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Sec. 14.25.035. Teachers' Retirement Board.

(a) There is established the Alaska Teachers' Retirement Board as follows:

(1) the governor shall appoint five members for overlapping three-year terms; one member must be a resident who is receiving retirement benefits under this chapter; statewide teacher organizations may submit to the governor a list of recommended nominees to serve on the board;

(2) the governor shall appoint two physicians authorized to practice medicine in the state to serve as members of the board and two physicians authorized to practice medicine in the state to serve as alternate members to the physician members of the board; the physicians are members of the board only for the purpose of hearing appeals to determine medical eligibility for disability benefits under AS 14.25.130; the Public Employees' Retirement Board and the Teachers' Retirement Board may submit to the governor a list of recommended physicians to serve on the board; if the administrator, after making a reasonable effort to secure the participation of two physicians to serve on a disability appeal, is unable to do so, the board may hear the appeal with the participation of only one physician or alternate, in which case, for purposes of a quorum, the board shall be considered to have only one physician as a member; physician members and alternates serve at the pleasure of the governor.

(b) Members of the board appointed under (a)(1) of this section are entitled to receive for their services on the retirement board an honorarium equal to the honorarium provided to trustees of the Alaska State Pension Investment Board under AS 37.10.250. Physician members of the board are entitled to hourly compensation for their services at a rate to be determined by the commissioner of administration. The rate of compensation shall be consistent with the physicians' normal hourly earnings. All members of the board are entitled to travel expenses and per diem authorized for boards and commissions under AS 39.20.180.

(c) The board shall confer with the commissioner of administration regarding the administration of the system and may make recommendations that it considers necessary.

(d) The commissioner of administration shall report to the board concerning the condition and administration of the system. The reports shall be distributed to the members of the system. The Alaska State Pension Investment Board shall provide reports to the board on the condition and investment performance of the teachers' retirement trust fund including a summary of an annual external performance review.

(e) The board shall serve as an appeal board and shall hold hearings at the request of an employer, member, annuitant, or any beneficiary on decisions made by the administrator. The board shall submit its findings to the administrator. The board shall hold annually one or more public hearings to discuss proposed changes in the system and to consider and adopt resolutions that might apply to the system.

(f) The board shall meet at the call of the chair, any three members, or at the request of the commissioner of administration. The board may adopt regulations defining a quorum for the conduct of its business, including appeals and disability appeals.

(g) Expenses for the board and its operation shall be paid from the retirement fund.

(h) The board may waive the requirements of AS 14.25.173 in accordance with AS 14.25.175.

(i) The board may adopt regulations recommended by the administrator to implement this chapter with modifications it considers proper.

(j) The board shall adopt regulations for the election of trustees to the Alaska State Pension Investment Board and for removal from the investment board of trustees elected from the system.

Sec. 14.25.037. Hearings.

(a) The board shall adopt regulations establishing procedures for the conduct of hearings and appeals under this chapter.

(b) In the conduct of a hearing under this chapter, the board may issue subpoenas, administer oaths, compel the attendance and testimony of witnesses, compel the taking of depositions and the submission of affidavits, and compel the production of documents and records. The board's powers under this subsection do not extend to prehearing discovery. However, upon good cause shown, the board may permit the preservation of witness testimony if the board cannot successfully compel the witness to attend a hearing. The board may authorize hearing officers to conduct hearings under this chapter and issue decisions; the decision of a hearing officer may be appealed to the board. The board shall adopt procedures for appeals from a hearing officer's decision.

(c) A majority of a quorum of the board may issue a ruling or modification of a ruling. If the board's vote on an appeal under this chapter is a tie vote of those members present and voting, the decision being appealed is affirmed. The board, by regulation, shall establish procedures for the reconsideration of a ruling issued under this chapter. A request for reconsideration is timely if it is received within 30 days after the initial ruling was issued.

(d) An aggrieved party may appeal a final decision to the superior court.

Sec. 39.35.030. Public Employees Retirement Board.

(a) There is established a Public Employees' Retirement Board as provided in this section.

(b) Three public members are appointed by the governor to serve at the pleasure of the governor for six-year staggered terms. One of the public members must be or have been employed by an employer other than the State of Alaska. The governor shall fill a vacancy in an unexpired appointive term by appointment for the remainder of the term.

(c) Two members of the board must be members of the system elected by members of the system. Elections shall be conducted by the board. The candidate who receives the most votes cast in the election is elected to the seat. If two seats are to be filled at the election, the candidate who receives the most votes cast and the candidate who receives the next most votes cast are elected to the seats. The term of office of an elected member is six years. The governor shall fill a vacancy in an unexpired elective term by appointment for the period remaining before the next regularly scheduled election held under this subsection.

(d) The governor shall appoint two physicians authorized to practice medicine in the state to serve as members of the board and two physicians authorized to practice medicine in the state to serve as alternate members to the physician members of the board. The physicians are members of the board only for the purpose of hearing appeals to determine medical eligibility for disability benefits under AS 39.35.400 and 39.35.410. If the administrator, after making a reasonable effort to secure the participation of two physician members or alternates to serve on a disability appeal, is unable to do so, the board may hear the appeal with the participation of only one physician member or alternate, in which case, for purposes of a quorum, the board shall be considered to have only one physician as a member. The Public Employees' Retirement Board and the Teachers' Retirement Board may submit to the governor a list of recommended physicians to serve on the board. Physician members serve at the pleasure of the governor.

(e) Members of the board appointed under (b) of this section or elected under (c) of this section are entitled to receive for their services on the retirement board an honorarium equal to the honorarium provided to trustees of the Alaska State Pension Investment Board under AS 37.10.250. Physician members of the board are entitled to hourly compensation for their services at a rate to be determined by the commissioner of administration. The rate of compensation shall be consistent with the physicians' normal hourly earnings. All members of the board are entitled to travel expenses and per diem when it is necessary to travel.

Sec. 39.35.040. Powers and duties of board.

The Public Employees Retirement Board has the following powers and duties:

(1) to hold regular meetings and special meetings considered necessary; all meetings are open to the public, and the board keeps a full record of all its proceedings; the board may, by regulation, define a quorum for the conduct of its business, including appeals and disability appeals;

(2) to adopt, with modifications it considers proper, regulations recommended by the administrator for carrying out this chapter;

(3) to consider and adopt resolutions on matters referred to it by the administrator in connection with changes in policy and revisions of this chapter;

(4) to act as an appeals board, hold hearings at the request of an employer, employee, surviving spouse, or a beneficiary on decisions made by the administrator, and submit its findings to the administrator;

(5) to have prepared, at least biennially, an actuarial valuation of the total obligations under the system of each employer and, on the basis of the valuation and in time for incorporation of the results in the state budget, to certify to the appropriate budgetary authorities of each employer:

(A) an appropriate contribution rate for all employers; and

(B) an amount appropriate for each employer to liquidate the employee's past service liability; the board shall have an actuarial and financial experience analysis of the system conducted at appropriate intervals, but no less frequently than once every six years; the actuarial valuations and the actuarial and financial experience analysis shall be prepared and certified by a member of the American Academy of Actuaries;

(6) to prescribe the policies for the proper operation of the system and carry on other activities that are considered necessary to carry out the intent and purpose of the system in accordance with this chapter;

(7) to prescribe the rate of interest that shall be credited to the employee accounts each year;

(8) to waive the requirements of AS 39.35.520 in accordance with AS 39.35.522;

(9) to exercise the duties set out in AS 39.30.155 with respect to the supplemental employee benefit program under AS 39.30.150 - 39.30.180;

(10) to exercise the duties set out in AS 39.45.025 with respect to the deferred compensation program for state employees;

(11) to adopt regulations for the election of trustees to the Alaska State Pension Investment Board and for removal from the investment board of trustees elected from the system;

(12) to adopt a contribution surcharge under AS 39.35.160 (c).

Sec. 39.35.042. Regulations.

(a) Regulations adopted by the board under this chapter relate to the internal management of state agencies and their adoption is not subject to AS 44.62 (Administrative Procedure Act).

(b) Notwithstanding (a) of this section, a regulation adopted under this chapter shall be published in the Alaska Administrative Register and Code for informational purposes. Each regulation adopted under this chapter shall conform to the style and format requirements of the drafting manual for administrative regulations that is published under AS 44.62.050.

(c) At least 30 days before the adoption, amendment, or repeal of a regulation under this chapter, the board shall provide notice of the action that is being considered. The notice shall be

(1) posted in public buildings throughout the state;

(2) published in one or more newspapers of general circulation in each judicial district of the state;

(3) mailed to each person or group that has filed a request for notice of proposed action with the board; and

(4) furnished to each member of the legislature and to the Legislative Affairs Agency.

(d) Failure to mail notice to a person as required under (c)(3) of this section does not invalidate an action taken by the board.

(e) The board may hold a public hearing on a proposed regulation.

(f) A regulation adopted under this chapter takes effect 30 days after adoption by the board.

(g) Notwithstanding the other provisions of this section, a regulation may be adopted, amended, or repealed, effective immediately, as an emergency regulation by the unanimous vote of a quorum of the board. For an emergency regulation to be effective the board must find that the adoption, amendment, or repeal of the regulation is necessary for the immediate preservation of the orderly operation of the system or the business of the board. The board shall, within 10 days after adoption of an emergency regulation, give notice of the adoption under (c) of this section. An emergency regulation adopted under this subsection may not remain in effect past the date of the next regular board meeting unless the board complies with the procedures set out in this section and adopts the regulation as a permanent regulation.

(h) In this section "regulation" has the meaning given in AS 44.62.640(a).

Sec. 39.35.047. Hearings.

(a) The board shall adopt regulations establishing procedures for the conduct of hearings and appeals under this chapter.

(b) In the conduct of a hearing under this chapter, the board may issue subpoenas, administer oaths, compel the attendance and testimony of witnesses, compel the taking of depositions and the submission of affidavits, and compel the production of documents and records. The board's powers under this subsection do not extend to prehearing discovery. However, upon good cause shown, the board may permit the preservation of witness testimony if the board cannot successfully compel the witness to attend a hearing. The board may authorize hearing officers to conduct hearings under this chapter and issue decisions; the decision of a hearing officer may be appealed to the board. The board shall adopt procedures for appeals from a hearing officer's decision.

(c) A majority of a quorum of the board may issue a ruling or modification of a ruling. If the board's vote on an appeal under this chapter is a tie vote of those members present and voting, the decision being appealed is affirmed. The board, by regulation, shall establish procedures for the reconsideration of a ruling issued under this chapter. A request for reconsideration is timely if it is received within 30 days after the initial ruling was issued.

(d) An aggrieved party may appeal a final decision to the superior court.

37.10.210 - Alaska State Pension Investment Board

Article 05. ALASKA STATE PENSION INVESTMENT BOARD

Sec. 37.10.210. Alaska State Pension Investment Board.

(a) There is established the Alaska State Pension Investment Board in the Department of Revenue. The purpose of the board is to provide prudent and productive management and investment of state pension funds and, upon agreement with the commissioner of the department or the fiduciary responsible for the fund, of other state funds.

(b) The board consists of eight trustees. Two of the trustees shall be elected by the members of the public employees' retirement system from the membership of the system. Nominations may be made by the Public Employees' Retirement Board or by petition signed by at least 10 persons eligible to vote in the election. One of the trustees elected from the membership of the public employees' retirement system must be a participant in the supplemental employee benefits program established under AS 39.30.150 - 39.30.180. Two of the trustees shall be elected by the members of the teachers' retirement system from the membership of the system. Nominations may be made by the Teachers' Retirement Board or by petition signed by at least 10 persons eligible to vote in the election. The governor shall appoint three trustees. At least one of the appointed trustees must represent employers, other than the state, who participate in one of the retirement systems. The appointed trustees must have business and investment experience. The commissioner of revenue serves as a trustee.

(c) The appointed and elected trustees shall serve for staggered terms of four years and may be reappointed or reelected to the board.

(d) The governor may, by written notice to the trustee, remove an appointed trustee for cause. The Public Employees' Retirement Board may, by written notice to the trustee, remove a member elected from the membership of that retirement system for cause. The Teachers' Retirement Board may, by written notice to the trustee, remove a member elected from the membership of that retirement system for cause. After a trustee receives written notice of removal, the trustee may not participate in board business and may not be counted for purposes of establishing a quorum.

(e) A vacancy on the board of trustees shall be promptly filled in the same manner as the seat was originally filled. A person filling a vacancy holds office for the balance of the unexpired term of the person's predecessor. A vacancy on the board does not impair the authority of a quorum of the board to exercise all the powers and perform all the duties of the board.

(f) The board of trustees shall annually elect a chair from among its members.

(g) Five trustees constitute a quorum for the transaction of business and the exercise of the powers and duties of the board.

(h) A trustee may not designate another person to serve on the board in the absence of the trustee.

(i) The board shall adopt a policy concerning investment education for trustees.

Sec. 37.10.220. Powers and duties of the board.

(a) The board shall

(1) hold regular and special meetings at the call of the chair or of at least four members;

(2) establish investment policies for the funds for which it is responsible after reviewing recommendations from the investment advisory council and the Department of Revenue;

(3) submit long-range and quarterly investment reports to the Legislative Budget and Audit Committee;

(4) report to the governor and employers participating in the retirement systems by the first day of each regular legislative session concerning the investment of funds for which the board is responsible, including financial and investment policies established by the board, and enclose a summary of the most recent performance evaluations of the funds managed by the board; the board shall notify the legislature that the report is available;

(5) contract with external performance evaluators to review the performance of each fund for which the board is responsible and report each year on the fund's condition to the board of trustees and to the other appropriate boards;

(6) engage independent certified public accountants to perform an annual audit of each of the funds for which the board is responsible and to report to the board with the results of the audit;

(7) review the actuarial earnings assumption for each fund for which the board is responsible every two years and report its findings and recommendations to the appropriate board or agency;

(8) after reviewing the recommendations from the Department of Revenue and the advisory council, select and retain the external investment managers and custodians for the funds managed by the board;

(9) develop an annual operating budget plan and present it to the Department of Revenue and the office of management and budget; the board shall notify the legislature that the plan is available.

(b) The board may

(1) employ outside investment advisors to review investment policies and make recommendations to the board;

(2) employ legal counsel subject to the approval of the attorney general;

(3) contract for services necessary to carry out its powers and duties;

(4) enter into an agreement with the commissioner of the department or the fiduciary responsible for another state fund to assume fiduciary or management responsibilities for investing the other state fund;

(5) do all acts necessary to carry out the powers expressly granted or necessarily implied in this chapter.

(c) The board shall meet annually, either jointly or separately, with the Public Employees' Retirement Board, the Teachers' Retirement Board, and the Department of Administration to review benefit administration of each of the retirement systems and of the employee benefits program established under AS 39.30.150 - 39.30.180 and the deferred compensation program under AS 39.45. The Department of Administration and each retirement board shall report to the investment board on benefit

administration and other issues for that retirement system or program that may affect the investment and management of the fund.

(d) The chair of the board shall appoint a trustee to present the board's position to legislative committees when the committees are considering the board's operating budget. The board is otherwise subject to AS 37.07.

Sec. 37.10.230. Conflicts of interest.

(a) Trustees are subject to the provisions of AS 39.50.

(b) If a trustee acquires, owns, or controls an interest, direct or indirect, in an entity or project in which assets under the control of the board are invested, the trustee shall immediately disclose the interest to the board. The disclosure is a matter of public record and shall be included in the minutes of the board meeting next following the disclosure. The board shall adopt regulations to restrict trustees from having a substantial interest in an entity or project in which assets under the control of the board are invested.

Sec. 37.10.240. Regulations and open meetings.

(a) The board may adopt regulations to implement AS 37.10.210 - 37.10.390. Regulations adopted by the board are not subject to the Administrative Procedure Act (AS 44.62). The board shall adopt regulations required by AS 36.30.015 (f) relating to procurement. The board shall comply with the requirements of AS 44.62.310 - 44.62.312.

(b) Notwithstanding (a) of this section, a regulation adopted under AS 37.10.210 - 37.10.390 shall be published in the Alaska Administrative Register and Alaska Administrative Code for informational purposes. A regulation adopted under this section shall conform to the style and format requirements of the drafting manual for administrative regulations that is published under AS 44.62.050.

(c) At least 30 days before the adoption, amendment, or repeal of a regulation under this chapter, the board shall provide notice of the action that is being considered. The notice must include publication in one or more newspapers of general circulation in each judicial district of the state.

(d) A regulation adopted under this chapter takes effect 30 days after adoption by the board unless a later effective date is stated in the regulation.

(e) Notwithstanding the other provisions of this section, a regulation may be adopted, amended, or repealed, effective immediately, as an emergency regulation. For an emergency regulation to be effective the board must find that the immediate adoption, amendment, or repeal of the regulation is necessary. The board shall, within 10 days after adoption of an emergency regulation, give notice of the adoption under (c) of this section. An emergency regulation adopted under this subsection may not remain in effect past the date of the next regular meeting of the board unless the board complies with the procedures set out in this section and adopts the regulation as a permanent regulation.

(f) In this section, "regulation" has the meaning given in AS 44.62.640(a).

Sec. 37.10.250. Compensation of trustees.

Trustees, other than trustees who are employees of the state or a political subdivision of the state, receive an honorarium of \$150 for each day spent at a meeting of the board or at a meeting of a subcommittee of the board or at a public meeting as a representative of the board. Trustees who are state employees are entitled to administrative leave for service as a trustee. Trustees who are employees of a political

subdivision of the state are entitled to leave benefits provided by their employers comparable to those provided to state employees for service as a trustee. Trustees are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

Sec. 37.10.260. Staff.

(a) The Department of Revenue shall provide staff for the board.

(b) The board may designate a trustee or an officer or employee of the Department of Revenue to be responsible for signing on behalf of the board a deed, contract, or other document that must be executed by or on behalf of the board.

Sec. 37.10.270. Investment advisory council.

(a) The board shall appoint an investment advisory council composed of at least three and not more than five members. Members of the council shall possess experience and expertise in financial investments and management of investment portfolios for public, corporate, or union pension benefit funds, foundations, or endowments.

(b) Members of the council serve at the pleasure of the board for staggered terms of three years.

(c) The board shall establish the compensation of members of the council. Members of the council are entitled to per diem and travel expenses authorized for boards and commissions under AS 39.20.180.

(d) The council shall

(1) review the investments made by the board;

(2) make recommendations to the board concerning the board's investment policies, investment strategy, and investment procedures;

(3) advise the board on selection of performance consultants and on the form and content of annual reports;

(4) provide other advice as requested by the board.

(e) With approval of the board, the council may contract with other state agencies to provide investment advice.

Sec. 37.10.280. Insurance.

The board shall ensure that trusteed assets and its own services are protected. The board may purchase insurance or provide for self-insurance retention in amounts recommended by the commissioner of revenue and approved by the board to cover the acts, including fiduciary acts, errors, and omissions of its board members and agents. Insurance must protect the board and the state from liability to others and from loss of trusteed assets due to the acts or omissions of the trustees.

Sec. 37.10.290. Exemption from taxation.

Except as provided in AS 29.45.030(a) for property acquired through foreclosure or deed in lieu of foreclosure, the board and all properties at any time owned by it, managed by it, or held by it in trust, and

the income from those activities, are exempt from all taxes and assessments in the state. All security instruments issued by the board and income from them are exempt from all taxes and assessments in the state, including transfer taxes.

Sec. 37.10.300. Limitations.

The board may not engage in commercial banking activity or private trust activity. The board may not act as a depository or trustee for a private person, association, or corporation. The board may not act as a lender to a private person, association, or corporation of money from any source except state funds under management by the board.

Sec. 37.10.390. Definitions.

In AS 37.10.210 - 37.10.390, unless the context otherwise requires,

(1) "board" means the board of trustees of the Alaska State Pension Investment Board;

(2) "retirement systems" means the teachers' retirement system, the judicial retirement system, the Alaska National Guard and Alaska Naval Militia retirement system, and the public employees' retirement system.



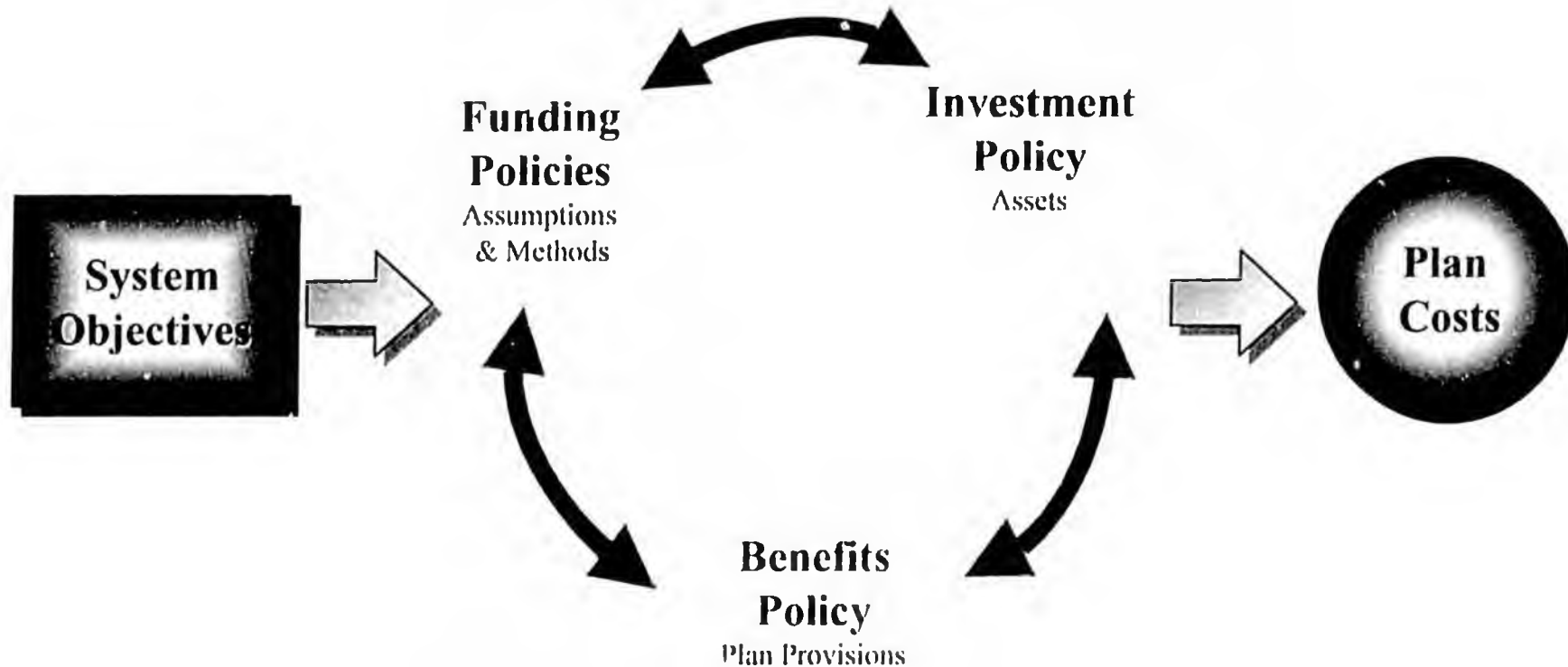
State of Alaska

PERS & TRS

Presentation to the Alaska Legislature

Overview

Retirement Program Financial Management



**Alaska Public Employees' and Teachers' Retirement System
Earnings – Actuarial Rate – Health Cost – Employer Rates – Funding Ratios**

Public Employees' Retirement System

Measurement Year	FY 01	FY 02	FY 03
Employer Rate Year	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Actual Investment Return	(5.25%)	(5.48%)	3.67%
<u>Actuarial</u> Investment Return	8.25%	8.25%	8.25%
Cumulative Return Shortfall, rounded	(14%)	(28%)	(34%)
Cumulative Dollar Shortfall, <u>in billions</u> (in billions, market value)	(\$1.2)	(\$2.4)	(\$2.9)
Health Care Cost Inc. Rate Used	7.5%	12.0%	12.0%
Health Care Percent of Total Accrued Liabilities	30.0%	38.0%	40.0%
Average Calculated Rate	6.77%	24.91%	25.63%
Board Adopted Rate	6.77%	11.77%	16.77%
Contribution Increase (All ER)	n/a	\$ 76 mil.	\$ 79 mil. (added to prior year)
Funding Ratio – Assets \ Liabilities			
Non-Medical Benefits only	143.7%	120.9%	121.4%
Total Benefits	100.9%	75.2%	72.8%

Teachers' Retirement System

Measurement Year	FY 01	FY 02	FY 03
Employer Rate Year	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>
Actual Investment Return	(5.35%)	(5.33%)	3.68%
<u>Actuarial</u> Investment Return	8.25%	8.25%	8.25%
Cumulative Return Shortfall	(14%)	(28%)	(34%)
Cumulative Dollar Shortfall, <u>in billions</u> (in billions, market value)	(\$0.6)	(\$1.1)	(\$2.1)
Health Care Cost Inc. Rate Used	7.5%	12.0%	12.0%
Health Care Percent of Total Accrued Liabilities	21.0%	27.0%	28.0%
Average Calculated Rate	14.44%	35.57%	38.85%
Board Adopted Rate	12.00%	16.00%	21.00%
Contribution Increase (All ER)	\$ 5 Mil.	\$ 24 mil.	\$ 29 mil. (added to prior year)
Funding Ratio – Assets \ Liabilities			
Non-Medical Benefits only	119.7%	93.2%	89.5%
Total Benefits	95.0%	68.2%	64.3%



BENEFIT BULLETIN

INFORMATION AND RESOURCES FOR YOUR BENEFIT NEEDS

GallagherBenefitServices, Inc.

November 2, 2004

NEW GASB RULES FOR PUBLIC SECTOR PLANS FINALIZED

Earlier this year, the Government Accounting Standards Board (GASB) released its final statements on the accounting treatment of what it calls "Other Post Employment Benefits" (OPEB). This Technical Bulletin provides an overview of what GASB Statement 45 will require, along with key considerations for public employers.

Under GASB 45, OPEB refers to retirement benefits other than pensions. While retiree medical benefits are the emphasis, other health benefits such as dental, vision and life insurance are also included.

The release of GASB 45 culminates an extended process of consideration and development by GASB. The Statement mandates that employers subject to GASB's rules account for retiree health benefits in much the same way that they account for defined benefit pension plans. Rather than recognizing the expense associated with the retiree benefits when they are paid, employers will have to recognize the expense over the working lifetimes of their employees.

For many governmental organizations, this will cause a significant increase in the expenses and liabilities that public employers will be required to recognize in their financial statements. Specifically, they will be required to report their retiree health expense on an accrual basis, rather than the current cash, or pay-as-you-go basis. Further, public employers will need to establish liabilities on their balance sheets equal to any of the recognized expense that has not been funded.

While GASB 45 does not require plan sponsors to actually fund the measured liabilities, it will highlight the significant obligations of typical retiree health provisions. For governmental entities with significant liabilities, these requirements could negatively affect the entity's bond-rating.

The most obvious liability that GASB addresses is the direct contributions an agency makes on behalf of retirees toward the cost of retiree health care. However, public employers that combine active and retiree claims experience to arrive at a "blended cost", which becomes the cost basis for the retiree's coverage, will also have to recognize the *implicit* subsidy associated with retiree coverage.

The blended cost technique is widely used, and in many states public employers are prohibited by law from charging more than this blended cost. The following chart illustrates this blending of experience, and the corresponding implicit subsidy it creates.

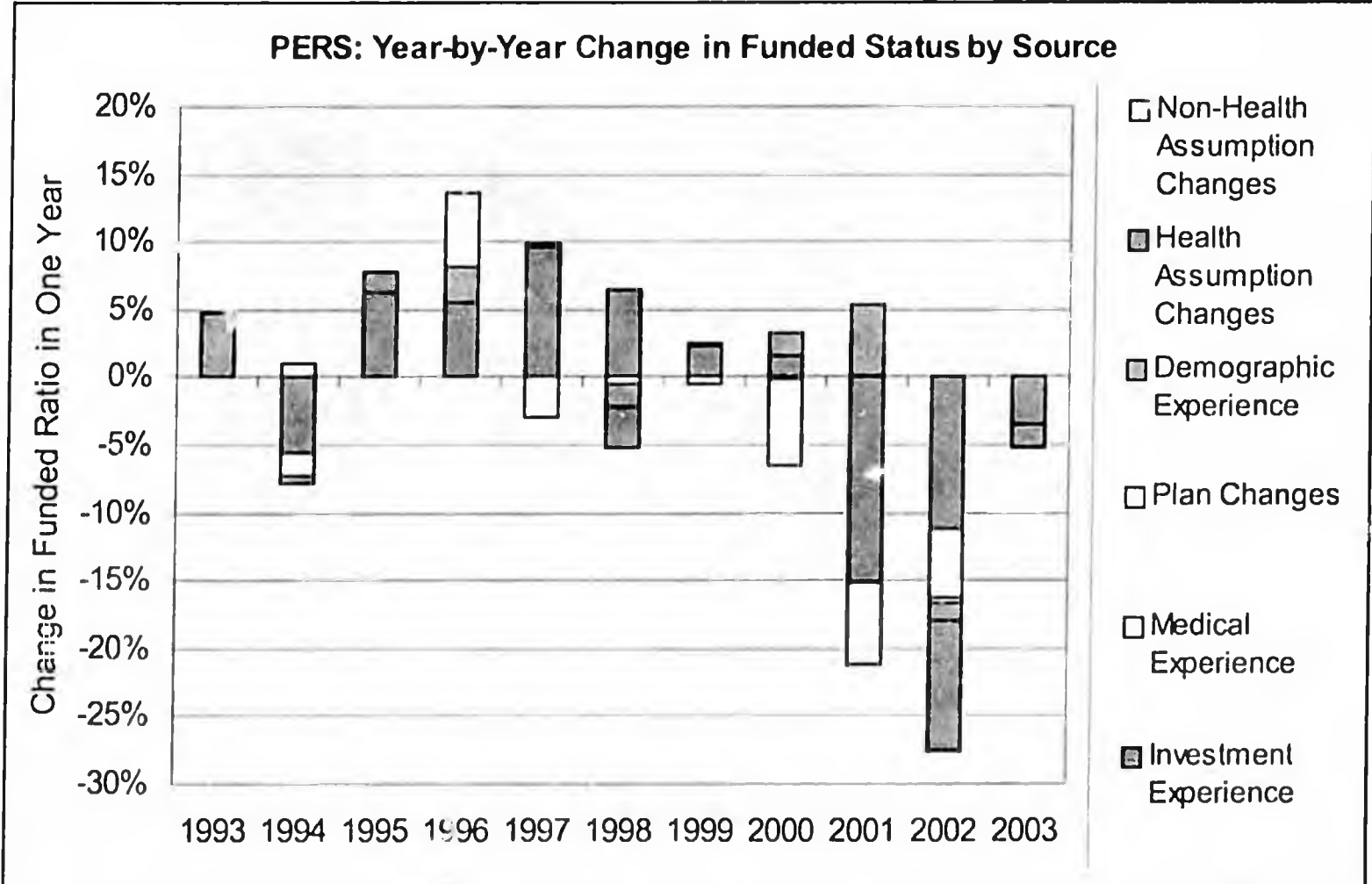


State of Alaska - PERS

Investment Returns and Funded Status

Declines in funding status were caused by (in descending order of magnitude):

1. investment performance,
2. health assumptions
3. plan changes
4. medical experience
5. non-health assumptions
6. demographic experience



Year-by-year changes

Mercer Human Resource Consulting

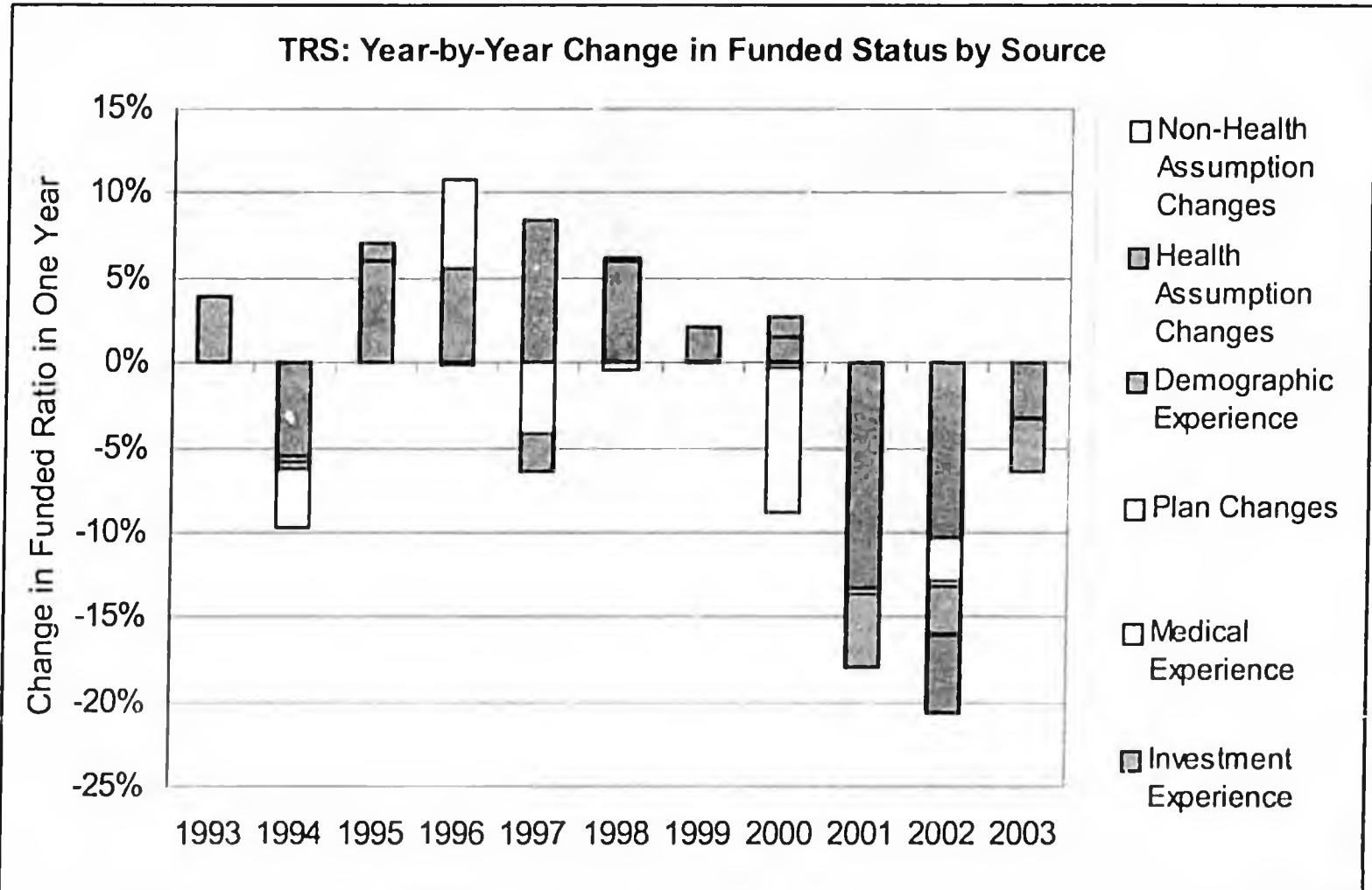
1996 Non-Health Assumption change 25 amortization of unfunded surplus to 5 years	1997 Plan Change lawsuit retro Ad Hoc PRPA	2000 Non-Health assumption change Change mortality table 1984-1994	2001 HB 242 -Medical enhance. 30 years system-paid medical 25 years police/fire	Demographic Exp. Total turnover rates Disability rates, mortality rates Retirement rates
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State of Alaska - TRS

Investment Returns and Funded Status

Declines in funding status were caused by (in descending order of magnitude):

1. investment performance
2. demographic experience
3. non-health assumptions
4. plan changes
5. health assumptions
6. medical experience



Year-by-year changes

Mercer Human Resource Consulting

1997 Plan change lawsuit retro Ad Hoc PRPA	2000 Non-health assumption change Change mortality table 1984-1994	2001 HB 242 Medical enhancements 25 years system-paid medical	Demographic Exp. Total turnover rates Disability rates, Retirement rates Mortality rates
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MERCER

Human Resource Consulting

One Union Square
600 University Street, Suite 3200
Seattle, WA 98101-3137
206 468-8800 Fax 206 382-0627
www.mercerHR.com

January 3, 2005

Ms. Melanie Millhorn
Director of Retirement and Benefits
State of Alaska
Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Subject:

Changes in Funded Status - PERS and TRS

Dear Melanie:

Part of our December 1 presentation to the Alaska State Pension Investment Board (ASPIB) focused on changes in the funded percentages for PERS and TRS. From July 1, 1992 to June 30, 2003, the funded percentage for the PERS declined from 92.3% to 70.0%, based on the market value of assets. The funded percentage for TRS declined from 91.0% to 61.7%. The dollar amount increases in the unfunded accrued liabilities (UAL) were \$3.2 billion for PERS and \$2.2 billion for TRS. We found that the total change in funded status for the PERS and TRS from July 1, 1992 to June 30, 2003 was due to asset and liability sources as follows:

	PERS		TRS	
	Change in Funded Status	Increase in UAL (billions)	Change in Funded Status	Increase in UAL (billions)
Change due to assets	(3.8)%	\$1.1	(2.7)%	\$0.6
Change due to liabilities	(18.5)	2.1	(26.6)	1.6
Total	(22.3)%	\$3.2	(29.3)%	\$2.2

This letter provides further breakdown of the changes in funded status attributable to liabilities. The percentages have been revised slightly from those quoted in the ASPIB meeting based on further research on the effect of the various factors.

	PERS		TRS	
	Change in Funded Status	Increase in UAL (billions)	Change in Funded Status	Increase in UAL (billions)
Health experience	(6.9)%	\$0.6	(3.0)%	\$0.2
Health assumption changes	(12.5)	1.1	(4.7)	0.3
Plan changes	(4.7)	0.3	(5.3)	0.2
Demographic experience	5.4	(0.1)	(6.8)	0.5
Non-health assumption changes	0.2	0.2	(6.8)	0.4
Total change due to liabilities	(18.5)%	\$2.1	(26.6)%	\$1.6

MERCER

Human Resource Consulting

Page 2

January 3, 2005

Ms. Melanie Millhorn

State of Alaska

Health experience and changes in health assumptions were relatively large contributors to the decline in funded status. Benefit improvements also contributed to the decline. For both Systems, plan changes include benefit improvements enacted by the legislature, as well as ad-hoc Post-Retirement Pension Adjustments (PRPAs).

I hope this information is helpful. Please call or email if you have questions or need additional information.

Sincerely,



Robert M. Reynolds, ASA, MAAA

RMR/DK/ws

Copy:

Anselm Staack

Chris Byrnes

Marcia Chapman

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PUBLIC EMPLOYEES' / TEACHERS' RETIREMENT SYSTEM INFORMATION BRIEFING

SUBJECT: PERS / TRS Tier Classification Medical Benefits

DATE: JANUARY 10, 2005

NOTE: AS OF DECEMBER 2004 THERE ARE 27,095 PERS/TRS MEMBERS RECEIVING A RETIREMENT AND MEDICAL BENEFIT. IN ADDITION, THERE ARE 24,947 COVERED DEPENDENTS FOR A TOTAL OF 52,042 MEMBERS AND DEPENDENTS WITH MEDICAL COVERAGE.

PERS	Tier 1	Tier 2	Tier 3	Total
Active	7,916	9,086	16,878	33,880
Deferred Vested	2,864	2,785	393	6,042
Deferred	1,871	3,079	7,188	12,138
Retired	17,352	2,041	101	19,494
Total	30,003	16,991	24,560	71,554
Medical Benefits	<p>System paid medical benefits for all benefit recipients and their eligible dependents.</p> <p>Eligible after vesting and normal retirement age of 55 or early retirement at age 50.</p>	<p>System paid medical benefits for Police / Firefighters after 25 years or "all others" at 30 years of service.</p> <p>Eligible after vesting and age 60. Under 60 must pay premium.</p> <p>Disabilitants, regardless of age receive medical coverage.</p>	<p>System paid medical benefits for Police and Firefighters after 25 years or "all others" at 30 years of service.</p> <p>Eligible at age 60 after vesting; 10 years of credited service to qualify. Under age 60 must pay premium.</p> <p>Disabilitants, regardless of age receive medical coverage.</p>	

TRS	Tier 1	Tier 2	Total
Active	3,204	7,037	10,241
Deferred Vested	404	259	663
Deferred	601	1,947	2,548
Retired	8,462	184	8,646
Total	12,671	9,427	22,098
Medical Benefits	<p>System paid Medical benefits for all benefit recipients and their eligible dependents.</p> <p>Eligible after vesting and normal retirement age of 55 or early retirement at age 50.</p>	<p>System paid medical benefits for teachers after 25 years of service.</p> <p>Eligible after vesting and age 60. Under 60 must pay premium. Disabilitants, regardless of age receive medical coverage.</p>	

(Above member counts for both systems are as of October 11, 2004)

Note: Medical benefits account for a significant portion of the Systems liabilities

PERS: 40% of accrued liability and 28% of accrued liability for TRS

Retiree Medical Insurance

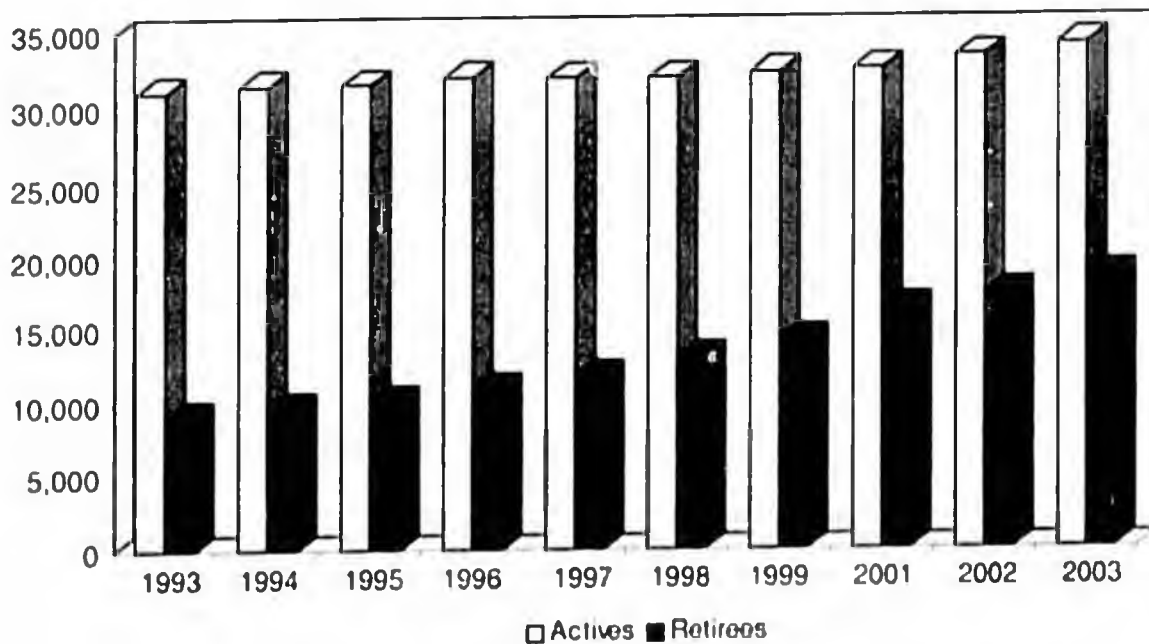
The following table summarizes the monthly premium per benefit recipient since retiree medical benefits have been provided under PERS and TRS.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/76-1/31/77	\$ 34.75	--	--
2/1/77-1/31/78	57.64	66%	--
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%

Public Employees' Retirement System System Membership by Status					
Year ended June 30	Active	Retirees & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
1993	30,972	9,103	3,572	4,721	48,368
1994	31,364	9,643	3,771	4,859	49,637
1995	31,450	10,173	4,144	5,398	51,165
1996	31,960	10,921	4,382	5,847	53,110
1997	31,854	11,802	4,742	6,260	54,658
1998	31,910	13,101	5,143	6,571	56,725
1999	32,214	14,185	5,395	7,500	59,294
2001	32,441	16,274	6,187	11,403	66,305
2002	33,242	17,215	5,702	11,301	67,460
2003	34,065	18,431	5,841	10,798	69,135

Data not available for FY 2000 due to transition to a new computer system.

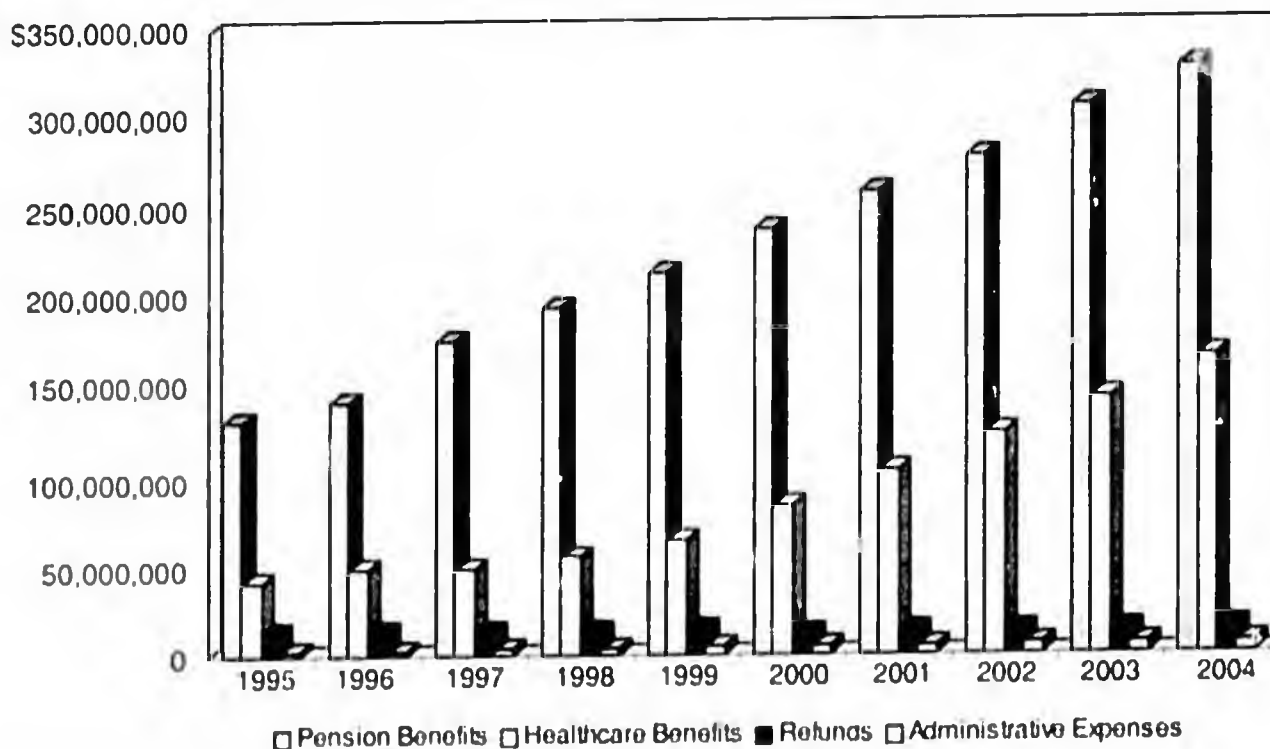
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS**



Data not available for FY 2000 due to transition to a new computer system.

Public Employees' Retirement System Expenses by Type (100's omitted)					
Year ended June 30	Pension Benefits	Healthcare Benefits	Refunds of Contributions	Administrative Expenses	Total
1995	\$131,634	\$ 40,687	\$12,774	\$ 2,253	\$ 187,348
1996	143,039	47,964	13,413	2,522	206,938
1997	177,328	48,361	13,012	2,830	241,531
1998	195,544	55,165	13,557	2,920	267,186
1999	215,170	64,486	14,435	4,148	298,239
2000	239,441	83,794	11,998	4,247	339,480
2001	259,771	103,846	13,134	4,672	381,423
2002	279,731	124,805	12,869	5,283	422,688
2003	307,684	143,331	13,025	5,880	469,920
2004	329,390	167,360	14,723	5,296	516,769

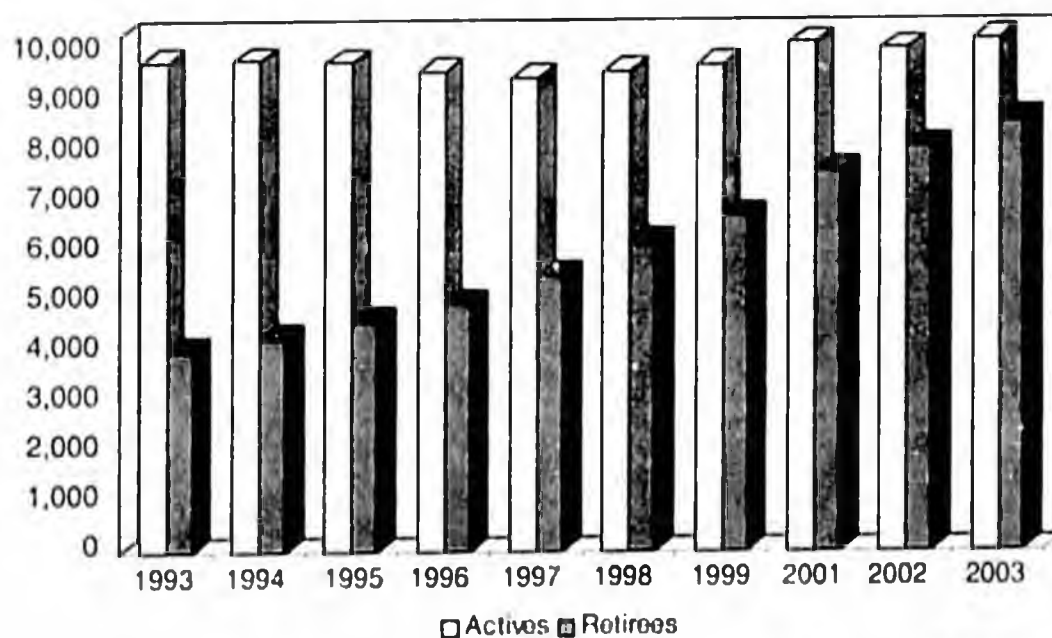
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
10-YEAR COMPARISON OF EXPENSES BY TYPE**



Teachers' Retirement System System Membership by Status					
Year ended June 30	Active	Retirees & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
1993	9,459	3,891	823	1,013	15,186
1994	9,489	4,134	930	1,090	15,643
1995	9,452	4,459	859	1,140	15,910
1996	9,259	4,803	1,116	1,195	16,373
1997	9,164	5,343	1,279	1,310	17,096
1998	9,262	5,979	1,064	1,285	17,590
1999	9,396	6,486	1,150	1,297	18,329
2001	9,815	7,333	767	2,207	20,122
2002	9,690	7,804	783	2,447	20,724
2003	9,873	8,312	708	2,327	21,220

Data not available for FY 2000 due to transition to a new computer system.

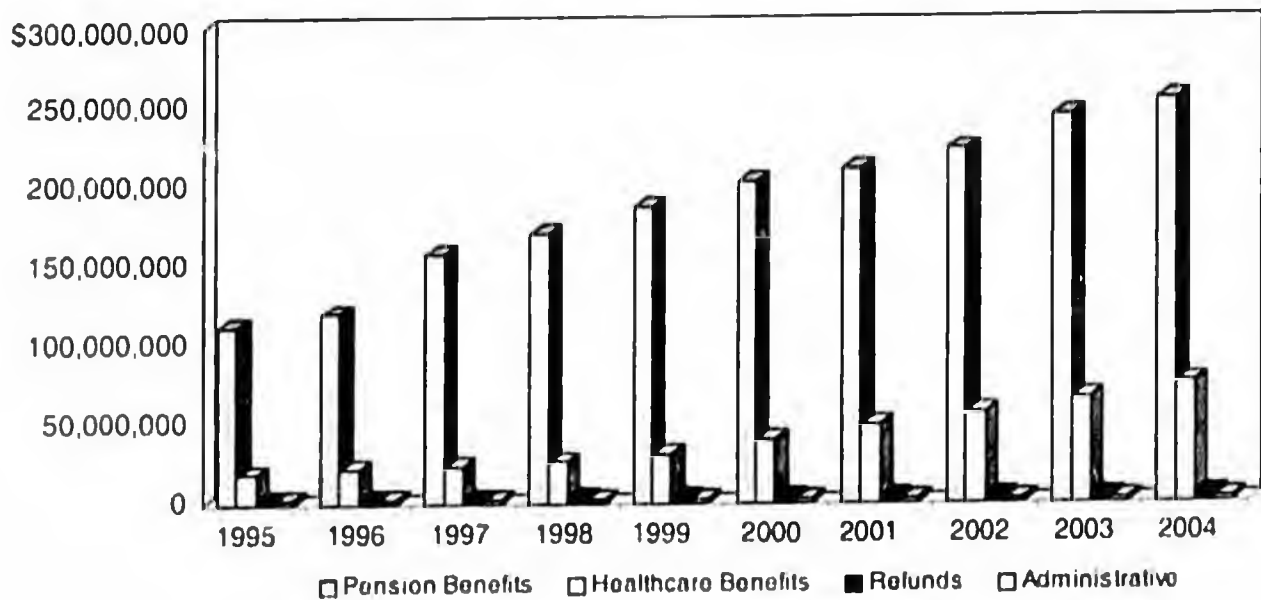
TEACHERS' RETIREMENT SYSTEM 10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS



Data not available for FY 2000 due to transition to a new computer system.

Teachers' Retirement System Expenses by Type (000's omitted)					
Year ended June 30	Pension Benefits	Healthcare Benefits	Refunds of Contributions	Administrative Expenses	Total
1995	\$111,498	\$18,264	\$ 2,819	\$ 1,821	\$134,402
1996	119,949	21,655	2,629	2,055	146,288
1997	157,567	22,653	2,626	2,223	185,069
1998	169,831	26,123	3,489	2,231	201,674
1999	187,085	30,987	3,490	1,722	223,284
2000	202,927	40,183	4,118	1,717	248,945
2001	210,945	48,928	3,742	1,938	265,553
2002	222,897	56,946	3,120	2,095	285,058
2003	244,518	65,898	3,840	2,395	316,651
2004	255,409	75,601	4,189	2,203	337,402

TEACHERS' RETIREMENT SYSTEM
10-YEAR COMPARISON OF EXPENSES BY TYPE



Alaska Public Employees' and Teachers' Retirement System
Investment Return / Medical Costs - Assumption v. Actual & Mortality
Employer Actuarial Computed Rates and Board Adopted Rates
Rate Year FY 1990 - FY 2006
Division of Retirement & Benefits

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Data Source: Actuarial Valuation Report prepared by Mercer Human Resources Consulting;
Division prepared audited Comprehensive Annual Financial Report;
Alaska State Pension Investment Board published reports.

Rate Fiscal Year - Rate was determined March / April Prior FY
i.e. 6/30/2003 Financial Year end, used in March 2004 Valuation, determined rate for FY 2006 which begins July 1, 2005

INFO Fiscal Year	RATE Fiscal Year	ACTUAL			ACTUAL			Mortality Table	TRS			PERS		
		Invest Return Assump.	Invest Return PERS	Invest Return TRS	Medical Cost Assump.	Medical Annual Change	Medical Compound Change		Actuarial Computed Rate	TRB Adopted Rate	Diff	Actuarial Computed Rate	PERB Adopted Rate	Diff
1987	1990	9.00%	11.40%	11.40%	9.00%	-15.00%	9.00%	1984, back 1.5 yrs	8.19%	11.64%	3.45%	9.30%	9.30%	0.00%
1988	1991	9.00%	2.30%	2.10%	9.00%	51.00%	13.00%	1984, back 1.5 yrs	12.27%	10.54%	-1.73%	12.00%	12.00%	0.00%
1989	1992	9.00%	14.12%	14.19%	9.00%	20.00%	13.00%	1984, back 1.5 yrs	15.16%	11.87%	-3.29%	14.20%	14.20%	0.00%
1990	1993	8.75%	10.05%	10.15%	12.00%	-4.00%	12.00%	1984, fwd-1yrM, bk-4yrF	19.65%	12.00%	-7.65%	13.58%	13.58%	0.00%
1991	1994	8.75%	7.21%	7.05%	11.50%	0.00%	11.00%	1984, fwd-1yrM, bk-4yrF	15.59%	12.00%	-3.59%	13.72%	13.72%	0.00%
1992	1995	8.75%	11.60%	11.17%	10.50%	-7.00%	10.00%	1984, fwd-1yrM, bk-4yrF	13.36%	12.00%	-1.36%	13.70%	13.70%	0.00%
1993	1996	8.00%	14.25%	14.38%	9.50%	37.00%	11.00%	1984, fwd-1yrM, bk-4yrF	12.48%	12.00%	-0.48%	12.82%	12.82%	0.00%
1994	1997	8.00%	2.71%	2.65%	8.50%	9.00%	11.00%	1984, fwd-1yrM, bk-4yrF	14.96%	12.00%	-2.96%	12.14%	12.14%	0.00%
1995	1998	8.25%	15.56%	15.90%	7.50%	4.00%	11.00%	1984, fwd-1yrM, bk-4yrF	14.94%	12.00%	-2.94%	11.90%	8.00%	-3.90%
1996	1999	8.25%	13.70%	14.35%	6.50%	0.00%	10.00%	1984, fwd-1yrM, bk-4yrF	10.52%	12.00%	1.48%	7.74%	7.74%	0.00%
1997	2000	8.25%	18.18%	18.12%	5.50%	5.00%	10.00%	1984, fwd-1yrM, bk-4yrF	13.00%	12.00%	-1.00%	7.36%	7.74%	0.38%
1998	2001	8.25%	14.73%	14.83%	7.50%	0.00%	9.00%	1984, fwd-1yrM, bk-4yrF	10.55%	12.00%	1.45%	7.03%	7.40%	0.37%
1999	2002	8.25%	10.59%	10.67%	6.50%	20.00%	10.00%	1994, base year	7.09%	11.00%	3.91%	6.56%	6.75%	0.19%
2000	2003	8.25%	10.07%	10.15%	5.50%	20.00%	10.00%	1994, base year	8.29%	11.00%	2.71%	6.12%	6.75%	0.63%
2001	2004	8.25%	-5.25%	-5.35%	5.00%	15.00%	10.00%	1994, base year	14.44%	12.00%	-2.44%	6.77%	6.77%	0.00%
2002	2005	8.25%	-5.48%	-5.49%	12.00%	10.00%	10.00%	1994, base year	35.57%	16.00%	-19.57%	24.91%	11.77%	-13.14%
2003	2006	8.25%	3.67%	3.68%	12.00%	8.00%	10.00%	1994, base year	38.85%	21.00%	-17.85%	25.63%	16.77%	-8.86%
2004	2007	8.25%	15.08%	15.09%	11.50%	12.00%	TBD	TBD	TBD	TBD	TBD	TBD	TBD	TBD

Mortality Table: The base mortality table can be set forward "fwd" or backward "bk" so that it increases or decreases mortality versus the base table mortality. That allows the system to more closely match the system's actual mortality experience without creating a separate table.

Alaska Public Employees' Retirement System - Teachers' Retirement System
 Composite Employer Contribution - Increase Amount and Total Contributions
 FY 06 - 07 - 08 - 09
 (in Millions of Dollars)

Fiscal Year	State of Alaska		University of Alaska		School Districts		Municipalities		Total All Categories	
	Increase	Total	Increase	Total	Increase	Total	Increase	Total	Increase	Total
FY 06	40.0	142.1	7.8	26.3	38.6	151.5	21.7	66.6	108.1	386.5
FY 07	41.5	188.9	8.0	35.2	39.7	195.2	22.5	91.6	111.7	510.9
FY 08	43.0	238.9	8.3	44.8	41.0	242.6	23.3	118.4	115.6	644.7
FY 09	8.9	257.1	3.4	49.8	31.4	282.1	4.7	127.6	48.4	716.6

Notes: Conformed to the 2004 Actuarial Valuation (using June 30, 2003 financial statements), by projection year
 5% a year increase in employer composite rate until required computed total rate is reached.
 Each subsequent year affected by change in rate, increase in salaries -

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 Division of Retirement & Benefits

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(In Dollars)

(Based on 2004 Valuation, June 30, 2003 Financials)

Fund	ER Num	10/14/2004 10 47 V02 Employer	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
			AVE Increase	TOTAL Contrib.	AVE Increase	TOTAL Contrib.	AVE Increase	TOTAL Contrib.	AVE Increase	TOTAL Contrib.
PERS	208	AKUTAN, CITY OF	14,932	42,079	15,492	59,149	16,073	77,440	3,230	83,668
PERS	255	ALASKA GATEWAY SD	74,074	225,629	76,852	310,941	79,734	402,335	16,065	433,931
PERS	152	ALASKA HOUSING FINANCE CORPORATION	798,115	2,576,315	828,044	3,500,971	859,096	4,491,353	173,000	4,837,817
PERS	106	ALASKA MUNICIPAL LEAGUE	16,035	129,848	16,636	151,354	17,260	174,289	3,478	184,494
PERS	101	ALASKA, STATE OF	39,655,236	140,776,087	41,142,307	187,197,498	42,685,144	236,902,548	8,600,561	254,647,547
PERS	267	ALEUTIAN HOUSING AUTHORITY	26,172	100,292	27,154	131,207	28,172	164,300	5,676	176,318
PERS	162	ALEUTIAN REGION SD	0	0	7,898	7,898	8,195	16,389	1,651	18,873
PERS	230	ALEUTIANS EAST BOROUGH	50,537	200,431	52,432	260,379	54,399	324,542	10,961	348,030
PERS	244	ALEUTIANS EAST BOROUGH SD	60,500	254,705	62,769	327,025	65,122	404,411	13,121	433,142
PERS	245	ALEUTIANS WEST CRSA	2,817	12,148	2,923	15,527	3,033	19,142	611	20,492
PERS	259	ALLAKAKET, CITY OF	2,564	5,127	2,660	7,979	2,759	11,038	556	12,020
PERS	203	ANCHORAGE PARKING AUTHORITY	52,900	150,024	54,884	210,533	56,942	275,370	11,473	297,472
PERS	111	ANCHORAGE SD	3,653,549	14,066,162	3,790,557	18,384,200	3,932,703	23,006,310	792,394	24,686,747
PERS	173	ANCHORAGE, MUNICIPALITY OF	6,615,843	18,061,251	6,863,937	25,602,485	7,121,335	33,683,913	1,434,866	36,418,979
PERS	283	ANDERSON, CITY OF	2,009	2,009	2,084	4,168	2,162	6,486	436	7,172
PERS	289	ANGOOK, CITY OF	15,955	49,206	16,553	67,604	17,174	87,314	3,460	94,144
PERS	103	ANNETTE ISLAND SD	63,144	126,289	65,512	196,537	67,969	271,876	13,695	296,065
PERS	243	ATKA, CITY OF	3,700	14,832	3,847	19,235	3,991	23,948	804	25,677
PERS	281	BARANOF ISLAND HA	23,645	72,875	24,532	100,140	25,452	129,347	5,128	139,468
PERS	171	BARROW, CITY OF	53,772	19,072	55,788	255,063	57,880	322,507	11,662	346,618
PERS	219	BARTLETT REGIONAL HOSPITAL	890,282	2,872,049	923,667	3,903,418	958,305	5,008,100	193,087	5,394,500
PERS	104	BERING STRAIT SD	366,736	1,013,658	380,489	1,432,159	394,757	1,830,622	79,539	2,032,753
PERS	232	BERING STRAITS CRSA	3,546	23,248	3,679	27,799	3,817	32,658	769	34,688
PERS	270	BERING STRAITS RHA	55,837	213,298	57,931	279,228	60,104	349,803	12,110	375,415
PERS	136	BETHEL, CITY OF	235,324	644,787	244,148	913,115	253,304	1,200,661	51,038	1,298,044
PERS	144	BRISTOL BAY BOROUGH	70,944	184,313	73,605	264,830	76,365	351,126	15,387	380,066
PERS	184	BRISTOL BAY BOROUGH SD	38,254	123,989	37,614	166,252	39,024	211,511	7,863	227,538
PERS	223	BRISTOL BAY RHA	57,562	203,311	59,721	270,656	61,961	342,766	12,484	368,481
PERS	105	CHATHAM SD	35,721	113,807	37,061	155,136	38,450	199,404	7,747	214,848
PERS	121	CHUGACH SD	12,060	36,687	12,512	50,576	12,982	65,454	2,616	70,590
PERS	262	COOK INLET HOUSING AUTHORITY	134,066	466,283	139,094	622,862	144,310	790,529	29,077	850,120
PERS	224	COPPER RIVER BASIN RHA	27,796	90,000	28,841	123,150	29,922	157,690	6,029	169,806
PERS	112	COPPER RIVER SD	63,728	232,728	66,116	307,571	68,595	387,700	13,821	416,486
PERS	185	CORDOVA CITY SD	32,539	100,811	33,759	138,143	35,025	178,349	7,057	192,290
PERS	167	CORDOVA COMMUNITY MEDICAL CENTER	131,150	397,121	136,068	548,081	141,170	709,804	28,444	765,647
PERS	148	CORDOVA, CITY OF	98,482	290,917	102,175	404,002	106,007	525,159	21,359	566,789
PERS	204	CRAIG CITY SD	50,375	211,292	58,489	277,704	60,682	348,800	12,227	374,491
PERS	186	CRAIG, CITY OF	94,430	303,983	97,979	496,362	101,653	616,628	20,492	660,912
PERS	282	DELTA JUNCTION, CITY OF	3,410	13,059	3,547	17,095	3,680	21,416	741	22,984
PERS	246	DELTA/GREELY SD	47,576	150,245	49,360	205,240	51,211	264,148	10,318	284,662
PERS	258	DENALI BOROUGH	29,484	200,493	30,590	238,601	31,737	279,286	6,395	296,461
PERS	118	DENALI BOROUGH SD	43,730	102,937	45,370	214,417	47,071	269,529	4,884	289,417
PERS	205	DILLINGHAM CITY SD	63,229	171,097	65,600	243,113	68,060	320,290	13,713	346,366
PERS	178	DILLINGHAM CITY OF	122,152	395,285	126,733	536,841	131,485	688,458	26,493	741,525
PERS	271	EGEGIK, CITY OF	5,075	14,007	5,265	10,708	5,463	26,003	1,101	28,108
PERS	242	ELIM, CITY OF	9,077	25,980	9,418	36,372	9,771	47,507	1,060	51,310
PERS	110	FAIRBANKS NORTH STAR BOROUGH	867,894	2,765,110	900,440	3,769,241	934,206	4,644,794	188,232	5,200,035
PERS	117	FAIRBANKS NORTH STAR BOROUGH SD	1,234,537	3,928,296	1,280,832	5,156,439	1,328,863	6,880,168	267,750	7,419,723
PERS	129	FAIRBANKS, CITY OF	305,784	1,875,079	317,251	2,203,268	329,148	2,677,288	66,319	2,846,951
PERS	183	FORT YUKON, CITY OF	15,338	30,677	15,914	47,741	16,510	66,041	3,327	71,917
PERS	141	GALENA CITY SD	163,263	576,318	169,385	767,316	175,737	971,827	35,409	1,044,745
PERS	192	GALENA, CITY OF	68,486	136,972	71,054	213,162	73,719	294,875	14,653	321,110
PERS	189	HAINES BOROUGH	103,665	463,518	109,627	595,715	113,738	731,793	22,917	782,957
PERS	210	HAINES BOROUGH SD	51,494	181,672	53,425	241,910	55,429	306,410	11,168	329,406
PERS	215	HOMER, CITY OF	245,743	635,001	254,959	913,772	264,520	1,212,559	53,298	1,312,661
PERS	138	HOONAH CITY SD	26,739	109,099	27,742	223,932	28,782	261,111	5,799	276,989
PERS	197	HOONAH, CITY OF	3,095	104,248	34,336	142,493	5,623	183,460	7,178	197,719
PERS	285	HOOPER BAY, CITY OF	30,735	94,788	31,888	130,230	33,084	168,198	6,666	181,356
PERS	235	HUSLIA, CITY OF	4,785	17,486	4,965	23,106	5,151	29,124	1,038	31,286
PERS	168	HYDABURG, CITY SD	13,463	26,926	13,968	41,003	14,491	57,066	2,920	63,123
PERS	124	IDITAROD AREA SD	82,335	312,048	85,422	409,172	88,625	513,142	17,857	550,806
PERS	275	ILISAGVIK COLLEGE	296,157	638,263	213,388	876,086	221,900	1,130,848	44,712	1,219,211
PERS	263	INTERIOR RHA	52,437	184,474	54,403	245,795	56,444	311,456	11,373	334,851
PERS	284	INTER-ISLAND FERRY AUTHORITY	6,605	20,582	6,853	28,206	7,110	30,374	1,433	39,211
PERS	108	JUNEAU BOROUGH SD	465,932	1,670,834	483,405	2,216,895	501,533	2,801,561	101,053	3,010,754
PERS	126	JUNEAU, CITY AND BOROUGH OF	1,351,743	4,385,054	1,402,433	5,951,927	1,455,025	7,610,149	293,171	8,217,844
PERS	260	KACHEMAK, CITY OF	3,060	15,569	3,183	19,330	3,303	23,364	665	24,932

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(In Dollars)

(Based on 2004 Valuation, June 30, 2003 Financials)

Fund	ER Num	Employer	Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
			AVE Increase	TOTAL Contnb.	AVE Increase	TOTAL Contnb.	AVE Increase	TOTAL Contnb.	AVE Increase	TOTAL Contnb.
		10/14/2004 10 47 V02								
PERS	265	KAKE CITY SD	25,057	95,818	25,997	125,408	26,972	157,083	5,434	168,581
PERS	277	KAKE, CITY OF	15,138	51,438	15,705	69,072	16,294	87,956	3,283	94,634
PERS	237	KALTAG, CITY OF	1,479	5,471	1,535	7,211	1,593	9,074	321	9,745
PERS	211	KASHUNAMIUT SD	61,755	229,112	64,071	301,775	66,474	379,588	13,394	407,610
PERS	180	KENAI PENINSULA BOROUGH	625,569	2,228,278	649,028	2,960,866	673,367	3,745,268	135,676	4,025,508
PERS	190	KENAI PENINSULA BOROUGH SD	644,117	2,165,521	668,271	2,915,000	693,332	3,717,644	139,698	4,000,843
PERS	115	KENAI, CITY OF	278,462	761,316	288,905	1,078,770	299,739	1,418,962	60,394	1,534,128
PERS	122	KETCHIKAN GATEWAY BOROUGH	206,307	639,140	214,044	877,152	222,070	1,132,115	44,745	1,220,560
PERS	177	KETCHIKAN GATEWAY BOROUGH SD	187,852	595,867	194,897	813,109	202,205	1,045,806	40,742	1,126,916
PERS	181	KETCHIKAN, CITY OF	415,937	2,073,029	431,534	2,582,302	447,717	3,126,856	90,210	3,337,762
PERS	151	KING COVE, CITY OF	53,681	157,071	55,694	218,656	57,783	284,638	11,643	307,268
PERS	251	KLAWOCK CITY SD	29,668	121,222	30,780	156,548	31,934	194,353	6,434	208,290
PERS	227	KLAWOCK, CITY OF	42,542	95,210	44,138	142,918	45,793	194,070	9,227	210,788
PERS	174	KODIAK ISLAND BOROUGH	113,667	227,334	117,929	353,788	122,352	489,407	24,652	532,950
PERS	158	KODIAK ISLAND BOROUGH SD	235,674	699,951	244,512	970,711	253,681	1,260,793	51,114	1,360,573
PERS	128	KODIAK, CITY OF	293,700	952,175	304,714	1,292,596	316,140	1,657,208	63,699	1,784,875
PERS	140	KOTZEBUE, CITY OF	162,767	325,534	168,871	506,612	175,203	700,813	35,301	763,165
PERS	287	KOYUK, CITY OF	1,113	3,433	1,155	4,716	1,108	6,091	241	6,568
PERS	125	KUSPUK SD	114,491	341,641	118,785	473,237	123,239	614,223	24,831	662,763
PERS	247	LAKE AND PENINSULA BOROUGH	32,811	150,276	34,042	189,953	35,318	232,395	7,116	248,482
PERS	164	LAKE AND PENINSULA BOROUGH SD	131,433	435,832	136,362	588,538	141,476	752,084	28,506	809,620
PERS	157	LOWER KUSKOKWIM SD	859,238	2,369,779	891,459	3,350,105	924,869	4,400,623	186,354	4,756,841
PERS	153	LOWER YUKON SD	236,407	589,600	245,273	856,983	254,470	1,173,590	51,273	1,239,005
PERS	109	MATANUSKA-SUSITNA BOROUGH	496,101	1,586,530	514,704	2,160,729	534,006	2,775,762	107,596	2,990,502
PERS	110	MATANUSKA-SUSITNA BOROUGH SD	996,633	3,187,234	1,034,007	4,340,762	1,072,782	5,576,323	216,153	6,007,722
PERS	196	NENANA CITY SD	48,549	164,201	50,370	220,822	52,259	281,362	10,530	302,752
PERS	193	NENANA, CITY OF	19,188	75,418	20,115	98,403	20,869	122,962	4,205	131,913
PERS	149	NOME CITY SD	73,463	305,460	76,218	393,133	79,076	486,952	15,933	521,681
PERS	175	NOME JOINT UTILITY SYSTEM	50,792	101,584	52,697	158,090	54,673	218,692	11,016	238,149
PERS	139	NOME, CITY OF	129,467	271,870	134,317	416,382	139,354	571,350	28,078	621,482
PERS	241	NOORVIK, CITY OF	18,250	52,559	18,934	73,465	19,644	95,864	3,958	103,522
PERS	170	NORTH PACIFIC FISHERY MGMT COUNCIL	57,725	208,271	59,889	275,971	62,135	348,455	12,520	374,425
PERS	278	NORTH PACIFIC RIM HA	48,977	162,408	50,814	219,313	52,719	280,256	10,622	301,697
PERS	191	NORTH POLE, CITY OF	107,535	322,604	111,567	446,269	115,751	578,755	23,322	624,418
PERS	145	NORTH SLOPE BOROUGH	2,458,409	6,214,859	2,550,600	8,998,515	2,646,247	11,982,207	533,188	12,977,908
PERS	161	NORTH SLOPE BOROUGH SD	652,578	2,092,166	677,050	2,847,672	702,439	3,556,899	141,533	3,939,589
PERS	220	NORTHWEST ARCTIC BOROUGH	36,340	104,151	37,703	145,760	39,117	190,343	7,862	205,571
PERS	154	NORTHWEST ARCTIC BOROUGH SD	360,719	721,437	374,246	1,122,737	388,280	1,553,119	78,234	1,691,304
PERS	288	NORTHWEST INUPIAT HOUSING AUTHORITY	28,131	96,757	29,166	119,197	30,281	153,947	6,101	165,991
PERS	134	PALMER, CITY OF	132,067	493,041	137,953	649,483	143,126	816,065	28,838	877,338
PERS	257	PALICAN CITY SD	4,047	16,051	4,199	20,852	4,356	25,991	878	27,872
PERS	200	PALICAN, CITY OF	6,559	18,181	6,805	25,668	7,060	33,690	1,423	36,413
PERS	228	PETERSBURG CITY SD	53,938	143,259	55,961	204,592	58,059	270,324	11,698	292,456
PERS	187	PETERSBURG MEDICAL CENTER	149,103	328,027	154,095	495,023	160,460	674,082	32,338	732,439
PERS	143	PETERSBURG, CITY OF	198,490	934,095	205,934	1,175,058	213,656	1,432,778	43,049	1,531,133
PERS	156	PRIBILOF SD	33,091	135,871	34,332	175,248	35,819	217,491	7,177	233,063
PERS	266	QUINHAGAK, CITY OF	1,552	5,380	1,610	7,192	1,671	9,133	337	9,822
PERS	216	RUBY, CITY OF	6,153	22,153	6,384	29,368	6,624	37,092	1,335	39,859
PERS	294	SAINT GEORGE, CITY OF	18,988	52,330	19,700	73,992	20,438	97,205	4,118	105,075
PERS	221	SAINT MARY'S SD	21,240	42,481	22,037	66,111	22,883	91,453	4,607	99,590
PERS	214	SAINT MARY'S, CITY OF	15,895	64,341	16,491	83,245	17,109	103,476	3,447	110,917
PERS	172	SAINT PAUL, CITY OF	70,881	175,077	73,539	255,182	76,297	341,048	15,373	369,586
PERS	176	SAND POINT, CITY OF	39,312	95,214	40,786	139,571	42,310	187,121	8,528	202,870
PERS	278	SAXMAN SEAPORT	1,996	7,639	2,070	9,096	2,148	12,518	433	13,434
PERS	198	SAXMAN, CITY OF	21,534	141,438	22,342	169,084	23,180	198,605	4,670	210,941
PERS	222	SELAWICK, CITY OF	4,016	12,860	4,167	17,509	4,323	22,488	871	24,227
PERS	286	SELDOVIA, CITY OF	4,097	15,411	5,185	21,174	5,379	27,347	1,084	28,486
PERS	182	SEWARD, CITY OF	192,943	530,207	200,178	750,268	207,685	980,087	41,846	1,065,960
PERS	133	SITKA BOROUGH SD	94,373	359,372	97,912	470,781	101,584	589,948	20,468	633,240
PERS	165	SITKA COMMUNITY HOSPITAL	225,166	763,762	233,610	1,026,013	242,370	1,306,859	48,835	1,406,138
PERS	120	SITKA, CITY AND BOROUGH OF	171,607	1,413,591	365,542	1,852,143	400,000	2,321,597	80,595	2,491,800
PERS	225	SKAGWAY CITY SD	10,464	75,111	10,156	97,084	10,875	120,590	4,085	129,259
PERS	132	SKAGWAY, CITY OF	72,524	284,729	75,244	370,650	78,065	462,615	15,729	496,201
PERS	123	SOLDOTNA, CITY OF	139,473	407,357	144,704	583,187	150,130	734,417	30,249	793,035
PERS	155	SOUTHEAST ISLAND SD	50,437	207,296	52,326	267,398	54,291	331,718	10,939	355,454
PERS	187	SOUTHEAST REGIONAL RESOURCE CENTER	86,812	265,298	88,068	365,315	93,445	472,450	18,828	506,775
PERS	102	SOUTHWEST REGION SCHOOL DISTRICT (SD)	143,618	430,471	149,004	604,055	154,591	782,232	31,148	843,571

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(in Dollars)

(Based on 2004 Valuation: June 30, 2003 Financials)

10/14/2004 10 47 V02			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
Fund	ER Num	Employer	AVE Increase	TOTAL Contnb	AVE Increase	TOTAL Contnb	AVE Increase	TOTAL Contnb	AVE Increase	TOTAL Contnb
PERS	218	SPECIAL EDUCATION SERVICE AGENCY	25,409	79,632	26,362	108,980	27,350	140,417	5,511	151,348
PERS	166	TANANA SD	8,091	47,414	8,395	57,587	8,709	68,454	1,755	72,853
PERS	169	TANANA, CITY OF	11,285	46,608	11,708	60,064	12,147	74,464	2,448	79,785
PERS	208	THORNE BAY, CITY OF	14,513	43,830	15,057	60,531	15,622	78,422	3,148	84,597
PERS	279	TLINGIT-HAIDA RHA	100,793	413,654	104,573	533,739	108,494	662,248	21,860	709,671
PERS	280	TOKSOOK BAY, CITY OF	881	2,644	914	3,657	949	4,743	191	5,117
PERS	249	UNALAKLEET, CITY OF	13,698	40,738	14,212	56,478	14,745	73,340	2,971	79,142
PERS	209	UNALASKA CITY SD	47,987	170,257	49,786	226,428	51,653	286,573	10,408	308,042
PERS	179	UNALASKA, CITY OF	493,130	1,685,517	511,622	2,260,346	530,808	2,875,917	106,952	3,093,879
PERS	113	UNIVERSITY OF ALASKA	5,816,153	18,123,132	6,034,258	24,837,007	6,260,543	32,028,938	1,261,427	34,526,682
PERS	137	VALDEZ CITY SD	86,400	178,848	89,640	275,195	93,002	378,517	18,739	411,866
PERS	107	VALDEZ, CITY OF	255,619	711,133	265,205	1,003,005	275,150	1,315,768	55,440	1,421,996
PERS	131	WASILLA, CITY OF	173,593	570,773	180,103	772,280	180,856	988,097	37,649	1,063,887
PERS	202	WHITTIER, CITY OF	48,977	37,954	50,814	152,441	52,719	210,877	10,622	229,630
PERS	146	WRANGELL PUBLIC SD	42,618	127,514	44,217	176,513	45,875	229,007	9,243	247,090
PERS	135	WRANGELL, CITY OF	125,854	420,855	130,573	567,211	135,470	723,951	27,296	779,191
PERS	264	YAKUTAT SD	19,499	70,041	20,230	92,898	20,989	117,371	4,229	126,130
PERS	248	YAKUTAT, CITY AND BOROUGH OF	22,773	85,535	23,627	112,370	24,513	141,096	4,939	151,482
PERS	160	YUKON / KOYUKUK SD	109,970	219,941	114,094	342,283	118,373	473,432	23,851	515,619
PERS	159	YUKON FLATS SD	65,909	131,818	68,381	205,142	70,945	283,779	14,295	309,028
PERS	195	YUPIIT SD	109,492	297,160	113,598	421,902	117,858	555,580	23,747	600,773
TOTAL PERS			70,372,131	266,032,812	82,356,484	358,365,527	85,444,850	457,249,386	17,216,147	492,115,048
TRS	737	ALASKA DEPARTMENT OF EDUCATION	311,338	1,307,621	318,499	1,656,190	328,373	2,035,910	338,716	2,438,758
TRS	766	ALASKA GATEWAY SD	122,058	512,643	124,865	649,299	128,736	798,164	132,791	956,097
TRS	758	ALEUTIAN REGION SD	18,118	76,097	18,535	96,382	19,110	118,479	19,711	141,923
TRS	780	ALEUTIANS EAST BOROUGH SD	119,964	503,849	122,723	638,180	126,528	784,471	130,513	939,695
TRS	701	ANCHORAGE SD	8,945,912	37,572,829	9,151,668	47,588,671	9,435,369	58,499,289	9,732,583	70,074,600
TRS	770	ANNETTE ISLAND SD	81,357	341,701	83,229	432,788	85,809	532,014	88,512	637,284
TRS	752	BERING STRAIT SD	556,156	2,335,857	568,948	2,958,530	586,585	3,636,830	605,063	4,356,453
TRS	742	BRISTOL BAY BOROUGH SD	66,251	278,254	67,775	352,429	69,876	433,230	72,077	518,954
TRS	768	CHATHAM SD	65,684	275,875	67,195	349,415	69,278	429,525	71,461	514,516
TRS	771	CHUGACH SD	47,326	198,768	48,414	251,754	49,915	309,473	51,487	370,709
TRS	767	COPPER RIVER SD	144,588	607,270	147,914	769,151	152,499	945,494	157,303	1,132,580
TRS	704	CORDOVA CITY SD	104,904	440,595	107,316	558,045	110,643	685,988	114,128	821,775
TRS	705	CRAIG CITY SD	117,364	492,928	120,063	624,329	123,785	767,468	127,684	919,328
TRS	765	DELTA/GREELY SD	151,836	637,711	155,328	807,707	160,144	992,890	165,188	1,189,354
TRS	764	DENALI BOROUGH SD	84,599	355,315	86,545	450,032	89,227	553,210	92,038	662,675
TRS	744	DILLINGHAM CITY SD	145,270	610,133	148,811	772,777	153,218	949,951	158,044	1,137,919
TRS	706	FAIRBANKS NORTH STAR BOROUGH SD	2,945,480	12,371,017	3,013,226	15,068,777	3,106,636	19,261,140	3,204,495	23,072,367
TRS	735	GALENA CITY SD	227,943	957,362	233,186	1,212,568	240,415	1,490,572	247,988	1,785,513
TRS	707	HAINES BOROUGH SD	93,831	394,809	95,989	499,142	98,965	613,580	102,082	734,990
TRS	708	HOONAH CITY SD	79,070	334,615	81,503	423,813	84,029	520,981	86,676	624,067
TRS	709	HYDABURG CITY SD	35,628	149,638	36,448	189,528	37,578	232,581	38,761	279,081
TRS	761	IDITAROD AREA SD	129,851	545,375	132,838	670,750	136,956	849,125	141,270	1,017,142
TRS	710	JUNEAU BOROUGH SD	1,021,263	4,289,305	1,044,752	5,432,711	1,077,139	6,678,264	1,111,060	7,999,699
TRS	712	KAKE CITY SD	39,935	167,728	40,854	212,440	42,120	261,145	43,447	312,818
TRS	777	KASHUNAMIUT SD	73,716	309,609	75,412	392,142	77,750	482,048	80,190	577,432
TRS	746	KENAI PENINSULA BOROUGH SD	1,918,041	8,055,774	1,962,156	10,203,213	2,022,983	12,542,496	2,086,707	15,024,292
TRS	714	KETCHIKAN GATEWAY BOROUGH SD	466,086	1,057,500	476,806	2,479,389	491,587	3,047,837	507,072	3,650,915
TRS	717	KLAWOCK CITY SD	58,619	246,169	59,967	311,829	61,820	383,322	63,774	459,170
TRS	718	KODIAK ISLAND BOROUGH SD	832,619	2,657,001	847,169	3,365,281	867,232	4,136,837	888,250	4,955,397
TRS	755	KUSPUK SD	140,344	589,445	143,572	748,574	148,023	917,740	152,645	1,090,334
TRS	757	LAKE AND PENINSULA BOROUGH SD	163,178	685,346	166,931	868,040	172,105	1,067,055	177,527	1,278,104
TRS	754	LOWER KUSKOKWIM SD	946,224	3,974,141	967,987	5,033,533	997,995	6,187,567	1,029,432	7,411,907
TRS	753	LOWER YUKON SD	457,613	1,921,973	468,136	2,434,316	482,650	2,092,430	497,853	3,584,545
TRS	722	MATANUSKA-SUSITNA BOROUGH SD	2,589,746	10,876,933	2,649,310	13,776,413	2,731,439	16,934,921	2,817,479	20,285,850
TRS	719	NEENANA CITY SD	107,568	451,535	109,081	571,901	113,390	703,020	116,962	842,128
TRS	720	NOME CITY SD	158,350	665,072	161,093	842,361	167,014	1,035,489	172,275	1,240,382
TRS	736	NORTH SLOPE BOROUGH SD	728,506	3,059,978	745,323	3,875,680	768,428	4,764,254	792,634	5,706,062
TRS	751	NORTHWEST ARCTIC BOROUGH SD	631,148	2,650,821	645,664	3,357,454	665,680	4,127,215	686,649	4,943,871
TRS	723	PELICAN CITY SD	7,422	31,173	7,593	39,483	7,828	48,535	8,075	58,130
TRS	724	PETERSBURG CITY SD	147,167	618,100	150,552	782,808	155,219	962,345	160,108	1,152,778

Public Employees' Retirement System (PERS) & Teachers' Retirement System (TRS)

Composite Employer Contribution Rate - Active Employers

ESTIMATED FY 06 - 07 - 08 - 09 - Change in Employer Contribution

(in Dollars)

(Based on 2004 Valuation; June 30, 2003 Financials)

10/14/2004 10 47 V02			Fiscal Year 2006		Fiscal Year 2007		Fiscal Year 2008		Fiscal Year 2009	
Fund	ER Num	Employer	AVE Increase	TOTAL Contrib	AVE Increase	TOTAL Contrib	AVE Increase	TOTAL Contrib	AVE Increase	TOTAL Contrib
TRS	759	PRIBILOF SD	34,771	146,040	35,571	184,970	36,674	227,378	37,829	272,369
TRS	748	SAINT MARY'S SD	43,938	184,541	44,919	233,735	46,342	287,323	47,802	344,176
TRS	727	SITKA BOROUGH SD	345,793	1,452,330	353,746	1,839,480	364,712	2,261,216	378,201	2,708,645
TRS	728	SKAGWAY CITY SD	35,750	150,151	36,573	160,177	37,706	233,779	38,894	280,037
TRS	769	SOUTHEAST ISLAND SD	68,398	287,273	69,971	363,852	72,141	447,272	74,413	535,774
TRS	743	SOUTHEAST REGIONAL RESOURCE CENTER	50,057	210,240	51,208	266,284	52,790	327,335	54,459	392,105
TRS	758	SOUTHWEST REGION SD	256,747	1,078,339	262,653	1,365,793	270,795	1,678,927	279,325	2,011,138
TRS	779	SPECIAL EDUCATION SERVICE AGENCY	58,874	247,270	60,228	313,185	62,095	384,988	64,051	461,167
TRS	775	TANANA SD	14,438	60,640	14,770	76,805	15,228	94,414	15,708	113,096
TRS	729	UNALASKA CITY SD	108,771	458,838	111,273	578,618	114,722	711,277	118,336	852,019
TRS	733	UNIVERSITY OF ALASKA	1,953,777	8,203,761	1,998,202	10,390,650	2,060,146	12,772,906	2,125,041	15,300,293
TRS	730	VALDEZ CITY SD	236,952	995,200	242,402	1,260,492	249,917	1,549,483	257,789	1,856,081
TRS	731	WRANGELL PUBLIC SD	106,020	445,311	108,465	564,018	111,827	693,330	115,350	830,520
TRS	732	YAKUTAT SD	46,921	197,070	48,001	249,603	49,489	306,830	51,048	367,542
TPS	782	YUKON / KOYUK SD	193,646	813,312	198,099	1,030,117	204,241	1,266,291	210,674	1,516,854
TRS	763	YUKON FLATS SD	120,949	508,070	123,751	643,507	127,588	791,043	131,607	947,568
TRS	778	YUPIIT SD	112,500	472,499	115,087	598,453	118,655	735,660	122,392	881,226
		TOTAL TRS	28,670,505	120,416,120	29,329,926	152,515,617	30,239,154	187,482,755	31,191,687	224,580,150
		TOTAL BOTH PERS AND TRS	108,042,636	386,448,932	111,686,411	510,881,144	115,684,006	644,731,842	48,407,834	716,695,197

1.5(c) Actuarial Projections – Effect of Economic Scenarios

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except

Results are shown only under the 1% population growth scenario

The actuarially calculated contribution rate is adopted in each year beginning in FY06, but rate cannot increase by more than 5% per year.

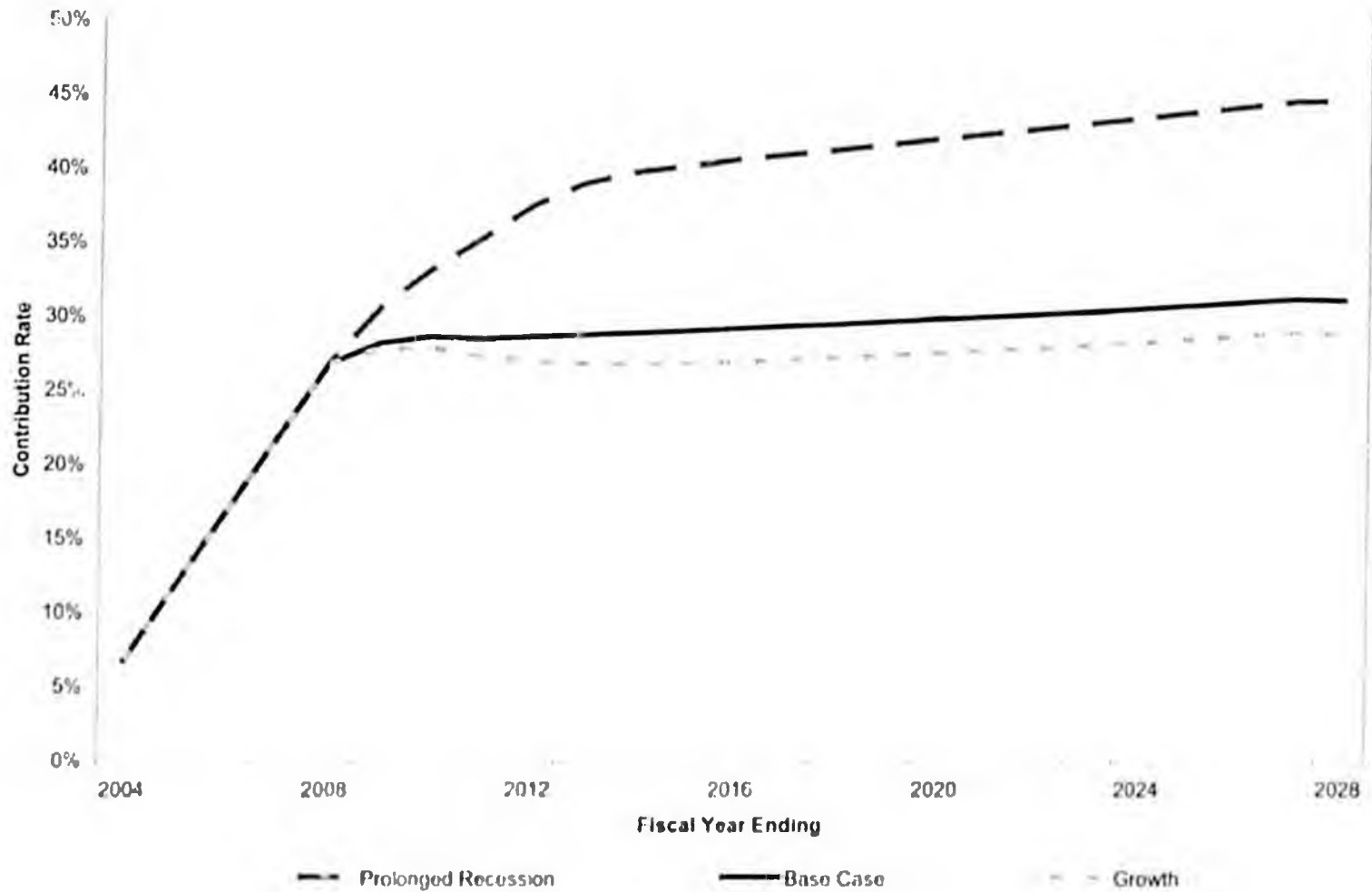
Investment returns are assumed as follows:

Total Portfolio Investment Return Under Each Scenario

Year Ending June 30	Base Case	Growth	Prolonged Recession
2004	15.08%	15.08%	15.08%
2005	8.25%	10.00%	-3.50%
2006	8.25%	10.00%	-3.50%
2007	8.25%	9.50%	2.10%
2008	8.25%	9.00%	7.75%
2009	8.25%	8.25%	7.75%
2010	8.25%	8.25%	7.75%
2011	8.25%	8.25%	7.75%
2012	8.25%	8.25%	7.75%
2013	8.25%	8.25%	7.75%
2014	8.25%	8.25%	7.75%
2015	8.25%	8.25%	7.75%
2016	8.25%	8.25%	7.75%
2017	8.25%	8.25%	7.75%
2018	8.25%	8.25%	7.75%
2019	8.25%	8.25%	7.75%
2020	8.25%	8.25%	7.75%
2021	8.25%	8.25%	7.75%
2022	8.25%	8.25%	7.75%
2023	8.25%	8.25%	7.75%
2024	8.25%	8.25%	7.75%
2025	8.25%	8.25%	7.75%
2026	8.25%	8.25%	7.75%
2027	8.25%	8.25%	7.75%
2028	8.25%	8.25%	7.75%

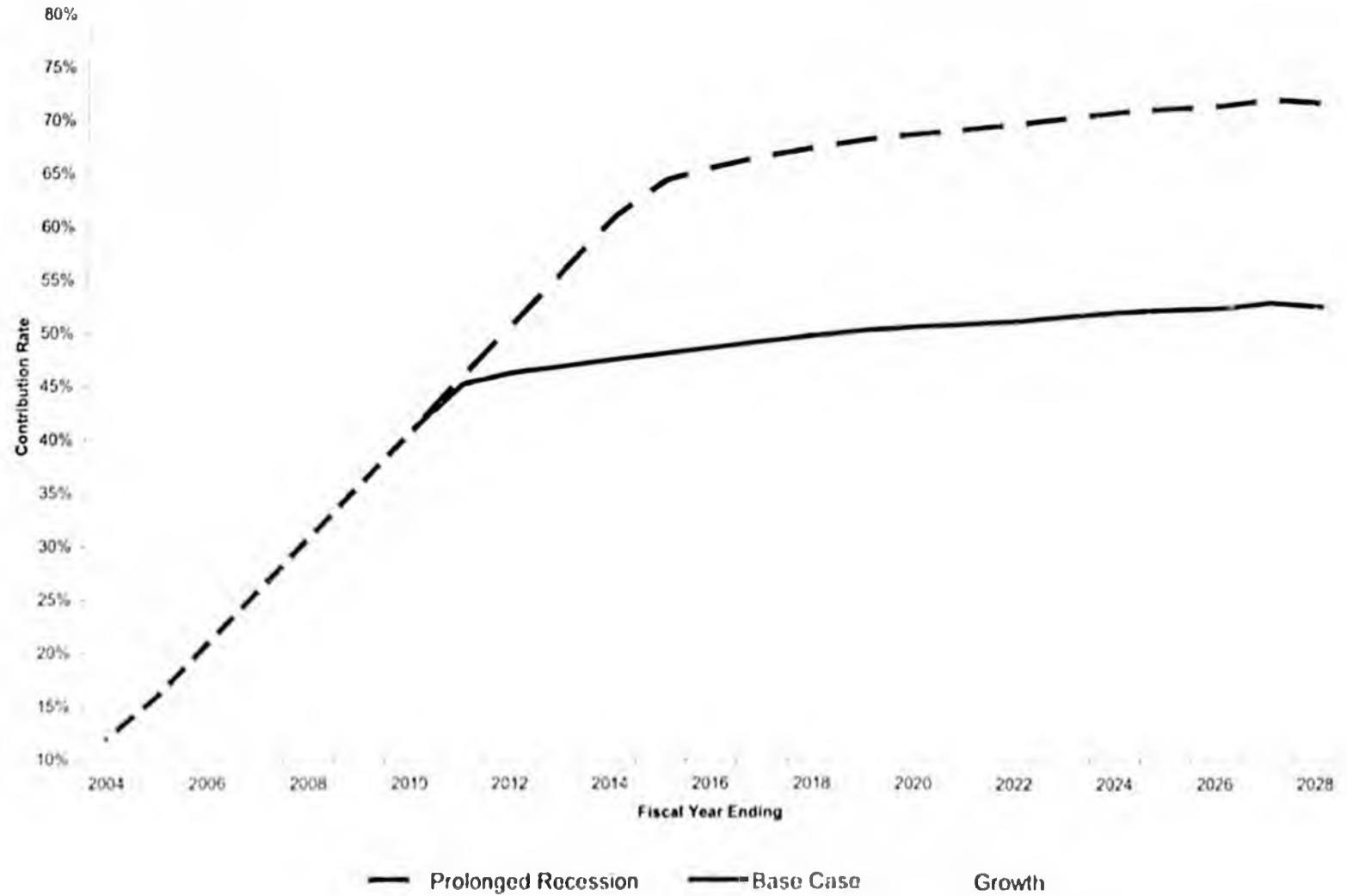
1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate

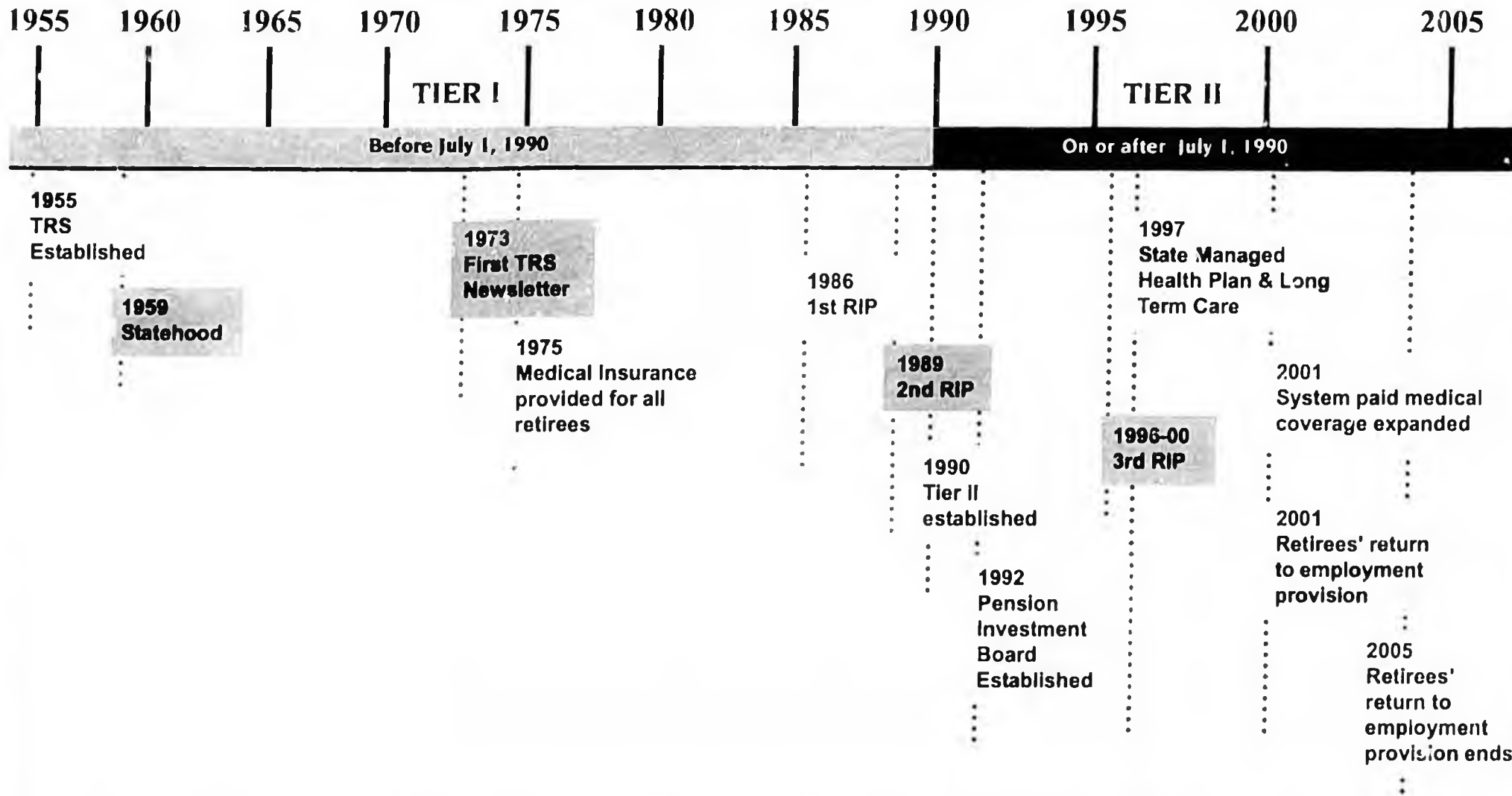


1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



ALASKA TRS TIMELINE



The information on this timeline is not intended to replace the Alaska Statutes, the Alaska Administrative Code or Federal law. Language contained in the Alaska Statutes and the Alaska Administrative Code govern the plans. Rev 7/23/04

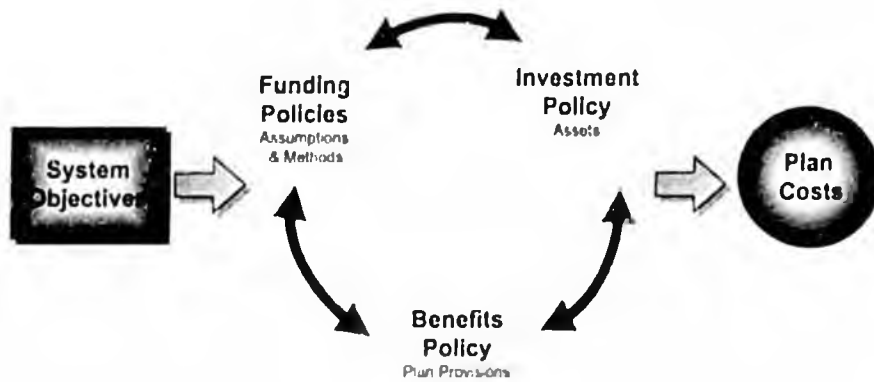


State of Alaska
PERS & TRS Tier Proposals
Senate Finance



Overview

Retirement Program Financial Management



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Financial Summary

Employer Contribution Rates - PERS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	13.31%	13.24%
Average Past Service Rate:	11.60%	12.39%
Average Contribution Rate:	24.91%	25.63%
Board Adopted Rate:	11.77%	16.77%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)

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Financial Summary

Employer Contribution Rates - TRS

	<u>FY05</u>	<u>FY06</u>
Normal Cost Rate:	14.76%	14.28%
Past Service Rate:	<u>20.81%</u>	<u>24.57%</u>
Total Contribution Rate:	35.57%	38.85%
Board Adopted Rate:	16.00%	21.00%

- The normal cost rate provides for benefits expected to be earned by active members during the fiscal year
- The past service rate is the part of the contribution that is intended to pay off the unfunded liability (over 25 years)



Overview

Financial Context

- ⇒ Rising contribution levels
- ⇒ Volatile investment returns
 - Investment uncertainty
- ⇒ Rising medical costs



Overview

Key Information

Key information gathered and analyzed

- ⇒ Employer survey
- ⇒ Member focus groups
- ⇒ Benchmarking
- ⇒ Benefit levels
- ⇒ Demographic projections
- ⇒ Implications of Medicare changes
- ⇒ Trends, issues and alternatives
- ⇒ Cost analysis and projections



Employer Survey – PERS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members



Employer Survey – TRS

Important Conclusions

- ⇒ Employers want the retirement program to continue to provide medical coverage
- ⇒ Many employers, particularly the largest employers, open to the possibility of providing differing levels of medical coverage based on service or having members share in the cost of coverage
- ⇒ Other potential cost savings areas that some employers seem open to:
 - Lowering the post-retirement cost-of-living adjustment
 - Not providing medical coverage to vested terminated members
- ⇒ Some responses seem to favor continuing a defined benefit approach
 - Reward long service
- ⇒ However, responses leaned towards shifting investment risk to members



Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following objectives:

- ⇒ The System should provide medical benefits to retirees
 - Members should bear a greater share of the cost
 - Members should have to retire from the System to be eligible
- ⇒ Benefits should favor longer-service members
- ⇒ Employer contributions should be more predictable and stable
- ⇒ Investment risk should be shared by employers and members
- ⇒ Healthcare inflation risk should be shared by employers and members



Overview

System Objectives and Constraints

Based on information gathered and stakeholder feedback, the Tier Committee drafted the following constraints:

- ⇒ Non-medical benefits must be sufficient to satisfy minimum requirements for employers who do not participate in Social Security
- ⇒ Benefit changes must take the form of new "tiers"
- ⇒ Annual cost of benefits should be less than the current Systems' normal cost rates



Trends and Alternatives

Defined Benefit Observations

- ⇒ Plans have experienced higher cost levels and greater cost volatility
- ⇒ Funded status has declined in last 3 years
- ⇒ Advantages (to employer) of defined benefit plans
 - Retention incentives, lower turnover cost
 - Workforce management
 - Cost allocated to longer-service employees



Trends and Alternatives

Defined Benefit Observations (*continued*)

- ⇒ Advantages (to employee) of defined benefit plans
 - Pooling of longevity risk
 - In most cases, employer bears investment risk
 - Predictable, stable retirement income
- ⇒ Challenges (for employer) of defined benefit plans
 - Investment risk
 - Cost volatility



Trends and Alternatives

Defined Contribution Observations

- ⇒ Advantages (to employer) of defined contribution plans
 - Predictable cost
 - Stable cost
 - Employee assumes investment risk
 - No long-term administrative commitment
 - Contribution equity among employees
- ⇒ Advantages (to employee) of defined contribution plans
 - Portability
 - Ability to direct investments
 - Contribution equity among employees



Trends and Alternatives

Defined Contribution Observations (*continued*)

- ⇒ Challenges for defined contribution plans
 - More difficult to manage workforce
 - Employee directed money often earns less
 - Amount needed at retirement is often underestimated
 - Employees need to contribute in excess of 10 percent, but most do not
 - Retirees generally not equipped to transform lump sum into monthly payments that last for a lifetime (difficult to manage longevity risk)



Proposed Alternatives



Proposed Alternatives

Overview

- ⇒ Two alternatives are being presented to the PERS and TRS Boards, with the Tier Committee recommending Alternative 1
- ⇒ Components of Alternative 1
 - defined benefit
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Components of Alternative 2
 - defined contribution
 - medical
 - health reimbursement account (HRA)
- ⇒ Member contributions under both alternatives are higher than the current tiers
- ⇒ Contribution rates for the defined contribution component are higher for Alternative 2
- ⇒ Post-retirement medical program is the same for both alternatives

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Proposed Alternatives

Defined Benefit Alternative

Key features of Alternative 1 defined benefit program

- ⇒ 1 percent of career average pay
- ⇒ Pay is indexed from year received to year preceding retirement (or termination) based on the Anchorage CPI
 - for example, 1997 pay for a member retiring on December 31, 2009 would be increased at Anchorage CPI for 12 years
- ⇒ Base pay only
- ⇒ Normal retirement at the earlier of
 - (1) age 60 with 5 years of service (8 years for TRS), or
 - (2) 25 years of service (30 years for PERS "others")
- ⇒ Post-retirement pension adjustments similar to current tiers
- ⇒ No 10 percent Alaska cost-of-living adjustment (COLA)

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Proposed Alternatives

Defined Contribution Alternatives

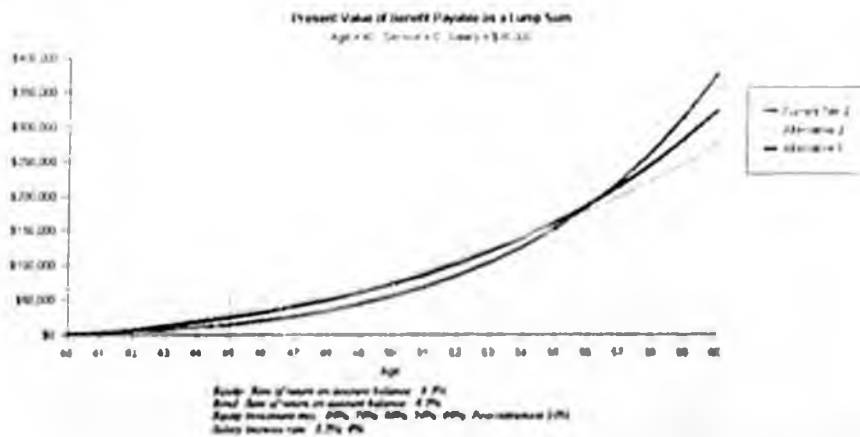
Key features of defined contribution components

- ⇒ Individual accounts are maintained for each member
- ⇒ Contributions are a percentage of base pay
- ⇒ Various investment options (member-directed)
- ⇒ 100% vested
- ⇒ Terminating or retiring member takes account (eligible for rollover)



Proposed Alternatives

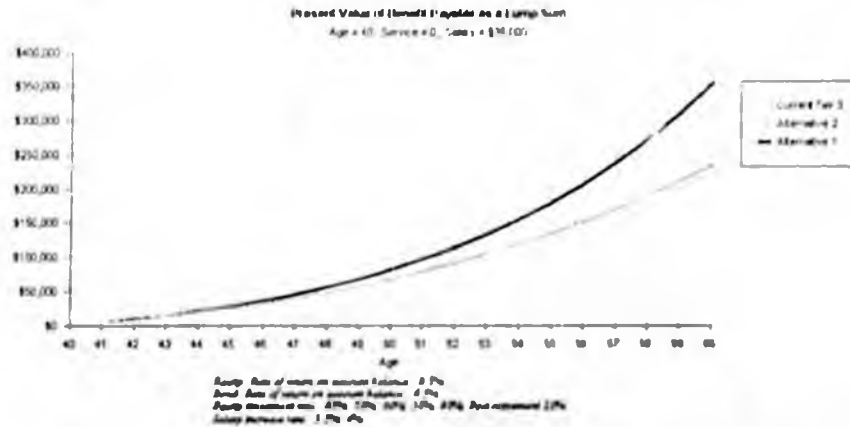
Accrual of Non-Medical Benefits - TRS





Proposed Alternatives

Accrual of Non-Medical Benefits - PERS



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Proposed Medical Program

Key Features

Key features of post-retirement medical program

- ⇒ Members must retire directly from the System to be eligible
- ⇒ System sponsored health plan with varying levels of subsidy or cost to members
- ⇒ Early retirees get "access only" prior to normal retirement eligibility
- ⇒ Defined dollar benefit from normal retirement to Medicare eligibility (currently age 65)
- ⇒ Defined health benefit after Medicare eligibility, similar to the current program with the following key exceptions:
 - Method of coordination with Medicare
 - Retired members will share in the cost through premium contributions

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Proposed Medical Program System Sponsored Health Care Plan

- ⇒ System sponsored health plan available to all eligible retirees, but with varying levels of subsidy
- ⇒ Basic plan design elements

	Current Plan	Alternative Plan
Medical		
• Coordination with Medicare	Total Allowable	Maintenance of Benefits
• Deductible	\$150/person, \$450/family	\$250/person, \$750/family
• Out of Pocket	\$600	\$2,500
• Outpatient Surgery Coverage	100%	80%
Prescription Drug		
• Retail	90 day supply	30 day supply
- Generic	\$4	\$5
- Brand Formulary	\$8	\$15
- Brand Non-Formulary	\$8	\$30
• Mail Order	90 day supply	90 day supply
- Generic	\$0	\$5
- Brand Formulary	\$0	\$15
- Brand Non-Formulary	\$0	\$30
Dental, Vision, Audio	No Change	



Proposed Medical Program Eligibility

- ⇒ Normal retirement eligibility for medical benefits will be defined as the earlier of
 - (1) age 60 with 10 years of service
 - (2) 25 years of service (30 years for PERS "others" retirees).
- ⇒ Disabled participants will be eligible
- ⇒ Terminated vested participants are not eligible. A member must retire directly from active service in order to receive coverage



Proposed Medical Program

Early Retirement

- ⇒ Early retirees who have not reached normal retirement eligibility
 - Receive "access only" plan
 - Will not be eligible for subsidized retiree health plan costs
 - Pay 100% of the pre-Medicare eligible (currently pre-age 65) per member per year (PMPY) claim costs
- ⇒ Dependent spouses of early retirees will pay 100% of the appropriate pre-Medicare or Medicare eligible PMPY claim cost



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Members who retire directly from the Systems will be eligible for a "defined dollar" benefit upon reaching eligibility for normal retirement
- ⇒ Fixed dollar subsidy toward system sponsored health coverage
- ⇒ Access to system sponsored retiree medical plan as outlined above
- ⇒ Subsidy amount is based on length of service
- ⇒ Subsidy amount indexed each year by healthcare inflation up to a maximum of 5 percent (with a "catch-up" provision based on years when healthcare inflation is less than 5%)



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Upon becoming eligible for Medicare, such members will become eligible for the "defined health" benefit
- ⇒ Pre-Medicare dependent spouse is eligible for the same subsidy as retiree
- ⇒ Medicare eligible dependent spouse is eligible for the Medicare eligible benefit level, with contribution percentage based on retiree length of service



Proposed Medical Program

Normal Retirement to Medicare Eligibility

- ⇒ Apply percentages to the applicable subsidy base to arrive at the appropriate subsidy amount.

- ⇒ Defined Dollar Subsidy Base Annual PMPY for fiscal year 2004:

Pre Medicare \$5,962*

- ⇒ Subsidy Percentage

Service (yrs)	Subsidy %
10-14	30%
15-19	45%
20-24	60%
25-29	75%
30+	90%

- ⇒ Member contributions are determined by subtracting the annual subsidy amount from the annual claims cost for a given year.

* Equivalent to FY2004 pre-Medicare projected claim cost.



Proposed Medical Program After Medicare Eligibility

- ⇒ Defined health benefit similar to current program
- ⇒ Retirees who were previously eligible for 100% subsidy of retiree health plan costs will now participate in the premium cost.
- ⇒ Contributions are per covered individual
- ⇒ Pre-Medicare dependent spouses are eligible to receive a defined dollar subsidy with percentage based on retiree length of service
- ⇒ Medicare eligible dependent spouses are eligible to receive the same defined health benefits as the retiree and pay the same contributions



Proposed Medical Program After Medicare Eligibility

- ⇒ Contribution Base PMPY for fiscal year 2004:

Medicare Eligible \$2,667

- ⇒ Contribution Percentage

Service (yrs)	Contribution %
10-14	30%
15-19	25%
20-24	20%
25-29	15%
30+	10%

- ⇒ Apply percentages to the contribution base to arrive at the applicable contribution amount



Health Reimbursement Accounts (HRAs)

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Health Reimbursement Accounts Overview

- ⇒ Arrangement that:
 - Is solely employer paid
 - Reimburses employees for medical expenses
 - Provides reimbursements up to a maximum dollar amount for a defined coverage period
- ⇒ Unused funds are carried forward to the next coverage period
- ⇒ Usually, but not required to be, associated with high-deductible health plans or consumer directed health plans
- ⇒ Includes aspects of FSAs
- ⇒ Also known as
 - Health Reimbursement Arrangements
 - Defined contribution health care plans

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Health Reimbursement Accounts Overview

Funding

- ⇒ Employer only
- ⇒ Employer sets own limits
- ⇒ Notional or funded accounts
 - general assets
 - VEBA
 - other trusts

Eligibility

- ⇒ Current and former employees (including retired employees), spouses and dependents
- ⇒ COBRA participants
- ⇒ Dependent medical expenses on death of employee

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Health Reimbursement Accounts Overview

Benefits

- ⇒ Reimbursements for medical expenses as defined in IRC section 213(d)
- ⇒ No IRS limit on reimbursements
- ⇒ Employee responsible for substantiating expenses
- ⇒ Cannot use for over-the-counter drugs
- ⇒ Can be used for after tax insurance premium payments (LTC is gray area)
- ⇒ Cannot have any right to receive cash benefit
- ⇒ Can be used with FSA, but special rules apply

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Health Reimbursement Accounts Overview

Plan design

⇒ Plan sponsor dictates plan design

- Contribution amount
- Covered expenses
- Termination provisions

Tax Treatment

⇒ Requirements for exclusion from employee/retiree income:

- Employer funding only – no employee contributions
- Only reimbursed for qualified medical expenses

Subject to non-discrimination rules under IRS code section 105(h)



Health Reimbursement Accounts Comparison of tax advantaged health care accounts

	HSA	HRSA	FSA
Account requirements	Funds must be held in trust or custodial account	No requirement, often unfunded	No requirement, often unfunded
Qualifying expenses	Miscellaneous IRC 213(d) expenses, limited health premium reimbursements*	Miscellaneous IRC 213(d) expenses, unlimited premium reimbursements, subject to plan design	Miscellaneous IRC 213(d) expenses, no health premium reimbursements
Non-qualified withdrawals	Yes, but taxable, plus 10% penalty. No penalty after age 65, disability, or death (no penalty or tax after death if HSA goes to spouse)	Not allowed	Not allowed
Rollover of unused funds	Unused funds roll over indefinitely	Allowed, although employer can establish limits	Not allowed
Nonforfeitable	Yes and fully portable, can take to new employer	No, but COBRA rights apply	No, but limited COBRA rights apply

*COBRA continuation coverage and procedure for account holder at end of receiving unemployment compensation



Health Reimbursement Accounts

Comparison of tax advantaged health care accounts

	Health Savings Account	Health Reimbursement Account	Flexible Spending Account
Eligibility	Individuals (employees) with high deductible plan (HDHP)	Employees whose employers make available	Employees whose employers make available
Health insurance requirement	Qualified high deductible health plan required	None, although employer typically requires high deductible coverage	None
Contributions - Source	Employer, employee, or both	Employer only	Employer, employee or both
Taxability of employee contributions	Tax-free	Employee contribution not allowed	Tax-free
Taxability of employer contributions	Tax-free to employee, tax deductible to employer	Tax-free to employee; tax deductible to employer	Tax-free to employee; tax deductible to employer
Annual contribution limits (employee+employer)	Lesser of 100% of deductible or fixed amount (established by law)	None legally required, employer sets its contribution amounts	None legally required, employer sets employee contribution limits



Health Reimbursement Accounts

Projection scenarios

- ⇒ Illustrate the HRA fund value at retirement, the total costs expected to be borne by the retiree during the pre-Medicare period of retirement and the retiree's expected net cost after HRA reimbursements
- ⇒ Four scenarios
 - Early hire, 1.0% funding - hire at 25, retire at 55
 - Early hire, 1.5% funding - hire at 25, retire at 55
 - Late hire, 1.0% funding - hire at 40, retire at 60
 - Late hire, 1.5% funding - hire at 40, retire at 60
- ⇒ Key assumptions
 - Hire date of 7/1/2004
 - Normal retirement at 25 years or age 60
 - Funded as percent of average salary for group
 - Average salary for group of \$35,000
 - Wage inflation 4.0%



Health Reimbursement Accounts Projection scenarios

⇒ Key assumptions (continued)

- HRA accumulation rate 8.25%
- Early retirement access-only plan as described in the proposed medical program
- Normal retirement to Medicare eligibility defined dollar subsidy as described in the proposed medical program
- Benefit costs increase at proposed valuation trend
- Retirees transition to defined health benefit plan at Medicare eligibility

⇒ Other assumptions

- Participant retires from system and is receiving system-sponsored benefits
- Demographic composition of future pre-Medicare retiree group remains constant
- No spend down of HRA during active benefit period



Health Reimbursement Accounts Projection scenarios

	Gross Retiree Cost	HRA at Retirement	Net Retiree Cost
Early Hire, 1.0%	\$153,721	\$64,622	\$72,348
Early Hire, 1.5%	\$153,721	\$96,933	\$12,714
Late Hire, 1.0%	\$ 68,993	\$23,052	\$44,543
Late Hire, 1.5%	\$ 68,993	\$34,579	\$30,580

- ⇒ Gross retiree cost is the total medical premium cost expected to be paid by the retiree less any System-sponsored subsidy. Does not include retiree cost sharing via plan design elements such as deductibles and coinsurance.
- ⇒ HRA at retirement is the beginning fund balance at the year of retirement.
- ⇒ Net retiree cost is the gross retiree cost less expected reimbursements from the HRA. HRA balance continues to earn interest after medical expenses are reimbursed each year.



Proposed Alternatives

Alternative 1 – Normal Cost Rates

⇒ "Normal cost" rates for Alternative 1 are expected to be as follows:

	Normal Cost Rates			
	TRS		PERS	
Medical normal cost rate	3.75%	(9.07%)	3.5%	(8.68%)
Defined benefit normal cost rate	5.0%	(13.90%)	4.5%	(11.37%)
Defined contribution rate	8.5%	(N/A)	7.0%	(N/A)
HRA contribution rate	1.5%	(N/A)	1.0%	(N/A)
Gross normal cost rate	18.75%	(22.97%)	16.0%	(20.05%)
Member contribution rate	(10.0)%	(8.69%)	(8.0)%	(6.81%)
Employer normal cost rate	8.75%	(14.28%)	8.0%	(13.24%)

[Normal cost rates for the current program (all tiers) are shown in parentheses for comparative purposes.



Proposed Alternatives

Alternative 2 – Normal Cost Rates

⇒ "Normal cost" rates for Alternative 2 are expected to be as follows:

	Normal Cost Rates	
	TRS	PERS
Medical normal cost rate	3.75%	3.5%
Defined contribution rate	13.5%	11.5%
HRA contribution rate	1.5%	1.0%
Gross normal cost rate	18.75%	16.0%
Member contribution rate	(10.0)%	(8.0)%
Employer normal cost rate	8.75%	8.0%

State of Alaska

Division of Retirement & Benefits

Normal Cost Rate and Actuarial Computed Rate from FY 1983 through FY 2006

<u>Valuation report date June 30</u>	<u>Fiscal year of rate</u>	<u>Normal Cost rate PERS</u>	<u>Actuarial Computed Rate PERS</u>	<u>Normal Cost rate TRS</u>	<u>Actuarial Computed Rate TRS</u>
1980	1983	11.46%	13.78%	11.95%	16.84%
1981	1984	12.03%	13.68%	13.51%	17.42%
1982	1985	11.36%	13.62%	13.64%	17.96%
1983	1986	11.82%	13.59%	13.13%	17.36%
1984	1987	12.31%	13.84%	13.91%	13.28%
1985	1988	11.13%	9.55%	11.62%	13.28%
1986	1989	10.20%	9.38%	9.36%	11.16%
1987	1990	9.23%	9.30%	9.14%	8.19%
1988	1991	10.37%	12.00%	11.86%	12.27%
1989	1992	12.00%	14.20%	13.26%	15.16%
1990	1993	12.83%	13.58%	14.07%	19.65%
1991	1994	10.18%	13.72%	9.05%	15.59%
1992	1995	10.90%	13.70%	8.57%	13.36%
1993	1996	11.29%	12.82%	9.06%	12.48%
1994	1997	10.36%	12.14%	9.70%	14.96%
1995	1998	10.61%	11.90%	10.10%	14.94%
1996	1999	9.85%	7.74%	8.97%	10.52%
1997	2000	9.89%	7.36%	9.21%	13.00%
1998	2001	8.67%	7.03%	8.99%	10.55%
1999	2002	5.07%	6.56%	8.88%	7.09%
2000	2003	10.07%	6.12%	9.40%	8.29%
2001	2004	9.53%	6.77%	10.36%	14.44%
2002	2005	13.31%	24.91%	14.76%	35.57%
2003	2006	13.24%	25.63%	14.28%	38.85%

Normal Cost Rate: present value of benefits, which are expected to be credited with respect to service during the year beginning on the valuation date.

Actuarial Computed Rate: after comparing plan assets and liabilities, an actuarial rate is computed that would fund the retirement systems over 25 years. There are two components: the normal cost rate and the past service necessary to pay any unfunded liability. Both rates account for differences between actual experience versus anticipated results, changes in actuarial assumptions and / or methods, changes in statutory provisions, or difference between the rate actually adopted by the Boards for a particular year versus the computed rate.

1.5(c) Actuarial Projections – Effect of Economic Scenarios

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except

Results are shown only under the 1% population growth scenario

The actuarially calculated contribution rate is adopted in each year beginning in FY06, but rate cannot increase by more than 5% per year.

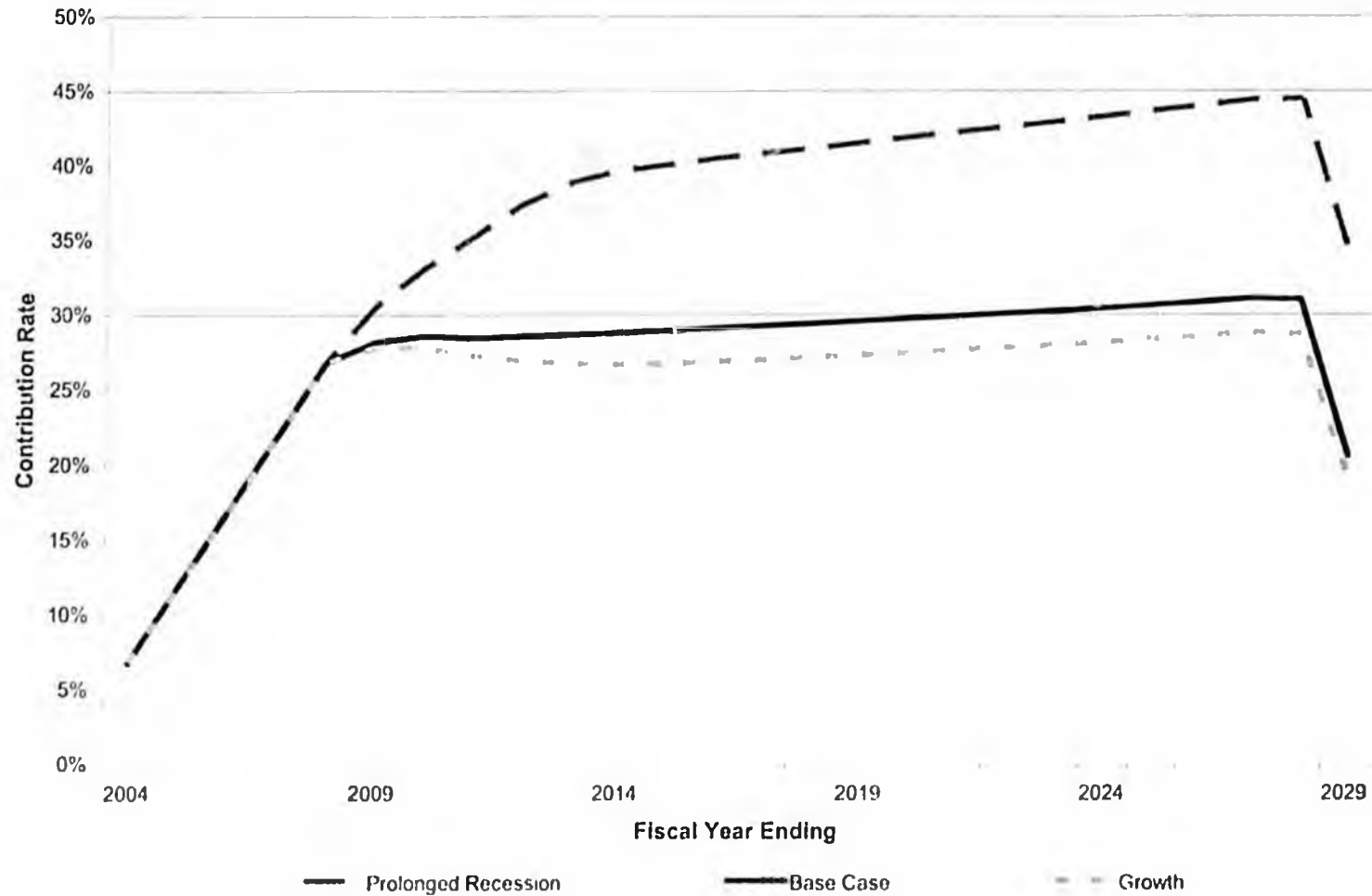
Investment returns are assumed as follows:

Total Portfolio Investment Return Under Each Scenario

Year Ending June 30	Base Case	Growth	Prolonged Recession
2004	15.08%	15.08%	15.08%
2005	8.25%	10.00%	-3.50%
2006	8.25%	10.00%	-3.50%
2007	8.25%	9.50%	2.10%
2008	8.25%	9.00%	7.75%
2009	8.25%	8.25%	7.75%
2010	8.25%	8.25%	7.75%
2011	8.25%	8.25%	7.75%
2012	8.25%	8.25%	7.75%
2013	8.25%	8.25%	7.75%
2014	8.25%	8.25%	7.75%
2015	8.25%	8.25%	7.75%
2016	8.25%	8.25%	7.75%
2017	8.25%	8.25%	7.75%
2018	8.25%	8.25%	7.75%
2019	8.25%	8.25%	7.75%
2020	8.25%	8.25%	7.75%
2021	8.25%	8.25%	7.75%
2022	8.25%	8.25%	7.75%
2023	8.25%	8.25%	7.75%
2024	8.25%	8.25%	7.75%
2025	8.25%	8.25%	7.75%
2026	8.25%	8.25%	7.75%
2027	8.25%	8.25%	7.75%
2028	8.25%	8.25%	7.75%
2029	8.25%	8.25%	7.75%

1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

Contribution Rate



1.5(c) Actuarial Projections – Effect of Economic Scenarios

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except:

Results are shown only under the 1% population growth scenario

The actuarially calculated contribution rate is adopted in each year beginning in FY06, but rate cannot increase by more than 5% per year.

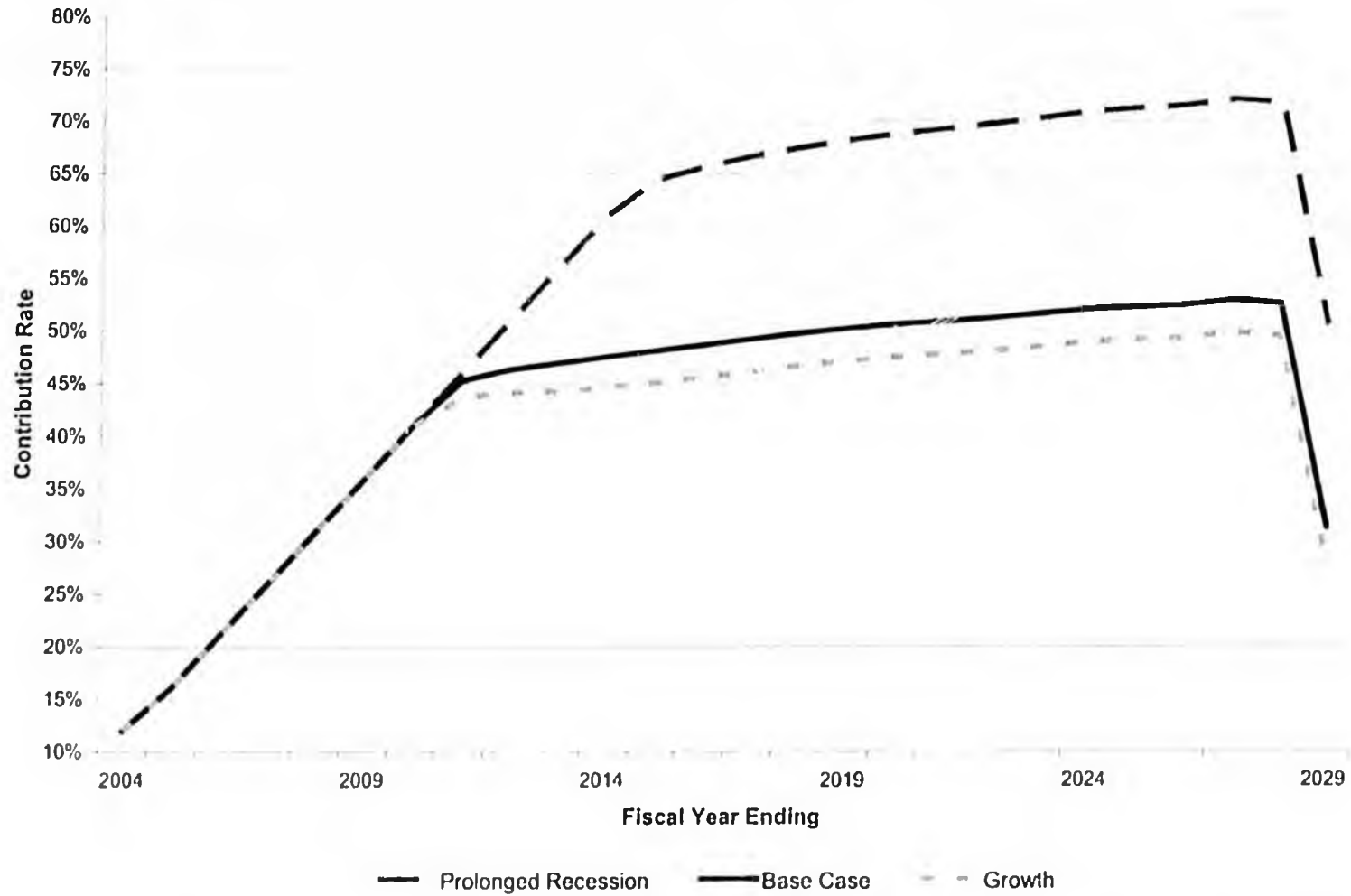
Investment returns are assumed as follows:

Total Portfolio Investment Return Under Each Scenario

Year Ending June 30	Base Case	Growth	Prolonged Recession
2004	15.08%	15.08%	15.08%
2005	8.25%	10.00%	-3.50%
2006	8.25%	10.00%	-3.50%
2007	8.25%	9.50%	2.10%
2008	8.25%	9.00%	7.75%
2009	8.25%	8.25%	7.75%
2010	8.25%	8.25%	7.75%
2011	8.25%	8.25%	7.75%
2012	8.25%	8.25%	7.75%
2013	8.25%	8.25%	7.75%
2014	8.25%	8.25%	7.75%
2015	8.25%	8.25%	7.75%
2016	8.25%	8.25%	7.75%
2017	8.25%	8.25%	7.75%
2018	8.25%	8.25%	7.75%
2019	8.25%	8.25%	7.75%
2020	8.25%	8.25%	7.75%
2021	8.25%	8.25%	7.75%
2022	8.25%	8.25%	7.75%
2023	8.25%	8.25%	7.75%
2024	8.25%	8.25%	7.75%
2025	8.25%	8.25%	7.75%
2026	8.25%	8.25%	7.75%
2027	8.25%	8.25%	7.75%
2028	8.25%	8.25%	7.75%
2029	8.25%	8.25%	7.75%

1.5(c) Actuarial Projections – Effect of Economic Scenarios (continued)

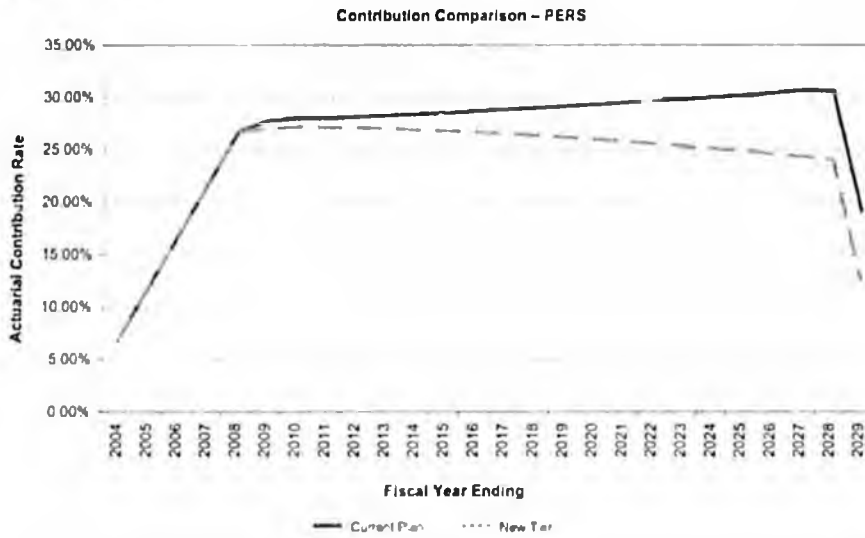
Contribution Rate





Proposed Alternatives

Cost Projections - PERS



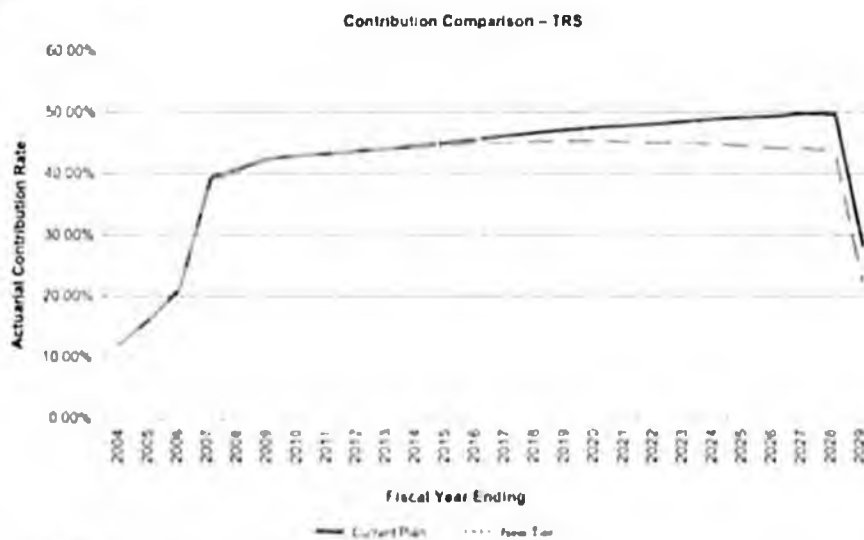
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Proposed Alternatives

Cost Projections - TRS



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**PUBLIC EMPLOYEES' RETIREMENT SYSTEM
TEACHERS' RETIREMENT SYSTEM
SENATE FINANCE BRIEFING ON PROPOSALS FOR NEW TIERS**

Attached are two spreadsheets comparing the specific benefit differences in the existing and proposed Tiers for PERS and TRS. Outlined below is a summary of the major benefit changes and a cost comparison.

PERS / TRS

	Current PERS Tier III / TRS Tier II DB Plan	Alternative 1 DB/DC Plan	Alternative 2 DC Plan
PERS Employee Contribution Rate	6.75% or 7.5 Police/Fire	8% all members 8.5% Police/Fire 11.0% School District	8% all members 8.5% Police/Fire 11.0% School District
TRS Employee Contribution Rate	8.65%	10%	10%
Retirement Age	60 normal - 55 early 30 years "all others" 20 Police/Fire 20 Teachers	Same Same 25 Police/Fire members 25 Teachers	Any age
PERS Benefit Formula/Contribution Rate	2% up to 2.5% DB	1% DB; 8% DC (8% includes HRA)	12.5% DC (12.5% includes HRA)
TRS Benefit Formula/Contribution Rate	2% up to 2.5% DB	1% DB; 10% DC (10% includes HRA)	15% DC (15% includes HRA)
Medical	<ul style="list-style-type: none"> Do not have to retire directly from system to be service or age eligible for medical coverage. Must have 10 years of service. Minimal cost share. 	<ul style="list-style-type: none"> Must retire directly from system to be eligible. Must have 10 years of service. Member pays more through "cost share" design elements. 	Same as Alternative 1
Normal Cost Rate – PERS (does not include unfunded liability portion)	13.24% - Current Normal Cost Rate	8% reduces normal cost rate by 40%	8% reduces normal cost rate by 40%
Normal Cost Rate – TRS (does not include unfunded liability portion)	14.28% - Current Normal Cost Rate	8.75% - this reduces normal cost rate by 39%	8.75% - this reduces normal cost rate by 39%
Future exposure and volatility to loss in investment earnings and increasing medical costs.	Employer bears all the risk.	Employer continues to have risk in two areas: (1) 1% DB component and (2) medical inflation component.	Minimal Exposure to employer in one area only: (1) medical inflation w/capped %.

Alaska Division of Retirement and Benefits
Public Employees' Retirement System (PERS) Plan Comparison Chart
 Rev. January 15, 2005

Tier I 1/1/81 - 6/30/86	Tier II Entered on or after 7/1/86	Tier III Entered on or after 7/1/86	Tier IV Proposed - Alternative 1 DB/DC Plan Entered on or after 7/1/2006	Tier IV - Alternative 2 Pure DC Plan Entered on or after 7/1/2006
Employee Pre-tax Contribution 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/89—school district	Employee Pre-tax Contribution 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/89—school district	Employee Pre-tax Contribution 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/89—school district	Employee Pre-tax Contribution 8% all members beginning 7/1/2006 8.5% beginning 7/1/2006 - police and fire 11.0% beginning 7/1/2006 School District	Employee Pre-tax Contribution 8% all members beginning 7/1/2006 8.5% beginning 7/1/2006 - police and fire 11.0% beginning 7/1/2006 School District
Members vest with 5 years of service	Members vest with 5 years of service	Members vest with 5 years of service	Members vest with 5 years of service	100% Vested upon enrollment
<ul style="list-style-type: none"> Normal retirement age is 55 Early retirement age is 50 Police/fire members can retire at any age after 20 years of police/fire service All other members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 25 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Can leave employment at any age and take account balance with them, leave account balance in plan or rollover to another qualified plan
<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years and all years of service prior to July 1, 1986 2.5% for the next 10 years, 2.5% per year thereafter (average of the high three consecutive years' salary) Police/fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years' salary Police/fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter (benefit calculation is average of the high five consecutive years' salary) Police/fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 (benefit calculation is three consecutive years regardless of tier (effective 2002)) 	<ul style="list-style-type: none"> 1% defined benefit formula 8.0% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA) Benefit calculation is computed on indexed career average 	<ul style="list-style-type: none"> 12.5% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA)
<ul style="list-style-type: none"> Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system 	<ul style="list-style-type: none"> Medical coverage is provided to disableds regardless of age and benefit recipients over age 60 or <ul style="list-style-type: none"> police/fire members with 25 years of police/fire service all other members with 30 years of membership service and their eligible dependents. The retirement system pays the retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage. 	<ul style="list-style-type: none"> Medical same as Tier II Except, employees must accrue a minimum of 10 years of credited service[*], to have system paid coverage at age 60 Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage 	<ul style="list-style-type: none"> Medical Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service[*] Early retirees get "access only" prior to normal retirement age - must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service) 	<ul style="list-style-type: none"> Medical Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service[*] Early retirees get "access only" prior to normal retirement age - must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service)
<ul style="list-style-type: none"> The automatic PRPA legislated in 1986 applied to all members regardless of hire date 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years 	<ul style="list-style-type: none"> None
<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance of 10% of base benefit is payable to benefit recipients who remain domiciled in Alaska after retirement 	<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance of 10% of base benefit is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement 	<ul style="list-style-type: none"> Alaska Cost-of-Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater. 	<ul style="list-style-type: none"> None 	<ul style="list-style-type: none"> None

* Publications Handbook refers to chart proposed for new hire (Rev. 1/15/05)

*Credited service includes all service used in the calculation of a retirement benefit

Alaska Division of Retirement and Benefits
 Teachers' Retirement System (TRS) Plan Comparison Chart
 Rev. January 15, 2005

Tier I 7/1/55 - 6/30/90	Tier II Entered on or after 7/1/90	Tier III Proposed Alternative 1 – DB/DC Plan Entered on or after 7/1/2006	Tier III Proposed Alternative 2 – DC Plan Entered on or after 7/1/2006
Employee Pre-tax Contribution: 8.65% beginning 1/1/91	Employee Pre-tax Contribution: 8.65% beginning 1/1/91	Employee Pre-tax Contribution: 10% beginning 7/1/2005	Employee Pre-tax Contribution: 10% beginning 7/1/2005
Members vest with 8 years of service	Members vest with 8 years of service	Members vest with 8 years of service	100% Vested at time of enrollment
<ul style="list-style-type: none"> Normal retirement age is 55 Early retirement at age 50 Teachers can retire at any age after 20 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Teachers can retire at any age after 20 years 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Teachers can retire at any age after 25 years 	<ul style="list-style-type: none"> Can leave employment at any age and take account balance with them, leave account balance in plan or rollover to another qualified plan
<ul style="list-style-type: none"> 2% defined benefits formula for the first 20 years and all years of service prior to July 1, 1990 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries 	<ul style="list-style-type: none"> 2% defined benefit formula for the first 20 years 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries 	<ul style="list-style-type: none"> 1% defined benefit formula all years of service 10% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA) Benefit calculation is computed on indexed career average 	<ul style="list-style-type: none"> 15.0% defined contribution rate A portion of the defined contribution rate may be allocated to an account to provide for medical expenditures (HRA)
<ul style="list-style-type: none"> Medical coverage is provided to all benefit recipients and their eligible dependents 	<ul style="list-style-type: none"> Medical premiums are paid for all disabled members regardless of age and Retirees and survivors over age 60 and for retirees with at least 25 years of service including eligible dependents Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage 	<p>Medical</p> <ul style="list-style-type: none"> Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service* Early retirees get "access only" prior to normal retirement age – must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service) 	<p>Medical</p> <ul style="list-style-type: none"> Employees must retire directly from the system to be eligible and Accrue a minimum of 10 years of credited service* Early retirees get "access only" prior to normal retirement age – must pay premium HRA contribution Defined dollar benefit from normal retirement to age 65 Defined health benefit after age 65 (cost share based on length of service)
<ul style="list-style-type: none"> Automatic PRPA legislation in 1990 applied to all members regardless of hire date 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years 	None
<ul style="list-style-type: none"> Alaska Cost of Living Allowance is payable to benefit recipients who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit. 	<ul style="list-style-type: none"> Alaska Cost of Living Allowance is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is 10% of the base benefit. 	None	None



Employer Survey – PERS

Key

The following pages illustrate the responses to the employer survey sent to all PERS employers. In total, 89 employers responded. PERS represents employers of various sizes. As a way to show the five largest employers' responses (of those who responded), we have included the letters A - E on the charts to represent how they answered. The employers have been assigned the following letters:

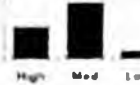
Employer	# Active Employees	Code Letter
State of Alaska	15,259	A
Anchorage SD	2,496	B
Anchorage, Municipality of	2,351	C
Fairbanks North Star Borough SD	700	D
North Slope Borough	788	E



Employer Survey – PERS

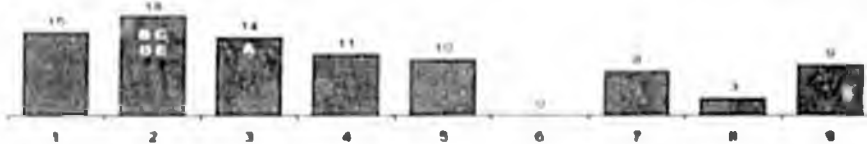
1. Long-Service Employees

Importance



Plan should favor long-service employees

Plan should not distinguish on account of length of service

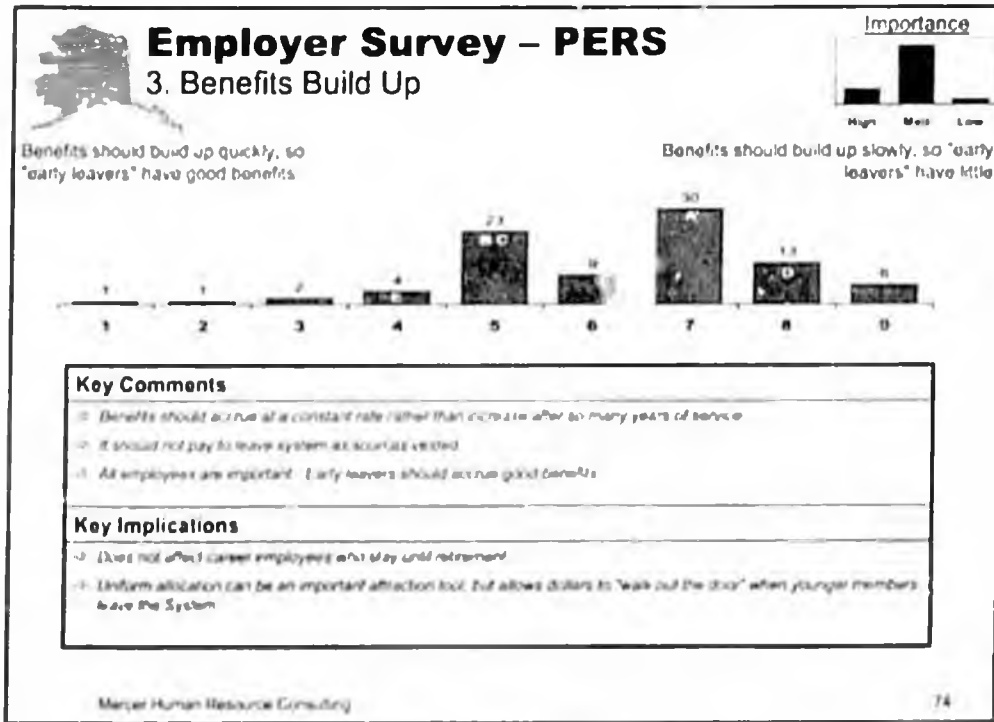
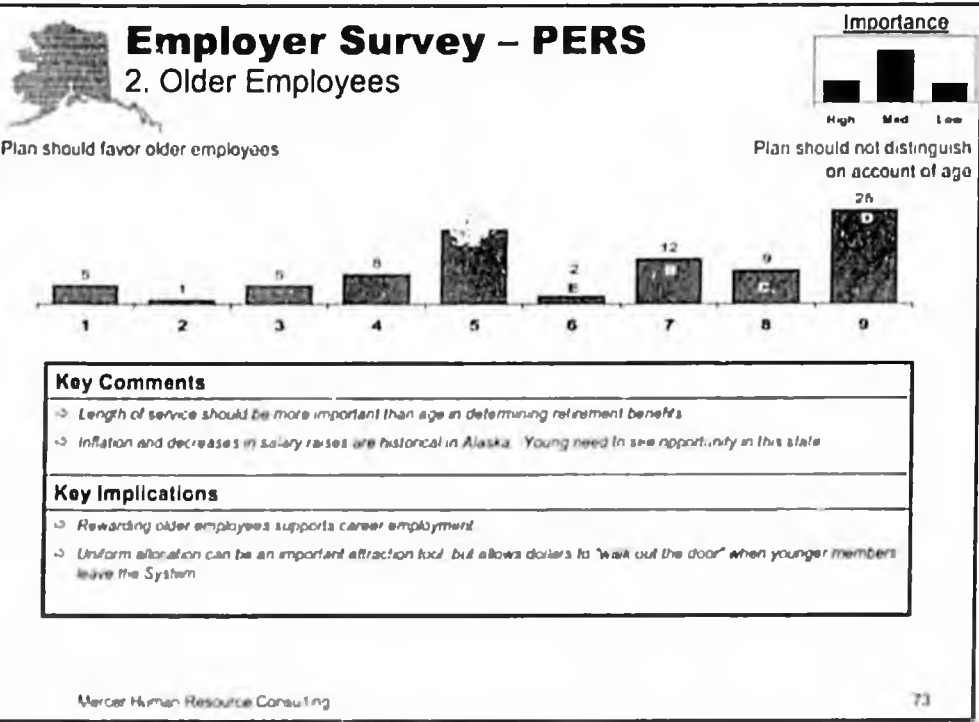


Key Comments

- Retirement plans should favor long-service employees
- With over 150 employers in PERS jurisdiction, it's important that employers do not factor in that it can be a forced without penalizing long time PERS covered employees. There is not problem.
- One of our problems is that baby-boomer "glut" of long service employees. What they should be compensated for their time. There seems to be a shortage of professional people entering state/municipal/public service.

Key Implications

- Allowing long service employees supports career employment
- Employer plans can be an important attraction tool, but allows dollars to "walk out the door" when short service employees leave the system.

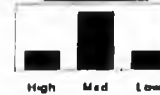




Employer Survey – PERS

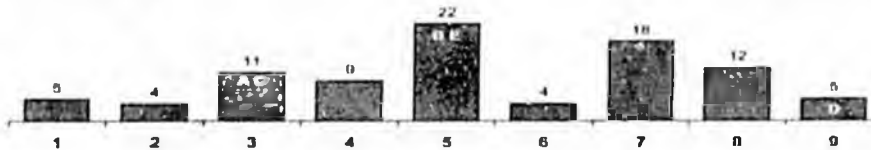
4. Mid-career Hires

Importance



Mid-career hires should accrue excellent benefits

It's OK for mid-career hires to accrue smaller benefits



Key Comments

- ↳ This offers the chance to attract employees with experience
- ↳ They should start at the same point as everyone else when starting a new job elsewhere

Key Implications

- ↳ Sufficient benefits for mid-career hires can be an important tool in order to attract experienced talent.
- ↳ Providing higher benefits equals higher cost
- ↳ Mid-career hires may be sacrificing good benefits to switch employers

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Employer Survey – PERS

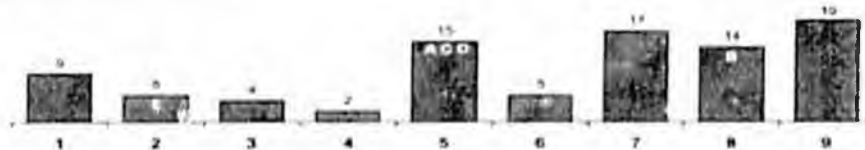
5. Remaining in Alaska

Importance



The System should **not** reward retirees who remain in Alaska

The System should reward retirees who remain in Alaska



Key Comments

- ↳ They should start at the same point as everyone else when starting a new job elsewhere
- ↳ Living in state could benefit the economy. Should be in state for minimum of 9 months per year to qualify
- ↳ When people have given and earned their retirement, let them live where they choose without penalty.

Key Implications

- ↳ Providing COLA results in higher System costs. But Alaskan economy benefits from additional dollars spent by those who remain in Alaska
- ↳ COLA for residents promotes staying residency.

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Employer Survey – PERS

6. Med Coverage to Term. Vested Members



The System should provide medical coverage to terminated vested members

The System should **not** provide medical coverage to terminated vested members



Key Comments

- > This area needs to be reviewed and modified to help control costs. It may be necessary to qualify for benefits or look at providing a flat dollar amount for benefits with the retiree paying the difference.
- > Perhaps the medical benefit could increase for those who retire from active service/decrease for those terminated vested members.
- > Helps with recruitment. Many come to Alaska to get vested - we need to encourage this trend.

Key Implications

- > Opportunity for cost savings exists by cutting back medical benefits for terminated vested members.
- > By eliminating, employers would lose out on a recruiting tool.

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Employer Survey – PERS

7. Medical Coverage



The retirement program should provide medical coverage

The program should **not** provide medical coverage



Key Comments

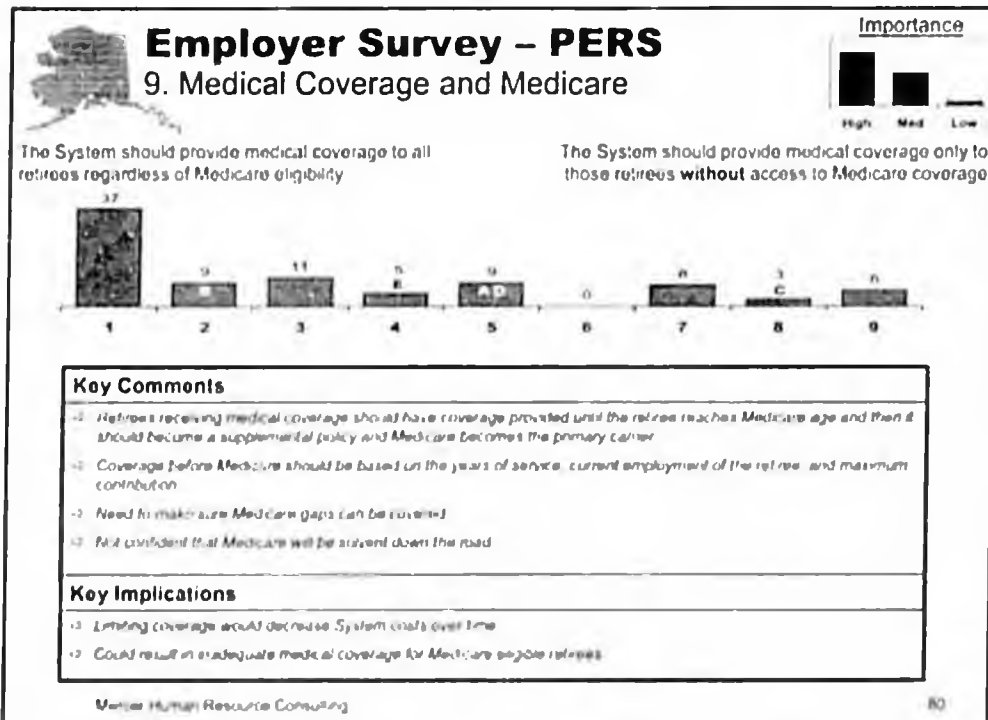
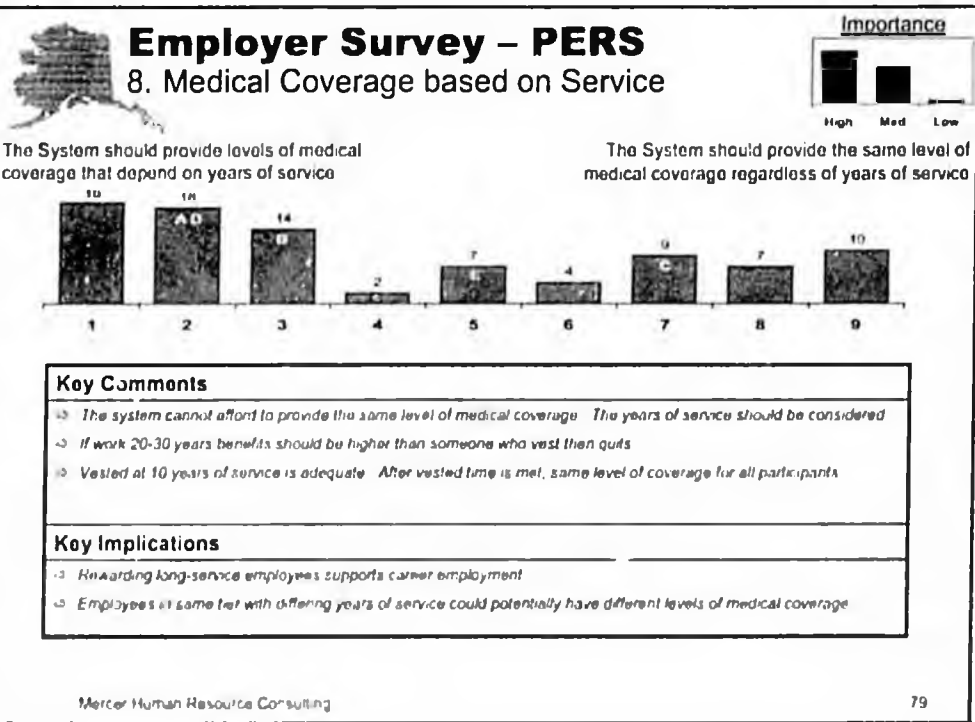
- > Biggest selling point in recruiting - medical
- > Coverage important, but retirees could pay a share, perhaps based on years of service.
- > A must!

Key Implications

- > Elimination of medical coverage would lower System costs significantly over time.
- > Eliminating medical coverage would drastically change current design and hinder attraction and retention of employees as well as possibly providing insufficient medical retirement benefits to meet retirees' needs.

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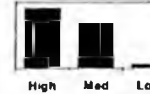




Employer Survey – PERS

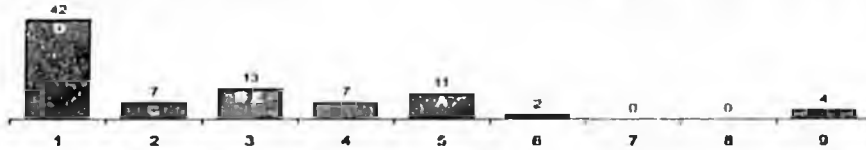
10. Medical Coverage and Medicare

Importance



The System should provide medical coverage to all retirees regardless of Medicare eligibility

The System should provide medical coverage only to those retirees with access to Medicare coverage



Key Comments

- Medical coverage should supplement Medicare up to a maximum amount based on a formula determined by number of years of service
- Reduce benefits when eligible for Medicare. If retire early should have option to purchase health insurance
- Future retirees should pay their own medical if eligible for Medicare

Key Implications

- Limiting coverage would decrease System costs over time
- Without retiree medical coverage before Medicare, members would be more inclined to work until Medicare eligible
- If medical coverage is not offered by the System to pre-Medicare retirees, access to health coverage will be significantly reduced

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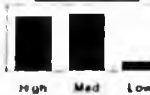
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Employer Survey – PERS

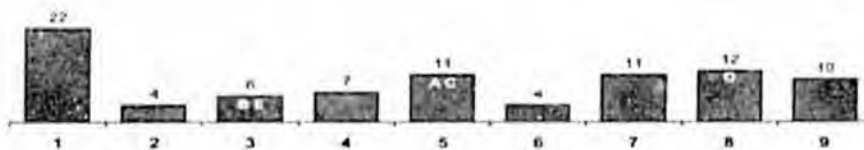
11. Medical Coverage

Importance



The System should offer the same medical coverage to active and retired members

The System should **not** offer the same medical coverage to active and retired members



Key Comments

- Provide dollar amount of medical for retirees; if medical coverage for active employees provides better coverage, give retirees option to make co-pay
- Those who are retired are less able to provide coverage

Key Implications

- Potential cost savings by providing lesser medical coverage for retired members
- Different benefit levels for active and retired members may lead to communication and potential equity challenges

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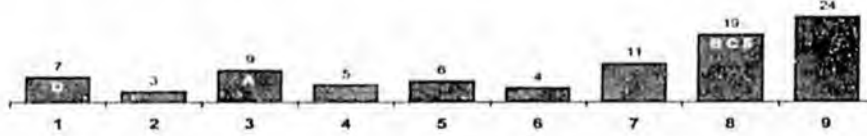
Employer Survey – PERS

12. Retiring Age



We want to be able to encourage retirement at a particular age range

We don't care when people retire



Key Comments

- ↳ Employee's productivity and contribution are not subject to age so mandatory retirement at a certain age may not be beneficial.
- ↳ I believe we will need to discourage early retirement as the available workforce decreases
- ↳ 20 and out needs to be changed. If anyone should be 20 and out it should be law enforcement.

Key Implications

- ↳ By encouraging retirement at a particular age, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long

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Employer Survey – PERS

13. Retiring after Years of Service



We want to be able to encourage retirement after a particular number of years of service

We don't care when people retire



Key Comments

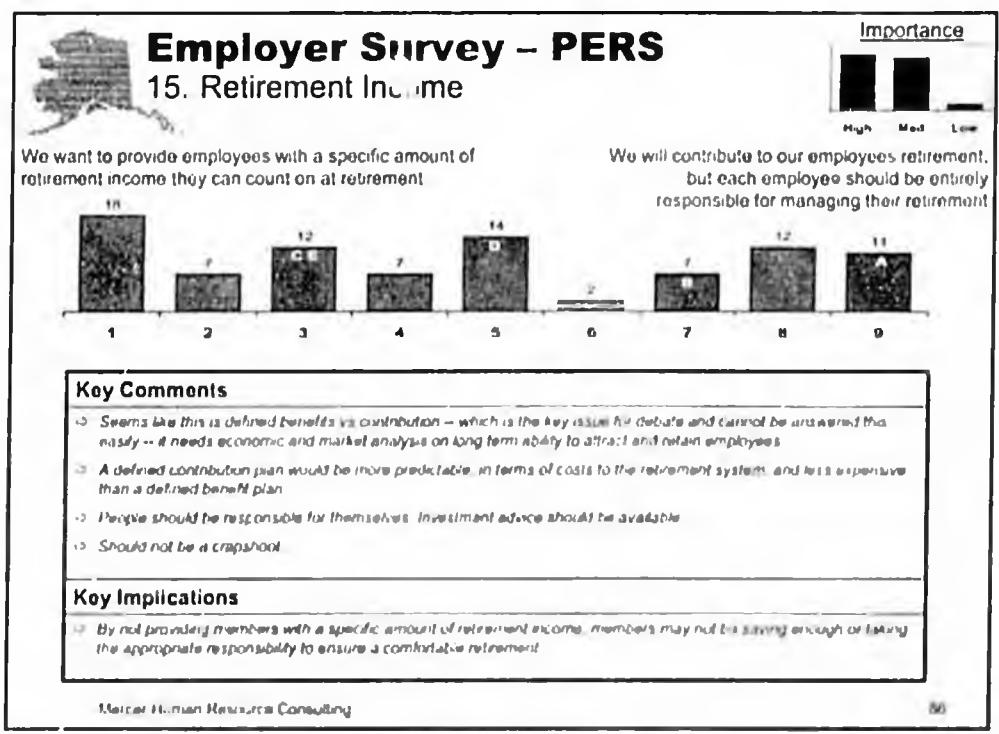
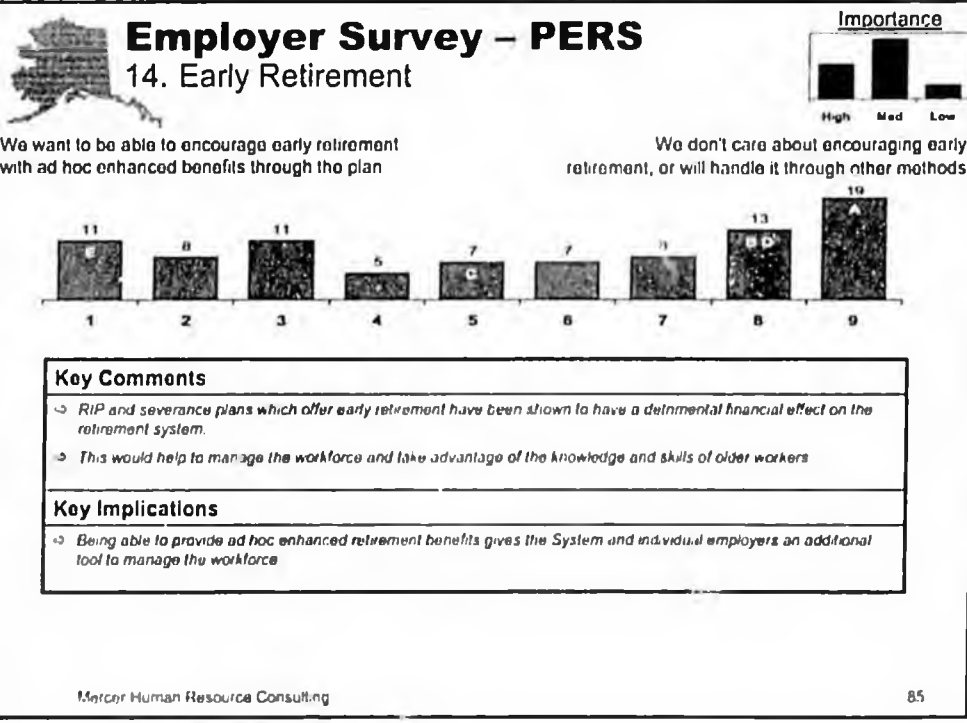
- ↳ Increasing the number of years of service required, when age is not a factor, would reduce the cost to the retirement system
- ↳ While high salary people are a budget concern, their experience and expertise is a tremendous plus for a small organization
- ↳ As long as the employee meets job qualifications and is productive, this is the real issue

Key Implications

- ↳ By encouraging retirement at a particular number of years of service, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long

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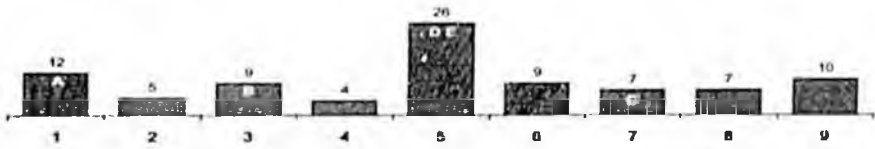
Employer Survey – PERS

16. Investment Risk Responsibility



Employees should assume investment risk

Employer should assume investment risk



Key Comments

- Employees should assume responsibility. However employers may want to limit investment options to minimize risk.
- Employer should not assume investment risk.
- There should be a balance between the employee and employer.

Key Implications

- Bearing the investment risk exposes the System to cost increases and volatility, but can also often achieve higher returns than an individual due to a longer time horizon and professional management.
- Members can often invest too conservatively or too aggressively for their given situation and needs.

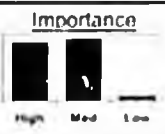
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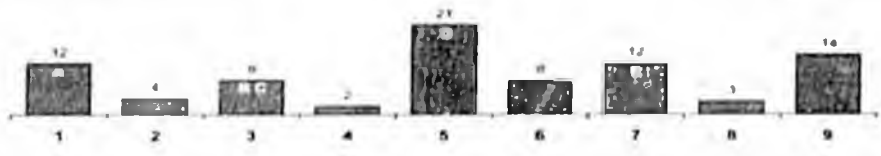
Employer Survey – PERS

18. Inflation Risk Responsibility



Employees should assume post-retirement inflation risk

Employers should adjust benefits for post-retirement inflation



Key Comments

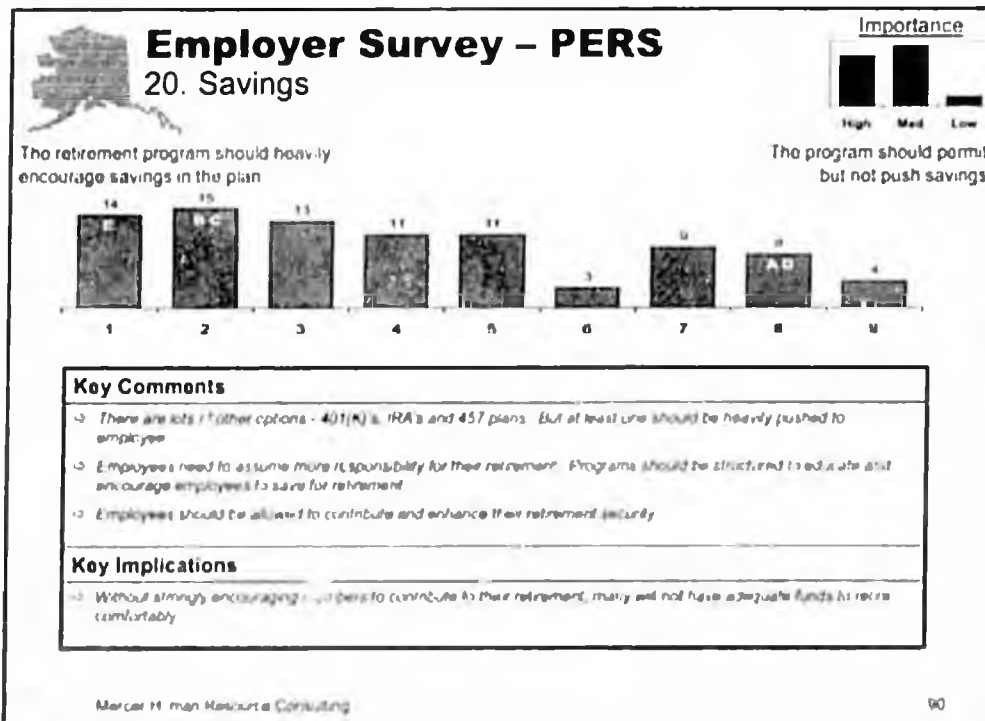
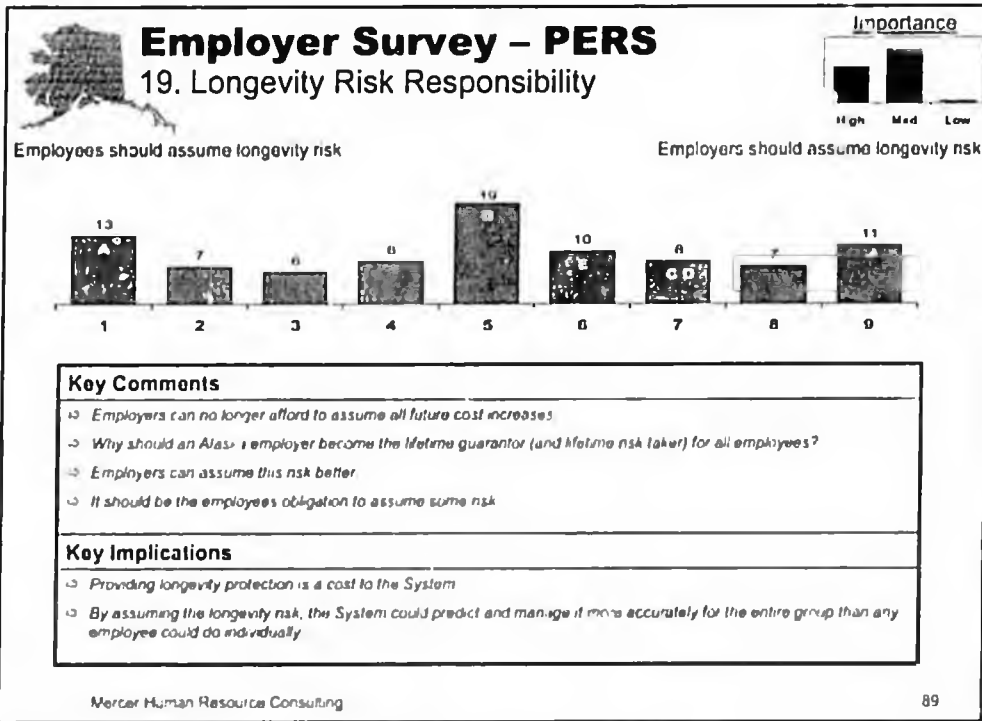
- It needs economic and market analysis on long term ability to attract and retain employees.
- Employees should assume more risk for post-retirement inflation.
- Employer rates should reflect a more conservative estimated annual inflation rate and annual inflation adjustments should have an annual inflation cap.

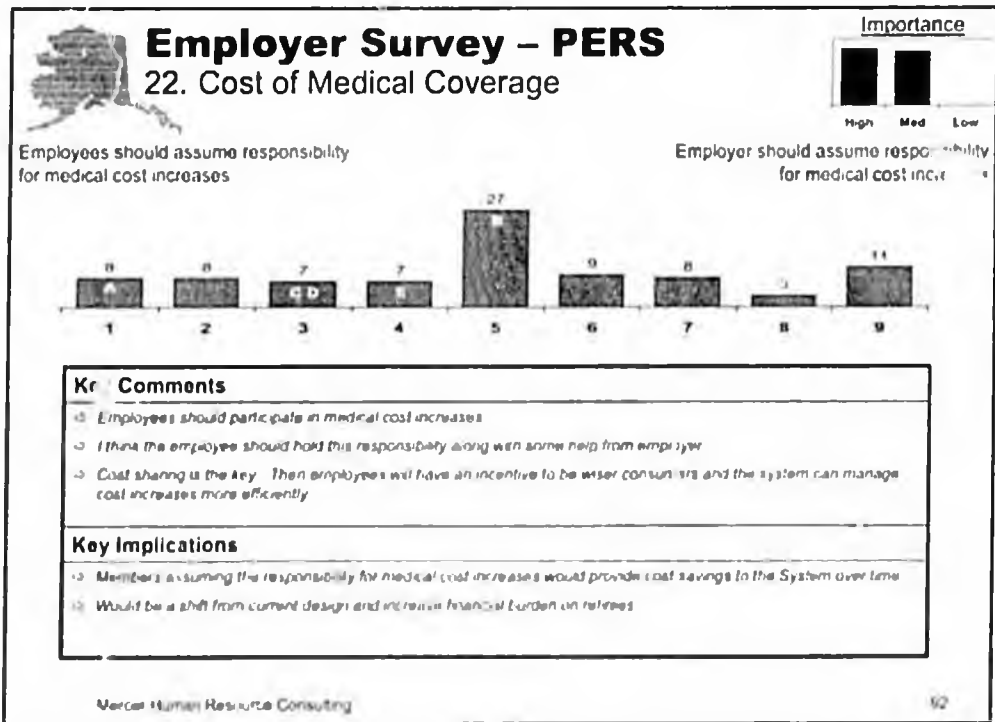
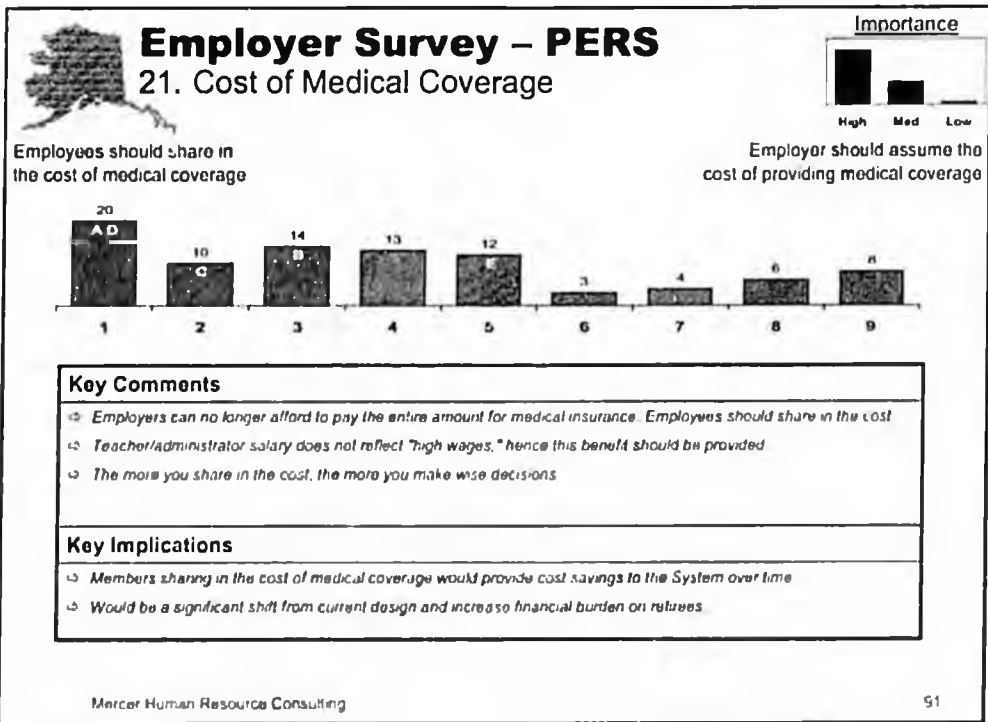
Key Implications

- Providing post-retirement inflationary protection would ensure that the value of member's benefits at retirement continue to remain as valuable throughout their lifetime.
- Providing post-retirement inflationary protection is a cost to the System.

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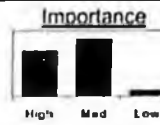






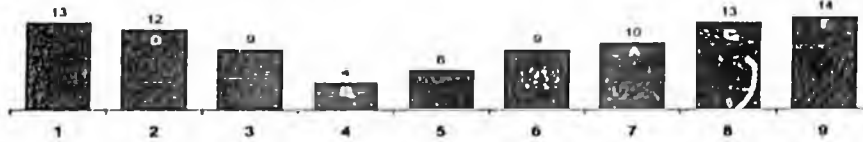
Employer Survey – PERS

23. Access to Contributions



Employees should have access to as much of their own retirement contributions as legally possible

Employees should have no access to plan assets until retirement



Key Comments

- Small portion should be available for "emergency only" situation
- If the employee paid it out it should be their choice to have it whenever and how much they want
- Employees generally have other desired comp plans available to them to meet emergency needs. PERS is not a savings plan, but a long-term retirement vehicle

Key Implications

- Members may spend retirement income during working lifetime and as a result may be unable to retire
- The capability to use retirement plans for pre-retirement needs such as a home purchase can be a valuable benefit



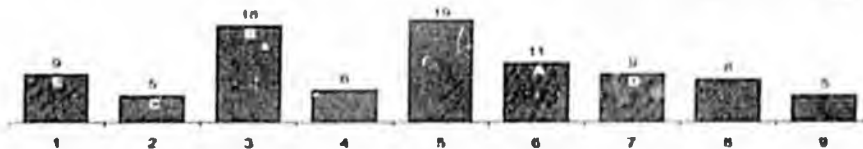
Employer Survey – PERS

24. Understandability



Understandability is the primary concern

We'll sacrifice understandability if necessary to achieve our workforce and benefit objectives



Key Comments

- Employees need to understand this plan
- Employers need to provide good communication and seminars to explain plans. But the plan must be structured so it is simple enough for the majority of people to understand
- Raise the bar. Ask people to be more responsible
- Employees need to be involved in their retirement
- College should teach it!

Key Implications

- Generate a more complex form, to can meet a wider variety of specific objectives
- Members may perceive more value in a retirement plan that is more understandable



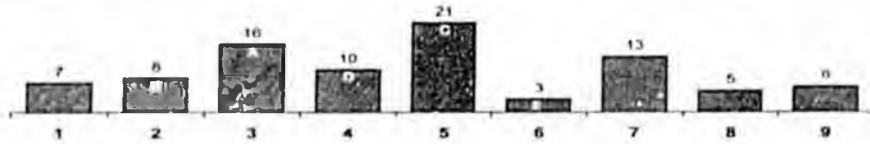
Employer Survey – PERS

25. Tangible and Relevant Plan



All employees should find the plan tangible and relevant

It's OK if the plan is tangible and relevant mainly to older employees



Key Comments

- ↳ Human nature is such that retirement benefits are valued more as you approach retirement. If you want young employees to become wildly enthusiastic you have to give away the farm.
- ↳ All employees should be responsible for their own decisions
- ↳ All employees need to see the benefits of the plan

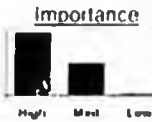
Key Implications

- ↳ Members may perceive more value in a retirement plan that is tangible and relevant



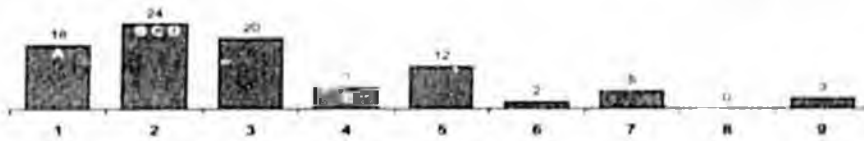
Employer Survey – PERS

26. Predictability and Stability



We want maximum predictability and stability of contributions

We're willing to accept volatility as part of our asset strategy

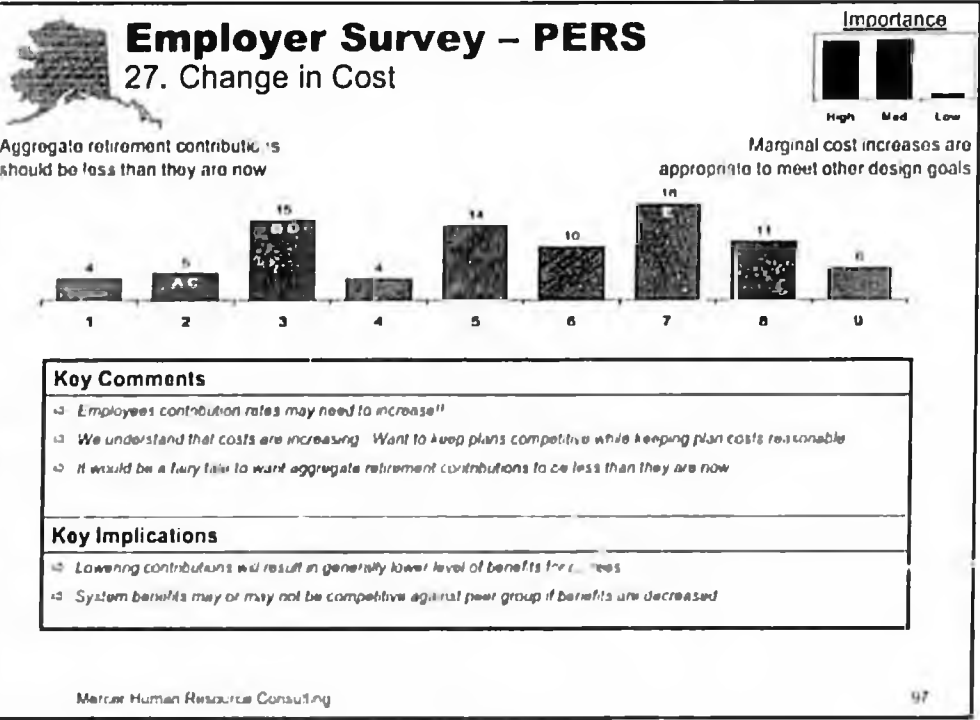


Key Comments

- ↳ For budgeting purposes, employers need a high degree of predictability
- ↳ Governments have to budget. They need to know what to expect
- ↳ Wide budget swings are hard to deal with
- ↳ As an employer, we're willing to accept volatility as part of our asset strategy, as long as fluctuations don't drop drastic. Such as our increase over the next two years

Key Implications

- ↳ Volatility is the result of a higher-risk asset strategy with higher potential rewards





Employer Survey – TRS Key

The following pages illustrate the responses to the employer survey sent to all TRS employers. In total, 36 employers responded. TRS represents employers of various sizes. As a way to show the five largest employers' responses (of those who responded), we have included the letters A – E on the charts to represent how they answered. The employers have been assigned the following letters:

<u>Employer</u>	<u># Active Employees</u>	<u>Code Letter</u>
Anchorage SD	3,464	A
Fairbanks North Star Borough SD	988	B
Matanuska-Susitna Borough SD	936	C
Kenai Peninsula Borough SD	723	D
Juneau Bureau SD	372	E



Employer Survey – TRS 1. Long-Service Employees

Importance



Plan should favor long service employees

Plan should not distinguish on account of length of service



Key Comments

- incentives to reduce teacher turnover are a "red" flag
- Anything that keeps employees' lives more in recruitment, hiring, and training
- Retaining quality employees is far more important. Employees for hire consider immediate compensation, not retirement. Veteran employees deserve rewards

Key Implications

- Rewarding long-service employees supports career employment
- Uniform allocation can be an important attraction tool. Not all are able to "cash out the box" when short service employees leave the System



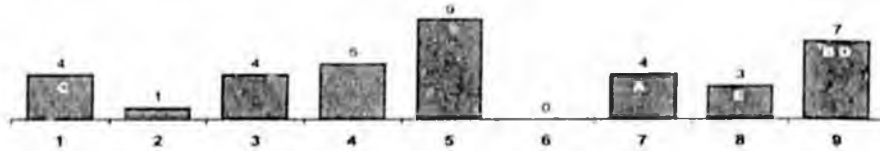
Employer Survey – TRS

2. Older Employees



Plan should favor older employees

Plan should not distinguish on account of age



Key Comments

- ↳ Length of service should be more important than age in determining retirement benefits
- ↳ Inflation and decreases in salary raises are historical in Alaska. Young need to see opportunity in this state
- ↳ Equal balance regardless of age

Key Implications

- ↳ Rewarding older employees supports career employment
- ↳ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when younger members leave the System

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Employer Survey – TRS

3. Benefits Build Up



Benefits should build up quickly, so "early leavers" have good benefits

Benefits should build up slowly, so "early leavers" have little



Key Comments

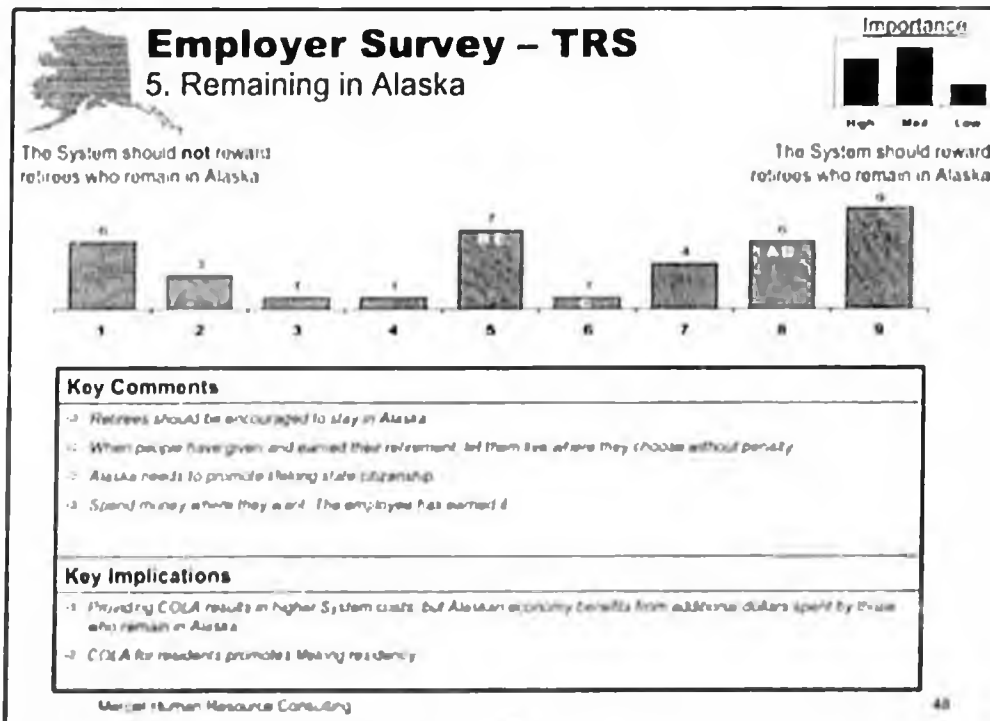
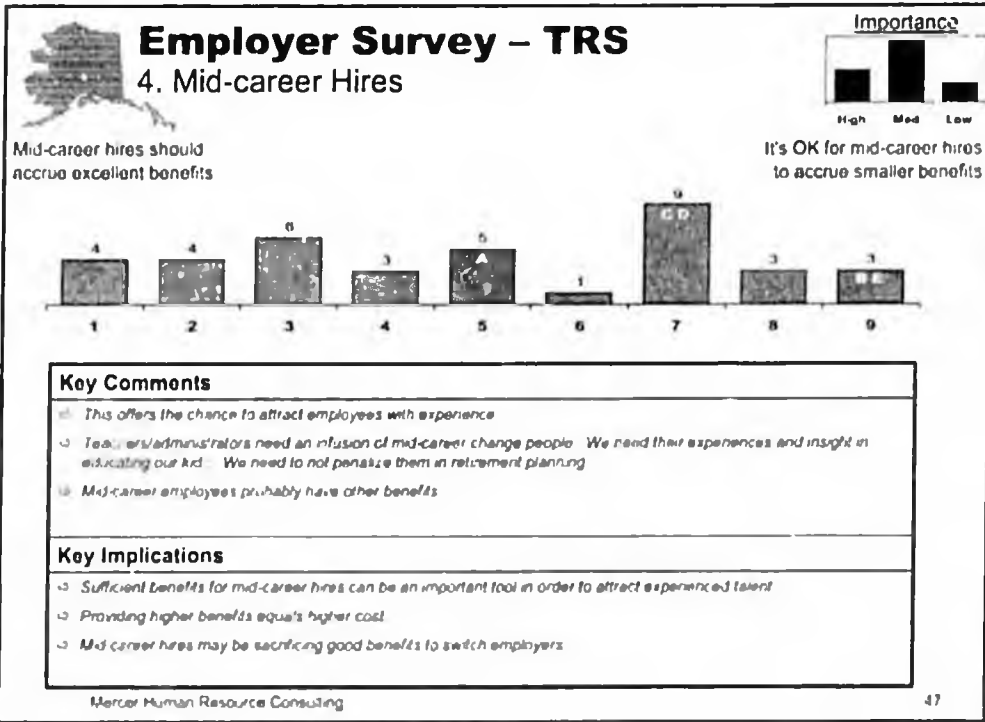
- ↳ In order to save costs in a defined benefit plan, benefits should accrue at a constant rate rather than increase after so many years of service
- ↳ The System should provide an optimum age or service time that encourages turnover of the workforce without loss of good experience while providing a decent retirement

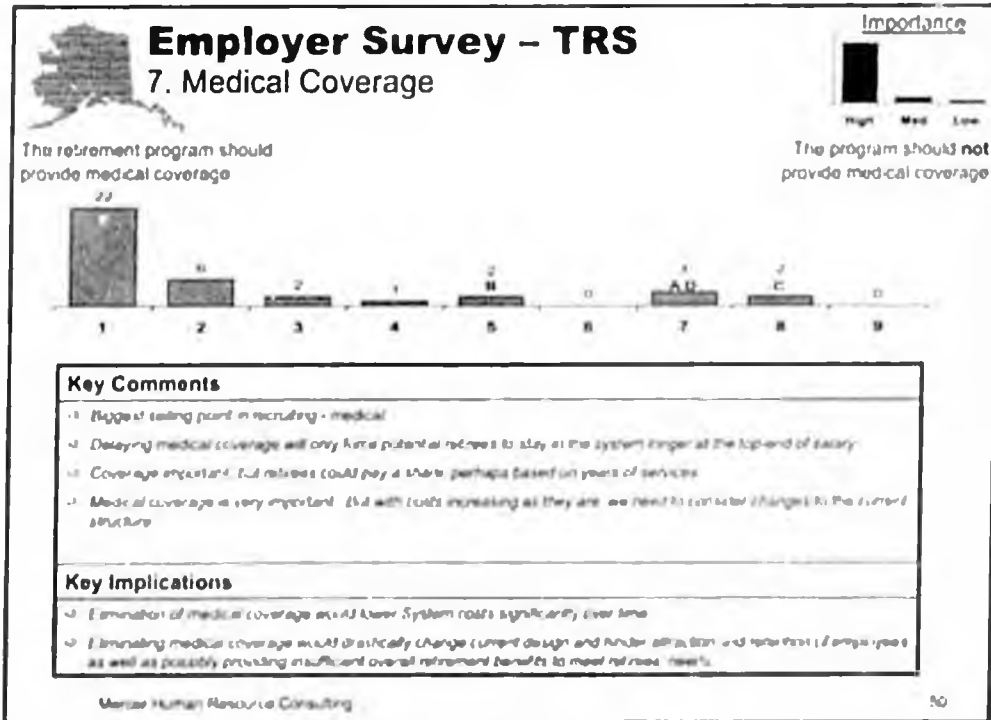
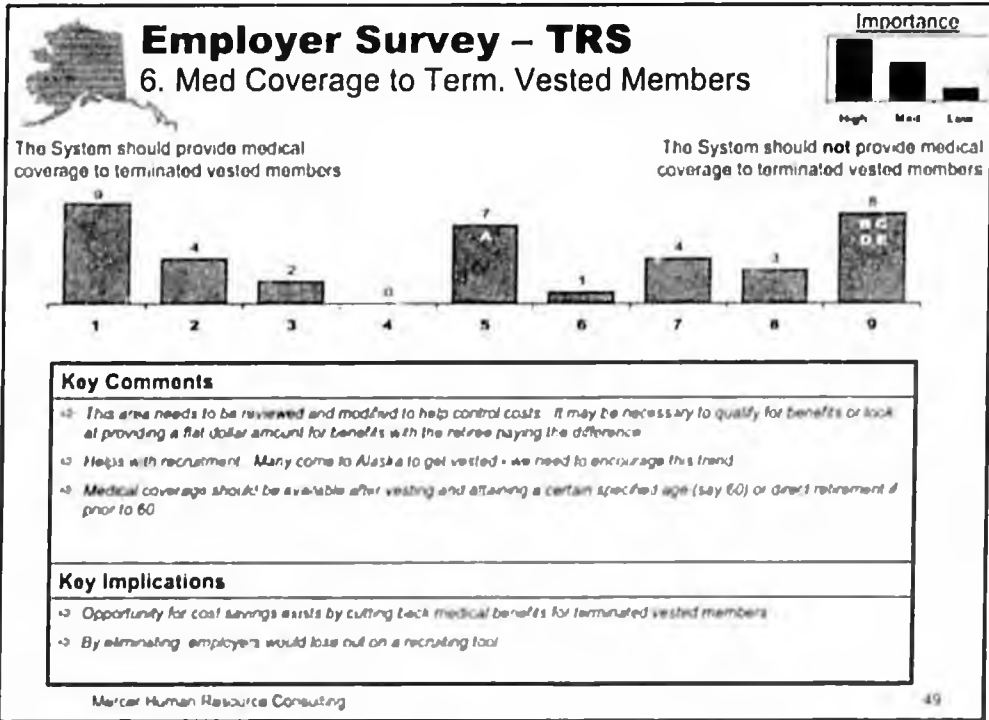
Key Implications

- ↳ Does not affect career employees who stay until retirement
- ↳ Uniform allocation can be an important attraction tool, but allows dollars to "walk out the door" when younger members leave the System

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Employer Survey – TRS

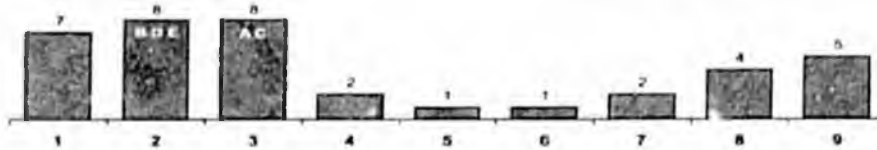
8. Medical Coverage based on Service

Importance



The System should provide levels of medical coverage that depend on years of service

The System should provide the same level of medical coverage regardless of years of service



Key Comments

- Contributions to medical coverage could be based on a formula depending on years of service
- This will help retain teachers beyond 8 year minimum
- Eligibility for full retirement (20 years) should make one eligible for full medical benefits

Key Implications

- Rewarding long-service employees supports career employment
- Employees in same tier with differing years of service could potentially have different levels of medical coverage

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Employer Survey – TRS

10. Medical Coverage and Medicare

Importance



The System should provide medical coverage to all retirees regardless of Medicare eligibility

The System should provide medical coverage only to those retirees with access to Medicare coverage



Key Comments

- Not being able to see into the future to determine what Medicare will look like, it would seem irresponsible to not provide retirees with some sense of comfort in a predictable benefit
- Medical coverage should supplement Medicare up to a maximum amount based on a formula determined by number of years of service
- Medicare should not be a factor

Key Implications

- Limiting coverage would decrease System costs over time
- Without retiree medical coverage before Medicare, mandates would be more inclined to wait until Medicare eligible
- If medical coverage is not offered by the System to pre-Medicare retirees, access to health coverage will be significantly reduced

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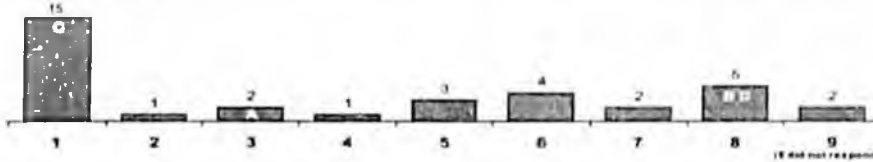
Employer Survey – TRS

11. Medical Coverage



The System should offer the same medical coverage to active and retired members

The System should **not** offer the same medical coverage to active and retired members



Key Comments

- ↳ Provide dollar amount of medical for retirees, if medical coverage for active employees provides better coverage, give retirees option to make co pay
- ↳ Those who are retired are less able to provide coverage
- ↳ This is a composite of many employers. Medical benefits are a negotiated item at the bargaining table

Key Implications

- ↳ Potential cost savings by providing lesser medical coverage for retired members
- ↳ Different benefit levels for active and retired members may lead to communication and perceived equity challenges

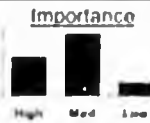
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Employer Survey – TRS

12. Retiring Age



We want to be able to encourage retirement at a particular age range

We don't care when people retire



Key Comments

- ↳ Employees productivity and contribution are not subject to age so mandatory retirement at a certain age may not be beneficial
- ↳ Their years of service should determine benefits, not their age. The loopholes allowing short service and full benefits should be closed
- ↳ 20 and full needs to be changed. If anyone should be 20 and out it should be for life enforcement

Key Implications

- ↳ By encouraging retirement at a particular age, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long

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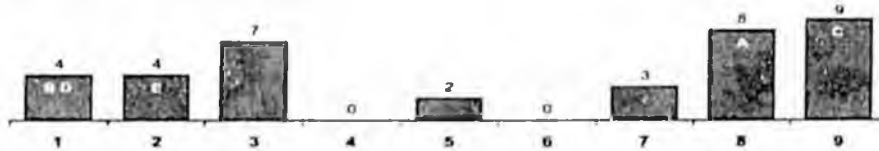


Employer Survey – TRS 13. Retiring after Years of Service



We want to be able to encourage retirement after a particular number of years of service

We don't care when people retire



Key Comments

- > Increasing the number of years of service required, when age is not a factor, would reduce the cost to the retirement system
- > While high salary people are a budget concern, their experience and expertise is a tremendous plus for a small organization
- > 20 years - at least 50 years in age

Key Implications

- > By encouraging retirement at a particular number of years of service, the System may run the risk of losing productive members too soon and/or unproductive members "hanging on" too long



Employer Survey – TRS 14. Early Retirement



We want to be able to encourage early retirement with ad hoc enhanced benefits through the plan

We don't care about encouraging early retirement, or will handle it through other methods

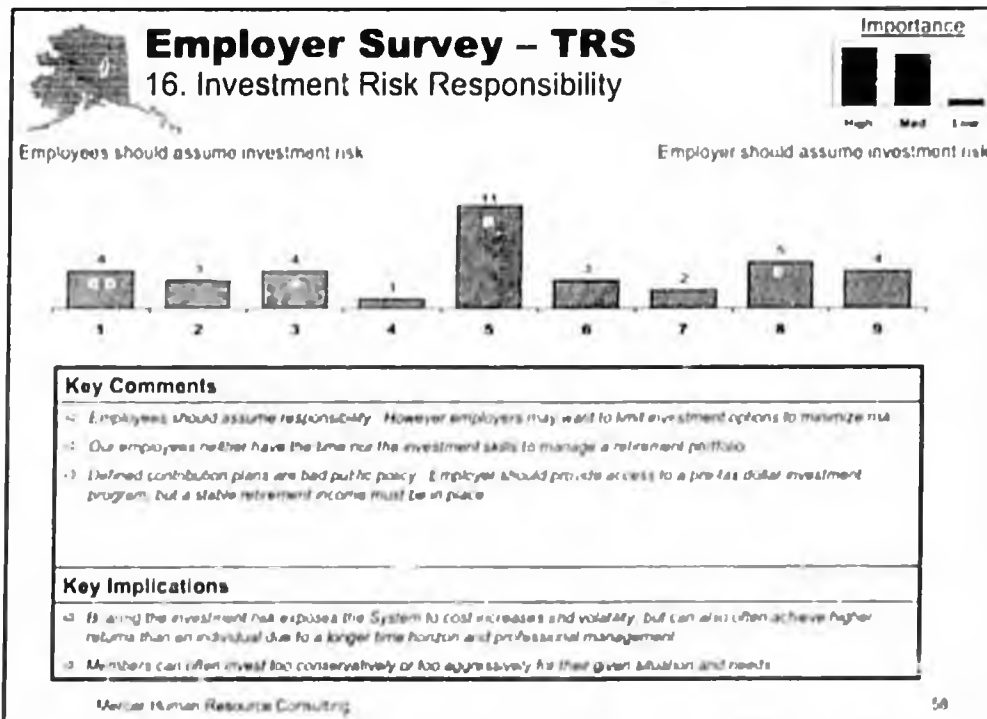
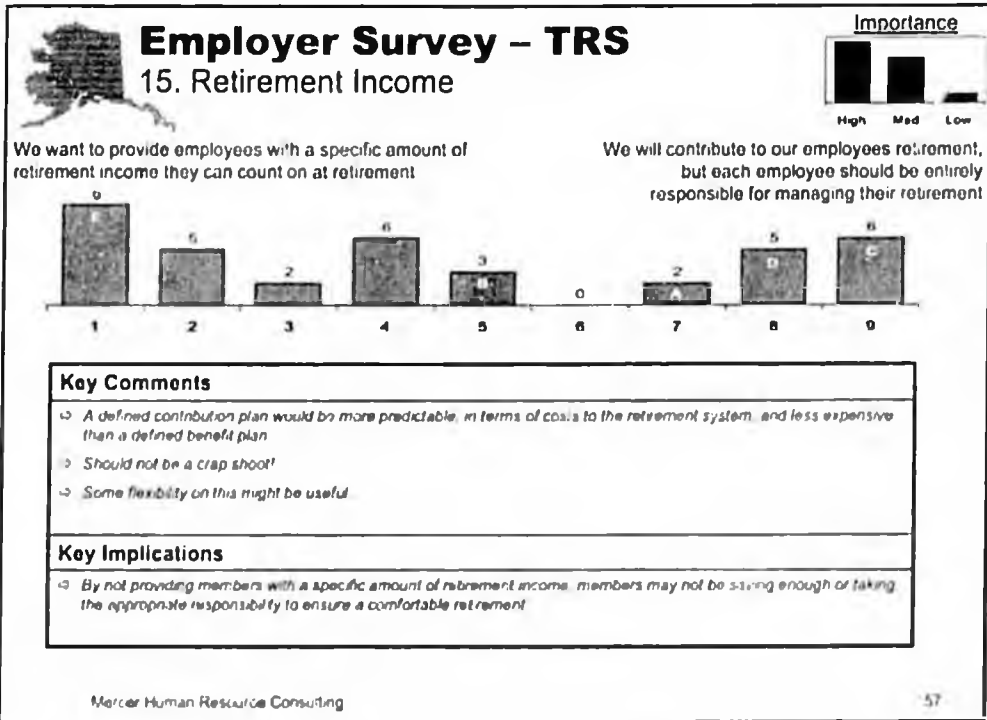


Key Comments

- > RIF and severance plans which offer early retirement have been shown to have a detrimental financial effect on the retirement system
- > Given Ad Hoc's impact on teaching force per security this is needed as long as it's linked to the organization
- > In times of financial stress this will allow us to be more creative

Key Implications

- > Being able to provide ad hoc enhanced retirement benefits gives the System and individual employers an additional tool to manage the situation





Employer Survey – TRS

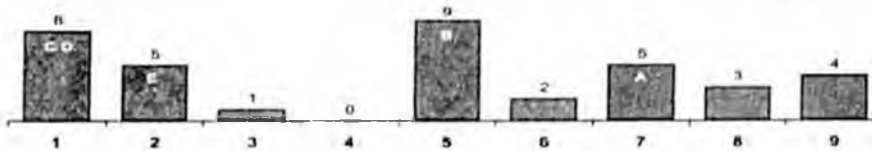
17. Inflation Risk Responsibility

Importance



Employees should assume pre-retirement inflation risk

Employers should adjust benefits for pre-retirement inflation



Key Comments

- ↳ Employees should adjust benefits for pre-retirement inflation
- ↳ This should lag by a few years

Key Implications

- ↳ Value of benefits for members who terminate prior to retirement can erode over time from inflation
- ↳ Providing pre-retirement inflationary protection is a cost to the System
- ↳ The final average pay plan design provides some automatic pre-retirement inflation protection

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Employer Survey – TRS

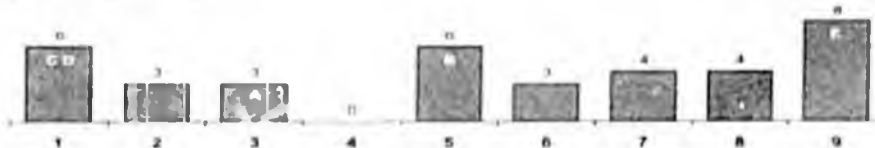
18. Inflation Risk Responsibility

Importance



Employees should assume post-retirement inflation risk

Employers should adjust benefits for post-retirement inflation



Key Comments

- ↳ Employees should assume more risk for post-retirement inflation
- ↳ This should lag by a few years

Key Implications

- ↳ Providing post-retirement inflationary protection would ensure that the value of member's benefits at retirement continue to remain as valuable throughout their lifetime
- ↳ Providing post-retirement inflationary protection is a cost to the System

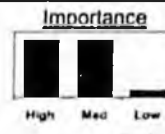
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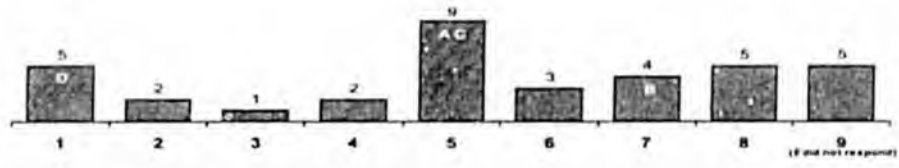
Employer Survey – TRS

19. Longevity Risk Responsibility



Employees should assume longevity risk

Employers should assume longevity risk



Key Comments

- Employers can no longer afford to assume all future cost increases.
- Employers need to be on the ball in this area.

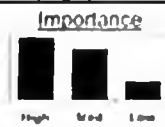
Key Implications

- Providing longevity protection is a cost to the System.
- By assuming the longevity risk, the System could predict and manage it more accurately for the entire group than any employee could do individually.



Employer Survey – TRS

20. Savings



The retirement program should heavily encourage savings in the plan

The program should permit but not push savings

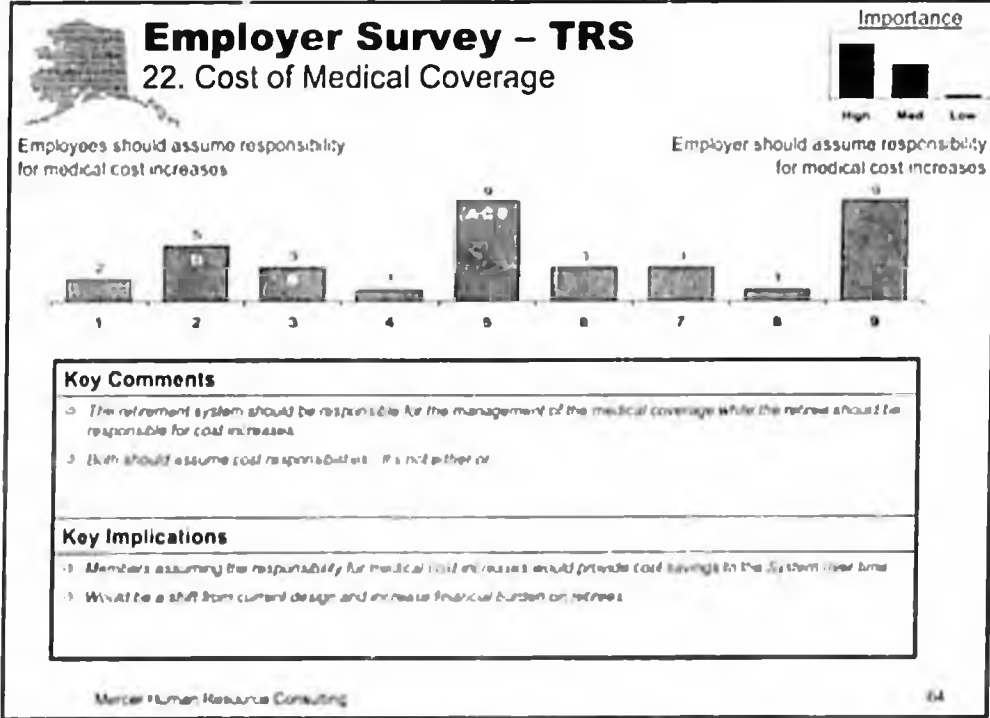
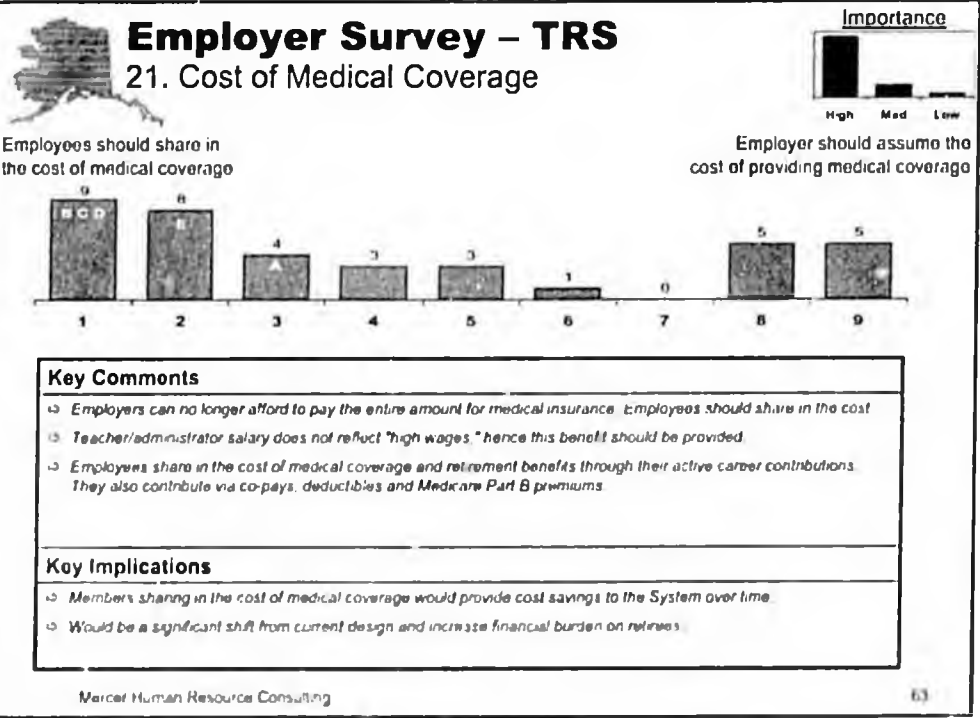


Key Comments

- Employees need to assume more responsibility for their retirement. Programs should be structured to educate and encourage employees to save for retirement.
- Employees should be allowed to contribute and enhance their retirement security.
- Savings in one plan should encourage long careers.

Key Implications

- Without strongly encouraging members to contribute to their retirement, many will not have adequate funds to retire comfortably.





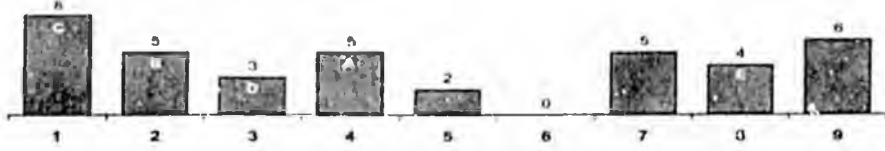
Employer Survey – TRS

23. Access to Contributions



Employees should have access to as much of their own retirement contributions as legally possible

Employees should have **no** access to plan assets until retirement



Key Comments

- ↳ Small portion should be available for "emergency only" situation
- ↳ Access should certainly be very limited
- ↳ Only with benefit of understanding the consequences

Key Implications

- ↳ Members may spend retirement income during working lifetime and as a result may be unable to retire
- ↳ The capability to use retirement plans for pre-retirement needs such as a home purchase can be a valuable benefit



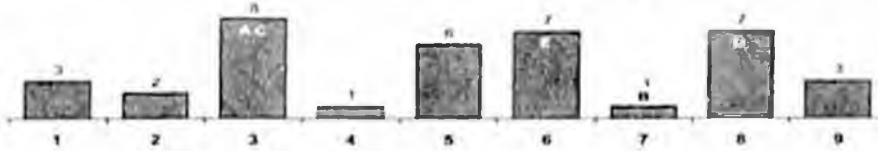
Employer Survey – TRS

24. Understandability



Understandability is the primary concern

We'll sacrifice understandability if necessary to achieve our workforce and benefit objectives

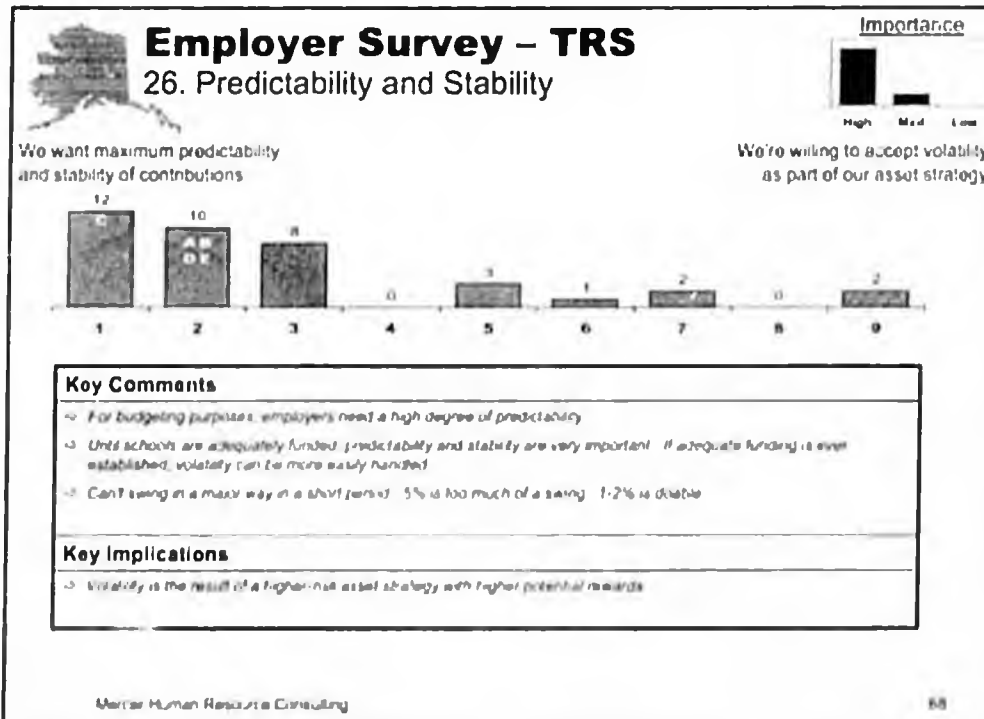
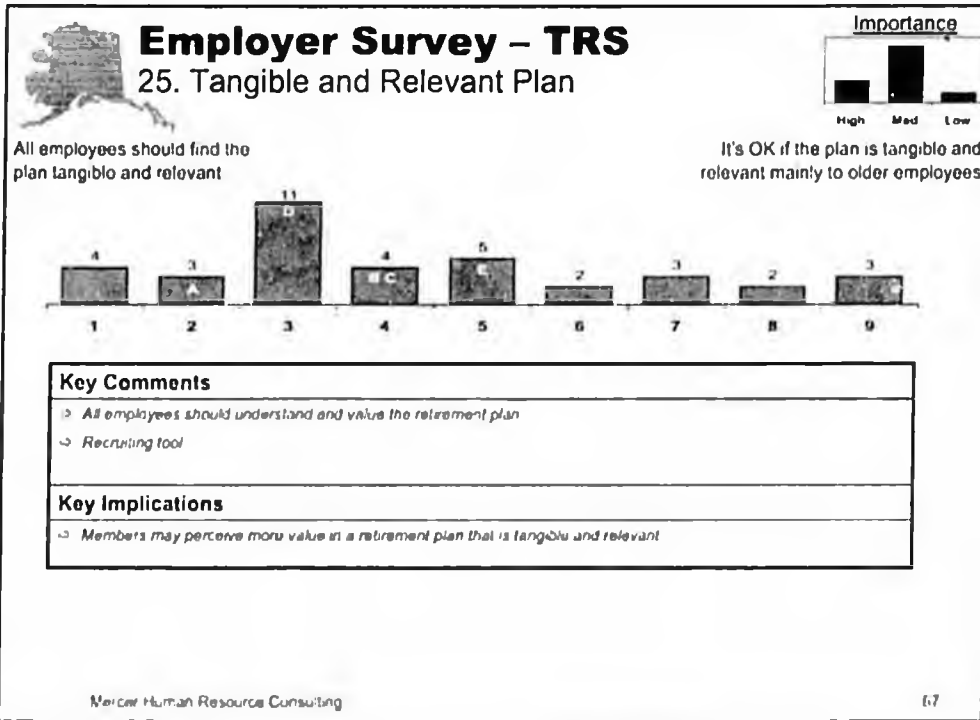


Key Comments

- ↳ Employers need to provide good communication and seminars to explain plans, but the plan must be structured in a simple enough for the majority of people to understand
- ↳ Let individuals who want complexity and flexibility do so on their own apart from this
- ↳ It is their responsibility to understand it
- ↳ College should teach it!

Key Implications

- ↳ Generally a more complex formula can meet a wider variety of specific objectives
- ↳ Members may perceive more value in a retirement plan that is more understandable





Employer Survey – TRS

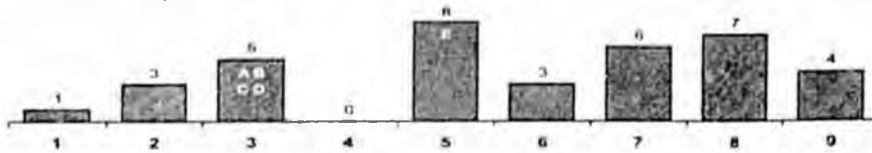
27. Change in Cost

Importance



Aggregate retirement contributions should be less than they are now

Marginal cost increases are appropriate to meet other design goals



Key Comments

- ↳ Employees contribution rates may need to increase!!
- ↳ We understand that costs are increasing. Want to keep plans competitive while keeping plan costs reasonable
- ↳ We have to contain costs or everyone loses
- ↳ Costs need to be sufficient to do the job

Key Implications

- ↳ Lowering contributions will result in generally lower level of benefits for retirees
- ↳ System benefits may or may not be competitive against peer group if benefits are decreased

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Employer Survey – TRS

29. Most Important Questions



The four most important questions with preferred spectrum comment

- Question # 7: "The retirement program should provide medical coverage"
- Question #26: "We want maximum predictability and stability of contributions"
- Question #1: "Plan should favor long-service employees"
- Question #6: (The responses did not indicate a significant difference between the two)
 - "The System should provide medical coverage to terminated vested members"
 - "The System should **not** provide medical coverage to terminated vested members"

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