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State of Alaska National Guard and Naval Militia Retirement System

Actuarial Valuation Report as of June 30, 2014

October 2015

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Executive Summary

Overview

The State of Alaska National Guard and Naval Militia Retirement System provides pension benefits to the National Guard, naval militia and other eligible members. The Commissioner of the Department of Administration is responsible for administering the System. The Alaska Retirement Management Board has fiduciary responsibility over the assets of the System. This report presents the results of the actuarial valuation of the System benefits as of the valuation date of June 30, 2014.

Purpose

An actuarial valuation is performed on the retirement plan bi-annually as of the beginning of the fiscal year, and roll-forward valuations are performed every other year. The main purposes of the actuarial valuation detailed in this report are:

1. To determine the annual contribution necessary to meet the Board's funding policy for the System;
2. To disclose the funding assets and liability measures as of the valuation date;
3. To disclose the accounting measures for the System required by GASB Nos. 67 as of the end of the last fiscal year;
4. To review the current funded status of the System;
5. To compare actual and expected experience under the System during the last fiscal year; and
6. To report trends in contributions, assets, liabilities, and funded status over the last several years.

The actuarial valuation provides a "snapshot" of the funded position of the NGNMRS based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date.

Future actuarial valuation measurements and projections may differ from the current measurements presented in this report to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. Due to the limited scope of this report, an analysis of the potential range of such future measurements has not been performed.

Table of Contents

The assumptions and methods used to determine the Actuarially Determined Contributions (ADC) to the State of Alaska National Guard and Naval Militia System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 67, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans.

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

Respectfully submitted,

Buck Consultants, LLC

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October 6, 2015

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State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
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Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska National Guard and Naval Militia Retirement System (NGNMRS) as of June 30, 2014 performed by Buck Consultants, LLC.

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

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

The contribution requirements reflect the cost of benefits accruing in FY13 and FY14 and an amortization as a level dollar amount of the initial unfunded accrued liability and subsequent gains/losses over a period of 20 years less average military service of active members. The contribution levels are recommended by the actuary and adopted by the Board each year. This objective is currently being met and is projected to continue to be met.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed in 2014. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 5.2.

Funded Status and Recommended Contributions

The funded status is a measure of the progress that has been made in funding the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a plan that is ahead in funding on the valuation date. A comparative summary of the funding ratio from the prior and current actuarial valuations follows:

Funded Status as of June 30		**2012**		**2014**
(1) Valuation Assets	$	33,682,091	$	36,271,836
(2) Accrued Liability		32,771,017		36,715,287
(3) Funded Ratio, (1) ÷ (2)		102.8%		98.8%
Recommended Contribution Amounts		**FY15**		**FY17**
(1) Normal Cost	$	631,921	$	603,495
(2) Past Service Cost		(142,594)		69,405
(3) Expense Load		138,000		194,000
(4) Total Annual Contribution, (1) + (2) + (3)	$	627,327	$	866,900

The recommended contribution amount for FY16 based on a roll-forward valuation as of June 30, 2013 is $734,560.

Analysis of the Valuation

The funding ratio decreased from 102.8% at June 30, 2012, to 98.8% at June 30, 2014. This decrease was due to both the changes in actuarial assumptions as a result of the 2014 experience analysis, and the incoming census data reflecting 224 vested members not previously reported.

The annual rate of return based on fair value of assets during the year was 13.40%. The annual rate of return on actuarial value of assets during the year was 8.78%, compared to the assumed rate of 7.00%, resulting in an actuarial gain from investment return of approximately $0.6 million for FY14.

Effective for the June 30, 2014 valuation, the Board adopted the changes to the demographic assumptions recommended by the actuary based on the results of an experience analysis performed on the population experience from July 1, 2009 through June 30, 2013. The changes in assumptions were adopted by the Board during the December 2014 Board meeting.

Section 1 Actuarial Funding Results

Section 1.1: Actuarial Liabilities and Normal Cost

As of June 30, 2014	Normal Cost	Accrued Liability	Present Value of Projected Benefits
Active Members			
1. Retirement Benefits	$ 577,224	$ 11,641,314	$ 15,183,360
2. Termination Benefits	0	0	0
3. Death Benefits	15,887	224,486	322,005
4. Disability Benefits	10,384	220,289	283,934
5. **Total Active Actuarial Value** (1) + (2) + (3) + (4)	$ **603,495**	$ **12,086,089**	$ **15,789,299**
Inactive Members			
6. Vested Terminated*		$ 19,412,164	$ 19,412,164
7. Retirees (including QDROs)		5,217,034	5,217,034
8. **Total Inactive Actuarial Value** (6) + (7)		$ 24,629,198	$ 24,629,198
Total Actuarial Value (5) + (8)	$ **603,495**	$ **36,715,287**	$ **40,418,497**

*Includes accrued liability of $1,966,507 for additional vested members not previously reported.

Section 1.2: Actuarial Contribution – FY17

1.	Accrued Liability	$	36,715,287
2.	Actuarial Value of Assets		36,271,836
3.	Total Unfunded Accrued Liability, (1) – (2)	$	443,451
4.	Amortization Factor (8.0 years) (assuming payments at beginning of the year)		6.389289
5.	Past Service Payment, (3) ÷ (4)	$	69,405
6.	Normal Cost		603,495
7.	Expense Load		194,000
8.	**Total Contribution**, (5) + (6) + (7)	**$**	**866,900**

Section 1.3: Actuarial Gain/(Loss) for FY14

1. Accrued Liability, June 30, 2013	$ 33,907,968
2. Normal Cost for FY14	631,921
3. Interest on (1) and (2) at 7.00%	2,417,792
4. Benefit Payments for FY14	1,610,506
5. Interest on (4) at 7.00% for one-half year	55,414
6. Change in Assumptions	145,422
7. Expected Accrued Liability, June 30, 2014 (1) + (2) + (3) – (4) – (5) + (6)	$ 35,437,183
8. Accrued Liability, June 30, 2014	36,715,287
9. Liability Gain/(Loss) (7) – (8)	$ (1,278,104)
10. Valuation Assets, June 30, 2013	$ 34,178,622
11. Interest on (10) at 7.00%	2,392,504
12. Contributions for FY14	740,100
13. Interest on (12) at 7.00% for one-half year	25,465
14. Benefit Payments for FY14	1,610,506
15. Interest on (14) at 7.00% for one-half year	55,414
16. Expected Valuation Assets, June 30, 2014 (10) + (11) + (12) + (13) – (14) – (15)	$ 35,670,771
17. Valuation Assets, June 30, 2014	36,271,836
18. Asset Gain/(Loss) (17) – (16)	$ 601,065
19. Actuarial Gain/(Loss) (9) + (18)	$ (677,039)

Section 1.4: Development of Change in Unfunded Liability during FY14

1.	2013 Unfunded Liability		$ (270,654)
	a. Interest on Unfunded Liability	$ (18,946)	
	b. Normal Cost	631,921	
	c. Employer Contributions	(740,100)	
	d. Interest on b. and c.	18,769	
	e. Change in Assumptions	145,422	
	f. Expected Change in Liability during FY14		37,066
2.	Expected 2014 Unfunded Liability		$ (233,588)
	a. Liability (gain)/loss	$ 1,278,104	
	b. Asset (gain)/loss	(601,065)	
	c. Total (gain)/loss during FY14		677,039
3.	Actual 2014 Unfunded Liability		$ 443,451

Section 1.5: History of UAAL and Funded Ratio

Valuation Date	Actuarial Accrued Liability	Valuation Assets	Assets as a Percent of Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)
June 30, 2000	$ 17,967,471	$ 13,734,397	76.4%	$ 4,233,074
June 30, 2002	$ 20,545,214	$ 12,114,025	59.0%	$ 8,431,189
June 30, 2004	$ 19,749,305	$ 13,391,055	67.8%	$ 6,358,250
June 30, 2006	$ 25,457,589	$ 15,587,569	61.2%	$ 9,870,020
June 30, 2007	$ 26,289,978	$ 16,882,529	64.2%	$ 9,407,449
June 30, 2008	$ 28,904,645	$ 28,370,756	98.2%	$ 533,889
June 30, 2009	$ 30,208,411	$ 30,123,348	99.7%	$ 85,063
June 30, 2010	$ 30,034,407	$ 32,000,585	106.5%	$ (1,966,178)
June 30, 2011	$ 31,324,457	$ 33,019,577	105.4%	$ (1,695,120)
June 30, 2012	$ 32,771,017	$ 33,682,091	102.8%	$ (911,074)
June 30, 2013	$ 33,907,968	$ 34,178,622	100.8%	$ (270,654)
June 30, 2014	$ 36,715,287	$ 36,271,836	98.8%	$ 443,451

Section 2 Plan Assets

Section 2.1: Summary of Fair Value of Assets

Net Assets as of June 30	2013	2014
Assets		
1. Cash and Cash Equivalents	$ 2,008,913	$ 1,123,670
2. Domestic Equity Pool	8,959,877	10,905,158
3. International Equity Pool	5,011,394	6,478,897
4. Retirement Fixed Income Pool	0	0
5. Domestic Fixed Income Pool	10,005,488	13,861,580
6. Frontier Market Pool	0	143,678
7. International Fixed Income Pool	2,590,401	1,739,439
8. Emerging Market Debt	1,102,771	272,439
9. Emerging Market Equity Pool	757,507	904,049
10. Taxable Municipal Bonds	0	394,806
11. High Yield Pool	3,704,736	1,732,247
12. **Total Assets** Sum of (1) through (11)	**$ 34,141,087**	**$ 37,555,963**
Liabilities		
13. Accrued expenses	$ 88,225	$ 68,635
14. Due to State of Alaska General Fund	19,710	20,223
15. **Total Liabilities** (13) + (14)	**$ 107,935**	**$ 88,858**
Total Net Assets (12) – (15)	**$ 34,033,152**	**$ 37,467,105**

Section 2.2: Changes in Fair Value of Assets

Net Assets as of June 30	2013	2014
Receipts		
1. Employer Contributions	$ 739,100	$ 740,100
2. Investment Income	2,670,428	4,608,493
3. Other Income	4	21
4. **Total Receipts** (1) + (2) + (3)	$ 3,409,532	$ 5,348,614
Disbursements		
5. Retirement Benefits	$ 1,772,198	$ 1,610,506
6. Administrative Expenses	165,651	223,334
7. Investment Expenses	76,965	80,821
8. **Total Disbursements** (5) +(6) + (7)	$ 2,014,814	$ 1,914,661
9. **Net Income** (4) - (8)	$ 1,394,718	$ 3,433,953
10. Net Assets Available for Benefits at beginning of year	32,638,434	34,033,152
11. **Net Assets Available for Benefits at end of year** (9) + (10)	$ 34,033,152	$ 37,467,105
Estimated Investment Return, Net of Expenses	7.6%	13.4%*

*Based on money-weighted rate of return used in GASB 67 calculations.

Section 2.3: Actuarial Value of Assets

The actuarial value of assets was equal to the market value at June 30, 2006. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands			
1.	Deferral of Investment Gain/(Loss)		
	a. Market Value, June 30, 2013	$	34,033,152
	b. Contributions for FY14		740,100
	c. Benefit Payments for FY14		1,610,506
	d. Actual Investment Return (net of expenses)		4,304,338
	e. Expected Return Rate (net of expenses)		7.00%
	f. Expected Return - Weighted for Timing		2,352,372
	g. Investment Gain/(Loss) for the Year (d. – f.)		1,951,966
	h. Deferred Investment Gain/(Loss), June 30, 2014		1,195,269
2.	Actuarial Value, June 30, 2014		
	a. Market Value, June 30, 2014	$	37,467,105
	b. Deferred Investment Gain/(Loss), June 30, 2014		1,195,269
	c. Preliminary Actuarial Value, June 30, 2014 (a. - b.)	$	36,271,836
	d. Upper Limit: 120% of Market Value, June 30, 2014	$	44,960,526
	e. Lower Limit: 80% of Market Value, June 30, 2014	$	29,973,684
	f. Actuarial Value, June 30, 2014 (c. limited by d. and e.)	$	36,271,836
	g. Ratio of Actuarial Value of Assets to Market Value of Assets		96.8%
	h. Approximate Actuarial Value Investment Return Rate During FY14 Net of All Expenses		8.8%

The table below shows the development of asset gain/(loss).

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2010	$ 1,168,219	$ 934,576	$ 233,643	$ 0
6/30/2011	1,882,093	1,129,257	376,418	376,418
6/30/2012	(2,124,811)	(849,924)	(424,962)	(849,925)
6/30/2013	178,673	35,735	35,735	107,203
6/30/2014	1,951,966	0	390,393	1,561,573
Total	**$ 3,056,140**	**$ 1,249,644**	**$ 611,227**	**$ 1,195,269**

Section 2.4: Historical Asset Rate of Return

Year Ending	Actuarial Value		Fair Value	
	Annual	Cumulative	Annual*	Cumulative
June 30, 2005	N/A	N/A	6.4%	6.4%
June 30, 2006	N/A	N/A	5.2%	5.8%
June 30, 2007	8.4%	8.4%	13.1%	8.2%
June 30, 2008	6.4%	7.4%	(2.3)%	5.5%
June 30, 2009	2.8%	5.8%	(9.8)%	2.2%
June 30, 2010	3.0%	5.1%	11.8%	3.8%
June 30, 2011	4.6%	5.0%	13.4%	5.1%
June 30, 2012	3.4%	4.7%	0.5%	4.5%
June 30, 2013	4.6%	4.7%	7.6%	4.8%
June 30, 2014	8.8 %	5.2%	13.4 %	5.7%

*Rates of return after June 30, 2013 are based on money-weighted rate of return used in GASB 67.

Section 3 Accounting Information

Section 3.1: Historical Exhibits

The exhibit below shows the pension disclosure under GASB No. 25 for fiscal years ending in 1998 through 2012.

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liabilities (AAL)[1] (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a ÷ b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) ÷ c)
June 30, 1998	$ 12,671,276	$ 14,252,184	$ 1,580,908	88.9%	N/A	N/A
June 30, 2000	13,734,397	17,967,471	4,233,074	76.4%	N/A	N/A
June 30, 2002	12,114,025	20,545,214	8,431,189	59.0%	N/A	N/A
June 30, 2004	13,391,055	19,749,305	6,358,250	67.8%	N/A	N/A
June 30, 2006	15,587,569	25,457,589	9,870,020	61.2%	N/A	N/A
June 30, 2008	28,370,756	28,904,645	533,889	98.2%	N/A	N/A
June 30, 2010	32,000,585	30,034,407	(1,966,178)	106.5%	N/A	N/A
June 30, 2012	33,682,091	32,771,017	(911,074)	102.8%	N/A	N/A

[1] Prior to the June 30, 2006 valuation, Projected Unit Credit was the actuarial cost method used to determine actuarial accrued liability. Effective for the June 30, 2006 valuation, the Entry Age Normal Level Dollar Cost Method is used.

Fiscal Year Ended June 30	Annual Required Contribution	Actual Annual Contribution	Supplemental Contributions	Total Contributions	Percentage Contributed
1996	$ 1,359,862	$ 1,104,400	$ 8,000,000[1]	$ 9,104,400	669.5%
1997	1,626,000	1,434,900	0	1,434,900	88.2%
1998	1,626,000	1,434,900	0	1,434,900	88.2%
1999	1,104,519	1,104,519	0	1,104,519	100.0%
2000	1,104,519	1,104,500	0	1,104,500	100.0%
2001	879,784	879,800	0	879,800	100.0%
2002	879,784	879,800	0	879,800	100.0%
2003	1,322,502	1,322,500	0	1,322,500	100.0%
2004	1,322,502	1,322,500	0	1,322,500	100.0%
2005	2,025,257	1,996,800	0	1,996,800	98.6%
2006	2,025,257	2,053,800	0	2,053,800	101.4%
2007	1,737,406	1,737,406	0	1,737,406	100.0%
2008	1,737,406	1,737,406	10,000,000[2]	11,737,406	675.6%
2009	2,473,282	2,473,300	0	2,473,300	100.0%
2010	2,415,077	2,603,300	0	2,603,300	107.8%
2011	965,329	965,375	0	965,375	100.0%
2012	895,565	895,611	0	965,611	100.0%
2013	431,367	739,100	0	739,100	171.3%

[1] During the year ended June 30, 1996, the System received an $8,000,000 supplemental appropriation from the State of Alaska General Fund to increase System funding. This appropriation was in addition to the amount designated for the 1996 actuarial required contribution. The original contribution requirements for the years ended June 30, 1998 and 1997 were calculated to be $2,584,919. These contribution requirements were revised to $1,626,000 as a result of the supplemental contribution in fiscal year 1996

[2] During the year ended June 30, 2008, the System received a $10,000,000 supplemental appropriation from the State of Alaska General Fund to increase System funding.

Section 3.2: Pension – GASB 67

Notes to the Financial Statements for the Year Ended June 30, 2014

Summary of Significant Accounting Policies

Method used to value investments. Investments are reported at fair value.

Plan Description

Plan administration. The Commissioner of Administration is responsible for administering NGNMRS. The Alaska Retirement Management Board is responsible for managing and investing the fund

Plan membership. At June 30, 2012, pension plan membership consisted of the following:

Inactive plan members or beneficiaries currently receiving benefits	608
Inactive plan members entitled to but not yet receiving benefits	1,308
Active plan members	4,397
Total	6,313

Benefits provided. Please see Section 5.1 of the 2012 actuarial valuation report for a summary of plan provisions.

Contributions. The Board establishes contributions based on an actuarially determined contribution rate recommended by an independent actuary pursuant to State statutes. The actuarially determined contribution rate is the estimated amount as a percentage of payroll necessary to finance the costs of benefits earned by plan members during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2014, the State of Alaska contributed $740,100 to the plan.

Investments

Rate of return. For the year ended June 30, 2014, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 13.37%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Receivables

N/A.

Net Pension Liability (Asset)

The components of the net pension liability (asset) at June 30, 2014, were as follows:

Total pension liability	$	35,311,535
Plan fiduciary net position		(37,467,105)
Employers net pension liability (asset)	$	(2,155,570)
Plan fiduciary net position as a percentage of the total pension liability (asset)		106.10%

Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of June 30, 2012, using the following actuarial assumptions, applied to all periods included in the measurement, and rolled forward to the measurement date of June 30, 2014:

Inflation	3.12%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%.

Mortality rates were based on the 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin, projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.

The actuarial assumptions used in the June 30, 2012 actuarial valuation were based on the results of an actuarial experience study for the period from July 1, 2005 to June 30, 2009, resulting in changes in actuarial assumptions adopted by the Alaska Retirement Management Board 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 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, 2010 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	6.77%
International Equity	7.50%
Fixed Income	2.05%

Discount rate. The discount rate used to measure the total pension liability was 7.00%. 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.

Sensitivity of the net pension liability to changes in the discount rate. The following presents the net pension liability, calculated using the discount rate of 7.00%, as well as what the System's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.0%)	Current Discount Rate (7.0%)	1% Increase (8.0%)
Net Pension Liability (Asset)	$ (450,532)	$ (2,155,570)	$ (3,686,221)

Schedules of Required Supplementary Information

Schedule of Changes in the Net Pension Liability (Asset) and Related Ratios

	FYE June 30, 2013	FYE June 30, 2014
Total pension liability		
Service cost	$ 631,921	$ 654,797
Interest	2,277,228	2,359,276
Changes of benefit terms	0	0
Differences between expected and actual experience	0	0
Changes of assumptions	0	0
Benefit payments	(1,772,198)	(1,610,506)
Net change in total pension liability	$ 1,136,951	$ 1,403,567
Total pension liability-beginning	32,771,017	33,907,968
Total pension liability-ending (a)	$ 33,907,968	$ 35,311,535
Plan fiduciary net position		
Contributions – employer	$ 739,100	$ 740,100
Contributions – members	0	0
Net investment income	2,593,463	4,527,672
Benefit payments, including refunds of member contributions	(1,772,198)	(1,610,506)
Administrative expenses	(165,651)	(223,334)
Other	4	21
Net change in Plan fiduciary net position	$ 1,394,718	$ 3,433,953
Plan fiduciary net position-beginning	32,638,434	34,033,152
Plan fiduciary net position-ending (b)	$ 34,033,152	$ 37,467,105
Plan's net pension liability (asset)-ending (a)-(b)	$ (125,184)	$ (2,155,570)
Plan fiduciary net position as a percentage of the total pension liability	100.37%	106.10%
Covered-employee payroll	N/A	N/A
Net pension liability (asset) as a percentage of covered-employee payroll	N/A	N/A

Notes to Schedule

Benefit changes. None.

Changes of assumptions. None.

Schedule of Employer Contributions

	FYE June 30, 2013	FYE June 30, 2014
Actuarially determined contribution	$ 431,367	$ 474,791
Contributions related to the actuarially determined contribution	739,100	740,100
Contribution deficiency (excess)	$ (307,733)	$ (265,309)
Covered employee payroll	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A

Notes to Schedule

Valuation date: June 30, 2012

Actuarially determined contribution rates are calculated as of June 30th, two years prior to the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method:	Entry Age Normal.
Amortization method	Level dollar, open.
Amortization period	20 years less average military service of active members.
Equivalent single amortization period	8 years.
Asset valuation method	Actuarial value that smooth's investment gains and losses over 5 years, constrained to a range of 80% - 120% of fair value.
Inflation	3.12% per annum.
Investment rate of return	7.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%.
Retirement age	An age-related assumption is used for participants not yet receiving payments.

Mortality	1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin, projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females for pre-termination mortality and the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females for post-termination mortality.
Other information	Please see Section 5 of the 2012 actuarial report.

Section 3.3: Notes to Trend Data

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level dollar, open
Amortization Period	20 years less average military service of active members
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions	
Investment rate of return*	7.00% per annum
Projected salary increases	None
Cost-of-living adjustment	None

Section 4 Member Data

Section 4.1: Summary of Members Included

Census Information as of June 30	2012	2014
Active Air Guard Members		
Number	2,446	2,164
Number Vested	651	591
Average Age	36.00	36.52
Average Alaska Guard Service	8.10	8.95
Average Total Military Service	13.87	14.44
Active Army Guard Members		
Number	1,899	1,911
Number Vested	264	242
Average Age	31.81	31.72
Average Alaska Guard Service	5.10	5.37
Average Total Military Service	9.74	9.83
Active Naval Militia Members		
Number	52	64
Number Vested	5	7
Average Age	33.93	33.75
Average Alaska Militia Service	4.63	4.67
Average Total Military Service	9.58	10.48
Total Active Members		
Number	4,397	4,139
Number Vested	920	840
Average Age	34.16	34.26
Average Alaska Guard Service	6.76	7.23
Average Total Military Service	12.04	12.25
Vested Terminated Members		
Number	1,308	1,756
Average Age	56.49	56.58
Average Alaska Guard Service	17.52	15.58
Average Total Military Service	25.34	25.27
Retirees (including QDROs)		
Number	608	639
Average Age	57.95	58.29
Average Years Remaining	11.90	11.71

Section 4.2(a) Age and Service Distributions of Active Members – All Actives

	Total Alaska Guard Service									
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	167	0	0	0	0	0	0	0	0	167
20-24	596	107	0	0	0	0	0	0	0	703
25-29	402	290	38	0	0	0	0	0	0	730
30-34	291	343	147	11	0	0	0	0	0	792
35-39	167	214	112	65	11	0	0	0	0	569
40-44	82	147	129	67	49	3	0	0	0	477
45-49	37	90	100	67	61	22	1	0	0	378
50-54	17	32	35	49	47	29	7	0	0	216
55-59	6	15	5	9	22	21	7	3	0	88
60-64	1	2	2	3	2	3	1	2	0	16
65-69	0	0	1	1	1	0	0	0	0	3
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	**1,766**	**1,240**	**569**	**272**	**193**	**78**	**16**	**5**	**0**	**4,139**

Section 4.2(b) Age and Service Distributions of Active Members – Air Actives

	Total Alaska Guard Service									
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	34	0	0	0	0	0	0	0	0	34
20-24	177	52	0	0	0	0	0	0	0	229
25-29	147	153	26	0	0	0	0	0	0	326
30-34	139	235	99	6	0	0	0	0	0	479
35-39	75	134	73	46	11	0	0	0	0	339
40-44	30	87	95	49	35	1	0	0	0	297
45-49	12	55	62	52	49	15	1	0	0	246
50-54	5	16	23	29	39	21	5	0	0	138
55-59	4	8	2	5	18	15	5	3	0	60
60-64	0	2	2	3	2	1	1	2	0	13
65-69	0	0	1	1	1	0	0	0	0	3
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	**623**	**742**	**383**	**191**	**155**	**53**	**12**	**5**	**0**	**2,164**

Section 4.2(c) Age and Service Distributions of Active Members – Army Actives

	Total Alaska Guard Service									
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	132	0	0	0	0	0	0	0	0	132
20-24	407	55	0	0	0	0	0	0	0	462
25-29	242	132	12	0	0	0	0	0	0	386
30-34	147	107	48	5	0	0	0	0	0	307
35-39	85	78	38	19	0	0	0	0	0	220
40-44	49	59	33	18	14	2	0	0	0	175
45-49	24	34	37	14	11	7	0	0	0	127
50-54	11	15	12	17	8	8	2	0	0	73
55-59	2	7	3	4	3	6	2	0	0	27
60-64	1	0	0	0	0	1	0	0	0	2
65-69	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	**1,100**	**487**	**183**	**77**	**36**	**24**	**4**	**0**	**0**	**1,911**

Section 4.2(d) Age and Service Distributions of Active Members – Navy Actives

	Total Alaska Guard Service									
Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	1	0	0	0	0	0	0	0	0	1
0-24	12	0	0	0	0	0	0	0	0	12
25-29	13	5	0	0	0	0	0	0	0	18
30-34	5	1	0	0	0	0	0	0	0	6
35-39	7	2	1	0	0	0	0	0	0	10
40-44	3	1	1	0	0	0	0	0	0	5
45-49	1	1	1	1	1	0	0	0	0	5
50-54	1	1	0	3	0	0	0	0	0	5
55-59	0	0	0	0	1	0	0	0	0	1
60-64	0	0	0	0	0	1	0	0	0	1
65-69	0	0	0	0	0	0	0	0	0	0
70-74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
Total	**43**	**11**	**3**	**4**	**2**	**1**	**0**	**0**	**0**	**64**

Section 4.3: Member Data Reconciliation

	Active Members	Vested Members	Benefit Recipients	Total
Total at June 30, 2012	4,397	1,308	608	6,313
New Entrants	728	0	0	728
Rehires	37	(2)	0	35
Nonvested Terminations	(710)	0	0	(710)
Vested Terminations	(248)	248	0	0
Retirements	(75)	(12)	87	0
New Survivors	0	0	0	0
New QDROs	0	0	0	0
Deaths	(1)	(8)	(7)	(16)
Data Change/Expiration of Benefits	11	222*	(49)	184
Total at June 30, 2014	4,139	1,756	639	6,534

*Includes 132 participants that were previously nonvested terminations and 92 vested members not previously reported, and less one member receiving a cashout and another member determined to be non-vested.

Section 5 Basis of the Actuarial Valuation

Section 5.1: Summary of Plan Provisions and Changes in Plan Provisions

1. **Effective Date**

   January 1, 1973

Members Included

Members of the Alaska National Guard who were active on or after January 1, 1973, and members of the Alaska Naval Militia who were active on or after July 1, 1980.

Eligibility Service

Eligibility service is defined as the combined Alaska guard service, guard service in any other state, active military service and the reserves of them. A member must have 20 years of eligibility service to be vested in the National Guard and Naval Militia Retirement System.

Benefit Service

Benefit service is defined as satisfactory service in any branch of the Alaska guard. A member must have 5 years of benefit service to be vested in the National Guard and Naval Militia Retirement System. Benefit service is also used to determine the length of the member's pension retirement benefit.

Retirement

a. Eligibility:

   Members are eligible for voluntary retirement after completing 20 years of satisfactory service in the Alaska National Guard, Alaska Naval Militia or U.S. Armed Forces, and the reserve of them or any combination of that service if they have at least five years of Alaska National Guard or Naval Militia service. Credit is also allowed for Territorial Guard service rendered to the former territory of Alaska.

   Members are eligible for involuntary retirement at any time assuming there has been no misconduct.

b. Benefit:

Eligible members may elect to receive:

(i) monthly benefits of $100 which are payable for a period equal to the number of months that they were active members;

(ii) a lump sum benefit equal to the actuarial equivalent of (i); or

(iii) monthly payments until age 72 equal to the actuarial equivalent of (i).

Vesting

Members are 100% vested after 20 years of total service in the Alaska National Guard, Alaska Naval Militia, U.S. Armed Forces or Reserves, or any combination of that service if members have at least five years of Alaska National Guard or Naval Militia service.

Death Benefits

a. Active Members: If the member has at least five years of active service in the Alaska National Guard or Naval Militia, the designated beneficiary will receive a lump sum benefit equal to the benefit in 5(b) above.

b. Retired or Terminated Vested Members:

The designated beneficiary will receive a lump benefit equal to the remaining benefits payable in 5(b) above.

Disability Benefits

Members are eligible to receive monthly disability benefits of $100 (which are payable for a period equal to the number of months that they were active members) at any age if they become incapacitated and are vested in the plan.

Section 5.2: Summary of Actuarial Methods and Assumptions

1. **Actuarial Method** – Entry Age Normal Actuarial Cost. Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 20 years less the average total military service of active members.

   The 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 Liability is the excess of the actuarial accrued liability over the actuarial value of system assets measured on the valuation date.

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

2. **Actuarial Assumptions**

   a. Interest — 7.00% per year, compounded annually, net of investment expenses.

   b. Administrative Expenses — The expense load is equal to the average of the prior 2 years actual administrative expenses rounded to the nearest $1,000 as follows:

Fiscal Year Ending June 30	Amount
2013	$ 165,651
2014	223,334
Total	$ 388,985
	÷ 2
Expense Load (Rounded)	$ 194,000

   c. Mortality* — Pre-termination: 60% of the male and 65% of the female rates of the post-termination healthy mortality.

   Post-termination: 96% of all rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB.

   Disability: RP-2000 Disabled Retiree Mortality Table projected to 2018 with Projection Scale BB.

   *The mortality assumption includes an allowance for future mortality improvement.

d. Turnover

Sample rates are:

Select Rates of Turnover During the First 5 Years of Employment		Ultimate Rates of Turnover After the First 5 Years of Employment	
Year of Employment	Unisex Rate	Age	Unisex Rate
1	20.00%	30	7.40%
2	10.00%	40	6.06%
3	10.00%	50	3.26%
4	10.00%		
5	10.00%		

e. Disability

Incidence rates based upon the 2009-2013 actual experience of the State of Alaska Public Employees' Retirement System Peace Officer/Firefighter Plan.

Sample rates are shown below.

Age	Unisex Rate
20	0.0224%
25	0.0468%
30	0.0712%
35	0.0849%
40	0.1027%
45	0.1446%
50	0.2142%
55	0.3692%
60	0.6388%

f. Retirement Age

Active members are assumed to retire beginning at the earliest eligible retirement age according to the following rates:

Age	Rate	Age	Rate
<51	10%	58	35%
51	10	59	40
52	10	60	45
53	12	61	50
54	15	62	50
55	20	63	50
56	25	64	50
57	30	65+	100

Vested Terminated members are assumed to retire at current age or age 50, whichever is later.

g. Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is initialized as of June 30, 2006 at market value and will be phased in over the next five years. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

3. Changes in Methods Since the Prior Valuation

There were no changes in methods from the prior valuation.

4. Changes in Assumptions Since the Prior Valuation

	June 30, 2013	June 30, 2014
Pre-termination Mortality	80% of the male rates and 60% of the female rates of the 1994 GAM Table,sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA.	60% of the male rates and 65% of the female rates of the post-termination mortality rates.
Post-termination Mortality	1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a 1-year set-forward for females.	96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB.
Retirement	5% if vested and age is less than 51 and increasing linearly until 100% at age 65.	Retirement rates based on 2010-2013 experience. Terminated vested members are expected to commence benefits at age 50.
Disability Mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

Glossary of Terms

Actuarial Accrued Liability	Total accumulated cost to fund pension benefits arising from service in all prior years.
Actuarial Cost Method	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of plan members to the years of service that give rise to that cost.
Actuarial Present Value of Projected Benefits	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
Actuarial Valuation	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
Actuary	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
Annual Required Contribution	Disclosure measure of annual pension cost.
GASB 25 and 27	Governmental Accounting Standards Board Statement Number 25 which specifies how the Annual Required Contribution (ARC) is to be calculated, and Number 27 which specifies Employer reporting of Pension Cost.
GASB 67 and 68	Governmental Accounting Standards Board Statement Number 67 amends Number 25 effective for the fiscal year beginning after June 15, 2013, and defines new financial reporting requirements for public pension plans. Governmental Accounting Standards Board Statement Number 68 amends Number 27 effective for fiscal years beginning after June 15, 2014 and defines new accounting and financial reporting requirements for employers sponsoring public pension plans.
Normal Cost	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual member or the plan as a whole.
Unfunded Actuarial Accrued Liability (UAAL)	The portion of the actuarial accrued liability not offset by plan assets.
Vested Benefits	Benefits which are unconditionally guaranteed regardless of employment status.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2017 Actuarially Determined Contribution Amount
For the Alaska National Guard and Naval Militia Retirement System

Resolution 2015-14

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2017 actuarially determined contribution amount for the State of Alaska, Department of Military and Veterans' Affairs to the Alaska National Guard and Naval Militia Retirement System is set at $866,900, composed of the contribution amount for the normal cost of $603,495, past service cost of $69,405, and expense load cost of $194,000.

DATED at Fairbanks, Alaska this 24th day of September, 2015.

Chair

ATTEST:

Gayle Harbo
Secretary

KPMG

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Financial Statements and Supplemental Schedules

June 30, 2015 and 2014

(With Independent Auditors' Report Thereon)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Table of Contents

KPMG

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 National Guard and Naval Militia Retirement System:

We have audited the accompanying statements of fiduciary net position of the State of Alaska National Guard and Naval Militia Retirement System (the Plan), a component unit of the State of Alaska, as of June 30, 2015 and 2014, and the statements of changes in fiduciary net position for the years then ended, and the related notes to the 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 opinions on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the 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 opinions.

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 National Guard and Naval Militia Retirement System as of June 30, 2015 and 2014, and the changes in fiduciary net position for the years then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the management's discussion and analysis on pages 3–9, and the schedule of changes in employer net pension liability and related ratios, schedule of employer contributions, schedule of investment returns on pages 19-24 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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 25-26 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 8, 2015

This section presents management's discussion and analysis (MD&A) of the State of Alaska National Guard and Naval Militia Retirement System's (the Plan) financial position and performance for the years ended June 30, 2015 and 2014. 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, 2015 and 2014. Information for fiscal year 2014 and 2013 is presented for comparative purposes.

Financial Highlights

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

- The Plan's fiduciary net position restricted for pension benefits as of June 30, 2015 decreased by $587,265 during fiscal year 2015.
- The State of Alaska, Department of Military and Veterans' Affairs directly appropriated $627,300 during fiscal year 2015.
- The Plan earned net investment income of $589,856 during fiscal year 2015.
- Plan pension benefit expenditures totaled $1,563,816 during fiscal year 2015.

Overview of the Financial Statements

The 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) statement of fiduciary net position, (2) statement of changes in fiduciary net position, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Statement of Fiduciary Net Position – This statement presents information regarding the Plan's assets, liabilities, and resulting net position restricted for pension benefits. This statement reflects the Plan's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2015 and 2014.

Statement of Changes in Fiduciary Net Position – This statement presents how the Plan's net position restricted for pension benefits changed during the fiscal years ended June 30, 2015 and 2014. This statement presents contributions and investment income during the period. Deductions for pension benefits and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2015 and 2014, and the sources and uses of those funds during fiscal years 2015 and 2014.

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

Required Supplementary Information and Related Notes – The required supplementary information consists of three schedules and related notes concerning the funded status of the Plan, as well as 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 Fiduciary Net Position

Description	2015	2014	Increase (decrease) Amount	Increase (decrease) Percentage	2013
Assets:					
Cash and cash equivalents	$ 1,173,043	1,123,655	49,388	4.4%	$ 2,008,913
Due from State of Alaska General Fund	23,518	—	23,518	100.0	—
Other receivables	431	15	416	2,773.3	—
Investments, at fair value	35,771,737	36,432,293	(660,556)	(1.8)	32,132,174
Total assets	36,968,729	37,555,963	(587,234)	(1.6)	34,141,087
Liabilities:					
Accrued expenses	52,738	68,635	(15,897)	(23.2)	88,225
Due to State of Alaska General Fund	36,151	20,223	15,928	78.8	19,710
Total liabilities	88,889	88,858	31	—	107,935
Net position	$ 36,879,840	37,467,105	(587,265)	(1.6)%	$ 34,033,152

Changes in Plan Fiduciary Net Position

Description	2015	2014	Increase (decrease) Amount	Increase (decrease) Percentage	2013
Net position, beginning of year	$ 37,467,105	34,033,152	3,433,953	10.1%	$ 32,638,434
Additions:					
Contributions – DMVA	627,300	740,100	(112,800)	(15.2)	739,100
Net investment income	589,856	4,527,672	(3,937,816)	(87.0)	2,593,463
Other Addition	145	21	124	590.5	4
Total additions	1,217,301	5,267,793	(4,050,492)	(76.9)	3,332,567
Deductions:					
Pension benefits	1,563,816	1,610,506	(46,690)	(2.9)	1,772,198
Administrative	240,750	223,334	17,416	7.8	165,651
Total deductions	1,804,566	1,833,840	(29,274)	(1.6)	1,937,849
Increase (decrease) in net position	(587,265)	3,433,953	(4,021,218)	(117.1)	1,394,718
Net position, end of year	$ 36,879,840	37,467,105	(587,265)	(1.6)%	$ 34,033,152

(Continued)

Financial Analysis of the Plan

The statements of plan fiduciary net position as of June 30, 2015 and 2014 show net position restricted for pension benefits of $36,879,840 and $37,467,105, respectively. The entire amount is available to cover the Plan's obligations to pay benefits to its members and their beneficiaries, as well as administrative costs. These amounts represent a decrease of $587,265 or 1.6% in plan net position restricted for pension benefits from fiscal year 2014 and an increase of $3,433,953 or 10.1% in plan net position restricted for pension benefits from fiscal year 2013. Over the long term, employer contributions and investment income are expected to sufficiently fund the pension costs of the Plan.

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

During fiscal years 2015 and 2014, the Board adopted the following asset allocations:

	2015	
	Allocation	**Range**
Broad domestic equity	29.0%	± 6%
Global equity ex-U.S.	20.0	± 4
Fixed composite	48.0	± 10
Short-term fixed income	3.0	-3/+1
Total	100.0%	
Expected five-year median return	5.87%	
Standard deviation	9.72	

	2014	
	Allocation	**Range**
Broad domestic equity	29.0%	± 6%
Global equity ex-U.S.	20.0	± 4
Fixed composite	48.0	± 10
Short-term fixed income	3.0	-3/+1
Total	100.0%	
Expected five-year median return	5.68%	
Standard deviation	9.70	

For fiscal years 2015 and 2014, the Plan's investments generated a 1.87% and a 13.56% rate of return, respectively.

(Continued)

Contributions and Investment Income

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

	Additions				
			Increase (decrease)		
	2015	2014	Amount	Percentage	2013
Contributions – DMVA	$ 627,300	740,100	(112,800)	(15.2)%	$ 739,100
Net investment income	589,856	4,527,672	(3,937,816)	(87.0)	2,593,463
Other addition	145	21	124	590.5	4
Total	$ 1,217,301	5,267,793	(4,050,492)	(76.9)%	$ 3,332,567

The Plan's employer contributions decreased from $740,100 during fiscal year 2014 to $627,300 during fiscal year 2015, a decrease of $112,800, or 15.2%. In fiscal year 2014, DMVA paid the normal cost plus the expense load totaling $740,097, and did not reduce the amount by the past service cost reduction of $265,306. There was an increase between the actuarially determined contribution amounts from fiscal year 2015 of $627,327 and the actuarial roll-forward determined contribution amount for fiscal year 2014 of $474,791. The increase is attributed to the decrease in the past service amortization from ($265,306) to ($142,594) that is added to slight increases in both the normal cost and expense load in determining the contribution amounts. A full actuarial valuation is completed for the Plan biennially with the actuarial roll-forward being completed in the interim years.

The Plan's net investment income in fiscal year 2015 decreased by $3,937,816 or 87.0% from amounts recorded in fiscal year 2014 and net investment income in fiscal year 2014 increased by $1,934,209 or 74.6% from amounts recorded in fiscal year 2013. Over the long term, investment income is a major component of additions to Plan assets. During fiscal year 2015, the Plan experienced investment returns of 1.87%, a little more than one-fourth of the actuarially assumed rate of return of 7.00%.

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

	Year ended		
	2015	2014	2013
System returns	1.87%	13.56%	8.17%
Domestic equities	7.93	25.80	21.15
International equities	(3.30)	23.48	15.03
Fixed income	0.32	3.43	0.62
Actuarially determined rate of return	7.00	7.00	7.00

(Continued)

Benefits and Other Deductions

The primary deduction of the Plan is the payment of pension benefits. These benefit payments and the costs of administering the Plan comprise the costs of operations as follows:

	Deductions				
			Increase (decrease)		
	2015	2014	Amount	Percentage	2013
Pension benefits	$ 1,563,816	1,610,506	(46,690)	(2.9)%	$ 1,772,198
Administrative	240,750	223,334	17,416	7.8	165,651
Total	$ 1,804,566	1,833,840	(29,274)	(1.6)%	$ 1,937,849

The increase in administrative deductions is related to the increase in both actuarial and auditing fees charged to the Plan from fiscal year 2013. The Plan's consulting actuary prepared the June 30, 2014 actuarial valuation report, which is only done bi-annually, and our Plan's auditors performed additional work on the new GASB 67 disclosures for the June 30, 2014 audit that was performed in fiscal year 2015.

Net Pension Liability

GASB Statement No. 67, implemented in 2014, requires the DB Plan to report the Total Pension Liability (TPL), Fiduciary Net Position (FNP), and 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 Plan's FNP determines 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 TPL and FNP is the NPL, or the unfunded portion of the TPL.

The components of the net pension liability (asset) at June 30, were as follows:

	2015	2014
Total pension liability	$ 38,308,908	35,311,535
Plan fiduciary net position	(36,879,840)	(37,467,105)
Employers' net pension liability (asset)	$ 1,429,068	(2,155,570)
Plan fiduciary net position as a percentage of the total pension liability (asset)	96.27%	106.10%

Funding

Retirement benefits are financed by accumulations from DMVA annual contributions, periodic State of Alaska appropriations, and investment income earned on plan investments.

- The actuarially determined employer contribution amounts are determined by the Plan's consulting actuary and approved by the Board. Contributions are determined on an annual basis.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2015, the Twenty-Ninth Alaska State Legislature enacted two laws that affect the Plan:

- House Bill 72 appropriates $201,800 from the general fund to the DMVA for deposit in the Plan's defined benefit pension fund for the purpose of retirement funding for fiscal year ending June 30, 2016.
- House Bill 2001 appropriates $532,700 from the general fund to the DMVA for deposit in the Plan's defined benefit pension fund for the purpose of retirement funding for fiscal year ending June 30, 2016.

Economic Conditions, Future Contribution Amounts, and Funding Status

While fiscal year 2015 was a positive investment return year, it was far less than the strong recovery fiscal year 2014 in terms of investment returns. Net investment income decreased from $4,527,672 in fiscal year 2014 to $589,856 in fiscal year 2015, a decrease of $3,937,816 or 87.0%. The Plan earned 1.87% returns in fiscal year 2015, lower than the projected actuarial rate of return adopted by the Board of 7.0%, and far less than the 13.56% earned in fiscal year 2014. Challenges in investments appear on the horizon with commodity prices lower across the most classes, and impacts felt from global markets. The Board continues to diversify the portfolio of the Plan to maintain an optimal risk/return ratio. Although net investment income for fiscal year 2015 was positive, actual investment returns greater than the assumed investment return remain the objective. Maintaining this objective would have a positive impact on both the annual actuarially-determined contribution amount and the Plan's funded level.

The consulting actuary recommended an increase from the Plan's actuarially determined contribution amount of $474,791 in fiscal year 2014 to $627,327 in fiscal year 2015. The fiscal year 2016 contribution amount has been actuarially determined to be $734,560 and was subsequently appropriated by the State.

The actuarial valuation for June 30, 2014 reports a funding ratio that decreased from 102.8% to 98.8% based on two changes: (1) changes in actuarial assumptions as a result of the 2014 experience analysis, and (2) due to census data from the guard reflecting 224 vested members not previously reported. The actuarial valuation reports for the Plan are conducted biennially, and the June 30, 2014 report was completed and presented to the Board in the spring of 2015. The actuarial valuation report as of June 30, 2014 is available and posted to the Plan's Web page.

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 National Guard and Naval Militia 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
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Plan Fiduciary Net Position

June 30, 2015 and 2014

		2015	2014
Assets:			
Cash and cash equivalents (notes 2, 3, and 4):			
Short-term fixed income pool	$	1,173,043	1,123,670
Receivables:			
Due from State of Alaska general fund		23,518	—
Accounts receivable		431	15
		23,949	15
Investments (notes 3, 4, and 5) at fair value:			
Fixed income securities:			
U.S. intermediate treasury fixed income pool		13,721,455	13,861,580
Taxable municipal bond pool		350,286	394,806
Tactical fixed income pool		188,169	—
High yield pool		1,709,358	1,732,247
International fixed income pool		1,700,799	1,739,439
Emerging market debt pool		251,084	272,439
Total fixed income securities		17,921,151	18,000,511
Broad domestic equity:			
Large cap pool		8,632,602	8,929,163
Small cap pool		1,867,722	1,975,995
Total broad domestic equity		10,500,324	10,905,158
Global equity Ex-U.S.:			
International equity pool		6,158,955	6,003,830
International equity pool small cap pool		402,740	475,067
Frontier market pool		6,747	143,678
Emerging market equity pool		781,820	904,049
Total global equity Ex-U.S.		7,350,262	7,526,624
Total investments		35,771,737	36,432,293
Total assets		36,968,729	37,555,978
Liabilities:			
Accrued expenses		52,738	68,635
Due to State of Alaska General Fund		36,151	20,223
Total liabilities		88,889	88,858
Fiduciary net position restricted for pension benefits	$	36,879,840	37,467,120

See accompanying notes to financial statements.

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Statements of Changes in Fiduciary Net Position

Years ended June 30, 2015 and 2014

		2015	2014
Additions:			
Contributions – State of Alaska, DMVA	$	627,300	740,100
Investment income:			
Net appreciation (depreciation) in fair value		(121,724)	3,807,171
Interest		398,837	402,102
Dividends		405,680	399,220
Total investment income		682,793	4,608,493
Less investment expense		92,937	80,821
Net investment income		589,856	4,527,672
Other additions		145	21
Total additions		1,217,301	5,267,793
Deductions:			
Pension benefits		1,563,816	1,610,506
Administrative		240,750	223,334
Total deductions		1,804,566	1,833,840
Net increase (decrease)		(587,265)	3,433,953
Fiduciary net position restricted for pension benefits:			
Balance, beginning of year		37,467,105	34,033,152
Balance, end of year	$	36,879,840	37,467,105

See accompanying notes to financial statements.

(1) Description

The State of Alaska National Guard and Naval Militia Retirement System (the Plan) is a component unit of the State of Alaska (the State). The Plan is a defined benefit, single-employer retirement system established and administered by the State to provide pension benefits for eligible members of the Alaska National Guard and Alaska Naval Militia (Alaska Guard). The Plan is governed by the Alaska Retirement Management 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. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature.

Plan membership as of valuation year ended June 30:

	Valuation as of	
	2014	2012
Retirees and beneficiaries currently receiving benefits	639	608
Terminated plan members entitled to future benefits	1,756	1,308
Total current and future benefits	2,395	1,916
Active plan members:		
Alaska Air National Guard	2,164	2,446
Alaska Army National Guard	1,911	1,899
Alaska Naval Militia	64	52
Total active plan members	4,139	4,397
Total members	6,534	6,313

Pension Benefits

Members who voluntarily retire from the Alaska National Guard or Alaska Naval Militia after at least five years of Alaska Guard service and a total of at least 20 years of U.S. military service or members who involuntarily leave the Alaska Guard service due to federal standards imposed on the Alaska Guard, regardless of length of service, are eligible for a retirement pension. The retirement pension is $100 per month for each month of Alaska Guard service and may be paid to the member monthly or in a one-time lump sum.

Death Benefits

Upon the death of an eligible member, as previously described, the member's designated beneficiary is entitled to a lump-sum benefit equal to the original pension amount less any payments already paid to the member.

Contributions

The Plan's funding policy provides for annual employer contributions by the State of Alaska, Department of Military and Veterans' Affairs (Department) at actuarially determined contribution amounts that are sufficient to accumulate assets to pay benefits when due. For fiscal years 2015 and 2014, the actuarially determined contribution amounts were $627,327 and $474,791, respectively. Some officials of the Department may be members of the Plan. Plan members make no contributions to the Plan.

(2) Summary of Significant Accounting Policies

Basis of Accounting

The Plan's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period 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 (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.

Administrative Costs

Administrative costs are paid from investment earnings.

Due to State of Alaska General Fund

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

Federal Income Tax Status

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

GASB Statement No. 67

The Plan follows the provisions of GASB Statement No. 67, *Financial Reporting for Pension Plans* (GASB 67). GASB 67 requires the disclosures of the total pension liability, fiduciary net position, and net pension liability for single-employer and cost-sharing multiple-employer defined benefit pension plans. GASB 67 also requires certain additional note disclosures for defined benefit pension plans including the annual money-weighted rate of return on plan investments. GASB Statement No. 67 revised the reporting requirements for required supplementary information to include schedules which provide trend information related to 1) changes in the net pension liability, 2) the actuarially and contractually determined contributions of employer contributing entities, and 3) the annual money-weighted rate of return on plan investments.

(3) Investments

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

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

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

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

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

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return, net of investment expense, for the year ended June 30, 2015 for the defined benefit pension plan is 1.63%.

(4) Deposit and Investment Risk

Interest Rate Risk

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

(Continued)

Short-Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to 3 years to maturity or 3 years expected average life upon purchase. At June 30, 2015, the expected average life of individual fixed rate securities ranged from 10 days to 3.3 years and the expected average life of floating rate securities ranged from 10 days to 14.5 years.

Other Plan Fixed Income Pools

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

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

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

Credit Risk

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

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

Custodial Credit Risk – Deposits

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

(Continued)

Foreign Currency Risk

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

Fixed income	Global equity ex-U.S.
58%	24%

Concentration of Credit Risk

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

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

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

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

(Continued)

(6) Net Pension Liability

The components of the net pension liability at June 30, 2015, were as follows:

Total pension liability	$	38,308,908
Plan fiduciary net position		(36,879,840)
Employers' net pension liability	$	1,429,068
Plan fiduciary net position as a percentage of the total pension liability		96.27%

Actuarial Assumptions

The total pension liability was determined by actuarial valuations as of July 1, 2014, which were rolled forward to June 30, 2015, using the following actuarial assumptions, applied to all periods in the measurement.

Inflation	3.12%
Salary increases	N/A
Investment rate of return	7.00%, net of pension plan investment expenses. This is based on an average inflation rate of 3.12% and a real rate of return of 3.88%

Mortality rates were based on 96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB. Pre-termination mortality is based on 60% of the male and 65% of female rates of the post-termination mortality rates.

The actuarial assumptions used in the June 30, 2014 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 adopted by the Alaska Retirement Management Board to better reflect 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 geometric real rates of

(Continued)

return for each major asset class included in the pension plan's target asset allocation as of June 30, 2015 (see the discussion of the pension plan's investment policy) are summarized in the following table:

Asset class	Expected real rate of return
Domestic Equity	5.35%
Global Equity (non-U.S.)	5.55%
Fixed Income Composite	0.80%

Discount Rate

The discount rate used to measure the total pension liability was 7.00%. The projection of cash flows used to determine the discount rate assumed that contributions from the employer and State nonemployer will continue to follow the current funding policy which meets State statutes. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

The following presents the net pension liability of the Plan calculated using the discount rate of 7%, 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 (6%) or one percentage point higher (8%) than the current rate:

	1% Decrease (6%)	Current discount rate (7%)	1% Increase (8%)
Net pension liability (asset)	$ 3,399,517	1,429,068	(350,728)

(7) Commitments

The Board entered into an agreement through an external investment manager to provide capital funding for limited partnerships in domestic equity portfolios. At June 30, 2015, the Plan's share of the unfunded commitment totaled $0. This commitment can be canceled annually in December with 90 days' notice.

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM

(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Changes in Employer Net Pension Liability and Related Ratios

	2015	2014	2013	2012
Total pension liability:				
Service cost	$ 603,495	654,797	631,921	605,097
Interest	2,553,940	2,359,276	2,277,228	2,235,069
Changes of benefit terms	—	—	—	—
Differences between expected and actual experience	1,258,332	—	—	(13,687)
Changes of assumptions	145,422	—	—	—
Benefit payments	(1,563,816)	(1,610,506)	(1,772,198)	(1,379,919)
Net change in total pension liability	2,997,373	1,403,567	1,136,951	1,446,560
Total pension liability – beginning	35,311,535	33,907,968	32,771,017	31,324,457
Total pension liability – ending (a)	38,308,908	35,311,535	33,907,968	32,771,017
Plan fiduciary net position:				
Contributions – employer	627,300	740,100	739,100	895,611
Total net investment income	589,856	4,527,672	2,593,463	287,726
Other miscellaneous income	145	21	4	25
Benefit payments	(1,563,816)	(1,610,506)	(1,772,198)	(1,334,018)
Administrative expenses	(240,750)	(223,334)	(165,651)	(123,725)
Net change in plan fiduciary net position	(587,265)	3,433,953	1,394,718	(274,381)
Plan fiduciary net position – beginning	37,467,105	34,033,152	32,638,434	32,912,815
Plan fiduciary net position – ending (b)	36,879,840	37,467,105	34,033,152	32,638,434
Plan's net pension liability (a) - (b)	$ 1,429,068	(2,155,570)	(125,184)	132,583
Plan fiduciary net position as a percentage of the total pension liability	96.27%	106.10%	100.37%	99.60%
Covered-employee payroll	$ N/A	N/A	N/A	N/A
Net pension liability as a percentage of covered-employee payroll	N/A	N/A	N/A	N/A

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
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (unaudited)

Schedule of Employer Contributions

Last 10 Fiscal Years

		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Actuarially determined contribution	$	627,327	474,791	431,367	895,565	965,329	2,415,077	2,473,282	1,737,406	1,737,406	2,025,257
Contributions in relation to the actuarially determined contribution		627,300	740,100	739,100	895,611	965,375	2,603,300	2,473,300	11,737,406	1,737,406	2,053,800
Contribution deficiency (excess)	$	27	(265,309)	(307,733)	(46)	(46)	(188,223)	(18)	(10,000,000)	—	(28,543)
Covered-employee payroll	$	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered-employee payroll		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

See accompanying independent auditors' report

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Required Supplementary Information (Unaudited)

Schedule of Investment Returns

	2015	**2014**
Annual money-weighted rate of return, net of investment expense:	1.63%	13.53%

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

(2) Actuarial Assumptions and Methods

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the valuation as of June 30, 2014 are as follows:

a. Actuarial cost method – Entry Age Normal Actuarial Cost, any funding surpluses or UAAL amortized over 20 years less the average total military service of active members.

b. Interest – 7.00% per year, compounded annually, net of investment expenses.

c. Administrative expenses – The expense load is equal to the average of the prior two years actual administrative expenses rounding to the nearest $1,000.

d. Mortality – Pre-termination: 60% of the male and 65% of the female rates of the post termination healthy mortality. Post-termination: 96% of all rates of RP-2000, 2000 Base Year projected to 2018 with Projection Scale BB. Disability: RP-2000 Disabled Retiree Mortality Table projected to 2018 with Projection Scale BB. The mortality assumption includes an allowance for future mortality improvement.

e. Turnover – Assumed at 20.00% in the first year, and at 10.00% in the second through fifth year. The ultimate rate of turnover assumption after the first five years of employment is 7.40% at age 30, 6.06% at age 40, and 3.26% at age 50.

f. Disability rate – Assumed incidence rates based upon 2009–2013 actual experience of the State of Alaska Public Employees' Retirement System Peace Officer/Firefighter Plan.

g. Retirement age – Active members are assumed to retire beginning at the earliest eligible retirement age according to the following rates:

Age	Rate	Age	Rate
<51	10%	58	35%
51	10	59	40
52	10	60	45
53	12	61	50
54	15	62	50
55	20	63	50
56	25	64	50
57	30	65+	100

Vested terminated members are assumed to retire at current age or age 50, whichever is later.

h. Assets – Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method is initialized as of June 30, 2006, at market value and will be phased in over the next five years. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

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 Assumptions from the Last Actuarial Valuation or Roll-Forward – June 30, 2013 to June 30, 2014

	June 30, 2013	June 30, 2014
Pre-termination mortality	80% of the male rates and 60% of the female rates of the 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA.	60% of the male rates and 65% of the female rates of the post-termination mortality rates.
Post-termination mortality	1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 with Projection Scale AA for males and with a one-year set-forward for females.	96% of all rates of RP-2000 Combined Mortality, 2000 Base Year projected to 2018 with Projection Scale BB.
Retirement	5% if vested and age is less than 51 and increasing linearly until 100% at age 65.	Retirement rates based on 2010-2013 experience. Terminated vested members are expected to commence benefits at age 50.
Disability mortality	RP-2000 Disabled Retiree Mortality Table.	RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

SUPPLEMENTAL SCHEDULES

Schedule 1

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions

Year ended June 30, 2015 and 2014

	Administrative	Investment	Total 2015	Total 2014
Personal services:				
Wages	$ 94,891	548	95,439	82,080
Benefits	45,010	237	45,247	50,948
Total personal services	139,901	785	140,686	133,028
Travel:				
Transportation	533	254	787	851
Per diem	104	113	217	239
Total travel	637	367	1,004	1,090
Contractual services:				
Management and consulting	43,263	87,344	130,607	104,190
Accounting and auditing	13,717	2,023	15,740	7,432
Data processing	23,354	1,625	24,979	42,102
Communications	2,734	89	2,823	2,603
Advertising and printing	489	16	505	428
Rental/leases	2,658	137	2,795	6,634
Legal	8,423	225	8,648	393
Transportation	323	4	327	432
Other services	2,438	97	2,535	2,525
Total contractual services	97,399	91,560	188,959	166,739
Other:				
Equipment	945	40	985	736
Supplies	1,868	185	2,053	2,562
Total other	2,813	225	3,038	3,298
Total administrative and investment deductions	$ 240,750	92,937	333,687	304,155

See accompanying independent auditors' report.

Schedule 2

STATE OF ALASKA
NATIONAL GUARD AND
NAVAL MILITIA RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Schedule of Payments to Consultants
Other than Investment Advisors

Year ended June 30, 2015 and 2014

Firm	Services		2015	2014
Buck Consultants, a Xerox Company	Actuarial services	$	36,270	20,040
KPMG LLP	Auditing services		13,597	7,309
State Street Corporation	Custodian banking services		2,209	2,017
Applied Microsystems, Inc.	Data processing consultants		9,695	21,659
Mythics Inc.	Data processing consultants		—	245
Wostmann Group LLC	Data processing consultants		1,817	4,303
		$	63,588	55,573

See accompanying independent auditors' report.

TITLE 26. MILITARY AFFAIRS AND VETERANS.

CHAPTER 05. MILITARY CODES OF ALASKA

Sec. 26.05.222. Creation and Administration of Alaska National Guard and Alaska Naval Militia Retirement System.

(a) There is established an Alaska National Guard and Alaska Naval Militia retirement system. The commissioner of administration shall administer the Alaska National Guard and Alaska Naval Militia retirement system.

(b) The commissioner of administration may adopt regulations to implement the Alaska National Guard and Alaska Naval Militia retirement system. Regulations adopted by the commissioner under this subsection relate to the internal management of state agencies and their adoption is not subject to AS 44.62 (Administrative Procedure Act).

History - Sec. 17 ch 159 SLA 1972; am Sec. 9 ch 146 SLA 1980; am Sec. 33 ch 137 SLA 1982)

Sec. 26.05.223. Commencement of Participation in System.

A member of the Alaska National Guard or Alaska Naval Militia shall be included in this system upon commencement of membership in the Alaska National Guard, or on January 1, 1973, whichever is later, or upon commencement of membership in the Alaska Naval Militia or on July 1, 1980, whichever is later.

History - (Sec. 17 ch 159 SLA 1972; am Sec. 10 ch 146 SLA 1980)

Sec. 26.05.224. Retirement Benefits.

(a) An active member of the Alaska National Guard, or a former member who was an active member on or after January 1, 1969, or a member of the Alaska Naval Militia on or after July 1, 1980, is eligible for a retirement pension

(1) upon voluntary retirement from the Alaska National Guard or Alaska Naval Militia after a total of 20 years or more of satisfactory service in the Alaska National Guard, Alaska Naval Militia, or the armed forces of the United States, and the reserves of them, or any combination of service in these components if at least five years of the service is in the Alaska National Guard or Alaska Naval Militia; or

(2) upon involuntary separation because of federal standards imposed on the Alaska National Guard or Alaska Naval Militia, regardless of length of service, unless the separation occurs as a result of the member's own misconduct, misrepresentation, or unwillingness to satisfy established standards for continued participation.

(b) The retirement pension is $100 a month, payable for the same number of months that the member participated satisfactorily in the Alaska National Guard or Alaska Naval Militia. The member may instead elect to receive the retirement pension

(1) in a lump sum that is actuarially determined to be equal to the value, at the time of retirement, of the entire pension due; or

(2) in a monthly amount that will result in payment by the member's 72nd birthday of an amount that is determined to be the actuarial equivalent of the entire pension due at the time of retirement.

(c) An eligible member or former member may elect to receive the retirement pension beginning on the first day of the month in which the member or former member becomes eligible for retirement, or the member or former member may elect to defer payment to a later date. Payment of a deferred retirement benefit may not begin until application for the benefit is filed with and approved by the Department of Military and Veterans' Affairs. Deferred retirement payments shall be made monthly at the rate of $100, unless the member elects another form of payment under (b) of this section.

(d) Upon the death of an active member who has at least five years service in the Alaska National Guard or Alaska Naval Militia or a combination of these components, the member's designated beneficiary is entitled to a lump sum benefit calculated in accordance with (b) of this section. Upon the death of a former member who has at least 20 years service, the former member's designated beneficiary is entitled to a lump sum benefit calculated in accordance with (b) of this section less any retirement benefits previously paid. Except as provided in (e) of this section, a member may change or revoke the designation of a beneficiary without notice to the beneficiary at any time. If a member designates more than one beneficiary, each shares equally unless the member specifies a different allocation. The member shall make a designation of a beneficiary or a change or revocation of a beneficiary on a form provided by the Department of Military and Veterans' Affairs. It is not effective until filed with the Department of Military and Veterans' Affairs. If a member fails to designate a beneficiary or if no designated beneficiary survives the member, the department, except to the extent provided otherwise in a qualified domestic relations order, shall pay the death benefit under this subsection to the

(1) surviving spouse; or, if there is none surviving,

(2) surviving children in equal parts; or, if there is none surviving,

(3) surviving parents in equal parts; or, if there is none surviving,

(4) member's estate.

(e) Notwithstanding any previous designation of beneficiary, the spouse of a member at the time of the member's death automatically becomes the designated beneficiary if the spouse was married to the member during part of the member's service under this chapter

(1) except to the extent a qualified domestic relations order provides for payment to a former spouse or other dependent of the member; or

(2) unless the member files with the Department of Military and Veterans' Affairs a revocation of beneficiary and a written consent to the revocation signed by the present spouse and each person entitled to benefits under the order on forms provided by the department; however, consent of the present spouse is not required if the member and the present spouse had been married for less than two years on the date of the member's death and if the member established when filing the revocation that the member and the spouse were not cohabiting.

(f) A person claiming entitlement to any benefits payable under this section shall provide the department with a marriage certificate, divorce or dissolution decree, or other evidence of entitlement. Documents showing entitlement may be filed with the department immediately after a change in the member's marital status. If the department does not receive notification of a claim before the date 10 days after the member's death, the person claiming entitlement to the benefits is not entitled to receive from the Department of Administration or Department of Military and Veterans' Affairs any benefit already paid under this section.

(g) Except as provided in this subsection or AS 29.45.030(a)(1), amounts held in the system on behalf of a member or other person who is or may become eligible for benefits under the system are exempt from Alaska state and municipal taxes and are not subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or charge of any kind, either voluntary or involuntary, before they are received by the person entitled to the amount under the terms of the system, and any attempt to anticipate, alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of any right to amounts accrued in the system is void. However,

(1) a member's right to receive benefits or the member contribution account may be assigned

(A) under a qualified domestic relations order; or

(B) to a trust or similar legal device that meets the requirements for a Medicaid-qualifying trust under AS 47.07.020(f) and 42 U.S.C. 1396p(d)(4);

(2) a member may elect to have the taxable portion of the qualifying distributions transferred directly to another plan or individual retirement arrangement qualified under the federal Internal Revenue Code.

(h) Amounts held in the system and benefits payable under this section are exempt from garnishment, execution, or levy as provided in AS 09.38 (Alaska Exemptions Act).

History - (Sec. 17 ch 159 SLA 1972; am Sec. 11, 12 ch 146 SLA 1980; am Sec. 1 ch 140 SLA 1984; am E.O. No. 58, Sec. 4, 5 (1984); am Sec. 11 ch 82 SLA 1986; am Sec. 29, 30 ch 117 SLA 1986; am Sec. 1, 2 ch 41 SLA 1988; am Sec. 26 ch 68 SLA 2000)

Amendment Notes - The 2000 amendment, effective August 20, 2000, added subsections (g) and (h).

Decisions - Cited in Laing v. Laing, 741 P.2d 649 (Alaska 1987).

Sec. 26.05.225. Earlier Service.

A person who was a member of the Alaska National Guard on or after January 1, 1969, is entitled to credit for service to the state and former territory of Alaska as a member of the National Guard and Territorial Guard before and after January 1, 1969, in determining eligibility for retirement benefits under AS 26.05.224.

History - (Sec. 17 ch 159 SLA 1972; am Sec. 13 ch 146 SLA 1980)

Sec. 26.05.226. Contributions.

(a) The Department of Military and Veterans' Affairs shall contribute to the Alaska National Guard and Alaska Naval Militia retirement system the amounts determined by the commissioner of administration as necessary to

(1) fund the system based on the actuarial requirements of the system as established by the commissioner of administration; and

(2) administer the system.

(b) The amount required for contributions from the Department of Military and Veterans' Affairs under (a) of this section shall be included in the annual appropriations made to the Department of Military and Veterans' Affairs.

History - (Sec. 17 ch 159 SLA 1972; am Sec. 14 ch 146 SLA 1980; am Sec. 34 ch 137 SLA 1982; am E.O. No. 58, Sec. 6 (1984))

Sec. 26.05.227. [Renumbered as AS 26.05.229].

Repealed or Renumbered

Sec. 26.05.228. Accounting and Investment.

(a) The commissioner of administration shall establish a military retirement trust fund for the system in which the assets of the system are deposited and held. The commissioner shall maintain accounts and records for the system.

(b) All income of the fund and all disbursements made by the fund shall be credited or charged, whichever is appropriate, to the following accounts:

(1) an individual account for each retired member of the system that records the benefits paid under this system to the member or surviving beneficiary;

(2) a separate account for the Department of Military and Veterans' Affairs' contribution to fund the system based on the actuarial requirements of the system as established by the commissioner of administration under this chapter;

(3) an expense account for the system; this account is charged with all disbursements representing administrative expenses incurred by the system; expenditures from this account are included in the governor's budget for each fiscal year.

(c) The Alaska State Pension Investment Board is the fiduciary of the fund and has the same powers and duties under this section in regard to the fund as are provided under AS 14.25.180.

History - (Sec. 36 ch 137 SLA 1982; E.O. No. 58, Sec. 7 (1984); am Sec. 12 ch 82 SLA 1986; am Sec. 16, 17 ch 141 SLA 1988; am Sec. 7 ch 31 SLA 1992)

Sec. 26.05.229. Definitions.

In AS 26.05.222 - 26.05.228,

(1) "beneficiary" means a person designated by a member in a writing filed with the system by the member while alive to receive benefits that may be due from the system upon the death of the member;

(2) "member" means a commissioned or warrant officer or an enlisted person in the Alaska National Guard or Alaska Naval Militia;

(3) "qualified domestic relations order" means a divorce or dissolution judgment under AS 25.24, including an order approving a property settlement, that

(A) creates or recognizes the existence of an alternate payee's right to, or assigns to an alternate payee the right to, receive all or a portion of the benefits payable with respect to a member;

(B) sets out the name and last known mailing address, if any, of the member and of each alternate payee covered by the order;

(C) sets out the amount or percentage of the member's benefit, or of any survivor's benefit, to be paid to the alternate payee, or sets out the manner in which that amount or percentage is to be determined;

(D) sets out the number of payments or period to which the order applies;

(E) does not require any type or form of benefit or any option not otherwise provided by AS 26.05.222 - 26.05.228;

(F) does not require an increase of benefits in excess of the amount provided by AS 26.05.222 - 26.05.228, determined on the basis of actuarial value; and

(G) does not require the payment, to an alternate payee, of benefits that are required to be paid to another alternate payee under another order previously determined to be a qualified domestic relations order;

(4) "system" means the Alaska National Guard and Alaska Naval Militia retirement system.

History - (Sec. 17 ch 159 SLA 1972; am Sec. 15 ch 146 SLA 1980; am Sec. 35 ch 137 SLA 1982; am Sec. 31 ch 117 SLA 1986)

Revisors Notes - Formerly AS 26.05.227. Renumbered in 1986. Reorganized in 1986 to alphabetize the defined terms.

Decisions - Cited in Laing v. Laing, 741 P.2d 649 (Alaska 1987).