

**ALASKA LEGISLATURE**

**1524**

**HOUSE and SENATE FINANCE COMMITTEE FILES, 1995-1996**

SENATE FINANCE  
COMMITTEE

Amendment Number: 1  
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CS FOR SENATE BILL NO. 1480

IN THE LEGISLATURE OF THE STATE OF ALASKA  
NINETEENTH LEGISLATURE - FIRST SESSION

BY

Offered:  
Referred:

Sponsored by SENATE FINANCE COMMITTEE

A BILL

FOR AN ACT ENTITLED

1 "An Act relating to a defined contribution retirement plan for state employees  
2 and for certain employees of participating municipalities, other political subdivisions,  
3 and public organizations, and repealing a provision permitting the National  
4 Education Association to participate in the teachers' retirement system."

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

6 \* Section 1. AS 39 is amended by adding a new chapter to read:

7 CHAPTER 39 DEFINED CONTRIBUTION RETIREMENT PLAN

8 ARTICLE 1 PLAN ESTABLISHED

9 Sec. 39.01.010 PLAN ESTABLISHED. The Public Employees Retirement  
10 Board shall establish a defined contribution retirement plan for state employees first  
11 hired on or after January 1, 1994, in which retirement and death benefits are provided  
12 through the purchase of annuity contracts or other benefit contracts, either fixed,  
13 variable, or a combination of fixed and variable.

14 Sec. 39.05.010 DUTIES OF THE RETIREMENT BOARD AND THE

1 INVESTMENT BOARD. (a) The retirement board shall

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

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

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

8 (b) The Alaska State Pension Investment Board established under  
9 AS 17.05.10 is the fiduciary of the fund. The investment board shall designate at  
10 least four investment options for employees. The investment board shall select the  
11 companies or other entities to which payment of the contributions required by this  
12 chapter may be made, after considering the

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

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

17 (3) suitability of the contractual rights and benefits to the needs and  
18 interests of participating employees and to the interests of the employer in the  
19 employment and retention of employees; and

20 (4) ability of the designated company or other entity to provide rights  
21 and benefits under the contracts.

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

24 Sec 19.38.030 DIRECTOR The administrator of the public employees  
25 retirement system shall serve as director of the plan.

26 Sec 19.38.040 REGULATIONS The board may adopt regulations to  
27 implement this chapter under the procedures set out in AS 19.35.040.

28 Sec 19.34.010 DUTY OF EMPLOYERS TO FURNISH RECORDS Each  
29 employer shall furnish the director with records concerning the periods of service,  
30 dates of birth, compensation, sea entrants and service, death, withdrawals, and other  
31 employee data necessary for the proper and effective operation of the plan.

1           Sec. 39 38.060. ATTORNEY GENERAL. The attorney general of the state  
2 is the attorney for the plan and shall represent it in a legal proceeding.

3           Sec. 39 38.070. ADMINISTRATIVE EXPENSES. Expenses of the plan shall  
4 be paid from employer and employee contributions to the plan in proportion to the  
5 amount of the contribution.

## 6                           ARTICLE 2. PARTICIPATION.

7           Sec. 39 38.100. PARTICIPATION. (a) An employee of the state first hired  
8 on or after January 1, 1996, shall be included in the plan upon commencement of  
9 employment with the state. Unless the employee has elected to participate in the  
10 optional university retirement program, or was first hired before January 1, 1996, an  
11 employee of a political subdivision, including a school district, regional educational  
12 attendance area, and the University of Alaska, or a public organization that becomes  
13 an employer shall be included in the plan on the effective date of the employee's  
14 participation or the date of the employee's commencement of employment with the  
15 employer, whichever is later, if the employee is in a position that the employer has  
16 designated to participate in the plan.

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

22           Sec. 39 38.110. ADMINISTRATIVE DIRECTOR OF COURTS. (a) An  
23 administrative director of the Alaska Court System first hired on or after January 1,  
24 1996, is a member of the plan.

25           (b) An administrative director who was hired before January 1, 1996, and who  
26 withdraws from the judicial retirement system under AS 22 25.012 on or after  
27 January 1, 1996, may participate in the plan.

28           Sec. 39 38.120. PARTICIPATION OF ELECTED OFFICIALS. (a) Service  
29 as an elected official with an employer constitutes employment as a member in the  
30 plan as long as the elected official has not filed a written waiver of coverage with the  
31 director. Unless revoked, a waiver under this subsection waives coverage of future

1 employment as an elected official, regardless of any change of employer. An elected  
 2 official may file a waiver under this subsection at any time after election to office,  
 3 including the period before taking the oath of office. An elected official may revoke  
 4 a waiver under this subsection by filing a written revocation with the director. A  
 5 revocation under this subsection operates prospectively only, and the elected official  
 6 may not participate in the plan for service as an elected official while the waiver was  
 7 in effect. There is no limit on the number of times an elected official may file a  
 8 waiver or revocation under this subsection.

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

## 12 ARTICLE 3. CONTRIBUTIONS, RIGHTS, AND BENEFITS

13 Sec. 1933.200 EMPLOYMENT CONTRIBUTIONS MANDATORY  
 14 Contributions of employees shall be made by payroll deductions. Every included  
 15 employee is considered to consent to payroll deductions. It is of no consequence that  
 16 a payroll deduction may cause the compensation paid in cash to an employee to be  
 17 reduced below the minimum required by law. Payment of an employee's  
 18 compensation, less payroll deductions, is a full and complete discharge and satisfaction  
 19 of all claims and demands by the employee relating to remuneration or benefits during  
 20 the period covered by the payment.

21 Sec. 1933.210 CONTRIBUTIONS (a) An employer shall contribute on  
 22 behalf of each employee participating in the plan an amount equal to 7.5 percent of  
 23 the employee's compensation payable at the end of each payroll period.

24 (b) An employee participating in the plan shall contribute to the plan an  
 25 amount equal to 7.5 percent of the employee's compensation. The contributions shall  
 26 be deducted by the employer at the end of each payroll period. The contributions shall  
 27 be deducted from employee compensation before computation of applicable federal  
 28 taxes, and the contributions shall be treated as employer contributions under 26 U.S.C.  
 29 414(h)(2) (Internal Revenue Code).

30 (c) Contributions rest on receipt by the plan director.

31 (d) The director of the plan shall pay the contributions required by this section.

1 to the company or companies selected by the employee for the benefit of the  
2 employee.

3 Sec. 39.38.210. **BENEFITS.** Payment of benefits to participants of the plan  
4 is the responsibility of the company or companies designated by the investment board  
5 and is not the responsibility of the investment board, the retirement board, or the  
6 employer. The benefits are payable to participants or beneficiaries of participants in  
7 accordance with the terms of the annuity contract or contracts and benefit contractor  
8 contracts.

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

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

23 Sec. 39.38.250. **EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS**  
24 Employee contributions and other amounts held in the plan and retirement benefits  
25 payable under the plan are exempt from any law to enforce the collection of a debt as  
26 provided in AS 09.24 (exemptions).

#### 27 **ARTICLE 4: POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS**

28 Sec. 39.38.300. **REQUEST TO PARTICIPATE.** (a) A municipality or other  
29 political subdivision of the state may request to become an employer in the plan. The  
30 request shall be made after adoption of a resolution by the legislative body of the  
31 political subdivision and after approval of the resolution by the person required by law

1 to approve it. A certified copy of the resolution shall be filed with the director. If the  
 2 director approves the request for participation, the political subdivision is an employer  
 3 of the plan.

4 (b) A public organization may request to become an employer in the plan.  
 5 The request shall be made after adoption of a resolution by the governing body of the  
 6 public organization. A certified copy of the resolution shall be filed with the director.  
 7 If the director approves the request for participation, the public organization is an  
 8 employer of the plan.

9 Sec. 39-38-310. PARTICIPATION (a) The effective date of participation in  
 10 the plan by a political subdivision or public organization is the first day of any month  
 11 acceptable to the governing body of the political subdivision or public organization and  
 12 to the board.

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

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

19 Sec. 39-38-320 CONTRIBUTIONS AND TERMINATION OF  
 20 PARTICIPATION FOR NONPAYMENT (a) The contributions of an employer that  
 21 is a participating political subdivision or public organization and the contributions of  
 22 its employees shall be transmitted to the director as soon as practicable after the close  
 23 of the payroll period for which the contributions are made. If the employer is  
 24 delinquent in transferring the contributions for more than 15 days, interest and other  
 25 penalties shall be assessed on the outstanding contributions at the rate and in the  
 26 amount established by the board.

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

31 (c) Termination of an employer's participation in the plan does not bar future

1 participation in the plan by that employer.

2 Sec. 39.38.330. EFFECT OF AMENDMENT OF AGREEMENT. (a) A  
3 political subdivision or public organization may request that its participation agreement  
4 be amended. The request may be made only after adoption of a resolution by the  
5 legislative body of the political subdivision and approval of the resolution by the  
6 person required by law to approve the resolution, or, in the case of a public organi-  
7 zation, after adoption of a resolution by the governing body of that public organization.  
8 A certified copy of the resolution shall be filed with the director.

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

#### 11 ARTICLE 5. GENERAL PROVISIONS.

12 Sec. 39.38.450. NONGUARANTEE OF EMPLOYMENT. This chapter is not  
13 a contract of employment between an employer and an employee, nor does it confer  
14 a right of an employee to be continued in the employment of an employer, nor is it a  
15 limitation of the right of an employer to discharge an employee with or without cause.

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

19 Sec. 39.38.390. DEFINITIONS. In this chapter,

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

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

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

28 (B) does not include cost-of-living differentials, retirement  
29 benefits, severance pay or other separation bonuses, welfare benefits, per diem,  
30 expense allowances, workers compensation payments, incentive cash awards, or  
31 payments for leave not used by the employee whether those leave payments are

1 scheduled payments, lump-sum payments, donations, or cash gifts;

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

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

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

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

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

12 (A) includes an

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

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

18 B does not include

19 (i) former members;

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

21 (iii) casual or emergency workers or nonpermanent  
22 employees as defined in AS 39.25.200;

23 (iv) members of the Alaska teachers retirement system  
24 under AS 14.25, the judicial retirement system under AS 22.25, the public  
25 employees retirement system under AS 19.35, the elected public officers  
26 retirement system under former AS 39.37, or the optional university  
27 retirement program;

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

31 (vi) the administrative director of courts appointed under:

1 art. IV, sec. 16 of the state constitution first hired before January 1, 1996,  
2 unless the director becomes a member under AS 39.38.110(b);

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

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

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

10 3) "plan" means the defined contribution retirement plan established  
11 under this chapter;

12 4) "public organization" means an organization or entity

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

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

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

19 5) "qualified domestic relations order" has the meaning given in  
20 AS 39.35.630.

21 \* Sec. 2. AS 14.25.040(a) is amended to read:

22 (a) A (UNLESS A TEACHER OR MEMBER HAS ELECTED TO  
23 PARTICIPATE IN THE OPTIONAL UNIVERSITY RETIREMENT PROGRAM  
24 UNDER AS 14.40.661 - 14.40.799. A) teacher or member contracting for services with  
25 a participating employer is subject to this chapter: unless the

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

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

30 \* Sec. 3. AS 14.25.040(c) is amended to read:

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

1 section if the state legislator is covered for the same period of service under the public  
 2 employees' retirement system (AS 39.35) or the defined contribution retirement  
 3 system (AS 39.38). An election of membership under (b) of this section is retroactive  
 4 to the date the state legislator took the oath of office. A state legislator may not  
 5 receive membership credit under (b) of this section for legislative service performed  
 6 before the legislative session during which the state legislator elected membership  
 7 under (b) of this section. In order to continue in membership service under (b) of this  
 8 section, the state legislator must earn at least 93 years of membership service under  
 9 other sections of this chapter during each five-year period.

10 \* Sec. 4. AS 14.25.040 is amended by adding a new subsection to read:

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

17 \* Sec. 5. AS 14.25.220(5) is amended to read:

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

24 \* Sec. 6. AS 14.25.220(2) is amended to read:

25 (2) "membership service" means

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

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

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

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

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

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

20 \* Sec. 7. AS 22.25.012(a) is amended to read:

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

23 (1) this chapter, if the administrative director was first appointed  
 24 before January 1, 1996, on the terms and conditions applicable to a superior court  
 25 judge appointed after July 31, 1978, except that an administrative director may receive  
 26 retirement benefits only with service as administrative director for 10 or more years;  
 27 or

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

30 \* Sec. 8. AS 22.25.012(c) is amended to read:

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

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

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

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

13 \* Sec. 9. AS 37.10.190(2) is amended to read:

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

18 \* Sec. 10. AS 39.25.120(a) is amended by adding a new paragraph to read:

19 (24) director of the defined contribution retirement plan

20 \* Sec. 11. AS 39.35.120 is amended to read:

21 Sec. 39.35.120. COMMENCEMENT OF PARTICIPATION (a) An  
 22 employee of the state who was first hired before January 1, 1996, shall be included  
 23 in this system upon commencement of employment with the state, or on January 1,  
 24 1996, whichever is later. Unless an employee has elected to participate in the optional  
 25 university retirement program under AS 14.40.601 - 14.40.799, an employee of a  
 26 political subdivision or public organization that becomes an employer who was first  
 27 hired before January 1, 1996, shall be included in the system on the effective date  
 28 of the employer's participation or the date of the employee's commencement of  
 29 employment with the employer, whichever is later.

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

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

3 \* Sec. 12. AS 39.35.158 is amended to read:

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

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

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

16 \* Sec. 13. AS 39.35.550 is amended to read:

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

25 \* Sec. 14. AS 39.35.560 is amended to read:

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

1 in employer of the system.

2 • Sec. 15. AS 39.35.630(21) is amended to read:

3 (21) "member" or "employee"

4 (A) means a person eligible to participate in the system who  
5 was first hired before January 1, 1996, and who is covered by the system;

6 (B) includes

7 (i) active member;

8 (ii) inactive member;

9 (iii) vested member;

10 (iv) deferred vested member;

11 (v) non-vested member;

12 (vi) disabled member;

13 (vii) retired member;

14 (viii) an elected public officer under AS 39.35.331.

15 (C) does not include

16 (i) former members;

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

18 (iii) casual or emergency workers or nonpermanent  
19 employees as defined in AS 39.35.200;

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

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

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

29 (vii) the administrative director of courts appointed  
30 under art. IV, sec. 10 of the state constitution unless the director  
31 becomes a member under AS 39.35.153, and

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

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

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

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

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

Sec. 7. **INDEBTEDNESS ON REEMPLOYMENT.** If a participant in the retirement incentive program is reemployed as a member of the Public Employees Retirement System under AS 39.35, the optional university retirement program under AS 14.40.80, - 14.40.79, the defined contribution retirement plan under AS 39.38, or the Teachers Retirement System under AS 14.25 after appointment to retirement under the program, the participant loses the incentive credit received under sec. 5 of this Act and is indebted to the system. The amount of the indebtedness is equal to 10 percent of the amount the participant received as a result of participation in the program for which the participant was not otherwise entitled, including the cost of health insurance. The participant is entitled to a credit to be applied against the reemployment indebtedness in the amount the participant has paid under sec. 5 of this Act. Interest accrues on the indebtedness at the rate established by regulation from the date of reemployment until the member is appointed to retirement and accepts an actuarial adjustment to the member's future benefits or until the amount is paid in full.

\* Sec. 17. Section 9(a), ch. 59, SLA 1989, as amended by sec. 6, ch. 18, SLA 1990, is amended to read:

(a) If a participant in the retirement incentive program is reemployed as a member of the public employees retirement system under AS 39.35, (OR) the teachers

1 retirement system under AS 14.25, or the defined contribution retirement plan  
2 under AS 39.38, after appointment to retirement under the retirement incentive  
3 program, the participant loses the incentive credit received under sec. 2(g) of this Act  
4 and is indebted to the system. The amount of the indebtedness is equal to 110 percent  
5 of the amount the participant received as a result of participation in the program to  
6 which the participant was not otherwise entitled, including the cost of health insurance.  
7 The participant is entitled to a credit to be applied against the reemployment  
8 indebtedness in the amount the participant has paid under sec. 2(e), (f), and (i) of this  
9 Act. Interest accrues on the indebtedness at the rate established by regulation from the  
10 date of reemployment until the member is appointed to retirement or accepts an  
11 actuarial adjustment to the member's future benefits or until the amount is paid in full.

12 \* Sec. 18. AS 14.25.045 is repealed.

13 \* Sec. 19. Notwithstanding AS 39.38.020(b), enacted by sec. 1 of this Act, until January 1,  
14 1997, the Alaska State Pension Investment Board may provide fewer than four investment  
15 options for employees. The board shall use its best efforts to provide investment options to  
16 employees in a timely manner.



# Alaska State Senate

## Senate Finance Committee

OFFICIAL BUSINESS

Mail Stop 3000  
State Capitol  
Juneau, Alaska 99801-1182

### Sectional Analysis

- CSSB 148( ) -

(Work Draft 9-LS0941NG dated 4/11/95)

"An Act relating to a defined contribution retirement plan for state employees and for certain employees of participating municipalities, other political subdivisions, and public organizations, and repealing a provision permitting the National Education Association to participate in the teachers' retirement system."

#### \*SECTION 1.

##### Article I -

Sec. 39.38.010 - The Defined Contribution Pension Plan is established by the Public Employees Retirement Board for state employees first hired on or after January 1, 1996. Retirement and death benefits will be provided through the purchase of annuity or other contracts, as determined by the Board.

Sec. 39.38.020 - DUTIES OF THE (PERS) RETIREMENT BOARD AND THE ALASKA STATE PENSION INVESTMENT BOARD (ASPIB):

Sets out requirements for the (PERS) Retirement Board to follow regarding administration, operation of the Plan. Requires that the Board take steps necessary to assure that Plan fits under IRS guidelines.

Sets out requirements for (ASPIB) Investment Board to act as fiduciary of the fund, including investment activities, designation of at least four investment options for employees to choose; also gives Board directions regarding investment parameters. Requires that the Board take steps necessary to assure that Plan fits under IRS guidelines.

Sec. 39.38.030 - DIRECTOR

The Administrator of PERS shall serve as the director of the Plan.

Sec. 39.38.040 - REGULATIONS

The (PERS) Board may adopt regulations to carry out the Plan.

Sec. 39.38.050 - DUTY OF EMPLOYERS TO FURNISH RECORDS.

Requires that each employer shall furnish the director with records concerning employee data necessary for the proper and effective operation of the Plan.

Sec. 39.38.060 - ATTORNEY GENERAL

Provides that the Attorney General of the State of Alaska serves as the attorney for the plan and shall represent it in a legal proceeding. (PERS/TRS statute language.)

Sec. 39.38.070 - ADMINISTRATIVE EXPENSES.

The administrative expenses of the Plan shall be paid from contributions.

ARTICLE 2. PARTICIPATION

Sec. 39.38.100 - PARTICIPATION

This Plan includes state employees first hired on or after January 1, 1996. It also sets out when employees of a political subdivision, REAA, University of Alaska or public organization that becomes an employer of the plan are eligible.

Sec. 39.38.110 - ADMINISTRATIVE DIRECTOR OF COURTS

The Administrative Director of Courts is eligible to become a member of the plan if hired on or after January 1, 1996.

Sec. 39.38.120 - PARTICIPATION OF ELECTED OFFICIALS

Elected officials are eligible to become members of the Plan on or after January 1, 1996 if serving as an elected official with an employer under the plan. As with PERS and TRS, the elected officials have the right to file a waiver and not participate in the plan if they so choose.

## ARTICLE 3. CONTRIBUTIONS, RIGHTS AND BENEFITS

### Sec. 39.38.200 EMPLOYMENT CONTRIBUTIONS MANDATORY

Contributions of employees are mandatory and are made by payroll deductions.

### Sec. 39.38.210 - CONTRIBUTIONS

The employer contribution on behalf of employee participating in plan is an amount equal to 7.5% of employee's compensation payable at the end of each payroll period.

Employee's contributions = 7.5% of employee's compensation payable at the end of each payroll period.

Contributions vest upon receipt by the Plan director.

Both employer and employee contributions will be paid to a company or companies selected by the employee for the employee's benefit.

### Sec. 39.38.220 - BENEFITS

Payment of retirement benefits to participants or beneficiaries of participants is the responsibility of the company or companies that the employee chooses in accordance with the terms of the contracts.

### Sec. 39.38.230 - RIGHTS UNDER QUALIFIED DOMESTIC RELATIONS ORDER

As with PERS and TRS retirement plans, a former spouse shall be treated as a spouse or surviving spouse to the extent required by a qualified domestic relations order.

### Sec. 39.38.240 - SAFEGUARD OF EMPLOYEE FUNDS HELD BY THE PLAN

Employee contributions are exempt from Alaska state and local taxes. Also "boilerplate" language re Qualified Domestic Relations Order.

**Sec. 39.38.250 - EXEMPTION OF EMPLOYEE FUNDS AND BENEFITS**

Employee contributions and other amounts held in the plan are exempt from levy to enforce the collection of debt. (See AS 9.38 - "Exemptions").

**ARTICLE 4. POLITICAL SUBDIVISIONS AND PUBLIC ORGANIZATIONS**

**Sec. 39.38.300 - REQUEST TO PARTICIPATE**

A municipality or other political subdivision of the state may request to become an employer of the defined-contribution retirement plan if the entity follows certain procedures, i.e. adoption of a resolution and director's approval.

**Sec. 39.38.310 - PARTICIPATION**

Sets out effective date of political subdivision's participation. Allows subdivision/organization to select certain groups, departments, classifications of employees who are eligible to participate.

**Sec. 39.38.320 - CONTRIBUTIONS AND TERMINATION OF PARTICIPATION FOR NON-PAYMENT.**

Sets out directives for participating organization/political subdivision to meet regarding contributions, late payments, etc.

**Sec. 39.38.330 - EFFECT OF AMENDMENT OF AGREEMENT**

Amendments to agreements between political subdivisions/public organizations may request that participation agreement be amended. Sets out procedures for amendment and conditions of acceptance by plan director.

**ARTICLE 5. GENERAL PROVISIONS**

**Sec. 39.38.450 - NONGUARANTEE OF EMPLOYMENT**

This chapter is not a contract of employment between an employer and employee.

**Sec. 39.38.460 - FRAUD**

Sets out penalties for committing fraud regarding the Plan.

Sec. 39.38.990 - DEFINITIONS

\*SECTION 2.

AS 14.25.040(a) is amended:

A teacher or member contracting for service with a participating employer is subject to TRS unless the employer has elected to participate in the defined-contribution plan, or has elected to participate in the University of Alaska's optional retirement plan (AS 14.40.661-14.40.799).

\*SECTION 3.

AS 14.25.040(c) is amended:

A state legislator is not eligible for participation under TRS if the legislator is covered by PERS (current law) or the defined-contribution retirement plan during the same period of service

\*SECTION 4.

AS 14.25.040 is amended to add:

A public school district may elect to participate in the defined-contribution retirement plan for teachers first hired on or after January 1, 1996. Once a school district has elected to be covered for teachers who are not members under this section, the school district may not later elect to return to coverage under TRS.

\*SECTION 5.

AS 14.25.220(16) is amended to delete employer reference to "The National Education Association of Alaska" Also,

\*SECTION 6. (Technical amendments)

Defines who can and cannot participate in the defined-contribution retirement plan and TRS plan

\*SECTION 7 - ADMINISTRATIVE DIRECTOR OF COURTS

AS 22.25.012(a) - Technical amendment to allow only administrator of courts participation if newly appointed on or after January 1, 1996

**\*SECTION 8 - Technical amendment relating to Administrative Director of Courts.**

**\*SECTION 9.**

Amends AS 37.10.390(2) to further define "retirement systems" to include the defined contribution retirement plan.

**\*SECTION 10.**

Amends AS 39.25.120(c) to include the director of defined contribution retirement plan under the partially exempt service.

**\*SECTION 11.**

Amends AS 39.35.120 - Technical to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996

**\*SECTION 12.**

Amends AS 39.35.158 - Technical to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996, (to apply to administrative director of courts )

**\*SECTION 13.**

**Amends AS 39.35.550 - REQUEST BY POLITICAL SUBDIVISION TO PARTICIPATE AND ADOPTION OF RESOLUTION**

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires

**\*SECTION 14.**

**Amends AS 39.35.560 - REQUEST BY PUBLIC ORGANIZATION TO PARTICIPATE AND ADOPTION OF RESOLUTION.**

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires.

**\*SECTION 15.**

Amends 39.35.680 (21)

Technical amendment to cite inclusion under the defined-contribution retirement plan only on or after January 1, 1996. Would end PERS participation for new hires.

**\*SECTION 16.**

Technical amendment re: statutory law cite regarding RIP reemployment to cite defined-contribution retirement plan. (indebtedness on reemployment)

**\*SECTION 17.**

Technical amendment re: statutory law cite regarding RIP reemployment to cite defined-contribution retirement plan. (indebtedness on reemployment - incentive credits)

**\*SECTION 18.**

Repeals AS 14.25.045 re: participation by NEA employer.

**\*SECTION 19.**

Allows Alaska State Pension Investment Board to offer fewer than four investment options to participants in the defined-contribution retirement plan until January 1, 1997, giving the Board time to gear up for the new plan

From Sen. Meyer

# EARLY RETIREMENTS TO REDUCE BUDGETS COST STATES MONEY

## POOR PLANNING IS BLAMED

### Failures to Limit Programs to Workers in Expendable Jobs Means More Are Hired

By MICHAEL deCOURCY HINDS

Early-retirement programs for state workers, adopted in recent years as cost-cutting measures in 29 states, are actually costing millions of dollars, fiscal experts and state officials say.

The experts said many of the programs had been poorly planned and had failed to cut workers whose jobs were no longer needed, forcing states to hire replacement workers at the same time they were paying retirement benefits to those who had just left.

Many programs also ended up being fiscal schemes in which legislators shifted expenses from state budgets to pension systems, creating heavy future liabilities that will have to be picked up by taxpayers.

#### Many Retirees Replaced

In 1990, for example, Rhode Island offered generous retirement incentives to 1,200 employees. After the program had been offered, actuaries determined that the state would lose money even if the positions were left vacant for 10 years. The state had to replace virtually all the retirees within a matter of months.

New York is one of the few states that actually handled the program properly, but only because of its bitter experience with a 1983 program that was supposed to save \$50 million and ended up costing \$20 million. Last year, the state limited its retirement offer to workers in positions that were going to be eliminated. It expects \$120 million in savings.

"It's a triumph of hope over experience, as Samuel Johnson said about second marriages in the 18th century."

#### Follow-Ups Are Lacking

Early retirement programs come in various forms. Some apply only to workers within a few years of retirement. Some specify length of employment and could affect workers in their late 40's. Most conclude the workers'

New York Times  
11/16/92





**State of Alaska**

**Public Employees' Retirement System**

**Actuarial Valuation Report  
as of June 30, 1994**

**Prepared by:**

William M. Mercer, Incorporated  
One Union Square, Suite 3200  
600 University Street  
Seattle, WA 98101-3137

**WILLIAM M.  
MERCER**

March 14, 1995

State of Alaska  
Public Employees' Retirement Board  
Department of Administration  
Division of Retirement & Benefits  
P.O. Box 110203  
Juneau, AK 99811-0203

Dear Members of the Board:

**Actuarial Certification**

The actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 1994 by William M. Mercer, Incorporated. The purposes of the report include:

- (1) a review of experience under the Plan for the year ended June 30, 1994;
- (2) a determination of the appropriate contribution rate for each employer in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of experience studies presented to the Board in October 1991 and October 1994.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY95 and a 25-year rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of assets to liabilities decreased from 95.4% to 94.8% during the year. Over the years, progress has been made toward achieving the funding objectives of the System.

Public Employees' Retirement Board  
 March 14, 1995  
 Page 2

There were no significant changes in the demographic actuarial assumptions or actuarial methods used in the determination of system liabilities this year. However, there was a change in the economic actuarial assumptions and asset valuation method. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

The total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return, salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	8.75%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The method for calculating valuation assets was changed. The new asset valuation method smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system.

Public Employees' Retirement Board  
March 14, 1995  
Page 3

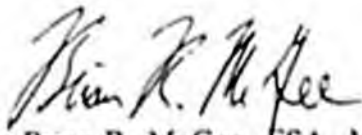
Future contribution requirements may differ from those determined in the valuation because of:

- (1) differences between actual experience and anticipated experience based on the assumptions;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; or
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

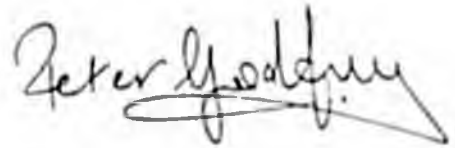
The undersigned are members of the American Academy of Actuaries and are fully qualified to provide actuarial services to the State of Alaska.

We believe that this report conforms with the requirements of the Alaska statutes, and where applicable, other federal and accounting laws, regulations and rules, as well as generally accepted actuarial principles and practices.

Sincerely,



Brian R. McGee, FSA, MAAA  
Managing Director



Peter L. Godfrey, FIA, MAAA  
Principal

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## Highlights

This report has been prepared by William M. Mercer, Incorporated to:

- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1994;
- (2) review experience under the plan for the year ended June 30, 1994;
- (3) determine the appropriate contribution rate for each employer in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1994 Fiscal Year, the current annual costs, and reporting and disclosure information.

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

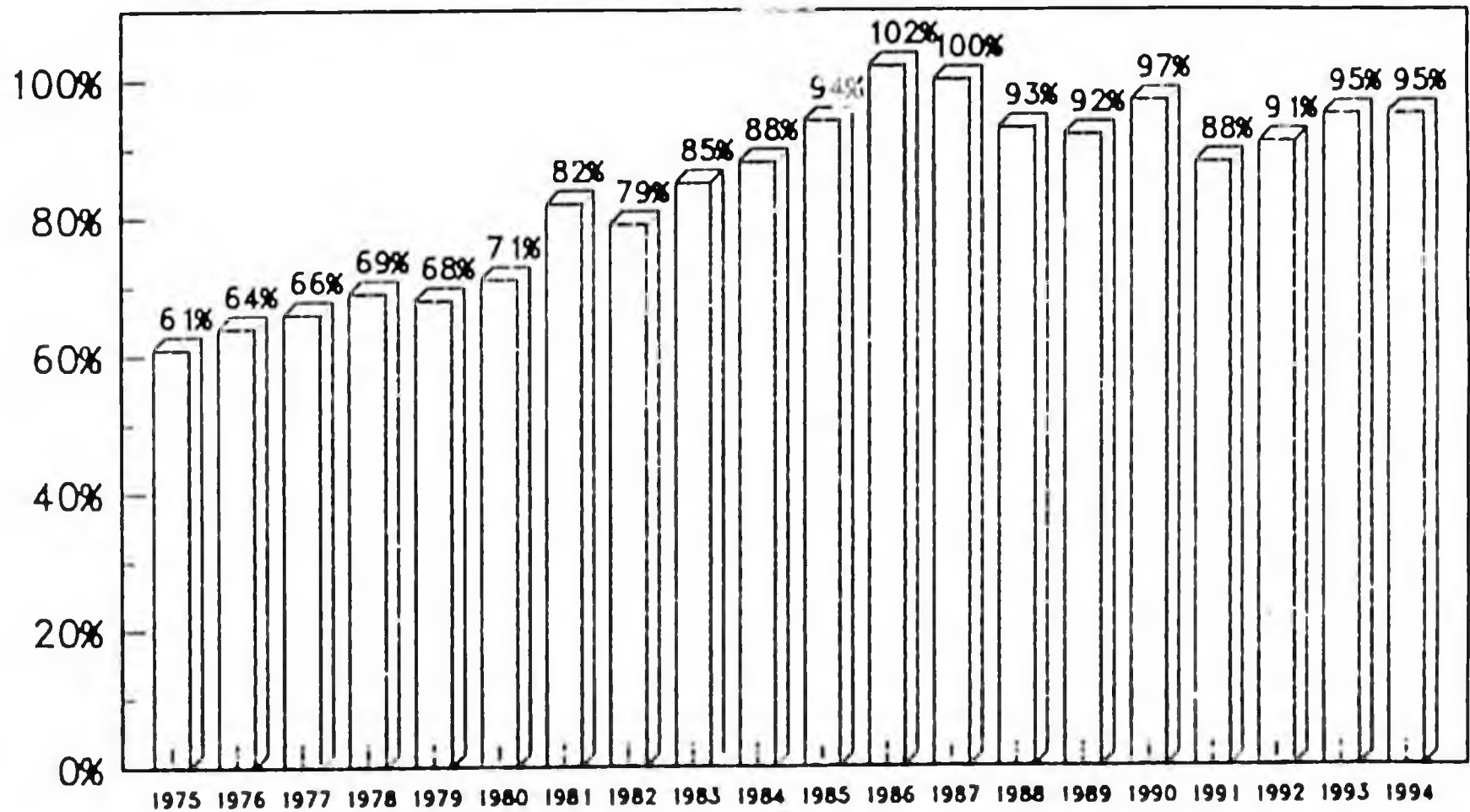
Section 3 contains additional exhibits showing historical information on system experience, unfunded liabilities, and the value of accumulated benefits.

The principle results are as follows:

	<u>1993</u>	<u>1994</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 3,936,776	\$ 4,379,305
(b) Accrued Liability*		
i) Non-Medical Benefits	2,963,975	3,377,405
ii) Total Benefits (including medical)	4,125,761	4,620,182
(c) Funding Ratio, (a) / (b)		
i) Non-Medical Benefits	132.8%	129.7%
ii) Total Benefits (including medical)	95.4%	94.8%

\* In thousands.

# STATE OF ALASKA PERS FUNDING RATIO HISTORY



At June 30

Employer Contribution Rates  
for Fiscal Year:

	<u>1996</u>	<u>1997</u>
(a) Consolidated Rate	11.29%	10.36%
(b) Average Past Service Rate	1.53%	1.78%
(c) Average Total Contribution Rate	12.82%	12.14%

## Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio as of June 30, 1994 has decreased from 95.4% to 94.8%, a decrease of 0.6%. The average employer contribution rate has reduced from 12.82% of payroll for FY96 to 12.14% for FY97, a reduction of 0.68% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

### (1) Retiree Medical Insurance

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

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since FY78</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	23%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	0%	11%
1993	226.90	- 7%	10%
1994	309.72	37%	11%
1995	336.05	9%	11%
1996	350.50	4%	11%

As you can see from the above table, the monthly retiree medical premium increased during the year, to \$336.05. The premium for the 1996 fiscal year has increased to \$350.50, an increase of 4%. Since FY87, annual premium rate changes have ranged from 51% up to 15% down, but the average annual increase has been about 9%.

This year, in an attempt to better predict the long-term increase in medical premiums, the Board adopted a health cost trend assumption which varies by year, declining to an ultimate rate equal to inflation plus 1.5%, or 5.5% for FY99 and later. If the long-term assumption remains reasonable, short-term gains and losses from the annually-determined medical premium rate will offset each other over time.

To help avoid the volatility in the funding and solvency of the System from bringing large health-related gains and losses into the System every year, we have been using the health cost trend assumption to determine actuarial liabilities for retiree medical benefits. Due to the change in the health cost trend assumption this year, we made an adjustment back to the actual medical premium as the basis for going forward. The difference between the assumed rate and the actual rate will be tracked annually and reduced if the gap becomes too wide. Also, adjustments will be made again, if necessary, to the assumed medical premium rate every four to five years when a formal experience analysis is performed.

The effect of the adjustment back to actual premium this year was a small loss to the System which increased the employer contribution rate by 0.41%.

## (2) Investment Performance

The Asset Valuation Method has been changed this year. In the past, the system used an asset valuation method which multiplied the five-year average of the ratio of actuarial (generally market) to book value by the current book value to determine valuation assets. This number had to fall within the range of book and actuarial value.

One purpose of using asset valuation methods is to smooth investment returns. By using the full actuarial and book values in the valuation method, additional components of the change in the value of assets, including contributions, benefit payments, and expenses, are included in the smoothing technique. Since investment return is a direct result of actual money flows instead of artificially smoothed flows, this method will distort the investment return for the year.

The new asset valuation method only smooths the difference between expected investment return and actual return during a given year. The method spreads the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years. By spreading the asset gain or loss, only the investment return is smoothed, producing a less volatile result, leading to overall contributions which are easier to budget and at the same time remain appropriate to properly fund the system. The new methodology is more widely used and accepted than the prior method in both the public and private sector because it directly addresses the objective of smoothing only investment returns, and it is allowable under ERISA.

In order to establish an appropriate basis for going forward, we measured the FY94 investment loss using the market value of assets at June 30, 1993. This resulted in an increase in the Valuation Assets at June 30, 1994 of \$76,466,000 and a reduction in the employer contribution rate of 0.56%.

To protect the system from the unlikely event that valuation assets differ markedly from market value, a limitation that valuation assets must fall between 80% and 120% of market value is included with this asset valuation method. The new method will be phased in over the next five years.

The approximate rate of return based on market value of system assets was 2.49%. The new five-year smoothing technique produced a rate of return based on valuation assets of 7.50%, compared to the 8.75% investment return assumption. This produced a loss of approximately \$50,573,000 to the System from investment performance which had the effect of decreasing the funding ratio by 1.1% and increasing the average employer contribution rate by .37% of total payroll.

### (3) Salary Increases

Last year, salary increases were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain which generated a reduction in the total employer contribution rate equal to 0.55% of total payroll.

### (4) Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 1.3% from 30,972 at June 30, 1993 to 31,364 at June 30, 1994. The average age of active participants increased from 41.75 to 42.18 and average credited service increased from 7.62 to 7.92 years.

The number of retirees and beneficiaries increased 5.9% from 9,103 to 9,643, and their average age increased from 63.98 to 64.22. There was a 5.6% increase in the number of vested terminated participants from 3,572 to 3,771. Their average age increased from 44.04 to 44.39.

The overall effect of these participant data changes was an actuarial loss to the System, resulting in an increase in the contribution rate equal to 0.36% of total payroll.

### (5) Economic Assumption Changes

Based on a study of the inflation component of economic assumptions presented to the Board in October 1994, the total inflation assumption was changed from 5% to 4% annually. This in turn affected the economic assumptions, including investment return.

salary scale, and health cost trend. The following table shows the prior and new economic assumptions:

	Prior Assumption	New Assumption 6/30/94
Inflation	5.0%	4.0%
Investment Return	8.75%	8.0%
Salary Scale:		
Inflation	5.0%	4.0%
Productivity	0.5%	0.5%
Merit (first 5 years)	1.0%	1.0%
Health Cost Trend:		
FY95	9.5%	9.5%
FY96	8.5%	8.5%
FY97	7.5%	7.5%
FY98	7.5%	6.5%
FY99 & later	7.5%	5.5%

The overall effect of the assumption changes was to increase the funding ratio by .2% and reduce the employer contribution rate by .71% of total payroll.

#### (6) Actuarial Projections

At the Fall 1991 Board Meetings, the PERS Board approved the use of an enhanced actuarial projection system in the valuation report this year. The same actuarial cost method is used, but the enhanced system projects population growth patterns and their associated liabilities 25 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 25 years. Section 1.5, Actuarial Projections, contains the results of this analysis.

This type of information can be especially useful to two-tiered systems, such as PERS. All of the projected new entrants will be covered under the cost savings provisions of the second tier, so that the ultimate effect of the second tier on plan liabilities can be anticipated. As you can see in Section 1.5, based on the actuarial assumptions and cost method, future contribution rates are expected to slowly decrease, and then stabilize in 10 to 15 years. This reflects the fact that many second-tier employees are already in PERS and affecting the rate.

## Summary

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

Last year's average employer contribution rate . . . . .	12.82%
Change due to:	
Retiree medical insurance . . . . .	0.41%
Investment performance . . . . .	0.37%
Salary increases . . . . .	(0.55%)
Demographic experience . . . . .	0.36%
Economic Assumption Changes . . . . .	(0.71%)
Asset Valuation Method Change . . . . .	(0.56%)
Average employer contribution rate this year . . . . .	12.14%

## **Section 1**

### **Valuation Results**

This section sets forth the results of the actuarial valuation.

Section 1.1(a) shows the distribution of net assets as of June 30, 1994.

Section 1.1(b) shows the transactions of the plan's fund during FY94.

Section 1.1(c) develops the expected valuation assets and investment return as of June 30, 1994.

Section 1.1(d) develops the actual valuation assets as of June 30, 1994.

Section 1.2(a) shows the actuarial present values for Police and Fire members as of June 30, 1994.

Section 1.2(b) shows the actuarial present values for "Other" members as of June 30, 1994.

Section 1.3(a) develops the average employer contribution rate for Police and Fire members - FY97.

Section 1.3(b) develops the average employer contribution rate for "Other" members - FY97.

Section 1.3(c) develops the average employer contribution rate for all members - FY97.

Section 1.4 calculates the actuarial gain or loss for FY94.

Section 1.5 contains the financial projections.

**1.1(a) Statement of Net Assets as of June 30, 1994 (in thousands)**

	<u>Book Value</u>	<u>Actuarial Value</u>
Cash and Cash Equivalents	\$ 1,610	\$ 1,610
United States Government Bonds	884,568	943,018
Other United States Government Securities	56,611	57,493
Corporate Bonds	712,380	727,399
Commercial Paper	164,356	164,342
Other Dollar Dominated Securities	130,082	124,768
United States Common Stocks	1,493,641	1,593,533
International Stocks	325,978	360,726
Emerging Markets Stocks	35,300	36,247
Real Estate Equities	157,657	116,089
Mortgages (Net of Reserves)	5,664	5,664
Net Accrued Receivables	<u>46,124</u>	<u>46,124</u>
<b>Total Assets</b>	<b>\$ 4,013,971</b>	<b>\$ 4,177,013</b>

## 1.1(b) Changes in Net Assets During Fiscal Year 1994 (in thousands)

(1)	Net Assets, June 30, 1993, (market value)		\$ 4,007,907
(2)	Additions:		
(a)	Employee Contributions	\$ 82,503	
(b)	Employer Contributions	153,302	
(c)	Contributions for Retirement Incentive Program:		
	Employee Contributions	0	
	Employer Contributions	(17)	
(d)	Interest and Dividend Income	207,474	
(e)	Realized Gain (Loss)	111,508	
(f)	Unrealized Gain (Loss) on Investments	(206,921)	
(g)	Other	<u>32</u>	347,881
(3)	Deductions:		
(a)	Medical Benefits	\$ 36,046	
(b)	Retirement Benefits	121,867	
(c)	Refunds of Contributions	9,584	
(d)	Administrative Expenses	<u>11,278</u>	178,775
(4)	Net Assets, June 30, 1994, (market value)		\$ 4,177,013
	Approximate Market Value Investment Return Rate During the Year, Net of Administrative Expenses		2.49%

**1.1(c) Development of Expected Valuation Assets  
as of June 30, 1994 (in thousands)**

(1)	June 30, 1993 Market Value. (Item (1) from 1.1(b))	\$ 4,007,907
(2)	Total Contributions for FY94, (Item (2a) + (2b) + (2c) from 1.1(b))	235,788
(3)	Total Benefit Payments for FY94, (Item (3a) + (3b) + (3c) from 1.1(b))	167,497
(4)	Expected Investment Return, Net of Expenses, for the period July 1, 1993 through June 30, 1994, $((1) + .5 \times [(2) - (3)]) \times 8.75\%$	353,680
(5)	Actual Investment Return, Net of Expenses, for the period July 1, 1993 through June 30, 1994, (Item (2d) + (2e) + (2f) + (2g) - (3d) from 1.1(b))	100,815
(6)	Total Investment Gain/(Loss). (5) - (4)	(252,865)
(7)	Expected Valuation Assets, (1) + (2) - (3) + (4)	4,429,878

**1.1(d) Development of Valuation Assets as of June 30, 1994  
(in thousands)**

	A	B	C
	Total Investment <u>Gain/(Loss)</u>	Gain/(Loss) Recognized in <u>Prior Fiscal Years</u>	Gain/(Loss) Recognized this Fiscal Year <u>(A + B)</u>
(1) Fiscal Year ending June 30, 1994	\$(252,865)	\$ 0	\$ (50,573)
(2) Total Gain/(Loss) Recognized this Fiscal Year			(50,573)
(3) Expected Valuation Assets, June 30, 1994. (Item (7) from 1.1(c))			\$ 4,429,878
(4) Valuation Assets at June 30, 1994, (2) - (3), but not outside a corridor of 80% to 120% of the market value of assets			\$ 4,379,305*
Approximate Valuation Assets Investment Return Rate During the Year, Net of Administrative Expenses			7.50%

- \* Reflects a change in the asset valuation method. See Item (2) in the Analysis of the Valuation on page 5 for a full description of the change.

**1.2(a) Actuarial Present Values as of June 30, 1994  
Police and Fire Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liabilities</u>
<u>Active Members</u>		
Retirement Benefits	\$ 18,177	\$ 315,524
Termination Benefits	522	5,507
Disability Benefits	564	12,150
Death Benefits	488	11,419
Return of Contributions	354	2,020
Medical Benefits	5,760	85,934
Indebtedness	0	(8,622)
Retiree Incentive Program Receivables	<u>0</u>	<u>(10)</u>
Subtotal	\$ 25,865	\$ 423,922
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 398
Vested Terminations - Retirement Benefits	0	7,599
- Medical Benefits	0	8,954
Retirees & Beneficiaries - Retirement Benefits	0	249,224
- Medical Benefits	<u>0</u>	<u>42,891</u>
Subtotal	\$ 0	\$ 309,066
<u>Totals</u>	\$ 25,865	\$ 732,988

**1.2(b) Actuarial Present Values as of June 30, 1994**  
**"Other" Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 84,636	\$ 1,096,942
Termination Benefits	20,248	202,047
Disability Benefits	3,654	51,494
Death Benefits	4,107	68,870
Return of Contributions	5,886	28,669
Medical Benefits	57,920	548,170
Indebtedness	0	(33,201)
Retirement Incentive Program Receivables	<u>0</u>	<u>(80)</u>
Subtotal	\$ 176,451	\$ 1,962,911
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 12,415
Vested Terminations - Retirement Benefits	0	241,808
- Medical Benefits	0	236,844
Retirees & Beneficiaries - Retirement Benefits	0	1,113,232
- Medical Benefits	<u>0</u>	<u>319,984</u>
Subtotal	\$ 0	\$ 1,924,283
<u>Totals</u>	\$ 176,451	\$ 3,887,194

**1.3(a) Development of Average Employer Contribution Rate - FY97  
For Police and Fire Members (in thousands)**

Consolidated Rate

(1)	Total Normal Cost	\$ 25,865
(2)	Total Salaries	128,456
(3)	Normal Cost Rate for Police & Fire Members, (1) / (2)	20.14%
(4)	Member Contribution Rate (Police & Fire)	7.50%
(5)	Consolidated Employer Normal Cost Rate For Police & Fire Members, (3) - (4)	12.64%

Past Service Rate

(1)	Accrued Liability	\$ 732,988
(2)	Valuation Assets	694,773*
(3)	Total Unfunded Liability, (1) - (2)	38,215
(4)	Amortization Factor (25 years)	11.528758
(5)	Past Service Cost, (3) / (4)	3,315
(6)	Total Salaries	128,456
(7)	Past Service Rate, (5) / (6)	2.58%

Total Employer Contribution Rate 15.22%

\* Allocated in proportion to Accrued Liability.

### 1.3(b) Development of Average Employer Contribution Rate - FY97 For "Other" Members (in thousands)

#### Consolidated Rate

(1)	Total Normal Cost	\$ 176,451
(2)	Total Salaries	1,048,541
(3)	Normal Cost Rate for "Other" Members, (1) / (2)	16.83%
(4)	Member Contribution Rate ("Others")	6.75%
(5)	Consolidated Employer Normal Cost Rate For Other Members, (3) - (4)	10.08%

#### Past Service Rate

(1)	Accrued Liability	\$ 3,887,194
(2)	Valuation Assets	3,684,532*
(3)	Total Unfunded Liability, (1) - (2)	202,662
(4)	Amortization Factor (25 years)	11.528758
(5)	Past Service Cost, (3) / (4)	\$ 17,579
(6)	Total Salaries	\$ 1,048,541
(7)	Past Service Rate, (5) / (6)	1.68%

#### Total Employer Contribution Rate

11.76%

\* Allocated in proportion to Accrued Liability.

**1.3(c) Development of Average Employer Contribution Rate - FY97  
All Members (in thousands)**

Consolidated Rate

(1)	Total Normal Cost	\$ 202,316
(2)	Total Salaries	1,176,997
(3)	Normal Cost Rate for All Members, (1) / (2)	17.19%
(4)	Average Member Contribution Rate	6.83%
(5)	Consolidated Employer Normal Cost Rate for All Members. (3) - (4)	10.36%

Past Service Rate

(1)	Accrued Liability	\$ 4,620,182
(2)	Valuation Assets	4,379,305
(3)	Total Unfunded Liability. (1) - (2)	240,877
(4)	25-Year Amortization Factor	11.528758
(5)	Past Service Cost. (3) / (4)	20.894
(6)	Total Salaries	1,176,997
(7)	Past Service Rate. (5) / (6)	1.78%

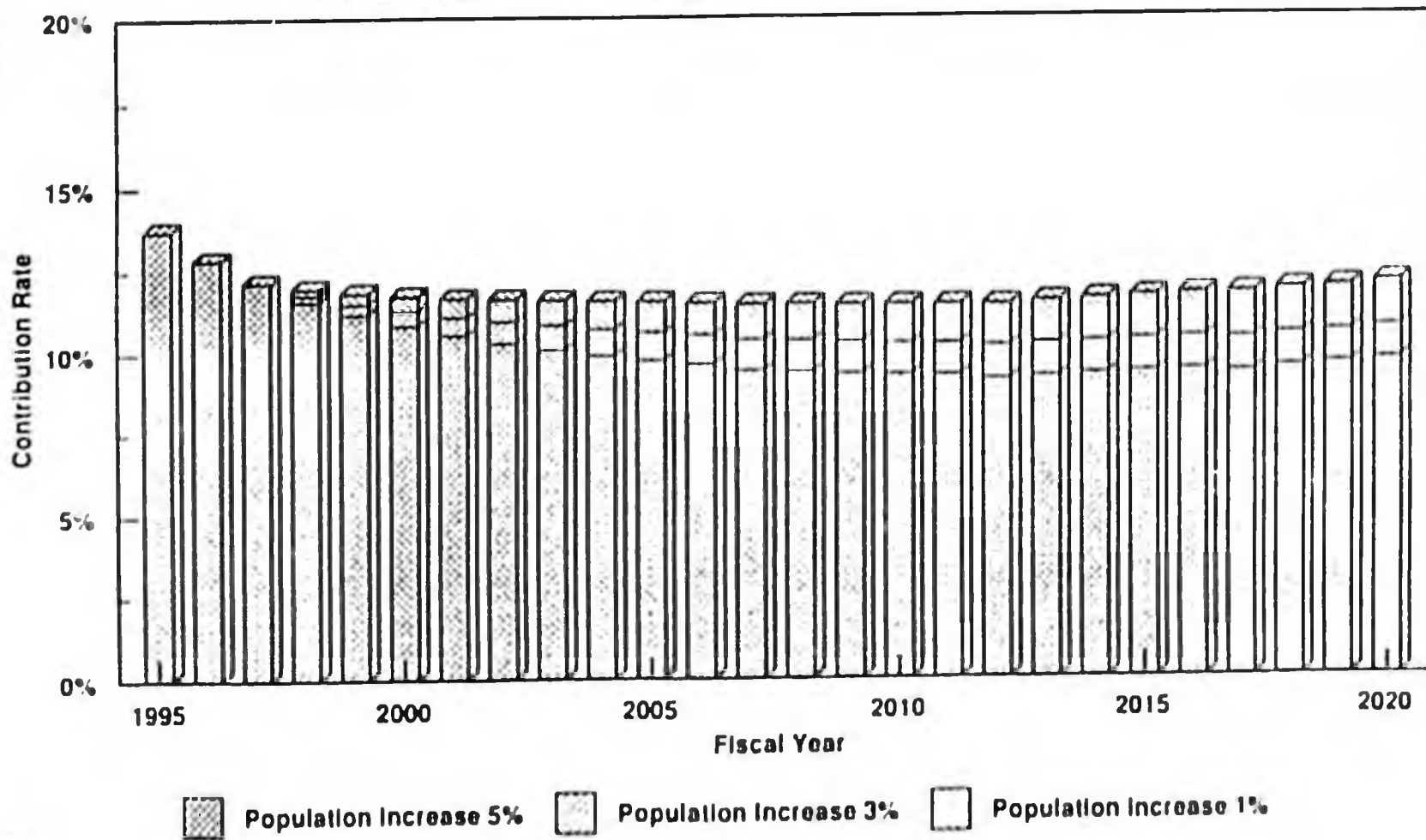
Total Employer Contribution Rate

12.14%

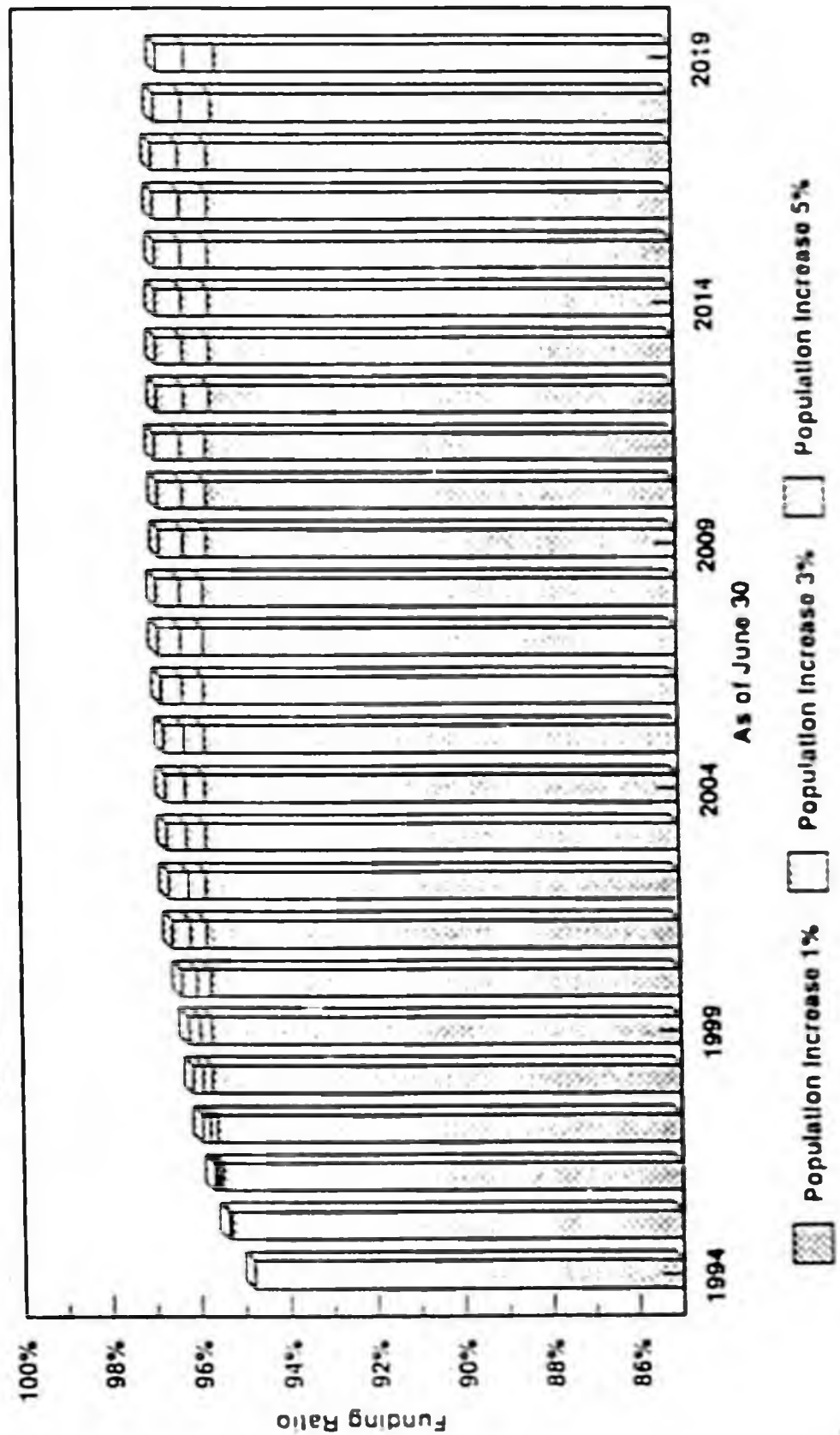
## 1.4 Development of Actuarial Gain/(Loss) for FY94 (in thousands)

(1) Unfunded Liability, June 30, 1993	\$ 188,985
(2) Normal Cost for FY94	205,826
(3) Interest on (1) and (2) at 8.75%	34,546
(4) Employee Contributions for FY94	82,503
(5) Employer Contrib for FY94	153,285
(6) Interest on (4) and (5) at 8.75% for one-half year	10,316
(7) Increase/(Decrease) due to assumption changes	(9,361)
(8) Increase/(Decrease) due to asset valuation method change	(76,466)
(9) Expected Unfunded Liability, June 30, 1994, (1) + (2) + (3) - (4) - (5) - (6) + (7) + (8)	97,426
(10) Actual Unfunded Liability, June 30, 1994	240,877
(11) Actuarial Gain/(Loss) for the Year, (9) - (10)	\$ (143,451)

# State of Alaska PERS Projected Contribution Rates



# State of Alaska PERS Projected Funding Ratios



# 1.5 Actuarial Projections (continued)

Table 1  
State of Alaska PERs  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%		Annual Population Increase 1.00%										Ending Asset Value
	Total Assets	Valuation Amounts on July 1 Accrued Funding Liability Ratio	Surplus* (Deficit)	Total Salaries	Employer Contribution Ctb Rate	Employee Contribution	Employer Contribution	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
1994	4,379,305	4,620,182	94.83	(240,877)	1,176,997	13.70%	162,576	81,051	243,627	202,518	41,109	351,989	4,772,402
1995	6,772,402	5,008,518	95.33	(236,116)	1,194,376	12.82%	154,634	82,383	237,017	270,181	16,836	382,466	5,171,794
1996	5,171,794	5,413,175	95.53	(241,471)	1,216,013	12.14%	148,999	83,827	232,826	243,071	(10,245)	443,327	5,574,785
1997	5,574,785	5,829,027	95.63	(254,242)	1,238,667	11.95%	149,604	85,471	235,075	269,131	(34,056)	444,621	5,985,350
1998	5,985,350	6,253,939	95.74	(268,589)	1,264,143	11.82%	151,173	87,352	238,526	298,074	(59,548)	476,447	6,402,269
1999	6,402,269	6,686,616	95.74	(284,347)	1,293,760	11.72%	153,912	89,695	243,606	330,433	(86,827)	508,708	6,824,150
2000	6,824,150	7,127,953	95.74	(303,803)	1,332,727	11.64%	157,358	92,354	249,714	362,231	(132,517)	543,431	7,253,064
2001	7,253,064	7,574,719	95.83	(321,655)	1,371,694	11.61%	161,551	95,017	256,569	398,358	(161,789)	574,574	7,685,849
2002	7,685,849	8,024,704	95.83	(338,853)	1,410,661	11.58%	165,677	97,679	263,356	437,928	(174,572)	607,885	8,119,162
2003	8,119,162	8,476,155	95.83	(356,994)	1,449,628	11.55%	169,656	100,340	269,996	479,043	(209,067)	643,170	8,551,265
2004	8,551,265	8,927,778	95.83	(376,513)	1,488,595	11.53%	174,483	103,540	278,024	520,865	(242,842)	674,387	8,982,810
2005	8,982,810	9,378,734	95.83	(395,924)	1,543,535	11.48%	180,300	107,276	287,579	563,447	(275,868)	707,590	9,414,532
2006	9,414,532	9,828,647	95.83	(416,115)	1,598,075	11.42%	185,652	111,018	296,670	607,765	(311,075)	740,720	9,844,177
2007	9,844,177	10,277,595	95.83	(435,418)	1,652,815	11.42%	191,862	114,757	306,638	652,779	(346,141)	773,689	10,271,774
2008	10,271,774	10,726,114	95.83	(454,590)	1,707,555	11.41%	197,997	118,495	316,692	697,143	(380,653)	806,512	10,697,585
2009	10,697,585	11,175,201	95.74	(477,613)	1,762,295	11.41%	205,505	122,095	328,510	740,747	(412,232)	839,318	11,124,673
2010	11,124,673	11,626,307	95.74	(501,634)	1,819,609	11.42%	214,460	128,786	342,743	783,510	(440,765)	872,343	11,556,249
2011	11,556,249	12,081,344	95.74	(525,075)	1,916,924	11.37%	222,779	133,546	354,345	827,052	(467,508)	905,800	11,994,543
2012	11,994,543	12,542,681	95.63	(548,139)	1,994,738	11.48%	233,429	138,867	372,275	864,273	(491,942)	939,805	12,432,479
2013	12,432,479	13,013,143	95.63	(570,644)	2,071,553	11.58%	244,011	144,127	388,158	904,795	(516,542)	974,736	12,870,648
2014	12,870,648	13,496,017	95.63	(595,349)	2,148,867	11.64%	256,270	150,427	406,692	943,332	(536,640)	1,010,585	13,314,573
2015	13,314,573	13,995,044	95.63	(620,471)	2,235,882	11.70%	270,625	157,965	428,590	983,284	(552,696)	1,047,858	13,769,737
2016	13,769,737	14,514,426	95.63	(644,688)	2,349,726	11.72%	283,680	165,274	448,954	1,014,437	(567,486)	1,086,800	14,239,133
2017	14,239,133	15,058,819	95.63	(669,686)	2,469,013	11.82%	298,560	172,550	470,710	1,074,840	(584,340)	1,127,765	14,712,768
2018	14,712,768	15,633,342	95.53	(700,573)	2,576,928	11.87%	312,687	177,659	497,346	1,094,273	(602,577)	1,170,518	15,200,710
2019	15,200,710	16,243,548	95.53	(742,854)	2,683,943	12.02%	329,399	187,170	521,138	1,135,279	(618,710)	1,215,508	15,697,508

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

# 1.5 Actuarial Projections (continued)

Table 2

State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Investment Return 8.00%		Valuation Amounts on July 1		Surplus*		Total Salaries		Flow Amounts During Following 12 Months		Annual Population Increase 3.00%		Ending Asset Value
	Total Assets	Accrued Liability	Funding Ratio	Total Assets	Accrued Liability	(Deficit)	Employer Ctb Rate	Employee Ctb Rate	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	
1994	6,379,305	6,429,182	94.81	(240,877)	1,176,997	13.703	163,700	81,611	245,311	202,518	42,793	352,076	6,774,154
1995	6,774,154	5,008,954	95.31	(214,803)	1,212,782	12.873	157,840	84,091	241,931	270,187	21,743	382,802	5,178,099
1996	5,178,099	5,415,778	95.61	(237,678)	1,249,615	12.163	154,255	86,785	241,040	263,249	(2,209)	416,208	5,590,697
1997	5,590,697	5,835,866	95.81	(265,168)	1,291,661	11.763	154,702	89,835	244,536	269,589	(5,052)	446,256	6,011,899
1998	6,011,899	6,267,606	95.91	(255,707)	1,338,975	11.493	157,008	93,293	250,301	298,923	(48,622)	479,007	6,442,284
1999	6,442,284	6,710,285	96.01	(268,001)	1,392,942	11.263	161,008	97,674	258,632	331,860	(73,229)	512,654	6,881,509
2000	6,881,509	7,164,543	96.01	(283,034)	1,465,730	11.073	164,304	102,595	268,899	364,133	(95,234)	546,711	7,312,985
2001	7,312,985	7,629,697	96.11	(296,712)	1,538,517	10.933	172,200	107,566	279,766	400,808	(121,042)	581,797	7,793,743
2002	7,793,743	8,104,079	96.21	(310,336)	1,611,505	10.813	178,139	112,538	290,677	441,034	(150,357)	617,481	8,280,869
2003	8,280,869	8,586,469	96.21	(327,601)	1,684,093	10.692	183,967	117,509	301,476	482,924	(181,448)	653,012	8,733,032
2004	8,733,032	9,078,599	96.21	(343,567)	1,756,881	10.583	191,720	123,749	315,519	525,621	(210,102)	690,238	9,213,169
2005	9,213,169	9,574,652	96.21	(361,483)	1,866,804	10.492	201,673	131,257	332,929	569,253	(236,324)	727,601	9,706,445
2006	9,706,445	10,081,507	96.31	(377,062)	1,976,727	10.352	210,378	139,764	349,093	614,786	(265,693)	765,778	10,204,480
2007	10,204,480	10,598,628	96.31	(394,148)	2,086,651	10.312	220,890	148,272	367,152	661,339	(294,186)	804,591	10,716,884
2008	10,716,884	11,128,407	96.31	(411,523)	2,196,574	10.272	231,213	153,780	386,993	707,582	(322,589)	844,287	11,236,582
2009	11,236,582	11,671,665	96.31	(434,881)	2,306,497	10.263	244,516	163,157	407,671	753,424	(345,753)	885,096	11,779,275
2010	11,779,275	12,237,355	96.21	(461,430)	2,471,151	10.212	260,818	174,401	435,270	798,847	(363,622)	927,579	12,339,833
2011	12,339,833	12,824,210	96.21	(484,377)	2,635,805	10.132	275,318	185,648	469,967	842,277	(383,310)	971,916	12,910,458
2012	12,910,458	13,435,817	96.21	(508,353)	2,800,459	10.212	294,219	196,894	497,116	886,381	(395,268)	1,018,678	13,533,816
2013	13,533,816	14,086,395	96.21	(532,579)	2,965,113	10.272	312,920	208,140	527,001	931,438	(410,377)	1,067,890	14,211,329
2014	14,211,329	14,771,640	96.21	(562,311)	3,129,768	10.332	331,608	222,035	557,713	975,481	(417,768)	1,120,196	14,913,777
2015	14,913,777	15,498,687	96.21	(592,910)	3,371,976	10.383	362,916	238,911	603,775	1,019,717	(417,942)	1,176,583	15,672,168
2016	15,672,168	16,273,104	96.21	(620,937)	3,621,070	10.363	387,191	253,354	647,544	1,062,357	(419,013)	1,236,989	16,489,544
2017	16,489,544	17,100,940	96.21	(653,396)	3,856,393	10.472	416,280	271,661	687,963	1,109,533	(421,590)	1,302,500	17,370,254
2018	17,370,254	18,078,827	96.21	(688,573)	4,098,601	10.563	444,805	288,206	733,010	1,160,377	(427,366)	1,372,576	18,315,413
2019	18,315,413	19,074,233	96.11	(740,821)	4,340,809	10.663	478,216	307,217	781,453	1,213,230	(433,777)	1,447,967	19,331,599

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

# 1.5 Actuarial Projections (continued)

Table 3

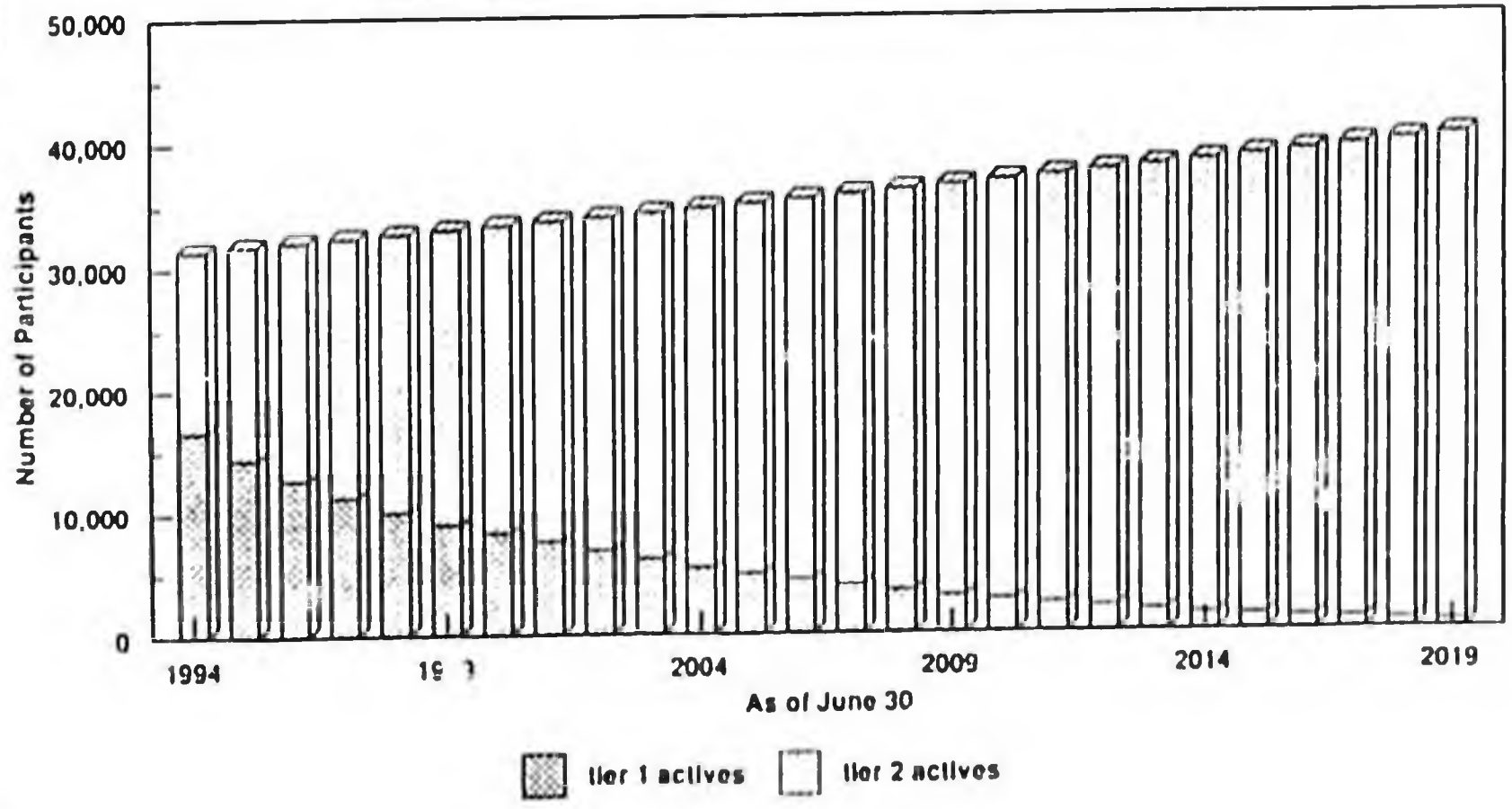
State of Alaska PERA  
Financial Projections ('000 omitted)

As of June 30	Investment Return		Valuation Amounts on July 1		Total Salaries*	Surplus* (Deficit)	Flow Amounts During Following 12 Months			Annual Population Increase			Ending Asset Value
	Total Assets	Accrued Liability Ratio	Total Employer Contribs	Employer Ctb Rate			Total Employee Contribs	Total Contribs	Total Benefit Payments	Net Contribs	Investment Earnings		
1994	4,379,305	5,620,182	94.83	(260,877)	1,176,997	13,707	14,835	82,177	267,011	202,518	64,493	352,124	4,775,922
1995	4,775,922	5,009,194	95.32	(233,472)	1,229,348	12,824	161,109	85,833	266,942	220,194	26,747	383,144	5,185,813
1996	5,185,813	5,518,397	95.72	(232,584)	1,294,051	12,142	159,701	89,848	269,550	243,627	6,122	415,110	5,607,045
1997	5,607,045	5,842,832	96.01	(235,787)	1,346,941	11,572	159,969	94,436	254,405	270,056	(15,651)	447,938	6,039,332
1998	6,039,332	6,281,698	96.12	(242,365)	1,418,388	11,172	163,076	99,674	262,750	299,840	(37,070)	481,664	6,483,926
1999	6,483,926	6,734,990	96.32	(251,064)	1,500,328	10,822	168,599	106,407	275,008	333,552	(58,546)	516,360	6,941,960
2000	6,941,960	7,201,436	96.42	(259,476)	1,615,541	10,532	176,155	114,276	290,431	366,167	(75,735)	552,327	7,418,552
2001	7,418,552	7,666,401	96.52	(267,849)	1,730,755	10,282	183,925	122,145	306,070	403,680	(97,610)	589,568	7,910,229
2002	7,910,229	8,188,291	96.62	(277,561)	1,845,969	10,072	191,777	130,014	321,792	444,694	(122,692)	627,951	8,415,988
2003	8,415,988	8,706,561	96.72	(290,573)	1,961,183	9,892	199,707	137,883	337,590	487,790	(149,700)	667,291	8,933,579
2004	8,933,579	9,241,718	96.72	(308,139)	2,076,397	9,742	211,415	148,262	359,677	531,089	(171,412)	707,830	9,449,956
2005	9,449,956	9,795,317	96.72	(325,321)	2,265,105	9,622	226,949	161,151	386,100	576,017	(187,917)	750,083	10,032,141
2006	10,032,141	10,369,964	96.72	(337,823)	2,451,813	9,432	239,773	174,040	413,813	623,136	(209,323)	794,198	10,617,016
2007	10,617,016	10,969,116	96.82	(352,300)	2,642,542	9,372	256,312	186,979	443,761	671,622	(227,862)	840,226	11,218,861
2008	11,218,861	11,598,078	96.82	(369,217)	2,831,210	9,312	272,399	199,817	472,216	720,759	(248,543)	888,387	11,849,205
2009	11,849,205	12,262,005	96.82	(392,800)	3,019,919	9,272	294,121	216,682	510,803	768,981	(258,185)	939,209	12,530,229
2010	12,530,229	12,967,904	96.82	(417,673)	3,325,046	9,242	321,464	237,522	558,987	817,851	(258,865)	993,664	13,285,028
2011	13,285,028	13,723,630	96.82	(438,602)	3,630,193	9,132	346,515	258,362	602,877	865,361	(262,486)	1,052,303	14,074,867
2012	14,074,867	14,538,089	96.82	(463,262)	3,935,321	9,202	376,008	279,202	655,210	914,402	(259,191)	1,115,620	14,931,276
2013	14,931,276	15,421,237	96.82	(489,961)	4,240,448	9,262	406,971	300,043	707,013	965,505	(258,692)	1,184,162	15,856,946
2014	15,856,946	16,384,079	96.82	(527,131)	4,545,575	9,332	446,664	327,051	773,716	1,016,747	(261,031)	1,258,634	16,812,749
2015	16,812,749	17,538,671	96.82	(565,922)	5,031,310	9,392	495,406	360,562	855,868	1,049,687	(213,619)	1,341,275	17,800,405
2016	17,800,405	18,598,119	96.82	(597,713)	5,523,928	9,372	537,273	393,639	940,912	1,121,867	(199,975)	1,432,193	18,841,824
2017	18,841,824	19,876,578	96.82	(634,754)	6,062,840	9,462	591,015	426,583	1,017,597	1,181,648	(183,870)	1,532,791	19,910,745
2018	19,910,745	21,289,254	96.82	(678,509)	6,688,595	9,562	643,521	459,760	1,103,281	1,246,989	(163,708)	1,643,111	21,110,148
2019	21,110,148	22,852,402	96.82	(742,253)	7,374,350	9,672	699,997	494,178	1,194,175	1,317,131	(172,955)	1,763,894	22,871,086

\* Surpluses reduce employer contributions over 5 years  
\* Deficits increase employer contributions over 25 years

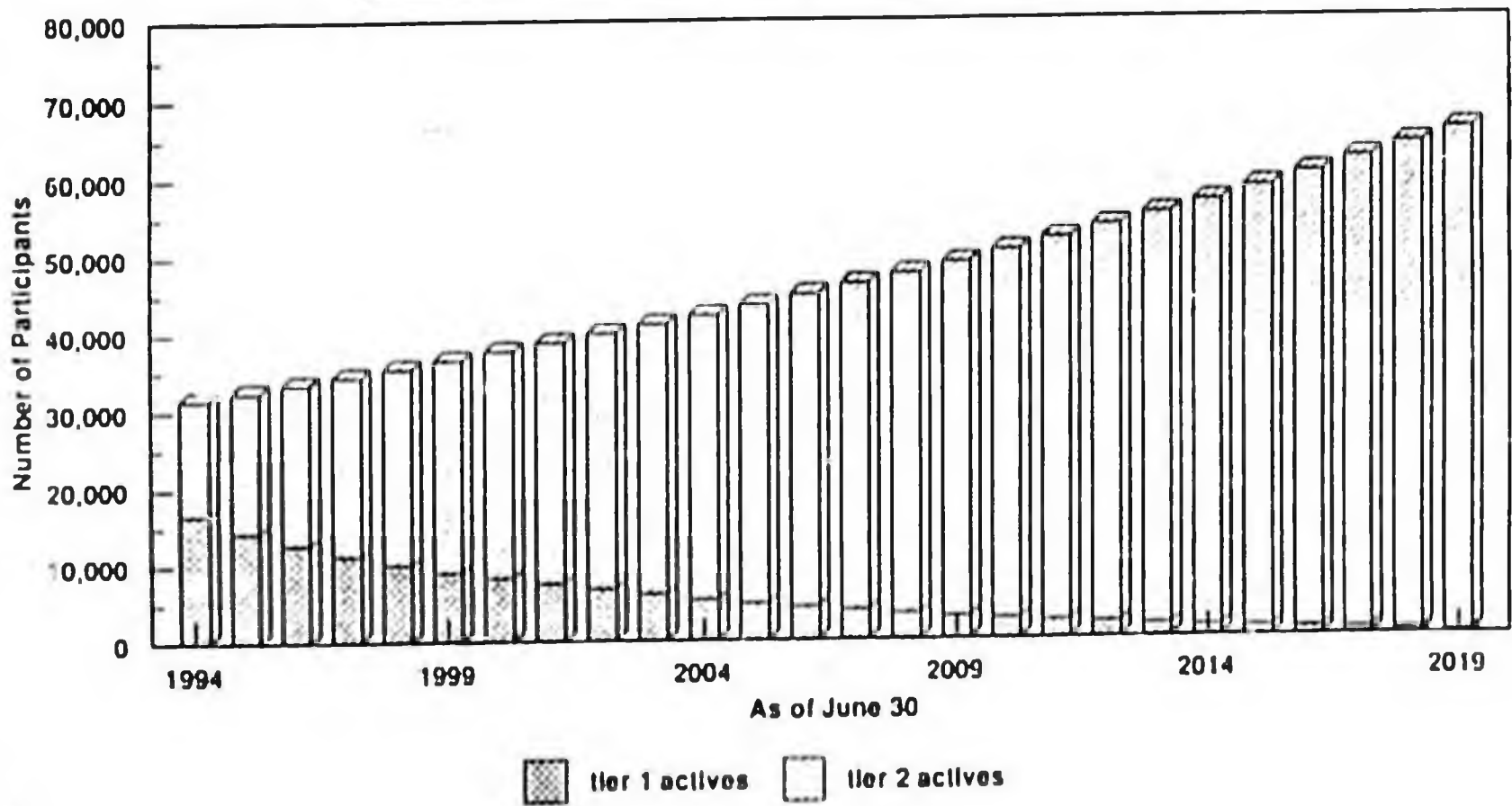
# State of Alaska PERS

Projected Active Participant Count  
Annual Population Increase of 1%



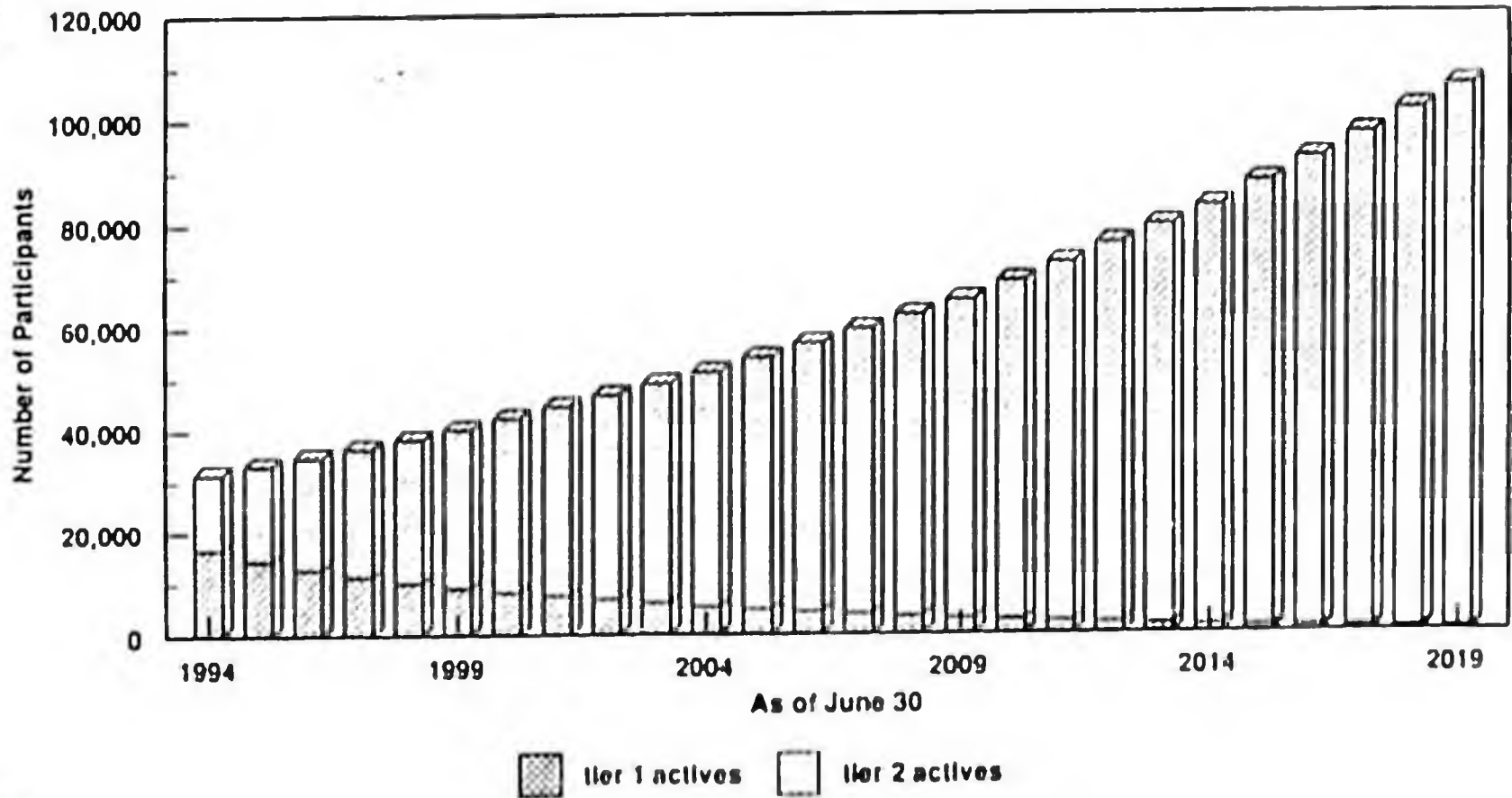
# State of Alaska PERS

Projected Active Participant Count  
Annual Population Increase of 3%



# State of Alaska PERS

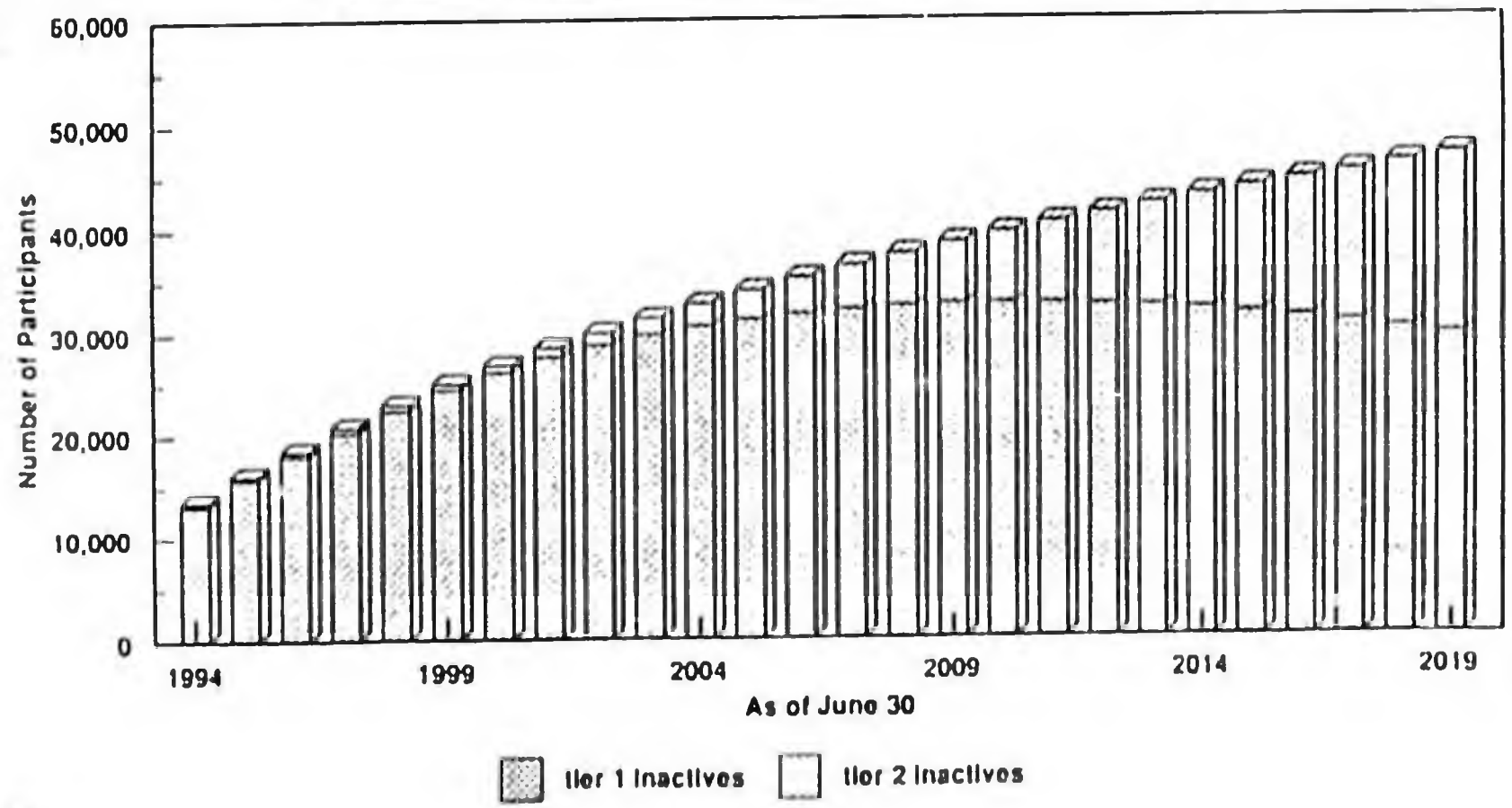
Projected Active Participant Count  
Annual Population Increase of 5%



# State of Alaska PERS

## Projected Inactive Participant Count

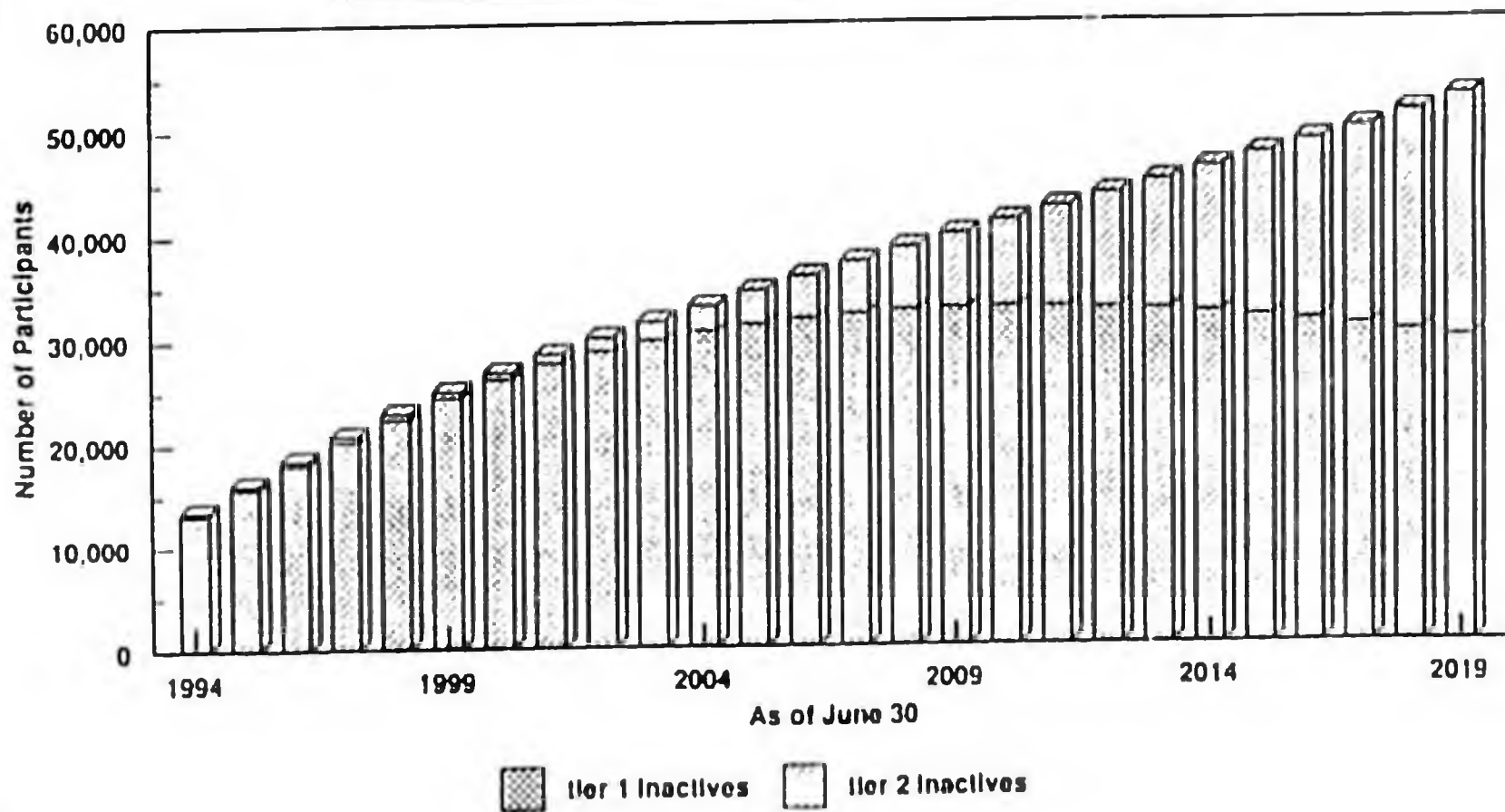
### Annual Population Increase of 1%



# State of Alaska PERS

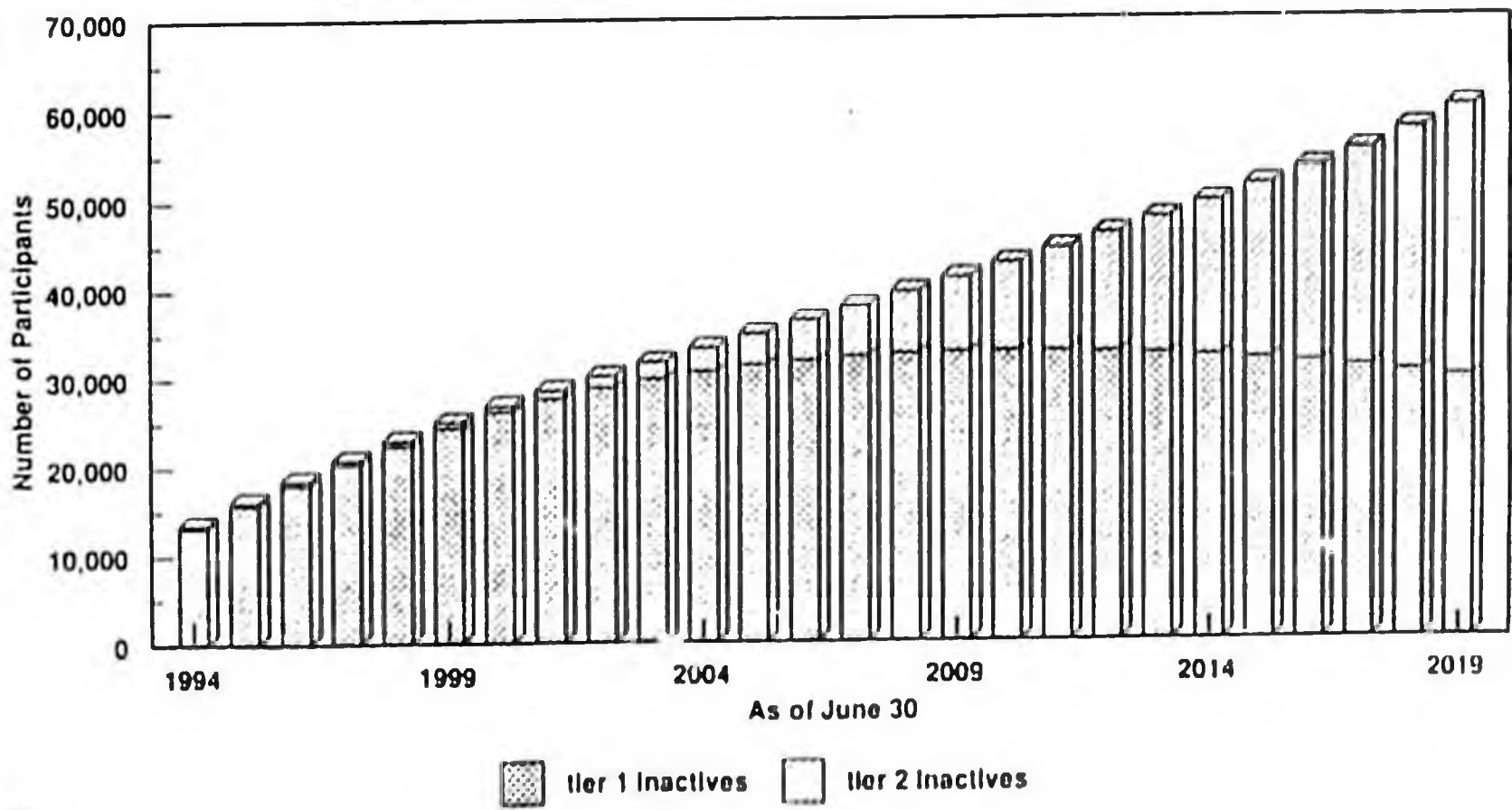
Projected Inactive Participant Count  
Annual Population Increase of 3%

William M. Mercer, Incorporated



**State of Alaska PERS**  
 Projected Inactive Participant Count  
 Annual Population Increase of 5%

William M Mercer, Incorporated



## Section 2

### Basis of Valuation

In this section, the basis of the valuation is presented and described. This information--the provisions of the plan and the census of participants--is the foundation of the valuation, since these are the present facts upon which benefit payments will depend.

A summary of plan provisions is provided in Section 2.1 and participant census information is shown in Section 2.2.

The valuation is based upon the premise that the plan will continue in existence, so that future events must also be considered. These future events are assumed to occur in accordance with the actuarial assumptions and concern such events as the earnings of the fund, the number of participants who will retire, die, terminate their services, their ages at such termination and their expected benefits.

The actuarial assumptions and the actuarial cost method, or funding method, which have been adopted to guide the sponsor in funding the plan in a reasonable and acceptable manner, are described in Section 2.3.

## **2.1 Summary of the Alaska Public Employees' Retirement System**

### **(1) Effective Date**

January 1, 1961, with amendments through June 30, 1993. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986, are eligible for different benefits than members hired after June 30, 1986.

### **(2) Administration of Plan**

The Commissioner of Administration is responsible for administering the system. The Public Employees' Retirement Board prescribes policies and regulations and performs other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division is responsible for investing PERS funds. The Attorney General represents the system in legal proceedings.

### **(3) Employers Included**

Currently there are 155 employers participating in the PERS, including the State of Alaska and 154 political subdivisions and public organizations.

### **(4) Members Included**

PERS membership is mandatory for all permanent full-time and part-time employees of the State of Alaska and participating political subdivisions and public organizations, unless they are specifically excluded by Alaska Statute or participation agreements. Employees participating in the University of Alaska's Optional Retirement Plan or other retirement plans funded by the State are not covered by the PERS. Elected officials may waive PERS membership.

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

### **(5) Credited Service**

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled.

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976.
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past peace officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously; and
- leave without pay service after June 13, 1987, while receiving Workers' Compensation.

Except for service before January 1, 1961, with the State, former Territory of Alaska, or U.S. Government in Alaska, contributions are required for all past service.

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

#### (6) Employer Contributions

Individual contribution rates are established for PERS employers based upon their consolidated and past service rates.

The consolidated rate is a uniform rate for all participating employers, amortized to include future service liabilities (less the value of members' contributions) for the members' future service.

The past service rate is determined separately for each employer to amortize their unfunded past service liability with level payments over 25 years. Funding surpluses are amortized over five years.

**(7) Member Contributions**

Mandatory Contributions: Police and fire members are required to contribute 7.5% of their compensation; all other members contribute 6.75%. Members' contributions are deducted from gross wages before federal income taxes are withheld.

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described in (5) above.

Voluntary Contributions: Members may voluntarily contribute up to 5% of their salary. Voluntary contributions are recorded in a separate account and are payable to the:

- (a) member in lump sum payment upon termination of employment;
- (b) member's beneficiary if the member dies; or
- (c) member in a lump sum, life annuity, or payments over a designated period of time when the member retires.

Interest: Members' contributions earn 4.5% interest, compounded semiannually on June 30 and December 31.

Refund of Contributions: Terminated members may receive refunds of their member contribution accounts, which includes their mandatory and voluntary contributions, indebtedness payments, and interest earned. Terminated members' accounts may be attached to satisfy claims under Alaska Statute 09.38.065, federal income tax levies, and valid qualified domestic relations orders.

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS. Accounts attached to satisfy claims under Alaska Statute 09.38.065 or a federal tax levy may be reinstated at any time. Interest accrues on refunds until paid in full or members retire.

**(8) Retirement Benefits**

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 60\*, or early retirement at age 55, if they have at least:
  - (i) five years of paid-up PERS service;
- Members participating before July 1, 1986 are eligible for normal retirement at age 55 or early retirement at age 50.

- (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS before May 30, 1987;
  - (iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS after May 29, 1987; or
  - (iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System.
- (b) Members may retire at any age when they have:
- (i) 20 paid-up years of PERS police/fire service; or
  - (ii) 30 paid-up years of PERS "all other" or "elected official" service.

**Benefit Type:** Lifetime benefits are paid to members. Eligible members may receive normal, unreduced benefits when they (1) reach normal retirement age and complete the service required; or (2) satisfy the minimum service requirements under the "20 and out" or "30 and out" provisions. Members may receive early, actuarially reduced benefits when they reach early retirement age and complete the service required.

Members may also select level income or joint and survivor options. Under those options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

**Benefit Calculation:** Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the three highest, consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

The percentage multipliers for police/fire members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all other members are 2% for the first ten years, 2.25% for the next ten years, and 2.5% for all remaining service earned on or after July 1, 1986. All service before that date is calculated at 2%.

**Indebtedness:** Members who terminate and refund their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds, plus interest, or accrue additional service which qualifies them for retirement. PERS

refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life.

**(9) Reemployment of Retired Members**

Retirement benefits are suspended while retired members are reemployed under the PERS. During reemployment, members earn additional PERS service and contributions are withheld from their wages.

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

- (a) forfeit the three years of incentive credits that they received;
- (b) owe the PERS 110% of the benefits that they received under the RIP, which may include costs for health insurance, excluding amounts that they paid to participate; and
- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

**(10) Disability Benefits**

Monthly disability benefits are paid to permanently disabled members until they die, recover or become eligible for normal retirement. Members are appointed to normal retirement on the first of the month after they become eligible.

Occupational Disability: Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement.

Nonoccupational Disability: Members must be vested (five paid-up years of PERS service) to be eligible for nonoccupational disability benefits. Monthly benefits are calculated based on the member's average monthly compensation and PERS service on the date of termination from employment because of disability. Members do not earn PERS service while on nonoccupational disability.

## (11) Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

Occupational Death: When an active member dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death, to the normal retirement date.

Death after Occupational Disability: When a member dies while occupationally disabled, benefits are paid as described above in *Occupational Death*.

Nonoccupational Death: When a vested member dies from nonoccupational causes, the surviving spouse may elect to receive a monthly 50% joint and survivor benefit or a lump sum benefit. The monthly benefit is calculated on the member's average monthly compensation and PERS service at the time of termination or death.

Lump Sum Benefit: Upon the death of a member who has less than one year of service, the designated beneficiary receives the member's contribution account, which includes mandatory and voluntary contributions, indebtedness payments, and interest earned. If the member has more than one year of PERS service, the beneficiary also receives \$1,000 and \$100 for each year of PERS service.

Death After Retirement: When a retired member dies, the designated beneficiary receives the member's contribution account, less any benefits already paid. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

## (12) Post Retirement Pension Adjustments

Post retirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, times:

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or

- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who were first hired before July 1, 1986, if the CPI increases and the financial condition of the fund will permit an increase.

**(13) Alaska Cost of Living Allowance**

Eligible benefit recipients who reside in Alaska receive an Alaska cost of living allowance (COLA) equal to 10% of their base benefits or \$50, whichever is more. The following benefit recipients are eligible:

- (a) members who were first hired under the PERS before July 1, 1986, and their survivors;
- (b) members who were first hired under the PERS after June 30, 1986, and their survivors if they are at least age 65; and
- (c) all disabled members.

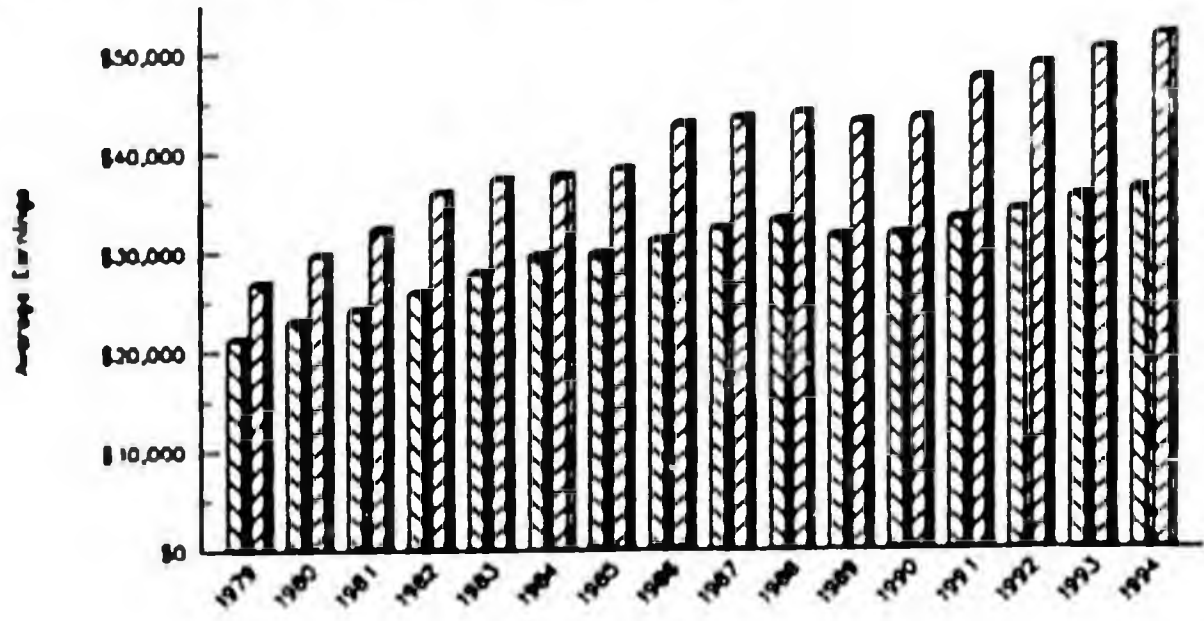
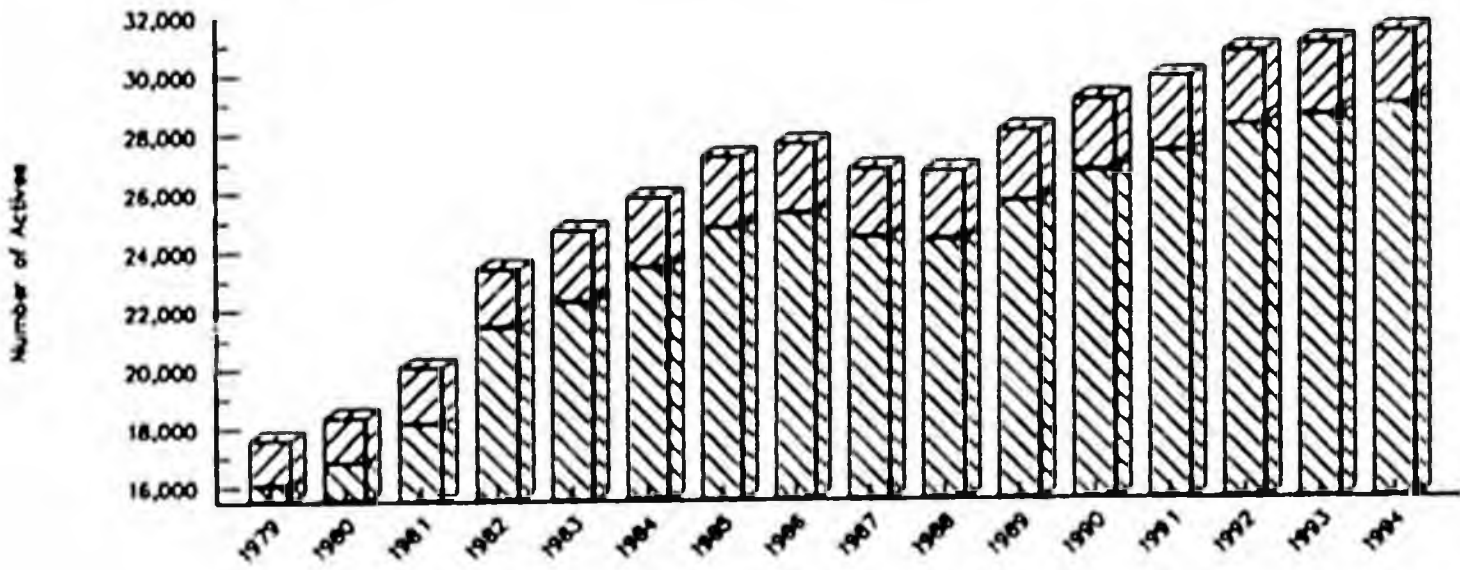
## 2.2(a) Participant Census Information - Total PERS as of June 30

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Active Members</b>					
(1) Number	29,086	29,840	30,721	30,972	31,364
(2) Average Age	40.37	40.68	41.21	41.75	42.18
(3) Average Credited Service	6.82	6.91	7.22	7.67	7.92
(4) Average Annual Salary	\$ 32,733	\$ 34,444	\$ 35,280	\$ 36,675	\$ 37,527
<b>Retirees and Beneficiaries</b>					
(1) Number	7,365	8,358	8,704	9,103	9,613
(2) Average Age	63.62	63.15	63.58	63.98	64.22
(3) Average Monthly Benefit:					
Base	\$ 797	\$ 864	\$ 867	\$ 855	\$ 874
COLA	61	66	64	63	67
PRPA	110	108	144	129	134
Adjustment	N/A	N/A	N/A	0	0
TOTAL	968	1,038	1,075	1,047	1,072
<b>Vested Terminations</b>					
(1) Number	2,745	3,015	3,249	3,572	3,771
(2) Average Age	42.96	43.20	43.59	44.04	44.39
(3) Average Monthly Benefit	\$ 536	\$ 556	\$ 582	\$ 610	\$ 626
<b>Non-Vested Terminations With Account Balances</b>					
(1) Number	3,695	4,108	4,380	4,721	4,879
(2) Average Account Balance	\$ 2,045	\$ 2,124	\$ 2,291	\$ 2,442	\$ 2,617

## 2.2(b) Additional Information - Active Members by Type of Status as of June 30

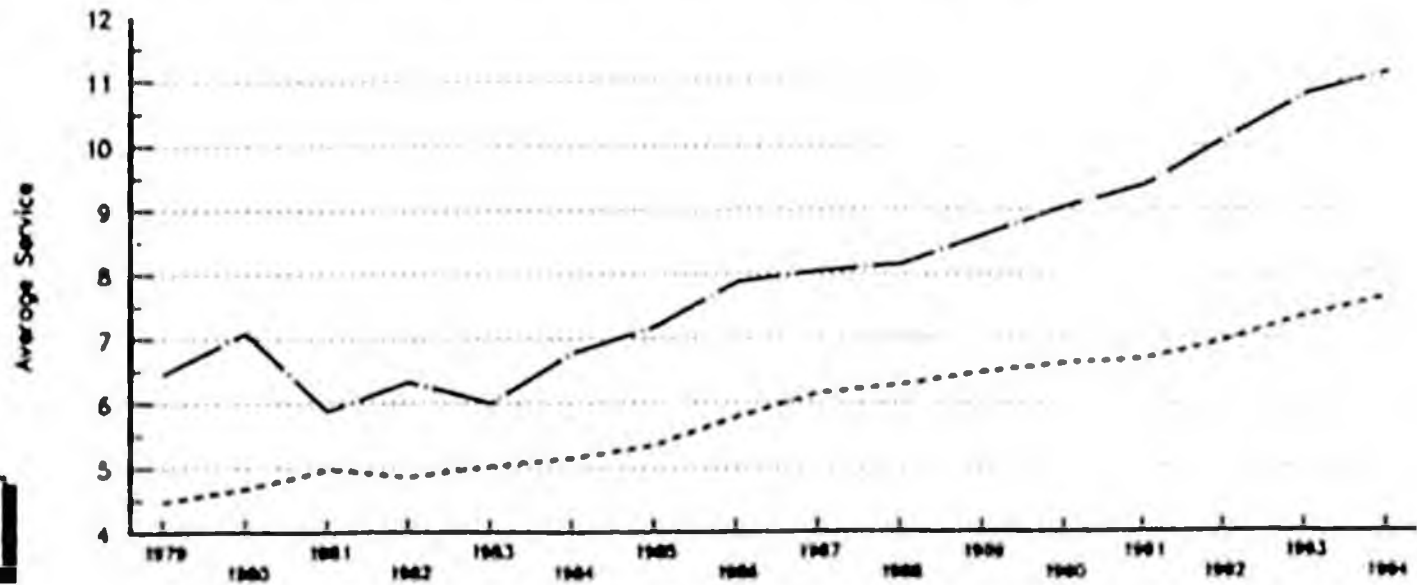
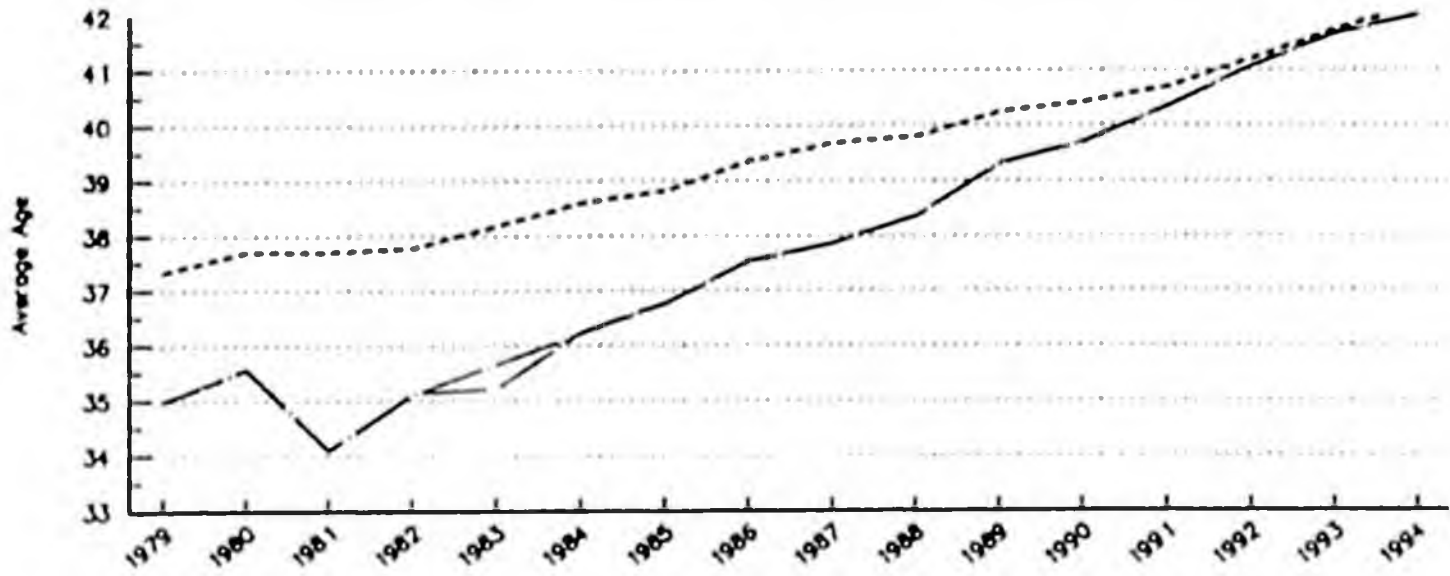
	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Active Police &amp; Fire</b>					
(1) Number	2,419	2,533	2,515	2,463	2,481
(2) Average Age	39.70	40.35	41.08	41.67	42.01
(3) Average Credited Service	9.05	9.38	10.10	10.80	11.13
(4) Average Annual Salary	\$ 43,462	\$ 47,470	\$ 48,812	\$ 50,355	\$ 51,776
(5) Number Vested	1,683	1,795	1,842	1,907	1,981
(6) Percent Who Are Vested	69.6%	70.9%	73.2%	77.4%	79.8%
<b>Active "Other" Members</b>					
(1) Number	26,667	27,307	28,206	28,509	28,883
(2) Average Age	40.43	40.71	41.22	41.76	42.19
(3) Average Credited Service	6.62	6.58	6.96	7.35	7.65
(4) Average Annual Salary	\$ 31,760	\$ 33,236	\$ 34,073	\$ 35,493	\$ 36,303
(5) Number Vested	14,109	14,234	14,640	15,316	16,162
(6) Percent Who Are Vested	52.9%	52.1%	51.9%	53.8%	56.0%

# State of Alaska – PERS Actives



Other
  Police/Fire

# State of Alaska – PERS Actives



Other
  Police/Fire

## 2.2(c) Distribution of Active Police and Fire Participants

Age Groups	Annual Earnings By Age .....			Annual Earnings By Credited Service .....			
	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	1	\$ 700	\$ 700	0	115	\$ 3,059,791	\$ 26,607
20-24	34	1,118,531	32,898	1	81	3,122,597	38,551
25-29	143	6,113,278	42,750	2	75	3,277,124	43,695
30-34	267	12,408,724	46,475	3	105	4,570,869	43,532
35-39	498	25,500,596	51,206	4	124	5,710,999	46,056
40-44	642	34,773,892	54,165	0-4	500	19,741,380	39,483
45-49	520	28,597,944	54,996	5-9	628	30,507,892	48,579
50-54	284	15,238,556	53,657	10-14	614	32,726,048	53,300
55-59	75	3,829,290	51,057	15-19	504	30,121,756	59,765
60-64	14	730,006	52,143	20-24	199	12,959,081	65,121
65-69	3	144,875	48,292	25-29	34	2,277,673	66,990
70-74	0	0	0	30-34	2	122,562	61,281
75-79	0	0	0	35-39	0	0	0
80+	0	0	0	40+	0	0	0
<b>Total</b>	<b>2,481</b>	<b>\$128,456,392</b>	<b>\$ 51,776</b>	<b>Total</b>	<b>2,481</b>	<b>\$128,456,392</b>	<b>\$ 51,776</b>

### Years of Credited Service By Age

Age	Years of Credited Service .....							Total		
	0-4	5-9	10-14	15-19	20-24	25-29	30-34		35-39	40+
0-19	1	0	0	0	0	0	0	0	0	1
20-24	34	0	0	0	0	0	0	0	0	34
25-29	115	28	0	0	0	0	0	0	0	143
30-34	112	111	44	0	0	0	0	0	0	267
35-39	77	154	181	83	3	0	0	0	0	498
40-44	71	129	192	200	48	2	0	0	0	642
45-49	56	115	108	131	100	10	0	0	0	520
50-54	25	65	66	69	38	20	1	0	0	284
55-59	6	21	21	18	7	1	1	0	0	75
60-64	2	3	2	3	3	1	0	0	0	14
65-69	1	2	0	0	0	0	0	0	0	3
70-74	0	0	0	0	0	0	0	0	0	0
75-79	0	0	0	0	0	0	0	0	0	0
80+	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>500</b>	<b>628</b>	<b>614</b>	<b>504</b>	<b>199</b>	<b>34</b>	<b>2</b>	<b>0</b>	<b>0</b>	<b>2,481</b>

## 2.2(d) Schedule of Active Member Valuation Data - "Police/Fire"

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase In Average Pay
June 30, 1994	2,481	\$ 128,456	\$ 51,776	2.8%
June 30, 1993	2,463	124,025	50,355	3.2%
June 30, 1992	2,515	122,762	48,812	2.8%
June 30, 1991	2,533	120,240	47,470	9.2%
June 30, 1990	2,419	105,135	43,462	.9%
June 30, 1989	2,414	104,000	43,082	-2.0%
June 30, 1988	2,327	102,265	43,947	1.0%
June 30, 1987	2,319	100,839	43,484	1.5%
June 30, 1986	2,371	101,537	42,825	11.6%
June 30, 1985	2,407	92,381	38,380	1.9%

## 2.2(e) Distribution of Active "Other" Participants

----- Annual Earnings By Age -----				----- Annual Earnings By Credited Service -----			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	71	\$ 856,573	\$ 12,064	0	3,148	\$ 61,361,092	\$ 19,492
20-24	741	16,185,755	21,843	1	2,549	72,151,720	28,306
25-29	2,018	56,470,344	27,983	2	2,386	74,140,384	31,073
30-34	3,612	115,068,112	31,857	3	2,436	81,748,896	33,559
35-39	5,344	189,140,464	35,393	4	2,202	74,919,344	34,023
40-44	6,245	238,652,426	38,215	0-4	12,721	364,321,436	28,639
45-49	5,137	205,158,608	39,937	5-9	7,170	267,188,038	37,265
50-54	3,273	133,514,900	40,793	10-14	4,955	216,054,896	43,603
55-59	1,533	59,964,112	39,116	15-19	2,751	131,509,288	47,804
60-64	686	25,760,876	37,552	20-24	964	50,815,408	52,713
65-69	173	6,204,891	35,866	25-29	278	16,003,062	57,565
70-74	40	1,306,563	32,664	30-34	39	2,360,998	60,538
75-79	7	215,582	30,797	35-39	4	231,897	57,974
80-	3	42,334	14,111	40-	1	55,617	55,617
<b>Total</b>	<b>28,883</b>	<b>\$ 1,048,540,640</b>	<b>\$ 36,303</b>	<b>Total</b>	<b>28,883</b>	<b>\$ 1,048,540,640</b>	<b>\$ 36,303</b>

### Years of Credited Service By Age

Age	----- Years of Service -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40-	
0-19	71	0	0	0	0	0	0	0	0	71
20-24	741	10	0	0	0	0	0	0	0	741
25-29	1,686	323	9	0	0	0	0	0	0	2,018
30-34	2,255	986	350	21	0	0	0	0	0	3,612
35-39	2,492	1,506	985	349	12	0	0	0	0	5,344
40-44	2,299	1,634	1,317	809	181	5	0	0	0	6,245
45-49	1,574	1,298	1,098	715	362	89	1	0	0	5,137
50-54	901	768	697	508	247	130	22	0	0	3,273
55-59	442	396	326	217	102	34	14	2	0	1,533
60-64	190	185	137	106	49	17	1	1	0	686
65-69	61	51	28	23	8	1	0	1	0	173
70-74	14	11	5	3	3	2	1	0	1	40
75-79	3	1	3	0	0	0	0	0	0	7
80-	3	1	0	0	0	0	0	0	0	3
<b>Total</b>	<b>12,721</b>	<b>7,170</b>	<b>4,955</b>	<b>2,751</b>	<b>964</b>	<b>278</b>	<b>39</b>	<b>4</b>	<b>1</b>	<b>28,883</b>

**2.2(f) Schedule of Active Member Valuation Data - "Others"**

<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll (000's)</b>	<b>Annual Average Pay</b>	<b>Percent Increase In Average Pay</b>
June 30, 1994	28,883	\$ 1,048,541	\$ 36,303	2.3%
June 30, 1993	28,509	1,011,864	35,493	4.2%
June 30, 1992	28,206	961,054	34,073	2.5%
June 30, 1991	27,307	907,567	33,236	4.6%
June 30, 1990	26,667	846,935	31,760	.6%
June 30, 1989	25,630	808,835	31,558	-4.7%
June 30, 1988	24,349	806,100	33,106	2.4%
June 30, 1987	24,443	790,463	32,339	3.6%
June 30, 1986	25,272	788,555	31,203	4.7%
June 30, 1985	24,776	738,198	29,795	.7%

**2.2(g) Statistics on New Retirees  
Police and Fire Members During the Year Ending June 30**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service</b>					
(1) Number	36	96	25	32	65
(2) Average Age at Retirement	51.19	50.97	51.77	50.09	51.25
(3) Average Monthly Benefit	\$ 1,551	\$ 2,008	\$ 1,786	\$ 2,235	\$ 2,324
<b>Disability</b>					
(1) Number	1	6	8	6	5
(2) Average Age at Retirement	38.05	40.71	44.00	41.57	44.84
(3) Average Monthly Benefit	\$ 1,171	\$ 2,216	\$ 1,502	\$ 1,682	\$ 1,195
<b>Survivor (including surviving spouse)</b>					
(1) Number	1	1	2	1	1
(2) Average Age at Retirement	52.62	47.9	28.61	57.15	41.35
(3) Average Monthly Benefit	\$ 312	\$ 1,114	\$ 1,570	\$ 295	\$ 417
<b>Total</b>					
(1) Number	38	103	35	39	71
(2) Average Age at Retirement	50.88	50.34	48.67	48.96	50.66
(3) Average Monthly Benefit	\$ 1,508	\$ 2,011	\$ 1,709	\$ 2,100	\$ 2,212

**2.2(h) Schedule of Average Benefit Payments -  
New Retirees - "Police/Fire"**

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +
Period 7/1/93 - 6/30/94:							
Average Monthly Benefit*	\$ 417	\$ 748	\$ 1,054	\$ 1,532	\$ 2,748	\$ 3,825	0
Number of Active Retirants	1	7	9	13	32	9	0
Period 7/1/92 - 6/30/93:							
Average Monthly Benefit	\$ 1,047	\$ 546	\$ 1,078	\$ 1,648	\$ 2,700	\$ 3,704	\$ 3,231
Number of Active Retirants	3	2	7	6	17	3	1
Period 7/1/91 - 6/30/92:							
Average Monthly Benefit	\$ 1,552	\$ 955	\$ 1,040	\$ 1,427	\$ 2,499	\$ 3,511	\$ 0
Number of Active Retirants	4	3	8	8	11	1	0
Period 7/1/90 - 6/30/91:							
Average Monthly Benefit	\$ 1,522	\$ 401	\$ 1,047	\$ 1,961	\$ 2,588	\$ 3,374	\$ 0
Number of Active Retirants	7	6	18	29	34	9	0
Period 7/1/89 - 6/30/90:							
Average Monthly Benefit	\$ 1,176	\$ 490	\$ 805	\$ 1,853	\$ 2,387	\$ 0	\$ 0
Number of Active Retirants	4	5	8	12	9	0	0
Period 7/1/88 - 6/30/89:							
Average Monthly Benefit	\$ 866	\$ 984	\$ 3,459	\$ 1,330	\$ 2,050	\$ 3,808	\$ 0
Number of Active Retirants	2	8	1	2	4	1	0

\* "Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

**2.2(i) Statistics on New Retirees  
"Other" Members During the Year Ending June 30**

	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
<b>Service</b>					
(1) Number	420	329	404	433	539
(2) Average Age at Retirement	56.40	55.82	56.84	56.83	56.92
(3) Average Monthly Benefit	\$ 853	\$ 1,121	\$ 912	\$ 984	\$ 1,115
<b>Disability</b>					
(1) Number	22	20	15	17	15
(2) Average Age at Retirement	45.85	45.38	43.87	44.46	49.71
(3) Average Monthly Benefit	\$ 955	\$ 944	\$ 999	\$ 986	\$ 1,221
<b>Survivor (including surviving spouse)</b>					
(1) Number	15	27	16	14	10
(2) Average Age at Retirement	53.05	60.35	49.44	53.89	48.65
(3) Average Monthly Benefit	\$ 748	\$ 675	\$ 586	\$ 563	\$ 1,005
<b>Total</b>					
(1) Number	457	376	435	464	564
(2) Average Age at Retirement	55.78	55.72	56.12	56.29	56.55
(3) Average Monthly Benefit	\$ 855	\$ 1,104	\$ 903	\$ 971	\$ 1,115

**2.2(j) Schedule of Average Benefit Payments -  
New Retirees - "Others"**

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
<b>Period 7/1/93 - 6/30/94:</b>							
Average Monthly Benefit*	\$ 503	\$ 449	\$ 863	\$ 1,412	\$ 1,886	\$ 2,710	\$ 3,131
Number of Active Retirants	17	149	169	136	60	17	19
<b>Period 7/1/92 - 6/30/93:</b>							
Average Monthly Benefit	\$ 558	\$ 449	\$ 866	\$ 1,343	\$ 2,029	\$ 2,534	\$ 3,223
Number of Active Retirants	23	158	143	83	36	13	8
<b>Period 7/1/91 - 6/30/92:</b>							
Average Monthly Benefit	\$ 584	\$ 498	\$ 842	\$ 1,240	\$ 1,941	\$ 2,350	\$ 2,758
Number of Active Retirants	19	161	138	71	32	8	6
<b>Period 7/1/90 - 6/30/91:</b>							
Average Monthly Benefit	\$ 708	\$ 561	\$ 928	\$ 1,379	\$ 1,962	\$ 2,781	\$ 3,235
Number of Active Retirants	40	267	282	154	76	42	15
<b>Period 7/1/89 - 6/30/90:</b>							
Average Monthly Benefit	\$ 627	\$ 480	\$ 830	\$ 1,325	\$ 1,856	\$ 2,168	\$ 3,352
Number of Active Retirants	46	181	124	66	30	4	6
<b>Period 7/1/88 - 6/30/89:</b>							
Average Monthly Benefit	\$ 712	\$ 414	\$ 771	\$ 1,187	\$ 1,791	\$ 2,054	\$ 3,443
Number of Active Retirants	47	155	83	36	18	10	4

\* "Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

## 2.2(k) Statistics on All Retirees as of June 30, 1994

	<u>Police &amp; Fire</u>	<u>"Other"</u>
<b>Service Retirement</b>		
(1) Number, June 30, 1993	637	7,612
(2) Net Change During FY94	66	408
(3) Number, June 30, 1994	703	8,020
(4) Average Age At Retirement	50.25	57.29
(5) Average Age Now	57.67	65.45
(6) Average Monthly Benefit	\$ 2,193.88	\$ 990.87
<b>Surviving Spouse's Benefits</b>		
(1) Number, June 30, 1993	35	574
(2) Net Change During FY94	0	49
(3) Number, June 30, 1994	35	623
(4) Average Age At Retirement	40.86	52.89
(5) Average Age Now	52.33	63.44
(6) Average Monthly Benefit	\$ 1,489.74	\$ 719.57
<b>Disabilities</b>		
(1) Number, June 30, 1993	55	190
(2) Net Change During FY94	7	10
(3) Number, June 30, 1994	62	200
(4) Average Age At Retirement	40.49	42.87
(5) Average Age Now	45.26	48.29
(6) Average Monthly Benefit	\$ 1,818.86	\$ 1,192.77
<b>Total Number of Retirees</b>	<b>800</b>	<b>8,843</b>

# State of Alaska – Pers Police/Fire Retirees

