



ACTUARIAL SECTION



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December 13, 2007

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

Dear Members of the Board:

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 2006 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the Plan as of June 30, 2006;
- (2) a review of experience under the Plan for the year ended June 30, 2006;
- (3) a determination of the appropriate contribution rate for all employers in the System which will be applied for the fiscal year ending June 30, 2009; 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 the Actuarial Section:

- (1) Summary of actuarial assumptions and methods
- (2) Schedule of active member valuation data
- (3) Schedule of benefit recipients added to and removed from rolls
- (4) Solvency test
- (5) Analysis of financial experience

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In addition, we have provided the data necessary for the schedules of Funding Progress and the Notes to Required Supplementary Information included in the Financial Section.

In preparing the 2006 actuarial 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. This 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 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 FY07 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 60.9% to 57.3% during the year. The 2006 actuarial valuation provides an analysis of the factors that led to the decrease. The Actuarial Section and the 2006 actuarial valuation report also provide a history of the funding ratio of the System.

The assumptions, when applied in combination, fairly represent past and anticipated future experience in 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, and are fully qualified to provide actuarial services to the State of Alaska. We believe that the assumptions and methods used for funding purposes and for the disclosures presented satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 43.

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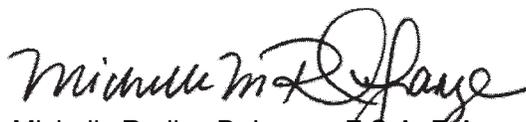
We believe that the 2006 actuarial valuation conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

It is our understanding that most of the information presented in the Required Supplementary Information in the Financial Section and in the supporting schedules in the Actuarial and Statistical Sections of this annual financial report was taken from the State of Alaska Teachers' Retirement System Actuarial Valuation Report as of June 30, 2006, that was prepared by Buck Consultants.

Sincerely,



David H. Slisinsky, A.S.A., E.A.
Principal, Consulting Actuary



Michelle Reding DeLange, F.S.A., E.A.
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 Krumholz, A.S.A., M.A.A.
Senior Consultant, Health & Productivity

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2006 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 amount. Payroll is assumed to increase 4.0% 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, in keeping with GASB 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.

Teachers' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

Changes in Methods from the Prior Valuation

The actuarial cost method was changed from Projected Unit Credit to Entry Age Normal effective with the June 30, 2006 valuation.

B. Valuation of Assets

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

C. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Teachers' Retirement System postemployment healthcare plan. Note that methodology is greatly revised from the prior valuation and 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 drug 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 claims data.

We analyzed Aetna management-level reporting for calendar 2003 through fiscal 2006 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 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. We used summary statistics provided to split claims and enrollment into Medicare and non-Medicare buckets each year.
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, claims and enrollment experience is not available

Teachers' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

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 larger 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 TRS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 7.5% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 7.5% of the current retiree population does not receive Part A coverage.

We are working with the State to compile census records for no-Part A members to build an historic claims database isolating no-Part A members.

Due to data constraints, we were unable to establish credible rates for Medicare A&B and Medicare B only. We therefore conservatively set Medicare A&B rates relatively close to aggregate Medicare rates previously established and then set Medicare B only rates to reflect a reasonable no-Part A cost to the State's plan. To the extent future data specific to Medicare subgroups becomes credible, we can modify this conservative assumption.

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 calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription drug claims cost rates reflect differing average ages. We converted paid claims data to incurred cost rates projected from each historical data period to the valuation year and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is 2 months. This "trend and blend" methodology differs mechanically from the prior method 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 4-year experience period at 25% and further averaging such results with expected claims cost rates based on prior valuation methodology. Because prior methodology produces significantly greater claims costs for Medicare members we have assumed that resulting per capita claims cost rates are sufficient to cover administrative costs. In the future, we will incorporate actual administrative costs and may recommend weighting recent experience more heavily and/or reducing the experience period analyzed back to a 3-year period.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

June 30, 2006 Valuation – FY 2007 Claims Cost Rates

	Medical				Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Prescription Drugs	
Calendar 2003 Paid Claims	\$123,938,420	\$4,006,301	\$1,087,554	\$57,596,427	\$186,628,703
Membership	31,619	15,748	1,277	48,644	48,644
Paid Claims Cost Rate	\$3,920	\$254	\$852	\$1,184	\$3,837
Trend to FY2007	1.383	1.383	1.383	1.592	
FY 2007 Paid Cost Rate	\$5,422	\$352	\$1,178	\$1,885	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	\$5,503	\$357	\$1,196	\$1,899	
Calendar 2004 Paid Claims	\$139,793,036	\$7,336,033	\$1,379,219	\$69,523,105	\$218,031,393
Membership	32,858	17,096	1,386	51,340	51,340
Paid Claims Cost Rate	\$4,254	\$429	\$995	\$1,354	\$4,247
Trend to FY2007	1.252	1.252	1.252	1.385	
FY 2007 Paid Cost Rate	\$5,326	\$537	\$1,246	\$1,875	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	\$5,405	\$545	\$1,264	\$1,889	
Calendar 2005 Paid Claims	\$163,066,241	\$11,021,966	\$1,863,519	\$80,293,244	\$256,244,971
Membership	33,343	18,114	1,469	52,926	52,926
Paid Claims Cost Rate	\$4,891	\$608	\$1,269	\$1,517	\$4,842
Trend to FY2007	1.143	1.143	1.143	1.215	
FY 2007 Paid Cost Rate	\$5,591	\$696	\$1,450	\$1,843	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	\$5,674	\$706	\$1,472	\$1,856	
Fiscal 2006 Paid Claims	\$166,902,156	\$10,350,915	\$1,660,228	\$87,341,702	\$266,255,001
Membership	35,601	16,777	1,360	53,738	53,738
Paid Claims Cost Rate	\$4,688	\$617	\$1,221	\$1,625	\$4,955
Trend to FY2007	1.090	1.090	1.090	1.130	
FY 2007 Paid Cost Rate	\$5,110	\$672	\$1,331	\$1,837	
Paid to Incurred Factor**	1.015	1.015	1.015	1.007	
FY 2007 Incurred Cost Rate	\$5,186	\$682	\$1,350	\$1,850	
Weighted Average 7/2006 – 6/2007 Incurred Claims Cost Rates					
At average age	\$5,442	\$573	\$1,320	\$1,873	
At age 65*	\$9,112	\$395	\$793	\$2,635	
Prior Methodology FY2007 Incurred Cost Rates (6/2005 valuation with trend):					
At age 65*	\$9,078	\$1,528	\$3,056	\$2,193	
Final Base Cost Rates at age 65	\$9,095	\$962	\$1,924	\$2,414	

* Final Medicare rates are adjusted so that net plan cost for members with Parts A & B are one-half of net plan costs for members with Part B only. Also, prior methodology 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 7.5% of 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.

**Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

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, 2006 through June 30, 2007**

<u>Age</u>	<u>Medical and Medicare Parts A & B</u>	<u>Medical and Medicare Part B Only</u>	<u>Prescription Drug and Medicare Retiree Drug Subsidy</u>
45	\$ 5,037	\$ 5,037	\$ 1,273
50	5,699	5,699	1,512
55	6,448	6,448	1,796
60	7,658	7,658	2,082
65	962	1,924	1,898
70	1,170	2,341	2,045
75	1,390	2,779	2,181
80	1,497	2,994	2,236

Teachers' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

D. Actuarial Assumptions

- | | | |
|-----|-------------------------------------|---|
| 1. | Investment Return/
Discount Rate | 8.25% per year, compounded annually, net of expenses. |
| 2. | Salary Scale | Inflation - 3.5% per year
Merit - 2.0% per year for the first 5 years of employment grading down to 0% after 15 years.
Productivity - 0.5% per year |
| 3. | Payroll Growth | 4.0% per year |
| 4. | 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. |
| 5. | Mortality (Pre-Retirement) | Based upon the 2001-2005 actual mortality experience (see Table 1). 60% of the 1994 Group Annuity Table, 1994 Base Year for females and 55% for males. All deaths are assumed to result from non-occupational causes. |
| 6. | Mortality (Post-Retirement) | Based upon the 2001-2005 actual mortality experience (see Table 2). 1-year setback of the 1994 Group Annuity Table 1994 Base Year for females and 3-year setback for males. |
| 7. | Turnover | Select and ultimate rates based upon the 2001-2005 actual withdrawal experience. (See Table 3.) |
| 8. | Disability | Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 4. 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. All disabilities are assumed to result from non-occupational causes. |
| 9. | Retirement | Retirement rates based upon the 2001-2005 actual experience in accordance with Table 5. |
| 10. | Marriage and Age
Difference | Wives are assumed to be three years younger than husbands. 85% of male members and 75% of female members are assumed to be married. |
| 11. | 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. |
| 12. | Contribution Refunds | 10% of terminated members are assumed to have their contributions refunded. |
| 13. | COLA | Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA. |

**Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

- 14. Sick Leave 4.7 days of unused sick leave for each year of service are assumed to be available to be credited once the member is retired.

- 15. 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.

- 16. Expenses Expenses are covered in the investment return assumption.

- 17. Part-Time Status Part-time employees are assumed to earn 0.55 years of credited service per year.

- 18. Service Total credited service is provided by the State. We assume that this service is the only service that should be used to calculate benefits. Additionally, the State provides claimed service (including Bureau of Indian Affairs Service). Claimed service is used for vesting and eligibility purposes as described in Section 2.1.

- 19. Per Capita Claims Cost Sample claims cost rates for FY07 medical and prescriptions are shown below:

	<u>Medical</u>	<u>Prescription Drugs</u>
Total	\$9,095	\$2,414
Medicare Parts A & B	\$8,133	N/A
Medicare Part B Only	\$7,171	N/A
Medicare Part D	N/A	\$516

	<u>Medical</u>	<u>Rx</u>
FY07	9.0%	13%
FY08	8.5%	12%
FY09	8.0%	11%
FY10	7.5%	10%
FY11	7.0%	9%
FY12	6.5%	8%
FY13	6.0%	7%
FY14	5.5%	6%
FY15	5.0%	5%
FY16	5.0%	5%
FY17 and later	5.0%	5%

For the June 30, 2005 valuation, graded Healthcare Cost Trend Rates (HCCTR) were reinitialized. A survey of healthcare trends in the past year has revealed a general lowering of HCCTR. No reinitialization is required this year, so the trend rates will follow the same pattern as for the 2005 valuation.

Teachers' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

21. Aging Factors	<u>Age</u>	<u>Medical</u>	<u>Prescription Drugs</u>
	00-44	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+	0.5%	0.0%

22. Retired Member Contributions for
- Currently contributions are required for ERS members who are under age 60 and have less than 30 years of service. Eligible Tier 1 members are exempt from contribution requirements. Annual FY07 contributions based on monthly rates shown below for calendar 2006 and 2007 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members assumed to retire prior to age 60 with less than 30 years of service.

<u>Coverage Category</u>	<u>FY07 Annual Contribution</u>	<u>Calendar 2007 Monthly Contribution</u>	<u>Calendar 2006 Monthly Contribution</u>
Retiree Only	\$ 7,080	\$ 590	\$ 590
Retiree and Spouse	\$ 14,148	\$ 1,179	\$ 1,179
Retiree and Child(ren)	\$ 9,996	\$ 883	\$ 883
Retiree and Family	\$ 17,076	\$ 1,423	\$ 1,423
Composite	\$ 10,512	\$ 876	\$ 876

23. Trend Rate for Retired Member Medical Contributions	FY08	8.0%
	FY09	7.7%
	FY10	7.3%
	FY11	7.0%
	FY12	6.7%
	FY13	6.3%
	FY14	6.0%
	FY15	5.7%
	FY16	5.3%
	FY17 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations leads us to recommend the new rates above for the contribution trends. Note that actual FY07 retired member medical contributions are reflected in the valuation so trend on such contribution during FY07 is not applicable.

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 1
Alaska TRS
Mortality Table (Preretirement)

Age	Male	Female
20	.030%	.018%
21	.031	.019
22	.033	.019
23	.035	.019
24	.037	.019
25	.039	.019
26	.041	.019
27	.043	.019
28	.045	.020
29	.046	.021
30	.047	.023
31	.049	.024
32	.050	.026
33	.050	.027
34	.050	.029
35	.050	.031
36	.051	.033
37	.053	.036
38	.056	.039
39	.059	.042
40	.063	.046
41	.068	.050
42	.074	.053
43	.080	.057
44	.086	.060
45	.093	.063
46	.102	.067
47	.112	.072
48	.124	.073
49	.138	.085
50	.153	.092
51	.170	.101
52	.190	.112
53	.212	.123
54	.235	.135
55	.262	.148
56	.293	.165
57	.330	.188
58	.373	.217
59	.419	.249
60	.472	.286
61	.532	.329
62	.600	.376
63	.678	.431
64	.765	.492

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 2
Alaska TRS
Mortality Table (Postretirement)

<u>Age</u>	<u>Male</u>	<u>Female</u>
50	.204%	.141%
51	.226	.154
52	.250	.169
53	.277	.186
54	.309	.205
55	.346	.224
56	.385	.247
57	.428	.276
58	.476	.314
59	.532	.361
60	.600	.415
61	.677	.477
62	.762	.548
63	.858	.627
64	.966	.718
65	1.091	.819
66	1.233	.929
67	1.391	1.042
68	1.563	1.157
69	1.746	1.265
70	1.939	1.367
71	2.135	1.476
72	2.336	1.608
73	2.552	1.775
74	2.791	1.972
75	3.063	2.192
76	3.355	2.439
77	3.661	2.723
78	4.001	3.050
79	4.393	3.412
80	4.857	3.802
81	5.399	4.236
82	6.007	4.726
83	6.670	5.285
84	7.378	5.899
85	8.122	6.557

**Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 3
Alaska TRS
Turnover Assumptions
Select Rates of Turnover
During the First 8 Years of Employment:**

<u>Year of Employment</u>	<u>Male</u>	<u>Female</u>
1	15%	13%
2	15	13
3	13	12
4	13	11
5	12	11
6	10	09
7	09	08
8	07	07

**Ultimate Rates of Turnover
After the First 8 Years of Employment**

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
15	4.9538%	4.3747%	40	4.7988%	4.2658%
16	4.9475	4.3714	41	4.7850	4.2559
17	4.9425	4.3692	42	4.7675	4.2460
18	4.9375	4.3681	43	4.7513	4.2372
19	4.9350	4.3670	44	4.7300	4.2262
20	4.8963	4.3351	45	4.7063	4.2130
21	4.8938	4.3351	46	4.6813	4.2009
22	4.8888	4.3340	47	4.6500	4.1844
23	4.8850	4.3340	48	4.6138	4.1657
24	4.8788	4.3329	49	4.5763	4.1470
25	4.8738	4.3329	50	4.5338	4.1250
26	4.8688	4.3318	51	4.4838	4.0997
27	4.8638	4.3307	52	4.4250	4.0700
28	4.8588	4.3274	53	4.3600	4.0348
29	4.8538	4.3241	54	4.2875	3.9974
30	4.8500	4.3208	55	4.2050	3.9523
31	4.8475	4.3186	56	4.1050	3.8940
32	4.8438	4.3142	57	3.9825	3.8192
33	4.8413	4.3109	58	3.8488	3.7345
34	4.8400	4.3065	59	3.6875	3.6267
35	4.8375	4.3021	60	3.5063	3.5046
36	4.8338	4.2955	61	3.3050	3.3682
37	4.8288	4.2900	62	3.0713	3.2131
38	4.8200	4.2823	63	2.8050	3.0360
39	4.8100	4.2746	64	2.5163	2.8435
			65+	5.0000	4.4000

Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures

Table 4
Alaska TRS
Disability Table

Age	Male	Female
20	.028%	.025%
21	.028	.025
22	.029	.026
23	.029	.026
24	.030	.027
25	.030	.027
26	.030	.027
27	.031	.028
28	.032	.029
29	.033	.030
30	.034	.031
31	.034	.031
32	.035	.032
33	.036	.032
34	.037	.033
35	.038	.034
36	.040	.036
37	.041	.037
38	.043	.039
39	.044	.040
40	.046	.041
41	.048	.043
42	.051	.046
43	.054	.049
44	.059	.053
45	.065	.059
46	.070	.063
47	.076	.068
48	.083	.075
49	.089	.080
50	.096	.086
51	.104	.094
52	.114	.103
53	.127	.114
54	.142	.128
55	.160	.144
56	.184	.166
57	.214	.193
58	.244	.220
59	.288	.259
60	.337	.303
61	.390	.351
62	.452	.407
63	.522	.470
64	.596	.536

**Teachers' Retirement System
Summary of Actuarial Assumptions, Methods and Procedures**

**Table 5
Alaska TRS
Retirement Table**

<u>Age at Retirement</u>	<u>Retirement Rate</u>			
	<u>Reduced</u>		<u>Unreduced</u>	
	<u>Male</u>	<u>Female</u>	<u>Male</u>	<u>Female</u>
<50	N/A	N/A	5.60%	5.70%
50	6.00%	6.30%	20.00	12.50
51	6.80	6.80	17.50	15.00
52	6.80	6.70	20.00	15.00
53	7.90	8.90	15.00	20.00
54	7.80	10.00	25.00	20.00
55	5.90	7.20	22.50	22.50
56	5.80	7.10	19.50	19.50
57	5.50	6.90	17.50	17.50
58	6.20	8.50	17.50	20.00
59	6.30	8.30	25.00	20.00
60	N/A	N/A	20.00	20.00
61	N/A	N/A	20.00	20.00
62	N/A	N/A	12.50	25.00
63	N/A	N/A	25.50	29.75
64	N/A	N/A	34.00	34.00
65	N/A	N/A	25.00	50.00
66	N/A	N/A	20.00	30.00
67	N/A	N/A	20.00	30.00
68	N/A	N/A	20.00	25.00
69	N/A	N/A	20.00	30.00
70	N/A	N/A	100.00	100.00

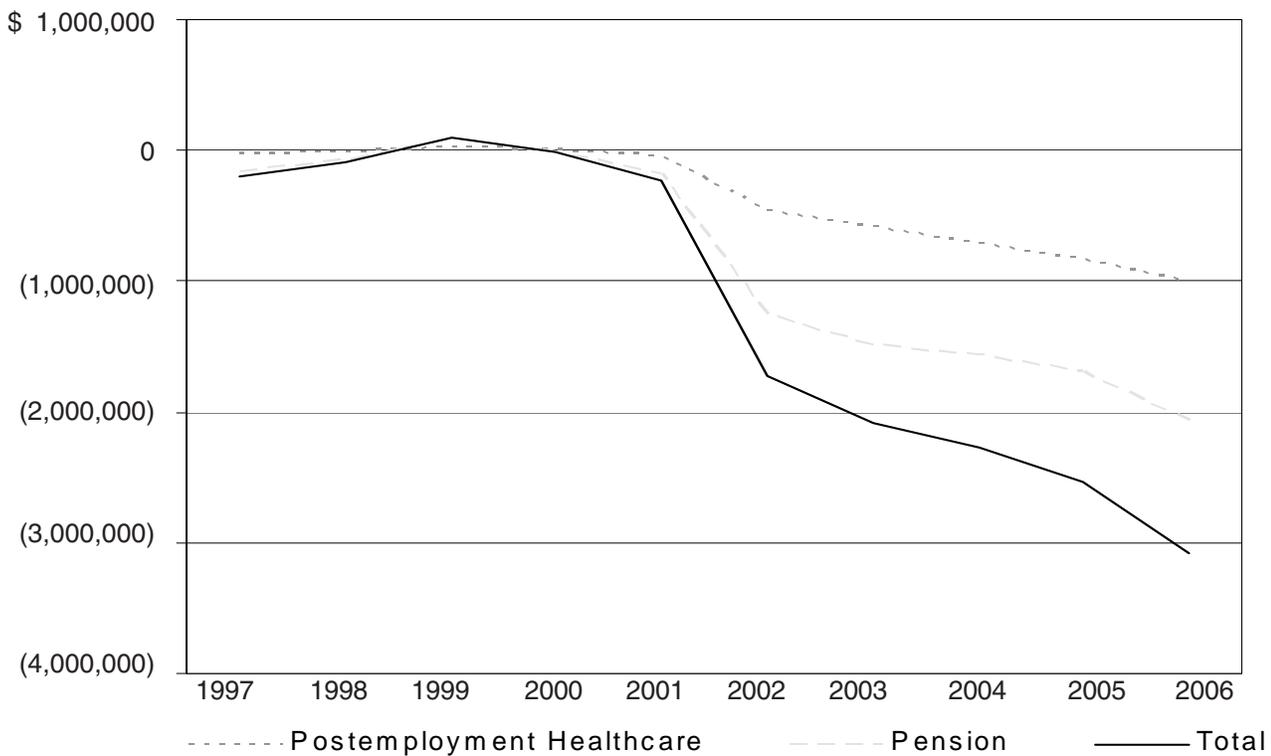
Teachers' Retirement System Summary of Actuarial Assumptions, Methods and Procedures

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2005	June 30, 2006
Salary Scale	Based on actual experience from 1997 to 1999	Rates adjusted on actual experience from 2001 to 2005.
Payroll Growth	4.25%	4.0%
Preretirement Mortality	1994 Group Annuity Table, 1994 Base Year.	55% of the 1994 Group Annuity Table, 1994 Base Year for males. 60% for females. (See Table 1.)
Postretirement Mortality	1994 Group Annuity Table, 1994 Base Year.	1-year setback of the 1994 Group Annuity Table, 1994 Base Year for females and 3-year setback for males. (See Table 2.)
Turnover	Based on actual experience from 1997 to 1999	Rates adjusted based on actual experience from 2001 to 2005. (See Table 3.)
Disability	Based on actual experience from 1991 to 1995	Female rates were decreased by 10% and male rates are unchanged based on actual experience from 2001 to 2005. (See Table 4.)
Retirement	Based on actual experience from 1997 to 1999	Rates were adjusted based on actual experience from 2001 to 2005. (See Table 5.)
Marriage and Age Difference	If married as of the valuation date, remain married until retirement; same if single. Males 4 years older.	Male: 85% married Females: 75% married. Males 3 years older.
Dependent Children	Married members will always have one dependent child	Married members have two dependent children from age 25 through 45.
Contribution Refunds	100% for those vested and under age 35 and nonvested, 0% otherwise	10% for all ages and vested status.
COLA	65% receiving Alaska Residency COLA.	60% receiving Alaska Residency COLA.
Healthcare	Aggregate post-65 claims cost rate. Trend rates for retiree medical contributions started at 10.2% and graded down to 5.0%.	Included effect of Medicare Part A & B vs. Medicare Part B only. Active employees hired after April 1, 1986 are assumed to be covered by Medicare Parts A & B. 7.5% of current retirees are assumed to be covered by Part B only. Changed assumed lag between medical claim incurred and paid dates from 3 months to 2 lag months. Changed trend rate table for the retiree medical contributions to start at 8.0% and graded down to 5.0%.

Teachers' Retirement System Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
1997	\$ (35,668)	\$ (164,357)	\$ (200,025)	94.0
1998	(14,890)	(67,797)	(82,687)	97.7
1999	17,237	77,442	94,679	102.5
2000	(3,001)	(11,852)	(14,853)	99.6
2001	(47,740)	(183,178)	(230,918)	95.0
2002	(462,093)	(1,260,513)	(1,722,606)	68.2
2003	(587,139)	(1,496,185)	(2,083,324)	64.3
2004	(709,527)	(1,568,703)	(2,278,230)	62.8
2005	(845,674)	(1,693,934)	(2,539,608)	60.9
2006	(1,012,540)	(2,075,617)	(3,088,157)	57.3

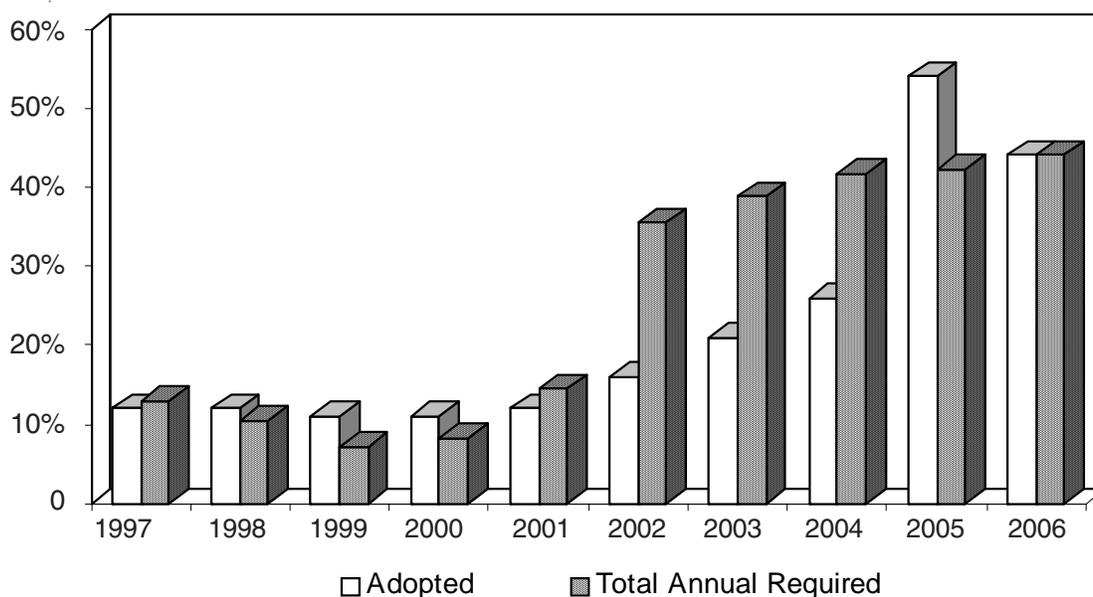
10-YEAR TREND OF UNFUNDED LIABILITY



Teachers' Retirement System Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Actuarial Valuation Year Ended June 30	Normal Cost ¹	Past Service	Total Annual Required	
2000	1997	9.21	3.79	13.00	12.00
2001	1998	8.99	1.56	10.55	12.00
2002	1999	8.88	(1.79)	7.09	11.00
2003	2000	8.02	0.27	8.29	11.00
2004	2001	10.33	4.11	14.44	12.00
2005	2002	14.76	20.81	35.57	16.00
2006	2003	14.28	24.57	38.85	21.00
2007	2004	13.76	28.02	41.78	26.00
2008	2005	12.56	29.70	42.26	54.03 ²
2009	2006	9.37	34.80	44.17	44.17

¹Also referred to as the consolidated rate.
 Valuations are used to set contribution rates in future years.
²The ARMB recognized the fact that the Plan became a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.

10-YEAR COMPARISON OF EMPLOYER CONTRIBUTION RATES



Teachers' Retirement System Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Payroll (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) In Average Earnings	Number of Participating Employers
June 30, 2006	9,710	\$574,409	\$59,156	6.6%	58
June 30, 2005	9,656	535,837	55,493	2.9%	58
June 30, 2004	9,688	522,421	53,925	0.0	58
June 30, 2003	9,873	532,630	53,948	2.7	57
June 30, 2002	9,690	509,437	52,535	3.9	57
June 30, 2001	9,815	496,188	50,544	1.8	60
June 30, 1999	9,396	466,414	49,640	(2.1)	61
June 30, 1998	9,262	469,433	50,684	(0.4)	61
June 30, 1997	9,164	466,455	50,901	1.3	61
June 30, 1996	9,259	465,182	50,241	(0.5)	61

Teachers' Retirement System Schedule of Benefit Recipients Added to and Removed From Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Benefits	Average Annual Benefits
	No.*	Annual Benefits*	No.*	Annual Benefits*	No.	Annual Benefits		
June 30, 2006	487	\$12,731,292	121	\$ (50,838)	9,386	\$278,528,280	4.81%	\$29,675
June 30, 2005	446	11,243,448	121	13,053,612	9,020	265,746,150	(0.68)%	29,462
June 30, 2004	491	17,867,366	96	5,503,666	8,707	267,556,314	4.84	30,729
June 30, 2003	599	21,475,421	91	3,377,352	8,312	255,192,614	7.63	30,702
June 30, 2002	589	24,789,896	118	4,966,397	7,804	237,094,545	9.12	30,381
June 30, 2001	1,057	39,213,327	210	7,790,727	7,333	217,271,046	16.91	29,629
June 30, 1999	598	19,014,567	91	2,893,521	6,486	185,848,446	9.50	28,654
June 30, 1998	674	24,479,595	38	1,380,155	5,979	169,727,400	15.75	28,387
June 30, 1997	583	29,988,351 ⁽¹⁾	43	2,211,834 ⁽¹⁾	5,343	146,627,960	23.37	27,443
June 30, 1996	376	8,410,895	32	441,353	4,803	118,851,443	7.19	24,745

* Numbers are estimated, and include other internal transfers.

¹ Includes additional benefits to current retirees from a one-time retroactive ad hoc Post-Retirement Pension Adjustment.

Teachers' Retirement System Solvency Test							
Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (In thousands)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (In thousands)	(2) Inactive Members (In thousands)	(3) Active Members (Employer-Financed Portion) (In thousands)		(1)	(2)	(3)
June 30, 2006	\$615,207	\$4,925,922	\$1,688,722	\$4,141,700	100%	71.65	0.0%
June 30, 2005	589,169	4,694,176	1,215,211	3,958,939	100	71.8	0.0
June 30, 2004 ⁽²⁾	569,435	4,423,036	1,131,129	3,845,370	100	74.1	0.0
June 30, 2003	548,947	4,105,445	1,181,217	3,752,285	100	78.0	0.0
June 30, 2002 ⁽¹⁾⁽²⁾⁽³⁾	523,142	3,755,882	1,132,618	3,689,036	100	84.3	0.0
June 30, 2001	533,752	3,213,431	855,964	4,372,229	100	100	73.0
June 30, 2000 ⁽¹⁾⁽²⁾⁽³⁾	490,176	2,872,250	836,442	4,184,015	100	100	98.2
June 30, 1999	469,068	2,571,345	680,541	3,815,633	100	100	100.0
June 30, 1998	449,383	2,344,263	735,111	3,446,070	100	100	88.8
June 30, 1997	483,735	2,095,843	780,491	3,120,044	100	100	69.2
⁽¹⁾ Change in Asset Valuation Method. ⁽²⁾ Change of Assumptions ⁽³⁾ Change in Methods.							

Teachers' Retirement System Analysis of Financial Experience					
Change in Employer 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 Contribution Rate During Fiscal Year				
	2006	2005	2004	2003	2002
Health Experience	(2.52)%	1.47%	-%	-%	3.85%
Salary Experience	0.79	(0.26)	0.54	0.10	(0.11)
Investment Experience	0.36	(0.02)	0.06	0.43	15.03
Demographic Experience	(0.27)	(2.10)	(0.85)	1.35	4.21
Contribution Shortfall	<u>1.21</u>	<u>1.42</u>	<u>1.24</u>	<u>1.40</u>	<u>-</u>
(Gain) or Loss During Year from Experience	(1.15)	(0.51)	0.99	3.28	22.98
Non-recurring changes					
Asset Valuation Method	-	-	-	-	0.03
Past Service Amortization Change	-	-	-	-	(9.08)
Assumption and Method Changes	3.06	-	1.94	-	6.84
System Benefit Changes	-	-	-	-	-
Administrative System Changes	-	-	-	-	-
Ad hoc PRPA	-	-	-	-	0.36
Change Due to Revaluation of Plan Liability as of June 30, 2004	<u>-</u>	<u>(0.03)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Composite (Gain) Loss During Year	1.91	0.48	2.93	3.28	21.13
Beginning Total Employer Contribution Rate	<u>42.26</u>	<u>41.78</u>	<u>38.85</u>	<u>35.57</u>	<u>14.44</u>
Ending Total Employer Contribution Rate	<u>44.17%</u>	<u>42.26%</u>	<u>41.78%</u>	<u>38.85%</u>	<u>35.57%</u>
Board Adopted Employer Contribution Rate	<u>44.17%</u>	<u>54.03%</u>	<u>26.00%</u>	<u>21.00%</u>	<u>16.00%</u>
Fiscal Year above rate is applied	FY09	FY08	FY07	FY06	FY05

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

(1) Effective Date

July 1, 1955, with amendments through July 1, 2006. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990, are eligible for different benefits than members hired after June 30, 1990.

(2) Administration of Plan

The Commissioner of Administration is responsible for administering the System. The Attorney General represents the system in legal proceedings.

Prior to June 30, 2005, the Teachers' Retirement Board prescribes policies and adopted regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division, is responsible for investing TRS funds.

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

(3) Employers Included

Currently, there are 58 employers participating in the TRS, including the State of Alaska and 53 school districts and other eligible organizations.

(4) Membership

Membership in the Alaska TRS is mandatory for the following employees:

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;

- positions requiring a teaching certificate as a condition of employment in the Department of Education and Early Development and the Department of Labor and Workforce Development;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;
- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- members on approved sabbatical leave under AS 14.20.310;
- certain State legislators who have elected to be covered under the TRS; and
- a teacher who has filed for workers' compensation benefits due to an on the job assault and who, as a result of the physical injury, is placed on leave without pay.

Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the TRS.

Employees who work half-time in the TRS and PERS simultaneously are eligible for half-time TRS and PERS credit.

(5) Credited Service

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Part-time members who work at least 50% of full time receive membership credit for each day in proportion to full-time service. Credit is granted for all Alaskan public school service.

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Members may claim other types of service, including:

- Outside teaching service in out-of-state schools or Alaska private schools (not more than ten years may be claimed);
- Military service (not more than five years of military service or ten years of combined outside and military service may be claimed);
- Alaska Bureau of Indian Affairs (BIA) service;
- Retroactive Alaskan service that was not creditable at the time it occurred, but later became creditable because of legislative change;
- Unused sick leave credit after members retire; and
- Leave of absence without pay.

Except for retroactive Alaska service that occurred before July 1, 1955, and unused sick leave, contributions are required for all claimed service.

Members receiving TRS disability benefits continue to earn TRS credit while disabled.

Members whose survivors are receiving occupational death benefits continue to earn TRS credit while occupational survivor benefits are being paid.

(6) Employer Contributions

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

The consolidated 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 consolidated normal cost rate.

(7) Member Contributions

Mandatory Contributions: Members are required to contribute 8.65% of their base salaries. Members' contributions are deducted from gross salaries 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.

1% Supplemental Contributions: Members who joined the system before July 1, 1982, and elected to participate in the supplemental contributions provision, are required to contribute an additional 1% of their salaries. Supplemental contributions are deducted from gross salaries before federal income taxes are withheld. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies [see (12) below].

Interest: Members' contributions earn 4.5% interest, compounded annually on June 30.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts, which includes their mandatory 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.

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Reinstatement of Contributions: Refunded accounts and the corresponding TRS service may be reinstated upon reemployment in the TRS 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.

(8) Retirement Benefits

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 60¹, or early retirement at age 55, if they have at least:
- (i) eight years of paid-up membership service;
 - (ii) 15 years of paid-up creditable service, the last five years of which are membership service, and they were first hired under the TRS before July 1, 1975;
 - (iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;
 - (iv) 12 years of combined part-time and full-time paid-up membership service;
 - (v) two years of paid-up membership service if they are vested in the PERS; or
 - (vi) one year of paid-up membership service if they are retired from the PERS.
- (b) Members may retire at any age when they have:
- (i) 25 years of paid-up creditable service, the last five years of which are membership service;

- (ii) 20 years of paid-up membership service;
- (iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years of which are membership service; or
- (iv) 20 years of combined paid-up part-time and full-time membership 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 to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may select joint and survivor options and a last survivor option. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculation: Retirement benefits are calculated by multiplying the average base salary (ABS) times the total TRS service times the percentage multiplier. The ABS is determined by averaging the salaries earned during the three highest school years. Members must earn at least 115 days of credit in a school year to include it in the ABS calculation. The TRS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers are 2% for the first 20 years and 2.5% for all remaining service. Service before July 1, 1990, is calculated at 2%.

¹ Members participating before July 1, 1990, are eligible for normal retirement at age 55 or early retirement at age 50.

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

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

(9) Reemployment of Retired Members

Retirees who return to work in a permanent full-time or part-time TRS position after a Normal Retirement have two options available, the Standard Option or the Waiver Option.

Under the Standard Option, retirement and retiree healthcare benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

If an Alaska school district has established that there is a shortage of teachers in a particular discipline or specialty and has passed a resolution to that effect, a retiree returning to work in a permanent full-time or part-time TRS position with that school district may exercise the Waiver Option. The Waiver Option allows a retiree who retired under a Normal Retirement to reemploy with a TRS employer and continue to receive a retirement benefit by signing a waiver of participation in the TRS. The Waiver Option became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is no longer available after June 30, 2009.

The Waiver Option is not available to members who retired early or under the Retirement Incentive Program (RIP).

Members retired under the RIP who return to employment under the TRS, PERS, Judicial Retirement System (JRS) or the University of Alaska's Optional Retirement Plan will:

- (a) forfeit the three years of incentive credits that they received;
- (b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; 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.

(10) Postemployment Healthcare Benefits

When pension benefits begin, major medical benefits are provided by the TRS to (1) all employees first hired before July 1, 1990, and (2) members who have twenty-five years of membership service, are disabled or age sixty or older, regardless of their initial hire dates. Employees first hired after June 30, 1990, may receive major medical benefits prior to age sixty by paying premiums.

(11) Disability Benefits

Monthly disability benefits are paid to permanently disabled members until they die, recover, or become eligible for normal retirement. To be eligible, members must have at least five years of paid-up membership service.

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

Disability benefits are equal to 50% of the member's base salary at the time of disability. The benefit is increased by 10% of the base salary for each minor child, up to a maximum of 40%. Members continue to earn TRS service until eligible for normal retirement.

Members are appointed to normal retirement on the first of the month after they become eligible.

(12) 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 supplemental contributions provision or occupational and nonoccupational death provisions, the designated beneficiary receives the lump-sum benefit described below.

Occupational Death: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary 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 average base salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

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, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

Lump-Sum Death Benefit: Upon the death of an active member who has less than one year of service or an inactive member who is not vested, the designated beneficiary receives the member's contribution account, which includes mandatory contributions, indebtedness payments, and interest earned. Any supplemental contributions will also be refunded. If the member has more than one year of TRS service, the beneficiary also receives \$1,000 and \$100 for each year of TRS service, up to a maximum of \$3,000. An additional \$500 may be payable if the member is survived by dependent children.

Supplemental Contributions Provision: Members are eligible for supplemental coverage if they joined the TRS before July 1, 1982, elected to participate in the supplemental provision, and made the required contributions. A survivor's allowance or spouse's pension (below) may be payable if the member made supplemental contributions for at least one year and dies while in membership service or while disabled under the TRS. In addition, the allowance and pension may be payable if the member dies while retired or in deferred vested status if supplemental contributions were made for at least five years.

- (a) **Survivor's Allowance:** If the member is survived by dependent children, the surviving spouse and dependent children are entitled to a survivor's allowance. The allowance for the spouse is equal to 35% of the member's base salary at the time of death or disability, plus 10% for each dependent child up to a maximum of 40%. The allowance terminates and a spouse's pension becomes payable when there is no longer an eligible dependent child.
- (b) **Spouse's Pension:** The spouse's pension is equal to 50% of the retirement benefit that the deceased member was receiving or would have

STATE OF ALASKA TEACHERS' RETIREMENT SYSTEM

Summary of Plan Provisions

received if retired at the time of death. The spouse's pension begins on the first of the month after the member's death or termination of the survivor's allowance.

Death After Retirement: If a joint and survivor option was selected at retirement, the eligible spouse receives continuing, lifetime monthly benefits after the member dies. A survivor's allowance or spouse's pension may be payable if the member participated in the supplemental contributions provision. If a joint and survivor option was not selected and benefits are not payable under the supplemental contributions provision, the designated beneficiary receives the member's contribution account, less any benefits already paid and the member's last benefit check.

(13) Post Retirement Pension Adjustments

Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, 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 TRS 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 under age 60 if the recipient has been receiving benefits for at least eight years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990, 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.

(14) 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. The following benefit recipients are eligible:

- (a) members who were first hired under the TRS before July 1, 1990, and their survivors;
- (b) members who were first hired under the TRS after June 30, 1990, and their survivors if they are at least age 65; and
- (c) all disabled members.

(15) Changes in Plan Provisions Since the Prior Valuation

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