

**SB**

**148**

SFIN

FILE

# SENATE FINANCE COMMITTEE REPORT

DATE: 4/5/95

FURTHER:

Date of 5-Day Notice: \_\_\_\_\_  
(in accordance with Uniform Rule 23)

DATE TURNED INTO OFFICE: 5-1-95

Finance Committee considered SB 148

Relating to a defined contribution retirement plan for state employees.

*CS to follow*

and recommends:

be replaced with CS SB 148 (FIN)

adopt previous CS \_\_\_\_\_ (\_\_\_\_\_)

attached amendment(s)

adopt Letter of Intent by \_\_\_\_\_ Committee

further referral to the \_\_\_\_\_ Committee

Senate Bill:

same title

new title

House Bill:

same title

technical change

new: SCR\* \_\_\_\_\_

SIGNING/DO PASS	DP	OTHER RECOMMENDATIONS	NR	DNP	AM
<i>Steve Nigz</i>	✓	<i>2008 HED</i>	✓		
		<i>Wayne Doherty</i>		✓	
		<i>Paul H. Henshaw</i>		✓	
Co-Chair <i>Rick Helford</i>	✓				
Co-Chair:					

**NEW FISCAL NOTE(S):**

Department	Date	Zero	Fiscal
<i>Don</i>	<i>4/20/95</i>		<i>115825</i>

**PREVIOUS FISCAL NOTE(S):\***

Department	Date	Zero	Fiscal

APPROPRIATION -- no fiscal note

\*include fiscal notes accompanying Governor's bill

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (RLS)

Revision Date: \_\_\_\_\_  
 Title: "An Act relating to contributions and benefits..."  
 Sponsor: Senate Finance  
 Requestor: \_\_\_\_\_

Department Affected: Administration  
 BRU: Finance  
 Component: Finance  
 COMPONENT SERIAL NO. 59

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	19.1	19.1	19.6	9.8	0.0	0.0
TRAVEL						
CONTRACTUAL						
SUPPLIES						
EQUIPMENT						
LAND & STRUCTURES						
GRANTS, CLAIMS						
MISCELLANEOUS						
<b>TOTAL OPERATING</b>	<b>19.1</b>	<b>19.1</b>	<b>19.6</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>

<b>CAPITAL EXPENDITURES</b>	0	0	0	0	0	0
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<b>CHANGE IN REVENUES ( )</b>	0	0	0	0	0	0
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**FUND SOURCE:** (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	19.1	19.1	19.6	9.8	0.0	0.0
1005 GF/Program Receipts						
1006 GF/MHTIA						
OTHER						
<b>TOTAL</b>	<b>19.1</b>	<b>19.1</b>	<b>19.6</b>	<b>9.8</b>	<b>0.0</b>	<b>0.0</b>

Estimate of any current year (FY 95) cost: \$ -0-

**POSITIONS:**

FULL-TIME						
PART-TIME	1	1	1	1		
TEMPORARY						

**ANALYSIS:** (Attach a separate page if necessary)

See attached.

Prepared by Don Waino, Director *DW*  
 Division Finance

Phone 465-2240  
 Date \_\_\_\_\_

Approved by Commissioner Mark Berry *Mark Berry*  
 Agency Department of Administration

Date 5/2/95

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FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (RLS

The Division of Finance is responsible for verification of employment history and processing of termination pay for all state employees. This includes verifying the length of employment, accounting for all leave without pay during the entire employment with the state and determining salaries for the three highest years. Final and terminal leave pay must be processed in accordance with contractual agreements.

With implementation of a Retirement Incentive Program (RIP) the workload for these functions would be significantly increased and additional support will be required by the Division of Finance to meet processing deadlines. It is estimated a half time Accounting Technician I will be needed in FY 96, 97 and 98 and the first half of FY 99 to accommodate the additional workload generated by the program.

Accounting Technician I,

	FY 96	FY 97	FY 98	FY 99
Range 14 A half time.	19.1	19.1		
Range 14 B half time.			19.6	9.8

POSITION INFORMATION HAS BEEN UPDATED AND FUNDING HAS BEEN UPDATED.

04/18/95

Position Information Inquiry/Update

08:05:01

Position: 02-02#167                      Project: 0 \_\_\_\_\_                      Salary Costs:    13,968.00  
Component: 02-95-04-04-00-00            Region:                                      Benefits Costs:    5,083.57  
Scenario: 2    FY: 96                      COLA % = 0.000                      Total Costs:       19,051.57

.....  
Actuals not available    (Status: UNKNOWN ) |                      Retirement Code:    A  
.....

00/00/00    Step: A for 6.0 months & Step: B for 0.0 months (total: 6.00 )  
0            Merit Date: use merit defaults? N                      ( 0.0 @    & 0.0 @    )  
             Class/Sched Prefix: 2                                      Schedule: 2A (actual:    )  
             Bargaining Unit:    GG                                      Range:       12 (actual:    )  
             Location Code:       AWA                      Place: JUNEAU  
             Job Class Code:       P1210                      Title: ACCOUNTING TECH I \_\_\_\_\_  
             Seasonal Indic.:       P                                      Type:                                      \_\_\_\_\_

.....  
Optional Override Salary Rates:

Monthly Rate: 0.00 \_\_\_\_\_ for 0.0 months & rate of 0.00 \_\_\_\_\_ for 0.0 months  
Hourly Rate: 0.00 \_\_\_\_\_ for 0.0 months                      Frozen at this rate? (Y/N): N

Press ENTER to update record; enter # or use PF key to go to another screen:  
1=Premium pay info    2=Funding info    4=Code Translations    6=Calculations  
7=MISC NEW POS DATA    8=Detail Report    12=Exit w/o update    Selection: 0

PRESS ENTER TO CONTINUE

04/18/95

Personal Services Cost Calculations Detail

08:05:07

Position: 02-02#167	Project: 0	Salary Costs:	13,968.00
Component: 02-95-04-04-00-00	Region:	Benefits Costs:	5,083.57
Scenario: 2 FY: 96	COLA %: 0.000	C.O.L.A. Costs:	0.00
		Total Costs:	19,051.57

Schedule: 2A Range: 12 Step: A & Extra Step:  
 Monthly Base Rate: 2328.00 & Extra Rate: 0.00 ( FROM SALARY SCHEDULE )  
 Base Hourly Rate @ 162.50 Hours Per Month: 14.33 ( FROM SALARY SCHEDULE )

Salary: for 6.0 months	+ COLA	& for 0.0 months	+ COLA	Total
Annual Pay= 13,968.00	0.00	0.00	0.00	13,968.00
Premium Pay= 0.00	0.00			0.00
Totals= 13,968.00	0.00	0.00	0.00	13,968.00

Benefits:	Est. cost	+ COLA	Seas. Ind.= P	Barg. Unit= GG	Ret. Code= A
SBS=	856.23	0.00	SBS rate= 0.06130	* salary: max= 3861.90	
Medicare=	139.68	0.00	Med rate= 0.01000	* salary: max= 99999.99	
Retirement=	1,966.69	0.00	Retirement rate	0.14080	* salary
Variable=	821.31	0.00	Variable benefits rate	0.058800	* salary
Short-term=	0.00	0.00	Nonperm benefits rate	0.000000	* salary
Fixed Ben.=	1,299.66	N/A	6.0 months @ 433.220	& 0.0 @	0.000 /2

# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

Revision Date: \_\_\_\_\_  
 Title: An Act relating to contributions and benefits in the teachers' retirement system and in the public employees'  
 Sponsor: Senate Finance Committee  
 Requestor: \_\_\_\_\_

Department Affected: Administration  
 BRU: Retirement & Benefits  
 Component: Retirement & Benefits  
 COMPONENT SERIAL NO. 54

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	835.5	835.5	635.7	527.7	527.7	527.7
TRAVEL	60.0	60.0	55.0	52.0	52.0	52.0
CONTRACTUAL	1,536.9	931.8	923.9	923.9	923.9	923.9
SUPPLIES	20.4	5.1	3.9	3.9	3.9	3.9
EQUIPMENT	186.0	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

<b>CAPITAL EXPENDITURES</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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<b>CHANGE IN REVENUES ( )</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>
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**FUND SOURCE:** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/MHTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	2,638.8	1,832.4	1,618.5	1,507.5	1,507.5	1,507.5
<b>TOTAL</b>	<b>2,638.8</b>	<b>1,832.4</b>	<b>1,618.5</b>	<b>1,507.5</b>	<b>1,507.5</b>	<b>1,507.5</b>

Estimate of any current year (FY 95) cost: zero

FULL-TIME	10	10	10	10	10	10
PART-TIME	0	0	0	0	0	0
TEMPORARY	9	9	3	0	0	0

**ANALYSIS:** (Attach a separate page if necessary)

The actuarial costs to participating employers due to the retirement incentive program are to be paid up front and no additional costs to the systems are anticipated. An administrative charge for participating employers will cover the increased costs of administering the program.

The cost as a percent of salary for PERS and TRS employees first hired after March 31, 1996 is estimated to be 5.5%. Please refer to the attached graphs for a complete explanation.

Prepared by Robert F. Stalnaker *Robert F. Stalnaker* Phone 465-4470  
 Division Retirement & Benefits Date \_\_\_\_\_

Approved by Commissioner Mark Boyer *Mark Boyer*  
 Agency Department of Administration Date 5/2/95

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## FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RIS)

### ANALYSIS: (continued)

This bill creates a retirement incentive program for the Public Employees' (PERS) and Teachers' (TRS) Retirement Systems. In addition, it allows for separation bonuses for state employees. Authorization of a RIP for State employees could begin as early as June 30, 1995 or as late as June 30, 1998. RIP eligibility periods for state employees would be designated by the Commissioner of Administration. RIP window periods would last from 30-60 days. The University of Alaska may adopt a RIP between June 30, 1995 and June 30, 1998. Participating PERS political subdivision employers may adopt a RIP between October 31, 1995 and October 31, 1996. Active PERS and TRS members could retire on an accelerated basis with an increased benefit under the following conditions: at age 47, if vested; with 17 years of service as a qualified peace officer, fire fighter or teacher; or with 27 years of credited service in the PERS. Before qualifying for an accelerated benefit, however, the member must pay a lump sum indebtedness payment or take an actuarial reduction from their lifetime benefit for the indebtedness amount.

We estimate that ten permanent employees will be needed to manage the operations of the program and increased service demands into the future. Nine long-term non-permanent employees will also be needed over the next two fiscal years, with three of those to remain for the third fiscal year. Personnel will handle increased counseling, address and beneficiary changes, account maintenance, and other services. Subsequent increases in the number of retirees will necessitate increased permanent employees to handle the increased demand for information and services.

We estimate that we will need to increase our normal number of counseling trips by 17 trips over the next two fiscal years to assure that members and employers understand the options and requirements of the programs.

This bill also creates a third tier in the PERS and TRS. The major provisions of the third tier will: 1) lower the employee contribution rate, 2) increase the service based retirement requirements, 3) set the benefit multiplier at one and one-half percent for all years of service, 4) makes dependent medical coverage purchasable by the retiree, 5) eliminates the 66 2/3 last survivor option, and 6) eliminates the Level Income Option for PERS.

However, the biggest change is that tier three, mandatory for state of Alaska and the University of Alaska, is elective for all other employers. Also, when determining employer contribution rates, tier one and two will be determined separately from tier three. Previous changes to the retirement systems have been mandatory.

The total estimated administrative cost to the division by fiscal year is as follows:

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

PERSONAL SERVICES	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
	<u>FY 1996</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1996 COSTS	.....	\$935.5	
	<u>FY 1997</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
4 Retirement & Benefits Tech II (NP)	148.8		
3 Accounting Clerk III (NP)	100.8		
2 Admin Clerk I (NP)	<u>58.2</u>		
TOTAL FY 1997 COSTS	.....	\$935.5	
	<u>FY 1998</u>		
1 Analyst/Programmer IV	\$ 62.4		
2 Accountant III	117.2		
2 Retirement & Benefits Spec II	117.2		
2 Retirement & Benefits Spec I	103.0		
1 Accounting Tech I	45.5		
2 Retirement & Benefits Tech II	82.4		
2 Retirement & Benefits Tech I (NP)	74.4		
1 Accounting Clerk I (NP)	<u>22.6</u>		
TOTAL FY 1998 COSTS	.....		\$527.7

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(RLS)

TRAVEL

Traveling to various locations throughout the state  
to counsel prospective retirees and give seminars.

\$ 60 0                      \$ 60 0                      \$ 55 0

CONTRACTUAL

Communication (Telephone, Postage)

23 4                      23 4                      19 0

Actuarial Services

240 0                      240 0                      240 0

Computer System Upgrades

600 0                      0 0                      0 0

Legal Services

110 0                      110 0                      110 0

Audit Services

40 0                      40 0                      40 0

Lease Space

500 0                      500 0                      500 0

Mainframe Computer Time

15 0                      15 0                      11 5

Software Maintenance

5 1                      0 0                      0 0

Training/Risk Management

3 4                      3 4                      3 4

TOTAL CONTRACTUAL

1,538 9                      931 8                      923 9

SUPPLIES

Office Supplies, Calculators, software

20 4                      5 1                      3 9

EQUIPMENT

Computer Workstations

68 0                      0 0                      0 0

File Cabinets (10)

4 0                      0 0                      0 0

Office Chairs (17)

10 2                      0 0                      0 0

Microfiche Viewers (17)

10 2                      0 0                      0 0

Office Workstations

50 0                      0 0                      0 0

Computer/Network Printers

12 0                      0 0                      0 0

Computer Network Upgrades

21 4                      0 0                      0 0

Telephone Unit (17)

10 2                      0 0                      0 0

Total Equipment

155 0                      0 0                      0 0

TOTAL OPERATIONS COST

\$2,638 8                      \$1,832 4                      \$1,818 5

The retirement technicians, retirement specialists, accounting technicians, and accounting clerks need constant access to the PERS and TRS computer files. We do not have any excess terminals, microfiche viewers, or calculators. Our equipment request will satisfy our equipment needs for the duration of this program. We propose the purchase of personal computers to be used as terminals because they will be compatible with the division's local area network.

We are also proposing the purchase of two additional computer printers. The previous RIFs put a great demand on our existing printers and we were always in a state of backlog. Our current day-to-day printer needs maximize the capacity of our existing printers. After comparing the cost of leasing printers for two years, coupled with our existing needs, purchasing new printers would be more cost effective.

All administrative costs of the program will be paid in advance by participating employers as required by the bill.

Funding Source Breakdown for FY 1996

1029      PERS              \$1,451 3

1034      TRS                1,187 5

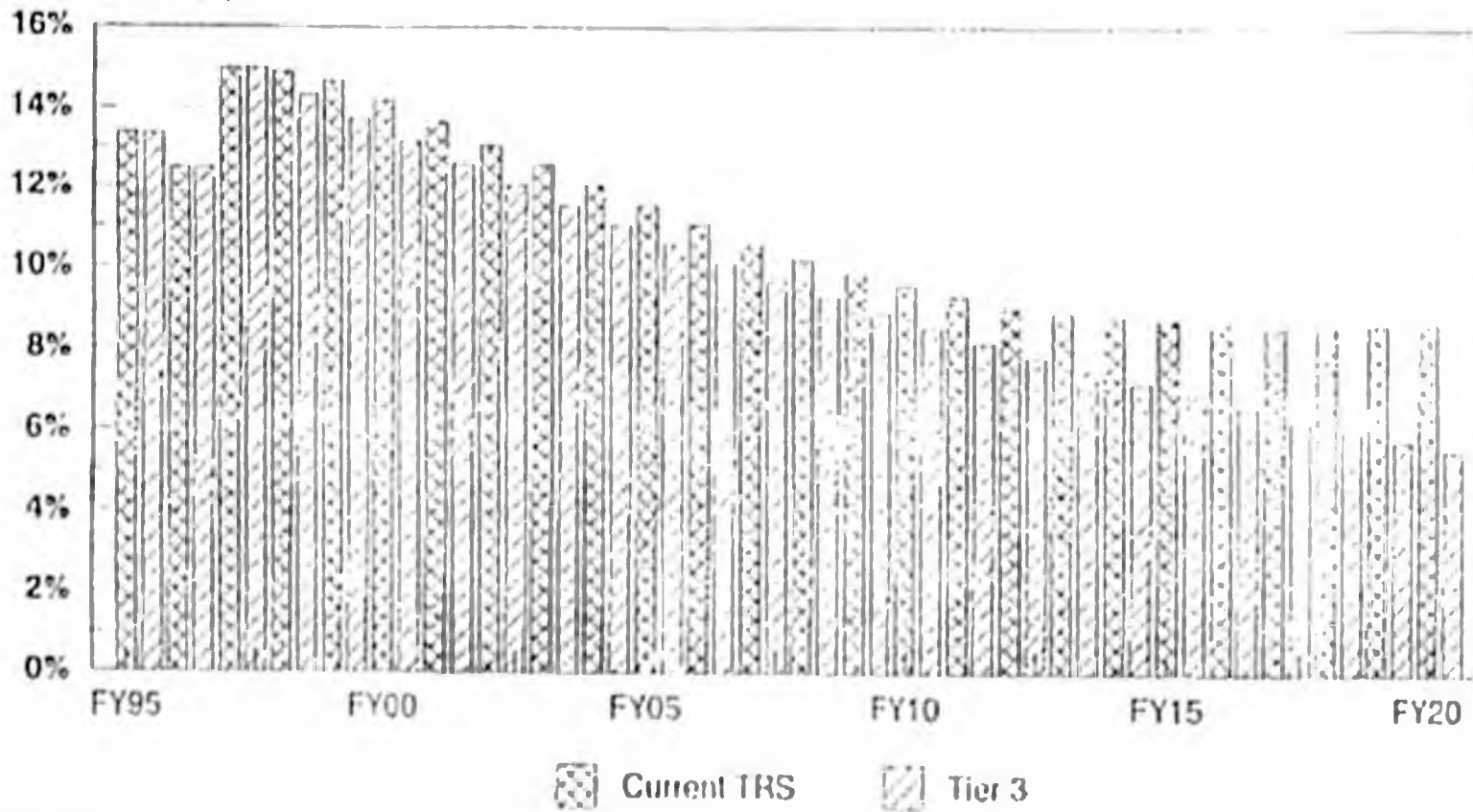
\$2,638 8

# STATE OF ALASKA TRS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



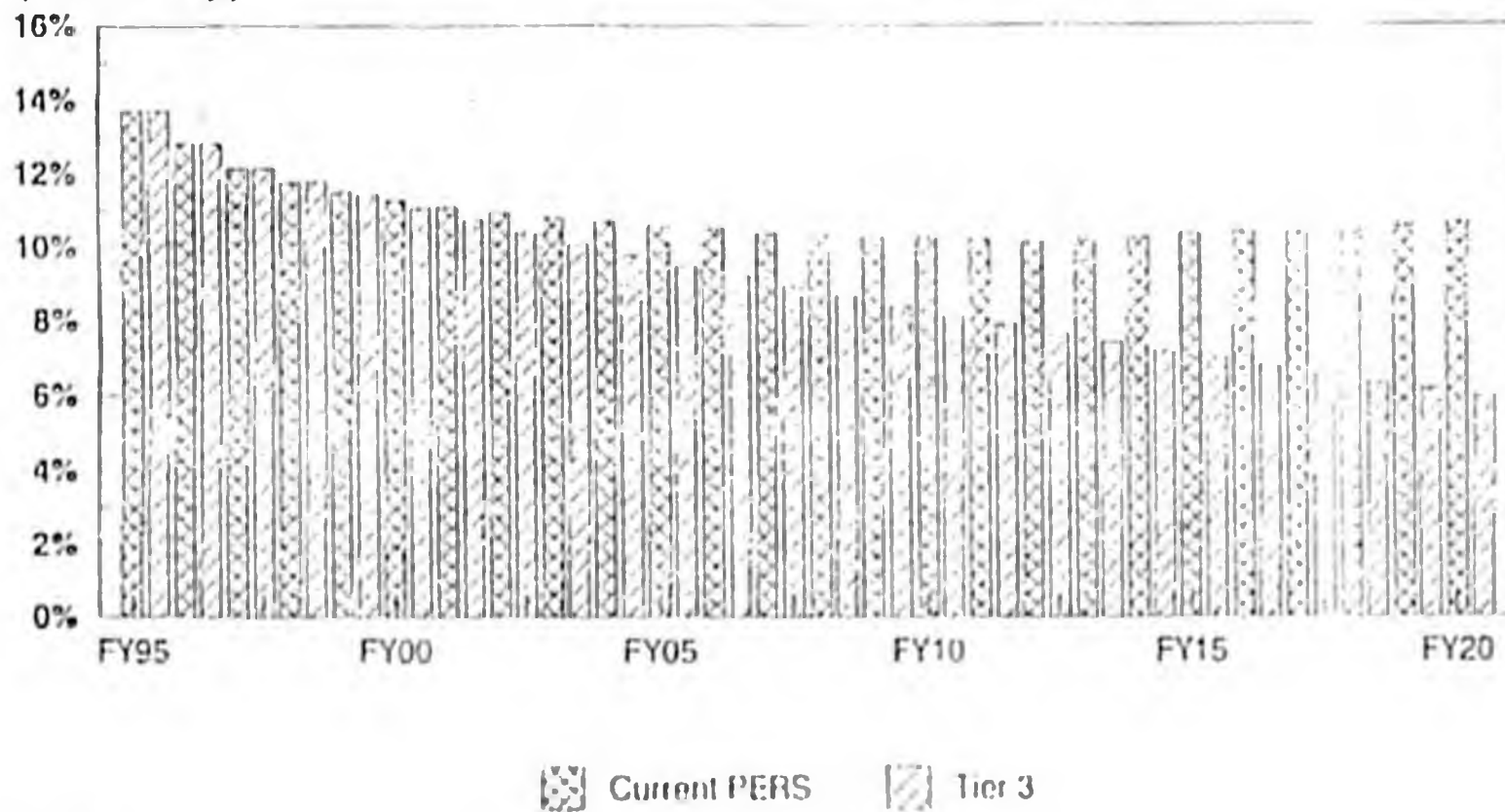
SB111137

# STATE OF ALASKA PERS

## TIER 3 PLAN PROVISIONS

### COMPARISON OF TOTAL EMPLOYER CONTRIBUTION RATES

(% of Pay)



SB111P3

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# FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148 (FIN)  
9-LS0-9416G (4/1/95)

Revision Date \_\_\_\_\_  
Title An Act relating to defined contribution retirement plan for state employees for certain employees of participating  
Sponsor \_\_\_\_\_  
Requestor Senate Finance Committee

Department Affected Administration  
BRU Retirement & Benefits  
Component Retirement & Benefits  
COMPONENT SERIAL NO. 54

**EXPENDITURES/REVENUES:** (Thousands of Dollars)

OPERATING EXPENDITURES	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
PERSONAL SERVICES	309.2	309.2	309.2	309.2	309.2	309.2
TRAVEL	0.0	0.0	0.0	0.0	0.0	0.0
CONTRACTUAL	766.2	766.4	766.4	766.4	766.4	766.4
SUPPLIES	7.2	1.8	1.8	1.8	1.8	1.8
EQUIPMENT	74.2	0.0	0.0	0.0	0.0	0.0
LAND & STRUCTURES	0.0	0.0	0.0	0.0	0.0	0.0
GRANTS, CLAIMS	0.0	0.0	0.0	0.0	0.0	0.0
MISCELLANEOUS	0.0	0.0	0.0	0.0	0.0	0.0
<b>TOTAL OPERATING</b>	<b>1,156.8</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
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CHANGE IN REVENUES ( )	0.0	0.0	0.0	0.0	0.0	0.0
------------------------	-----	-----	-----	-----	-----	-----

**FUND SOURCE:** (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	0.0	0.0	0.0	0.0	0.0	0.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1006 GF/INTIA	0.0	0.0	0.0	0.0	0.0	0.0
OTHER	1,156.8	1,077.4	1,077.4	1,077.4	1,077.4	1,077.4
<b>TOTAL</b>	<b>1,156.8</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>	<b>1,077.4</b>

Estimate of any current year (FY 95) cost: \$ 200

**POSITIONS**

POSITION TYPE	FY 96	FY 97	FY 98	FY 99	FY 00	FY 01
FULL-TIME	?	?	?	?	?	?
PART-TIME						
TEMPORARY						

**ANALYSIS** (Attach a separate page if necessary)

The impact to the state contributions for the Public Employees Retirement System (PERS) and the Defined Contribution Plan are expected to increase over the next 15 years until the effect of new entrants actually decreases the total state contributions - see attached charts on pages 4 & 6 for annual estimated impact. Political subdivisions would likely have similar experience.

Prepared by Robert H. Stanger *Robert H. Stanger* Phone 581-4870  
Division Retirement & Benefits Date \_\_\_\_\_

Approved by Commissioner Walt Boyer *Walt Boyer*  
Agency Department of Administration Date 1/20/95

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FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(FIN)  
9-LS0-9411G (4/11/95)

ANALYSIS (continued)

This bill sets up a defined contribution retirement plan (DCRP) for all state employees first hired on or after January 1, 1996. It also allows political subdivisions (including school districts) and public organizations to voluntarily elect to participate in the DCRP for their employees first hired on or after January 1, 1996 in lieu of participating in the Public Employees' (PERS) or Teachers' (TRS) Retirement Systems. The new DCRP will be administered by the Department of Administration with the Alaska State Pension Investment Board (ASPIB) holding fiduciary responsibility for investments. Under this bill, the TRS will continue as a growing system with new entrants allowed after January 1, 1996, the PERS will become a closed system with no new entrants allowed after January 1, 1996. Under the DCRP both the employee and employer will contribute 7.5% of compensation to a retirement account.

Administrative costs associated with the DCRP include seven employees who will be responsible for collecting and transmitting contributions, auditing accounts, and counseling members on their benefit payout options and authorizing benefit payments. Recordkeeping for investment options will be handled by an outside recordkeeper.

The total estimated administrative cost to the division by fiscal year is as follows:

	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
<b>PERSONAL SERVICES</b>			
<u>FY 1996</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
<b>TOTAL FY 1996 COSTS</b>		<b>\$309.2</b>	
<u>FY 1997</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
<b>TOTAL FY 1997 COSTS</b>		<b>\$309.2</b>	
<u>FY 1998</u>			
1 Accountant IV	\$ 60.7		
1 Accounting Tech II	45.5		
1 Retirement & Benefits Tech III	45.5		
1 Accounting Tech I	41.2		
1 Retirement & Benefits Tech III	41.2		
1 Accounting Clerk III	37.1		
1 Admin Clerk I	32.0		
<b>TOTAL FY 1998 COSTS</b>			<b>\$309.2</b>

FISCAL NOTE

STATE OF ALASKA  
1995 LEGISLATIVE SESSION

BILL NO. CSSB 148(FIN)  
9-LS0-941(G) (4/11/95)

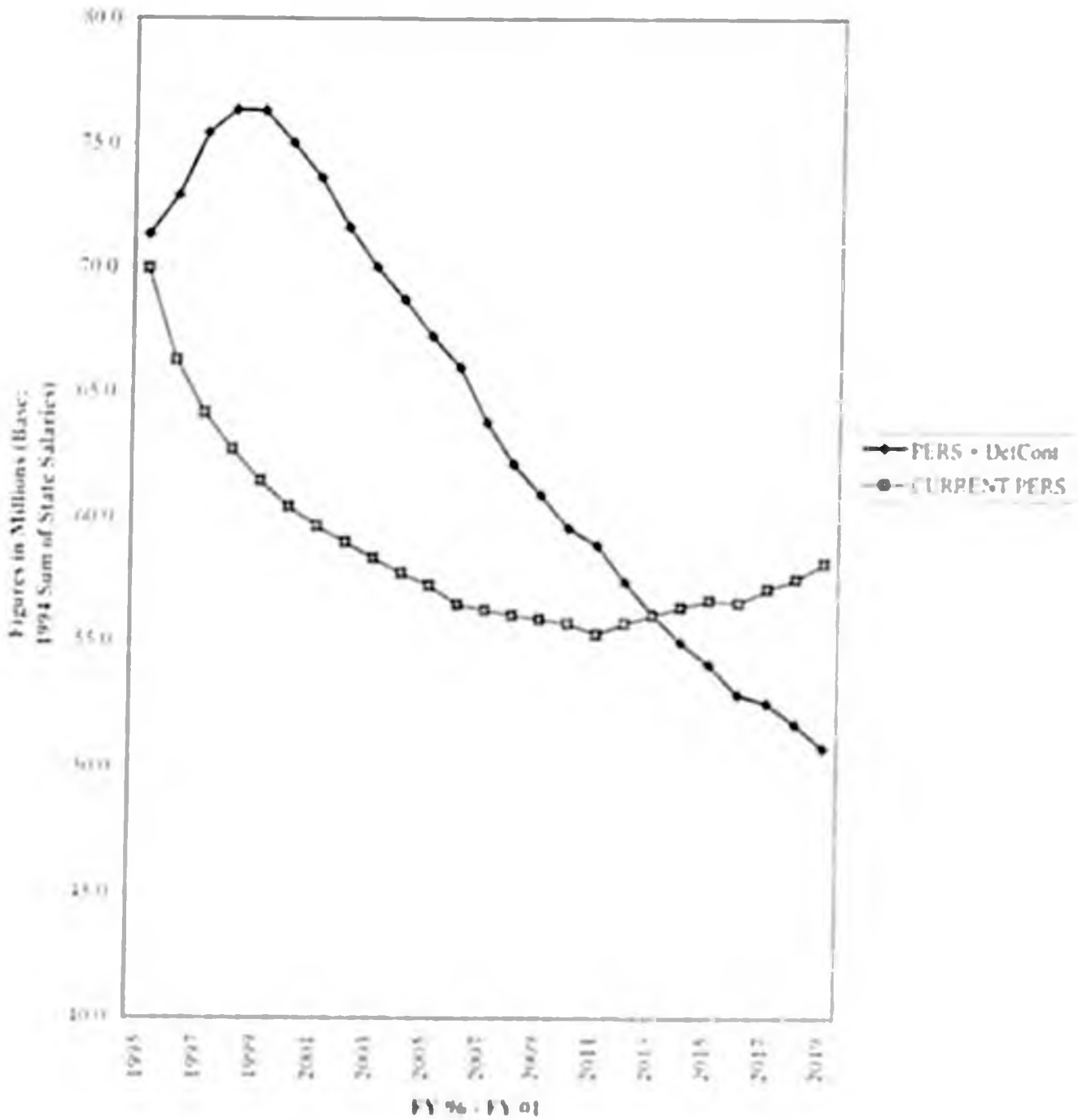
	<u>FY 1996</u>	<u>FY 1997</u>	<u>FY 1998</u>
TRAVEL	\$ 00	\$ 00	\$ 00
CONTRACTUAL			
Contractual (Recordkeeping, Auditing, Consulting)	750 0	750 0	750 0
Communication (Telephone, Postage)	90	90	90
Mainframe Computer Time	53	53	53
Software Maintenance	18		
Training/Risk Management	<u>21</u>	<u>21</u>	<u>21</u>
Total Contractual	768 2	766 4	766 4
SUPPLIES			
Office Supplies, Calculators, software	72	18	18
EQUIPMENT			
Computer Workstations	240	00	00
File Cabinets (6)	24	00	00
Office Chairs (6)	36	00	00
Office Workstations	300	00	00
Computer Network Upgrades	100	00	00
Telephone Unit (6)	<u>42</u>	<u>00</u>	<u>00</u>
Total Equipment	742	00	00
<b>TOTAL OPERATIONS COST</b>	<b>\$1,158 8*</b>	<b>\$1,077 4*</b>	<b>\$1,077 4*</b>

\*Participants in the DCRP will pay the administrative costs of the program.

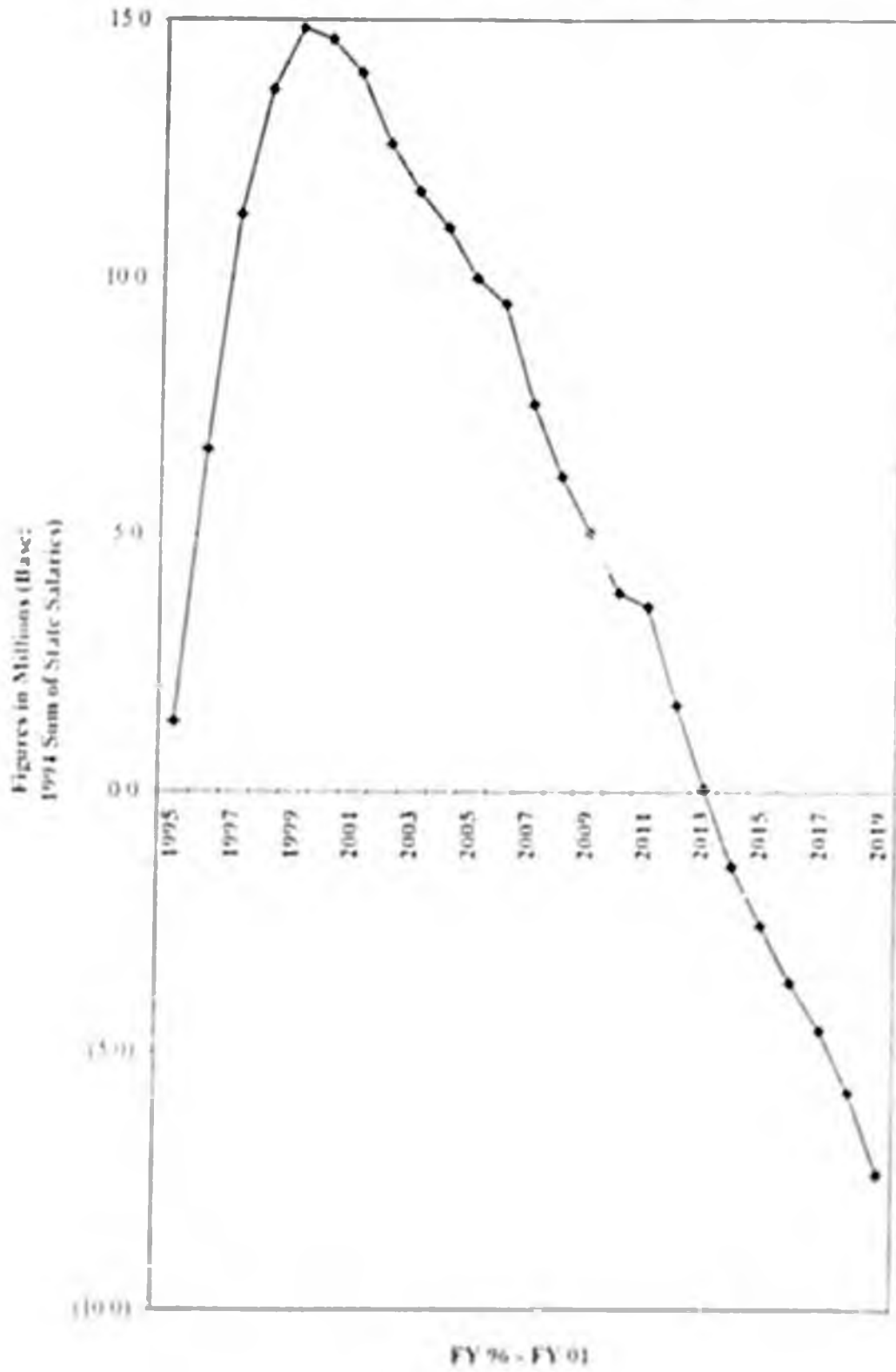
Establishing a new retirement system will have an impact on the future employer contribution rates of the PERS and TRS. The effect of moving the PERS to new entrants will be an increase in the PERS contribution rate over the short term as PERS salaries decline. The overall state contributions in the long term, however, will decrease as the number of participants in the DCRP increases.

The graph on page 4 shows the anticipated amount of employer contributions to the PERS over the next 25 years (assuming no changes to the retirement systems) compared to the anticipated amount of contributions to both the PERS and the DCRP. The graph on page 5 shows the net difference in contribution. In the early years, the total contributions to the PERS and DCRP will be more than continuing the PERS only. The state will begin to see a savings in total contributions in 18 years. The chart on page 6 displays the data used to create the graphs on pages 4 and 5.

**SB 148 - Defined Contribution Plan  
 25-Year Projection: New Plan + Closing PERS vs. Current PERS Only  
 State of Alaska Employees Only**



**SB 148 - Defined Contribution Plan  
 25-Year Projection: Additional Cost/Year  
 State of Alaska Employees Only**



SB 148 - Defined Contribution Plan  
 ADDITIONAL COST OVER CURRENT PERS

YEAR	Employer Rate (Defined Contribution Plan & PERS)		Employer Rate (PERS)		Additional Cost (\$ mil.)
	Cost (\$ mil.)		Cost (\$ mil.)		
1995	13.07%	\$71.3	12.82%	\$70.0	\$1.4
1996	13.36%	\$72.9	12.14%	\$66.3	\$6.7
1997	13.82%	\$75.4	11.76%	\$64.2	\$11.2
1998	13.99%	\$76.4	11.49%	\$62.7	\$13.6
1999	13.98%	\$76.3	11.26%	\$61.5	\$14.8
2000	13.75%	\$75.0	11.07%	\$61.4	\$13.6
2001	13.49%	\$73.6	10.93%	\$59.7	\$14.0
2002	13.12%	\$71.6	10.81%	\$59.0	\$12.6
2003	12.83%	\$70.0	10.69%	\$58.3	\$11.7
2004	12.59%	\$68.7	10.58%	\$57.7	\$11.0
2005	12.32%	\$67.2	10.49%	\$57.3	\$10.0
2006	12.09%	\$66.0	10.35%	\$56.5	\$9.5
2007	11.69%	\$63.8	10.31%	\$56.3	\$7.5
2008	11.39%	\$62.2	10.27%	\$56.0	\$6.1
2009	11.16%	\$60.9	10.24%	\$55.9	\$5.0
2010	10.92%	\$59.6	10.21%	\$55.7	\$3.9
2011	10.79%	\$58.9	10.13%	\$55.3	\$3.6
2012	10.52%	\$57.4	10.21%	\$55.7	\$1.7
2013	10.28%	\$56.1	10.27%	\$56.0	\$0.1
2014	10.07%	\$55.0	10.33%	\$56.4	(\$1.4)
2015	9.91%	\$54.1	10.38%	\$56.7	(\$2.6)
2016	9.67%	\$52.9	10.36%	\$56.5	(\$3.7)
2017	9.63%	\$52.6	10.47%	\$57.1	(\$4.6)
2018	9.48%	\$51.7	10.54%	\$57.5	(\$5.8)
2019	9.31%	\$50.8	10.66%	\$58.2	(\$7.2)

May 1, 1995

TO: T. Cramer

FROM: Norma Strickland  
Senate Finance Committee Sec'y  
Ext. 4935

SUBJECT: CSSB 148 "U" Version

The following Amendments are needed for the final:

- 1) March 1 changed to March 31 throughout document and on page 19, line 8.
- 2) Page 18, line 4, after the word "employees" insert:  
"as part of a permanent reduction in the personal services costs in that section."
- 3) Page 24, Line 8, after the word "research" insert:  
"and does not entitle the individual to receive retirement, health, or leave benefits, except social security replacement if required by IRS code."

If you have any questions, please feel free to contact me. The CS is required as soon as possible. (I had to add that -- yuk)

Thank you,

Norma

# Rieger Amendment:

- ① Pg 19 - Line 8. Change  
March 1 to March 31.
- ② Change March 1 to  
March 31 & Thrust  
Bill.
- ③ Phillips (Tech. Amend to  
Amend #1)  
Adopted
- ④ Darby Amend. Pg 24  
Adopted - see Kuen
- ⑤ Halburd.

#4 to line 8 ~~is~~ <sup>Adopted</sup>

, except Social Security  
replacement if  
required by IRS code

*Adopted 5/1/95*

SENATE FINANCE  
COMMITTEE  
Amendment Number: Am-1  
Bill Number: SB 148  
Sponsor: R. Phillips Date: 5/1/95  
Logged In By: [Signature]

Amendment

TO: CS SB148 (FIN)

By R. Phillips

Page <sup>18</sup> <sup>4</sup> 19, Line 6, after the word "employees" insert:

as part of a permanent reduction in the total ~~number of employees in that~~  
~~agency~~ ~~with~~ ~~section~~  
~~organizational unit~~

*Personal service costs  
Permanent  
that*

*This amendment ties the retirement incentive program to permanent reductions in employees as well as cost savings.*

*Adopted*

*1) 5/1/95  
-TM*

WORK DRAFT

WORK DRAFT

WORK DRAFT

*Rieger Amend. March 1 chg to March 31  
Three out - also pg 19, line 8*

9-LS09411U  
Cramer  
4/30/95

SENATE FINANCE  
COMMITTEE

Amendment Number: *CS-2*  
Bill Number: *SB149*  
Sponsor: *Rieger* Date: *5/1/95*  
Logged In By: *[Signature]*

*Adopted PR  
5/1/95*

*Phillips Tech Amend #1*  
CS FOR SENATE BILL NO. 148( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA

*Donley Amend #3 - pg 24 - line 8*  
NINETEENTH LEGISLATURE - FIRST SESSION

BY *Harford Amend #4 pg 14, line 8*  
Offered:  
Referred:

Sponsors: SENATE FINANCE COMMITTEE.

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contributions and benefits in the teachers' retirement system  
2 and in the public employees' retirement system; relating to the supplemental  
3 benefits system; relating to retirement incentive programs for the public  
4 employees' retirement system, the judicial retirement system, and the teachers'  
5 retirement system; relating to separation incentives for certain state employees;  
6 repealing a provision permitting the National Education Association to participate  
7 in the teachers' retirement system; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 • Section 1. AS 14.25.040(a) is amended to read:

10 (a) Unless a teacher or member has elected to participate in the optional  
11 university retirement program under AS 14.40.661 - 14.40.799, a teacher or member  
12 contracting for service with a participating employer is subject to this chapter. A  
13 school board shall, by resolution, elect whether to participate in the reduction in

1 contributions and benefits enacted by this Act and shall inform the administrator  
2 of its decision. For school boards in existence on January 31, 1996, the board  
3 shall inform the administrator no later than February 1, 1996. A school board  
4 that comes into existence after January 31, 1996, shall inform the administrator  
5 whether it elects to be a participating or nonparticipating employer. A school  
6 board that elects to participate in the reductions may not later revoke its  
7 participation.

8 \* Sec. 2. AS 14.25.050(a) is amended to read:

9 (a) Δ [BEGINNING JANUARY 1, 1991, EACH] teacher who is first hired  
10 on or after March 1, 1996, by the Department of Education, the University of  
11 Alaska, or a participating school district shall contribute to the system an amount  
12 equal to 5.5 percent of the teacher's base salary accrued from July 1 to the  
13 following June 30. A teacher who is first hired before March 1, 1996, or who was  
14 hired by a nonparticipating school district on or after March 1, 1996, shall  
15 contribute to the system an amount equal to 8.65 percent of the teacher's base salary  
16 accrued from July 1 to the following June 30. The employer shall deduct the  
17 contribution from the teacher's salary at the end of each payroll period. The  
18 contributions shall be deducted from employee compensation before the computation  
19 of applicable federal taxes and shall be treated as employer contributions under 26  
20 U.S.C. 414(h)(2).

21 \* Sec. 3. AS 14.25.070 is amended to read:

22 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For employees first  
23 hired before March 1, 1996, and for employees hired after that date by a  
24 nonparticipating school district, an [AN] employer shall contribute to the system an  
25 amount equal to the percentage, as certified by the administrator, of the sum total of  
26 the base salaries of all those teachers that is required in addition to teacher  
27 contributions to provide the benefits of this chapter for those teachers times the sum  
28 total of the base salaries paid to those teachers by the employer. For teachers first  
29 hired on or after March 1, 1996, by the Department of Education, the University  
30 of Alaska, or a participating school district, the percentage that the employer shall  
31 contribute shall be computed under this section with the data that applies to those

1 teachers.

2 • Sec. 4. AS 14.25.110(a) is amended to read:

3 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement  
4 benefit if the member was first hired

5 (1) ~~[WAS FIRST HIRED]~~ before July 1, 1975, has attained the age of  
6 55 years, and has at least 15 years of credited service, the last five of which have been  
7 membership service or is otherwise vested in the system;

8 (2) on or after July 1, 1975, and before March 1, 1996, or after  
9 March 1, 1996, by a nonparticipating school district has attained the age of 60 years  
10 and has at least eight years of membership service;

11 (3) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district has attained the age of 60 years, has at least five  
13 years of membership service, and has at least three years of Alaska BIA service;

14 (4) on or after March 1, 1996, by the Department of Education, the  
15 University of Alaska, or participating school district and

16 (A) has attained the age of 60 years and has at least five  
17 years of membership service; or

18 (B) the sum of the member's age plus the member's years  
19 of membership service equals or exceeds 85;

20 (5) before March 1, 1996, or on or after that date by a  
21 nonparticipating school district and ((4)) has at least 25 years of credited service,  
22 the last five of which have been membership service;

23 (6) before March 1, 1996, or on or after that date by a  
24 nonparticipating school district and ((5)) has at least 20 years of membership  
25 service;

26 (7) before March 1, 1996, or on or after that date by a  
27 nonparticipating school district and ((6)) has at least 20 years of combined  
28 membership service and Alaska BIA service, the last five of which have been  
29 membership service; or

30 (8) before March 1, 1996, or on or after that date by a  
31 nonparticipating school district and ((7)) has, for each of 20 school years,

1 (A) at least one-half year of membership service as a part-time  
2 teacher;

3 (B) one full year of membership service as a full-time teacher;

4 or

5 (C) any combination of service qualified under this paragraph.

6 • Sec. 5. AS 14.25.110(d) is amended to read:

7 (d) The monthly amount of a retirement benefit for a member who has paid  
8 the full amount of any indebtedness is one-twelfth of the member's average base salary  
9 during any three school years of membership service multiplied for members first  
10 hired

11 (1) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district by

13 (A) [(1)] two percent of the years of credited service earned  
14 before June 30, 1990, including credited fractional years, and the years of  
15 credited service through a total of 20 years; plus

16 (B) [(2)] two and one-half percent of the years of credited  
17 service earned after June 30, 1990, that are more than 20 years of total credited  
18 service; or

19 (2) on or after March 1, 1996, by the Department of Education, the  
20 University of Alaska, or a participating school district by one and one-half percent  
21 of the years of credited service.

22 • Sec. 6. AS 14.25.110(j) is amended to read:

23 (j) For teachers first hired before March 1, 1996, or on or after that date  
24 by a nonparticipating school district, an (AN) actuarial adjustment must be made  
25 to benefits payable under (d) of this section for early retirement. For teachers first  
26 hired on or after March 1, 1996, by the Department of Education, the University  
27 of Alaska, or a nonparticipating school district, the monthly amount of a  
28 retirement benefit that would be due under (d) of this section shall be reduced by  
29 multiplying one-half of one percent times the number of months, to the nearest  
30 month, by which the retirement date of the teacher falls short of the date on  
31 which the teacher reaches 60 years of age.

1 \* Sec. 7. AS 14.25.143(a) is amended to read:

2 (a) Once each year, the administrator shall increase benefit payments to

3 (1) eligible disabled members;

4 (2) [, TO] persons age 60 or older receiving benefits under this system  
5 in the preceding calendar year;

6 (3) members who were first hired before March 1, 1996, or on or  
7 after that date by a nonparticipating school district [, AND TO PERSONS] who  
8 have received benefits under this system for at least eight years and who are not  
9 otherwise eligible for an increase under this section; and

10 (4) survivors of members described in (3) of this subsection when  
11 the member and the survivor have together received benefits under this system  
12 for at least eight years.

13 \* Sec. 8. AS 14.25.143(b) is amended to read:

14 (b) The increase in benefit payments applies to total benefit payments except  
15 for the cost-of-living allowance under AS 14.25.142. For members first hired on or  
16 after March 1, 1996, by the Department of Education, the University of Alaska,  
17 or a participating school district, the amount of the increase is the lesser of 50  
18 percent of the increase in the cost-of-living in the preceding calendar year or six  
19 percent. For members first hired before March 1, 1996, or on or after that date  
20 by a nonparticipating school district, the [THE] amount of the increase is a  
21 percentage of the current benefit equal to

22 (1) the lesser of 75 percent of the increase in the cost of living in the  
23 preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
24 years old and for members receiving disability benefits; and

25 (2) the lesser of 50 percent of the increase in the cost of living in the  
26 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
27 less than 65 years old or for recipients who on July 1 are less than 60 years old but  
28 who have received benefits from the system for at least eight years.

29 \* Sec. 9. AS 14.25.167(a) is amended to read:

30 (a) Benefits payable under this section are in place of benefits payable under  
31 AS 14.25.110, 14.25.125, 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164.

1 Upon filing an application for retirement with the administrator, or when a disabled  
2 member becomes eligible for normal retirement under AS 14.25.130(e), the member  
3 shall designate the person who is the member's spouse at the time of appointment to  
4 retirement as the contingent beneficiary. However, if the designation of the spouse is  
5 revoked under (c) of this section, the member may designate a dependent approved by  
6 the administrator as the contingent beneficiary or may take normal or early retirement  
7 under AS 14.25.110 or 14.25.125. The administrator shall pay benefits under the  
8 option elected by the member. The member may elect an option that provides that

9 (1) the member is entitled to receive a reduced benefit payable for life,  
10 and, after the member's death, the contingent beneficiary is entitled to receive  
11 payments in the amount of 75 percent of the reduced benefit for life;

12 (2) the member is entitled to receive a reduced benefit payable for life,  
13 and, after the member's death, the contingent beneficiary is entitled to receive  
14 payments in the amount of 50 percent of the reduced benefit for life; or

15 (3) for members first hired before March 1, 1996, or on or after  
16 that date by a nonparticipating school district, the member is entitled to receive a  
17 reduced benefit payable during the joint lifetime of the member and the contingent  
18 beneficiary, and, after the death of either the member or the contingent beneficiary, the  
19 survivor is entitled to receive payments in the amount of 66-2/3 percent of the reduced  
20 benefit for life.

21 \* Sec. 10. AS 14.25.168(d) is amended to read:

22 (d) A benefit recipient may elect major medical insurance coverage in  
23 accordance with regulations and under the following conditions:

24 (1) a person who is younger than 60 years of age must pay an amount  
25 equal to the full monthly group premium for retiree major medical insurance coverage;

26 (2) a person who is at least 60 years of age but is younger than 65  
27 years of age must pay an amount equal to one-half of the full monthly group premium  
28 for retiree major medical insurance coverage;

29 (3) a disabled member or a person 65 years of age or older is not  
30 required to make premium payments;

31 (4) a benefit recipient who was first hired on or after March 1,

1 1996, by the Department of Education, University of Alaska, or a participating  
 2 school district who is electing major medical insurance coverage for dependents  
 3 eligible under (a)(2) or (3) of this section shall pay the full cost of that insurance.

4 \* Sec. 11. AS 14.25.220(42) is amended to read:

5 (42) "vested member" or "vested teacher" means an active member who  
 6 has completed either

7 (A) 15 years of service, the last five of which have been  
 8 membership service, for a member first hired before July 1, 1975;

9 (B) eight years of membership service if the member was first  
 10 hired before March 1, 1996, or on or after that date by a nonparticipating  
 11 school district;

12 (C) five years of membership and three years of BLA service if  
 13 the member was first hired before March 1, 1996, or on or after that date  
 14 by a nonparticipating school district; (OR)

15 (D) 12 school years of part-time membership service or 12  
 16 school years in each of which the member earned either part-time or full-time  
 17 membership service; or

18 (E) five years of membership service if the member was first  
 19 hired on or after March 1, 1996, by the Department of Education,  
 20 University of Alaska, or a participating school district;

21 \* Sec. 12. AS 14.25.220 is amended by adding new paragraphs to read:

22 (44) "nonparticipating school district" means a school district that has  
 23 chosen under AS 14.25.040(a) not to participate in the amendments to this chapter and  
 24 AS 39.35 that reduce retirement contribution rates and benefits;

25 (45) "participating school district" means a school district that has  
 26 chosen under AS 14.25.040(a) to participate in the amendments to this chapter and  
 27 AS 39.35 that reduce retirement contribution rates and benefits.

28 \* Sec. 13. AS 39.30.150(a) is amended to read:

29 (a) In place of contributions to the federal social security system that would  
 30 have been required on behalf of an employee had the participating employer belonged  
 31 to the social security system, the participating employer shall pay [CONTRIBUTE] an

1 amount equal to 6.13 percent of the wages of the employee up to the taxable wage  
2 base then in effect in the social security system as the employee contribution. This  
3 contribution shall (MUST) be paid into an individual employee annuity account in the  
4 Department of Administration under the terms of the State of Alaska Supplemental  
5 Annuity Plan. For employees who first become members under AS 39.35 (public  
6 employees' retirement system) before March 1, 1996, and for employees of  
7 nonparticipating employers, the employer (THE DEPARTMENT) shall pay 6.13  
8 percent of the wages of the employee up to the taxable wage base then in effect in the  
9 social security system into the individual employee annuity account established under  
10 this subsection as the employer contribution. For employees who first become  
11 members under AS 39.35 on or after March 1, 1996, except for employees of  
12 nonparticipating employers, the percentage that the employer contributes as the  
13 employer contribution is the percentage that results from subtracting the  
14 percentage of the employer contribution for the employee under AS 39.35.250  
15 from 12.5 percent. This wage reduction shall (MUST) be treated as an employer  
16 contribution under 26 U.S.C. 414(h)(2). All costs of establishing and administering  
17 the programs established under AS 39.30.150 - 39.30.180 shall (MUST) be paid from  
18 the amounts available in (CONTRIBUTIONS MADE TO) the individual employee  
19 annuity accounts under this section. In this subsection, "nonparticipating  
20 employer" has the meaning given in AS 39.35.680.

21 • Sec. 14. AS 39.35.160(a) is amended to read:

22 (a) Δ (BEGINNING JANUARY 1, 1987, EACH) peace officer or fire fighter  
23 who is first hired on or after March 1, 1996, other than an employee of a  
24 nonparticipating employer, shall contribute to the system an amount equal to six  
25 percent of the peace officer's or fire fighter's compensation. A peace officer or  
26 fire fighter who is first hired before March 1, 1996, or who is an employee of a  
27 nonparticipating employer, shall contribute to the system an amount equal to seven  
28 and one-half percent of the peace officer's or fire fighter's compensation. Except for  
29 employees of nonparticipating employers, each (BEGINNING JANUARY 1, 1987,  
30 EACH) other employee who is first hired on or after March 1, 1996, shall  
31 contribute to the system an amount equal to five and one-half percent of the

1 employee's compensation. Each other employee who is first hired before  
2 March 1, 1996, or on or after that date by a nonparticipating employer shall  
3 contribute to the system an amount equal to six and three-quarters percent of the  
4 employee's compensation. The contributions shall be deducted by the employer at the  
5 end of each payroll period. The contributions shall be deducted from employee  
6 compensation before computation of applicable federal taxes, and the contributions  
7 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

8 \* Sec. 15. AS 39.35.250 is amended to read:

9 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

10 (a) An employer shall make contributions to the system in amounts determined in  
11 accordance with this section. For the purposes of this section, the past service date for  
12 each employer for employees first hired before March 1, 1996, and for employees  
13 hired on or after that date by nonparticipating employers is the entry date of the  
14 employer or December 31, 1972, whichever is later. The past service date for  
15 employees first hired on or after March 1, 1996, other than employees of  
16 nonparticipating employers, is the entry date of the employer or March 1, 1996,  
17 whichever is later. After December 31, 1972, if amendments to this chapter are  
18 enacted that substantially affect benefits accrued before the effective date of the  
19 amendment, the past service date will be changed to December 31 of the year  
20 immediately preceding that in which the amendment is enacted. The contribution rate  
21 for employees first hired before March 1, 1996, and for employees hired on or  
22 after that date by nonparticipating employers is the sum of the consolidated  
23 employer rate for those employees and the past service rate that applies to those  
24 employees. The contribution rate for employees first hired on or after March 1,  
25 1996, other than employees of nonparticipating employers, is the sum of the  
26 consolidated employer rate for those employees and the past service rate that  
27 applies to those employees.

28 (b) In (a) of this section, "consolidated employer rate" for employees first  
29 hired before March 1, 1996, and for employees hired on or after that date by  
30 nonparticipating employers means the percentage of compensation of all those active  
31 employees in the system which, if paid over the period of their credited service after

1 the (THEIR) past service date of those employees and when combined with all  
2 employee contributions from those employees, is sufficient to provide the benefits  
3 earned after such past service dates. This percentage is uniformly determined for all  
4 employers for employees first hired before March 1, 1996, and for employees hired  
5 on or after that date by nonparticipating employers and is applicable to each  
6 employer. The consolidated employer rate for employees first hired on or after  
7 March 1, 1996, other than employees of nonparticipating employers, shall be  
8 separately determined under this subsection with the data that applies to those  
9 employees.

10 (c) In (a) of this section, "past service rate" for employees first hired before  
11 March 1, 1996, and for employees hired on or after that date by nonparticipating  
12 employers means the percentage of compensation of all those active employees in the  
13 system necessary to provide the annual amount required to amortize the unfunded  
14 obligations of the employer for benefits earned by those employees before the  
15 employer's past service date over a period not to exceed 40 years. The period of  
16 amortization begins at the past service date of each employer. The percentage is  
17 separately determined for each employer. The past service rate for employees first  
18 hired on or after March 1, 1996, and employees hired on or after that date by  
19 nonparticipating employers shall be separately determined under this subsection  
20 with the data that applies to those employees.

21 \* Sec. 16. AS 39.35.370(a) is amended to read:

22 (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal  
23 retirement benefit

24 (1) at age 60 with at least five years credited service; [.] or

25 (2) with at least 20 years of credited service as a peace officer or fire  
26 fighter for peace officers or fire fighters first hired before March 1, 1996, or hired  
27 on or after that date by a nonparticipating employer; [ OR ]

28 (3) with at least 25 years of credited service as a peace officer or  
29 fire fighter for peace officers and fire fighters first hired on or after March 1,  
30 1996, other than employees of nonparticipating employers;

31 (4) with at least 30 years of credited service for all other employees if

1 the employee was first hired before March 1, 1996, or if the employee was hired  
2 on or after that date by a nonparticipating employer; or

3 (5) with a combination of age and years of credited service equal  
4 to or greater than 85.

5 \* Sec. 17. AS 39.35.370(b) is amended to read:

6 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early  
7 retirement benefit at age 55 with at least five years credited service. For employees  
8 first hired before March 1, 1996, and for employees hired on or after that date  
9 by nonparticipating employers, an [AN] actuarial adjustment must be made to  
10 retirement benefits paid under this section for an early retirement benefit. For  
11 employees first hired on or after March 1, 1996, other than employees of  
12 nonparticipating employers, the monthly amount of a retirement benefit that  
13 would be due under (c) of this section shall be reduced by multiplying one-half  
14 of one percent times the number of months, to the nearest month, by which the  
15 retirement date of the employee falls short of the date that the employee reaches  
16 age 60.

17 \* Sec. 18. AS 39.35.370(c) is amended to read:

18 (c) For employees first hired on or after March 1, 1996, other than for  
19 employees of nonparticipating employers, the monthly amount of a retirement  
20 benefit is one and one-half percent of the average monthly compensation times the  
21 years of credited service. The monthly amount of a retirement benefit for a peace  
22 officer or fire fighter first hired before March 1, 1996, and for a peace officer or  
23 fire fighter hired on or after that date by a nonparticipating employer, is two  
24 percent of the average monthly compensation times the years of credited service  
25 through 10 years, plus two and one-half percent of the average monthly compensation  
26 times the years of service over 10 years. For all other employees first hired before  
27 March 1, 1996, and for other employees of nonparticipating employers first hired  
28 on or after that date, it is

29 (1) two percent of the average monthly compensation times all years  
30 of service before July 1, 1986, and for years of service through a total of 10 years;  
31 plus

1 (2) two and one-quarter percent of the average monthly compensation  
2 times all years of service after June 30, 1986, over 10 years of total service through  
3 20 years; plus

4 (3) two and one-half percent of the average monthly compensation  
5 times all years of service after June 30, 1986, over 20 years of total service.

6 \* Sec. 19. AS 39.35.450(a) is amended to read:

7 (a) Benefits payable under this section are in place of benefits payable under  
8 AS 39.35.370, 39.35.385, and 39.35.460. Upon filing an application with the  
9 administrator or when a disabled employee first attains eligibility for normal retirement  
10 under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the person who  
11 is the employee's spouse at the time of appointment to retirement as the contingent  
12 beneficiary. However, if the designation of the spouse is revoked under (c) of this  
13 section, the employee may designate a dependent approved by the administrator as the  
14 contingent beneficiary or may take normal or early retirement under AS 39.35.370 or  
15 39.35.385 or a level income option under AS 39.35.460. The administrator shall pay  
16 benefits under the option elected by the employee. The employee may elect an option  
17 that provides that

18 (1) the employee is entitled to receive a reduced benefit payable for  
19 life, and, after the employee's death, the contingent beneficiary is entitled to payments  
20 in the amount of 75 percent of the reduced benefit payable for life;

21 (2) the employee is entitled to receive a reduced benefit payable for  
22 life, and, after the employee's death, the contingent beneficiary is entitled to receive  
23 payments in the amount of 50 percent of the reduced benefit payable for life;

24 (3) for employees first hired before March 1, 1996, or hired on or  
25 after that date by a nonparticipating employer, the employee is entitled to receive  
26 a reduced benefit payable during the joint lifetime of the employee and the contingent  
27 beneficiary, and, after the death of either the employee or the contingent beneficiary,  
28 the survivor is entitled to receive payments in the amount of 66 2/3 percent of the  
29 reduced benefit payable for life.

30 \* Sec. 20. AS 39.35.460 is amended to read:

31 Sec. 39.35.460. LEVEL INCOME OPTION. For an employee first hired

1 before March 1, 1996, or hired on or after that date by a nonparticipating  
2 employer, if (IF) the payment of a retirement pension begins before age 65, the  
3 amount of pension payable before and after that age may be adjusted so that an  
4 increased amount will be paid before the time that full social security benefits become  
5 available and a reduced amount after that time, so that the employee may receive a  
6 more level income for life. The aggregate value of all adjusted payments may not  
7 exceed the actuarial equivalent of the value of the pension otherwise payable to the  
8 employee.

9 • Sec. 21. AS 39.35.475(a) is amended to read:

10 (a) Once each year the administrator shall increase benefit payments to

11 (1) eligible disabled members;

12 (2) [ . TO] persons age 60 or older receiving benefits under this system  
13 in the preceding calendar year;

14 (3) members who were first hired before March 1, 1996, or who  
15 were hired on or after that date by a nonparticipating employer, [AND TO  
16 PERSONS] who have received benefits under this system for at least five years and  
17 who are not otherwise eligible for an increase under this section; and

18 (4) survivors of members described in (3) of this subsection when  
19 the member and the survivor have together received benefits under this system  
20 for at least five years.

21 • Sec. 22. AS 39.35.475(b) is amended to read:

22 (b) The increase in benefit payments applies to total benefit payments except  
23 for the cost-of-living allowance under AS 39.35.480. For members first hired on or  
24 after March 1, 1996, other than employees of a nonparticipating employer, the  
25 amount of the increase is a percentage of the current benefit equal to the lesser  
26 of 50 percent of the increase in the cost of living in the preceding calendar year  
27 or six percent. For members first hired before March 1, 1996, or hired on or  
28 after that date by a nonparticipating employer, the [THE] amount of the increase  
29 is a percentage of the current benefit equal to

30 (1) the lesser of 75 percent of the increase in the cost of living in the  
31 preceding calendar year or nine percent, for recipients who on July 1 are at least 65

1 years old and for members receiving disability benefits: and

2 (2) the lesser of 50 percent of the increase in the cost of living in the  
3 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
4 less than 65 years old or for recipients who are less than 60 years old on July 1 but  
5 who have received benefits from the system for at least five years.

6 \* Sec. 23. AS 39.35.535(c) is amended to read:

7 (c) A benefit recipient may elect major medical insurance coverage in  
8 accordance with regulations and under the following conditions:

9 (1) a person who is younger than 60 years of age must pay an amount  
10 equal to the full monthly group premium for retiree major medical insurance coverage;

11 (2) a person who is at least 60 years of age but is younger than 65  
12 years of age must pay an amount equal to one-half of the full monthly group premium  
13 for retiree major medical insurance coverage;

14 (3) a disabled member or a person 65 years of age or older is not  
15 required to make premium payments;

16 (4) a benefit recipient who is first hired on or after March 1, 1996,  
17 other than a recipient receiving benefits through a nonparticipating employer,  
18 who is electing major medical insurance coverage for dependents eligible under  
19 (a)(2) and (3) of this section shall pay the full cost of that insurance.

20 \* Sec. 24. AS 39.35 is amended by adding a new section to read:

21 Sec. 39.35.565. PARTICIPATION IN REDUCED CONTRIBUTIONS AND  
22 BENEFITS. A political subdivision or public organization participating in the system  
23 on January 31, 1996, shall, by resolution, elect whether to participate in the reduction  
24 in contributions and benefits enacted by this Act and shall inform the administrator of  
25 its decision no later than February 1, 1996. A political subdivision or public  
26 organization that becomes an employer in the system on or after February 1, 1996,  
27 shall inform the administrator whether it has elected to be a nonparticipating employer.  
28 A political subdivision or public organization that is an employer in the system that  
29 elects to participate in the reductions may not later decide to participate in the system  
30 as it existed before amendment by this Act.

31 \* Sec. 25. AS 39.35.680 is amended by adding a new paragraph to read:

1 (41) "nonparticipating employer" means a political subdivision or public  
2 organization that is an employer under this system that has chosen under AS 39.35.565  
3 not to participate in the amendments to this chapter enacted in this Act.

4 \* Sec. 26. FINDINGS AND PURPOSE AS TO SECS. 26 - 40. The State of Alaska and  
5 many local governments and school districts are facing the need to restructure their operations  
6 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
7 separation incentives are management tools that have been used extensively by the private  
8 sector, the federal government, and other state and local governments across the country. The  
9 purpose of secs. 26 - 40 of this Act is to make these management tools temporarily available  
10 to the state and to the municipalities and school districts of the state. Sections 26 - 40 of this  
11 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
12 nonessential positions, and producing a net reduction in personnel costs.

13 \* Sec. 27. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
14 retirement incentive plan under secs. 28 - 31 of this Act, as appropriate, and designate  
15 categories of employees eligible to participate in that plan. An employer need not extend the  
16 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
17 the plan only to employees

18 (1) in specific budget or administrative components of the employer;

19 (2) in specific job classifications;

20 (3) in specific geographic locations; or

21 (4) on the basis of any combination of factors under (1) - (3) of this  
22 subsection.

23 (b) An employee is eligible to participate in a retirement incentive plan under secs.  
24 26 - 40 of this Act only if the

25 (1) employee is a vested member of the public employees' retirement system  
26 or the teachers' retirement system;

27 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
28 after receipt of the credit described in (f) of this section;

29 (3) savings to the employer in personal services costs for the employee's  
30 position will exceed the costs to the employer for that position within three years after the  
31 employee is appointed to retirement.

1 (c) An employer shall file its proposed retirement incentive plan with the  
2 commissioner of administration. The commissioner shall approve the plan if the plan meets  
3 the requirements of secs. 26 - 40 of this Act, except that the commissioner may approve a  
4 state agency's retirement incentive plan only if the office of management and budget approves  
5 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
6 section must

7 (1) identify job classifications of employees, and specific budget or  
8 administrative components, eligible to participate in the plan;

9 (2) include a reimbursement agreement that

10 (A) requires the employer, for each employee who retires under the  
11 plan, to reimburse the appropriate retirement system, within three years after the end  
12 of the fiscal year in which the employee is appointed to retirement, in an amount equal  
13 to

14 (i) the actuarial equivalent of the difference between the benefits  
15 the participant receives after the addition of the credit under (f) of this section  
16 and the amount the participant would have received without the credit, less the  
17 amount the participant has paid on the indebtedness determined under (d) or (e)  
18 of this section; and

19 (ii) an appropriate share of the administrative costs of the  
20 program; and

21 (B) provides that contributions from the employer under this section  
22 take priority over other obligations of the employer to the maximum extent permitted  
23 by law.

24 (d) A member of the teachers' retirement system who participates in an approved  
25 retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system for an  
26 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
27 actual compensation for the school year in which the member terminates employment, or the  
28 calculated school year compensation for a member who works less than the entire school year.  
29 An outstanding indebtedness at the time a member is appointed to retirement under an  
30 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
31 that member.

1 (e) A member of the public employees' retirement system who participates in an  
2 approved retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system  
3 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
4 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
5 annual compensation for the year in which the member terminates employment, or the  
6 calculated annual compensation for a member who works fewer than 12 months. An  
7 outstanding indebtedness at the time a member is appointed to retirement under an approved  
8 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
9 member.

10 (f) An employee who participates in an approved retirement incentive plan under secs.  
11 26 - 40 of this Act receives a credit of three years. The three years must be applied in the  
12 following order until exhausted:

13 (1) to meet the age or service required for eligibility for normal retirement  
14 under AS 14.25.110 or AS 39.35.370, as appropriate;

15 (2) to meet the age required for early retirement under AS 14.25.110 or  
16 AS 39.35.370, as appropriate;

17 (3) to reduce the actuarial adjustment required for early retirement under  
18 AS 14.25.110 or AS 39.35.370, as appropriate;

19 (4) as years of credited service for calculating retirement benefits.

20 (g) In this section,

21 (1) "department" means

22 (A) a principal department of the executive branch of state government;  
23 an independent state entity that is attached to a principal department of the executive  
24 branch for administrative purposes but that is not a public organization as defined in  
25 AS 39.35.680 is part of that department for purposes of this paragraph; and

26 (B) the Office of the Governor;

27 (2) "employer"

28 (A) for purposes of a retirement incentive plan under AS 14.25, means  
29 the Board of Regents of the University, the Department of Education, or the Regional  
30 Resource Center; and

31 (B) for purposes of a retirement incentive plan under AS 39.35, has the

1 meaning given in AS 39.35.680 and includes a department.

2 \* Sec. 28. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

3 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
4 a proposed retirement incentive plan for its employees.

5 (b) Upon the request of a state agency, the commissioner of administration shall  
6 establish one or more periods during which the employees of that state agency who are  
7 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
8 the commissioner of administration to participate in the state agency's approved plan. The  
9 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
10 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
11 begin less than 30 days after their establishment. A state agency is not required to request an  
12 application period, and may request more than one application period.

13 (c) A proposed retirement incentive plan adopted under this section may not permit  
14 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
15 commissioner, or assistant commissioner of a principal department of the executive branch to  
16 participate in the plan.

17 (d) A proposed retirement incentive plan adopted under this section may permit  
18 participation only by an employee who is eligible to participate under sec. 27(b) of this Act  
19 and who

20 (1) has been continuously employed by the state for at least one year before  
21 the employee applies to participate in the state agency's approved plan;

22 (2) is a permanent seasonal employee who has been continuously employed  
23 by the state in a permanent seasonal position during all of the time in the one year before the  
24 employee's application to participate in which the position normally is filled;

25 (3) has a job sharing agreement with a state agency in which two or more  
26 employees share a single position identified by a single position control number and in which  
27 the employee who applies to participate in the plan was continuously employed by the agency  
28 during the portion of the one year before the employee's application in which the employee  
29 normally worked under the job sharing agreement; or

30 (4) meets a combination of the requirements of this subsection.

31 (e) The commissioner of administration may not accept the application of an employee

1 to participate in an approved retirement incentive plan adopted under this section unless the  
2 employee will be appointed to retirement not later than the first day of the month that is six  
3 months after the last day of the application period established by the commissioner under (b)  
4 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
5 by which an employee must be appointed to retirement in order to participate in the plan.

6 (f) A state agency that has adopted a retirement incentive plan for its employees may  
7 not appoint a person to fill a vacant position in a category of position that was included in the  
8 plan until after March <sup>31</sup> X, 1996, unless

9 (1) the governor submits a notice to the Legislative Budget and Audit  
10 Committee of the intended appointment to the position for the committee's review;

11 (2) 45 days elapse before the appointment to the vacancy is made unless the  
12 committee earlier recommends that the agency appoint a person to fill the position; and

13 (3) if, within the 45 days, the committee recommends that the vacancy not be  
14 filled, the governor reviews the request to fill the position and determines to authorize the  
15 hiring, in which case the governor shall provide the committee with a statement of the reasons  
16 for the authorization before the appointment to the position is made.

17 (g) In this section, "committee" means the Legislative Budget and Audit Committee.

18 \* Sec. 29. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
19 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
20 may adopt, and file with the commissioner of administration for approval, a proposed  
21 retirement incentive plan for university employees.

22 (b) Upon the request of the Board of Regents, the commissioner of administration  
23 shall establish one or more periods during which the employees of the university who are  
24 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
25 the commissioner of administration to participate in the university's approved plan. The  
26 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
27 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
28 begin less than 30 days after their establishment. The Board of Regents is not required to  
29 request an application period, and may request more than one application period.

30 (c) The commissioner of administration may not accept the application of an employee  
31 to participate in an approved retirement incentive plan adopted under this section unless the

1 employee will be appointed to retirement not later than the first day of the month that is six  
2 months after the last day of the application period established by the commissioner under (b)  
3 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
4 date by which an employee of the University of Alaska must be appointed to retirement in  
5 order to participate in the plan.

6 (d) A participant in the optional university retirement program under AS 14.40.661 -  
7 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
8 system may participate in a retirement incentive plan for that system if the participant meets  
9 the other qualifications of secs. 26 - 40 of this Act. If a provision of this subsection is  
10 inconsistent with another provision of law, the provision of this subsection governs.

11 \* Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
12 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The  
13 governing body of a political subdivision of the state or public organization that has elected  
14 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
15 adopt, and file with the commissioner of administration for approval, a proposed retirement  
16 incentive plan for its employees. Upon the request of the governing body, the commissioner  
17 of administration shall establish one or more periods during which the employees of a political  
18 subdivision or public organization who are eligible to participate in a retirement incentive plan  
19 may apply to the commissioner of administration to participate in the approved plan. The  
20 periods shall begin no earlier than October 31, 1995, and end no later than October 31, 1998.  
21 The periods shall be no less than 30 days and no more than 60 days in duration, and may not  
22 begin less than 60 days after their establishment. The governing body is not required to  
23 request an application period, and may request more than one application period.

24 (b) The commissioner of administration may not accept the application of an employee  
25 to participate in an approved retirement incentive plan adopted under this section unless the  
26 employee will be appointed to retirement not later than the first day of the month that is six  
27 months after the last day of the application period established by the commissioner under (a)  
28 of this section. The governing body of the political subdivision or public organization, in a  
29 plan adopted under this section, may set an earlier date by which an employee must be  
30 appointed to retirement in order to participate in the plan.

31 \* Sec. 31. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF

1 REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)  
2 A regional resource center that has employees who are members of the teachers' retirement  
3 system may adopt, and file with the commissioner of administration for approval, a proposed  
4 retirement incentive plan for its employees. A plan adopted under this section must provide  
5 that the application period for participation in the retirement incentive plan is June 30, 1995,  
6 through December 31, 1995.

7 (b) The commissioner of administration may not accept the application of an employee  
8 to participate in an approved retirement incentive plan adopted under this section unless the  
9 employee will be appointed to retirement on or before August 1, 1996. The regional resource  
10 center, in a plan adopted under this section, may set an earlier date by which an employee  
11 must be appointed to retirement in order to participate in the plan.

12 • Sec. 32. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.

13 For purposes of determining the years of service requirements for retirement under  
14 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
15 who applies to participate in a retirement incentive plan approved under secs. 26 - 40 of this  
16 Act may receive credit for employment with a political subdivision or public organization  
17 before the political subdivision or organization became an employer under the public  
18 employees' retirement system. The member may not receive credit for those years under this  
19 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
20 with any other provision of law, the provision of this section governs.

21 • Sec. 33. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency  
22 owed by an employer other than the state under an agreement entered into under sec. 27(c)(2)  
23 of this Act, the Department of Administration may

24 (1) direct that the amount of the delinquency or a lesser amount be withheld  
25 from any money payable to the employer by a state department or agency and that the amount  
26 withheld be credited to the delinquency; and

27 (2) bring an action against the employer.

28 • Sec. 34. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR  
29 OF COURT. (a) The chief justice of the state supreme court may adopt a retirement  
30 incentive plan for an administrative director of the Alaska Court System who is a member of  
31 the judicial retirement system under AS 22.25.012 if participation in the plan will result in

1 savings to the court system in personal services costs within three years after the  
2 commencement of the plan. The administrative director may participate only if the  
3 administrative director is vested in the judicial retirement system and will be qualified to retire  
4 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative  
5 director shall apply to the commissioner of administration to participate in the approved court  
6 system plan.

7 (b) The court system shall include in the retirement incentive plan a reimbursement  
8 agreement that requires the court system, for each administrative director of the Alaska Court  
9 System who is retired under the plan, to reimburse the judicial retirement system within three  
10 years after the end of the fiscal year in which the administrative director is appointed to  
11 retirement in an amount equal to

12 (1) the actuarial equivalent of the difference between the benefits the  
13 administrative director receives after the addition of the credit under (c) of this section and  
14 the amount the participant would have received without the credit, less the total of the amount  
15 the participant has paid on the indebtedness determined under (d) of this section; and

16 (2) an appropriate share of the administrative costs of the program.

17 (c) A retirement incentive plan adopted under this section must provide that  
18 contributions from the court system under (b) of this section take priority over other  
19 obligations of the court system to the maximum extent permitted by law.

20 (d) An administrative director of the Alaska Court System who participates in an  
21 approved retirement incentive plan is indebted to the system. The amount of indebtedness is  
22 equal to 21 percent of the director's actual annual compensation for the year in which the  
23 director terminates employment to participate in the program, or the calculated annual  
24 compensation for an administrative director who works fewer than 12 months. An outstanding  
25 indebtedness at the time the administrative director is appointed to retirement under an  
26 approved retirement incentive plan will require an actuarial adjustment to the benefits payable  
27 to the director.

28 (e) An administrative director of the Alaska Court System who participates in an  
29 approved retirement incentive plan receives a credit of three years that may only be used to  
30 meet the age requirements for normal or early retirement under AS 22.25.010(d).

31 (f) The chief justice of the Alaska Court System may adopt, and file with the

1 commissioner of administration for approval, a proposed retirement incentive plan for the  
2 administrative director of the court system who is a member of the judicial retirement system.  
3 Upon the request of the chief justice, the commissioner of administration shall establish a  
4 period during which an administrative director eligible to participate in the retirement incentive  
5 plan of the court system may apply to the commissioner of administration to participate in the  
6 court system's approved plan. The period shall begin no earlier than June 30, 1995, and end  
7 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60  
8 days in duration and may not begin less than 30 days after establishment. The chief justice  
9 is not required to request an application period.

10 (g) The commissioner of administration may not accept the application of an  
11 administrative director of the court system to participate in an approved retirement incentive  
12 plan adopted under this section unless the administrative director will be appointed to  
13 retirement not later than the first day of the month that is six months after the last day of the  
14 application period established by the commissioner under (f) of this section. The chief justice,  
15 in a plan adopted under this section, may set an earlier date by which an administrative  
16 director must be appointed to retirement in order to participate in the plan.

17 \* Sec. 35. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.

18 (a) If an individual is reemployed as a member of the public employees' retirement system  
19 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
20 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
21 after appointment to retirement under secs. 26 - 40 of this Act, that individual forfeits the  
22 incentive credit received under sec. 27(f) or 34(e) of this Act and is indebted to the system  
23 under which the individual took retirement. The indebtedness is 110 percent of the amount  
24 the individual received as a result of participation in a retirement incentive plan under secs.  
25 26 - 40 of this Act and to which the individual would not otherwise have been entitled,  
26 including the cost of health insurance. The amount that the individual has paid under sec.  
27 27(d) or (e) or sec. 34(d) of this Act will be applied as a credit toward the reemployment  
28 indebtedness. Interest on the reemployment indebtedness accrues from the date of  
29 reemployment until the date that the individual either is appointed to retirement and accepts  
30 an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
31 The rate of interest is that established by regulation for the public employees' retirement

1 system by the public employees' retirement board and for the teachers' retirement system by  
2 the teachers' retirement board.

3 (b) An individual who was appointed to retirement under secs. 26 - 40 of this Act may  
4 not be employed by, or enter into a contract for personal services with, a state agency or the  
5 University of Alaska within the three years after the date of appointment to retirement, except  
6 that

7 (1) the University of Alaska may enter into a personal services contract with  
8 the individual for teaching or research; <sup>Research</sup> and *add*

9 (2) the individual may accept employment with the legislature during a  
10 legislative session if the employment is on an hourly basis and does not entitle the individual  
11 to receive retirement, health, or leave benefits. *Salary & Social Security*

12 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the *Code*  
13 University of Alaska may enter into a personal services contract with an individual who was  
14 appointed to retirement under secs. 26 - 40 of this Act if the Board of Regents, for the  
15 University of Alaska, or the commissioner of administration, for a state agency, determines  
16 that there is a compelling reason to do so because of the individual's specialized or extensive  
17 experience that relates to a particular program or project of the state agency or university.  
18 However, a state agency may not enter into a contract with an individual under this subsection  
19 if the individual was employed by that state agency at the time of the individual's appointment  
20 to retirement.

21 • Sec. 36. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the  
22 approval of the director of the office of management and budget, establish a separation  
23 incentive program for its employees. The program may be offered in combination with an  
24 approved retirement incentive plan adopted under sec. 28 of this Act, or may be offered  
25 separately from such a plan. A state agency need not extend an incentive program under this  
26 section to all employees who would otherwise be eligible to participate, but may choose to  
27 extend the program only to employees

28 (1) in specific budget or administrative components of the state agency;

29 (2) in specific job classifications;

30 (3) on the basis of any combination of factors under (1) and (2) of this

31 subsection.

1 (b) A separation incentive payment under this section shall be paid in a lump sum  
2 after the employee's separation from state service, and shall be equal to the lesser of an  
3 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
4 agency or the office of management and budget may set a lower separation incentive payment  
5 in the state agency's separation incentive program.

6 (c) Upon the request of a state agency, the commissioner of administration shall  
7 establish one or more periods during which the employees of that state agency may apply to  
8 the commissioner of administration to participate in the state agency's approved separation  
9 incentive program. The periods shall begin no earlier than June 30, 1995, and end no later  
10 than June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
11 duration, and may not begin less than 30 days after their establishment. A state agency is not  
12 required to request an application period, and may request more than one application period.  
13 If the commissioner of administration has established one or more application periods for a  
14 state agency under sec. 28(b) of this Act, the application period or periods established under  
15 this subsection must coincide with the period or periods established under sec. 28(b) of this  
16 Act.

17 (d) A separation incentive program established under this section must provide that  
18 a separation incentive payment to an employee may be made only if

19 (1) the employee is a permanent full-time or permanent full-time seasonal  
20 employee with at least five years of service with the state; and

21 (2) the savings to the state agency in personal services costs for the position  
22 occupied by that employee would exceed, in the three years after the employee separates, the  
23 amount of the separation incentive payment.

24 (e) If an individual who received a separation incentive payment under this section  
25 subsequently is reemployed by a state agency or the University of Alaska within the three  
26 years after the date that the individual received the separation incentive payment, the  
27 individual is liable to the state in an amount equal to 110 percent of the amount of the  
28 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
29 commencing on the date that the individual received the separation incentive payment.

30 (f) If an employee is eligible to participate in an approved retirement incentive plan  
31 adopted under sec. 28 of this Act.

1           (1) a separation incentive payment to that employee may not exceed the  
2 amount that the state agency would be obligated to pay to the appropriate retirement system,  
3 notwithstanding (b) of this section; and

4           (2) the employee may participate in either the separation incentive program  
5 under this section or the retirement incentive plan adopted under sec. 28 of this Act, but not  
6 both.

7           (g) In this section, "base salary" means the monthly salary paid to an employee under  
8 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
9 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
10 employee's base salary is the employee's hourly rate, including geographic differential,  
11 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

12       \* Sec. 37. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
13 employee category for participation in a retirement incentive plan or a separation incentive  
14 program under secs. 26 - 40 of this Act, the executive head of the relevant state agency shall  
15 describe in detail the expected effect of the plan or program on the agency's personal services  
16 cost and operation. This financial report must be approved by the director of the office of  
17 management and budget before the commissioner of administration may approve the proposed  
18 plan or program. The state agency shall report each year to the office of management and  
19 budget on the cost of each employee's participation and the effect on the agency's personal  
20 services cost and operation.

21           (b) The office of management and budget shall submit to the legislature annual reports  
22 on the retirement incentive and separation incentive programs under secs. 26 - 40 of this Act  
23 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
24 report January 15, 2000. Each report must provide the information necessary for the  
25 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
26 report must include information on the designated employee categories under the incentive  
27 programs, including the cost of each incentive program per participant, the cost to the state,  
28 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
29 number of positions deleted or left vacant, and the projected or actual net savings over the  
30 three-year period.

31       \* Sec. 38. PROGRAM CHANGES. (a) An individual employee does not have a vested

1 or contractual right to a benefit under secs. 26 - 40 of this Act until an agreement is executed  
2 with the administrator that specifically authorizes that employee to participate in the retirement  
3 incentive program under secs. 26 - 40 of this Act or until an agreement is executed with the  
4 commissioner of administration to participate in the separation incentive program under secs.  
5 26 - 40 of this Act. The legislature reserves the right to change any aspect of either incentive  
6 program as it relates to employees for whom participation agreements have not yet been  
7 executed with the administrator or with the commissioner of administration.

8 (b) In this section, "administrator" means the administrator of the public employees'  
9 retirement system for employees who are members of that system, and the administrator of  
10 the teachers' retirement system for employees who are members of that system.

11 \* Sec. 39. REGULATIONS. The commissioner of the Department of Administration may  
12 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret  
13 secs. 26 - 40 of this Act.

14 \* Sec. 40. DEFINITIONS. (a) Unless provided otherwise in secs. 26 - 40 of this Act, the  
15 definitions set out in AS 14.25.220 apply to provisions in secs. 27 - 35 of this Act that relate  
16 to the teachers' retirement system and members of the teachers' retirement system except that  
17 "employer" does not include a school district.

18 (b) Unless provided otherwise in secs. 26 - 40 of this Act, the definitions set out in  
19 AS 39.35.680 apply to provisions in secs. 27 - 35 of this Act that relate to the public  
20 employees' retirement system and members of the public employees' retirement system.

21 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900  
22 applies to provisions in secs. 34 and 35 that relate to the judicial retirement system and  
23 members of the judicial retirement system.

24 (d) In secs. 26 - 40 of this Act,

25 (1) "judicial retirement system" means the retirement system established for  
26 judges and justices in AS 22.25;

27 (2) "office of management and budget" means the office of management and  
28 budget in the Office of the Governor;

29 (3) "public employees' retirement system" means the Public Employees'  
30 Retirement System of Alaska (AS 39.35);

31 (4) "state agency"

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(A) means

- (i) the legislative branch of state government;
- (ii) the judicial branch of state government;
- (iii) a principal department of the executive branch of state government; an independent state entity that is attached to a principal department of the executive branch for administrative purposes but that is not a public organization as defined in AS 39.35.680 is part of that department for purposes of this clause; and
- (iv) the Office of the Governor;

(B) does not include

- (i) the University of Alaska;
- (ii) a political subdivision of the state; or
- (iii) a public organization as defined in AS 39.35.680;

(5) "teachers' retirement system" means the Teachers' Retirement System of Alaska (AS 14.25).

- Sec. 41. AS 14.25.045 is repealed.
- Sec. 42. Sections 27, 28, and 36 of this Act are repealed July 1, 1999.
- Sec. 43. Sections 29 - 32 and 34 of this Act are repealed July 1, 1997.
- Sec. 44. Sections 26 - 40 of this Act take effect immediately under AS 01.10.070(c).

4/23/95 pm  
StalnoKer

• Section 1. AS 14.25.050 is amended to read:

(a) A teacher who is first hired after March 31, 1996,  
shall contribute to the system an amount equal to 5.5  
percent of the teacher's base salary accrued from July 1 to  
the following June 30. A teacher who is first hired on or  
before March 31, 1996, [BEGINNING JANUARY 1, 1991, EACH  
TEACHER] shall contribute to the system an amount equal to  
3.25 percent of the teacher's base salary accrued from July  
1 to the following June 30. The employer shall deduct the  
contribution from the teacher's salary at the end of each  
payroll period. The contributions shall be deducted from  
employee compensation before the computation of applicable  
federal taxes and shall be treated as employer contributions  
under 26 U.S.C. 414(h)(2).

(b) Each teacher is entitled to receive credit for  
unrefunded contributions paid into the retirement fund of  
1945.

• Sec. 2. AS 14.25.110(a) is amended to read:

(a) Subject to AS 14.25.167, a member is eligible for  
a normal retirement benefit if the member

(1) was first hired before July 1, 1975, has  
attained the age of 55 years, and has at least 15 years of  
credited service, the last five of which have been  
membership service or is otherwise vested in the system;

(2) has attained the age of 60 years, [AND] has at  
least eight years of membership service, and was first hired

on or before March 31, 1996;

(3) was first hired after March 31, 1996, and  
(A) has attained the age of 60 years, and has  
at least five years of membership service; or  
(B) the sum of age plus years of membership  
service equals or exceeds 85 [AND HAS AT  
LEAST THREE YEARS OF ALASKA BIA SERVICE];

[(4) HAS AT LEAST 25 YEARS OF CREDITED SERVICE,  
THE LAST FIVE OF WHICH HAVE BEEN MEMBERSHIP SERVICE;

(5) HAS AT LEAST 20 YEARS OF MEMBERSHIP SERVICE;

(6) HAS AT LEAST 20 YEARS OF COMBINED MEMBERSHIP  
SERVICE AND ALASKA BIA SERVICE, THE LAST FIVE OF WHICH HAVE  
BEEN MEMBERSHIP SERVICE; OR

(7) HAS, FOR EACH OF 20 SCHOOL YEARS;

(A) AT LEAST ONE-HALF YEAR OF MEMBERSHIP  
SERVICE AS A PART-TIME TEACHER;

(B) ONE FULL YEAR OF MEMBERSHIP SERVICE AS A  
PART-TIME TEACHER; OR

(C) ANY COMBINATION OF SERVICE QUALIFIED  
UNDER THIS PARAGRAPH).

• Sec. 3. AS 14.25.110(d) is amended to read:

(d) The monthly amount of a retirement benefit for a  
member who has paid the full amount of any indebtedness is  
one-twelfth of the member's average base salary during any  
three school years of membership service multiplied by

(1) one and one-half [TWO] percent of the years of

credited service [EARNED BEFORE JUNE 30, 1990, INCLUDING CREDITED FRACTIONAL YEARS, AND THE YEARS OF CREDITED SERVICE THROUGH A TOTAL OF 20 YEARS; PLUS

(2) TWO AND ONE-HALF PERCENT OF THE YEARS OF CREDITED SERVICE EARNED AFTER JUNE 30, 1991, THAT ARE MORE THAN 20 YEARS OF TOTAL CREDITED SERVICE].

• Sec. 4. AS 14.25.110(j) is amended to read:

(j) For teachers first hired on or before March 31, 1996, an [AN] actuarial adjustment must be made to benefits payable under (d) of this section for early retirement. For teachers first hired after March 31, 1996, the monthly amount of a retirement benefit that would be due under (d) of this section will be reduced by the multiplying one-half of one percent times the number of months, to the nearest month, by which the retirement date of the teacher falls short of the date that the teacher reaches age 60.

• Sec. 5. AS 14.25.143(a) is amended to read:

(a) Once each year, the administrator shall increase benefit payments to

(1) disabled members;

(2) [, TO] persons age 60 or older receiving benefits under this system in the preceding calendar year;

(3) members who were first hired on or before March 31, 1996, [AND TO PERSONS] who have received benefits under this system for at least eight years and who are not otherwise eligible for an increase under this section; and

(4) survivors of members described in paragraph (3) of this subsection when the member and the survivor have together received benefits under this system for at least eight years.

- Sec. 6. AS 14.25.143(b) is amended to read:

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 14.25.142. The amount of the increase is a percentage of the current benefit equal to [(1)] the lesser of 50 [75] percent of the increase in the cost of living in the preceding calendar year or six [NINE] percent[, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 55 YEARS OLD, AND FOR MEMBERS RECEIVING DISABILITY BENEFITS; AND

(2) THE LESSER OF 50 PERCENT OF THE INCREASE IN THE COST OF LIVING IN THE PRECEDING CALENDAR YEAR OR SIX PERCENT, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 60 YEARS OLD BUT LESS THAN 65 AND FOR RECIPIENTS WHO ON JULY 1 ARE LESS THAN 60 YEARS OLD BUT WHO HAVE RECEIVED BENEFITS FROM THE SYSTEM FOR AT LEAST EIGHT YEARS].

- Sec. 7. AS 14.25.168(d) is amended by adding a new paragraph to read:

(4) A benefit recipient electing major medical insurance coverage for dependents eligible under (a)(2) and (3) of this section shall pay the full cost of that insurance.

- Sec. 8. AS 14.25.220(42) is amended to read:

(42) "vested member" or "vested teacher" means an active member who has completed either

(A) 15 years of service, the last five of which have been membership service, for a member first hired before July 1, 1975;

(B) eight years of membership service, or ;  
C) five years of membership and three years of BIA service.

if first hired on or before March 31, 1996;

(C) five years of membership service if first hired after March 31, 1996; or

(D) 12 school years of part-time membership service or 12 school years in each of which the member earned either part-time or full-time membership service;

\* Sec. 9. AS 39.35.160(a) is amended to read:

(a) A peace officer or fire fighter who is first hired after March 31, 1996, shall contribute to the system an amount equal to six percent of the peace officer's or fire fighter's compensation. A peace officer or fire fighter who is first hired on or before March 31, 1996 [BEGINNING JANUARY 1, 1987, EACH PEACE OFFICER OR FIRE FIGHTER] shall contribute to the system an amount equal to seven and one-half percent of the peace officer's or fire fighter's compensation. Each other employee who is first hired after March 31, 1996, shall contribute to the system an amount equal to five and one-half percent of the employee's compensation. Each other employee who is first hired on or before March 31, 1996 [BEGINNING JANUARY 1, 1987, EACH OTHER EMPLOYEE] shall contribute to the system an amount equal to six and three-quarters percent of the employee's compensation. The contributions shall be deducted by the employer at the end of each payroll period. The contributions shall be deducted from employee compensation before computation of applicable federal taxes, and the contributions shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

\* Sec. 10. AS 39.35.170(a) is amended to read:

(a) Subject to AS 39.35.450, a terminated employee is eligible for a normal retirement benefit

(1) at age 60 with at least five years credited service, or

(2) with at least 25 [20] years of credited service as a peace officer or fire fighter, or

(3) with a combination of age and years of credited service equal to or greater than 85 [AT LEAST 30 YEARS OF CREDITED SERVICE] for all other employees.

\* Sec. 11. AS 39.35.370(b) is amended to read:

(b) Subject to AS 39.35.450, a terminated employee is eligible for an early retirement benefit at age 55 with at least five years credited service. For employees first hired on or before March 31, 1996, an [AN] actuarial adjustment must be made to retirement benefits paid under this section for an early retirement benefit. For employees first hired after March 31, 1996, the monthly amount of a retirement benefit that would be due under (c) of this section will be reduced by the multiplying one-half of one percent times the number of months, to the nearest month, by which the retirement date of the employee falls short of the date that the teacher reaches age 60.

\* Sec. 12. AS 39.35.370(c) is amended to read:

(c) The monthly amount of a retirement benefit [FOR A PEACE OFFICER OR FIRE FIGHTER] is one and one-half [TWO] percent of the average monthly compensation times the years of credited service [THROUGH 10 YEARS, PLUS TWO AND ONE-HALF PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES THE YEARS OF SERVICE OVER 10 YEARS. FOR ALL OTHER EMPLOYEES IT IS

(1) TWO PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE BEFORE JULY 1, 1986, AND FOR YEARS OF SERVICE THROUGH A TOTAL OF 10 YEARS; PLUS

(2) TWO AND ONE-QUARTER PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE AFTER JUNE 30, 1986, OVER 10 YEARS OF TOTAL SERVICE THROUGH 20 YEARS; PLUS

(3) TWO AND ONE-HALF PERCENT OF THE AVERAGE MONTHLY COMPENSATION TIMES ALL YEARS OF SERVICE AFTER June 30, 1986, OVER 20 YEARS OF TOTAL SERVICE].

\* Sec. 13. AS 39.35.475(a) is amended to read:

(a) Once each year the administrator shall increase benefit payments to

(1) eligible disabled members;

(2) [, TO] persons age 60 or older receiving benefits under this system in the preceding calendar year;

(3) members who were first hired on or before March 31, 1996, [AND TO PERSONS] who have received benefits under this system for at least five years and who are not otherwise eligible for an increase under this section; and

(4) survivors of members described in paragraph (3) of this subsection when the member and the survivor have together received benefits under this system for at least five years.

\* Sec. 14. AS 39.35.475(b) is amended to read:

(b) The increase in benefit payments applies to total benefit payments except for the cost-of-living allowance under AS 39.35.480. The amount of the increase is a percentage of the current benefit equal to [(1)] the lesser

of 50 [75] percent of the increase in the cost of living in the preceding calendar year or six [NINE] percent[, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 65 YEARS OLD, AND FOR MEMBERS RECEIVING DISABILITY BENEFITS; AND

(2) THE LESSER OF 50 PERCENT OF THE INCREASE IN THE COST OF LIVING IN THE PRECEDING CALENDAR YEAR OR SIX PERCENT, FOR RECIPIENTS WHO ON JULY 1 ARE AT LEAST 60 YEARS OLD BUT LESS THAN 65 AND FOR RECIPIENTS WHO ON JULY 1 ARE LESS THAN 60 YEARS OLD BUT WHO HAVE RECEIVED BENEFITS FROM THE SYSTEM FOR AT LEAST EIGHT YEARS].

\* **Sec. 15.** AS 39.35.535(c) is amended by adding a new paragraph to read:

(4) a benefit recipient electing major medical insurance coverage for dependents eligible under (a)(2) and (3) of this section shall pay the full cost of that insurance.

\* **Sec. 16.** AS 14.25.045 and 14.25.167(a)(3), and AS 39.35.450(a)(3) and 39.35.460 are repealed.

Comparison of Tier II and Proposed Tier III

Tier II	Tier III	Tier III Cost Savings	
		PERS	TRS
Pre-tax employee contribution rates of: 8.65% for teachers 6.75% for 'all others' 7.5% for peace officers	Pre-tax employee contribution rates of: 5.5% for teachers and 'all others' in PERS 6% for peace officers and fire fighters These rates will be for new hires <u>only</u> .	+1.20%	+3.12%
Normal retirement age is 60, teachers, peace officers and fire fighters are eligible to retire after 20 years of service. 'All others' in PERS are eligible to retire after 30 years.	Sets normal retirement age to 60; peace officers and fire fighters are eligible to retire after 25 years of service. 'All others' in PERS and teachers are eligible to retire utilizing the "rule of 85".	-0.25%	-0.85%
Early retirement is allowed at age 55.	Sets the age for early retirement to age 55. The actuarial reduction will be 1/2% per month; 6% per year.	n/a	n/a
Grants PRPA increases to disabled members, retirees 60 and over and those who have received benefits for 8 years in the TRS and 5 years in the PERS	Grants PRPA increases of 50% CPI to disabled members and retirees 60 and over.	-0.50%	-0.50%
Major medical insurance is provided free of charge to disabled members and retirees over the age of 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health also includes dependents.	Major medical insurance will be provided free of charge to disabled members and retirees at least age 65. Retirees under age 60 must pay the full cost of the insurance, while those between the ages of 60 and 65 must pay one-half the premium cost. Health coverage is for the retiree only. Dependent coverage is optional and may be purchased by the retiree.	-2.20%	-1.40%
PERS members vest with 5 years of service; TRS members vest with 8 years of service	All members will vest with 5 years of credited service.	n/a	-0.04%
PERS 'all others' and elected officials formula is 2% for the first 10 years of service, 2.25% for the next 10 years and 2.5% per year thereafter. PERS peace officer & fire fighter formula is 2% for the first 10 years and 2.5% thereafter; TRS benefit formula is 2% for the first 20 years, & 2.5% thereafter.	The benefit formula for all employees will be 1.5% for all years of service.	-2.97%	-3.35%
Disability benefits for teachers are paid at 50% of the teacher's base salary with an additional 10% added for each dependent child, up to a maximum of 4 children	Disability benefits will be paid at 40% of a teacher's base salary. This brings the TRS into accord with the PERS disability statute.	n/a	-0.09%
		-4.72%	-3.11%

5-2-95

Val -

Attached are two fiscal notes for the Rules Committee Substitute for SB 148. I understand from Ann Ringstad that these notes more properly apply to our Senate Finance Committee Substitute reported out of committee yesterday than did the 4/20/95 department note which accompanied the bill. The 4/20/95 note was the only fiscal note we had in the file to send along with the bill when it left committee. I am capturing these Rules notes within the growing packet of fiscal notes for conference committee funding in the budget, with an attached note indicating their application. Please advise if Senator Halford wishes me to proceed otherwise.

Kathy  
2618

*Discussed with Kelly & Val. Directed to proceed as proposed. JH*

Failed

SENATE FINANCE  
COMMITTEE

Amendment Number: Am # 2  
Bill Number: SB 148 Amendment  
Sponsor: R. Phillips Date: 5/1/95  
Logged In By: RP

TO: CS SB148 (FIN)

By R. Phillips

24 7 24 20  
Page ~~24~~. Line 22 to Page ~~25~~. Line ~~4~~: Delete all material

*This amendment would eliminate all exceptions to the prohibition against re-employment for three years after a person has RIP'ed.*

*Amend #4 - Daily*

*exceed 70*

*to #1*

*Failed*

Adopted

WORK DRAFT 4/29/95

WORK DRAFT

WORK DRAFT

Additional changes:

p. 19 line 11 - change July 1, 1995

p. 20 line 16 " to June 30, 1995"

p. 21 lines 6-8 Delete & insert Amendment.

p. 23 line 21 (July 1 changed to June 30)

p. 25 line 24 " " " "

Add Tier III provisions, in lieu of defined contribution

Tighten Title CS FOR SENATE BILL NO. 148( )

9-LS094110

Cramer

4/27/95

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

Extend municipal option for extending the RIP to 1998.

BY

Offered:

Referred:

Sponsors: SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to state employee compensation and to state retirement systems;  
2 and providing for an effective date."

3 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

4 • Section 1. AS 14.25.040(a) is amended to read:

6 (a) ~~A~~ [UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
7 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
8 UNDER AS 14.40.661 - 14.40.799, A] teacher or member contracting for service with  
9 a participating employer is subject to this chapter unless the

10 (1) employer has elected to participate in the defined contribution  
retirement plan as provided in (c) of this section; or

11 (2) teacher or member has elected to participate in the optional  
12 university retirement program under AS 14.40.661 - 14.40.799.

13 • Sec. 2. AS 14.25.040(c) is amended to read:

14 (c) A state legislator is not entitled to elect membership under (b) of this

1 section if the state legislator is covered for the same period of service under the public  
2 employees' retirement system (AS 39.35) or the defined contribution retirement  
3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
4 to the date the state legislator took the oath of office. A state legislator may not  
5 receive membership credit under (b) of this section for legislative service performed  
6 before the legislative session during which the state legislator elected membership  
7 under (b) of this section. In order to continue in membership service under (b) of this  
8 section, the state legislator must earn at least 0.3 years of membership service under  
9 other sections of this chapter during each five-year period.

10 • Sec. 3. AS 14.25.040 is amended by adding a new subsection to read:

11 (e) A public school district may elect to participate in the defined contribution  
12 retirement system under AS 39.38 for teachers first hired on or after January 1, 1996.  
13 Employment that is covered by AS 39.38 may not be considered to be credited service  
14 under this chapter. A public school district that elects to be covered by AS 39.38 for  
15 teachers who are not members of this system may not later elect to return to coverage  
16 under this system.

17 • Sec. 4. AS 14.25.220(16) is amended to read:

18 (16) "employer" means a public school district, the Board of Regents  
19 of the University of Alaska, the Department of Education, [THE NATIONAL  
20 EDUCATION ASSOCIATION OF ALASKA.] the Regional Resource Centers, or the  
21 state legislature with respect to a state legislator who elects membership under  
22 AS 14.25.040(b) that has not elected to participate in the defined contribution  
23 retirement system under AS 39.38;

24 • Sec. 5. AS 14.25.220(21) is amended to read:

25 (21) "membership service" means

26 (A) full or part-time service as a teacher in a public school in  
27 the Territory or State of Alaska, or both, under the supervision and control of  
28 the Territorial Board of Education or the Department of Education or the  
29 school board of a city, regional educational attendance area, or borough school  
30 district so long as the person is not participating in the defined contribution  
31 retirement system under AS 39.38 for that service;

1 (B) full-time or part-time teaching at the University of Alaska  
 2 or a full-time administrative position at the University of Alaska that requires  
 3 academic standing and that has been approved for inclusion in the system by  
 4 the director so long as the person is not participating in the defined  
 5 contribution retirement system under AS 39.38 for that service;

6 (C) any period during which the teacher receives a disability  
 7 benefit under this system or is on an approved sabbatical leave granted in  
 8 accordance with AS 14.20.310;

9 (D) continuous service as a state legislator when performed by  
 10 a state legislator who elects membership under AS 14.25.040(b), subject to the  
 11 requirements of AS 14.25.040(c);

12 (E) full-time or part-time service as an employee of the Special  
 13 Education Service Agency, subject to the requirements of AS 14.25.047 so long  
 14 as the person is not participating in the defined contribution retirement  
 15 system under AS 39.38 for that service; or

16 (F) full-time or part-time service as an Alaska Native language  
 17 or culture expert, subject to the requirements of AS 14.25.048 so long as the  
 18 person is not participating in the defined contribution retirement system  
 19 under AS 39.38 for that service;

20 \* Sec. 6. AS 22.25.012(a) is amended to read:

21 (a) An administrative director of the Alaska Court System appointed under  
 22 art. IV, sec. 16 of the state constitution is entitled to retirement benefits under

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 1, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

28 (2) AS 39.38 if the administrative director was first appointed on  
 29 or after January 1, 1996.

30 \* Sec. 7. AS 22.25.012(c) is amended to read:

31 (c) An administrative director first hired before January 1, 1996, who

1 withdraws from the judicial retirement system under (b) of this section is eligible for  
2 membership in the public employees' retirement system (AS 39.35) and shall receive  
3 credited service in that system for service rendered as administrative director. To be  
4 eligible for membership in the public employees' retirement system under this  
5 subsection, the administrative director must contribute to the public employees'  
6 retirement system

7 (1) the amount that would have been contributed if the administrative  
8 director had been a member during the period of the membership in the judicial  
9 retirement system; and

10 (2) any contributions for service as administrative director refunded  
11 from the public employees' retirement system at the time the administrative director  
12 became a member of the judicial retirement system.

13 \* Sec. 8. AS 37.10.390(2) is amended to read:

14 (2) "retirement systems" means the teachers' retirement system, the  
15 judicial retirement system, the Alaska National Guard and Alaska Naval Militia  
16 retirement system, the defined contribution retirement plan, and the public  
17 employees' retirement system.

18 \* Sec. 9. AS 39.25.120(c) is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan.

20 \* Sec. 10. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) A  
22 employee of the state who was first hired before January 1, 1996, shall be included  
23 in this system upon commencement of employment with the state, or on January 1,  
24 1961, whichever is later. Unless an employee has elected to participate in the optional  
25 university retirement program under AS 14.40.661 - 14.40.799, an employee of a  
26 political subdivision or public organization that becomes an employer who was first  
27 hire; before January 1, 1996, shall be included in the system on the effective date  
28 of the employer's participation or the date of the employee's commencement of  
29 employment with the employer, whichever is later.

30 (b) Inclusion in the system is a condition of employment for an employee who  
31 was first hired before January 1, 1996, except as otherwise provided for an elected

1 official and for an employee of the university who has elected to participate in the  
2 optional university retirement program under AS 14.40.661 - 14.40.799.

3 • Sec. 11. AS 39.35.158 is amended to read:

4 Sec. 39.35.158. ADMINISTRATIVE DIRECTOR OF COURTS. An  
5 administrative director of the Alaska court system first hired before January 1, 1996,  
6 who withdraws from the judicial retirement system under AS 22.25.012 is eligible for  
7 membership in the system and shall receive credited service in the system for service  
8 rendered as administrative director. To be eligible for membership in the system under  
9 this subsection, the administrative director must contribute to the system

10 (1) the amount the director would have contributed if the director had  
11 been a member during the director's period of membership in the judicial retirement  
12 system; and

13 (2) any contributions for services as administrative director refunded  
14 by the system at the time the director became a member of the judicial retirement  
15 system.

16 • Sec. 12. AS 39.35.550 is amended to read:

17 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO  
18 PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other  
19 political subdivision of the state may, before January 1, 1996, request to become an  
20 employer in this system. The request shall be made after adoption of a resolution by  
21 the legislative body of the political subdivision and after approval of the resolution by  
22 the person required by law to approve the resolution. A certified copy of the  
23 resolution shall be filed with the administrator. If the administrator approves the  
24 request for participation, the political subdivision is an employer of the system.

25 • Sec. 13. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO  
27 PARTICIPATE AND ADOPTION OF RESOLUTION. A public organization may,  
28 before January 1, 1996, request to become an employer in this system. The request  
29 shall be made after adoption of a resolution by the governing body of the public  
30 organization. A certified copy of the resolution shall be filed with the administrator.  
31 If the administrator approves the request for participation, the public organization is

1 an employer of the system.

2 \* Sec. 14. AS 39.35.680(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system and  
5 who is covered by the system;

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.381;

15 (C) does not include

16 (i) former members;

17 (ii) persons compensated on a contractual or fee basis;

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.25.200;

20 (iv) persons covered by the Alaska Teachers' Retirement  
21 System except as provided under AS 39.35.131 and 39.35.381, persons  
22 covered by the defined contribution retirement plan, or persons  
23 covered by the optional university retirement program;

24 (v) employees of the division of marine transportation  
25 engaged in operating the state ferry system who are covered by a union  
26 or group retirement system to which the state makes contributions;

27 (vi) justices of the supreme court or judges of the court  
28 of appeals or of the superior or district courts of Alaska;

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 16 of the state constitution unless the director  
31 becomes a member under AS 39.35.158; and

1 (viii) members of the elected public officers' retirement  
2 system (former AS 39.37);

3 (D) may include employees of the division of marine  
4 transportation excluded under (C)(v) of this paragraph provided that

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security  
10 system;

11 • Sec. 15. AS 39 is amended by adding a new chapter to read:

12 CHAPTER 38. DEFINED CONTRIBUTION RETIREMENT PLAN.

13 ARTICLE 1. PLAN ESTABLISHED.

14 Sec. 39.38.010. PLAN ESTABLISHED. The Public Employees Retirement  
15 Board shall establish a defined contribution retirement plan for state employees first  
16 hired on or after January 1, 1996, in which retirement and death benefits are provided  
17 through the purchase of annuity contracts or other benefit contracts, either fixed,  
18 variable, or a combination of fixed and variable.

19 Sec. 39.38.020. DUTIES OF THE RETIREMENT BOARD AND THE  
20 INVESTMENT BOARD. (a) The retirement board shall

21 (1) provide for the administration of the plan, including procedures for  
22 resolving complaints from participating employees;

23 (2) establish policies for the proper operation of the plan and carry on  
24 other activities necessary to implement this chapter;

25 (3) take other actions required to ensure that the plan qualifies under  
26 the Internal Revenue Code as a qualified plan or nonqualified plan or both.

27 (b) The Alaska State Pension Investment Board established under  
28 AS 37.10.210 is the fiduciary of the fund. The investment board shall designate at  
29 least four investment options for employees. The investment board shall select the  
30 companies or other entities to which payment of the contributions required by this  
31 chapter may be made, after considering the

1 (1) nature and extent of the rights and benefits that the contracts will  
2 provide to employees who participate and to their beneficiaries;

3 (2) relation of the contractual rights and benefits to the contributions  
4 to be made under this chapter;

5 (3) suitability of the contractual rights and benefits to the needs and  
6 interests of participating employees and to the interest of the employer in the  
7 employment and retention of employees; and

8 (4) ability of the designated company or other entity to provide rights  
9 and benefits under the contracts;

10 (5) requirements of the Internal Revenue Code for remaining a qualified  
11 plan or nonqualified plan or both.

12 Sec. 39.38.030. DIRECTOR. The administrator of the public employees'  
13 retirement system shall serve as director of the plan.

14 Sec. 39.38.040. REGULATIONS. The board may adopt regulations to  
15 implement this chapter under the procedures set out in AS 39.35.042.

16 Sec. 39.38.050. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each  
17 employer shall furnish the director with records concerning the periods of service,  
18 dates of birth, compensation, new entrants into service, death, withdrawals, and other  
19 employee data necessary for the proper and effective operation of the plan.

20 Sec. 39.38.060. ATTORNEY GENERAL. The attorney general of the state  
21 is the attorney for the plan and shall represent it in a legal proceeding.

22 Sec. 39.38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
23 be paid from employer and employee contributions to the plan in proportion to the  
24 amount of the contribution.

## 25 ARTICLE 2: PARTICIPATION.

26 Sec. 39.38.100. PARTICIPATION. (a) An employee of the state first hired  
27 on or after January 1, 1996, shall be included in the plan upon commencement of  
28 employment with the state. Unless the employee has elected to participate in the  
29 optional university retirement program, or was first hired before January 1, 1996, an  
30 employee of a political subdivision, including a school district, regional educational  
31 attendance area, and the University of Alaska, or a public organization that becomes

1 an employer shall be included in the plan on the effective date of the employer's  
2 participation or the date of the employee's commencement of employment with the  
3 employer, whichever is later, if the employee is in a position that the employer has  
4 designated to participate in the plan.

5 (b) Inclusion in the plan is a condition of employment for a state employee  
6 first hired on or after January 1, 1996, and for an employee designated by another  
7 employer to participate in the plan except as otherwise provided for an elected official  
8 and for an employee of the university who has elected to participate in the optional  
9 university retirement program.

10 Sec. 39.38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
11 administrative director of the Alaska Court System first hired on or after January 1,  
12 1996, is a member of the plan.

13 (b) An administrative director who was hired before January 1, 1996, and who  
14 withdraws from the judicial retirement system under AS 22.25.012 on or after  
15 January 1, 1996, may participate in the plan.

16 Sec. 39.38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
17 as an elected official with an employer constitutes employment as a member in the  
18 plan as long as the elected official has not filed a written waiver of coverage with the  
19 director. Unless revoked, a waiver under this subsection waives coverage of future  
20 employment as an elected official, regardless of any change of employer. An elected  
21 official may file a waiver under this subsection at any time after election to office,  
22 including the period before taking the oath of office. An elected official may revoke  
23 a waiver under this subsection by filing a written revocation with the director. A  
24 revocation under this subsection operates prospectively only, and the elected official  
25 may not participate in the plan for service as an elected official while the waiver was  
26 in effect. There is no limit on the number of times an elected official may file a  
27 waiver or revocation under this subsection.

28 (b) An elected official included in the plan and that person's employer are  
29 liable for contributions whenever that person is an elected official unless a waiver of  
30 coverage under (a) of this section is in effect.

31 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS.

1           Sec. 39.38.200. EMPLOYMENT CONTRIBUTIONS MANDATORY.

2           Contributions of employees shall be made by payroll deductions. Every included  
3           employee is considered to consent to payroll deductions. It is of no consequence that  
4           a payroll deduction may cause the compensation paid in cash to an employee to be  
5           reduced below the minimum required by law. Payment of an employee's  
6           compensation, less payroll deductions, is a full and complete discharge and satisfaction  
7           of all claims and demands by the employee relating to remuneration of services during  
8           the period covered by the payment.

9           Sec. 39.38.210. CONTRIBUTIONS. (a) An employer shall contribute on  
10          behalf of each employee participating in the plan an amount equal to six percent of the  
11          employee's compensation payable at the end of each payroll period.

12          (b) An employee participating in the plan shall contribute to the plan an  
13          amount equal to five percent of the employee's compensation. The contributions shall  
14          be deducted by the employer at the end of each payroll period. The contributions shall  
15          be deducted from employee compensation before computation of applicable federal  
16          taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
17          414(h)(2) (Internal Revenue Code).

18          (c) Contributions vest on receipt by the plan director.

19          (d) The director of the plan shall pay the contributions required by this section  
20          to the company or companies selected by the employee for the benefit of the  
21          employee.

22          Sec. 39.38.220. BENEFITS. Payment of benefits to participants of the plan  
23          is the responsibility of the company or companies designated by the investment board  
24          and is not the responsibility of the investment board, the retirement board, or the  
25          employer. The benefits are payable to participants or beneficiaries of participants in  
26          accordance with the terms of the annuity contract or contracts and benefit contractor  
27          contracts.

28          Sec. 39.38.230. RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS  
29          ORDER. A former spouse shall be treated as a spouse or surviving spouse to the  
30          extent required by a qualified domestic relations order. Rights under the order do not  
31          take effect until the order is filed with the director.

1           Sec. 39.38.240. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE  
2           PLAN. Employee contributions and other amounts held in the plan are exempt from  
3           Alaska state and local taxes. Amounts held on behalf of, or payable to, any employee  
4           or other person who is or may become eligible for benefits under the plan are not  
5           subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or  
6           charge of any kind, either voluntary or involuntary, before being received by the  
7           person entitled to the amount under the terms of the plan. An attempt to anticipate,  
8           alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right  
9           to amounts held under the plan is void. However, an employee's right to receive  
10          benefits may be assigned under a qualified domestic relations order.

11          Sec. 39.38.250. EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS.  
12          Employee contributions and other amounts held in the plan and retirement benefits  
13          payable under the plan are exempt from levy to enforce the collection of a debt as  
14          provided in AS 09.38 (exemptions).

#### 15          ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS.

16          Sec. 39.38.300. REQUEST TO PARTICIPATE. (a) A municipality or other  
17          political subdivision of the state may request to become an employer in the plan. The  
18          request shall be made after adoption of a resolution by the legislative body of the  
19          political subdivision and after approval of the resolution by the person required by law  
20          to approve it. A certified copy of the resolution shall be filed with the director. If the  
21          director approves the request for participation, the political subdivision is an employer  
22          of the plan.

23          (b) A public organization may request to become an employer in the plan.  
24          The request shall be made after adoption of a resolution by the governing body of the  
25          public organization. A certified copy of the resolution shall be filed with the director.  
26          If the director approves the request for participation, the public organization is an  
27          employer of the plan.

28          Sec. 39.38.310. PARTICIPATION. (a) The effective date of participation in  
29          the plan by a political subdivision or public organization is the first day of any month  
30          acceptable to the governing body of the political subdivision or public organization and  
31          to the board.

1 (b) The political subdivision or public organization shall designate the  
2 departments, groups, or other classifications of employees eligible to participate in the  
3 plan, and shall agree to make the contributions that are required by this chapter.

4 (c) The eligible employees of a participating political subdivision or public  
5 organization are bound by the provisions of this plan and are entitled to the benefits  
6 provided under it.

7 Sec. 39.38.320. CONTRIBUTIONS AND TERMINATION OF  
8 PARTICIPATION FOR NONPAYMENT. (a) The contributions of an employer that  
9 is a participating political subdivision or public organization and the contributions of  
10 its employees shall be transmitted to the director as soon as practicable after the close  
11 of the payroll period for which the contributions are made. If the employer is  
12 delinquent in transferring the contributions for more than 15 days, interest and other  
13 penalties shall be assessed on the outstanding contributions at the rate and in the  
14 amount established by the board.

15 (b) If the contributions are not transmitted to the director within the 15 days,  
16 the director may grant an extension. If the political subdivision or public organization  
17 is in default at the end of the extension, participation in the plan is terminated, and the  
18 employer shall be sent notice of termination.

19 (c) Termination of an employer's participation in the plan does not bar future  
20 participation in the plan by that employer.

21 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
22 political subdivision or public organization may request that its participation agreement  
23 be amended. The request may be made only after adoption of a resolution by the  
24 legislative body of the political subdivision and approval of the resolution by the  
25 person required by law to approve the resolution, or, in the case of a public organi-  
26 zation, after adoption of a resolution by the governing body of that public organization.  
27 A certified copy of the resolution shall be filed with the director.

28 (b) Termination of coverage of a department, group, or other classification of  
29 employees does not bar future coverage of that department, group, or classification.

### 30 ARTICLE 5. GENERAL PROVISIONS.

31 Sec. 39.38.450. NONGUARANTEED EMPLOYMENT. This chapter is not

1 a contract of employment between an employer and an employee, nor does it confer  
2 a right of an employee to be continued in the employment of an employer, nor is it a  
3 limitation of the right of an employer to discharge an employee with or without cause.

4 Sec. 39.38.460. FRAUD. A person who knowingly makes a false statement,  
5 or knowingly falsifies or permits to be falsified a record of the plan, in an attempt to  
6 defraud the plan, is guilty of a Class A misdemeanor.

7 Sec. 39.38.990. DEFINITIONS. In this chapter,

8 (1) "board" or "retirement board" means the Public Employees Retirement  
9 Board established under AS 39.35.030;

10 (2) "compensation" means the total remuneration earned by an employee  
11 for personal services rendered to an employer, and

12 (A) includes employee contributions under AS 39.38.210,  
13 payments for leave that is actually used by the employee, the amount by which  
14 the employee's wages are reduced under AS 39.30.150(c), and any amount  
15 deferred under an employer-sponsored deferred compensation plan; but

16 (B) does not include cost-of-living differentials, retirement  
17 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
18 expense allowances, workers' compensation payments, incentive cash awards, or  
19 payments for leave not used by the employee whether those leave payments are  
20 scheduled payments, lump-sum payments, donations, or cash-ins;

21 (3) "director" means the director of the defined contribution retirement  
22 plan under AS 39.38.030;

23 (4) "elected official" means a person whose compensation results from  
24 personal services rendered to an employer as an elected representative;

25 (5) "employer" means the State of Alaska or a political subdivision or  
26 public organization of the state that participates in the plan;

27 (6) "investment board" means the Alaska State Pension Investment  
28 Board established under AS 37.10.210;

29 (7) "member" or "employee" means a person who is eligible to  
30 participate in the plan and who is covered by the plan; and

31 (A) includes an

1 (i) employee who is employed by an employer, is  
2 receiving compensation for services, is making contributions to the plan,  
3 and is not excluded under (B) of this paragraph; and

4 (ii) elected official, if the elected official has chosen to  
5 participate under AS 39.38.120; but

6 (B) does not include

7 (i) former members;

8 (ii) persons compensated on a contractual or fee basis;

9 (iii) casual or emergency workers or nonpermanent  
10 employees as defined in AS 39.25.200;

11 (iv) members of the Alaska teachers' retirement system  
12 under AS 14.25, the judicial retirement system under AS 22.25, the public  
13 employees' retirement system under AS 39.35, the elected public officers'  
14 retirement system under former AS 39.37, or the optional university  
15 retirement program;

16 (v) employees of the division of marine transportation  
17 engaged in operating the state ferry system who are covered by a union or  
18 group retirement system to which the state makes contributions; and

19 (vi) the administrative director of courts appointed under  
20 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
21 unless the director becomes a member under AS 39.38.110(b);

22 (C) may include employees of the division of marine  
23 transportation excluded under (B)(v) of this paragraph if

24 (i) the State of Alaska formally agrees to their inclusion  
25 through the process of collective bargaining; and

26 (ii) no collective bargaining agreement has the effect of  
27 obligating contributions made by the state under AS 39.30.150 in the  
28 event the state resumes participation in the federal social security system;

29 (8) "plan" means the defined contribution retirement plan established  
30 under this chapter;

31 (9) "public organization" means an organization or entity

1 (A) created by the constitution or laws of the state for the purpose  
2 of administering state programs;

3 (B) whose officers and employees are paid by a method other than  
4 by the state payroll prepared by the Department of Administration; and

5 (C) whose employees are not required by law to participate in the  
6 plan;

7 (10) "qualified domestic relations order" has the meaning given in  
8 AS 39.35.680.

9 • Sec. 16. Section 7, ch. 26, SLA 1986, as amended by sec. 7, ch. 104, SLA 1989, is  
10 further amended to read:

11 Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the  
12 retirement incentive program is reemployed as a member of the Public Employees'  
13 Retirement System under AS 39.35, the optional university retirement program under  
14 AS 14.40.661 - 14.40.799, the defined contribution retirement plan under  
15 AS 39.38, or the Teachers' Retirement System under AS 14.25 after appointment to  
16 retirement under the program, the participant loses the incentive credit received under  
17 sec. 5 (c) of this Act and is indebted to the system. The amount of the indebtedness  
18 is equal to 110 percent of the amount the participant received as a result of  
19 participation in the program for which the participant was not otherwise entitled, in-  
20 cluding the cost of health insurance. The participant is entitled to a credit to be  
21 applied against the reemployment indebtedness in the amount the participant has paid  
22 under sec. 5 (d) of this Act. Interest accrues on the indebtedness at the rate established  
23 by regulation from the date of reemployment until the member is appointed to  
24 retirement and accepts an actuarial adjustment to the member's future benefits or until  
25 the amount is paid in full.

26 • Sec. 17. Section 9(a), ch. 89, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is  
27 amended to read:

28 (a) If a participant in the retirement incentive program is reemployed as a  
29 member of the public employees' retirement system under AS 39.35, [OR] the teachers'  
30 retirement system under AS 14.25, or the defined contribution retirement plan  
31 under AS 39.38, after appointment to retirement under the retirement incentive

1 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
2 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
3 of the amount the participant received as a result of participation in the program to  
4 which the participant was not otherwise entitled, including the cost of health insurance.  
5 The participant is entitled to a credit to be applied against the reemployment  
6 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
7 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
8 date of reemployment until the member is appointed to retirement and accepts an  
9 actuarial adjustment to the member's future benefits or until the amount is paid in full.

10 \* Sec. 18. FINDINGS AND PURPOSE AS TO SECS. 18 - 32. The State of Alaska and  
11 many local governments and school districts are facing the need to restructure their operations  
12 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
13 separation incentives are management tools that have been used extensively by the private  
14 sector, the federal government, and other state and local governments across the country. The  
15 purpose of secs. 18 - 32 of this Act is to make these management tools temporarily available  
16 to the state and to the municipalities and school districts of the state. Sections 18 - 32 of this  
17 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
18 nonessential positions, and producing a net reduction in personnel costs.

19 \* Sec. 19. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
20 retirement incentive plan under secs. 20 - 23 of this Act, as appropriate, and designate  
21 categories of employees eligible to participate in that plan. An employer need not extend the  
22 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
23 the plan only to employees

24 (1) in specific budget or administrative components of the employer;

25 (2) in specific job classifications;

26 (3) in specific geographic locations; or

27 (4) on the basis of any combination of factors under (1) - (3) of this

28 subsection.

29 (b) An employee is eligible to participate in a retirement incentive plan under secs.  
30 18 - 32 of this Act only if the

31 (1) employee is a vested member of the public employees' retirement system

1 or the teachers' retirement system;

2 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
3 after receipt of the credit described in (f) of this section;

4 (3) savings to the employer in personal services costs for the employee's  
5 position will exceed the costs to the employer for that position within three years after the  
6 employee is appointed to retirement.

7 (c) An employer shall file its proposed retirement incentive plan with the  
8 commissioner of administration. The commissioner shall approve the plan if the plan meets  
9 the requirements of secs. 18 - 32 of this Act, except that the commissioner may approve a  
10 state agency's retirement incentive plan only if the office of management and budget approves  
11 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
12 section must

13 (1) identify job classifications of employees, and specific budget or  
14 administrative components, eligible to participate in the plan;

15 (2) include a reimbursement agreement that

16 (A) requires the employer, for each employee who retires under the  
17 plan, to reimburse the appropriate retirement system, within three years after the end  
18 of the fiscal year in which the employee is appointed to retirement, in an amount equal  
19 to

20 (i) the actuarial equivalent of the difference between the benefits  
21 the participant receives after the addition of the credit under (f) of this section  
22 and the amount the participant would have received without the credit, less the  
23 amount the participant has paid on the indebtedness determined under (d) or (e)  
24 of this section; and

25 (ii) an appropriate share of the administrative costs of the  
26 program; and

27 (B) provides that contributions from the employer under this section  
28 take priority over other obligations of the employer to the maximum extent permitted  
29 by law.

30 (d) A member of the teachers' retirement system who participates in an approved  
31 retirement incentive plan under secs. 18 - 32 of this Act is indebted to that system for an

1 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
2 actual compensation for the school year in which the member terminates employment, or the  
3 calculated school year compensation for a member who works less than the entire school year.  
4 An outstanding indebtedness at the time a member is appointed to retirement under an  
5 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
6 that member.

7 (e) A member of the public employees' retirement system who participates in an  
8 approved retirement incentive plan under secs. 18 - 32 of this Act is indebted to that system  
9 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
10 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
11 annual compensation for the year in which the member terminates employment, or the  
12 calculated annual compensation for a member who works fewer than 12 months. An  
13 outstanding indebtedness at the time a member is appointed to retirement under an approved  
14 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
15 member.

16 (f) An employee who participates in an approved retirement incentive plan under secs.  
17 18 - 32 of this Act receives a credit of three years. The three years must be applied in the  
18 following order until exhausted:

19 (1) to meet the age or service required for eligibility for normal retirement  
20 under AS 14.25.110 or AS 39.35.370, as appropriate;

21 (2) to meet the age required for early retirement under AS 14.25.110 or  
22 AS 39.35.370, as appropriate;

23 (3) to reduce the actuarial adjustment required for early retirement under  
24 AS 14.25.110 or AS 39.35.370, as appropriate;

25 (4) as years of credited service for calculating retirement benefits.

26 (g) In this section,

27 (1) "department" means

28 (A) a principal department of the executive branch of state government;  
29 an independent state entity that is attached to a principal department of the executive  
30 branch for administrative purposes but that is not a public organization as defined in  
31 AS 39.35.680 is part of that department for purposes of this paragraph; and

1 (B) the Office of the Governor;

2 (2) "employer" has the meaning given in AS 14.25.220 and AS 39.35.680 and  
3 includes a department.

4 \* Sec. 20. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

5 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
6 a proposed retirement incentive plan for its employees.

7 (b) Upon the request of a state agency, the commissioner of administration shall  
8 establish one or more periods during which the employees of that state agency who are  
9 eligible under sec. 19(b) of this Act to participate in a retirement incentive plan may apply to  
10 the commissioner of administration to participate in the state agency's approved plan. The  
11 periods shall begin no earlier than <sup>June 30</sup> July 1, 1995, and end no later than June 30, 1998. The  
12 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
13 begin less than 30 days after their establishment. A state agency is not required to request an  
14 application period, and may request more than one application period.

15 (c) A proposed retirement incentive plan adopted under this section may not permit  
16 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
17 commissioner, or assistant commissioner of a principal department of the executive branch to  
18 participate in the plan.

19 (d) A proposed retirement incentive plan adopted under this section may permit  
20 participation only by an employee who is eligible to participate under sec. 19(b) of this Act  
21 and who

22 (1) has been continuously employed by the state for at least one year before  
23 the employee applies to participate in the state agency's approved plan;

24 (2) is a permanent seasonal employee who has been continuously employed  
25 by the state in a permanent seasonal position during all of the time in the one year before the  
26 employee's application to participate in which the position normally is filled;

27 (3) has a job sharing agreement with a state agency in which two or more  
28 employees share a single position identified by a single position control number and in which  
29 the employee who applies to participate in the plan was continuously employed by the agency  
30 during the portion of the one year before the employee's application in which the employee  
31 normally worked under the job sharing agreement; or

1 (4) meets a combination of the requirements of this subsection.

2 (e) The commissioner of administration may not accept the application of an employee  
3 to participate in an approved retirement incentive plan adopted under this section unless the  
4 employee will be appointed to retirement not later than the first day of the month that is six  
5 months after the last day of the application period established by the commissioner under (b)  
6 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
7 by which an employee must be appointed to retirement in order to participate in the plan.

8 \* Sec. 21. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
9 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
10 may adopt, and file with the commissioner of administration for approval, a proposed  
11 retirement incentive plan for university employees.

12 (b) Upon the request of the Board of Regents, the commissioner of administration  
13 shall establish one or more periods during which the employees of the university who are  
14 eligible under sec. 19(b) of this Act to participate in a retirement incentive plan may apply to  
15 the commissioner of administration to participate in the university's approved plan. The  
16 periods shall begin no earlier than <sup>June 30</sup> July 1, 1995, and end no later than June 30, 1998. The  
17 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
18 begin less than 30 days after their establishment. The Board of Regents is not required to  
19 request an application period, and may request more than one application period.

20 (c) The commissioner of administration may not accept the application of an employee  
21 to participate in an approved retirement incentive plan adopted under this section unless the  
22 employee will be appointed to retirement not later than the first day of the month that is six  
23 months after the last day of the application period established by the commissioner under (b)  
24 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
25 date by which an employee of the University of Alaska must be appointed to retirement in  
26 order to participate in the plan.

27 (d) A participant in the optional university retirement program under AS 14.40.661 -  
28 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
29 system may participate in a retirement incentive plan for that system if the participant meets  
30 the other qualifications of secs. 18 - 32 of this Act. If a provision of this subsection is  
31 inconsistent with another provision of law, the provision of this subsection governs.

*Delife  
Insert  
Amend.*

1       • Sec. 22. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
 2 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The  
 3 governing body of a political subdivision of the state or public organization that has elected  
 4 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
 5 adopt, and file with the commissioner of administration for approval, a proposed retirement  
 6 incentive plan for its employees. A plan adopted under this section must provide that the  
 7 application period for participation in the retirement incentive plan is December 31, 1995  
 8 through June 30, 1996.

9           (b) The commissioner of administration may accept the application of an employee  
 10 to participate in an approved retirement incentive plan adopted under this section unless the  
 11 employee will be appointed to retirement on or before February 1, 1997. The governing body  
 12 of the political subdivision or public organization, in a plan adopted under this section, may  
 13 set an earlier date by which an employee must be appointed to retirement in order to  
 14 participate in the plan.

15       • Sec. 23. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
 16 EMPLOYEES IN THE TEACHERS' RETIREMENT SYSTEM. (a) An employer under the  
 17 teachers' retirement system who is not otherwise covered by secs. 20 or 21 of this Act may  
 18 adopt, and file with the commissioner of administration for approval, a proposed retirement  
 19 incentive plan for its employees. A plan adopted under this section must provide that the  
 20 application period for participation in the retirement incentive plan is June 30, 1995 through  
 21 December 31, 1995.

22           (b) The commissioner of administration may not accept the application of an employee  
 23 to participate in an approved retirement incentive plan adopted under this section unless the  
 24 employee will be appointed to retirement on or before August 1, 1996. The employer, in a  
 25 plan adopted under this section, may set an earlier date by which an employee must be  
 26 appointed to retirement in order to participate in the plan.

27       • Sec. 24. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.  
 28 For purposes of determining the years of service requirements for retirement under  
 29 AS 14.25.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
 30 who applies to participate in a retirement incentive plan approved under secs. 18 - 32 of this  
 31 Act may receive credit for employment with a political subdivision or public organization

1 before the political subdivision or organization became an employer under the public  
2 employees' retirement system. The member may not receive credit for those years under this  
3 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
4 with any other provision of law, the provision of this section governs.

5 • Sec. 25. RECOVERY OF EMPLOYER DELINQUENCIES. To recover a delinquency  
6 owed by an employer other than the state under an agreement entered into under sec. 19(c)(2)  
7 of this Act, the Department of Administration may

8 (1) direct that the amount of the delinquency or a lesser amount be withheld  
9 from any money payable to the employer by a state department or agency and that the amount  
10 withheld be credited to the delinquency; and

11 (2) bring an action against the employer.

12 • Sec. 26. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR  
13 OF COURT. (a) The chief justice of the state supreme court may adopt a retirement  
14 incentive plan for an administrative director of the Alaska Court System who is a member of  
15 the judicial retirement system under AS 22.25.012 if participation in the plan will result in  
16 savings to the court system in personal services costs within three years after the  
17 commencement of the plan. The administrative director may participate only if the  
18 administrative director is vested in the judicial retirement system and will be qualified to retire  
19 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative  
20 director shall apply to the commissioner of administration to participate in the approved court  
21 system plan.

22 (b) The court system shall include in the retirement incentive plan a reimbursement  
23 agreement that requires the court system, for each administrative director of the Alaska Court  
24 System who is retired under the plan, to reimburse the judicial retirement system within three  
25 years after the end of the fiscal year in which the administrative director is appointed to  
26 retirement in an amount equal to

27 (1) the actuarial equivalent of the difference between the benefits the  
28 administrative director receives after the addition of the credit under (e) of this section and  
29 the amount the participant would have received without the credit, less the total of the amount  
30 the participant has paid on the indebtedness determined under (d) of this section; and

31 (2) an appropriate share of the administrative costs of the program.

1 (c) A retirement incentive plan adopted under this section must provide that  
2 contributions from the court system under (b) of this section take priority over other  
3 obligations of the court system to the maximum extent permitted by law.

4 (d) An administrative director of the Alaska Court System who participates in an  
5 approved retirement incentive plan is indebted to the system. The amount of indebtedness is  
6 equal to 21 percent of the director's actual annual compensation for the year in which the  
7 director terminates employment to participate in the program, or the calculated annual  
8 compensation for an administrative director who works fewer than 12 months. An outstanding  
9 indebtedness at the time the administrative director is appointed to retirement under an  
10 approved retirement incentive plan will require an actuarial adjustment to the benefits payable  
11 to the director.

12 (e) An administrative director of the Alaska Court System who participates in an  
13 approved retirement incentive plan receives a credit of three years that may only be used to  
14 meet the age requirements for normal or early retirement under AS 22.25.010(d).

15 (f) The chief justice of the Alaska Court System may adopt, and file with the  
16 commissioner of administration for approval, a proposed retirement incentive plan for the  
17 administrative director of the court system who is a member of the judicial retirement system.  
18 Upon the request of the chief justice, the commissioner of administration shall establish a  
19 period during which an administrative director eligible to participate in the retirement incentive  
20 plan of the court system may apply to the commissioner of administration to participate in the  
21 court system's approved plan. The period shall begin no earlier than ~~July 1, 1995~~ <sup>June 30</sup>, and end  
22 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60  
23 days in duration and may not begin less than 30 days after establishment. The chief justice  
24 is not required to request an application period.

25 (g) The commissioner of administration may not accept the application of an  
26 administrative director of the court system to participate in an approved retirement incentive  
27 plan adopted under this section unless the administrative director will be appointed to  
28 retirement not later than the first day of the month that is six months after the last day of the  
29 application period established by the commissioner under (f) of this section. The chief justice,  
30 in a plan adopted under this section, may set an earlier date by which an administrative  
31 director must be appointed to retirement in order to participate in the plan.

1     • **Sec. 27. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.**

2     (a) If an individual is reemployed as a member of the public employees' retirement system  
3     under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
4     under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
5     after appointment to retirement under secs. 18 - 32 of this Act, that individual forfeits the  
6     incentive credit received under sec. 19(f) or 26(e) of this Act and is indebted to the system  
7     under which the individual took retirement. The indebtedness is 110 percent of the amount  
8     the individual received as a result of participation in a retirement incentive plan under secs.  
9     18 - 32 of this Act and to which the individual would not otherwise have been entitled,  
10    including the cost of health insurance. The amount that the individual has paid under sec.  
11    19(d) or (e) or sec. 26(d) of this Act will be applied as a credit toward the reemployment  
12    indebtedness. Interest on the reemployment indebtedness accrues from the date of  
13    reemployment until the date that the individual either is appointed to retirement and accepts  
14    an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
15    The rate of interest is that established by regulation for the public employees' retirement  
16    system by the public employees' retirement board and for the teachers' retirement system by  
17    the teachers' retirement board.

18       (b) An individual who was appointed to retirement under secs. 18 - 32 of this Act may  
19    not be employed by, or enter into a contract for personal services with, a state agency or the  
20    University of Alaska within the three years after the date of appointment to retirement, except  
21    that

22           (1) the University of Alaska may enter into a personal services contract with  
23    the individual for teaching or research; and

24           (2) the individual may accept employment with the legislature during a  
25    legislative session if the employment is on an hourly basis and does not entitle the individual  
26    to receive retirement, health, or leave benefits.

27       (c) Notwithstanding the prohibition in (b) of this section, a state agency or the  
28    University of Alaska may enter into a personal services contract with an individual who was  
29    appointed to retirement under secs. 18 - 32 of this Act if the Board of Regents, for the  
30    University of Alaska, or the commissioner of administration, for a state agency, determines  
31    that there is a compelling reason to do so because of the individual's specialized or extensive

1 experience that relates to a particular program or project of the state agency or university.  
2 However, a state agency may not enter into a contract with an individual under this subsection  
3 if the individual was employed by that state agency at the time of the individual's appointment  
4 to retirement.

5 \* Sec. 28. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the  
6 approval of the director of the office of management and budget, establish a separation  
7 incentive program for its employees. The program may be offered in combination with an  
8 approved retirement incentive plan adopted under sec. 20 of this Act, or may be offered  
9 separately from such a plan. A state agency need not extend an incentive program under this  
10 section to all employees who would otherwise be eligible to participate, but may choose to  
11 extend the program only to employees

12 (1) in specific budget or administrative components of the state agency;

13 (2) in specific job classifications;

14 (3) on the basis of any combination of factors under (1) and (2) of this  
15 subsection.

16 (b) A separation incentive payment under this section shall be paid in a lump sum  
17 after the employee's separation from state service, and shall be equal to the lesser of an  
18 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
19 agency or the office of management and budget may set a lower separation incentive payment  
20 in the state agency's separation incentive program.

21 (c) Upon the request of a state agency, the commissioner of administration shall  
22 establish one or more periods during which the employees of that state agency may apply to  
23 the commissioner of administration to participate in the state agency's approved separation  
24 incentive program. The periods shall begin no earlier than July 1, 1995, and end no later than  
25 June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
26 duration, and may not begin less than 30 days after their establishment. A state agency is not  
27 required to request an application period, and may request more than one application period.  
28 If the commissioner of administration has established one or more application periods for a  
29 state agency under sec. 20(b) of this Act, the application period or periods established under  
30 this subsection must coincide with the period or periods established under sec. 20(b) of this  
31 Act.

1 (d) A separation incentive program established under this section must provide that  
2 a separation incentive payment to an employee may be made only if

3 (1) the employee is a permanent full-time or permanent full-time seasonal  
4 employee with at least five years of service with the state; and

5 (2) the savings to the state agency in personal services costs for the position  
6 occupied by that employee would exceed, in the three years after the employee separates, the  
7 amount of the separation incentive payment.

8 (e) If an individual who received a separation incentive payment under this section  
9 subsequently is reemployed by a state agency or the University of Alaska within the three  
10 years after the date that the individual received the separation incentive payment, the  
11 individual is liable to the state in an amount equal to 110 percent of the amount of the  
12 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
13 commencing on the date that the individual received the separation incentive payment.

14 (f) If an employee is eligible to participate in an approved retirement incentive plan  
15 adopted under sec. 20 of this Act,

16 (1) a separation incentive payment to that employee may not exceed the  
17 amount that the state agency would be obligated to pay to the appropriate retirement system,  
18 notwithstanding (b) of this section; and

19 (2) the employee may participate in either the separation incentive program  
20 under this section or the retirement incentive plan adopted under sec. 20 of this Act, but not  
21 both.

22 (g) In this section, "base salary" means the monthly salary paid to an employee under  
23 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
24 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
25 employee's base salary is the employee's hourly rate, including geographic differential,  
26 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

27 \* Sec. 29. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
28 employee category for participation in a retirement incentive plan or a separation incentive  
29 program under secs. 18 - 32 of this Act, the executive head of the relevant state agency shall  
30 describe in detail the expected effect of the plan or program on the agency's personal services  
31 cost and operation. This financial report must be approved by the director of the office of

1 management and budget before the commissioner of administration may approve the proposed  
2 plan or program. The state agency shall report each year to the office of management and  
3 budget on the cost of each employee's participation and the effect on the agency's personal  
4 services cost and operation.

5 (b) The office of management and budget shall submit to the legislature annual reports  
6 on the retirement incentive and separation incentive programs under secs. 18 - 32 of this Act  
7 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
8 report January 15, 2000. Each report must provide the information necessary for the  
9 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
10 report must include information on the designated employee categories under the incentive  
11 programs, including the cost of each incentive program per participant, the cost to the state,  
12 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
13 number of positions deleted or left vacant, and the projected or actual net savings over the  
14 three-year period.

15 \* Sec. 30. PROGRAM CHANGES. (a) An individual employee does not have a vested  
16 or contractual right to a benefit under secs. 18 - 32 of this Act until an agreement is executed  
17 with the administrator that specifically authorizes that employee to participate in the retirement  
18 incentive program under secs. 18 - 32 of this Act or until an agreement is executed with the  
19 commissioner of administration to participate in the separation incentive program under secs.  
20 18 - 32 of this Act. The legislature reserves the right to change any aspect of either incentive  
21 program as it relates to employees for whom participation agreements have not yet been  
22 executed with the administrator or with the commissioner of administration.

23 (b) In this section, "administrator" means the administrator of the public employees'  
24 retirement system for employees who are members of that system, and the administrator of  
25 the teachers' retirement system for employees who are members of that system.

26 \* Sec. 31. REGULATIONS. The commissioner of the Department of Administration may  
27 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret  
28 secs. 18 - 32 of this Act.

29 \* Sec. 32. DEFINITIONS. (a) Unless provided otherwise in secs. 18 - 32 of this Act, the  
30 definitions set out in AS 14.25.220 apply to provisions in secs. 19 - 27 of this Act that relate  
31 to the teachers' retirement system and members of the teachers' retirement system.

1 (b) Unless provided otherwise in secs. 18 - 32 of this Act, the definitions set out in  
2 AS 39.35.680 apply to provisions in secs. 19 - 27 of this Act that relate to the public  
3 employees' retirement system and members of the public employees' retirement system.

4 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900  
5 applies to provisions in secs. 26 and 27 that relate to the judicial retirement system and  
6 members of the judicial retirement system.

7 (d) In secs. 18 - 32 of this Act,

8 (1) "judicial retirement system" means the retirement system established for  
9 judges and justices in AS 22.25;

10 (2) "office of management and budget" means the office of management and  
11 budget in the Office of the Governor;

12 (3) "public employees' retirement system" means the Public Employees'  
13 Retirement System of Alaska (AS 39.35);

14 (4) "state agency"

15 (A) means

16 (i) the legislative branch of state government;

17 (ii) the judicial branch of state government;

18 (iii) a principal department of the executive branch of state  
19 government; an independent state entity that is attached to a principal  
20 department of the executive branch for administrative purposes but that is not  
21 a public organization as defined in AS 39.35.680 is part of that department for  
22 purposes of this clause; and

23 (iv) the Office of the Governor;

24 (B) does not include

25 (i) the University of Alaska;

26 (ii) a political subdivision of the state; or

27 (iii) a public organization as defined in AS 39.35.680;

28 (5) "teachers' retirement system" means the Teachers' Retirement System of  
29 Alaska (AS 14.25).

30 • Sec. 33. AS 14.25.045 is repealed.

31 • Sec. 34. Sections 19, 20, and 28 of this Act are repealed July 1, 1999.

- 1     • Sec. 35. Sections 21 - 24 and 26 of this Act are repealed July 1, 1997.
- 2     • Sec. 36. Notwithstanding AS 39.38.020(b), enacted by sec. 15 of this Act, until  
3 January 1, 1997, the Alaska State Pension Investment Board may provide fewer than four  
4 investment options for employees. The board shall use its best efforts to provide investment  
5 options to employees in a timely manner.
- 6     • Sec. 37. Notwithstanding AS 39.38.070, enacted by sec. 15 of this Act, the legislature  
7 may appropriate and, if appropriated, the director of the defined contribution retirement plan  
8 may spend general fund money for the start-up costs of the plan.
- 9     • Sec. 38. Sections 18 - 32 of this Act take effect immediately under AS 01.10.070(c).

*Adopted*

WORK DRAFT

WORK DRAFT

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*Wopt*

*Riege Amend. March 1 chg to March 31  
Thru out - also pg 19, line 8*

9-LS09411U  
Cramer  
4/30/95

SENATE FINANCE  
COMMITTEE

Amendment Number: CS-2  
Bill Number: SB148  
Sponsor: Riege Date: 5/1/95  
Logged In By: JK

*Adopt*

*Phillips* ~~Amend~~ - *Tech. Amendment to Amend 11*  
CS FOR SENATE BILL NO. 148( )  
IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsor(s): SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to contributions and benefits in the teachers' retirement system  
2 and in the public employees' retirement system; relating to the supplemental  
3 benefits system; relating to retirement incentive programs for the public  
4 employees' retirement system, the judicial retirement system, and the teachers'  
5 retirement system; relating to separation incentives for certain state employees;  
6 repealing a provision permitting the National Education Association to participate  
7 in the teachers' retirement system; and providing for an effective date."

8 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

9 • Section 1. AS 14.25.040(a) is amended to read:

10 (a) Unless a teacher or member has elected to participate in the optional  
11 university retirement program under AS 14.40.661 - 14.40.799, a teacher or member  
12 contracting for service with a participating employer is subject to this chapter.  $\Delta$   
13 school board shall, by resolution, elect whether to participate in the reduction in

1 contributions and benefits enacted by this Act and shall inform the administrator  
2 of its decision. For school boards in existence on January 31, 1996, the board  
3 shall inform the administrator no later than February 1, 1996. A school board  
4 that comes into existence after January 31, 1996, shall inform the administrator  
5 whether it elects to be a participating or nonparticipating employer. A school  
6 board that elects to participate in the reductions may not later revoke its  
7 participation.

8 \* Sec. 2. AS 14.25.050(a) is amended to read:

9 (a) Δ [BEGINNING JANUARY 1, 1991, EACH] teacher who is first hired  
10 on or after March 1, 1996, by the Department of Education, the University of  
11 Alaska, or a participating school district shall contribute to the system an amount  
12 equal to 5.5 percent of the teacher's base salary accrued from July 1 to the  
13 following June 30. A teacher who is first hired before March 1, 1996, or who was  
14 hired by a nonparticipating school district on or after March 1, 1996, shall  
15 contribute to the system an amount equal to 8.65 percent of the teacher's base salary  
16 accrued from July 1 to the following June 30. The employer shall deduct the  
17 contribution from the teacher's salary at the end of each payroll period. The  
18 contributions shall be deducted from employee compensation before the computation  
19 of applicable federal taxes and shall be treated as employer contributions under 26  
20 U.S.C. 414(h)(2).

21 \* Sec. 3. AS 14.25.070 is amended to read:

22 Sec. 14.25.070. CONTRIBUTIONS BY EMPLOYER. For employees first  
23 hired before March 1, 1996, and for employees hired after that date by a  
24 nonparticipating school district, an [AN] employer shall contribute to the system an  
25 amount equal to the percentage, as certified by the administrator, of the sum total of  
26 the base salaries of all those teachers that is required in addition to teacher  
27 contributions to provide the benefits of this chapter for those teachers times the sum  
28 total of the base salaries paid to those teachers by the employer. For teachers first  
29 hired on or after March 1, 1996, by the Department of Education, the University  
30 of Alaska, or a participating school district, the percentage that the employer shall  
31 contribute shall be computed under this section with the data that applies to those

1 teachers.

2 • Sec. 4. AS 14.25.110(a) is amended to read:

3 (a) Subject to AS 14.25.167, a member is eligible for a normal retirement  
4 benefit if the member was first hired

5 (1) [WAS FIRST HIRED] before July 1, 1975, has attained the age of  
6 55 years, and has at least 15 years of credited service, the last five of which have been  
7 membership service or is otherwise vested in the system;

8 (2) on or after July 1, 1975, and before March 1, 1996, or after  
9 March 1, 1996, by a nonparticipating school district has attained the age of 60 years  
10 and has at least eight years of membership service;

11 (3) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district has attained the age of 60 years, has at least five  
13 years of membership service, and has at least three years of Alaska BIA service;

14 (4) on or after March 1, 1996, by the Department of Education, the  
15 University of Alaska, or participating school district and

16 (A) has attained the age of 60 years and has at least five  
17 years of membership service; or

18 (B) the sum of the member's age plus the member's years  
19 of membership service equals or exceeds 85;

20 (5) before March 1, 1996, or on or after that date by a  
21 nonparticipating school district and [(4)] has at least 25 years of credited service,  
22 the last five of which have been membership service;

23 (6) before March 1, 1996, or on or after that date by a  
24 nonparticipating school district and [(5)] has at least 20 years of membership  
25 service;

26 (7) before March 1, 1996, or on or after that date by a  
27 nonparticipating school district and [(6)] has at least 20 years of combined  
28 membership service and Alaska BIA service, the last five of which have been  
29 membership service; or

30 (8) before March 1, 1996, or on or after that date by a  
31 nonparticipating school district and [(7)] has, for each of 20 school years,

1 (A) at least one-half year of membership service as a part-time  
2 teacher;

3 (B) one full year of membership service as a full-time teacher;  
4 or

5 (C) any combination of service qualified under this paragraph.

6 \* Sec. 5. AS 14.25.110(d) is amended to read:

7 (d) The monthly amount of a retirement benefit for a member who has paid  
8 the full amount of any indebtedness is one-twelfth of the member's average base salary  
9 during any three school years of membership service multiplied for members first  
10 hired

11 (1) before March 1, 1996, or on or after that date by a  
12 nonparticipating school district by

13 (A) [(1)] two percent of the years of credited service earned  
14 before June 30, 1990, including credited fractional years, and the years of  
15 credited service through a total of 20 years; plus

16 (B) [(2)] two and one-half percent of the years of credited  
17 service earned after June 30, 1990, that are more than 20 years of total credited  
18 service; or

19 (2) on or after March 1, 1996, by the Department of Education, the  
20 University of Alaska, or a participating school district by one and one-half percent  
21 of the years of credited service.

22 \* Sec. 6. AS 14.25.110(j) is amended to read:

23 (j) For teachers first hired before March 1, 1996, or on or after that date  
24 by a nonparticipating school district, an [AN] actuarial adjustment must be made  
25 to benefits payable under (d) of this section for early retirement. For teachers first  
26 hired on or after March 1, 1996, by the Department of Education, the University  
27 of Alaska, or a nonparticipating school district, the monthly amount of a  
28 retirement benefit that would be due under (d) of this section shall be reduced by  
29 multiplying one-half of one percent times the number of months, to the nearest  
30 month, by which the retirement date of the teacher falls short of the date on  
31 which the teacher reaches 60 years of age.

1     • Sec. 7. AS 14.25.143(a) is amended to read:

2             (a) Once each year, the administrator shall increase benefit payments to

3                     (1) eligible disabled members;

4                     (2) [, TO] persons age 60 or older receiving benefits under this system  
5                     in the preceding calendar year;

6                     (3) members who were first hired before March 1, 1996, or on or  
7                     after that date by a nonparticipating school district [, AND TO PERSONS] who  
8                     have received benefits under this system for at least eight years and who are not  
9                     otherwise eligible for an increase under this section; and

10                    (4) survivors of members described in (3) of this subsection when  
11                    the member and the survivor have together received benefits under this system  
12                    for at least eight years.

13     • Sec. 8. AS 14.25.143(b) is amended to read:

14             (b) The increase in benefit payments applies to total benefit payments except  
15             for the cost-of-living allowance under AS 14.25.142. For members first hired on or  
16             after March 1, 1996, by the Department of Education, the University of Alaska,  
17             or a participating school district, the amount of the increase is the lesser of 50  
18             percent of the increase in the cost-of-living in the preceding calendar year or six  
19             percent. For members first hired before March 1, 1996, or on or after that date  
20             by a nonparticipating school district, the [THE] amount of the increase is a  
21             percentage of the current benefit equal to

22                     (1) the lesser of 75 percent of the increase in the cost of living in the  
23                     preceding calendar year or nine percent, for recipients who on July 1 are at least 65  
24                     years old and for members receiving disability benefits; and

25                     (2) the lesser of 50 percent of the increase in the cost of living in the  
26                     preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
27                     less than 65 years old or for recipients who on July 1 are less than 60 years old but  
28                     who have received benefits from the system for at least eight years.

29     • Sec. 9. AS 14.25.167(a) is amended to read:

30             (a) Benefits payable under this section are in place of benefits payable under  
31             AS 14.25.110, 14.25.125, 14.25.155, 14.25.157, 14.25.160, 14.25.162, or 14.25.164.

1 Upon filing an application for retirement with the administrator, or when a disabled  
2 member becomes eligible for normal retirement under AS 14.25.130(e), the member  
3 shall designate the person who is the member's spouse at the time of appointment to  
4 retirement as the contingent beneficiary. However, if the designation of the spouse is  
5 revoked under (c) of this section, the member may designate a dependent approved by  
6 the administrator as the contingent beneficiary or may take normal or early retirement  
7 under AS 14.25.110 or 14.25.125. The administrator shall pay benefits under the  
8 option elected by the member. The member may elect an option that provides that

9 (1) the member is entitled to receive a reduced benefit payable for life,  
10 and, after the member's death, the contingent beneficiary is entitled to receive  
11 payments in the amount of 75 percent of the reduced benefit for life;

12 (2) the member is entitled to receive a reduced benefit payable for life,  
13 and, after the member's death, the contingent beneficiary is entitled to receive  
14 payments in the amount of 50 percent of the reduced benefit for life; or

15 (3) for members first hired before March 1, 1996, or on or after  
16 that date by a nonparticipating school district, the member is entitled to receive a  
17 reduced benefit payable during the joint lifetime of the member and the contingent  
18 beneficiary, and, after the death of either the member or the contingent beneficiary, the  
19 survivor is entitled to receive payments in the amount of 66-2/3 percent of the reduced  
20 benefit for life.

21 • Sec. 10. AS 14.25.168(d) is amended to read:

22 (d) A benefit recipient may elect major medical insurance coverage in  
23 accordance with regulations and under the following conditions:

24 (1) a person who is younger than 60 years of age must pay an amount  
25 equal to the full monthly group premium for retiree major medical insurance coverage;

26 (2) a person who is at least 60 years of age but is younger than 65  
27 years of age must pay an amount equal to one-half of the full monthly group premium  
28 for retiree major medical insurance coverage;

29 (3) a disabled member or a person 65 years of age or older is not  
30 required to make premium payments;

31 (4) a benefit recipient who was first hired on or after March 1,

1 1996, by the Department of Education, University of Alaska, or a participating  
 2 school district who is electing major medical insurance coverage for dependents  
 3 eligible under (a)(2) or (3) of this section shall pay the full cost of that insurance.

4 • Sec. 11. AS 14.25.220(42) is amended to read:

5 (42) "vested member" or "vested teacher" means an active member who  
 6 has completed either

7 (A) 15 years of service, the last five of which have been  
 8 membership service, for a member first hired before July 1, 1975;

9 (B) eight years of membership service if the member was first  
 10 hired before March 1, 1996, or on or after that date by a nonparticipating  
 11 school district;

12 (C) five years of membership and three years of BIA service if  
 13 the member was first hired before March 1, 1996, or on or after that date  
 14 by a nonparticipating school district; [OR]

15 (D) 12 school years of part-time membership service or 12  
 16 school years in each of which the member earned either part-time or full-time  
 17 membership service; or

18 (E) five years of membership service if the member was first  
 19 hired on or after March 1, 1996, by the Department of Education,  
 20 University of Alaska, or a participating school district;

21 • Sec. 12. AS 14.25.220 is amended by adding new paragraphs to read:

22 (44) "nonparticipating school district" means a school district that has  
 23 chosen under AS 14.25.040(a) not to participate in the amendments to this chapter and  
 24 AS 39.35 that reduce retirement contribution rates and benefits;

25 (45) "participating school district" means a school district that has  
 26 chosen under AS 14.25.040(a) to participate in the amendments to this chapter and  
 27 AS 39.35 that reduce retirement contribution rates and benefits.

28 • Sec. 13. AS 39.30.150(a) is amended to read:

29 (a) In place of contributions to the federal social security system that would  
 30 have been required on behalf of an employee had the participating employer belonged  
 31 to the social security system, the participating employer shall pay [CONTRIBUTE] an

1 amount equal to 6.13 percent of the wages of the employee up to the taxable wage  
2 base then in effect in the social security system as the employee contribution. This  
3 contribution shall [MUST] be paid into an individual employee annuity account in the  
4 Department of Administration under the terms of the State of Alaska Supplemental  
5 Annuity Plan. For employees who first become members under AS 39.35 (public  
6 employ as' retirement system) before March 1, 1996, and for employees of  
7 nonparticipating employers, the employer [THE DEPARTMENT] shall pay 6.13  
8 percent of the wages of the employee up to the taxable wage base then in effect in the  
9 social security system into the individual employee annuity account established under  
10 this subsection as the employer contribution. For employees who first become  
11 members under AS 39.35 on or after March 1, 1996, except for employees of  
12 nonparticipating employers, the percentage that the employer contributes as the  
13 employer contribution is the percentage that results from subtracting the  
14 percentage of the employer contribution for the employee under AS 39.35.250  
15 from 12.5 percent. This wage reduction shall [MUST] be treated as an employer  
16 contribution under 26 U.S.C. 414(h)(2). All costs of establishing and administering  
17 the programs established under AS 39.30.150 - 39.30.180 shall [MUST] be paid from  
18 the amounts available in [CONTRIBUTIONS MADE TO] the individual employee  
19 annuity accounts under this section. In this subsection, "nonparticipating  
20 employer" has the meaning given in AS 39.35.680.

- 21 • Sec. 14. AS 39.35.160(a) is amended to read.

22 (a) Δ [BEGINNING JANUARY 1, 1987, EACH] peace officer or fire fighter  
23 who is first hired on or after March 1, 1996, other than an employee of a  
24 nonparticipating employer, shall contribute to the system an amount equal to six  
25 percent of the peace officer's or fire fighter's compensation. A peace officer or  
26 fire fighter who is first hired before March 1, 1996, or who is an employee of a  
27 nonparticipating employer, shall contribute to the system an amount equal to seven  
28 and one-half percent of the peace officer's or fire fighter's compensation. Except for  
29 employees of nonparticipating employers, each [BEGINNING JANUARY 1, 1987,  
30 EACH] other employee who is first hired on or after March 1, 1996, shall  
31 contribute to the system an amount equal to five and one-half percent of the

1 employee's compensation. Each other employee who is first hired before  
2 March 1, 1996, or on or after that date by a nonparticipating employer shall  
3 contribute to the system an amount equal to six and three-quarters percent of the  
4 employee's compensation. The contributions shall be deducted by the employer at the  
5 end of each payroll period. The contributions shall be deducted from employee  
6 compensation before computation of applicable federal taxes, and the contributions  
7 shall be treated as employer contributions under 26 U.S.C. 414(h)(2).

8 • Sec. 15. AS 39.35.250 is amended to read:

9 Sec. 39.35.250. CALCULATION OF EMPLOYER'S CONTRIBUTION RATE.

10 (a) An employer shall make contributions to the system in amounts determined in  
11 accordance with this section. For the purposes of this section, the past service date for  
12 each employer for employees first hired before March 1, 1996, and for employees  
13 hired on or after that date by nonparticipating employers is the entry date of the  
14 employer or December 31, 1972, whichever is later. The past service date for  
15 employees first hired on or after March 1, 1996, other than employees of  
16 nonparticipating employers, is the entry date of the employer or March 1, 1996,  
17 whichever is later. After December 31, 1972, if amendments to this chapter are  
18 enacted that substantially affect benefits accrued before the effective date of the  
19 amendment, the past service date will be changed to December 31 of the year  
20 immediately preceding that in which the amendment is enacted. The contribution rate  
21 for employees first hired before March 1, 1996, and for employees hired on or  
22 after that date by nonparticipating employers, is the sum of the consolidated  
23 employer rate for those employees and the past service rate that applies to those  
24 employees. The contribution rate for employees first hired on or after March 1,  
25 1996, other than employees of nonparticipating employers, is the sum of the  
26 consolidated employer rate for those employees and the past service rate that  
27 applies to those employees.

28 (b) In (a) of this section, "consolidated employer rate" for employees first  
29 hired before March 1, 1996, and for employees hired on or after that date by  
30 nonparticipating employers means the percentage of compensation of all those active  
31 employees in the system which, if paid over the period of their credited service after

1 the [THEIR] past service date of those employees and when combined with all  
2 employee contributions from those employees, is sufficient to provide the benefits  
3 earned after such past service dates. This percentage is uniformly determined for all  
4 employers for employees first hired before March 1, 1996, and for employees hired  
5 on or after that date by nonparticipating employers and is applicable to each  
6 employer. The consolidated employer rate for employees first hired on or after  
7 March 1, 1996, other than employees of nonparticipating employers, shall be  
8 separately determined under this subsection with the data that applies to those  
9 employees.

10 (c) In (a) of this section, "past service rate" for employees first hired before  
11 March 1, 1996, and for employees hired on or after that date by nonparticipating  
12 employers means the percentage of compensation of all those active employees in the  
13 system necessary to provide the annual amount required to amortize the unfunded  
14 obligations of the employer for benefits earned by those employees before the  
15 employer's past service date over a period not to exceed 40 years. The period of  
16 amortization begins at the past service date of each employer. The percentage is  
17 separately determined for each employer. The past service rate for employees first  
18 hired on or after March 1, 1996, and employees hired on or after that date by  
19 nonparticipating employers shall be separately determined under this subsection  
20 with the data that applies to those employees.

21 • Sec. 16. AS 39.35.370(a) is amended to read:

22 (a) Subject to AS 39.35.450, a terminated employee is eligible for a normal  
23 retirement benefit

24 (1) at age 60 with at least five years credited service; [,] or

25 (2) with at least 20 years of credited service as a peace officer or fire  
26 fighter for peace officers or fire fighters first hired before March 1, 1996, or hired  
27 on or after that date by a nonparticipating employer; [, OR]

28 (3) with at least 25 years of credited service as a peace officer or  
29 fire fighter for peace officers and fire fighters first hired on or after March 1,  
30 1996, other than employees of nonparticipating employers;

31 (4) with at least 30 years of credited service for all other employees if

1 the employee was first hired before March 1, 1996, or if the employee was hired  
2 on or after that date by a nonparticipating employer; or  
3 (5) with a combination of age and years of credited service equal  
4 to or greater than 85.

5 • Sec. 17. AS 39.35.370(b) is amended to read:

6 (b) Subject to AS 39.35.450, a terminated employee is eligible for an early  
7 retirement benefit at age 55 with at least five years credited service. For employees  
8 first hired before March 1, 1996, and for employees hired on or after that date  
9 by nonparticipating employers, an [AN] actuarial adjustment must be made to  
10 retirement benefits paid under this section for an early retirement benefit. For  
11 employees first hired on or after March 1, 1996, other than employees of  
12 nonparticipating employers, the monthly amount of a retirement benefit that  
13 would be due under (c) of this section shall be reduced by multiplying one-half  
14 of one percent times the number of months, to the nearest month, by which the  
15 retirement date of the employee falls short of the date that the employee reaches  
16 age 60.

17 • Sec. 18. AS 39.35.370(c) is amended to read:

18 (c) For employees first hired on or after March 1, 1996, other than for  
19 employees of nonparticipating employers, the monthly amount of a retirement  
20 benefit is one and one-half percent of the average monthly compensation times the  
21 years of credited service. The monthly amount of a retirement benefit for a peace  
22 officer or fire fighter first hired before March 1, 1996, and for a peace officer or  
23 fire fighter hired on or after that date by a nonparticipating employer, is two  
24 percent of the average monthly compensation times the years of credited service  
25 through 10 years, plus two and one-half percent of the average monthly compensation  
26 times the years of service over 10 years. For all other employees first hired before  
27 March 1, 1996, and for other employees of nonparticipating employers first hired  
28 on or after that date, it is

29 (1) two percent of the average monthly compensation times all years  
30 of service before July 1, 1986, and for years of service through a total of 10 years;  
31 plus

1 (2) two and one-quarter percent of the average monthly compensation  
2 times all years of service after June 30, 1986, over 10 years of total service through  
3 20 years; plus

4 (3) two and one-half percent of the average monthly compensation  
5 times all years of service after June 30, 1986, over 20 years of total service.

6 \* Sec. 19. AS 39.35.450(a) is amended to read:

7 (a) Benefits payable under this section are in place of benefits payable under  
8 AS 39.35.370, 39.35.385, and 39.35.460. Upon filing an application with the  
9 administrator or when a disabled employee first attains eligibility for normal retirement  
10 under AS 39.35.400(f) or 39.35.410(h), the employee shall designate the person who  
11 is the employee's spouse at the time of appointment to retirement as the contingent  
12 beneficiary. However, if the designation of the spouse is revoked under (c) of this  
13 section, the employee may designate a dependent approved by the administrator as the  
14 contingent beneficiary or may take normal or early retirement under AS 39.35.370 or  
15 39.35.385 or a level income option under AS 39.35.460. The administrator shall pay  
16 benefits under the option elected by the employee. The employee may elect an option  
17 that provides that

18 (1) the employee is entitled to receive a reduced benefit payable for  
19 life, and, after the employee's death, the contingent beneficiary is entitled to payments  
20 in the amount of 75 percent of the reduced benefit payable for life.

21 (2) the employee is entitled to receive a reduced benefit payable for  
22 life, and, after the employee's death, the contingent beneficiary is entitled to receive  
23 payments in the amount of 50 percent of the reduced benefit payable for life.

24 (3) for employees first hired before March 1, 1996, or hired on or  
25 after that date by a nonparticipating employer, the employee is entitled to receive  
26 a reduced benefit payable during the joint lifetime of the employee and the contingent  
27 beneficiary, and, after the death of either the employee or the contingent beneficiary,  
28 the survivor is entitled to receive payments in the amount of 66 2/3 percent of the  
29 reduced benefit payable for life.

30 \* Sec. 20. AS 39.35.460 is amended to read:

31 Sec. 39.35.460. LEVEL INCOME OPTION. For an employee first hired

1 before March 1, 1996, or hired on or after that date by a nonparticipating  
2 employer. if [IF] the payment of a retirement pension begins before age 65, the  
3 amount of pension payable before and after that age may be adjusted so that an  
4 increased amount will be paid before the time that full social security benefits become  
5 available and a reduced amount after that time, so that the employee may receive a  
6 more level income for life. The aggregate value of all adjusted payments may not  
7 exceed the actuarial equivalent of the value of the pension otherwise payable to the  
8 employee.

9 • Sec. 21. AS 39.35.475(a) is amended to read:

10 (a) Once each year the administrator shall increase benefit payments to

11 (1) eligible disabled members;

12 (2) [ . TO] persons age 60 or older receiving benefits under this system  
13 in the preceding calendar year;

14 (3) members who were first hired before March 1, 1996, or who  
15 were hired on or after that date by a nonparticipating employer. [AND TO  
16 PERSONS] who have received benefits under this system for at least five years and  
17 who are not otherwise eligible for an increase under this section; and

18 (4) survivors of members described in (3) of this subsection when  
19 the member and the survivor have together received benefits under this system  
20 for at least five years.

21 • Sec. 22. AS 39.35.475(b) is amended to read:

22 (b) The increase in benefit payments applies to total benefit payments except  
23 for the cost-of-living allowance under AS 39.35.480. For members first hired on or  
24 after March 1, 1996, other than employees of a nonparticipating employer, the  
25 amount of the increase is a percentage of the current benefit equal to the lesser  
26 of 50 percent of the increase in the cost of living in the preceding calendar year  
27 or six percent. For members first hired before March 1, 1996, or hired on or  
28 after that date by a nonparticipating employer, the [THE] amount of the increase  
29 is a percentage of the current benefit equal to

30 (1) the lesser of 75 percent of the increase in the cost of living in the  
31 preceding calendar year or nine percent, for recipients who on July 1 are at least 65

1 years old and for members receiving disability benefits; and

2 (2) the lesser of 50 percent of the increase in the cost of living in the  
3 preceding calendar year or six percent, for recipients who on July 1 are at least 60 but  
4 less than 65 years old or for recipients who are less than 60 years old on July 1 but  
5 who have received benefits from the system for at least five years.

6 \* Sec. 23. AS 39.35.535(c) is amended to read:

7 (c) A benefit recipient may elect major medical insurance coverage in  
8 accordance with regulations and under the following conditions:

9 (1) a person who is younger than 60 years of age must pay an amount  
10 equal to the full monthly group premium for retiree major medical insurance coverage;

11 (2) a person who is at least 60 years of age but is younger than 65  
12 years of age must pay an amount equal to one-half of the full monthly group premium  
13 for retiree major medical insurance coverage;

14 (3) a disabled member or a person 65 years of age or older is not  
15 required to make premium payments;

16 (4) a benefit recipient who is first hired on or after March 1, 1996,  
17 other than a recipient receiving benefits through a nonparticipating employer,  
18 who is electing major medical insurance coverage for dependents eligible under  
19 (a)(2) and (3) of this section shall pay the full cost of that insurance.

20 \* Sec. 24. AS 39.35 is amended by adding a new section to read:

21 Sec. 39.35.565. PARTICIPATION IN REDUCED CONTRIBUTIONS AND  
22 BENEFITS. A political subdivision or public organization participating in the system  
23 on January 31, 1996, shall, by resolution, elect whether to participate in the reduction  
24 in contributions and benefits enacted by this Act and shall inform the administrator of  
25 its decision no later than February 1, 1996. A political subdivision or public  
26 organization that becomes an employer in the system on or after February 1, 1996,  
27 shall inform the administrator whether it has elected to be a nonparticipating employer.  
28 A political subdivision or public organization that is an employer in the system that  
29 elects to participate in the reductions may not later decide to participate in the system  
30 as it existed before amendment by this Act.

31 \* Sec. 25. AS 39.35.650 is amended by adding a new paragraph to read:

1 (41) "nonparticipating employer" means a political subdivision or public  
2 organization that is an employer under this system that has chosen under AS 39.35.565  
3 not to participate in the amendments to this chapter enacted in this Act.

4 \* Sec. 26. FINDINGS AND PURPOSE AS TO SECS. 26 - 40. The State of Alaska and  
5 many local governments and school districts are facing the need to restructure their operations  
6 and their work forces in order to reduce expenditures and balance budgets. Retirement and  
7 separation incentives are management tools that have been used extensively by the private  
8 sector, the federal government, and other state and local governments across the country. The  
9 purpose of secs. 26 - 40 of this Act is to make these management tools temporarily available  
10 to the state and to the municipalities and school districts of the state. Sections 26 - 40 of this  
11 Act will enable these entities to be more efficient and cost-effective by eliminating certain  
12 nonessential positions, and producing a net reduction in personnel costs.

13 \* Sec. 27. RETIREMENT INCENTIVE PROGRAM. (a) An employer may adopt a  
14 retirement incentive plan under secs. 28 - 31 of this Act, as appropriate, and designate  
15 categories of employees eligible to participate in that plan. An employer need not extend the  
16 incentive plan to all employees who would otherwise be eligible, but may choose to extend  
17 the plan only to employees

18 (1) in specific budget or administrative components of the employer;

19 (2) in specific job classifications;

20 (3) in specific geographic locations; or

21 (4) on the basis of any combination of factors under (1) - (3) of this  
22 subsection.

23 (b) An employee is eligible to participate in a retirement incentive plan under secs.  
24 26 - 40 of this Act only if the

25 (1) employee is a vested member of the public employees' retirement system  
26 or the teachers' retirement system;

27 (2) employee will be qualified to retire under AS 14.25.110 or AS 39.35.370  
28 after receipt of the credit described in (f) of this section;

29 (3) savings to the employer in personal services costs for the employee's  
30 position will exceed the costs to the employer for that position within three years after the  
31 employee is appointed to retirement.

1 (c) An employer shall file its proposed retirement incentive plan with the  
2 commissioner of administration. The commissioner shall approve the plan if the plan meets  
3 the requirements of secs. 26 - 40 of this Act, except that the commissioner may approve a  
4 state agency's retirement incentive plan only if the office of management and budget approves  
5 the calculation of savings under (b)(3) of this section. A proposed plan filed under this  
6 section must

7 (1) identify job classifications of employees, and specific budget or  
8 administrative components, eligible to participate in the plan;

9 (2) include a reimbursement agreement that

10 (A) requires the employer, for each employee who retires under the  
11 plan, to reimburse the appropriate retirement system, within three years after the end  
12 of the fiscal year in which the employee is appointed to retirement, in an amount equal  
13 to

14 (i) the actuarial equivalent of the difference between the benefits  
15 the participant receives after the addition of the credit under (f) of this section  
16 and the amount the participant would have received without the credit, less the  
17 amount the participant has paid on the indebtedness determined under (d) or (e)  
18 of this section; and

19 (ii) an appropriate share of the administrative costs of the  
20 program; and

21 (B) provides that contributions from the employer under this section  
22 take priority over other obligations of the employer to the maximum extent permitted  
23 by law.

24 (d) A member of the teachers' retirement system who participates in an approved  
25 retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system for an  
26 amount calculated under this subsection. The indebtedness is 25.95 percent of the member's  
27 actual compensation for the school year in which the member terminates employment, or the  
28 calculated school year compensation for a member who works less than the entire school year.  
29 An outstanding indebtedness at the time a member is appointed to retirement under an  
30 approved retirement incentive plan requires an actuarial adjustment to the benefits payable to  
31 that member.

1 (e) A member of the public employees' retirement system who participates in an  
2 approved retirement incentive plan under secs. 26 - 40 of this Act is indebted to that system  
3 for an amount calculated under this subsection. The indebtedness is 22-1/2 percent for a  
4 peace officer or fire fighter, and 20-1/4 percent for other members, of the member's actual  
5 annual compensation for the year in which the member terminates employment, or the  
6 calculated annual compensation for a member who works fewer than 12 months. An  
7 outstanding indebtedness at the time a member is appointed to retirement under an approved  
8 retirement incentive plan requires an actuarial adjustment to the benefits payable to that  
9 member.

10 (f) An employee who participates in an approved retirement incentive plan under secs.  
11 26 - 40 of this Act receives a credit of three years. The three years must be applied in the  
12 following order until exhausted:

13 (1) to meet the age or service required for eligibility for normal retirement  
14 under AS 14.25.110 or AS 39.35.370, as appropriate;

15 (2) to meet the age required for early retirement under AS 14.25.110 or  
16 AS 39.35.370, as appropriate;

17 (3) to reduce the actuarial adjustment required for early retirement under  
18 AS 14.25.110 or AS 39.35.370, as appropriate;

19 (4) as years of credited service for calculating retirement benefits.

20 (g) In this section,

21 (1) "department" means

22 (A) a principal department of the executive branch of state government;  
23 an independent state entity that is attached to a principal department of the executive  
24 branch for administrative purposes but that is not a public organization as defined in  
25 AS 39.35.680 is part of that department for purposes of this paragraph; and

26 (B) the Office of the Governor;

27 (2) "employer" means

28 (A) for purposes of a retirement incentive plan under AS 14.25, means  
29 the Board of Regents of the University, the Department of Education, or the Regional  
30 Resource Center; and

31 (B) for purposes of a retirement incentive plan under AS 39.35, has the

1 meaning given in AS 39.35.680 and includes a department.

2 • Sec. 28. AUTHORIZATION FOR STATE EMPLOYEE RETIREMENT INCENTIVE.

3 (a) A state agency may adopt, and file with the commissioner of administration for approval,  
4 a proposed retirement incentive plan for its employees.

5 (b) Upon the request of a state agency, the commissioner of administration shall  
6 establish one or more periods during which the employees of that state agency who are  
7 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
8 the commissioner of administration to participate in the state agency's approved plan. The  
9 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
10 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
11 begin less than 30 days after their establishment. A state agency is not required to request an  
12 application period, and may request more than one application period.

13 (c) A proposed retirement incentive plan adopted under this section may not permit  
14 an employee who is the governor, the lieutenant governor, or a commissioner, deputy  
15 commissioner, or assistant commissioner of a principal department of the executive branch to  
16 participate in the plan.

17 (d) A proposed retirement incentive plan adopted under this section may permit  
18 participation only by an employee who is eligible to participate under sec. 27(b) of this Act  
19 and who

20 (1) has been continuously employed by the state for at least one year before  
21 the employee applies to participate in the state agency's approved plan;

22 (2) is a permanent seasonal employee who has been continuously employed  
23 by the state in a permanent seasonal position during all of the time in the one year before the  
24 employee's application to participate in which the position normally is filled;

25 (3) has a job sharing agreement with a state agency in which two or more  
26 employees share a single position identified by a single position control number and in which  
27 the employee who applies to participate in the plan was continuously employed by the agency  
28 during the portion of the one year before the employee's application in which the employee  
29 normally worked under the job sharing agreement; or

30 (4) meets a combination of the requirements of this subsection.

31 (e) The commissioner of administration may not accept the application of an employee

1 to participate in an approved retirement incentive plan adopted under this section unless the  
2 employee will be appointed to retirement not later than the first day of the month that is six  
3 months after the last day of the application period established by the commissioner under (b)  
4 of this section. A state agency, in a plan adopted under this section, may set an earlier date  
5 by which an employee must be appointed to retirement in order to participate in the plan.

6 (f) A state agency that has adopted a retirement incentive plan for its employees may  
7 not appoint a person to fill a vacant position in a category of position that was included in the  
8 plan until after March <sup>31</sup> 1996, unless

9 (1) the governor submits a notice to the Legislative Budget and Audit  
10 Committee of the intended appointment to the position for the committee's review;

11 (2) 45 days elapse before the appointment to the vacancy is made unless the  
12 committee earlier recommends that the agency appoint a person to fill the position; and

13 (3) if, within the 45 days, the committee recommends that the vacancy not be  
14 filled, the governor reviews the request to fill the position and determines to authorize the  
15 hiring, in which case the governor shall provide the committee with a statement of the reasons  
16 for the authorization before the appointment to the position is made.

17 (g) In this section, "committee" means the Legislative Budget and Audit Committee.

18 \* Sec. 29. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF  
19 THE UNIVERSITY OF ALASKA. (a) The Board of Regents of the University of Alaska  
20 may adopt, and file with the commissioner of administration for approval, a proposed  
21 retirement incentive plan for university employees.

22 (b) Upon the request of the Board of Regents, the commissioner of administration  
23 shall establish one or more periods during which the employees of the university who are  
24 eligible under sec. 27(b) of this Act to participate in a retirement incentive plan may apply to  
25 the commissioner of administration to participate in the university's approved plan. The  
26 periods shall begin no earlier than June 30, 1995, and end no later than June 30, 1998. The  
27 periods shall be no less than 30 days and no more than 60 days in duration, and may not  
28 begin less than 30 days after their establishment. The Board of Regents is not required to  
29 request an application period, and may request more than one application period.

30 (c) The commissioner of administration may not accept the application of an employee  
31 to participate in an approved retirement incentive plan adopted under this section unless the

1 employee will be appointed to retirement not later than the first day of the month that is six  
2 months after the last day of the application period established by the commissioner under (b)  
3 of this section. The Board of Regents, in a plan adopted under this section, may set an earlier  
4 date by which an employee of the University of Alaska must be appointed to retirement in  
5 order to participate in the plan.

6 (d) A participant in the optional university retirement program under AS 14.40.661 -  
7 14.40.799 who is vested in the public employees' retirement system or the teachers' retirement  
8 system may participate in a retirement incentive plan for that system if the participant meets  
9 the other qualifications of secs. 26 - 40 of this Act. If a provision of this subsection is  
10 inconsistent with another provision of law, the provision of this subsection governs.

11 \* Sec. 30. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR OTHER  
12 EMPLOYEES IN THE PUBLIC EMPLOYEES' RETIREMENT SYSTEM. (a) The  
13 governing body of a political subdivision of the state or public organization that has elected  
14 to participate in the public employees' retirement system under AS 39.35.550 - 39.35.650 may  
15 adopt, and file with the commissioner of administration for approval, a proposed retirement  
16 incentive plan for its employees. Upon the request of the governing body, the commissioner  
17 of administration shall establish one or more periods during which the employees of a political  
18 subdivision or public organization who are eligible to participate in a retirement incentive plan  
19 may apply to the commissioner of administration to participate in the approved plan. The  
20 periods shall begin no earlier than October 31, 1995, and end no later than October 31, 1998.  
21 The periods shall be no less than 30 days and no more than 60 days in duration, and may not  
22 begin less than 60 days after their establishment. The governing body is not required to  
23 request an application period, and may request more than one application period.

24 (b) The commissioner of administration may not accept the application of an employee  
25 to participate in an approved retirement incentive plan adopted under this section unless the  
26 employee will be appointed to retirement not later than the first day of the month that is six  
27 months after the last day of the application period established by the commissioner under (a)  
28 of this section. The governing body of the political subdivision or public organization, in a  
29 plan adopted under this section, may set an earlier date by which an employee must be  
30 appointed to retirement in order to participate in the plan.

31 \* Sec. 31. AUTHORIZATION FOR RETIREMENT INCENTIVE FOR EMPLOYEES OF

1 REGIONAL RESOURCE CENTERS IN THE TEACHERS' RETIREMENT SYSTEM. (a)  
2 A regional resource center that has employees who are members of the teachers' retirement  
3 system may adopt, and file with the commissioner of administration for approval, a proposed  
4 retirement incentive plan for its employees. A plan adopted under this section must provide  
5 that the application period for participation in the retirement incentive plan is June 30, 1995,  
6 through December 31, 1995.

7 (b) The commissioner of administration may not accept the application of an employee  
8 to participate in an approved retirement incentive plan adopted under this section unless the  
9 employee will be appointed to retirement on or before August 1, 1996. The regional resource  
10 center, in a plan adopted under this section, may set an earlier date by which an employee  
11 must be appointed to retirement in order to participate in the plan.

12 • **Sec. 32. POLITICAL SUBDIVISION OR PUBLIC ORGANIZATION EMPLOYMENT.**

13 For purposes of determining the years of service requirements for retirement under  
14 AS 14.75.110 or AS 39.35.370, as appropriate, a vested member who is a state employee and  
15 who applies to participate in a retirement incentive plan approved under secs. 26 - 40 of this  
16 Act may receive credit for employment with a political subdivision or public organization  
17 before the political subdivision or organization became an employer under the public  
18 employees' retirement system. The member may not receive credit for those years under this  
19 subsection for purposes of determining benefits. If a provision of this section is inconsistent  
20 with any other provision of law, the provision of this section governs.

21 • **Sec. 33. RECOVERY OF EMPLOYER DELINQUENCIES.** To recover a delinquency  
22 owed by an employer other than the state under an agreement entered into under sec. 27(c)(2)  
23 of this Act, the Department of Administration may

24 (1) direct that the amount of the delinquency or a lesser amount be withheld  
25 from any money payable to the employer by a state department or agency and that the amount  
26 withheld be credited to the delinquency; and

27 (2) bring an action against the employer.

28 • **Sec. 34. PROVISION AND AUTHORIZATION FOR ADMINISTRATIVE DIRECTOR**

29 **OF COURT.** (a) The chief justice of the state supreme court may adopt a retirement  
30 incentive plan for an administrative director of the Alaska Court System who is a member of  
31 the judicial retirement system under AS 22.25.012 if participation in the plan will result in

1 savings to the court system in personal services costs within three years after the  
2 commencement of the plan. The administrative director may participate only if the  
3 administrative director is vested in the judicial retirement system and will be qualified to retire  
4 under AS 22.25.010 after receipt of the retirement incentive. To participate, the administrative  
5 director shall apply to the commissioner of administration to participate in the approved court  
6 system plan.

7 (b) The court system shall include in the retirement incentive plan a reimbursement  
8 agreement that requires the court system, for each administrative director of the Alaska Court  
9 System who is retired under the plan, to reimburse the judicial retirement system within three  
10 years after the end of the fiscal year in which the administrative director is appointed to  
11 retirement in an amount equal to

12 (1) the actuarial equivalent of the difference between the benefits the  
13 administrative director receives after the addition of the credit under (c) of this section and  
14 the amount the participant would have received without the credit, less the total of the amount  
15 the participant has paid on the indebtedness determined under (d) of this section; and

16 (2) an appropriate share of the administrative costs of the program.

17 (c) A retirement incentive plan adopted under this section must provide that  
18 contributions from the court system under (b) of this section take priority over other  
19 obligations of the court system to the maximum extent permitted by law.

20 (d) An administrative director of the Alaska Court System who participates in an  
21 approved retirement incentive plan is indebted to the system. The amount of indebtedness is  
22 equal to 21 percent of the director's actual annual compensation for the year in which the  
23 director terminates employment to participate in the program, or the calculated annual  
24 compensation for an administrative director who works fewer than 12 months. An outstanding  
25 indebtedness at the time the administrative director is appointed to retirement under an  
26 approved retirement incentive plan will require an actuarial adjustment to the benefits payable  
27 to the director.

28 (e) An administrative director of the Alaska Court System who participates in an  
29 approved retirement incentive plan receives a credit of three years that may only be used to  
30 meet the age requirements for normal or early retirement under AS 22.25.010(d).

31 (f) The chief justice of the Alaska Court System may adopt, and file with the

1 commissioner of administration for approval, a proposed retirement incentive plan for the  
2 administrative director of the court system who is a member of the judicial retirement system.  
3 Upon the request of the chief justice, the commissioner of administration shall establish a  
4 period during which an administrative director eligible to participate in the retirement incentive  
5 plan of the court system may apply to the commissioner of administration to participate in the  
6 court system's approved plan. The period shall begin no earlier than June 30, 1995, and end  
7 no later than June 30, 1998. The period shall be no less than 30 days and no more than 60  
8 days in duration and may not begin less than 30 days after establishment. The chief justice  
9 is not required to request an application period.

10 (g) The commissioner of administration may not accept the application of an  
11 administrative director of the court system to participate in an approved retirement incentive  
12 plan adopted under this section unless the administrative director will be appointed to  
13 retirement not later than the first day of the month that is six months after the last day of the  
14 application period established by the commissioner under (f) of this section. The chief justice,  
15 in a plan adopted under this section, may set an earlier date by which an administrative  
16 director must be appointed to retirement in order to participate in the plan.

17 • **Sec. 35. REEMPLOYMENT INDEBTEDNESS; PROHIBITION ON REEMPLOYMENT.**

18 (a) If an individual is reemployed as a member of the public employees' retirement system  
19 under AS 39.35, the teachers' retirement system under AS 14.25, the judicial retirement system  
20 under AS 22.25, or the optional university retirement program under AS 14.40.661 - 14.40.799  
21 after appointment to retirement under secs. 26 - 40 of this Act, that individual forfeits the  
22 incentive credit received under sec. 27(f) or 34(e) of this Act and is indebted to the system  
23 under which the individual took retirement. The indebtedness is 110 percent of the amount  
24 the individual received as a result of participation in a retirement incentive plan under secs.  
25 26 - 40 of this Act and to which the individual would not otherwise have been entitled,  
26 including the cost of health insurance. The amount that the individual has paid under sec.  
27 27(d) or (e) or sec. 34(d) of this Act will be applied as a credit toward the reemployment  
28 indebtedness. Interest on the reemployment indebtedness accrues from the date of  
29 reemployment until the date that the individual either is appointed to retirement and accepts  
30 an actuarial adjustment to the individual's future benefits or repays the indebtedness in full.  
31 The rate of interest is that established by regulation for the public employees' retirement

1 system by the public employees' retirement board and for the teachers' retirement system by  
2 the teachers' retirement board.

3 (b) An individual who was appointed to retirement under secs. 26 - 40 of this Act may  
4 not be employed by, or enter into a contract for personal services with, a state agency or the  
5 University of Alaska within the three years after the date of appointment to retirement, ~~except~~

6 that

7 (1) the University of Alaska may enter into a personal services contract with  
8 the individual for teaching or research; and

9 (2) the individual may accept employment with the legislature during a  
10 legislative session if the employment is on an hourly basis and does not entitle the individual  
11 to receive retirement, health, or leave benefits.

12 (c) Notwithstanding the prohibition in (b) of this section, a state agency or the  
13 University of Alaska may enter into a personal services contract with an individual who was  
14 appointed to retirement under secs. 26 - 40 of this Act if the Board of Regents, for the  
15 University of Alaska, or the commissioner of administration, for a state agency, determines  
16 that there is a compelling reason to do so because of the individual's specialized or extensive  
17 experience that relates to a particular program or project of the state agency or university.  
18 However, a state agency may not enter into a contract with an individual under this subsection  
19 if the individual was employed by that state agency at the time of the individual's appointment  
20 to retirement.

21 • Sec. 36. SEPARATION INCENTIVE PROGRAM. (a) A state agency may, with the  
22 approval of the director of the office of management and budget, establish a separation  
23 incentive program for its employees. The program may be offered in combination with an  
24 approved retirement incentive plan adopted under sec. 28 of this Act, or may be offered  
25 separately from such a plan. A state agency need not extend an incentive program under this  
26 section to all employees who would otherwise be eligible to participate, but may choose to  
27 extend the program only to employees

28 (1) in specific budget or administrative components of the state agency,

29 (2) in specific job classifications;

30 (3) on the basis of any combination of factors under (1) and (2) of this

31 subsection.

1 (b) A separation incentive payment under this section shall be paid in a lump sum  
2 after the employee's separation from state service, and shall be equal to the lesser of an  
3 amount equaling six months of the employee's base salary, or \$25,000. However, a state  
4 agency or the office of management and budget may set a lower separation incentive payment  
5 in the state agency's separation incentive program.

6 (c) Upon the request of a state agency, the commissioner of administration shall  
7 establish one or more periods during which the employees of that state agency may apply to  
8 the commissioner of administration to participate in the state agency's approved separation  
9 incentive program. The periods shall begin no earlier than June 30, 1995, and end no later  
10 than June 30, 1998. The periods shall be no less than 30 days and no more than 60 days in  
11 duration, and may not begin less than 30 days after their establishment. A state agency is not  
12 required to request an application period, and may request more than one application period.  
13 If the commissioner of administration has established one or more application periods for a  
14 state agency under sec. 28(b) of this Act, the application period or periods established under  
15 this subsection must coincide with the period or periods established under sec. 28(b) of this  
16 Act.

17 (d) A separation incentive program established under this section must provide that  
18 a separation incentive payment to an employee may be made only if

19 (1) the employee is a permanent full-time or permanent full-time seasonal  
20 employee with at least five years of service with the state; and

21 (2) ~~the savings to the state agency in personal services costs for the position~~  
22 ~~occupied by that employee would exceed, in the three years after the employee separates, the~~  
23 ~~amount of the separation incentive payment.~~

24 (e) If an individual who received a separation incentive payment under this section  
25 subsequently is reemployed by a state agency or the University of Alaska within the three  
26 years after the date that the individual received the separation incentive payment, the  
27 individual is liable to the state in an amount equal to 110 percent of the amount of the  
28 separation incentive payment, plus interest at the rate prescribed by AS 45.45.010,  
29 commencing on the date that the individual received the separation incentive payment.

30 (f) If an employee is eligible to participate in an approved retirement incentive plan  
31 adopted under sec. 28 of this Act.

1 (1) a separation incentive payment to that employee may not exceed the  
2 amount that the state agency would be obligated to pay to the appropriate retirement system,  
3 notwithstanding (b) of this section; and

4 (2) the employee may participate in either the separation incentive program  
5 under this section or the retirement incentive plan adopted under sec. 28 of this Act, but not  
6 both.

7 (g) In this section, "base salary" means the monthly salary paid to an employee under  
8 the applicable collective bargaining agreement, AS 39.27.011, or another applicable pay  
9 schedule, and includes geographic differential; if an employee is paid on an hourly basis, the  
10 employee's base salary is the employee's hourly rate, including geographic differential,  
11 multiplied by the number of hours in the employee's regular work week, multiplied by 4.35.

12 \* Sec. 37. OFFICE OF MANAGEMENT AND BUDGET. (a) When designating an  
13 employee category for participation in a retirement incentive plan or a separation incentive  
14 program under secs. 26 - 40 of this Act, the executive head of the relevant state agency shall  
15 describe in detail the expected effect of the plan or program on the agency's personal services  
16 cost and operation. This financial report must be approved by the director of the office of  
17 management and budget before the commissioner of administration may approve the proposed  
18 plan or program. The state agency shall report each year to the office of management and  
19 budget on the cost of each employee's participation and the effect on the agency's personal  
20 services cost and operation.

21 (b) The office of management and budget shall submit to the legislature annual reports  
22 on the retirement incentive and separation incentive programs under secs. 26 - 40 of this Act  
23 beginning January 15, 1997, and continuing through January 15, 1999, and shall submit a final  
24 report January 15, 2000. Each report must provide the information necessary for the  
25 legislature to evaluate the effectiveness of the programs in achieving their objectives. The  
26 report must include information on the designated employee categories under the incentive  
27 programs, including the cost of each incentive program per participant, the cost to the state,  
28 the cost to the employee, the annual budgeted amount, by state agency, for the incentives, the  
29 number of positions deleted or left vacant, and the projected or actual net savings over the  
30 three-year period.

31 \* Sec. 38. PROGRAM CHANGES. (a) An individual employee does not have a vested

1 or contractual right to a benefit under secs. 26 - 40 of this Act until an agreement is executed  
2 with the administrator that specifically authorizes that employee to participate in the retirement  
3 incentive program under secs. 26 - 40 of this Act or until an agreement is executed with the  
4 commissioner of administration to participate in the separation incentive program under secs.  
5 26 - 40 of this Act. The legislature reserves the right to change any aspect of either incentive  
6 program as it relates to employees for whom participation agreements have not yet been  
7 executed with the administrator or with the commissioner of administration.

8 (b) In this section, "administrator" means the administrator of the public employees'  
9 retirement system for employees who are members of that system, and the administrator of  
10 the teachers' retirement system for employees who are members of that system.

11 \* Sec. 39. REGULATIONS. The commissioner of the Department of Administration may  
12 adopt regulations under AS 44.62 (Administrative Procedure Act) to implement and interpret  
13 secs. 26 - 40 of this Act.

14 \* Sec. 40. DEFINITIONS. (a) Unless provided otherwise in secs. 26 - 40 of this Act, the  
15 definitions set out in AS 14.25.220 apply to provisions in secs. 27 - 35 of this Act that relate  
16 to the teachers' retirement system and members of the teachers' retirement system except that  
17 "employer" does not include a school district.

18 (b) Unless provided otherwise in secs. 26 - 40 of this Act, the definitions set out in  
19 AS 39.35.680 apply to provisions in secs. 27 - 35 of this Act that relate to the public  
20 employees' retirement system and members of the public employees' retirement system.

21 (c) Unless provided otherwise in this Act, the definition set out in AS 22.25.900  
22 applies to provisions in secs. 34 and 35 that relate to the judicial retirement system and  
23 members of the judicial retirement system.

24 (d) In secs. 26 - 40 of this Act,

25 (1) "judicial retirement system" means the retirement system established for  
26 judges and justices in AS 22.25;

27 (2) "office of management and budget" means the office of management and  
28 budget in the Office of the Governor;

29 (3) "public employees' retirement system" means the Public Employees'  
30 Retirement System of Alaska (AS 39.35);

31 (4) "state agency"

1 (A) means

2 (i) the legislative branch of state government;

3 (ii) the judicial branch of state government;

4 (iii) a principal department of the executive branch of state  
5 government; an independent state entity that is attached to a principal  
6 department of the executive branch for administrative purposes but that is not  
7 a public organization as defined in AS 39.35.680 is part of that department for  
8 purposes of this clause; and

9 (iv) the Office of the Governor;

10 (B) does not include

11 (i) the University of Alaska;

12 (ii) a political subdivision of the state; or

13 (iii) a public organization as defined in AS 39.35.680;

14 (5) "teachers' retirement system" means the Teachers' Retirement System of  
15 Alaska (AS 14.25).

16 • Sec. 41. AS 14.25.045 is repealed.

17 • Sec. 42. Sections 27, 28, and 36 of this Act are repealed July 1, 1999.

18 • Sec. 43. Sections 29 - 32 and 34 of this Act are repealed July 1, 1997.

19 • Sec. 44. Sections 26 - 40 of this Act take effect immediately under AS 01.10.070(c).

4-29-95  
to be included  
in new draft.

AMENDMENT

~~OFFERED IN THE HOUSE~~

~~BY REPRESENTATIVE [Name]~~

TO: ~~HOUSE~~

Page 21, line 6 - 8

1 Page 6, lines 15 - 17:

2 Delete "A plan adopted under this section must provide that the application period for  
3 participation in the retirement incentive plan is December 31, 1995 through June 30, 1996."

4 Insert "Upon the request of the governing body, the commissioner of administration  
5 shall establish one or more periods during which the employees of a political subdivision or  
6 public organization who are eligible to participate in a retirement incentive plan may apply  
7 to the commissioner of administration to participate in the approved plan. The periods shall  
8 begin no earlier than <sup>September</sup> October 1, 1995, and end no later than <sup>SEP</sup> October 1, 1998. The periods  
9 shall be no less than 30 days and no more than 60 days in duration, and may not begin less  
10 than <sup>60</sup> 30 days after their establishment. The governing body is not required to request an  
11 application period, and may request more than one application period."

12 Page 6, line 20:

13 Delete "on or before February 1, 1997"

14 Insert "not later than the first day of the month that is six months after the last day  
15 of the application period established by the commissioner under (a) of this section"

*[Handwritten notes and signatures at the bottom of the page]*

Time Low Budget

# EARLY RETIREMENTS TO REDUCE BUDGETS COST STATES MONEY

## POOR PLANNING IS BLAMED

### Failures to Limit Programs to Workers in Expandable Jobs Means More Are Hired

By MICHAEL deCOURCY HINDS

Early-retirement programs for state workers, adopted in recent years as cost-cutting measures in 29 states, are actually costing millions of dollars, fiscal experts and state officials say.

The experts said many of the programs had been poorly planned and had failed to cut workers whose jobs were no longer needed, forcing states to hire replacement workers at the same time they were paying retirement benefits to those who had just left.

Many programs also ended up being fiscal schemes in which legislators shifted expenses from state budgets to pension systems, creating heavy future liabilities that will have to be picked up by taxpayers.

#### Many Retirees Replaced

In 1990, for example, Rhode Island offered generous retirement incentives to 1,200 employees. After the program had been offered, actuaries determined that the state would lose money even if the positions were left vacant for 10 years. The state had to replace virtually all the retirees within a matter of months.

New York is one of the few states that actually handled the program properly, but only because of its bitter experience with a 1983 program that was supposed to save \$50 million and ended up costing \$10 million. Last year, the state limited its retirement offer to workers in positions that were going to be eliminated. It expects \$170 million in savings.

~~... programs ...~~  
... state ...  
... of State Legislatures. "It's a triumph of hope over experience, as Samuel Johnson said about second marriages in the 18th century."

#### Follow-Ups Are Lacking

Early retirement programs come in various forms. Some apply only to workers within a few years of retirement. Some specify length of employment and avoid effect workers in their 50's. Most continue the workers'

New York Times  
11/14/92

# States Early Retirements Plans Are Costing Millions of Dollars

Continued From Page A1

health benefits after they retire, which has proved to be expensive. Some offer cash incentives and increased pension payments.

But what the problem programs have in common is that they offer the incentives to all eligible state workers without regard to whether their jobs are essential.

Public employees seldom support such programs as humane alternatives to layoffs. Legislators like them because they promise savings. And the programs carry some political risk because states rarely go back and pay for how much the programs ended up costing.

Governments tend not to document the effectiveness of many of their programs," said David Kehler, director of the New Jersey Public Affairs Research Institute. "And they have very little incentive to document something that may be a failure."

## Many Long-Term Burdens

In most recent programs, states encouraged older employees to retire as early as 10 years early by offering them incentives, ranging in cost from \$20,000 per employee to more than \$200,000. In April 1990, the common pension commission of A. Foster Higgins and Company of Washington, which advises state and local governments on retirement policies.

The Higgins survey of early retiree plans in the last two years found that incentives offered by 11 states had included more paid health insurance premiums, costs for special payoffs, employment, enhanced pension payments and cash bonuses.

Through the survey, Higgins said the intent of the programs, if not the ability to provide many specific jobs, came and savings because, the company said, the states did not consider their programs closely.

But based on interviews with state officials, Mr. Higgins said that when states had carefully studied their programs, especially ones for teachers, they had succeeded in reducing costs.

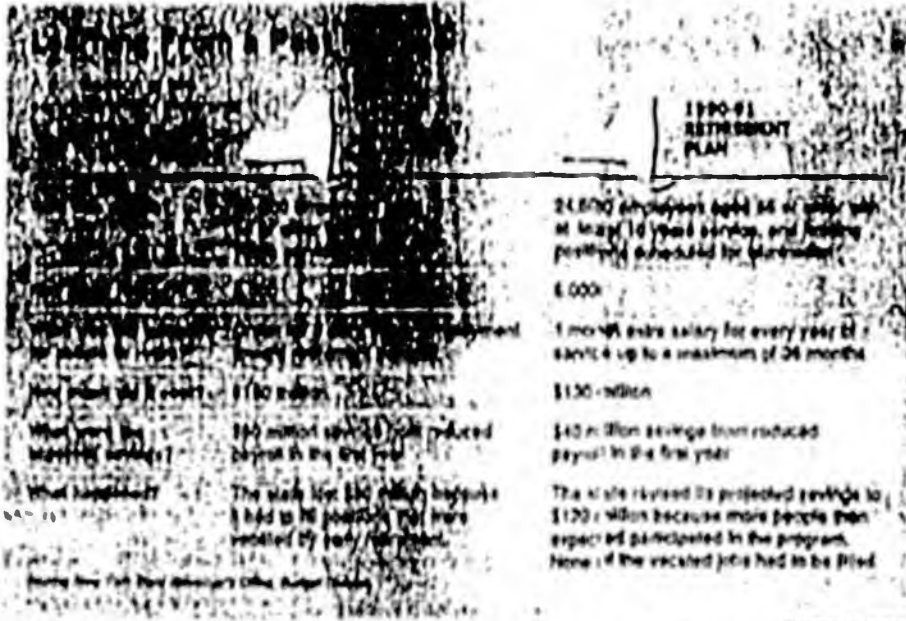
But Mr. Higgins said he found 60 other states were filling vacancies left by retiring workers. And he said that as these positions were filled, the states found their savings evaporating.

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## Few states follow early retirement programs to see if they really work.

In trying to determine why many failed programs that have passed on elsewhere, Mr. Higgins said, officials in many states agencies and how they were reluctant to be openly critical of plans that were strongly supported by legislators, unions and business. "The intention is not there about these retirement programs," he said. "But people don't like talking about it because they say it can be politically embarrassing."

When officials in states that offered early retirements in the last few years became optimistic about their policies. "There's just a blind faith that these things work," said Chuck Patten, secretary of the West Virginia Department of Administration and a former state senator.

West Virginia pension officials said that 1,000 people had participated in an early retirement plan offered in 1984, costing the state's annual retirement trust about 25 percent, or more than \$10 million a year. But at the same time, they said, more agencies found they needed the departing workers and soon replaced them. Increasing the payroll and benefits costs they had hoped

to eliminate, in addition to the retirement costs. The consequence was a huge liability at a time the state could ill afford it, he said.

## Most Programs Mismanaged

"It is common knowledge that the early retiree programs, which mostly eliminate many costs from state agencies budgets in the state retirement systems," said Brian M. Rabinov, vice versa director of the National Association of State Budget Officers in Washington. In such cases, he said, the state retirement systems usually focus on the costs, which sometimes exceed \$10 million in larger states, over two or more decades.

According to him, it is essential to set up the program in such a way that the cost of the retirements and of administering the program will be met with the savings from payroll and benefits.

But in practice, studies show that states mismanaged some aspects of the programs and end up spending the money they save. While some states had specific positions, others just provided incentives and raised as remaining employees as they quit voluntarily.

In Pennsylvania, legislators immediately ignored the experience of other states last year when they offered an early retirement program, said state Senator Robert J. Mellow, the Republican minority leader and an opponent. "We did the studies done in other states and it would be totally irrelevant," Mr. Mellow said in an interview. "We had to fill our own immediate needs by recruiting more and be burned in decreasing government."

Pennsylvania's program gave participants credits for service and free health care, two of the most expensive incentives. In April 1990, just before the program took effect, Mr. Mellow said, reports he estimated 1,000 employees would take advantage of the program and if only 10 percent of the vacancies were filled, the state would save \$45 million in payroll expenses in the first year.

## Mellow's Policy as Consultant

It is not yet clear if the state will meet its goal. But with few limits on each position, 1,000 employees took early retirement, many of them teachers, professors, engineers and others in critical positions. That led many state agencies to reduce a number of the departing employees as consultants for as long as three months at those and jobs. The state ended up paying them back as retirees and as substitutes.

Earlier this year, in a move to reduce spending in selected agencies and job categories, Pennsylvania laid off 1,000 of its 130,000 employees. But at the same time agencies were laying off workers, they were also permanently filling positions left vacant by early retirees. As of June 30, agencies had filled 1,000 vacancies and had authorized to fill 1,000 others this year.

Thomas H. Ferguson, a civil engineer with 25 years of service, was among the early retirees who continued to work as a consultant. He worked 42 years and had his early retirement benefits including health care and \$17,000 in monthly payments over three years in addition to the agreed upon state pension.

And he said he may be called back to work consulting.

"The program made sense for those who took advantage of it," he said. "But it might have created some disruption because there was no time to turn over responsibilities in an orderly way."

## Rapidly Changing Expectations

The program's cost to the Pennsylvania retirement system was \$127 million in payments that began immediately, and the state has already scaled down its projections of payroll savings to \$24 million in the first year from \$43 million. "Once you go beyond replacing 30 percent of the retired employees, savings become very difficult," said Anthony Salomone, executive director of Pennsylvania's State Public Employees Retirement Study Commission.

In New Jersey, 1,000 state employees took advantage of an early retirement program last year. State agencies have already filled 1,000 of the positions and may fill the rest, said Richard McGrath, a spokesman for the state Treasury Department. Even so, he said the \$100 million program was expected to generate \$90 million in payroll savings the first year, and less in succeeding years. "If everything holds steady, we will break even in three years," Mr. McGrath said.

New York is one of the few states that implemented its programs and learned from its mistakes. A 1983 program that was supposed to save \$20 million wound up costing \$30 million, said Claudia J. Manton, a spokeswoman for Gov. Mario L. Cuomo's budget office. "We had the double whammy of paying for the retirement incentives and replacing nearly everybody," she said.

In 1990 and 1991, the state again offered retirement programs, but Mr. Manton said they were a part of a larger reorganizing effort in which the state offered incentives only to employees in positions it intended to eliminate.

Mr. Manton said that 1,000 employees participated and that the state expected to save \$120 million by eliminating their positions. The estimate is based on payroll savings for 18 months, which, on average, was the length of time each employee would have remained on the job without the early retirement program.

If New York's experience is any hint, budget experts say, it is that programs hastily conducted during budget crises will probably not last well.

"These programs seem to take the heat off the budget for a while, but nobody goes back to see how they really work," said Bob Murray, executive director of the Texas Pension Review Board, which surveyed state programs in 1984. "The best we could tell was that the programs were expensive."

More national news

SENATE FINANCE  
 COMMITTEE  
 Amendment Number: CS-2  
 Bill Number: SB 148  
 Sponsor: Rogers Date: 4/25/95  
 Logged In By: [Signature]

CS FOR SENATE BILL NO. 148( )

IN THE LEGISLATURE OF THE STATE OF ALASKA

NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsorship: SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a defined contribution retirement plan for state employees  
 2 and for certain employees of participating municipalities, other political subdivisions,  
 3 and public organizations, and repealing a provision permitting the National  
 4 Education Association to participate in the teachers' retirement system."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 \* Section 1. AS 39 is amended by adding a new chapter to read:

7 CHAPTER 38. DEFINED CONTRIBUTION RETIREMENT PLAN.

8 ARTICLE 1. PLAN ESTABLISHED.

9 Sec. 39.38.010. PLAN ESTABLISHED. The Public Employees Retirement  
 10 Board shall establish a defined contribution retirement plan for state employees first  
 11 hired on or after January 1, 1976, in which retirement and death benefits are provided  
 12 through the purchase of annuity contracts or other benefit contracts, either fixed,  
 13 variable, or a combination of fixed and variable.

14 Sec. 39.38.020. DUTIES OF THE RETIREMENT BOARD AND THE

1 INVESTMENT BOARD. (a) The retirement board shall

2 (1) provide for the administration of the plan, including procedures for  
3 resolving complaints from participating employees;

4 (2) establish policies for the proper operation of the plan and carry on  
5 other activities necessary to implement this chapter;

6 (3) take other actions required to ensure that the plan qualifies under  
7 the Internal Revenue Code as a qualified plan or nonqualified plan or both.

8 (b) The Alaska State Pension Investment Board established under  
9 AS 37.10.210 is the fiduciary of the fund. The investment board shall designate at  
10 least four investment options for employees. The investment board shall select the  
11 companies or other entities to which payment of the contributions required by this  
12 chapter may be made, after considering the

13 (1) nature and extent of the rights and benefits that the contracts will  
14 provide to employees who participate and to their beneficiaries;

15 (2) relation of the contractual rights and benefits to the contributions  
16 to be made under this chapter;

17 (3) suitability of the contractual rights and benefits to the needs and  
18 interests of participating employees and to the interest of the employer in the  
19 employment and retention of employees; and

20 (4) ability of the designated company or other entity to provide rights  
21 and benefits under the contracts;

22 (5) requirements of the internal Revenue Code for remaining a qualified  
23 plan or nonqualified plan or both.

24 Sec. 39.38.030. DIRECTOR. The administrator of the public employees'  
25 retirement system shall serve as director of the plan.

26 Sec. 39.38.040. REGULATIONS. The board may adopt regulations to  
27 implement this chapter under the procedures set out in AS 39.35.042.

28 Sec. 39.38.050. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each  
29 employer shall furnish the director with records concerning the periods of service,  
30 date of birth, compensation, new entrants into service, death, withdrawals, and other  
31 employee data necessary for the proper and effective operation of the plan.

1           Sec. 39.38.060. ATTORNEY GENERAL. The attorney general of the state  
2 is the attorney for the plan and shall represent it in a legal proceeding.

3           Sec. 39.38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
4 be paid from employer and employee contributions to the plan in proportion to the  
5 amount of the contribution.

## 6                           ARTICLE 2. PARTICIPATION.

7           Sec. 39.38.100. PARTICIPATION. (a) An employee of the state first hired  
8 on or after January 1, 1996, shall be included in the plan upon commencement of  
9 employment with the state. Unless the employee has elected to participate in the  
10 optional university retirement program, or was first hired before January 1, 1996, an  
11 employee of a political subdivision, including a school district, regional educational  
12 attendance area, and the University of Alaska, or a public organization that becomes  
13 an employer shall be included in the plan on the effective date of the employer's  
14 participation or the date of the employee's commencement of employment with the  
15 employer, whichever is later, if the employee is in a position that the employer has  
16 designated to participate in the plan.

17           (b) Inclusion in the plan is a condition of employment for a state employee  
18 first hired on or after January 1, 1996, and for an employee designated by another  
19 employer to participate in the plan except as otherwise provided for an elected official  
20 and for an employee of the university who has elected to participate in the optional  
21 university retirement program.

22           Sec. 39.38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
23 administrative director of the Alaska Court System first hired on or after January 1,  
24 1996, is a member of the plan.

25           (b) An administrative director who was hired before January 1, 1996, and who  
26 withdraws from the judicial retirement system under AS 22.25.012 on or after  
27 January 1, 1996, may participate in the plan.

28           Sec. 39.38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
29 as an elected official with an employer constitutes employment as a member in the  
30 plan as long as the elected official has not filed a written waiver of coverage with the  
31 director. Unless revoked, a waiver under this subsection waives coverage of future

1 employment as an elected official, regardless of any change of employer. An elected  
2 official may file a waiver under this subsection at any time after election to office,  
3 including the period before taking the oath of office. An elected official may revoke  
4 a waiver under this subsection by filing a written revocation with the director. A  
5 revocation under this subsection operates prospectively only, and the elected official  
6 may not participate in the plan for service as an elected official while the waiver was  
7 in effect. There is no limit on the number of times an elected official may file a  
8 waiver or revocation under this subsection.

9 (b) An elected official included in the plan and that person's employer are  
10 liable for contributions whenever that person is an elected official unless a waiver of  
11 coverage under (a) of this section is in effect.

### 12 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS.

#### 13 Sec. 39.38.200. EMPLOYMENT CONTRIBUTIONS MANDATORY.

14 Contributions of employees shall be made by payroll deductions. Every included  
15 employee is considered to consent to payroll deductions. It is of no consequence that  
16 a payroll deduction may cause the compensation paid in cash to an employee to be  
17 reduced below the minimum required by law. Payment of an employee's  
18 compensation, less payroll deductions, is a full and complete discharge and satisfaction  
19 of all claims and demands by the employee relating to remuneration of services during  
20 the period covered by the payment.

21 Sec. 39.38.210 CONTRIBUTIONS. (a) An employer shall contribute on  
22 behalf of each employee participating in the plan an amount equal to 7.5 percent of  
23 the employee's compensation payable at the end of each payroll period.

24 (b) An employee participating in the plan shall contribute to the plan an  
25 amount equal to 7.5 percent of the employee's compensation. The contributions shall  
26 be deducted by the employer at the end of each payroll period. The contributions shall  
27 be deducted from employee compensation before computation of applicable federal  
28 taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
29 414(h)(2) (Internal Revenue Code).

30 (c) Contributions vest on receipt by the plan director.

31 (d) The director of the plan shall pay the contributions required by this section

1 to the company or companies selected by the employee for the benefit of the  
2 employee.

3 Sec. 39.38.220. BENEFITS. Payment of benefits to participants of the plan  
4 is the responsibility of the company or companies designated by the investment board  
5 and is not the responsibility of the investment board, the retirement board, or the  
6 employer. The benefits are payable to participants or beneficiaries of participants in  
7 accordance with the terms of the annuity contract or contracts and benefit contractor  
8 contracts.

9 Sec. 39.38.230. RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS  
10 ORDER. A former spouse shall be treated as a spouse or surviving spouse to the  
11 extent required by a qualified domestic relations order. Rights under the order do not  
12 take effect until the order is filed with the director.

13 Sec. 39.38.240. SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE  
14 PLAN. Employee contributions and other amounts held in the plan are exempt from  
15 Alaska state and local taxes. Amounts held on behalf of, or payable to, any employee  
16 or other person who is or may become eligible for benefits under the plan are not  
17 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or  
18 charge of any kind, either voluntary or involuntary, before being received by the  
19 person entitled to the amount under the terms of the plan. An attempt to anticipate,  
20 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right  
21 to amounts held under the plan is void. However, an employee's right to receive  
22 benefits may be assigned under a qualified domestic relations order.

23 Sec. 39.38.250. EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS.  
24 Employee contributions and other amounts held in the plan and retirement benefits  
25 payable under the plan are exempt from levy to enforce the collection of a debt as  
26 provided in AS 09.38 (exemptions).

#### 27 ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS.

28 Sec. 39.38.300. REQUEST TO PARTICIPATE. (a) A municipality or other  
29 political subdivision of the state may request to become an employer in the plan. The  
30 request shall be made after adoption of a resolution by the legislative body of the  
31 political subdivision and after approval of the resolution by the person required by law

1 to approve it. A certified copy of the resolution shall be filed with the director. If the  
2 director approves the request for participation, the political subdivision is an employer  
3 of the plan.

4 (b) A public organization may request to become an employer in the plan.  
5 The request shall be made after adoption of a resolution by the governing body of the  
6 public organization. A certified copy of the resolution shall be filed with the director.  
7 If the director approves the request for participation, the public organization is an  
8 employer of the plan.

9 Sec. 39.38.310. PARTICIPATION. (a) The effective date of participation in  
10 the plan by a political subdivision or public organization is the first day of any month  
11 acceptable to the governing body of the political subdivision or public organization and  
12 to the board.

13 (b) The political subdivision or public organization shall designate the  
14 departments, groups, or other classifications of employees eligible to participate in the  
15 plan, and shall agree to make the contributions that are required by this chapter.

16 (c) The eligible employees of a participating political subdivision or public  
17 organization are bound by the provisions of this plan and are entitled to the benefits  
18 provided under it.

19 Sec. 39.38.320. CONTRIBUTIONS AND TERMINATION OF  
20 PARTICIPATION FOR NONPAYMENT. (a) The contributions of an employer that  
21 is a participating political subdivision or public organization and the contributions of  
22 its employees shall be transmitted to the director as soon as practicable after the close  
23 of the payroll period for which the contributions are made. If the employer is  
24 delinquent in transferring the contributions for more than 15 days, interest and other  
25 penalties shall be assessed on the outstanding contributions at the rate and in the  
26 amount established by the board.

27 (b) If the contributions are not transmitted to the director within the 15 days,  
28 the director may grant an extension. If the political subdivision or public organization  
29 is in default at the end of the extension, participation in the plan is terminated, and the  
30 employer shall be sent notice of termination.

31 (c) Termination of an employer's participation in the plan does not bar future

1 participation in the plan by that employer.

2 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
3 political subdivision or public organization may request that its participation agreement  
4 be amended. The request may be made only after adoption of a resolution by the  
5 legislative body of the political subdivision and approval of the resolution by the  
6 person required by law to approve the resolution, or, in the case of a public organi-  
7 zation, after adoption of a resolution by the governing body of that public organization.  
8 A certified copy of the resolution shall be filed with the director.

9 (b) Termination of coverage of a department, group, or other classification of  
10 employees does not bar future coverage of that department, group, or classification.

#### 11 ARTICLE 5. GENERAL PROVISIONS.

12 Sec. 39.38.450. NONGUARANTEED OF EMPLOYMENT. This chapter is not  
13 a contract of employment between an employer and an employee, nor does it confer  
14 a right of an employee to be continued in the employment of an employer, nor is it a  
15 limitation of the right of an employer to discharge an employee with or without cause.

16 Sec. 39.38.460. FRAUD. A person who knowingly makes a false statement,  
17 or knowingly falsifies or permits to be falsified a record of the plan, in an attempt to  
18 defraud the plan, is guilty of a Class A misdemeanor.

19 Sec. 39.38.990. DEFINITIONS. In this chapter,

20 (1) "board" or "retirement board" means the Public Employees Retirement  
21 Board established under AS 39.35.030;

22 (2) "compensation" means the total remuneration earned by an employee  
23 for personal services rendered to an employer, and

24 (A) includes employee contributions under AS 39.38.210,  
25 payments for leave that is actually used by the employee, the amount by which  
26 the employee's wages are reduced under AS 39.30.150(c), and any amount  
27 deferred under an employer-sponsored deferred compensation plan; but

28 (B) does not include cost-of-living differentials, retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
30 expense allowances, workers' compensation payments, incentive cash awards, or  
31 payments for leave not used by the employee whether those leave payments are

1 scheduled payments, lump-sum payments, donations, or cash-ins;

2 (3) "director" means the director of the defined contribution retirement  
3 plan under AS 39.38.030;

4 (4) "elected official" means a person whose compensation results from  
5 personal services rendered to an employer as an elected representative;

6 (5) "employer" means the State of Alaska or a political subdivision or  
7 public organization of the state that participates in the plan;

8 (6) "investment board" means the Alaska State Pension Investment  
9 Board established under AS 37.10.210;

10 (7) "member" or "employee" means a person who is eligible to  
11 participate in the plan and who is covered by the plan; and

12 (A) includes an

13 (i) employee who is employed by an employer, is  
14 receiving compensation for services, is making contributions to the plan,  
15 and is not excluded under (B) of this paragraph; and

16 (ii) elected official, if the elected official has chosen to  
17 participate under AS 39.38.120; but

18 (B) does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee basis;

21 (iii) casual or emergency workers or nonpermanent  
22 employees as defined in AS 39.25.200;

23 (iv) members of the Alaska teachers' retirement system  
24 under AS 14.25, the judicial retirement system under AS 22.25, the public  
25 employees' retirement system under AS 39.35, the elected public officers'  
26 retirement system under former AS 39.37, or the optional university  
27 retirement program;

28 (v) employees of the division of marine transportation  
29 engaged in operating the state ferry system who are covered by a union or  
30 group retirement system to which the state makes contributions; and

31 (vi) the administrative director of courts appointed under

1 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
2 unless the director becomes a member under AS 39.38.110(b);

3 (C) may include employees of the division of marine  
4 transportation excluded under (B)(v) of this paragraph if

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security system;

10 (8) "plan" means the defined contribution retirement plan established  
11 under this chapter;

12 (9) "public organization" means an organization or entity:

13 (A) created by the constitution or laws of the state for the purpose  
14 of administering state programs;

15 (B) whose officers and employees are paid by a method other than  
16 by the state payroll prepared by the Department of Administration; and

17 (C) whose employees are not required by law to participate in the  
18 plan;

19 (10) "qualified domestic relations order" has the meaning given in  
20 AS 39.35.680

21 \* Sec. 2. AS 14.25.040(a) is amended to read:

22 (a) ~~A~~ [UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
23 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
24 UNDER AS 14.40.661 - 14.40.799. A] teacher or member contracting for service with  
25 a participating employer is subject to this chapter unless the

26 (1) employer has elected to participate in the defined contribution  
27 retirement plan as provided in (e) of this section; or

28 (2) teacher or member has elected to participate in the optional  
29 university retirement program under AS 14.40.661 - 14.40.799.

30 \* Sec. 3. AS 14.25.040(c) is amended to read:

31 (c) A state legislator is not entitled to elect membership under (b) of this

1 section if the state legislator is covered for the same period of service under the public  
2 employees' retirement system (AS 39.35) or the defined contribution retirement  
3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
4 to the date the state legislator took the oath of office. A state legislator may not  
5 receive membership credit under (b) of this section for legislative service performed  
6 before the legislative session during which the state legislator elected membership  
7 under (b) of this section. In order to continue in membership service under (b) of this  
8 section, the state legislator must earn at least 0.3 years of membership service under  
9 other sections of this chapter during each five-year period.

10 \* Sec. 4. AS 14.25.040 is amended by adding a new subsection to read:

11 (e) A public school district may elect to participate in the defined contribution  
12 retirement system under AS 39.38 for teachers first hired on or after January 1, 1996.  
13 Employment that is covered by AS 39.38 may not be considered to be credited service  
14 under this chapter. A public school district that elects to be covered by AS 39.38 for  
15 teachers who are not members of this system may not later elect to return to coverage  
16 under this system.

17 \* Sec. 5. AS 14.25.220(16) is amended to read:

18 (16) "employer" means a public school district, the Board of Regents  
19 of the University of Alaska, the Department of Education, [THE NATIONAL  
20 EDUCATION ASSOCIATION OF ALASKA,] the Regional Resource Centers, or the  
21 state legislature with respect to a state legislator who elects membership under  
22 AS 14.25.040(b) that has not elected to participate in the defined contribution  
23 retirement system under AS 39.38;

24 \* Sec. 6. AS 14.25.220(21) is amended to read:

25 (21) "membership service" means

26 (A) full or part-time service as a teacher in a public school in  
27 the Territory or State of Alaska, or both, under the supervision and control of  
28 the Territorial Board of Education or the Department of Education or the  
29 school board of a city, regional educational attendance area, or borough school  
30 district so long as the person is not participating in the defined contribution  
31 retirement system under AS 39.38 for that service;

1 (B) full-time or part-time teaching at the University of Alaska  
 2 or a full-time administrative position at the University of Alaska that requires  
 3 academic standing and that has been approved for inclusion in the system by  
 4 the director so long as the person is not participating in the defined  
 5 contribution retirement system under AS 39.38 for that service;

6 (C) any period during which the teacher receives a disability  
 7 benefit under this system or is on an approved sabbatical leave granted in  
 8 accordance with AS 14.20.310;

9 (D) continuous service as a state legislator when performed by  
 10 a state legislator who elects membership under AS 14.25.040(b), subject to the  
 11 requirements of AS 14.25.040(c);

12 (E) full-time or part-time service as an employee of the Special  
 13 Education Service Agency, subject to the requirements of AS 14.25.047 so long  
 14 as the person is not participating in the defined contribution retirement  
 15 system under AS 39.38 for that service; or

16 (F) full-time or part-time service as an Alaska Native language  
 17 or culture expert, subject to the requirements of AS 14.25.048 so long as the  
 18 person is not participating in the defined contribution retirement system  
 19 under AS 39.38 for that service;

20 \* Sec. 7. AS 22.25.012(a) is amended to read:

21 (a) An administrative director of the Alaska Court System appointed under  
 22 art. IV, sec. 16 of the state constitution is entitled to retirement benefits under

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 1, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

28 (2) AS 39.38 if the administrative director was first appointed on  
 29 or after January 1, 1996.

30 \* Sec. 8. AS 22.25.012(c) is amended to read:

31 (c) An administrative director first hired before January 1, 1996, who

1 withdraws from the judicial retirement system under (b) of this section is eligible for  
2 membership in the public employees' retirement system (AS 39.35) and shall receive  
3 credited service in that system for service rendered as administrative director. To be  
4 eligible for membership in the public employees' retirement system under this  
5 subsection, the administrative director must contribute to the public employees'  
6 retirement system

7 (1) the amount that would have been contributed if the administrative  
8 director had been a member during the period of the membership in the judicial  
9 retirement system; and

10 (2) any contributions for service as administrative director refunded  
11 from the public employees' retirement system at the time the administrative director  
12 became a member of the judicial retirement system.

13 • Sec. 9. AS 37.10.390(2) is amended to read:

14 (2) "retirement systems" means the teachers' retirement system, the  
15 judicial retirement system, the Alaska National Guard and Alaska Naval Militia  
16 retirement system, the defined contribution retirement plan, and the public  
17 employees' retirement system.

18 • Sec. 10. AS 39.25.120(c) is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan.

20 • Sec. 11. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION. (a) An  
22 employee of the state who was first hired before January 1, 1996, shall be included  
23 in this system upon commencement of employment with the state, or on January 1,  
24 1961, whichever is later. Unless an employee has elected to participate in the optional  
25 university retirement program under AS 14.40.661 - 14.40.799, an employee of a  
26 political subdivision or public organization that becomes an employer who was first  
27 hired before January 1, 1996, shall be included in the system on the effective date  
28 of the employer's participation or the date of the employee's commencement of  
29 employment with the employer, whichever is later.

30 (b) Inclusion in the system is a condition of employment for an employee who  
31 was first hired before January 1, 1996, except as otherwise provided for an elected

1 official and for an employee of the university who has elected to participate in the  
2 optional university retirement program under AS 14.40.661 - 14.40.799.

3 • Sec. 12. AS 39.35.158 is amended to read:

4 Sec. 39.35.158. ADMINISTRATIVE DIRECTOR OF COURTS. An  
5 administrative director of the Alaska court system first hired before January 1, 1996,  
6 who withdraws from the judicial retirement system under AS 22.25.012 is eligible for  
7 membership in the system and shall receive credited service in the system for service  
8 rendered as administrative director. To be eligible for membership in the system under  
9 this subsection, the administrative director must contribute to the system

10 (1) the amount the director would have contributed if the director had  
11 been a member during the director's period of membership in the judicial retirement  
12 system; and

13 (2) any contributions for services as administrative director refunded  
14 by the system at the time the director became a member of the judicial retirement  
15 system.

16 • Sec. 13. AS 39.35.550 is amended to read:

17 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO  
18 PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other  
19 political subdivision of the state may, before January 1, 1996, request to become an  
20 employer in this system. The request shall be made after adoption of a resolution by  
21 the legislative body of the political subdivision and after approval of the resolution by  
22 the person required by law to approve the resolution. A certified copy of the  
23 resolution shall be filed with the administrator. If the administrator approves the  
24 request for participation, the political subdivision is an employer of the system.

25 • Sec. 14. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO  
27 PARTICIPATE AND ADOPTION OF RESOLUTION. A public organization may,  
28 before January 1, 1996, request to become an employer in this system. The request  
29 shall be made after adoption of a resolution by the governing body of the public  
30 organization. A certified copy of the resolution shall be filed with the administrator.  
31 If the administrator approves the request for participation, the public organization is

1 an employer of the system.

2 • Sec. 15. AS 39.35.680(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system and  
5 who is covered by the system:

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.381;

15 (C) does not include

16 (i) former members;

17 (ii) persons compensated on a contractual or fee basis;

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.25.200;

20 (iv) persons covered by the Alaska Teachers' Retirement  
21 System except as provided under AS 39.35.131 and 39.35.381, persons  
22 covered by the defined contribution retirement plan, or persons  
23 covered by the optional university retirement program;

24 (v) employees of the division of marine transportation  
25 engaged in operating the state ferry system who are covered by a union  
26 or group retirement system to which the state makes contributions;

27 (vi) justices of the supreme court or judges of the court  
28 of appeals or of the superior or district courts of Alaska;

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 16 of the state constitution unless the director  
31 becomes a member under AS 39.35.158; and

1 (viii) members of the elected public officers' retirement  
2 system (former AS 39.37);

3 (D) may include employees of the division of marine  
4 transportation excluded under (C)(v) of this paragraph provided that

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security  
10 system;

11 • Sec. 16. Section 7, ch. 26, SLA 1986, as amended by sec. 7, ch. 104, SLA 1989, is  
12 further amended to read:

13 Sec. 7. INDEBTEDNESS ON REEMPLOYMENT. If a participant in the  
14 retirement incentive program is reemployed as a member of the Public Employees'  
15 Retirement System under AS 39.35, the optional university retirement program under  
16 AS 14.40.661 - 14.40.799, the defined contribution retirement plan under  
17 AS 39.38, or the Teachers' Retirement System under AS 14.25 after appointment to  
18 retirement under the program, the participant loses the incentive credit received under  
19 sec. 5 (c) of this Act and is indebted to the system. The amount of the indebtedness  
20 is equal to 110 percent of the amount the participant received as a result of  
21 participation in the program for which the participant was not otherwise entitled, in-  
22 cluding the cost of health insurance. The participant is entitled to a credit to be  
23 applied against the reemployment indebtedness in the amount the participant has paid  
24 under sec. 5 (d) of this Act. Interest accrues on the indebtedness at the rate established  
25 by regulation from the date of reemployment until the member is appointed to  
26 retirement and accepts an actuarial adjustment to the member's future benefits or until  
27 the amount is paid in full.

28 • Sec. 17. Section 9(a), ch. 89, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is  
29 amended to read:

30 (a) If a participant in the retirement incentive program is reemployed as a  
31 member of the public employees' retirement system under AS 39.35, [OR] the teachers'

1 retirement system under AS 14.25, or the defined contribution retirement plan  
2 under AS 39.38, after appointment to retirement under the retirement incentive  
3 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
4 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
5 of the amount the participant received as a result of participation in the program to  
6 which the participant was not otherwise entitled, including the cost of health insurance.  
7 The participant is entitled to a credit to be applied against the reemployment  
8 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
9 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
10 date of reemployment until the member is appointed to retirement and accepts an  
11 actuarial adjustment to the member's future benefits or until the amount is paid in full.

12 • Sec. 18. AS 14.25.045 is repealed.

13 • Sec. 19. Notwithstanding AS 39.38.020(b), enacted by sec. 1 of this Act, until January 1,  
14 1997, the Alaska State Pension Investment Board may provide fewer than four investment  
15 options for employees. The board shall use its best efforts to provide investment options to  
16 employees in a timely manner.

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
Bill Number: 1480  
Sponsor: Sen. [unclear] Date: 2/11/95  
Logged In By: [unclear]

9-LS0941G  
Tracer:  
4/1/95

CS FOR SENATE BILL NO. 1480

IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsored by SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a defined contribution retirement plan for state employees  
2 and for certain employees of participating municipalities, other political subdivisions,  
3 and public organizations, and repealing a provision permitting the National  
4 Education Association to participate in the teachers' retirement system."

5 BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:

6 \* Section 1. AS 39 is amended by adding a new chapter to read:

7 CHAPTER 39 DEFINED CONTRIBUTION RETIREMENT PLAN

8 ARTICLE 1 PLAN ESTABLISHED

9 Sec. 39.39.010 PLAN ESTABLISHED. The Public Employees Retirement  
10 Board shall establish a defined contribution retirement plan for state employees first  
11 hired on or after January 1, 1994, in which retirement and death benefits are provided  
12 through the purchase of annuity contracts or other benefit contracts, either fixed,  
13 variable, or a combination of fixed and variable.

14 Sec. 39.39.020 DUTIES OF THE RETIREMENT BOARD AND THE

1 INVESTMENT BOARD. (a) The retirement board shall

2 (1) provide for the administration of the plan, including procedures for  
3 resolving complaints from participating employees;

4 (2) establish policies for the proper operation of the plan and carry on  
5 other activities necessary to implement this chapter;

6 (3) take other actions required to ensure that the plan qualifies under  
7 the Internal Revenue Code as a qualified plan or nonqualified plan or both.

8 (b) The Alaska State Pension Investment Board established under  
9 AS 17.05.10 is the fiduciary of the fund. The investment board shall designate at  
10 least four investment options for employees. The investment board shall select the  
11 companies or other entities to which payment of the contributions required by this  
12 chapter may be made, after considering the

13 (1) nature and extent of the rights and benefits that the contracts will  
14 provide to employees who participate and to their beneficiaries;

15 (2) relation of the contractual rights and benefits to the contributions  
16 to be made under this chapter;

17 (3) suitability of the contractual rights and benefits to the needs and  
18 interests of participating employees and to the interests of the employer in the  
19 employment and retention of employees; and

20 (4) ability of the designated company or other entity to provide rights  
21 and benefits under the contracts.

22 (5) requirements of the Internal Revenue Code for remaining a qualified  
23 plan or nonqualified plan or both.

24 Sec 19.38.030. DIRECTOR. The administrator of the public employees  
25 retirement system shall serve as director of the plan.

26 Sec 19.38.040. REGULATIONS. The board may adopt regulations to  
27 implement this chapter under the procedures set out in AS 19.35.040.

28 Sec 19.34.010. DUTY OF EMPLOYERS TO FURNISH RECORDS. Each  
29 employer shall furnish the director with records concerning the periods of service,  
30 dates of birth, compensation, sea entrance and service, death, withdrawals, and other  
31 employee data necessary for the proper and effective operation of the plan.

1           Sec. 39 38.060. ATTORNEY GENERAL. The attorney general of the state  
2 is the attorney for the plan and shall represent it in a legal proceeding.

3           Sec. 39 38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
4 be paid from employer and employee contributions to the plan in proportion to the  
5 amount of the contribution.

## 6                           ARTICLE 2. PARTICIPATION.

7           Sec. 39 38.100. PARTICIPATION. (a) An employee of the state first hired  
8 on or after January 1, 1996, shall be included in the plan upon commencement of  
9 employment with the state. Unless the employee has elected to participate in the  
10 optional university retirement program, or was first hired before January 1, 1996, an  
11 employee of a political subdivision, including a school district, regional educational  
12 attendance area, and the University of Alaska, or a public organization that becomes  
13 an employer shall be included in the plan on the effective date of the employee's  
14 participation or the date of the employee's commencement of employment with the  
15 employer, whichever is later, if the employee is in a position that the employer has  
16 designated to participate in the plan.

17           (b) Inclusion in the plan is a condition of employment for a state employee  
18 first hired on or after January 1, 1996, and for an employee designated by another  
19 employer to participate in the plan except as otherwise provided for an elected official  
20 and for an employee of the university who has elected to participate in the optional  
21 university retirement program.

22           Sec. 39 38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
23 administrative director of the Alaska Court System first hired on or after January 1,  
24 1996, is a member of the plan.

25           (b) An administrative director who was hired before January 1, 1996, and who  
26 withdraws from the judicial retirement system under AS 22 25.012 on or after  
27 January 1, 1996, may participate in the plan.

28           Sec. 39 38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
29 as an elected official with an employer constitutes employment as a member in the  
30 plan as long as the elected official has not filed a written waiver of coverage with the  
31 director. Unless revoked, a waiver under this subsection waives coverage of future

1 employment as an elected official, regardless of any change of employer. An elected  
 2 official may file a waiver under this subsection at any time after election to office,  
 3 including the period before taking the oath of office. An elected official may revoke  
 4 a waiver under this subsection by filing a written revocation with the director. A  
 5 revocation under this subsection operates prospectively only, and the elected official  
 6 may not participate in the plan for service as an elected official while the waiver was  
 7 in effect. There is no limit on the number of times an elected official may file a  
 8 waiver or revocation under this subsection.

9 (b) An elected official included in the plan and that person's employer are  
 10 liable for contributions whenever that person is an elected official unless a waiver of  
 11 coverage under (a) of this section is in effect.

## 12 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS

13 Sec. 1933.200 EMPLOYMENT CONTRIBUTIONS MANDATORY  
 14 Contributions of employees shall be made by payroll deductions. Every included  
 15 employee is considered to consent to payroll deductions. It is of no consequence that  
 16 a payroll deduction may cause the compensation paid in cash to an employee to be  
 17 reduced below the minimum required by law. Payment of an employee's  
 18 compensation, less payroll deductions, is a full and complete discharge and satisfaction  
 19 of all claims and demands by the employee relating to remuneration or benefits during  
 20 the period covered by the payment.

21 Sec. 1933.210 CONTRIBUTIONS (a) An employer shall contribute on  
 22 behalf of each employee participating in the plan an amount equal to 7.5 percent of  
 23 the employee's compensation payable at the end of each payroll period.

24 (b) An employee participating in the plan shall contribute to the plan an  
 25 amount equal to 7.5 percent of the employee's compensation. The contributions shall  
 26 be deducted by the employer at the end of each payroll period. The contributions shall  
 27 be deducted from employee compensation before computation of applicable federal  
 28 taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
 29 414(h)(2) (Internal Revenue Code).

30 (c) Contributions rest on receipt by the plan director.

31 (d) The director of the plan shall pay the contributions required by this section.

1 to the company or companies selected by the employee for the benefit of the  
2 employee.

3 Sec. 39.38.210. **BENEFITS.** Payment of benefits to participants of the plan  
4 is the responsibility of the company or companies designated by the investment board  
5 and is not the responsibility of the investment board, the retirement board, or the  
6 employer. The benefits are payable to participants or beneficiaries of participants in  
7 accordance with the terms of the annuity contract or contracts and benefit contractor  
8 contracts.

9 Sec. 39.38.230. **RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS**  
10 **ORDER.** A former spouse shall be treated as a spouse or surviving spouse to the  
11 extent required by a qualified domestic relations order. Rights under the order do not  
12 take effect until the order is filed with the director.

13 Sec. 39.38.240. **SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE**  
14 **PLAN.** Employee contributions and other amounts held in the plan are exempt from  
15 Alaska state and local taxes. Amounts held in behalf of, or payable to, any employee  
16 or other person who is or may become eligible for benefits under the plan are not  
17 subject to anticipation, alienation, sale, transfer, assignment, pledge, encumbrance, or  
18 charge of any kind, either voluntary or involuntary, before being received by the  
19 person entitled to the amount under the terms of the plan. An attempt to anticipate,  
20 alienate, sell, transfer, assign, pledge, encumber, charge, or otherwise dispose of a right  
21 to amounts held under the plan is void. However, an employee's right to receive  
22 benefits may be assigned under a qualified domestic relations order.

23 Sec. 39.38.250. **EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS**  
24 Employee contributions and other amounts held in the plan and retirement benefits  
25 payable under the plan are exempt from any law to enforce the collection of a debt as  
26 provided in AS 09.24 (exemptions).

## 27 ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS

28 Sec. 39.38.300. **REQUEST TO PARTICIPATE.** (a) A municipality or other  
29 political subdivision of the state may request to become an employer in the plan. The  
30 request shall be made after adoption of a resolution by the legislative body of the  
31 political subdivision and after approval of the resolution by the person required by law

1 to approve it. A certified copy of the resolution shall be filed with the director. If the  
2 director approves the request for participation, the political subdivision is an employer  
3 of the plan.

4 (b) A public organization may request to become an employer in the plan.  
5 The request shall be made after adoption of a resolution by the governing body of the  
6 public organization. A certified copy of the resolution shall be filed with the director.  
7 If the director approves the request for participation, the public organization is an  
8 employer of the plan.

9 Sec. 39-35-310. PARTICIPATION (a) The effective date of participation in  
10 the plan by a political subdivision or public organization is the first day of any month  
11 acceptable to the governing body of the political subdivision or public organization and  
12 to the board.

13 (b) The political subdivision or public organization shall designate the  
14 departments, groups, or other classifications of employees eligible to participate in the  
15 plan, and shall agree to make the contributions that are required by this chapter.

16 (c) The eligible employees of a participating political subdivision or public  
17 organization are bound by the provisions of this plan and are entitled to the benefits  
18 provided under it.

19 Sec. 39-35-320 CONTRIBUTIONS AND TERMINATION OF  
20 PARTICIPATION FOR NONPAYMENT (a) The contributions of an employer that  
21 is a participating political subdivision or public organization and the contributions of  
22 its employees shall be transmitted to the director as soon as practicable after the close  
23 of the payroll period for which the contributions are made. If the employer is  
24 delinquent in transferring the contributions for more than 15 days, interest and other  
25 penalties shall be assessed on the outstanding contributions at the rate and in the  
26 amount established by the board.

27 (b) If the contributions are not transmitted to the director within the 15 days,  
28 the director may grant an extension. If the political subdivision or public organization  
29 is in default at the end of the extension, participation in the plan is terminated, and the  
30 employer shall be sent notice of termination.

31 (c) Termination of an employer's participation in the plan does not bar future

1 participation in the plan by that employer.

2 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
3 political subdivision or public organization may request that its participation agreement  
4 be amended. The request may be made only after adoption of a resolution by the  
5 legislative body of the political subdivision and approval of the resolution by the  
6 person required by law to approve the resolution, or, in the case of a public organi-  
7 zation, after adoption of a resolution by the governing body of that public organization.  
8 A certified copy of the resolution shall be filed with the director.

9 (b) Termination of coverage of a department, group, or other classification of  
10 employees does not bar future coverage of that department, group, or classification.

#### 11 ARTICLE 5. GENERAL PROVISIONS.

12 Sec. 39.38.450. NONGUARANTEE OF EMPLOYMENT. This chapter is not  
13 a contract of employment between an employer and an employee, nor does it confer  
14 a right of an employee to be continued in the employment of an employer, nor is it a  
15 limitation of the right of an employer to discharge an employee with or without cause.

16 Sec. 39.38.460. FRAUD. A person who knowingly makes a false statement,  
17 or knowingly falsifies or permits to be falsified a record of the plan, in an attempt to  
18 defraud the plan, is guilty of a Class A misdemeanor.

19 Sec. 39.38.390. DEFINITIONS. In this chapter,

20 (1) "board" or "retirement board" means the Public Employees Retirement  
21 Board established under AS 39.35.030;

22 (2) "compensation" means the total remuneration earned by an employee  
23 for personal services rendered to an employer, and

24 (A) includes employer contributions under AS 39.38.210,  
25 payments for leave that is actually used by the employee, the amount by which  
26 the employee's wages are reduced under AS 39.30.150(c), and any amount  
27 deferred under an employer-sponsored deferred compensation plan, but

28 (B) does not include cost-of-living differentials, retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
30 expense allowances, workers compensation payments, incentive cash awards, or  
31 payments for leave not used by the employee whether those leave payments are

1 scheduled payments, lump-sum payments, donations, or cash gifts;

2 (3) "director" means the director of the defined contribution retirement  
3 plan under AS 39.38.030;

4 (4) "elected official" means a person whose compensation results from  
5 personal services rendered to an employer as an elected representative;

6 (5) "employer" means the State of Alaska or a political subdivision or  
7 public organization of the state that participates in the plan;

8 (6) "investment board" means the Alaska State Pension Investment  
9 Board established under AS 37.10.210;

10 (7) "member" or "employee" means a person who is eligible to  
11 participate in the plan and who is covered by the plan; and

12 (A) includes an

13 (i) employee who is employed by an employer, is  
14 receiving compensation for services, is making contributions to the plan,  
15 and is not excluded under B of this paragraph; and

16 (ii) elected official, if the elected official has chosen to  
17 participate under AS 39.38.120; but

18 B does not include

19 (i) former members;

20 (ii) persons compensated on a contractual or fee basis;

21 (iii) casual or emergency workers or nonpermanent  
22 employees as defined in AS 39.25.200;

23 (iv) members of the Alaska teachers retirement system  
24 under AS 14.25, the judicial retirement system under AS 22.25, the public  
25 employees retirement system under AS 19.35, the elected public officers  
26 retirement system under former AS 39.37, or the optional university  
27 retirement program;

28 (v) employees of the division of marine transportation  
29 engaged in operating the state ferry system who are covered by a union or  
30 group retirement system to which the state makes contributions; and

31 (vi) the administrative director of courts appointed under:

1 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
2 unless the director becomes a member under AS 39.38.110(b):

3 (C) may include employees of the division of marine  
4 transportation excluded under (B)(v) of this paragraph if

5 (i) the State of Alaska formally agrees to their inclusion  
6 through the process of collective bargaining; and

7 (ii) no collective bargaining agreement has the effect of  
8 obligating contributions made by the state under AS 39.30.150 in the  
9 event the state resumes participation in the federal social security system;

10 3) "plan" means the defined contribution retirement plan established  
11 under this chapter;

12 4) "public organization" means an organization or entity

13 (A) created by the constitution or laws of the state for the purpose  
14 of administering state programs;

15 (B) whose officers and employees are paid by a method other than  
16 by the state payroll prepared by the Department of Administration; and

17 (C) whose employees are not required by law to participate in the  
18 plan;

19 5) "qualified domestic relations order" has the meaning given in  
20 AS 39.35.630.

21 \* Sec. 2. AS 14.25.040(a) is amended to read:

22 (a) A (UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
23 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
24 UNDER AS 14.40.661 - 14.40.799. A) teacher or member contracting for services with  
25 a participating employer is subject to this chapter: unless the

26 (1) employer has elected to participate in the defined contribution  
27 retirement plan as provided in (e) of this section; or

28 (2) teacher or member has elected to participate in the optional  
29 university retirement program under AS 14.40.661 - 14.40.799

30 \* Sec. 3. AS 14.25.040(c) is amended to read:

31 (c) A state legislator is not entitled to elect membership under (b) of this

1 section if the state legislator is covered for the same period of service under the public  
 2 employees' retirement system (AS 39.35) or the defined contribution retirement  
 3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
 4 to the date the state legislator took the oath of office. A state legislator may not  
 5 receive membership credit under (b) of this section for legislative service performed  
 6 before the legislative session during which the state legislator elected membership  
 7 under (b) of this section. In order to continue in membership service under (b) of this  
 8 section, the state legislator must earn at least 93 years of membership service under  
 9 other sections of this chapter during each five-year period.

10 \* Sec. 4. AS 14.25.040 is amended by adding a new subsection to read:

11 (e) A public school district may elect to participate in the defined contribution  
 12 retirement system under AS 39.38 for teachers first hired on or after January 1, 1996.  
 13 Employment that is covered by AS 39.38 may not be considered to be credited service  
 14 under this chapter. A public school district that elects to be covered by AS 39.38 for  
 15 teachers who are not members of this system may not later elect to return to coverage  
 16 under this system.

17 \* Sec. 5. AS 14.25.220(5) is amended to read:

18 (5) "employer" means a public school district, the Board of Regents  
 19 of the University of Alaska, the Department of Education, ~~THE NATIONAL~~  
 20 ~~EDUCATION ASSOCIATION OF ALASKA,~~ the Regional Resource Centers, or the  
 21 state legislature with respect to a state legislator who elects membership under  
 22 AS 14.25.040(b) that has not elected to participate in the defined contribution  
 23 retirement system under AS 39.38.

24 \* Sec. 6. AS 14.25.220(2) is amended to read:

25 (2) "membership service" means

26 (A) full or part-time service as a teacher in a public school in  
 27 the Territory or State of Alaska, or both, under the supervision and control of  
 28 the Territorial Board of Education or the Department of Education or the  
 29 school board of a city, regional educational attendance area, or borough school  
 30 district; so long as the person is not participating in the defined contribution  
 31 retirement system under AS 39.38 for that service.

1 (B) full-time or part-time teaching at the University of Alaska  
 2 or a full-time administrative position at the University of Alaska that requires  
 3 academic standing and that has been approved for inclusion in the system by  
 4 the director so long as the person is not participating in the defined  
 5 contribution retirement system under AS 39.38 for that service;

6 (C) any period during which the teacher receives a disability  
 7 benefit under this system or is on an approved sabbatical leave granted in  
 8 accordance with AS 14.20.310;

9 (D) continuous service as a state legislator when performed by  
 10 a state legislator who elects membership under AS 14.25.040(b), subject to the  
 11 requirements of AS 14.25.040(c);

12 (E) full-time or part-time service as an employee of the Special  
 13 Education Service Agency, subject to the requirements of AS 14.25.047 so long  
 14 as the person is not participating in the defined contribution retirement  
 15 system under AS 39.38 for that service, or

16 (F) full-time or part-time service as an Alaska Native language  
 17 or culture expert, subject to the requirements of AS 14.25.048 so long as the  
 18 person is not participating in the defined contribution retirement system  
 19 under AS 39.38 for that service.

20 \* Sec. 7. AS 22.25.012(a) is amended to read:

21 (a) An administrative director of the Alaska Court System appointed under  
 22 art. IV, sec. 16 of the state constitution is entitled to retirement benefits under

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 31, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

28 (2) AS 39.38 if the administrative director was first appointed on  
 29 or after January 1, 1996.

30 \* Sec. 8. AS 22.25.012(c) is amended to read:

31 (c) An administrative director first hired before January 1, 1996, who

1 withdraws from the judicial retirement system under (b) of this section is eligible for  
 2 membership in the public employees' retirement system (AS 39.35) and shall receive  
 3 credited service in that system for service rendered as administrative director. To be  
 4 eligible for membership in the public employees' retirement system under this  
 5 subsection, the administrative director must contribute to the public employees'  
 6 retirement system

7 (1) the amount that would have been contributed if the administrative  
 8 director had been a member during the period of the membership in the judicial  
 9 retirement system; and

10 (2) any contributions for service as administrative director refunded  
 11 from the public employees' retirement system at the time the administrative director  
 12 became a member of the judicial retirement system.

13 \* Sec. 9. AS 37.10.190(2) is amended to read:

14 (2) "retirement systems" means the teachers' retirement system, the  
 15 judicial retirement system, the Alaska National Guard and Alaska Naval Militia  
 16 retirement system, the defined contribution retirement plan, and the public  
 17 employees' retirement system.

18 \* Sec. 10. AS 39.25.120 is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan

20 \* Sec. 11. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION (a) An  
 22 employee of the state who was first hired before January 1, 1996, shall be included  
 23 in this system upon commencement of employment with the state, or on January 1,  
 24 1996, whichever is later. Unless an employee has elected to participate in the optional  
 25 university retirement program under AS 14.40.601 - 14.40.799, an employee of a  
 26 political subdivision or public organization that becomes an employer who was first  
 27 hired before January 1, 1996, shall be included in the system on the effective date  
 28 of the employer's participation or the date of the employee's commencement of  
 29 employment with the employer, whichever is later.

30 (b) Inclusion in the system is a condition of employment for an employee who  
 31 was first hired before January 1, 1996, except as otherwise provided for an elected

1 official and for an employee of the university who has elected to participate in the  
2 optional university retirement program under AS 14.40.661 - 14.40.799.

3 \* Sec. 12. AS 39.35.158 is amended to read:

4 Sec. 39.35.158. ADMINISTRATIVE DIRECTOR OF COURTS. An  
5 administrative director of the Alaska court system first hired before January 1, 1996,  
6 who withdraws from the judicial retirement system under AS 22.25.012 is eligible for  
7 membership in the system and shall receive credited service in the system for service  
8 rendered as administrative director. To be eligible for membership in the system under  
9 this subsection, the administrative director must contribute to the system

10 (1) the amount the director would have contributed if the director had  
11 been a member during the director's period of membership in the judicial retirement  
12 system; and

13 (2) any contributions for services as administrative director refunded  
14 by the system at the time the director became a member of the judicial retirement  
15 system.

16 \* Sec. 13. AS 39.35.550 is amended to read:

17 Sec. 39.35.550. REQUEST BY POLITICAL SUBDIVISION TO  
18 PARTICIPATE AND ADOPTION OF RESOLUTION. A municipality or other  
19 political subdivision of the state may, before January 1, 1996, request to become an  
20 employer in this system. The request shall be made after adoption of a resolution by  
21 the legislative body of the political subdivision and after approval of the resolution by  
22 the person required by law to approve the resolution. A certified copy of the  
23 resolution shall be filed with the administrator. If the administrator approves the  
24 request for participation, the political subdivision is an employer of the system.

25 \* Sec. 14. AS 39.35.560 is amended to read:

26 Sec. 39.35.560. REQUEST BY PUBLIC ORGANIZATION TO  
27 PARTICIPATE AND ADOPTION OF RESOLUTION. A public organization may,  
28 before January 1, 1996, request to become an employer in this system. The request  
29 shall be made after adoption of a resolution by the governing body of the public  
30 organization. A certified copy of the resolution shall be filed with the administrator.  
31 If the administrator approves the request for participation, the public organization is

1 in employer of the system.

2 • Sec. 15. AS 39.35.630(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system who  
5 was first hired before January 1, 1996, and who is covered by the system;

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.331.

15 (C) does not include

16 (i) former members;

17 (ii) persons compensated on a contractual or fee basis;

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.35.200;

20 (iv) persons covered by the Alaska Teachers Retirement  
21 System except as provided under AS 39.35.131 and 39.35.381, persons  
22 covered by the defined contribution retirement plan, or persons  
23 covered by the optional university retirement program;

24 (v) employees of the division of marine transportation  
25 engaged in operating the state ferry system who are covered by a union  
26 or group retirement system to which the state makes contributions;

27 (vi) justices of the supreme court or judges of the court  
28 of appeals or of the superior or district courts of Alaska;

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 10 of the state constitution unless the director  
31 becomes a member under AS 39.35.153, and

(viii) members of the elected public officers retirement system (former AS 39.37);

(D) may include employees of the division of marine transportation excluded under (C)(v) of this paragraph provided that

(i) the State of Alaska formally agrees to their inclusion through the process of collective bargaining; and

(ii) no collective bargaining agreement has the effect of obligating contributions made by the state under AS 39.30.150 in the event the state resumes participation in the federal social security system.

\* Sec. 16. Section 7, ch. 26, SLA 1986, as amended by sec. 7, ch. 104, SLA 1989, is further amended to read:

Sec. 7. **INDEBTEDNESS ON REEMPLOYMENT.** If a participant in the retirement incentive program is reemployed as a member of the Public Employees Retirement System under AS 39.35, the optional university retirement program under AS 14.40.80, - 14.40.79, the defined contribution retirement plan under AS 39.38, or the Teachers Retirement System under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 5 of this Act and is indebted to the system. The amount of the indebtedness is equal to 10 percent of the amount the participant received as a result of participation in the program for which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 5 of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

\* Sec. 17. Section 9(a), ch. 59, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is amended to read:

(a) If a participant in the retirement incentive program is reemployed as a member of the public employees retirement system under AS 39.35, (OR) the teachers

1 retirement system under AS 14.25, or the defined contribution retirement plan  
2 under AS 39.38, after appointment to retirement under the retirement incentive  
3 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
4 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
5 of the amount the participant received as a result of participation in the program to  
6 which the participant was not otherwise entitled, including the cost of health insurance.  
7 The participant is entitled to a credit to be applied against the reemployment  
8 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
9 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
10 date of reemployment until the member is appointed to retirement or accepts an  
11 actuarial adjustment to the member's future benefits or until the amount is paid in full.

12 \* Sec. 18. AS 14.25.045 is repealed.

13 \* Sec. 19. Notwithstanding AS 39.38.020(b), enacted by sec. 1 of this Act, until January 1,  
14 1997, the Alaska State Pension Investment Board may provide fewer than four investment  
15 options for employees. The board shall use its best efforts to provide investment options to  
16 employees in a timely manner.



# Alaska State Senate

## Senate Finance Committee

OFFICIAL BUSINESS

Mail Stop 3000  
State Capitol  
Juneau, Alaska 99801-1182

### Sectional Analysis

- CSSB 148( ) -

(Work Draft 9-LS0941NG dated 4/11/95)

"An Act relating to a defined contribution retirement plan for state employees and for certain employees of participating municipalities, other political subdivisions, and public organizations, and repealing a provision permitting the National Education Association to participate in the teachers' retirement system."

#### \*SECTION 1.

##### Article I -

Sec. 39.38.010 - The Defined Contribution Pension Plan is established by the Public Employees Retirement Board for state employees first hired on or after January 1, 1996. Retirement and death benefits will be provided through the purchase of annuity or other contracts, as determined by the Board.

Sec. 39.38.020 - DUTIES OF THE (PERS) RETIREMENT BOARD AND THE ALASKA STATE PENSION INVESTMENT BOARD (ASPIB):

Sets out requirements for the (PERS) Retirement Board to follow regarding administration, operation of the Plan. Requires that the Board take steps necessary to assure that Plan fits under IRS guidelines.

Sets out requirements for (ASPIB) Investment Board to act as fiduciary of the fund, including investment activities, designation of at least four investment options for employees to choose; also gives Board directions regarding investment parameters. Requires that the Board take steps necessary to assure that Plan fits under IRS guidelines.

Sec. 39.38.030 - DIRECTOR

The Administrator of PERS shall serve as the director of the Plan.

Sec. 39.38.040 - REGULATIONS

The (PERS) Board may adopt regulations to carry out the Plan.

Sec. 39.38.050 - DUTY OF EMPLOYERS TO FURNISH RECORDS.

Requires that each employer shall furnish the director with records concerning employee data necessary for the proper and effective operation of the Plan.

Sec. 39.38.060 - ATTORNEY GENERAL

Provides that the Attorney General of the State of Alaska serves as the attorney for the plan and shall represent it in a legal proceeding. (PERS/TRS statute language.)

Sec. 39.38.070 - ADMINISTRATIVE EXPENSES.

The administrative expenses of the Plan shall be paid from contributions.

ARTICLE 2. PARTICIPATION

Sec. 39.38.100 - PARTICIPATION

This Plan includes state employees first hired on or after January 1, 1996. It also sets out when employees of a political subdivision, REAA, University of Alaska or public organization that becomes an employer of the plan are eligible.

Sec. 39.38.110 - ADMINISTRATIVE DIRECTOR OF COURTS

The Administrative Director of Courts is eligible to become a member of the plan if hired on or after January 1, 1996.

Sec. 39.38.120 - PARTICIPATION OF ELECTED OFFICIALS

Elected officials are eligible to become members of the Plan on or after January 1, 1996 if serving as an elected official with an employer under the plan. As with PERS and TRS, the elected officials have the right to file a waiver and not participate in the plan if they so choose.

## ARTICLE 3. CONTRIBUTIONS, RIGHTS AND BENEFITS

### Sec. 39.38.200 EMPLOYMENT CONTRIBUTIONS MANDATORY

Contributions of employees are mandatory and are made by payroll deductions.

### Sec. 39.38.210 - CONTRIBUTIONS

The employer contribution on behalf of employee participating in plan is an amount equal to 7.5% of employee's compensation payable at the end of each payroll period.

Employee's contributions = 7.5% of employee's compensation payable at the end of each payroll period.

Contributions vest upon receipt by the Plan director.

Both employer and employee contributions will be paid to a company or companies selected by the employee for the employee's benefit.

### Sec. 39.38.220 - BENEFITS

Payment of retirement benefits to participants or beneficiaries of participants is the responsibility of the company or companies that the employee chooses in accordance with the terms of the contracts.

### Sec. 39.38.230 - RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS ORDER

As with PERS and TRS retirement plans, a former spouse shall be treated as a spouse or surviving spouse to the extent required by a qualified domestic relations order.

### Sec. 39.38.240 - SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE PLAN

Employee contributions are exempt from Alaska state and local taxes. Also "boilerplate" language re Qualified Domestic Relations Order.

**Sec. 39.38.250 - EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS**

Employee contributions and other amounts held in the plan are exempt from levy to enforce the collection of debt. (See AS 9.38 - "Exemptions").

**ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS**

**Sec. 39.38.300 - REQUEST TO PARTICIPATE**

A municipality or other political subdivision of the state may request to become an employer of the defined-contribution retirement plan if the entity follows certain procedures, i.e. adoption of a resolution and director's approval.

**Sec. 39.38.310 - PARTICIPATION**

Sets out effective date of political subdivision's participation. Allows subdivision/organization to select certain groups, departments, classifications of employees who are eligible to participate.

**Sec. 39.38.320 - CONTRIBUTIONS AND TERMINATION OF PARTICIPATION FOR NON-PAYMENT.**

Sets out directives for participating organization/political subdivision to meet regarding contributions, late payments, etc.

**Sec. 39.38.330 - EFFECT OF AMENDMENT OF AGREEMENT**

Amendments to agreements between political subdivisions/public organizations may request that participation agreement be amended. Sets out procedures for amendment and conditions of acceptance by plan director.

**ARTICLE 5. GENERAL PROVISIONS**

**Sec. 39.38.450 - NONGUARANTEE OF EMPLOYMENT**

This chapter is not a contract of employment between an employer and employee.

**Sec. 39.38.460 - FRAUD**

Sets out penalties for committing fraud regarding the Plan.

Sec. 39.38.990 - DEFINITIONS

\*SECTION 2.

AS 14.25.040(a) is amended:

A teacher or member contracting for service with a participating employer is subject to TRS unless the employer has elected to participate in the defined-contribution plan, or has elected to participate in the University of Alaska's optional retirement plan (AS 14.40.661-14.40.799).

\*SECTION 3.

AS 14.25.040(c) is amended:

A state legislator is not eligible for participation under TRS if the legislator is covered by PERS (current law) or the defined-contribution retirement plan during the same period of service

\*SECTION 4.

AS 14.25.040 is amended to add:

A public school district may elect to participate in the defined-contribution retirement plan for teachers first hired on or after January 1, 1996. Once a school district has elected to be covered for teachers who are not members under this section, the school district may not later elect to return to coverage under TRS.

\*SECTION 5.

AS 14.25.220(16) is amended to delete employer reference to "The National Education Association of Alaska" Also,

\*SECTION 6. (Technical amendments)

Defines who can and cannot participate in the defined-contribution retirement plan and TRS plan

\*SECTION 7 - ADMINISTRATIVE DIRECTOR OF COURTS

AS 22.25.012(a) - Technical amendment to allow only administrator of courts participation if newly appointed on or after January 1, 1996

**\*SECTION 8 - Technical amendment relating to Administrative Director of Courts.**

**\*SECTION 9.**

Amends AS 37.10.390(2) to further define "retirement systems" to include the defined contribution retirement plan.

**\*SECTION 10.**

Amends AS 39.25.120(c) to include the director of defined contribution retirement plan under the partially exempt service.

**\*SECTION 11.**

Amends AS 39.35.120 - Technical to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996

**\*SECTION 12.**

Amends AS 39.35.158 - Technical to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996, (to apply to administrative director of courts )

**\*SECTION 13.**

Amends AS 39.35.550 - REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE AND ADOPTION OF RESOLUTION

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires

**\*SECTION 14.**

Amends AS 39.35.560 - REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND ADOPTION OF RESOLUTION.

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires.

**\*SECTION 15.**

Amends 39.35.680 (21)

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires.

**\*SECTION 16.**

Technical amendment re: statutory law cite regarding RIP reemployment to cite defined-contribution retirement plan. (indebtedness on reemployment)

**\*SECTION 17.**

Technical amendment re: statutory law cite regarding RIP reemployment to cite defined-contribution retirement plan. (indebtedness on reemployment - incentive credits)

**\*SECTION 18.**

Repeals AS 14.25.045 re: participation by NEA employer.

**\*SECTION 19.**

Allows Alaska State Pension Investment Board to offer fewer than four investment options to participants in the defined-contribution retirement plan until January 1, 1997, giving the Board time to gear up for the new plan

From Sen. Meyer

11/17/42  
**EARLY RETIREMENTS  
TO REDUCE BUDGETS  
COST STATES MONEY**

**POOR PLANNING IS BLAMED**

**Failures to Limit Programs to  
Workers in Expendable Jobs  
Means More Are Hired**

By MICHAEL deCOURCY HINDS

Early-retirement programs for state workers, adopted in recent years as cost-cutting measures in 29 states, are actually costing millions of dollars, fiscal experts and state officials say.

The experts said many of the programs had been poorly planned and had failed to cut workers whose jobs were no longer needed, forcing states to hire replacement workers at the same time they were paying retirement benefits to those who had just left.

Many programs also ended up being fiscal schemes in which legislators shifted expenses from state budgets to pension systems, creating heavy future liabilities that will have to be picked up by taxpayers.

**Many Retirees Replaced**

In 1990, for example, Rhode Island offered generous retirement incentives to 1,200 employees. After the program had been offered, actuaries determined that the state would lose money even if the positions were left vacant for 10 years. The state had to replace virtually all the retirees within a matter of months.

New York is one of the few states that actually handled the program properly, but only because of its bitter experience with a 1963 program that was supposed to save \$50 million and ended up costing \$20 million. Last year, the state limited its retirement offer to workers in positions that were going to be eliminated. It expects \$120 million in savings.

"It's a triumph of hope over experience, as Samuel Johnson said about second marriages in the 18th century."

**Follow-Ups Are Lacking**

Early retirement programs come in various forms. Some apply only to workers within a few years of retirement. Some specify length of employment and could affect workers in their late 40's. Most continue the workers'

New York Times  
11/16/42

# States Early Retirements Plans Are Costing Millions of Dollars

Continued From Page A1

health benefits after they retire, which has proved to be expensive. Some offer cash incentives and increased pension payments.

But what the problem programs have in common is that they offer the incentives to all eligible state workers without regard to whether their jobs are essential.

Public employees unions support such programs as humane alternatives to layoffs. Legislators like them because they promise savings. And the programs carry little political risk because states rarely go back and analyze how much the programs ended up costing.

"Governments tend not to document the effectiveness of many of their programs," said David Kohler, director of the New Jersey Public Affairs Research Institute. "And they have very little incentive to document something that may be a failure."

## Many Long-Term Burdens

In most recent programs, states encouraged older employees to retire as early as 18 years early by offering them incentives, ranging in cost from \$20,000 per employee to more than \$100,000. In April 1990, the center pension consultant at A. Foster Higgins and Company of Washington, which advises state and local governments on retirement policies.

The Higgins survey of early retiree incentive programs in the last two years found that incentives offered by 11 states had included state-paid health insurance policies, credit for several years' employment, enhanced pension payments and cash bonuses.

Though the survey described the terms of the programs, it was not able to provide many specifics about costs and savings because, the company noted, the states did not monitor their programs closely.

But based on interviews with state officials, Mr. Pike said that when states had carefully managed their programs, especially ones for teachers, they had succeeded in reducing or preventing.

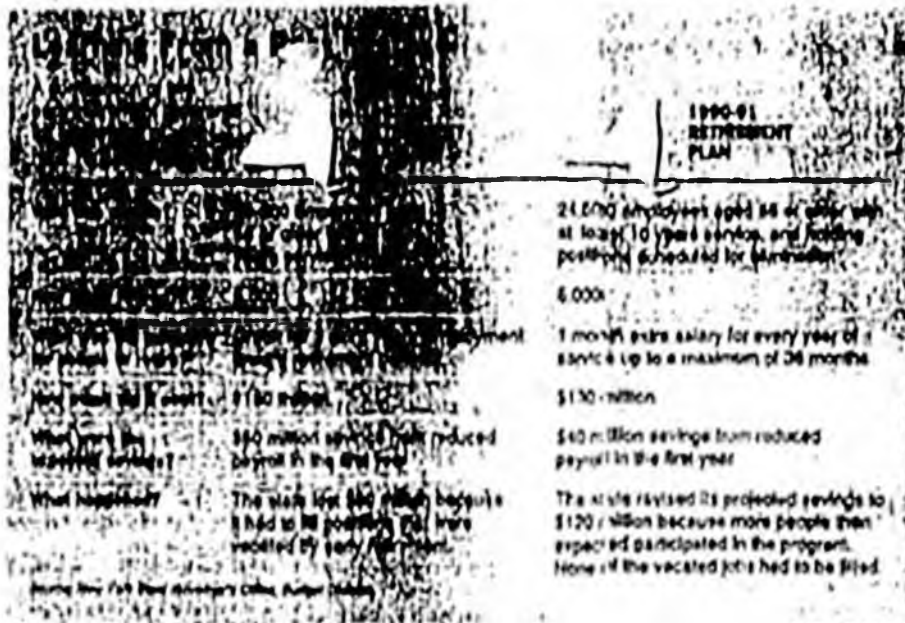
But Mr. Pike said he found that most states were filling vacancies left by retiring workers. And he said that at these positions were filled, the states found their savings evaporating.

## New York Times

A valuable learning habit

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## Few states follow early retirement programs to see if they really work.

In trying to determine why states offered programs that have proved burdensome elsewhere, Mr. Pike said officials in many state agencies told him they were reluctant to be openly critical of plans that were strongly supported by colleagues, unions and legislators. The information is not there about these retirement programs, he said. "But people don't like talking about it because they say it can be politically embarrassing."

Other officials in states that offered early retirements to the last few years blame ignorance more than politics. "There's just a blind faith that those things work," said Chuck Patten, secretary of the West Virginia Department of Administration and a former Senate member.

West Virginia pension officials said that 7,000 people had participated in an early retirement plan offered in 1988, raising the state's annual retirement costs about 20 percent, or more than \$10 million a year. But at the same time, they said, state agencies found they had to fill departing workers and soon replaced them, boosting the payroll and benefits costs they had hoped

to eliminate, in addition to the retirement costs. The consequence was a huge liability at a time the state could ill afford it, he said.

## Most Programs Mismanaged

"It is common knowledge that there are early programs, which clearly transfer many costs from state operating budgets to the state retirement systems," said Brian M. Rabeley, executive director of the National Association of State Budget Officers in Washington. In such cases, he said, the early retirement system usually drains a state's coffers, which sometimes exceed \$10 million in larger states, over two or more decades.

Officials say that it is essential to set up the program in such a way that the cost of the retirements and of administering the program will not outweigh the savings from payroll and benefits.

But in practice, studies show, most states mismanage some aspect of the programs and end up spending the money they save. While some states offer vacation pay, others give promotional raises and reduce or eliminate employee pay as they gain seniority.

In Pennsylvania, legislators have frequently ignored the experience of other states last year when they offered an early retirement program, said Sen. Senator Robert J. Merz, the Republican minority leader and an incumbent. "We felt the studies done in other states would be totally irrelevant," Mr. Merz said in an interview. "We had to find our own innovative ways to control costs and be human to the departing government."

Pennsylvania's program gave automatic credits for service and free health care, two of the most expensive incentives. In April 1990, just before the program took effect, Mr. Merz said reporters he estimated 1,000 employees would take advantage of the program and, if only 10 percent of the vacancies were filled, the state would save \$85 million in payroll expenses in the first year.

## Managers Paid as Consultants

It is not yet clear if the state will meet its goal. But with few limits on participation, 2,000 employees took early retirements, many of them teachers, professors, engineers and others in crucial positions. That led many state agencies to rehire a number of the departing employees as consultants and for as long as three months at their old jobs. The state ended up paying them back as retirees and as consultants.

Earlier this year, in a move to reduce staffing in selected agencies and job categories, Pennsylvania laid off 1,000 of its 130,000 employees. But at the same time agencies were laying off workers, they were also permanently filling positions left vacant by early retirees. As of June 30, agencies had filled 1,000 vacancies and had authorization to fill 1,000 others this year.

Vernon R. Vergera, a civil engineer with 25 years' seniority, was among the early retirees who continued to work as a consultant. Mr. Vergera, 61 years old, had his early retirement benefits included health care and \$17,000 in monthly payments over three years. In addition, he received more than \$100,000

And he said he may be called back to more consulting.

"The program made sense for those who took advantage of it," he said. "But it might have created some disruption because there was no time to turn over responsibilities in an orderly way."

## Rapidly Shifting Expectations

The program's cost in the Pennsylvania retirement system was \$177 million in payments that began immediately, and the state has already scaled down its projections of payroll savings to \$24 million in the first year from \$43 million. "Once you go beyond replacing 30 percent of the retired employees, savings become very difficult," said Anthony Salomone, executive director of Pennsylvania's State Public Employee Retirement System Commission.

In New Jersey, 2,000 state employees took advantage of an early retirement program last year. State agencies have already filled 1,000 of the positions and may fill the rest, said Richard McGrath, a spokesman for the state Treasury Department. Even so, he said the \$100 million program was expected to generate \$90 million in payroll savings the first year, and less in succeeding years. "If everything holds steady, we will break even in three years," Mr. McGrath said.

New York is one of the few states that emulated its program and learned from its mistakes. A 1981 program that was supposed to save \$50 million wound up costing \$50 million, said Claudia S. Hutton, a spokesman for Gov. Mario I. Cuomo's budget office. "We had the double whammy of paying for the retirement incentives and replacing nearly everybody," she said.

In 1989 and 1991, the state again offered retirement programs, but Mr. Hutton said they were a part of a larger restructuring effort in which the state offered incentives only to employees in positions it intended to eliminate.

Mr. Hutton said that 4,000 employees participated and that the state expected to save \$120 million by eliminating their positions. The estimate is based on payroll savings for 18 months, which, on average, was the length of time each employee would have remained on the job without the early retirement program.

If New York's experience is any lesson, budget experts say, it is that programs hastily suspended during budget crises will probably not fare well.

"These programs seem to take the heat off the budget for a while, but nobody goes back to see how they really work," said Rita Harwin, executive director of the Texas Pension Review Board, which surveyed state programs in 1991. "The best we could tell was that the programs were expensive."

More national news



**State of Alaska**

**Public Employees' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1994**

**Prepared by:**

William M. Mercer, Incorporated  
One Union Square, Suite 3200  
600 University Street  
Seattle, WA 98101-3137

**WILLIAM M.  
MERCER**

March 14, 1995

State of Alaska  
Public Employees' Retirement Board  
Department of Administration  
Division of Retirement & Benefits  
P.O. Box 110203  
Juneau, AK 99811-0203

Dear Members of the Board:

**Actuarial Certification**

The actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 1994 by William M. Mercer, Incorporated. The purposes of the report include:

- (1) a review of experience under the Plan for the year ended June 30, 1994;
- (2) a determination of the appropriate contribution rate for each employer in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of experience studies presented to the Board in October 1991 and October 1994.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY95 and a 25-year rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of assets to liabilities decreased from 95.4% to 94.8% during the year. Over the years, progress has been made toward achieving the funding objectives of the System.

Public Employees' Retirement Board  
March 14, 1995  
Page 2

There were no significant changes in the demographic actuarial assumptions or actuarial methods used in the determination of system liabilities this year. However, there was a change in the economic actuarial assumptions and asset valuation method. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

The total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return, salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	8.75%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The method for calculating valuation assets was changed. The new asset valuation method smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system.

Public Employees' Retirement Board  
March 14, 1995  
Page 3

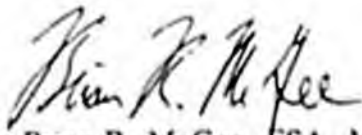
Future contribution requirements may differ from those determined in the valuation because of:

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

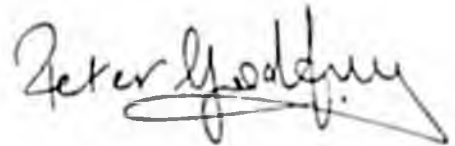
The undersigned are members of the American Academy of Actuaries and are fully qualified to provide actuarial services to the State of Alaska.

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

Sincerely,



Brian R. McGee, FSA, MAAA  
Managing Director



Peter L. Godfrey, FIA, MAAA  
Principal

# Contents of Report

Sections	Page
Highlights .....	1
Analysis of the Valuation .....	4
1 Valuation Results .....	9
1.1(a) Statement of Net Assets as of June 30, 1994 (in thousands) .....	10
1.1(b) Changes in Net Assets During Fiscal Year 1994 (in thousands) .....	11
1.1(c) Development of Expected Valuation Assets as of June 30, 1994 (in thousands) .....	12
1.1(d) Development of Valuation Assets as of June 30, 1994 (in thousands) .....	13
1.2(a) Actuarial Present Values as of June 30, 1994 Police and Fire Members (in thousands) .....	14
1.2(b) Actuarial Present Values as of June 30, 1994 "Other" Members (in thousands) .....	15
1.3(a) Development of Average Employer Contribution Rate - FY97 For Police and Fire Members (in thousands) .....	16
1.3(b) Development of Average Employer Contribution Rate - FY97 For "Other" Members (in thousands) .....	17
1.3(c) Development of Average Employer Contribution Rate - FY97 All Members (in thousands) .....	18
1.4 Development of Actuarial Gain (Loss) for FY94 (in thousands) .....	17
1.5 Actuarial Projections .....	20
2 Basis of Valuation .....	31
2.1 Summary of the Alaska Public Employees' Retirement System .....	32
2.2(a) Participant Census Information - Total PERS as of June 30 .....	39
2.2(b) Additional Information - Active Members by Type of Status as of June 30 .....	40
2.2(c) Distribution of Active Police and Fire Participants .....	43
2.2(d) Schedule of Active Member Valuation Data - "Police/Fire" .....	44
2.2(e) Distribution of Active "Other" Participants .....	45
2.2(f) Schedule of Active Member Valuation Data - "Others" .....	46
2.2(g) Statistics on New Retirees Police and Fire Members During the Year Ending June 30 .....	47
2.2(h) Schedule of Average Benefit Payments - New Retirees - "Police/Fire" .....	48
2.2(i) Statistics on New Retirees "Other" Members During the Year Ending June 30 .....	49

## Contents of Report (continued)

Sections	Page
2.2(j) Schedule of Average Benefit Payments - New Retirees - "Others" . . . . .	50
2.2(k) Statistics on All Retirees as of June 30, 1994 . . . . .	51
2.2(l) Distribution of Annual Benefits for Police and Fire Benefit Recipients . . . . .	54
2.2(m) Schedule of Retired Members by Type of Retirant and Option Selected - "Police/Fire" - June 30, 1994 . . . . .	55
2.2(n) Distribution of Annual Benefits for "Other" Benefit Recipients . . . . .	56
2.2(o) Schedule of Retired Members by Type of Retirant and Option Selected - "Others" - June 30, 1994 . . . . .	57
2.2(p) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - Police/Fire . . . . .	58
2.2(q) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - "Others" . . . . .	59
2.3 Actuarial Basis . . . . .	60
Table 1 - Alaska PERS Total Turnover Assumptions . . . . .	63
Table 2 - Alaska PERS Disability Rates Annual Rates Per 1,000 Employees . . . . .	64
Table 3 - Alaska PERS Retirement Rates . . . . .	65
3 Other Historical Information . . . . .	66
3.1 Analysis of Financial Experience . . . . .	67
3.2(a) Summary of Accrued and Unfunded Accrued Liabilities - "Police/Fire" . . . . .	68
3.2(b) Summary of Accrued and Unfunded Accrued Liabilities - "Other" . . . . .	69
3.3 Solvency Test . . . . .	70
3.4(a) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Police/Fire" . . . . .	71
3.4(b) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Others" . . . . .	73

## Highlights

This report has been prepared by William M. Mercer, Incorporated to:

- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1994;
- (2) review experience under the plan for the year ended June 30, 1994;
- (3) determine the appropriate contribution rate for each employer in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1994 Fiscal Year, the current annual costs, and reporting and disclosure information.

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

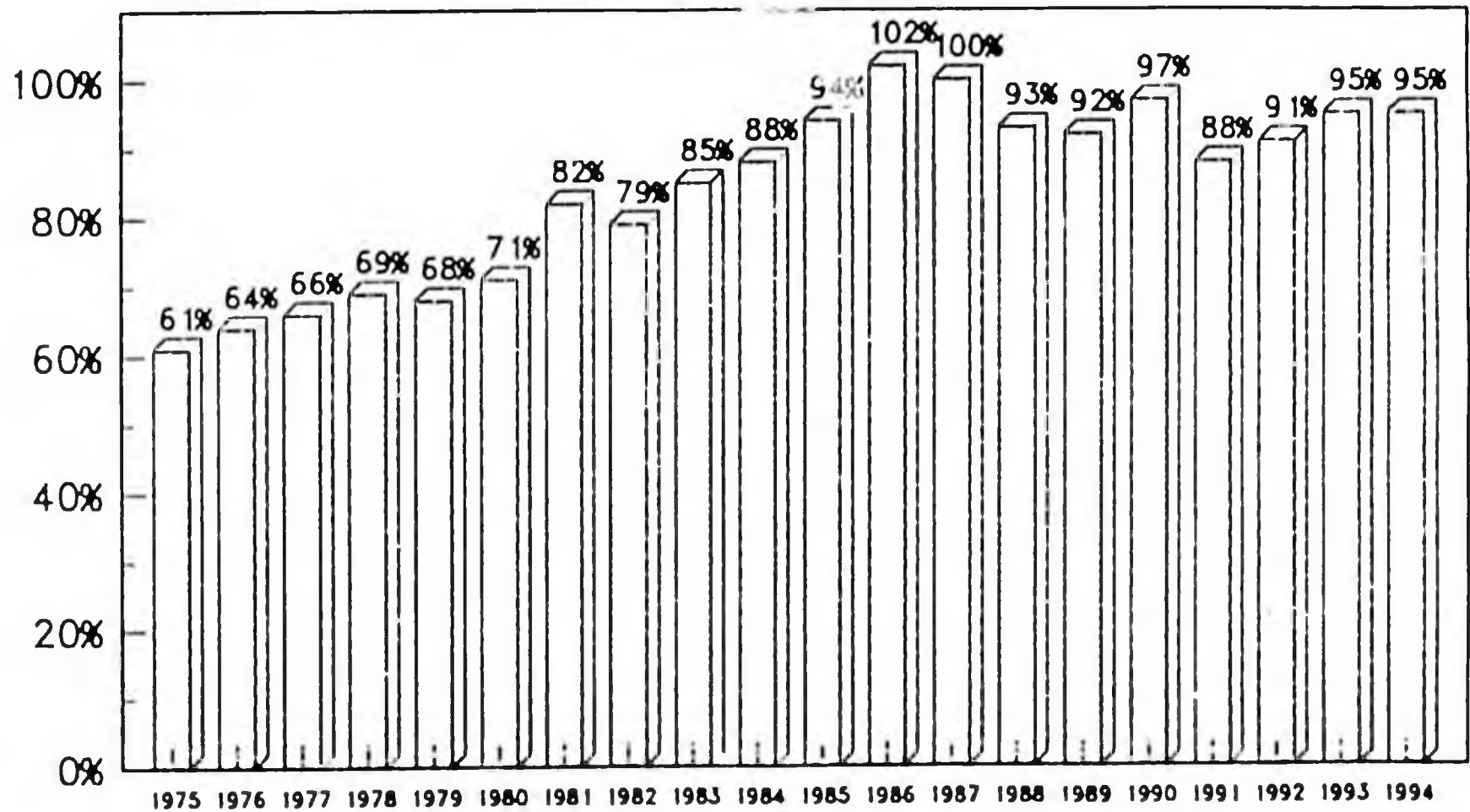
Section 3 contains additional exhibits showing historical information on system experience, unfunded liabilities, and the value of accumulated benefits.

The principle results are as follows:

	<u>1993</u>	<u>1994</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 3,936,776	\$ 4,379,305
(b) Accrued Liability*		
i) Non-Medical Benefits	2,963,975	3,377,405
ii) Total Benefits (including medical)	4,125,761	4,620,182
(c) Funding Ratio, (a) / (b)		
i) Non-Medical Benefits	132.8%	129.7%
ii) Total Benefits (including medical)	95.4%	94.8%

\* In thousands.

# STATE OF ALASKA PERS FUNDING RATIO HISTORY



At June 30

Employer Contribution Rates  
for Fiscal Year:

	<u>1996</u>	<u>1997</u>
(a) Consolidated Rate	11.29%	10.36%
(b) Average Past Service Rate	1.53%	1.78%
(c) Average Total Contribution Rate	12.82%	12.14%

## Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio as of June 30, 1994 has decreased from 95.4% to 94.8%, a decrease of 0.6%. The average employer contribution rate has reduced from 12.82% of payroll for FY96 to 12.14% for FY97, a reduction of 0.68% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

### (1) Retiree Medical Insurance

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS and TRS.

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since FY78</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	23%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	0%	11%
1993	226.90	- 7%	10%
1994	309.72	37%	11%
1995	336.05	9%	11%
1996	350.50	4%	11%

As you can see from the above table, the monthly retiree medical premium increased during the year, to \$336.05. The premium for the 1996 fiscal year has increased to \$350.50, an increase of 4%. Since FY87, annual premium rate changes have ranged from 51% up to 15% down, but the average annual increase has been about 9%.

This year, in an attempt to better predict the long-term increase in medical premiums, the Board adopted a health cost trend assumption which varies by year, declining to an ultimate rate equal to inflation plus 1.5%, or 5.5% for FY99 and later. If the long-term assumption remains reasonable, short-term gains and losses from the annually-determined medical premium rate will offset each other over time.

To help avoid the volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, we have been using the health cost trend assumption to determine actuarial liabilities for retiree medical benefits. Due to the change in the health cost trend assumption this year, we made an adjustment back to the actual medical premium as the basis for going forward. The difference between the assumed rate and the actual rate will be tracked annually and reduced if the gap becomes too wide. Also, adjustments will be made again, if necessary, to the assumed medical premium rate every four to five years when a formal experience analysis is performed.

The effect of the adjustment back to actual premium this year was a small loss to the System which increased the employer contribution rate by 0.41%.

## (2) Investment Performance

The Asset Valuation Method has been changed this year. In the past, the system used an asset valuation method which multiplied the five-year average of the ratio of actuarial (generally market) to book value by the current book value to determine valuation assets. This number had to fall within the range of book and actuarial value.

One purpose of using asset valuation methods is to smooth investment returns. By using the full actuarial and book values in the valuation method, additional components of the change in the value of assets, including contributions, benefit payments, and expenses, are included in the smoothing technique. Since investment return is a direct result of actual money flows instead of artificially smoothed flows, this method will distort the investment return for the year.

The new asset valuation method only smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system. The new methodology is more widely used and accepted than the prior method in both the public and private sector because it directly addresses the objective of smoothing only investment returns, and it is allowable under ERISA.

In order to establish an appropriate basis for going forward, we measured the FY94 investment loss using the market value of assets at June 30, 1993. This resulted in an increase in the Valuation Assets at June 30, 1994 of \$76,466,000 and a reduction in the employer contribution rate of 0.56%.

To protect the system from the unlikely event that valuation assets differ markedly from market value, a limitation that valuation assets must fall between 80% and 120% of market value is included with this asset valuation method. The new method will be phased in over the next five years.

The approximate rate of return based on market value of system assets was 2.49%. The new five-year smoothing technique produced a rate of return based on valuation assets of 7.50%, compared to the 8.75% investment return assumption. This produced a loss of approximately \$50,573,000 to the System from investment performance which had the effect of decreasing the funding ratio by 1.1% and increasing the average employer contribution rate by .37% of total payroll.

### (3) Salary Increases

Last year, salary increases were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain which generated a reduction in the total employer contribution rate equal to 0.55% of total payroll.

### (4) Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 1.3% from 30,972 at June 30, 1993 to 31,364 at June 30, 1994. The average age of active participants increased from 41.75 to 42.18 and average credited service increased from 7.62 to 7.92 years.

The number of retirees and beneficiaries increased 5.9% from 9,103 to 9,643, and their average age increased from 63.98 to 64.22. There was a 5.6% increase in the number of vested terminated participants from 3,572 to 3,771. Their average age increased from 44.04 to 44.39.

The overall effect of these participant data changes was an actuarial loss to the System, resulting in an increase in the contribution rate equal to 0.36% of total payroll.

### (5) Economic Assumption Changes

Based on a study of the inflation component of economic assumptions presented to the Board in October 1994, the total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return.

salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	8.75%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The overall effect of the assumption changes was to increase the funding ratio by .2% and reduce the employer contribution rate by .71% of total payroll.

#### (6) Actuarial Projections

At the Fall 1991 Board Meetings, the PERS Board approved the use of an enhanced actuarial projection system in the valuation report this year. The same actuarial cost method is used, but the enhanced system projects population growth patterns and their associated liabilities 25 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 25 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to two-tiered systems, such as PERS. All of the projected new entrants will be covered under the cost savings provisions of the second tier, so that the ultimate effect of the second tier on plan liabilities can be anticipated. As you can see in Section 1.5, based on the actuarial assumptions and cost method, future contribution rates are expected to slowly decrease, and then stabilize in 10 to 15 years. This reflects the fact that many second-tier employees are already in PERS and affecting the rate.

## Summary

The following table summarizes the sources of change in the average employer contribution rate:

Last year's average employer contribution rate . . . . .	12.82%
Change due to:	
Retiree medical insurance . . . . .	0.41%
Investment performance . . . . .	0.37%
Salary increases . . . . .	(0.55%)
Demographic experience . . . . .	0.36%
Economic Assumption Changes . . . . .	(0.71%)
Asset Valuation Method Change . . . . .	(0.56%)
Average employer contribution rate this year . . . . .	12.14%

## **Section 1**

### **Valuation Results**

This section sets forth the results of the actuarial valuation.

Section 1.1(a) shows the distribution of net assets as of June 30, 1994.

Section 1.1(b) shows the transactions of the plan's fund during FY94.

Section 1.1(c) develops the expected valuation assets and investment return as of June 30, 1994.

Section 1.1(d) develops the actual valuation assets as of June 30, 1994.

Section 1.2(a) shows the actuarial present values for Police and Fire members as of June 30, 1994.

Section 1.2(b) shows the actuarial present values for "Other" members as of June 30, 1994.

Section 1.3(a) develops the average employer contribution rate for Police and Fire members - FY97.

Section 1.3(b) develops the average employer contribution rate for "Other" members - FY97.

Section 1.3(c) develops the average employer contribution rate for all members - FY97.

Section 1.4 calculates the actuarial gain or loss for FY94.

Section 1.5 contains the financial projections.

**1.1(a) Statement of Net Assets as of June 30, 1994 (in thousands)**

	<u>Book Value</u>	<u>Actuarial Value</u>
Cash and Cash Equivalents	\$ 1,610	\$ 1,610
United States Government Bonds	884,568	943,018
Other United States Government Securities	56,611	57,493
Corporate Bonds	712,380	727,399
Commercial Paper	164,356	164,342
Other Dollar Dominated Securities	130,082	124,768
United States Common Stocks	1,493,641	1,593,533
International Stocks	325,978	360,726
Emerging Markets Stocks	35,300	36,247
Real Estate Equities	157,657	116,089
Mortgages (Net of Reserves)	5,664	5,664
Net Accrued Receivables	<u>46,124</u>	<u>46,124</u>
<b>Total Assets</b>	<b>\$ 4,013,971</b>	<b>\$ 4,177,013</b>

## 1.1(b) Changes in Net Assets During Fiscal Year 1994 (in thousands)

(1)	Net Assets, June 30, 1993, (market value)		\$ 4,007,907
(2)	Additions:		
	(a) Employee Contributions	\$ 82,503	
	(b) Employer Contributions	153,302	
	(c) Contributions for Retirement Incentive Program:		
	Employee Contributions	0	
	Employer Contributions	(17)	
	(d) Interest and Dividend Income	207,474	
	(e) Realized Gain (Loss)	111,508	
	(f) Unrealized Gain (Loss) on Investments	(206,921)	
	(g) Other	<u>32</u>	347,881
(3)	Deductions:		
	(a) Medical Benefits	\$ 36,046	
	(b) Retirement Benefits	121,867	
	(c) Refunds of Contributions	9,584	
	(d) Administrative Expenses	<u>11,278</u>	178,775
(4)	Net Assets, June 30, 1994, (market value)		\$ 4,177,013
	Approximate Market Value Investment Return Rate During the Year, Net of Administrative Expenses		2.49%

**1.1(c) Development of Expected Valuation Assets  
as of June 30, 1994 (in thousands)**

(1)	June 30, 1993 Market Value. (Item (1) from 1.1(b))	\$ 4,007,907
(2)	Total Contributions for FY94, (Item (2a) + (2b) + (2c) from 1.1(b))	235,788
(3)	Total Benefit Payments for FY94, (Item (3a) + (3b) + (3c) from 1.1(b))	167,497
(4)	Expected Investment Return, Net of Expenses, for the period July 1, 1993 through June 30, 1994, $((1) + .5 \times [(2) - (3)]) \times 8.75\%$	353,680
(5)	Actual Investment Return, Net of Expenses, for the period July 1, 1993 through June 30, 1994, (Item (2d) + (2e) + (2f) + (2g) - (3d) from 1.1(b))	100,815
(6)	Total Investment Gain/(Loss). (5) - (4)	(252,865)
(7)	Expected Valuation Assets, (1) + (2) - (3) + (4)	4,429,878

**1.1(d) Development of Valuation Assets as of June 30, 1994  
(in thousands)**

	A	B	C
	Total Investment <u>Gain/(Loss)</u>	Gain/(Loss) Recognized in <u>Prior Fiscal Years</u>	Gain/(Loss) Recognized this Fiscal Year <u>(A + B)</u>
(1) Fiscal Year ending June 30, 1994	\$(252,865)	\$ 0	\$ (50,573)
(2) Total Gain/(Loss) Recognized this Fiscal Year			(50,573)
(3) Expected Valuation Assets, June 30, 1994. (Item (7) from 1.1(c))			\$ 4,429,878
(4) Valuation Assets at June 30, 1994, (2) - (3), but not outside a corridor of 80% to 120% of the market value of assets			\$ 4,379,305*
Approximate Valuation Assets Investment Return Rate During the Year, Net of Administrative Expenses			7.50%

- \* Reflects a change in the asset valuation method. See Item (2) in the Analysis of the Valuation on page 5 for a full description of the change.

**1.2(a) Actuarial Present Values as of June 30, 1994  
Police and Fire Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liabilities</u>
<u>Active Members</u>		
Retirement Benefits	\$ 18,177	\$ 315,524
Termination Benefits	522	5,507
Disability Benefits	564	12,150
Death Benefits	488	11,419
Return of Contributions	354	2,020
Medical Benefits	5,760	85,934
Indebtedness	0	(8,622)
Retiree Incentive Program Receivables	<u>0</u>	<u>(10)</u>
Subtotal	\$ 25,865	\$ 423,922
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 398
Vested Terminations		
- Retirement Benefits	0	7,599
- Medical Benefits	0	8,954
Retirees & Beneficiaries		
- Retirement Benefits	0	249,224
- Medical Benefits	<u>0</u>	<u>42,891</u>
Subtotal	\$ 0	\$ 309,066
<u>Totals</u>	\$ 25,865	\$ 732,988

**1.2(b) Actuarial Present Values as of June 30, 1994**  
**"Other" Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 84,636	\$ 1,096,942
Termination Benefits	20,248	202,047
Disability Benefits	3,654	51,494
Death Benefits	4,107	68,870
Return of Contributions	5,886	28,669
Medical Benefits	57,920	548,170
Indebtedness	0	(33,201)
Retirement Incentive Program Receivables	<u>0</u>	<u>(80)</u>
Subtotal	\$ 176,451	\$ 1,962,911
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 12,415
Vested Terminations - Retirement Benefits	0	241,808
- Medical Benefits	0	236,844
Retirees & Beneficiaries - Retirement Benefits	0	1,113,232
- Medical Benefits	<u>0</u>	<u>319,984</u>
Subtotal	\$ 0	\$ 1,924,283
<u>Totals</u>	\$ 176,451	\$ 3,887,194

**1.3(a) Development of Average Employer Contribution Rate - FY97  
For Police and Fire Members (in thousands)**

Consolidated Rate

(1)	Total Normal Cost	\$ 25,865
(2)	Total Salaries	128,456
(3)	Normal Cost Rate for Police & Fire Members, (1) / (2)	20.14%
(4)	Member Contribution Rate (Police & Fire)	7.50%
(5)	Consolidated Employer Normal Cost Rate For Police & Fire Members, (3) - (4)	12.64%

Past Service Rate

(1)	Accrued Liability	\$ 732,988
(2)	Valuation Assets	694,773*
(3)	Total Unfunded Liability, (1) - (2)	38,215
(4)	Amortization Factor (25 years)	11.528758
(5)	Past Service Cost, (3) / (4)	3,315
(6)	Total Salaries	128,456
(7)	Past Service Rate, (5) / (6)	2.58%

Total Employer Contribution Rate 15.22%

\* Allocated in proportion to Accrued Liability.

### 1.3(b) Development of Average Employer Contribution Rate - FY97 For "Other" Members (in thousands)

#### Consolidated Rate

(1)	Total Normal Cost	\$ 176,451
(2)	Total Salaries	1,048,541
(3)	Normal Cost Rate for "Other" Members, (1) / (2)	16.83%
(4)	Member Contribution Rate ("Others")	6.75%
(5)	Consolidated Employer Normal Cost Rate For Other Members, (3) - (4)	10.08%

#### Past Service Rate

(1)	Accrued Liability	\$ 3,887,194
(2)	Valuation Assets	3,684,532*
(3)	Total Unfunded Liability, (1) - (2)	202,662
(4)	Amortization Factor (25 years)	11.528758
(5)	Past Service Cost, (3) / (4)	\$ 17,579
(6)	Total Salaries	\$ 1,048,541
(7)	Past Service Rate, (5) / (6)	1.68%

Total Employer Contribution Rate 11.76%

\* Allocated in proportion to Accrued Liability.

**1.3(c) Development of Average Employer Contribution Rate - FY97  
All Members (in thousands)**

Consolidated Rate

(1) Total Normal Cost	\$ 202,316
(2) Total Salaries	1,176,997
(3) Normal Cost Rate for All Members, (1) / (2)	17.19%
(4) Average Member Contribution Rate	6.83%
(5) Consolidated Employer Normal Cost Rate for All Members. (3) - (4)	10.36%

Past Service Rate

(1) Accrued Liability	\$ 4,620,182
(2) Valuation Assets	4,379,305
(3) Total Unfunded Liability. (1) - (2)	240,877
(4) 25-Year Amortization Factor	11.528758
(5) Past Service Cost. (3) / (4)	20.894
(6) Total Salaries	1,176,997
(7) Past Service Rate. (5) / (6)	1.78%

Total Employer Contribution Rate

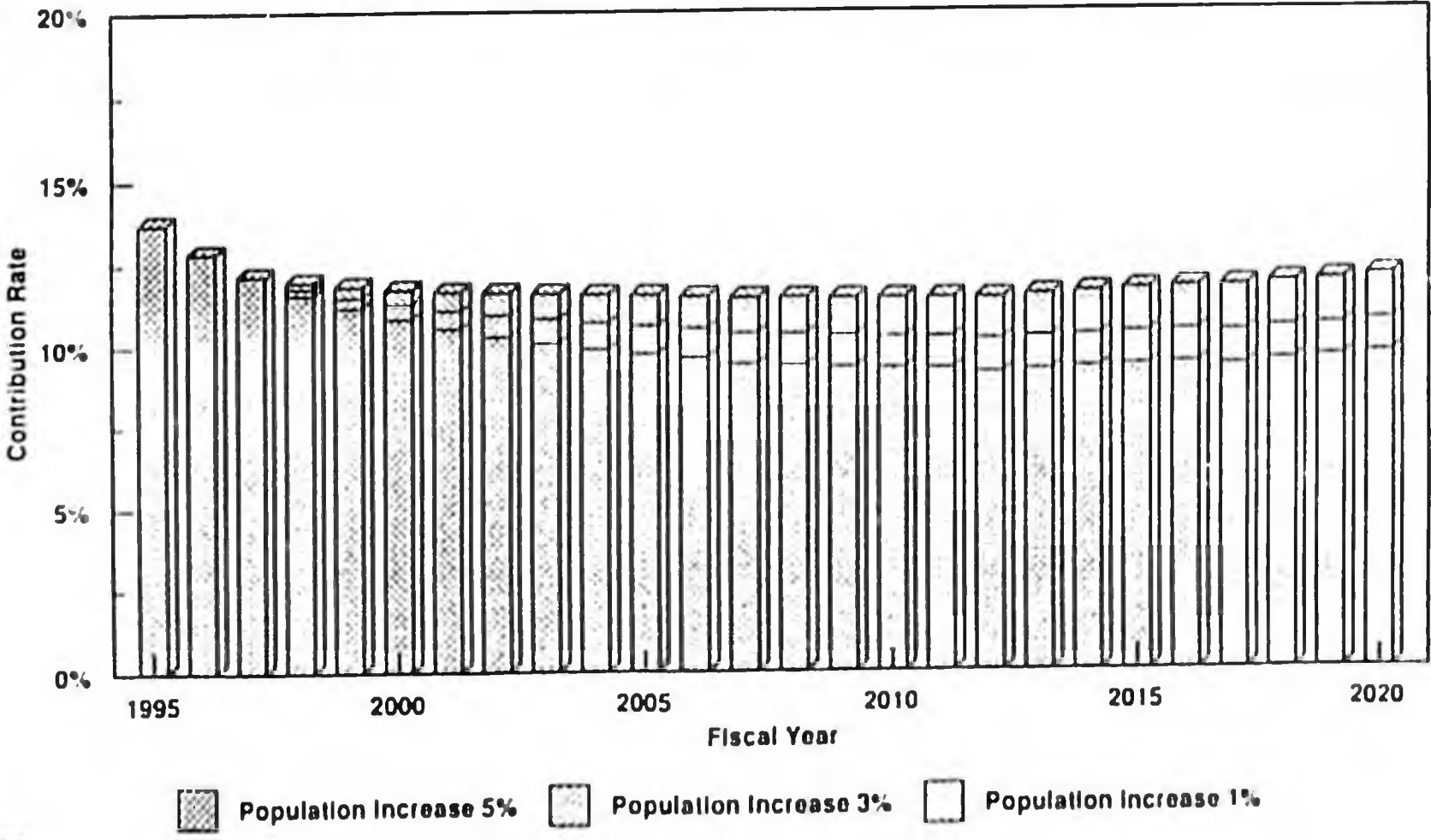
12.14%

## 1.4 Development of Actuarial Gain/(Loss) for FY94 (in thousands)

(1) Unfunded Liability, June 30, 1993	\$ 188,985
(2) Normal Cost for FY94	205,826
(3) Interest on (1) and (2) at 8.75%	34,546
(4) Employee Contributions for FY94	82,503
(5) Employer Contrib for FY94	153,285
(6) Interest on (4) and (5) at 8.75% for one-half year	10,316
(7) Increase/(Decrease) due to assumption changes	(9,361)
(8) Increase/(Decrease) due to asset valuation method change	(76,466)
(9) Expected Unfunded Liability, June 30, 1994, (1) + (2) + (3) - (4) - (5) - (6) + (7) + (8)	97,426
(10) Actual Unfunded Liability, June 30, 1994	240,877
(11) Actuarial Gain/(Loss) for the Year, (9) - (10)	\$ (143,451)

# State of Alaska PERS Projected Contribution Rates

William M Mercer Incorporated



# State of Alaska PERS Projected Funding Ratios

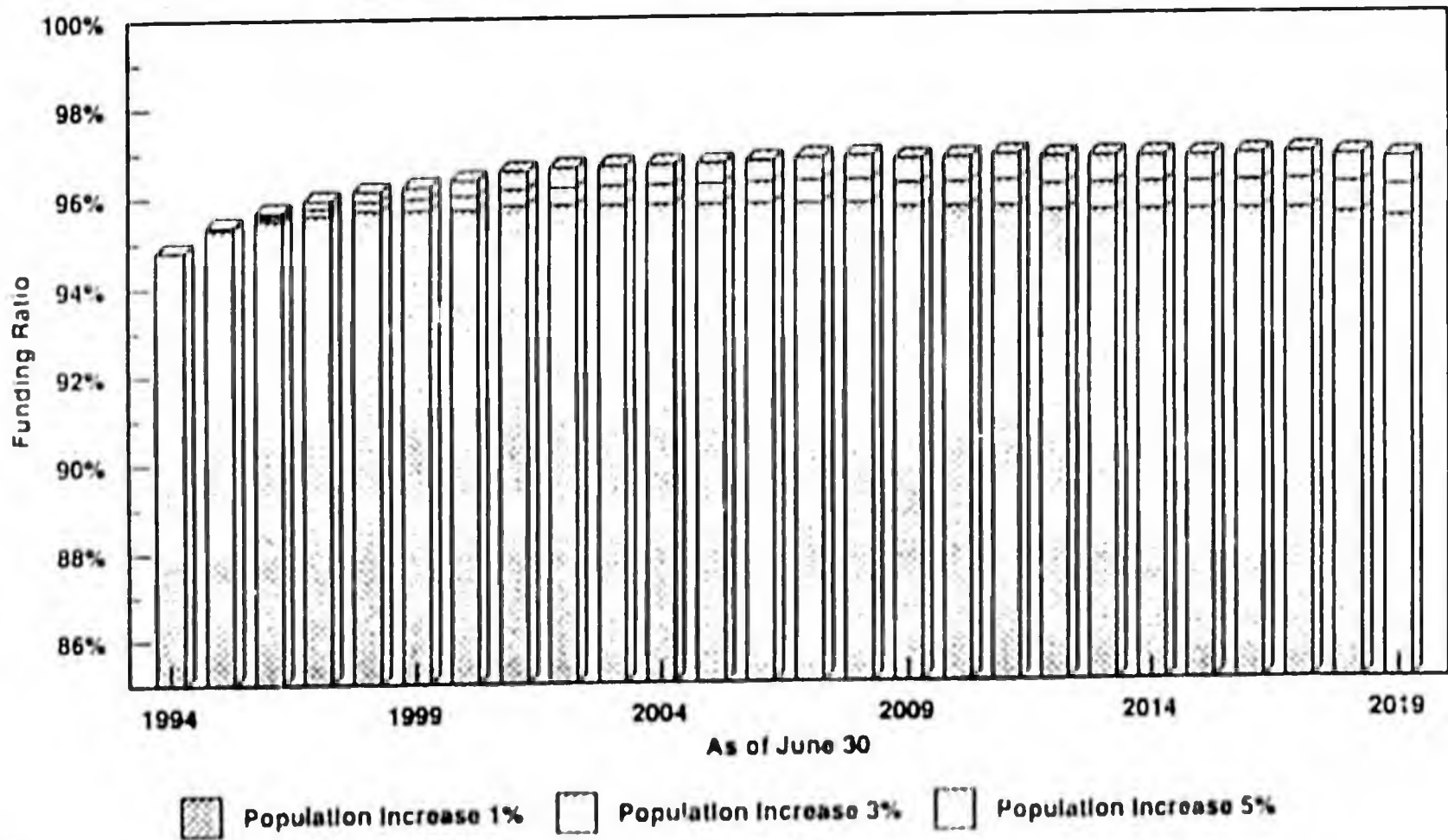


Table 1  
State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Valuation Amounts on July 1			Flow Amounts During Following 12 Months							Ending Asset Value		
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments		Net Contribs	Investment Earnings
1994	4,379,305	4,620,182	94.8%	(240,877)	1,176,997	13.70%	162,576	81,051	243,627	202,518	41,109	351,989	4,772,402
1995	4,772,402	5,008,518	95.3%	(236,116)	1,196,376	12.82%	154,634	82,383	237,017	270,181	16,836	382,466	5,171,704
1996	5,171,704	5,413,175	95.5%	(241,471)	1,216,033	12.14%	148,999	83,877	232,826	243,071	(10,245)	413,327	5,574,785
1997	5,574,785	5,829,027	95.6%	(254,242)	1,238,667	11.95%	149,604	85,471	235,075	269,131	(34,056)	444,621	5,985,350
1998	5,985,350	6,253,939	95.7%	(268,589)	1,264,143	11.82%	151,173	87,352	238,526	298,054	(59,528)	476,447	6,402,269
1999	6,402,269	6,686,616	95.7%	(284,347)	1,291,760	11.72%	153,912	89,695	243,606	330,433	(86,827)	508,708	6,824,150
2000	6,824,150	7,127,953	95.7%	(303,803)	1,322,727	11.64%	157,358	92,356	249,714	362,231	(112,517)	541,411	7,253,064
2001	7,253,064	7,574,719	95.8%	(321,655)	1,371,694	11.61%	161,551	95,017	256,569	398,358	(141,789)	574,574	7,685,849
2002	7,685,849	8,024,704	95.8%	(338,855)	1,410,661	11.58%	165,677	97,679	263,356	437,928	(174,572)	607,885	8,119,162
2003	8,119,162	8,476,155	95.8%	(356,993)	1,449,628	11.55%	169,656	100,340	269,996	479,063	(209,067)	641,170	8,551,265
2004	8,551,265	8,927,778	95.8%	(376,513)	1,488,595	11.51%	174,483	103,540	278,024	520,865	(242,841)	674,387	8,982,810
2005	8,982,810	9,378,734	95.8%	(395,924)	1,541,335	11.48%	180,300	107,279	287,579	563,647	(275,868)	707,590	9,414,532
2006	9,414,532	9,828,647	95.8%	(414,115)	1,598,075	11.47%	185,652	111,018	296,670	607,765	(311,075)	740,720	9,844,177
2007	9,844,177	10,277,595	95.8%	(433,418)	1,657,815	11.47%	191,882	114,757	306,638	652,779	(346,141)	773,689	10,271,724
2008	10,271,724	10,726,114	95.8%	(454,390)	1,707,555	11.41%	197,997	118,495	316,492	697,143	(380,651)	806,512	10,697,585
2009	10,697,585	11,175,201	95.7%	(477,615)	1,762,295	11.41%	205,505	123,005	328,510	740,762	(412,252)	839,318	11,124,671
2010	11,124,671	11,626,307	95.7%	(501,636)	1,819,609	11.42%	214,460	128,788	342,743	783,510	(440,765)	872,343	11,556,249
2011	11,556,249	12,081,344	95.7%	(525,095)	1,916,924	11.39%	222,729	133,546	356,345	823,052	(467,108)	905,800	11,994,541
2012	11,994,541	12,542,681	95.6%	(548,139)	1,994,738	11.48%	233,429	138,847	372,275	864,223	(491,948)	939,885	12,442,479
2013	12,442,479	13,013,143	95.6%	(570,664)	2,071,353	11.56%	244,011	144,127	388,138	904,705	(518,567)	974,756	12,900,648
2014	12,900,648	13,496,017	95.6%	(595,369)	2,148,867	11.64%	256,270	150,472	406,692	943,332	(536,640)	1,010,585	13,374,573
2015	13,374,573	13,995,044	95.6%	(620,471)	2,255,882	11.70%	270,625	157,965	428,590	981,284	(552,694)	1,047,858	13,869,737
2016	13,869,737	14,514,426	95.6%	(644,688)	2,369,726	11.72%	283,680	165,274	448,954	1,016,437	(567,484)	1,086,880	14,389,133
2017	14,389,133	15,058,819	95.6%	(669,686)	2,469,913	11.82%	298,360	172,350	470,710	1,054,860	(584,150)	1,127,765	14,932,768
2018	14,932,768	15,633,342	95.5%	(700,573)	2,576,928	11.89%	312,682	179,659	492,346	1,094,923	(602,577)	1,170,518	15,500,710
2019	15,500,710	16,243,548	95.4%	(742,838)	2,681,941	12.02%	329,399	187,120	513,318	1,135,229	(618,710)	1,215,308	16,097,308

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

Table 2  
State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%			Annual Population Increase 3.00%							Ending Asset Value		
	Valuation Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments		Net Contribs	Investment Earnings
1994	4,379,305	4,679,182	94.81	(240,877)	1,176,997	11.70%	163,700	81,611	245,311	202,518	42,793	352,056	4,774,154
1995	4,774,154	5,008,956	95.31	(234,803)	1,212,782	12.82%	157,840	84,091	241,931	220,187	21,743	382,802	5,178,699
1996	5,178,699	5,415,778	95.61	(237,078)	1,249,615	12.14%	154,255	86,785	241,040	243,249	(2,209)	414,208	5,590,697
1997	5,590,697	5,815,866	95.81	(265,168)	1,291,661	11.76%	154,702	89,833	244,536	269,589	(25,052)	446,254	6,011,899
1998	6,011,899	6,267,606	95.91	(255,707)	1,338,925	11.49%	157,008	91,293	250,301	298,923	(48,622)	479,007	6,442,284
1999	6,442,284	6,710,285	96.01	(268,001)	1,392,942	11.26%	161,008	97,624	258,632	331,860	(73,229)	512,454	6,881,509
2000	6,881,509	7,164,543	96.01	(283,034)	1,465,730	11.07%	166,304	102,595	268,899	364,133	(95,234)	546,711	7,332,985
2001	7,332,985	7,629,697	96.11	(296,712)	1,538,517	10.93%	172,200	107,566	279,766	400,808	(121,042)	581,297	7,793,741
2002	7,793,741	8,104,029	96.21	(310,288)	1,611,305	10.81%	178,139	112,538	290,677	441,034	(150,357)	617,485	8,260,869
2003	8,260,869	8,586,469	96.21	(325,600)	1,686,093	10.69%	183,967	117,509	301,476	482,924	(181,448)	653,612	8,735,032
2004	8,733,032	9,076,599	96.21	(343,567)	1,756,881	10.58%	191,720	123,749	315,519	525,621	(210,102)	690,238	9,213,169
2005	9,213,169	9,574,652	96.21	(361,483)	1,866,804	10.49%	201,673	131,257	332,929	569,253	(236,324)	727,601	9,704,445
2006	9,704,445	10,081,507	96.11	(377,062)	1,976,727	10.35%	210,328	138,764	349,093	614,786	(265,693)	765,728	10,204,480
2007	10,204,480	10,598,698	96.11	(394,219)	2,086,651	10.31%	220,890	146,272	367,152	661,339	(294,186)	804,591	10,714,884
2008	10,714,884	11,128,407	96.11	(413,523)	2,196,574	10.27%	231,213	153,780	386,993	707,582	(322,589)	844,287	11,236,582
2009	11,236,582	11,673,465	96.11	(436,883)	2,306,497	10.24%	244,514	161,157	407,671	753,424	(345,753)	885,096	11,775,925
2010	11,775,925	12,237,355	96.21	(461,430)	2,471,151	10.21%	260,818	174,601	435,220	798,847	(363,627)	927,529	12,319,833
2011	12,319,833	12,824,210	96.21	(504,377)	2,635,805	10.13%	275,318	185,648	460,967	847,277	(381,310)	971,934	12,910,458
2012	12,910,458	13,438,812	96.21	(508,355)	2,800,459	10.21%	296,219	196,894	491,114	886,381	(395,268)	1,018,678	13,553,816
2013	13,553,816	14,086,595	96.21	(532,779)	2,965,113	10.27%	312,920	208,160	521,081	931,438	(410,357)	1,067,899	14,211,329
2014	14,211,329	14,773,640	96.21	(562,311)	3,129,768	10.33%	335,698	222,035	557,733	975,481	(417,748)	1,120,196	14,913,777
2015	14,913,777	15,508,682	96.21	(592,905)	3,371,976	10.38%	362,914	238,911	601,725	1,019,717	(417,992)	1,176,583	15,672,168
2016	15,672,168	16,293,194	96.21	(620,937)	3,621,020	10.36%	387,191	255,354	642,544	1,062,157	(419,613)	1,236,989	16,489,544
2017	16,489,544	17,140,940	96.21	(651,396)	3,856,393	10.47%	416,280	271,661	687,941	1,109,533	(421,590)	1,302,300	17,370,254
2018	17,370,254	18,058,872	96.21	(688,618)	4,098,601	10.54%	444,805	288,208	733,010	1,160,377	(427,366)	1,372,926	18,315,413
2019	18,315,413	19,054,235	96.11	(740,822)	4,340,809	10.64%	476,216	305,217	781,433	1,215,230	(431,777)	1,447,962	19,331,599

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

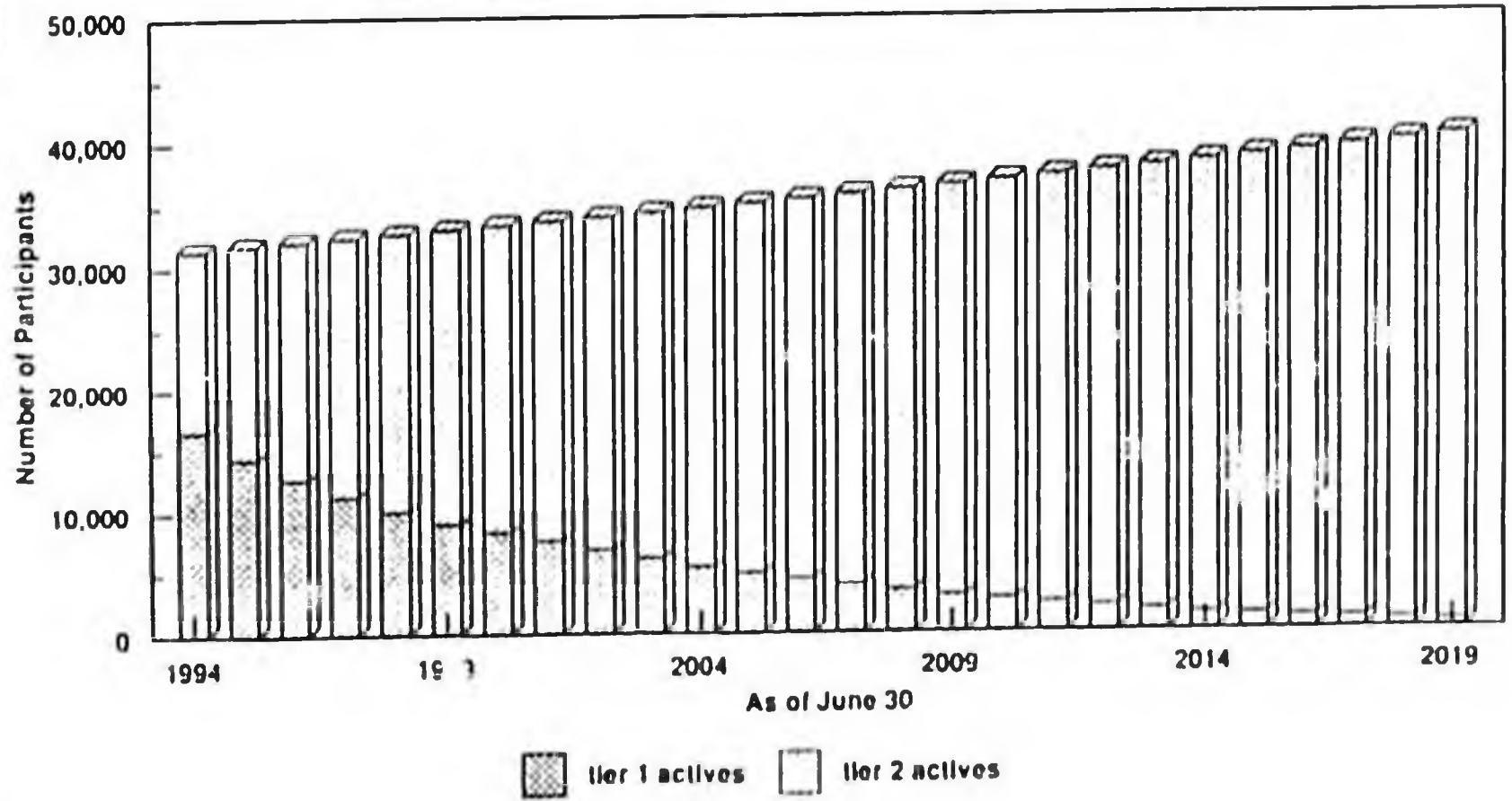
Table 3  
State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%			Annual Population Increase 5.00%							Ending Asset Value		
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments		Net Contribs	Investment Earnings
1994	4,379,305	4,620,182	94.8%	(240,877)	1,176,997	13.70%	154,835	82,177	247,011	202,518	44,493	352,124	4,775,922
1995	4,775,922	5,009,394	95.3%	(233,472)	1,229,348	12.82%	161,109	85,833	246,942	220,194	26,747	383,144	5,185,813
1996	5,185,813	5,418,397	95.7%	(232,584)	1,284,051	12.14%	159,701	89,848	249,550	243,427	6,122	415,110	5,607,045
1997	5,607,045	5,842,832	96.0%	(235,787)	1,346,941	11.57%	159,969	94,436	254,405	270,056	(15,651)	447,938	6,039,332
1998	6,039,332	6,281,698	96.1%	(242,365)	1,418,388	11.17%	163,076	99,674	262,750	299,820	(37,070)	481,664	6,483,926
1999	6,483,926	6,734,990	96.3%	(251,064)	1,500,328	10.82%	168,599	106,407	275,006	333,352	(58,346)	516,380	6,941,960
2000	6,941,960	7,201,436	96.4%	(259,476)	1,615,541	10.53%	176,155	114,276	290,431	366,167	(75,735)	552,327	7,418,552
2001	7,418,552	7,686,401	96.5%	(267,849)	1,730,755	10.28%	183,925	122,145	306,070	403,480	(97,410)	589,588	7,910,729
2002	7,910,729	8,188,291	96.6%	(277,561)	1,845,969	10.07%	191,777	130,014	321,792	444,484	(122,692)	627,951	8,415,988
2003	8,415,988	8,706,561	96.7%	(290,573)	1,961,183	9.89%	199,707	137,883	337,590	487,290	(149,700)	667,291	8,933,579
2004	8,933,579	9,241,718	96.7%	(308,139)	2,076,397	9.74%	211,415	148,262	359,677	531,089	(171,412)	707,830	9,469,966
2005	9,469,966	9,795,317	96.7%	(325,321)	2,265,105	9.62%	226,949	161,151	388,100	576,037	(187,937)	750,087	10,032,141
2006	10,032,141	10,369,964	96.7%	(337,823)	2,453,813	9.43%	239,773	174,040	413,813	623,136	(209,323)	794,198	10,617,016
2007	10,617,016	10,969,316	96.8%	(352,300)	2,642,522	9.37%	256,332	186,929	443,241	671,622	(228,382)	840,226	11,228,861
2008	11,228,861	11,598,078	96.8%	(369,217)	2,831,230	9.31%	272,399	199,817	472,216	720,259	(248,043)	888,387	11,869,205
2009	11,869,205	12,262,005	96.8%	(392,800)	3,019,939	9.27%	294,121	216,682	510,803	768,984	(258,181)	939,209	12,530,229
2010	12,530,229	12,967,904	96.8%	(437,675)	3,325,066	9.24%	321,464	237,522	558,987	817,851	(258,864)	993,664	13,285,028
2011	13,285,028	13,723,630	96.8%	(438,602)	3,630,193	9.11%	344,515	258,362	602,877	865,361	(262,484)	1,052,303	14,074,847
2012	14,074,847	14,538,089	96.8%	(463,242)	3,935,321	9.20%	376,008	279,202	655,210	914,402	(259,191)	1,115,620	14,931,276
2013	14,931,276	15,421,237	96.8%	(489,961)	4,240,448	9.26%	406,971	300,043	707,013	965,505	(258,492)	1,184,162	15,836,946
2014	15,836,946	16,384,079	96.8%	(527,131)	4,545,575	9.33%	446,664	327,051	773,716	1,016,747	(243,031)	1,258,834	16,872,749
2015	16,872,749	17,438,671	96.8%	(565,922)	5,031,330	9.39%	495,406	360,662	855,868	1,069,487	(213,619)	1,341,275	18,000,405
2016	18,000,405	18,598,119	96.8%	(597,713)	5,523,928	9.32%	537,273	393,639	930,912	1,121,887	(190,975)	1,432,393	19,241,824
2017	19,241,824	19,876,578	96.8%	(634,754)	6,002,840	9.46%	591,015	426,583	1,017,597	1,181,448	(163,851)	1,532,791	20,610,745
2018	20,610,745	21,289,254	96.8%	(678,509)	6,488,595	9.56%	643,521	459,260	1,103,281	1,246,989	(143,708)	1,643,111	22,110,348
2019	22,110,348	22,852,402	96.8%	(742,053)	6,974,350	9.67%	699,997	494,178	1,194,175	1,317,131	(122,956)	1,763,894	23,751,086

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

# State of Alaska PERS

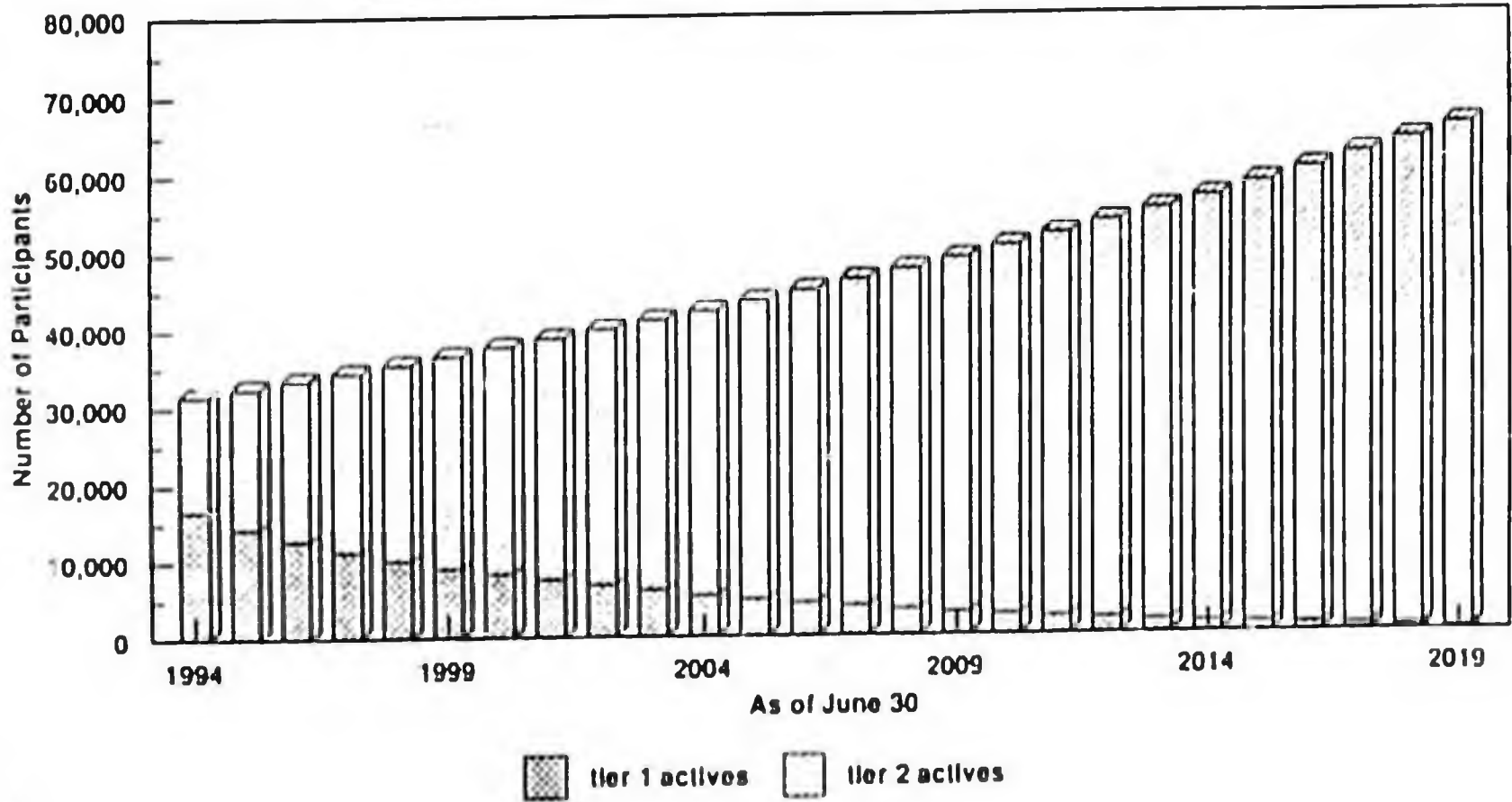
Projected Active Participant Count  
Annual Population Increase of 1%



# State of Alaska PERS

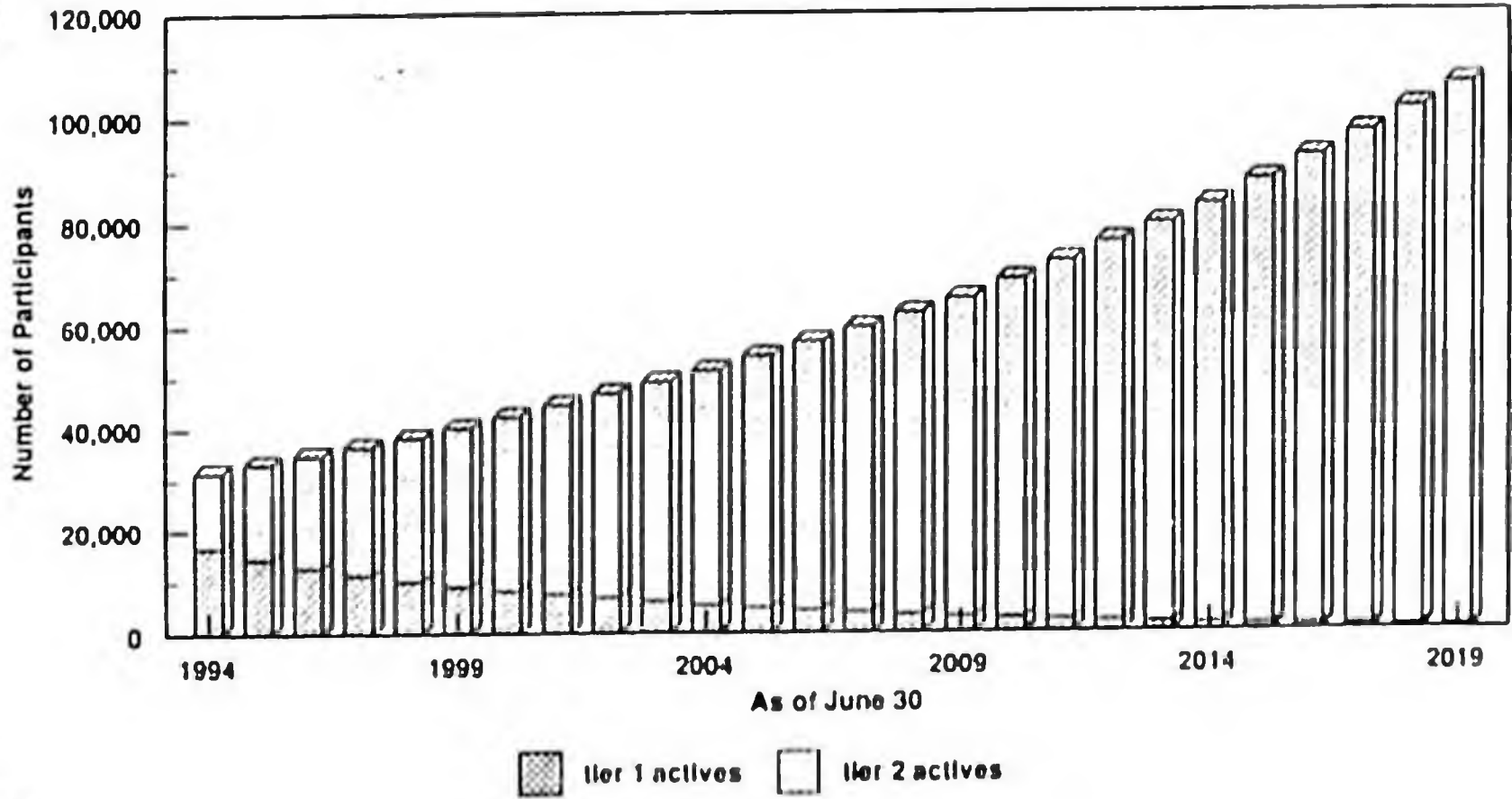
Projected Active Participant Count  
Annual Population Increase of 3%

William M. Mercer, Incorporated



# State of Alaska PERS

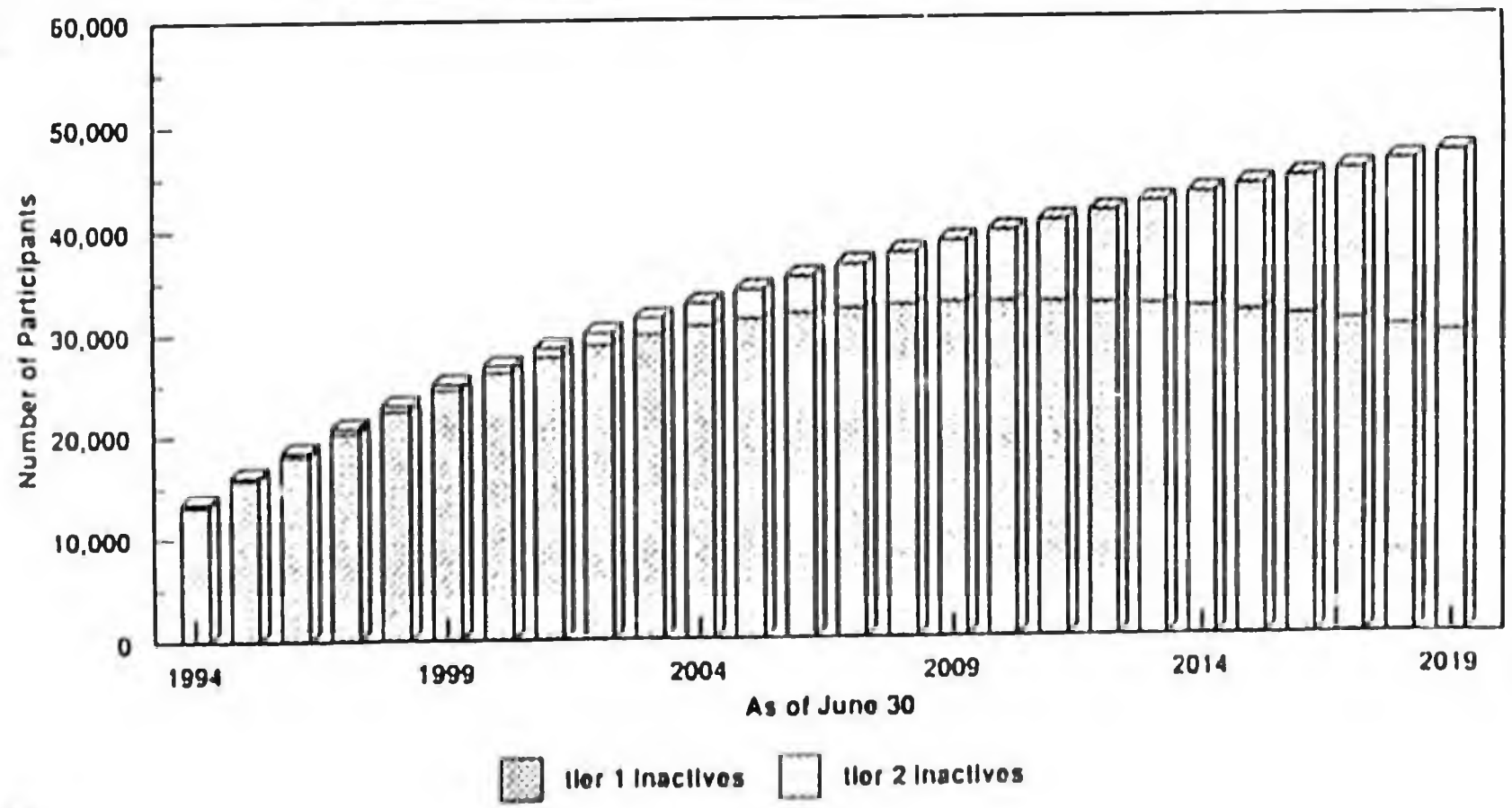
Projected Active Participant Count  
Annual Population Increase of 5%



# State of Alaska PERS

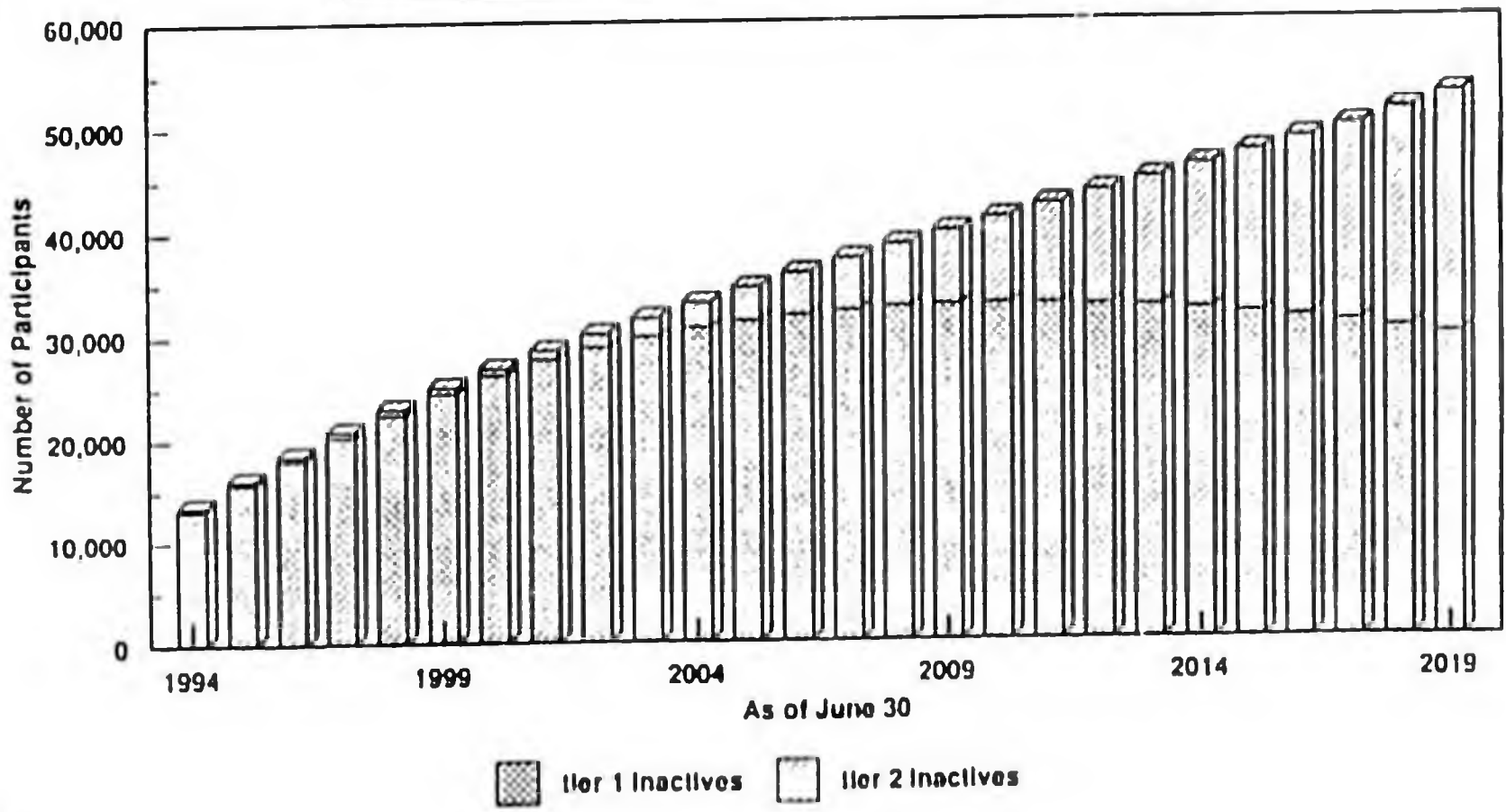
## Projected Inactive Participant Count

### Annual Population Increase of 1%



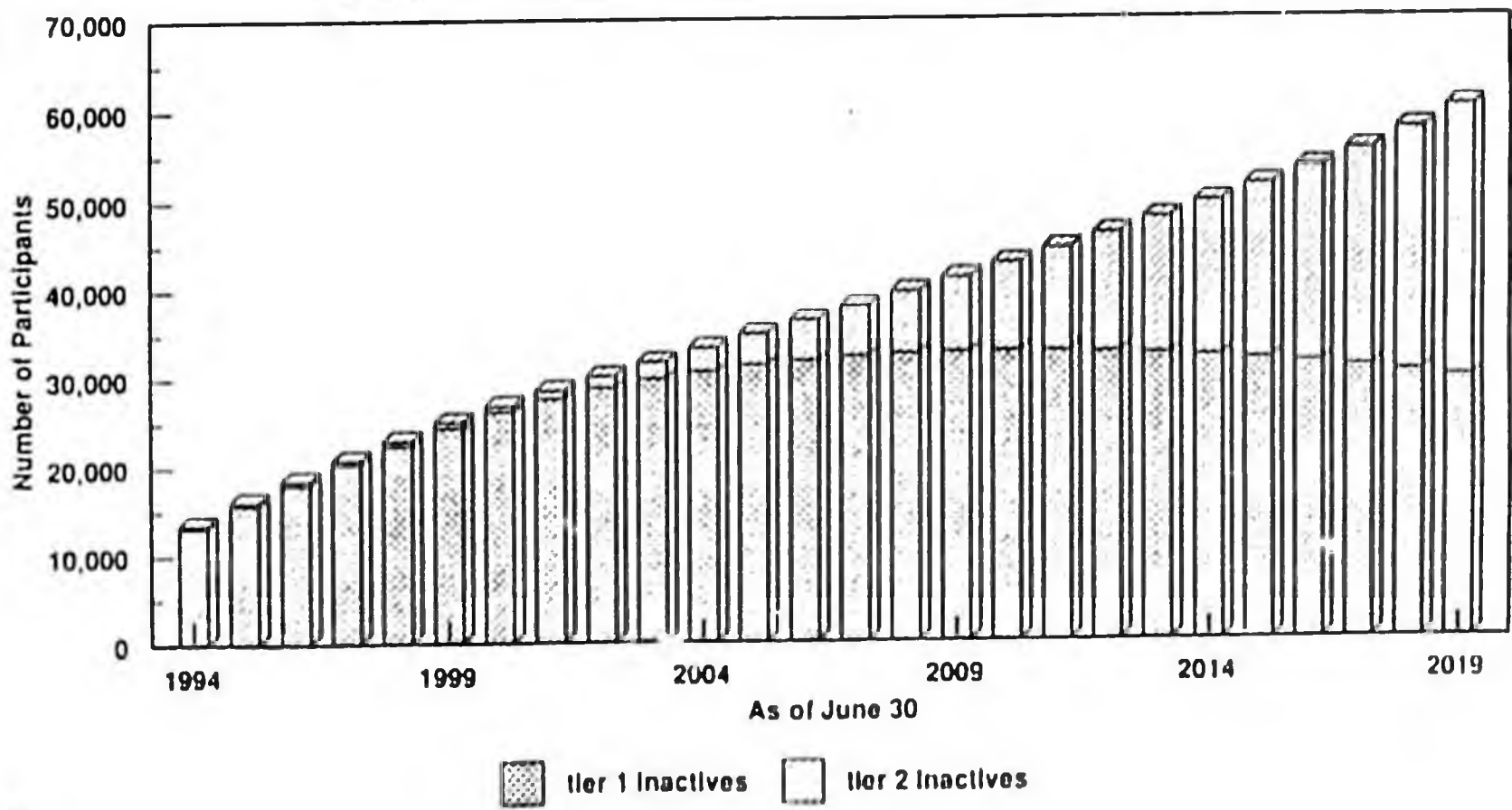
# State of Alaska PERS

Projected Inactive Participant Count  
Annual Population Increase of 3%



**State of Alaska PERS**  
 Projected Inactive Participant Count  
 Annual Population Increase of 5%

William M Mercer, Incorporated



## Section 2

### Basis of Valuation

In this section, the basis of the valuation is presented and described. This information--the provisions of the plan and the census of participants--is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

## **2.1 Summary of the Alaska Public Employees' Retirement System**

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

January 1, 1961, with amendments through June 30, 1993. 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, are eligible for different benefits than members hired after June 30, 1986.

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

The Commissioner of Administration is responsible for administering the system. The Public Employees' Retirement Board prescribes policies and regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division is responsible for investing PERS funds. The Attorney General represents the system in legal proceedings.

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

Currently there are 155 employers participating in the PERS, including the State of Alaska and 154 political subdivisions and public organizations.

### **(4) Members Included**

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 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.

### **(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.

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; and
- leave without pay service after June 13, 1987, while receiving Workers' Compensation.

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.

#### (6) Employer Contributions

Individual contribution rates are established for PERS employers based upon their consolidated and past service rates.

The consolidated rate is a uniform rate for all participating employers, amortized to include future service liabilities (less the value of members' contributions) for the members' future service.

The past service rate is determined separately for each employer to amortize their unfunded past service liability with level payments over 25 years. Funding surpluses are amortized over five years.

**(7) Member Contributions**

Mandatory Contributions: Police and fire members are required to contribute 7.5% of their compensation; all other members contribute 6.75%. 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. Voluntary contributions are recorded in a separate account and are payable to the:

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

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

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

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

**(8) Retirement Benefits**

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 60\*, or early retirement at age 55, if they have at least:
  - (i) five years of paid-up PERS service;
- Members participating before July 1, 1986 are eligible for normal retirement at age 55 or early retirement at age 50.

- (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS before May 30, 1987;
  - (iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS after May 29, 1987; or
  - (iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System.
- (b) Members may retire at any age when they have:
- (i) 20 paid-up years of PERS police/fire 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 also select level income or joint and survivor options. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

**Benefit Calculation:** Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the three highest, 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 police/fire members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all other members 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, when refunds are not completely paid before retirement, benefits are actuarially reduced for life.

**(9) Reemployment of Retired Members**

Retirement 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.

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 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and
- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

**(10) 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.

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.

## (11) 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 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.

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

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

Lump Sum 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, 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. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

## (12) Post Retirement Pension Adjustments

Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on 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 were first hired before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase.

**(13) 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 were first hired under the PERS before July 1, 1986, and their survivors;
- (b) members who were first hired under the PERS after June 30, 1986, and their survivors if they are at least age 65; and
- (c) all disabled members.

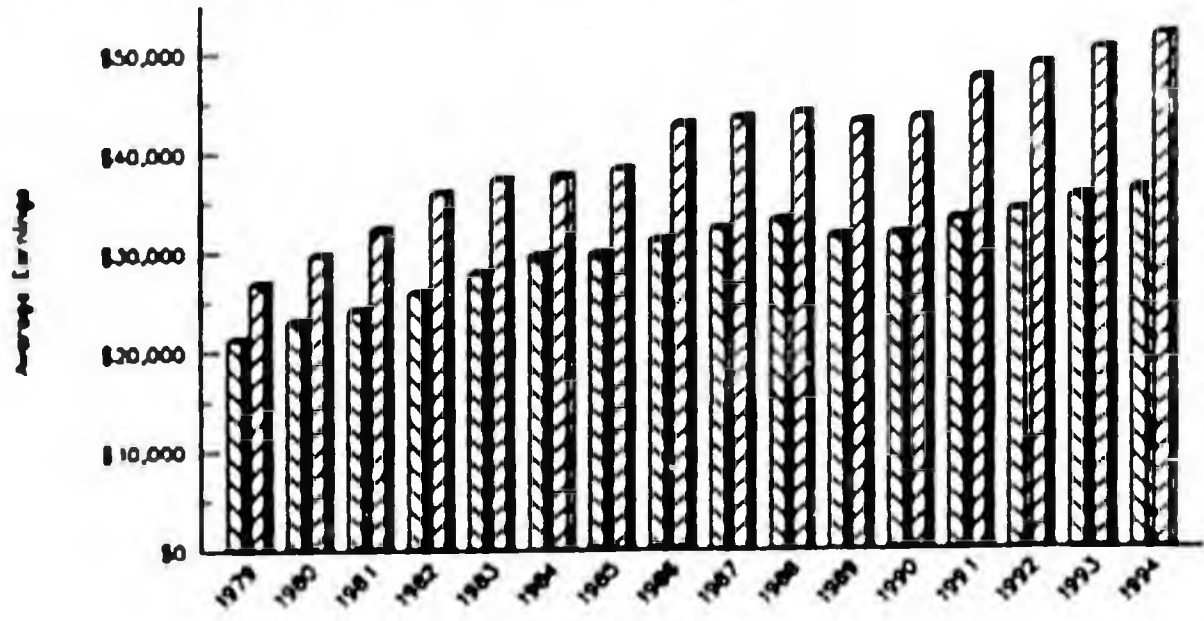
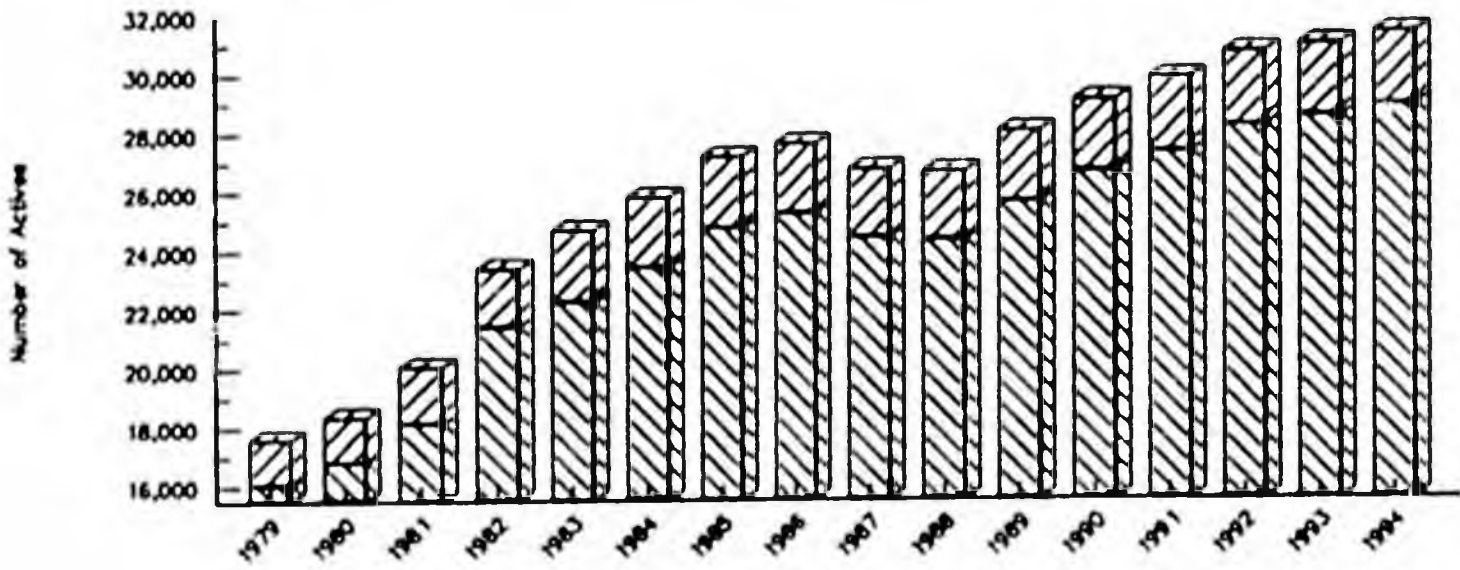
## 2.2(a) Participant Census Information - Total PERS as of June 30

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Active Members</b>					
(1) Number	29,086	29,840	30,721	30,972	31,364
(2) Average Age	40.37	40.68	41.21	41.75	42.18
(3) Average Credited Service	6.82	6.91	7.22	7.67	7.92
(4) Average Annual Salary	\$ 32,733	\$ 34,444	\$ 35,280	\$ 36,675	\$ 37,527
<b>Retirees and Beneficiaries</b>					
(1) Number	7,365	8,358	8,704	9,103	9,613
(2) Average Age	63.62	63.15	63.58	63.98	64.22
(3) Average Monthly Benefit:					
Base	\$ 797	\$ 864	\$ 867	\$ 855	\$ 874
COLA	61	66	64	63	67
PRPA	110	108	144	129	134
Adjustment	N/A	N/A	N/A	0	0
TOTAL	968	1,038	1,075	1,047	1,072
<b>Vested Terminations</b>					
(1) Number	2,745	3,015	3,249	3,572	3,771
(2) Average Age	42.96	43.20	43.59	44.04	44.39
(3) Average Monthly Benefit	\$ 536	\$ 556	\$ 582	\$ 610	\$ 626
<b>Non-Vested Terminations With Account Balances</b>					
(1) Number	3,695	4,108	4,380	4,721	4,879
(2) Average Account Balance	\$ 2,045	\$ 2,124	\$ 2,291	\$ 2,442	\$ 2,617

## 2.2(b) Additional Information - Active Members by Type of Status as of June 30

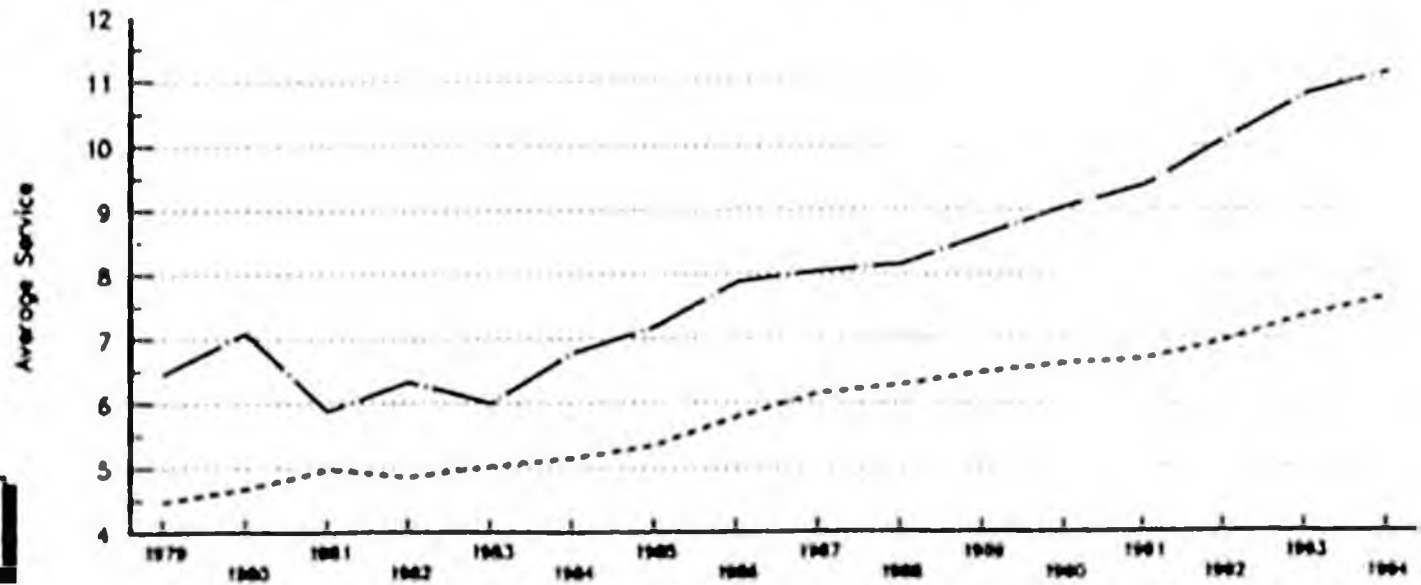
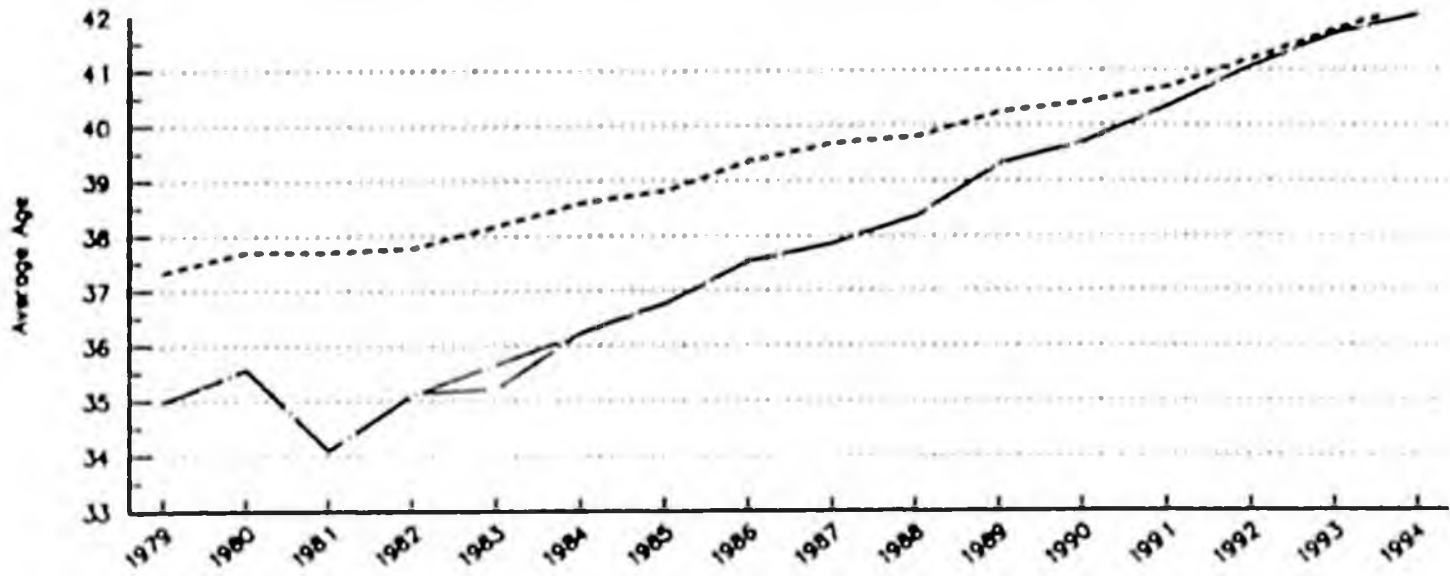
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Active Police &amp; Fire</b>					
(1) Number	2,419	2,533	2,515	2,463	2,481
(2) Average Age	39.70	40.35	41.08	41.67	42.01
(3) Average Credited Service	9.05	9.38	10.10	10.80	11.13
(4) Average Annual Salary	\$ 43,462	\$ 47,470	\$ 48,812	\$ 50,355	\$ 51,776
(5) Number Vested	1,683	1,795	1,842	1,907	1,981
(6) Percent Who Are Vested	69.6%	70.9%	73.2%	77.4%	79.8%
<b>Active "Other" Members</b>					
(1) Number	26,667	27,307	28,206	28,509	28,883
(2) Average Age	40.43	40.71	41.22	41.76	42.19
(3) Average Credited Service	6.62	6.58	6.96	7.35	7.65
(4) Average Annual Salary	\$ 31,760	\$ 33,236	\$ 34,073	\$ 35,493	\$ 36,303
(5) Number Vested	14,109	14,234	14,640	15,316	16,162
(6) Percent Who Are Vested	52.9%	52.1%	51.9%	53.8%	56.0%

# State of Alaska – PERS Actives



Other
  Police/Fire

# State of Alaska – PERS Actives



Other
  Police/Fire

## 2.2(c) Distribution of Active Police and Fire Participants

----- Annual Earnings By Age -----				----- Annual Earnings By Credited Service -----			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	1	\$ 700	\$ 700	0	115	\$ 3,059,791	\$ 26,607
20-24	34	1,118,531	32,898	1	81	3,122,597	38,551
25-29	143	6,113,278	42,750	2	75	3,277,124	43,695
30-34	267	12,408,724	46,475	3	105	4,570,869	43,532
35-39	498	25,500,596	51,206	4	124	5,710,999	46,056
40-44	642	34,773,892	54,165	0-4	500	19,741,380	39,483
45-49	520	28,597,944	54,996	5-9	628	30,507,892	48,579
50-54	284	15,238,556	53,657	10-14	614	32,726,048	53,300
55-59	75	3,829,290	51,057	15-19	504	30,121,756	59,765
60-64	14	730,006	52,143	20-24	199	12,959,081	65,121
65-69	3	144,875	48,292	25-29	34	2,277,673	66,990
70-74	0	0	0	30-34	2	122,562	61,281
75-79	0	0	0	35-39	0	0	0
80+	0	0	0	40+	0	0	0
<b>Total</b>	<b>2,481</b>	<b>\$ 128,456,392</b>	<b>\$ 51,776</b>	<b>Total</b>	<b>2,481</b>	<b>\$ 128,456,392</b>	<b>\$ 51,776</b>

### Years of Credited Service By Age

Age	----- Years of Service -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	1	0	0	0	0	0	0	0	0	1
20-24	34	0	0	0	0	0	0	0	0	34
25-29	115	28	0	0	0	0	0	0	0	143
30-34	112	111	44	0	0	0	0	0	0	267
35-39	77	154	181	83	3	0	0	0	0	498
40-44	71	129	192	200	48	2	0	0	0	642
45-49	56	115	108	131	100	10	0	0	0	520
50-54	25	65	66	69	38	20	1	0	0	284
55-59	6	21	21	18	7	1	1	0	0	75
60-64	2	3	2	3	3	1	0	0	0	14
65-69	1	2	0	0	0	0	0	0	0	3
70-74	0	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0	0
80+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>500</b>	<b>628</b>	<b>614</b>	<b>504</b>	<b>199</b>	<b>34</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2,481</b>

## 2.2(d) Schedule of Active Member Valuation Data - "Police/Fire"

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase In Average Pay
June 30, 1994	2,481	\$ 128,456	\$ 51,776	2.8%
June 30, 1993	2,463	124,025	50,355	3.2%
June 30, 1992	2,515	122,762	48,812	2.8%
June 30, 1991	2,533	120,240	47,470	9.2%
June 30, 1990	2,419	105,135	43,462	.9%
June 30, 1989	2,414	104,000	43,082	-2.0%
June 30, 1988	2,327	102,265	43,947	1.0%
June 30, 1987	2,319	100,839	43,484	1.5%
June 30, 1986	2,371	101,537	42,825	11.6%
June 30, 1985	2,407	92,381	38,380	1.9%

## 2.2(e) Distribution of Active "Other" Participants

### ----- Annual Earnings By Age -----

Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	71	\$ 856,573	\$ 12,064
20-24	741	16,185,755	21,843
25-29	2,018	56,470,344	27,983
30-34	3,612	115,068,112	31,857
35-39	5,344	189,140,464	35,393
40-44	6,245	238,652,426	38,215
45-49	5,137	205,158,608	39,937
50-54	3,273	133,514,900	40,793
55-59	1,533	59,964,112	39,116
60-64	686	25,760,876	37,552
65-69	173	6,204,891	35,866
70-74	40	1,306,563	32,664
75-79	7	215,582	30,797
80-	3	42,334	14,111
<b>Total</b>	<b>28,883</b>	<b>\$ 1,048,540,640</b>	<b>\$ 36,303</b>

### ----- Annual Earnings By Credited Service -----

Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0	3,148	\$ 61,361,092	\$ 19,492
1	2,549	72,151,720	28,306
2	2,386	74,140,384	31,073
3	2,436	81,748,896	33,559
4	2,202	74,919,344	34,023
0-4	12,721	364,321,436	28,639
5-9	7,170	267,188,038	37,265
10-14	4,955	216,054,896	43,603
15-19	2,751	131,509,288	47,804
20-24	964	50,815,408	52,713
25-29	278	16,003,062	57,565
30-34	39	2,360,998	60,538
35-39	4	231,897	57,974
40-	1	55,617	55,617
<b>Total</b>	<b>28,883</b>	<b>\$ 1,048,540,640</b>	<b>\$ 36,303</b>

### Years of Credited Service By Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-	
0-19	71	0	0	0	0	0	0	0	0	71
20-24	741	10	0	0	0	0	0	0	0	741
25-29	1,686	323	9	0	0	0	0	0	0	2,018
30-34	2,255	986	350	21	0	0	0	0	0	3,612
35-39	2,492	1,506	985	349	12	0	0	0	0	5,344
40-44	2,299	1,634	1,317	809	181	5	0	0	0	6,245
45-49	1,574	1,298	1,098	715	362	89	1	0	0	5,137
50-54	901	768	697	508	247	130	22	0	0	3,273
55-59	442	396	326	217	102	34	14	2	0	1,533
60-64	190	185	137	106	49	17	1	1	0	686
65-69	61	51	28	23	8	1	0	1	0	173
70-74	14	11	5	3	3	2	1	0	1	40
75-79	3	1	3	0	0	0	0	0	0	7
80-	3	1	0	0	0	0	0	0	0	3
<b>Total</b>	<b>12,721</b>	<b>7,170</b>	<b>4,955</b>	<b>2,751</b>	<b>964</b>	<b>278</b>	<b>39</b>	<b>4</b>	<b>1</b>	<b>28,883</b>

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

<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll (000's)</b>	<b>Annual Average Pay</b>	<b>Percent Increase In Average Pay</b>
June 30, 1994	28,883	\$ 1,048,541	\$ 36,303	2.3%
June 30, 1993	28,509	1,011,864	35,493	4.2%
June 30, 1992	28,206	961,054	34,073	2.5%
June 30, 1991	27,307	907,567	33,236	4.6%
June 30, 1990	26,667	846,935	31,760	.6%
June 30, 1989	25,630	808,835	31,558	-4.7%
June 30, 1988	24,349	806,100	33,106	2.4%
June 30, 1987	24,443	790,463	32,339	3.6%
June 30, 1986	25,272	788,555	31,203	4.7%
June 30, 1985	24,776	738,198	29,795	.7%

**2.2(g) Statistics on New Retirees  
Police and Fire Members During the Year Ending June 30**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service</b>					
(1) Number	36	96	25	32	65
(2) Average Age at Retirement	51.19	50.97	51.77	50.09	51.25
(3) Average Monthly Benefit	\$ 1,551	\$ 2,008	\$ 1,786	\$ 2,235	\$ 2,324
<b>Disability</b>					
(1) Number	1	6	8	6	5
(2) Average Age at Retirement	38.05	40.71	44.00	41.57	44.84
(3) Average Monthly Benefit	\$ 1,171	\$ 2,216	\$ 1,502	\$ 1,682	\$ 1,195
<b>Survivor (including surviving spouse)</b>					
(1) Number	1	1	2	1	1
(2) Average Age at Retirement	52.62	47.9	28.61	57.15	41.35
(3) Average Monthly Benefit	\$ 312	\$ 1,114	\$ 1,570	\$ 295	\$ 417
<b>Total</b>					
(1) Number	38	103	35	39	71
(2) Average Age at Retirement	50.88	50.34	48.67	48.96	50.66
(3) Average Monthly Benefit	\$ 1,508	\$ 2,011	\$ 1,709	\$ 2,100	\$ 2,212

**2.2(h) Schedule of Average Benefit Payments -  
New Retirees - "Police/Fire"**

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +
Period 7/1/93 - 6/30/94:							
Average Monthly Benefit*	\$ 417	\$ 748	\$ 1,054	\$ 1,532	\$ 2,748	\$ 3,825	0
Number of Active Retirants	1	7	9	13	32	9	0
Period 7/1/92 - 6/30/93:							
Average Monthly Benefit	\$ 1,047	\$ 546	\$ 1,078	\$ 1,648	\$ 2,700	\$ 3,704	\$ 3,231
Number of Active Retirants	3	2	7	6	17	3	1
Period 7/1/91 - 6/30/92:							
Average Monthly Benefit	\$ 1,552	\$ 955	\$ 1,040	\$ 1,427	\$ 2,499	\$ 3,511	\$ 0
Number of Active Retirants	4	3	8	8	11	1	0
Period 7/1/90 - 6/30/91:							
Average Monthly Benefit	\$ 1,522	\$ 401	\$ 1,047	\$ 1,961	\$ 2,588	\$ 3,374	\$ 0
Number of Active Retirants	7	6	18	29	34	9	0
Period 7/1/89 - 6/30/90:							
Average Monthly Benefit	\$ 1,176	\$ 490	\$ 805	\$ 1,853	\$ 2,387	\$ 0	\$ 0
Number of Active Retirants	4	5	8	12	9	0	0
Period 7/1/88 - 6/30/89:							
Average Monthly Benefit	\$ 866	\$ 984	\$ 3,459	\$ 1,330	\$ 2,050	\$ 3,808	\$ 0
Number of Active Retirants	2	8	1	2	4	1	0

\* "Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

**2.2(i) Statistics on New Retirees  
"Other" Members During the Year Ending June 30**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service</b>					
(1) Number	420	329	404	433	539
(2) Average Age at Retirement	56.40	55.82	56.84	56.83	56.92
(3) Average Monthly Benefit	\$ 853	\$ 1,121	\$ 912	\$ 984	\$ 1,115
<b>Disability</b>					
(1) Number	22	20	15	17	15
(2) Average Age at Retirement	45.85	45.38	43.87	44.46	49.71
(3) Average Monthly Benefit	\$ 955	\$ 944	\$ 999	\$ 986	\$ 1,221
<b>Survivor (including surviving spouse)</b>					
(1) Number	15	27	16	14	10
(2) Average Age at Retirement	53.05	60.35	49.44	53.89	48.65
(3) Average Monthly Benefit	\$ 748	\$ 675	\$ 586	\$ 563	\$ 1,005
<b>Total</b>					
(1) Number	457	376	435	464	564
(2) Average Age at Retirement	55.78	55.72	56.12	56.29	56.55
(3) Average Monthly Benefit	\$ 855	\$ 1,104	\$ 903	\$ 971	\$ 1,115

**2.2(j) Schedule of Average Benefit Payments -  
New Retirees - "Others"**

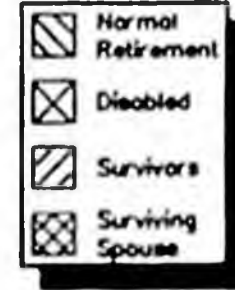
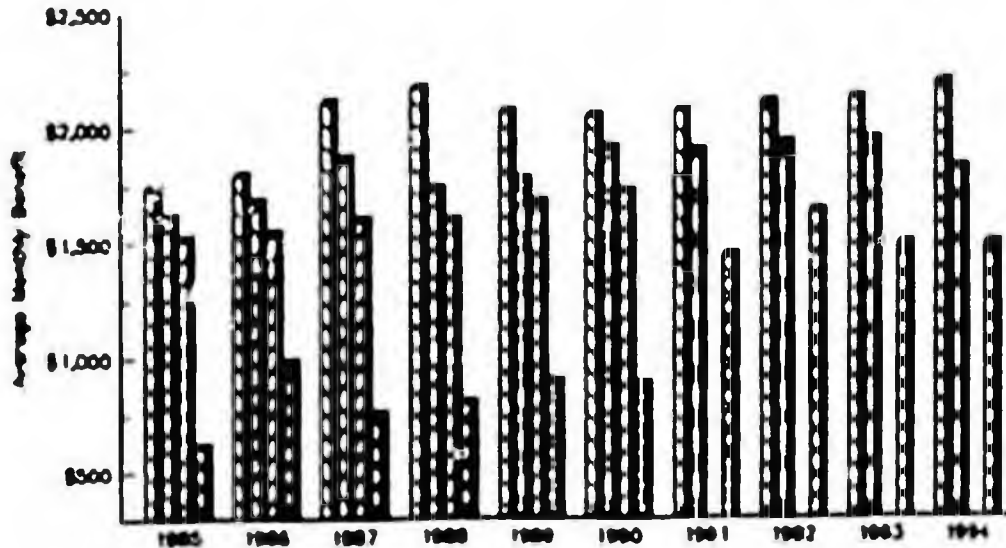
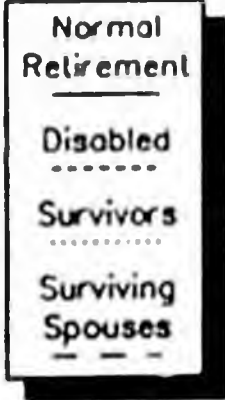
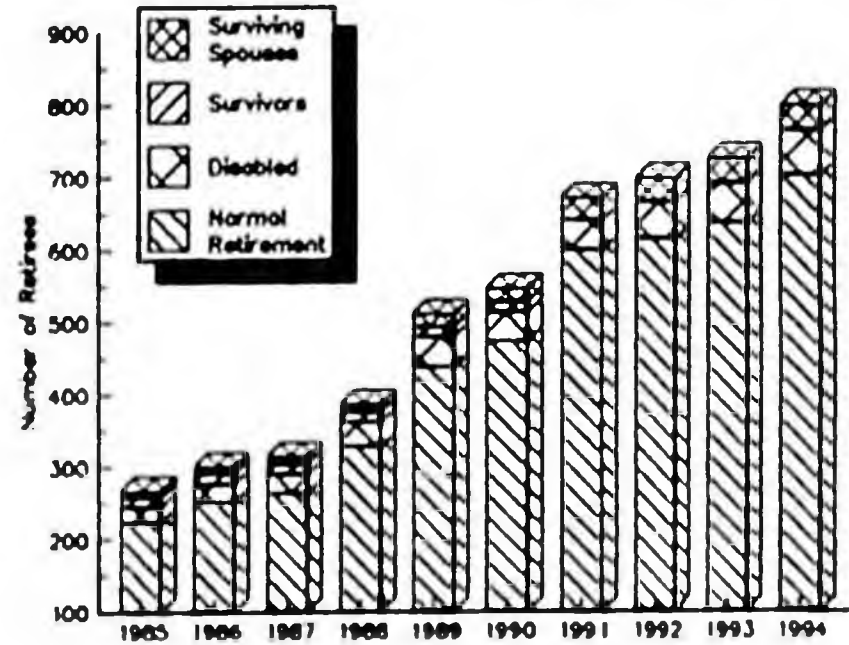
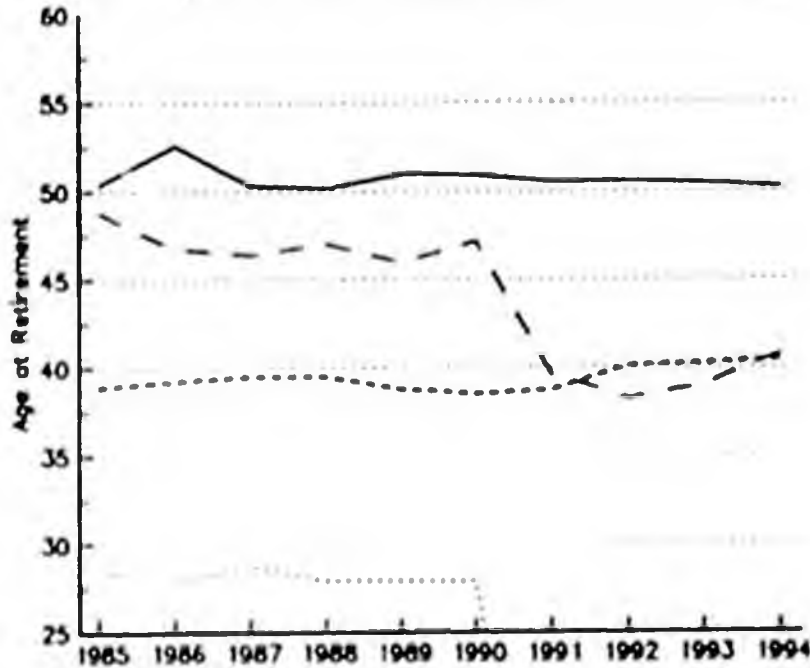
	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
<b>Period 7/1/93 - 6/30/94:</b>							
Average Monthly Benefit*	\$ 503	\$ 449	\$ 863	\$ 1,412	\$ 1,886	\$ 2,710	\$ 3,131
Number of Active Retirants	17	149	169	136	60	17	19
<b>Period 7/1/92 - 6/30/93:</b>							
Average Monthly Benefit	\$ 558	\$ 449	\$ 866	\$ 1,343	\$ 2,029	\$ 2,534	\$ 3,223
Number of Active Retirants	23	158	143	83	36	13	8
<b>Period 7/1/91 - 6/30/92:</b>							
Average Monthly Benefit	\$ 584	\$ 498	\$ 842	\$ 1,240	\$ 1,941	\$ 2,350	\$ 2,758
Number of Active Retirants	19	161	138	71	32	8	6
<b>Period 7/1/90 - 6/30/91:</b>							
Average Monthly Benefit	\$ 708	\$ 561	\$ 928	\$ 1,379	\$ 1,962	\$ 2,781	\$ 3,235
Number of Active Retirants	40	267	282	154	76	42	15
<b>Period 7/1/89 - 6/30/90:</b>							
Average Monthly Benefit	\$ 627	\$ 480	\$ 830	\$ 1,325	\$ 1,856	\$ 2,168	\$ 3,352
Number of Active Retirants	46	181	124	66	30	4	6
<b>Period 7/1/88 - 6/30/89:</b>							
Average Monthly Benefit	\$ 712	\$ 414	\$ 771	\$ 1,187	\$ 1,791	\$ 2,054	\$ 3,443
Number of Active Retirants	47	155	83	36	18	10	4

\* "Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

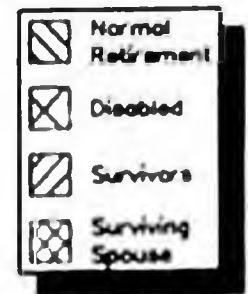
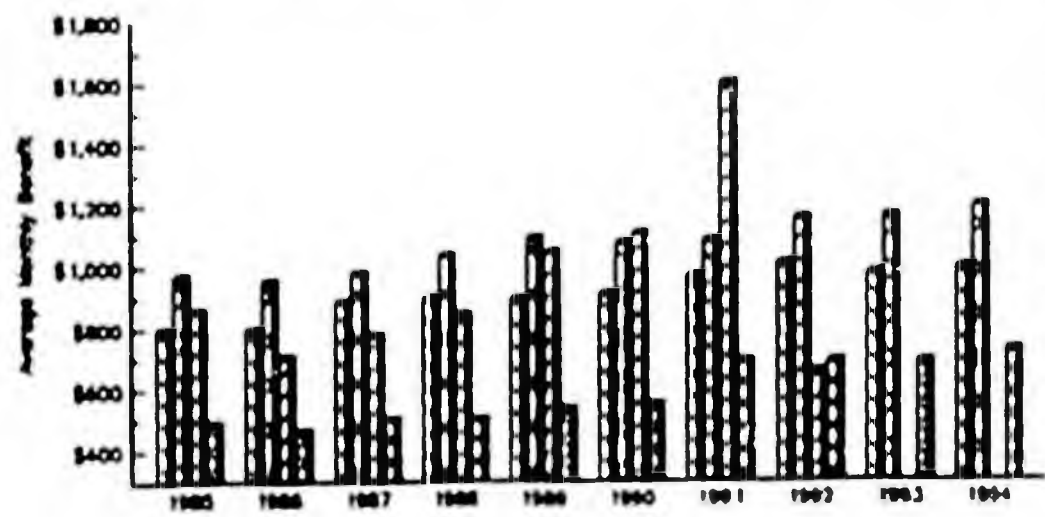
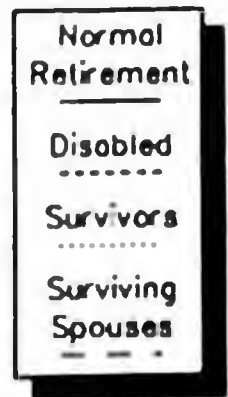
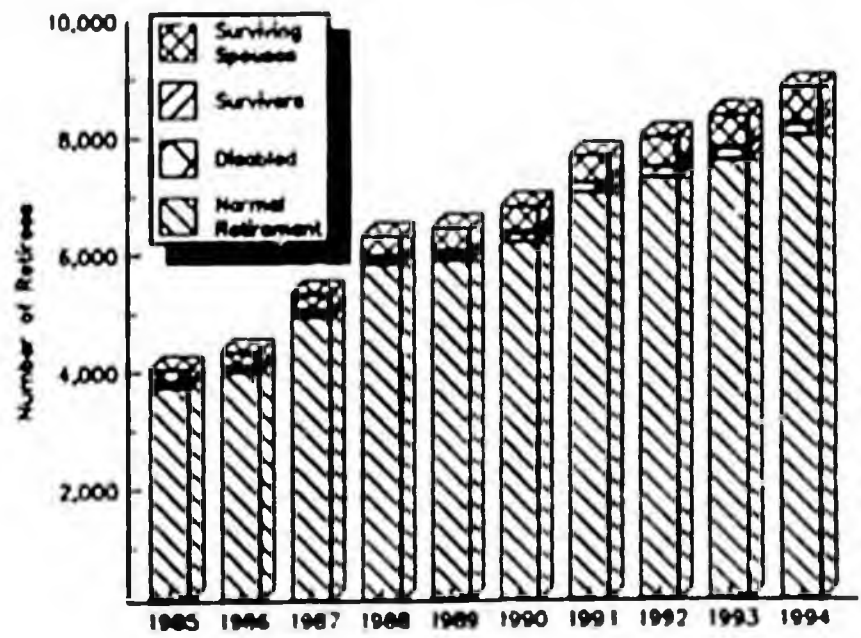
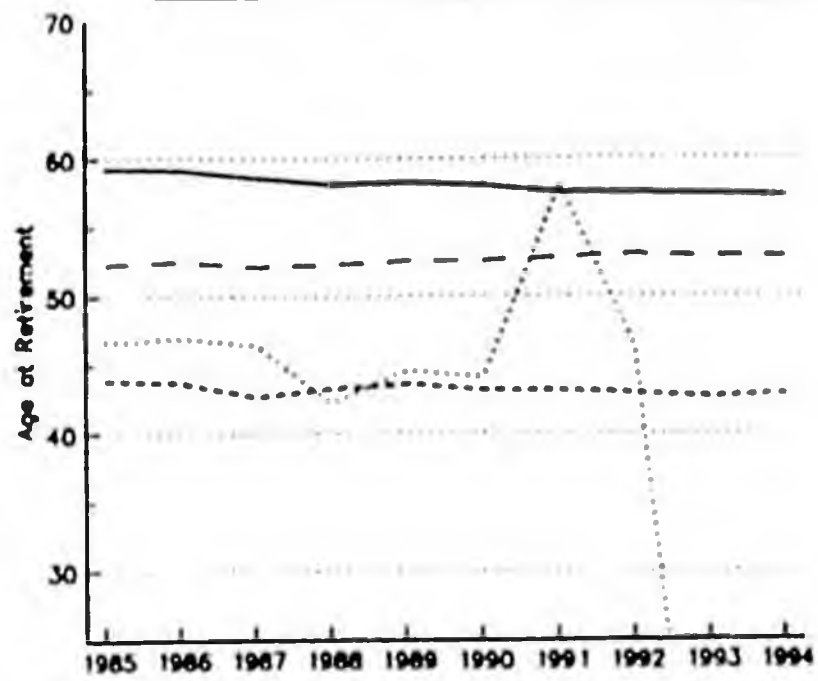
## 2.2(k) Statistics on All Retirees as of June 30, 1994

	<u>Police &amp; Fire</u>	<u>"Other"</u>
<b>Service Retirement</b>		
(1) Number, June 30, 1993	637	7,612
(2) Net Change During FY94	66	408
(3) Number, June 30, 1994	703	8,020
(4) Average Age At Retirement	50.25	57.29
(5) Average Age Now	57.67	65.45
(6) Average Monthly Benefit	\$ 2,193.88	\$ 990.87
<b>Surviving Spouse's Benefits</b>		
(1) Number, June 30, 1993	35	574
(2) Net Change During FY94	0	49
(3) Number, June 30, 1994	35	623
(4) Average Age At Retirement	40.86	52.89
(5) Average Age Now	52.33	63.44
(6) Average Monthly Benefit	\$ 1,489.74	\$ 719.57
<b>Disabilities</b>		
(1) Number, June 30, 1993	55	190
(2) Net Change During FY94	7	10
(3) Number, June 30, 1994	62	200
(4) Average Age At Retirement	40.49	42.87
(5) Average Age Now	45.26	48.29
(6) Average Monthly Benefit	\$ 1,818.86	\$ 1,192.77
<b>Total Number of Retirees</b>	<b>800</b>	<b>8,843</b>

# State of Alaska – Pers Police/Fire Retirees



# State of Alaska - PERS "Other" Retirees



## 2.2(l) Distribution of Annual Benefits for Police and Fire Benefit Recipients

----- Annual Benefit By Age -----				-- Annual Benefit By Years Since Retirement --			
Age Groups	Number of People	Total Annual Benefit	Average Annual Benefit	Years Since Retirement	Number of People	Total Annual Benefit	Average Annual Benefit
0-19	0	\$ 0	\$ 0	0	71	\$ 1,889,480	\$ 26,612
20-24	0	0	0	1	48	1,148,551	23,928
25-29	0	0	0	2	35	738,764	21,108
30-34	3	65,574	21,858	3	102	2,480,338	24,317
35-39	13	226,044	17,388	4	62	1,582,317	25,521
40-44	33	800,578	24,260	0-4	318	7,839,450	24,652
45-49	128	3,907,767	30,529	5-9	282	8,052,884	28,556
50-54	195	5,266,549	27,008	10-14	113	2,871,814	25,414
55-59	180	4,477,723	24,876	15-19	73	1,460,973	20,013
60-64	116	3,025,726	26,084	20-24	13	217,578	16,737
65-69	84	1,802,459	21,458	25-29	0	0	0
70-74	32	640,872	20,027	30-34	1	43,828	43,828
75-79	13	239,899	18,454	35-39	0	0	0
80+	1	33,336	33,336	40+	0	0	0
<b>Total</b>	<b>800</b>	<b>\$20,486,527</b>	<b>\$ 25,608</b>	<b>Total</b>	<b>800</b>	<b>\$20,486,527</b>	<b>\$ 25,608</b>

### Years Since Retirement by Age

Age	----- Years Since Retirement -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	3	0	0	0	0	0	0	0	0	3
35-39	7	5	1	0	0	0	0	0	0	13
40-44	23	7	1	1	1	0	0	0	0	33
45-49	78	41	4	4	1	0	0	0	0	128
50-54	113	73	4	2	3	0	0	0	0	195
55-59	66	86	22	4	2	0	0	0	0	180
60-64	23	46	35	11	0	0	1	0	0	116
65-69	5	19	33	27	0	0	0	0	0	84
70-74	0	4	8	17	3	0	0	0	0	32
75-79	0	1	4	7	1	0	0	0	0	13
80+	0	0	1	0	2	0	0	0	0	3
<b>Total</b>	<b>318</b>	<b>282</b>	<b>113</b>	<b>73</b>	<b>13</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>800</b>

**2.2(m) Schedule of Retired Members by Type of Retirant  
and Option Selected - "Police/Fire" - June 30, 1994**

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		1	2	3	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	12	11	1	0	4	5	2	1
301 - 600	45	33	5	7	28	11	3	3
601 - 900	58	54	3	1	36	10	5	7
901 - 1200	55	46	6	3	35	5	8	7
1201 - 1500	60	44	5	11	36	7	8	9
1501 - 1800	75	56	4	15	39	28	6	2
1801 - 2100	87	76	5	6	42	28	10	7
2101 - 2400	76	68	1	7	28	29	12	7
2401 - 2700	91	88	1	2	40	27	10	14
2701 - 3000	78	75	0	3	30	31	6	11
over 3000	<u>163</u>	<u>152</u>	<u>4</u>	<u>7</u>	<u>61</u>	<u>64</u>	<u>20</u>	<u>18</u>
Totals	800	703	35	62	379	245	90	86

Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Survivor Annuity
- Option 3 - 50% Joint and Survivor Annuity
- Option 4 - 66⅔% Joint and Survivor Annuity

## 2.2(n) Distribution of Annual Benefits for "Other" Benefit Recipients

----- Annual Benefit By Age -----				-- Annual Benefit By Years Since Retirement --			
Age Groups	Number of People	Total Annual Benefit	Average Annual Benefit	Years Since Retirement	Number of People	Total Annual Benefit	Average Annual Benefit
0-19	0	\$ 0	\$ 0	0	567	\$ 7,584,088	\$ 13,376
20-24	0	0	0	1	488	5,525,379	11,322
25-29	1	1,669	1,669	2	448	4,828,281	10,777
30-34	9	110,315	12,257	3	879	11,376,779	12,943
35-39	26	277,527	10,674	4	637	7,047,424	11,063
40-44	70	777,000	11,100	0- 4	3,019	36,361,951	12,044
45-49	81	1,082,169	13,360	5- 9	2,962	36,948,351	12,474
50-54	876	8,985,382	10,257	10-14	1,577	17,252,760	10,940
55-59	1,755	21,894,798	12,476	15-19	1,066	10,944,547	10,267
60-64	1,842	24,417,416	13,256	20-24	202	1,879,460	9,304
65-69	1,695	19,099,414	11,268	25-29	14	165,361	11,812
70-74	1,305	14,649,743	11,226	30-34	3	51,357	17,119
75-79	699	7,626,659	10,911	35-39	0	0	0
80+	484	4,681,694	9,673	40+	0	0	0
<b>Total</b>	<b>8,843</b>	<b>\$ 103,603,787</b>	<b>\$11,716</b>	<b>Total</b>	<b>8,843</b>	<b>\$ 103,603,787</b>	<b>\$ 11,716</b>

### Years Since Retirement By Age

Age	----- Years Since Retirement -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
20-24	0	0	0	0	0	0	0	0	0	0
25-29	1	0	0	0	0	0	0	0	0	1
30-34	6	3	0	0	0	0	0	0	0	9
35-39	75	8	3	0	0	0	0	0	0	26
40-44	7	23	6	3	1	0	0	0	0	70
45-49	40	28	10	3	0	0	0	0	0	81
50-54	739	98	25	12	2	0	0	0	0	876
55-59	1,070	637	30	15	2	1	0	0	0	1,755
60-64	623	940	254	20	4	1	0	0	0	1,842
65-69	376	676	501	138	4	0	0	0	0	1,695
70-74	91	432	407	367	8	0	0	0	0	1,305
75-79	16	92	252	310	29	0	0	0	0	699
80+	5	24	89	198	152	12	3	0	0	484
<b>Total</b>	<b>3,019</b>	<b>2,962</b>	<b>1,577</b>	<b>1,066</b>	<b>202</b>	<b>14</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>8,843</b>

**2.2(o) Schedule of Retired Members by Type of Retirant  
and Option Selected - "Others" - June 30, 1994**

Amount of Monthly Benefit	Number of Retirees	<u>Type of Retirement</u>			<u>Option Selected #</u>			
		1	2	3	<u>Opt. 1</u>	<u>Opt. 2</u>	<u>Opt. 3</u>	<u>Opt. 4</u>
\$ 1 - \$ 300	1,057	895	150	12	716	159	140	42
301 - 600	2,397	2,162	193	42	1,604	397	268	128
601 - 900	1,753	1,620	114	19	1,087	332	172	162
901 - 1200	1,173	1,071	71	31	749	195	137	92
1201 - 1500	797	723	39	35	512	147	75	63
1501 - 1800	498	454	17	27	298	86	62	52
1801 - 2100	372	345	13	14	202	79	49	42
2101 - 2400	261	244	10	7	141	58	30	32
2401 - 2700	193	182	5	6	107	42	25	19
2701 - 3000	119	109	7	3	52	44	14	9
over 3000	<u>223</u>	<u>215</u>	<u>4</u>	<u>4</u>	<u>105</u>	<u>60</u>	<u>35</u>	<u>23</u>
Totals	8,843	8,020	623	200	5,573	1,599	1,007	664

Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Survivor Annuity
- Option 3 - 50% Joint and Survivor Annuity
- Option 4 - 66<sup>2</sup>/<sub>3</sub>% Joint and Survivor Annuity

**2.2(p) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - Police/Fire**

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
June 30, 1994	77	\$ 2,428,767	4	\$ 119,939	800	\$ 20,486,527	12.7%	\$ 25,608
June 30, 1993	39	982,991	11	212,565	727	18,177,698	4.4%	25,004
June 30, 1992	35	1,202,004	8	195,248	699	17,407,272	6.1%	24,903
June 30, 1991	129	3,408,774	4	95,704	672	16,400,516	25.3%	24,406
June 30, 1990	38	907,997	3	71,784	547	13,087,446	6.8%	23,926
June 30, 1989	128	2,686,748	3	74,724	512	12,251,233	27.1%	23,928
June 30, 1988	72	1,991,318	0	0	387	9,639,209	26.0%	24,908
June 30, 1987	96	3,054,160	82	1,720,032	315	7,647,891	21.1%	24,279
June 30, 1986	36	949,954	2	40,482	301	6,313,763	16.8%	20,976
June 30, 1985	77	1,966,581	1	18,093	267	5,404,291	56.4%	20,241

\* Numbers are estimated, and include other internal transfers.

2.2(q) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - "Others"

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No. *	Annual Allowances*	No.	Annual Allowances		
June 30, 1994	567	\$ 7,584,088	100	\$ 225,631	8,843	\$ 103,603,787	7.6%	\$ 11,716
June 30, 1993	464	5,408,670	93	4,057,669	8,376	96,245,330	1.4%	11,491
June 30, 1992	435	8,520,963	116	1,323,560	8,005	94,894,329	8.2%	11,854
June 30, 1991	876	15,277,842	8	85,072	7,686	87,696,926	21.0%	11,410
June 30, 1990	457	5,776,756	94	986,060	6,818	72,504,156	7.1%	10,634
June 30, 1989	352	3,651,450	212	2,225,364	6,455	67,713,460	2.2%	10,490
June 30, 1988	1,014	11,532,405	35	361,515	6,315	66,287,374	20.3%	10,497
June 30, 1987	1,011	14,821,733	31	288,827	5,336	55,116,484	35.8%	10,329
June 30, 1986	416	3,718,750	110	1,029,270	4,356	40,583,578	7.1%	9,317
June 30, 1985	484	7,490,537	102	869,652	4,050	37,894,098	21.2%	9,357

\* Numbers are estimated, and include other internal transfers.

## 2.3 Actuarial Basis

The demographic assumptions used in this valuation were adopted at the Fall 1991 PERS Board Meeting. Economic assumptions were adopted as a result of a presentation to the Board in October 1994. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

### Valuation of Liabilities

- A. **Actuarial Method - Projected Unit Credit (no change).** Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. The unfunded accrued liability is amortized over a rolling 25 years. Any funded surpluses are amortized over five years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

- B. **Actuarial Assumptions -**

1. **Investment Return** 8.00% per year, compounded annually, net of expenses.

- |                |                    |  |        |      |        |      |        |      |        |      |                |      |
|----------------|--------------------|--|--------|------|--------|------|--------|------|--------|------|----------------|------|
| 2.             | Salary Scale       | <p>Inflation - 4.0% per year<br/>         Productivity - 0.5% per year<br/>         Merit (first 5 years of employment) - 1.0% per year</p>  |        |      |        |      |        |      |        |      |                |      |
| 3.             | Total Inflation    | <p>Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.</p>  |        |      |        |      |        |      |        |      |                |      |
| 4.             | Health Cost Trend  | <table border="0"> <tr> <td style="padding-right: 20px;">FY95 -</td> <td>9.5%</td> </tr> <tr> <td>FY96 -</td> <td>8.5%</td> </tr> <tr> <td>FY97 -</td> <td>7.5%</td> </tr> <tr> <td>FY98 -</td> <td>6.5%</td> </tr> <tr> <td>FY99 &amp; later -</td> <td>5.5%</td> </tr> </table>  | FY95 - | 9.5% | FY96 - | 8.5% | FY97 - | 7.5% | FY98 - | 6.5% | FY99 & later - | 5.5% |
| FY95 -         | 9.5%               |  |        |      |        |      |        |      |        |      |                |      |
| FY96 -         | 8.5%               |  |        |      |        |      |        |      |        |      |                |      |
| FY97 -         | 7.5%               |  |        |      |        |      |        |      |        |      |                |      |
| FY98 -         | 6.5%               |  |        |      |        |      |        |      |        |      |                |      |
| FY99 & later - | 5.5%               |  |        |      |        |      |        |      |        |      |                |      |
| 5.             | Mortality          | <p>1984 Unisex Pension Mortality Table, set forward one year for male and police/fire members, and set backward four years for female members. Deaths are assumed to be occupational 85% of the time for Police/Fire, 35% for "Others".</p>  |        |      |        |      |        |      |        |      |                |      |
| 6.             | Turnover           | <p>Based upon the 1986-90 actual total turnover experience. (See Table 1).</p>   |        |      |        |      |        |      |        |      |                |      |
| 7.             | Disability         | <p>Incidence rates, based upon the 1986-90 actual experience, in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 85% of the time for Police/Fire, 35% for "Others".</p> |        |      |        |      |        |      |        |      |                |      |
| 8.             | Retirement Age     | <p>Retirement rates based upon the 1986-90 actual experience in accordance with Table 3.</p>   |        |      |        |      |        |      |        |      |                |      |
| 9.             | Spouse's Age       | <p>Wives are assumed to be four years younger than husbands.</p>   |        |      |        |      |        |      |        |      |                |      |
| 10.            | Dependent Children | <p>Benefits to dependent children have been valued assuming members who are not single have one dependent child.</p>   |        |      |        |      |        |      |        |      |                |      |

- |                          |   |              |             |         |             |             |             |
|--------------------------|---|--------------|-------------|---------|-------------|-------------|-------------|
| 11. Contribution Refunds | 100% of those terminating after age 35 with five or more years of service will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.   |              |             |         |             |             |             |
| 12. C.O.L.A.             | Of those benefit recipients who are eligible for the C.O.L.A., 71% are assumed to remain in Alaska and receive the C.O.L.A.   |              |             |         |             |             |             |
| 13. New Entrants         | Growth projections are made for the active PERS population under three scenarios:<br><br><table border="0" style="margin-left: 40px;"> <tr> <td>Pessimistic:</td> <td>1% per year</td> </tr> <tr> <td>Median:</td> <td>3% per year</td> </tr> <tr> <td>Optimistic:</td> <td>5% per year</td> </tr> </table> | Pessimistic: | 1% per year | Median: | 3% per year | Optimistic: | 5% per year |
| Pessimistic:             | 1% per year   |              |             |         |             |             |             |
| Median:                  | 3% per year   |              |             |         |             |             |             |
| Optimistic:              | 5% per year   |              |             |         |             |             |             |
| 14. Expenses             | Expenses are covered in the investment return assumption.   |              |             |         |             |             |             |

### Valuation of Assets

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG Peat Marwick. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

### Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For FY96, the pre-65 monthly premium is \$458.17 and the post-65 premium is \$174.54, based on an assumed total blended premium of \$350.50. For FY96, the actual blended premium is \$350.50. The FY96 blended premium was provided by the State of Alaska Division of Retirement and Benefits.

**Table 1**

**Alaska PERS  
Total Turnover Assumptions**

Select Rates of Turnover  
During the First 10 Years  
of Employment

Ultimate Rates of Turnover  
After the First 10 Years  
of Employment

**Police and Fire:**

<u>Year of Employment</u>	<u>----- Age at Hire -----</u>			<u>Age</u>	<u>Rate</u>
	<u>20-29</u>	<u>30-39</u>	<u>40+</u>		
1	.22	.18	.10	20-39	.03
2	.19	.13	.10	40+	.01
3	.13	.12	.10		
4	.12	.12	.10		
5	.10	.10	.10		
6	.08	.08	.08		
7	.07	.07	.07		
8	.06	.06	.06		
9	.05	.05	.05		
10	.04	.04	.04		

**Others:**

<u>Year of Employment</u>	<u>----- Age at Hire -----</u>		<u>Age</u>	<u>Rate</u>
	<u>20-29</u>	<u>30+</u>		
1	.30	.23	20-29	.065
2	.23	.18	30-34	.060
3	.20	.14	35-44	.055
4	.16	.13	45+	.050
5	.16	.13		
6	.14	.13		
7	.12	.12		
8	.11	.11		
9	.09	.09		
10	.08	.08		

**Table 2**  
**Alaska PERS**  
**Disability Rates**  
**Annual Rates Per 1,000 Employees**

<u>Age</u>	<u>Police &amp; Fire Rate</u>	<u>"Other" Member Rate</u>
20	.85	.14
21	.87	.14
22	.90	.14
23	.94	.15
24	.98	.15
25	1.03	.15
26	1.08	.15
27	1.13	.15
28	1.19	.16
29	1.25	.16
30	1.31	.16
31	1.37	.17
32	1.43	.17
33	1.44	.25
34	1.48	.34
35	1.55	.44
36	1.65	.53
37	1.78	.64
38	1.94	.75
39	2.13	.87
40	2.35	.99
41	2.60	1.12
42	2.88	1.25
43	3.19	1.39
44	3.53	1.53
45	3.90	1.68
46	4.30	1.84
47	4.73	2.00
48	5.19	2.17
49	5.68	2.34
50	6.20	2.52
51	6.75	2.70
52	7.33	2.89
53	7.94	3.08
54	8.58	3.29
55	9.25	3.49
56	9.95	3.70
57	10.68	3.92
58	11.44	4.14
59	12.23	4.37
60	13.05	4.61
61	13.90	4.84
62	14.78	5.09
63	15.69	5.34
64	16.63	5.60

Table 3

Alaska PERS  
Retirement Rates

<u>Age</u>	<u>Police &amp; Fire Rate</u>	<u>"Other" Member Rate</u>
50	.25	.11
51	.14	.08
52	.14	.08
53	.15	.08
54	.15	.08
55	.30	.19
56	.25	.16
57	.21	.13
58	.21	.12
59	.20	.11
60	.20	.17
61	.40	.14
62	1.00	.21
63	1.00	.22
64	1.00	.22
65	1.00	.31
66	1.00	.61
67 & Up	1.00	1.00

For ages less than 50, employees are assumed to retire two years after the earliest age they are eligible to retire.

## **Section 3**

### **Other Historical Information**

3.1 shows the analysis of financial experience.

3.2(a) shows the summary of accrued and unfunded accrued liabilities for Police and Fire members.

3.2(b) shows the summary of accrued and unfunded accrued liabilities for "Other" members.

3.3 shows the solvency test.

3.4(a) shows the statement of actuarial present value of accumulated plan benefits for Police and Fire members.

3.4(b) shows the statement of actuarial present value of accumulated plan benefits for "Other" members.

### 3.1 Analysis of Financial Experience

<b>Change in Contribution Rate                      Due to Gains and Losses in Accrued Liabilities                      During the Last Five Fiscal Years Resulting From                      Differences Between Assumed Experience and Actual Experience</b>					
Type of Gain or Loss	Change in Contribution Rate During Fiscal Year				
	94	93	92	91	90
(1) Health Experience	.41%	0%	0%	-3.17%	-1.42%
(2) Salary Experience	-.55%	-.21%	-.56%	.26%	-.07%
(3) Investment Experience	.37%	-1.41%	-.16%	.48%	-.67%
(4) Demographic Experience	.36%	.74%	1.58%	2.02%	.68%
(5) Miscellaneous	0%	0%	0%	0%	.86%
(6) Gain (or Loss) During Year From Experience. (1)+(2)+(3)+(4)+(5)	.59%	-.88%	.86%	-.41%	-.62%
<b>Non-recurring Items</b>					
(7) Asset Valuation Method	-.56%	0%	-.88%	0%	0%
(8) Assumption Changes	-.71%	0%	0%	.55%	0%
(9) Plan Changes	0%	0%	0%	0%	0%
Composite Gain (or Loss) During Year, (6)+(7)+(8)+(9)	-.68%	-.88%	-.02%	.14%	-.62%

### 3.2(a) Summary of Accrued and Unfunded Accrued Liabilities - "Police/Fire"

Valuation Date	Aggregate Accrued Liability ('000's)	Valuation Assets ('000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) ('000's)	Annual Active Member Payroll ('000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1994 <sup>(1)</sup>	\$ 732,988	\$ 694,773	94.8%	\$ 38,215	\$ 128,456	29.7%
June 30, 1993	639,439	610,149	95.4%	29,290	124,025	23.6%
June 30, 1992 <sup>(2)</sup>	592,518	540,087	91.2%	52,431	122,762	42.7%
June 30, 1991 <sup>(3)</sup>	523,326	461,103	88.1%	62,223	120,240	51.7%
June 30, 1990	422,275	410,615	97.2%	11,660	105,135	11.1%
June 30, 1989 <sup>(4)</sup>	402,021	368,325	91.6%	33,696	104,000	32.4%
June 30, 1988	324,634	301,780	93.0%	22,854	102,265	22.3%
June 30, 1987	283,535	282,530	99.6%	1,005	100,839	1.0%
June 30, 1986	249,673	254,643	102.0%	0	101,537	0%
June 30, 1985 <sup>(4)</sup>	213,967*	201,164*	93.9%	12,803	92,381	13.9%

\* Estimated.  
<sup>(1)</sup> Change in Asset Valuation Method.  
<sup>(2)</sup> Change of Assumptions.  
<sup>(3)</sup> Change in Funding Method.

### 3.2(b) Summary of Accrued and Unfunded Accrued Liabilities - "Other"

Valuation Date	Aggregate Liability ('000's)	Valuation Assets ('000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) ('000's)	Annual Active Member Payroll ('000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1994 <sup>(1)</sup>	\$ 3,887,194	\$ 3,684,532	94.8%	\$ 202,662	\$ 1,048,541	19.3%
June 30, 1993	3,486,322	3,326,627	95.4%	159,695	1,011,864	15.8%
June 30, 1992 <sup>(2)</sup>	3,148,364	2,869,772	91.2%	278,592	961,054	29.0%
June 30, 1991 <sup>(2)</sup>	2,815,819	2,481,018	88.1%	334,801	907,567	36.9%
June 30, 1990	2,331,243	2,266,871	97.2%	64,372	846,935	7.6%
June 30, 1989 <sup>(2)</sup>	2,161,247	1,980,098	91.6%	181,149	808,835	22.4%
June 30, 1988	1,921,949	1,786,648	93.0%	135,301	806,100	16.8%
June 30, 1987	1,621,470	1,615,723	99.6%	5,747	790,463	.7%
June 30, 1986	1,306,937	1,332,956	102.0%	0	788,555	0%
June 30, 1985 <sup>(3)</sup>	1,114,997*	1,046,982*	93.9%	68,015	738,198	9.2%
<p>* Estimated.  <sup>(1)</sup> Change in Asset Valuation Method.  <sup>(2)</sup> Change of Assumptions.  <sup>(3)</sup> Change in Funding Method.</p>						

### 3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets ('000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions ('000's)	(2) Inactive Members ('000's)	(3) Active Members (Employer-Financed Portion) ('000's)		(1)	(2)	(3)
June 30, 1994 <sup>(1)(2)</sup>	\$ 615,925	\$ 2,233,349	\$ 1,770,908	4,379,305	100%	100%	86.4%
June 30, 1993	551,753	1,921,967	1,652,041	3,936,776	100%	100%	88.6%
June 30, 1992 <sup>(1)</sup>	484,590	1,783,020	1,473,272	3,409,859	100%	100%	77.5%
June 30, 1991 <sup>(2)</sup>	422,656	1,621,590	1,294,899	2,942,121	100%	100%	69.3%
June 30, 1990	380,680	1,285,515	1,087,323	2,677,486	100%	100%	93.0%
June 30, 1989 <sup>(1)</sup>	329,966	1,217,648	1,015,654	2,348,423	100%	100%	78.8%
June 30, 1988	305,483	1,030,048	911,052	2,088,428	100%	100%	82.6%
June 30, 1987	216,504	820,853	867,648	1,898,253	100%	100%	99.2%
June 30, 1986	210,115*	493,724	852,771*	1,587,599	100%	100%	100.0%
June 30, 1985 <sup>(2)(3)</sup>	169,433	466,222	693,574*	1,248,146	100%	100%	88.3%

\* Estimated.  
<sup>(1)</sup> Change in Asset Valuation Method.  
<sup>(2)</sup> Change of Assumptions.  
<sup>(3)</sup> Change in Funding Method.

### 3.4(a) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Police/Fire"

Actuarial Present Value of Accumulated Plan Benefits  
at June 30, 1994 (000's)

---

Retired participants and beneficiaries of deceased participants	\$ 292,115
Terminated participants with deferred benefits	16,951
Active participants - Vested	316,547
Active participants - Non-vested	36,666
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 662,279

#### Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$93,465(000).
3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values should not be construed to be indicative of the expected ability of the plan to pay future benefits when due. Furthermore, that comparison is not valid for assessing a plan termination situation. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels produces a significant understatement of the value of accumulated plan benefits when applying going concern concepts. The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.

**3.4(a) Statement of Actuarial Present Value  
of Accumulated Plan Benefits - "Police/Fire" (continued)**

4. The change in the Present Value of Accumulated Plan Benefits during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1993, (000's)	\$ 572,095
B.	Increase (Decrease) Attributable to:	
i.	Additional Benefits Accumulated, including Actuarial Experience	64,803
ii.	Increase due to Decrease in the Discount Period	48,974
iii.	Estimated Benefits Paid to Participants	(24,790)
iv.	Material System Changes	0
v.	Change in Assumptions	<u>1,197</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1994 (000's)	\$ 662,279

### 3.4(b) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Others"

Actuarial Present Value of Accumulated Plan Benefits  
at June 30, 1994 ('000's)

---

Retired participants and beneficiaries of deceased participants	\$ 1,433,216
Terminated participants with deferred benefits	491,067
Active participants - Vested	1,400,735
Active participants - Non-vested	37,391
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 3,362,409

#### Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$522,460(000).
3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due*. Furthermore, *that comparison is not valid for assessing a plan termination situation*. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*

**3.4(b) Statement of Actuarial Present Value  
of Accumulated Plan Benefits - "Others" (continued)**

4. The change in the Present Value of Accumulated Plan Benefits during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1993, (000's)	\$ 3,076,456
B.	Increase (Decrease) Attributable to:	
i.	Additional Benefits Accumulated, including Actuarial Experience	149,713
ii.	Increase due to Decrease in the Discount Period	272,948
iii.	Estimated Benefits Paid to Participants	(142,707)
iv.	Material System Changes	0
v.	Change in Assumptions	<u>5,999</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1994 (000's)	\$ 3,362,409



Official Business

# Alaska State Senate

## Senate Finance Committee

Mail Stop 3000  
State Capitol  
Juneau, Alaska 99801-0300

- SB 148 -

### - AN ACT RELATING TO A DEFINED CONTRIBUTION RETIREMENT PLAN FOR STATE EMPLOYEES -

SB 148 is a defined-contribution retirement plan with similarities to the University of Alaska's Optional Retirement Plan established in 1989. This legislation would create a TIER III retirement system applicable to all new state employees hired on or after January 1, 1996.

Under SB 148, the employer contribution is based on 7.5% of the employee's compensation; the employee's contribution rate is also set at 7.5% of compensation. From the date of the contribution forward, the principal and earnings of those contributions are invested and separately accounted for in the name of the employee. Because this is a defined-contribution plan, there is no potential for unfunded liability to the state. The state's Pension Investment Board would choose the companies to manage the money, but allow the allocation choice among these companies to be self-directed by the employee. The Alaska State Pension Investment Board also would oversee the administration and operation of the plan and be responsible to assure IRS compliance.

The bill allows a political subdivision, REAA, University of Alaska, school districts or public organizations to include their new employees in the defined-contribution retirement plan. As of June 30, 1994, there were 155 employers in the PERS system; TRS employers numbered 61.

The advantages of a defined-contribution plan over a defined-benefit plan include:

Removes the question about whether the retirement pool is of sufficient size to cover all retirement benefits. This is because each employee's contributions and earnings belong 100% to that employee and cannot be short-funded nor used to pay the benefits of another employee;

The employer and employee know the full cost and receive full value of the retirement contributions made on the employee's behalf;

The retirement accounts are portable;

Employees gain more control over the investment of their retirement funds if the plan offers investment options. (The state's deferred-compensation plan is an example of this.)

Employer costs are readily predictable, do not require long-term actuarial calculations, and are paid at the time benefits are earned, preventing the possibility of a long-term accrued liability.

Individual members of a defined contribution plan can tailor an investment package according to individual preferences.

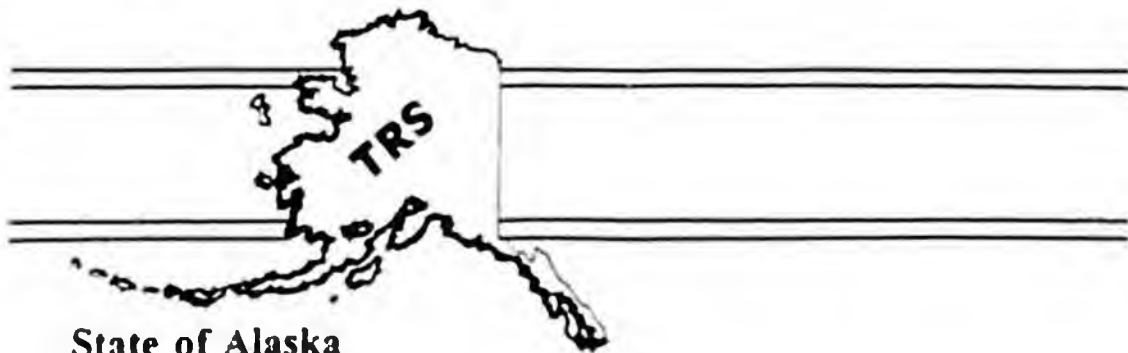
To contrast the plan in SB 148 with the status quo, summarized below are a few points about the existing PERS and TRS plans:

The state's PERS and TRS retirement plans are defined-benefit systems which specify the level of future benefits payable to an employee; the contributions of the employer and employee are pooled and retirement payments to a retiree are drawn from the pool. There is no necessary relationship between the amount contributed on a person's behalf and that person's eventual benefits.

As of June 30, 1994, the PERS system was underfunded by \$240,870,000 or 94.8% funded; TRS was underfunded by \$288,452,000 or 89.5% funded. This represents a total state unfunded liability of \$529,322,000. These numbers are periodically actuarially adjusted to reflect certain mortality assumptions, future rates of inflation, actual experience and anticipated experience, expenses, changes in statutory provisions, changes in actuarial assumptions or methods, etc.

FY96 PERS average employer contributions are 12.82% of an employee's compensation; (FY97 is anticipated at 12.14%). The employee rate is set in statute (AS 39.35.150) at 6.75%. (The exception is the peace officers and fireman employee contribution rate currently set at 7.5%; FY96 employer contribution is 15.22%.)

FY96 and FY97 TRS employer contributions are 12.48% and 14.96%, respectively, and are "smoothed" to 12.00% of an employee's compensation for both FY96 and FY97; the employee rate is set in statute (AS 14.25.050) at 8.65%.



**State of Alaska**

**Teachers' Retirement System**

**Actuarial Valuation Report**

**as of June 30, 1994**

**Prepared by:**

William M. Mercer, Incorporated  
One Union Square, Suite 3200  
600 University Street  
Seattle, WA 98101-3137

March 14, 1995

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

Dear Members of the Board:

#### Actuarial Certification

The actuarial valuation required for the State of Alaska Teachers' Retirement System has been prepared as of June 30, 1994 by William M. Mercer, Incorporated. The purposes of the report include:

- (1) a review of experience under the Plan for the year ended June 30, 1994;
- (2) a determination of the appropriate contribution rate for each employer in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of experience studies presented to the Board in October 1991 and October 1994.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY95 and a 25-year rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of assets to liabilities decreased from 93.1% to 89.6% during the year, primarily due to a change in economic actuarial assumptions. Over the years, progress has been made toward achieving the funding objectives of the System.

WILLIAM M. MERCER  
INCORPORATED  
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SUITE 1000  
FARMINGTON, CT 06032  
(203) 634-1000

Teachers' Retirement Board

March 14, 1995

Page 2

There were no significant changes in the demographic actuarial assumptions or actuarial methods used in the determination of system liabilities this year. However, there was a change in the economic actuarial assumptions and asset valuation method. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

The total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return, salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	9.0%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The method for calculating valuation assets was changed. The new asset valuation method smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system.

Teachers' Retirement Board  
March 14, 1995  
Page 3

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

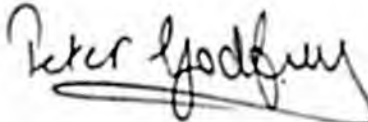
- (1) differences between actual experience and anticipated experience based on the assumptions;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; or
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

The undersigned are members of the American Academy of Actuaries and are fully qualified to provide actuarial services to the State of Alaska.

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

Sincerely,

  
Brian R. McGee, FSA  
Managing Director



Peter L. Godfrey, FIA  
Principal

# Contents of Report

Sections	Page
Highlights .....	1
Analysis of the Valuation .....	4
1 Valuation Results .....	10
1.1(a) Statement of Net Assets as of June 30, 1994 (in thousands) .....	11
1.1(b) Changes in Net Assets During Fiscal Year 1994 (in thousands) .....	12
1.1(c) Development of Expected Valuation Assets as of June 30, 1994 (in thousands) .....	13
1.1(d) Development of Valuation Assets as of June 30, 1994 (in thousands) .....	14
1.2 Actuarial Present Values as of June 30, 1994 (in thousands) .....	15
1.3 Development of Total Employer Contribution Rate - FY97 (in thousands) .....	16
1.4 Development of Actuarial Gain (Loss) for FY94 (in thousands) .....	17
1.5 Disclosure for G.A.S.B. Statement No. 5 .....	18
1.6 Actuarial Projections .....	19
2 Basis of the Valuation .....	35
2.1 Summary of the Alaska Teachers' Retirement System .....	36
2.2(a) Participant Census Information as of June 30 .....	43
2.2(b) Distribution of Active Participants .....	45
2.2(c) Schedule of Active Member Valuation Data .....	46
2.2(d) Statistics on New Retirees During the Year Ending June 30 .....	47
2.2(e) Schedule of Average Benefit Payments - New Retirees .....	48
2.2(f) Statistics on All Retirees as of June 30 .....	49
2.2(g) Distribution of Annual Benefits for Benefit Recipients .....	51
2.2(h) Schedule of Retired Members by Type of Retirant and Option Selected - June 30, 1994 .....	52
2.2(i) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls .....	53
2.3 Actuarial Basis .....	54
Table 1 - Alaska TRS - Total Turnover Assumptions .....	57
Table 2 - Alaska TRS - Disability Rates Annual Rates Per 1,000 Employees .....	58
Table 3 - Alaska TRS Retirement Rates .....	59
3 Other Historical Information .....	60
3.1 Analysis of Financial Experience .....	61
3.2 Summary of Accrued and Unfunded Accrued Liabilities .....	62
3.3 Solvency Test .....	63
3.4 Statement of Actuarial Present Value of Accumulated Plan Benefits .....	64

## Highlights

This report has been prepared by William M. Mercer, Incorporated to:

- (1) present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 1994;
- (2) review experience under the plan for the year ended June 30, 1994;
- (3) determine the appropriate contribution rate for each employer in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1994 Fiscal Year, the current annual costs, and reporting and disclosure information.

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

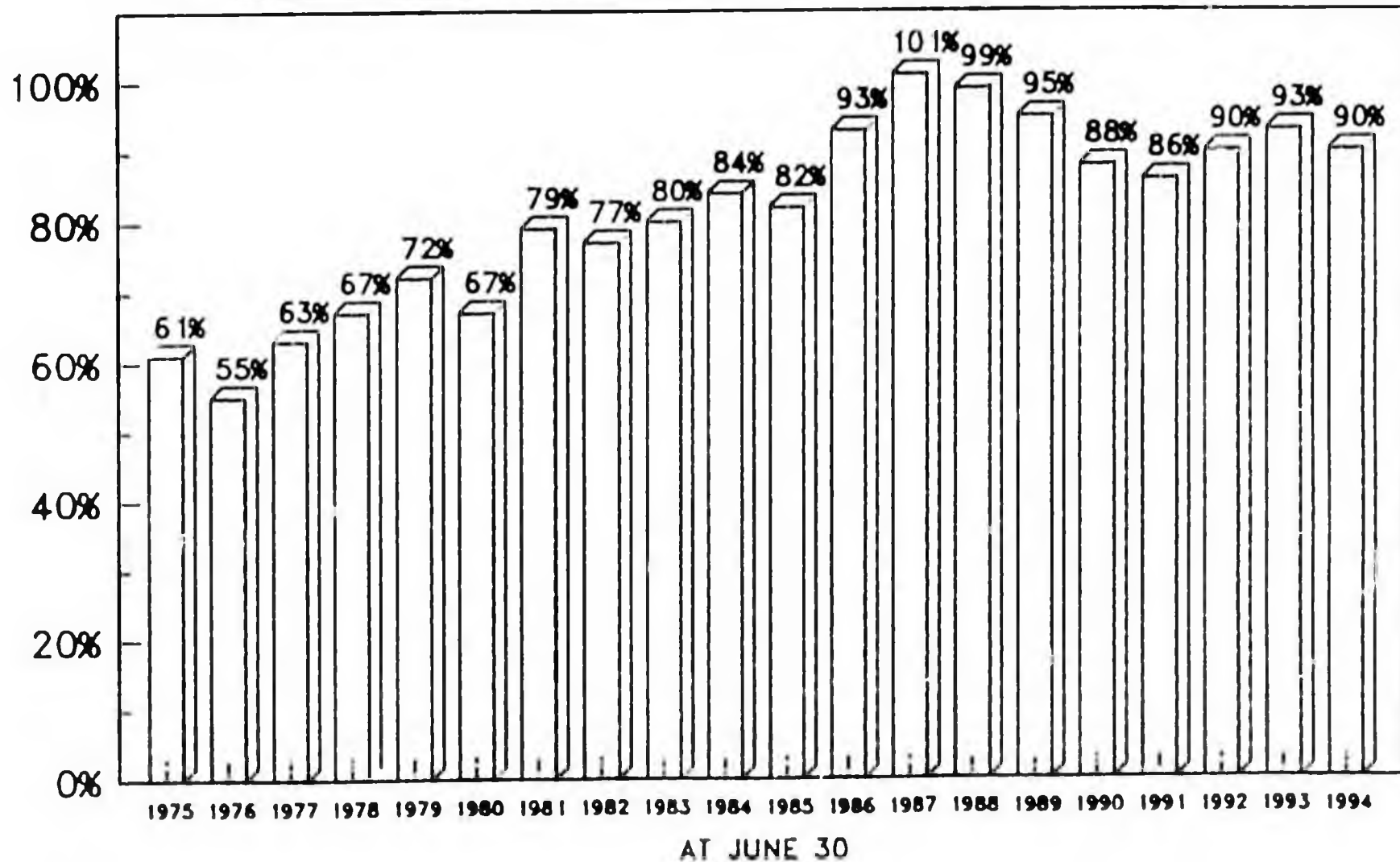
Section 3 contains additional exhibits showing historical information on system experience, unfunded liabilities, and the value of accumulated benefits.

The principle results are as follows:

	<u>1993</u>	<u>1994</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 2,261,082	\$ 2,472,957
(b) Accrued Liability*		
i) Non-Medical Benefits	2,016,852	2,281,178
ii) Total Benefits (including medical)	2,429,456	2,761,409
(c) Funding Ratio, (a) / (b)		
i) Non-Medical Benefits	112.1%	108.4%
ii) Total Benefits (including medical)	93.1%	89.6%

\* In thousands.

# STATE OF ALASKA TRS FUNDING RATIO HISTORY



Employer Contribution Rates  
for Fiscal Year:

	<u>1996</u>	<u>1997</u>
(a) Normal Cost Rate	9.06%	9.70%
(b) Past Service Rate	3.42%	5.26%
(c) Total Contribution Rate	12.48%	14.96%
(d) Actuarial Projection Rate	12.00%	12.00%

## Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio as of June 30, 1994 has decreased from 93.1% to 89.6%, a decrease of 3.5%. The total employer contribution rate has increased from 12.48% of payroll for FY96 to 14.96% for FY97, an increase of 2.48% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

### (1) Retiree Medical Insurance

The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS and TRS

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since 1978</u>
1977	\$ 34.75	..	..
1978	57.64	66%	..
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	23%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	0%	11%
1993	226.90	- 7%	10%
1994	309.72	37%	11%
1995	336.05	9%	11%
1996	350.50	4%	11%

As you can see from the above table, the monthly retiree medical premium increased during the year, to \$336.05. The premium for the 1996 fiscal year has increased to \$350.50, an increase of 4%. Since FY87, annual premium rate changes have ranged from 51% up to 15% down, but the average annual increase has been about 9%.

This year, in an attempt to better predict the long-term increase in medical premiums, the Board adopted a health cost trend assumption which varies by year, declining to an ultimate rate equal to inflation plus 1.5%, or 5.5% for FY99 and later. If the long-term assumption remains reasonable, short-term gains and losses from the annually-determined medical premium rate will offset each other over time.

To help avoid the volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, we have been using the health cost trend assumption to determine actuarial liabilities for retiree medical benefits. Due to the change in the health cost trend assumption this year, we made an adjustment back to the actual medical premium as the basis for going forward. The difference between the assumed rate and the actual rate will be tracked annually and reduced if the gap becomes too wide. Also, adjustments will be made again, if necessary, to the assumed medical premium rate every four to five years when a formal experience analysis is performed.

The effect of the adjustment back to actual premium this year was a small loss to the System which increased the employer contribution rate by .25%.

## (2) Investment Performance

The Asset Valuation Method has been changed this year. In the past, the system used an asset valuation method which multiplied the five-year average of the ratio of actuarial (generally market) to book value by the current book value to determine valuation assets. This number had to fall within the range of book and actuarial value.

One purpose of using asset valuation methods is to smooth investment returns. By using the full actuarial and book values in the valuation method, additional components of the change in the value of assets, including contributions, benefit payments, and expenses, are included in the smoothing technique. Since investment return is a direct result of actual money flows instead of artificially smoothed flows, this method will distort the investment return for the year.

The new asset valuation method only smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system. The new methodology is more widely used and accepted than the prior method in both the public and private sectors because it directly addresses the objective of smoothing only investment returns, and it is allowable under ERISA.

In order to establish an appropriate basis for going forward, we measured the FY94 investment loss using the market value of assets at June 30, 1993. This resulted in an

increase in the Valuation Assets at June 30, 1994 of \$48,909,000 and a reduction in the employer contribution rate of 0.89%.

To protect the system from the unlikely event that valuation assets differ markedly from market value, a limitation that valuation assets must fall between 80% and 120% of market value is included with this asset valuation method. The new method will be phased in over the next five years.

The approximate rate of return in FY94 based on market value of system assets was 2.41%. The new asset valuation method produced a rate of return based on valuation assets of 7.68%, compared to the 9.00% investment return assumption. This produced a loss of approximately \$30,309,000 to the System from investment performance, which decreased the funding ratio by 1.1% and raised the employer contribution rate by 0.55% of total payroll.

### **(3) Salary Increases**

In recent years salary increases have been less than anticipated in the valuation assumptions. This was again true last year. Salary experience resulted in an actuarial gain which generated a reduction in the total employer contribution rate equal to .20% of total payroll.

### **(4) Employee Data**

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 0.3% from 9,459 at June 30, 1993 to 9,489 at June 30, 1994. This was less than the expected population increase scenario reviewed last year, and produced a loss to the System from fewer Tier 2 actives entering the System than expected. The average age of active participants increased from 43.06 to 43.32 and average credited service increased from 10.92 to 11.06 years.

The number of retirees and beneficiaries increased 6.2% from 3,891 to 4,134, and their average age increased from 62.47 to 62.73. There was a 13.0% increase in the number of vested terminated participants from 823 to 930. Their average age increased from 47.51 to 48.10.

The overall effect of these participant data changes was an actuarial loss to the System, resulting in an increase in the contribution rate equal to .47% of total payroll.

### **(5) Economic Assumption Changes**

Based on a study of the inflation component of economic assumptions presented to the Board in October 1994, the total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return.

salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	9.0%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The overall effect of the assumption changes was to decrease the funding ratio by 3.8% and raise the employer contribution rate by 2.30% of total payroll.

#### (6) Actuarial Projections

At the Fall 1991 Board Meetings, the TRS Board approved the use of an enhanced actuarial projection system in the valuation report this year. The same actuarial cost method is used, but the enhanced system projects population growth patterns and their associated liabilities 25 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 25 years. Section 1.6, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to two-tiered systems, such as TRS. All of the projected new entrants will be covered under the cost savings provisions of the second tier, so that the ultimate effect of the second tier on plan liabilities can be anticipated. As you can see in Section 1.6, based on the actuarial assumptions and cost method, future contribution rates are expected to decline, and then level out in 15 to 20 years.

Provided the Board adopts a long-term strategy consistent with the nature of the System, sound actuarial principles would support leveling out this contribution pattern to anticipate the second tier provisions coming into effect. In this way, a more stable contribution pattern could be adopted to help the employers better budget retirement expenses. This enhanced projection technique would be used annually so that a continuous tracking of the

contribution rate to the requirements could be made. Appropriate adjustments to the rate would still be proposed annually, but they should be much smaller than those seen in the past.

We recommend that the employer contribution rate adopted for FY97 remain 12.00% under this approach

This rate includes a degree of conservatism for the following reasons:

- (a) Actuarial valuations are based on several assumptions, and the projection technique adds more. Actual system experience will vary from that assumed, so a degree of margin is appropriate when adopting a longer term rate.
- (b) Sound actuarial principles also suggest that retirement systems should fund employees' benefits while they are working. By leveling out the two-tier phenomenon, intergenerational inequities could occur. Since current contribution requirements are higher, the level rate is set higher than it theoretically needs to be, to allocate proportionately more of the cost to current generations and thus reduce the inequities.

## Summary

The following table summarizes the sources of change in the total employer contribution rate:

Last year's total employer contribution rate .....	12.48%
Change due to:	
Retiree medical insurance .....	0.25%
Investment performance .....	0.55%
Salary increases .....	(0.20%)
Demographic experience .....	0.47%
Economic Assumption Changes .....	2.30%
Asset Valuation Method Change .....	(0.89%)
Total employer contribution rate this year .....	14.96%
Effect of enhanced Actuarial Projection system .....	(2.96%)
Proposed employer contribution rate .....	12.00%

## **Section 1**

### **Valuation Results**

This section sets forth the results of the actuarial valuation.

Section 1.1(a) shows the distribution of the assets as of June 30, 1994.

Section 1.1(b) shows the transactions of the plan's fund during FY94.

Section 1.1(c) develops the expected valuation assets and investment return as of June 30, 1994.

Section 1.1(d) develops the actual valuation assets as of June 30, 1994.

Section 1.2 shows the actuarial present values as of June 30, 1994.

Section 1.3 calculates the total contribution rate for FY97.

Section 1.4 calculates the actuarial gain or loss for FY94.

Section 1.5 provides disclosure information required by G.A.S.B. Statement No. 5.

Section 1.6 contains the financial projections.

**1.1(a) Statement of Net Assets as of June 30, 1994 (in thousands)**

	<u>Book Value</u>	<u>Actuarial Value</u>
Cash and Cash Equivalents	\$ 449	\$ 449
United States Government Bonds	450,631	487,181
Other United States Government Securities	22,392	22,856
Corporate Bonds	428,871	436,999
Commercial Paper	69,640	69,617
Other Dollar Dominated Securities	83,824	79,909
United States Common Stocks	859,198	923,925
International Stocks	188,873	209,148
Emerging Markets Stocks	20,700	21,255
Real Estate Equities	93,501	69,397
Mortgages (net of reserves)	3,733	3,733
Net Accrued Receivables	<u>27,250</u>	<u>27,250</u>
Total Assets	\$ 2,249,062	\$ 2,351,719

## 1.1(b) Changes in Net Assets During Fiscal Year 1994 (in thousands)

(1)	Net Assets, June 30, 1993, (market value)		\$ 2,306,503
(2)	Additions:		
	(a) Employee Contributions	\$ 47,904	
	(b) Employer Contributions	60,490	
	(c) Contributions for Retirement Incentive Program -		
	Employee Contributions	0	
	Employer Contributions	0	
	(d) Interest and Dividend Income	118,155	
	(e) Realized Gain/(Loss)	64,314	
	(f) Unrealized Gain (Loss) on Investments	(119,208)	
	(g) Other	<u>(30)</u>	171,625
(3)	Deductions:		
	(a) Medical Benefits	\$ 15,725	
	(b) Retirement Benefits	100,767	
	(c) Refunds of Contributions	2,258	
	(d) Administrative Expenses	<u>7,659</u>	<u>126,409</u>
(4)	Net Assets, June 30, 1994, (market value)		\$ 2,351,719

Approximate Market Value Investment Return  
Rate During the Year, Net of Administrative Expenses

2.41%

**1.1(c) Development of Expected Valuation Assets  
as of June 30, 1994 (in thousands)**

(1)	June 30, 1993 Market Value. (Item (1) from 1.1(b))	\$ 2,306,503
(2)	Total Contributions for FY94. (Item (2a) + (2b) + (2c) from 1.1(b))	108,394
(3)	Total Benefit Payments for FY94. (Item (3a) + (3b) + (3c) from 1.1(b))	118,750
(4)	Expected Investment Return, Net of Expenses, for the period 7/1/93 through 6/30/94 $((1) - .5 \times ((2) - (3))) \times 9.0\%$	207,119
(5)	Actual Investment Return, Net of Expenses, for the period 7/1/93 through 6/30/94 (Item (2d) + (2e) + (2f) + (2g) + (3d) from 1.1(b))	55,572
(6)	Total Investment Gain/(Loss) (5) - (4)	(151,547)
(7)	Expected Valuation Assets, (1) + (2) - (3) + (4)	2,503,266

**1.1(d) Development of Valuation Assets as of June 30, 1994  
(in thousands)**

	A	B	C
	Total Investment Gain/(Loss)	Gain/(Loss) Recognized in Prior Fiscal Years	Gain/(Loss) Recognized this Fiscal Year <u>(Δ + 5)</u>
(1) Fiscal Year ending June 30, 1994	\$(151,547)	\$ 0	\$ (30,309)
(2) Total Gain/(Loss) Recognized this Fiscal Year			(30,309)
(3) Expected Valuation Assets, June 30, 1994, (Item (7) from 1.1(c))			\$ 2,503,266
(4) Valuation Assets at June 30, 1994, (2) - (3), but not outside a corridor of 80% to 120% of the market value of assets			\$ 2,472,957*
Approximate Valuation Assets Investment Return Rate During the Year, Net of Administrative Expenses			7.68%

- \* Reflects a change in the asset valuation method. See Item (2) in the Analysis of the Valuation on page 5 for a full description of the change.

## 1.2 Actuarial Present Values as of June 30, 1994 (in thousands)

	<u>Normal Cost</u>	<u>Accrued Liabilities</u>
<u>Active Members</u>		
Retirement Benefits	\$ 60,092	\$ 1,009,893
Termination Benefits	3,119	36,098
Disability Benefits	1,432	35,071
Death Benefits	1,366	22,866
Return of Contributions	3,485	18,636
Medical Benefits	18,448	252,239
Indebtedness	<u>0</u>	<u>(32,900)</u>
Subtotal	\$ 87,942	\$ 1,341,903
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 12,870
Vested Terminations		
- Retirement Benefits	0	118,392
- Medical Benefits	0	47,884
Retirees & Beneficiaries		
- Retirement Benefits	0	1,060,252
- Medical Benefits	<u>0</u>	<u>180,108</u>
Subtotal	\$ 0	\$ 1,419,506
<u>Totals</u>	\$ 87,942	\$ 2,761,409

### 1.3 Development of Total Employer Contribution Rate - FY97 (in thousands)

#### Normal Cost Rate

(1)	Total Normal Cost	\$ 87,942
(2)	Total Salaries	476,098
(3)	Normal Cost Rate, (1) / (2)	18.47%
(4)	Average Member Contribution Rate	8.77%
(5)	Employer Normal Cost Rate, (3) - (4)	9.70%

#### Past Service Rate

(1)	Accrued Liability	\$ 2,761,409
(2)	Valuation Assets	2,472,957
(3)	Total Unfunded Liability, (1) - (2)	288,452
(4)	Amortization Factor (25 year)	11,528758
(5)	Past Service Cost, (3) / (4)	25,020
(6)	Total Salaries	476,098
(7)	Past Service Rate, (5) / (6)	5.26%

#### Total Employer Contribution Rate

14.96%

#### 1.4 Development of Actuarial Gain/(Loss) for FY94 (in thousands)

(1) Unfunded Liability, June 30, 1993	\$ 168,374
(2) Normal Cost for FY94	82,107
(3) Interest on (1) and (2) at 9%	22,543
(4) Employee Contributions for FY94	47,904
(5) Employer Contributions for FY94	60,490
(6) Interest on (4) and (5) at 9% for one-half year	4,878
(7) Increase/(Decrease) due to assumption changes	103,791
(8) Increase/(Decrease) due to asset valuation method change	(48,909)
(9) Expected Unfunded Liability, June 30, 1994, (1) + (2) + (3) - (4) - (5) - (6) + (7) + (8)	214,634
(10) Actual Unfunded Liability, June 30, 1994	288,452
(11) Actuarial Gain/(Loss) for the Year, (9) - (10)	\$ (73,818)

# 1.5 Disclosure for G.A.S.B. Statement No. 5

## State of Alaska - T.R.S.

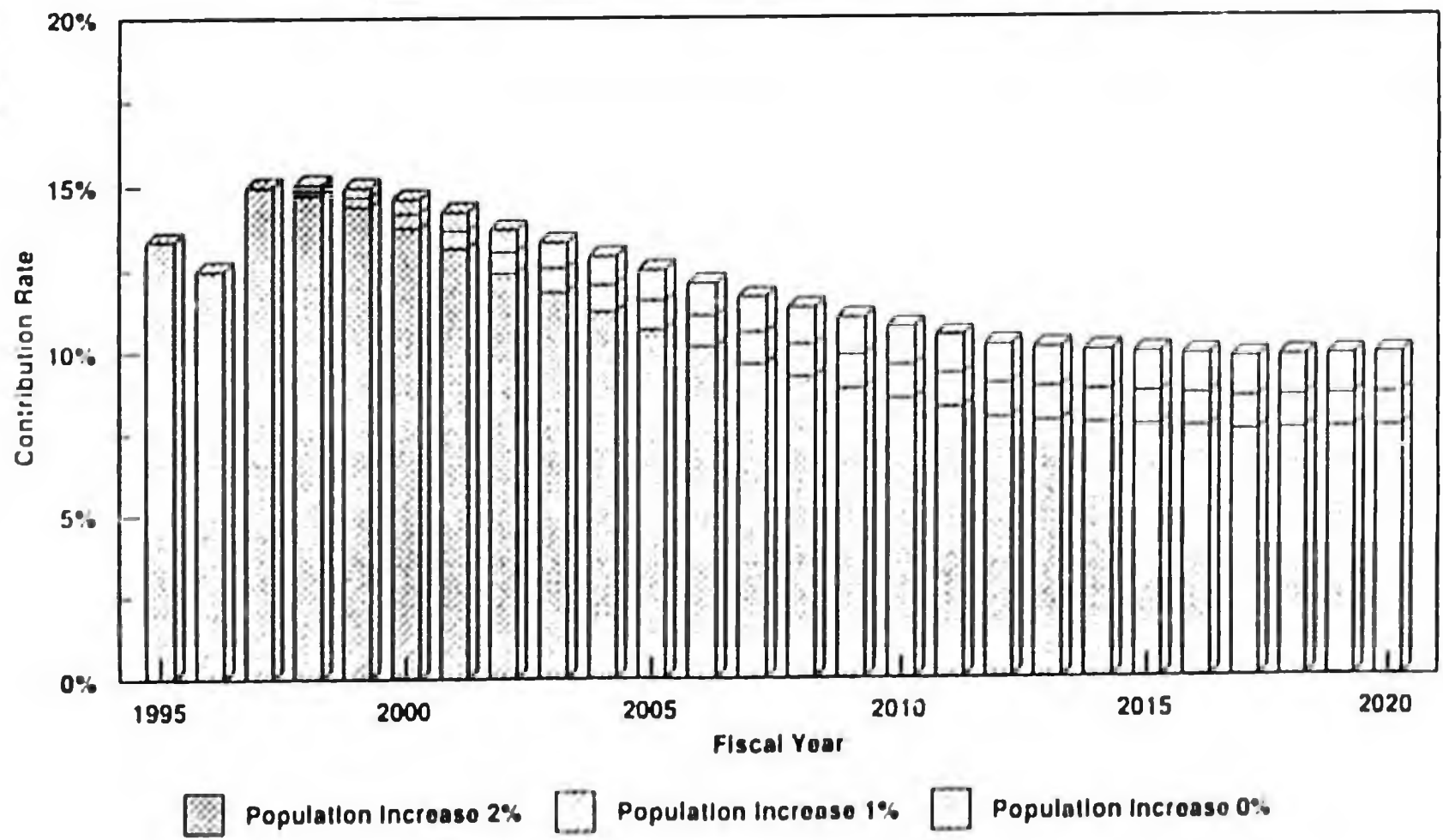
### Disclosure for G.A.S.B. Statement 5 ('000 Omitted)

#### Totals For All Employers

Valuation Date	..... Projected Benefit Obligation .....				
	Current Retirees & Terminated	Current Employees Contributions With Int	Current Employees Employer Financed Vested	Current Employees Employer Financed Non-Vested	Total
June 30, 1987	\$ 578,468	\$ 210,493	\$ 353,326	\$ 68,622	\$ 1,210,909
June 30, 1988	688,090	228,217	381,726	49,826	1,347,859
June 30, 1989	779,296	253,436	436,431	88,480	1,557,643
June 30, 1990	940,475	269,491	587,835	97,229	1,895,030
June 30, 1991	1,056,455	293,136	598,527	127,289	2,075,405
June 30, 1992	1,110,981	341,204	655,821	123,740	2,231,746
June 30, 1993	1,223,220	370,667	746,208	89,361	2,429,456
June 30, 1994	1,419,406	398,990	870,309	72,604	2,761,409

Valuation Date	..... Valuation Assets .....			..... Market Value Assets .....		
	Net Assets Available For Benefits	Unfunded PBO	Assets as Percent of PBO	Net Assets Available For Benefits	Unfunded PBO	Assets as Percent of PBO
June 30, 1987	\$ 1,225,009	\$ (14,100)	101%	\$ 1,303,464	\$ (92,555)	108%
June 30, 1988	1,331,905	15,954	99%	1,356,575	(8,716)	101%
June 30, 1989	1,480,389	77,254	95%	1,545,877	11,766	99%
June 30, 1990	1,662,242	232,788	85%	1,706,346	188,684	90%
June 30, 1991	1,779,579	295,826	86%	1,824,663	250,742	88%
June 30, 1992	2,001,864	229,882	90%	2,031,938	199,808	91%
June 30, 1993	2,261,082	168,374	93%	2,306,503	122,953	95%
June 30, 1994	2,472,957	288,452	90%	2,351,719	409,690	85%

# State of Alaska TRS Projected Contribution Rates



# State of Alaska TRS Projected Funding Ratios

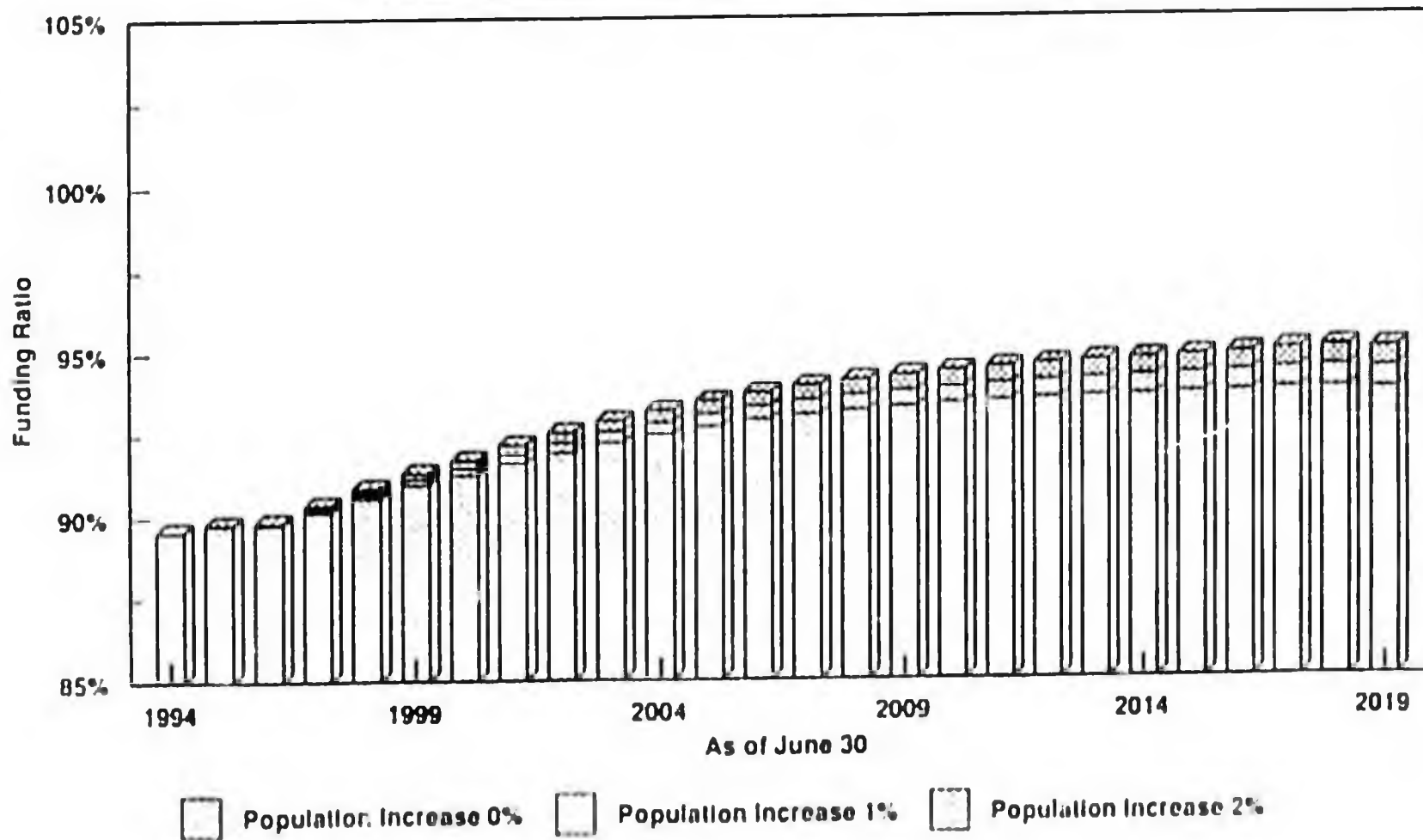


Table 1  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%				Annual Population Increase 0.00%								Ending Asset Value
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	
1994	2,472,957	2,761,409	89.6%	(288,452)	476,098	13.36%	64,294	42,205	106,500	145,156	(38,656)	196,290	2,630,591
1995	2,630,591	2,931,668	89.7%	(300,477)	486,395	12.48%	61,360	43,070	104,429	154,106	(49,677)	208,460	2,789,374
1996	2,789,374	3,107,937	89.8%	(318,562)	496,931	14.96%	75,011	43,883	118,894	167,865	(48,971)	221,191	2,961,594
1997	2,961,594	3,285,207	90.1%	(323,613)	506,107	15.06%	76,828	44,635	121,463	183,331	(61,868)	234,453	3,134,179
1998	3,134,179	3,460,579	90.6%	(326,400)	515,287	14.95%	77,772	45,411	123,183	199,380	(76,198)	247,686	3,305,648
1999	3,305,648	3,633,780	91.0%	(328,132)	525,046	14.60%	77,511	46,289	123,800	217,446	(93,646)	260,708	3,472,730
2000	3,472,730	3,805,154	91.3%	(332,424)	536,634	14.22%	77,136	47,245	124,381	231,891	(109,510)	273,438	3,636,557
2001	3,636,557	3,969,923	91.6%	(333,366)	548,222	13.71%	75,933	48,199	124,130	252,251	(128,121)	285,808	3,794,344
2002	3,794,344	4,127,589	91.9%	(333,245)	559,810	13.32%	75,335	49,151	124,486	271,408	(146,921)	297,671	3,945,094
2003	3,945,094	4,277,830	92.2%	(332,736)	571,398	12.96%	74,430	50,100	124,531	290,812	(166,081)	308,964	4,087,977
2004	4,087,977	4,420,501	92.5%	(332,524)	582,986	12.68%	73,780	51,274	125,054	309,285	(184,211)	319,670	4,223,436
2005	4,223,436	4,555,635	92.7%	(332,199)	590,801	12.07%	73,387	52,671	126,058	328,106	(202,048)	329,793	4,351,191
2006	4,351,191	4,683,441	92.9%	(332,250)	616,616	11.64%	72,745	54,065	126,810	346,607	(219,797)	339,303	4,470,487
2007	4,470,487	4,804,308	93.1%	(333,821)	633,431	11.31%	72,600	55,519	128,119	363,704	(235,184)	348,232	4,581,334
2008	4,581,334	4,918,798	93.2%	(335,464)	650,746	11.01%	72,302	56,974	129,478	379,336	(249,660)	356,672	4,690,166
2009	4,690,166	5,027,654	93.3%	(337,488)	667,061	10.73%	72,045	58,733	131,579	394,197	(262,818)	364,699	4,797,027
2010	4,792,027	5,131,795	93.4%	(339,767)	690,936	10.47%	71,540	60,799	134,189	408,648	(276,309)	372,340	4,899,108
2011	4,890,108	5,232,316	93.5%	(342,208)	714,811	10.18%	71,093	62,864	136,857	421,707	(289,850)	379,815	4,985,073
2012	4,985,073	5,330,493	93.5%	(345,420)	738,687	10.09%	70,709	64,929	140,638	433,634	(292,996)	387,081	5,070,161
2013	5,079,163	5,427,774	93.6%	(348,611)	762,562	10.00%	70,447	66,994	144,441	444,827	(300,181)	394,376	5,153,308
2014	5,173,308	5,525,788	93.6%	(352,481)	786,437	9.93%	70,668	69,616	149,084	454,167	(305,083)	401,641	5,269,887
2015	5,269,887	5,626,342	93.7%	(356,455)	810,350	9.86%	70,291	72,193	154,485	462,778	(308,293)	409,259	5,370,853
2016	5,370,853	5,731,416	93.7%	(360,563)	834,662	9.76%	70,379	74,973	159,550	468,836	(309,286)	417,297	5,478,863
2017	5,478,863	5,841,171	93.8%	(364,307)	862,774	9.70%	68,031	77,749	165,779	472,101	(311,322)	425,856	5,593,598
2018	5,593,598	5,963,944	93.8%	(370,346)	914,887	9.63%	67,403	80,527	172,019	485,187	(313,168)	434,929	5,714,759
2019	5,714,759	6,096,219	93.7%	(381,460)	966,999	9.66%	66,974	83,353	178,327	494,248	(315,919)	444,344	5,843,386

\* Surpluses reduce employer contributions over 5 years.  
\* Deficits increase employer contributions over 25 years.

Table 2  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Valuation Accounts on July 1				Flow Accounts During following 12 Months							Ending Asset Value	
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs		Investment Earnings
1994	2,472,957	2,761,409	89.62	(288,452)	476,098	13.363	64,538	42,365	106,903	145,156	(38,253)	196,306	2,631,011
1995	2,631,011	2,931,132	89.81	(300,121)	490,042	12.483	62,052	43,556	105,607	154,106	(48,499)	208,541	2,791,053
1996	2,791,053	3,108,385	89.83	(317,332)	504,377	14.963	76,436	44,717	121,153	167,923	(46,771)	221,413	2,965,696
1997	2,965,696	3,286,373	90.72	(320,677)	517,718	14.883	78,070	45,849	123,919	183,469	(59,550)	234,874	3,141,019
1998	3,141,019	3,462,865	90.72	(321,845)	531,456	14.663	78,998	47,040	126,038	199,617	(73,579)	248,338	3,315,778
1999	3,315,778	3,637,671	91.22	(321,892)	546,197	14.183	78,718	48,414	127,132	217,810	(90,678)	261,635	3,486,735
2000	3,486,735	3,811,162	91.52	(324,427)	564,209	13.872	78,383	49,927	128,310	234,409	(106,100)	274,695	3,655,330
2001	3,655,330	3,978,739	91.92	(323,409)	582,222	13.043	77,106	51,437	128,543	252,948	(124,405)	287,450	3,818,376
2002	3,818,376	4,140,009	92.22	(321,634)	600,234	12.552	76,442	52,943	129,385	272,320	(142,935)	299,753	3,975,193
2003	3,975,193	4,294,779	92.62	(319,586)	618,247	12.032	75,663	54,446	129,908	291,699	(161,790)	311,544	4,124,946
2004	4,124,946	4,443,051	92.82	(318,105)	636,259	11.532	74,906	56,301	131,207	310,544	(179,337)	322,822	4,268,432
2005	4,268,432	4,585,011	93.12	(316,579)	662,504	11.062	74,257	58,509	132,267	329,585	(196,318)	333,622	4,405,735
2006	4,405,735	4,721,121	93.32	(315,385)	688,750	10.572	74,211	60,712	134,975	348,308	(213,363)	344,924	4,536,276
2007	4,536,276	4,851,921	93.52	(315,645)	714,995	10.212	74,312	62,982	137,294	365,655	(228,361)	353,768	4,661,683
2008	4,661,683	4,978,233	93.62	(316,550)	741,240	9.872	74,662	65,252	139,714	381,575	(241,861)	363,260	4,783,082
2009	4,783,082	5,101,055	93.82	(317,973)	767,486	9.572	75,228	68,005	143,233	396,968	(253,755)	372,497	4,901,844
2010	4,901,844	5,221,586	93.92	(319,742)	804,891	9.302	76,557	71,241	147,798	411,648	(263,850)	381,594	5,019,588
2011	5,019,588	5,341,223	94.02	(321,635)	842,297	8.982	77,352	74,476	151,828	425,088	(273,260)	390,637	5,136,965
2012	5,136,965	5,461,562	94.12	(324,597)	879,702	8.682	79,804	77,712	157,516	437,510	(279,995)	399,757	5,256,728
2013	5,256,728	5,584,397	94.12	(327,669)	917,108	8.392	82,276	80,948	163,224	449,087	(285,863)	409,104	5,379,969
2014	5,379,969	5,711,723	94.22	(331,754)	954,514	8.122	85,458	84,778	170,236	459,319	(289,083)	418,834	5,509,720
2015	5,509,720	5,845,733	94.32	(336,012)	1,005,671	8.652	89,242	89,203	178,445	468,724	(290,279)	429,166	5,648,608
2016	5,648,608	5,988,817	94.32	(340,209)	1,056,879	8.542	92,440	93,628	186,068	475,642	(289,674)	438,364	5,799,288
2017	5,799,288	6,143,566	94.42	(344,278)	1,107,987	8.572	97,168	98,051	195,221	475,265	(290,643)	447,341	5,961,586
2018	5,961,586	6,312,771	94.42	(351,185)	1,159,145	8.602	101,888	102,479	204,344	475,345	(290,981)	457,288	6,135,893
2019	6,135,893	6,499,419	94.42	(363,525)	1,210,303	8.672	106,685	107,001	213,687	475,904	(292,218)	479,183	6,322,858

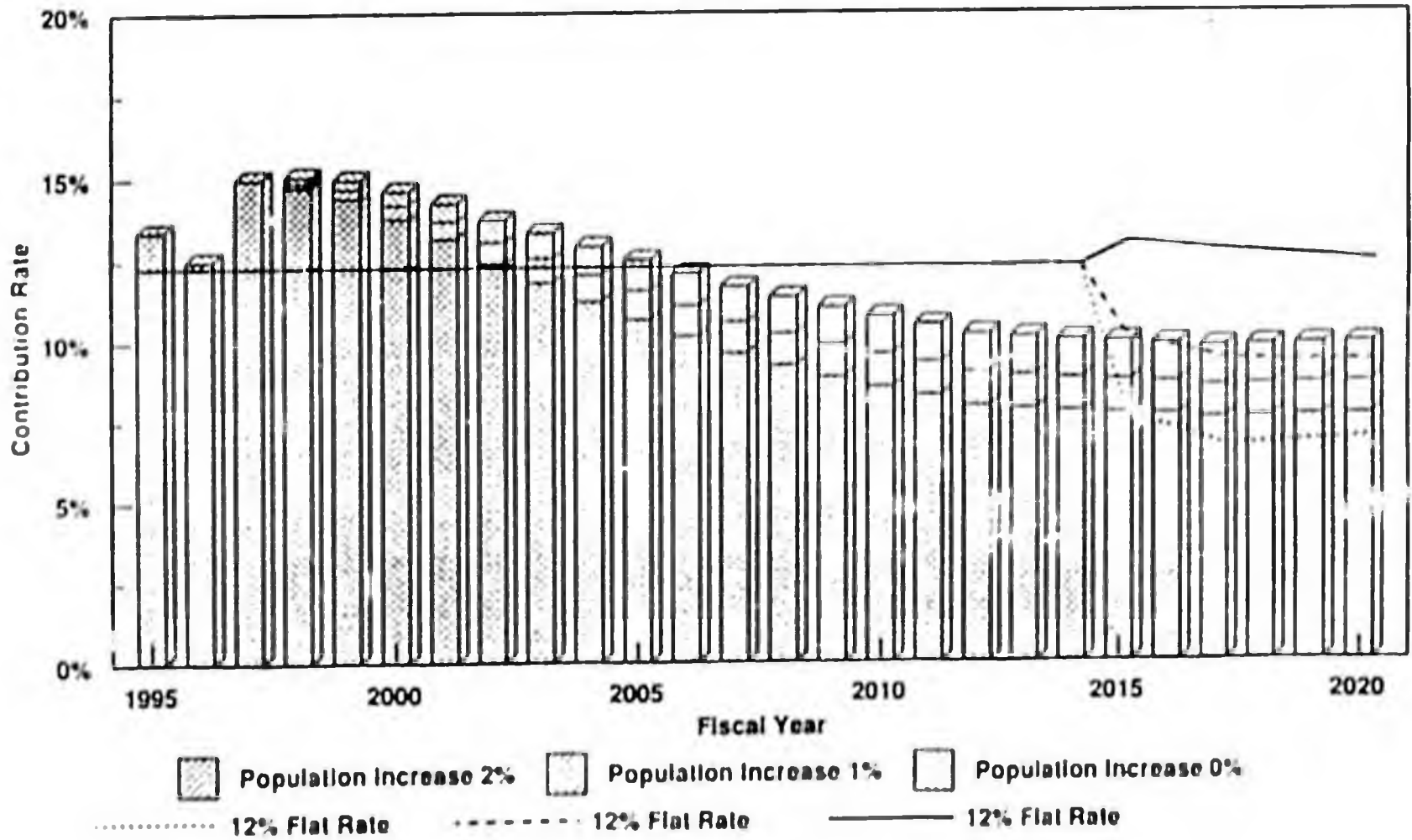
\* Surpluses reduce employer contributions over 5 years.  
\* Deficits increase employer contributions over 25 years.

Table 3  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%				Annual Population Increase 2.00%						Ending Asset Value		
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Net Investment Earnings			
1994	2,472,957	2,761,409	89.6%	(288,452)	476,095	13.36%	64,779	42,523	107,302	145,156	(37,855)	196,322	2,631,425
1995	2,631,425	2,931,197	89.8%	(299,772)	493,641	12.48%	62,742	44,040	106,783	154,106	(47,323)	208,621	2,792,723
1996	2,792,723	3,108,836	89.8%	(316,113)	511,846	14.96%	77,877	45,559	123,436	167,980	(44,544)	221,636	2,969,814
1997	2,969,814	3,287,549	90.3%	(317,735)	529,509	14.72%	79,335	47,090	126,425	183,607	(57,182)	235,298	3,147,930
1998	3,147,930	3,465,185	90.8%	(317,255)	548,060	14.38%	80,245	48,722	128,968	199,859	(70,891)	248,999	3,326,037
1999	3,326,037	3,641,647	91.3%	(315,610)	568,144	13.77%	79,956	50,643	130,599	218,184	(87,585)	262,580	3,501,032
2000	3,501,032	3,817,263	91.7%	(316,232)	593,394	13.15%	79,672	52,784	132,456	234,944	(102,688)	275,983	3,674,526
2001	3,674,526	3,987,771	92.1%	(313,245)	618,643	12.40%	78,297	54,920	133,217	253,675	(120,458)	289,144	3,843,213
2002	3,843,213	4,152,871	92.5%	(309,659)	643,893	11.81%	77,519	57,051	134,571	273,277	(138,706)	301,909	4,006,415
2003	4,006,415	4,312,497	92.9%	(306,082)	669,143	11.21%	76,433	59,177	135,610	292,855	(157,244)	314,223	4,163,394
2004	4,163,394	4,466,813	93.2%	(303,419)	694,393	10.65%	75,985	61,836	137,821	311,917	(174,096)	326,108	4,315,406
2005	4,315,406	4,616,213	93.5%	(300,807)	722,039	10.14%	76,135	65,025	141,160	331,192	(190,032)	337,831	4,463,005
2006	4,463,005	4,761,323	93.7%	(298,318)	749,687	9.60%	75,678	68,206	143,884	350,176	(206,292)	348,789	4,605,501
2007	4,605,501	4,903,600	93.9%	(297,499)	807,331	9.21%	76,052	71,462	147,515	367,816	(220,301)	359,628	4,744,828
2008	4,744,828	5,042,332	94.1%	(297,504)	844,977	8.85%	76,483	74,719	151,202	384,079	(232,877)	370,271	4,882,221
2009	4,882,221	5,180,637	94.2%	(298,415)	882,623	8.54%	77,758	78,220	156,478	399,865	(243,387)	380,842	5,019,676
2010	5,019,676	5,319,465	94.4%	(299,789)	937,484	8.27%	79,803	81,465	163,268	414,997	(254,729)	391,505	5,159,453
2011	5,159,453	5,460,598	94.5%	(301,146)	992,345	7.94%	81,017	85,211	169,227	428,953	(259,726)	402,367	5,302,094
2012	5,302,094	5,606,048	94.6%	(303,954)	1,047,205	7.65%	84,358	92,956	177,314	441,972	(264,659)	413,581	5,451,016
2013	5,451,016	5,758,056	94.7%	(307,040)	1,102,066	7.77%	87,711	97,201	185,412	454,255	(268,842)	425,329	5,607,502
2014	5,607,502	5,919,097	94.7%	(311,596)	1,156,926	7.70%	92,083	103,417	195,500	465,308	(269,809)	437,808	5,775,500
2015	5,775,500	6,091,877	94.8%	(316,376)	1,234,219	7.65%	97,335	110,103	207,438	475,646	(268,228)	451,311	5,958,583
2016	5,958,583	6,279,330	94.9%	(320,746)	1,311,511	7.52%	101,590	118,289	218,379	481,728	(265,350)	466,073	6,159,307
2017	6,159,307	6,484,624	95.0%	(325,317)	1,388,803	7.56%	107,958	123,474	231,432	494,825	(263,393)	482,209	6,378,123
2018	6,378,123	6,711,157	95.0%	(333,034)	1,466,095	7.59%	114,277	130,160	244,437	506,756	(262,319)	499,757	6,615,561
2019	6,615,561	6,962,557	95.0%	(346,997)	1,543,388	7.62%	120,764	137,022	257,786	519,520	(261,734)	518,725	6,872,602

\* Surpluses reduce employer contributions over 5 years.  
\* Deficits increase employer contributions over 25 years.

# State of Alaska TRS Projected Contribution Rates



# State of Alaska TRS Projected Funding Ratios

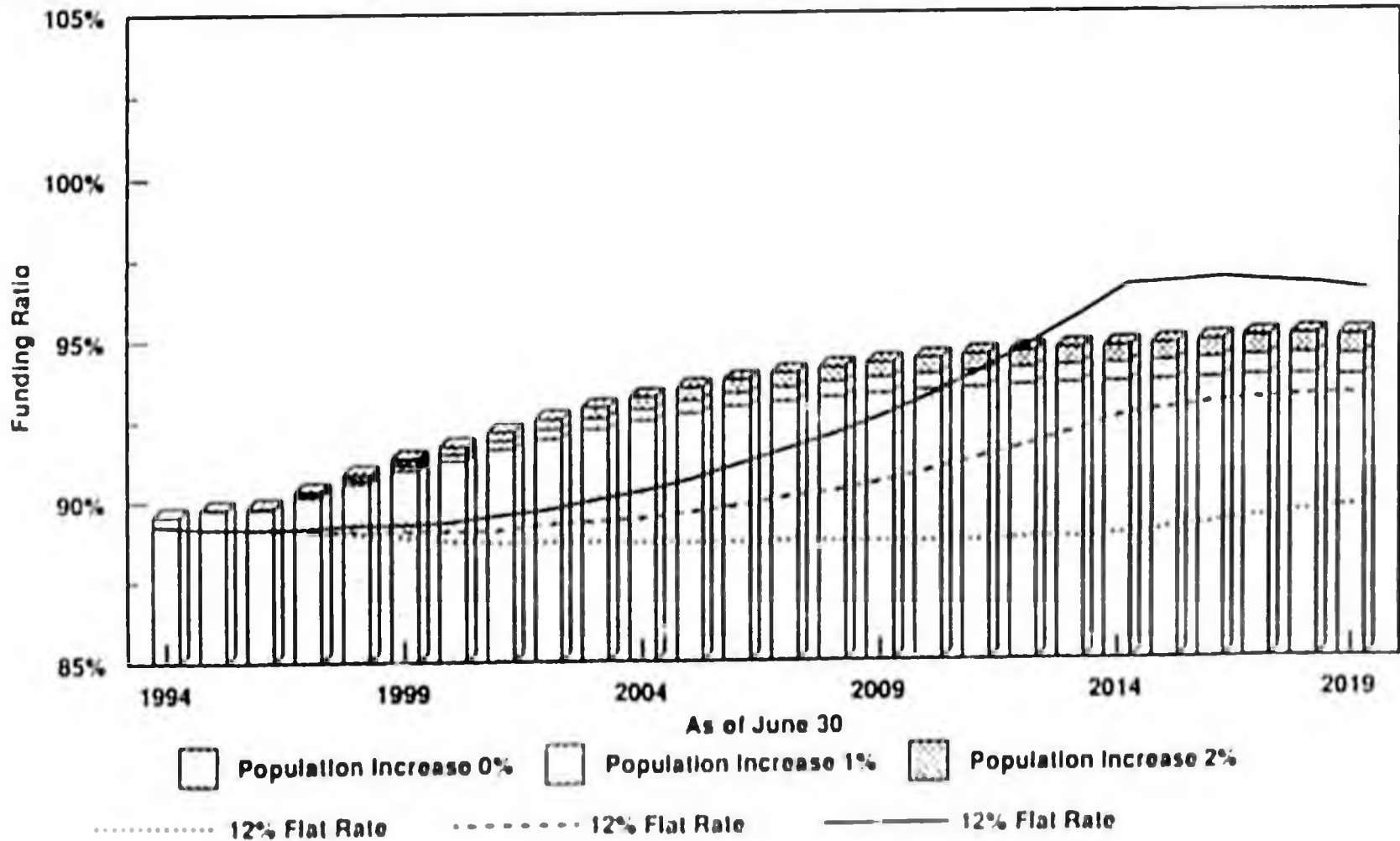


Table 4  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%			Annual Population Increase 0.00%							Ending Asset Value		
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments		Net Contribs	Investment Earnings
1994	2,472,957	2,761,409	89.6%	(288,452)	476,098	12.00%	57,750	42,205	99,955	145,156	(45,201)	196,029	2,623,784
1995	2,623,784	2,931,068	89.5%	(307,284)	486,395	12.00%	59,000	43,070	102,069	154,106	(52,037)	207,821	2,779,569
1996	2,779,569	3,107,937	89.4%	(328,368)	496,931	12.00%	60,182	43,883	104,065	167,865	(63,800)	219,813	2,935,582
1997	2,935,582	3,285,207	89.4%	(349,625)	506,107	12.00%	61,284	44,635	105,919	183,331	(77,412)	231,750	3,089,920
1998	3,089,920	3,460,579	89.3%	(370,659)	515,287	12.00%	62,420	45,411	107,831	199,380	(91,550)	243,532	3,241,902
1999	3,241,902	3,633,780	89.2%	(391,878)	525,046	12.00%	63,701	46,289	109,990	217,446	(107,456)	255,054	3,389,500
2000	3,389,500	3,805,154	89.1%	(415,654)	536,634	12.00%	65,091	47,245	112,337	233,891	(121,555)	266,298	3,534,243
2001	3,534,243	3,969,923	89.0%	(435,680)	548,222	12.00%	66,482	48,199	114,681	252,251	(137,569)	277,237	3,673,910
2002	3,673,910	4,127,589	89.0%	(453,679)	559,810	12.00%	67,873	49,151	117,024	271,408	(154,384)	287,737	3,807,263
2003	3,807,263	4,277,830	89.0%	(470,567)	571,398	12.00%	69,263	50,100	119,363	290,612	(171,249)	297,731	3,933,746
2004	3,933,746	4,420,501	89.0%	(486,755)	582,986	12.00%	70,667	51,274	122,241	309,265	(187,024)	307,219	4,053,941
2005	4,053,941	4,555,635	89.0%	(501,694)	594,801	12.00%	72,085	52,671	125,656	328,106	(202,450)	316,217	4,167,708
2006	4,167,708	4,683,441	89.0%	(515,733)	616,616	12.00%	75,003	54,065	129,067	346,607	(217,539)	324,715	4,274,684
2007	4,274,684	4,804,308	89.0%	(529,624)	633,431	12.00%	77,021	55,519	132,940	363,704	(231,164)	332,744	4,376,464
2008	4,376,464	4,918,798	89.0%	(542,334)	650,246	12.00%	79,038	56,974	136,012	379,336	(243,324)	340,384	4,473,524
2009	4,473,524	5,027,654	89.0%	(554,130)	667,061	12.00%	81,480	58,733	140,213	394,397	(254,183)	347,715	4,567,055
2010	4,567,055	5,131,795	89.0%	(564,739)	690,936	12.00%	84,345	60,799	145,143	408,698	(263,555)	354,822	4,658,323
2011	4,658,323	5,232,316	89.0%	(573,993)	714,811	12.00%	87,210	62,864	150,074	421,707	(271,633)	361,801	4,748,491
2012	4,748,491	5,330,493	89.1%	(582,002)	738,687	12.00%	90,075	64,929	155,004	433,634	(278,631)	368,734	4,838,594
2013	4,838,594	5,427,774	89.1%	(589,180)	762,562	12.00%	92,940	66,994	159,934	444,622	(284,688)	375,700	4,929,607
2014	4,929,607	5,525,788	89.2%	(596,182)	786,437	12.71%	101,962	69,416	171,378	454,167	(282,789)	383,057	5,020,875
2015	5,020,875	5,626,342	89.4%	(596,467)	818,530	12.60%	105,130	72,193	177,323	462,778	(285,455)	390,972	5,115,392
2016	5,115,392	5,731,416	89.4%	(596,024)	850,662	12.45%	107,875	74,971	182,846	468,836	(285,990)	399,392	5,208,794
2017	5,208,794	5,843,171	89.8%	(594,377)	882,774	12.34%	110,891	77,749	188,640	477,101	(288,461)	408,365	5,308,697
2018	5,308,697	5,963,944	90.0%	(595,246)	914,887	12.23%	113,844	80,527	194,370	485,587	(291,216)	417,847	5,409,328
2019	5,409,328	6,096,249	90.1%	(600,921)	946,999	12.12%	116,758	83,353	200,111	494,246	(294,135)	427,861	5,499,053

\* Surpluses reduce employer contributions over 5 years  
 \* Deficits increase employer contributions over 25 years

State of Alaska Department of Labor

Table 5  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%				Annual Population Increase 1.00%								Ending Asset Value
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	
1994	2,472,957	2,761,409	89.6%	(288,452)	476,098	12.00%	57,968	42,365	100,334	145,156	(44,823)	196,044	2,624,178
1995	2,624,178	2,931,132	89.5%	(306,954)	490,042	12.00%	59,665	43,556	103,221	154,106	(50,885)	207,899	2,781,192
1996	2,781,192	3,108,385	89.5%	(327,194)	504,377	12.00%	61,326	44,717	106,042	167,923	(61,881)	220,020	2,939,331
1997	2,939,331	3,286,373	89.4%	(347,042)	517,718	12.00%	62,950	45,849	108,799	183,469	(74,670)	232,160	3,096,821
1998	3,096,821	3,462,865	89.4%	(366,044)	531,456	12.00%	64,659	47,040	111,699	199,617	(87,919)	244,229	3,253,131
1999	3,253,131	3,637,671	89.4%	(384,539)	546,197	12.00%	66,624	48,414	115,038	217,810	(102,772)	256,140	3,406,499
2000	3,406,499	3,811,162	89.4%	(404,663)	564,209	12.00%	68,786	49,927	118,713	234,409	(115,697)	267,892	3,558,694
2001	3,558,694	3,978,739	89.4%	(420,045)	582,222	12.00%	70,947	51,437	122,384	252,948	(130,564)	279,473	3,707,604
2002	3,707,604	4,140,009	89.6%	(432,406)	600,234	12.00%	73,109	52,943	126,052	272,320	(146,268)	290,758	3,852,093
2003	3,852,093	4,294,779	89.7%	(442,685)	618,247	12.00%	75,270	54,446	129,716	291,699	(161,983)	301,688	3,991,798
2004	3,991,798	4,443,051	89.8%	(451,253)	636,259	12.00%	77,926	56,301	134,227	310,544	(176,317)	312,291	4,127,772
2005	4,127,772	4,585,031	90.0%	(457,259)	662,504	12.00%	81,075	58,509	139,585	329,585	(190,000)	322,622	4,260,394
2006	4,260,394	4,721,121	90.2%	(460,727)	688,750	12.00%	84,225	60,712	144,937	348,308	(203,371)	332,697	4,389,719
2007	4,389,719	4,851,921	90.5%	(462,202)	714,995	12.00%	87,374	62,982	150,356	365,655	(215,299)	342,566	4,516,986
2008	4,516,986	4,978,233	90.7%	(461,247)	741,240	12.00%	90,524	65,252	155,776	381,575	(225,797)	352,327	4,643,513
2009	4,643,513	5,101,055	91.0%	(457,542)	767,486	12.00%	94,343	68,005	162,348	396,968	(234,620)	362,096	4,770,990
2010	4,770,990	5,221,586	91.4%	(450,597)	804,891	12.00%	98,831	71,241	170,072	411,648	(241,576)	372,016	4,901,430
2011	4,901,430	5,343,223	91.8%	(439,793)	842,297	12.00%	103,320	74,476	177,796	425,088	(247,291)	382,223	5,036,361
2012	5,036,361	5,461,562	92.2%	(425,200)	879,702	12.00%	107,809	77,712	185,521	437,510	(251,990)	392,829	5,177,201
2013	5,177,201	5,584,397	92.7%	(407,196)	917,108	12.00%	112,297	80,948	193,245	449,087	(255,842)	403,942	5,325,302
2014	5,325,302	5,711,723	93.2%	(386,421)	954,514	9.71%	95,180	84,778	179,958	459,319	(279,361)	414,850	5,460,791
2015	5,460,791	5,845,733	93.4%	(384,942)	1,005,671	9.41%	96,999	89,203	186,202	468,724	(282,522)	425,562	5,603,831
2016	5,603,831	5,988,817	93.6%	(384,986)	1,056,829	9.04%	97,817	93,628	191,445	475,692	(284,246)	436,917	5,756,521
2017	5,756,521	6,143,566	93.7%	(387,045)	1,107,987	8.99%	101,952	98,053	200,005	485,265	(285,260)	449,111	5,920,373
2018	5,920,373	6,312,771	93.8%	(392,398)	1,159,145	8.97%	106,240	102,479	208,718	495,345	(286,627)	462,165	6,095,911
2019	6,095,911	6,499,419	93.8%	(403,508)	1,210,303	8.96%	110,827	107,001	217,828	505,904	(288,076)	476,150	6,283,985

\* Surpluses reduce employer contributions over 5 years.  
\* Deficits increase employer contributions over 25 years.

Financial Projections (continued)

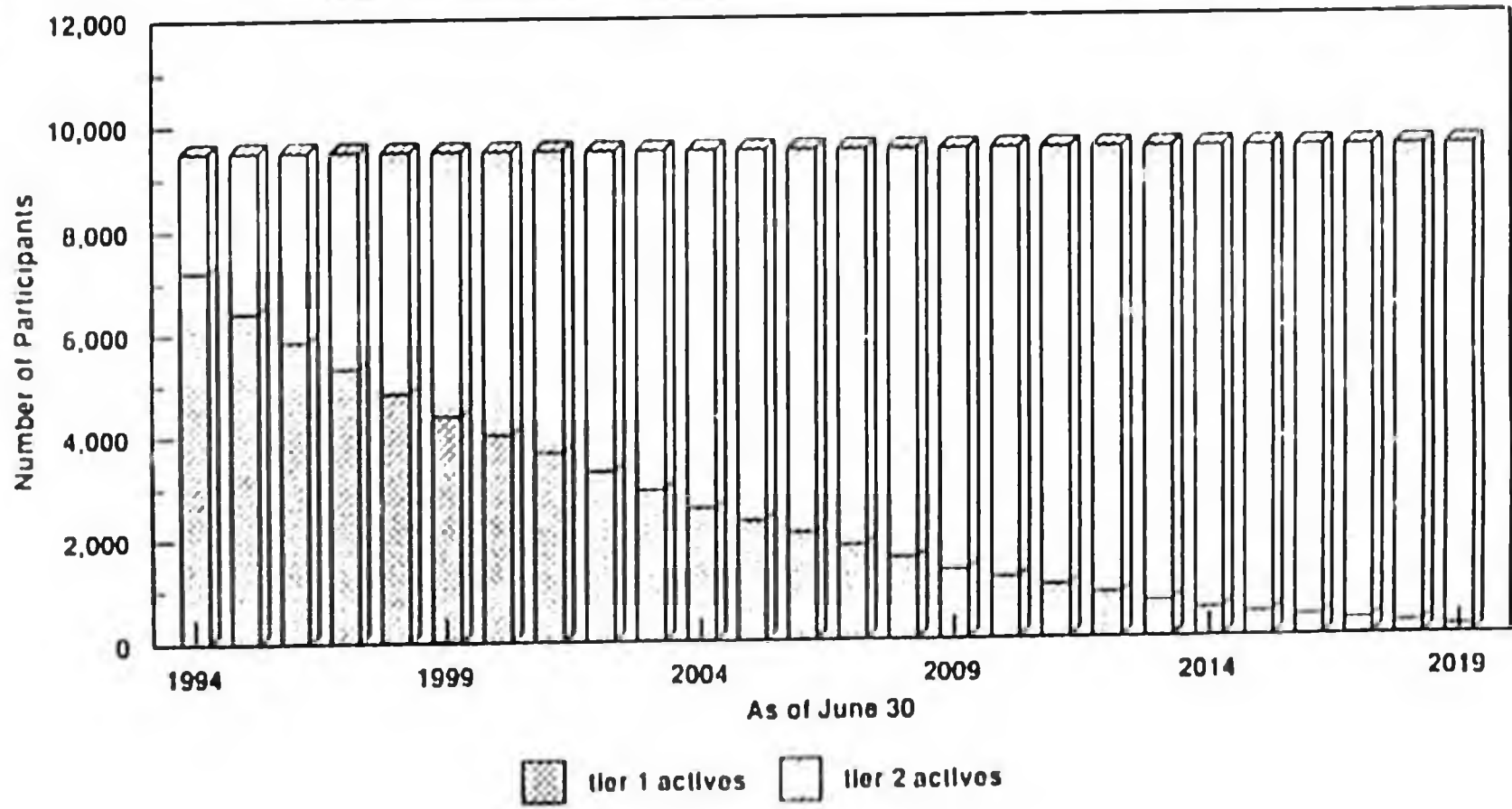
Table 6  
State of Alaska IRS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%				Annual Population Increase 2.00%								Ending Asset Value
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Benefit Contribs	Benefit Payments	Net Contribs	Investment Earnings	
1994	2,472,957	2,761,409	89.6%	(288,452)	476,098	12.00%	58,184	42,523	100,707	145,156	(44,449)	196,059	2,624,567
1995	2,624,567	2,931,197	89.5%	(306,630)	493,641	12.00%	60,329	44,040	104,370	154,106	(49,736)	207,976	2,782,806
1996	2,782,806	3,108,836	89.5%	(326,029)	511,846	12.00%	62,481	45,559	108,041	167,980	(59,940)	220,227	2,943,094
1997	2,943,094	3,287,549	89.5%	(344,455)	529,509	12.00%	64,634	47,090	111,744	183,607	(71,863)	232,573	3,103,804
1998	3,103,804	3,465,185	89.6%	(361,381)	548,060	12.00%	66,972	48,722	115,694	199,859	(84,165)	244,938	3,264,577
1999	3,264,577	3,641,647	89.6%	(377,070)	568,144	12.00%	69,692	50,643	120,335	218,184	(97,849)	257,252	3,423,980
2000	3,423,980	3,817,263	89.7%	(393,283)	593,394	12.00%	72,722	52,784	125,506	234,944	(109,438)	269,541	3,584,083
2001	3,584,083	3,987,771	89.9%	(403,688)	618,643	12.00%	75,752	54,920	130,673	253,675	(123,002)	281,807	3,742,887
2002	3,742,887	4,152,871	90.1%	(409,984)	643,893	12.00%	78,782	57,051	135,834	273,277	(137,443)	293,933	3,899,377
2003	3,899,377	4,312,497	90.4%	(413,120)	669,143	12.00%	81,812	59,177	140,990	292,855	(151,865)	305,876	4,053,387
2004	4,053,387	4,466,813	90.7%	(413,426)	694,393	12.00%	85,586	61,836	147,422	311,917	(164,495)	317,691	4,206,584
2005	4,206,584	4,616,213	91.1%	(409,629)	719,643	12.00%	90,103	65,025	155,128	331,192	(176,064)	329,484	4,360,004
2006	4,360,004	4,761,323	91.6%	(401,319)	744,893	12.00%	94,621	68,206	162,827	350,176	(187,349)	341,306	4,513,960
2007	4,513,960	4,903,000	92.1%	(389,039)	807,331	12.00%	99,139	71,462	170,601	367,816	(197,215)	353,228	4,669,973
2008	4,669,973	5,042,332	92.6%	(372,358)	844,977	12.00%	103,656	74,719	178,375	384,079	(205,704)	365,370	4,829,639
2009	4,829,639	5,180,637	93.2%	(350,998)	882,623	12.00%	109,206	78,720	187,926	399,865	(211,939)	377,894	4,995,593
2010	4,995,593	5,319,465	93.9%	(323,872)	937,484	12.00%	115,790	83,465	199,255	414,997	(215,742)	391,018	5,170,869
2011	5,170,869	5,460,598	94.7%	(289,730)	992,345	12.00%	122,373	88,211	210,583	428,053	(218,370)	404,935	5,357,434
2012	5,357,434	5,606,048	95.6%	(248,614)	1,047,205	12.00%	128,956	92,956	221,912	441,972	(220,060)	419,792	5,557,166
2013	5,557,166	5,758,056	96.5%	(200,890)	1,102,066	12.00%	135,540	97,701	233,241	454,255	(221,014)	435,733	5,771,884
2014	5,771,884	5,919,097	97.5%	(147,213)	1,156,926	7.24%	86,602	103,417	190,019	465,308	(275,289)	450,739	5,947,335
2015	5,947,335	6,091,877	97.6%	(144,542)	1,234,219	6.81%	86,701	110,103	196,804	475,866	(278,862)	464,632	6,133,105
2016	6,133,105	6,279,330	97.7%	(146,225)	1,311,511	6.29%	84,950	116,789	201,739	483,728	(281,989)	479,369	6,330,484
2017	6,330,484	6,484,614	97.6%	(154,130)	1,388,803	6.36%	90,720	123,474	214,194	494,825	(280,633)	495,213	6,545,066
2018	6,545,066	6,711,157	97.5%	(166,090)	1,466,095	6.44%	96,908	130,160	227,069	506,758	(279,687)	512,418	6,777,797
2019	6,777,797	6,962,557	97.3%	(184,760)	1,543,388	6.53%	103,828	137,022	240,850	519,520	(278,670)	531,077	7,030,204

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

# State of Alaska TRS

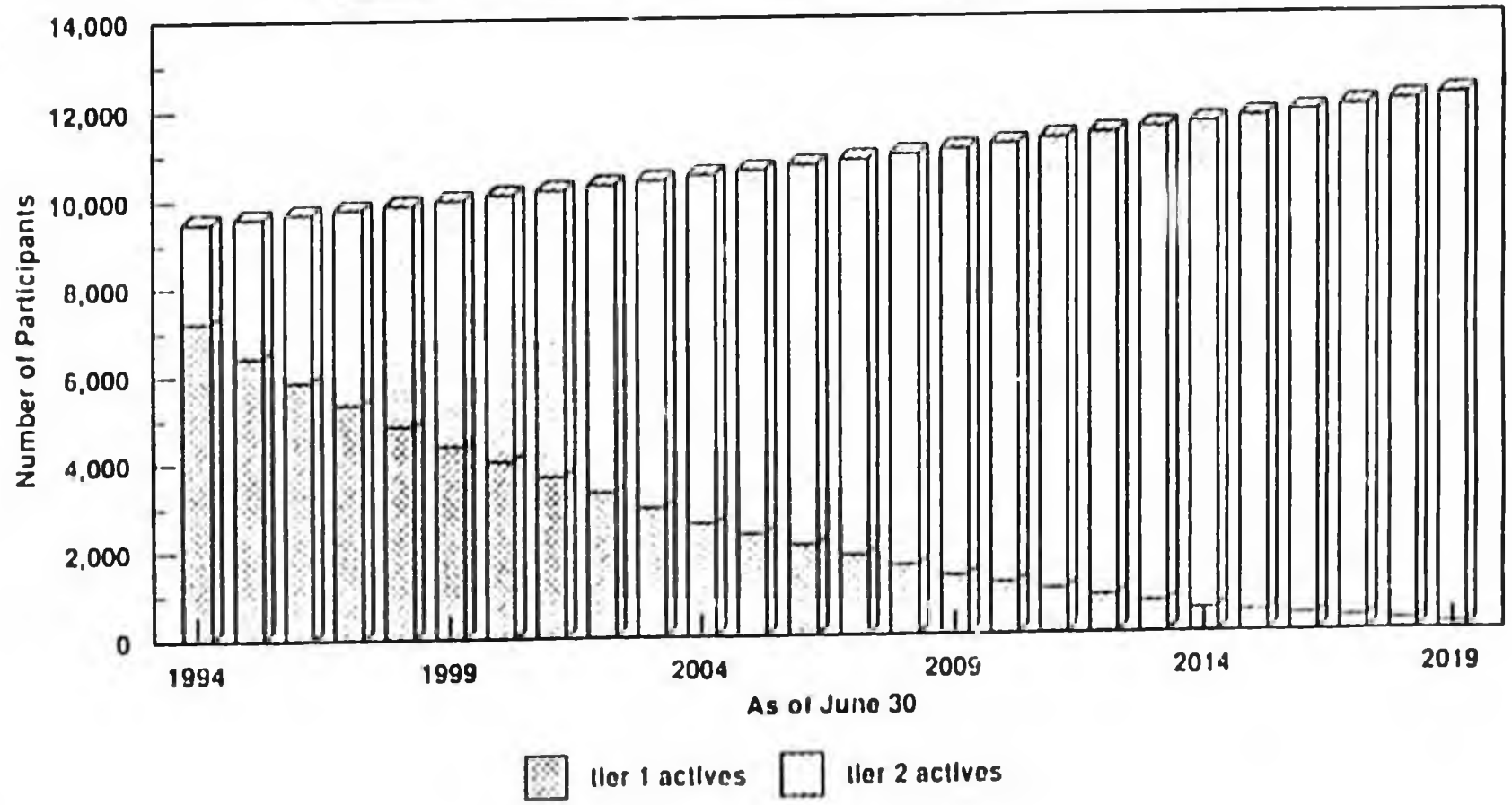
## Projected Active Participant Count Annual Population Increase of 0%



# State of Alaska TRS

## Projected Active Participant Count

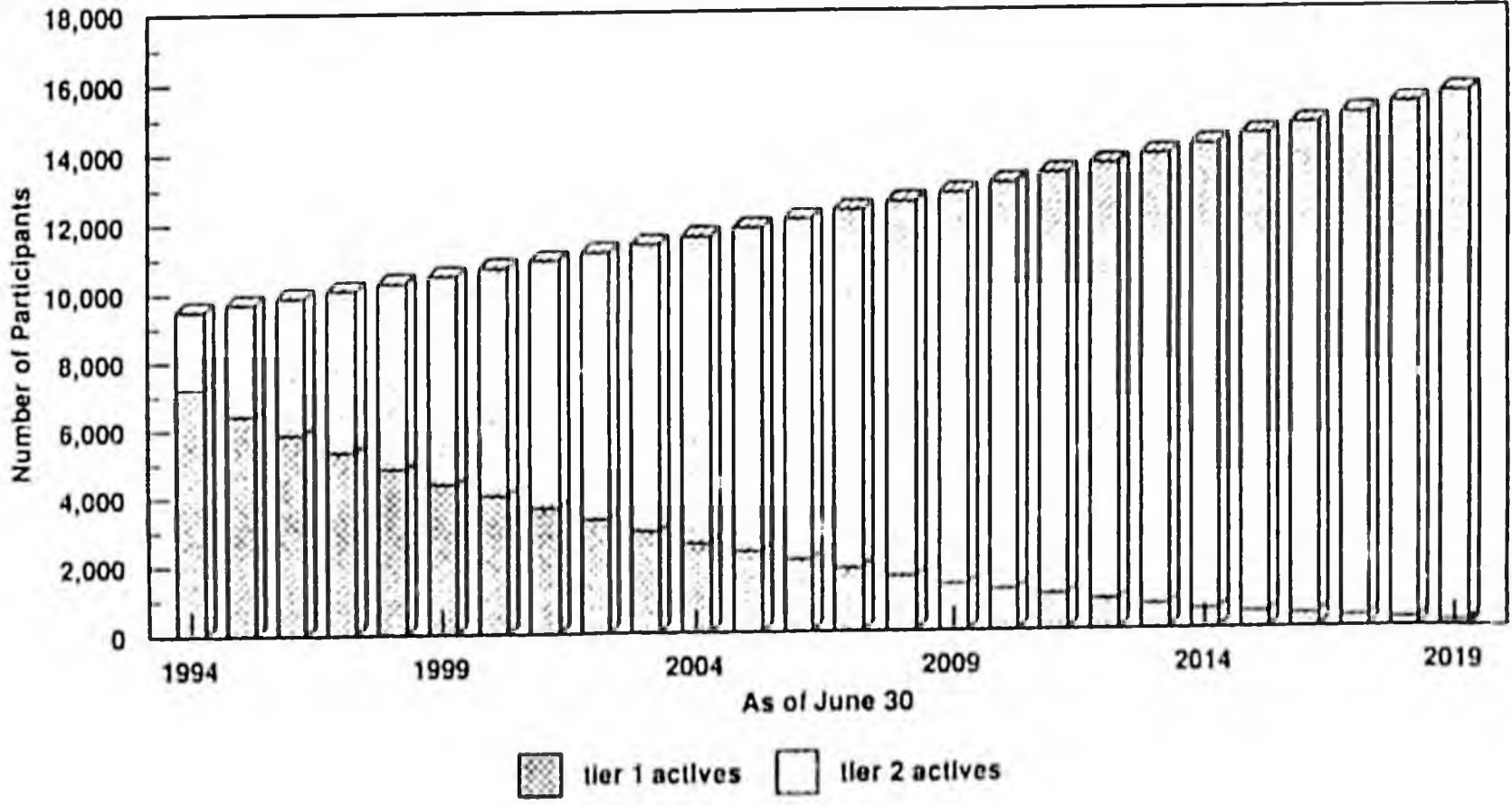
### Annual Population Increase of 1%



# State of Alaska TRS

## Projected Active Participant Count

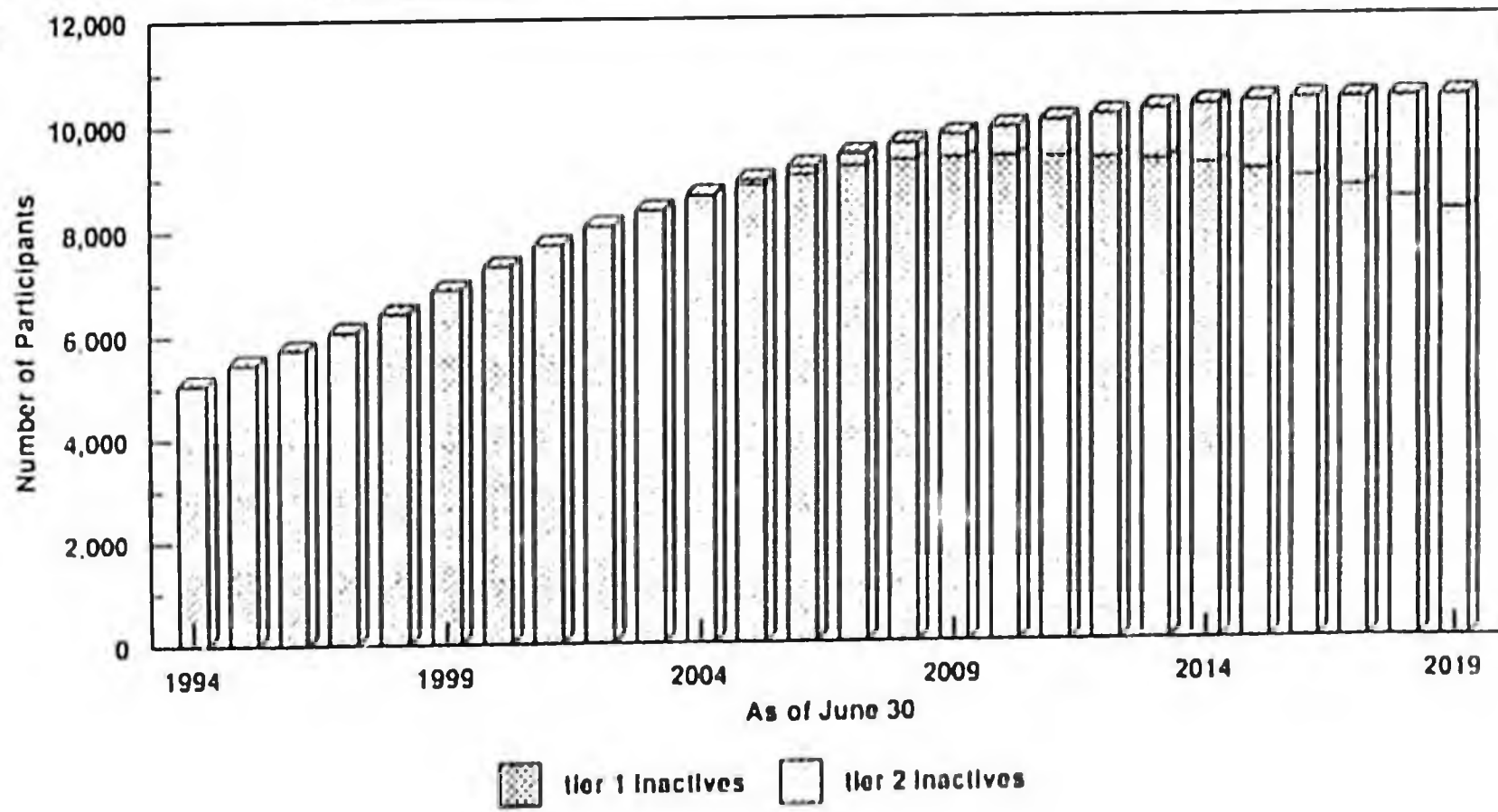
### Annual Population Increase of 2%



# State of Alaska TRS

## Projected Inactive Participant Count

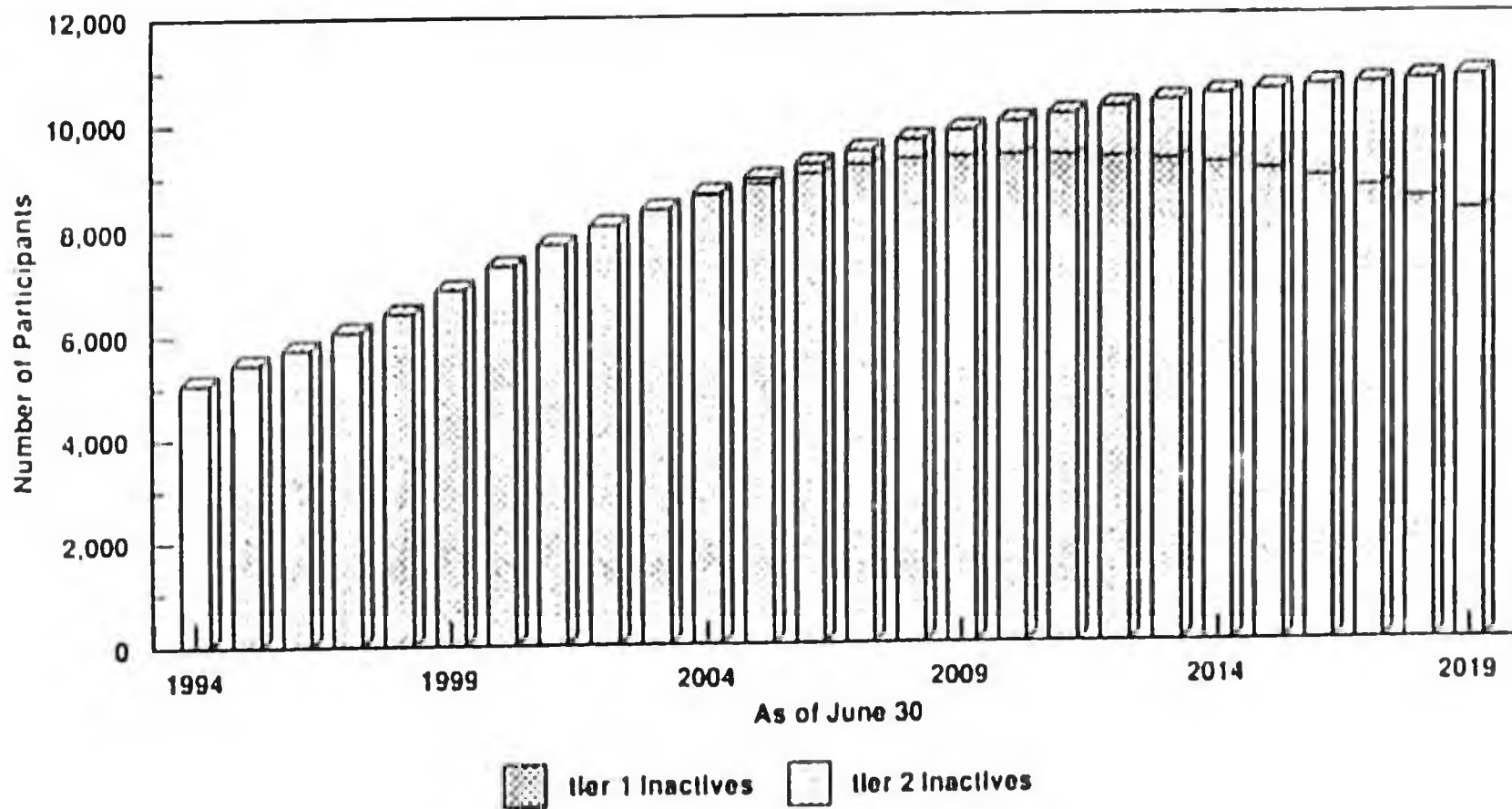
### Annual Population Increase of 0%



# State of Alaska TRS

## Projected Inactive Participant Count

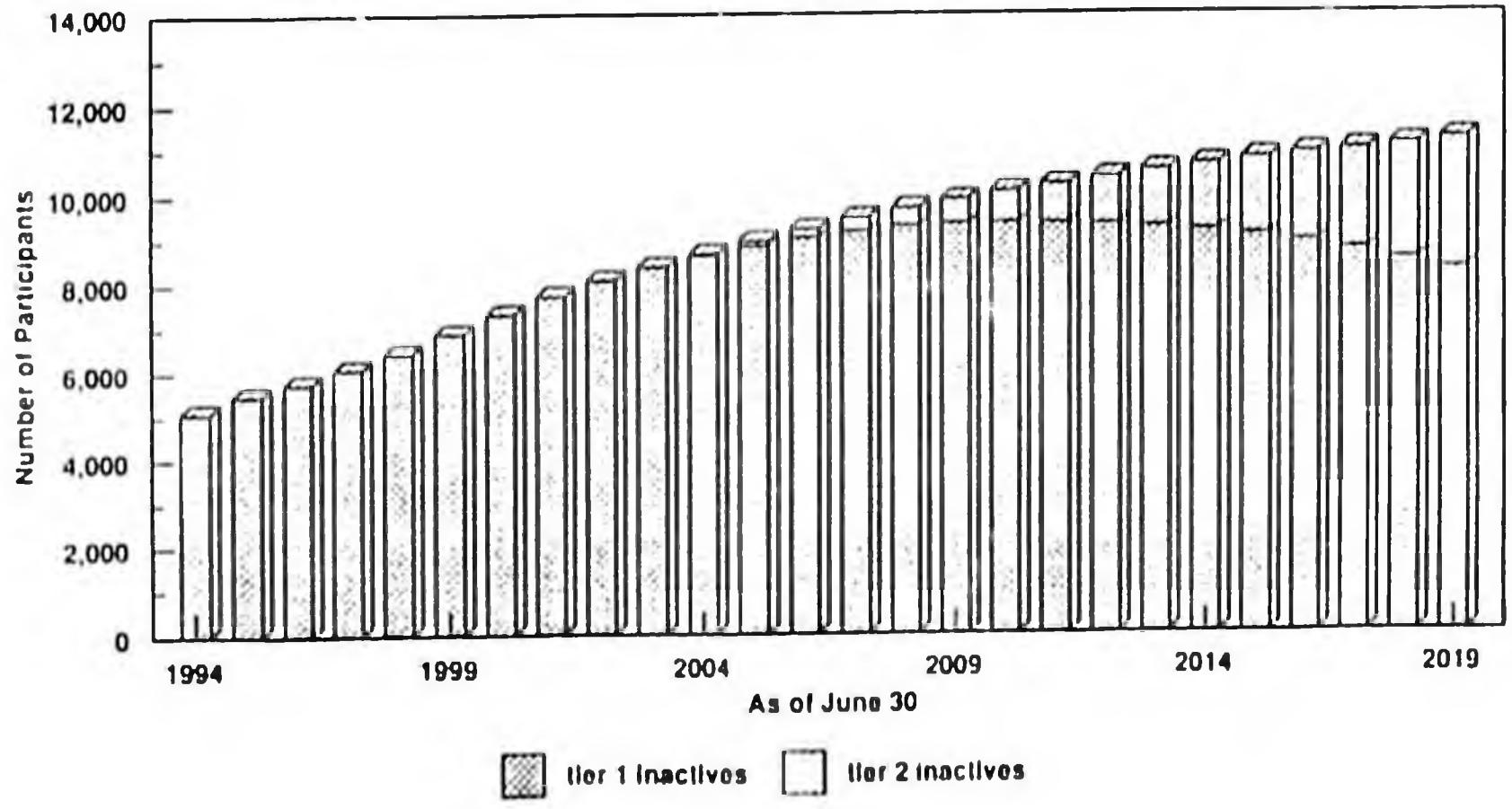
### Annual Population Increase of 1%



# State of Alaska TRS

## Projected Inactive Participant Count

### Annual Population Increase of 2%



## Section 2

### Basis of the Valuation

In this section, the basis of the valuation is presented and described. This information--the provisions of the plan and the census of participants--is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

## 2.1 Summary of the Alaska Teachers' Retirement System

### (1) Effective Date

July 1, 1955, with amendments through June 30, 1994. Chapter 97, 1990 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the TRS before July 1, 1990, are eligible for different benefits than members hired after June 30, 1990.

### (2) Administration of Plan

The Commissioner of Administration is responsible for administering the system. The Teachers' Retirement Board prescribes policies and regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division is responsible for investing TRS funds. The Attorney General represents the system in legal proceedings.

### (3) Membership

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

- certificated full-time and part-time elementary and secondary teachers, certificated school nurses, and certificated employees in positions requiring teaching certificates;
- the Commissioner of the Alaska Department of Education and certificated supervisors employed by the Department of Education in permanent positions requiring teaching certificates;
- University of Alaska full-time and part-time teachers, and full-time administrative employees in positions requiring academic standing if approved by the TRS administrator;
- certain full-time or part-time teachers of Alaska Native language or culture who have elected to be covered under the TRS;
- ~~members~~ on approved sabbatical leave under AS 14.20.310; and
- certain State legislators who have elected to be covered under the TRS.

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

Employees who work half-time in the TRS and Public Employees' Retirement System (PERS) simultaneously are eligible for half-time TRS and PERS credit.

**(4) Credited Service**

TRS members receive a year of membership credit if they work a minimum of 172 days during the school year (July 1 through June 30 of the following year). Fractional credit is determined based on the number of days worked. Members receive one-half membership credit for each day of part-time service. Credit is granted for all Alaskan public school service.

Members may claim other types of service, including:

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

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

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

**(5) Employer Contributions**

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

**(6) Member Contributions**

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

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (4) above.

1% Supplemental Contributions: Members who joined the system before July 1, 1982, and elected to participate in the supplemental contributions provision, are required to contribute an additional 1% of their salaries. Under the supplemental provision, an eligible spouse or dependent child will receive a survivor's allowance or spouse's pension if the member dies (see (10) below).

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

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

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

## (7) Retirement Benefits

### Eligibility:

(a) Members, including deferred vested members, are eligible for normal retirement at age 60\*, or early retirement at age 55, if they have at least:

- (i) eight years of paid-up membership service;
- (ii) 15 years of paid-up creditable service, the last five years which are membership service, and they were first hired under the TRS before July 1, 1975;
- (iii) five years of paid-up membership service and three years of paid-up Alaska Bureau of Indian Affairs service;
- (iv) 12 years of combined part-time and full-time paid-up membership service, or
- (v) two years of paid-up membership service if they are vested in the Public Employees' Retirement System (PERS).

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

(b) Members may retire at any age when they have:

- (i) 25 years of paid-up creditable service, the last five years which are membership service;
- (ii) 20 years of paid-up membership service;
- (iii) 20 years of combined paid-up membership and Alaska Bureau of Indian Affairs service, the last five years which are membership service; or
- (iv) 20 years of combined paid-up part-time and full-time membership service.

**Benefit Type:** Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements to retire at any age under (b) above. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

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

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

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

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

#### (8) Reemployment of Retired Members

Retirement benefits are suspended while retired members are reemployed under the TRS. During reemployment, members earn additional TRS service and contributions are withheld from their wages.

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

- (a) forfeit the three years of incentive credits that they received;
- (b) owe the TRS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and
- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

(9) **Disability Benefits**

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

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

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

(10) **Death Benefits**

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

**Occupational Death:** When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse, unless benefits are payable under the supplemental contributions provision (below). The pension equals 40% of the member's base salary on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's average base salary as existed on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date.

**Nonoccupational Death:** When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit, unless benefits are payable under the supplemental contributions provision (below). The monthly benefit is calculated on the member's average base salary and TRS service accrued at the time of death.

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

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

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

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

**(11) Post Retirement Pension Adjustments**

Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

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

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1990, if the CPI increases and the financial condition of the fund will permit an increase.

**(12) Alaska Cost of Living Allowance**

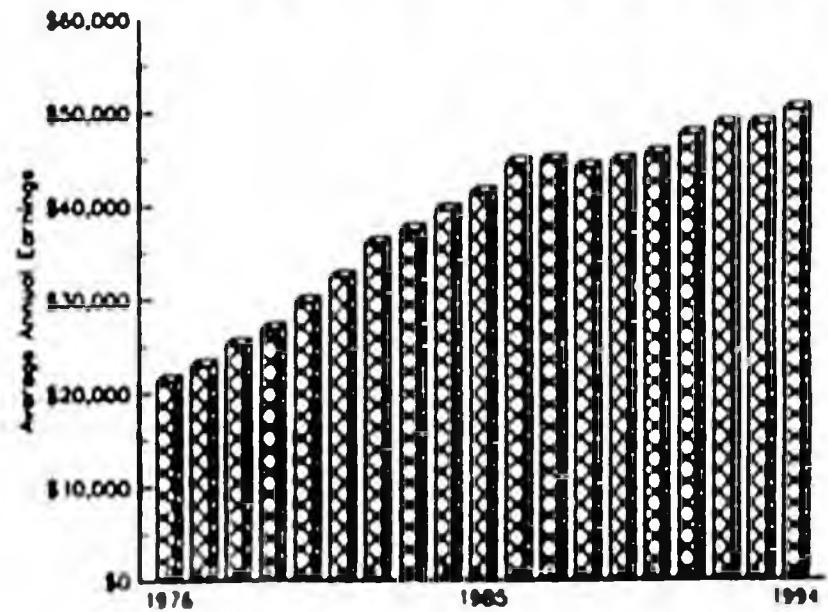
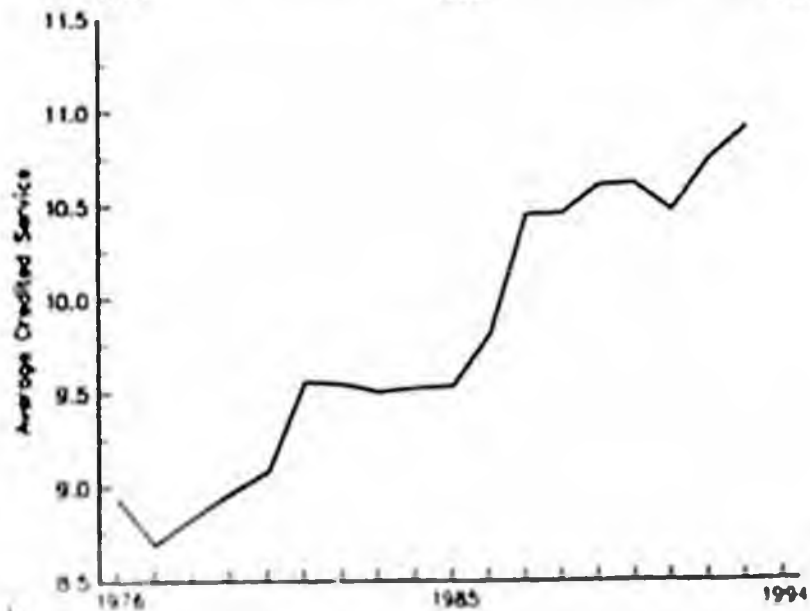
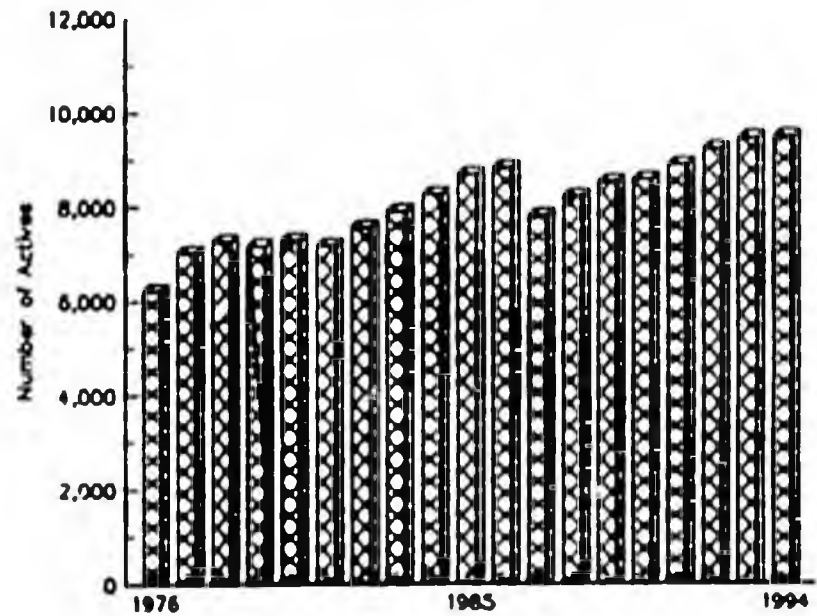
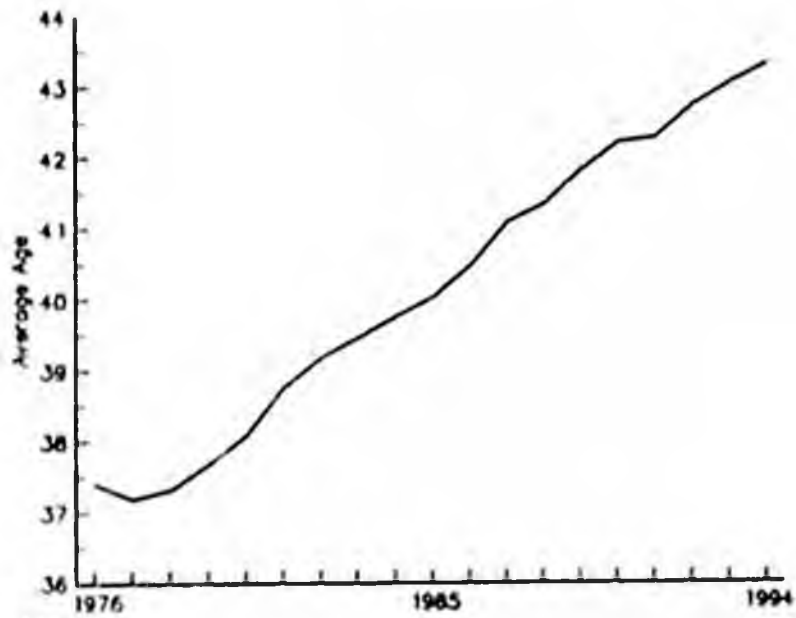
Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits. The following benefit recipients are eligible:

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

## 2.2(a) Participant Census Information as of June 30

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Active Members</b>					
(1) Number	8,586	8,903	9,238	9,459	9,489
(2) Average Age	42.21	42.28	42.74	43.06	43.32
(3) Average Credited Service	10.62	10.48	10.75	10.92	11.06
(4) Average Annual Salary	\$ 45,388	\$ 47,473	\$ 48,515	\$ 48,604	\$ 50,174
(5) Number Vested	4,890	5,069	5,422	5,604	5,562
(6) Percent Who Are Vested	57.0%	57.0%	58.7%	59.2%	58.6%
<b>Retirees and Beneficiaries</b>					
(1) Number	3,184	3,544	3,602	3,891	4,134
(2) Average Age	62.45	61.64	61.97	62.47	62.73
(3) Average Monthly Benefit:					
Base	\$ 1,491	\$ 1,587	\$ 1,601	\$ 1,598	\$ 1,643
COLA	\$ 100	\$ 105	\$ 102	\$ 98	\$ 102
PRPA	\$ 262	\$ 238	\$ 297	\$ 280	\$ 293
Adjustment	N/A	N/A	N/A	\$ 0	\$ 0
Total	\$ 1,853	\$ 1,930	\$ 2,000	\$ 1,976	\$ 2,038
<b>Vested Terminations</b>					
(1) Number	816	645	710	823	950
(2) Average Age	46.74	45.57	46.22	47.51	48.10
(3) Average Monthly Benefit	\$ 1,244	\$ 897	\$ 1,087	\$ 1,236	\$ 1,294
<b>Non-Vested Terminations With Account Balances</b>					
(1) Number	984	1,003	1,057	1,013	1,099
(2) Average Account Balance	\$ 10,244	\$ 10,270	\$ 10,411	\$ 11,208	\$ 11,807

# State of Alaska – TRS Actives



## 2.2(b) Distribution of Active Participants

..... Annual Earnings By Age .....				..... Annual Earnings By Credited Service .....			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	0	\$ 0	\$ 0	0	158	\$ 5,820,369	\$ 36,838
20-24	58	1,902,801	32,807	1	621	22,729,436	36,601
25-29	595	21,587,148	36,281	2	598	22,907,414	38,307
30-34	949	38,811,281	40,897	3	601	24,811,028	41,283
35-39	1,449	65,718,140	45,354	4	656	27,982,454	42,656
40-44	2,275	114,745,716	50,438	0-4	2,634	104,250,701	39,579
45-49	2,244	121,633,824	54,204	5-9	2,101	100,552,552	47,859
50-54	1,292	74,379,656	57,569	10-14	2,286	124,253,958	54,354
55-59	446	26,412,790	59,222	15-19	1,554	90,709,104	58,371
60-64	144	8,678,964	60,271	20-24	679	41,243,684	60,742
65-69	29	1,789,167	61,695	25-29	207	13,041,323	63,002
70-74	6	320,721	53,454	30-34	24	1,799,383	74,974
75-79	2	117,534	58,767	35-39	4	247,044	61,761
80-	0	0	0	40-	0	0	0
Total	9,489	\$ 476,097,749	\$ 50,174	Total	9,489	\$ 476,097,749	\$ 50,174

### Years of Credited Service By Age

Age	..... Years of Service .....									
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-	Total
0-19	0	0	0	0	0	0	0	0	0	0
20-24	58	0	0	0	0	0	0	0	0	58
25-29	538	57	0	0	0	0	0	0	0	595
30-34	533	341	75	0	0	0	0	0	0	949
35-39	475	461	440	73	0	0	0	0	0	1,449
40-44	468	522	712	498	75	0	0	0	0	2,275
45-49	328	402	590	577	302	45	0	0	0	2,244
50-54	154	202	321	289	220	101	5	0	0	1,292
55-59	56	74	104	91	58	46	14	3	0	446
60-64	23	35	34	18	18	12	4	0	0	144
65-69	0	4	9	6	5	3	1	1	0	29
70-74	0	2	1	2	1	0	0	0	0	6
75-79	1	1	0	0	0	0	0	0	0	2
80-	0	0	0	0	0	0	0	0	0	0
Total	2,634	2,101	2,286	1,554	679	207	24	4	0	9,489

## 2.2(c) Schedule of Active Member Valuation Data

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase In Average Pay
June 30, 1994	9,489	\$ 476,098	\$ 50,174	3.2%
June 30, 1993	9,459	459,746	48,604	.2%
June 30, 1992	9,238	448,186	48,515	2.2%
June 30, 1991	8,903	422,655	47,473	4.6%
June 30, 1990	8,586	389,702	45,388	1.8%
June 30, 1989	8,527	380,267	44,596	1.4%
June 30, 1988	8,218	361,310	43,966	-1.7%
June 30, 1987	7,797	348,606	44,710	.6%
June 30, 1986	8,824	392,136	44,440	7.8%
June 30, 1985	8,684	358,110	41,238	4.6%

## 2.2(d) Statistics on New Retirees During the Year Ending June 30

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service</b>					
(1) Number	199	507	110	158	267
(2) Average Age At Retirement	52.44	51.56	53.04	52.62	54.14
(3) Average Monthly Benefit	\$ 2,037	\$ 2,123	\$ 1,926	\$ 2,086	\$ 2,349
<b>Disability</b>					
(1) Number	8	8	8	4	6
(2) Average Age At Retirement	46.48	45.46	43.81	48.69	48.31
(3) Average Monthly Benefit	\$ 2,485	\$ 2,448	\$ 3,230	\$ 2,431	\$ 2,870
<b>Surviving Spouses</b>					
(1) Number	1	4	2	3	7
(2) Average Age At Retirement	63.96	45.40	49.46	49.37	44.47
(3) Average Monthly Benefit	\$ 1,203	\$ 435	\$ 620	\$ 930	\$ 2,554
<b>Total</b>					
(1) Number	208	519	120	165	280
(2) Average Age At Retirement	52.27	51.42	52.37	52.47	53.77
(3) Average Monthly Benefit	\$ 2,040	\$ 2,124	\$ 1,991	\$ 2,073	\$ 2,365

**2.2(c) Schedule of Average Benefit Payments -  
New Retirees**

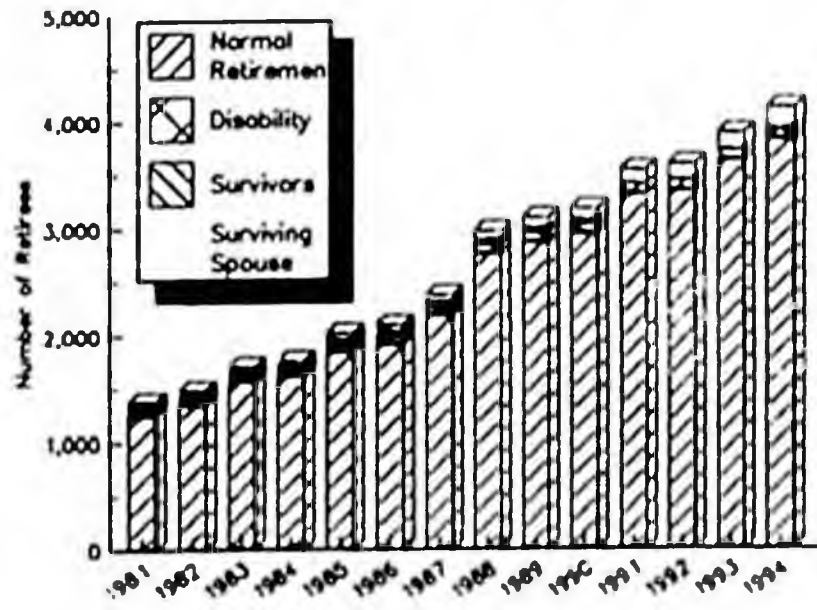
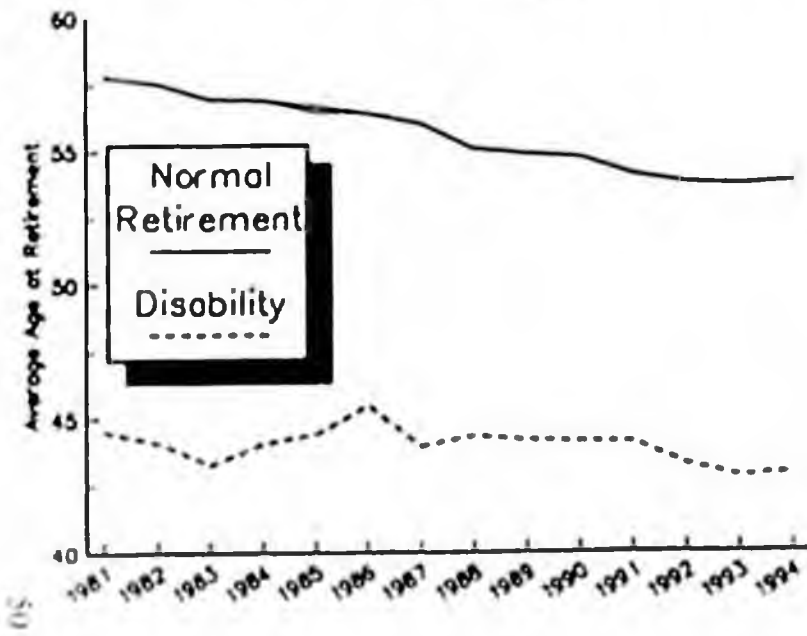
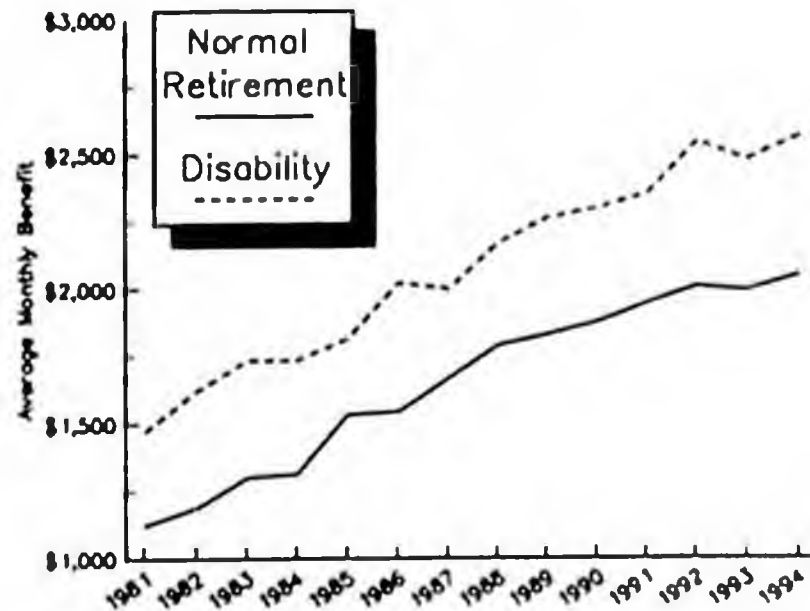
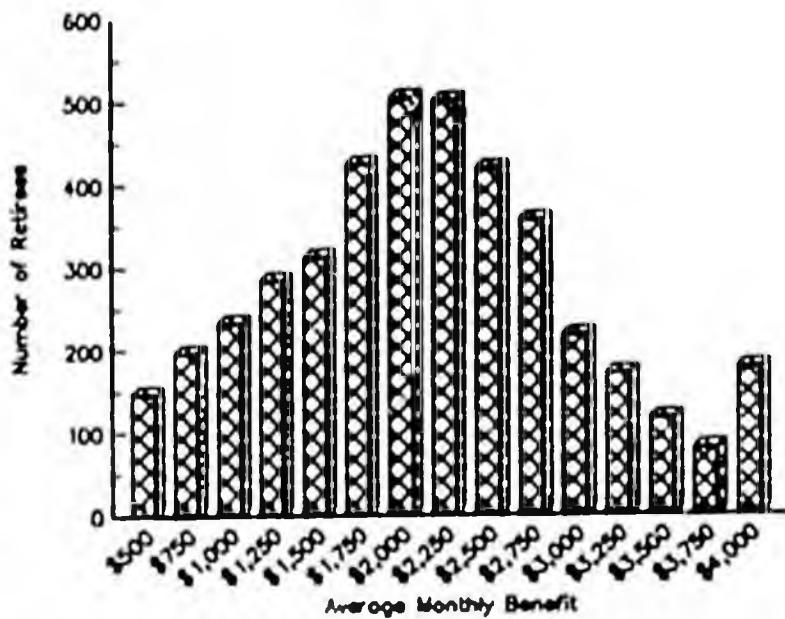
	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
<b>Period 7/1/93 - 6/30/94:</b>							
Average Monthly Benefit*	\$ 1,161	\$ 576	\$ 1,151	\$ 1,605	\$ 2,354	\$ 3,176	\$ 3,685
Number of Active Retirees	7	11	35	24	107	72	24
<b>Period 7/1/92 - 6/30/93:</b>							
Average Monthly Benefit*	\$ 408	\$ 1,002	\$ 1,015	\$ 1,561	\$ 2,258	\$ 3,090	\$ 3,043
Number of Active Retirees	7	17	23	9	62	37	10
<b>Period 7/1/91 - 6/30/92:</b>							
Average Monthly Benefit	\$ 819	\$ 1,205	\$ 1,941	\$ 2,256	\$ 2,290	\$ 3,159	\$ 3,930
Number of Active Retirees	4	27	25	17	38	8	1
<b>Period 7/1/90 - 6/30/91:</b>							
Average Monthly Benefit	\$ 949	\$ 1,093	\$ 1,689	\$ 2,085	\$ 2,540	\$ 2,944	\$ 4,173
Number of Active Retirees	14	53	95	155	160	37	5
<b>Period 7/1/89 - 6/30/90:</b>							
Average Monthly Benefit	\$ 1,161	\$ 1,215	\$ 1,551	\$ 2,295	\$ 2,394	\$ 3,852	\$ 3,733
Number of Active Retirees	6	36	33	70	55	6	2
<b>Period 7/1/88 - 6/30/89:</b>							
Average Monthly Benefit	\$ 1,174	\$ 1,327	\$ 1,491	\$ 2,249	\$ 2,312	\$ 2,817	\$ 0
Number of Active Retirees	3	33	33	61	68	3	0

\* "Average Monthly Benefit" included post-retirement pension adjustments and cost-of-living increases.

## 2.2(f) Statistics on All Retirees as of June 30

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service Retirements</b>					
(1) Number, Fiscal Year Start	2,870	2,948	3,322	3,352	3,636
(2) Net Change During FY	78	374	30	284	195
(3) Number, Fiscal Year End	2,948	3,322	3,352	3,636	3,831
(4) Average Age At Retirement	54.80	54.14	53.83	53.75	53.85
(5) Average Age Now	62.84	61.82	62.15	62.60	63.00
(6) Average Monthly Benefit	\$ 1,879	\$ 1,950	\$ 2,013	\$ 1,998	\$ 2,052
<b>Surviving Spouse's Benefits</b>					
(1) Number, Fiscal Year Start	103	108	125	150	161
(2) Net Change During FY	5	17	25	11	39
(3) Number, Fiscal Year End	108	125	150	161	200
(4) Average Age At Retirement	55.76	54.44	54.04	53.91	51.51
(5) Average Age Now	67.79	65.95	65.90	66.72	64.25
(6) Average Monthly Benefit	\$ 794	\$ 1,093	\$ 1,339	\$ 1,187	\$ 1,290
<b>Survivor's Benefits (other than spouses)</b>					
(1) Number, Fiscal Year Start	31	31	1	2	0
(2) Net Change During FY	0	(30)	1	(2)	0
(3) Number, Fiscal Year End	31	1	2	0	0
(4) Average Age At Retirement	35.42	23.81	50.47	--	37.24
(5) Average Age Now	44.73	41.68	59.01	--	42.57
(6) Average Monthly Benefit	\$ 1,661	\$ 544	\$ 3,013	--	\$ 2,166
<b>Disabilities</b>					
(1) Number, Fiscal Year Start	94	97	96	98	94
(2) Net Change During FY93	3	(1)	2	(4)	0
(3) Number, Fiscal Year End	97	96	98	94	94
(4) Average Age At Retirement	44.18	44.15	43.30	42.85	42.98
(5) Average Age Now	50.14	50.33	49.97	49.97	50.28
(6) Average Monthly Benefit	\$ 2,304	\$ 2,358	\$ 2,552	2,484	\$ 2,467
<b>Total Number of Retirees</b>	<b>3,184</b>	<b>3,544</b>	<b>3,602</b>	<b>3,891</b>	<b>4,134</b>

# State of Alaska – TRS Retirees



## 2.2(g) Distribution of Annual Benefits for Benefit Recipients

----- Annual Benefit By Age -----				--- Annual Benefit By Years Since Retirement ---			
Age Groups	Number of People	Total Annual Benefit	Average Annual Benefit	Years Since Retirement	Number of People	Total Annual Benefit	Average Annual Benefit
0-19	3	\$ 17,181	\$ 5,727	0	280	\$ 7,946,175	\$ 28,379
20-24	2	9,768	4,884	1	168	4,178,806	24,874
25-29	0	0	0	2	125	2,850,576	22,805
30-34	2	29,792	14,896	3	529	13,280,528	25,105
35-39	3	54,989	18,330	4	222	5,398,655	24,318
40-44	29	797,787	27,510	0-4	1,324	33,654,740	25,419
45-49	251	6,385,175	25,439	5-9	1,334	35,480,724	26,597
50-54	711	18,434,004	25,927	10-14	689	15,381,354	22,324
55-59	842	21,068,894	25,022	15-19	554	11,554,758	20,857
60-64	746	18,509,658	24,812	20-24	177	3,342,792	18,886
65-69	592	14,370,305	24,274	25-29	44	879,148	19,981
70-74	431	10,031,189	23,274	30-34	11	273,420	24,856
75-79	263	5,628,691	21,402	35-39	0	0	0
80-	249	5,252,479	20,280	40-	1	22,976	22,976
<b>Total</b>	<b>4,134</b>	<b>\$100,589,912</b>	<b>\$ 24,332</b>	<b>Total</b>	<b>4,134</b>	<b>\$100,589,912</b>	<b>\$ 24,332</b>

### Years Since Retirement By Age

Age	----- Years Since Retirement -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-	
0-19	1	0	2	0	0	0	0	0	0	3
20-24	0	0	2	0	0	0	0	0	0	2
25-29	0	0	0	0	0	0	0	0	0	0
30-34	2	0	0	0	0	0	0	0	0	2
35-39	1	1	0	0	1	0	0	0	0	3
40-44	23	5	0	1	0	0	0	0	0	29
45-49	195	44	7	4	1	0	0	0	0	251
50-54	458	224	20	8	1	0	0	0	0	711
55-59	387	371	76	6	2	0	0	0	0	842
60-64	169	364	174	35	3	1	0	0	0	746
65-69	70	203	199	111	6	2	1	0	0	592
70-74	15	99	130	177	10	0	0	0	0	431
75-79	2	20	63	145	31	2	0	0	0	263
80-	1	1	15	67	122	39	10	0	1	249
<b>Total</b>	<b>1,324</b>	<b>1,334</b>	<b>689</b>	<b>554</b>	<b>177</b>	<b>44</b>	<b>11</b>	<b>0</b>	<b>1</b>	<b>4,134</b>

**2.2(h) Schedule of Retired Members by Type of Retirant  
and Option Selected - June 30, 1994**

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		<u>1</u>	<u>2</u>	<u>3</u>	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	52	36	16	0	39	8	5	0
301 - 600	178	139	39	0	137	28	8	5
601 - 900	244	204	40	0	189	36	11	8
901 - 1200	314	284	26	4	244	46	19	5
1201 - 1500	382	360	22	0	333	27	18	4
1501 - 1800	511	492	13	6	434	43	31	3
1801 - 2100	633	605	15	13	529	68	30	6
2101 - 2400	560	540	7	13	479	48	26	7
2401 - 2700	432	404	7	21	364	49	16	3
2701 - 3000	285	265	5	15	238	32	11	4
over 3000	543	502	19	22	462	54	19	8
Totals	4,134	3,831	209	94	3,448	439	194	53

Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Contingent Annuity
- Option 3 - 50% Joint and Survivor Annuity
- Option 4 - 66 2/3% Joint and Survivor Annuity

## 2.2(i) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No. *	Annual Allowances*	No. *	Annual Allowances*	No.	Annual Allowances		
June 30, 1994	280	\$ 8,923,551	37	\$ 616,360	4,134	\$ 100,589,912	9.00%	\$ 24,332
June 30, 1993	344	8,557,344	55	1,044,709	3,891	92,282,721	6.74%	23,717
June 30, 1992	120	5,799,044	62	1,436,106	3,602	86,452,653	5.31%	24,001
June 30, 1991	519	14,827,829	159	3,535,365	3,544	82,089,715	15.95%	23,163
June 30, 1990	208	6,181,779	122	2,648,864	3,184	70,797,251	5.25%	22,235
June 30, 1989	201	5,730,311	75	1,593,075	3,098	67,264,336	6.55%	21,712
June 30, 1988	639	16,668,442	43	856,302	2,972	63,127,100	33.42%	21,241
June 30, 1987	301	8,922,546	23	425,546	2,376	47,314,960	21.89%	19,914
June 30, 1986	159	3,685,188	113	2,079,652	2,098	38,817,960	4.31%	18,502
June 30, 1985	289	9,844,034	31	489,552	2,022	37,212,424	33.58%	18,404

\* Numbers are estimated, and include other internal transfers.

## 2.3 Actuarial Basis

The demographic assumptions used in this valuation were adopted at the Fall 1991 TRS Board Meeting. Economic assumptions were adopted as a result of a presentation to the Board in October 1994. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

### Valuation of Liabilities

- A. **Actuarial Method - Projected Unit Credit (no change).** Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. The unfunded accrued liability is amortized over a rolling 25 years. Any funded surpluses are amortized over five years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

B. **Actuarial Assumptions -**

- |                      |  |
|----------------------|--|
| 1. Investment Return | 8% per year, compounded annually, net of expenses.   |
| 2. Salary Scale      | Inflation - 4.0% per year<br>Productivity - 0.5% per year<br>Merit (first 5 years of employment) - 1.0% per year |

- |                  |                      |   |        |      |        |      |        |      |        |      |                  |      |
|------------------|----------------------|---|--------|------|--------|------|--------|------|--------|------|------------------|------|
| 3.               | Total Inflation      | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.  |        |      |        |      |        |      |        |      |                  |      |
| 4.               | Health Cost Trend    | <table border="0"> <tr> <td>FY95 -</td> <td>9.5%</td> </tr> <tr> <td>FY96 -</td> <td>8.5%</td> </tr> <tr> <td>FY97 -</td> <td>7.5%</td> </tr> <tr> <td>FY98 -</td> <td>6.5%</td> </tr> <tr> <td>FY99 and later -</td> <td>5.5%</td> </tr> </table>                                | FY95 - | 9.5% | FY96 - | 8.5% | FY97 - | 7.5% | FY98 - | 6.5% | FY99 and later - | 5.5% |
| FY95 -           | 9.5%                 |   |        |      |        |      |        |      |        |      |                  |      |
| FY96 -           | 8.5%                 |   |        |      |        |      |        |      |        |      |                  |      |
| FY97 -           | 7.5%                 |   |        |      |        |      |        |      |        |      |                  |      |
| FY98 -           | 6.5%                 |   |        |      |        |      |        |      |        |      |                  |      |
| FY99 and later - | 5.5%                 |   |        |      |        |      |        |      |        |      |                  |      |
| 5.               | Mortality            | 1984 Unisex Pension Mortality Table, set forward one year for male members and set backward four years for female members. All deaths are assumed to result from nonoccupational causes.  |        |      |        |      |        |      |        |      |                  |      |
| 6.               | Turnover             | Based upon the 1986-90 actual total turnover experience. (See Table 1).   |        |      |        |      |        |      |        |      |                  |      |
| 7.               | Disability           | Incidence rates based upon the 1986-90 actual experience, in accordance with Table 2. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. |        |      |        |      |        |      |        |      |                  |      |
| 8.               | Retirement Age       | Retirement rates based upon the 1986-90 actual experience in accordance with Table 3.   |        |      |        |      |        |      |        |      |                  |      |
| 9.               | Spouse's Age         | Wives are assumed to be four years younger than husbands.   |        |      |        |      |        |      |        |      |                  |      |
| 10.              | Dependent Children   | Benefits to dependent children have been valued assuming members who are not single have one dependent child.   |        |      |        |      |        |      |        |      |                  |      |
| 11.              | Contribution Refunds | 100% of those terminating after age 35 who are vested will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.   |        |      |        |      |        |      |        |      |                  |      |

- |                  |  |              |             |         |             |             |             |
|------------------|--|--------------|-------------|---------|-------------|-------------|-------------|
| 12. C.O.L.A.     | Of those benefit recipients who are eligible for the C.O.L.A., 66% are assumed to remain in Alaska and receive the C.O.L.A.  |              |             |         |             |             |             |
| 13. New Entrants | Growth projections are made for the active TRS population under three scenarios:<br><br><table border="0" style="margin-left: 20px;"> <tr> <td>Pessimistic:</td> <td>0% per year</td> </tr> <tr> <td>Median:</td> <td>1% per year</td> </tr> <tr> <td>Optimistic:</td> <td>2% per year</td> </tr> </table> | Pessimistic: | 0% per year | Median: | 1% per year | Optimistic: | 2% per year |
| Pessimistic:     | 0% per year  |              |             |         |             |             |             |
| Median:          | 1% per year  |              |             |         |             |             |             |
| Optimistic:      | 2% per year  |              |             |         |             |             |             |
| 14. Sick Leave   | 4.7 days of unused sick leave for each year of service will be available to be credited once the member is retired.  |              |             |         |             |             |             |
| 15. Expenses     | Expenses are covered in the investment return assumption.  |              |             |         |             |             |             |

### **Valuation of Assets**

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG Peat Marwick. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

### **Valuation of Medical Benefits**

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For FY96, the pre-65 monthly premium is \$458.17 and the post-65 premium is \$174.54, based on an assumed total blended premium of \$350.50. For FY96, the actual blended premium is \$350.50. The FY96 blended premium was provided by the State of Alaska Division of Retirement and Benefits.

Table 1

Alaska TRS

Total Turnover Assumptions

<u>Select Rates of Turnover During the First 10 Years of Employment</u>		<u>Ultimate Rates of Turnover After the First 10 Years of Employment</u>	
<u>Year of Employment</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
1	.26	20-39	.03
2	.24	40+	.02
3	.16		
4	.12		
5	.11		
6	.10		
7	.09		
8	.09		
9	.09		
10	.09		

**Table 2**  
**Alaska TRS**  
**Disability Rates**  
**Annual Rates Per 1,000 Employees**

<u>Age</u>	<u>Rate</u>
20	.14
21	.14
22	.14
23	.15
24	.15
25	.15
26	.15
27	.15
28	.16
29	.16
30	.16
31	.17
32	.17
33	.25
34	.34
35	.44
36	.53
37	.64
38	.75
39	.87
40	.99
41	1.12
42	1.25
43	1.39
44	1.53
45	1.68
46	1.84
47	2.00
48	2.17
49	2.34
50	2.52
51	2.70
52	2.89
53	3.08
54	3.29
55	3.49
56	3.70
57	3.92
58	4.14
59	4.37
60	4.61
61	4.84
62	5.09
63	5.34
64	5.60

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**Table 3**  
**Alaska TRS**  
**Retirement Rates**

<u>Age at Retirement</u>	<u>Retirement Rate</u>
50	.10
51	.07
52	.07
53	.07
54	.07
55	.16
56	.16
57	.16
58	.16
59	.13
60	.13
61	.13
62	.13
63	.13
64	.10
65	.47
66	.82
67	1.00

For ages less than 50, teachers are assumed to retire two years after the earliest age they are eligible to retire.

## **Section 3**

### **Other Historical Information**

3.1 shows the analysis of financial experience.

3.2 shows the summary of accrued and unfunded accrued liabilities.

3.3 shows the solvency test.

3.4 shows the statement of actuarial present value of accumulated plan benefits.

### 3.1 Analysis of Financial Experience

<b>Change in Contribution Rate                      Due to Gains and Losses in Accrued Liabilities                      During the Last Five Fiscal Years Resulting From                      Differences Between Assumed Experience and Actual Experience</b>					
Type of Gain or Loss	Change in Contribution Rate During Fiscal Year				
	94	93	92	91	90
(1) Health Experience	0.25%	0%	0%	-3.01%	-2.28%
(2) Salary Experience	-0.20%	-.45%	-.34%	-.20%	-.49%
(3) Investment Experience	0.55%	-1.66%	0%	.70%	-1.04%
(4) Demographic Experience	0.47%	1.23%	-.59%	.96%	1.10%
(5) Miscellaneous	0%	0%	0%	0%	.44%
(6) Gain (or Loss) During Year From Experience, (1)+(2)+(3)+(4)+(5)	1.07%	-.88%	-.93%	-1.55%	-2.27%
<b>Non-recurring Changes</b>					
(7) Contribution Rate Smoothing Method	0%	0%	0%	1.21%	-3.96%
(8) Projection Valuation Method	0%	0%	-1.36%	-4.80%	0%
(9) Asset Valuation Method	-0.89%	0%	-1.30%	0%	0%
(10) Assumption Changes	2.30%	0%	0%	-2.51%	0%
(11) Plan Changes	0%	0%	0%	0%	6.76%
Composite Gain (or Loss) During Year, (6)+(7)+(8)+(9)+(10)+(11)	2.48%	-.88%	-3.59%	-7.65%	.53%

### 3.2 Summary of Accrued and Unfunded Accrued Liabilities

Valuation Date	Aggregate Accrued Liability ('000's)	Valuation Assets ('000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) ('000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1994 <sup>(1)(2)</sup>	\$2,761,409	\$ 2,472,957	89.6%	\$288,452	\$ 476,098	60.6%
June 30, 1993	2,429,456	2,261,082	93.1%	168,374	459,746	36.6%
June 30, 1992 <sup>(1)</sup>	2,231,746	2,001,864	89.7%	229,882	448,186	51.3%
June 30, 1991 <sup>(1)</sup>	2,075,405	1,779,579	85.7%	295,826	422,655	70.0%
June 30, 1990 <sup>(1)</sup>	1,895,030	1,662,242	87.7%	232,788	389,702	59.7%
June 30, 1989 <sup>(1)</sup>	1,557,643	1,480,389	95.0%	77,254	380,267	20.3%
June 30, 1988 <sup>(2)</sup>	1,347,859	1,331,905	98.8%	15,954	361,310	4.4%
June 30, 1987	1,210,909	1,225,009	101.2%	0	348,606	0%
June 30, 1986	1,115,773	1,040,173	93.2%	75,600	392,136	19.3%
June 30, 1985 <sup>(3)(4)</sup>	1,042,551	833,617	80.0%	208,934	358,110	58.3%
<sup>(1)</sup> Change in Asset Valuation Method. <sup>(2)</sup> Change of Assumptions. <sup>(3)</sup> Change in Plan Provisions. <sup>(4)</sup> Change in Funding Method.						

### 3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets ('000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions ('000's)	(2) Inactive Members ('000's)	(3) Active Members (Employer-Financed Portion) ('000's)		(1)	(2)	(3)
June 30, 1994 <sup>(iii)</sup>	\$ 398,990	\$1,419,506	\$942,913	\$ 2,472,957	100%	100%	69.4%
June 30, 1993	370,667	1,223,220	835,569	2,261,082	100%	100%	79.8%
June 30, 1992 <sup>(iii)</sup>	341,204	1,110,981	779,561	2,001,864	100%	100%	70.5%
June 30, 1991 <sup>(iii)</sup>	293,136	1,056,453	725,816	1,779,579	100%	100%	59.2%
June 30, 1990 <sup>(iii)</sup>	269,491	940,475	685,064	1,662,242	100%	100%	66.0%
June 30, 1989 <sup>(iii)</sup>	253,436	779,296	524,911	1,480,389	100%	100%	85.3%
June 30, 1988 <sup>(iii)</sup>	228,217	688,090	431,552	1,331,905	100%	100%	96.3%
June 30, 1987	210,493	578,468	421,948	1,225,009	100%	100%	100%
June 30, 1986	214,192*	426,333	475,248*	1,040,173	100%	100%	84.1%
June 30, 1985 <sup>(iii)</sup>	194,215*	419,694	428,642*	833,617	100%	100%	51.3%

\* Estimated  
<sup>(iii)</sup> Change in Asset Valuation Method.  
<sup>(ii)</sup> Change of Assumptions.  
<sup>(i)</sup> Change in Plan Provisions.  
<sup>(iv)</sup> Change in Funding Method.

### 3.4 Statement of Actuarial Present Value of Accumulated Plan Benefits

Actuarial Present Value of Accumulated Plan Benefits  
at June 30, 1994 (000's)

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Retired participants and beneficiaries of deceased participants	\$ 1,240,360
Terminated participants with deferred benefits	179,146
Active participants - Vested	1,007,778
Active participants - Non-vested	54,175
Total Actuarial Present Value of Accumulated Plan Benefits	2,481,459

Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$398,990(000).

### 3.4 Statement of Actuarial Present Value of Accumulated Plan Benefits (continued)

3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due*. Furthermore, *that comparison is not valid for assessing a plan termination situation*. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*

4. The change in the Present Value of Accumulated Plan Benefits during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1993, (000's)	\$ 2,166,158
B.	Increase (Decrease) Attributable to:	
	i. Additional Benefits Accumulated, including Actuarial Experience	195,984
	ii. Increase due to Decrease in the Discount Period	189,610
	iii. Benefits Paid to Participants	(118,750)
	iv. Material System Change	0
	v. Change in Assumptions	<u>48,457</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1994 (000's)	\$ 2,481,459