

NOTES TO FINANCIAL STATEMENTS

June 30, 2015 and 2014

<u>Years Ending June 30,</u>		
2016	\$	(5,392)
2017	\$	(4,849)
2018	\$	(4,617)
2019	\$	(4,617)

Actuarial Assumptions. The total pension liability for the June 30, 2014 measurement date was determined by an actuarial valuation as of June 30, 2013, which was rolled forward to June 30, 2014. The total pension liability for the June 30, 2013 measurement date was determined by an actuarial valuation as of June 30, 2013. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

Inflation rate	3.12% per year
Salary increases	Graded by service, from 6.36% to 4.12% for Peace Officer/Firefighter Graded by age and service, from 9.60% to 3.62% for All Others
Investment rate of return	8.00%, net of pension plan investment expenses. This is based on average inflation rate of 3.12% and a real rate of return of 4.88%

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Asset Class	Long-term Expected Real Rate of Return
Equities:	
Broad domestic equity	5.40%
Large cap	5.25%
Small/mid cap	5.60%
Inter-12(t)fan015 Tc 0603 eq031an0	5.2 Tc 05%
Emerging markets equity	5.65%
Global ex-U.S. equity	5.55%
Fixed income:	
Domestic fixed Tc 603(0)34(.7)40(5)34(%)TJ0.0358 Tc 0 Tw T† T)7(I)15(P)20(S)-16623(0)33(
Pn0riv03uian0	6.4030%

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According to GASB Statement No. 68, the University is reporting under a special funding situation. The special funding situation indicates that the State of Alaska is legally responsible for making contributions directly to the PERS-DB plan for the University as further described in Alaska Statute 39.35.280. If the law did not exist or was eliminated, the University may no longer record as a special funding situation. For example, in a non-special funding situation, the University would be required to recognize additional net pension liability of \$113.1 million, and deferred inflows of resources of \$18.1 million as of June 30, 2015.

State of Alaska Teachers' Retirement System - Defined Benefit (TRS-DB)

Plan Description

TRS-DB is a defined benefit, cost-sharing, multiple employer public employee retirement plan established and administered by the State of Alaska. TRS-DB provides pension, postemployment health care, death and disability benefits to participants. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. Effective July 1, 2006, the state legislature closed TRS-DB to new members and created a Teachers' Retirement System Defined Contribution Retirement Plan (TRS-DC), disclosed later in this note.

Each fiscal year, TRS-DB issues a publicly available financial report which includes financial statements and required supplementary information. That report may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

Funding Policy and Annual Pension Cost

Employees contribute 8.65 percent of their base salary as required by state statute. The funding policy for TRS-DB provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate the assets to pay benefits when due. During fiscal year 2015, contractually required employee and employer contribution rates were 8.65 percent and 12.56 percent, respectively.

The actuarially determined employer contribution rate for 2015 and 2014 was 70.75 percent and 53.62 percent, respectively. The state appropriated funding directly to the TRS-DB plan to augment employer contributions for 2015. For fiscal years 2015, 2014 and 2013, the University recognized \$96,000,927, \$16,427,624 and \$16,228,064 respectively, in state on-behalf pension payments for the TRS-DB plan.

The University's Schedule of Required Contributions follows (\$ in thousands):

Years Ended June 30,	TRS-DB Annual Required Contributions			Postemployment	
	Pension	Postemployment healthcare	Total	Pension percentage contributed	healthcare percentage contributed
2015	\$ 2,280	\$ 1,686	\$ 3,966	100%	100%
2014	\$ 2,297	\$ 2,035	\$ 4,332	100%	100%
2013	\$ 2,335	\$ 2,205	\$ 4,540	100%	100%

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Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2015, the University reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to the University. The amount recognized by the University as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the University were as follows (\$ in thousands):

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<u>Years Ending June 30,</u>		
2016	\$	(1,401)
2017	\$	(874)
2018	\$	(648)
2019	\$	(648)

Actuarial Assumptions

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Asset Class	Long-term Expected Real Rate of Return
Equities:	
Broad domestic equity	5.40%
Large cap	5.25%
Small/mid cap	5.60%
International equity	5.25%
Emerging market equity	5.65%
Global ex-U.S. equity	5.55%
Fixed income:	
Domestic fixed	0.75%
TIPS	0.75%
Other:	
Real estate	3.95%

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TRS-DB plan for the University as further described in Alaska Statute 14.25.085. If the law did not exist or was eliminated, the University may no longer record as a special funding situation. For example, in a non-special funding situation, the University would be required to recognize additional net pension liability of \$131.8 million, and deferred inflows of resources of \$13.8 million as of June 30, 2015.

State of Alaska Public Employees' Retirement System - Defined Contribution (PERS-DC)

Plan Description

PERS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for eligible employees. Benefit and contribution provisions are established by state law and may be amended only by the state legislature. PERS-DC was created by the state effective July 1, 2006. Plan savings are accumulated in individual retirement accounts for the exclusive benefit of each member or beneficiary.

Funding Policy and Annual Pension Cost

The employee contribution rate is 8 percent and the employer effective contribution rate is 22 percent of covered payroll. For the years ended June 30, 2015 and 2014, the University's total covered payroll for the PERS-DC plan was approximately \$12.4 million and \$11.7 million. Contributions made by the University follows (\$ in thousands):

PERS-DC University Contributions					
Years Ended June 30,	Pension		Postemployment Healthcare		Total Contributions
2015	\$	1,411	\$	1,325	\$ 2,736
2014	\$	1,400	\$	1,172	\$ 2,572

On July 1, 2006, three pension trust sub-funds were created within PERS, the Retiree Major Medical Insurance (RMP), Health Reimbursement Arrangement (HRA), and Occupation Death and Disability (OD&D). RMP allows eligible members who retire directly from the plan to obtain medical benefits. The HRA allows medical care expenses to be reimbursed from individual savings accounts established for eligible persons. OD&D provides employees with benefits as a result of death or disability on the job. PERS-DC participants are eligible members of RMP and HRA and their postemployment healthcare benefits are paid out of these funds. The employer RMP contribution rates for fiscal years 2015 and 2014 are 1.66 and 0.48 percent, respectively, for medical coverage and 0.22 and 0.20 percent, respectively, (1.06 percent for peace officers and firefighters) for

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State of Alaska Teachers' Retirement System -Defined Contribution (TRS-DC)

Plan Description

TRS-DC is a defined contribution, cost-sharing, multiple-employer public employee retirement plan established and administered by the State of Alaska to provide pension and postemployment healthcare benefits for teachers and other eligible employees. Benefit and contribution provisions are established by state law and may be

Schedule of the University's Contribution
TRS-DB Plan
Last 10 Fiscal Years*
(\$ in thousands)

		2015
Statutorily required contribution	\$	2,280
Contributions in relation to the statutorily required contribution	\$	2,280
Contribution (deficiency) excess		-
University's covered employee payroll	\$	31,575
Contribution as a percentage of covered-University payroll		7.2%

Data reported is measured as of July 1, 2014.