

**State of Alaska**  
**Judicial Retirement System**  
**Actuarial Valuation**  
**as of June 30, 2000**

July 2001

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# Highlights

This report has been prepared by William M. Mercer, Incorporated for the State of Alaska Judicial Retirement System to:

1. present the results of a valuation of the State of Alaska Judicial Retirement System as of June 30, 2000;
2. review experience under the Plan for the period July 1, 1998 to June 30, 2000;
3. determine the contribution rate for the System for Fiscal Year 2003 and 2004;
4. provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the Plan during the 1998/99 and 1999/00 plan years, the current annual costs, and reporting and disclosure information.

Section 2 provides reporting and disclosure information for financial statements, governmental agencies and other interested parties.

Section 3 describes the basis of the valuation. It summarizes the Plan provisions, provides information relating to the Plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

The principal results are as follows:

## Funding Status as of June 30:

	<u>1998</u>	<u>2000</u>
a. Valuation Assets	\$64,689,972	\$72,660,197
b. Accrued Liability	61,483,386	73,483,475
c. Funding Ratio, (a) / (b)	105.2%	98.88%

## Recommended Contribution Rates:

	<u>FY01-FY02</u>	<u>FY03-FY04</u>
a. Normal Cost Rate	22.03%	27.00%
b. Past Service Cost Rate	(4.96%)	1.28%
c. Total Employer Cost Rate	17.07%	28.28%

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**Highlights** *(continued)*

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data and financial information provided to us by your office, to determine a sound value for the System's liabilities. We believe that this value and the method suggested for funding it are in full compliance with the Governmental Accounting Standards Board, the Internal Revenue Code and all applicable regulations.

Respectfully submitted,



James W. Jacobson, ASA, MAAA



Robert M. Reynolds, ASA, MAAA

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# Analysis of Valuation

## **Actuarial Method and Assumptions**

The actuarial method and assumptions are the same as those used in the June 30, 1998 valuation, with the following exceptions:

	June 30, 1998	June 30, 2000
Mortality	UP84	GA94 Basic Table for Males & Females
Medical Inflation	5.5% per annum	See p.24, Item 4

## **Salary Increases**

Salaries for most active judges changed between June 30, 1998, and June 30, 2000. The following table presents the annual base salaries for the different court appointments:

	June 30, 1998	June 30, 2000
District Court	\$ 87,444	\$ 87,972
Superior Court	103,152	103,776
Appellate Court	105,384	106,020
Supreme Court	111,552	112,224
Administrative Director	54,768	110,220

The average annual base salary for the 55 continuing active judges increased from \$99,539 at June 30, 1998, to \$100,473 at June 30, 2000, an average annual increase of 0.003%. Since we assumed an average annual salary increase of 5% in the valuation as of June 30, 1998, an actuarial gain occurred due to salary experience which increased the funding ratio and decreased the total contribution rate.

## **Investment Performance**

The estimated rate of return on investments during fiscal year 1999 was 8.41% and the rate of return during fiscal year 2000 was 9.23%, net of expenses. Our actuarial calculations were based upon the assumption that the System's assets would earn 8.25% in FY99 and FY00, net of expenses. The average annual rate of return during the two-year period was 8.82%, which resulted in an actuarial gain to the System, increasing the funding ratio and decreasing the contribution rate.

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## **Analysis of Valuation** *(continued)*

### **Health Premiums**

The blended monthly premium increased from \$442.00 for the January 1, 1999, to December 31, 1999 time period to \$610.00 for the January 1, 2001, to December 31, 2001, time period, an average annual increase of 17.48%.

To help avoid volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, we have been using the health cost trend assumption to determine actuarial liabilities for retiree medical benefits. On June 30, 1999, the assumed total blended premium was reset to the actual total blended premium for FY00. The difference between the assumed rate and the actual rate will be tracked and reduced if the gap becomes too wide. Also, adjustments will be made, if necessary, to the assumed medical premium rate every four to five years when a formal experience analysis is performed.

Because the assumed total blended premium was reset and the medical inflation assumption was changed, the funding ratio decreased and total contribution rate increased due to medical cost assumption changes.

### **Membership Statistics**

The number of active members decreased from 58 to 57. The average age of active members increased by 1.12 years and the average past service increased by 1.15 years. The average age of vested terminated members increased by 2.0 years and the average age of retirees and survivors increased by 1.66 years. Average benefits increased for retirees. The changes in member averages tended to produce a small actuarial gain. The net effect was to increase the funding ratio and decrease the total contribution rate of the system.

### **Summary**

The overall effect of system experience and assumption changes during the two-year period resulted in a decrease in the funding ratio from 105.22% to 98.88%. The total contribution rate increased from 17.07% to 28.28%. We expect the System will continue to maintain a sound financial position.

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# Section 1

## Valuation Results

This section sets forth the results of the actuarial valuation.

Section 1.1 shows the transactions of the System's fund during FY99 and FY00.

Section 1.2 shows the actuarial present values as of June 30, 2000.

Section 1.3 calculates the actuarial gain or loss for FY99 and FY00.

Section 1.4 develops the total contribution rate.

## 1.1(a) Changes in Net Assets During Fiscal Year 1999

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total</u>
(1) Net Assets at June 30, 1998 (market value)	\$ 62,052,120	\$ 2,637,852	\$ 64,689,972
(2) Additions:			
a. Employee Contributions	\$ 295,312	\$ 18,856	\$ 314,168
b. Employer Contributions	1,412,555	90,195	1,502,750
c. Interest and Dividend Income	2,672,599	170,652	2,843,251
d. Net Appreciation on Investments	<u>2,508,330</u>	<u>160,163</u>	<u>2,668,493</u>
e. Total Additions	\$ 6,888,796	\$ 439,866	\$ 7,328,662
(3) Deductions:			
a. Medical Benefits	\$ 0	\$ 284,016	\$ 284,016
b. Retirement Benefits	3,308,664	0	3,308,664
c. Investment Expenses	116,549	7,442	123,991
d. Administrative Expenses	<u>22,042</u>	<u>1,407</u>	<u>23,449</u>
e. Total Deductions	\$ 3,447,255	\$ 292,865	\$ 3,740,120
(4) Net Assets at June 30, 1999 (market value)	\$ 65,493,661	\$ 2,784,853	\$ 68,278,514

Approximate Market Value Investment Return Rate During the Year, Net of Expenses

8.41%



**1.1(b) Statement of Net Assets as of June 30, 1999**

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 134,295	\$ 8,575	\$ 142,870
Retirement Fixed Income Pool	31,504,285	614,548	32,118,833
United States Common Stocks	20,737,492	1,324,140	22,061,632
International Stocks	12,009,217	766,818	12,776,035
Internal Domestic Fixed Income Pool	1,052,948	67,233	1,120,181
Net Receivables	<u>55,424</u>	<u>3,539</u>	<u>58,963</u>
Total Assets	\$ 65,493,661	\$ 2,784,853	\$ 68,278,514

## 1.1(c) Changes in Net Assets During Fiscal Year 2000

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total</u>
(1) Net Assets at June 30, 1999 (market value)	\$ 65,493,661	\$ 2,784,853	\$ 68,278,514
(2) Additions:			
(a) Employee Contributions	\$ 286,161	\$ 18,272	\$ 304,433
(b) Employer Contributions	1,419,855	90,661	1,510,516
(c) Interest and Dividend Income	2,698,640	172,314	2,870,954
(d) Net Appreciation on Investments	<u>3,311,207</u>	<u>211,429</u>	<u>3,522,636</u>
(e) Total Additions	\$ 7,715,863	\$ 492,676	\$ 8,208,539
(3) Deductions:			
(a) Medical Benefits	\$ 0	\$ 341,878	\$ 341,878
(b) Retirement Benefits	3,306,068	0	3,306,068
(c) Investment Expenses	134,078	8,561	142,639
(d) Administrative Expenses	<u>34,094</u>	<u>2,177</u>	<u>36,271</u>
(e) Total Deductions	\$ 3,474,240	\$ 352,616	\$ 3,826,856
(4) Net Assets at June 30, 2000 (market value)	\$ 69,735,284	\$ 2,924,913	\$ 72,660,197

Approximate Market Value Investment Return Rate During the Year, Net of Expenses

9.23%

**1.1(d) Statement of Net Assets as of June 30, 2000**

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total</u>
Cash and Cash Equivalents	\$ 43,834	\$ 2,799	\$ 46,633
Retirement Fixed Income Pool	31,915,470	510,025	32,425,495
United States Common Stocks	22,897,002	1,462,030	24,359,032
International Stocks	13,762,595	878,775	14,641,370
External Domestic Fixed Income Pool	1,109,527	70,846	1,180,373
Net Receivables	<u>6,856</u>	<u>438</u>	<u>7,294</u>
Total Assets	\$ 69,735,284	\$ 2,924,913	\$ 72,660,197

## 1.2 Breakdown of Present Value of Benefits at June 30, 2000

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<b>Active Participants</b>		
Retirement Benefits	\$ 1,411,376	\$ 14,089,589
Disability Benefits	41,703	415,748
Death Benefits	61,558	1,298,068
Deferred Benefits	228,850	3,243,437
Health Benefits	<u>93,947</u>	<u>1,027,450</u>
Subtotal	\$ 1,837,434	\$ 20,074,292
<b>Retirees and Survivors</b>		
Retired Members' Benefits		\$ 42,177,592
Health Benefits		<u>2,685,184</u>
Subtotal		\$ 44,862,776
<b>Vested Terminations</b>		
Deferred Retirement Benefits		\$ 7,663,021
Health Benefits		<u>883,386</u>
Subtotal		\$ 8,546,407
<b>Total</b>		<b>\$ 73,483,475</b>

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### 1.3 Development of Actuarial Gain/ (Loss) for FY99 and FY00

1. Unfunded Liability, June 30, 1998	\$ (3,206,586)
2. Normal Cost for FY99	1,607,000
3. Normal Cost for FY00	1,739,577
4. Interest on (1), (2) and (3) at 8.25%	(131,304)
5. Employee Contributions for FY99 and FY00	618,601
6. Employer Contributions for FY99 and FY00	3,013,266
7. Interest on (5) and (6) at 8.25%	299,629
8. Net Increase Due to Assumption Changes	11,167,560
9. Expected Unfunded Liability, June 30, 2000 (1) + (2) + (3) + (4) - (5) - (6) - (7) + (8)	7,244,751
10. Actual Unfunded Liability, June 30, 2000	823,278
11. Actuarial Gain/ (Loss) for the Period, (9) - (10)	\$ 6,421,473

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## 1.4 Calculation of Total Contribution Rate

1.	Total Normal Cost	\$	1,837,434
2.	Total Base Salaries		5,701,980
3.	Total Normal Cost Rate, (1) / (2)		32.22%
4.	Average Employee Contribution Rate		5.22%
5.	Employer Normal Cost Rate, (3) - (4)		27.00%
6.	Accrued Liability	\$	73,483,475
7.	Assets		72,660,197
8.	Total Unfunded Liability, (6) - (7)		823,278
9.	Amortization Factor		11.312888
10.	Past Service Payment, (8) / (9)		72,773
11.	Past Service Rate, (10) / (2)		1.28%
12.	Total Employer Contribution Rate, (5) + (11)		28.28%

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## **Section 2**

### **Information Required by GASB Nos. 25 and 26**

This section contains supplementary information on retirement benefits that is required to be disclosed in financial statements to comply with Statements No. 25 and 26 of the Governmental Accounting Standards Board (GASB Nos. 25 and 26). Since paragraph 8 of Statement 26 states that these supplementary schedules are not required for post-employment healthcare plans, these exhibits were not prepared separately for the healthcare benefits.

Section 2.1 shows the Schedule of Employer Contribution.

Section 2.2 shows the Schedule of Funding Progress.

## 2.1 Schedule of Employer Contributions

Fiscal Year Ending	Annual Required Contribution (ARC)	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
June 30, 1998	\$ 2,204,026	\$ 2,204,206	100.0%	\$ 0
June 30, 2000	1,510,516	1,510,516	100.0%	\$ 0

The ARC and APC are assumed to be equal to 26.49% of actual payroll during FY00. Since 26.49% is the calculated contribution rate for FY00 according to footnote 27 in GASB 25, the ARC and APC are equal to the employer contributions for the fiscal year. Prior to adoption of GASB Statement No. 25 and 26 in 1997, an ARC was not determined pursuant to the parameters of the statements. Therefore, history prior to 1997 has not been shown.



## 2.2 Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL) Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 1998	\$ 64,689,972	\$ 61,483,386	N/A	105.22%	\$ 5,716,092	N/A
June 30, 2000	72,660,197	73,483,475	823,278	98.88%	5,701,980	14.44%

Note: Prior to adoption of GASB Statements No. 25 and 26 in 1997, information which does not meet the parameters of GASB 25 was used to determine funding requirements. Therefore, the history prior to 1997 has not been shown.

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## **Section 3**

### **Basis of Valuation**

In this section, the basis of the valuation is presented and described. This information – the provisions of the System and the census of participants – is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of the System's provisions is provided in Section 3.1 and participant census information is shown in Section 3.2 to Section 3.4.

The valuation is based upon the premise that the Plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund; the number of participants who will retire, die or terminate their services; their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the System in a reasonable and acceptable manner, are described in Section 3.5.

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## 3.1 Summary of Plan Provisions

### 1. Effective Date

May 4, 1963, with amendments through June 30, 2000.

### 2. Administration of Plan

The Commissioner of Administration is responsible for administering the Judicial Retirement System (JRS). The Alaska State Pension Investment Board is responsible for managing and investing the fund (Ch 31, SLA 1992).

### 3. Employees Included

JRS membership is mandatory for all Supreme Court justices and Superior, District and Appellate Court judges. The administrative director of the Court System may elect to participate in either the JRS or the Public Employees' Retirement System (PERS).

### 4. Credited Service

Members receive credit for each day of JRS employment. Earlier service as a magistrate or deputy magistrate before July 1, 1967 is covered under the JRS.

### 5. Employee Contributions

Employees hired after July 1, 1978, are required to contribute 7% of their base annual salaries. Contributions are required for a maximum of 15 years. Employees hired before July 1, 1978 are not required to contribute.

Interest Credited: 4.5% compounded semiannually on June 30 and December 31.

Refund of Contributions: Nonvested employees may receive a refund of their contributions and interest earned if they terminate employment. Refunded contributions, plus 7% indebtedness interest, must be repaid within one year of JRS reemployment.

JRS contributions for terminated members may be attached to satisfy claims under Alaska Statute 09.38.065 or federal tax levies. Contributions that are attached to satisfy claims or tax levies may be reinstated at any time. The member is not required to return to JRS employment.

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### 3.1 Summary of Plan Provisions *(continued)*

#### 6. Retirement Eligibility and Benefits

Normal Retirement: Members are eligible for normal retirement at age 60 if they have at least five years of JRS service. Terminated, vested members may defer retirement and begin receiving benefits when they reach age 60.

Early Retirement: Members are eligible for early retirement at any age if they have at least 20 years of service. Terminated, vested members may defer retirement and begin receiving benefits when they reach age 55. Under early retirement, members receive reduced benefits equal to the actuarial equivalent of their normal retirement benefits. Early benefits are based on the member's service and early retirement date.

Type of Benefit: Lifetime monthly benefits are paid to the member. Upon the member's death, a survivor's benefit (below) may be payable if the member has an eligible spouse or dependent children.

Computation of Normal Retirement Benefit: 5% of authorized monthly base salary for each year of JRS service up to a maximum of 15 years. JRS benefits are recalculated when the salary for the office held changes. The maximum JRS benefit payable to a member is 75% of the authorized salary.

#### 7. Survivor's Benefits

Survivor's benefits are payable to the spouse of a member if they have been married for at least one year immediately preceding the member's death and the member has at least two years of JRS service. The monthly survivor's benefit is equal to:

- (a) one-half of the monthly benefit that the member would have received if retired at the time of death; or
- (b) 30% of the authorized monthly base salary if the member was not eligible to retire, or was entitled to less than 60% of the authorized monthly base salary.

If there is no eligible surviving spouse, the member's dependent children receive, in equal shares, 50% of the benefit under (a) or (b).

When there is both an eligible surviving spouse and dependent children residing in separate households, the spouse and children share equally the benefit under (a) or (b).

When there is no surviving spouse or dependent children, the members' contribution account balance, including interest earned, will be paid to the designated beneficiary.

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### **3.1 Summary of Plan Provisions** *(continued)*

#### **8. Disability Benefits**

Members are eligible to receive monthly disability benefits at any age if they become incapacitated and they have at least two years of JRS service. Disability benefits are calculated the same as normal retirement benefits. See (6) *Retirement Benefits and Eligibility*.

#### **9. Medical Benefits**

Medical benefits are provided at no cost to JRS members, their spouses and dependents while monthly retirement, disability and survivor benefits are being paid.

### 3.2 Changes in System Participation from June 30, 1998 to June 30, 2000

#### Active Participants

Total at June 30, 1998	58
New Entrants	2
Returned From Non-Vested Status	0
Returned From Vested Status	0
Non-Vested Terminations	0
Vested Terminations	0
Retirements	(3)
Deaths	0
Total at June 30, 2000	57

#### Vested Terminations

Total at June 30, 1998	13
New Vested Terminations	0
Retirements	0
Returned to Active Status	0
Deaths	0
Total at June 30, 2000	13

#### Retirees, Survivors and QDRO's

Total at June 30, 1998	63
New Retirements	3
New Survivors	2
QDRO Adjustments	0
Deaths	(9)
Total at June 30, 2000	59

### 3.3 Miscellaneous Information as of June 30

	<u>1992</u>	<u>1994</u>	<u>1996</u>	<u>1998</u>	<u>2000</u>
<b>Active Members</b>					
1. Number	53	57	54	58	57
2. Average Age	49.27	50.06	50.84	50.93	52.05
3. Average Service	9.43	9.42	9.92	9.07	10.22
4. Average Annual Base Pay	\$ 93,685	\$ 93,159	\$ 97,946	\$ 98,553	\$ 100,035
<b>Vested Terminated Members</b>					
1. Number	17	13	14	13	13
2. Average Age	49.59	49.85	51.07	53.05	55.05
3. Average Service	8.62	7.41	7.99	8.66	8.66
4. Average Monthly Benefit	\$ 3,107	\$ 2,738	\$ 3,025	\$ 3,386	\$ 3,386
<b>Retirees, Beneficiaries and QDRO's</b>					
1. Number	43	48	56	63	59
2. Average Age	69.13	68.97	69.70	69.36	71.02
3. Average Monthly Benefit	\$ 3,888	\$ 3,993	\$ 4,213	\$ 4,272	\$ 4,693

### 3.4 Distributions of Active Participants

#### ----- Annual Earnings By Age -----

Age Groups	Number of People	Total Earnings	Average Earnings
0-19	0	0	0
20-24	0	0	0
25-29	0	0	0
30-34	0	0	0
35-39	1	87,972	87,972
40-44	3	263,916	87,972
45-49	14	1,398,096	99,864
50-54	23	2,295,600	99,809
55-59	13	1,352,424	104,033
60-64	2	216,000	108,000
65-69	1	87,972	87,972
70-74	0	0	0
75-79	0	0	0
80 +	0	0	0
<b>Total</b>	<b>57</b>	<b>5,701,980</b>	<b>100,035</b>

#### ----- Annual Earnings By Service -----

Years of Service	Number of People	Total Earnings	Average Earnings
0	2	175,944	87,972
1	0	0	0
2	3	263,916	87,972
3	6	629,100	104,850
4	3	311,328	103,776
0-4	14	1,380,288	98,592
5-9	19	1,858,248	97,803
10-14	10	1,014,600	101,460
15-19	10	1,016,844	101,684
20-24	4	432,000	108,000
25-29	0	0	0
30-34	0	0	0
35-39	0	0	0
40 +	0	0	0
<b>Total</b>	<b>57</b>	<b>5,701,980</b>	<b>100,035</b>

#### Years Since Retirement By Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	0	0	0	0	0	0	0	0	0	0
35-39	1	0	0	0	0	0	0	0	0	1
40-44	2	1	0	0	0	0	0	0	0	3
45-49	7	2	4	1	0	0	0	0	0	14
50-54	2	11	4	5	1	0	0	0	0	23
55-59	2	4	2	3	2	0	0	0	0	13
60-64	0	0	0	1	1	0	0	0	0	2
65-69	0	1	0	0	0	0	0	0	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>14</b>	<b>19</b>	<b>10</b>	<b>10</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>57</b>



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## 3.5 Actuarial Basis

### ***Valuation of Liabilities***

#### **A. Actuarial Method**

Projected Unit Credit. Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. Any unfunded accrued liability is amortized over a rolling 25 years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be a initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

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

#### **B. Actuarial Assumptions**

- |                      |   |
|----------------------|---|
| 1. Investment Return | 8.25% per year, compound annually, net of expenses                              |
| 2. Mortality         | 1994 Group Annuity Mortality Basic Table for males and females, 1994 base year. |
| 3. Salary Scale      | 5% per year, compounded annually.   |

### 3.5 Actuarial Basis *(continued)*

- |                                  |   |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
|----------------------------------|---|--------|------|--------|------|--------|------|--------|------|---------------|------|---------------|------|----------------|------|
| 4. Total Inflation               | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| 5. Health Cost Trend             | <table border="0"> <tr> <td>FY00 –</td> <td>8.5%</td> </tr> <tr> <td>FY01 -</td> <td>7.5%</td> </tr> <tr> <td>FY02 -</td> <td>6.5%</td> </tr> <tr> <td>FY03 -</td> <td>5.5%</td> </tr> <tr> <td>FY04 - FY08 -</td> <td>5.0%</td> </tr> <tr> <td>FY09 - FY13 -</td> <td>4.5%</td> </tr> <tr> <td>FY14 &amp; later -</td> <td>4.0%</td> </tr> </table>  | FY00 – | 8.5% | FY01 - | 7.5% | FY02 - | 6.5% | FY03 - | 5.5% | FY04 - FY08 - | 5.0% | FY09 - FY13 - | 4.5% | FY14 & later - | 4.0% |
| FY00 –                           | 8.5%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY01 -                           | 7.5%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY02 -                           | 6.5%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY03 -                           | 5.5%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY04 - FY08 -                    | 5.0%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY09 - FY13 -                    | 4.5%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| FY14 & later -                   | 4.0%  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| 6. Turnover and Early Retirement | <p>Annual turnover and early retirement at each age and service is the <u>greatest</u> of the following amounts:</p> <ul style="list-style-type: none"> <li>a. 0%</li> <li>b. 3% if service is greater than 15 years</li> <li>c. 6% if vested <u>and</u> immediately eligible for full benefits based on retirement provision.</li> <li>d. 10% if vested and age is greater than 64.</li> </ul> |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| 7. Disability                    | In accordance with Table 1. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security.   |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| 8. Maximum Retirement Age        | Age 70.   |        |      |        |      |        |      |        |      |               |      |               |      |                |      |
| 9. Martial Status                | Married inactive members are assumed to chose the 50% Joint and Survivor benefit option.  |        |      |        |      |        |      |        |      |               |      |               |      |                |      |

#### **Valuation of Assets**

Market value based upon asset data as furnished by the Division of Retirement and Benefits.

#### **Valuation of Medical Benefits**

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

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**3.5 Actuarial Basis** *(continued)*

For FY01, the pre-65 monthly premium is \$689.31 and the post-65 premium is \$262.59, based on an assumed total blended premium of \$527.31. For the time period January 1, 2001, to December 31, 2001, the actual blended premium as provided by the State of Alaska Division of Retirement and Benefits is \$610.00.

**Table 1**  
**State of Alaska**  
**Judicial Retirement System**  
**Disability Rates**  
**Annual Rates Per 1,000 Employees**

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.17	45	.41
21	.17	46	.44
22	.18	48	.48
23	.18	49	.52
24	.18	49	.56
25	.19	50	.60
26	.19	51	.65
27	.19	52	.72
28	.20	53	.80
29	.20	54	.89
30	.21	55	1.00
31	.21	56	1.15
32	.22	57	1.34
33	.22	58	1.53
34	.23	59	1.80
35	.24	60	2.11
36	.25	61	2.44
37	.26	62	2.83
38	.27	63	3.26
39	.28	64	3.73
40	.29		
41	.30		
42	.32		
43	.34		
44	.37		

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