STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2017 and 2016

(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
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

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

We have audited the accompanying combining financial statements of the State of Alaska Judicial Retirement System (the Plan), a component unit of the State of Alaska, as of and for the years ended June 30, 2017 and 2016, and the related notes to financial statements, which collectively comprise the Plan's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our 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 Judicial Retirement System as of June 30, 2017 and 2016, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

KPMG

Emphasis of Matter

As discussed in Note 2 to the financial statements, in 2017, the System adopted Governmental Accounting Standards Board (GASB) Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–11, and the schedules of changes in plan net pension and OPEB liabilities and related ratios, schedules of employer and nonemployer contributions, schedules of investment returns on pages 24–29, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Schedules

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Plan's basic financial statements. The supplemental schedules on pages 34 and 35 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 6, 2017

This section presents management's discussion and analysis (MD&A) of the Judicial Retirement System's (the Plan) financial position and performance for the years ended June 30, 2017 and 2016. 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, 2017 and 2016. Information for fiscal year 2015 is presented for comparative purposes.

Financial Highlights

The Plan's financial highlights as of June 30, 2017 were as follows:

- The Plan's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $22.4 million during fiscal year 2017.
- The plan member and employer contributions of $7.2 million increased by $58 thousand during fiscal year 2017.
- The State of Alaska directly appropriated $5.4 million to the Plan during fiscal year 2017.
- The Plan realized a net investment income of $22.4 million during fiscal year 2017.
- The Plan's pension benefit expenditures totaled $11.6 million during fiscal year 2017.
- The Plan's postemployment healthcare benefit expenditures totaled $1.03 million in fiscal year 2017.

Overview of the Financial Statements

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

Combining Statement of Plan Fiduciary Net Position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for pension and postemployment healthcare benefits. This statement reflects the Plan's investments at fair value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2017 and 2016.

Combining Statement of Changes in Plan Fiduciary Net Position – This statement presents how the Plan's net position restricted for pension and postemployment healthcare benefits changed during the fiscal years ended June 30, 2017 and 2016. This statement presents contributions, State of Alaska (the State) appropriations, and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2017 and 2016, and the sources and uses of those funds during fiscal years 2017 and 2016.

(Continued)

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

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

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

Condensed Financial Information

Plan net position

Description	2017	2016	Increase (decrease) Amount	Increase (decrease) Percentage	2015
Assets:					
Cash and cash equivalents	$ 5,052,323	1,528,108	3,524,215	230.6%	$ 3,329,384
Contributions receivable	257,970	243,309	14,661	6.0	257,175
Due from State of Alaska General Fund	966,011	945,660	20,351	2.2	208,238
Other receivables	14,715	2,357	12,358	524.3	2,357
Investments, at fair value	189,160,329	169,112,939	20,047,390	11.9	167,731,065
Other assets	3,076	6,374	(3,298)	(51.7)	6,374
Total assets	195,454,424	171,838,747	23,615,677	13.7	171,534,593
Liabilities:					
Accrued expenses	26,931	92,598	(65,667)	(70.9)	108,510
Claims payable	105,000	77,000	28,000	36.4	58,000
Securities lending collateral payable	1,298,447	—	1,298,447	—	—
Due to State of Alaska General Fund	—	2,365	(2,365)	(100.0)	65,678
Total liabilities	1,430,378	171,963	1,258,415	731.8	232,188
Net position	$ 194,024,046	171,666,784	22,357,262	13.0%	$ 171,302,405

Condensed Financial Information, Continued

Changes in plan net position

Description	2017	2016	Increase (decrease) Amount	Increase (decrease) Percentage	2015
Net position, beginning of year	$ 171,666,784	171,302,405	364,379	0.2%	$ 165,849,408
Additions:					
Contributions – employer and plan member	7,187,494	7,129,836	57,658	0.8	6,312,071
Nonemployer contribution	5,412,366	5,890,788	(478,422)	(8.1)	5,241,619
Net investment income (loss)	22,379,586	(698,012)	23,077,598	3,306.2	5,148,525
Other	127,457	95,127	32,330	34.0	148,537
Total additions	35,106,903	12,417,739	22,689,164	182.7	16,850,752
Deductions:					
Pension and postemployment healthcare benefits	12,619,660	11,932,140	687,520	5.8	11,202,597
Refunds of contributions	—	—	—	—	42,771
Administrative	129,981	121,220	8,761	7.2	152,387
Total deductions	12,749,641	12,053,360	696,281	5.8	11,397,755
Increase in net position	22,357,262	364,379	21,992,883	6,035.7	5,452,997
Net position, end of year	$ 194,024,046	171,666,784	22,357,262	13.0%	$ 171,302,405

Financial Analysis of the Plan

The statements of fiduciary net position as of June 30, 2017 and 2016 show net position restricted for pension and postemployment healthcare benefits of $194,024,046 and $171,666,784, respectively. The entire balance is available to cover the Plan's obligations to pay pension and postemployment healthcare benefits to its members and their beneficiaries. These amounts represent an increase of $22,357,262 or 13.0% and an increase of $364,379 or 0.2% from fiscal years 2016 and 2015, respectively. Over the long term, plan members and employer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the Plan.

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

Plan Asset Allocation

During fiscal years 2017 and 2016, the Board adopted the following asset allocations:

	2017	
	Pension and Healthcare Trust	
	Allocation	Range
Broad domestic equity	26.0%	± 6 %
Global equity ex-U.S.	22.0	± 4
Private equity	9.0	± 5
Real assets	17.0	± 8
Absolute return	7.0	± 4
Fixed income composite	13.0	± 5
Alternative equity strategies	5.0	± 2
Cash equivalents	1.0	- 1/+ 3
Total	100.0%	
Expected return ten-year geometric mean	7.10%	
Projected standard deviation	15.00	

	2016	
	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 income composite	12.0	± 5
Alternative equity strategies	3.0	± 2
Cash equivalents	3.0	± 3
Total	100.0%	
Expected return five-year geometric mean	7.20%	
Projected standard deviation	15.30	

For fiscal years 2017 and 2016, the Plan's investments generated a 13.34% and (0.36)% rate of return, respectively.

(Continued)

Contributions, Investment Income, and Transfer

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

	Additions				
			Increase (decrease)		
	2017	2016	Amount	Percentage	2015
Employer contributions	$ 6,301,332	6,327,912	(26,580)	(0.4)%	$ 5,501,252
Plan members contributions	886,162	801,924	84,238	10.5	810,819
Nonemployer contributions –					
State of Alaska	5,412,366	5,890,788	(478,422)	(8.1)	5,241,619
Net investment income (loss)	22,379,586	(698,012)	23,077,598	3,306.2	5,148,525
Other income	127,457	95,127	32,330	34.0	148,537
Total	$ 35,106,903	12,417,739	22,689,164	182.7%	$ 16,850,752

The Plan's employer contributions decreased from $6,327,912 during fiscal year 2016 to $6,301,332 during fiscal year 2017, a decrease of $26,580, or 0.4%. Employer contributions increased from $5,501,252 during fiscal year 2015 to $6,327,912 during fiscal year 2016, an increase of $826,660, or 15.0%. Beginning in fiscal year 2010, the Alaska Court System, sole employer of the Plan's participants, paid only the normal cost portion of the Plan employer contribution rate and the State funded the past service cost through a direct appropriation. The normal cost rate increased from 39.66% in fiscal year 2016 to 41.48% in fiscal year 2017. Additionally, the Alaska Court System has contributed additional employer contributions in fiscal year 2017 to aid in the funded level of the pension plan.

The Plan's net investment income in fiscal year 2017 increased by $23,077,598 or 3,306.20% from amounts recorded in fiscal year 2016 and net investment income decreased by $5,846,537 or 113.6% from amounts recorded in fiscal year 2015. Over the long term, investment income is a major component of additions to plan assets.

The Plan's investment rate of returns at June 30, 2017, 2016, and 2015 is as follows:

	Year ended		
	2017	**2016**	**2015**
System returns	13.34%	(0.36)%	3.29%
Domestic equities	18.53	0.58	7.85
International equities	20.41	(9.15)	(3.33)
Fixed income	2.91	5.14	(0.74)
Private equity	17.04	4.71	13.77
Absolute return	8.46	(3.09)	9.23
Real assets	5.98	4.80	3.70
Alternative equity	11.38	3.41	(0.89)
Cash equivalents	(0.04)	0.55	0.27
Actuarially assumed rate of return	8.00	8.00	8.00

Benefits and Other Deductions

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

	Deductions				
			Increase (decrease)		
	2017	**2016**	**Amount**	**Percentage**	**2015**
Pension benefits	$ 11,588,512	11,228,221	360,291	3.2%	$ 10,641,191
Postemployment healthcare benefits	1,031,148	703,919	327,229	46.5	561,406
Refunds of contributions	—	—	—	—	42,771
Administrative	129,981	121,220	8,761	7.2	152,387
Total	$ 12,749,641	12,053,360	696,281	5.8%	$ 11,397,755

The Plan's pension benefit payments in 2017 and 2016 increased $360,291 and $587,030 or 3.2% and 5.5% from fiscal years 2016 and 2015, respectively. Pension benefits are directly tied to active Plan member salary increases. Active Plan members received a slight salary increase in fiscal year 2017 and 2016; therefore, pension benefit expense increased as well.

The Plan's postemployment healthcare benefit payments in fiscal years 2017 and 2016 increased $327,229 or 46.5% and increased $142,513 or 25.4% from fiscal years 2016 and 2015, respectively. The current year increase in healthcare costs is due partially to a higher claim year in a very small plan.

Net Pension Liability

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

The components of the net pension liability of the participating employers for the Plan were as follows:

		2017	2016
Total pension liability	$	216,634,510	216,374,094
Plan fiduciary net position		(164,032,759)	(144,818,899)
Employers' net pension liability	$	52,601,751	71,555,195
Plan fiduciary net position as a percentage of the total pension liability		75.72%	66.93%

Net OPEB (Asset) Liability

GASB Statement No. 74, implemented in 2017, requires the Other Postemployment Benefit (OPEB) Plan to report the Total OPEB Liability (TOL), FNP, and Net OPEB (Asset) Liability (NOA or NOL). The TOL determines the total obligation for the DB Plan's postemployment healthcare 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 TOL and FNP is the NOA or NOL, or the overfunded or unfunded portion of the TOL.

The components of the net OPEB asset of the participating employer for the Plan were as follows:

		2017
Total OPEB liability	$	17,476,244
Plan fiduciary net position		(29,991,287)
Employer's net OPEB asset	$	(12,515,043)
Plan fiduciary net position as a percentage of the total OPEB asset		171.61%

Funding

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

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

Plan member contributions are set by Alaska Statute 22.25.011.

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

Legislation

During fiscal year 2017, the 30th Alaska State Legislature enacted one law that affects the Plan. Conference Committee Substitute House Bill (CCS HB) 57, Section 41(h) appropriates $5,385,000 from the general fund to the Department of Administration for deposit in the Plan's defined benefit pension fund as partial payment of the participating employer's contributions for the fiscal year ending June 30, 2018.

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

Net investment income increased from a loss of $698,012 in fiscal year 2016 to income of $22,379,586 in fiscal year 2017, an increase of $23,077,598 or 3,306.2%. The Board continues to keep the Plan's portfolio diversified to maintain an optimal risk/return ratio. All things being equal, actual investment returns lower than the assumed investment return will have a negative impact on both the annual actuarially determined contribution rate increasing and the Plan's funded level decreasing, while actual investment returns higher than the assumed investment return will have a positive impact on both the annual actuarially determined contribution rate decreasing and the Plan's funded level increasing.

The actuarial valuation as of June 30, 2016 reported a funding ratio of 82.0% and an unfunded liability of $39.9 million. The actuarial valuation for June 30, 2014 reported a funding ratio of 71.9% and an unfunded liability of $59.6 million. The decrease in the unfunded liability is attributable to additional employer contributions to the pension plan over the last two fiscal years. Additionally, the Plan benefited from updated healthcare cost trend assumptions. The impacts of these, combined with negligible losses in other categories, also decreased the total actuarially determined contribution rate (normal and past service costs) for fiscal year 2019 to 70.24% from 74.21% for fiscal year 2018.

Requests for Information

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

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

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

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

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

Combining Statements of Fiduciary Net Position

June 30, 2017 and 2016

	2017			2016		
	Pension	**Alaska Retiree Healthcare Trust**	**Total**	**Pension**	**Alaska Retiree Healthcare Trust**	**Total**
Assets:						
Cash and cash equivalents (note 2 and 3):						
Short-term fixed income pool	$ 3,173,133	580,743	3,753,876	1,241,765	286,343	1,528,108
Securities lending collateral	1,097,314	201,133	1,298,447	—	—	—
Total cash and cash equivalents	4,270,447	781,876	5,052,323	1,241,765	286,343	1,528,108
Receivables:						
Contributions	233,685	24,285	257,970	223,431	19,878	243,309
Due from State of Alaska General Fund	918,519	47,492	966,011	945,660	—	945,660
Other receivables	2,357	12,358	14,715	2,357	—	2,357
Total receivables	1,154,561	84,135	1,238,696	1,171,448	19,878	1,191,326
Investments (note 3) at fair value:						
Fixed income securities:						
U.S. Treasury Fixed Income Pool	12,416,108	2,288,058	14,704,166	6,611,783	1,234,380	7,846,163
Taxable Municipal Bond Pool	1,359,997	250,622	1,610,619	1,625,789	303,524	1,929,313
Tactical Fixed Income Pool	1,446,412	266,547	1,712,959	1,004,614	220,950	1,225,564
High-yield Fixed Income Pool	4,171,553	768,740	4,940,293	5,054,239	943,596	5,997,835
International Fixed Income Pool	1,188,699	219,055	1,407,754	2,285,776	426,740	2,712,516
Emerging Markets Debt Pool	1,074,671	198,042	1,272,713	979,387	182,845	1,162,232
Total fixed income securities	21,657,440	3,991,064	25,648,504	17,561,588	3,312,035	20,873,623
Broad domestic equity pool:						
Large Cap Pool	34,550,005	6,367,391	40,917,396	30,878,985	5,764,923	36,643,908
Small Cap Pool	7,080,259	1,304,760	8,385,019	6,568,658	1,226,330	7,794,988
Total broad domestic equity	41,630,264	7,672,151	49,302,415	37,447,643	6,991,253	44,438,896
Broad international equity:						
International Equity Pool	31,121,954	5,735,198	36,857,152	28,581,209	5,335,942	33,917,151
International Equity Small Cap Pool	2,333,448	430,011	2,763,459	1,941,073	362,387	2,303,460
Emerging Markets Equity Pool	5,071,086	934,507	6,005,593	4,107,414	766,831	4,874,245
Total broad international equity	38,526,488	7,099,716	45,626,204	34,629,696	6,465,160	41,094,856
Alternative equity:						
Alternative equity	5,013,631	923,919	5,937,550	1,227,936	229,250	1,457,186
Convertible Bond Pool	1,235,086	227,603	1,462,689	4,884,305	911,871	5,796,176
Total alternative equity	6,248,717	1,151,522	7,400,239	6,112,241	1,141,121	7,253,362
Private Equity Pool	13,726,410	2,529,522	16,255,932	11,455,859	2,138,742	13,594,601
Absolute Return Pool	10,322,636	1,902,270	12,224,906	9,453,688	1,764,947	11,218,635
Real assets:						
Real Estate Pool	9,310,041	1,714,193	11,024,234	9,129,863	1,701,883	10,831,746
Real Estate Investment Trust Pool	2,281,244	420,391	2,701,635	2,192,401	409,309	2,601,710
Infrastructure Private Pool	2,557,198	471,244	3,028,442	1,993,674	372,206	2,365,880
Infrastructure Public Pool	1,592,722	293,509	1,886,231	1,290,741	240,973	1,531,714
Master Limited Partnership Pool	3,246,302	598,233	3,844,535	3,036,306	566,859	3,603,165
Energy Pool	597,130	110,040	707,170	446,243	83,310	529,553
Farmland Pool	5,403,511	995,767	6,399,278	5,036,360	940,257	5,976,617
Timber Pool	2,268,106	417,970	2,686,076	2,348,928	438,530	2,787,458
Treasury Inflation Protected Securities Pool	358,469	66,059	424,528	346,445	64,678	411,123
Total real assets	27,614,723	5,087,406	32,702,129	25,820,961	4,818,005	30,638,966
Total investments	159,726,678	29,433,651	189,160,329	142,481,676	26,631,263	169,112,939
Other assets	—	3,076	3,076	—	6,374	6,374
Total assets	165,151,686	30,302,738	195,454,424	144,894,889	26,943,858	171,838,747
Liabilities:						
Accrued expenses	21,613	5,318	26,931	75,990	16,608	92,598
Claims payable (note 6)	—	105,000	105,000	—	77,000	77,000
Securities lending collateral payable (note 3)	1,097,314	201,133	1,298,447	—	—	—
Due to State of Alaska General Fund (note 2)	—	—	—	—	2,365	2,365
Total liabilities	1,118,927	311,451	1,430,378	75,990	95,973	171,963
Net position restricted for pension and postemployment healthcare benefits	$ 164,032,759	29,991,287	194,024,046	144,818,899	26,847,885	171,666,784

See accompanying notes to financial statements.

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

Combining Statements of Changes in Fiduciary Net Position

Years ended June 30, 2017 and 2016

	2017			2016		
	Pension	**Alaska Retiree Healthcare Trust**	**Total**	**Pension**	**Alaska Retiree Healthcare Trust**	**Total**
Additions:						
Contributions:						
Employer	$ 5,673,683	627,649	6,301,332	5,819,499	508,413	6,327,912
Plan members	886,162	—	886,162	801,924	—	801,924
Nonemployer contribution – State of Alaska	5,412,366	—	5,412,366	5,890,788	—	5,890,788
Total contributions	11,972,211	627,649	12,599,860	12,512,211	508,413	13,020,624
Investment income:						
Net appreciation (depreciation) in fair value (note 3)	16,306,198	2,991,923	19,298,121	(2,896,380)	(569,836)	(3,466,216)
Interest	572,163	104,642	676,805	548,597	101,971	650,568
Dividends	2,103,978	386,940	2,490,918	2,078,987	387,279	2,466,266
Total investment income (loss)	18,982,339	3,483,505	22,465,844	(268,796)	(80,586)	(349,382)
Less investment expense	79,857	14,567	94,424	298,353	50,277	348,630
Net investment income (loss) before securities lending activities	18,902,482	3,468,938	22,371,420	(567,149)	(130,863)	(698,012)
Securities lending income (note 3)	8,623	1,585	10,208	—	—	—
Less securities lending expense (note 3)	1,725	317	2,042	—	—	—
Net income from securities lending activities	6,898	1,268	8,166	—	—	—
Net investment income (loss)	18,909,380	3,470,206	22,379,586	(567,149)	(130,863)	(698,012)
Other income	—	127,457	127,457	2,364	92,763	95,127
Total additions	30,881,591	4,225,312	35,106,903	11,947,426	470,313	12,417,739
Deductions:						
Pension and postemployment healthcare benefits	11,588,512	1,031,148	12,619,660	11,228,221	703,919	11,932,140
Administrative	79,219	50,762	129,981	60,330	60,890	121,220
Total deductions	11,667,731	1,081,910	12,749,641	11,288,551	764,809	12,053,360
Net increase (decrease)	19,213,860	3,143,402	22,357,262	658,875	(294,496)	364,379
Net position restricted for pension and postemployment healthcare benefits:						
Balance, beginning of year	144,818,899	26,847,885	171,666,784	144,160,024	27,142,381	171,302,405
Balance, end of year	$ 164,032,759	29,991,287	194,024,046	144,818,899	26,847,885	171,666,784

See accompanying notes to financial statements.

(1) Description

The State of Alaska Judicial Retirement System (the Plan) is a component unit of the State of Alaska (the State). The Plan consists of a single employer defined benefit pension plan and a defined benefit other postemployment healthcare plan and is administered by the State to provide pension and postemployment healthcare benefits for eligible State justices and judges. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is governed by the Alaska Retirement Management Board (the Board), which consists of nine trustees, as follows: two members, consisting of the commissioner of administration and the commissioner of revenue; two trustees who are members of the general public; one trustee who is employed as a finance officer for a political subdivision participating in either the Public Employees' Retirement System (PERS) or Teachers' Retirement System (TRS); two trustees who are members of PERS; and two trustees who are members of TRS.

Defined Benefit Pension Plan

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, 2017, the plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	116
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	74
	193

Pension Benefits

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

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

Death Benefits

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

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

Disability Benefits

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

Contributions

Contributions requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of both pension and postemployment healthcare benefits earned by plan members during the year. The Plan members first appointed after July 1, 1978 contribute 7.00% of their compensation as required by statute. Contributions are not required after members have made contributions for 15 years. Members appointed before July 1, 1978 are not required to make contributions. For fiscal years 2017 and 2016, employer contribution rates are 76.49% and 82.48%, respectively, of which only the employer normal cost rates of 41.48% and 39.66%, respectively, were required from the Alaska Court System. The past service costs were paid for separately by the State via annual appropriations.

Refunds

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

Other Postemployment Benefit Plan

Postemployment Healthcare Benefits

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

The Alaska Retiree Healthcare Trust Plan (ARHCT), a healthcare trust fund of the State, provides major medical coverage to retirees of the DB Plan. The ARHCT is self-funded and self-insured. The ARHCT is closed to all new members effective July 1, 2006. As of June 30, 2017, membership in the plan was as follows:

Inactive plan members or beneficiaries currently receiving benefits	116
Inactive plan members entitled to but not yet receiving benefits	3
Active plan members	74
	193

(2) Summary of Significant Accounting Policies

Basis of Accounting

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

Use of Estimates

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

Investments

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

Contributions Receivable

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

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

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

Federal Income Tax Status

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

New Accounting Pronouncements

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, during the year ended June 30, 2017. GASB 74 replaces the requirements of Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended. GASB 74 requires the disclosures of the total OPEB liability, fiduciary net position, and net OPEB liability for single-employer and cost-sharing multiple-employer defined benefit postemployment healthcare plans. GASB Statement No. 74 also requires certain additional note disclosures for defined benefit postemployment healthcare plans including the annual money-weighted rate of return on plan investments. GASB Statement No. 74 revised the reporting requirements for required supplementary information to include schedules, which provide trend information related to (1) changes in the net OPEB liability and related ratios, (2) the actuarially and contractually determined contributions of employer contributing entities, and (3) the annual money-weighted rate of return on plan investments.

(3) Investments

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

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

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

Actual investing is performed by investment officers in the Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the Treasury manages the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

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

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, 2017 for the defined benefit pension plan is 13.04% and for the Alaska Retiree Healthcare Trust is 12.53%.

For additional information on securities lending, interest rate risk, credit risk, foreign exchange, derivatives, fair value, and counterparty credit risk, see the separately issued report on the Invested Assets of the State of Alaska Retirement and Benefits Plans at http://treasury.dor.alaska.gov/armb/Reports-and-Policies/Annual-Audited-Financial-Schedules.aspx.

(4) Net Pension Liability – Defined Benefit Pension Plan

The components of the net pension liability of the participating employer for the Plan at June 30, 2017, were as follows:

Total pension liability	$	216,634,510
Plan fiduciary net position		(164,032,759)
Employers' net pension liability	$	52,601,751
Plan fiduciary net position as a percentage of the total pension liability		75.72%

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of June 30, 2016, using the following actuarial assumptions, applied to all periods in the measurement:

Inflation	3.12%
Salary increases	3.62% per year, compounded annually
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in

(Continued)

actuarial assumptions adopted by the Board (and Department of Administration) to better reflect expected future experience.

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, 2017 (see the discussion of the pension plan's investment policy) are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset class	Long-term Expected real rate of return
Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

Discount Rate

The discount rate used to measure the total pension liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability in accordance with the method prescribed by GASB Statement No. 67.

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

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

	1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
Net pension liability	$ 76,370,848	52,601,751	32,471,028

(5) Net OPEB Asset – Alaska Retiree Healthcare Trust

The components of the net OPEB asset of the participating employer for the Plan at June 30, 2017, were as follows:

Total OPEB liability	$	17,476,244
Plan fiduciary net position		(29,991,287)
Employers' net OPEB asset	$	(12,515,043)
Plan fiduciary net position as a percentage of the total pension asset		171.61%

Actuarial Assumptions

The total OPEB liability was determined by actuarial valuations as of June 30, 2016, using the following actuarial assumptions, applied to all periods in the measurement, and rolled forward to the measurement date of June 30, 2017:

Inflation	3.12%
Salary increases	3.62% per year, compounded annually
Investment rate of return	8.00%, net of postemployment healthcare plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 4.88%.
Trend rates	Pre-65 medical: 8.8% grading down to 4.4% Post-65 medical: 5.8% grading down to 4.0% Rx: 5.4% grading down to 4.0%

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

The actuarial assumptions used in the June 30, 2016 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2009 to June 30, 2013, resulting in changes in actuarial assumptions effective for the June 30, 2014 actuarial valuation adopted by the Board (and Department of Administration) to better reflect expected future experience. The assumptions used in the June 30, 2016 actuarial valuation are the same as those used in the June 30, 2014 valuation.

The long-term expected rate of return on postretirement healthcare 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 postretirement healthcare 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 adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in the postretirement healthcare plan's target asset allocation as of June 30, 2017 (see the discussion of the postretirement healthcare plan's investment policy) are summarized in the following table (note that the rates shown below exclude the inflation component):

Asset class	Long-term Expected real rate of return
Broad Domestic equity	8.83%
Global ex-U.S. equity	7.79%
Intermediate Treasuries	1.29%
Opportunistic	4.76%
Real assets	4.94%
Absolute return	4.76%
Private equity	12.02%
Cash equivalents	0.63%

Discount Rate

The discount rate used to measure the total OPEB liability was 8%. The projection of cash flows used to determine the discount rate assumed that employer and State contributions will continue to follow the current funding policy, which meets State statutes. Based on those assumptions, the postretirement healthcare 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 postretirement healthcare plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability in accordance with the method prescribed by GASB Statement No. 74.

Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset of the Plan as of June 30, 2017, calculated using the discount rate of 8%, as well as what the Plan's net OPEB (asset) 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:

		1% decrease (7%)	Current discount rate (8%)	1% increase (9%)
Net OPEB asset	$	(10,610,704)	(12,515,043)	(14,123,673)

Sensitivity of the Net OPEB Asset to Changes in the Healthcare Cost Trend Rates

The following presents the net OPEB asset as of June 30, 2017, of the Plan calculated using the healthcare cost trend rates as summarized in the 2016 actuarial valuation report, as well as what the Plan's net OPEB (asset) liability would be if it were calculated using trend rates that are one-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

		1% decrease	Current trend rate	1% increase
Net OPEB asset	$	(14,433,254)	(12,515,043)	(10,227,003)

(6) Claims Payable

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

Changes in the balances of claims liabilities follow:

		2017	2016
Beginning of year:			
Due to State of Alaska General Fund for outstanding warrants	$	2,365	64,261
Incurred but not reported		77,000	58,000
Total, beginning of year		79,365	122,261
Benefit deductions		1,031,148	703,919
Benefits paid		(1,005,513)	(746,815)
Total, end of year	$	105,000	79,365
End of year:			
Due to State of Alaska General Fund for outstanding warrants	$	—	2,365
Incurred but not reported		105,000	77,000
Total, end of year	$	105,000	79,365

(7) Medicare Part D Retiree Drug Subsidy

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

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

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

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

	2017	2016	2015	2014	2013	2012
Total pension liability:						
Service cost	$ 6,226,617	6,024,599	5,814,128	5,185,969	5,004,795	5,062,095
Interest	16,448,646	16,416,869	15,564,753	15,284,981	14,576,016	14,278,926
Differences between expected and actual experience	(10,826,335)	35,662	(11,187,236)	—	—	(451,843)
Changes of assumptions	—	—	4,219,851	—	—	—
Benefit payments, including refunds of member contributions	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(10,046,138)
Net change in total pension liability	260,416	11,248,909	3,727,534	9,892,536	9,237,591	8,843,040
Total pension liability – beginning	216,374,094	205,125,185	201,397,651	191,505,115	182,267,524	173,424,484
Total pension liability – ending (a)	216,634,510	216,374,094	205,125,185	201,397,651	191,505,115	182,267,524
Plan fiduciary net position:						
Contributions – employers	5,673,683	5,819,499	4,980,772	4,578,693	4,443,785	3,212,901
Contributions – member	886,162	801,924	810,819	780,054	721,171	704,671
Contributions – nonemployer (State)	5,412,366	5,890,788	5,241,619	4,282,876	3,650,650	2,205,898
Total net investment income	18,909,380	(567,149)	4,349,487	21,845,311	13,180,214	121,042
Other income	—	2,364	92	12	—	12
Benefit payments, including refunds of member contributions	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)	(10,343,220)	(9,666,901)
Administrative expenses	(79,219)	(60,330)	(86,243)	(65,716)	(82,231)	(44,855)
Net change in plan fiduciary net position	19,213,860	658,875	4,612,584	20,842,816	11,570,369	(3,467,232)
Plan fiduciary net position – beginning	144,818,899	144,160,024	139,547,440	118,704,624	107,134,255	110,601,487
Plan fiduciary net position – ending (b)	164,032,759	144,818,899	144,160,024	139,547,440	118,704,624	107,134,255
Plan's net pension liability (a) – (b)	$ 52,601,751	71,555,195	60,965,161	61,850,211	72,800,491	75,133,269
Plan fiduciary net position as a percentage of the total pension liability	75.72%	66.93%	70.28%	69.29%	61.99%	58.78%
Covered-employee payroll	$ 14,088,638	13,995,937	13,506,984	13,730,948	13,289,096	11,845,548
Net pension liability as a percentage of covered-employee payroll	373.36%	511.26%	451.36%	450.44%	547.82%	634.27%

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

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)

Schedule of Employer and Nonemployer Contributions – Defined Benefit Pension Plan

		2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$	10,470,676	11,182,754	10,328,791	9,155,796	8,366,815	5,051,754
Contributions in relation to the actuarially determined contribution		11,086,049	11,710,287	10,222,391	8,861,569	8,094,435	5,418,799
Contribution deficiency (excess)	$	(615,373)	(527,533)	106,400	294,227	272,380	(367,045)
Covered-employee payroll	$	14,088,638	13,995,937	13,506,984	13,730,948	13,289,096	11,803,164
Contributions as a percentage of covered-employee payroll		78.69%	83.67%	75.68%	64.54%	60.91%	45.91%

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

See accompanying independent auditors' report

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Defined Benefit Pension Plan

	2017	2016	2015	2014
Annual money-weighted rate of return, net of investment expense	13.04%	(0.43)%	3.09%	18.40%

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

See accompanying independent auditors' report.

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

Schedule of Changes in Plan Net OPEB Liability and Related Ratios – Alaska Retiree Healthcare Trust Plan

Year ended June 30, 2017

Total OPEB liability:	
Service cost	$ 733,897
Interest	1,317,927
Differences between expected and actual experience	209,718
Benefit payments, including refunds of member contributions	(1,031,148)
Net change in total OPEB liability	1,230,394
Total OPEB liability – beginning	16,245,850
Total OPEB liability – ending (a)	17,476,244
Plan fiduciary net position:	
Contributions – employers	627,649
Total net investment income	3,470,206
Other income	127,457
Benefit payments, including refunds of member contributions	(1,031,148)
Administrative expenses	(50,762)
Net change in plan fiduciary net position	3,143,402
Plan fiduciary net position – beginning	26,847,885
Plan fiduciary net position – ending (b)	29,991,287
Plan's net OPEB asset (a) – (b)	$ (12,515,043)
Plan fiduciary net position as a percentage of the total OPEB liability	171.61%
Covered-employee payroll	$ 14,088,638
Net OPEB asset as a percentage of covered-employee payroll	-88.83%

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

See accompanying independent auditors' report.

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

Required Supplementary Information (unaudited)

Schedule of Employer and Nonemployer Contributions – Alaska Retiree Healthcare Trust Plan

		2017	2016	2015	2014	2013	2012
Actuarially determined contribution	$	631,171	500,945	312,548	1,094,357	722,960	1,432,721
Contributions in relation to the actuarially determined contribution		627,649	508,413	520,480	881,725	834,295	598,429
Contribution deficiency (excess)	$	3,522	(7,468)	(207,932)	212,632	(111,335)	834,292
Covered-employee payroll	$	14,088,638	13,995,937	13,506,984	13,730,948	13,289,096	11,803,164
Contributions as a percentage of covered-employee payroll		4.46%	3.63%	3.85%	6.42%	6.28%	5.07%

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

See accompanying independent auditors' report

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

Required Supplementary Information (Unaudited)

Schedule of Investment Returns – Alaska Retiree Healthcare Trust Plan

Year ended June 30, 2017

Annual money-weighted rate of return, net of investment expense	12.53%

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

See accompanying independent auditors' report.

(1) Description of Schedule of Funding Progress

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

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

(2) Actuarial Methods and Assumptions

The actuarial valuation was prepared by Conduent Human Resource Services. The significant actuarial methods and assumptions used in the valuation as of June 30, 2016 are as follows:

(a) Actuarial cost method – Entry Age Normal Actuarial Cost method of funding. Any funding surplus or unfunded accrued liability is amortized over 25 years as a level percent of expected payroll.

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

(c) Valuation of medical and prescription drug benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data. The methodology used to develop the initial per capita claims cost rates was updated for the period July 1, 2016 to June 30, 2017. Healthcare cost trend and retiree contribution increase assumptions for the period after June 30, 2017, remain unchanged from the June 30, 2014 valuation.

(d) Investment return/discount rate – 8.00% per year, compounded annually, net of expenses.

(e) Mortality (pre-termination) – 68% of the male rates and 60% of the females rates of the Post-Termination Mortality Rates. The mortality assumption includes an allowance for future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 115%.

(f) Mortality (post-termination) – 94% of the males rates and 97% of the female rates of RP-2000 Combined Mortality Table, 2000 Base Year, projected to 2018 with Projection Scale BB, with a three-year setback for males and four-year setback for females. Post-termination disabled mortality is in accordance with RP-2000 Disabled Retiree Table, 2000 Base Year projected to 2018 with Projection Scale BB. The mortality assumption includes an allowance for future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 115%.

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

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

(i) 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.

(j) Benefit payment increases – Benefits for retired members are assumed to increase 3.62% per year.

(k) Compensation and benefits limits – Compensation is limited to the Section 401(a)(17) amounts—$265,000 in 2016, and assumed to increase by 3.50% each year thereafter. Benefits are limited to the Section 415 amounts—$210,000 in 2016, and assumed to increase by 3.50% each year thereafter.

(l) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY17 medical and prescription drug benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	$ 14,380	3,320
Medicare Parts A and B	1,707	3,320
Medicare Part B only	8,562	3,320
Medicare Part D	N/A	614

(m) Third-party administrator fees – $206.88 per person per year; assumed trend rate of 5% per year.

(n) Medicare Part B Only – For active employees and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or rehire.

(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, 8.8% is applied to the FY17 pre-Medicare medical claims costs to get the FY18 medical claims costs:

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs**
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
2022	6.0	5.6	4.2
2023	5.6	5.6	4.0
2026	5.6	5.6	4.0
2051	4.4	4.0	4.0
2101	4.4	4.0	4.0

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

(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
65–74	4.0	1.5
75–84	1.5	0.5
85–95	0.5	—
96+	—	—

Note that pre-65, the factor represents the amount to increase from the ages noted to the next age. However post-65, the factor represents the adjustment to get to the ages noted up to age in the range. That is, 2.5% is used to age from 54 to 55, but 1.5% is used to age from 83 to 84.

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

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

(s) Retirement – Retirement rates are based on the 2010–2013 actual experience—3% if vested and age is less than 59, 10% if vested and age is greater than 59 (except 20% at age 60–61 and age 65–66), and 100% at age 70. Terminated vested members are expected to commence benefits at age 60.

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

(u) Disability – Based on past plan experience, the probability that an active member will become disabled.

(v) Maximum retirement age – Age 70.

(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) Dependent Children – Benefits for dependent children have been valued only for members currently covering their dependent children. These benefits are only valued through the dependent children's age 23 (unless the child is disabled).

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

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

Changes in Actuarial Methods since the Prior Valuation – June 30, 2014 to June 30, 2016

There were no material changes in asset or valuation methods since the prior valuation. Enhanced health plan enrollment data resulted in some offsetting cost increases and enrollment decreases as part of the per capital cost development.

Changes in Actuarial Assumptions Since the Prior Valuation – June 30, 2014 to June 30, 2016

There have been no changes in the assumptions since the prior valuation. Healthcare claim costs are updated annually.

Changes in Benefit Provisions Since the Prior Valuation – June 30, 2014 to June 30, 2016

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

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, 2017 and 2016

	Administrative	Investment	Total 2017	Total 2016
Personal services:				
Wages	$ 14,415	1,994	16,409	27,184
Benefits	6,568	828	7,396	17,566
Total personal services	20,983	2,822	23,805	44,750
Travel:				
Transportation	102	769	871	753
Per diem	13	129	142	262
Total travel	115	898	1,013	1,015
Contractual services:				
Management and consulting	85,330	79,220	164,550	393,659
Accounting and auditing	12,599	576	13,175	13,638
Data processing	5,700	7,945	13,645	11,429
Communications	204	411	615	—
Advertising and printing	88	27	115	—
Rental/leases	1,163	650	1,813	1,979
Legal	2,821	531	3,352	938
Repairs and maintenance	2	9	11	—
Transportation	122	35	157	—
Securities lending expenses	—	2,042	2,042	—
Other services	668	279	947	1,750
Total contractual services	108,697	91,725	200,422	423,393
Other:				
Supplies	102	678	780	524
Equipment	84	343	427	168
Total other	186	1,021	1,207	692
Total administrative and investment deductions	$ 129,981	96,466	226,447	469,850

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, 2017 and 2016

Firm	Services		2017	2016
Conduent Human Resource Services	Actuarial services	$	51,462	24,906
KPMG LLP	Auditing services		12,555	13,376
State Street Bank and Trust	Custodial banking services		9,022	8,720
Alaska IT Group	Data processing services		2,323	1,810
Applied Microsystems Incorporated	Data processing services		1,157	1,530
SHI International Corporation	Data processing services		1,422	1,278
State of Alaska, Department of Law	Legal services		3,203	303
		$	81,144	51,923

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

See accompanying independent auditors' report.