



**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, 2010

**buck**consultants®

Submitted By:  
Buck Consultants  
1200 Seventeenth Street, Suite 1200  
Denver, CO 80202

September 23, 2011

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, 2010 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the Plan as of June 30, 2010;
- (2) a review of experience under the Plan for the year ended June 30, 2010;
- (3) a determination of the appropriate contribution rate which will be applied for the fiscal year ending June 30, 2013; 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) Schedule of Funding Progress, Schedule of Employer Contributions and trend data schedules (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 actuarial assumptions are based on the results of an experience study presented to The Alaska Retirement Management Board (Board) in September 2010 and adopted by the Board in December 2010. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY11 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 Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 199.6% to 168.8% during the year. This report provides an analysis of the factors that led to the decrease.

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.

The funding objective of the plan, as adopted by the ARM Board, is to set a contribution rate that will pay the normal cost and amortize the initial unfunded actuarial accrued liability and each subsequent annual change in the unfunded actuarial accrued liability over a closed 25-year period as a level percentage of payroll. The funding objective for the plan, as adopted by the ARM Board, is currently being met.

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  
of Revenue and The Department of Administration  
September 23, 2011  
Page 3

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,

A handwritten signature in black ink, reading "David H. Sliskinsky". The signature is written in a cursive style with a prominent loop at the end of the last name.

David H. Sliskinsky, ASA, EA, MAAA  
Principal, 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.

A handwritten signature in black ink, reading "Melissa A. Bissett". The signature is written in a cursive style with a prominent loop at the end of the last name.

Melissa Bissett, FSA, MAAA  
Senior Consultant, Health & Productivity

---

## Contents

<b>Report Highlights .....</b>	<b>1</b>
<b>Analysis of the Valuation.....</b>	<b>3</b>
<b>Section 1: Valuation Results.....</b>	<b>5</b>
1.1(a) Statement of Net Assets .....	6
1.1(b) Statement of Changes in Net Assets .....	7
1.1(c) Actuarial Value of Assets .....	8
1.2(a) Actuarial Present Values – Peace Officer/Firefighter .....	10
1.2(b) Actuarial Present Values – Others .....	11
1.2(c) Actuarial Present Values – All Members.....	12
1.3(a) Development of Total Employer Contribution Rate – FY13 Peace Officer/Firefighter .....	13
1.3(b) Development of Total Employer Contribution Rate – FY13 Others .....	16
1.3(c) Development of Total Employer contribution Rate – FY13 All Members.....	19
1.4 Development of Actuarial Gain/(Loss) for FY10.....	22
<b>Section 2: Basis of the Valuation .....</b>	<b>23</b>
2.1 Summary of Plan Provisions.....	24
2.2(a) Member Census Information – Total PERS .....	27
2.2(b) Participant Reconciliation – Total PERS .....	28
2.2(c) Additional Information – Active Members.....	29
2.2(d) Distribution of Active Members – Total PERS .....	30
2.2(e) Schedule of Active Member Valuation Data – Total PERS .....	31
2.3 Summary of Actuarial Assumptions, Methods and Procedures.....	32
<b>Section 3: Information Required by GASB Nos. 25 and 43 .....</b>	<b>46</b>
3.1(a) Summary of Accrued and Unfunded Accrued Liabilities.....	47
3.1(b) Schedule of Contributions from Employers and Other Contributing Entities .....	48
3.1(c) Schedule of the Actuarial Assumptions, Methods and Additional Information .....	49
3.2 Solvency Test.....	50

---

## 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, 2010;
- Review experience under the Plan for the year ended June 30, 2010;
- 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 2010, 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:

<b>Funding Status as of June 30<sup>1</sup></b>	<b>2009</b>	<b>2010</b>
(a) Accrued Liability <sup>2</sup>	\$ 4,316	\$ 8,038
(b) Valuation Assets <sup>2</sup>	<u>8,613</u>	<u>13,568</u>
(c) Unfunded Accrued Liability <sup>2</sup> , (a) – (b)	\$ (4,297)	\$ (5,530)
(d) Funding Ratio based on Valuation Assets, (b) ÷ (a)	199.6%	168.8%
(e) Market Value of Assets <sup>2</sup>	\$ 7,372	\$ 12,534
(f) Funding Ratio based on Market Assets, (e) ÷ (a)	170.8%	155.9%

---

<sup>1</sup> Includes occupational death & disability and retiree medical benefits.

<sup>2</sup> In thousands.

## Report Highlights *(continued)*

<b>Total Employer Contribution Rates for Occupational Death &amp; Disability for Fiscal Year Ending:</b>	<b>2012</b>	<b>2013</b>
(a) Employer Normal Cost Rate	0.25%	0.28%
(b) Past Service Cost Rate	<u>(0.05)%</u>	<u>(0.06)%</u>
(c) Total Employer Contribution Rate, (a) + (b), not less than 0%	0.20%	0.22%

<b>Total Employer Contribution Rates for Retiree Medical for Fiscal Year Ending:</b>	<b>2012</b>	<b>2013</b>
(a) Employer Normal Cost Rate	0.54%	0.50%
(b) Past Service Cost Rate	<u>(0.03)%</u>	<u>(0.02)%</u>
(c) Total Employer Contribution Rate, (a) + (b), not less than 0%	0.51%	0.48%

<b>Total Employer Contribution Rates for Fiscal Year Ending:</b>	<b>2012</b>	<b>2013</b>
(a) Total Employer Contribution Rate	0.71%	0.70%
(b) Board Adopted Total Employer Contribution Rate	0.71%	0.70%

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%
June 30, 2010	FY13	0.99% / 0.14%	0.48%	1.47% / 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, 2010 has decreased from 199.6% to 168.8%, a decrease of 30.8%. The total calculated Employer contribution rate has decreased from 0.71% of payroll for FY12 to 0.70% for FY13, a decrease of 0.01%. 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, 2010 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, 2010 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, FY10 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 FY10 investment return based on market value was 6.60% compared to the expected investment return of 8.25%. This resulted in a loss of approximately \$155 thousand to the Plan from investment experience. The asset valuation method recognizes 20 percent of this loss (\$31,000) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY07 investment loss, 20 percent of the FY08 investment loss and 20 percent of the FY09 investment loss were recognized this year. The approximate FY10 investment return based on actuarial value was 3.94% compared to the expected investment return of 8.25%.

### (3) Salary Increase

During the period from June 30, 2009 to June 30, 2010, salary increases for continuing active members were more than anticipated in the valuation assumptions.

### (4) Demographic Experience

The number of active participants increased 27.23% from 7,256 at June 30, 2009 to 9,232 at June 30, 2010. The number of active members is growing annually since the opening of the DCR Plan to new entrants as of July 1, 2006. The average age of active participants increased from 37.68 to 38.22 and average credited service increased from 1.29 to 1.67 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

Effective for the June 30, 2010 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary based on the results of an experience analysis performed on the population experience from July 1, 2006 through June 30, 2009. The changes in assumptions were adopted by the Board during the December 2010 Board meeting.

### (7) Changes in Benefit Provisions Since the Prior Valuation

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

### (8) Actuarial Liability Gains/(Losses) During the Year

The following table shows the pension gain/(loss) by source on total accrued liability (in thousands):

	<u>Amount</u>
- Retirement Experience	\$ 0
- Termination Experience	(25)
- Mortality Experience	304
- Disability Experience	410
- Other Demographic Experience	(56)
- Salary Increases	<u>(14)</u>
- Total	\$ 619

The following table shows the healthcare gain/(loss) on total accrued liability (in thousands):

	<u>Amount</u>
- Claims Costs	\$ (185)
- Administration Fee	36
- Other Demographic Experience	<u>(1,332)</u>
- Total	\$ (1,481)

A gain on total accrued liability is favorable to the System. A loss is unfavorable.

## 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 FY10 and the Investment Return During FY10.

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 FY13.

Section 1.3(b) Development of Total Employer Contribution Rate for Others for FY13.

Section 1.3(c) Development of Total Employer Contribution Rate for All Members for FY13.

Section 1.4 Development of Actuarial Gain or Loss for FY10.

## 1.1(a) Statement of Net Assets

As of June 30, 2010 (in thousands)	Occupational Death & Disability	Retiree Medical	Total Market Value
Cash and Cash Equivalents	\$ 30	\$ 50	\$ 80
Domestic Equity Pool	1,236	2,231	3,467
Domestic Fixed Income Pool	634	1,144	1,778
International Equity Pool	735	1,327	2,062
Real Estate Pool	441	798	1,239
International Fixed Income Pool	90	163	253
Private Equity Pool	315	569	884
Emerging Markets Equity Pool	201	362	563
Other Investments Pool	129	233	362
High Yield Pool	90	163	253
Absolute Return Pool	219	396	615
Treasury Inflation Protection Pool	144	259	403
Emerging Debt Pool	88	160	248
Loans and Mortgages (Net of Reserves)	0	0	0
Net Accrued Receivables	<u>104</u>	<u>223</u>	<u>327</u>
Net Assets	\$ 4,456	\$ 8,078	\$ 12,534
Peace Officer/Firefighter	\$ 1,139	N/A	N/A
Others	<u>3,317</u>	<u>N/A</u>	<u>N/A</u>
All Members	\$ 4,456	\$ 8,078	\$ 12,534

**1.1(b) Statement of Changes in Net Assets**

<b>Fiscal Year 2010 (in thousands)</b>	<b>Occupational Death &amp; Disability</b>	<b>Retiree Medical</b>	<b>Total Market Value</b>
(1) Net Assets, June 30, 2009 (market value)	\$ 2,723	\$ 4,649	\$ 7,372
(2) Additions:			
(a) Member Contributions	\$ 0	\$ 0	\$ 0
(b) Employer Contributions	1,495	3,031	4,526
(c) Interest and Dividend Income	62	111	173
(d) Net Appreciation (Depreciation) in Fair Value of Investments	176	287	463
(e) Other	<u>0</u>	<u>0</u>	<u>0</u>
(f) Total Additions	\$ 1,733	\$ 3,429	\$ 5,162
(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, 2010 (market value)	\$ 4,456	\$ 8,078	\$ 12,534

Approximate Market Value Investment Return Rate  
During FY10 Net of All Expenses

6.60%

### 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 FY10			
(a) Market Value, June 30, 2009	\$ 2,723	\$ 4,649	\$ 7,372
(b) Contributions for FY10	1,495	3,031	4,526
(c) Benefit Payments for FY10	0	0	0
(d) Actual Investment Return ( <i>net of expenses</i> )	238	398	636
(e) Expected Return Rate ( <i>net of expenses</i> )	8.25%	8.25%	8.25%
(f) Expected Return	285	506	791
(g) Investment Gain/(Loss) for the Year ( <i>d. - f.</i> )	(47)	(108)	(155)
(h) Deferred Investment Return/(Loss)	(345)	(689)	(1,034)
(2) Actuarial Value, June 30, 2010			
(a) Market Value, June 30, 2010	\$ 4,456	\$ 8,078	\$ 12,534
(b) 2010 Deferred Investment Return/(Loss)	(345)	(689)	(1,034)
(c) Preliminary Actuarial Value, June 30, 2010 ( <i>a. - b.</i> )	4,801	8,767	13,568
(d) Upper Limit: 120% of Market Value, June 30, 2010	5,347	9,693	N/A
(e) Lower Limit: 80% of Market Value, June 30, 2010	3,565	6,463	N/A
(f) Actuarial Value, June 30, 2010 ( <i>c. limited by d. and e.</i> )	\$ 4,801	\$ 8,767	\$ 13,568
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	107.7%	108.5%	108.2%
(h) Approximate Actuarial Value Investment Return Rate During FY10 Net of All Expenses	4.32%	3.73%	3.94%
(3) Actuarial Value Allocation*			
(a) Peace Officer/Firefighter	\$ 1,227	N/A	N/A
(b) Others	3,574	N/A	N/A
(c) All Members	\$ 4,801	\$ 8,767	\$ 13,568

\*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).

<b>Occupational Death &amp; Disability</b>				
<b>Plan Year Ended</b>	<b>Asset Gain/(Loss)</b>	<b>Gain/(Loss) Recognized in Prior Years</b>	<b>Gain/(Loss) Recognized This Year</b>	<b>Gain/(Loss) Deferred to Future Years</b>
6/30/2007	\$ (3)	\$ (3)	\$ 0	\$ 0
6/30/2008	(102)	(40)	(20)	(42)
6/30/2009	(441)	(88)	(88)	(265)
6/30/2010	(47)	0	(9)	(38)
<b>Total</b>	<b>\$ (593)</b>	<b>\$ (131)</b>	<b>\$ (117)</b>	<b>\$ (345)</b>

<b>Retiree Medical</b>				
<b>Plan Year Ended</b>	<b>Asset Gain/(Loss)</b>	<b>Gain/(Loss) Recognized in Prior Years</b>	<b>Gain/(Loss) Recognized This Year</b>	<b>Gain/(Loss) Deferred to Future Years</b>
6/30/2007	\$ (16)	\$ (9)	\$ (3)	\$ (4)
6/30/2008	(288)	(116)	(58)	(114)
6/30/2009	(809)	(162)	(162)	(485)
6/30/2010	(108)	0	(22)	(86)
<b>Total</b>	<b>\$ (1,221)</b>	<b>\$ (287)</b>	<b>\$ (245)</b>	<b>\$ (689)</b>

<b>Total</b>				
<b>Plan Year Ended</b>	<b>Asset Gain/(Loss)</b>	<b>Gain/(Loss) Recognized in Prior Years</b>	<b>Gain/(Loss) Recognized This Year</b>	<b>Gain/(Loss) Deferred to Future Years</b>
6/30/2007	\$ (19)	\$ (12)	\$ (3)	\$ (4)
6/30/2008	(390)	(156)	(78)	(156)
6/30/2009	(1,250)	(250)	(250)	(750)
6/30/2010	(155)	0	(31)	(124)
<b>Total</b>	<b>\$ (1,814)</b>	<b>\$ (418)</b>	<b>\$ (362)</b>	<b>\$ (1,034)</b>

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

As of June 30, 2010 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Occupational Death Benefits	\$ 79	\$ 12
Occupational Disability Benefits	372	653
Medical and Prescription Drug Benefits	206	634
Medicare Part D Subsidy	<u>(26)</u>	<u>(81)</u>
Subtotal	\$ 631	\$ 1,218
<b>Benefit Recipients</b>		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
<b>Total</b>	<b>\$ 631</b>	<b>\$ 1,218</b>
<b>Total Occupational Death &amp; Disability</b>	<b>\$ 451</b>	<b>\$ 665</b>
<b>Total Retiree Medical, Net of Part D Subsidy</b>	<b>\$ 180</b>	<b>\$ 553</b>
<b>Total Retiree Medical, Gross of Part D Subsidy</b>	<b>\$ 206</b>	<b>\$ 634</b>

## 1.2(b) Actuarial Present Values - Others

As of June 30, 2010 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Occupational Death Benefits	\$ 395	\$ 90
Occupational Disability Benefits	409	98
Medical and Prescription Drug Benefits	2,446	7,736
Medicare Part D Subsidy	<u>(349)</u>	<u>(1,104)</u>
Subtotal	\$ 2,901	\$ 6,820
<b>Benefit Recipients</b>		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
<b>Total</b>	<b>\$ 2,901</b>	<b>\$ 6,820</b>
<b>Total Occupational Death &amp; Disability</b>	<b>\$ 804</b>	<b>\$ 188</b>
<b>Total Retiree Medical, Net of Part D Subsidy</b>	<b>\$ 2,097</b>	<b>\$ 6,632</b>
<b>Total Retiree Medical, Gross of Part D Subsidy</b>	<b>\$ 2,446</b>	<b>\$ 7,736</b>

## 1.2(c) Actuarial Present Values – All Members

As of June 30, 2010 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Occupational Death Benefits	\$ 474	\$ 102
Occupational Disability Benefits	781	751
Medical and Prescription Drug Benefits	2,652	8,370
Medicare Part D Subsidy	<u>(375)</u>	<u>(1,185)</u>
Subtotal	\$ 3,532	\$ 8,038
<b>Benefit Recipients</b>		
Survivor Benefits		\$ 0
Disability Benefits		0
Medical and Prescription Drug Benefits		0
Medicare Part D Subsidy		<u>0</u>
Subtotal		\$ 0
<b>Total</b>	<b>\$ 3,532</b>	<b>\$ 8,038</b>
<b>Total Occupational Death &amp; Disability</b>	<b>\$ 1,255</b>	<b>\$ 853</b>
<b>Total Retiree Medical, Net of Part D Subsidy</b>	<b>\$ 2,277</b>	<b>\$ 7,185</b>
<b>Total Retiree Medical, Gross of Part D Subsidy</b>	<b>\$ 2,652</b>	<b>\$ 8,370</b>

**1.3(a) Development of Total Employer Contribution Rate – FY13**  
**Peace Officer/Firefighter**  
(in thousands)

<b>Normal Cost Rate</b>	<b>Occupational Death &amp; Disability</b>	<b>Retiree Medical</b>	<b>Total</b>
(1) Total Normal Cost	\$ 451	\$ 180	\$ 631
(2) DCR Plan Member Salaries Projected for FY11	41,802	41,802	41,802
(3) Employer Normal Cost Rate, (1) / (2)	1.08%	0.43%	1.51%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 665	\$ 553	\$ 1,218
(2) Valuation Assets	1,227	675 <sup>1</sup>	1,902
(3) Total Unfunded Liability, (1) – (2)	(562)	(122)	(684)
(4) Funded Ratio based on Valuation Assets	184.5%	122.1%	156.2%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(38)	(9)	(47)
(6) DCR Plan Member Salaries Projected for FY11	41,802	41,802	41,802
(7) Past Service Cost Rate, (5) / (6)	(0.09)%	(0.02)%	(0.11)%
<b>Total Employer Contribution Rate, not less than 0%</b>	<b>0.99%</b>	<b>0.41%</b>	<b>1.40%</b>

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	\$ 451	\$ 180	\$ 631
(2) Total DB and DCR Plan Member Salaries Projected for FY11	243,362	243,362	243,362
(3) Employer Normal Cost Rate, (1) / (2)	0.19%	0.07%	0.26%
(4) Past Service Cost Amortization Payment	\$ (38)	\$ (9)	\$ (47)
(5) Past Service Cost Rate, (4) / (2)	(0.02)%	0.00%	(0.02)%
(6) Total Employer Contribution Rate, (3) + (5)	0.17%	0.07%	0.24%

<sup>1</sup> Allocated based on retiree medical accrued liability.

### 1.3(a) Development of Total Employer Contribution Rate – FY13 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	22	\$ (100)	\$ (103)	\$ (7)
FY08 Gain	06/30/2008	23	(586)	(602)	(40)
Change in Assumptions	06/30/2009	24	(104)	(106)	(7)
FY09 Loss	06/30/2009	24	446	452	29
Change in Assumptions	06/30/2010	25	79	79	5
FY10 Gain	06/30/2010	25	(282)	(282)	(18)
<b>Total</b>				<b>\$ (562)</b>	<b>\$ (38)</b>

#### 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	22	\$ (21)	\$ (23)	\$ (2)
Change in Assumptions	06/30/2008	23	17	17	1
FY08 Gain	06/30/2008	23	(62)	(64)	(4)
Change in Assumptions	06/30/2009	24	(8)	(8)	(1)
FY09 Gain	06/30/2009	24	(38)	(39)	(3)
Change in Assumptions	06/30/2010	25	41	41	3
FY10 Gain	06/30/2010	25	(46)	(46)	(3)
<b>Total</b>				<b>\$ (122)</b>	<b>\$ (9)</b>

### 1.3(a) Development of Total Employer Contribution Rate – FY13 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	22	\$ (121)	\$ (126)	\$ (9)
Change in Assumptions	06/30/2008	23	17	17	1
FY08 Gain	06/30/2008	23	(648)	(666)	(44)
Change in Assumptions	06/30/2009	24	(112)	(114)	(8)
FY09 Loss	06/30/2009	24	408	413	26
Change in Assumptions	06/30/2010	25	120	120	8
FY10 Gain	06/30/2010	25	(328)	(328)	(21)
<b>Total</b>				<b>\$ (684)</b>	<b>\$ (47)</b>

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 14.553191. The amortization method is level percentage of pay.

The equivalent single amortization period is 22.

### 1.3(b) Development of Total Employer Contribution Rate – FY13 Others (in thousands)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
(1) Total Normal Cost	\$ 804	\$ 2,097	\$ 2,901
(2) DCR Plan Member Salaries Projected for FY11	413,311	413,311	413,311
(3) Employer Normal Cost Rate, (1) / (2)	0.19%	0.51%	0.70%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 188	\$ 6,632	\$ 6,820
(2) Valuation Assets	3,574	8,092 <sup>1</sup>	11,666
(3) Total Unfunded Liability, (1) - (2)	(3,386)	(1,460)	(4,846)
(4) Funded Ratio based on Valuation Assets	1,901.1%	122.0%	171.1%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(217)	(95)	(312)
(6) DCR Plan Member Salaries Projected for FY11	413,311	413,311	413,311
(7) Past Service Cost Rate, (5) / (6)	(0.05)%	(0.02)%	(0.07)%
<b>Total Employer Contribution Rate</b>	<b>0.14%</b>	<b>0.49%</b>	<b>0.63%</b>

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	\$ 804	\$ 2,097	\$ 2,901
(2) Total DB and DCR Plan Member Salaries Projected for FY11	1,872,921	1,872,921	1,872,921
(3) Employer Normal Cost Rate, (1) / (2)	0.04%	0.11%	0.15%
(4) Past Service Cost Amortization Payment	\$ (217)	\$ (95)	\$ (312)
(5) Past Service Cost Rate, (4) / (2)	(0.01)%	(0.01)%	(0.02)%
(6) Total Employer Contribution Rate, (3) + (5)	0.03%	0.10%	0.13%

<sup>1</sup> Allocated based on retiree medical accrued liability.

### 1.3(b) Development of Total Employer Contribution Rate – FY13 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	22	\$ (40)	\$ (43)	\$ (3)
FY08 Gain	06/30/2008	23	(318)	(328)	(21)
Change in Assumptions	06/30/2009	24	(92)	(93)	(6)
FY09 Gain	06/30/2009	24	(1,924)	(1,952)	(126)
Change in Assumptions	06/30/2010	25	24	24	1
FY10 Gain	06/30/2010	25	(994)	(994)	(62)
<b>Total</b>				<b>\$ (3,386)</b>	<b>\$ (217)</b>

#### 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	22	\$ (335)	\$ (347)	\$ (23)
Change in Assumptions	06/30/2008	23	165	170	11
FY08 Gain	06/30/2008	23	(702)	(722)	(48)
Change in Assumptions	06/30/2009	24	(122)	(124)	(8)
FY09 Gain	06/30/2009	24	(438)	(444)	(28)
Change in Assumptions	06/30/2010	25	(572)	(572)	(36)
FY10 Loss	06/30/2010	25	579	579	37
<b>Total</b>				<b>\$ (1,460)</b>	<b>\$ (95)</b>

### 1.3(b) Development of Total Employer Contribution Rate – FY13 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	22	\$ (375)	\$ (390)	\$ (26)
Change in Assumptions	06/30/2008	23	165	170	11
FY08 Gain	06/30/2008	23	(1,020)	(1,050)	(69)
Change in Assumptions	06/30/2009	24	(214)	(217)	(14)
FY09 Gain	06/30/2009	24	(2,362)	(2,396)	(154)
Change in Assumptions	06/30/2010	25	(548)	(548)	(35)
FY10 Gain	06/30/2010	25	(415)	(415)	(25)
<b>Total</b>				<b>\$ (4,846)</b>	<b>\$ (312)</b>

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 15.532051. The amortization method is level percentage of pay.

The equivalent single amortization period is 24.

**1.3(c) Development of Total Employer Contribution Rate – FY13**  
**All Members**  
(in thousands)

<b>Normal Cost Rate</b>	<b>Occupational Death &amp; Disability</b>	<b>Retiree Medical</b>	<b>Total</b>
(1) Total Normal Cost	\$ 1,255	\$ 2,277	\$ 3,532
(2) DCR Plan Member Salaries Projected for FY11	455,113	455,113	455,113
(3) Employer Normal Cost Rate, (1) / (2)	0.28%	0.50%	0.78%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 853	\$ 7,185	\$ 8,038
(2) Valuation Assets	4,801	8,767	13,568
(3) Total Unfunded Liability, (1) - (2)	(3,948)	(1,582)	(5,530)
(4) Funded Ratio based on Valuation Assets	562.8%	122.0%	168.8%
(5) Past Service Cost Amortization Payment (See Section 1.5)	(255)	(104)	(359)
(6) DCR Plan Member Salaries Projected for FY11	455,113	455,113	455,113
(7) Past Service Cost Rate, (5) / (6)	(0.06)%	(0.02)%	(0.08)%
<b>Total Employer Contribution Rate</b>	<b>0.22%</b>	<b>0.48%</b>	<b>0.70%</b>

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	\$ 1,255	\$ 2,277	\$ 3,532
(2) Total DB and DCR Plan Member Salaries Projected for FY11	2,116,283	2,116,283	2,116,283
(3) Employer Normal Cost Rate, (1) / (2)	0.06%	0.11%	0.17%
(4) Past Service Cost Amortization Payment	\$ (255)	\$ (104)	\$ (359)
(5) Past Service Cost Rate, (4) / (2)	(0.01)%	0.00%	(0.01)%
(6) Total Employer Contribution Rate, (3) + (5)	0.05%	0.11%	0.16%

### 1.3(c) Development of Total Employer Contribution Rate – FY13 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	22	\$ (140)	\$ (146)	\$ (10)
FY08 Gain	06/30/2008	23	(904)	(930)	(61)
Change in Assumptions	06/30/2009	24	(196)	(199)	(13)
FY09 Gain	06/30/2009	24	(1,478)	(1,500)	(97)
Change in Assumptions	06/30/2010	25	103	103	6
FY10 Gain	06/30/2010	25	(1,276)	(1,276)	(80)
<b>Total</b>				<b>\$ (3,948)</b>	<b>\$ (255)</b>

#### 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	22	\$ (356)	\$ (370)	\$ (25)
Change in Assumptions	06/30/2008	23	182	187	12
FY08 Gain	06/30/2008	23	(764)	(786)	(52)
Change in Assumptions	06/30/2009	24	(130)	(132)	(9)
FY09 Gain	06/30/2009	24	(476)	(483)	(31)
Change in Assumptions	06/30/2010	25	(531)	(531)	(33)
FY10 Loss	06/30/2010	25	533	533	34
<b>Total</b>				<b>\$ (1,582)</b>	<b>\$ (104)</b>

### 1.3(c) Development of Total Employer Contribution Rate – FY13 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	22	\$ (496)	\$ (516)	\$ (35)
Change in Assumptions	06/30/2008	23	182	187	12
FY08 Gain	06/30/2008	23	(1,668)	(1,716)	(113)
Change in Assumptions	06/30/2009	24	(326)	(331)	(22)
FY09 Gain	06/30/2009	24	(1,954)	(1,983)	(128)
Change in Assumptions	06/30/2010	25	(428)	(428)	(27)
FY10 Gain	06/30/2010	25	(743)	(743)	(46)
<b>Total</b>				<b>\$ (5,530)</b>	<b>\$ (359)</b>

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 15.403900.  
The amortization method is level percentage of pay.

The equivalent single amortization period is 24.

## 1.4 Development of Actuarial Gain/(Loss) for FY10 (in thousands)

	Occupational Death & Disability	Retiree Medical	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2009	\$ 403	\$ 3,913	\$ 4,316
(b) Normal Cost for FY10	862	1,847	2,709
(c) Interest on (a) and (b) at 8.25%	104	475	579
(d) Benefit Payments for FY10	0	0	0
(e) Interest on (d) at 8.25% for One-half year	0	0	0
(f) Change in Assumptions	103	(531)	(428)
(g) Expected Accrued Liability as of June 30, 2010 (a) + (b) + (c) - (d) - (e) + (f)	1,472	5,704	7,176
(2) Actual Accrued Liability, June 30, 2010	853	7,185	8,038
<b>(3) Liability Gain/(Loss), (1)(g) - (2)</b>	<b>\$ 619</b>	<b>\$ (1,481)</b>	<b>\$ (862)</b>
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2009	\$ 3,138	\$ 5,475	\$ 8,613
(b) Interest on (a) at 8.25%	259	452	711
(c) Employer Contributions for FY10	1,495	3,031	4,526
(d) Interest on (c) at 8.25% for one-half year	60	123	183
(e) Benefit Payments for FY10	0	0	0
(f) Interest on (e) at 8.25% for one-half year	0	0	0
(g) Expected Actuarial Asset Value, June 30, 2010 (a) + (b) + (c) + (d) - (e) - (f)	4,952	9,081	14,033
(5) Actuarial Asset Value, June 30, 2010	4,801	8,767	13,568
<b>(6) Actuarial Asset Gain/(Loss), (5) - (4)(g)</b>	<b>\$ (151)</b>	<b>\$ (314)</b>	<b>\$ (465)</b>
<b>(7) Actuarial Gain/(Loss), (3) + (6)</b>	<b>\$ 468</b>	<b>\$ (1,795)</b>	<b>\$ (1,327)</b>
<b>(8) Effect of the 2-Year Delay on Contributions</b>	<b>\$ 808</b>	<b>\$ 1,262</b>	<b>\$ 2,070</b>
<b>(9) FY10 Gain/(Loss) to be Amortized, (7) + (8)</b>	<b>\$ 1,276</b>	<b>\$ (533)</b>	<b>\$ 743</b>

## **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, 2010.

### **(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 or 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	2010
<b>Active Members</b>					
(1) Number	0	2,827	5,052	7,256	9,232
(2) Average Age	N/A	36.75	37.03	37.68	38.22
(3) Average Credited Service	N/A	0.54	0.91	1.29	1.67
(4) Average Entry Age	N/A	36.21	36.12	36.39	36.55
(5) Average Annual Earnings	\$ 0	\$ 37,358	\$ 40,371	\$ 43,291	\$ 45,622
<b>Retirees, Disableds and Beneficiaries</b>					
(1) Number	0	0	0	0	0
(2) Average Age	N/A	N/A	N/A	N/A	N/A
(3) Average Monthly Death & Disability Benefit	N/A	N/A	N/A	N/A	N/A
<b>Inactive Members*</b>					
(1) Number	0	4	5	3	7

\*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) Participation Reconciliation – Total PERS

	Actives	Vested Inactive	Retired	Disabled	Beneficiary	Total
Total as of July 1, 2009	7,256	3	0	0	0	7,259
Vested Termination	(4)	4	0	0	0	0
Non-vested Termination	(932)	0	0	0	0	(932)
Refund of Contributions	(265)	(1)	0	0	0	(266)
Disabled	0	0	0	0	0	0
Retired	0	0	0	0	0	0
Deceased, No Beneficiary	0	0	0	0	0	0
Deceased, With Beneficiary	0	0	0	0	0	0
Return to Active	165	0	0	0	0	165
Data Adjustment	143	1	0	0	0	144
New Entrant	2,869	0	0	0	0	2,869
Total as of July 1, 2010	9,232	7	0	0	0	9,239

**2.2(c) Additional Information – Active Members**

As of June 30	2006	2007	2008	2009	2010
<b>Peace Officer/Firefighter</b>					
(1) Number	0	166	390	585	650
(2) Average Age	N/A	34.39	33.04	33.55	33.86
(3) Average Credited Service	N/A	0.53	0.94	1.42	2.12
(4) Average Entry Age	N/A	33.86	32.10	32.13	31.74
(5) Average Annual Earnings	\$ 0	\$ 48,130	\$ 51,023	\$ 56,617	\$ 60,467
<b>Others</b>					
(1) Number	0	2,661	4,662	6,671	8,582
(2) Average Age	N/A	36.90	37.36	38.04	38.55
(3) Average Credited Service	N/A	0.54	0.91	1.28	1.64
(4) Average Entry Age	N/A	36.36	36.45	36.76	36.91
(5) Average Annual Earnings	\$ 0	\$ 36,686	\$ 39,480	\$ 42,122	\$ 44,498
<b>Total</b>					
(1) Number	0	2,827	5,052	7,256	9,232
(2) Average Age	N/A	36.75	37.03	37.68	38.22
(3) Average Credited Service	N/A	0.54	0.91	1.29	1.67
(4) Average Entry Age	N/A	36.21	36.12	36.39	36.55
(5) Average Annual Earnings	\$ 0	\$ 37,358	\$ 40,371	\$ 43,291	\$ 45,622

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

**2.2(d) Distribution of Active Members – Total PERS**

**Annual Earnings by Age**

**Annual Earnings by Credited Service**

Age	Number	Total Annual Earnings	Average Annual Earnings	Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	69	\$ 2,327,088	\$ 33,726	0	3,294	\$ 135,625,235	\$ 41,173
20 – 24	1,081	43,232,707	39,993	1	2,662	119,516,320	44,897
25 – 29	1,711	77,862,414	45,507	2	1,985	97,581,137	49,159
30 – 34	1,418	67,826,100	47,832	3	1,271	67,200,788	52,872
35 – 39	1,165	52,522,596	45,084	4	10	703,210	70,321
40 – 44	1,035	46,527,602	44,954	0 – 4	9,222	420,626,690	45,611
45 – 49	1,008	45,807,197	45,444	5 – 9	10	559,895	55,990
50 – 54	817	40,409,636	49,461	10 – 14	0	0	0
55 – 59	565	26,434,856	46,787	15 – 19	0	0	0
60 – 64	272	14,014,857	51,525	20 – 24	0	0	0
65 – 69	77	3,427,943	44,519	25 – 29	0	0	0
70 – 74	13	775,923	59,686	30 – 34	0	0	0
75+	1	17,666	17,666	35 – 39	0	0	0
				40+	0	0	0
<b>Total</b>	<b>9,232</b>	<b>\$421,186,585</b>	<b>\$ 45,622</b>	<b>Total</b>	<b>9,232</b>	<b>\$ 421,186,585</b>	<b>\$ 45,622</b>

**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	69	0	0	0	0	0	0	0	0	69
20 – 24	1,081	0	0	0	0	0	0	0	0	1,081
25 – 29	1,711	0	0	0	0	0	0	0	0	1,711
30 – 34	1,417	1	0	0	0	0	0	0	0	1,418
35 – 39	1,164	1	0	0	0	0	0	0	0	1,165
40 – 44	1,034	1	0	0	0	0	0	0	0	1,035
45 – 49	1,007	1	0	0	0	0	0	0	0	1,008
50 – 54	814	3	0	0	0	0	0	0	0	817
55 – 59	563	2	0	0	0	0	0	0	0	565
60 – 64	272	0	0	0	0	0	0	0	0	272
65 – 69	76	1	0	0	0	0	0	0	0	77
70 – 74	13	0	0	0	0	0	0	0	0	13
75+	1	0	0	0	0	0	0	0	0	1
<b>Total</b>	<b>9,222</b>	<b>10</b>	<b>0</b>	<b>9,232</b>						

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

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

<b>Valuation Date</b>	<b>Number</b>	<b>Annual Earnings (000's)</b>	<b>Annual Average Earnings</b>	<b>Percent Increase/ (Decrease) in Average Earnings</b>	<b>Number of Participating Employers</b>
June 30, 2010	9,232	\$ 421,187	\$ 45,622	5.4%	160
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, 2010 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed for the DB Plan as of June 30, 2009. 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.

#### **(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.

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

### (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, 2010.

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, 2010 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, FY10 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 PERS 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 retirement are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

#### Healthcare Reform

Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts have been included in the valuation results.

- Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We reviewed the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.
- The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosures, Buck estimated the year in which the tax would potentially affect Alaska to be 2047, and with a minimal impact. Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

#### 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	8.00% per year (geometric), compounded annually, net of expenses.
Salary Scale	Inflation – 3.12% per year. Productivity – 0.5% per year. See Table 1 for salary scale rates.
Payroll Growth	3.62% per year. (Inflation + Productivity)
Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
Mortality (Pre-termination)	<u>Peace Officer/Firefighter:</u> Based upon the 2005-2009 actual mortality experience of the PERS DB Plan (see Table 2). 80% of the 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 60% for females. <u>Others:</u> Based upon the 2005-2009 actual mortality experience of the PERS DB Plan (see Table 3). 75% of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 55% for females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others.
Mortality (Post-termination)	1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with one-year set-forward for females. (See Table 4.)
Turnover	Select rates were estimated and ultimate rates were set to the PERS DB Plan's rates loaded by 10%. (See Table 5.)
Disability	Incidence rates based upon the 2005-2009 actual experience of the PERS DB Plan, in accordance with Table 6. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/ Firefighter, 55% of the time for Others.
Retirement	Retirement rates were estimated in accordance with Table 7.
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.
Part-time Status	Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.65 years of credited service per year for Other members.

**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 adjusted to age 65 for FY11 medical benefits are shown below:		
		<b>Medical</b>	<b>Prescription Drugs</b>
	Pre-Medicare	\$ 8,606	\$ 2,600
	Medicare Parts A & B	\$ 1,563	\$ 2,600
	Medicare Part B Only	\$ 6,654	\$ 2,600
	Medicare Part D	N/A	\$ 515
Third Party Administrator Fees	\$153.33 per person per year; assumed trend rate of 5% per year.		
Base Claims Costs Adjustments	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:		
	<ul style="list-style-type: none"> <li>• 0.941 for the medical plan.</li> <li>• 0.993 for the prescription drug plan.</li> <li>• 0.952 for the annual indexing for member cost sharing.</li> </ul>		

**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, 6.9% is applied to the FY11 medical claims costs to get the FY12 medical claims costs.

	Prescription	
	Medical	Drugs
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%
FY17	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

Age	Prescription	
	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

Years of Service	Percent Participation
10-14	75%
15-19	80%
20-24	85%
25-29	95%
30+	100%

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

**Table 1**  
**Alaska PERS DCR Plan**  
**Salary Scale**

**Peace Officer/Firefighter:**

---

<b>Year of Employment</b>	<b>Percent Increase</b>
1-4	6.36%
5	6.11
6	5.61
7+	4.12

**Others:**

---

<b>Year of Employment</b>	<b>Percent Increase</b>
1	9.60%
2	7.60
3	6.61
4	6.11
5	5.61
6+	Age-based

Rates vary slightly by age after 6 years of employment.

---

<b>Age</b>	<b>Percent Increase</b>
25	5.11%
30	4.99
35	4.86
40	4.70
45	4.53
50	4.61
55	4.24
60+	3.62

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

**Table 2**  
**Alaska PERS Peace Officer/Firefighter DCR Plan**  
**Mortality Table (Pre-termination)**

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.0303%	0.0135%
21	0.0323	0.0133
22	0.0345	0.0135
23	0.0380	0.0138
24	0.0419	0.0141
25	0.0470	0.0144
26	0.0534	0.0151
27	0.0569	0.0155
28	0.0590	0.0161
29	0.0609	0.0170
30	0.0627	0.0187
31	0.0642	0.0207
32	0.0656	0.0220
33	0.0663	0.0229
34	0.0664	0.0239
35	0.0666	0.0250
36	0.0674	0.0262
37	0.0697	0.0277
38	0.0721	0.0295
39	0.0753	0.0316
40	0.0792	0.0344
41	0.0837	0.0372
42	0.0890	0.0400
43	0.0943	0.0425
44	0.0997	0.0447
45	0.1059	0.0462
46	0.1133	0.0481
47	0.1226	0.0508
48	0.1331	0.0551
49	0.1445	0.0598
50	0.1571	0.0665
51	0.1716	0.0745
52	0.1883	0.0856
53	0.2100	0.0978
54	0.2331	0.1111
55	0.2644	0.1270
56	0.3015	0.1474
57	0.3466	0.1712
58	0.3989	0.1970
59	0.4489	0.2266
60	0.5050	0.2604

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

**Table 3**  
**Alaska PERS Others DCR Plan**  
**Mortality Table (Pre-termination)**

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0284%	.0123%
21	.0303	.0122
22	.0324	.0123
23	.0356	.0127
24	.0392	.0129
25	.0441	.0132
26	.0501	.0138
27	.0533	.0142
28	.0553	.0148
29	.0571	.0156
30	.0588	.0171
31	.0602	.0189
32	.0615	.0202
33	.0622	.0210
34	.0623	.0219
35	.0624	.0229
36	.0632	.0240
37	.0653	.0254
38	.0676	.0271
39	.0706	.0289
40	.0742	.0315
41	.0785	.0341
42	.0834	.0366
43	.0884	.0389
44	.0935	.0409
45	.0993	.0423
46	.1063	.0441
47	.1149	.0466
48	.1248	.0505
49	.1354	.0548
50	.1473	.0610
51	.1609	.0683
52	.1765	.0784
53	.1969	.0897
54	.2186	.1018
55	.2479	.1164
56	.2827	.1352
57	.3249	.1570
58	.3739	.1806
59	.4208	.2077
60	.4734	.2387

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

**Table 4**  
**Alaska PERS DCR Plan**  
**Mortality Table (Post-termination)**

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	0.1964%	0.1241%
51	0.2145	0.1426
52	0.2354	0.1631
53	0.2625	0.1851
54	0.2914	0.2117
55	0.3305	0.2457
56	0.3769	0.2854
57	0.4333	0.3284
58	0.4986	0.3777
59	0.5611	0.4339
60	0.6312	0.4979
61	0.7251	0.5701
62	0.8188	0.6527
63	0.9436	0.7450
64	1.0644	0.8442
65	1.1956	0.9476
66	1.3618	1.0523
67	1.5123	1.1499
68	1.6336	1.2424
69	1.7873	1.3422
70	1.9147	1.4342
71	2.0940	1.5830
72	2.2981	1.7260
73	2.5175	1.9177
74	2.7475	2.0940
75	3.0609	2.3377
76	3.0609	2.6690
77	3.7879	2.9853
78	4.2924	3.3273
79	4.8681	3.7068
80	5.5102	4.1355
81	6.2135	4.6249
82	6.9722	5.1616
83	7.6164	5.7377
84	8.4319	6.4966
85	9.1495	7.3658

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

**Table 5**  
**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	15%
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	4.5263%	5.7054%	45	4.1616%	5.3309%
21	4.5208	5.7028	46	4.1102	5.2844
22	4.5147	5.7002	47	4.0500	5.2300
23	4.5076	5.6979	48	3.9838	5.1703
24	4.4983	5.6939	49	3.9139	5.1088
25	4.4904	5.6920	50	3.8376	5.0419
26	4.4829	5.6893	51	3.7480	4.9627
27	4.4729	5.6818	52	3.6377	4.8621
28	4.4651	5.6751	53	3.5111	4.7458
29	4.4561	5.6656	54	3.3711	4.6171
30	4.4492	5.6574	55	3.2063	4.4617
31	4.4410	5.6467	56	2.9998	4.2580
32	4.4349	5.6376	57	2.7433	3.9959
33	4.4286	5.6264	58	2.4705	3.7140
34	4.4237	5.6148	59	2.1189	3.3355
35	4.4169	5.6007	60	1.7240	2.9081
36	4.4088	5.5856	61	1.2905	2.4421
37	4.3959	5.5672	62	0.7855	1.9006
38	4.3798	5.5474	63	0.2146	1.2892
39	4.3615	5.5260	64	4.7520	0.6289
40	4.3413	5.5039	65+	4.7520	5.9400
41	4.3175	5.4794			
42	4.2869	5.4494			
43	4.2525	5.4167			
44	4.2106	5.3772			

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

**Table 5**  
**Alaska PERS DCR Plan**  
**Turnover Assumptions**

Others:

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

Year of Employment	Rate
1	29%
2	25%
3	20%
4	16%
5	15%

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

Age	Male	Female	Age	Male	Female
20	10.4500%	15.0446%	45	5.7664%	6.6418%
21	10.4500	15.0442	46	5.7411	6.6260
22	10.4500	15.0424	47	5.7110	6.6061
23	10.4500	15.0421	48	5.6759	6.5825
24	10.4500	15.0407	49	5.6397	6.5591
25	10.4500	15.0407	50	5.5982	6.5318
26	10.4500	15.0403	51	5.5505	6.5002
27	10.4500	15.0379	52	5.4941	6.4620
28	10.4500	15.0346	53	5.4300	6.4184
29	10.4500	15.0307	54	5.3605	6.3716
30	10.4500	13.8600	55	5.2807	6.3160
31	9.9000	13.0900	56	5.1834	6.2432
32	9.2400	12.2100	57	5.0650	6.1491
33	8.5030	11.5500	58	4.9352	6.0429
34	8.0850	10.8900	59	4.7792	5.9079
35	7.7000	10.2300	60	4.6045	5.7553
36	7.3700	9.5700	61	4.4089	5.5858
37	7.0950	9.1300	62	4.1829	5.3912
38	6.8750	8.6900	63	3.9259	5.1701
39	6.7100	8.3600	64	3.6453	4.9289
40	6.4900	8.0818	65+	6.0500	6.8750
41	6.3030	8.0705			
42	6.1050	8.0578			
43	5.9290	8.0461			
44	5.7966	8.0325			

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

**Table 6**  
**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%	.031%	.024%
21	.089	.031	.024
22	.090	.032	.024
23	.091	.032	.024
24	.093	.033	.025
25	.094	.033	.025
26	.095	.033	.025
27	.098	.034	.026
28	.100	.035	.027
29	.103	.036	.028
30	.105	.037	.029
31	.108	.037	.029
32	.110	.038	.029
33	.113	.039	.030
34	.116	.041	.031
35	.120	.042	.032
36	.124	.044	.034
37	.129	.045	.035
38	.134	.047	.036
39	.139	.048	.037
40	.144	.050	.039
41	.150	.052	.040
42	.159	.056	.043
43	.170	.059	.045
44	.185	.065	.050
45	.203	.071	.055
46	.220	.077	.059
47	.239	.083	.064
48	.259	.091	.070
49	.279	.097	.075
50	.300	.105	.081
51	.325	.114	.087
52	.358	.125	.096
53	.398	.139	.107
54	.444	.155	.119
55	.500	.175	.134
56	.574	.201	.155
57	.668	.234	.180
58	.763	.267	.205
59	.900	.315	.242
60	1.054	.368	.283

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

**Table 7**  
**Alaska PERS DCR Plan**  
**Retirement Table**

<b>Age</b>	<b>Rate</b>
<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, 2009	June 30, 2010												
Investment Return	8.25% per year (geometric), compounded annually, net of expenses	8.00% per year (geometric), compounded annually, net of expenses												
Salary Scale	Based on actual experience from 2001 to 2005.	Based on actual experience 2005 to 2009. <u>Peace Officer/Firefighter</u> : Rates are increased for the first 4 years. Decreased at year 5. <u>Others</u> : Based on actual experience from 2005 to 2009. Increased most rates.												
Payroll Growth	4.00% per year	3.62% per year												
Inflation	3.50%	3.12%												
Pre-termination Mortality	<u>Peace Officer/Firefighter</u> : 1994 GAM Table, 1994 Base Year. <u>Others</u> : 42% of 1994 GAM Table, 1994 Base Year.	<u>Peace Officer/Firefighter</u> : 80% of the male and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA. <u>Others</u> : 75% of the male and 55% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA.												
Post-termination Mortality	1994 GAM Table, 1994 Base Year.	1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 1-year set-forward for females.												
Disability Mortality	1979 PBGC Disability Mortality Table for those receiving Social Security disability benefits.	RP-2000 Disabled Retiree Mortality Table.												
Turnover	Based on actual PERS DB Plan experience from 2001 to 2005. Ultimate rates are equal to DB Plan rates loaded by 10%.	Rates adjusted based on actual PERS DB Plan experience from 2005 to 2009. Ultimate rates are equal to DB Plan rates loaded by 10%.												
Disability	Based on actual PERS DB Plan experience from 2001 to 2005.	<u>Peace Officer/Firefighter</u> : No change. <u>Others</u> : Male/Female rates decreased based on actual PERS DB Plan experience from 2005 to 2009.												
Occupational Death and Disability	<u>Others</u> : 50% <u>Peace Officer/Firefighter</u> : 75%	<u>Others</u> : 55% <u>Peace Officer/Firefighter</u> : 75%												
Healthcare Participation	100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.	<table border="1"> <thead> <tr> <th>Years of Service</th> <th>Participation</th> </tr> </thead> <tbody> <tr> <td>10-14</td> <td>75%</td> </tr> <tr> <td>15-19</td> <td>80%</td> </tr> <tr> <td>20-24</td> <td>85%</td> </tr> <tr> <td>25-29</td> <td>95%</td> </tr> <tr> <td>30+</td> <td>100%</td> </tr> </tbody> </table>	Years of Service	Participation	10-14	75%	15-19	80%	20-24	85%	25-29	95%	30+	100%
Years of Service	Participation													
10-14	75%													
15-19	80%													
20-24	85%													
25-29	95%													
30+	100%													

---

## 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.

	<b>Actuarial Accrued Liabilities (AAL) (000's)</b>	<b>Actuarial Value of Assets (000's)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL) (000's)</b>	<b>Covered Payroll (000's)</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2010	\$ 853	\$ 4,801	562.8%	\$ (3,948)	\$ 421,187	(0.9)%
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.

	<b>Actuarial Accrued Liabilities (AAL) (000's)</b>	<b>Actuarial Value of Assets (000's)</b>	<b>Funded Ratio</b>	<b>Unfunded AAL (UAAL) (000's)</b>	<b>Covered Payroll (000's)</b>	<b>UAAL as a Percentage of Covered Payroll</b>
June 30, 2010	\$ 8,370	\$ 8,767	104.7%	\$ (397)	\$ 421,187	(0.1)%
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 (\$'s in thousands)

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, 2010	\$ 1,495	100%
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, 2010	\$ 3,469	87%
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%
June 30, 2010	FY13	0.99% / 0.14%	0.57%	1.56% / 0.71%

### 3.1(c) Actuarial Assumptions, Methods and Additional Information

Valuation Date	June 30, 2010
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*	8.00%
Projected salary increases	Police Officer/Firefighter: Merit – 2.74% per year for the first 4 years of employment, grading down to 0.5% at 4 years and thereafter. Productivity – 0.5% per year. Others: Merit – 5.98% per year grading down to 1.99% after 5 years; for more than 6 years of service, 1.49% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.12%

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 8.00% 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 2013 employer ARC for accounting purposes is 0.57% of pay for retiree medical benefits and 0.79% 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, 2010 <sup>1</sup>	\$ 0	\$ 0	\$ 8,038	\$ 13,568	100.0%	100.0%	100.0%
June 30, 2009 <sup>1</sup>	0	0	4,316	8,613	100.0%	100.0%	100.0%
June 30, 2008 <sup>1</sup>	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., funding investment return and net of Medicare Part D subsidy).

<sup>1</sup> *Change in Assumptions*