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STATE OF ALASKA
JUDICIAL RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2023
(With summarized financial information for June 30, 2022)

(With Independent Auditors’ Report Thereon)

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

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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:

Opinion

We have audited the combining financial statements of the State of Alaska Judicial Retirement System (the System) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

In our opinion, the accompanying combining financial statements referred to above present fairly, in all material respects, the fiduciary net position of the System as of June 30, 2023, and the changes in its fiduciary net position for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the System and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with U.S. generally accepted accounting principles, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 System's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the System's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Summarized Comparative Information

We have previously audited the System's 2022 combining financial statements, and we expressed an unmodified opinion on those financial statements in our report dated October 14, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 GAAS, 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.

Supplementary Information

Our audit for the year ended June 30, 2023 was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the System's basic financial statements for the year ended June 30, 2023. The supplemental schedules listed in the table of contents for the year ended June 30, 2023 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements for the year ended June 30, 2023 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 GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2023.

We also previously audited, in accordance with GAAS, the basic financial statements of the System as of and for the year ended June 30, 2022 (not presented herein), and have issued our report thereon dated October 14, 2022 which expressed an unmodified opinion. The supplemental schedules listed in the table of contents for the year ended June 30, 2022 are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information was subjected to the audit procedures applied in the audit of the basic financial statements for the year ended June 30, 2022 and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those financial statements or to those financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated in all material respects, in relation to the basic financial statements as a whole for the year ended June 30, 2022.

KPMG LLP

Anchorage, Alaska
October 12, 2023

This section presents management's discussion and analysis (MD&A) of the State of Alaska Judicial Retirement System's (the System) financial position and performance for the years ended June 30, 2023 and 2022. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal years ended June 30, 2023 and 2022. Information for fiscal year 2021 is presented for comparative purposes.

Financial Highlights

The System's financial highlights for the year ended June 30, 2023 were as follows:

- The System's fiduciary net position restricted for pension and postemployment healthcare benefits increased by $15.3 million.
- The plan member and employer contributions of $9.3 million increased by $1.2 million when compared to fiscal year 2022.
- The State of Alaska (the State) directly appropriated $3.2 million to the System.
- The System's net investment income increased $37.4 million when compared to fiscal year 2022, to $20.2 million.
- The System's pension benefit expenditures totaled $16.0 million.
- The System's postemployment healthcare benefit expenditures totaled $1.6 million.

Overview of the Financial Statements

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

Combining statement of fiduciary net position – This statement presents information regarding the System's assets, liabilities, and resulting net position restricted for pension and postemployment healthcare benefits. This statement reflects the System's investments at fair value, along with cash and cash equivalents, receivables, and other assets, less liabilities at June 30, 2023.

Combining statement of changes in fiduciary net position – This statement presents how the System's net position restricted for pension and postemployment healthcare benefits changed during the fiscal year ended June 30, 2023. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2023, and the sources and uses of those funds during fiscal year 2023.

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

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

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

Condensed Financial Information

Plan Fiduciary Net Position

Description	2023	2022	Increase (Decrease) Amount	Increase (Decrease) Percentage	2021
Assets:					
Cash and cash equivalents	$ 2,965,337	3,799,782	(834,445)	(22.0)%	$ 3,284,166
Due from State of Alaska General Fund	2,271,571	1,762,801	508,770	28.9	2,338,732
Other receivables	60,980	45,560	15,420	33.8	19,209
Investments at fair value	278,081,846	262,485,328	15,596,518	5.9	283,489,650
Other assets	3,076	3,076	—	—	3,076
Total assets	283,382,810	268,096,547	15,286,263	5.7	289,134,833
Liabilities:					
Claims payable	125,000	110,000	15,000	13.6	148,000
Accrued expenses	162,711	34,327	128,384	374.0	38,304
Securities lending collateral payable	313,135	502,734	(189,599)	(37.7)	727,183
Total liabilities	600,846	647,061	(46,215)	(7.1)	913,487
Plan fiduciary net position	$ 282,781,964	267,449,486	15,332,478	5.7 %	$ 288,221,346

Condensed Financial Information (continued)

Changes in Plan Fiduciary Net Position

Description	2023	2022	Increase (decrease) Amount	Increase (decrease) Percentage	2021
Plan fiduciary net position, beginning of year	$ 267,449,486	288,221,346	(20,771,860)	(7.2)%	$ 223,880,527
Additions:					
Contributions – employer and plan member	9,346,193	8,122,637	1,223,556	15.1	8,454,676
Nonemployer contribution - State of Alaska	3,225,000	4,185,000	(960,000)	(22.9)	5,145,000
Net investment income (loss)	20,150,834	(17,288,680)	37,439,514	(216.6)	66,741,226
Employer group waiver plan	198,553	165,088	33,465	20.3	167,474
Medicare retiree drug subsidy	1,095	179,003	(177,908)	(99.4)	685
Pharmacy rebates	203,336	122,908	80,428	65.4	77,257
Pharmacy management allowance	2,112	2,277	(165)	(7.2)	1,942
Other income	4,725	101	4,624	4,578.2	22,236
Total additions (reductions)	33,131,848	(4,511,666)	37,643,514	834.4	80,610,496
Deductions:					
Pension and postemployment healthcare benefits	17,586,405	16,075,163	1,511,242	9.4	16,097,947
Refunds of contributions	39,292	—	39,292	100.0	—
Administrative	173,673	185,031	(11,358)	(6.1)	171,730
Total deductions	17,799,370	16,260,194	1,539,176	9.5	16,269,677
Increase (decrease) in fiduciary net position	15,332,478	(20,771,860)	36,104,338	(173.8)	64,340,819
Plan fiduciary net position, end of year	$ 282,781,964	267,449,486	15,332,478	5.7 %	$ 288,221,346

Financial Analysis of the System

The statements of fiduciary net position as of June 30, 2023 and 2022 show net position restricted for pension and postemployment healthcare benefits of $282,781,964 and $267,449,486, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

This represents an increase in the System's net position restricted for pension and postemployment healthcare benefits of $15,332,478 or 5.7% from fiscal year 2022 to 2023, and a decrease of $20,771,860 or 7.2% from fiscal year 2021 to 2022. Over the long term, plan member and employer contributions, as well as investment income earned, are anticipated to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

During the 32nd Alaska State Legislature and as part of the State's Fiscal Year 2023 Operating Budget, House Bill 281 appropriated $3,225,000 from the General Fund to the Department of Administration for deposit in the Defined Benefit Pension fund.

(Continued)

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

System Asset Allocation

During fiscal years 2023 and 2022, the Board adopted the following asset allocations:

	2023		2022	
	Pension and healthcare trusts		Pension and healthcare trusts	
	Allocation	Range	Allocation	Range
Broad domestic equity	27.0 %	± 6%	27.0 %	± 6%
Global equity ex-U.S.	18.0	± 4%	18.0	± 4%
Fixed income	19.0	± 10%	21.0	± 10%
Multi-asset	8.0	± 4%	6.0	± 4%
Real assets	14.0	± 7%	14.0	± 7%
Private equity	14.0	± 7%	14.0	± 6%
Total	100.0 %		100.0 %	
Expected return 20-year geometric mean	6.90 %		6.88 %	
Project standard deviation	13.93		13.89	

For fiscal years 2023 and 2022, the Pension Plan's investments generated a 7.07% and (4.09)% rate of return, respectively. For fiscal years 2023 and 2022, the Alaska Retiree Healthcare Trust Plan's investments generated a 7.11% and (4.07)% rate of return, respectively.

Contributions, Investment Income, and Other Additions

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

	Additions				
			Increase (decrease)		
Description	2023	2022	Amount	Percentage	2021
Employer contributions	$ 8,440,087	7,260,609	1,179,478	16.2 %	7,616,990
Plan members contributions	906,106	862,028	44,078	5.1 %	837,686
Nonemployer contributions – State of Alaska	3,225,000	4,185,000	(960,000)	(22.9)%	5,145,000
Net investment income (loss)	20,150,834	(17,288,680)	37,439,514	216.6 %	66,741,226
Employer group waiver plan	198,553	165,088	33,465	20.3 %	167,474
Medicare retiree drug subsidy	1,095	179,003	(177,908)	(99.4)%	685
Pharmacy rebates	203,336	122,908	80,428	65.4 %	77,257
Pharmacy management allowance	2,112	2,277	(165)	(7.2)%	1,942
Other income	4,725	101	4,624	4,578.2 %	22,236
	$ 33,131,848	(4,511,666)	37,643,514	834.4 %	80,610,496

The System's employer contributions increased from $7,260,609 during fiscal year 2022 to $8,440,087 in fiscal year 2023, an increase of $1,179,478, or 16.2%. The System's employer contributions decreased from $7,616,990 during fiscal year 2021 to $7,260,609 in fiscal year 2022, a decrease of $356,381, or 4.7%. The increase in employer contributions for fiscal year 2023 resulted from an increase in salaries starting in November 2022, which increased employer and plan member contributions. Additionally, the Alaska Court System also made additional funding outside the payroll process during this time. Due to the funded status of the System, the actuarially determined contribution rate was reduced for past service cost and resulted in a reduction in the nonemployer contribution. The decrease in employer contributions for fiscal year 2022 was caused by a reduction in additional funding from the employer outside the payroll process.

Beginning in fiscal year 2010, the Alaska Court System, sole employer of the System's participants, began paying 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 decreased from 46.0% in fiscal year 2022 to 45.34% in fiscal year 2023. The Alaska Court System also contributed additional employer contributions in fiscal year 2023 outside of the payroll process to aid in the funded level of the pension plan.

The System's net investment income in fiscal year 2023 increased by $37,439,514 or 216.6% from amounts in fiscal year 2022. The System's net investment income in fiscal year 2022 decreased by $84,029,906 or 125.9% from amounts in fiscal year 2021. The investment gains in fiscal year 2023 were substantially higher than the investment losses seen in fiscal year 2022, primarily due to improved investor sentiment in domestic stocks and an increase in overseas stocks aided through currency appreciation versus the U.S. dollar that exceeded the System's actuarial rate of return. However, other investment classes did not fare as well, ending the year below the 7.25% rate of return. Over the long term, investment earnings play a significant role in funding System benefits. The Board continues to look at investment classes and strategies best suited to meet the expected earnings returns to meet future benefit payments.

Effective January 1, 2019, the Division of Retirement and Benefits (the Division) implemented a group Medicare Part D prescription drug plan known as an enhanced Employer Group Waiver Plan (EGWP) for all Medicare-eligible members covered under the Plan. During fiscal year 2023, the Plan received $198,553 in EGWP funds from the Center of Medicare and Medicaid Services (CMS) through the EGWP Plan Sponsor, OptumRx.

Pharmacy rebates are reimbursed to the Plan by the third-party administrators. During fiscal year 2023, the Plan received $203,336 compared to $122,908 from fiscal year 2022 and $77,257 in fiscal year 2021. The change from year to year is based upon usage of prescription drugs and rebates available during each fiscal year for those prescriptions. Usage varies annually which has a direct impact on rebates.

The Pension Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.07 %	(4.09)%	27.64 %
Broad domestic equity	17.78	(11.74)	42.69
Global equity ex-U.S.	15.14	(20.95)	38.54
Fixed income	0.57	(6.99)	2.19
Multi-asset	4.10	(10.58)	23.85
Real assets	2.37	14.29	9.86
Private equity	(3.28)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

The Alaska Retiree Healthcare Trust Plan's investment rates of return for the year ended June 30 were as follows:

	Year ended		
	2023	**2022**	**2021**
Plan returns	7.11 %	(4.07)%	27.69 %
Broad domestic equity	17.78	(11.73)	42.69
Global equity ex-U.S.	15.14	(20.95)	38.57
Fixed income	0.37	(6.99)	2.20
Multi-asset	4.09	(10.58)	23.86
Real assets	2.88	14.41	10.00
Private equity	(3.28)	26.25	50.67
Actuarially assumed rate of return	7.25	7.25	7.38

(Continued)

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 System comprise the cost of operations as follows:

	Deductions				
			Increase (decrease)		
	2023	2022	Amount	Percentage	2021
Pension benefits	$ 16,032,039	14,770,632	1,261,407	8.5 %	$ 14,368,857
Postemployment healthcare benefits	1,554,366	1,304,531	249,835	19.2	1,729,090
Refunds of contributions	39,292	—	39,292	100.0	—
Administrative	173,673	185,031	(11,358)	(6.1)	171,730
Total	$ 17,799,370	16,260,194	1,539,176	9.5 %	$ 16,269,677

The System's pension benefit payments in 2023 increased $1,261,407 or 8.5% from fiscal year 2022, which increased $401,775 or 2.8% from fiscal year 2021. The increase in pension benefits in fiscal year 2023 is primarily the result of House Bill 62 which increased retiree benefits by 5% effective with the November 2022 monthly payroll. There was also a slight increase in the number of benefit recipients as well as modifications to pension benefit payments due to change from regular benefits to those of survivors, which is a different benefit payment. The increase in pension benefits in fiscal year 2022 is the result of an increase in the retirees from 145 in 2021 to 149 in 2022, or 2.8%.

The System's postemployment healthcare benefit payments in fiscal year 2023 increased $249,835 or 19.2% from fiscal year 2022, which decreased $424,559 or 24.6% from fiscal year 2021. The fiscal year 2023 increase in healthcare costs was due to an increase in per member claim costs.

Net Pension Asset

Governmental Accounting Standards Board (GASB) Statement No. 67, *Financial Reporting for Pension Plans*, requires the pension plan to report the total pension liability, fiduciary net position, and net pension asset. The total pension liability represents the total obligation for the 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 Plan's fiduciary net position represents the assets available to pay the 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 Plan. The difference between the total pension liability and fiduciary net position is the net pension asset, or the overfunded portion of the total pension liability.

The components of the net pension asset of the participating employer of the Plan as of June 30 were as follows:

		2023	2022
Total pension liability	$	215,813,907	208,987,920
Plan fiduciary net position		(239,742,591)	(227,181,866)
Employer’s net pension asset	$	(23,928,684)	(18,193,946)
Plan fiduciary net position as a percentage of the total pension liability		111.09 %	108.71 %

Net OPEB Asset

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other than Penson Plans*, requires the other postemployment benefit (OPEB) Plan to report the total OPEB liability, fiduciary net position, and net OPEB asset. The total OPEB liability represents the total obligation for the 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 Plan’s fiduciary net position represents the assets available to pay the 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 Plan. The difference between the total OPEB liability and fiduciary net position is the net OPEB asset, or the overfunded portion of the total OPEB liability.

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

		2023	2022
Total OPEB liability	$	19,234,976	18,309,351
Plan fiduciary net position		(43,039,373)	(40,267,620)
Employer’s net OPEB asset	$	(23,804,397)	(21,958,269)
Plan fiduciary net position as a percentage of the total OPEB liability		223.76 %	219.93 %

Funding

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

- The actuarially determined contribution rate is calculated by the System’s consulting actuary and approved by the administrator. Contributions are determined on an annual basis either through the actuarial valuation or the actuarial valuation roll-forward 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 2023, the 33rd Alaska State Legislature enacted one law that affects the System. Senate Committee Substitute (CS) for CS for House Bill 39, Section 74(c), appropriates $2,593,000 from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund as partial payment of the participating employer's contributions for the fiscal year ending June 30, 2024.

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

Fiscal year 2023 had positive investment returns, but short of the actuarial rate of return of 7.25%. Net investment income increased from a negative $17,288,680 in fiscal year 2022 to $20,150,834 in fiscal year 2023, an increase of $37,439,514, or 216.6%. The Board continues to work with its investment counsel and the Alaska Department of Revenue, Treasury Division, to diversify the portfolio of the System to maintain an optimal risk/return ratio.

The actuarial valuation report as of June 30, 2022 reported that the Defined Benefit Pension Plan had a funded ratio of 101.6% and a funding excess of $3.6 million, and the ARHCT Plan had a funded ratio of 228.7% and a funding excess of $23.0 million.

The actuarial roll-forward valuation for June 30, 2021 reported that the Defined Benefit Pension Plan had a funded ratio of 98.6% and an unfunded liability of $3.1 million, and the ARHCT Plan had a funded ratio of 211.4% and a funding excess of $20.0 million.

The decrease in the Pension Plan unfunded liability is attributable to an actuarial asset gain of $2.4 million, demographic experience loss of $2.2 million, and a reduction of the actuarial accrued liability for the new assumptions by approximately $16.7 million. The increase in the ARHCT Plan funding excess is attributable to an actuarial asset gain of $0.5 million, demographic experience loss of $0.1 million, and a reduction of the actuarial accrued liability for the new assumptions by approximately $0.6 million.

Both the actuarial valuation report of June 30, 2022 and the actuarial roll-forward valuation report of June 30, 2021 are posted to the Plan's web page. The actuarial valuation reports for the Plan are conducted biennially. The actuarial valuation report for June 30, 2022 was presented to the Board in June 2023, and adopted in September 2023. The actuarial roll-forward valuation for June 30, 2021 report was completed and presented in March 2022, and adopted by the Board in June 2022. The Board adopted new valuation assumptions as a result of an experience study conducted for the period July 1, 2017 to June 30, 2021. The adoption of these assumptions occurred in June 2022 and were used in the actuarial valuation report for the year ended June 30, 2022.

Requests for Information

This financial report is designed to provide a general overview for those parties interested in the System's finances. Questions concerning any of the information provided in this report or requests for additional 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

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

Combining Statement of Fiduciary Net Position

June 30, 2023
(With summarized financial information for June 30, 2022)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2023	System total June 30, 2022
Assets:				
Cash and cash equivalents:				
Short-term fixed income pool	$ 2,265,997	386,205	2,652,202	3,297,048
Securities lending collateral	265,112	48,023	313,135	502,734
Total cash and cash equivalents	2,531,109	434,228	2,965,337	3,799,782
Receivables:				
Due from State of Alaska General Fund	2,239,028	32,543	2,271,571	1,762,801
Other receivables	—	60,980	60,980	45,560
Total receivables	2,239,028	93,523	2,332,551	1,808,361
Investments at fair value:				
Fixed income securities:				
Transition pool	3,010,658	546,438	3,557,096	—
Barclays aggregate bond fund	8,543,576	1,550,713	10,094,289	9,509,809
Opportunistic fixed income pool	31,796,039	5,771,077	37,567,116	39,910,259
Total fixed-income securities	43,350,273	7,868,228	51,218,501	49,420,068
Broad domestic equity pool:				
Large cap pool	54,075,341	9,814,741	63,890,082	59,249,704
Small cap pool	4,870,762	884,086	5,754,848	5,220,497
Total broad domestic equity	58,946,103	10,698,827	69,644,930	64,470,201
Global equity ex-U.S.:				
International equity pool	33,544,602	6,088,370	39,632,972	34,996,390
Emerging markets equity pool	7,337,391	1,331,701	8,669,092	7,831,918
Total global equity ex-U.S.	40,881,993	7,420,071	48,302,064	42,828,308
Multi-asset:				
Alternative equity pool	2,402,130	435,992	2,838,122	2,741,618
Alternative beta pool	2,236,171	405,880	2,642,051	3,021,469
Alternative fixed income pool	6,518,469	1,183,099	7,701,568	7,226,288
Other opportunities pool	—	—	—	37,282
Tactical allocation strategies pool	8,220,820	1,492,072	9,712,892	9,708,016
Total multi-asset	19,377,590	3,517,043	22,894,633	22,734,673
Private equity pool	38,676,221	7,019,787	45,696,008	43,820,113
Real assets:				
Real estate pool	12,554,328	2,267,437	14,821,765	15,654,265
Real estate investment trust pool	3,637,368	660,173	4,297,541	4,377,605
Infrastructure private pool	6,521,604	1,183,673	7,705,277	6,933,697
Energy pool	406,660	73,809	480,469	552,351
Farmland pool	8,012,591	1,454,261	9,466,852	8,361,931
Timber pool	3,007,901	545,905	3,553,806	3,332,116
Total real assets	34,140,452	6,185,258	40,325,710	39,211,965
Total investments	235,372,632	42,709,214	278,081,846	262,485,328
Other assets	—	3,076	3,076	3,076
Total assets	240,142,769	43,240,041	283,382,810	268,096,547
Liabilities:				
Claims payable	—	125,000	125,000	110,000
Accrued expenses	135,066	27,645	162,711	34,327
Securities lending collateral payable	265,112	48,023	313,135	502,734
Total liabilities	400,178	200,668	600,846	647,061
Net position restricted for pension and postemployment healthcare benefits	$ 239,742,591	43,039,373	282,781,964	267,449,486

See accompanying notes to financial statements.

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

Combining Statement of Changes in Fiduciary Net Position

Year ended June 30, 2023
(With summarized financial information for June 30, 2022)

	Defined benefit pension	Alaska Retiree Healthcare Trust	System total June 30, 2023	System total June 30, 2022
Additions (reductions):				
Contributions:				
Employer	$ 7,518,356	921,731	8,440,087	7,260,609
Plan members	906,106	—	906,106	862,028
Nonemployer contribution – State of Alaska	3,225,000	—	3,225,000	4,185,000
Total contributions	11,649,462	921,731	12,571,193	12,307,637
Investment income (loss):				
Net appreciation (depreciation) in fair value	14,066,948	2,525,508	16,592,456	(20,353,300)
Interest	1,148,854	205,034	1,353,888	1,013,420
Dividends	2,486,394	449,123	2,935,517	2,741,704
Total investment income (loss)	17,702,196	3,179,665	20,881,861	(16,598,176)
Less investment expense	629,801	110,878	740,679	697,018
Net investment income (loss) before securities lending activities	17,072,395	3,068,787	20,141,182	(17,295,194)
Securities lending income	10,235	1,830	12,065	8,143
Less securities lending expense	2,047	366	2,413	1,629
Net income from securities lending activities	8,188	1,464	9,652	6,514
Net investment income (loss)	17,080,583	3,070,251	20,150,834	(17,288,680)
Other income:				
Employer group waiver plan	—	198,553	198,553	165,088
Medicare retiree drug subsidy	—	1,095	1,095	179,003
Pharmacy rebates	—	203,336	203,336	122,908
Pharmacy management allowance	—	2,112	2,112	2,277
Miscellaneous income	—	4,725	4,725	101
Total other income	—	409,821	409,821	469,377
Total additions (reductions)	28,730,045	4,401,803	33,131,848	(4,511,666)
Deductions:				
Pension and postemployment healthcare benefits	16,032,039	1,554,366	17,586,405	16,075,163
Refunds of contributions	39,292	—	39,292	—
Administrative	97,989	75,684	173,673	185,031
Total deductions	16,169,320	1,630,050	17,799,370	16,260,194
Net increase (decrease)	12,560,725	2,771,753	15,332,478	(20,771,860)
Net position restricted for pension and postemployment healthcare benefits:				
Balance, beginning of year	227,181,866	40,267,620	267,449,486	288,221,346
Balance, end of year	$ 239,742,591	43,039,373	282,781,964	267,449,486

See accompanying notes to financial statements.

(1) Description

The State of Alaska Judicial Retirement System (the System) is a component unit of the State of Alaska (the State). The System consists of a single employer defined benefit pension plan and a defined benefit other postemployment healthcare plan and is administered by the Division of Retirement and Benefits within the Department of Administration 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 Alaska Retirement Management Board (the Board) is responsible for overseeing the management and investment of the System. The Board consists of nine trustees as follows, two trustees 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 PERS members, and two trustees who are TRS members.

(a) Defined Benefit Pension Plan

Inclusion in the Plan is a condition of employment for eligible State justices and judges. At June 30, 2023, the plan membership consisted of the following:

Retired plan members or beneficiaries currently receiving benefits	149
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	74
	225

(b) 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.

(c) 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 System, less benefits paid by the System.

(d) 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.

(e) Contributions

Contribution requirements of the active plan members and the participating employers are actuarially determined and approved by the Board as an amount that, when combined, is expected to finance the costs of 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 2023 and 2022, employer contribution rates are 70.08% and 77.25% of eligible compensation, respectively, of which only the employer normal cost rates of 45.53% and 46.00% were required from the Alaska Court System. The past service costs were paid for separately by the State via annual appropriations.

(f) 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.

(g) Other Postemployment Benefit Plan

The Alaska Retiree Healthcare Trust Plan (ARHCT), a healthcare trust fund of the State, provides major medical coverage to retirees of the Plan. These major medical benefits, to cover medical expenses, are provided without cost to retired plan members. The ARHCT is self-funded and self-insured. As of June 30, 2023, membership in the plan was as follows:

Retired plan members or beneficiaries currently receiving benefits	149
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	74
	225

(2) Summary of Significant Accounting Policies

(a) Basis of Accounting

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

(b) Use of Estimates

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

(c) Cash and Cash Equivalents

Cash and cash equivalents include the System’s holdings within the short-term fixed-income pool and overnight investments associated with securities lending collateral. These holdings have the general characteristics of a demand deposit account.

(d) Investments

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

(e) Contributions Receivable

Contributions from the System's members and the employer for payrolls received through August 31 for wages paid 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.

(f) Due from State of Alaska General Fund

Amounts due from State of Alaska General Fund represent the amounts remitted by employers to the General Fund but not yet transmitted to the System.

(g) Other Income

Other income consists of Employer Group Waiver Plan (EGWP) rebates, Medicare Part D Retiree Drug Subsidy (RDS) rebates, pharmacy rebates, and other miscellaneous items. The RDS are rebates provided to the plan sponsor. The State has elected to voluntarily put the RDS back into the trust and treat it as a contribution for purposes of calculating the net OPEB liability. The EGWP and pharmacy rebates are provided to the Plan through the third-party administrators and are treated as a reduction to the benefit payments for purposes of calculating the net OPEB liability. RDS and pharmacy rebates are recognized on an accrual basis.

(h) Administrative Costs

Administrative costs are paid from investment earnings.

(i) Federal Income Tax Status

The Plans are qualified plans under Section 401(a) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

(j) Reclassifications

The System made certain reclassifications to the 2021 balances in the accompanying supplemental schedules to make them consistent with the 2022 presentation.

(3) Investments

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

AS 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. Treasury manages the U.S. Treasury Fixed-Income Pool, Real Estate Investment Trust Pool, and Treasury Inflation-Protected Securities Pool, in addition to acting as oversight manager for all externally managed investments. All other investments are managed by external management companies.

The short-term fixed-income pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other State funds.

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2023 for the Defined Benefit Pension Plan is 7.55% and for the ARHCT Plan is 7.65%.

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 treasury.dor.alaska.gov/armb/reports-and-policies/ annual-audited-financial-schedules

(4) Net Pension Asset – Defined Benefit Pension Plan

The components of the net pension asset of the participating employer of the Plan at June 30, 2023 were as follows:

Total pension liability	$	215,813,907
Plan fiduciary net position		(239,742,591)
Employers' net pension asset	$	(23,928,684)
Plan fiduciary net position as a percentage of the total pension liability		111.09 %

(a) Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023, with adjustments for the salary increase and pensioner benefit increase assumptions that were modified effective June 30, 2023 as noted below:

Inflation	2.50% per year
Salary scale and pensioner benefit payment increases	5.00% for FY23, 0.00% for FY24, 5.00% for FY25, 0.00% for FY26-28, and 3.00% per year thereafter.
Investment rate of return	7.25%, net of pension plan investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Mortality	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for healthy retirees were based on the Pub-2010 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
	Post-commencement mortality rates for beneficiaries were based on the Publ-2010 Contingent Survivior table, above-median, amount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see section 4 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the June 30, 2022 valuation, the salary increase and pensioner benefit increase assumptions were modified to be 5% for FY23, and 3% per year thereafter. The salary increase and pensioner benefit increase assumptions were further modified effective June 30, 2023 to be 0% for FY24, 5% for FY25, 0% for FY26-28, and 3% per year thereafter to better reflect expected short-term 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 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 pension plan's target asset allocation as of June 30, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%).

Asset class	Long-term expected real rate of return
Domestic equity	6.17 %
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(b) Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 67. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.13% as of June 30, 2023.

(c) Sensitivity of the Net Pension Asset to Changes in the Discount Rate

The following presents the net pension asset of the System as of June 30, 2023, calculated using the discount rate of 7.25%, as well as what the System's net pension asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net pension asset	$ 2,011,524	23,928,684	42,586,258

(5) Net OPEB Asset – ARHCT Plan

The components of the net OPEB asset of the participating employer of the Plan at June 30, 2023 were as follows:

Total OPEB liability	$	19,234,976
Plan fiduciary net position		(43,039,373)
Employer's net OPEB asset	$	(23,804,397)
Plan fiduciary net position as a percentage of the total OPEB liability		223.76 %

(a) Actuarial Assumptions

The total OPEB liability was determined by an actuarial valuation as of June 30, 2022, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2023, with adjustments for the salary increase assumption that was modified effective June 30, 2023 as noted below.

Inflation	2.50% per year
Salary increases	5.00% for FY23, 0.00% for FY24, 5.00% for FY25, 0.00% for FY26-28, and 3.00% per year thereafter.
Investment rate of return	7.25% per year, net of post-retirement healthcare investment expenses. This is based on an average inflation rate of 2.50% and a real rate of return of 4.75%.
Trend rates	Pre-65 medical: 6.7% grading down to 4.5% Post-65 medical: 5.5% grading down to 4.5% Rx / EGWP: 7.2% grading down to 4.5% Initial trend rates are for FY 2024 Ultimate trend rates reached in FY 2050
Mortality	Pre-commencement mortality rates were based on the Pub-2010 General Employee table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for healthy retirees were based on the Pub-2010 General Retiree table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement. Post-commencement mortality rates for beneficiaries were based on the Pub-2010 Contingent Survivor table, above-median, headcount-weighted, and projected with MP-2021 generational improvement. These rates are applied only after the death of the original member.
Other	Please see Section 4 of the 2022 actuarial valuation report.

The actuarial assumptions used in the June 30, 2022 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2017 to June 30, 2021, resulting in changes in actuarial assumptions effective for the June 30, 2022 actuarial valuation, which were adopted by the Board to better reflect expected future experience. For the June 30, 2022 valuation, the salary increase assumption was modified to be 5% for FY23, and 3% thereafter. The salary increase assumption was further modified effective June 30, 2023 to be 0% for FY24, 5% for FY25, 0% for FY26-28, and 3% per year thereafter to better reflect expected short-term experience. In addition, the per capita claims costs were updated to reflect recent experience for the June 30, 2022 actuarial 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 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, 2023 are summarized in the following table (note that the rates shown below exclude an inflation component of 2.82%):

Asset class	Long-term expected real rate of return
Domestic equity	6.17 %
Global equity (non-U.S.)	6.55
Aggregate bonds	1.63
Real assets	4.87
Private equity	11.57
Cash equivalents	0.49

(b) Discount Rate

The discount rate used to measure the total OPEB liability as of June 30, 2023 was 7.25%. 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 74. In the event benefit payments are not covered by the plan's fiduciary net position, a municipal bond rate would be used to discount the benefit payments not covered by the plan's fiduciary net position. The S&P Municipal Bond 20-Year High Grade Index rate was 4.13% as of June 30, 2023.

(c) Sensitivity of the Net OPEB Asset to Changes in the Discount Rate

The following presents the net OPEB asset as of June 30, 2023, calculated using the discount rate of 7.25%, as well as what the System's net OPEB asset would be if it were calculated using a discount rate that is one-percentage-point lower or one-percentage-point higher than the current rate:

	1.00% decrease (6.25%)	Current discount rate (7.25%)	1.00% increase (8.25%)
Net OPEB asset	$ 21,641,602	23,804,397	25,626,879

(d) 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, 2023, calculated using the healthcare cost trend rates as summarized in the 2022 actuarial valuation report, as well as what the System's net OPEB asset would be if it were calculated using trend rates that are one-percentage-point lower or one-percentage-point higher than the current healthcare cost trend rates:

	1.00% decrease	Current healthcare cost trend rate	1.00% increase
Net OPEB asset	$ 25,967,349	23,804,397	21,207,016

(6) Claims Payable

The liability for claims payable and claims incurred but not reported, included in the claims payable amount on the statement of fiduciary net position, represent the estimated amounts necessary to settle all outstanding claims incurred 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 were as follows:

	2023	2022
Total, beginning of year	$ 110,000	148,000
Healthcare benefits	1,554,366	1,304,531
Benefits paid	(1,539,366)	(1,342,531)
Total, end of year	$ 125,000	110,000

(7) Employer Group Waiver Program

Effective January 1, 2019, the Division implemented a group Medicare Part D prescription drug plan known as an enhanced EGWP for all Medicare-eligible members covered under the ARHCT Plan. The enhanced EGWP leverages increased federal subsidies to the ARHCT Plan for prescription drugs covered by Medicare Part D while also providing coverage for medications not covered by Medicare Part D through a "wrap" of additional benefits. Moving to an enhanced EGWP has resulted in the ARHCT Plan receiving significantly higher subsidies, while simultaneously maintaining the prescription drug coverage retirees had prior to implementation of the enhanced EGWP. Currently, EGWP is the primary program used by the Division; however, there are still retirees that are covered by the RDS if they do not meet the requirements of EGWP.

(8) Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive an 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 ARHCT Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

(9) Commitments and Contingencies

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

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 (Asset) Liability and Related Ratios – Defined Benefit Pension Plan

Last 10 Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability:										
Service cost	$ 5,236,993	5,850,927	6,406,615	6,580,544	5,639,424	6,452,021	6,226,617	6,024,599	5,814,128	5,185,969
Interest	14,910,304	15,992,334	16,828,004	17,340,132	18,137,715	17,330,757	16,448,646	16,416,869	15,564,753	15,284,981
Differences between expected and actual experience	2,914,170	—	4,375,904	—	(13,087,119)	41,775	(10,826,335)	35,662	(11,187,236)	—
Changes of assumptions	(164,149)	(16,802,169)	(23,795,345)	(16,406,216)	10,539,605	—	—	—	4,219,851	—
Benefit payments, including refunds of member contributions	(16,071,331)	(14,770,632)	(14,368,857)	(14,178,500)	(13,627,946)	(12,125,563)	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)
Net change in total pension liability	6,825,987	(9,729,540)	(10,553,679)	(6,664,040)	7,601,679	11,698,990	260,416	11,248,909	3,727,534	9,892,536
Total pension liability – beginning	208,987,920	218,717,460	229,271,139	235,935,179	228,333,500	216,634,510	216,374,094	205,125,185	201,397,651	191,505,115
Total pension liability – ending (a)	215,813,907	208,987,920	218,717,460	229,271,139	235,935,179	228,333,500	216,634,510	216,374,094	205,125,185	201,397,651
Plan fiduciary net position:										
Contributions – employers	7,518,356	6,638,140	6,962,607	6,117,144	5,347,675	5,142,959	5,673,683	5,819,499	4,980,772	4,578,693
Contributions – member	906,106	862,028	837,686	838,676	813,374	832,718	886,162	801,924	810,819	780,054
Contributions – nonemployer (State)	3,225,000	4,185,000	5,145,000	5,010,000	4,909,000	5,385,000	5,412,366	5,890,788	5,241,619	4,282,876
Net investment income (loss)	17,080,583	(14,673,626)	56,716,668	7,537,504	10,447,841	13,590,028	18,909,380	(567,149)	4,349,487	21,845,311
Benefit payments, including refunds of member contributions	(16,071,331)	(14,770,632)	(14,368,857)	(14,178,500)	(13,627,946)	(12,125,563)	(11,588,512)	(11,228,221)	(10,683,962)	(10,578,414)
Administrative expenses	(97,989)	(107,041)	(97,022)	(106,618)	(59,094)	(62,933)	(79,219)	(60,330)	(86,243)	(65,716)
Other income	—	—	7,891	—	—	—	—	2,364	92	12
Net change in plan fiduciary net position	12,560,725	(17,866,131)	55,203,973	5,218,206	7,830,850	12,762,209	19,213,860	658,875	4,612,584	20,842,816
Plan fiduciary net position – beginning	227,181,866	245,047,997	189,844,024	184,625,818	176,794,968	164,032,759	144,818,899	144,160,024	139,547,440	118,704,624
Plan fiduciary net position – ending (b)	239,742,591	227,181,866	245,047,997	189,844,024	184,625,818	176,794,968	164,032,759	144,818,899	144,160,024	139,547,440
Plan's net pension (asset) liability (a)–(b)	$ (23,928,684)	(18,193,946)	(26,330,537)	39,427,115	51,309,361	51,538,532	52,601,751	71,555,195	60,965,161	61,850,211
Plan fiduciary net position as a percentage of the total pension liability	111.09 %	108.71 %	112.04 %	82.80 %	78.25 %	77.43 %	75.72 %	66.93 %	70.28 %	69.29 %
Covered payroll	$ 14,666,519	14,223,798	13,935,042	14,063,861	13,794,071	13,855,039	13,712,665	13,312,955	13,440,878	13,174,513
Net pension (asset) liability as a percentage of covered payroll	(163.15)%	(127.91)%	(188.95)%	280.34 %	371.97 %	371.98 %	383.60 %	537.49 %	453.73 %	469.47 %

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 Employer and Nonemployer Contributions – Defined Benefit Pension Plan

Last 10 Fiscal Years

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2023	$ 8,924,869	10,743,356	(1,818,487)	14,666,519	73.25 %
2022	9,337,645	10,823,140	(1,485,495)	14,223,798	76.09 %
2021	10,238,911	12,107,606	(1,868,695)	13,935,042	86.89 %
2020	9,388,398	11,127,144	(1,738,746)	14,063,861	79.12 %
2019	9,454,023	10,256,675	(802,652)	13,794,071	74.36 %
2018	10,632,195	10,527,959	104,236	13,855,039	75.99 %
2017	10,470,676	11,086,049	(615,373)	13,712,665	80.85 %
2016	11,182,754	11,710,287	(527,533)	13,312,955	87.96 %
2015	10,328,791	10,222,391	106,400	13,440,878	76.05 %
2014	9,155,796	8,861,569	294,227	13,174,513	67.26 %

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 Investment Returns – Defined Benefit Pension Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2023	7.55 %
2022	(5.98)%
2021	29.62 %
2020	4.05 %
2019	5.88 %
2018	8.20 %
2017	13.04 %
2016	(0.43)%
2015	3.09 %
2014	18.40 %

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 Changes in Plan Net OPEB (Asset) Liability and Related Ratios – Alaska Retiree Healthcare Trust Plan

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	$ 1,027,437	829,927	910,724	757,923	784,426	689,538	733,897
Interest	1,359,404	1,345,479	1,429,308	1,339,558	1,511,105	1,391,440	1,317,927
Change in benefit terms	(239,781)	—	—	—	—	—	—
Differences between expected and actual experience	1,485,617	10,475	663,374	172,561	(735,641)	592,098	209,718
Changes of assumptions	(1,513,402)	(740,072)	(2,763,326)	131,866	(1,214,467)	—	—
Benefit payments, including refunds of member contributions	(1,392,203)	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,877)	(1,031,148)
EGWP rebates	198,553	165,088	167,474	108,886	22,294	—	—
Net change in total OPEB liability	925,625	388,705	(1,284,829)	1,243,128	(611,096)	1,097,199	1,230,394
Total OPEB liability – beginning	18,309,351	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244	16,245,850
Total OPEB liability – ending (a)	19,234,976	18,309,351	17,920,646	19,205,475	17,962,347	18,573,443	17,476,244
Plan fiduciary net position:							
Contributions – employer	921,731	622,469	654,383	730,363	591,397	620,951	627,649
Contributions – EGWP rebates	198,553	165,088	167,474	108,886	22,294	—	—
Contributions – RDS	1,095	179,003	685	—	74,248	20,943	—
Net investment income (loss)	3,070,251	(2,615,054)	10,024,558	1,377,730	1,901,255	2,455,182	3,470,206
	4,191,630	(1,648,494)	10,847,100	2,216,979	2,589,194	3,097,076	4,097,855
Benefit payments	(1,554,366)	(1,304,531)	(1,729,090)	(1,425,588)	(1,059,105)	(1,590,842)	(1,031,148)
Pharmacy rebates	203,336	122,908	77,257	202,491	117,852	43,577	—
Pharmacy management allowance	2,112	2,277	1,942	—	—	—	—
Administrative Services Only (ASO) fees	(43,285)	(42,846)	(42,492)	(44,569)	(37,560)	(28,611)	—
Net benefit payments	(1,392,203)	(1,222,192)	(1,692,383)	(1,267,666)	(978,813)	(1,575,876)	(1,031,148)
Administrative expenses, excluding ASO fees	(32,399)	(35,144)	(32,216)	(29,092)	(17,950)	(15,127)	(50,762)
Other	4,725	101	14,345	23,956	2,291	244	127,457
Net change in plan fiduciary net position	2,771,753	(2,905,729)	9,136,846	944,177	1,594,722	1,506,317	3,143,402
Plan fiduciary net position – beginning	40,267,620	43,173,349	34,036,503	33,092,326	31,497,604	29,991,287	26,847,885
Plan fiduciary net position – ending (b)	43,039,373	40,267,620	43,173,349	34,036,503	33,092,326	31,497,604	29,991,287
Plan's net OPEB asset (a)–(b)	$ (23,804,397)	(21,958,269)	(25,252,703)	(14,831,028)	(15,129,979)	(12,924,161)	(12,515,043)
Plan fiduciary net position as a percentage of the total OPEB liability	223.76 %	219.93 %	240.91 %	177.22 %	184.23 %	169.58 %	171.61 %
Covered payroll	$ 14,666,519	14,223,798	13,935,042	14,063,861	13,794,071	13,855,039	13,712,665
Net OPEB asset as a percentage of covered payroll	(162.30)%	(154.38)%	(181.22)%	(105.45)%	(109.68)%	(93.28)%	(91.27)%

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

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

STATE OF ALASKA
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

Last 10 Fiscal Years

Fiscal Year	Actuarially determined contribution	Contributions in relation to the actuarially determined contribution	Contribution deficiency (excess)	Covered Payroll	Contribution as a percentage of covered payroll
2023	$ 910,873	921,731	(10,858)	14,666,519	6.28 %
2022	826,270	622,469	203,801	14,223,798	4.38 %
2021	805,219	654,383	150,836	13,935,042	4.70 %
2020	578,572	730,363	(151,791)	14,063,861	5.19 %
2019	598,661	591,397	7,264	13,794,071	4.29 %
2018	632,121	620,951	11,170	13,855,039	4.48 %
2017	631,171	627,649	3,522	13,712,665	4.58 %
2016	500,945	508,413	(7,468)	13,312,955	3.82 %
2015	312,548	520,480	(207,932)	13,440,878	3.87 %
2014	1,094,357	881,725	212,632	13,174,513	6.69 %

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 Investment Returns – Alaska Retiree Healthcare Trust Plan

Fiscal Year	Annual money-weighted rate of return, net of investment expense
2023	7.65 %
2022	(6.08)%
2021	29.85 %
2020	4.18 %
2019	6.08 %
2018	8.33 %
2017	12.53 %

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

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

(1) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck. The significant actuarial methods and assumptions used in the valuation as of June 30, 2022 were as follows:

(a) Actuarial cost method – Liabilities and contributions in the report are computed using the Entry Age Normal Actuarial Cost Method, level percent of pay. Each year's difference between actual and expected unfunded actuarial accrued liability is amortized over 25 years as a level percent of expected payroll.

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

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

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

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

(b) Valuation of assets – The actuarial asset value was reinitialized to equal fair value of assets as of June 30, 2006. Beginning in FY07, the asset value method recognizes 20% of the gain or loss each year, for a period of five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements. Valuation of assets are constrained to a range of 80% to 120% of the fair value of assets.

(c) Valuation of retiree 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 historical credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.

(d) Investment return – 7.25% per year, net of investment expenses

(e) Salary scale – 5% for FY23, and 3.00% per year thereafter

(f) Payroll growth – 2.75% per year (2.50% inflation + 0.25% productivity)

(g) Total inflation – Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

(h) Compensation and benefit limit increases – Compensation is limited to the IRC 401(a)(17) amount, which was $305,000 for 2022. This limit is assumed to increase 2.50% each year thereafter.

Benefits are limited to the IRC 415 amount, which was $245,000 for 2022. This limit is assumed to increase 2.50% each year thereafter.

(i) Benefit payment increases – Benefits for retired members are assumed to increase 5.00% for FY23, and 3.00% per year thereafter. Increases are assumed to be effective at the beginning of each fiscal year.

(j) Mortality (pre-commencement) – Mortality rates based upon the 2017–2021 actual experience, to the extent the experience was statistically credible.

- Pension: Pub-2010 General Employee table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Employee table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

(k) Mortality (post-commencement) – Mortality rates based upon the 2017–2021 actual experience, to the extent the experience was statistically credible.

Retiree mortality in accordance with the following tables:

- Pension: Pub-2010 General Retiree table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 General Retiree table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

Beneficiary mortality in accordance with the following tables. These tables are applied only after the death of the original member.

- Pension: Pub-2010 Contingent Survivor table, above-median, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Contingent Survivor table, above-median, headcount-weighted, and projected with MP-2021 generational improvement.

(l) Turnover – Turnover rates cease once a member is eligible for retirement.

(m) Disability – Disability rates cease once a member is eligible for retirement.

Post-disability mortality in accordance with the following tables:

- Pension: Pub-2010 Non-safety Disabled Retiree table, amount-weighted, and projected with MP-2021 generational improvement.
- Healthcare: Pub-2010 Non-safety Disabled Retiree table, headcount-weighted, and projected with MP-2021 generational improvement.

(n) Retirement – Deferred vested members are assumed to retire at age 60.

(o) Spouse age difference – Males are assumed to be four years older than their wives. Females are assumed to be four years younger than their husbands.

(p) Percent married for pension – 90% of male members and 70% of female members are assumed to be married at termination from active service.

(q) Dependent spouse medical coverage election – Applies to members who do not have double medical coverage. 80% of male members and 60% of female members are assumed to be married and cover a dependent spouse.

(r) Dependent children –

- Pension: None.
- Healthcare: 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).

(s) Imputed data – Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

(t) Administrative expenses – The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2022 was increased by the following amounts. These amounts are based on the average of actual administrative expenses during the last two fiscal years.

- Pension – $102,000
- Healthcare – $34,000

(u) Contribution refunds – 0% of terminating member with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.

(v) Early retirement factors – Division staff provided the early retirement factors, which reflect grandfathered factors.

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

(x) Health participation – 100% system paid members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

(y) Medicare Part B Only – It's assumed that 2% of actives hired before April 1, 1986 and current retirees who are not yet Medicare eligible will not be eligible for Medicare Part A.

(z) Healthcare per capita claims cost – Sample claims cost rates adjusted to age 65 for FY23 medical and prescription drug are shown below. The prescription drug costs reflect the plan change to require prior authorization for certain specialty medications. The pre-Medicare medical cost reflects the coverage of additional preventive benefits:

		Medical	Prescription drugs
Pre-Medicare	$	15,706	3,712
Medicare Parts A and B		1,625	3,907
Medicare Part B only		5,363	3,907
Medicare Part D – EGWP		N/A	1,309

Members are assumed to attain Medicare eligibility at age 65. All costs are for the 2023 fiscal year (July 1, 2022 – June 30, 2023).

The EGWP subsidy is assumed to increase in future years by the trend rates shown on the following pages. No future legislative changes or other events are anticipated to impact the EGWP subsidy. If any legislative or other changes occur in the future that impact the EGWP subsidy (which could either increase or decrease the Plan’s actuarial accrued liability), those changes will be evaluated and quantified when they occur.

(aa) Healthcare morbidity – Morbidity rates (also called aging factors) are used to estimate utilization of healthcare benefits at each age to reflect the fact that healthcare utilization increases with age. Separate morbidity rates are used for medical and prescription drug benefits. These rates are based on the 2017–2021 actual experience.

Age	Medical	Prescription drugs
0–44	2.0 %	4.5 %
45–54	2.5	3.5
55–64	2.5	1.0
65–74	2.0	2.1
75–84	2.2	(0.3)
85–94	0.5	(2.5)
95+	—	—

(bb) Healthcare third-party administrator fees – $449 per person per year; assumed trend rate of 4.50% per year (cc) Healthcare cost trend – The table below shows the rates used to project the cost from the shown fiscal year to the next fiscal year. For example, 7.00% is applied to the FY23 pre-Medicare medical claims cost to get the FY24 medical claims cost:

	Medical		Prescription
Fiscal year	**Pre-65**	**Post-65**	**drugs/EGWP**
2023	7.00 %	5.50 %	7.50 %
2024	6.70	5.50	7.20
2025	6.40	5.40	6.90
2026	6.20	5.40	6.65
2027	6.05	5.35	6.35
2028	5.85	5.35	6.10
2029	5.65	5.30	5.80
2030	5.45	5.30	5.55
2031-2038	5.30	5.30	5.30
2039	5.25	5.25	5.25
2040	5.20	5.20	5.20
2041	5.10	5.10	5.10
2042	5.05	5.05	5.05
2043	4.95	4.95	4.95
2044	4.90	4.90	4.90
2045	4.80	4.80	4.80
2046	4.75	4.75	4.75
2047	4.70	4.70	4.70
2048	4.60	4.60	4.60
2049	4.55	4.55	4.55
2050+	4.50	4.50	4.50

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 estimates trend amounts that are projected out for 80 years. The model has been populated with assumptions that are specific to the State of Alaska.

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, 2020 to June 30, 2022

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

Changes in Actuarial Assumptions since the Prior Valuation – June 30, 2020 to June 30, 2022

Effective for the June 30, 2022 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience study performed on the Plan experience from July 1, 2017 to June 30, 2021. The changes in assumptions were adopted at the June 2022 Board meeting. The effect of the new assumptions was to decrease the actuarial accrued liability as of June 30, 2022 by approximately $16.7 million for pension and $0.6 million for healthcare. For the June 30, 2022 valuation, the salary increase and pensioner benefit increase assumptions were further modified to be 5.00% for FY23, and 3.00% per year thereafter to better reflect expected short-term experience. The effect of the new assumptions was to decrease the Actuarial Accrued Liability as of June 30, 2022 by approximately $1.2 million (pension) and $0.8 million (healthcare).

The healthcare per capital claims cost assumption is updated for each valuation. The amounts included in the Normal Cost for the administrative expenses were updated based on the last two years of actual administrative expenses paid from plan assets.

Changes in Benefit Provisions since the Prior Valuation – June 30, 2020 to June 30, 2022

Starting in 2022, prior authorization is required for certain specialty medications for all participants, and certain preventive benefits for pre-Medicare participants are covered by the plan. These changes created an actuarial gain of approximately $0.2 million. There have been no other changes in benefit provisions valued since the prior valuation.

SUPPLEMENTAL SCHEDULES

Schedule 1

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

Schedules of Administrative and Investment Deductions

Years ended June 30, 2023 and 2022

	Administrative	Investment	Total 2023	Total 2022
Personal services:				
Wages	$ 18,603	31,143	49,746	45,089
Benefits	11,606	14,529	26,135	25,667
Total personal services	30,209	45,672	75,881	70,756
Travel:				
Transportation	63	630	693	262
Per diem	10	120	130	46
Total travel	73	750	823	308
Contractual services:				
Management and consulting	67,910	8,424	76,334	78,138
Investment management and custodial fees	—	670,970	670,970	639,295
Accounting and auditing	44,052	216	44,268	44,319
Data processing	26,087	10,606	36,693	40,890
Communications	367	117	484	491
Advertising and printing	219	20	239	858
Rental/leases	2,166	1,094	3,260	1,558
Legal	456	694	1,150	961
Repairs and maintenance	16	31	47	18
Transportation	75	15	90	923
Securities lending expenses	—	2,413	2,413	1,629
Other professional services	1,871	735	2,606	2,518
Total contractual services	143,219	695,335	838,554	811,598
Other:				
Supplies	144	1,040	1,184	883
Equipment	28	295	323	133
Total other	172	1,335	1,507	1,016
Total administrative and investment deductions	$ 173,673	743,092	916,765	883,678

See accompanying independent auditors’ report.

Schedule 2

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

Schedules of Payments to Consultants Other Than Investment Advisors

Years ended June 30, 2023 and 2022

Firm	Services	2023	2022
Buck Global LLC	Actuarial services	$ 20,885	27,016
KPMG LLP	Auditing services	44,000	44,000
State Street Bank and Trust	Custodial banking services	12,211	12,496
Applied Microsystems Incorporated	Data processing services	2,637	2,118
Sagitec Solutions	Data processing services	19,661	26,587
TechData Service Company	Data processing services	1,102	1,138
		$ 100,496	113,355

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

See accompanying independent auditors’ report.