



State of Alaska  
Public Employees'  
Retirement System

Actuarial Valuation Report  
as of June 30, 2009

**buck**consultants®

Submitted By:  
Buck Consultants  
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July 9, 2010

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

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

### **Actuarial Certification**

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

- (1) a presentation of the valuation results of the System as of June 30, 2009;
- (2) a review of experience under the System for the year ended June 30, 2009;
- (3) a determination of the appropriate contribution rate for all employers in the System, including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2012; and
- (4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

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

- (1) Summary of actuarial assumptions and methods (Section 2.3)
- (2) Schedule of active member valuation data (Section 2.2(d) and (f))
- (3) Schedule of benefit recipients added to and removed from rolls (Section 2.2(p) and 2.2(q))
- (4) Solvency test (Section 3.3)
- (5) Analysis of financial experience (Section 3.1)
- (6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

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

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY10 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 69.5% to 61.8% during the year. This report provides an analysis of the factors that led to the decrease. This report also provides a history of the funding ratio of the System.

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 System.

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

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

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

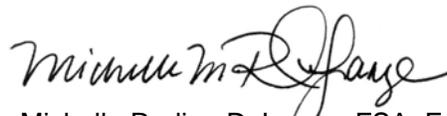
We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

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

Sincerely,



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



Michelle Reding DeLange, FSA, EA, MAAA  
Director, Consulting Actuary

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



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

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## Report Highlights

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

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

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during Fiscal Year 2009, the current annual costs, and 30-year projections.

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

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities and GASB information.

The principal results are as follows:

<b>Funding Status as of June 30<sup>1</sup></b>	<b>2008</b>	<b>2009</b>
(a) Accrued Liability <sup>2</sup>	\$ 15,888,141	\$ 16,579,371
(b) Valuation Assets <sup>2</sup>	<u>11,040,106</u>	<u>10,242,978</u>
(c) Unfunded Accrued Liability <sup>2</sup> , (a) – (b)	\$ 4,848,035	\$ 6,336,393
(d) Funding Ratio based on Valuation Assets, (b) ÷ (a)	69.5%	61.8%
(e) Market Value of Assets <sup>2</sup>	\$ 10,726,913	\$ 8,535,815
(f) Funding Ratio based on Market Assets, (e) ÷ (a)	67.5%	51.5%

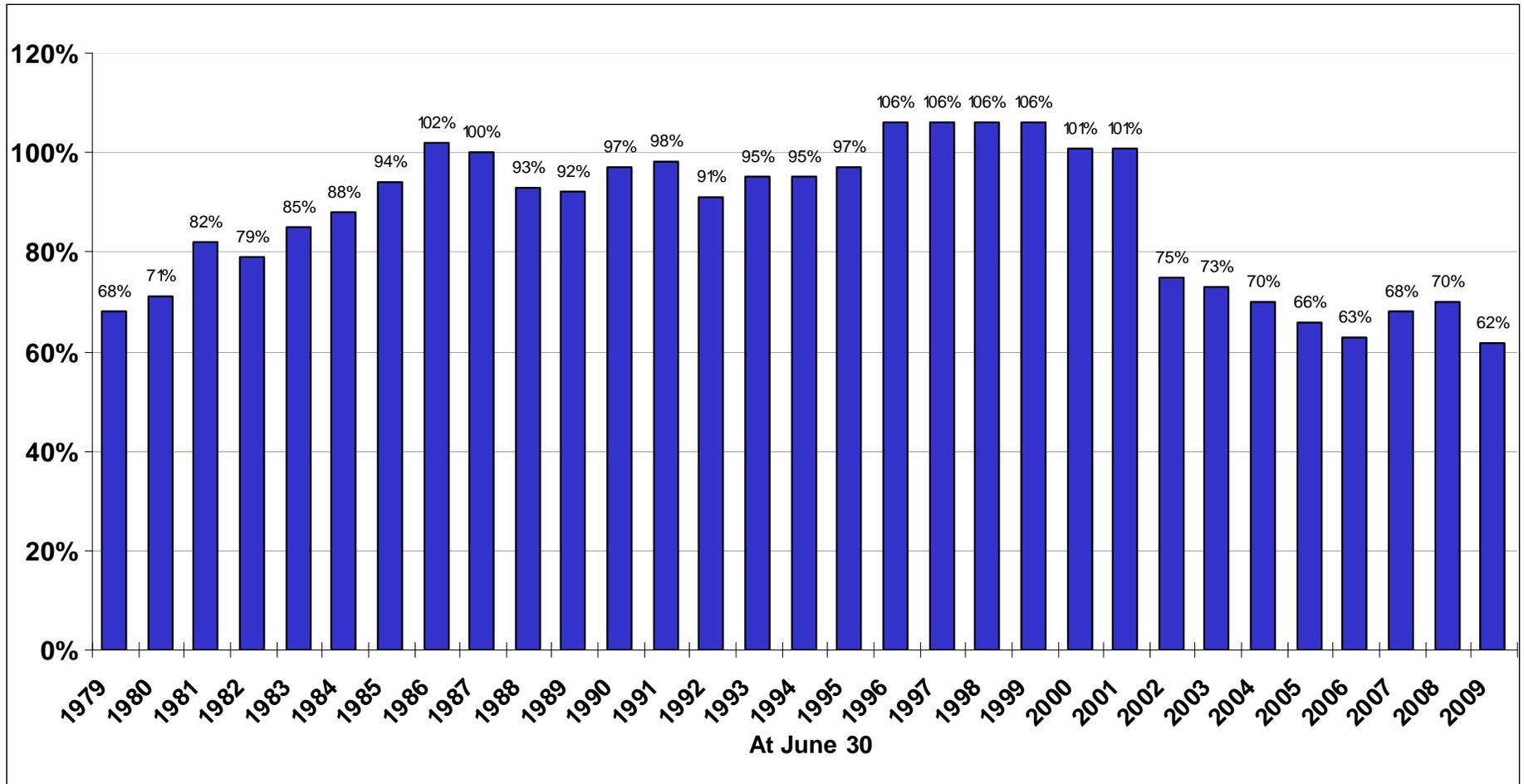
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<sup>1</sup> Includes pension and healthcare benefits.

<sup>2</sup> In thousands.

## Report Highlights *(continued)*

### PERS Funding Ratio History (Based on Valuation Assets)



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## Report Highlights *(continued)*

<b>Employer/State Contribution Rates for Pension for Fiscal Year:</b>	<b>2011</b>	<b>2012</b>
(a) Normal Cost Rate Net of Member Contributions	2.65%	2.52%
(b) Past Service Rate	7.33%	12.13%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	9.98%	14.65%

<b>Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:</b>	<b>2011</b>	<b>2012</b>
(a) Normal Cost Rate	6.68%	5.76%
(b) Past Service Rate	11.30%	10.35%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	17.98%	16.11%

<b>Total Employer/State Contribution Rates for Fiscal Year:</b>	<b>2011</b>	<b>2012</b>
(a) Normal Cost Rate Net of Member Contributions	9.33%	8.28%
(b) Past Service Rate	18.63%	22.48%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	27.96%	30.76%
(d) Board Adopted Total Employer/State Contribution Rate	27.96%	30.76%

Contribution rates are based on total salaries for DB and DC plan members, combined.

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, postemployment healthcare liabilities are gross of the retiree drug subsidy and are calculated with a discount rate for a partially funded plan.

Contribution rates are based on Employer contribution rates as limited by State statute, and include the additional State contribution required under SB 125.

## Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2009 has decreased from 69.5% to 61.8%, a decrease of 7.7%. The calculated Employer/State contribution rate has increased from 27.96% of payroll for FY11 to 30.76% for FY12, an increase of 2.80% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

### (1) Retiree Medical Costs and Assumptions

The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	\$ 57.64	66%	--
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%
1/1/10-12/31/10	1,068.00	14%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2010 to December 31, 2010 time period will increase to \$1,068. This represents an increase of 14% from the previous year's medical premium of \$937. The health cost trend rates used for this valuation are described in Section 2.3. Over the last 10 years, annual premium rate changes have ranged from no change to up to 15%. Also, over the last ten years, the increase in the premium rate has been about 7.3% compounded annually.

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## Analysis of the Valuation *(continued)*

Effective with the 2004 valuation, the assumptions used to value liabilities for retiree medical benefits were changed. The revised methods and assumptions more accurately measured retiree medical liabilities and incorporated the expected impact on System liabilities due to changes in the Medicare program. In particular, changes were made to the following elements in calculating medical liabilities:

- Claims cost methodology and development
- Offset for Medicare
- Aging factors

An analysis of medical costs was completed based on claims information provided by Premera and enrollment data provided by the Division of Retirement and Benefits. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. Average medical claims were then distributed across the population based on expected increases in medical expenses that occur with age.

For the 2009 valuation, we updated claims cost and Medicare offset analyses using fiscal year 2009 claims and enrollment information. We developed assumptions regarding the number of members with Medicare Part B only coverage based on employee date of hire, date of birth, tier, etc., and eligibility rules for Medicare Part A and associated claims costs. A lower average claims cost was applied to retirees assumed to be covered by both Medicare Part A and B vs. retirees assumed to be covered only by Medicare Part B. The assumed lag used to adjust claims data from a paid to incurred basis reflects the results of our June 30, 2009 lag study. Assumed lag from incurred date to paid claim is approximately 2.57 months for medical claims and 0.5 months for prescription claims. Composite lag for combined medical claims is about 1.9 months, similar to the 2-month composite lag assumption used for our 2008 valuation. The trend assumption is based on the Society of Actuaries' Healthcare Cost Trend Model as adopted by the ARM Board at their December 5, 2008 meeting. The trend rate varies by year declining to 5.1% over 100 years. The trends vary by medical and prescription drugs until 2012, at which point the same trends are used for both benefit types.

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## Analysis of the Valuation *(continued)*

Individual claim level detail from Aetna and Premera were obtained for calendar year 2005 and fiscal years 2006 through 2009. This data was reviewed and compared to management level reporting supplied by Premera. For the 2009 valuation, we have not modified any management level reporting information used to develop per capita claim cost rates. However, we will continue to compare data from both sources and potentially modify future claims cost rate derivation to reflect salient information at the individual claimant level that may enhance global management level data. For the 2009 valuation, we do not recommend any changes to morbidity assumptions used to project increasing claims costs as members age. However, we will continue to compare age-based claims costs derived from individual claimant data to the current morbidity curve and potentially modify the assumed aging impact on claims costs in future valuations. The portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 4.0% to 3.5%. Finally, explicit third-party administration (TPA) costs were added to medical and prescription claims cost rates. Per-member TPA costs are derived from the current Wells Fargo contract and are projected to increase at the assumed rate of 5%.

Since 2004, the funding valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. Buck's actuaries have attested that the prescription drug benefits meet the actuarial equivalence requirements and the plan qualifies to receive the RDS under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) for calendar 2009 and 2010. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has shared its RDS payments for calendar 2006, 2007, 2008 and the first quarter of 2009, and this information was used to estimate future RDS payments in this valuation. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

Utilization and claims cost data indicate that healthcare experience emerging since the prior valuation is improving slightly. A large portion of the historical unfavorable experience is due to members with chronic diseases (diabetes, ESRD, etc.), and the corresponding large claims that accompany those diseases. Due to the nature of these diseases, it is expected that the State will have these members as benefit recipients for some time, and that costs may be able to be controlled, but not eliminated. With the introduction of a health improvement wellness plan for State employees, as well as disease management provided by the TPA, it is hoped that the incidence of the most severe and costly chronic conditions can be reduced to a more manageable and stable level. As with the prior valuation, a weighting methodology is employed, where each of the experience years is given similar weights when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In future valuations, we will assess giving more recent experience greater weight in the overall claims cost rate development process. In the current valuation, we averaged these national assumptions with Alaska-specific trend during the experience period to give credibility to Alaska-specific experience while still reflecting national trends.

## Analysis of the Valuation *(continued)*

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2009 as compared to 2008:

<b>Healthcare Cost Rate Data Source or Assumption Change, 2009 vs. 2008</b>	<b>Gain / Loss Impact on 2009 Valuation Results</b>
Claim lag specific to medical and prescription experience (2.57 months for medical and 0.5 months for Rx versus 1.78 and 0.6 respectively)	Negligible
Individual claims level data	<ul style="list-style-type: none"> <li>– No impact on cost data used for 2009, though potentially a source of future modifications</li> <li>– No impact on morbidity assumptions used for 2009, though potentially a source of future modifications</li> <li>– Moderate loss from decreasing the assumed Part B only proportion of all Medicare retirees from 4% to 3.5%</li> </ul>
Explicit TPA fees	Minor gain
Actual RDS payments received	Minor loss
Weighting of prior experience periods used to derive base claims during the valuation year (nearly equal weighting for all five periods is similar to prior valuation)	Dampens the gain/loss from favorable provider discounts and experience since June 2006 but may be modified in future valuations
Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year	No change
Aggregate claims data	Moderate gain due to experience, but dampened by weighting methodology

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## Analysis of the Valuation *(continued)*

### (2) Investment Experience

The approximate FY09 investment return based on market values was (20.5)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately \$3,082 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss (\$616.4 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY05 investment gain, 20 percent of the FY06 investment gain, 20% of the FY07 investment gain, and 20% of the FY08 investment loss were recognized this year. The approximate FY09 investment return based on actuarial values was (7.3)%, compared to the expected investment return of 8.25%. The net result was an investment loss of \$1,713.6 million which decreased the funding ratio by 10.30% and increased the Employer/State contribution rate by 5.31%.

### (3) Salary Increase

During the period from June 30, 2008 to June 30, 2009, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.20%. The net effect of the salary loss was an increase of 0.23% in the Employer/State contribution rate.

### (4) Demographic Experience

Section 2.2 provides statistics on active participants. The number of active participants decreased 4.5%, from 28,850 at June 30, 2008 to 27,565 at June 30, 2009 due to the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 47.01 to 47.85 and average credited service increased from 10.48 to 11.19 years.

The number of benefit recipients increased 3.9%, from 24,082 to 25,015, and their average age increased from 66.01 to 66.39. There was a 0.9% decrease in the number of vested terminated participants from 6,627 to 6,566. Their average age increased from 49.41 to 49.83.

The overall effect of these participant data changes along with the healthcare experience was an actuarial gain to the System, resulting in a decrease in the Employer/State contribution rate equal to 2.50% of total payroll. Most of this gain is due to healthcare claims costs which were less than expected. As a result, expected healthcare claims for FY10 and future years is reduced. The gain/loss by decrement on the accrued liability is shown on the summary page.

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## Analysis of the Valuation *(continued)*

### **(5) Effect of the Two-Year Delay in the Contribution Rate**

As of June 30, 2008, the actuarially calculated rate was 27.96% for FY11 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2006 employer rate of 35.22% was contributed during FY09. The difference between the two calculated rates, 27.96% and 35.22%, created a contribution surplus to the System. This surplus decreased the Employer/State contribution rate by 0.24%.

### **(6) Actuarial Projections**

At the Fall 1991 Board Meetings, the PERS Board approved the use of an enhanced actuarial projection system. The same actuarial cost method is used, but the enhanced system projects the associated liabilities 30 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 30 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to multi-tiered systems, such as PERS. No new DB plan entrants are anticipated.

### **(7) Changes in Methods from the Prior Valuation**

The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach. The impact of this change is not significant.

### **(8) Changes in Assumptions from the Prior Valuation**

There were no changes in assumptions from the prior valuation.

### **(9) Changes in Benefit Provisions Since the Prior Valuation**

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

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## Analysis of the Valuation *(continued)*

### Summary

The following table summarizes the sources of change in the total Employer/State contribution rate based on DB and DCR payroll combined:

	<u>Pension</u>	<u>Healthcare</u>	<u>Total</u>
1. Last year's total Employer/State contribution rate	9.98%	17.98%	27.96%
2. Change due to:			
a. Effect of two-year delay in the contribution rate	0.01%	(0.25)%	(0.24)%
b. Investment experience	4.72%	0.59%	5.31%
c. Salary increases	0.23%	N/A	0.23%
d. Demographic and medical experience <sup>1</sup>	<u>(0.29)%</u>	<u>(2.21)%</u>	<u>(2.50)%</u>
e. Total change, (a + b + c + d)	4.67%	(1.87)%	2.80%
3. Total Employer/State contribution rate this year, (1) + (2e)	14.65%	16.11%	30.76%

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

	<u>Amount</u>
- Retirement Experience	\$ (6,440)
- Termination Experience	(20,118)
- Mortality Experience	(23,756)
- Disability Experience	(60)
- Other Demographic Experience	(22,113)
- Salary Increases	(20,132)
- COLA other than expected	(19,481)
- Medical Experience	<u>281,237</u>
- Total	\$ 169,137

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

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<sup>1</sup> Includes changes in future healthcare claims costs.

## Section 1

This section sets forth the results of the actuarial valuation.

- Section 1.1(a) Statement of Net Assets.
- Section 1.1(b) Statement of Changes in Net Assets During FY09 and Investment Return During FY09.
- Section 1.1(c) Actuarial Value of Assets.
- Section 1.2(a) Actuarial Present Values for Peace Officer/Firefighter.
- Section 1.2(b) Actuarial Present Values for Others.
- Section 1.2(c) Actuarial Present Values for All Members.
- Section 1.3(a) Development of Total Employer/State Contribution Rate for Peace Officer/Firefighter for FY12.
- Section 1.3(b) Development of Total Employer/State Contribution Rate for Others for FY12.
- Section 1.3(c) Development of Total Employer/State Contribution Rate for All Members for FY12.
- Section 1.4 Development of Actuarial Gain or Loss for FY09.
- Section 1.5(a) Actuarial Projections – Projections at Calculated Rate.  
Based on Total DB and DCR Payroll.
- Section 1.5(b) Actuarial Projections – Projections at Current Rate.  
Based on Total DB and DCR Payroll.
- Section 1.5(c) Actuarial Projections – Effect of Economic Scenarios.  
Based on Total DB and DCR Payroll.

**1.1(a) Statement of Net Assets**

<b>As of June 30, 2009 (in thousands)</b>	<b>Pension</b>	<b>Healthcare</b>	<b>Total Market Value</b>
Cash and Cash Equivalents	\$ 30,991	\$ 6,448	\$ 37,439
Domestic Equity Pool	1,643,106	1,196,748	2,839,854
Domestic Fixed Income Pool	580,397	418,412	998,809
International Equity Pool	754,666	552,932	1,307,598
Real Estate Pool	613,131	321,086	934,217
International Fixed Income Pool	75,736	54,458	130,194
Private Equity Pool	447,974	285,447	733,421
Emerging Markets Equity Pool	213,380	147,003	360,383
Absolute Return Pool	215,799	160,497	376,296
High Yield Pool	110,534	78,601	189,135
Treasury Inflation Protection Pool	28,372	23,702	52,074
Emerging Debt Pool	38,375	27,372	65,747
Other Investments Pool	327,538	160,631	488,169
Loans and Mortgages (Net of Reserves)	9	2,815	2,824
Total Cash and Investments	\$ 5,080,008	\$ 3,436,152	\$ 8,516,160
Net Accrued Receivables	10,432	9,223	19,655
Net Assets	\$ 5,090,440	\$ 3,445,375	\$ 8,535,815

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

Fiscal Year 2009 (in thousands)	Pension	Healthcare	Total Market Value
(1) Net Assets, June 30, 2008 (market value)	\$ 6,935,808	\$ 3,791,105	\$ 10,726,913
(2) Additions:			
(a) Plan Member Contributions	\$ 118,815	\$ 523	\$ 119,338
(b) Employer Contributions	113,059	266,481	379,540
(c) Employer Legislative Relief	79,681	161,919	241,600
(d) Interest and Dividend Income	288,657	14,451	303,108
(e) Net Appreciation/(Depreciation) in Fair Value of Investments	(1,942,579)	(527,365)	(2,469,944)
(f) Other	<u>35</u>	<u>8,758</u>	<u>8,793</u>
(g) Total Additions	\$ (1,342,332)	\$ (75,233)	\$ (1,417,565)
(3) Deductions:			
(a) Medical Benefits	\$ 0	\$ 256,408	\$ 256,408
(b) Retirement Benefits	466,085	0	466,085
(c) Refunds of Contributions	12,498	0	12,498
(d) Investment Expenses	17,885	85	17,970
(e) Administrative Expenses	<u>6,568</u>	<u>14,004</u>	<u>20,572</u>
(f) Total Deductions	\$ 503,036	\$ 270,497	\$ 773,533
(4) Net Assets, June 30, 2009 (market value)	\$ 5,090,440	\$ 3,445,375	\$ 8,535,815
Approximate Market Value Investment Return Rate During FY09 Net of All Expense	(24.5)%	(13.6)%	(20.5)%

**1.1(c) Actuarial Value of Assets**

The actuarial value of assets was set equal to the market value at June 30, 2002. 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	Pension	Healthcare	Total
(1) Deferral of Investment Return/(Loss) for FY09			
(a) Market Value, June 30, 2008	\$ 6,935,808	\$ 3,791,105	\$ 10,726,913
(b) Contributions for FY09	311,555	428,923	740,478
(c) Benefit Payments for FY09	478,583	256,408	734,991
(d) Actual Investment Return ( <i>net of expenses</i> )	(1,678,340)	(518,245)	(2,196,585)
(e) Expected Return Rate ( <i>net of expenses</i> )	8.25%	8.25%	8.25%
(f) Expected Return - Weighted for Timing	565,451	319,741	885,192
(g) Investment Gain/(Loss) for the Year ( <i>d. - f.</i> )	(2,243,791)	(837,986)	(3,081,777)
(h) Deferred Investment Return/(Loss)	(2,054,513)	(724,051)	(2,778,564)
(2) Actuarial Value, June 30, 2009			
(a) Market Value, June 30, 2009	\$ 5,090,440	\$ 3,445,375	\$ 8,535,815
(b) 2009 Deferred Investment Return/(Loss)	(2,054,513)	(724,051)	(2,778,564)
(c) Preliminary Actuarial Value, June 30, 2009 ( <i>a. - b.</i> )	7,144,953	4,169,426	11,314,379
(d) Upper Limit: 120% of Market Value, June 30, 2009	6,108,528	4,134,450	10,242,978
(e) Lower Limit: 80% of Market Value, June 30, 2009	4,072,352	2,756,300	6,828,652
(f) Actuarial Value, June 30, 2009 ( <i>c. limited by d. and e.</i> )	\$ 6,108,528	\$ 4,134,450	\$ 10,242,978
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	120.00%	120.00%	120.00%
(h) Approximate Actuarial Value Investment Return Rate During FY09 Net of All Expenses	(13.1)%	3.4%	(7.3)%

## 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>Pension</b>				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005 <sup>1</sup>	\$ 16,314	\$ 13,052	\$ 3,262	\$ 0
6/30/2006 <sup>1</sup>	181,865	109,119	36,373	36,373
6/30/2007 <sup>1</sup>	652,485	260,994	130,497	260,994
6/30/2008	(928,079)	(185,616)	(185,616)	(556,847)
6/30/2009	(2,243,791)	0	(448,758)	(1,795,033)
<b>Total</b>	<b>\$ (2,321,206)</b>	<b>\$ 197,549</b>	<b>\$(464,242)</b>	<b>\$ (2,054,513)</b>

<b>Healthcare</b>				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005 <sup>1</sup>	\$ 7,655	\$ 6,124	\$ 1,531	\$ 0
6/30/2006 <sup>1</sup>	85,332	51,198	17,067	17,067
6/30/2007 <sup>1</sup>	306,148	122,460	61,230	122,458
6/30/2008	(321,977)	(64,395)	(64,395)	(193,187)
6/30/2009	(837,986)	0	(167,597)	(670,389)
<b>Total</b>	<b>\$ (760,828)</b>	<b>\$ 115,387</b>	<b>\$(152,164)</b>	<b>\$ (724,051)</b>

<b>Total</b>				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2005	\$ 23,969	\$ 19,176	\$ 4,793	\$ 0
6/30/2006	267,197	160,317	53,440	53,440
6/30/2007	958,633	383,454	191,727	383,452
6/30/2008	(1,250,056)	(250,011)	(250,011)	(750,034)
6/30/2009	(3,081,777)	0	(616,355)	(2,465,422)
<b>Total</b>	<b>\$ (3,082,034)</b>	<b>\$ 312,936</b>	<b>\$ (616,406)</b>	<b>\$ (2,778,564)</b>

<sup>1</sup> The pension and healthcare assets bases were allocated using a ratio of market value of assets as of June 30, 2007.

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

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Retirement Benefits	\$ 18,625	\$ 465,001
Termination Benefits	2,623	13,864
Disability Benefits	1,337	7,912
Death Benefits	1,063	6,321
Return of Contributions	1,471	(3,538)
Medical and Prescription Drug Benefits	11,727	247,603
Medicare Part D Subsidy	(624)	(11,671)
Indebtedness	N/A	(8,241)
Subtotal	\$ 36,222	\$ 717,251
<b>Inactive Members</b>		
Not Vested		\$ 2,159
Vested Terminations	- Retirement Benefits	17,658
	- Medical and Prescription Drug Benefits	34,666
	- Medicare Part D Subsidy	(1,524)
	- Indebtedness	(552)
Retirees & Beneficiaries	- Retirement Benefits	994,002
	- Medical and Prescription Drug Benefits	433,973
	- Medicare Part D Subsidy	(29,334)
Subtotal		\$ 1,451,048
<b>Total</b>	<b>\$ 36,222</b>	<b>\$ 2,168,299</b>
<b>Total Pension</b>	<b>\$ 25,119</b>	<b>\$ 1,494,586</b>
<b>Total Medical, Net of Part D Subsidy</b>	<b>\$ 11,103</b>	<b>\$ 673,713</b>
<b>Total Medical, Gross of Part D Subsidy</b>	<b>\$ 11,727</b>	<b>\$ 716,242</b>

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

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>By Tier</b>		
Tier 1		
- Pension	\$ 2,683	\$ 1,031,691
- Medical, Net of Part D Subsidy	1,639	433,671
Tier 2		
- Pension	7,603	301,004
- Medical, Net of Part D Subsidy	2,344	132,104
Tier 3		
- Pension	14,833	161,891
- Medical, Net of Part D Subsidy	7,120	107,938
<b>Total</b>	<b>\$ 36,222</b>	<b>\$ 2,168,299</b>

## 1.2(b) Actuarial Present Values - Others

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Retirement Benefits	\$ 93,759	\$ 3,190,636
Termination Benefits	22,016	177,016
Disability Benefits	3,805	53,884
Death Benefits	2,005	27,544
Return of Contributions	19,352	(72,656)
Medical and Prescription Drug Benefits	110,219	2,525,235
Medicare Part D Subsidy	(6,023)	(116,276)
Indebtedness	N/A	(70,616)
Subtotal	\$ 245,133	\$ 5,714,767
<b>Inactive Members</b>		
Not Vested		\$ 65,915
Vested Terminations	- Retirement Benefits	501,068
	- Medical and Prescription Drug Benefits	1,102,104
	- Medicare Part D Subsidy	(41,834)
	- Indebtedness	(12,637)
Retirees & Beneficiaries	- Retirement Benefits	4,347,346
	- Medical and Prescription Drug Benefits	2,966,519
	- Medicare Part D Subsidy	(232,176)
Subtotal		\$ 8,696,305
<b>Total</b>	<b>\$ 245,133</b>	<b>\$ 14,411,072</b>
<b>Total Pension</b>	<b>\$ 140,937</b>	<b>\$ 8,207,500</b>
<b>Total Medical, Net of Part D Subsidy</b>	<b>\$ 104,196</b>	<b>\$ 6,203,572</b>
<b>Total Medical, Gross of Part D Subsidy</b>	<b>\$ 110,219</b>	<b>\$ 6,593,858</b>

**1.2(b) Actuarial Present Values - Others**  
*(continued)*

<b>As of June 30, 2009 (in thousands)</b>	<b>Normal Cost</b>	<b>Accrued (Past Service) Liability</b>
<b>By Tier</b>		
Tier 1		
- Pension	\$ 34,264	\$ 5,672,919
- Medical, Net of Part D Subsidy	34,074	3,902,780
Tier 2		
- Pension	38,315	1,711,434
- Medical, Net of Part D Subsidy	20,168	1,332,543
Tier 3		
- Pension	68,358	823,147
- Medical, Net of Part D Subsidy	49,954	968,249
<b>Total</b>	<b>\$ 245,133</b>	<b>\$ 14,411,072</b>

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

As of June 30, 2009 (in thousands)	Normal Cost	Accrued (Past Service) Liability
<b>Active Members</b>		
Retirement Benefits	\$ 112,384	\$ 3,655,637
Termination Benefits	24,639	190,880
Disability Benefits	5,142	61,796
Death Benefits	3,068	33,865
Return of Contributions	20,823	(76,194)
Medical and Prescription Drug Benefits	121,946	2,772,838
Medicare Part D Subsidy	(6,647)	(127,947)
Indebtedness	N/A	(78,857)
Subtotal	\$ 281,355	\$ 6,432,018
<b>Inactive Members</b>		
Not Vested		\$ 68,074
Vested Terminations	- Retirement Benefits	518,726
	- Medical and Prescription Drug Benefits	1,136,770
	- Medicare Part D Subsidy	(43,358)
	- Indebtedness	(13,189)
Retirees & Beneficiaries	- Retirement Benefits	5,341,348
	- Medical and Prescription Drug Benefits	3,400,492
	- Medicare Part D Subsidy	(261,510)
Subtotal		\$ 10,147,353
<b>Total</b>	<b>\$ 281,355</b>	<b>\$ 16,579,371</b>
<b>Total Pension</b>	<b>\$ 166,056</b>	<b>\$ 9,702,086</b>
<b>Total Medical, Net of Part D Subsidy</b>	<b>\$ 115,299</b>	<b>\$ 6,877,285</b>
<b>Total Medical, Gross of Part D Subsidy</b>	<b>\$ 121,946</b>	<b>\$ 7,310,100</b>

**1.2(c) Actuarial Present Values – All Members**  
*(continued)*

<b>As of June 30, 2009 (in thousands)</b>	<b>Normal Cost</b>	<b>Accrued (Past Service) Liability</b>
<b>By Tier</b>		
Tier 1		
- Pension	\$ 36,947	\$ 6,704,610
- Medical, Net of Part D Subsidy	35,713	4,336,451
Tier 2		
- Pension	45,918	2,012,438
- Medical, Net of Part D Subsidy	22,512	1,464,647
Tier 3		
- Pension	83,191	985,038
- Medical, Net of Part D Subsidy	57,074	1,076,187
<b>Total</b>	<b>\$ 281,355</b>	<b>\$ 16,579,371</b>

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

<b>Normal Cost Rate</b>	<b>Pension</b>	<b>Healthcare</b>	<b>Total</b>
(1) Total Normal Cost	\$ 25,119	\$ 11,103	\$ 36,222
(2) DB Member Salaries Projected for FY10	204,188	204,188	204,188
(3) DCR Member Salaries Projected for FY10	35,274	35,274	35,274
(4) Total Salaries Projected for FY10	239,462	239,462	239,462
(5) Normal Cost Rate for Peace Officer/Firefighter			
a. Based on DB Member Salaries, (1) ÷ (2)	12.30%	5.44%	17.74%
b. Based on Total Salaries, (1) ÷ (4)	10.49%	4.64%	15.13%
(6) Member Contribution Rate (Peace Officer/Firefighter) <sup>1</sup>	6.41%	0.00%	6.41%
(7) Employer Normal Cost Rate For Peace Officer/Firefighter, (5b) – (6)	4.08%	4.64%	8.72%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 1,494,586	\$ 673,713	\$ 2,168,299
(2) Valuation Assets <sup>2</sup>	941,006	405,019	1,346,025
(3) Unfunded Liability, (1) – (2)	553,580	268,694	822,274
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	62.1%
(5) Past Service Cost Amortization Payment <sup>3</sup>	37,498	20,353	57,851
(6) Total Salaries Projected for FY10	239,462	239,462	239,462
(7) Past Service Rate, (5) ÷ (6)	15.66%	8.50%	24.16%
<b>Total Employer/State Contribution Rate</b>	<b>19.74%</b>	<b>13.14%</b>	<b>32.88%</b>
<b>Normal Cost Rate by Tier (Total Employer and Member)<sup>4</sup></b>			
Tier 1	13.29%	8.12%	21.41%
Tier 2	11.99%	3.70%	15.69%
Tier 3	12.30%	5.90%	18.20%

<sup>1</sup> Assumes no member contributions from members in the DCR plan and 7.50% from Tiers 1, 2 and 3 in Peace Officer/Firefighters.

<sup>2</sup> Allocated between Peace Officer/Firefighters and Others in proportion to accrued liability.

<sup>3</sup> Amortized on a level percentage of pay basis.

<sup>4</sup> Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

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

**Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter**

<b>Pension</b>						
	<b>Amortization Period</b>		<b>Balances</b>		<b>Beginning-of-Year Payment</b>	
	<b>Date Created</b>	<b>Years Left</b>	<b>Initial</b>	<b>Outstanding</b>		
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 137,169	\$ 146,462	\$ 11,194	
FY03 Loss <sup>1</sup>	6/30/2003	19	9,777	10,405	767	
FY04 Loss <sup>1</sup>	6/30/2004	20	25,832	27,328	1,947	
FY05 Loss <sup>1</sup>	6/30/2005	21	48,970	51,378	3,547	
Change in Assumptions/ Methods <sup>1</sup>	6/30/2006	22	65,436	67,939	4,554	
FY06 Gain <sup>1</sup>	6/30/2006	22	(19,153)	(19,884)	(1,333)	
FY07 Loss	6/30/2007	23	22,584	23,196	1,513	
FY08 Gain	6/30/2008	24	(3,036)	(3,080)	(196)	
FY09 Loss	6/30/2009	25	249,836	249,836	15,505	
<b>Total</b>				<b>\$ 553,580</b>	<b>\$ 37,498</b>	

<b>Healthcare</b>						
	<b>Amortization Period</b>		<b>Balances</b>		<b>Beginning-of-Year Payment</b>	
	<b>Date Created</b>	<b>Years Left</b>	<b>Initial</b>	<b>Outstanding</b>		
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 175,533	\$ 187,424	\$ 14,324	
FY03 Loss <sup>2</sup>	6/30/2003	19	12,512	13,315	981	
FY04 Loss <sup>2</sup>	6/30/2004	20	33,056	34,971	2,491	
FY05 Loss <sup>1</sup>	6/30/2005	21	62,666	65,748	4,538	
Change in Assumptions/ Methods <sup>2</sup>	6/30/2006	22	83,737	86,940	5,828	
FY06 Gain <sup>1</sup>	6/30/2006	22	(24,510)	(25,448)	(1,706)	
FY07 Gain	6/30/2007	23	(86,375)	(88,714)	(5,786)	
Change in Assumptions	6/30/2008	24	44,982	45,624	2,900	
FY08 Gain	6/30/2008	24	(27,452)	(27,844)	(1,770)	
FY09 Gain	6/30/2009	25	(23,322)	(23,322)	(1,447)	
<b>Total</b>				<b>\$ 268,694</b>	<b>\$ 20,353</b>	

<sup>1</sup> The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

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

**Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter**

	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	18	\$ 312,702	\$ 333,886	\$ 25,518
FY03 Loss	6/30/2003	19	22,289	23,720	1,748
FY04 Loss	6/30/2004	20	58,888	62,299	4,438
FY05 Loss	6/30/2005	21	111,636	117,126	8,085
Change in Assumptions/ Methods	6/30/2006	22	149,173	154,879	10,382
FY06 Gain	6/30/2006	22	(43,663)	(45,332)	(3,039)
FY07 Gain	6/30/2007	23	(63,791)	(65,518)	(4,273)
Change in Assumptions	6/30/2008	24	44,982	45,624	2,900
FY08 Gain	6/30/2008	24	(30,488)	(30,924)	(1,966)
FY09 Loss	6/30/2009	25	226,514	226,514	14,058
<b>Total</b>				<b>\$ 822,274</b>	<b>\$ 57,851</b>

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.213652. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

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

<b>Normal Cost Rate</b>	<b>Pension</b>	<b>Healthcare</b>	<b>Total</b>
(1) Total Normal Cost	\$ 140,937	\$ 104,196	\$ 245,133
(2) DB Member Salaries Projected for FY10	1,458,593	1,458,593	1,458,593
(3) DCR Member Salaries Projected for FY10	305,086	305,086	305,086
(4) Total Salaries Projected for FY10	1,763,679	1,763,679	1,763,679
(5) Normal Cost Rate for Others			
a. Based on DB Member Salaries, (1) ÷ (2)	9.66%	7.14%	16.80%
b. Based on Total Salaries, (1) ÷ (4)	7.99%	5.91%	13.90%
(6) Member Contribution Rate (Others) <sup>1</sup>	5.68%	0.00%	5.68%
(7) Employer/State Normal Cost Rate For Others, (5b) – (6)	2.31%	5.91%	8.22%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 8,207,500	\$ 6,203,572	\$ 14,411,072
(2) Valuation Assets <sup>2</sup>	5,167,522	3,729,431	8,896,953
(3) Unfunded Liability, (1) – (2)	3,039,978	2,474,141	5,514,119
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	61.7%
(5) Past Service Cost Amortization Payment <sup>3</sup>	205,522	186,959	392,481
(6) Total Salaries Projected for FY10	1,763,679	1,763,679	1,763,679
(7) Past Service Rate, (5) ÷ (6)	11.65%	10.60%	22.25%
<b>Total Employer/State Contribution Rate</b>	<b>13.96%</b>	<b>16.51%</b>	<b>30.47%</b>
<b>Normal Cost Rate by Tier (Total Employer and Member)<sup>4</sup></b>			
Tier 1	10.23%	10.18%	20.41%
Tier 2	9.35%	4.92%	14.27%
Tier 3	9.58%	7.00%	16.58%

<sup>1</sup> Assumes no member contributions from members in the DCR plan and 6.75% from Tiers 1, 2 and 3 in Others members.

<sup>2</sup> Allocated between Peace Officer/Firefighter and Others in proportion to accrued liability.

<sup>3</sup> Amortized on a level percentage of pay basis.

<sup>4</sup> Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

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

**Schedule of Past Service Cost Amortizations – Others**

<b>Pension</b>					
	<b>Amortization Period</b>		<b>Balances</b>		<b>Beginning-of-Year Payment</b>
	<b>Date Created</b>	<b>Years Left</b>	<b>Initial</b>	<b>Outstanding</b>	
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 734,495	\$ 784,250	\$ 59,937
FY03 Loss <sup>1</sup>	6/30/2003	19	52,354	55,715	4,105
FY04 Loss <sup>1</sup>	6/30/2004	20	138,320	146,334	10,424
FY05 Loss <sup>1</sup>	6/30/2005	21	262,218	275,109	18,990
Change in Assumptions/ Methods <sup>1</sup>	6/30/2006	22	350,386	363,788	24,386
FY06 Gain <sup>1</sup>	6/30/2006	22	(102,558)	(106,483)	(7,138)
FY07 Loss	6/30/2007	23	120,930	124,206	8,101
FY08 Loss	6/30/2008	24	7,896	8,010	509
FY09 Loss	6/30/2009	25	1,389,049	1,389,049	86,208
<b>Total</b>				<b>\$ 3,039,978</b>	<b>\$ 205,522</b>

<b>Healthcare</b>					
	<b>Amortization Period</b>		<b>Balances</b>		<b>Beginning-of-Year Payment</b>
	<b>Date Created</b>	<b>Years Left</b>	<b>Initial</b>	<b>Outstanding</b>	
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 1,596,753	\$ 1,704,920	\$ 130,302
FY03 Loss <sup>7</sup>	6/30/2003	19	113,814	121,125	8,926
FY04 Loss <sup>7</sup>	6/30/2004	20	300,702	318,122	22,662
FY05 Loss	6/30/2005	21	570,049	598,079	41,285
Change in Assumptions/ Methods <sup>7</sup>	6/30/2006	22	761,720	790,854	53,013
FY06 Gain <sup>7</sup>	6/30/2006	22	(222,957)	(231,484)	(15,517)
FY07 Gain	6/30/2007	23	(785,717)	(807,001)	(52,634)
Change in Assumptions	6/30/2008	24	364,085	369,278	23,476
FY08 Gain	6/30/2008	24	(238,309)	(241,708)	(15,366)
FY09 Gain	6/30/2009	25	(148,044)	(148,044)	(9,188)
<b>Total</b>				<b>\$ 2,474,141</b>	<b>\$ 186,959</b>

<sup>1</sup> The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

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

**Schedule of Past Service Cost Amortizations – Others**

	Total				
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	18	\$ 2,331,248	\$ 2,489,170	\$ 190,239
FY03 Loss	6/30/2003	19	166,168	176,840	13,031
FY04 Loss	6/30/2004	20	439,022	464,456	33,086
FY05 Loss	6/30/2005	21	832,267	873,188	60,275
Change in Assumptions/ Methods	6/30/2006	22	1,112,106	1,154,642	77,399
FY06 Gain	6/30/2006	22	(325,515)	(337,967)	(22,655)
FY07 Gain	6/30/2007	23	(664,787)	(682,795)	(44,533)
Change in Assumptions	6/30/2008	24	364,085	369,278	23,476
FY08 Gain	6/30/2008	24	(230,413)	(233,698)	(14,857)
FY09 Loss	6/30/2009	25	1,241,005	1,241,005	77,020
<b>Total</b>				<b>\$ 5,514,119</b>	<b>\$ 392,481</b>

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.049391. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

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

<b>Normal Cost Rate</b>	<b>Pension</b>	<b>Healthcare</b>	<b>Total</b>
(1) Total Normal Cost	\$ 166,056	\$ 115,299	\$ 281,355
(2) DB Member Salaries Projected for FY10	1,662,781	1,662,781	1,662,781
(3) DCR Member Salaries Projected for FY10	340,360	340,360	340,360
(4) Total Salaries Projected for FY10	2,003,141	2,003,141	2,003,141
(5) Normal Cost Rate for All Members			
a. Based on DB Member Salaries, (1) ÷ (2)	9.99%	6.93%	16.92%
b. Based on Total Salaries, (1) ÷ (4)	8.29%	5.76%	14.05%
(6) Average Member Contribution Rate <sup>1</sup>	5.77%	0.00%	5.77%
(7) Employer Normal Cost Rate For All Members, (5b) – (6)	2.52%	5.76%	8.28%
<b>Past Service Rate</b>			
(1) Accrued Liability	\$ 9,702,086	\$ 6,877,285	\$ 16,579,371
(2) Valuation Assets	6,108,528	4,134,450	10,242,978
(3) Total Unfunded Liability, (1) – (2)	3,593,558	2,742,835	6,336,393
(4) Funded Ratio, (2) ÷ (1)	63.0%	60.1%	61.8%
(5) Past Service Cost Amortization Payment <sup>2</sup>	243,020	207,312	450,332
(6) Total Salaries Projected for FY10	2,003,141	2,003,141	2,003,141
(7) Past Service Rate, (5) ÷ (6)	12.13%	10.35%	22.48%
<b>Total Employer/State contribution Rate</b>	<b>14.65%</b>	<b>16.11%</b>	<b>30.76%</b>
<b>Normal Cost Rate by Tier (Total Employer and Member)<sup>3</sup></b>			
Tier 1	10.41%	10.06%	20.47%
Tier 2	9.70%	4.76%	14.46%
Tier 3	9.97%	6.84%	16.81%

<sup>1</sup> Assumes no member contribution from members in the DCR plan, 7.5% for Peace Officer/Firefighter members and 6.75% for Others members.

<sup>2</sup> Amortized as a level percent of pay.

<sup>3</sup> Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

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

#### Schedule of Past Service Cost Amortizations – All Members

Pension					
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 871,664	\$ 930,712	\$ 71,131
FY03 Loss <sup>1</sup>	6/30/2003	19	62,131	66,120	4,872
FY04 Loss <sup>1</sup>	6/30/2004	20	164,152	173,662	12,371
FY05 Loss <sup>1</sup>	6/30/2005	21	311,188	326,487	22,537
Change in Assumptions/ Methods <sup>1</sup>	6/30/2006	22	415,822	431,727	28,940
FY06 Gain <sup>1</sup>	6/30/2006	22	(121,711)	(126,367)	(8,471)
FY07 Loss	6/30/2007	23	143,514	147,402	9,614
FY08 Loss	6/30/2008	24	4,860	4,930	313
FY09 Loss	6/30/2009	25	1,638,885	1,638,885	101,713
<b>Total</b>				<b>\$ 3,593,558</b>	<b>\$ 243,020</b>

Healthcare					
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability <sup>1</sup>	6/30/2002	18	\$ 1,772,286	\$ 1,892,344	\$ 144,626
FY03 Loss <sup>1</sup>	6/30/2003	19	126,326	134,440	9,907
FY04 Loss <sup>1</sup>	6/30/2004	20	333,758	353,093	25,153
FY05 Loss <sup>1</sup>	6/30/2005	21	632,715	663,827	45,823
Change in Assumptions/ Methods <sup>1</sup>	6/30/2006	22	845,457	877,794	58,841
FY06 Gain <sup>1</sup>	6/30/2006	22	(247,467)	(256,932)	(17,223)
FY07 Gain	6/30/2007	23	(872,092)	(895,715)	(58,420)
Changes in Assumptions	6/30/2008	24	409,067	414,902	26,376
FY08 Gain	6/30/2008	24	(265,761)	(269,552)	(17,136)
FY09 Gain	6/30/2009	25	(171,366)	(171,366)	(10,635)
<b>Total</b>				<b>\$ 2,742,835</b>	<b>\$ 207,312</b>

<sup>1</sup> The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

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

**Schedule of Past Service Cost Amortizations – All Members**

	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	18	\$ 2,643,950	\$ 2,823,056	\$ 215,757
FY03 Loss	6/30/2003	19	188,457	200,560	14,779
FY04 Loss	6/30/2004	20	497,910	526,755	37,524
FY05 Loss	6/30/2005	21	943,903	990,314	68,360
Change in Assumptions/ Methods	6/30/2006	22	1,261,279	1,309,521	87,781
FY06 Gain	6/30/2006	22	(369,178)	(383,299)	(25,694)
FY07 Gain	6/30/2007	23	(728,578)	(748,313)	(48,806)
Change in Assumptions	6/30/2008	24	409,067	414,902	26,376
FY08 Gain	6/30/2008	24	(260,901)	(264,622)	(16,823)
FY09 Loss	6/30/2009	25	1,467,519	1,467,519	91,078
<b>Total</b>				<b>\$ 6,336,393</b>	<b>\$ 450,332</b>

The amortization factor for 25 years is 16.112765. The weighted average amortization factor is 14.070492. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

Note: The amortization methodology has been changed since the last valuation. The methodology has been changed from a simple interest approach to a compound interest approach.

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

	Pension	Healthcare	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2008	\$ 9,154,282	\$ 6,733,859	\$ 15,888,141
(b) Normal Cost for FY09	164,812	125,538	290,350
(c) Interest on (a) and (b) at 8.25%	768,825	565,900	1,334,725
(d) Benefit Payments for FY09	466,085	256,408	722,493
(e) Refund of Contributions for FY09	12,498	0	12,498
(f) Interest on (d) and (e) at 8.25% for one-half year	19,350	10,367	29,717
(g) Expected Accrued Liability as of June 30, 2009 (a) + (b) + (c) – (d) – (e) – (f)	9,589,986	7,158,522	16,748,508
(2) Actual Accrued Liability, June 30, 2009	9,702,086	6,877,285	16,579,371
<b>(3) Liability Gain/(Loss), (1)(g) – (2)</b>	<b>\$ (112,100)</b>	<b>\$ 281,237</b>	<b>\$ 169,137</b>
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2008	\$ 7,210,772	\$ 3,829,334	\$ 11,040,106
(b) Interest on (a) at 8.25%	594,889	315,920	910,809
(c) Employee Contributions for FY09	118,815	523	119,338
(d) Employer Contributions for FY09	113,059	266,481	379,540
(e) Employer Legislative Relief for FY09	79,681	161,919	241,600
(f) Interest on (c), (d) and (e) at 8.25% for one-half year	12,597	17,342	29,939
(g) Benefit Payments for FY09	466,085	256,408	722,493
(h) Refund of Contributions for FY09	12,498	0	12,498
(i) Interest on (f) and (g) at 8.25% for one-half year	19,350	10,367	29,717
(j) Expected Actuarial Asset Value, June 30, 2009 (a) + (b) + (c) + (d) + (e) – (f) – (g) – (h) – (i)	7,631,880	4,324,744	11,956,624
(5) Actuarial Asset Value, June 30, 2009	6,108,528	4,134,450	10,242,978
<b>(6) Actuarial Asset Gain/(Loss), (5) – (4)(j)</b>	<b>\$ (1,523,352)</b>	<b>\$ (190,294)</b>	<b>\$ (1,713,646)</b>
<b>(7) Actuarial Gain/(Loss), (3) + (6)</b>	<b>\$ (1,635,452)</b>	<b>\$ 90,943</b>	<b>\$ (1,544,509)</b>
<b>(8) Effect of the 2-Year Delay on Contributions</b>	<b>\$ (3,433)</b>	<b>\$ 80,423</b>	<b>\$ 76,990</b>
<b>(9) FY09 Gain/(Loss) to be Amortized, (7) + (8)</b>	<b>\$ (1,638,885)</b>	<b>\$ 171,366</b>	<b>\$ (1,467,519)</b>

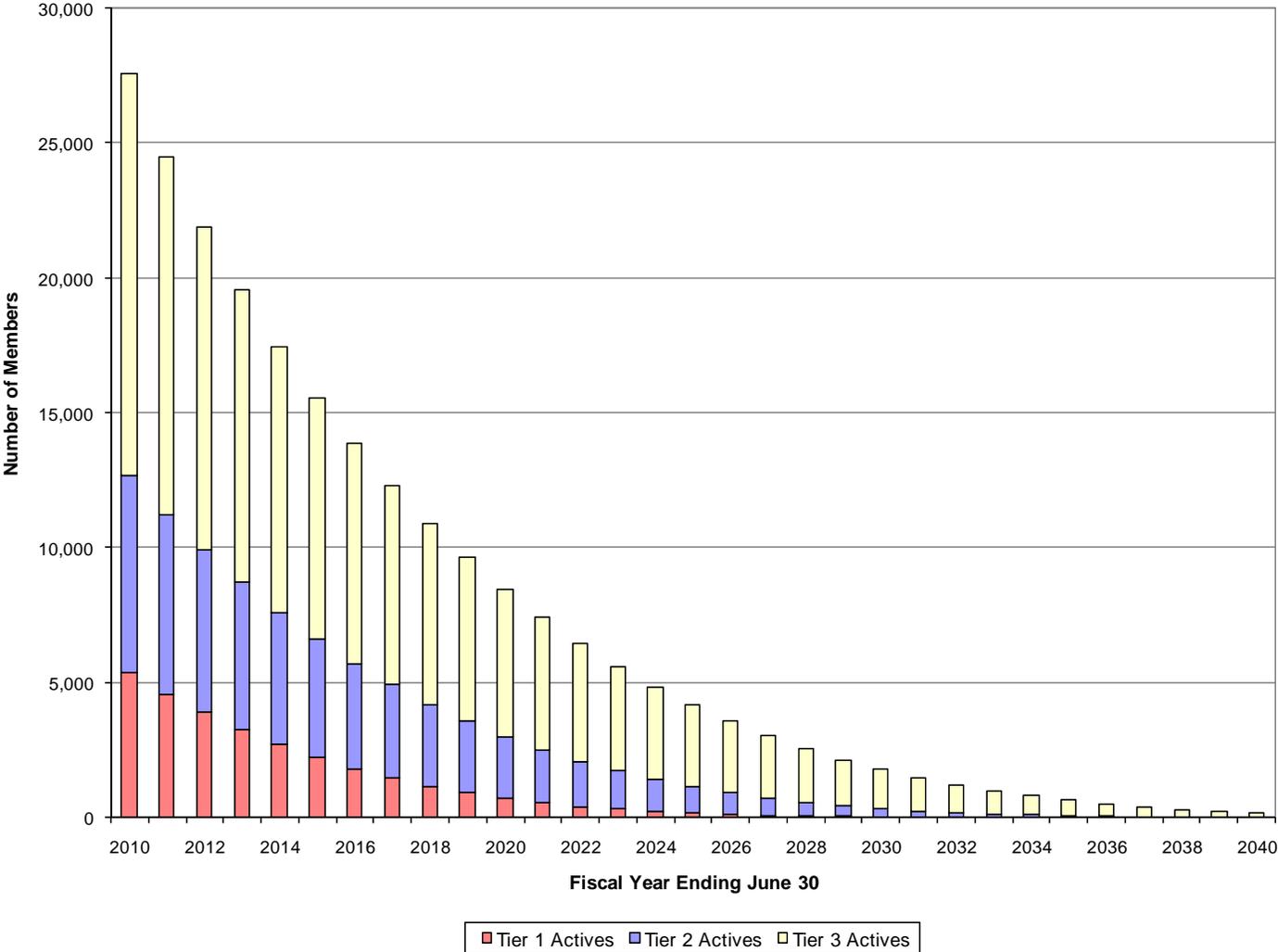
## 1.5(a) Actuarial Projections – Projections at Calculated Rate Based on Total DB and DCR Payroll

### Key Assumptions

- 8.25% investment return on the Market Value of Assets in all years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 2.3.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan entrants into Tiers 1, 2 and 3.
- Projections assume a 1% increase in the total active population. All new members are expected to enter the DCR plan.

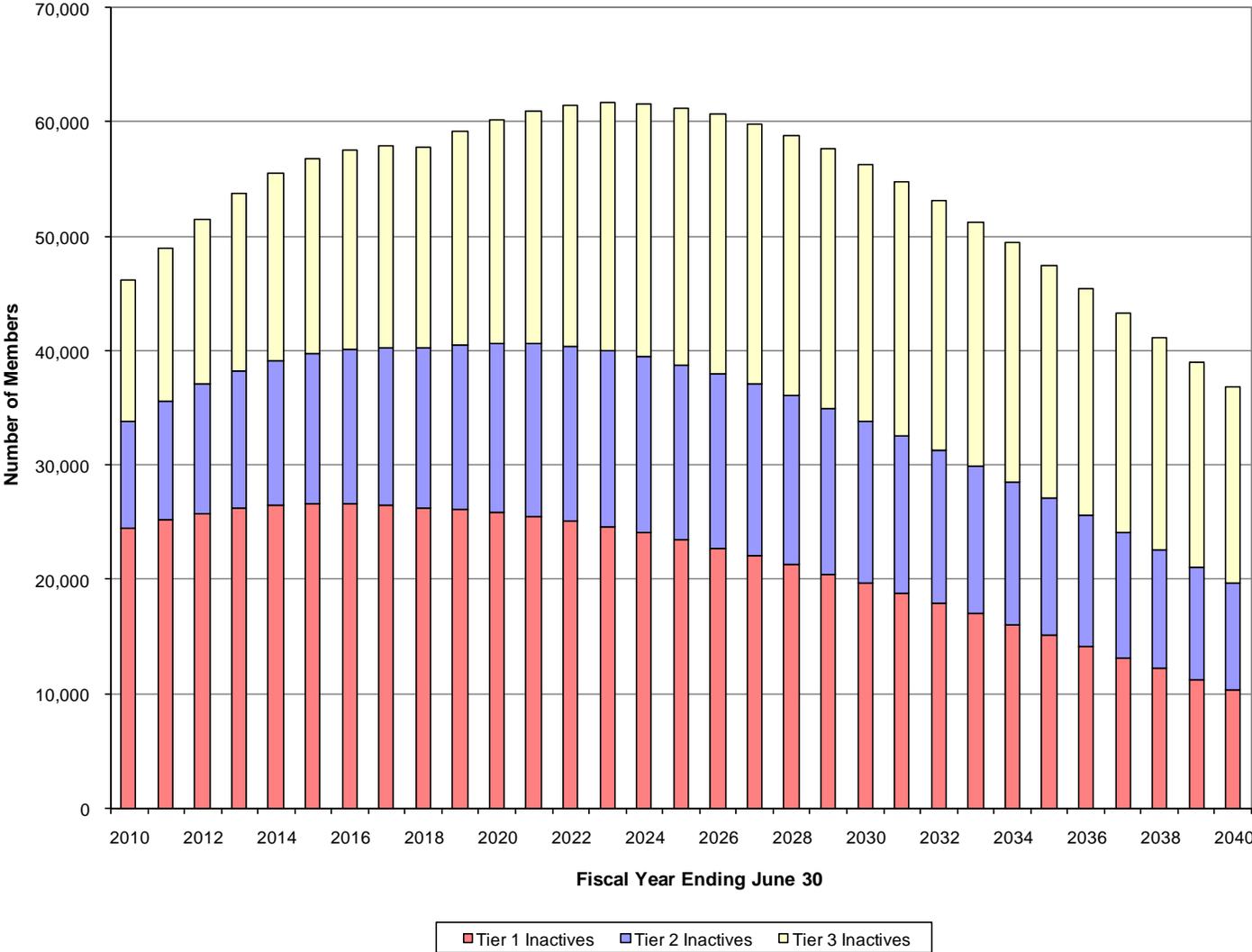
**1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DB and DCR Payroll (continued)**

**Projected Active Member Count**



1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DB and DCR Payroll (continued)

Projected Inactive Member Count



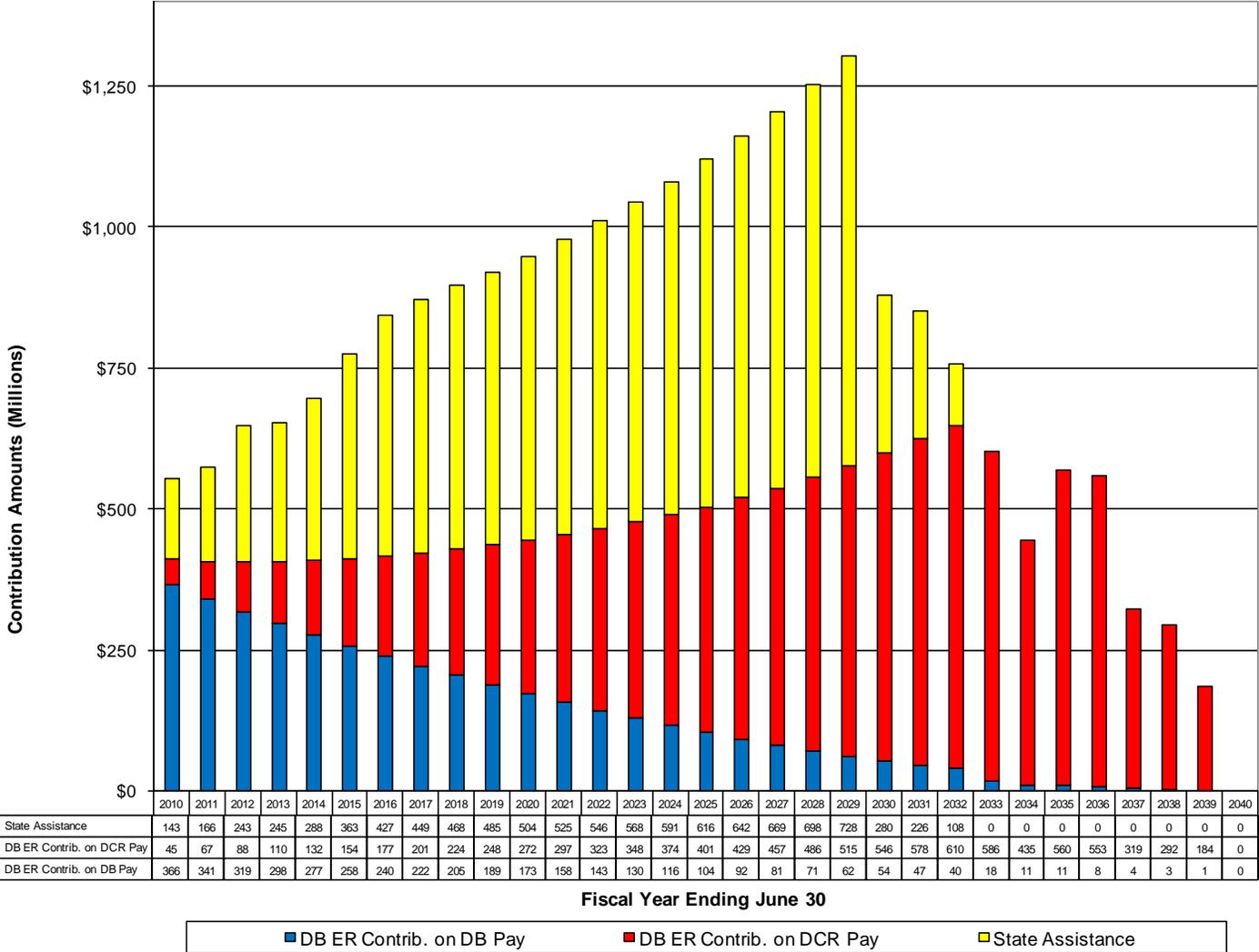
**1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DBR and DC Payroll (continued)**

**Observations**

- Contribution amounts have been shown instead of rates. The actual contribution amount provides a more meaningful illustration of the contributions due.
- Contribution amounts increase until FY29 before dropping off significantly as the June 30, 2002 unfunded liability amortization base is paid off.
- Contributions become \$0 towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.
- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

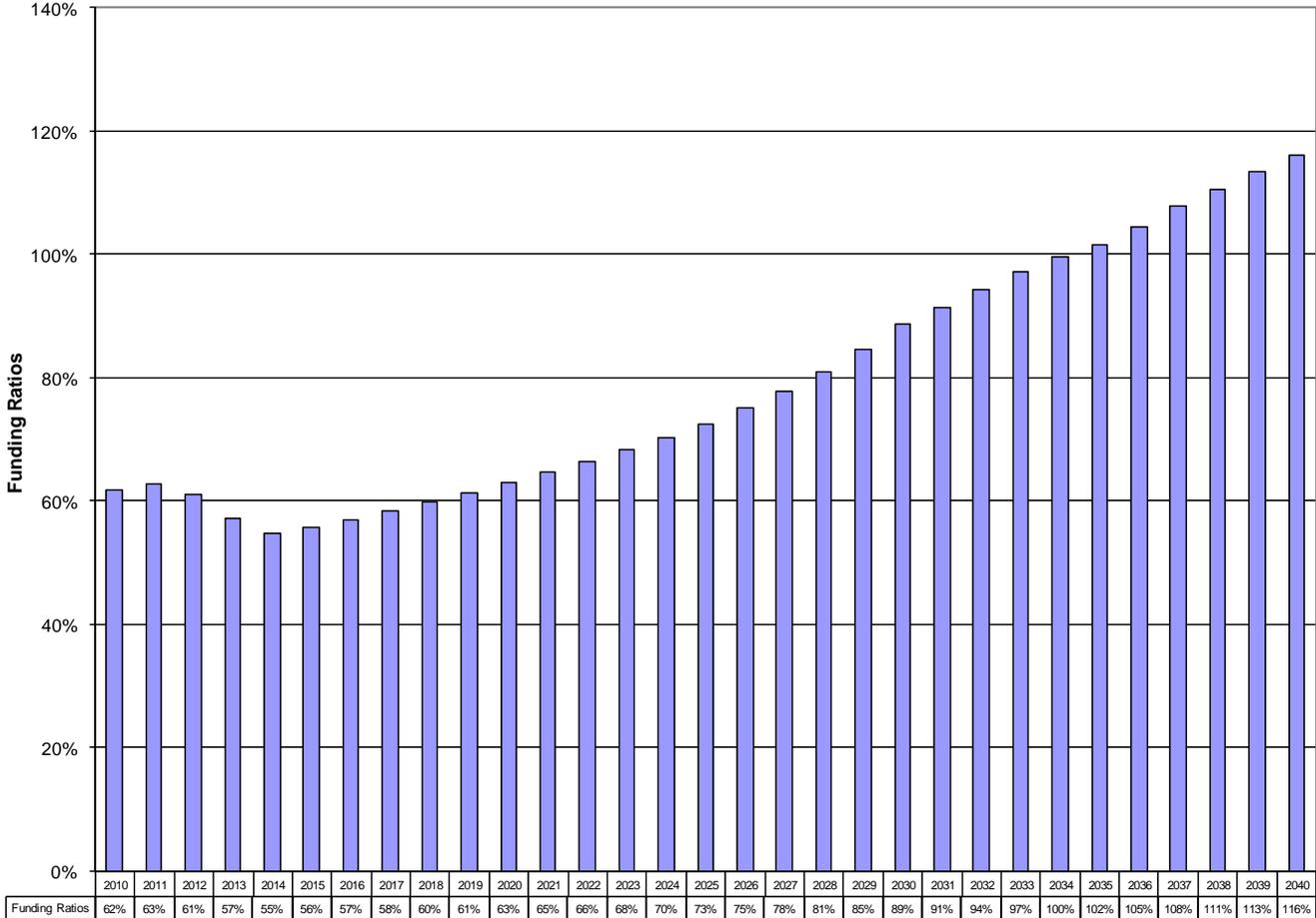
**1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DB and DCR Payroll (continued)**

**Projected Employer/State Contribution Amounts**



**1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DB and DCR Payroll (continued)**

**Projected Funding Ratios**



Fiscal Year Ending June 30

**1.5(a) Actuarial Projections – Projections at Calculated Rate  
Based on Total DB and DCR Payroll (continued)**

State of Alaska PERS Financial Projections (in Thousands)														
Fiscal Year End	Investment Return: 8.25% Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2010	\$10,242,978	\$16,579,371	61.78%	(\$6,336,393)	\$2,003,141	27.65%	\$553,868	\$127,552	\$681,420	\$828,971	(\$147,551)	\$698,239	\$110,138	\$10,903,804
2011	10,903,804	17,394,993	62.68%	(6,491,189)	2,052,495	27.96%	573,878	130,323	704,201	904,892	(200,691)	741,522	(334,578)	11,110,057
2012	11,110,057	18,181,129	61.11%	(7,071,072)	2,111,483	30.76%	649,492	123,292	772,784	973,652	(200,868)	786,133	(866,367)	10,828,955
2013	10,828,955	18,936,269	57.19%	(8,107,314)	2,178,561	29.94%	652,261	116,925	769,186	1,043,253	(274,067)	831,458	(616,355)	10,769,991
2014	10,769,991	19,658,935	54.78%	(8,888,944)	2,252,502	30.94%	696,924	110,908	807,832	1,112,646	(304,814)	876,200	0	11,341,377
2015	11,341,377	20,348,017	55.74%	(9,006,640)	2,334,299	33.24%	775,921	105,255	881,176	1,184,169	(302,993)	923,413	0	11,961,797
2016	11,961,797	21,000,350	56.96%	(9,038,553)	2,423,734	34.81%	843,702	99,935	943,637	1,257,531	(313,894)	974,157	0	12,622,060
2017	12,622,060	21,612,333	58.40%	(8,990,273)	2,518,912	34.61%	871,795	94,629	966,424	1,329,279	(362,855)	1,026,649	0	13,285,854
2018	13,285,854	22,183,282	59.89%	(8,897,428)	2,619,618	34.26%	897,481	72,563	970,044	1,400,752	(430,708)	1,078,668	0	13,933,814
2019	13,933,814	22,707,497	61.36%	(8,773,683)	2,724,809	33.84%	922,075	67,030	989,105	1,463,314	(474,209)	1,130,366	0	14,589,971
2020	14,589,971	23,182,436	62.94%	(8,592,465)	2,836,101	33.47%	949,243	61,827	1,011,070	1,537,474	(526,404)	1,182,389	0	15,245,956
2021	15,245,956	23,605,510	64.59%	(8,359,554)	2,955,421	33.15%	979,722	56,744	1,036,466	1,611,683	(575,217)	1,234,534	0	15,905,273
2022	15,905,273	23,973,417	66.35%	(8,068,144)	3,079,884	32.85%	1,011,742	51,742	1,063,484	1,689,180	(625,696)	1,286,886	0	16,566,463
2023	16,566,463	24,279,376	68.23%	(7,712,913)	3,210,930	32.56%	1,045,479	46,880	1,092,359	1,765,362	(673,003)	1,339,522	0	17,232,982
2024	17,232,982	24,520,269	70.28%	(7,287,287)	3,349,003	32.31%	1,082,063	42,532	1,124,595	1,840,092	(715,497)	1,392,792	0	17,910,277
2025	17,910,277	24,693,467	72.53%	(6,783,190)	3,494,975	32.09%	1,121,537	38,095	1,159,632	1,913,804	(754,172)	1,447,105	0	18,603,210
2026	18,603,210	24,794,886	75.03%	(6,191,676)	3,649,422	31.88%	1,163,436	33,940	1,197,376	1,981,549	(784,173)	1,503,059	0	19,322,096
2027	19,322,096	24,825,790	77.83%	(5,503,694)	3,810,581	31.69%	1,207,573	30,104	1,237,677	2,046,393	(808,716)	1,561,374	0	20,074,754
2028	20,074,754	24,784,267	81.00%	(4,709,513)	3,982,020	31.51%	1,254,735	26,680	1,281,415	2,109,481	(828,066)	1,622,686	0	20,869,374
2029	20,869,374	24,666,731	84.61%	(3,797,357)	4,163,432	31.35%	1,305,236	23,315	1,328,551	2,165,812	(837,261)	1,687,871	0	21,719,984
2030	21,719,984	24,474,928	88.74%	(2,754,944)	4,355,441	20.20%	879,799	20,471	900,270	2,214,880	(1,314,610)	1,738,745	0	22,144,119
2031	22,144,119	24,211,022	91.46%	(2,066,903)	4,561,972	18.64%	850,352	17,792	868,144	2,262,842	(1,394,698)	1,770,498	0	22,519,919
2032	22,519,919	23,870,954	94.34%	(1,351,035)	4,776,337	15.87%	758,005	15,284	773,289	2,303,704	(1,530,415)	1,796,015	0	22,785,519
2033	22,785,519	23,456,280	97.14%	(670,761)	5,000,192	12.08%	604,023	13,000	617,023	2,333,930	(1,716,907)	1,810,386	0	22,878,998
2034	22,878,998	22,972,531	99.59%	(93,533)	5,234,704	8.52%	445,997	10,993	456,990	2,357,596	(1,900,606)	1,810,671	0	22,789,063
2035	22,789,063	22,421,212	101.64%	367,851	5,481,033	10.41%	570,576	9,318	579,894	2,370,715	(1,790,821)	1,807,690	0	22,805,932
2036	22,805,932	21,808,270	104.57%	997,662	5,739,602	9.78%	561,333	7,461	568,794	2,372,947	(1,804,153)	1,808,543	0	22,810,322
2037	22,810,322	21,140,445	107.90%	1,669,877	6,007,530	5.37%	322,604	6,008	328,612	2,368,608	(2,039,996)	1,799,369	0	22,569,695
2038	22,569,695	20,420,298	110.53%	2,149,397	6,289,452	4.68%	294,346	5,032	299,378	2,351,708	(2,052,330)	1,779,019	0	22,296,384
2039	22,296,384	19,656,809	113.43%	2,639,575	6,584,216	2.81%	185,016	3,951	188,967	2,324,495	(2,135,528)	1,753,107	0	21,913,963
2040	21,913,963	18,857,507	116.21%	3,056,456	6,893,877	0.00%	0	3,447	3,447	2,286,463	(2,283,016)	1,715,594	0	21,346,541

## **1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll**

### **Key Assumptions**

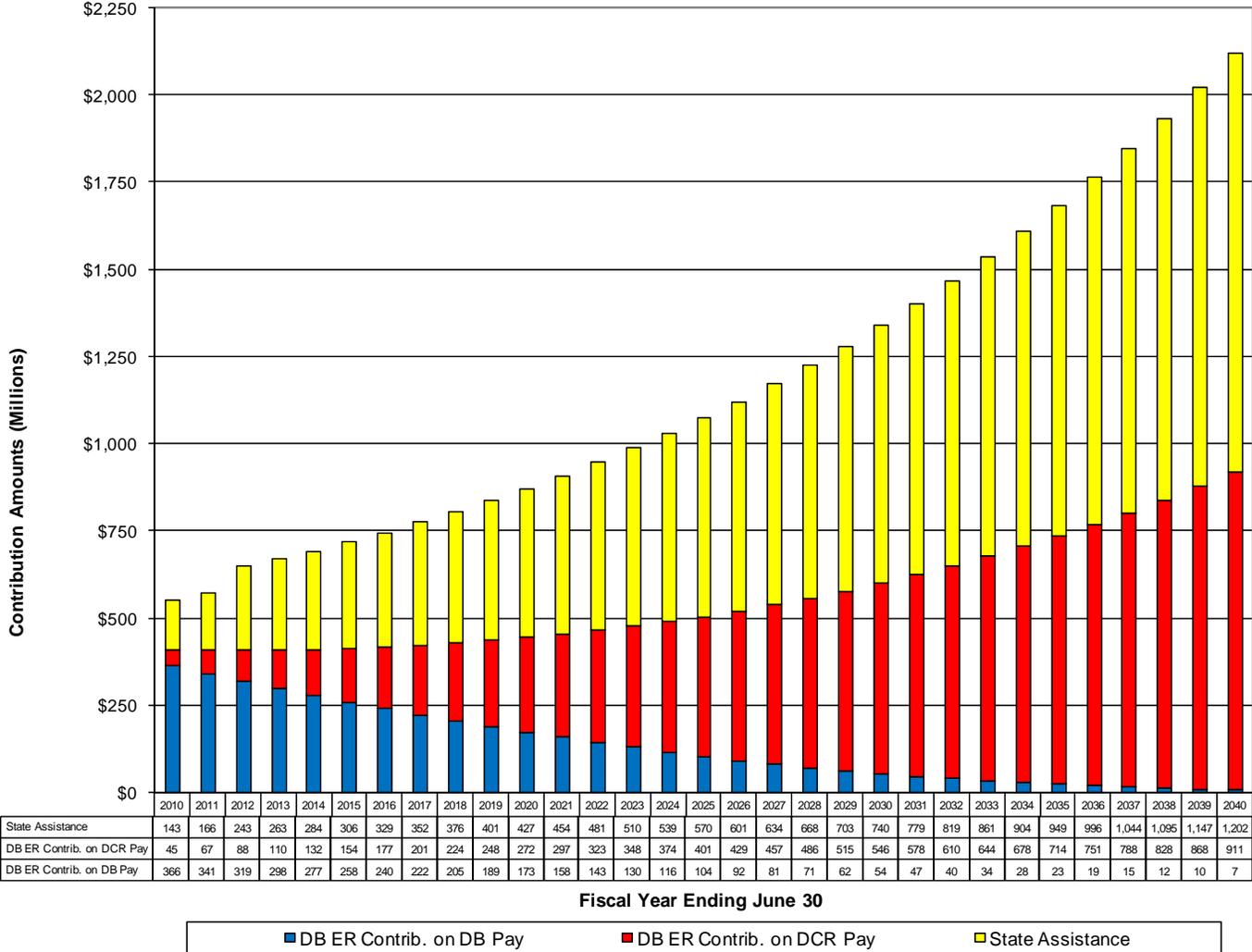
- All assumptions and methods are the same as Section 1.5(a), except adopted contribution rate is maintained at the FY12 level of 30.76% of total pay for all future years.

### **Observations**

- Contribution amounts increase through the projection period.
- Funding ratios decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period.

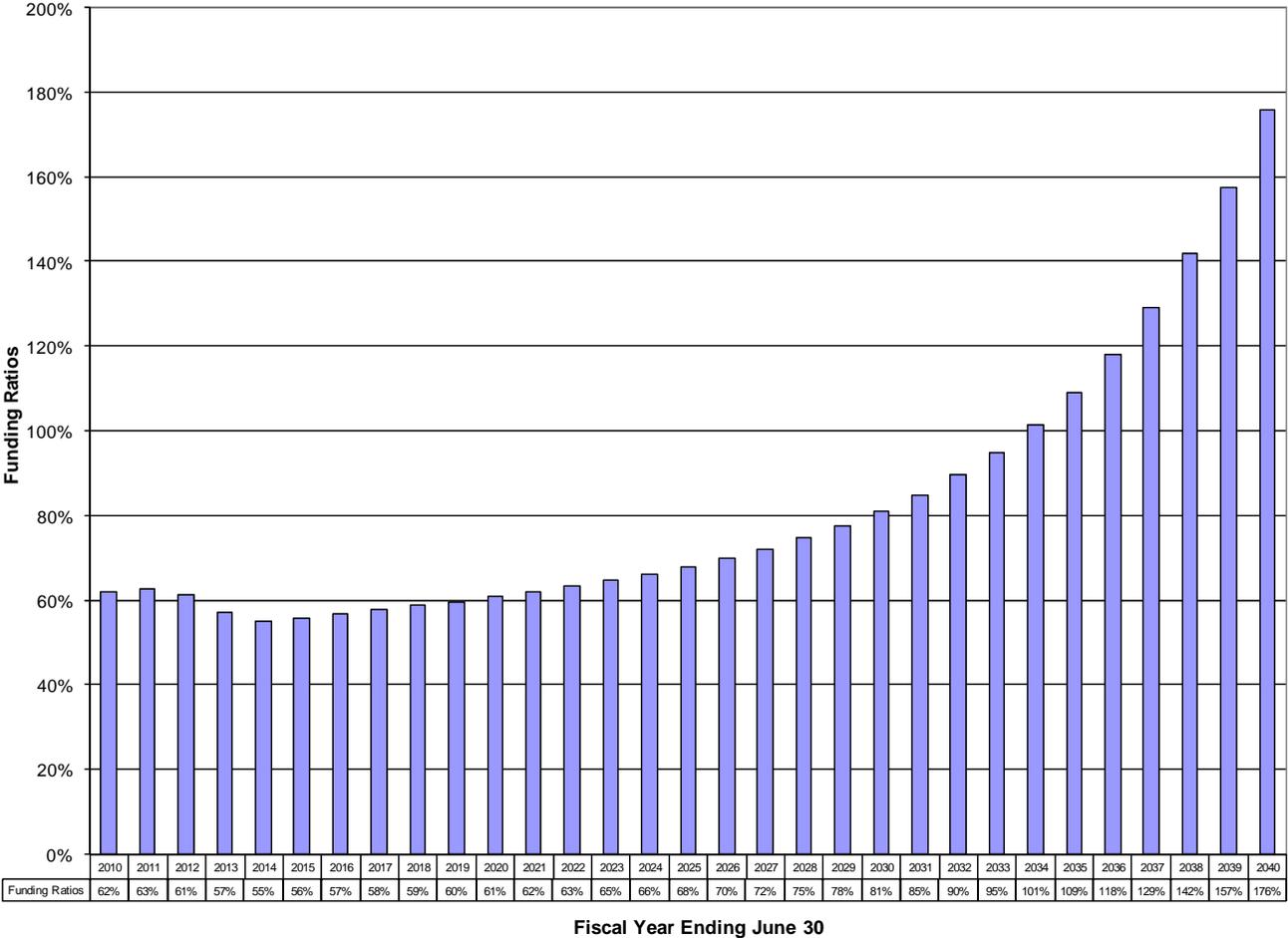
**1.5(b) Actuarial Projections – Projections at Current Rate  
Based on Total DB and DCR Payroll (continued)**

**Projected Employer/State Contribution Amounts**



**1.5(b) Actuarial Projections – Projections at Current Rate  
Based on Total DB and DCR Payroll (continued)**

**Projected Funding Ratios**



**1.5(b) Actuarial Projections – Projections at Current Rate  
Based on Total DB and DCR Payroll (continued)**

State of Alaska PERS Financial Projections (in Thousands)														
Fiscal Year End	Investment Return: 8.25% Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2010	\$10,242,978	\$16,579,371	61.78%	(\$6,336,393)	\$2,003,141	27.65%	\$553,868	\$127,552	\$681,420	\$828,971	(\$147,551)	\$698,239	\$110,138	\$10,903,804
2011	10,903,804	17,394,993	62.68%	(6,491,189)	2,052,495	27.96%	573,878	130,323	704,201	904,892	(200,691)	741,522	(334,578)	11,110,057
2012	11,110,057	18,181,129	61.11%	(7,071,072)	2,111,483	30.76%	649,492	123,292	772,784	973,652	(200,868)	786,133	(866,367)	10,828,955
2013	10,828,955	18,936,269	57.19%	(8,107,314)	2,178,561	30.76%	670,125	116,925	787,050	1,043,253	(256,203)	832,180	(616,355)	10,788,577
2014	10,788,577	19,658,935	54.88%	(8,870,358)	2,252,502	30.76%	692,870	110,908	803,778	1,112,646	(308,868)	877,569	0	11,357,278
2015	11,357,278	20,348,017	55.82%	(8,990,739)	2,334,299	30.76%	718,030	105,255	823,285	1,184,169	(360,884)	922,384	0	11,918,778
2016	11,918,778	21,000,350	56.76%	(9,081,572)	2,423,734	30.76%	745,541	99,935	845,476	1,257,531	(412,055)	966,639	0	12,473,362
2017	12,473,362	21,612,333	57.71%	(9,138,971)	2,518,912	30.76%	774,817	94,629	869,446	1,329,279	(459,833)	1,010,460	0	13,023,989
2018	13,023,989	22,183,282	58.71%	(9,159,293)	2,619,618	30.76%	805,794	72,563	878,357	1,400,752	(522,395)	1,053,357	0	13,554,951
2019	13,554,951	22,707,497	59.69%	(9,152,546)	2,724,809	30.76%	838,151	67,030	905,181	1,463,314	(558,133)	1,095,717	0	14,092,535
2020	14,092,535	23,182,436	60.79%	(9,089,901)	2,836,101	30.76%	872,385	61,827	934,212	1,537,474	(603,262)	1,138,243	0	14,627,516
2021	14,627,516	23,605,510	61.97%	(8,977,994)	2,955,421	30.76%	909,087	56,744	965,831	1,611,683	(645,852)	1,180,657	0	15,162,321
2022	15,162,321	23,973,417	63.25%	(8,811,096)	3,079,884	30.76%	947,372	51,742	999,114	1,689,180	(690,066)	1,222,990	0	15,695,245
2023	15,695,245	24,279,376	64.64%	(8,584,131)	3,210,930	30.76%	987,682	46,880	1,034,562	1,765,362	(730,800)	1,265,309	0	16,229,754
2024	16,229,754	24,520,269	66.19%	(8,290,515)	3,349,003	30.76%	1,030,153	42,532	1,072,685	1,840,092	(767,407)	1,307,926	0	16,770,273
2025	16,770,273	24,693,467	67.91%	(7,923,194)	3,494,975	30.76%	1,075,054	38,095	1,113,149	1,913,804	(800,655)	1,351,175	0	17,320,793
2026	17,320,793	24,794,886	69.86%	(7,474,093)	3,649,422	30.76%	1,122,562	33,940	1,156,502	1,981,549	(825,047)	1,395,607	0	17,891,353
2027	17,891,353	24,825,790	72.07%	(6,934,437)	3,810,581	30.76%	1,172,135	30,104	1,202,239	2,046,393	(844,154)	1,441,905	0	18,489,104
2028	18,489,104	24,784,267	74.60%	(6,295,163)	3,982,020	30.76%	1,224,869	26,680	1,251,549	2,109,481	(857,932)	1,490,663	0	19,121,835
2029	19,121,835	24,666,731	77.52%	(5,544,896)	4,163,432	30.76%	1,280,672	23,315	1,303,987	2,165,812	(861,825)	1,542,705	0	19,802,715
2030	19,802,715	24,474,928	80.91%	(4,672,213)	4,355,441	30.76%	1,339,734	20,471	1,360,205	2,214,880	(854,675)	1,599,167	0	20,547,207
2031	20,547,207	24,211,022	84.87%	(3,663,815)	4,561,972	30.76%	1,403,263	17,792	1,421,055	2,262,842	(841,787)	1,661,109	0	21,366,529
2032	21,366,529	23,870,954	89.51%	(2,504,425)	4,776,337	30.76%	1,469,201	15,284	1,484,485	2,303,704	(819,219)	1,729,615	0	22,276,925
2033	22,276,925	23,456,280	94.97%	(1,179,355)	5,000,192	30.76%	1,538,059	13,000	1,551,059	2,333,930	(782,871)	1,806,193	0	23,300,247
2034	23,300,247	22,972,531	101.43%	327,716	5,234,704	30.76%	1,610,195	10,993	1,621,188	2,357,596	(736,408)	1,892,495	0	24,456,334
2035	24,456,334	22,421,212	109.08%	2,035,122	5,481,033	30.76%	1,685,966	9,318	1,695,284	2,370,715	(675,431)	1,990,338	0	25,771,241
2036	25,771,241	21,808,270	118.17%	3,962,971	5,739,602	30.76%	1,765,502	7,461	1,772,963	2,372,947	(599,984)	2,101,868	0	27,273,125
2037	27,273,125	21,140,445	129.01%	6,132,680	6,007,530	30.76%	1,847,916	6,008	1,853,924	2,368,608	(514,684)	2,229,223	0	28,987,664
2038	28,987,664	20,420,298	141.96%	8,567,366	6,289,452	30.76%	1,934,635	5,032	1,939,667	2,351,708	(412,041)	2,374,822	0	30,950,445
2039	30,950,445	19,656,809	157.45%	11,293,636	6,584,216	30.76%	2,025,305	3,951	2,029,256	2,324,495	(295,239)	2,541,474	0	33,196,680
2040	33,196,680	18,857,507	176.04%	14,339,173	6,893,877	30.76%	2,120,557	3,447	2,124,004	2,286,463	(162,459)	2,732,157	0	35,766,378

### 1.5(c) Actuarial Projections – Effect of Economic Scenarios Based on Total DB and DCR Payroll

#### Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except investment returns on the Market Value of Assets are assumed as follows:

Base Case:	8.25% for all future years
Optimistic:	9.00% for all future years
Pessimistic:	7.50% for all future years

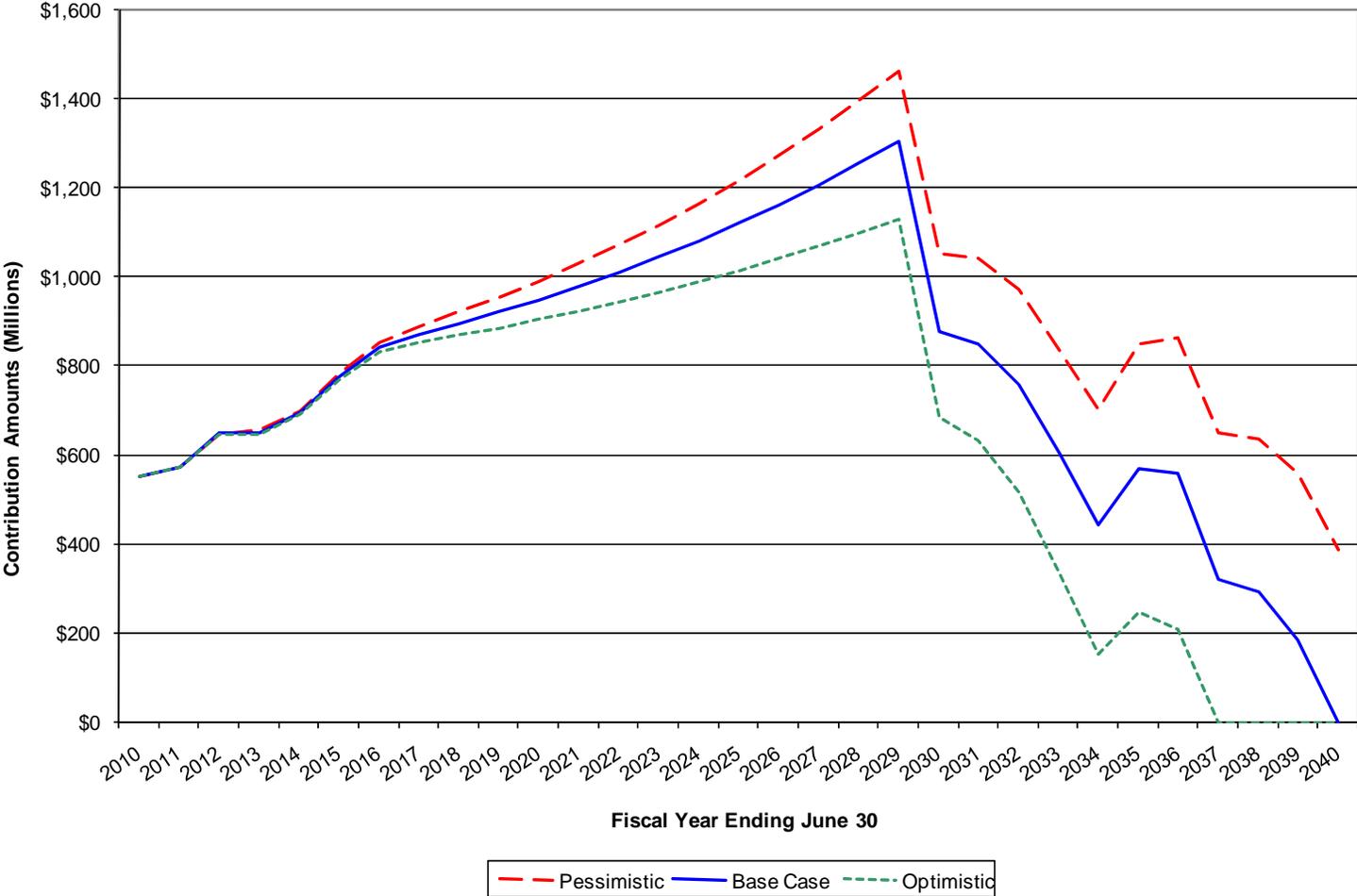
- In all cases, liabilities have been projected using 8.25% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.25% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

#### Observations

- As expected, lower investment returns would yield higher contribution requirements and higher investment returns would yield lower contribution requirements.
- In all scenarios, contribution amounts decrease towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.

**1.5(c) Actuarial Projections – Projections at Calculated Rate  
Effect of Economic Scenarios  
Based on Total DB and DCR Payroll (continued)**

**Projected Employer/State Contribution Amounts**



## **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 plan provisions is provided in Section 2.1 and participant 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 participants who will retire, die, 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 the Alaska Public Employees' Retirement System Plan Provisions**

### **(1) Effective Date**

January 1, 1961, with amendments through June 30, 2008. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

### **(2) Administration of Plan**

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

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

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

### **(3) Employers Included**

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

### **(4) Membership**

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

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

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

## **2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions** *(continued)*

### **(5) Credited Service**

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

Members may claim other types of service, including:

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

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

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

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

At the election of certain PERS members, certain service may be credited in the same fashion as members in the State of Alaska Teachers' Retirement System (TRS).

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

### (6) Employer Contributions

PERS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

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

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll.

### (7) Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (22%) will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

### (8) Member Contributions

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

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

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

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

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

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

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

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

### (9) Retirement Benefits

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
  - (i) five years of paid-up PERS service;
  - (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS before May 30, 1987;

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

- (iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS after May 29, 1987;
  - (iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or
  - (v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.
- (b) Members may retire at any age when they have:
- (i) 20 paid-up years of PERS Peace Officer/Firefighter service; or
  - (ii) 30 paid-up years of PERS "all other" or "elected official" service.

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

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

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

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

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

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

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

### (10) Reemployment of Retired Members

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

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

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

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

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

### (11) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers / Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

### (12) Disability Benefits

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

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

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

### (13) Death Benefits

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

## 2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions *(continued)*

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

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

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

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

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

### (14) Postretirement Pension Adjustments

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

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

## **2.1 Summary of the Alaska Public Employees' Retirement System Plan Provisions** *(continued)*

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

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

### **(15) Alaska Cost of Living Allowance**

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

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

### **Changes in Benefit Provisions Since the Prior Valuation**

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

**2.2(a) Member Census Information – Total PERS**

<b>As of June 30</b>	<b>2005</b>	<b>2006</b>	<b>2007</b>	<b>2008</b>	<b>2009</b>
<b>Active Members</b>					
(1) Number	33,730	34,071	31,362	28,850	27,565
(2) Average Age	44.82	45.04	46.06	47.01	47.85
(3) Average Credited Service	8.72	8.92	9.66	10.48	11.19
(4) Average Entry Age	36.10	36.12	36.40	36.53	36.66
(5) Average Annual Earnings	\$ 44,860	\$ 46,688	\$ 51,203	\$ 54,691	\$ 57,518
(6) Number Vested	19,349	19,032	19,587	20,058	20,671
(7) Percent Who Are Vested	57.4%	55.9%	62.5%	69.5%	75.0%
<b>Retirees, Disableds and Beneficiaries</b>					
(1) Number	20,703	21,901	22,997	24,082	25,015
(2) Average Age	65.21	65.40	65.69	66.01	66.39
(3) Average Monthly Pension Benefit					
Base	\$ 1,193	\$ 1,217	\$ 1,242	\$ 1,263	\$ 1,280
COLA	82	83	84	84	85
P.R.P.A.	221	222	226	225	244
Adjustment	1	1	0	1	0
Total	\$ 1,497	\$ 1,523	\$ 1,552	\$ 1,573	\$ 1,609
<b>Vested Terminations (vested at time of termination, not refunded contributions or commenced benefits)</b>					
(1) Number	6,105	6,219	6,398	6,627	6,566
(2) Average Age	48.46	48.76	49.07	49.41	49.83
(3) Average Monthly Pension Benefit	\$ 582	\$ 590	\$ 786	\$ 816	\$ 836
<b>Non-Vested Terminations With Account Balances (not vested at termination, not refunded contributions)</b>					
(1) Number	12,761	14,155	14,902	14,930	14,626
(2) Average Account Balance	\$ 3,832	\$ 3,876	\$ 4,035	\$ 4,354	\$ 4,654
<b>Total Number of Members</b>	<b>73,299</b>	<b>76,346</b>	<b>75,659</b>	<b>74,489</b>	<b>73,772</b>

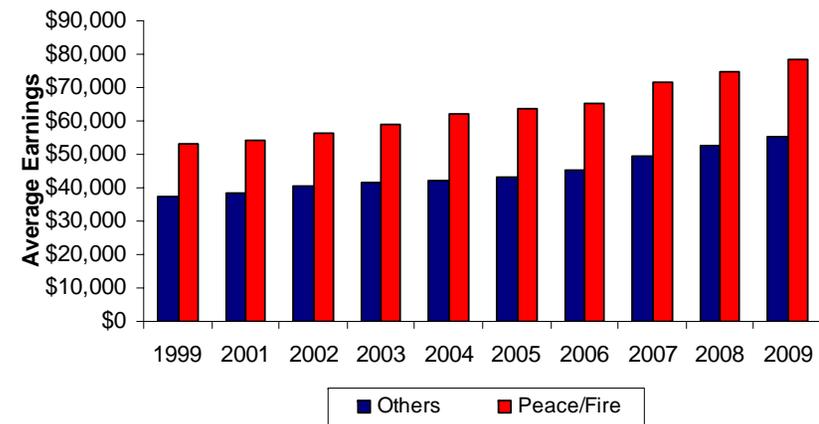
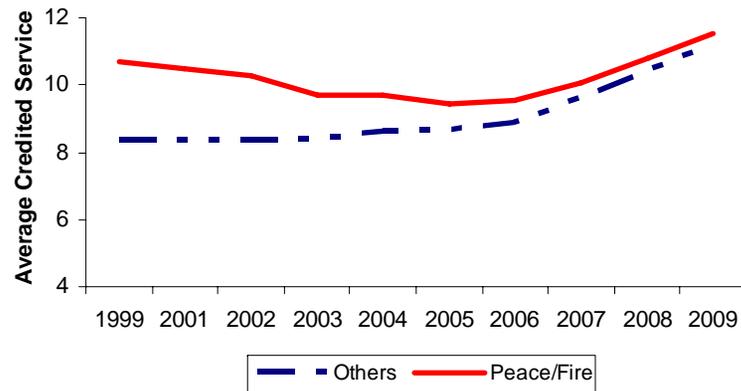
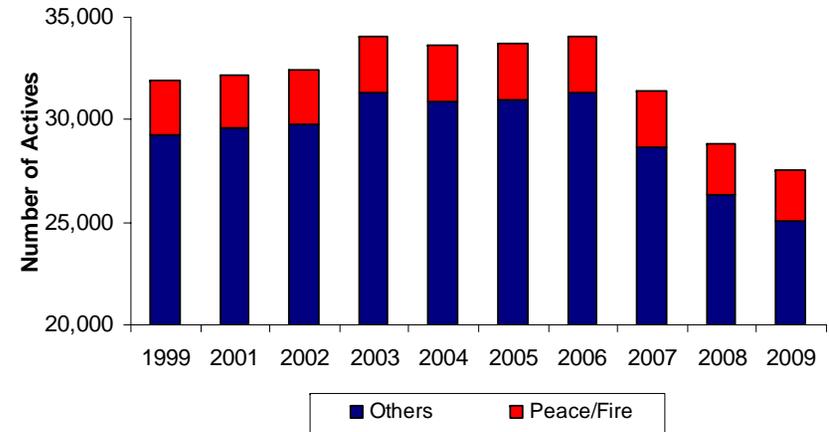
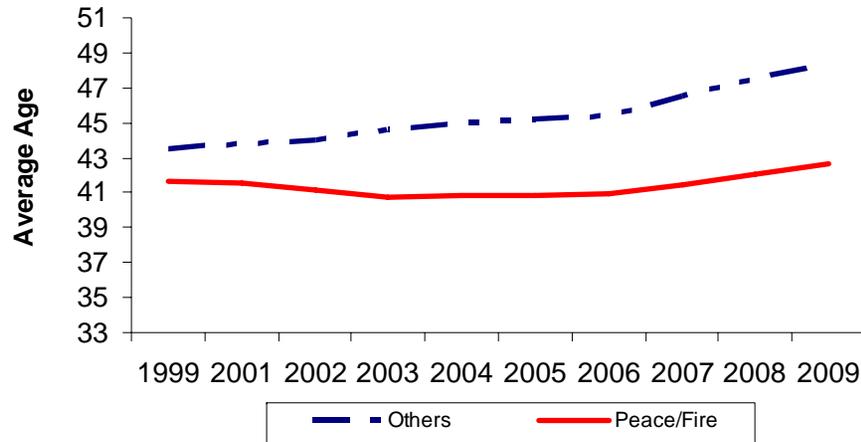
**2.2(a) Member Census Information – Total PERS** *(continued)*

As of June 30, 2009	Tier 1	Tier 2	Tier 3	Total
<b>Retirees, Disableds and Beneficiaries</b>				
(1) Number	20,936	3,504	575	25,015
(2) Average Age	66.67	65.26	62.89	66.39
(3) Average Monthly Pension Benefit				
Base	\$ 1,370	\$ 847	\$ 664	\$ 1,280
COLA	96	27	25	85
P.R.P.A.	280	66	27	244
Adjustment	1	0	0	0
Total	\$ 1,747	\$ 940	\$ 716	\$ 1,609

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

As of June 30	2005	2006	2007	2008	2009
<b>Peace Officer/Firefighter</b>					
(1) Number	2,733	2,785	2,687	2,549	2,476
(2) Average Age	40.82	40.94	41.48	42.04	42.63
(3) Average Credited Service	9.46	9.54	10.05	10.80	11.55
(4) Average Entry Age	31.36	31.40	31.43	31.24	31.08
(5) Average Annual Earnings	\$ 63,723	\$ 65,289	\$ 71,334	\$ 74,825	\$ 78,562
(6) Number Vested	1,799	1,811	1,892	1,928	2,017
(7) Percent Who Are Vested	65.8%	65.0%	70.4%	75.6%	81.5%
<b>Others</b>					
(1) Number	30,997	31,286	28,675	26,301	25,089
(2) Average Age	45.17	45.40	46.49	47.49	48.36
(3) Average Credited Service	8.65	8.86	9.62	10.45	11.15
(4) Average Entry Age	36.52	36.54	36.87	37.04	37.21
(5) Average Annual Earnings	\$ 43,197	\$ 45,032	\$ 49,316	\$ 52,740	\$ 55,441
(6) Number Vested	17,550	17,221	17,695	18,130	18,654
(7) Percent Who Are Vested	56.6%	55.0%	61.7%	68.9%	74.4%
<b>Total</b>					
(1) Number	33,730	34,071	31,362	28,850	27,565
(2) Average Age	44.82	45.04	46.06	47.01	47.85
(3) Average Credited Service	8.72	8.92	9.66	10.48	11.19
(4) Average Entry Age	36.10	36.12	36.40	36.53	36.66
(5) Average Annual Earnings	\$ 44,860	\$ 46,688	\$ 51,203	\$ 54,691	\$ 57,518
(6) Number Vested	19,349	19,032	19,587	20,058	20,671
(7) Percent Who Are Vested	57.4%	55.9%	62.5%	69.5%	75.0%

2.2(b) Additional Information – Active Members (continued)



**2.2(c) Distribution of Active Members – Peace Officer/Firefighter**

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	0	\$ 0	\$ 0	0	5	\$ 265,425	\$ 53,085
20 – 24	12	772,516	64,376	1	18	981,513	54,529
25 – 29	165	12,016,528	72,827	2	16	1,025,971	64,123
30 – 34	361	27,803,865	77,019	3	236	16,025,110	67,903
35 – 39	510	40,509,797	79,431	4	200	14,476,390	72,382
40 – 44	479	39,274,458	81,993	0 – 4	475	32,774,409	68,999
45 – 49	401	31,880,366	79,502	5 – 9	740	56,209,761	75,959
50 – 54	290	22,519,533	77,654	10 – 14	596	49,123,928	82,423
55 – 59	193	14,998,285	77,711	15 – 19	355	30,398,798	85,630
60 – 64	59	4,358,394	73,871	20 – 24	202	16,893,350	83,630
65 – 69	6	385,747	64,291	25 – 29	85	7,087,276	83,380
70 – 74	0	0	0	30 – 34	22	1,944,109	88,369
75+	0	0	0	35 – 39	0	0	0
				40+	1	87,858	87,858
<b>Total</b>	<b>2,476</b>	<b>\$ 194,519,489</b>	<b>\$ 78,562</b>	<b>Total</b>	<b>2,476</b>	<b>\$ 194,519,489</b>	<b>\$ 78,562</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	0	0	0	0	0	0	0	0	0	0
20 – 24	12	0	0	0	0	0	0	0	0	12
25 – 29	113	51	1	0	0	0	0	0	0	165
30 – 34	111	188	62	0	0	0	0	0	0	361
35 – 39	79	192	187	51	1	0	0	0	0	510
40 – 44	56	125	143	120	35	0	0	0	0	479
45 – 49	45	111	87	75	66	17	0	0	0	401
50 – 54	36	44	60	59	49	36	6	0	0	290
55 – 59	17	19	44	37	38	27	11	0	0	193
60 – 64	6	9	11	11	11	5	5	0	1	59
65 – 69	0	1	1	2	2	0	0	0	0	6
70 – 74	0	0	0	0	0	0	0	0	0	0
75+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>475</b>	<b>740</b>	<b>596</b>	<b>355</b>	<b>202</b>	<b>85</b>	<b>22</b>	<b>0</b>	<b>1</b>	<b>2,476</b>

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

**2.2(d) Schedule of Active Member Valuation Data – Peace Officer/Firefighter**

Valuation Date	Number	Annual Earnings (000's) <sup>1</sup>	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	2,476	\$ 194,519	\$ 78,562	5.0%	160
June 30, 2008	2,549	190,729	74,825	4.9%	159
June 30, 2007	2,687	191,674	71,334	9.3%	160
June 30, 2006	2,785	181,830	65,289	2.5%	160
June 30, 2005	2,733	174,155	63,723	3.0%	160
June 30, 2004	2,705	167,317	61,855	4.9%	161
June 30, 2003	2,727	160,743	58,945	0.8%	160
June 30, 2002	2,695	157,632	58,490	3.4%	161
June 30, 2001	2,683	151,701	56,542	3.9%	158
June 30, 1999	2,624	142,843	54,437	2.7%	148

<sup>1</sup> Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

2.2(e) Distribution of Active Members – Others

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	0	\$ 0	\$ 0	0	177	\$ 7,031,619	\$ 39,727
20 – 24	139	5,819,805	41,869	1	502	20,255,657	40,350
25 – 29	1,001	47,082,916	47,036	2	864	34,799,999	40,278
30 – 34	1,783	91,347,531	51,232	3	2,300	107,125,613	46,576
35 – 39	2,288	123,819,041	54,117	4	2,048	99,918,683	48,788
40 – 44	3,015	161,853,150	53,683	0 – 4	5,891	269,131,571	45,685
45 – 49	4,671	255,692,148	54,740	5 – 9	7,827	401,618,476	51,312
50 – 54	5,589	323,772,955	57,930	10 – 14	4,581	262,214,591	57,240
55 – 59	4,220	246,379,695	58,384	15 – 19	3,175	201,013,963	63,311
60 – 64	1,781	103,277,892	57,989	20 – 24	2,069	141,258,328	68,274
65 – 69	471	26,025,975	55,257	25 – 29	1,219	90,422,932	74,178
70 – 74	102	4,522,511	44,338	30 – 34	283	21,464,273	75,845
75+	29	1,376,918	47,480	35 – 39	41	3,577,328	87,252
				40+	3	269,075	89,692
<b>Total</b>	<b>25,089</b>	<b>\$ 1,390,970,537</b>	<b>\$ 55,441</b>	<b>Total</b>	<b>25,089</b>	<b>\$ 1,390,970,537</b>	<b>\$ 55,441</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	0	0	0	0	0	0	0	0	0	0
20 – 24	134	5	0	0	0	0	0	0	0	139
25 – 29	721	276	4	0	0	0	0	0	0	1,001
30 – 34	800	854	125	4	0	0	0	0	0	1,783
35 – 39	744	1,014	452	73	5	0	0	0	0	2,288
40 – 44	830	1,090	613	364	113	5	0	0	0	3,015
45 – 49	882	1,468	930	710	453	219	9	0	0	4,671
50 – 54	821	1,431	1,111	895	700	519	111	1	0	5,589
55 – 59	593	1,023	878	736	550	334	92	14	0	4,220
60 – 64	275	491	353	302	193	105	45	16	1	1,781
65 – 69	65	139	95	70	41	30	22	8	1	471
70 – 74	22	24	19	16	12	4	3	1	1	102
75+	4	12	1	5	2	3	1	1	0	29
<b>Total</b>	<b>5,891</b>	<b>7,827</b>	<b>4,581</b>	<b>3,175</b>	<b>2,069</b>	<b>1,219</b>	<b>283</b>	<b>41</b>	<b>3</b>	<b>25,089</b>

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

**2.2(f) Schedule of Active Member Valuation Data – Others**

Valuation Date	Number	Annual Earnings (000's) <sup>1</sup>	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2009	25,089	\$ 1,390,971	\$ 55,441	5.1%	160
June 30, 2008	26,301	1,387,117	52,740	6.9%	159
June 30, 2007	28,675	1,414,145	49,316	9.5%	160
June 30, 2006	31,286	1,408,863	45,032	4.2%	160
June 30, 2005	30,997	1,338,962	43,197	2.3%	160
June 30, 2004	30,907	1,305,670	42,245	1.8%	161
June 30, 2003	31,338	1,300,041	41,484	1.8%	160
June 30, 2002	30,547	1,245,055	40,759	0.3%	161
June 30, 2001	29,758	1,208,700	40,618	5.4%	158
June 30, 1999	29,590	1,140,706	38,550	3.0%	148

<sup>1</sup> Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

**2.2(g) Statistics on New Benefit Recipients – Peace Officer/Firefighter**

During the Year Ending June 30	2005	2006	2007	2008	2009
<b>Service</b>					
(1) Number	121	91	97	97	80
(2) Average Age at Commencement	52.98	54.50	54.23	55.95	55.98
(3) Average Monthly Pension Benefit	\$ 2,435	\$ 2,415	\$ 2,692	\$ 2,616	\$ 2,402
<b>Survivor (including surviving spouse and QDROs)</b>					
(1) Number	12	22	30	20	25
(2) Average Age at Commencement	49.41	56.72	57.01	56.36	58.42
(3) Average Monthly Pension Benefit	\$ 876	\$ 993	\$ 1,388	\$ 1,163	\$ 1,337
<b>Disability</b>					
(1) Number	12	5	11	8	3
(2) Average Age at Commencement	47.42	47.21	48.51	43.62	44.87
(3) Average Monthly Pension Benefit	\$ 1,691	\$ 2,032	\$ 2,253	\$ 2,425	\$ 1,461
<b>Total</b>					
(1) Number	145	118	138	125	108
(2) Average Age at Commencement	52.23	54.61	54.38	55.23	56.24
(3) Average Monthly Pension Benefit	\$ 2,244	\$ 2,134	\$ 2,374	\$ 2,371	\$ 2,129

## 2.2(h) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Peace Officer/Firefighter

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/08 - 6/30/09:							
Average Monthly Pension Benefit	\$ 489	\$ 820	\$ 979	\$ 2,466	\$ 3,152	\$ 4,213	\$ 4,894
Number of Recipients	2	17	11	18	23	7	5
Period 7/1/07 - 6/30/08:							
Average Monthly Pension Benefit	\$ 1,522	\$ 950	\$ 1,171	\$ 2,378	\$ 3,179	\$ 3,837	\$ 6,014
Number of Recipients	6	13	13	20	32	18	3
Period 7/1/06 - 6/30/07:							
Average Monthly Pension Benefit	\$ 925	\$ 858	\$ 1,304	\$ 2,385	\$ 3,180	\$ 4,198	\$ 4,942
Number of Recipients	4	13	9	26	40	12	4
Period 7/1/05 - 6/30/06:							
Average Monthly Pension Benefit	\$ 1,556	\$ 748	\$ 1,280	\$ 2,236	\$ 2,931	\$ 3,595	\$ 4,190
Number of Recipients	5	11	9	26	29	13	3
Period 7/1/04 - 6/30/05:							
Average Monthly Pension Benefit	\$ 277	\$ 700	\$ 1,209	\$ 1,823	\$ 2,852	\$ 3,804	\$ 3,846
Number of Recipients	1	14	20	23	66	13	3
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	\$ 1,644	\$ 2,392	\$ 2,298	\$ 2,093	\$ 2,435	\$ 2,895	\$ 2,546
Number of Recipients	4	78	46	43	61	30	8
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	\$ 1,594	\$ 697	\$ 1,131	\$ 2,043	\$ 3,013	\$ 4,079	\$ 4,313
Number of Recipients	1	9	20	20	79	11	3
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	\$ 1,903	\$ 466	\$ 1,056	\$ 1,561	\$ 2,567	\$ 3,447	\$ 5,996
Number of Recipients	1	6	12	19	85	32	2
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	\$ 1,416	\$ 927	\$ 1,249	\$ 1,704	\$ 2,824	\$ 2,892	\$ 2,702
Number of Recipients	2	13	34	61	143	57	18

“Average Monthly Pension Benefit” includes post-retirement pension adjustments and cost-of-living increases.

**2.2(i) Statistics on New Benefit Recipients – Others**

During the Year Ending June 30	2005	2006	2007	2008	2009
<b>Service</b>					
(1) Number	1,200	1,308	1,270	1,226	1,140
(2) Average Age at Commencement	57.09	57.41	57.70	57.77	58.10
(3) Average Monthly Pension Benefit	\$ 1,524	\$ 1,539	\$ 1,731	\$ 1,743	\$ 1,698
<b>Survivor (including surviving spouse and QDROs)</b>					
(1) Number	43	155	175	201	181
(2) Average Age at Commencement	55.11	62.33	62.74	63.66	64.33
(3) Average Monthly Pension Benefit	\$ 602	\$ 852	\$ 847	\$ 1,000	\$ 866
<b>Disability</b>					
(1) Number	44	31	34	27	19
(2) Average Age at Commencement	50.26	49.93	50.60	47.75	51.79
(3) Average Monthly Pension Benefit	\$ 1,354	\$ 1,222	\$ 2,026	\$ 1,355	\$ 1,264
<b>Total</b>					
(1) Number	1,287	1,494	1,479	1,454	1,340
(2) Average Age at Commencement	56.79	57.77	58.13	58.40	58.85
(3) Average Monthly Pension Benefit	\$ 1,487	\$ 1,461	\$ 1,633	\$ 1,633	\$ 1,579

## 2.2(j) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Others

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/08 - 6/30/09:							
Average Monthly Pension Benefit	\$ 534	\$ 554	\$ 988	\$ 1,708	\$ 2,693	\$ 3,718	\$ 4,723
Number of Recipients	71	341	216	171	154	159	47
Period 7/1/07 - 6/30/08:							
Average Monthly Pension Benefit	\$ 586	\$ 548	\$ 1,044	\$ 1,655	\$ 2,668	\$ 3,642	\$ 4,561
Number of Recipients	69	315	249	222	172	170	56
Period 7/1/06 - 6/30/07:							
Average Monthly Pension Benefit	\$ 1,026	\$ 564	\$ 1,084	\$ 1,773	\$ 2,509	\$ 3,699	\$ 4,132
Number of Recipients	97	320	263	207	190	183	44
Period 7/1/05 - 6/30/06:							
Average Monthly Pension Benefit	\$ 519	\$ 536	\$ 950	\$ 1,464	\$ 2,212	\$ 3,247	\$ 3,837
Number of Recipients	72	319	271	246	197	184	50
Period 7/1/04 - 6/30/05:							
Average Monthly Pension Benefit	\$ 423	\$ 516	\$ 1,008	\$ 1,571	\$ 2,249	\$ 3,176	\$ 3,369
Number of Recipients	40	363	266	211	213	118	76
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	\$ 659	\$ 745	\$ 806	\$ 968	\$ 917	\$ 1,163	\$ 1,488
Number of Recipients	28	300	231	218	234	109	58
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	\$ 984	\$ 678	\$ 1,022	\$ 1,601	\$ 2,201	\$ 3,116	\$ 4,004
Number of Recipients	202	379	290	219	179	99	77
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	\$ 488	\$ 500	\$ 886	\$ 1,428	\$ 2,020	\$ 2,663	\$ 3,653
Number of Recipients	15	283	246	227	198	94	72
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	\$ 602	\$ 577	\$ 791	\$ 1,129	\$ 1,392	\$ 1,771	\$ 1,949
Number of Recipients	8	174	289	594	542	438	297

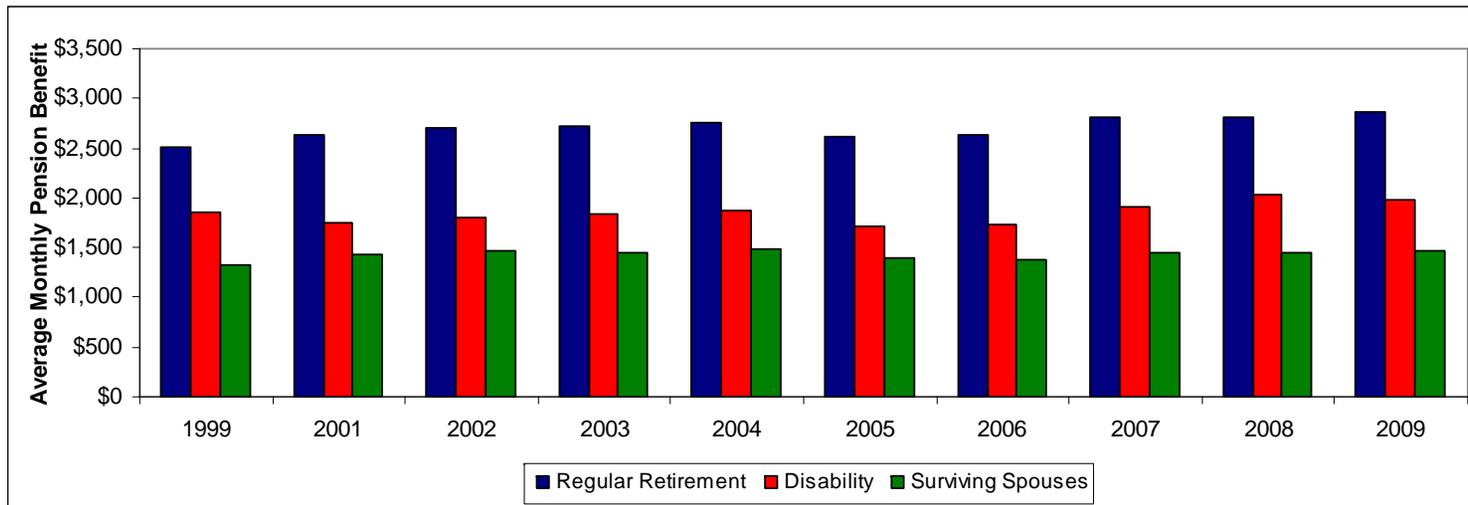
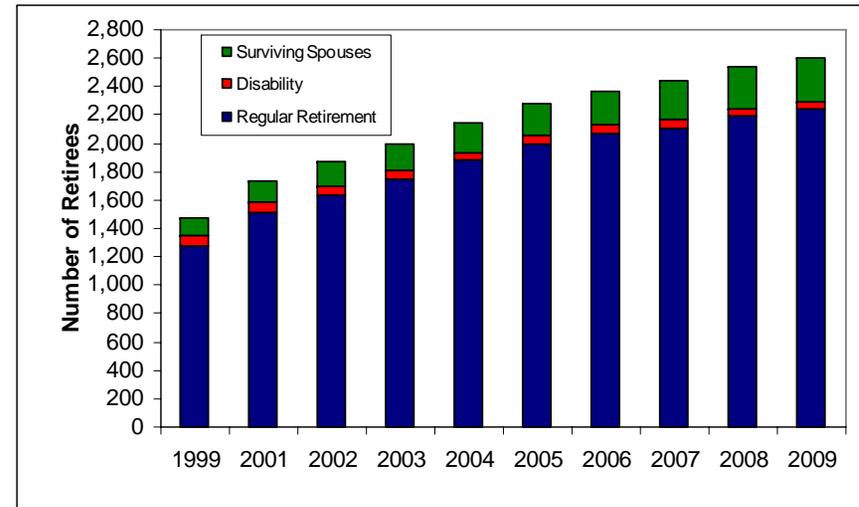
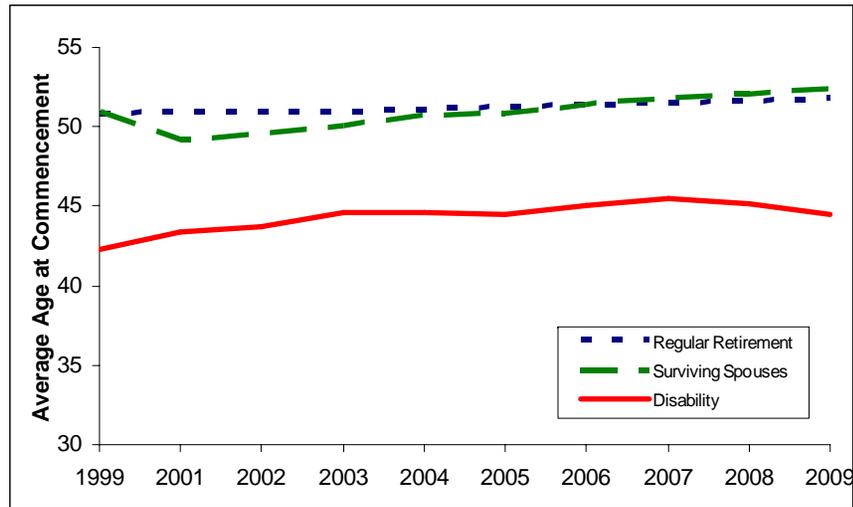
“Average Monthly Benefit” includes post-retirement pension adjustments and cost-of-living increases.

**2.2(k) Statistics on All Pension Benefit Recipients**

	<u>Peace Officer/ Firefighter</u>	<u>Others</u>
<b>Service Retirements</b>		
(1) Number, June 30, 2008	2,187	19,254
(2) Net Change During FY09	59	791
(3) Number, June 30, 2009	2,246	20,045
(3) Average Age At Commencement	51.75	56.70
(4) Average Current Age	62.70	66.93
(5) Average Monthly Pension Benefit	\$ 2,858	\$ 1,545
<b>Survivors (including surviving spouses and QDROs)</b>		
(1) Number, June 30, 2008	288	1,990
(2) Net Change During FY09	21	100
(3) Number, June 30, 2009	309	2,090
(4) Average Age At Commencement	52.36	58.78
(5) Average Current Age	60.95	68.24
(6) Average Monthly Pension Benefit	\$ 1,471	\$ 919
<b>Disabilities</b>		
(1) Number, June 30, 2008	61	302
(2) Net Change During FY09	(11)	(27)
(3) Number, June 30, 2009	50	275
(4) Average Age At Commencement	44.52	45.05
(5) Average Current Age	50.72	52.37
(6) Average Monthly Pension Benefit	\$ 1,988	\$ 1,475
<b>Total</b>		
(1) Number, June 30, 2008	2,536	21,546
(2) Net Change During FY09	69	864
(3) Number, June 30, 2009	2,605	22,410
(4) Average Age At Commencement	51.68	56.75
(5) Average Current Age	62.26	66.87
(6) Average Monthly Pension Benefit	\$ 2,677	\$ 1,487

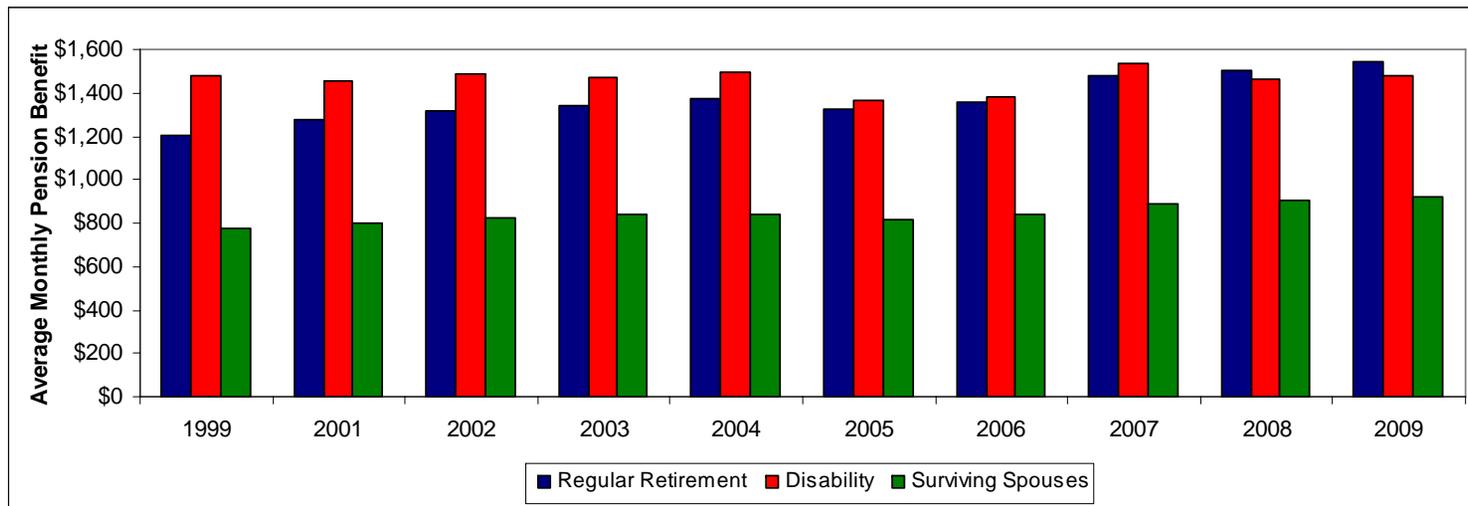
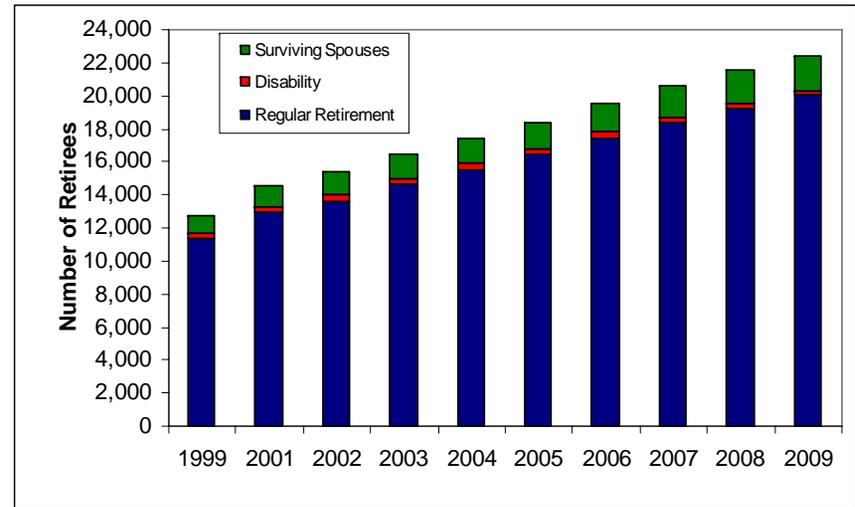
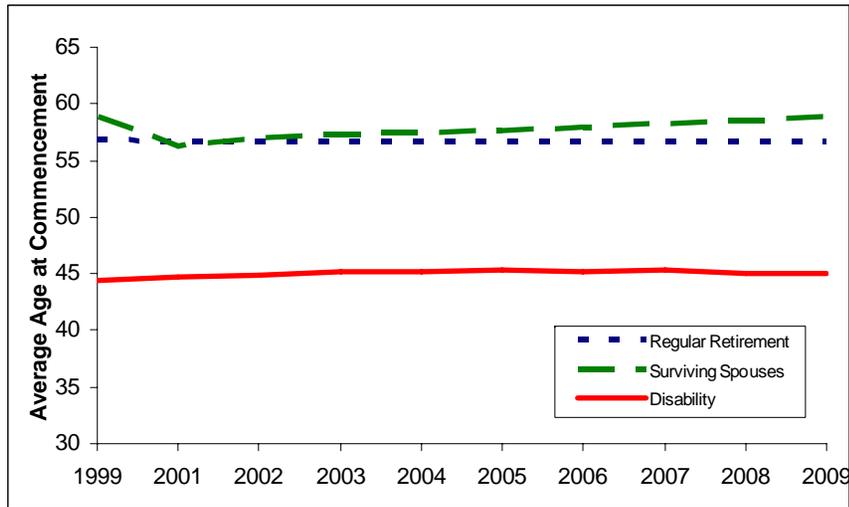
2.2(k) Statistics on All Pension Benefit Recipients (continued)

Peace Officer/Firefighter



2.2(k) Statistics on All Pension Benefit Recipients (continued)

Others



## 2.2(I) Distribution of Annual Pension Benefits for Benefit Recipients – Peace Officer/Firefighter

Annual Pension Benefit by Age

Age	Number	Total Annual Benefit	Average Annual Benefit
0 – 19	0	\$ 0	\$ 0
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	2	57,008	28,504
35 – 39	5	116,706	23,341
40 – 44	16	376,027	23,502
45 – 49	101	3,207,319	31,756
50 – 54	339	11,408,386	33,653
55 – 59	603	19,503,791	32,345
60 – 64	645	21,457,965	33,268
65 – 69	478	14,411,651	30,150
70 – 74	235	7,415,531	31,555
75+	181	5,708,828	31,540
<b>Total</b>	<b>2,605</b>	<b>\$ 83,663,212</b>	<b>\$ 32,116</b>

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Benefit	Average Annual Benefit
0	113	\$ 2,943,556	\$ 26,049
1	128	3,499,981	27,344
2	136	3,927,785	28,881
3	118	3,343,419	28,334
4	147	4,224,366	28,737
0 – 4	642	17,939,107	27,943
5 – 9	712	22,375,623	31,426
10 – 14	640	21,385,711	33,415
15 – 19	285	9,270,181	32,527
20 – 24	216	9,078,489	42,030
25 – 29	74	2,567,929	34,702
30 – 34	31	958,536	30,921
35 – 39	5	87,636	17,527
40+	0	0	0
<b>Total</b>	<b>2,605</b>	<b>\$ 83,663,212</b>	<b>\$ 32,116</b>

Years Since Benefit Commencement by Age

Age	Years Since Commencement									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0 – 19	0	0	0	0	0	0	0	0	0	0
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	0	0	0	0	0	0	0	0	0	0
30 – 34	2	0	0	0	0	0	0	0	0	2
35 – 39	3	1	1	0	0	0	0	0	0	5
40 – 44	11	3	2	0	0	0	0	0	0	16
45 – 49	66	32	1	2	0	0	0	0	0	101
50 – 54	145	156	32	3	2	1	0	0	0	339
55 – 59	207	248	130	16	1	0	1	0	0	603
60 – 64	151	168	215	70	34	3	4	0	0	645
65 – 69	38	76	192	108	59	3	1	1	0	478
70 – 74	12	21	52	58	73	15	2	2	0	235
75+	7	7	15	28	47	52	23	2	0	181
<b>Total</b>	<b>642</b>	<b>712</b>	<b>640</b>	<b>285</b>	<b>216</b>	<b>74</b>	<b>31</b>	<b>5</b>	<b>0</b>	<b>2,605</b>

**2.2(m) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Peace Officer/Firefighter**

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
\$ 1 – \$ 300	45	27	18	0	23	8	1	1	12
301 – 600	147	99	46	2	66	38	18	12	13
601 – 900	133	85	45	3	70	35	9	9	10
901 – 1,200	150	100	46	4	80	34	15	8	13
1,201 – 1,500	143	113	27	3	66	33	17	15	12
1,501 – 1,800	130	102	23	5	48	42	25	9	6
1,801 – 2,100	172	130	32	10	76	48	21	13	14
2,101 – 2,400	199	166	23	10	70	81	25	18	5
2,401 – 2,700	192	177	11	4	55	84	26	15	12
2,701 – 3,000	259	239	14	6	66	124	43	10	16
3,001 – 3,300	193	183	8	2	54	89	24	17	9
3,301 – 3,600	182	177	5	0	42	87	26	16	11
3,601 – 3,900	158	154	3	1	41	81	15	15	6
3,901 – 4,200	135	133	2	0	32	63	20	12	8
Over \$ 4,200	367	361	6	0	68	221	38	28	12
Totals	2,605	2,246	309	50	857	1,068	323	198	159

**Type of Pension Benefit**

1. Regular retirement
2. Survivor payment
3. Disability

**Option Selected**

1. Whole Life Annuity
2. 75% Joint and Contingent Annuity
3. 50% Joint and Contingent Annuity
4. 66 2/3% Joint and Survivor Annuity
5. Level Income Option

**2.2(n) Distribution of Annual Pension Benefits for Benefit Recipients – Others**

**Annual Pension Benefit by Age**

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	1	\$ 31,485	\$ 31,485
20 – 24	0	0	0
25 – 29	1	22,274	22,274
30 – 34	2	37,571	18,786
35 – 39	13	176,528	13,579
40 – 44	39	457,387	11,728
45 – 49	119	1,848,859	15,537
50 – 54	924	17,322,568	18,747
55 – 59	4,070	83,172,895	20,436
60 – 64	5,517	103,054,868	18,680
65 – 69	4,519	77,335,930	17,114
70 – 74	3,074	50,455,844	16,414
75+	4,131	65,747,540	15,916
<b>Total</b>	<b>22,410</b>	<b>\$ 399,663,749</b>	<b>\$ 17,834</b>

**Annual Pension Benefit by Years Since Commencement**

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	1,283	\$ 24,294,447	\$ 18,936
1	1,452	28,758,807	19,806
2	1,454	27,772,670	19,101
3	1,447	28,027,214	19,369
4	1,359	26,048,293	19,167
0 – 4	6,995	134,901,431	19,285
5 – 9	5,655	100,356,947	17,747
10 – 14	4,331	78,563,628	18,140
15 – 19	2,488	37,129,258	14,923
20 – 24	1,828	31,992,471	17,501
25 – 29	755	11,396,097	15,094
30 – 34	331	4,923,662	14,875
35 – 39	26	373,027	14,347
40+	1	27,228	27,228
<b>Total</b>	<b>22,410</b>	<b>\$ 399,663,749</b>	<b>\$ 17,834</b>

**Years Since Benefit Commencement by Age**

Age	Years Since Commencement									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0 – 19	1	0	0	0	0	0	0	0	0	1
20 – 24	0	0	0	0	0	0	0	0	0	0
25 – 29	1	0	0	0	0	0	0	0	0	1
30 – 34	2	0	0	0	0	0	0	0	0	2
35 – 39	9	4	0	0	0	0	0	0	0	13
40 – 44	20	13	5	1	0	0	0	0	0	39
45 – 49	63	33	14	6	3	0	0	0	0	119
50 – 54	765	90	46	15	6	2	0	0	0	924
55 – 59	2,890	1,026	120	18	12	3	1	0	0	4,070
60 – 64	1,984	2,490	998	26	12	5	2	0	0	5,517
65 – 69	824	1,236	1,693	670	72	16	7	1	0	4,519
70 – 74	235	515	872	929	494	17	10	2	0	3,074
75+	201	248	583	823	1,229	712	311	23	1	4,131
<b>Total</b>	<b>6,995</b>	<b>5,655</b>	<b>4,331</b>	<b>2,488</b>	<b>1,828</b>	<b>755</b>	<b>331</b>	<b>26</b>	<b>1</b>	<b>22,410</b>

## 2.2(o) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Others

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
\$ 1 – \$ 300	1,830	1,472	354	4	797	365	267	59	342
301 – 600	4,124	3,548	531	45	2,004	1,040	627	231	222
601 – 900	3,230	2,820	386	24	1,514	819	495	204	198
901 – 1,200	2,692	2,384	270	38	1,243	688	429	181	151
1,201 – 1,500	2,176	1,940	195	41	961	613	337	135	130
1,501 – 1,800	1,641	1,499	110	32	646	487	275	116	117
1,801 – 2,100	1,397	1,272	88	37	562	412	229	100	94
2,101 – 2,400	1,091	1,019	46	26	406	348	194	70	73
2,401 – 2,700	854	806	40	8	311	296	155	50	42
2,701 – 3,000	704	672	24	8	241	252	129	38	44
3,001 – 3,300	609	589	16	4	190	235	115	40	29
3,301 – 3,600	453	432	17	4	147	183	61	36	26
3,601 – 3,900	355	349	5	1	107	145	67	19	17
3,901 – 4,200	316	314	1	1	89	149	53	15	10
Over \$ 4,200	938	929	7	2	263	399	167	69	40
Totals	22,410	20,045	2,090	275	9,481	6,431	3,600	1,363	1,535

**Type of Pension Benefit**

1. Regular retirement
2. Survivor payment
3. Disability

**Option Selected**

1. Whole Life Annuity
2. 75% Joint and Contingent Annuity
3. 50% Joint and Contingent Annuity
4. 66 2/3% Joint and Survivor Annuity
5. Level Income Option

## 2.2(p) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Peace Officer/Firefighter

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No.	Annual Pension Benefits		
June 30, 2009	108	\$ 2,759,299	39	\$ (518,134)	2,605	\$ 83,663,212	4.1%	\$ 32,116
June 30, 2008	125	3,556,519	28	191,073	2,536	80,385,779	4.4%	31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2%	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6%	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9%	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9%	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2%	30,842
June 30, 2002	157	6,155,365	19	744,917	1,869	57,285,773	10.4%	30,650
June 30, 2001	328	12,637,854	75	2,889,753	1,731	51,875,325	23.1%	29,968
June 30, 1999	163	4,761,117	8	233,673	1,478	42,127,224	12.0%	28,503

<sup>1</sup> Numbers are estimated, and include other internal transfers.

## 2.2(q) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Others

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No.	Annual Pension Benefits		
June 30, 2009	1,340	\$ 25,402,811	476	\$ 28,773	22,410	\$399,663,749	6.8%	\$ 17,834
June 30, 2008	1,454	28,498,471	466	5,349,935	21,546	374,289,711	6.6%	17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1%	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4%	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1%	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1%	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0%	15,645
June 30, 2002	1,135	27,484,388	332	8,039,486	15,346	235,911,130	9.0%	15,373
June 30, 2001	2,342	46,880,694	506	10,128,792	14,543	216,466,228	20.5%	14,885
June 30, 1999	1,053	19,402,623	124	2,284,829	12,707	179,714,326	10.5%	14,143

<sup>1</sup> Numbers are estimated, and include other internal transfers.

## **2.3 Summary of Actuarial Assumptions, Methods and Procedures**

The demographic and economic assumptions used in the June 30, 2009 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

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

### **Valuation of Liabilities**

#### **(A) Actuarial Method – Entry Age Actuarial Cost**

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

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

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

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

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

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

### **Changes in Methods from the Prior Valuation**

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

#### **(B) Valuation of Assets**

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

#### **(C) Valuation of Medical Benefits**

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

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

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2009, as well as Aetna and Premera claim level data for calendar 2005 and fiscal years 2006 through 2009, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting was used to augment cost data by Medicare status.

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

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these “no-Part A” individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I PERS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 3.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 3.5% of the current Medicare retiree population does not receive Part A coverage.

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

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years and calendar year 2005. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 2.57 months for medical claims and 0.5 months for prescription claims. This “trend and blend” methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year’s data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

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

## June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	
<b>Calendar 2005 Paid Claims</b>	<b>\$ 146,356,647</b>	<b>\$ 25,618,571</b>	<b>\$ 3,976,509</b>	<b>\$ 42,812,358</b>	<b>\$ 35,481,585</b>	<b>\$ 1,999,302</b>	<b>\$ 256,244,972</b>
Membership	33,343	18,603	979	33,343	18,603	979	52,925
Paid Claims Cost Rate	\$ 4,389	\$ 1,377	\$ 4,061	\$ 1,284	\$ 1,907	\$ 2,042	\$ 4,842
Trend to FY2010	1.468	1.468	1.468	1.558	1.558	1.558	
FY 2010 Paid Cost Rate	\$ 6,445	\$ 2,022	\$ 5,963	\$ 2,000	\$ 2,971	\$ 3,180	\$ 7,244
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
<b>FY 2010 Incurred Cost Rate</b>	<b>\$ 6,580</b>	<b>\$ 2,064</b>	<b>\$ 6,088</b>	<b>\$ 2,009</b>	<b>\$ 2,985</b>	<b>\$ 3,195</b>	<b>\$ 7,359</b>
<b>Calendar 2006 Paid Claims***</b>	<b>\$ 150,287,171</b>	<b>\$ 24,546,905</b>	<b>\$ 4,079,223</b>	<b>\$ 45,461,356</b>	<b>\$ 39,644,399</b>	<b>\$ 2,235,948</b>	<b>\$ 266,255,002</b>
Membership	33,473	19,490	1,026	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	\$ 4,490	\$ 1,259	\$ 3,977	\$ 1,358	\$ 2,034	\$ 2,180	\$ 4,932
Trend to FY2010	1.361	1.361	1.361	1.407	1.407	1.407	
FY 2010 Paid Cost Rate	\$ 6,112	\$ 1,715	\$ 5,413	\$ 1,912	\$ 2,863	\$ 3,068	\$ 6,788
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
<b>FY 2010 Incurred Cost Rate</b>	<b>\$ 6,240</b>	<b>\$ 1,750</b>	<b>\$ 5,527</b>	<b>\$ 1,920</b>	<b>\$ 2,876</b>	<b>\$ 3,082</b>	<b>\$ 6,894</b>
<b>Fiscal 2007 Paid Claims***</b>	<b>\$ 129,762,975</b>	<b>\$ 22,677,328</b>	<b>\$ 3,524,812</b>	<b>\$ 46,176,199</b>	<b>\$ 42,348,638</b>	<b>\$ 2,391,089</b>	<b>\$ 246,881,041</b>
Membership	33,446	20,315	1,069	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	\$ 3,880	\$ 1,116	\$ 3,297	\$ 1,381	\$ 2,085	\$ 2,236	\$ 4,503
Trend to FY2010	1.313	1.313	1.313	1.340	1.340	1.340	
FY 2010 Paid Cost Rate	\$ 5,096	\$ 1,466	\$ 4,330	\$ 1,851	\$ 2,794	\$ 2,998	\$ 5,959
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
<b>FY 2010 Incurred Cost Rate</b>	<b>\$ 5,202</b>	<b>\$ 1,497</b>	<b>\$ 4,421</b>	<b>\$ 1,859</b>	<b>\$ 2,807</b>	<b>\$ 3,012</b>	<b>\$ 6,048</b>

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

\*\*\* Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period 07/01/2006 through 06/30/2007, with claims paid under the then current TPA.

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

## June 30, 2009 Valuation – FY 2010 Claims Cost Rates

	Medical			Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	
<b>Fiscal 2008 Paid Claims</b>	<b>\$ 169,598,064</b>	<b>\$ 28,657,490</b>	<b>\$ 6,079,463</b>	<b>\$ 53,506,123</b>	<b>\$ 52,529,773</b>	<b>\$ 2,346,512</b>	<b>\$ 312,717,425</b>
Membership	33,630	21,434	893	33,630	21,434	893	55,957
Paid Claims Cost Rate	\$ 5,043	\$ 1,337	\$ 6,807	\$ 1,591	\$ 2,451	\$ 2,627	\$ 5,589
Trend to FY2010	1.190	1.190	1.190	1.200	1.200	1.200	
FY 2010 Paid Cost Rate	\$ 5,999	\$ 1,591	\$ 8,098	\$ 1,910	\$ 2,942	\$ 3,154	\$ 6,669
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
<b>FY 2010 Incurred Cost Rate</b>	<b>\$ 6,125</b>	<b>\$ 1,624</b>	<b>\$ 8,268</b>	<b>\$ 1,919</b>	<b>\$ 2,956</b>	<b>\$ 3,169</b>	<b>\$ 6,771</b>
<b>Fiscal 2009 Paid Claims</b>	<b>\$ 187,868,089</b>	<b>\$ 30,550,328</b>	<b>\$ 10,093,527</b>	<b>\$ 63,181,353</b>	<b>\$ 57,263,605</b>	<b>\$ 2,226,629</b>	<b>\$ 351,183,531</b>
Membership	33,832	23,424	850	33,832	23,424	850	58,106
Paid Claims Cost Rate	\$ 5,553	\$ 1,304	\$ 11,881	\$ 1,867	\$ 2,445	\$ 2,621	\$ 6,044
Trend to FY2010	1.080	1.080	1.080	1.080	1.080	1.080	
FY 2010 Paid Cost Rate	\$ 5,997	\$ 1,408	\$ 12,830	\$ 2,017	\$ 2,640	\$ 2,830	\$ 6,527
Paid to Incurred Factor**	1.021	1.021	1.021	1.005	1.005	1.005	
<b>FY 2010 Incurred Cost Rate</b>	<b>\$ 6,122</b>	<b>\$ 1,438</b>	<b>\$ 13,099</b>	<b>\$ 2,026</b>	<b>\$ 2,652</b>	<b>\$ 2,844</b>	<b>\$ 6,627</b>
Weighted Average 7/1/2009-6/30/2010 Incurred Claims Cost Rates:							
At average age	\$ 6,075	\$ 1,691	\$ 7,289	\$ 1,941	\$ 2,868	\$ 3,076	\$ 6,756
At age 65*	\$ 7,503	\$ 1,336	\$ 4,754	\$ 2,419	\$ 2,419	\$ 2,419	\$ 7,252

\* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 3.5% of Medicare membership assumed to lack Part A.

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

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

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

Below are the results of this analysis:

**Distribution of Per Capita Claims Cost by Age  
for the Period July 1, 2009 through June 30, 2010**

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	\$ 4,155	\$ 4,155	\$ 1,276	\$ 0
50	4,701	4,701	1,516	0
55	5,319	5,319	1,800	0
60	6,318	6,318	2,087	0
65	1,336	4,754	2,419	477
70	1,626	5,784	2,606	514
75	1,931	6,867	2,780	548
80	2,080	7,398	2,850	562

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

### (D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year (geometric), compounded annually, net of expenses.
Salary Scale	Inflation – 3.5% per year. <u>Peace Officer/Firefighter:</u> Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. <u>Others:</u> Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
Payroll Growth	4.0% 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 3.5% annually.
Mortality (Pre-retirement)	<u>Peace Officer/Firefighters:</u> 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin. <u>Others:</u> Based upon the 2001-2005 actual mortality experience (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year without margin for males and females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 50% of the time for Others.
Mortality (Post-retirement)	1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.
Total Turnover	Based upon the 2001-2005 actual withdrawal experience. (See Table 2).
Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 3. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officer/ Firefighter, 50% of the time for Others.
Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Tables 4 and 5. Deferred vested members are assumed to retire at their earliest retirement date.
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.
Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
Contribution Refunds	15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded.

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

**(D) Actuarial Assumptions (continued)**

COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.															
Post-Retirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute.															
Expenses	All expenses are net of the investment return assumption.															
Part-Time Status	Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.															
Final Average Earnings	Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.															
Per Capita Claims Cost	Sample claims cost rates for FY10 medical and prescription are shown below:															
	<table border="1"> <thead> <tr> <th></th> <th>Medical</th> <th>Prescription Drugs</th> </tr> </thead> <tbody> <tr> <td>Pre-Medicare</td> <td>\$ 7,503</td> <td>\$ 2,419</td> </tr> <tr> <td>Medicare Parts A &amp; B</td> <td>\$ 1,336</td> <td>\$ 2,419</td> </tr> <tr> <td>Medicare Part B Only</td> <td>\$ 4,754</td> <td>\$ 2,419</td> </tr> <tr> <td>Medicare Part D</td> <td>N/A</td> <td>\$ 477</td> </tr> </tbody> </table>		Medical	Prescription Drugs	Pre-Medicare	\$ 7,503	\$ 2,419	Medicare Parts A & B	\$ 1,336	\$ 2,419	Medicare Part B Only	\$ 4,754	\$ 2,419	Medicare Part D	N/A	\$ 477
	Medical	Prescription Drugs														
Pre-Medicare	\$ 7,503	\$ 2,419														
Medicare Parts A & B	\$ 1,336	\$ 2,419														
Medicare Part B Only	\$ 4,754	\$ 2,419														
Medicare Part D	N/A	\$ 477														
Third Party Administrator Fees	\$153.33 per person per year; assumed trend rate of 5% per year.															
Health Cost Trend	The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.0% is applied to the FY09 rate claims costs to get the FY10 claims costs.															

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

For the June 30, 2008 valuations 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. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

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

### (D) Actuarial Assumptions (continued)

Aging Factors	Prescription		
	Age	Medical	Drugs
	0-44	2.0%	4.5%
	45-54	2.5%	3.5%
	55-64	3.5%	3.0%
	65-74	4.0%	1.5%
	75-84	1.5%	0.5%
	85-94	0.5%	0.0%
	95+	0.0%	0.0%

#### Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY10 contributions based on monthly rates shown below for calendar 2009 and 2010 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

Coverage Category	Calendar 2010 Annual Contribution	Calendar 2010 Monthly Contribution	Calendar 2009 Monthly Contribution
Retiree Only	\$ 8,628	\$ 719	\$ 631
Retiree and Spouse	\$ 17,268	\$ 1,439	\$ 1,262
Retiree and Child(ren)	\$ 12,192	\$ 1,016	\$ 891
Retiree and Family	\$ 20,832	\$ 1,736	\$ 1,523
Composite	\$ 12,816	\$ 1,068	\$ 937

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

### (D) Actuarial Assumptions *(continued)*

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Trend Rate for Retired Member Medical Contributions      The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.0% is applied to the FY10 retired member medical contributions to get the FY11 retired member medical contributions.

FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17	5.0%
FY18 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY09 retired member medical contributions are reflected in the valuation so trend on such contribution during FY09 is not applicable.

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Healthcare Participation      100% of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

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

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

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

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

**Table 2**  
**Alaska PERS**  
**Total Turnover Assumptions**

### Peace Officer/Firefighter:

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

Year of Employment	Current Age 25		Year of Employment	Current Age 40	
	Male	Female		Male	Female
1	11.24%	12.47%	1	11.15%	12.37%
2	9.34	10.37	2	9.24	10.26
3	7.43	8.26	3	7.32	8.14
4	6.48	7.21	4	6.35	7.07
5	5.52	6.15	5	5.38	6.00

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

Age	Male	Female
20	4.57%	5.76%
25	4.54	5.75
30	4.49	5.71
35	4.46	5.66
40	4.39	5.56
45	4.20	5.38
50	3.88	5.09
55	3.24	4.51
60	1.74	2.94
65+	4.80	6.00

Select rates vary slightly by age.

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

**Table 2**  
**Alaska PERS**  
**Total Turnover Assumptions**

Others:

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

Year of Employment	Current Age 25		Current Age 40		Year of Employment	Current Age 40		Current Age 50	
	Age at Hire					Age at Hire			
	20-34		35+			20-34		35+	
	Male	Female	Male	Female		Male	Female	Male	Female
1	24.90%	26.19%	14.84%	15.26%	1	24.84%	26.12%	14.63%	15.49%
2	22.90	24.09	14.83	15.61	2	22.83	24.01	14.59	15.46
3	19.89	20.93	12.81	13.50	3	19.81	20.85	12.54	13.33
4	15.89	16.73	11.80	12.44	4	15.80	16.64	11.49	12.25
5	14.88	15.68	10.78	11.38	5	14.78	15.58	10.43	11.17

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

Age	Male	Female
20	12.01%	13.68%
25	11.99	13.67
30	11.97	13.66
35	8.66	9.89
40	6.42	7.35
45	5.24	6.04
50	5.09	5.94
55	4.80	5.74
60	4.19	5.23
65+	5.50	6.25

Select rates vary slightly by age.

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

**Table 3**  
**Alaska PERS**  
**Disability Table**

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

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

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

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

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

**Table 5**  
**Alaska PERS Others**  
**Retirement Table**

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

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

**Changes in Actuarial Assumptions Since the Prior Valuation**

There were no changes in actuarial assumptions since the prior valuation.

**Section 3**

Section 3.1	Analysis of Financial Experience.
Section 3.2(a)	Summary of Accrued and Unfunded Accrued Liabilities – Total.
Section 3.2(b)	Schedule of Contributions from Employers and Other Contributing Entities
Section 3.2(c)	Actuarial Assumptions, Methods and Additional Information Under GASB.
Section 3.3	Solvency Test.

### 3.1 Analysis of Financial Experience

**Change in Employer/State Contribution Rate  
Due to (Gains) and Losses in Accrued Liabilities During the Last Four Fiscal Years  
Resulting From Differences Between Assumed Experience and Actual Experience**

Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year							
	Pension				Healthcare			
	2006	2007	2008	2009	2006	2007	2008	2009
(1) Health Experience	N/A	N/A	N/A	N/A	(4.06)%	(5.64)%	(0.97)%	(2.21)%
(2) Salary Experience	0.02%	0.23%	0.54%	0.23%	N/A	N/A	N/A	N/A
(3) Investment Experience	0.19%	(0.11)%	(0.35)%	4.72%	(0.48)%	(0.92)%	(0.24)%	0.59%
(4) Demographic Experience	1.05%	(0.17)%	(0.60)%	(0.29)%	N/A	N/A	N/A	N/A
(5) Contribution Shortfall	(0.81)%	0.11%	0.14%	0.01%	1.82%	0.83%	(0.25)%	(0.25)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	0.45%	0.06%	(0.27)%	4.67%	(2.72)%	(5.73)%	(1.46)%	(1.87)%
<b>Non-recurring Changes</b>								
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	1.51%	(0.72)%	0.00%	0.00%	3.47%	(1.18)%*	2.04%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10)	1.96%	(0.66)%	(0.27)%	4.67%	0.75%	(6.91)%	0.58%	(1.87)%
(12) Beginning Employer/State Contribution Rate	8.95%	10.91%	10.25%	9.98%	23.56%	24.31%	17.40%	17.98%
(13) Ending Employer/State Contribution Rate, (11) + (12)	10.91%	10.25%	9.98%	14.65%	24.31%	17.40%	17.98%	16.11%
(14) Fiscal Year Above Rate is Applied	FY09	FY10	FY11	FY12	FY09	FY10	FY11	FY12

\*Includes change in rate by using total payroll.

### 3.1 Analysis of Financial Experience *(continued)*

**Change in Employer/State Contribution Rate  
Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years  
Resulting From Differences Between Assumed Experience and Actual Experience**

Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2005	2006	2007	2008	2009
(1) Health Experience	1.49%	(4.06)%	(5.64)%	(0.97)%	(2.21)%
(2) Salary Experience	(0.32)%	0.02%	0.23%	0.54%	0.23%
(3) Investment Experience	(0.02)%	(0.29)%	(1.03)%	(0.59)%	5.31%
(4) Demographic Experience	0.01%	1.05%	(0.17)%	(0.60)%	(0.29)%
(5) Contribution Shortfall	0.98%	1.01%	0.94%	(0.11)%	(0.24)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	2.14%	(2.27)%	(5.67)%	(1.73)%	2.80%
<b>Non-recurring Changes</b>					
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	0.00%	4.98%	(1.90)%*	2.04%	0.00%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Change due to revaluation of plan liabilities as of June 30, 2004	2.18%	0.00%	0.00%	0.00%	0.00%
(12) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) + (11)	4.32%	2.71%	(7.57)%	0.31%	2.80%
(13) Beginning Employer/State Contribution Rate	28.19%	32.51%	35.22%	27.65%	27.96%
(14) Ending Employer/State Contribution Rate, (12) + (13)	32.51%	35.22%	27.65%	27.96%	30.76%
(15) Fiscal Year Above Rate is Applied	FY08	FY09	FY10	FY11	FY12

\*Includes change in rate by using total payroll.

### 3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total

The exhibit below shows the pension disclosure under GASB No. 25.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009	\$ 9,702,086	\$ 6,108,528	63.0%	\$ 3,593,558	\$ 1,585,490	226.7%
June 30, 2008	\$ 9,154,282	\$ 7,210,772	78.8%	\$ 1,943,510	\$ 1,577,846	123.2%
June 30, 2007	\$ 8,662,324	\$ 6,739,004	77.8%	\$ 1,923,320	\$ 1,605,819	119.8%
June 30, 2006 <sup>1</sup>	\$ 8,094,043	\$ 6,331,065	78.2%	\$ 1,762,978	\$ 1,590,693	110.8%

The exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 4.70%	\$ 12,770,990	\$ 4,134,450	32.4%	\$ 8,636,540	\$ 1,585,490	544.7%
June 30, 2008 <sup>1</sup> – 4.50%	\$ 13,013,450	\$ 3,829,334	29.4%	\$ 9,184,116	\$ 1,577,846	582.1%
June 30, 2007 – 4.50%	\$ 11,108,553	\$ 3,161,956	28.5%	\$ 7,946,597	\$ 1,605,819	494.9%
June 30, 2006 <sup>1</sup> – 4.50%	\$ 11,455,015	\$ 2,709,843	23.7%	\$ 8,745,172	\$ 1,590,693	549.8%

For illustration, the exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy discounted at 8.25% and at 4.50% per annum under GASB No. 43 for the current year. These values show the minimum and maximum accrued liability amounts depending on the portion of ARC actually contributed.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2009 – 8.25%	\$ 7,310,100	\$ 4,134,450	56.6%	\$ 3,175,650	\$ 1,585,490	200.3%
June 30, 2009 – 4.50%	\$ 12,770,990	\$ 4,134,450	32.4%	\$ 8,636,540	\$ 1,585,490	544.7%

<sup>1</sup> Change in assumptions

**3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total** *(continued)*

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25, prior to 2006.

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 2005	\$ 12,844,841	\$ 8,442,919	65.7%	\$ 4,401,922	\$ 1,513,117	290.9%
June 30, 2004 <sup>2 3</sup>	11,443,916	8,030,414	70.2%	3,413,502	1,472,987	231.7%
June 30, 2003	10,561,653	7,687,281	72.8%	2,874,372	1,460,783	196.8%
June 30, 2002 <sup>1 2 3</sup>	9,859,591	7,412,833	75.2%	2,446,758	1,402,687	174.4%
June 30, 2001	7,868,574	7,941,756	100.9%	N/A	1,360,401	N/A
June 30, 2000 <sup>2 3</sup>	7,376,912	7,454,758	101.1%	N/A	1,324,278	N/A
June 30, 1999	6,648,673	7,016,340	105.5%	N/A	1,279,359	N/A
June 30, 1998 <sup>1 2 3</sup>	6,203,991	6,571,562	105.9%	N/A	1,232,488	N/A
June 30, 1997	5,534,116	5,885,488	106.3%	N/A	1,227,795	N/A

<sup>1</sup> Change in Asset Valuation Method

<sup>2</sup> Change of Assumptions

<sup>3</sup> Change in Methods

### 3.2(b) Schedule of Contributions from Employers and Other Contributing Entities

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25 and 26 for fiscal years ending in 2006 and before.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2006	\$ 416,237	65.4%
2005	376,754	47.3%
2004	105,585	100.0%
2003	89,934	110.3%
2002	92,098	102.9%
2001	91,628	105.3%
2000	89,084	105.2%
1999	97,197	100.0%
1998	95,217	100.0%
1997	144,863	100.0%

This exhibit below shows the pension disclosure under GASB No. 25 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Percentage Contributed		
		By Employer	By State	Total
2009	\$ 166,016	68.1%	48.0%	116.1%
2008	\$ 140,729	71.2%	36.2%	107.4%
2007	\$ 268,742	73.2%	4.1%	77.3%

This exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Percentage Contributed		
		By Employer	By State	Total
2009	\$ 391,321	68.1%	41.4%	109.5%
2008	\$ 370,456	71.2%	36.2%	107.4%
2007	\$ 189,495	73.2%	4.1%	77.3%

**3.2(b) Schedule of Contributions from Employers and Other Contributing Entities**  
*(continued)*

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

Valuation Date	Fiscal Year	ARC (% of Pay)		
		Pension	Healthcare	Total
June 30, 2005	FY08	10.72%	53.96%	64.68%
June 30, 2006	FY09	13.49%	55.87%	69.36%
June 30, 2007	FY10	13.72%	49.98%	63.70%
June 30, 2008	FY11	14.13%	33.66%	47.79%
June 30, 2009	FY12	23.10%	32.74%	55.84%

ARC is based on DB salary only and a level dollar amortization of the unfunded liability.

**3.2(c) Actuarial Assumptions, Methods and Additional Information Under GASB**

Valuation Date	June 30, 2009
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed with bases established annually
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.25% for pension, 4.70% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.5%
Cost-of-living adjustment	Post-retirement Pension Adjustment as described in Section 2.1, item (13)

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's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 4.70% as of June 30, 2009, to be used for fiscal 2010 disclosure.

The development of the discount rate used for the healthcare liabilities valuation is summarized below:

**Investment Returns**

Plan Assets (Long-Term Return)	=	8.25%
Employer Assets (Estimated Short-Term Return)	=	4.50%

**Based on Percentage of ARC Contributed During FY07\***

1. Contribution Allocated to Healthcare	=	9.93%
2. Annual Required Contribution, Funding Assumptions	=	24.14%
3. Pay-as-you-go Contribution	=	9.13%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%]	=	5.36%
5. Multiplied by long-term investment return	=	0.44%
6. Portion of ARC not Contributed: [100% - (4)]	=	94.64%
7. Multiplied by short-term investment return	=	4.26%
8. Total: (5) + (7)	=	4.70%

\*It is assumed that fiscal 2005 contributions allocated to healthcare ARC for funding purposes and pay-as-you-go contributions are used to derive the GASB 43 discount rate applied to the June 30, 2007 valuation (fiscal 2008), which in turn drives the fiscal 2010 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2010 employer ARC rate for accounting purposes is 49.98% of pay for healthcare benefits and 63.70% of pay for healthcare and pension benefits combined.

### 3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)		(1)	(2)	(3)
June 30, 2009	\$ 1,315,924	\$ 10,147,353	\$ 5,116,094	\$ 10,242,978	100.0%	88.0%	0.0%
June 30, 2008 <sup>2</sup>	1,242,288	9,772,672	4,873,181	11,040,106	100.0%	100.0%	0.5%
June 30, 2007	1,203,007	8,967,038	4,400,888	9,900,960	100.0%	97.0%	0.0%
June 30, 2006 <sup>2 3</sup>	1,157,755	8,923,811	4,306,847	9,040,908	100.0%	88.3%	0.0%
June 30, 2005	1,104,821	8,667,058	3,072,962	8,442,919	100.0%	84.7%	0.0%
June 30, 2004 <sup>2</sup>	1,070,268	7,650,156	2,723,492	8,030,414	100.0%	91.0%	0.0%
June 30, 2003	1,026,730	6,860,834	2,674,089	7,687,281	100.0%	97.1%	0.0%
June 30, 2002 <sup>1 2 3</sup>	967,045	6,301,095	2,591,451	7,412,833	100.0%	100.0%	5.6%
June 30, 2001	920,702	5,059,386	1,888,486	7,941,756	100.0%	100.0%	100.0%
June 30, 2000 <sup>2 3</sup>	892,949	4,588,201	1,895,762	7,454,758	100.0%	100.0%	100.0%

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

<sup>1</sup> Change in Asset Valuation Method

<sup>2</sup> Change in Assumptions

<sup>3</sup> Change in Methods