KPMG

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

Financial Statements and Supplemental Schedules

June 30, 2012 and 2011

(With Independent Auditors' Report Thereon)

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

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KPMG LLP
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Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Judicial Retirement System:

We have audited the accompanying statements of plan net assets of the State of Alaska Judicial Retirement System (the Plan), a component unit of the State of Alaska, as of June 30, 2012 and 2011 and the related statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Judicial Retirement System as of June 30, 2012 and 2011, and the changes in plan net assets for the years then ended, in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis and Schedules of Funding Progress and Schedules of Contributions from Employers and State of Alaska are not a required part of the financial statements, but are supplementary information required by the Governmental Accounting Standards Board (GASB). We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit this information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedules presented on pages 45 – 46 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Supplemental schedules are the responsibility of the management of the Plan. This information has been subjected to the auditing procedures applied in our 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, is fairly stated in a material respects when considered in relation to the basic financial statements taken as a whole.

KPMG LLP

October 22, 2012

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

Management's Discussion and Analysis

June 30, 2012 and 2011

This section presents management's discussion and analysis (MD&A) of the Judicial Retirement System's (the Plan) financial condition and performance for the years ended June 30, 2012 and 2011. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, notes to required supplementary information, and supplemental schedules to better understand the financial condition and performance of the Plan during the fiscal years ended June 30, 2012. Information for fiscal year 2011 and 2010 is presented for comparative purposes.

Financial Highlights

The Plan financial highlights as of June 30, 2012 were as follows:

- The Plan's net assets held in trust for pension and postemployment healthcare benefits decreased by $3.6 million during fiscal year 2012.
- The plan member and employer contributions decreased by $683.6 thousand during fiscal year 2012.
- State of Alaska directly appropriated totaled $2.3 million during fiscal year 2012.
- The Plan net investment income decreased $22.9 million to $232.4 thousand during fiscal year 2012.
- The Plan's pension benefit expenditures totaled $9.7 million during fiscal year 2012.
- The Plan's postemployment healthcare benefit expenditures totaled $926.0 thousand in fiscal year 2012.

Overview of the Financial Statements

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

Statements of Plan Net Assets – This statement presents information regarding the Plan's assets, liabilities, and resulting net assets held in trust for pension and postemployment healthcare benefits. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2012 and 2011.

Statements of Changes in Plan Net Assets – Thise statement presents how the Plan's net assets held in trust for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2012 and 2011. This statement presents contributions, State of Alaska appropriations, and investment income (loss) 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, 2012 and 2011, and the sources and uses of those funds during fiscal years 2012 and 2011.

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

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

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

Condensed Financial Information

Plan Net Assets

Description	2012	2011	Increase (decrease) Amount	Increase (decrease) Percentage	2010
Assets:					
Cash and cash equivalents	$ 2,214,543	1,310,561	903,982	69.0%	1,481,026
Due from State of Alaska General Fund	—	—	—	—	11,900
Due from Retiree Health Fund	—	—	—	—	21,619
Contributions receivable	186,208	205,229	(19,021)	(9.3)	150,163
Other receivables	—	26,552	(26,552)	(100.0)	14,094
Investments, at fair value	125,321,369	129,664,136	(4,342,767)	(3.3)	110,556,116
Other assets	9,895	8,499	1,396	16.4	8,513
Total assets	127,732,015	131,214,977	(3,482,962)	(2.7)	112,243,431
Liabilities:					
Accrued expenses	78,802	79,909	(1,107)	(1.4)	74,306
Claims payable	170,000	133,000	37,000	27.8	123,000
Due to Retiree Health Fund	—	—	—	—	8,572
Due to State of Alaska General Fund	104,511	19,450	85,061	437.3	9,555
Total liabilities	353,313	232,359	120,954	52.1	215,433
Net assets	$ 127,378,702	130,982,618	(3,603,916)	(2.8)%	112,027,998

Changes in Plan Net Assets

Description	2012	2011	Increase (decrease) Amount	Increase (decrease) Percentage	2010
Net assets, beginning of year	$ 130,982,618	112,027,998	18,954,620	16.9%	105,189,077
Additions (reductions):					
Contributions	4,395,727	5,079,345	(683,618)	(13.5)	3,629,368
Appropriation – State of Alaska	2,331,725	788,937	1,542,788	195.6	1,550,000
Net investment income (loss)	232,449	23,083,369	(22,850,920)	(99.0)	11,041,370
Other	98,998	41,189	57,809	140.4	35,546
Total additions (reductions)	7,058,899	28,992,840	(21,933,941)	(75.7)	16,256,284
Deductions:					
Pension and postemployment healthcare benefits	10,592,878	9,928,400	664,478	6.7	9,345,838
Administrative	69,937	109,820	(39,883)	(36.3)	71,525
Total deductions	10,662,815	10,038,220	624,595	6.2	9,417,363
Increase (decrease) in net assets	(3,603,916)	18,954,620	(22,558,536)	(119.0)	6,838,921
Net assets, end of year	$ 127,378,702	130,982,618	(3,603,916)	(2.8)%	112,027,998

Financial Analysis of the Plan

The statements of plan net assets as of June 30, 2012 and 2011 show net assets held in trust for pension and postemployment healthcare benefits of $127,378,702 and $130,982,618, respectively. The entire balance is available to cover the Plan's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries. These amounts also represent a decrease of $3,603,916 or 2.8% and an increase of $18,954,620 or 16.9% from fiscal years 2011 and 2010. Over the long term, plan members and employer contributions, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan.

(Continued)

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

Plan Asset Allocation

During fiscal years 2012 and 2011, the Board adopted the following asset allocations:

	2012 Pension & Healthcare Trust	
	Allocation	**Range**
Broad domestic equity	27.0%	±6 %
Global equity ex-U.S.	23.0	± 4
Private equity	8.0	± 5
Real assets	16.0	± 8
Absolute return	6.0	± 4
Fixed income	18.0	± 3
Cash equivalents	2.0	-2⁄+5
Total	100.0%	
Expected five-year median return	7.45%	
Standard deviation	13.82	

	2011 Pension & Healthcare Trust	
	Allocation	**Range**
Broad domestic equity	29.0%	± 6%
Global equity ex-U.S.	23.0	± 4
Private equity	7.0	± 5
Real assets	16.0	± 8
Absolute return	5.0	± 4
Fixed income	19.0	± 3
Cash equivalents	1.0	-1⁄+5
Total	100.0%	
Expected five-year median return	8.07%	
Standard deviation	13.46	

For fiscal years 2012 and 2011, the Plan's investments generated a 0.47% and a 21.25% rate of return, respectively. The Plan's annualized rate of return was 10.87% over the last three years and 0.65% over the last five years.

(Continued)

Actuarial Valuations and Funding Progress

The overall objective of pension and postemployment healthcare funds is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing in the fiscal year following the valuation date and a 25-year fixed amortization of the unfunded accrued liability. The amortization period and employer contribution levels are typically recommended by the actuary and adopted by the administrator biennially. Barring legislative changes, the employer contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities decreased from 72.90% to 70.10% from the actuarial valuation year ended June 30, 2010 to the actuarial roll-forward for June 30, 2011. The June 30, 2011 actuarial roll-forward reflects an unfunded liability of $58,285,113.

A summary of the actuarial assumptions and methods is presented in the notes to the required supplementary information. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the Plan.

	Valuation or rollforward year	
	2011	2010
Valuation assets	$ 136,546,204	134,694,195
Accrued liabilities	194,831,317	184,828,106
Unfunded liability	58,285,113	50,133,911
Funding ratio	70.10%	72.90%

Contributions, Investment Income, and Transfer

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

	Additions (reductions)				
			Increase (decrease)		
	2012	2011	Amount	Percentage	2010
Plan members contributions	$ 710,224	703,662	6,562	0.9%	652,581
Employer contributions	3,685,503	4,375,683	(690,180)	(15.8)	2,976,787
Net investment income (loss)	232,449	23,083,369	(22,850,920)	(99.0)	11,041,370
Appropriation – State of Alaska	2,331,725	788,937	1,542,788	195.6	1,550,000
Other income	98,998	41,189	57,809	140.4	35,546
Total	$ 7,058,899	28,992,840	(21,933,941)	75.7%	16,256,284

(Continued)

The Plan's employer contributions decreased from $4,375,683 during fiscal year 2011 to $3,685,503 during fiscal year 2012, a decrease of $690,180, or 15.8%. Employer contributions increased from $2,976,787 during fiscal year 2010 to $4,375,683 during fiscal year 2011, an increase of $1,398,896, or 47.0%. The fiscal year 2012 decrease was due to a change in how the Judicial Retirement System (JRS) was funded. Beginning in fiscal year 2010 the Alaska Court System, sole employer of the JRS participants, paid only the normal cost portion of the JRS employer contribution rate and the State of Alaska funded the past service cost through a direct appropriation. The normal cost rate decreased from 29.94 in fiscal year 2011 to 29.79 in fiscal year 2012.

The actuarially determined contribution rate increased from 36.20% in fiscal year 2011 to 47.58% in fiscal year 2012, an increase of 11.38% of eligible compensation.

The Plan's net investment income in fiscal year 2012 decreased by $22,850,920 or 99.0% from amounts recorded in fiscal year 2011 and net investment income increased by $12,041,999 or 109.1% from amounts recorded in fiscal year 2010. Over the long term, investment income is a major component of additions to plan assets. During fiscal year 2012, the Plan experienced mixed returns on investments.

The Plan's investment rate of returns at June 30 is as follows:

	Year ended		
	2012	**2011**	**2010**
System returns	0.47%	21.25%	11.92%
Domestic equities	1.68	33.34	15.42
International equities	(13.67)	28.25	11.75
Fixed income	4.86	5.56	11.25
Private equity	9.45	20.18	18.89
Absolute return	(2.05)	5.70	6.55
Real assets	10.39	14.80	0.48
Cash equivalents	0.41	0.47	—

Benefits and Other Deductions

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

	Deductions				
			Increase (decrease)		
	2012	**2011**	**Amount**	**Percentage**	**2010**
Pension	$ 9,666,901	9,177,235	489,666	5.3%	8,314,505
Postemployment healthcare	925,977	751,165	174,812	23.3	1,031,333
Administrative	69,937	109,820	(39,883)	(36.3)	71,525
Total	$ 10,662,815	10,038,220	624,595	6.2%	9,417,363

(Continued)

The Plan's pension benefit in 2012 and 2011 increased $489,666 and $862,730 or 5.3% and 10.4% from fiscal years 2011 and 2010, respectively. Pension benefits are directly tied to active JRS member's salary increases. Active JRS members received a salary increase in fiscal year 2011 and 2012, therefore, pension benefit expense increased as well.

The Plan's postemployment healthcare benefit in 2012 and 2011 increased $174,812 or 23.3% and decreased $280,168 or 27.2% from fiscal years 2011 and 2010, respectively. The increase in healthcare costs in fiscal year 2012 is attributable to an increase in retiree participating in the Plan.

The decrease in administrative deductions is related to a decrease in actuarial expenses and legal fees.

Funding

Retirement benefits are financed by accumulations from employer and plan member contributions and income earned on Plan investments.

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

The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2012, the Twenty-Seventh Alaska State Legislature enacted one law that affects the Plan:

- House Bill 284 appropriates $3,785,571 from the general fund to the Department of Administration for deposit in the Plan's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2013.

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

Fiscal year 2012 was a year of mixed investment returns. Net investment income decreased from $23,083,269 in fiscal year 2011 to $232,449 in fiscal year 2012, a decrease of $22,850,920 or 99.0%. The Board continues to diversify the portfolio of the Plan to maintain an optimal risk/return ratio. Actual investment returns greater than the assumed investment return will have a positive impact on both the annual actuarially determined contribution amount and the Plan's funded level.

The actuarial roll-forward for June 30, 2011 reports a funding ratio of 70.10% and an unfunded liability of $58.3 million. The June 30, 2010 actuarial valuation as of June 30, 2010 reported a funding ratio of 72.90% and an unfunded liability of $50.1 million. The increase in the unfunded liability is attributable to an increase in JRS member's salaries, which directly impacts future pension benefit expense.

Requests for Information

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

State of Alaska Judicial Retirement System
Division of Retirement and Benefits, Accounting Section
P.O. Box 110203
Juneau, Alaska 99811-0203

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

Statements of Plan Net Assets

June 30, 2012 and 2011

	2012			2011		
	Pension	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Alaska retiree healthcare trust**	**Total**
Assets:						
Cash and cash equivalents (notes 2, 3 and 4):						
Short-term fixed income pool	$ 1,881,554	332,989	2,214,543	1,103,041	207,520	1,310,561
Receivables:						
Contributions	166,080	20,128	186,208	183,406	21,823	205,229
Other receivables	—	—	—	—	26,552	26,552
Total receivables	166,080	20,128	186,208	183,406	48,375	231,781
Investments (notes 2, 3, 4, and 5) at fair value:						
Fixed income securities:						
Retirement fixed income pool	129,566	24,673	154,239	267,487	49,289	316,776
U.S. Treasury fixed pool	11,107,912	2,237,475	13,345,387	11,667,839	2,262,226	13,930,065
High yield fixed-income pool	2,913,772	554,846	3,468,618	2,755,523	507,738	3,263,261
International fixed income pool	2,472,820	470,866	2,943,686	2,552,596	470,338	3,022,934
Emerging markets debt pool	815,377	155,267	970,644	861,447	158,732	1,020,179
Total fixed income securities	17,439,447	3,443,127	20,882,574	18,104,892	3,448,323	21,553,215
Broad domestic equity	31,739,724	6,043,819	37,783,543	33,103,648	6,097,877	39,201,525
Broad international equity						
International equity pool	17,528,398	3,337,715	20,866,113	19,883,585	3,663,394	23,546,979
Emerging markets equity pool	5,681,464	1,081,854	6,763,318	6,648,670	1,225,096	7,873,766
Total broad international equity	23,209,862	4,419,569	27,629,431	26,532,255	4,888,490	31,420,745
Private equity pool	10,622,797	2,022,838	12,645,635	10,118,420	1,864,308	11,982,728
Absolute return pool	4,544,789	865,433	5,410,222	4,872,968	897,884	5,770,852
Real assets:						
Real estate pool	8,577,154	1,633,677	10,210,831	8,829,162	1,627,710	10,456,872
Real estate investment trust pool	1,232,418	234,672	1,467,090	1,125,407	207,351	1,332,758
Energy pool	766,736	146,004	912,740	624,917	115,149	740,066
Farmland pool	4,224,204	804,396	5,028,600	3,514,935	647,674	4,162,609
Timber pool	1,512,184	287,955	1,800,139	1,294,600	238,553	1,533,153
Treasury inflation protected securities pool	1,302,536	248,028	1,550,564	1,274,729	234,884	1,509,613
Total real assets	17,615,232	3,354,732	20,969,964	16,663,750	3,071,321	19,735,071
Total investments	105,171,851	20,149,518	125,321,369	109,395,933	20,268,203	129,664,136
Other assets	—	9,895	9,895	—	8,499	8,499
Total assets	107,219,485	20,512,530	127,732,015	110,682,380	20,532,597	131,214,977
Liabilities:						
Accrued expenses	76,362	2,440	78,802	78,277	1,632	79,909
Claims payable (note 6)	—	170,000	170,000	—	133,000	133,000
Due to State of Alaska General Fund (note 2)	8,868	95,643	104,511	2,616	16,834	19,450
Total liabilities	85,230	268,083	353,313	80,893	151,466	232,359
Commitments and contingencies (note 6)						
Net assets held in trust for pension and postemployment healthcare benefits	$ 107,134,255	20,244,447	127,378,702	110,601,487	20,381,131	130,982,618

See accompanying notes to financial statements.

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

Statements of Changes in Plan Net Assets

Years ended June 30, 2012 and 2011

	2012			2011		
	Pension	**Alaska retiree healthcare trust**	**Total**	**Pension**	**Alaska retiree healthcare trust**	**Total**
Additions:						
Contributions:						
Employer	$ 3,212,901	472,602	3,685,503	3,836,321	539,362	4,375,683
Plan members	704,671	5,553	710,224	685,542	18,120	703,662
Appropriation – State of Alaska	2,205,898	125,827	2,331,725	727,183	61,754	788,937
Total contributions	6,123,470	603,982	6,727,452	5,249,046	619,236	5,868,282
Other income	12	98,986	98,998	1,294	39,895	41,189
Investment income:						
Net appreciation in fair value (note 2)	(2,275,976)	(387,393)	(2,663,369)	17,420,363	3,150,647	20,571,010
Interest	602,680	114,687	717,367	585,088	109,072	694,160
Dividends	2,069,055	384,192	2,453,247	1,779,522	316,804	2,096,326
Total investment income	395,759	111,486	507,245	19,784,973	3,576,523	23,361,496
Less investment expense	274,717	79	274,796	278,095	32	278,127
Net investment income	121,042	111,407	232,449	19,506,878	3,576,491	23,083,369
Total additions	6,244,524	814,375	7,058,899	24,757,218	4,235,622	28,992,840
Deductions:						
Pension and postemployment healthcare benefits	9,666,901	925,977	10,592,878	9,177,235	751,165	9,928,400
Administrative	44,855	25,082	69,937	84,835	24,985	109,820
Total deductions	9,711,756	951,059	10,662,815	9,262,070	776,150	10,038,220
Net increase	(3,467,232)	(136,684)	(3,603,916)	15,495,148	3,459,472	18,954,620
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	110,601,487	20,381,131	130,982,618	95,106,339	16,921,659	112,027,998
Balance, end of year	$ 107,134,255	20,244,447	127,378,702	110,601,487	20,381,131	130,982,618

See accompanying notes to financial statements.

(1) Description

The following is a brief description of the State of Alaska Judicial Retirement System, Defined Benefit Retirement Pension, and Postemployment Healthcare Plan (the Plan). The Plan is a component unit of the State of Alaska (the State). Participants should refer to the plan agreement for more complete information.

General

The Plan is a defined benefit, single-employer retirement system established and administered by the State to provide pension and postemployment healthcare benefits for eligible State justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as a pension trust fund.

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

	Valuation as of	
	2010	**2008**
Retirees and beneficiaries currently receiving benefits	99	90
Terminated plan members entitled to future benefits	4	5
Total current and future benefits	103	95
Active plan members:		
Vested	45	46
Nonvested	27	27
Total active plan members	72	73
Total members	175	168

Pension Benefits

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

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

(1) Description (cont.)

Postemployment Healthcare Benefits

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

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

Death Benefits

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

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

Disability Benefits

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

Contributions

Plan Members Contributions

Plan members first appointed after June 30, 1978 contribute 7% of their compensation to the Plan. The plan member contributions are deducted before federal income tax is withheld. Contributions are not required after members have made contributions for 15 years. Plan member contributions earn interest at the rate of 4.5% per annum, compounded semiannually. Contributions are collected by the employer and remitted to the Plan. Members appointed before July 1, 1978 are not required to make contributions.

(1) Description (cont.)

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial cost method of funding. The Plan amortizes any funding surplus or unfunded accrued liability over a 25 year period as a level percentage of expected payroll. However, in keeping with Governmental Accounting Standards Board (GASB) requirements, the net amortization period will not exceed 30 years. Employer contributions are accumulated in both the pension and the healthcare funds based on the approved contribution rate for the fiscal year.

Refunds

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

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

(2) Summary of Significant Accounting Policies (cont.)

GASB Statements No. 25, No. 43 and No. 50

The Plan follows the provisions of GASB Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* (GASB 25). GASB 25 establishes a financial reporting framework for defined benefit plans that distinguishes between two separate categories of information: (a) current financial information about plan assets and financial activities and (b) actuarially determined information, from a long-term perspective, about the funded status of the Plan and the progress being made in accumulating sufficient assets to pay benefits when due. Additionally, the Plan follows the provisions of GASB Statement No. 50, *Pension Disclosure*. (GASB 50) amended certain disclosure provisions of GASB 25 and expanded disclosures regarding pensions.

The Plan's defined benefit postemployment healthcare plan also follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Postemployment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed by GASB 43 is generally consistent with the approach adopted in GASB 25, with modifications to reflect differences between pension and OPEB plans.

Investments

Investments are reported under the Department of Revenue, Treasury Division (Treasury). Treasury financial statements are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net contributions (withdrawals) represent contributions from employers and employees, net of benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

Pooled Investments

With the exception of the Short-Term Fixed Income Pool, ownership in the various pools is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

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. Participant shares also change at the beginning of each month when income is paid. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the mid-point of representative quoted bid and ask prices.

(2) Summary of Significant Accounting Policies (cont.)

Valuation and Income Allocation

Fixed Income Pools

With the exception of the Emerging Markets Debt Pool, fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the investment manager determine the allocation between permissible securities.

The Emerging Markets Debt Pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares, which are valued on the last business day of each month by the investment manager.

Broad Domestic Equity, International Equity, and Real Estate Investment Trust (REIT) Pools

Domestic equity, international equity, and REIT securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the external manager determines the allocation between permissible securities.

Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Energy, Farmland, Farmland Water, and Timber Pools

Income in these pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

Emerging markets securities are valued on the last business day of each month by the investment managers. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries.

Private equity investments are valued quarterly by the general partners and investment sponsors. Private equity oversight managers and Treasury staff employ a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are comprised of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are comprised of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

(Continued)

(2) Summary of Significant Accounting Policies (cont.)

The energy related investments are valued quarterly by the general partner. The general partner is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are comprised of a limited partnership with an energy related venture capital operating company.

Real estate, farmland, farmland water property, and timber investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, and timber investments are appraised annually by independent appraisers. Underlying assets in the pool comprise separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments.

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

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

Federal Income Tax Status

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

(3) Investments

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

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

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board.

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. Specifically, the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Domestic Equity Pool, International Equity Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Energy Pool, Farmland Pool, Farmland Water Pool, and Timber Pool are managed by external management companies. Treasury manages the Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities Pool (TIPS), and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

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.

(4) Deposit and Investment Risk

At June 30, 2012, the Plan's investments included the following:

	Fair value								
	Fixed income pools								
	Short term	Retirement	U.S. Treasury	High yield	International	Convertible	TIPS	Other	Total
Bridge loans	$ —	—	—	29,394	—	—	—	—	29,394
Commercial paper	151,734	—	—	—	—	—	—	—	151,734
Convertible bonds	—	—	—	32,088	—	—	—	—	32,088
Corporate bonds	405,893	—	706,182	2,956,486	—	803,920	—	—	4,872,481
Deposits	17,817	—	—	175,940	13,065	12,039	—	—	218,861
Foreign corporate bonds	—	—	—	5,763	66,891	—	—	—	72,654
Foreign government bonds	—	—	—	—	2,808,446	—	—	—	2,808,446
Mortgage backed	37,823	91,879	432,980	—	—	—	—	—	562,682
Municipal bonds	—	—	15,452	—	—	—	—	—	15,452
Other asset backed	1,571,339	—	19,791	—	—	—	—	—	1,591,130
Short-term investment fund	—	—	—	—	21,897	—	—	153,013	174,910
Treasury bills	2,356,268	—	—	—	—	—	—	—	2,356,268
Treasury bonds	—	—	960,403	—	—	—	—	—	960,403
Treasury notes	—	—	10,674,106	—	—	—	—	—	10,674,106
Treasury TIP bonds	—	—	—	—	—	—	592,440	—	592,440
Treasury TIP notes	—	—	—	—	—	—	944,763	—	944,763
U.S. government agency	53,429	—	70,589	—	—	—	—	—	124,018
Yankees:									
Corporate	93,388	—	101,127	231,007	—	—	—	—	425,522
Government	—	—	50,974	—	—	—	—	—	50,974
Fixed income pool:									
Equity	—	—	—	—	—	72,395	—	—	72,395
Warrants	—	—	—	122	—	—	—	—	122
Emerging markets debt pool	—	—	—	—	—	—	—	970,644	970,644
Broad domestic equity pool:									
Deposits	—	—	—	—	—	—	—	369,265	369,265
Equity	—	—	—	—	—	—	—	33,541,803	33,541,803
Futures	—	—	—	—	—	—	—	12,425	12,425
Limited partnership	—	—	—	—	—	—	—	1,898,919	1,898,919
Mutual fund	—	—	—	—	—	—	—	320,310	320,310
Options	—	—	—	—	—	—	—	(158,018)	(158,018)
Treasury bills	—	—	—	—	—	—	—	17,874	17,874
Broad international equity pool:									
Deposits	—	—	—	—	—	—	—	392,620	392,620
Equity	—	—	—	—	—	—	—	18,699,163	18,699,163
Mutual fund	—	—	—	—	—	—	—	1,577,492	1,577,492
Rights	—	—	—	—	—	—	—	339	339
Emerging markets equity pool	—	—	—	—	—	—	—	6,763,319	6,763,319
Private equity pool:									
Limited partnerships	—	—	—	—	—	—	—	12,645,634	12,645,634
Absolute return pool:									
Limited partnerships	—	—	—	—	—	—	—	5,410,222	5,410,222
Real estate pool:									
Commingled funds	—	—	—	—	—	—	—	2,767,388	2,767,388
Limited partnerships	—	—	—	—	—	—	—	2,563,410	2,563,410
Real estate	—	—	—	—	—	—	—	4,880,033	4,880,033
Real estate investment trust pool equity	—	—	—	—	—	—	—	1,459,965	1,459,965
Energy pool:									
Limited partnerships	—	—	—	—	—	—	—	912,740	912,740
Farmland pool:									
Agricultural holdings	—	—	—	—	—	—	—	5,028,599	5,028,599
Timber pool:									
Timber holdings	—	—	—	—	—	—	—	1,800,139	1,800,139
Net other assets (liabilities)	(126,446)	832	(1,141,307)	37,818	33,387	5,433	8,424	112,643	(1,069,216)
Other pool ownership	(2,346,702)	61,528	1,455,090	—	—	—	4,937	825,147	—
Total invested assets	$ 2,214,543	154,239	13,345,387	3,468,618	2,943,686	893,787	1,550,564	102,965,088	127,535,912

(4) Deposit and Investment Risk (cont.)

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 fourteen months to maturity or fourteen months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. Treasury utilizes the actual maturity date for commercial paper and twelve-month prepay speeds for other securities. At June 30, 2012, the expected average life of individual fixed rate securities ranged from two days to twenty five years and the expected average life of floating rate securities ranged from tweleve days to nine years.

Other Plan 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. Treasury uses industry standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options, and other variable cash flows to calculate effective duration.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to ± 20% of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2012 was 5.07 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Intermediate U.S. Treasury Fixed Income portfolio to ± 20% of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2012 was 3.86 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield portfolio to ± 20% of the Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2012 was 4.21 years.

(4) Deposit and Investment Risk (cont.)

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to ± 25% of the blended benchmark of 70% Citigroup Non-USD World Government Bond Index and 30% JP Morgan Global Bond Emerging Markets Broad Deversified Index. The effective duration for the Citigroup Non-USD World Government Bond Index at June 30, 2012 was 7.26 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2012 was 4.75, for a blended duration of 6.50 at June 30, 2012.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to ± 20% of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2012 was 9.27 years.

The Board does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolio.

At June 30, 2012, the effective duration of the Board's fixed income pools, by investment type, was as follows (in years):

	Effective duration				
	Retirement	**U.S. Treasury**	**High yield**	**International**	**TIPS**
Cash Equivalent	0.26	0.26	—	—	0.26
Convertible bonds	—	—	0.12	—	—
Corporate	—	3.83	3.82	—	—
Foreign corporate bonds	—	—	—	3.27	—
Foreign government bonds	—	—	4.81	5.48	—
Mortgage backed	—	2.49	—	—	—
Other asset backed	—	0.83	—	—	—
U.S. government agency	—	7.27	—	—	—
U.S. Treasury bonds	—	6.83	—	—	9.91
U.S. Treasury notes	—	3.48	—	—	2.22
Yankees:					
Corporate	—	2.14	3.74	—	—
Government	—	1.23	—	—	—
Portfolio effective duration	**1.66**	**3.36**	**3.57**	**5.34**	**5.16**

Credit Risk

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

Treasury's investment policy has the following limitations with regard to credit risk:

(4) Deposit and Investment Risk (cont.)

Short-Term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and non-agency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if rated by only one of these agencies if they are rated AAA.

The Board's investment policy has the following limitations with regard to credit risk:

Retirement Fixed Income

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard and Poor's.

Corporate, asset-backed and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard and Poor's Corporation or the equivalent by Moody's or Fitch.

U.S. Treasury Fixed Income

No more than 30% of the portfolio's assets may be invested in securities that are not nominal, United States Treasury obligations or the internally managed short term or substantially similar portfolio at the time of purchase.

Corporate, asset-backed and nonagency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

High Yield Fixed Income

No more than 10% of the portfolio's assets may be invested in securities rated A3 or higher.

No more than 25% of the portfolio's assets may be invested in securities rated below B3.

No more than 5% of the portfolio's assets may be invested in unrated securities.

(4) Deposit and Investment Risk (cont.)

No more than 10% of the portfolio's assets may be invested in countries not rated investment grade, including emerging markets.

The lower of any Standard & Poor's, Moody's, or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher. Only one rating is necessary.

International Fixed Income

Corporate and asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.

Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency.

Convertible Bonds

Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard and Poor's, Moody's, or Fitch. Non-rated securities are limited to 35% of the total market value of the portfolio.

The weighted average rating of the portfolio shall not fall below the Standard and Poor's equivalent of B.

Investments are limited to instruments with a credit rating above CCC- by Standard and Poor's and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard and Poor's and C3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

In case of a split rating by two or more of the rating agencies, the lower rating shall apply.

TIPS

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard and Poor's.

No more than 5% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 5% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.

Non-U.S. Treasury-issued securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's, and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

(4) Deposit and Investment Risk (cont.)

Domestic Equity (Large Cap and Small Cap) and Broad International Equity

Corporate debt obligations must carry a rating of at least A or better by Moody’s, Standard & Poor’s or Fitch rating services.

Commercial paper must bear the highest rating assigned by Moody’s, Standard & Poor’s, or Fitch rating services.

The Board does not have a policy to limit the concentration of credit risk for the Emerging Markets Debt Pool or the Collective Investment Funds.

(4) Deposit and Investment Risk (cont.)

At June 30, 2012, the Plan’s Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor’s Corporation rating scale):

		Fixed income pools						
Investment type	**Rating**	**Short term**	**Retirement**	**U.S. Treasury**	**High yield**	**International**	**Convertible**	**TIPS**
Bank loans	BB	—%	—%	—%	0.36%	—%	—%	—%
Bank Loans	Not rated	—	—	—	0.49	—	—	—
Commercial paper	Not rated	3.33	—	—	—	—	—	—
Convertible bonds	AAA	—	—	—	—	—	1.56	—
Convertible bonds	A	—	—	—	0.25	—	8.26	—
Convertible bonds	BBB	—	—	—	0.37	—	17.19	—
Convertible bonds	BB	—	—	—	—	—	19.40	—
Convertible bonds	B	—	—	—	0.07	—	13.72	—
Convertible bonds	CCC	—	—	—	—	—	0.58	—
Convertible bonds	Not rated	—	—	—	0.49	—	29.24	—
Corporate bonds	AA	4.94	—	0.94	—	—	—	—
Corporate bonds	A	3.60	—	2.72	—	—	—	—
Corporate bonds	BBB	—	—	1.17	3.22	—	—	—
Corporate bonds	BB	—	—	—	33.38	—	—	—
Corporate bonds	B	—	—	—	39.68	—	—	—
Corporate bonds	CCC	—	—	—	6.25	—	—	—
Corporate bonds	Not rated	0.35	—	0.57	2.44	—	—	—
Equity	BBB	—	—	—	—	—	2.15	—
Equity	BB	—	—	—	—	—	3.00	—
Equity	B	—	—	—	—	—	1.33	—
Equity	CCC	—	—	—	—	—	0.35	—
Equity	Not rated	—	—	—	—	—	1.27	—
Foreign corporate bonds	AA	—	—	—	—	0.67	—	—
Foreign corporate bonds	A	—	—	—	—	3.07	—	—
Foreign government bonds	AA	—	—	—	—	1.56	—	—
Foreign government bonds	A	—	—	—	—	21.37	—	—
Foreign government bonds	BBB	—	—	—	0.17	2.24	—	—
Foreign government bonds	BB	—	—	—	—	4.49	—	—
Foreign government bonds	Not rated	—	—	—	—	65.42	—	—
Government agency	AA	1.17	—	0.53	—	—	—	—
Mortgage backed	AAA	0.46	7.96	0.47	—	—	—	—
Mortgage backed	AA	—	31.67	1.82	—	—	—	—
Mortgage backed	CCC	—	10.53	—	—	—	—	—
Mortgage backed	Not rated	0.37	9.40	0.95	—	—	—	—
Other asset backed	AAA	26.15	—	—	—	—	—	—
Other asset backed	AA	1.90	—	—	—	—	—	—
Other asset backed	A	0.08	—	0.13	—	—	—	—
Other asset backed	Not rated	6.30	—	0.02	—	—	—	—
Other pool Ownership	Not rated	—	39.90	10.90	—	—	—	0.32
Short-term investment	Not rated	—	—	—	—	0.74	—	—
U.S. Treasury bills	AA	51.67	—	—	—	—	—	—
U.S. Treasury bonds	AA	—	—	7.20	—	—	—	38.21
U.S. Treasury notes	AA	—		79.99	—	—	—	60.93
Yankees:								
Corporate	AA	1.42	—	—	—	—	—	—
Corporate	A	0.62	—	0.44	—	—	—	—
Corporate	BBB	—	—	0.32	—	—	—	—
Corporate	BB	—	—	—	2.76	—	—	—
Corporate	B	—	—	—	3.44	—	—	—
Corporate	Not rated	—	—	—	0.47	—	—	—
Government	AA	—	—	0.29	—	—	—	—
Government	Not rated	—	—	0.09	—	—	—	—
No credit exposure		(2.36)	0.54	(8.55)	6.16	0.44	1.95	0.54
		100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

(4) Deposit and Investment Risk (cont.)

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; however, any uninvested U.S. cash held in accounts is fully insured by the Federal Deposit Insurance Corporation (FDIC) under Section 343 of the Dodd-Frank Wall Street Reform and Consumer Protection Act effective December 31, 2010. This section of the act provides temporary unlimited deposit insurance coverage for noninterest-bearing transaction accounts through December 31, 2012, at all FDIC insured depository institutions thereby limiting custodial credit risk.

At June 30, 2012, the Plan's invested assets had the following uncollateralized and uninsured deposits:

		Amount
Broad international equity pool	$	392,616
International fixed income pool		13,065

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of these countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The Board has no specific policy with regard to foreign currency risk relating to international or private equity. 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:

Fixed income	Global equity ex-U.S.	Private equity pool
21%	27%	13%

(4) Deposit and Investment Risk (cont.)

At June 30, 2012, the Plan had exposure to foreign currency risk with the following deposits:

Currency		Amount: International fixed income pool	Amount: Broad international equity pool
Australian Dollar	$	—	2,691
Brazilian Real		—	392
Canadian Dollar		—	2,014
Danish Krone		—	981
Euro Currency		—	339,018
Hong Kong Dollar		—	1,247
Hungarian Fornit		2,123	—
Israeli Shekel		—	279
Japanese Yen		2,087	32,003
Mexican Peso		8,308	—
New Zealand Dollar		—	217
Norwegian Krone		—	634
Peruvian Nouveau Sol		—	—
Pound Sterling		—	7,632
Singapore Dollar		—	805
South African Rand		547	—
South Korean Won		—	1
Swedish Krona		—	527
Swiss Franc		—	4,175
	$	13,065	392,616

(4) Deposit and Investment Risk (cont.)

At June 30, 2012, the Plan had exposure to foreign currency risk with the following investments:

	Amount			
	International fixed income pool		Broad international equity pool	Private equity pool
Currency	**Foreign government**	**Corporate**	**Equity**	**Limited partnerships**
Australian Dollar	$ —	—	726,315	290
Brazilian Real	167,651	—	67,578	—
Canadian Dollar	—	—	684,108	—
Chilean Peso	26,510	—	—	—
Colombian Peso	27,801	—	—	—
Czech Koruna	—	—	6,427	—
Danish Krone	—	—	162,023	—
Euro Currency	478,654	28,081	4,947,483	1,197,732
Hong Kong Dollar	—	—	615,243	—
Hungarian Forint	132,716	—	—	—
Indian Rupee	—	—	57,496	—
Indonesian Rupiah	26,019	—	41,865	—
Israeli Shekel	52,580	—	7,734	—
Japanese Yen	1,033,420	19,937	3,696,999	—
Malaysian Ringgit	44,932	—	—	—
Mexican Peso	217,019	18,873	7,045	—
New Taiwan Dollar	—	—	14,811	—
New Zealand Dollar	—	—	58,390	—
Norwegian Krone	—	—	82,770	—
Peruvian Nouveau Sol	9,749	—	—	—
Polish Zloty	313,593	—	5,960	—
Pound Sterling	159,582	—	3,905,169	196,275
Singapore Dollar	—	—	239,763	—
South African Rand	89,693	—	29,297	—
South Korean Won	—	—	361,045	—
Swedish Krona	—	—	421,314	—
Swiss Franc	—	—	1,106,547	—
Thailand Baht	—	—	91,044	—
Turkish Lira	28,527	—	—	—
	$ 2,808,446	66,891	17,336,426	1,394,297

At June 30, 2012, the Plan also had exposure to foreign currency risk in the Emerging Markets Equity Pool. This pool consists of investments in commingled funds; therefore, no disclosure of specific currencies is made.

(4) Deposit and Investment Risk (cont.)

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for the Short-Term Fixed Income Pool is to prohibit the purchase of more than 5% of the portfolio's assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the United States government.

The Board's policy with regard to concentration of credit risk for the Retirement Fixed Income, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income, and Convertible Bond Pools is to prohibit the purchase of more than 5% of the portfolio's assets in corporate bonds of any one company or affiliated group. The Board does not have a policy with regard to concentration of credit for the Emerging Debt or TIPS Pools.

At June 30, 2012, the Plan'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 Plan is exposed to credit risk on 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.

On June 30, 2012, the Plan had the following derivative instruments outstanding:

	Changes in fair value		Fair value at June 30, 2012		
	Classification	Amount	Classification	Amount	Notional
Equity options bought	Investment revenue	$ 7,916	Options	$ —	—
Equity options written	Investment revenue	197,439	Options	(157,462)	(29,090)
FX forwards	Investment revenue	6,588	Long term instruments	559	182,958
Index futures long	Investment revenue	17,760	Futures	—	398
Index options bought	Investment revenue	147	Options	—	—
Index options written	Investment revenue	3,216	Options	(594)	(55)
Rights	Investment revenue	780	Common stock	339	821
Warrants	Investment revenue	70	Common stock	122	77
Grand total		$ 233,916		$ (157,036)	

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

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 for the purpose of hedging existing security positions. 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.

At June 30, 2012, the Plan had the following Foreign Currency risk related to forward contracts:

Currency Forward Contracts

Currency name	Options	Net receivables	Net payables	Total Exposure
Australian dollar	—	162	25	187
Canadian dollar	74	—	—	74
Euro currency	265	80	(528)	(183)
Japanese yen	—	—	672	672
New Zealand dollar	—	—	148	148
	339	242	317	898

At June 30, 2012, the Plan had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions:

Counterparty name	Percentage of net exposure	S&P rating	Fitch rating	Moody's rating
Credit Suisse London Branch (GFX)	54.0%	A+	A	A1
State Street Bank London	31.0%	A+	A+	A1
Mellon Bank NA	8.0%	A+	AA-	Aa3
Bank of America N.A.	7.0%	A	A	A3

Maximum amount of loss Alaska ARMB (JRS) would face in case of default of all counterparties that is, aggregated (positive) fair value of OTC positions as of June 30, 2012	$	1,088
Effect of collateral reducing maximum exposure		—
Liabilities subject to netting arrangements reducing exposure		—
Resulting net exposure	$	1,088

(6) Claims Payable

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

Changes in the balances of claims liabilities follow:

	2012	2011
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	$ 16,834	—
Incurred but not reported	133,000	123,000
Total, beginning of year	149,834	123,000
Benefit deductions	925,977	751,165
Benefits paid	(810,168)	(724,331)
Total, end of year	$ 265,643	149,834
End of year:		
Due to State of Alaska General Fund for outstanding warrants	$ 95,643	16,834
Incurred but not reported	170,000	133,000
Total, end of year	$ 265,643	149,834

(7) Funded Status and Funding Progress – Pension and Postemployment Healthcare Benefit Plan

The funded status as of June 30, 2010 of the defined benefit pension and postemployment healthcare benefit plan is as follows:

Actuarial valuation date	Actuarial Accrued Liability (AAL) – entry age	Actuarial value of assets	Funded ratio	Unfunded Actuarial Accrued Liability (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
Pension	$ 164,523,775	115,000,226	69.9%	$ 49,523,549	11,845,548	418.1%
Postemployment healthcare	22,346,395	19,693,969	88.1	2,652,426	11,845,548	22.4

(Continued)

(7) Funded Status and Funding Progress – Pension and Postemployment Healthcare Benefit Plan (cont.)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to financial statements, 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 schedule of employer contributions (unaudited) presents trend information about the amounts contributed to the Plan by employers in comparison to the actuarially required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB 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 thirty years.

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

Valuation date	June 30, 2010
Actuarial cost method	Entry age normal level percentage of pay for pension; level dollar for healthcare
Amortization method	Level dollar, closed
Equivalent single amortization period	21 years
Asset valuation method	5 year smoothed market
Actuarial assumptions:	
Investment rate of return	8.00% (includes inflation at 3.12%)
Projected salary increases	4.12%
Cost-of-living adjustment	4.12%

(7) Funded Status and Funding Progress – Pension and Postemployment Healthcare Benefit Plan (cont.)

Health cost trend:

Fiscal year	Medical	Prescription drugs
2011	6.9%	8.3%
2012	6.4	7.1
2013	5.9	5.9
2014	5.9	5.9
2015	5.9	5.9
2016	5.9	5.9
2017	5.9	5.9
2025	5.8	5.8
2050	5.7	5.7
2100	5.1	5.1

GASB 43 requires that the discount rate used in the actuarial valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets, or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The Plan's retiree healthcare benefits are being fully funded. Therefore, the 8.00% discount rate used for GASB 25 reporting is also applied herein for GASB 43 reporting.

Based on GASB accounting rules, the RDS the State receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal year 2013 employer ARC for accounting purposes is 8.10% of pay for healthcare benefits and 71.06% of pay for healthcare and pension benefits combined.

(8) Commitments and Contingencies

Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for a domestic equity limited partnership. At June 30, 2012, the Plan's share of the unfunded commitment totaled $162,877. This commitment can be withdrawn annually in December with ninety day's notice.

The Board entered into agreements through external investment managers to provide capital funding for limited partnerships as it continues to build the private equity portfolio. At June 30, 2012, the Plan's share

(Continued)

(8) Commitments and Contingencies (cont.)

of the unfunded commitments totaled $6,767,142. These commitments are estimated to be paid through 2022.

The Board entered into an agreement through an external investment manager to provide capital funding for a limited partnership as it continues to build the energy investment portfolio. At June 30, 2012, the Plan's share of the unfunded commitment totaled $313,896 to be paid through the year 2019.

The Board entered into agreements through external investment managers to provide capital funding for real estate investments as it continues to build the real estate portfolio. At June 30, 2012, the Plan's share of these unfunded commitments totaled $716,092 to be paid through the year 2014.

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.

(9) Medicare Part D Retiree Drug Subsidy

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

(10) Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP) a temporary program that provides 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 program beginning calendar year 2012. The program ends on January 1, 2014.

(11) Recently Issued Accouning Standards

In June 2012, the GASB issued GASBS 67, *Financial Reporting for Pension Plans,* an amendment of GASB Statement No. 25. This Statement requires defined benefit pension plans to present two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position as well as additional requirements to the notes of the financial statements. Other requirements include additional presentations of summary information about the pension liability of employers and non-employer contributing entities to plan members for benefits provided through the pension plan (net pension liability) in notes to financial statements. The new standard is effective for fiscal periods beginning after June 15, 2013. The Plan will implement the provisions for the year ended June 30, 2014.

The GASB also issued GASBS 68, *Accounting and Financial Reporting for Pensions* an amendment of GASB Statement No. 27. This Statement requires that an employer recognize its obligation for pensions net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional notes to the financial statements regarding the obligation. The new standard is effective for fiscal periods beginning after June 15, 2013. The Plan will implement the provisions for the year ended June 30, 2015.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress

Pension Benefits

June 30, 2012 and 2011

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
2002	$ 63,970,331	56,704,841	88.6%	$ 7,265,490	5,941,860	122.3%
2004	69,505,123	53,600,707	77.1	15,904,416	6,529,608	243.6
2006	111,819,972	77,310,716	69.1	34,509,256	7,130,592	484.0
2008	130,596,048	122,882,726	94.1	7,713,322	10,462,322	73.7
2010	164,523,775	115,000,226	69.9	49,523,549	11,845,548	418.1

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

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

Required Supplementary Information (Unaudited)

Schedule of Funding Progress

Postemployment Healthcare Benefits

June 30, 2012 and 2011

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
2002	$ 7,873,284	6,979,068	88.6%	$ 894,216	5,941,860	15.0%
2004	21,856,126	16,854,927	77.1	5,001,199	6,529,608	76.6
2006	17,794,213	2,399,387	13.5	15,394,826	7,130,592	215.9
2008	19,941,128	18,352,929	92.0	1,588,199	10,462,322	15.2
2010	22,346,395	19,693,969	88.1	2,652,426	11,845,548	22.4

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

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

Required Supplementary Information (Unaudited)

Schedule of Contributions from Employers and the State of Alaska

Pension and Postemployment Healthcare Benefits

June 30, 2012 and 2011

Year ended June 30	Actuarial valuation year ended June 30	Pension annual required contribution	Postemployment healthcare annual required contribution	Total annual required contribution	Pension percentage contributed	Postemployment healthcare percentage contributed
2005	2006	$ 1,911,799	235,299	2,147,098	100.0%	100.0%
2006	2006	2,133,876	262,631	2,396,507	115.6	115.6
2007	2008	3,168,943	486,800	3,655,743	100.0	100.0
2008	2008	3,898,001	567,415	4,465,416	1,045.0	2,489.4
2009	2010	4,937,406	1,411,259	6,348,665	100.0	100.0
2010	2010	5,236,646	1,432,721	6,669,367	69.8	60.9

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

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the valuation as of June 30, 2010 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 percent of expected payroll. However, in keeping with Governmental Accounting Standards Board (GASB) requirements, the net amortization period will not exceed 30 years.

(b) Valuation of assets – Recognizes 20% of the investment gain or loss in each of the current and preceding four years and phased in over the next five years. Assets are accounted for on an accrued basis and are taken directly from audited financial statement. All assets are valued at market value. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(c) Valuation of medical and prescription drug benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Accounting impact of Medicare Part D – The State of Alaska’s prescription drug program is actuarially equivalent to the federal Medicare Part D program and that the State qualifies for the Medicare Part D subsidy.

(e) Investment return – 8.00% per year, compounded annually, net of expenses for all funding calculations and pension disclosure; 8.00% for healthcare liabilities under GASB 43.

(2) Actuarial Assumptions and Methods (cont.)

(f) Pre-termination mortality – 45% of the male rates and 55% of the females rates in the 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin project to 2013 with Projection Scale AA.

(g) Post-termination mortality – 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA. Setback 1 year for females and 3 years for males.

(h) Salary scale – 4.12% per year, compounded annually.

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

(j) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.

(k) Cost-of-living adjustment – 4.12% per year. Retirement benefits are recalculated when the salary for the office held by the member at the time of retirement changes.

(l) 401(a)(17) maximum compensation increase – 3.12%.

(m) 415(b) maximum benefit increase – 3.12% per year.

(n) Per capita claims cost – Sample claims cost rates adjusted to age 65 for fiscal year 2012 medical and prescription costs are shown below:

		Medical	Prescription drugs
Pre-Medicare	$	8,606	2,600
Medicare Parts A and B		1,563	2,600
Medicare Part B only		6,654	2,600
Medicare Part D		N/A	515

(Continued)

(2) Actuarial Assumptions and Methods (cont.)

(o) 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, 6.9% is applied to the fiscal year 2012 medical claims costs to get the fiscal year 2012 medical claims costs.

Fiscal year	Medical	Prescription drugs
2011	6.9%	8.3%
2012	6.4	7.1
2013	5.9	5.9
2014	5.9	5.9
2015	5.9	5.9
2016	5.9	5.9
2017	5.9	5.9
2025	5.8	5.8
2050	5.7	5.7
2100	5.1	5.1

For the June 30, 2008 valuation, the Society of Actuaries' Healthcare Cost Trend Model was adopted. This model effectively begins estimating trend amounts beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska.

(p) 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 +	0.5	—

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

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

(2) Actuarial Assumptions and Methods (cont.)

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

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

(u) Maximum retirement age – Age 70.

(v) Marital status – 90% of male and 70% of female active and inactive members are assumed to be married. Husbands are assumed to be 4 years older than their wives.

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

(x) Contribution refunds – 0% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with nonvested benefits are assumed to have their contributions refunded.

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

Changes in Methods since the Prior Valuation – June 30, 2008 to June 30, 2010

There were no changes in methods from the prior valuation, except for the healthcare section, which reflects the results of the annual experience rate update for the period July 1, 2010 to June 30, 2011.

Changes in Assumptions from the Last Actuarial Valuation – June 30, 2008 to June 30, 2010

(a) Investment return has changed from 8.25% per year, compounded annually, net of expenses to 8.00% per year, compounded annually, net of expenses.

(b) Pre-termination mortality basis has changed from 55% of the male rates and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin to 45% of the male rates and 55% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA.

(c) Post-termination mortality basis has changed from 1994 GAM Table, 1994 Base Year without margin, with a 3-year setback for males and an 1-year setback for females to 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA, with a 3-year setback for males and an 1-year setback for females.

(2) Actuarial Assumptions and Methods (cont.)

(d) Salary scale has changed from 4.00% per year, compounded annually to 4.12% per year, compounded annually.

(e) Total payroll growth changed from 4.00% per year to 3.62% per year.

(f) Total inflation has changed from 3.50% annually to 3.12% annually.

(g) Turnover has changed from 3% if service is greater than 15 years to 3% if service is less than 10 years and 1% if service is greater than 10 years.

(h) Retirement age has changed from 6% if vested and age is less than 65 and 10% if vested and age is greater than 65, 100% at age 70 to 3% if vested and age is less than 59, 10% if vested and age is greater than 59, 100% at age 70.

(i) Disability mortality has changed from table ranging from 5.10% for males and 4.26% for females at age 20 to 8.13% for males and 4.73% for females at age 64 to RP-2000 Disabled Retiree Mortality Table.

(j) Marital status has changed from 90% of active and inactive members are assumed to be married to 90% of male and 70% of female active and inactive members are assumed to be married.

SUPPLEMENTAL SCHEDULES

Schedule 1

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

Schedule of Administrative and Investment Deductions

Years ended June 30, 2012 and 2011

				Total	
		Administrative	**Investment**	**2012**	**2011**
Personal services:					
Wages	$	14,672	1,608	16,280	18,748
Benefits		8,666	677	9,343	7,444
Total personal services		23,338	2,285	25,623	26,192
Travel:					
Transportation		89	626	715	938
Per diem		81	1,142	1,223	1,078
Total travel		170	1,768	1,938	2,016
Contractual services:					
Management and consulting		30,460	252,622	283,082	327,093
Accounting and auditing		7,037	9,368	16,405	15,198
Other services		6,485	7,995	14,480	15,076
Total contractual services		43,982	269,985	313,967	357,367
Other:					
Supplies		1,925	758	2,683	1,264
Equipment		522	—	522	1,108
Total other		2,447	758	3,205	2,372
Total administrative and investment deductions	$	69,937	274,796	344,733	387,947

See accompanying independent auditors' report.

Schedule 2

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

Schedule of Payments to Consultants
Other than Investment Advisors

Years ended June 30, 2012 and 2011

Firm	Services		2012	2011
Buck Consultants, an ACS Company	Actuarial services	$	9,491	46,694
KPMG LLP	Auditing services		7,037	6,540
State Street Corporation	Custodian banking services		9,214	9,013
Alaska IT Group	Data processing consultants		75	140
Computer Task Group	IT consulting		1,161	1,395
State of Alaska, Department of Law	Legal services		76	3,267
		$	27,054	67,049

See accompanying independent auditors' report.