



Alaska Retirement Management Board

P.O. Box 110405
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January 27, 2006

The Honorable Kim Elton
Alaska State Senate
Alaska State Capitol
Juneau, Alaska 99801-1182

Dear Senator Elton:

The Alaska Retirement Management Board (ARMB) received your January 9, 2006 letter at its meeting in Juneau January 12th and 13th. Your interest in addressing the unfunded liabilities of the retirement systems is appreciated by the board as we begin our work on this issue.

You requested comparative data of the cost to PERS and TRS employers of retirement benefits for the new Defined Contribution Plan (referenced as Tier IV in your letter) created by SB141 with costs for Tier III members. The tables below provide an analysis of the FY 2006 normal cost, expressed as a percentage of payroll, required to fund the pension, health and other benefits for Tier III employees and Tier IV employees:

*IF all assumptions
held*

Defined Benefit Plans	Employer Normal Cost		Employee Normal Cost		Total Normal Cost	
	PERS Tier III	TRS Tier II	PERS Tier III	TRS Tier II	PERS Tier III	TRS Tier II
Retirement Benefits	3.51	3.78	6.81	8.65	10.32	12.43
Medical Benefits	7.23	7.93	0.00	0.00	7.23	7.93
Total	10.74	11.71	6.81	8.65	17.55	20.36

% of payroll

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HRA +
medical
death +
disability

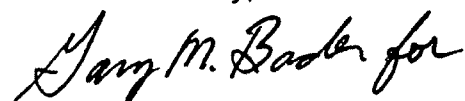
Defined Contribution Plans	Employer Normal Cost		Employee Normal Cost		Total Normal Cost	
	PERS Tier IV	TRS Tier III	PERS Tier IV	TRS Tier III	PERS Tier IV	TRS Tier III
Individual Account	5.00	7.00	8.00	8.00	13.00	15.00
Medical Benefits	4.75	4.75	0.00	0.00	4.75	4.75
Other	0.31	0.22*	0.00	0.00	0.31	0.22*
Total	10.06	11.97	8.00	8.00	18.06	19.97

*Disability and death benefits cost estimate; however, these were not included in the employer contribution statutes for the new TRS DCR plan.

Because the Legislature is seeking to address the unfunded liability of the Public Employees' and Teachers' Retirement Systems, it is important to understand the cost to employers of that liability. To that end, additional comparison information is enclosed for the retirement systems that includes all costs for all tiers.

If there is any additional information we can provide, please don't hesitate to contact the trustees either directly or through our staff.

Sincerely,



Gail R. Schubert, Chair

Enclosure