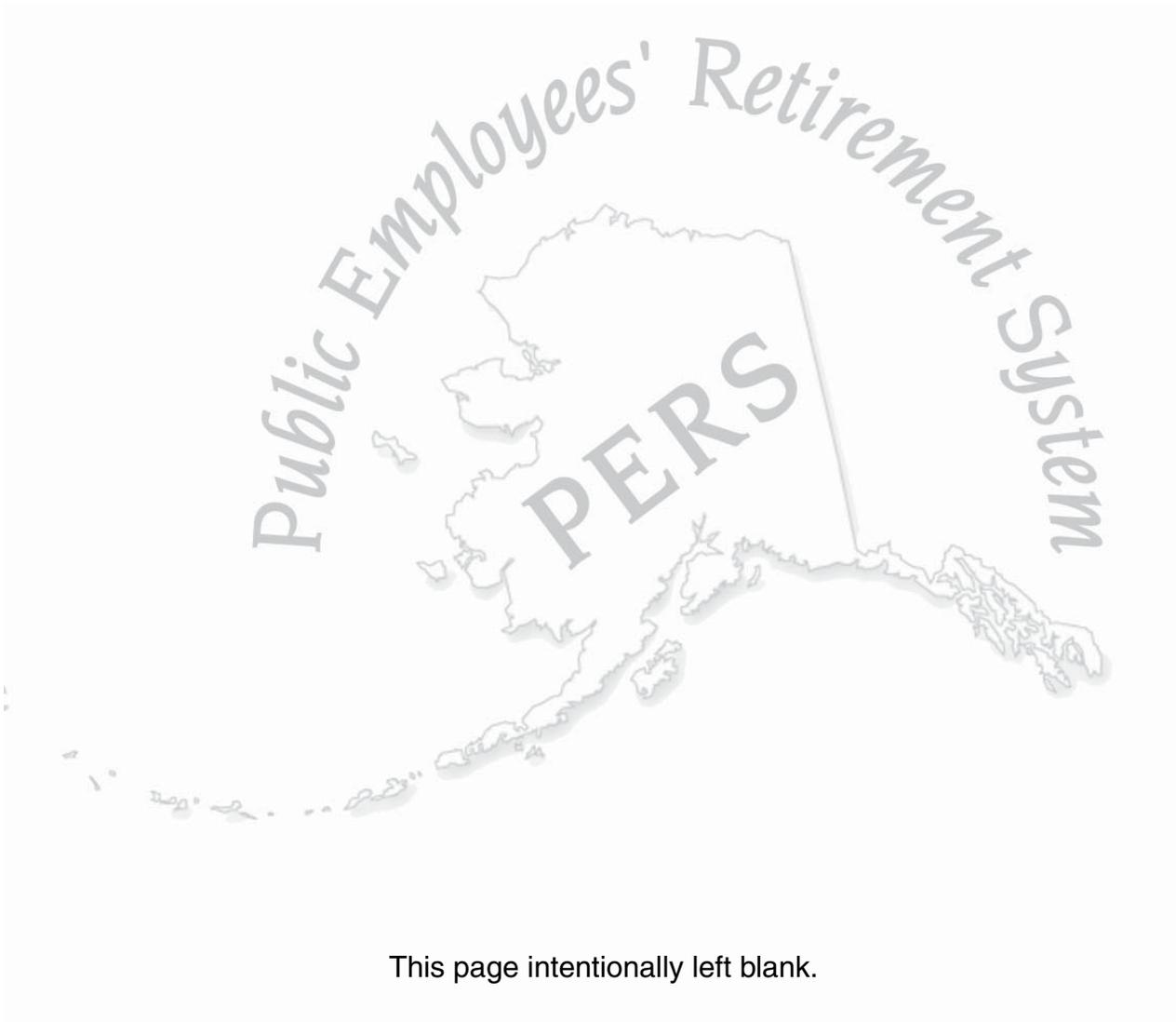




ACTUARIAL SECTION



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July 17, 2008

State of Alaska
Alaska Retirement Management Board
Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Dear Members of the Board:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 2007 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the Plan as of June 30, 2007;
- (2) a review of experience under the Plan for the year ended June 30, 2007;
- (3) a determination of the appropriate contribution rate for each employer in the System which will be applied for the fiscal year ending June 30, 2010; and
- (4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

- (1) Summary of actuarial assumptions and methods
- (2) Schedule of active member valuation data
- (3) Schedule of benefit recipients added to and removed from rolls
- (4) Solvency test
- (5) Analysis of financial experience
- (6) Summary of GASB No. 25 and 43 disclosure information

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Alaska Retirement Management Board
July 17, 2008
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In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to and adopted by the Board in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY08 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 62.8% to 68.0% during the year.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, when applied in combination, fairly represent past and anticipated future experience in the System.

Future contribution requirements may differ from those determined in the valuation because of:

- (1) differences between actual experience and anticipated experience based on the assumptions;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; or
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, and are fully qualified to provide actuarial services to the State of Alaska and are available to answer questions regarding this report.

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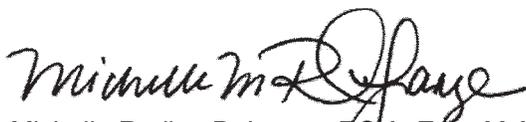
We believe that the assumptions and methods used for funding purposes and for the disclosures presented satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,



David H. Slisinsky, A.S.A., E.A., M.A.A.A.
Principal, Consulting Actuary



Michelle Reding DeLange, F.S.A., E.A., M.A.A.A.
Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



Melissa Krumholz, F.S.A., M.A.A.A.
Senior Consultant, Health & Productivity

Public Employees' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2007 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Valuation of Liabilities

A. Actuarial Method - Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay. Payroll is assumed to increase 4.0% per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

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

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

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

Public Employees' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

B. Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

C. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

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

We analyzed Aetna and Premera management level reporting for calendar 2003 through fiscal 2007, as well as Aetna and Premera claim level data for calendar 2004, 2005 and 2006, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost and enrollment data by Medicare status.
3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus,

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

claims costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The larger the no-Part A population, the more accrued liabilities will decrease.

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I PERS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 5.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 5.0% of the current Medicare retiree population does not receive Part A coverage.

We are working with the State to compile census records for no-Part A members to build an historic claim database isolating no-Part A members.

All claim cost rates developed from management level reporting have compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 2.3 months for medical claims and 0.6 months for prescription claims. This "trend and blend" methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year's data in the 4-year experience period at 25%. We also incorporated actual administrative costs that are projected to increase at 5%.

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

June 30, 2007 Valuation – FY 2008 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Calendar 2004 Paid Claims	\$125,222,188	\$20,330,785	\$2,955,315
Membership	32,858	17,558	924
Paid Claims Cost Rate	\$3,811	\$1,158	\$3,198
Trend to FY2008	1.286	1.286	1.286
FY 2008 Paid Cost Rate	\$ 4,901	\$1,489	\$4,112
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	\$4,966	\$1,509	\$4,167
Calendar 2005 Paid Claims	\$146,356,647	\$25,618,571	\$3,976,509
Membership	33,343	18,603	979
Paid Claims Cost Rate	\$4,389	\$1,377	\$4,061
Trend to FY2008	1.188	1.188	1.188
FY 2008 Paid Cost Rate	\$5,214	\$1,636	\$4,824
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	\$5,283	\$1,657	\$4,888
Calendar 2006 Paid Claims	\$150,287,171	\$24,546,905	\$4,079,223
Membership	33,473	19,490	1,026
Paid Claims Cost Rate	\$4,490	\$1,259	\$3,977
Trend to FY2008	1.142	1.142	1.142
FY 2008 Paid Cost Rate	\$5,128	\$1,438	\$4,542
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	\$5,196	\$1,458	\$4,602
Fiscal 2007 Paid Claims	\$129,762,975	\$22,677,328	\$3,524,812
Membership	33,446	20,315	1,069
Paid Claims Cost Rate	\$3,880	\$1,116	\$3,297
Trend to FY2008	1.063	1.063	1.063
FY 2008 Paid Cost Rate	\$4,122	\$1,186	\$3,503
Paid to Incurred Factor**	1.013	1.013	1.013
FY 2008 Incurred Cost Rate	\$4,177	\$1,202	\$3,549
Weighted Average 7/1/2007 – 6/30/2008 Incurred Claims Cost Rates:			
At average age	\$4,905	\$1,456	\$4,302
At age 65*	\$7,196	\$1,151	\$2,805

* Final Medicare rates are adjusted so that net plan cost for members with Parts A & B are one-half of net plan costs for members with Part B only. Also, prior methodology did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 7.5% of membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

June 30, 2007 Valuation – FY 2008 Claims Cost Rates (Con't)

	<u>Prescription Drugs</u>			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	
Calendar 2004 Paid Claims	\$37,938,758	\$29,894,935	\$1,689,411	\$218,031,392
Membership	32,858	17,558	924	51,340
Paid Claims Cost Rate	\$1,155	\$1,703	\$1,828	\$4,247
Trend to FY2008	1.400	1.400	1.400	
FY 2008 Paid Cost Rate	\$1,616	\$2,383	\$2,559	\$5,615
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	\$1,622	\$2,391	\$2,568	\$5,671
Calendar 2005 Paid Claims	\$42,812,358	\$35,481,585	\$ 1,999,302	\$256,244,972
Membership	33,343	18,603	979	52,925
Paid Claims Cost Rate	\$1,284	\$1,907	\$2,042	\$4,842
Trend to FY2008	1.258	1.258	1.258	
FY 2008 Paid Cost Rate	\$1,615	\$2,399	\$2,569	\$5,857
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	\$1,621	\$2,408	\$2,578	\$5,917
Calendar 2006 Paid Claims	\$45,461,356	\$39,644,399	\$2,235,948	\$266,255,002
Membership	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	\$1,358	\$2,034	\$2,180	\$4,932
Trend to FY2008	1.195	1.195	1.195	
FY 2008 Paid Cost Rate	\$1,622	\$2,430	\$2,604	\$5,717
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	\$1,628	\$2,439	\$2,613	\$5,774
Fiscal 2007 Paid Claims	\$46,176,199	\$42,348,638	\$2,391,089	\$246,881,041
Membership	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	\$1,381	\$2,085	\$2,236	\$4,503
Trend to FY2008	1.083	1.083	1.083	
FY 2008 Paid Cost Rate	\$1,495	\$2,257	\$2,421	\$4,817
Paid to Incurred Factor**	1.004	1.004	1.004	
FY 2008 Incurred Cost Rate	\$1,500	\$2,265	\$2,430	\$4,864
Weighted Average 7/1/2007 – 6/30/2008 Incurred Claims Cost Rates				
At average age	\$1,593	\$2,376	\$2,547	\$5,517
At age 65*	\$2,173	\$2,173	\$2,173	\$7,131

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

**Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2007 through June 30, 2008**

<u>Age</u>	<u>Medical and Medicare Parts A & B</u>	<u>Medical and Medicare Part B Only</u>	<u>Prescription Drug and Medicare Retiree Drug Subsidy</u>
45	\$ 3,928	\$ 3,928	\$ 1,169
50	4,444	4,444	1,388
55	5,077	5,077	1,641
60	6,030	6,030	1,902
65	1,151	2,805	1,708
70	1,400	3,413	1,840
75	1,663	4,053	1,962
80	1,791	4,366	2,012

D. Actuarial Assumptions

1. Investment Return/
Discount Rate 8.25% per year, compounded annually, net of expenses.

2. Salary Scale Inflation - 3.5% per year
 Peace Officers/Firefighter:
 Merit - 2.5% per year
 Productivity - 1.0% per year for the first 6 years of employment, 0.5%
 thereafter.
 Productivity - 0.5% per year
 Others:
 Merit - 5.5% per year grading down to 1.5% after 5 years; for more than
 6 years of service, 1.0% grading down to 0%.
 Productivity - 0.5% per year

3. Payroll Growth 4.0% per year

4. Total Inflation Total inflation as measured by the Consumer Price Index for urban and
 clerical workers for Anchorage is assumed to increase 3.5% annually.

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

- 5. Mortality (Pre-Retirement) Peace Officers/Firefighter:
1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year.
Others:
Based upon the 2001-2005 actual mortality experience (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year for males and females.
Deaths are assumed to be occupational 75% of the time for Peace Officers/Firefighter, 50% of the time for Others.

- 6. Mortality (Post-Retirement) 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year.

- 7. Total Turnover Based upon the 2001-2005 actual withdrawal experience. (See Table 2.)

- 8. Disability Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 3. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officers/ Firefighter, 50% of the time for Others.

- 9. Retirement Retirement rates based upon the 2001-2005 actual experience in accordance with Tables 4 and 5. Deferred vested members are assumed to retire at their earliest retirement date.

- 10. Marriage and Age Difference Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.

- 11. Dependent Children Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.

- 12. Contribution Refunds 15% of terminated members are assumed to have their contributions refunded.

- 13. COLA Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.

- 14. Post-Retirement Pension Adjustment 50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.

- 15. Expenses All expenses are included in the investment return assumption.

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

16. Part-Time Status Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.
17. Per Capita Claims Cost Sample claims cost rates for FY08 medical and prescriptions are shown below:

	Medical	Prescription Drugs
Total	\$7,196	\$2,173
Medicare Parts A & B	\$1,151	N/A
Medicare Part B Only	\$2,805	N/A
Medicare Part D	N/A	\$ 465

18. Third Party Administrator Fees \$146.18 per person per year; assumed trend rate of 5% per year.

19. Health Cost Trend The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.5% is applied to the FY08 rate claims costs to get the FY09 claims costs.

	Medical	Prescription Drugs
FY08	8.5%	12%
FY09	8.0%	11%
FY10	7.5%	10%
FY11	7.0%	9%
FY12	6.5%	8%
FY13	6.0%	7%
FY14	5.5%	6%
FY15	5.0%	5%
FY16 and later	5.0%	5%

For the June 30, 2005 valuation, graded Healthcare Cost Trend Rates (HCCTR) were reinitialized. A survey of healthcare trends in the past year has revealed a general lowering of HCCTR. No reinitialization is required this year, so the trend rates will follow the same pattern as for the 2005 and 2006 valuation.

20. Aging Factors

Age	Medical	Prescriptions Drugs
00-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-74	4.0%	1.5%
75-84	1.5%	0.5%
85+	0.5%	0.0%

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

21. Retired Member Contributions for Medical Benefits
- Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for peace officer/firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY08 contributions based on monthly rates shown below for calendar 2007 and 2008 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members assumed to retire prior to age 60 with less than 30 years of service.

<u>Coverage Category</u>	<u>FY08 Annual Contribution</u>	<u>Calendar 2008 Monthly Contribution</u>	<u>Calendar 2007 Monthly Contribution</u>
Retiree Only	\$ 7,080	\$ 590	\$ 590
Retiree and Spouse	\$ 14,148	\$ 1,179	\$ 1,179
Retiree and Child(ren)	\$ 9,996	\$ 883	\$ 883
Retiree and Family	\$ 17,076	\$ 1,423	\$ 1,423
Composite	\$ 10,512	\$ 876	\$ 876

22. Trend Rate for Retired Member Medical Contributions
- The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.7% is applied to the FY08 retired member medical contributions to get the FY09 retired member medical contributions.

FY08	7.7%
FY09	7.3%
FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations leads us to recommend the new rates above for the contribution trends. Note that actual FY07 retired member medical contributions are reflected in the valuation so trend on such contribution during FY07 is not applicable.

23. Healthcare Participation
- 100% of members are assumed to elect healthcare benefits as soon as they are eligible.

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 1
Alaska PERS Other
Mortality Table (Preretirement)**

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0229%	.0128%
21	.0239	.0129
22	.0251	.0131
23	.0266	.0131
24	.0282	.0131
25	.0299	.0131
26	.0315	.0133
27	.0328	.0136
28	.0341	.0142
29	.0352	.0150
30	.0362	.0158
31	.0371	.0168
32	.0379	.0179
33	.0383	.0191
34	.0383	.0202
35	.0384	.0216
36	.0389	.0231
37	.0402	.0249
38	.0424	.0270
39	.0452	.0294
40	.0484	.0320
41	.0522	.0347
42	.0565	.0373
43	.0611	.0396
44	.0659	.0417
45	.0713	.0439
46	.0778	.0467
47	.0858	.0502
48	.0949	.0545
49	.1050	.0591
50	.1165	.0645
51	.1297	.0708
52	.1451	.0783
53	.1619	.0861
54	.1797	.0941
55	.1998	.1036
56	.2235	.1157
57	.2252	.1318
58	.2845	.1517
59	.3202	.1745
60	.3602	.2005

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 2
Alaska PERS
Total Turnover Assumptions**

**Select Rates of Turnover
During the First 5 Years
of Employment**

**Ultimate Rates of Turnover
After the First 5 Years
of Employment**

Peace Officer and Firefighter:

<u>Year of Employment</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
1	11%	12%	20	4.57%	5.76%
2	9	10	25	4.54	5.75
3	7	8	30	4.49	5.71
4	6	7	35	4.46	5.66
5	5	6	40	4.39	5.56
			45	4.20	5.38
			50	3.88	5.09
			55	3.24	4.51
			60	1.74	2.94
			65+	4.80	6.00

Other:

<u>Year of Employment</u>	<u>-----Age at Hire-----</u>				<u>Age</u>	<u>Male</u>	<u>Female</u>
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>			
1	25%	26%	15%	16%	20	12.01%	13.68%
2	23	24	15	16	25	11.99	13.67
3	20	21	13	14	30	11.97	13.66
4	16	17	12	12	35	8.66	9.89
5	15	16	11	11	40	6.42	7.35
					45	5.24	6.04
					50	5.09	5.94
					55	4.80	5.74
					60	4.19	5.23
					65+	5.50	6.25

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 3
Alaska PERS
Retirement Rates**

<u>Age</u>	<u>Peace Officer/ Firefighter Rate</u>	<u>Other Member Rate</u>	
		<u>Male</u>	<u>Female</u>
20	.088%	.032%	.029%
21	.089	.032	.029
22	.090	.033	.031
23	.091	.033	.031
24	.093	.035	.032
25	.094	.035	.032
26	.095	.035	.032
27	.098	.036	.033
28	.100	.037	.034
29	.103	.038	.035
30	.105	.039	.036
31	.108	.039	.036
32	.110	.040	.037
33	.113	.041	.038
34	.116	.043	.039
35	.120	.044	.040
36	.124	.046	.042
37	.129	.047	.043
38	.134	.050	.045
39	.139	.051	.046
40	.144	.053	.048
41	.150	.055	.050
42	.159	.059	.054
43	.170	.062	.057
44	.185	.068	.062
45	.203	.075	.068
46	.220	.081	.074
47	.239	.087	.080
48	.259	.096	.087
49	.279	.102	.094
50	.300	.110	.101
51	.325	.120	.109
52	.353	.131	.120
53	.398	.146	.133
54	.444	.163	.149
55	.500	.184	.168
56	.574	.212	.193
57	.668	.246	.225
58	.763	.281	.256
59	.900	.331	.302
60	1.054	.388	.354

**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 4
Alaska PERS Peace Officer/Firefighter
Retirement Table**

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	10.40%	10.40%
50	10.50%	6.30%	40.00	40.00
51	14.80	10.00	27.50	27.50
52	15.00	10.00	27.50	27.50
53	19.70	10.00	25.00	25.00
54	19.60	10.00	25.00	25.00
55	8.80	15.60	30.00	30.00
56	9.60	13.00	22.75	22.75
57	13.00	13.00	22.75	22.75
58	12.70	13.00	15.60	15.60
59	13.00	13.00	15.60	15.60
60	N/A	N/A	25.00	25.00
61	N/A	N/A	25.00	25.00
62	N/A	N/A	26.00	26.00
63	N/A	N/A	25.00	25.00
64	N/A	N/A	25.00	25.00
65	N/A	N/A	100.00	100.00



**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 5
Alaska PERS Other
Retirement Table**

<u>Age at Retirement</u>	<u>Retirement Rate</u>			
	<u>Reduced</u>		<u>Unreduced</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<50	N/A	N/A	7.10%	7.20%
50	6.00%	7.30%	20.00	20.00
51	6.20	7.50	17.50	20.00
52	7.50	7.50	20.00	15.00
53	7.50	8.90	18.00	24.00
54	6.00	5.40	30.00	21.00
55	7.90	8.20	30.00	30.00
56	9.50	9.20	17.50	17.50
57	9.60	9.10	17.50	17.50
58	9.50	9.10	15.00	17.50
59	4.70	3.80	15.00	17.50
60	N/A	N/A	20.00	21.00
61	N/A	N/A	17.50	15.00
62	N/A	N/A	30.00	18.75
63	N/A	N/A	22.50	18.75
64	N/A	N/A	26.25	18.75
65	N/A	N/A	27.00	25.00
66	N/A	N/A	27.00	25.00
67	N/A	N/A	27.00	25.00
68	N/A	N/A	30.00	25.00
69	N/A	N/A	30.00	30.00
70	N/A	N/A	100.00	100.00

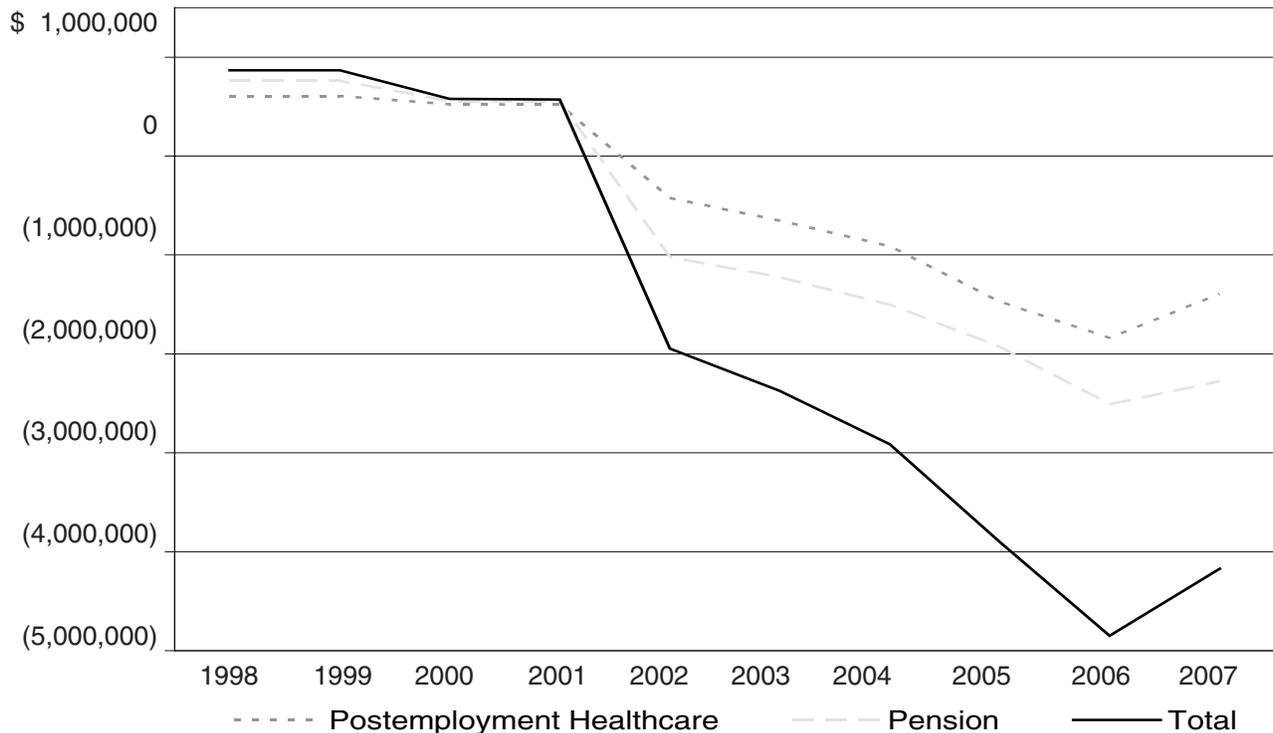
**Public Employees' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2006	June 30, 2007
Healthcare	<p>Included effect of Medicare Part A & B vs. Medicare Part B only. Active employees hired after April 1, 1986 are assumed to be covered by Medicare Parts A & B. 7.5% of current retirees are assumed to be covered by Part B only. Change assumed lag between medical claim incurred and paid dates from 3 months to 2 lag months. Changed trend rate table for the retiree medical contributions to start at 8.0% and graded down to 5.0%.</p>	<p>5.0% of current retirees are assumed to be covered by Part B only. Change assumed lag between medical claim incurred and paid dates from 2 months for medical and prescription combined to 2.3 months for medical and 0.6 months for prescription. Added explicit TPA fees based on current admin contract and assumed to increase at 5.0%. Partially reflected Alaska-specific trend rates to bring forward experience period claims to the base year.</p>

Public Employees' Retirement System Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
1998	\$ 105,713	\$ 261,858	\$ 367,571	105.9%
1999	106,055	261,612	367,667	105.5
2000	23,069	54,777	77,846	101.1
2001	21,768	51,414	73,182	100.9
2002	(924,746)	(1,522,012)	(2,446,758)	75.2
2003	(1,151,504)	(1,722,868)	(2,874,372)	72.8
2004	(1,411,587)	(2,001,915)	(3,413,502)	70.2
2005	(1,973,144)	(2,428,778)	(4,401,922)	65.7
2006	(2,339,325)	(3,008,180)	(5,347,505)	62.8
2007	(1,893,705)	(2,776,268)	(4,669,973)	68.0

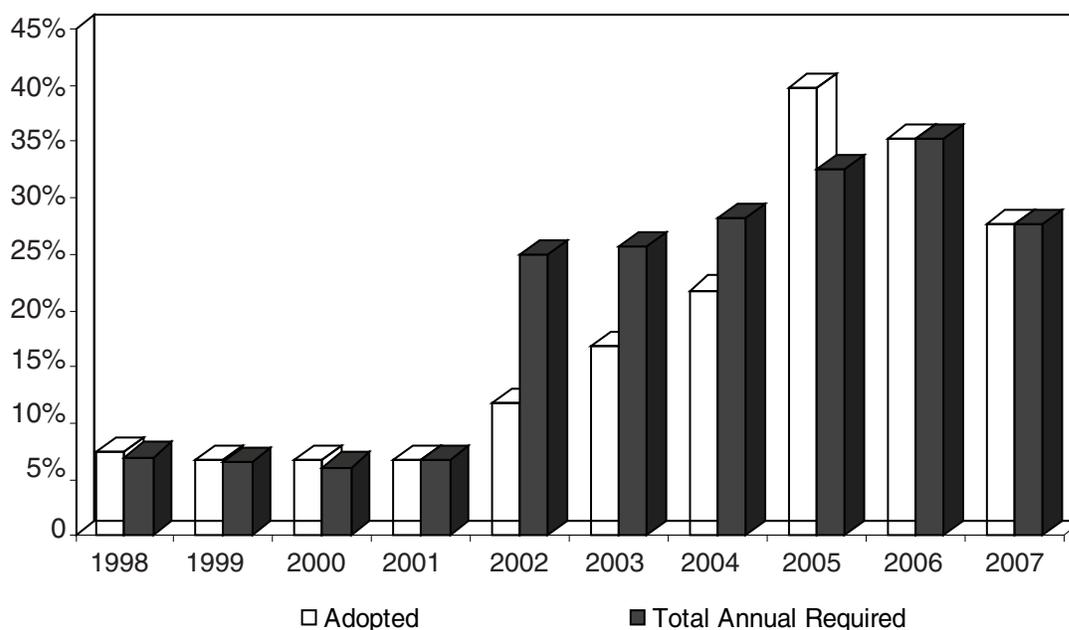
10-YEAR TREND OF UNFUNDED LIABILITY



Public Employees' Retirement System Average Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Valuation Year Ended June 30	Normal Cost ¹	Average Past Service	Total Annual Required	
2001	1998	8.67	(1.64)%	7.03%	7.40%
2002	1999	8.07	(1.51)	6.56	6.75
2003	2000	5.43	0.69	6.12	6.75
2004	2001	5.42	1.35	6.77	6.77
2005	2002	13.31	11.60	24.91	11.77
2006	2003	13.24	12.39	25.63	16.77
2007	2004	13.32	14.87	28.19	21.77
2008	2005	14.48	18.03	32.51	39.76 ²
2009	2006	13.72	21.50	35.22	35.22
2010	2007	9.46	18.19	27.65	27.65

¹Also referred to as the consolidated rate.
 Valuations are used to set contribution rates in future years.
²The ARMB recognized the fact that the Plan becomes a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.

10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



Public Employees' Retirement System Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Payroll (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
All Others					
June 30, 2007	28,675	\$1,414,145	\$ 49,316	9.5%	160
June 30, 2006	31,286	1,408,863 ¹	45,032	4.2	160
June 30, 2005	30,997	1,338,962	43,197	2.3	160
June 30, 2004	30,907	1,305,670	42,245	1.8	161
June 30, 2003	31,338	1,300,041	41,484	1.8	160
June 30, 2002	30,547	1,245,055	40,759	0.3	161
June 30, 2001	29,758	1,208,700	40,618	5.4	158
June 30, 1999	29,590	1,140,706	38,550	3.0	148
June 30, 1998	29,293	1,096,786	37,442	0.2	148
June 30, 1997	29,267	1,093,433	37,361	0.7	156
Peace Officer/Firefighter					
June 30, 2007	2,687	\$191,674	\$ 71,334	9.3%	160
June 30, 2006	2,785	181,830 ¹	65,289	2.5	160
June 30, 2005	2,733	174,155	63,723	3.0	160
June 30, 2004	2,705	167,317	61,855	4.9	161
June 30, 2003	2,727	160,743	58,945	0.8	160
June 30, 2002	2,695	157,632	58,490	3.4	161
June 30, 2001	2,683	151,701	56,542	3.9	158
June 30, 1999	2,624	142,843	54,437	2.7	148
June 30, 1998	2,617	138,653	52,982	1.0	148
June 30, 1997	2,587	135,702	52,455	2.8	156

¹Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

Public Employees' Retirement System Schedule of Benefit Recipients Added to and Removed From Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Benefits	Average Annual Benefits
	No.*	Annual Benefits*	No.*	Annual Benefits*	No.	Annual Benefits		
All Others								
June 30, 2007	1,479	\$28,985,748	454	\$(14,280,390)	20,558	\$351,141,175	14.1%	\$17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0	15,645
June 30, 2002	1,135	27,484,388	332	8,039,486	15,346	235,911,130	9.0	15,373
June 30, 2001	2,342	46,880,694	506	10,128,792	14,543	216,466,228	20.5	15,071
June 30, 1999	1,053	19,402,623	124	2,284,829	12,707	179,714,326	10.5	14,143
June 30, 1998	1,219	25,116,364	113	2,328,260	11,778	162,596,532	16.3	13,805
June 30, 1997	830	23,255,081 ⁽¹⁾	101	2,829,835 ⁽¹⁾	10,672	139,808,955	7.2	13,100
Peace Officer/Firefighter								
June 30, 2007	138	\$3,930,564	67	\$(2,546,491)	2,439	\$77,020,333	9.2%	\$31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2	30,842
June 30, 2002	157	6,155,365	19	744,917	1,869	57,285,773	10.4	30,650
June 30, 2001	328	12,637,854	75	2,889,753	1,731	51,875,325	23.1	29,986
June 30, 1999	163	4,761,117	8	233,673	1,478	42,127,224	12.0	28,503
June 30, 1998	195	6,096,918	2	62,532	1,323	37,599,780	19.1	28,420
June 30, 1997	161	6,672,261 ⁽¹⁾	9	372,984 ⁽¹⁾	1,130	31,565,394	24.9	27,934*
Numbers are estimated, and include other internal transfers.								
¹ Includes additional benefits to current retirees from a one-time retroactive ad hoc Post-Retirement Pension Adjustment.								

Public Employees' Retirement System Solvency Test							
Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000s)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000s)	(2) Inactive Members (000s)	(3) Active Members (Employer-Financed Portion) (000s)		(1)	(2)	(3)
June 30, 2007	\$1,203,007	\$8,967,038	\$4,400,888	\$9,900,960	100%	97.0%	0.0%
June 30, 2006 ⁽²⁾⁽³⁾	1,157,755	8,923,811	4,306,847	9,040,908	100	88.3	0.0
June 30, 2005	1,104,821	8,667,058	3,072,962	8,442,919	100	84.7	0.0
June 30, 2004 ⁽²⁾	1,070,268	7,650,156	2,723,492	8,030,414	100	91.0	0.0
June 30, 2003	1,026,730	6,860,834	2,674,089	7,687,281	100	97.1	0.0
June 30, 2002 ⁽¹⁾⁽²⁾⁽³⁾	967,045	6,301,095	2,591,451	7,412,833	100	100	5.6
June 30, 2001	920,702	5,059,386	1,888,486	7,941,756	100	100	100
June 30, 2000 ⁽²⁾⁽³⁾	892,949	4,588,201	1,895,762	7,454,758	100	100	100
June 30, 1999	854,497	3,961,063	1,833,113	7,016,340	100	100	100
June 30, 1998 ⁽¹⁾⁽²⁾⁽³⁾	819,226	3,610,352	1,774,413	6,571,562	100	100	100

(1) Change in Asset Valuation Method. (2) Change of Assumptions. (3) Change in Methods.

Public Employees' Retirement System Analysis of Financial Experience					
Change in Average Employer Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of Gain or Loss	Change in Average Contribution Rate During Fiscal Year				
	2007	2006	2005	2004	2003
Health Experience	(5.64)%	(4.06)%	1.49%	-%	-%
Salary Experience	0.23	0.02	(0.32)	0.08	(0.19)
Investment Experience	(1.03)	(0.29)	(0.02)	0.02	0.31
Demographic Experience	(0.17)	1.05	0.01	0.54	0.40
Contribution Shortfall	<u>0.94</u>	<u>1.01</u>	<u>0.98</u>	<u>0.89</u>	<u>1.10</u>
(Gain) or Loss During Year From Experience	(5.67)	(2.27)	2.14	1.53	1.62
Non-recurring changes					
Asset Valuation Method	-	-	-	-	-
Past Service Amortization Change	-	-	-	-	-
Assumption Changes	(1.90)	4.98	-	1.03	-
System Benefit Changes	-	-	-	-	-
Addition of 102% Target Funding Ratio	-	-	-	-	-
Elimination of 102% Target Funding Ratio	-	-	-	-	(0.90)
Ad hoc PRPA	-	-	-	-	-
Change Due to Revaluation of Plan Liability as of June 30, 2004	<u>-</u>	<u>-</u>	<u>2.18</u>	<u>-</u>	<u>-</u>
Composite (Gain) Loss During Year	(7.57)%	2.71%	4.32%	2.56%	0.72%
Beginning Average Employer Contribution Rate	<u>35.22</u>	<u>32.51</u>	<u>28.19</u>	<u>25.63</u>	<u>24.91</u>
Ending Average Employer Contribution Rate	<u>27.65%</u>	<u>35.22%</u>	<u>32.51%</u>	<u>28.19%</u>	<u>25.63%</u>
Board Adopted Contribution Rate	<u>27.65%</u>	<u>35.22%</u>	<u>22.00%</u>	<u>21.77%</u>	<u>16.77%</u>
Fiscal Year Above Rate is Applied	FY10	FY09	FY08	FY07	FY06

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Summary of Plan Provisions

(1) Effective Date

January 1, 1961, with amendments through June 30, 2007. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier. Members who were first hired after June 30, 1996 (Tier 3) have a 10-year requirement for system paid health benefits and non-Peace Officer/Firefighter members have a different Final Average Earnings calculation than members from the other tiers. Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Public Employees' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing PERS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session laws of Alaska, replaced the Public Employees' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

(3) Employers Included

Currently, there are 160 employers participating in the PERS, including the State of Alaska and 159 political subdivisions and public organizations.

(4) Membership

PERS membership is mandatory for all permanent full-time and part-time employees of the State of Alaska and participating political subdivisions and public organizations, unless they are specifically excluded by Alaska Statute or employer participation agreements. Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the PERS. Elected officials may waive PERS membership.

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the Plan effective July 1, 2006, to new members first hired on or after July 1, 2006.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Summary of Plan Provisions

(5) Credited Service

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled. Members whose survivors are receiving occupational death benefits continue to earn PERS credit while occupational survivor benefits are being paid.

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past peace officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and TRS simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

Except for service before January 1, 1961, with the State, former Territory of Alaska, or U.S. Government in Alaska, contributions are required for all past service.

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

At the election of certain PERS members, certain service may be credited in the same fashion as members in the TRS.

Members employed as dispatchers or within a State correctional facility may, at retirement, elect to convert their dispatcher or correctional facility service from "all other" service to peace officers/firefighter service and retire under the 20 year retirement option. Members pay the full actuarial cost of conversion.

(6) Employer Contributions

Individual contribution rates are established for PERS employers based on the consolidated normal cost and past service rates.

The consolidated normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is determined separately for each employer to amortize their unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the consolidated normal cost rate.

(7) Member Contributions

Mandatory Contributions: Peace Officers/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the TRS rules contribute 9.76% of their compensation. Members' contributions are deducted from gross wages before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

Voluntary Contributions: Members may voluntarily contribute up to 5% of their salary on an after-tax basis. Voluntary contributions are recorded in a separate account and are payable to the:

- (a) member in lump-sum payment upon termination of employment;
- (b) member's beneficiary if the member dies; or
- (c) member in a lump-sum, life annuity, or payments over a designated period of time when the member retires.

Interest: Members' contributions earn 4.5% interest, compounded semiannually on June 30 and December 31.

¹Members participating before July 1, 1986, are eligible for normal retirement at age 55 or early retirement at age 50.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

Summary of Plan Provisions

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts, which includes their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid Qualified Domestic Relations Orders.

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

(8) Retirement Benefits

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - (i) five years of paid-up PERS service;
 - (ii) 60 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired under the PERS before May 30, 1987;
 - (iii) 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired under the PERS after May 29, 1987;
 - (iv) two years of paid-up PERS service and they are vested in the TRS; or
 - (v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.
- (b) Members may retire at any age when they have:
 - (i) 20 paid-up years of PERS Peace Officer/Firefighter service; or
 - (ii) 30 paid-up years of PERS "all other" or "elected official" service.

Benefit Type: Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements under the "20 and out" or "30 and out" provisions. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Summary of Plan Provisions

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1986 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all Others are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

Indebtedness: Members who terminate and refund their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds plus interest or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, if a member is otherwise eligible to retire, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

(9) Reemployment of Retired Members

Retirement and retiree healthcare benefits are suspended while retired members are reemployed under the PERS. During reemployment, members earn additional PERS service and contributions are withheld from their wages. A member who retired with a normal retirement benefit can elect to waive payment of PERS contributions. The waiver allows the member to continue receiving the retirement benefit during the period of reemployment. Members who elect the waiver option do not earn additional PERS service. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is not available to members who retired early or under the Retirement Incentive Programs (RIPs). The Waiver Option is no longer available after June 30, 2009.

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

- (a) forfeit the three years of incentive credits that they received;

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- (b) owe the PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and
- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

(10) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees by the PERS for all employees hired before July 1, 1986 (Tier 1). Employees hired after June 30, 1986 (Tier 2) with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. In addition, Peace Officers with twenty-five years of Peace Officer service and other employees with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire.

(11) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover, or become eligible for normal retirement. Members are appointed to normal retirement on the first of the month after they become eligible.

Occupational Disability: Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

Nonoccupational Disability: Members must be vested (five paid-up years of PERS service) to be eligible for nonoccupational disability benefits. Monthly benefits are calculated based on the member's average monthly compensation and PERS service on the date of termination from employment because of disability. Members do not earn PERS service while on nonoccupational disability.

(12) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump-sum benefit described below.

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Occupational Death: When an active member (vested or nonvested) dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement).

Death after Occupational Disability: When a member dies while occupationally disabled, benefits are paid as described above in Occupational Death.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit. The monthly benefit is calculated on the member's average monthly compensation and PERS service at the time of termination or death.

Lump Sum Nonoccupational Death Benefit: Upon the death of a member who has less than one year of service, the designated beneficiary receives the member's contribution account, which includes mandatory and voluntary contributions, indebtedness payments, and interest earned. If the member has more than one year of PERS service or is vested, the beneficiary also receives \$1,000 and \$100 for each year of PERS service.

Death After Retirement: When a retired member dies, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

(13) Post Retirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986 (Tier I), if the CPI increases and the funding ratio is at least 105%.

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In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

(14) Alaska Cost of Living Allowance

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits or \$50, whichever is more. The following benefit recipients are eligible:

- (a) members who first entered the PERS before July 1, 1986 (Tier I), and their survivors;
- (b) members who first entered the PERS after June 30, 1986 (Tiers 2 & 3), and their survivors if they are at least age 65; and
- (c) all disabled members.

(15) Changes in Plan Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 123 was passed in 2007 which clarified and revised statutory language to comply with federal law, created the Alaska retiree health care trust, and defined total compensation paid to the employer's active employees for purposes of determining the employer contribution rate.