

April 8, 2018

**VIA EMAIL**

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 99811-0208

**Re: Judicial Retirement System and National Guard and Naval Militia Retirement System Roll-Forward Actuarial Valuations as of June 30, 2017**

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

We have completed the roll-forward actuarial valuations for the State of Alaska Judicial Retirement System (JRS) and the National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2017. The valuations have been performed by a projection or “roll forward” of results from the last valuation date of June 30, 2016 to June 30, 2017. Actual asset values as of June 30, 2017 were reflected. A summary of results and description of assumptions and methods are included in this letter. More detailed results for each System are attached to this letter.

The purposes of these roll-forward valuations are to (i) determine the employer contributions necessary to meet the Board’s funding policy for each System, (ii) disclose the funding assets and liability measures as of the valuation date, and (iii) review the current funded status of each System and assess the funded status as an appropriate measure for determining future actuarially determined contributions.

**Summary of Results**

The June 30, 2017 roll-forward valuations produced the following results (results from the June 30, 2016 valuations are shown for comparison purposes):

	June 30, 2016	June 30, 2017
Judicial Retirement System		
• Funded Status <sup>1</sup>		
○ Pension	74.4%	76.6%
○ Healthcare	180.9%	180.6%
○ Total	82.0%	84.1%

<sup>1</sup> The funded status shown is based on the Actuarial Value of Assets. The funded status is different based on the Market Value of Assets.

	June 30, 2016	June 30, 2017
• Employer Contribution Rates <sup>2</sup>		
○ Pension	70.59%	70.10%
○ Healthcare	4.47%	4.32%
○ Total	75.06%	74.42%
National Guard and Naval Militia Retirement System		
• Funded Status <sup>3</sup>	123.3%	122.0%
• Recommended Contribution, not less than 0 <sup>4</sup>	\$ 0	\$ 0

### Actuarial Assumptions and Methods

In lieu of collecting new participant data as of June 30, 2017 and performing a full actuarial valuation, it is an acceptable practice to project or “roll forward” results from the June 30, 2016 valuation date to June 30, 2017 by assuming the actuarial assumptions during the year are exactly realized. All data, actuarial assumptions, methods and plan provisions are the same as those shown in the June 30, 2016 valuation reports dated July 11, 2017 (JRS) and July 10, 2017 (NGNMRS)<sup>5</sup>. These assumptions include a valuation interest rate of 8.00% for JRS and 7.00% for NGNMRS, and payroll growth for JRS of 3.62%.

The actuarial value of assets was calculated as of June 30, 2017 using actual assets and cash flows during FY17. Investment gains and losses are recognized at a rate of 20% per year.

The sources of actuarial gains/(losses) for FY17 are as follows:

	JRS	NGNMRS
Asset gain/(loss)	\$ 381,547	\$ (585,581)
Healthcare benefit payment gain/(loss)	(142,472)	N/A
Contribution gain/(loss)	1,484,574	896,734
Administrative expense gain/(loss)	<u>N/A</u>	<u>(8,382)</u>
Total gain/(loss)	\$ 1,723,650	\$ 302,771

<sup>2</sup> The June 30, 2016 valuation determined the contribution rates for FY19. The June 30, 2017 valuation determines the contribution rates for FY20. Total contribution rates are not less than the Normal Cost rate.

<sup>3</sup> The funded status shown is based on the Actuarial Value of Assets. The funded status is different based on the Market Value of Assets.

<sup>4</sup> The June 30, 2016 valuation determined the recommended contribution for FY19. The June 30, 2017 valuation determines the recommended contribution for FY20.

<sup>5</sup> The administrative expense assumption for NGNMRS is the average of the actual administrative expenses paid in the prior two years, rounded to the nearest \$1,000. For the June 30, 2016 valuation, the expense load was \$241,000. For the June 30, 2017 valuation, the expense load is \$250,000.

Net actuarial gains/losses have the effect of decreasing/increasing the unfunded actuarial accrued liability versus what was expected based on the previous valuation. These gains/losses decrease/increase the employer contributions as the amortization of the unfunded actuarial accrued liability decreases/increases.

The Board and staff of the State of Alaska may use this report for the review of the operations of JRS and NGNMRS. 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 Conduent to review any statement you wish to make on the results contained in this report. Conduent will not accept any liability for any such statement made without review by Conduent.

Future actuarial measurements may differ from current measurements due to such factors as: 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. An analysis of the potential range of such future differences is beyond the scope of these valuations.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of each System and reasonable long-term expectations, and represent our best estimate of the long-term anticipated experience under each System.

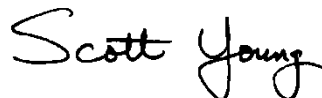
This letter was prepared under our supervision and in accordance with all applicable Actuarial Standards of Practice. David Kershner and Scott Young are Fellows of the Society of Actuaries, Enrolled Actuaries and Members of the American Academy of Actuaries. We meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this letter.

Please let us know if you have any questions or if you would like to discuss these results in more detail. David can be reached at 602-803-6174 and Scott can be reached at 216-682-7583.

Sincerely,



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



Scott Young, FSA, EA, MAAA  
Director

Attachments

c: Mr. Kevin Worley, State of Alaska  
Mr. Bill Detweiler, Conduent HR Consulting

**State of Alaska  
Judicial Retirement System**

	June 30, 2016	June 30, 2017
<b>Pension</b>		
Actuarial Accrued Liability	\$ 205,547,759	\$ 216,673,191
Actuarial Value of Assets (AVA)	\$ 152,888,596	\$ 165,875,722
Unfunded Actuarial Accrued Liability	\$ 52,659,163	\$ 50,797,469
Funded Ratio based on AVA	74.4%	76.6%
Market Value of Assets (MVA)	\$ 144,818,899	\$ 164,032,760
Funded Ratio based on MVA	70.5%	75.7%
Normal Cost	\$ 6,226,617	\$ 6,452,021
<b>Healthcare</b>		
Actuarial Accrued Liability	\$ 15,731,490	\$ 16,874,200
Actuarial Value of Assets (AVA)	\$ 28,454,747	\$ 30,468,517
Unfunded Actuarial Accrued Liability	\$ (12,723,257)	\$ (13,594,317)
Funded Ratio based on AVA	180.9%	180.6%
Market Value of Assets (MVA)	\$ 26,847,885	\$ 29,991,286
Funded Ratio based on MVA	170.7%	177.7%
Normal Cost	\$ 630,428	\$ 630,428
<b>Total</b>		
Actuarial Accrued Liability	\$ 221,279,249	\$ 233,547,391
Actuarial Value of Assets	\$ 181,343,343	\$ 196,344,239
Unfunded Actuarial Accrued Liability	\$ 39,935,906	\$ 37,203,152
Funded Ratio based on Actuarial Value of Assets	82.0%	84.1%
Market Value of Assets	\$ 171,666,784	\$ 194,024,046
Funded Ratio based on Market Value of Assets	77.6%	83.1%
Normal Cost	\$ 6,857,045	\$ 7,082,449
<b>Pension Contribution Rate</b>		
– Employer Normal Cost Rate	38.14%	38.14%
– Past Service Cost Rate	32.45%	31.96%
– Total Employer Contribution Rate, not less than Normal Cost	70.59%	70.10%
<b>Healthcare Contribution Rate</b>		
– Employer Normal Cost Rate	4.47%	4.32%
– Past Service Cost Rate	(4.82)%	(5.07)%
– Total Employer Contribution Rate, not less than Normal Cost	4.47%	4.32%
<b>Total Contribution Rate</b>		
– Employer Normal Cost Rate	42.61%	42.46%
– Past Service Cost Rate	32.45%	31.96%
– Total Employer Contribution Rate, not less than Normal Cost	75.06%	74.42%

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

	June 30, 2016	June 30, 2017
Actuarial Accrued Liability	\$ 31,184,361	\$ 32,483,912
Actuarial Value of Assets	38,439,835	39,638,736
Unfunded Actuarial Accrued Liability	(7,255,474)	(7,154,824)
Funded Ratio based on Actuarial Value of Assets	123.3%	122.0%
Market Value of Assets	\$ 35,826,154	\$ 38,131,987
Funded Ratio based on Market Value of Assets	114.9%	117.4%
Normal Cost	\$ 610,686	\$ 610,686
Past Service Cost	(1,135,568)	(1,119,815)
Administrative Expense Load	241,000	250,000
Total Contribution, not less than 0	\$ 0	\$ 0
Fiscal Year Contribution Applies to	FY19	FY20