



State of Alaska

Public Employees' Retirement System

Information Required Under Governmental
Accounting Standards Board Statement No. 68
As of June 30, 2021

November 2021



November 18, 2021

State of Alaska
The Alaska Retirement Management Board
The Department of Revenue, Treasury Division
The Department of Administration, Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

GASB 68 Report as of June 30, 2021 for June 30, 2022 reporting – PERS

Dear Members of The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration:

We have prepared the required accounting information for Governmental Accounting Standards Board (GASB) Statement No. 68 (GASB 68) for the State of Alaska Public Employees' Retirement System (PERS) for June 30, 2022 reporting based on a measurement date of June 30, 2021. Please refer to the GASB 67 report dated September 22, 2021 for any supplemental information or documentation.

This report covers the pension portion of PERS. A separate GASB 75 report will be issued for the healthcare portion of PERS.

I certify that the information contained in this report has been prepared in accordance with generally accepted actuarial principles and practices. To the best of my knowledge, the information fairly presents the actuarial position of PERS in accordance with the requirements of GASB 68 as of the June 30, 2021 measurement date.

The Alaska Retirement Management Board (Board) and staff of the State of Alaska and its auditors may use this report for the review of the operation of PERS. The report may also be used in the preparation of State of Alaska's and participating employers' audited financial statements. Use of this report for any other purpose or by anyone other than the Board, the staff of the State of Alaska, or its auditors may not be appropriate and may result in mistaken conclusions due to failure to understand applicable assumptions, methodologies, or inapplicability of the report for that purpose. Because of the risk of misinterpretation of actuarial results, Buck recommends requesting its advanced review of any statement to be based on information contained in this report. Buck will accept no liability for any such statement made without its prior review.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the actuarial assumptions, changes in assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law. An analysis of the potential range of such future differences is beyond the scope of this report, except for the GASB 68 required disclosure of the sensitivity of net pension liability to changes in the discount rate.

The information in this report was prepared based on the actuarial assumptions and methods used in the June 30, 2020 actuarial valuation of PERS, except as noted herein. We rolled forward the liabilities from that date to June 30, 2021, as GASB 68 permits. In my opinion, the actuarial assumptions used are appropriate for purposes of the valuation and are reasonably related to the experience of PERS and to reasonable long-term expectations.

In preparing the actuarial results, we have relied upon information provided by staff of the State of Alaska regarding plan provisions, participants, assets, contributions and other matters used in the June 30, 2020 actuarial valuation of PERS. Although we did not audit the data, we reviewed the data for reasonableness and consistency with the prior year's information. The accuracy of the results presented herein is dependent on the accuracy of the data. We also reflected the information contained in the June 30, 2021 asset statements that were provided to us by staff of the State of Alaska on September 17, 2021.

Where presented, the "net pension liability" and "plan fiduciary net position as a percentage of the total pension liability" are measured on a market value of assets basis. These items presented may be appropriate for GASB 68 reporting but make no assessment regarding the cost to settle (i.e., purchase annuities) to cover any portion of the plan's liabilities.

Actuarial Standard of Practice No. 56 (ASOP 56) provides guidance to actuaries when performing actuarial services with respect to designing, developing, selecting, modifying, using, reviewing, or evaluating models. Buck uses third-party software in the performance of annual actuarial valuations and projections. The model is intended to calculate the liabilities associated with the provisions of the plan using data and assumptions as of the measurement date under the accounting rules specified in this report. The output from the third-party vendor software is used as input to an internally developed model that applies applicable accounting rules to the derived liabilities and other inputs, such as plan assets and contributions, to generate many of the exhibits found in this report. Buck has an extensive review process in which the results of the liability calculations are checked using detailed sample life output, changes from year to year are summarized by source, and significant deviations from expectations are investigated. Other accounting outputs and the internal model are similarly reviewed in detail and at a higher level for accuracy, reasonability, and consistency with prior results. Buck also reviews the third-party model when significant changes are made to the software. This review is performed by experts within Buck who are familiar with applicable accounting rules, as well as the manner in which the model generates its output. If significant changes are made to the internal model, extra checking and review are completed. Significant changes to the internal model that are applicable to multiple clients are generally developed, checked, and reviewed by multiple experts within Buck who are familiar with the details of the required changes.

This report was prepared under my supervision and in accordance with all applicable Actuarial Standards of Practice. I am a Fellow of the Society of Actuaries, an Enrolled Actuary, a Member of the American Academy of Actuaries and a Fellow of the Conference of Consulting Actuaries. I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein.

I am available to discuss this report with you at your convenience. I can be reached at (602) 803-6174.

Respectfully submitted,



David J. Kershner, FSA, EA, MAAA, FCA
Principal
Buck

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¹ Through FY2039

Section 1 – GASB 68 Information

Pension Expense

Measurement Date	June 30, 2021	June 30, 2020
Reporting Date	June 30, 2022	June 30, 2021
Service cost	\$ 130,592,000	\$ 141,556,000
Interest cost	1,107,399,000	1,079,549,000
Expected return on assets	(690,867,000)	(689,091,000)
Current period effect of benefit changes	0	0
Current period difference between expected and actual experience	(81,261,667)	62,400,000
Current period effect of changes in assumptions	0	0
Current period difference between projected and actual investment earnings	(420,649,200)	62,194,400
Member contributions	(70,614,000)	(74,514,000)
Administrative expenses	8,232,000	7,017,000
Service purchases and plan transfers	0	0
Current period recognition of prior years' deferred outflows of resources	107,995,400	339,715,267
Current period recognition of prior years' deferred inflows of resources	(85,030,600)	(166,070,600)
Other additions less other deductions	<u>(536,000)</u>	<u>(148,000)</u>
Total	\$ 5,259,933	\$ 762,608,067

The employers' allocation of the pension expense for June 30, 2022 reporting is shown in Schedule C in the Appendix.

The difference between projected and actual investment earnings is recognized over 5 years.

The effects of changes in assumptions and differences between expected and actual experience are recognized over the average future working lifetime. This period is:

- 1.2 years as of June 30, 2020 (for the June 30, 2021 measurement date)
- 1.3 years as of June 30, 2019 (for the June 30, 2020 measurement date)

Actuarial Assumptions

The total pension liability as of the June 30, 2021 measurement date was determined by an actuarial valuation as of June 30, 2020, using the actuarial assumptions outlined in Section 2. The liabilities from the June 30, 2020 valuation were rolled forward to June 30, 2021.

The actuarial assumptions used in the June 30, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2013 to June 30, 2017, resulting in changes in actuarial assumptions effective beginning with the June 30, 2018 actuarial valuation adopted by the Alaska Retirement Management Board in January 2019 to better reflect expected future experience. The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation.

Actuarial Cost Method

Entry Age Normal – Level Percentage of Payroll

Asset Valuation Method

Invested assets are reported at fair value.

Allocation of Net Pension Liability

The employers' allocations of net pension liability as of the June 30, 2020 and June 30, 2021 measurement dates are shown in Schedule A and Schedule B, respectively, in the Appendix.

Allocation of Deferred Outflows/Inflows of Resources

The employers' allocation of deferred outflows/inflows of resources as of the June 30, 2021 measurement date is shown in Schedule C in the Appendix.

The chart below provides details of the deferred outflows/inflows as of the June 30, 2021 measurement date:

Date Created	Type	Original Amortization Period	Deferred Outflow/(Inflow) as of June 30, 2021
June 30, 2018	Asset Gain	5 years	\$ (4,811,600)
June 30, 2019	Asset Loss	5 years	\$ 54,162,000
June 30, 2020	Asset Loss	5 years	\$ 186,583,200
June 30, 2021	Liability Gain	1.2 years	\$ (16,252,333)
June 30, 2021	Asset Gain	5 years	\$ (1,682,596,800)

Allocation of Future Years' Recognition of Deferred Outflows/Inflows

The employers' allocation of recognition of the deferred outflows/inflows as of the June 30, 2021 measurement date for each of the next five fiscal years and thereafter is shown in Schedule D in the Appendix. These amounts include recognition of the deferred outflows/inflows from prior years.

Allocation Methodology

Amounts for the June 30, 2020 measurement date were allocated to employers based on the present value of contributions for FY2022-FY2039, as determined by projections based on the June 30, 2019 valuation.

Amounts for the June 30, 2021 measurement date were allocated to employers based on the present value of contributions for FY2023-FY2039, as determined by projections based on the June 30, 2020 valuation. The contributions for FY2023 reflect those adopted by the Board on October 11, 2021.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The table below shows the development of the net pension liability as of June 30, 2021 using the discount rate of 7.38%, as well as a discount rate that is one percentage point lower (6.38%) and one percentage point higher (8.38%) than the current rate (\$ in thousands).

FYE June 30, 2021	1.00% Decrease (6.38%)	Current Discount Rate (7.38%)	1.00% Increase (8.38%)
Service cost	\$ 165,746	\$ 130,592	\$ 104,420
Interest cost	1,072,547	1,107,399	1,130,833
Benefit payments	(930,006)	(930,006)	(930,006)
Net change to inflows/outflows	<u>(104,357)</u>	<u>(97,514)</u>	<u>(91,773)</u>
Net change in total pension liability	\$ 203,930	\$ 210,471	\$ 213,474
Total pension liability - beginning	\$ 17,141,937	\$ 15,370,337	\$ 13,884,458
Total pension liability - ending (a)	\$ 17,345,867	\$ 15,580,808	\$ 14,097,932
Plan fiduciary net position - ending (b)	\$ 11,912,309	\$ 11,912,309	\$ 11,912,309
Plan's net pension liability (asset) - ending (a) - (b)	\$ 5,433,558	\$ 3,668,499	\$ 2,185,623

Section 2 – Actuarial Assumptions and Methods¹

The funding method used in this valuation was adopted by the Board in October 2006. Changes in the amortization of unfunded actuarial accrued liability were made in 2014. The asset smoothing method used to determine valuation assets was changed effective June 30, 2014.

Benefits valued are those delineated in Alaska State statutes as of the valuation date. Changes in State statutes effective after the valuation date are not taken into consideration in setting the assumptions and methods.

Actuarial Method

Liabilities and contributions shown in the June 30, 2020 actuarial valuation report are computed using the Entry Age Normal Actuarial Cost Method.

Effective June 30, 2018, the Board adopted a layered UAAL amortization method: Layer #1 equals the sum of (i) the UAAL at June 30, 2018 based on the 2017 valuation, plus (ii) the FY18 experience gain/loss. Layer #1 is amortized over the remainder of the 25-year closed period that was originally established in 2014². Layer #2 equals the change in UAAL at June 30, 2018 due to the experience study. Layer #2 is amortized over a separate closed 25-year period starting in 2018. Future layers will be created each year based on the difference between actual and expected UAAL occurring that year, and will be amortized over separate closed 25-year periods. The UAAL amortization continues to be on a level percent of pay basis. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined.

Projected pension benefits were determined for all active members. Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year from the assumed entry age to the assumed retirement age were applied to the projected benefits to determine the normal cost (the portion of the total cost of the plan allocated to the current year under the method). The normal cost is determined by summing intermediate results for active members and determining an average normal cost rate which is then related to the total payroll of active members. The actuarial accrued liability for active members (the portion of the total cost of the plan allocated to prior years under the method) was determined as the excess of the actuarial present value of projected benefits over the actuarial present value of future normal costs.

The actuarial accrued liability for retired members and their beneficiaries currently receiving benefits, terminated vested members and disabled members not yet receiving benefits was determined as the actuarial present value of the benefits expected to be paid. No future normal costs are payable for these members.

The actuarial accrued liability under this method at any point in time is the theoretical amount of the fund that would have been accumulated had annual contributions equal to the normal cost been made in prior years (it does not represent the liability for benefits accrued to the valuation date). The unfunded actuarial accrued liability is the excess of the actuarial accrued liability over the actuarial value of plan assets measured on the valuation date.

Under this method, experience gains or losses, i.e., decreases or increases in accrued liabilities attributable to deviations in experience from the actuarial assumptions, adjust the unfunded actuarial accrued liability.

¹ Used to determine June 30, 2020 funding assets and liabilities, and contribution rates.

² Layer #1 is referred to as "initial amount" in Sections 1.2 and 1.3 in the June 30, 2020 actuarial valuation report.

Valuation of Assets

The actuarial asset value was reinitialized to equal Fair Value of Assets as of June 30, 2014. Beginning in FY2015, the asset valuation method recognizes 20% of the gain or loss each year, for a period of 5 years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP.

Changes in Methods Since the Prior Valuation

There were no changes in the asset or valuation methods since the prior valuation.

Actuarial Assumptions

The demographic and economic assumptions used in the June 30, 2020 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in January 2019 based on the experience study for the period July 1, 2013 to June 30, 2017.

Investment Return

7.38% per year, net of investment expenses.

Salary Scale

Salary scale rates based upon the 2013-2017 actual experience. (See Table 1).

Inflation – 2.50% per year.

Productivity – 0.25% per year.

Payroll Growth

2.75% per year. (Inflation + Productivity)

Total Inflation

Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 2.50% annually.

Mortality (Pre-Commencement)

Mortality rates based upon the 2013-2017 actual experience.

100% (male and female) of the RP-2014 employee table, benefit-weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

Mortality (Post-Commencement)

Mortality rates based upon the 2013-2017 actual experience.

91% of male and 96% of female rates of RP-2014 healthy annuitant table, benefit weighted, rolled back to 2006, and projected with MP-2017 generational improvement.

Turnover

Based upon the 2013-2017 actual experience (See Tables 2 and 3).

Disability

Incidence rates based on 2013-2017 actual experience (See Table 4).

Post-disability mortality in accordance with the RP-2014 disabled table with MP-2017 generational improvement. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighters, 40% of the time for Others.

Retirement

Retirement rates based upon the 2013-2017 actual experience (See Tables 5 and 6).

Deferred vested members are assumed to retire at their earliest unreduced retirement date.

The modified cash refund annuity is valued as a three-year certain and life annuity.

Spouse Age Difference

Males are assumed to be three years older than their wives. Females are assumed to be two years younger than husbands.

Percent Married for Pension

For Others, 75% of male members and 70% female members are assumed to be married. For Peace Officer/Firefighters, 85% of male members and 60% of female members are assumed to be married.

Contribution Refunds

For Others, 5% of terminating members with vested benefits are assumed to have their contributions refunded.

For Peace Officers/Firefighters, 10% of terminating members with vested benefits are assumed to have their contributions refunded.

100% of those with non-vested benefits are assumed to have their contributions refunded.

Imputed Data

Data changes from the prior year which are deemed to have an immaterial impact on liabilities and contribution rates are assumed to be correct in the current year's client data. Non-vested terminations with appropriate refund dates are assumed to have received a full refund of contributions. Active members with missing salary and service are assumed to be terminated with status based on their vesting percentage.

Active Rehire Assumption

The Normal Cost used for determining contribution rates includes a rehire assumption of 18.77% to account for anticipated rehires. This assumption was developed based on the 5 years of rehire loss experience through June 30, 2017. For projections, this assumption is assumed to grade to zero uniformly over a 20-year period.

COLA

Of those benefit recipients who are eligible for the COLA, 70% of Others and 65% of Peace Officers/Firefighters are assumed to remain in Alaska and receive the COLA.

Postretirement Pension Adjustment

50% and 75% of assumed inflation, or 1.25% and 1.875% respectively, is valued for the annual automatic Postretirement Pension Adjustment (PRPA) as specified in the statute.

Expenses

The investment return assumption is net of investment expenses. The Normal Cost as of June 30, 2020 was increased by \$7,223,000 for administrative expenses (for projections, the percent increase was assumed to remain constant in future years).

Part-Time Status

Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighter and 0.75 years of credited service per year for Other members.

Final Average Earnings

Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.

Changes in Assumptions Since the Prior Valuation

The assumptions used in the June 30, 2020 actuarial valuation are the same as those used in the June 30, 2019 valuation, except the amount included in the Normal Cost for administrative expenses was updated to reflect the most recent two years of actual administrative expenses paid from plan assets.

Table 1: Alaska PERS Salary Scale

Peace Officer/Firefighter:

Years of Service	% Increase
0	7.75%
1	7.25%
2	6.75%
3	6.25%
4	5.75%
5	5.25%
6	4.75%
7	4.25%
8	3.75%
9	3.65%
10	3.55%
11	3.45%
12	3.35%
13	3.25%
14	3.15%
15	3.05%
16	2.95%
17	2.85%
18	2.75%
19	2.75%
20+	2.75%

Others:

Years of Service	% Increase
0	6.75%
1	6.25%
2	5.75%
3	5.25%
4	4.75%
5	4.25%
6	3.75%
7	3.65%
8	3.55%
9	3.45%
10	3.35%
11	3.25%
12	3.15%
13	3.05%
14	2.95%
15	2.85%
16	2.75%
17	2.75%
18	2.75%
19	2.75%
20+	2.75%

Table 2: Alaska PERS Turnover Assumption – Peace Officer/Firefighter

Years of Service	Male (rounded)	Female (rounded)
0	0.15	0.15
1	0.12	0.08
2	0.07	0.06
3	0.06	0.06
4	0.06	0.07

Members with 5 or more years of service

Age	Male	Female	Age	Male	Female
20	0.047000	0.068000	45	0.018100	0.032800
21	0.047000	0.068000	46	0.018500	0.032500
22	0.047000	0.068000	47	0.019000	0.032300
23	0.044600	0.068000	48	0.022200	0.031900
24	0.042200	0.068000	49	0.025300	0.031500
25	0.039800	0.068000	50	0.031800	0.064200
26	0.037400	0.068000	51	0.042400	0.063200
27	0.035000	0.068000	52	0.042400	0.061900
28	0.033200	0.066300	53	0.042400	0.060400
29	0.031400	0.064600	54	0.042400	0.030000
30	0.029600	0.062900	55+	0.030000	0.020000
31	0.027900	0.061200			
32	0.026100	0.059500			
33	0.025000	0.053600			
34	0.023900	0.047700			
35	0.022800	0.041800			
36	0.021700	0.036000			
37	0.020600	0.030100			
38	0.020500	0.029900			
39	0.020400	0.029800			
40	0.016800	0.033900			
41	0.016700	0.033700			
42	0.016700	0.033600			
43	0.017100	0.033300			
44	0.017600	0.033100			

Table 3: Alaska PERS Turnover Assumption - Others

Service	Hire Age < 35		Hire Age > 35	
	Male (rounded)	Female (rounded)	Male (rounded)	Female (rounded)
0	0.29	0.29	0.20	0.20
1	0.16	0.20	0.12	0.15
2	0.13	0.16	0.10	0.13
3	0.10	0.13	0.09	0.10
4	0.08	0.10	0.09	0.09

Members with 5 or more years of service

Age	Male	Female	Age	Male	Female
20	0.114000	0.129900	45	0.043900	0.048000
21	0.114000	0.129900	46	0.043300	0.046000
22	0.114000	0.129900	47	0.042700	0.044100
23	0.108300	0.122100	48	0.042600	0.044000
24	0.102600	0.114300	49	0.042400	0.043900
25	0.096900	0.106500	50	0.036300	0.044500
26	0.091200	0.098700	51	0.036000	0.044300
27	0.085500	0.090900	52	0.035600	0.044000
28	0.083000	0.087200	53	0.035200	0.043700
29	0.080500	0.083400	54	0.041700	0.062000
30	0.078000	0.079700	55+	0.030000	0.050000
31	0.075400	0.076000			
32	0.072900	0.072300			
33	0.069900	0.068800			
34	0.066900	0.065300			
35	0.063900	0.061700			
36	0.061000	0.058200			
37	0.058000	0.054700			
38	0.056300	0.053500			
39	0.054700	0.052300			
40	0.048600	0.056500			
41	0.047100	0.055100			
42	0.045600	0.053800			
43	0.045000	0.051900			
44	0.044400	0.049900			

Table 4: Alaska PERS Disability Assumption

Peace Officer/ Firefighter:

Age	Male	Female
20	0.000179	0.000112
21	0.000179	0.000112
22	0.000179	0.000112
23	0.000244	0.000153
24	0.000310	0.000194
25	0.000374	0.000234
26	0.000440	0.000275
27	0.000505	0.000316
28	0.000526	0.000329
29	0.000548	0.000343
30	0.000570	0.000356
31	0.000591	0.000370
32	0.000612	0.000383
33	0.000634	0.000397
34	0.000657	0.000411
35	0.000679	0.000425
36	0.000702	0.000439
37	0.000724	0.000453
38	0.000757	0.000473
39	0.000789	0.000493
40	0.000822	0.000514
41	0.000854	0.000534
42	0.000887	0.000554
43	0.000977	0.000611
44	0.001066	0.000667
45	0.001157	0.000723
46	0.001247	0.000780
47	0.001337	0.000836
48	0.001462	0.000914
49	0.001588	0.000993
50	0.001714	0.001071
51	0.001839	0.001150
52	0.001965	0.001228
53	0.002294	0.001434
54	0.002624	0.001640

Others:

Age	Male	Female
20	0.000327	0.000376
21	0.000327	0.000376
22	0.000327	0.000376
23	0.000360	0.000400
24	0.000392	0.000424
25	0.000425	0.000448
26	0.000456	0.000472
27	0.000489	0.000496
28	0.000501	0.000510
29	0.000513	0.000524
30	0.000524	0.000538
31	0.000536	0.000554
32	0.000548	0.000568
33	0.000566	0.000586
34	0.000584	0.000606
35	0.000602	0.000624
36	0.000620	0.000644
37	0.000638	0.000662
38	0.000669	0.000696
39	0.000701	0.000728
40	0.000734	0.000762
41	0.000765	0.000794
42	0.000797	0.000826
43	0.000879	0.000908
44	0.000962	0.000990
45	0.001043	0.001072
46	0.001125	0.001154
47	0.001208	0.001236
48	0.001329	0.001360
49	0.001451	0.001484
50	0.001572	0.001608
51	0.001694	0.001734
52	0.001815	0.001858
53	0.002132	0.002168
54	0.002450	0.002478

Table 5: Alaska PERS Retirement Assumption – Peace Officer/Firefighter

Age at Retirement	Reduced		Unreduced	
	Male	Female	Male	Female
<47	N/A	N/A	0.088000	0.060000
47	N/A	N/A	0.088000	0.150000
48	N/A	N/A	0.143000	0.150000
49	N/A	N/A	0.143000	0.150000
50	0.050000	0.050000	0.165000	0.150000
51	0.050000	0.070000	0.165000	0.150000
52	0.070000	0.070000	0.203500	0.150000
53	0.070000	0.070000	0.203500	0.150000
54	0.070000	0.350000	0.203500	0.250000
55	0.070000	0.080000	0.275000	0.200000
56	0.070000	0.080000	0.275000	0.150000
57	0.070000	0.080000	0.275000	0.150000
58	0.070000	0.080000	0.275000	0.150000
59	0.200000	0.200000	0.275000	0.150000
60	N/A	N/A	0.330000	0.250000
61	N/A	N/A	0.275000	0.200000
62	N/A	N/A	0.275000	0.300000
63	N/A	N/A	0.275000	0.500000
64	N/A	N/A	0.220000	0.500000
65	N/A	N/A	0.220000	0.500000
66	N/A	N/A	0.275000	0.500000
67	N/A	N/A	0.550000	0.500000
68	N/A	N/A	0.550000	0.500000
69	N/A	N/A	0.550000	0.500000
70	N/A	N/A	1.000000	1.000000
71	N/A	N/A	1.000000	1.000000
72	N/A	N/A	1.000000	1.000000
73	N/A	N/A	1.000000	1.000000
74	N/A	N/A	1.000000	1.000000
75	N/A	N/A	1.000000	1.000000

Table 6: Alaska PERS Retirement Assumption - Others

Age at Retirement	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	0.1100	0.1100
50	0.0600	0.0800	0.3300	0.3850
51	0.0600	0.0800	0.3575	0.3850
52	0.0900	0.0800	0.3575	0.3850
53	0.0900	0.0800	0.3575	0.3850
54	0.2000	0.1500	0.3850	0.3850
55	0.0600	0.0600	0.3300	0.3300
56	0.0600	0.0600	0.2200	0.2200
57	0.0600	0.0600	0.2200	0.1980
58	0.0600	0.0600	0.2200	0.1980
59	0.1500	0.2000	0.2200	0.1980
60	N/A	N/A	0.2200	0.2310
61	N/A	N/A	0.2200	0.2200
62	N/A	N/A	0.2200	0.2200
63	N/A	N/A	0.2200	0.2200
64	N/A	N/A	0.2200	0.2200
65	N/A	N/A	0.2475	0.2860
66	N/A	N/A	0.2750	0.2860
67	N/A	N/A	0.2200	0.2420
68	N/A	N/A	0.2475	0.2420
69	N/A	N/A	0.2750	0.2420
70	N/A	N/A	0.2750	0.2420
71	N/A	N/A	0.2750	0.2420
72	N/A	N/A	0.2750	0.2750
73	N/A	N/A	0.2750	0.2750
74	N/A	N/A	0.2750	0.3850
75 – 79	N/A	N/A	0.5500	0.5500
80+	N/A	N/A	1.0000	1.0000

Section 3 – Summary of Plan Provisions¹

Effective Date

January 1, 1961, with amendments through June 30, 2019. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

Administration of Plan

The Commissioner of Administration or the Commissioner's designee is the administrator of the system. The Attorney General of the state is the legal counsel for the system and shall advise the administrator and represent the system in legal proceedings.

Prior to June 30, 2005, the Public Employees' Retirement Board prescribed policies and adopted regulations and performed other activities necessary to carry out the provisions of the system. The Alaska State Pension Investment Board, Department of Revenue, Treasury Division was responsible for investing PERS funds.

On July 27, 2005, Senate Bill 141, enacted as Chapter 9, 2005 Session Laws of Alaska, replaced the Public Employees' Retirement Board and the Alaska State Pension Investment Board with the Alaska Retirement Management Board.

Employers Included

Currently there are 153 employers participating in PERS, including the State of Alaska and 152 political subdivisions and public organizations.

Membership

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 employer 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 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 PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

Senate Bill 141, signed into law on July 27, 2005, closes the Plan effective July 1, 2006, to new members first hired on or after July 1, 2006.

¹ These are the plan provisions reflected in the June 30, 2020 valuation. Effective July 1, 2021, the State-as-an-Employer contributes the actuarially determined contribution rate per SB 55.

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. Survivors who are receiving occupational death benefits continue to earn PERS service credit while occupational survivor benefits are being paid.

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 PERS and TRS simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

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 PERS is creditable if the employers agree to pay the required contributions.

At the election of certain PERS members, certain service may be credited in the same fashion as members in TRS.

Members employed as dispatchers or within a state correctional facility may, at retirement, elect to convert their dispatcher or correctional facility service from "all other" service to Peace Officer/Firefighter service and retire under the 20 year retirement option. Members pay the full actuarial cost of conversion.

Employer Contributions

PERS employers contribute the amounts required, in addition to employees' contributions, to fund the benefits of the system.

The normal cost rate is a uniform rate for all participating employers (less the value of members' contributions).

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of payroll amount over a closed 25-year period starting June 30, 2014.

Employer rates cannot be less than the normal cost rate.

Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (22% of total DB and DCR payroll, less employer contributions to DCR) will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

Member Contributions

Mandatory Contributions: Peace Officer/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the Teachers' Retirement System rules contribute 9.76% of their compensation. 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 on an after-tax basis. 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 PERS prior to July 1, 2010. Interest accrues on refunds until paid in full or members retire.

Retirement Benefits

Eligibility:

- a. Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - (i) five years of paid-up PERS service;
 - (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired by the legislature 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 by the legislature after May 29, 1987;
 - (iv) two years of paid-up PERS service and they are vested in TRS; or
 - (v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.
- b. Members may retire at any age when they have:
- (i) 20 paid-up years of PERS Peace Officer/Firefighter 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 elect an early retirement or a joint and survivor option. Members who entered PERS prior to July 1, 1996 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations

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 five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. 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 Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

The percentage multipliers for all Others 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, if a member is otherwise eligible to retire, when refunds are not completely paid before retirement, benefits are actuarially reduced for life. Indebtedness balances may also be created when a member purchases qualified claimed service.

Reemployment of Retired Members

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

their wages. A member who retired with a normal retirement benefit can elect to waive payment of PERS contributions. The waiver allows the member to continue receiving the retirement benefit during the period of reemployment. Members who elect the waiver option do not earn additional PERS service. The Waiver Option first became effective July 1, 2005 and applies to reemployment periods after that date. The Waiver Option is not available to members who retired early or under the Retirement Incentive Programs (RIPs). The Waiver Option is no longer available after June 30, 2009.

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

- a. forfeit the three years of incentive credits that they received;
- b. owe PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; 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.

Employers make contributions to the unfunded liability of the plan on behalf of rehired retired members at the rate the employer is making contributions to the unfunded liability of the plan for other members.

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. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

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.

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 (vested or nonvested) 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. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement). If the member is unmarried with no children, a refund of contributions is payable to the estate.

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 Nonoccupational Death 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 or is vested, 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 and the member's last benefit check. If the member selected a survivor option at retirement, the eligible spouse receives continuing, lifetime monthly benefits.

Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical workers for Anchorage increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, 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 first entered PERS before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

In a year where an ad hoc PRPA is granted, eligible recipients will receive the higher of the two calculations.

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 first entered PERS before July 1, 1986 (Tier 1) and their survivors;

- b. members who first entered PERS after June 30, 1986 (Tiers 2 & 3) and their survivors if they are at least age 65; and
- c. all disabled members.

Changes in Benefit Provisions Valued Since the Prior Valuation

There were no changes in benefit provisions since the prior valuation.

Appendix