



State of Alaska
Public Employees' Retirement System
Defined Contribution Retirement Plan
For Occupational Death and Disability
And Retiree Medical Benefits

Actuarial Valuation Report
As of June 30, 2009

buckconsultants®

Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
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July 12, 2010

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

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

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System Defined Contribution Retirement (DCR) Plan has been prepared as of June 30, 2009 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the Plan as of June 30, 2009;
- (2) a review of experience under the Plan for the year ended June 30, 2009;
- (3) a determination of the appropriate contribution rate which will be applied for the fiscal year ending June 30, 2012; 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 (Section 2.3)
- (2) Schedule of active member valuation data (Section 2.2(b))
- (3) Solvency test (Section 3.2)
- (4) Summary of GASB No. 25 and 43 disclosure information (Section 3.1)

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 Plan 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 contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The amortization period is set by the Alaska Retirement Management Board (Board). Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities increased from 198.56% to 199.56% during the year. This report provides an analysis of the factors that led to the increase.

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 of the Plan.

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, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

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

The Alaska Retirement Management Board, The Department
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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. Sliskinsky, ASA, EA, MAAA
Principal, Consulting Actuary



Michelle Reding DeLange, FSA, EA, MAAA
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 Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

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Report Highlights

This report has been prepared by Buck Consultants for the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan, to:

- Present the results of a valuation of the State of Alaska Public Employees' Retirement System Defined Contribution Retirement Plan as of June 30, 2009;
- Review experience under the Plan for the year ended June 30, 2009;
- Determine the appropriate contribution rate for all employers in the Plan; and
- Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the Plan during Fiscal Year 2009, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the Plan provisions, provides information relating to the Plan members, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 provides reporting and disclosure information for financial statements, governmental agencies and other interested parties.

The principal results are as follows:

Funding Status as of June 30¹	2008	2009
(a) Accrued Liability ²	\$ 2,018	\$ 4,316
(b) Valuation Assets ²	<u>4,007</u>	<u>8,613</u>
(c) Unfunded Accrued Liability ² , (a) – (b)	\$ (1,989)	\$ (4,297)
(d) Funding Ratio based on Valuation Assets, (b) ÷ (a)	198.6%	199.6%
(e) Market Value of Assets ²	\$ 3,684	\$ 7,372
(f) Funding Ratio based on Market Assets, (e) ÷ (a)	182.6%	170.8%

¹ Includes occupational death & disability and retiree medical benefits.

² In thousands.

Report Highlights *(continued)*

Total Employer Contribution Rates for Occupational Death & Disability for Fiscal Year Ending:			2011	2012
(a) Employer Normal Cost Rate			0.42%	0.25%
(b) Past Service Cost Rate			<u>(0.03)%</u>	<u>(0.05)%</u>
(c) Total Employer Contribution Rate, (a) + (b), not less than 0%			0.39%	0.20%
Total Employer Contribution Rates for Retiree Medical for Fiscal Year Ending:			2011	2012
(a) Employer Normal Cost Rate			0.58%	0.54%
(b) Past Service Cost Rate			<u>(0.03)%</u>	<u>(0.03)%</u>
(c) Total Employer Contribution Rate, (a) + (b), not less than 0%			0.55%	0.51%
Total Employer Contribution Rates for Fiscal Year Ending:			2011	2012
(a) Total Employer Contribution Rate			0.94%	0.71%
(b) Board Adopted Total Employer Contribution Rate			0.94%	0.71%

The exhibit below shows the historical Board adopted employer contribution rates for the DCR Plan.

Valuation Date	Fiscal Year	Total Employer Contribution Rate		
		Occupational Death & Disability (PF / Others)	Retiree Medical	Total (PF / Others)
N/A	FY07	0.40% / 0.30%	1.75%	2.15% / 2.05%
N/A	FY08	1.33% / 0.58%	0.99%	2.32% / 1.57%
N/A	FY09	1.33% / 0.58%	0.99%	2.32% / 1.57%
June 30, 2007	FY10	1.33% / 0.30%	0.83%	2.16% / 1.13%
June 30, 2008	FY11	1.18% / 0.31%	0.55%	1.73% / 0.86%
June 30, 2009	FY12	0.97% / 0.11%	0.51%	1.48% / 0.62%

Contribution rates are based on salary for DCR Plan members only.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, retiree medical liabilities are gross of the retiree drug subsidy and based on a discount rate in accordance with GASB parameters.

Analysis of Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2009 has increased from 198.56% to 199.56%, an increase of 1.00%. The total calculated Employer contribution rate has decreased from 0.94% of payroll for FY11 to 0.71% for FY12, a decrease of 0.23%. The reasons for the change in the funded status and calculated contribution rate are explained below.

(1) Retiree Medical Costs and Assumptions

Please refer to Section 2.3 of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2009 for a full description of the assumptions and costs of the retiree medical plan. Adjustments from these costs and assumptions are described in this report.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2009 for PERS with some adjustments to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY09 claims costs were reduced 5.9% for medical and 0.7% for prescription drugs. Retiree out-of-pocket amounts were indexed 4.8% each year to reflect the effect of the deductible leveraging on trend, putting the annual projected trend closer to the ultimate trend rate.

(2) Investment Experience

The approximate FY09 investment return based on market value was (12.96)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately \$1,250 thousand to the Plan from investment experience. The asset valuation method recognizes 20 percent of this loss (\$250,000) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY07 investment loss and 20 percent of the FY08 investment loss were recognized this year. The approximate FY09 investment return based on actuarial value was 2.44% compared to the expected investment return of 8.25%.

(3) Salary Increase

During the period from June 30, 2008 to June 30, 2009, salary increases for continuing active members were more than anticipated in the valuation assumptions.

(4) Demographic Experience

The number of active participants increased 43.63% from 5,052 at June 30, 2008 to 7,256 at June 30, 2009 due to the opening of the DCR Plan to new entrants as of July 1, 2006. The average age of active participants increased from 37.03 to 37.68 and average credited service increased from 0.91 to 1.29 years.

Analysis of Valuation *(continued)*

(5) Changes in Methods from the Prior Valuation

There were no changes in asset or valuation methods from the prior valuation.

(6) Changes in Assumptions from the Prior Valuation

There was one change in assumptions from the prior valuation. The percent of death and disabilities assumed to be from occupational causes decreased from 100% to 75% for Peace Officer/Firefighter and from 100% to 50% for Others. This was the most significant change during 2009 on the total employer contribution rate. This change reduced the rate from 0.93% to 0.71%.

(7) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

Section 1

This section sets forth the results of the actuarial valuation.

Section 1.1(a) Statement of Net Assets.

Section 1.1(b) Statement of Changes in Net Assets During FY09 and the Investment Return During FY09.

Section 1.1(c) Actuarial Value of Assets.

Section 1.2(a) Actuarial Present Values for Peace Officer/Firefighter.

Section 1.2(b) Actuarial Present Values for Others.

Section 1.2(c) Actuarial Present Values for All Members.

Section 1.3(a) Development of Total Employer Contribution Rate for Peace Officer/Firefighter for FY12.

Section 1.3(b) Development of Total Employer Contribution Rate for Others for FY12.

Section 1.3(c) Development of Total Employer Contribution Rate for All Members for FY12.

Section 1.4 Development of Actuarial Gain or Loss for FY09.

1.1(a) Statement of Net Assets

As of June 30, 2009 (in thousands)	Occupational Death & Disability	Retiree Medical	Total Market Value
Cash and Cash Equivalents	\$ 22	\$ 30	\$ 52
Domestic Equity Pool	874	1,502	2,376
Domestic Fixed Income Pool	339	582	921
International Equity Pool	387	667	1,054
Real Estate Pool	204	351	555
International Fixed Income Pool	47	81	128
Private Equity Pool	176	302	478
Emerging Markets Equity Pool	127	219	346
Other Investments Pool	106	189	295
High Yield Pool	47	81	128
Absolute Return Pool	158	272	430
Treasury Inflation Protection Pool	80	136	216
Emerging Debt Pool	11	18	29
Loans and Mortgages (Net of Reserves)	0	0	0
Net Accrued Receivables	<u>145</u>	<u>219</u>	<u>364</u>
Net Assets	\$ 2,723	\$ 4,649	\$ 7,372
Peace Officer/Firefighter	\$ 577	N/A	N/A
Others	<u>2,146</u>	<u>N/A</u>	<u>N/A</u>
All Members	\$ 2,723	\$ 4,649	\$ 7,372

1.1(b) Statement of Changes in Net Assets

Fiscal Year 2009 (in thousands)	Occupational Death & Disability	Retiree Medical	Total Market Value
(1) Net Assets, June 30, 2008 (market value)	\$ 1,205	\$ 2,479	\$ 3,684
(2) Additions:			
(a) Member Contributions	\$ 0	\$ 0	\$ 0
(b) Employer Contributions	1,787	2,667	4,454
(c) Interest and Dividend Income	39	73	112
(d) Net Appreciation (Depreciation) in Fair Value of Investments	(308)	(570)	(878)
(e) Other	<u>0</u>	<u>0</u>	<u>0</u>
(f) Total Additions	\$ 1,518	\$ 2,170	\$ 3,688
(3) Deductions:			
(a) Medical Benefits	\$ 0	\$ 0	\$ 0
(b) Death & Disability Benefits	0	0	0
(c) Investment Expenses	0	0	0
(d) Administrative Expenses	<u>0</u>	<u>0</u>	<u>0</u>
(e) Total Deductions	\$ 0	\$ 0	\$ 0
(4) Net Assets, June 30, 2009 (market value)	\$ 2,723	\$ 4,649	\$ 7,372

Approximate Market Value Investment Return Rate
During FY09 Net of All Expenses

(12.96)%

1.1(c) Actuarial Value of Assets

The actuarial value of assets and the market value were \$0 at June 30, 2006. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands	Occupational Death & Disability	Retiree Medical	Total
(1) Deferral of Investment Return/(Loss) for FY09			
(a) Market Value, June 30, 2008	\$ 1,205	\$ 2,479	\$ 3,684
(b) Contributions for FY09	1,787	2,667	4,454
(c) Benefit Payments for FY09	0	0	0
(d) Actual Investment Return (<i>net of expenses</i>)	(269)	(497)	(766)
(e) Expected Return Rate (<i>net of expenses</i>)	8.25%	8.25%	8.25%
(f) Expected Return	172	312	484
(g) Investment Gain/(Loss) for the Year (<i>d. - f.</i>)	(441)	(809)	(1,250)
(h) Deferred Investment Return/(Loss)	(415)	(826)	(1,241)
(2) Actuarial Value, June 30, 2009			
(a) Market Value, June 30, 2009	\$ 2,723	\$ 4,649	\$ 7,372
(b) 2009 Deferred Investment Return/(Loss)	(415)	(826)	(1,241)
(c) Preliminary Actuarial Value, June 30, 2009 (<i>a. - b.</i>)	3,138	5,475	8,613
(d) Upper Limit: 120% of Market Value, June 30, 2009	3,267	5,578	8,845
(e) Lower Limit: 80% of Market Value, June 30, 2009	2,179	3,720	5,899
(f) Actuarial Value, June 30, 2009 (<i>c. limited by d. and e.</i>)	\$ 3,138	\$ 5,475	\$ 8,613
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	115.24%	117.77%	116.83%
(h) Approximate Actuarial Value Investment Return Rate During FY09 Net of All Expenses	2.89%	2.20%	2.44%
(3) Actuarial Value Allocation*			
(a) Peace Officer/Firefighter	\$ 665	N/A	N/A
(b) Others	2,473	N/A	N/A
(c) All Members	\$ 3,138	\$ 5,475	\$ 8,613

*Allocated using market value of assets

1.1(c) Actuarial Value of Assets (continued)

The tables below show the development of gain/(loss) to be recognized in the current year (in thousands).

Occupational Death & Disability

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2007	\$ (3)	\$ (2)	\$ (1)	\$ 0
6/30/2008	(102)	(20)	(20)	(62)
6/30/2009	(441)	0	(88)	(353)
Total	\$ (546)	\$ (22)	\$ (109)	\$ (415)

Retiree Medical

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2007	\$ (16)	\$ (6)	\$ (3)	\$ (7)
6/30/2008	(288)	(58)	(58)	(172)
6/30/2009	(809)	0	(162)	(647)
Total	\$ (1,113)	\$ (64)	\$ (223)	\$ (826)

Total

Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2007	\$ (19)	\$ (8)	\$ (4)	\$ (7)
6/30/2008	(390)	(78)	(78)	(234)
6/30/2009	(1,250)	0	(250)	(1,000)
Total	\$ (1,659)	\$ (86)	\$ (332)	\$ (1,241)

1.2(a) Actuarial Present Values – Peace Officer/Firefighter

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 100	\$ 16
Occupational Disability Benefits	268	295
Medical and Prescription Drug Benefits	175	329
Medicare Part D Subsidy	<u>(24)</u>	<u>(44)</u>
Subtotal	\$ 519	\$ 596
Benefit Recipients		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
Total	\$ 519	\$ 596
Total Occupational Death & Disability	\$ 368	\$ 311
Total Retiree Medical, Net of Part D Subsidy	\$ 151	\$ 285
Total Retiree Medical, Gross of Part D Subsidy	\$ 175	\$ 329

1.2(b) Actuarial Present Values - Others

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 204	\$ 37
Occupational Disability Benefits	290	55
Medical and Prescription Drug Benefits	1,993	4,265
Medicare Part D Subsidy	<u>(297)</u>	<u>(637)</u>
Subtotal	\$ 2,190	\$ 3,720
Benefit Recipients		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
Total	\$ 2,190	\$ 3,720
Total Occupational Death & Disability	\$ 494	\$ 92
Total Retiree Medical, Net of Part D Subsidy	\$ 1,696	\$ 3,628
Total Retiree Medical, Gross of Part D Subsidy	\$ 1,993	\$ 4,265

1.2(c) Actuarial Present Values – All Members

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 304	\$ 53
Occupational Disability Benefits	558	350
Medical and Prescription Drug Benefits	2,168	4,594
Medicare Part D Subsidy	<u>(321)</u>	<u>(681)</u>
Subtotal	\$ 2,709	\$ 4,316
Benefit Recipients		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
Total	\$ 2,709	\$ 4,316
Total Occupational Death & Disability	\$ 862	\$ 403
Total Retiree Medical, Net of Part D Subsidy	\$ 1,847	\$ 3,913
Total Retiree Medical, Gross of Part D Subsidy	\$ 2,168	\$ 4,594

**1.3(a) Development of Total Employer Contribution Rate – FY12
Peace Officer/Firefighter
(in thousands)**

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
(1) Total Normal Cost	\$ 368	\$ 151	\$ 519
(2) DCR Plan Member Salaries Projected for FY10	35,274	35,274	35,274
(3) Employer Normal Cost Rate, (1) / (2)	1.04%	0.43%	1.47%
Past Service Rate			
(1) Accrued Liability	\$ 311	\$ 285	\$ 596
(2) Valuation Assets	665	399	1,064
(3) Total Unfunded Liability, (1) - (2)	(354)	(114)	(468)
(4) Funded Ratio based on Valuation Assets	213.8%	140.0%	178.5%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(23)	(7)	(30)
(6) DCR Plan Member Salaries Projected for FY10	35,274	35,274	35,274
(7) Past Service Cost Rate, (5) / (6)	(0.07)%	(0.02)%	(0.09)%
Total Employer Contribution Rate	0.97%	0.41%	1.38%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

**Total Employer Contribution Rate as Percent of
Total Payroll**

(1) Total Normal Cost	\$ 368	\$ 151	\$ 519
(2) Total DB and DCR Plan Member Salaries Projected for FY10	239,462	239,462	239,462
(3) Employer Normal Cost Rate, (1) / (2)	0.15%	0.06%	0.21%
(4) Past Service Cost Amortization Payment	\$ (23)	\$ (7)	\$ (30)
(5) Past Service Cost Rate, (4) / (2)	(0.01)%	0.00%	(0.01)%
(6) Total Employer Contribution Rate, (3) + (5)	0.14%	0.06%	0.20%

1.3(a) Development of Total Employer Contribution Rate – FY12 Peace Officer/Firefighter (continued)

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (100)	\$ (102)	\$ (7)
FY08 Gain	06/30/2008	24	(586)	(594)	(38)
Change in Assumptions	06/30/2009	25	(104)	(104)	(6)
FY09 Loss	06/30/2009	25	446	446	28
Total				\$ (354)	\$ (23)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (21)	\$ (22)	\$ (1)
Change in Assumptions	06/30/2008	24	17	17	1
FY08 Gain	06/30/2008	24	(62)	(63)	(4)
Change in Assumptions	06/30/2009	25	(8)	(8)	(1)
FY09 Gain	06/30/2009	25	(38)	(38)	(2)
Total				\$ (114)	\$ (7)

**1.3(a) Development of Total Employer Contribution Rate – FY12
Peace Officer/Firefighter (continued)**

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (121)	\$ (124)	\$ (8)
Change in Assumptions	06/30/2008	24	17	17	1
FY08 Gain	06/30/2008	24	(648)	(657)	(42)
Change in Assumptions	06/30/2009	25	(112)	(112)	(7)
FY09 Loss	06/30/2009	25	408	408	26
Total				\$ (468)	\$ (30)

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 15.600000. The amortization method is level percentage of pay.

The equivalent single amortization period is 24.

1.3(b) Development of Total Employer Contribution Rate – FY12
Others
(in thousands)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
(1) Total Normal Cost	\$ 494	\$ 1,696	\$ 2,190
(2) DCR Plan Member Salaries Projected for FY10	305,086	305,086	305,086
(3) Employer Normal Cost Rate, (1) / (2)	0.16%	0.56%	0.72%
Past Service Rate			
(1) Accrued Liability	\$ 92	\$ 3,628	\$ 3,720
(2) Valuation Assets	2,473	5,076	7,549
(3) Total Unfunded Liability, (1) - (2)	(2,381)	(1,448)	(3,829)
(4) Funded Ratio based on Valuation Assets	2,688.0%	139.9%	202.9%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(148)	(92)	(240)
(6) DCR Plan Member Salaries Projected for FY10	305,086	305,086	305,086
(7) Past Service Cost Rate, (5) / (6)	(0.05)%	(0.03)%	(0.08)%
Total Employer Contribution Rate	0.11%	0.53%	0.64%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

**Total Employer Contribution Rate as Percent of
Total Payroll**

(1) Total Normal Cost	\$ 494	\$ 1,696	\$ 2,190
(2) Total DB and DCR Plan Member Salaries Projected for FY10	1,763,679	1,763,679	1,763,679
(3) Employer Normal Cost Rate, (1) / (2)	0.03%	0.10%	0.13%
(4) Past Service Cost Amortization Payment	\$ (148)	\$ (92)	\$ (240)
(5) Past Service Cost Rate, (4) / (2)	(0.01)%	(0.01)%	(0.02)%
(6) Total Employer Contribution Rate, (3) + (5)	0.02%	0.09%	0.11%

1.3(b) Development of Total Employer Contribution Rate – FY12 Others (continued)

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (40)	\$ (42)	\$ (2)
FY08 Gain	06/30/2008	24	(318)	(323)	(20)
Change in Assumptions	06/30/2009	25	(92)	(92)	(6)
FY09 Gain	06/30/2009	25	(1,924)	(1,924)	(120)
Total				\$ (2,381)	\$ (148)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (335)	\$ (344)	\$ (23)
Change in Assumptions	06/30/2008	24	165	168	11
FY08 Gain	06/30/2008	24	(702)	(712)	(45)
Change in Assumptions	06/30/2009	25	(122)	(122)	(7)
FY09 Gain	06/30/2009	25	(438)	(438)	(28)
Total				\$ (1,448)	\$ (92)

1.3(b) Development of Total Employer Contribution Rate – FY12 Others (continued)

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (375)	\$ (386)	\$ (25)
Change in Assumptions	06/30/2008	24	165	168	11
FY08 Gain	06/30/2008	24	(1,020)	(1,035)	(65)
Change in Assumptions	06/30/2009	25	(214)	(214)	(13)
FY09 Gain	06/30/2009	25	(2,362)	(2,362)	(148)
Total				\$ (3,829)	\$ (240)

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 15.954167. The amortization method is level percentage of pay.

The equivalent single amortization period is 25.

1.3(c) Development of Total Employer Contribution Rate – FY12
All Members
(in thousands)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
(1) Total Normal Cost	\$ 862	\$ 1,847	\$ 2,709
(2) DCR Plan Member Salaries Projected for FY10	340,360	340,360	340,360
(3) Employer Normal Cost Rate, (1) / (2)	0.25%	0.54%	0.79%
Past Service Rate			
(1) Accrued Liability	\$ 403	\$ 3,913	\$ 4,316
(2) Valuation Assets	3,138	5,475	8,613
(3) Total Unfunded Liability, (1) - (2)	(2,735)	(1,562)	(4,297)
(4) Funded Ratio based on Valuation Assets	778.7%	139.9%	199.6%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(171)	(99)	(270)
(6) DCR Plan Member Salaries Projected for FY10	340,360	340,360	340,360
(7) Past Service Cost Rate, (5) / (6)	(0.05)%	(0.03)%	(0.08)%
Total Employer Contribution Rate	0.20%	0.51%	0.71%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

**Total Employer Contribution Rate as Percent of
Total Payroll**

(1) Total Normal Cost	\$ 862	\$ 1,847	\$ 2,709
(2) Total DB and DCR Plan Member Salaries Projected for FY10	2,003,141	2,003,141	2,003,141
(3) Employer Normal Cost Rate, (1) / (2)	0.04%	0.09%	0.13%
(4) Past Service Cost Amortization Payment	\$ (171)	\$ (99)	\$ (270)
(5) Past Service Cost Rate, (4) / (2)	(0.01)%	0.00%	(0.01)%
(6) Total Employer Contribution Rate, (3) + (5)	0.03%	0.09%	0.12%

1.3(c) Development of Total Employer Contribution Rate – FY12 All Members (continued)

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (140)	\$ (144)	\$ (9)
FY08 Gain	06/30/2008	24	(904)	(917)	(58)
Change in Assumptions	06/30/2009	25	(196)	(196)	(12)
FY09 Gain	06/30/2009	25	(1,478)	(1,478)	(92)
Total				\$ (2,735)	\$ (171)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (356)	\$ (366)	\$ (24)
Change in Assumptions	06/30/2008	24	182	185	12
FY08 Gain	06/30/2008	24	(764)	(775)	(49)
Change in Assumptions	06/30/2009	25	(130)	(130)	(8)
FY09 Gain	06/30/2009	25	(476)	(476)	(30)
Total				\$ (1,562)	\$ (99)

1.3(c) Development of Total Employer Contribution Rate – FY12
All Members (continued)

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	23	\$ (496)	\$ (510)	\$ (33)
Change in Assumptions	06/30/2008	24	182	185	12
FY08 Gain	06/30/2008	24	(1,668)	(1,692)	(107)
Change in Assumptions	06/30/2009	25	(326)	(326)	(20)
FY09 Gain	06/30/2009	25	(1,954)	(1,954)	(122)
Total				\$ (4,297)	\$ (270)

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 15.914815.
The amortization method is level percentage of pay.

The equivalent single amortization period is 24.

1.4 Development of Actuarial Gain/(Loss) for FY09 (in thousands)

	Occupational Death & Disability	Retiree Medical	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2008	\$ 242	\$ 1,776	\$ 2,018
(b) Normal Cost for FY09	940	1,295	2,235
(c) Interest on (a) and (b) at 8.25%	98	253	351
(d) Benefit Payments for FY09	0	0	0
(e) Interest on (d) at 8.25% for One-half year	0	0	0
(f) Change in Assumptions	(196)	(130)	(326)
(g) Expected Accrued Liability as of June 30, 2009 (a) + (b) + (c) - (d) - (e) + (f)	1,084	3,194	4,278
(2) Actual Accrued Liability, June 30, 2009	403	3,913	4,316
(3) Liability Gain/(Loss), (1)(g) - (2)	\$ 681	\$ (719)	\$ (38)
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2008	\$ 1,288	\$ 2,719	\$ 4,007
(b) Interest on (a) at 8.25%	106	224	330
(c) Employer Contributions for FY09	1,787	2,667	4,454
(d) Interest on (c) at 8.25% for one-half year	72	108	180
(e) Benefit Payments for FY09	0	0	0
(f) Interest on (e) at 8.25% for one-half year	0	0	0
(g) Expected Actuarial Asset Value, June 30, 2009 (a) + (b) + (c) + (d) - (e) - (f)	3,253	5,718	8,971
(5) Actuarial Asset Value, June 30, 2009	3,138	5,475	8,613
(6) Actuarial Asset Gain/(Loss), (5) - (4)(g)	\$ (115)	\$ (243)	\$ (358)
(7) Actuarial Gain/(Loss), (3) + (6)	\$ 566	\$ (962)	\$ (396)
(8) Effect of the 2-Year Delay on Contributions	\$ 912	\$ 1,438	\$ 2,350
(9) FY09 Gain/(Loss) to be Amortized, (7) + (8)	\$ 1,478	\$ 476	\$ 1,954

Section 2

In this section, the basis of the valuation is presented and described. This information – the provisions of the Plan and the census of participants – is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of the Plan's provisions is provided in Section 2.1 and member census information is shown in Section 2.2.

The valuation is based upon the premise that the Plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund; the number of members who will retire, die or terminate their services; their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the Plan in a reasonable and acceptable manner, are described in Section 2.3.

2.1 Summary of Plan Provisions

(1) Effective Date

July 1, 2006, with amendments through June 30, 2009.

(2) Administration of Plan

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

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

(3) Employers Included

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

(4) Membership

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a participant in the Plan:

- Permanent full-time or part-time employees of the State of Alaska, participating political subdivisions or public organizations. An employee must be regularly scheduled to work 30 or more hours per week to be considered full-time by the PERS. An employee must be regularly scheduled to work 15 or more hours per week but less than 30 hours to be considered a part-time employee for PERS purposes.
- Elected state officials.
- Elected municipal officials who are compensated and receive at least \$2,001.00 per month.

Members can convert to the DCR Plan if they are an eligible nonvested member of the PERS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the PERS DCR Plan.

2.1 Summary of Plan Provisions *(continued)*

(5) Member Contributions

There are no member contributions for the occupational death & disability and retiree medical benefits.

(6) Retiree Medical

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service for Others members and 25 years of service for Peace Officer/Firefighter members, or b) Medicare eligible and 10 years of service.
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The plan's coverage is supplemental to Medicare.
- The Medicare-eligible premium will be based on the member's years of service. The percentage of premium paid by the member is as follows:

Years of Service	Percent of Premium Paid by Member
Less than 15 years	30%
15 – 19	25%
20 – 24	20%
25 – 29	15%
30 years or more	10%

2.1 Summary of Plan Provisions *(continued)*

(7) Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.
- There is no increase in the benefit after commencement.
- Member earns service while on occupational disability.
- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service for Others members of 25 years of service for Peace Officer/Firefighter members.
- Peace Officer/Firefighter members may select the defined contribution account or the monthly benefit payable as if they were retiring under Tier 3 (service continues during disability, final average salary is as of date of disability).
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

(8) Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- There is no increase in the benefit after commencement.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

Changes Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

2.2(a) Member Census Information – Total PERS

As of June 30	2006	2007	2008	2009
Active Members				
(1) Number	0	2,827	5,052	7,256
(2) Average Age	N/A	36.75	37.03	37.68
(3) Average Credited Service	N/A	0.54	0.91	1.29
(4) Average Entry Age	N/A	36.21	36.12	36.39
(5) Average Annual Earnings	\$ 0	\$ 37,358	\$ 40,371	\$ 43,291
Retirees, Disableds and Beneficiaries				
(1) Number	0	0	0	0
(2) Average Age	N/A	N/A	N/A	N/A
(3) Average Monthly Death & Disability Benefit	N/A	N/A	N/A	N/A
Inactive Members*				
(1) Number	0	0	0	0

*Inactive members are not eligible for future benefits from the Plan.

Average annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(b) Additional Information – Active Members

As of June 30	2006	2007	2008	2009
Peace Officer/Firefighter				
(1) Number	0	166	390	585
(2) Average Age	N/A	34.39	33.04	33.55
(3) Average Credited Service	N/A	0.53	0.94	1.42
(4) Average Entry Age	N/A	33.86	32.10	32.13
(5) Average Annual Earnings	\$ 0	\$ 48,130	\$ 51,023	\$ 56,617
Others				
(1) Number	0	2,661	4,662	6,671
(2) Average Age	N/A	36.90	37.36	38.04
(3) Average Credited Service	N/A	0.54	0.91	1.28
(4) Average Entry Age	N/A	36.36	36.45	36.76
(5) Average Annual Earnings	\$ 0	\$ 36,686	\$ 39,480	\$ 42,122
Total				
(1) Number	0	2,827	5,052	7,256
(2) Average Age	N/A	36.75	37.03	37.68
(3) Average Credited Service	N/A	0.54	0.91	1.29
(4) Average Entry Age	N/A	36.21	36.12	36.39
(5) Average Annual Earnings	\$ 0	\$ 37,358	\$ 40,371	\$ 43,291

Average annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(c) Distribution of Active Members – Total PERS**Annual Earnings by Age**

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	73	\$ 2,547,902	\$ 34,903
20 – 24	966	36,902,611	38,201
25 – 29	1,331	58,109,561	43,659
30 – 34	1,093	48,367,970	44,252
35 – 39	929	39,741,688	42,779
40 – 44	813	35,171,775	43,262
45 – 49	783	34,121,664	43,578
50 – 54	606	28,827,224	47,570
55 – 59	398	18,440,133	46,332
60 – 64	197	9,154,152	46,468
65 – 69	58	2,322,890	40,050
70 – 74	8	393,861	49,233
75+	1	16,775	16,775
Total	7,256	\$314,118,206	\$ 43,291

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	3,344	\$ 133,521,310	\$ 39,929
1	2,387	106,698,507	44,700
2	1,504	72,685,047	48,328
3	11	691,739	62,885
4	2	164,980	82,490
0 – 4	7,248	313,761,583	43,289
5 – 9	8	356,623	44,578
10 – 14	0	0	0
15 – 19	0	0	0
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	0	0	0
35 – 39	0	0	0
40+	0	0	0
Total	7,256	\$ 314,118,206	\$ 43,291

Years of Credited Service by Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0 – 19	73	0	0	0	0	0	0	0	0	73
20 – 24	966	0	0	0	0	0	0	0	0	966
25 – 29	1,331	0	0	0	0	0	0	0	0	1,331
30 – 34	1,092	1	0	0	0	0	0	0	0	1,093
35 – 39	928	1	0	0	0	0	0	0	0	929
40 – 44	812	1	0	0	0	0	0	0	0	813
45 – 49	782	1	0	0	0	0	0	0	0	783
50 – 54	604	2	0	0	0	0	0	0	0	606
55 – 59	396	2	0	0	0	0	0	0	0	398
60 – 64	197	0	0	0	0	0	0	0	0	197
65 – 69	58	0	0	0	0	0	0	0	0	58
70 – 74	8	0	0	0	0	0	0	0	0	8
75+	1	0	0	0	0	0	0	0	0	1
Total	7,248	8	0	7,256						

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(d) Schedule of Active Member Valuation Data – Total PERS

Valuation Date	Number	Annual Earnings (000's)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	7,256	\$ 314,118	\$ 43,291	7.2%	160
June 30, 2008	5,052	203,955	40,371	8.1%	159
June 30, 2007	2,827	105,611	37,358	0.0%	160
June 30, 2006	0	0	0	0.0%	0

Annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.3 Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2009 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 for the DB Plan 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 percentage of expected payroll. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death & disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit were applied to the projected benefits to determine the normal cost (the portion of the total cost of the Plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total DCR Plan 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 beneficiaries and disability members currently receiving benefits (if any) 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.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(B) Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Market Value of Assets were \$0 as of June 30, 2006. 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 Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 2.3(c) of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2009.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2009 for PERS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY09 claims costs were reduced 5.9% for medical and 0.7% for prescription drugs. Retiree out-of-pocket amounts were indexed 4.8% each year to reflect the effect of the deductible leveraging on trend, putting the annual projected trend closer to the ultimate trend rate.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare (25 years for Peace Officer/Firefighter) are valued with commencement deferred to Medicare eligibility, as such participants will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirements are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

Changes in Methods From the Prior Valuation

There were no changes in methods from the prior valuation.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year, compounded annually, net of expenses.
Salary Scale	<p>Inflation – 3.5% per year.</p> <p><u>Peace Officer/Firefighter:</u></p> <p>Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter.</p> <p>Productivity – 0.5% per year.</p> <p><u>Others:</u></p> <p>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%.</p> <p>Productivity – 0.5% per year.</p>
Payroll Growth	4.0% per year.
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.
Mortality (Pre-retirement)	<p><u>Peace Officer/Firefighter:</u></p> <p>1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.</p> <p><u>Others:</u></p> <p>Based upon the 2001-2005 actual mortality experience of the PERS DB Plan (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year without margin for males and females.</p> <p>Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 50% of the time for Others.</p>
Mortality (Post-retirement)	1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.
Turnover	Select rates were estimated and ultimate rates were set to the PERS DB Plan’s rates loaded by 10%. (See Table 2).
Disability	Incidence rates based upon the 2001-2005 actual experience of the PERS DB Plan, 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 Officer/Firefighter, 50% of the time for Others.
Retirement	Retirement rates were estimated in accordance with Table 4.
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.

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

(D) Actuarial Assumptions *(continued)*

Expenses	All expenses are net of the investment return assumption.	
Per Capita Claims Cost	Sample claims cost rates for FY10 medical benefits are shown below:	
	Medical	Prescription Drugs
Pre-Medicare	\$ 7,503	\$ 2,419
Medicare Parts A & B	\$ 1,336	\$ 2,419
Medicare Part B Only	\$ 4,754	\$ 2,419
Medicare Part D	N/A	\$ 477
Third Party Administrator Fees	\$153.33 per person per year; assumed trend rate of 5% per year.	
Base Claims Costs Adjustments	<p>Due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following adjustments were made:</p> <ul style="list-style-type: none"> • 0.941 for the medical plan. • 0.993 for the prescription drug plan. • 0.952 for the annual indexing for member cost sharing. 	

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

(D) Actuarial Assumptions (continued)

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, 7.5% is applied to the FY10 rate claims costs to get the FY11 claims costs.

	Prescription	
	Medical	Drugs
FY10	7.5%	9.6%
FY11	6.9%	8.3%
FY12	6.4%	7.1%
FY13	5.9%	5.9%
FY14	5.9%	5.9%
FY15	5.9%	5.9%
FY16	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2008 valuation and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. This model effectively begins estimating trend amounts beginning in 2012 and projects out to 2100. The model has been populated with assumptions that are specific to the State of Alaska.

Aging Factors

	Prescription	
Age	Medical	Drugs
0-44	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%
85-94	0.5%	0.0%
95+	0.0%	0.0%

Retiree Medical Participation

100% of members and their spouses are assumed to elect retiree medical benefits as soon as they are eligible.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 1
Alaska PERS Others DCR Plan
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

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 2
Alaska PERS DCR Plan
Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment

Year of Employment	Rate
1	14%
2	12%
3	10%
4	9%
5	8%

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
20	5.0292%	6.3393%	45	4.6241%	5.9233%
21	5.0230	6.3364	46	4.5669	5.8716
22	5.0163	6.3336	47	4.5000	5.8111
23	5.0084	6.3309	48	4.4264	5.7449
24	4.9982	6.3265	49	4.3487	5.6764
25	4.9894	6.3243	50	4.2639	5.6021
26	4.9810	6.3215	51	4.1645	5.5141
27	4.9699	6.3131	52	4.0418	5.4023
28	4.9612	6.3056	53	3.9013	5.2732
29	4.9512	6.2951	54	3.7456	5.1302
30	4.9435	6.2861	55	3.5626	4.9575
31	4.9345	6.2742	56	3.3331	4.7311
32	4.9277	6.2641	57	3.0481	4.4398
33	4.9206	6.2515	58	2.7449	4.1268
34	4.9151	6.2388	59	2.3543	3.7061
35	4.9078	6.2229	60	1.9155	3.2311
36	4.8986	6.2062	61	1.4339	2.7135
37	4.8843	6.1857	62	0.8727	2.1118
38	4.8664	6.1637	63	0.2385	1.4324
39	4.8462	6.1400	64	5.2800	0.6987
40	4.8236	6.1153	65+	5.2800	6.6000
41	4.7972	6.0883			
42	4.7632	6.0548			
43	4.7249	6.0185			
44	4.6784	5.9748			

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 2
Alaska PERS DCR Plan
Turnover Assumptions

Others:

Select Rates of Turnover During the First 5 Years of Employment

Year of Employment	Rate
1	25%
2	23%
3	20%
4	16%
5	15%

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
20	13.2102%	15.0446%	45	5.7660%	6.6418%
21	13.2072	15.0442	46	5.7412	6.6260
22	13.2025	15.0424	47	5.7110	6.6061
23	13.1984	15.0421	48	5.6761	6.5825
24	13.1925	15.0407	49	5.6397	6.5591
25	13.1877	15.0407	50	5.5983	6.5318
26	13.1831	15.0403	51	5.5505	6.5002
27	13.1779	15.0379	52	5.4941	6.4620
28	13.1732	15.0346	53	5.4300	6.4184
29	13.1687	15.0307	54	5.3605	6.3716
30	13.1646	15.0264	55	5.2807	6.3160
31	13.1621	15.0231	56	5.1834	6.2432
32	13.1585	15.0182	57	5.0650	6.1491
33	13.1561	15.0131	58	4.9352	6.0429
34	13.1548	15.0079	59	4.7792	5.9079
35	9.5234	10.8771	60	4.6045	5.7553
36	9.5194	10.8694	61	4.4089	5.5858
37	9.5145	10.8621	62	4.1829	5.3912
38	9.5058	10.8525	63	3.9259	5.1701
39	9.4967	10.8431	64	3.6453	4.9289
40	7.0649	8.0818	65+	6.0500	6.8750
41	7.0516	8.0705			
42	7.0354	8.0578			
43	7.0188	8.0461			
44	6.9989	8.0325			

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 3
Alaska PERS DCR Plan
Disability Table

<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

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 4
Alaska PERS DCR Plan
Retirement Table

Age	Rate
<55	2%
55-59	3%
60	5%
61	5%
62	10%
63	5%
64	5%
65	25%
66	25%
67	25%
68	20%
69	20%
70	100%

2.3 Summary of Actuarial Assumptions, Methods and Procedures *(continued)*

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2008	June 30, 2009
Occupational Factor	100% for all deaths & disabilities.	75% for Peace Officer/Firefighter deaths & disabilities, 50% for Others deaths & disabilities.

Section 3

This section contains supplementary information on benefits that is required to be disclosed in financial statements to comply with Statements No. 25 and 43 of the Governmental Accounting Standards Board (GASB Nos. 25 and 43). GASB No. 43 first applies for the June 30, 2006 disclosure.

Section 3.1(a) Summary of Accrued and Unfunded Accrued Liabilities.

Section 3.1(b) Schedule of Contributions from Employers and Other Contributing Entities.

Section 3.1(c) Actuarial Assumptions, Methods and Additional Information.

Section 3.2 Solvency Test.

3.1(a) Summary of Accrued and Unfunded Accrued Liabilities

The exhibit below shows the death and disability plan disclosure under GASB No. 25.

	Actuarial Accrued Liabilities (AAL) (000's)	Actuarial Value of Assets (000's)	Funded Ratio (000's)	Unfunded AAL (UAAL) (000's)	Covered Payroll (000's)	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 403	\$ 3,138	778.7%	\$ (2,735)	\$ 314,118	(0.9)%
June 30, 2008	242	1,288	532.2%	(1,046)	203,955	(0.5)%
June 30, 2007	48	188	391.7%	(140)	105,611	(0.1)%

The exhibit below shows the retiree medical disclosure without regard to Medicare Part D under GASB No. 43.

	Actuarial Accrued Liabilities (AAL) (000's)	Actuarial Value of Assets (000's)	Funded Ratio (000's)	Unfunded AAL (UAAL) (000's)	Covered Payroll (000's)	UAAL as a Percentage of Covered Payroll
June 30, 2009	\$ 4,594	\$ 5,475	119.2%	\$ (881)	\$ 314,118	(0.3)%
June 30, 2008	2,123	2,719	128.1%	(596)	203,955	(0.3)%
June 30, 2007	803	1,067	132.9%	(264)	105,611	(0.2)%

3.1(b) Summary of Contributions from Employers and Other Contributing Entities

The following shows the death and disability plan disclosure under GASB No. 25 for fiscal year ending 2007 and later.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2009	\$ 1,787	100%
June 30, 2008	\$ 1,063	100%
June 30, 2007	\$ 181	100%

The following shows the retiree medical disclosure without regard to Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2009	\$ 3,152	85%
June 30, 2008	\$ 1,845	85%
June 30, 2007	\$ 1,028	100%

The exhibit below shows the annual required contribution (ARC) as a percentage of pay.

Valuation Date	Fiscal Year	ARC (% of Pay)		
		Occupational Death & Disability (PF / Others)	Retiree Medical	Total (PF / Others)
N/A	FY07	0.40% / 0.30%	1.75%	2.15% / 2.05%
N/A	FY08	1.33% / 0.58%	1.17%	2.50% / 1.75%
N/A	FY09	1.33% / 0.58%	1.17%	2.50% / 1.75%
June 30, 2007	FY10	1.33% / 0.30%	0.95%	2.28% / 1.25%
June 30, 2008	FY11	1.18% / 0.31%	0.68%	1.86% / 0.99%
June 30, 2009	FY12	0.97% / 0.11%	0.62%	1.59% / 0.73%

3.1(c) Actuarial Assumptions, Methods and Additional Information

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Occupational Death & Disability Level Dollar for Retiree Medical
Amortization Method	Level Dollar, closed with bases established annually
Equivalent Single Amortization Period	24 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.25%
Projected salary increases	4.0%
*Includes inflation at	3.5%

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The State of Alaska Public Employees' Retirement System DCR Plan's retiree medical benefits are fully funded. Therefore, the 8.25% discount rate used for GASB 25 reporting is also applied herein for GASB 43 reporting.

Based on GASB accounting rules, the retiree drug subsidy the State of Alaska receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

Disregarding future Medicare Part D payments, the fiscal 2012 employer ARC for accounting purposes is 0.62% of pay for retiree medical benefits and 0.82% of pay for retiree medical and death & disability benefits combined.

3.2 Solvency Test – Occupational Death & Disability and Retiree Medical

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)		(1)	(2)	(3)
June 30, 2009 ¹	\$ 0	\$ 0	\$ 4,316	\$ 8,613	100.0%	100.0%	100.0%
June 30, 2008	0	0	2,018	4,007	100.0%	100.0%	100.0%
June 30, 2007	0	0	759	1,255	100.0%	100.0%	100.0%
June 30, 2006	0	0	0	0	N/A	N/A	N/A

Retiree medical liabilities are calculated using the funding assumptions (i.e., 8.25% investment return and net of Medicare Part D subsidy).

¹ Change in Assumptions