KPMG

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2016 and 2015

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

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 Judicial Retirement System:

We have audited the accompanying combining financial statements of the State of Alaska Judicial Retirement System (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2016 and 2015, and the related notes to financial statements, which collectively comprise the Plan'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.

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 Judicial Retirement System as of June 30, 2016 and 2015, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–10, and the schedule of changes in plan 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 on pages 24–31 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 opinions on the financial statements that collectively comprise the Plan's basic financial statements. The supplemental schedules on pages 32 and 33 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 20, 2016

This section presents management's discussion and analysis (MD&A) of the Judicial Retirement System's (the Plan) financial position and performance for the years ended June 30, 2016 and 2015. 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, notes to required supplementary information, and supplemental schedules to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2016 and 2015. Information for fiscal year 2015 and 2014 is presented for comparative purposes.

Financial Highlights

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

- The Plan's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $0.4 million during fiscal year 2016.
- The plan member and employer contributions increased by $0.8 million during fiscal year 2016.
- The State of Alaska directly appropriated $5.9 million to the Plan during fiscal year 2016.
- The Plan incurred a net investment loss of $0.7 million during fiscal year 2016.
- The Plan's pension benefit expenditures totaled $11.2 million during fiscal year 2016.
- The Plan's postemployment healthcare benefit expenditures totaled $0.7 million in fiscal year 2016.

Overview of the Financial Statements

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

Combining Statement of Plan Fiduciary Net Position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for pension and postemployment healthcare benefits. This statement reflects the Plan's investments at fair value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2016 and 2015.

Combining Statement of Changes in Plan Fiduciary Net Position – This statement presents how the Plan's net position restricted for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2016 and 2015. This statement presents contributions, State of Alaska appropriations, 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 2015, and the sources and uses of those funds during fiscal years 2016 and 2015.

(Continued)

Notes to 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 Plan'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 Plan 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 Plan and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information

Plan net position

Description	2016	2015	Increase (decrease) Amount	Increase (decrease) Percentage	2014
Assets:					
Cash and cash equivalents	$ 1,528,108	3,329,384	(1,801,276)	(54.1)%	5,406,823
Contributions receivable	243,309	257,175	(13,866)	(5.4)	256,106
Due from State of Alaska General Fund	945,660	208,238	737,422	354.1	—
Other receivables	2,357	2,357	—	—	2
Investments, at fair value	169,112,939	167,731,065	1,381,874	0.8	160,433,100
Other assets	6,374	6,374	—	—	12,971
Total assets	171,838,747	171,534,593	304,154	0.2	166,109,002
Liabilities:					
Accrued expenses	92,598	108,510	(15,912)	(14.7)	94,940
Claims payable	77,000	58,000	19,000	32.8	135,000
Due to State of Alaska General Fund	2,365	65,678	(63,313)	(96.4)	29,654
Total liabilities	171,963	232,188	(60,225)	(25.9)	259,594
Net position	$ 171,666,784	171,302,405	364,379	0.2%	165,849,408

Condensed Financial Information, Continued

Changes in plan net position

Description	2016	2015	Increase (decrease) Amount	Increase (decrease) Percentage	2014
Net position, beginning of year	$ 171,302,405	165,849,408	5,452,997	3.3%	141,196,427
Additions:					
Contributions – employer and plan member	7,129,836	6,312,071	817,765	13.0	6,063,027
Nonemployer contribution	5,890,788	5,241,619	649,169	12.4	4,460,321
Net investment (loss) income	(698,012)	5,148,525	(5,846,537)	(113.6)	25,986,196
Other	95,127	148,537	(53,410)	(36.0)	67,453
Total additions	12,417,739	16,850,752	(4,433,013)	(26.3)	36,576,997
Deductions:					
Pension and postemployment healthcare benefits	11,932,140	11,202,597	729,543	6.5	11,817,759
Refunds of contributions	—	42,771	(42,771)	(100.0)	—
Administrative	121,220	152,387	(31,167)	(20.5)	106,257
Total deductions	12,053,360	11,397,755	655,605	5.8	11,924,016
Increase (decrease) in net position	364,379	5,452,997	(5,088,618)	(93.3)	24,652,981
Net position, end of year	$ 171,666,784	171,302,405	364,379	0.2%	165,849,408

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2016 and 2015 show net position restricted for pension and postemployment healthcare benefits of $171,666,784 and $171,302,405, respectively. The entire balance is available to cover the Plan's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries. These amounts represent an increase of $364,379 or 0.2% and an increase of $5,452,997 or 3.3% from fiscal years 2015 and 2014, respectively. Over the long term, plan members and employer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan.

The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (the Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the Plan's constraints and objectives.

Plan Asset Allocation

During fiscal years 2016 and 2015, the Board adopted the following asset allocations:

	2016 Pension & Healthcare Trust	
	Allocation	**Range**
Broad domestic equity	26.0%	± 6 %
Global equity ex-U.S.	25.0	± 4
Private equity	9.0	± 5
Real assets	17.0	± 8
Absolute return	5.0	± 4
Fixed composite	12.0	± 5
Alternative equity strategies	3.0	± 2
Cash equivalents	3.0	± 3
Total	100.0%	
Expected return five-year geometric mean	7.20%	
Projected standard deviation	15.30	

	2015 Pension & Healthcare Trust	
	Allocation	**Range**
Broad domestic equity	26.0%	± 6 %
Global equity ex-U.S.	25.0	± 4
Private equity	9.0	± 5
Real assets	17.0	± 8
Absolute return	5.0	± 4
Fixed composite	12.0	± 8
Alternative equity	3.0	-2/+4
Short-term fixed income	3.0	-3/+8
Total	100.0%	
Expected return five-year geometric mean	7.22%	
Projected standard deviation	15.01	

For fiscal years 2016 and 2015, the Plan's investments generated a (0.36)% and a 3.29% rate of return, respectively.

Contributions, Investment Income, and Transfer

The additions required to fund retirement benefits are accumulated through a combination of employer, nonemployer, and plan members' contributions and investment income are as follows:

	Additions				
			Increase (decrease)		
	2016	**2015**	**Amount**	**Percentage**	**2014**
Employer contributions	$ 6,327,912	5,501,252	826,660	15.0%	5,282,973
Plan members contributions	801,924	810,819	(8,895)	(1.1)	780,054
Nonemployer contributions – State of Alaska	5,890,788	5,241,619	649,169	12.4	4,460,321
Net investment (loss) income	(698,012)	5,148,525	(5,846,537)	(113.6)	25,986,196
Other income	95,127	148,537	(53,410)	(36.0)	67,453
Total	$ 12,417,739	16,850,752	(4,433,013)	(26.3)%	36,576,997

The Plan's employer contributions increased from $5,501,252 during fiscal year 2015 to $6,327,912 during fiscal year 2016, an increase of $826,660, or 15.0%. Employer contributions increased from $5,282,973 during fiscal year 2014 to $5,501,252 during fiscal year 2015, an increase of $218,279, or 4.1%. Beginning in fiscal year 2010, the Alaska Court System, sole employer of the Plan's participants, paid only the normal cost portion of the Plan employer contribution rate and the State of Alaska funded the past service cost through a direct appropriation. The normal cost rate decreased from 39.79% in fiscal year 2015 to 39.66% in fiscal year 2016. Additionally, the Alaska Court System has contributed additional employer contributions in fiscal year 2016 to aid in the funded level of the pension plan.

The Plan's net investment income in fiscal year 2016 decreased by $5,846,537 or 113.6% from amounts recorded in fiscal year 2015 and net investment income decreased by $20,837,671 or 80.2% from amounts recorded in fiscal year 2014. Over the long term, investment income is a major component of additions to plan assets. Overall, equities have remained level, but with little movement resulting in low returns. International equities have continued two years of declines, while fixed income had a reversal to positive territory, though not enough to offset very modest domestic returns, and losses abroad. The returns are below the actuarial rate of return and will result in increasing the past service costs of the Plan.

The Plan's investment rate of returns at June 30, 2016, 2015, and 2014 is as follows:

	Year ended 2016	2015	2014
System returns	(0.36)%	3.29%	18.45%
Domestic equities	0.58	7.85	25.45
International equities	(9.15)	(3.33)	23.42
Fixed income	5.14	(0.74)	5.14
Private equity	4.71	13.77	24.19
Absolute return	(3.09)	9.23	6.51
Real assets	4.80	3.70	12.71
Alternative equity	3.41	(0.89)	24.55
Cash equivalents	0.55	0.27	0.26
Actuarially assumed rate of return	8.00	8.00	8.00

Benefits and Other Deductions

The primary deduction of the Plan is the payment of pension and postemployment healthcare benefits. These benefit payments and the cost of administering the Plan comprise the costs of operation.

	Deductions				
			Increase (decrease)		
	2016	2015	Amount	Percentage	2014
Pension benefits	$ 11,228,221	10,641,191	587,030	5.5%	10,578,414
Postemployment healthcare benefits	703,919	561,406	142,513	25.4	1,239,345
Refunds of contributions	—	42,771	(42,771)	(100.0)	—
Administrative	121,220	152,387	(31,167)	(20.5)	106,257
Total	$ 12,053,360	11,397,755	655,605	5.8%	11,924,016

The Plan's pension benefit payments in 2016 and 2015 increased $587,030 and $62,777 or 5.5% and 0.6% from fiscal years 2015 and 2014, respectively. Pension benefits are directly tied to active Plan member salary increases. Active Plan members received a slight salary increase in fiscal year 2016 and 2015; therefore, pension benefit expense increased as well.

The Plan's postemployment healthcare benefit payments in fiscal years 2016 and 2015 increased $142,513 or 25.4% and decreased $677,939 or 54.7% from fiscal years 2015 and 2014, respectively. The current year increase in healthcare costs is due partially to a higher claim year in a very small plan.

Net Pension Liability

Governmental Accounting Standards Board (GASB) Statement No. 67, implemented in 2014, requires the Defined Benefit Pension (DB) Plan to report the Total Pension Liability (TPL), Fiduciary Net Position (FNP), and 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 for the Plan were as follows:

		2016	2015
Total pension liability	$	216,374,094	205,125,185
Plan fiduciary net position		(144,818,899)	(144,160,024)
Employers' net pension liability	$	71,555,195	60,965,161
Plan fiduciary net position as a percentage of the total pension liability		66.93%	70.28%

Funding

Retirement benefits are financed by accumulations from employer, nonemployer, and plan member contributions and income earned on plan investments:

- The actuarially determined contribution rate is calculated by the Plan's consulting actuary and approved by the administrator. Contributions are determined on an annual basis either through the actuarial valuation or the actuarial valuation rollforward process.
- Plan member contributions are set by Alaska Statute 22.25.011.

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 Plan:

- House Bill 256, Section 28(g) appropriates $5,412,366 from the general fund to the Department of Administration for deposit in the Plan's defined benefit pension fund as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2017.

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

Net investment income decreased from $5,148,525 in fiscal year 2015 to negative $698,012 in fiscal year 2016, a decrease of $5,846,537 or 113.6%. The Board continues to keep the Plan's portfolio diversified to maintain an optimal risk/return ratio. Actual investment returns lower than the assumed investment return will have a negative impact on both the annual actuarially determined contribution rate increasing and the Plan's funded level decreasing.

(Continued)

The actuarial valuation roll forward as of June 30, 2015 reported a funding ratio of 75.6% and an unfunded liability of $54.5 million. The actuarial valuation for June 30, 2014 reported a funding ratio of 71.9% and an unfunded liability of $59.6 million. The decrease in the unfunded liability is attributable to significant investment gains in fiscal year 2014 of 18.45% compared to the expected investment rate of return of 8.0% that are amortized over a five-year period offsetting amortized losses from the last two fiscal years. Additionally, the Plan benefited from updated healthcare cost trend assumptions. The impacts of these, combined with negligible losses in other categories, also decreased the total actuarially determined contribution rate (normal and past service costs) for fiscal year 2018 to 74.21% from 76.49% for fiscal year 2017.

Requests for Information

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

State of Alaska Judicial 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
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statements of Fiduciary Net Position

June 30, 2016 and 2015

	2016			2015		
	Pension	**Alaska Retiree Healthcare Trust**	**Total**	**Pension**	**Alaska Retiree Healthcare Trust**	**Total**
Assets:						
Cash and cash equivalents (note 3):						
Short-term fixed income pool	$ 1,241,765	286,343	1,528,108	2,683,883	645,501	3,329,384
Receivables:						
Contributions	223,431	19,878	243,309	235,460	21,715	257,175
Due from State of Alaska General Fund	945,660	—	945,660	193,319	14,919	208,238
Other receivables	2,357	—	2,357	2,357	—	2,357
Total receivables	1,171,448	19,878	1,191,326	431,136	36,634	467,770
Investments (note 3) at fair value:						
Fixed income securities:						
U.S. Treasury fixed pool	6,611,783	1,234,380	7,846,163	7,936,213	1,494,730	9,430,943
Taxable municipal bond pool	1,625,789	303,524	1,929,313	1,366,703	257,408	1,624,111
Tactical fixed income pool	1,004,614	220,950	1,225,564	734,177	138,276	872,453
High–yield fixed income pool	5,054,239	943,596	5,997,835	3,744,369	705,225	4,449,594
International fixed income pool	2,285,776	426,740	2,712,516	2,311,220	435,301	2,746,521
Emerging markets debt pool	979,387	182,845	1,162,232	979,650	184,510	1,164,160
Total fixed income securities	17,561,588	3,312,035	20,873,623	17,072,332	3,215,450	20,287,782
Broad domestic equity pool:						
Large cap pool	30,878,985	5,764,923	36,643,908	32,092,756	6,044,446	38,137,202
Small cap pool	6,568,658	1,226,330	7,794,988	6,943,484	1,307,758	8,251,242
Total broad domestic equity	37,447,643	6,991,253	44,438,896	39,036,240	7,352,204	46,388,444
Broad international equity:						
International equity pool	28,581,209	5,335,942	33,917,151	29,913,082	5,633,920	35,547,002
International equity small cap pool	1,941,073	362,387	2,303,460	1,956,045	368,408	2,324,453
Frontier market pool	—	—	—	32,764	6,171	38,935
Emerging markets equity pool	4,107,414	766,831	4,874,245	3,797,171	715,171	4,512,342
Total broad international equity	34,629,696	6,465,160	41,094,856	35,699,062	6,723,670	42,422,732
Alternative equity:						
Alternative equity	1,227,936	229,250	1,457,186	4,153,786	782,337	4,936,123
Convertible bond pool	4,884,305	911,871	5,796,176	1,192,067	224,518	1,416,585
Total alternative equity	6,112,241	1,141,121	7,253,362	5,345,853	1,006,855	6,352,708
Private equity pool	11,455,859	2,138,742	13,594,601	11,057,008	2,082,510	13,139,518
Absolute return pool	9,453,688	1,764,947	11,218,635	8,172,968	1,539,320	9,712,288
Real assets:						
Real estate pool	9,129,863	1,701,883	10,831,746	7,974,174	1,496,365	9,470,539
Real estate investment trust pool	2,192,401	409,309	2,601,710	1,971,262	371,274	2,342,536
Infrastructure private pool	1,993,674	372,206	2,365,880	1,737,752	327,293	2,065,045
Infrastructure public pool	1,290,741	240,973	1,531,714	1,516,570	285,635	1,802,205
Master limited partnership pool	3,036,306	566,859	3,603,165	3,175,661	598,113	3,773,774
Energy pool	446,243	83,310	529,553	615,209	115,869	731,078
Farmland pool	5,036,360	940,257	5,976,617	4,652,819	876,325	5,529,144
Timber pool	2,348,928	438,530	2,787,458	2,319,356	436,834	2,756,190
Treasury inflation protected securities pool	346,445	64,678	411,123	805,393	151,689	957,082
Total real assets	25,820,961	4,818,005	30,638,966	24,768,196	4,659,397	29,427,593
Total investments	142,481,676	26,631,263	169,112,939	141,151,659	26,579,406	167,731,065
Other assets	—	6,374	6,374	—	6,374	6,374
Total assets	144,894,889	26,943,858	171,838,747	144,266,678	27,267,915	171,534,593
Liabilities:						
Accrued expenses	75,990	16,608	92,598	105,237	3,273	108,510
Claims payable (note 5)	—	77,000	77,000	—	58,000	58,000
Due to State of Alaska General Fund (note 2)	—	2,365	2,365	1,417	64,261	65,678
Total liabilities	75,990	95,973	171,963	106,654	125,534	232,188
Net position restricted for pension and postemployment healthcare benefits	$ 144,818,899	26,847,885	171,666,784	144,160,024	27,142,381	171,302,405

See accompanying notes to financial statements.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Combining Statements of Changes in Fiduciary Net Position

Years ended June 30, 2016 and 2015

	2016			2015		
	Pension	**Alaska Retiree Healthcare Trust**	**Total**	**Pension**	**Alaska Retiree Healthcare Trust**	**Total**
Additions:						
Contributions:						
Employer	$ 5,819,499	508,413	6,327,912	4,980,772	520,480	5,501,252
Plan members	801,924	—	801,924	810,819	—	810,819
Nonemployer contribution – State of Alaska	5,890,788	—	5,890,788	5,241,619	—	5,241,619
Total contributions	12,512,211	508,413	13,020,624	11,033,210	520,480	11,553,690
Investment income:						
Net (depreciation) appreciation in fair value (note 3)	(2,896,380)	(569,836)	(3,466,216)	2,075,190	374,884	2,450,074
Interest	548,597	101,971	650,568	552,997	102,786	655,783
Dividends	2,078,987	387,279	2,466,266	2,051,897	384,609	2,436,506
Total investment (loss) income	(268,796)	(80,586)	(349,382)	4,680,084	862,279	5,542,363
Less investment expense	298,353	50,277	348,630	330,597	63,241	393,838
Net investment (loss) income	(567,149)	(130,863)	(698,012)	4,349,487	799,038	5,148,525
Other income	2,364	92,763	95,127	92	148,445	148,537
Total additions	11,947,426	470,313	12,417,739	15,382,789	1,467,963	16,850,752
Deductions:						
Pension and postemployment healthcare benefits	11,228,221	703,919	11,932,140	10,641,191	561,406	11,202,597
Refunds of contributions	—	—	—	42,771	—	42,771
Administrative	60,330	60,890	121,220	86,243	66,144	152,387
Total deductions	11,288,551	764,809	12,053,360	10,770,205	627,550	11,397,755
Net increase (decrease)	658,875	(294,496)	364,379	4,612,584	840,413	5,452,997
Net position restricted for pension and postemployment healthcare benefits:						
Balance, beginning of year	144,160,024	27,142,381	171,302,405	139,547,440	26,301,968	165,849,408
Balance, end of year	$ 144,818,899	26,847,885	171,666,784	144,160,024	27,142,381	171,302,405

See accompanying notes to financial statements.

(1) Description

The State of Alaska Judicial Retirement System (the Plan) is a component unit of the State of Alaska (the State). The Plan consists of a single employer defined benefit pension plan and a defined benefit other postemployment healthcare plan and is administered by the State to provide pension and postemployment healthcare benefits for eligible State justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. 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 Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS); two trustees who are members of PERS; and two trustees who are members of TRS.

Defined Benefit Pension Plan

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, 2016, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	131
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	75
	210

Pension Benefits

Members with five or more paid-up years of credited service are entitled to annual pension benefits beginning at normal retirement at age 60 or early retirement at age 55. Members who are under age 60 and have 20 or more years of credited service may retire at any age and receive an actuarially reduced benefit.

The normal monthly pension benefit is based on the member's years of service and the current authorized salary for the position from which they retired. The pension benefit is equal to 5% for each year of service up to a maximum of 75% of the current base salary for an active judge in the month the benefit is paid. In the event of salary increases for active judges, the monthly pension benefit for retired judges also increases.

Death Benefits

Upon the death of a member who has served for at least two years, the surviving spouse is entitled to receive monthly benefits equal to one-half of the monthly retirement pay the member would have been entitled to receive if retired at the time of death. If the member was not eligible to retire or would have been entitled to less than 60% of the monthly authorized salary, the spouse is entitled to monthly benefits not less than 30% of the authorized salary. The benefits continue until the surviving spouse dies.

If there is no eligible surviving spouse, the member's surviving dependent child(ren) are entitled to receive a benefit equal to 50% of the above survivor's benefit. Each child will receive an equal share of the benefit while they are dependent. If there is no surviving spouse or dependent child(ren), the member's beneficiary(ies) shall receive the difference between contributions made and interest accrued in the Plan less benefits paid by the Plan.

(Continued)

Disability Benefits

Members who are involuntarily retired for incapacity and have a minimum of five years of service at the time of retirement for incapacity are eligible for pension benefits.

Contributions

Contributions 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 both pension and postemployment healthcare benefits earned by plan members during the year. The Plan members first appointed after July 1, 1978 contribute 7.00% of their compensation as required by statute. Contributions are not required after members have made contributions for 15 years. Members appointed before July 1, 1978 are not required to make contributions. For fiscal years 2016 and 2015, employer contribution rates are 79.06% and 82.48%, respectively, of which only the employer normal cost rates of 39.66% and 39.79%, resepectively, were required from the Alaska Court System. The past service costs were paid for separately by the State via annual appropriations.

Refunds

Plan member contributions may be voluntarily refunded to the justice or judge if office is vacated before the justice or judge is fully vested. A justice or judge shall have a vested right to accrued pay if the justice or judge has served five years or more. Plan member contributions may be involuntarily refunded to a garnishing agency. Members whose contributions have been refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they have returned to active service. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the involuntary refunded balance and accrued interest.

Other Postemployment Benefit Plan

Postemployment Healthcare Benefits

Major medical benefits are provided without cost to retired plan members.

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust (ARHCT), a healthcare trust fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the Plan. The Plan 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.

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

Inactive plan members or beneficiaries currently receiving benefits	131
Inactive plan members entitled to but not yet receiving benefits	4
Active plan members	75
	210

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits are recognized when due and payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Investments

The Plan owns shares in various investment pools that are administered by the State of Alaska Department of Revenue, Division of Treasury (the 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.

Contributions Receivable

Contributions from plan members and the employer 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 Plan on behalf of others and amounts paid by others on behalf of the Plan.

Federal Income Tax Status

The Plan is a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

GASB Statement No. 67

Governmental Accounting Standards Board Statement (GASB) 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 schedules, which provide trend information related to (1) changes in the net pension liability and related ratios, (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 Plan's investments. As the fiduciary, the Board has the statutory authority to invest the 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. The Treasury has created a pooled environment by which it manages investments of the Board.

Actual investing is performed by investment officers in the 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. Specifically, the Treasury manages the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, U.S. Treasury Fixed Income 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 the Treasury that holds investments on behalf of the Board as well as other state funds.

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 -0.43%.

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.

(4) Net Pension Liability

The components of the net pension liability of the participating employers for the Plan at June 30, 2016, were as follows:

Total pension liability	$	216,374,094
Plan fiduciary net position		(144,818,899)
Employers' net pension liability	$	71,555,195
Plan fiduciary net position as a percentage of the total pension liability		66.93%

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of June 30, 2014, using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.12%
Salary increases	3.62% per year, compounded annually
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%.

Post-termination mortality rates were based on 94% of the male rates and 97% of the female rates of the RP-2000 Combined Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB, with a three year setback for males and four year setback for females. The rates for pre-termination mortality were 68% of the male rates and 60% of the female rates of the post-termination mortality rates.

The actuarial assumptions used in the June 30, 2014 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions adopted by the Board (and Department of Administration) to better reflect expected future experience.

(Continued)

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 by 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, 2014 (see the discussion of the pension plan's investment policy) are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset class	Long-term Expected real rate of return
Domestic equity	5.35%
International equity	5.55%
Private equity	6.25%
Fixed income	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%. The projection of cash flows used to determine the discount rate assumed that employer and 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 Plan calculated using the discount rate of 8%, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7%) or 1-percentage-point higher (9%) than the current rate:

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
Net pension liability	$ 95,928,160	71,555,195	50,986,509

(5) Claims Payable

The liability for claims payable and claims incurred but not reported represent the estimated amounts necessary to settle all outstanding claims, incurred but not reported, as of the balance sheet date. The 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 follow:

		2016	2015
Beginning of year:			
Due to State of Alaska General Fund for outstanding warrants	$	64,261	7,548
Incurred but not reported		58,000	135,000
Total, beginning of year		122,261	142,548
Benefit deductions		703,919	561,406
Benefits paid		(746,815)	(581,693)
Total, end of year	$	79,365	122,261
End of year:			
Due to State of Alaska General Fund for outstanding warrants	$	2,365	64,261
Incurred but not reported		77,000	58,000
Total, end of year	$	79,365	122,261

(6) Funded Status and Funding Progress

The funded status as of June 30, 2014 of the postemployment healthcare benefit plan is as follows:

Actuarial valuation date		Actuarial value of assets	Actuarial Accrued Liability (AAL) – entry age	Unfunded Actuarial Accrued Liability (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
Healthcare trust	$	24,074,313	18,641,877	(5,432,436)	129.1%	13,373,232	(40.6)%

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 schedule of funding progress, presented as required supplementary information following the notes to financial statements, presents 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 schedule of employer contributions (unaudited) presents 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.

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 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 follows:

Valuation date	June 30, 2014
Actuarial cost method	Entry age normal; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	20 years
Asset valuation method	5-year smoothed
Actuarial assumptions:	
Investment rate of return	8.00% (includes inflation at 3.12%)
Projected salary increases	3.62%
Cost-of-living adjustment	4.12%

Health cost trend:

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs**
2015	10.0%	6.0%	6.0%
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
2025	5.6	5.6	4.2
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

GASB Statement No. 43 requires that the discount rate used in the actuarial 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 Plan’s retiree healthcare benefits are being fully funded. Therefore, the 8.00% discount rate used for GASB Statement No. 25 reporting is also applied herein for GASB Statement No. 43 reporting.

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. Using the GASB Statement No. 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal year 2015 employer ARC for accounting purposes is 3.12% of pay for healthcare benefits and 92.67% of pay for healthcare and pension benefits combined.

(7) 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 Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Required Supplementary Information (Unaudited)

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

	2016	2015	2014	2013	2012
Total pension liability:					
Service cost	$ 6,024,599	5,814,128	5,185,969	5,004,795	5,062,095
Interest	16,416,869	15,564,753	15,284,981	14,576,016	14,278,926
Changes of benefit terms	—	—	—	—	—
Differences between expected and actual experience	35,662	(11,187,236)	—	—	(451,843)
Changes of assumptions	—	4,219,851	—	—	—
Benefit payments, including refunds of member contributions	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(10,046,138)
Net change in total pension liability	11,248,909	3,727,534	9,892,536	9,237,591	8,843,040
Total pension liability – beginning	205,125,185	201,397,651	191,505,115	182,267,524	173,424,484
Total pension liability – ending (a)	216,374,094	205,125,185	201,397,651	191,505,115	182,267,524
Plan fiduciary net position:					
Contributions – employers	5,819,499	4,980,772	4,578,693	4,443,785	3,212,901
Contributions – member	801,924	810,819	780,054	721,171	704,671
Contributions – nonemployer (State)	5,890,788	5,241,619	4,282,876	3,650,650	2,205,898
Total net investment income	(567,149)	4,349,487	21,845,311	13,180,214	121,042
Other income	2,364	92	12	—	12
Benefit payments, including refunds of member contributions	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(9,666,901)
Administrative expenses	(60,330)	(86,243)	(65,716)	(82,231)	(44,855)
Net change in plan fiduciary net position	658,875	4,612,584	20,842,816	11,570,369	(3,467,232)
Plan fiduciary net position – beginning	144,160,024	139,547,440	118,704,624	107,134,255	110,601,487
Plan fiduciary net position – ending (b)	144,818,899	144,160,024	139,547,440	118,704,624	107,134,255
Plan's net pension liability (a) – (b)	$ 71,555,195	60,965,161	61,850,211	72,800,491	75,133,269
Plan fiduciary net position as a percentage of the total pension liability	66.93%	70.28%	69.29%	61.99%	58.78%
Covered-employee payroll	$ 13,995,937	13,506,984	13,730,948	13,289,096	11,845,548
Net pension liability as a percentage of covered-employee payroll	511.26%	451.36%	450.44%	547.82%	634.27%

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

See accompanying independent auditors' report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

		2016	2015	2014	2013	2012
Actuarially determined contribution	$	11,182,754	10,328,791	9,155,796	8,366,815	5,051,754
Contributions in relation to the actuarially determined contribution		11,710,287	10,222,391	8,861,569	8,094,435	5,418,799
Contribution deficiency (excess)	$	(527,533)	106,400	294,227	272,380	(367,045)
Covered-employee payroll	$	13,995,937	13,506,984	13,730,948	13,289,096	11,803,164
Contributions as a percentage of covered-employee payroll		83.67%	75.68%	64.54%	60.91%	45.91%

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

See accompanying independent auditors' report

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

	2016	**2015**	**2014**
Annual money-weighted rate of return, net of investment expense	(0.43)%	3.09%	18.40%

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

See accompanying independent auditors' report.

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Funding Progress–Postemployment Healthcare Benefits

Actuarial valuation year ended June 30	Actuarial value of plan assets	Actuarial accrued liabilities (AAL)	Unfunded actuarial accrued liabilities (UAAL)	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
2004	$ 16,854,927	21,856,126	5,001,199	77.1%	$ 6,529,608	76.6%
2006	2,399,387	17,794,213	15,394,826	13.5	7,130,592	215.9
2008	18,352,929	19,941,128	1,588,199	92.0	10,462,322	15.2
2010	19,693,969	22,346,395	2,652,426	88.1	11,845,548	22.4
2012	20,835,672	18,236,104	(2,599,568)	114.3	11,803,164	(22.0)
2014	24,074,313	18,641,877	(5,432,436)	129.1	13,373,232	(40.6)

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

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Contributions from Employers and the State of Alaska – Defined Benefit OPEB Plan

June 30, 2016

Alaska Retiree Healthcare Trust Plan

Fiscal year ended June 30	Actuarial valuation or roll forward date as of June 30	Healthcare annual required contribution	Postemployment healthcare percentage contributed
2010	2007	$ 1,432,721	60.9%
2011	2008	722,960	80.1
2012	2009	712,911	97.8
2013	2010	1,076,417	80.5
2014	2011	1,094,357	86.7
2015	2012	312,548	166.5
2016	2013	500,945	101.5

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

(1) Description of Schedule of Funding Progress

Each time a new benefit is added that applies to service already rendered, an "unfunded actuarial accrued liability" is created. Laws governing the State of Alaska Judicial Retirement System (the Plan) 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 valuation as of June 30, 2014 are as follows:

(a) Actuarial cost method – Entry Age Normal Actuarial Cost method of funding. Any funding surplus or unfunded accrued liability is amortized over 25 years as a level percent of expected payroll. However, in keeping with Governmental Accounting Standards Board (GASB) requirements, the net amortization period will not exceed 30 years.

(b) Valuation of assets – Recognizes 20% of the investment gain or loss in each of the current and preceding four years and phased in over the next five years. All assets are valued at market 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 the market value of assets.

(c) Valuation of medical and prescription drug 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, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects 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. 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) Accounting impact of Medicare Part D – The State of Alaska's prescription drug program is actuarially equivalent to the federal Medicare Part D program and the State of Alaska qualifies for the Medicare Part D subsidy.

(e) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses for all funding calculations and pension disclosure; 8.00% for healthcare liabilities under GASB Statement No. 43.

(f) Pre-termination mortality – 68% of the male rates and 60% of the females rates of the Post-Termination Mortality Rates.

(g) Post-termination mortality – 94% of the males rates and 97% of the female rates of RP-2000 Combined Mortality Table, 2000 Base Year, projected to 2018 with Projection Scale BB, with a three year setback for males and four year setback for females.

Post-termination disabled mortality is in accordance with RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB.

(h) Salary scale – 3.62% per year, compounded annually.

(i) Total payroll growth – 3.62% per year.

(j) 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.

(k) Per capita claims cost – Sample claims cost rates adjusted to age 65 for fiscal year 2015 medical and prescription costs are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	12,362	2,624
Medicare Parts A and B		1,657	2,624
Medicare Part B only		7,920	2,624
Medicare Part D		N/A	507

(l) 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 rehire.

(m) 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, 10.0% is applied to the fiscal year 2015 pre-Medicare medical claims costs to get the fiscal year 2016 medical claims costs.

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs**
2015	10.0%	6.0%	6.0%
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
2025	5.6	5.6	4.2
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

For 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. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

(n) 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+	—	—

(o) Medical participation – Because medical benefits are provided at no cost to the retiree, 100% participation in the medical plans is assumed.

(p) Turnover – Annual turnover is 3% if service is less than 10 years, and 1% if service is greater than 10 years.

(q) Retirement – 3% if vested and age is less than 59, 10% if vested and age is greater than 59, and 100% at age 70. Terminated vested members are expected to commence benefits at age 60.

(r) Marriage and age difference – Wives are assumed to be four years younger than husbands; 90% of male members and 70% of female members are assumed to be married.

(s) Disability – Postdisability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table.

(t) Maximum retirement age – Age 70.

(u) Form of payment – Married members are assumed to choose the 50% Joint and Survivor benefit option. Single members are assumed to choose the Modified Cash Refund Annuity.

(v) Contribution refunds – 0% 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.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

Changes in Actuarial Methods since the Prior Valuation – June 30, 2012 to June 30, 2014

There were no changes in methods from the prior valuation, except for the changes in healthcare as previously stated.

Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2012 to June 30, 2014

	June 30, 2012	**June 30, 2014**
Salary scale	4.12% per year, compounded annually.	3.62% per year, compounded annually.
Pre-termination mortality	45% of the male rates and 55% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA.	68% of the male rates and 60% of the female rates of the post-termination mortality rates.
Post-termination mortality	1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA, with a three-year setback for males and with a one-year setback for females.	94% of the male rates and 97% of the female rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB, with a three-year setback for males and four-year setback for females.
Retirement	3% if vested and age is less than 59, and 10% if vested and age is greater than 59, 100% at age 70.	Retirement rates based on 2010–2013 experience. Terminated vested members are expected to commence benefits at age 60.
Disability mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Years ended June 30, 2016 and 2015

	Administrative	Investment	Total 2016	Total 2015
Personal services:				
Wages	$ 25,405	1,779	27,184	19,522
Benefits	16,878	688	17,566	10,740
Total personal services	42,283	2,467	44,750	30,262
Travel:				
Transportation	83	670	753	1,175
Per diem	18	244	262	493
Total travel	101	914	1,015	1,668
Contractual services:				
Management and consulting	57,393	336,266	393,659	471,343
Accounting and auditing	13,405	233	13,638	20,484
Data processing	5,448	5,981	11,429	11,077
Rental/leases	1,295	684	1,979	1,914
Legal	303	635	938	5,993
Other services	857	893	1,750	2,027
Total contractual services	78,701	344,692	423,393	512,838
Other:				
Supplies	107	417	524	1,136
Equipment	28	140	168	321
Total other	135	557	692	1,457
Total administrative and investment deductions	$ 121,220	348,630	469,850	546,225

See accompanying independent auditors’ report.

Schedule 2

STATE OF ALASKA
JUDICIAL 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

Firm	Services	2016	2015
Buck Consultants, a Xerox Company	Actuarial services	$ 24,906	70,121
KPMG LLP	Auditing services	13,376	12,095
State Street Corporation	Custodian banking services	8,720	9,101
Alaska IT Group	Data processing consultants	1,810	862
SHI International	Data processing consultants	1,278	—
State of Alaska, Department of Law	Legal services	303	5,002
Applied Microsystems, Inc.	Management consulting services	1,530	2,179
		$ 51,923	99,360

This schedule presents payments to consultants who received greater than $1,000.

See accompanying independent auditors' report.