ALASKA PUBLIC EMPLOYEES RETIREMENT SYSTEM

ALASKA PUBLIC EMPLOYEES
RETIREMENT SYSTEM

Actuarial Valuation
as of
December 31, 1972

Actuarial Valuation
as of
December 31, 1972

MARSH & McLENNAN

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October 15, 1973

Mr. Joseph R. Henri
Commissioner of Administration
State of Alaska
Pouch C
Juneau, Alaska 99801

Dear Commissioner Henri:

At your request, we have completed an actuarial valuation of the Alaska Public Employees' Retirement System as of December 31, 1972, in order to examine the financial status of the System and to determine the Employer contribution rates for the 1974-75 fiscal year.

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

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

Respectfully submitted,

Norman S. Losk, FSA
Actuary

NSL:rs
Attachments

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SECTION I

INTRODUCTION

In accordance with your request, we have performed an actuarial valuation of the Alaska Public Employees' Retirement System as of December 31, 1972.

The purposes of the valuation are:

(a) To examine the status of funding of the System.

(b) To establish contribution rates for the State of Alaska and all other participating employers for the 1974-75 fiscal year based upon the provisions of the System as of the valuation date.

This valuation report reflects three substantial changes in actuarial procedure:

(a) In prior valuations, contribution rates were based upon an entirely separate actuarial determination for each participating employer. In this report, each employer's contribution rate was determined as the sum of:

(1) A consolidated employer contribution rate which is determined uniformly for all participating employers with respect to future service and

(2) A rate designed to amortize the liabilities for benefits earned to the valuation date by the employees of the employer over 40 years.

(b) In order to allow each employer to more easily budget for contributions to the System, a new actuarial valuation/ contribution cycle has been initiated. Previously, the actuarial valuation as of the end of a year served as the basis for contribution levels effective on July 1 of the following year. (E.g., the actuarial valuation as of December 31, 1971, served as the basis for contribution rates in the 1972-73 fiscal year.) Under this arrangement, with the inevitable time lags involved, valuation results were normally not available until May; less than two months before new contribution levels were to be effective.

The new cycle provides that the actuarial valuation as of the end of a year will serve as the basis for contribution levels effective on July 1 of the second following year. (E.g., this actuarial valuation as of December 31, 1972 will serve as the basis for contribution rates for the 1974-75 fiscal year.) Although there is an 18-month lag between the valuation date and the effective date of new contributions, this presents no major actuarial problem so long as this cycle is applied consistently from year to year.

(c) Based upon a turnover study with respect to State employees for the period from January 1, 1970 through December 31, 1971, a new turnover scale has been adopted. It is our feeling that this scale more closely approximates actual turnover among the group of participating employees than did the old scale. The effect of this scale is to substantially reduce liabilities and contribution levels in the System.

In addition, a new assumption as to future salary increases has been adopted. In prior valuations an assumed rate of annual salary increases of 3 1/2% per year was utilized. This rate has been increased to 5% for this valuation.

In order to establish the new actuarial valuation/contribution cycle described in (b), above, contribution rates for the 1973-74 fiscal year were developed on the basis of:

(1) Asset values and data on participating employees as of December 31, 1971,

(2) The new actuarial valuation method described in (a), above, and

(3) The new turnover assumption described in (c) above.

On the following page you will find summarized the significant results of this valuation with respect to the benefits of the System as it existed on the valuation date.

	Employer	-----Pension Cost--- Estimated Dollar Amount	Percent of Involved Payroll	Present Value of All Accrued Benefits	Allocated Assets as of 12/31/72	Unfunded Liability or (Surplus)
(1)	State of Alaska	4,207,853	4.27%	31,862,369	40,701,118	(8,838,749)
(2)	City of Skagway	3,966	5.53%	20,385	11,150	9,070
(3)	City and Borough of Sitka	94,496	6.22%	615,360	242,038	373,322
(4)	City of Fairbanks	215,964	8.30%	3,005,228	1,440,714	1,564,514
(5)	City of Haines	4,695	4.63%	23,659	26,440	(2,781)
(6)	University of Alaska	710,790	4.91%	3,256,639	2,956,922	299,717
(7)	City of Valdez	10,660	5.20%	33,554	19,000	14,554
(8)	City of Kodiak	47,447	5.61%	237,269	118,847	118,422
(9)	Alaska Municipal League	3,446	5.54%	18,112	10,133	7,979
(10)	City of Kenai	50,523	4.85%	192,403	182,338	10,065
(11)	Anchorage Borough Schools	1,276,872	5.23%	5,370,031	3,518,452	1,851,579
(12)	Greater Anchorage Borough	441,467	4.78%	1,610,841	1,625,747	(14,906)
(13)	North Star Borough	107,901	7.26%	1,456,720	828,352	628,368
(14)	Ketchikan Gateway Borough	7,623	4.33%	16,871	30,639	(13,768)
(15)	Matanuska-Susitna Borough	43,332	5.78%	469,665	341,877	127,788
(16)	City of Soldotna	2,805	5.16%	13,751	10,270	3,481
(17)	City and Borough of Juneau	278,436	4.94%	1,850,404	1,708,413	141,991
	TOTAL	$7,508,276		$50,053,085	$53,772,450	($3,719,365)

SECTION II

ANALYSIS OF THE VALUATION

A. Actuarial Assumptions

(1) Turnover

In the period following the presentation of our last actuarial valuation, we performed a turnover study on the basis of the data used in our actuarial valuations as of December 31, 1969, 1970, and 1971 for State employees. The study covered calendar years 1970 and 1971.

Although the data used contained flaws, the results of that study, when examined in relation to collateral turnover information developed by the State, appeared to be conservative.

As a result, we have developed a new turnover table to be used in this and future actuarial valuations of the System. This table appears on page 16.

This table was first used to develop employer contribution rates for the 1973-74 fiscal year. The effect of the use of this table was to substantially reduce actuarial liabilities and employer contribution levels.

(2) Although the average pay levels for P.E.R.S. participants was lower as of December 31, 1972, than as of December 31, 1971, an increase in

the salary increase assumption is reasonable at this point. Based upon our experience, the new assumption remains conservative.

The effect of this increase is to offset, to some extent, the effect of the new turnover assumption.

B. Actuarial Method

In addition to the changes in the actuarial assumptions, the actuarial valuation method has been changed.

In prior actuarial valuations of the System, we have made determinations of employer contribution rates for each employer group separately. We have discussed, at various times over the last three years, the possibility of developing contribution levels on a consolidated basis.

It is our opinion that a consolidated employer contribution rate can be developed on an equitable basis with respect to future benefit accruals only, as each employer has his own pattern of prior service accrual.

Thus, it has been decided by the Administration, upon our recommendation, that the employer contribution rates be determined as follows:

(1) A consolidated employer contribution rate is developed with respect to service after the valuation date only.

(2) An additional contribution rate is developed for each employer group which is sufficient to liquidate the

unfundedliability for service prior to the valuation date for the members of that group over a period of 40 years.

C. Effect of Changes in Actuarial Procedure

The changes in actuarial procedure described above combine to generate a significant reduction in actuarial liabilities and employer contr-bution levels.

Exhibit 4 on page 25 illustrates the effect of these procedures with respect to employer contribution levels developed for fiscal years 1972-73, 1973-74, and 1974-75. It should be noted that employer contr-bution rates for 1973-74 are based upon the same asset values and employee data used to develop 1972-73 contribution levels. Thus, the entire difference between these sets of contribution levels is due to the effect of such new procedures.

D. 1974-75 Contribution Levels

Clearly, there has been a general reduction in contribution levels for 1974-75 as compared with those for 1973-74.

The factors which influence actuarial liabilities for active participants are as follows:

	Previous Valuation	Current Valuation
(1) Average Age	38.56 years	37.37 years
(2) Average Earnings	$12,637	$11,280
(3) Average Service to Valuation Date	4.43 years	3.66 years
(4) Number of Active Participants	12,053	14,028

These factors have combined to reduce accrued benefit liabilities from $50,850,486 to $50,053,085.

In addition, due to the substantially increased contribution rates in effect in the last six months of calendar 1972 and the effect of investment performance during the year, the available assets of the System grew from $40,778,241 to $53,772,450, an increase of nearly 32%.

Thus, unfunded accrued benefit liabilities as of the valuation date are down substantially from those of the previous valuation.

The factors shown above plus the introduction of the new salary increase assumption have served to increase the consolidated employer contribution rate from 4.76% to 4.79% this year.

Finally, it should be noted that the employee data provided as of December 31, 1972, was of a lesser quality than that for the previous year. For example, last year 83% of the records provided on active employees contained complete information, while only 61% of records on active lives provided this year were complete. This comment refers only to pieces of data which were missing. It does not speak to the accuracy of the data in records which were complete.

The problem of the quality of the data provided remains a concern. Although some work has been done to clean up the data, a continuing effort is needed to resolve this problem on both a current and a continuing basis.

E. Treatment of Retired Lives

As indicated in the previous valuation report, assets held to support retired life benefits are now accounted for separately from employer and employee contribution accounts.

As of the valuation date, the liability for retired lives was $10,365,191. This compares to a retiree reserve as of that date of $1,476,859. Thus, as of the valuation date, there was a deficit in that account of $8,888,332. This condition has been substantially corrected since the valuation date.

Although retired life liabilities were not a factor in developing employer contribution rates, the deficit in the retiree reserve account was taken into account by reducing assets attributable to the State by the amount of this deficit.

SECTION III

SUMMARY AND CONCLUSIONS

It is clear that the use of new actuarial assumptions and a new actuarial method have combined to substantially reduce employer contribution levels.

Based upon the actuarial assumptions outlined in Appendix 2, the funding of the System is at a substantial level and continues to progress satisfactorily.

There is no question, however, that the quality of this and any actuarial valuation depends directly on the quality of the employee information on which it is based. I urge that the current efforts to clean up the existing data and to establish procedures, manual and machine, which will ensure that such data will remain adequate and accurate, be continued.

APPENDICES

APPENDIX 1

ACTUARIAL METHOD

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

(1) The present value of all benefits accrued and expected to be earned in the future for non-retired particiapnts is calculated, taking into account expected levels of mortality, turnover, disability, salary increases, and investment performance.

(2) Such present value of benefits is reduced by the sum of:

   (a) The present value of future employee contributions, taking into account the same items as enumerated in (1) above.

   (b) The total liability for benefits earned to the valuation date.

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

(3) The Consolidated Employer Contribution Rate is determined by dividing the Present Value of Future Employer Normal Costs by the present value of future salaries, calculated taking into account those factors enumerated in item (1) above.

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

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

APPENDIX 2

ACTUARIAL ASSUMPTIONS

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

(1) Investment Yield: 5% per annum, net of expenses.

(2) Assets: Valued at cost.

(3) Experience: Active Employees

(a) Retirement Age - Police & Fire — 55 or 20 years service.

- Others — 60 or 30 years service.

(b) Disability - See attached Schedule I.

(c) Separation - See attached Schedule II.

(d) Mortality - 1951 Group Annuity Projection "C" to 1965.

(e) Earnings Progression - 5% increase per year.

(4) Experience: Pensioners and Beneficiaries

(a) Mortality - Retired - 1951 Group Annuity Projection "C" to 1965.

(b) Disabled - 1944 Disabled Railway Employees Select Mortality Table.

(5) Loading: None

Schedule I

PUBLIC EMPLOYEES' RETIREMENT SYSTEM

OF ALASKA

Disability Rates

All Employees

Annual Rates Per 1,000 Employees

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

Schedule II

STATE OF ALASKA

VALUATION TURNOVER RATES

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

APPENDIX 3

PARTICIPANT DATA

TABLE A, ANNUAL EARNINGS BY AGE GROUPS

	M A L E			F E M A L E			A L L		
AGE GROUP	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0-19	92	723198.	7861.	146	1018127.	6973.	238	1741325.	7316.
20-24	704	6663981.	9466.	875	7157179.	8180.	1579	13821160.	8753.
25-29	1135	13611901.	11993.	851	7790028.	9154.	1986	21401928.	10776.
30-34	1039	14542587.	13997.	586	5540934.	9456.	1625	20083521.	12359.
35-39	3570	38193109.	10698.	493	4767564.	9671.	4063	42960673.	10574.
40-44	716	10812327.	15101.	530	5259633.	9924.	1246	16071960.	12899.
45-49	605	9168441.	15154.	446	4463214.	10007.	1051	13631655.	12970.
50-54	460	6840735.	14871.	460	4872733.	10593.	920	11713468.	12732.
55-59	404	6091243.	15077.	299	3211421.	10741.	703	9302664.	13233.
60-64	267	3637894.	13625.	167	1809951.	10838.	434	5447846.	12553.
65-69	97	1150228.	11858.	49	508262.	10373.	146	1658490.	11360.
70-74	22	266596.	12118.	6	60894.	10149.	28	327490.	11696.
75-79	6	59764.	9961.	0	0.	0.	6	59764.	9961.
80-84	3	31282.	10427.	0	0.	0.	3	31282.	10427.
85+	0	0.	0.	0	0.	0.	0	0.	0.
TOTAL	9120	111793280.	12258.	4908	46459938.	9466.	14028	158253220.	11281.

TABLE B, ANNUAL EARNINGS BY SERVICE GROUPS

	M A L E			F E M A L E			A L L		
SERVICE GROUP	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0	1397	15473720.	11076.	1438	11517953.	8010.	2835	26991673.	9521.
1	1051	13062873.	12429.	840	7364361.	8767.	1891	20427234.	10802.
2	815	10920798.	13400.	693	6712554.	9686.	1508	17633352.	11693.
3	3603	37157576.	10313.	614	6118770.	9965.	4217	43276346.	10262.
4	402	5544802.	13793.	345	3601868.	10440.	747	9146670.	12245.
0-4	7268	82158856.	11304.	3930	35315212.	8986.	11198	117474067.	10491.
5-9	1109	16885909.	15226.	686	7543478.	10996.	1795	24429387.	13610.
10-14	600	10358901.	17265.	212	2560813.	12079.	812	12919714.	15911.
15-19	105	1666386.	15870.	62	768306.	12392.	167	2434692.	14579.
20-24	31	545132.	17585.	13	203683.	15668.	44	748815.	17019.
25-29	6	151728.	25288.	5	68112.	13622.	11	219840.	19985.
30-34	1	25428.	25428.	0	0.	0.	1	25428.	25428.
35-39	0	0.	0.	0	0.	0.	0	0.	0.
40+	0	0.	0.	0	0.	0.	0	0.	0.
TOTAL	9120	111792337.	12258.	4908	46459601.	9466.	14028	158251940.	11281.

ALASKA PERS -- STATE AND POLITICAL SUBDIVISION EMPLOYEES VALUATION DATE 12/31/72

TABLE C, SERVICE GROUPS BY AGE GROUPS

AGE GROUP	SERVICE GROUP 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	TOTAL
ALL EMPLOYEES										
0-19	238	0	0	0	0	0	0	0	0	238
20-24	1571	8	0	0	0	0	0	0	0	1579
25-29	1844	139	3	0	0	0	0	0	0	1986
30-34	1261	308	56	0	0	0	0	0	0	1625
35-39	3680	247	129	7	0	0	0	0	0	4063
40-44	859	230	122	34	1	0	0	0	0	1246
45-49	627	255	140	18	9	2	0	0	0	1051
50-54	517	232	127	29	12	3	0	0	0	920
55-59	334	187	124	41	14	3	0	0	0	703
60-64	190	124	85	25	6	3	1	0	0	434
65-69	63	46	23	12	2	0	0	0	0	146
70-74	13	12	2	1	0	0	0	0	0	28
75-79	1	5	0	0	0	0	0	0	0	6
80-84	0	2	1	0	0	0	0	0	0	3
85+	0	0	0	0	0	0	0	0	0	0
TOTAL	11198	1795	812	167	44	11	1	0	0	14028

MISCELLANEOUS INFORMATION

ACTIVE MEMBERS OF THE

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

		Information as of December 31, 1971	December 31, 1972
(1)	Number of active participants	12,053	14,028
(2)	Number with complete information	9,969	8,602
(3)	Average Age	38.56 years	37.37 years
(4)	Average Service to date	4.43 years	3.66 years
(5)	Average Salary	12,637	11,280

APPENDIX 4

ACTUARIAL DETERMINATIONS

EXHIBIT 1

DEVELOPMENT OF CONSOLIDATED

EMPLOYER CONTRIBUTION RATE

FOR 1974-75

(1)	Present Value of Fully Projected Benefits for Non-Retired Participants	$137,097,952
(2)	Present Value of Benefits Earned to December 31, 1972, by Non-Retired Participants	50,053,085
(3)	Present Value of Future Member Contributions	41,135,013
(4)	Present Value of Future Consolidated Employer Contributions ((1)-(2)-(3))	45,909,854
(5)	Present Value of Future Salaries	957,935,300
(6)	Consolidated Employer Contribution Rate ((4)/(5))	4.79%

EXHIBIT 2

BREAKDOWN OF PRESENT VALUE

OF BENEFITS

	Present Value of Accrued Benefit	Present Value of Fully Projected Benefit
Retirement Benefit	$33,935,779	$ 82,421,375
Disability Benefit	2,451,090	5,134,839
Death Benefits	2,151,834	3,726,939
Termination Benefits	10,368,840	44,669,257
Contributions plus interest for non-vested, inactive members	1,145,542	1,145,542
Total Present Value of Benefits for all Non-retired Members	$50,053,085	$137,097,952
Present Value of Benefits for Pensioners and other inactives	10,365,191	10,365,191
Total Present Value of Benefits	$60,418,276	$147,463,143

EXHIBIT 3

DEVELOPMENT OF PAST SERVICE RATES

FOR 1974-75

	Employer	(a) Unfunded Liability or (Surplus)	(b) Payment to Amortize Liability - 40 years	(c) Salaries	(d) Past Service Rate ((b)/(c))
(1)	State of Alaska	(8,838,749)	(515,594)	98,544,560	(.52%)
(2)	City of Skagway	9,070	529	71,725	.74%
(3)	City and Borough of Sitka	373,322	21,777	1,519,223	1.43%
(4)	City of Fairbanks	1,564,514	91,263	2,601,981	3.51%
(5)	City of Haines	(2,781)	(162)	101,401	(.16%)
(6)	University of Alaska	299,717	17,483	14,476,368	.12%
(7)	City of Valdez	14,554	849	205,000	.41%
(8)	City of Kodiak	118,422	6,908	845,761	.82%
(9)	Alaska Municipal League	7,979	465	62,200	.75%
(10)	City of Kenai	10,065	587	1,041,717	.06%
(11)	Anchorage Borough Schools	1,851,579	108,009	24,414,383	.44%
(12)	Greater Anchorage Borough	(14,906)	(869)	9,235,715	(.01%)
(13)	North Star Borough	628,368	36,655	1,486,235	2.47%
(14)	Ketchikan Gateway Borough	(13,768)	(803)	176,052	(.46%)
(15)	Matanuska-Susitna Borough	127,788	7,454	749,686	.99%
(16)	City of Soldotna	3,481	203	54,360	.37%
(17)	City and Borough of Juneau	141,991	8,283	5,636,356	.15%

EXHIBIT 4

COMPARATIVE EMPLOYER CONTRIBUTION RATES

	Employer	1974-75	1973-74	1972-73
(1)	State of Alaska	4.27%	5.41%	11.21%
(2)	City of Skagway	5.53%	5.79%	13.22%
(3)	City and Borough of Sitka	6.22%	6.45%	14.29%
(4)	City of Fairbanks	8.30%	6.22%	12.78%
(5)	City of Haines	4.63%	6.13%	12.57%
(6)	University of Alaska	4.91%	5.23%	9.33%
(7)	City of Valdez	5.20%	5.43%	------
(8)	City of Kodiak	5.61%	6.94%	13.69%
(9)	Alaska Municipal League	5.54%	6.58%	20,87%
(10)	City of Kenai	4.85%	5.33%	10.88%
(11)	Anchorage Borough Schools	5.23%	6.09%	13.54%
(12)	Greater Anchorage Borough	4.78%	5.80%	10.56%
(13)	North Star Borough	7.26%	5.71%	11.50%
(14)	Ketchikan Gateway Borough	4.33%	4.76%	7.63%
(15)	Matanuska-Susitna Borough	5.78%	6.74%	14.38%
(16)	City of Soldotna	5.16%	4.76%	7.56%
(17)	City and Borough of Juneau	4.94%	5.64%	11.76%

APPENDIX 5

SUMMARY OF THE PROVISIONS

OF THE

ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

AS OF

DECEMBER 31, 1972

PUBLIC EMPLOYEES' RETIREMENT SYSTEM OF ALASKA

1. PLAN

   Public Employees' Retirement System of Alaska

2. EFFECTIVE DATE

   January 1, 1961

3. AMENDED

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

4. ADMINISTRATION OF PLAN

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

5. EMPLOYERS INCLUDED

   State of Alaska and any political subdivisions and public or quasi-public organizations thereof (as of December 31, 1972, there were: 16 participating employer groups in addition to the State).

6. EMPLOYEES INCLUDED

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

7. SERVICE CONSIDERED

Future:

Hire or 1/1/61, if later, to date of termination, death, or retirement. If an individual earns at least 3 years of credited service after 1/1/61, he obtains credit for all service rendered prior to 1/1/61.

Past:

Service credit for all service with State and Territory prior to January 1, 1961, if the employee completed three years of service after January 1, 1961. Elected official has past service credit only if he pays contributions for all of his service after January 1, 1961. Service with political subdivision prior to effective date included at option of political subdivision.

Break in Future Service:

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

8. COMPENSATION CONSIDERED

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

9. EMPLOYER CONTRIBUTIONS

Separate contribution rate for each employer to be:

Amount which would amortize all future service liabilities (less value of employee contributions) over the future working lifetime of the covered group and unfunded past service liabilities over 40 years.

10. EMPLOYEE CONTRIBUTIONS

Mandatory Employee Contributions:

Police & Fire - 5%

Other - 4 1/4%

Refund at Termination (no vesting):

Return of voluntary and mandatory contributions with interest.

Refund at Death:

If no widows pension payable, return of voluntary and mandatory contributions with interest.

11. NORMAL RETIREMENT BENEFIT

Eligibility:

Age 55 or 20 years - P & F

Age 60 or 30 years - Other

Type:

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

Amount:

1 1/2% of first 10 years, 1 3/4% of next 10 years, 2% of years in excess of 20 of highest 3 consecutive year average - Other. 2% first 10 years, 2 1/2% excess of highest consecutive 3 year average salary - Police & Fire.

12. EARLY RETIREMENT BENEFIT

Eligibility:

Age 50 and 5 years service - P & F

Age 55 and 5 years service - Other

Type:

Life only

Amount:

Actuarial equivalent of Normal Retirement Benefit based on service and compensation to early retirement date.

13. DEFERRED VESTED BENEFIT

Eligibility:

5 years of service.

Type:

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

Amount:

Monthly benefit begins on employee's Normal Retirement Date. Amount determined the same as normal retirement benefit taking into account compensation and service prior to termination.

14. DISABILITY BENEFIT

Occupational Disability:

Eligibility:

No age or service requirements.

Type:

Monthly benefit payable until death or recovery.

Amount:

2/3 of gross monthly compensation - P & F.

Normal Retirement Benefit assuming total service to age 60 or to date, if later, at the current level of compensation and 75% J & S option - Other. Terminates at Normal Retirement Date with full normal retirement benefit commencing.

Non-Occupational Disability:

Eligibility:

5 years of service.

Type:

Monthly benefit payable until death or recovery.

Amount:

Same as vested benefit except payments commence immediately.

15. DEATH BENEFIT BEFORE RETIREMENT

Occupational:

No age or service requirements.

Benefit: 75% of occupational disability benefit to spouse - Other.

Full pay continues to spouse to Normal Retirement Date with full

Normal Retirement Benefit to spouse after Normal Retirement Date - P & F.

After Occupational Disability: 75% of Occupation Disability paid to disabled employee continued to spouse - Other.

Full occupational disability benefit continued to spouse - P & F.

Non-Occupational:

If no widow's benefit is payable, lump sum death benefit of $1,000 plus $100 per completed year of service plus the participant's contributions with interest.

16. DEATH BENEFITS AFTER RETIREMENT

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

17. POST-RETIREMENT PENSION ADJUSTMENT

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

18. COST-OF-LIVING ALLOWANCE

A retired employee who remains in Alaska is eligible for an additional allowance equal to the increase in benefit that results when his primary Social Security benefit is multiplied by the ratio that the cost of living in Alaska bears to the cost of living in other states of the U.S. A widow receiving a widow's pension receives three-fourths of this allowance.

19. OPTIONAL EMPLOYEE SAVINGS ACCOUNT

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

(a) in the event of termination before retirement for a reason other than death, as a lump sum to the employee,

(b) in the event of termination on account of death, as a lump sum to the employee's beneficiary,

(c) on retirement, as a lump sum, life annuity on cash refund basis or installments over limited period.