

SB

125

SFIN

FILE

REPORTED OUT
MAY 02 2007
SENATE FINANCE COMMITTEE

SENATE FINANCE COMMITTEE REPORT

DATE: 3/16/07

FURTHER: Rules

DATE TURNED IN TO OFFICE: 5/2/2007

Finance Committee considered SENATE BILL NO. 125

SB 125 PERS /TRS CONTRIBUT'NS; UNFUNDED LIABILITY

"An Act relating to the accounting and payment of contributions under the defined benefit plan of the Public Employees' Retirement System of Alaska, to calculations of contributions under that defined benefit plan, and to participation in, and termination of and amendments to participation in, that defined benefit plan; making conforming amendments; and providing for an effective date."

and recommends:

be replaced with SCS or CS SB 125 (FIN)

adopt previous SCS or CS _____ (_____)

attached PERS ANALYSIS

adopt _____ Letter of Intent

further referral to _____ Committee

SENATE BILL:	
<input type="checkbox"/>	Same Title
<input checked="" type="checkbox"/>	New Title
HOUSE BILL:	
<input type="checkbox"/>	Same Title
<input type="checkbox"/>	Technical Title Change
<input type="checkbox"/>	New Title w/ SCR # _____

NEW FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#
DCA	4/30/07	193,113,200			12

PREVIOUS FISCAL NOTE(S):

Department	Date	Fiscal	Indet.	Zero	FN#

APPROPRIATION - no fiscal note

SIGNATURES AND RECOMMENDATIONS:	PRINTED LAST NAME	DO PASS	DO NOT PASS	NO REC	AMEND
	ELTON	<input checked="" type="checkbox"/>			
	THOMAS	<input checked="" type="checkbox"/>			
	DYSON			<input checked="" type="checkbox"/>	
	OLSON	<input checked="" type="checkbox"/>			
CO-CHAIR:	HOFFMAN	<input checked="" type="checkbox"/>			
CO-CHAIR:	STEDMAN	<input checked="" type="checkbox"/>			

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

Fiscal Note Number: CSSB125(FIN)-4-30-07
 Bill Version: CSSB125(FIN)
 () Publish Date: 4/30/2007

Revision Date/Time (Note if correction): _____ Dept. Affected: _____
 Title An Act relating to accounting and payment of RDU Direct Appropriation to Retirement
contributions in the PERS and TRS defined benefit plans. Component _____
 Sponsor Senate Rules Committee
 Requester Governor Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2008	FY 2009	FY 2010	FY 2011	FY 2012	FY 2013
Personal Services	0.0	0.0	0.0	0.0	0.0	0.0
Travel	0.0	0.0	0.0	0.0	0.0	0.0
Contractual	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0
Supplies	0.0	0.0	0.0	0.0	0.0	0.0
Equipment	0.0	0.0	0.0	0.0	0.0	0.0
Land & Structures	0.0	0.0	0.0	0.0	0.0	0.0
Grants & Claims	0.0	0.0	0.0	0.0	0.0	0.0
Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL OPERATING	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0

CAPITAL EXPENDITURES	0.0	0.0	0.0	0.0	0.0	0.0
-----------------------------	-----	-----	-----	-----	-----	-----

CHANGE IN REVENUES ()						
-------------------------------	--	--	--	--	--	--

FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1003 GF Match	0.0	0.0	0.0	0.0	0.0	0.0
1004 GF	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0
1005 GF/Program Receipts	0.0	0.0	0.0	0.0	0.0	0.0
1037 GF/Mental Health	0.0	0.0	0.0	0.0	0.0	0.0
Other (Specify Type--Do not abbreviate)	0.0	0.0	0.0	0.0	0.0	0.0
TOTAL	193,113.2	218,287.0	236,058.0	227,873.0	221,067.0	204,207.0

Estimate of any current year (FY2007) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2008 budget proposal:

POSITIONS

Full-time						
Part-time						
Temporary						

ANALYSIS: (Attach a separate page if necessary)

AS 24.08.036. Fiscal notes on bills affecting State retirement systems. Before a bill which would have an effect on the retirement systems of the State is reported to the Rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the State if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund. The analysis is in addition to the fiscal note requirements of AS 24.08.035.

Transforming the Public Employees' Retirement System's (PERS) defined benefit plan to a cost share plan, in and of itself, results in the State of Alaska as an employer saving in excess of \$186,727,636 as the State's current employer rate is higher (44.01%) than the proposed average rate (cost share rate) for the plan (22%). The amount will be made up by a direct appropriation by the State to the retirement system.

Prepared by: Patrick Shior, Director
 Division: Retirement and Benefits
 Approved by: Annette Kreitzer, Commissioner
 Agency: Department of Administration

Phone: 465-4817
 Date/Time: 4/30/07 1:00 PM
 Date: 4/30/07

FISCAL NOTE

STATE OF ALASKA
2007 LEGISLATIVE SESSION

BILL NO. CSSB125(FIN)

ANALYSIS CONTINUATION

The bill also sets the cost share rate for the Teachers' Retirement System (TRS), already a cost share system, at 12.56%. This represents a savings of \$269,914,245 to TRS employers which includes the University of Alaska, school districts and regional education attendance areas. The amount will be made up by a direct appropriation by the State to the retirement system.

The bill provides a "hold harmless" provision for PERS employers currently paying below the 22% level. The state will pay \$5,385,372 to the retirement system to cover this differential. These employers are listed in the bill.

The bill also provides a "rebate" provision for PERS employers who have previously made additional payments to pay down their share of the unfunded liability. The State will pay \$7,194,207 to the retirement system on behalf of these employers to recognize these previous payments. These employers are listed in the bill.

On July 1 of each year the State of Alaska will make a payment to the PERS and TRS that, when combined with the total employer contributions is sufficient to pay the system's past service liability at the contribution rate adopted by the Alaska Retirement Management Board.

A summary of the required appropriations for FY08 is listed below.

State of Alaska (as an employer)	22% rate included in agency budgets
TRS employers	12.56% rate included in formula funding

PERS employers additional approp. @32.5%	\$180.5 million
*PERS employers below 22% "hold harmless"	\$5.4 million
*PERS employers "rebate" provision	\$7.2 million

TOTAL	\$193.1 million
-------	-----------------

The amount shown on the contractual line (\$193,113.2) is mostly funded by the \$180 million included in HB95. An additional \$12.6 million* will be necessary to fund the hold harmless and rebate provisions of the bill.

If the FY08 ARMB board-adopted rate for PERS remains at 39.76%, an additional appropriation of \$123.2 million will also be required.

There is a separate appropriation for \$270 million for TRS included in HB95.



March 29, 2007

VIA EMAIL

Ms. Kathy Lea
Retirement Benefits Manager
State of Alaska
Department of Administration
Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203

Re: PERS Analysis Request

Dear Kathy:

As requested, we have analyzed two scenarios regarding contributions to pay down the unfunded actuarial accrued liability for the State of Alaska Public Employees' Retirement System (PERS). Scenario 1 uses the annual required contribution rate in the 2005 valuation of 32.51% and level percent of pay amortization going forward. Scenario 2 uses the funding rate adopted by the Alaska Retirement Management Board (ARMB) of 39.76% and level dollar amortization going forward.

The unfunded actuarial accrued liability used in these calculations is based on the June 30, 2005 valuation results for PERS. The 2005 valuation results are the most recent projections that are available. We will present the projections based on the 2006 valuation, including new assumptions and methods at the June 2007 ARMB meeting.

We are using the assumption that PERS goes to a cost sharing plan and the employer contribution rate for the DB and DCR plans is set in statute to be 22% of the total DB and DCR payroll. The difference between the 22% of total payroll and the DCR contribution rate of 9.77% will go into the DB plan. The State of Alaska will pay the difference between contributions paid by employers and the contributions needed to meet the annual required contribution in the DB Plan.

Please see page 47 of our June 30, 2005 Experience Analysis report for our recommendation on the use of the level dollar amortization method. If state statutes are changed to base the employer contribution rates on total payroll (DB and DCR payroll combined), then the level percentage of payroll method could be used to determine the funding rate. However, since GASB allows amortizing the unfunded liability as a level percentage of payroll for *active members* only if the payroll is expected to increase, you could not use this approach for GASB disclosure since the closed group will result in a decline of payroll of *active members*. This would cause a difference between the funding rate and the GASB ARC for disclosure, resulting in an employer contribution that is less than 100% of the GASB Annual Required Contribution (ARC) for several years.

Ms. Kathy Lea
March 29, 2007
Page 2

We prefer not to release our projection software. We would be happy to run additional projections or sensitivity analyses for you. If you have any questions regarding these calculations, please call.

Sincerely,



David H. Slisinsky, A.S.A.
Principal and Consulting Actuary

/kr

P:\dms\Alaska\2007\tr032971dhs.doc

Enclosures

c: Ms. Christina Maiquis, State of Alaska
Ms. Michelle DeLange, Buck Consultants

Projected Impact of PERS Cost Sharing Plan
Projections of Contribution Amounts on Total Payroll and by State of Alaska
Based on June 30, 2005 Actuarial Valuation

Public Employees' Retirement System
(\$ in thousands)

Scenario 1

Fiscal Year	Projected Employer Contribution Rate	DB Salary	DCR Salary	Annual Required Contribution	Employer Contributions ¹	Amount of DCR Contributions to Pay DB	Amount Paid by State of Alaska	Funded Ratio
						Plan Unfunded		
2006	16.77%	\$ 1,586,891	\$ -	\$ 266,122	\$ 266,122	\$ -	\$ N/A	66%
2007	21.77%	1,635,324	14,859	359,245	361,062	1,817	N/A	65%
2008	32.51%	1,547,025	169,165	557,933	377,562	20,689	196,898	65%
2009	33.91%	1,478,011	306,826	605,238	392,664	37,525	242,551	67%
2010	34.40%	1,412,624	443,607	638,543	408,371	54,253	273,512	68%
2011	33.49%	1,350,899	579,581	646,518	424,706	70,883	278,437	70%
2012	32.70%	1,285,898	721,801	656,518	441,694	88,276	285,344	71%
2013	31.78%	1,223,927	864,080	663,569	459,362	105,677	288,628	72%
2014	30.83%	1,168,933	1,002,595	669,482	477,736	122,617	289,700	73%
2015	30.17%	1,105,656	1,152,733	681,356	496,846	140,979	297,132	74%
2016	29.22%	1,044,006	1,304,718	686,297	516,719	159,567	297,049	76%
2017	28.44%	973,612	1,469,061	694,696	537,388	179,666	300,835	77%
2018	27.56%	890,139	1,650,241	700,129	558,884	201,824	302,474	78%
2019	26.50%	832,314	1,809,681	700,129	581,239	221,324	295,696	79%
2020	25.92%	773,650	1,974,025	712,197	604,489	241,423	300,570	81%
2021	25.26%	712,411	2,145,171	721,825	628,668	262,354	302,740	82%
2022	24.63%	630,262	2,341,624	731,976	653,815	286,381	306,938	84%
2023	23.83%	557,005	2,533,756	736,528	679,967	309,878	304,109	85%
2024	22.41%	515,316	2,699,075	720,345	707,166	330,097	276,879	87%
2025	22.37%	468,096	2,874,871	747,822	735,453	351,597	293,244	89%
2026	21.99%	419,664	3,057,022	764,523	764,871	373,874	298,323	91%
2027	21.68%	353,981	3,261,772	783,895	795,466	398,915	307,104	94%
2028	21.18%	304,767	3,455,616	796,449	827,284	422,622	306,779	96%
2029	21.44%	270,752	3,640,047	838,475	860,376	445,178	333,732	100%
2030	9.49%	241,888	3,825,343	385,980	759,716	467,839	-	103%
2031	7.82%	210,318	4,019,602	330,780	723,495	491,597	-	105%
Total		\$ 16,796,570	\$ 15,041,121	\$ 5,786,852	\$ 6,378,674			

¹ Includes DCR Contribution

Data, Assumptions, Methods and Plan Provisions:

- PERS is a cost sharing plan
- Assets are assumed to earn 8.25% in all years
- No new DB plan members after July 1, 2006
- The unfunded liability amortization payment uses a payroll growth of 4.25% for all years
- The employer rate for the DCR plan is 9.77% of DCR payroll
- Employers pay 22% of the total payroll for all DB and DCR plan costs. State of Alaska pays for the rest of the DB plan contributions.
- All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report

Projected Impact of PERS Cost Sharing Plan
Projections of Contribution Amounts on Total Payroll and by State of Alaska
 Based on June 30, 2005 Actuarial Valuation

Public Employees' Retirement System
 (\$ in thousands)

Scenario 2

Fiscal Year	Projected Employer Contribution Rate	Annual Required Contribution		Employer Contributions ¹	Amount of DCR Contributions to Pay DB Plan Unfunded		Amount Paid by State of Alaska	Funded Ratio
		DB Salary	DCR Salary		Plan Unfunded	of Alaska		
2006	16.77%	\$ 1,386,891	\$ -	\$ 266,122	\$ -	\$ -	N/A	66%
2007	21.77%	1,635,324	14,859	359,245	361,062	1,817	N/A	65%
2008	39.76%	1,547,025	169,165	682,357	377,562	20,689	321,322	65%
2009	41.30%	1,478,011	306,826	737,138	392,664	37,525	374,451	68%
2010	41.76%	1,412,624	443,607	775,162	408,371	54,253	410,131	70%
2011	39.78%	1,350,899	579,581	767,945	424,706	70,883	399,864	72%
2012	37.93%	1,285,898	721,801	761,520	441,694	88,276	390,346	74%
2013	35.85%	1,223,927	864,080	748,551	459,362	105,677	373,610	76%
2014	33.78%	1,168,933	1,002,595	733,542	477,736	122,617	353,760	78%
2015	32.02%	1,105,656	1,152,733	723,136	496,846	140,979	338,912	80%
2016	30.03%	1,044,006	1,304,718	705,322	516,719	159,567	316,074	82%
2017	28.24%	973,612	1,469,061	689,811	537,388	179,666	295,950	83%
2018	26.41%	890,139	1,650,241	670,914	558,884	201,824	273,259	85%
2019	24.42%	832,314	1,809,681	645,175	581,239	221,324	240,742	86%
2020	22.95%	773,650	1,974,025	630,591	604,489	241,423	218,964	88%
2021	21.45%	712,411	2,145,171	612,951	628,668	262,354	193,866	89%
2022	20.02%	630,262	2,341,624	594,972	653,815	286,381	169,934	91%
2023	18.45%	557,005	2,533,756	570,245	679,967	309,878	137,826	93%
2024	16.30%	515,316	2,699,075	523,946	707,166	330,097	80,480	94%
2025	15.55%	468,006	2,874,871	519,831	735,453	351,597	65,253	96%
2026	14.51%	419,664	3,057,022	504,467	764,871	373,874	38,267	97%
2027	13.59%	353,981	3,261,772	491,381	795,466	398,915	14,590	99%
2028	12.50%	304,767	3,455,616	470,048	807,662	422,622	-	101%
2029	12.20%	270,752	3,640,047	477,117	832,750	445,178	-	103%
2030	4.52%	241,888	3,825,343	183,839	557,575	467,839	-	105%
2031	3.06%	210,318	4,019,602	129,436	522,151	491,597	-	107%
Total		\$ 14,974,764	\$ 14,590,387	\$ 5,766,852	\$ 5,007,601			

¹ Includes DCR Contribution

Data, Assumptions, Methods and Plan Provisions:

- PERS is a cost sharing plan
- Assets are assumed to earn 8.25% in all years
- No new DB plan members after July 1, 2006
- The unfunded liability amortization payment uses no payroll growth for FY08 rates and later
- The employer rate for the DCR plan is 9.77% of DCR payroll
- Employers pay 22% of the total payroll for all DB and DCR plan costs. State of Alaska pays for the rest of the DB plan contributions
- All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report

ADOPTED
5/2/07

WORK DRAFT

WORK DRAFT

WORK DRAFT

25-GS1074AO
Wayne
5/2/07

CS FOR SENATE BILL NO. 125()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the accounting and payment of contributions under the retirement
2 plans of the Public Employees' Retirement System of Alaska and the Teachers'
3 Retirement System, to calculations of contributions under those retirement plans, and to
4 participation in, and termination of and amendments to participation in, the defined
5 benefit plans of those systems; relating to employer contributions to the health
6 reimbursement arrangement plan; making conforming amendments; and providing for
7 an effective date."

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

9 * Section 1. AS 14.25.070 is repealed and reenacted to read:

10 Sec. 14.25.070. Contributions by employers. (a) Each employer shall
11 contribute to the system every payroll period an amount calculated by applying a rate
12 of 12.56 percent to the total of all base salaries paid by the employer to active
13 members of the system, including any adjustments to contributions required by

1 AS 14.25.173(a).

2 (b) The employer shall transmit the contributions calculated in (a) of this
3 section to the administrator in accordance with AS 14.25.065. The administrator shall
4 allocate contributions received for full payment of

5 (1) the actuarially determined employer normal cost for the plan; and

6 (2) all contributions required by AS 14.25.350 and AS 39.30.370 for
7 the fiscal year.

8 (c) If, after allocation of contributions under (b) of this section, a portion of
9 the employer contributions remains, the administrator shall apply that remaining
10 portion toward payment of the past service liability of the plan.

11 (d) Notwithstanding (a) of this section, the annual employer contribution rate
12 may not be less than the rate sufficient to allow payment of the employer normal cost
13 and the employer contributions required under AS 14.25.350 and AS 39.30.370.

14 (e) An employer of a retired member rehired under AS 14.20.135 shall include
15 that member's base salary when calculating the contribution amount established in (a)
16 of this section.

17 (f) In this section, "normal cost" means the cost of providing the benefits
18 expected to be credited, with respect to service, to all active members of the plan
19 during the year beginning after the last valuation date.

20 * Sec. 2. AS 14.25 is amended by adding a new section to read:

21 **Sec. 14.25.085. Additional state contributions.** In addition to the
22 contributions that the state is required to make under AS 14.25.070 as an employer,
23 the state shall contribute to the plan each July 1 or, if funds are not available on July 1,
24 as soon after July 1 as funds become available, an amount for the ensuing fiscal year
25 that, when combined with the total employer contributions that the administrator
26 estimates will be allocated under AS 14.25.070(c), is sufficient to pay the plan's past
27 service liability at the contribution rate adopted by the board under AS 37.10.220 for
28 that fiscal year.

29 * Sec. 3. AS 14.25.220 is amended by adding new paragraphs to read:

30 (46) "past service liability" means the actuarially determined excess of
31 the accrued liability of the plan over the value of the plan's assets, as of the date of the

1 last actuarial valuation;

2 (47) "system" means all retirement plans established under the
3 teachers' retirement system.

4 * Sec. 4. AS 14.25.350(d) is amended to read:

5 (d) An employer shall also make contributions to the health reimbursement
6 arrangement plan under AS 39.30.370 [AS 39.30.300].

7 * Sec. 5. AS 39.35.100 is repealed and reenacted to read:

8 **Sec. 39.35.100. Accounting.** (a) The commissioner shall establish and
9 maintain an adequate system of accounts and records for the plan. The accounts and
10 records shall be integrated with the accounts, records, and procedures of the employers
11 to the end that they operate most effectively and at minimum expense, and that
12 duplication of records and accounts is avoided.

13 (b) An individual account shall be maintained for each employee to record the
14 amount of the employee's mandatory contributions collected under AS 39.35.160(a).
15 As of the last day of each calendar year and of each fiscal year, this account shall be
16 credited with interest by applying the prescribed rate of interest, as determined by the
17 board, to the balance in the account as of that date. When the employee is appointed to
18 retirement, the amount held in the individual account shall be used first to fully
19 finance the benefits paid. Once this account has been exhausted, the plan shall fully
20 finance the benefits paid that were not financed by the employee's individual account.

21 (c) An individual account shall be maintained for each employee to record the
22 amount of the employee's voluntary contributions to an employee savings account
23 under AS 39.35.180. As of the last day of each calendar year and of each fiscal year,
24 this account shall be credited with interest by applying the prescribed rate of interest,
25 as determined by the board, to the balance in the account as of that date. Amounts that,
26 before termination of employment, are withdrawn by an employee from the
27 employee's savings account shall be charged to that account. When an employee is
28 appointed to retirement, the amount held in the employee's savings account shall be
29 paid in accordance with AS 39.35.395.

30 * Sec. 6. AS 39.35.115 is amended by adding new subsections to read:

31 (d) The retirement plan set out in AS 39.35.095 - 39.35.680 is a joint

1 contributory plan.

2 (e) If, upon termination of the plan, all liabilities of the plan have been
3 satisfied, any excess assets revert to the employers, as determined by the
4 administrator, subject to the approval of the termination by the Internal Revenue
5 Service.

6 * Sec. 7. AS 39.35.125(a) is amended to read:

7 (a) An elected official of the state or of a political subdivision of the state if
8 the political subdivision has elected under AS 39.35.600 - 39.35.650 [AS 39.35.550 -
9 39.35.650] to designate elected officials in the classifications of employees entitled to
10 participate in the plan is included in the plan unless the official files a written waiver
11 of coverage with the administrator. A waiver under this subsection waives coverage of
12 future employment as an elected official, regardless of any change of employer. An
13 elected official may file a waiver under this subsection at any time after election to
14 office, including the period before taking the oath of office. An elected official may
15 revoke a waiver under this subsection by filing a written revocation with the
16 administrator. A revocation under this subsection operates prospectively only, and the
17 elected official may not receive credited service for service as an elected official while
18 the waiver was in effect. There is no limit on the number of times an elected official
19 may file a waiver or revocation under this subsection.

20 * Sec. 8. AS 39.35.160(c) is amended to read:

21 (c) An employee who has made an election under AS 39.35.300(e) or
22 39.35.310(c) to have the employee's years of service as a noncertificated employee of
23 a state boarding school, of a school district or regional educational attendance area, of
24 the special education service agency, or of the Alaska Vocational Technical Center
25 determined by reference to AS 14.25.220 shall pay a contribution surcharge for that
26 service. The amount of the surcharge is the difference between the amount the
27 employer would have had to contribute under AS 39.35.255 - 39.35.290
28 [AS 39.35.250 - 39.35.290] for the employee when treating the employee's credited
29 service as service earned under AS 39.35.300(e) or 39.35.310(c) less the amount the
30 employer would have had to contribute under AS 39.35.255 - 39.35.290
31 [AS 39.35.250 - 39.35.290] without treating the employee's credited service as service

1 earned under AS 39.35.300(c) or 39.35.310(c).

2 * **Sec. 9.** AS 39.35 is amended by adding a new section to read:

3 **Sec. 39.35.255. Contributions by employers.** (a) Each employer shall
4 contribute to the system every payroll period an amount calculated by applying a rate
5 of 22 percent of the greater of the total of all base salaries

6 (1) paid by the employer to employees who are active members of the
7 system, including any adjustments to contributions required by AS 39.35.520; or

8 (2) paid by the employer to employees who were active members of
9 the system during the corresponding payroll period for the fiscal year ending June 30,
10 2007.

11 (b) The administrator shall allocate contributions received for full payment of

12 (1) the actuarially determined employer normal cost for the plan; and

13 (2) all contributions required by AS 39.30.370 and AS 39.35.750 for
14 the fiscal year.

15 (c) If, after allocation of contributions under (b) of this section, a portion of
16 the employer contributions remains, the administrator shall apply that remaining
17 portion toward payment of the past service liability of the plan.

18 (d) Notwithstanding (a) of this section, the annual employer contribution rate
19 may not be less than the rate sufficient to allow payment of the employer normal cost
20 and the employer contributions required under AS 39.30.370 and AS 39.35.750.

21 (e) An employer of a retired member rehired under AS 39.35.150 shall include
22 that member's base salary when calculating the contribution amount established in (a)
23 of this section.

24 (f) In this section, "normal cost" means the cost of providing the benefits
25 expected to be credited, with respect to - - vice, to all active members of the plan
26 during the year beginning after the last valuation date.

27 * **Sec. 10.** AS 39.35.280 is repealed and reenacted to read:

28 **Sec. 39.35.280. Additional state contributions.** In addition to the
29 contributions that the state is required to make under AS 39.35.255 as an employer,
30 the state shall contribute to the plan each July 1 or, if funds are not available on July 1,
31 as soon after July 1 as funds become available, an amount for the ensuing fiscal year

1 that, when combined with the total employer contributions that the administrator
 2 estimates will be allocated under AS 39.35.255(c), is sufficient to pay the plan's past
 3 service liability at the contribution rate adopted by the board under AS 37.10.220 for
 4 that fiscal year.

5 * **Sec. 11.** AS 39.35.520(a) is amended to read:

6 (a) When a change or error is made in the records maintained by the plan or in
 7 the contributions made on behalf of an employee or an error is made in computing a
 8 benefit, and, as a result, an employee or beneficiary is entitled to receive from the plan
 9 more or less than the employee would have been entitled to receive had the records or
 10 contributions been correct or had the error not been made, (1) the records,
 11 contributions, or error shall be corrected, and (2) as far as practicable, future payments
 12 or benefit entitlement shall be adjusted so that the actuarial equivalent of the pension
 13 or benefit to which the employee or beneficiary was correctly entitled shall be paid.
 14 An adjustment to contributions shall be picked up by the employer under
 15 AS 39.35.160 or treated as an adjustment to the employer's contributions under
 16 AS 39.35.255 [AS 39.35.270], depending upon the nature of the adjustment. If no
 17 future payment is due, a person who was paid any amount to which the person was not
 18 entitled is liable for repayment of that amount, and a person who was not paid the full
 19 amount to which the person was entitled shall be paid the balance of that amount.

20 * **Sec. 12.** AS 39.35.610 is amended by adding a new subsection to read:

21 (b) If contributions are not submitted within the prescribed time limit, the
 22 amount of contributions and interest due may be claimed by the administrator from
 23 any agency of the state or political subdivision that has in its possession funds of the
 24 employer or that is authorized to disburse funds to the employer that are not restricted
 25 by statute or appropriation to a specific purpose. The amount claimed shall be certified
 26 by the administrator as sufficient to pay the contributions and interest due from the
 27 employer, and the agency shall submit the amount claimed, or the amount of funds of
 28 the employer subject to the administrator's claim that are in the agency's possession,
 29 whichever is less, to the administrator for deposit in the appropriate accounts. After
 30 the agency submits this amount to the administrator, the employer may appeal the
 31 administrator's claim to the office of administrative hearings (AS 44.64). If an appeal

1 is timely filed, the administrator shall hold the submitted funds in an escrow account
2 pending a final decision on the appeal.

3 * Sec. 13. AS 39.35.615(a) is amended to read:

4 (a) A political subdivision or public organization may request that its
5 participation agreement be amended. The request may be made only after adoption of
6 a resolution by the legislative body of the political subdivision and approval of the
7 resolution by the person required by law to approve the resolution, or, in the case of a
8 public organization, after adoption of a resolution by the governing body of that public
9 organization. A certified copy of the resolution shall be filed with the administrator.
10 An employer may not award past service to employees added to its participation
11 agreement. When an employer requests to amend its participation agreement to
12 add an elected official, the plan may cover that elected official only if the
13 employer pays compensation to the elected official, for services as an elected
14 official, in the amount of at least \$2,001 a month. If a political subdivision or public
15 organization amends its participation agreement so as to terminate coverage of a
16 department, group, or other classification of employees, each employee whose
17 coverage is so terminated, regardless of the employee's employment status at the date
18 of termination, shall be considered fully vested in actuarially adjusted accrued
19 retirement benefits as of the date of termination, unless

20 (1) the employee's contributions have been refunded; or

21 (2) the political subdivision or public organization amended its
22 participation agreement to exclude coverage for the affected department, group, or
23 other classification of employees at the written request of a majority of the employees
24 employed in that department, group, or other classification at the time the request was
25 made.

26 * Sec. 14. AS 39.35.615(f) is amended to read:

27 (f) Termination of coverage of a department, group, or other classification of
28 employees does not bar future coverage of that department, group, or classification if
29 the employer is current with payments on amounts due under AS 39.35.625. If
30 coverage of a department, group, or classification is terminated under (a) of this
31 section and the employer later amends its participation agreement to provide renewed

1 coverage of that department, group, or classification, an affected employee may be
2 credited only with future service.

3 * **Sec. 15.** AS 39.35.620(h) is amended to read:

4 (h) Termination of an employer's participation in the plan does not bar future
5 participation in the system [PLAN] by that employer if the employer is current with
6 payments on amounts due under AS 39.35.625. If a previously terminated employer
7 returns to the system, the employer may only participate in the plan established
8 under AS 39.35.700 - 39.35.990. Employees [PLAN EMPLOYEES] may be credited
9 under AS 39.35.700 - 39.35.990 only with service subsequent to the date of return.
10 [ADJUSTMENTS MADE TO THE ACCRUED BENEFITS OF THE EMPLOYEES
11 OF THE PREVIOUSLY TERMINATED EMPLOYER AT THE TIME OF THE
12 TERMINATION MAY NOT BE ALTERED BY THAT EMPLOYER'S RETURN
13 TO PARTICIPATION IN THE PLAN.]

14 * **Sec. 16.** AS 39.35 is amended by adding a new section to read:

15 **Sec. 39.35.625. Termination costs.** (a) Notwithstanding AS 39.35.255, an
16 employer that terminates participation of a department, group, or other classification
17 of employees in the plan under AS 39.35.615 or that terminates participation in the
18 plan under AS 39.35.620 shall pay to the plan each payroll period until the past service
19 liability of the plan is extinguished an amount calculated by applying the current past
20 service contribution rate adopted by the board to the greater of total base salaries paid

21 (1) during the payroll period to employees in positions for which
22 coverage has been terminated;

23 (2) at the time of termination to employees in positions for which
24 coverage has been terminated; or

25 (3) during the corresponding payroll period for the fiscal year ending
26 June 30, 2007, to employees in positions for which coverage has been terminated.

27 (b) Notwithstanding (a) of this section, the administrator may enter into a
28 payment plan acceptable to the administrator for payment of an employer's liability for
29 termination costs. Termination costs not paid as prescribed by (a) of this section or in
30 accordance with an approved payment plan may be collected by the administrator in
31 accordance with AS 39.35.610(b).

1 (c) An employer requesting termination of all participation in the plan,
2 termination of participation in the plan of a department, group, or other classification
3 of employees, or a payment plan for payment of termination costs shall pay the cost
4 associated with obtaining a termination cost study associated with the employer's
5 termination.

6 * Sec. 17. AS 39.35.650 is amended to read:

7 Sec. 39.35.650. Refunds to employers. An employer may not receive an
8 amount from the plan, except as provided under AS 39.35.115(e) [AS 39.35.615(e)
9 AND 39.35.620(g)].

10 * Sec. 18. AS 39.35.680 is amended by adding a new paragraph to read:

11 (43) "past service liability" means the actuarially determined excess of
12 the accrued liability of the plan over the value of the plan's assets, as of the date of the
13 last actuarial valuation.

14 * Sec. 19. AS 39.35.750(d) is amended to read:

15 (d) An employer shall also make contributions to the health reimbursement
16 arrangement plan under AS 39.30.370 [AS 39.30.300].

17 * Sec. 20. AS 39.35.250, 39.35.260, 39.35.270, 39.35.550, 39.35.560, 39.35.570, 39.35.580,
18 39.35.590, 39.35.615(d), 39.35.615(e), 39.35.620(c), 39.35.620(f), and 39.35.620(g) are
19 repealed.

20 * Sec. 21. The uncodified law of the State of Alaska is amended by adding a new section to
21 read:

22 TRANSITION. (a) Notwithstanding AS 39.35.255, as enacted by sec. 9 of this Act,
23 the employer contributions under AS 39.35.255(a) for the fiscal year ending June 30, 2008,
24 shall be calculated separately for certain employers by applying an independent percentage to
25 the annual total of base salaries paid by the employer to employees who are active members
26 of the public employees' retirement system and to employees who are retired members who
27 are rehired under AS 39.35.150. The employers subject to this separate calculation and the
28 independent percentages that apply to each are

- 29 (1) the City of Akutan, 13.32 percent;
30 (2) the Aleutian Housing Authority, 14.95 percent;
31 (3) the Aleutian Region School District, 13.32 percent;

- 1 (4) the Aleutians East Borough, 3.24 percent;
- 2 (5) the City of Allakaket, 14.48 percent;
- 3 (6) the Municipality of Anchorage; 21.51 percent;
- 4 (7) the City of Anderson, 13.32 percent;
- 5 (8) the Annette Islands School District, 13.32 percent;
- 6 (9) the Baranof Island Housing Authority, 13.32 percent;
- 7 (10) the City of Barrow, 13.47 percent;
- 8 (11) the Bartlett Regional Hospital, 17.20 percent;
- 9 (12) the Bering Straits Regional Housing Authority, 14.77 percent;
- 10 (13) the City of Bethel, 10.33 percent;
- 11 (14) the Bristol Bay Borough, 17.95 percent;
- 12 (15) the Bristol Bay Housing Authority, 15.06 percent;
- 13 (16) the Cook Inlet Housing Authority, 15.06 percent;
- 14 (17) the Copper River Basin Regional Housing Authority, 14.76 percent;
- 15 (18) the City of Cordova, 12.85 percent;
- 16 (19) the City of Delta Junction, 13.31 percent;
- 17 (20) the Denali Borough, 3.07 percent;
- 18 (21) the City of Egegik, 15.84 percent;
- 19 (22) the City of Fort Yukon, 13.32 percent;
- 20 (23) the City of Galena, 9.64 percent;
- 21 (24) the City of Hooper Bay, 13.32 percent;
- 22 (25) the City of Huslia, 17.68 percent;
- 23 (26) the Ilisagvik College, 13.90 percent;
- 24 (27) the Interior Regional Housing Authority, 14.23 percent;
- 25 (28) the Inter-Island Ferry Authority, 13.36 percent;
- 26 (29) the City of Kachemak, 4.92 percent;
- 27 (30) the Kenai Peninsula Borough, 17.11 percent;
- 28 (31) the Ketchikan Gateway Borough, 13.04 percent;
- 29 (32) the City of Ketchikan, 12.03 percent;
- 30 (33) the City of Klawock, 9.59 percent;
- 31 (34) the Kodiak Island Borough, 4.55 percent;

- 1 (35) the City of Kodiak, 14.88 percent;
- 2 (36) the City of Kotzebue, 13.32 percent;
- 3 (37) the City of Koyuk, 14.48 percent;
- 4 (38) the Lake and Peninsula Borough, 9.25 percent;
- 5 (39) the City of Mckoryuk, 13.32 percent;
- 6 (40) the City of Mountain Village, 13.32 percent;
- 7 (41) the Nenana City School District, 17.79 percent;
- 8 (42) the City of Noorvik, 13.45 percent;
- 9 (43) the North Pacific Rim Housing Authority, 14.70 percent;
- 10 (44) the City of North Pole, 15.55 percent;
- 11 (45) the Northwest Arctic Borough, 14.19 percent;
- 12 (46) the Northwest Arctic Borough School District, 15.00 percent;
- 13 (47) the Northwest Inupiat Housing Authority, 15.17 percent;
- 14 (48) the City of Palmer, 13.33 percent;
- 15 (49) the Pelican City School District, 13.32 percent;
- 16 (50) the City of Petersburg, 12.20 percent;
- 17 (51) the Petersburg Medical Center, 15.89 percent;
- 18 (52) the City of Quinhagak, 1.15 percent;
- 19 (53) the Saint Mary's School District, 13.32 percent;
- 20 (54) the City of Saxman, 17.53 percent;
- 21 (55) the City of Seldovia, 16.64 percent;
- 22 (56) the City of Seward, 12.66 percent;
- 23 (57) the Skagway City School District, 16.44 percent;
- 24 (58) the City of Soldotna, 13.04 percent;
- 25 (59) the Tagiugmiullu Nunamiullu Housing Authority, 13.32 percent;
- 26 (60) the City of Tanana, 1.60 percent;
- 27 (61) the Tanana School District, 16.59 percent;
- 28 (62) the Tlingit-Haida Regional Housing Authority, 18.39 percent;
- 29 (63) the City of Unalakleet, 9.94 percent;
- 30 (64) the City of Upper Kalskag, 14.48 percent;
- 31 (65) the City of Valdez, 17.15 percent;

- 1 (66) the City of Whittier, 15.00 percent;
- 2 (67) the City and Borough of Yakutat, 18.94 percent;
- 3 (68) the Yakutat School District, 15.49 percent;
- 4 (69) the Yukon/Koyukuk School District, 13.70 percent;
- 5 (70) the Yukon Flats School District, 13.32 percent;
- 6 (71) the Yupiit School District, 14.52 percent.

7 (b) Notwithstanding AS 39.35.255, as enacted by sec. 9 of this Act, the employer
8 contributions under AS 39.35.255(a) for the fiscal years ending June 30, 2009, June 30, 2010,
9 June 30, 2011, and June 30, 2012, shall be calculated separately for certain employers by
10 applying an independent percentage to the annual total of base salaries paid by the employer
11 to employees who are active members of the public employees' retirement system and to
12 employees who are retired members who are rehired under AS 39.35.150. The employers
13 subject to this separate calculation and the independent percentages that apply to each are

- 14 (1) the City of Akutan, 13.32 percent;
- 15 (2) the Aleutian Housing Authority, 14.95 percent;
- 16 (3) the Aleutian Region School District, 13.32 percent;
- 17 (4) the Aleutians East Borough, 15.23 percent;
- 18 (5) the City of Allakaket, 14.48 percent;
- 19 (6) the City of Anderson, 13.32 percent;
- 20 (7) the Annette Islands School District, 13.32 percent;
- 21 (8) the Baranof Island Housing Authority, 13.32 percent;
- 22 (9) the City of Barrow, 17.26 percent;
- 23 (10) the Bartlett Regional Hospital, 17.20 percent;
- 24 (11) the Bering Straits Regional Housing Authority, 14.77 percent;
- 25 (12) the City of Bethel, 15.08 percent;
- 26 (13) the Bristol Bay Regional Housing Authority, 15.06 percent;
- 27 (14) the Cook Inlet Housing Authority, 15.06 percent;
- 28 (15) the Copper River Basin Regional Housing Authority, 14.76 percent;
- 29 (16) the City of Delta Junction, 14.47 percent;
- 30 (17) the City of Fort Yukon, 13.32 percent;
- 31 (18) the City of Galena, 13.40 percent;

- 1 (19) the City of Hooper Bay, 13.32 percent;
- 2 (20) the Ilisagvik College, 13.90 percent;
- 3 (21) the Interior Regional Housing Authority, 14.23 percent;
- 4 (22) the Inter-Island Ferry Authority, 13.36 percent;
- 5 (23) the City of Klawock, 14.35 percent;
- 6 (24) the City of Kotzebue, 13.32 percent;
- 7 (25) the City of Koyuk, 14.48 percent;
- 8 (26) the City of Mekoryuk, 13.32 percent;
- 9 (27) the City of Mountain Village, 13.32 percent;
- 10 (28) the Nenana City School District, 17.79 percent;
- 11 (29) the City of Noorvik, 13.45 percent;
- 12 (30) the North Pacific Rim Housing Authority, 14.70 percent;
- 13 (31) the Northwest Arctic Borough, 14.19 percent;
- 14 (32) the Northwest Arctic Borough School District, 15.00 percent;
- 15 (33) the Northwest Inupiat Housing Authority, 15.17 percent;
- 16 (34) the Pelican City School District, 13.32 percent;
- 17 (35) the Petersburg Medical Center, 15.89 percent;
- 18 (36) the City of Quinhagak, 13.32 percent;
- 19 (37) the Saint Mary's City School District, 13.32 percent;
- 20 (38) the City of Seldovia, 16.64 percent;
- 21 (39) the Skagway City School District, 16.44 percent;
- 22 (40) the City of Soldotna, 13.04 percent;
- 23 (41) the Tagiugmiullu Nunamiullu Housing Authority, 13.32 percent;
- 24 (42) the City of Tanana, 13.32 percent;
- 25 (43) the Tanana School District, 16.59 percent;
- 26 (44) the Tlingit-Haida Regional Housing Authority, 18.39 percent;
- 27 (45) the City of Upper Kalskag, 14.48 percent;
- 28 (46) the City of Whittier, 15.00 percent;
- 29 (47) the Yakutat School District, 15.49 percent;
- 30 (48) the Yukon/Koyukuk School District, 13.70 percent;
- 31 (49) the Yukon Flats School District, 13.32 percent;

1 (50) the Yupiit School District, 14.52 percent.

2 * Sec. 22. The uncodified law of the State of Alaska is amended by adding a new section to
3 read:

4 TRANSITION: REGULATIONS. The Department of Administration and the
5 Department of Revenue may proceed to adopt regulations to implement their respective
6 provisions of this Act.

7 * Sec. 23. Sections 21 and 22 of this Act take effect immediately under AS 01.10.070(e).

8 * Sec. 24. Except as provided in sec. 23 of this Act, this Act takes effect July 1, 2007.

25-GS1074AK
Wayne
4/28/07

CS FOR SENATE BILL NO. 125()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL
FOR AN ACT ENTITLED

1 "An Act relating to the accounting and payment of contributions under the defined
2 benefit plans of the Public Employees' Retirement System of Alaska and the Teachers'
3 Retirement System, to calculations of contribution under those defined benefit plans,
4 and to participation in, and termination of and amendments to participation in, those
5 defined benefit plans; making conforming amendments; and providing for an effective
6 date."

7 **BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF ALASKA:**

8 * Section 1. AS 14.25.070 is repealed and reenacted to read:

9 **Sec. 14.25.070. Contributions by employers.** (a) Each employer shall
10 contribute to the system every payroll period an amount calculated by applying a rate
11 of 12.56 percent to the total of all base salaries paid by the employer to active
12 members of the system, including any adjustments to contributions required by
13 AS 14.25.173(a).

1 (b) The employer shall transmit the contributions calculated in (a) of this
2 section to the administrator in accordance with AS 14.25.065. The administrator shall
3 allocate contributions received for full payment of

4 (1) the actuarially determined employer normal cost for the plan; and

5 (2) all contributions required by AS 14.25.350 for the fiscal year.

6 (c) If, after allocation of contributions under (b) of this section, a portion of
7 the employer contribution^c remains, the administrator shall apply that remaining
8 portion toward payment of the past service liability of the plan.

9 (d) Notwithstanding (a) of this section, the annual employer contribution rate
10 may not be less than the rate sufficient to allow payment of the employer normal cost
11 rate and the employer contributions required under AS 14.25.350.

12 (e) An employer of a retired member rehired under AS 14.20.135 shall include
13 that member's base salary when calculating the contribution amount established in (a)
14 of this section.

15 (f) In this section,

16 (1) "employer normal cost rate" means the percentage of compensation
17 of all active members in the plan that, when combined with the member contribution
18 rate of active members in the plan, is sufficient to pay the actuarially calculated
19 normal cost; this percentage is uniformly determined for all employers and is
20 applicable to each employer;

21 (2) "normal cost" means the cost of providing the benefits expected to
22 be credited, with respect to service, to all active members of the plan during the year
23 beginning after the last valuation date.

24 * Sec. 2. AS 14.25 is amended by adding a new section to read:

25 **Sec. 14.25.085. Additional state contributions.** In addition to the
26 contributions that the state is required to make under AS 14.25.070 as an employer,
27 the state shall contribute to the plan each July 1 or, if funds are not available on July 1,
28 as soon after July 1 as funds become available, an amount for the ensuing fiscal year
29 that, when combined with the total employer contributions that the administrator
30 estimates will be allocated under AS 14.25.070(e), is sufficient to pay the plan's past
31 service liability at the contribution rate adopted by the board under AS 37.10.220 for

1 that fiscal year.

2 * Sec. 3. AS 14.25.220 is amended by adding new paragraphs to read:

3 (46) "past service liability" means the actuarially determined excess of
4 the accrued liability of the plan over the value of the plan's assets, as of the date of the
5 last actuarial valuation;

6 (47) "system" means all retirement plans established under the
7 teachers' retirement system.

8 * Sec. 4. AS 39.35.100 is repealed and reenacted to read:

9 **Sec. 39.35.100. Accounting.** (a) The commissioner shall establish and
10 maintain an adequate system of accounts and records for the plan. The accounts and
11 records shall be integrated with the accounts, records, and procedures of the employers
12 to the end that they operate most effectively and at minimum expense, and that
13 duplication of records and accounts is avoided.

14 (b) An individual account shall be maintained for each employee to record the
15 amount of the employee's mandatory contributions collected under AS 39.35.160(a).
16 As of the last day of each calendar year and of each fiscal year, this account shall be
17 credited with interest by applying the prescribed rate of interest, as determined by the
18 board, to the balance in the account as of that date. When the employee is appointed to
19 retirement, the amount held in the individual account shall be used first to fully
20 finance the benefits paid. Once this account has been exhausted, the plan shall fully
21 finance the benefits paid that were not financed by the employee's individual account.

22 (c) An individual account shall be maintained for each employee to record the
23 amount of the employee's voluntary contributions to an employee savings account
24 under AS 39.35.180. As of the last day of each calendar year and of each fiscal year,
25 this account shall be credited with interest by applying the prescribed rate of interest,
26 as determined by the board, to the balance in the account as of that date. Amounts that,
27 before termination of employment, are withdrawn by an employee from the
28 employee's savings account shall be charged to that account. When an employee is
29 appointed to retirement, the amount held in the employee's savings account shall be
30 paid in accordance with AS 39.35.395.

31 * Sec. 5. AS 39.35.115 is amended by adding new subsections to read:

1 (d) The retirement plan set out in AS 39.35.095 - 39.35.680 is a joint
2 contributory plan.

3 (e) If, upon termination of the plan, all liabilities of the plan have been
4 satisfied, any excess assets revert to the employers, as determined by the
5 administrator, subject to the approval of the termination by the Internal Revenue
6 Service.

7 * **Sec. 6.** AS 39.35.125(a) is amended to read:

8 (a) An elected official of the state or of a political subdivision of the state if
9 the political subdivision has elected under AS 39.35.600 - 39.35.650 [AS 39.35.550 -
10 39.35.650] to designate elected officials in the classifications of employees entitled to
11 participate in the plan is included in the plan unless the official files a written waiver
12 of coverage with the administrator. A waiver under this subsection waives coverage of
13 future employment as an elected official, regardless of any change of employer. An
14 elected official may file a waiver under this subsection at any time after election to
15 office, including the period before taking the oath of office. An elected official may
16 revoke a waiver under this subsection by filing a written revocation with the
17 administrator. A revocation under this subsection operates prospectively only, and the
18 elected official may not receive credited service for service as an elected official while
19 the waiver was in effect. There is no limit on the number of times an elected official
20 may file a waiver or revocation under this subsection.

21 * **Sec. 7.** AS 39.35.160(c) is amended to read:

22 (c) An employee who has made an election under AS 39.35.300(c) or
23 39.35.310(c) to have the employee's years of service as a noncertificated employee of
24 a state boarding school, of a school district or regional educational attendance area, of
25 the special education service agency, or of the Alaska Vocational Technical Center
26 determined by reference to AS 14.25.220 shall pay a contribution surcharge for that
27 service. The amount of the surcharge is the difference between the amount the
28 employer would have had to contribute under AS 39.35.255 - 39.35.290
29 [AS 39.35.250 - 39.35.290] for the employee when treating the employee's credited
30 service as service earned under AS 39.35.300(c) or 39.35.310(c) less the amount the
31 employer would have had to contribute under AS 39.35.255 - 39.35.290

1 [AS 39.35.250 - 39.35.290] without treating the employee's credited service as service
2 earned under AS 39.35.300(c) or 39.35.310(c).

3 * Sec. 8. AS 39.35 is amended by adding a new section to read:

4 **Sec. 39.35.255. Contributions by employers.** (a) Each employer shall
5 contribute to the system every payroll period an amount calculated by applying a rate
6 of 22 percent of the greater of the total of all base salaries

7 (1) paid by the employer to employees who are active members of the
8 system, including any adjustments to contributions required by AS 39.35.520; or

9 (2) paid by the employer to employees who were active members of
10 the system during the corresponding payroll period for the fiscal year ending June 30,
11 2007.

12 (b) The administrator shall allocate contributions received for full payment of

13 (1) the actuarially determined employer normal cost for the plan; and

14 (2) all contributions required by AS 39.35.750 for the fiscal year.

15 (c) If, after allocation of contributions under (b) of this section, a portion of
16 the employer contributions remains, the administrator shall apply that remaining
17 portion toward payment of the past service liability of the plan.

18 (d) Notwithstanding (a) of this section, the annual employer contribution rate
19 may not be less than the rate sufficient to allow payment of the employer normal cost
20 rate and the employer contributions required under AS 39.35.750.

21 (e) An employer of a retired member rehired under AS 39.35.150 shall include
22 that member's base salary when calculating the contribution amount established in (a)
23 of this section.

24 (f) In this section,

25 (1) "employer normal cost rate" means the percentage of compensation
26 of all active members in the plan that, when combined with the member contribution
27 rate of active members in the plan, is sufficient to pay the actuarially calculated
28 normal cost; this percentage is uniformly determined for all employers and is
29 applicable to each employer;

30 (2) "normal cost" means the cost of providing the benefits expected to
31 be credited, with respect to service, to all active members of the plan during the year

1 beginning after the last valuation date.

2 * **Sec. 9.** AS 39.35.280 is repealed and reenacted to read:

3 **Sec. 39.35.280. Additional state contributions.** In addition to the
4 contributions that the state is required to make under AS 39.35.255 as an employer,
5 the state shall contribute to the plan each July 1 or, if funds are not available on July 1,
6 as soon after July 1 as funds become available, an amount for the ensuing fiscal year
7 that, when combined with the total employer contributions that the administrator
8 estimates will be allocated under AS 39.35.255(c), is sufficient to pay the plan's past
9 service liability at the contribution rate adopted by the board under AS 37.10.220 for
10 that fiscal year.

11 * **Sec. 10.** AS 39.35.520(a) is amended to read:

12 (a) When a change or error is made in the records maintained by the plan or in
13 the contributions made on behalf of an employee or an error is made in computing a
14 benefit, and, as a result, an employee or beneficiary is entitled to receive from the plan
15 more or less than the employee would have been entitled to receive had the records or
16 contributions been correct or had the error not been made, (1) the records,
17 contributions, or error shall be corrected, and (2) as far as practicable, future payments
18 or benefit entitlement shall be adjusted so that the actuarial equivalent of the pension
19 or benefit to which the employee or beneficiary was correctly entitled shall be paid.
20 An adjustment to contributions shall be picked up by the employer under
21 AS 39.35.160 or treated as an adjustment to the employer's contributions under
22 AS 39.35.255 [AS 39.35.270], depending upon the nature of the adjustment. If no
23 future payment is due, a person who was paid any amount to which the person was not
24 entitled is liable for repayment of that amount, and a person who was not paid the full
25 amount to which the person was entitled shall be paid the balance of that amount.

26 * **Sec. 11.** AS 39.35.610 is amended by adding a new subsection to read:

27 (b) If contributions are not submitted within the prescribed time limit, the
28 amount of contributions and interest due may be claimed by the administrator from
29 any agency of the state or political subdivision that has in its possession funds of the
30 employer or that is authorized to disburse funds to the employer that are not restricted
31 by statute or appropriation to a specific purpose. The amount claimed shall be certified

1 by the administrator as sufficient to pay the contributions and interest due from the
2 employer, and the agency shall submit the amount claimed, or the amount of funds of
3 the employer subject to the administrator's claim that are in the agency's possession,
4 whichever is less, to the administrator for deposit in the appropriate accounts. After
5 the agency submits this amount to the administrator, the employer may appeal the
6 administrator's claim to the office of administrative hearings (AS 44.64). If an appeal
7 is timely filed, the administrator shall hold the submitted funds in an escrow account
8 pending a final decision on the appeal.

9 * Sec. 12. AS 39.35.615(a) is amended to read:

10 (a) A political subdivision or public organization may request that its
11 participation agreement be amended. The request may be made only after adoption of
12 a resolution by the legislative body of the political subdivision and approval of the
13 resolution by the person required by law to approve the resolution, or, in the case of a
14 public organization, after adoption of a resolution by the governing body of that public
15 organization. A certified copy of the resolution shall be filed with the administrator.
16 An employer may not award past service to employees added to its participation
17 agreement. When an employer requests to amend its participation agreement to
18 add an elected official, the plan may cover that elected official only if the
19 employer pays compensation to the elected official, for services as an elected
20 official, in the amount of at least \$2,001 a month. If a political subdivision or public
21 organization amends its participation agreement so as to terminate coverage of a
22 department, group, or other classification of employees, each employee whose
23 coverage is so terminated, regardless of the employee's employment status at the date
24 of termination, shall be considered fully vested in actuarially adjusted accrued
25 retirement benefits as of the date of termination, unless

26 (1) the employee's contributions have been refunded; or

27 (2) the political subdivision or public organization amended its
28 participation agreement to exclude coverage for the affected department, group, or
29 other classification of employees at the written request of a majority of the employees
30 employed in that department, group, or other classification at the time the request was
31 made.

1 * Sec. 13. AS 39.35.615(f) is amended to read:

2 (f) Termination of coverage of a department, group, or other classification of
3 employees does not bar future coverage of that department, group, or classification if
4 the employer is current with payments on amounts due under AS 39.35.625. If
5 coverage of a department, group, or classification is terminated under (a) of this
6 section and the employer later amends its participation agreement to provide renewed
7 coverage of that department, group, or classification, an affected employee may be
8 credited only with future service.

9 * Sec. 14. AS 39.35.620(h) is amended to read:

10 (h) Termination of an employer's participation in the plan does not bar future
11 participation in the system [PLAN] by that employer if the employer is current with
12 payments on amounts due under AS 39.35.625. If a previously terminated employer
13 returns to the system, the employer may only participate in the plan established
14 under AS 39.35.700 - 39.35.990. Employees [PLAN EMPLOYEES] may be credited
15 under AS 39.35.700 - 39.35.990 only with service subsequent to the date of return.
16 [ADJUSTMENTS MADE TO THE ACCRUED BENEFITS OF THE EMPLOYEES
17 OF THE PREVIOUSLY TERMINATED EMPLOYER AT THE TIME OF THE
18 TERMINATION MAY NOT BE ALTERED BY THAT EMPLOYER'S RETURN
19 TO PARTICIPATION IN THE PLAN.]

20 * Sec. 15. AS 39.35 is amended by adding a new section to read:

21 Sec. AS 39.35.625. Termination costs. (a) Notwithstanding AS 39.35.255, an
22 employer that terminates participation of a department, group, or other classification
23 of employees in the plan under AS 39.35.615 or that terminates participation in the
24 plan under AS 39.35.620 shall pay to the plan each payroll period until the accrued
25 unfunded liability of the plan is extinguished an amount calculated by applying the
26 current past service contribution rate adopted by the board to the greater of

27 (1) total base salaries paid during the payroll period to employees in
28 positions for which coverage has been terminated;

29 (2) total base salaries paid at the time of termination to employees in
30 positions for which coverage has been terminated; or

31 (3) total base salaries paid during the corresponding payroll period for

1 the fiscal year ending June 30, 2007, to employees in positions for which coverage has
2 been terminated.

3 (b) Notwithstanding (a) of this section, the administrator may enter into a
4 payment plan acceptable to the administrator for payment of an employer's liability for
5 termination costs. Termination costs not paid as prescribed by (a) of this section or in
6 accordance with an approved payment plan may be collected by the administrator in
7 accordance with AS 39.35.610(b).

8 (c) An employer requesting termination of all participation in the plan,
9 termination of participation in the plan of a department, group, or other classification
10 of employees, or a payment plan for payment of termination costs shall pay the cost
11 associated with obtaining a termination cost study associated with the employer's
12 termination.

13 * **Sec. 16.** AS 39.35.650 is amended to read:

14 **Sec. 39.35.650. Refunds to employers.** An employer may not receive an
15 amount from the plan, except as provided under AS 39.35.115(e) [AS 39.35.615(e)
16 AND 39.35.620(g)].

17 * **Sec. 17.** AS 39.35.680 is amended by adding new paragraphs to read:

18 (43) "accrued unfunded liability" means the excess of actuarial accrued
19 liability over the actuarial value of the plan's assets, as of the date of the last actuarial
20 valuation;

21 (44) "past service liability" means the actuarially determined excess of
22 the accrued liability of the plan over the value of the plan's assets, as of the date of the
23 last actuarial valuation.

24 * **Sec. 18.** AS 39.35.250, 39.35.260, 39.35.270, 39.35.550, 39.35.560, 39.35.570, 39.35.580,
25 39.35.590, 39.35.615(d), 39.35.615(e), 39.35.620(c), 39.35.620(f), and 39.35.620(g) are
26 repealed.

27 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
28 read:

29 **TRANSITION.** (a) Notwithstanding AS 39.35.255, as enacted by sec. 8 of this Act,
30 the employer contributions under AS 39.35.255(a) for the fiscal year ending June 30, 2008,
31 shall be calculated separately for certain employers by applying an independent percentage to

1 the annual total of base salaries paid by the employer to employees who are active members
2 of the public employees' retirement system and to employees who are retired members who
3 are rehired under AS 39.35.150. The employers subject to this separate calculation and the
4 independent percentages that apply to each are

- 5 (1) the City of Akutan, 13.32 percent;
- 6 (2) the Aleutians East Borough, 3.24 percent;
- 7 (3) the City of Allakaket, 14.48 percent;
- 8 (4) the Municipality of Anchorage; 21.51 percent;
- 9 (5) the City of Anderson, 13.32 percent;
- 10 (6) the City of Barrow, 13.47 percent;
- 11 (7) the City of Bethel, 10.33 percent;
- 12 (8) the Bristol Bay Borough, 17.95 percent;
- 13 (9) the City of Cordova, 12.85 percent;
- 14 (10) the City of Delta Junction, 13.31 percent;
- 15 (11) the Denali Borough, 3.07 percent;
- 16 (12) the City of Egegik, 15.84 percent;
- 17 (13) the City of Fort Yukon, 13.32 percent;
- 18 (14) the City of Galena, 9.64 percent;
- 19 (15) the City of Hooper Bay, 13.32 percent;
- 20 (16) the City of Huslia, 17.68 percent;
- 21 (17) the City of Kachemak, 4.92 percent;
- 22 (18) the Kenai Peninsula Borough, 17.11 percent;
- 23 (19) the Ketchikan Gateway Borough, 13.04 percent;
- 24 (20) the City of Ketchikan, 12.03 percent;
- 25 (21) the City of Klawock, 9.59 percent;
- 26 (22) the Kodiak Island Borough, 4.55 percent;
- 27 (23) the City of Kodiak, 14.88 percent;
- 28 (24) the City of Kotzebue, 13.32 percent;
- 29 (25) the City of Koyuk, 14.48 percent;
- 30 (26) the Lake and Peninsula Borough, 9.25 percent;
- 31 (27) the City of Mekoryuk, 13.32 percent;

- 1 (28) the City of Mountain Village, 13.32 percent;
- 2 (29) the City of Noorvik, 13.45 percent;
- 3 (30) the City of North Pole, 15.55 percent;
- 4 (31) the Northwest Arctic Borough, 14.19 percent;
- 5 (32) the City of Palmer, 13.33 percent;
- 6 (33) the City of Petersburg, 12.20 percent;
- 7 (34) the City of Quinhagak, 1.15 percent;
- 8 (35) the City of Saxman, 17.53 percent;
- 9 (36) the City of Seldovia, 16.64 percent;
- 10 (37) the City of Seward, 12.66 percent;
- 11 (38) the City of Soldotna, 13.04 percent;
- 12 (39) the City of Tanana, 1.60 percent;
- 13 (40) the City of Unalakleet, 9.94 percent;
- 14 (41) the City of Upper Kalskag, 14.48 percent;
- 15 (42) the City of Valdez, 17.15 percent;
- 16 (43) the City of Whittier, 15.00 percent;
- 17 (44) the City and Borough of Yakutat, 18.94 percent.

18 (b) Notwithstanding AS 39.35.255, as enacted by sec. 8 of this Act, the employer
19 contributions under AS 39.35.255(a) for the fiscal years ending June 30, 2009, June 30, 2010,
20 June 30, 2011, and June 30, 2012, shall be calculated separately for certain employers by
21 applying an independent percentage to the annual total of base salaries paid by the employer
22 to employees who are active members of the public employees' retirement system and to
23 employees who are retired members who are rehired under AS 39.35.150. The employers
24 subject to this separate calculation and the independent percentages that apply to each are

- 25 (1) the City of Akutan, 13.32 percent;
- 26 (2) the Aleutians East Borough, 15.23 percent;
- 27 (3) the City of Allakaket, 14.48 percent;
- 28 (4) the City of Anderson, 13.32 percent;
- 29 (5) the City of Barrow, 17.26 percent;
- 30 (6) the City of Bethel, 15.08 percent;
- 31 (7) the City of Delta Junction, 14.47 percent;

- 1 (8) the City of Fort Yukon, 13.32 percent;
- 2 (9) the City of Galena, 13.40 percent;
- 3 (10) the City of Hooper Bay, 13.32 percent;
- 4 (11) the City of Klawock, 14.35 percent;
- 5 (12) the City of Kotzebue, 13.32 percent;
- 6 (13) the City of Koyuk, 14.48 percent;
- 7 (14) the City of Mckoryuk, 13.32 percent;
- 8 (15) the City of Mountain Village, 13.32 percent;
- 9 (16) the City of Noorvik, 13.45 percent.
- 10 (17) the Northwest Arctic Borough, 14.19 percent;
- 11 (18) the City of Quinhagak, 13.32 percent;
- 12 (19) the City of Seldovia, 16.64 percent;
- 13 (20) the City of Soldotna, 13.04 percent;
- 14 (21) the City of Tanana, 13.32 percent;
- 15 (22) the City of Upper Kalskag, 14.48 percent;
- 16 (23) the City of Whittier, 15.00 percent.

17 * Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to
18 read:

19 TRANSITION: REGULATIONS. The Department of Administration and the
20 Department of Revenue may proceed to adopt regulations to implement their respective
21 provisions of this Act.

22 * Sec. 21. Sections 19 and 20 of this Act take effect immediately under AS 01.10.070(c).

23 * Sec. 22. Except as provided in sec. 21 of this Act, this Act takes effect July 1, 2007.

ADOPTED

WORK DRAFT

WORK DRAFT

WORK DRAFT

25-GS1074E
Wayne
4/20/07

CS FOR SENATE BILL NO. 125()
IN THE LEGISLATURE OF THE STATE OF ALASKA
TWENTY-FIFTH LEGISLATURE - FIRST SESSION

BY

Offered:
Referred:

Sponsor(s): SENATE RULES COMMITTEE BY REQUEST OF THE GOVERNOR

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to the Alaska Retirement Management Board, to the accounting and
2 payment of contributions under the defined benefit plans of the Public Employees'
3 Retirement System of Alaska and the Teachers' Retirement System, to calculations of
4 contributions under those defined benefit plans, and to participation in, and termination
5 of and amendments to participation in, those defined benefit plans; making conforming
6 amendments; and providing for an effective date."

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

8 * Section 1. AS 14.25.070 is repealed and reenacted to read:

9 Sec. 14.25.070. Contributions by employers. (a) Each employer shall
10 contribute to the system an amount calculated by applying a rate of 12.56 percent to
11 the annual total of all base salaries paid by the employer to employees who are active
12 members of the teachers' retirement system, including any adjustments to
13 contributions required by AS 14.25.173(a).

1 (b) The employer shall transmit the contributions calculated in (a) of this
2 section to the administrator in accordance with AS 14.25.065. The administrator shall
3 allocate contributions received for full payment of

4 (1) the annual employer normal cost rate, as adopted by the board, for
5 every active member of the defined benefit plan established in AS 14.25.009 -
6 14.25.220 who is an employee of the employer; and

7 (2) all contributions required by AS 14.25.350 for the fiscal year.

8 (c) If, after allocation of contributions under (b) of this section, a portion of
9 the employer's contribution remains, the administrator shall apply that remaining
10 portion toward payment of the accrued unfunded liability of the defined benefit
11 retirement plan established in AS 14.25.009 - 14.25.220.

12 (d) Notwithstanding (a) of this section, the annual employer contribution rate
13 may not be less than the rate required, after subtracting the member contribution rate,
14 to fully fund the actuarially calculated normal cost adopted by the board.

15 (e) An employer of a retired member retired under AS 14.20.135 shall include
16 that member's base salary when calculating the contribution amount established in (a)
17 of this section.

18 (f) In this section,

19 (1) "accrued unfunded liability" means the excess of actuarial accrued
20 liability over the actuarial value of the plan's assets, as of the date of the last actuarial
21 valuation;

22 (2) "employer normal cost rate" means the percentage of compensation
23 of all active members in the plan that, when combined with the member contribution
24 rate of active members in the plan, is sufficient to pay the actuarially calculated
25 normal cost; this percentage is uniformly determined for all employers and is
26 applicable to each employer;

27 (3) "normal cost" means the cost of providing the benefits expected to
28 be credited, with respect to service, to all active members of the plan during the year
29 beginning after the last valuation date.

30 * **Sec. 2.** AS 14.25 is amended by adding a new section to read:

31 **Sec. 14.25.085. Determination and payment of state contributions.** (a) The

1 state shall make the contributions required under AS 14.25.070 for each of its active
2 member employees.

3 (b) In addition to the contributions required under (a) of this section, the state
4 shall contribute to the teachers' retirement system each July 1 an amount for the
5 ensuing fiscal year that, when combined with the total employer contributions that the
6 administrator estimates will be collected under AS 14.25.070, is sufficient to pay the
7 system's past service liability at the contribution rate adopted by the board under
8 AS 37.10.220 for that fiscal year.

9 * Sec. 3. AS 14.25.220 is amended by adding a new paragraph to read:

10 (46) "system" means all retirement plans established under the
11 teachers' retirement system.

12 * Sec. 4. AS 37.10.220(a) is amended to read:

13 (a) The board shall

14 (1) hold regular and special meetings at the call of the chair or of at
15 least five members; meetings are open to the public, and the board shall keep a full
16 record of all its proceedings;

17 (2) after reviewing recommendations from the Department of
18 Revenue, adopt investment policies for each of the funds entrusted to the board;

19 (3) determine the appropriate investment objectives for the defined
20 benefit plans established under the teachers' retirement system under AS 14.25 and the
21 public employees' retirement system under AS 39.35;

22 (4) assist in prescribing the policies for the proper operation of the
23 systems and take other actions necessary to carry out the intent and purpose of the
24 systems in accordance with AS 37.10.210 - 37.10.390;

25 (5) provide a range of investment options and establish the rules by
26 which participants can direct their investments among those options with respect to
27 accounts established under

28 (A) AS 14.25.340 - 14.25.350 (teachers' retirement system
29 defined contribution individual accounts);

30 (B) AS 39.30.150 - 39.30.180 (State of Alaska Supplementary
31 Annuity Plan);

1 (C) AS 39.35.730 - 39.35.750 (public employees' retirement
2 system defined contribution individual accounts); and

3 (D) AS 39.45.010 - 39.45.060 (public employees' deferred
4 compensation program);

5 (6) establish the rate of interest that shall be annually credited to each
6 member's individual contribution account in accordance with AS 14.25.145 and
7 AS 39.35.100 and the rate of interest that shall be annually credited to each member's
8 account in the health reimbursement arrangement plan under AS 39.30.300 -
9 39.30.495; the rate of interest shall be adopted on the basis of the probable effective
10 rate of interest on a long-term basis, and the rate may be changed from time to time;

11 (7) adopt a contribution surcharge as necessary under AS 39.35.160(c);

12 (8) coordinate with the retirement system administrator to have an
13 annual actuarial valuation of each retirement system prepared to determine system
14 assets, accrued liabilities, and funding ratios and to certify to the appropriate
15 budgetary authority of each employer in the system

16 (A) an appropriate contribution rate for normal costs; and

17 (B) an appropriate contribution rate to liquidate [FOR
18 LIQUIDATING] any past service liability over a period of 25 years; the
19 board shall establish the start and end dates of the 25-year period;

20 (9) review actuarial assumptions prepared and certified by a member
21 of the American Academy of Actuaries and conduct experience analyses of the
22 retirement systems not less than once every four years, except for health cost
23 assumptions, which shall be reviewed annually; the results of all actuarial assumptions
24 prepared under this paragraph shall be reviewed and certified by a second member of
25 the American Academy of Actuaries before presentation to the board;

26 (10) contract for an independent audit of the state's actuary not less
27 than once every four years;

28 (11) contract for an independent audit of the state's performance
29 consultant not less than once every four years;

30 (12) obtain an external performance review to evaluate the investment
31 policies of each fund entrusted to the board and report the results of the review to the

1 appropriate fund fiduciary;

2 (13) by the first day of each regular legislative session, report to the
3 governor, the legislature, and the individual employers participating in the state's
4 retirement systems on the financial condition of the systems in regard to

5 (A) the valuation of trust fund assets and liabilities;

6 (B) current investment policies adopted by the board;

7 (C) a summary of assets held in trust listed by the categories of
8 investment;

9 (D) the income and expenditures for the previous fiscal year;

10 (E) the return projections for the next calendar year;

11 (F) one-year, three-year, five-year, and 10-year investment
12 performance for each of the funds entrusted to the board; and

13 (G) other statistical data necessary for a proper understanding
14 of the financial status of the systems;

15 (14) submit quarterly updates of the investment performance reports to
16 the Legislative Budget and Audit Committee; and

17 (15) develop an annual operating budget.

18 * **Sec. 5.** AS 39.35.100 is repealed and reenacted to read:

19 **Sec. 39.35.100. Accounting.** (a) The commissioner shall establish and
20 maintain an adequate system of accounts and records for the plan. The accounts and
21 records shall be integrated with the accounts, records, and procedures of the employers
22 to the end that they operate most effectively and at minimum expense, and that
23 duplication of records and accounts is avoided.

24 (b) An individual account shall be maintained for each employee to record the
25 amount of the employee's mandatory contributions collected under AS 39.35.160(a).
26 As of the last day of each calendar year and of each fiscal year, this account shall be
27 credited with interest by applying the prescribed rate of interest, as determined by the
28 board, to the balance in the account as of that date. When the employee is appointed to
29 retirement, the amount held in the individual account shall be used first to fully
30 finance the benefits paid. Once this account has been exhausted, the plan shall fully
31 finance the benefits paid that were not financed by the employee's individual account.

1 (c) An individual account shall be maintained for each employee to record the
2 amount of the employee's voluntary contributions to an employee savings account
3 under AS 39.35.180. As of the last day of each calendar year and of each fiscal year,
4 this account shall be credited with interest by applying the prescribed rate of interest,
5 as determined by the board, to the balance in the account as of that date. Amounts that,
6 before termination of employment, are withdrawn by an employee from the
7 employee's savings account shall be charged to that account. When an employee is
8 appointed to retirement, the amount held in the employee's savings account shall be
9 paid in accordance with AS 39.35.395.

10 * Sec. 6. AS 39.35.115 is amended by adding new subsections to read:

11 (d) The retirement plan set out in AS 39.35.095 - 39.35.680 is a joint
12 contributory plan.

13 (e) If, upon termination of the plan, all liabilities of the plan have been
14 satisfied, any excess assets revert to the employers, as determined by the
15 administrator, subject to the approval of the termination by the Internal Revenue
16 Service.

17 * Sec. 7. AS 39.35.125(a) is amended to read:

18 (a) An elected official of the state or of a political subdivision of the state if
19 the political subdivision has elected under AS 39.35.600 - 39.35.650 [AS 39.35.550 -
20 39.35.650] to designate elected officials in the classifications of employees entitled to
21 participate in the plan is included in the plan unless the official files a written waiver
22 of coverage with the administrator. A waiver under this subsection waives coverage of
23 future employment as an elected official, regardless of any change of employer. An
24 elected official may file a waiver under this subsection at any time after election to
25 office, including the period before taking the oath of office. An elected official may
26 revoke a waiver under this subsection by filing a written revocation with the
27 administrator. A revocation under this subsection operates prospectively only, and the
28 elected official may not receive credited service for service as an elected official while
29 the waiver was in effect. There is no limit on the number of times an elected official
30 may file a waiver or revocation under this subsection.

31 * Sec. 8. AS 39.35.160(c) is amended to read:

1 (c) An employee who has made an election under AS 39.35.300(c) or
2 39.35.310(c) to have the employee's years of service as a noncertificated employee of
3 a state boarding school, of a school district or regional educational attendance area, of
4 the special education service agency, or of the Alaska Vocational Technical Center
5 determined by reference to AS 14.25.220 shall pay a contribution surcharge for that
6 service. The amount of the surcharge is the difference between the amount the
7 employer would have had to contribute under AS 39.35.255 - 39.35.290
8 [AS 39.35.250 - 39.35.290] for the employee when treating the employee's credited
9 service as service earned under AS 39.35.300(c) or 39.35.310(c) less the amount the
10 employer would have had to contribute under AS 39.35.255 - 39.35.290
11 [AS 39.35.250 - 39.35.290] without treating the employee's credited service as service
12 earned under AS 39.35.300(c) or 39.35.310(c).

13 * **Sec. 9.** AS 39.35 is amended by adding a new section to read:

14 **Sec. 39.35.255. Contributions by employers.** (a) Each employer shall
15 contribute to the system an amount calculated by applying a rate of 22 percent to the
16 annual total of all base salaries paid by the employer to employees who are active
17 members of the public employees' retirement system, including any adjustments to
18 contributions required by AS 39.35.520.

19 (b) The employer shall transmit the contribution calculated in (a) of this
20 section to the administrator in accordance with AS 39.35.610. The administrator shall
21 allocate contributions received for full payment of

22 (1) the annual employer normal cost rate, as adopted by the board, for
23 every active member of the defined benefit retirement plan set out in AS 39.35.095 -
24 39.35.680 who is an employee of the employer; and

25 (2) all contributions required by AS 39.35.750 for the fiscal year.

26 (c) If, after allocation of contributions under (b) of this section, a portion of
27 the employer's contribution remains, the administrator shall apply that remaining
28 portion toward payment of the accrued unfunded liability of the defined benefit
29 retirement plan established in AS 39.35.095 - 39.35.680.

30 (d) Notwithstanding (a) of this section, the annual employer contribution rate
31 may not be less than the rate required, after subtracting the member contribution rate.

1 to fully fund the actuarially calculated normal cost adopted by the board.

2 (e) An employer of a retired member rehired under AS 39.35.150 shall include
3 that member's base salary when calculating the contribution amount established in (a)
4 of this section.

5 (f) In this section,

6 (1) "accrued unfunded liability" means the excess of actuarial accrued
7 liability over the actuarial value of the plan's assets, as of the date of the last actuarial
8 valuation;

9 (2) "employer normal cost rate" means the percentage of compensation
10 of all active members in the plan that, when combined with the member contribution
11 rate of active members in the plan, is sufficient to pay the actuarially calculated
12 normal cost; this percentage is uniformly determined for all employers and is
13 applicable to each employer;

14 (3) "normal cost" means the cost of providing the benefits expected to
15 be credited, with respect to service, to all active members of the plan during the year
16 beginning after the last valuation date.

17 * **Sec. 10.** AS 39.35.280 is repealed and reenacted to read:

18 **Sec. 39.35.280. Determination and payment of state contributions.** (a) The
19 state shall make the contributions required under AS 39.35.255 for each of its active
20 employees.

21 (b) In addition to the contributions required under (a) of this section, the state
22 shall contribute to the public employees' retirement system each July 1 an amount for
23 the ensuing fiscal year that, when combined with the total employer contributions that
24 the administrator estimates will be collected under AS 39.35.255, is sufficient to pay
25 the system's past service liability at the contribution rate adopted by the board under
26 AS 37.10.220 for that fiscal year.

27 * **Sec. 11.** AS 39.35.520(a) is amended to read:

28 (a) When a change or error is made in the records maintained by the plan or in
29 the contributions made on behalf of an employee or an error is made in computing a
30 benefit, and, as a result, an employee or beneficiary is entitled to receive from the plan
31 more or less than the employee would have been entitled to receive had the records or

1 contributions been correct or had the error not been made, (1) the records,
2 contributions, or error shall be corrected, and (2) as far as practicable, future payments
3 or benefit entitlement shall be adjusted so that the actuarial equivalent of the pension
4 or benefit to which the employee or beneficiary was correctly entitled shall be paid.
5 An adjustment to contributions shall be picked up by the employer under
6 AS 39.35.160 or treated as an adjustment to the employer's contributions under
7 AS 39.35.255 [AS 39.35.270], depending upon the nature of the adjustment. If no
8 future payment is due, a person who was paid any amount to which the person was not
9 entitled is liable for repayment of that amount, and a person who was not paid the full
10 amount to which the person was entitled shall be paid the balance of that amount.

11 * Sec. 12. AS 39.35.610 is amended by adding a new subsection to read:

12 (b) If contributions are not submitted within the prescribed time limit, the
13 amount of contributions and interest due may be claimed by the administrator from
14 any agency of the state or political subdivision that has in its possession funds of the
15 employer or that is authorized to disburse funds to the employer that are not restricted
16 by statute or appropriation to a specific purpose. The amount claimed shall be certified
17 by the administrator as sufficient to pay the contributions and interest due from the
18 employer. The amount claimed shall be submitted to the administrator for deposit in
19 the appropriate accounts.

20 * Sec. 13. AS 39.35.615(a) is amended to read:

21 (a) A political subdivision or public organization may request that its
22 participation in the plan be terminated [THAT ITS PARTICIPATION
23 AGREEMENT BE AMENDED]. The request may be made only after adoption of a
24 resolution by the legislative body of the political subdivision and approval of the
25 resolution by the person required by law to approve the resolution, or, in the case of a
26 public organization, after adoption of a resolution by the governing body of that public
27 organization. a certified copy of the resolution shall be filed with the administrator, if
28 a political subdivision or public organization terminates [AMENDS] its participation
29 [AGREEMENT SO AS TO TERMINATE COVERAGE OF A DEPARTMENT,
30 GROUP, OR OTHER CLASSIFICATION OF EMPLOYEES], each employee whose
31 coverage is so terminated, regardless of the employee's employment status at the date

1 of termination, shall be considered fully vested in actuarially adjusted accrued
2 retirement benefits as of the date of termination, unless

3 [(1)] the employee's contributions have been refunded [; OR

4 (2) THE POLITICAL SUBDIVISION OR PUBLIC
5 ORGANIZATION AMENDED ITS PARTICIPATION AGREEMENT TO
6 EXCLUDE COVERAGE FOR THE AFFECTED DEPARTMENT, GROUP, OR
7 OTHER CLASSIFICATION OF EMPLOYEES AT THE WRITTEN REQUEST OF
8 A MAJORITY OF THE EMPLOYEES EMPLOYED IN THAT DEPARTMENT,
9 GROUP, OR OTHER CLASSIFICATION AT THE TIME THE REQUEST WAS
10 MADE].

11 * **Sec. 14.** AS 39.35.615 is amended by adding new subsections to read:

12 (g) An employer terminating participation in the plan shall pay termination
13 costs determined by the administrator, or enter into a payment plan acceptable to the
14 administrator, within 60 days after the employer's receipt of notice of its termination
15 costs from the administrator. Termination costs not paid within the prescribed time
16 limit or in accordance with the approved payment plan shall be collected by the
17 administrator in accordance with AS 39.35.610(b). If the termination cost study
18 reflects that the employer's allocated share of the plan's assets exceeds the termination
19 cost, the excess assets, net of the cost described in (h) of this section, shall be refunded
20 to the employer to the extent allowed under the Internal Revenue Code. Termination
21 of participation by an employer in the plan does not bar future participation by the
22 employer under AS 39.35.700 - 39.35.990 if the employer has paid in full its prior
23 termination costs.

24 (h) A political subdivision or public organization considering or requesting
25 termination from the plan shall pay the cost associated with obtaining a termination
26 cost study associated with the employer's termination.

27 * **Sec. 15.** AS 39.35.620 is amended by adding new subsections to read:

28 (i) An employer terminating participation in the plan shall pay termination
29 costs determined by the administrator, or enter into a payment plan acceptable to the
30 administrator, within 60 days after the employer's receipt of notice of the cost.
31 Termination costs not paid within the prescribed time limit or in accordance with the

1 approved payment plan shall be collected by the administrator in accordance with
2 AS 39.35.610(b). If the termination cost study reflects that the employer's allocated
3 share of the plan's assets exceeds the termination cost, the excess assets, net of the cost
4 described in (j) of this section, shall be refunded to the employer to the extent allowed
5 under the Internal Revenue Code. Termination of participation by an employer in the
6 plan does not bar future participation by the employer under AS 39.35.700 - 39.35.990
7 if the employer has paid in full its prior termination costs.

8 (j) A political subdivision or public organization being terminated from the
9 plan shall pay the cost associated with obtaining a termination cost study associated
10 with the employer's termination.

11 * **Sec. 16.** AS 39.35 is amended by adding a new section to read:

12 **Sec. 39.35.625. Termination costs.** Notwithstanding AS 39.35.255, the
13 calculation of termination costs under AS 39.35.615 and 39.35.620 shall be based on
14 plan assets attributable to the employer and the amount that is actuarially determined
15 to be necessary for the full payment of benefits owed to the employer's employees
16 under the plan. The administrator shall establish and maintain records needed for
17 calculation of employer termination costs.

18 * **Sec. 17.** AS 39.35.650 is amended to read:

19 **Sec. 39.35.650. Refunds to employers.** An employer may not receive an
20 amount from the plan, except as provided under AS 39.35.115(e), 39.35.615(g), and
21 39.35.620(i) [AS 39.35.615(e) AND 39.35.620(g)].

22 * **Sec. 18.** AS 39.35.250, 39.35.260, 39.35.270, 39.35.550, 39.35.560, 39.35.570, 39.35.580,
23 39.35.590, 39.35.615(d), 39.35.615(e), 39.35.615(f), 39.35.620(c), 39.35.620(f), 39.35.620(g),
24 and 39.35.620(h) are repealed.

25 * **Sec. 19.** The uncodified law of the State of Alaska is amended by adding a new section to
26 read:

27 **TRANSITION.** (a) The administrator of the Public Employees' Retirement System of
28 Alaska shall notify each political subdivision or public organization participating as an
29 employer in the defined benefit plan of that system of the enactment of this Act and of the
30 departments, groups, or other classifications of employees that the employer has designated as
31 eligible plan participants under its existing participation agreement.

1 (b) Notwithstanding AS 39.35.615, as amended by secs. 13, 14, and 18 of this Act, an
2 employer shall, on or before the 90th day after the date of receipt of notification under (a) of
3 this section, request any amendment to its participation agreement to add or terminate
4 coverage of a department, group, or other classification of employees. An employer may not
5 award past service to employees added during the 90-day period. An employer that requests to
6 amend its participation agreement to add coverage of its elected officials may only cover an
7 elected official when the employer compensates the elected official at least \$2,001 a month
8 for serving as an elected official. An employer may not amend its participation agreements to
9 add or terminate coverage of a department, group, or other classification of employees after
10 the 90-day period.

11 (c) Notwithstanding AS 39.35.255, as enacted by sec. 9 of this Act, the employer
12 contributions under AS 39.35.255(a) for the fiscal year ending June 30, 2008, shall be
13 calculated separately for certain employers by applying an independent percentage to the
14 annual total of base salaries paid by the employer to employees who are active members of
15 the public employees' retirement system. The employers subject to this separate calculation
16 and the independent percentages that apply to each are

- 17 (1) the Aleutians East Borough, 10.01 percent;
- 18 (2) the Municipality of Anchorage, 21.51 percent;
- 19 (3) the City of Bethel, 17.25 percent;
- 20 (4) the Bristol Bay Borough, 17.95 percent;
- 21 (5) the City of Cordova, 12.85 percent;
- 22 (6) the City of Delta Junction, 20.84 percent;
- 23 (7) the Denali Borough, 3.07 percent;
- 24 (8) the City of Egegik, 15.84 percent;
- 25 (9) the City of Galena, 18.24 percent;
- 26 (10) the City of Huslia, 17.68 percent;
- 27 (11) the City of Kachemak, 9.70 percent;
- 28 (12) the Kenai Peninsula Borough, 17.11 percent;
- 29 (13) the Ketchikan Gateway Borough, 17.61 percent;
- 30 (14) the City of Ketchikan, 12.03 percent;
- 31 (15) the Kodiak Island Borough, 4.55 percent;

- 1 (10) the City of Kodiak, 14.88 percent;
2 (17) the Lake and Peninsula Borough, 14.02 percent;
3 (18) the City of North Pole, 15.55 percent;
4 (19) the City of Palmer, 13.33 percent;
5 (20) the City of Petersburg, 12.20 percent;
6 (21) the City of Quinhagak, 16.56 percent;
7 (22) the City of Saxman, 17.53 percent;
8 (23) the City of Seward, 12.66 percent;
9 (24) the City of Soldotna, 0.00 percent;
10 (25) the City of Tanana, 10.28 percent;
11 (26) the City of Unalakleet, 15.35 percent;
12 (27) the City of Valdez, 17.15 percent;
13 (28) the City and Borough of Yakutat, 18.94 percent.

14 * Sec. 20. The uncodified law of the State of Alaska is amended by adding a new section to
15 read:

16 TRANSITION: REGULATIONS. The Department of Administration and the
17 Department of Revenue may proceed to adopt regulations to implement their respective
18 provisions of this Act.

19 * Sec. 21. The uncodified law of the State of Alaska is amended by adding a new section to
20 read:

21 REVISOR'S INSTRUCTIONS. The revisor of statutes is instructed to change the
22 heading of

23 (1) AS 39.35.615 from "Effect of termination by amendment of agreement" to
24 "Voluntary termination of participation";

25 (2) AS 39.35.620 from "Termination of participation" to "Involuntary
26 termination of participation."

27 * Sec. 22. Sections 19 and 20 of this Act take effect immediately under AS 01.10.070(c).

28 * Sec. 23. Except as provided in sec. 22 of this Act, this Act takes effect July 1, 2007.



Senate Bill 125
Overview
PERS Cost - Share Bill

Senate Finance Subcommittee
March 19, 2007

Division of Retirement and Benefits

Purpose of Cost-Share Bill

Assigns the state 65% of the unfunded liability at 6/30/2006 (estimated \$3.6 billion of \$5.5 billion total)

Employers would pay uniform rate (31.86%-FY08), except state would pay higher rate (47.92%-FY08)

All employers share cost (benefits, administration and investment)

Simplifies administration of plan

Section 1 - AS 39.35.100

- Repeals prior language on separate employer accounts
- Eliminates Retiree Reserve Account
- States how pension benefits will be paid
 - Employee account exhausted first
 - Plan funds benefits after employee account exhausted

Section 2 - AS 39.35.115

- Adds two subsections
 - (d) joint contributory plan
 - (e) allocates excess assets at plan termination

Reason

- Clarifies who contributes
- Section (e) required by IRS

Establishes Cost-Share Plan

Section 5 - AS 39.35.255

Defines required employer contribution rate

Defines how rate is applied

Specifies minimum contribution rate

Sets timing for contribution payment

Defines contribution level for rehired retirees

Defines normal cost and past service rates

Section 19

Cost-share effective date July 1, 2007



Section 6 - AS 39.35.260

- Requires rate to be calculated annually
- Requires participating employers to budget for contributions

Section 7 - AS 39.35.260

- Adds subsection (b)
 - Assigns 65% of unfunded liability to state at 6/30/2006
 - Remaining 35% of unfunded liability to other PERS employers
 - Stipulates rate conditions

Section 9 - AS 39.35.610(b)

- Provides for intercept in event employer does not make timely contributions



Section 10 - AS 39.35.615

- Addresses **voluntary termination** provisions and allows employer to terminate from plan
- Prevents amendments to participation agreement under cost-share design

Section 11 - AS 39.35.615(g)

Sets timeframe for termination cost payment

– Payment plan or lump sum

Allows for intercept of funds

Provides for refund of excess assets, if any

Allows for employer to join DCR Plan if termination cost paid in full

Section 11 – AS 39.35.615(h)

Requires employer to pay termination costs

Section 12 - AS 39.35.620(i)

Sets timeframe for involuntary termination cost payment

– Payment plan or Lump sum

Allows for intercept of funds

Provides for refund of excess assets, if any

Allows for employer to join DCR Plan if paid in full

Section 12 – AS 39.35.620(j)

Requires employers under involuntary termination to pay termination costs

Section 13 - AS 39.35.650

- Clarifies employer refund conditions
 - Plan's termination
 - Employer's termination, if assets exceed liabilities

Reason

- Clarification of statute
 - Codify existing practice
- Comply with IRS Code



Section 15

Transition

- Provides for notification to employer of employee groups covered under participation agreement
 - 90-day time limit for amendments
- Past service credit not allowed during transition

Section 18

Immediate effective date for employer notification

Section 16

Transition

- Provides for adoption of regulations

Section 18

Immediate effective date to promulgate regulations

Section 17

Reviser's Instructions

- Change headings
 - AS 39.35.615 (voluntary termination)
 - AS 39.35.620 (involuntary termination)

Cost-Share Legislation

Redesign PERS DB plan – align with TRS

- All employers share cost/income of plan (benefits, administration, investment)
- Uniform, less volatile, contribution rate
- Resolves accounting issues

ARMB supports concept–Resolution 2007-04

AML supports concept

Plan administration simplified

Introduced by Governor as proposed solution

Cost Share Exhibits

Exhibit #	Page #
1	Pure Cost Share all (160) PERS Employers pay one uniform rate – 39.76% - Exhibit 1 1-5
2(a)	Cost Share, State @ 65% unfunded liability plus \$1.7B POB – "Winners" - Exhibit 2(a) 6-7
2(b)	Cost Share, State @ 65% unfunded liability plus \$1.7B POB – "Losers" - Exhibit 2(b) 8-10
3	Hold harmless employers FY07 rate below FY08 Cost Share Rate - Exhibit 3 11-14
4	FY08 Governor's Amended Budget – One page Summary - Exhibit 4 15
5(a)	Impact to PERS going to Cost Share @ 65% and \$1.7B POB on GF for FY08 - Exhibit 5(a) 16
5(b)	Impact to TRS with \$500M cash and \$2B on the GF for FY08 - Exhibit 5(b) 17-18
6(a)	PERS overall savings from proposed solution with POB - Exhibit 6(a) 19-20
6(b)	TRS overall savings from proposed solution with POB and \$500M cash - Exhibit 6(b) 21-22
7(a)	FY06 PERS "Heros" – Employers who applied rate relief (SB46) to unfunded liability - Exhibit 7(a) 23
	- Hero List – City of Soldotna in FY05 made a \$1 million deposit their PERS account to pay down unfunded liability
7(b)	FY07 PERS "Heros" – Employers who applied rate relief (SB231) to unfunded liability - Exhibit 7(b) 24

**EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION -
CHANGE TO COST SHARE - BEFORE 65/35 AND POBs**

Winners and Losers - FY08 Base

		2	5	6 = 2 x 5				
		Gross Salaries						
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY 08 Est. Contribution - Orig	Average Rate - 05 val w/ level \$ amort	FY 08 Est. Contribution - Straight Cost Share	Loser FY08 cost share > FY08 original	Winner FY08 cost share < FY08 original
101	STATE OF ALASKA PERS	848,376,355	44.01%	373,370,434	39.76%	337,314,439	-	(36,055,995)
113	UNIVERSITY OF ALASKA PERS	136,296,354	33.75%	46,000,019	39.76%	54,191,430	8,191,411	-
208	AKUTAN, CITY OF	307,967	14.48%	44,594	39.76%	122,448	77,854	-
230	ALEUTIANS EAST BOROUGH	704,070	20.31%	142,997	39.76%	279,938	136,942	-
259	ALLAKAKET, CITY OF	19,758	14.48%	2,861	39.76%	7,856	4,995	-
203	ANCHORAGE PARKING AUTHORITY	1,298,338	29.27%	380,024	39.76%	516,219	136,196	-
173	ANCHORAGE, MUNICIPALITY OF	151,287,070	39.33%	59,501,205	39.76%	60,151,739	650,534	-
283	ANDERSON, CITY OF	43,355	14.48%	6,278	39.76%	17,238	10,960	-
243	ATKA, CITY OF	99,456	34.02%	33,835	39.76%	39,544	5,709	-
171	BARROW, CITY OF	1,248,265	17.70%	220,943	39.76%	496,310	275,367	-
219	BARTLETT REGIONAL HOSPITAL	20,709,107	21.87%	4,529,082	39.76%	8,233,941	3,704,859	-
136	BETHEL, CITY OF	5,809,252	17.40%	1,010,810	39.76%	2,309,759	1,298,949	-
144	BRISTOL BAY BOROUGH	1,749,955	29.90%	523,237	39.76%	695,782	172,546	-
163	CORDOVA COMMUNITY MEDICAL CENTER	2,172,784	29.97%	651,183	39.76%	863,899	212,716	-
186	CRAIG, CITY OF	1,567,345	33.56%	559,561	39.76%	662,936	103,375	-
282	DELTA JUNCTION, CITY OF	293,706	17.27%	50,723	39.76%	116,778	66,055	-
178	DILLINGHAM, CITY OF	2,227,329	28.49%	634,566	39.76%	885,586	251,020	-
271	EGEGIK, CITY OF	45,968	31.40%	14,434	39.76%	18,277	3,843	-
116	FAIRBANKS NORTH STAR BOROUGH	19,314,602	29.98%	5,790,518	39.76%	7,679,486	1,888,968	-
183	FORT YUKON, CITY OF	401,625	14.48%	58,155	39.76%	159,686	101,531	-
192	GALENA, CITY OF	1,822,779	16.88%	307,685	39.76%	724,737	417,052	-
215	HOMER, CITY OF	5,104,318	35.96%	1,835,513	39.76%	2,029,477	193,964	-
199	HOONAH, CITY OF	689,170	27.46%	189,246	39.76%	274,014	84,768	-
285	HOOPER BAY, CITY OF	12,600	14.48%	1,825	39.76%	5,010	3,185	-
275	ILISAGVIK COLLEGE	3,887,085	16.19%	629,319	39.76%	1,545,505	916,186	-
180	KENAI PENINSULA BOROUGH	14,366,322	37.39%	5,371,568	39.76%	5,712,050	340,482	-
122	KETCHIKAN GATEWAY BOROUGH	4,697,575	32.18%	1,511,680	39.76%	1,867,756	356,076	-
151	KING COVE, CITY OF	932,592	26.53%	247,417	39.76%	370,799	123,382	-
227	KLAWOCK, CITY OF	671,063	15.13%	101,532	39.76%	266,815	165,283	-
140	KOTZEBUE, CITY OF	3,632,278	17.13%	622,209	39.76%	1,444,194	821,985	-
287	KOYL'K, CITY OF	25,112	14.48%	3,636	39.76%	9,985	6,348	-
109	MATANUSKA-SUSITNA BOROUGH	12,730,979	33.89%	4,314,529	39.76%	5,061,837	747,308	-
254	MEKORYUK, CITY OF	3,189	20.53%	655	39.76%	1,268	613	-
294	MOUNTAIN VILLAGE, CITY OF	34,341	14.48%	4,973	39.76%	13,654	8,681	-
175	NOME JOINT UTILITY SYSTEM	883,109	22.82%	201,526	39.76%	351,124	149,599	-
139	NOME, CITY OF	2,532,588	36.02%	912,238	39.76%	1,006,957	94,719	-
241	NOORVIK, CITY OF	90,423	15.92%	14,395	39.76%	35,952	21,557	-

**EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION -
CHANGE TO COST SHARE - BEFORE 65/35 AND POBs**

Winners and Losers - FY08 Base

ER		Gross Salaries		FY 08 Est. Contribution - Orig	Average Rate - 05 val w/ level \$ amort	FY 08 Est. Contribution - Straight Cost Share	Loser FY08 cost share > FY08 original	Winner FY08 cost share < FY08 original
		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate					
191	NORTH POLE, CITY OF	1,667,144	34.59%	576,665	39.76%	662,857	86,191	-
145	NORTH SLOPE BOROUGH	38,915,994	22.96%	8,935,112	39.76%	15,472,999	6,537,887	-
220	NORTHWEST ARCTIC BOROUGH	1,043,827	18.24%	190,394	39.76%	415,025	224,631	-
200	PELICAN, CITY OF	155,103	34.82%	54,007	39.76%	61,669	7,662	-
187	PETERSBURG MEDICAL CENTER	3,855,146	21.73%	837,723	39.76%	1,532,806	695,083	-
266	QUINHAGAK, CITY OF	28,529	14.48%	4,131	39.76%	11,343	7,212	-
172	SAINT PAUL, CITY OF	1,263,904	28.44%	359,454	39.76%	502,528	143,074	-
176	SAND POINT, CITY OF	925,242	29.98%	277,388	39.76%	367,876	90,489	-
278	SAXMAN SEAPORT	70,936	28.13%	19,954	39.76%	28,204	8,250	-
286	SELDOVIA, CITY OF	64,281	21.58%	13,872	39.76%	25,558	11,686	-
182	SEWARD, CITY OF	4,055,986	31.14%	1,263,034	39.76%	1,612,660	349,626	-
165	SITKA COMMUNITY HOSPITAL	4,559,308	32.58%	1,485,422	39.76%	1,812,781	327,358	-
132	SKAGWAY, CITY OF	1,851,825	25.36%	469,623	39.76%	736,286	266,663	-
123	SOLDOTNA, CITY OF	2,847,540	33.94%	966,455	39.76%	1,132,182	165,727	-
169	TANANA, CITY OF	96,281	14.48%	13,941	39.76%	38,281	24,340	-
206	THORNE BAY, CITY OF	276,762	23.11%	63,960	39.76%	110,040	46,081	-
280	TOKSOOK BAY, CITY OF	28,493	23.16%	6,599	39.76%	11,329	4,730	-
249	UNALAKLEET, CITY OF	206,072	29.89%	61,595	39.76%	81,934	20,339	-
179	UNALASKA, CITY OF	9,647,494	23.34%	2,251,725	39.76%	3,835,844	1,584,119	-
290	UPPER KALSKAG, CITY OF	19,615	14.48%	2,840	39.76%	7,799	4,959	-
131	WASILLA, CITY OF	4,913,053	24.38%	1,197,802	39.76%	1,953,430	755,627	-
202	WHITTIER, CITY OF	1,031,368	21.40%	220,713	39.76%	410,072	189,359	-
248	YAKUTAT, CITY AND BOROUGH	744,132	25.22%	187,670	39.76%	295,867	108,197	-
148	CORDOVA, CITY OF	2,307,407	52.49%	1,211,158	39.76%	917,425	-	(293,733)
258	DENALI BOROUGH	155,766	51.83%	80,733	39.76%	61,932	-	(18,801)
129	FAIRBANKS, CITY OF	7,175,800	184.95%	13,271,641	39.76%	2,853,098	-	(10,412,543)
189	HAINES BOROUGH	1,661,014	43.85%	728,355	39.76%	660,419	-	(67,935)
235	HUSLIA, CITY OF	120,616	40.43%	48,765	39.76%	47,957	-	(808)
126	JUNEAU, CITY AND BOROUGH	28,997,989	42.56%	12,341,544	39.76%	11,529,600	-	(811,944)
260	KACHEMAK, CITY OF	24,942	90.23%	22,505	39.76%	9,917	-	(12,588)
115	KENAI, CITY OF	5,678,794	45.71%	2,595,777	39.76%	2,257,888	-	(337,888)
181	KETCHIKAN, CITY OF	8,185,616	52.61%	4,306,452	39.76%	3,254,601	-	(1,051,852)
174	KODIAK ISLAND BOROUGH	2,359,685	49.23%	1,161,673	39.76%	938,211	-	(223,462)
128	KODIAK, CITY OF	6,015,174	48.05%	2,890,291	39.76%	2,391,633	-	(498,658)
247	LAKE AND PENINSULA BOROUGH	411,346	41.95%	172,559	39.76%	163,551	-	(9,008)
193	NENANA, CITY OF	209,537	41.79%	87,566	39.76%	83,312	-	(4,254)
134	PALMER, CITY OF	3,312,705	43.05%	1,426,120	39.76%	1,317,132	-	(108,988)
143	PETERSBURG, CITY OF	4,132,593	41.15%	1,700,562	39.76%	1,643,119	-	(57,443)
198	SAXMAN, CITY OF	126,122	105.76%	133,387	39.76%	50,146	-	(83,241)
120	SITKA, CITY AND BOROUGH	9,012,579	43.31%	3,903,348	39.76%	3,583,402	-	(319,947)

**EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION -
CHANGE TO COST SHARE - BEFORE 65/35 AND POBs**

Winners and Losers - FY08 Base

ER		Gross Salaries		FY 08 Est. Contribution - Orig	Average Rate - 05 val w/ level \$ amort	FY 08 Est. Contribution - Straight Cost Share	Loser FY08 cost share > FY08 original	Winner FY08 cost share < FY08 original
		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate					
107	VALDEZ, CITY OF	5,267,186	46.32%	2,439,761	39.76%	2,094,233	-	(345,527)
135	WRANGELL, CITY OF	2,823,476	47.74%	1,347,928	39.76%	1,122,614	-	(225,313)
	PERS Poll Subs	427,761,855		159,755,152		170,078,114	25,212,896	(14,889,934)
152	ALASKA HOUSING FINANCE CORPORATION	18,397,143	26.68%	4,908,358	39.76%	7,314,704	2,406,346	-
267	ALEUTIAN HOUSING AUTHORITY	969,986	18.92%	183,521	39.76%	385,666	202,145	-
245	ALEUTIANS WEST CRSA	52,719	38.35%	20,218	39.76%	20,961	743	-
281	BARANOF ISLAND HA	476,399	15.12%	72,031	39.76%	189,416	117,385	-
270	BERING STRAITS RHA	1,078,781	17.62%	190,081	39.76%	428,923	238,842	-
223	BRISTOL BAY RHA	1,375,226	17.66%	242,865	39.76%	546,790	303,925	-
262	COOK INLET HOUSING AUTHORITY	4,298,799	17.00%	730,796	39.76%	1,709,203	978,407	-
224	COPPER RIVER BASIN RHA	614,337	17.45%	107,202	39.76%	244,260	137,059	-
263	INTERIOR RHA	1,203,929	16.73%	201,417	39.76%	478,682	277,265	-
284	INTER-ISLAND FERRY AUTHORITY	1,019,517	16.00%	163,123	39.76%	405,360	242,237	-
170	NORTH PACIFIC FISHERY MGMT COUNCIL	1,455,558	30.04%	437,250	39.76%	578,730	141,480	-
276	NORTH PACIFIC RIM HA	1,153,137	17.37%	200,300	39.76%	458,487	258,187	-
288	NORTHWEST INUPIAT HOUSING AUTHORITY	1,126,996	17.65%	198,915	39.76%	448,093	249,179	-
167	SOUTHEAST REGIONAL RESOURCE CENTER	1,377,180	34.41%	473,888	39.76%	547,567	73,679	-
211	SPECIAL EDUCATION SERVICE AGENCY	421,365	25.10%	105,763	39.76%	167,535	61,772	-
293	TAGIUGMIULLU NUNAMIULLU HOUSING AUT	1,450,856	14.90%	216,178	39.76%	576,860	360,683	-
279	TLINGIT-HAIDA RHA	2,331,908	20.69%	482,472	39.76%	927,167	444,695	-
106	ALASKA MUNICIPAL LEAGUE	310,281	52.74%	163,642	39.76%	123,368	-	(40,275)
	PERS Other	39,114,115		9,098,018		15,551,772	6,494,029	(40,275)
255	ALASKA GATEWAY SD	1,040,625	24.18%	251,623	39.76%	413,752	162,129	-
162	ALEUTIAN REGION SD	167,231	14.48%	24,215	39.76%	66,491	42,276	-
244	ALEUTIANS EAST BOROUGH SD	662,056	29.88%	197,822	39.76%	263,234	65,411	-
103	ANNETTE ISLAND SD	570,618	14.48%	82,625	39.76%	226,878	144,252	-
104	BERING STRAIT SD	7,076,188	24.49%	1,732,958	39.76%	2,813,492	1,080,534	-
112	COPPER RIVER SD	1,262,805	38.55%	486,811	39.76%	502,091	15,280	-
204	CRAIG CITY SD	855,564	35.26%	301,672	39.76%	340,172	38,500	-
246	DELTA/GREELY SD	1,301,771	35.15%	457,572	39.76%	517,584	60,012	-
205	DILLINGHAM CITY SD	1,393,179	27.30%	380,338	39.76%	553,928	173,590	-
117	FAIRBANKS NORTH STAR BOROUGH SD	28,134,102	36.49%	10,266,134	39.76%	11,186,119	919,985	-
141	GALENA CITY SD	3,209,254	23.72%	761,235	39.76%	1,275,999	514,764	-
240	HAINES BOROUGH SD	558,563	35.16%	196,391	39.76%	222,085	25,694	-
168	HYDABURG CITY SD	129,787	25.87%	33,576	39.76%	51,603	18,027	-
124	IDITAROD AREA SD	963,638	35.87%	344,983	39.76%	383,143	38,160	-
108	JUNEAU BOROUGH SD	9,525,443	39.28%	3,741,594	39.76%	3,787,316	45,722	-
265	KAKE CITY SD	366,919	31.20%	114,479	39.76%	145,887	31,408	-

**EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION -
CHANGE TO COST SHARE - BEFORE 65/35 AND POBs**

Winners and Losers - FY08 Base

ER		Gross Salaries		FY 08 Est. Contribution - Orig	Average Rate - 05 val w/ level \$ amort	FY 08 Est. Contribution - Straight Cost Share	Loser FY08 cost share > FY08 original	Winner FY08 cost share < FY08 original
		Est. FY08 (FY07 * 3%)	FY08 Poard Requested Rate					
211	KASHUNAMIUT SD	1,118,236	26.87%	300,470	39.76%	444,611	144,141	-
177	KETCHIKAN GATEWAY BOROUGH SD	3,621,711	34.44%	1,247,317	39.76%	1,439,992	192,675	-
251	KLAWOCK CITY SD	429,395	35.15%	150,933	39.76%	170,728	19,795	-
125	KUSPUK SD	1,617,224	32.06%	518,482	39.76%	643,008	124,526	-
164	LAKE AND PENINSULA BOROUGH SD	1,673,423	37.60%	629,207	39.76%	665,353	36,146	-
157	LOWER KUSKOKWIM SD	15,647,268	24.45%	3,825,757	39.76%	6,221,354	2,395,597	-
153	LOWER YUKON SD	4,818,306	35.46%	1,708,571	39.76%	1,915,758	207,187	-
110	MATANUSKA-SUSITNA BOROUGH SD	22,759,596	33.89%	7,713,227	39.76%	9,049,216	1,335,988	-
196	NENANA CITY SD	1,388,620	21.62%	300,220	39.76%	552,115	251,896	-
149	NOME CITY SD	1,734,534	34.58%	599,802	39.76%	689,651	89,849	-
161	NORTH SLOPE BOROUGH SD	8,890,221	29.57%	2,628,838	39.76%	3,534,752	905,914	-
154	NORTHWEST ARCTIC BOROUGH SD	7,887,420	20.70%	1,632,696	39.76%	3,136,038	1,503,342	-
257	PELICAN CITY SD	120,470	14.48%	17,444	39.76%	47,899	30,455	-
228	PETERSBURG CITY SD	804,936	35.92%	289,133	39.76%	320,043	30,910	-
156	PRIBILOF SD	574,219	29.28%	168,131	39.76%	228,309	60,178	-
221	SAINT MARY'S SD	431,096	16.66%	71,821	39.76%	171,404	99,583	-
225	SKAGWAY CITY SD	286,767	16.44%	47,145	39.76%	114,019	66,874	-
102	SOUTHWEST REGION SD	2,197,540	30.08%	661,020	39.76%	873,742	212,722	-
166	TANANA SD	153,340	18.98%	29,104	39.76%	60,968	31,864	-
209	UNALASKA CITY SD	850,870	26.87%	228,629	39.76%	338,306	109,677	-
264	YAKUTAT SD	289,667	18.96%	54,921	39.76%	115,172	60,251	-
160	YUKON / KOYUKUK SD	1,493,899	20.02%	299,079	39.76%	593,974	294,896	-
159	YUKON FLATS SD	947,119	17.17%	162,621	39.76%	376,574	213,954	-
195	YUPIIT SD	1,743,107	18.26%	318,291	39.76%	693,059	374,768	-
111	ANCHORAGE SD	81,197,671	40.89%	33,201,728	39.76%	32,284,194	-	(917,534)
184	BRISTOL BAY BOROUGH SD	480,101	42.77%	205,339	39.76%	190,888	-	(14,451)
105	CHATHAM SD	371,217	69.18%	256,808	39.76%	147,596	-	(109,212)
121	CHUGACH SD	292,626	42.23%	123,576	39.76%	116,348	-	(7,228)
185	CORDOVA CITY SD	653,926	56.88%	371,953	39.76%	260,001	-	(111,952)
118	DENALI BOROUGH SD	1,083,629	42.65%	462,168	39.76%	430,851	-	(31,317)
138	HOONAH CITY SD	695,935	45.14%	314,145	39.76%	276,704	-	(37,441)
190	KENAI PENINSULA BOROUGH SD	13,089,068	45.44%	5,947,672	39.76%	5,204,213	-	(743,459)
158	KODIAK ISLAND BOROUGH SD	4,874,624	41.11%	2,003,951	39.76%	1,938,151	-	(55,807)
133	SITKA BOROUGH SD	2,070,752	50.66%	1,049,043	39.76%	823,331	-	(225,712)
155	SOUTHEAST ISLAND SD	678,719	68.73%	466,483	39.76%	269,859	-	(196,625)
137	VALDEZ CITY SD	1,937,697	46.80%	906,842	39.76%	770,428	-	(136,414)
146	WRANGELL PUBLIC SD	761,395	41.94%	319,329	39.76%	302,731	-	(16,598)
	PERS School Districts	246,884,090		88,605,932		98,161,114	12,168,933	(2,613,751)

**EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION -
CHANGE TO COST SHARE - BEFORE 65/35 AND POBs**

Winners and Losers - FY08 Base

ER	Gross Salaries		FY08 Board Requested Rate	FY 08 Est. Contribution - Orig	Average Rate - 05 val w/ level \$ amort	FY 08 Est. Contribution - Straight Cost Share	Loser FY08 cost share > FY08 original	Winner FY08 cost share < FY08 original
	Est. FY08 (FY07 * 3%)							
TOTAL PERS	1,698,432,768			676,829,555		675,296,869	52,067,268	(53,599,954)
POLITICAL SUBDIVISIONS	427,761,855			159,755,152		170,078,114	25,212,896	(14,889,934)
SCHOOL DISTRICTS	246,884,090			88,605,932		98,161,114	12,168,933	(2,613,751)
STATE OF ALASKA	848,376,355			373,370,434		337,314,439	-	(36,055,995)
UNIVERSITY	136,296,354			46,000,019		54,191,430	8,191,411	-
OTHER PUBLIC ORGANIZATIONS	39,114,115			9,098,018		15,551,772	6,494,029	(40,275)
	1,698,432,768			676,829,555		675,296,869	52,067,268	(53,599,954)

If the legislature were to fund the cost increases for political subdivisions and school districts like it has in the past, the change to a cost share program, in and of itself, would cost the State millions in general fund monies.

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners FY08 Base

		2	5	6 = 2 x 5	7	8	9 = 8-6
		Gross Salaries					
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY08 Est. Contribution	Average Rate (05 val)	Cost Share Contributions in FY08	Winners - FY08 cost share < orig FY08
106	ALASKA MUNICIPAL LEAGUE	310,281	52.74%	163,642	31.86%	98,856	(64,787)
245	ALEUTIANS WEST CRSA	52,719	38.35%	20,218	31.86%	16,796	(3,421)
111	ANCHORAGE SD	81,197,671	40.89%	33,201,728	31.86%	25,869,578	(7,332,150)
173	ANCHORAGE, MUNICIPALITY OF	151,287,070	39.33%	59,501,205	31.86%	48,200,060	(11,301,144)
243	ATKA, CITY OF	99,456	34.02%	33,835	31.86%	31,687	(2,148)
184	BRISTOL BAY BOROUGH SD	480,101	42.77%	205,339	31.86%	152,960	(52,379)
105	CHATHAM SD	371,217	59.18%	256,808	31.86%	118,270	(138,538)
121	CHUGACH SD	292,626	42.23%	123,576	31.86%	93,231	(30,345)
112	COPPER RIVER SD	1,262,805	38.55%	486,811	31.86%	402,330	(84,482)
185	CORDOVA CITY SD	653,926	56.88%	371,953	31.86%	208,341	(163,612)
148	CORDOVA, CITY OF	2,307,407	52.49%	1,211,158	31.86%	735,140	(476,018)
204	CRAIG CITY SD	855,564	35.26%	301,672	31.86%	272,583	(29,089)
186	CRAIG, CITY OF	1,667,345	33.56%	559,561	31.86%	531,216	(28,345)
246	DELTA/GREELY SD	1,301,771	35.15%	457,572	31.86%	414,744	(42,828)
258	DENALI BOROUGH	155,766	51.83%	80,733	31.86%	49,627	(31,106)
118	DENALI BOROUGH SD	1,083,629	42.65%	462,168	31.86%	345,244	(116,924)
117	FAIRBANKS NORTH STAR BOROUGH SD	28,134,102	36.49%	10,266,134	31.86%	8,963,525	(1,302,609)
129	FAIRBANKS, CITY OF	7,175,800	184.95%	13,271,641	31.86%	2,286,210	(10,985,432)
189	HAINES BOROUGH	1,661,014	43.85%	728,355	31.86%	529,199	(199,156)
240	HAINES BOROUGH SD	558,553	35.16%	196,391	31.86%	177,958	(18,433)
215	HOMER, CITY OF	5,104,318	35.96%	1,835,513	31.86%	1,626,236	(209,277)
138	HOONAH CITY SD	695,935	45.14%	314,145	31.86%	221,725	(92,420)
235	HUSLIA, CITY OF	120,616	40.43%	48,765	31.86%	38,428	(10,337)
124	IDITAROD AREA SD	963,638	35.80%	344,983	31.86%	307,015	(37,967)
108	JUNEAU BOROUGH SD	9,525,443	39.28%	3,741,594	31.86%	3,034,806	(706,788)
126	JUNEAU, CITY AND BOROUGH	28,997,989	42.56%	12,341,544	31.86%	9,238,759	(3,102,785)
260	KACHEMAK, CITY OF	24,942	90.23%	22,505	31.86%	7,946	(14,559)
180	KENAI PENINSULA BOROUGH	14,366,322	37.39%	5,371,568	31.86%	4,577,110	(794,458)
190	KENAI PENINSULA BOROUGH SD	13,089,068	45.44%	5,947,672	31.86%	4,170,177	(1,777,495)
115	KENAI, CITY OF	5,678,794	45.71%	2,595,777	31.86%	1,809,264	(786,513)
122	KETCHIKAN GATEWAY BOROUGH	4,697,575	32.18%	1,511,680	31.86%	1,496,647	(15,032)
177	KETCHIKAN GATEWAY BOROUGH SD	3,621,711	34.44%	1,247,317	31.86%	1,153,877	(93,440)
181	KETCHIKAN, CITY OF	8,185,616	52.61%	4,306,452	31.86%	2,607,937	(1,698,515)

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners FY08 Base

		2	5	6 = 2 x 5	7	8	9 = 8-6
		Gross Salaries					
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY 08 Est. Contribution	Average Rate (05 val)	Cost Share Contributions In FY08	Winners - FY08 cost share < orig FY08
251	KLAWOCK CITY SD	429,395	35.15%	150,933	31.86%	136,805	(14,127)
174	KODIAK ISLAND BOROUGH	2,359,685	49.23%	1,161,673	31.86%	751,796	(409,877)
158	KODIAK ISLAND BOROUGH SD	4,874,624	41.11%	2,003,958	31.86%	1,553,055	(450,903)
128	KODIAK, CITY OF	6,015,174	48.05%	2,890,291	31.86%	1,916,435	(973,857)
125	KUSPUK SD	1,617,224	32.06%	518,482	31.86%	515,248	(3,234)
247	LAKE AND PENINSULA BOROUGH	411,346	41.95%	172,559	31.86%	131,055	(41,505)
164	LAKE AND PENINSULA BOROUGH SD	1,673,423	37.60%	629,207	31.86%	533,153	(96,054)
153	LOWER YUKON SD	4,818,306	35.46%	1,708,571	31.86%	1,535,112	(173,459)
109	MATANUSKA-SUSITNA BOROUGH	12,730,979	33.89%	4,314,529	31.86%	4,056,090	(258,439)
110	MATANUSKA-SUSITNA BOROUGH SD	22,759,596	33.89%	7,713,227	31.86%	7,251,207	(462,020)
193	NENANA, CITY OF	209,537	41.79%	87,566	31.86%	66,759	(20,807)
149	NOME CITY SD	1,734,534	34.58%	599,802	31.86%	552,623	(47,179)
139	NOME, CITY OF	2,532,588	36.02%	912,238	31.86%	806,883	(105,356)
191	NORTH POLE, CITY OF	1,667,144	34.59%	576,665	31.86%	531,152	(45,513)
134	PALMER, CITY OF	3,312,705	43.05%	1,426,120	31.86%	1,055,428	(370,692)
200	PELICAN, CITY OF	155,103	34.82%	54,007	31.86%	49,416	(4,591)
228	PETERSBURG CITY SD	804,936	35.92%	289,133	31.86%	256,453	(32,680)
143	PETERSBURG, CITY OF	4,132,593	41.15%	1,700,562	31.86%	1,316,644	(383,918)
198	SAXMAN, CITY OF	126,122	105.76%	133,387	31.86%	40,183	(93,204)
133	SITKA BOROUGH SD	2,070,752	50.66%	1,049,043	31.86%	659,742	(389,301)
165	SITKA COMMUNITY HOSPITAL	4,559,308	32.58%	1,485,422	31.86%	1,452,595	(32,827)
120	SITKA, CITY AND BOROUGH	9,012,579	43.31%	3,903,348	31.86%	2,871,408	(1,031,940)
123	SOLDOTNA, CITY OF	2,847,540	33.94%	966,455	31.86%	907,226	(59,229)
155	SOUTHEAST ISLAND SD	678,719	68.73%	466,483	31.86%	216,240	(250,244)
167	SOUTHEAST REGIONAL RESOURCE CENTE	1,377,180	34.41%	473,888	31.86%	438,770	(35,118)
113	UNIVERSITY OF ALASKA PERS	136,296,354	33.75%	46,000,019	31.86%	43,424,018	(2,576,001)
137	VALDEZ CITY SD	1,937,697	46.80%	906,842	31.86%	617,350	(289,492)
107	VALDEZ, CITY OF	5,267,186	46.32%	2,439,761	31.86%	1,678,126	(761,635)
146	WRANGELL PUBLIC SD	761,395	41.94%	319,329	31.86%	242,581	(76,749)
135	WRANGELL, CITY OF	2,823,476	47.74%	1,347,928	31.86%	899,560	(448,368)
							(51,680,852)

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Losers FY08 Base

		2	5	6 = 2 x 5	7	8	9 = 8-6
		Gross Salaries					
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY 08 Est. Contribution	Average Rate (05 val)	Cost Share Contributions in FY08	Losers - FY08 cost share > orig FY08
208	AKUTAN, CITY OF	307,967	14.48%	44,594	31.86%	98,118	53,525
255	ALASKA GATEWAY SD	1,040,625	24.18%	251,623	31.86%	331,543	79,920
152	ALASKA HOUSING FINANCE CORPORATION	18,397,143	26.68%	4,908,358	31.86%	5,861,330	952,972
267	ALEUTIAN HOUSING AUTHORITY	969,986	18.92%	183,521	31.86%	309,038	125,516
162	ALEUTIAN REGION SD	167,231	14.48%	24,215	31.86%	53,280	29,065
230	ALEUTIANS EAST BOROUGH	704,070	20.31%	142,997	31.86%	224,317	81,320
244	ALEUTIANS EAST BOROUGH SD	662,056	29.88%	197,822	31.86%	210,931	13,109
259	ALLAKAKET, CITY OF	19,758	14.48%	2,861	31.86%	6,295	3,434
203	ANCHORAGE PARKING AUTHORITY	1,298,338	29.27%	380,024	31.86%	413,651	33,627
283	ANDERSON, CITY OF	43,355	14.48%	6,278	31.86%	13,813	7,535
103	ANNETTE ISLAND SD	570,618	14.48%	82,625	31.86%	181,799	99,173
281	BARANOF ISLAND HA	476,399	15.12%	72,031	31.86%	151,781	79,749
171	BARROW, CITY OF	1,248,265	17.70%	220,943	31.86%	397,697	176,754
219	BARTLETT REGIONAL HOSPITAL	20,709,107	21.87%	4,529,082	31.86%	6,597,922	2,068,840
104	BERING STRAIT SD	7,076,188	24.49%	1,732,958	31.86%	2,254,473	521,515
270	BERING STRAITS RHA	1,078,781	17.62%	190,081	31.86%	343,700	153,618
136	BETHEL, CITY OF	5,809,252	17.40%	1,010,810	31.86%	1,850,828	840,018
144	BRISTOL BAY BOROUGH	1,749,955	29.90%	523,237	31.86%	557,536	34,299
223	BRISTOL BAY RHA	1,375,226	17.66%	242,865	31.86%	438,147	195,282
262	COOK INLET HOUSING AUTHORITY	4,298,799	17.00%	730,796	31.86%	1,369,597	638,802
224	COPPER RIVER BASIN RHA	614,337	17.45%	107,202	31.86%	195,728	88,526
163	CORDOVA COMMUNITY MEDICAL CENTER	2,172,784	29.97%	651,183	31.86%	692,249	41,066
282	DELTA JUNCTION, CITY OF	293,706	17.27%	50,723	31.86%	93,575	42,852
205	DILLINGHAM CITY SD	1,393,179	27.30%	380,338	31.86%	443,867	63,529
178	DILLINGHAM, CITY OF	2,227,329	28.49%	634,566	31.86%	709,627	75,061
271	EGEGIK, CITY OF	45,968	31.40%	14,434	31.86%	14,645	211
116	FAIRBANKS NORTH STAR BOROUGH	19,314,602	29.98%	5,790,518	31.86%	6,153,632	363,115
183	FORT YUKON, CITY OF	401,625	14.48%	58,155	31.86%	127,958	69,802
141	GALENA CITY SD	3,209,254	23.72%	761,235	31.86%	1,022,468	261,233
192	GALENA, CITY OF	1,822,779	16.88%	307,685	31.86%	580,737	273,052
199	HOONAH, CITY OF	689,170	27.46%	189,246	31.86%	219,570	30,323
285	HOOPER BAY, CITY OF	12,600	14.48%	1,825	31.86%	4,014	2,190
168	HYDABURG CITY SD	129,787	25.87%	33,576	31.86%	41,350	7,774
275	ILISAGVIK COLLEGE	3,887,085	16.19%	629,319	31.86%	1,238,425	609,106

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Losers FY08 Base

		2	5	6 = 2 x 5	7	8	9 = 8-6
		Gross Salaries					
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY 08 Est. Contribution	Average Rate (05 val)	Cost Share Contributions in FY08	Losers - FY08 cost share > orig FY08
263	INTERIOR RHA	1,203,929	16.73%	201,417	31.86%	383,572	182,154
284	INTER-ISLAND FERRY AUTHORITY	1,019,517	16.00%	163,123	31.86%	324,818	161,695
265	KAKE CITY SD	366,919	31.20%	114,479	31.86%	116,901	2,422
211	KASHUNAMIUT SD	1,118,236	26.87%	300,470	31.86%	356,270	55,800
151	KING COVE, CITY OF	932,592	26.53%	247,417	31.86%	297,124	49,707
227	KLAWOCK, CITY OF	671,063	15.13%	101,532	31.86%	213,801	112,269
140	KOTZEBUE, CITY OF	3,632,278	17.13%	622,209	31.86%	1,157,244	535,035
287	KOYUK, CITY OF	25,112	14.48%	3,636	31.86%	8,001	4,365
157	LOWER KUSKOKWIM SD	15,647,268	24.45%	3,825,757	31.86%	4,985,220	1,159,463
254	MEKORYUK, CITY OF	3,189	20.53%	655	31.86%	1,016	361
294	MOUNTAIN VILLAGE, CITY OF	34,341	14.48%	4,973	31.86%	10,941	5,968
196	NENANA CITY SD	1,388,620	21.62%	300,220	31.86%	442,414	142,195
175	NOME JOINT UTILITY SYSTEM	883,109	22.82%	201,526	31.86%	281,359	79,833
241	NOORVIK, CITY OF	90,423	15.92%	14,395	31.86%	28,809	14,413
170	NORTH PACIFIC FISHERY MGMT COUNCIL	1,455,558	30.04%	437,250	31.86%	463,741	26,491
276	NORTH PACIFIC RIM HA	1,153,137	17.37%	200,300	31.86%	367,389	167,089
145	NORTH SLOPE BOROUGH	38,915,994	22.96%	8,935,112	31.86%	12,398,636	3,463,523
161	NORTH SLOPE BOROUGH SD	8,890,221	29.57%	2,628,838	31.86%	2,832,424	203,586
220	NORTHWEST ARCTIC BOROUGH	1,043,827	18.24%	190,394	31.86%	332,563	142,169
154	NORTHWEST ARCTIC BOROUGH SD	7,887,420	20.70%	1,632,696	31.86%	2,512,932	880,236
288	NORTHWEST INUPIAT HOUSING AUTHORIT	1,126,996	17.65%	198,915	31.86%	359,061	160,146
257	PELICAN CITY SD	120,470	14.48%	17,444	31.86%	38,382	20,938
187	PETERSBURG MEDICAL CENTER	3,855,146	21.73%	837,723	31.86%	1,228,249	390,526
156	PRIBILOF SD	574,219	29.28%	168,131	31.86%	182,946	14,815
266	QUINHAGAK, CITY OF	28,529	14.48%	4,131	31.86%	9,089	4,958
221	SAINT MARY'S SD	431,096	16.66%	71,821	31.86%	137,347	65,527
172	SAINT PAUL, CITY OF	1,263,904	28.44%	359,454	31.86%	402,680	43,226
176	SAND POINT, CITY OF	925,242	29.98%	277,388	31.86%	294,782	17,395
278	SAXMAN SEAPORT	70,936	28.13%	19,954	31.86%	22,600	2,646
286	SELDOVIA, CITY OF	64,281	21.58%	13,872	31.86%	20,480	6,608
182	SEWARD, CITY OF	4,055,986	31.14%	1,263,034	31.86%	1,292,237	29,203
225	SKAGWAY CITY SD	286,767	16.44%	47,145	31.86%	91,364	44,219
132	SKAGWAY, CITY OF	1,851,825	25.36%	469,623	31.86%	589,991	120,369
102	SOUTHWEST REGION SD	2,197,540	30.08%	661,020	31.86%	700,136	39,116
218	SPECIAL EDUCATION SERVICE AGENCY	421,365	25.10%	105,763	31.86%	134,247	28,484

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Losers FY08 Base

		2	5	6 = 2 x 5	7	8	9 = 8-6
		Gross Salaries					
ER		Est. FY08 (FY07 * 3%)	FY08 Board Requested Rate	FY 08 Est. Contribution	Average Rate (05 val)	Cost Share Contributions in FY08	Losers - FY08 cost share > orig FY08
101	STATE OF ALASKA PERS	848,376,355	44.01%	373,370,434	47.92%	406,541,949	33,171,515
293	TAGIUGMIULLU NUNAMIULLU HOUSING AUT	1,450,856	14.90%	216,178	31.86%	462,243	246,065
166	TANANA SD	153,340	18.98%	29,104	31.86%	48,854	19,750
169	TANANA, CITY OF	96,281	14.48%	13,941	31.86%	30,675	16,734
206	THORNE BAY, CITY OF	276,762	23.11%	63,960	31.86%	88,176	24,217
279	TLINGIT-HAIDA RHA	2,331,908	20.69%	482,472	31.86%	742,946	260,474
280	TOKSOOK BAY, CITY OF	28,493	23.16%	6,599	31.86%	9,078	2,479
249	UNALAKLEET, CITY OF	206,072	29.89%	61,595	31.86%	65,654	4,060
209	UNALASKA CITY SD	850,870	26.87%	228,629	31.86%	271,087	42,458
179	UNALASKA, CITY OF	9,647,494	23.34%	2,251,725	31.86%	3,073,692	821,966
290	UPPER KALSKAG, CITY OF	19,615	14.48%	2,840	31.86%	6,249	3,409
131	WASILLA, CITY OF	4,913,053	24.38%	1,197,802	31.86%	1,565,299	367,496
202	WHITTIER, CITY OF	1,031,368	21.40%	220,713	31.86%	328,594	107,881
264	YAKUTAT SD	289,667	18.96%	54,921	31.86%	92,288	37,367
248	YAKUTAT, CITY AND BOROUGH	744,132	25.22%	187,670	31.86%	237,080	49,410
160	YUKON / KOYUKUK SD	1,493,899	20.02%	299,079	31.86%	475,956	176,878
159	YUKON FLATS SD	947,119	17.17%	162,620	31.86%	301,752	139,132
195	YUPIIT SD	1,743,107	18.26%	318,291	31.86%	555,354	237,063
							52,221,220

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners/Losers FY07 as base

Listing includes political subdivisions and school districts that have received rate relief in the past.

ER		Gross Salaries		FY07 Adj Contributio n Rate	4 = 1 x 3 FY 07 Est. Contribution	5 FY08 Board Requested Rate	10 Average Rate (05 val)	11 Cost Share Contributions in FY08	12 = 11-4 Losers FY08 cost share > FY07	13 = 11-4 Winners FY08 cost share < FY07
		1 Est. FY07 (FY06 * 3%)	2 Est. FY08 (FY07 * 3%)							
258	DENALI BOROUGH	151,229	155,766	39.00%	58,979	51.83%	31.86%	49,627	-	(9,352)
129	FAIRBANKS, CITY OF	6,966,796	7,175,800	35.67%	2,485,056	184.95%	31.86%	2,286,210	-	(198,846)
138	HOONAH CITY SD	675,665	695,935	40.36%	272,698	45.14%	31.86%	221,725	-	(50,974)
198	SAXMAN, CITY OF	122,449	126,122	37.84%	46,335	105.76%	31.86%	40,183	-	(6,152)
208	AKUTAN, CITY OF	298,997	307,967	13.32%	39,826	14.48%	31.86%	98,118	58,292	-
230	ALEUTIANS EAST BOROUGH	683,563	704,070	15.23%	104,107	20.31%	31.86%	224,317	120,210	-
259	ALLAKAKET, CITY OF	19,182	19,758	15.00%	2,877	14.48%	31.86%	6,295	3,417	-
203	ANCHORAGE PARKING AUTHORITY	1,260,522	1,298,338	19.18%	241,768	29.27%	31.86%	413,651	171,882	-
173	ANCHORAGE, MUNICIPALITY OF	146,880,650	151,287,070	18.65%	27,393,241	39.33%	31.86%	48,200,060	20,806,819	-
283	ANDERSON, CITY OF	42,092	43,355	13.32%	5,607	14.48%	31.86%	13,813	8,206	-
243	ATKA, CITY OF	96,559	99,456	21.92%	21,166	34.02%	31.86%	31,687	10,521	-
171	BARROW, CITY OF	1,211,908	1,248,265	17.26%	209,175	17.70%	31.86%	397,697	188,522	-
219	BARTLETT REGIONAL HOSPITAL	20,105,929	20,709,107	17.20%	3,458,220	21.87%	31.86%	6,597,922	3,139,702	-
136	BETHEL, CITY OF	5,640,051	5,809,252	15.08%	850,520	17.40%	31.86%	1,850,828	1,000,308	-
144	BRISTOL BAY BOROUGH	1,698,985	1,749,955	17.99%	305,647	29.90%	31.86%	557,536	251,888	-
163	CORDOVA COMMUNITY MEDICAL CENTER	2,109,499	2,172,784	20.14%	424,853	29.97%	31.86%	692,249	267,396	-
148	CORDOVA, CITY OF	2,240,201	2,307,407	19.77%	442,888	52.49%	31.86%	735,140	292,252	-
186	CRAIG, CITY OF	1,618,781	1,667,345	25.33%	410,037	33.56%	31.86%	531,216	121,179	-
282	DELTA JUNCTION, CITY OF	285,152	293,706	14.47%	41,261	17.27%	31.86%	93,575	52,313	-
178	DILLINGHAM, CITY OF	2,162,456	2,227,329	21.16%	458,008	28.49%	31.86%	709,627	251,619	-
271	EGEGIK, CITY OF	44,629	45,968	18.80%	8,390	31.40%	31.86%	14,645	6,255	-
116	FAIRBANKS NORTH STAR BOROUGH	18,752,041	19,314,602	20.93%	3,924,802	29.98%	31.86%	6,153,632	2,228,830	-
183	FORT YUKON, CITY OF	389,928	401,625	13.32%	51,938	14.48%	31.86%	127,958	76,019	-
192	GALENA, CITY OF	1,769,688	1,822,779	13.40%	237,138	16.88%	31.86%	580,737	343,599	-
189	HAINES BOROUGH	1,612,635	1,661,014	27.17%	438,153	43.85%	31.86%	529,199	91,045	-
215	HOMER, CITY OF	4,955,649	5,104,318	17.92%	888,052	35.96%	31.86%	1,626,236	738,184	-
199	HOONAH, CITY OF	669,097	689,170	20.75%	138,838	27.46%	31.86%	219,570	80,732	-
285	HOOPER BAY, CITY OF	12,233	12,600	13.32%	1,629	14.48%	31.86%	4,014	2,385	-
235	HUSLIA, CITY OF	117,103	120,616	23.27%	27,250	40.43%	31.86%	38,428	11,178	-
275	ILISAGVIK COLLEGE	3,773,869	3,887,085	13.90%	524,568	16.19%	31.86%	1,238,425	713,857	-
126	JUNEAU, CITY AND BOROUGH	28,153,387	28,997,989	21.22%	5,974,149	42.56%	31.86%	9,238,759	3,264,610	-
260	KACHEMAK, CITY OF	24,215	24,942	30.37%	7,354	90.23%	31.86%	7,946	592	-
180	KENAI PENINSULA BOROUGH	13,947,886	14,366,322	22.81%	3,181,513	37.39%	31.86%	4,577,110	1,395,598	-
115	KENAI, CITY OF	5,513,392	5,678,794	18.67%	1,029,350	45.71%	31.86%	1,809,264	779,913	-
122	KETCHIKAN GATEWAY BOROUGH	4,560,752	4,697,575	20.49%	934,498	32.18%	31.86%	1,496,647	562,149	-
181	KETCHIKAN, CITY OF	7,947,200	8,185,616	29.92%	2,377,802	52.61%	31.86%	2,607,937	230,135	-
151	KING COVE, CITY OF	905,429	932,592	19.63%	177,736	26.53%	31.86%	297,124	119,388	-
227	KLAWOCK, CITY OF	651,517	671,063	14.35%	93,493	15.13%	31.86%	213,801	120,308	-
174	KODIAK ISLAND BOROUGH	2,290,957	2,359,685	15.00%	343,643	49.23%	31.86%	751,796	408,152	-
128	KODIAK, CITY OF	5,839,975	6,015,174	21.21%	1,238,659	48.05%	31.86%	1,916,435	677,776	-

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners/Losers FY07 as base

Listing includes political subdivisions and school districts that have received rate relief in the past.

ER		1	2	3	4 = 1 x 3	5	10	11	12 = 11-4	13 = 11-4
		Gross Salaries			FY07 Adj Contributio n Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	Average Rate (05 val)	Cost Share Contributions in FY08	Losers cost share > FY07
Est. FY07 (FY06 * 3%)	Est. FY08 (FY07 * 3%)									
140	KOTZEBUE, CITY OF	3,526,483	3,632,278	13.32%	469,728	17.13%	31.86%	1,157,244	687,516	-
287	KOYUK, CITY OF	24,381	25,112	15.39%	3,752	14.48%	31.86%	8,001	4,249	-
247	LAKE AND PENINSULA BOROUGH	399,365	411,346	27.90%	111,423	41.95%	31.86%	131,055	19,632	-
109	MATANUSKA-SUSITNA BOROUGH	12,360,174	12,730,979	20.99%	2,594,401	33.89%	31.86%	4,056,090	1,461,689	-
254	MEKORYUK, CITY OF	3,096	3,189	13.32%	412	20.53%	31.86%	1,016	604	-
294	MOUNTAIN VILLAGE, CITY OF	33,340	34,341	13.32%	4,441	14.48%	31.86%	10,941	6,500	-
193	NENANA, CITY OF	203,434	209,537	24.40%	49,638	41.79%	31.86%	66,759	17,121	-
175	NOME JOINT UTILITY SYSTEM	857,388	883,109	14.11%	120,977	22.82%	31.86%	281,359	160,381	-
139	NOME, CITY OF	2,458,823	2,532,588	15.50%	381,118	36.02%	31.86%	806,883	425,765	-
241	NOORVIK, CITY OF	87,789	90,423	13.45%	11,808	15.92%	31.86%	28,809	17,001	-
191	NORTH POLE, CITY OF	1,618,587	1,667,144	20.00%	323,717	34.59%	31.86%	531,152	207,435	-
145	NORTH SLOPE BOROUGH	37,782,518	38,915,994	17.62%	6,657,280	22.96%	31.86%	12,398,636	5,741,356	-
220	NORTHWEST ARCTIC BOROUGH	1,013,424	1,043,827	14.19%	143,805	18.24%	31.86%	332,563	188,758	-
134	PALMER, CITY OF	3,216,218	3,312,705	23.54%	757,098	43.05%	31.86%	1,055,428	298,330	-
200	PELICAN, CITY OF	150,586	155,103	18.86%	28,400	34.82%	31.86%	49,416	21,015	-
187	PETERSBURG MEDICAL CENTER	3,742,860	3,855,146	15.89%	594,740	21.73%	31.86%	1,228,249	633,509	-
143	PETERSBURG, CITY OF	4,012,226	4,132,593	28.53%	1,144,688	41.15%	31.86%	1,316,644	171,956	-
266	QUINHAGAK, CITY OF	27,699	28,529	13.32%	3,689	14.48%	31.86%	9,089	5,400	-
172	SAINT PAUL, CITY OF	1,227,091	1,263,904	17.35%	212,900	28.44%	31.86%	402,680	189,779	-
176	SAND POINT, CITY OF	898,294	925,242	17.11%	153,698	29.99%	31.86%	294,782	141,084	-
278	SAXMAN SEAPORT	68,870	70,936	19.39%	13,354	28.13%	31.86%	22,600	9,246	-
286	SELDOVIA, CITY OF	62,469	64,281	16.64%	10,385	21.58%	31.86%	20,480	10,095	-
182	SEWARD, CITY OF	3,937,850	4,055,986	18.74%	737,953	31.14%	31.86%	1,292,237	554,284	-
165	SITKA COMMUNITY HOSPITAL	4,426,512	4,559,308	21.96%	972,062	32.58%	31.86%	1,452,595	480,533	-
120	SITKA, CITY AND BOROUGH	8,750,077	9,012,579	24.02%	2,101,768	43.31%	31.86%	2,871,108	769,639	-
132	SKAGWAY, CITY OF	1,797,888	1,851,825	19.94%	358,499	25.36%	31.86%	589,991	231,492	-
123	SOLDOTNA, CITY OF	2,764,602	2,847,540	19.46%	537,992	33.94%	31.86%	907,226	369,235	-
169	TANANA, CITY OF	93,476	96,281	13.32%	12,451	14.48%	31.86%	30,675	18,224	-
206	THORNE BAY, CITY OF	268,701	276,762	17.61%	47,318	23.11%	31.86%	88,176	40,858	-
280	TOKSOOK BAY, CITY OF	27,663	28,493	17.28%	4,780	23.16%	31.86%	9,078	4,298	-
249	UNALAKLEET, CITY OF	200,070	206,072	19.87%	39,754	29.89%	31.86%	65,654	25,901	-
179	UNALASKA, CITY OF	9,366,499	9,647,494	18.50%	1,732,802	23.34%	31.86%	3,073,692	1,340,889	-
290	UPPER KALSKAG, CITY OF	19,044	19,615	16.23%	3,091	14.48%	31.86%	6,249	3,159	-
107	VALDEZ, CITY OF	5,113,773	5,267,186	18.91%	967,014	46.32%	31.86%	1,678,126	711,111	-
131	WASILLA, CITY OF	4,769,954	4,913,053	18.91%	901,998	24.38%	31.86%	1,565,299	663,300	-
202	WHITTIER, CITY OF	1,001,328	1,031,368	15.00%	150,199	21.40%	31.86%	328,594	178,395	-
135	WRANGELL, CITY OF	2,741,239	2,823,476	21.72%	595,397	47.74%	31.86%	899,560	304,162	-
248	YAKUTAT, CITY AND BOROUGH	722,458	744,132	17.97%	129,826	25.22%	31.86%	237,080	107,255	-
255	ALASKA GATEWAY SD	1,010,315	1,040,625	18.67%	188,626	24.18%	31.86%	331,543	142,917	-
162	ALEUTIAN REGION SD	162,360	167,231	13.32%	21,626	14.48%	31.86%	53,280	31,653	-
244	ALEUTIANS EAST BOROUGH SD	642,773	662,056	23.72%	152,466	29.88%	31.86%	210,931	58,465	-

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners/Losers FY07 as base

Listing includes political subdivisions and school districts that have received rate relief in the past.

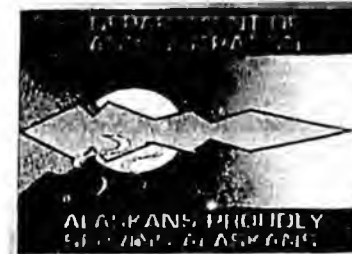
ER	1		2		3		4 = 1 x 3		5		10		11		12 = 11-4		13 = 11-4	
	Gross Salaries		Est. FY07 (FY06 * 3%)	Est. FY08 (FY07 * 3%)	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	Average Rate (05 val)	Cost Share Contributions in FY08	Losers cost share > FY07	FY08 cost share < FY07	Winners FY08 cost share < FY07						
111	ANCHORAGE SD	78,832,691	81,197,671	24.25%	19,116,928	40.89%	31.86%	25,869,578	6,752,651	-	-							
103	ANNETTE ISLAND SD	553,998	570,618	13.32%	73,793	14.48%	31.86%	181,799	108,006	-	-							
104	BERING STRAIT SD	6,870,085	7,076,188	18.39%	1,263,409	24.49%	31.86%	2,254,473	991,065	-	-							
184	BRISTOL BAY BOROUGH SD	466,118	480,101	22.10%	103,012	42.77%	31.86%	152,960	49,948	-	-							
105	CHATHAM SD	360,405	371,217	20.93%	75,433	69.18%	31.86%	118,270	42,837	-	-							
121	CHUGACH SD	284,103	292,626	20.21%	57,417	42.23%	31.86%	93,231	35,813	-	-							
112	COPPER RIVER SD	1,226,024	1,262,805	23.26%	285,173	38.55%	31.86%	402,330	117,156	-	-							
185	CORDOVA CITY SD	634,879	653,926	20.46%	129,896	56.88%	31.86%	208,341	78,444	-	-							
204	CRAIG CITY SD	830,645	855,564	23.74%	197,195	35.26%	31.86%	272,583	75,388	-	-							
246	DELTA/GREELY SD	1,263,855	1,301,771	20.79%	262,756	35.15%	31.86%	414,744	151,989	-	-							
118	DENALI BOROUGH SD	1,052,067	1,083,629	23.63%	248,603	42.65%	31.86%	345,244	96,641	-	-							
205	DILLINGHAM CITY SD	1,352,601	1,393,179	18.53%	250,637	27.30%	31.86%	443,867	193,230	-	-							
117	FAIRBANKS NORTH STAR BOROUGH SD	27,314,662	28,134,102	20.91%	5,711,496	36.49%	31.86%	8,963,525	3,252,029	-	-							
141	GALENA CITY SD	3,115,781	3,209,254	18.38%	572,681	23.72%	31.86%	1,022,468	449,788	-	-							
240	HAINES BOROUGH SD	542,294	558,563	21.43%	116,214	35.16%	31.86%	177,958	61,745	-	-							
168	HYDABURG CITY SD	126,007	129,787	15.00%	18,901	25.87%	31.86%	41,350	22,449	-	-							
124	IDITAROD AREA SD	935,571	963,638	22.00%	205,826	35.80%	31.86%	307,015	101,190	-	-							
108	JUNEAU BOROUGH SD	9,248,003	9,525,443	22.93%	2,120,567	39.28%	31.86%	3,034,806	914,239	-	-							
265	KAKE CITY SD	356,232	366,919	21.89%	77,979	31.20%	31.86%	116,901	38,921	-	-							
211	KASHUNAMIUT SD	1,085,666	1,118,236	18.71%	203,128	26.87%	31.86%	356,270	153,142	-	-							
190	KENAI PENINSULA BOROUGH SD	12,707,833	13,089,068	21.81%	2,771,578	45.44%	31.86%	4,170,177	1,398,599	-	-							
177	KETCHIKAN GATEWAY BOROUGH SD	3,516,224	3,621,711	20.86%	733,484	34.44%	31.86%	1,153,877	420,393	-	-							
251	KLAWOCK CITY SD	416,889	429,395	24.83%	103,513	35.15%	31.86%	136,805	33,292	-	-							
158	KODIAK ISLAND BOROUGH SD	4,732,645	4,874,624	19.85%	939,430	41.11%	31.86%	1,553,055	613,625	-	-							
125	KUSPUK SD	1,570,121	1,617,224	19.22%	301,777	32.06%	31.86%	515,248	213,470	-	-							
164	LAKE AND PENINSULA BOROUGH SD	1,624,682	1,673,423	21.58%	350,606	37.60%	31.86%	533,153	182,546	-	-							
157	LOWER KUSKOKWIM SD	15,191,522	15,647,268	18.22%	2,767,895	24.45%	31.86%	4,985,220	2,217,324	-	-							
153	LOWER YUKON SD	4,677,967	4,818,306	17.47%	817,241	35.46%	31.86%	1,535,112	717,871	-	-							
110	MATANUSKA-SUSITNA BOROUGH SD	22,096,696	22,759,596	20.99%	4,638,096	33.89%	31.86%	7,251,207	2,613,111	-	-							
196	NENANA CITY SD	1,348,175	1,388,620	17.79%	239,840	21.62%	31.86%	442,414	202,574	-	-							
149	NOME CITY SD	1,684,014	1,734,534	25.54%	430,097	34.58%	31.86%	552,623	122,525	-	-							
161	NORTH SLOPE BOROUGH SD	8,631,283	8,890,221	21.03%	1,815,159	29.57%	31.86%	2,832,424	1,017,266	-	-							
154	NORTHWEST ARCTIC BOROUGH SD	7,657,689	7,887,420	15.00%	1,148,653	20.70%	31.86%	2,512,932	1,364,279	-	-							
257	PELICAN CITY SD	116,961	120,470	13.32%	15,579	14.48%	31.86%	38,382	22,803	-	-							
228	PETERSBURG CITY SD	781,491	804,936	18.28%	142,857	35.92%	31.86%	256,453	113,596	-	-							
156	PRIBILOF SD	557,494	574,219	25.06%	139,708	29.28%	31.86%	182,946	43,238	-	-							
221	SAINT MARY'S SD	418,540	431,096	13.32%	55,749	16.66%	31.86%	137,347	81,598	-	-							
133	SITKA BOROUGH SD	2,010,439	2,070,752	24.04%	483,310	50.66%	31.86%	659,742	176,432	-	-							
225	SKAGWAY CITY SD	278,415	286,767	22.63%	63,005	16.44%	31.86%	91,364	28,359	-	-							
155	SOUTHEAST ISLAND SD	658,950	678,719	25.55%	168,362	68.73%	31.86%	216,240	47,878	-	-							
167	SOUTHEAST REGIONAL RESOURCE CENTE	1,337,068	1,377,180	20.28%	271,157	34.41%	31.86%	438,770	167,612	-	-							
102	SOUTHWEST REGION SD	2,133,534	2,197,540	20.30%	433,107	30.08%	31.86%	700,136	267,029	-	-							
218	SPECIAL EDUCATION SERVICE AGENCY	409,092	421,365	14.42%	58,991	25.10%	31.86%	134,247	75,256	-	-							

EST PERS CONTRIBUTIONS - LEVEL \$ AMORTIZATION - COST SHARE - 65% SOA - \$1.7B in POB Winners/Losers FY07 as base

Listing includes political subdivisions and school districts that have received rate relief in the past.

		1	2	3	4 = 1 x 3	5	10	11	12 = 11-4	13 = 11-4	
		Gross Salaries									
ER		Est. FY07 (FY06 * 3%)	Est. FY08 (FY07 * 3%)	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	Average Rate (05 val)	Cost Share Contributions in FY08	Losers cost share > FY07	FY08 cost share < FY07	Winners FY08 cost share < FY07
166	TANANA SD	148,874	153,340	16.59%	24,698	18.98%	31.86%	48,854	24,156	-	-
209	UNALASKA CITY SD	826,088	850,870	21.47%	177,361	26.87%	31.86%	271,087	93,726	-	-
137	VALDEZ CITY SD	1,881,259	1,937,697	15.35%	288,773	46.80%	31.86%	617,350	328,577	-	-
146	WRANGĚLL PUBLIC SD	739,219	761,395	19.96%	147,548	41.94%	31.86%	242,581	95,032	-	-
264	YAKUTAT SD	281,230	289,667	15.49%	43,563	18.96%	31.86%	92,288	48,725	-	-
160	YUKON / KOYUKUK SD	1,450,387	1,493,899	13.70%	198,703	20.02%	31.86%	475,956	277,253	-	-
159	YUKON FLATS SD	919,533	947,119	13.32%	122,482	17.17%	31.86%	301,752	179,270	-	-
195	YUPIIT SD	1,692,337	1,743,107	14.52%	245,727	18.26%	31.86%	555,354	309,627	-	-
					133,547,397			215,515,214	82,233,141	(265,324)	

Department of Administration
 FY07 - FY08



	<u>PERS</u>	<u>TRS</u>
Contributions estimated in FY 07 (all sources)	<u>\$354.8 M</u>	<u>\$164.3 M</u>
FY08 Legislation and operating budget		
SB 52/HB 97 Education Bill		
Rate relief for school districts PERS/TRS contributions	\$37.0 M* GF	\$170.5 M* GF
SB 50/HB 95 Budget Bill		
PERS Municipal and Political Sub Division rate relief	\$77.5 M* GF	
Governor's Budget Amendments		
PERS Payroll Base Correction (line 25)	0.6 M* GF	
PERS Non-School Dist. ER rate increase relief (line 26)	0.2 M* GF	
PERS School Dist. Payroll Base Correction (line 27)	0.1 M* GF	
TRS Non-School Dist ER rate increase relief (line 29)		0.5 M* GF
TRS School Dist. Payroll Base Correction (line 28)		1.7 M* GF
Transfer TRS increase funding from agencies to TRS DB plan:		
Education and Early Development (line 22 and 30)		1.0 M* GF
Labor and Workforce Development (line 23)		0.4 M* GF
University of Alaska (line 24)		13.3 M* GF
SOA and University PERS increase (In operating budget for executive and legislative branches)	\$163.8 M* GF	
Total Increase in FY08 Governor's Budget	<u>\$ 279.1 M* GF</u>	<u>\$187.4 M* GF</u>
Non-GF increases – Governor's budget	62.0 M	
Non-GF increases for other employers	<u>2.1 M</u>	
PERS/TRS Estimated Costs (all sources)	<u>\$ 698.1 M</u>	<u>\$351.7 M</u>
CSHB 97 amend TRS rate to normal cost Not reflected in operating budget		\$78.0 M GF

* Note: Included in DOA's FY08 Operating Budget.

Exhibit 4
Page 15

PERS Cost Share
 2005 Valuation Rate - Level Dollar Amortization
 SOA takes 65% of 6/30/2005 Unfunded and issues \$1.7 billion in POBs

R & B Estimated Contributions				R & B Impact of changes		
FY07 contribution amounts per ARMB set rates	FY08 contribution amounts per ARMB set rates	Increase	Cost Share - 05 Valuation rate - SOA takes 65% - \$1.7B POB	Cost Share contributions less original FY08 contributions	Relief to Employers whose cost share rate (31.86%) > orig FY07 rate	
Political Subdivisions	81,673,165	159,745,815	78,072,650	136,284,927	(23,470,225)	54,816,392
Political Subdivisions	9,720	9,337				
School Districts	51,471,358	88,558,787	37,087,429	78,657,271	(9,948,661)	27,173,801
School Districts	63,005	47,145				
SE Regional Resource Ctr	271,157	473,888	202,731	430,770	(35,118)	167,612
Spec Educ Service Agency	58,991	105,763	46,772	134,247	28,484	75,256
			Impact on SOA From OMB (excluding University)			
			Funding Source	Post vacancy		
			GF	25,095,400		
			Fed	1,901,100		
			Other	8,924,900		
			Total	35,921,400		
						27,416,749
						54,816,392
						27,416,749
						82,233,141
						25,095,400
						(2,542,600)
						104,785,941
						115,409,583
						(10,623,642)

Legislation	Original	Amend	Amended
SB50 - Poli subs - Budget Bill	77,474,718	597,931	78,072,649
SB52 - Education Bill	36,991,562	355,372	37,336,934
Total	114,456,280	953,303	115,409,583

GF increase over orig 08 budget (per OMB)	25,095,400	Rate from 44.01% to 47.92%
GF savings for University in 08 (per OMB)	(2,542,600)	Rate from 33.75% to 31.86%
Total GF cost - revised	104,785,941	
GF in SB52 and SB50 amended	115,409,583	
GF added cost (savings) from proposal	(10,623,642)	

Assumptions:

PERS goes to a cost share
 State picks up 65% of 6/30/2005 unfunded liability
 \$1.7 billion in POBs are issued by 6/30/2007

ESTIMATED TRS CONTRIBUTIONS WITH LEVEL DOLLAR AMORTIZATION, \$0.5 billion in cash, \$2 billion in POBs

Original spreadsheet excluded retiree rehires		3	4 = 1 x 3	5	6 = 2 x 5	9 = 7 + 8			
ER		FY07 Contribution Rate	FY 07 Est. Contribution	FY08 Board Adopted Rate	FY 08 Est. Contribution	Total FY08 Increase over FY07	FY08 Rate after \$0.5B deposit and \$2B FOB	FY08 Contributions after \$0.5B deposit and \$2B POB	FY08 Contributions after \$0.5B deposit and \$2B POB in excess of original FY08 Contrib.
766	ALASKA GATEWAY SD	26.00%	562,197	54.03%	1,203,337	641,140	47.26%	1,052,558	(150,779)
758	ALEUTIAN REGION SD	26.00%	127,884	54.03%	273,725	145,841	47.26%	239,427	(34,298)
780	ALEUTIANS EAST BOROUGH SD	26.00%	572,108	54.03%	1,224,550	652,443	47.26%	1,071,113	(153,437)
701	ANCHORAGE SD	26.00%	52,710,264	54.03%	112,822,064	60,111,799	47.26%	98,585,373	(14,136,690)
770	ANNETTE ISLAND SD	26.00%	515,025	54.03%	1,102,370	587,345	47.26%	964,242	(138,128)
752	BERING STRAIT SD	26.00%	3,245,987	54.03%	6,947,773	3,701,786	47.26%	6,077,212	(870,561)
742	BRISTOL BAY BOROUGH SD	26.00%	243,067	54.03%	520,264	277,198	47.26%	455,075	(65,190)
768	CHATHAM SD	26.00%	255,067	54.03%	545,951	290,883	47.26%	477,543	(68,408)
771	CHUGACH SD	26.00%	337,862	54.03%	723,166	385,304	47.26%	632,553	(90,613)
767	COPPER RIVER SD	26.00%	722,023	54.03%	1,545,432	823,409	47.26%	1,351,788	(193,644)
704	CORDOVA CITY SD	26.00%	525,920	54.03%	1,125,689	599,769	47.26%	984,639	(141,050)
705	CRAIG CITY SD	26.00%	638,323	54.03%	1,366,278	727,955	47.26%	1,195,082	(171,196)
765	DELTA/GREELY SD	26.00%	1,088,920	54.03%	2,330,745	1,241,825	47.26%	2,038,700	(292,044)
764	DENALI BOROUGH SD	26.00%	573,462	54.03%	1,227,449	653,987	47.26%	1,073,649	(153,800)
744	DILLINGHAM CITY SD	26.00%	794,234	54.03%	1,699,994	905,760	47.26%	1,486,984	(213,011)
706	FAIRBANKS NORTH STAR BOROUGH SD	26.00%	16,210,381	54.03%	34,709,853	10,493,472	47.26%	30,360,692	(4,349,171)
735	GALENA CITY SD	26.00%	1,178,166	54.03%	2,521,769	1,343,603	47.26%	2,205,790	(315,980)
707	HAINES BOROUGH SD	26.00%	389,513	54.03%	833,721	444,208	47.26%	729,255	(104,466)
708	HOONAH CITY SD	26.00%	272,002	54.03%	582,198	310,196	47.26%	509,248	(72,950)
709	HYDABURG CITY SD	26.00%	180,855	54.03%	387,105	206,250	47.26%	338,600	(48,504)
761	IDITAROD AREA SD	26.00%	459,768	54.03%	984,095	524,328	47.26%	960,737	(123,308)
710	JUNEAU BOROUGH SD	26.00%	5,877,721	54.03%	12,580,787	6,703,066	47.26%	11,004,405	(1,576,382)
712	KAKE CITY SD	26.00%	186,548	54.03%	399,290	212,742	47.26%	349,259	(50,031)
777	KASHUNAMIUT SD	26.00%	464,708	54.03%	994,670	529,962	47.26%	870,037	(124,633)
746	KENAI PENINSULA BOROUGH SD	26.00%	10,466,902	54.03%	22,403,559	11,936,657	47.26%	19,596,376	(2,807,183)
714	KETCHIKAN GATEWAY BOROUGH SD	26.00%	2,745,257	54.03%	5,870,001	3,130,744	47.26%	5,139,733	(736,267)
717	KLAWOCK CITY SD	26.00%	268,992	54.03%	575,756	306,764	47.26%	503,613	(72,143)
718	KODIAK ISLAND BOROUGH SD	26.00%	3,712,193	54.03%	7,945,649	4,233,456	47.26%	6,950,053	(995,596)
755	KUSPUK SD	26.00%	700,460	54.03%	1,499,278	798,818	47.26%	1,311,418	(187,861)
757	LAKE AND PENINSULA BOROUGH SD	26.00%	874,582	54.03%	1,871,973	997,390	47.26%	1,637,413	(234,560)
754	LOWER KUSKOKWIM SD	26.00%	6,017,315	54.03%	12,879,576	6,862,261	47.26%	11,265,755	(1,613,821)
753	LOWER YUKON SD	26.00%	2,450,581	54.03%	5,245,271	2,794,690	47.26%	4,588,035	(657,236)
722	MANUSKA-SUSITNA BOROUGH SD	26.00%	16,842,033	54.03%	36,049,012	19,206,979	47.26%	31,532,044	(4,516,969)
719	NANANA CITY SD	26.00%	487,668	54.03%	1,043,813	556,145	47.26%	913,022	(130,791)
720	NOME CITY SD	26.00%	915,887	54.03%	1,960,383	1,044,496	47.26%	1,714,745	(245,637)
736	NORTH SLOPE BOROUGH SD	26.00%	3,808,770	54.03%	8,152,364	4,343,594	47.26%	7,130,866	(1,021,497)
751	NORTHWEST ARCTIC BOROUGH SD	26.00%	3,476,647	54.03%	7,441,482	3,964,835	47.26%	6,509,059	(932,423)
723	PELICAN CITY SD	26.00%	33,925	54.03%	72,615	38,689	47.26%	63,516	(9,099)
724	PETERSBURG CITY SD	26.00%	699,001	54.03%	1,496,155	797,154	47.26%	1,308,686	(187,469)
759	PRIBILOF SD	26.00%	190,178	54.03%	407,061	216,883	47.26%	356,056	(51,005)
748	SAINTE MARY'S SD	26.00%	210,952	54.03%	451,526	240,574	47.26%	394,949	(56,576)
727	SITKA BOROUGH SD	26.00%	1,994,032	54.03%	4,268,064	2,274,032	47.26%	3,733,272	(534,792)
728	SKAGWAY CITY SD	26.00%	196,917	54.03%	421,486	224,568	47.26%	368,673	(52,813)

ESTIMATED TRS CONTRIBUTIONS WITH LEVEL DOLLAR AMORTIZATION, \$0.5 billion in cash, \$2 billion in POBs

ER		FY07 Contribution Rate	FY 07 Est. Contribution	FY08 Board Adopted Rate	FY 08 Est. Contribution	Total FY08 Increase over FY07	FY08 Rate after \$0.5B deposit and \$2B POB	FY08 Contributions after \$0.5B deposit and \$2B POB	FY08 Contributions after \$0.5B deposit and \$2B POB in excess of original FY08 Contrib.
			435,931	54.03%	933,075	497,144	47.26%	816,160	(116,915)
769	SOUTHEAST ISLAND SD	26.00%		54.03%	2,712,857	1,445,415	47.26%	2,372,934	(339,923)
756	SOUTHWEST REGION SD	26.00%	1,267,442	54.03%	141,908	75,609	47.26%	124,127	(17,781)
775	TANANA SD	26.00%	66,299	54.03%	1,334,706	711,134	47.26%	1,167,467	(167,240)
729	UNALASKA CITY SD	26.00%	623,572	54.03%	2,349,446	1,251,789	47.26%	2,055,059	(294,387)
730	VALDEZ CITY SD	26.00%	1,097,657	54.03%	940,872	501,298	47.26%	822,980	(117,892)
731	WRANGELL PUBLIC SD	26.00%	439,574	54.03%	390,391	208,001	47.26%	341,475	(48,916)
732	YAKUTAT SD	26.00%	182,390	54.03%	2,735,957	1,457,723	47.26%	2,393,139	(342,817)
762	YUKON / KOYUKUK SD	26.00%	1,278,234	54.03%	1,181,704	629,614	47.26%	1,033,635	(148,068)
763	YUKON FLATS SD	26.00%	552,090	54.03%	1,661,251	885,117	47.26%	1,453,095	(208,156)
778	YUPIIT SD	26.00%	776,133	54.03%					
	TRS School Districts		150,949,618		323,095,466	172,145,848		282,611,359	(40,484,107)
737	ALASKA DEPARTMENT OF EDUCATION	26.00%	1,244,263	54.03%	2,663,245	1,418,982	47.26%	2,329,539	(333,707)
743	SOUTHEAST REGIONAL RESOURCE CENTE	26.00%	209,458	54.03%	448,329	238,870	47.26%	392,153	(56,176)
779	SPECIAL EDUCATION SERVICE AGENCY	26.00%	259,264	54.03%	554,933	295,669	47.26%	485,399	(69,534)
733	UNIVERSITY OF ALASKA	26.00%	11,633,738	54.03%	24,901,077	13,267,339	47.26%	21,780,953	(3,120,124)
	TRS Other		13,346,724		28,567,584	15,220,860		24,988,044	(3,579,540)
	TOTAL TRS		164,296,342		351,663,050	187,366,708		307,599,403	(44,063,647)

March 14, 2007

VIA EMAIL

Ms. Charlene Morrison
Chief Financial Officer
State of Alaska
Department of Administration
Division of Retirement and Benefits
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: PERS Projected Employer Contribution Rates with a Pension Obligation Bond

Dear Charlene:

As requested, we have calculated the projected employer contribution rate after a Pension Obligation Bond is used to pay off a portion of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability used in these calculations is based on the June 30, 2005 valuation results for the State of Alaska Public Employees' Retirement System (PERS).

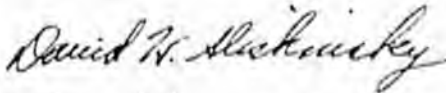
A \$1.7 billion Pension Obligation Bond (POB) is assumed to be issued. The bond is assumed to be deposited June 30, 2007 and the interest rate on the POB is assumed to be 5.6%. The Pension Obligation Bond payment is assumed to be paid at the end of the year as a level dollar amount over 25 years and will need to be paid regardless of the employer contribution amount or rate.

We have treated these deposits as an offset to the actuarial liability discounted back two years to the valuation date (June 30, 2005) for the FY08 rate and one year to the valuation date (June 30, 2006) for the FY09 rate. The results are based on the data, assumptions, methods and plan provisions as described in the June 30, 2005 valuation report, a level dollar amortization, and DB only payroll.

These results show less of a savings on the employer contribution rate than the letter dated February 28, 2007 since these results are based on June 30, 2005 results instead of June 30, 2006 results. These results incorporate the delay between the valuation date and the date the contributions and POB are made. The February 28, 2007 letter only had a one-year delay.

If you have any questions regarding these calculations, please call

Sincerely,



David H. Shishinsky, A.S.A.
Principal and Consulting Actuary

/mlp

P:\admin\alaska\2007\lr031471ds-Email.doc

Enclosure

c: Ms. Melanie Millhorn, State of Alaska
Ms. Michelle DeLange, Buck Consultants

Projected Impact of Pension Obligation Bond
Projections of Employer Contribution Rates and Amounts
Based on June 30, 2005 Actuarial Valuation

Public Employees' Retirement System
(\$ in thousands)

Fiscal Year	Projected Contribution Rate		Projected Contribution Amount	
	Current	with POB	Current	with POB
2006	16.77%	16.77%	\$266,122	\$266,122
2007	21.77%	21.77%	356,010	356,010
2008	39.76%	39.74%	615,097	614,788
2009	41.68%	40.91%	616,035	604,654
2010	46.35%	44.67%	654,751	631,019
2011	48.47%	45.72%	654,781	617,631
2012	51.13%	47.93%	657,480	616,331
2013	53.52%	49.91%	655,046	610,862
2014	56.21%	52.20%	657,057	610,183
2015	59.40%	54.97%	656,760	607,779
2016	61.99%	57.12%	647,179	596,336
2017	65.52%	60.12%	637,911	585,336
2018	69.07%	63.09%	614,819	561,589
2019	73.18%	66.45%	609,087	553,073
2020	80.28%	72.55%	621,086	561,283
2021	86.02%	77.29%	612,816	550,622
2022	92.71%	82.79%	584,316	521,794
2023	99.82%	88.50%	556,002	492,949
2024	112.37%	96.92%	579,061	509,751
2025	128.86%	112.74%	603,189	527,731
2026	141.00%	122.44%	591,726	513,837
2027	156.53%	134.95%	554,086	477,697
2028	174.58%	149.30%	532,062	455,017
2029	209.01%	177.44%	565,899	480,422
2030	161.35%	122.39%	390,286	296,047
2031	172.32%	125.51%	362,420	263,970
		Total	\$14,951,084	\$13,482,833
			Difference:	\$1,368,251

Data, Assumptions, Methods and Plan Provisions:

- * Assets are assumed to earn 8.25%.
- * The POB contribution of \$1.7 billion is assumed to be made on June 30, 2007.
- * The interest rate on the POB is 5.6%.
- * Contributions include POB payments and rates based on DB payroll only.
- * No payroll growth is used for FY08 rates and later.
- * No new members after July 1, 2006.
- * All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report.

March 14, 2007

VIA EMAIL

Ms. Charlene Morrison
Chief Financial Officer
State of Alaska
Department of Administration
Division of Retirement and Benefits
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: TRS Projected Employer Contribution Rates with a Cash Contribution and Pension Obligation Bond

Dear Charlene:

As requested, we have calculated the projected employer contribution rate after a cash contribution and a Pension Obligation Bond are used to pay off a portion of the unfunded actuarial accrued liability. The unfunded actuarial accrued liability used in these calculations is based on the June 30, 2005 valuation results for the State of Alaska Teachers' Retirement System (TRS).

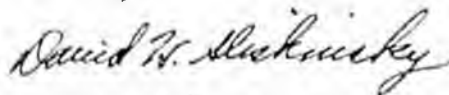
A \$2 billion Pension Obligation Bond is assumed to be issued along with making a \$500 million cash contribution. The contribution and bond are assumed to be deposited June 30, 2007 and the interest rate on the POB is assumed to be 5.6%. The Pension Obligation Bond payment is assumed to be paid at the end of the year as a level dollar amount over 25 years and will need to be paid regardless of the employer contribution amount or rate.

We have treated these deposits as an offset to the unfunded actuarial liability discounted back two years to the valuation date (June 30, 2005) for the FY08 rate and one year to the valuation date (June 30, 2006) for the FY09 rate. The results are based on the data, assumptions, methods and plan provisions as described in the June 30, 2005 valuation report, a level dollar amortization, and DB only payroll.

These results show less of a savings on the employer contribution rate than the letter dated February 28, 2007 since these results are based on June 30, 2005 results instead of June 30, 2006 results. These results incorporate the two-year delay between the valuation date and the date the contribution and POB are made. The February 28, 2007 letter only had a one-year delay.

If you have any questions regarding these calculations, please call.

Sincerely,



David H. Slishinsky, A.S.A.
Principal and Consulting Actuary

/mlp

P:\admin\alaska\2007\tr031271ds-TRS Email.doc

c: Ms. Melanie Millhorn, State of Alaska
Ms. Michelle DeLange, Buck Consultants

Projected Impact of Pension Obligation Bond and Cash Contribution
Projections of Employer Contribution Rates and Amounts
 Based on June 30, 2005 Actuarial Valuation

Teachers' Retirement System
 (\$ in thousands)

Fiscal Year	Projected Contribution Rate		Projected Contribution Amount	
	Current	with POB and cash	Current	with POB and cash
2006	21.00%	21.00%	\$117,818	\$117,818
2007	26.00%	26.00%	148,886	148,886
2008	54.03%	47.26%	289,826	253,511
2009	53.14%	43.33%	275,138	224,345
2010	60.01%	45.85%	296,199	226,307
2011	62.17%	43.97%	290,951	205,776
2012	66.20%	45.84%	293,955	203,548
2013	70.80%	48.28%	300,369	204,828
2014	75.95%	51.29%	304,028	205,314
2015	80.68%	53.90%	297,698	198,883
2016	86.05%	56.69%	289,435	190,681
2017	93.76%	60.80%	299,844	194,438
2018	105.28%	67.65%	310,515	199,528
2019	112.26%	70.87%	303,087	191,340
2020	123.56%	76.86%	286,941	178,490
2021	135.15%	82.19%	288,449	175,417
2022	160.68%	96.48%	304,787	183,009
2023	177.76%	104.25%	306,657	179,844
2024	205.31%	118.35%	323,530	186,497
2025	231.28%	131.21%	317,122	179,910
2026	258.19%	143.51%	279,220	155,199
2027	299.28%	161.94%	280,003	151,509
2028	389.64%	207.38%	329,784	175,522
2029	467.07%	243.13%	297,883	155,093
2030	328.54%	65.47%	166,281	33,136
2031	379.36%	13.51%	158,755	5,654
		Total	\$7,157,160	\$4,524,485
			Difference	\$2,632,675

Data, Assumptions, Methods and Plan Provisions:

- Assets are assumed to earn 8.25%.
- The POB contribution of \$2 billion and cash contribution of \$500 million are assumed to be made on June 30, 2007.
- The interest rate on the POB is 5.6%.
- Contributions include POB payments and rates based on DB payroll only.
- No payroll growth is used for FY08 rates and later.
- No new members after July 1, 2006.
- All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report.

State of Alaska
Public Employees' Retirement System
Employers who used SB46 Rate Relief to pay down unfunded liability
Fiscal Year 2006

ER No.	Employer Name	Original Amount	Balance used to pay down unfunded liability
230	Aleutians East Borough	50,537	50,537
173	Anchorage, Municipality of	6,615,843	748,094
144	Bristol Bay Borough	70,944	70,944
148	Cordova, City of	98,482	98,482
282	Delta Junction, City of	3,419	3,419
258	Denali Borough	29,484	29,484
129	Fairbanks, City of	305,784	305,784
192	Galena, City of	68,486	68,486
260	Kachemak, City of	3,068	3,068
122	Ketchikan Gateway Borough	206,307	206,307
181	Ketchikan, City of	415,937	415,937
128	Kodiak, City of	293,700	293,700
174	Kodiak Island Borough	113,667	113,667
247	Lake and Peninsula Borough	32,811	32,811
191	North Pole, City of	107,535	107,535
134	Palmer, City of	132,967	132,967
143	Petersburg, City of	198,490	198,490
266	Quinhagak, City of	1,552	1,552
182	Seward, City of	192,943	192,943
123	Soldotna, City of	139,473	139,473
169	Tanana, City of	11,285	11,285
249	Unalakleet, City of	13,698	13,698
107	Valdez, City of	255,619	255,619
248	Yakutat, City and Borough of	22,773	22,773
			3,517,055

In FY05, the City of Soldotna paid an additional contribution of \$1 million to PERS to pay down their unfunded liability. Payment was made on March 10, 2005.

State of Alaska
Public Employees' Retirement System
Employers who used SB231 rate relief to pay down unfunded liability
Fiscal Year 2007

ER No.	Employer Name	Original Amount	Balance used to pay down unfunded liability
230	Aleutians East Borough	33,915	33,915
136	Bethel, City of	282,716	275,716
148	Cordova, City of	112,553	112,553
271	Egegik, City of	2,830	2,830
129	Fairbanks, City of	333,653	333,653
235	Huslia, City of	5,215	5,215
180	Kenai Peninsula Borough	702,515	702,515
181	Ketchikan, City of	400,460	400,460
174	Kodiak Island Borough	118,047	118,047
128	Kodiak, City of	314,368	314,368
134	Palmer, City of	154,333	154,333
143	Petersburg, City of	206,671	206,671
198	Saxman, City of	5,637	5,637
182	Seward, City of	186,026	186,026
123	Soldotna, City of	136,756	136,756
			2,988,695

The following employers have not used their relief balances or requested it be used to pay down their unfunded liability. Any balance remaining at 6/30/07 will be used to pay down their unfunded liability. The Division last reminded employers of these balances and their options on 2/20/07.

208	Akulak, City of	16,941	-
259	Allakaket, City of	3,056	-
243	Atka, City of	4,628	-
171	Barrow, City of	47,355	-
258	Denali Borough	7,889	-
183	Fort Yukon, City of	24,209	-
192	Galena, City of	95,984	-
215	Homer, City of	248,456	-
199	Hoonah, City of	35,299	-
285	Hooper Bay, City of	1,576	-
260	Kachemak, City of	1,193	-
237	Kaltag, City of	870	-
122	Ketchikan Gateway Borough	214,686	-
151	King Cove, City of	50,001	-
227	Klawock, City of	31,917	-
287	Koyuk, City of	1,664	-
247	Lake and Peninsula Borough	19,656	-
236	Mountain Village, City of	1,786	-
193	Nanana, City of	12,244	-
241	Noorvik, City of	12,352	-
220	Northwest Arctic Borough	44,779	-
200	Pelican, City of	7,657	-
266	Quinhagak, City of	1,920	-
172	Saint Paul, City of	74,829	-
176	Sand Point, City of	38,396	-
286	Seldovia, City of	2,405	-
132	Skagway, City of	89,301	-
169	Tanana, City of	7,302	-
206	Thorne Bay, City of	10,435	-
249	Unalakleet, City of	11,157	-
179	Unalaska, City of	520,772	-
			1,640,725

All other employers who received rate relief are using that relief to offset required contributions.

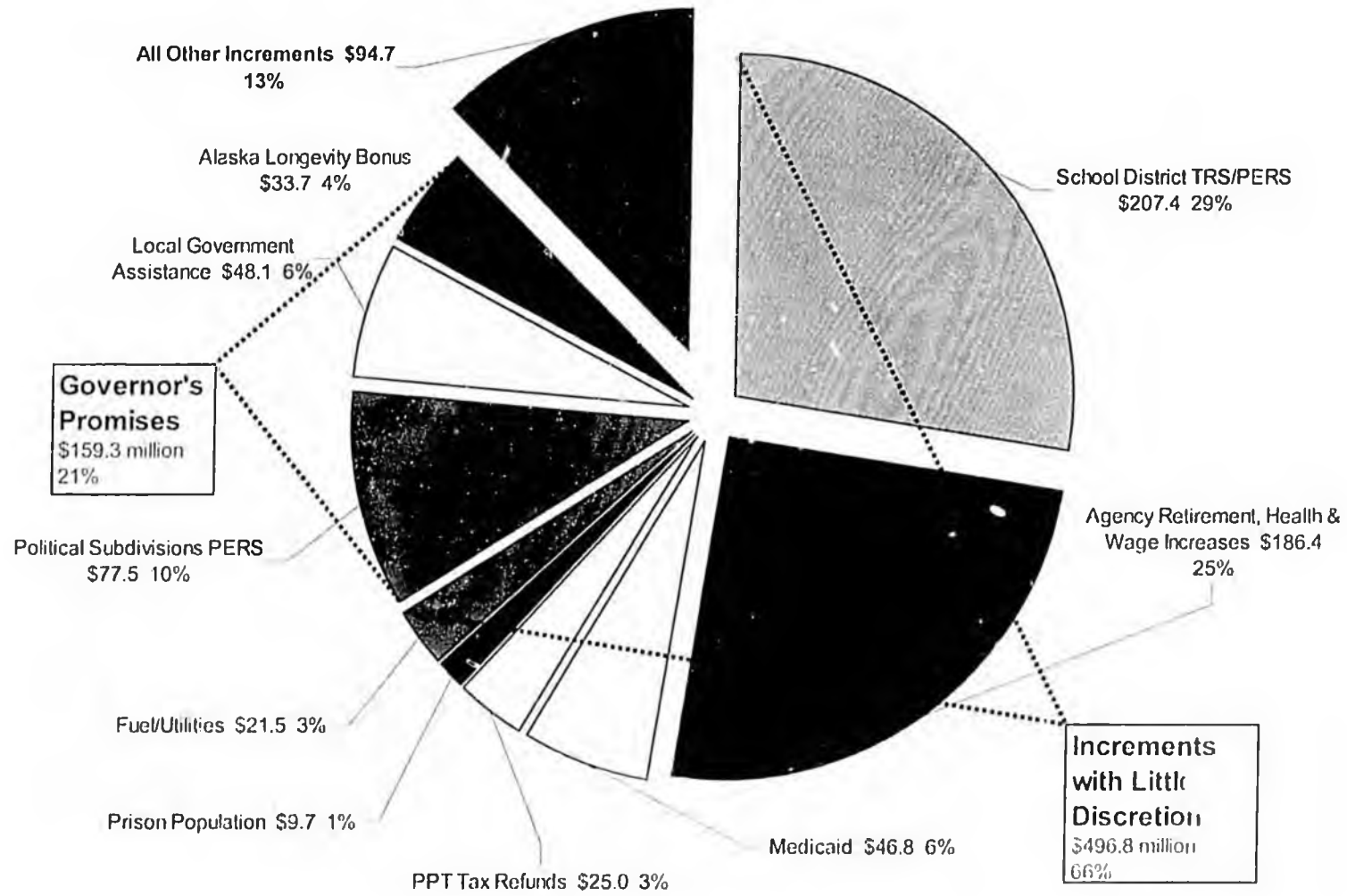
SB 125

Setting Employer Contribution Rates in Statute

Senate Finance Committee
April 23, 2007

Legislative Finance Division

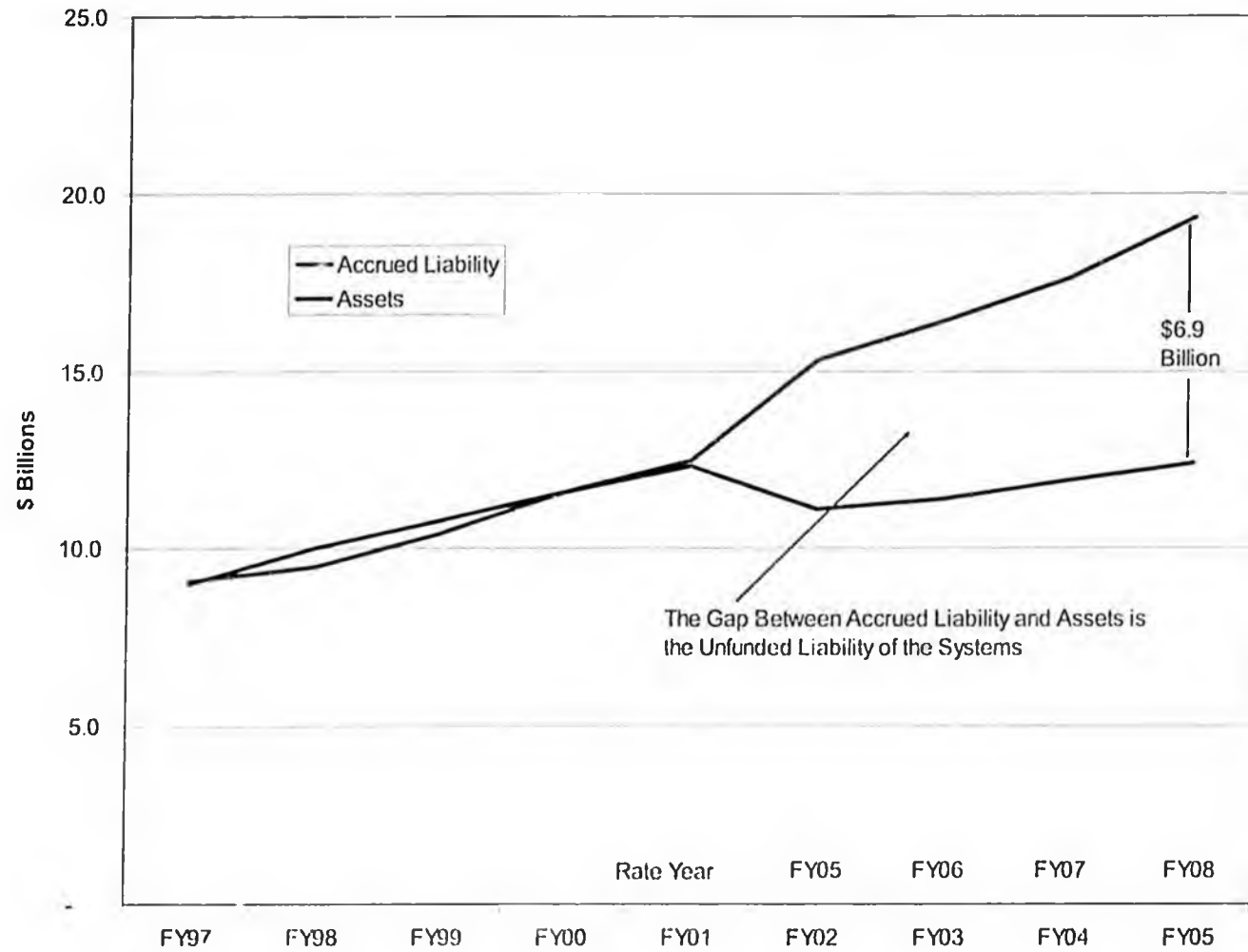
**Categorization of the Governor's FY08 GF Increments
(\$750.8 Million Total from FY07 Base)**



- The pie chart is based on June 2005 actuarial valuation (and a PERS contribution rate just under 40%).
- Preliminary June 2006 actuarial valuation put the PERS rate near 47%.
- Each point means a \$17 million cost increase, so the amount of PERS contributions could increase another \$120 million in FY09.

Liability/Asset Gap

PERS/TRS Funding Ratio



Recap of Major Points

1. The gap will grow before it begins to fill.
 - 5 point cap on annual rate increases
 - lag between action and response
2. Unfunded liability is not going away by itself—it is a bill that must be paid.
3. The State will pay most of the bill, either by appropriating money to agencies and school districts (so they can pay their bills) or by appropriating money directly to DOA.
4. The cost of the direct and indirect methods is identical in most cases.
5. Paying the bill is not the same as fixing the system.

Moving Forward

Goal: Find a permanent fix that is affordable to both the state and its political subdivisions.

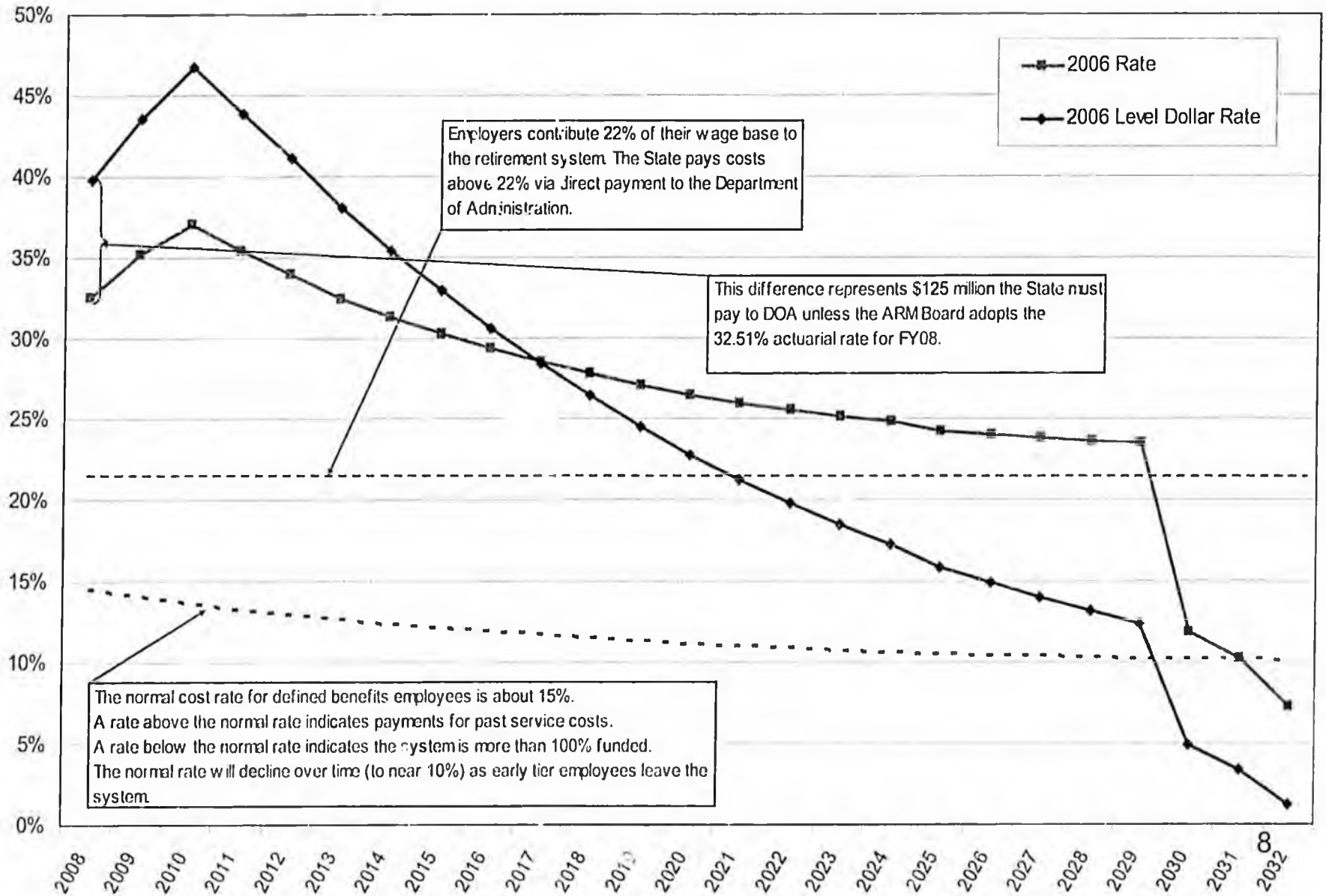
1. Paying TRS costs directly to DOA in order to reduce the employer contribution rate will save \$11 million annually in the University's Optional Retirement Plan. (In the operating budget; SB 125 makes the fix permanent)
2. Cap the employer contribution rate to PERS.
3. Revise actuarial methods.

Impact of SB 125's Fixed PERS Rate

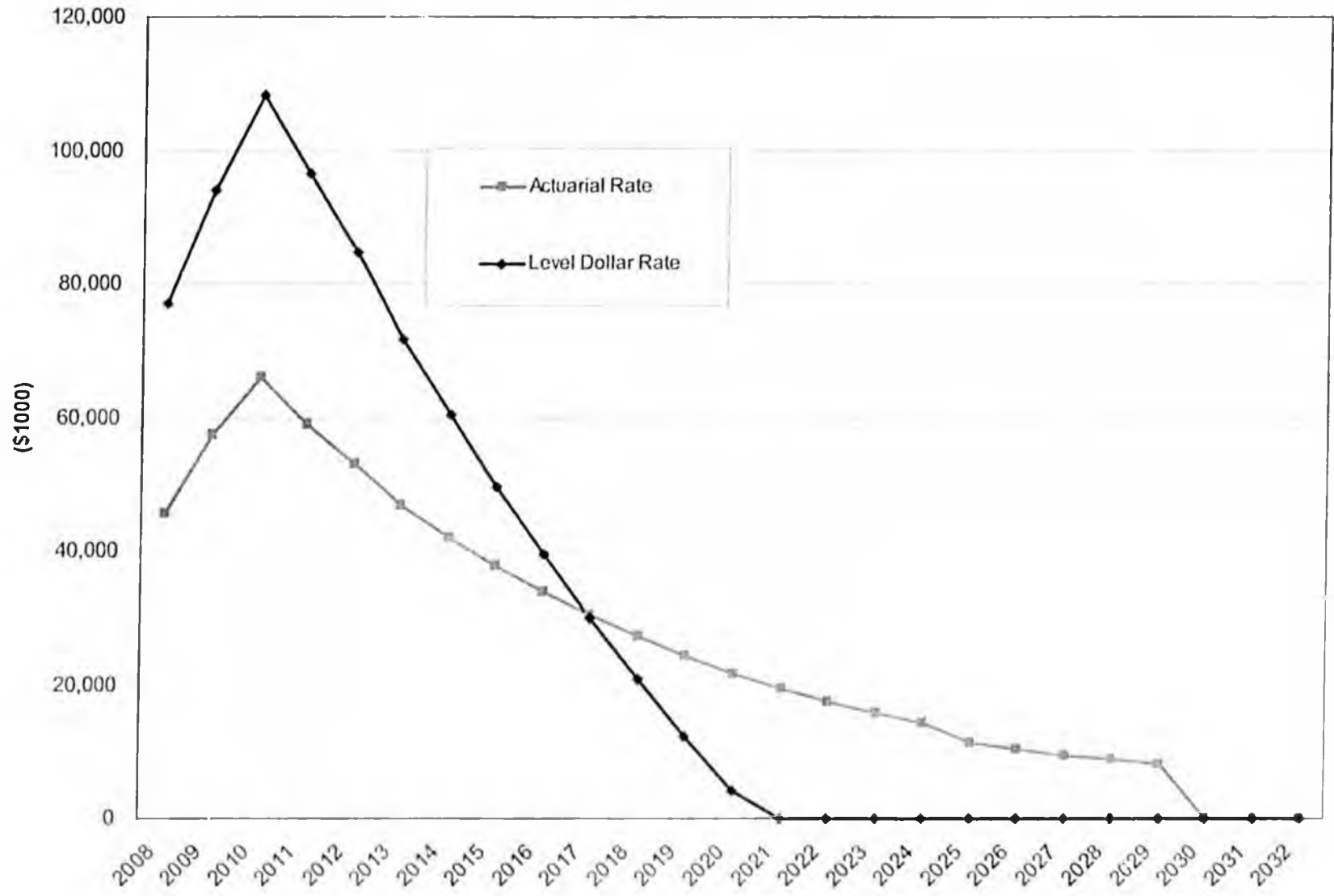
1. The impact is primarily on political subdivisions—the state pays the full bill for agencies. A fixed rate can make retirement costs more affordable to political subdivisions by shifting costs to the state; a fixed rate for employers does not reduce the total amount that must be paid.
2. Implements two of AML's three pillars—a fixed rate is as **stable** and **predictable** as possible.
3. The third pillar—**affordability**—is more complex. The bill must be paid; the question is “Who pays it?”

Resolution: SB 125 sets employer rates in statute at 22% of payroll, with the state picking up the remainder.

Contribution Rates on Total Alaska PERS Payroll Based on Buck's 2006 Actuarial Valuation



State Spending for Municipal PERS Assistance
 Based on Buck's 2006 Valuation
 (Real 2008 Dollars)



Reading the Charts

- The cost of municipal PERS assistance is expected to decline over time.
- Both payment schedules eliminate the unfunded liability in 25 years or less, but the Level Dollar method costs more, especially in the near-term.
- The amortization methods used by the actuaries produce rates that are too low in the distant future, implying that near-term rates are too high.
- Risk Sharing is not likely to be needed—it is likely that municipalities will push for a rate reduction in a few years.

What is not in the Charts

- Money to fund the “blue line” amortization schedule is in the operating budget; the \$125 million required to follow the “black line” schedule has not been appropriated.
- The revised revenue forecast essentially eliminates the FY08 surplus projected earlier, and a deficit is projected for FY09. This raises questions about the wisdom of paying as much as possible as soon as possible.
- We are no longer required to follow the black line because the full wage base is subject to contributions, meaning that PERS no longer operates as a closed system for funding purposes.

Where Do We Go From Here?

Work with the ARM Board to Revise Actuarial Methods and Reset FY08 Rates

Objectives:

1. A permanent, affordable fix for the burden that contribution rates above 22% would place on political subdivisions.
2. A smooth curve that pays off the unfunded liability in 25 years.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

SARAH PALIN, GOVERNOR

P.O. BOX 110203
JUNEAU, ALASKA 99811-0203
TDD: (907) 465-2805
FAX: (907) 465-3086
PHONE: (907) 465-4460
TOLL-FREE 1-800-821-2251

March 15, 2007

The Honorable Kim Elton
Alaska State Senate
State Capitol, Room 506
Juneau, Alaska 99801

Re: Request for Information regarding PERS and TRS

Dear Senator Elton:

This letter is written in response to questions received from you on February 15 and 16, 2007, and in follow-up to our meeting on February 23, 2007. I have re-stated the questions received below in italics with responses immediately following.

1. *Request to have unfunded liabilities broken out by Tier. The Division of Retirement and Benefits has done a fairly recent experience study on the retirement systems. As a result, I believe the division has detailed data on every PERS and TRS participant. It should be a relatively simple matter to sort the data and apply the formulas.*

Assets are not maintained or recorded by Tier, therefore we cannot calculate an unfunded liability necessary to determine the past service rate portion of the employer contribution rate by Tier. We will provide you with the normal cost rate and accrued liability by Tier since this information is available from the actuarial valuation summaries.

2. *Provide the employer contribution rates from page seven of this briefing document from February 2, 2007, broken out by normal cost and past service rate (see attached page from presentation).*

	PERS FY08 Actuarial Valuation <u>June 30, 2005</u>	TRS FY08 Actuarial Valuation <u>June 30, 2005</u>
Employer Normal Cost	14.48%	12.56%
Past Service Cost Rate	<u>18.03%</u>	<u>29.70%</u>
Average PERS Consolidated Rate	32.51%	42.26%

	PERS FY08 Level Dollar <u>June 30, 2005</u>	TRS FY08 Level Dollar <u>June 30, 2005</u>
Employer Normal Cost	14.48%	12.56%
Past Service Cost Rate	<u>25.28%</u>	<u>41.47%</u>
Average PERS Consolidated Rate	39.76%	54.03%

3. *When did you ask the systems' actuaries for a level-dollar amortization schedule, and when do you expect to receive it? If, as you stated at the 2/2 briefing, you do not yet have a level-dollar amortization schedule, on what basis did the ARMB adopt the level-dollar method for setting the employer contributions? On what basis did you prepare charts describing its impacts for your 2/15 presentation?*

The Alaska Retirement Management Board (ARMB) requested that Buck Consultants perform an actuarial study of the impact on the FY2008 employer contribution rates if the amortization schedule removed the 4.25% payroll growth rate assumption. On September 6, 2006, Buck provided this information to the Division, which was provided to the ARMB, on September 11, 2006. Additionally, Gabriel Roeder Smith and Company (GRS) reviewed the results of Buck Consultants 25-year amortized schedule for PERS and TRS without a payroll growth rate assumption and agreed that Buck Consultants had correctly applied the level dollar assumption. On September 11, 2006, the ARMB reviewed both reports from Buck Consultants and GRS and adopted the level dollar amortization schedule.

When I responded to this question on February 2, 2007, I had not realized that the Division had a projection schedule in the actuarial valuation report that did not use the payroll growth factor beyond FY08. This projection is found on page 29 of the PERS actuarial valuation report, and page 23 of the TRS actuarial valuation report. In order to develop the charts found on slides 7, 8, and 9 of the presentation, the Division used a letter dated October 9, 2006, from Buck Consultants that was developed to determine what the impact would be to the PERS and TRS if an additional \$500 million state contribution was made to the retirement systems under 3 different scenarios. This projection had used a level dollar amortization schedule since the ARMB had adopted this assumption on September 11, 2006. A copy of this letter from Buck Consultants was provided to Jesse Kiehl, your staff member, during our meeting on February 23, 2006.

4. *When Buck sets its investment return expectations, what historical time period is used to analyze asset class performance?*

Buck uses a long-term time horizon when setting economic assumptions, including the investment return assumption. A long-term time horizon is most appropriate since the actuarial valuation projects expected benefit payments 40 to 50 years in the future for the average active member. The expected nominal return is composed of two assumptions: inflation and the real rate of return expected given the funds asset allocation and investment policy. Each asset class is analyzed and a real rate of return expectation is set based on historical experience and future expectations. A total real return rate for the portfolio is determined based on the asset allocation of each asset class, and expected long-term inflation is added to this to arrive at the nominal rate.

5. *What are the valuation year FY01 ratios of assets to liabilities for the PERS and TRS trust funds, with assets and liabilities appropriately restated?*

In response to your question, the audit findings from 2002 did not result in a restatement of assets and liabilities for the 2001 actuarial valuation reports. These types of changes are normally incorporated prospectively. As we had discussed during our meeting on February 23, 2007, Milliman USA conducted an audit of the PERS and TRS systems in 2002. The recommendations from this audit were incorporated into the 2002 actuarial valuation reports for PERS and TRS. As a result of the audit findings, the liabilities increased with a corresponding decrease in the funding ratios for PERS and TRS (see attached pages from the 2002 actuarial valuations) this result increased employer contribution rates for PERS and TRS for FY05. Please refer to the attached pages from the PERS and TRS actuarial valuation reports for 2002. Also, I wanted to let you know that the current and historical valuation reports can be found on the division's webpage by going to: <http://www.state.ak.us/local/akpages/ADMIN/drb/home.htm>

6. *You told the committee the level-dollar amortization schedule would result in removing the unfunded liability over a "shorter period." The charts accompanying your presentation showed both the level dollar and the level percent of pay methods clearing the unfunded liability at 2029. Please reconcile the statement with the charts.*

Please refer to slides 12 and 13 regarding the level dollar amortized schedule, which were prepared by Buck Consultants for illustration purposes. I stated that the level dollar amortized schedule acts to liquidate the unfunded liability in a faster manner when compared to the percent of pay amortized schedule over the 25-year schedule. On slide number 13, Buck Consultants notes, "Level dollar amortized method reduces the unfunded balance more quickly." If you review slide 13, you can see that the red line which depicts the level dollar amortized schedule does liquidate the unfunded liability faster when you compare with the blue line representing the percent of pay method. It is the delta between the two lines that you want to take note of. I indicated that the plans are closed and that it is appropriate to use a level dollar amortized schedule for a closed plan. I further stated that adopting the level dollar amortized schedule is expected to save

\$140 million for PERS and \$74 million for TRS over the 25-year amortized schedule FY08 through FY2031.

7. *Closing the DB trust funds to new entrants deprived the trusts of the employer contributions forfeited by employees who refund out of the PERS and TRS systems. Please provide the value of these forfeitures by year for each of the past five years, both in dollars and as a percentage of total contributions to the trust funds.*

PERS and TRS are defined benefit plans, not individual account plans. Employer contributions are not accounted for by individual, only records of member contribution balances are maintained. The amount of employer contributions forfeited each year by terminating members who receive a refund of member contributions is not available. It is important to note that the actuarial valuations include the forfeitures by members who terminate from the system and refund out their contributions and interest earnings. These forfeitures are used to pay for the benefits of members that remain in the system and later receive benefits. If this was not factored into the actuarial valuations then the normal cost would be higher.

8. *You said "former members" of PERS and TRS – those who refunded their contributions – are not booked as liabilities unless and until they re-establish themselves as members with indebtedness. Do the actuaries include the historical 800-900 members per year who do so in their assumptions for the plans? Did the division include this practice as an element of the recent experience study for the systems?*

If a former member who received a refund of contributions is re-employed, the member's prior service is included in the projection of future benefits, and is offset by the value of repayment necessary to reinstate the prior service. This assumes all re-employed members will repay their refunded contributions and re-establish their prior service. We do not include any members in the valuation who have terminated and received a refund of contributions. We assume none of these members will be re-employed.

We realize not all re-employed members will repay their refund, and some of the terminated members who received a refund will be re-employed. Given these offsetting assumptions, we don't expect actual experience will be materially different, although this was not analyzed in the recent experience analysis.

9. *The normal cost rate set by the ARMB must be adequate to cover benefits as they accrue. You stated that any additional entrants to the DB systems would result in growth of the unfunded liability. If this is so, how can the normal cost rate be adequate?*

If the normal cost for new entrants is paid into the fund, and all the actuarial assumptions are exactly met, there would be no new unfunded liabilities created by new employees. If actuarial losses are experienced on new employees, further growth in the unfunded liability would result. However, although this is possible, actuarial assumptions are set with the expectation no actuarial gains or losses would result in the long-term.

Senator Kim Elton
Senate Finance Subcommittee
March 15, 2007
Page 5

In closing, I apologize for the delay in my response and appreciate the opportunity to provide you and the members of Senate Finance with this information. Please let us know if you have any questions about this correspondence.

Sincerely

A handwritten signature in black ink, appearing to read 'Melanie Millhorn', with a long, sweeping horizontal stroke extending to the right.

Melanie Millhorn
Director

Enclosure(s)

cc: Members of Senate Finance

Annette Kreitzer, Commissioner
Department of Administration

Rachael Petro, Deputy Commissioner
Department of Administration

Charlene Morrison, Chief Financial Officer, Division of Retirement and Benefits
Department of Administration

Alaska Public Employees' and Teachers' Retirement Systems Earnings – Actuarial Rate – Employer Rates – Funding Ratios

Public Employees' Retirement System

Valuation Year	FY 01	FY 02	FY 03	FY 04	FY 05
Employer Contribution Fiscal Year	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>
Actual Investment Return	(5.25%)	(5.48%)	3.67%	15.08%	8.95%
<u>Actuarial</u> Investment Return	8.25%	8.25%	8.25%	8.25%	8.25%
Unfunded Liability, <i>in billions</i>	\$0.73	(\$2.4)	(\$2.9)	(\$3.4)	(\$4.4)
Average Calculated Rate	6.77%	24.91%	25.63%	28.19%	32.51%
Board Adopted Rate	6.77%	11.77%	16.77%	21.77%	*39.76%
Funding Ratio – Assets \ Liabilities					
Total Benefits	100.9%	75.2%	72.8%	70.2%	65.7%
Total Employer Contribution Amount In Millions	\$105.6	\$178.2	\$272.3	\$354.8	\$676.8

Teachers' Retirement System

Valuation Year	FY 01	FY 02	FY 03	FY 04	FY 05
Employer Contribution Fiscal Year	<u>FY 04</u>	<u>FY 05</u>	<u>FY 06</u>	<u>FY 07</u>	<u>FY 08</u>
Actual Investment Return	(5.35%)	(5.49%)	3.68%	15.09%	9.01%
<u>Actuarial</u> Investment Return	8.25%	8.25%	8.25%	8.25%	8.25%
Unfunded Liability, <i>in billions</i>	(\$0.2)	(\$1.7)	(\$2.1)	(\$2.3)	(\$2.5)
Average Calculated Rate	14.44%	35.57%	38.85%	41.78%	42.26%
Board Adopted Rate	12.00%	16.00%	21.00%	26.00%	*54.03%
Funding Ratio – Assets \ Liabilities					
Total Benefits	95.0%	68.2%	64.3%	62.8%	60.9%
Total Employer Contribution Amount In Millions	\$68.7	\$93.5	\$128.0	\$164.3	\$351.7

Total PERS/TRS Unfunded Liability \$0.053 | (\$4.4) | (\$5.0) | (\$5.7) | (\$6.9)

On Oct 4, 2006, the ARMB was presented with the results of the Actuarial Experience Analysis by Buck Consultants that recommended adjustments to the assumptions for PERS and TRS. The ARMB adopted Buck's recommendations. The recommended adjustments will be incorporated into the FY06 valuations that will set the FY09 employer rates for PERS and TRS. Using the FY05 valuations, Buck Consultants has estimated the adjustments to the assumptions will increase the unfunded liability to approximately \$8.6 billion (\$5.5 PERS and \$3.1 TRS).

* Level dollar amortization schedule adopted by the ARMB.

October, 2006
Division of
Retirement and
Benefits

Report Highlights

This report has been prepared by Mercer Human Resource Consulting for the State of Alaska Public Employees' Retirement System to:

- (1) Present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 2002;
- (2) Review experience under the plan for the year ended June 30, 2002;
- (3) Determine the appropriate contribution rate for each employer in the System; and
- (4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 2002 Fiscal Year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities.

The principal results are as follows:

Funding Status as of June 30	2001	2002
(a) Valuation assets*	\$ 7,941,756	\$ 7,412,833
(b) Accrued liability*		
i) Non-medical benefits	5,528,026	6,133,182
ii) Total benefits (including medical)	7,868,574	9,859,591
(c) Funding Ratio, (a) + (b)		
i) Non-medical benefits	143.7%	120.9%
ii) Total benefits (including medical)	100.9%	75.2%

* In thousands.

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the average employer contribution rate:

1. Last year's average employer contribution rate	6.77%
2. Change due to:	
a. Resetting FY03 assumed total blended medical premium	3.68%
b. Health Cost trend assumption change	6.98%
c. Asset methodology change - immediate recognition of deferred losses	7.24%
d. Asset methodology change - elimination of corridor adjustments	4.11%
e. System benefit changes	0.04%
f. Ad hoc PRPA	0.14%
g. Salary increases	(0.20%)
h. Demographic experience	1.21%
i. Past service amortization change	(5.06%)
3. Average employer contribution rate this year	24.91%

Report Highlights

This report has been prepared by Mercer Human Resource Consulting for the State of Alaska Teachers' Retirement System to:

- (1) Present the results of a valuation of the Alaska Teachers' Retirement System as of June 30, 2002;
- (2) Review experience under the plan for the year ended June 30, 2002;
- (3) Determine the appropriate contribution rate for each employer in the System; and
- (4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 2002 Fiscal Year, the current annual costs, and reporting and disclosure information.

Section 2 describes the basis of the valuation. It summarizes the plan provisions, provides information relating to the plan participants, and describes the funding methods and actuarial assumptions used in determining liabilities and costs.

Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities.

The principal results are as follows:

Funding Status as of June 30	2001	2002
(a) Valuation assets*	\$ 4,372,229	\$ 3,689,036
(b) Accrued liability*		
i) Non-medical benefits	3,651,438	3,959,958
ii) Total benefits (including medical)	4,603,147	5,411,642
(c) Funding Ratio, (a) ÷ (b)		
i) Non-medical benefits	119.7%	93.2%
ii) Total benefits (including medical)	95.0%	68.2%

* In thousands.

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the total employer contribution rate:

1. Last year's total employer contribution rate	14.44%
2. Change due to:	
a. Resetting FY03 assumed total blended medical premium	3.85%
b. Health cost trend assumption change	6.84%
c. Asset methodology change – immediate recognition of deferred losses	15.03%
d. Asset methodology change – elimination of corridor adjustment	0.03%
e. Salary increases	(0.11%)
f. Demographic experience	4.21%
g. Ad hoc PRPA	0.36%
h. Past service amortization change	(9.08%)
3. Total employer contribution rate this year	35.57%



March 19, 2007

VIA E-MAIL

Ms. Charlene Morrison
Chief Financial Officer
State of Alaska
Department of Administration
Division of Retirement and Benefits
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: PERS and TRS Accrued Liability and Normal Cost Rate by Tier

Dear Charlene:

As requested, we have attached the Actuarial Accrued Liability and Employer Normal Cost Rate split by tier for the State of Alaska Public Employees' Retirement System and Teachers' Retirement System.

The portion of accrued liability attributable to healthcare benefits has grown significantly over the last nine years. For PERS, the portion of accrued liability attributable to healthcare benefits has grown from 28% in 1996 to 45% in 2005. For TRS, healthcare benefits have grown from 18% of the accrued liability in 1996 to 33% in 2005.

For comparison purposes, we have also shown the employer rates for the Defined Contribution Retirement (DCR) plan. These rates can be compared to the employer normal cost rates of the defined benefit plans to determine the relative difference in ongoing benefit costs. There is no unfunded liability in the DCR plan, and therefore no past service rate exists to pay unfunded liabilities.

The results are based on the data, assumptions, methods and plan provisions as described in the June 30, 2005 valuation reports. The Past Service Rate is based on a level percentage of payroll.

If you have any questions regarding these calculations, please call.

Sincerely,

David H. Sliskinsky, A.S.A.
Principal and Consulting Actuary

/mlp

c: Ms. Melanie Millhorn, State of Alaska
Ms. Michelle DeLange, Buck Consultants

3/21/07

PERS and TRS Accrued Liability and Normal Cost Rate by Tier

	Liabilities and Normal Cost Rate by Tier (\$ in thousands)					
	PERS			TRS		
	Pension	Medical	Total	Pension	Medical	Total
DB Employer Normal Cost Rate						
Tier 1	9.15%	10.46%	19.61%	7.18%	8.02%	15.20%
Tier 2	5.33%	10.41%	15.74%	2.16%	8.96%	11.12%
Tier 3	1.55%	9.28%	10.83%	N/A	N/A	N/A
Combined Employer Normal Cost Past Service Rate*	4.57%	9.91%	14.48%	3.96%	8.60%	12.56%
			18.03%			29.70%
Total DB Rate			32.51%			42.26%
Employer DCR Rate	5.67%	3.99%	9.66%	7.56%	3.99%	11.55%
DB Accrued Liability						
Tier 1	\$ 5,628,778	\$ 4,036,751	\$ 9,665,530	\$ 3,925,023	\$ 1,816,223	\$ 5,741,247
Tier 2	1,123,559	1,334,674	2,458,233	409,562	347,748	757,309
Tier 3	334,854	386,224	721,078	N/A	N/A	N/A
Total	\$ 7,087,191	\$ 5,757,650	\$ 12,844,841	\$ 4,334,585	\$ 2,163,971	\$ 6,498,556
Actuarial Value of Assets			8,442,919			3,958,939
Unfunded Actuarial Accrued Liability			\$ 4,401,922			\$ 2,539,617

*Represents amortization of the unfunded actuarial accrued liability for current defined benefit members.

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

DIVISION OF RETIREMENT AND BENEFITS

SARAH PALIN, GOVERNOR

P.O. BOX 110203
JUNEAU, ALASKA 99811-0203
TDD: (907) 465-2805
FAX: (907) 465-3086
PHONE: (907) 465-4460
TOLL-FREE 1-800-821-2251

March 21, 2007

The Honorable Senator Stedman
Chairman, Senate Finance
Alaska State Senate
State Capitol, Room 516
Juneau, Alaska 99801

Re: Request for Information Senate Finance Meeting March 19, 2007

Dear Senator Stedman:

This letter provides a written response to information requests from you and other members of Senate Finance on March 19, 2007. I have noted below the requests received during the Senate Finance hearing and have attached the documents that respond to those requests.

1. Request for a comparison of the elements of PERS and TRS.
2. Listing of members by employer, category and Tier i.e., State of Alaska, University, and other participating employers.
3. PERS employers whose FY08 calculated rate is less than the FY08 normal cost rate.
4. Response to request for information on normal cost by individual Tier and accrued liability by individual by Tier (earlier request from Senator Elton).

Please let us know if you have any questions about this information.

Sincerely



Melanie Millhorn
Director

Enclosure(s)

cc: Members of Senate Finance

Annette Kreitzer, Commissioner
Department of Administration

Rachael Petro, Deputy Commissioner
Department of Administration

Charlene Morrison, Chief Financial Officer, Division of Retirement and Benefits

3/21/07

Comparison of the Public Employees' and Teachers' Defined Benefit Retirement Systems

Plan Provision	PERS DB	TRS DB
Funding Design	Agent multiple employer plan. Each employer has it's own rate.	Cost share plan.
Vesting	5 years of membership service.	8 years of membership service.
Service Types	Full-time, part-time, seasonal	Full-time, part-time, sabbatical
Service Accrual	Full-time: Day for day basis, including weekends and holidays. Part-time: hours worked.	All service accrues based on days worked. 172 full time days worked equals one year of service accrual. Part-time service must be a minimum of 50% of full-time and is credited on a proportionate basis.
Service Purchases	Military, Worker's Compensation, Temporary Service, Bureau of Indian Affairs (non-teaching), Village Public Safety Officer, prior peace officer.	Teaching time outside of Alaska, military service, leave without pay.
Unused Sick Leave	Cannot use.	Can use total USL at time of retirement for additional service credit in the calculation of a retirement benefit.
Medical Eligibility Requirement	System-paid medical premiums at early or normal retirement for Tier I. Tier II and III receive system-paid medical premiums at age 60. Tier II, III Peace officer/firefighters have system-paid medical premiums with 25 years of membership service regardless of age. Tier III must have 10 years of credited service and be age 60 to receive system-paid medical premiums. Tier III with less than 10 years have access to medical and pay full premium.	System-paid medical premiums at early or normal retirement for Tier I. Tier II receives system-paid medical premiums at age 60 or with 25 years of membership service, regardless of age.
Medical Benefits	\$150 deductible per person/\$300 per family. Pays 80% of the first \$4,000 in covered claims in a benefit year, 100% of covered claims for the remainder of the benefit year. \$2 million maximum lifetime coverage.	Same as PERS.
Retirement Eligibility Requirement	Minimum vested (5 years) and age eligible. Tier I age 50 for early retirement, age 55 for normal retirement. Tier II and III age 55 for early retirement, age 60 for normal retirement, or any age with 20 years of membership service for peace officer/firefighters or 30 years for all other PERS members.	Minimum vested (8 years) and age eligible. Tier I age 50 for early retirement, age 55 for normal retirement. Tier II age 55 for early retirement, age 60 for normal retirement; or any age with 20 years of membership service.
Compensation for benefit calculation	Tiers I, II use the monthly average of the 3 highest consecutive years. Tier III uses the monthly average of the 5 highest consecutive years.	Average of any three high contract years.

Plan Provision	PERS DB	TRS DB
Benefit calculation	2% x avg sal. x 10 yrs; plus 2.25% x avg sal. for next 10 yrs; plus 2.5% x avg. sal for all years over 20.	2% x avg base sal. x 20 yrs; plus 2.5% x avg base sal for all years over 20.
Alaska Cost of Living Allowance	Tier I, at retirement if principally domiciled in Alaska. Tier II and III at age 65 if principally domiciled in Alaska.	Tier I, at retirement if principally domiciled in Alaska. Tier II at age 65 if principally domiciled in Alaska
Post-Retirement Pension Adjustment	50% of change in CPI in Anchorage at age 60 or when retirement benefit has been received for 5 years. 75% of change in CPI in Anchorage for disabilitants and retirees age 65.	50% of change in CPI in Anchorage at age 60 or when retirement benefit has been received for 8 years. 75% of change in CPI in Anchorage for disabilitants and retirees age 65.
Other Retirement Savings Plans available	State employees and 14 other political subdivisions: Supplemental Benefit-Annuity (SBS-AP) replacement for Social Security. State employees also participate in the State's deferred compensation plan. Other PERS employers: Employer sponsored deferred compensation plans, IRAs, Social Security.	403(b) Plans, employer sponsored or deferred compensation plans. Alaska teachers do not participate in Social Security.

DATA AS OF 3/19/07

State of Alaska

PERS 101	Active	Deferred	Retired
Tier 1	3,323	1,748	10,748
Tier2	3,720	2,179	1,345
Tier 3	7,975	3,183	108
Tier 4	873	98	-

University

PERS 113	Active	Deferred	Retired
Tier 1	484	425	1,201
Tier2	595	603	182
Tier 3	1,654	1,180	22
Tier 4	50	3	-

All other participating Employers

PERS (the rest)	Active	Deferred	Retired
Tier 1	2,897	1,843	7,610
Tier2	3,871	3,059	1,286
Tier 3	8,823	6,052	137
Tier 4	1,291	142	-

Department of Education

TRS 737	Active	Deferred	Retired
Tier 1	22	5	178
Tier2	55	23	4
Tier 3	4	-	-

University

TRS 733	Active	Deferred	Retired
Tier 1	238	84	1,052
Tier2	301	110	18
Tier 3	16	2	-

All other participating Employers

TRS (the rest)	Active	Deferred	Retired
Tier 1	2,439	718	7,943
Tier2	6,979	2,433	278
Tier 3	734	30	-

PERS EMPLOYERS WHOSE FY08 RATE WAS LESS THAN THE NORMAL COST RATE

ER		FY08 Actuarial calculated rate before adjustment to statutory floor	FY08 Board Adopted Rate	FY08 Cost Share rate under Administration's Plan
208	AKUTAN, CITY OF	1.13%	14.48%	31.86%
283	ANDERSON, CITY OF	0.00%	14.48%	31.86%
183	FORT YUKON, CITY OF	9.58%	14.48%	31.86%
285	HOOPER BAY, CITY OF	13.56%	14.48%	31.86%
294	MOUNTAIN VILLAGE, CITY OF	14.38%	14.48%	31.86%
266	QUINHAGAK, CITY OF	3.49%	14.48%	31.86%
169	TANANA, CITY OF	0.00%	14.48%	31.86%
	PERS Poli Subs			
	PERS Other			
162	ALEUTIAN REGION SD	0.00%	14.48%	31.86%
103	ANNETTE ISLAND SD	11.53%	14.48%	31.86%
257	PELICAN CITY SD	11.09%	14.48%	31.86%
	PERS School Districts			



March 19, 2007

VIA E-MAIL

Ms. Charlene Morrison
Chief Financial Officer
State of Alaska
Department of Administration
Division of Retirement and Benefits
333 Willoughby Avenue
6th Floor State Office Building
Juneau, AK 99811-0208

Re: PERS and TRS Accrued Liability and Normal Cost Rate by Tier

Dear Charlene:

As requested, we have attached the Actuarial Accrued Liability and Employer Normal Cost Rate split by tier for the State of Alaska Public Employees' Retirement System and Teachers' Retirement System.

The portion of accrued liability attributable to healthcare benefits has grown significantly over the last nine years. For PERS, the portion of accrued liability attributable to healthcare benefits has grown from 28% in 1996 to 45% in 2005. For TRS, healthcare benefits have grown from 18% of the accrued liability in 1996 to 33% in 2005.

For comparison purposes, we have also shown the employer rates for the Defined Contribution Retirement (DCR) plan. These rates can be compared to the employer normal cost rates of the defined benefit plans to determine the relative difference in ongoing benefit costs. There is no unfunded liability in the DCR plan, and therefore no past service rate exists to pay unfunded liabilities.

The results are based on the data, assumptions, methods and plan provisions as described in the June 30, 2005 valuation reports. The Past Service Rate is based on a level percentage of payroll.

If you have any questions regarding these calculations, please call.

Sincerely,

David H. Slisinsky, A.S.A.
Principal and Consulting Actuary

/mlp

c: Ms. Melanie Millhorn, State of Alaska
Ms. Michelle DeLange, Buck Consultants

PERS and TRS Accrued Liability and Normal Cost Rate by Tier

Liabilities and Normal Cost Rate by Tier (\$ in thousands)

	PERS			TRS		
	Pension	Medical	Total	Pension	Medical	Total
DB Employer Normal Cost Rate						
Tier 1	9.15%	10.46%	19.61%	7.18%	8.02%	15.20%
Tier 2	5.33%	10.41%	15.74%	2.16%	8.96%	11.12%
Tier 3	1.55%	9.28%	10.83%	N/A	N/A	N/A
Combined Employer Normal Cost Past Service Rate*	4.57%	9.91%	14.48%	3.96%	8.60%	12.56%
			18.03%			29.70%
Total DB Rate			32.51%			42.26%
Employer DCR Rate	5.67%	3.99%	9.66%	7.56%	3.99%	11.55%
DB Accrued Liability						
Tier 1	\$ 5,628,778	\$ 4,036,751	\$ 9,665,530	\$ 3,925,023	\$ 1,816,223	\$ 5,741,247
Tier 2	1,123,559	1,334,674	2,458,233	409,562	347,748	757,309
Tier 3	334,854	386,224	721,078	N/A	N/A	N/A
Total	\$ 7,087,191	\$ 5,757,650	\$ 12,844,841	\$ 4,334,585	\$ 2,163,971	\$ 6,498,556
Actuarial Value of Assets			8,442,919			3,958,939
Unfunded Actuarial Accrued Liability			\$ 4,401,922			\$ 2,539,617

*Represents amortization of the unfunded actuarial accrued liability for current defined benefit members.

**PUBLIC EMPLOYEES' / TEACHERS' RETIREMENT SYSTEM
INFORMATION BRIEFING**

Subject: PERS / TRS Tier Classification Medical Benefits

Date: October 12, 2006

PERS	Tier 1	Tier 2	Tier 3	Total
Active	6,745	8,280	19,313	34,338
Deferred Vested	2,387	2,968	776	6,131
Deferred	1,776	2,929	9,302	14,007
Retired	18,871	2,625	225	21,721
Total	29,779	16,802	29,616	76,197
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>Disabilitants, regardless of age, receive medical coverage.</p>	<p>System paid medical benefits for Peace Officer/Firefighters after 25 years or "all others" at 30 years of service.</p> <p>Eligible after vesting and normal retirement age of 60 or early retirement at age 55.</p> <p>Disabilitants, regardless of age, receive medical coverage.</p>	<p>System paid medical benefits for Peace Officer/Firefighters after 25 years or "all others" at 30 years of service.</p> <p>Eligible at age 60 after vesting with 10 years of credited service. Under age 60 must pay premium.</p> <p>Disabilitants, regardless of age, receive medical coverage.</p>	

TRS	Tier 1	Tier 2	Total
Active	2,647	7,366	10,013
Deferred Vested	309	357	666
Deferred	537	2,278	2,815
Retired	8,987	283	9,270
Total	12,480	10,284	22,764
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>Disabilitants, regardless of age, receive medical coverage.</p>	<p>System paid medical benefits after 25 years of service</p> <p>Eligible after vesting and normal retirement age of 60 or early retirement at age 55.</p> <p>Disabilitants, regardless of age, receive medical coverage.</p>	



March 29, 2007

VIA EMAIL

Ms. Kathy Lea
Retirement Benefits Manager
State of Alaska
Department of Administration
Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203

Re: PERS Analysis Request

Dear Kathy:

As requested, we have analyzed two scenarios regarding contributions to pay down the unfunded actuarial accrued liability for the State of Alaska Public Employees' Retirement System (PERS). Scenario 1 uses the annual required contribution rate in the 2005 valuation of 32.51% and level percent of pay amortization going forward. Scenario 2 uses the funding rate adopted by the Alaska Retirement Management Board (ARMB) of 39.76% and level dollar amortization going forward.

The unfunded actuarial accrued liability used in these calculations is based on the June 30, 2005 valuation results for PERS. The 2005 valuation results are the most recent projections that are available. We will present the projections based on the 2006 valuation, including new assumptions and methods at the June 2007 ARMB meeting.

We are using the assumption that PERS goes to a cost sharing plan and the employer contribution rate for the DB and DCR plans is set in statute to be 22% of the total DB and DCR payroll. The difference between the 22% of total payroll and the DCR contribution rate of 9.77% will go into the DB plan. The State of Alaska will pay the difference between contributions paid by employers and the contributions needed to meet the annual required contribution in the DB Plan.

Please see page 47 of our June 30, 2005 Experience Analysis report for our recommendation on the use of the level dollar amortization method. If state statutes are changed to base the employer contribution rates on total payroll (DB and DCR payroll combined), then the level percentage of payroll method could be used to determine the funding rate. However, since GASB allows amortizing the unfunded liability as a level percentage of payroll for *active members* only if the payroll is expected to increase, you could not use this approach for GASB disclosure since the closed group will result in a decline of payroll of *active members*. This would cause a difference between the funding rate and the GASB ARC for disclosure, resulting in an employer contribution that is less than 100% of the GASB Annual Required Contribution (ARC) for several years.

Ms. Kathy Lea
March 29, 2007
Page 2

We prefer not to release our projection software. We would be happy to run additional projections or sensitivity analyses for you. If you have any questions regarding these calculations, please call.

Sincerely,



David H. Sliskinsky, A.S.A.
Principal and Consulting Actuary

/kr

P:\Admin\Alaska\2007\br032971dl's.doc

Enclosures

c: Ms. Christina Maiquis, State of Alaska
Ms. Michelle DeLange, Buck Consultants

Projected Impact of PERS Cost Sharing Plan
 Projections of Contribution Amounts on Total Payroll and by State of Alaska
 Based on June 30, 2005 Actuarial Valuation

Public Employees' Retirement System
 (\$ in thousands)

Scenario 1

Fiscal Year	Projected Employer Contribution Rate	DB Salary	DCR Salary	Annual Required Contribution	Employer Contributions ¹	Amount of DCR Contributions to Pay DB		Amount Paid by State of Alaska	Funded Ratio
						Plan	Unfunded		
2006	16.77%	\$ 1,586,891	\$ -	\$ 266,122	\$ 266,122	\$ -	\$ -	N/A	66%
2007	21.77%	1,635,324	14,859	359,245	361,062	1,817	20,689	196,898	65%
2008	32.51%	1,547,025	169,165	557,933	377,562	37,525	20,689	242,551	67%
2009	33.91%	1,478,011	306,826	605,238	392,664	54,253	37,525	273,512	68%
2010	34.40%	1,412,624	443,607	638,543	408,371	70,883	54,253	278,437	70%
2011	33.49%	1,350,899	579,581	646,518	424,706	88,276	70,883	285,344	71%
2012	32.70%	1,285,898	721,801	656,518	441,694	105,677	88,276	288,628	72%
2013	31.78%	1,223,927	864,080	663,569	459,362	122,617	105,677	289,700	73%
2014	30.83%	1,168,933	1,002,595	669,482	477,736	140,979	122,617	297,132	74%
2015	30.17%	1,105,656	1,152,733	681,356	496,846	159,567	140,979	297,049	76%
2016	29.22%	1,044,006	1,304,718	686,297	516,719	179,666	159,567	300,635	77%
2017	28.44%	973,612	1,469,061	694,696	537,388	199,666	179,666	300,635	78%
2018	27.56%	890,139	1,650,241	700,129	558,884	221,324	199,666	302,474	79%
2019	26.50%	832,314	1,809,681	700,129	581,239	241,423	221,324	295,696	81%
2020	25.92%	773,650	1,974,025	712,197	604,489	262,354	241,423	300,570	82%
2021	25.26%	712,411	2,145,171	721,825	628,668	286,381	262,354	302,740	84%
2022	24.63%	630,262	2,341,624	731,976	653,815	309,878	286,381	306,938	85%
2023	23.83%	557,005	2,533,756	736,528	679,967	330,097	309,878	304,109	87%
2024	22.41%	515,316	2,699,075	720,345	707,166	351,597	330,097	276,879	89%
2025	22.37%	468,096	2,874,871	747,822	735,453	373,874	351,597	293,244	91%
2026	21.99%	419,664	3,057,022	764,523	764,871	398,915	373,874	298,323	94%
2027	21.68%	353,981	3,261,772	783,895	795,466	422,622	398,915	307,104	96%
2028	21.18%	304,767	3,455,616	796,449	827,284	445,178	422,622	306,779	96%
2029	21.44%	270,752	3,640,047	838,475	860,376	467,839	445,178	333,732	100%
2030	9.49%	241,888	3,825,343	885,980	759,716	491,597	467,839	-	103%
2031	7.82%	210,318	4,019,602	330,780	723,495	-	491,597	-	105%
Total		\$	\$	\$ 16,796,570	\$ 15,041,121	\$ 5,786,852	\$ 6,378,674		

¹ Includes DCR Contribution

Data, Assumptions, Methods and Plan Provisions:

- PERS is a cost sharing plan
- Assets are assumed to earn 8.25% in all years
- No new DB plan members after July 1, 2006
- The unfunded liability amortization payment uses a payroll growth of 4.25% for all years
- The employer rate for the DCR plan is 9.77% of DCR payroll
- Employers pay 22% of the total payroll for all DB and DCR plan costs. State of Alaska pays for the rest of the DB plan contributions
- All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report.

Projected Impact of PERS Cost Sharing Plan
 Projections of Contribution Amounts on Total Payroll and by State of Alaska
 Based on June 30, 2005 Actuarial Valuation

Public Employees' Retirement System
 (\$ in thousands)

Scenario 2

Fiscal Year	Projected Employer Contribution Rate	Salary		Annual Required Contribution	Employer Contributions ¹	Amount of DCR Contributions to Pay DB Plan Unfunded	Amount Paid by State of Alaska	Funded Ratio
		DB Salary	DCR Salary					
2006	16.77%	\$ 1,586,891	\$ -	\$ 266,122	\$ 266,122	\$ -	N/A	66%
2007	21.77%	1,635,324	14,859	359,245	361,062	1,817	N/A	65%
2008	39.76%	1,547,025	169,165	682,357	377,562	20,689	321,322	65%
2009	41.30%	1,478,011	306,826	737,138	392,664	37,525	374,451	68%
2010	41.76%	1,412,624	443,607	775,162	408,371	54,253	410,131	70%
2011	39.78%	1,350,899	579,581	767,945	424,706	70,883	399,864	72%
2012	37.93%	1,285,898	721,801	761,520	441,694	88,276	390,346	74%
2013	35.85%	1,223,927	864,080	748,551	459,362	105,677	373,610	76%
2014	33.78%	1,168,933	1,002,595	733,542	477,736	122,617	353,760	78%
2015	32.02%	1,105,656	1,152,733	723,136	496,846	140,979	338,912	80%
2016	30.03%	1,044,006	1,304,718	705,322	516,719	159,567	316,074	82%
2017	28.24%	973,612	1,469,061	689,811	537,388	179,666	295,950	83%
2018	26.41%	890,139	1,650,241	670,914	558,884	201,824	273,259	85%
2019	24.42%	832,314	1,809,681	645,175	581,239	221,324	240,742	86%
2020	22.95%	773,650	1,974,025	630,591	604,489	241,423	218,964	88%
2021	21.45%	712,411	2,145,171	612,951	628,668	262,354	193,866	89%
2022	20.02%	630,262	2,341,624	594,972	653,815	286,381	169,934	91%
2023	18.45%	557,005	2,533,756	570,245	679,967	309,878	137,826	93%
2024	16.30%	515,316	2,699,075	523,946	707,166	330,097	80,480	94%
2025	15.55%	468,096	2,874,871	519,831	735,453	351,597	65,253	96%
2026	14.51%	419,664	3,057,022	504,467	764,871	373,874	38,267	97%
2027	13.59%	353,981	3,261,772	491,381	795,466	398,915	14,590	99%
2028	12.50%	304,767	3,455,616	470,048	807,652	422,622	-	101%
2029	12.20%	270,752	3,640,047	477,117	832,750	445,178	-	103%
2030	4.52%	241,888	3,825,343	183,839	557,575	467,839	-	105%
2031	3.06%	210,318	4,019,602	129,436	522,151	491,597	-	107%
Total				\$ 14,974,764	\$ 14,590,387	\$ 5,786,852	\$ 5,007,601	

¹ Includes DCR Contribution

Data, Assumptions, Methods and Plan Provisions:

- * PERS is a cost sharing plan
- * Assets are assumed to earn 8.25% in all years
- * No new DB plan members after July 1, 2006
- * The unfunded liability amortization payment uses no payroll growth for FY08 rates and later
- * The employer rate for the DCR plan is 9.77% of DCR payroll
- * Employers pay 22% of the total payroll for all DB and DCR plan costs. State of Alaska pays for the rest of the DB plan contributions
- * All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation report



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 19, 2007

RECEIVED
MAR 22 2007

Senate Finance
Juneau, Alaska 99811

Dear Senate Finance Members,

This note is to reiterate the position of AML with regards to PERS, and especially to clarify the AML's position with regards to the proposal brought forth by the Governor's office (SB125). This morning, during the presentation by the Department of Administration, reference was made that AML supports the concept presented. Please allow me to reiterate the AML's position: In addition to legislation that consolidates the PERS system, the AML only supports a final legislative solution that incorporates the three necessary pillars of 1) stability, 2) predictability, and 3) affordability, the last being a deal-breaker.

The flat 22% PERS rate being discussed in the House Finance Committee Substitute, though slightly higher than the 85/15%, is very close to meeting the goals of the three pillars. The AML supports consolidation language recently introduced. However, the 65/35% split that was likewise introduced provides not one of the three pillars AML seeks. The Alaska Municipal League, while wanting to work with the Administration and the Legislature on the PERS issue, is only supporting legislation that contains language that truly and substantively addresses affordability.

I have included, for your review, a copy of the AML Board of Directors Resolution #2007-01 which gives a clear, concise picture of our position with regards to PERS/TRS. While the general concept the Administration has outlined may be quite close to that supported by AML, the devil is in the details. Any legislation which leaves communities having to pay unaffordable rates for an unfunded liability which was not of our making, and which risks bankrupting communities, is not a concept we can accept. We look forward to working with you on finding a solution that works for the State of Alaska, Alaska's political subdivisions, Alaska's school districts, Alaska's universities, and the taxpayers of Alaska.

Sincerely,

[Handwritten signature]
Kathie Wasserman
Executive Director,
cc: AML member communities
House Finance Committee members



**ALASKA MUNICIPAL LEAGUE
BOARD OF DIRECTORS**

**RESOLUTION
#2007-01**

**A RESOLUTION SUMMARIZING THE ALASKA MUNICIPAL
LEAGUE POSITION ON PERS**

WHEREAS, AML supports amending State statutes to reflect an actual consolidated PERS plan; and

WHEREAS, AML supports having one uniform consolidated normal cost rate that all member employers pay; and

WHEREAS, AML believes that 85% of the unfunded obligation should go on the State's books and be accounted for and paid by the State as a separate stand alone obligation; and

WHEREAS, AML believes the other 15% of the unfunded obligation belongs to all PERS member employers; this 85/15 split is based on extensive research and analysis of PERS history over the past 46 years; and

WHEREAS, AML believes that in order to pay the 15% of the unfunded obligation, there should be a separate uniform consolidated past service cost rate that all member employers pay, that is a separate rate from the normal cost rate; and

WHEREAS, AML believes that the TRS obligation should likewise be broken into an 85/15% split, with 85% being accounted for as a separate obligation on the State's books. As with PERS, there should be two separate rates; a uniform normal cost rate and a uniform past service cost rate that amortizes the 15% unfunded obligation; and

WHEREAS, AML supports seeking out and using available methods to reduce the future carrying costs of the unfunded obligations.

SECTIONAL ANALYSIS FOR SB 125/ HB 204 PERS COST SHARE PLAN

Sec. 1 AS 39.35.100. Repeals prior language establishing separate accounts for each employer. Eliminates the retirement reserve account. Provides that pension benefits are first paid from the employee's mandatory contribution account and then, when that account is exhausted, the plan will fund the future benefits. Clarifies that voluntary contributions in the employee savings account will be paid upon retirement under AS 39.35.395.

Reason: The change to a cost share plan removes the requirements to have a separate account for each employer and to make transfers to a retirement reserve account. Clarifies that the whole plan, rather than an individual employer, is responsible for funding future retirement benefits once the employee's mandatory contribution account is exhausted.

Sec. 2 AS 39.35.115. Adds subsection (d) that clarifies that the plan is a joint contributory plan and subsection (e) that allocates any excess assets in the plan at the time of plan termination back to the participating employers in a manner determined by the administrator if the termination is approved by the IRS.

Reason: Clarifies that both employees and employers contribute to the plan. Section (e) is required by the IRS for a qualified plan.

Sec. 3 AS 39.35.125(a). Changes references to participation amendment statutes from AS 39.35.550 – 39.35.650, some of which have been repealed, to sections AS 39.35.600 – 39.35.650, some of which have been amended.

Reason: Conforming change – see sec. 9, AS 39.35.610; sec. 10, AS 39.35.615(a); sec. 11, AS 39.35.615(g); sec. 12, AS 39.35.620.

Sec. 4 AS 39.35.160(c). Changes references to contribution statutes from AS 39.35.250 – 39.35.290, some of which have been repealed, to sections AS 39.35.255 – 39.35.290, some of which are new or amended, for the calculation of the contribution surcharge school district members who elect to have their service accrual calculated under the provisions of the Public Employees' Retirement System.

Reason: Conforming change – see sec. 5, AS 39.35.255; secs. 6 and 7, AS 39.35.260; and sec. 13, repealing AS 39.35.250, 39.35.270, and 39.35.280.

Sec. 5. AS 39.35.255. Requires employers to contribute to the plan an amount representing the employer rate (normal cost rate + past service rate) as approved by the Alaska Retirement Management Board. The rate is to be a single rate for all employers. Each employer will apply the rate to the total of all PERS salaries for that employer, regardless of tier or plan. Requires the employer rate be no less than the normal cost rate. Requires contributions be remitted within 15 days of the close of the employer's pay period. Requires past service contributions for retirees rehired under the Retiree Return Program be remitted at the same level the employer is paying for its active members. Defines employer normal cost rate and past service rate.

Sectional Analysis for SB 125 and HB 204 PERS Cost Share

Reason: Sets out the definition and calculation of the employer normal cost rate and past service rate that all employers will contribute under the new cost-share plan and specifies the minimum rate allowed. Normal cost rate and past service rates are based on all members in the system rather than only those members in the plan employed by a participating employer. Also prescribes the timing of transmittal of contributions to the plan and requires past service contributions be made for returned retirees.

Sec. 6 AS 39.35.260. Changes the annual calculation of the employer rate from separate employer rates to one uniform employer rate.

Reason: To establish a cost share plan that uses a uniform employer contribution rate.

Sec. 7 AS 39.35.260. Adds subsection (b) to allocate 65% of the unfunded liability of the plan as of June 30, 2006, to the State of Alaska, regardless of the rate calculated in AS 39.35.255 or (a) of the section. The remaining 35 percent of that unfunded liability is allocated to the other participating employers. Once the rate for the State of Alaska, as calculated in this subsection, is within one percentage point of the rate for all other employers, a separate rate for the State of Alaska will not be calculated.

Reason: To assign 65% of the unfunded liability to the State of Alaska and assign the remaining 35% of that unfunded liability to political subdivisions and public organizations.

Sec. 8 AS 39.35.520. Changes the reference from AS 39.35.270 (repealed by sec. 13 of the bill) referring to individual employer rates to new AS 39.35.255 (sec. 5 of the bill) providing for a single employer contribution rate.

Reason: Conforming change.

Sec. 9 AS 39.35.610(b). Addition of a new subsection allowing the system to collect the amount of contributions and interest due from an employer if the employer fails to make timely payment of contributions. The administrator may claim an employer's past due contributions and interest from any agency of the state or political subdivision that has funds in its possession that are to be distributed to the employer.

Reason: To provide a method of collecting over due contributions and to prevent one employer in default from adversely affecting the rate shared by all employers in the plan.

Sec. 10 AS 39.35.615. Removes the ability of an employer to amend its participation agreement and allows only for termination from the plan.

Reason: Currently employers may designate groups or classifications of their employees for coverage under the PERS defined benefit plan and individually bear any related costs or savings from those choices. With a cost share plan, amendments of this type by one employer could create liability to all employers in the plan.

Sectional Analysis for SB 125 and HB 204 PERS Cost Share

Sec. 11 AS 39.35.615(g) Adds new subsection that requires employers voluntarily terminating from the plan to pay the associated termination cost within a set timeframe. Allows for a payment plan as well as a lump sum payment. Allows

the administrator to collect funds per AS 39.35.610(b) (sec. 9 of the bill), if the employer fails to pay the termination cost in a timely manner. Provides for a refund of excess assets to the employer's should allocated assets exceed the termination liability, if allowed under the Internal Revenue Code. Allows the employer to join the PERS defined contribution plan at a future date once termination costs are paid in full.

AS 39.35.615(h). Adds a new subsection that requires employers who are voluntarily terminating participation in the plan to pay the cost associated with the termination cost study.

Reason: To establish a process for voluntarily termination of an employer's participation and collection of termination costs from the employer under the cost share plan.

Sec. 12 AS 39.35.620(i). Adds a new subsection that requires employers involuntarily terminated from the plan to pay the associated termination cost within a set timeframe. Allows for a payment plan as well as a lump sum payment. Allows the administrator to collect funds per AS 39.35.610(b) (sec. 9 of the bill), if the employer fails to pay the termination cost in a timely manner. Provides for a refund of excess assets to the employer should allocated assets exceed the termination liability, if allowed under the Internal Revenue Code. Allows the employer to join the PERS defined contribution plan at a future date once termination costs are paid in full.

AS 39.35.620(j). Adds a new subsection that requires employers who are involuntarily terminated from participation in the plan to pay the cost associated with the termination cost study.

Reason: To establish a process for collecting the termination cost of an employer that is involuntarily terminated from participation under the cost share plan.

Sec. 13 AS 39.35.650. Clarifies the circumstances under which an employer may receive an amount from the plan.

Reason: Clarification of statute to codify existing practice and to comply with the Internal Revenue Code.

Sec. 14 **Repeals:** Repeals all sections and subsections referring to the calculation of payment of individual employer rates; repeals statutes that allow employers to join the defined benefit plan, which was closed by SB 141 (ch 9, FSSLA 2005); and repeals prior statutes that provide for participation and termination of participation of classifications or groups of employees, and of provisions regarding termination that are replaced by secs. 11-13 of the bill.

Sectional Analysis for SB 125 and HB 204 PERS Cost Share

- Sec. 15** **Transition.** Provides that the administrator will notify every employer in the defined benefit plan of the departments, groups, or other classifications of employees the employer currently covers under their participation agreement. Employers will have 90 days from receipt of the notification to request an amendment to their participation to either add or delete covered groups. Once the 90 days has elapsed, employers may not amend their agreement in the future to add or delete groups. States that past service credit cannot be awarded during this transition period.
- Sec. 16** **Transition.** Provides for the Departments of Administration and Revenue to adopt regulations necessary to implement this act.
- Sec. 17** **Reviser's Instructions:** Change headings for AS 39.35.615 to reflect a voluntary termination of participation and AS 39.35.620 to reflect an involuntary termination of participation.
- Sec. 18** **Immediate effective date for transition sections.**
- Sec. 19** **July 1, 2007, effective date for implementing the cost share program.**



217 Second Street, Suite 200 • Juneau, Alaska 99801
Tel (907) 586-1325 • Fax (907) 463-5480 • www.akml.org

March 28, 2007

Honorable Governor Sarah Palin
P.O.B. 110001
Juneau, Alaska 99811

RECEIVED

MAR 30 2007

Dear Governor Palin,

On behalf of the Alaska Municipal League (AML), I want to commend you for your demonstrated commitment to addressing important local government policy issues.

Specifically, AML was pleased and heartened by your operating budget proposal that included \$48.1 million for Revenue Sharing and \$78.5 million for municipal PERS relief. We are also encouraged by your provisions for paying down the unfunded PERS/TRS liability.

The House has removed Revenue Sharing entirely and much of the PERS relief that was in your budget. We urge you to join us in helping to restore these critical components of your budget.

While AML is encouraged by progress being made on finding a solution to PERS, we are concerned about treating a PERS solution as a substitute for an adequately funded Revenue Sharing program.

Revenue Sharing can be used as communities see fit; either funding basic services (maintenance; personnel; insurance or fuel costs) and/or to offset property taxes. A PERS fix does not address these critical issues.

We applaud the Administration and the Legislature's efforts to find a long-term PERS solution. Enclosed is a list of PERS issues AML has identified with the help of Larry Semmens, ARM Board member and CFO of the City of Kenai. We understand that a long-term PERS fix may require some adjustments to the financial package you submitted to the Legislature, but strongly support your \$48.1 million Revenue Sharing program.

AML's official position includes support for a consolidated PERS system, an 85/15% split of past service costs and a uniform normal cost rate. I have enclosed the AML Board of Directors Resolution #2007-01.

The House has suggested a uniform normal cost rate of 22% of salary. That percentage would represent a 54% increase from FY07 contributions. However,

our main concern is whether or not this 22% of salary rate would be a long-term commitment. We cannot afford to pay 22% of salary this year, 23% next year and unquantified salary rates into the future. AML supports your plan for FY08 which requires employers to contribute 5% more than the FY07 contributions. Then the full increase of the 22% contribution rate would become effective for FY09, which would require municipalities to contribute \$12 million more than in FY08. Again, our major concerns are predictability, stability and affordability.

We believe that the State of Alaska is only as strong and healthy as its political subdivisions. To that end, we commend you for your strong support for local government.

AML believes that your vocal and active support for your Revenue Sharing program is critical to its eventual funding by the Legislature this session.

Please feel free to contact the AML office if you have any questions or if we can help provide you with any information.

We look forward to working with you and the Legislature to arrive at a fair resolution of these issues for all Alaskans.

Sincerely,



Tim Bourcy
President
Alaska Municipal League

cc: Mike Tibbles
John Bitney
Commissioner Kreitzer
Senate Leadership
House Leadership
Senate Finance
House Finance

ALASKA MUNICIPAL LEAGUE

PERS POINTS

- PERS and Revenue Sharing are separate issues. The PERS issue involves efforts to address a problem created from a long-term underfunding of this state administered program. While municipalities have followed the directions of the state in participating in this program, municipalities have only recently had a direct input role in the administration of this State run program. Although municipalities did not create the problem, they are willing to be a part of the solution. Revenue sharing, on the other hand, affects all municipalities and is a method used by state to provide some of the funding needed to provide basic local government services.
- AML supports a plan which recognizes the reality that PERS is a shared system.
- The strength of AML's support is contingent on the State accepting a large share of unfunded liability. AML supports allocation of 15% of the PERS unfunded liability to municipalities and 85% to the State.
- AML supports a significant pay down of the unfunded liability in the FY08 budget.
- AML supports a solution that results in an employer rate that is affordable, stable and predicible.
- Municipal employers support a fixed rate of 22% or less for municipal employers because this is the maximum affordable rate. Such a rate would represent an average increase in municipal expenditures for PERS of over \$33 million; a 54% increase. The proposal in SB125 would mean an increase for FY07 to FY08 of \$21 million; even with the one-year hold harmless. The burden in future years would be even greater both from the reduction in the hold harmless amount and from any actuarially determined cost increases. This increase can only be paid for from increased local taxes or a corresponding reduction in municipal services.
- A viable solution must take into account the potential of future changes in actuarially determined underfunded liabilities.
- The solution should protect members from sudden reductions in contribution due to salary reductions. Salaries could be reduced by sale or contracting out part of the operation, or by opting out a class of employees. Consideration should be given to establishment of a baseline salary amount and/or a provision that requires contributions based on salaries of opted out classes of employees.
- The new shared plan could be effective for FY09, allowing time for municipalities to adjust to the shared employer rate, which at 22%, would still require municipalities to contribute at least \$12 million more than the FY08 contribution.
- The solution must recognize the contributions that some communities made in excess of the amount billed by the State.
- The solution should discourage "gaming the system" and should not create an economic incentive to manipulate the workforce or discriminate between defined benefit and defined contribution employees.



**ALASKA MUNICIPAL LEAGUE - BOARD OF DIRECTORS
Resolution #2007-01**

A RESOLUTION SUMMARIZING THE ALASKA MUNICIPAL LEAGUE POSITION ON PERS

WHEREAS, AML supports amending State statutes to reflect an actual consolidated PERS plan; and

WHEREAS, AML supports having one uniform consolidated normal cost rate that all member employers pay; and

WHEREAS, AML believes that 85% of the unfunded obligation should go on the State's books and be accounted for and paid by the State as a separate stand alone obligation; and

WHEREAS, AML believes the other 15% of the unfunded obligation belongs to all PERS member employers; this 85/15 split is based on extensive research and analysis of PERS history over the past 46 years; and

WHEREAS, AML believes that in order to pay the 15% of the unfunded obligation, there should be a separate uniform consolidated past service cost rate that all member employers pay, that is a separate rate from the normal cost rate; and

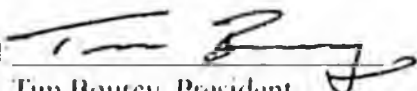
WHEREAS, AML believes that the TRS obligation should likewise be broken into an 85/15% split, with 85% being accounted for as a separate obligation on the State's books. As with PERS, there should be two separate rates, a uniform normal cost rate and a uniform past service cost rate that amortizes the 15% unfunded obligation; and

WHEREAS, AML supports seeking out and using available methods to reduce the future carrying costs of the unfunded obligations

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League Board of Directors wishes to summarize and make clear its position on PERS, as based on AML's membership wide Resolution #2007-05A and on presentations sponsored by AML throughout the State

PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS on the 14th day of March, 2007.

Signed


Tim Bourey, President
Alaska Municipal League

Attest:

CORRECTION

THE FOLLOWING DOCUMENT(S)
HAVE BEEN REFILMED TO
ASSURE LEGIBILITY OR PAGINATION



Rev. 6/98

Central Microfilm Services
Department of Education & Early Development
State of Alaska



**ALASKA MUNICIPAL LEAGUE - BOARD OF DIRECTORS
Resolution #2007-01**

A RESOLUTION SUMMARIZING THE ALASKA MUNICIPAL LEAGUE POSITION ON PERS

WHEREAS, AML supports amending State statutes to reflect an actual consolidated PERS plan; and

WHEREAS, AML supports having one uniform consolidated normal cost rate that all member employers pay; and

WHEREAS, AML believes that 85% of the unfunded obligation should go on the State's books and be accounted for and paid by the State as a separate stand alone obligation; and

WHEREAS, AML believes the other 15% of the unfunded obligation belongs to all PERS member employers; this 85/15 split is based on extensive research and analysis of PERS history over the past 46 years; and

WHEREAS, AML believes that in order to pay the 15% of the unfunded obligation, there should be a separate uniform consolidated past service cost rate that all member employers pay, that is a separate rate from the normal cost rate; and

WHEREAS, AML believes that the TRS obligation should likewise be broken into an 85/15% split, with 85% being accounted for as a separate obligation on the State's books. As with PERS, there should be two separate rates; a uniform normal cost rate and a uniform past service cost rate that amortizes the 15% unfunded obligation; and

WHEREAS, AML supports seeking out and using available methods to reduce the future carrying costs of the unfunded obligations.

NOW, THEREFORE BE IT RESOLVED that the Alaska Municipal League Board of Directors wishes to summarize and make clear its position on PERS, as based on AML's membership wide Resolution #2007-05A and on presentations sponsored by AML throughout the State

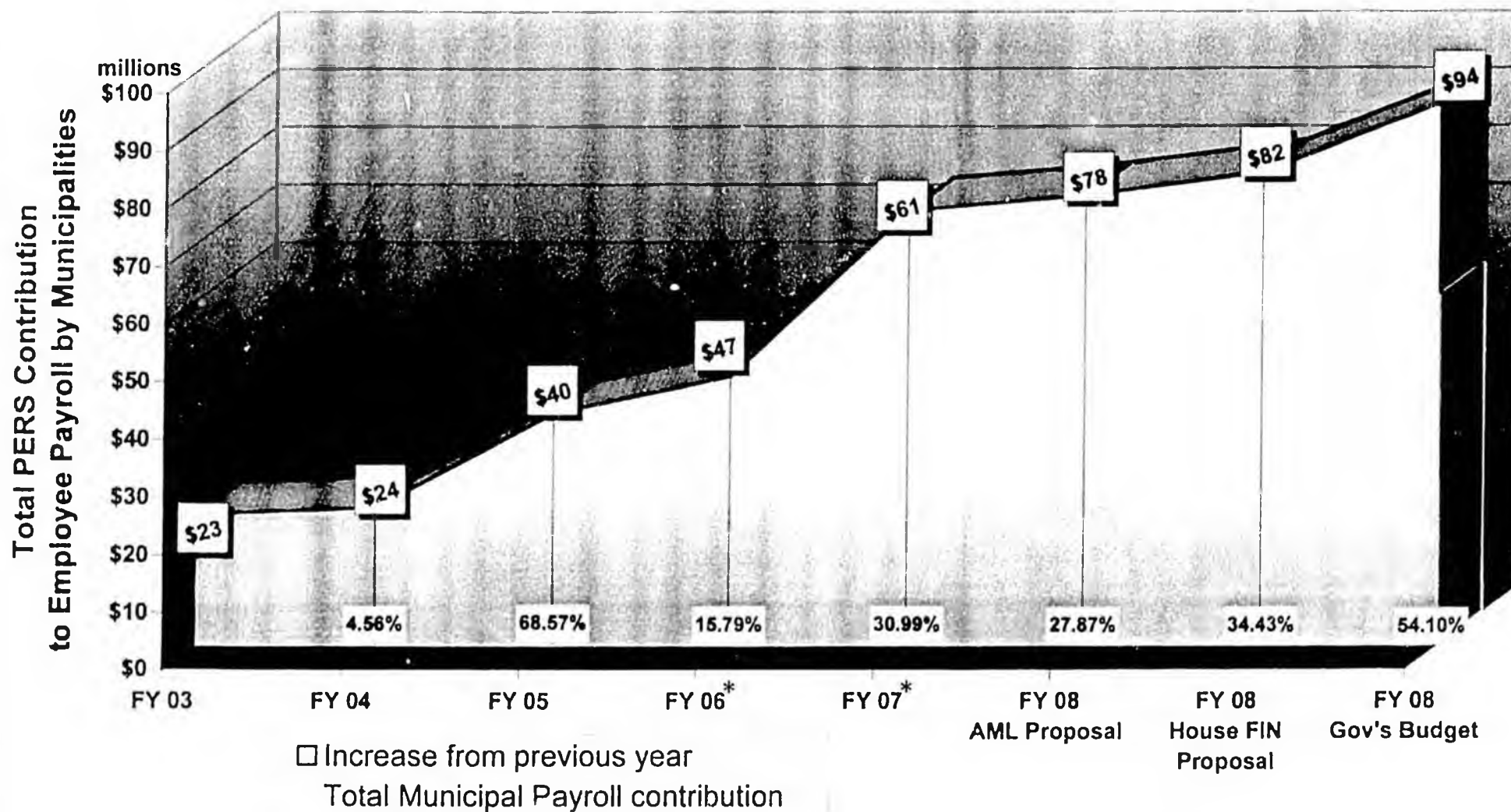
PASSED AND APPROVED BY THE ALASKA MUNICIPAL LEAGUE BOARD OF DIRECTORS on the 14th day of March, 2007.

Signed

Tim Bourcy, President
Alaska Municipal League

Attest

Increase in Municipal Contributions to PERS



*Note: Figures reflect the total out-of-pocket expenses to municipalities for FY 06 and FY 07. These figures do not include the PERS assistance/relief appropriated by legislature for the respective fiscal years.



Alaska Municipal League
 217 Second Street, Suite 200
 Juneau, Alaska 99801
 (907) 586-1325
www.akml.org

Analysis of Changes
CS SB 125 vs. SB 125

April 22, 2007

CS SB 125 (Ver E 4/20/07)		SB 125
Bill Section	Change	Corresponding Bill Section
Title	Expanded to include "Alaska Retirement Management Board" and "Teachers' Retirement System"	Title - Modified
Sec. 1	<p>AS 14.25.070</p> <ul style="list-style-type: none"> • Repeals & Reenacts the employer contribution section of the Teachers' Retirement System (TRS) Define Benefit (DB) statutes. • Sets the annual employer contribution rate to 12.56%, or the DB plan employer normal cost – whichever is greater. • Rate applies to entire payroll base – regardless of Tier. • Contributions are used to pay DB and Defined Contribution Retirement (DCR) normal costs • Money in excess of what is needed to pay system's normal costs is applied to the accrued unfunded liability • Employer contribution rate applies to retiree/rehires and their salary must be included in the payroll base • Defines "accrued unfunded liability", "employer normal cost rate" and "normal cost" 	N/A - New
Sec. 2	<p>AS 14.25.085</p> <ul style="list-style-type: none"> • Adds new section to statute establishing the state's contribution requirements within TRS • As an employer, the state must make contributions on behalf of its own TRS members • State also makes one annual direct payment to TRS, in an amount sufficient to pay the system's full unfunded liability payment as determined by the board for the coming fiscal year 	N/A - New
Sec. 3	<p>AS 14.25.220</p> <ul style="list-style-type: none"> • Adds definition of "system" to the TRS DB section of statute • "System" means all TRS plans 	N/A - New

Analysis of Changes
CS SB 125 vs. SB 125

April 22, 2007

CS SB 125 (Ver E 4-20-07) Bill Section	Change	SB 125 Corresponding Bill Section
Sec. 4	<p>AS 37.10.220(a)(8)</p> <ul style="list-style-type: none"> • Amends Alaska Retirement Management Board's (ARMB) powers and duties (<i>Page 4, Lines 17-19</i>) • Board can't set an amortization period for liquidating the accrued unfunded liability of less than 25 years 	N/A - New
Sec. 5	<p>AS 39.35.100</p> <ul style="list-style-type: none"> • No change 	Sec. 1
Sec. 6	<p>AS 39.35.115</p> <ul style="list-style-type: none"> • Slightly reworded to match language already passed in SB 123 – Technical Clarification Bill 	Sec. 2 - Modified
Sec. 7	<p>AS 39.35.125(a)</p> <ul style="list-style-type: none"> • No change 	Sec. 3
Sec. 8	<p>AS 39.35.160(c)</p> <ul style="list-style-type: none"> • No change 	Sec. 4
Sec. 9	<p>AS 39.35.255</p> <ul style="list-style-type: none"> • Adds a new section that rewrites the employer contribution section of the Public Employee's Retirement System (PERS) DB statutes. • Sets the annual employer contribution rate to 22%, or the DB plan employer normal cost – whichever is greater. • Rate applies to entire payroll base – regardless of Tier. • Contributions are used to pay DB and DCR normal costs • Money in excess of what is needed to pay system's normal costs – are applied to the accrued unfunded liability • 22% employer contribution rate applies to retiree/rehires and their salary must be included in the payroll base • Defines "accrued unfunded liability", "employer normal cost rate" and "normal cost" 	Sec. 5 - Modified

Analysis of Changes
CS SB 125 vs. SB 125

April 22, 2007

CS SB 125 (Ver F: 4 20 07)		SB 125
Bill Section	Change	Corresponding Bill Section
N/A	AS 39.35.260 <ul style="list-style-type: none"> • No longer necessary. Incorporated into AS 39.35.255 	Sec. 6 - Deleted
N/A	AS 39.35.260 <ul style="list-style-type: none"> • No longer necessary. Incorporated into AS 39.35.255 	Sec. 7 - Deleted
Sec. 10	AS 39.35.280 <ul style="list-style-type: none"> • Repeals and reenacts the section of statute dealing with the state's contribution requirements within PERS • As an employer, state must make the 22% contribution on behalf of its own PERS members • State also makes one annual direct payment to PERS, in an amount sufficient to pay the system's full unfunded liability payment as determined by the board for the coming fiscal year 	N/A - New
Sec. 11	AS 39.35.520(a) <ul style="list-style-type: none"> • No change 	Sec. 8
Sec. 12	AS 39.35.610 <ul style="list-style-type: none"> • No change 	Sec. 9
Sec. 13	AS 39.35.615(a) <ul style="list-style-type: none"> • No change 	Sec. 10
Sec. 14	AS 39.35.615 <ul style="list-style-type: none"> • No change 	Sec. 11
Sec. 15	AS 39.35.620 <ul style="list-style-type: none"> • No change 	Sec. 12
Sec. 16	AS 39.35.625 <ul style="list-style-type: none"> • Addition requested by the Administration • Adds a new section of statute indicating how PERS termination costs will be determined under a cost share system 	N/A - New

Analysis of Changes
CS SB 125 vs. SB 125

April 22, 2007

CS SB 125 (Ver E 4/20/07)		SB 125
Bill Section	Change	Corresponding Bill Section
Sec. 17	AS 39.35.650 <ul style="list-style-type: none"> • No change 	Sec. 13
Sec. 18	Repeals <ul style="list-style-type: none"> • Adds AS 39.35.260 to the list of repeals (<i>see SB 125 Sec. 6 & Sec. 7 comments above</i>) • Removes AS 39.35.280 (<i>see CSSB 125 Sec. 10 comments above</i>) 	Sec. 14
Sec. 19	Transition Language <ul style="list-style-type: none"> • Subsection (a) – No Change • Subsection (b) – Adds new sentence (<i>Page 12, Lines 5-8</i>) <ul style="list-style-type: none"> ○ Sentence added at the request of the Administration to conform to House amendments to SB 123 – Technical Clarification Bill ○ Elected officials cannot be amended into participation agreements unless they make at least the same monthly salary as Legislators (\$2001) • Subsection (c) – New subsection <ul style="list-style-type: none"> ○ Sets FY 08 contribution rates below 22% for certain political subdivisions that made PERS contributions in excess of what was required between FY05 – 07 ○ Rates are for 1 year only and will allow these employers to recoup their excess contributions in FY 08 	Sec. 15 - Modified
Sec. 20	Transition Language <ul style="list-style-type: none"> • No change 	Sec. 16
Sec. 21	Revisor's Instructions <ul style="list-style-type: none"> • No change 	Sec. 17
Sec. 22 & Sec. 23	Effect Date Clauses <ul style="list-style-type: none"> • No change 	Sec. 18 & Sec. 19

FY 08 Rate Adjustments Required to Recoup Excess Muni PERS Contributions from Prior 3 Years

ER Employer	1		2	3	4 = 1x3	5	6 = 2x5	7	8	9	10 = 7+8+9	11 = 6-10	12 = 11/2	13 = 12-5
	Est. FY07 (FY06 * 3%)	Est. FY08 (FY07 * 3%)	FY07 Adj Contrib Rate	FY 07 Est. Contrib	FY08 Cost Share Rate	FY 08 Est. Contrib	Extra Payments			Total Excess Contrib	FY08 Contrib. less Previous Excess Contrib	CSSB 125 Rate Required to Recoup in FY08	Change in Rate from 22%	
230 ALEUTIANS EAST BOROUGH	683,563	704,070	15.23%	104,107	22.00%	154,895	\$ 50,537	\$ 33,915	\$ -	\$ 84,452	70,443	10.01%	-11.99%	
173 ANCHORAGE, MUNICIPALITY OF	146,880,650	151,287,070	18.65%	27,303,241	22.00%	33,283,155	\$ 748,094	\$ -	\$ -	\$ 748,094	32,535,061	21.51%	-0.49%	
136 BETHEL, CITY OF	5,640,051	5,809,252	15.08%	850,520	22.00%	1,278,035	\$ -	\$ 275,716	\$ -	\$ 275,716	1,002,319	17.25%	-4.75%	
144 BRISTOL BAY BOROUGH	1,698,985	1,749,955	17.99%	305,647	22.00%	384,990	\$ 70,944	\$ -	\$ -	\$ 70,944	314,046	17.95%	-4.05%	
148 CORDOVA, CITY OF	2,240,201	2,307,407	19.77%	442,888	22.00%	507,630	\$ 98,482	\$ 112,553	\$ -	\$ 211,035	296,595	12.85%	-9.15%	
282 DELTA JUNCTION, CITY OF	285,152	293,706	14.47%	41,261	22.00%	64,615	\$ 3,419	\$ -	\$ -	\$ 3,419	61,196	20.64%	-1.16%	
258 DENALI BOROUGH	151,229	155,766	39.00%	58,979	22.00%	34,268	\$ 29,484	\$ -	\$ -	\$ 29,484	4,784	3.07%	-18.93%	
271 EGEKIK, CITY OF	44,629	45,968	18.80%	8,390	22.00%	10,113	\$ -	\$ 2,830	\$ -	\$ 2,830	7,283	15.84%	-6.16%	
192 GALENA, CITY OF	1,769,688	1,822,779	13.40%	237,138	22.00%	401,011	\$ 68,486	\$ -	\$ -	\$ 68,486	332,525	18.24%	-3.76%	
235 HUSLIA, CITY OF	117,103	120,616	23.27%	27,250	22.00%	26,535	\$ -	\$ 5,215	\$ -	\$ 5,215	21,320	17.68%	-4.32%	
260 KACHEMAK, CITY OF	24,215	24,942	30.37%	7,354	22.00%	5,487	\$ 3,068	\$ -	\$ -	\$ 3,068	2,419	9.70%	-12.30%	
180 KENAI PENINSULA BOROUGH	13,947,886	14,366,322	22.81%	3,181,513	22.00%	3,160,591	\$ -	\$ 702,515	\$ -	\$ 702,515	2,458,076	17.11%	-4.89%	
122 KETCHIKAN GATEWAY BOROUGH	4,560,752	4,697,575	20.49%	934,498	22.00%	1,033,466	\$ 206,307	\$ -	\$ -	\$ 206,307	827,159	17.61%	-4.39%	
181 KETCHIKAN, CITY OF	7,947,200	8,185,616	29.92%	2,377,802	22.00%	1,800,835	\$ 415,937	\$ 400,460	\$ -	\$ 816,397	984,438	12.03%	-9.97%	
174 KODIAK ISLAND BOROUGH	2,290,957	2,359,685	15.00%	343,643	22.00%	519,131	\$ 293,700	\$ 118,047	\$ -	\$ 411,747	107,384	4.55%	-17.45%	
128 KODIAK, CITY OF	5,839,975	6,015,174	21.21%	1,238,659	22.00%	1,323,338	\$ 113,667	\$ 314,308	\$ -	\$ 428,035	895,303	14.88%	-7.12%	
247 LAKE AND PENINSULA BOROUGH	399,365	411,346	27.90%	111,423	22.00%	90,496	\$ 32,811	\$ -	\$ -	\$ 32,811	57,685	14.02%	-7.98%	
191 NORTH POLE, CITY OF	1,618,587	1,667,144	20.00%	323,717	22.00%	366,772	\$ 107,535	\$ -	\$ -	\$ 107,535	259,237	15.55%	-6.45%	
134 PALMER, CITY OF	3,216,218	3,312,705	23.54%	757,098	22.00%	728,795	\$ 132,967	\$ 154,333	\$ -	\$ 287,300	441,495	13.33%	-8.67%	
143 PETERSBURG, CITY OF	4,012,226	4,132,593	28.53%	1,144,688	22.00%	909,170	\$ 198,490	\$ 206,671	\$ -	\$ 405,161	504,009	12.20%	-9.80%	
266 QUINHAGAK, CITY OF	27,699	28,529	13.32%	3,689	22.00%	6,276	\$ 1,552	\$ -	\$ -	\$ 1,552	4,724	16.56%	-5.44%	
198 SAXMAN, CITY OF	122,449	126,122	37.84%	46,335	22.00%	27,747	\$ -	\$ 5,637	\$ -	\$ 5,637	22,110	17.53%	-4.47%	
182 SEWARD, CITY OF	3,937,850	4,055,986	18.74%	737,953	22.00%	892,317	\$ 192,943	\$ 186,026	\$ -	\$ 378,969	513,348	12.66%	-9.34%	
123 SOLDOTNA, CITY OF	2,764,602	2,847,540	19.46%	537,992	22.00%	626,459	\$ 1,000,000	\$ 136,756	\$ -	\$ 1,276,229	(649,770)	0.00%	-22.00%	
169 TANANA, CITY OF	93,476	96,281	13.32%	12,451	22.00%	21,182	\$ 11,285	\$ -	\$ -	\$ 11,285	9,897	10.28%	-11.72%	
249 UNALAKLEET, CITY OF	200,070	206,072	19.87%	39,754	22.00%	45,336	\$ 13,698	\$ -	\$ -	\$ 13,698	31,638	15.35%	-6.65%	
107 VALDEZ, CITY OF	5,113,773	5,267,186	18.91%	567,014	22.00%	1,158,781	\$ 255,619	\$ -	\$ -	\$ 255,619	903,162	17.15%	-4.85%	
248 YAKUTAT, CITY AND BOROUGH	722,458	744,132	17.97%	129,826	22.00%	163,709	\$ 22,773	\$ -	\$ -	\$ 22,773	140,936	18.94%	-3.06%	

TOTALS 216,351,007 222,841,537 42,364,831 22.00% 49,025,138 \$ 1,000,000 \$ 3,211,271 \$ 2,655,042 \$ 6,856,313 42,158,825

FY08 Contribution Amount Required From These Employers assuming 22% Rate	\$ 49,025,138
Total amount they will pay at the reduced FY08 rates proposed in CSSB 125	\$ 42,808,595
Amount State must pay on their behaves to allow them to recoup previous excess:	\$ 6,216,543
Potential Extra Payment to Soldotna	\$ 649,770
Total FY08 State Appropriation Needed	\$ 6,866,313

Reverses the negative \$649,770 for Soldotna

To totally recoup, Soldotna would have to receive an additional \$649,770 through another appropriation vehicle

4/23/07 10:17:57 AM

FY 08 Rate Adjustments Required to Recoup Excess Muni PERS Contributions from Prior 3 Years (Revised 4/28/07)
Prior to application of Hold Harmless Provision

REVISED

		1	2	3	4=1+3	5	6=2x5	7	8	9	10=7+8+9	11=6-10	12=11/2	13=12-6
		Gross Salaries				Extra Payments				FY08 Adjustments				
ER	Employer	Est. FY07 (FY06 + 3%)	Est. FY08 (FY07 + 3%)	FY07 Adj Contrib Rate	FY 07 Est. Contrib	FY08 Cost Share Rate	FY 08 Est. Contrib	2005	2006 SB46	2007 SB231	Total Excess Contrib	FY08 Contrib less Previous Excess Contrib	CSSB 125 Rate Required to Recoup in FY08	Change in Rate from 22%
230	ALEUTIANS EAST BOROUGH	683,563	704,070	15.23%	104,107	22.00%	154,895	\$ 50,537	\$ 33,915	\$ -	\$ 84,452	70,443	10.01%	-11.99%
173	ANCHORAGE, MUNICIPALITY OF	146,880,650	151,287,070	18.65%	27,393,241	22.00%	33,283,155	\$ 748,094	\$ -	\$ -	\$ 748,094	32,535,061	21.51%	-0.49%
171	BARROW, CITY OF	1,211,908	1,248,265	17.26%	209,175	22.00%	274,618	\$ -	\$ 47,355	\$ -	\$ 47,355	227,263	18.21%	-3.79%
136	BETHEL, CITY OF	5,640,051	5,809,252	15.08%	850,520	22.00%	1,278,035	\$ -	\$ 275,716	\$ -	\$ 275,716	1,002,319	17.25%	-4.75%
144	BRISTOL BAY BOROUGH	1,698,985	1,749,955	17.99%	305,647	22.00%	384,990	\$ 70,944	\$ -	\$ -	\$ 70,944	314,046	17.95%	-4.05%
148	CORDOVA, CITY OF	2,240,201	2,307,407	19.77%	442,888	22.00%	507,630	\$ 98,482	\$ 112,553	\$ -	\$ 211,035	296,595	12.85%	-9.15%
282	DELTA JUNCTION, CITY OF	285,152	293,706	14.47%	41,261	22.00%	64,615	\$ 3,419	\$ -	\$ -	\$ 3,419	61,196	20.84%	-1.16%
258	DENALI BOROUGH	151,229	155,766	39.00%	58,979	22.00%	34,268	\$ 29,404	\$ -	\$ -	\$ 29,484	4,784	3.07%	-18.93%
271	EGEGIK, CITY OF	44,629	45,968	18.80%	8,390	22.00%	10,113	\$ -	\$ 2,830	\$ -	\$ 2,830	7,283	15.84%	-6.16%
192	GALENA, CITY OF	1,769,688	1,822,779	13.40%	237,138	22.00%	401,011	\$ 68,486	\$ -	\$ -	\$ 68,486	332,525	18.24%	-3.76%
235	HUSLIA, CITY OF	117,103	120,616	23.27%	27,250	22.00%	26,535	\$ -	\$ 5,215	\$ -	\$ 5,215	21,320	17.68%	-4.32%
260	KACHEMAK, CITY OF	24,215	24,942	33.37%	7,354	22.00%	5,487	\$ 3,068	\$ 1,193	\$ -	\$ 4,261	1,226	4.92%	-17.08%
180	KENAI PENINSULA BOROUGH	13,947,886	14,366,322	22.81%	3,161,513	22.00%	3,160,591	\$ -	\$ 702,515	\$ -	\$ 702,515	2,458,076	17.11%	-4.89%
122	KETCHIKAN GATEWAY BOROUGH	4,560,752	4,697,575	20.49%	934,498	22.00%	1,033,466	\$ 206,307	\$ 214,696	\$ -	\$ 421,003	612,463	13.04%	-8.96%
181	KETCHIKAN, CITY OF	7,947,200	8,185,616	29.92%	2,377,802	22.00%	1,800,835	\$ 415,937	\$ 400,460	\$ -	\$ 816,397	984,458	12.03%	-9.97%
227	KLAWOCK, CITY OF	651,517	671,063	14.35%	93,453	22.00%	147,634	\$ -	\$ 31,917	\$ -	\$ 31,917	115,717	17.24%	-4.76%
174	KODIAK ISLAND BOROUGH	2,290,957	2,359,685	15.00%	343,643	22.00%	519,131	\$ 293,700	\$ 118,047	\$ -	\$ 411,747	107,384	4.55%	-17.45%
128	KODIAK, CITY OF	5,839,975	6,015,174	21.21%	1,238,659	22.00%	1,323,338	\$ 113,667	\$ 314,368	\$ -	\$ 428,035	895,303	14.88%	-7.12%
247	LAKE AND PENINSULA BOROUGH	399,365	411,346	27.90%	111,423	22.00%	90,496	\$ 32,811	\$ 19,656	\$ -	\$ 52,467	38,029	9.25%	-12.75%
191	NORTH POLE, CITY OF	1,618,587	1,667,144	20.00%	323,717	22.00%	368,772	\$ 107,535	\$ -	\$ -	\$ 107,535	259,237	15.55%	-6.45%
134	PALMER, CITY OF	3,216,218	3,312,705	23.54%	757,098	22.00%	728,795	\$ 132,967	\$ 154,333	\$ -	\$ 287,300	441,495	13.33%	-8.67%
143	PETERSBURG, CITY OF	4,012,226	4,132,593	28.53%	1,144,688	22.00%	909,170	\$ 198,490	\$ 206,671	\$ -	\$ 405,161	504,009	12.20%	-9.80%
266	QUINHAGAK, CITY OF	27,699	28,529	13.32%	3,689	22.00%	6,276	\$ 1,552	\$ 1,920	\$ -	\$ 3,472	2,804	9.83%	-12.17%
198	SAXMAN, CITY OF	122,449	126,122	37.84%	46,335	22.00%	27,747	\$ -	\$ 5,637	\$ -	\$ 5,637	22,110	17.53%	-4.47%
182	SEWARD, CITY OF	3,937,850	4,055,986	18.74%	737,953	22.00%	892,317	\$ 192,943	\$ 186,026	\$ -	\$ 378,969	513,348	12.66%	-9.34%
123	SOLDOTNA, CITY OF	2,764,602	2,847,540	19.46%	537,992	22.00%	626,459	\$ 1,000,000	\$ 139,473	\$ 136,756	\$ 1,276,229	(649,770)	0.00%	-22.00%
169	TANANA, CITY OF	93,476	96,281	13.32%	12,451	22.00%	21,182	\$ 11,285	\$ -	\$ -	\$ 11,285	9,897	10.28%	-11.72%
249	UNALAKLEET, CITY OF	200,070	206,072	19.87%	39,754	22.00%	45,338	\$ 13,698	\$ 11,157	\$ -	\$ 24,855	20,481	9.94%	-12.06%
107	VALDEZ, CITY OF	5,113,773	5,267,186	18.91%	967,014	22.00%	1,158,781	\$ 255,619	\$ -	\$ -	\$ 255,619	903,162	17.15%	-4.85%
248	YAKUTAT, CITY AND BOROUGH	722,458	744,132	17.97%	129,826	22.00%	163,709	\$ -	\$ 22,773	\$ -	\$ 22,773	140,936	18.94%	-3.06%
TOTALS		218,214,432	224,760,865		42,667,499	22.00%	49,447,390	\$ 1,000,000	\$ 3,211,271	\$ 2,982,936	\$ 7,194,207	42,253,183		

Changes from previous version of spreadsheet indicated in by

Reverses the negative \$619,770 for Soldotna

To totally recoup, Soldotna would have to receive an additional \$649,770 through another appropriation vehicle

FY08 Contribution Amount Required From These Employers assuming 22% Rate:	\$ 49,447,390
Total amount they will pay at the reduced FY08 rates proposed in CSSB 125:	\$ 42,902,954
Amount State must pay on their behavos to allow them to recoup previous excess:	\$ 6,544,437
Extra Payment Possibly due Soldotna	\$ 649,770
Total FY08 State Appropriation Needed	\$ 7,194,207

5:05:35

Impact of a 22% Employer PERS Rate on Municipalities, with CSSB 125 Hold Harmless Provision

PAYROLL	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	
Est. FY08 Payroll (FY07 * 3%)	FY07 Adj Contribution Rate	FY08 Board Requested Rate	FY 08 Estimated Contribution at the Board Rate	FY08 Estimated Contribution at CSSB 125 22%	Municipal Gain (Loss) at a 22% Rate	Municipal Gain (Loss) at a 22% Rate	Hold at Lower of FY07 or FY08 Rate if FY08 Rate < 22%	Municipal Gain (Loss) with a 22% Rate and Hold Harmless	Municipal Gain (Loss) with a 22% Rate and Hold Harmless	
FAIRBANKS, CITY OF	7,175,800	35.67%	184.95%	13,271,641	1,578,676	11,692,965	88%	-	11,692,965	88%
SAXMAN, CITY OF	126,122	37.84%	105.76%	133,387	27,747	105,640	79%	-	105,640	79%
KACHEMAK, CITY OF	24,942	30.37%	90.23%	22,505	5,487	17,018	76%	-	17,018	76%
KETCHIKAN, CITY OF	8,185,618	29.92%	52.61%	4,306,452	1,800,835	2,505,617	58%	-	2,505,617	58%
CORDOVA, CITY OF	2,307,407	19.77%	52.49%	1,211,158	507,030	703,528	58%	-	703,528	58%
DENALI BOROUGH	155,766	39.00%	51.83%	80,733	34,268	46,465	58%	-	46,465	58%
KODIAK ISLAND BOROUGH	2,359,685	15.00%	49.23%	1,161,673	519,131	642,542	55%	-	642,542	55%
KODIAK, CITY OF	6,015,174	21.21%	48.05%	2,890,291	1,323,338	1,566,953	54%	-	1,566,953	54%
WRANGELL, CITY OF	2,823,476	21.72%	47.74%	1,347,928	621,165	726,763	54%	-	726,763	54%
VALDEZ, CITY OF	5,267,186	18.91%	46.32%	2,439,761	1,158,781	1,280,980	53%	-	1,280,980	53%
KENAI, CITY OF	5,678,794	18.67%	45.71%	2,595,777	1,249,335	1,346,442	52%	-	1,346,442	52%
HAINES BOROUGH	1,661,014	27.17%	43.85%	728,355	365,423	362,932	50%	-	362,932	50%
SITKA, CITY AND BOROUGH	9,012,579	24.02%	43.31%	3,903,348	1,982,707	1,920,581	49%	-	1,920,581	49%
PALMER, CITY OF	3,312,705	23.54%	43.05%	1,426,120	728,795	697,324	49%	-	697,324	49%
JUNEAU, CITY AND BOROUGH	28,997,989	21.22%	42.56%	12,341,544	6,379,558	5,961,987	48%	-	5,961,987	48%
LAKE AND PENINSULA BOROUGH	411,346	27.90%	41.95%	172,559	90,496	82,063	48%	-	82,063	48%
NENANA, CITY OF	209,537	24.40%	41.79%	87,566	46,098	41,467	47%	-	41,467	47%
PETERSBURG, CITY OF	4,132,593	28.53%	41.15%	1,700,562	909,170	791,391	47%	-	791,391	47%
HUSLIA, CITY OF	120,616	23.27%	40.43%	48,765	26,535	22,230	46%	-	22,230	46%
ANCHORAGE, MUNICIPALITY OF	151,287,070	18.65%	39.33%	59,501,205	33,283,155	26,218,049	44%	-	26,218,049	44%
KENAI PENINSULA BOROUGH	14,366,322	22.81%	37.39%	5,371,568	3,160,591	2,210,977	41%	-	2,210,977	41%
NOME, CITY OF	2,532,588	15.50%	36.02%	912,238	557,169	355,069	39%	-	355,069	39%
HOMER, CITY OF	5,104,318	17.92%	35.96%	1,835,513	1,122,950	712,563	39%	-	712,563	39%
PELICAN, CITY OF	155,103	18.86%	34.82%	54,007	34,123	19,884	37%	-	19,884	37%
NORTH POLE, CITY OF	1,667,144	20.00%	34.59%	576,665	360,772	209,893	36%	-	209,893	36%
ATKA, CITY OF	99,456	21.92%	34.02%	33,835	21,880	11,955	35%	-	11,955	35%
SOLDOTNA, CITY OF	2,847,540	19.46%	33.94%	966,455	626,459	339,996	35%	-	339,996	35%
MATANUSKA-SUSITNA BOROUGH	12,730,979	20.99%	33.89%	4,314,529	2,800,815	1,513,713	35%	-	1,513,713	35%
CRAIG, CITY OF	1,667,345	25.33%	33.56%	559,561	366,816	192,745	34%	-	192,745	34%
KETCHIKAN GATEWAY BOROUGH	4,697,575	20.49%	32.18%	1,511,680	1,033,466	478,213	32%	-	478,213	32%
EGEKIK, CITY OF	45,968	18.80%	31.40%	14,434	10,113	4,321	30%	-	4,321	30%
SEWARD, CITY OF	4,055,986	18.74%	31.14%	1,263,034	892,317	370,717	29%	-	370,717	29%
FAIRBANKS NORTH STAR BOROUGH	19,314,802	20.93%	29.98%	5,790,518	4,249,212	1,541,305	27%	-	1,541,305	27%
SAND POINT, CITY OF	925,242	17.11%	29.98%	277,388	203,553	73,834	27%	-	73,834	27%
BRISTOL BAY BOROUGH	1,749,955	17.99%	29.90%	523,237	384,990	138,246	26%	-	138,246	26%
UNALASKA, CITY OF	206,072	19.87%	29.89%	61,595	45,336	16,259	26%	-	16,259	26%
DILLINGHAM, CITY OF	2,227,329	21.18%	28.49%	634,560	490,012	144,554	23%	-	144,554	23%
SAINT PAUL, CITY OF	1,263,904	17.35%	28.44%	359,454	278,059	81,395	23%	-	81,395	23%
HOONAH, CITY OF	689,170	20.75%	27.46%	189,240	151,617	37,629	20%	-	37,629	20%
KING COVE, CITY OF	522,592	19.63%	26.53%	247,417	205,170	42,246	17%	-	42,246	17%
SKAGWAY, CITY OF	1,851,825	19.04%	25.36%	469,623	407,401	62,221	13%	-	62,221	13%
YAKUTAT, CITY AND BOROUGH	744,132	17.97%	25.22%	187,670	163,709	23,961	13%	-	23,961	13%
WASILLA, CITY OF	4,913,053	18.91%	24.38%	1,197,802	1,080,872	116,931	10%	-	116,931	10%
UNALASKA, CITY OF	8,647,494	18.50%	23.34%	2,251,725	2,122,449	129,276	6%	-	129,276	6%
TOKSOOK BAY, CITY OF	28,493	17.28%	23.16%	6,599	6,268	331	5%	-	331	5%
THORNE BAY, CITY OF	276,782	17.61%	23.11%	63,960	60,888	3,072	5%	-	3,072	5%
NORTH SLOPE BOROUGH	38,915,994	17.62%	22.06%	8,935,112	8,581,519	373,594	4%	-	373,594	4%
SELDOVIA, CITY OF	64,281	10.64%	21.58%	13,872	14,142	(270)	-2%	3,445	3,175	23%
WHITTIER, CITY OF	1,031,368	15.00%	21.40%	220,713	226,901	(6,188)	-3%	72,198	68,008	30%
MEKORYUK, CITY OF	3,199	13.32%	20.51%	655	702	(47)	-7%	277	230	35%
ALEUTIANS EAST BOROUGH	704,070	15.23%	20.31%	142,997	154,895	(11,898)	-8%	47,660	35,767	25%
NORTHWEST ARCTIC BOROUGH	1,043,827	14.19%	18.24%	190,394	229,642	(39,248)	-21%	91,523	42,275	22%
BARROW, CITY OF	1,248,265	17.26%	17.79%	220,943	274,018	(53,675)	-24%	59,168	5,492	2%
BETHEL, CITY OF	5,809,252	15.08%	17.40%	1,010,810	1,278,035	(267,226)	-26%	402,600	134,775	13%
DELTA JUNCTION, CITY OF	293,706	14.47%	17.27%	50,723	64,615	(13,892)	-27%	22,116	8,224	16%
KOTZEBUE, CITY OF	3,632,278	13.32%	17.13%	622,209	799,101	(176,892)	-28%	315,282	138,390	22%
GALENA, CITY OF	1,822,770	13.40%	16.88%	307,685	401,011	(93,326)	-30%	156,759	63,433	21%
NOORVIK, CITY OF	60,423	13.45%	15.92%	14,395	19,803	(5,408)	-38%	7,731	2,233	16%
KLAWOCK, CITY OF	671,663	14.35%	15.15%	101,532	147,634	(46,102)	-45%	51,310	5,234	5%
AKUTAN, CITY OF	307,967	13.32%	14.48%	44,594	67,753	(23,159)	-52%	26,732	3,572	8%
ANDERSON, CITY OF	41,355	13.32%	14.48%	6,278	9,538	(3,260)	-52%	3,763	503	8%
TANANA, CITY OF	401,025	13.32%	14.48%	53,155	88,258	(30,202)	-52%	34,801	4,050	8%
FORT YUKON, CITY OF	25,112	13.32%	14.48%	3,638	5,526	(1,888)	-52%	2,180	291	8%
HOOPER BAY, CITY OF	34,341	13.32%	14.48%	4,573	7,555	(2,982)	-52%	2,981	398	8%
MOUNTAIN VILLAGE, CITY OF	12,090	13.32%	14.48%	1,825	2,772	(948)	-52%	1,094	146	8%
QUINHAGAK, CITY OF	28,529	13.32%	14.48%	4,131	6,270	(2,145)	-52%	2,476	331	8%
KOYUK, CITY OF	98,281	15.39%	14.48%	13,941	21,182	(7,240)	-52%	7,240	-	0%
UPPER KALSKAG, CITY OF	19,815	16.23%	14.40%	2,840	4,315	(1,475)	-52%	1,475	-	0%
ALLAKAKET, CITY OF	19,758	15.00%	14.40%	2,861	4,347	(1,486)	-52%	1,486	-	0%
TOTAL	390,328,042			151,020,919	85,871,729	65,149,189		1,303,788	88,452,978	

5:06:26 PM

CSSB 125 Sec (19) Rate Adjustments

Muni	Recoup Rate	Rate w/Hold Harmless
AKUTAN, CITY OF		13.32%
ALEUTIANS EAST BOROUGH	10.01%	3.24%
ALLAKAKET, CITY OF		14.48%
ANCHORAGE, MUNICIPALITY OF	21.51%	21.51%
ANDERSON, CITY OF		13.32%
BARROW, CITY OF	18.21%	13.47%
BETHEL, CITY OF	17.25%	10.33%
BRISTOL BAY BOROUGH	17.95%	17.95%
CORDOVA, CITY OF	12.85%	12.85%
DELTA JUNCTION, CITY OF	20.84%	13.31%
CENALI BOROUGH	3.07%	3.07%
EGEGIK, CITY OF	15.84%	15.84%
FORT YUKON, CITY OF		13.32%
GALENA, CITY OF	18.24%	9.64%
HOOPER BAY, CITY OF		13.32%
HUSLIA, CITY OF	17.68%	17.68%
KACHEMAK, CITY OF	4.92%	4.92%
KENAI PENINSULA BOROUGH	17.11%	17.11%
KETCHIKAN GATEWAY BOROUGH	13.04%	13.04%
KETCHIKAN, CITY OF	12.03%	12.03%
KLAWOCK, CITY OF	17.24%	9.59%
KODIAK ISLAND BOROUGH	4.55%	4.55%
KODIAK, CITY OF	14.88%	14.88%
KOTZEBUE, CITY OF		13.32%
KOYUK, CITY OF		14.48%
LAKE AND PENINSULA BOROUGH	9.25%	9.25%
MEKORYUK, CITY OF		13.32%
MOUNTAIN VILLAGE, CITY OF		13.32%
NOORVIK, CITY OF		13.45%
NORTH POLE, CITY OF	15.55%	15.55%
NORTHWEST ARCTIC BOROUGH		14.19%
PALMER, CITY OF	13.33%	13.33%
PETERSBURG, CITY OF	12.20%	12.20%
QUINHAGAK, CITY OF	9.83%	1.15%
SAXMAN, CITY OF	17.53%	17.53%
SELDOVIA, CITY OF		16.64%
SEWARD, CITY OF	12.66%	12.66%
SOLDOTNA, CITY OF	0.00%	13.04%
TANANA, CITY OF	10.28%	1.60%
UNALAKLEET, CITY OF	9.94%	9.94%
UPPER KALSAG, CITY OF		14.48%
VALDEZ, CITY OF	17.15%	17.15%
WHITTIER, CITY OF		15.00%
YAKUTAT, CITY AND BOROUGH	18.94%	18.94%

Soldotna's excess has been spread across the 5 year period FY08-FY12

FY 09 - FY 12	
Muni	Rate
AKUTAN, CITY OF	13.32%
ALEUTIANS EAST BOROUGH	15.23%
ALLAKAKET, CITY OF	14.48%
ANDERSON, CITY OF	13.32%
BARROW, CITY OF	17.26%
BETHEL, CITY OF	15.08%
DELTA JUNCTION, CITY OF	14.47%
FORT YUKON, CITY OF	13.32%
GALENA, CITY OF	13.40%
HOOPER BAY, CITY OF	13.32%
KLAWOCK, CITY OF	14.35%
KOTZEBUE, CITY OF	13.32%
KOYUK, CITY OF	14.48%
MEKORYUK, CITY OF	13.32%
MOUNTAIN VILLAGE, CITY OF	13.32%
NOORVIK, CITY OF	13.45%
NORTHWEST ARCTIC BOROUGH	14.19%
QUINHAGAK, CITY OF	13.32%
SELDOVIA, CITY OF	16.64%
SOLDOTNA, CITY OF	13.04%
TANANA, CITY OF	13.32%
UPPER KALSAG, CITY OF	14.48%
WHITTIER, CITY OF	15.00%

Analysis of Changes
CS SB 125 vs. SB 125

May 2, 2007

CS SB 125 (Ver. 0 5/02/07)		SB 125
Bill Section	Change	Corresponding Bill Section
Title	Expanded to include "Teachers' Retirement System"	Title - Modified
Sec. 1	<p>AS 14.25.070</p> <ul style="list-style-type: none"> • Repeals & Reenacts the employer contribution section of the Teachers' Retirement System (TRS) Define Benefit (DB) statutes. • Sets the annual employer contribution rate to 12.56%, or the DB plan employer normal cost – whichever is greater. • Rate applies to entire payroll base – regardless of Tier. • Contributions are used to pay DB and Defined Contribution Retirement (DCR) normal costs • Money in excess of what is needed to pay system's normal costs is applied to the accrued unfunded liability • Employer contribution rate applies to retiree/rehires and their salary must be included in the payroll base • Defines "normal cost" 	N/A - New
Sec. 2	<p>AS 14.25.085</p> <ul style="list-style-type: none"> • Adds new section to statute establishing the state's contribution requirements within TRS • As an employer, the state must make contributions on behalf of its own TRS members • State also makes one direct payment to TRS on July 1 each year, in an amount sufficient to pay the system's full unfunded liability payment as determined by the board for the coming fiscal year 	N/A - New
Sec. 3	<p>AS 14.25.220</p> <ul style="list-style-type: none"> • Adds definition of "past service liability" and "system" to the TRS DB section of statute • "System" means all TRS plans 	N/A - New

Analysis of Changes
CS SB 125 vs. SB 125

May 2, 2007

CS SB 125 (Ver. O 5/02/07)		SB 125
Bill Section	Change	Corresponding Bill Section
Sec. 4	AS 14.25.350(d) <ul style="list-style-type: none"> • Clarifies that health reimbursement arrangement plan contributions are established in AS 39.30.370, not AS 39.30.300 	N/A - New
Sec. 5	AS 39.35.100 <ul style="list-style-type: none"> • No change 	Sec. 1
Sec. 6	AS 39.35.115 <ul style="list-style-type: none"> • Slightly reworded to match language already passed in SB 123 – Technical Clarification Bill 	Sec. 2 - Modified
Sec. 7	AS 39.35.125(a) <ul style="list-style-type: none"> • No change 	Sec. 3
Sec. 8	AS 39.35.160(e) <ul style="list-style-type: none"> • No change 	Sec. 4
Sec. 9	AS 39.35.255 <ul style="list-style-type: none"> • Adds a new section that rewrites the employer contribution section of the Public Employee's Retirement System (PERS) DB statutes. • Sets the annual employer contribution rate to 22%, or the DB plan employer normal cost – whichever is greater. • Rate applies to entire payroll base – regardless of Tier. • Payroll base used in calculation is the current year or the FY07 fiscal year, which ever is greater • Contributions are used to pay DB and DCR normal costs • Money in excess of what is needed to pay system's normal costs – are applied to the accrued unfunded liability • 22% employer contribution rate applies to retiree/rehires and their salary must be included in the payroll base • Defines "normal cost" 	Sec. 5 - Modified

Analysis of Changes
CS SB 125 vs. SB 125

May 2, 2007

CS SB 125 (Ver. O 5/02/07)		SB 125
Bill Section	Change	Corresponding Bill Section
N/A	AS 39.35.260 <ul style="list-style-type: none"> • No longer necessary. Incorporated into AS 39.35.255 	Sec. 6 - Deleted
N/A	AS 39.35.260 <ul style="list-style-type: none"> • No longer necessary. Incorporated into AS 39.35.255 	Sec. 7 - Deleted
Sec. 10	AS 39.35.280 <ul style="list-style-type: none"> • Repeals and reenacts the section of statute dealing with the state's contribution requirements within PERS • As an employer, state must make the 22% contribution on behalf of its own PERS members • State also makes one direct payment to PERS on July 1 each year, in an amount sufficient to pay the system's full unfunded liability payment as determined by the board for the coming fiscal year 	N/A - New
Sec. 11	AS 39.35.520(a) <ul style="list-style-type: none"> • No change 	Sec. 8
Sec. 12	AS 39.35.610 <ul style="list-style-type: none"> • The administrator may claim from other agencies of the state funds an employer if they are behind in their retirement contributions and/or interest owed • If the employer disputes the claim, they may appeal to the office of administrative hearings (AS 44.64) • Disputed money will be held in an escrow account until the dispute is resolved 	Sec. 9 - Modified
Sec. 13	AS 39.35.615(a) <ul style="list-style-type: none"> • Language has been added to prevent an employer from awarding past service to employees added to the plan by amendment to the participation agreement • Elected officials cannot be added to the plan unless they make a minimum of \$2,001 a month—the same wage as Legislators. 	Sec. 10 - Modified

Analysis of Changes
CS SB 125 vs. SB 125

May 2, 2007

CS SB 125 (Ver. O 5/02/07) Bill Section	Change	SB 125 Corresponding Bill Section
Sec. 14	<p>AS 39.35.615 (f)</p> <ul style="list-style-type: none"> • Language has been added to prevent future coverage of a previously terminated department, group, or classification of employee if the costs associated with the previous termination have not been paid 	N/A - New
N/A	<p>AS 39.35.615 (g) & (h)</p> <ul style="list-style-type: none"> • Sections have been worked into AS 39.35.625 in Sec. 15 of the CS 	Sec. 11 - Deleted
Sec. 15	<p>AS 39.35.620 (h)</p> <ul style="list-style-type: none"> • Subsection (h) has been amended <ul style="list-style-type: none"> ○ to clarify that a previously terminated employer can rejoin the system only if the cost associated with the previous termination has been paid; and ○ to clarify that previously terminated employers who rejoin the system may only participate in the DCR plan 	Sec. 12 - Modified
Sec. 16	<p>AS 39.35.625</p> <ul style="list-style-type: none"> • New section is being added in statute laying out how PERS termination costs will be determined under the new cost share system • If a employer terminates completely from the system or terminates a department, group, or classification of employee, they will be required to pay the past service cost on the terminated wage base until the system's unfunded liability has been paid off • The administrator may enter into a payment plan for payment of an employer's termination costs • An employer requesting termination action, must pay for a termination cost study to be performed 	N/A - New
Sec. 17	<p>AS 39.35.650</p> <ul style="list-style-type: none"> • Slightly modified to conform to other sectional changes in the CS 	Sec. 13 - Modified

CS SB 125 (Ver. O 5/02/07) Bill Section	Change	SB 125 Corresponding Bill Section
Sec. 18	AS 39.35.680 <ul style="list-style-type: none"> • Adds definition of "past service liability" to the definitions section of the PERS DB statutes 	N/A – New
Sec. 19	AS 39.35.750(d) <ul style="list-style-type: none"> • Clarifies that health reimbursement arrangement plan contributions are established in AS 39.30.370, not AS 39.30.300 	N/A - New
Sec. 20	Repeals <ul style="list-style-type: none"> • Adds AS 39.35.260, AS 39.35.615 (f) and AS 39.35.620 (h) to the list of repeals (<i>see SB 125 Sec. 6, Sec. 7, Sec. 11 & Sec. 12 comments above</i>) • Removes AS 39.35.280 (<i>see CSSB 125 Sec. 10 comments above</i>) 	Sec. 14 - Modified
Sec. 21	Transition Language <ul style="list-style-type: none"> • Removes previous subsections (a) and (b) which established a notification requirement and set a 90 day window after bill passage for making amendments to an employers participation agreement • New subsection (a) <ul style="list-style-type: none"> ○ Sets FY 08 contribution rates below 22% for PERS employers that made contributions in excess of what was required between FY05 – 07 and/or to hold them harmless if their FY07 or FY08 board adopted rates where below 22% • New subsection (b) <ul style="list-style-type: none"> ○ Sets FY 09 – FY 12 contribution rates below 22% to hold harmless PERS employers whose FY07 or FY08 board adopted rates are below 22% 	Sec. 15 - Modified
Sec. 22	Transition Language <ul style="list-style-type: none"> • No change 	Sec. 16
N/A	Revisor's Instructions <ul style="list-style-type: none"> • No change 	Sec. 17 - Deleted

Analysis of Changes
CS SB 125 vs. SB 125

May 2, 2007

CS SB 125 (Ver. O 5/02/07)		SB 125
Bill Section	Change	Corresponding Bill Section
Sec. 23 & Sec. 24	Effect Date Clauses <ul style="list-style-type: none">• No change	Sec. 18 & Sec. 19

CSSB 125 Rate Backup: Impact on 22% Employer Rates of Hold Harmless and Recoup provisions

(1)	(2)	(3)	(4)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)			
Employer	Bill Rate FY08	Bill Rate FY09- FY2012	Estimated FY08 Wage Base	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	FY08 Estimated Contribution at the Board Rate	FY08 Estimated Contribution at 22%	Gain (Loss) at a 22% Rate	Gain (Loss) at a 22% Rate	Lower of FY07 or FY08 ARM Board Rate if FY08 Rate < 22%	Gain (Loss) Rate and Hold Harmless	Gain (Loss) Rate and Hold Harmless	Extra Payments 2005	Extra Payments 2006 SB46	Extra Payments 2007 SB 231	Total Extra Payments	Revised FY08 Contribution	Revised FY08 Rate	Revised Contrib with Hold Harmless	Final Rate for FY08 Only	Rate for FY08 - FY2012	Rate for FY2012	
							(7)(4)	22% of (2)	(5)(6)	(7)(5)	Min((3)+(4)) (2)	(7)(9)	(10)(5)				(12)+(13)+(14)	(6)(15)	(16)(2)	(16)(9)	(18)(2)	(22% ((9)(2))	(22% ((9)(2))	
PERS Poll Subs											22%													
ELIM CITY OF				19.31%		134.60%																		
KALTAG, CITY OF				23.49%		74.74%																		
SAINI GEORGE, CITY OF				13.32%		14.48%																		
SELAWIK, CITY OF				13.32%		14.48%																		
SHAKTOOLIK, CITY OF				13.32%		14.71%																		
FAIRBANKS, CITY OF			7,175,800	35.67%	2,485,050	184.95%	13,271,641	1,578,676	11,692,965	88%		11,692,965	88%											
SAXMAN, CITY OF	17.53%		126,122	37.84%	40,335	105.76%	133,387	27,747	105,640	79%		105,640	79%											
KACHEMAK, CITY OF	4.92%		24,942	30.37%	7,354	90.23%	22,505	5,497	17,018	76%		17,018	76%	3,068	1,193	4,261	1,226	4.92%	1,226	4.92%	1,226	4.92%	1,226	
KETCHIKAN, CITY OF	12.03%		8,185,616	29.92%	2,377,802	52.61%	4,308,452	1,800,635	2,505,617	58%		2,505,617	58%	415,937	400,460	816,397	984,438	12.03%	984,438	12.03%	984,438	12.03%	984,438	
CORDOVA, CITY OF	12.05%		2,307,407	19.77%	442,888	52.45%	1,211,158	507,630	703,528	58%		703,528	58%	98,482	112,553	211,035	296,555	12.85%	296,555	12.85%	296,555	12.85%	296,555	
DEHALI BOROUGH	3.07%		155,769	39.00%	58,979	51.83%	80,733	34,268	46,465	58%		46,465	58%											
KODIAK ISLAND BOROUGH	4.55%		2,359,685	15.00%	343,643	49.23%	1,161,673	519,131	642,542	55%		642,542	55%	293,700	118,017	411,747	107,384	4.55%	107,384	4.55%	107,384	4.55%	107,384	
KODIAK, CITY OF	14.88%		6,015,174	21.21%	1,238,659	48.05%	2,890,291	1,323,338	1,566,953	54%		1,566,953	54%	113,667	314,368	428,035	895,303	14.88%	895,303	14.88%	895,303	14.88%	895,303	
WRANGELL, CITY OF			2,823,476	21.72%	595,397	47.74%	1,347,928	621,165	726,763	54%		726,763	54%											
VAI DEZ, CITY OF	17.15%		5,267,186	18.91%	967,014	40.32%	2,439,761	1,158,781	1,280,980	53%		1,280,980	53%	255,619		255,619	903,162	17.15%	903,162	17.15%	903,162	17.15%	903,162	
KENAI, CITY OF			5,678,794	18.67%	1,029,350	45.71%	2,595,777	1,249,335	1,346,442	52%		1,346,442	52%											
HAINES BOROUGH			1,661,014	27.17%	438,153	43.85%	728,355	365,423	362,932	50%		362,932	50%											
SITKA, CITY AND BOROUGH			9,012,579	24.02%	2,101,768	43.31%	3,903,348	1,982,767	1,920,581	49%		1,920,581	49%											
PALMER, CITY OF	3.33%		3,312,705	23.54%	757,058	43.05%	1,426,120	726,795	697,324	49%		697,324	49%	132,967	154,333	287,300	441,495	13.33%	441,495	13.33%	441,495	13.33%	441,495	
JUNEAU, CITY AND BOROUGH			28,997,989	21.22%	5,174,140	42.56%	12,341,544	6,379,558	5,961,987	48%		5,961,987	48%											
LAKE AND PENINSULA BOROUGH	9.25%		411,346	27.90%	111,423	41.95%	172,559	90,490	82,063	48%		82,063	48%	32,811	19,656	52,467	38,029	9.25%	38,029	9.25%	38,029	9.25%	38,029	
NENANA, CITY OF			209,537	24.40%	49,638	41.79%	87,566	46,098	41,467	47%		41,467	47%											
PETERSBURG, CITY OF	12.20%		4,132,593	28.53%	1,144,688	41.15%	1,700,562	909,170	791,391	47%		791,391	47%	198,450	205,671	405,161	504,009	12.20%	504,009	12.20%	504,009	12.20%	504,009	
MUSKIE, CITY OF	17.68%		120,616	23.27%	27,250	40.43%	48,765	26,535	22,230	46%		22,230	46%			5,215	5,215	21,320	17.68%	21,320	17.68%	21,320	17.68%	
ANCHORAGE MUNICIPALITY OF	21.51%		151,287,070	18.65%	27,393,241	39.33%	59,501,205	33,283,155	26,218,049	44%		26,218,049	44%	748,094		748,094	32,535,061	21.51%	32,535,061	21.51%	32,535,061	21.51%	32,535,061	
KENAI PENINSULA BOROUGH	17.11%		14,366,322	22.81%	3,181,513	37.39%	5,371,568	3,160,591	2,210,977	41%		2,210,977	41%			702,515	702,515	2,458,076	17.11%	2,458,076	17.11%	2,458,076	17.11%	
NOME, CITY OF			2,532,588	15.50%	381,118	36.02%	912,238	557,169	355,069	39%		355,069	39%											
HOMER, CITY OF			5,104,318	17.92%	888,052	35.56%	1,835,513	1,122,950	712,563	39%		712,563	39%											
PELICAN, CITY OF			155,103	18.86%	28,400	34.82%	54,007	34,123	19,884	37%		19,884	37%											
NORTH POLE, CITY OF	15.55%		1,667,144	20.00%	323,717	34.59%	576,665	366,772	209,893	30%		209,893	36%	107,535		107,535	259,237	15.55%	259,237	15.55%	259,237	15.55%	259,237	
ATKA, CITY OF			99,456	21.92%	21,165	34.02%	33,835	21,880	11,955	35%		11,955	35%											
SOLDOTNA, CITY OF	13.04%	13.04%	2,847,540	19.46%	537,992	33.94%	969,455	478,459	339,996	35%		339,996	35%	1,000,000	139,473	136,756	1,276,229	(649,770)						13.04%
MATANUSKA-SUSITNA BOROUGH			12,730,979	20.99%	2,594,401	33.69%	4,314,529	2,800,815	1,513,713	35%		1,513,713	35%											
CRAIG, CITY OF			1,667,345	25.33%	410,037	33.56%	559,561	366,816	192,745	34%		192,745	34%											
SITKA COMMUNITY HOSPITAL			4,559,308	21.96%	972,052	32.58%	1,465,422	1,803,041	482,375	32%		482,375	32%											
KETCHIKAN GATEWAY BOROUGH	13.04%		4,697,575	20.49%	934,498	32.18%	1,511,680	1,033,436	478,213	32%		478,213	32%	201,307	214,696	421,003	612,463	13.04%	612,463	13.04%	612,463	13.04%	612,463	
EGEGIK, CITY OF	15.84%		45,968	18.80%	8,390	31.40%	14,434	10,113	4,321	30%		4,321	30%			2,830	2,830	7,283	15.84%	7,283	15.84%	7,283	15.84%	
SEWARD, CITY OF	12.66%		4,055,986	18.74%	737,953	31.14%	1,263,034	892,317	370,717	29%		370,717	29%	152,943	188,026	378,969	513,348	12.66%	513,348	12.66%	513,348	12.66%	513,348	
FAIRBANKS NORTH STAR BOROUGH			19,314,602	20.83%	3,924,802	29.98%	5,790,518	4,249,212	1,541,305	27%		1,541,305	27%											
SAND POINT, CITY OF			625,242	17.11%	103,698	29.68%	277,388	203,553	73,834	27%		73,834	27%											
CORDOVA COMMUNITY MEDICAL CENTER			2,112,784	20.14%	424,853	29.97%	651,183	478,013	173,171	27%		173,171	27%											
BRISTOL BAY BOROUGH	17.95%		1,749,955	17.99%	305,647	28.90%	523,237	384,990	138,246	26%		138,246	26%	70,944		70,944	314,048	17.95%	314,048	17.95%	314,048	17.95%	314,048	
UNALASKET CITY OF	9.94%		706,072	19.07%	139,754	29.89%	61,595	45,336	16,259	26%		16,259	26%	13,658	11,157	24,855	20,461	9.94%	20,461	9.94%	20,461	9.94%	20,461	
ANCHORAGE PARKING AUTHORITY			1,298,338	19.18%	241,769	29.27%	380,024	285,634	94,389	25%		94,389	25%											
DILLINGHAM, CITY OF			2,227,329	21.18%	458,008	28.49%	634,566	490,012	144,554	23%		144,554	23%											
SAINI PAUL, CITY OF			1,263,904	17.35%	212,000	28.44%	359,454	271,059	81,395	23%		81,395	23%											
SAXMAN SEAPORT			70,936	19.39%	13,354	28.13%	19,954	15,605	4,348	22%		4,348	22%											
HOBENAH, CITY OF			619,170	20.75%	128,838	27.46%	189,240	151,617	37,629	20%		37,629	20%											

5/2/07

CSSB 125 Rate Backup: Impact on 22% Employer Rates of Hold Harmless and Recoup provisions

(1)	(2)	(3)	(4)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)			
Employer	Bill Rate FY08	Bill Rate FY09- FY2012	Estimated FY08 Wage Base	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	FY08 Estimated Contribution at the Board Rate	FY08 Estimated Contribution at 22%	Gain (Loss) at a 22% Rate	Gain (Loss) at a 22% Rate	Lower of FY07 or FY08 ARM Board Rate If FY08 Rate < 22%	Gain (Loss) with a 22% Rate and Hold Harmless	Gain (Loss) with a 22% Rate and Hold Harmless	Extra Payments 2005	Extra Payments 2006 SB46	Extra Payments 2007 SB 231	Total Extra Payments	Revised FY08 Contribution	Revised FY08 Rate	Revised Contrib with Hold Harmless	Final Rate for FY08 Only	Rate for FY09 - FY2012	Rate for FY08 - FY2012	
KING COVE, CITY OF			932,592	19.65%	177,736	26.53%	247,417	205,170	42,246	17%	-	42,246	17%											
SKAGWAY, CITY OF			1,851,825	19.94%	358,499	25.38%	469,623	407,401	62,221	13%	-	62,221	13%											
YAKUTAT, CITY AND BOROUGH	18.94%		744,132	17.97%	129,826	25.22%	187,670	163,709	23,961	13%	-	23,961	13%	22,773			22,773	140,936	18.94%	140,936	18.64%			
WASILLA, CITY OF			4,913,053	18.91%	901,998	24.38%	1,197,802	1,000,872	116,931	10%	-	116,931	10%											
UNALASKA, CITY OF			9,647,494	10.50%	1,732,802	23.34%	2,251,725	2,122,449	129,276	6%	-	129,276	6%											
TOKSOOK BAY, CITY OF			28,493	17.28%	4,780	23.16%	6,559	6,260	331	5%	-	331	5%											
THORNE BAY, CITY OF			276,762	17.61%	47,318	23.11%	63,960	60,888	3,072	5%	-	3,072	5%											
NORTH SLOPE BOROUGH			38,915,994	17.62%	6,657,289	22.95%	8,935,112	8,561,519	373,594	4%	-	373,594	4%											
HOME JOINT UTILITY SYSTEM			883,109	14.11%	120,977	22.82%	201,526	194,284	7,241	4%	-	7,241	4%											17.20%
BARTLETT REGIONAL HOSPITAL	17.20%	17.20%	20,709,107	17.20%	3,458,220	21.87%	4,529,082	4,556,004	(26,922)	-1%	994,037	967,115	21%											15.89%
PETERSBURG MEDICAL CENTER	15.89%	15.89%	3,855,146	15.89%	594,740	21.73%	837,723	848,132	(10,409)	-1%	235,549	225,141	27%											16.64%
SELDOVIA, CITY OF	16.64%	16.64%	64,281	16.64%	10,385	21.58%	13,872	14,142	(270)	-2%	3,445	3,175	23%											15.00%
WHITTIER, CITY OF	15.00%	15.00%	1,031,368	15.00%	150,199	21.40%	220,713	226,901	(6,188)	-3%	72,196	66,008	30%											13.32%
MEKORYUK, CITY OF	13.32%	13.32%	3,189	13.32%	412	20.53%	655	702	(47)	-7%	277	230	35%											15.23%
ALEUTIANS EAST BOROUGH	3.24%	15.23%	704,070	15.23%	104,107	20.31%	142,997	154,895	(11,899)	-8%	47,666	35,767	25%	50,537		33,915	84,452	70,443	10.01%	22,778	3.24%	15.23%	14.19%	
NORTHWEST ARCTIC BOROUGH	14.19%	14.19%	1,043,827	14.19%	143,805	18.24%	190,394	229,642	(39,248)	-21%	81,523	42,275	22%											17.26%
BARROW, CITY OF	13.47%	17.26%	1,248,265	17.26%	209,175	17.70%	220,943	274,616	(53,675)	-24%	59,168	5,492	2%			47,355	47,355	227,263	18.21%	168,096	13.47%	17.26%	15.08%	
BETHEL, CITY OF	10.33%	15.08%	5,809,252	15.08%	850,520	17.40%	1,010,810	1,270,035	(267,226)	-26%	402,000	134,775	13%			275,716	275,716	1,002,319	17.25%	600,319	10.33%	15.08%	14.47%	
DELTA JUNCTION, CITY OF	13.31%	14.47%	293,706	14.47%	41,261	17.27%	50,723	64,615	(13,892)	-27%	22,116	8,224	16%			3,419	3,419	61,196	20.84%	39,080	13.31%	14.47%	1.12%	
KOTZEBUE, CITY OF	13.32%	13.32%	3,632,278	13.32%	469,728	17.13%	622,209	799,101	(176,892)	-28%	315,282	139,390	22%											13.90%
GALENA, CITY OF	9.64%	13.40%	1,822,779	13.40%	237,138	16.88%	307,685	401,011	(93,326)	-30%	156,759	63,433	21%	68,488			68,488	332,525	18.74%	175,765	9.64%	13.40%	13.45%	
ILISAGVIK COLLEGE	13.90%	13.90%	3,887,085	13.90%	524,568	16.19%	629,319	855,159	(225,840)	-36%	314,854	89,014	14%											13.45%
NOORVIK, CITY OF	13.45%	13.45%	90,423	13.45%	11,808	15.92%	14,395	19,893	(5,498)	-38%	7,731	2,233	16%											13.32%
KLAWOCK, CITY OF	9.59%	14.35%	671,063	14.35%	93,473	15.13%	101,532	147,634	(46,102)	-45%	51,336	5,234	5%			31,917	31,917	115,717	17.24%	64,381	9.59%	14.35%	13.37%	
FORT YUKON, CITY OF	13.32%	13.32%	401,625	13.32%	51,938	14.48%	58,155	88,358	(30,202)	-52%	34,861	4,659	8%											13.32%
AKUTAN, CITY OF	13.32%	13.32%	307,967	13.32%	39,826	14.48%	44,594	67,753	(23,159)	-52%	26,732	3,572	8%											13.32%
TANANA, CITY OF	1.60%	13.32%	96,281	13.32%	12,451	14.48%	13,941	21,182	(7,240)	-57%	8,357	1,117	8%	11,285			11,285	9,897	10.28%	1,540	1.60%	13.32%	13.32%	
ANDERSON, CITY OF	13.32%	13.32%	43,355	13.32%	5,607	14.48%	6,278	9,539	(3,260)	-52%	3,763	503	8%											13.32%
MOUNTAIN VILLAGE, CITY OF	13.32%	13.32%	34,341	13.32%	4,441	14.48%	4,973	7,555	(2,582)	-52%	2,981	368	8%											13.32%
QUINHAGAK, CITY OF	1.15%	13.32%	28,529	13.32%	3,689	14.48%	4,131	6,276	(2,145)	-52%	2,476	331	8%	1,552	1,920	3,472	2,804	9.83%	328	1.15%	13.32%	13.32%		
HOCOPER BAY, CITY OF	13.32%	13.32%	12,600	13.32%	1,629	14.48%	1,825	2,772	(948)	-52%	1,094	149	8%											14.48%
KOYUK, CITY OF	14.48%	14.48%	25,112	15.39%	3,752	14.48%	3,636	5,525	(1,888)	-52%	1,888	-	0%											14.48%
ALLAKAKET, CITY OF	14.48%	14.48%	19,758	15.00%	2,877	14.48%	2,851	4,347	(1,495)	-52%	1,488	-	0%											14.48%
UPPER KALSAG, CITY OF	14.48%	14.48%	19,615	16.23%	3,091	14.48%	2,840	4,315	(1,475)	-52%	1,475	-	0%											14.48%
PERS Poll Subs			427,761,855		81,682,885		159,765,152	94,107,608	65,647,544	41%	2,849,052	68,496,636	43%	1,000,000	3,211,271	2,982,936	7,194,207	42,253,183			42,163,075			

CSSB 125 Rate Backup: Impact on 22% Employer Rates of Hold Harmless and Recoup provisions

(1)	(2)	(3)	(4)	(4)	(5)	(6)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)	
Employer	Bill Rate FY08	Bill Rate FY09- FY2012	Estimated FY08 Wage Base	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	FY08 Estimated Contribution at the Board Rate	FY08 Estimated Contribution at 22%	Gain (Loss) at a 22% Rate	Gain (Loss) at a 22% Rate	Lower of FY07 or FY08 ARM Board Rate If FY08 Rate < 22%	Gain (Loss) with a 22% Rate and Hold Harmless	Gain (Loss) with a 22% Rate and Hold Harmless	Extra Payments 2005	Extra Payments 2006 SB46	Extra Payments 2007 SB 231	Total Extra Payments	Revised FY08 Contribution	Revised FY08 Rate	Revised Contribut with Hold Harmless	Final Rate for FY08 Only	Rate for FY09 - FY2012	Rate for FY08 - FY2012
PERS Other																							
BERING STRAITS CRSA			-	25.59%	-	14.40%	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
ALASKA MUNICIPAL LEAGUE			310,281	45.37%	136,074	52.74%	163,642	68,262	65,380	58%	-	95,380	58%	-	-	-	-	-	-	-	-	-	-
ALEUTIANS WEST CRSA			52,719	26.56%	13,594	38.35%	20,218	11,598	8,620	43%	-	8,620	43%	-	-	-	-	-	-	-	-	-	-
SOUTHEAST REGIONAL RESOURCE CENTER			1,377,100	20.28%	271,157	34.41%	473,888	302,980	170,908	36%	-	170,908	36%	-	-	-	-	-	-	-	-	-	-
NORTH PACIFIC FISHERY MGMT COUNCIL			1,455,558	23.04%	325,593	30.04%	437,250	320,223	117,027	27%	-	117,027	27%	-	-	-	-	-	-	-	-	-	-
ALASKA HOUSING FINANCE CORPORATION			18,397,143	20.49%	3,859,781	26.68%	4,909,359	4,047,371	860,986	18%	-	860,986	18%	-	-	-	-	-	-	-	-	-	-
SPECIAL EDUCATION SERVICE AGENCY			421,365	14.42%	58,991	25.10%	105,763	92,700	13,062	12%	-	13,062	12%	-	-	-	-	-	-	-	-	-	-
TLINGIT-HAIDA RHA	18.39%	18.39%	2,331,908	18.39%	416,347	20.69%	482,472	513,070	(30,548)	-6%	84,182	53,634	11%	-	-	-	-	-	-	-	-	-	18.39%
ALEUTIAN HOUSING AUTHORITY	14.95%	14.95%	969,986	14.95%	140,789	18.92%	183,521	213,397	(29,876)	-16%	68,384	38,508	21%	-	-	-	-	-	-	-	-	-	14.95%
BRISTOL BAY RHA	15.06%	15.06%	1,375,226	15.06%	201,077	17.66%	242,865	302,550	(59,685)	-25%	95,441	35,756	15%	-	-	-	-	-	-	-	-	-	15.06%
NORTHWEST INUPIAT HOUSING AUTHORITY	15.17%	15.17%	1,126,996	15.17%	165,986	17.65%	198,915	247,939	(49,024)	-25%	76,974	27,949	14%	-	-	-	-	-	-	-	-	-	15.17%
BERING STRAITS RHA	14.77%	14.77%	1,078,781	14.77%	154,695	17.62%	190,081	237,332	(47,251)	-25%	77,996	30,745	16%	-	-	-	-	-	-	-	-	-	14.77%
COPPER RIVER BASIN RHA	14.76%	14.76%	614,337	14.76%	88,035	17.45%	107,202	135,154	(27,952)	-26%	44,478	16,526	15%	-	-	-	-	-	-	-	-	-	14.76%
NORTH PACIFIC RIM HA	14.70%	14.70%	1,153,137	14.70%	164,574	17.37%	200,300	253,690	(53,390)	-27%	84,179	30,789	15%	-	-	-	-	-	-	-	-	-	14.70%
COOK INLET HOUSING AUTHORITY	15.06%	15.06%	4,298,799	15.06%	628,543	17.00%	730,796	945,736	(214,940)	-29%	298,337	83,397	11%	-	-	-	-	-	-	-	-	-	15.06%
INTERIOR RHA	14.23%	14.23%	1,203,929	14.23%	166,329	16.73%	201,417	264,864	(63,447)	-32%	93,545	30,099	15%	-	-	-	-	-	-	-	-	-	14.23%
INTER-ISLAND FERRY AUTHORITY	13.36%	13.36%	1,019,517	13.36%	132,240	16.00%	163,123	224,294	(61,171)	-38%	88,086	26,915	17%	-	-	-	-	-	-	-	-	-	13.36%
BARANOF ISLAND HA	13.32%	13.32%	476,359	13.32%	61,608	15.12%	72,031	104,808	(32,776)	-46%	41,351	8,575	12%	-	-	-	-	-	-	-	-	-	13.32%
TAGIUGMIULLU NUNAMIULLU HOUSING AUTH	13.32%	13.32%	1,450,856	13.32%	187,625	14.50%	216,178	319,188	(103,011)	-48%	125,934	22,924	11%	-	-	-	-	-	-	-	-	-	13.32%
PERS Other			39,114,115		6,973,640		9,098,018	8,605,105	492,913	5%	1,178,887	1,671,800	18%										18.99%

CSSB 125 Rate Backup: Impact on 22% Employer Rates of Hold Harmless and Recoup provisions

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)			
Employer	Bill Rate FY09	Bill Rate FY2012	Estimated FY08 Wage Base	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	FY08 Estimated Contribution at the Board Rate	FY08 Estimated Contribution at 22%	Gain (Loss) at a 22% Rate	Gain (Loss) at a 22% Rate	Lower of FY07 or FY08 ARM Board Rate If FY08 Rate < 22%	Gain (Loss) Rate and Hold Harmless	Gain (Loss) Rate and Hold Harmless	Extra Payments 2005	Extra Payments 2006 SB46	Extra Payments 2007 SB 231	Total Extra Payments	Revised FY08 Contribution	Revised FY08 Rate	Revised Contrib with Hold Harmless	Final Rate for FY08 Only	Rate for FY08 - FY2012	Rate for FY08 - FY2012
CHIATHAM SD			371,217	20.93%	75,433	69.18%	256,808	81,068	175,140	68%	-	175,140	68%										
SOUTHEAST ISLAND SD			678,719	25.55%	168,362	68.73%	466,483	149,318	317,165	68%	-	317,165	68%										
CORDOVA CITY SD			653,926	20.46%	129,896	56.88%	371,953	143,864	228,089	61%	-	228,089	61%										
SITKA BOROUGH SD			2,070,752	24.04%	483,310	50.66%	1,049,043	455,565	593,478	57%	-	593,478	57%										
VAL DEZ CITY SD			937,697	15.35%	288,773	48.80%	906,842	426,293	480,549	53%	-	480,549	53%										
KENAI PENINSULA BOROUGH SD			13,089,068	21.81%	2,771,578	45.44%	5,947,672	2,879,595	3,068,077	52%	-	3,068,077	52%										
HOONAH CITY SD			695,935	40.36%	272,698	45.14%	314,145	153,106	161,039	51%	-	161,039	51%										
BRISTOL BAY BOROUGH SD			480,101	22.10%	103,012	42.77%	205,339	105,622	99,717	49%	-	99,717	49%										
DENALI BOROUGH SD			1,083,620	23.63%	248,603	42.65%	462,168	238,398	223,769	48%	-	223,769	48%										
CHUGACH SD			292,626	20.21%	57,417	42.23%	123,576	64,378	59,198	48%	-	59,198	48%										
WHANGELL PUBLIC SD			761,395	19.86%	147,540	41.94%	319,329	167,507	151,822	48%	-	151,822	48%										
KODIAK ISLAND BOROUGH SD			4,874,624	19.85%	939,430	41.11%	2,003,958	1,072,417	931,541	46%	-	931,541	46%										
ANCHORAGE SD			81,197,671	24.25%	19,116,928	40.89%	33,201,728	17,863,488	15,338,240	46%	-	15,338,240	46%										
JUNEAU BOROUGH SD			9,525,443	22.93%	2,120,537	39.28%	3,741,534	2,095,597	1,645,937	44%	-	1,645,937	44%										
COPPER RIVER SD			1,262,805	23.26%	285,173	38.55%	486,811	277,817	208,994	43%	-	208,994	43%										
LAKE AND PENINSULA BOROUGH SD			1,673,423	21.58%	350,606	37.60%	629,207	368,153	261,054	41%	-	261,054	41%										
FAIRBANKS NORTH STAR BOROUGH SD			28,134,102	20.91%	5,711,495	36.45%	10,266,134	6,189,502	4,076,631	40%	-	4,076,631	40%										
PETERSBURG CITY SD			804,936	18.28%	142,857	35.92%	289,133	177,095	112,047	39%	-	112,047	39%										
IDITAROD AREA SD			963,638	22.00%	205,826	35.80%	344,983	212,000	132,982	39%	-	132,982	39%										
LOWER YUKON SD			4,818,306	17.47%	817,241	35.46%	1,703,571	1,060,027	648,544	38%	-	648,544	38%										
CRAIG CITY SD			855,564	23.74%	197,195	35.26%	301,672	188,224	113,448	38%	-	113,448	38%										
HAINES BOROUGH SD			558,563	21.43%	116,214	35.16%	196,391	122,884	73,507	37%	-	73,507	37%										
DELTA/GREELY SD			1,301,771	20.78%	262,756	35.15%	457,572	286,390	171,183	37%	-	171,183	37%										
KLA WOCK CITY SD			429,395	24.83%	103,513	35.15%	150,933	94,467	56,466	37%	-	56,466	37%										
NOME CITY SD			1,734,534	25.54%	430,097	34.58%	599,802	381,597	218,204	36%	-	218,204	36%										
KETCHIKAN GATEWAY BOROUGH SD			3,621,711	20.86%	733,484	34.44%	1,247,317	796,776	450,541	36%	-	450,541	36%										
MATANUSKA-SUSITNA BOROUGH SD			22,759,596	20.99%	4,638,096	33.89%	7,713,227	5,007,111	2,706,116	35%	-	2,706,116	35%										
KUSPUK SD			1,617,224	15.22%	301,777	32.06%	518,482	355,789	162,693	31%	-	162,693	31%										
KAKE CITY SD			366,919	21.89%	77,979	31.20%	114,479	80,722	33,757	29%	-	33,757	29%										
SOUTHWEST REGION SD			2,197,540	20.30%	433,107	30.08%	661,020	483,459	177,561	27%	-	177,561	27%										
ALEUTIANS EAST BOROUGH SD			662,056	23.72%	152,466	29.88%	197,822	145,652	52,170	26%	-	52,170	26%										
NORTH SLOPE BOROUGH SD			8,890,221	21.03%	1,815,159	29.57%	2,628,838	1,955,849	672,989	26%	-	672,989	26%										
PRIIBLOF SD			574,219	25.05%	139,709	29.28%	168,131	126,328	41,803	25%	-	41,803	25%										
BILLINGHAM CITY SD			1,393,179	18.53%	250,637	27.30%	380,338	306,499	73,838	19%	-	73,838	19%										
KASHUNAMIUT SD			1,118,236	18.71%	203,128	26.87%	300,470	246,012	54,458	18%	-	54,458	18%										
UNALASKA CITY SD			850,870	21.47%	177,361	26.77%	228,629	187,191	41,437	18%	-	41,437	18%										
HYDABURG CITY SD			129,787	15.00%	18,901	25.67%	33,576	20,553	5,023	15%	-	5,023	15%										
BERING STRAIT SD			7,076,188	18.39%	1,263,409	24.49%	1,732,958	1,556,761	176,197	10%	-	176,197	10%										
LOWER KUSKOKWIM SD			15,647,268	18.22%	2,767,895	24.45%	3,825,757	3,442,399	383,358	10%	-	383,358	10%										
ALASKA GATEWAY SD			1,040,625	18.67%	189,626	24.18%	251,623	228,937	22,686	9%	-	22,686	9%										
GALENA CITY SD			3,209,254	18.38%	572,681	23.72%	761,235	706,336	55,199	7%	-	55,199	7%										
NEENANA CITY SD	17.79%	17.79%	1,388,620	17.79%	239,840	21.62%	300,220	305,499	(5,277)	-2%	58,461	53,184	18%										17.79%
NORTHWEST ARCTIC BOROUGH SD	15.00%	15.00%	7,887,423	15.00%	1,149,653	20.70%	1,632,696	1,735,232	(102,536)	-6%	552,119	449,583	28%										15.00%
YUKON / KOYUKUK SD	13.70%	13.70%	1,493,899	13.70%	198,703	20.02%	299,079	328,658	(29,579)	-10%	123,994	94,414	32%										13.70%
TANANA SD	16.59%	16.59%	151,340	16.59%	24,698	18.98%	29,104	33,735	(4,631)	-16%	8,296	3,665	13%										16.59%
VAL-KUTAT SD	15.49%	15.49%	289,667	15.49%	43,563	18.96%	54,921	63,727	(8,806)	-16%	18,857	10,051	18%										15.49%
YUPIIT SD	14.52%	14.52%	1,743,107	14.52%	245,727	18.26%	318,291	383,483	(65,192)	-20%	130,384	65,102	20%										14.52%
YUKON FLATS SD	13.32%	13.32%	947,119	13.32%	122,482	17.17%	162,620	208,368	(45,748)	-28%	82,210	35,464	27%										13.32%
SAINT MARYS SD	13.32%	13.32%	431,096	13.32%	55,749	16.65%	71,821	94,841	(23,021)	-32%	37,419	14,399	20%										13.32%
SKAGWAY CITY SD	16.44%	16.44%	206,767	22.63%	63,005	18.44%	47,145	63,089	(15,944)	-34%	15,944		0%										16.44%
ANNETTE ISLAND SD	13.32%	13.32%	570,616	13.32%	73,793	14.48%	87,625	125,536	(42,910)	-52%	49,530	6,619	8%										13.32%
ALEUTIAN REGION SD	13.32%	13.32%	167,231	13.32%	21,626	14.48%	24,215	36,791	(12,476)	-52%	14,516	1,940	8%										13.32%
FELICIAN CITY SD	13.32%	13.32%	120,470	13.32%	15,579	14.48%	17,444	26,503	(9,059)	-52%	10,457	1,397	8%										13.32%
PERS School Districts			246,884,080	21.60%	51,534,363	35.78%	88,605,932	64,314,500	34,291,432	39%	1,102,187	31,393,619	40%										

CSSB 125 Rate Backup: Impact on 22% Employer Rates of Hold Harmless and Recoup provisions

(1)	(2)	(3)	(4)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)		
Employer	Bill Rate FY08	Bill Rate FY09- FY2012	Estimated FY08 Wage Base	FY07 Adj Contribution Rate	FY 07 Est. Contribution	FY08 Board Requested Rate	FY08 Estimated Contribution at 22%	Gain (Loss) at a 22% Rate	Gain (Loss) at a 22% Rate	Lower of FY07 or FY08 ARM Board Rate If FY08 Rate < 22%	Gain (Loss) with a 22% Rate and Hold Harmless	Gain (Loss) with a 22% Rate and Hold Harmless	Extra Payments 2005	Extra Payments 2006 SB46	Extra Payments 2007 SB 231	Total Extra Payments	Revised FY08 Contribution	Revised FY08 Rate	Revised Contribut with Hold Harmless	Final Rate for FY08 Only	Rate for FY09 - FY2012	Rate for FY08 - FY2012	
Soldotna converts from rebate to hold harmless	new rate 13.04%	base 22.00%	2,847,540	new pmt 371,213	old pmt 620,459	rebate 255,246																	
										Total Estimated (no wage base growth assumed) Annual Cost of Hold Harmless Provisions--extend 5 years		5,130,126											
										Soldotna Rebate Converted to Hold Harmless		255,246											
										Total FY08 Cost of Hold Harmless		5,385,372											
										FY08 Rebate Cost		7,194,207											
										FY08 FN Cost		12,579,579											
										FY09 and later FN Cost		5,385,372											
																7,194,207							

ALASKA RETIREMENT MANAGEMENT BOARD

SUBJECT: Recommend Resolution Supporting SB 125

ACTION: X

DATE: May 2, 2007

INFORMATION:

BACKGROUND:

At the April 26-27, 2007 Alaska Retirement Management Board (ARMB) meeting, Miles Baker, finance aide for Senator Stedman, and David Teal, fiscal analyst for the Legislative Finance Division, gave a presentation to the Board regarding Senate Bill 125. SB 125 would make the PERS Defined Benefit Plan a cost-sharing system like TRS. The proposed legislation would set employer contribution rates for all PERS employees at 22% of payroll, requiring the State of Alaska to pay the remainder of the recommended actuarial rate approved by the ARMB.

STATUS:

At the April Board meeting the ARMB agreed to hold a special meeting on May 2, 2007 in order to discuss Senate Bill 125 and the Board recommended contribution rate.

RECOMMENDATION:

The Board approve Resolution 2007-19 supporting the passage of Senate Bill 125 and the Board recommended contribution rate.

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to SB 125 and the FY 08 Public Employees' Retirement Systems
Employer and State Contribution Rate

Resolution 2007-19

WHEREAS, Governor Palin has introduced Senate Bill 125, which, among other things, converts the Public Employees Retirement System to a cost share plan; and

WHEREAS, the first session of the 25th Legislature has considered the bill and amended it to set the employer contribution rate at 22% for all PERS employers including the State of Alaska; and

WHEREAS, under the amended bill:

1) the State of Alaska will be responsible for the difference between the Board adopted employer contribution rate and the 22% contribution rate established for all PERS employers; and

2) Municipalities which would be required to pay a contribution rate above 22% will have a savings each year their rate would have been above 22%; and

3) Municipalities which would have been required to pay a contribution rate below 22% will be held harmless for five years under the provisions of the amended bill; and

4) Municipalities that in recent years paid into the system more than they were contractually required to pay will be rebated a portion of those payments; and

WHEREAS, SB 123, a bill that will likely pass the legislature, will upon signature by the Governor provide for assessing employer contributions across all tiers of an employer payroll; and

WHEREAS, in its FY 05 valuation of the PERS system, Buck Consultants determined the FY 08 PERS consolidated employer contribution rate should be 32.51%, assuming the system was an open system where the rate would apply to all members; and

WHEREAS, the Board ultimately adopted a rate based upon a closed system since SB 141 did not provide for assessing the rate across an employer's entire payroll;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Board would support passage of SB 125 in substantially the same form (version ~~1~~) as before the Senate Finance committee on May 2, 2007 and after enactment of SB 123 and SB 125, as known to the Board on May 2, 2007, and would support setting the FY 08 contribution rate for the Public Employees' Retirement System at 32.51%.

DATED at Anchorage, Alaska this ____ day of May, 2007.

Chair

ATTEST:

Secretary

SB 125 PERS COST SHARE LEGISLATION

- This presentation will be comprised of two parts: (1) overview of SB 125 PERS Cost Share Bill and (2) financial proposal to address unfunded liability for PERS and TRS, which will be presented by Commissioner Kreitzer.
- On March 13, 2007, you received a presentation from Charlene Morrison, Chief Financial Officer and Commissioner Kreitzer.
- During the presentation it was explained that PERS Plan is an **agent multiple employer plan**, which means that the assets are pooled for all PERS employers and they share the administrative expenses.
- Currently, in accordance with statute, each PERS employer has its own individual employer contribution rate that it pays to the PERS Plan. The employer contribution rates vary from between **14.48%** to **185%** of covered payroll. There are 160 employers that participate in the PERS Plan, the State being the largest employer.
- The presentation on March 13, 2007, formed the backdrop for our discussion this morning. The information provided to you involved the concerns raised about the **accounting associated with** the PERS Plan at the **employer level**. It is important to note, this matter does not impact the economics at the plan level.
- **Governor Palin** has introduced SB 125 as a **proposed solution** to address the concerns raised by moving forward and establishing the PERS Plan as a **COST SHARE PLAN**.
- SB 125 is modeled after the TRS Plan, which is a **COST SHARE PLAN** established by the legislature in 1955. All TRS employers pay one uniform rate. There are 58 employers that participate in the TRS plan.
- Under SB 125 there will be no assignment of liabilities and assets by individual employer. Instead all employers will share in the liabilities and the assets – hence the name ‘COST SHARE PLAN’
- This bill will establish one uniform employer contribution rate for PERS employers, with the exception that the State of Alaska will pay a higher contribution rate.

Melanie Millhorn, Dir. Retirement &
Benefits

3/19/07 9:09:51 am

For the record my name is Larry Semmens, I am the finance director of the City of Kenai. I am a member of the Alaska Retirement Management Board.

First, thank you for working so diligently to craft a solution to the pension system challenges. I believe this is some of the most important work that the legislature can do and I am glad it is a priority for this Administration and the Senate Finance Committee.

First, a few words that from my ARMB seat.

Recent ARMB resolutions support direct contributions to TRS to reduce the employer rate, and we support changing the PERS to a cost share plan.

Last year the ARMB made recommendations in our long term solution that the State pay a large share of the past service rate, that employers that contributed excess amounts be protected and that accounts be established to facilitate budgeting. Last session, HB 375 contained these concepts and passed the House but not the Senate. HB 179 currently includes much of the same language as HB 375. SB 125 includes many of these concepts.

The ARMB also recommended that significant cash contributions be made to pay down the growing unfunded liability.

In September 2006 the ARMB set the FY 2008 PERS rate at 39.76% and the TRS rate at 54.03% as recommended by Buck Consultants for a closed system. This was also based on the understanding that Governor Murkowski was going to recommend that the incoming Governor budget for the required \$505 million to cover the increase and an additional \$500 million to pay down the unfunded liability. Governor Palin included funding in her budget to cover the full cost of the rate increases.

The ARMB adopted modifications of the actuarial assumptions per the recommendations of Buck Consultants contained in their experience study. The new assumptions, along with changes to actuarial method and the amortization method, will increase the unfunded liability. The presentation projected the FY 2008 rates would have been 46.64% for PERS and 59.56% for TRS.

Wrapping up my ARMB comments I am pleased to tell you that the ARMB, with the help of the excellent staff in the Treasury Department led by Gary Bader, earned 11.7% for the year ended June 30, 2006 and over 15% in calendar year 2006 putting the Alaska Retirement Systems in the top 18% of public funds in the Callan database.

Now some comments from my finance director seat:

From a municipal point of view the two most important components of the plan to address PERS are:

1. that the State accepts financial responsibility for a significant portion of the past service cost currently assigned to local governments. This is so that municipalities can remain financially solvent without draconian cuts to services or huge tax increases. Most municipalities can handle a PERS rate in the low 20% range even though this is a huge increase over historical rates.
2. that the rate is stable and predictable. Until recently, for the past 20 years or so most employers, the State included, have had low and quite stable PERS rates. So it is no surprise that the last three years of 5% increases and especially the 2008 rate increase have caused widespread consternation. This is due both to the fiscal impact of the rate increases and to the uncertainty of what future rates will be.

Now to address specific points in the bill:

The AML is in favor of a cost sharing plan, but the share is the critical thing. I don't know if the AML would support a cost share plan if the State doesn't pick up a large part of the rate. Note that the State is the biggest winner if we were to go to a cost share plan where everyone pays 39.76%. Imagine the irony if that came to pass.

The 65% share in the bill produces an employer rate of 31.86% after the impact of issuing \$1.7 million in Pension Obligation Bonds July 1, 2007. 32% is too high for municipalities. The solution we need to find brings this rate down to the low 20's.

Using the entire payroll of DB and DCR plan employees is a great idea because it lowers the rate and eliminates the temptation to discriminate in hiring.

Employers will not like the provision that prevents opting out of certain classes of employees. This is meant to prevent an employer from taking advantage of the shared system. But I think there is a better tool to use. Consideration should be given to establishing a baseline salary amount that an employer would be required to pay contributions on, even if actual salaries were less. For example, the baseline could be the 2006 salary that employers calculated their contributions on. If 2009 salaries were actually less than 2006 because the employer contracted out, or perhaps sold, a part of its operation the employer would have to calculate their contributions on the 2006 baseline salary. This base could be adjusted for inflation if necessary.

Employers should be allowed to opt out classes of employees, but a provision could be established that the past service cost portion of the employer rate be applied to the salary of the eliminated class for a period of time. This would prevent an employer from taking unfair advantage of the cost sharing plan, but would allow flexibility in hiring certain positions such as city manager.

I think it is important to figure out how the plan liabilities will be allocated to an employer that wants to terminate membership in the plan. Since there are no individual employer liabilities in a shared system a well defined allocation method should be created.

Municipalities have either adopted their calendar year 2007 budgets or they are currently preparing their FY 2008 budgets. Most of us have built our budget for PERS contribution based on the Governor's budget. Governor Palin's budget includes \$78.5 million to pay the full cost of the increase in the PERS rate from 2007 to 2008 for political subdivisions. Kenai's rate for 2007 is 18.67% including the 5% that the State provided. For FY 2008, Kenai will see a 5% effective increase even if the State pays the full cost of the rate increase from 18.67% to 45.71%. Just for information a 5% increase in the rate is equal to a 36.6% increase in the amount of our 2007 contribution (less the State portion) or almost \$300,000. For Kenai this is significant. To increase from effectively 13.67% to the 31.86% in the bill is an increase in our contribution of \$1,055,264. While this is much better than having to pay the contribution required at 45.71%, I hope it is clear that a million dollar increase in a \$10 million general fund budget is going to be very difficult. And Kenai will feel like we lost a bunch when compared to the Governors budget.

I would like to suggest that for FY 2008, the funding that is in the Governors budget be used to hold PERS employer rates at the FY 2007 levels. This will be a 5% increase for most employers from the rate they paid from their own resources in FY 2007. If a final solution results in municipal employer rate of less than 25%, most employers will not see a large jump in the FY 2009 rate. This is a worthy goal and I hope you will consider doing this.

Thank you again for your work!

Testimony of Michael Lamb on SB 125, dated 3/20/2007.

Mr. Chairman. Committee members: for the record, my name is Michael Lamb, I am the chief financial officer for the Fairbanks North Star and I am a co-chair of the AML Revenue/Finance Sub-committee. Thank you for the opportunity to comment on SB 125, and I guess in reality, on the very dire and critical PERS issue as a whole. Though I work with great diligence to never offend, or burn bridges, given the significance of this issue to PERS member employers, and the very real press of time for legislative action this session, my comments today are going to be purposely direct, and I am going to be as transparent as I can be in conveying how the Borough and other AML member employer's feel about what is going on with PERS/TRS legislation. With that, my comments are as follows:

1. I am happy to see that SB 125 recognizes that we really do not have a single agent multiple employer system, and that legislative language needs to move forward such that our statutes reflect the reality that the State operates PERS as a consolidated blended system.
2. Section 5 contains language that essentially says one rate, which is the combined total of the normal and past service cost rates that will be applied to both DB and DC salaries. I concur with this provision, to do otherwise would at some point lead to discriminatory hiring practices.
3. Section 7, the 65/35 percent allocation of the unfunded liability is a significant disappointment. It is a disastrous proposition that sets rates at levels that cannot be paid by school districts, the university system, cities, or by boroughs. I am particularly disappointed that the exhibits behind this proposition used labels such as winners, losers, and heroes! The Borough's position and the AML's position, and my position has been, and continues to be, that given how the system has been administered, and how one employer's actions affect another's liabilities and how assets have every year for decades been blended and then reallocated it is impossible to say what assets or liabilities any member entity has, and therefore, what their piece of the unfunded liability is, which drives their past service cost rates. Labeling winners and losers is nonproductive and divisive. Those who have been advantaged and disadvantaged, is not determinable, period. This section of the bill clearly does not align in anyway with the AML position of needing predictability, stability, nor affordability. 65/35 is a call to fiscally incapacitate member employers.
4. Then, after rates get set that can't be paid by member employers, we get to section 9, a poison pill provision that essentially says that even if a member employer has a legitimate reason not to make a payment, or maybe simply can not because they just don't have the money, the Administrator of the plan will simply go and take funds from any agency of the state or political subdivision that has in its possession funds of the employer that couldn't pay its bill. So we set a rate that will cripple employers and then any life blood funding available can be summarily taken with no due process? I understand the Administration needs a tool to collect from employers that will not pay a legitimate bill. This is the wrong tool. This is instead a heavy handed tool that will only accelerate the bankrupting of employers, then who will be left to pick up their piece of the bar tab that they can no longer pay, in the end it'll be the State.
5. Sections 10 through 15 deals with terminations. Scrutiny needs to be given to language that allows for unlimited termination cost charges, that can then be extracted from an employer using the section 9 language. Scrutiny also needs to be given to the section 15 language that says you only have 90 days after receipt of notice to decide if you want to add or terminate coverage of a department, group, or other classification of employees. First off, 90 days in a public process environment isn't even enough time to deal with an issue as significant as what is contemplated in this section. Secondly, who can predict what makes sense in the future? Why would we want to preclude future changes that may help the system? Though there will be an attrition factor, is it the intent of this language that all existing school board members, council members, or assembly members would have to stay in the system because they couldn't elect out because a 90 day period

3/24/07 9:46:49 am

was missed? This makes no sense. If the administration is trying to fix an abuse, then prevent the abuse, but don't preclude all changes, both good and bad.

In summary, SB 125, and its companion HB 206, does introduce language to amend the statutes to reflect that we do in-fact have a consolidated plan, and that we should use both salary bases when setting rates. However, and quoting from a recent AML letter: Any legislation which leaves communities having to pay unaffordable rates for an unfunded liability which was not of our making, and which risks bankrupting communities, is not a concept we can accept. This 65/35 proposal is just that kind of legislation as it does not provide any component of predictability, stability, or affordability.

Given that I have this opportunity, and given that I had an opportunity to talk with David Teal on Monday, I'd like to take a very brief moment to make a couple of other comments dealing with other PERS legislation for your consideration. Consistent with, and in accord with the letter that came out from the AML on Tuesday, if the consolidation language from SB 125 could be added to the proposed House Committee Substitute for HB 95 & 96 I think we would be getting very close to shared solution that municipalities could live with and support. It is clear, and AML has consistently communicated, that its members firmly believe that an 85/15 splitting of the unfunded liability is about as fair as it is going to get. What is critical in this split is that they ended up, using the most current complete set of numbers available, with a rate that was affordable. Let me be clear, I am not saying it isn't a rate that hurts, but at least no member employer would go broke, and though different communities felt the State was responsible for an even higher percentage, the AML member employers agreed as a group to the rate that an 85/15 splitting of the unfunded liability generated, which was an 18.27% rate. For the Borough, who had a 22 year average rate of 4.17%, this is a huge increase 400 to 500% increase, but one the Mayor and Assembly were willing to accept to avoid a fight with the State.

Going back to the AML's 85/15 position, it was always known and understood that the unfunded obligation would be going up, and accordingly, the 18.27% rate for FY '08 would likely go up in future years to 19 point something or 20 point something percentage, and then level off. A flat 22% rate, though being higher than was expected in '08 or '09, does bring with it the AML elements of predictability and stability. Though 22% is very much pushing, and nearly penetrating the envelope of affordability, and is at the upper end of the level that makes it not worth municipalities getting into a fight with the State, it is I believe a number that everyone is equally unhappy about, but not so unhappy about that they'd seek judicial relief from it.

Further, I think the House Committee Substitute also gets using the DB and DC salary bases for setting the rate right, and great credit is given for getting the TRS rate down to the normal rate, projected at the 12.56%.

Mr. Chairman, committee members, let me add one more bit of information for you to ponder over and digest. I feel obligated to make sure that you are informed about this part of the PERS issue when you are considering legislation. Our Code, like the State's statutes are law. As the chief financial officer of the Borough, I hope you would concur that I am bound to adhere to the law, adhere to our Code. Specifically:

Fairbanks North Star Borough Code of Ordinance; 3.01.110 Preaudit of payables, states the following:

- A. The borough directors, other borough employees designated by the mayor and the superintendent of schools shall certify to the controller requisitions and requests for payment covering expenditures against their

respective appropriations. Such certification will attest that the requisition or request is legal, proper and is made for an amount not in excess of the sum then available for the purpose named therein.

- B. The chief financial officer shall enter all such requisitions or requests, after being certified as aforesaid, on the books of account of the borough.

Mr. Chairman, basically, I have been forced into a corner as the CFO and I am compelled and required by our Code to confront this issue, accordingly, I have drafted a memo to the Mayor on this issue, currently the draft concludes by saying:

In accord with this provision of our Code, and the undisputed knowledge of how the Fairbanks North Star Borough's PERS assets, liabilities, unfunded balance, and therefore past service cost rate is calculated by/for the State, a certification that the Borough's past service cost PERS rate of 15.5% (as has been published for FY '08 by the State) is proper cannot be made.

Accordingly, in my opinion, any billing from the State relating to any Borough PERS unfunded obligations cannot be legally paid. The Borough is not the only political subdivision that must be able to attest to, and certify the correctness of a bill before tax payer dollars are used to pay it. I can state with great conviction, that I for one, would like to not be forced into finishing that memo nor having to transmit that memo!

Mr. Chairman, members of the committee, and all members of the legislature for that matter, it is my very great hope that you have heard my words, and my message today. I sought to be direct and transparent, and to offend no one today, and I most graciously apologize if I did. Many have worked hard on the legislation before this body today, and on the other PERS legislation not specifically discussed today, and I most respectfully acknowledge those efforts, and that work, and I say thank you. But at the end of the day, all of that work will have been for naught if even one member employer ends up fiscally incapacitated because we, and I mean collectively we, failed to get the final legislation right. For my part, I will have failed to have spoken the words necessary to convey not only the Borough's message, but other municipality's message to this body, and put simply, in the end its about the rate.

Mr. Chair, committee members, thank you for the opportunity to speak today. If I can do anything to assist this body in bringing forth, and adopting, legislation wherein everyone is a little unhappy, but wherein all employers will stay fiscally viable and be able to continue to provide their programs and services, I stand ready to assist in any way I can. Thank you kindly for your time today, this concludes my comments.

April 28, 2007

Senator Bert Stedman, Co-Chair,
Senate Finance Committee;
Senator Lyman Hoffman, Co-Chair
Senate Finance Committee;
And Senate Finance Committee Members

Re: SB 125 Pers/Ters

Dear Senator Stedman, Senator Hoffman and Committee Members,

First, I would like to extend to all members of the Senate Finance Committee my appreciation for the time and thought that has gone into resolution of one of the key financial issues facing Alaska's communities/ municipalities today.

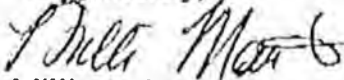
Although I have fully supported the AML position of 85/15, I believe the suggestions of the 22% of salary is an affordable amount that the Kenai Peninsula Borough can manage. We are just starting the budget process, and the current percentage, in my view, is causing tremendous hardship.

What I feel is needed, for the benefit of my property owners who are being asked time and again to pick up the short fall of which we were not responsible, the 22%, if that were a given for each year in the future, that is do-able.

I know there is a lot of discussion yet to go. But, I support the efforts toward the 22% of salary as the portion for municipalities to contribute to Pers/Ters.

Thank you. And thank you again, for all your time and efforts.

Very sincerely,



Milli Martin
P.O. Box 2652
Homer, AK 99603
907-235-6652
e-mail: millimom@xyz.net

PO Box 1603
Petersburg, AK 99833
April 28, 2007

In regards to: SB 125

Senator Bert Stedman, Committee Co-chair and Finance committee;

Dear Sirs:

It was with gravest concern that I read Governor Palin's proposal to shift the burden of cost for the PERS shortfall to municipal employers. My employer provides an extremely high quality of health care in an isolated and sometimes difficult setting. This is made possible because of the caliber of professional staff they have been able to recruit.

The governor's plan to **shift costs to small rural entities** to mediate the retirement shortfall will place an **extraordinary burden** on communities such as Petersburg. Such a switch would overwhelm the financial resources of our facility and withdrawal from PERS would be a likely consequence.

If this were to occur Petersburg Medical Center would no longer have an attractive benefit package to offer professionals in the health care field. We could no longer provide the draw to our beautiful but remote setting that has enabled us to reach and maintain our high standard.

In addition, professional employees such as myself who have made a commitment to our community and its service would be forced to seek employment elsewhere in order to complete our PERS program and ensure our own security in retirement. This would pull from here and other small communities an extremely necessary resource.

I want to see the committee and Governor Palin explore an **alternative plan** such as a state wide sales tax or income tax that **would include the areas of our state's highest population and not target our smallest communities** with undue hardships that they are unable to bear.

Respectfully yours,



Sharon M Hunter RN, BSN, CWCN
Home Health Manager
Petersburg Medical Center Home Health Agency

For the record, my name is Shana Crondahl, and I am testifying on behalf of the Alaska Municipal League.

Senator Stedman, Senator Hoffman, and members of the committee, thank you for the opportunity to testify today on SB 125.

AML supports amending state statutes to reflect that PERS has been managed as a consolidated plan. SB 125 makes the changes to statutes necessary to accomplish that. Cost sharing resolves some of the accounting issues currently plaguing the system that will otherwise be very difficult for PERS employers to come to agreement on.

AML also supports a uniform consolidated normal cost rate and a provision to amortize the unfunded actuarial accrued liability (UAAL).

While we understand that the governor's proposal to pay 65% of the unfunded liability as of June 30, 2006 is just a starting point for negotiations, we urge you to remember that ultimately the amount the state pays for will come down to just one thing: what communities can afford.

If the normal cost rate plus the amortization rate on the unfunded actuarial accrued liability (UAAL) exceeds what communities have the ability to pay, which we think it will at the proposed rate of 65%, local governments will be unable to provide for the basic needs of citizens, and the state will be forced to step in.

I would also like to point out that 65% of the unfunded liability as of June 30, 2006 is not actually 65% of the total unfunded liability. The unfunded liability has increased since June 30, 2006, and will continue to increase.

Each year the unfunded liability is recomputed. With a set date in SB 125 – June 30, 2006, upon which the state's share will continue to be computed, we may end up in a situation where all the other employers' liabilities will continue to rise, while the state's share remains a fixed amount.

Let's find a way to avoid this scenario, so we're not back here at the table again next year. I commend you for your efforts to address this very difficult issue.

3/21/07 10:02:14 AM

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SARAH PALIN, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

April 30, 2007

The Honorable Bert Stedman
Co-Chair, Senate Finance Committee
Alaska State Capitol
Juneau AK 99801

Dear Senator Stedman:

These are answers to issues raised in the April 23 hearing on SB 125 by members and by representatives of local governments who were online.

1. The appeal to the Office of Administrative Hearings (OAH) that I believe Senator Elton referred to is the appeal of the classification of community service officers (Juneau appealed the division's determination that the community service officers were erroneously reported as peace officers with 20-year retirement and higher contributions, when they should be in the "all other" classification, with 30-year retirement and regular contributions). This is not the kind of "classification" that will be affected by the 90-day period for addition or termination of coverage of classifications of employees in transition section 19 of the Senate Finance Committee's CS for SB 125. Amendment of a participation agreement to add or remove a covered group will not have an affect on our appeals with OAH. Members have vested rights upon entry into the system and any change made to a participation agreement would affect participation prospectively only.

2. Recognized past service is service performed by an employee for the employer before the employer joins the PERS or before the employer adds the covered group. When political subdivisions agree to recognize past service of their employees in their PERS participation agreements, this creates a past service liability. Under the current system, a political subdivision must consider the cost of recognizing past service. Going to a cost share system, a political subdivision would have no incentive not to recognize past service during the 90-day transition period if it could just immediately transfer liability for the past service to other employers - primarily the State. Subsection (b) of the transition provision in section 19 prevents this.

3. Military service is a type of service purchase initiated by PERS members when they vest to buy qualified military service prior to entry into the PERS. The member pays 8.5% of their annualized vesting year, plus interest. The employer subsidizes the rest of the cost. Military service cannot be used to qualify for retirement eligibility, but Tier III PERS members may use it to qualify for the 10-year credited service for health insurance if the indebtedness is paid in full. Under the cost share, all employers would share in the portion of the cost that is subsidized. The right of Defined Benefit plan members to claim military service is not affected by SB 125.

Thank you for the opportunity to respond to these issues. If you have additional questions, please contact me.

Sincerely,



Annette Kreitzer
Commissioner

STATE OF ALASKA

DEPARTMENT OF ADMINISTRATION

OFFICE OF THE COMMISSIONER

SB 125

SARAH PALIN, GOVERNOR

P.O. BOX 110200
JUNEAU, ALASKA 99811-0200
PHONE: (907) 465-2200
FAX: (907) 465-2135

April 30, 2007

The Honorable Bert Stedman
Co-Chairman, Senate Finance Committee
Alaska State Capitol
Juneau AK 99801

Dear Senator Stedman:

Two questions were asked at the Senate Finance Committee hearing Saturday, April 28 that require follow-up.

Senator Elton asked whether appealing through the Office of Administrative Hearings (OAH) would cost the political subdivisions which have funds "claimed" by the State for nonpayment of their Public Employee Retirement System (PERS) obligation.

OAH does not charge appellants for a hearing. In this instance, since the question would be whether the State Division of Retirement & Benefits (through the Department) should have claimed monies destined for a non-paying community, it seems unreasonable for the PERS to pay the cost of the hearing. It is also anticipated that this would be a rare event. Therefore, I believe the cost would be allocated to the general fund portion of the OAH's budget.

Senator Thomas asked what would happen if someone else assumed liability for the PERS debt - he raised the possibility that a buyer of a municipally owned utility could assume the debt and then renege on it.

The buyer would have to be a public organization or municipality. The plan would not allow a private sector employer to assume any liability in the plan. The municipality would continue to owe the debt until paid.

Thank you for the opportunity to respond to these questions. Please contact me if you need additional information.

Sincerely,


Annette Kretzler
Commissioner