used for individual data questions which are deemed to have an immaterial impact on liabilities and contribution rates.

Defined contribution occupational death and disability and retiree medical benefits plan

There have been no changes in assumptions since the prior valuation. Healthcare claim costs are updated annually.

There have been no material changes in the asset or valuation methods since the prior valuation. To increase the efficiency of the data process, assumptions are used for individual data questions which are deemed to have an immaterial impact on liabilities and contribution rates.

SUPPLEMENTAL SCHEDULES

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)
Schedule of Administrative and Investment Deductions
Years ended June 30, 2016 and 2015
(In thousands)

	Administrative	Investment	Totals	
			2016	2015
Personal services:				
Wages	\$ 4,676	174	4,850	4,892
Benefits	2,799	66	2,865	2,869
Total personal services	7,475	240	7,715	7,761
Travel:				
Transportation	29	76	105	173
Per diem	7	12	19	28
Total travel	36	88	124	201
Contractual services:				
Management and consulting	13,109	33,590	46,699	46,934
Accounting and auditing	131	22	153	922
Data processing	1,478	570	2,048	65
Communications	115	39	154	2,036
Advertising and printing	52	5	57	190
Rentals/leases	391	66	457	451
Legal	365	46	411	540
Medical specialists	281	—	281	43
Repairs and maintenance	—	—	—	1
Transportation	85	2	87	70
Other professional services	201	54	255	289
Total contractual services	16,208	34,394	50,602	51,541
Patient Protection and Affordable Care Act Transitional Reinsurance Program	873	—	873	1,081
Total Patient Protection and Affordable Care Act	873	—	873	1,081
Other:				
Equipment	11	14	25	63
Supplies	35	39	74	214
Total other	46	53	99	277
Total administrative and investment deductions	\$ 24,638	34,775	59,413	60,861

See accompanying independent auditors' report.

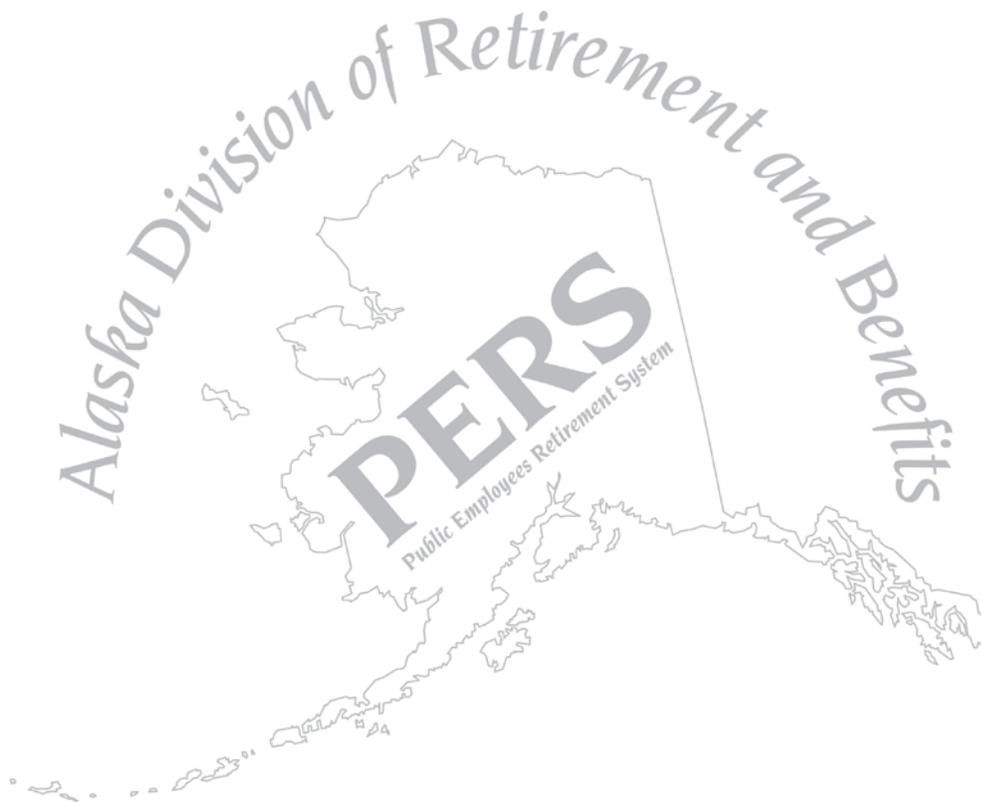
Financial Section

State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)
Schedule of Payments to Consultants
Other than Investment Advisors
Years ended June 30, 2016 and 2015
(In thousands)

Firm	Services	2015	2014
Buck Consultants, a Xerox Company	Actuarial services	\$ 577	548
KPMGLLP	Auditing services	122	141
State Street Bank Corporation	Custodian banking services	837	697
Applied Microsystems Inc.	Data processing consultants	453	507
Computer Task Group, Inc.	Data processing consultants	52	110
Wostmann Group LLC	Data processing consultants	321	—
SHI International	Data processing consultants	385	—
Interactive Intelligence Group	Data processing consultants	25	—
Michael Silverman	Management consulting services	—	1
State of Alaska, Department of Law	Legal services	365	540
State of Alaska, Department of Health and Social Services	Medical expertise and counseling	281	41
		\$ 3,418	2,585

This schedule presents payments to consultants receiving greater than \$1,000.

See accompanying independent auditors' report.





INVESTMENT SECTION

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System



Callan Associates Inc.
1900 16th Street
Suite 1175
Denver, CO 80202



Main 303.861.1900
Fax 303.832.8230

www.callan.com

September 14, 2016

Alaska Retirement Management Board
State of Alaska, Department of Revenue
Treasury Division
333 Willoughby Avenue, 11th Floor
Juneau, Alaska 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2016.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon current market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns.

Callan serves as ARMB's independent general investment consultant and evaluates ARMB's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made using methodology similar to Global Investment Performance Standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, ARMB periodically evaluates liabilities, expected contributions and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Equity markets in the U.S. recovered slowly but surely after a rough start to fiscal year 2016. The Russell 3000 Index, a measure of broad U.S. equity, clawed its way back from a 7.25% deficit at the end of September and finished June up 2.14% for the trailing 12 months. Returns for equities outside of the U.S. did not fare as well. International stocks, as measured by the MSCI ACWI ex-U.S. Index, lost 10.24% for the fiscal year. A broad measure of the total global equity market (MSCI All Country World Index) fell 3.73%.

Investment Section

A flattening yield curve during the period boosted fixed income performance. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, gained 6.00%. Some absolute return strategies, such as hedge fund-of-funds, posted losses for much of the fiscal year. The Callan Absolute Return Hedge Fund-of-Funds Style median return was -3.24% (net-of-fee). Private real estate investments (NCREIF Property Index) turned in another solid year, returning 10.64%. Publicly traded real estate, as measured by the NAREIT Equity Index, performed over twice as well and increased 23.62%.

ARMB's various asset groups performed as follows:

Domestic stocks	1.01%
Int'l Stocks	-9.63%
Alternative Equity	3.54%
Fixed Income	5.14%
Real Assets	4.81%
Private Equity	4.71%
Absolute Return	-3.09%

For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of -0.36% and the Teachers Retirement System (TRS) also had a time-weighted total return of -0.36%. Both systems underperformed their strategic policy benchmark target return of 0.05% and the median return for Callan's Public Fund database of 0.54%.

Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 7-year annualized return was 9.28% while TRS's return was slightly higher at 9.35%. These returns were in line, but slightly above, their target return of 9.14%. Over the longest period for which Callan has detailed data (24.75 years), PERS and TRS have achieved annualized total returns of 7.50% and 7.55%, respectively, while the policy benchmark return was 7.47%.

Both systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 4.5% or better.

In summary, fiscal 2016 was a year in which asset class returns were varied. The well-diversified portfolio produced a 70th percentile ranking within the Public Fund peer group, but is on track over the long-term to produce the desired results.

Sincerely,



Paul Erlendson
Senior Vice President

Department of Revenue Treasury Division Staff As of June 30, 2016

Commissioner Randall Hoffbeck	Chief Investment Officer Gary Bader	Investment Officers Bob G. Mitchell Stephen R. Sikes Zachary Hanna Steve Verschoor Shane Carson Sean Howard	Casey Colton Nicholas Orr Victor Djajalie Michael Barnhill Kevin Lui Emily Peyton Ross Alexander
Deputy Commissioner Jerry Burnett	Comptroller Scott Jones, CPA		
Director Pamela Leary, CPA	Cash Management Michelle M. Prebula, MBA, CPA, CCM	ARMB Liaison Officer Judy Hall	

External Money Managers and Consultants

Domestic Equity Large Capitalization

Allianz Global Investors
San Francisco, CA
Analytic Investors LLC
Los Angeles, CA
Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA
Quantitative Management Associates
Newark, NJ
State Street Global Advisors
San Francisco, CA

Domestic Equity Small Capitalization

Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
Frontier Capital Management
Boston, MA
Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
State Street Global Advisors
San Francisco, CA
Sycamore Capital Management
St. Louis, MO

Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.
Winter Park, FL
Lord Abbett & Co.
Jersey City, NJ
Zebra Capital Management
Mitford, CT

Domestic Equity Index Fund

State Street Global Advisors
San Francisco, CA

International Small Cap

Mondrian Investment Partners
London, England
Schroders Investment Management NA
New York, NY

International Equity – EAFE, Emerging Markets Non U.S. , and Global Equity

Allianz Global Investors
San Francisco, CA
Arrowstreet Capital, LP
Boston, MA
BlackRock
San Francisco, CA
Baillie Gifford Overseas Ltd.
Edinburgh, Scotland
Brandes Investment Partners, L.P.
San Diego, CA
Capital Guardian Trust Co.
Los Angeles, CA
Lazard Asset Management
New York, NY
McKinley Capital Management, Inc.
Anchorage, AK
Parametric Clifton
Seattle, WA
State Street Global Advisors
San Francisco, CA

Emerging Market Income

Lazard Asset Management
New York, NY
NFJ Investment Group
Dallas, TX

International Fixed Income

Mondrian Investment Partners
London, England
Schroders Investment Management NA
New York, NY

High Yield/Convertible Bond/Tactical Bond

Advent Capital Management
New York, NY
Columbia Threadneedle Investment Management
Boston, MA
Eaton Vance Trust Company
Boston, MA
Fidelity Investment Asset Management
Smithfield, RI
MacKay Shields LLC
New York, NY

Investment Section

External Money Managers and Consultants (cont.)

Taxable Municipal Bonds

Guggenheim Partners LLC
Santa Monica, CA
Western Asset Management Company
Pasadena, CA

Master Limited Partnerships

Advisory Research
St. Louis, MO
Tortoise Capital Advisors LLC
Leawood, KS

Absolute Return

Allianz Global Investors
New York, NY
Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
KKR
New York, NY

Private Equity

Abbott Capital Management, L.P.
New York, NY
Pathway Capital Management, LLC
Irvine, CA

Real Assets – Real Estate Core Separate Accounts

LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

Real Assets – Commingled Real Estate Funds

Almanac Realty Investors
Alpharetta, GA
BlackRock Realty
San Francisco, CA
Colony Capital
Los Angeles, CA
Coventry Real Estate Fund II, LLC
New York, NY
Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Silverpeake Real Estate Partners
New York, NY
Lowe Hospitality Investment Partners, LLC
Los Angeles, CA
Sentinel Real Estate Corporation
New York, NY
Tishman Speyer Properties
New York, NY
UBS Realty Investors, LLC
Hartford, CT

Real Assets – Energy

EIG Global Energy Partners
Washington, DC

Real Assets – Infrastructure

Brookfield Investment Management
Encinitas, CA
Industry Funds Management
New York, NY
JP Morgan Asset Management
San Francisco, CA
Lazard Asset Management
New York, NY

Real Assets – Farmland and Timber

Hancock Agricultural Investment Group
Boston, MA
UBS AgriVest, LLC
Hartford, CT
Hancock Timber Resource Group
Charlotte, NC
Timberland Investment Resources LLC
Brookline, MA

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan

BlackRock
San Francisco, CA
Allianz Global Investors
San Francisco, CA
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD
Brandes Investment Partners
San Diego, CA

Global Master Custodian

State Street Bank & Trust Co.
Boston, MA

Investment Consultants

Callan Associates, Inc.
Denver, CO
The Townsend Group
San Francisco, CA

Investment Advisory Council

William Jennings
Colorado Springs, CO
Jerrold Mitchell
Wayland, MA
Robert Shaw
San Francisco, CA

Independent Auditors

KPMG, LLP
Anchorage, AK

Actuaries

Buck Consultants
Denver, CO
Gabriel Roeder Smith
Denver, CO

Public Employees' Retirement System Investment Report

INVESTMENTS

The investment goals of the State of Alaska Public Employees' Retirement System (PERS) are the long term return and sustainability of the pension funds under management. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an expected optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into eight asset classes: domestic equities, global equities ex-U.S., alternative equity strategies, private equity, real assets, fixed income, absolute return, and cash equivalents. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

Asset Class	Benchmark
Domestic Equity	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Ex-U.S. Index
Alternative Equities Strategies	50% S&P 500 Index 30% CBOE Buy Write Index 20% Bank of America Yield Alternative Index
Private Equity	1/3 S&P 500 Index 1/3 Russell 2000 Index 1/3 MSCI EAFE Index
Real Assets	50% NCREIF Property Index 15% Barclays TIPS Index 10% NCREIF Farmland Index 10% NCREIF Timberland Index 5% FTSE NAREIT All Equity REIT Index 10% S&P Global Infrastructure
Fixed Income	80% Barclays Intermediate Treasury Index 10% Bank of America Merrill Lynch US High Yield Master II Constrained Index 7% Citigroup World Gov. Bond Ex-U.S. Index 3% JP Morgan Global Bond Index - Emerging Markets Global Diversified Index
Absolute Return	91 Day Treasury Bill + 5%
Cash Equivalents	91 Day Treasury Bill

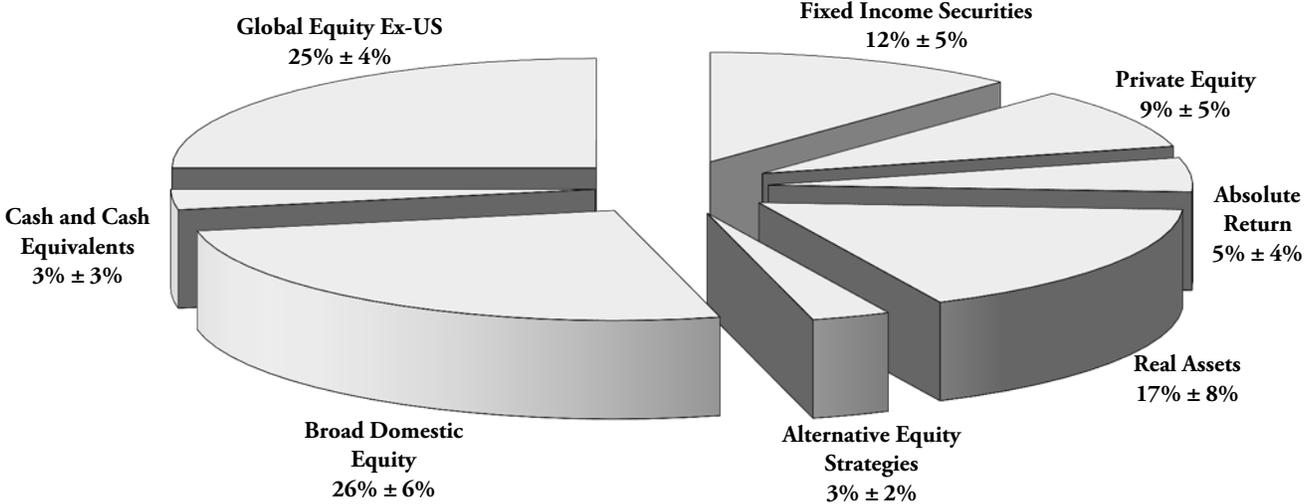
The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2016 fiscal year, the ARMB's target asset allocation was 26% domestic equities, 25% global equities ex-U.S., 3% alternative equity strategies, 9% private equity, 17% real assets, 12% fixed income, 5% absolute return, and 3% cash equivalents. The target asset allocation is expected to generate a return of 7.2% with a standard deviation of 15.3%.

Investment Section

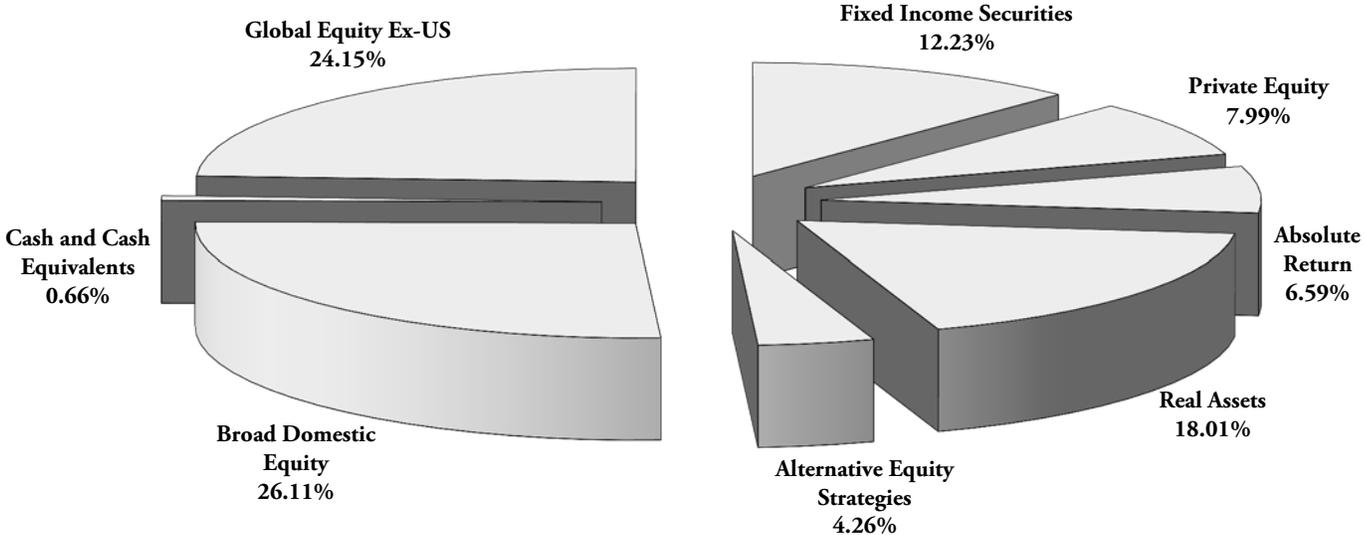
Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2012	2013	2014	2015	2016	Annualized	
						3 Year	5 Year
Total Fund							
PERS	0.46%	12.50%	18.56%	3.29%	(0.36%)	6.86%	6.64%
<i>Actuarial Earnings Rate</i>	8.00	8.00	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	1.80	21.23	25.81	7.84	0.58	10.92	10.99
<i>Custom Composite Index</i>	3.84	21.46	25.22	7.29	2.14	11.13	11.60
Fixed Income							
PERS	4.90	0.57	5.14	(0.74)	5.15	3.15	2.97
<i>Custom Composite Index</i>	5.08	(0.04)	3.31	0.41	4.79	2.82	2.69
Real Assets							
PERS	10.46	10.47	13.28	3.70	4.76	7.16	8.47
<i>Custom Composite Index</i>	11.41	8.35	10.98	7.99	8.87	9.27	9.51
International Stock Returns							
PERS International Equities	(13.67)	15.01	23.43	(3.32)	(9.15)	2.73	1.48
<i>MSCI ACWI ex-US</i>	(14.15)	14.14	22.27	(4.85)	(9.80)	1.62	0.56
Private Equity							
PERS	9.44	11.61	24.19	13.77	4.71	13.95	12.56
<i>Custom Composite Index</i>	(3.61)	21.24	24.01	3.33	(4.41)	7.00	7.44
Absolute Return							
PERS	(2.05)	8.41	6.51	9.24	(3.09)	4.08	3.67
<i>3-month Treasury Bill +5%</i>	5.06	5.11	5.05	5.02	5.19	5.09	5.09
Alternative Equity							
PERS	—	—	22.36	(0.89)	3.41	7.84	—
<i>Custom Composite Index</i>	—	—	18.70	4.26	2.09	8.11	—
Cash Equivalents							
PERS	0.44	0.25	0.27	0.28	0.55	0.36	0.36
<i>3-month Treasury Bill</i>	0.06	0.11	0.05	0.02	0.19	0.09	0.09
<p>MSCI ACWI =Morgan Stanley Capital International All Country World Index Returns for periods longer than one year are reported on an annualized basis. Basis of calculation: Time-Weighted rate of return based on the market rate of return.</p>							

**Public Employees' Retirement System
Asset Allocation
June 30, 2016**

Policy



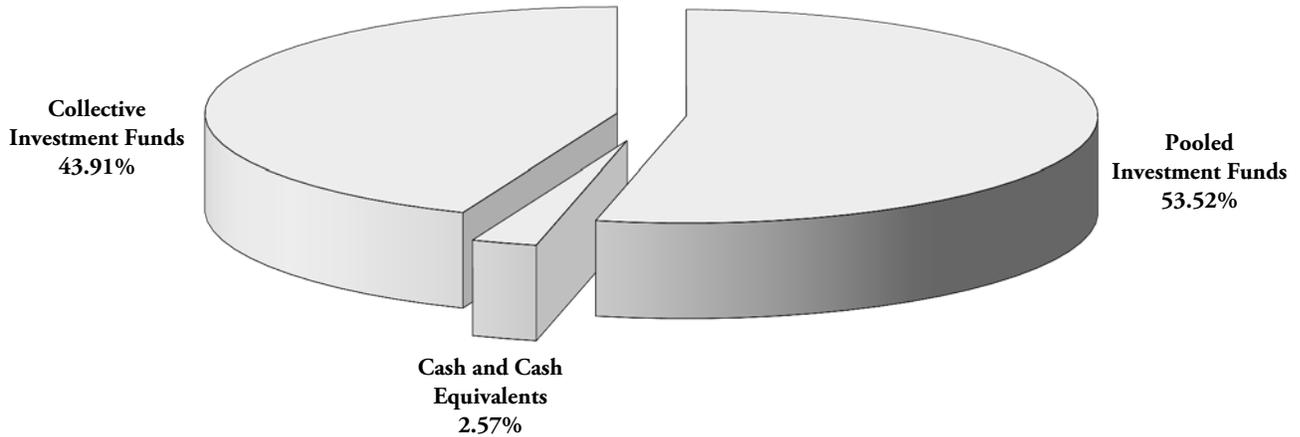
Actual – Defined Benefit Pension



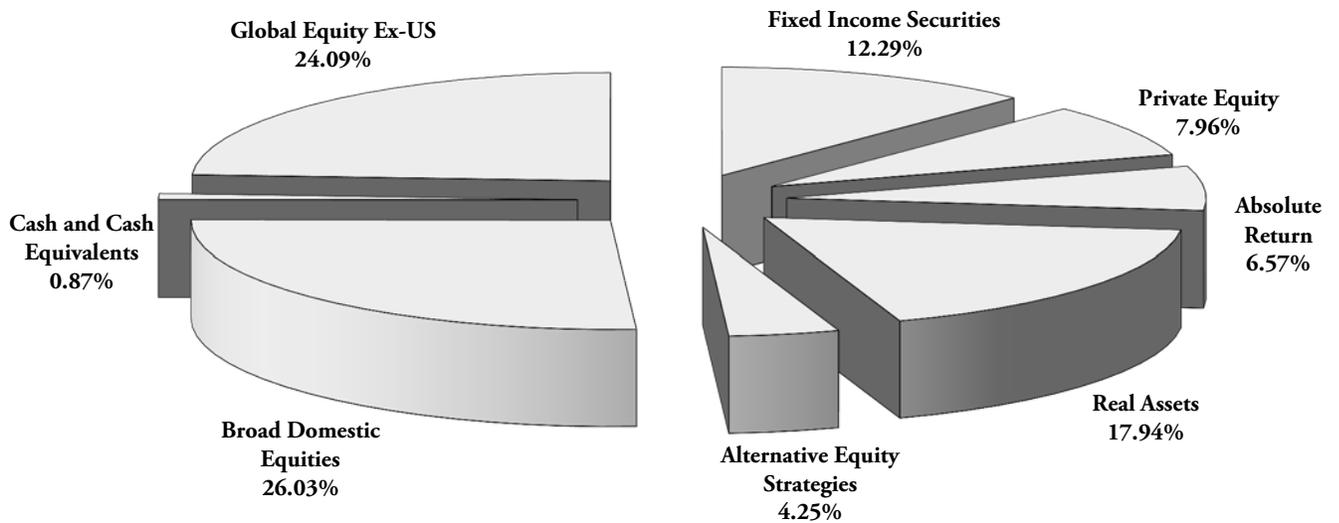
Investment Section

Public Employees' Retirement System Asset Allocation June 30, 2016

Actual – Defined Contribution Participant Directed

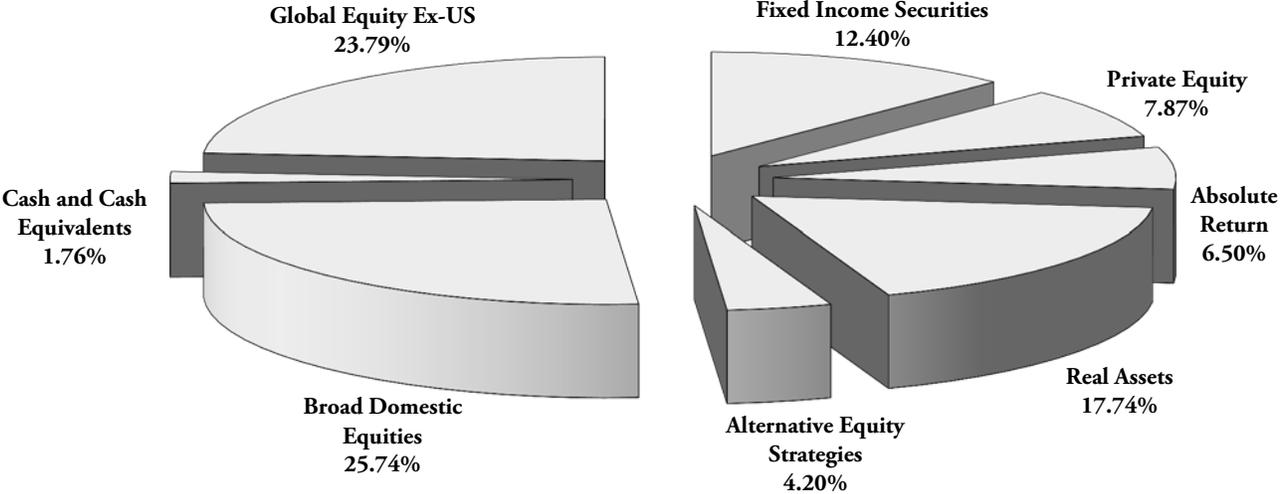


Actual – Defined Benefit Alaska Retiree Healthcare Trust

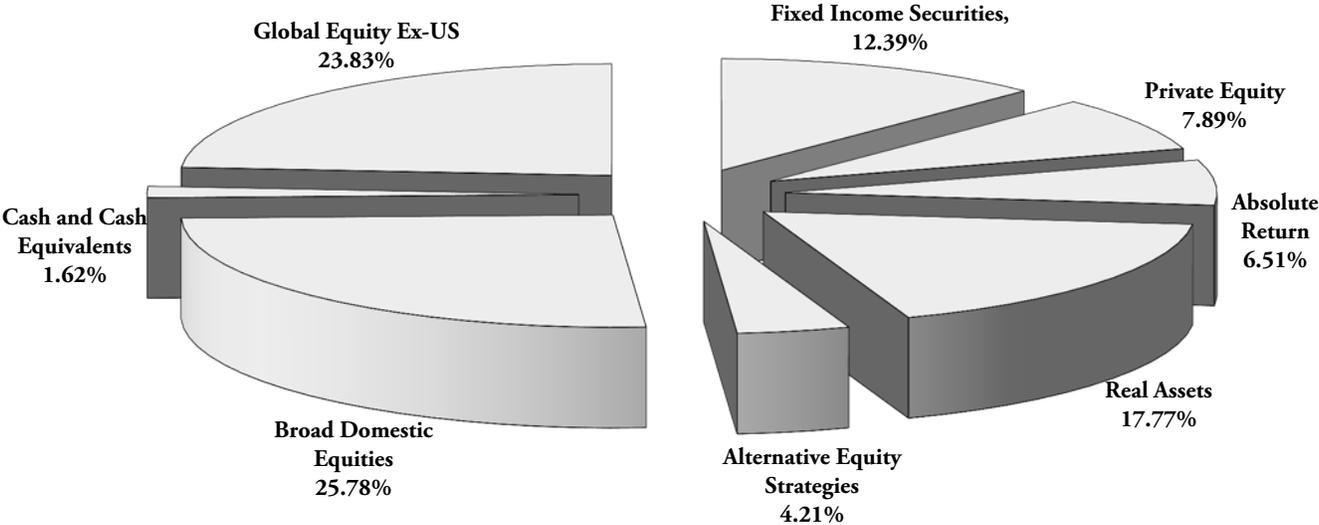


**Public Employees' Retirement System
Asset Allocation
June 30, 2016**

Actual — Health Reimbursement Arrangement



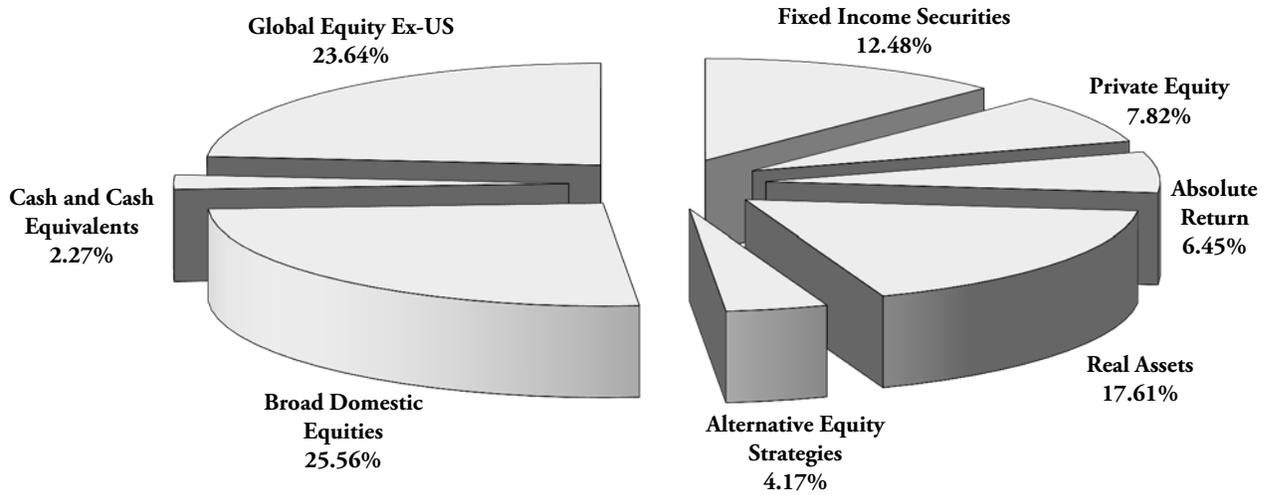
Actual — Occupational Death & Disability



Investment Section

Public Employees' Retirement System Asset Allocation June 30, 2016

Actual — Retiree Medical Plan



**Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2016**

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created twenty-six different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest fixed income and equity holdings.

Fixed Income

<u>Rank</u>	<u>Largest Fixed Income Holdings</u>	<u>Fair Value</u>	<u>Par Value</u>
1	US Treasury 1.25% 2/29/2020	\$102,679,868	\$101,170,206
2	US Treasury 2.125% 5/15/2025	61,539,657	58,260,246
3	US Treasury 2.625% 11/15/2020	54,134,852	50,526,926
4	US Treasury 1.75% 9/30/2019	37,104,644	35,978,900
5	US Treasury 1.5% 5/31/2020	35,923,229	35,105,928
6	US Treasury 0.0% 8/15/2019	31,745,086	32,543,975
7	US Treasury 1.625% 7/31/2020	30,527,550	29,686,819
8	US Treasury 1.375% 8/31/2020	28,291,063	27,782,095
9	US Treasury 1.25% 1/31/2020	28,241,447	27,834,808
10	US Treasury 0.875% 12/31/2016	23,259,948	23,206,387

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Fair Value</u>
1	Apple Inc.	\$91,303,237
2	Microsoft Corp.	75,137,721
3	Johnson & Johnson	65,542,579
4	Exxon Mobil Corp.	63,813,281
5	Verizon Communications Inc.	52,033,806
6	Pfizer Inc.	51,572,252
7	Amazon.com Inc.	45,390,100
8	Procter & Gamble Co./The	44,853,496
9	AT&T Inc.	44,564,247
10	Facebook Inc.	43,948,034

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

Investment Section

Public Employees' Retirement System Schedule of Investment Management Fees Year Ended June 30, 2016

	Total Fair Value	Fees
Fixed Income		
Municipal Bond Pool		
* Guggenheim Partners	\$ 88,348,746	\$ 171,825
* Western Asset Management	84,705,510	183,471
Total Municipal Bond Pool	173,054,256	355,296
High Yield Pool		
* Mackay Shields, LLC	147,375,435	1,036,359
* Eaton Vance High Yield	140,847,518	297,847
* Columbia Threadneedle	142,039,966	212,543
Total High Yield	430,262,919	1,546,749
Emerging Debt Pool		
** Lazard Emerging Income	104,249,120	762,903
Alternative Fixed Income		
* Pyramis Global Advisors	85,317,600	283,528
International Fixed Income		
* Mondrian Investment Partners	243,305,669	963,173
Broad Domestic Equity Pools		
* Allianz Global Investors	230,784,510	692,817
* Barrow, Hanley, Mewhinney & Strauss, INC (LC)	220,466,665	798,955
* Barrow, Hanley, Mewhinney & Strauss, INC (SC)	56,365,988	314,232
* DePrince, Race & Zollo Inc.-Micro Cap	51,206,113	487,070
* Fidelity (FIAM) Small Company	132,483,045	192,730
* Frontier Capital Management	59,757,909	500,959
* Jennison Associates LLC	55,545,570	459,188
* Lazard Asset Management	234,316,885	612,586
* Lord Abbett & Co. (Micro)	50,442,529	518,652
* Lord Abbett & Co. (SC)	47,603,332	380,110
* Luther King Cap. Management	52,659,558	290,600
* McKinley Capital	225,876,227	776,479
* Quantitative Management Associates	216,361,091	598,656
* SSgA Future Small Cap	7,609,826	7,358
* SSgA Futures Large Cap	9,951,596	9,448
* SSgA Russell 1000 Growth	692,787,177	80,825
* SSgA Russell 1000 Value	635,778,268	85,756
* SSgA Russell 200	540,773,170	56,827
* SSgA Russell 2000 Growth	11,789,956	5,892
* SSgA Russell 2000 Value	20,709,488	10,782
* SSgA Volatility - Russell 1000	58,221,188	52,788
* SSgA Volatility - Russell 2000	38,904,609	39,993
* Sycamore Capital Management	65,715,246	510,954
* Zebra Capital Management	48,398,020	269,910
Total Domestic Equities	3,764,507,966	7,753,567
Global Equity Ex-U.S.		
* Allianz Global Investors	162,667,356	801,158
* Arrow Street Capital	193,660,876	803,731
* Baillie Gifford Overseas Limited	241,941,466	925,952
* Blackrock ACWI Ex-US IMI	505,483,614	227,822
* Brandes Investment Partners	438,115,115	2,136,732
* Capital Guardian Trust Co.	445,504,620	1,727,203
* Lazard Freres	225,570,242	428,319
* McKinley Capital Mgmt.	321,614,858	1,557,607
* Mondrian Investment Partners	101,726,234	731,404
* Schroder Investment Management	104,888,583	846,241
* State Street Global Advisors	507,725,844	305,755
Total International Equities	3,248,898,808	10,491,924
Alternative Equity Strategies		
Alternative Equity Pool		
* Analytic SSgA Account	201,156,906	260,336
* Quantitative Management Associates MPS	132,854,106	324,249
** Relational Investors, LLC	717,640	-
Total Alternative Equity	334,728,652	584,585
Convertible Bond Pool		
* Advent Capital	130,706,112	768,859
Private Equity Pool		
* Abbott Capital Management	511,065,558	1,311,819
** Angelo Gordon & Co.	2,338,712	55,937
** BlumCapital Partners-Strategic	-	9,375
** Glendon Opportunities	15,215,806	289,858
** Lexington Partners	32,801,042	953,266
** Merit Capital Partners	12,216,608	102,636
** Neuberger Berman Secondary Opportunities	14,373,102	414,992
** New Mountain Partners	8,358,507	225,327
** NGP XI	6,450,307	405,406
** Onex Partners	13,861,926	67,518
* Pathway Capital Management	543,972,751	1,694,215
** Resolute	5,023,203	185,507
** Warburg Pincus	31,896,004	464,865
Total Private Equities	1,197,573,526	6,180,721

Public Employees' Retirement System
Schedule of Investment Management Fees (cont.)
Year Ended June 30, 2016

	Total Fair Value	Fees
Absolute Return Pool		
** Allianz Global Investors	\$ 153,237,820	\$ 9,408,818
** Crestline Investors Inc.	235,128,244	1,458,141
** Global Asset Management	201,076,877	1,657,383
** Prisma Capital Partners	272,785,259	2,016,345
** Crestline Specialty	12,760,651	348,593
** KKR Apex Equity	64,869,010	724,506
** Zebra Global Equity	46,514,635	21,240
** Zebra Global Equity Advantage	19,910,782	7,334
Total Absolute Return	1,006,283,278	15,642,360
Real Assets		
Real Estate Pool		
** Almanac Realty Securities IV	37,616	50
** Almanac Realty Securities V	6,022,969	118,703
** Almanac Realty Securities VII	8,392,695	359,669
** BlackRock Diamond	2,162,095	101,971
** Colony Investors VIII, L.P.	9,130,706	269,597
** Cornerstone Apartment Venture III	32,451	-
** Coventry	1,382,850	185,782
** Clarion Development Venture III	6,186,610	24,224
** Clarion Development Venture 4	29,065,224	75,393
** JPM Strategic	147,598,032	1,245,139
** KKR	30,512,417	389,798
** LaSalle Separate	146,325,834	687,750
** LaSalle Medical Office Fund II	138,363	13,097
** Lowe Hospitality	657,099	5,935
** Sentinel Separate	148,740,298	775,893
** Silverpeak Real Estate Partners II	10,516,750	496,072
** Silverpeak Real Estate Partners III	4,880,622	56,010
** Tishman Speyer Fund VI	25,185,116	139,473
** Tishman Speyer Fund VII	5,228,195	76,116
** UBS Consolidated	65,217,035	678,615
** UBS Separate	323,714,740	1,485,985
Total Real Estate	971,127,717	7,185,272
Infrastructure Public Pool		
* Brookfield Investment Management	64,563,118	475,626
* Lazard Asset Management	72,827,567	513,866
Total Infrastructure Public Pool	137,390,685	989,492
Infrastructure Private Pool		
* IFM Global Infrastructure Fund	145,784,511	1,336,503
Master Limited Partnerships Pool		
* Advisory Research Inc	151,000,598	643,346
* Tortoise MLP	172,194,034	928,383
Total Master Limited Partnerships Pool	323,194,632	1,571,729
Energy Pool		
** EIG Energy Fund XV	21,382,340	262,043
** EIG Energy Fund XD	2,555,322	46,692
** EIG Energy Fund XIV-A	7,031,088	417,509
** EIG Energy Fund XVI	16,530,562	400,490
Total Energy Pool	47,499,312	1,126,734
Farmland Pool		
** Hancock Agriculture Investment Group	358,908,333	1,357,112
** UBS Agrivest	177,179,023	2,899,195
Total Farmland	536,087,356	4,256,307
Timber Pool		
** Hancock Natural Resource Group	65,000,585	447,356
** Timberland Investment Resources	185,027,265	1,533,241
Total Timber Pool	250,027,850	1,980,597
Custodian		
* State Street Bank		742,410
Investment Advisory		
* Callan Associates		154,081
* Investment Advisory Council		54,917
* Townsend Group		66,100
Total Investment Advisory		275,098
Investment Performance		
* Callan Associates		186,013
Total External Management Fees		\$ 64,983,820

*These fees are paid through the Integrated Resource Information System (IRIS)

**These fees are deducted from earnings by the fund manager and are not directly recorded in IRIS

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2016

Investments (at Fair Value)	Defined Benefit - Pension			% of Total Assets
	Asset Allocation		Fair Value	
	Policy	Range		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	± 3%	\$ 54,114,725	
Total Cash and Cash Equivalents			<u>54,114,725</u>	0.66%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			378,535,393	
Taxable Municipal Bond Pool			93,078,909	
Tactical Fixed Income			55,775,560	
High Yield Pool			289,363,425	
International Fixed Income Pool			130,864,314	
Emerging Debt Pool			56,071,399	
Total Fixed Income Securities	12.00%	± 5%	<u>1,003,689,000</u>	12.23%
Broad Domestic Equity				
Large Cap Pool			1,767,873,512	
Small Cap Pool			376,066,771	
Total Broad Domestic Equity	26.00%	± 6%	<u>2,143,940,283</u>	26.11%
Global Equity Ex-U.S.				
International Equity Pool			1,636,321,975	
International Equity Small Cap Pool			111,129,785	
Emerging Markets Equity Pool			235,156,494	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>1,982,608,254</u>	24.15%
Alternative Equity Strategies				
Alternative Equity Strategies			279,634,774	
Convertible Bond Pool			70,301,553	
Total Alternative Equities	3.00%	± 2%	<u>349,936,327</u>	4.26%
Private Equity				
Private Equity Pool			655,867,190	
Total Private Equity	9.00%	± 5%	<u>655,867,190</u>	7.99%
Absolute Return				
Absolute Return Pool			541,239,227	
Total Absolute Return	5.00%	± 4%	<u>541,239,227</u>	6.59%
Real Assets				
Real Estate Pool			522,700,219	
Real Estate Investment Trust Pool			125,518,793	
Infrastructure Private Pool			114,140,987	
Infrastructure Public Pool			73,896,912	
Master Limited Partnership Pool			173,833,368	
Energy Pool			25,547,964	
Farmland Pool			288,339,787	
Timber Pool			134,479,904	
Treasury Inflation Protected Securities Pool			19,834,383	
Total Real Assets	17.00%	± 8%	<u>1,478,292,317</u>	18.01%
Total Invested Assets	100.00%		<u>\$ 8,209,687,323</u>	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2016

Investments (at Fair Value)	Defined Contribution - Participant Directed		Fair Value	% of Total Assets
	Asset Allocation Policy	e		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 17,610,042	
Total Cash and Cash Equivalents			17,610,042	2.57%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			2,068,390	
Target 2015 Trust			8,855,496	
Target 2020 Trust			21,419,280	
Target 2025 Trust			31,032,547	
Target 2030 Trust			32,173,010	
Target 2035 Trust			37,278,646	
Target 2040 Trust			44,536,778	
Target 2045 Trust			55,057,772	
Target 2050 Trust			64,930,207	
Target 2055 Trust			42,618,856	
Target 2060 Trust			25,530	
Alaska Balanced Fund			15,125,556	
Long-Term Balanced Fund			11,545,670	
Total Pooled Investment Funds			366,667,738	53.52%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			3,004,366	
Alaska Money Market			8,432,948	
S&P Stock Index Fund			47,054,377	
Russell 3000 Index			39,728,972	
Real Estate Investment Trust Index			16,166,313	
World Equity Ex-U.S. Index			35,946,157	
Long U.S. Treasury Bond Index			1,406,209	
Treasury Inflation Protected Securities			9,635,408	
World Government Bond Ex-U.S. Index			4,784,760	
Global Balanced Fund			6,932,448	
Barclays				
Daily Government/Corporate Bond Fund			30,470,589	
Intermediate Bond Fund			10,939,724	
Brandes Institutional				
Alaska International Equity Fund			25,171,585	
RCM				
Socially Responsible Fund			3,087,197	
T. Rowe Price				
Small-Cap Fund			58,094,337	
Total Collective Investment Funds			300,855,390	43.91%
Total Invested Assets			\$685,133,170	100.00%

(1) Pooled Investment Funds and Collective Investment Funds are participant directed and therefore are not subject to an asset allocation.

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2016

Investments (at Fair Value)	Asset Allocation		Fair Value	% of Total Assets
	Policy	Range		
Defined Benefit - Alaska Retiree Health Care Trust				
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	± 3%	\$ 58,916,551	
Total Cash and Cash Equivalents			<u>58,916,551</u>	0.87%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			311,352,787	
Taxable Municipal Bond Pool			76,559,231	
Tactical Fixed Income			53,044,847	
High Yield Pool			238,007,094	
International Fixed Income Pool			107,638,467	
Emerging Debt Pool			46,119,828	
Total Fixed Income Securities	12.00%	± 5%	<u>832,722,254</u>	12.29%
Broad Domestic Equity				
Large Cap Pool			1,454,110,633	
Small Cap Pool			309,322,292	
Total Broad Domestic Equity	26.00%	± 6%	<u>1,763,432,925</u>	26.03%
Global Equity Ex-U.S.				
International Equity Pool			1,345,906,915	
International Equity Small Cap Pool			91,406,425	
Emerging Markets Equity Pool			193,420,826	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>1,630,734,166</u>	24.09%
Alternative Equity Strategies				
Alternative Equity Strategies			230,005,084	
Convertible Bond Pool			57,824,403	
Total Alternative Equities	3.00%	± 2%	<u>287,829,487</u>	4.25%
Private Equity				
Private Equity Pool			539,463,625	
Total Private Equity	9.00%	± 5%	<u>539,463,625</u>	7.96%
Absolute Return				
Absolute Return Pool			445,179,882	
Total Absolute Return	5.00%	± 4%	<u>445,179,882</u>	6.57%
Real Assets				
Real Estate Pool			429,273,097	
Real Estate Investment Trust Pool			103,241,668	
Infrastructure Private Pool			93,883,204	
Infrastructure Public Pool			60,781,662	
Master Limited Partnership Pool			142,981,357	
Energy Pool			21,013,703	
Farmland Pool			237,165,132	
Timber Pool			110,612,361	
Treasury Inflation Protected Securities Pool			16,314,171	
Total Real Assets	17.00%	± 8%	<u>1,215,266,355</u>	17.94%
Total Invested Assets	100.00%		<u>\$ 6,773,545,245</u>	100.00%

Public Employees' Retirement System
Investment Summary Schedule
June 30, 2016

<u>Investments (at Fair Value)</u>	<u>Health Reimbursement Arrangement</u>			<u>% of Total Assets</u>
	<u>Asset Allocation</u>		<u>Fair Value</u>	
	<u>Policy</u>	<u>Range</u>		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	± 3%	\$ 3,949,723	
Total Cash and Cash Equivalents			<u>3,949,723</u>	1.76%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			10,216,040	
Taxable Municipal Bond Pool			2,512,045	
Tactical Fixed Income			2,302,747	
High Yield Pool			7,809,437	
International Fixed Income Pool			3,531,810	
Emerging Debt Pool			1,513,274	
Total Fixed Income Securities	12.00%	± 5%	<u>27,885,353</u>	12.40%
Broad Domestic Equity				
Large Cap Pool			47,711,962	
Small Cap Pool			10,149,416	
Total Broad Domestic Equity	26.00%	± 6%	<u>57,861,378</u>	25.74%
Global Equity Ex-U.S.				
International Equity Pool			44,161,605	
International Equity Small Cap Pool			2,999,208	
Emerging Markets Equity Pool			6,346,482	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>53,507,295</u>	23.79%
Alternative Equity Strategies				
Alternative Equity Strategies			7,546,877	
Convertible Bond Pool			1,897,321	
Total Alternative Equities	3.00%	± 2%	<u>9,444,198</u>	4.20%
Private Equity				
Private Equity Pool			17,700,763	
Total Private Equity	9.00%	± 5%	<u>17,700,763</u>	7.87%
Absolute Return				
Absolute Return Pool			14,607,146	
Total Absolute Return	5.00%	± 4%	<u>14,607,146</u>	6.50%
Real Assets				
Real Estate Pool			14,085,216	
Real Estate Investment Trust Pool			3,387,544	
Infrastructure Private Pool			3,080,475	
Infrastructure Public Pool			1,994,354	
Master Limited Partnership Pool			4,691,473	
Energy Pool			689,498	
Farmland Pool			7,781,810	
Timber Pool			3,629,389	
Treasury Inflation Protected Securities Pool			535,297	
Total Real Assets	17.00%	± 8%	<u>39,875,056</u>	17.74%
Total Invested Assets	100.00%		<u>\$ 224,830,912</u>	<u>100.00%</u>

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2016

Investments (at Fair Value)	Occupational Death and Disability		Fair Value	% of Total Assets
	Policy	Range		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	± 3%	\$ 352,798	
Total Cash and Cash Equivalents			352,798	1.62%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			988,783	
Taxable Municipal Bond Pool			243,134	
Tactical Fixed Income			214,917	
High Yield Pool			755,854	
International Fixed Income Pool			341,834	
Emerging Debt Pool			146,465	
Total Fixed Income Securities	12.00%	± 5%	2,690,987	12.39%
Broad Domestic Equity				
Large Cap Pool			4,617,910	
Small Cap Pool			985,334	
Total Broad Domestic Equity	26.00%	± 6%	5,603,244	25.78%
Global Equity Ex-U.S.				
International Equity Pool			4,274,281	
International Equity Small Cap Pool			290,285	
Emerging Markets Equity Pool			614,259	
Total Global Equity Ex-U.S.	25.00%	± 4%	5,178,825	23.83%
Alternative Equity Strategies				
Alternative Equity Strategies			730,441	
Convertible Bond Pool			183,636	
Total Alternative Equities	3.00%	± 2%	914,077	4.21%
Private Equity				
Private Equity Pool			1,713,208	
Total Private Equity	9.00%	± 5%	1,713,208	7.89%
Absolute Return				
Absolute Return Pool			1,413,785	
Total Absolute Return	5.00%	± 4%	1,413,785	6.51%
Real Assets				
Real Estate Pool			1,363,269	
Real Estate Investment Trust Pool			327,870	
Infrastructure Private Pool			298,150	
Infrastructure Public Pool			193,028	
Master Limited Partnership Pool			454,076	
Energy Pool			66,735	
Farmland Pool			753,180	
Timber Pool			351,279	
Treasury Inflation Protected Securities Pool			51,809	
Total Real Assets	17.00%	± 8%	3,859,396	17.77%
Total Invested Assets	100.00%		\$ 21,726,320	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2016

Investments (at Fair Value)	Retiree Medical Plan		Fair Value	% of Total Assets
	Asset Allocation Policy	Range		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	± 3%	\$ 1,351,730	
Total Cash and Cash Equivalents			<u>1,351,730</u>	2.27%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			2,687,911	
Taxable Municipal Bond Pool			660,937	
Tactical Fixed Income			702,632	
High Yield Pool			2,054,718	
International Fixed Income Pool			929,243	
Emerging Debt Pool			398,153	
Total Fixed Income Securities	12.00%	± 5%	<u>7,433,594</u>	12.48%
Broad Domestic Equity				
Large Cap Pool			12,553,348	
Small Cap Pool			2,670,382	
Total Broad Domestic Equity	26.00%	± 6%	<u>15,223,730</u>	25.56%
Global Equity Ex-U.S.				
International Equity Pool			11,619,225	
International Equity Small Cap Pool			789,112	
Emerging Markets Equity Pool			1,669,803	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>14,078,140</u>	23.64%
Alternative Equity Strategies				
Alternative Equity Strategies			1,985,636	
Convertible Bond Pool			499,198	
Total Alternative Equities	3.00%	± 2%	<u>2,484,834</u>	4.17%
Private Equity				
Private Equity Pool			4,657,193	
Total Private Equity	9.00%	± 5%	<u>4,657,193</u>	7.82%
Absolute Return				
Absolute Return Pool			3,843,242	
Total Absolute Return	5.00%	± 4%	<u>3,843,242</u>	6.45%
Real Assets				
Real Estate Pool			3,705,918	
Real Estate Investment Trust Pool			891,286	
Infrastructure Private Pool			810,495	
Infrastructure Public Pool			524,728	
Master Limited Partnership Pool			1,234,359	
Energy Pool			181,412	
Farmland Pool			2,047,449	
Timber Pool			954,917	
Treasury Inflation Protected Securities Pool			140,840	
Total Real Assets	17.00%	± 8%	<u>10,491,404</u>	17.61%
Total Invested Assets	100.00%		\$ <u>59,563,867</u>	100.00%

Investment Section

Public Employees' Retirement System Recaptured Commission Fees Year Ended June 30, 2016

Fund	Broad Domestic Equity Pool	Global Equity Ex-U.S.	Total
Defined Benefit Plan - Pension	\$47,880	\$29,388	\$77,268
Postemployment Benefit - Alaska Retiree Healthcare Trust	39,020	23,942	62,962
Postemployment Benefit - Occupational Death & Disability	112	68	180
Postemployment Benefit - Retiree Medical Pan	275	163	438
Postemployment Benefit - Health Reimbursement Arrangement	1,139	686	1,825
Total Recapture Commission Fees	\$88,426	\$54,247	\$142,673

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets (SSGM) is: 90% of the commissions received in excess of executing the brokers' execution-only rates; 100% of commissions in excess of its execution-only rates for all trading directed through SSGM.



ACTUARIAL SECTION

Alaska Division of Retirement and Benefits





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June 27, 2016

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 Public Employees' Retirement System (PERS) as of June 30, 2015 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, 2015. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness. Valuation census data used for the retiree medical valuation utilized available retiree medical information. Certain pension data fields have been used to clarify the retiree medical data provided to us. Details regarding this information can be found in Section 6.2.d.

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 as of June 30, 2015.

PERS is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board) and as required by Alaska state statutes. The funding objective for PERS is to pay required contributions that remain level as a percent of total PERS 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 and as required by Alaska state statutes. The closed 25-year period was established effective June 30, 2014.

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The compensation used to determine required contributions is the total compensation of all active members in PERS, including those hired after July 1, 2006 who are members of the Defined Contribution Retirement (DCR) Plan. This objective is currently being met and is projected to continue to be met.

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

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. In particular, retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation (other than the sensitivity analyses shown in Sections 3.2 and 4.7).

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 for the period July 1, 2009 to June 30, 2013. Based on that experience study, the Board adopted new assumptions effective for the June 30, 2014 valuation to better reflect expected future experience. Based on our annual analysis of recent claims experience, changes were made to the per capita claim cost rates effective June 30, 2015 to better reflect expected future healthcare experience. Based on recent experience, the healthcare cost trend assumptions are still reasonable and were not changed. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 6.

The assumptions and methods used to determine the healthcare Actuarial Required Contribution (ARC) of the Employers to the PERS as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements 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 trend data schedule under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 5 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR. Please see our separate GASB 67 report for pension-related information needed for the CAFR.

David Kershner is a Fellow of the Society of Actuaries and Todd Kanaster and Larry Langer are Associates of the Society of Actuaries. All are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this 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,



David J. Kershner, FSA, EA, MAAA, FCA
Principal

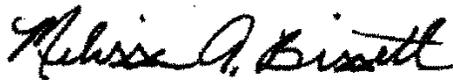


Todd D. Kanaster, ASA, MAAA, FCA
Senior Consultant



Larry Langer, ASA, EA, MAAA, FCA
Principal

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 A. Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

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The funding method used in this valuation was adopted by the Board in October 2006. Changes in the amortization of unfunded actuarial accrued liability were made in 2014. The asset smoothing method used to determine valuation assets was changed effective June 30, 2014.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

A. Actuarial Method – Entry Age Normal

Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method. Any funding surpluses or unfunded accrued liability are amortized over a closed 25- year period (established June 30, 2014) as a level percentage of payroll amount. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

Projected pension and postemployment healthcare 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.

B. Valuation of Assets

The actuarial asset value was reinitialized to equal Fair Value of Assets as of June 30, 2014. Beginning in 2015, the asset value method recognizes 20% of the gain or loss each year, for a period of 5 years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP.

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C. Changes in Methods since the Prior Valuation

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

D. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for PERS postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2015 to June 30, 2016. Healthcare cost trend and retiree contribution increase assumptions remain unchanged from the prior year (June 30, 2014) valuation.

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 historic credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription 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 Aetna reporting for fiscal 2012 through 2015 and derived recommended base claims cost rates as described in the following steps:

1. Medical, prescription drug, dental, vision and audio coverage is provided through the AlaskaCare Retiree Health Plan and is available to employees of the State and subdivisions who meet retirement criteria based on the retirement plan tier in effect at their date of hire. Health plan provisions do not vary by retirement tier or age, except for Medicare coordination. Dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation as those are retireepay all benefits where rates are assumed to be self-supporting.
2. The plan was administered by Wells Fargo Insurance Services (acquired by HealthSmart, in January 2012) from July 1, 2009 through December 31, 2013 and by Aetna effective January 1, 2014.
 - a. Claims and enrollment data for July 2011 (FY12) through June 2015 (FY15), with claims paid through July 2015 were provided by HealthSmart and Aetna and are included in our analysis.

Available historic management level reporting from HealthSmart does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Historical claim level reporting and estimated impacts of Medicare coordination and plan design were used to augment cost data by Medicare status. Aetna does provide separate experience by Medicare status and will be incorporated into per capita rate development as credible experience emerges.

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For the June 30, 2015 valuation, we were informed that pharmacy claims reported did not reflect rebates. Based upon aggregate rebates in proportion to 2014 incurred claims for all State of Alaska plans (active and retiree), Buck reduced reported pharmacy incurred claims by 7% to estimate the rebates for the retiree population beginning January 1, 2014. As more detailed rebate information becomes available, we will update as appropriate.

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 participants 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 employees 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 Aetna, about 0.35% of the current retiree (including dependents) 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 re-hire, date of birth, tier, etc.

4. Develop estimated Retiree Drug Subsidy reimbursement - Actual subsidy payments to the State were received for CY2007-CY2014, and the first six months of CY2015. Buck obtained this information based upon recorded and available information in the RDS Subsidy website. The projected subsidy for FY 2016 was determined based on the historic ratio of subsidy received to claims incurred (adjusted for rebates), and then applied to the appropriate projection period. These amounts are applicable only to Medicare eligible participants.
5. Adjust for network change – based upon projections for network savings of 3% (improved discounts, pharmacy rebates etc.), adjustments were applied to claims in the experience base prior to January 1, 2014.
6. Adjust for claim fluctuation, anomalous experience, etc. – explicit adjustments are often made for anticipated large claims or other anomalous experience. Because we accounted for both Alaska-specific and national trend factors as described below, we did not make any additional smoothing adjustments. Buck compared data utilized to alternate sources provided by the State and Aetna to assess accuracy and reasonableness of data.

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7. The steps above result in separate incurred 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 deemed incurred claim data from HealthSmart and Aetna provided data to be complete for fiscal 2012, 2013 and 2014. Fiscal 2015 medical claim data was completed using a factor of 0.91; fiscal 2015 prescription claim data was deemed complete. These factors were derived from completion patterns through July 2015 for AlaskaCare retiree claims. Incurred claim cost rates are projected forward to the valuation year using a blend of Alaska plan-specific trend and national trend rates over the same period, with Alaska experience receiving 75% weight, national trend 25%. These weighted trend factors for this purpose for the current valuation are as follows:

Experience Period	Alaska-Specific and National Average Weighted Trend from Experience Period to Valuation Year		Weighting Factors
	Medical	Prescription	
FY 2011 to FY 2012	8.3%	5.1%	10.0%
FY 2011 to FY 2013	8.9%	7.1%	20.0%
FY 2012 to FY 2014	7.7%	6.5%	35.0%
FY 2013 to FY 2015	6.4%	7.1%	35.0%

We have some run-out claims data, thus less estimation for complete claims in fiscal 2015, so we increased the credibility weight slightly for the most recent period. Incurred but not reported claim liability is separately determined and accounted for outside of this valuation.

For per capital claim cost development, medical claims were trended on a composite basis for pre-Medicare vs. Medicare due to limited reporting as noted in #2 above. Trend assumptions used for rate development are assessed annually and as additional/improved reporting becomes available, we will incorporate into rate development as appropriate.

All claims cost rates developed provided in management level reporting have been compared to similar rates developed from provided experience data to assess reasonableness data.

8. Develop separate administration costs – no adjustments were made for internal administrative costs. Third party retiree plan administration fees for fiscal 2016 are based upon rates in effect at the midpoint of the year, January 2016 as agreed upon in the Aetna contracts. We also include PCORI fees under the Affordable Care Act. We estimated the 2016 rates based upon the 2014 rate of \$2.08 per member per year. The annual per participant per year rate for medical and prescription benefits (including PCORI) is \$194.18.

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9. 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 other than noted fees have been included in the valuation results. Legislation passed in December 2015 deferred the effective date of this tax until 2020; though thresholds still start indexing in 2018. This did not change our estimated impact of the tax.

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); however, the impact is not expected to significantly impact the OPEB liability and not until far into the future. Based upon guidance available at the time of disclosure, Buck estimated the tax based upon a blended test of pre and post-Medicare projected costs and enrollment projections.

- A blended test compares a weighted average per capita cost (based upon proportions of pre/post Medicare eligible enrollments) to the thresholds in each projection year. Projected enrollment was based upon the 2015 enrollment data provided by Aetna, and 2015 valuation headcount projections. 2015 valuation census projections reflected an increase in the proportion of retirees that are Medicare eligible.
- We included administrative fees and applied Retiree Drug Subsidy reimbursements to the Medicare rates. We tested the results excluding the impact of the Retiree Drug Subsidy and results are still well below 0.01% of accrued liability.
- We assumed claim costs would increase according to valuation trend assumptions from the June 30, 2014 valuation, and that the cost thresholds would increase at 3.0%.
- Buck determined the impact to be less than \$750,000 (0.01%) of the June 30, 2015 healthcare actuarial accrued liability. In addition, any additional per capita costs due to the tax were not expected to significantly impact trend over the long term.

Patient-centered outcomes research fees are included in the admin fees. As Transitional Reinsurance fees are only in effect until 2016, we excluded these for valuation purposes.

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.

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The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2015 as compared to 2014:

Healthcare Cost Rate Data Source or Assumption Change, 2014 vs. 2013	Gain/Loss Impact on 2014 Valuation Results
Claim lag specific to medical and prescription experience	Negligible
Individual claims level data	- No impact on cost data used for 2015, though potentially a source of future modifications - No impact on morbidity assumptions used for 2015, though potentially a source of future modifications.
Explicit TPA fees	Negligible
Actual RDS payments received	Negligible
Aggregate claims data	Gain due to experience, mainly Medicare eligible, but dampened by weighting methodology
Census Data*	Gain due to update census

* We have prepared our valuation based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.

In accordance with actuarial standards, we note the following specific data sources and steps taken to value retiree medical benefits:

- The Division of Retirement and Benefits provided pension valuation census data. This pension census data included retiree medical enrollment information that indicated the retirement system and an indication regarding eligibility for system-paid benefits.
- Certain adjustments and assumptions were made to determine the number of people enrolled in retiree medical:
 - Where there is an indication of non-system paid health benefits, we reflected the coverage level (e.g. single vs. couple) indicated on the pension data in valuing the retiree medical plan.
 - Where system-paid health benefits coverage is indicated, the premium dollar amount indicated on the data is a composite rate that does not specify the number of people enrolled.
 - Buck understands that retiree medical coverage/eligibility is in place while a pension benefit is payable.
 - For individuals who are receiving a pension benefit, Buck references the pension benefit payment form (single life annuity, joint & survivor, etc.) along with marital status to determine the number of people to value for medical purposes:
 - Where there is a single life-annuity indicated and the marital status is single, we valued one member for health coverage.

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- Where there is a single life-annuity indicated and the marital status is married, we valued two members until the retiree dies. Upon the retiree's death, medical coverage for the spouse is assumed to cease and that spouse is no longer valued.
- Where there is a joint & survivor annuity, we assumed a member and spouse are covered and upon the retiree's death, health coverage is assumed to continue to the surviving spouse.
- For individuals included in the pension data expecting a future pension, we valued health benefits starting at the same point that the pension benefit is assumed to start.
- Future retirees' level of coverage is estimated according to valuation assumptions regarding spousal coverage.
- Limitations on the use of the valuation results due to uncertainty about various aspects of the data: Since pension data is used to estimate health care coverage, the retiree medical liabilities and resultant figures regarding funded status and proposed employer contribution rates may be different if we had data that could directly determine the level of health coverage for each retiree.
- Unresolved matters: We have received retiree medical enrollment data, but we have not completed the reconciliation of retiree medical enrollment data to the retiree medical valuation census data. Based on information provided to us, it appears that our valuation may assume that a greater number of individuals are enrolled in the retiree medical coverage than are indicated in the enrollment statistics provided by the carrier. This is because our data assumptions for use of pension data as a proxy for individual retiree medical coverage conservatively include in the valuation any potential dependent. The carrier enrollment information with lower enrollment figures are conservatively used to develop per capita costs, resulting in higher per capita costs than if the counts from the proxy data were used.
- Potential uncertainty or bias: Until we complete the comparison between retiree medical enrollment and the proxy data, we cannot specify the magnitude of the difference. There is potential for bias, and we believe there is conservatism in our methodology. That is, it is possible there are more people included in the valuation than are enrolled in the retiree medical plan.

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The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	\$57.64	66.0%	—%
2/1/78-1/31/79	69.10	20.0	20.0
2/1/79-1/31/80	64.70	(6.0)	6.0
2/1/80-1/31/81	96.34	49.0	19.0
2/1/81-1/31/82	96.34	—	14.0
2/1/82-1/31/83	115.61	20.0	15.0
2/1/83-1/31/84	156.07	35.0	18.0
2/1/84-1/31/85	191.85	23.0	19.0
2/1/85-1/31/86	168.25	(12.0)	14.0
2/1/86-1/31/87	165.00	(2.0)	12.0
2/1/87-1/31/88	140.25	(15.0)	9.0
2/1/88-1/31/89	211.22	51.0	13.0
2/1/89-1/31/90	252.83	20.0	13.0
2/1/90-1/31/91	243.98	(4.0)	12.0
2/1/91-1/31/92	243.98	—	11.0
2/1/92-1/31/93	226.90	(7.0)	10.0
2/1/93-1/31/94	309.72	37.0	11.0
2/1/94-1/31/95	336.05	9.0	11.0
2/1/95-1/31/96	350.50	4.0	11.0
2/1/96-1/31/97	350.50	—	10.0
2/1/97-1/31/98	368.00	5.0	10.0
2/1/98-12/31/98	368.00	—	9.0
1/1/99-12/31/99	442.00	20.0	10.0
1/1/00-12/31/00	530.00	20.0	10.0
1/1/01-12/31/01	610.00	15.0	10.0
1/1/02-12/31/02	668.00	10.0	10.0
1/1/03-12/31/03	720.00	8.0	10.0
1/1/04-12/31/04	806.00	12.0	10.0
1/1/05-12/31/05	850.00	5.0	10.0
1/1/06-12/31/06	876.00	3.0	10.0
1/1/07-12/31/07	876.00	—	10.0
1/1/08-12/31/08	876.00	—	9.0
1/1/09-12/31/09	937.00	7.0	9.0
1/1/10-12/31/10	1,068.00	14.0	9.0
1/1/11-12/31/11	1,176.00	10.0	9.0
1/1/12-12/31/12	1,200.00	2.0	9.0
1/1/13-12/31/13	1,223.00	2.0	9.0
1/1/14-12/31/14	1,223.00	—	9.0
1/1/15-12/31/15	1,223.00	—	8.0
1/1/16-12/31/16	1,154.04	(6.0)	8.0

As shown in the table above, the monthly retiree medical premium for the January 1, 2016 to December 31, 2016 time period will decrease to \$1,154. This represents a decrease of 6% from the previous year's medical premium. The health cost trend rates used for this valuation are described in Section 6.3. Also, over the last ten years, the increase in the premium rate has been about 2.8% compounded annually. Segal developed and provided 2016 retiree contribution rates.

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June 30, 2015 Valuation – FY 2016 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Fiscal 2012 Incurred Claims	\$233,811,415	\$71,498,254	\$1,587,430
Membership	29,500	33,631	208
Paid Claims Cost Rate	\$7,926	\$2,126	\$7,632
Trend to FY2016	1.353	1.353	1.353
FY2016 Paid Cost Rate	\$10,721	\$2,876	\$10,323
Manual Adjustment*	0.970	0.970	0.970
FY 2016 Incurred Cost Rate	\$10,399	\$2,789	\$10,014
Fiscal 2013 Incurred Claims	\$239,986,289	\$73,469,050	\$1,901,151
Membership	27,037	37,913	217
Paid Claims Cost Rate	\$8,876	\$1,938	\$8,761
Trend to FY2016	1.249	1.249	1.249
FY2016 Paid Cost Rate	\$11,086	\$2,420	\$10,942
Manual Adjustment*	0.970	0.970	0.970
FY 2016 Incurred Cost Rate	\$10,754	\$2,348	\$10,614
Fiscal 2014 Incurred Claims	\$222,724,835	\$68,391,357	\$2,049,847
Membership	24,507	42,348	223
Paid Claims Cost Rate	\$9,088	\$1,615	\$9,192
Trend to FY2016	1.146	1.146	1.146
FY2016 Paid Cost Rate	\$10,418	\$1,851	\$10,538
Manual Adjustment*	0.985	0.985	0.985
FY 2016 Incurred Cost Rate	\$10,262	\$1,824	\$10,380
Fiscal 2015 Incurred Claims	\$221,696,106	\$72,331,402	\$1,567,300
Membership	24,046	43,980	242
Paid Claims Cost Rate	\$9,220	\$1,645	\$6,476
Trend to FY2016	1.064	1.064	1.064
FY2016 Paid Cost Rate	\$9,814	\$1,751	\$6,894
Manual Adjustment*	1.000	1.000	1.000
FY 2016 Incurred Cost Rate	\$9,814	\$1,751	\$6,894
Weighted Average 7/1/2015-6/30/2016 Incurred Claims Cost Rates:			
At average age	\$10,217	\$1,999	\$9,170
At age 65	\$11,724	\$1,461	\$6,700

* "Manual Adjustment" is the estimated savings due to the change in claims administrator effective January 1, 2014.

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June 30, 2015 Valuation – FY 2016 Claims Cost Rates (cont.)

	Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	
Fiscal 2012 Incurred Claims	\$50,508,869	\$95,412,095	\$590,097	\$453,408,160
Membership	29,500	33,631	208	63,339
Paid Claims Cost Rate	\$1,712	\$2,837	\$2,837	\$7,158
Trend to FY2016	1.285	1.285	1.285	
FY2016 Paid Cost Rate	\$2,200	\$3,645	\$3,645	\$9,526
Manual Adjustment*	0.967	0.967	0.967	
FY2016 Incurred Cost Rate	\$2,127	\$3,525	\$3,525	\$9,231
Fiscal 2013 Incurred Claims	\$52,633,265	\$99,470,696	\$569,334	\$468,029,785
Membership	27,037	37,913	217	65,167
Paid Claims Cost Rate	\$1,947	\$2,624	\$2,624	\$7,182
Trend to FY2016	1.222	1.222	1.222	
FY2016 Paid Cost Rate	\$2,379	\$3,206	\$3,206	\$8,907
Manual Adjustment*	0.967	0.967	0.967	
FY2016 Incurred Cost Rate	\$2,301	\$3,101	\$3,101	\$8,631
Fiscal 2014 Incurred Claims	\$41,879,298	\$121,714,936	\$640,931	\$457,401,204
Membership	24,507	42,348	223	67,078
Paid Claims Cost Rate	\$1,709	\$2,874	\$2,874	\$6,819
Trend to FY2016	1.141	1.141	1.141	
FY2016 Paid Cost Rate	\$1,950	\$3,280	\$3,280	\$7,804
Manual Adjustment*	0.984	0.984	0.984	
FY2016 Incurred Cost Rate	\$1,918	\$3,225	\$3,225	\$7,683
Fiscal 2015 Incurred Claims	\$61,185,727	\$129,308,154	\$711,515	\$486,800,204
Membership	24,046	43,980	242	68,268
Paid Claims Cost Rate	\$2,545	\$2,940	\$2,940	\$7,131
Trend to FY2016	1.071	1.071	1.071	
FY2016 Paid Cost Rate	\$2,725	\$3,149	\$3,149	\$7,707
Manual Adjustment*	1.000	1.000	1.000	
FY2016 Incurred Cost Rate	\$2,725	\$3,149	\$3,149	\$7,707
Weighted Average 7/1/2015-6/30/2016 Incurred Claims Cost Rates:				
At average age	\$2,298	\$3,204	\$3,204	\$8,036
At age 65	\$2,753	\$2,753	\$2,753	\$7,516

* "Manual Adjustment" is the estimated savings due to the change in claims administrator effective January 1, 2014.

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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:

**Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2015 through June 30, 2016**

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	\$6,493	\$6,493	\$1,452	\$ —
50	7,346	7,346	1,725	—
55	8,311	8,311	2,048	—
60	9,871	9,871	2,375	—
65	1,461	6,700	2,753	496
70	1,778	8,152	2,966	534
75	2,111	9,679	3,163	570
80	2,274	10,427	3,243	584

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The demographic and economic assumptions used in the June 30, 2015 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2014. These assumptions were the result of an experience study performed as of June 30, 2013.

1. Investment Return / Discount Rate 8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates.
3. Payroll Growth 3.62% per year. (Inflation + Productivity).
4. 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.
5. Mortality (Pre-termination)*
Based upon the 2010-2013 actual mortality experience (see Table 2) 60% of male rates and 65% of female rates of post-termination mortality rates.

Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
6. Mortality (Post-termination)* 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 using Projection Scale BB.
7. Total Turnover Based upon the 2010-2013 actual withdrawal experience. (See Table 4 and 5).
8. Disability
Incidence rates based upon the 2010-2013 actual experience, in accordance with Table 6.

Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
9. Retirement
Retirement rates based upon the 2010-2013 actual experience in accordance with Table 7 and 8.
Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others.

For Peace Officer/Firefighter, Tier 1 deferred vested members are assumed to retire at age 55 and Tier 2 and 3 deferred vested members are assumed to retire at age 60.

The modified cash refund annuity is valued as a three-year certain and life annuity.

*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 109%.

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10. Marriage and Age Difference Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% of female members are assumed to be married. For Peace Officer/Firefighters, 85% of male members and 60% female members are assumed to be married.
11. Dependent Children Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
12. Contribution Refunds For Others, 10% of terminating members with vested benefits are assumed to have their contributions refunded.
- For Peace Officers/Firefighters, 15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.
13. Imputed Data Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Nonvested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active member with missing salary and service are assumed to be terminated with status based on their vesting percentage.
14. COLA Of those benefit recipients who are eligible for the COLA, 70% of Others and 65% Peace Officers/Firefighters are assumed to remain in Alaska and receive the COLA.
15. Post-Retirement Pension 50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is Adjustment valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.
16. Expenses Investment return assumption is net of all expenses.
17. Part-Time Status Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.65 years for credited service per year for Other members.
18. Final Average Earnings Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.

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20. Per Capita Claims Cost Sample claims cost rates adjusted to age 65 for FY16 medical and prescription are shown below:

	Medical	Prescription drugs
Pre-Medicare	\$ 11,724	\$ 2,753
Medicare Parts A & B	1,461	2,753
Medicare Part B Only	6,700	2,753
Medicare Part D	N/A	496

21. Third Party Administrator Fees \$194.18 per person per year; assumed trend rate of 5% per year.

22. 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.

23. 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, 9.4% is applied to the FY16 pre-Medicare medical claims costs to get the FY17 medical claims costs.

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.0
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

For the June 30, 2014 valuations 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 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

24. Aging Factors

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Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94 +	—	—

25. Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY16 contributions based on monthly rates shown below for calendar 2015 and 2016 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

Coverage category	Calendar 2016		Calendar 2015
	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	\$ 9,324	777	823
Retiree and spouse	18,648	1,554	1,647
Retiree and child(ren)	13,164	1,097	1,163
Retiree and family	22,500	1,875	1,987
Composite	13,848	1,154	1,223

26. Trend Rate for Retired Member Medical Contribution

The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 6.6% is applied to the FY16 retired member medical contributions to get the FY17 retired member medical contributions.

Fiscal year:	
2016	6.6%
2017	6.2
2018	5.8
2019	5.4
2020	5.0
2021	4.7
2025	4.1
2050	4.0
2100	4.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2014 valuation. Note that actual FY16 retired member medical contributions are reflected in the valuation.

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27. Healthcare Participation 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

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Summary of Actuarial Assumptions and Changes in Assumptions

Table 1
Alaska PERS
Salary Scale

Peace Officer/Firefighter:			
Years of Service	Percent Increase	Years of Service	Percent Increase
0	9.66%	11	4.92%
1	8.66	12	4.92
2	7.16	13	4.92
3	7.03	14	4.92
4	6.91	15	4.92
5	6.41	16	4.92
6	5.66	17	4.92
7	4.92	18	4.92
8	4.92	19	4.92
9	4.92	20+	4.92
10	4.92		

Others:	
Years of Service	Percent Increase
0	8.55%
1	7.36
2	6.35
3	6.11
4	5.71
5+	Age based

Age	Percent Increase	Age	Percent Increase
20	7.91%	45	5.44%
21	7.83	46	5.40
22	7.75	47	5.36
23	7.51	48	5.31
24	7.27	49	5.27
25	7.03	50	5.22
26	6.79	51	5.18
27	6.55	52	5.13
28	6.52	53	5.09
29	6.49	54	5.05
30	6.47	55	5.01
31	6.44	56	4.97
32	6.41	57	4.93
33	6.33	58	4.85
34	6.24	59	4.77
35	6.16	60	4.69
36	6.07	61	4.60
37	5.99	62	4.52
38	5.90	63	4.46
39	5.82	64	4.40
40	5.73	65+	4.34
41	5.64		
42	5.55		
43	5.52		
44	5.48		

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Table 2
Alaska PERS
Mortality Table (Pre-termination)

Age	Male	Female	Age	Male	Female
20	0.000188	0.000113	55	0.001978	0.001549
21	0.000195	0.000114	56	0.002292	0.001730
22	0.000200	0.000115	57	0.002515	0.001912
23	0.000204	0.000116	58	0.002775	0.002118
24	0.000205	0.000119	59	0.003073	0.002355
25	0.000205	0.000122	60	0.003425	0.002632
26	0.000206	0.000127	61	0.003826	0.002973
27	0.000208	0.000132	62	0.004287	0.003343
28	0.000214	0.000139	63	0.004813	0.003840
29	0.000225	0.000147	64	0.005324	0.004328
30	0.000242	0.000156	65	0.005904	0.004874
31	0.000272	0.000181	66	0.006558	0.005500
32	0.000307	0.000207	67	0.007184	0.006107
33	0.000344	0.000233	68	0.007842	0.006751
34	0.000383	0.000257	69	0.008689	0.007462
35	0.000422	0.000281	70	0.009744	0.008407
36	0.000459	0.000304	71	0.010782	0.009329
37	0.000493	0.000327	72	0.011971	0.010376
38	0.000526	0.000354	73	0.013334	0.011534
39	0.000557	0.000383	74	0.014876	0.012783
40	0.000589	0.000417	75	0.016602	0.014113
41	0.000623	0.000458	76	0.018504	0.015549
42	0.000663	0.000504	77	0.020583	0.017125
43	0.000709	0.000554	78	0.022872	0.018877
44	0.000762	0.000608	79	0.025419	0.020841
45	0.000823	0.000664	80	0.028245	0.023037
46	0.000882	0.000723	81	0.031612	0.025498
47	0.000946	0.000784	82	0.035318	0.028266
48	0.001015	0.000848	83	0.039369	0.031386
49	0.001089	0.000916	84	0.043784	0.034906
50	0.001167	0.000991	85	0.048601	0.038887
51	0.001336	0.001095	86	0.053884	0.043371
52	0.001455	0.001193	87	0.060797	0.048373
53	0.001591	0.001305	88	0.068537	0.053879
54	0.001744	0.001407	89	0.077135	0.059830
			90	0.086571	0.067336

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Summary of Actuarial Assumptions and Changes in Assumptions

Table 3
Alaska PERS
Mortality Table (Post-termination)

Age	Male	Female	Age	Male	Female
50	0.001944	0.001524	85	0.081002	0.059827
51	0.002227	0.001684	86	0.089807	0.066725
52	0.002426	0.001835	87	0.101329	0.074420
53	0.002652	0.002007	88	0.114229	0.082891
54	0.002907	0.002165	89	0.128559	0.092046
55	0.003296	0.002383	90	0.144286	0.103593
56	0.003820	0.002662	91	0.160042	0.115847
57	0.004192	0.002942	92	0.176712	0.128589
58	0.004625	0.003259	93	0.194120	0.141591
59	0.005121	0.003623	94	0.212080	0.154643
60	0.005708	0.004050	95	0.230428	0.167558
61	0.006377	0.004574	96	0.249035	0.180154
62	0.007144	0.005143	97	0.267822	0.192248
63	0.008021	0.005908	98	0.281616	0.200025
64	0.008874	0.006658	99	0.300310	0.210437
65	0.009839	0.007498	100	0.313360	0.215967
66	0.010930	0.008462	101	0.332097	0.226721
67	0.011973	0.009396	102	0.344188	0.235671
68	0.013070	0.010386	103	0.361155	0.250844
69	0.014482	0.011479	104	0.369606	0.263111
70	0.016240	0.012933	105	0.381971	0.281391
71	0.017969	0.014352	106	0.384000	0.295499
72	0.019952	0.015964	107	0.384000	0.309816
73	0.022223	0.017744	108	0.384000	0.323943
74	0.024793	0.019666	109	0.384000	0.337482
75	0.027670	0.021712	110	0.384000	0.350032
76	0.030840	0.023921	111	0.384000	0.361196
77	0.034305	0.026346	112	0.384000	0.370574
78	0.038120	0.029042	113	0.384000	0.377767
79	0.042365	0.032063	114	0.384000	0.382376
80	0.047075	0.035441	115	0.384000	0.384000
81	0.052687	0.039227	116	0.384000	0.384000
82	0.058863	0.043487	117	0.384000	0.384000
83	0.065615	0.048286	118	0.384000	0.384000
84	0.072973	0.053702	119	1.000000	1.000000

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Table 4
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:	Male	Female
Years of Service	(rounded)	(rounded)
0	0.15	0.15
1	0.12	0.08
2	0.07	0.06
3	0.06	0.06
4	0.06	0.07

Members with 5 or more years of service

Age	Male	Female	Age	Male	Female
20	0.040894	0.080000	40	0.017699	0.034930
21	0.040894	0.080000	41	0.017615	0.034779
22	0.040894	0.080000	42	0.017531	0.034627
23	0.038801	0.080000	43	0.018025	0.034352
24	0.036708	0.080000	44	0.018519	0.034077
25	0.034616	0.080000	45	0.019012	0.033802
26	0.032523	0.080000	46	0.019506	0.033527
27	0.030430	0.080000	47	0.020000	0.033251
28	0.028877	0.078000	48	0.023333	0.032862
29	0.027324	0.076000	49	0.026667	0.032474
30	0.025771	0.074000	50	0.030000	0.032085
31	0.024218	0.072000	51	0.040000	0.031581
32	0.022665	0.070000	52	0.040000	0.030941
33	0.021722	0.063077	53	0.040000	0.030201
34	0.020779	0.056154	54+	0.040000	0.060402
35	0.019836	0.049231			
36	0.018893	0.042308			
37	0.017950	0.035385			
38	0.017866	0.035234			
39	0.017782	0.035082			

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Table 5
Alaska PERS
Total Turnover Assumptions

Others:

Years of Service	Hire Age < 35		Hire Age > 35	
	Male (rounded)	Female (rounded)	Male	Female
0	0.29	0.29	0.20	0.20
1	0.16	0.20	0.12	0.15
2	0.13	0.16	0.10	0.13
3	0.10	0.13	0.09	0.10
4	0.08	0.10	0.09	0.09

Members with 5 or more years of service

Age	Male	Female	Age	Male	Female
20	0.095000	0.136735	40	0.044190	0.053792
21	0.095000	0.136735	41	0.042820	0.052523
22	0.095000	0.136735	42	0.041450	0.051254
23	0.090250	0.128522	43	0.040930	0.049398
24	0.085500	0.120309	44	0.040400	0.047541
25	0.080750	0.112096	45	0.039880	0.045685
26	0.076000	0.103883	46	0.039357	0.043828
27	0.071250	0.095670	47	0.038834	0.041972
28	0.069160	0.091756	48	0.038701	0.041891
29	0.067060	0.087842	49	0.038568	0.041809
30	0.064960	0.083927	50	0.038170	0.041566
31	0.062870	0.080013	51	0.037844	0.041365
32	0.060770	0.076099	52	0.037460	0.041121
33	0.058280	0.072399	53	0.037023	0.040844
34	0.055780	0.068699	54+	0.043859	0.057924
35	0.053290	0.064999			
36	0.050790	0.061299			
37	0.048300	0.057599			
38	0.046930	0.056330			
39	0.045560	0.055061			

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Table 6
Alaska PERS
Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.000224	0.000218	0.000188
21	0.000224	0.000218	0.000188
22	0.000224	0.000218	0.000188
23	0.000305	0.000240	0.000200
24	0.000387	0.000261	0.000212
25	0.000468	0.000283	0.000224
26	0.000550	0.000304	0.000236
27	0.000631	0.000326	0.000248
28	0.000658	0.000334	0.000255
29	0.000685	0.000342	0.000262
30	0.000712	0.000349	0.000269
31	0.000739	0.000357	0.000277
32	0.000765	0.000365	0.000284
33	0.000793	0.000377	0.000293
34	0.000821	0.000389	0.000303
35	0.000849	0.000401	0.000312
36	0.000877	0.000413	0.000322
37	0.000905	0.000425	0.000331
38	0.000946	0.000446	0.000348
39	0.000986	0.000467	0.000364
40	0.001027	0.000489	0.000381
41	0.001068	0.000510	0.000397
42	0.001108	0.000531	0.000413
43	0.001221	0.000586	0.000454
44	0.001333	0.000641	0.000495
45	0.001446	0.000695	0.000536
46	0.001559	0.000750	0.000577
47	0.001671	0.000805	0.000618
48	0.001828	0.000886	0.000680
49	0.001985	0.000967	0.000742
50	0.002142	0.001048	0.000804
51	0.002299	0.001129	0.000867
52	0.002456	0.001210	0.000929
53	0.002868	0.001421	0.001084
54	0.003280	0.001633	0.001239

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Table 7
Alaska PERS Peace Officer/Firefighter
Retirement Table

Age at Retirement	Retirement Rate		
	Reduced	Unreduced	
	Unisex Rates	Male Rates	Female Rates
<47	N/A	0.080000	0.060000
47	N/A	0.080000	0.150000
48	N/A	0.130000	0.150000
49	N/A	0.130000	0.150000
50	0.087041	0.150000	0.150000
51	0.085580	0.150000	0.150000
52	0.072383	0.185000	0.150000
53	0.076688	0.185000	0.150000
54	0.075561	0.185000	0.250000
55	0.077429	0.250000	0.200000
56	0.077106	0.250000	0.150000
57	0.076730	0.250000	0.150000
58	0.076820	0.250000	0.150000
59	0.200000	0.250000	0.150000
60	N/A	0.300000	0.250000
61	N/A	0.250000	0.200000
62	N/A	0.250000	0.300000
63	N/A	0.250000	0.500000
64	N/A	0.200000	0.500000
65	N/A	0.200000	0.500000
66	N/A	0.250000	0.500000
67	N/A	0.500000	0.500000
68	N/A	0.500000	0.500000
69	N/A	0.500000	0.500000
70	N/A	1.000000	1.000000
71	N/A	1.000000	1.000000
72	N/A	1.000000	1.000000
73	N/A	1.000000	1.000000
74	N/A	1.000000	1.000000
75	N/A	1.000000	1.000000

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 8
Alaska PERS Other
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male Rate	Female Rate	Male Rates	Female Rates
<50	N/A	N/A	0.10	0.10
50	0.04	0.06	0.30	0.35
51	0.04	0.06	0.33	0.35
52	0.06	0.08	0.33	0.35
53	0.06	0.08	0.33	0.35
54	0.14	0.14	0.35	0.35
55	0.05	0.06	0.30	0.30
56	0.05	0.06	0.20	0.20
57	0.05	0.06	0.20	0.18
58	0.05	0.06	0.20	0.18
59	0.14	0.16	0.20	0.18
60	N/A	N/A	0.20	0.21
61	N/A	N/A	0.20	0.20
62	N/A	N/A	0.20	0.20
63	N/A	N/A	0.20	0.20
64	N/A	N/A	0.20	0.20
65	N/A	N/A	0.23	0.26
66	N/A	N/A	0.25	0.26
67	N/A	N/A	0.20	0.22
68	N/A	N/A	0.23	0.22
69	N/A	N/A	0.25	0.22
70	N/A	N/A	0.25	0.22
71	N/A	N/A	0.25	0.22
72	N/A	N/A	0.25	0.25
73	N/A	N/A	0.25	0.25
74	N/A	N/A	0.25	0.35
75-89	N/A	N/A	0.50	0.50
90+	N/A	N/A	1.00	1.00

Actuarial Section

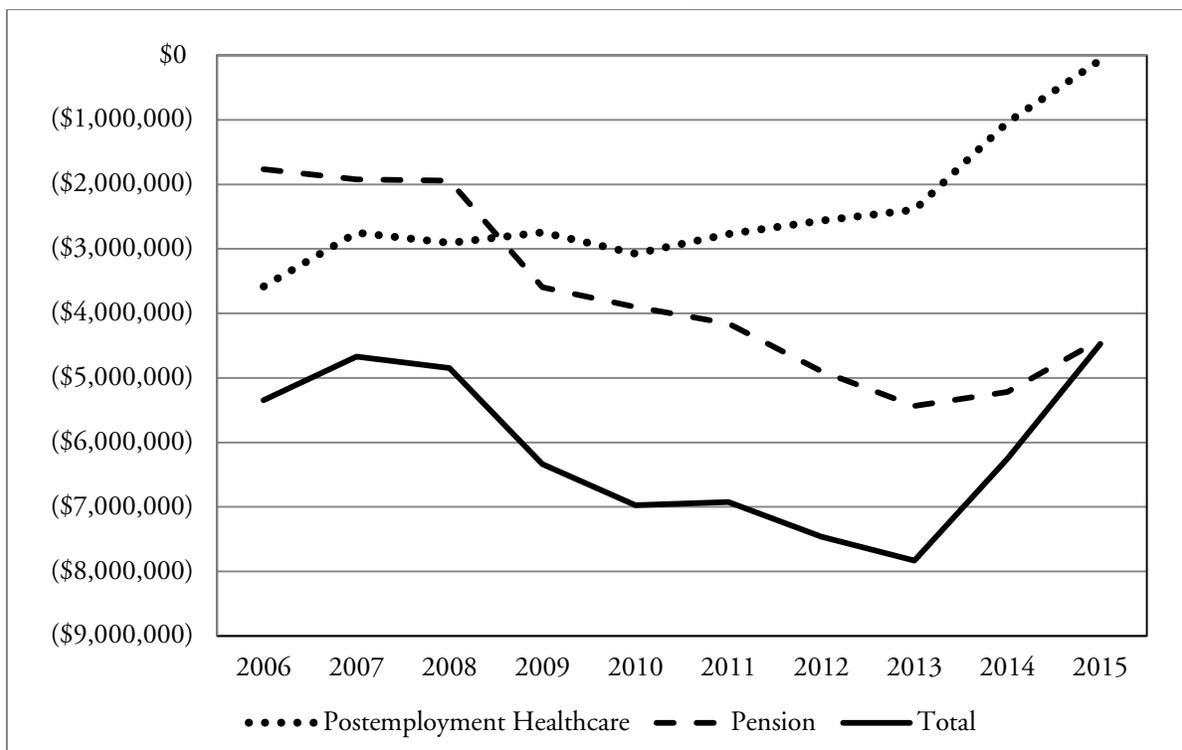
State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 9
Alaska PERS
Disabled Mortality Rates

Age	Male	Female	Age	Male	Female
≤45	0.0214	0.0071	80	0.0833	0.0582
46	0.0226	0.0078	81	0.0880	0.0621
47	0.0238	0.0085	82	0.0928	0.0662
48	0.0250	0.0093	83	0.0978	0.0707
49	0.0262	0.0101	84	0.1028	0.0755
50	0.0275	0.0109	85	0.1079	0.0806
51	0.0287	0.0118	86	0.1130	0.0862
52	0.0299	0.0127	87	0.1204	0.0921
53	0.0311	0.0137	88	0.1282	0.0985
54	0.0324	0.0144	89	0.1362	0.1054
55	0.0336	0.0151	90	0.1503	0.1148
56	0.0348	0.0158	91	0.1667	0.1249
57	0.0354	0.0164	92	0.1841	0.1359
58	0.0359	0.0171	93	0.2022	0.1475
59	0.0365	0.0176	94	0.2209	0.1611
60	0.0370	0.0182	95	0.2400	0.1745
61	0.0376	0.0188	96	0.2594	0.1877
62	0.0382	0.0194	97	0.2790	0.2003
63	0.0389	0.0204	98	0.2934	0.2084
64	0.0396	0.0214	99	0.3128	0.2192
65	0.0404	0.0226	100	0.3264	0.2250
66	0.0413	0.0238	101	0.3459	0.2362
67	0.0422	0.0252	102	0.3585	0.2455
68	0.0434	0.0267	103	0.3762	0.2613
69	0.0454	0.0284	104	0.3850	0.2741
70	0.0477	0.0303	105	0.3979	0.2931
71	0.0502	0.0323	106	0.4000	0.3078
72	0.0529	0.0345	107	0.4000	0.3227
73	0.0558	0.0368	108	0.4000	0.3374
74	0.0591	0.0393	109	0.4000	0.3515
75	0.0625	0.0420	110	0.4000	0.3646
76	0.0662	0.0449	111	0.4000	0.3762
77	0.0702	0.0479	112	0.4000	0.3860
78	0.0744	0.0511	113	0.4000	0.3935
79	0.0788	0.0546	114	0.4000	0.3983
			115+	0.4000	0.4000

Public Employees' Retirement System Defined Benefit Retirement Plan Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2006	\$ (3,584,527)	\$ (1,762,978)	\$ (5,347,505)	62.8%
2007	(2,746,653)	(1,923,320)	(4,669,973)	68.0
2008	(2,904,525)	(1,943,510)	(4,848,035)	69.5
2009	(2,742,835)	(3,593,558)	(6,336,393)	61.8
20010	(3,073,188)	(3,901,840)	(6,975,028)	61.5
2011	(2,769,878)	(4,156,898)	(6,926,776)	63.0
2012	(2,561,808)	(4,898,523)	(7,460,331)	61.3
2013	(2,395,001)	(5,435,132)	(7,830,133)	60.8
2014	(1,036,453)	(5,216,321)	(6,252,774)	70.1
2015	(68,435)	(4,406,769)	(4,475,204)	75.4

10-YEAR TREND OF UNFUNDED LIABILITY
(In thousands)



Actuarial Section

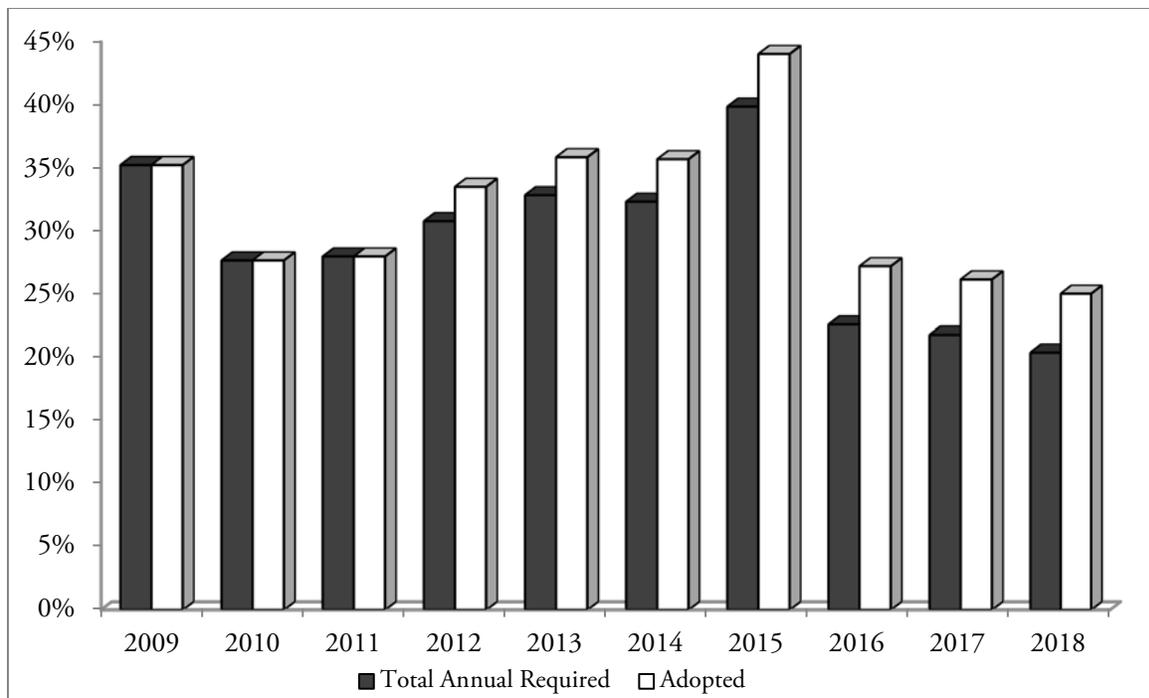
Public Employees' Retirement System Defined Benefit Retirement Plan Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Actuarial Valuation Year Ended June 30	Normal Cost ¹	Past Service	Total Annual Required	
2009	2006	13.72%	21.50%	35.22%	35.22%
2010	2007	9.46	18.19	27.65	27.65
2011	2008	9.33	18.63	27.96	27.96
2012	2009	8.28	22.48	30.76	33.49
2013	2010	8.67	24.16	32.83	35.84
2014	2011	8.12	24.19	32.31	35.68
2015	2012	6.82	33.03	39.85	44.03
2016	2013	6.05	16.53	22.58	27.19
2017	2014	5.76	16.02	21.78	26.14
2018	2015	5.10	15.28	20.38	25.01

¹ Also referred to as the consolidated rate.

Beginning with the June 30, 2014 valuation, contribution rates for FY17 and beyond are determined using new methodology in accordance with 2014 legislation under HB 385 and SB 119, 2014 Alaska Laws, which changed the amortization methodology to a closed 25-year period as a level percentage of pay, and eliminated the time lag on the contribution rate calculation by using a 2-year year "roll-forward" approach and assuming 0% population growth. Investment gains and losses are recognized over a 5-year period beginning in FY15.

Valuations are used to set contribution rates in future years.

10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands)	Annual Average Earnings	Percent Increase in Average Earnings	Number of Participating Employers
All Others					
June 30, 2015	15,833	\$ 1,108,218	\$ 69,994	2.1%	155
June 30, 2014	17,339	1,188,918	68,569	3.4	158
June 30, 2013	18,890	1,252,786	66,320	4.5	159
June 30, 2012	20,566	1,305,337	63,471	4.6	160
June 30, 2011	22,118	1,342,122	60,680	4.7	160
June 30, 2010	24,054	1,393,803	57,945	4.5	160
June 30, 2009	25,089	1,390,971	55,441	5.1	159
June 30, 2008	26,301	1,387,117	52,740	6.9	160
June 30, 2007	28,675	1,414,145	49,316	9.5	160
June 30, 2006	31,286	1,408,863	45,032	4.2	160
Peace Officer / Firefighter					
June 30, 2015	1,827	\$ 185,350	\$ 101,450	2.5%	155
June 30, 2014	1,958	193,737	98,946	3.4	159
June 30, 2013	2,065	197,534	95,658	4.8	159
June 30, 2012	2,164	197,544	91,286	4.1	160
June 30, 2011	2,275	199,537	87,709	8.6	160
June 30, 2010	2,388	192,895	80,777	2.8	160
June 30, 2009	2,476	194,519	78,562	5.0	159
June 30, 2008	2,549	190,729	74,825	4.9	160
June 30, 2007	2,687	191,674	71,334	9.3	160
June 30, 2006	2,785	181,830	65,289	2.5	160
Total and average earnings ("valuation pay") are the annualized earnings for the fiscal year ending on the valuation date.					

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Benefit Recipients Added to and Removed from Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
	No. ¹	Annual Pension Benefits ¹	No. ¹	Annual Pension Benefits ¹	No.	Annual Pension Benefits		
All Others								
June 30, 2015	1,583	\$39,939,292	627	\$ 7,232,812	29,029	\$ 601,658,776	5.7%	\$ 20,726
June 30, 2014	1,778	44,823,611	603	3,011,383	28,073	568,952,296	7.9	20,267
June 30, 2013	1,808	43,247,667	554	4,861,626	26,898	527,140,068	7.9	19,598
June 30, 2012	1,679	37,855,250	636	5,344,239	25,644	488,754,027	7.1	19,059
June 30, 2011	1,595	37,100,217	554	6,897,899	24,601	456,243,016	7.1	18,546
June 30, 2010	1,667	35,089,579	517	8,712,630	23,560	426,040,698	6.6	18,083
June 30, 2009	1,340	25,402,811	476	28,773	22,410	399,663,749	6.8	17,834
June 30, 2008	1,454	28,498,471	466	5,349,935	21,546	374,289,711	6.6	17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4	15,762
Peace Officer / Firefighter								
June 30, 2015	136	\$ 5,617,344	46	\$ 633,046	3,116	\$ 108,247,168	4.8%	\$ 34,739
June 30, 2014	109	4,270,620	50	(145,769)	3,026	103,262,870	4.5	34,125
June 30, 2013	113	4,162,920	42	240,775	2,967	98,846,479	4.1	33,315
June 30, 2012	179	5,246,271	41	(177,568)	2,896	94,924,334	6.1	32,778
June 30, 2011	114	3,772,720	33	116,090	2,758	89,500,495	4.3	32,451
June 30, 2010	118	3,593,724	46	1,413,071	2,677	85,843,865	2.6	32,067
June 30, 2009	108	2,759,299	39	(518,134)	2,605	83,663,212	4.1	32,116
June 30, 2008	125	3,556,519	28	191,073	2,536	80,385,779	4.4	31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	8.9	29,790

¹ Numbers are estimated, and include other internal transfers.

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Pension Solvency Test (In thousands)							
Valuation Date	Pension Actuarial Accrued Liability For:			Pension Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ 1,475,852	\$ 8,762,863	\$ 3,099,214	\$ 8,931,160	100.0%	85.1%	—%
June 30, 2014 ^{1 2}	1,486,335	8,264,683	3,196,741	7,731,438	100.0	75.6	—
June 30, 2013	1,479,538	7,514,255	2,952,088	6,510,749	100.0	67.0	—
June 30, 2012	1,459,943	7,057,967	2,911,034	6,530,421	100.0	71.8	—
June 30, 2011	1,421,967	6,657,517	2,839,563	6,762,149	100.0	80.2	—
June 30, 2010 ¹	1,388,029	6,268,461	2,715,182	6,469,832	100.0	81.1	—
June 30, 2009	1,315,924	5,914,959	2,471,203	6,108,528	100.0	81.0	—
June 30, 2008	1,242,288	5,606,402	2,305,592	7,210,772	100.0	100.0	15.7
June 30, 2007	1,203,007	5,282,132	2,177,185	6,739,004	100.0	100.0	11.7
June 30, 2006 ^{1 2}	1,157,755	4,933,609	2,002,679	6,331,065	100.0	100.0	12.0
June 30, 2005	1,104,821	4,627,467	1,354,903	6,016,713 ³	100.0	100.0	21.0

¹ Change in Assumptions
² Change in Methods
³ The pension and postemployment healthcare valuation assets were allocated using a ration of fair value of assets as of June 30, 2005

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Postemployment Healthcare Solvency Test (In thousands)							
Valuation Date	Postemployment Healthcare Actuarial Accrued Liability For:			Post-Employment Healthcare Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ 5,159,283	\$ 2,151,451	\$ 7,242,299	100.0%	100.0%	96.8%
June 30, 2014 ¹	—	5,455,114	2,494,499	6,913,160	100.0	100.0	58.5.9
June 30, 2013 ¹	—	5,298,380	2,748,498	5,651,877	100.0	100.0	12.9
June 30, 2012 ¹	—	5,026,080	2,837,337	5,301,609	100.0	100.0	9.7
June 30, 2011	—	4,812,845	3,008,658	5,051,625	100.0	100.0	7.9
June 30, 2010 ¹	—	4,581,806	3,179,014	4,687,632	100.0	100.0	3.3
June 30, 2009	—	4,232,394	2,644,891	4,134,450	100.0	97.7	—
June 30, 2008 ¹	—	4,166,270	2,567,589	3,829,334	100.0	91.9	—
June 30, 2007	—	3,684,906	2,223,703	3,161,956	100.0	85.8	—
June 30, 2006 ^{1 2}	—	3,990,202	2,304,168	2,709,843	100.0	67.9	—
June 30, 2005	—	4,039,591	1,718,059	2,426,206 ³	100.0	60.1	—

Healthcare liabilities are calculated using the funding assumptions (i.e., funding investment return and net of Medicare Part D subsidy).

¹ Change in Assumptions
² Change in Methods
³ The postemployment healthcare valuation assets were allocated using a ration of fair value of assets as of June 30, 2005

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience					
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Actuarial Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2015	2014	2013	2012	2011
Health Experience	(3.65)%	(0.85)%	(1.51)%	(2.97)%	(1.82)%
Salary Experience	(0.32)	(0.19)	0.23	0.23	0.31
Investment Experience	0.45	(4.63)	1.76	3.11	0.26
Demographic Experience	0.34	(0.04)	(0.84)	(1.00)	0.29
Contribution Shortfall	—	0.67	0.79	0.21	0.44
(Gain) or Loss During Year From Experience	(3.18)	(5.04)	0.43	(0.42)	(0.52)
Non-recurring changes					
Assumption and Method Changes	—	(13.46)	—	7.96	—
System Benefit Changes	—	—	—	—	—
Composite (Gain) or Loss During Year	(3.18)	(18.50)	0.43	7.54	(0.52)
Beginning Employer/State Contribution Rate	21.78	40.28	39.85	32.31	32.83
Ending Employer/State Contribution Rate	<u>18.60%</u>	<u>21.78%</u>	<u>40.28%</u>	<u>39.85%</u>	<u>32.31%</u>
Fiscal Year Employer/State Contribution Rate	18.60%*	21.78%	22.58%	27.72%	32.31%
Fiscal Year Above Rate is Applied	FY18	FY17	FY16	FY15	FY14

*Expected. Actual Rate to be determined.

NOTE: In the second session of the 28th Alaska legislature, the legislature changed the actuarial methodology from level dollar amortization to level percent of pay. The June 30, 2013 PERS actuarial valuation report was not updated for this change, but specific revisions for the amortization change were presented to reflect the change in amortization. The change in the amortization resulted in an adjusted FY16 employer/state contribution rate of 22.58%.

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience						
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Actuarial Accrued Liabilities During the Last Three Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience						
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2015	2014	2013	2015	2014	2013
Health Experience	N/A	N/A	N/A	(3.65)%	(0.85)%	(1.51)%
Salary Experience	(0.32)%	(0.19)%	0.23%	N/A	N/A	N/A
Investment Experience	0.24	(2.40)	1.43	0.21	(2.23)	0.33
Demographic Experience	0.34	(0.04)	(0.84)	N/A	N/A	N/A
Contribution Shortfall	—	0.63	0.78	—	0.04	0.01
(Gain) or Loss During Year From Experience	0.26	(2.00)	1.60	(3.44)	(3.04)	(1.17)
Non-recurring changes						
Assumption and Method Changes	—	(6.86)	—	—	(6.60)	—
System Benefit Changes	—	—	—	—	—	—
Composite (Gain) or Loss During Year	0.26	(8.86)	1.60	(3.44)	(9.64)	(1.17)
Beginning Employer/State Contribution Rate	15.98	24.84	23.24	5.80	15.44	16.61
Ending Employer/State Contribution Rate	<u>16.24%</u> *	<u>15.98%</u>	<u>24.84%</u>	<u>2.36%</u> *	<u>5.80%</u>	<u>15.44%</u>
Fiscal Year Employer/State Contribution Rate	16.24%*	15.98%	14.43%	2.36%*	5.80%	8.15%
Fiscal Year Above Rate is Applied	FY18	FY17	FY16	FY18	FY17	FY16

*Expected. Actual Rate to be determined.

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

1. Effective Date

January 1, 1961, with amendments through June 30, 2008. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

2. Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Public Employees' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing PERS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Public Employees' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

3. Employers Included

Currently there are 156 employers participating in the PERS, including the State of Alaska and 155 political subdivisions and public organizations.

4. Membership

PERS membership is mandatory for all permanent full-time and part-time employees of the State of Alaska and participating political subdivisions and public organizations, unless they are specifically excluded by Alaska Statute or employer participation agreements. Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the PERS. Elected officials may waive PERS membership.

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the Plan effective July 1, 2006, to new members first hired on or after July 1, 2006.

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

5. Credited Service

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled. Survivors who are receiving occupational death benefits continue to earn PERS service credit while occupational survivor benefits are being paid.

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past Peace Officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

Except for service before January 1, 1961, with the State, former Territory of Alaska, or U.S. Government in Alaska, contributions are required for all past service.

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

At the election of certain PERS members, certain service may be credited in the same fashion as members in the State of Alaska Teachers' Retirement System (TRS).

Members employed as dispatchers or within a state correctional facility may, at retirement, elect to convert their dispatcher or correctional facility service from "all other" service to Peace Officer/Firefighter service and retire under the 20 year retirement option. Members pay the full actuarial cost of conversion.

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

6. Employer Contributions

PERS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over a closed 25-year period starting July 30, 2014.

Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll.

7. Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (22%) will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

8. Member Contributions

Mandatory Contributions: Peace Officer/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the Teachers' Retirement System rules contribute 9.76% of their compensation. Members' contributions are deducted from gross wages before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

Voluntary Contributions: Members may voluntarily contribute up to 5% of their salary on an after-tax basis. Voluntary contributions are recorded in a separate account and are payable to the:

- a. member in lump sum payment upon termination of employment;
- b. member's beneficiary if the member dies; or
- c. member in a lump sum, life annuity, or payments over a designated period of time when the member retires.

Interest: Members' contributions earn 4.5% interest, compounded semiannually on June 30 and December 31.

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Refund of Contributions: Terminated members may receive refunds of their member contribution accounts which includes their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. Interest accrues on refunds until paid in full or members retire.

9. Retirement Benefits

Eligibility:

- a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - i) five years of paid-up PERS service;
 - ii) 60 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature before May 30, 1987;
 - iii) 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature after May 29, 1987;
 - iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or
 - v) two years of paid-up PERS service and a minimum three years of Teachers' Retirement System service to qualify for a public service benefit.

- b) Members may retire at any age when they have:
 - i) 20 paid-up years of PERS Peace Officer/Firefighter service; or
 - ii) 30 paid-up years of PERS "all other" or "elected official" service.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements under the "20 and out" or "30 and out" provisions. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1996 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

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Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all Others are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Indebtedness: Members who terminate and refund their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, if a member is otherwise eligible to retire, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

10. Reemployment of Retired Members

Retirement and retiree healthcare benefits are suspended while retired members are reemployed under the PERS. During reemployment, members earn additional PERS service and contributions are withheld from their wages. A member who retired with a normal retirement benefit can elect to waive payment of PERS contributions. The waiver allows the member to continue receiving the retirement benefit during the period of reemployment. Members who elect the waiver option do not earn additional PERS service. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is not available to members who retired early or under the Retirement Incentive Programs (RIPs). The Waiver Option is no longer available after June 30, 2009.

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

- a) forfeit the three years of incentive credits that they received;
- b) owe the PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and
- c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

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Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

11. Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. Tier 3 Members with between five and ten years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 Members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 Members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers/Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

Medical, prescription drug, dental, vision and audio coverage is provided through the AlaskaCare Retiree Health Plan. Health plan provisions do not vary by retirement tier or age, except for Medicare coordination.

Surviving spouses continue coverage only if a pension payment form that provided survivor benefits was elected. Alternate payee (i.e. individuals who are the subject of a domestic relations order or DRO) are allowed to participate in the plan, but must pay the full cost.

Where premiums are required prior to age 60, the valuation bases this payment upon the age of the retiree.

Participants in the defined benefit plan are covered under the following benefit design:

Plan Feature	Amount
Deductible (single/family)*	\$150/\$450
Coinsurance - most services	20%
Outpatient surgery/testing	0%
Maximum Out-of-Pocket* (single/family, excl. deductible)	\$800/\$2,400
Rx Copays (generic/brand/mail-order), does not apply to OOP max	\$4/\$8/\$0
Lifetime Maximum	\$2,000,000

The plan coordinates with Medicare on a traditional Coordination of Benefits Method.

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12. Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. Members are appointed to normal retirement on the first of the month after they become eligible.

Occupational Disability: Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

Nonoccupational Disability: Members must be vested (five paid-up years of PERS service) to be eligible for nonoccupational disability benefits. Monthly benefits are calculated based on the member's average monthly compensation and PERS service on the date of termination from employment because of disability. Members do not earn PERS service while on nonoccupational disability.

13. Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

Occupational Death: When an active member (vested or nonvested) dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement). If the member is unmarried with no children, a refund of contributions is payable to the estate.

Death after Occupational Disability: When a member dies while occupationally disabled, benefits are paid as described above in Occupational Death.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit. The monthly benefit is calculated on the member's average monthly compensation and PERS service at the time of termination or death.

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Lump Sum Nonoccupational Death Benefit: Upon the death of a member who has less than one year of service, the designated beneficiary receives the member's contribution account, which includes mandatory and voluntary contributions, indebtedness payments, and interest earned. If the member has more than one year of PERS service or is vested, the beneficiary also receives \$1,000 and \$100 for each year of PERS service.

Death After Retirement: When a retired member dies, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

14. Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical workers for Anchorage increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

- a. 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or
- b. 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

15. Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits or \$50, whichever is more. The following benefit recipients are eligible:

- a. members who first entered the PERS before July 1, 1986 (Tier 1) and their survivors;
- b. members who first entered the PERS after June 30, 1986 (Tiers 2 & 3) and their survivors if they are at least age 65; and
- c. all disabled members.

16. Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions effective since the prior valuation. This valuation reflects a better understanding of the coverage for alternate payees under a domestic relation order.



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June 27, 2016

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 Public Employees' Retirement System Defined Contribution Retirement (PERS DCR) Plan as of June 30, 2015 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, 2015. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness. Valuation census data used for the retiree medical valuation utilized available retiree medical information. Certain pension data fields have been used to clarify the retiree medical data provided to us. Details regarding this information can be found in Section 5.2.c.

All costs, liabilities and other factors under the Plan 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 Plan as of June 30, 2015.

PERS DCR is funded by Employer Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for PERS DCR is to pay required contributions that remain level as a percent of PERS DCR 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, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of PERS DCR compensation over a closed layered 25-year period. This objective is currently being met and is projected to continue to be met as required by the Alaska state statutes.

Actuarial Section

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

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. In particular, retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan 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 for the period July 1, 2009 to June 30, 2013. Based on that experience study, the Board adopted new assumptions effective for the June 30, 2014 valuation to better reflect expected future experience. Based on our annual analysis of recent claims experience, changes were made to the per capita claims cost rates effective June 30, 2015 to better reflect expected future healthcare experience. Based on recent experience, the healthcare cost trend assumptions are still reasonable and were not changed. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Sections 5.2 and 5.3.

The assumptions and methods used to determine the healthcare Actuarial Required Contributions (ARC) of the Employers to the PERS DCR Plan as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statement 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 trend data schedule under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 4 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR.

David Kershner and Melissa Bissett are Fellows of the Society of Actuaries and Todd Kanaster and Larry Langer are Associates of the Society of Actuaries. All are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. Mr. Kershner, Mr. Kanaster, and Mr. Langer take professional responsibility for the overall appropriateness of the analysis, assumptions and results. 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,



David J. Kershner, FSA, EA, MAAA, FCA
Principal

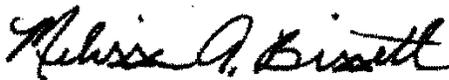


Todd D. Kanaster, ASA, MAAA, FCA
Senior Consultant



Larry Langer, ASA, EA, MAAA, FCA
Principal

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 A. Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

Actuarial Section

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The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was implemented effective June 30, 2006.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

A. Actuarial Method – Entry Age Normal

Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method. 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 in effect when the plan was adopted, the net amortization period will not exceed 30 years. These requirements are being amended. Under the new accounting standards that will become applicable to Postemployment Benefit Plans Other Than Pension Plans (GASB 74 and 75), the GASB requirements will not directly control amortization periods used for funding of the plan. Per KPMG, the new accounting standards under GASB 67 (and 68) are not applicable to the Occupational Death & Disability benefits under PERS DCR.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death & disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit 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 DCR Plan 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 beneficiaries and disability members currently receiving benefits (if any) 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.

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B. 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 was phased in over five years. Fair Value of Assets were \$0 as of June 30, 2006. All assets are valued at fair 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 fair value of assets..

C. Valuation of Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 6.2(d) of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2015.

Due to the lack of experience for PERS DCR only, base claims costs are based on those described in the actuarial valuation as of June 30, 2015 for PERS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, upcoming FY16 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. The health care trend rate was reduced 0.2% each year to reflect the fact that the medical benefit to be offered to members will have annual indexing of member cost sharing features such as deductibles and out-of-pocket amounts.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare (25 years for PERS peace officer/firefighter) are valued with commencement deferred to Medicare eligibility, as such members will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

We have prepared our valuation based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.

In accordance with actuarial standards, we note the following specific data sources and steps taken to value retiree medical benefits:

- The Division of Retirement and Benefits provided pension valuation census data. This pension census data included retiree medical enrollment information that indicated the retirement system and an indication regarding eligibility for system-paid benefits.
- Certain adjustments and assumptions were made to determine the number of people enrolled in retiree medical:

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- Where there is an indication of non-system paid health benefits, we reflected the coverage level (e.g. single vs. couple) indicated on the pension data in valuing the retiree medical plan.
- Where system-paid health benefits coverage is indicated, the premium dollar amount indicated on the data is a composite rate that does not specify the number of people enrolled.
- Buck understands that retiree medical coverage/eligibility is in place while a pension benefit is payable.
- For individuals who are receiving a pension benefit, Buck references the pension benefit payment form (single life annuity, joint & survivor, etc.) along with marital status to determine the number of people to value for medical purposes:
 - Where there is a single life-annuity indicated and the marital status is single, we valued one member for health coverage.
 - Where there is a single life-annuity indicated and the marital status is married, we valued two members until the retiree dies. Upon the retiree's death, medical coverage for the spouse is assumed to cease and that spouse is no longer valued.
 - Where there is a joint & survivor annuity, we assumed a member and spouse are covered and upon the retiree's death, health coverage is assumed to continue to the surviving spouse.
- For individuals included in the pension data expecting a future pension, we valued health benefits starting at the same point that the pension benefit is assumed to start.
- Future retirees' level of coverage is estimated according to valuation assumptions regarding spousal coverage.
- Limitations on the use of the valuation results due to uncertainty about various aspects of the data: Since pension data is used to estimate health care coverage, the retiree medical liabilities and resultant figures regarding funded status and proposed employer contribution rates may be different if we had data that could directly determine the level of health coverage for each retiree.
- Unresolved matters: We have received retiree medical enrollment data, but we have not completed the reconciliation of retiree medical enrollment data to the retiree medical valuation census data. Based on information provided to us, it appears that our valuation may assume that a greater number of individuals are enrolled in the retiree medical coverage than are indicated in the enrollment statistics provided by the carrier. This is because our data assumptions for use of pension data as a proxy for individual retiree medical coverage conservatively include in the valuation any potential dependent. The carrier enrollment information with lower enrollment figures are conservatively used to develop per capita costs, resulting in higher per capita costs than if the counts from the proxy data were used.

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- Potential uncertainty or bias: Until we complete the comparison between retiree medical enrollment and the proxy data, we cannot specify the magnitude of the difference. There is potential for bias, and we believe there is conservatism in our methodology. That is, it is possible there are more people included in the valuation than are enrolled in the retiree medical plan.

D. Healthcare Reform

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 due to these provisions; however, only the Patient Centered Outcomes Research Institute fee impact has been included in the valuation results as part of administrative fee.

Because the State plan is retiree-only, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We did look at 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) and the value of the Health Reimbursement Account must be included along with projected plan costs. The excise tax was originally to be effective for 2018; recent legislation passed in December 2015 delayed it to 2020. Based upon guidance available at the time of disclosure, Buck determined the impact on plan liabilities to be immaterial (less than \$225,000 (0.4%)) based on a blend of projected pre-Medicare and Medicare retirees and related cost projections. Participants will be responsible for any tax to the extent they are reflected in retiree contributions.

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.

E. Changes in Methods Since the Prior Valuation

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

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Summary of Actuarial Assumptions and Changes in Assumptions

The demographic and economic assumptions used in the June 30, 2015 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2014. These assumptions were the result of an experience study performed for the PERS defined benefit plan as of June 30, 2013.

1. Investment Return / Discount Rate 8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates.
3. Payroll Growth 3.62% per year. (Inflation + Productivity).
4. 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.
5. Mortality (Pre-termination)*

Based upon the 2010-2013 actual mortality experience (see Table 2). 60% of male rates and 65% of female rates of the Post-Termination Mortality rates.

Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
6. Mortality (Post-termination)*

Based upon 2010-2013 actual mortality experience (see Table 3).

96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
7. Total Turnover Rates based upon the 2010-2013 actual experience. (See Table 4.)
8. Disability

Incidence rates based upon the 2010-2013 actual experience, in accordance with Table 5.

Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.

For Peace Officer/Firefighters, members are assumed to take the monthly annuity 100% of the time.
9. Retirement Retirement rates based upon the 2010-2013 actual experience in accordance with Table 6.
10. Marriage and Age Difference

Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% female members are assumed to be married.

For Peace Officer/Firefighters, 85% of male members and 75% female members are assumed to be married at termination from active service.

*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 109%.

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Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.2
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

As of the June 30, 2014 valuations 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 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

Each of the above trend rates was reduced by 0.2% to reflect the fact that the medical benefit offered to members with have annual indexing of member cost sharing.

18. Aging Factors

Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94 +	—	—

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

19. Retiree Medical Participation	<u>Decrement due to disability</u>		<u>Decrement due to retirement</u>		
	<u>Age</u>	<u>Percent participation</u>	<u>Age</u>	<u>Percent participation</u>	
	<56	73.00%	55	40.00%	
	56	77.50	56	50.00	
	57	79.75	57	55.00	
	58	82.00	58	60.00	
	59	84.25	59	65.00	
	60	86.50	60	70.00	
	61	88.75	61	75.00	
	62	91.00	62	80.00	
	63	93.25	63	85.00	
	64	95.50	64	90.00	
	65+	94.40	65+	<u>Years of Service</u>	
				<15	70.50%
				15-19	75.20
				20-24	79.90
				25-29	89.30
				30+	94.00

*Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 1
Alaska PERS DCR Plan
Salary Scale

Peace Officer/Firefighter:

Year of Service	Percent Increase
0	9.66%
1	8.66
2	7.16
3	7.03
4	6.91
5	6.41
6	5.66
7+	4.92

Others:

Year of Service	Percent Increase
0	8.55%
1	7.36
2	6.35
3	6.11
4	5.71
5+	Age based

Age	Percent Increase	Age	Percent Increase
20	7.91%	45	5.44%
21	7.83	46	5.40
22	7.75	47	5.36
23	7.51	48	5.31
24	7.27	49	5.27
25	7.03	50	5.22
26	6.79	51	5.18
27	6.55	52	5.13
28	6.52	53	5.09
29	6.49	54	5.05
30	6.47	55	5.01
31	6.44	56	4.97
32	6.41	57	4.93
33	6.33	58	4.85
34	6.24	59	4.77
35	6.16	60	4.69
36	6.07	61	4.60
37	5.99	62	4.52
38	5.90	63	4.46
39	5.82	64	4.40
40	5.73	65+	4.34
41	5.64		
42	5.55		
43	5.52		
44	5.48		

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 2
Alaska PERS DCR Plan
Mortality Table (Pre-termination)

Age	Male	Female	Age	Male	Female
20	0.0188%	0.0113%	55	0.1978%	0.1549%
21	0.0195	0.0114	56	0.2292	0.1730
22	0.0200	0.0115	57	0.2515	0.1912
23	0.0204	0.0116	58	0.2775	0.2118
24	0.0205	0.0119	59	0.3073	0.2355
25	0.0205	0.0122	60	0.3425	0.2632
26	0.0206	0.0127	61	0.3826	0.2973
27	0.0208	0.0132	62	0.4287	0.3343
28	0.0214	0.0139	63	0.4813	0.3840
29	0.0225	0.0147	64	0.5324	0.4328
30	0.0242	0.0156	65	0.5904	0.4874
31	0.0272	0.0181	66	0.6558	0.5500
32	0.0307	0.0207	67	0.7184	0.6107
33	0.0344	0.0233	68	0.7842	0.6751
34	0.0383	0.0257	69	0.8689	0.7462
35	0.0422	0.0281	70	0.9744	0.8407
36	0.0459	0.0304	71	1.0782	0.9329
37	0.0493	0.0327	72	1.1971	1.0376
38	0.0526	0.0354	73	1.3334	1.1534
39	0.0557	0.0383	74	1.4876	1.2783
40	0.0589	0.0417	75	1.6602	1.4113
41	0.0623	0.0458	76	1.8504	1.5549
42	0.0663	0.0504	77	2.0583	1.7125
43	0.0709	0.0554	78	2.2872	1.8877
44	0.0762	0.0608	79	2.5419	2.0841
45	0.0823	0.0664	80	2.8245	2.3037
46	0.0882	0.0723	81	3.1612	2.5498
47	0.0946	0.0784	82	3.5318	2.8266
48	0.1015	0.0848	83	3.9369	3.1386
49	0.1089	0.0916	84	4.3784	3.4906
50	0.1167	0.0991	85	4.8601	3.8887
51	0.1336	0.1095	86	5.3884	4.3371
52	0.1455	0.1193	87	6.0797	4.8373
53	0.1591	0.1305	88	6.8537	5.3879
54	0.1744	0.1407	89	7.7135	5.9830
			90	8.6571	6.7336

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 3
Alaska PERS DCR Plan
Mortality Table (Post-termination)

Age	Male	Female	Age	Male	Female
50	0.1944%	0.1524%	85	8.1002%	5.9827%
51	0.2227	0.1684	86	8.9807	6.6725
52	0.2426	0.1835	87	10.1329	7.4420
53	0.2652	0.2007	88	11.4229	8.2891
54	0.2907	0.2165	89	12.8559	9.2046
55	0.3296	0.2383	90	14.4286	10.3593
56	0.3820	0.2662	91	16.0042	11.5847
57	0.4192	0.2942	92	17.6712	12.8589
58	0.4625	0.3259	93	19.4120	14.1591
59	0.5121	0.3623	94	21.2080	15.4643
60	0.5708	0.4050	95	23.0428	16.7558
61	0.6377	0.4574	96	24.9035	18.0154
62	0.7144	0.5143	97	26.7822	19.2248
63	0.8021	0.5908	98	28.1616	20.0025
64	0.8874	0.6658	99	30.0310	21.0437
65	0.9839	0.7498	100	31.3360	21.5967
66	1.0930	0.8462	101	33.2097	22.6721
67	1.1973	0.9396	102	34.4188	23.5671
68	1.3070	1.0386	103	36.1155	25.0844
69	1.4482	1.1479	104	36.9606	26.3111
70	1.6240	1.2933	105	38.1971	28.1391
71	1.7969	1.4352	106	38.4000	29.5499
72	1.9952	1.5964	107	38.4000	30.9816
73	2.2223	1.7744	108	38.4000	32.3943
74	2.4793	1.9666	109	38.4000	33.7482
75	2.7670	2.1712	110	38.4000	35.0032
76	3.0840	2.3921	111	38.4000	36.1196
77	3.4305	2.6346	112	38.4000	37.0574
78	3.8120	2.9042	113	38.4000	37.7767
79	4.2365	3.2063	114	38.4000	38.2376
80	4.7075	3.5441	115	38.4000	38.4000
81	5.2687	3.9227	116	38.4000	38.4000
82	5.8863	4.3487	117	38.4000	38.4000
83	6.5615	4.8286	118	38.4000	38.4000
84	7.2973	5.3702	119	100.0000	100.0000

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 4
Alaska PERS DCR Plan
Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment

<u>Year of Service</u>	<u>Male (rounded)</u>	<u>Female (rounded)</u>
0	18.00%	16.50%
1	13.50	13.20
2	10.00	11.00
3	9.00	9.90
4	8.00	8.80

Ultimate Rates of Turnover
After the First 5 Years of Employment

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	4.8000%	8.5500%	45	4.9678%	7.8800%
21	4.8000	8.5500	46	4.9061	7.8400
22	4.8000	8.5500	47	4.8444	7.8000
23	4.9120	8.5500	48	5.2256	7.7400
24	5.0240	8.5500	49	5.6067	7.6800
25	5.1360	8.5500	50	5.9878	7.6200
26	5.2480	8.5500	51	6.3689	7.5600
27	5.3600	8.5500	52	6.7500	7.5000
28	5.3528	8.5275	53	6.9300	7.6154
29	5.3456	8.5050	54	7.1100	7.7308
30	5.3384	8.4825	55	7.2900	7.8462
31	5.3312	8.4600	56	7.4700	7.9615
32	5.3239	8.4375	57	7.6500	8.0769
33	5.3119	8.4214	58	7.8480	8.1923
34	5.2998	8.4054	59	8.0460	8.3077
35	5.2878	8.3893	60	8.2440	8.4231
36	5.2757	8.3732	61	8.4420	8.5385
37	5.2636	8.3571	62	8.6400	8.6538
38	5.2415	8.2857	63	10.7600	8.7692
39	5.2194	8.2143	64	12.8800	8.8846
40	5.1972	8.1429	65+	15.0000	9.0000
41	5.1751	8.0714			
42	5.1529	8.0000			
43	5.0912	7.9600			
44	5.0295	7.9200			

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 4
Alaska PERS DCR Plan
Turnover Assumptions

Others:

Select Rates of Turnover During the First 5 Years of Employment

Year of Service	Male (rounded)	Female (rounded)
0	23.20%	26.70%
1	20.00	21.30
2	16.00	17.00
3	12.80	13.60
4	9.00	17.80

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
20	10.9667%	15.0000%	45	6.1728%	7.1847%
21	10.9667	15.0000	46	6.0789	6.8938
22	10.9667	15.0000	47	5.9850	6.6029
23	10.9674	15.0067	48	6.1414	6.5749
24	10.9681	15.0133	49	6.2977	6.5469
25	10.9689	15.0200	50	6.4541	6.5189
26	10.9696	15.0267	51	6.6104	6.4908
27	10.9703	15.0333	52	6.7668	6.4628
28	10.7312	14.4910	53	6.7714	6.6022
29	10.4921	13.9486	54	6.7760	6.7416
30	10.2529	13.4062	55	6.7806	6.8809
31	10.0138	12.8638	56	6.7853	7.0203
32	9.7747	12.3214	57	6.7899	7.1597
33	9.3219	11.7230	58	7.0131	7.4069
34	8.8692	11.1246	59	7.2363	7.6541
35	8.4164	10.5261	60	7.4595	7.9014
36	7.9637	9.9277	61	7.6827	8.1486
37	7.5110	9.3293	62	7.9059	8.3958
38	7.2996	9.0749	63	8.2239	9.5580
39	7.0883	8.8205	64	8.5420	10.7097
40	6.8770	8.5661	65+	8.8600	11.8667
41	6.6657	8.3117			
42	6.4544	8.0573			
43	6.3605	7.7664			
44	6.2667	7.4756			

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 5
Alaska PERS DCR Plan
Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.0224%	0.0218%	0.0188%
21	0.0224	0.0218	0.0188
22	0.0224	0.0218	0.0188
23	0.0305	0.0240	0.0200
24	0.0387	0.0261	0.0212
25	0.0468	0.0283	0.0224
26	0.0550	0.0304	0.0236
27	0.0631	0.0326	0.0248
28	0.0658	0.0334	0.0255
29	0.0685	0.0342	0.0262
30	0.0712	0.0349	0.0269
31	0.0739	0.0357	0.0277
32	0.0765	0.0365	0.0284
33	0.0793	0.0377	0.0293
34	0.0821	0.0389	0.0303
35	0.0849	0.0401	0.0312
36	0.0877	0.0413	0.0322
37	0.0905	0.0425	0.0331
38	0.0946	0.0446	0.0348
39	0.0986	0.0467	0.0364
40	0.1027	0.0489	0.0381
41	0.1068	0.0510	0.0397
42	0.1108	0.0531	0.0413
43	0.1221	0.0586	0.0454
44	0.1333	0.0641	0.0495
45	0.1446	0.0695	0.0536
46	0.1559	0.0750	0.0577
47	0.1671	0.0805	0.0618
48	0.1828	0.0886	0.0680
49	0.1985	0.0967	0.0742
50	0.2142	0.1048	0.0804
51	0.2299	0.1129	0.0867
52	0.2456	0.1210	0.0929
53	0.2868	0.1421	0.1084
54	0.3280	0.1633	0.1239

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

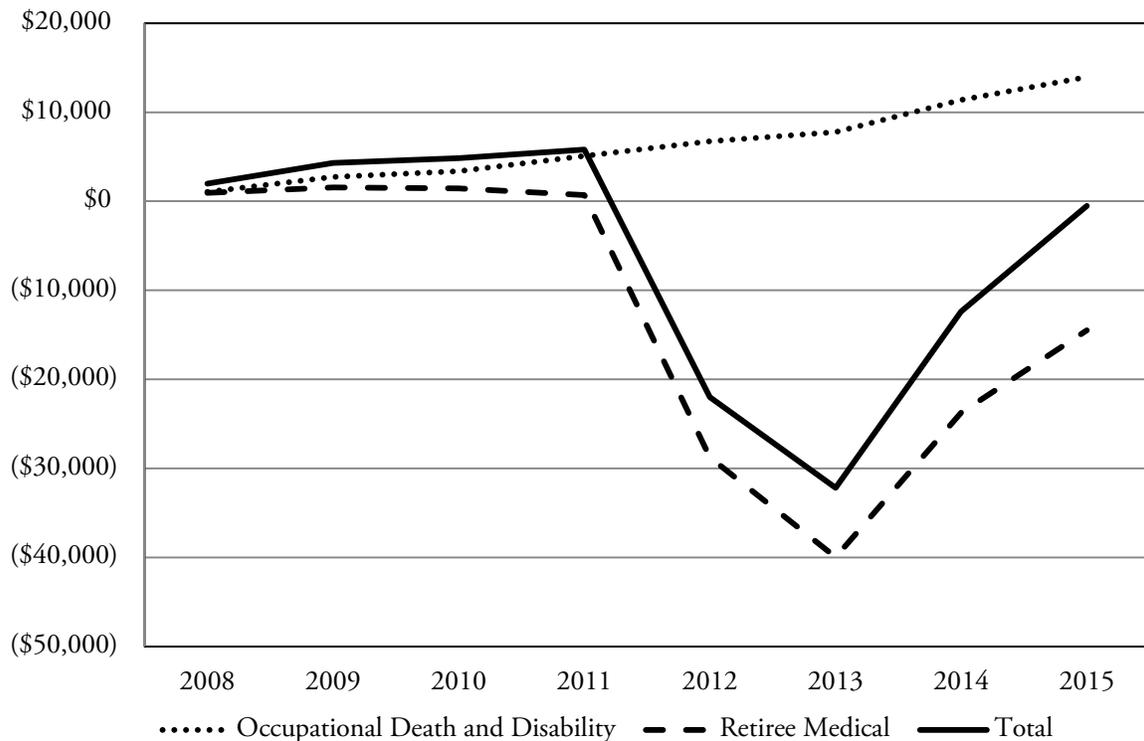
Table 6
Alaska PERS DCR Plan
Retirement Table

Age	Rate
≤50	2.00%
51	2.00
52	2.00
53	2.00
54	2.00
55	3.00
56	3.00
57	3.00
58	3.00
59	3.00
60	5.00
61	5.00
62	10.00
63	5.00
64	5.00
65	25.00
66	25.00
67	25.00
68	20.00
69	20.00
70	100.00

**Public Employees' Retirement System
Defined Contribution Retirement Plan
Occupational Death and Disability and Retiree Medical Benefits
Funding Excess/(Unfunded Liability)
(In thousands)**

Actuarial Valuation Year Ended June 30	Occupational Death and Disability	Retiree Medical	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2008	\$ 1,046	\$ 943	\$ 1,989	198.6%
2009	2,735	1,562	4,297	199.6
2010	3,386	1,460	4,846	171.1
2011	5,100	707	5,807	143.8
2012	6,730	(28,736)	(22,006)	53.1
2013	7,770	(39,946)	(32,176)	49.6
2014	11,368	(23,751)	(12,383)	77.0
2015	13,965	(14,495)	(530)	99.2

**8-YEAR TREND OF FUNDING EXCESS/(UNFUNDED) LIABILITY
(In thousands)**



Actuarial Section

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability and Retiree Medical Benefits Employer Contribution Rates								
	Actuarially Determined							
Fiscal Year	Actuarial Valuation Year Ended June 30	Occupational Death and Disability		Retiree Medical	Total Annual Required		Adopted	
		Peace Officer/Firefighter	Others		Peace Officer/Firefighter	Others	Peace Officer/Firefighter	Others
2009	N/A	1.33%	0.58%	0.99%	2.32%	1.57%	2.32%	1.57%
2010	2007	1.33	0.30	0.83	2.16	1.13	2.16	1.13
2011	2008	1.18	0.31	0.55	1.73	0.86	1.73	0.86
2012	2009	0.97	0.11	0.51	1.48	0.62	1.48	0.62
2013	2010	0.99	0.14	0.48	1.47	0.62	1.47	0.62
2014	2011	1.14	0.20	0.48	1.62	0.68	1.62	0.68
2015	2012	1.06	0.22	1.66	2.72	1.88	2.72	1.88
2016	2013	1.05	0.22	1.68	2.73	1.90	2.73	1.90
2017	2014	0.49	0.17	1.18	1.67	1.35	1.67	1.35
2018	2015	0.43	0.16	1.03	1.46	1.19	1.46	1.19

Valuations are used to set contribution rates in future years.

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability and Retiree Medical Benefits Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2015	17,098	\$ 945,496	\$ 55,299	1.9%	159
June 30, 2014	15,800	857,150	54,250	3.7	159
June 30, 2013	14,316	748,658	52,295	4.7	159
June 30, 2012	12,597	629,128	49,943	4.5	160
June 30, 2011	10,965	524,088	47,796	4.8	160
June 30, 2010	9,232	421,187	45,622	5.4	160
June 30, 2009	7,256	314,118	43,291	7.2	160
June 30, 2008	5,052	203,955	40,371	8.1	159
June 30, 2007	2,827	105,611	37,358	—	160
June 30, 2006	—	—	—	—	—

Total and average annual earnings ("valuation pay") are the annualized earnings for the fiscal year ending on the valuation date.

Actuarial Section

**Public Employees' Retirement System
Defined Contribution Retirement Plan
Occupational Death and Disability Solvency Test
(In thousands)**

Valuation Date	Occupational Death and Disability Aggregate Accrued Liability For:			Occupational Death and Disability Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ —	\$ 5,049	\$ 19,014	100.0%	100.0%	100.0%
June 30, 2014 ¹	—	—	3,627	14,995	100.0	100.0	100.0
June 30, 2013	—	—	3,603	11,373	100.0	100.0	100.0
June 30, 2012	—	—	2,412	9,142	100.0	100.0	100.0
June 30, 2011	—	—	1,949	7,049	100.0	100.0	100.0
June 30, 2010 ¹	—	—	853	4,801	100.0	100.0	100.0
June 30, 2009 ¹	—	—	403	3,138	100.0	100.0	100.0
June 30, 2008	—	—	242	1,288	100.0	100.0	100.0
June 30, 2007	—	—	48	188	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

¹ Change in Assumptions

Public Employees' Retirement System Defined Contribution Retirement Plan Retiree Medical Solvency Test (In thousands)							
Valuation Date	Retiree Medical Aggregate Accrued Liability For:			Retiree Medical Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ —	\$ 66,473	\$ 44,188	100.0%	100.0%	66.5%
June 30, 2014 ¹	—	—	50,217	26,466	100.0	100.0	52.7
June 30, 2013	—	—	60,282	20,336	100.0	100.0	33.7
June 30, 2012 ¹	—	—	44,509	15,773	100.0	100.0	35.4
June 30, 2011	—	—	11,302	12,009	100.0	100.0	100.0
June 30, 2010 ¹	—	—	7,185	8,767	100.0	100.0	100.0
June 30, 2009 ¹	—	—	3,913	5,475	100.0	100.0	100.0
June 30, 2008 ¹	—	—	1,776	2,719	100.0	100.0	100.0
June 30, 2007	—	—	711	1,067	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

Retiree medical liabilities are calculated using the funding assumptions (i.e., funding investment return and net of Medicare Part D subsidy).

¹ Change in Assumptions

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

1. Effective Date

July 1, 2006, with amendments through June 30, 2015.

2. Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the Plan. The Attorney General of the state is the legal counsel for the Plan and shall advise the administrator and represent the Plan in legal proceedings.

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

3. Employers Included

Currently there are 159 employers participating in the PERS DCR Plan, including the State of Alaska, and 158 political subdivisions and public organizations.

4. Membership

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a participant in the Plan:

- Permanent full-time or part-time employees of the State of Alaska, participating political subdivisions or public organizations. An employee must be regularly scheduled to work 30 or more hours per week to be considered full-time by the PERS. An employee must be regularly scheduled to work 15 or more hours per week but less than 30 hours to be considered a part-time employee for PERS purposes.
- Elected state officials.
- Elected municipal officials who are compensated and receive at least \$2,001.00 per month.

Members can convert to the DCR Plan if they are an eligible nonvested member of the PERS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the PERS DCR.

5. Member Contributions

Other than the member-paid premiums show on the next page, there are no member contributions for the occupational death & disability and retiree medical benefits.

6. Retiree Medical Benefits

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service for Others members and 25 years of service for Peace Officer/Firefighter members, or b) Medicare eligible and 10 years of service.

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until the member is Medicare eligible. The member's premium for dependent coverage is 100% until both the member and dependent are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The following is an illustration of the potential medical benefits to be offered. The State Department of Administration has not yet established the provisions of the medical plan to be offered to PERS DCR retirees. An updated design is expected to be determined in 2016. The plan description below is used for valuation purposes and is based on prior communications with the Department of Administration.

<u>Plan Feature</u>	<u>Member Cost Share (In-Network)</u>	<u>Member Cost Share (Out-of-Network)</u>
Deductible (single/family)*	\$250/\$500	
Coinsurance **	20% after deductible	40% after deductible
Maximum Out-of-Pocket* (single/family)	\$2,500/\$5,000	\$5,000/\$10,000
Emergency Room Copay	\$100	\$100
Preventive Care	0% benefit limited to \$2,000/member/year	
Lifetime Max	\$3,000,000 with \$5,000 restore	

* Assumed to increase annually to mitigate impact of healthcare cost trend

** Includes pharmacy benefits

- The plan's coverage is supplemental to Medicare.
- The premium for Medicare-eligible retirees or for Medicare-eligible dependents of Medicare eligible retirees will be based on the member's years of service. The percentage of premium paid by the member is as follows:

<u>Years of Service</u>	<u>Percent of Premium Paid by Member</u>
Less than 15 years	30.00%
15 – 19	25.00
20 – 24	20.00
25 – 29	15.00
30 years or more	10.00

The premium for dependents who are not eligible for Medicare was assumed to be 100%, consistent with that of the retiree.

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions

Members have a separate defined contribution Health Reimbursement Arrangement account that can be used to pay for premiums or other medical expenses.

- Coverage will continue for surviving spouses of covered retired members.

7. Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.
- For Peace Officer and Firefighters there is a Disability Benefit Adjustment such that:
 - The disability benefit is increased by 75% of the cost of living increase in the preceding calendar year or 9%, whichever is less.
 - At the time the disabled member retires, the retirement benefit will be increased by a percentage equal to the total cumulative percentage that has been applied to the disability benefit. Monthly annuity payments are made from the member's contribution balance until the fund is exhausted, at which the plan pays all remaining payments.
- For Others, there is no increase in the occupational disability benefit after commencement.
- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service for Others members or 25 years of service for Peace Officer/Firefighter members.
- Peace Officer/Firefighter members may select the defined contribution account or the monthly benefit payable as if they were retiring under Tier 3 (service continues during disability, final average salary is as of date of disability).
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare-eligible. Medicare-eligible premiums follow the service-based schedule above.

8. Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- Survivor's Pension Adjustment: A survivor's pension is increased by 50% of the cost of living increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60 on July 1, or under age 60 if the recipient has been receiving PERS benefits for at least 5 years as of July 1.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

9. Changes Since the Prior Valuation

There have been no changes since the prior valuation.



STATISTICAL SECTION

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System

STATISTICAL SECTION OVERVIEW

The statistical section of the Public Employees’ Retirement System (System) comprehensive annual financial report provides additional detail in the form of financial trends, operating statistics and demographic information. This data is provided to enhance the reader’s understanding of the System.

Financial Trends 160-180

These schedules contain financial trend information utilizing a multi-year presentation so the reader can better understand how the System’s financial performance has changed over time. Financial information is presented on an accrual basis.

Operating Information 181-183

These schedules contain detailed benefit payment information to provide the reader a better understanding of the pension benefits provided by the Division.

Demographic Information 184-188

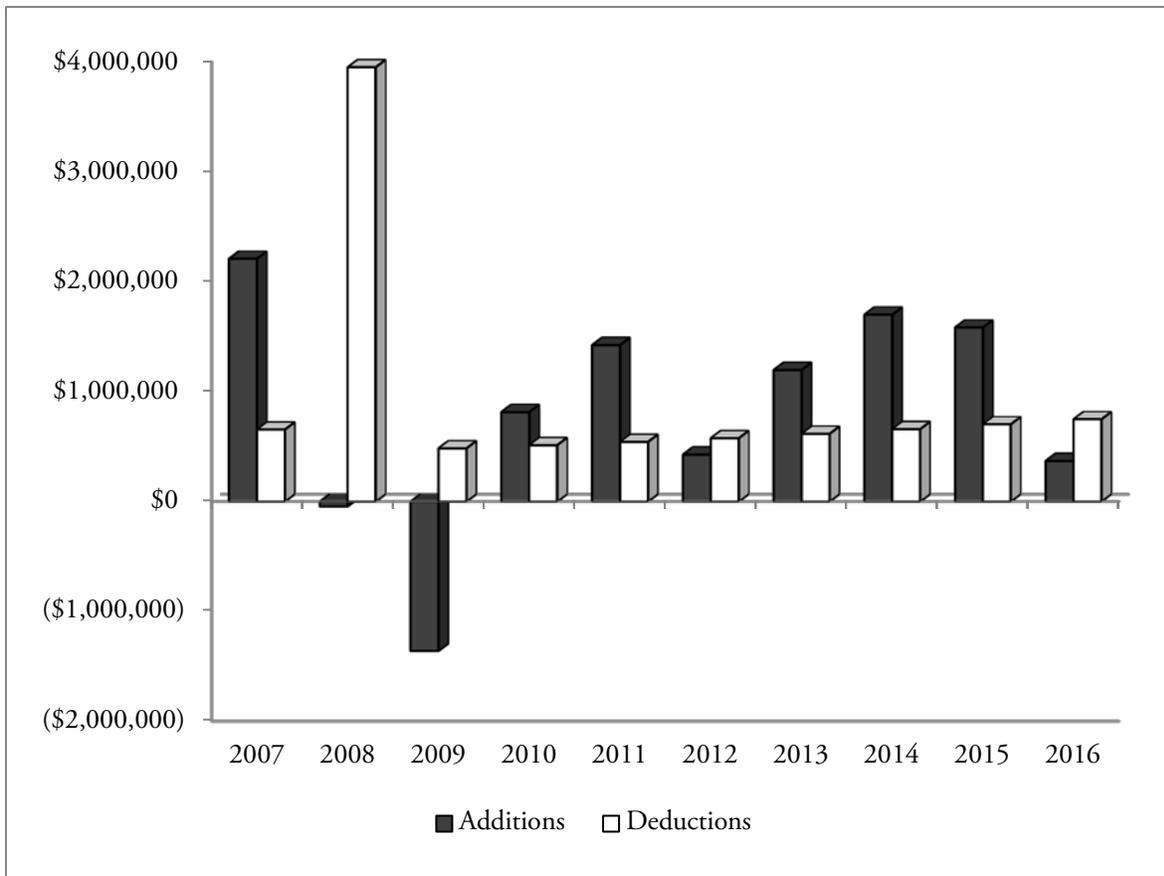
These schedules contain detailed demographic data to provide the reader a better understanding of the membership and employer participation in the System.

Statistical Section

Public Employees' Retirement System Defined Benefit Pension Changes in Fiduciary Net Position (In thousands)

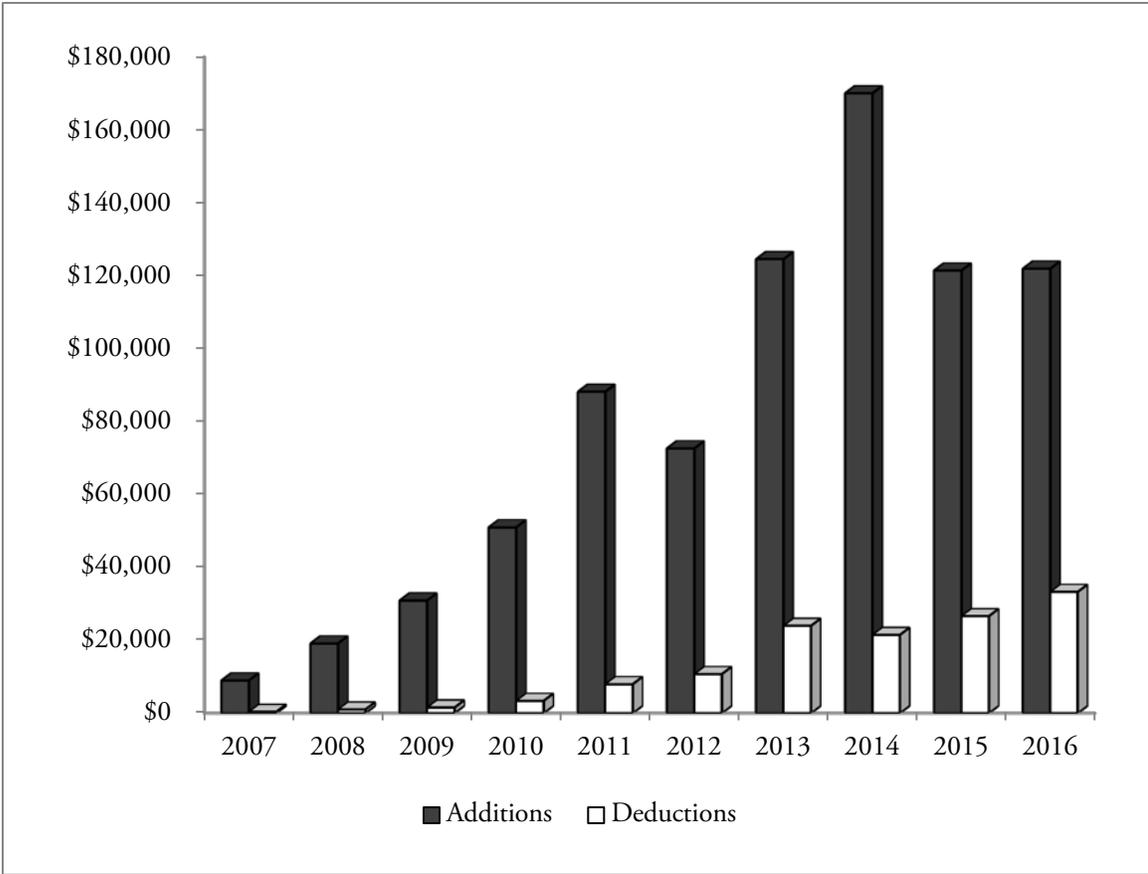
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ 9,379,471	\$ 2,206,458	\$ 655,965	\$ 1,550,493	\$ 10,929,964
2008	10,929,964	(43,539)	3,950,617	(3,994,156)	6,935,808
2009	6,935,808	(1,360,217)	485,151	(1,845,368)	5,090,440
2010	5,090,440	815,831	514,744	301,087	5,391,527
2011	5,391,527	1,420,342	543,944	876,398	6,267,925
2012	6,267,925	427,995	577,626	(149,631)	6,118,294
2013	6,118,294	1,193,555	617,367	576,188	6,694,482
2014	6,694,482	1,697,096	660,140	1,036,956	7,731,438
2015	7,731,438	1,579,519	704,095	875,424	8,606,862
2016	8,606,862	370,243	749,418	(379,175)	8,227,687

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS (In thousands)



Public Employees' Retirement System Defined Contribution Retirement Participant Directed Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ —	\$ 8,947	\$ 363	\$ 8,584	\$ 8,584
2008	8,584	19,098	995	18,103	26,687
2009	26,687	30,856	1,532	29,324	56,011
2010	56,011	50,908	3,364	47,544	103,555
2011	103,555	88,084	7,937	80,147	183,702
2012	183,702	72,561	10,692	61,869	245,571
2013	245,571	124,464	23,917	100,547	346,118
2014	346,118	169,983	21,428	148,555	494,673
2015	494,673	121,343	26,554	94,789	589,462
2016	589,462	121,871	33,215	88,656	678,118

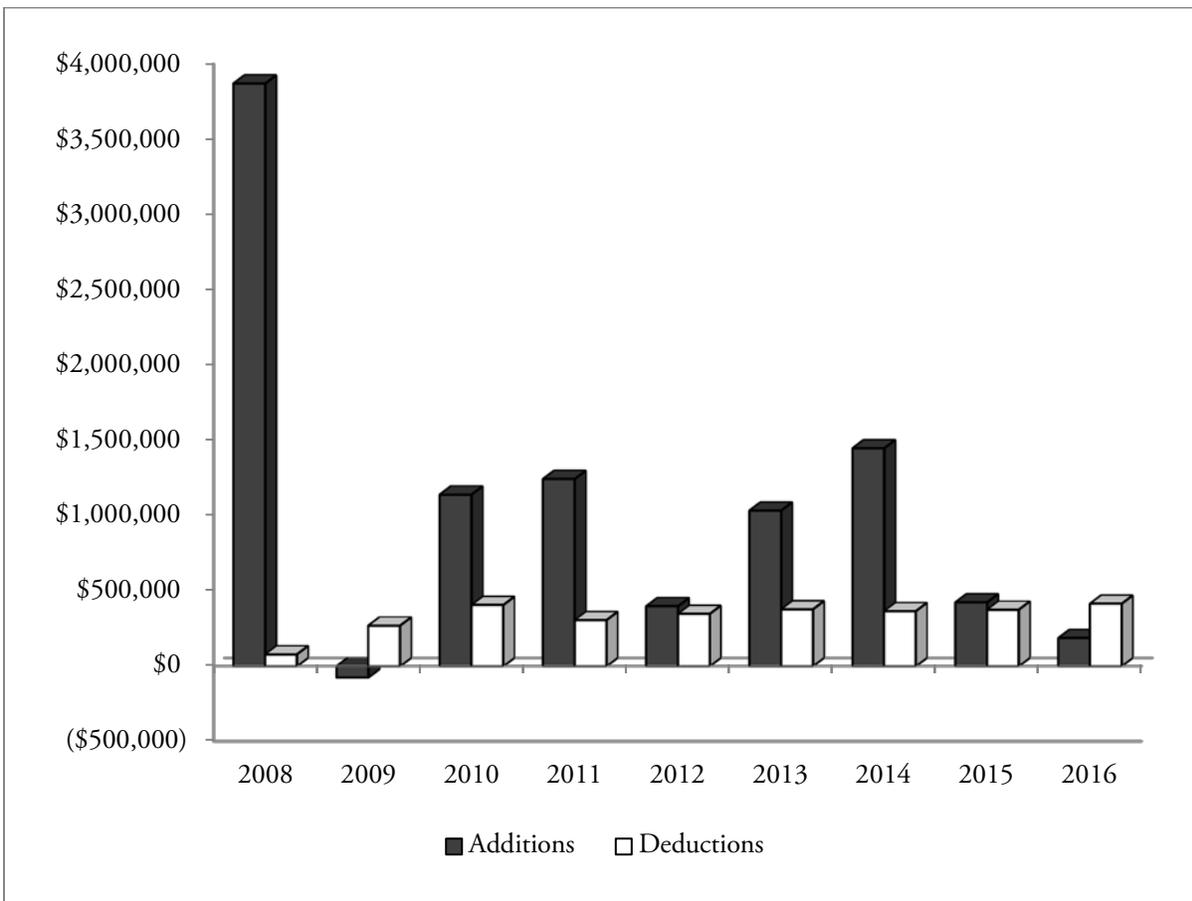
10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

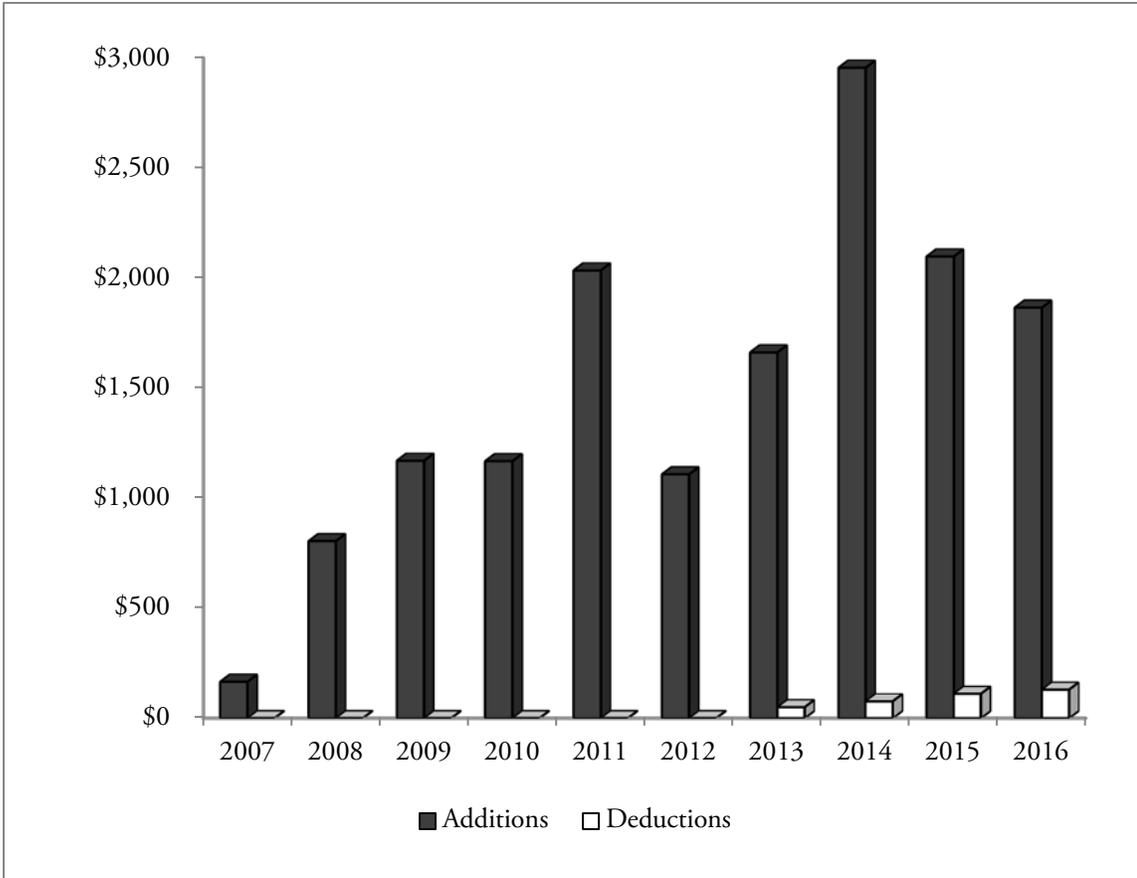
Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2008	\$ —	\$ 3,870,127	\$ 79,022	\$ 3,791,105	\$ 3,791,105
2009	3,791,105	(75,318)	270,412	(345,730)	3,445,375
2010	3,445,375	1,143,261	407,555	735,706	4,181,081
2011	4,181,081	1,246,616	307,002	939,614	5,120,695
2012	5,120,695	399,273	348,152	51,120	5,171,816
2013	5,171,816	1,036,394	378,639	657,755	5,829,571
2014	5,829,571	1,450,755	367,166	1,083,589	6,913,160
2015	6,913,160	425,380	376,577	48,803	6,961,963
2016	6,961,963	187,309	416,018	(228,709)	6,733,254

9-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - All Other Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ —	\$ 166	\$ —	\$ 166	\$ 166
2008	166	807	—	807	973
2009	973	1,173	—	1,173	2,146
2010	2,146	1,171	—	1,171	3,317
2011	3,317	2,034	—	2,034	5,351
2012	5,351	1,111	—	1,111	6,462
2013	6,462	1,662	50	1,612	8,074
2014	8,074	2,954	77	2,877	10,951
2015	10,951	2,097	111	1,986	12,937
2016	12,937	1,865	130	1,735	14,672

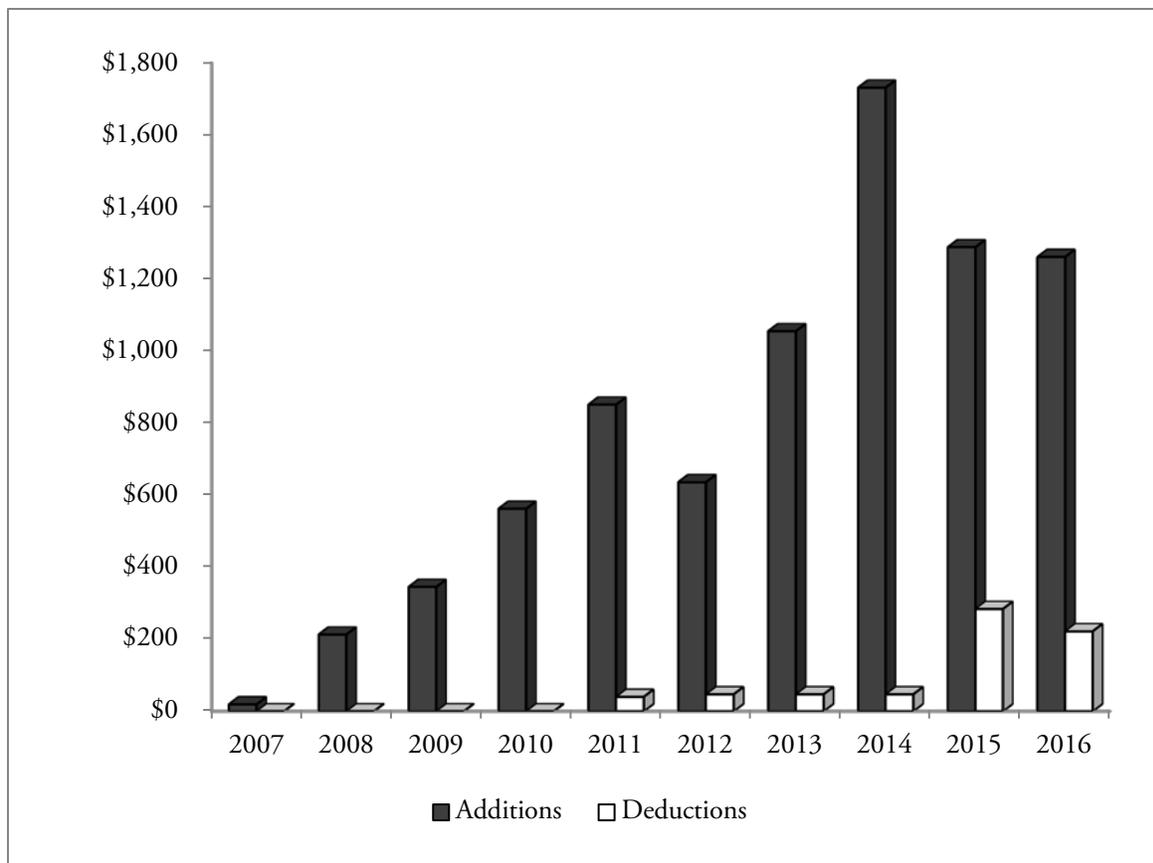
10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

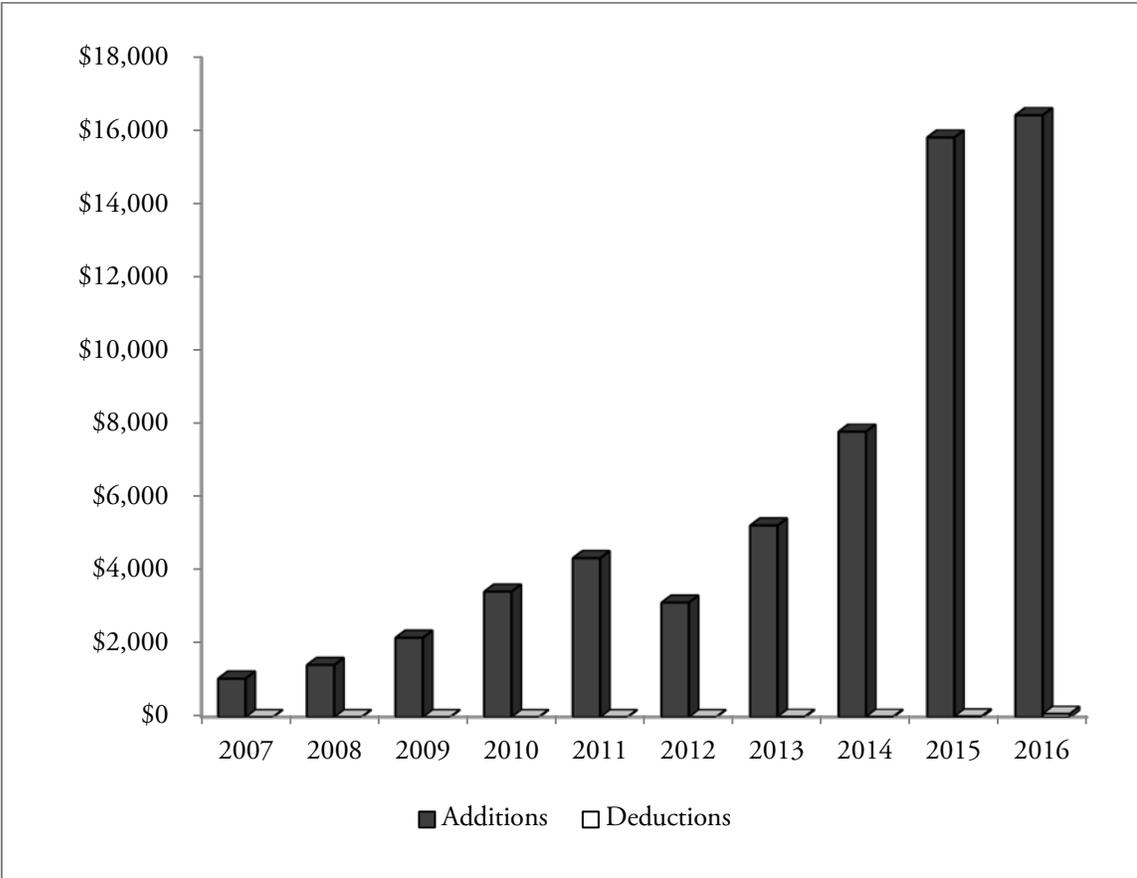
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - Peace Officers & Firefighters Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ —	\$ 19	\$ —	\$ 19	\$ 19
2008	19	213	—	213	232
2009	232	345	—	345	577
2010	577	562	—	562	1,139
2011	1,139	851	40	811	1,950
2012	1,950	636	47	590	2,539
2013	2,539	1,055	47	1,008	3,547
2014	3,547	1,731	47	1,684	5,231
2015	5,231	1,288	284	1,004	6,235
2016	6,235	1,261	222	1,039	7,274

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ —	\$ 1,055	\$ —	\$ 1,055	\$ 1,055
2008	1,055	1,424	—	1,424	2,479
2009	2,479	2,170	—	2,170	4,649
2010	4,649	3,429	—	3,429	8,078
2011	8,078	4,345	—	4,345	12,423
2012	12,423	3,128	—	3,128	15,551
2013	15,551	5,235	10	5,225	20,776
2014	20,776	7,802	10	7,792	28,568
2015	28,568	15,819	19	15,800	44,368
2016	44,368	16,430	91	16,339	60,707

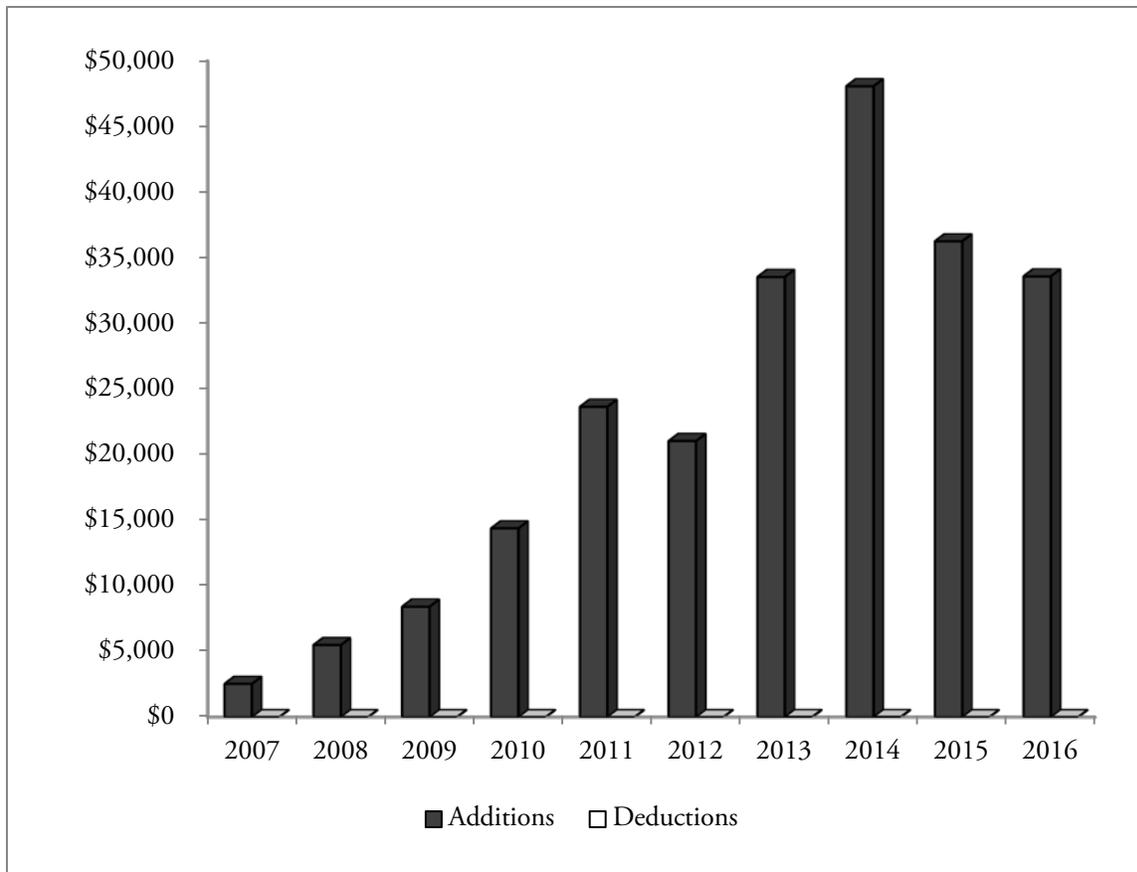
10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

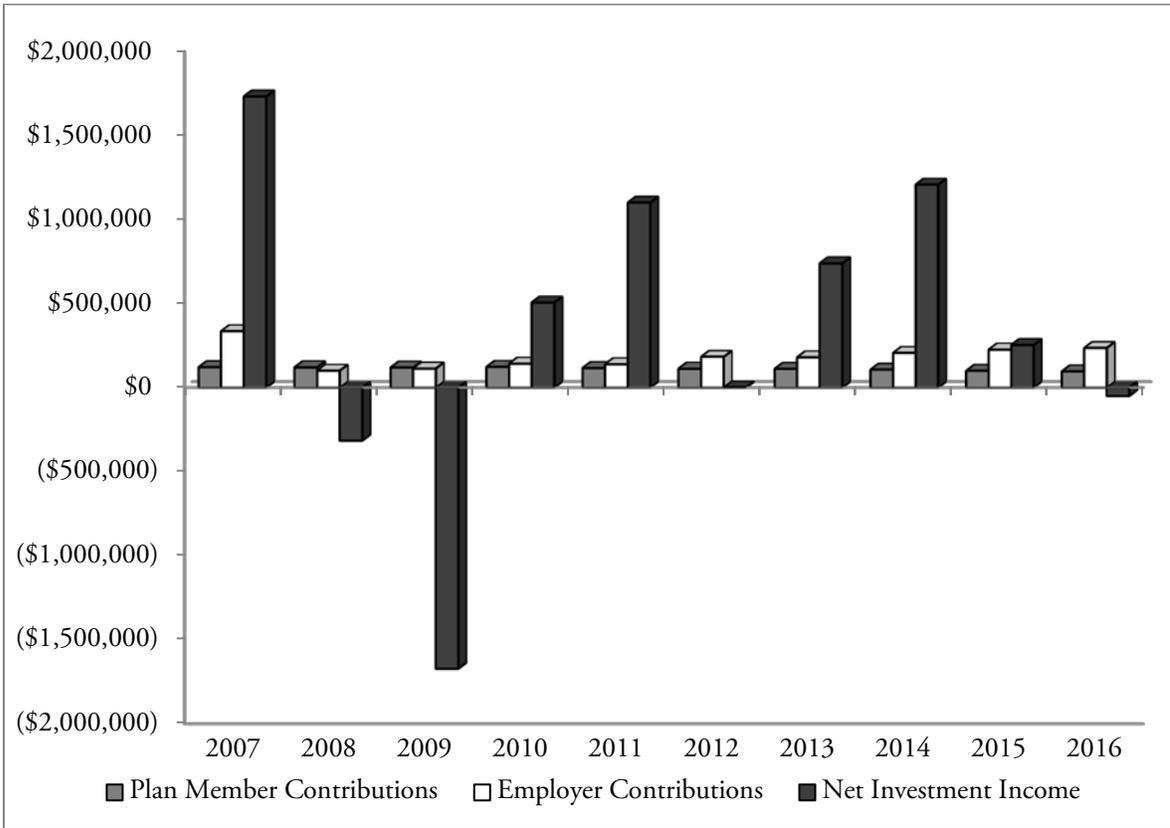
Public Employees' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2007	\$ —	\$ 2,536	\$ —	\$ 2,536	\$ 2,536
2008	2,536	5,484	—	5,484	8,020
2009	8,020	8,414	—	8,414	16,434
2010	16,434	14,635	—	14,635	31,069
2011	31,069	23,625	—	23,625	54,694
2012	54,694	21,022	—	21,022	75,716
2013	75,716	33,524	9	33,515	109,231
2014	109,231	48,055	9	48,046	157,277
2015	157,277	36,239	—	36,239	193,516
2016	193,516	33,568	—	33,568	227,084

10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Public Employees' Retirement System Defined Benefit Pension Additions by Source (In thousands)						
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Other	Total
2007	\$ 121,103	\$ 335,296	\$ 18,582	\$ 1,731,393	\$ 84	\$ 2,206,458
2008	120,506	100,323	50,875	(315,290)	47	(43,539)
2009	118,815	113,059	79,681	(1,671,794)	22	(1,360,217)
2010	123,066	142,157	44,460	506,043	105	815,831
2011	116,270	139,075	65,187	1,099,713	97	1,420,342
2012	112,703	182,695	130,912	1,650	35	427,995
2013	110,808	179,976	164,087	738,656	28	1,193,555
2014	106,565	206,204	176,794	1,207,484	49	1,697,096
2015	100,036	226,136	1,000,000	253,311	36	1,579,519
2016	96,024	235,360	88,586	(49,967)	240	370,243

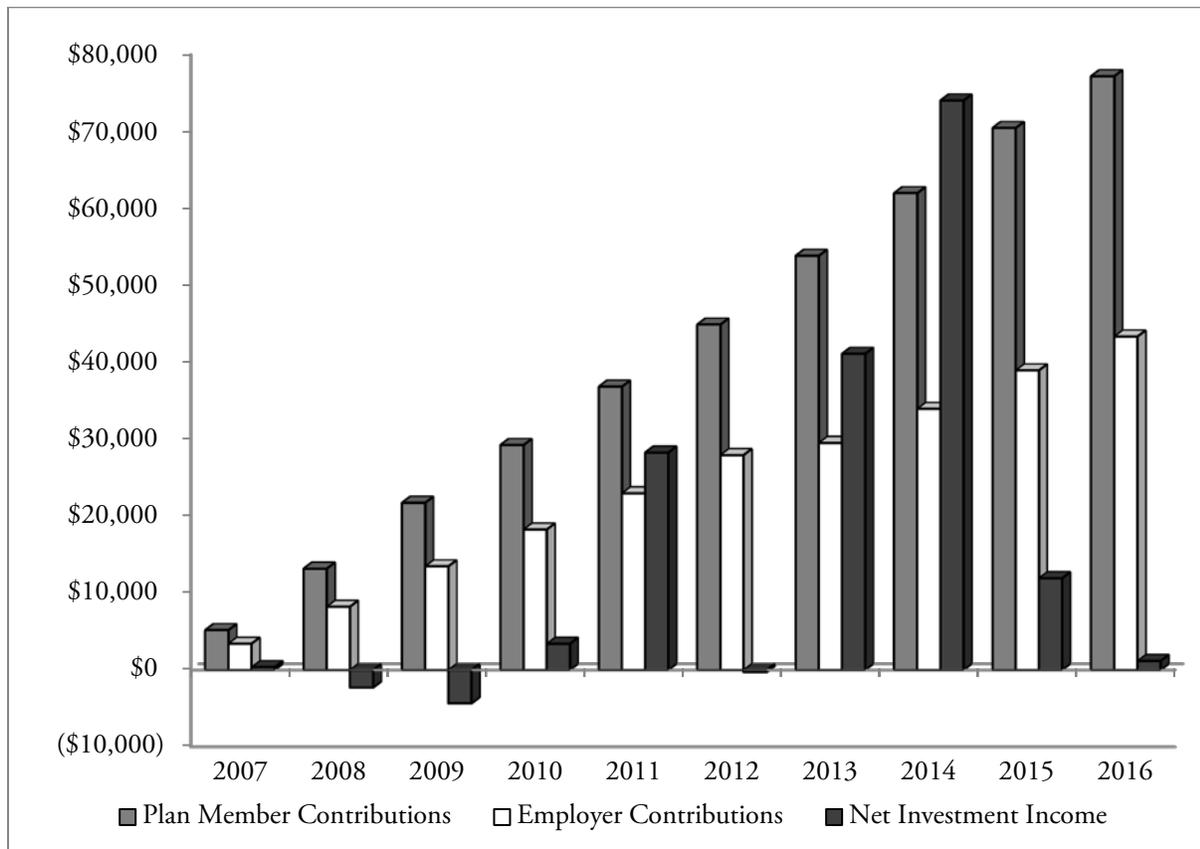
10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

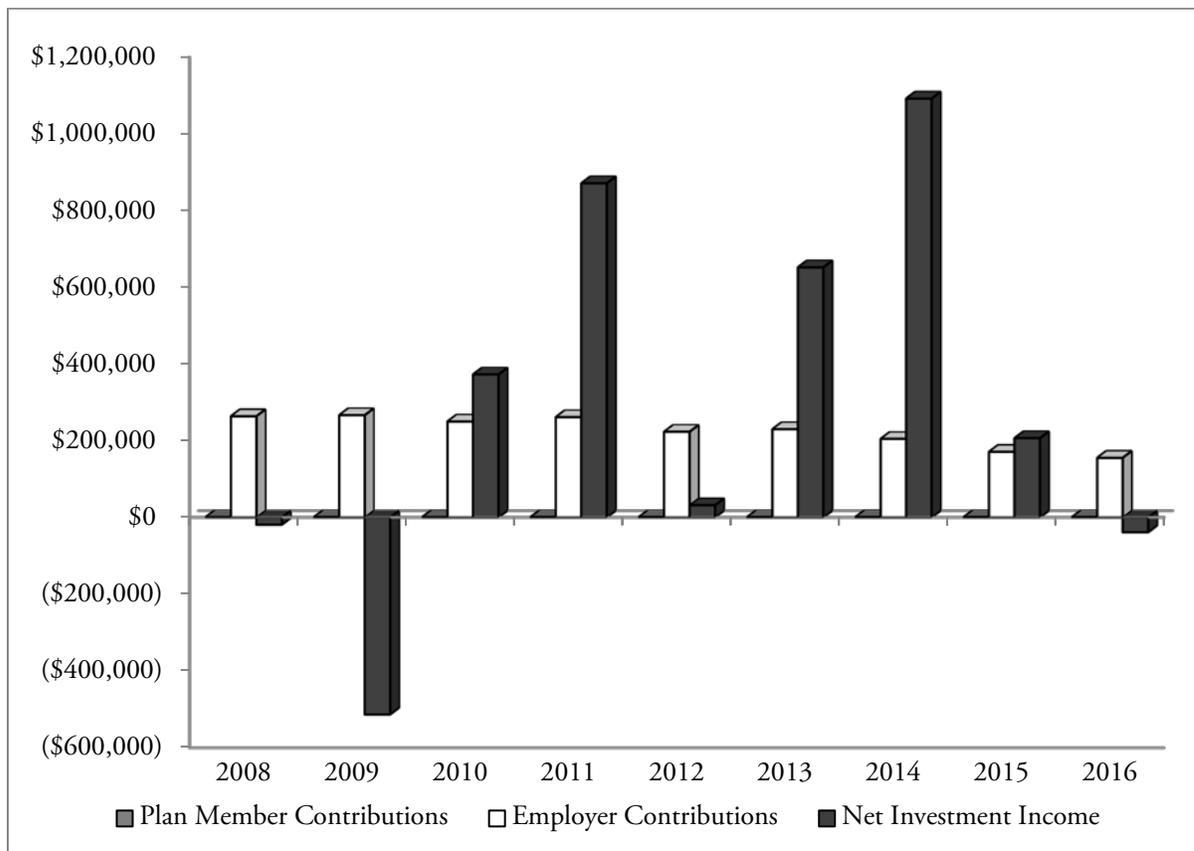
Public Employees' Retirement System Defined Contribution Retirement Participant Directed Additions by Source (In thousands)					
Year Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Other	Total
2007	\$ 5,175	\$ 3,413	\$ 359	\$ —	\$ 8,947
2008	13,171	8,221	(2,294)	—	19,098
2009	21,735	13,470	(4,349)	—	30,856
2010	29,246	18,258	3,404	—	50,908
2011	36,831	22,976	28,264	13	88,084
2012	44,903	27,938	(280)	—	72,561
2013	53,843	29,519	41,098	4	124,464
2014	61,989	33,942	74,031	21	169,983
2015	70,462	38,949	11,931	1	121,343
2016	77,196	43,350	1,168	157	121,871

10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Additions by Source (In thousands)							
Year Ended June 30	Plan Member Premiums	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Net Transfer	Other	Total
2008	\$ 474	\$ 263,755	\$ 134,125	\$ (18,803)	\$ 3,490,576	\$ —	\$ 3,870,127
2009	523	266,481	161,919	(512,999)	—	8,758	(75,318)
2010	475	250,190	63,493	372,712	—	456,391	1,143,261
2011	557	261,534	100,654	871,221	—	12,650	1,246,616
2012	627	223,243	111,698	31,815	—	31,889	399,272
2013	635	229,990	143,215	652,118	—	10,436	1,036,394
2014	717	204,779	135,679	1,092,212	—	17,368	1,450,755
2015	656	171,028	—	206,713	—	46,983	425,380
2016	621	155,630	37,934	(38,442)	—	31,566	187,309

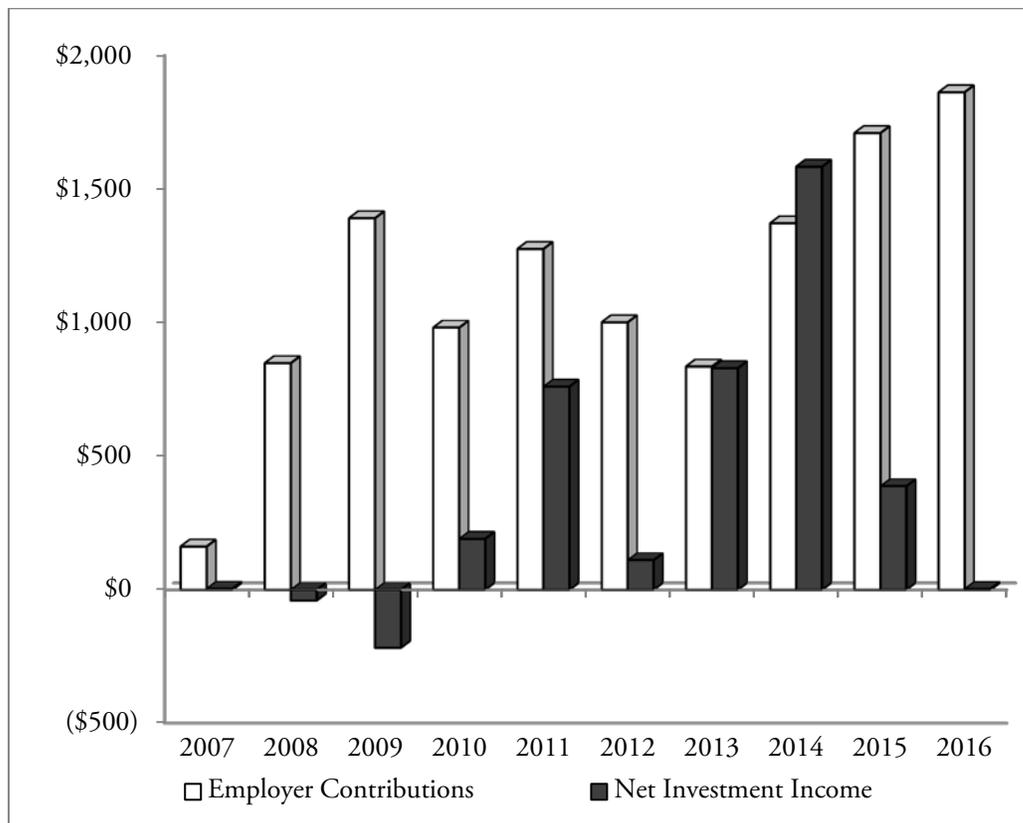
9-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

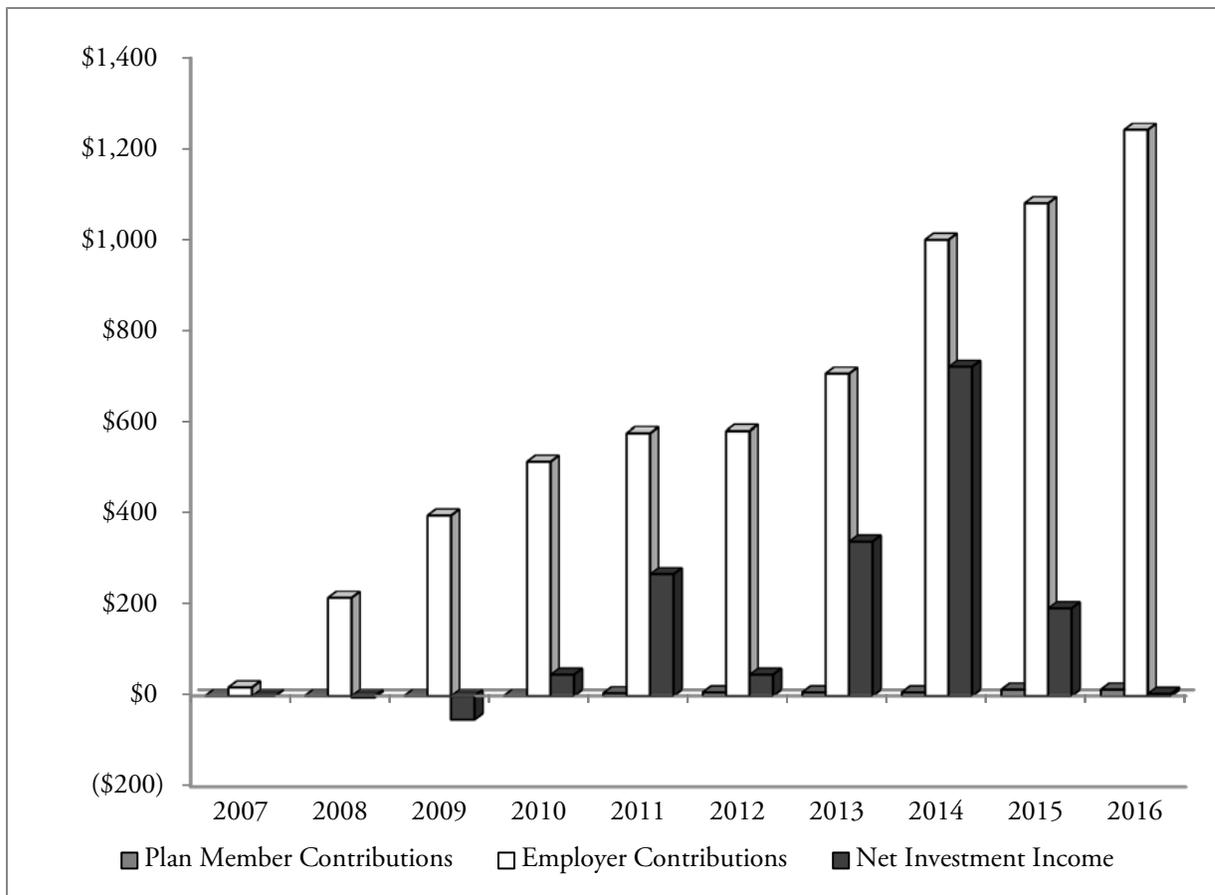
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - All Other Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 162	\$ 4	\$ 166
2008	847	(40)	807
2009	1,390	(217)	1,173
2010	980	191	1,171
2011	1,275	759	2,034
2012	1,000	111	1,111
2013	834	828	1,662
2014	1,371	1,583	2,954
2015	1,709	388	2,097
2016	1,862	3	1,865

10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - Peace Officers & Firefighters Additions by Source (In thousands)				
Plan Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ —	\$ 19	\$ —	\$ 19
2008	—	216	(3)	213
2009	—	397	(52)	345
2010	—	515	47	562
2011	6	577	268	851
2012	8	582	47	637
2013	8	707	340	1,055
2014	8	1,001	722	1,731
2015	14	1,081	193	1,288
2016	14	1,242	5	1,261

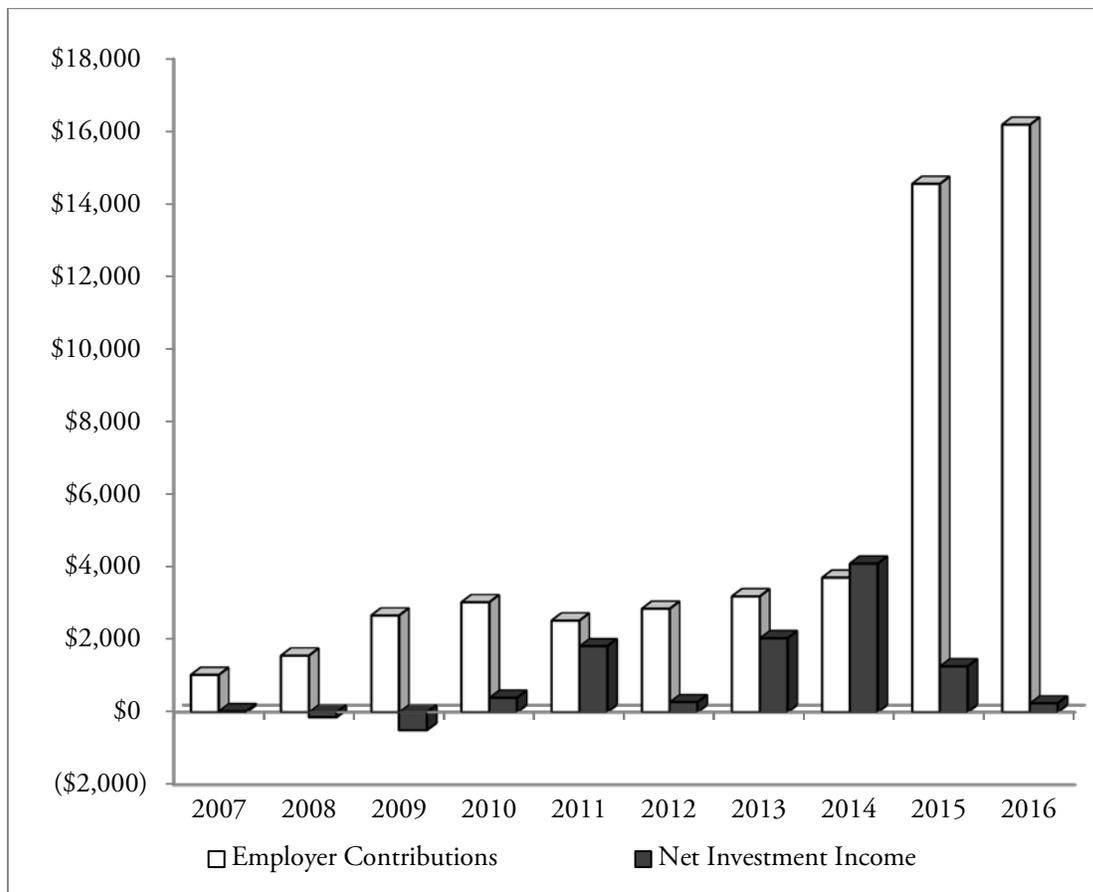
10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

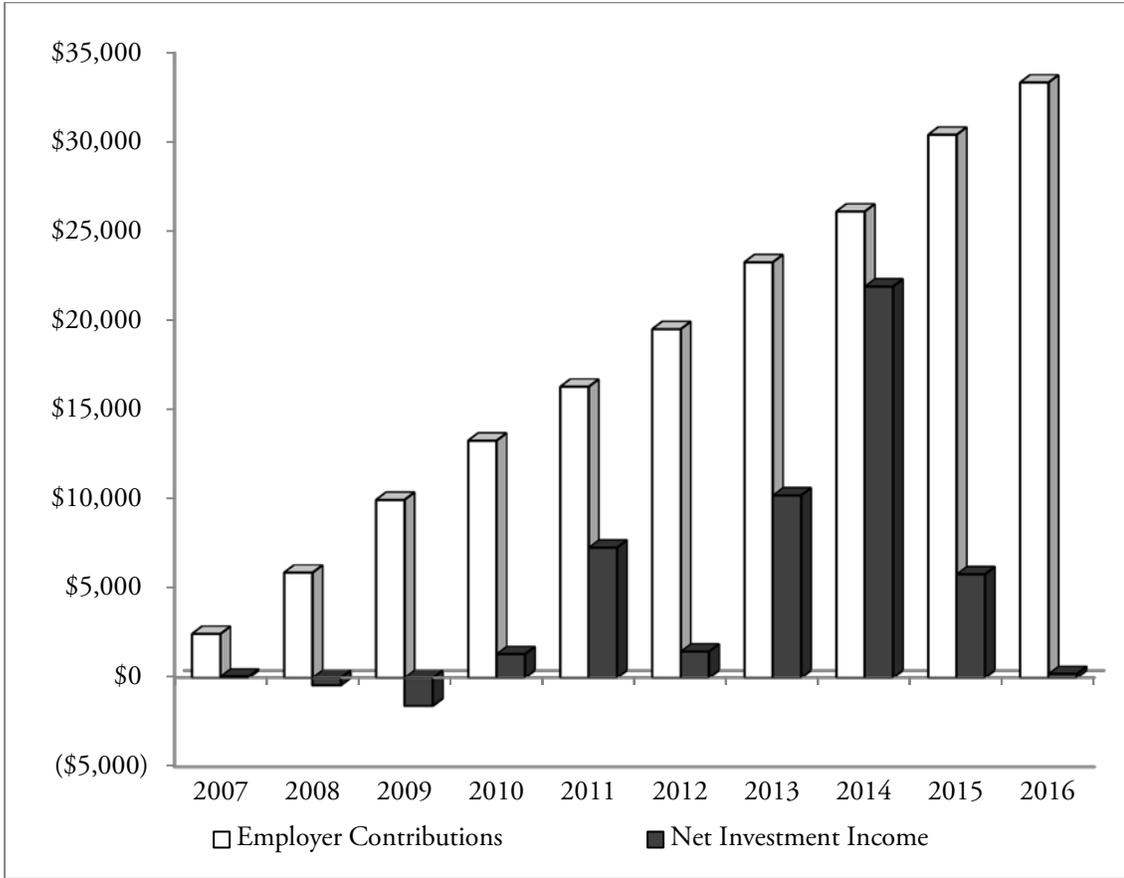
Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 1,028	\$ 27	\$ 1,055
2008	1,561	(137)	1,424
2009	2,667	(497)	2,170
2010	3,031	398	3,429
2011	2,527	1,818	4,345
2012	2,850	278	3,128
2013	3,195	2,040	5,235
2014	3,708	4,094	7,802
2015	14,552	1,267	15,819
2016	16,184	246	16,430

10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 2,465	\$ 71	\$ 2,536
2008	5,902	(418)	5,484
2009	9,988	(1,574)	8,414
2010	13,304	1,331	14,635
2011	16,317	7,308	23,625
2012	19,547	1,475	21,022
2013	23,289	10,235	33,524
2014	26,128	21,927	48,055
2015	30,426	5,813	36,239
2016	33,351	217	33,568

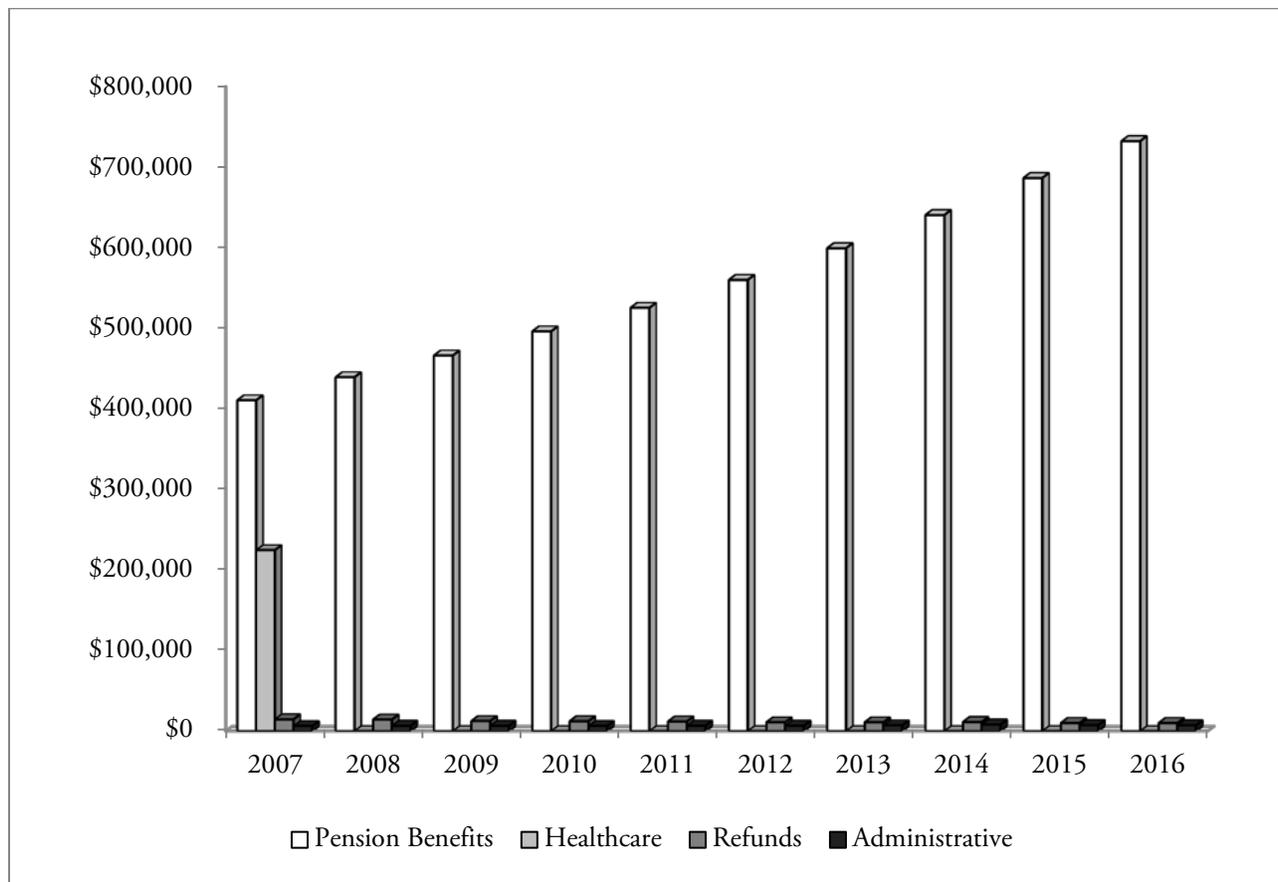
10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

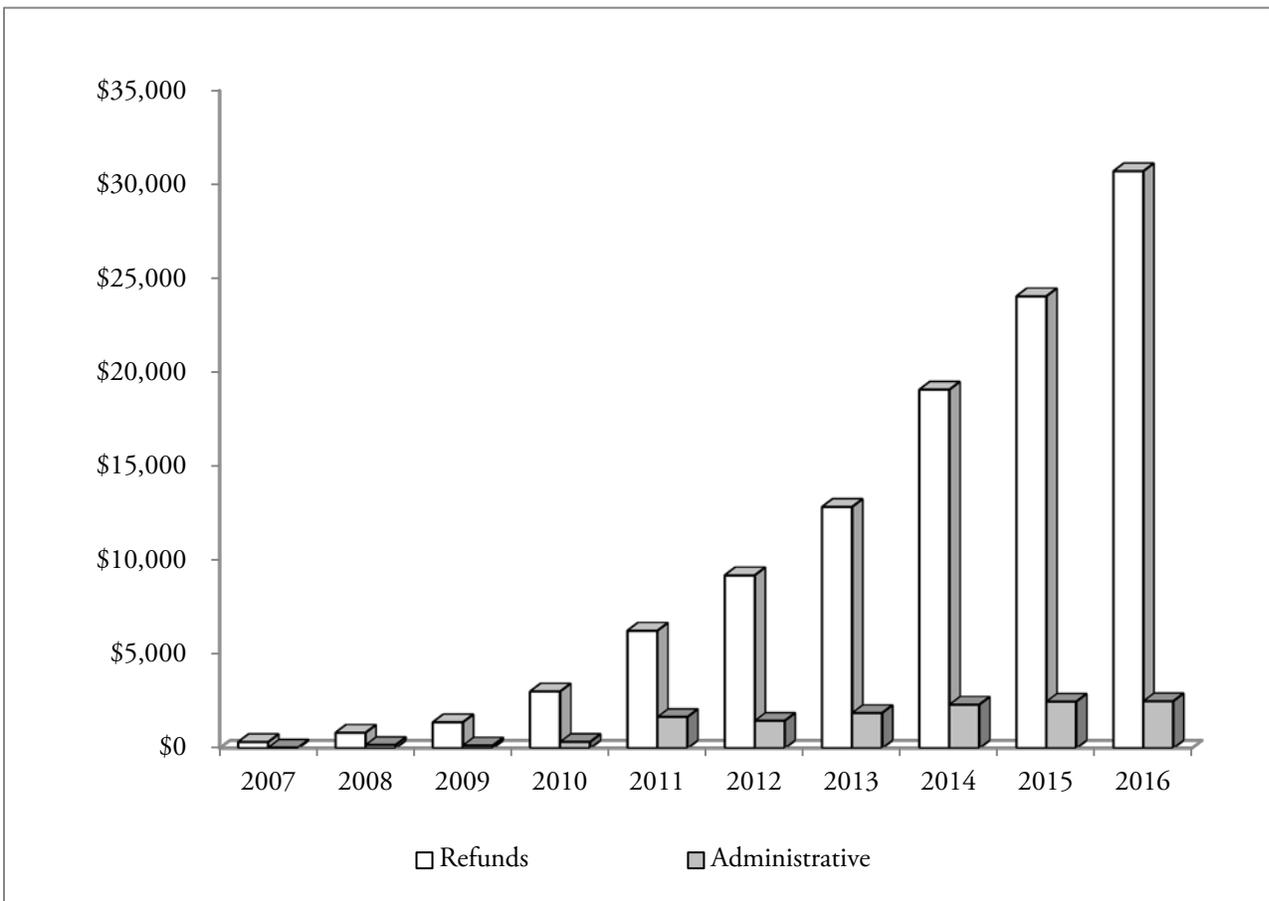
Public Employees' Retirement System Defined Benefit Pension Deductions by Type (In thousands)						
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative	Transfer	Total
2007	\$ 410,545	\$ 224,553	\$ 14,621	\$ 6,246	\$ —	\$ 655,965
2008	439,123	—	14,333	6,585	3,490,576	3,950,617
2009	466,085	—	12,498	6,568	—	485,151
2010	496,015	—	12,364	6,365	—	514,744
2011	525,277	—	11,923	6,744	—	543,944
2012	559,977	—	10,906	6,743	—	577,626
2013	599,318	—	10,929	7,120	—	617,367
2014	640,518	—	11,399	8,223	—	660,140
2015	686,493	—	10,049	7,553	—	704,095
2016	732,141	—	10,034	7,243	—	749,418

10-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Participant Directed Deductions by Type (In thousands)				
Plan Ended June 30	Refund of Contributions	Administrative	Prior Year Forfeiture Payable Adjustment	Total
2007	\$ 332	\$ 31	\$ —	\$ 363
2008	826	169	—	995
2009	1,386	146	—	1,532
2010	3,029	335	—	3,364
2011	6,273	1,664	—	7,937
2012	9,230	1,462	—	10,692
2013	12,872	1,879	9,166	23,917
2014	19,104	2,324	—	21,428
2015	24,067	2,487	—	26,554
2016	30,709	2,506	—	33,215

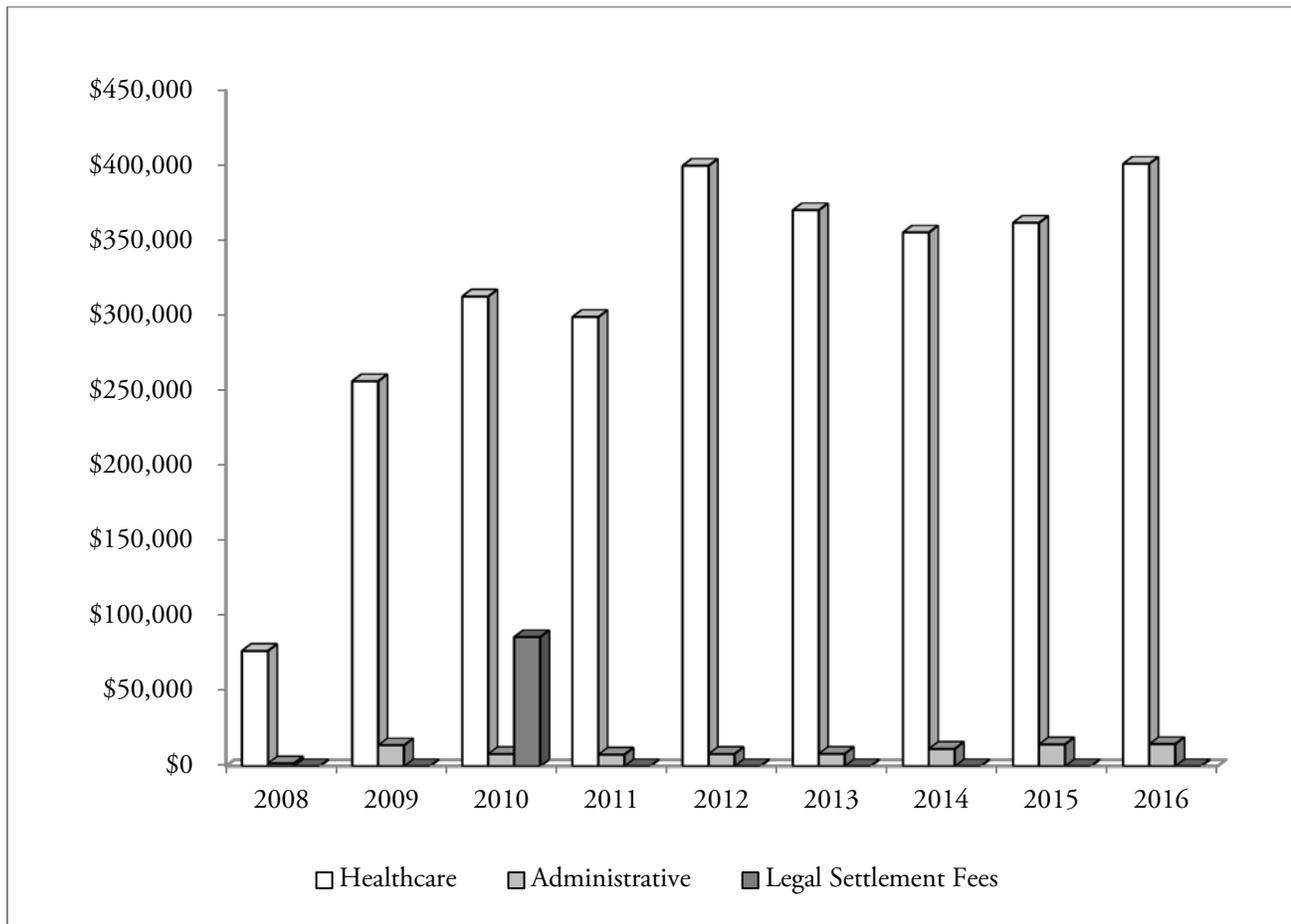
10-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Statistical Section

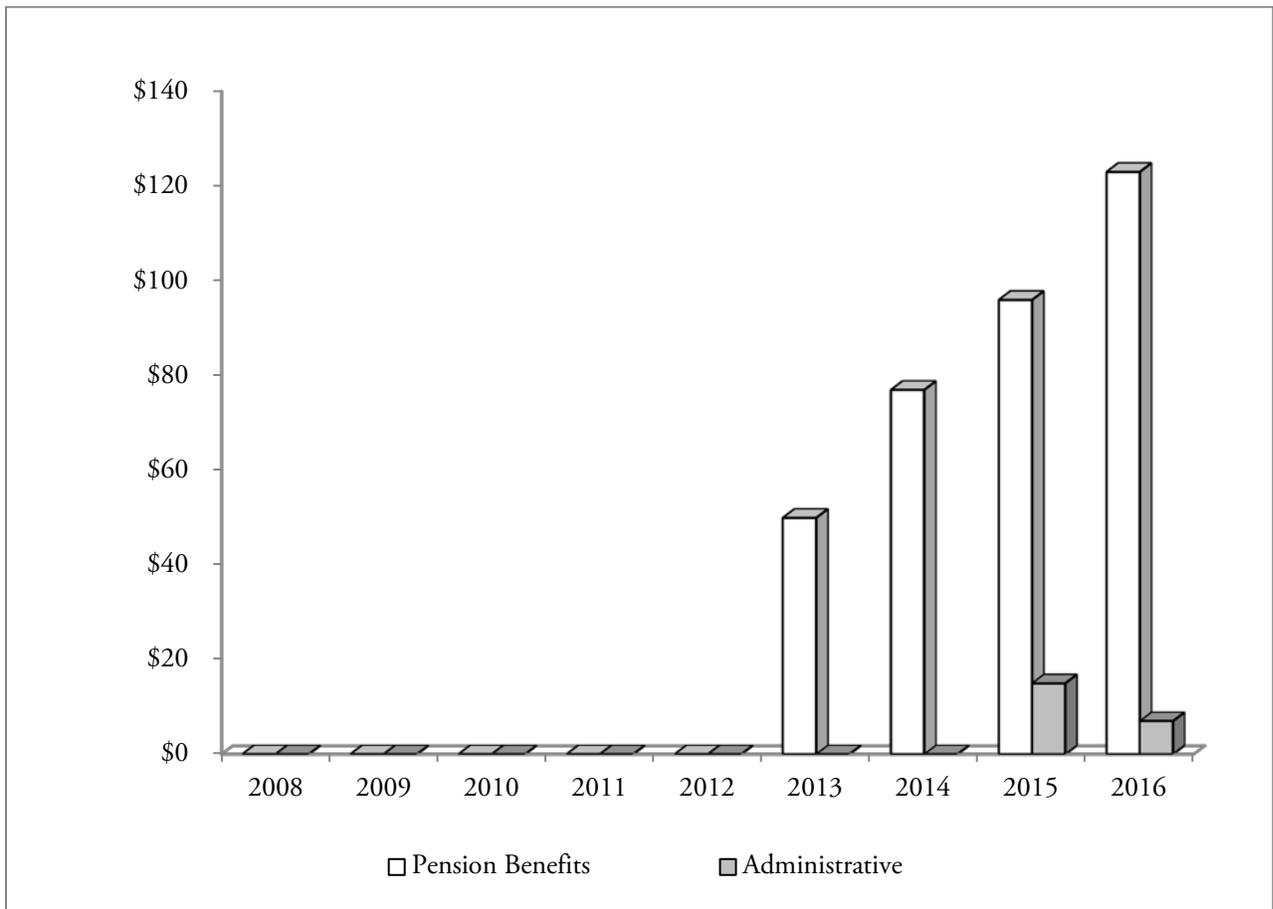
Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Deductions by Type (In thousands)				
Plan Ended June 30	Healthcare	Administrative	Legal Settlement Fees	Total
2008	\$ 77,074	\$ 1,948	\$ —	\$ 79,022
2009	256,408	14,004	—	270,412
2010	312,901	8,226	86,428	407,555
2011	299,196	7,806	—	307,002
2012	399,923	8,229	—	348,152
2013	370,314	8,325	—	378,639
2014	355,487	11,679	—	367,166
2015	361,930	14,647	—	376,577
2016	401,233	14,785	—	416,018

9-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – All Other Deductions by Type (In thousands)			
Plan Ended June 30	Pension Benefits	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	50	—	50
2014	77	—	77
2015	96	15	111
2016	123	7	130

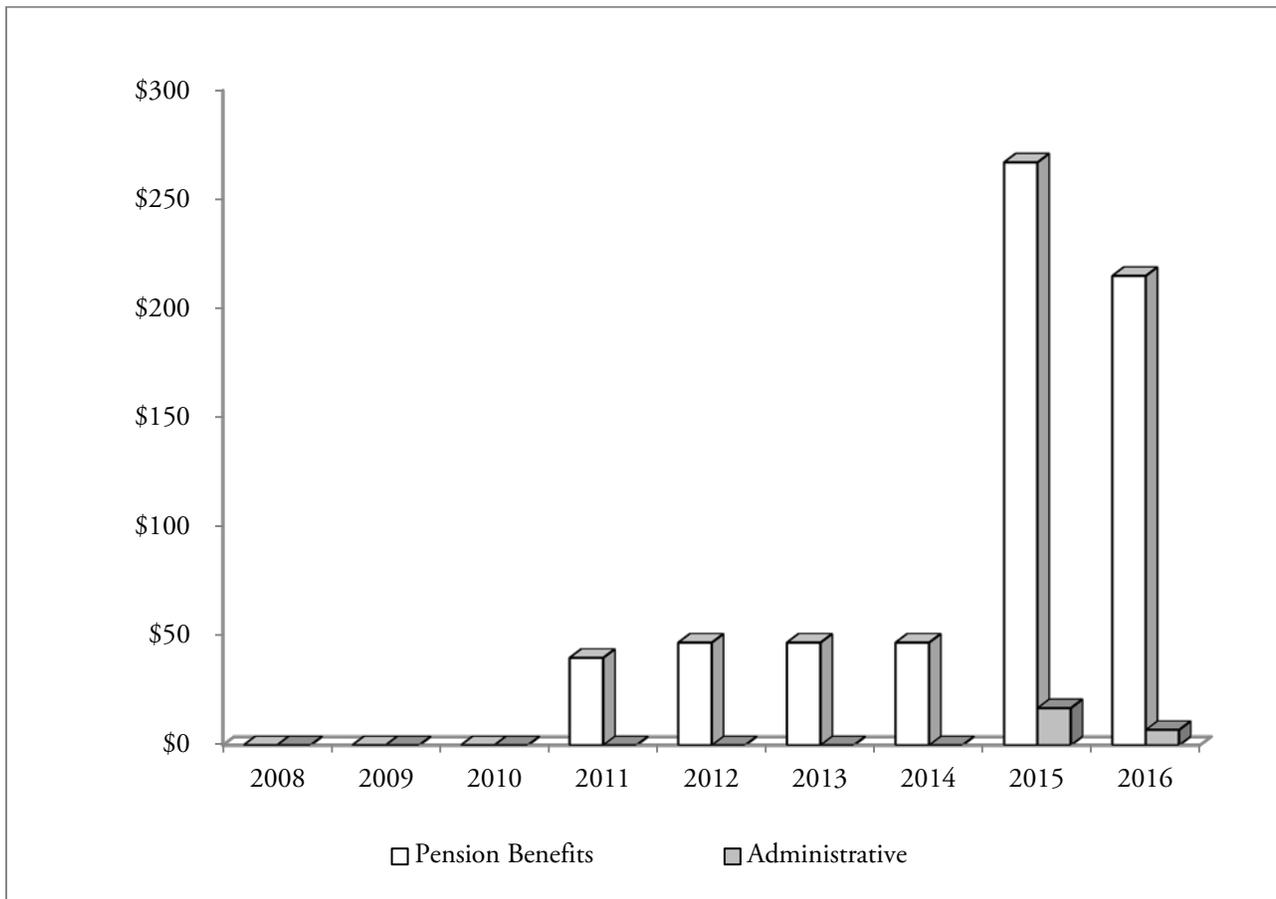
9-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Statistical Section

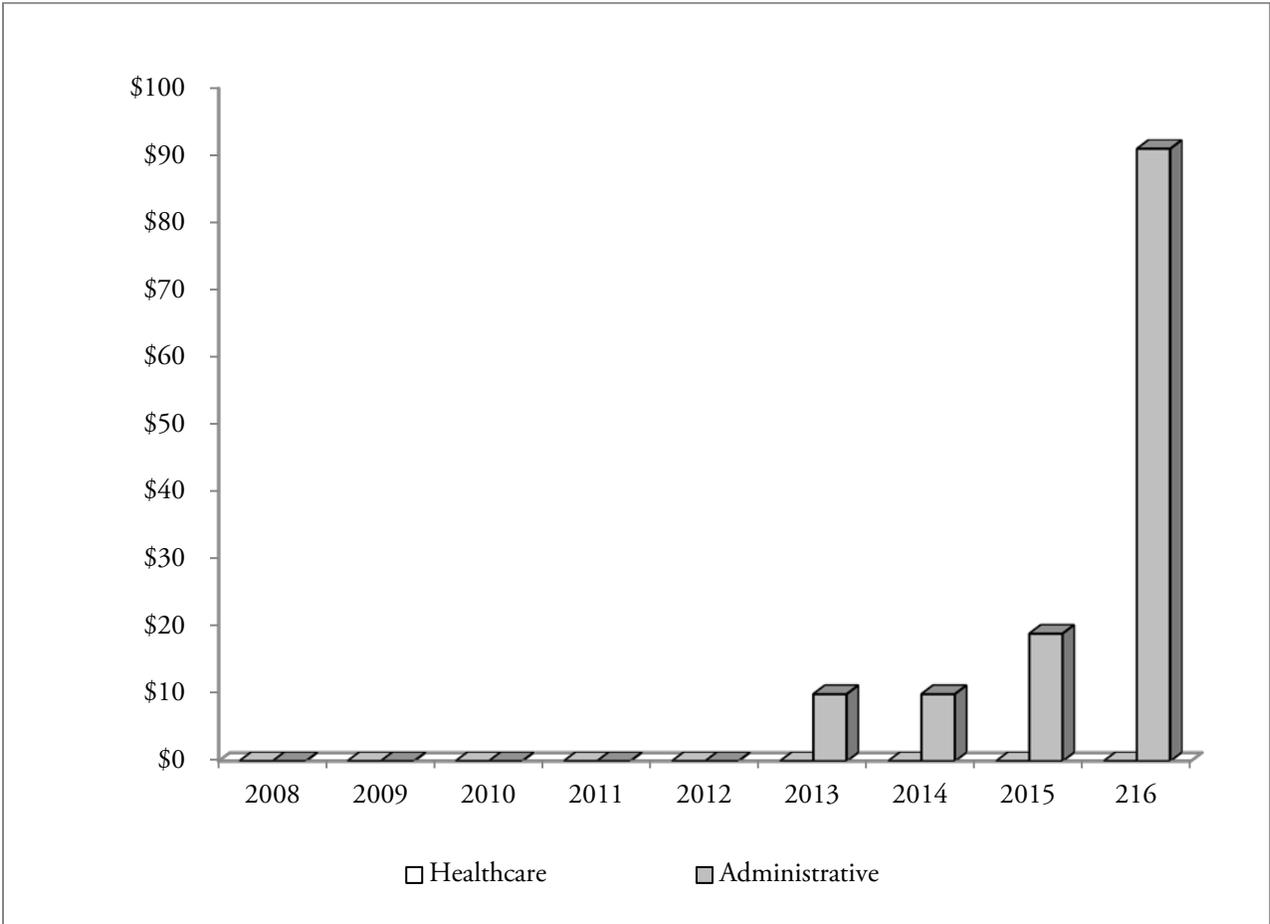
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – Peace Officers & Firefighters Deductions by Type (In thousands)			
Plan Ended June 30	Pension Benefits	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	40	—	40
2012	47	—	47
2013	47	—	47
2014	47	—	47
2015	267	17	284
2016	215	7	222

9-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	10	10
2014	—	10	10
2015	—	19	19
2016	—	91	91

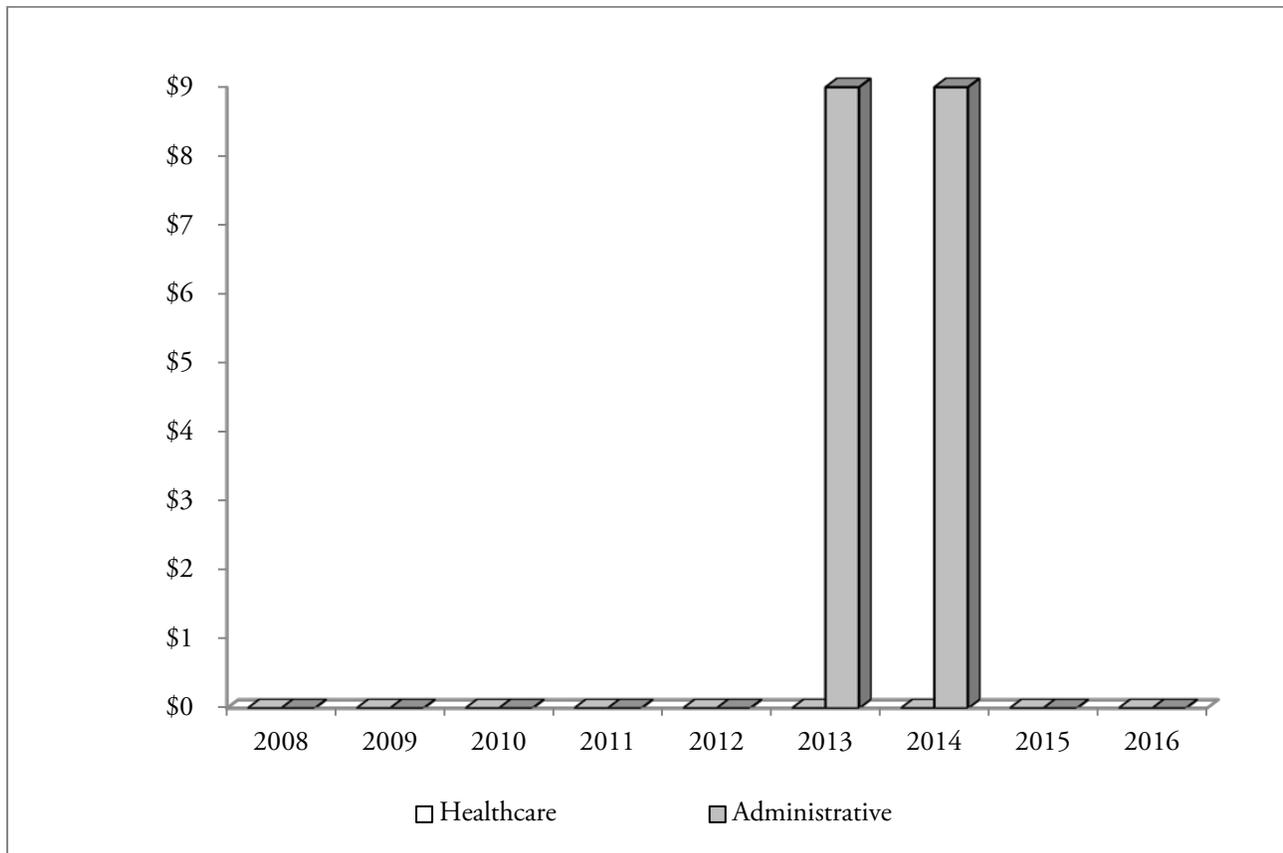
9-YEAR COMPARISON OF DEDUCTIONS BY TYPE
 (In thousands)



Statistical Section

Public Employees' Retirement System Defined Contribution Retirement Healthcare Reimbursement Arrangement Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	9	9
2014	—	9	9
2015	—	—	—
2016	—	—	—

9-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



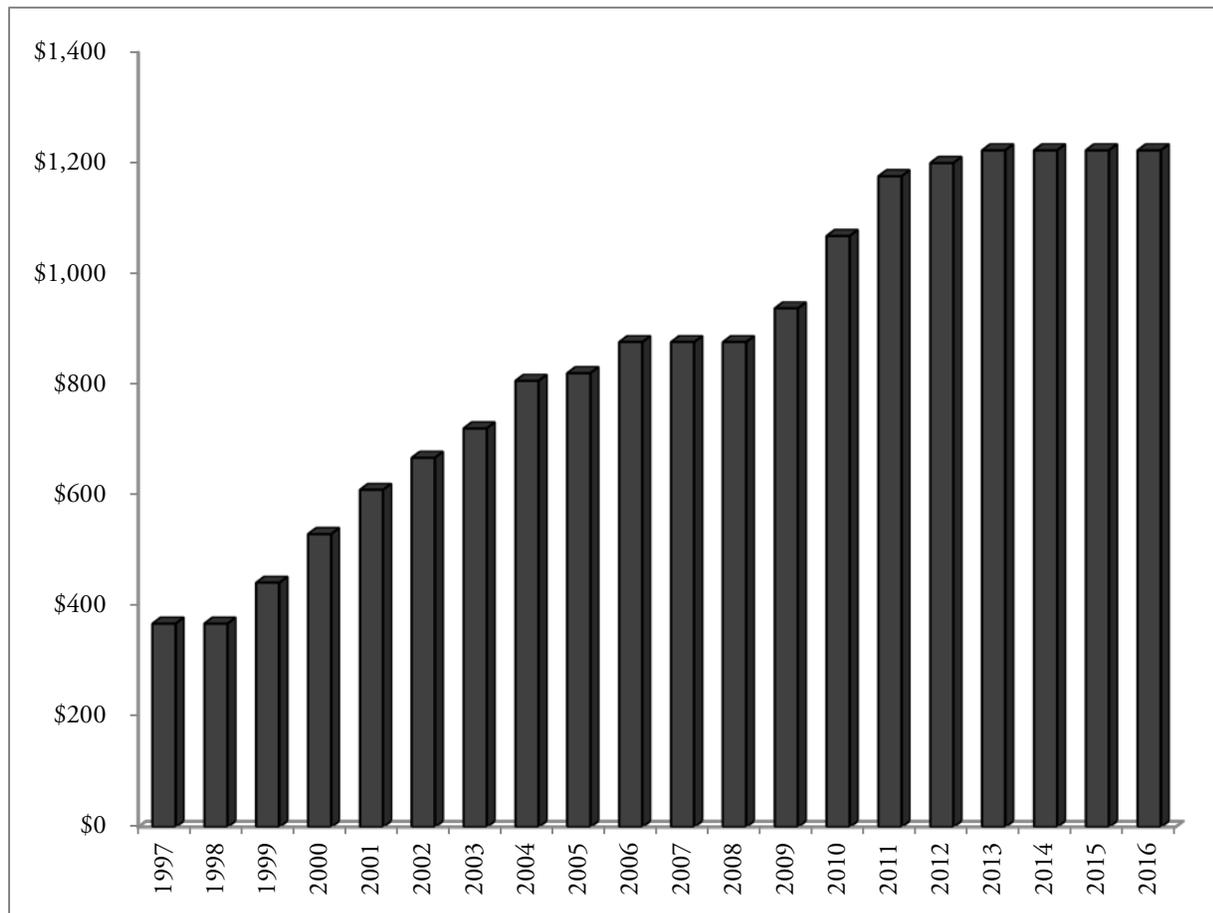
Public Employees' Retirement System Schedule of Average Benefit Payments New Benefit Recipients							
Years of Credited Service							
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
All Others							
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$ 485	\$ 579	\$1,116	\$1,763	\$2,674	\$4,008	\$5,039
Number of Recipients	93	367	273	217	218	200	74
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 409	\$ 633	\$1,150	\$1,876	\$2,690	\$4,294	\$5,226
Number of Recipients	73	352	270	227	172	205	105
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ 407	\$ 610	\$1,147	\$1,931	\$2,805	\$4,214	\$5,076
Number of Recipients	67	351	314	204	208	188	106
Period 7/1/12 - 6/30/13:							
Average Monthly Benefit	\$ 414	\$ 650	\$1,179	\$1,925	\$2,879	\$4,356	\$5,208
Number of Recipients	59	349	365	257	206	209	132
Period 7/1/13 - 6/30/14:							
Average Monthly Benefit	\$ 503	\$ 700	\$1,189	\$2,065	\$3,021	\$4,439	\$5,490
Number of Recipients	48	347	319	241	214	224	121
Period 7/1/14 - 6/30/15:							
Average Monthly Benefit	\$ 430	\$ 685	\$1,260	\$2,008	\$3,086	\$4,544	\$6,195
Number of Recipients	42	284	304	213	198	169	98
Peace Officer/Firefighter							
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$1,902	\$1,242	\$1,459	\$2,284	\$3,179	\$4,527	\$4,695
Number of Recipients	4	7	16	14	28	14	7
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 525	\$ 880	\$1,469	\$2,666	\$3,743	\$4,806	\$5,661
Number of Recipients	1	8	18	10	24	16	8
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ —	\$1,159	\$1,161	\$3,142	\$3,504	\$4,673	\$5,079
Number of Recipients	—	13	13	12	20	17	7
Period 7/1/12 - 6/30/13:							
Average Monthly Benefit	\$ —	\$ 865	\$1,779	\$2,762	\$3,793	\$4,983	\$4,911
Number of Recipients	—	9	8	19	31	18	4
Period 7/1/13 - 6/30/14:							
Average Monthly Benefit	\$209	\$ 1,423	\$2,002	\$2,902	\$4,014	\$5,464	\$6,299
Number of Recipients	1	9	10	14	22	16	7
Period 7/1/14 - 6/30/15:							
Average Monthly Benefit	\$ —	\$ 1,173	\$1,621	\$3,632	\$4,436	\$5,457	\$6,863
Number of Recipients	—	8	9	26	24	25	7

“Average Monthly Benefit” includes post-retirement pension adjustments and cost-of-living increases.

Statistical Section

Public Employees' Retirement System Schedule of Pension and Healthcare Benefits Deductions by Type (In thousands)					
Year Ended June 30	Service	Disability	Survivor	Healthcare	Total
2007	383,516	7,603	19,426	224,553	635,098
2008	405,775	8,460	24,888	235,474	674,597
2009	436,656	6,644	22,785	245,328	711,413
2010	464,735	6,539	24,741	283,095	779,110
2011	492,808	5,821	26,648	323,843	849,120
2012	543,789	5,528	28,651	339,923	917,891
2013	563,172	5,276	30,870	395,939	995,257
2014	601,705	5,630	33,183	415,926	1,056,444
2015	645,895	5,220	35,742	361,930	1,048,786
2016	689,487	4,878	38,115	401,233	1,133,713

20-YEAR COMPARISON OF RETIREE MONTHLY COMPOSITE MEDICAL PREMIUMS



Public Employees' Retirement System Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected Valuation as of June 30, 2015									
Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
All Others									
\$ 1 - 300	2,002	1,548	452	2	835	403	287	80	397
301 - 600	4,865	4,160	687	18	2,289	1,258	853	280	185
601 - 900	3,967	3,384	564	19	1,867	1,025	676	238	161
901 - 1,200	3,126	2,733	368	25	1,364	858	608	176	120
1,201 - 1,500	2,687	2,365	293	29	1,172	794	468	147	106
1,501 - 1,800	2,042	1,821	189	32	818	635	402	112	75
1,801 - 2,100	1,709	1,545	142	22	679	511	333	112	74
2,101 - 2,400	1,480	1,370	92	18	550	477	299	98	56
2,401 - 2,700	1,219	1,140	65	14	453	419	235	58	54
2,701 - 3,000	1,021	963	56	2	363	342	217	59	40
3,001 - 3,300	843	807	31	5	286	330	168	31	28
3,301 - 3,600	709	681	26	2	227	271	144	44	23
3,601 - 3,900	591	575	16	—	204	222	106	42	17
3,901 - 4,200	511	497	13	1	144	190	136	29	12
over \$4,200	2,257	2,230	23	4	661	920	487	133	56
Totals	29,029	25,819	3,017	193	11,912	8,655	5,419	1,639	1,404
Peace Officer/Firefighter									
\$ 1 - 300	57	25	32	—	36	10	—	2	9
301 - 600	162	103	59	—	78	37	25	9	13
601 - 900	162	96	65	1	89	42	9	14	8
901 - 1,200	164	104	59	1	85	40	20	11	8
1,201 - 1,500	178	130	47	1	89	43	24	9	13
1,501 - 1,800	148	114	32	2	67	42	19	15	5
1,801 - 2,100	167	126	38	3	61	50	40	8	8
2,101 - 2,400	195	145	44	6	78	70	23	17	7
2,401 - 2,700	204	180	19	5	63	81	37	17	6
2,701 - 3,000	230	210	19	1	61	105	36	17	11
3,001 - 3,300	254	234	17	3	65	114	41	16	18
3,301 - 3,600	212	193	16	3	66	95	32	14	5
3,601 - 3,900	200	190	7	3	58	98	24	14	6
3,901 - 4,200	156	154	2	—	37	81	22	13	3
over \$4,200	627	613	12	2	128	342	82	58	17
Totals	3,116	2,617	468	31	1,061	1,250	434	234	137

Type of Pension Benefit

- 1 - Regular retirement
- 2 - Survivor payment
- 3 - Disability

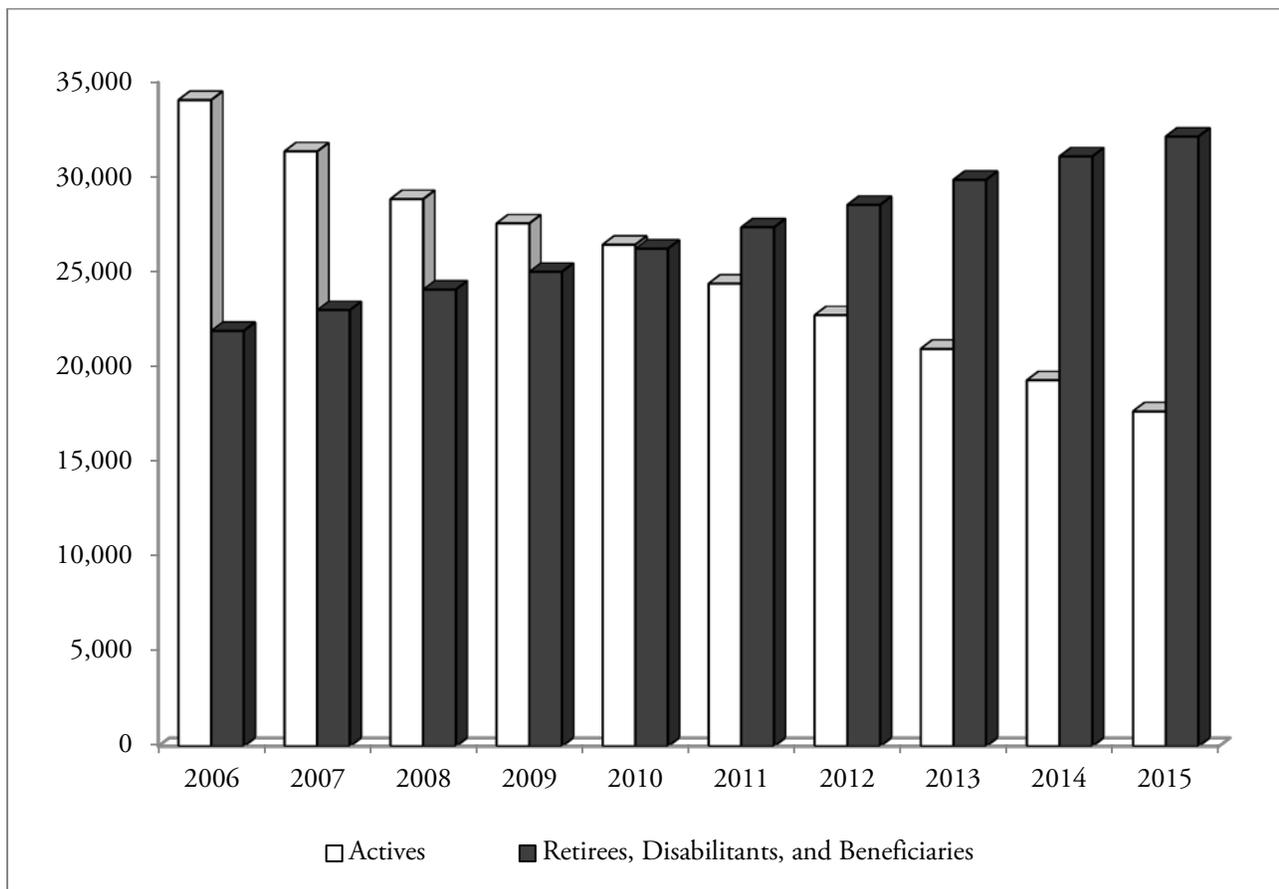
Option Selected

- 1 - Whole Life Annuity
- 2 - 75% Joint and Contingent Annuity
- 3 - 50% Joint and Contingent Annuity
- 4 - 66-2/3% Joint and Survivor Annuity
- 5 - Level Income Option

Statistical Section

Public Employees' Retirement System System Membership by Status					
Year Ended June 30	Active	Retirees, Disabilitants & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
2006	34,071	21,901	6,219	14,155	76,346
2007	31,362	22,997	6,398	14,902	75,659
2008	28,850	24,082	6,627	14,930	74,489
2009	27,565	25,015	6,566	14,626	73,772
2010	26,442	26,237	6,253	14,543	73,475
2011	24,393	27,359	6,414	14,028	72,194
2012	22,730	28,540	6,294	13,552	71,116
2013	20,955	29,865	6,230	13,162	70,212
2014	19,297	31,099	6,167	12,713	69,276
2015	17,660	32,145	6,304	12,339	68,448

10-YEAR COMPARISON OF ACTIVE MEMBERS AND RETIREES, DISABILITANTS, AND BENEFICIARIES



Public Employees' Retirement System Principal Participating Employers June 30, 2016			
Employer	Non-retired Members	Rank	Percentage of of Total Non-retired Members
State of Alaska	26,133	1	41.38%
Anchorage School District	5,484	2	8.68
University of Alaska	<u>4,012</u>	3	<u>6.35</u>
Total	<u>35,629</u>		<u>56.41%</u>

Statistical Section

**Public Employees' Retirement System
Participating Employers
at June 30, 2016**

Akutan, City of	Chatham School District
Alaska, State of	Chugach School District
Alaska Gasline Development Corporation	Cook Inlet Housing Authority
Alaska Gateway School District	Copper River Basin Regional Housing Authority
Alaska Housing Finance Corporation	Copper River School District
Alaska Municipal League	Cordova, City of
Aleutian Housing Authority	Cordova City School District
Aleutian Region School District	Cordova Community Medical Center
Aleutians East Borough	Craig, City of
Aleutians East Borough School District	Craig City School District
Allakaket, City of	
Anchorage, Municipality of	Delta-Greely School District
Anchorage Community Development Authority	Delta Junction, City of
Anchorage School District	Denali Borough
Anderson, City of	Denali Borough School District
Aniak, City of	Dillingham, City of
Annette Island School District	Dillingham City School District
Atka, City of	
	Eek, City of
Baranof Island Housing Authority	Egegik, City of
Barrow, City of	Elim, City of
Bartlett Regional Hospital	
Bering Straits Regional Housing Authority	Fairbanks, City of
Bering Strait School District	Fairbanks North Star Borough
Bethel, City of	Fairbanks North Star Borough School District
Bristol Bay Borough	Fort Yukon, City of
Bristol Bay Borough School District	
Bristol Bay Regional Housing Authority	Galena, City of
	Galena City School District

**Public Employees' Retirement System
Participating Employers
at June 30, 2016 (continued)**

Haines Borough	Koyuk, City of
Haines Borough School District	Kuspuk School District
Homer, City of	
Hoonah, City of	Lake and Peninsula Borough
Hoonah City School District	Lake and Peninsula Borough School District
Hooper Bay, City of	Lower Kuskokwim School District
Huslia, City of	Lower Yukon School District
Hydaburg City School District	
	Matanuska-Susitna Borough
Iditarod Area School District	Matanuska-Susitna Borough School District
Ilisagvik College	Mekoryuk, City of
Interior Regional Housing Authority	
Inter-Island Ferry Authority	Nenana, City of
	Nenana City School District
Juneau School District, City and Borough of	Nome, City of
Juneau, City and Borough of	Nome City School District
	Nome Joint Utility System
Kachemak, City of	Noorvik, City of
Kake City School District	North Pacific Fishery Management Council
Kaltag, City of	North Pacific Rim Housing Authority
Kashunamiut School District	North Pole, City of
Kenai, City of	North Slope Borough
Kenai Peninsula Borough	North Slope Borough School District
Kenai Peninsula Borough School District	Northwest Arctic Borough
Ketchikan, City of	Northwest Arctic Borough School District
Ketchikan Gateway Borough	Northwest Inupiat Housing Authority
Ketchikan Gateway Borough School District	Nulato, City of
King Cove, City of	
Kivalina, City of	Palmer, City of
Klawock, City of	Pelican, City of
Klawock City School District	Pelican City School District
Kodiak, City of	Petersburg Borough
Kodiak Island Borough	Petersburg City School District
Kodiak Island Borough School District	Petersburg Medical Center
Kotzebue, City of	Pribilof School District

Statistical Section

Public Employees' Retirement System
Participating Employers
at June 30, 2016 (continued)

Saint George, City of	Thorne Bay, City of
Saint Mary's School District	Tlingit-Haida Regional Housing Authority
Saint Paul, City of	Toksook Bay, City of
Sand Point, City of	
Saxman, City of	Unalakleet, City of
Saxman Seaport	Unalaska, City of
Selawik, City of	Unalaska City School District
Seldovia, City of	University of Alaska
Seward, City of	Upper Kalskag, City of
Shaktoolik, City of	
Sitka Borough School District	Valdez, City of
Sitka, City and Borough of	Valdez City School District
Sitka Community Hospital	
Skagway City School District	Wasilla, City of
Skagway, Municipality of	Whittier, City of
Soldotna, City of	Wrangell, City and Borough of
Southeast Island School District	Wrangell Public School District
Southeast Regional Resource Center	
Southwest Region School District	Yakutat, City and Borough of
Special Education Service Agency	Yakutat School District
	Yukon Flats School District
Tagiugmiullu Nunamiullu Housing Authority	Yukon-Koyukuk School District
Tanana, City of	Yupiit School District
Tanana School District	



STATE OF ALASKA • DEPARTMENT OF ADMINISTRATION

• *Division of Retirement and Benefits* •

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