

ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM



A component unit of the State of Alaska
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2015
Bill Walker, Governor



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2015



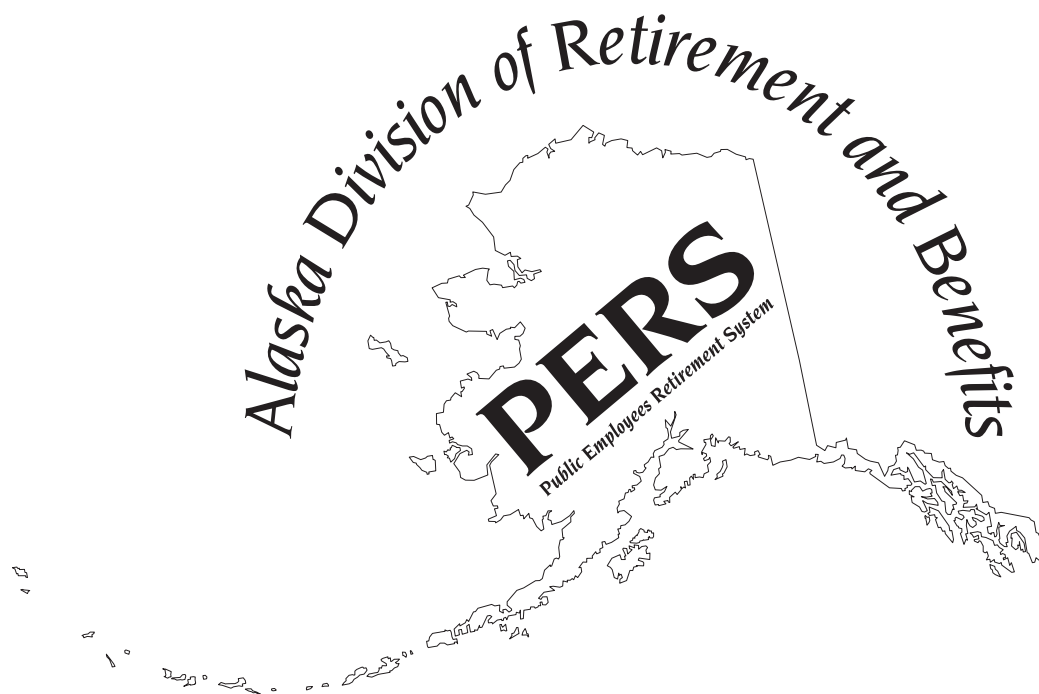
Bill Walker, Governor

Prepared by

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INTRODUCTORY SECTION

Alaska Division of Retirement and Benefits





THE STATE
of **ALASKA**
GOVERNOR BILL WALKER

Department of Administration

DIVISION OF RETIREMENT AND BENEFITS

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December 15, 2015

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

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System (PERS) (System) for the fiscal year ended June 30, 2015. The CAFR is intended to fulfill the legal requirements of Alaska Statute (AS) 39.35.004(a)(8).

The CAFR provides comprehensive information on the financial operations of the System for the fiscal year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2015. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, have issued an unmodified opinion on the Systems' basic financial statements for the year ended June 30, 2015. The independent auditor's report is located at the front of the Financial Section of this report.

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

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the organization chart of the Division, and a list of the members serving on the Alaska Retirement Management Board (Board);
- **Financial Section**, which contains the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and additional information;
- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;

Introductory Section

- **Actuarial Section**, which contains the Actuarial Certification letter and the results of the most current annual actuarial valuation; and
- **Statistical Section**, which includes additional information related to financial trends, demographic and economic information, and operating information.

Profile of the System

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

Reporting Entity

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

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

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

The Board is responsible for:

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

Introductory Section

Major Initiatives / Changes

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

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

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

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

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2014, actuarial valuation report to the Plan Administrator, Division, and the Board. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report dated June 30, 2014, the System's DB Plan has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 70.1%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately \$6.3 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to System's employers in order to maintain an appropriate level of employer contributions while also paying the actuarially determined contribution rate adopted by the Board.

Investments

On June 30, 2015, the DB Plan's investment portfolio was valued at \$15.3 billion and earned a 3.29% return for the fiscal year ended June 30, 2015. The DC Plan's investment portfolio was valued at \$829.8 million for the fiscal year ended June 30, 2015. Over the past five years ending June 30, 2015, the DB Plan's investments earned a 10.89% return. The Board has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the Board. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The Board reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

Accounting System

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

Introductory Section

Internal Controls

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

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2014. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

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

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

Additionally, the Public Pension Coordinating Council (PPCC) awarded the Public Pension Standards Award for Funding and Administration certificate for the fiscal year ended June 30, 2015.

The Public Pension Standards Award for Funding and Administration certificate is valid for a period of one year. The Division is confident the System will continue to meet the standards award requirements and will apply to the PPCC for consideration in 2016.

Acknowledgements

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

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

Introductory Section

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

Respectfully submitted,



Sheldon Fisher
Commissioner



John Boucher
Deputy Commissioner



Jim Puckett
Chief Operations Officer



Michele Michaud
Chief Health Official



Kathy Lea
Chief Pension Officer



Kevin Worley
Chief Financial Officer



Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Alaska Public Employees' Retirement System

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2014

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2015***

Presented to

Alaska Public Employees' Retirement System

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

Presented by the Public Pension Coordinating Council, a confederation of

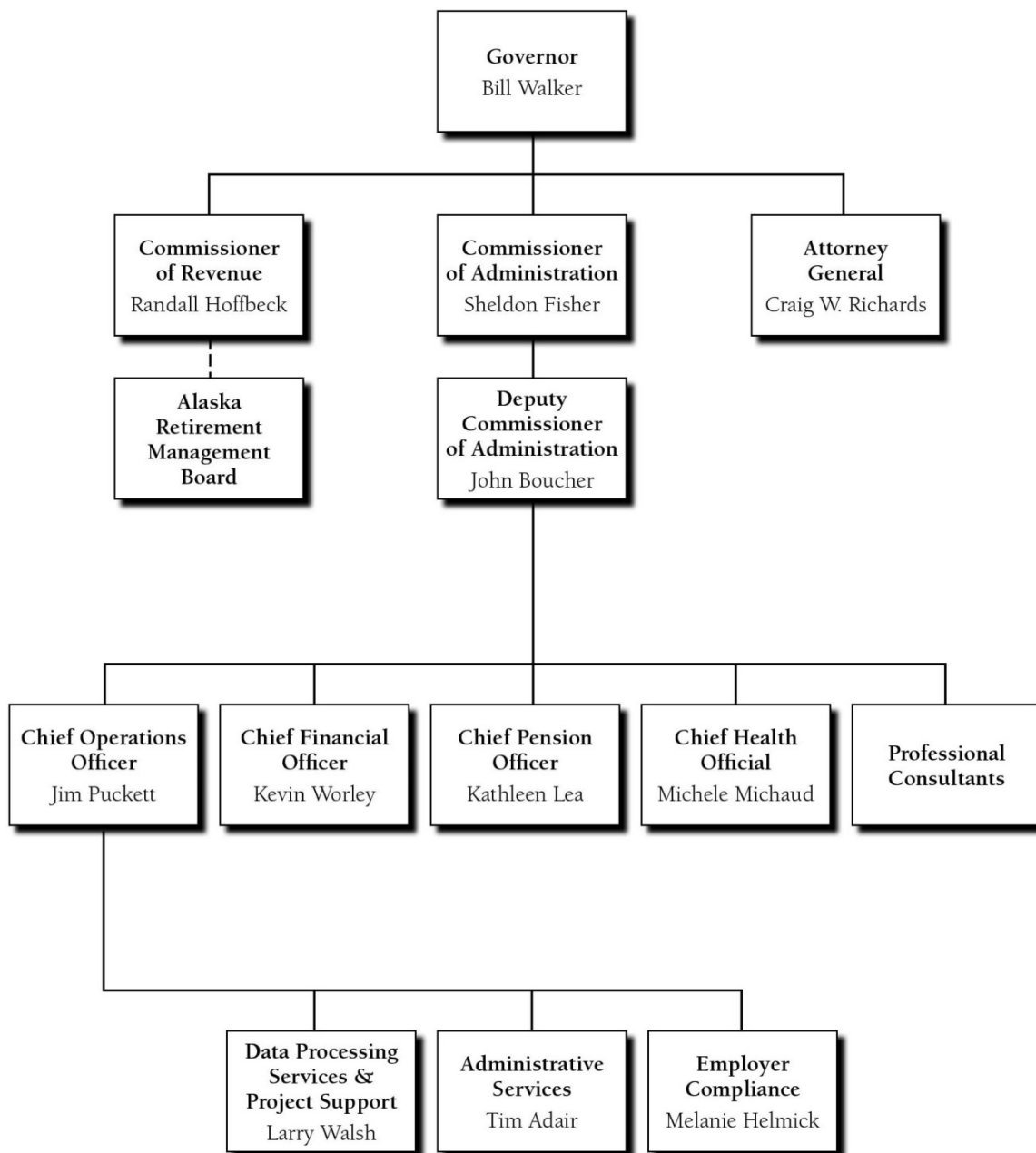
National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

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

Alan H. Winkle
Program Administrator

ORGANIZATION CHART

As of June 30, 2015



Section Responsibilities

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

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

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

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

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

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

A list of investment consultants can be found on pages 71-72 and on the Schedule of Investment Management Fees on pages 80-81.

Introductory Section

Alaska Retirement Management Board

As of June 30, 2015

Gail (Anagick) Schubert, Chair, is the Chief Executive Officer and General Counsel for the Bering Straits Native Corporation, and President/CEO of several of its subsidiary entities. She is an attorney licensed to practice law in the states of Alaska and New York. Mrs. Schubert serves as Chair of the Alaska Native Heritage Center, Chair of Akeela Treatment Services, Chair of the Alaska Retirement Management Board, Vice Chair of the Alaska Native Justice Center, Vice Chair of Khoanic Broadcast Corporation, Treasurer of the Bering Straits Native Corporation, and as a board member of the Alaska Federation of Natives, and the Alaska Native Arts Foundation. She is also a member of the Alaska Rural Justice and Law Enforcement Commission. Mrs. Schubert received her undergraduate degree from Stanford University, and holds a law degree and master's degree in business administration from Cornell University.

Sam Trivette, Vice-Chair, is on the national executive board of the American Federation of Teachers retirees and was formerly President of the Retired Public Employees of Alaska. Mr. Trivette retired from public service after more than 32 years serving as Chief Probation Officer, Director of Community Corrections, Executive Director of the Parole Board, and as a probation and correctional officer. He is President of Quality Corrections Services, and on the board of directors of the Alaska Public Employees Association. Mr. Trivette has also served as an officer in a number of national and statewide professional organizations as well as many not-for-profit organizations around Alaska. He has a bachelor's degree in psychology from the University of Alaska Anchorage and has completed postgraduate work in public administration, law and psychological counseling.

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

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

Sheldon Fisher, Commissioner of the Department of Administration, was appointed by Governor Walker in December 2014. Mr. Fisher was born and raised in Ashland, Oregon, and attended Brigham Young University (BYU), where he graduated with honors with a degree in economics. After BYU, Mr. Fisher went on to receive a law degree from Yale Law School and worked for a time for the law firm of Latham & Watkins. In 1994, Mr. Fisher left Latham & Watkins to pursue a career in telecommunications, working first for Hughes Electronics, and later, as the General Manager of Sprint's Broadband Wireless business. Mr. Fisher came to Alaska in 2004 taking a position as Senior Vice President of Sales and Product Marketing for Alaska Communications Systems, where he was responsible for all customer facing organizations, including all revenue generation. In 2010, Mr. Fisher resigned from ACS in order to run for Congress.

Introductory Section

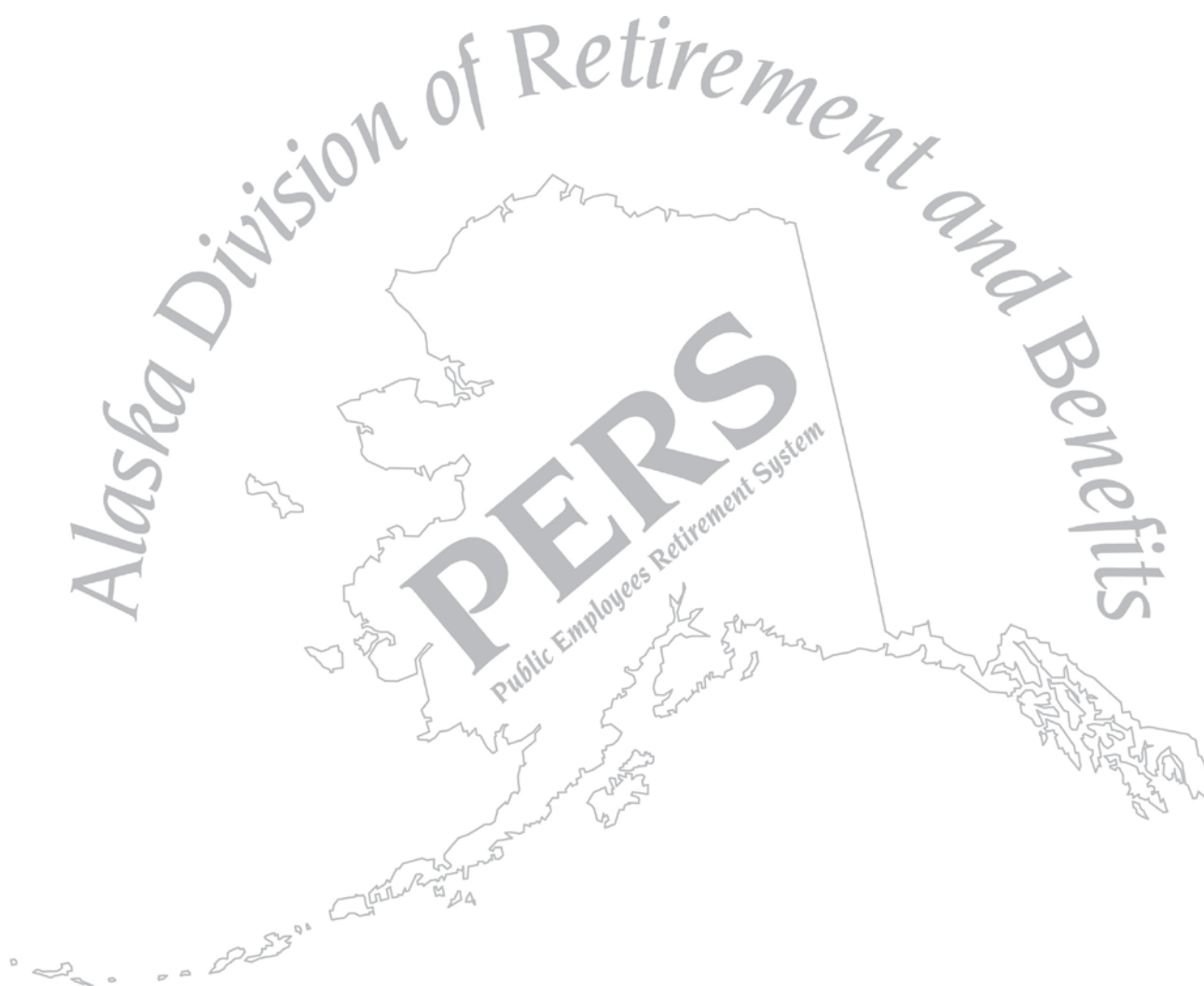
In 2011, Mr. Fisher joined McKinley Capital Management, LLC, as the Chief Operating Officer, where he was responsible for the day to day administrative and general business operations of McKinley Capital. Mr. Fisher brings 20 years of management experience focusing on operations, technology infrastructure and marketing. Mr. Fisher has been married to his wife, Christine, for 26 years, and they are the parents of 7 children.

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

Kristin Erchinger is currently finance director for the city of Seward, having worked for the city in finance positions since 1994 including a year serving simultaneously as finance director and acting city manager. She became the finance director in 2000. Ms. Erchinger is past president of the Alaska Government Finance Officers Association and represents that organization in the Alaska Municipal League. She also served on the Providence Alaska Region Board, the Graduate Medical Education Committee, the Alaska Municipal League Board, and the Board of the American Society for Public Administration, Alaska Chapter. Ms. Erchinger earned bachelor's degrees in international studies and Japanese language and literature, both from the University of Washington, and a master's degree in public administration from the University of Alaska Anchorage.

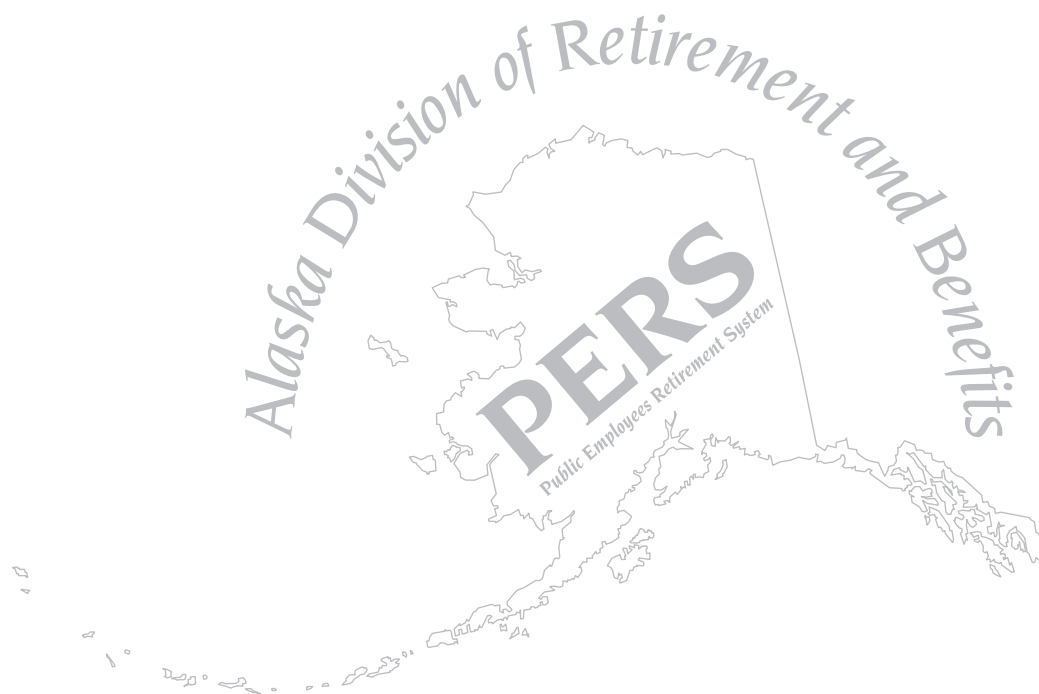
Martin Pihl came to Alaska in 1962 to work for Ketchikan Pulp Company, becoming President and General Manager in 1987 until his retirement in 1994. He then served as Acting Executive Director for the Alaska Permanent Fund Corporation in 1994-1995. Mr. Pihl serves as a director of National Bank of Alaska and on Wells Fargo Bank's Alaska Statewide Advisory Board, as Chairman of the Board of Governors of the Alaska Timber Insurance Exchange, and as a regent for Pacific Lutheran University. He is also a member of several advisory boards including Holland America-Westmark- Ketchikan Advisory Board, Ketchikan Ports and Harbors Advisory Board, and Alaska Airlines Southeast Alaska Community Advisory Board. Mr. Pihl holds a bachelor's degree in accounting from the University of Washington and has been a CPA since 1958.

Sandra Ryan is a mathematics and tech prep instructor at West Valley High School in Fairbanks, and has been a teacher since 1988. Ms. Ryan teaches Advanced Placement computer science as well as Advanced Placement statistics and accounting. She has worked as a member of two accreditation teams: one for Lathrop High School, the other for West Valley High School. She has served on Professional Learning Teams at West Valley High School, been appointed to the Fairbanks North Star Borough School District Teacher Evaluation team, and was recently nominated as BP Teacher of Excellence. She is a member of the National Education Association Alaska Board of Directors, and a member of the Fairbanks Education Association, serving for the past five years as treasurer. She is also manager of a family trust. Ms. Ryan earned a Bachelor's degree in communication at the University of Texas, Austin, Texas; a Bachelor's degree in mathematics at St. Edward's University, Austin, Texas; and a master's degree in computer science engineering at the University of Alaska Fairbanks. She was appointed by Governor Parnell to a seat reserved for a Teachers' Retirement System representative.





FINANCIAL SECTION





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

Independent Auditors' Report

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

We have audited the accompanying combining statement of fiduciary net position of the State of Alaska Public Employees' Retirement System (the System) (a component unit of the State of Alaska) as of June 30, 2015, and the combining statement of changes in fiduciary net position for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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 Public Employees' Retirement System as of June 30, 2015, and the changes in fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Financial Section

Other Matters

Prior-Year Comparative Information

We have previously audited the System's 2014 financial statements, and we expressed an unmodified opinion on those financial statements in our report dated December 9, 2014. In our opinion, the summarized comparative information presented herein as of and for the year then ended June 30, 2014 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 15-24, and the schedule of changes in employer net pension liability and related ratios, schedule of employer and nonemployer contributions, schedule of investment returns, schedule of funding progress, and schedule of contributions from employers and the state of Alaska on pages 47-64 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 System's basic financial statements. The supplemental schedules on pages 66-67 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 4, 2015

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

Management's Discussion and Analysis

June 30, 2015

(With summarized financial information for June 30, 2014 and 2013)

This section presents management's discussion and analysis (MD&A) of the Public Employees' Retirement System's (System) financial position and performance for the year ended June 30, 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, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal year ended June 30, 2015. Information for fiscal years 2014 and 2013 is presented for comparative purposes.

Financial Highlights

The System's financial highlights as of June 30, 2015 were as follows:

- The System's fiduciary net position restricted for pension benefits, postemployment healthcare benefits, and individuals increased by \$1.074 billion during fiscal year 2015.
- The System's plan member and employer contributions increased by \$8.6 million during fiscal year 2015.
- The State of Alaska directly appropriated \$1 billion during fiscal year 2015.
- The System's net investment income decreased \$1.922 billion to \$479.6 million during fiscal year 2015.
- The System's pension benefit expenditures totaled \$686.5 million during fiscal year 2015.
- The System's postemployment healthcare benefit expenditures totaled \$362.3 million in fiscal year 2015.

Overview of the Financial Statements

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

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

Combining Statement of Changes in Fiduciary Net Position – This statement presents how the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal year ended June 30, 2015. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2015 and the sources and uses of those funds during fiscal year 2015.

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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 System's financial statements.

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

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

Condensed Financial Information (in thousands)

Description	System net position				2013
	2015	2014	Increase (decrease)		
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 344,298	501,598	(157,300)	(31.4)%	\$ 194,986
Due from State of Alaska General Fund	17,210	16,981	229	1.3	18,484
Contributions receivable	29,744	29,188	556	1.9	28,860
Due from retiree health fund	2	—	2	—	3
Other receivables	219	8	211	2,637.5	4
Investments, at fair value	16,115,456	14,872,108	1,243,348	8.4	12,849,055
Other assets	2,110	4,365	(2,255)	(51.7)	3,401
Total assets	<u>16,509,039</u>	<u>15,424,248</u>	<u>1,084,791</u>	<u>7.0</u>	<u>13,094,793</u>
Liabilities:					
Accrued expenses	13,150	11,416	1,734	15.2	9,972
Claims payable	46,147	48,280	(2,133)	(4.4)	54,764
Forfeiture payable	22,545	17,613	4,932	28.0	12,936
Due to State of Alaska General Fund	11,854	5,641	6,213	110.1	5,322
Total liabilities	<u>93,696</u>	<u>82,950</u>	<u>10,746</u>	<u>13.0</u>	<u>82,994</u>
Net position	<u>\$ 16,415,343</u>	<u>15,341,298</u>	<u>1,074,045</u>	<u>7.0%</u>	<u>\$ 13,011,799</u>

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Description	Changes in system net position		Increase (decrease)		2013
	2015	2014	Amount	Percentage	
Net position, beginning of year	\$ 15,341,298	13,011,799	2,329,499	17.9%	\$ 11,635,949
Additions:					
Contributions - Employers and members	655,049	646,412	8,637	1.3	632,804
Nonemployer Contribution – State of Alaska	1,000,000	312,473	687,527	220.0	307,302
Net investment income	479,616	2,402,053	(1,922,437)	(80.0)	1,445,315
Other additions	47,020	17,438	29,582	169.6	10,468
Total additions	2,181,685	3,378,376	(1,196,691)	(35.4)	2,395,889
Deductions:					
Pension and postemployment healthcare benefits	1,048,786	996,129	52,657	5.3	969,729
Refund of contributions	34,116	30,503	3,613	11.8	23,801
Administrative	24,738	22,245	2,493	11.2	17,343
Total deductions	1,107,640	1,048,877	58,763	5.6	1,010,873
Adjustment to beginning net assets for prior years' forfeitures	—	—	—	—	9,166
Increase (decrease) in net position	1,074,045	2,329,499	(1,255,454)	(53.9)	1,375,850
Net position, end of year	\$ 16,415,343	15,341,298	1,074,045	7.0%	\$ 13,011,799

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2015 and 2014 show net position restricted for pension benefits, postemployment healthcare benefits, and individuals of \$16,415,343,000 and \$15,341,298,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

During the Twenty-Eighth Alaska State Legislature and as part of the State's Fiscal Year 2015 Capital Budget, Senate Bill 119 appropriated \$1 billion from the Constitutional Budget Reserve Fund to the Department of Administration for deposit in the Defined Benefit Pension and the Alaska Retiree Healthcare Trust funds. In addition, House Bill 385 specified that the level percent of pay methodology based on amortization of the past service liability for a closed term of 25 years would be used in the calculation of the appropriate contribution rate for liquidating the past service liability of the PERS DB Plan.

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These amounts represent an increase in the System's net position restricted for pension benefits, postemployment healthcare benefits, and individuals of \$1,074,045,000 or 7% from fiscal year 2014 to 2015 and an increase of \$2,329,499,000 or 17.9% from fiscal year 2013 to 2014. Over the long term, plan member, employer and nonemployer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

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 System's constraints and objectives.

System Asset Allocation

During fiscal years 2015 and 2014, the Board adopted the following asset allocation for the Defined Benefit Pension Plan (DB Plan) and Defined Contribution Pension Plan's (DC Plan) retiree major medical insurance fund, health reimbursement, and occupational death and disability fund:

	2015	
	Pension and 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
Cash equivalents	3.0	-3/8
Total	100.0%	
Expected return five-year geometric mean	8.09%	
Projected standard deviation	15.01	
	2014	
	Pension and 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	3.0	± 2
Cash equivalents	3.0	-3/1
Total	100.0%	
Expected return five-year geometric mean	7.16%	
Projected standard deviation	14.81	

For fiscal years 2015 and 2014, the Defined Benefit Pension Plan's investments generated a 3.29% and 18.56% rate of return, respectively.

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Contributions, Investment Income, and Other Additions

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

	Additions (in thousands)				
	2015	2014	Increase (decrease)		2013
			Amount	Percentage	
Employer contributions	\$ 483,881	477,133	6,748	1.4%	\$ 467,510
Plan member contributions	171,168	169,279	1,889	1.1	165,294
Nonemployer contributions – State of Alaska	1,000,000	312,473	687,527	220.0	307,302
Net investment income	479,616	2,402,053	(1,922,437)	(80.0)	1,445,315
Other additions	47,020	17,438	29,582	169.6	10,468
Total	<u>\$ 2,181,685</u>	<u>3,378,376</u>	<u>(1,196,691)</u>	<u>(35.4)%</u>	<u>\$ 2,395,889</u>

The System's employer contributions increased from \$477,133,000 in fiscal year 2014 to \$483,881,000 in fiscal year 2015, an increase of \$6,748,000 or 1.4%. The System's employer contributions increased from \$467,510,000 in fiscal year 2013 to \$477,133,000 in fiscal year 2014, an increase of \$9,623,000 or 2.1%. The increase in employer contributions is attributable to increase contributions from the defined benefit unfunded liability portion of DC Plan salaries and salary floor payments.

The State of Alaska provided \$1 billion for fiscal year 2015 and \$312,473,000 for fiscal year 2014 in nonemployer contributions as required by Alaska Statute (AS) 39.35.280. The employer on-behalf amount (or additional state contributions as defined in AS 39.35.280) is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The employer effective contribution rate of 22.00% is established in AS 39.35.255(a). In fiscal year 2015, in an effort to bolster the funding levels of both pension plans, the Alaska legislature appropriated an amount in excess of the actuarially determined contribution rate, in anticipation that this additional funding would decrease future nonemployer contributions.

The System's net investment income in fiscal year 2015 decreased by \$1,922,437,000 or 80.0% from amounts recorded in fiscal year 2014. The System's net investment income in fiscal year 2014 increased by \$956,738,000 or 66.2% from amounts recorded in fiscal year 2013. Over the long term, investment income has been a major component of additions to System assets.

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

	Year ended		
	2015	2014	2013
System returns	3.29%	18.46%	12.59%
Domestic equities	7.84	25.45	21.24
International equities	(3.32)	23.41	15.03
Fixed income	(0.74)	5.14	0.57
Private equity	13.77	24.19	11.68
Absolute return	9.24	6.51	8.41
Real assets	3.70	12.71	10.65
Cash equivalents	0.28	0.26	0.25
Alternative equity	(0.89)	24.55	—
Actuarial rate of return	8.00	8.00	8.00

Benefits and Other Deductions

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

	Deductions (in thousands)				
	2015	2014	Increase (decrease)		2013
			Amount	Percentage	
Pension benefits	\$ 686,493	640,518	45,975	7.2%	\$ 599,415
Postemployment healthcare benefits	362,293	355,611	6,682	1.9	370,314
Refund of contributions	34,116	30,503	3,613	11.8	23,801
Administrative	24,738	22,245	2,493	11.2	17,343
Total	\$ 1,107,640	1,048,877	58,763	5.6%	\$ 1,010,873

The System's pension benefit payments in 2015 increased \$45,975,000 or 7.2% from fiscal year 2014 and increased \$41,103,000 or 6.9% from fiscal year 2013 to 2014. The increase in pension benefits in fiscal year 2014 is the result of an increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2015 increased \$6,682,000 or 1.9% from fiscal year 2014 and decreased \$14,703,000 or 4.0% from fiscal year 2013 to 2014. The Division contracted with two new TPAs in January 2014, both of whom use networks to help reduce healthcare benefit costs. Currently, the System's DB healthcare trust is benefiting through the use of the networks provided by the TPAs by seeing lower costs from the prior TPA, as well as reduced annual cost increases percentagewise.

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The System's refund of contributions increased \$3,613,000 or 11.8% from fiscal year 2014 to 2015 and increased \$6,702,000 or 28.2% from fiscal year 2013 to 2014. The increase in refunds is primarily in the DC Plan, where refunds increased \$6,232,000 between fiscal year 2014 to 2015, and increased \$3,642,000 from fiscal year 2012 to 2013. The System continues to look at ways to retain member contributions by emphasizing the low investment costs to members to maintain funds within the DC Plan, with a number of investment options available.

The System's administrative deductions in 2015 increased \$2,493,000 or 11.2% from fiscal year 2014 and increased \$4,902,000 or 28.3% from fiscal year 2013 to 2014. The increase in administrative costs in fiscal year 2014 is related to an increase in contractual services related to data processing and the health insurance third-party administrator transition project member fees.

Net Pension Liability

GASB Statement No. 67, implemented in 2014, requires the DB Plan to report the Total Pension Liability (TPL), Fiduciary Net Position (FNP), and the Net Pension Liability (NPL). The TPL determines the total obligation for the DB Plan's pension benefits related to costs incurred as a result of years of service, changes in benefit terms, changes in actuarial assumptions, and any differences between the actuarial assumptions and actual experience. The DB Plan's FNP determines the assets available to pay the DB Plan's future payment stream. The assets are derived from contributions received from participating employers, plan members, and nonemployer contributions, as well as investment earnings, less benefit payments during the year and the related costs to administer the DB Plan. The difference between the TPL and FNP is the NPL, or the unfunded portion of the TPL.

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

	<u>2015</u>	<u>2014</u>
Total pension liability	\$ 13,456,876	12,395,578
Plan fiduciary net position	(8,606,862)	(7,731,438)
Employers' net pension liability	<u>\$ 4,850,014</u>	<u>4,664,140</u>
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%

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Funding

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

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

Legislation

During fiscal year 2015, the Twenty-Ninth Alaska State Legislature enacted one law that affects the System:

- House Bill 2001 appropriates \$126.5 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and the retiree healthcare trust as partial payment of the participating employers' contribution for fiscal year ending June 30, 2016. This appropriation is to fund the difference between the statutory required contribution of 22% paid by participating employers for both defined benefit and defined contribution members, and the actuarially determined contribution rate adopted by the Board for that fiscal year, and is specified in Alaska Statute 14.25.085 – Additional State Contributions.

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

Fiscal year 2015 was another year of positive, but significantly lower investment returns than fiscal year 2014. Net investment income decreased from \$2,402,053,000 in fiscal year 2014 to \$479,616,000 in fiscal year 2015, a decrease of \$1,922,437,000 or 80.0%. The return on the System's investments was less than one-half the actuarially assumed return of 8.00% with the System's rate of return of 3.29% at June 30, 2015. In fiscal year 2014, the System's investments returned 18.46%, more than twice the actuarially assumed rate of 8.00%. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 35.68% in fiscal year 2014 to 44.03% in fiscal year 2015. The Board adopted the fiscal year 2015 actuarially determined contribution rate of 44.03%, which represented an increase of 8.35%. The statutory employer effective contribution rate remained at 22.00% for fiscal years 2015 and 2014.

The June 30, 2014 and 2013 actuarial valuation reports for the DB Plan reported funding ratios based on valuation assets of 70.1% and 60.8%, respectively, as well as unfunded liabilities of \$6.3 and \$7.8 billion, respectively.

The System expects a decline in the DB Plan's recommended actuarially determined contribution rate and a corresponding increase in the pension and healthcare funding ratios as of the June 30, 2015 actuarial valuation report with the infusion of the \$1 billion appropriated from the Constitutional Budget Reserve Fund during fiscal year 2015. Additionally, due to statutory changes implemented by the Alaska Legislature in conjunction with the \$1 billion infusion to the PERS DB pension plan, the statute (1) established the level percentage of pay approach as a replacement to the level dollar approach and (2) reset the 25-year amortization period beginning July 1, 2014, actuarial projections reflect that the required additional state contribution would be significantly reduced for a period of time.

For fiscal years 2015 and 2014, the DC Plan's employer contribution rate was established by Alaska statute at 22.00%. The DC Plan's actuarially determined occupational death and disability rate was adopted by the Board to be 1.06% and 1.14% for peace officers/firefighters, and 0.22% and 0.20% for all other public employees. The DC Plan retiree medical plan actuarially determined contribution rate was adopted by the Board to be 1.66% and 0.48%, respectively.

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Requests for Information

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

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

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

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

State of Alaska
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Combining Statement of Fiduciary Net Position

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	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefit Plans			Health reimbursement arrangement	System total June 30, 2015	System total June 30, 2014
			Alaska retiree healthcare trust	Occupational death and disability	Retiree medical			
Assets:								
Cash and cash equivalents (note 3 & 4):								
Short-term fixed income pool	\$ 152,381	18,083	160,559	502	1,455	5,353	338,333	488,169
Empower money market fund - nonparticipant directed	—	5,965	—	—	—	—	5,965	13,429
Total cash and cash equivalents	152,381	24,048	160,559	502	1,455	5,353	344,298	501,598
Receivables:								
Contributions	27,517	628	1,341	19	80	159	29,744	29,188
Due from State of Alaska General Fund	5,330	5,162	4,552	126	676	1,364	17,210	16,981
Due from Retiree Health Fund	2	—	—	—	—	—	2	—
Other accounts receivable	213	6	—	—	—	—	219	8
Total receivables	33,062	5,796	5,893	145	756	1,523	47,175	46,177
Investments (notes 3, 4, and 5), at fair value:								
Fixed income securities:								
U.S. Treasury fixed income pool	474,205	—	385,311	1,042	2,371	10,496	873,425	865,965
Taxable municipal bonds	81,663	—	66,355	179	408	1,808	150,413	156,151
Tactical fixed income pool	43,868	—	35,645	97	219	971	80,800	—
High yield pool	223,734	—	181,793	493	1,119	4,952	412,091	396,460
International fixed income pool	138,100	—	112,212	303	690	3,057	254,362	265,498
Emerging debt pool	58,536	—	47,563	129	293	1,296	107,817	107,752
Total fixed income securities	1,020,106	—	828,879	2,243	5,100	22,580	1,878,908	1,791,826
Broad domestic equity:								
Large cap pool	1,917,610	—	1,558,137	4,217	9,587	42,444	3,531,995	3,303,110
Small cap pool	414,888	—	337,114	912	2,074	9,183	764,171	730,968
Total broad domestic equity	2,332,498	—	1,895,251	5,129	11,661	51,627	4,296,166	4,034,078
Broad international equity:								
International equity pool	1,787,370	—	1,452,311	3,931	8,936	39,561	3,292,109	2,895,724
International equity small cap pool	116,878	—	94,968	257	584	2,587	215,274	229,131
Frontier market pool	1,958	—	1,591	4	10	43	3,606	69,297
Emerging markets equity pool	226,889	—	184,357	499	1,134	5,022	417,901	436,035
Total broad international equity	2,133,095	—	1,733,227	4,691	10,664	47,213	3,928,890	3,630,187
Alternative equity:								
Alternative equity	248,198	—	201,671	545	1,241	5,493	457,148	496,208
Convertible bond pool	71,229	—	57,876	157	356	1,577	131,195	137,669
Total alternative equity	319,427	—	259,547	702	1,597	7,070	588,343	633,877
Private equity pool								
Private equity pool	660,680	—	536,829	1,453	3,303	14,623	1,216,888	1,215,158
Absolute return pool								
Absolute return pool	488,352	—	396,806	1,074	2,441	10,809	899,482	577,421
Real assets:								
Real estate pool	476,474	—	385,733	1,044	2,373	10,507	876,131	936,067
Real estate investment trust pool	117,787	—	95,707	259	589	2,607	216,949	255,488
Infrastructure private pool	103,834	—	84,370	228	519	2,298	191,249	—
Infrastructure public pool	90,618	—	73,631	199	453	2,006	166,907	115,890
Master limited partnership pool	189,752	—	154,181	417	949	4,200	349,499	343,517
Energy pool	36,760	—	29,869	81	184	814	67,708	75,218
Farmland pool	278,016	—	225,899	612	1,390	6,154	512,071	499,436
Timber pool	138,586	—	112,607	305	693	3,067	255,258	253,058
Treasury inflation protected securities pool	48,124	—	39,103	106	241	1,065	88,639	24,596
Total real assets	1,479,951	—	1,201,100	3,251	7,391	32,718	2,724,411	2,503,270
Other investment funds, at fair value:								
Pooled investment funds	—	301,188	—	—	—	—	301,188	233,614
Collective investment funds	—	281,180	—	—	—	—	281,180	252,677
Total other investment funds	—	582,368	—	—	—	—	582,368	486,291
Total investments	8,434,109	582,368	6,851,639	18,543	42,157	186,640	16,115,456	14,872,108
Other assets								
Other assets	17	—	2,093	—	—	—	2,110	4,365
Total assets	8,619,569	612,212	7,020,184	19,190	44,368	193,516	16,509,039	15,424,248
Liabilities:								
Accrued expenses	10,608	205	2,321	16	—	—	13,150	11,416
Forfeitures payable	—	22,545	—	—	—	—	22,545	17,613
Claims payable (note 8)	—	—	46,147	—	—	—	46,147	48,280
Due to State of Alaska General Fund	2,099	—	9,753	2	—	—	11,854	5,641
Total liabilities	12,707	22,750	58,221	18	—	—	93,696	82,950
Net position held in trust for pension benefits, postemployment healthcare benefits, and individuals:								
	\$ 8,606,862	589,462	6,961,963	19,172	44,368	193,516	16,415,343	15,341,298

See accompanying notes to financial statements.

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Combining Statement of Changes in Fiduciary Net Position

June 30, 2015

(With summarized financial information for June 30, 2014)

	Defined Benefit Pension	Defined Contribution Pension	Other Postemployment Benefit Plans				System total June 30, 2015	System total June 30, 2014
			Alaska retiree healthcare trust	Occupational death and disability	Retiree medical	Health reimbursement arrangement		
Additions:								
Contributions:								
Employers	\$ 226,136	38,949	171,028	2,790	14,552	30,426	483,881	477,133
Plan members	100,036	70,462	656	14	—	—	171,168	169,279
Nonemployer State of Alaska	1,000,000	—	—	—	—	—	1,000,000	312,473
Total contributions	1,326,172	109,411	171,684	2,804	14,552	30,426	1,655,049	958,885
Investment income:								
Net appreciation in fair value (note 2)	121,302	12,998	96,106	266	626	2,696	233,994	2,181,128
Interest	31,908	43	26,768	67	135	661	59,582	54,954
Dividends	118,826	—	100,083	252	512	2,490	222,163	198,020
Total investment income	272,036	13,041	222,957	585	1,273	5,847	515,739	2,434,102
Less investment expense	18,725	1,110	16,244	4	6	34	36,123	32,049
Net investment income	253,311	11,931	206,713	581	1,267	5,813	479,616	2,402,053
Other:								
Other	36	1	46,983	—	—	—	47,020	17,438
Total additions	1,579,519	121,343	425,380	3,385	15,819	36,239	2,181,685	3,378,376
Deductions:								
Pension and postemployment benefits	686,493	—	361,930	363	—	—	1,048,786	996,129
Refunds of contributions	10,049	24,067	—	—	—	—	34,116	30,503
Administrative	7,553	2,487	14,647	32	19	—	24,738	22,245
Total deductions	704,095	26,554	376,577	395	19	—	1,107,640	1,048,877
Net increase	875,424	94,789	48,803	2,990	15,800	36,239	1,074,045	2,329,499
Net position held in trust for pension benefits, postemployment healthcare benefits, and individuals:								
Balance, beginning of year	7,731,438	494,673	6,913,160	16,182	28,568	157,277	15,341,298	13,011,799
Balance, end of year	\$ 8,606,862	589,462	6,961,963	19,172	44,368	193,516	16,415,343	15,341,298

See accompanying notes to financial statements.

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(1) Description

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

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

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

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

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

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	2014		
	Defined Benefit Pension	Defined Contribution Pension	OPEB Plans
State of Alaska	1	1	1
Municipalities	75	77	77
School districts	53	53	53
Other	27	27	27
Total employers	156	158	158

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

Defined Benefit Pension Plan

General

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

The DB Plan's membership consisted of the following at June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	32,045
Inactive plan members entitled to but not yet receiving benefits	18,181
Active plan members	17,988
	68,214

Pension Benefits

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

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

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

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

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

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

Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. The DB Plans members' contribution rates are 7.5% for peace officers and firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. Employer effective contribution rates are 22.00% of annual payroll. Alaska Statute 39.35.280 requires that the State of Alaska, as a nonemployer contributing entity, contributes each July 1, or as soon after July 1 for the ensuing fiscal year, an amount that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Board for that fiscal year. Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll. The DBUL amount is computed as the difference between:

(A) The amount calculated for the statutory employer contribution rate of 22.00% on eligible salary less

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(B) The total of the employer contributions for:

- (1) The defined contribution employer matching amount
- (2) Major medical
- (3) Occupational death and disability
- (4) Health reimbursement arrangement

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

Refunds

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

Defined Contribution Pension Plan

General

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

At June 30, 2015, membership in the DC Plan consisted of 1,445 Peace Officer and Firefighter members and 16,011 other members.

Retirement Benefits

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

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Contributions

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

Participant Distributions

A member is eligible to elect distribution of their account 60 days after termination of employment.

Participant Accounts

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

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

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

Defined Benefit Other Postemployment Benefit Plans

Alaska Retiree Healthcare Trust Plan

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

Membership in the plan was as follows as of June 30, 2015:

Inactive plan members or beneficiaries currently receiving benefits	32,045
Inactive plan members entitled to but not yet receiving benefits	18,181
Active plan members	17,988
	<u>68,214</u>

OPEB Benefits

Major medical benefits are provided to retirees without cost for all members hired before July 1, 1986. Members hired on or after July 1, 1986 with 5 years of credited service (or 10 years of credited service for

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those first hired on or after July 1, 1996) may pay the full monthly premium if they are under age 60 (or over age 60 with less than 10 years of service for those first hired on or after July 1, 1996), and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Peace officers and firefighters with 25 years of membership service and all other members with 30 years of membership service also receive benefits at no premium cost.

Contributions

Employer contribution rates are actuarially determined and adopted by the Board. The 2015 employer effective contribution rate is 22.00% of member's compensation.

Occupational Death and Disability Plan

The Occupational Death and Disability Plan provides death benefits for beneficiaries of plan participants and long-term disability benefits to all active members within the System. Members in the Death and Disability Plan consisted of the following at June 30, 2015:

Active plan members	17,476
Participating employers	157
Open claims	10

Death Benefits

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

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

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

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

Disability Benefits

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

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

Contributions

An employer shall contribute to each member's account based on the member's compensation. For fiscal year 2015, the rates are 5% for Occupational Death and Disability for peace officers and firefighters, and 5% for Occupational Death and Disability non-peace officers and firefighters.

Retiree Medical Plan

The retiree medical plan is established under AS 39.35.880 – Medical benefits. The Department of Administration, Division of Retirement & Benefits, who administers the System's health plans, is in the process of formalizing and finalizing the retiree medical plan. Members will be eligible for the DC Plan's health benefits

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plan beginning in June 2016. Currently, no members are eligible to use this plan until they have at least 10 years of service.

Defined Contribution Other Postemployment Benefit Plan

The Healthcare Reimbursement Arrangement Plan was established to allow medical expenses to be reimbursed from individual savings accounts established for eligible participants. For each member of the plan, an employer shall contribute an amount equal to 3.0% of the average annual compensation of all employees of all employers in the System. As of June 30, 2015 there were 26,386 members and 158 participating employers.

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

The preparation of financial statements in conformity with U.S. 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.

Defined Benefit Pension and OPEB Investments

The System owns shares in various investment pools that are administered by the State of Alaska Department of Revenue, Division of Treasury (Treasury). The System's investment in the pools, except for the Short-Term Fixed Income Pool, is reported at fair value based on the net asset value reported by the Treasury. The Short-Term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals.

Defined Contribution Participant Directed Investments

The Board contracts with an external investment manager who is given the authority to invest in a wholly owned pooled environment to accommodate 13 participant-directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds. Income for the Pooled Investment and Collective Investment Funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

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

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

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

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

Federal Income Tax Status

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

GASB Statement No. 67

The Plan implemented the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans*, during the year ended June 30, 2014. GASB Statement No. 67 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 (2) the actuarially and contractually determined contributions of employer contributing entities, and, (3) the annual money-weighted rate of return on plan investments.

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(3) Investments

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

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

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

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

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2015 for the defined benefit pension plan is 3.12%.

(4) Deposit and Investment Risk

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

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Other Defined Benefit Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis-point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows.

At June 30, 2015, the effective duration of the DB Plan's fixed income pools was as follows (in years):

Bank loans	(0.05)
Certificate of deposit	0.14
Convertible bonds	0.07
Corporate bonds	4.32
Foreign government bonds	6.26
Mortgage backed	1.75
Municipal bonds	11.15
Other asset backed	0.69
U.S. government agency	7.89
U.S. Treasury bills, notes bonds, and TIPS	4.65
Yankee corporate	4.13
Yankee government	6.18
Total portfolio	4.97

Defined Contribution Pooled Investment Funds

The Board contracts with an external investment manager, who is given the authority to invest funds in a wholly owned pooled environment to accommodate 13 participant-directed funds. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

- Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the blended benchmark of 70% Barclays U.S. Intermediate Aggregate Bond Index, 15% Barclays U.S. Floating Rate Note Index, 10% Barclays TIPS Index, and 5% Barclays Long U.S. Treasury Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event at time of purchase shall effective duration exceed ± 0.4 years relative to the index.
- At June 30, 2015, the duration of the government corporate debt and mortgage-backed securities was 4.00 years and the duration of the blended Barclays Bond Index was 3.98 years.

Defined Contribution Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds.

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Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The System's ownership held in the investment pools are not separately rated. See the separately issued report on the State of Alaska Retirement and Benefits Plan Invested Assets for credit ratings of investments within the pools.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits.

Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. However, through its asset allocation policy, the Board limits total investments in international fixed income, global equity ex-U.S., and private equity to the following:

<u>Fixed income</u>	<u>Global equity ex-U.S.</u>	<u>Private equity pool</u>
20%	29%	14%

Concentration of Credit Risk

At June 30, 2015, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

(5) Foreign Exchange, Derivative, and Counterparty Credit Risk

The investment pools for which the System is a part, are exposed to credit risk on underlying investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies.

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. For additional information on foreign exchange, derivatives, and counterparty credit risk, see the separately issued report on the State of Alaska Retirement and Benefits Invested Assets.

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(6) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employers at June 30, 2015, were as follows (in thousands):

Total pension liability	\$	13,456,876
Plan fiduciary net position		(8,606,862)
		63.96%
Employers' net pension liability	\$	4,850,014
Plan fiduciary net position as a percentage of the total pension liability		63.96%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2014, using the following actuarial assumptions, applied to all periods included in the measurement and rolled forward to the measurement date of June 30, 2015:

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

Pre-termination mortality rates were based upon the 2010-2013 actual mortality experience, 60% of male and 65% of female post-termination rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for others. Post-termination mortality rates were based on 95% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.

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

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

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

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 nonemployer State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

	1% Decrease (7%)	Current discount rate (8%)	1% Increase (9%)
Net pension liability	\$ 6,447,683	4,850,014	3,504,942

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(7) Defined Benefit OPEB Funding Status

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

	Actuarial valuation date	Actuarial accrued liability (AAL) entry age	Actuarial valuation assets	Funded ratio	Unfunded actuarial accrued liability (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
Healthcare trust	June 30, 2014	\$ 12,758,985	6,913,160	54.2%	5,845,825	1,491,583	391.9%
Occupational death and disability plan	June 30, 2014	3,627	14,995	413.4	(11,368)	678,840	(2.0)
Retiree medical	June 30, 2014	56,819	26,466	46.6	30,353	678,840	4.5

The funding ratio as of June 30, 2014 has increased. The increase in funding ratio is primarily due to the asset returns in fiscal year 2014 of 18.46%, well above the expected return of 8%. This increase was combined with positive experiences in demographic experience and retiree medical costs, which when factored in with other factors resulted in the slight decrease.

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

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

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

June 30, 2014	
	Defined Benefit
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare
Amortization method	Level percentage of pay, closed
Equivalent single amortization period	25 years
Asset valuation method	5-year smoothed fair value; reintialized to fair value as of June 30, 2014
Actuarial assumptions:	
Investment rate of return	8.00% for pension, 4.90% for healthcare; includes price inflation at 3.12%
Projected salary increases	Peace officer/firefighter: merit – 2.75% per the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Others: merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0.0%. Productivity – 0.5% per year.
Cost-of-living adjustment	Postretirement pension adjustment

June 30, 2014	
	ODD and Retiree Medical
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for occupational death and disability; level dollar normal cost basis for retiree medical
Amortization method	Level percent of pay, closed with bases established annually
Equivalent single amortization period	23 years
Asset valuation method	5-year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00%; includes price inflation at 3.12%.
Projected salary increases	Peace officer/firefighter: merit – 2.75% per year for the first 4 years of employment, grading down 0.5% at 7 years and thereafter. Productivity – 0.5% per year. Inflation 3.12%. Others: merit – 6.00% per year, grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0.0%. Productivity – 0.5% per year. Inflation 3.12%.

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Health cost trend for occupational death and disability and retiree medical plans is as follows:

Fiscal year	Medical pre-65	Medical post-65	Prescription 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 valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets, or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on (1) the funded ratio and (2) the percentage of the ARC actually being contributed to the plan. The State has utilized the second methodology to develop a discount rate of 5.41% as of June 30, 2011, to be used for fiscal 2014 disclosure.

The System's retiree medical benefits are 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.

Disregarding future Medicare Part D payments, the fiscal 2016 employer ARC for accounting purposes is 1.95% of pay for retiree medical benefits and 2.25% of pay for retiree medical and death and disability benefits combined.

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(8) Claims Payable

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

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

	2015	2014
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ —	—
Incurred but not reported	48,280	54,764
Total, beginning of year	48,280	54,764
Benefit deductions	361,930	355,487
Benefits paid	(354,310)	(361,971)
Total, end of year	\$ 55,900	48,280
End of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ 9,753	—
Incurred but not reported	46,147	48,280
Total, end of year	\$ 55,900	48,280

(9) Commitments and Contingencies

Commitments

The Board entered into agreements through external managers to provide capital funding for limited partnerships in the domestic equity, private equity, energy, and real estate portfolios. At June 30, 2015, the Board's unfunded commitments were as follows (in thousands):

Portfolio	Unfunded commitment	Estimated to be paid through
Domestic equity	\$ —	May be canceled annually in December with 90 day's notice
Private equity	829,676	Fiscal year 2022
Energy	52,219	Fiscal year 2023
Real estate	141,204	Fiscal year 2024
	\$ 1,023,099	

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Contingencies

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

(10) 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 Alaska Retiree Healthcare Trust was approved for participation in the Medicare Part D program beginning calendar year 2006.

(11) Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP) was a temporary program that provided reimbursement to participating employment-based plans for a portion of the costs of health benefits for retirees age 55 and older who are not eligible for Medicare and their spouses and surviving spouses and dependents. The amount of the reimbursement to the plan is up to 80% of claims cost for health benefits between \$15,000 and \$90,000. The program was authorized by the Affordable Care Act as part of the U.S. government health reform package. The plan started participation in the ERRP beginning calendar year 2011. The program ended on January 1, 2014.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

State of Alaska
Public Employees' Retirement System
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Required Supplementary Information (Unaudited)
Schedule of Changes in Employer Net Pension Liability and Related Ratios - Defined Benefit Pension Plan

(In thousands)

	2015	2014	2013	2012
Total pension liability:				
Service cost	\$ 184,712	160,828	167,203	172,968
Interest	1,020,947	940,786	927,692	887,361
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience	10,791	—	56,229	42,847
Changes of assumptions	541,390	—	—	—
Benefit payments, including refunds of member contributions	(696,542)	(651,917)	(634,187)	(593,279)
Net change in total pension liability	1,061,298	449,697	516,937	509,897
Total pension liability – beginning	12,395,578	11,945,881	11,428,944	10,919,047
Total pension liability – ending (a)	13,456,876	12,395,578	11,945,881	11,428,944
Plan fiduciary net position:				
Contributions – employer	226,136	206,204	179,976	182,695
Contributions – member	100,036	106,565	110,808	112,703
Contributions – nonemployer entity (State)	1,000,000	176,794	164,087	130,912
Total net investment income	253,311	1,207,484	738,656	1,650
Other miscellaneous income	36	49	28	35
Benefit payments, including refunds of member contributions	(696,542)	(651,917)	(610,247)	(570,883)
Administrative expenses	(7,553)	(8,223)	(7,120)	(6,743)
Net change in plan fiduciary net position	875,424	1,036,956	576,188	(149,631)
Plan fiduciary net position – beginning	7,731,438	6,694,482	6,118,294	6,267,925
Plan fiduciary net position – ending (b)	8,606,862	7,731,438	6,694,482	6,118,294
Plan's net pension liability (a) - (b)	\$ 4,850,014	4,664,140	5,251,399	5,310,650
Plan fiduciary net position as a percentage of the total pension liability	63.96%	62.37%	56.04%	53.53%
Covered-employee payroll	\$ 1,412,237	1,405,198	1,534,665	1,522,399
Net pension liability as a percentage of covered-employee payroll	343.43%	331.92%	342.19%	348.83%

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

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

Financial Section

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

(In thousands)

	<u>2,015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>
Actuarially determined contribution	\$ 529,264	358,718	382,889	351,674	220,419
Contributions in relation to the actuarially determined contribution	<u>1,226,136</u>	<u>382,998</u>	<u>344,063</u>	<u>313,607</u>	<u>204,262</u>
Contribution deficiency (excess)	<u>\$ (696,872)</u>	<u>(24,280)</u>	<u>38,826</u>	<u>38,067</u>	<u>16,157</u>
Covered-employee payroll	\$ 1,412,237	1,405,198	1,534,665	1,522,399	1,559,938
Contributions as a percentage of covered-employee payroll	86.82%	27.26%	22.42%	20.60%	13.09%

See accompanying independent auditors' report.

State of Alaska
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Required Supplementary Information (Unaudited)
Schedule of Employer and Nonemployer Contributions

Defined Benefit Pension Plan
Last 10 Fiscal Years (continued)

(In thousands)

	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 217,080	166,016	140,729	268,742	249,488
Contributions in relation to the actuarially determined contribution	<u>186,617</u>	<u>192,740</u>	<u>151,198</u>	<u>207,539</u>	<u>163,243</u>
Contribution deficiency (excess)	<u>\$ 30,463</u>	<u>(26,724)</u>	<u>(10,469)</u>	<u>61,203</u>	<u>86,245</u>
Covered-employee payroll	\$ 1,586,697	1,585,490	1,577,846	1,605,819	1,590,693
Contributions as a percentage of covered-employee payroll	11.76%	12.16%	9.58%	12.92%	10.26%

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

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Required Supplementary Information (Unaudited)

Schedule of Investment Returns

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

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

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

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

June 30, 2015
(In thousands)

Alaska Retiree Healthcare Trust Plan

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

Occupational Death and Disability Benefits Plan

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

Retiree Medical Benefits Plan

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

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

Financial Section

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

June 30, 2015
(In thousands)

Alaska Retiree Healthcare Trust Plan

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

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

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

Occupational Death and Disability Benefits Plan

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

Retiree Medical Benefits Plan

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

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

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(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

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

- (a) Actuarial cost method – Entry Age Actuarial Cost method of funding. Any funding surplus or unfunded accrued liability is amortized over 25 years as a level percentage of payroll amount. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit, and defined contribution member payroll combined.
- (b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2014. Beginning in 2015, the asset value method recognizes 20% of the gain or loss each year, for a period of up to five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements.
- (c) Valuation of medical benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, such as, medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year and productivity 0.50% per year.
- (f) Payroll growth – 3.62% per year (inflation + productivity).

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- (g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
- (h) Mortality (pretermination) – Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of posttermination mortality rates. Deaths are assumed to be occupational 70% of the peace officer/firefighters, 50% of the time for others. Includes an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (i) Mortality (posttermination) – 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. Includes an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (j) Total turnover – Based upon the 2010–2013 actual withdrawal experience.
- (k) Disability – Incidence rates based upon the 2010–2013 actual experience. Postdisability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighter, 50% of the time for others.
- (l) Retirement – Retirement rates based on the 2010–2013 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for others. For peace officer/firefighter, tier 1 deferred vested members are assumed to retire at age 55 and tiers 2 and 3 deferred vested members are assumed to retire at age 60.
- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officer/firefighters, 85% of male members and 60% of female members are assumed to be married.
- (n) Dependent children – Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
- (o) Contribution refunds – For others, 10% of terminating members with vested benefits are assumed to have their contributions refunded. For peace officer/firefighter, 15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with nonvested benefits are assumed to have their contributions refunded.
- (p) Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.
- (q) Postretirement pension adjustment (PRPA) – 50% and 75% of assumed inflation or 1.56% and 2.34%, respectively, is valued for the annual automatic PRPA as specified in the statute.

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- (r) Expenses – All pension related expenses are net of investment return assumption.
- (s) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighter and 0.65 years of credited service per year for other members.
- (t) Final average earnings – Final average earnings amount is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
- (u) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY15 medical and prescription 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

- (v) Third-party administrator fees – \$193.98 per person per year; assumed trend rate of 5% per year.
- (w) Medicare Part B Only – For actives and retirees not yet Medicare-eligible, participation is set based on whether the member/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or rehire.
- (x) 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 FY15 pre-Medicare medical claims costs to get the FY16 medical claims cost.

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Fiscal year	Medical pre-65	Medical post-65	Prescription 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 valuations and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2014 and projects out to 2090. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

(y) Aging factors:

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

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

June 30, 2015

- (z) Retired member contributions for medical benefits – Currently, contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for peace officers/firefighters). Eligible Tier 1 members are exempt from contribution requirements. Annual FY15 contributions based on monthly rates shown below for calendar 2014 and 2015 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in Tier 2 or Tier 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

<u>Coverage category</u>	<u>Calendar 2015 annual contribution</u>	<u>Calendar 2015 monthly contribution</u>	<u>Calendar 2014 monthly contribution</u>
Retiree only	\$ 9,876	823	823
Retiree and spouse	19,764	1,647	1,647
Retiree and child(ren)	13,956	1,163	1,163
Retiree and family	23,844	1,987	1,987
Composite	14,676	1,223	1,223

Trend rate for retired member contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY15 retired member medical contributions to get the FY16 retired member medical contributions.

<u>Fiscal year</u>	
2015	7.0%
2016	6.6
2017	6.2
2018	5.8
2019	5.4
2020	5.0
2025	4.1
2050	4.0
2100	4.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2014 valuation. Note that actual FY15 retired member medical contributions are reflected in the valuation, so trend on such contribution during FY15 is not applicable.

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June 30, 2015

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

The significant actuarial assumptions used in the defined contribution occupational death and disability and retiree medical benefit plan valuation as of June 30, 2014 are as follows:

- (a) Actuarial cost method – Liabilities and contributions are computed using entry age actuarial cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. However, in keeping with 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. This method will be phased in over five years. Fair value of assets were \$0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of fair value of assets.
- (c) Valuation of retiree medical benefits – Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2014 for PERS DB with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels, and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles, and out-of-pocket limits, FY14 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend and other plan design features.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year. Productivity 0.5% per year.
- (f) Payroll growth – 3.62% per year (inflation + productivity).
- (g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.

State of Alaska
Public Employees' Retirement System
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Notes to Financial Statements

Notes to Required Supplementary Information (Unaudited)

June 30, 2015

- (h) Mortality (pre-termination) – Based upon 2010–2013 actual mortality experience. 60% of male rates and 65% of female rates of the posttermination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (i) Mortality (post-termination) – Based upon 2010–2013 actual mortality experience. 96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB. The mortality table used was set in 2014 with an actual deaths to expected deaths ratio of 109%.
- (j) Total turnover – Rates based upon the 2010–2013 actual experience of the PERS DB Plan.
- (k) Disability – Incidence rates based upon the 2010–2013 actual experience of the PERS DB Plan. Postdisability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 base year projected to 2018 with projection scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighter, 50% of the time for others. For peace officer/firefighters, members are assumed to take the monthly annuity 100% of the time.
- (l) Retirement – Retirement rates based upon the 2010–2013 actual experience.

Age	Rate
< 50	2.0%
51–54	2.0
55–59	3.0
60	5.0
61	5.0
62	10.0
63	5.0
64	5.0
65	25.0
66	25.0
67	25.0
68	20.0
69	20.0
>70	100.0

- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. For others, 75% of male members and 70% of female members are assumed to be married. For peace officer/firefighters, 85% of male members and 60% of female members are assumed to be married.
- (n) Part-time status – Part-time employees are assumed to earn 1.00 years of credited service per year for peace officer/firefighter and 0.65 years of credited service per year for other members.

Financial Section

State of Alaska
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Notes to Required Supplementary Information (Unaudited)

June 30, 2015

- (o) Peace officer/firefighter occupational disability retirement benefit commencement – The occupational disability retirement benefit is assumed to be first payable from the member's DC account and the retirement benefit payable from the occupational death and disability trust will commence five years later.
- (p) Expenses – All expenses are net of the investment return assumption.
- (q) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY15 medical benefits 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

- (r) Third-party administrator fees – \$193.98 per person per year; assumed trend rate of 5% per year.
- (s) Base claims cost adjustments – Due to higher initial copays, deductibles, out-of-pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments were applied to the per capita claims cost rates: 0.881 for medical plan, 0.929 for the prescription drug plan, and 0.998 for the annual indexing for member cost sharing.
- (t) 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 FY15 pre-Medicare medical claims cost to get the FY16 medical claims costs:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription 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

State of Alaska
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(A Component Unit of the State of Alaska)

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Notes to Required Supplementary Information (Unaudited)

June 30, 2015

As of the June 30, 2014 valuation and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2014 and projects out to 2090. This model has been adopted by the Society of Actuaries and has been populated with assumptions that are specific to the State of Alaska.

(u) Aging factors:

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

(v) Retiree medical participation:

Decrement due to disability		Decrement due to retirement	
Age	Percentage of participation	Age	Percentage of participation
<56	73.00%	55	40.0%
56	77.50	56	50.0
57	79.75	57	55.0
58	82.00	58	60.0
59	84.25	59	65.0
60	86.50	60	70.0
61	88.75	61	75.0
62	91.00	62	80.0
63	93.25	63	85.0
64	95.50	64	90.0
65+	94.40	65+	Years of service
			<15
			70.5%
			15-19
			75.2
			20-24
			79.9
			25-29
			89.3
			30+
			94.0

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Notes to Required Supplementary Information (Unaudited)

June 30, 2015

Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower-cost options, particularly in the Medicare market.

Changes in Actuarial Methods Since the Prior Valuation

Defined benefit pension and postemployment healthcare benefit plan

In accordance with Senate Bill 119, signed into law May 28, 2014, and House Bill 385, signed into law on June 23, 2014, the following changes were effective for the June 30, 2014 actuarial valuation report:

- (2) The amortization method used for funding changed from the level dollar amount to the level percentage of payroll method and the amortization period is reinitialized to a closed 25-year period from June 30, 2014.
- (3) The additional state contribution for fiscal year ending June 30, 2015 is \$1 billion.
- (4) The two-year rate setting time lag is intended to be eliminated. The two-year lag in the setting of contribution rates is replaced by a two-year rollforward of liabilities and projected normal costs and a one-year rollforward of June 30, 2015 assets.
- (5) The actuarial value of assets is reset to the fair value as of June 30, 2014. The five-year smoothing method with grow-in will be implemented over the next five years.
- (6) The 20% corridor over/under the fair value of assets is eliminated in the calculation of the actuarial value of assets.

Defined contribution occupational death and disability and retiree medical benefits plan

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

State of Alaska
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Notes to Financial Statements

Notes to Required Supplementary Information (Unaudited)

June 30, 2015

Changes in Actuarial Assumptions Since the Prior Valuation

Defined benefit pension and postemployment healthcare benefit plan

	June 30, 2013	June 30, 2014
Salary scale	Based on actual experience from 2005 to 2009.	Rates adjusted on actual experience from 2010–2013. Increased most rates.
Pre-termination mortality	Peace officer/firefighter: 1994 GAM table, sex-distinct, 1994 base year without margin projected to 2013 using projection scale AA, 80% of the male table for males and 60% of the female table for females. Others: 1994 GAM table, sex-distinct, 1994 base year without margin projected to 2013 using projection scale AA, 75% of the male table for males and 55% of the female table for females.	Based upon 2010–2013 actual mortality experience. 60% of male rates and 65% of female rates of the posttermination mortality rates.
Post-termination mortality	1994 GAM table, sex-distinct, 1994 base year without margin projected to 2013 using projection scale AA for males with a one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled retiree table, 2000 base year projected to 2018 with projection scale BB.
Turnover	Rates adjusted based on actual experience from 2005–2009.	Based upon the 2010–2013 actual withdrawal experience.
Disability	Peace officer/firefighter: No change except to stop rates at earliest retirement age. Others: Male/female rates decreased based on actual experience from 2005–2009 and stop rates at earliest retirement age.	Incidence rates based on 2010–2013 actual experience. Peace officer/firefighter: Decreased rates by 5% Others: Decreased rates by 30%
Retirement	Rates were adjusted based on actual experience from 2005–2009.	Retirement rates based upon the actual 2010–2013 experience.
Deferred vested commencement date	Peace officer/firefighter: Tier 1 age 53 Tier 2 and 3 age 57 Others: Earliest unreduced age	Peace officer/firefighter: Tier 1 age 55 Tier 2 and 3 age 60 Others: Earliest unreduced age
COLA	Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.	Of those benefit recipients who are eligible for the COLA, 70% of others and 65% of peace officer/firefighters are assumed to remain in Alaska and receive the COLA.
Occupational Death and Disability	Others: 55% Peace officer/firefighter: 75%	Others: 50% Peace officer/firefighter: 70%

Financial Section

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

Notes to Financial Statements

Notes to Required Supplementary Information (Unaudited)

June 30, 2015

Defined contribution occupational death and disability and retiree medical benefits plan

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005-2009. <u>Peace officer/firefighter</u> : rates are increased for the first four years. Decreased at year five. <u>Others</u> : Based on actual experience from 2005–2009. Increased most rates.	Inflation – 3.12% per year Productivity – 0.50% per year
Pre-termination Mortality	<u>Peace officer/firefighters</u> : 80% of the male and 60% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA. <u>Others</u> : 75% of the male and 55% of the female rates of the 1994 GAM table, 1994 base year without margin projected to 2013 with projection scale AA.	Based upon 2010–2013 actual mortality experience. 60% of male rates and 65% of female rates of the posttermination mortality rates. Deaths are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others.
Post-termination Mortality	1994 GAM table, 1994 base year without margin projected to 2013 using projection scale AA for males and one year set-forward for females.	96% of all rates of the RP-2000 table, 2000 base year projected to 2018 with projection scale BB.
Disability	RP-2000 disabled retiree mortality table.	Incidence rates based on 2010–2013 actual experience. Posttermination disabled mortality in accordance with RP-2000 disabled retiree mortality table, 2000 base year projected to 2018 with projection scale BB. Disabilities are assumed to be occupational 70% of the time for peace officer/firefighters, 50% of the time for others.
Turnover	Rates adjusted based on actual PERS DB Plan experience from 2005–2009. Ultimate rates are equal to PERS DB Plan rates loaded by 10%	Based on actual experience from 2010 to 2013.
Occupational Death and Disability	<u>Others</u> : 55% <u>Peace officer/firefighter</u> : 75%	<u>Others</u> : 50% <u>Peace officer/firefighter</u> : 70%

SUPPLEMENTAL SCHEDULES

Financial Section

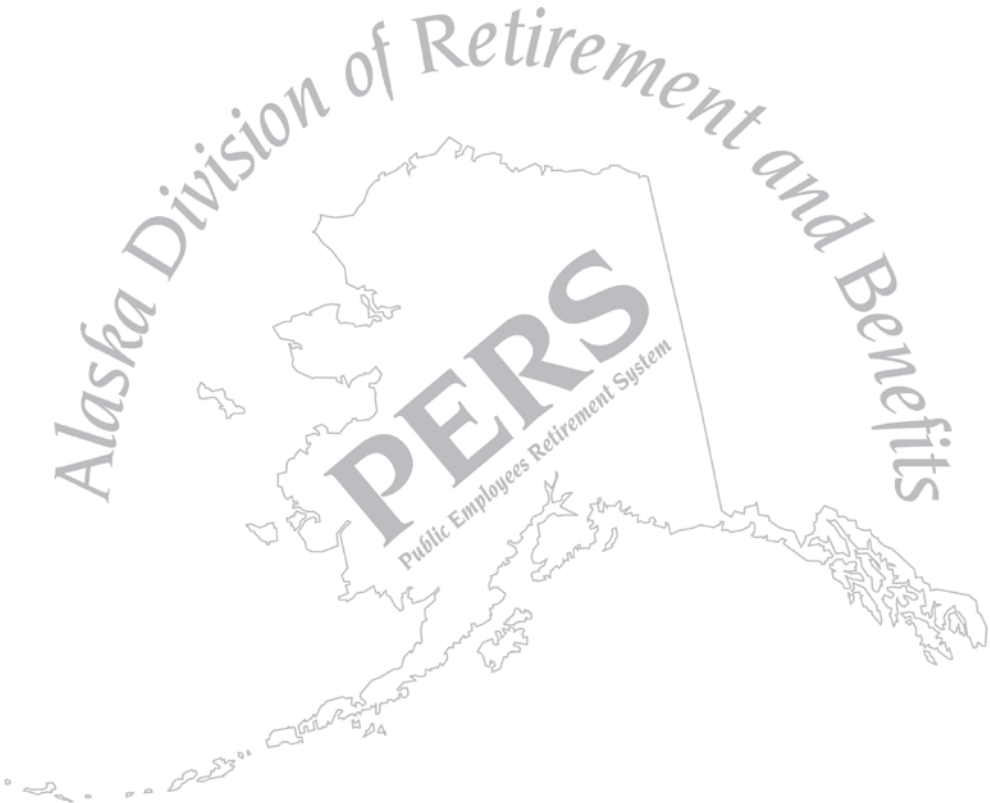
State of Alaska
Public Employees' Retirement System
(A Component Unit of the State of Alaska)
Schedule of Administrative and Investment Deductions
Years ended June 30, 2015 and 2014
(In thousands)

	Administrative	Investment	Totals	
			2015	2014
Personal services:				
Wages	\$ 4,674	218	4,892	4,546
Benefits	2,779	90	2,869	2,714
Total personal services	7,453	308	7,761	7,260
Travel:				
Transportation	51	122	173	161
Per diem	11	17	28	60
Total travel	62	139	201	221
Contractual services:				
Management and consulting	12,861	34,073	46,934	41,769
Accounting and auditing	148	774	922	126
Data processing	59	6	65	252
Communications	1,493	543	2,036	2,658
Advertising and printing	156	34	190	162
Rentals/leases	399	52	451	413
Legal	469	71	540	714
Medical specialists	43	—	43	168
Repairs and maintenance	1	—	1	14
Transportation	68	2	70	126
Other professional services	238	51	289	183
Total contractual services	15,935	35,606	51,541	46,585
Patient Protection and Affordable Care Act				
Transitional Reinsurance Program	1,081	—	1,081	—
PCORI Fees	—	—	—	12
Total Patient Protection and Affordable Care Act	1,081	—	1,081	12
Other:				
Equipment	48	15	63	48
Supplies	159	55	214	168
Total other	207	70	277	216
Total administrative and investment deductions	\$ 24,738	36,123	60,861	54,294

State of Alaska
Public Employees' Retirement System
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Schedule of Payments to Consultants
Other than Investment Advisors
Years ended June 30, 2015 and 2014
(In thousands)

Firm	Services	2015	2014
Buck Consultants, a Xerox Company	Actuarial services	\$ 548	\$ 612
KPMG LLP	Auditing services	141	106
State Street Bank Corporation	Custodian banking services	697	697
Applied Microsystems Inc.	Data processing consultants	507	332
Computer Task Group, Inc.	Data processing consultants	110	131
Mythics Inc.	Data processing consultants	—	9
Wostmann Group LLC	Data processing consultants	—	243
State of Alaska, Department of Law	Legal services	540	644
Michael Silverman	Management consulting services	1	236
The Wilson Agency LLC	Management consulting services	—	2
and Social Services	Medical expertise and counseling	41	125
		\$ 2,585	\$ 3,137

See accompanying independent auditors' report.





INVESTMENT SECTION

Alaska Division of Retirement and Benefits





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www.callan.com

September 9, 2015

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

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2015.

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

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

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

Equity markets in the U.S. climbed steadily higher during the fiscal year 2015. The Russell 3000 Index, a measure of broad U.S. equity, gained 7.29%. Returns for equities outside of the U.S. did not fare as well. International stocks, as measured by the MSCI ACWI ex-U.S. Index, lost 4.85% for the period. A broad measure of the total global equity market (MSCI All Country World Index) rose 1.23%.

Investment Section

A flattening yield curve during the period boosted fixed income performance. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, gained 1.86%. Absolute return strategies, such as hedge fund-of-funds, posted modest gains during the fiscal year. The Callan Absolute Return Hedge Fund-of-Funds Style median return was 2.28% (net- of-fee). Private real estate investments (NCREIF Property Index) turned in another solid year, returning 12.98%. Publicly traded real estate, as measured by the NAREIT Equity Index, did not perform as well and increased only 4.14%.

ARMB's various asset group returns performed as expected.

Domestic stocks	7.84%
Int'l Stocks	-3.32%
Alternative Equity	-0.81%
Fixed Income	-0.73%
Real Assets	3.71%
Private Equity	13.77%
Absolute Return	9.24%

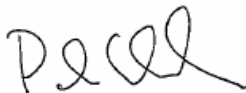
For the fiscal year, the Public Employees Retirement System (PERS) had a time-weighted total return of 3.29% and the Teachers Retirement System (TRS) had a time-weighted total return of 3.30%. Both systems outperformed their strategic policy benchmark target return of 2.74% and the median return for Callan's Public Fund database of 3.21%.

Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 10-year annualized return was 6.69% while TRS's return was slightly higher at 6.73%. These returns were in line, but slightly above, their target return of 6.54%. Over the longest period for which Callan has detailed data (23.75 years), PERS and TRS have achieved annualized total returns of 7.84% and 7.90%, respectively, while the policy benchmark return was 7.80%.

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

In summary, fiscal 2015 was a year in which asset class returns were varied and a well-diversified portfolio was able to produce positive results.

Sincerely,



Paul Erlendson
Senior Vice President

Department of Revenue Treasury Division Staff As of June 30, 2015

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

External Money Managers and Consultants

Domestic Equity Large Capitalization

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

Domestic Equity Small Capitalization

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

Domestic Equity MicroCap

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

Domestic Equity Index Fund

State Street Global Advisors
San Francisco, CA

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

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

International Small Cap

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

Emerging Market Income

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

International Fixed Income

Mondrian Investment Partners
London, England

High Yield/Convertible Bond/Tactical Bond

MacKay Shields LLC
New York, NY
Advent Capital Management
New York, NY
Pyramis Global Advisors
Smithfield, RI

Investment Section

External Money Managers and Consultants (cont.)

Taxable Municipal Bonds

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

Master Limited Partnerships

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

Absolute Return

Allianz Global Investors
New York, NY
Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
KKR (formerly Prisma Capital Partners)
New York, NY

Private Equity

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

Real Assets – Real Estate Core Separate Accounts

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

Real Assets – Commingled Real Estate Funds

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

Real Assets – Energy

EIG Global Energy Partners
Washington, DC

Real Assets – Infrastructure

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

Real Assets – Farmland and Timber

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

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan

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

Global Master Custodian

State Street Bank & Trust Co.
Boston, MA

Investment Consultants

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

Investment Advisory Council

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

Independent Auditors

KPMG, LLP
Anchorage, AK

Actuaries

Buck Consultants
Denver, CO
Gabriel Roeder Smith
Denver, CO

Public Employees' Retirement System Investment Report

INVESTMENTS

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

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

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

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2015 fiscal year, the ARMB's target asset allocation was 26% domestic equities, 25% global equities ex-U.S., 3% alternative equity strategies, 9% private equity, 17% real assets, 12% fixed income, 5% absolute return, and 3% cash equivalents. The target asset allocation is expected to generate a return of 7.22% with a standard deviation of 15.01%.

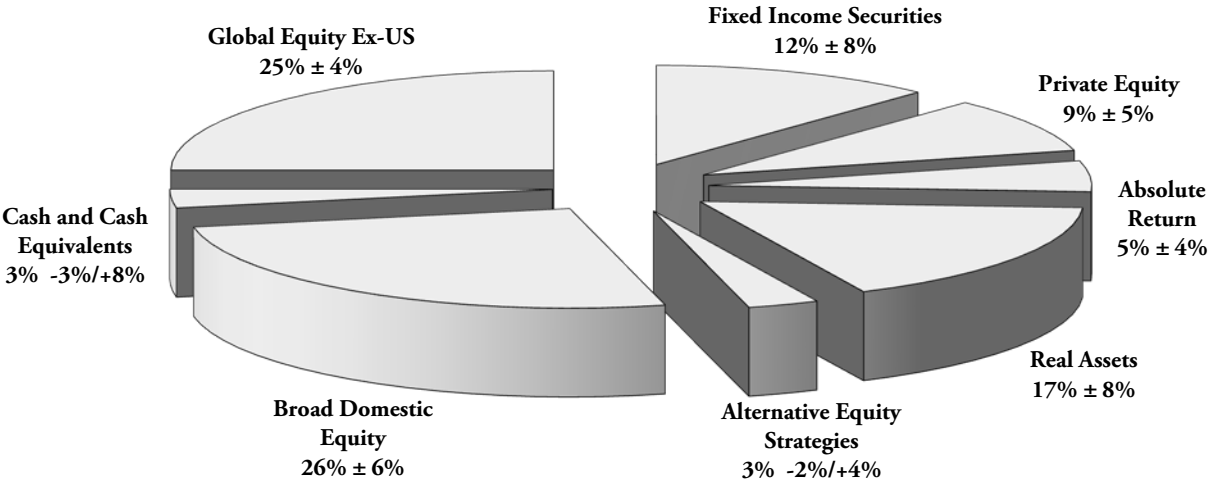
Investment Section

Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2011	2012	2013	2014	2015	Annualized	
						3 Year	5 Year
Total Fund							
PERS	21.22%	0.46%	12.50%	18.56%	3.29%	11.27%	10.89%
<i>Actuarial Earnings Rate</i>	8.00	8.00	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	33.37	1.80	21.23	25.81	7.84	18.04	17.43
<i>Custom Composite Index</i>	32.37	3.84	21.46	25.22	7.29	17.73	17.54
Fixed Income							
PERS	5.46	4.90	0.57	5.14	(0.74)	1.63	3.03
<i>Custom Composite Index</i>	5.06	5.08	(0.04)	3.31	0.41	1.22	2.74
Real Assets							
PERS	15.25	10.46	10.47	13.28	3.70	9.07	10.51
<i>Custom Composite Index</i>	12.66	11.41	8.35	10.98	7.99	9.10	10.26
International Stock Returns							
PERS International Equities	28.27	(13.67)	15.01	23.43	(3.32)	11.13	8.73
<i>MSCI ACWI ex-US</i>	30.27	(14.15)	14.14	22.27	(4.85)	9.92	8.23
Private Equity							
PERS	20.14	9.44	11.61	24.19	13.77	16.40	15.70
<i>Custom Composite Index</i>	32.93	(3.61)	21.24	24.01	3.33	15.82	14.76
Absolute Return							
PERS	5.98	(2.05)	8.41	6.51	9.24	8.05	5.54
<i>3-month Treasury Bill +5%</i>	5.16	5.06	5.11	5.05	5.02	5.06	5.08
Alternative Equity							
PERS	—	—	—	22.36	(0.89)	—	—
<i>Custom Composite Index</i>	—	—	—	18.70	4.26	—	—
Cash Equivalents							
PERS	0.47	0.44	0.25	0.27	0.28	0.26	0.34
<i>3-month Treasury Bill</i>	0.16	0.06	0.11	0.05	0.02	0.06	0.08

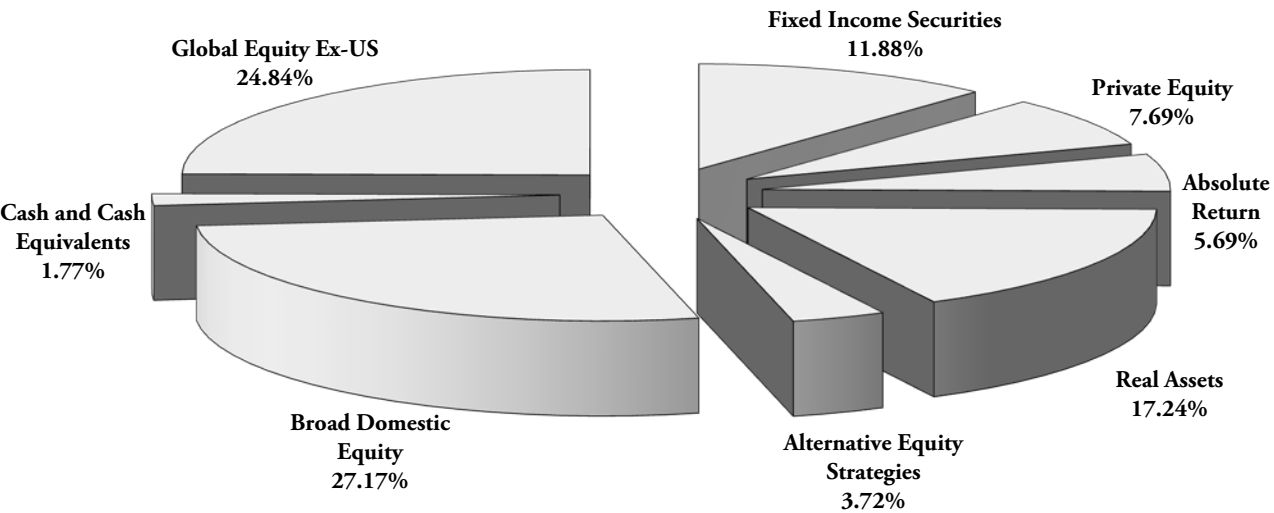
MSCI ACWI =Morgan Stanley Capital International All Country World Index
Returns for periods longer than one year are reported on an annualized basis.
Basis of calculation: Time-Weighed rate of return based on the market rate of return.

**Public Employees' Retirement System
Asset Allocation
June 30, 2015**

Policy



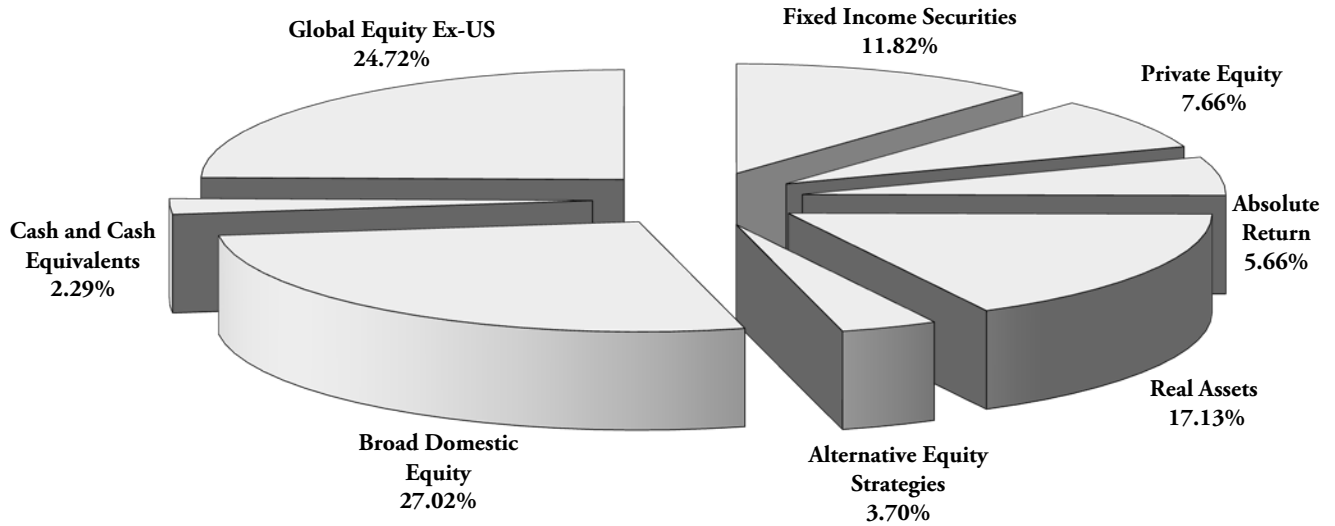
Actual – Defined Benefit Pension



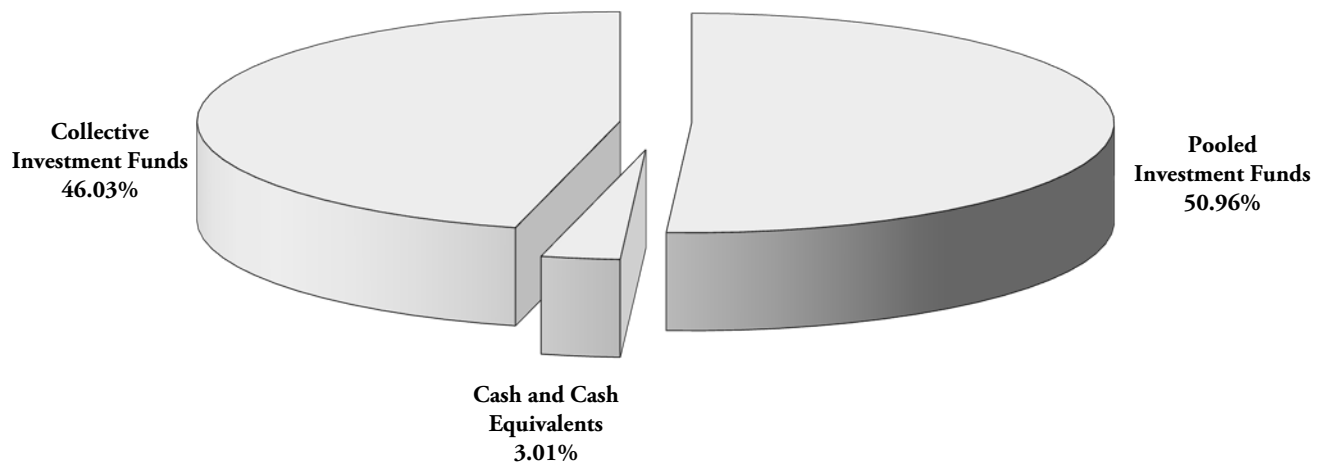
Investment Section

Public Employees' Retirement System Asset Allocation June 30, 2015

Actual – Defined Benefit Alaska Retiree Healthcare Trust

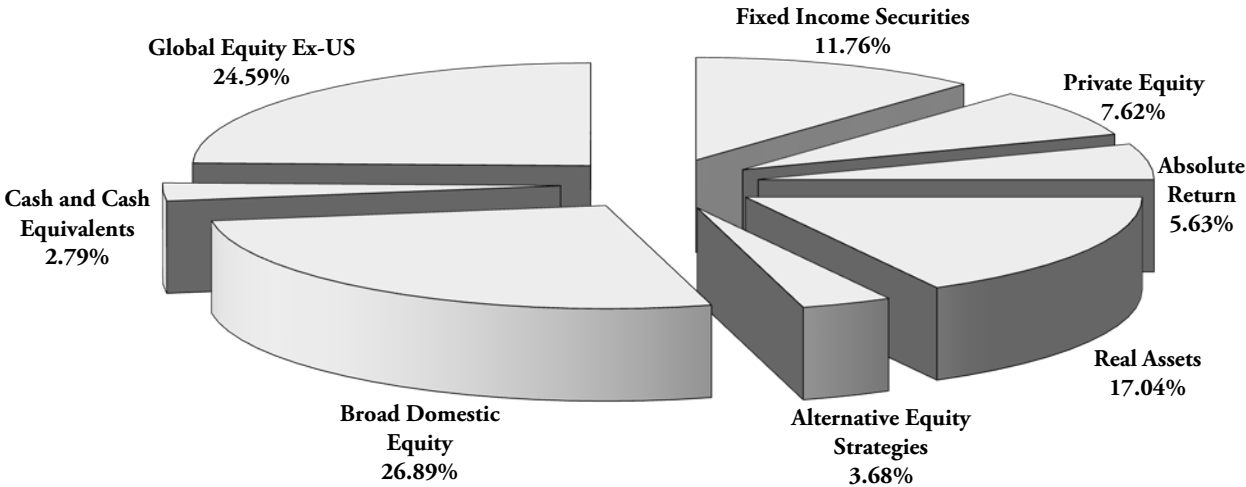


Actual – Defined Contribution Participant Directed

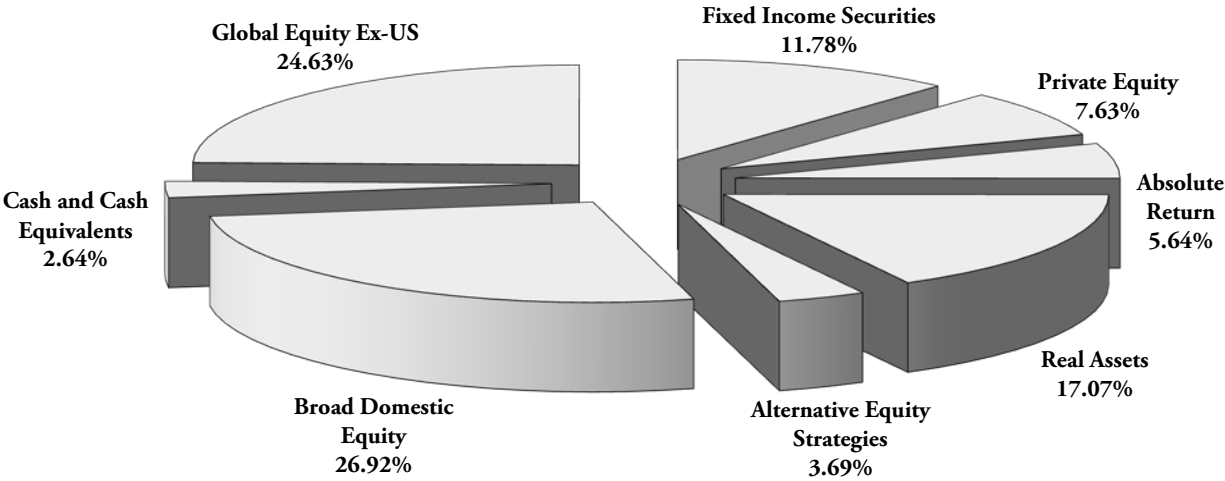


**Public Employees' Retirement System
Asset Allocation
June 30, 2015**

Actual — Health Reimbursement Arrangement



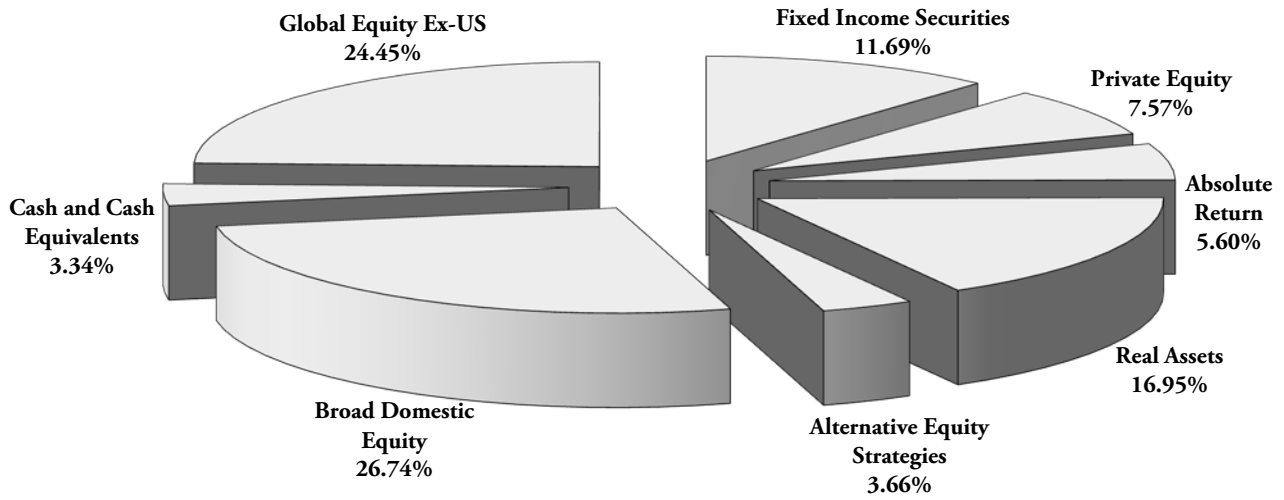
Actual — Occupational Death & Disability



Investment Section

**Public Employees' Retirement System
Asset Allocation
June 30, 2015**

Actual — Retiree Medical Plan



**Alaska Retirement Management Board
Top Ten Holdings by Asset Type
June 30, 2015**

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

Fixed Income

<u>Rank</u>	<u>Largest Fixed Income Holdings</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 1.750% 9/30/2019	\$122,489,881	\$121,033,725
2	US Treasury 1.375% 2/29/2020	100,098,022	100,973,666
3	US Treasury 0.875% 5/15/2018	98,762,486	98,654,558
4	US Treasury 2.125% 5/15/2025	59,302,629	60,397,331
5	US Treasury 0.750% 4/15/2018	47,495,255	47,745,153
6	US Treasury 1.500% 2/28/2019	46,591,585	46,201,735
7	US Treasury 1.250% 10/31/2018	39,614,692	39,478,964
8	US Treasury 1.500% 8/31/2018	37,339,178	36,858,288
9	US Treasury 1.250% 1/31/2020	22,250,079	22,553,148
10	US Treasury 1.625% 4/30/2019	20,749,394	20,520,143

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc.	\$121,467,596
2	Microsoft Corp.	69,740,309
3	Exxon Mobil Corp.	58,298,599
4	Wells Fargo & Co.	55,543,208
5	Pfizer Inc.	50,596,008
6	JPMorgan Chase & Co.	50,064,945
7	Johnson & Johnson	47,836,235
8	Citigroup Inc.	41,269,218
9	General Electric Co.	41,219,805
10	Procter & Gamble Co./The	39,459,716

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

Investment Section

Public Employees' Retirement System Schedule of Investment Management Fees Year Ended June 30, 2015

	<u>Total Fair Value</u>	<u>Fees</u>
Fixed Income		
Municipal Bond Pool		
* Guggenheim Partners	\$ 73,787,990	\$ 176,016
* Western Asser Management	76,625,219	191,233
Total Municipal Bond Pool	<u>150,413,209</u>	<u>367,249</u>
High Yield Pool		
* Mackay Shields, LLC	412,089,270	1,889,261
Tactical Fixed Income		
* Pyramis Global Advisors	80,800,149	216,575
International Fixed Income		
* Mondrian Investment Partners	254,362,926	1,028,317
Broad Domestic Equity Pools		
* Allianz Global Investors	243,040,323	682,407
* Barrow, Hanley, Mewhinney & Strauss, INC (LC)	237,724,906	853,651
* Barrow, Hanley, Mewhinney & Strauss, INC (SC)	74,433,811	416,381
* DePrince, Race & Zollo Inc.-Micro Cap	58,110,448	679,888
* Frontier Capital Management	71,807,734	625,616
* Jennison Associates LLC	74,775,663	628,245
* Lazard Asset Management	259,267,683	704,790
* Lord Abbett & Co. (Micro)	79,185,206	757,920
* Lord Abbett & Co. (SC)	76,685,363	549,439
* Luther King Cap. Management	72,421,749	412,492
* McKinley Capital	244,357,265	864,427
* Quantitative Management Associates	227,748,735	736,135
* SSgA Future Small Cap	7,970,910	8,002
* SSgA Futures Large Cap	9,422,434	9,828
* SSgA Russell 1000 Growth	778,099,874	99,194
* SSgA Russell 1000 Value	948,523,555	99,847
* SSgA Russell 200	517,952,991	51,453
* SSgA Russell 2000 Growth	13,156,606	6,427
* SSgA Russell 2000 Value	43,221,047	22,377
* SSgA Volatility - Russell 1000	65,856,764	28,645
* SSgA Volatility - Russell 2000	65,403,073	28,102
* Sycamore Capital Management	77,257,126	618,293
* Zebra Capital Management	49,725,565	5,831
Total Domestic Equities	<u>4,296,148,831</u>	<u>8,889,390</u>
Global Equity Ex-U.S.		
* Allianz Global Investors	169,860,415	707,224
* Arrow Street Capital	140,226,340	473,456
* Baillie Gifford Overseas Limited	183,181,916	737,345
* Blackrock ACWI Ex-US IMI	360,274,172	233,588
* Brandes Investment Partners	726,434,162	2,793,928
* Capital Guardian Trust Co.	537,565,335	1,996,092
* Lazard Freres	269,306,805	419,452
* McKinley Capital Mgmt.	346,935,511	1,587,642
* Mondrian Investment Partners	103,854,459	781,598
* Schroder Investment Management	111,419,900	880,139
* SSgA	558,324,134	299,905
Total International Equities	<u>3,507,383,149</u>	<u>10,910,369</u>
Alternative Equity Strategies		
Alternative Equity Pool		
* Analytic SSgA Account	189,712,126	255,398
* Quantitative Management Associates MPS	131,263,331	109,268
** Relational Investors, LLC	45,207,278	915,095
Total Alternative Equity	<u>366,182,735</u>	<u>1,279,761</u>
Convertible Bond Pool		
* Advent Capital	131,194,257	779,946
Private Equity Pool		
* Abbott Capital Management	514,907,624	1,399,418
** Angelo Gordon & Co.	3,972,071	80,867
** BlumCapital Partners-Strategic	1,955,670	124,132
** Glendon Opportunities	13,212,819	78,964
** Lexington Partners	31,738,949	274,001
** Merit Capital Partners	9,446,963	189,474
** Neuberger Berman Secondary Opportunities	11,303,318	413,506
** New Mountain Partners	3,601,187	414,936
** NGP XI	1,481,826	214,397
** Onex Partners	16,208,107	98,416
* Pathway Capital Management	553,202,873	1,716,849
** Warburg Pincus	29,743,443	337,087
Total Private Equities	<u>1,190,774,850</u>	<u>5,342,047</u>

Public Employees' Retirement System
Schedule of Investment Management Fees (cont.)
Year Ended June 30, 2015

	Total Fair Value	Fees
Absolute Return Pool		
** Allianz Global Investors	\$ 140,267,387	\$ 3,021,408
** Crestline Investors Inc.	141,386,457	1,001,158
** Global Asset Management	250,493,615	1,666,380
** Prisma Capital Partners	297,397,438	1,911,000
Total Absolute Return	829,544,897	7,599,946
Real Assets		
Real Estate Pool		
** Almanac Realty Securities IV	1,541,037	72,447
** Almanac Realty Securities V	11,529,172	158,560
** BlackRock Diamond	12,121,122	179,208
** Colony Investors VIII, L.P.	12,769,181	383,567
** Cornerstone	-	233,191
** Cornerstone Apartment Venture III	157,046	25,487
** Coventry	8,889,613	221,989
** ING Clarion Development Venture III	9,064,387	164,827
** ING Clarion Development Venture 4	7,572,088	3,946
** JPM Strategic	136,938,511	1,129,020
** KKR	25,872,000	226,217
** LaSalle Separate	103,196,431	563,754
** LaSalle Medical Office Fund II	2,078,156	53,132
** Lowe Hospitality	1,223,812	13,990
** Sentinel Separate	139,742,356	677,100
** Silverpeak Real Estate Partners II	29,757,809	219,283
** Silverpeak Real Estate Partners III	4,756,011	113,823
** Tishman Speyer Fund VI	24,970,908	259,910
** Tishman Speyer Fund VII	5,131,268	106,346
** UBS Consolidated	60,600,950	624,579
** UBS Separate	275,652,892	1,303,032
Total Real Estate	873,564,750	6,733,408
Infrastructure Public Pool		
* Brookfield Investment Management	83,500,944	510,978
* Lazard Asset Management	83,406,067	491,768
Total Infrastructure Public Pool	166,907,011	1,002,746
Master Limited Partnerships Pool		
* Advisory Research Inc	169,851,431	824,779
* Tortoise MLP	179,648,148	1,128,797
Total Master Limited Partnerships Pool	349,499,579	1,953,576
Energy Pool		
** EIG Energy Fund XV	24,507,584	309,919
** EIG Energy Fund XD	4,611,428	52,666
** EIG Energy Fund XIV-A	29,307,122	450,252
** EIG Energy Fund XVI	9,280,819	444,732
Total Energy Pool	67,706,953	1,257,569
Farmland Pool		
** Hancock Agriculture Investment Group	161,133,683	1,272,662
** UBS Agrivest	350,935,761	2,695,954
Total Farmland	512,069,444	3,968,616
Timber Pool		
** Hancock Natural Resource Group	67,559,986	470,174
** Timberland Investment Resources	187,698,647	1,433,325
Total Timber Pool	255,258,633	1,903,499
Custodian		
* State Street Bank		750,067
Investment Advisory		
* Callan Associates		156,762
* Investment Advisory Council		57,830
* Townsend Group		70,363
Total Investment Advisory		284,955
Investment Performance		
* Callan Associates		189,564
Total External Management Fees		\$ 56,346,861

*These fees are paid through the Alaska Statewide Accounting System (AKSAS)

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

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Defined Benefit - Pension			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+8%	\$ 152,381,388	
Total Cash and Cash Equivalents			152,381,388	1.77%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			474,205,244	
Taxable Municipal Bond Pool			81,663,166	
Tactical Fixed Income			43,868,460	
High Yield Pool			223,733,776	
International Fixed Income Pool			138,100,118	
Emerging Debt Pool			58,535,933	
Total Fixed Income Securities	12.00%	± 8%	1,020,106,697	11.88%
Broad Domestic Equity				
Large Cap Pool			1,917,609,903	
Small Cap Pool			414,887,998	
Total Broad Domestic Equity	26.00%	± 6%	2,332,497,901	27.17%
Global Equity Ex-U.S.				
International Equity Pool			1,787,369,819	
International Equity Small Cap Pool			116,877,942	
Frontier Markets Pool			1,957,899	
Emerging Markets Equity Pool			226,889,145	
Total Global Equity Ex-U.S.	25.00%	± 4%	2,133,094,805	24.84%
Alternative Equity Strategies				
Alternative Equity Strategies			248,197,576	
Convertible Bond Pool			71,228,709	
Total Alternative Equities	3.00%	-2%/+4%	319,426,285	3.72%
Private Equity				
Private Equity Pool			660,679,665	
Total Private Equity	9.00%	± 5%	660,679,665	7.69%
Absolute Return				
Absolute Return Pool			488,351,815	
Total Absolute Return	5.00%	± 4%	488,351,815	5.69%
Real Assets				
Real Estate Pool			476,473,855	
Real Estate Investment Trust Pool			117,787,050	
Infrastructure Private Pool			103,834,155	
Infrastructure Public Pool			90,618,072	
Master Limited Partnership Pool			189,752,233	
Energy Pool			36,759,831	
Farmland Pool			278,015,559	
Timber Pool			138,586,419	
Treasury Inflation Protected Securities Pool			48,123,779	
Total Real Assets	17.00%	± 8%	1,479,950,953	17.24%
Total Invested Assets	100.00%		\$ 8,586,489,509	100.00%

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Defined Benefit - Alaska Retiree Health Care Trust			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+8%	\$ 160,558,779	
Total Cash and Cash Equivalents			160,558,779	2.29%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			385,311,335	
Taxable Municipal Bond Pool			66,354,695	
Tactical Fixed Income			35,644,936	
High Yield Pool			181,792,925	
International Fixed Income Pool			112,212,049	
Emerging Debt Pool			47,562,864	
Total Fixed Income Securities	12.00%	± 8%	828,878,804	11.82%
Broad Domestic Equity				
Large Cap Pool			1,558,137,194	
Small Cap Pool			337,113,621	
Total Broad Domestic Equity	26.00%	± 6%	1,895,250,815	27.02%
Global Equity Ex-U.S.				
International Equity Pool			1,452,311,750	
International Equity Small Cap Pool			94,968,150	
Frontier Markets Pool			1,590,871	
Emerging Markets Equity Pool			184,356,792	
Total Global Equity Ex-U.S.	25.00%	± 4%	1,733,227,563	24.72%
Alternative Equity Strategies				
Alternative Equity Strategies			201,670,773	
Convertible Bond Pool			57,876,264	
Total Alternative Equities	3.00%	-2%/+4%	259,547,037	3.70%
Private Equity				
Private Equity Pool			536,829,495	
Total Private Equity	9.00%	± 5%	536,829,495	7.66%
Absolute Return				
Absolute Return Pool			396,806,009	
Total Absolute Return	5.00%	± 4%	396,806,009	5.66%
Real Assets				
Real Estate Pool			385,733,074	
Real Estate Investment Trust Pool			95,706,842	
Infrastructure Private Pool			84,369,539	
Infrastructure Public Pool			73,630,926	
Master Limited Partnership Pool			154,181,523	
Energy Pool			29,868,882	
Farmland Pool			225,899,119	
Timber Pool			112,607,188	
Treasury Inflation Protected Securities Pool			39,102,559	
Total Real Assets	17.00%	± 8%	1,201,099,652	17.13%
Total Invested Assets	100.00%		\$ 7,012,198,154	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Asset Allocation		Fair Market Value	% of Total Assets
	Policy	Range		
Defined Contribution - Participant Directed				
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 18,083,070	
Total Cash and Cash Equivalents			18,083,070	3.01%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			1,862,149	
Target 2015 Trust			8,327,057	
Target 2020 Trust			17,577,899	
Target 2025 Trust			25,215,065	
Target 2030 Trust			26,396,139	
Target 2035 Trust			30,279,374	
Target 2040 Trust			36,779,493	
Target 2045 Trust			45,422,526	
Target 2050 Trust			53,074,196	
Target 2055 Trust			30,181,835	
Alaska Balanced Fund			4,091,491	
Long-Term Balanced Fund			21,981,048	
Alaska Money Market			4,766,551	
Total Pooled Investment Funds			305,954,823	50.96%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			1,505,571	
S&P Stock Index Fund			36,708,397	
Russell 3000 Index			36,227,061	
Real Estate Investment Trust Index			9,277,992	
World Equity Ex-U.S. Index			29,686,386	
Long U.S. Treasury Bond Index			650,551	
Treasury Inflation Protected Securities Index			4,091,598	
World Government Bond Ex-U.S. Index			7,874,406	
Global Balanced Fund			22,188,774	
Barclays				
Daily Government/Corporate Bond Fund			36,844,901	
Intermediate Bond Fund			508,387	
Brandes Institutional				
Alaska International Equity Fund			36,016,071	
RCM				
Socially Responsible Fund			2,833,436	
T. Rowe Price				
Small-Cap Fund			52,000,312	
Total Collective Investment Funds			276,413,843	46.03%
Total Invested Assets			\$600,451,736	100.00%

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

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Health Reimbursement Arrangement			% of Total Assets
	Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+8%	\$ 5,353,444	
Total Cash and Cash Equivalents			5,353,444	2.79%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			10,495,926	
Taxable Municipal Bond Pool			1,807,510	
Tactical Fixed Income			970,972	
High Yield Pool			4,952,061	
International Fixed Income Pool			3,056,669	
Emerging Debt Pool			1,295,618	
Total Fixed Income Securities	12.00%	± 8%	22,578,756	11.76%
Broad Domestic Equity				
Large Cap Pool			42,443,840	
Small Cap Pool			9,183,015	
Total Broad Domestic Equity	26.00%	± 6%	51,626,855	26.89%
Global Equity Ex-U.S.				
International Equity Pool			39,561,142	
International Equity Small Cap Pool			2,586,943	
Frontier Markets Pool			43,336	
Emerging Markets Equity Pool			5,021,900	
Total Global Equity Ex-U.S.	25.00%	± 4%	47,213,321	24.59%
Alternative Equity Strategies				
Alternative Equity Strategies			5,493,536	
Convertible Bond Pool			1,576,556	
Total Alternative Equities	3.00%	-2%/+4%	7,070,092	3.68%
Private Equity				
Private Equity Pool			14,623,299	
Total Private Equity	9.00%	± 5%	14,623,299	7.62%
Absolute Return				
Absolute Return Pool			10,809,042	
Total Absolute Return	5.00%	± 4%	10,809,042	5.63%
Real Assets				
Real Estate Pool			10,507,414	
Real Estate Investment Trust Pool			2,607,066	
Infrastructure Private Pool			2,298,237	
Infrastructure Public Pool			2,005,715	
Master Limited Partnership Pool			4,199,922	
Energy Pool			813,632	
Farmland Pool			6,153,518	
Timber Pool			3,067,433	
Treasury Inflation Protected Securities Pool			1,065,159	
Total Real Assets	17.00%	± 8%	32,718,096	17.04%
Total Invested Assets	100.00%		\$ 191,992,905	100.00%

Investment Section

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Occupational Death and Disability		Fair Market Value	% of Total Assets
	Asset Allocation Policy	Range		
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+8%	\$ 502,206	
Total Cash and Cash Equivalents			<u>502,206</u>	2.64%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			1,042,759	
Taxable Municipal Bond Pool			179,573	
Tactical Fixed Income			96,465	
High Yield Pool			491,981	
International Fixed Income Pool			303,677	
Emerging Debt Pool			128,718	
Total Fixed Income Securities	12.00%	± 8%	<u>2,243,173</u>	11.78%
Broad Domestic Equity				
Large Cap Pool			4,216,748	
Small Cap Pool			912,322	
Total Broad Domestic Equity	26.00%	± 6%	<u>5,129,070</u>	26.92%
Global Equity Ex-U.S.				
International Equity Pool			3,930,355	
International Equity Small Cap Pool			257,010	
Frontier Markets Pool			4,305	
Emerging Markets Equity Pool			498,921	
Total Global Equity Ex-U.S.	25.00%	± 4%	<u>4,690,591</u>	24.63%
Alternative Equity Strategies				
Alternative Equity Strategies			545,777	
Convertible Bond Pool			156,628	
Total Alternative Equities	3.00%	-2%/+4%	<u>702,405</u>	3.69%
Private Equity				
Private Equity Pool			1,452,808	
Total Private Equity	9.00%	± 5%	<u>1,452,808</u>	7.63%
Absolute Return				
Absolute Return Pool			1,073,867	
Total Absolute Return	5.00%	± 4%	<u>1,073,867</u>	5.64%
Real Assets				
Real Estate Pool			1,043,899	
Real Estate Investment Trust Pool			259,009	
Infrastructure Private Pool			228,327	
Infrastructure Public Pool			199,265	
Master Limited Partnership Pool			417,258	
Energy Pool			80,833	
Farmland Pool			611,345	
Timber Pool			304,747	
Treasury Inflation Protected Securities Pool			105,823	
Total Real Assets	17.00%	± 8%	<u>3,250,506</u>	17.07%
Total Invested Assets	100.00%		<u>\$ 19,044,626</u>	100.00%

Public Employees' Retirement System Investment Summary Schedule June 30, 2015

Investments (at Fair Value)	Asset Allocation		Retiree Medical Plan	
	Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool	3.00%	-3%/+8%	\$ 1,455,419	
Total Cash and Cash Equivalents			1,455,419	3.34%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			2,370,727	
Taxable Municipal Bond Pool			408,265	
Tactical Fixed Income			219,315	
High Yield Pool			1,118,527	
International Fixed Income Pool			690,413	
Emerging Debt Pool			292,643	
Total Fixed Income Securities	12.00%	± 8%	5,099,890	11.69%
Broad Domestic Equity				
Large Cap Pool			9,586,840	
Small Cap Pool			2,074,179	
Total Broad Domestic Equity	26.00%	± 6%	11,661,019	26.74%
Global Equity Ex-U.S.				
International Equity Pool			8,935,722	
International Equity Small Cap Pool			584,316	
Frontier Markets Pool			9,788	
Emerging Markets Equity Pool			1,134,302	
Total Global Equity Ex-U.S.	25.00%	± 4%	10,664,128	24.45%
Alternative Equity Strategies				
Alternative Equity Strategies			1,240,831	
Convertible Bond Pool			356,099	
Total Alternative Equities	3.00%	-2%/+4%	1,596,930	3.66%
Private Equity				
Private Equity Pool			3,302,981	
Total Private Equity	9.00%	± 5%	3,302,981	7.57%
Absolute Return				
Absolute Return Pool			2,441,451	
Total Absolute Return	5.00%	± 4%	2,441,451	5.60%
Real Assets				
Real Estate Pool			2,373,322	
Real Estate Investment Trust Pool			588,861	
Infrastructure Private Pool			519,105	
Infrastructure Public Pool			453,034	
Master Limited Partnership Pool			948,641	
Energy Pool			183,776	
Farmland Pool			1,389,902	
Timber Pool			692,845	
Treasury Inflation Protected Securities Pool			240,588	
Total Real Assets	17.00%	± 8%	7,390,074	16.95%
Total Invested Assets	100.00%		\$ 43,611,892	100.00%

Investment Section

Public Employees' Retirement System Recaptured Commission Fees Year Ended June 30, 2015

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$3,556	\$2,431	\$5,987
Postemployment Benefit - Alaska Retiree Healthcare Trust	2,890	1,975	4,865
Postemployment Benefit - Health Reimbursement Arrangement	79	54	133
Postemployment Benefit - Occupational Death & Disability	7	6	13
Postemployment Benefit - Retiree Medical Pan	18	12	30
Total Recapture Commission Fees	\$6,550	\$4,478	\$11,028

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

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

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



ACTUARIAL SECTION

Alaska Division of Retirement and Benefits





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October 6, 2015

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska Public Employees' Retirement System (PERS) as of June 30, 2014 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2014. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the System.

The State of Alaska Public Employees' Retirement System is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board) and as required by Alaska state statutes. The funding objective for the State of Alaska Public Employees' Retirement System is to pay required contributions that remain level as a percent of total PERS Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, System expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percentage of payroll over a closed 25-year period and as required by Alaska state statutes.

Actuarial Section

In accordance with Senate Bill 119, signed into law May 28, 2014, and HB 385, signed into law June 23, 2014, the following changes are effective for this June 30, 2014 actuarial valuation:

- The amortization method used for funding changed from the level dollar amount method to the level percentage of payroll method, and the amortization period was re-initialized to a closed 25-year period as of June 30, 2014.
- The additional state contribution for fiscal year ending June 30, 2015 is exactly \$1,000,000,000.
- The two-year rate setting time lag is intended to be eliminated. The two-year lag in the setting of contribution rates is replaced by a two-year roll forward of liabilities and projected normal costs and a one-year roll forward of June 30, 2015 assets.
- The Actuarial Value of Assets is reset to the Fair Value of Assets as of June 30, 2014. The five-year smoothing method with grow-in will be implemented over the next five years.
- The 20% corridor over/under the Fair Value of Assets is eliminated in the calculation of the Actuarial Value of Assets.

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

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed in 2014 covering experience for the period July 1, 2009 to June 30, 2013. Changes in actuarial assumptions were recommended by the actuary as a result of the 2014 experience analysis and adopted by the Board. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claim cost rates effective June 30, 2014 to better reflect expected future healthcare experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 6.

The assumptions and methods used to calculate the Actuarially Determined Contribution (ADC) of the Employers to the State of Alaska Public Employees' Retirement System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 67, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the trend data schedule under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 5 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR.

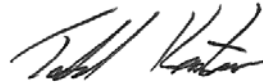
Actuarial Section

Both of the undersigned are Associates of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

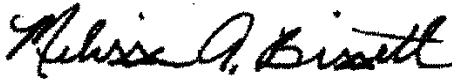


David H. Sliskinsky, ASA, MAAA, FCA
Principal, Consulting Actuary



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

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



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

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures

The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2014.

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

A. Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of payroll amount. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

Projected pension and postemployment healthcare benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for pension benefits (constant dollar amount for healthcare benefits) from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

State of Alaska
Public Employees' Retirement System
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B. Valuation of Assets

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

C. Changes in Methods since the Prior Valuation

In accordance with Senate Bill 119, signed into law May 28, 2014, and HB 385, signed into law June 23, 2014, the following changes are effective for this June 30, 2014 actuarial valuation:

- The amortization method used for funding changed from the level dollar amount method to the level percentage of payroll method, and the amortization period was re-initialized to a closed 25-year period as of June 30, 2014.
- The additional state contribution for fiscal year ending June 30, 2015 is exactly \$1,000,000,000.
- The two-year rate setting time lag is intended to be eliminated. The two-year lag in the setting of contribution rates is replaced by a two-year roll forward of liabilities and projected normal costs and a one-year roll forward of June 30, 2015 assets.
- The Actuarial Value of Assets is reset to the Fair Value of Assets as of June 30, 2014. The five-year smoothing method with grow-in will be implemented over the next five years.
- The 20% corridor over/under the Fair Value of Assets is eliminated in the calculation of the Actuarial Value of Assets.

D. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2014 to June 30, 2015.

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 non-prescription 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.

State of Alaska
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We analyzed HealthSmart management level reporting for fiscal 2011 through 2014 and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available historic management level reporting from HealthSmart does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Historical claim level reporting and estimated impacts of Medicare coordination and plan design were used to augment cost data by Medicare status. Aetna does provide separate experience by Medicare status and will be incorporated into per capita rate development as credible experience emerges.
3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these “no-Part A” individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

Based on census data received from Aetna, 0.33% of the current retiree (including dependents) population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire and/or re-hire, date of birth, tier, etc.

All claims cost rates developed from management level reporting have been compared to similar rates developed from claim level data.

4. The steps above result in separate incurred claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We deemed incurred claim data from HealthSmart management reports to be complete for fiscal 2011, 2012 and 2013. Fiscal 2014 medical claim data was completed using a factor of 0.81; fiscal 2014 prescription claim data was completed using a factor of 0.92 – these factors were derived from historic completion patterns for AlaskaCare retiree claims. Incurred claim cost rates are projected forward to the valuation year using a blend of Alaska plan-specific trend and national trend rates over the same period, with Alaska experience receiving 75% weight, national trend 25%. These weighted trend factors for this purpose for the current valuation are as follows:

State of Alaska
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Description of Actuarial Methods and Valuation Procedures

Alaska-Specific and National Average
 Weighted Trend from Experience Period to
 Valuation Year

Experience Period	Medical	Prescription	Weighting Factors
FY 2010 to FY 2011	8.1%	4.5%	10.0%
FY 2011 to FY 2012	8.3%	5.1%	20.0%
FY 2012 to FY 2013	8.9%	7.1%	40.0%
FY 2013 to FY 2014	7.7%	6.5%	30.0%

5. For per capital claim cost development, medical claims were trended on a composite basis for pre-Medicare vs. Medicare due to limited reporting as noted in #2 above. Trend assumptions used for rate development are assessed annually and as additional/improved reporting becomes available, we will incorporate into rate development as appropriate.
6. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts other than noted fees have been included in the valuation results.

Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We reviewed the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure, Buck estimated the impact to be immaterial to the accrued liability based on a blend of pre-Medicare and Medicare retirees and the projected impact to future healthcare cost trends due to the estimated tax.

Patient-centered outcomes research fees are included in the admin fees.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

Actuarial Section

State of Alaska
Public Employees' Retirement System
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures

June 30, 2014 Valuation – FY 2015 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Fiscal 2011 Incurred Claims	\$232,724,861	\$55,613,464	\$849,158
Membership	31,362	29,997	138
Paid Claims Cost Rate	\$7,421	\$1,854	\$6,153
Trend to FY2015	1.372	1.372	1.372
FY2015 Paid Cost Rate	\$10,182	\$2,544	\$8,443
Improvided Provider Contracting Factor	0.970	0.993	0.993
FY 2015 Incurred Cost Rate	\$9,876	\$2,526	\$8,384
Fiscal 2012 Incurred Claims	\$233,755,671	\$71,481,207	\$1,587,051
Membership	29,500	33,631	208
Paid Claims Cost Rate	\$7,924	\$2,125	\$7,630
Trend to FY2015	1.269	1.269	1.269
FY2015 Paid Cost Rate	\$10,058	\$2,698	\$9,685
Improvided Provider Contracting Factor	0.970	0.970	0.970
FY 2015 Incurred Cost Rate	\$9,757	\$2,617	\$9,395
Fiscal 2013 Incurred Claims	\$240,038,962	\$73,485,175	\$1,901,568
Membership	27,037	37,913	217
Paid Claims Cost Rate	\$8,878	\$1,938	\$8,763
Trend to FY2015	1.172	1.172	1.172
FY2015 Paid Cost Rate	\$10,407	\$2,272	\$10,272
Improvided Provider Contracting Factor	0.970	0.970	0.970
FY 2015 Incurred Cost Rate	\$10,094	\$2,204	\$9,963
Fiscal 2014 Incurred Claims	\$264,308,816	\$81,160,409	\$2,901,430
Membership	24,486	42,311	223
Paid Claims Cost Rate	\$10,794	\$1,918	\$13,011
Trend to FY2015	1.076	1.076	1.076
FY2015 Paid Cost Rate	\$11,613	\$2,064	\$13,998
Improvided Provider Contracting Factor	0.985	0.985	0.985
FY 2015 Incurred Cost Rate	\$11,439	\$2,033	\$13,788
Weighted Average 7/1/2014-6/30/2015 Incurred Claims Cost Rates:			
At average age	\$10,408	\$2,267	\$10,839
At age 65	\$12,362	\$1,657	\$7,920

State of Alaska
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June 30, 2014 Valuation – FY 2015 Claims Cost Rates (cont.)

	Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	
Fiscal 2011 Incurred Claims	\$48,405,895	\$85,637,669	\$393,968	\$423,625,015
Membership	31,362	29,997	138	61,497
Paid Claims Cost Rate	\$1,543	\$2,855	\$2,855	\$6,889
Trend to FY2015	1.253	1.253	1.253	
FY2015 Paid Cost Rate	\$1,934	\$3,576	\$3,576	\$9,191
Improved Provider Contracting Factor	0.967	0.967	0.967	
FY2015 Incurred Cost Rate	\$1,870	\$3,458	\$3,458	\$8,936
Fiscal 2012 Incurred Claims	\$50,508,869	\$95,412,095	\$590,097	\$453,334,990
Membership	29,500	33,631	208	63,339
Paid Claims Cost Rate	\$1,712	\$2,837	\$2,837	\$7,157
Trend to FY2015	1.199	1.199	1.199	
FY2015 Paid Cost Rate	\$2,053	\$3,401	\$3,401	\$8,922
Improved Provider Contracting Factor	0.967	0.967	0.967	
FY2015 Incurred Cost Rate	\$1,985	\$3,289	\$3,289	\$8,646
Fiscal 2013 Incurred Claims	\$52,633,265	\$99,470,696	\$569,334	\$468,099,000
Membership	27,036	37,913	217	65,167
Paid Claims Cost Rate	\$1,947	\$2,624	\$2,624	\$7,183
Trend to FY2015	1.140	1.140	1.140	
FY2015 Paid Cost Rate	\$2,220	\$2,992	\$2,992	\$8,345
Improved Provider Contracting Factor	0.967	0.967	0.967	
FY2015 Incurred Cost Rate	\$2,147	\$2,893	\$2,893	\$8,087
Fiscal 2014 Incurred Claims	\$45,236,118	\$131,470,349	\$692,910	\$525,770,032
Membership	24,486	42,311	223	67,020
Paid Claims Cost Rate	\$1,847	\$3,107	\$3,107	\$7,845
Trend to FY2015	1.065	1.065	1.065	
FY2015 Paid Cost Rate	\$1,967	\$3,308	\$3,308	\$8,411
Improved Provider Contracting Factor	0.984	0.984	0.984	
FY2015 Incurred Cost Rate	\$1,935	\$3,254	\$3,254	\$8,280
Weighted Average 7/1/2014-6/30/2015 Incurred Claims Cost Rates:				
At average age	\$2,023	\$3,137	\$3,137	\$8,342
At age 65	\$2,624	\$2,624	\$2,624	\$8,132

Actuarial Section

State of Alaska
Public Employees' Retirement System
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Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

**Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2014 through June 30, 2015**

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	\$6,846	\$6,846	\$1,384	\$ —
50	7,746	7,746	1,644	—
55	8,764	8,764	1,953	—
60	10,408	10,408	2,263	—
65	1,657	7,920	2,624	507
70	2,016	9,636	2,827	546
75	2,394	11,442	3,015	583
80	2,579	12,326	3,091	597

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

1. Investment Return / Discount Rate 8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates.
3. Payroll Growth 3.62% per year. (Inflation + Productivity).
4. Total Inflation Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
5. Mortality (Pre-termination)* Based upon the 2010-2013 actual mortality experience (see Table 2) 60% of male rates and 65% of female rates of post-termination mortality rates.

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

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

Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others.

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

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

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10. Marriage and Age Difference Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% of female members are assumed to be married. For Peace Officer/Firefighters, 85% of male members and 60% female members are assumed to be married.
11. Dependent Children Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
12. Contribution Refunds For Others, 10% of terminating members with vested benefits are assumed to have their contributions refunded.

For Peace Officers/Firefighters, 15% of terminating members with vested benefits are assumed to have their contributions refunded 100% of those with non-vested benefits are assumed to have their contributions refunded.
13. COLA Of those benefit recipients who are eligible for the COLA, 70% of Others and 65% Peace Officers/Firefighters are assumed to remain in Alaska and receive the COLA.
14. Post-Retirement Pension Adjustment 50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.
15. Expenses All pension related expenses are net of the investment return assumption.
16. Part-Time Status Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.65 years for credited service per year for Other members.
17. Final Average Earnings Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
18. Per Capita Claims Cost Sample claims cost rates adjusted to age 65 for FY15 medical and prescription are shown below:
- | | Medical | | Prescription
drugs |
|----------------------|-----------|----|-----------------------|
| Pre-Medicare | \$ 12,362 | \$ | 2,624 |
| Medicare Parts A & B | 1,657 | | 2,624 |
| Medicare Part B Only | 7,920 | | 2,624 |
| Medicare Part D | N/A | | 507 |
19. Third Party Administrator Fees \$193.98 per person per year; assumed trend rate of 5% per year.

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20. Medicare Part B Only For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire.

21. 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 FY15 pre-Medicare medical claims costs to get the FY16 medical claims costs.

Fiscal year	Medical pre-65	Medical post-65	Prescription 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 valuations and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

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

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23. Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY15 contributions based on monthly rates shown below for calendar 2014 and 2015 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled:

Coverage category	Calendar 2015		Calendar 2014
	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	\$ 9,876	823	823
Retiree and spouse	19,764	1,647	1,647
Retiree and child(ren)	13,956	1,163	1,163
Retiree and family	23,844	1,987	1,987
Composite	14,676	1,223	1,223

24. Trend Rate for Retired Member Medical Contribution

The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY15 retired member medical contributions to get the FY16 retired member medical contributions.

Fiscal year:	
2015	7.0%
2016	6.6
2017	6.2
2018	5.8
2019	5.4
2020	5.0
2025	4.1
2050	4.0
2100	4.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2014 valuation. Note that actual FY15 retired member medical contributions are reflected in the valuation.

25. Healthcare Participation

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

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Table 1
 Alaska PERS
 Salary Scale

Peace Officer/Firefighter:

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

Others:

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

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

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Table 2
Alaska PERS
Mortality Table (Pre-termination)

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

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Table 3
Alaska PERS
Mortality Table (Post-termination)

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

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Table 4
Alaska PERS
Total Turnover Assumptions

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

Members with 5 or more years of service

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

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Table 5
Alaska PERS
Total Turnover Assumptions

Others:

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

Members with 5 or more years of service

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

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Table 6
Alaska PERS
Disability Table

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

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Table 7
Alaska PERS Peace Officer/Firefighter
Retirement Table

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

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Table 8
Alaska PERS Other
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Female Rate	Male Rate	Female Rates	Male Rates
<50	N/A	N/A	0.100000	0.100000
50	0.060000	0.040000	0.350000	0.300000
51	0.060000	0.040000	0.350000	0.330000
52	0.080000	0.060000	0.350000	0.330000
53	0.080000	0.060000	0.350000	0.330000
54	0.140000	0.140000	0.350000	0.350000
55	0.060000	0.050000	0.300000	0.300000
56	0.060000	0.050000	0.200000	0.200000
57	0.060000	0.050000	0.180000	0.200000
58	0.060000	0.050000	0.180000	0.200000
59	0.160000	0.140000	0.180000	0.200000
60	N/A	N/A	0.210000	0.200000
61	N/A	N/A	0.200000	0.200000
62	N/A	N/A	0.200000	0.200000
63	N/A	N/A	0.200000	0.200000
64	N/A	N/A	0.200000	0.200000
65	N/A	N/A	0.260000	0.230000
66	N/A	N/A	0.260000	0.250000
67	N/A	N/A	0.220000	0.200000
68	N/A	N/A	0.220000	0.230000
69	N/A	N/A	0.220000	0.250000
70	N/A	N/A	0.220000	0.250000
71	N/A	N/A	0.220000	0.250000
72	N/A	N/A	0.250000	0.250000
73	N/A	N/A	0.250000	0.250000
74	N/A	N/A	0.350000	0.250000
75-89	N/A	N/A	0.500000	0.500000
90+	N/A	N/A	1.000000	1.000000

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Table 9
Alaska PERS
Disabled Mortality Rates

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

Actuarial Section

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

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience from 2005 to 2009.	Based on actual experience from 2010 - 2013 increased most rates.
Pre-termination Mortality	Peace Officer/Firefighter: 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females.	Based upon 2010-2013 actual mortality experience. 60% of male rates and 65% of female rates of the post-termination mortality rates.
Post-termination Mortality	1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females.	96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB.
Turnover	Rates adjusted based on actual experience from 2005 to 2009.	Based upon the 2010-2013 actual withdrawal experience.
Disability	Peace Officer/Firefighter: No change except to stop rates at earliest retirement age. Others: Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age.	Incidence rates based on 2010-2013 actual experience. Peace Officer/Firefighter: Decreased rates by 5% Others: Decreased rates by 30%
Retirement	Rates were adjusted based on actual experience from 2005 to 2009.	Retirement rates based upon the 2010-2013 actual experience.
Deferred Vested Commencement Date	Peace Officer/Firefighter: Tier 1 – age 53 Tiers 2 and 3 – age 57 Others: Earliest unreduced age	Peace Officer/Firefighter: Tier 1 – age 55 Tier 2 and Tier 3 – age 60 Others: Earliest reduced age
COLA	Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.	Of those benefit recipients who are eligible for the COLA, 70% of Others and 65% of Peace Officers/Firefighters are assumed to remain in Alaska and receive the COLA.
Occupational Death and Disability	Others: 55% Peace Officer/Firefighter: 75%	Peace Officer/Firefighter: 70% Others: 50%

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

June 30, 2013

June 30, 2014

Health Cost Trend

June 30, 2013				June 30, 2014			
Fiscal year	Medical pre-65	Medical post-65	Prescription drugs	Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2014	8.7%	6.4%	6.3%	2015	10.0%	6.0%	6.0%
2015	8.5	6.3	6.2	2016	9.4	5.9	5.7
2016	8.0	6.3	6.2	2017	8.8	5.8	5.4
2017	7.5	6.2	6.1	2018	8.2	5.7	5.1
2018	7.0	6.1	6.0	2019	7.6	5.6	4.8
2019	6.6	6.1	5.8	2020	7.0	5.6	4.6
2020	6.4	6.1	5.8	2021	6.5	5.6	4.4
2025	6.0	6.0	5.7	2025	5.6	5.6	4.2
2050	5.0	5.0	5.0	2050	4.4	4.0	4.0
2100	4.5	4.5	4.5	2100	4.4	4.0	4.0

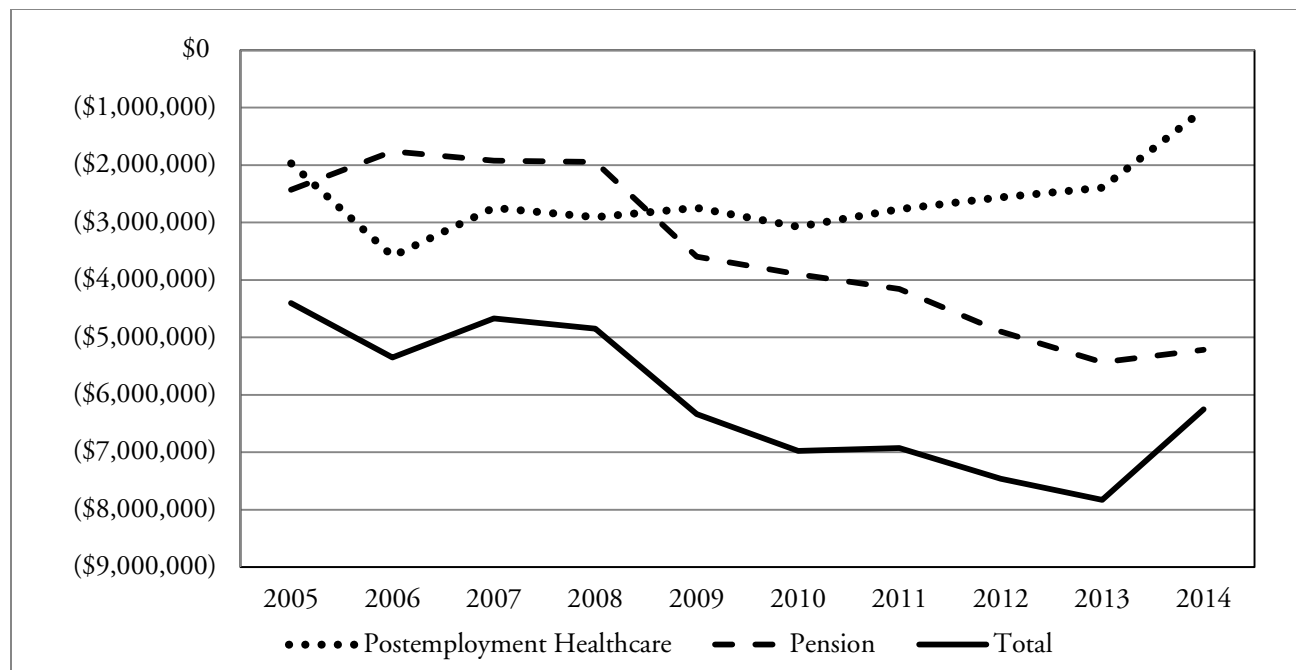
Trend Rate for Retired Member Medical Contribution

FY 13 Trend Assumption		FY 14 Trend Assumption	
Fiscal year:		Fiscal year:	
2014	8.2%	2015	7.0%
2015	8.0	2016	6.6
2016	7.6	2017	6.2
2017	7.2	2018	5.8
2018	6.7	2019	5.4
2019	6.4	2020	5.0
2025	5.9	2025	4.1
2050	5.0	2050	4.0
2100	4.5	2100	4.0

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2005	\$ (1,973,144)	\$ (2,428,778)	\$ (4,401,922)	65.7%
2006	(3,584,527)	(1,762,978)	(5,347,505)	62.8
2007	(2,746,653)	(1,923,320)	(4,669,973)	68.0
2008	(2,904,525)	(1,943,510)	(4,848,035)	69.5
2009	(2,742,835)	(3,593,558)	(6,336,393)	61.8
2010	(3,073,188)	(3,901,840)	(6,975,028)	61.5
2011	(2,769,878)	(4,156,898)	(6,926,776)	63.0
2012	(2,561,808)	(4,898,523)	(7,460,331)	61.3
2013	(2,395,001)	(5,435,132)	(7,830,133)	60.8
2014	(1,036,453)	(5,216,321)	(6,252,774)	70.1

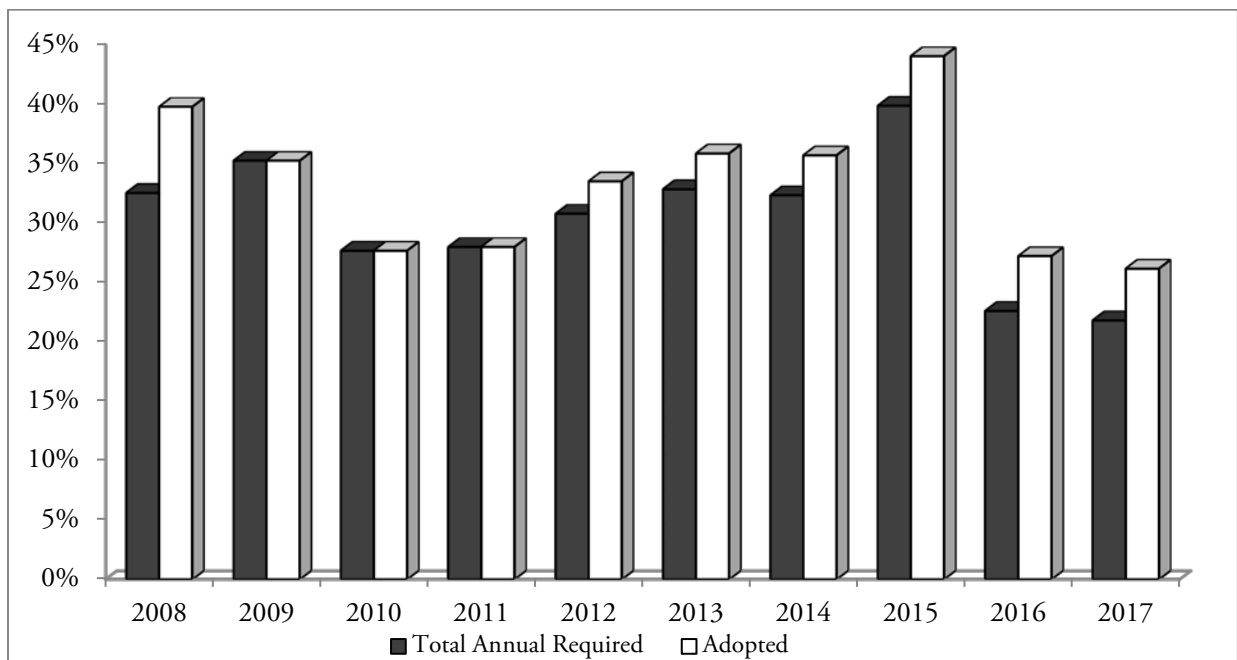
10-YEAR TREND OF UNFUNDED LIABILITY
(In thousands)



Public Employees' Retirement System Defined Benefit Retirement Plan Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Actuarial Valuation Year Ended June 30	Normal Cost ¹	Past Service	Total Annual Required	
2008	2005	14.48%	18.03%	32.51%	39.76% ²
2009	2006	13.72	21.50	35.22	35.22
2010	2007	9.46	18.19	27.65	27.65
2011	2008	9.33	18.63	27.96	27.96
2012	2009	8.28	22.48	30.76	33.49
2013	2010	8.67	24.16	32.83	35.84
2014	2011	8.12	24.19	32.31	35.68
2015	2012	6.82	33.03	39.85	44.03
2016	2013	6.05	16.53	22.58	27.19
2017	2014	5.76	16.02	21.78	26.14

¹ Also referred to as the consolidated rate.
² The ARMB recognized the fact that the Plan becomes a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.
 Effective June 30, 2008 the Defined Benefits Plan became a defined benefit, cost sharing, multiple employer plan. Prior to 2008 rates were calculated by employer and only the average employer contribution rate is reflected on this schedule for 2007 and earlier.
 Valuations are used to set contribution rates in future years.

10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands) ¹	Annual Average Earnings	Percent Increase in Average Earnings	Number of Participating Employers
All Others					
June 30, 2014	17,339	\$ 1,188,918	\$ 68,569	3.4%	158
June 30, 2013	18,890	1,252,786	66,320	4.5	159
June 30, 2012	20,566	1,305,337	63,471	4.6	160
June 30, 2011	22,118	1,342,122	60,680	4.7	160
June 30, 2010	24,054	1,393,803	57,945	4.5	160
June 30, 2009	25,089	1,390,971	55,441	5.1	159
June 30, 2008	26,301	1,387,117	52,740	6.9	160
June 30, 2007	28,675	1,414,145	49,316	9.5	160
June 30, 2006	31,286	1,408,863	45,032	4.2	160
June 30, 2005	30,997	1,338,962	43,197	2.3	160
Peace Officer / Firefighter					
June 30, 2014	1,958	\$ 193,737	\$ 98,946	3.4%	158
June 30, 2013	2,065	197,534	95,658	4.8	159
June 30, 2012	2,164	197,544	91,286	4.1	160
June 30, 2011	2,275	199,537	87,709	8.6	160
June 30, 2010	2,388	192,895	80,777	2.8	160
June 30, 2009	2,476	194,519	78,562	5.0	159
June 30, 2008	2,549	190,729	74,825	4.9	160
June 30, 2007	2,687	191,674	71,334	9.3	160
June 30, 2006	2,785	181,830	65,289	2.5	160
June 30, 2005	2,733	174,155	63,723	3.0	160
¹ Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.					

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Benefit Recipients Added to and Removed from Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
	No. ¹	Annual Pension Benefits ¹	No. ¹	Annual Pension Benefits ¹	No.	Annual Pension Benefits		
All Others								
June 30, 2014	1,778	\$44,823,611	603	\$ 3,011,383	28,073	\$ 568,952,296	7.9%	\$ 20,267
June 30, 2013	1,808	43,247,667	554	4,861,626	26,898	527,140,068	7.9	19,598
June 30, 2012	1,679	37,855,250	636	5,344,239	25,644	488,754,027	7.1	19,059
June 30, 2011	1,595	37,100,217	554	6,897,899	24,601	456,243,016	7.1	18,546
June 30, 2010	1,667	35,089,579	517	8,712,630	23,560	426,040,698	6.6	18,083
June 30, 2009	1,340	25,402,811	476	28,773	22,410	399,663,749	6.8	17,834
June 30, 2008	1,454	28,498,471	466	5,349,935	21,546	374,289,711	6.6	17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1	15,413
Peace Officer / Firefighter								
June 30, 2014	109	\$ 4,270,620	50	\$ (145,769)	3,026	\$ 103,262,870	4.5%	\$ 34,125
June 30, 2013	113	4,162,920	42	240,775	2,967	98,846,479	4.1	33,315
June 30, 2012	179	5,246,271	41	(177,568)	2,896	94,924,334	6.1	32,778
June 30, 2011	114	3,772,720	33	116,090	2,758	89,500,495	4.3	32,451
June 30, 2010	118	3,593,724	46	1,413,071	2,677	85,843,865	2.6	32,067
June 30, 2009	108	2,759,299	39	(518,134)	2,605	83,663,212	4.1	32,116
June 30, 2008	125	3,556,519	28	191,073	2,536	80,385,779	4.4	31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	8.9	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	7.2	29,589

¹ Numbers are estimated, and include other internal transfers.

Actuarial Section

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

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

Public Employees' Retirement System Defined Benefit Retirement Plan Postemployment Healthcare Solvency Test (In thousands)							
Valuation Date	Postemployment Healthcare Aggregate Accrued Liability For:			Post-Employment Healthcare Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2014 ¹	\$ —	\$ 5,455,114	\$ 2,494,499	\$ 6,913,160	100.0%	100.0%	58.5%
June 30, 2013 ¹	—	5,298,380	2,748,498	5,651,877	100.0	100.0	12.9
June 30, 2012 ¹	—	5,026,080	2,837,337	5,301,609	100.0	100.0	9.7
June 30, 2011	—	4,812,845	3,008,658	5,051,625	100.0	100.0	7.9
June 30, 2010 ¹	—	4,581,806	3,179,014	4,687,632	100.0	100.0	3.3
June 30, 2009	—	4,232,394	2,644,891	4,134,450	100.0	97.7	—
June 30, 2008 ¹	—	4,166,270	2,567,589	3,829,334	100.0	91.9	—
June 30, 2007	—	3,684,906	2,223,703	3,161,956	100.0	85.8	—
June 30, 2006 ^{1 2}	—	3,990,202	2,304,168	2,709,843	100.0	67.9	—
June 30, 2005	—	4,039,591	1,718,059	2,426,206 ³	100.0	60.1	—

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

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

Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience					
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2014	2013	2012	2011	2010
Health Experience	(0.85)%	(1.51)%	(2.97)%	(1.82)%	0.24%
Salary Experience	(0.19)	0.23	0.23	0.31	0.06
Investment Experience	(4.63)	1.76	3.11	0.26	0.28
Demographic Experience	(0.04)	(0.84)	(1.00)	0.29	(0.30)
Contribution Shortfall	0.67	0.79	0.21	0.44	(0.67)
(Gain) or Loss During Year From Experience	(5.04)	0.43	(0.42)	(0.52)	(0.39)
Non-recurring changes					
Assumption and Method Changes	(13.46)	—	7.96	—	2.46
System Benefit Changes	—	—	—	—	—
Composite (Gain) or Loss During Year	(18.50)	0.43	7.54	(0.52)	2.07
Beginning Employer/State Contribution Rate	40.28	39.85	32.31	32.83	30.76
Ending Employer/State Contribution Rate	<u>21.78%</u>	<u>40.28%</u>	<u>39.85%</u>	<u>32.31%</u>	<u>32.83%</u>
Fiscal Year Employer/State Contribution Rate	21.78%*	22.58%	27.72%	32.31%	32.83%
Fiscal Year Above Rate is Applied	FY17	FY16	FY15	FY14	FY13

*Expected. Actual Rate to be determined.

NOTE: In the second session of the 28th Alaska legislature, the legislature changed the actuarial methodology from level dollar amortization to level percent of pay. The June 30, 2013 PERS actuarial valuation report was not updated for this change, but specific revisions for the amortization change were presented to reflect the change in amortization. The change in the amortization resulted in an adjusted FY 16 employer/state contribution rate of 22.58%.

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience						
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Accrued Liabilities During the Last Three Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience						
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2014	2013	2012	2014	2013	2012
Health Experience	N/A	N/A	N/A	(0.85)%	(1.51)%	(2.97)%
Salary Experience	(0.19)%	0.23%	0.23%	N/A	N/A	N/A
Investment Experience	(2.40)	1.43	2.40	(2.23)	0.33	0.71
Demographic Experience	(0.04)	(0.84)	(1.00)	N/A	N/A	N/A
Contribution Shortfall	0.63	0.78	0.25	0.04	0.01	(0.04)
(Gain) or Loss During Year From Experience	(2.00)	1.60	1.88	(3.04)	(1.17)	(2.30)
Non-recurring changes						
Assumption and Method Changes	(6.86)	—	4.89	(6.60)	—	3.07
System Benefit Changes	—	—	—	—	—	0.00
Composite (Gain) or Loss During Year	(8.86)	1.60	6.77	(9.64)	(1.17)	0.77
Beginning Employer/State Contribution Rate	24.84	23.24	16.47	15.44	16.61	15.84
Ending Employer/State Contribution Rate	<u>15.98%</u>	<u>24.84%</u>	<u>23.24%</u>	<u>5.80%</u>	<u>15.44%</u>	<u>16.61%</u>
Fiscal Year Employer/State Contribution Rate	15.98%*	14.43%	16.29%	5.80%*	8.15%	11.43%
Fiscal Year Above Rate is Applied	FY17	FY16	FY15	FY17	FY16	FY15

*Expected. Actual Rate to be determined.

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

1. Effective Date

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

2. Administration of Plan

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

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

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

3. Employers Included

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

4. Membership

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

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

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

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

5. Credited Service

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

Members may claim other types of service, including:

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

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

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

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

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

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6. Employer Contributions

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

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

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

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

7. Additional State Contributions

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

8. Member Contributions

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

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

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

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

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

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

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

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9. Retirement Benefits

Eligibility:

- a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - i) five years of paid-up PERS service;
 - ii) 60 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature before May 30, 1987;
 - iii) 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature after May 29, 1987;
 - iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or
 - v) two years of paid-up PERS service and a minimum three years of Teachers' Retirement System service to qualify for a public service benefit.
- b) Members may retire at any age when they have:
 - i) 20 paid-up years of PERS Peace Officer/Firefighter service; or
 - ii) 30 paid-up years of PERS "all other" or "elected official" service.

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

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

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

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

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

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

10. Reemployment of Retired Members

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

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

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

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

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11. Postemployment Healthcare Benefits

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

12. Disability Benefits

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

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

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

13. Death Benefits

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

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

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

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

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

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

14. Postretirement Pension Adjustments

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

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

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

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

15. Alaska Cost of Living Allowance

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

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

Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.



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October 6, 2015

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska Public Employees' Retirement System Defined Contribution Retirement (PERS DCR) Plan as of June 30, 2014 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2014. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the Plan.

The State of Alaska Public Employees' Retirement System DCR Plan is funded by Employer Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board) and as required by Alaska state statutes. The funding objective for the State of Alaska Public Employees' Retirement System DCR Plan is to pay required contributions that remain level as a percent of PERS DCR Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of PERS DCR Compensation over a closed layered 25-year period. This objective is currently being met and is projected to continue to be met and as required by Alaska state statutes.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full

Actuarial Section

experience analysis was performed in 2014. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claims cost rates effective June 30, 2014 to better reflect expected future healthcare experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 5.3.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Public Employees' Retirement System DCR Plan as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the Schedule of Funding Progress, Schedule of Employer Contributions, and trend data schedules under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 4 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions and solvency test for the Actuarial Section of the CAFR.

The undersigned are Associates of the Society of Actuaries, Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

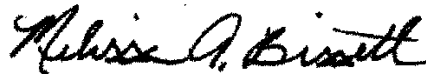


David H. Slishinsky, ASA, MAAA, FCA
Principal, Consulting Actuary



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

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



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

State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
Description of Actuarial Methods and Valuation Procedures

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

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

Valuation of Liabilities

A. Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years. These requirements under GASB 25 have been amended by GASB 67, effective June 30, 2014. Per KPMG, new accounting standards under GASB 67 and 68 are not applicable to the Occupational Death & Disability benefits under the DCR Plan.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death & disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit were applied to the projected benefits to determine the normal cost (the portion of the total cost of the Plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total DCR Plan payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the Plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for beneficiaries and disability members currently receiving benefits (if any) was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members. The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

B. Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Fair Value of Assets were \$0 as of June 30, 2006. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken

State of Alaska
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Description of Actuarial Methods and Valuation Procedures

directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the fair value of assets.

C. Valuation of Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 6.2(c) of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2014.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2014 for PERS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY14 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend and other plan design features.

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

D. Healthcare Reform

Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact due to the following provisions; however, only the Patient Centered Outcomes Research Institute fee impact has been included in the valuation results as part of administrative fee.

Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We did look at the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure, Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees and the projected impact to future healthcare cost trends due to the estimated tax.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

E. Changes in Methods Since the Prior Valuation

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

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Summary of Actuarial Assumptions and Changes in Assumptions

The demographic and economic assumptions used in the June 30, 2014 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed for the DB Plan as of June 30, 2009.

- | | | |
|-----|-----------------------------------|---|
| 1. | Investment Return / Discount Rate | 8.00% per year (geometric), compounded annually, net of expenses. |
| 2. | Salary Scale | Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates. |
| 3. | Payroll Growth | 3.62% per year. (Inflation + Productivity). |
| 4. | Total Inflation | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually. |
| 5. | Mortality (Pre-termination)* | Based upon the 2010-2013 actual mortality experience (see Table 2). 60% of male rates and 65% of female rates of the Post-Termination Mortality rates.

Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others. |
| 6. | Mortality (Post-termination)* | Based upon 2010-2013 actual mortality experience (see Table 3).

96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. |
| 7. | Total Turnover | Rates based upon the 2010-2013 actual experience. (See Table 4.) |
| 8. | Disability | Incidence rates based upon the 2010-2013 actual experience, in accordance with Table 5.

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

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

For Peace Officer/Firefighters, members are assumed to take the monthly annuity 100% of the time. |
| 9. | Retirement | Retirement rates based upon the 2010-2013 actual experience in accordance with Table 6. |
| 10. | Marriage and Age Difference | Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% female members are assumed to be married.

For Peace Officer/Firefighters, 85% of male members and 60% female members are assumed to be married. |

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

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Summary of Actuarial Assumptions and Changes in Assumptions

11. Part-time Status Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.65 years for credited service per year for Other members.

12. Peace Officer/Firefighter Occupational Disability Retirement Benefit Commencement The occupational disability retirement benefit is assumed to be first payable from the member's DC account and the retirement benefit payable from the occupational death and disability trust will commence five years later.

13. Expenses All expenses are net of the investment return assumption.

14. Per Capita Claims Cost Sample claims cost rates adjusted to age 65 for FY15 medical benefits are shown below:

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

15. Third Party Administrator Fees \$193.98 per person per year; assumed trend rate of 5% per year.

16. Base Claims Cost Adjustments Due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates above:

- 0.881 for the medical plan.
- 0.929 for the prescription drug plan.
- 0.998 for the annual indexing of member cost sharing.

17. 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 FY15 pre-Medicare medical claims costs to get the FY16 medical claims costs.

Fiscal year	Medical pre-65	Medical post-65	Prescription 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

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Summary of Actuarial Assumptions and Changes in Assumptions

As of the June 30, 2014 valuations and later, the updated Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

18. Aging Factors	<u>Age</u>	<u>Medical</u>	<u>Prescription drugs</u>
	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 +	—	—

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

*Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market.

Actuarial Section

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

Table 1
 Alaska PERS DCR Plan
 Salary Scale

Peace Officer/Firefighter:

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

Others:

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

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

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

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

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

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

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

Age	Male	Female	Age	Male	Female
50	0.001944	0.001524	85	0.081002	0.059827
51	0.002227	0.001684	86	0.089807	0.066725
52	0.002426	0.001835	87	0.101329	0.074420
53	0.002652	0.002007	88	0.114229	0.082891
54	0.002907	0.002165	89	0.128559	0.092046
55	0.003296	0.002383	90	0.144286	0.103593
56	0.003820	0.002662	91	0.160042	0.115847
57	0.004192	0.002942	92	0.176712	0.128589
58	0.004625	0.003259	93	0.194120	0.141591
59	0.005121	0.003623	94	0.212080	0.154643
60	0.005708	0.004050	95	0.230428	0.167558
61	0.006377	0.004574	96	0.249035	0.180154
62	0.007144	0.005143	97	0.267822	0.192248
63	0.008021	0.005908	98	0.281616	0.200025
64	0.008874	0.006658	99	0.300310	0.210437
65	0.009839	0.007498	100	0.313360	0.215967
66	0.010930	0.008462	101	0.332097	0.226721
67	0.011973	0.009396	102	0.344188	0.235671
68	0.013070	0.010386	103	0.361155	0.250844
69	0.014482	0.011479	104	0.369606	0.263111
70	0.016240	0.012933	105	0.381971	0.281391
71	0.017969	0.014352	106	0.384000	0.295499
72	0.019952	0.015964	107	0.384000	0.309816
73	0.022223	0.017744	108	0.384000	0.323943
74	0.024793	0.019666	109	0.384000	0.337482
75	0.027670	0.021712	110	0.384000	0.350032
76	0.030840	0.023921	111	0.384000	0.361196
77	0.034305	0.026346	112	0.384000	0.370574
78	0.038120	0.029042	113	0.384000	0.377767
79	0.042365	0.032063	114	0.384000	0.382376
80	0.047075	0.035441	115	0.384000	0.384000
81	0.052687	0.039227	116	0.384000	0.384000
82	0.058863	0.043487	117	0.384000	0.384000
83	0.656150	0.048286	118	0.384000	0.384000
84	0.072973	0.053702	119	1.000000	1.000000

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Public Employees' Retirement System
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Summary of Actuarial Assumptions and Changes in Assumptions

Table 4
 Alaska PERS DCR Plan
 Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment

Year of Service	Male (rounded)	Female (rounded)
0	0.180	0.165
1	0.135	0.132
2	0.100	0.110
3	0.090	0.099
4	0.080	0.088

**Ultimate Rates of Turnover
 After the First 5 Years of Employment**

Age	Female	Male	Age	Female	Male
20	0.085500	0.048000	45	0.078800	0.049678
21	0.085500	0.048000	46	0.078400	0.049061
22	0.085500	0.048000	47	0.078000	0.048444
23	0.085500	0.049120	48	0.077400	0.052256
24	0.085500	0.050240	49	0.076800	0.056067
25	0.085500	0.051360	50	0.076200	0.059878
26	0.085500	0.052480	51	0.075600	0.063689
27	0.085500	0.053600	52	0.075000	0.067500
28	0.085275	0.053528	53	0.076154	0.069300
29	0.085050	0.053456	54	0.077308	0.071100
30	0.084825	0.053384	55	0.078462	0.072900
31	0.084600	0.053312	56	0.079615	0.074700
32	0.084375	0.053239	57	0.080769	0.076500
33	0.084214	0.053119	58	0.081923	0.078480
34	0.084054	0.052998	59	0.083077	0.080460
35	0.083893	0.052878	60	0.084231	0.082440
36	0.083732	0.052757	61	0.085385	0.084420
37	0.083571	0.052636	62	0.086538	0.086400
38	0.082857	0.052415	63	0.087692	0.107600
39	0.082143	0.052194	64	0.088846	0.128800
40	0.081429	0.051972	65+	0.090000	0.150000
41	0.080714	0.051751			
42	0.080000	0.051529			
43	0.079600	0.050912			
44	0.079200	0.050295			

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

Table 4
Alaska PERS DCR Plan
Turnover Assumptions

Others:

Select Rates of Turnover During the First 5 Years of Employment

<u>Year of Service</u>	<u>Male (rounded)</u>	<u>Female (rounded)</u>
0	0.232	0.267
1	0.200	0.213
2	0.160	0.170
3	0.128	0.136
4	0.090	0.178

Ultimate Rates of Turnover
After the First 5 Years of Employment

<u>Age</u>	<u>Female</u>	<u>Male</u>	<u>Age</u>	<u>Female</u>	<u>Male</u>
20	0.150000	0.109667	45	0.071847	0.061728
21	0.150000	0.109667	46	0.068938	0.060789
22	0.150000	0.109667	47	0.066029	0.059850
23	0.150067	0.109674	48	0.065749	0.061414
24	0.150133	0.109681	49	0.065469	0.062977
25	0.150200	0.109689	50	0.065189	0.064541
26	0.150267	0.109696	51	0.064908	0.066104
27	0.150333	0.109703	52	0.064628	0.067668
28	0.144910	0.107312	53	0.066022	0.067714
29	0.139486	0.104921	54	0.067416	0.067760
30	0.134062	0.102529	55	0.068809	0.067806
31	0.128638	0.100138	56	0.070203	0.067853
32	0.123214	0.097747	57	0.071597	0.067899
33	0.117230	0.093219	58	0.074069	0.070131
34	0.111246	0.088692	59	0.076541	0.072363
35	0.105261	0.084164	60	0.079014	0.074595
36	0.099277	0.079637	61	0.081486	0.076827
37	0.093293	0.075110	62	0.083958	0.079059
38	0.090749	0.072996	63	0.095528	0.082239
39	0.088205	0.070883	64	0.107097	0.085420
40	0.085661	0.068770	65+	0.118667	0.088600
41	0.083117	0.066657			
42	0.080573	0.064544			
43	0.077664	0.063605			
44	0.074756	0.062667			

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

Table 5
Alaska PERS DCR Plan
Disability Table

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

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

Table 6
Alaska PERS DCR Plan
Retirement Table

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

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

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2013	June 30, 2014
Salary Scale	<p>Based on actual experience from 2005 to 2009.</p> <p><u>Peace Officer/Firefighter</u>: Rates are increased for the first 4 years. Decreased at year 5.</p> <p><u>Others</u>: Based on actual experience from 2005 to 2009. Increased most rates.</p>	<p>Inflation - 3.12% per year.</p> <p>Productivity - 0.50% per year.</p> <p>See Table 1 for salary scale rates.</p>
Pre-termination Mortality	<p><u>Peace Officer/Firefighter</u>: 80% of the male and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA.</p> <p><u>Others</u>: 75% of the male and 55% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA.</p>	<p>Based upon 2010-2013 actual mortality experience (See Table 2).</p> <p>60% of male rates and 65% of female rates of the Post-Termination Mortality rates.</p> <p>Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others.</p>
Post-termination Mortality	<p>1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 1-year set-forward for females.</p>	<p>96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. (See Table 3.)</p>
Disability	<p>RP-2000 Disabled Retiree Mortality Table.</p>	<p>Incidence rates based on 2010-2013 actual experience, in accordance with Table 5.</p> <p>Post-Termination Disabled Mortality in accordance with RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.</p> <p>Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others.</p>
Turnover	<p>Rates adjusted based on actual PERS DB Plan experience from 2005 to 2009. Ultimate rates are equal to DB Plan rates loaded by 10%.</p>	<p>Rates based upon the 2010-2013 actual experience. (See Table 4.)</p>
Occupational Death and Disability	<p>Others: 55%</p> <p>Peace Officer/Firefighter: 75%</p>	<p>Others: 50%</p> <p>Peace Officer/Firefighter: 70%</p>

Actuarial Section

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

June 30, 2013

June 30, 2014

Health Cost Trend

June 30, 2013				June 30, 2014			
Fiscal year	Medical pre-65	Medical post-65	Prescription drugs	Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2014	8.7%	6.4%	6.3%	2015	10.0%	6.0%	6.0%
2015	8.5	6.3	6.2	2016	9.4	5.9	5.7
2016	8.0	6.3	6.2	2017	8.8	5.8	5.4
2017	7.5	6.2	6.1	2018	8.2	5.7	5.1
2018	7.0	6.1	6.0	2019	7.6	5.6	4.8
2019	6.6	6.1	5.8	2020	7.0	5.6	4.6
2020	6.4	6.1	5.8	2021	6.5	5.6	4.4
2025	6.0	6.0	5.7	2025	5.6	5.6	4.2
2050	5.0	5.0	5.0	2050	4.4	4.0	4.0
2100	4.5	4.5	4.5	2100	4.4	4.0	4.0

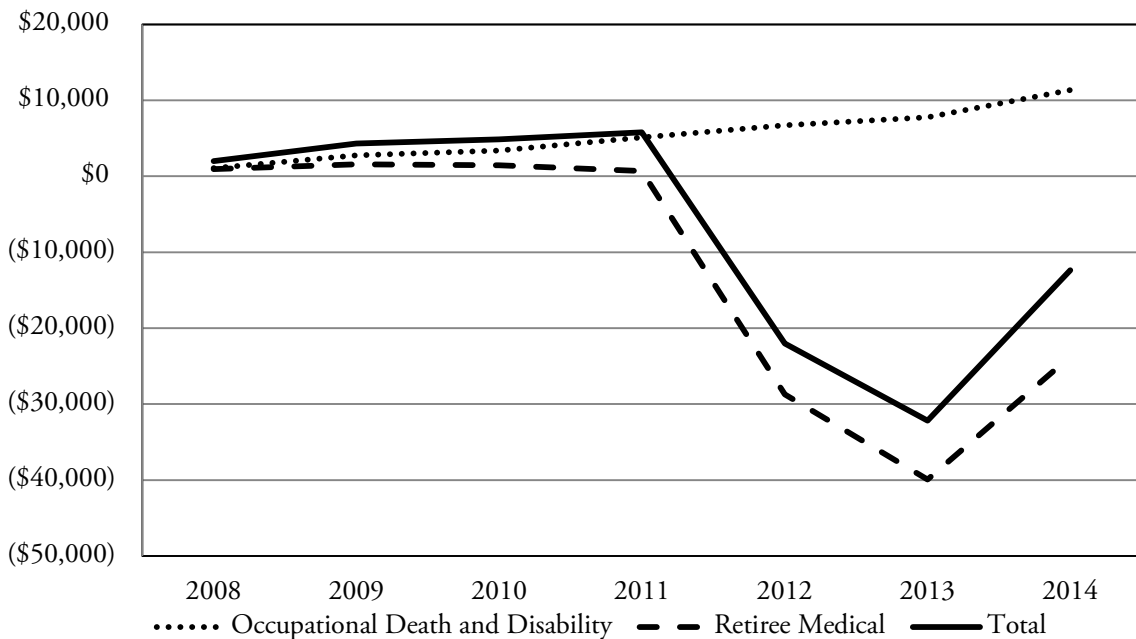
Trend Rate for Retired Member Medical Contribution

FY 13 Trend Assumption		FY 14 Trend Assumption	
Fiscal year:		Fiscal year:	
2014	8.2%	2015	7.0%
2015	8.0	2016	6.6
2016	7.6	2017	6.2
2017	7.2	2018	5.8
2018	6.7	2019	5.4
2019	6.4	2020	5.0
2025	5.9	2025	4.1
2050	5.0	2050	4.0
2100	4.5	2100	4.0

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

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

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



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

Valuations are used to set contribution rates in future years.

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability and Retiree Medical Benefits Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings ¹ (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2014	15,800	\$ 857,150	\$ 54,250	3.7%	159
June 30, 2013	14,316	748,658	52,295	4.7	159
June 30, 2012	12,597	629,128	49,943	4.5	160
June 30, 2011	10,965	524,088	47,796	4.8	160
June 30, 2010	9,232	421,187	45,622	5.4	160
June 30, 2009	7,256	314,118	43,291	7.2	160
June 30, 2008	5,052	203,955	40,371	8.1	159
June 30, 2007	2,827	105,611	37,358	—	160
June 30, 2006	—	—	—	—	—

¹ Annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

Actuarial Section

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability Solvency Test (In thousands)							
Valuation Date	Occupational Death and Disability Aggregate Accrued Liability For:			Occupational Death and Disability Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2014	\$ —	\$ —	\$ 3,627	\$ 14,995	100.0%	100.0%	100.0%
June 30, 2013	—	—	3,603	11,373	100.0	100.0	100.0
June 30, 2012	—	—	2,412	9,142	100.0	100.0	100.0
June 30, 2011	—	—	1,949	7,049	100.0	100.0	100.0
June 30, 2010 ¹	—	—	853	4,801	100.0	100.0	100.0
June 30, 2009 ¹	—	—	403	3,138	100.0	100.0	100.0
June 30, 2008	—	—	242	1,288	100.0	100.0	100.0
June 30, 2007	—	—	48	188	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A
¹ Change in Assumptions							

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

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

¹ Change in Assumptions

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

1. **Effective Date**

July 1, 2006, with amendments through June 30, 2014.

2. **Administration of Plan**

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

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

3. **Employers Included**

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

4. **Membership**

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

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

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

5. **Member Contributions**

There are no member contributions for the occupational death & disability and retiree medical benefits.

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

6. Retiree Medical

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service for Others members and 25 years of service for Peace Officer/Firefighter members, or b) Medicare eligible and 10 years of service.
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The plan's coverage is supplemental to Medicare.
- The Medicare-eligible premium will be based on the member's years of service. The percentage of premium paid by the member is as follows:

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

7. Occupational Disability Benefits

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

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

8. Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- Survivor's Pension Adjustment: A survivor's pension is increased by 50% of the cost of living increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60 on July 1, or under age 60 if the recipient has been receiving PERS benefits for at least 8 years as of July 1.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

Changes Since the Prior Valuation

Effective for the June 30, 2014 valuation, the board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience analysis performed on the population experience from July 1, 2009 to June 30, 2013. The changes in assumptions were adopted by the Board during the December 2014 Board meeting. We also updated the Healthcare Cost Trend and Contribution Trend assumptions.

Due to plan clarification, the PRPA was added to the occupational death and disability benefits for Peace Officers and Firefighters. The PRPA was added to the occupational death benefit for Others.



STATISTICAL SECTION

Alaska Division of Retirement and Benefits



STATISTICAL SECTION OVERVIEW

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

Financial Trends 154-174

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

Operating Information 175-177

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

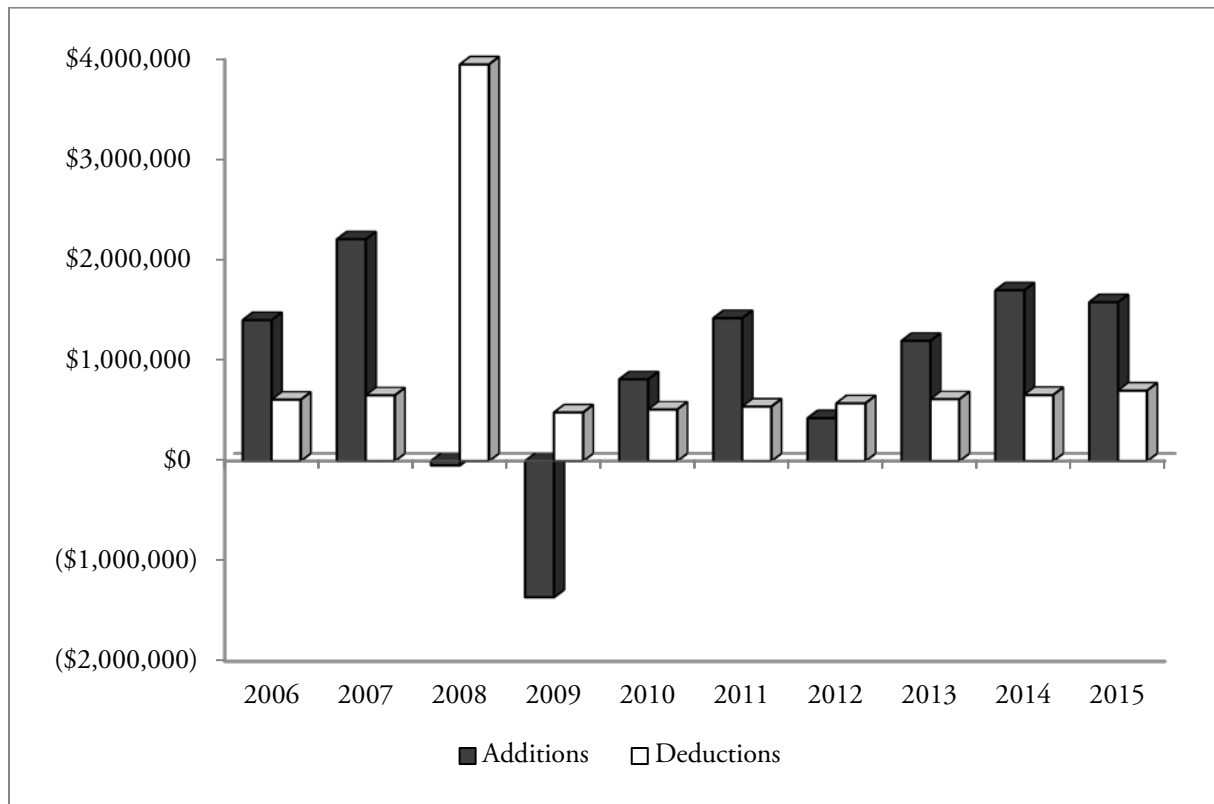
Demographic Information 178-182

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

Statistical Section

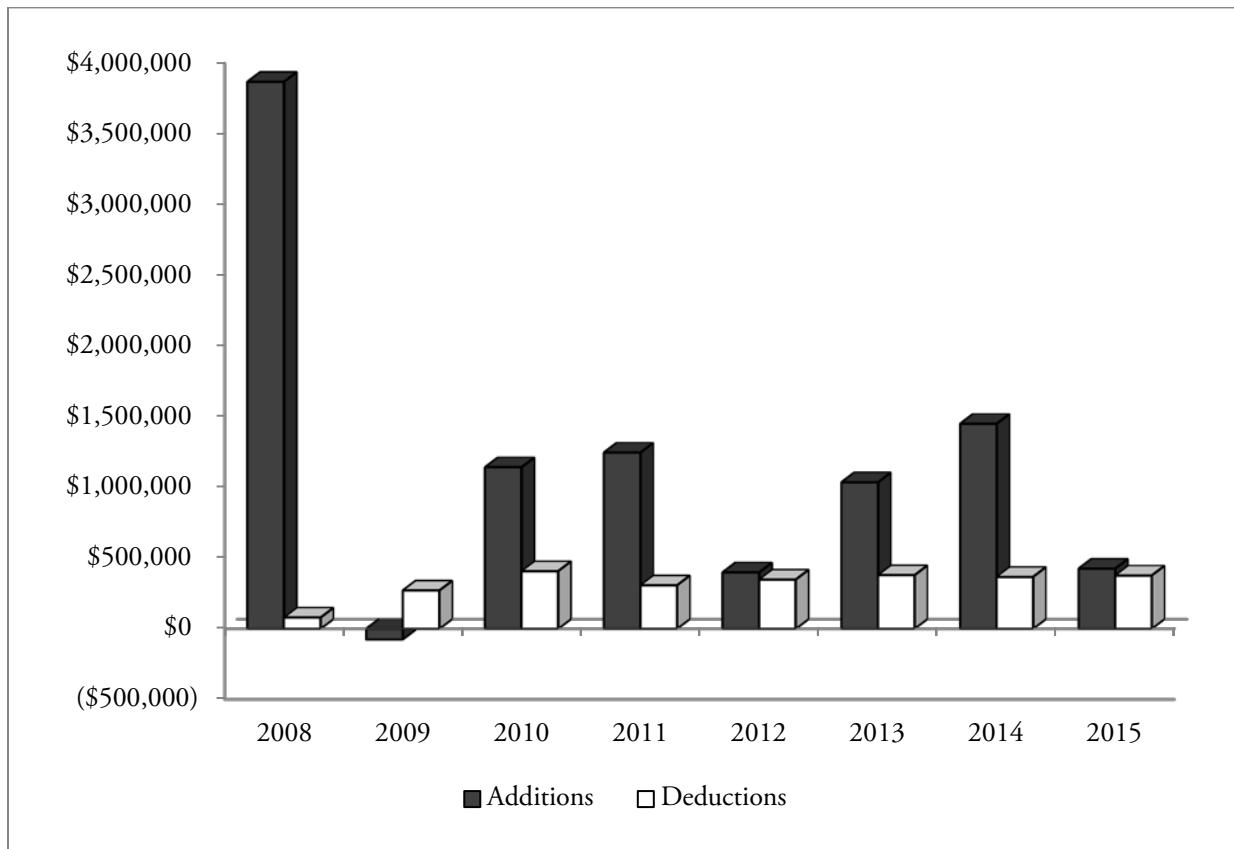
Public Employees' Retirement System Defined Benefit Pension Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End of Year
2006	\$ 8,590,752	\$ 1,400,868	\$ 612,149	\$ 788,719	\$ 9,379,471
2007	9,379,471	2,206,458	655,965	1,550,493	10,929,964
2008	10,929,964	(43,539)	3,950,617	(3,994,156)	6,935,808
2009	6,935,808	(1,360,217)	485,151	(1,845,368)	5,090,440
2010	5,090,440	815,831	514,744	301,087	5,391,527
2011	5,391,527	1,420,342	543,944	876,398	6,267,925
2012	6,267,925	427,995	577,626	(149,631)	6,118,294
2013	6,118,294	1,193,555	617,367	576,188	6,694,482
2014	6,694,482	1,697,096	660,140	1,036,956	7,731,438
2015	7,731,438	1,579,519	704,095	875,424	8,606,862

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



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

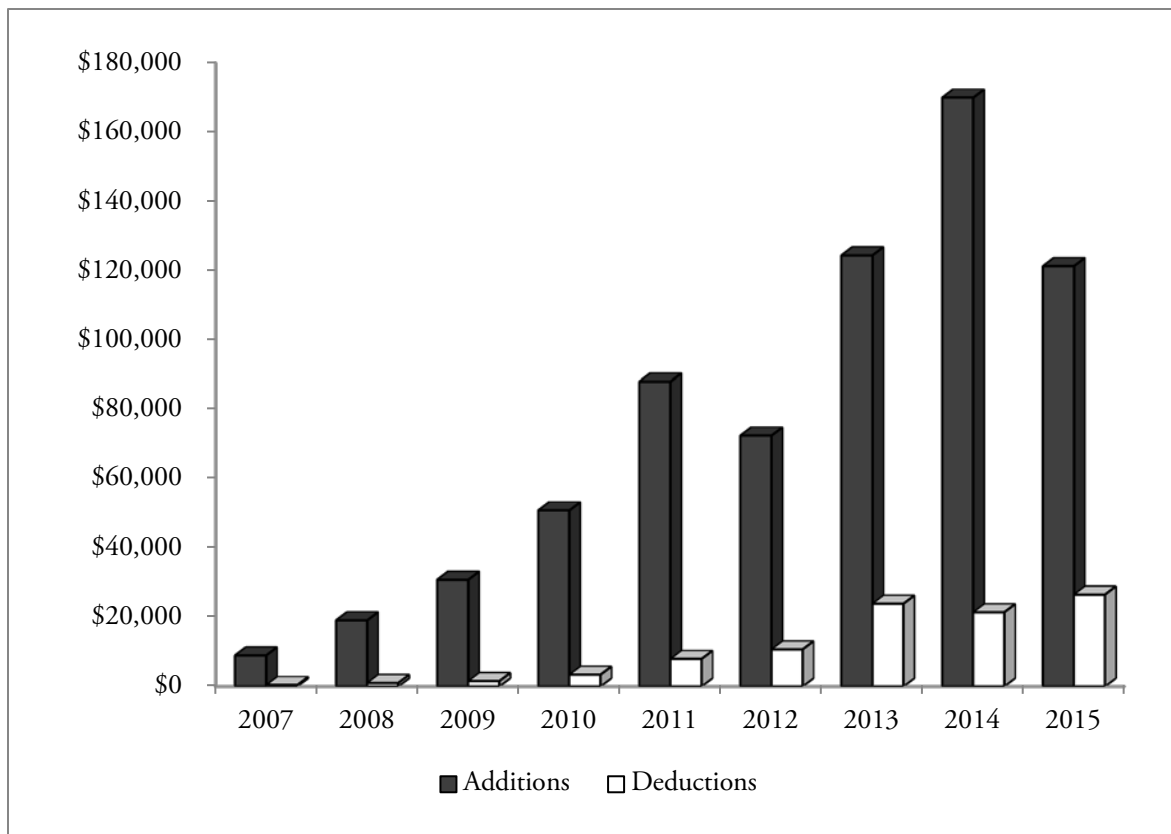
8-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

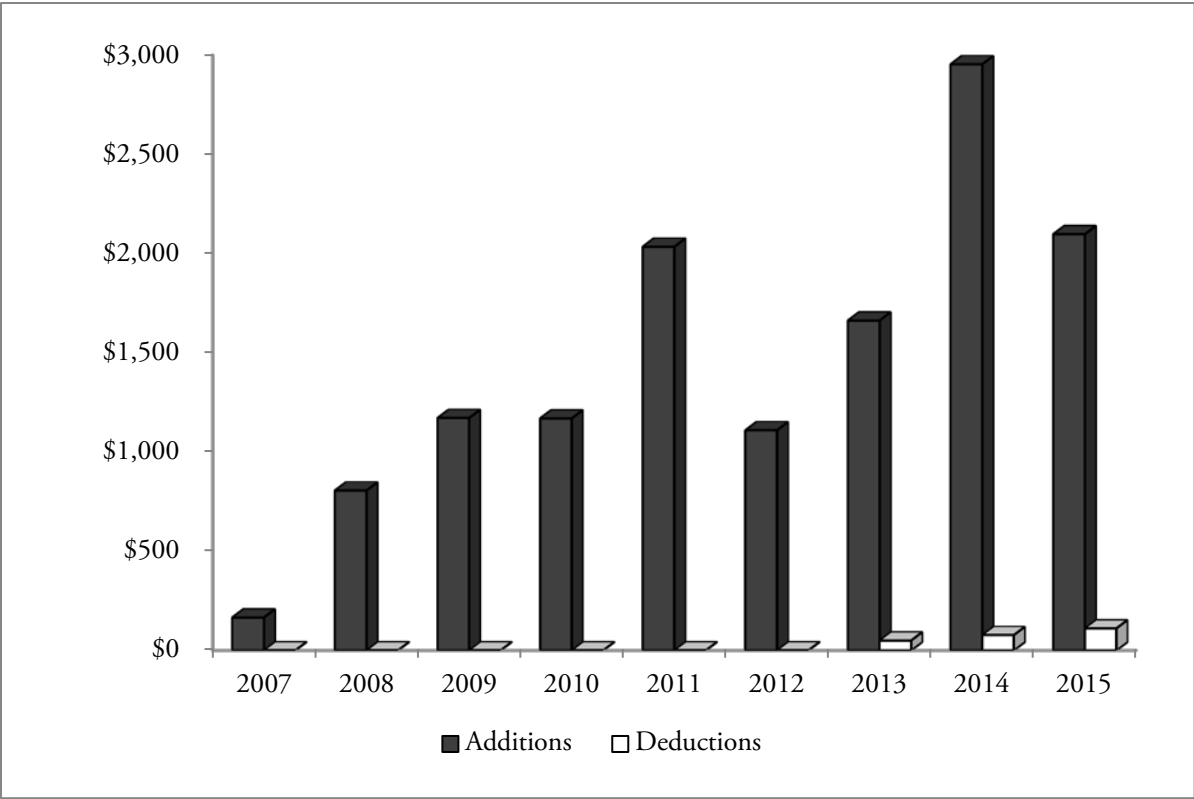
Public Employees' Retirement System Defined Contribution Retirement Participant Directed Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position, End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

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



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

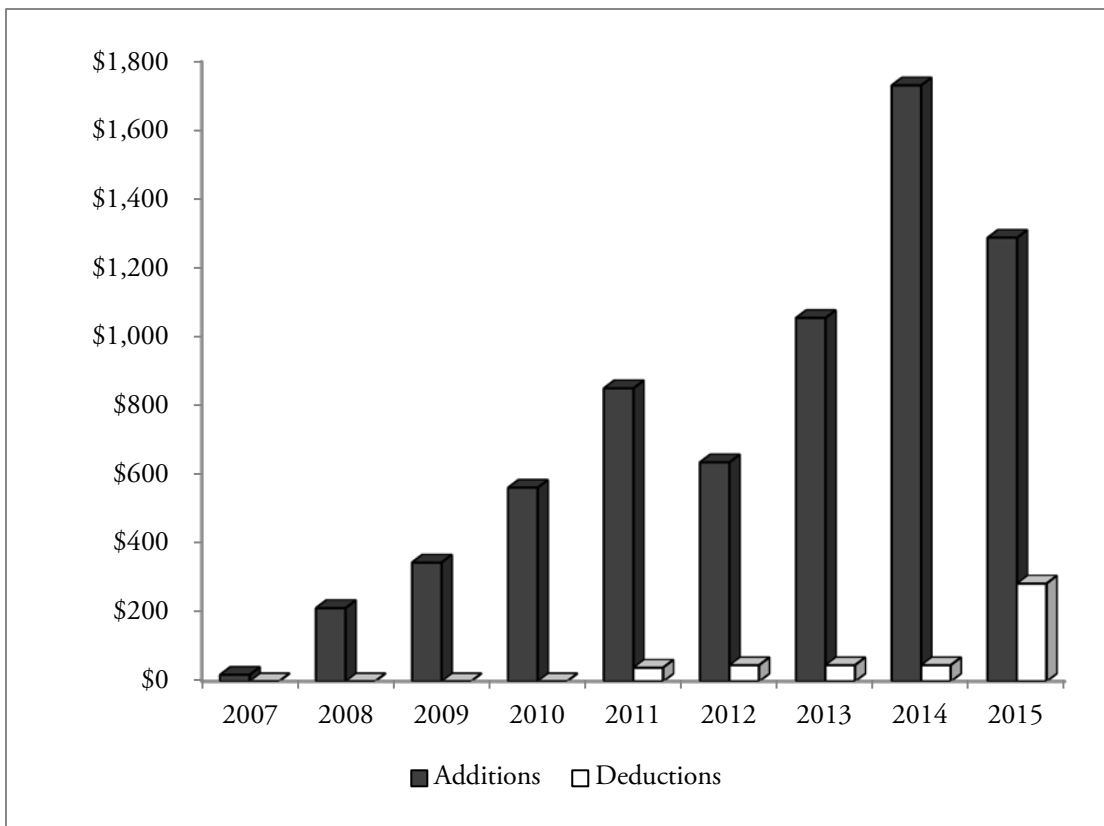
9-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

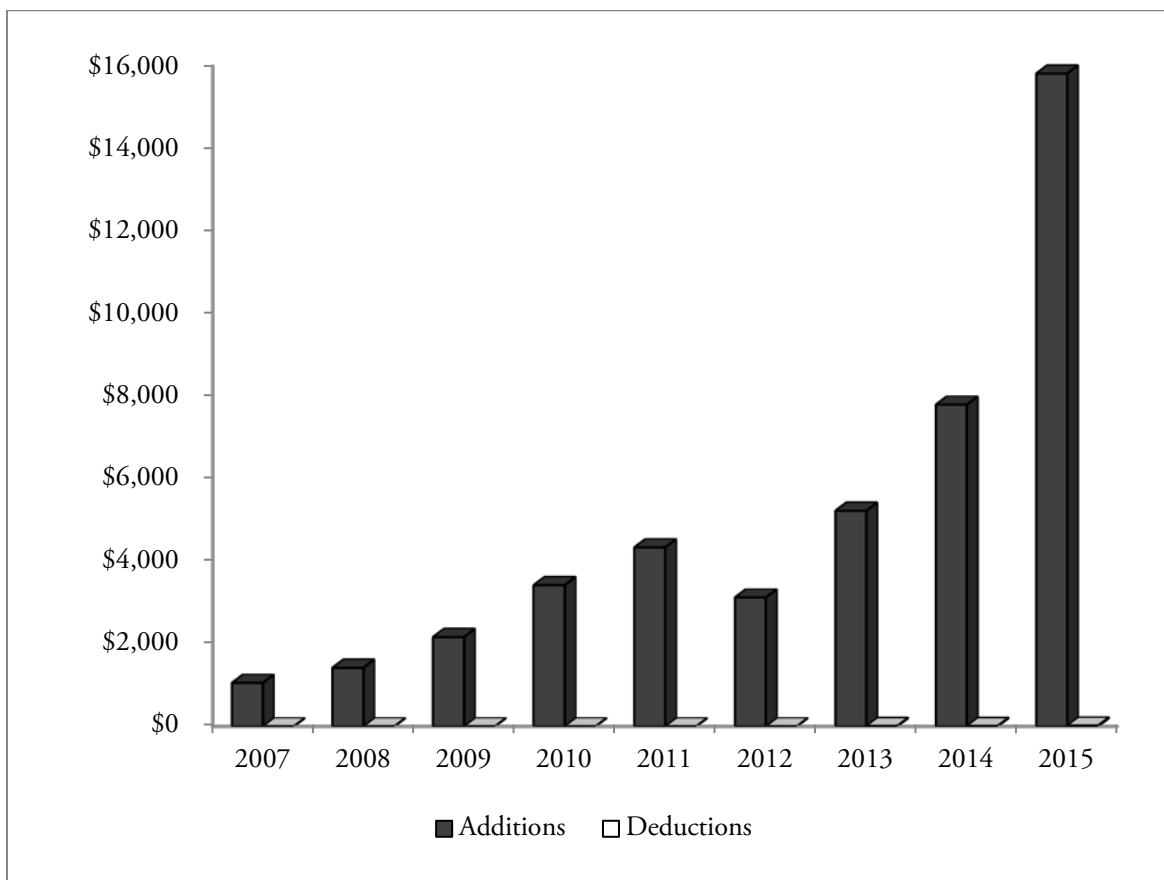
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - Peace Officers & Firefighters Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary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

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



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

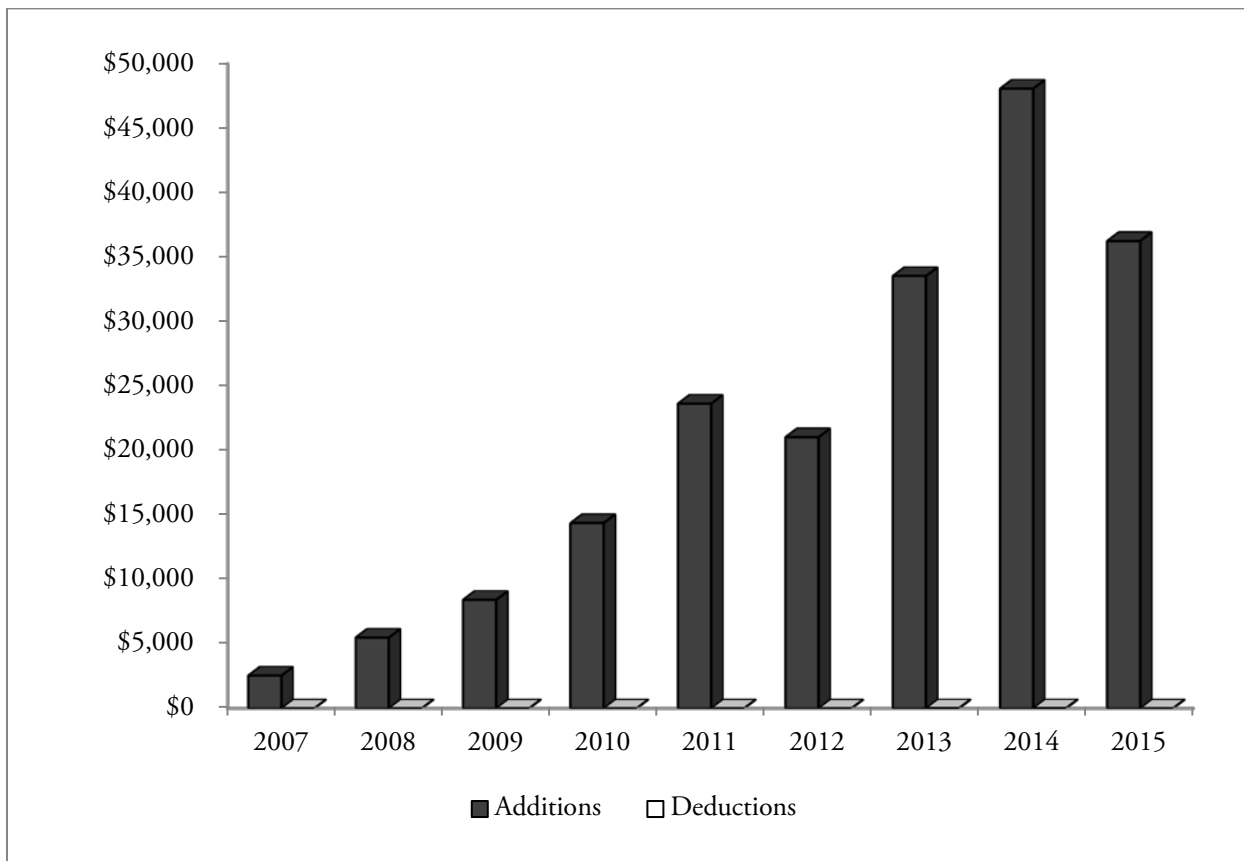
9-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



Statistical Section

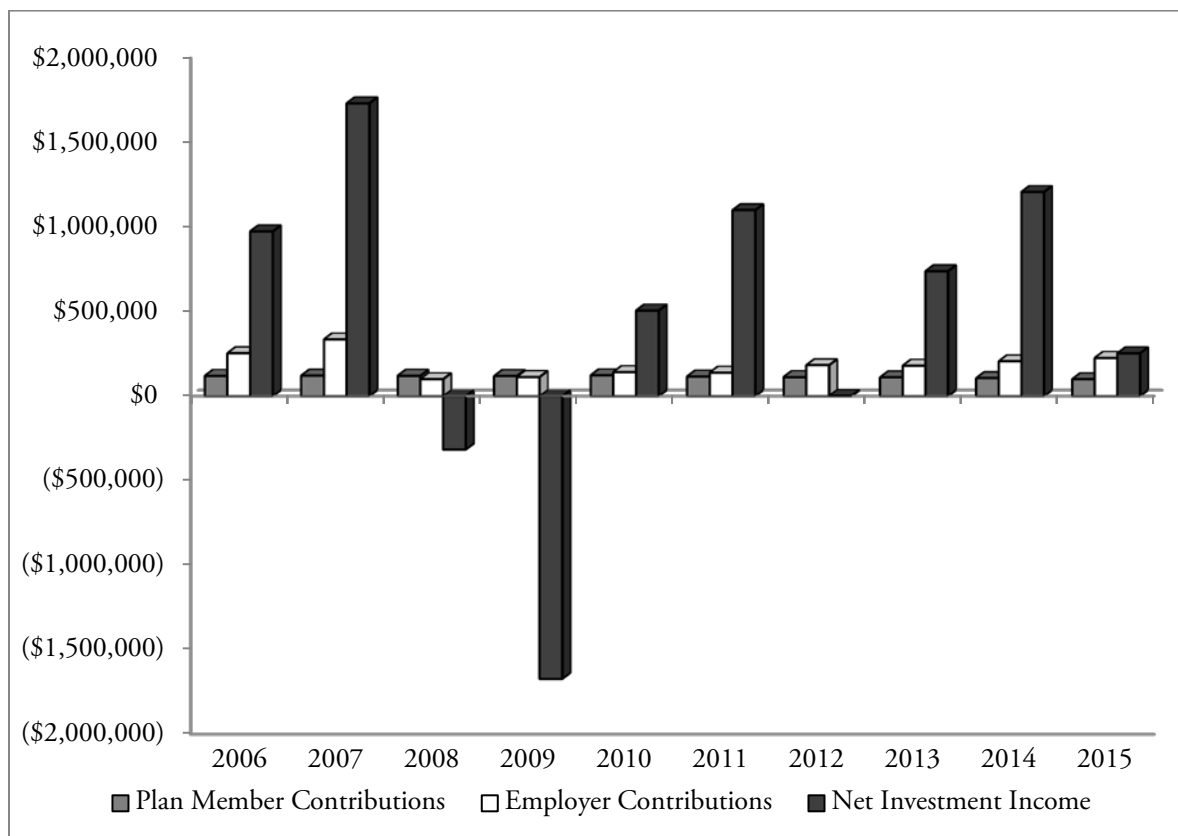
Public Employees' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Changes in Fiduciary Net Position (In thousands)					
Year Ended June 30	Fiduciary Net Position, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Fiduciary Net Position	Fiduciary Net Position,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

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



Public Employees' Retirement System Defined Benefit Pension Additions by Source (In thousands)						
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Other	Total
2006	\$ 119,566	\$ 253,922	\$ 18,427	\$ 974,006	\$ 34,947	\$ 1,400,868
2007	121,103	335,296	18,582	1,731,393	84	2,206,458
2008	120,506	100,323	50,875	(315,290)	47	(43,539)
2009	118,815	113,059	79,681	(1,671,794)	22	(1,360,217)
2010	123,066	142,157	44,460	506,043	105	815,831
2011	116,270	139,075	65,187	1,099,713	97	1,420,342
2012	112,703	182,695	130,912	1,650	35	427,995
2013	110,808	179,976	164,087	738,656	28	1,193,555
2014	106,565	206,204	176,794	1,207,484	49	1,697,096
2015	100,036	226,136	1,000,000	253,311	36	1,579,519

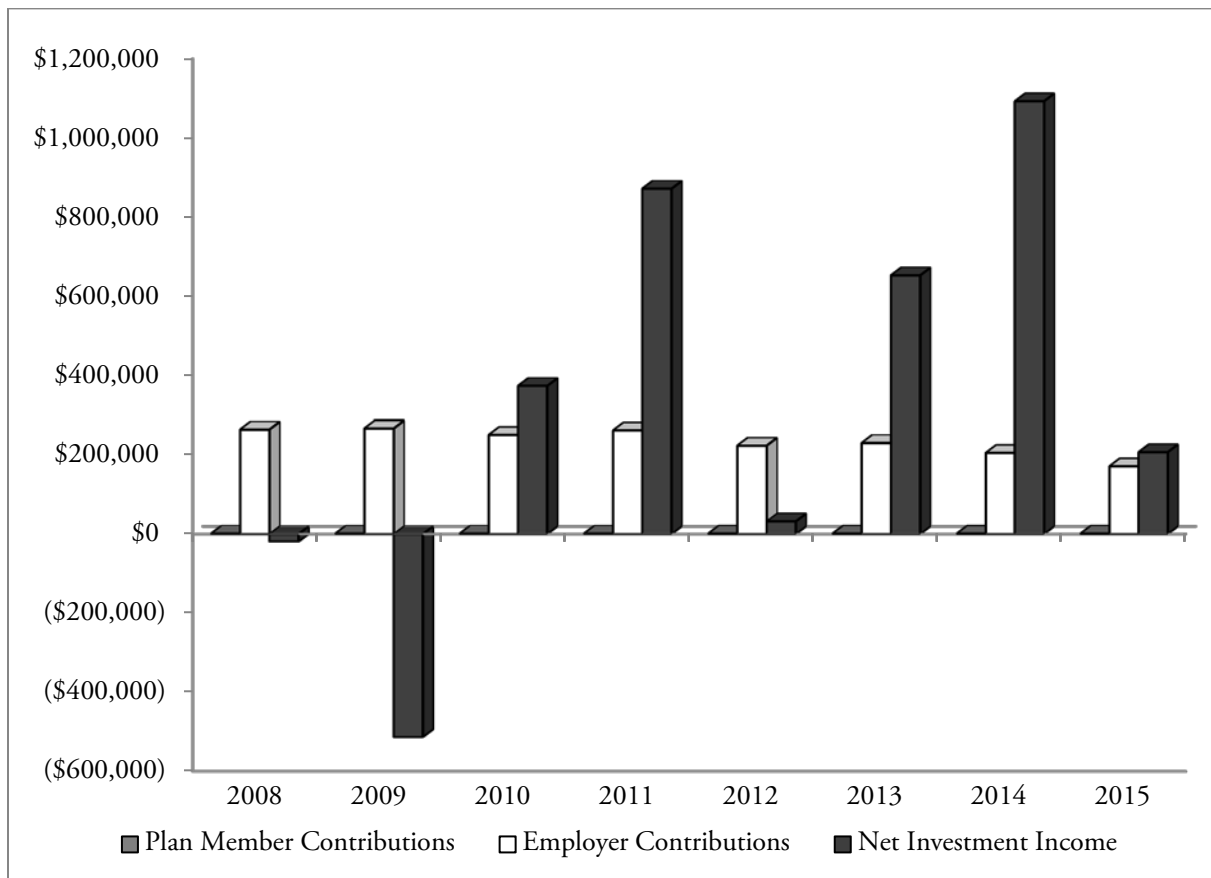
10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

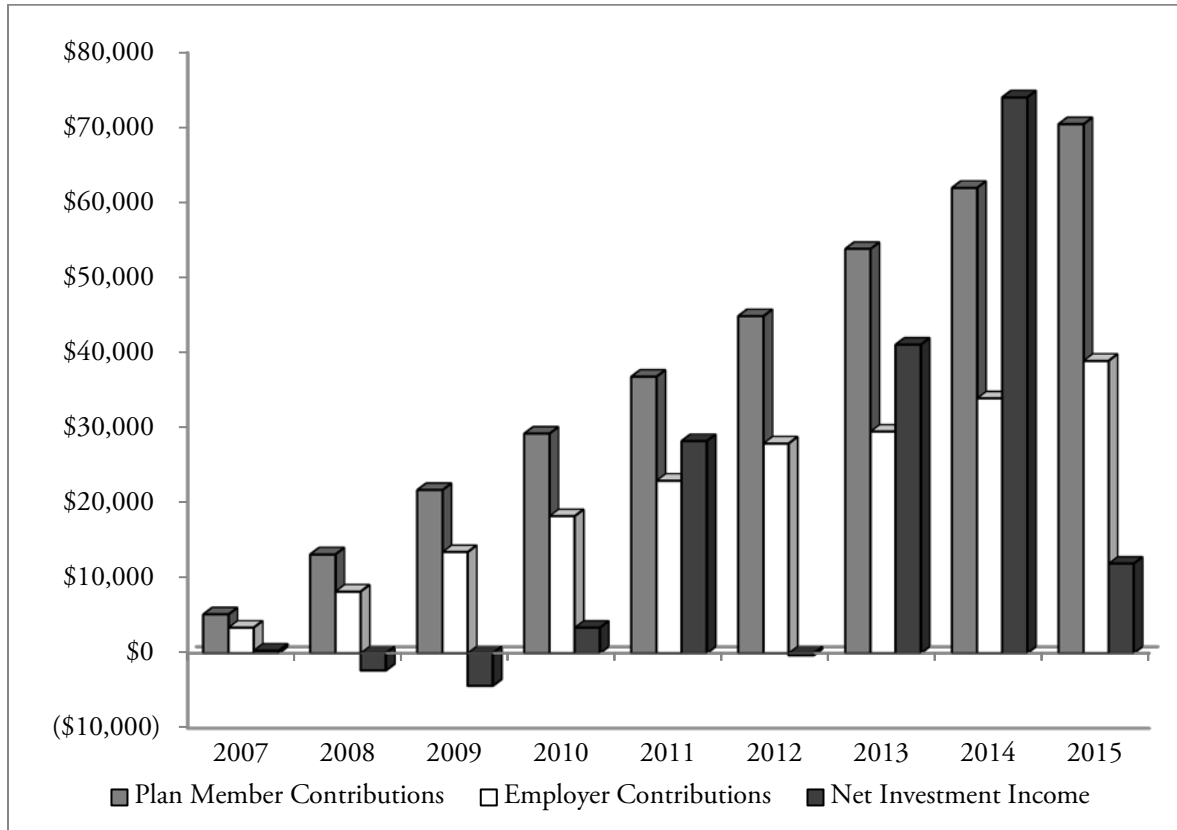
Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Additions by Source (In thousands)							
Year Ended June 30	Plan Member Premiums	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Net Transfer	Other	Total
2008	\$ 474	\$ 263,755	\$ 134,125	\$ (18,803)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

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



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

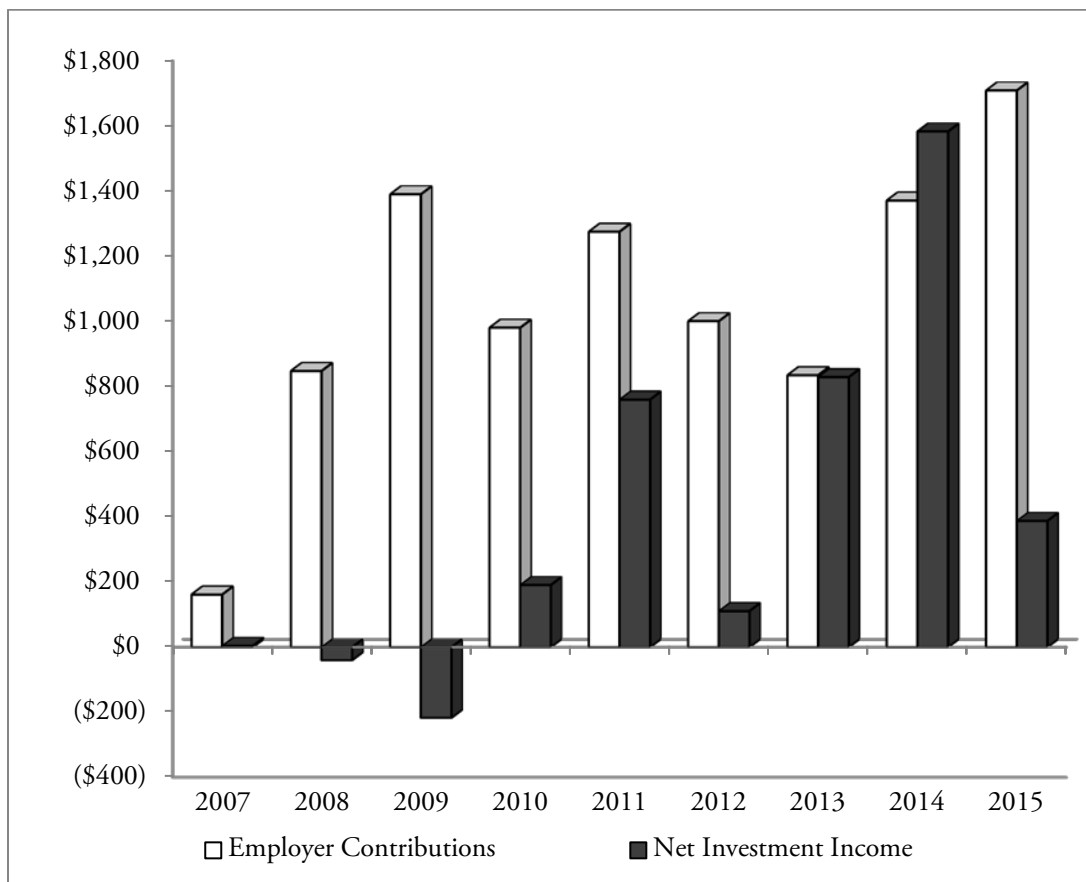
9-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

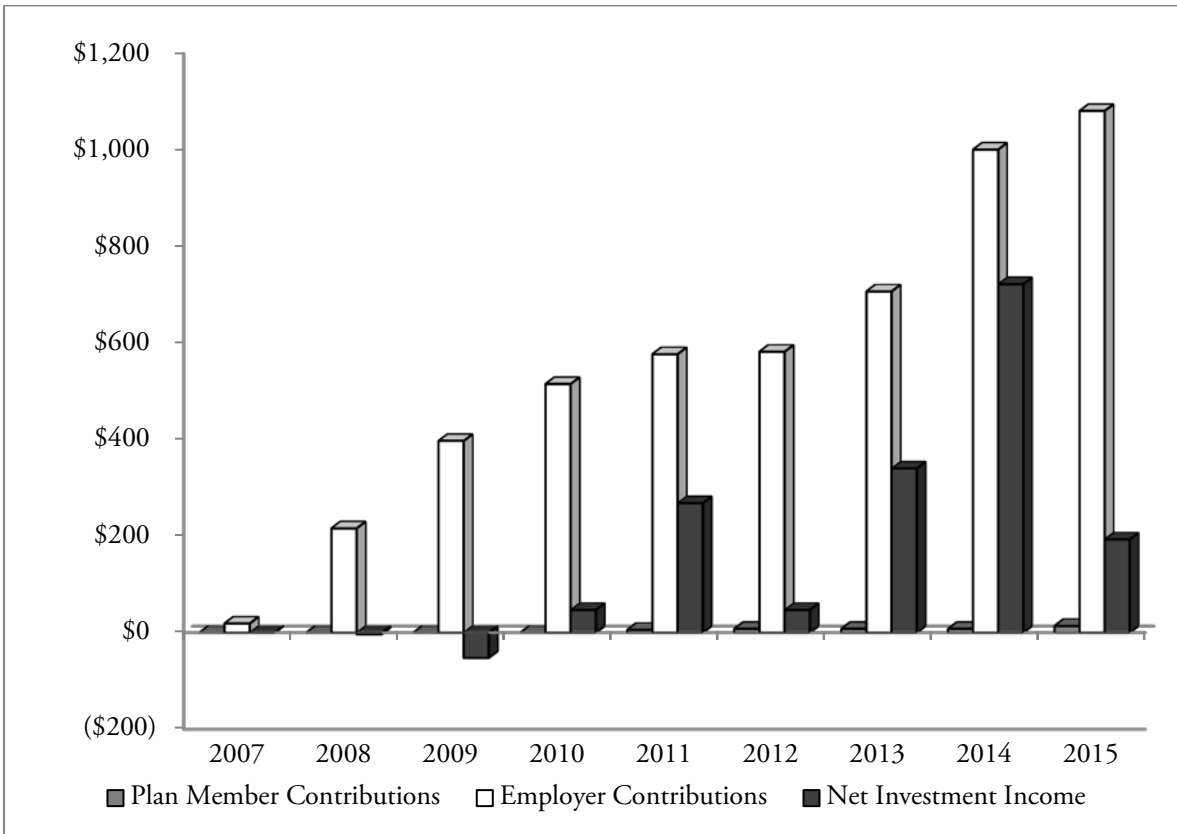
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - All Other Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 162	\$ 4	\$ 166
2008	847	(40)	807
2009	1,390	(217)	1,173
2010	980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

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



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

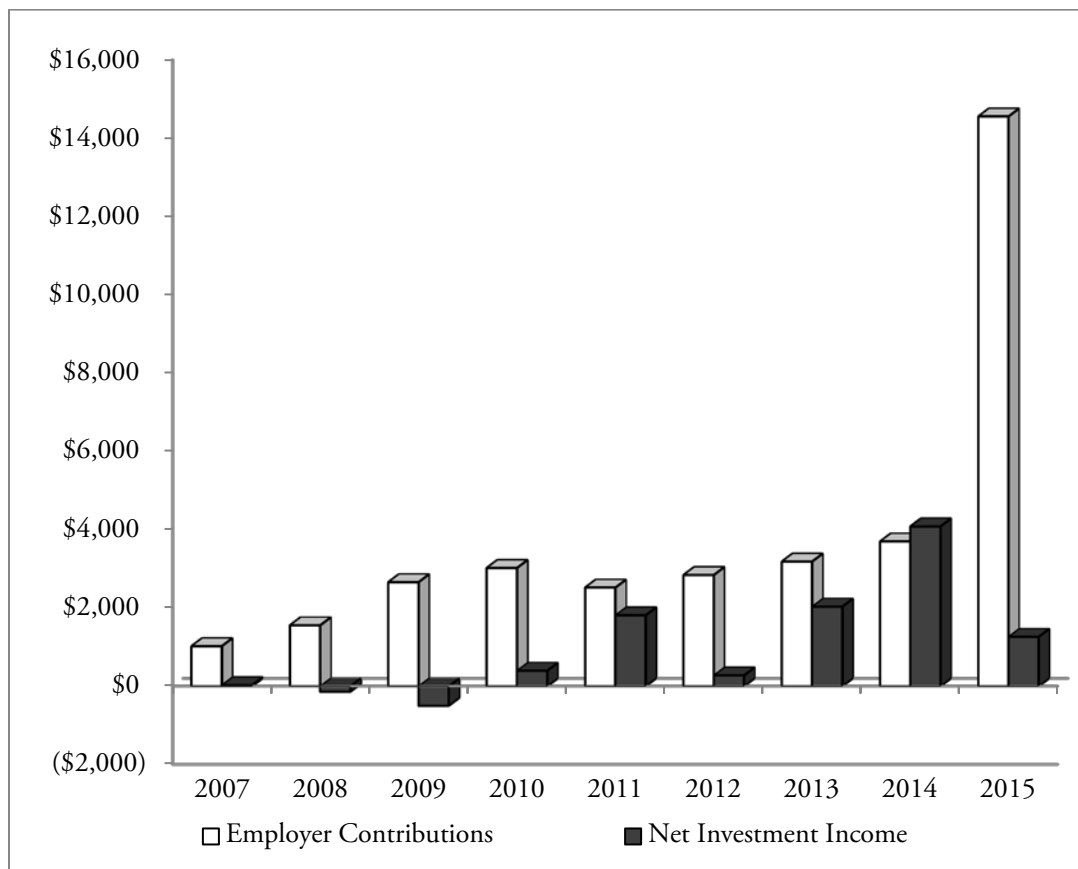
9-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

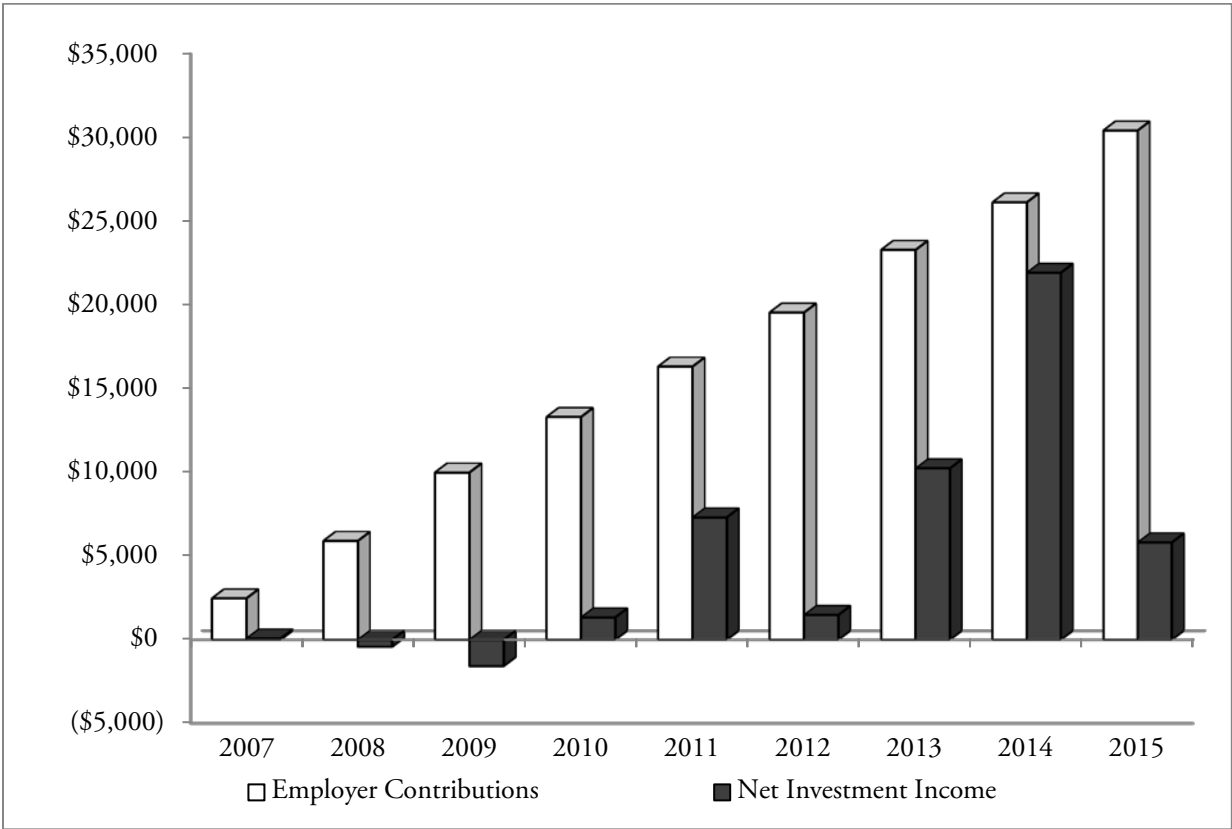
Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 1,028	\$ 27	\$ 1,055
2008	1,561	(137)	1,424
2009	2,667	(497)	2,170
2010	3,031	398	3,429
2011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

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



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

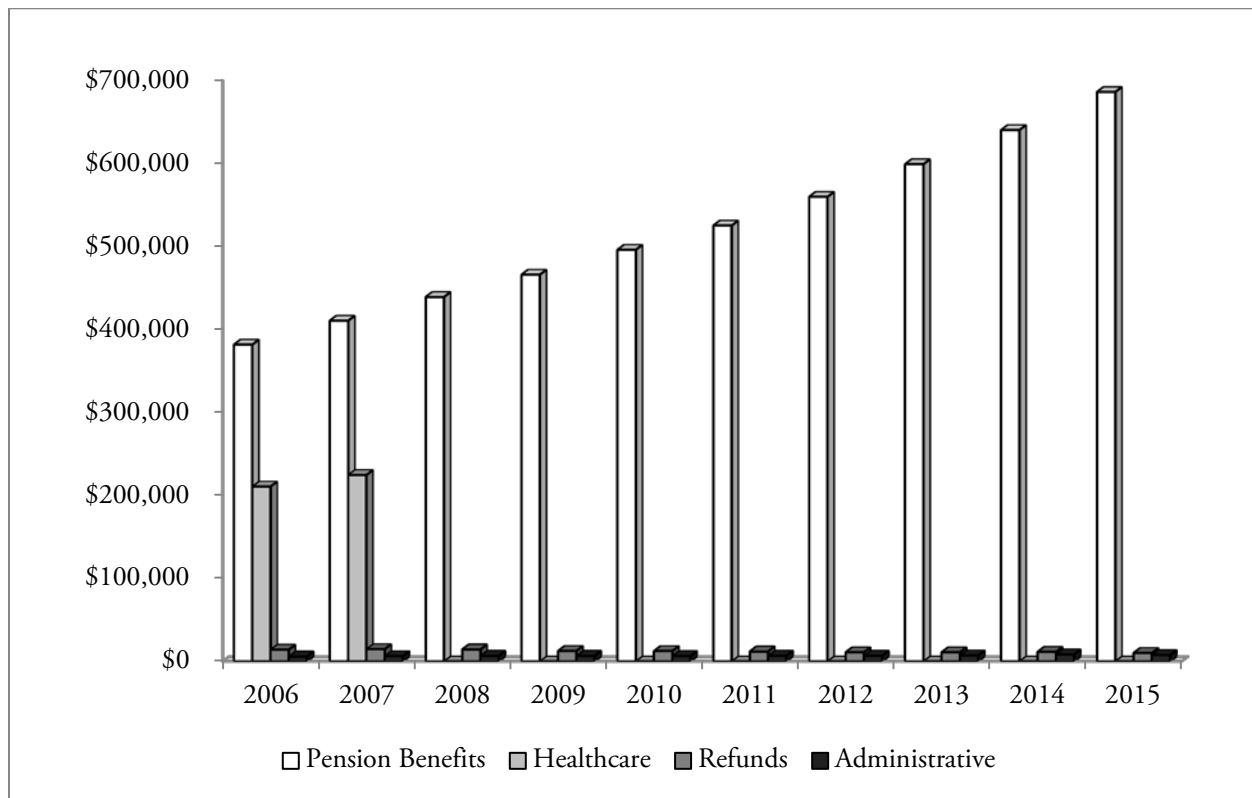
9-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



Statistical Section

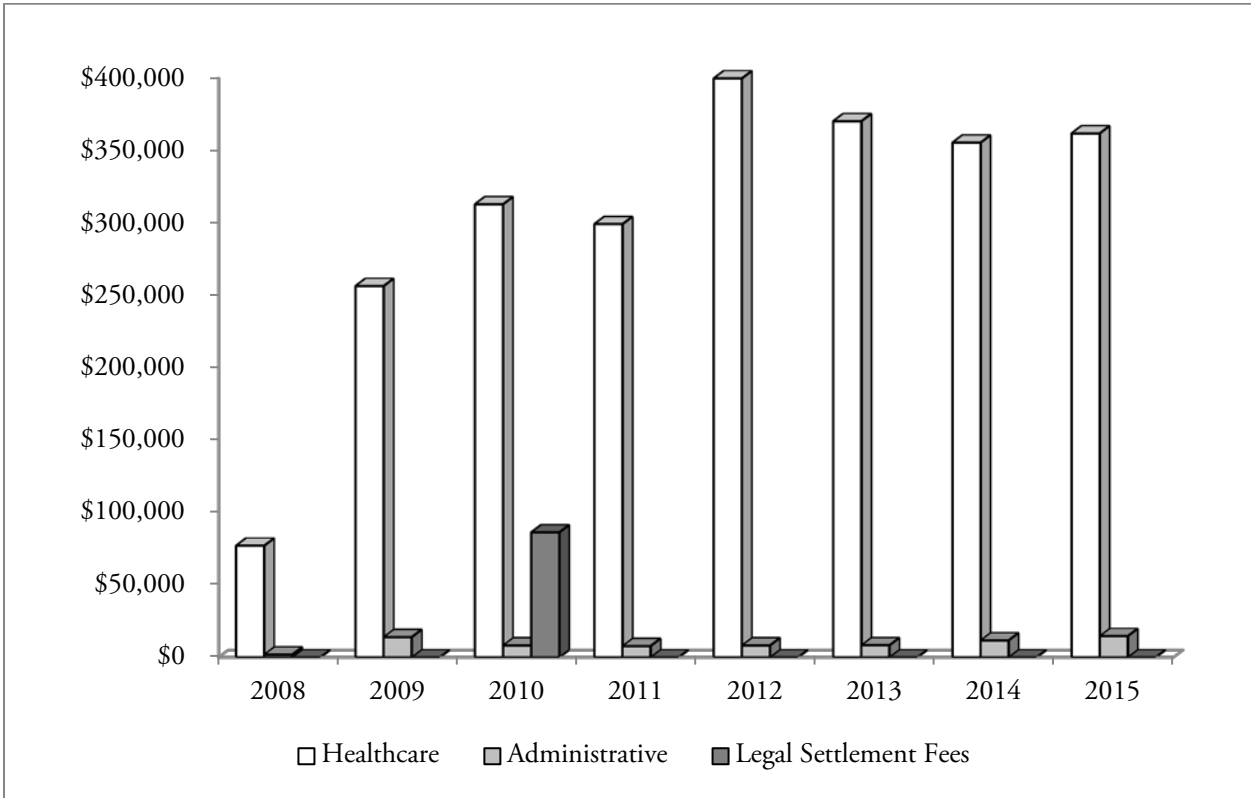
Public Employees' Retirement System Defined Benefit Pension Deductions by Type (In thousands)						
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative	Transfer	Total
2006	\$ 381,672	\$ 210,613	\$ 14,063	\$ 5,801	\$ —	\$ 612,149
2007	410,545	224,553	14,621	6,246	—	655,965
2008	439,123	—	14,333	6,585	3,490,576	3,950,617
2009	466,085	—	12,498	6,568	—	485,151
2010	496,015	—	12,364	6,365	—	514,744
2011	525,277	—	11,923	6,744	—	543,944
2012	559,977	—	10,906	6,743	—	577,626
2013	599,318	—	10,929	7,120	—	617,367
2014	640,518	—	11,399	8,223	—	660,140
2015	686,493	—	10,049	7,553	—	704,095

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



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

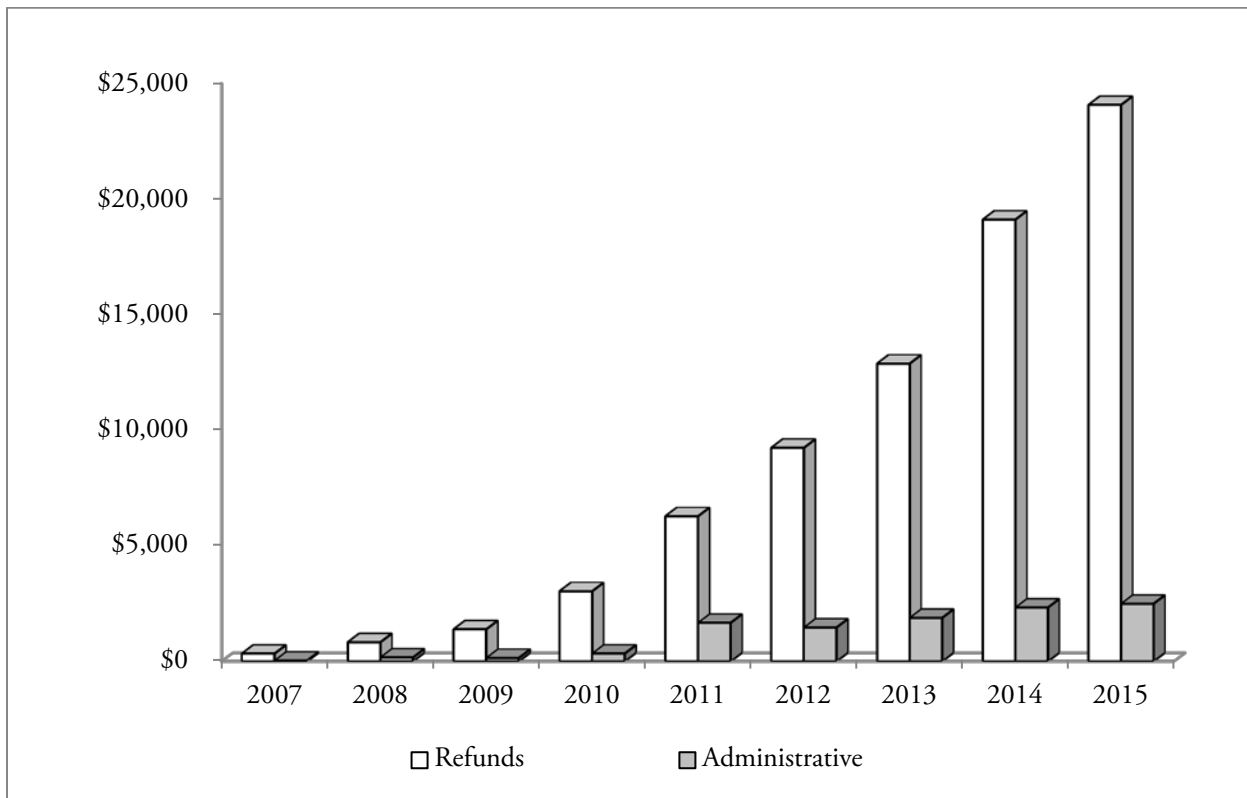
8-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Statistical Section

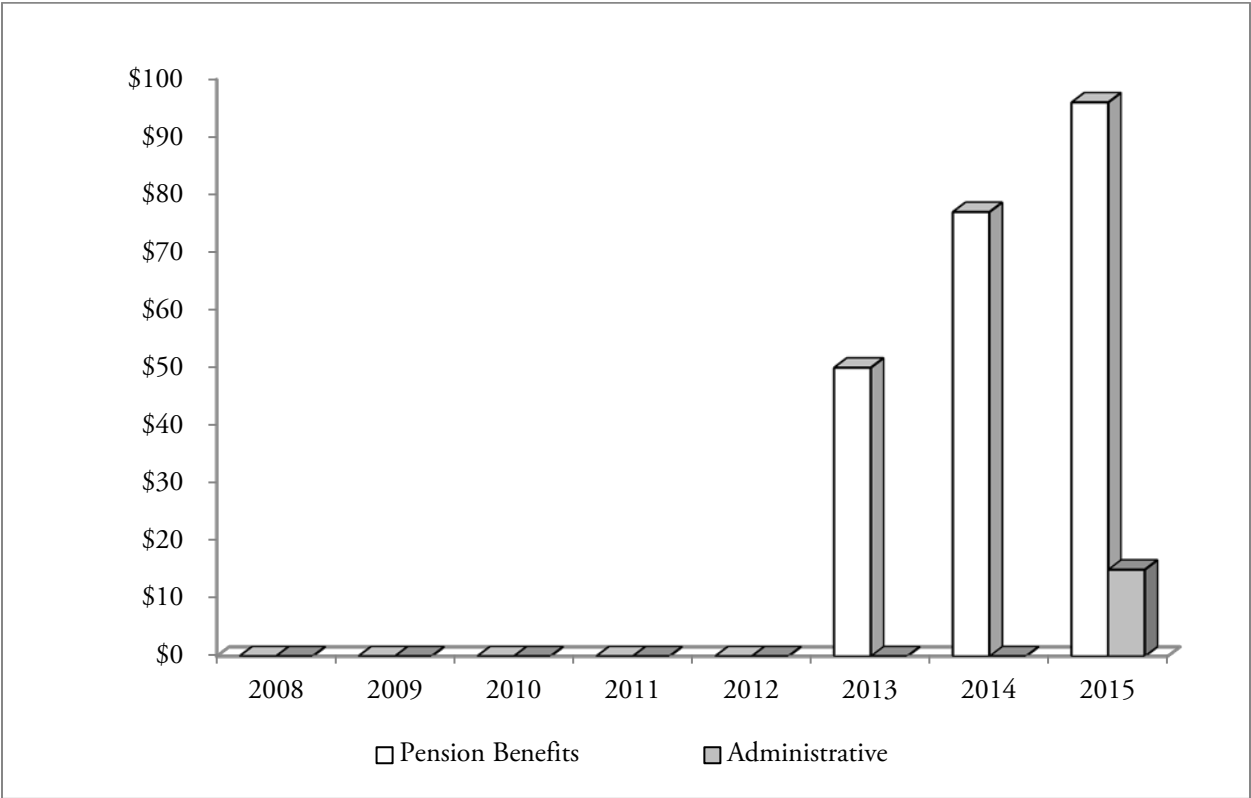
Public Employees' Retirement System Defined Contribution Retirement Participant Directed Deductions by Type (In thousands)				
Plan Ended June 30	Refund of Contributions	Administrative	Prior Year Forfeiture Payable Adjustment	Total
2007	\$ 332	\$ 31	\$ —	\$ 363
2008	826	169	—	995
2009	1,386	146	—	1,532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

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



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

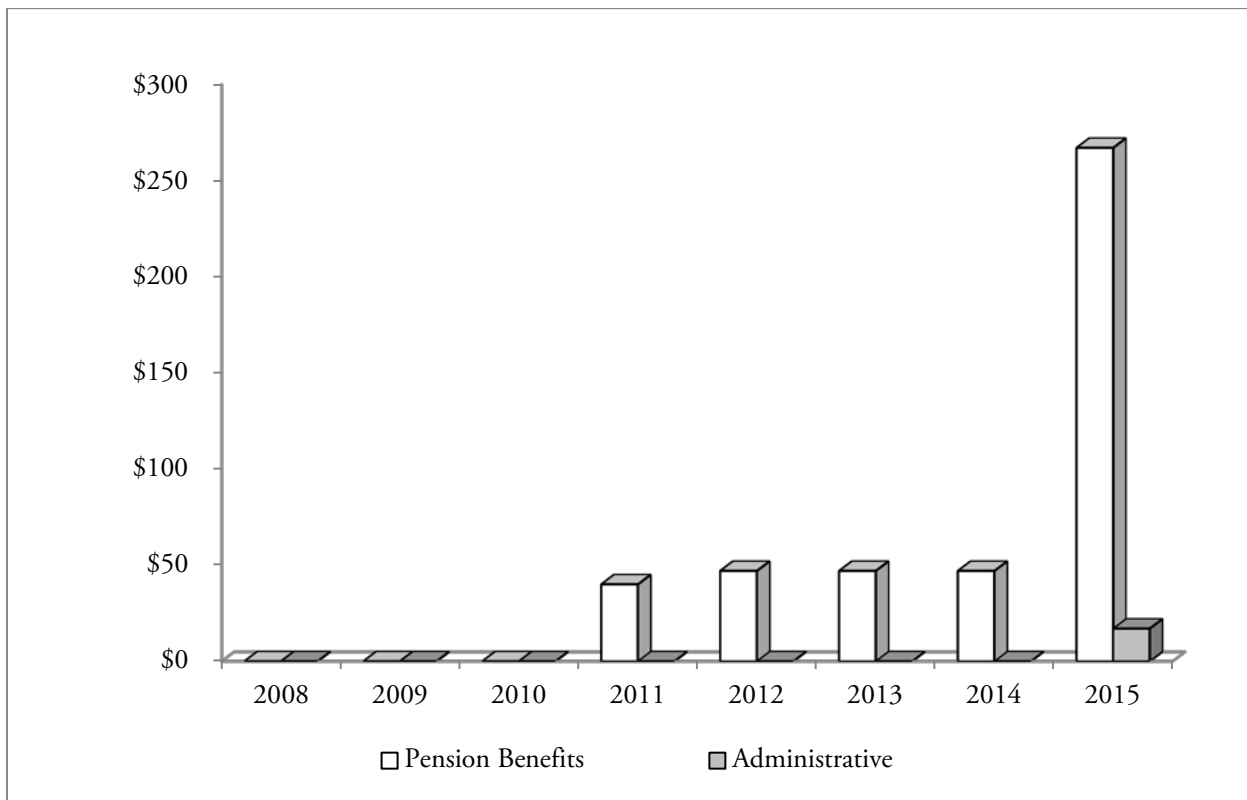
8-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



Statistical Section

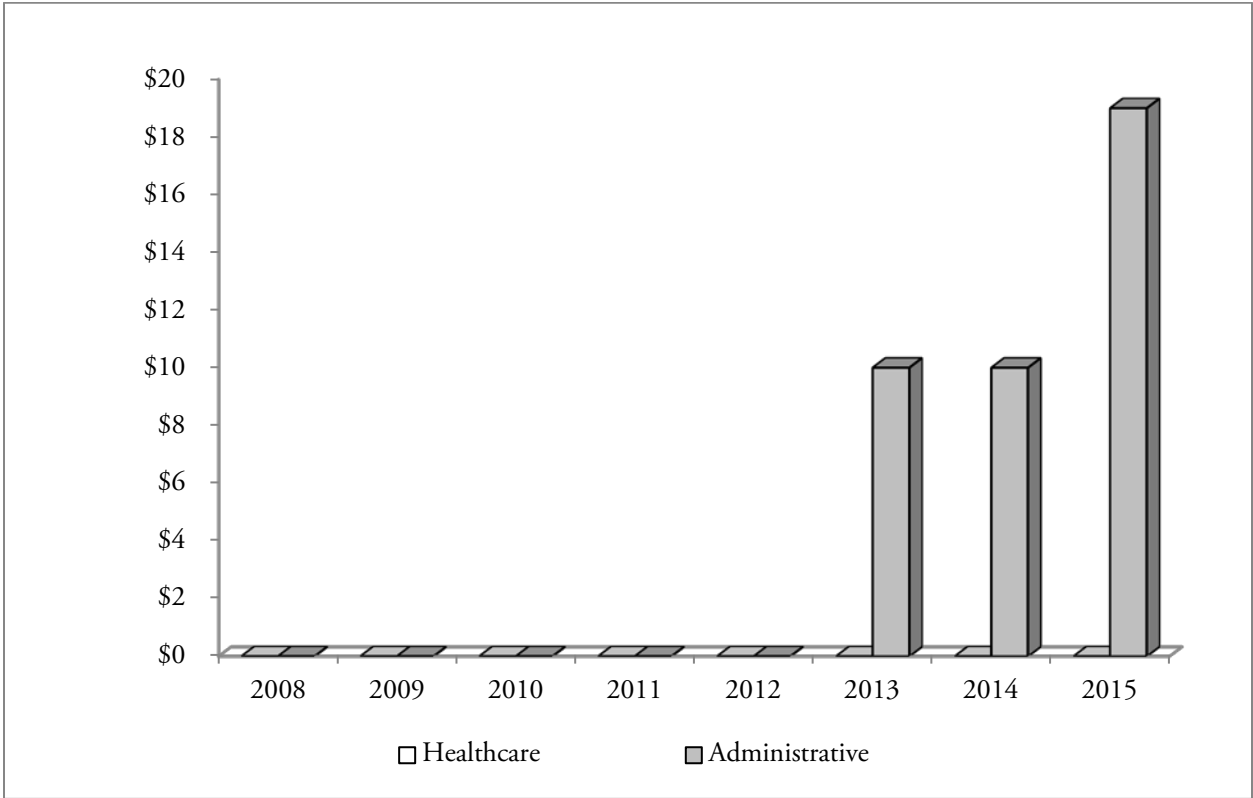
Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – Peace Officers & Firefighters Deductions by Type (In thousands)			
Plan Ended June 30	Pension Benefits	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	40	—	40
2012	47	—	47
2013	47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

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



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

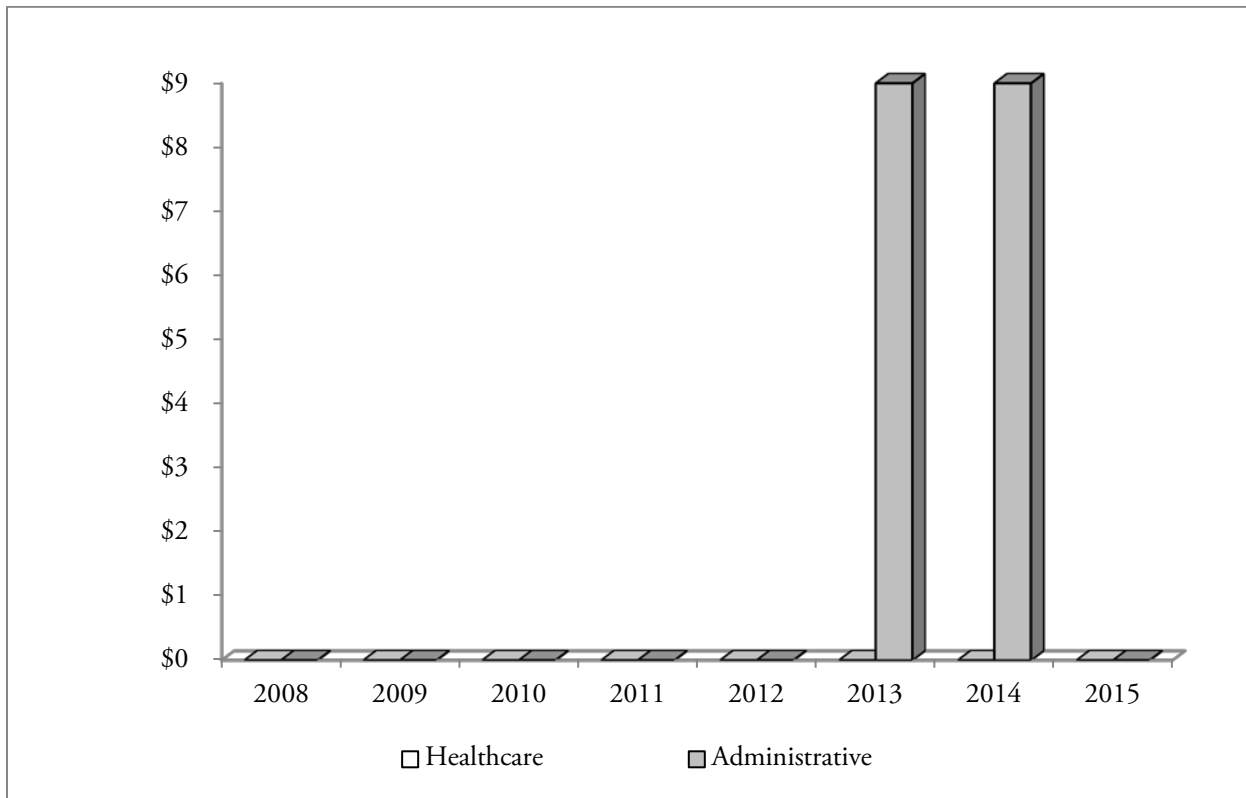
8-YEAR COMPARISON OF DEDUCTIONS BY TYPE
 (In thousands)



Statistical Section

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

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



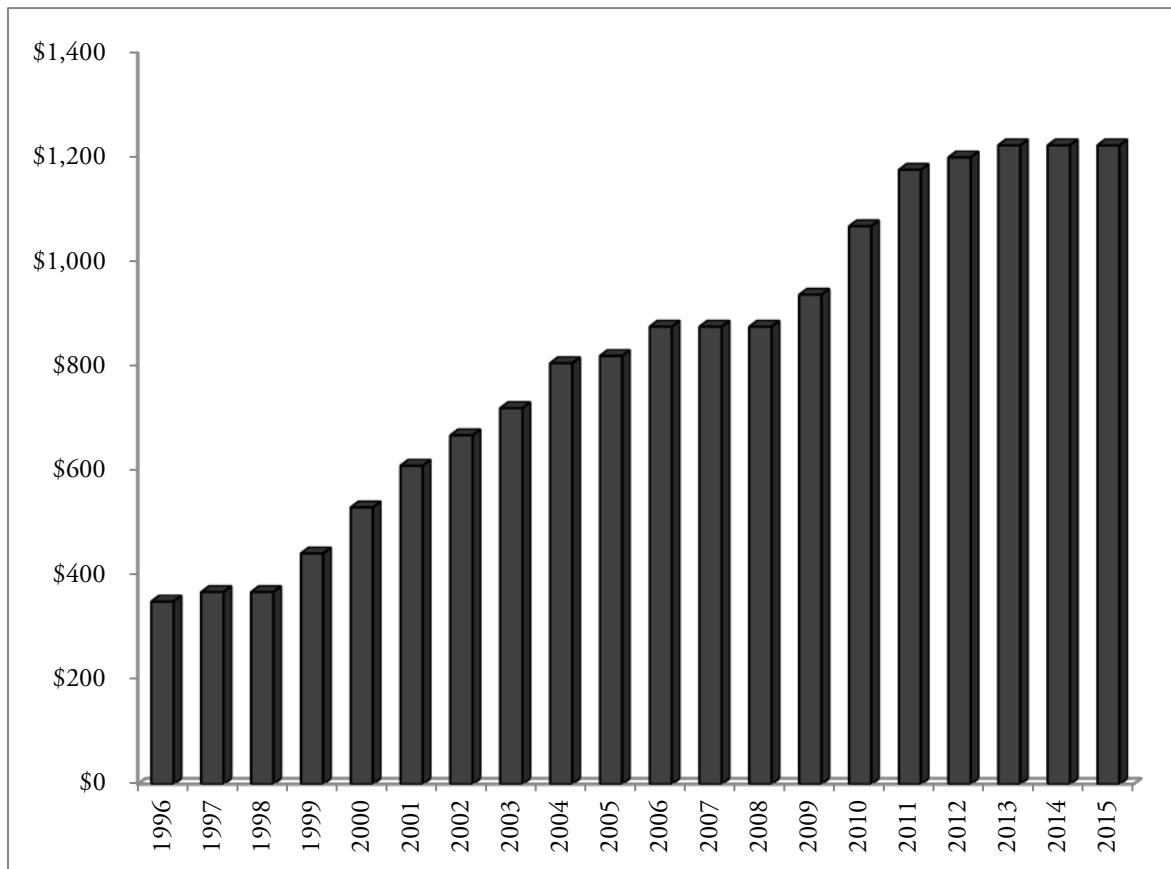
Public Employees' Retirement System Schedule of Average Benefit Payments New Benefit Recipients							
Years of Credited Service							
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
All Others							
Period 7/1/08 - 6/30/09:							
Average Monthly Benefit	\$ 534	\$ 554	\$ 988	\$1,708	\$2,693	\$3,718	\$4,723
Number of Recipients	71	341	216	171	154	159	47
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$ 485	\$ 579	\$1,116	\$1,763	\$2,674	\$4,008	\$5,039
Number of Recipients	93	367	273	217	218	200	74
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 409	\$ 633	\$1,150	\$1,876	\$2,690	\$4,294	\$5,226
Number of Recipients	73	352	270	227	172	205	105
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ 407	\$ 610	\$1,147	\$1,931	\$2,805	\$4,214	\$5,076
Number of Recipients	67	351	314	204	208	188	106
Period 7/1/12 - 6/30/13:							
Average Monthly Benefit	\$ 414	\$ 650	\$1,179	\$1,925	\$2,879	\$4,356	\$5,208
Number of Recipients	59	349	365	257	206	209	132
Period 7/1/13 - 6/30/14:							
Average Monthly Benefit	\$ 503	\$ 700	\$1,189	\$2,065	\$3,021	\$4,439	\$5,490
Number of Recipients	48	347	319	241	214	224	121
Peace Officer/Firefighter							
Period 7/1/08 - 6/30/09:							
Average Monthly Benefit	\$ 489	\$ 820	\$ 979	\$2,466	\$3,152	\$4,213	\$4,894
Number of Recipients	2	17	11	18	23	7	5
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$1,902	\$1,242	\$1,459	\$2,284	\$3,179	\$4,527	\$4,695
Number of Recipients	4	7	16	14	28	14	7
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 525	\$ 880	\$1,469	\$2,666	\$3,743	\$4,806	\$5,661
Number of Recipients	1	8	18	10	24	16	8
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ —	\$1,159	\$1,161	\$3,142	\$3,504	\$4,673	\$5,079
Number of Recipients	—	13	13	12	20	17	7
Period 7/1/12 - 6/30/13:							
Average Monthly Benefit	\$ —	\$ 865	\$1,779	\$2,762	\$3,793	\$4,983	\$4,911
Number of Recipients	—	9	8	19	31	18	4
Period 7/1/13 - 6/30/14:							
Average Monthly Benefit	\$209	\$ 1,423	\$2,002	\$2,902	\$4,014	\$5,464	\$6,299
Number of Recipients	1	9	10	14	22	16	7

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

Statistical Section

Public Employees' Retirement System Schedule of Pension and Healthcare Benefits Deductions by Type (In thousands)					
Year Ended June 30	Service	Disability	Survivor	Healthcare	Total
2006	355,841	7,779	18,052	210,613	592,285
2007	383,516	7,603	19,426	224,553	635,098
2008	405,775	8,460	24,888	235,474	674,597
2009	436,656	6,644	22,785	245,328	711,413
2010	464,735	6,539	24,741	283,095	779,110
2011	492,808	5,821	26,648	323,843	849,120
2012	543,789	5,528	28,651	339,923	917,891
2013	563,172	5,276	30,870	395,939	995,257
2014	601,705	5,630	33,183	415,926	1,056,444
2015	645,895	5,220	35,742	361,930	1,048,786

20-YEAR COMPARISON OF RETIREE MONTHLY COMPOSITE MEDICAL PREMIUMS



Public Employees' Retirement System Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected Valuation as of June 30, 2014									
Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
All Others									
\$ 1 - 300	1,970	1,530	438	2	847	389	280	63	391
301 - 600	4,794	4,118	655	21	2,371	1,186	782	259	196
601 - 900	3,898	3,360	513	25	1,941	965	605	215	172
901 - 1,200	3,073	2,688	361	24	1,428	798	554	166	127
1,201 - 1,500	2,608	2,302	277	29	1,197	741	419	140	111
1,501 - 1,800	1,963	1,768	166	29	825	584	362	111	81
1,801 - 2,100	1,658	1,511	126	21	684	487	307	104	76
2,101 - 2,400	1,426	1,331	78	17	570	425	270	95	66
2,401 - 2,700	1,158	1,079	67	12	461	383	221	47	46
2,701 - 3,000	980	934	42	4	369	322	191	59	39
3,001 - 3,300	808	773	31	4	289	314	142	30	33
3,301 - 3,600	668	648	18	2	219	253	130	44	22
3,601 - 3,900	564	547	17	0	206	209	90	39	20
3,901 - 4,200	490	478	11	1	156	184	116	22	12
over \$4,200	2,015	1,992	20	3	608	820	415	116	56
Totals	28,073	25,059	2,820	194	12,171	8,060	4,884	1,510	1,448
Peace Officer/Firefighter									
\$ 1 - 300	52	26	26	—	31	9	1	2	9
301 - 600	162	104	57	1	78	38	25	9	12
601 - 900	166	99	66	1	93	41	9	13	10
901 - 1,200	159	108	50	1	83	38	18	12	8
1,201 - 1,500	167	121	46	—	89	38	22	7	11
1,501 - 1,800	141	110	28	3	64	39	19	13	6
1,801 - 2,100	170	129	37	4	67	50	35	11	7
2,101 - 2,400	197	143	45	9	86	66	22	15	8
2,401 - 2,700	217	193	20	4	71	85	35	17	9
2,701 - 3,000	237	218	18	1	66	108	38	17	8
3,001 - 3,300	234	216	14	4	62	108	32	14	18
3,301 - 3,600	204	188	13	3	59	97	32	11	5
3,601 - 3,900	206	197	6	3	63	92	27	16	8
3,901 - 4,200	140	138	2	—	36	72	16	14	2
over \$4,200	574	560	12	2	122	312	69	52	19
Totals	3,026	2,550	440	36	1,070	1,193	400	223	140

Type of Pension Benefit

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

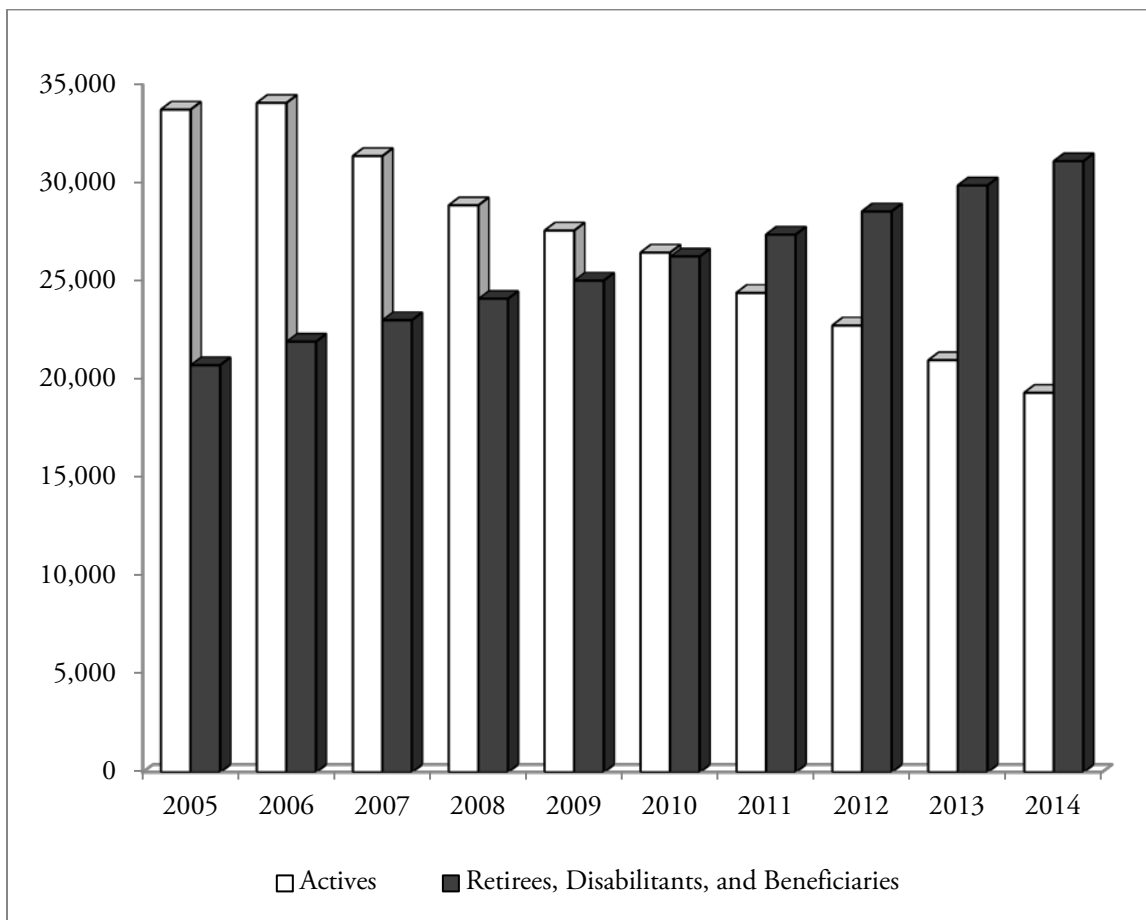
Option Selected

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

Statistical Section

Public Employees' Retirement System System Membership by Status					
Year Ended June 30	Active	Retirees, Disabilitants & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
2005	33,730	20,703	6,105	12,761	73,299
2006	34,071	21,901	6,219	14,155	76,346
2007	31,362	22,997	6,398	14,902	75,659
2008	28,850	24,082	6,627	14,930	74,489
2009	27,565	25,015	6,566	14,626	73,772
2010	26,442	26,237	6,253	14,543	73,475
2011	24,393	27,359	6,414	14,028	72,194
2012	22,730	28,540	6,294	13,552	71,116
2013	20,955	29,865	6,230	13,162	70,212
2014	19,297	31,099	6,167	12,713	69,276

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



Public Employees' Retirement System Principal Participating Employers June 30, 2015			
Employer	Non-retired Members	Rank	Percentage of of Total Non-retired Members
State of Alaska	26,554	1	42.24%
Anchorage School District	5,352	2	8.51
University of Alaska	<u>3,947</u>	3	<u>6.28</u>
Total	<u>35,853</u>		<u>57.03%</u>

Statistical Section

Public Employees' Retirement System Participating Employers at June 30, 2015

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

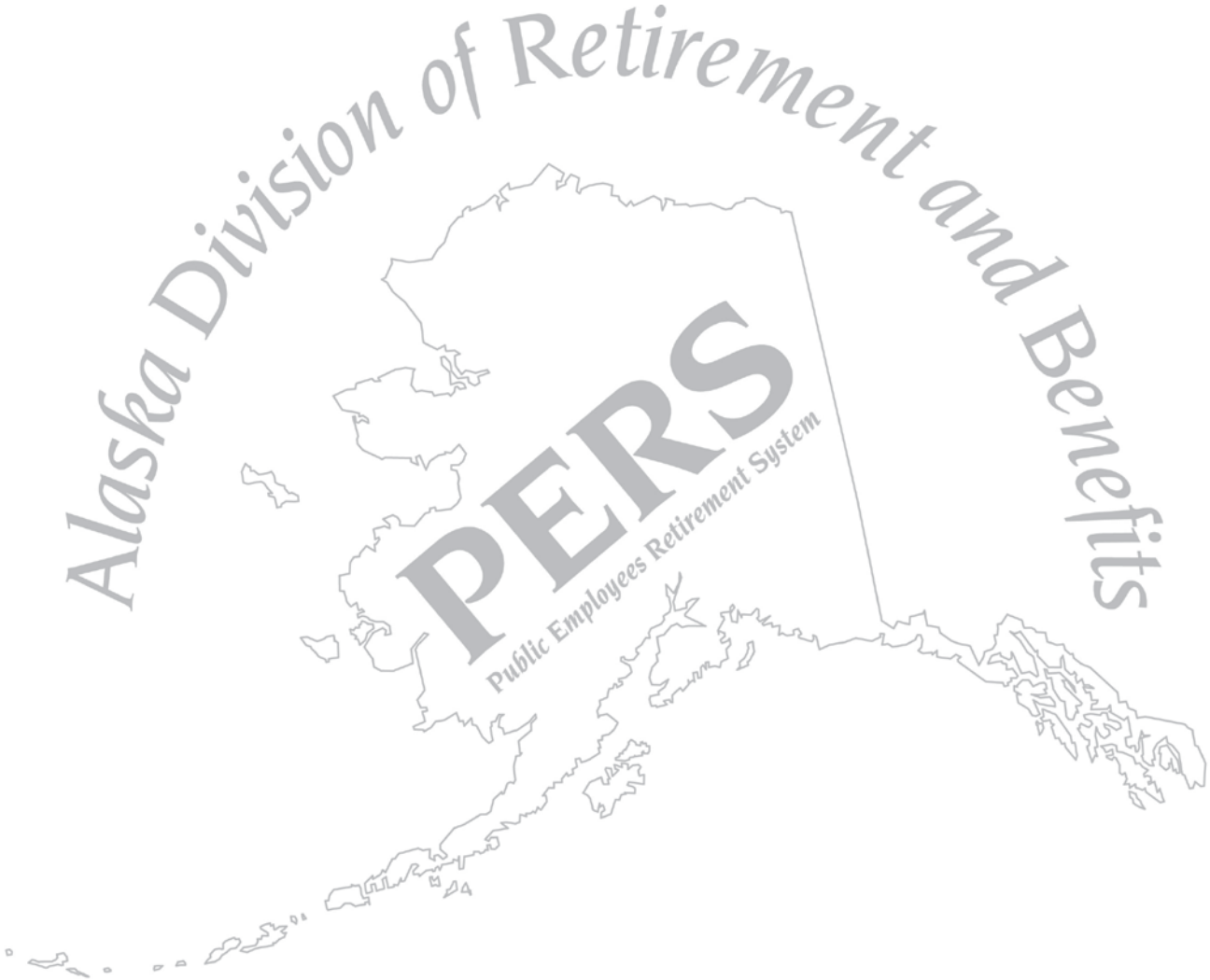
**Public Employees' Retirement System
Participating Employers
at June 30, 2015 (continued)**

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

Statistical Section

Public Employees' Retirement System
Participating Employers
at June 30, 2015 (continued)

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





State of Alaska
Department of Administration | Division of Retirement and Benefits
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