

ALBANY COUNTY, NEW YORK
2003-2007
2007-2008

11706 HOURS
STATE AFFAIRS



Office of Administrative Hearings (OAH)

- Conduct administrative appeals, evidentiary hearings, dispute resolution and adjudication for
 - Child support services
 - Occupational licensing (*including tobacco enforcement and real estate surety claims*)
 - Permanent Fund Dividend eligibility
 - Other (*taxation, contracts/procurement, permitting, crime victim compensation, benefits programs*)
- All these types of appeals of decisions made by government impact people's families, their businesses, their income





Benefits of Transfer of Appeals Hearing Function

- Operates under the supervision of a chief administrative law judge
- Impartial and highly trained adjudicator to hear cases
- Timely resolution for appellants
- Cost savings: 1 administrative law judge replaces 10 board members
- Decisions of the OAH may still be appealed to Superior Court





*Increasing Contribution
Rates for Existing Public
Employees*





Contribution Rate Setting Process

- Each year, the actuary computes the **Normal Cost Rate** for the next contribution year
- The **Normal Cost Rate** is simply *the percent of payroll required to pay for the benefits expected to be earned by all members during the coming contribution year*
- The process runs two fiscal years in advance – for example, the FY 07 Normal Cost Rate was estimated this month by the state's actuary

	<u>FY 07 Normal Costs</u>	
	PERS	TRS
Medical cost component	8.86%	8.75%
<u>Pension component</u>	<u>11.27%</u>	<u>13.69%</u>
Normal Cost Rate	20.13%	22.44%





Contribution Rate Setting Process

- If our economic, demographic, and financial projections were always correct – the annually reviewed **Normal Cost Rate** would fully fund the retirement system
- Unfortunately, those projections can never be 100% accurate
- If too much was contributed, the system is overfunded; if too little, it is underfunded
- The actuary amortizes the unfunded amount over 25 years and computes a **Past Service Rate**
- The **Past Service Rate** is *the additional percent of payroll required to begin paying off the unfunded liability*





Contribution Rate Setting Process

- Once the **Normal Cost Rate** and the **Past Service Rate** are known, the employer's total contribution rate is calculated as follows:

		<u>FY 07 Contribution Rates</u>	
		PERS	TRS
	Normal Cost Rate	20.13%	22.44%
<i>Less</i>	Employee Contribution*	(6.81)%	(8.68)%
<i>Equals</i>	Employer Normal Cost	13.32%	13.76%
<i>Plus</i>	Past Service Rate	14.87%	28.02%
<i>Total</i>	Employer Contribution	28.19%	41.78%

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.6% for PERS and 8.5% or 9.65% for TRS





Weaknesses of the Process

- The Employee Contribution rate is set in statute, so *any increase in the Normal Cost Rate is borne entirely by the employer*

		FY 07 Contribution Rates	
		PERS	TRS
	Normal Cost Rate	20.13%	22.44%
<i>Less</i>	Employee Contribution*	(6.81)%	(8.68)%
<i>Equals</i>	Employer Normal Cost	13.32%	13.76%
<i>Plus</i>	Past Service Rate	14.87%	28.02%
<i>Total</i>	Employer Contribution	28.19%	41.78%

- These are the actuary's recommended rates....currently, *the PERS and TRS boards may adopt different rates*
- When the boards adopt lower rates, our unfunded liability increases

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.6% for PERS and 8.65% or 9.65% for TRS



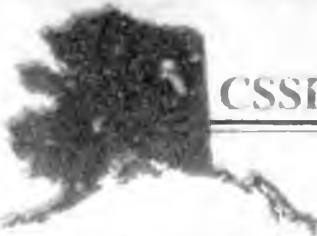


SB 141 Addresses these Weaknesses

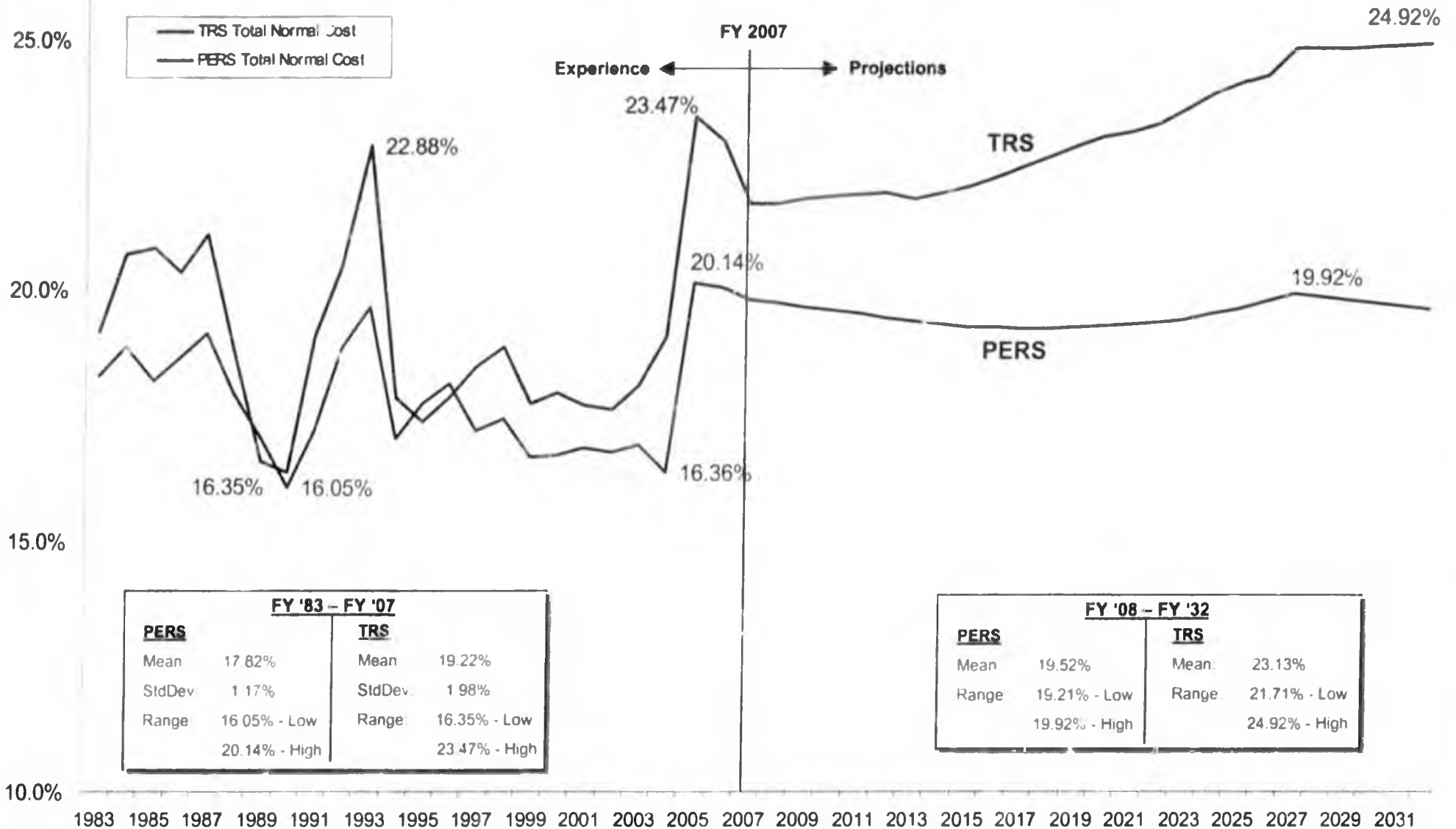
1. Sets the employee's contribution to the greater of:
 - Current statutory rate or
 - $\frac{1}{2}$ of the Normal Cost Rate
 - With the additional provision that the increase may not exceed 0.50% annually

2. Requires the new Alaska Retirement Management Board (ARMB) to adopt a contribution rate that is no less than the actuarially computed Employer Normal Cost Rate





Historical & Projected Total Normal Cost Rate



FY '83 – FY '07			
PERS		TRS	
Mean	17.82%	Mean	19.22%
StdDev	1.17%	StdDev	1.98%
Range	16.05% - Low 20.14% - High	Range	16.35% - Low 23.47% - High

FY '08 – FY '32			
PERS		TRS	
Mean	19.52%	Mean	23.13%
Range	19.21% - Low 19.92% - High	Range	21.71% - Low 24.92% - High





Employers are Paying the Majority of the Normal Cost

FY 07 Normal Cost Rates

	PERS	Share	TRS	Share
Total Normal Cost	20.13%	100%	22.44%	100%
Employee Cost*	6.81%	33.8%	8.68%	38.7%
Employer Cost	13.32%	66.2%	13.76%	61.3%

Currently, increases in the Normal Cost are borne entirely by the employer

* Employee Contribution Rate shown is the average rate for all members of the systems. Actual rates vary by employee class and are 6.75%, 7.5% or 9.6% for PERS and 8.65% or 9.65% for TRS





**Employee Contribution Rates Haven't Increased
Since 1987 in PERS and 1991 in TRS**

Statutory Changes in Employee Contribution Rates

PERS	Before 1/1/87	Since 1/1/87	Since 7/1/99	FY 07 Average
Police/Fire	5.00%	7.50%	7.50%	6.81%
All Others	4.25%	6.75%	6.75%	
School Districts*			9.60%	
TRS		Before 1/1/91	Since 1/1/91	FY 07 Average
Most Members		7.00%	8.00%	8.68%
Supplemental Plan**		8.65%	9.65%	

* Beginning in 7/1/99, school district PERS members can elect the higher 9.6% contribution rate and receive a full year of service credit for 9 months vs. contributing 6.75% for 12 months

** TRS Members who joined the system before 7/1/82 and elected to participate in the supplemental contributions provision are required to contribute an additional 1% of their salaries





Constitution of the State of Alaska

Article XII – Section 7

Retirement Systems. *Membership in employee retirement systems of the State or its political subdivisions shall constitute a contractual relationship. Accrued benefits of these systems shall not be diminished or impaired.*

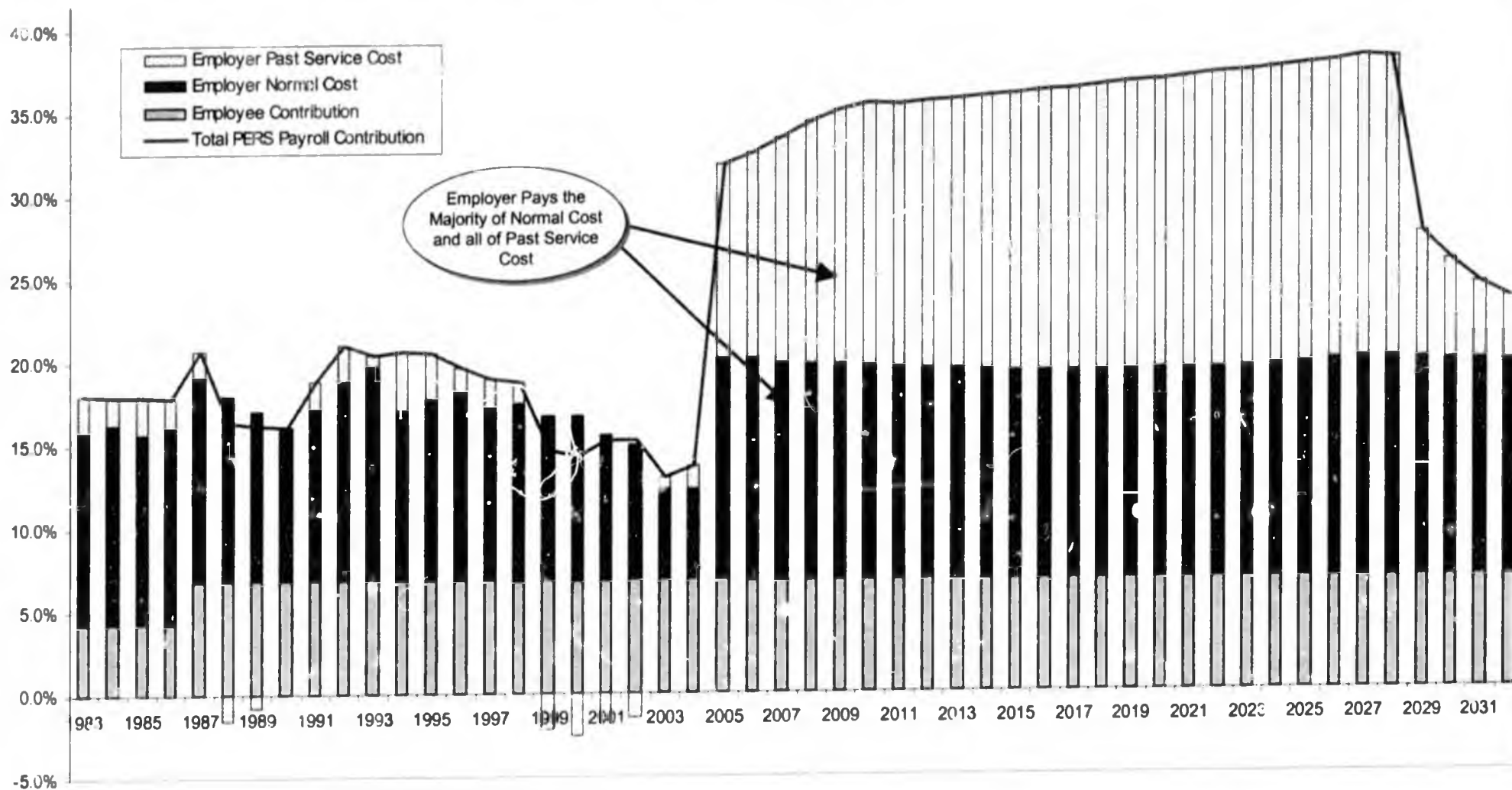
Normal Cost Rate is *the cost of benefits expected to be earned during the coming contribution year*

- We contend that employee contributions applied towards the **Normal Cost Rate** are not part of the accrued benefit to which members are entitled
- An accrued benefit is one that has already been earned – not one that has yet to be earned
- Benefit rights accrue as they are earned – year to year
- Employee contributions cannot be changed retroactively to pay for past benefits (Past Service Costs or any unfunded liability), but they can be changed prospectively to pay for future benefits





PERS Payroll Contribution Trend & Forecast



PERS Employee Normal Rate Projections

PERS - Average All Employees								
Rate for FY	Total Normal Cost	Projections at Current Rate			Projections at SB 141 Rate			Increase Over Previous FY
		Employee Normal Cost Rate	Employee Share of Total Normal Cost	Employer Share of Total Normal Cost	50% of Total Normal Cost	SB 141 Employee Rate	Resulting Employee Share	
2006	20.05%	6.81%	34.0%	66.0%	10.03%	7.33%	36.6%	0.50%
2007	19.80%	6.81%	34.4%	65.6%	9.90%	7.83%	39.5%	0.50%
2008	19.73%	6.81%	34.5%	65.5%	9.87%	8.33%	42.2%	0.50%
2009	19.66%	6.81%	34.6%	65.4%	9.83%	8.83%	44.9%	0.50%
2010	19.58%	6.81%	34.8%	65.2%	9.79%	9.33%	47.7%	0.50%
2011	19.52%	6.81%	34.9%	65.1%	9.76%	9.76%	50.0%	0.43%
2012	19.44%	6.81%	35.0%	65.0%	9.72%	9.72%	50.0%	-0.04%
2013	19.38%	6.81%	35.1%	64.9%	9.69%	9.69%	50.0%	-0.03%
2014	19.31%	6.81%	35.3%	64.7%	9.66%	9.66%	50.0%	-0.04%
2015	19.25%	6.81%	35.4%	64.6%	9.63%	9.63%	50.0%	-0.03%
2016	19.26%	6.81%	35.4%	64.6%	9.63%	9.63%	50.0%	0.00%
2017	19.23%	6.81%	35.4%	64.6%	9.62%	9.62%	50.0%	-0.01%
2018	19.21%	6.81%	35.5%	64.5%	9.61%	9.61%	50.0%	-0.01%
2019	19.24%	6.81%	35.4%	64.6%	9.62%	9.62%	50.0%	0.01%
2020	19.27%	6.81%	35.3%	64.7%	9.64%	9.64%	50.0%	0.02%
2021	19.31%	6.81%	35.3%	64.7%	9.66%	9.66%	50.0%	0.02%
2022	19.36%	6.81%	35.2%	64.8%	9.68%	9.68%	50.0%	0.03%
2023	19.42%	6.81%	35.1%	64.9%	9.71%	9.71%	50.0%	0.03%
2024	19.52%	6.81%	34.9%	65.1%	9.76%	9.76%	50.0%	0.05%
2025	19.63%	6.81%	34.7%	65.3%	9.82%	9.82%	50.0%	0.05%
2026	19.76%	6.81%	34.5%	65.5%	9.88%	9.88%	50.0%	0.06%
2027	19.92%	6.81%	34.2%	65.8%	9.96%	9.96%	50.0%	0.08%
2028	19.86%	6.81%	34.3%	65.7%	9.93%	9.93%	50.0%	-0.03%
2029	19.79%	6.81%	34.4%	65.6%	9.90%	9.90%	50.0%	-0.04%
2030	19.73%	6.31%	34.5%	65.5%	9.87%	9.87%	50.0%	-0.03%
2031	19.63%	6.81%	34.6%	65.4%	9.84%	9.84%	50.0%	-0.03%
2032	19.63%	6.81%	34.7%	65.3%	9.82%	9.82%	50.0%	-0.03%

SB 141 Proposes to split the Total Normal Cost 50/50 between Employer and Employee

However, the Employee Rate could never increase by more than 0.50% a year

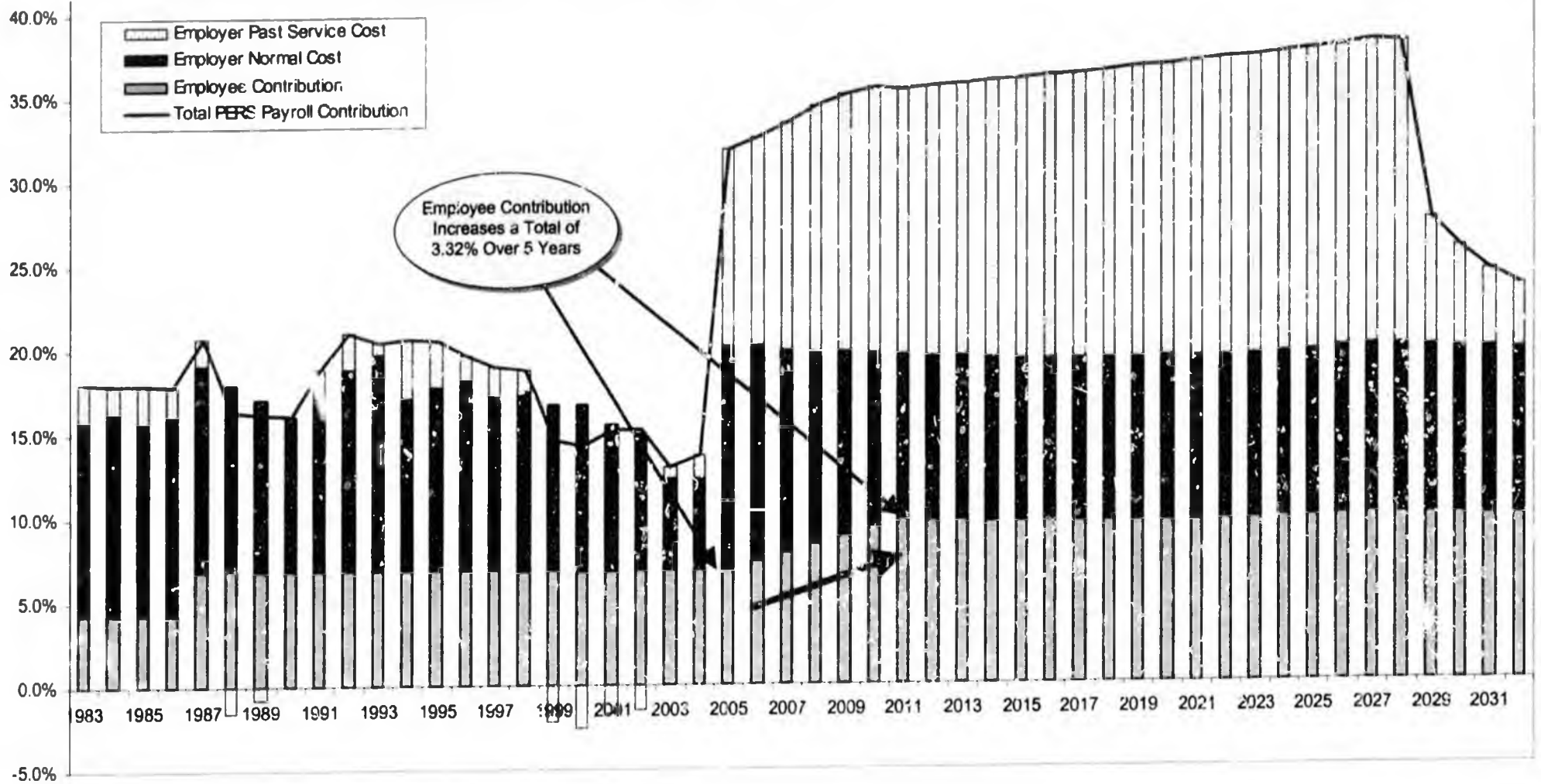
Based on current Mercer projections, it would take 6 years to reach the 50/50 shared rate

If Normal Costs drop in the future, employer and employee rates would drop accordingly





PERS Forecast with SB 141 Language





Effect of Employee Contribution Rate Increases on Average PERS Employee

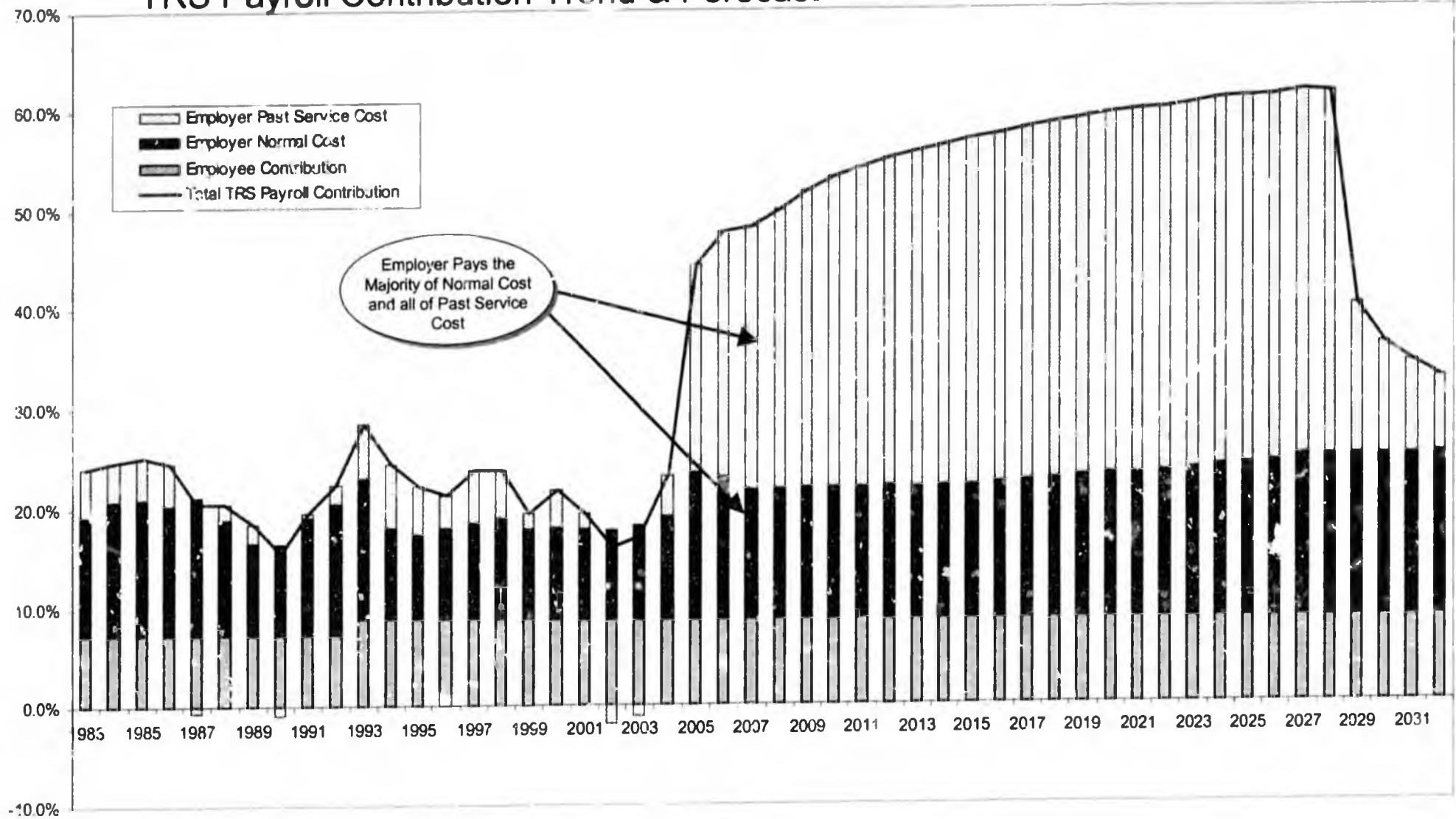
PERS 2004	Annual Earnings	Monthly Earnings	2-Week Pay	Normal Cost 20.13%	50% Normal Cost 10.07%	Current Rate @ 6.75%	SB 141 Proposed Pre-Tax Payroll Deductions (every 2 weeks)						Cumulative Increase	
							FY 06	FY 07	FY 08	FY 09	FY 10	FY 11		FY 12
							7.25%	7.75%	8.25%	8.75%	9.25%	9.75%		10.07%
ASEA GG 1-A Range 5-A	\$ 20,438.00	\$ 1,703.00	\$ 351.50			\$ 57.46	\$ 61.73	\$ 65.98	\$ 70.25	\$ 74.51	\$ 78.76	\$ 83.02	\$ 85.70	
						Yr to Yr Increase	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 4.26	\$ 2.68	\$ 28.23
ASEA GG 1-A Range 10-A	\$ 27,166.00	\$ 2,264.00	\$ 1,132.00			\$ 76.41	\$ 32.07	\$ 87.73	\$ 93.30	\$ 99.05	\$ 104.71	\$ 110.37	\$ 113.94	
						Yr to Yr Increase	\$ 5.63	\$ 5.66	\$ 5.66	\$ 5.66	\$ 5.66	\$ 5.66	\$ 3.57	\$ 37.53
ASEA GG 1-A Range 15-A	\$ 37,260.00	\$ 3,105.00	\$ 1,552.50			\$ 104.79	\$ 112.56	\$ 120.32	\$ 128.08	\$ 135.84	\$ 143.61	\$ 151.37	\$ 156.26	
						Yr to Yr Increase	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 7.76	\$ 4.89	\$ 51.47
ASEA GG 1-A Range 17-A	\$ 42,652.00	\$ 3,571.00	\$ 1,785.50			\$ 120.52	\$ 129.45	\$ 138.38	\$ 147.30	\$ 156.23	\$ 165.16	\$ 174.09	\$ 179.71	
						Yr to Yr Increase	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 8.93	\$ 5.62	\$ 59.16
Average PERS Members	\$ 43,823.00	\$ 3,651.92	\$ 1,825.96			\$ 123.25	\$ 132.58	\$ 141.51	\$ 150.64	\$ 159.77	\$ 168.90	\$ 178.03	\$ 183.78	
						Yr to Yr Increase	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 9.13	\$ 5.73	\$ 60.53
ASEA GG 1-A Range 27-A	\$ 79,320.00	\$ 6,610.00	\$ 3,305.00			\$ 223.09	\$ 239.61	\$ 256.14	\$ 272.66	\$ 289.19	\$ 305.71	\$ 322.24	\$ 332.65	
						Yr to Yr Increase	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 16.53	\$ 10.41	\$ 109.56

Estimate is based on FY 07 Total Normal Cost for PERS "Other" and assumed to be fixed for FY 07 to FY 12





TRS Payroll Contribution Trend & Forecast

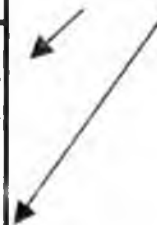




TRS Employee Normal Rate Projections

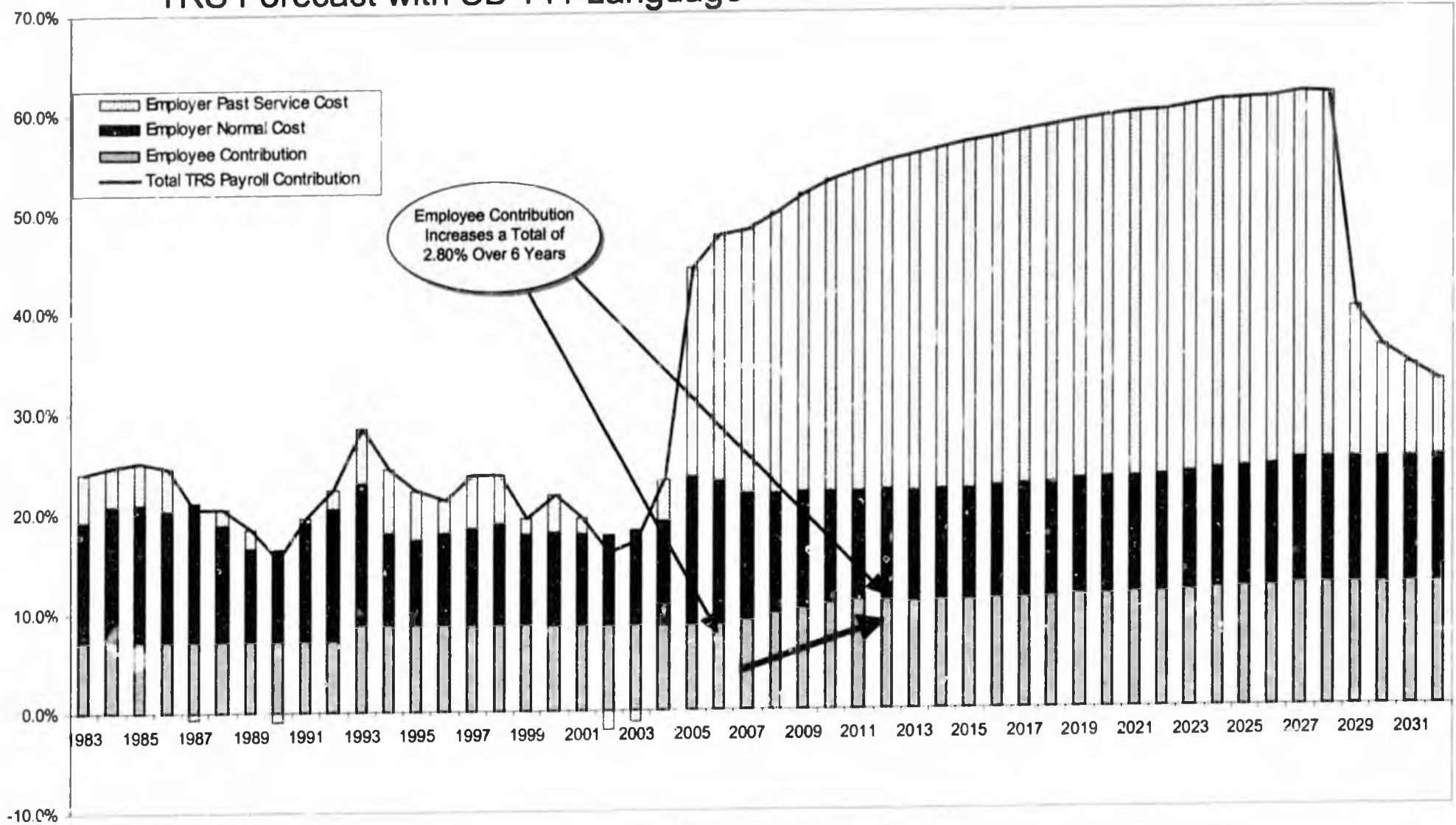
TRIS - Average Rate								
Rate for FY	Total Normal Cost	Projections at Current Rate			Projections at SB 141 Rate			Increase Over Previous FY
		Employee Normal Cost Rate	Employee Share of Total Normal Cost	Employer Share of Total Normal Cost	50% of Total Normal Cost	SB 141 Employee Rate	Resulting Employee Share	
2006	22.97%	8.69%	37.0%	14.28%	11.49%	9.21%	40.1%	0.50%
2007	21.71%	8.69%	40.0%	13.02%	10.86%	9.71%	44.7%	0.50%
2008	21.72%	8.69%	40.0%	13.03%	10.86%	10.21%	47.0%	0.50%
2009	21.81%	8.69%	39.8%	13.12%	10.91%	10.71%	49.1%	0.50%
2010	21.87%	8.69%	39.7%	13.18%	10.94%	10.94%	50.0%	0.22%
2011	21.90%	8.69%	39.7%	13.21%	10.95%	10.95%	50.0%	0.01%
2012	21.93%	8.69%	39.6%	13.24%	10.97%	10.97%	50.0%	0.01%
2013	21.81%	8.69%	39.8%	13.12%	10.91%	10.91%	50.0%	-0.06%
2014	21.94%	8.69%	39.6%	13.25%	10.97%	10.97%	50.0%	0.07%
2015	22.06%	8.69%	39.4%	13.37%	11.03%	11.03%	50.0%	0.06%
2016	22.24%	8.69%	39.1%	13.55%	11.12%	11.12%	50.0%	0.09%
2017	22.44%	8.69%	38.7%	13.75%	11.22%	11.22%	50.0%	0.10%
2018	22.66%	8.69%	38.3%	13.97%	11.33%	11.33%	50.0%	0.11%
2019	22.88%	8.69%	38.0%	14.19%	11.44%	11.44%	50.0%	0.11%
2020	23.05%	8.69%	37.7%	14.36%	11.53%	11.53%	50.0%	0.09%
2021	23.16%	8.69%	37.5%	14.47%	11.58%	11.58%	50.0%	0.05%
2022	23.30%	8.69%	37.3%	14.61%	11.65%	11.65%	50.0%	0.07%
2023	23.60%	8.69%	36.8%	14.91%	11.80%	11.80%	50.0%	0.15%
2024	23.92%	8.69%	36.3%	15.23%	11.96%	11.96%	50.0%	0.16%
2025	24.11%	8.69%	36.0%	15.42%	12.06%	12.06%	50.0%	0.10%
2026	24.27%	8.69%	35.8%	15.58%	12.14%	12.14%	50.0%	0.06%
2027	24.31%	8.69%	35.0%	16.12%	12.41%	12.41%	50.0%	0.27%
2028	24.81%	8.69%	35.0%	16.12%	12.41%	12.41%	50.0%	0.00%
2029	24.82%	8.69%	35.0%	16.13%	12.41%	12.41%	50.0%	0.01%
2030	24.85%	8.69%	35.0%	16.16%	12.43%	12.43%	50.0%	0.01%
2031	24.88%	8.69%	34.9%	16.19%	12.44%	12.44%	50.0%	0.01%
2032	24.92%	8.69%	34.9%	16.23%	12.46%	12.46%	50.0%	0.02%

Based on current Mercer projections, it would take 5 years to reach the 50/50 shared rate in TRS





TRS Forecast with SB 141 Language





Effect of Employee Contribution Rate Increases on Average TRS Employee

TRS 2004	Annual Earnings	Monthly Earnings	2-Week Pay	Normal Cost	50% Normal Cost	Current Rate @	SB 141 Proposed Pre-Tax Payroll Deductions (every 2 weeks)						Cumulative Increase
							FY 06	FY 07	FY 08	FY 09	FY 10	FY 11	
							22.97%	11.49%	8.69%	9.19%	9.69%	10.19%	
ASD Teacher BA Step 1	\$ 35,284.00	\$ 2,940.33	\$ 1,470.17	\$ 127.76	\$ 135.11	\$ 142.46	\$ 149.81	\$ 157.16	\$ 164.51	\$ 168.85			
				Yr to Yr Increase	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 7.35	\$ 4.34	\$ 41.09		
ASD Teacher BA+18 Step 4	\$ 40,251.00	\$ 3,354.25	\$ 1,677.13	\$ 147.74	\$ 154.13	\$ 162.51	\$ 170.90	\$ 179.28	\$ 187.67	\$ 192.62			
				Yr to Yr Increase	\$ 8.39	\$ 8.39	\$ 8.39	\$ 8.39	\$ 8.39	\$ 4.95	\$ 46.88		
ASD Teacher BA+36 Step 9	\$ 47,274.00	\$ 3,939.50	\$ 1,969.75	\$ 171.17	\$ 181.07	\$ 190.87	\$ 200.72	\$ 210.57	\$ 220.42	\$ 226.23			
				Yr to Yr Increase	\$ 9.85	\$ 9.85	\$ 9.85	\$ 9.85	\$ 9.85	\$ 5.81	\$ 55.05		
Average TRS Member	\$ 53,948.00	\$ 4,495.67	\$ 2,247.83	\$ 195.34	\$ 206.58	\$ 217.82	\$ 229.05	\$ 240.29	\$ 251.53	\$ 258.16			
				Yr to Yr Increase	\$ 11.24	\$ 11.24	\$ 11.24	\$ 11.24	\$ 11.24	\$ 6.63	\$ 62.83		
ASD Teacher BA +72 Step 19	\$ 61,319.00	\$ 5,109.92	\$ 2,554.96	\$ 222.03	\$ 234.80	\$ 247.58	\$ 260.35	\$ 273.13	\$ 285.90	\$ 293.44			
				Yr to Yr Increase	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 12.77	\$ 7.54	\$ 71.41		
Rg 4 - Mid Level Principal (216 Days - Step D)	\$ 80,893.00	\$ 6,741.08	\$ 3,370.54	\$ 292.90	\$ 309.75	\$ 326.61	\$ 343.46	\$ 360.31	\$ 377.16	\$ 387.11			
				Yr to Yr Increase	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 16.85	\$ 9.94	\$ 94.21		

Estimate is based on FY 07 Total Normal Cost for TRS and assumed to be fixed for FY 07 to FY 11. Salaries are based on the 2004-05 Anchorage School District salary schedule





Defined Contribution Plan





We considered the Administration's 2004 Tier Committee work during our analysis and in our solutions

Tier Committee Data Reviewed:

- *Tier Alternative Recommendations*
- *Employer survey*
- *Member focus group results*
- *Benchmarking*
- *Benefit levels*
- *Demographic projections*
- *Implications of Medicare changes*
- *Trends, issues and alternatives*
- *Cost analysis and projections*





Defined Benefit Plan

- *Benefit level is fixed*
- *Benefit is based on a formula involving salary, years of service, age, etc.*
- *Benefit is paid for life and to qualified survivors*
- *Future benefit payments are NOT driven by investment performance*

Examples: PERS & TRS

Defined Contribution Plan

- *Contribution level is fixed*
- *Benefit is based on the amount of money invested and earned in employee's account*
- *Benefit is paid until account runs out*
- *Future benefit payments are driven by investment performance*

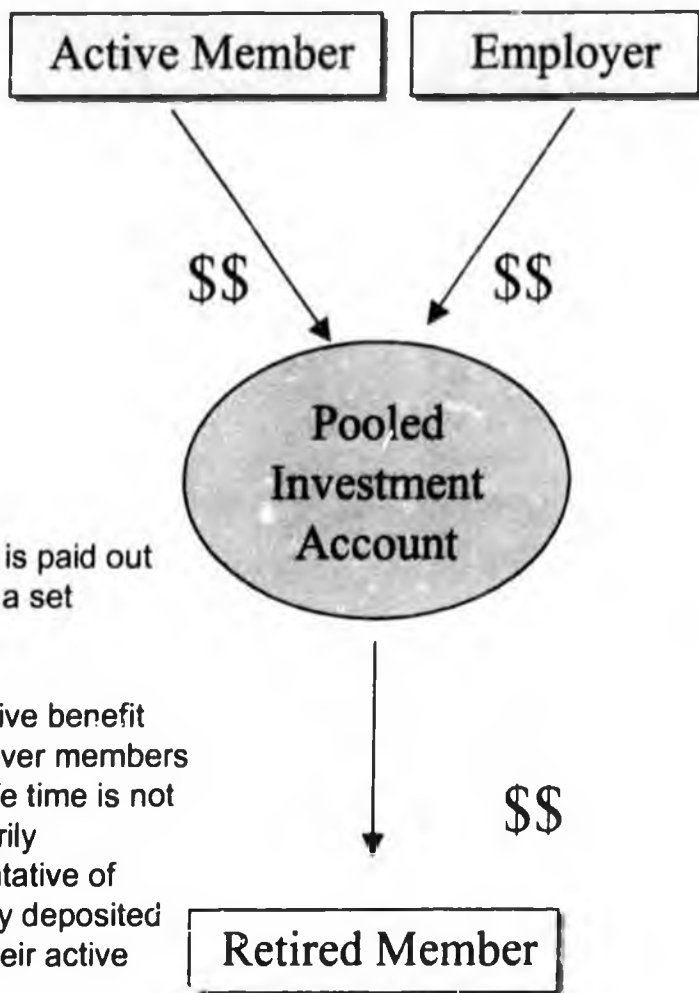
Examples: SBS & Deferred Compensation

Defined Benefit (DB) vs Defined Contribution (DC)





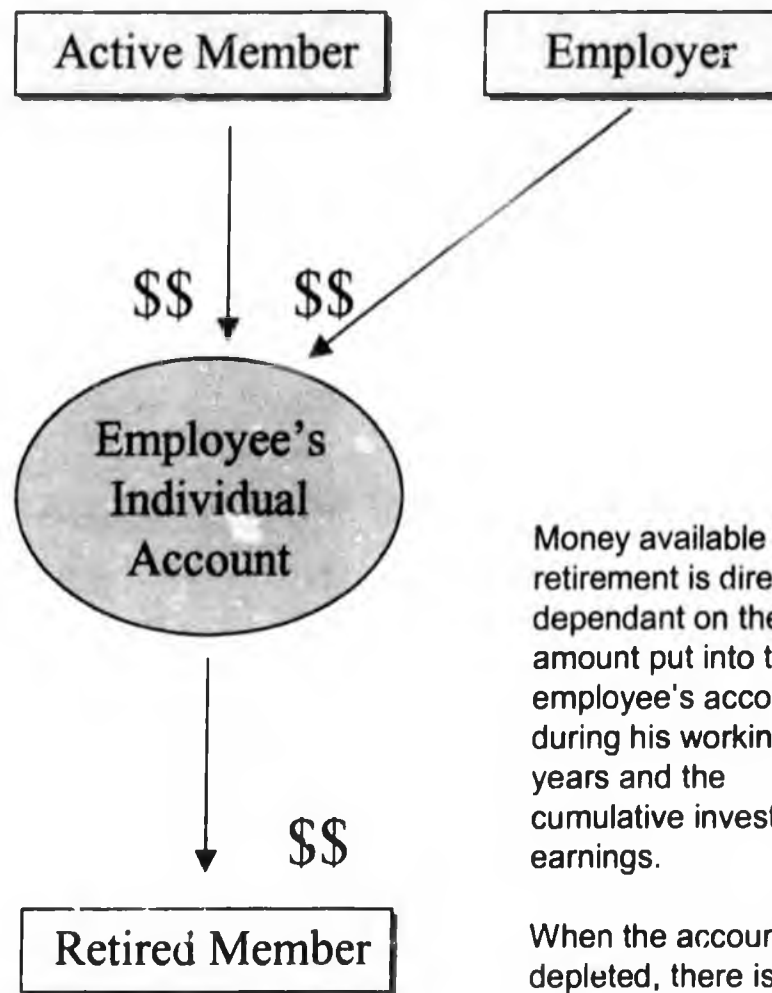
Defined Benefit System



Pension is paid out base on a set formula.

Cumulative benefit payout over members retired life time is not necessarily representative of what they deposited during their active career

Defined Contribution System



Money available for retirement is directly dependant on the amount put into the employee's account during his working years and the cumulative investment earnings.

When the account is depleted, there is no further benefit.





Defined Benefit Plan

Advantages:

- *Pooling of longevity risk*
- *Guaranteed income stream*
- *System favors longer-service employees*

Challenges:

- *Employer bears investment risk*
- *Estimation of Liabilities*
- *Rising health costs*
- *Unpredictable or controllable costs*

Defined Contribution Plan

Advantages:

- *Portability*
- *Self-directed investing*
- *Contribution equity among employees*
- *Predictability*
- *Stable costs*
- *No long-term administrative costs*

Challenges:

- *Workforce management*
- *Employee bears investment risk*
- *Employee education*
- *Accurate retirement planning*

Defined Benefit (DB) vs Defined Contribution (DC)



<p>TRS Tier I 7/1/55 - 6/30/90</p>	<p>TRS Tier II Entered on or after 7/1/90</p>	<p>SB 141 Proposed DC Plan Entered on or after 7/1/2006</p>
<p>Employee Pre-tax Contribution: 8.65% beginning 1/1/91</p>	<p>Employee Pre-tax Contribution: 8.65% beginning 1/1/91</p>	<p>Employee Pre-tax Contribution: 8.0 % beginning 7/1/2005</p>
<p>Members vest with 8 years of service.</p>	<p>Members vest with 8 years of service.</p>	<ul style="list-style-type: none"> • Employee is immediately vested in their own contributions • Employee's gradually vest in employer contributions <ul style="list-style-type: none"> • 25% after two years • 50% after three years • 75% after four years • 100% after five years
<ul style="list-style-type: none"> • Normal retirement age is 55 • Early retirement at age 50 • Teachers can retire at any age after 20 years of membership service. 	<ul style="list-style-type: none"> • Normal retirement age is 60 • Early retirement at age 55 • Teachers can retire at any age after 20 years 	<ul style="list-style-type: none"> • Retirement Savings: Employee can terminate at any age and take vested account balance with them, leave it in the plan or rollover to another qualified plan. • Medical Benefits: Member is eligible for benefits if <ul style="list-style-type: none"> • 65 years of age and at least 10 years of service; or • 30 years of service
<ul style="list-style-type: none"> • 2% defined benefits formula for the first 20 years and all years of service prior to July 1, 1990 • 2.3% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 2% defined benefit formula for the first 20 years • 2.5% thereafter. Benefit calculation is determined on the average of the high three contract salaries. 	<ul style="list-style-type: none"> • 8.25% employer contribution broken out as: <ul style="list-style-type: none"> • 4.25% to employee retirement savings account • 1.75% to retiree medical plan • 2.00% to Health Reimbursement Account
<ul style="list-style-type: none"> • Medical coverage is provided to all benefit recipients and their eligible dependents. 	<ul style="list-style-type: none"> • Medical premiums are paid for all disabled members regardless of age and • Retirees and survivors over age 60 and for retirees with at least 25 years of service including eligible dependents. • Retirees and survivors under age 60, with less than 25 years of membership service must pay the full premium cost if they want coverage. 	<ul style="list-style-type: none"> • Employees must retire directly from the system with a minimum of 10 years of service to be eligible for medical plan and access to HRA • Early retirees get "access" to retiree medical plan but must pay full premium until they reach age of Medicare eligibility • Once reaching Medicare age eligibility, retiree pays only a portion of monthly premium based on years of service <ul style="list-style-type: none"> • 10-14 years = Retiree pays 30% of premium • 15-19 years = Retiree pays 25% of premium • 20-24 years = Retiree pays 20% of premium • 25-29 years = Retiree pays 15% of premium • 30+ years = Retiree pays 10% of premium
<ul style="list-style-type: none"> • Automatic PRPA legislated in 1990 applied to all members regardless of hire date. • COLA is payable to recipients who remain domiciled in Alaska after retirement. COLA is 10% of the base benefit. 	<ul style="list-style-type: none"> • Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 8 years. • COLA is payable to recipients: 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. COLA is 10% of base benefit. 	<p>None</p>



<p>PRRS Tier I 1/1/83 - 6/30/86</p>	<p>PRRS Tier II Started on or after 7/1/86</p>	<p>PRRS Tier III Started on or after 7/1/96</p>	<p>SB 141 Proposed DCFA Entered on or after 7/1/2005</p>
<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 6.75% beginning 1/1/87—all others 7.5% beginning 1/1/87—police and fire 9.6% beginning 7/1/99—school district</p>	<p>Employee Pre-tax Contribution: 8.0% beginning 7/1/2005</p>
<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>	<p>Members vest with 5 years of service.</p>	<ul style="list-style-type: none"> Employee is immediately vested in their own contributions Employee's gradually vest in employer contributions <ul style="list-style-type: none"> 25% after two years 50% after three years 75% after four years 100% after five years
<ul style="list-style-type: none"> Normal retirement age is 55 Early retirement age is 50 Police/fire members can retire at any age after 20 years of police/fire service All other members can retire at any age after 30 years of membership service. 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Normal retirement age is 60 Early retirement at age 55 Police/fire members can retire at any age after 20 years of police/fire service "All other" members can retire at any age after 30 years of membership service 	<ul style="list-style-type: none"> Retirement Savings: Employee can terminate at any age and take vested account balance with them, leave it in the plan or rollover to another qualified plan. Medical Benefits: Member is eligible for benefits if <ul style="list-style-type: none"> 65 years of age and at least 10 years of service; or 25 years of service police/fire fighters 30 years of service all others
<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years and all years of service prior to July 1, 1986 2.25% for the next 10 years; 2.5% per year thereafter (average of the high three consecutive years' salary). Police/Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10. 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter. Benefit calculation is determined on the average of the high three consecutive years' salary. Police/Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10. 	<ul style="list-style-type: none"> 2% defined benefit formula for first 10 years 2.25% for the next 10 years, and 2.5% per year thereafter (benefit calculation is average of the high five consecutive years' salary). Police/Fire - 2% benefit formula for first 10 years and 2.5% for all years after 10 (benefit calculation is three consecutive years regardless of tier (effective 2002)). 	<ul style="list-style-type: none"> 8.25% employer contribution broken out as: <ul style="list-style-type: none"> 4.25% to employee retirement savings account 1.75% to retiree medical plan 2.00% to Health Reimbursement Account
<p>Medical coverage is provided to all benefit recipients and their eligible dependents. The retiree medical plan premium is paid by the retirement system.</p>	<p>Medical coverage is provided to disabled members, regardless of age and benefit recipients over age 60 or</p> <ul style="list-style-type: none"> police/fire members with 25 years of police/fire service all other members with 30 years of membership service <p>and their eligible dependents. The retirement system pays the retiree medical plan premium. Retirees and survivors under age 60 must pay the full premium cost if they want coverage.</p>	<p>Medical same as Tier II.</p> <ul style="list-style-type: none"> Except, employees must accrue a minimum of 10 years of credited service*, to have system-paid coverage at age 60. Employees with less than 10 years must pay the full premiums as long as they wish to continue medical coverage. 	<ul style="list-style-type: none"> Employees must retire directly from the system with a minimum of 10 years of service to be eligible for medical plan and access to HRA Early retirees get "access" to retiree medical plan but must pay full premium until they reach age of Medicare eligibility Once reaching Medicare age eligibility, retiree pays only a portion of monthly premium based on years of service <ul style="list-style-type: none"> 10-14 years = Retiree pays 30% of premium 15-19 years = Retiree pays 25% of premium 20-24 years = Retiree pays 20% of premium 25-29 years = Retiree pays 15% of premium 30+ years = Retiree pays 10% of premium
<ul style="list-style-type: none"> The automatic PRPA legislated in 1986 applied to all members regardless of hire date. COLA of 10% of base benefit is payable to benefit recipients who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. COLA of 10% of base benefit is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. 	<ul style="list-style-type: none"> Automatic PRPA adjustments to disabled members, retirees 60 and over, and those who have received benefits for 5 years. COLA is payable to benefit recipients 65 or older or disability benefit recipients regardless of age who remain domiciled in Alaska after retirement. The allowance is \$50 or 10% of the base benefit, whichever is greater. 	<p>None</p>





FY 06 Normal Cost Comparisons – TRS Tier II & PERS Tier III vs. Proposed DC Plan*

FY 06 Normal Cost Rates

	TRS II	PERS III	DC Plan
Medical normal cost rate	7.93%	7.23%	1.75%
Defined contribution rate	12.43%	10.32%	12.50%
HRA contribution rate	0.0%	0.0%	2.00%
Gross normal cost rate	20.36%	17.55%	16.25%
Member contribution rate	(8.65)%	(6.81)%	(8.00)%
Employer normal cost rate	12.71%	10.74%	8.25%

* See Appendix H for FY06 Normal Cost Comparisons for All Tiers and Appendix I for FY07 Normal Cost Comparisons for All Tiers





Factors that drive the contribution rate discussion

- Investment Return Assumptions
- Cost/Benefit Balance for the Employer
- Total Acceptable Normal Cost
- Keeping Competitive in Northwest Region





*Medical Benefits for New
Employees*





What are the medical benefits?

- Access to the retiree major medical plan and the health reimbursement arrangement (HRA)
- “Access” to the major medical plan means a person may not be denied coverage except for failure to pay the required premium
- Participation in the retiree major medical insurance plan is not required to participate in HRA
- Member must make irrevocable decision of coverage by age 70 ½ or termination of employment, whichever is later





Who is eligible for retiree medical benefits?

- A member is eligible for medical benefits after they meet the requisite age and/or service requirements:
 - Age 65 with 10 years of service; or
 - 25 years of service for peace officers/firefighters;
 - 30 years of service for all others
- Coverage includes the member, member's spouse, and member's dependent children
- Coverage includes the surviving spouse and children of the eligible member who are dependent on the surviving spouse





What are the medical contributions?

Health Trust Fund

- Employer pays 1.75% of employee compensation
 - Tier Committee initiative projected employer medical normal costs at 3.75% for TRS and 3.50% for PERS
 - Eliminating employee subsidy between ages 60 and 65 reduces these rates to 1.50% for TRS and 1.40% for PERS

Health Reimbursement Arrangement

- Employer pays 2.00% of average employer group compensation into an employee's HRA





Major medical plan premiums

- “Early retirees” are members and surviving spouses who meet the service requirements for eligibility but are not eligible for Medicare

‣ Pays one of the full monthly group premiums for coverage
(*retiree only, retiree+spouse, retiree+family, retiree+children*)

- Medicare eligible (currently age 65) members and surviving spouses pay a portion based on the member’s years of service

‣30% for 10-14 years
‣25% for 15-19 years
‣20% for 20-24 years
‣15% for 25-29 years
‣10% for 30+ years





Rationale for cost sharing only after Medicare

- 75% of the costs associated with the current AlaskaCare plan occur between the time a member retires and the date they become Medicare eligible
- Alaska has an early retirement age compared to most states
- 25 states have a normal retirement age of 65, including
 - Arizona, Idaho, Nevada, and Washington



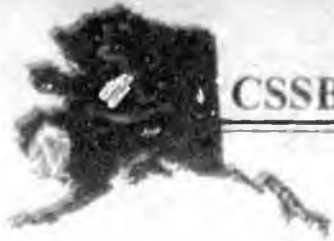


Medical Cost Comparisons

- Every 1% of base payroll = \$21.6 million

Employer Group	Total FY 06 Estimated Base Payroll	Medical Normal Cost Rates		
		Current DB Plans	Tier Redesign Initiative	SB 141
PERS	\$1,587,594,875	8.68%	3.50%	1.40%
TRS	\$573,410,095	9.07%	3.75%	1.50%
PERS	Medical Cost in Dollars	\$137,803,235	\$55,565,821	\$22,226,328
TRS		\$52,008,296	\$21,502,879	\$8,601,151
Total Annual Medical		\$189,311,531	\$77,068,699	\$30,827,480
Total Payroll	\$2,161,004,970	Savings	\$112,742,832	\$158,984,051





Example: Medical premium costs

- FY 2004 Medicare projected claim cost: \$2,667
- Employer contribution % based on length of service of the member

Member's Years of Service	Annual Employee Contribution		Annual Employer Contribution	
10-14	30%	\$800	\$1,867	70%
15-19	25%	\$667	\$2,000	75%
20-24	20%	\$533	\$2,134	80%
25-29	15%	\$400	\$2,267	85%
30+	10%	\$267	\$2,400	90%





*Health Reimbursement
Arrangement (HRA)*





What is a Health Reimbursement Arrangement?

- Reimburses employees for qualified medical expenses during retirement years
- Intended as a supplement for medical expenses or a bridge between “early” retirement and Medicare
- Employer paid group (or pooled) fund
- Funds accumulate over working lifetime of employee
- Tax-free earnings and tax-free withdrawals
- Employer-determined flexible plan design (*contributions, covered expenses, termination provisions*)





SB 141 HRA Plan Design

- Employer contributes 2% of the average employer group compensation
- Annual payment on behalf of each active employee into group fund
- Contributions recorded to individual account balances (also tracked by employer)
- Fund managed by Alaska Retirement Management Board (ARMB)
- Interest credited annually to individual accounts, rate determined by ARMB





SB 141 HRA Plan Design

- Total Reimbursements limited to member's individual account balance until exhausted
- Terminated employees forfeit rights to HRA unless
 - The person returns to work for an employer in the system within 5 years
 - Account balance restored as of date of termination (accrues no additional interest)
- Employer may use forfeited funds as credits towards future HRA contributions





Who is eligible to draw HRA reimbursements?

- A member is eligible after they meet the requisite age and/or service requirements:
 - Age 65 with 10 years of service; or
 - 25 years of service for peace officers/firefighters;
 - 30 years of service for all others
- Surviving spouse of an eligible member
- Dependent children of an eligible member if both the member and surviving spouse have died





What costs are eligible for reimbursement?

- Premiums for a major medical plan (participation in State's retiree medical plan is not required)
- Qualified medical expenses under 26 U.S.C 213(d)
 - An eligible member
 - Member's spouse and
 - Dependent children





Projected HRA account balance

- HRA is a retention tool as it clearly favors longevity

Interest: 8.25%		Projected HRA Account Balances				
Fiscal Year	Years of Service	SB 141				
		1% no cap	1.5% no cap	2.0% no cap	2.5% no cap	3.5% no cap
2016	10	\$6,611	\$9,917	\$13,223	\$16,528	\$23,140
2021	15	\$13,535	\$20,303	\$27,071	\$33,838	\$47,374
2026	20	\$24,631	\$36,946	\$48,281	\$61,577	\$86,207
2031	25	\$42,100	\$63,150	\$84,200	\$105,250	\$147,350
2036	30	\$69,256	\$103,834	\$138,513	\$173,141	\$242,387

Interest: 6.00%		Projected HRA Account Balances				
Fiscal Year	Years of Service	SB 141				
		1% no cap	1.5% no cap	2.0% no cap	2.5% no cap	3.5% no cap
2016	10	\$5,928	\$8,893	\$11,857	\$14,821	\$20,749
2021	15	\$11,446	\$17,169	\$22,893	\$28,616	\$40,062
2026	20	\$19,592	\$29,387	\$39,183	\$43,979	\$68,571
2031	25	\$31,418	\$47,127	\$62,835	\$78,544	\$109,962
2036	30	\$48,370	\$72,555	\$98,741	\$120,926	\$169,298

Other assumptions: FY 2006, beginning salary \$35,000
 Salary inflation 5.5% first 5 years; 4% thereafter
 Projected Anchorage CPI (1.8017% to 4.8859%)





Spend down scenarios

HFA Contributions:
2.0%, no cap

- Example: Age 65, 20 yrs service, 2% contribution

Beginning balance from table on Slide 7

Age	Years Retired	Beginning Annual Balance	Annual Health Premium	Annual Deductibles	Annual Interest Credited	Year End Balance
65	0	\$ 46,251	\$ 4,029	\$ 500	\$ 1,789	\$ 46,522
66	1	\$ 46,522	\$ 4,230	\$ 500	\$ 1,672	\$ 43,463
67	2	\$ 43,463	\$ 4,442	\$ 500	\$ 1,541	\$ 40,062
68	3	\$ 40,062	\$ 4,664	\$ 500	\$ 1,396	\$ 36,294
69	4	\$ 36,294	\$ 4,897	\$ 500	\$ 1,236	\$ 32,132
70	5	\$ 32,132	\$ 5,142	\$ 500	\$ 1,060	\$ 27,550
71	6	\$ 27,550	\$ 5,399	\$ 500	\$ 866	\$ 22,517
72	7	\$ 22,517	\$ 5,669	\$ 500	\$ 654	\$ 17,001
73	8	\$ 17,001	\$ 5,953	\$ 500	\$ 422	\$ 10,971
74	9	\$ 10,971	\$ 6,250	\$ 500	\$ 169	\$ 4,389
75	10	\$ 4,389	\$ 6,563	\$ 500	\$ (107)	\$ (2,780)

* Life expectancy:
 Males=16.3 yrs
 Females = 17.9 yrs

*Source: National Vital Statistics Reports, Vol.51, No. 3, December 19,2002, p. 29. The tables used are for all races based on year 2000 data.





*Option for Existing
Employees to Convert to
New DC Plan*





Eligibility for members to convert from the DB plan to the DC plan

- An employer must first choose to allow their DB plan employees to transfer into the DC plan.
- Only unvested members of the DB plan will be eligible to transfer into the DC Plan
 - PERS members with less than 10 years of service
 - TRS members with less than 8 years of service
- Participation in the defined contribution retirement plan is in lieu of participation in the defined benefits plan.
- There is no option to return to the DB plan if you opt into the DC plan.





Mechanics of Conversion

- Present value of the *member* contribution account balance held in DB trust will be transferred to a new account.
- A 100% matching employer contribution will be made on behalf of the employee to the new account; however, this must be *new* money.
- Service credit earned under the DB plan will be credited for purposes of vesting in medical benefits.





Potential Cost to Employers

Service Years	PERS	Tier 1	Tier 2	Tier 3	Total System
< 5	\$	9,910,842	18,931,859	101,423,157	130,265,858
5 to < 10		55,804,740	128,224,601	96,023,581	280,052,923
10 to < 15		79,577,922	216,672,102	99,905	296,349,928
15 to < 20		166,029,809	119,618,440	0	285,648,249
20 to < 25		246,455,352	1,033,437	0	247,488,789
25 and >		141,721,266	123,906	0	141,845,172
Totals	\$	699,499,932	484,604,344	197,546,643	1,381,650,918

TRs	Tier 1	Tier 2	Total System	
< 8	\$	9,622,483	92,841,386	102,463,869
8 to < 10		11,597,202	41,796,620	53,393,822
10 to < 15		35,530,560	106,276,667	141,807,626
15 to < 20		136,923,592	6,547,816	143,471,408
20 and >		221,422,095	0	221,422,095
Totals	\$	415,096,333	247,462,488	662,558,821

Grand Total By Tier \$ 1,114,596,264 732,066,832 197,546,643 2,044,209,739

Limit Conversion Option to: 0 290,288,124





Example of retirement lifetime benefits under DB plan

- PERS "Other" member, Tier III
- Beginning salary \$35,000
- Member Contribution rate = 6.75%
- Semi-annual interest = 4.25%

- Works 30 years
- Normal Retirement at age 60
- Male Life Expectancy = 19.9 years

30 Years of Member Contributions and Interest	\$ 209,269	13.38%
Average Highest Consecutive 5 years	\$ 68,750	
Benefit Formula = (2% x 10 yrs) + (2.25% x 10 yrs) + (2.5% x 10 yrs)	67.5%	
Annual Benefit	\$ 46,406.25	
Annual Benefit x Life Expectancy =	\$ 923,484	
Lifetime Medical Premiums	\$ 315,949	
Total Employer Benefits Payments	\$ 1,563,859	86.62%

Corrected April 8, 2005





Refunded Accounts





Refunded Accounts By System

PERS	Tier 1	
	>5	5,251
	3-5	5,292
	<3	31,179
	Tier 2	14,999
	Tier 3	7,667
Total		64,388
TRS	Tier 1	
	>8	388
	6-8	360
	<6	10,008
	Tier 2	2,534
Total		13,299
PERS/TRS Total		77,687

All these members refunded their contributions when they left state service.

However, they can come back, set up their indebtedness, pay off the indebtedness, serve until vested and then get a benefit from the system.

5,639 members are already vested.

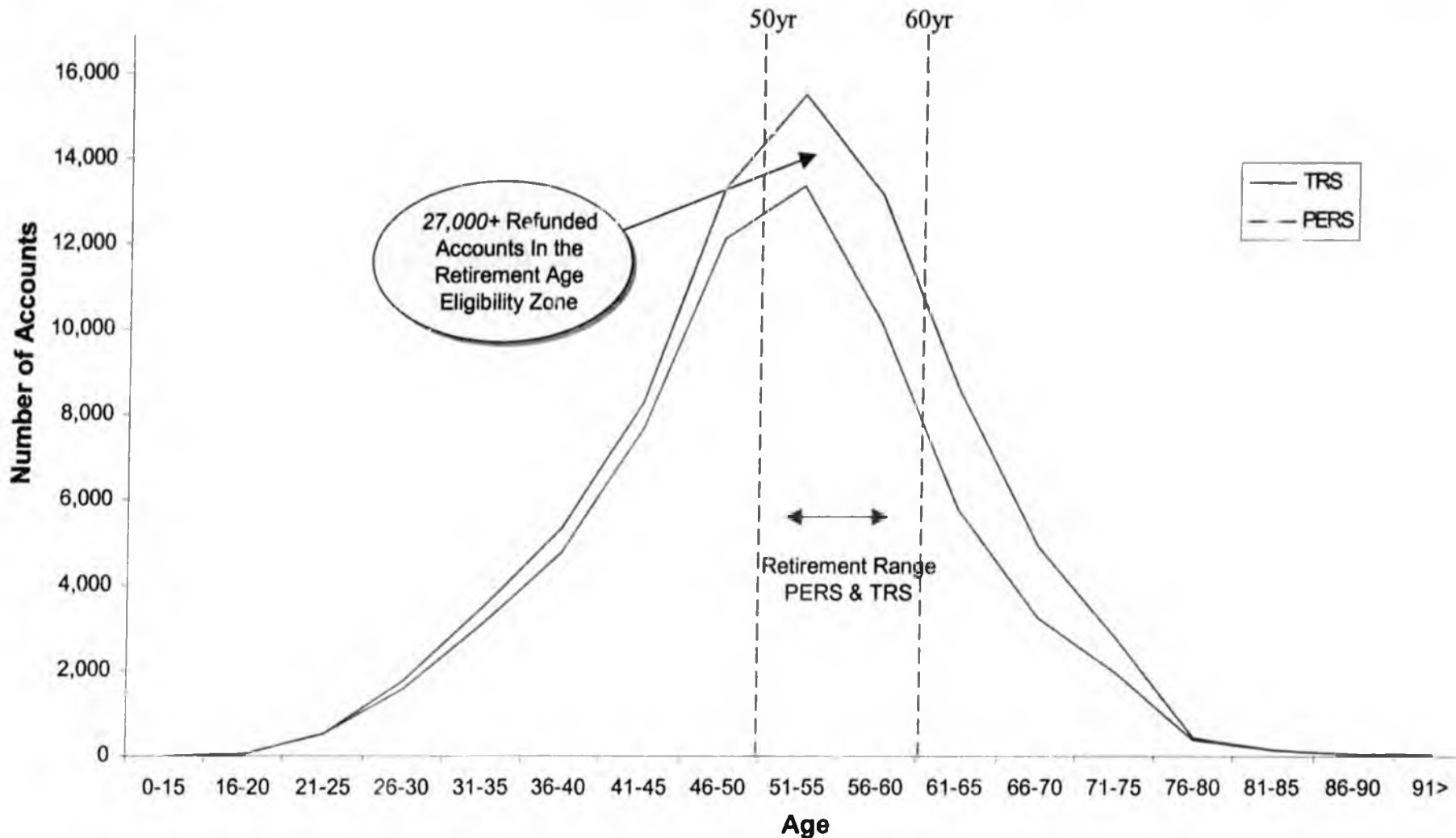
They can be rehired, pay their indebtedness, leave immediately and have 100% system paid medical at retirement.

Refunded Accounts Represent a Looming Liability for the System





Age Distribution of PERS & TRS Refunded Accounts



Refunded Accounts Represent a Looming Liability for the System





CSSB 141 (FIN) Solution

- AS 14.25.062 and AS 39.35.350
- Repeals the provision for letting people repay their indebtedness to the state – effective June 30, 2010
- This provides for a 5 year window for members to reinstate their accounts and begin paying the indebtedness





*Post Pension Retirement
Adjustments (PRPA)*





Current Retirement Pension Adjustments

1. COLA – The greater of 10% or \$50 increase in base benefit amount paid to retirees 65 years of age or older living in Alaska

2. Post Pension Retirement Adjustment (PRPA) AS14.25.143 & AS39.45.475
 - Automatic – annual increase given to eligible retirees based a percentage of the year to year change in Anchorage CPI - 50% pre-65, 75% post-65

 - Discretionary (“Ad Hoc”) - **All Tier 1 retirees are eligible.** Awarded *“when the administrator determines that the cost of living has increased and that the financial condition of the retirement fund permits”*

Established in 1966 – repealed on 7/1/86 PERS and 7/1/90 TRS – but still applicable to Tier 1 members





PRPA ELIGIBILITY AND CALCULATION			
	PRPA Issued	Eligibility Requirements	Calculation
Ad Hoc	July 1st of every year. Members must meet eligibility requirements as of July 1st.	Must be a Tier I PERS or TRS member. (Appx 24,500) Must be a change in the Consumer Price Index (CPI) from date of retirement to date of PRPA issuance.	3 Step calculation: 1) Determine the % difference in the current CPI% less the CPI% at retirement. Multiply the base benefit by this percentage. 2) Determine the 4% compounded rate for each month the member has been on retirement. Multiply the base benefit times this percentage. Subtract any prior PRPAs received. 3) The Ad Hoc amount granted is the lesser of the results of steps 1 and 2.
Automatic	July 1st of every year. Members must meet eligibility requirements as of July 1st.	1) Must be age 60, or 2) have been receiving retirement benefits for 5 yrs (PERS), 8 yrs (TRS), or 3) be receiving disability benefits.	If member meets minimum age or service eligibility, receives 50% of the % change in CPI applied to the base benefit plus any prior PRPAs granted. Disability recipients and members who are age 65 receive 75% of the % of change in CPI.

AdHoc PRPA's Have a Huge Effect on Future Liabilities





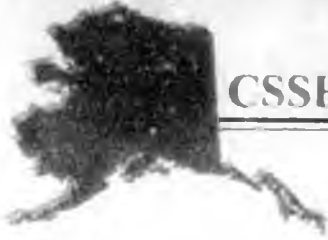
Ad hoc and Automatic PRPA Example

Tier I Retiree Retired 1/1/97 Age 50									Tier II Retiree Retired 1/1/97 Age 55			
Change in CPI	Ad Hoc PRPA % Granted*	Auto PRPA % Granted	PRPA Date	Age	Base Benefit	Ad Hoc PRPA Amt	Auto PRPA Amount	PRPA Type Paid	Age	Base Benefit	Auto PRPA Amt	PRPA % Granted
3.163%	3.000%	1.581%	7/1/1997	50	\$ 2,248.86	NE	NE	Ad hoc	55	\$ 2,248.86	NE	NE
1.045%	4.000%	0.522%	7/1/1998	51	\$ 2,248.86	\$ 15.60	NE	Ad hoc	56	\$ 2,248.86	NE	NE
1.103%	4.000%	0.551%	7/1/1999	52	\$ 2,248.86	\$ 25.00	NE	Ad hoc	57	\$ 2,248.86	NE	NE
0.954%	4.000%	0.477%	7/1/2000	53	\$ 2,248.86	\$ 21.86	NE	Ad hoc	58	\$ 2,248.86	NE	NE
2.837%	4.000%	1.418%	7/1/2001	54	\$ 2,248.86	\$ 65.58	NE	Ad hoc	59	\$ 2,248.86	NE	NE
3.022%	3.000%	1.511%	7/1/2002	55	\$ 2,248.86	\$ 71.82	\$ 37.00	Ad hoc	60	\$ 2,248.86	\$ 37.00	1.645%
1.849%	None	0.924%	7/1/2003	56	\$ 2,248.86	\$ -	\$ 22.63	Auto	61	\$ 2,248.86	\$ 22.63	1.006%
3.193%	None	1.596%	7/1/2004	57	\$ 2,248.86	\$ -	\$ 39.08	Auto	62	\$ 2,248.86	\$ 39.08	1.738%
Total PRPA Granted:								\$261.57	Total PRPA Granted		\$ 98.71	\$98.71

*Note: The 4% is the maximum any member can receive. No ad hoc PRPA granted can cause the total accrued PRPAs to exceed the total change in CPI from the member's retirement date to the date the PRPA was granted

NE = Non Eligible





PRPA Awarding History					
PRPA Date	Monthly Benefit Increase			Total 12 Month Cash Increase	Resulting Actuarial Loss
	PERS	TRS	Total		
1995	Paid in '97	Paid in '97	NA		
1996	Paid in '97	Paid in '97	NA		
1997	\$ 2,289,639	\$ 2,877,374	\$ 5,167,013		
1998	\$ 171,502	\$ 149,500	\$ 321,002	\$ 3,852,024	\$ 57,158,000
1999	\$ 163,715	\$ 147,366	\$ 311,081	\$ 3,732,972	\$ 11,765,000
2000	\$ 158,034	\$ 133,226	\$ 291,260	\$ 3,495,120	\$ 17,905,000
2001	\$ 508,787	\$ 445,192	\$ 953,979	\$ 11,447,748	\$ 17,123,000
2002	\$ 585,443	\$ 502,968	\$ 1,088,411	\$ 13,060,932	\$ 39,561,000

AdHoc PRPA's Have a Huge Effect on Future Liabilities





CSSB 141 (FIN) Solution

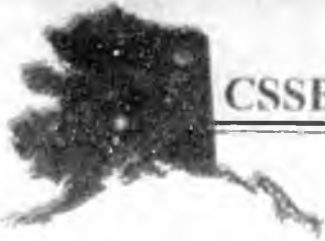
- Define what is meant in statutes by “the financial condition of the retirement fund” permitting *(AS 14.25.143 and AS 39.35.475)*
- SB 141 defines the healthy financial condition of the fund to be a minimum funding ratio of 110%





Appendix





Funding Ratios

(Actuarial Asset Value/Total Accrued Benefits)

Year	TRS Funding Ratio	PERS Funding Ratio	Year	TRS Funding Ratio	PERS Funding Ratio
1975	61.0%	61.0%	'90	87.7%	97.2%
'76	55.0%	64.0%	'91	85.7%	88.1%
'77	63.0%	66.0%	'92	89.7%	91.2%
'78	67.0%	69.0%	'93	93.1%	95.4%
'79	72.0%	68.0%	'94	89.6%	94.8%
'80	67.0%	71.0%	'95	90.9%	96.5%
'81	79.0%	82.0%	'96	97.2%	105.8%
'82	77.0%	79.0%	'97	94.0%	106.3%
'83	80.0%	85.0%	'98	97.7%	105.9%
'84	84.0%	88.0%	'99	102.5%	105.5%
'85	82.0%	94.0%	2000	99.6%	101.1%
'86	93.0%	102.0%	'01	95.0%	100.9%
'87	101.0%	100.0%	'02	68.2%	75.2%
'88	98.8%	93.0%	'03	64.3%	72.8%
'89	95.0%	91.6%	'04	62.5%	71.1%



Summary of Accrued Assets and Liabilities - PERS

Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2004	11,443,916	8,030,414	(3,413,502)	8,177,306	(3,266,610)	70.2%	71.5%
June 30, 2003	10,561,653	7,687,281	(2,874,372)	7,391,455	(3,170,198)	72.8%	70.0%
June 30, 2002	9,859,591	7,412,833	(2,446,758)	7,412,833	(2,446,758)	75.2%	75.2%
June 30, 2001	7,868,574	7,941,756	73,182	8,088,382	219,808	100.9%	102.8%
June 30, 2000	7,376,912	7,454,758	77,846	8,756,580	1,379,668	101.1%	118.7%
June 30, 1999	6,648,673	7,016,340	367,667	8,105,358	1,456,685	105.5%	121.9%
June 30, 1998	6,203,991	6,571,562	367,571	7,438,398	1,234,407	105.9%	119.9%
June 30, 1997	5,534,116	5,885,488	351,372	6,566,155	1,032,039	106.3%	118.6%
June 30, 1996	4,979,958	5,271,253	291,295	5,567,721	587,763	105.8%	111.8%
June 30, 1995	4,971,172	4,794,754	(176,418)	4,876,808	(94,364)	96.5%	98.1%
June 30, 1994	4,620,182	4,379,305	(240,877)	4,177,013	(443,169)	94.8%	90.4%

Summary of Accrued Assets and Liabilities - TRS

Valuation Date	Accrued Liability (000's)	Valuation Assets (000's)	Surplus Actuarial (000's)	Market Value Asstes (000's)	Surplus Market (000's)	Funding Ratio	
						Actuarial Value of Assets	Market Value of Assets
June 30, 2004	6,123,600	3,845,370	(2,278,230)	3,911,515	(2,212,085)	62.8%	63.9%
June 30, 2003	5,835,609	3,752,285	(2,083,324)	3,602,619	(2,232,990)	64.3%	61.7%
June 30, 2002	5,411,642	3,689,036	(1,722,606)	3,689,036	(1,722,606)	68.2%	68.2%
June 30, 2001	4,603,147	4,372,229	(230,918)	4,086,848	(516,299)	95.0%	88.8%
June 30, 2000	4,198,868	4,184,015	(14,853)	4,484,902	286,034	99.6%	106.8%
June 30, 1999	3,720,954	3,815,655	94,679	4,204,019	483,065	102.5%	113.0%
June 30, 1998	3,528,757	3,446,070	(82,687)	3,915,235	386,478	97.7%	111.0%
June 30, 1997	3,320,069	3,120,044	(200,025)	3,492,071	172,002	94.0%	105.2%
June 30, 1996	2,940,437	2,858,756	(81,681)	3,030,644	90,207	97.2%	103.1%
June 30, 1995	2,913,467	2,647,392	(266,075)	2,688,451	(225,016)	90.9%	92.3%
June 30, 1994	2,761,409	2,472,957	(288,452)	2,351,719	(409,690)	89.6%	85.2%

By: The Senate Finance Committee
Date: April 19th, 2005





PERS Analysis of Valuation

Cumulative Change in Average Employer Contribution Rate 1998 through 2004

PERS Employer Rate increased cumulatively by 20.83% over 6 years - from 7.36% in 1998 to 28.19% in 2004

What factors contributed to that increase?

% of Cumulative 1998 to 2004 Rate Increase Attributed to Each Factor

Type of Gain or Loss	Impact Years	PERS		
		Weighted Absolute Change	Absolute Change 1998-2004	Payroll Impact (000's)
Assumption Changes	'98, 2000, '02, '04	(34.79%)	12.18%	\$ (82,643)
Investment Experience	All	(10.88%)	3.81%	\$ (25,851)
Health Experience	2002	(10.51%)	3.68%	\$ (24,969)
Demographic Experience	All	(9.83%)	3.44%	\$ (23,341)
Asset Valuation Method	2000, 2002	(4.11%)	1.44%	\$ (9,771)
Contri Shortfall Due to 2 Year Calculated Rate	2003, 2004	(5.68%)	1.99%	\$ (13,502)
102% Funding Ratio Adjustments	1998, 2001, 2003	(1.89%)	0.66%	\$ (4,478)
Ad hoc PRPA	1998 thru 2002	(1.46%)	0.51%	\$ (3,460)
System Benefit Changes	2001, 2002	(0.60%)	0.21%	\$ (1,425)
Salary Experience	All but 2000	5.80%	2.03%	\$ 13,774
Past Service Amortization Change	2002	14.45%	5.06%	\$ 34,333
		100.00%	35.01%	\$ 237,548

