

*Paul P. Arnold*

STATE OF ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

456-0155

Actuarial Valuation

as of

December 31, 1975

**WILLIAM M.  
MERCER**

November 23, 1976

Mr. Robert S. Gates, Director  
Division of Retirement and Benefits  
State of Alaska  
Department of Administration  
Pouch CR  
Juneau, Alaska 99811

Dear Bob:

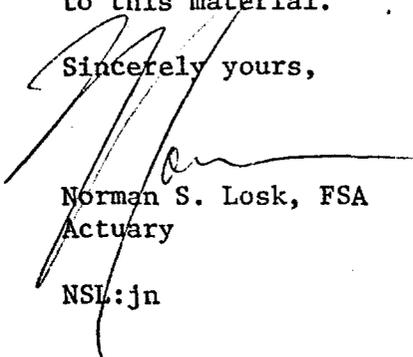
Per our telephone discussion today, you should note the following changes in contribution rates under PERS for the fiscal year commencing July 1, 1977:

- (1) State of Alaska - 11.56%.
- (2) The Unorganized Bureau School District  
(Currently split into a number of separate school districts) - 9.43% of covered pay.
- (3) City of Delta Junction - 9.43% of covered pay.

The change in State rate and in the rates for the former Unorganized Bureau School Districts arises from the reallocation from past service to the State from those school districts. Such districts came into existence as of July 1, 1976. This change results from a reallocation of the Unorganized Bureau School District's unfunded past service liabilities to the State. Since this set of entities did not come into existence until July 1, 1975, no service prior to that date should reasonably be allocated to such entities. Thus, since the vast bulk of this past service relates to State service, the entire amount of liability has been allocated to the State. This allocation has increased the State's contribution rates by .04% of covered pay.

I will be happy to answer any questions you may have with respect to this material.

Sincerely yours,



Norman S. Losk, FSA  
Actuary

NSL:jn

October 21, 1976

Mr. Andrew S. Warwick  
Commissioner of Administration  
Pouch CR  
Juneau, Alaska 99811

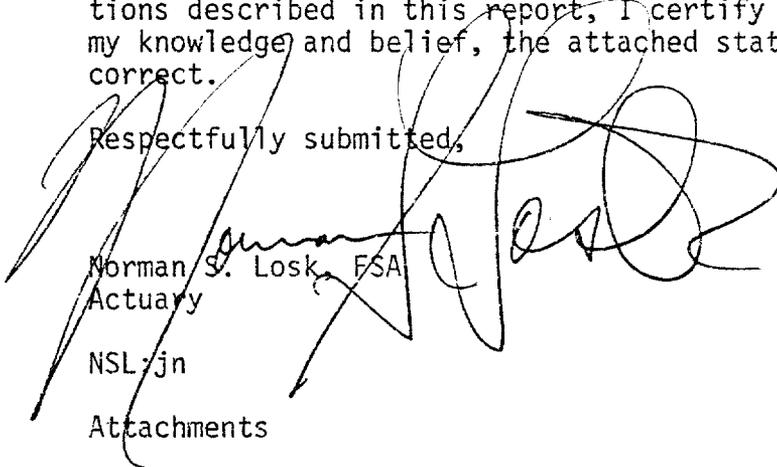
Dear Commissioner Warwick:

At your request, we have completed an actuarial valuation of the Alaska Public Employees' Retirement System as of December 31, 1975, in order to examine the financial status of the System and to determine the Employer contribution rates for the 1977-78 fiscal year.

The results of our valuation, included in this report, are based upon employee data and financial information supplied by your Department and the actuarial assumptions and methods chosen by the Actuary.

On the basis of this data and the actuarial method and assumptions described in this report, I certify that, to the best of my knowledge and belief, the attached statements are true and correct.

Respectfully submitted,

  
Norman S. Losk, FSA  
Actuary

NSL:jn

Attachments

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SECTION I  
INTRODUCTION

In accordance with your request, we have performed an actuarial valuation of the Alaska Public Employees' Retirement System as of December 31, 1975.

The purposes of the valuation are:

- (a) To examine the status of funding of the System.
- (b) To establish contribution rates for the State of Alaska and all other participating employers for the 1977-78 fiscal year based upon the provisions of the System, including the amendments enacted by the 1976 Legislature.

The results of this actuarial valuation are based upon actuarial assumptions and methods which are identical to those used in the prior valuation.

The 1976 Legislature adopted several amendments to PERS. Those amendments which affect the results of the actuarial valuation are as follows:

- (1) Certain employees of the Department of Fish & Game are given coverage of the Peace Officers & Fire Fighters provisions of the System.

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- (2) Occupational Death & Disability benefits have been significantly revised. See Appendix 5.
- (3) The Minimum Benefit provision has been amended to provide that any individual retired prior to July 1, 1975 will receive at least \$17.50 per month per year of credited service.
- (4) A revised military service provision has been added.

A summary of the results of the valuation, based upon these amendments appears on the following page.

VALUATION SUMMARY  
NEW PROVISIONS

	----- Pension Cost -----			
	Consolidated Employer Contribution Rate	Past Service Rate	Total Employer Rate	Funding Ratio
State of Alaska	9.43%	2.09%	<del>11.52%</del> 11.56	53.7%
City of Skagway	9.43%	(1.08%)	8.35%	235.0%
City and Borough of Sitka	9.43%	2.53%	11.96%	37.8%
City of Fairbanks	9.43%	3.46%	12.89%	30.2%
City of Haines	9.43%	(.05%)	9.38%	103.6%
University of Alaska	9.43%	.89%	10.32%	64.6%
City of Valdez	9.43%	2.64%	12.07%	32.6%
City of Kodiak	9.43%	1.61%	11.04%	54.5%
Alaska Municipal League	9.43%	8.08%	17.51%	25.5%
City of Kenai	9.43%	.39%	9.82%	87.6%
Municipality of Anchorage	9.43%	2.14%	11.57%	36.5%
North Star Borough	9.43%	.93%	10.36%	61.1%
Ketchikan Gateway Borough	9.43%	(.05%)	9.38%	104.6%
Matanuska-Susitna Borough	9.43%	1.99%	11.42%	46.1%
City of Soldotna	9.43%	(.61%)	8.82%	117.3%
City and Borough of Juneau	9.43%	1.26%	10.69%	62.2%
City of Wrangell	9.43%	1.34%	10.77%	43.7%
City of Bethel	9.43%	.64%	10.07%	69.9%
Valdez City Schools	9.43%	.23%	9.66%	66.5%
Hoonah City Schools	9.43%	3.10%	12.53%	20.7%
Nome Public Utilities	9.43%	2.26%	11.69%	25.8%
City of Kotzebue	9.43%	(.29%)	9.14%	141.3%
City of Galena	9.43%	(.27%)	9.16%	132.0%
King Cove City Schools	9.43%	(.37%)	9.06%	270.0%
City of Petersburg	9.43%	1.92%	11.35%	28.2%
Bristol Bay Borough	9.43%	5.94%	15.37%	6.4%
North Slope Borough	9.43%	3.10%	12.53%	18.4%
Wrangell City Schools	9.43%	7.41%	16.84%	11.0%
Unorganized Borough Schools	9.43%	.75%	<del>10.18%</del> 9.43	39.3%
City of Cordova	9.43%	1.39%	10.82%	27.9%
Nome City Schools	9.43%	1.50%	10.93%	30.1%
City of King Cove	9.43%	2.62%	12.05%	20.1%
Selawik Schools	<u>9.43%</u>	<u>2.82%</u>	<u>12.25%</u>	<u>- 0 -</u>
	<u>9.43%</u>	<u>1.97%</u>	<u>11.40%</u>	<u>50.1%</u>

last year - 3 - 8.81%  
1.58%  
10.39%

SECTION II  
ANALYSIS OF THE VALUATION

A. Actuarial Assumptions and Method

We have used, in this valuation, actuarial assumptions and methods which are identical to those used in the prior valuation.

The actuarial method utilized in the prior valuation remains applicable. In the last actuarial valuation report, we indicated our intent to fix past service liabilities for each employer. However, because of meaningful improvements in the employee data provided this year, we have redetermined the past service liabilities of each participating employer in this valuation. In future valuations, our objective will be to change such liabilities only to the extent that they are amortized, increased by amendment, or adjusted for changes in actuarial assumptions. However, if the provisions of the System are amended significantly or if the data provided us for future actuarial valuations is significantly different in nature from that used in this valuation, we may feel it necessary to redetermine such liabilities once again.

B. Participant Data

Although the averages shown in Exhibit 3 of Appendix 3 for

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1975 appear to be quite similar to those for 1974, significant differences appear between the two sets of data:

- (1) A much larger percentage of the data utilized in this valuation contains good data than did last year's data.

As can be seen, over 97% of the records for active lives contain complete data. This compares to almost 80% last year and to 52% the prior year. For those records which are incomplete, we use default values.

For example, the following default values are used:

- (a) No Salary - \$10,000
- (b) No Birthdate - February, 1940
- (c) No Service - 1 year

The results of this valuation are, thus, less affected by a lack of good data than in prior years. In fact, the data used this year appears to be the most accurate set of data used in any recent valuation of the System.

Past service rates tend to be depressed when using records which are of questionable quality, as they tend to increase past service liabilities only slightly while increasing total salaries more substantially.

- (2) The breakdown of the group of active employees by sex

indicates a significant shift. The data indicates that approximately 47% of the group of active participants are female. This compares to about 40% in last year's valuation information and about 33% in the prior year. This factor tends to increase relative liabilities and costs.

- (3) The average salaries of the active participants increased dramatically in the year ending 12-31-75. The average salary recognized in the prior valuation was \$13,235, while the corresponding average for this year is \$16,535. This is an increase of about 25%. There are indications that the increases were proportionately higher for older participants. This condition tends to increase liabilities and has a slight upward impact on the contribution rate.
  
- (4) As in the prior valuation, the data with respect to retired lives shows a marked increase in the numbers of retirees, average retirement benefit, and liability for retired lives. The number of retirees increased from 714 to 941, an increase of 32%. The average retirement benefit increased from \$305 per month to \$346 per month, an increase of 13%. Liabilities for retirement benefits increased from \$27,395,287 to \$42,526,992, an increase of about 55%.

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This is a significant increase which has had a strong upward effect on past service rates, due to the fact that valuation assets must be diverted to cover these liabilities. The financial reports as of December 31, 1975 indicate that the retiree reserve totaled \$15,246,638 as of that date. Thus, there existed a deficit relating to retirees of \$27,280,354. This deficit was allocated to reduce asset balances of participating employers roughly in proportion to the numbers of retirees attributable to such employers. Thus, in this indirect way, the increase in liabilities for retirees' benefits served to significantly increase unfunded past service liabilities and past service rates.

The net effect of these factors is an increase in employer rates based upon the provisions of the System currently in effect. While this increase affects the rates of different employers differently, the average increase is about 1% of covered pay.

SECTION III  
SUMMARY AND CONCLUSIONS

It is clear that the changes in employee data have substantially increased employer contribution levels.

Based upon the actuarial assumptions outlined in Appendix 2, the funding level of the System has been reduced by these changes for the second successive year. Based upon the results of this valuation, the funding levels for the System have deteriorated to about 50% based upon the provisions of the System currently in effect. This is due in part to the substantial increase in liability for retired lives and in part to the improvement in the quality of the information provided with regard to active lives. This is a substantial reduction in funding level which impacts different employers differently.

It will be important to watch this funding level very carefully in the next several years. As the data on which future valuations are based becomes more and more reliable, this funding ratio should, assuming no changes in the provisions of the System or in actuarial assumptions, stabilize and eventually begin to improve from year to year. If it does not improve on a comparable basis from year to year over a period of time, we will need to consider changes in actuarial assumptions and/or methods.

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APPENDICES

APPENDIX 1  
ACTUARIAL METHOD

ACTUARIAL METHOD

The actuarial method used in this valuation is known as the Aggregate Method with Supplemental Liability. Under this method, the Consolidated Employer Contribution Rate is determined as follows:

- (1) The present value of all benefits accrued and expected to be earned in the future for non-retired participants is calculated, taking into account expected levels of mortality, turnover, disability, salary increases, and investment performance.
- (2) Such present value of benefits is reduced by the sum of:
  - (a) The present value of future employee contributions, taking into account the same items as enumerated in (1), above.
  - (b) The total liability for benefits earned to the valuation date.

The remainder is the portion of the present value of future benefits to be funded by employer contributions at the Consolidated Rate and is called the "Present Value of Future Consolidated Employer Contributions."

- (3) The Consolidated Employer Contribution Rate is determined by dividing the Present Value of Future Consolidated Employer Contributions by the present value of future

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salaries, calculated taking into account those factors enumerated in item (1), above.

The total Employer Contribution Rate for each participating employer is the Consolidated Employer Contribution Rate plus that contribution rate sufficient to fund the unfunded accrued benefit liabilities of such employer over 40 years.

This method effectively spreads the portion of the total projected present value of benefits to be financed by future employer contributions over the expected future working lifetime of the currently covered group. It has the advantage that the effect of actuarial gains and losses (which arise from actual experience that deviates from the actuarial assumptions used) is automatically spread over this period.

APPENDIX 2  
ACTUARIAL ASSUMPTIONS



## ACTUARIAL ASSUMPTIONS

The following assumptions were used as the basis for the valuation included in the report:

- (1) Investment Yield: 5% per annum, net of expenses.
- (2) Assets: Valued at cost.
- (3) Experience: Active Employees
  - (a) Retirement Age - Police & Fire      55 or 20 years service.
  - Others      55 or 30 years service.
  - (b) Disability - See attached Schedule I.
  - (c) Separation - See attached Schedule II.
  - (d) Mortality - 1951 Group Annuity Projection "C" to 1965.
  - (e) Earnings Progression - 5% increase per year.
- (4) Experience: Pensioners and Beneficiaries
  - (a) Mortality - Retired - 1951 Group Annuity Projection "C" to 1965.
  - (b) Disabled - 1944 Disabled Railway Employees Select Mortality Table.
- (5) Loading: None.



Schedule I

PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
OF ALASKA

Disability Rates

All Employees

Annual Rates Per 1,000 Employees

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.70	45	1.62
21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
24	.74	49	2.23
25	.75	50	2.40
26	.76	51	2.60
27	.78	52	2.86
28	.80	53	3.18
29	.82	54	3.55
30	.84	55	4.00
31	.86	56	4.59
32	.88	57	5.34
33	.90	58	6.10
34	.93	59	7.20
35	.96	60	8.43
36	.99	61	9.75
37	1.03	62	11.30
38	1.07	63	13.05
39	1.11	64	14.90
40	1.15		
41	1.20		
42	1.27		
43	1.36		
44	1.48		

Schedule II

STATE OF ALASKA

VALUATION TURNOVER RATES

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.3274	.3753
21	.2782	.3490
22	.2408	.3290
23	.2334	.3254
24	.2151	.3162
25	.1917	.3041
26	.1690	.2916
27	.1528	.2814
28	.1510	.2792
29	.1465	.2734
30	.1408	.2652
31	.1351	.2560
32	.1309	.2471
33	.1303	.2435
34	.1289	.2342
35	.1269	.2218
36	.1248	.2087
37	.1229	.1973
38	.1223	.1937
39	.1207	.1845
40	.1185	.1725
41	.1161	.1603
42	.1140	.1505
43	.1132	.1480
44	.1112	.1416
45	.1081	.1335
46	.1060	.1257
47	.1041	.1200
48	.1038	.1192
49	.1025	.1173
50	.1021	.1150
51	.1012	.1128
52	.1006	.1115
53	.1004	.1112
54	.0996	.1108
55	.0997	.1107
56	.0999	.1114
57	.1009	.1135
58	.1011	.1156
59	.1022	.1208
60	.1047	.1277

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APPENDIX 3  
PARTICIPANT DATA

EXHIBIT 1

AGE GROUP	ANNUAL NUMBER OF PEOPLE	EARNINGS BY AGE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS	SERVICE GROUP	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0-19	306	2845339.	2845339.	9298.	0	3380	40936003.	12111.
20-24	1617	18665757.	18665757.	11543.	1	2696	37799614.	14021.
25-29	2625	39449253.	39449253.	15028.	2	1409	22032925.	15637.
30-34	2128	37227978.	37227978.	17494.	3	1116	18637642.	16700.
35-39	1762	30992269.	30992269.	17589.	4	904	16084349.	17792.
40-44	1424	25806948.	25806948.	18123.	0-4	9505	135489160.	14255.
45-49	1333	24822369.	24822369.	18621.	5-9	2530	50083839.	19796.
50-54	1144	20834410.	20834410.	18212.	10-14	1124	26170665.	23284.
55-59	852	16129738.	16129738.	18932.	15-19	491	12578841.	25619.
60-64	445	8570679.	8570679.	19260.	20-24	93	2378480.	25575.
65-69	128	2258249.	2258249.	17643.	25-29	37	1024033.	27677.
70-74	21	339334.	339334.	16159.	30-34	6	190101.	31683.
75-79	2	33154.	33154.	16577.	35-39	2	79774.	39887.
80+	2	26702.	26702.	13351.	40+	1	5787.	5787.
TOTAL	13789	228002170.	228002170.	16535.	TOTAL	13789	228000670.	16535.

SERVICE GROUPS BY AGE GROUPS

AGE GROUP	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	TOTAL
0-19	0	0	0	0	0	0	0	0	306
20-24	18	0	0	0	0	0	0	0	1617
25-29	239	6	0	0	0	0	0	0	2625
30-34	489	74	3	0	0	0	0	0	2128
35-39	398	192	32	2	0	0	0	0	1762
40-44	313	180	84	9	0	0	0	0	1424
45-49	331	208	112	19	2	0	0	0	1333
50-54	322	198	99	20	11	1	0	0	1144
55-59	251	151	91	30	14	1	0	0	852
60-64	126	86	55	9	8	2	2	0	445
65-69	33	26	14	4	2	0	0	1	128
70-74	9	2	1	0	0	2	0	0	21
75-79	1	1	0	0	0	0	0	0	2
80+	0	0	0	0	0	0	0	0	2
TOTAL	2530	1124	491	93	37	6	2	1	13789

EXHIBIT 2

ALASKA PERS - RETIRED LIVES

VALUATION DATE 12/31/75

----- AGE GROUP	ANNUAL NUMBER OF PEOPLE	EARNINGS BY TOTAL ANNUAL EARNINGS	AGE----- AVERAGE ANNUAL EARNINGS
0-19	0	0.	0.
20-24	2	13731.	6865.
25-29	3	28492.	9497.
30-34	5	45656.	9131.
35-39	10	70251.	7025.
40-44	12	62267.	5189.
45-49	8	69402.	8675.
50-54	40	182527.	4563.
55-59	155	770454.	4971.
60-64	230	932026.	4052.
65-69	288	1117633.	3881.
70-74	133	465157.	3497.
75-79	42	116988.	2785.
80+	13	35724.	2748.
TOTAL	941	3910308.	4155.

EXHIBIT 3  
MISCELLANEOUS INFORMATION  
MEMBERS OF THE  
ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Active Members

	Information as of	
	<u>December 31, 1974</u>	<u>December 31, 1975</u>
(1) Number of Active Participants	14,692	13,789
(2) Number with Complete Information	11,692	13,427
(3) Average Age	37.93 years	37.70 years
(4) Average Service to Date	4.00 years	4.34 years
(5) Average Annual Salary	\$13,235	\$16,535

Retirees and Beneficiaries

(1) Number of Retirees and Beneficiaries	714	941
(2) Average Age	65.02 years	64.04 years
(3) Average Monthly Benefit	\$305	\$346



APPENDIX 4  
ACTUARIAL DETERMINATIONS



EXHIBIT 4  
DEVELOPMENT OF CONSOLIDATED  
EMPLOYER CONTRIBUTION RATE  
FOR 1977-78

(1) Present Value of Fully Projected Benefit for Non-Retired Participants	\$ 307,173,942
(2) Present Value of Benefits Earned to December 31, 1975 by Non-Retired Participants	154,465,769
(3) Present Value of Future Member Contributions	49,389,194
(4) Present Value of Future Consolidated Employer Contributions ((1)-(2)-(3))	103,318,979
(5) Present Value of Future Salaries	1,143,706,600
(6) Consolidated Employer Contribution Rate for Pension Benefits ((4)/(5))	<u>9.03%</u>
(7) Rate for Retiree Medical Insurance	<u>.40%</u>
(8) Total Consolidated Employer Contribution Rate	<u>9.43%</u>

## EXHIBIT 5

DEVELOPMENT OF PAST SERVICE RATES  
FOR 1977-78

## NEW PROVISIONS

	(a) Liability for Benefits Earned to 12-31-75	(b) Adjusted Assets	(c) Unfunded Liability or (Surplus) ((a)-(b))	(d) Payment to Amortize Liability - 40 Years	(e) Salaries	(f) Past Service Rate ((d)/(e))	(g) Funding Ratio ((b)/(a))
State of Alaska	\$102,649,067	\$55,084,943	\$47,564,124	\$2,772,988	\$132,439,546	2.09%	53.7%
City of Skagway	16,449	38,657	(22,208)	(1,295)	119,373	(1.08%)	235.0%
City and Borough of Sitka	1,215,754	458,952	756,802	44,122	1,743,244	2.53%	37.8%
City of Fairbanks	6,527,881	1,972,465	4,555,416	265,581	7,666,133	3.46%	30.2%
City of Haines	31,086	32,216	(1,130)	(66)	136,367	(.05%)	103.6%
University of Alaska	6,625,414	4,282,616	2,342,798	136,585	15,294,315	.89%	64.6%
City of Valdez	416,766	135,730	281,036	16,384	621,172	2.64%	32.6%
City of Kodiak	605,053	329,617	275,436	16,058	995,543	1.61%	54.5%
Alaska Municipal League	127,557	32,575	94,982	5,537	68,528	8.08%	25.5%
City of Kenai	385,449	337,600	47,849	2,790	711,433	.39%	87.6%
Municipality of Anchorage	26,100,148	9,529,518	16,570,630	966,068	45,065,660	2.14%	36.5%
North Star Borough	2,385,463	1,457,260	928,203	54,114	5,811,485	.93%	61.1%
Ketchikan Gateway Borough	87,334	91,390	(4,056)	(236)	448,870	(.05%)	104.6%
Matanuska-Susitna Borough	888,011	409,138	478,873	27,918	1,403,532	1.99%	46.1%
City of Soldotna	23,397	27,442	(4,045)	(236)	38,910	(.61%)	117.3%
City and Borough of Juneau	3,497,664	2,174,540	1,323,124	77,138	6,139,028	1.26%	62.2%
City of Wrangell	203,065	88,693	114,372	6,668	497,570	1.34%	43.7%
City of Bethel	14,686	10,272	4,414	257	40,062	.64%	69.9%
Valdez City Schools	38,840	25,811	13,029	760	328,896	.23%	66.5%
Hoonah City Schools	113,210	23,420	89,790	5,235	169,140	3.10%	20.7%
Nome Public Utilities	203,525	52,434	151,091	8,809	389,831	2.26%	25.8%
City of Kotzebue	20,696	29,243	(8,547)	(498)	174,005	(.29%)	141.3%
City of Galena	6,085	8,035	(1,950)	(114)	41,842	(.27%)	132.0%
King Cove City Schools	1,134	3,062	(1,928)	(112)	30,157	(.37%)	270.0%
City of Petersburg	324,547	91,458	233,089	13,589	707,971	1.92%	28.2%
Bristol Bay Borough	129,857	8,326	121,531	7,085	119,182	5.94%	6.4%
North Slope Borough	302,174	55,484	246,690	14,382	464,637	3.10%	18.4%
Wrangell City Schools	85,060	9,353	75,707	4,414	59,559	7.41%	11.0%
Unorganized Borough Schools	1,179,637	463,342	716,295	41,760	5,544,120	.75%	39.3%
City of Cordova	162,473	45,297	117,176	6,831	492,934	1.39%	27.9%
Nome City Schools	65,545	19,760	45,785	2,669	178,455	1.50%	30.1%
City of King Cove	24,529	4,927	19,602	1,143	43,624	2.62%	20.1%
Selawik Schools	8,213	-0-	8,213	479	16,995	2.82%	-0-
	<u>\$154,465,769</u>	<u>\$77,333,576</u>	<u>\$77,132,193</u>	<u>\$4,496,807</u>	<u>\$228,002,119</u>	<u>1.97%</u>	<u>50.1%</u>



EXHIBIT 6  
BREAKDOWN OF PRESENT VALUE  
OF BENEFITS

	<u>Present Value of Accrued Benefit</u>	<u>Present Value of Fully Projected Benefit</u>
Retirement Benefit	\$123,188,970	\$224,473,629
Disability Benefit	2,871,736	4,999,388
Death Benefits	4,080,913	6,744,058
Termination Benefits	20,553,340	67,186,057
Contributions plus Interest for Inactive Members	<u>3,770,810</u>	<u>3,770,810</u>
Total Present Value of Benefit for all Non- Retired Members	<u>\$154,465,769</u>	<u>\$307,173,942</u>
Present Value of Benefits for Pensioners	42,526,992	42,526,992
Total Present Value of Benefits	<u>\$196,992,761</u>	<u>\$349,700,934</u>

PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
OF ALASKA

1. Plan

Public Employees' Retirement System of Alaska.

2. Effective Date

January 1, 1961.

3. Amended

April 19, 1961  
April 19, 1962  
February 18, 1964  
May 29, 1964  
July 1, 1964  
May 12, 1966  
April 3, 1968  
July 1, 1968  
July 1, 1970  
July 1, 1972  
July 1, 1974  
July 1, 1975  
July 1, 1976

4. Administration of Plan

The Commissioner of Administration is responsible for administration of the System, Public Employees' Retirement Board adopts rules and regulations to carry out provisions of the Act, and Commissioner of Revenue invests the Fund.

**WILLIAM M.  
MERCER**

APPENDIX 5  
SUMMARY OF THE PROVISIONS  
OF THE  
ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
AS OF  
JULY 1, 1976

# WILLIAM M. MERCER

## 5. Employers Included

State of Alaska and any political subdivisions and public or quasi-public organizations thereof (as of December 31, 1975, there were: 32 participating employer groups in addition to the State for which separate contribution rates are determined).

## 6. Employees Included

All regular full-time employees of the State and participating political subdivisions, exclusive of those covered by the Alaska Teachers' Retirement System, the Alaska Judges' System, or any employee on whose behalf the State is making contributions to another Retirement System. Elected officials may elect to participate at their option.

## 7. Service Considered

### Future:

Hire or 1/1/61, if later, to date of termination, death, or retirement. Up to 5 years of military service may be recognized if appropriately claimed and appropriate employee contribution paid.

### Past:

Service credit for all service with State and Territory prior to January 1, 1961, if the employee completed three years of service after January 1, 1961. Elected official

has past service credit only if he pays contributions for all of his service after January 1, 1961. Service with political subdivision prior to effective date included at option of political subdivision.

Break in Future Service:

Any termination. But if employee returns and makes contribution equal to refund paid plus interest, the service before the break is reinstated.

8. Compensation Considered

Total compensation during three consecutive calendar years of credited service which yield the highest average monthly compensation (total compensation during period divided by number of months included).

9. Employer Contributions

Separate contribution rate for each employer equal to the sum of:

(1) Consolidated Rate

A uniform rate for all participating employers sufficient to amortize all future service liabilities (less value of employee contributions) over the future working lifetimes of the covered group.

(2) Past Service Rate

A rate determined separately for each employer sufficient

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to amortize such employer's unfunded past service liabilities over 40 years.

## 10. Employee Contributions

### Mandatory Employee Contributions:

Police & Fire - 5%

Other - 4 1/4%

### Refund at Termination (no vesting):

Return of voluntary and mandatory contributions with interest.

### Refund at Death:

If no widow's pension payable, return of voluntary and mandatory contributions with interest.

## 11. Normal Retirement Benefit

### Eligibility:

Age 55 or 20 years - Police & Fire

Age 55 or 30 years - Other

### Type:

Life only with optional joint and survivor benefit (actuarially reduced).

### Amount:

2% of highest three consecutive year average salary for each year of service - Other.

2% for the first 10 years of service plus 2 1/2% for

years of service in excess of 10, of highest consecutive three-year average salary - Police & Fire.

12. Early Retirement Benefit

Eligibility:

Age 50 and 5 years service - all employees.

Type:

Life only.

Amount:

Actuarial equivalent of Normal Retirement Benefit based on service and compensation to Early Retirement Date.

13. Deferred Vested Benefit

Eligibility:

Five years of service, withdrawal of employee contributions voids vested rights.

Type:

Life only or joint and survivor benefit (actuarially reduced).

Amount:

Monthly benefit begins on employee's Normal Retirement Date.

Amount determined the same as Normal Retirement Benefit taking into account compensation and service prior to termination.

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## 14. Disability Benefit

### Occupational Disability:

#### Eligibility:

No age or service requirements.

#### Type:

Monthly benefit payable until death or recovery.

#### Amount:

40% of gross monthly compensation at date of disability. The benefit terminates at Normal Retirement Date with full Normal Retirement Benefit commencing at that point.

### Non-Occupational Disability:

#### Eligibility:

Five years of service.

#### Type:

Monthly benefit payable until death or recovery.

#### Amount:

Same as vested benefit except payments commence immediately.

## 15. Death Benefit Before Retirement

### Occupational:

No age or service requirements.

Benefit: 40% of gross monthly compensation at date

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of death or disability, if earlier. At participant's Normal Retirement Date, benefit converts to Normal Retirement benefit based on pay at date of disability or death and credited service, including period from date of disability or death to Normal Retirement Date.

## Non-Occupational:

If no widow's benefit is payable, lump-sum death benefit of \$1,000 plus \$100 per each completed year of service and the participant's contributions with interest. Alternatively, an income benefit is available at death after five years of service based on 50% J&S equivalent of accrued Normal Retirement Benefit.

## 16. Death Benefits After Retirement

The employee's beneficiary receives a lump sum equal to the excess of his contribution account immediately prior to retirement over the sum of the pension payments previously received by the employee.

## 17. Post-Retirement Pension Adjustment

Commissioner of Administration may recommend post-retirement increases on account of increasing cost of living up to 4% each year.

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## 18. Cost-of-Living Allowance

A retired employee who remains in Alaska is eligible for an additional allowance, equal to 10% of his basic retirement benefit, or \$50 per month, whichever is greater.

## 19. Optional Employee Savings Account

An employee can voluntarily contribute up to 5% of his compensation. This amount is recorded in a separate account and is payable:

- (a) In the event of termination before retirement for any reason other than death, as a lump sum to the employee,
- (b) In the event of termination on account of death, as a lump sum to the employee's beneficiary,
- (c) On retirement, as a lump sum, life annuity on cash refund basis or installments over limited period.