

**ALASKA  
TEACHERS RETIREMENT  
SYSTEM**



**ACTUARIAL VALUATION  
AS OF  
JUNE 30, 1973**

**MARSH & McLENNAN**

# MARSH & McLENNAN

October 18, 1974

Mr. Richard W. Freer  
Commissioner of Administration  
State of Alaska  
Department of Administration  
Pouch C  
Juneau, Alaska 99801

## Actuarial Status - Alaska Teachers' Retirement System

Dear Commissioner Freer:

This is a brief statement to outline the actuarial status of the Alaska Teachers' Retirement System.

The actuarial valuation which we perform each year with respect to the Alaska Teachers' Retirement System has the following objectives:

- (1) To examine the status of funding of the System.
- (2) To develop contribution rates for each participating employer in the System which are adequate to support the benefits of the System.

Based upon the actuarial method shown in Exhibit I and assumptions shown in Exhibit II, the Employer-State contribution level of 12.04% of covered pay is adequate to support the benefits of the System.

The funding status of the System can be shown as follows:

- |   |               |
|---|---------------|
| (1) Present value of all benefits earned to the last valuation date (June 30, 1973) | \$129,298,303 |
| (2) Values of assets of the System  | \$ 73,445,709 |
| (3) Funding ratio ((2)/(1))   | 57%           |

This means that the assets of the System are sufficient to cover 57% of the liabilities for benefits earned to the date of the valuation. The level of the funding ratio in and of itself is not so significant as is the progression of these ratios on a year-by-year basis.

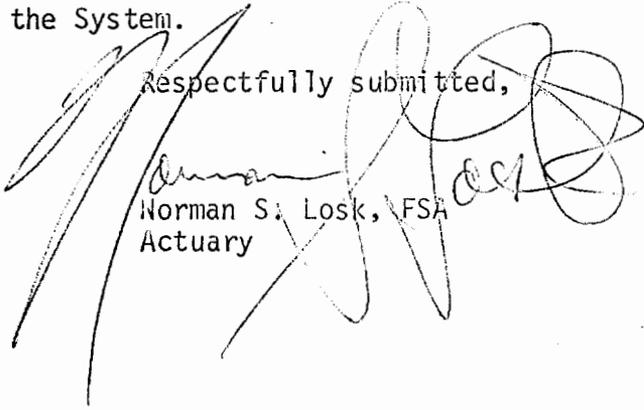
Mr. Richard W. Freer

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October 18, 1974

In summary, my opinion would be that the funding progress of the System is satisfactory, and the current contribution levels are satisfactory to support the benefits of the System.

Respectfully submitted,

  
Norman S. Losk, FSA  
Actuary

NSL:rs  
Attachments

EXHIBIT I  
ACTUARIAL METHOD

The actuarial method used in this valuation is known as the Aggregate Method. Under this method, the Employer-State cost is determined as follows:

- (1) The present value of all benefits accrued and expected to be earned in the future are calculated, taking into account expected levels of mortality, turnover, disability and investment performance.
- (2) Such present value of benefits is reduced by the sum of:
  - (a) The assets of the fund, and
  - (b) The present value of future employee contributions (including arrearage contributions), taking into account the same items as enumerated in (1), above.

The remainder is the portion of the present value of future benefits to be funded by Employer-State contributions and is called the "Present Value of Future Contributions from the Employer and the State."

- (3) The Estimated Contribution from the Employer and the State is determined by multiplying the Present Value of Future Contributions for the Employer and the State by a factor which spreads that present value of contributions over 16 years.
- (4) The Contribution by the Employer and the State expressed as a percentage of salaries is then determined by dividing the Estimated Contribution by the total Member Salaries used in the valuation.

This method effectively spreads the portion of the total projected present value of benefits to be financed by future Employer-State contributions over 16 years. It has the advantage that the effect of actuarial gains and losses (which arise from actual experience that deviates from the actuarial assumptions used) is automatically spread over this period.

EXHIBIT II  
ACTUARIAL ASSUMPTIONS

1. Investment Yield - 5% per annum.
2. Mortality - According to 1951 Group Annuity Mortality Table rates projected to 1965 by projection "C". (Female mortality same as male mortality with ages set back 5 years.)
3. Rates of Separation from Service - See Page 2.
4. Rates of Disability - See Page 3.
5. Rate of Mortality after Disability - According to the 1956 Railway Retirement Board Tables.
6. Rates of Salary Increase - See Page 4.
7. Normal Retirement Age - Earlier of age 60 with 15 years of creditable service or 8 years of membership service and 25 years of service at any age.
8. Asset Valuation - Cost basis.

TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

SEPARATION RATES

ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	165.0	40	100.0
21	162.0	41	95.0
22	160.0	42	90.0
23	158.0	43	85.0
24	155.0	44	80.0
25	152.0	45	75.0
26	149.5	46	70.0
27	146.0	47	65.0
28	142.5	48	60.0
29	140.0	49	55.0
30	137.0	50	45.0
31	132.5	51	35.0
32	130.0	52	25.0
33	127.5	53	15.0
34	125.0	54	5.0
35	120.0		
36	116.0		
37	112.0		
38	108.0		
39	104.0		

TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

DISABILITY RATES

ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	.70	45	1.62
21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
24	.74	49	2.23
25	.75	50	2.40
26	.76	51	2.60
27	.78	52	2.86
28	.80	53	3.18
29	.82	54	3.56
30	.84	54	4.00
31	.86	56	4.59
32	.88	57	5.34
33	.90	58	6.10
34	.93	59	7.20
35	.96	60	8.43
36	.99	61	9.75
37	1.03	62	11.30
38	1.07	63	13.05
39	1.11	64	14.90
40	1.15		
41	1.20		
42	1.27		
43	1.36		
44	1.48		

TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

SALARY INCREASE SCALE

<u>Age</u>	<u>Scale</u>	<u>Age</u>	<u>Scale</u>
20	.3225	45	.7801
21	.3354	46	.7957
22	.3488	47	.8116
23	.3627	48	.8279
24	.3773	49	.8444
25	.3923	50	.8613
26	.4080	51	.8700
27	.4244	52	.8787
28	.4413	53	.8874
29	.4590	54	.8963
30	.4774	55	.9053
31	.4964	56	.9143
32	.5163	57	.9235
33	.5370	58	.9327
34	.5584	59	.9420
35	.5808	60	.9515
36	.6040	61	.9610
37	.6282	62	.9706
38	.6533	63	.9803
39	.6794	64	.9901
40	.7066	65	1.0000
41	.7207		
42	.7351		
43	.7498		
44	.7648		

# MARSH & McLENNAN

October 22, 1974

Mr. Richard W. Freer  
Commissioner of Administration  
State of Alaska  
Pouch C  
Juneau, Alaska 99801

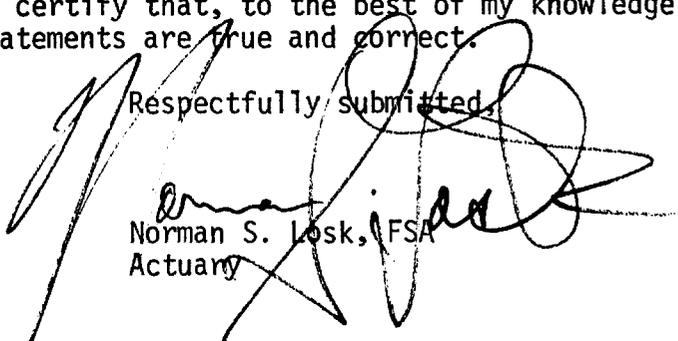
Dear Commissioner Freer:

At your request, we have completed an actuarial valuation of the Alaska Teachers' Retirement System as of June 30, 1973, in order to examine the financial status of the System and to determine the Employer-State contribution rates for the 1975-76 year.

The results of our valuation are included in this report, based upon employee data and financial information supplied by your department.

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

Respectfully submitted,

  
Norman S. Losk, FSA  
Actuary

NSL:rs  
Attachments

**MARSH & McLENNAN**

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SECTION I  
INTRODUCTION

In accordance with your request, we have completed a valuation of the Alaska Teachers' Retirement System as of June 30, 1973. The purpose of this valuation is to examine the status of funding of the System and to establish the pension cost as a percentage of payroll for the year beginning July 1, 1975.

Two changes have been made in the System by the Legislature since the previous valuation which have significant impact on this valuation.

These are as follows:

- (1) Normal retirement age has been reduced to the earlier of:
  - (a) The attainment of age 60 and completion of 15 years of creditable service or eight years of membership service, and
  - (b) The completion of 25 years of creditable service at any age.
- (2) For those who retired prior to July 1, 1971, the minimum benefit has been increased to \$15 per month per year of creditable service without limit on such creditable service.

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The significant results of this valuation are as follows:

(1) Pension Cost

	<u>Combined Employer-State Cost Dollar Cost</u>	<u>% of Payroll</u>
(a) Previous Valuation (6-30-72) Plan then in effect	\$7,930,410	10.29%
(b) Previous Valuation (6-30-72) Current Plan	\$8,639,388	11.21%
(c) Current Valuation	\$9,265,177	12.04%

(2) Funding Status - Accrued benefit basis

	(1) <u>Present Value of Accrued Benefits</u>	(2) <u>Assets</u>	(3) <u>Funding Ratio (2)/(1)</u>
Previous Valuation (6-30-72)	\$102,785,432	\$58,399,066	57%
Current Valuation	\$129,298,303	\$73,445,709	57%

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	<u>Combined Employer-State Cost</u>	
	<u>Dollar Cost</u>	<u>% of Payroll</u>
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(2) Funding Status - Accrued benefit basis

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Previous Valuation (6-30-72)	\$102,785,432	\$58,399,066	57%
Current Valuation	\$129,298,303	\$73,445,709	57%

SECTION II  
ANALYSIS OF THE VALUATION

A. Actuarial Assumptions

The actuarial assumptions used in this valuation, which are described in Appendix 2, are identical to those used in the prior valuation of the System.

One assumption which we anticipate will be changed in the next valuation of the System is the turnover assumption. We have felt for some time that the incidence of turnover in the System is significantly greater than the levels assumed in our actuarial valuations. Turnover studies for the System have not been performed in the past because the member data which has been provided has not been of sufficient quality to support such studies. With the implementation of the new recordkeeping system, we expect to be in a position to perform such a study concurrent with the actuarial valuation of the System as of June 30, 1974. It is intended that a new turnover table will be developed for that valuation. We anticipate that such new table will tend to reduce liabilities and contribution requirements.

In addition, we feel that the salary increase assumption currently being used may not adequately project future pay levels. Thus, we intend to review this assumption for the next actuarial valuation.

An increase in this assumption will tend to increase liabilities and contribution requirements.

B. Member Data

As indicated above, significant work is being done to correct the records of members in the System. This valuation was performed as of June 30, 1973. It was impossible for the records of members to be completely corrected as of that date in the time required for completion of this valuation. Thus, although collateral information indicates that there were between 5,300 and 5,400 active members in the System as of the valuation date, we have performed our valuation based upon the 4,846 records of active members which had been corrected.

The characteristics of this data differ from that used in the prior valuation in the following significant respects:

(1) Supplemental Contributions

The data used in the prior valuation indicated that, of 5,504 active members only 309 had elected to make the supplemental contribution required to provide survivorship income benefits to families with dependent children and to the surviving spouse upon her attainment of age 60 or her total and permanent disability. The data used in this valuation indicates that 1,372 of 4,846 active members have elected to make such

contributions. There is no question that the supplemental contribution does not cover the cost of these benefits. Thus, a significant additional liability is generated.

(2) Retirees

Data for retirees and other current beneficiaries is significantly different than that used in the prior valuation. In the prior valuation there were 276 retirees and beneficiaries with an average benefit of \$439 per month. This year there are 382 retirees and beneficiaries with an average benefit of \$561 per month. Thus, the total annualized benefits have gone from \$1,453,086 to \$2,572,508, an increase of 77%. This has generated a significant increase in liabilities for retirees and beneficiaries.

C. Results of the Valuation

The contribution requirement developed in this valuation is significantly higher than in the prior valuation. The increase from 11.21% of covered pay to 12.04% of covered pay is directly attributable to the differences in the data discussed in Subsection B, above.

SECTION III  
SUMMARY AND CONCLUSIONS

The results of this valuation indicate that an Employer-State contribution rate of 12.04% for 1975-76 will be adequate to support the benefits of the System.

It should be noted, in analyzing the funding status of the System, that the accrued benefit liabilities shown are based upon a group which is only 90% of the total group of active members as of June 30, 1973. Thus, the accrued benefit liabilities are understated. However, the extent of the understatement is probably not proportional to the understatement of the size of the group.

We anticipate that, if the data provided for the valuation as of June 30, 1974 is of as good a quality as we expect, a new turnover table and, possibly, a new salary increase assumption will be developed for that valuation. The net effect of such changes should be a reduction in liabilities and contribution requirements.

APPENDICES

APPENDIX 1

ACTUARIAL METHOD

ACTUARIAL METHOD

The actuarial method used in this valuation is known as the Aggregate Method. Under this method, the Employer-State cost is determined as follows:

- (1) The present value of all benefits accrued and expected to be earned in the future are calculated, taking into account expected levels of mortality, turnover, disability and investment performance.
- (2) Such present value of benefits is reduced by the sum of:
  - (a) The assets of the fund, and
  - (b) The present value of future employee contributions (including arrearage contributions), taking into account the same items as enumerated in (1), above.

The remainder is the portion of the present value of future benefits to be funded by Employer-State contributions and is called the "Present Value of Future Contributions from the Employer and the State."

- (3) The Estimated Contribution from the Employer and the State is determined by multiplying the Present Value of Future Contributions for the Employer and the State by a factor which spreads that present value of contributions over 16 years.
- (4) The Contribution by the Employer and the State expressed as a percentage of salaries is then determined by dividing the Estimated Contribution by the total Member Salaries used in the valuation.

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This method effectively spreads the portion of the total projected present value of benefits to be financed by future Employer-State contributions over 16 years. It has the advantage that the effect of actuarial gains and losses (which arise from actual experience that deviates from the actuarial assumptions used) is automatically spread over this period.

APPENDIX 2

ACTUARIAL ASSUMPTIONS

ACTUARIAL ASSUMPTIONS

1. Investment Yield - 5% per annum.
2. Mortality - According to 1951 Group Annuity Mortality Table rates projected to 1965 by projection "C". (Female mortality same as male mortality with ages set back 5 years.)
3. Rates of Separation from Service - See Page 10.
4. Rates of Disability - See Page 11.
5. Rate of Mortality after Disability - According to the 1956 Railway Retirement Board Tables.
6. Rates of Salary Increase - See Page 12.
7. Normal Retirement Age - Earlier of age 60 with 15 years of creditable service or 8 years of membership service and 25 years of service at any age.
8. Asset Valuation - Cost basis.

**MARSH & McLENNAN**

TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

SEPARATION RATES

ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
20	165.0	40	100.0
21	162.0	41	95.0
22	160.0	42	90.0
23	158.0	43	85.0
24	155.0	44	80.0
25	152.0	45	75.0
26	149.5	46	70.0
27	146.0	47	65.0
28	142.5	48	60.0
29	140.0	49	55.0
30	137.0	50	45.0
31	132.5	51	35.0
32	130.0	52	25.0
33	127.5	53	15.0
34	125.0	54	5.0
35	120.0		
36	116.0		
37	112.0		
38	108.0		
39	104.0		

MARSH & McLENNAN

TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

DISABILITY RATES

ANNUAL RATES PER 1,000 EMPLOYEES

<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
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21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
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35	.96	60	8.43
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38	1.07	63	13.05
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41	1.20		
42	1.27		
43	1.36		
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TEACHERS' RETIREMENT SYSTEM  
STATE OF ALASKA

SALARY INCREASE SCALE

<u>Age</u>	<u>Scale</u>	<u>Age</u>	<u>Scale</u>
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21	.3354	46	.7957
22	.3488	47	.8116
23	.3627	48	.8279
24	.3773	49	.8444
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32	.5163	57	.9235
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34	.5584	59	.9420
35	.5808	60	.9515
36	.6040	61	.9610
37	.6282	62	.9706
38	.6533	63	.9803
39	.6794	64	.9901
40	.7066	65	1.0000
41	.7207		
42	.7351		
43	.7498		
44	.7648		

APPENDIX 3

PARTICIPANT DATA

TABLE A, ANNUAL EARNINGS BY AGE GROUPS

AGE GROUP	M NUMBER OF PEOPLE	A TOTAL ANNUAL EARNINGS	L AVERAGE ANNUAL EARNINGS	E NUMBER OF PEOPLE	F TOTAL ANNUAL EARNINGS	M AVERAGE ANNUAL EARNINGS	A NUMBER OF PEOPLE	L TOTAL ANNUAL EARNINGS	E AVERAGE ANNUAL EARNINGS
0-19	0	0.	0.	0	0.	0.	0	0.	0.
20-24	58	682027.	11759.	159	1844513.	11601.	217	2526540.	11643.
25-29	469	6739925.	14371.	655	8872626.	13546.	1124	15612551.	13890.
30-34	606	9951353.	16421.	473	6781434.	14337.	1079	16732786.	15508.
35-39	454	8268653.	18213.	338	4991096.	14767.	792	13259749.	16742.
40-44	282	5447967.	19319.	271	4015013.	14816.	553	9462980.	17112.
45-49	207	4212959.	20352.	216	3447437.	15960.	423	7660395.	18110.
50-54	136	2987434.	21966.	203	3266391.	16091.	339	6253825.	18448.
55-59	75	1570063.	20934.	145	2340464.	16141.	220	3910527.	17775.
60-64	23	387835.	16862.	65	991219.	15250.	88	1379054.	15671.
65-69	1	52049.	52049.	9	91542.	10171.	10	143591.	14359.
70-74	1	15946.	15946.	0	0.	0.	1	15946.	15946.
75-79	0	0.	0.	0	0.	0.	0	0.	0.
80+	0	0.	0.	0	0.	0.	0	0.	0.
TOTAL	2312	40316209.	17438.	2534	36641733.	14460.	4846	76957940.	15881.

TABLE B, ANNUAL EARNINGS BY SERVICE GROUPS

SERVICE GROUP	M NUMBER OF PEOPLE	A TOTAL ANNUAL EARNINGS	L AVERAGE ANNUAL EARNINGS	E NUMBER OF PEOPLE	F TOTAL ANNUAL EARNINGS	M AVERAGE ANNUAL EARNINGS	A NUMBER OF PEOPLE	L TOTAL ANNUAL EARNINGS	E AVERAGE ANNUAL EARNINGS
0	297	5405703.	18201.	403	5498622.	13644.	700	10904325.	15578.
1	255	4175653.	16375.	253	3502522.	13844.	508	7678175.	15115.
2	327	5484360.	16772.	328	4631152.	14119.	655	10115511.	15444.
3	259	4252598.	16419.	297	4149037.	13970.	556	8401635.	15111.
4	186	3134917.	16854.	211	3051610.	14463.	397	6186526.	15583.
0-4	1324	22453165.	16959.	1492	20832875.	13963.	2816	43286041.	15371.
5-9	580	10337250.	17823.	565	8233564.	14573.	1145	18570814.	16219.
10-14	268	4859156.	18131.	272	4232953.	15562.	540	9092109.	16837.
15-19	140	2666578.	19047.	205	3342278.	16304.	345	6008856.	17417.
20-24	0	0.	0.	0	0.	0.	0	0.	0.
25-29	0	0.	0.	0	0.	0.	0	0.	0.
30-34	0	0.	0.	0	0.	0.	0	0.	0.
35-39	0	0.	0.	0	0.	0.	0	0.	0.
40+	0	0.	0.	0	0.	0.	0	0.	0.
TOTAL	2312	40316149.	17438.	2534	36641670.	14460.	4846	76957819.	15881.

ALASKA TRS - ACTIVE EMPLOYEES

VALUATION DATE 6/30/73

SERVICE GROUPS BY AGE GROUPS

AGE GROUP	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	TOTAL
0-19	0	0	0	0	0	0	0	0	0	0
20-24	217	0	0	0	0	0	0	0	0	217
25-29	1053	71	0	0	0	0	0	0	0	1124
30-34	714	346	19	0	0	0	0	0	0	1079
35-39	370	288	126	8	0	0	0	0	0	792
40-44	209	173	120	51	0	0	0	0	0	553
45-49	130	118	108	67	0	0	0	0	0	423
50-54	87	77	77	98	0	0	0	0	0	339
55-59	30	53	60	77	0	0	0	0	0	220
60-64	4	16	26	42	0	0	0	0	0	88
65-69	1	3	4	2	0	0	0	0	0	10
70-74	1	0	0	0	0	0	0	0	0	1
75-79	0	0	0	0	0	0	0	0	0	0
80+	0	0	0	0	0	0	0	0	0	0
TOTAL	2816	1145	540	345	0	0	0	0	0	4846

**MARSH & McLENNAN**

MISCELLANEOUS INFORMATION

MEMBERS OF THE  
ALASKA TEACHERS' RETIREMENT SYSTEM

Active Members

	Information as of	
	<u>June 30, 1972</u>	<u>June 30, 1973</u>
(1) Number with complete information	5,504	4,846
(2) Average Age	36.71 years	37.29 years
(3) Average Service to date	7.07 years	8.88 years
(4) Average Annual Salary	\$14,446	\$15,881

Retirees and Beneficiaries

(1) Number of Retirees and Beneficiaries	276	382
(2) Average Age	66.81 years	66.25 years
(3) Average Monthly Benefit	\$439	\$561

APPENDIX 4

ACTUARIAL DETERMINATIONS

**MARSH & McLENNAN**

EXHIBIT 1  
DEVELOPMENT OF PENSION COST  
FOR 1975-76

(1) Present Value of Benefits (See Exhibit 2)	\$209,888,990
(2) Value of Assets of the Fund as of June 30, 1973	73,445,709
(3) Present Value of Future Member Contributions	34,195,854
(4) Present Value of Future Supplemental Contributions	1,422,586
(5) Present Value of Future Arrearage Payments	411,085
(6) Present Value of Future Contributions from the Employer and the State ((1)-(2)-(3)-(4)-(5))	100,413,756
(7) Estimated Contribution from the Employer and the State for the 1975-76 year ((6) x .09227)	9,265,177
(8) Member Salaries used in this valuation	76,957,019
(9) Contribution by the Employer and the State for 1975-76 as a Percentage of Salaries ((7)/(8))	<u>12.04%</u>

**MARSH & McLENNAN**

EXHIBIT 2

BREAKDOWN OF PRESENT VALUE  
OF BENEFITS

	<u>Present Value of Accrued Benefit</u>	<u>Present Value of Fully Projected Benefit</u>
Retirement Benefit	\$ 83,657,789	\$141,337,010
Disability Benefit	4,124,701	4,750,694
Death Benefits	2,450,018	3,704,302
Termination Benefits	8,425,603	29,456,792
Contributions plus Interest for Inactive Members	<u>2,367,373</u>	<u>2,367,373</u>
Total Present Value of Benefits for all Non-Retired Members	\$101,025,484	\$181,616,171
Present Value of Benefits for Pensioners	28,272,819	28,272,819
Total Present Value of Benefits	<u>\$129,298,303</u>	<u>\$209,888,990</u>

APPENDIX 5

SUMMARY OF THE PROVISIONS  
OF THE  
ALASKA TEACHERS' RETIREMENT SYSTEM  
AS OF  
JUNE 30, 1973

SUMMARY OF THE SYSTEM

(1) Plan

The Teachers' Retirement System of Alaska is a joint contributory retirement system to provide benefits for teachers of the State.

(2) Effective Date

June 30, 1955.

(3) Administration of Plan

The Commissioner of Administration is the administrator of the System; the Alaska Teachers' Retirement Fund Advisory Board makes recommendations to the Commissioner of Administration; and the Commissioner of Revenue invests the funds.

(4) Membership

Membership in the Alaska Teachers' Retirement System is compulsory for all eligible teachers, school nurses, principals, supervisors and superintendents contracted on a full-time basis in public schools in Alaska.

(5) Eligibility Requirements

A teacher is eligible to participate if he can complete at least 15 years of creditable service, eight of which are in Alaska membership service, by the first of July following his 65th birthday.

(6) Credited Service

A year of service is defined to be the same as a school term which is currently a minimum of 180 days, and fractional service credit is on a daily rate basis. Credit is granted for all Alaskan public school service.

Up to 10 years of public school teaching service outside Alaska or in an institution of higher learning not under control of the Board of Regents of the University of Alaska is credited for retirement purposes. In addition, teaching service in BIA schools may be used to increase total outside and BIA service credit to 15 years. No fractional credit is granted for outside service.

(7) Contributions by Teachers

Effective July 1, 1970 each teacher shall contribute 7% of his base salary accrued from July 1 to the following June 30.

(8) Voluntary Supplemental Contributions

If a teacher wishes to make his spouse or minor children eligible for a spouse's pension and/or survivor's pension allowance he may elect to make supplemental contributions of an additional 1% of his base salary commencing not later than 30 days following the first day after October 1, 1970 on which he is entitled to make the election.

(9) Retroactive Contributions - Arrearage Contributions

If a teacher was not subject to the provisions of the Retirement Act and, at a later date became eligible for membership

due to legislative changes of the eligibility requirements, the teacher may elect to receive credit for his creditable service prior to membership by submitting to the Retirement Fund an amount equal to the contributions he would have made if he had been a member of the System for any year's service after June 30, 1955 plus interest thereon. Retroactive contributions are not required for creditable membership service before June 30, 1955.

In addition, if a member wishes to receive credit under the System for service performed outside Alaska, an arrearage indebtedness is established.

(10) Employers' and State's Contributions

The employer and the State each contribute an amount equal to one-half of the amount required in addition to member contributions to finance the benefits of the System.

(11) Rate of Interest

The amount deposited in a member account will be credited with interest at the rate established for a school year at the end of such school year. Effective July 1, 1973 the interest rate was increased to 4½%.

(12) Withdrawal of Contributions

If a member terminates teaching services in Alaska and does not intend to re-enter membership service at a future date, he

may withdraw his contributions. A withdrawing teacher will receive his total contributions plus the interest credited to his account.

(13) Reinstatement of Contributions

If Teachers' Retirement Contributions are withdrawn and a member subsequently resumes teaching in Alaska, he is indebted to the Teachers' Retirement Fund in the amount of the previous contributions to the System including any interest paid. The reinstatement indebtedness bears compound interest at the rate prescribed by regulation to the date of repayment or the date of retirement, whichever occurs first.

(14) Eligibility for Service Retirement

A teacher may apply for retirement salary if he has completed eight years of membership service or 15 years of creditable service, the last five of which have been membership service, and has attained the age of 55 years or if he has 25 years of creditable service at any age. A retired teacher who has been receiving a disability retirement salary shall be eligible for a service retirement salary upon or after attaining age 60.

A teacher who has met all of the above requirements but who has attained the age of 65 years during a school year shall be retired on July 1 following his 65th birthday unless the teacher is retained by request of his employer. (Compulsory retirement does not apply to personnel of the University of Alaska.)

(15) Computation of Average Base Salary

A teacher's average base salary is determined by averaging the teacher's highest base salary which he received for any three out of the last 10 years of membership service.

(16) Normal Retirement Benefit

A teacher is eligible for a normal retirement benefit if he is at least 60 years of age and has completed the service credit requirements or if he has completed 25 years of creditable service. The normal retirement benefit is 2% of the teacher's highest average base salary during any three of the last 10 years of membership service multiplied by the total number of years of creditable service.

(17) Early Retirement Benefit

A teacher is eligible for early retirement benefits if he has completed 15 years of creditable service or eight years of membership service and has attained the age of 55. If the teacher does not apply for retirement benefits to start prior to his 60th birthday, he is eligible to receive the normal retirement benefit. If the retiring teacher elects to have payments of the benefit begin prior to his 60th birthday, the annual annuity is equal to his normal retirement benefit based on his salary history and creditable service to his retirement date, reduced by one-half of 1% per month for each month by which his age at retirement is less than 60 years.

(18) Deferred Vested Benefit

A teacher is eligible for a deferred vested benefit if he (1) terminates his membership after completing eight years of membership service, and (2) he does not withdraw his retirement contributions. Payment of this benefit is deferred until the first of the month following the teacher's 60th birthday or the first of the month in which the application for benefit is filed, whichever is later.

(19) Arrearage Payment - Retired Teachers

If on the date of making application for retirement, a teacher has not paid the full amount of his indebtedness including interest to the Retirement Fund, one of the following options may be chosen:

Option 1: The retirement salary can be withheld until the amount withheld is equal to the outstanding indebtedness.

Option 2: A reduced annuity, completed by deducting 10% of the outstanding indebtedness at the time of retirement from the annual retirement salary, can be paid to the teacher.

(20) Re-employment of a Retired Teacher

If a retired teacher is re-employed as a full-time teacher, his retirement salary will be suspended for an entire year or fraction of a year.

Retirement Contributions are made at the option of such teacher and an additional retirement benefit may be accrued.

(21) Disability Retirement Benefits

A disability retirement annuity may be paid if a teacher has become permanently disabled and has at least five years of membership service.

The benefit will be equal to 50% of the disabled teacher's base salary immediately prior to becoming disabled. This benefit will be increased by 10% of the teacher's base salary for each minor child up to a maximum of four minor children until the first day of the month in which the child ceases to be a minor.

When the disabled teacher attains age 60 the disability salary will automatically terminate. A normal retirement salary will be computed as if the teacher had been in membership service during the period of disability, and a service retirement will be granted. The base salary used will be the same used in computing the disability benefit.

(22) Cost-of-Living Allowance

A retired teacher whose permanent residence is in Alaska subsequent to retirement and/or whose absence is of a temporary

nature, not to exceed six months, for travel or vacation purposes is entitled to receive a cost-of-living allowance, not to exceed 10% of his annual retirement salary in addition to his retirement benefit.

(23) Post-Retirement Pension Adjustment

This adjustment is promulgated by regulation and payable to a retired teacher when the administrator determines that the cost of living has increased and the financial condition of the fund permits payment of the adjustment. The amount of increase in any year shall not exceed 4%.

(24) Exemption from Taxation and Process

Teachers' retirement salaries are exempt from state and municipal taxes, are not subject to execution, attachment, garnishment or other process, but must be reported to the Internal Revenue Service for federal tax purposes.

(25) Lump Sum Death Benefit

Upon death of a member who has made no supplemental contributions or who made supplemental contributions for less than one year, a lump-sum benefit shall be paid to the designated beneficiary.

Upon death of a teacher who was in membership service at the time of his death, the lump-sum benefit is the teacher's accumulated contributions with interest thereon to his date of

death. An additional death benefit equal to \$1,000 plus \$100 for each year of completed service plus \$500 if the teacher is survived by one or more minor children is also payable. In no case shall the additional benefit exceed \$3,000.

If the teacher had received a retirement benefit prior to his death, payment shall be his accumulated contributions, plus interest, minus all benefits paid.

If a member failed to designate a beneficiary, or if no designated beneficiary survives the member, payment shall be made:

- (1) to his surviving spouse or if there is no surviving spouse,
- (2) to his surviving children in equal parts, or if there are none surviving,
- (3) to his surviving parents in equal parts, or, if there are none surviving,
- (4) to his estate.

(26) Survivor's Allowance

If a teacher dies while in service or while receiving retirement salary, is survived by one or more minor children and has made supplemental contributions for at least one year before his death, his surviving spouse is entitled to the survivor's allowance. The amount of the benefit is 35% of the teacher's

base salary immediately prior to his death or becoming disabled for his spouse and 10% for each minor child up to a maximum of four.

(27) Spouse's Pension

If any teacher has made supplemental contributions for at least one year and dies while in service or while receiving a retirement salary or is entitled to a deferred vested benefit, the surviving spouse is entitled to receive the spouse's pension. The amount of the benefit is 50% of the service retirement salary that the deceased teacher was receiving or would have received. The spouse pension commences on the first day of the month coinciding with or next following the spouse's 60th birthday or date of total and permanent disability. The final payment is made the first day of the month in which the spouse dies or remarries.

(28) Medical Benefits

Teachers who are receiving or who are entitled to receive a service retirement salary and who are not or will not be entitled to federal Medicare benefits are guaranteed to be covered by equivalent benefits provided through insurance or the Retirement System.