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June 27, 2016

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

**Certification of Actuarial Valuation**

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

This report summarizes the annual actuarial valuation results of the State of Alaska Public Employees' Retirement System (PERS) as of June 30, 2015 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2015. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness. Valuation census data used for the retiree medical valuation utilized available retiree medical information. Certain pension data fields have been used to clarify the retiree medical data provided to us. Details regarding this information can be found in Section 6.2.d.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the System as of June 30, 2015.

PERS is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board) and as required by Alaska state statutes. The funding objective for PERS is to pay required contributions that remain level as a percent of total PERS compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, System expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percentage of payroll over a closed 25-year period and as required by Alaska state statutes. The closed 25-year period was established effective June 30, 2014.

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The compensation used to determine required contributions is the total compensation of all active members in PERS, including those hired after July 1, 2006 who are members of the Defined Contribution Retirement (DCR) Plan. This objective is currently being met and is projected to continue to be met.

The Board and staff of the State of Alaska may use this report for the review of the operations of PERS. Use of this report, for any other purpose or by anyone other than the Board or staff of the State of Alaska may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Buck to review any statement you wish to make on the results contained in this report. Buck will not accept any liability for any such statement made without review by Buck.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. In particular, retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation (other than the sensitivity analyses shown in Sections 3.2 and 4.7).

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed for the period July 1, 2009 to June 30, 2013. Based on that experience study, the Board adopted new assumptions effective for the June 30, 2014 valuation to better reflect expected future experience. Based on our annual analysis of recent claims experience, changes were made to the per capita claim cost rates effective June 30, 2015 to better reflect expected future healthcare experience. Based on recent experience, the healthcare cost trend assumptions are still reasonable and were not changed. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 6.

The assumptions and methods used to determine the healthcare Actuarial Required Contribution (ARC) of the Employers to the PERS as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the trend data schedule under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 5 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR. Please see our separate GASB 67 report for pension-related information needed for the CAFR.

David Kershner is a Fellow of the Society of Actuaries and Todd Kanaster and Larry Langer are Associates of the Society of Actuaries. All are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,



David J. Kershner, FSA, EA, MAAA, FCA  
Principal

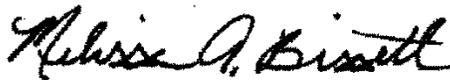


Todd D. Kanaster, ASA, MAAA, FCA  
Senior Consultant



Larry Langer, ASA, EA, MAAA, FCA  
Principal

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 A. Bissett, FSA, MAAA  
Senior Consultant, Health & Productivity

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The funding method used in this valuation was adopted by the Board in October 2006. Changes in the amortization of unfunded actuarial accrued liability were made in 2014. The asset smoothing method used to determine valuation assets was changed effective June 30, 2014.

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.

## **A. Actuarial Method – Entry Age Normal**

Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method. Any funding surpluses or unfunded accrued liability are amortized over a closed 25- year period (established June 30, 2014) as a level percentage of payroll amount. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

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.

## **B. Valuation of Assets**

The actuarial asset value was reinitialized to equal Fair Value of Assets as of June 30, 2014. Beginning in 2015, the asset value method recognizes 20% of the gain or loss each year, for a period of 5 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.

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## C. Changes in Methods since the Prior Valuation

There have been no changes in methods since the prior valuation.

## D. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for PERS postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2015 to June 30, 2016. Healthcare cost trend and retiree contribution increase assumptions remain unchanged from the prior year (June 30, 2014) valuation.

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 historic credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription 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 claim data is not available by individual, nor is this status incorporated into historical claim data.

We analyzed HealthSmart and Aetna reporting for fiscal 2012 through 2015 and derived recommended base claims cost rates as described in the following steps:

1. Medical, prescription drug, dental, vision and audio coverage is provided through the AlaskaCare Retiree Health Plan and is available to employees of the State and subdivisions who meet retirement criteria based on the retirement plan tier in effect at their date of hire. Health plan provisions do not vary by retirement tier or age, except for Medicare coordination. Dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation as those are retireepay all benefits where rates are assumed to be self-supporting.
2. The plan was administered by Wells Fargo Insurance Services (acquired by HealthSmart, in January 2012) from July 1, 2009 through December 31, 2013 and by Aetna effective January 1, 2014.
  - a. Claims and enrollment data for July 2011 (FY12) through June 2015 (FY15), with claims paid through July 2015 were provided by HealthSmart and Aetna and are included in our analysis.

Available historic management level reporting from HealthSmart 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. Historical claim level reporting and estimated impacts of Medicare coordination and plan design were used to augment cost data by Medicare status. Aetna does provide separate experience by Medicare status and will be incorporated into per capita rate development as credible experience emerges.

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For the June 30, 2015 valuation, we were informed that pharmacy claims reported did not reflect rebates. Based upon aggregate rebates in proportion to 2014 incurred claims for all State of Alaska plans (active and retiree), Buck reduced reported pharmacy incurred claims by 7% to estimate the rebates for the retiree population beginning January 1, 2014. As more detailed rebate information becomes available, we will update as appropriate.

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 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.

Based on census data received from Aetna, about 0.35% of the current retiree (including dependents) population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire and/or re-hire, date of birth, tier, etc.

4. Develop estimated Retiree Drug Subsidy reimbursement - Actual subsidy payments to the State were received for CY2007-CY2014, and the first six months of CY2015. Buck obtained this information based upon recorded and available information in the RDS Subsidy website. The projected subsidy for FY 2016 was determined based on the historic ratio of subsidy received to claims incurred (adjusted for rebates), and then applied to the appropriate projection period. These amounts are applicable only to Medicare eligible participants.
5. Adjust for network change – based upon projections for network savings of 3% (improved discounts, pharmacy rebates etc.), adjustments were applied to claims in the experience base prior to January 1, 2014.
6. Adjust for claim fluctuation, anomalous experience, etc. – explicit adjustments are often made for anticipated large claims or other anomalous experience. Because we accounted for both Alaska-specific and national trend factors as described below, we did not make any additional smoothing adjustments. Buck compared data utilized to alternate sources provided by the State and Aetna to assess accuracy and reasonableness of data.

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7. The steps above result in separate incurred 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. 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 deemed incurred claim data from HealthSmart and Aetna provided data to be complete for fiscal 2012, 2013 and 2014. Fiscal 2015 medical claim data was completed using a factor of 0.91; fiscal 2015 prescription claim data was deemed complete. These factors were derived from completion patterns through July 2015 for AlaskaCare retiree claims. Incurred claim cost rates are projected forward to the valuation year using a blend of Alaska plan-specific trend and national trend rates over the same period, with Alaska experience receiving 75% weight, national trend 25%. These weighted trend factors for this purpose for the current valuation are as follows:

Experience Period	Alaska-Specific and National Average Weighted Trend from Experience Period to Valuation Year		Weighting Factors
	Medical	Prescription	
FY 2011 to FY 2012	8.3%	5.1%	10.0%
FY 2011 to FY 2013	8.9%	7.1%	20.0%
FY 2012 to FY 2014	7.7%	6.5%	35.0%
FY 2013 to FY 2015	6.4%	7.1%	35.0%

We have some run-out claims data, thus less estimation for complete claims in fiscal 2015, so we increased the credibility weight slightly for the most recent period. Incurred but not reported claim liability is separately determined and accounted for outside of this valuation.

For per capital claim cost development, medical claims were trended on a composite basis for pre-Medicare vs. Medicare due to limited reporting as noted in #2 above. Trend assumptions used for rate development are assessed annually and as additional/improved reporting becomes available, we will incorporate into rate development as appropriate.

All claims cost rates developed provided in management level reporting have been compared to similar rates developed from provided experience data to assess reasonableness data.

8. Develop separate administration costs – no adjustments were made for internal administrative costs. Third party retiree plan administration fees for fiscal 2016 are based upon rates in effect at the midpoint of the year, January 2016 as agreed upon in the Aetna contracts. We also include PCORI fees under the Affordable Care Act. We estimated the 2016 rates based upon the 2014 rate of \$2.08 per member per year. The annual per participant per year rate for medical and prescription benefits (including PCORI) is \$194.18.

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9. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts other than noted fees have been included in the valuation results. Legislation passed in December 2015 deferred the effective date of this tax until 2020; though thresholds still start indexing in 2018. This did not change our estimated impact of the tax.

Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We reviewed the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax); however, the impact is not expected to significantly impact the OPEB liability and not until far into the future. Based upon guidance available at the time of disclosure, Buck estimated the tax based upon a blended test of pre and post-Medicare projected costs and enrollment projections.

- A blended test compares a weighted average per capita cost (based upon proportions of pre/post Medicare eligible enrollments) to the thresholds in each projection year. Projected enrollment was based upon the 2015 enrollment data provided by Aetna, and 2015 valuation headcount projections. 2015 valuation census projections reflected an increase in the proportion of retirees that are Medicare eligible.
- We included administrative fees and applied Retiree Drug Subsidy reimbursements to the Medicare rates. We tested the results excluding the impact of the Retiree Drug Subsidy and results are still well below 0.01% of accrued liability.
- We assumed claim costs would increase according to valuation trend assumptions from the June 30, 2014 valuation, and that the cost thresholds would increase at 3.0%.
- Buck determined the impact to be less than \$750,000 (0.01%) of the June 30, 2015 healthcare actuarial accrued liability. In addition, any additional per capita costs due to the tax were not expected to significantly impact trend over the long term.

Patient-centered outcomes research fees are included in the admin fees. As Transitional Reinsurance fees are only in effect until 2016, we excluded these for valuation purposes.

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

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The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2015 as compared to 2014:

Healthcare Cost Rate Data Source or Assumption Change, 2014 vs. 2013	Gain/Loss Impact on 2014 Valuation Results
Claim lag specific to medical and prescription experience	Negligible
Individual claims level data	- No impact on cost data used for 2015, though potentially a source of future modifications - No impact on morbidity assumptions used for 2015, though potentially a source of future modifications.
Explicit TPA fees	Negligible
Actual RDS payments received	Negligible
Aggregate claims data	Gain due to experience, mainly Medicare eligible, but dampened by weighting methodology
Census Data*	Gain due to update census

\* We have prepared our valuation based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.

In accordance with actuarial standards, we note the following specific data sources and steps taken to value retiree medical benefits:

- The Division of Retirement and Benefits provided pension valuation census data. This pension census data included retiree medical enrollment information that indicated the retirement system and an indication regarding eligibility for system-paid benefits.
- Certain adjustments and assumptions were made to determine the number of people enrolled in retiree medical:
  - Where there is an indication of non-system paid health benefits, we reflected the coverage level (e.g. single vs. couple) indicated on the pension data in valuing the retiree medical plan.
  - Where system-paid health benefits coverage is indicated, the premium dollar amount indicated on the data is a composite rate that does not specify the number of people enrolled.
  - Buck understands that retiree medical coverage/eligibility is in place while a pension benefit is payable.
  - For individuals who are receiving a pension benefit, Buck references the pension benefit payment form (single life annuity, joint & survivor, etc.) along with marital status to determine the number of people to value for medical purposes:
    - Where there is a single life-annuity indicated and the marital status is single, we valued one member for health coverage.

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- Where there is a single life-annuity indicated and the marital status is married, we valued two members until the retiree dies. Upon the retiree's death, medical coverage for the spouse is assumed to cease and that spouse is no longer valued.
- Where there is a joint & survivor annuity, we assumed a member and spouse are covered and upon the retiree's death, health coverage is assumed to continue to the surviving spouse.
- For individuals included in the pension data expecting a future pension, we valued health benefits starting at the same point that the pension benefit is assumed to start.
- Future retirees' level of coverage is estimated according to valuation assumptions regarding spousal coverage.
- Limitations on the use of the valuation results due to uncertainty about various aspects of the data: Since pension data is used to estimate health care coverage, the retiree medical liabilities and resultant figures regarding funded status and proposed employer contribution rates may be different if we had data that could directly determine the level of health coverage for each retiree.
- Unresolved matters: We have received retiree medical enrollment data, but we have not completed the reconciliation of retiree medical enrollment data to the retiree medical valuation census data. Based on information provided to us, it appears that our valuation may assume that a greater number of individuals are enrolled in the retiree medical coverage than are indicated in the enrollment statistics provided by the carrier. This is because our data assumptions for use of pension data as a proxy for individual retiree medical coverage conservatively include in the valuation any potential dependent. The carrier enrollment information with lower enrollment figures are conservatively used to develop per capita costs, resulting in higher per capita costs than if the counts from the proxy data were used.
- Potential uncertainty or bias: Until we complete the comparison between retiree medical enrollment and the proxy data, we cannot specify the magnitude of the difference. There is potential for bias, and we believe there is conservatism in our methodology. That is, it is possible there are more people included in the valuation than are enrolled in the retiree medical plan.

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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	66.0%	—%
2/1/78-1/31/79	69.10	20.0	20.0
2/1/79-1/31/80	64.70	(6.0)	6.0
2/1/80-1/31/81	96.34	49.0	19.0
2/1/81-1/31/82	96.34	—	14.0
2/1/82-1/31/83	115.61	20.0	15.0
2/1/83-1/31/84	156.07	35.0	18.0
2/1/84-1/31/85	191.85	23.0	19.0
2/1/85-1/31/86	168.25	(12.0)	14.0
2/1/86-1/31/87	165.00	(2.0)	12.0
2/1/87-1/31/88	140.25	(15.0)	9.0
2/1/88-1/31/89	211.22	51.0	13.0
2/1/89-1/31/90	252.83	20.0	13.0
2/1/90-1/31/91	243.98	(4.0)	12.0
2/1/91-1/31/92	243.98	—	11.0
2/1/92-1/31/93	226.90	(7.0)	10.0
2/1/93-1/31/94	309.72	37.0	11.0
2/1/94-1/31/95	336.05	9.0	11.0
2/1/95-1/31/96	350.50	4.0	11.0
2/1/96-1/31/97	350.50	—	10.0
2/1/97-1/31/98	368.00	5.0	10.0
2/1/98-12/31/98	368.00	—	9.0
1/1/99-12/31/99	442.00	20.0	10.0
1/1/00-12/31/00	530.00	20.0	10.0
1/1/01-12/31/01	610.00	15.0	10.0
1/1/02-12/31/02	668.00	10.0	10.0
1/1/03-12/31/03	720.00	8.0	10.0
1/1/04-12/31/04	806.00	12.0	10.0
1/1/05-12/31/05	850.00	5.0	10.0
1/1/06-12/31/06	876.00	3.0	10.0
1/1/07-12/31/07	876.00	—	10.0
1/1/08-12/31/08	876.00	—	9.0
1/1/09-12/31/09	937.00	7.0	9.0
1/1/10-12/31/10	1,068.00	14.0	9.0
1/1/11-12/31/11	1,176.00	10.0	9.0
1/1/12-12/31/12	1,200.00	2.0	9.0
1/1/13-12/31/13	1,223.00	2.0	9.0
1/1/14-12/31/14	1,223.00	—	9.0
1/1/15-12/31/15	1,223.00	—	8.0
1/1/16-12/31/16	1,154.04	(6.0)	8.0

As shown in the table above, the monthly retiree medical premium for the January 1, 2016 to December 31, 2016 time period will decrease to \$1,154. This represents a decrease of 6% from the previous year's medical premium. The health cost trend rates used for this valuation are described in Section 6.3. Also, over the last ten years, the increase in the premium rate has been about 2.8% compounded annually. Segal developed and provided 2016 retiree contribution rates.

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**June 30, 2015 Valuation – FY 2016 Claims Cost Rates**

	<b>Medical</b>		
	<b>Pre-Medicare</b>	<b>Medicare A&amp;B</b>	<b>Medicare B Only</b>
<b>Fiscal 2012 Incurred Claims</b>	<b>\$233,811,415</b>	<b>\$71,498,254</b>	<b>\$1,587,430</b>
Membership	29,500	33,631	208
Paid Claims Cost Rate	\$7,926	\$2,126	\$7,632
Trend to FY2016	1.353	1.353	1.353
FY2016 Paid Cost Rate	\$10,721	\$2,876	\$10,323
Manual Adjustment*	0.970	0.970	0.970
<b>FY 2016 Incurred Cost Rate</b>	<b>\$10,399</b>	<b>\$2,789</b>	<b>\$10,014</b>
<b>Fiscal 2013 Incurred Claims</b>	<b>\$239,986,289</b>	<b>\$73,469,050</b>	<b>\$1,901,151</b>
Membership	27,037	37,913	217
Paid Claims Cost Rate	\$8,876	\$1,938	\$8,761
Trend to FY2016	1.249	1.249	1.249
FY2016 Paid Cost Rate	\$11,086	\$2,420	\$10,942
Manual Adjustment*	0.970	0.970	0.970
<b>FY 2016 Incurred Cost Rate</b>	<b>\$10,754</b>	<b>\$2,348</b>	<b>\$10,614</b>
<b>Fiscal 2014 Incurred Claims</b>	<b>\$222,724,835</b>	<b>\$68,391,357</b>	<b>\$2,049,847</b>
Membership	24,507	42,348	223
Paid Claims Cost Rate	\$9,088	\$1,615	\$9,192
Trend to FY2016	1.146	1.146	1.146
FY2016 Paid Cost Rate	\$10,418	\$1,851	\$10,538
Manual Adjustment*	0.985	0.985	0.985
<b>FY 2016 Incurred Cost Rate</b>	<b>\$10,262</b>	<b>\$1,824</b>	<b>\$10,380</b>
<b>Fiscal 2015 Incurred Claims</b>	<b>\$221,696,106</b>	<b>\$72,331,402</b>	<b>\$1,567,300</b>
Membership	24,046	43,980	242
Paid Claims Cost Rate	\$9,220	\$1,645	\$6,476
Trend to FY2016	1.064	1.064	1.064
FY2016 Paid Cost Rate	\$9,814	\$1,751	\$6,894
Manual Adjustment*	1.000	1.000	1.000
<b>FY 2016 Incurred Cost Rate</b>	<b>\$9,814</b>	<b>\$1,751</b>	<b>\$6,894</b>
Weighted Average 7/1/2015-6/30/2016 Incurred Claims Cost Rates:			
At average age	\$10,217	\$1,999	\$9,170
At age 65	\$11,724	\$1,461	\$6,700

\* "Manual Adjustment" is the estimated savings due to the change in claims administrator effective January 1, 2014.

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June 30, 2015 Valuation – FY 2016 Claims Cost Rates (cont.)

	Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	
<b>Fiscal 2012 Incurred Claims</b>	<b>\$50,508,869</b>	<b>\$95,412,095</b>	<b>\$590,097</b>	<b>\$453,408,160</b>
Membership	29,500	33,631	208	63,339
Paid Claims Cost Rate	\$1,712	\$2,837	\$2,837	\$7,158
Trend to FY2016	1.285	1.285	1.285	
FY2016 Paid Cost Rate	\$2,200	\$3,645	\$3,645	\$9,526
Manual Adjustment*	0.967	0.967	0.967	
<b>FY2016 Incurred Cost Rate</b>	<b>\$2,127</b>	<b>\$3,525</b>	<b>\$3,525</b>	<b>\$9,231</b>
<b>Fiscal 2013 Incurred Claims</b>	<b>\$52,633,265</b>	<b>\$99,470,696</b>	<b>\$569,334</b>	<b>\$468,029,785</b>
Membership	27,037	37,913	217	65,167
Paid Claims Cost Rate	\$1,947	\$2,624	\$2,624	\$7,182
Trend to FY2016	1.222	1.222	1.222	
FY2016 Paid Cost Rate	\$2,379	\$3,206	\$3,206	\$8,907
Manual Adjustment*	0.967	0.967	0.967	
<b>FY2016 Incurred Cost Rate</b>	<b>\$2,301</b>	<b>\$3,101</b>	<b>\$3,101</b>	<b>\$8,631</b>
<b>Fiscal 2014 Incurred Claims</b>	<b>\$41,879,298</b>	<b>\$121,714,936</b>	<b>\$640,931</b>	<b>\$457,401,204</b>
Membership	24,507	42,348	223	67,078
Paid Claims Cost Rate	\$1,709	\$2,874	\$2,874	\$6,819
Trend to FY2016	1.141	1.141	1.141	
FY2016 Paid Cost Rate	\$1,950	\$3,280	\$3,280	\$7,804
Manual Adjustment*	0.984	0.984	0.984	
<b>FY2016 Incurred Cost Rate</b>	<b>\$1,918</b>	<b>\$3,225</b>	<b>\$3,225</b>	<b>\$7,683</b>
<b>Fiscal 2015 Incurred Claims</b>	<b>\$61,185,727</b>	<b>\$129,308,154</b>	<b>\$711,515</b>	<b>\$486,800,204</b>
Membership	24,046	43,980	242	68,268
Paid Claims Cost Rate	\$2,545	\$2,940	\$2,940	\$7,131
Trend to FY2016	1.071	1.071	1.071	
FY2016 Paid Cost Rate	\$2,725	\$3,149	\$3,149	\$7,707
Manual Adjustment*	1.000	1.000	1.000	
<b>FY2016 Incurred Cost Rate</b>	<b>\$2,725</b>	<b>\$3,149</b>	<b>\$3,149</b>	<b>\$7,707</b>
Weighted Average 7/1/2015-6/30/2016 Incurred Claims Cost Rates:				
At average age	\$2,298	\$3,204	\$3,204	\$8,036
At age 65	\$2,753	\$2,753	\$2,753	\$7,516

\* "Manual Adjustment" is the estimated savings due to the change in claims administrator effective January 1, 2014.

# Actuarial Section

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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, 2015 through June 30, 2016**

<b>Age</b>	<b>Medical and Medicare Parts A &amp; B</b>	<b>Medical and Medicare Part B Only</b>	<b>Prescription Drug</b>	<b>Medicare Retiree Drug Subsidy</b>
45	\$6,493	\$6,493	\$1,452	\$ —
50	7,346	7,346	1,725	—
55	8,311	8,311	2,048	—
60	9,871	9,871	2,375	—
65	1,461	6,700	2,753	496
70	1,778	8,152	2,966	534
75	2,111	9,679	3,163	570
80	2,274	10,427	3,243	584

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**Summary of Actuarial Assumptions and Changes in Assumptions**

The demographic and economic assumptions used in the June 30, 2015 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2014. These assumptions were the result of an experience study performed as of June 30, 2013.

1. Investment Return / Discount Rate 8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates.
3. Payroll Growth 3.62% per year. (Inflation + Productivity).
4. Total Inflation Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
5. Mortality (Pre-termination)\*  
Based upon the 2010-2013 actual mortality experience (see Table 2) 60% of male rates and 65% of female rates of post-termination mortality rates.  
  
Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
6. Mortality (Post-termination)\* 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 using Projection Scale BB.
7. Total Turnover Based upon the 2010-2013 actual withdrawal experience. (See Table 4 and 5).
8. Disability  
Incidence rates based upon the 2010-2013 actual experience, in accordance with Table 6.  
  
Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
9. Retirement  
Retirement rates based upon the 2010-2013 actual experience in accordance with Table 7 and 8.  
Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others.  
  
For Peace Officer/Firefighter, Tier 1 deferred vested members are assumed to retire at age 55 and Tier 2 and 3 deferred vested members are assumed to retire at age 60.  
  
The modified cash refund annuity is valued as a three-year certain and life annuity.

\*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 109%.

# Actuarial Section

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**Summary of Actuarial Assumptions and Changes in Assumptions**

10. Marriage and Age Difference      Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% of female members are assumed to be married. For Peace Officer/Firefighters, 85% of male members and 60% 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              For Others, 10% of terminating members with vested benefits are assumed to have their contributions refunded.
- For Peace Officers/Firefighters, 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.
13. Imputed Data                      Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Nonvested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active member with missing salary and service are assumed to be terminated with status based on their vesting percentage.
14. COLA                                  Of those benefit recipients who are eligible for the COLA, 70% of Others and 65% Peace Officers/Firefighters are assumed to remain in Alaska and receive the COLA.
15. Post-Retirement Pension      50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is  
    Adjustment                              valued for the annual automatic Post-Retirement Pension Adjustment (PRPA)  
   as specified in the statute.
16. Expenses                              Investment return assumption is net of all expenses.
17. Part-Time Status                    Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.65 years for credited service per year for Other members.
18. 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.

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20. Per Capita Claims Cost                      Sample claims cost rates adjusted to age 65 for FY16 medical and prescription are shown below:

	<b>Medical</b>	<b>Prescription drugs</b>
Pre-Medicare	\$ 11,724	\$ 2,753
Medicare Parts A & B	1,461	2,753
Medicare Part B Only	6,700	2,753
Medicare Part D	N/A	496

21. Third Party Administrator Fees                      \$194.18 per person per year; assumed trend rate of 5% per year.

22. Medicare Part B Only                      For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire.

23. 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, 9.4% is applied to the FY16 pre-Medicare medical claims costs to get the FY17 medical claims costs.

<b>Fiscal year</b>	<b>Medical pre-65</b>	<b>Medical post-65</b>	<b>Prescription drugs</b>
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.0
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

For the June 30, 2014 valuations and later, the updated 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 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

24. Aging Factors

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Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94 +	—	—

25. 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 FY16 contributions based on monthly rates shown below for calendar 2015 and 2016 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 2016		Calendar 2015
	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	\$ 9,324	777	823
Retiree and spouse	18,648	1,554	1,647
Retiree and child(ren)	13,164	1,097	1,163
Retiree and family	22,500	1,875	1,987
Composite	13,848	1,154	1,223

26. Trend Rate for Retired Member Medical Contribution

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, 6.6% is applied to the FY16 retired member medical contributions to get the FY17 retired member medical contributions.

Fiscal year:	
2016	6.6%
2017	6.2
2018	5.8
2019	5.4
2020	5.0
2021	4.7
2025	4.1
2050	4.0
2100	4.0

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2014 valuation. Note that actual FY16 retired member medical contributions are reflected in the valuation.

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#### Summary of Actuarial Assumptions and Changes in Assumptions

27. Healthcare Participation      100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

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**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 1**  
**Alaska PERS**  
**Salary Scale**

<b>Peace Officer/Firefighter:</b>			
<b>Years of Service</b>	<b>Percent Increase</b>	<b>Years of Service</b>	<b>Percent Increase</b>
0	9.66%	11	4.92%
1	8.66	12	4.92
2	7.16	13	4.92
3	7.03	14	4.92
4	6.91	15	4.92
5	6.41	16	4.92
6	5.66	17	4.92
7	4.92	18	4.92
8	4.92	19	4.92
9	4.92	20+	4.92
10	4.92		
<b>Others:</b>			
<b>Years of Service</b>	<b>Percent Increase</b>		
0	8.55%		
1	7.36		
2	6.35		
3	6.11		
4	5.71		
5+	Age based		
<b>Age</b>	<b>Percent Increase</b>	<b>Age</b>	<b>Percent Increase</b>
20	7.91%	45	5.44%
21	7.83	46	5.40
22	7.75	47	5.36
23	7.51	48	5.31
24	7.27	49	5.27
25	7.03	50	5.22
26	6.79	51	5.18
27	6.55	52	5.13
28	6.52	53	5.09
29	6.49	54	5.05
30	6.47	55	5.01
31	6.44	56	4.97
32	6.41	57	4.93
33	6.33	58	4.85
34	6.24	59	4.77
35	6.16	60	4.69
36	6.07	61	4.60
37	5.99	62	4.52
38	5.90	63	4.46
39	5.82	64	4.40
40	5.73	65+	4.34
41	5.64		
42	5.55		
43	5.52		
44	5.48		

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**Table 2**  
**Alaska PERS**  
**Mortality Table (Pre-termination)**

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
20	0.000188	0.000113	55	0.001978	0.001549
21	0.000195	0.000114	56	0.002292	0.001730
22	0.000200	0.000115	57	0.002515	0.001912
23	0.000204	0.000116	58	0.002775	0.002118
24	0.000205	0.000119	59	0.003073	0.002355
25	0.000205	0.000122	60	0.003425	0.002632
26	0.000206	0.000127	61	0.003826	0.002973
27	0.000208	0.000132	62	0.004287	0.003343
28	0.000214	0.000139	63	0.004813	0.003840
29	0.000225	0.000147	64	0.005324	0.004328
30	0.000242	0.000156	65	0.005904	0.004874
31	0.000272	0.000181	66	0.006558	0.005500
32	0.000307	0.000207	67	0.007184	0.006107
33	0.000344	0.000233	68	0.007842	0.006751
34	0.000383	0.000257	69	0.008689	0.007462
35	0.000422	0.000281	70	0.009744	0.008407
36	0.000459	0.000304	71	0.010782	0.009329
37	0.000493	0.000327	72	0.011971	0.010376
38	0.000526	0.000354	73	0.013334	0.011534
39	0.000557	0.000383	74	0.014876	0.012783
40	0.000589	0.000417	75	0.016602	0.014113
41	0.000623	0.000458	76	0.018504	0.015549
42	0.000663	0.000504	77	0.020583	0.017125
43	0.000709	0.000554	78	0.022872	0.018877
44	0.000762	0.000608	79	0.025419	0.020841
45	0.000823	0.000664	80	0.028245	0.023037
46	0.000882	0.000723	81	0.031612	0.025498
47	0.000946	0.000784	82	0.035318	0.028266
48	0.001015	0.000848	83	0.039369	0.031386
49	0.001089	0.000916	84	0.043784	0.034906
50	0.001167	0.000991	85	0.048601	0.038887
51	0.001336	0.001095	86	0.053884	0.043371
52	0.001455	0.001193	87	0.060797	0.048373
53	0.001591	0.001305	88	0.068537	0.053879
54	0.001744	0.001407	89	0.077135	0.059830
			90	0.086571	0.067336

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**Table 3**  
**Alaska PERS**  
**Mortality Table (Post-termination)**

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
50	0.001944	0.001524	85	0.081002	0.059827
51	0.002227	0.001684	86	0.089807	0.066725
52	0.002426	0.001835	87	0.101329	0.074420
53	0.002652	0.002007	88	0.114229	0.082891
54	0.002907	0.002165	89	0.128559	0.092046
55	0.003296	0.002383	90	0.144286	0.103593
56	0.003820	0.002662	91	0.160042	0.115847
57	0.004192	0.002942	92	0.176712	0.128589
58	0.004625	0.003259	93	0.194120	0.141591
59	0.005121	0.003623	94	0.212080	0.154643
60	0.005708	0.004050	95	0.230428	0.167558
61	0.006377	0.004574	96	0.249035	0.180154
62	0.007144	0.005143	97	0.267822	0.192248
63	0.008021	0.005908	98	0.281616	0.200025
64	0.008874	0.006658	99	0.300310	0.210437
65	0.009839	0.007498	100	0.313360	0.215967
66	0.010930	0.008462	101	0.332097	0.226721
67	0.011973	0.009396	102	0.344188	0.235671
68	0.013070	0.010386	103	0.361155	0.250844
69	0.014482	0.011479	104	0.369606	0.263111
70	0.016240	0.012933	105	0.381971	0.281391
71	0.017969	0.014352	106	0.384000	0.295499
72	0.019952	0.015964	107	0.384000	0.309816
73	0.022223	0.017744	108	0.384000	0.323943
74	0.024793	0.019666	109	0.384000	0.337482
75	0.027670	0.021712	110	0.384000	0.350032
76	0.030840	0.023921	111	0.384000	0.361196
77	0.034305	0.026346	112	0.384000	0.370574
78	0.038120	0.029042	113	0.384000	0.377767
79	0.042365	0.032063	114	0.384000	0.382376
80	0.047075	0.035441	115	0.384000	0.384000
81	0.052687	0.039227	116	0.384000	0.384000
82	0.058863	0.043487	117	0.384000	0.384000
83	0.065615	0.048286	118	0.384000	0.384000
84	0.072973	0.053702	119	1.000000	1.000000

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**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 4**  
**Alaska PERS**  
**Total Turnover Assumptions**

**Peace Officer/Firefighter:**

<u>Years of Service</u>	<u>Male (rounded)</u>	<u>Female (rounded)</u>
0	0.15	0.15
1	0.12	0.08
2	0.07	0.06
3	0.06	0.06
4	0.06	0.07

**Members with 5 or more years of service**

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	0.040894	0.080000	40	0.017699	0.034930
21	0.040894	0.080000	41	0.017615	0.034779
22	0.040894	0.080000	42	0.017531	0.034627
23	0.038801	0.080000	43	0.018025	0.034352
24	0.036708	0.080000	44	0.018519	0.034077
25	0.034616	0.080000	45	0.019012	0.033802
26	0.032523	0.080000	46	0.019506	0.033527
27	0.030430	0.080000	47	0.020000	0.033251
28	0.028877	0.078000	48	0.023333	0.032862
29	0.027324	0.076000	49	0.026667	0.032474
30	0.025771	0.074000	50	0.030000	0.032085
31	0.024218	0.072000	51	0.040000	0.031581
32	0.022665	0.070000	52	0.040000	0.030941
33	0.021722	0.063077	53	0.040000	0.030201
34	0.020779	0.056154	54+	0.040000	0.060402
35	0.019836	0.049231			
36	0.018893	0.042308			
37	0.017950	0.035385			
38	0.017866	0.035234			
39	0.017782	0.035082			

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**Table 5**  
**Alaska PERS**  
**Total Turnover Assumptions**

**Others:**

Years of Service	Hire Age < 35		Hire Age > 35	
	Male (rounded)	Female (rounded)	Male	Female
0	0.29	0.29	0.20	0.20
1	0.16	0.20	0.12	0.15
2	0.13	0.16	0.10	0.13
3	0.10	0.13	0.09	0.10
4	0.08	0.10	0.09	0.09

**Members with 5 or more years of service**

Age	Male	Female	Age	Male	Female
20	0.095000	0.136735	40	0.044190	0.053792
21	0.095000	0.136735	41	0.042820	0.052523
22	0.095000	0.136735	42	0.041450	0.051254
23	0.090250	0.128522	43	0.040930	0.049398
24	0.085500	0.120309	44	0.040400	0.047541
25	0.080750	0.112096	45	0.039880	0.045685
26	0.076000	0.103883	46	0.039357	0.043828
27	0.071250	0.095670	47	0.038834	0.041972
28	0.069160	0.091756	48	0.038701	0.041891
29	0.067060	0.087842	49	0.038568	0.041809
30	0.064960	0.083927	50	0.038170	0.041566
31	0.062870	0.080013	51	0.037844	0.041365
32	0.060770	0.076099	52	0.037460	0.041121
33	0.058280	0.072399	53	0.037023	0.040844
34	0.055780	0.068699	54+	0.043859	0.057924
35	0.053290	0.064999			
36	0.050790	0.061299			
37	0.048300	0.057599			
38	0.046930	0.056330			
39	0.045560	0.055061			

**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Benefit Retirement Plan**  
**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 6**  
**Alaska PERS**  
**Disability Table**

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.000224	0.000218	0.000188
21	0.000224	0.000218	0.000188
22	0.000224	0.000218	0.000188
23	0.000305	0.000240	0.000200
24	0.000387	0.000261	0.000212
25	0.000468	0.000283	0.000224
26	0.000550	0.000304	0.000236
27	0.000631	0.000326	0.000248
28	0.000658	0.000334	0.000255
29	0.000685	0.000342	0.000262
30	0.000712	0.000349	0.000269
31	0.000739	0.000357	0.000277
32	0.000765	0.000365	0.000284
33	0.000793	0.000377	0.000293
34	0.000821	0.000389	0.000303
35	0.000849	0.000401	0.000312
36	0.000877	0.000413	0.000322
37	0.000905	0.000425	0.000331
38	0.000946	0.000446	0.000348
39	0.000986	0.000467	0.000364
40	0.001027	0.000489	0.000381
41	0.001068	0.000510	0.000397
42	0.001108	0.000531	0.000413
43	0.001221	0.000586	0.000454
44	0.001333	0.000641	0.000495
45	0.001446	0.000695	0.000536
46	0.001559	0.000750	0.000577
47	0.001671	0.000805	0.000618
48	0.001828	0.000886	0.000680
49	0.001985	0.000967	0.000742
50	0.002142	0.001048	0.000804
51	0.002299	0.001129	0.000867
52	0.002456	0.001210	0.000929
53	0.002868	0.001421	0.001084
54	0.003280	0.001633	0.001239

# Actuarial Section

**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Benefit Retirement Plan**  
**Summary of Actuarial Assumptions and Changes in Assumptions**

Table 7  
Alaska PERS Peace Officer/Firefighter  
Retirement Table

Age at Retirement	Retirement Rate		
	Reduced	Unreduced	
	Unisex Rates	Male Rates	Female Rates
<47	N/A	0.080000	0.060000
47	N/A	0.080000	0.150000
48	N/A	0.130000	0.150000
49	N/A	0.130000	0.150000
50	0.087041	0.150000	0.150000
51	0.085580	0.150000	0.150000
52	0.072383	0.185000	0.150000
53	0.076688	0.185000	0.150000
54	0.075561	0.185000	0.250000
55	0.077429	0.250000	0.200000
56	0.077106	0.250000	0.150000
57	0.076730	0.250000	0.150000
58	0.076820	0.250000	0.150000
59	0.200000	0.250000	0.150000
60	N/A	0.300000	0.250000
61	N/A	0.250000	0.200000
62	N/A	0.250000	0.300000
63	N/A	0.250000	0.500000
64	N/A	0.200000	0.500000
65	N/A	0.200000	0.500000
66	N/A	0.250000	0.500000
67	N/A	0.500000	0.500000
68	N/A	0.500000	0.500000
69	N/A	0.500000	0.500000
70	N/A	1.000000	1.000000
71	N/A	1.000000	1.000000
72	N/A	1.000000	1.000000
73	N/A	1.000000	1.000000
74	N/A	1.000000	1.000000
75	N/A	1.000000	1.000000

**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Benefit Retirement Plan**  
**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 8**  
**Alaska PERS Other**  
**Retirement Table**

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male Rate	Female Rate	Male Rates	Female Rates
<50	N/A	N/A	0.10	0.10
50	0.04	0.06	0.30	0.35
51	0.04	0.06	0.33	0.35
52	0.06	0.08	0.33	0.35
53	0.06	0.08	0.33	0.35
54	0.14	0.14	0.35	0.35
55	0.05	0.06	0.30	0.30
56	0.05	0.06	0.20	0.20
57	0.05	0.06	0.20	0.18
58	0.05	0.06	0.20	0.18
59	0.14	0.16	0.20	0.18
60	N/A	N/A	0.20	0.21
61	N/A	N/A	0.20	0.20
62	N/A	N/A	0.20	0.20
63	N/A	N/A	0.20	0.20
64	N/A	N/A	0.20	0.20
65	N/A	N/A	0.23	0.26
66	N/A	N/A	0.25	0.26
67	N/A	N/A	0.20	0.22
68	N/A	N/A	0.23	0.22
69	N/A	N/A	0.25	0.22
70	N/A	N/A	0.25	0.22
71	N/A	N/A	0.25	0.22
72	N/A	N/A	0.25	0.25
73	N/A	N/A	0.25	0.25
74	N/A	N/A	0.25	0.35
75-89	N/A	N/A	0.50	0.50
90+	N/A	N/A	1.00	1.00

# Actuarial Section

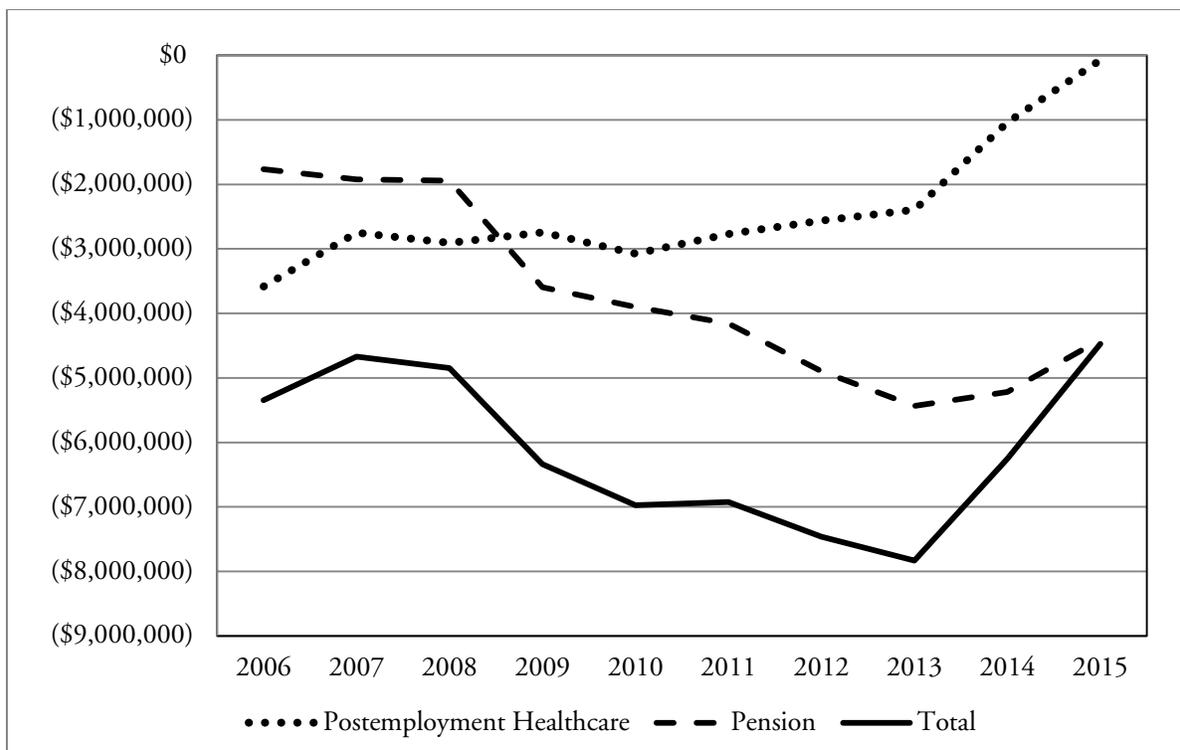
**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Benefit Retirement Plan**  
**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 9**  
**Alaska PERS**  
**Disabled Mortality Rates**

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
≤45	0.0214	0.0071	80	0.0833	0.0582
46	0.0226	0.0078	81	0.0880	0.0621
47	0.0238	0.0085	82	0.0928	0.0662
48	0.0250	0.0093	83	0.0978	0.0707
49	0.0262	0.0101	84	0.1028	0.0755
50	0.0275	0.0109	85	0.1079	0.0806
51	0.0287	0.0118	86	0.1130	0.0862
52	0.0299	0.0127	87	0.1204	0.0921
53	0.0311	0.0137	88	0.1282	0.0985
54	0.0324	0.0144	89	0.1362	0.1054
55	0.0336	0.0151	90	0.1503	0.1148
56	0.0348	0.0158	91	0.1667	0.1249
57	0.0354	0.0164	92	0.1841	0.1359
58	0.0359	0.0171	93	0.2022	0.1475
59	0.0365	0.0176	94	0.2209	0.1611
60	0.0370	0.0182	95	0.2400	0.1745
61	0.0376	0.0188	96	0.2594	0.1877
62	0.0382	0.0194	97	0.2790	0.2003
63	0.0389	0.0204	98	0.2934	0.2084
64	0.0396	0.0214	99	0.3128	0.2192
65	0.0404	0.0226	100	0.3264	0.2250
66	0.0413	0.0238	101	0.3459	0.2362
67	0.0422	0.0252	102	0.3585	0.2455
68	0.0434	0.0267	103	0.3762	0.2613
69	0.0454	0.0284	104	0.3850	0.2741
70	0.0477	0.0303	105	0.3979	0.2931
71	0.0502	0.0323	106	0.4000	0.3078
72	0.0529	0.0345	107	0.4000	0.3227
73	0.0558	0.0368	108	0.4000	0.3374
74	0.0591	0.0393	109	0.4000	0.3515
75	0.0625	0.0420	110	0.4000	0.3646
76	0.0662	0.0449	111	0.4000	0.3762
77	0.0702	0.0479	112	0.4000	0.3860
78	0.0744	0.0511	113	0.4000	0.3935
79	0.0788	0.0546	114	0.4000	0.3983
			115+	0.4000	0.4000

Public Employees' Retirement System Defined Benefit Retirement Plan Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2006	\$ (3,584,527)	\$ (1,762,978)	\$ (5,347,505)	62.8%
2007	(2,746,653)	(1,923,320)	(4,669,973)	68.0
2008	(2,904,525)	(1,943,510)	(4,848,035)	69.5
2009	(2,742,835)	(3,593,558)	(6,336,393)	61.8
2010	(3,073,188)	(3,901,840)	(6,975,028)	61.5
2011	(2,769,878)	(4,156,898)	(6,926,776)	63.0
2012	(2,561,808)	(4,898,523)	(7,460,331)	61.3
2013	(2,395,001)	(5,435,132)	(7,830,133)	60.8
2014	(1,036,453)	(5,216,321)	(6,252,774)	70.1
2015	(68,435)	(4,406,769)	(4,475,204)	75.4

**10-YEAR TREND OF UNFUNDED LIABILITY**  
(In thousands)



# Actuarial Section

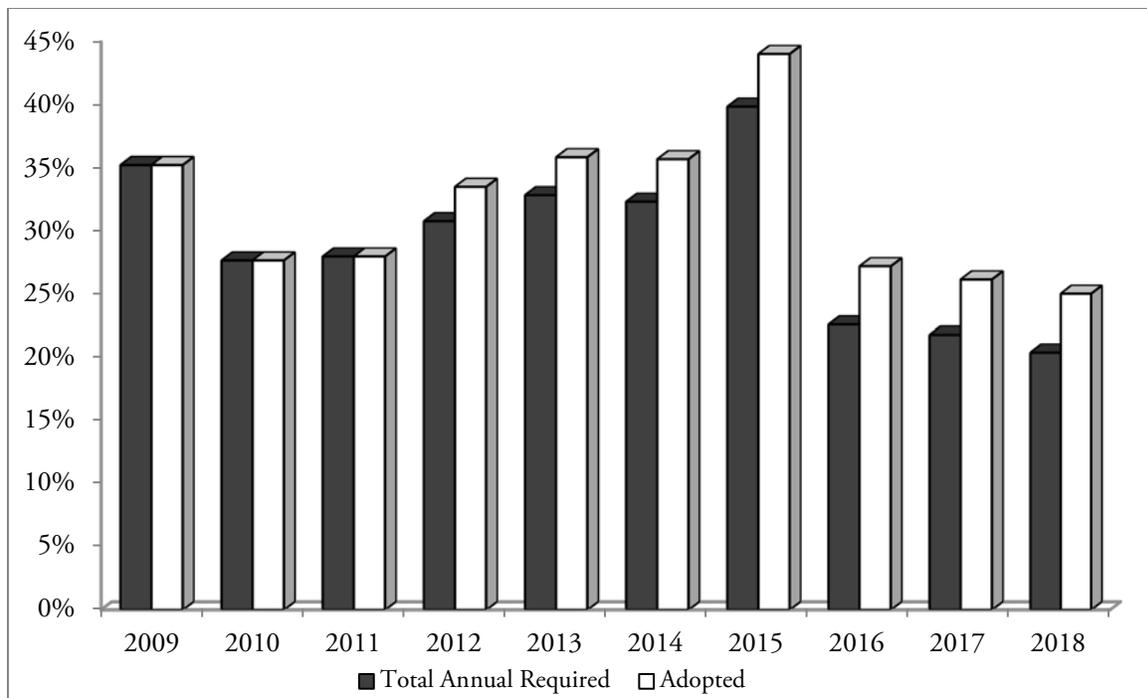
Public Employees' Retirement System Defined Benefit Retirement Plan Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Actuarial Valuation Year Ended June 30	Normal Cost <sup>1</sup>	Past Service	Total Annual Required	
2009	2006	13.72%	21.50%	35.22%	35.22%
2010	2007	9.46	18.19	27.65	27.65
2011	2008	9.33	18.63	27.96	27.96
2012	2009	8.28	22.48	30.76	33.49
2013	2010	8.67	24.16	32.83	35.84
2014	2011	8.12	24.19	32.31	35.68
2015	2012	6.82	33.03	39.85	44.03
2016	2013	6.05	16.53	22.58	27.19
2017	2014	5.76	16.02	21.78	26.14
2018	2015	5.10	15.28	20.38	25.01

<sup>1</sup> Also referred to as the consolidated rate.

Beginning with the June 30, 2014 valuation, contribution rates for FY17 and beyond are determined using new methodology in accordance with 2014 legislation under HB 385 and SB 119, 2014 Alaska Laws, which changed the amortization methodology to a closed 25-year period as a level percentage of pay, and eliminated the time lag on the contribution rate calculation by using a 2-year year "roll-forward" approach and assuming 0% population growth. Investment gains and losses are recognized over a 5-year period beginning in FY15.

Valuations are used to set contribution rates in future years.

## 10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



<b>Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Active Member Valuation Data</b>					
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Earnings (In thousands)</b>	<b>Annual Average Earnings</b>	<b>Percent Increase in Average Earnings</b>	<b>Number of Participating Employers</b>
<b>All Others</b>					
June 30, 2015	15,833	\$ 1,108,218	\$ 69,994	2.1%	155
June 30, 2014	17,339	1,188,918	68,569	3.4	158
June 30, 2013	18,890	1,252,786	66,320	4.5	159
June 30, 2012	20,566	1,305,337	63,471	4.6	160
June 30, 2011	22,118	1,342,122	60,680	4.7	160
June 30, 2010	24,054	1,393,803	57,945	4.5	160
June 30, 2009	25,089	1,390,971	55,441	5.1	159
June 30, 2008	26,301	1,387,117	52,740	6.9	160
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
<b>Peace Officer / Firefighter</b>					
June 30, 2015	1,827	\$ 185,350	\$ 101,450	2.5%	155
June 30, 2014	1,958	193,737	98,946	3.4	159
June 30, 2013	2,065	197,534	95,658	4.8	159
June 30, 2012	2,164	197,544	91,286	4.1	160
June 30, 2011	2,275	199,537	87,709	8.6	160
June 30, 2010	2,388	192,895	80,777	2.8	160
June 30, 2009	2,476	194,519	78,562	5.0	159
June 30, 2008	2,549	190,729	74,825	4.9	160
June 30, 2007	2,687	191,674	71,334	9.3	160
June 30, 2006	2,785	181,830	65,289	2.5	160
<b>Total and average earnings ("valuation pay") are the annualized earnings for the fiscal year ending on the valuation date.</b>					

# Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan 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 Pension Benefits	Average Annual Pension Benefits
	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No. <sup>1</sup>	Annual Pension Benefits <sup>1</sup>	No.	Annual Pension Benefits		
<b>All Others</b>								
June 30, 2015	1,583	\$39,939,292	627	\$ 7,232,812	29,029	\$ 601,658,776	5.7%	\$ 20,726
June 30, 2014	1,778	44,823,611	603	3,011,383	28,073	568,952,296	7.9	20,267
June 30, 2013	1,808	43,247,667	554	4,861,626	26,898	527,140,068	7.9	19,598
June 30, 2012	1,679	37,855,250	636	5,344,239	25,644	488,754,027	7.1	19,059
June 30, 2011	1,595	37,100,217	554	6,897,899	24,601	456,243,016	7.1	18,546
June 30, 2010	1,667	35,089,579	517	8,712,630	23,560	426,040,698	6.6	18,083
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
<b>Peace Officer / Firefighter</b>								
June 30, 2015	136	\$ 5,617,344	46	\$ 633,046	3,116	\$ 108,247,168	4.8%	\$ 34,739
June 30, 2014	109	4,270,620	50	(145,769)	3,026	103,262,870	4.5	34,125
June 30, 2013	113	4,162,920	42	240,775	2,967	98,846,479	4.1	33,315
June 30, 2012	179	5,246,271	41	(177,568)	2,896	94,924,334	6.1	32,778
June 30, 2011	114	3,772,720	33	116,090	2,758	89,500,495	4.3	32,451
June 30, 2010	118	3,593,724	46	1,413,071	2,677	85,843,865	2.6	32,067
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	8.9	29,790

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

# Actuarial Section

<b>Public Employees' Retirement System                      Defined Benefit Retirement Plan                      Pension Solvency Test                      (In thousands)</b>							
Valuation Date	Pension Actuarial Accrued Liability For:			Pension Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Assets:		
	(1)  Active Member Contributions	(2)  Inactive Members	(3)  Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ 1,475,852	\$ 8,762,863	\$ 3,099,214	\$ 8,931,160	100.0%	85.1%	—%
June 30, 2014 <sup>1 2</sup>	1,486,335	8,264,683	3,196,741	7,731,438	100.0	75.6	—
June 30, 2013	1,479,538	7,514,255	2,952,088	6,510,749	100.0	67.0	—
June 30, 2012	1,459,943	7,057,967	2,911,034	6,530,421	100.0	71.8	—
June 30, 2011	1,421,967	6,657,517	2,839,563	6,762,149	100.0	80.2	—
June 30, 2010 <sup>1</sup>	1,388,029	6,268,461	2,715,182	6,469,832	100.0	81.1	—
June 30, 2009	1,315,924	5,914,959	2,471,203	6,108,528	100.0	81.0	—
June 30, 2008	1,242,288	5,606,402	2,305,592	7,210,772	100.0	100.0	15.7
June 30, 2007	1,203,007	5,282,132	2,177,185	6,739,004	100.0	100.0	11.7
June 30, 2006 <sup>1 2</sup>	1,157,755	4,933,609	2,002,679	6,331,065	100.0	100.0	12.0
June 30, 2005	1,104,821	4,627,467	1,354,903	6,016,713 <sup>3</sup>	100.0	100.0	21.0
<sup>1</sup> Change in Assumptions <sup>2</sup> Change in Methods <sup>3</sup> The pension and postemployment healthcare valuation assets were allocated using a ration of fair value of assets as of June 30, 2005							

# Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Postemployment Healthcare Solvency Test (In thousands)							
Valuation Date	Postemployment Healthcare Actuarial Accrued Liability For:			Post-Employment Healthcare Valuation Assets	Portion of Actuarial Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ 5,159,283	\$ 2,151,451	\$ 7,242,299	100.0%	100.0%	96.8%
June 30, 2014 <sup>1</sup>	—	5,455,114	2,494,499	6,913,160	100.0	100.0	58.5.9
June 30, 2013 <sup>1</sup>	—	5,298,380	2,748,498	5,651,877	100.0	100.0	12.9
June 30, 2012 <sup>1</sup>	—	5,026,080	2,837,337	5,301,609	100.0	100.0	9.7
June 30, 2011	—	4,812,845	3,008,658	5,051,625	100.0	100.0	7.9
June 30, 2010 <sup>1</sup>	—	4,581,806	3,179,014	4,687,632	100.0	100.0	3.3
June 30, 2009	—	4,232,394	2,644,891	4,134,450	100.0	97.7	—
June 30, 2008 <sup>1</sup>	—	4,166,270	2,567,589	3,829,334	100.0	91.9	—
June 30, 2007	—	3,684,906	2,223,703	3,161,956	100.0	85.8	—
June 30, 2006 <sup>1 2</sup>	—	3,990,202	2,304,168	2,709,843	100.0	67.9	—
June 30, 2005	—	4,039,591	1,718,059	2,426,206 <sup>3</sup>	100.0	60.1	—

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

<sup>1</sup> Change in Assumptions  
<sup>2</sup> Change in Methods  
<sup>3</sup> The postemployment healthcare valuation assets were allocated using a ration of fair value of assets as of June 30, 2005

# Actuarial Section

<b>Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience</b>					
<b>Change in Employer/State Contribution Rate Due to (Gains) and Losses in Actuarial Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience</b>					
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2015	2014	2013	2012	2011
Health Experience	(3.65)%	(0.85)%	(1.51)%	(2.97)%	(1.82)%
Salary Experience	(0.32)	(0.19)	0.23	0.23	0.31
Investment Experience	0.45	(4.63)	1.76	3.11	0.26
Demographic Experience	0.34	(0.04)	(0.84)	(1.00)	0.29
Contribution Shortfall	—	0.67	0.79	0.21	0.44
(Gain) or Loss During Year From Experience	(3.18)	(5.04)	0.43	(0.42)	(0.52)
<b>Non-recurring changes</b>					
Assumption and Method Changes	—	(13.46)	—	7.96	—
System Benefit Changes	—	—	—	—	—
Composite (Gain) or Loss During Year	(3.18)	(18.50)	0.43	7.54	(0.52)
Beginning Employer/State Contribution Rate	21.78	40.28	39.85	32.31	32.83
Ending Employer/State Contribution Rate	<u>18.60%</u>	<u>21.78%</u>	<u>40.28%</u>	<u>39.85%</u>	<u>32.31%</u>
Fiscal Year Employer/State Contribution Rate	18.60%*	21.78%	22.58%	27.72%	32.31%
Fiscal Year Above Rate is Applied	FY18	FY17	FY16	FY15	FY14

\*Expected. Actual Rate to be determined.

NOTE: In the second session of the 28<sup>th</sup> Alaska legislature, the legislature changed the actuarial methodology from level dollar amortization to level percent of pay. The June 30, 2013 PERS actuarial valuation report was not updated for this change, but specific revisions for the amortization change were presented to reflect the change in amortization. The change in the amortization resulted in an adjusted FY16 employer/state contribution rate of 22.58%.

# Actuarial Section

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience						
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Actuarial Accrued Liabilities During the Last Three 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		
	2015	2014	2013	2015	2014	2013
Health Experience	N/A	N/A	N/A	(3.65)%	(0.85)%	(1.51)%
Salary Experience	(0.32)%	(0.19)%	0.23%	N/A	N/A	N/A
Investment Experience	0.24	(2.40)	1.43	0.21	(2.23)	0.33
Demographic Experience	0.34	(0.04)	(0.84)	N/A	N/A	N/A
Contribution Shortfall	—	0.63	0.78	—	0.04	0.01
(Gain) or Loss During Year From Experience	0.26	(2.00)	1.60	(3.44)	(3.04)	(1.17)
<b>Non-recurring changes</b>						
Assumption and Method Changes	—	(6.86)	—	—	(6.60)	—
System Benefit Changes	—	—	—	—	—	—
Composite (Gain) or Loss During Year	0.26	(8.86)	1.60	(3.44)	(9.64)	(1.17)
Beginning Employer/State Contribution Rate	15.98	24.84	23.24	5.80	15.44	16.61
Ending Employer/State Contribution Rate	<u>16.24%</u> *	<u>15.98%</u>	<u>24.84%</u>	<u>2.36%</u> *	<u>5.80%</u>	<u>15.44%</u>
Fiscal Year Employer/State Contribution Rate	16.24%*	15.98%	14.43%	2.36%*	5.80%	8.15%
Fiscal Year Above Rate is Applied	FY18	FY17	FY16	FY18	FY17	FY16

\*Expected. Actual Rate to be determined.

**State of Alaska**  
**Public Employees' Retirement System**  
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**Summary of Plan Provisions and Changes in 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 156 employers participating in the PERS, including the State of Alaska and 155 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.

**State of Alaska**  
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## 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.

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.

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## 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 a closed 25-year period starting July 30, 2014.

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.

**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.

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**Summary of Plan Provisions and Changes in Plan Provisions**

**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. 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 the five legislative sessions and they were first hired by the legislature before May 30, 1987;
  - iii) 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature 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 Teachers' Retirement System 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, 1996 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.

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### Public Employees' Retirement System

#### Defined Benefit Retirement Plan

#### Summary of Plan Provisions and Changes in Plan Provisions

**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%.

**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.

# Actuarial Section

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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.

## 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. Tier 3 Members with between five and ten years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 Members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 Members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. 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.

Medical, prescription drug, dental, vision and audio coverage is provided through the AlaskaCare Retiree Health Plan. Health plan provisions do not vary by retirement tier or age, except for Medicare coordination.

Surviving spouses continue coverage only if a pension payment form that provided survivor benefits was elected. Alternate payee (i.e. individuals who are the subject of a domestic relations order or DRO) are allowed to participate in the plan, but must pay the full cost.

Where premiums are required prior to age 60, the valuation bases this payment upon the age of the retiree.

Participants in the defined benefit plan are covered under the following benefit design:

<b>Plan Feature</b>	<b>Amount</b>
Deductible (single/family)*	\$150/\$450
Coinsurance - most services	20%
Outpatient surgery/testing	0%
Maximum Out-of-Pocket* (single/family, excl. deductible)	\$800/\$2,400
Rx Copays (generic/brand/mail-order), does not apply to OOP max	\$4/\$8/\$0
Lifetime Maximum	\$2,000,000

The plan coordinates with Medicare on a traditional Coordination of Benefits Method.

**State of Alaska**  
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**Summary of Plan Provisions and Changes in Plan Provisions**

## 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.

**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.

## State of Alaska

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**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.

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.

#### 16. Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions effective since the prior valuation. This valuation reflects a better understanding of the coverage for alternate payees under a domestic relation order.



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June 27, 2016

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

## **Certification of Actuarial Valuation**

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

This report summarizes the annual actuarial valuation results of the State of Alaska Public Employees' Retirement System Defined Contribution Retirement (PERS DCR) Plan as of June 30, 2015 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2015. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness. Valuation census data used for the retiree medical valuation utilized available retiree medical information. Certain pension data fields have been used to clarify the retiree medical data provided to us. Details regarding this information can be found in Section 5.2.c.

All costs, liabilities and other factors under the Plan were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the Plan as of June 30, 2015.

PERS DCR is funded by Employer Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for PERS DCR is to pay required contributions that remain level as a percent of PERS DCR compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of PERS DCR compensation over a closed layered 25-year period. This objective is currently being met and is projected to continue to be met as required by the Alaska state statutes.

# Actuarial Section

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The Board and staff of the State of Alaska may use this report for the review of the operations of PERS DCR. Use of this report, for any other purpose or by anyone other than the Board or staff of the State of Alaska may not be appropriate and may result in mistaken conclusions because of failure to understand applicable assumptions, methods or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, you should ask Buck to review any statement you wish to make on the results contained in this report. Buck will not accept any liability for any such statement made without the review by Buck.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. In particular, retiree group benefits models necessarily rely on the use of approximations and estimates, and are sensitive to changes in these approximations and estimates. Small variations in these approximations and estimates may lead to significant changes in actuarial measurements. An analysis of the potential range of such future differences is beyond the scope of this valuation.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed for the period July 1, 2009 to June 30, 2013. Based on that experience study, the Board adopted new assumptions effective for the June 30, 2014 valuation to better reflect expected future experience. Based on our annual analysis of recent claims experience, changes were made to the per capita claims cost rates effective June 30, 2015 to better reflect expected future healthcare experience. Based on recent experience, the healthcare cost trend assumptions are still reasonable and were not changed. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Sections 5.2 and 5.3.

The assumptions and methods used to determine the healthcare Actuarial Required Contributions (ARC) of the Employers to the PERS DCR Plan as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statement No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the trend data schedule under GASB No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 4 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR.

David Kershner and Melissa Bissett are Fellows of the Society of Actuaries and Todd Kanaster and Larry Langer are Associates of the Society of Actuaries. All are Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. Mr. Kershner, Mr. Kanaster, and Mr. Langer take professional responsibility for the overall appropriateness of the analysis, assumptions and results. This report has been prepared in accordance with all applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,



David J. Kershner, FSA, EA, MAAA, FCA  
Principal

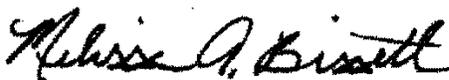


Todd D. Kanaster, ASA, MAAA, FCA  
Senior Consultant



Larry Langer, ASA, EA, MAAA, FCA  
Principal

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 A. Bissett, FSA, MAAA  
Senior Consultant, Health & Productivity

# Actuarial Section

**State of Alaska**  
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**Description of Actuarial Methods and Valuation Procedures**

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 implemented effective June 30, 2006.

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 Normal**

Liabilities and contributions shown in the report are computed using the Entry Age Normal Actuarial Cost Method. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. However, in keeping with GASB requirements in effect when the plan was adopted, the net amortization period will not exceed 30 years. These requirements are being amended. Under the new accounting standards that will become applicable to Postemployment Benefit Plans Other Than Pension Plans (GASB 74 and 75), the GASB requirements will not directly control amortization periods used for funding of the plan. Per KPMG, the new accounting standards under GASB 67 (and 68) are not applicable to the Occupational Death & Disability benefits under PERS DCR.

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

The actuarial accrued liability for beneficiaries and disability members currently receiving benefits (if any) was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

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

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

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## **B. Valuation of Assets**

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over five years. Fair Value of Assets were \$0 as of June 30, 2006. 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 fair value of assets..

## **C. Valuation of Retiree Medical Benefits**

The methodology used for the valuation of the retiree medical benefits is described in Section 6.2(d) of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2015.

Due to the lack of experience for PERS DCR only, base claims costs are based on those described in the actuarial valuation as of June 30, 2015 for PERS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, upcoming FY16 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. The health care trend rate was reduced 0.2% each year to reflect the fact that the medical benefit to be offered to members will have annual indexing of member cost sharing features such as deductibles and out-of-pocket amounts.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare (25 years for PERS peace officer/firefighter) are valued with commencement deferred to Medicare eligibility, as such members will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

We have prepared our valuation based on the participant census data that was readily available. Certain pension fields have been used to clarify the retiree medical data provided. This serves as a proxy until additional retiree medical data can be provided.

In accordance with actuarial standards, we note the following specific data sources and steps taken to value retiree medical benefits:

- The Division of Retirement and Benefits provided pension valuation census data. This pension census data included retiree medical enrollment information that indicated the retirement system and an indication regarding eligibility for system-paid benefits.
- Certain adjustments and assumptions were made to determine the number of people enrolled in retiree medical:

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- Where there is an indication of non-system paid health benefits, we reflected the coverage level (e.g. single vs. couple) indicated on the pension data in valuing the retiree medical plan.
- Where system-paid health benefits coverage is indicated, the premium dollar amount indicated on the data is a composite rate that does not specify the number of people enrolled.
- Buck understands that retiree medical coverage/eligibility is in place while a pension benefit is payable.
- For individuals who are receiving a pension benefit, Buck references the pension benefit payment form (single life annuity, joint & survivor, etc.) along with marital status to determine the number of people to value for medical purposes:
  - Where there is a single life-annuity indicated and the marital status is single, we valued one member for health coverage.
  - Where there is a single life-annuity indicated and the marital status is married, we valued two members until the retiree dies. Upon the retiree's death, medical coverage for the spouse is assumed to cease and that spouse is no longer valued.
  - Where there is a joint & survivor annuity, we assumed a member and spouse are covered and upon the retiree's death, health coverage is assumed to continue to the surviving spouse.
- For individuals included in the pension data expecting a future pension, we valued health benefits starting at the same point that the pension benefit is assumed to start.
- Future retirees' level of coverage is estimated according to valuation assumptions regarding spousal coverage.
- Limitations on the use of the valuation results due to uncertainty about various aspects of the data: Since pension data is used to estimate health care coverage, the retiree medical liabilities and resultant figures regarding funded status and proposed employer contribution rates may be different if we had data that could directly determine the level of health coverage for each retiree.
- Unresolved matters: We have received retiree medical enrollment data, but we have not completed the reconciliation of retiree medical enrollment data to the retiree medical valuation census data. Based on information provided to us, it appears that our valuation may assume that a greater number of individuals are enrolled in the retiree medical coverage than are indicated in the enrollment statistics provided by the carrier. This is because our data assumptions for use of pension data as a proxy for individual retiree medical coverage conservatively include in the valuation any potential dependent. The carrier enrollment information with lower enrollment figures are conservatively used to develop per capita costs, resulting in higher per capita costs than if the counts from the proxy data were used.

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- Potential uncertainty or bias: Until we complete the comparison between retiree medical enrollment and the proxy data, we cannot specify the magnitude of the difference. There is potential for bias, and we believe there is conservatism in our methodology. That is, it is possible there are more people included in the valuation than are enrolled in the retiree medical plan.

#### **D. Healthcare Reform**

Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact due to these provisions; however, only the Patient Centered Outcomes Research Institute fee impact has been included in the valuation results as part of administrative fee.

Because the State plan is retiree-only, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We did look at the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax) and the value of the Health Reimbursement Account must be included along with projected plan costs. The excise tax was originally to be effective for 2018; recent legislation passed in December 2015 delayed it to 2020. Based upon guidance available at the time of disclosure, Buck determined the impact on plan liabilities to be immaterial (less than \$225,000 (0.4%)) based on a blend of projected pre-Medicare and Medicare retirees and related cost projections. Participants will be responsible for any tax to the extent they are reflected in retiree contributions.

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

#### **E. Changes in Methods Since the Prior Valuation**

There have been no changes in methods since the prior valuation.

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**Summary of Actuarial Assumptions and Changes in Assumptions**

The demographic and economic assumptions used in the June 30, 2015 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2014. These assumptions were the result of an experience study performed for the PERS defined benefit plan as of June 30, 2013.

1. Investment Return / Discount Rate 8.00% per year (geometric), compounded annually, net of expenses.
2. Salary Scale Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates.
3. Payroll Growth 3.62% per year. (Inflation + Productivity).
4. Total Inflation Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually.
5. Mortality (Pre-termination)\*

Based upon the 2010-2013 actual mortality experience (see Table 2). 60% of male rates and 65% of female rates of the Post-Termination Mortality rates.

Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.
6. Mortality (Post-termination)\*

Based upon 2010-2013 actual mortality experience (see Table 3).

96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
7. Total Turnover Rates based upon the 2010-2013 actual experience. (See Table 4.)
8. Disability

Incidence rates based upon the 2010-2013 actual experience, in accordance with Table 5.

Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB.

Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighter, 50% of the time for Others.

For Peace Officer/Firefighters, members are assumed to take the monthly annuity 100% of the time.
9. Retirement Retirement rates based upon the 2010-2013 actual experience in accordance with Table 6.
10. Marriage and Age Difference

Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% female members are assumed to be married.

For Peace Officer/Firefighters, 85% of male members and 75% female members are assumed to be married at termination from active service.

\*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 109%.



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**Summary of Actuarial Assumptions and Changes in Assumptions**

Fiscal year	Medical pre-65	Medical post-65	Prescription drugs
2016	9.4%	5.9%	5.7%
2017	8.8	5.8	5.4
2018	8.2	5.7	5.1
2019	7.6	5.6	4.8
2020	7.0	5.6	4.6
2021	6.5	5.6	4.4
2022	6.0	5.6	4.2
2025	5.6	5.6	4.2
2050	4.4	4.0	4.0
2100	4.4	4.0	4.0

As of the June 30, 2014 valuations and later, the updated 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 2014 and projects out to 2090. The model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

Each of the above trend rates was reduced by 0.2% to reflect the fact that the medical benefit offered to members with have annual indexing of member cost sharing.

## 18. Aging Factors

Age	Medical	Prescription drugs
0-44	2.0%	4.5%
45-54	2.5	3.5
55-64	3.5	3.0
65-73	4.0	1.5
74-83	1.5	0.5
84-93	0.5	—
94 +	—	—

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19. Retiree Medical Participation	<u>Decrement due to disability</u>		<u>Decrement due to retirement</u>		
	<u>Age</u>	<u>Percent participation</u>	<u>Age</u>	<u>Percent participation</u>	
	<56	73.00%	55	40.00%	
	56	77.50	56	50.00	
	57	79.75	57	55.00	
	58	82.00	58	60.00	
	59	84.25	59	65.00	
	60	86.50	60	70.00	
	61	88.75	61	75.00	
	62	91.00	62	80.00	
	63	93.25	63	85.00	
	64	95.50	64	90.00	
	65+	94.40	65+	<u>Years of Service</u>	
				<15	70.50%
				15-19	75.20
				20-24	79.90
				25-29	89.30
				30+	94.00

\*Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market. This assumption is based on observed trends in participation from a range of other plans

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Table 1  
 Alaska PERS DCR Plan  
 Salary Scale

**Peace Officer/Firefighter:**

Year of Service	Percent Increase
0	9.66%
1	8.66
2	7.16
3	7.03
4	6.91
5	6.41
6	5.66
7+	4.92

**Others:**

Year of Service	Percent Increase
0	8.55%
1	7.36
2	6.35
3	6.11
4	5.71
5+	Age based

Age	Percent Increase	Age	Percent Increase
20	7.91%	45	5.44%
21	7.83	46	5.40
22	7.75	47	5.36
23	7.51	48	5.31
24	7.27	49	5.27
25	7.03	50	5.22
26	6.79	51	5.18
27	6.55	52	5.13
28	6.52	53	5.09
29	6.49	54	5.05
30	6.47	55	5.01
31	6.44	56	4.97
32	6.41	57	4.93
33	6.33	58	4.85
34	6.24	59	4.77
35	6.16	60	4.69
36	6.07	61	4.60
37	5.99	62	4.52
38	5.90	63	4.46
39	5.82	64	4.40
40	5.73	65+	4.34
41	5.64		
42	5.55		
43	5.52		
44	5.48		

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**Table 2**  
**Alaska PERS DCR Plan**  
**Mortality Table (Pre-termination)**

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
20	0.0188%	0.0113%	55	0.1978%	0.1549%
21	0.0195	0.0114	56	0.2292	0.1730
22	0.0200	0.0115	57	0.2515	0.1912
23	0.0204	0.0116	58	0.2775	0.2118
24	0.0205	0.0119	59	0.3073	0.2355
25	0.0205	0.0122	60	0.3425	0.2632
26	0.0206	0.0127	61	0.3826	0.2973
27	0.0208	0.0132	62	0.4287	0.3343
28	0.0214	0.0139	63	0.4813	0.3840
29	0.0225	0.0147	64	0.5324	0.4328
30	0.0242	0.0156	65	0.5904	0.4874
31	0.0272	0.0181	66	0.6558	0.5500
32	0.0307	0.0207	67	0.7184	0.6107
33	0.0344	0.0233	68	0.7842	0.6751
34	0.0383	0.0257	69	0.8689	0.7462
35	0.0422	0.0281	70	0.9744	0.8407
36	0.0459	0.0304	71	1.0782	0.9329
37	0.0493	0.0327	72	1.1971	1.0376
38	0.0526	0.0354	73	1.3334	1.1534
39	0.0557	0.0383	74	1.4876	1.2783
40	0.0589	0.0417	75	1.6602	1.4113
41	0.0623	0.0458	76	1.8504	1.5549
42	0.0663	0.0504	77	2.0583	1.7125
43	0.0709	0.0554	78	2.2872	1.8877
44	0.0762	0.0608	79	2.5419	2.0841
45	0.0823	0.0664	80	2.8245	2.3037
46	0.0882	0.0723	81	3.1612	2.5498
47	0.0946	0.0784	82	3.5318	2.8266
48	0.1015	0.0848	83	3.9369	3.1386
49	0.1089	0.0916	84	4.3784	3.4906
50	0.1167	0.0991	85	4.8601	3.8887
51	0.1336	0.1095	86	5.3884	4.3371
52	0.1455	0.1193	87	6.0797	4.8373
53	0.1591	0.1305	88	6.8537	5.3879
54	0.1744	0.1407	89	7.7135	5.9830
			90	8.6571	6.7336

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

<b>Age</b>	<b>Male</b>	<b>Female</b>	<b>Age</b>	<b>Male</b>	<b>Female</b>
50	0.1944%	0.1524%	85	8.1002%	5.9827%
51	0.2227	0.1684	86	8.9807	6.6725
52	0.2426	0.1835	87	10.1329	7.4420
53	0.2652	0.2007	88	11.4229	8.2891
54	0.2907	0.2165	89	12.8559	9.2046
55	0.3296	0.2383	90	14.4286	10.3593
56	0.3820	0.2662	91	16.0042	11.5847
57	0.4192	0.2942	92	17.6712	12.8589
58	0.4625	0.3259	93	19.4120	14.1591
59	0.5121	0.3623	94	21.2080	15.4643
60	0.5708	0.4050	95	23.0428	16.7558
61	0.6377	0.4574	96	24.9035	18.0154
62	0.7144	0.5143	97	26.7822	19.2248
63	0.8021	0.5908	98	28.1616	20.0025
64	0.8874	0.6658	99	30.0310	21.0437
65	0.9839	0.7498	100	31.3360	21.5967
66	1.0930	0.8462	101	33.2097	22.6721
67	1.1973	0.9396	102	34.4188	23.5671
68	1.3070	1.0386	103	36.1155	25.0844
69	1.4482	1.1479	104	36.9606	26.3111
70	1.6240	1.2933	105	38.1971	28.1391
71	1.7969	1.4352	106	38.4000	29.5499
72	1.9952	1.5964	107	38.4000	30.9816
73	2.2223	1.7744	108	38.4000	32.3943
74	2.4793	1.9666	109	38.4000	33.7482
75	2.7670	2.1712	110	38.4000	35.0032
76	3.0840	2.3921	111	38.4000	36.1196
77	3.4305	2.6346	112	38.4000	37.0574
78	3.8120	2.9042	113	38.4000	37.7767
79	4.2365	3.2063	114	38.4000	38.2376
80	4.7075	3.5441	115	38.4000	38.4000
81	5.2687	3.9227	116	38.4000	38.4000
82	5.8863	4.3487	117	38.4000	38.4000
83	6.5615	4.8286	118	38.4000	38.4000
84	7.2973	5.3702	119	100.0000	100.0000

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**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 4**  
**Alaska PERS DCR Plan**  
**Turnover Assumptions**

**Peace Officer/Firefighter:**

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

<u>Year of Service</u>	<u>Male (rounded)</u>	<u>Female (rounded)</u>
0	18.00%	16.50%
1	13.50	13.20
2	10.00	11.00
3	9.00	9.90
4	8.00	8.80

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

<u>Age</u>	<u>Male</u>	<u>Female</u>	<u>Age</u>	<u>Male</u>	<u>Female</u>
20	4.8000%	8.5500%	45	4.9678%	7.8800%
21	4.8000	8.5500	46	4.9061	7.8400
22	4.8000	8.5500	47	4.8444	7.8000
23	4.9120	8.5500	48	5.2256	7.7400
24	5.0240	8.5500	49	5.6067	7.6800
25	5.1360	8.5500	50	5.9878	7.6200
26	5.2480	8.5500	51	6.3689	7.5600
27	5.3600	8.5500	52	6.7500	7.5000
28	5.3528	8.5275	53	6.9300	7.6154
29	5.3456	8.5050	54	7.1100	7.7308
30	5.3384	8.4825	55	7.2900	7.8462
31	5.3312	8.4600	56	7.4700	7.9615
32	5.3239	8.4375	57	7.6500	8.0769
33	5.3119	8.4214	58	7.8480	8.1923
34	5.2998	8.4054	59	8.0460	8.3077
35	5.2878	8.3893	60	8.2440	8.4231
36	5.2757	8.3732	61	8.4420	8.5385
37	5.2636	8.3571	62	8.6400	8.6538
38	5.2415	8.2857	63	10.7600	8.7692
39	5.2194	8.2143	64	12.8800	8.8846
40	5.1972	8.1429	65+	15.0000	9.0000
41	5.1751	8.0714			
42	5.1529	8.0000			
43	5.0912	7.9600			
44	5.0295	7.9200			

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**Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 4**  
**Alaska PERS DCR Plan**  
**Turnover Assumptions**

**Others:**

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

Year of Service	Male (rounded)	Female (rounded)
0	23.20%	26.70%
1	20.00	21.30
2	16.00	17.00
3	12.80	13.60
4	9.00	17.80

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

Age	Male	Female	Age	Male	Female
20	10.9667%	15.0000%	45	6.1728%	7.1847%
21	10.9667	15.0000	46	6.0789	6.8938
22	10.9667	15.0000	47	5.9850	6.6029
23	10.9674	15.0067	48	6.1414	6.5749
24	10.9681	15.0133	49	6.2977	6.5469
25	10.9689	15.0200	50	6.4541	6.5189
26	10.9696	15.0267	51	6.6104	6.4908
27	10.9703	15.0333	52	6.7668	6.4628
28	10.7312	14.4910	53	6.7714	6.6022
29	10.4921	13.9486	54	6.7760	6.7416
30	10.2529	13.4062	55	6.7806	6.8809
31	10.0138	12.8638	56	6.7853	7.0203
32	9.7747	12.3214	57	6.7899	7.1597
33	9.3219	11.7230	58	7.0131	7.4069
34	8.8692	11.1246	59	7.2363	7.6541
35	8.4164	10.5261	60	7.4595	7.9014
36	7.9637	9.9277	61	7.6827	8.1486
37	7.5110	9.3293	62	7.9059	8.3958
38	7.2996	9.0749	63	8.2239	9.5580
39	7.0883	8.8205	64	8.5420	10.7097
40	6.8770	8.5661	65+	8.8600	11.8667
41	6.6657	8.3117			
42	6.4544	8.0573			
43	6.3605	7.7664			
44	6.2667	7.4756			

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**Summary of Actuarial Assumptions and Changes in Assumptions**

Table 5  
 Alaska PERS DCR Plan  
 Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.0224%	0.0218%	0.0188%
21	0.0224	0.0218	0.0188
22	0.0224	0.0218	0.0188
23	0.0305	0.0240	0.0200
24	0.0387	0.0261	0.0212
25	0.0468	0.0283	0.0224
26	0.0550	0.0304	0.0236
27	0.0631	0.0326	0.0248
28	0.0658	0.0334	0.0255
29	0.0685	0.0342	0.0262
30	0.0712	0.0349	0.0269
31	0.0739	0.0357	0.0277
32	0.0765	0.0365	0.0284
33	0.0793	0.0377	0.0293
34	0.0821	0.0389	0.0303
35	0.0849	0.0401	0.0312
36	0.0877	0.0413	0.0322
37	0.0905	0.0425	0.0331
38	0.0946	0.0446	0.0348
39	0.0986	0.0467	0.0364
40	0.1027	0.0489	0.0381
41	0.1068	0.0510	0.0397
42	0.1108	0.0531	0.0413
43	0.1221	0.0586	0.0454
44	0.1333	0.0641	0.0495
45	0.1446	0.0695	0.0536
46	0.1559	0.0750	0.0577
47	0.1671	0.0805	0.0618
48	0.1828	0.0886	0.0680
49	0.1985	0.0967	0.0742
50	0.2142	0.1048	0.0804
51	0.2299	0.1129	0.0867
52	0.2456	0.1210	0.0929
53	0.2868	0.1421	0.1084
54	0.3280	0.1633	0.1239

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**Summary of Actuarial Assumptions and Changes in Assumptions**

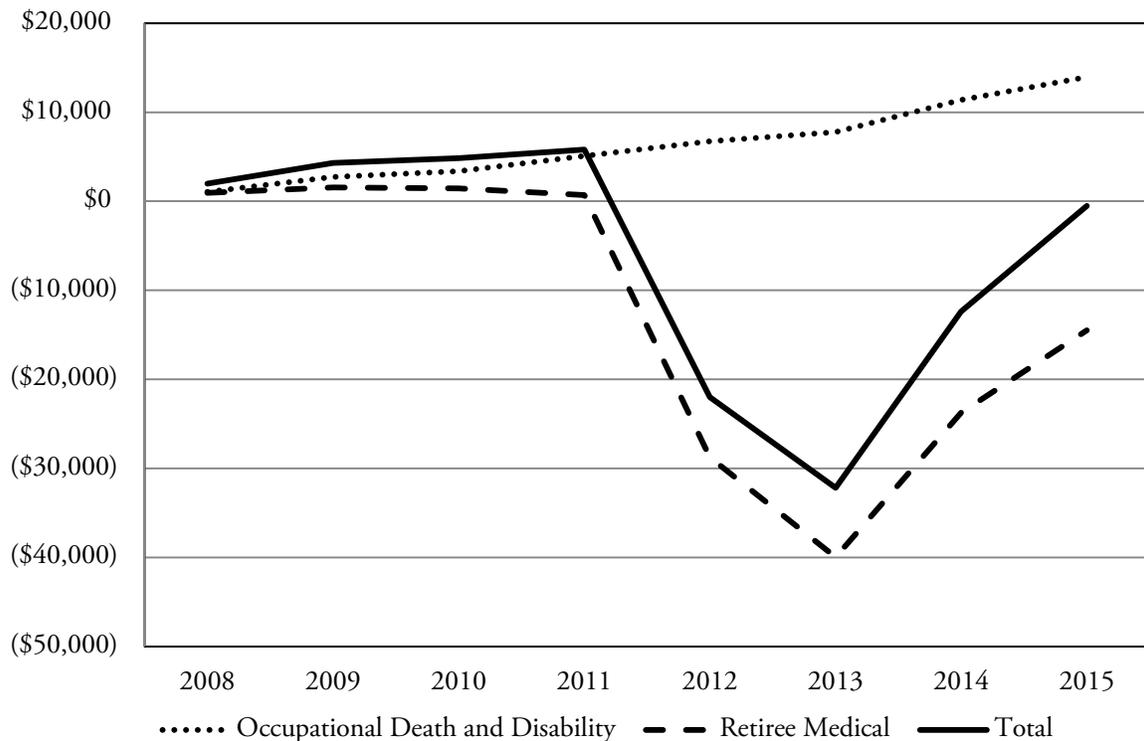
**Table 6**  
**Alaska PERS DCR Plan**  
**Retirement Table**

<b>Age</b>	<b>Rate</b>
≤50	2.00%
51	2.00
52	2.00
53	2.00
54	2.00
55	3.00
56	3.00
57	3.00
58	3.00
59	3.00
60	5.00
61	5.00
62	10.00
63	5.00
64	5.00
65	25.00
66	25.00
67	25.00
68	20.00
69	20.00
70	100.00

**Public Employees' Retirement System  
Defined Contribution Retirement Plan  
Occupational Death and Disability and Retiree Medical Benefits  
Funding Excess/(Unfunded Liability)  
(In thousands)**

Actuarial Valuation Year Ended June 30	Occupational Death and Disability	Retiree Medical	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2008	\$ 1,046	\$ 943	\$ 1,989	198.6%
2009	2,735	1,562	4,297	199.6
2010	3,386	1,460	4,846	171.1
2011	5,100	707	5,807	143.8
2012	6,730	(28,736)	(22,006)	53.1
2013	7,770	(39,946)	(32,176)	49.6
2014	11,368	(23,751)	(12,383)	77.0
2015	13,965	(14,495)	(530)	99.2

**8-YEAR TREND OF FUNDING EXCESS/(UNFUNDED) LIABILITY  
(In thousands)**



# Actuarial Section

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability and Retiree Medical Benefits Employer Contribution Rates								
	Actuarially Determined							
Fiscal Year	Actuarial Valuation Year Ended June 30	Occupational Death and Disability		Retiree Medical	Total Annual Required		Adopted	
		Peace Officer/Firefighter	Others		Peace Officer/Firefighter	Others	Peace Officer/Firefighter	Others
2009	N/A	1.33%	0.58%	0.99%	2.32%	1.57%	2.32%	1.57%
2010	2007	1.33	0.30	0.83	2.16	1.13	2.16	1.13
2011	2008	1.18	0.31	0.55	1.73	0.86	1.73	0.86
2012	2009	0.97	0.11	0.51	1.48	0.62	1.48	0.62
2013	2010	0.99	0.14	0.48	1.47	0.62	1.47	0.62
2014	2011	1.14	0.20	0.48	1.62	0.68	1.62	0.68
2015	2012	1.06	0.22	1.66	2.72	1.88	2.72	1.88
2016	2013	1.05	0.22	1.68	2.73	1.90	2.73	1.90
2017	2014	0.49	0.17	1.18	1.67	1.35	1.67	1.35
2018	2015	0.43	0.16	1.03	1.46	1.19	1.46	1.19

Valuations are used to set contribution rates in future years.

<b>Public Employees' Retirement System                      Defined Contribution Retirement Plan                      Occupational Death and Disability and Retiree Medical Benefits                      Schedule of Active Member Valuation Data</b>					
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Earnings (In thousands)</b>	<b>Annual Average Earnings</b>	<b>Percent Increase/ (Decrease) in Average Earnings</b>	<b>Number of Participating Employers</b>
June 30, 2015	17,098	\$ 945,496	\$ 55,299	1.9%	159
June 30, 2014	15,800	857,150	54,250	3.7	159
June 30, 2013	14,316	748,658	52,295	4.7	159
June 30, 2012	12,597	629,128	49,943	4.5	160
June 30, 2011	10,965	524,088	47,796	4.8	160
June 30, 2010	9,232	421,187	45,622	5.4	160
June 30, 2009	7,256	314,118	43,291	7.2	160
June 30, 2008	5,052	203,955	40,371	8.1	159
June 30, 2007	2,827	105,611	37,358	—	160
June 30, 2006	—	—	—	—	—

Total and average annual earnings ("valuation pay") are the annualized earnings for the fiscal year ending on the valuation date.

# Actuarial Section

**Public Employees' Retirement System  
Defined Contribution Retirement Plan  
Occupational Death and Disability Solvency Test  
(In thousands)**

Valuation Date	Occupational Death and Disability Aggregate Accrued Liability For:			Occupational Death and Disability Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ —	\$ 5,049	\$ 19,014	100.0%	100.0%	100.0%
June 30, 2014 <sup>1</sup>	—	—	3,627	14,995	100.0	100.0	100.0
June 30, 2013	—	—	3,603	11,373	100.0	100.0	100.0
June 30, 2012	—	—	2,412	9,142	100.0	100.0	100.0
June 30, 2011	—	—	1,949	7,049	100.0	100.0	100.0
June 30, 2010 <sup>1</sup>	—	—	853	4,801	100.0	100.0	100.0
June 30, 2009 <sup>1</sup>	—	—	403	3,138	100.0	100.0	100.0
June 30, 2008	—	—	242	1,288	100.0	100.0	100.0
June 30, 2007	—	—	48	188	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

<sup>1</sup> Change in Assumptions

<b>Public Employees' Retirement System                      Defined Contribution Retirement Plan                      Retiree Medical Solvency Test                      (In thousands)</b>							
Valuation Date	Retiree Medical Aggregate Accrued Liability For:			Retiree Medical Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2015	\$ —	\$ —	\$ 66,473	\$ 44,188	100.0%	100.0%	66.5%
June 30, 2014 <sup>1</sup>	—	—	50,217	26,466	100.0	100.0	52.7
June 30, 2013	—	—	60,282	20,336	100.0	100.0	33.7
June 30, 2012 <sup>1</sup>	—	—	44,509	15,773	100.0	100.0	35.4
June 30, 2011	—	—	11,302	12,009	100.0	100.0	100.0
June 30, 2010 <sup>1</sup>	—	—	7,185	8,767	100.0	100.0	100.0
June 30, 2009 <sup>1</sup>	—	—	3,913	5,475	100.0	100.0	100.0
June 30, 2008 <sup>1</sup>	—	—	1,776	2,719	100.0	100.0	100.0
June 30, 2007	—	—	711	1,067	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A

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

<sup>1</sup> Change in Assumptions

# Actuarial Section

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**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Contribution Retirement Plan**  
**Summary of Plan Provisions and Changes in Plan Provisions**

**1. Effective Date**

July 1, 2006, with amendments through June 30, 2015.

**2. Administration of Plan**

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

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

**3. Employers Included**

Currently there are 159 employers participating in the PERS DCR Plan, including the State of Alaska, and 158 political subdivisions and public organizations.

**4. Membership**

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a participant in the Plan:

- Permanent full-time or part-time employees of the State of Alaska, participating political subdivisions or public organizations. An employee must be regularly scheduled to work 30 or more hours per week to be considered full-time by the PERS. An employee must be regularly scheduled to work 15 or more hours per week but less than 30 hours to be considered a part-time employee for PERS purposes.
- Elected state officials.
- Elected municipal officials who are compensated and receive at least \$2,001.00 per month.

Members can convert to the DCR Plan if they are an eligible nonvested member of the PERS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the PERS DCR.

**5. Member Contributions**

Other than the member-paid premiums show on the next page, there are no member contributions for the occupational death & disability and retiree medical benefits.

**6. Retiree Medical Benefits**

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service for Others members and 25 years of service for Peace Officer/Firefighter members, or b) Medicare eligible and 10 years of service.

**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Contribution Retirement Plan**  
**Summary of Plan Provisions and Changes in Plan Provisions**

- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until the member is Medicare eligible. The member's premium for dependent coverage is 100% until both the member and dependent are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The following is an illustration of the potential medical benefits to be offered. The State Department of Administration has not yet established the provisions of the medical plan to be offered to PERS DCR retirees. An updated design is expected to be determined in 2016. The plan description below is used for valuation purposes and is based on prior communications with the Department of Administration.

<b>Plan Feature</b>	<b>Member Cost Share (In-Network)</b>	<b>Member Cost Share (Out-of-Network)</b>
Deductible (single/family)*	\$250/\$500	
Coinsurance **	20% after deductible	40% after deductible
Maximum Out-of-Pocket* (single/family)	\$2,500/\$5,000	\$5,000/\$10,000
Emergency Room Copay	\$100	\$100
Preventive Care	0% benefit limited to \$2,000/member/year	
Lifetime Max	\$3,000,000 with \$5,000 restore	

\* Assumed to increase annually to mitigate impact of healthcare cost trend

\*\* Includes pharmacy benefits

- The plan's coverage is supplemental to Medicare.
- The premium for Medicare-eligible retirees or for Medicare-eligible dependents of Medicare eligible retirees will be based on the member's years of service. The percentage of premium paid by the member is as follows:

<b>Years of Service</b>	<b>Percent of Premium Paid by Member</b>
Less than 15 years	30.00%
15 – 19	25.00
20 – 24	20.00
25 – 29	15.00
30 years or more	10.00

The premium for dependents who are not eligible for Medicare was assumed to be 100%, consistent with that of the retiree.

**State of Alaska**  
**Public Employees' Retirement System**  
**Defined Contribution Retirement Plan**  
**Summary of Plan Provisions and Changes in Plan Provisions**

Members have a separate defined contribution Health Reimbursement Arrangement account that can be used to pay for premiums or other medical expenses.

- Coverage will continue for surviving spouses of covered retired members.

## 7. Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.
- For Peace Officer and Firefighters there is a Disability Benefit Adjustment such that:
  - The disability benefit is increased by 75% of the cost of living increase in the preceding calendar year or 9%, whichever is less.
  - At the time the disabled member retires, the retirement benefit will be increased by a percentage equal to the total cumulative percentage that has been applied to the disability benefit. Monthly annuity payments are made from the member's contribution balance until the fund is exhausted, at which the plan pays all remaining payments.
- For Others, there is no increase in the occupational disability benefit after commencement.
- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service for Others members or 25 years of service for Peace Officer/Firefighter members.
- Peace Officer/Firefighter members may select the defined contribution account or the monthly benefit payable as if they were retiring under Tier 3 (service continues during disability, final average salary is as of date of disability).
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare-eligible. Medicare-eligible premiums follow the service-based schedule above.

## 8. Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- Survivor's Pension Adjustment: A survivor's pension is increased by 50% of the cost of living increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60 on July 1, or under age 60 if the recipient has been receiving PERS benefits for at least 5 years as of July 1.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

## 9. Changes Since the Prior Valuation

There have been no changes since the prior valuation.