

AK LEGISLATURE FINANCE COMMITTEES FILES 2007-2008 3138

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AlaskaCare Retiree Health Plan

Article 12, Section 7 of the Alaska Constitution protects pension and medical benefits for members from diminishment or impairment.

How does the AlaskaCare Retiree Health Plan compare with retiree health plans for other state pension plans?

- Workplace Economics, Inc. studied all 50 states in 2004 regarding retiree health plans and found that, for Medicare-eligible retirees, 2 states offer no medical plan; 11 provide no funding; 20 cost share; and 17 have system-paid medical.
- Of the 17 states that offer system-paid medical, research indicates there are only 8 that have constitutional protection for medical benefits.
- The total PERS and TRS actuarial accrued liability as of June 30, 2005, is \$8 billion for medical and \$11.3 billion for pension.

AlaskaCare Retiree Health Plan (cont'd)

- Retirees and dependents increased from 45,293 members to 53,235 from December 2001 to December 2006. This represents an increase of just over 17.5% during this period.
- Annually, the medical plan enrolls approximately 2,000 retired members and, with dependents, adds approximately 4,000 lives to the retiree plan.
- The universe of members who are or may become eligible for a medical benefit in the future is approximately 100,000, not including dependents.

AlaskaCare Retiree Health Plan (cont'd)

- Medical share of PERS liability has grown from just under 30% to approximately 45% in last nine years. Medical share of TRS liability has grown from just under 20% to approximately 33% in last nine years.
- Medical plan is the same for all members of PERS/TRS Defined Benefit (DB) plan. Differences are found in the eligibility criteria for PERS and TRS.
- 75% of medical costs is for DB plan members between ages 55 and 65. Alaska statute requires that the AlaskaCare plan becomes supplemental to Medicare at age 65. Medical cost for members age 65 and over represents 25% of total medical costs.

Retiree Plan Claims Costs

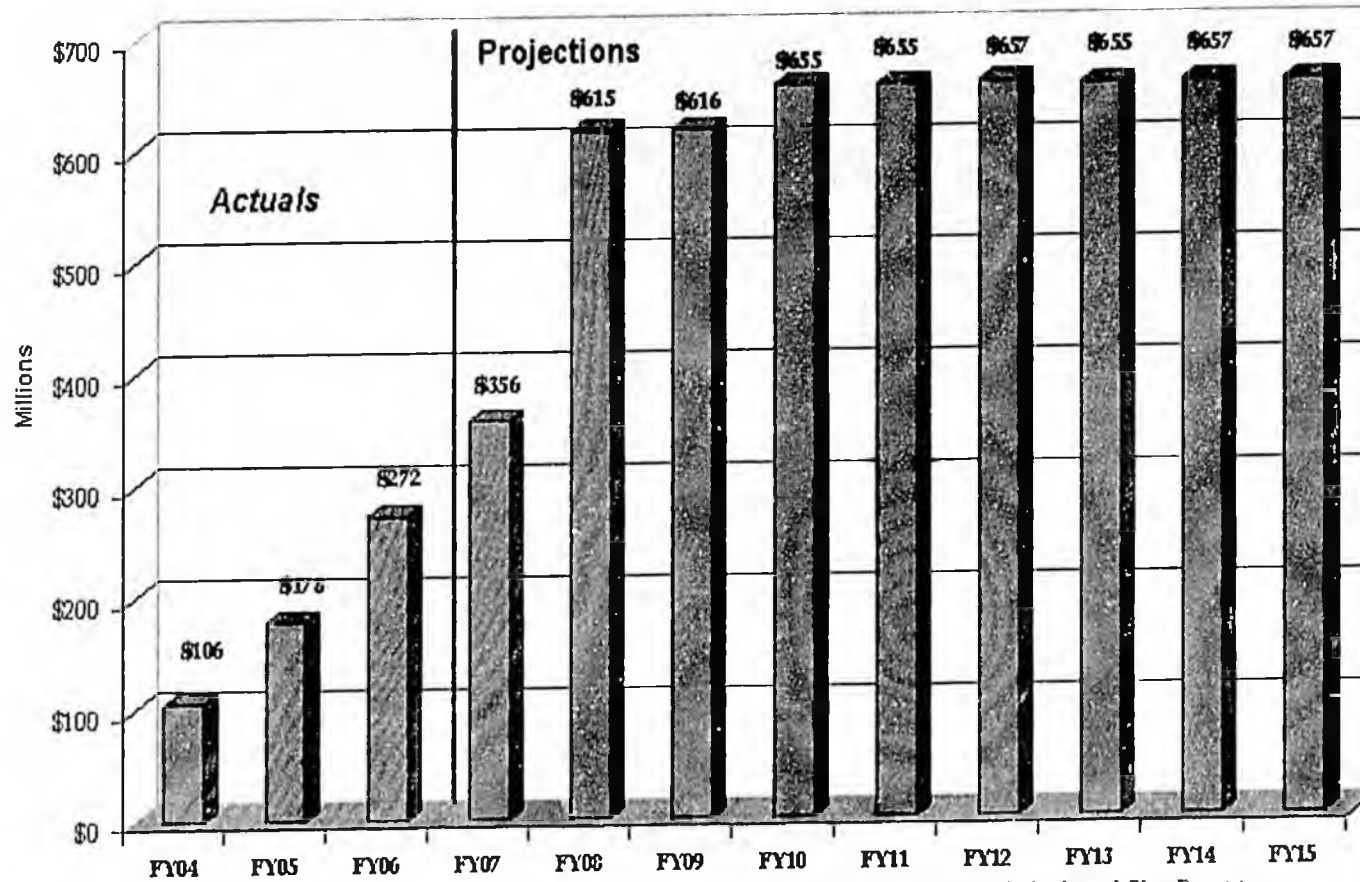
Noted below are the retiree plan claims costs for FY 2001 through FY2006.

Health Claims Cost by Fiscal Year	Amount
FY 2006	\$285 Million
FY 2005	\$256 Million
FY 2004	\$226 Million
FY 2003	\$205 Million
FY 2002	\$148 Million
FY 2001	\$128 Million

PERS Projected Contribution Amounts FY04 through FY15

Projections at Calculated Rate

II. Projected Contribution
Amounts



Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

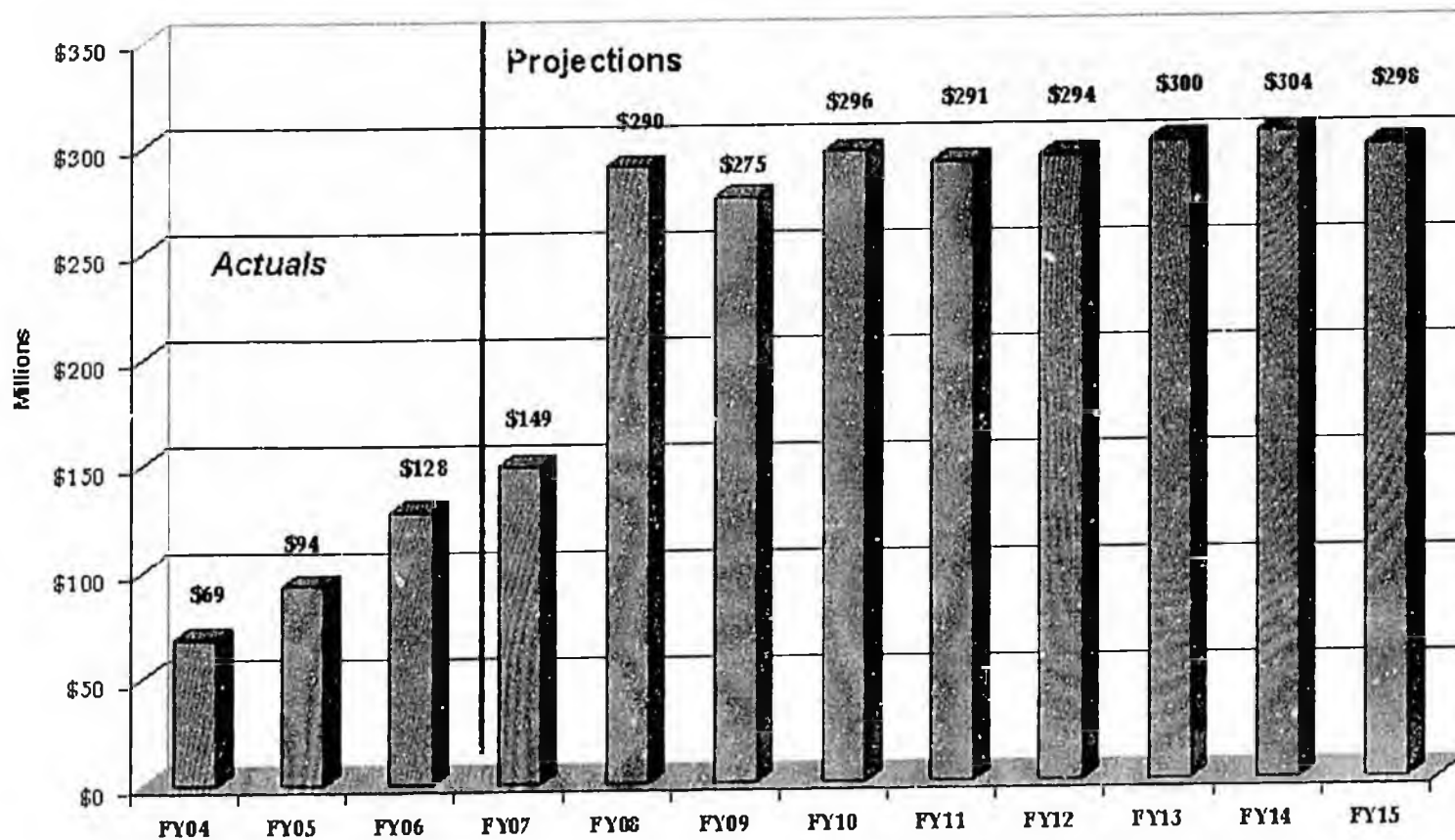
All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

Source: Buck Consultants

TRS Projected Contribution Amounts FY04 through FY15

II. Projected Contribution
Amounts

Projections at Calculated Rate



Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

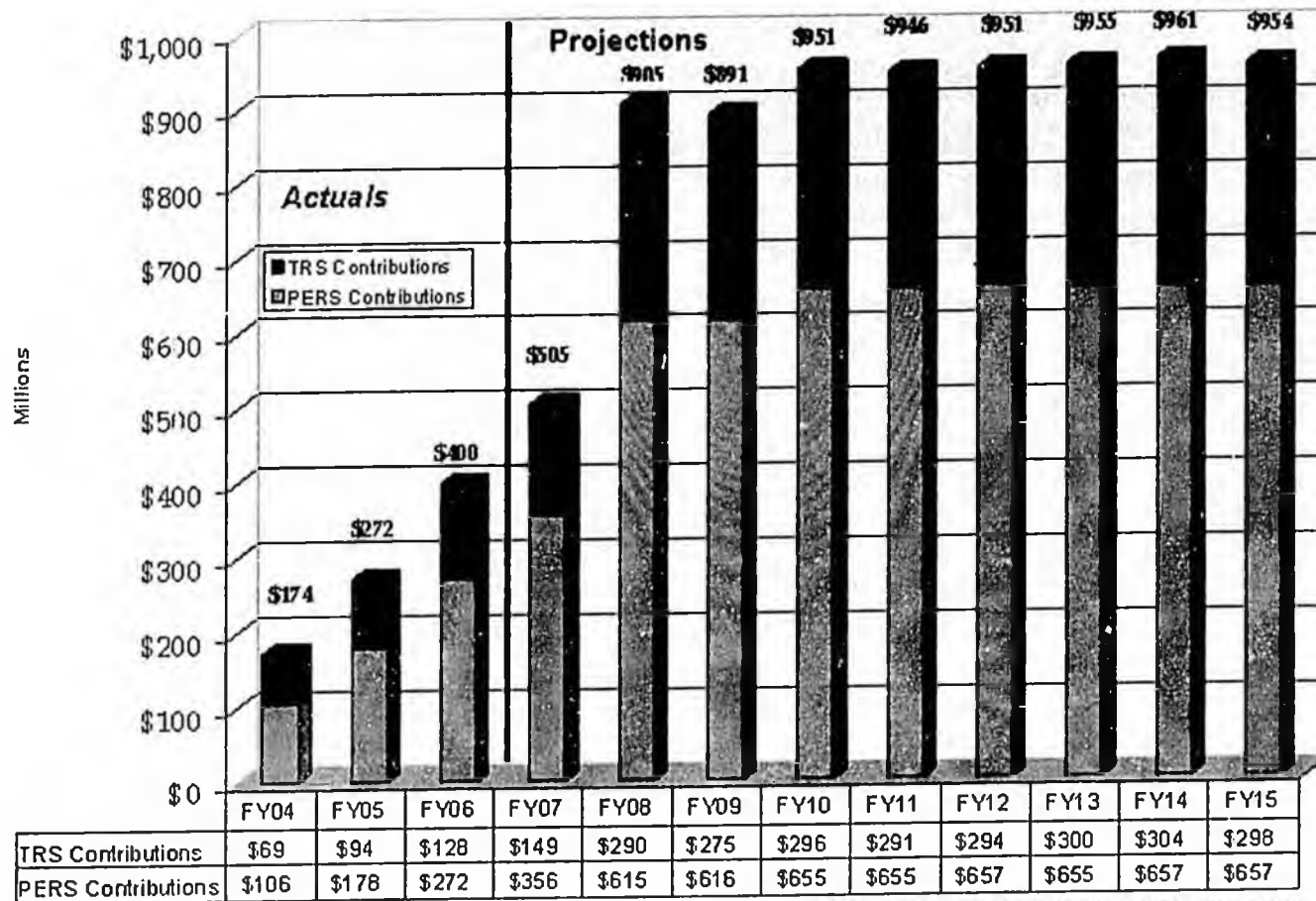
No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

Source: Buck Consultants

II. Projected Contribution Amounts

**PERS/TRS Projected Contribution Amounts
FY04 through FY15
Projections at Calculated Rate**



Source: Buck Consultants

Data, Assumptions, Methods and Plan Provisions.

No payroll growth is used for FY08 rates and later.

No new members after July 1, 2006.

All other data, assumptions, methods and plan provisions are the same as those described in the June 30, 2005 valuation reports.

How is the PERS Employer Contribution Rate Calculated?

2005 Valuation/2008 Rate
(\$ Billions)

	\$12.844	System's Accrued Liabilities Estimated
-	\$8.443	System's Asset Values Determined
<hr/>		
=	\$4.402	Unfunded Liability
÷	25 yrs	Amortization Period <i>(w/payroll growth included)</i>
<hr/>		
≈	\$0.286	FY08 Unfunded Liability Payment
÷	\$1.587	FY08 PERS Payroll Base
<hr/>		
=	18.03%	Past Service Contribution Rate
+	7.25%	Additional Increment for Level Dollar Amortization
<hr/>		
=	25.28%	Past Service Cost
+	14.48%	Normal Cost Rate (\$0.338)
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=	39.76%	Consolidated Board Adopted Rate

II. Projected Contribution Amounts

PERS Contributions as a Percent of Payroll

(\$ Millions)

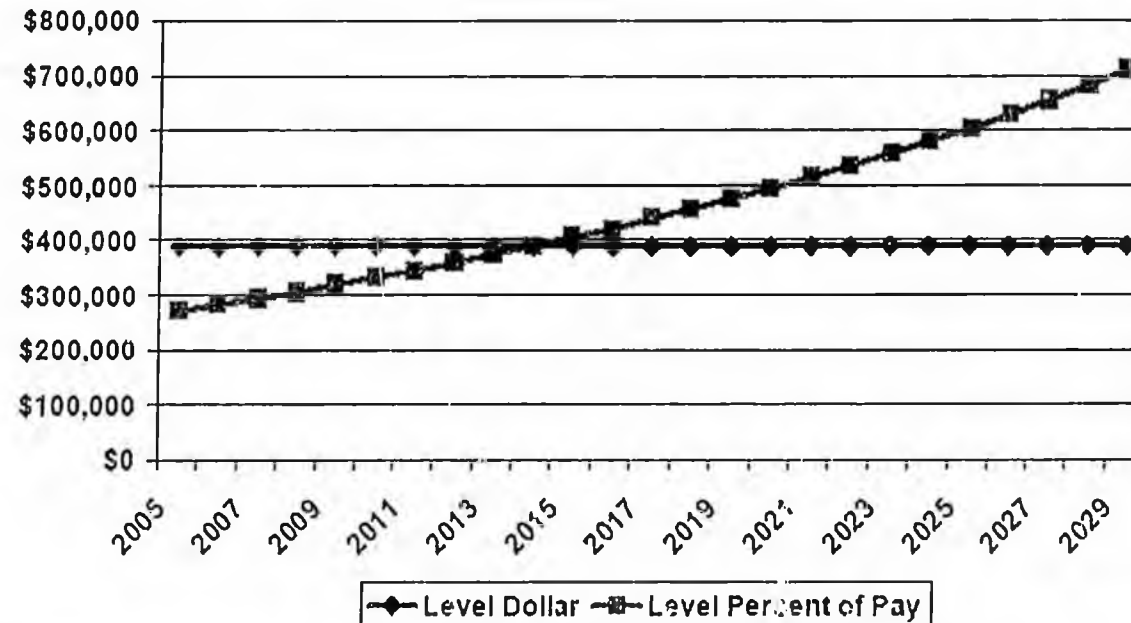
	Annual Contribution	Employee Payroll			Contribution Rate	
		DB	DC	Total	% DB	% Total
FY07	\$ 356	\$ 1,635	\$ -	\$ 1,635	21.77%	21.77%
FY08	\$ 615	\$ 1,547	\$ 139	\$ 1,686	39.75%	36.48%
↓						
FY12	\$ 657	\$ 1,286	\$ 578	\$ 1,864	51.09%	35.25%
↓						
FY15	\$ 657	\$ 1,106	\$ 876	\$ 1,982	59.40%	33.15%

..... payment amount remains fairly stable

As the DB payroll base declines, the contribution rate goes up

Using both DB and DCR payroll base results in lower rate

Illustration of Amortization Methods Amortization Payment Over 25-Year Period

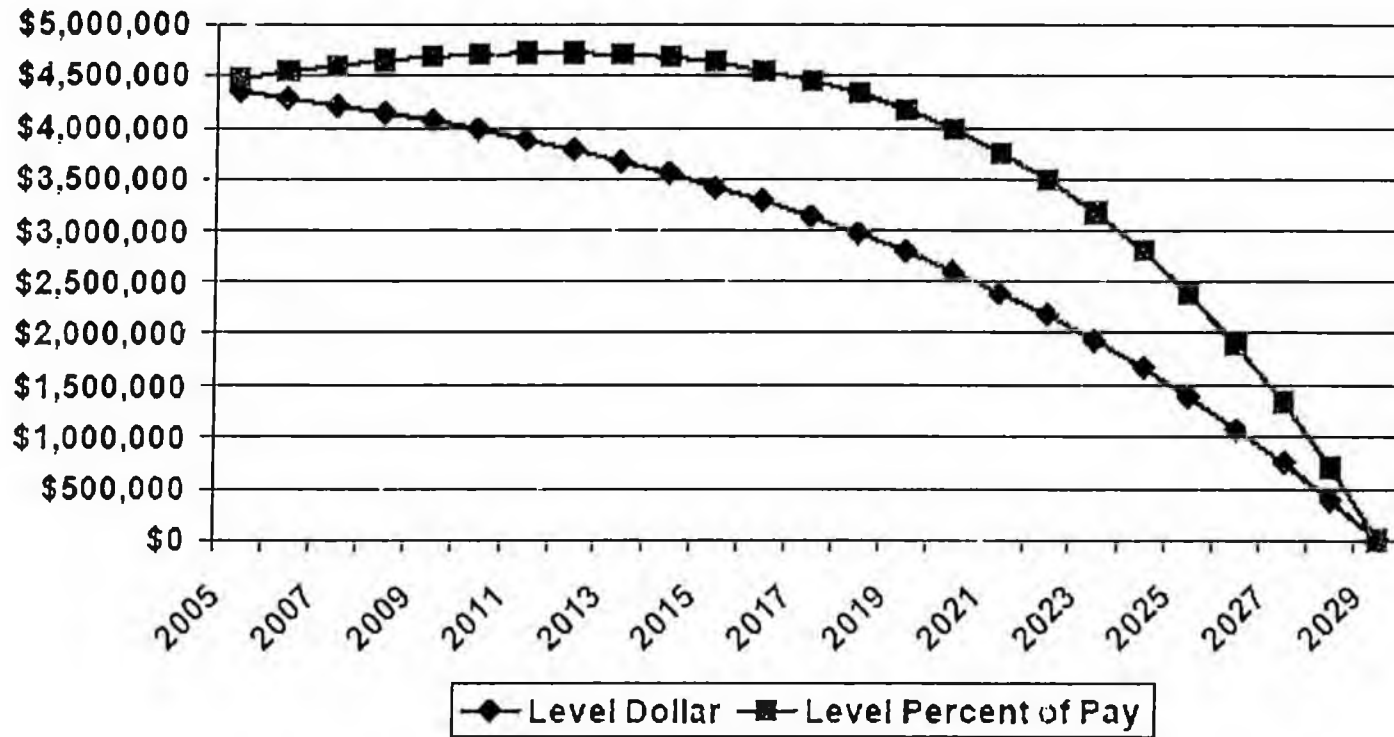


- Level dollar amortization amount stays the same over the entire period.
- Level percent of pay starts out at a lower amount and increases as payroll increases.
- Contribution amount is greater over the entire period under level percent of pay amortization method.

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Adopting level-dollar amortization schedule is expected to save \$140 million for PERS and \$74 million for TRS over the 25-year amortization schedule FY08 through FY2031.

Illustration of Amortization Methods Unfunded Balance Over 25-Year Period



- Level dollar amortization method reduces unfunded balance more quickly.
- Unfunded balance increases under level percent of pay amortization method at first since amortization payments do not cover interest in early years.
- More interest is paid under level percent of pay amortization method.

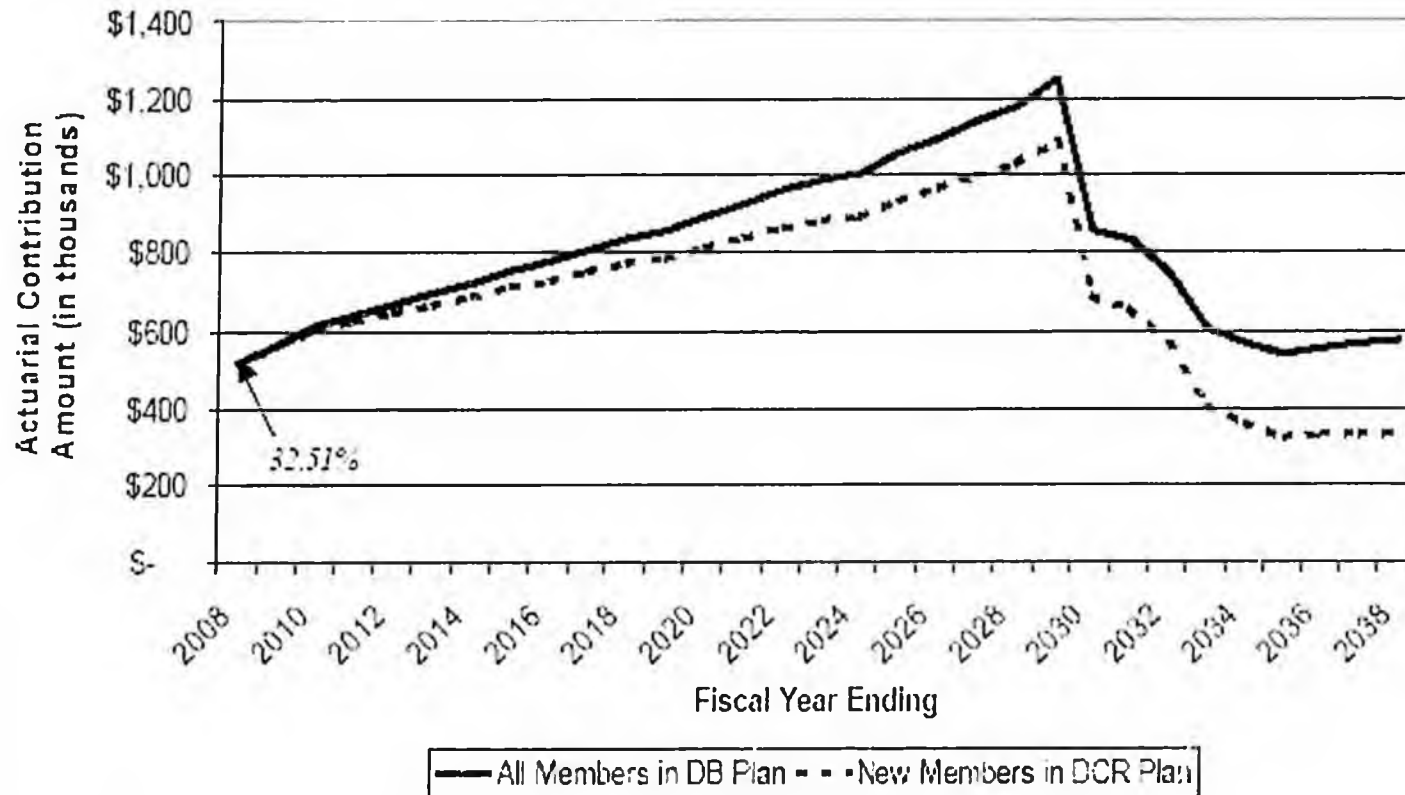
PERS Defined Benefit (DB) Plan (in billions)

Assets	-	Liabilities	=	Surplus or (Unfunded Liability)
\$8.44	-	\$12.84	=	(\$4.4) (2005 PERS Valuation)



- Defined Contribution Retirement (DCR) Plan employee does not contribute to DB plan
- DCR Plan employee does not receive DB benefits, so does not impact DB liabilities or the DB unfunded liability
- DCR Plan payroll not subject to DB employer contribution rates

PERS
Contribution Comparison



Data, Assumptions, Methods, and Plan Provisions

- Normal cost for new members under the DB plan remains constant as of June 30, 2005 (14.42%);
- New tier members are assumed to get the employer DCR contribution rate of 5%, 3% for the HRA, 1% for the medical plan, and .67% for occupational death and disability. These rates are assumed to remain constant.
- Assets are assumed to earn 2.25% and there are no actuarial gains or losses assumed.
- Amortization is based on level percent of pay.
- All other data, assumptions, methods, and plan provisions are the same as those described in the June 30, 2005 valuation report.

Board Adopted Employer Contribution Rates – FY '90 thru FY '08

Actua Data Year	Board Adopt Year	Rate for FY	PERS					TRS						
			PERS Funding Ratio	Employer Normal Rate	Past + Service Rate	Actuarial = Computed Rate	Board - Adopted Rate	+/- = Computed Rate	TRS Funding Ratio	Employer Normal Rate	Past + Service Rate	Actuarial = Computed Rate	Board - Adopted Rate	+/- = Computed Rate
1987	1988	1990	100.0%	9.23%	0.07%	9.30%	9.30%	0.00%	101.0%	9.14%	-0.95%	8.19%	11.64%	3.45%
1988	1989	1991	93.0%	10.37%	1.63%	12.00%	12.00%	0.00%	98.8%	11.86%	0.41%	12.27%	10.54%	-1.73%
1989	1990	1992	91.6%	12.00%	2.20%	14.20%	14.20%	0.00%	95.0%	13.26%	1.90%	15.16%	11.87%	-3.29%
1990	1991	1993	97.2%	12.83%	0.75%	13.58%	13.58%	0.00%	87.7%	14.07%	5.58%	19.65%	12.00%	-7.65%
1991	1992	1994	88.1%	10.18%	3.54%	13.72%	13.72%	0.00%	85.7%	9.05%	6.54%	15.59%	12.00%	-3.59%
1992	1993	1995	91.2%	10.90%	2.80%	13.70%	13.70%	0.00%	89.7%	8.57%	4.79%	13.36%	12.00%	-1.36%
1993	1994	1996	95.4%	11.29%	1.53%	12.82%	12.82%	0.00%	93.1%	9.06%	3.42%	12.48%	12.00%	-0.48%
1994	1995	1997	94.8%	10.36%	1.78%	12.14%	12.14%	0.00%	89.6%	9.70%	5.26%	14.96%	12.00%	-2.96%
1995	1996	1998	96.5%	10.61%	1.29%	11.90%	8.00%	-3.90%	90.9%	10.10%	4.84%	14.94%	12.00%	-2.94%
1996	1997	1999	105.8%	9.85%	-2.11%	7.74%	7.74%	0.00%	97.2%	8.97%	1.55%	10.52%	12.00%	1.48%
1997	1998	2000	106.3%	9.89%	-2.53%	7.36%	7.74%	0.38%	94.0%	9.21%	3.79%	13.00%	12.00%	-1.00%
1998	1999	2001	105.9%	8.67%	-1.64%	7.03%	7.40%	0.37%	97.7%	8.99%	1.56%	10.55%	12.00%	1.45%
1999	2000	2002	105.5%	8.07%	-1.51%	6.56%	6.75%	0.19%	102.5%	8.88%	-1.79%	7.09%	11.00%	3.91%
2000	2001	2003	101.1%	5.43%	0.69%	6.12%	6.75%	0.63%	99.6%	9.40%	-1.11%	8.29%	11.00%	2.71%
2001	2002	2004	100.9%	5.42%	1.35%	6.77%	6.77%	0.00%	95.0%	10.33%	4.11%	14.44%	12.00%	-2.44%
2002	2003	2005	75.2%	13.31%	11.60%	24.91%	11.77%	-13.14%	68.2%	14.76%	20.81%	35.57%	16.00%	-19.57%
2003	2004	2006	72.8%	13.24%	12.39%	25.63%	16.77%	-8.86%	64.3%	14.28%	24.57%	38.85%	21.00%	-17.85%
2004	2005	2007	70.2%	13.32%	14.87%	28.19%	21.77%	-6.42%	62.8%	13.76%	28.02%	41.78%	26.00%	-15.78%
2005	2006	2008	65.7%	14.48%	18.03%	32.51%	39.76%	7.25%	60.9%	12.56%	29.70%	42.26%	54.03%	11.77%

Large jump between FY07 and FY08 reflects need to get to the actuarially computed contribution rate.



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- Then click column headings to sort
- Click single 'Plan Name' to view report for selected record
- [blank] showing funding levels and liabilities
- Click here to [blank]

	Actuarial Funding Ratio	Actuarial Assets (000's)	Actuarial Liabilities (000's)	Unfunded Liability (Surplus) (000's)
Aggregate for the 124 Plans shown here	86.2%	\$2,232,716,603	\$2,588,691,581	\$355,974,978

1	AK	Alaska PERS	70.2 65.7	\$8,030,414 8,442,719	\$14,443,916 13,244,541	\$3,413,502 4,401,922	6/30/2004 S	6/30/2005
2	AK	Alaska Teachers	84.3 60.1	\$3,845,376 3,158,939	\$6,123,600 4,337,585	\$2,278,230 2,539,617	6/30/2004 S	6/30/2005
3	AL	Alabama ERS	84.0	\$8,935,358	\$10,634,976	\$1,699,618	9/30/2005	9/30/2005
4	AL	Alabama Teachers	83.6	\$19,248,207	\$23,027,338	\$3,779,131	9/30/2005	9/30/2005
5	AR	Arkansas Teachers	80.4	\$8,817,000	\$10,973,000	\$2,156,000	6/30/2005	6/30/2005
6	AR	Arkansas PERS	83.4	\$4,949,000	\$5,936,000	\$987,000	6/30/2006	6/30/2006
7	AZ	Arizona SRS	92.5	\$22,659,000	\$24,506,000	\$1,847,000	6/30/2004	6/30/2005
8	AZ	Arizona Public Safety Personnel	82.1	\$4,886,963	\$5,951,937	\$1,064,974	6/30/2005	6/30/2005
9	AZ	Phoenix ERS	84.2	\$1,511,553	\$1,795,514	\$283,961	6/30/2005	6/30/2005
10	CA	Contra Costa County	82.0	\$3,673,858	\$4,481,243	\$807,385	12/31/2004	12/31/2005
11	CA	San Diego County	80.3	\$5,612,320	\$6,990,726	\$1,378,406	6/30/2005	6/30/2005
12	CA	LA County ERS	85.8	\$29,497,485	\$34,375,949	\$4,878,464	6/30/2005	6/30/2006

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13	CA	California PERF	87.3	\$183,680,000	\$210,310,000	\$26,630,000	6/30/2005	6/30/2006
14	CA	San Francisco City & County	103.8	\$11,299,997	\$10,885,455	(\$414,542)	6/30/2004	6/30/2005
15	CA	California Teachers	85.7	\$121,882,000	\$142,193,000	\$24,160,000	6/30/2005	6/30/2005
16	CO	Colorado Municipal	78.0	\$2,358,719	\$3,022,624	\$663,905	12/31/2005	12/31/2005
17	CO	Denver Schools	87.9	\$2,693,686	\$3,065,855	\$372,169	1/1/2006	12/31/2005
18	CO	Colorado State & School	72.9	\$31,721,141	\$43,505,716	\$11,784,575	12/31/2005	12/31/2005
19	CT	Connecticut Teachers	65.3	\$9,846,700	\$15,070,500	\$5,223,800	6/30/2004	6/30/2005
20	CT	Connecticut SERS	53.3	\$8,517,677	\$15,987,547	\$7,469,870	6/30/2005	6/30/2005
21	DC	DC Teachers	100.0	\$917,800	\$917,800	\$0	10/1/2003	9/30/2004
22	DC	DC Police & Fire	100.0	\$1,427,800	\$1,427,800	\$0	10/1/2002	9/30/2004
23	DE	Delaware State Employees	101.7	\$5,998,746	\$5,901,172	(\$97,574)	6/30/2006	6/30/2006
24	FL	Florida RS	107.3	\$111,539,878	\$103,917,955	(\$7,621,923)	7/1/2005	6/30/2005
25	GA	Georgia ERS	97.2	\$13,134,472	\$13,512,773	\$378,301	6/30/2005	6/30/2005
26	GA	Georgia Teachers	98.0	\$46,836,895	\$47,811,214	\$974,319	6/30/2005	6/30/2006
27	HI	Hawaii ERS	68.6	\$8,914,839	\$12,985,989	\$4,071,150	6/30/2005	6/30/2005
28	IA	Iowa PERS	88.4	\$19,144,037	\$21,651,122	\$2,507,085	6/30/2006	6/30/2006
29	ID	Idaho PERS	95.2	\$9,177,100	\$9,638,800	\$461,700	7/1/2006	6/30/2006
30	IL	Illinois Universities	65.6	\$13,350,300	\$20,349,900	\$6,999,600	6/30/2005	6/30/2005
31	IL	Illinois SERS	54.4	\$10,494,148	\$19,304,646	\$8,810,498	6/30/2004	6/30/2005
32	IL	Illinois Municipal	94.6	\$19,698,401	\$20,815,060	\$1,116,659	12/31/2005	12/31/2005
33	IL	Illinois Teachers	60.8	\$34,085,218	\$56,075,029	\$21,989,811	7/1/2005	6/30/2005
34	IL	Chicago Teachers	79.0	\$10,506,471	\$13,295,876	\$2,789,405	6/30/2005	6/30/2005
35	IN	Indiana Teachers	43.4	\$7,065,299	\$16,264,893	\$9,199,594	6/30/2005	6/30/2005
36	IN	Indiana PERF	96.4	\$10,471,937	\$10,858,322	\$386,385	7/1/2005	6/30/2006
37	KS	Kansas PERS	69.8	\$10,971,427	\$15,714,092	\$4,742,665	12/31/2004	6/30/2005
38	KY	Kentucky ERS	74.6	\$5,983,974	\$8,018,069	\$2,034,095	6/30/2004	6/30/2005
39	KY	Kentucky County	90.5	\$6,511,562	\$7,180,884	\$2,500,268	6/30/2004	6/30/2005

40	KY	Kentucky Teachers	76.3	\$14,598,800	\$19,134,800	\$4,536,000	6/30/2005	6/30/2005
41	LA	Louisiana SERS	61.5	\$6,673,500	\$10,847,062	\$4,173,562	6/30/2005	6/30/2005
42	LA	Louisiana Teachers	64.6	\$12,082,682	\$18,699,765	\$6,617,083	6/30/2005	6/30/2005
43	MA	Massachusetts Teachers	69.6	\$17,074,000	\$24,519,000	\$7,445,000	1/1/2002	12/31/2003
44	MA	Massachusetts SERS	82.8	\$16,210,981	\$19,575,338	\$3,364,357	12/31/2003	12/31/2005
45	MD	Maryland PERS	80.4	\$12,287,942	\$15,291,091	\$3,003,149	6/30/2006	6/30/2006
46	MD	Maryland Teachers	84.2	\$21,575,451	\$25,617,484	\$4,042,033	6/30/2006	6/30/2006
47	ME	Maine Local	109.2	\$1,726,776	\$1,581,198	(\$145,578)	6/30/2005	6/30/2006
48	ME	Maine State and Teacher	69.7	\$6,964,597	\$9,999,250	\$3,034,653	6/30/2005	6/30/2006
49	MI	Michigan Municipal	76.7	\$4,731,400	\$6,164,800	\$1,433,400	12/31/2004	12/31/2005
50	MI	Michigan Public Schools	83.7	\$38,784,000	\$46,317,000	\$7,533,000	9/30/2004	9/30/2005
51	MI	Michigan SERS	84.5	\$10,149,000	\$12,004,000	\$1,855,000	9/30/2004	9/30/2005
52	MN	Minneapolis ERF	92.1	\$1,513,389	\$1,643,140	\$129,751	7/1/2004	6/30/2004
53	MN	Duluth Teachers	84.1	\$270,926	\$322,229	\$42,443	7/1/2006	6/30/2006
54	MN	St. Paul Teachers	69.7	\$905,293	\$1,299,832	\$394,539	6/30/2005	6/30/2005
55	MN	Minnesota Teachers	92.1	\$19,035,612	\$20,679,111	\$1,643,499	6/30/2006	6/30/2006
56	MN	Minnesota PERF	74.7	\$12,495,207	\$16,737,757	\$4,242,550	6/30/2006	6/30/2006
57	MN	Minnesota State Employees	95.6	\$8,081,736	\$8,455,336	\$373,600	6/30/2004	6/30/2005
58	MO	Missouri DOT and Highway Patrol	55.5	\$1,521,143	\$2,740,438	\$1,219,295	6/30/2006	6/30/2006
59	MO	Missouri Local	95.1	\$2,984,489	\$3,139,260	\$154,771	2/28/2005	6/30/2005
60	MO	Missouri Non-Teachers	83.3	\$2,011,566	\$2,414,494	\$402,928	6/30/2005	6/30/2005
61	MO	Missouri Teachers	82.7	\$23,049,441	\$27,881,513	\$4,832,072	6/30/2005	6/30/2005
62	MO	Missouri State Employees	85.3	\$6,836,567	\$8,013,205	\$1,142,684	6/30/2006	6/30/2006
63	MO	St. Louis School Employees	86.3	\$935,300	\$1,084,400	\$149,100	1/1/2005	12/31/2005
64	MS	Mississippi PERS	73.5	\$18,321,063	\$24,928,464	\$6,607,401	6/30/2006	6/30/2006
65	MT	Montana Teachers	73.4	\$2,497,500	\$3,527,000	\$1,029,500	7/1/2005	6/30/2005

66	MT	Montana PERS	85.5	\$3,179,010	\$3,719,998	\$466,798	6/30/2005	6/30/2005
67	NC	North Carolina Local Government	99.3	\$13,377,297	\$13,466,189	\$88,892	12/31/2004	6/30/2005
68	NC	North Carolina Teachers and State Employees	108.1	\$47,383,509	\$43,827,854	(\$3,555,655)	12/31/2004	6/30/2005
69	NC	Charlotte Firefighters	94.1	\$274,948	\$292,341	\$17,393	7/1/2004	6/30/2004
70	ND	North Dakota PERS	90.8	\$1,236,100	\$1,361,200	\$125,100	6/30/2004	6/30/2005
71	ND	North Dakota Teachers	74.8	\$1,469,700	\$1,965,200	\$495,500	7/1/2005	6/30/2005
72	NE	Nebraska Schools	85.6	\$5,335,197	\$6,234,658	\$899,461	7/1/2005	6/30/2005
73	NH	New Hampshire Retirement System	71.1	\$3,901,151	\$5,355,387	\$1,454,236	6/30/2003	6/30/2004
74	NJ	New Jersey PERS	85.3	\$27,113,000	\$31,774,000	\$4,661,000	6/30/2005	6/30/2005
75	NJ	New Jersey Police & Fire	84.0	\$18,703,390	\$22,278,239	\$3,574,849	6/30/2004	6/30/2005
76	NJ	New Jersey Teachers	80.8	\$34,690,000	\$42,920,000	\$8,230,000	6/30/2005	6/30/2005
77	NM	New Mexico Teachers	70.4	\$7,457,500	\$10,591,800	\$3,134,300	6/30/2005	6/30/2005
78	NM	New Mexico PERF	92.1	\$10,863,895	\$11,800,861	\$936,966	6/30/2006	6/30/2006
79	NV	Nevada Police Officer and Firefighter	69.8	\$3,394,368	\$4,864,574	\$1,470,206	6/30/2005	6/30/2005
80	NV	Nevada Regular Employees	77.3	\$14,492,171	\$18,744,127	\$4,251,956	6/30/2005	6/30/2005
81	NY	New York City Teachers	100.0	\$32,817,102	\$32,827,541	\$10,439	6/30/2004	6/30/2005
82	NY	NY State & Local Police & Fire	100.0	\$21,953,000	\$21,953,000	\$0	4/1/2006	3/31/2006
83	NY	NY State & Local ERS	100.0	\$118,197,000	\$118,197,000	\$0	4/1/2006	3/31/2006
84	NY	New York City ERS	99.6	\$40,088,213	\$40,236,258	\$148,045	6/30/2003	6/30/2005
85	NY	New York State Teachers	98.8	\$74,074,300	\$74,961,100	\$886,800	6/30/2005	6/30/2006
86	OH	Ohio School Employees	75.6	\$9,542,000	\$12,627,000	\$3,085,000	6/30/2006	6/30/2006
87	OH	Ohio Police & Fire	80.9	\$9,337,462	\$11,545,050	\$2,207,588	1/1/2004	12/31/2005
88	OH	Ohio PERS	87.6	\$50,452,000	\$57,604,000	\$7,152,000	12/31/2004	12/31/2005
89	OH	Ohio Teachers	75.0	\$58,008,050	\$77,371,024	\$19,362,974	6/30/2006	6/30/2006
90	OK	Oklahoma Teachers	49.5	\$6,952,700	\$14,052,400	\$7,099,700	6/30/2005	6/30/2005

91	OK	Oklahoma PERS	71.4	\$5,654,276	\$7,914,658	\$2,260,382	7/1/2006	6/30/2006
92	OR	Oregon PERS	96.1	\$42,874,400	\$44,625,600	\$1,751,200	12/31/2003	6/30/2005
93	PA	Pennsylvania School Employees	91.2	\$52,094,500	\$57,123,000	\$5,028,500	6/30/2004	6/30/2005
94	PA	Pennsylvania State ERS	92.9	\$26,794,000	\$28,852,000	\$2,058,000	12/31/2005	12/31/2005
95	RI	Rhode Island Municipal	93.2	\$879,450	\$943,546	\$64,096	6/30/2003	6/30/2004
96	RI	Rhode Island ERS	59.4	\$5,543,427	\$9,328,983	\$3,785,556	6/30/2004	6/30/2004
97	SC	South Carolina Police	87.4	\$2,774,606	\$3,173,930	\$399,324	7/1/2005	6/30/2006
98	SC	South Carolina RS	71.6	\$21,625,510	\$30,217,471	\$8,591,961	7/1/2005	6/30/2006
99	SD	South Dakota PERS	96.6	\$5,380,999	\$5,571,842	\$190,843	6/30/2005	6/30/2005
100	TN	TN Political Subdivisions	91.9	\$3,605,529	\$3,923,475	\$317,946	7/1/2005	6/30/2005
101	TN	TN State and Teachers	99.8	\$23,627,160	\$23,266,967	(\$360,193)	7/1/2005	6/30/2005
102	TX	City of Austin ERS	78.0	\$1,398,800	\$1,794,200	\$395,400	12/31/2004	12/31/2005
103	TX	Houston Firefighters	97.6	\$1,922,000	\$1,970,000	\$48,000	7/1/2002	6/30/2005
104	TX	Texas County & District	104.4	\$13,441,414	\$12,872,100	(\$569,314)	12/31/2005	12/31/2005
105	TX	Texas Teachers	87.3	\$94,218,000	\$107,911,000	\$13,693,000	8/31/2006	8/31/2006
106	TX	Texas LECOS	101.7	\$720,307	\$708,437	(\$11,870)	8/31/2006	8/31/2006
107	TX	Texas ERS	95.2	\$21,780,437	\$22,884,917	\$1,104,480	8/31/2006	8/31/2006
108	TX	Texas Municipal	82.7	\$12,486,100	\$15,095,200	\$2,609,100	12/31/2005	12/31/2005
109	UT	Utah Noncontributory	92.2	\$13,065,512	\$14,166,548	\$1,101,036	12/31/2005	12/31/2005
110	VA	Fairfax County Schools	84.9	\$1,643,020	\$1,935,582	\$292,562	12/31/2004	6/30/2005
111	VA	Virginia Retirement System	81.3	\$40,372,000	\$49,628,000	\$9,256,000	6/30/2005	6/30/2006
112	VT	Vermont State Employees	97.8	\$1,148,908	\$1,174,796	\$25,888	6/30/2005	6/30/2005
113	VT	Vermont Teachers	90.7	\$1,354,006	\$1,492,150	\$138,144	6/30/2005	6/30/2005
114	WA	Washington School Employees Plan 2/3	100.0	\$1,747,400	\$1,747,400	\$0	9/30/2005	6/30/2006
115	WA	Washington LEOFF Plan 2	100.0	\$3,329,100	\$3,329,100	\$0	9/30/2005	6/30/2006

116	WA	Washington LEOFF Plan 1	113.1	\$4,800,000	\$4,243,000	(\$400,000)	9/30/2005	6/30/2006
117	WA	Washington Teachers Plan 2/3	100.0	\$4,411,200	\$4,411,200	\$0	9/30/2004	6/30/2006
118	WA	Washington Teachers Plan 1	77.6	\$8,450,000	\$10,894,000	\$2,444,000	9/30/2005	6/30/2006
119	WA	Washington PERS 2/3	100.0	\$12,274,100	\$12,274,100	\$0	9/30/2004	6/30/2006
120	WA	Washington PERS 1	70.8	\$9,707,000	\$13,704,000	\$3,997,000	9/30/2005	6/30/2006
121	WI	Wisconsin Retirement System	99.4	\$66,209,400	\$66,622,300	\$412,900	12/31/2004	12/31/2004
122	WV	West Virginia PERS	83.6	\$3,404,650	\$4,072,548	\$667,898	7/1/2005	6/30/2005
123	WV	West Virginia Teachers	24.6	\$1,627,355	\$6,617,708	\$4,990,353	6/30/2005	6/30/2005
124	WY	Wyoming Public Employees	95.1	\$4,843,861	\$5,091,763	\$247,902	1/1/2006	12/31/2005

*Funds with an unfunded liability of zero use the aggregate cost actuarial valuation method. Under this method, the actuarial value of liabilities is equal to the actuarial value of assets and no unfunded liability is identified.



© 2006 Public Fund Survey

Senate Finance Committee

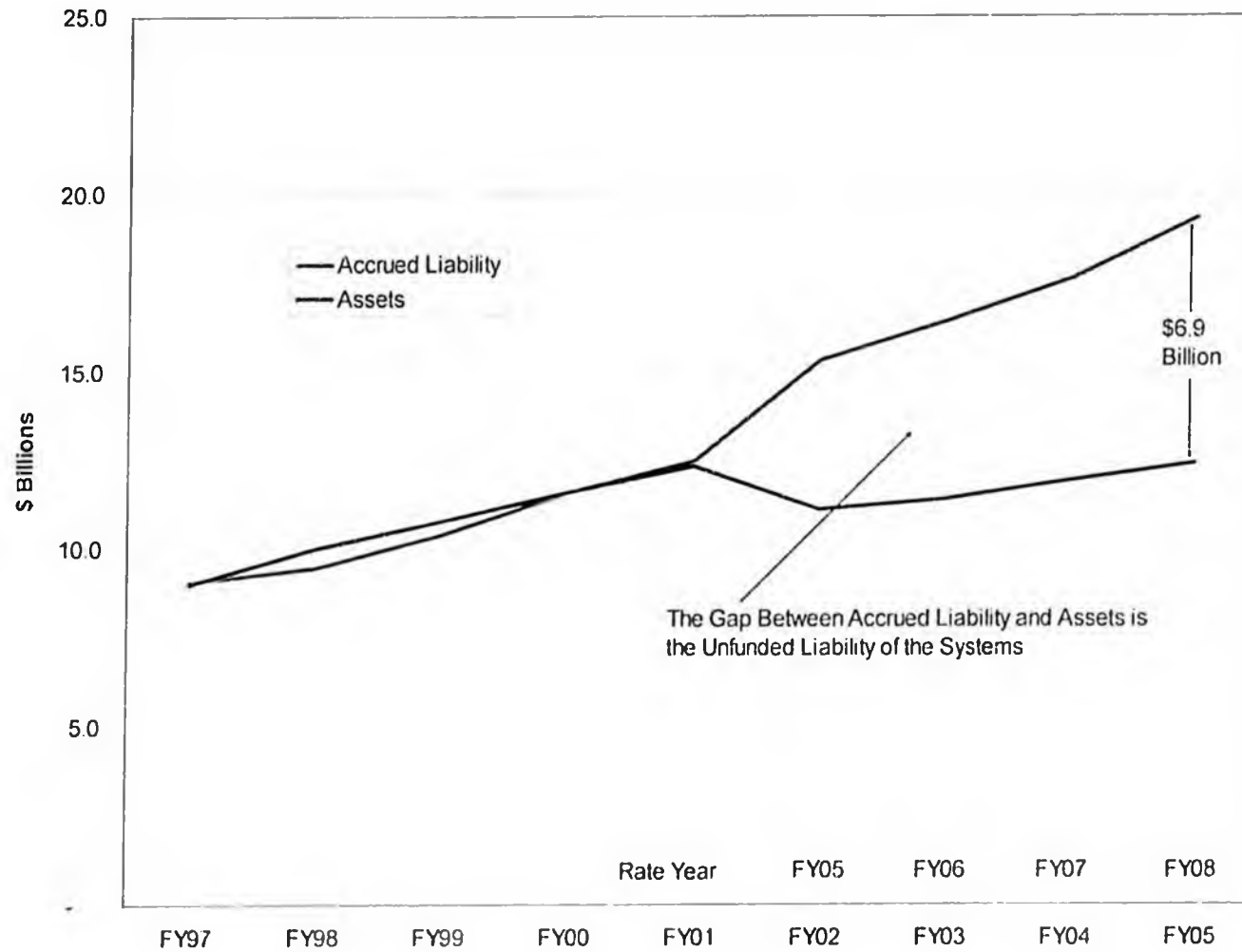
PERS & TRS Funding

February 20, 2007

David Teal
Director, Legislative Finance

Liability/Asset Gap

PERS/TRS Funding Ratio



Feb 20, 2007

Sen Fin Com – PERS/TRS Funding

2

8:37:47 AM

Questions

1. What Does the Unfunded Liability Mean?

- **To Retirees**—Not Much. Benefits cannot be reduced. There is no cash flow problem.
- **To Employees**—No direct impact; employee contribution rates cannot be increased unilaterally. But there may be indirect costs associated with higher benefit costs.
- **To Employers**—Higher contribution rates in the absence of other cash infusions.

Questions

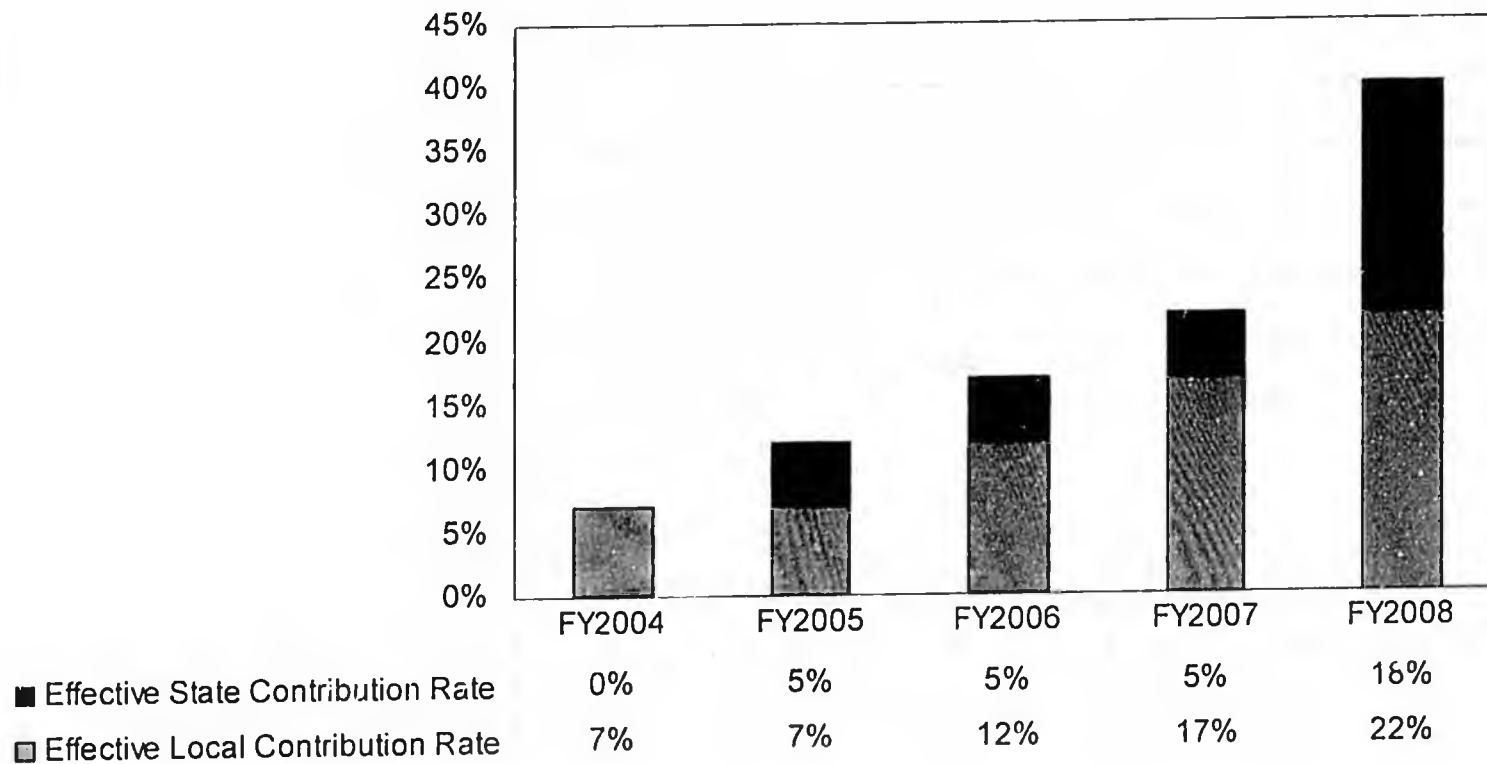
2. Can the gap close as quickly as it opened? Don't count on it. (But note TRS 91-98)
3. If rate increases close the gap, are we looking for a solution when no problem exists? Ask municipalities if contribution rate increases is a crisis.
4. What is the State's role in fixing the system? That depends on the system.

State Financial Support

- The state fully paid cost increases in the TRS system.
- The state fully paid cost increases for its own employees.
- The state paid a portion of cost increases for local governments, despite the fact that it has no legal responsibility to pay these costs.

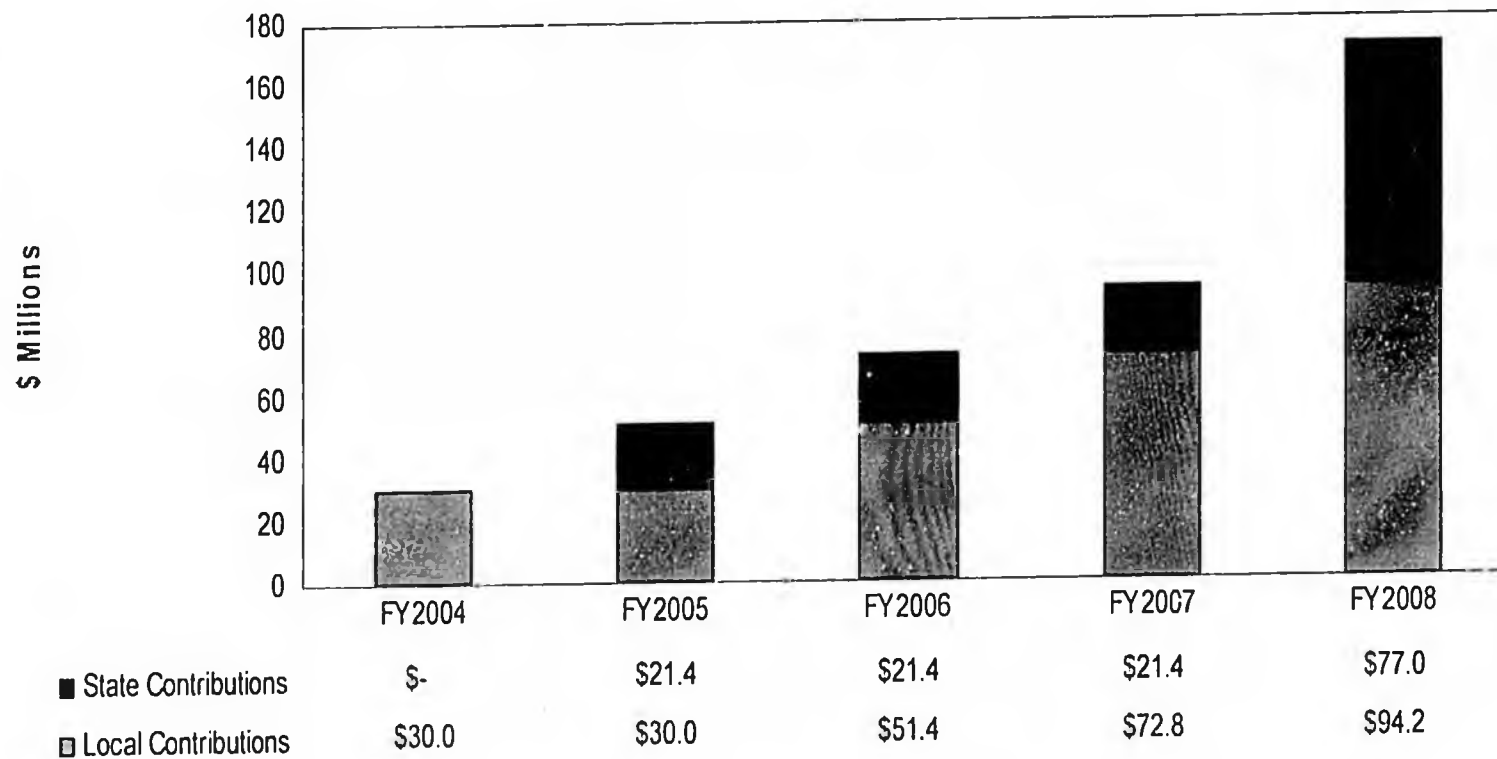
Financial Contributions (%)

State and Local Contributions to Local PERS



Financial Contributions (\$ Mill)

State and Local Contributions to Local PERS



Feb 20, 2007

Sen Fin Com – PERS/TRS Funding

7

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Going Forward

- **But paying the bill is not the same as fixing the system.**
- There are several issues the legislature may wish to address:
 - Discriminatory hiring
 - Allocation of costs
 - Affordability
 - Unfunded liability
 - Other technical items
- A Possible Fix? - Make PERS a "Cost Share Plan" like TRS.

3/1/07

ALASKA

PERMANENT

FUND

CORP.

SFIN

FILE



House & Senate Joint Finance Committee Economic & Capital Market Outlook

**Michael J. O'Leary CFA
Executive Vice President
Callan Associates Inc.
February 2007**

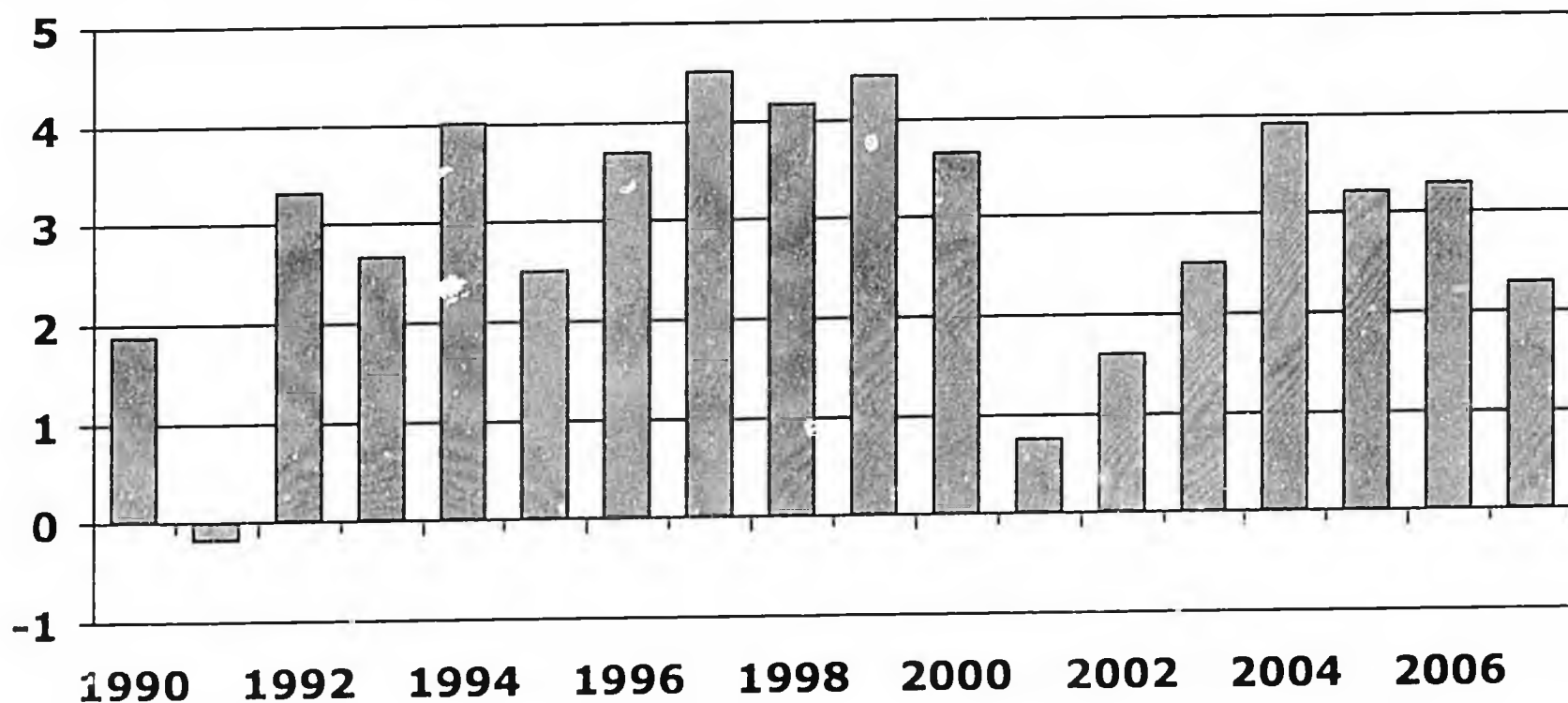
Economic Forecast: Contained Enthusiasm

- **Growth remained robust in 2006, but economy is slowing toward trend.**
- **Outlook for 2007 depends heavily on whether housing stabilizes and the effects of the downturn are contained.**
- **Consumers are spending all of their income, tax cuts are over, and the savings rate is negative. Confidence is high but vulnerable to shocks - housing, war, economy.**
- **Decent job growth, improving real wages, and lower gasoline prices will help support consumer spending.**
- **U.S. and China will continue to be the primary engines of growth.**
- **Oil prices will slide - gradually - but with a new floor of \$50 (\$60? \$70?).**
- **Inflation will remain a low level threat; oil prices are the wild card, labor costs represent the upside risk.**
- **The Fed tightened to 5.25 and paused; the rate cuts may still be up to a year away.**

Economy is Slowing After Three Strong Years - How Soft a Landing?

(Real GDP - annual percent change)

***2007 estimate - Global Insight**



Source: Global Insight

U.S. Economic Growth by Sector

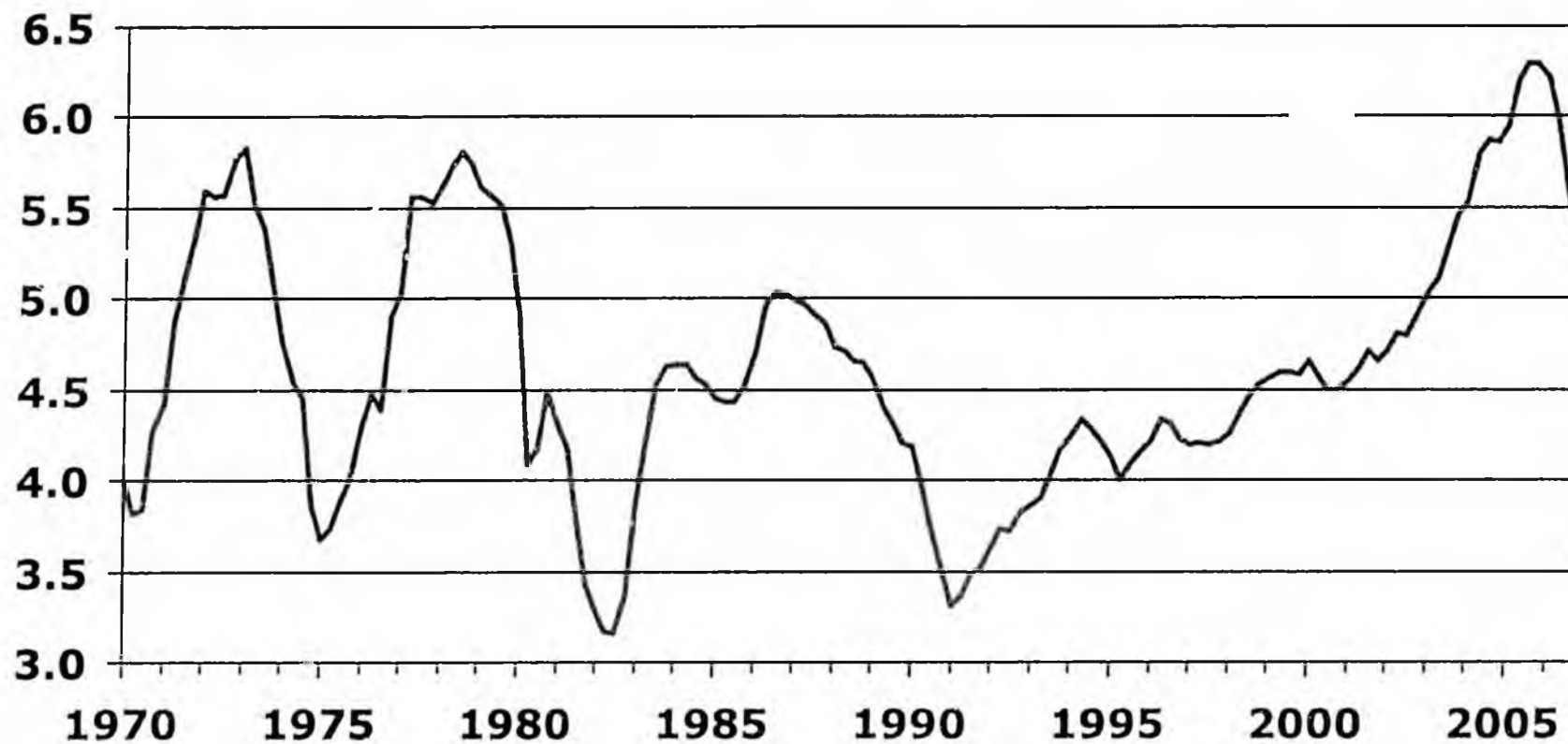
(Annual percent change)

	2002	2003	2004	2005	2006	Direction of Change
Real GDP	1.6	2.5	3.9	3.2	3.3	Moderating
Consumption	2.7	2.8	3.9	3.5	3.2	Moderating
Residential Investment	4.8	8.4	9.9	8.6	-4.2	Falling Sharply
Bus. Fixed Investment	-9.2	1.0	5.9	6.8	7.5	Surging
Federal Government	7.0	6.8	4.3	1.5	1.9	Winding Down
State & Local Govt.	3.1	0.2	0.5	0.5	2.0	Budget Pressures Easing
Exports	-2.3	1.3	9.2	6.8	8.7	Surging
Imports	3.4	4.1	10.8	6.1	5.9	Oil Prices

- Housing downturn reduced GDP growth in 3rd and 4th quarters of 2006 by 1.2% through direct effect on construction alone.

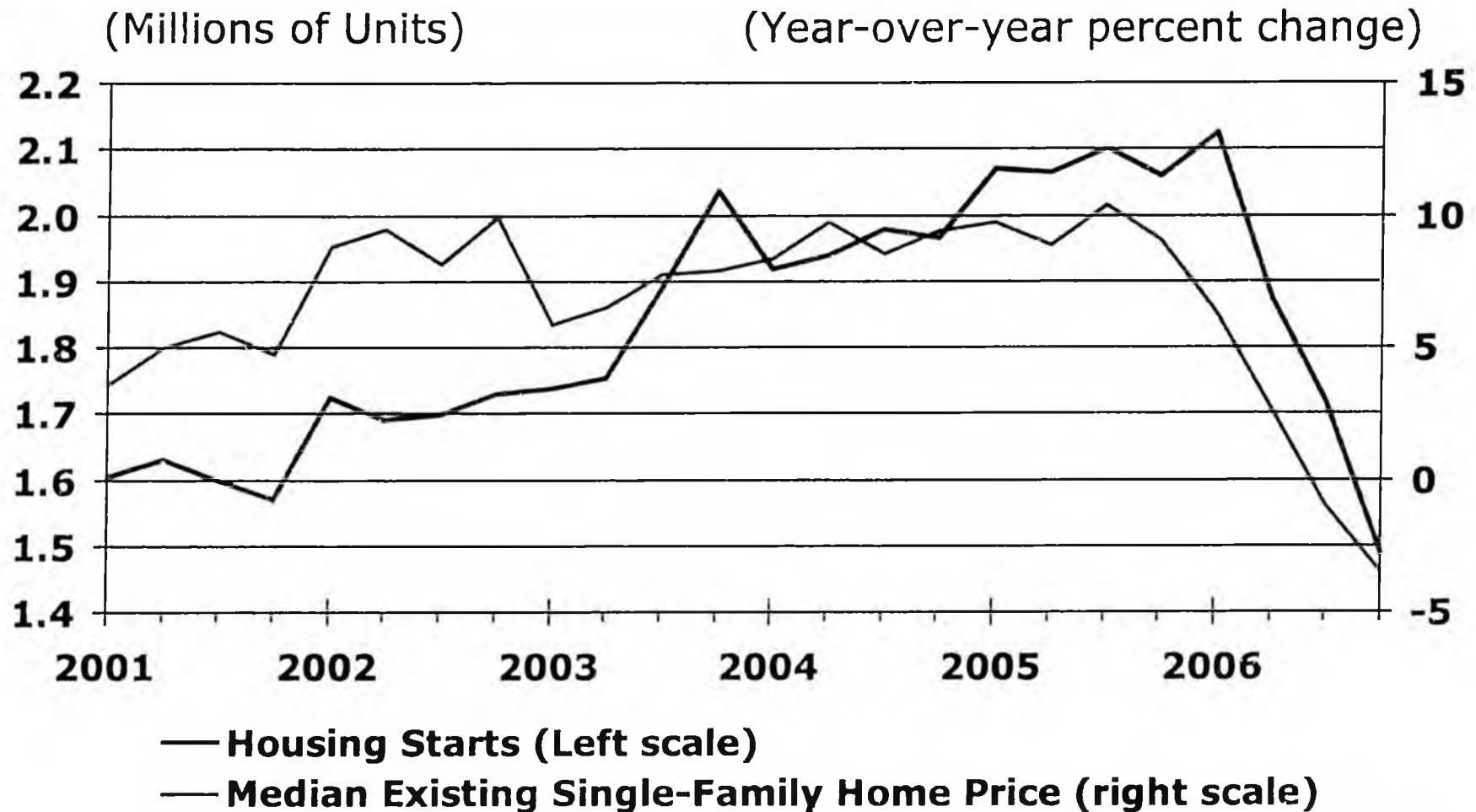
Residential Construction Overbuilt

(Residential Fixed Investment - % of GDP)



Source: Global Insight

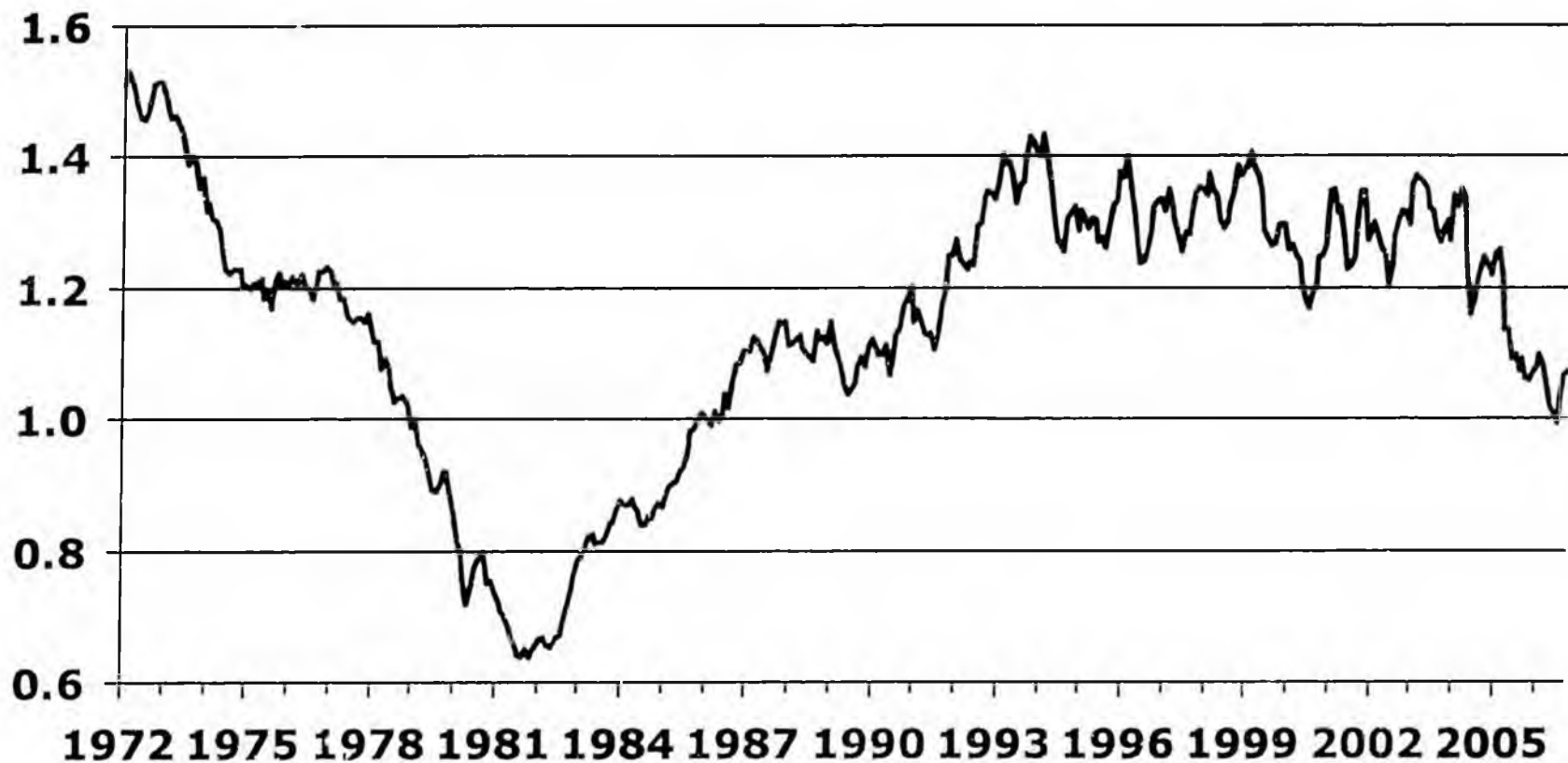
Housing Outlook: Hitting Bottom in 2007?



Source: Global Insight

Housing Affordability Deteriorated as Interest Rates Rose

A higher index means homes are more affordable.

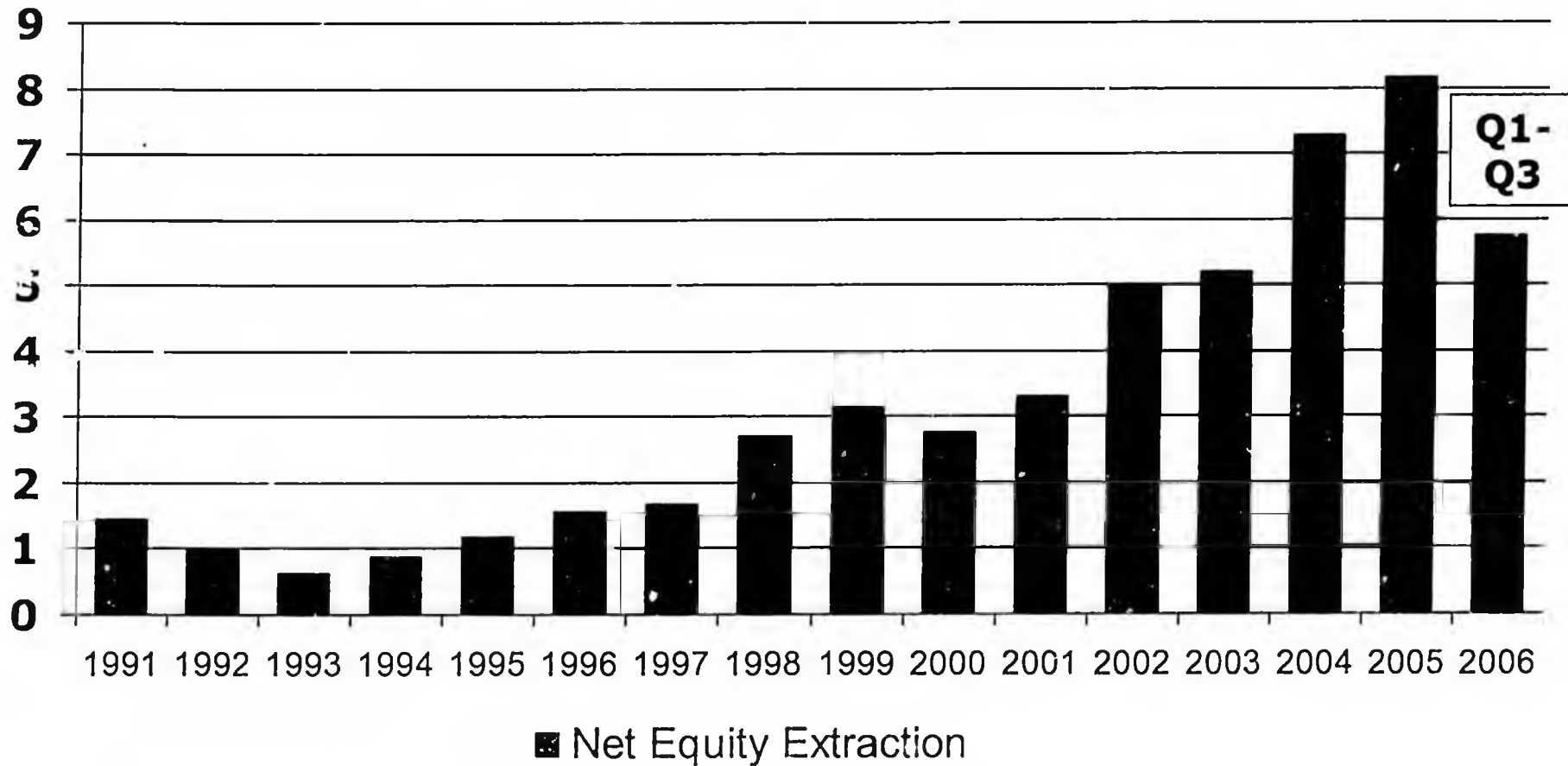


— Affordability Index for Existing Single-Family Homes

Source: Global Insight

Mortgage Equity Withdrawal Fueled Consumer Spending

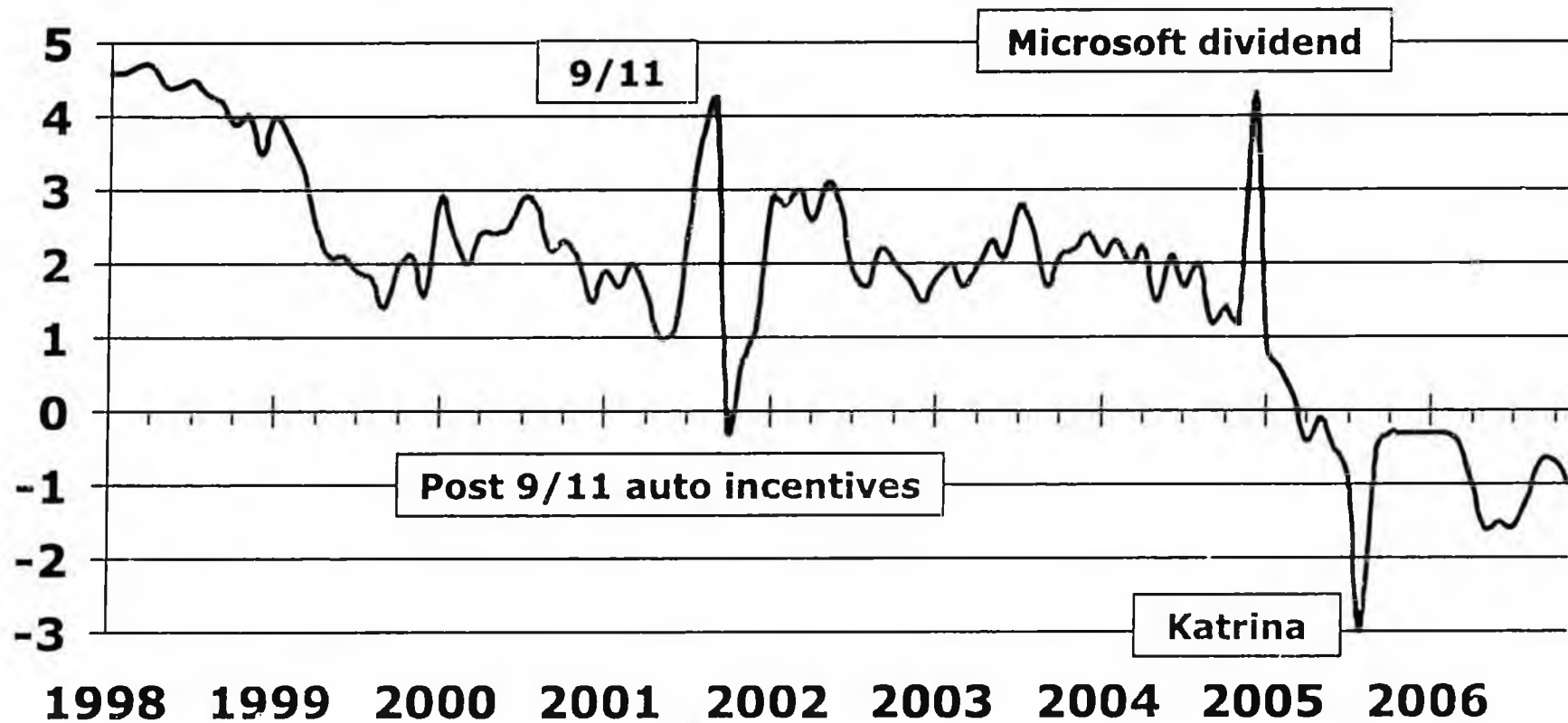
(Percent of Disposable Income)



Source: Federal Reserve - Kennedy/Greenspan data updated as of December 2006

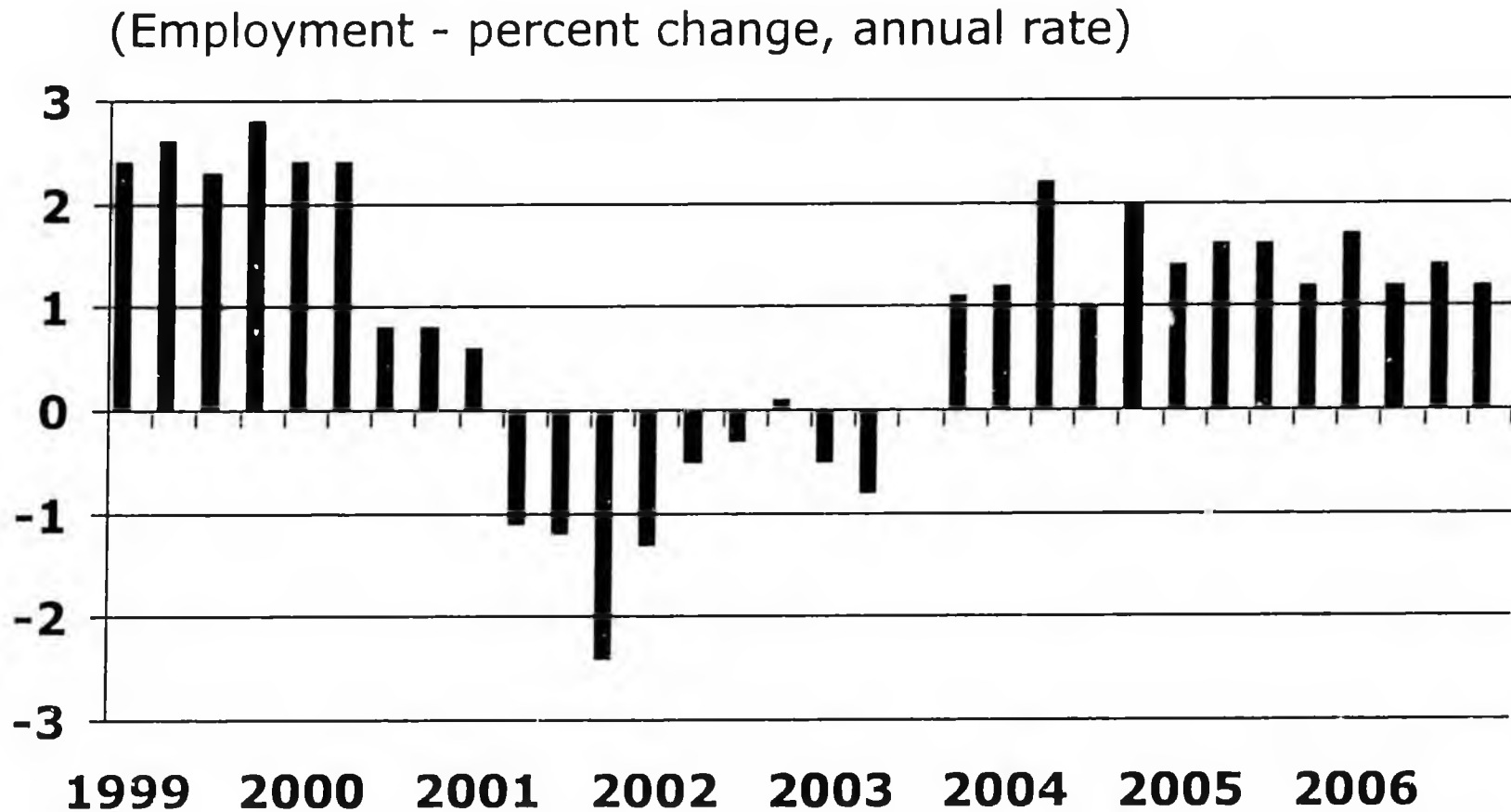
Personal Savings Rate Has Fallen Below Zero

(Personal savings rate, percent of disposable income)



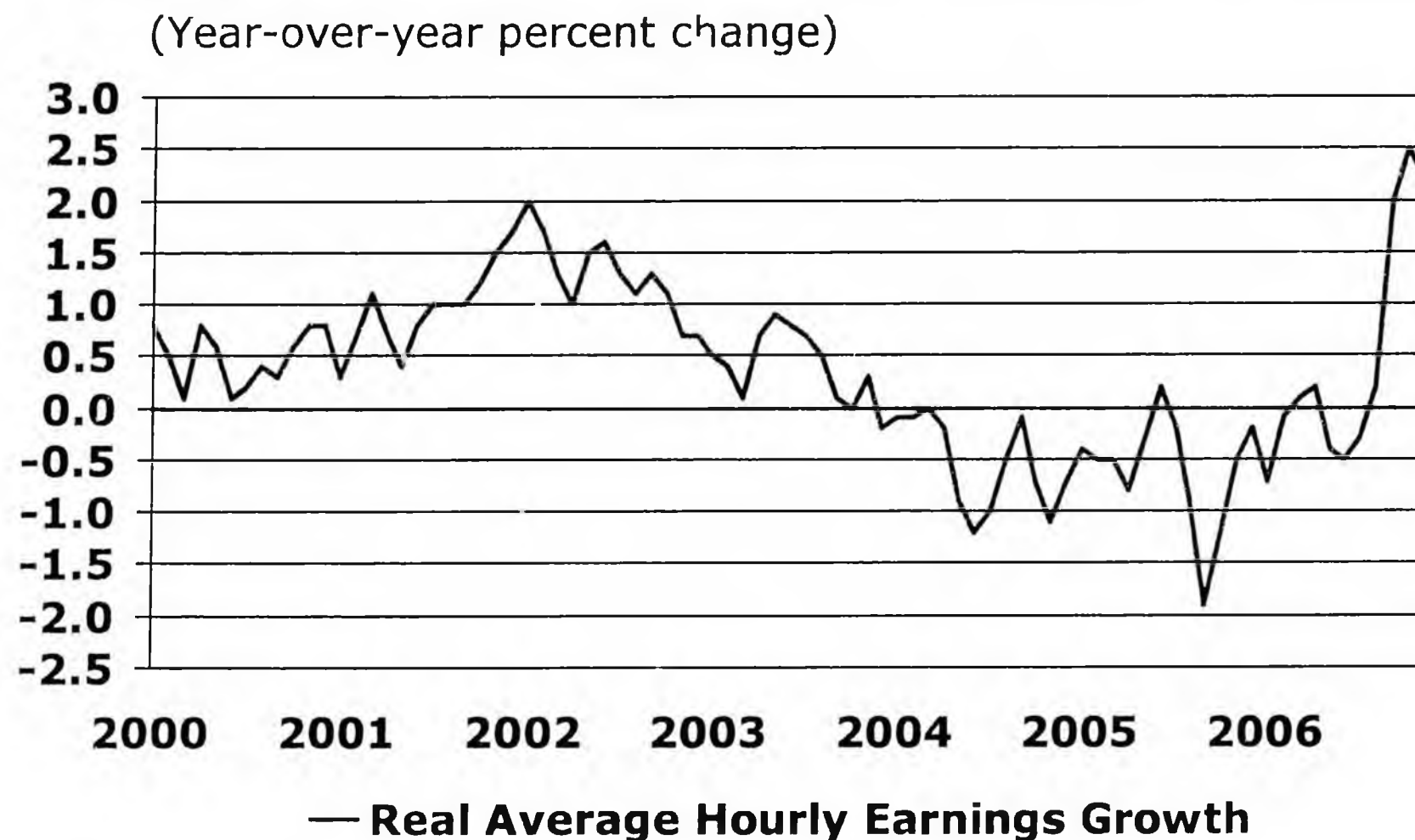
Source: Global Insight

However, Employment is Still Growing



Source: Global Insight

Wage Growth is Finally Beating Inflation

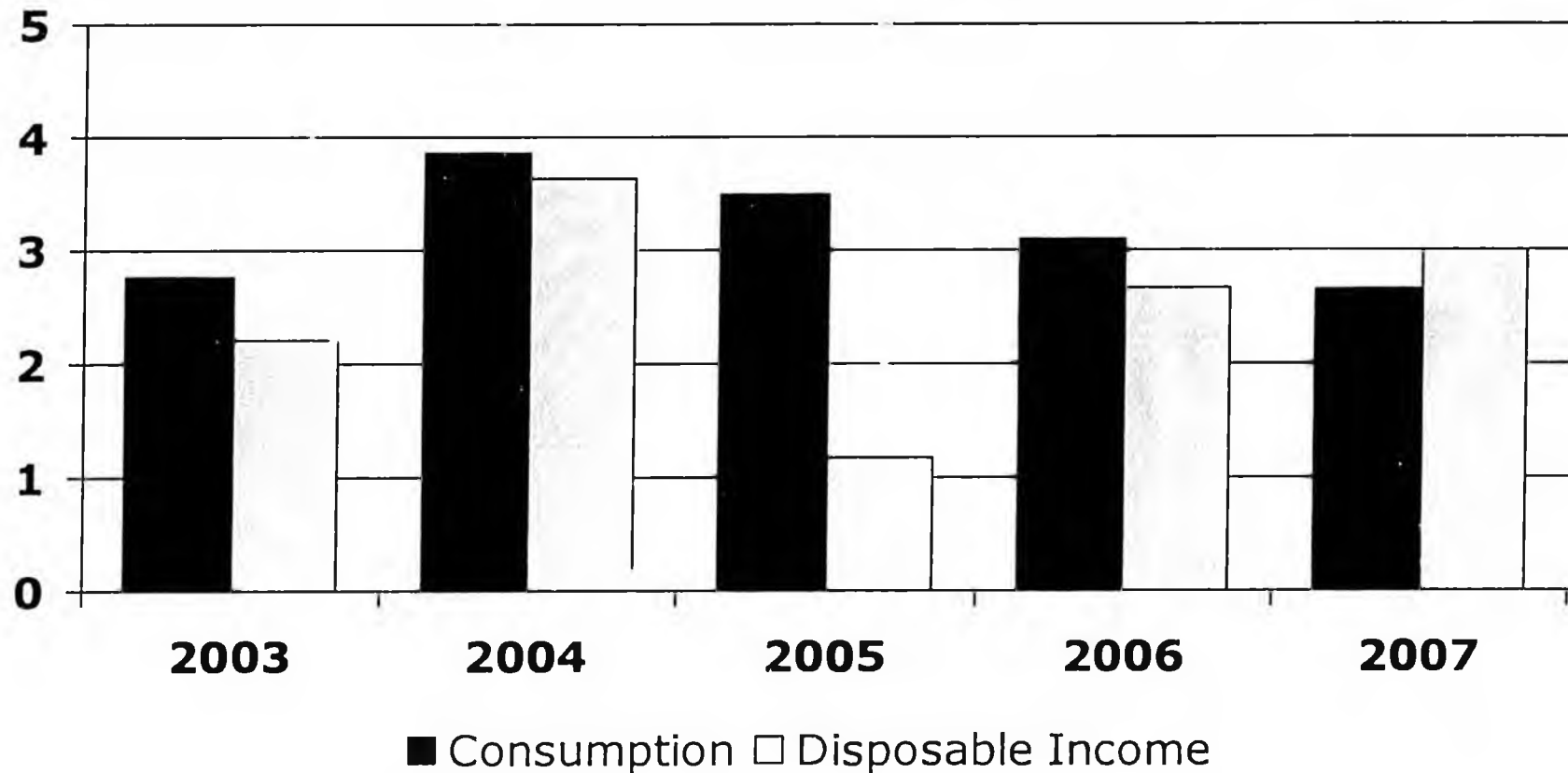


Source: Global Insight

Spending Has Outpaced Income Growth; Some Rebuilding of Savings is Likely

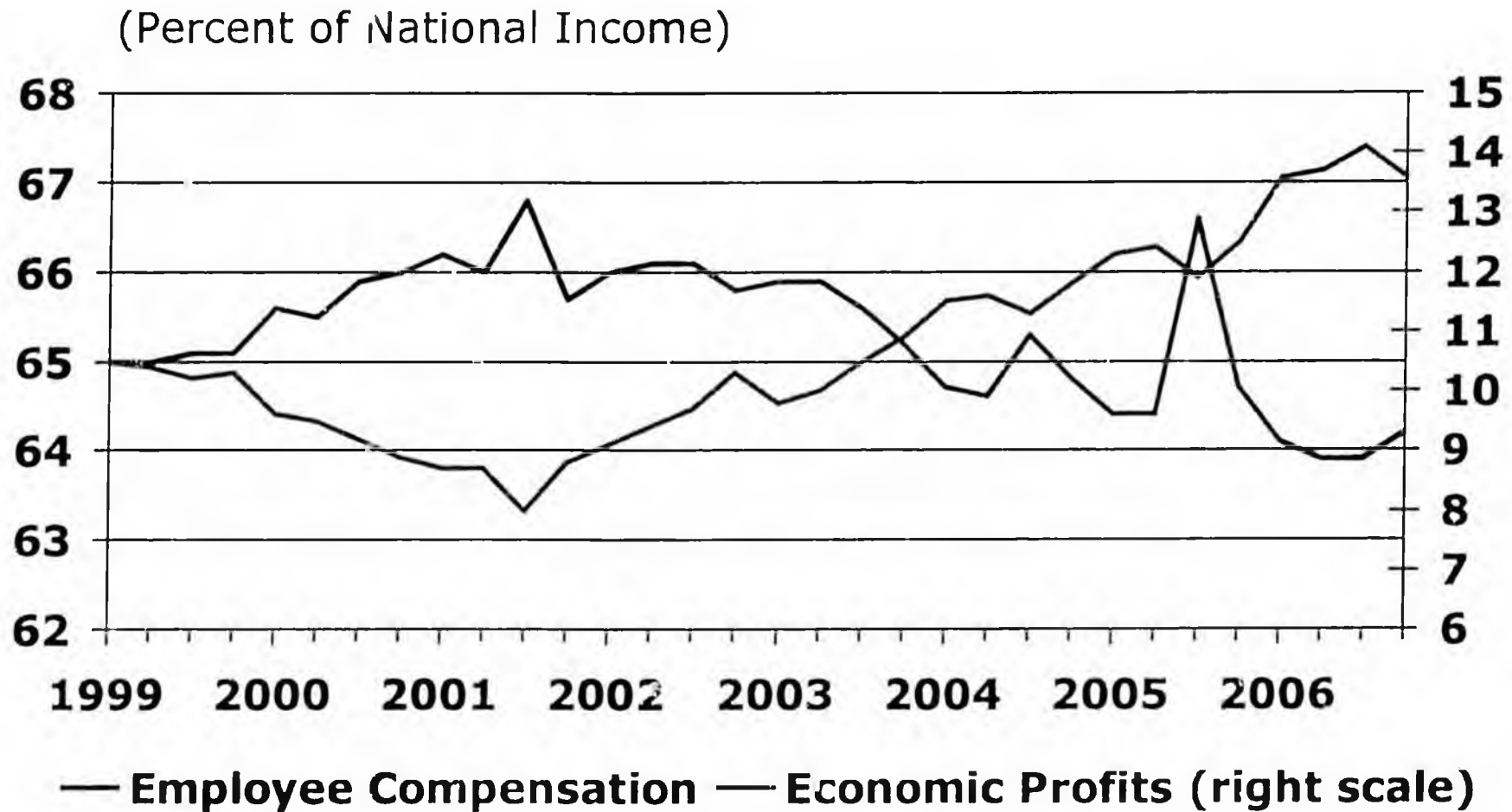
(Percent growth)

* 2007 estimate - Global Insight



Source: Global Insight

Productivity Growth Has Boosted Corporate Profits to Record Levels

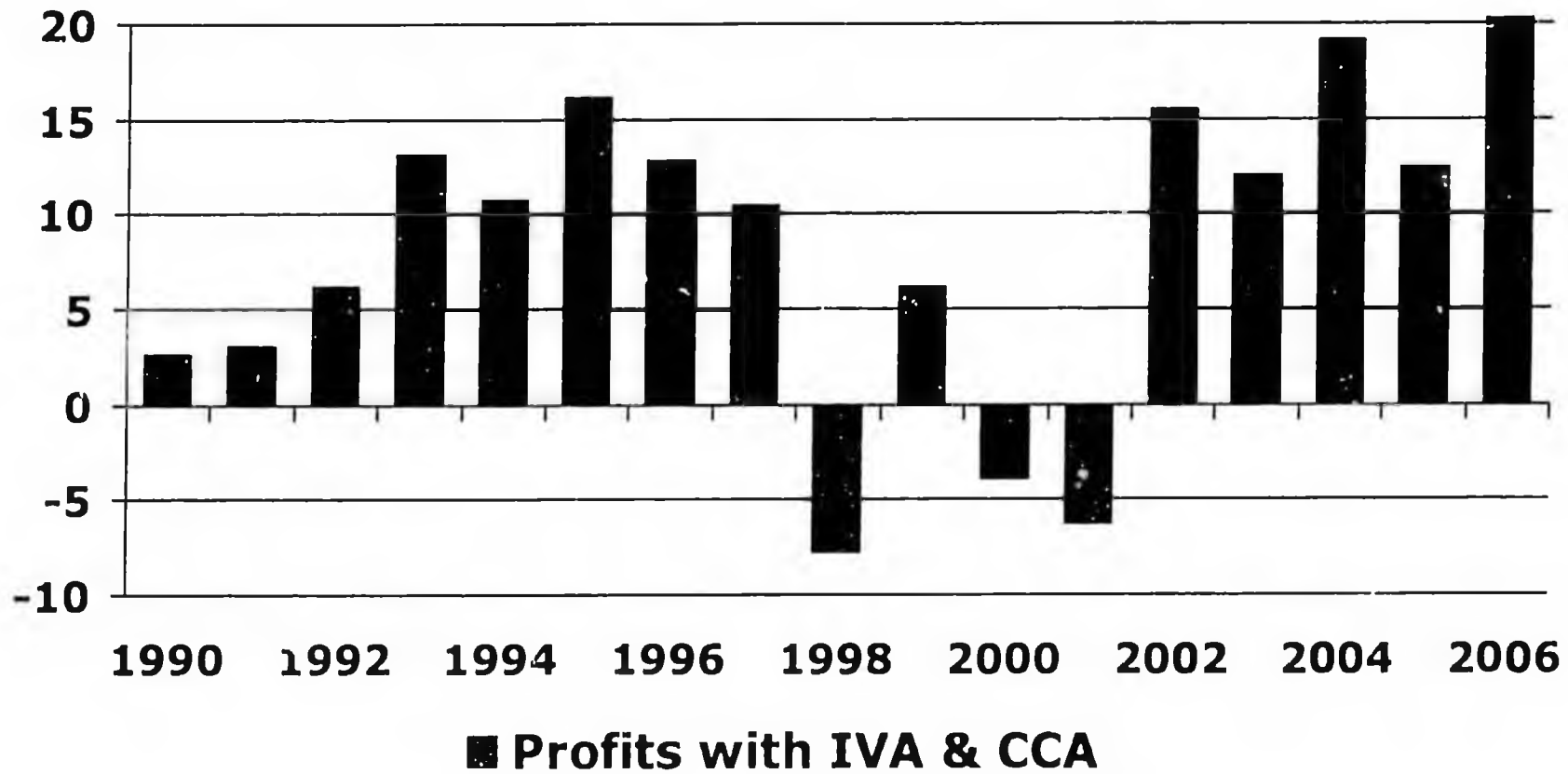


Source: Global Insight

An Incredible Run for Corporate Profits; Return to Earth?

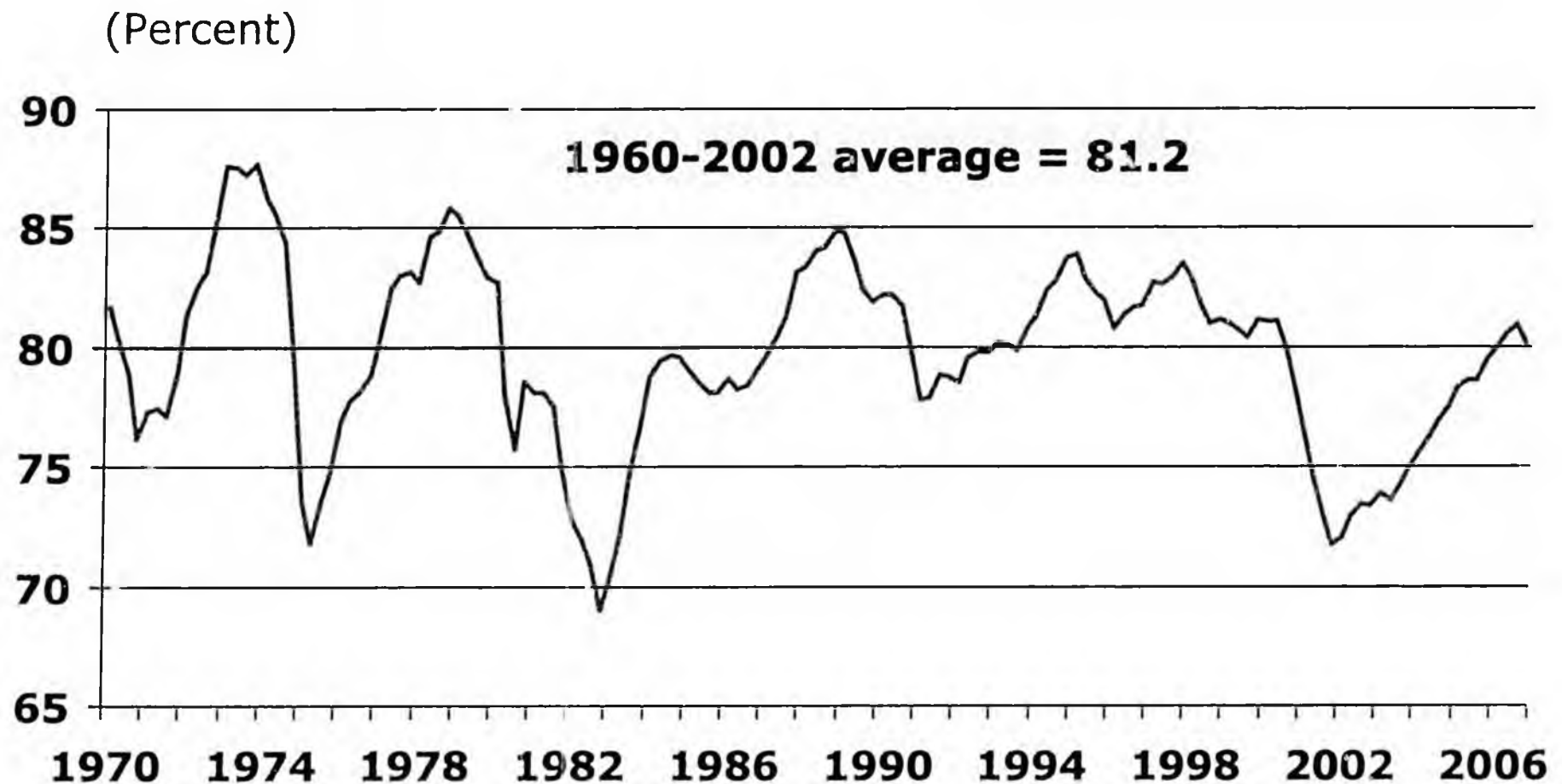
(Percent change)

* 2006 estimate - Global Insight



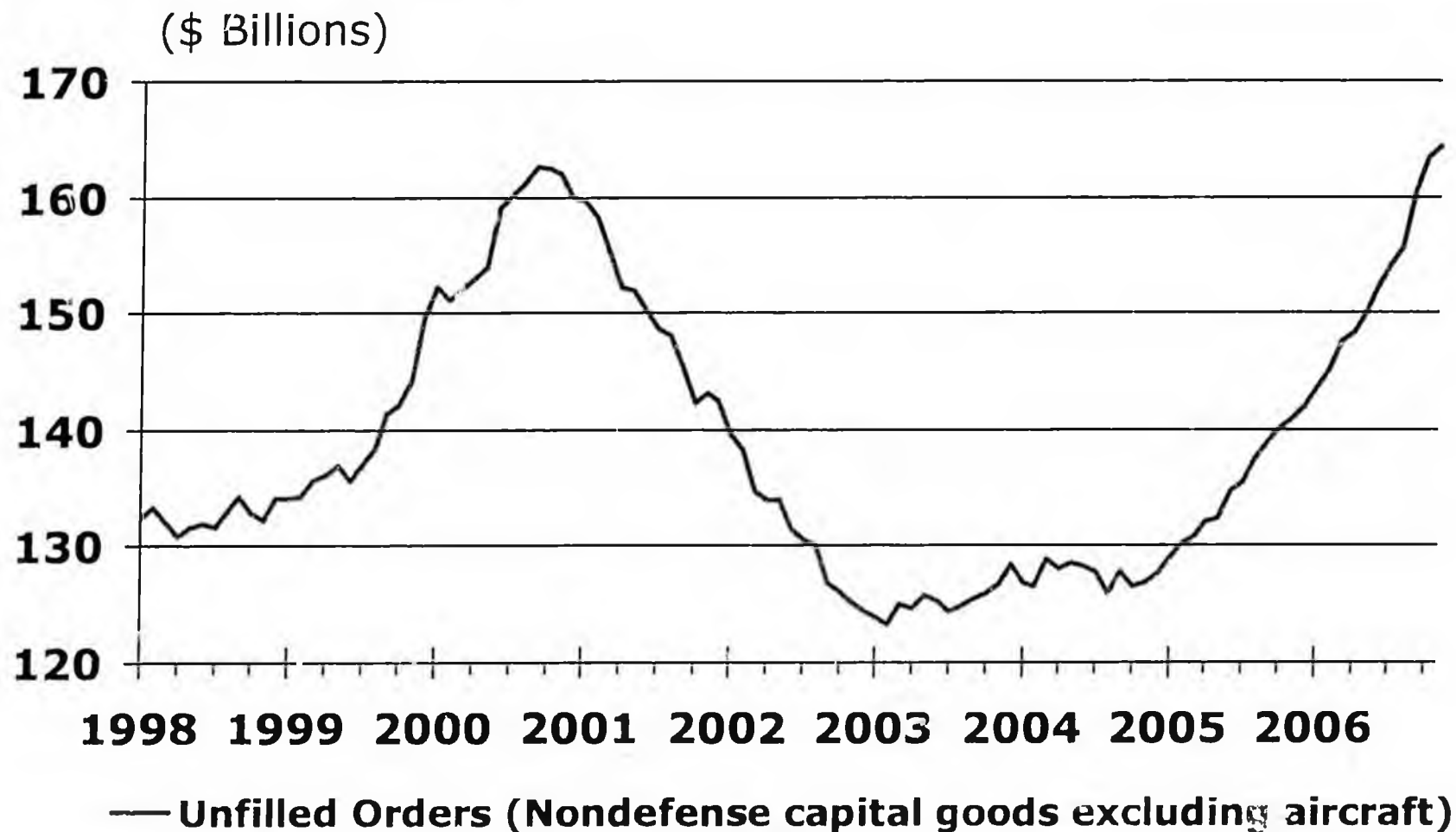
Source: Global Insight

Manufacturing Capacity Utilization Reaching the Trigger Point for Investment



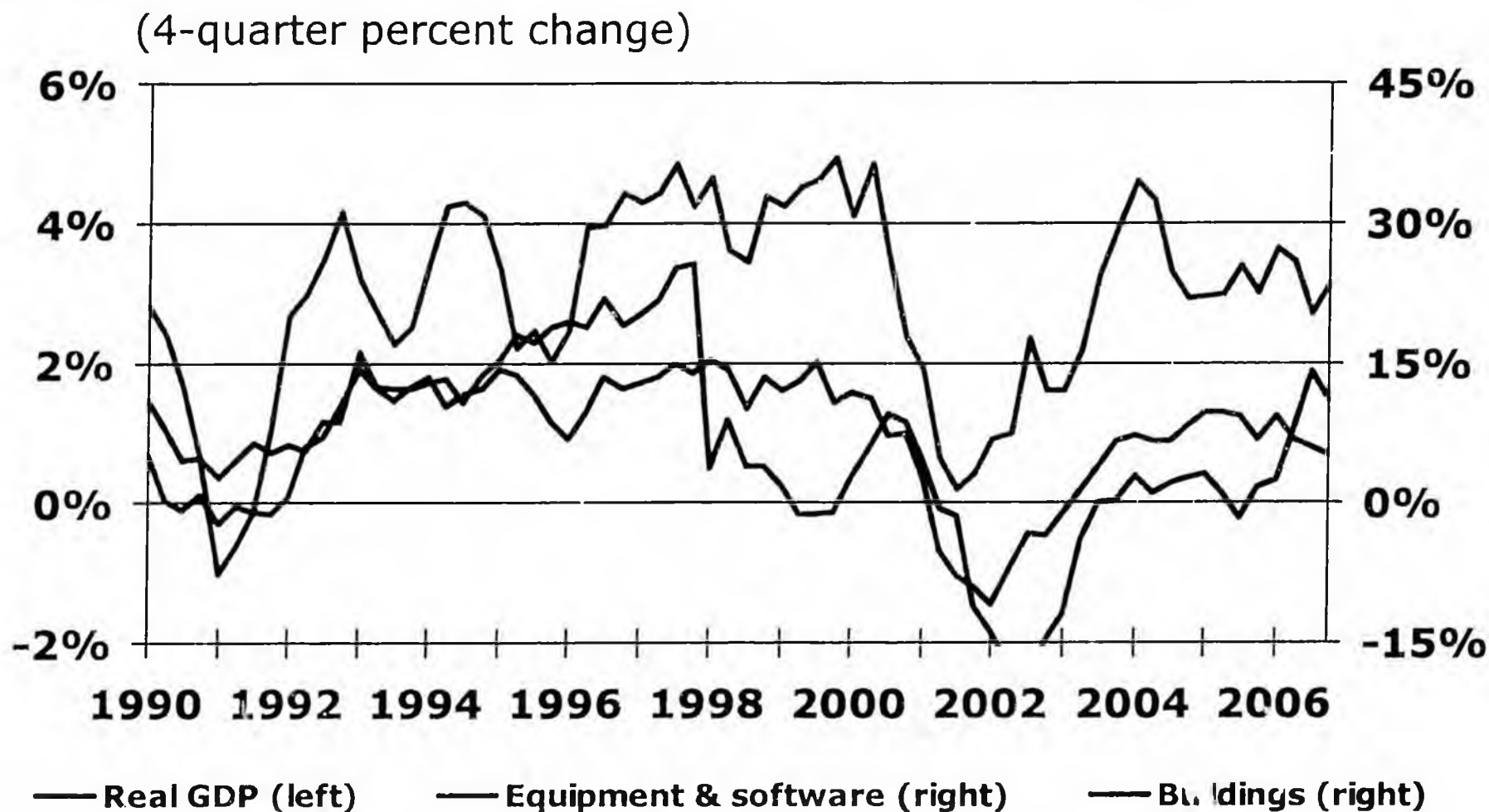
Source: Global Insight

Capital Spending on Business Equipment is Still Growing



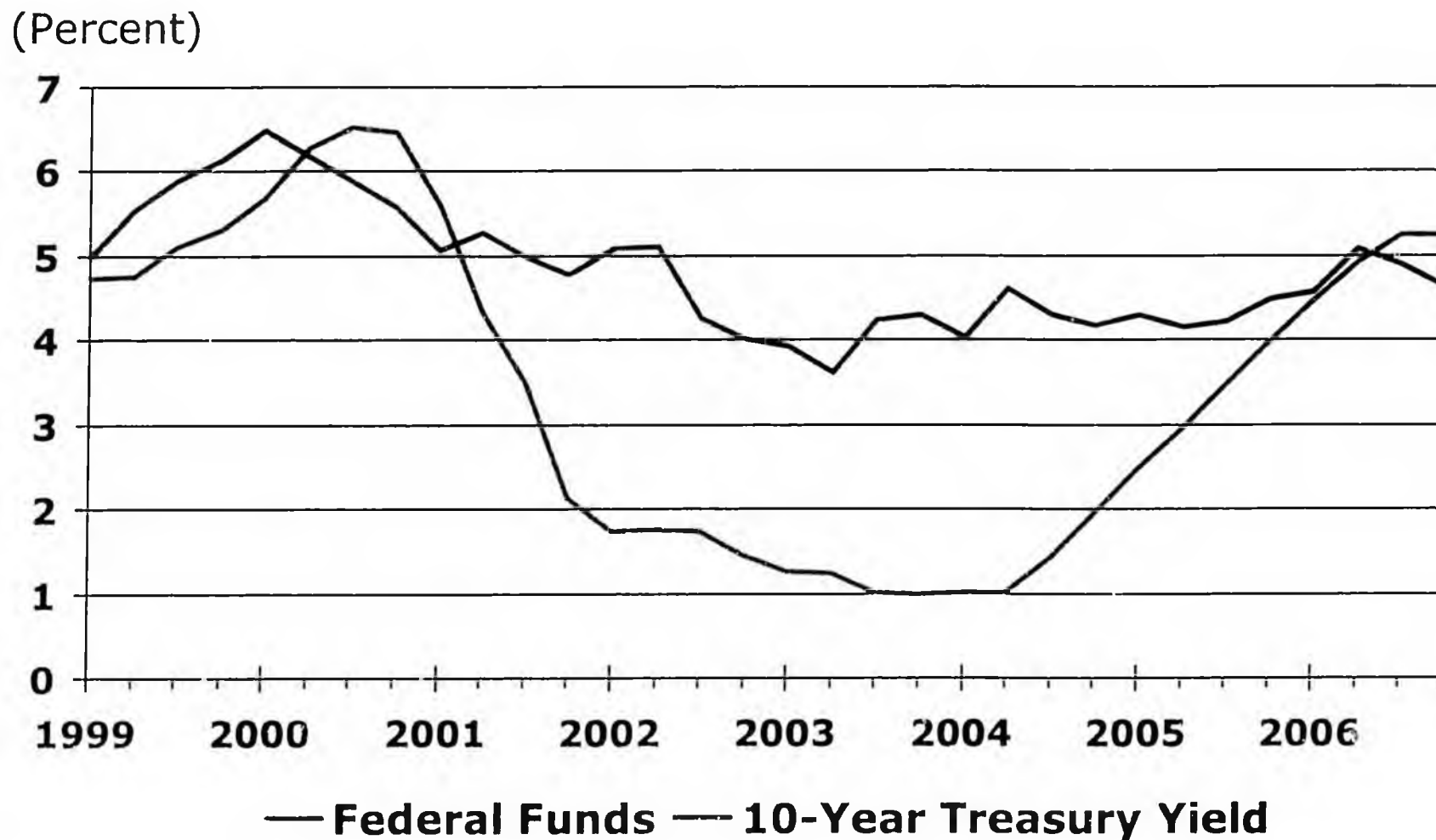
Source: Global Insight

Non-Residential Construction is Taking the Lead



Source: Global Insight

Fed Will Have Room to Cut Interest Rates in 2007

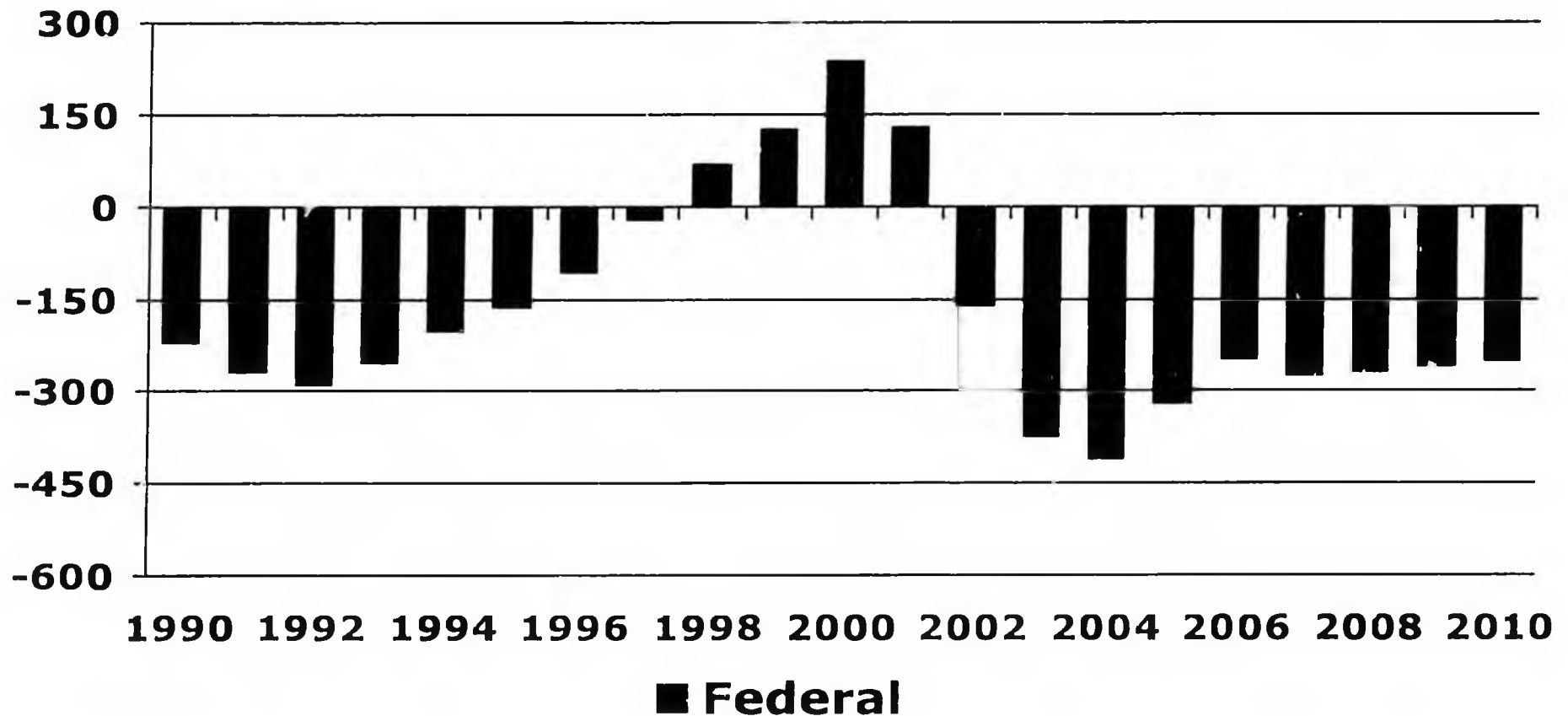


Source: Global Insight

Federal Budget Deficit Has Actually Done Better Than Expected

(Billions of dollars, fiscal years)

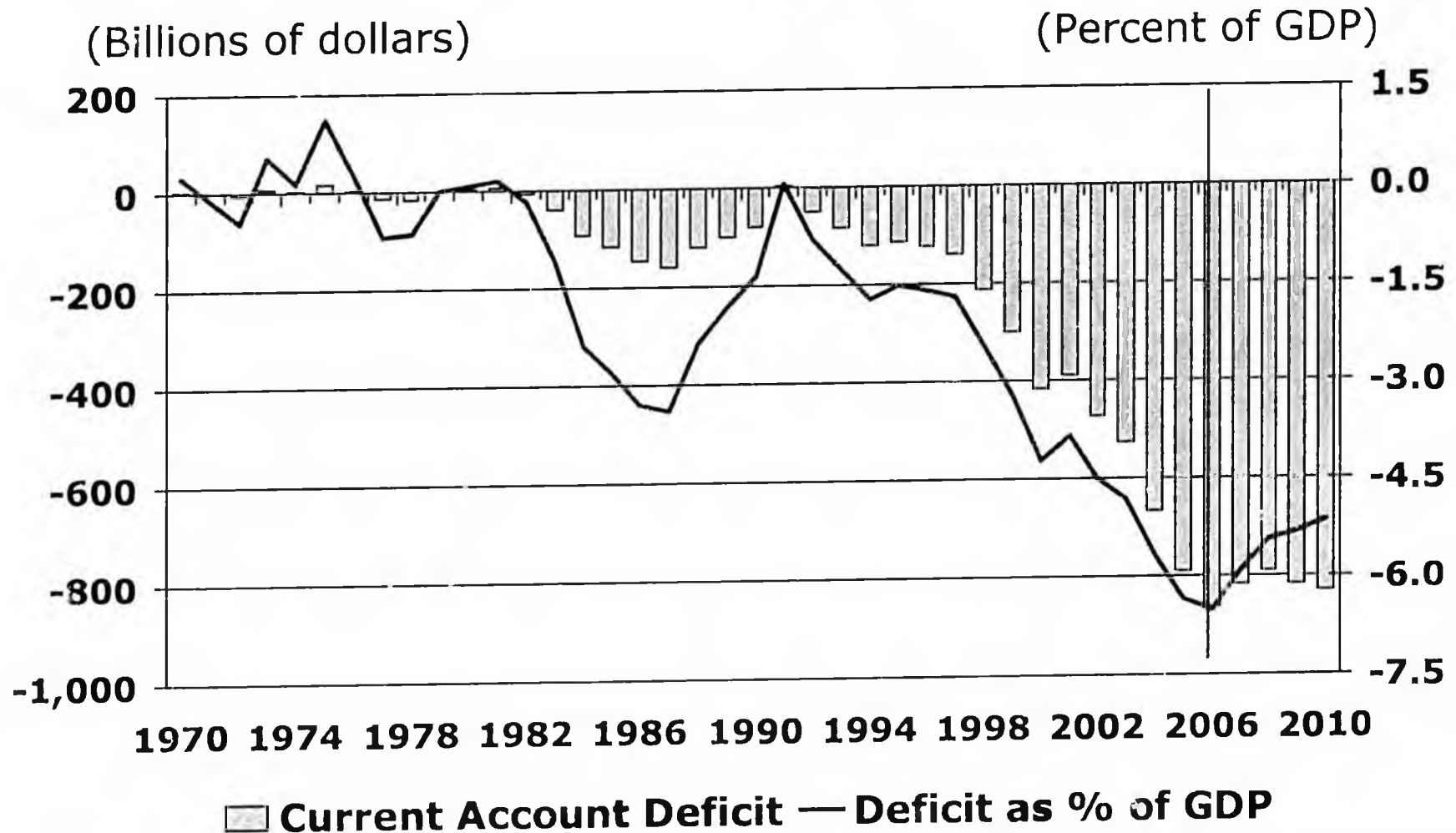
* 2007+ forecast - Global Insight



Source: Global Insight

The U.S. Current Account Deficit: Peaking at Last?

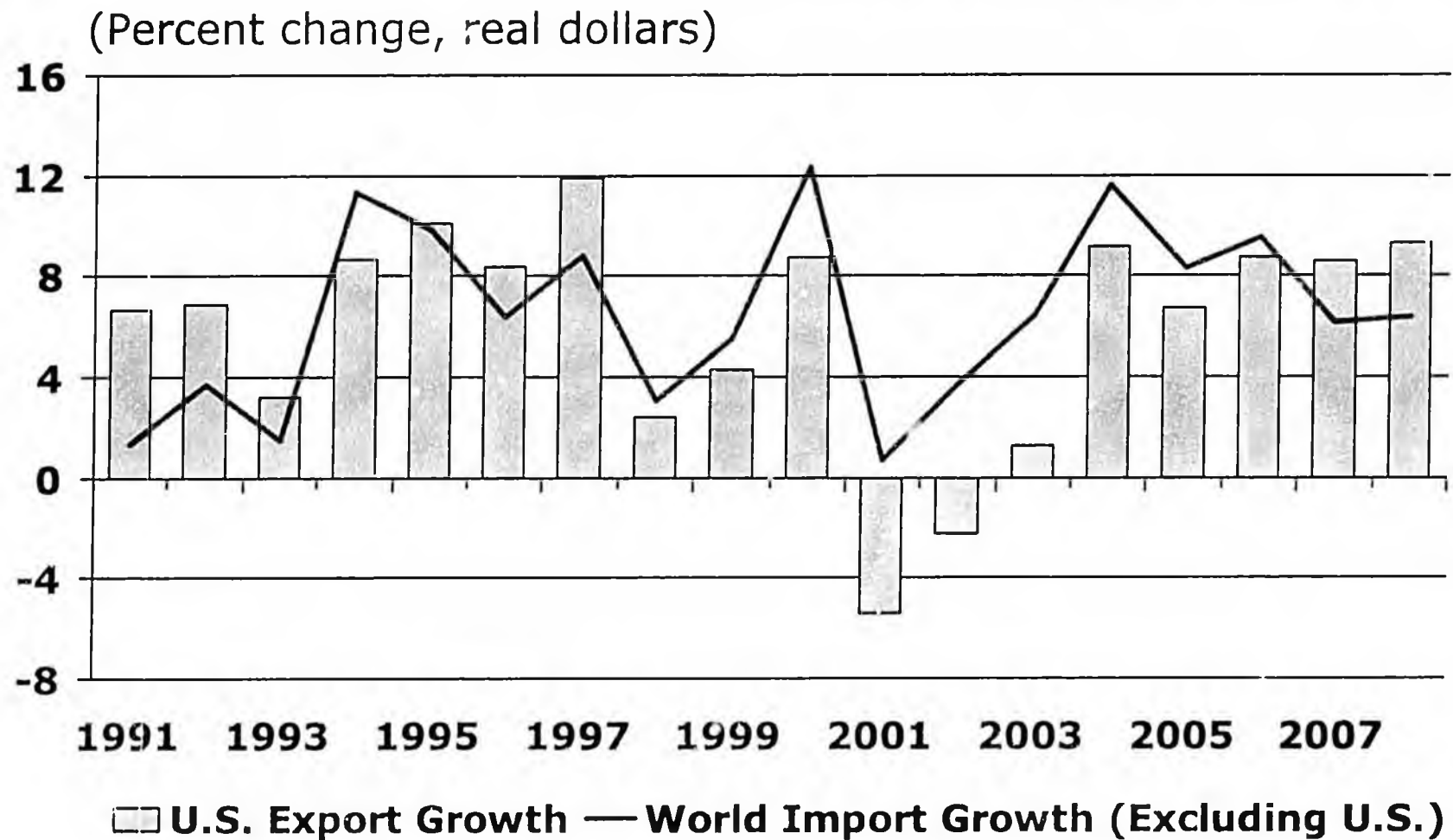
* 2007+ forecast - Global Insight



Source: Global Insight

U.S. Export Growth Catches Up to World Trade Growth - Falling Dollar Helps

* 2007+ forecast - Global Insight



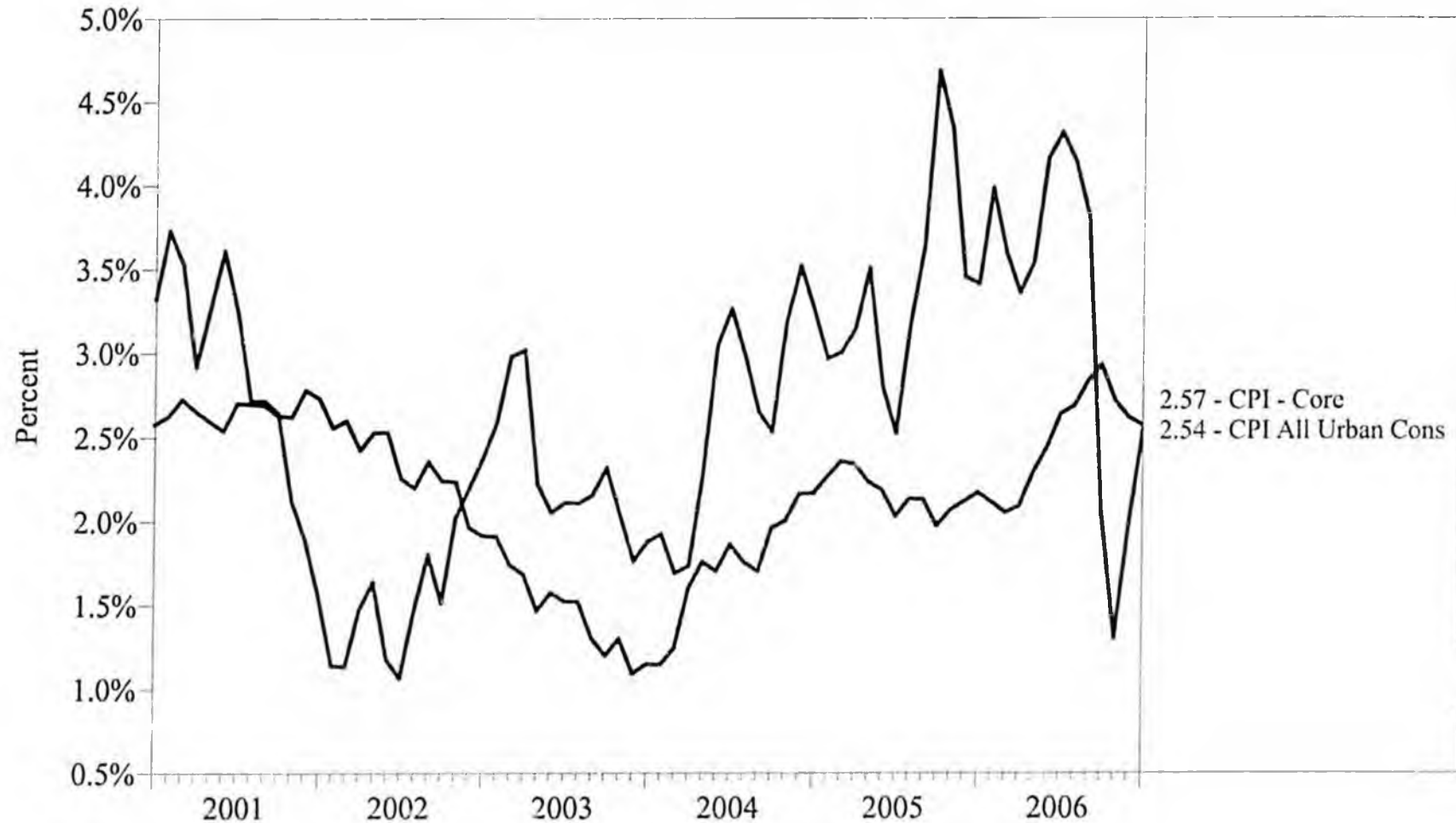
Source: Global Insight

Inflation Risk Remains Modest

- Despite soaring energy and commodity prices, inflation is contained. Outside of energy, core inflation has moved past the Fed's "comfort zone", but shows signs of moderating.
- U.S. is the most susceptible to inflation among industrialized economies - only one with above trend growth.
- Consumer prices surged at times during 2005-06, but came in at 2.5% for the year, down from the 3.4% recorded in 2005.
- Strong productivity growth and modest wage inflation keep prices in check.
- Oil prices in the \$50-60s don't seem to mean as much to the U.S. economy as once suspected - one of the consequences of a service economy.
- Growth in Europe remains below trend and unemployment rates are high. Japan is *still* shaking off the effects of a decade of deflation.
- While U.S. capacity is stretched, large amounts of spare capacity exist in other parts of the world. China and other Asian countries continue to export deflation.

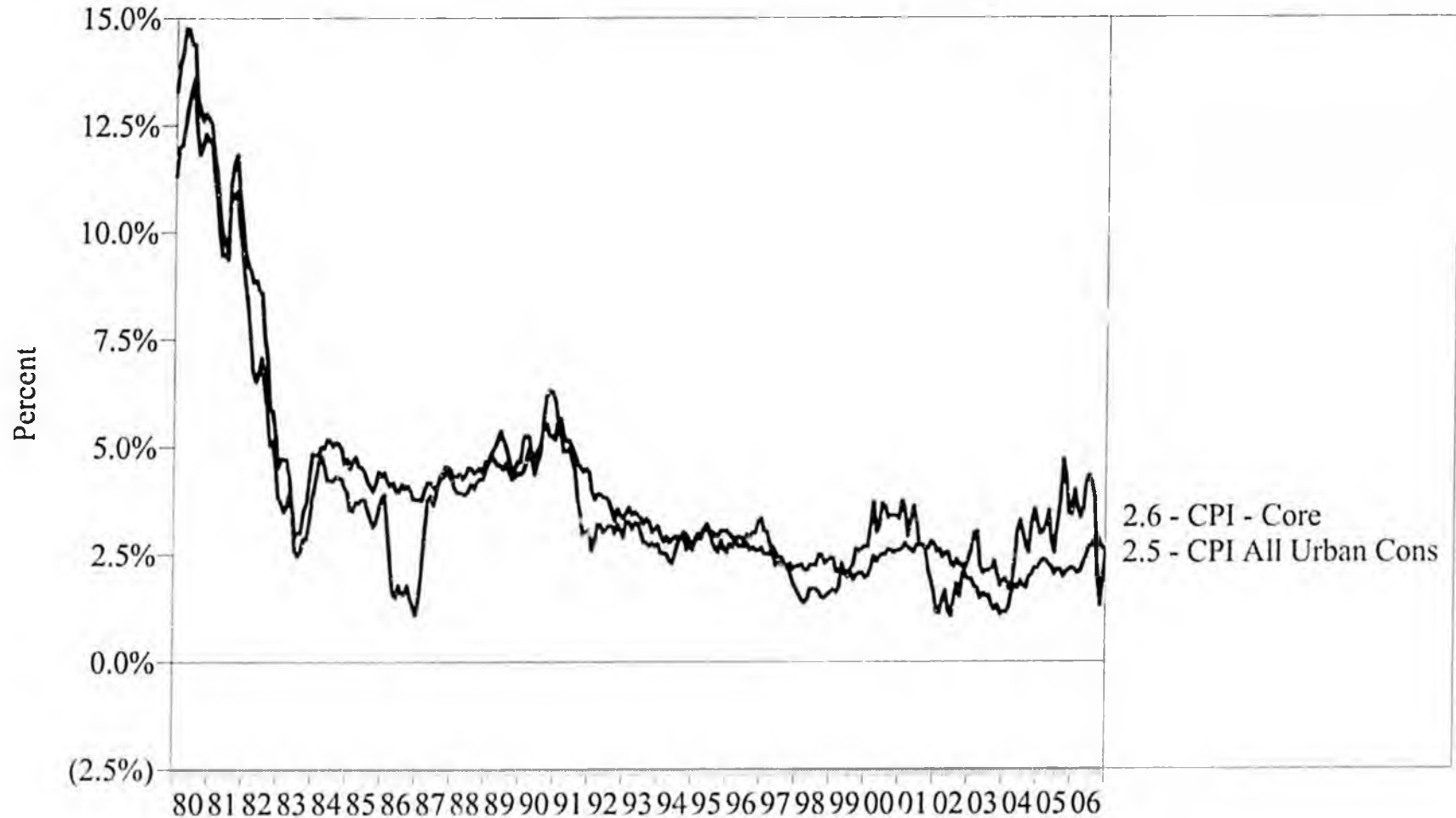
Inflation Has Ticked Up...

Year-Over-Year Change in Consumer Prices



...But Perspective Is Necessary

Year-Over-Year Change in Consumer Prices



The Capital Markets - Context

Wild Ride for Investors Over the Last Seven Years

	<u>2000</u>	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	Average Annual Return		
								<u>Five Years 2002-06</u>	<u>Ten Years 1997-06</u>	<u>Fifteen Years 1992-06</u>
<u>Broad U.S. Stock Market</u>										
Russell 3000	-7.46	-11.46	-21.54	31.06	11.95	6.12	15.72	7.17	8.64	10.79
S&P Super Composite 1500	-6.98	-10.64	-21.31	29.59	11.78	5.66	15.34	6.79	8.83	10.89
<u>Large Cap U.S. Stocks</u>										
Russell 1000	-7.79	-12.45	-21.65	29.89	11.40	6.27	15.46	6.82	8.64	10.80
S&P 500	-9.10	-11.88	-22.10	28.80	10.88	4.91	15.79	6.19	8.42	10.64
<u>Small Cap U.S. Stocks</u>										
Russell 2000	-3.02	2.49	-20.48	47.25	18.33	4.55	18.37	11.39	9.44	11.47
S&P 600 Small Cap	11.80	6.54	-14.63	38.79	22.65	7.68	15.11	12.49	11.57	13.24
<u>Non-U.S. Stock Markets</u>										
EAFE (\$US)	-14.17	-21.44	-15.94	38.59	20.25	13.54	26.34	14.98	7.71	7.86
<u>Fixed Income Markets</u>										
LB Aggregate	11.63	8.43	10.26	4.10	4.33	2.43	4.33	5.06	6.24	6.50
Citi Non-US Bonds	-2.63	-3.54	21.99	18.52	12.14	-9.21	6.95	9.50	4.70	6.35
<u>Cash Market</u>										
90-day T-bill	6.18	4.42	1.78	1.15	1.33	3.07	4.85	2.43	3.81	4.00
<u>Inflation</u>										
CPI-U*	3.39	1.55	2.38	1.88	3.26	3.42	2.54	2.69	2.43	2.57

* Annual CPI-U data are measured as year-over-year change.

2007 Capital Market Projections

- **Modest changes expected from last year's projections. Fed executed policy exactly as expected. Strong equity returns, incredible corporate profits are likely not sustainable.**
- **Inflation at 2.75% implies moderation from recent levels; consensus expectations are even lower.**
- **Projected cash returns are lower than current short-term yields, reflecting expectations that interest rates peaked in 2006. 4% still implies a positive real return.**
- **Bond returns nudged up to 5.25%:**
 - Reflects current yield-to-worst.
 - Project upward sloping yield curve (very slight), with a very small risk premium for bonds over cash (1.25%).
- **Equity returns left unchanged, narrowing the premium over fixed income.**

Domestic Fixed Income

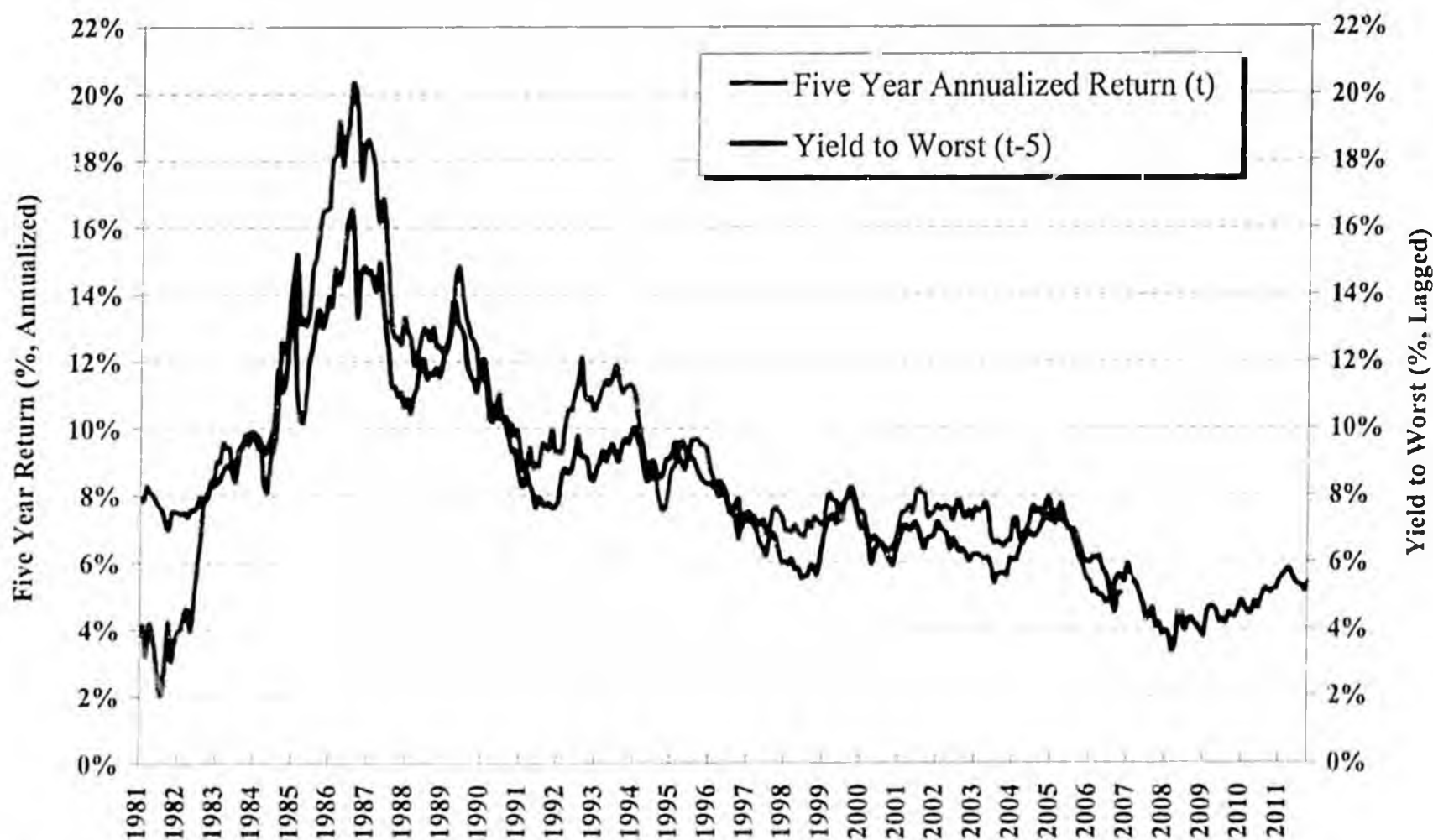
Lehman Aggregate Index - Daily Yield to Worst from 1/1/01 to 12/31/06



Domestic Fixed Income

Current Yield is a Strong Predictor of Returns

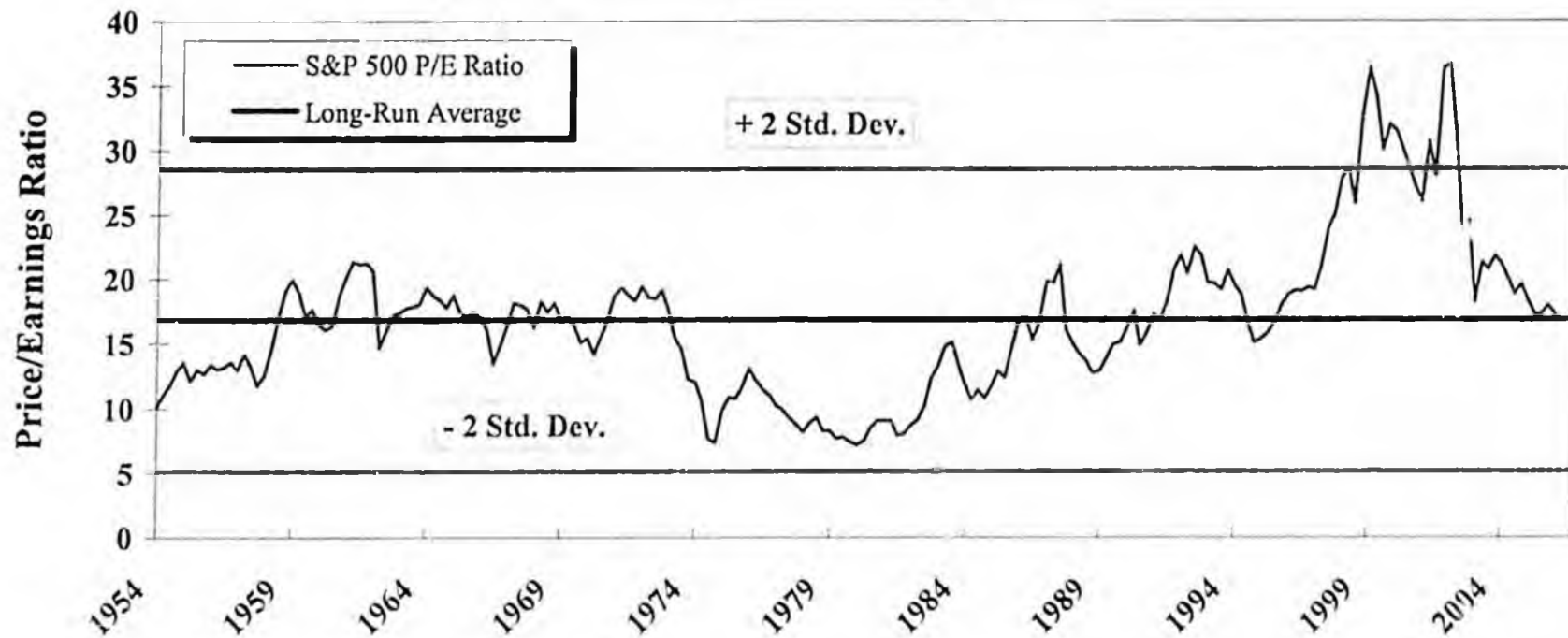
Lehman Aggregate Index 5 Year Returns vs. Lagged Yield to Worst



Equity Appears to be Reasonably Priced

Trailing P/E Approaching Long-Run Average

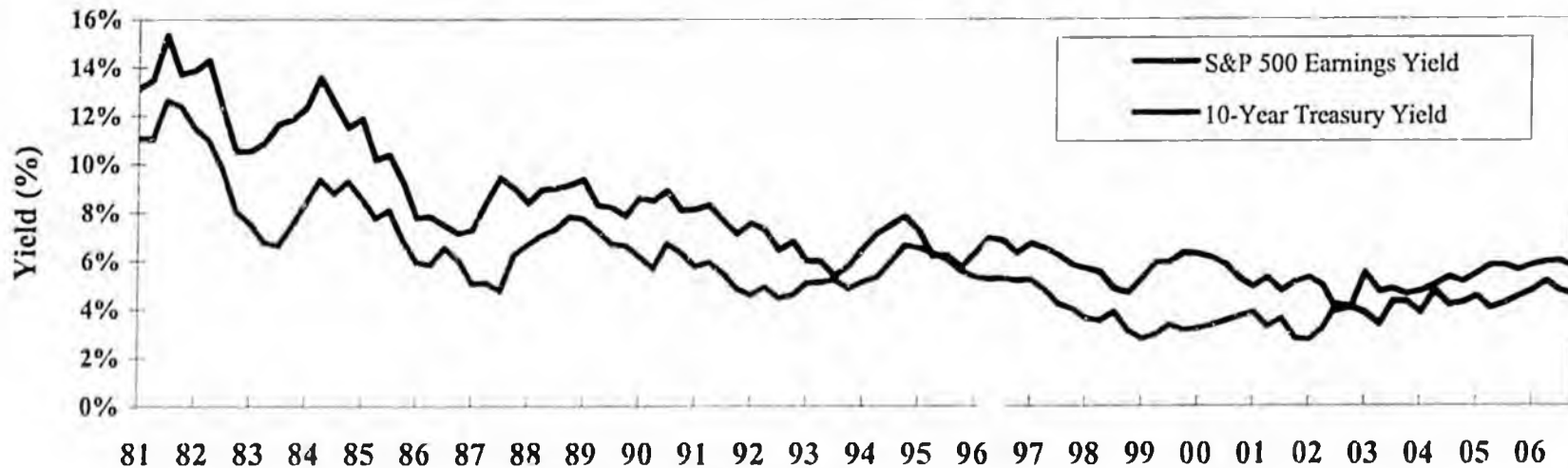
Price to Earnings Ratio for S&P 500 (1954 - 2006)



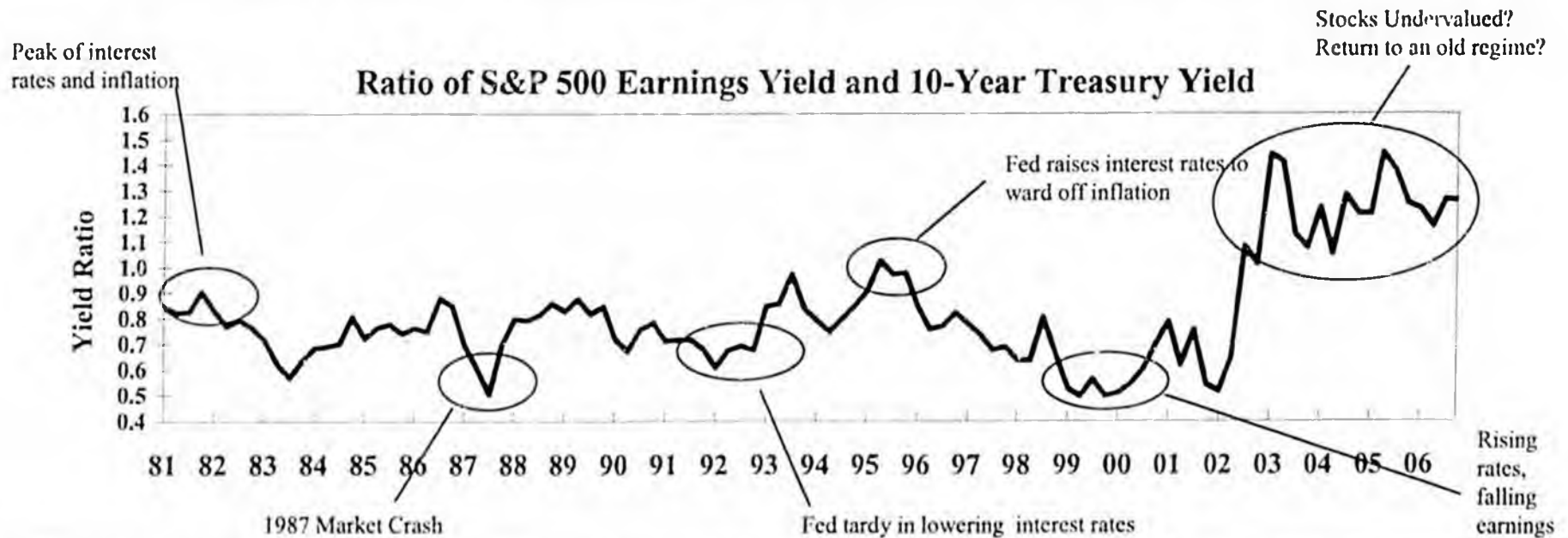
Trailing earnings as reported for the fiscal year; includes negative earnings from 1998 onward.

Domestic Equity vs. Bond Yields

S&P 500 Earnings Yield vs. 10-Year Treasury Yield



Ratio of S&P 500 Earnings Yield and 10-Year Treasury Yield



2007 Capital Market Projections

Asset Class	Index	Projected Annual Return		Projected Standard Deviation (Risk)	Projected Yield	2006 Projections	
		Real	Nominal			Real	Nominal
Equities							
Broad Domestic Equity	Russell 3000	9.00%	6.25%	16.90	2.10	9.00%	16.90
Large Cap	S&P 500	8.85%	6.10%	16.40	2.20	8.85%	16.40
Small/Mid Cap	Russell 2500	9.85%	7.10%	22.70	1.20	9.85%	22.70
International Equity	MSCI EAFE	9.20%	6.45%	20.10	2.20	9.20%	20.10
Emerging Markets Equity	MSCI EMF	9.80%	7.05%	32.90	0.00	9.80%	32.90
Fixed Income							
Domestic Fixed	LB Aggregate	5.25%	2.50%	4.50	5.25	5.00%	4.50
Defensive	LB Govt 1-3 Year	4.25%	1.50%	2.30	4.25	4.25%	2.30
TIPS	LB TIPS	4.90%	2.15%	6.00	4.90	4.65%	6.00
High Yield	CSFB High Yield	7.00%	4.25%	11.50	7.00	6.75%	11.40
Non US\$ Fixed	Citi Non-US Govt	5.15%	2.40%	9.60	5.15	4.90%	9.60
Other							
Real Estate	Callan Real Estate	7.60%	4.85%	16.50	6.00	7.60%	16.50
Private Equity	VE Post Venture Cap	12.00%	9.25%	34.00	0.00	12.00%	34.00
Absolute Return	Callan Hedge FoF	6.50%	3.75%	9.70	0.00	6.50%	10.20
Cash Equivalents	90-Day T-Bill	4.00%	1.25%	0.80	4.00	4.00%	0.80
Inflation	CPI-U	2.75%		1.40		2.75%	1.40

Current Policy with 2007 Projections

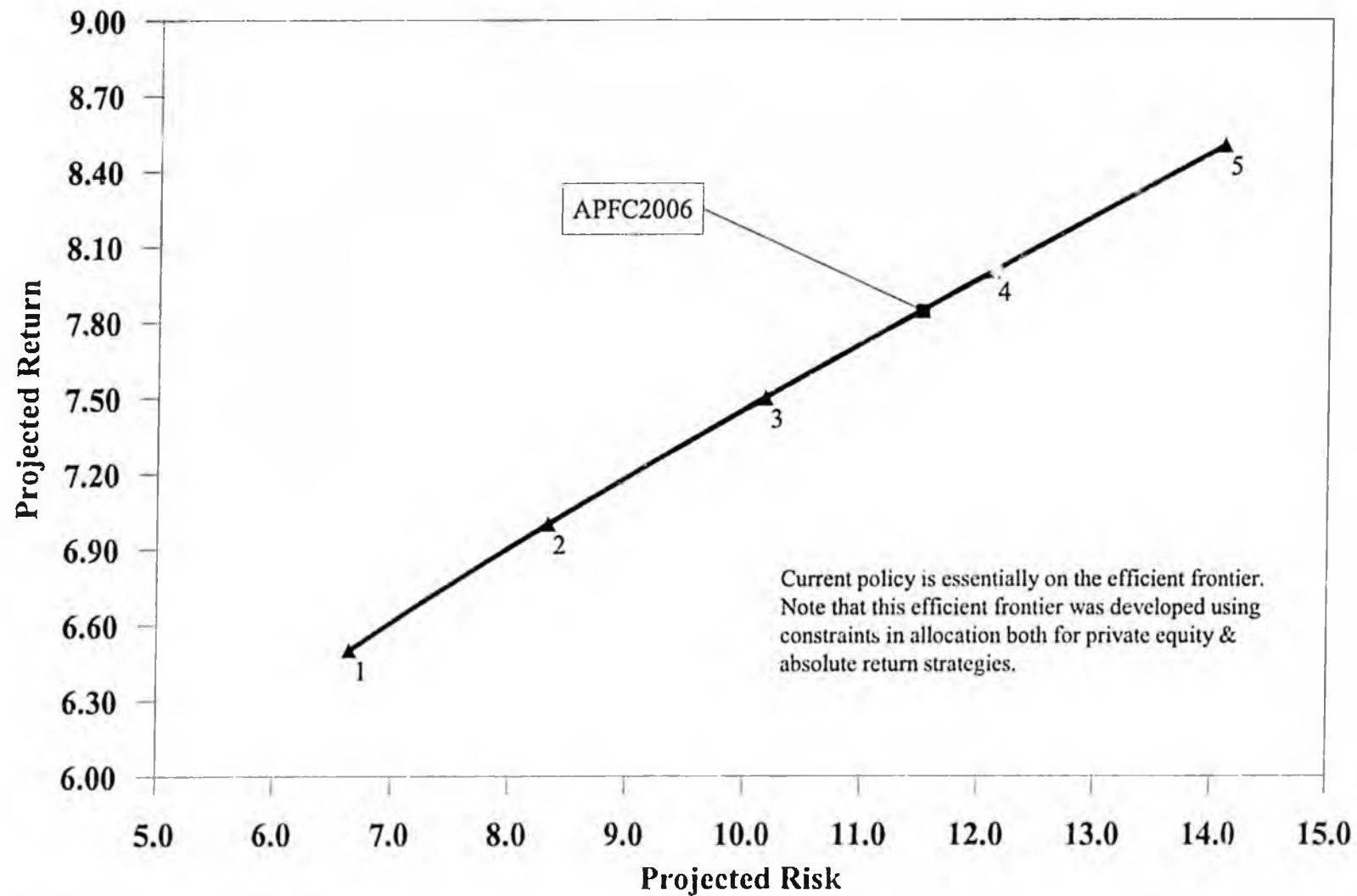
Asset Mix Alternatives Optimization Set: 2007

Portfolio Component	Max	Mix 1	Mix 2	Mix 3	APFC2006	Mix 4	Mix 5
Large Cap	100%	14%	19%	25%	29%	32%	38%
Small/Mid Cap	100%	4%	5%	7%	5%	8%	10%
International Equity	100%	6%	9%	12%	16%	15%	19%
Emerging Markets Equity	100%	1%	1%	2%	3%	2%	3%
Domestic Fixed	100%	59%	48%	36%	25%	24%	12%
Non US Fixed	100%	5%	4%	3%	4%	2%	0%
Real Estate	100%	5%	6%	7%	10%	9%	10%
Absolute Return	4%	4%	4%	4%	4%	4%	4%
Private Equity	4%	2%	4%	4%	4%	4%	4%
Cash Equivalents	100%	0%	0%	0%	0%	0%	0%
Totals		100%	100%	100%	100%	100%	100%
Expected Return		6.50%	7.00%	7.50%	7.84%	8.00%	8.50%
Standard Deviation		6.64%	8.33%	10.16%	11.50%	12.10%	14.09%
Sharpe Ratio		0.38%	0.36%	0.34%	0.33%	0.33%	0.32%

Note that the APFC's implementation of domestic and international equity is accomplished through both global and domestic/international portfolios. The current implementation plan has 14% allocated to global portfolios funded through 7% reductions in both international and domestic large cap.

Efficient Frontier Graph

Efficient Frontier



Alaska Permanent Fund Corporation Fiscal Performance Summary

For fiscal year 2006:

- The Fund returned 11 percent, well ahead of our benchmark of 10.5%.
- For the first time the Fund reached \$31, \$32, \$33, \$34 and \$35 billion in value
- We earned \$3.1 billion on investments, and received an additional \$601 million in mineral revenues.
- And we paid \$689 million in dividends, ending the year with a balance of \$32.9 billion, a gain of almost \$3 billion over FY05.

For the first six months of fiscal 2007:

- The Fund returned 9.6%, and closed on December 31 with an unaudited value of \$36.4 billion.
- Statutory net income as of December 31 was \$1.9 billion. Statutory net income was only \$257 million for FY02, the year that falls out of the five-year average, so we expect dividends will be higher this fall.
- Performance since December was trending upward, and the Permanent Fund closed \$40 million short of \$38 billion on Monday.
- Most of this strong performance is the result of gains in both US and non-US stocks, and the markets have held on to some of the gains made since December 31.



Official Business

Alaska State Senate

Senate Finance Committee

Mail Stop 3100
State Capitol
Juneau, Alaska 99801-1182

AGENDA

Thursday, March 1, 2007

9:00 a.m.

Alaska Permanent Fund Corporation Presentation

APFC Board of Directors

Joint with House Finance Committee

3/14/07

PERS

DEFINED

BEN. PLAN:

ACCOUNT-

ING

PRESENT.

SFIN

FILE

Public Employees' Retirement System (PERS)

Defined Benefit (DB) Plan

Accounting Issues

Senate Finance
March 14, 2007

Division of Retirement and Benefits
PO Box 110203
Juneau, AK 99811-0203
(907) 465-4460
(800) 821-2251



Why are we here today?

- Concerns about employer level accounting for the PERS DB plan.
- Contribution rates for PERS DB plan not supported by employer level accounting records.
- Set the stage to discuss the proposed solution.

