

## PUBLIC EMPLOYEES' RETIREMENT SYSTEM TABLE OF CONTENTS

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December 15, 2000

The Honorable Tony Knowles, Governor  
Members of the Alaska State Legislature  
Public Employees' Retirement Board  
Alaska State Pension Investment Board  
Employers and Members of the System

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System (PERS) (System) for the fiscal year ended June 30, 2000. This report is intended to provide comprehensive information on the financial operations of the System for the year. Responsibility for the accuracy of the data, and the completeness and fairness of the presentation rests with the management of the System.

This CAFR was prepared to conform with the principles of governmental accounting and reporting set forth by the Governmental Accounting Standards Board. Transactions of the System are reported on the accrual basis of accounting. Sufficient internal accounting controls exist to provide reasonable assurance regarding the safekeeping of assets and fair presentation of the financial statements and supporting schedules.

The 2000 CAFR is divided into five sections:

- an **Introductory** Section, which contains this letter of transmittal, the administrative organization of the System, and a list of the members serving on the Public Employees' Retirement Board;
- a **Financial** Section, which contains the Independent Auditors' Report, Combining Financial Statements, Notes to Combining Financial Statements, Required Supplementary Information, and Notes to Required Supplementary Information;
- an **Investment** Section, which contains a message from the Chair of the Alaska State Pension Investment Board (ASPIB), a list of members serving on the ASPIB, a report on investment activity, investment results, and various investment schedules;
- an **Actuarial** Section, which contains the Actuarial Certification letter and the results of the most current (June 30, 1999) annual actuarial valuation; and
- a **Statistical** Section, which includes graphs and tables of significant data.

The Alaska PERS was established in 1961 to provide pension and postemployment healthcare benefits for eligible state and local government employees. Normal service, survivor, and disability benefits are available to all members who attain the age and service requirements of the System.

	PERS		
	FY00	FY99	FY98
Net Assets (millions)	\$8,756.6	8,105.4	7,438.4
Participating Employers	151	153	148

## Reporting Entity

The System is considered a component unit of the State of Alaska for financial reporting purposes. Because of the closeness of the System's relationship to the State, it is included in the State of Alaska CAFR as a blended component unit.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Director of the Division of Retirement and Benefits. The Director is responsible for the daily operations of the System.

The Public Employees' Retirement Board prescribes policies and regulations, hears appeals, and approves employers' contribution rates prepared by the System's independent actuary.

The Alaska State Pension Investment Board (ASPIB) has statutory oversight of the System's investments and the authority to invest the System's monies. Actual investing is performed by external investment firms and investment officers of the Department of Revenue, Treasury Division listed in the Investment Section on pages 40-41. The Treasury Division is responsible for carrying out investment policies established by ASPIB.

## Major Initiatives

The System continues to make progress on completing several on-going projects. Most of these efforts focused on improvements in technology, improving methods for members to obtain information about the System and their benefits, and continued compliance with accounting requirements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB) as applicable in the circumstances.

During FY 2000, the System granted a discretionary cost-of-living increase, along with the statutorily required automatic cost-of-living increase.

## Legislation

During the FY 2000 legislative session, there were four laws that affected the PERS:

- Senate Bill 85 — An act relating to credited service in the public employees' retirement system for temporary employment; and creating a public service benefit in the public employees' retirement system.
- House Bill 159 — An act permitting certain employees in the correctional facilities or employed in the Department of Corrections to convert their credited service under the public employees' retirement system to credited service as a peace officer.
- House Bill 230 — An act permitting certain dispatchers in police and fire departments or for the state troopers to convert their credited service under the public employees' retirement system to credited service as peace officers; and providing an effective date.
- House Bill 335 — An Act relating to information contained in retirement system records; relating to retirement boards; relating to procedures and hearings under state retirement systems; relating to benefits for reemployed retired members of retirement systems; relating to eligibility for normal retirement for members of the teachers' retirement system who have Alaska BIA credited service; relating to disability benefits for members of state retirement systems; relating to deduction of premiums from retirement benefits; relating to protection of, and assignment and transfer of, amounts held in retirement systems; relating to retirement benefits for certain employees earning

high salaries; relating to qualified domestic relations orders in state retirement systems; relating to the definition of 'retirement fund' in the teachers' retirement system; relating to membership of state employees in the teachers' retirement system; relating to refund of contributions made to the judicial retirement system and repayment of refunded contributions in that system; relating to self-insurance and excess loss insurance for persons receiving benefits from a state retirement system; relating to participation of elected officials in the public employees' retirement system; relating to the level income option benefit under the public employees' retirement system; relating to participation of employees of political subdivisions and public organizations in the public employees' retirement system; relating to crimes for defrauding a state retirement system; relating to the definition of 'pension fund' in the public employees' retirement system; and relating to calculation of years of service and of benefits under the public employees' retirement system for noncertificated employees of certain educational employers.

### Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the Public Employees' Retirement System for its comprehensive annual financial report for the fiscal year ended June 30, 1999. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

### Additions to Plan Net Assets

The revenues required to finance retirement benefits are accumulated through a combination of employer and employee contributions and investment income.

	Revenues			
	Millions		Inc/(Dec)	
	FY00	FY99	Amt	%
Employee Contributions	\$ 92.7	90.6	2.1	2.3%
Employer Contributions	107.6	110.0	(2.4)	(2.2)%
Net Investment Income	<u>790.3</u>	<u>764.6</u>	<u>25.7</u>	3.4%
<b>Total</b>	<b><u>\$ 990.6</u></b>	<b><u>965.2</u></b>	<b><u>25.4</u></b>	<b>2.6%</b>

The decrease in employer contributions was primarily due to a decrease in the employer contribution rate for the State of Alaska, the biggest PERS employer. Even though the rate of return on investments decreased from 10.67% to 10.15%, there was an increase in investment income as additions to the fund exceeded deductions for the year, which meant that the System had more to invest over the course of the year.

### Deductions From Plan Net Assets

The primary expense of the System is the payment of pension benefits, the principal reason the System exists. These benefit payments, together with postemployment healthcare premiums, lump sum refunds made to former members, and the cost of administering the System comprise the costs of operation.

	Millions		Expenses	
	FY00	FY99	Amt	Inc/(Dec)
Pension Benefits	\$ 239.4	215.2	24.2	11.3%
Healthcare Benefits	83.8	64.5	19.3	29.9%
Refunds	12.0	14.4	(2.4)	(16.7)%
Administrative Expenses	<u>4.3</u>	<u>4.1</u>	<u>0.2</u>	4.9%
<b>Total</b>	<b><u>\$ 339.5</u></b>	<b><u>298.2</u></b>	<b><u>41.3</u></b>	<b>13.9%</b>

The majority of the increase in pension benefits was the result of a continuing increase in the number of retirees. Also, the System granted a discretionary cost-of-living (post retirement pension adjustment (PRPA)) increase at the beginning of the fiscal year. The increase in health care benefits is due to the increase in retirees and rising costs of providing such benefits.

### Investments

The investment of pension funds is a long-term undertaking. On an annual basis, ASPIB reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/reward level given the System's constraints and objectives. During FY 2000, ASPIB adopted an asset allocation that includes 41% in Domestic Equities, 17% in International Equities, 30% in Domestic Fixed Income, 5% in International Fixed Income, and 7% in Real Estate.

For FY 2000, PERS investments generated a 10.07% rate of return. The PERS annualized rate of return was 11.78% over the last three years and 13.43% over the last five years.

### Funding

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to participants. The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY 2000 and a rolling amortization of the funding target surplus or the unfunded target accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities decreased slightly from 105.9% to 105.5% during the year, primarily the net effect of continued favorable investment experience and a change in the health trend assumption. Over the years, progress has been made toward achieving the funding objectives of the System.

There were no significant changes in the actuarial assumptions or actuarial methods used in the determination of System liabilities this year. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

The FY 2001 consolidated rate decreased from 9.89% to 8.67%, producing a total average rate for all employers in the System of 7.40%.

Valuation Year	Millions	
	1999	1998
Valuation Assets	\$7,016.3	6,571.6
Accrued Liabilities	6,648.7	6,204.0
Funding ratio	105.5%	105.9%

### Professional Services

Professional consultants are retained to perform professional services that are essential to the effective and efficient operation of the System. Opinions of the independent certified public accountant and the consulting actuary are included in this report. A list of consultants is provided in the Introductory Section with the exception of investment professional consultants, who are listed in the Investment Section of this report.

### Acknowledgments

The preparation of this report is made possible by the dedicated service of the staff of the System. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the funds of the system.

The report is being mailed to all employer members of the System. They form the link between the System and the membership. Their cooperation contributes significantly to the success of the System. We hope the employers and their employees find this report informative.

We would like to take this opportunity to express our gratitude to the Public Employees' Retirement Board, the Alaska State Pension Investment Board, the staff, the advisors, and to the many people who have worked so diligently to assure the successful operation of the System.

Respectfully submitted,

  
Jim Duncan  
Commissioner

  
Guy Bell  
Director

  
Janet L. Parker  
Deputy Director

  
Anselm Staack, CPA, JD  
Chief Financial Officer

  
Kevin T. Worley, CPA  
Defined Benefits Accounting Supervisor

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

## Alaska Public Employees' Retirement System

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended  
June 30, 1999

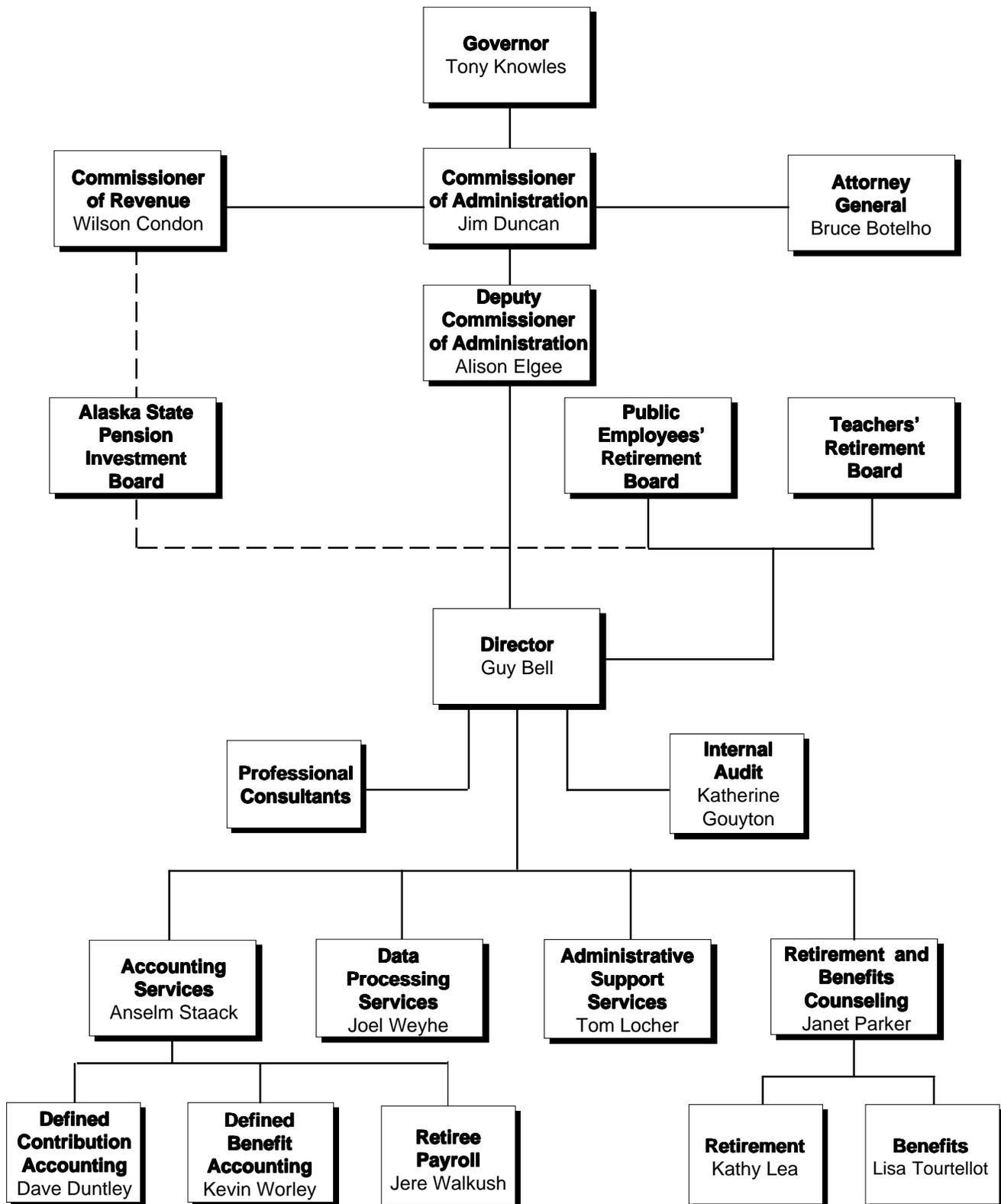
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



*Anne Spray Kinney*  
President

*Jeffrey L. Esler*  
Executive Director

## ORGANIZATION CHART



## Section Responsibilities

The **Retirement Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. The section appoints members to retirement benefits and maintains benefit payment information.

The **Benefits Section** is responsible for the administration of group health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Defined Benefit Accounting Section** is responsible for maintaining the employee and employer records and accounts in each of the defined benefit plans administered by the Division of Retirement and Benefits, producing financial statements and reports, and assuring compliance with the Internal Revenue Service requirements for defined benefit plans.

The **Defined Contribution Accounting Section** is responsible for accounting, plan operations, and financial activities related to the defined contribution plan systems administered by the Division.

The **Data Processing Services Section** supports the information systems the Systems use. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Support Services Section** is responsible for budget preparation, fiscal management of appropriations, procurement of professional services, supplies, and equipment. The section manages the systems' record center containing the member's physical records and performs other administrative functions such as legislative tracking and personnel management.

The **Retiree Payroll Section** is responsible for issuing monthly and on demand retirement benefit payments to eligible retirees or their beneficiaries. The section maintains accurate records for reporting benefit recipient tax statements and reporting and paying withheld income taxes, garnishments, and IRS levies.

<b>PROFESSIONAL CONSULTANTS</b>	
<p style="text-align: center;"><b>Consulting Actuary</b> William M. Mercer, Incorporated <i>Seattle, Washington</i></p> <p style="text-align: center;"><b>Independent Auditors</b> KPMG LLP <i>Anchorage, Alaska</i></p> <p style="text-align: center;"><b>Benefits Consultant</b> Deloitte &amp; Touche, LLP <i>Minneapolis, Minnesota</i></p> <p style="text-align: center;"><b>Third Party Health Claim Administrator</b> Aetna Life Insurance Company <i>Walnut Creek, California</i></p>	<p style="text-align: center;"><b>Legal Counsel</b> John Gaguine Kathleen Strasbaugh Assistant Attorney General <i>Juneau, Alaska</i></p> <p style="text-align: center;"><b>Legal Counsel - Retirement Boards</b> Wohlforth, Vassar, Johnson &amp; Brecht <i>Anchorage, Alaska</i></p> <p style="text-align: center;"><b>Consulting Physicians</b> Kim Smith, M.D. William Cole, M.D. <i>Juneau, Alaska</i></p>

A list of external money managers and consultants for the System can be found on pages 40-41, and the Schedule of Investment Management Fees on pages 49-50.

## PUBLIC EMPLOYEES' RETIREMENT BOARD



**James "Pat" Wellington, Chair**

Term Expires: April 5, 2002

Pat Wellington was born in Ketchikan, Alaska and graduated from Douglas High School. He served two years in the U.S. Army and started his law enforcement career with the Seward Police Department in late 1955. He served as Deputy U.S. Marshal, Alaska State Troopers; Chief of Police of Juneau; Deputy Commissioner and Commissioner of the Department of Public Safety; and retired in 1977 as Director of the Alaska State Troopers. Mr. Wellington is also a trustee of the Alaska State Pension Investment Board. Mr. Wellington is Chair of the Public Employees' Retirement Board.



**Peter Hallgren, Vice Chair**

Term Expires: June 20, 2000

Peter Hallgren has been an Alaska resident for 28 years and recently moved from Sitka to Delta Junction.

Peter served for over a decade as Municipal Attorney for the City & Borough of Sitka before being elected to the Sitka Assembly in 1987. Mr. Hallgren is a former Mayor of the City & Borough of Sitka. Since 1994 he has served on the Alaska Personnel Board, the Public Employees' Retirement Board, and chairman of the Republican Party of Alaska from 1994-1998. He is currently employed by the City of Delta Junction in a management capacity.



**Charles Borg**

Term Expires: June 20, 2004

Charles Borg resides in Anchorage. Raised in Washington, he graduated from Eastern Washington University in 1960 and began his career in the Army Infantry the same year. His military assignments included two tours of duty in Vietnam, infantry troop assignments in Europe, Alaska Director of Selective Service, and duty on the army staff at The Pentagon.

After his retirement from military active duty, he joined Alaska State government serving as Director of Veterans Affairs, and Deputy Commissioner of the Department of Military and Veterans Affairs. From 1991 to 1999, Mr. Borg served as Director of Managed Health Care at Elmendorf Hospital and federal health care coordinator for Veterans Affairs.



**Frank Narush**

Term Expires: April 24, 2006

Frank Narusch has been an Alaskan resident since 1952. Raised in the coal mining camp of Suntrana on the Healy River, he boarded away to attend high school at Monroe High School in Fairbanks and Copper Valley School in Glennallen. While attending Seattle University, he worked summers commercial fishing in Cordova, coal mining in Suntrana, and surveying and inspecting projects around Fairbanks and Valdez for the Department of Highways (now DOT&PF). After receiving a degree in civil engineering in 1966, he began his professional career with the Department of Highways. During his 31 years of State employment, he held positions as Construction Project Manager, Regional Materials Engineer, Contract Claims Engineer, and Professional Services Chief. While with the State, he was active with the Alaska Public Employees Association as an employee representative, local officer, and state director.

Upon retiring from DOT&PF in 1997, Frank organized the Retired Public Employees of Alaska and currently serves as Membership Chairman and Newsletter Editor. He enjoys weekly breakfast get-togethers with retired friends as well as summer travel, camping, and exploring back roads around the State.



**Don Hoover**

Term Expires: June 20, 2002

Don Hoover resides in Fairbanks. He was born and raised in Washington, and graduated from Gonzaga University in 1952. He served in the US Navy in 1944-1946 in the Pacific Area prior to college. He moved to Alaska in 1956 and began a 22 year career in banking in Fairbanks and Nome. He also is a graduate of the Pacific Coast Banking School at the University of Washington in 1963. During his ten years in Nome, he served two terms as Mayor of Nome.

In 1978 he joined the State Department of Commerce until retirement in July 1985. He was appointed to the Older Alaska Commission on Aging (later the Alaska Commission on Aging) in 1994 and was a delegate to the White House Conference on Aging in 1995. He remained on the Commission on Aging until June 1, 2000. While on the Commission, he was also on the Pioneer Home Advisory Board for 6 years.



601 West Fifth Avenue  
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Anchorage, AK 99501-2258

### Independent Auditors' Report

Division of Retirement and Benefits and  
Members of the Alaska Public Employees' Retirement Board  
State of Alaska Public Employees' Retirement System:

We have audited the accompanying combining statements of plan net assets of the State of Alaska Public Employees' Retirement System (Plan), A Component Unit of the State of Alaska, as of June 30, 2000 and 1999, and the related combining statements of changes in plan net assets for the years then ended. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the combining financial statements referred to above present fairly, in all material respects, the plan net assets of the State of Alaska Public Employees' Retirement System, A Component Unit of the State of Alaska, as of June 30, 2000 and 1999, and the changes in plan net assets for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The required supplementary information on pages 28 to 33 and additional information on pages 34 and 35 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This information is the responsibility of the Plan's management, has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

**KPMG LLP**

September 21, 2000

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Combining Statements of Plan Net Assets  
(000s omitted)**

**June 30, 2000 and 1999**

	<b>2000</b>			<b>1999</b>		
	<b>Postemployment Pension</b>	<b>Healthcare</b>	<b>Total</b>	<b>Postemployment Pension</b>	<b>Healthcare</b>	<b>Total</b>
<b>Assets:</b>						
Cash and cash equivalents (notes 3 and 4):						
Short-term fixed income pool	\$ 387	157	544	198	80	278
Receivables:						
Contributions	5,571	2,264	7,835	6,019	2,419	8,438
Retirement Incentive Program employer contributions (note 6)	9,975	4,054	14,029	10,666	4,285	14,951
Due from State of Alaska General Fund	1,993	810	2,803	611	246	857
Other accounts receivable	1	-	1	4	2	6
Total receivables	<u>17,540</u>	<u>7,128</u>	<u>24,668</u>	<u>17,300</u>	<u>6,952</u>	<u>24,252</u>
Investments, at fair value (notes 3 and 4):						
Domestic equity pool	2,715,529	1,038,516	3,754,045	2,531,046	965,106	3,496,152
Retirement fixed income pool	1,548,724	629,388	2,178,112	1,683,753	676,543	2,360,296
International equity pool	1,127,422	458,175	1,585,597	923,124	370,918	1,294,042
Real estate pool	332,616	135,173	467,789	224,024	90,014	314,038
International fixed income pool	286,226	116,319	402,545	296,854	119,278	416,132
Private equity pool (note 7)	117,155	47,611	164,766	30,441	12,231	42,672
Emerging markets equity pool	69,429	28,215	97,644	58,274	23,416	81,690
External domestic fixed income pool	61,811	25,120	86,931	58,851	23,647	82,498
Total investments	<u>6,258,912</u>	<u>2,478,517</u>	<u>8,737,429</u>	<u>5,806,367</u>	<u>2,281,153</u>	<u>8,087,520</u>
Loans and mortgages, at fair value, net of allowance for loan losses of \$701 in 2000 and \$537 in 1999	402	163	565	242	97	339
Total assets	<u>6,277,241</u>	<u>2,485,965</u>	<u>8,763,206</u>	<u>5,824,107</u>	<u>2,288,282</u>	<u>8,112,389</u>
<b>Liabilities:</b>						
Accrued expenses	4,696	1,908	6,604	5,015	2,016	7,031
Alaska Department of Commerce settlement liability	16	6	22	-	-	-
Total liabilities	<u>4,712</u>	<u>1,914</u>	<u>6,626</u>	<u>5,015</u>	<u>2,016</u>	<u>7,031</u>
Net assets held in trust for pension and postemployment healthcare benefits	<b><u>\$6,272,529</u></b>	<b><u>2,484,051</u></b>	<b><u>8,756,580</u></b>	<b><u>5,819,092</u></b>	<b><u>2,286,266</u></b>	<b><u>8,105,358</u></b>

(Schedules of funding progress are presented on pages 28 and 29)

*See accompanying notes to combining financial statements.*

**STATE OF ALASKA**  
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM**  
**(A Component Unit of the State of Alaska)**

**Combining Statements of Changes in Plan Net Assets**  
**(000s omitted)**

**Years ended June 30, 2000 and 1999**

	<u>2000</u>			<u>1999</u>		
	<u>Postemployment Pension</u>	<u>Healthcare</u>	<u>Total</u>	<u>Postemployment Pension</u>	<u>Healthcare</u>	<u>Total</u>
<b>Additions:</b>						
Contributions:						
Employers	\$ 66,637	27,079	93,716	69,337	27,860	97,197
Employees	65,387	26,573	91,960	64,145	25,774	89,919
Retirement Incentive Program - Employers (note 6)	9,869	4,011	13,880	9,089	3,652	12,741
Retirement Incentive Program - Employees (note 6)	<u>576</u>	<u>234</u>	<u>810</u>	<u>511</u>	<u>205</u>	<u>716</u>
Total contributions	<u>142,469</u>	<u>57,897</u>	<u>200,366</u>	<u>143,082</u>	<u>57,491</u>	<u>200,573</u>
Investment income:						
Net appreciation in fair value of investments (note 3)	365,752	148,638	514,390	353,388	141,994	495,382
Interest	134,682	54,734	189,416	142,501	57,258	199,759
Dividends	75,215	30,567	105,782	61,527	24,722	86,249
Net recognized mortgage loan recovery	<u>234</u>	<u>95</u>	<u>329</u>	<u>149</u>	<u>60</u>	<u>209</u>
	575,883	234,034	809,917	557,565	224,034	781,599
Less investment expense	<u>13,923</u>	<u>5,658</u>	<u>19,581</u>	<u>12,111</u>	<u>4,866</u>	<u>16,977</u>
Net investment income	561,960	288,376	790,336	545,454	219,168	764,622
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>3</u>	<u>1</u>	<u>4</u>
Total additions	<u>704,429</u>	<u>286,273</u>	<u>990,702</u>	<u>688,539</u>	<u>276,660</u>	<u>965,199</u>
<b>Deductions:</b>						
Benefits paid	239,441	83,794	323,235	215,170	64,486	279,656
Refunds to terminated employees	8,531	3,467	11,998	10,297	4,138	14,435
Administrative expenses	<u>3,020</u>	<u>1,227</u>	<u>4,247</u>	<u>2,959</u>	<u>1,189</u>	<u>4,148</u>
Total deductions	<u>250,992</u>	<u>88,488</u>	<u>339,480</u>	<u>228,426</u>	<u>69,813</u>	<u>298,239</u>
Net increase	453,437	197,785	651,222	460,113	206,847	666,960
Net assets held in trust for pension and postemployment healthcare benefits:						
Balance, beginning of year	<u>5,819,092</u>	<u>2,286,266</u>	<u>8,105,358</u>	<u>5,358,979</u>	<u>2,079,419</u>	<u>7,438,398</u>
Balance, end of year	<u><b>\$6,272,529</b></u>	<u><b>2,484,051</b></u>	<u><b>8,756,580</b></u>	<u><b>5,819,092</b></u>	<u><b>2,286,266</b></u>	<u><b>8,105,358</b></u>

*See accompanying notes to combining financial statements.*

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(000s omitted)**

**June 30, 2000 and 1999**

**(1) DESCRIPTION**

The following brief description of the State of Alaska Public Employees' Retirement System (Plan), A Component Unit of the State of Alaska, is provided for general information purposes only. Participants should refer to the Plan agreement for more complete information.

**(a) General**

The Plan is a defined benefit, agent, multiple employer public employee retirement system established and administered by the State of Alaska (State) to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The Plan is considered a component unit of the State financial reporting entity and is included in the State's financial reports as a pension trust fund. The State employees who administer the Plan participate in the Plan.

At June 30, 2000 and 1999, the number of participating local government employers and public organizations including the State was:

	<u>2000</u>	<u>1999</u>
State of Alaska	1	1
Municipalities	73	72
School districts	50	51
Other	<u>27</u>	<u>29</u>
<b>Total employers</b>	<b><u>151</u></b>	<b><u>153</u></b>

Inclusion in the Plan is a condition of employment for eligible State employees, except, as otherwise provided, for judges, elected officers and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and police and fire department employees covered by the Plan. At June 30, 1999 and 1998, the dates of the most recent actuarial valuations, Plan membership consisted of:

	<u>1999</u>	<u>1998</u>
Retirees and beneficiaries currently receiving benefits and terminated employees entitled to future benefits	<u>19,580</u>	<u>18,244</u>
Current employees:		
General	29,590	29,293
Police and fire	<u>2,624</u>	<u>2,617</u>
	<u>32,214</u>	<u>31,910</u>
	<b><u>51,794</u></b>	<b><u>50,154</u></b>
Current employees:		
Vested:		
General	17,254	17,335
Police and fire	1,781	1,799
Nonvested:		
General	12,336	11,958
Police and fire	<u>843</u>	<u>818</u>
	<u>32,214</u>	<u>31,910</u>

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**(b) Pension Benefits**

Employees hired prior to July 1, 1986, with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, fifty-five, or early retirement age, fifty. For employees first hired after June 30, 1986, the normal and early retirement ages are sixty and fifty-five, respectively. Employees with thirty or more years of credited service (twenty years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For employees hired prior to July 1, 1996, the average monthly compensation is based upon the employees' three highest, consecutive years salaries. For employees hired after June 30, 1996, average monthly compensation is based upon the employees' five highest, consecutive years salaries.

The benefit related to all years of service prior to July 1, 1986, and for years of service through a total of ten years for general employees is equal to 2% of the employee's average monthly compensation for each year of service. The benefit for each year over ten years of service subsequent to June 30, 1986, is equal to 2-1/4% of the employee's average monthly compensation for the second ten years and 2-1/2% for all remaining years of service. For police and fire employees, the benefit for years of service through a total of ten years is equal to 2% of the employee's average monthly compensation and 2-1/2% for all remaining years of service.

Minimum benefits for employees eligible for retirement are \$25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouses consent to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

The Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the Plan Administrator, if the cost of living in the previous calendar year rises and the financial condition of the Plan permits. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

**(c) Postemployment Healthcare Benefits**

Major medical benefits are provided to retirees without cost for all employees hired before July 1, 1986. Employees hired after July 1, 1986 with five years of credited service (or ten years of credited service for those first hired after July 1, 1996) must pay the full monthly premium if they are under age sixty, must pay half of the monthly premium if they are over age sixty but under age sixty-five, and receive benefits at no cost if they are over age sixty-five.

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Prior to July 1, 1997, postemployment healthcare benefits were provided by the payment of premiums to an insurance company. Beginning July 1, 1997, the Retiree Health Fund (RHF), an internal service fund of the State, was established. The RHF is self-funded and provides major medical coverage to retirees of the Plan. Retirees of three other State retirement plans also participate in the RHF. The Plan, along with the other participating plans, retains the risk of loss of allowable claims. Each year, RHF issues a publicly available financial report which may be obtained by writing to the State of Alaska, Department of Administration, Division of Retirement and Benefits, P.O. Box 110203, Juneau, Alaska, 99811-0203 or by calling (907) 465-4460.

**(d) Death Benefits**

If an active employee dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the employee's salary. When death is due to occupational causes and there is no surviving spouse, the employee's dependent child(ren) may receive the monthly pension until they are no longer dependents. The amount of the occupational death pension changes on the date the employee's normal retirement would have occurred if the employee had lived. The new benefit is based on the employee's average monthly compensation at the time of death and the credited service, including service that would have accrued if the employee had lived and continued to work until normal retirement. If the death was from nonoccupational causes, and the employee was

vested, the spouse may receive a monthly survivor benefit based on a 50% joint and survivor option. If the employee is not married or vested, a lump sum death benefit is payable to the named beneficiary(ies).

**(e) Disability Benefits**

Active employees who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age or when the service requirement for normal retirement is met. Although there is no minimum service requirements for employees to be eligible for occupational disability, employees must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the employee's salary at the time of the disability. The nonoccupational disability benefit is based on the employee's service and salary at the time of disability. At normal retirement age, a disabled employee receives normal retirement benefits.

**(f) Contributions**

Employee Contributions

Contribution rates are 7.5% for peace officers and firefighters and 6.75% for other employees, as required by statute. The employee contributions are deducted before federal income tax is withheld. Contributions are collected by employers and remitted to the Plan and may be voluntarily or, under certain circumstances, in-

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voluntarily refunded to the employee or a garnishing agency sixty days after termination of employment. Employee contributions earn interest at the rate of 4.5% per annum, compounded semiannually.

Employer Contributions

The Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are level percentages of payroll and are determined using the projected unit credit actuarial funding method. The Plan uses the level dollar method to amortize the unfunded liability or the funding surplus over a rolling twenty-five year period.

**Administrative Costs**

Administrative costs are financed through investment earnings.

**(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**(a) Basis of Accounting**

The Plan's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable.

**(b) Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

**(c) GASB Statements No. 25 and No. 26**

Government Accounting Standards Board (GASB) Statements No. 25 and No. 26 require that plan net assets be split between pension and postemployment healthcare. To meet these requirements, plan assets, liabilities, revenues and expenses not specifically identifiable to either plan are allocated to the pension and postemployment healthcare plans based on their proportionate share of actuarial accrued liabilities.

**(d) Investments**

Security transactions and any resulting gains or losses are accounted for on a trade date (ownership) basis.

Investments are recorded at fair value. Fair value is "the amount that a plan can reasonably expect to receive for an investment in a current sale between a willing buyer and a willing seller - that is, other than in a forced or liquidation sale."

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Net appreciation (depreciation) is determined by calculating the change in the fair value of investments between the end of the year and the beginning of the year, less purchases of investments at cost, plus sales of investments at fair value.

Investment expense consists of those administrative expenses directly related to the Plan's investment operations.

Real estate investments include commingled real estate equities, separate account limited partnerships, mortgage loans and other real estate acquired by foreclosure and judgments. Commingled real estate equities and separate account limited partnerships are valued quarterly by public market quotations, where a quoted market exists, or by independent appraisers, and are periodically adjusted by trustees of the investments when market conditions change. The cost of commingled real estate equities and separate account limited partnerships securities is determined on the average cost basis. Mortgage loans are valued at their principal balance (cost) less an allowance for loan loss, the net result of which approximates fair value. The allowance for loan loss is considered by management to be sufficient to cover any losses to the mortgage loan portfolio. Real estate acquired by foreclosure and judgments is carried at estimated net realizable value.

Venture capital investments in the private equity pool are comprised of limited partnerships in privately held companies of which equity ownership is not traded on a national or international exchange. Investments in the private

equity pool are valued quarterly by the general partners and investment sponsors. The private equity oversight manager is held to a standard of reasonable care in verifying that the general partners' valuations reasonably reflect the underlying value of the investments. The cost of investments in the private equity pool is determined on the average cost basis.

The Plan holds shares, rather than specific securities, in the emerging markets equity pool, a closed-end mutual fund-like commingled equity investment pool. Underlying securities within the pool are priced on the last business day of each week and each month. Equity securities are valued using the last reported sale price on the exchange on which the securities are traded as of the close of business on the day the securities are being valued, or, in the absence of any sales price, at the last reported bid price. Fixed income securities are valued at prices obtained from a bond pricing service when such prices are available; otherwise, such securities are valued at the mid-point between the bid and asked price or at prices for securities of comparable maturity, quality and type. Short-term securities with 60 days or less to maturity are amortized to maturity based on cost. Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing market rates. Forward currency contracts are valued at the mid-point of representative quoted bid and asked prices. Securities and assets for which representative market quotations are not readily available are valued at fair value as determined in good faith under policies approved by the commingled equity fund's board of directors.

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The fair value of all other debt and equity securities is determined by the custodial agent each business day. The custodian determines fair value using pricing services or prices quoted by one or more independent brokers. Equity securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates, if applicable, defaulting to current bid price if a particular security was not traded that day. Fair value of debt securities has been established as the midpoint between the bid and asked prices. The cost of debt and equity investments is determined on the average cost basis.

**(e) Contributions Receivable**

Contributions from employees and employers for service through June 30 are accrued. These contributions are considered fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

**(f) Federal Income Tax Status**

The Plan purports to be a qualified plan under Section 401(a) of the Internal Revenue Code and is exempt from federal income taxes under Section 501(a).

**(3) INVESTMENTS**

GASB Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial

institution or third party holding the Plan's deposits or securities fails. Deposits and those investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 – Insured or registered, or securities held by the State or its custodian in the State's name; Category 2 – Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 – Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping security as defined by GASB.

At June 30, 2000 and 1999, the Plan's cash and cash equivalents and investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the Plan's share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools in which the Plan participates are considered to be Category 1 as defined by GASB Statement No. 3, except: (A) investments in the mutual fund-like emerging markets equity pool which are considered to be Category 2, and (B) shares in the private equity pool and the real estate pool which, like the Plan's mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

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The cost and fair value of the Plan's investments at June 30, 2000 and 1999 are as follows:

	<u>Cost</u>	<u>Fair Value</u>
2000:		
Domestic equity pool	\$ 2,844,774	3,754,045
Retirement fixed income pool	2,249,202	2,178,112
International equity pool	1,416,005	1,585,597
Real estate pool	443,062	467,789
International fixed income pool	445,608	402,545
Private equity pool	138,617	164,766
Emerging markets equity pool	89,601	97,644
External domestic fixed income pool	<u>87,172</u>	<u>86,931</u>
	<b><u>\$ 7,714,041</u></b>	<b><u>8,737,429</u></b>
1999:		
Domestic equity pool	\$ 2,507,119	3,496,152
Retirement fixed income pool	2,423,289	2,360,296
International equity pool	1,175,163	1,294,042
International fixed income pool	438,192	416,132
Real estate pool	291,282	314,038
External domestic fixed income pool	81,772	82,498
Emerging markets equity pool	87,970	81,690
Private equity pool	<u>44,567</u>	<u>42,672</u>
	<b><u>\$ 7,049,354</u></b>	<b><u>8,087,520</u></b>

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During 2000 and 1999, the Plan's investments (including investments bought, sold, as well as held during the year) appreciated (depreciated) in value as follows:

	<u>2000</u>	<u>1999</u>
Investments measured by quoted fair values in an active market:		
Domestic equity pool	\$312,667	453,212
Retirement fixed income pool	(69,976)	(116,772)
International equity pool	242,687	139,216
Real estate pool	3,829	11,682
International fixed income pool	(36,530)	(5,480)
Private equity pool	42,072	14,608
Emerging markets equity pool	14,323	811
External domestic fixed income pool	(682)	(1,895)
	<u>\$514,390</u>	<u>495,382</u>

Based on the Plan's percentage of ownership in each investment pool as of June 30, 2000 and 1999, the Plan held no individual investments which exceeded 5% of net assets held in trust for pension and postemployment healthcare benefits.

The Alaska State Pension Investment Board (ASPIB) has statutory oversight of the Plan's investments and the authority to invest the Plan's

monies. As the fiduciary, ASPIB has the statutory authority to invest the assets under the Prudent Investor Rule. Alaska Statute provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios. Actual investing is performed by the investment officers of the Division of Treasury of the Department of Revenue or by contracted external investment managers.

#### **(4) POOLED INVESTMENTS**

##### **(a) Short-Term Fixed Income Pool**

The Plan, along with other State funds and retirement systems, participates in an internally managed short-term fixed income pool, which was established March 15, 1993, with a start up unit price of \$1 per share. Each participant owns shares in the pool, the number of which fluctuates daily with contributions, withdrawals and income. A share price of \$1 is maintained, giving each participant one share for every dollar invested in the short-term fixed income pool. The assets of the short-term fixed income pool are comprised of money market instruments, U.S. Treasuries, U.S. Government agency debt, corporate debt and other U.S. dollar denominated bonds. At June 30, 2000 and 1999, the Plan has a .03% and .02% direct ownership in the short-term fixed income pool totaling \$544 and \$278, respectively. These amounts include interest receivable of \$17 in each year.

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**(b) Domestic Equity Pool**

The Plan, along with three other State retirement systems, participates in an externally managed domestic equity pool. The pool was established July 1, 1991, with a start up unit price of \$1,000 per share. All income, including interest, dividends, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 2000 and 1999, the Plan's investment in the domestic equity pool totaled 65.67% and 65.65%, respectively, and consisted of the following:

	<u>2000</u>	<u>1999</u>
Domestic equity securities	\$3,664,508	3,359,272
Available cash held in the short-term fixed income pool and other short-term debt instruments and currency	90,722	142,321
Net payables	<u>(1,185)</u>	<u>(5,441)</u>
	<u><b>\$3,754,045</b></u>	<u><b>3,496,152</b></u>

**(c) Retirement Fixed Income Pool**

The Plan, along with three other State retirement systems, participates in an externally managed retirement fixed income pool. The

pool was established March 1, 1996, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the date of the transaction.

At June 30, 2000 and 1999, the Plan's investment in the retirement fixed income pool totaled 66.25% and 65.38%, respectively, and consisted of the following:

	<u>2000</u>	<u>1999</u>
Corporate	\$ 518,425	\$ 776,701
U.S. Treasury	443,633	768,072
U.S. Government agency	211,779	288,253
Mortgage related	652,740	196,976
Asset backed	24,771	24,662
Yankees	266,902	245,223
Available cash held in the short-term fixed income pool	376,546	10,971
Net receivables	<u>(316,684)</u>	<u>49,438</u>
Total	<u><b>\$2,178,112</b></u>	<u><b>2,360,296</b></u>

**(d) International Equity Pool**

The Plan, along with three other State retirement systems, participates in an externally managed international equity pool. The pool

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was established January 1, 1992, with a start up unit price of \$1,000 per share. Each manager may independently determine the allocation between equities and short-term debt instruments. All income, including interest, dividends and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested.

At June 30, 2000 and 1999, the Plan's investment in the international equity pool totaled 65.53% and 65.17%, respectively, and consisted of the following:

	<u>2000</u>	<u>1999</u>
International equity securities	\$1,531,885	1,236,448
Available cash held in short-term debt instruments and foreign currency	50,084	51,150
Net receivables	<u>3,628</u>	<u>6,444</u>
	<u><b>\$1,585,597</b></u>	<u><b>1,294,042</b></u>

**(e) Real Estate Pool**

The Plan, along with one other State retirement system, participates in an externally managed real estate pool. The pool was established June 27, 1997, with a start up unit price of \$1 per share. Ownership in the pool is based on the number of shares held by each participant.

Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest, income from operations, and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis. All income is reinvested except for cash distributions which are transferred to the retirement fixed income pool based on a pro rata ownership in the originating pool.

At June 30, 2000 and 1999, the Plan has 65.57% direct ownership in the real estate equity pool totaling \$467,789 and \$314,038, respectively.

**(f) International Fixed Income Pool**

The Plan, along with one other State retirement system, participates in an externally managed international fixed income pool. The pool was established March 3, 1997, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the date of the transaction.

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At June 30, 2000 and 1999, the Plan's investment in the international fixed income pool totaled 65.62% and consisted of the following:

	<u>2000</u>	<u>1999</u>
International fixed income securities	\$ 386,808	400,002
Available cash held in short-term debt instruments and foreign currency	2,945	6,198
Net receivables	<u>12,792</u>	<u>9,932</u>
	<b><u>\$ 402,545</u></b>	<b><u>416,132</u></b>

**(g) Private Equity Pool**

The Plan, along with one other State retirement system, participates in an externally managed private equity pool. The pool was established April 24, 1998, with a start up unit price of \$1,000 per share. Ownership in the pool is based on the number of shares held by each participant. Underlying assets in the pool are composed of venture capital, buyouts and special situation investments through limited partnership agreements. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction. All income, including interest and realized and unrealized gains and losses, is allocated monthly to each participant on a pro rata ownership basis and is reinvested. At June 30, 2000

and 1999, the Plan has 65.50% direct ownership in the private equity pool totaling \$164,766 and \$42,672, respectively.

**(h) Emerging Markets Equity Pool**

The Plan, along with one other State retirement system, participates in an emerging markets equity pool. The pool was established May 2, 1994, with a start up unit price of \$1,000 per share. The pool participates in two externally managed commingled investment funds through ownership of equity shares. The commingled funds, comprised of various institutional investors, invest in the equity markets of developing countries. At June 30, 2000 and 1999, the Plan has a 65% ownership in the pool totaling \$97,644 and \$81,690, respectively.

**(i) External Domestic Fixed Income Pool**

The Plan along with three other State retirement systems, participates in an externally managed domestic fixed income pool. The pool was established June 25, 1999, with a start up unit price of \$1,000 per share. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of units of the pool outstanding on the valuation date. Ownership in the pool is based on the number of shares held by each participant. Contributions to and withdrawals from the pool are based on the net asset value per share on the day of the transaction.

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At June 30, 2000 and 1999, the Plan's investment in the external domestic fixed income pool totaled 65.33%, and consisted of the following:

	<u>2000</u>	<u>1999</u>
Corporate	\$ 16,932	3,787
U.S. Treasury	11,600	37,016
U.S. Government agency	4,253	2,981
Municipality	975	-
Asset backed	6,820	-
Mortgage related	44,088	23,088
Yankees	650	-
Available cash held in short-term debt instruments	16	41,165
Net receivables (paybles)	<u>1,597</u>	<u>(25,539)</u>
	<u>\$ 86,931</u>	<u>82,498</u>

**(5) FOREIGN EXCHANGE CONTRACTS AND OFF-BALANCE SHEET RISK**

The Plan, through its investment in the international equity pool and international fixed income pool, entered into foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions in these currencies. The maturity periods for these contracts range from one to three months. The Plan had net

unrealized gains with respect to such contracts, calculated using forward rates at June 30 as follows:

	<u>2000</u>	<u>1999</u>
Net contract sales	\$ 12,340	26,529
Less: fair value	<u>12,323</u>	<u>26,219</u>
Net unrealized gains on contracts	<u>\$ 17</u>	<u>310</u>

The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. The Plan is exposed to credit risk to the extent of nonperformance by these counterparties; however, the Plan considers the risk of default to be remote. The Plan's market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

**(6) RETIREMENT INCENTIVE PROGRAM**

House Bill 354 (Chapter 65, SLA 96) was passed on June 18, 1996, and provides for a retirement incentive program (RIP or program) for members of school district employers and employees of Mt. Edgecumbe and the Alaska Vocational Technical Center. The RIP encourages eligible employees to retire up to three years earlier than they had planned as a cost savings to the employer. The incentive program may be

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(000s omitted)**

**June 30, 2000 and 1999**

implemented if the program will produce an overall cost savings to the employer. The application and retirement deadlines are determined by the employer when they establish a program. The original application period for employees under House Bill 354 was June 30, 1996, through December 31, 1996. During fiscal year 1997, Senate Bill 130 (Chapter 92, SLA 97) was passed which amended the original program. Senate Bill 130 allowed for additional application periods on an "as needed basis" anytime through June 30, 1999.

Senate Bill 1003 (Chapter 4, FSSLA 96) was passed on June 28, 1996, and provides for a RIP for employees of the State, the University of Alaska, and all employers other than school districts. Under this legislation, the State and University of Alaska could open a RIP application period on an "as needed basis" anytime between July 18, 1996, and June 30, 1999. The program was designed to allow State agencies to use the RIP in a strategic, targeted approach tailored to the specific budget and personnel situation of each agency. Some State agencies may determine that the RIP is not cost-effective for their agency and elect not to participate in the RIP. Other agencies may offer the RIP only in divisions or job classifications facing budget reductions or position cuts.

Employers who participate in either of the RIP programs are required to reimburse the Plan for the actuarial equivalent of the difference between the benefits each employee receives after the addition of the retirement incentive

under the program and the amount the employee would have received without the incentive, less any amount the employee was indebted as a result of retiring under the program. Reimbursements from employers are due in minimum equal annual installments so that the entire balance is paid within three years after the end of the fiscal year in which each employee retires. Employers are also required to reimburse the Plan for the estimated costs of administering the program. The Plan establishes a receivable for employer reimbursements and administrative costs as employees retire. During fiscal years 2000 and 1999, the Plan recognized \$13,880 and \$12,741, respectively, of additions to plan net assets for contributions from employers for required reimbursements under the RIP.

When employees terminate employment to participate in the program, they are indebted to the Plan for the following percentages of their annual compensation for the calendar year in which they terminate:

Police and fire members	22.50%
Other members	20.25%

Any outstanding indebtedness at the time an employee is appointed to retirement results in an actuarial adjustment of his/her benefit amount. During fiscal years 2000 and 1999, the Plan recognized \$810 and \$716, respectively, of additions to plan net assets for contributions from employees related to the RIP.

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Notes to Combining Financial Statements  
(000s omitted)**

**June 30, 2000 and 1999**

**(7) COMMITMENTS AND CONTINGENCIES**

**(a) Commitments**

The Plan, through its investment in the private equity pool, entered into agreements through an external investment manager to provide capital funding for limited and general partnerships as it continues to build a private equity portfolio. At June 30, 2000, the Plan's share of these unfunded commitments totaled \$167,152 to be paid through the year 2005.

**(b) Contingencies**

The Plan is a defendant in four similar lawsuits, three of which are class action suits. The lawsuits pertain to whether recent changes to the retiree health insurance program under the Plan resulted in violations of members' constitutional rights to retirement benefits. The Plan will vigorously contest these suits. An unfavorable outcome could result in the Plan having to rescind certain changes to the retiree health insurance program.

The State is a defendant in a lawsuit filed by the Alaska Civil Liberties Union and six same-sex couples with regards to the statutes limiting retiree health insurance coverage to retirees and their spouses and dependents, thus excluding coverage for domestic partners of retirees. An adverse ruling against the State would increase the number of persons that would be covered by insurance paid by the Plan.

Although the ultimate outcome of the litigation discussed above is uncertain at this point in time, the Plan believes that unfavorable outcomes, if rendered, would not have a material adverse effect on its financial position or funding status. The Plan has not recorded an accrual related to the above lawsuits, because unfavorable outcomes in these matters are, in management's opinion, not considered probable but rather only possible, and the potential loss, if any, cannot be reasonably estimated at this time.

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Required Supplementary Information  
June 30, 2000 and 1999**

**Schedule of Funding Progress  
Pension Benefits  
(000s omitted)**

<b>Actuarial valuation year ended June 30</b>	<b>Actuarial value of plan assets</b>	<b>Actuarial accrued liabilities (AAL)</b>	<b>Unfunded actuarial accrued liabilities (UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>UAAL as a percentage of covered payroll</b>
1994	\$3,201,321	3,377,405	176,084	94.8%	\$1,176,997	15.0%
1995	3,485,042	3,613,271	128,229	96.5%	1,188,044	10.8%
1996	3,804,973	3,594,706	(210,267)	105.8%	1,221,866	(17.2)%
1997	4,287,497	4,031,527	(255,970)	106.3%	1,299,135	(19.7)%
1998	4,692,095	4,430,237	(261,858)	105.9%	1,235,439	(21.2)%
1999	4,992,453	4,730,841	(261,612)	105.5%	1,283,549	(20.4)%

*See accompanying notes to required supplementary information and independent auditors' report.*

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Required Supplementary Information  
June 30, 2000 and 1999**

**Schedule of Funding Progress  
Postemployment Healthcare Benefits  
(000s omitted)**

<b>Actuarial valuation year ended June 30</b>	<b>Actuarial value of plan assets</b>	<b>Actuarial accrued liabilities (AAL)</b>	<b>Unfunded actuarial accrued liabilities (UAAL)</b>	<b>Funded ratio</b>	<b>Covered payroll</b>	<b>UAAL as a percentage of covered payroll</b>
1994	\$1,177,984	1,242,777	64,793	94.8%	\$1,176,997	5.5%
1995	1,309,712	1,357,901	48,189	96.5%	1,188,044	4.1%
1996	1,466,280	1,385,252	(81,028)	105.8%	1,221,866	(6.6)%
1997	1,597,991	1,502,589	(95,402)	106.3%	1,299,135	(7.3)%
1998	1,879,467	1,773,754	(105,713)	105.9%	1,235,439	(8.6)%
1999	2,023,887	1,917,832	(106,055)	105.5%	1,283,549	(8.3)%

*See accompanying notes to required supplementary information and independent auditors' report.*

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Required Supplementary Information  
June 30, 2000 and 1999**

**Schedule of Employer Contributions  
Pension and Postemployment Healthcare Benefits  
(000s omitted)**

<b>Year ended June 30</b>	<b>Pension annual required contribution</b>	<b>Postemployment healthcare annual required contribution</b>	<b>Total annual required contribution</b>	<b>Pension percentage contributed</b>	<b>Postemployment healthcare percentage contributed</b>	<b>Total percentage contributed</b>
1995	\$114,063	42,382	156,445	100%	100%	100%
1996	107,058	40,582	147,640	100%	100%	100%
1997	104,409	40,454	144,863	100%	100%	100%
1998	69,259	25,958	95,217	100%	100%	100%
1999	69,337	27,860	97,197	100%	100%	100%
2000	63,344	25,740	89,084	105.2%	105.2%	105.2%

*See accompanying notes to required supplementary information and independent auditors' report.*

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Notes to Required Supplementary Information**

**June 30, 2000 and 1999**

**(1) DESCRIPTION OF SCHEDULE OF FUNDING PROGRESS**

Each time a new benefit is added which applies to service already rendered, an "unfunded actuarial accrued liability" is created. Laws governing the Plan require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing.

**(2) ACTUARIAL ASSUMPTIONS AND METHODS**

The actuarial valuation is prepared by William M. Mercer, Incorporated. The significant actuarial assumptions used in the valuations as of June 30, 1999, are as follows:

- (a) Actuarial cost method – projected unit credit, unfunded accrued benefit liability or funding surplus amortized over a rolling twenty-five year period.
- (b) Mortality basis – 1984 Unisex Pension Mortality Table set forward one year for male and police/fire members, and set backward four years for female members. Deaths are assumed to be occupational 85% of the time for police and fire members and 35% for other members.
- (c) Retirement age – retirement rates based on the 1991-1995 actual experience.
- (d) Investment return – 8.25% per year, compounded annually, net of expenses.
- (e) Health cost trend –

<b>Fiscal Year</b>	
99	9.5%
00	8.5%
01	7.5%
02	6.5%
03	5.5%
04-08	5.0%
09 and later	4.5%

- (f) Salary scale – inflation 4.0%, productivity 0.5%, merit (first five years) 1.0%, for a total of 5.5% per annum.
- (g) Inflation – total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually.
- (h) Cost of living allowance (domicile in Alaska) – 71% of those benefit recipients who are eligible for the allowance are assumed to remain in Alaska and receive the allowance.
- (i) Contribution refunds – 100% of those employees terminating after age thirty-five with five or more years of service will leave their contributions in the Plan and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Notes to Required Supplementary Information**

**June 30, 2000 and 1999**

- (j) Turnover and disability assumptions are based upon the 1991-1995 actual experience of the Plan. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security Disabilities are assumed to be occupational 85% of the time for police and fire members and 35% for other members.
- (k) Asset valuation method – No asset gain or loss for the fiscal year is recognized if the expected actuarial value of assets plus (minus) any deferred gains (losses) is within a 5% corridor of the market value of assets. Any amount outside this 5% corridor is set aside and applied to the employer rate as a level percentage of pay over the next twenty years. The gain (loss) amount that is set aside is not expected to be offset by any future gains (losses). If this is not the case, the method is restarted.
- (l) Valuation of medical benefits for retirees – a pre-age sixty-five cost and lower post-age sixty-five cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health cost inflation assumption.
- (m) 102% target funding ratio – The target unfunded (surplus) accrued liability is determined by first reducing the actuarial value of assets by 2.296% and calculating the resulting unfunded (surplus) accrued liability. This unfunded (surplus) liability is then loaded by 6% to account for the 2-year delay in employer contributions. Both of these factors are determined empirically from the actuarial projection valuation. This target unfunded accrued liability (surplus) is then added to the actuarial value of assets to determine the target accrued liability. This target accrued liability is the basis for the determination of the employer contribution rate before the rate is adjusted for the deferred gains or losses outside the 5% corridor as discussed above.
- (n) Spouse's age – Wives are assumed to be four years younger than husbands.
- (o) Dependent children – Benefits to dependent children have been valued assuming members who are not single have one dependent child.
- (p) Post-retirement pension adjustment – 50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA).
- (q) Expenses – Expenses are covered in the investment return assumption.
- (r) Marital status – 75% of participants are assumed to be married.
- The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the Plan. The foregoing actuarial assumptions are based on the presumption that the Plan will continue. Were

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Notes to Required Supplementary Information**

**June 30, 2000 and 1999**

the Plan to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

All significant accounting policies, benefit provisions, and actuarial assumptions are the same for the required supplementary information and the financial statements except as follows:

Effective June 30, 1994, there was a change in the economic actuarial assumptions and asset valuation method. The total inflation assumption was changed from 5% to 4% annually. This affected the economic assumptions, including investment return, salary scale, and health cost trend. The revised asset valuation method smoothes the difference between expected investment return and actual return during a given year by spreading the results over five years by recognizing 20% of the investment gain or loss in each of the current and preceding four years.

Effective June 30, 1996, the investment return was increased from 8% to 8.25% per year. Retirement, turnover, and disability assumptions were revised based on actual experience in 1991-1995. In addition, the amortization period for funding surpluses was changed from five years to a rolling twenty-five year period.

Effective June 30, 1998, the following changes were made:

- The health cost trend assumption was changed from an ultimate rate of 5.5% per annum to 4.5% per annum.
- The asset valuation method was changed. The new asset valuation method produces no gains or losses for a fiscal year if the expected actuarial value of assets plus (minus) any deferred gains (losses) is within a 5% corridor of the market value. Expected assets outside this corridor are amortized over 20 years as a level percent of pay and applied directly to the consolidated employer rate. The gain (loss) amount that is set aside is not expected to be offset by any future gains (losses). The method is restarted if this is not the case. The old asset valuation method recognized 20% of the investment gain or loss in each of the current and preceding four years. All assets were valued at fair value. Valuation assets could not be outside a range of 80% to 120% of the fair value of assets.
- The target funding ratio was changed from 100% to 102%.

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Schedule of Administrative and Investment Expenses  
(000s omitted)**

**Year ended June 30, 2000  
with comparative totals for 1999**

	<u>Administrative expenses</u>	<u>Investment expenses</u>	<u>Totals</u>	
			<u>2000</u>	<u>1999</u>
Personal services:				
Wages	\$ 1,906	665	2,571	2,529
Benefits	696	199	895	843
Other	<u>6</u>	<u>-</u>	<u>6</u>	<u>4</u>
Total personal services	<u>2,608</u>	<u>864</u>	<u>3,472</u>	<u>3,376</u>
Travel:				
Transportation	54	62	116	93
Per diem	42	47	89	82
Moving	-	4	4	-
Honorarium	<u>-</u>	<u>9</u>	<u>9</u>	<u>15</u>
Total travel	<u>96</u>	<u>122</u>	<u>218</u>	<u>190</u>
Contractual services:				
Accounting and auditing	10	749	759	712
Management and consulting	366	17,372	17,738	14,793
Legal	69	23	92	80
Medical specialists	76	-	76	69
Data processing	174	30	204	510
Other professional services	203	28	231	361
Communications	235	40	275	144
Transportation	5	4	9	7
Advertising and printing	189	163	352	215
Repairs and maintenance	17	1	18	13
Rentals/leases	32	41	73	63
Other services	<u>17</u>	<u>95</u>	<u>112</u>	<u>180</u>
Total contractual services	<u>1,393</u>	<u>18,546</u>	<u>19,939</u>	<u>17,147</u>
Other:				
Equipment	90	36	126	303
Supplies	60	13	73	97
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>12</u>
Total other	<u>150</u>	<u>49</u>	<u>199</u>	<u>412</u>
Total administrative and investment expenses	<u><b>\$ 4,247</b></u>	<u><b>19,581</b></u>	<u><b>23,828</b></u>	<u><b>21,125</b></u>

See accompanying independent auditors' report.

**STATE OF ALASKA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
(A Component Unit of the State of Alaska)**

**Schedule of Payments to Consultants  
Other than Investment Advisors  
(000s omitted)**

**Years ended June 30, 2000 and 1999**

Firm	Services	<u>2000</u>	<u>1999</u>
State Street Bank and Trust Company	Custodian banking services	\$ 1,131	835
William M. Mercer, Inc.	Actuarial services	271	166
The Retirement Concepts Group, Ltd.	Data processing consultants	118	149
Powertech Toolworks, Inc.	Data processing consultants	90	200
Wohlforth, Vasser, Johnson and Brecht	PERS Board legal services	50	52
KPMG LLP	Auditing services	49	27
State of Alaska, Department of Law	Legal services	<u>25</u>	<u>49</u>
		<u><b>\$ 1,734</b></u>	<u><b>1,478</b></u>

See accompanying independent auditors' report.

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**WILLIAM M.  
MERCER**

March 8, 2000

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

Dear Members of the Board:

**Actuarial Certification**

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 1999 by William M. Mercer, Incorporated. The purposes of the report include:

- (1) a review of experience under the Plan for the year ended June 30, 1999;
- (2) a determination of the appropriate contribution rate for each employer in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The following schedules that we have prepared are included in this report:

- (1) Summary of actuarial assumptions and methods
- (2) Schedule of active member valuation data
- (3) Schedule of retirants and beneficiaries added to and removed from rolls
- (4) Solvency test
- (5) Analysis of financial experience

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

Phone 206 808 8800

A Marsh & McLennan Company

WILLIAM M.  
**MERCER**

Public Employees' Retirement Board  
March 8, 2000  
Page 2

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, LLP, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The non-health trend actuarial assumptions are based on the results of an experience study presented to the Board in October 1996. The health trend assumption was modified, effective June 30, 1998, to better reflect the best estimate of future health trend inflation.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY00 and a rolling amortization of the funding surplus or the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities changed from 105.9% to 105.5% during the year. Over the years, progress has been made toward achieving the funding objectives of the System.

There were no significant changes in the actuarial assumptions or actuarial methods used in the determination of system liabilities this year. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

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

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

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

WILLIAM M.  
**MERCER**

Public Employees' Retirement Board  
March 8, 2000  
Page 3

We believe that the assumptions and methods used for funding purposes and for the disclosures presented in this report satisfy the parameter requirements set forth in the Government Accounting Standards Board (GASB) Statement Nos. 25 and 27.

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

Sincerely,



Brian R. McGee, FSA, MAAA



James W. Jacobson, ASA, MAAA

## Public Employees' Retirement System Summary of Actuarial Assumptions and Methods

The demographic and non-health economic assumptions used in this valuation were recommended by William M. Mercer, Incorporated and were adopted at the Fall 1996 PERS Board Meeting. These assumptions were the result of an experience study performed in the fall of 1996. The health trend assumption was revised effective June 30, 1998 to better reflect expected future health inflation. The funding method used in this valuation was adopted June 30, 1985. The asset smoothing method used to determine valuation assets was changed effective June 30, 1998.

### Valuation of Liabilities

- A. Actuarial Method** — Projected Unit Credit (no change). Liabilities and contributions shown in the report are computed using the Projected Unit Credit method of funding. Any funding surpluses or unfunded accrued liability is amortized over a rolling 25 years.

The objective under this method is to fund each participant's benefits under the plan as they accrue. Thus, each participant's total pension projected to retirement with salary scale is broken down into units, each associated with a year of past or future service. The principle underlying the method is that each unit is funded in the year for which it is credited. Typically, when the method is introduced there will be an initial liability for benefits credited for service prior to that date, and to the extent that this liability is not covered by Assets of the Plan there is an Unfunded Liability to be funded over a chosen period in accordance with an amortization schedule.

An Accrued Liability is calculated at the valuation date as the present value of benefits credited with respect to service to that date.

The Unfunded Liability at the valuation date is the excess of the Accrued Liability over the Assets of the Plan. The level annual payment to be made over a stipulated number of years to amortize the Unfunded Liability is the Past Service Cost.

The Normal Cost is the present value of those benefits which are expected to be credited with respect to service during the year beginning on the valuation date.

Under this method, differences between the actual experience and that assumed in the determination of costs and liabilities will emerge as adjustments in the Unfunded Liability, subject to amortization.

### B. Actuarial Assumptions

- |    |                   |  |
|----|-------------------|--|
| 1. | Investment Return | 8.25% per year, compounded annually, net of expenses.  |
| 2. | Salary Scale      | Inflation - 4.0% per year<br>Productivity - 0.5% per year<br>Merit (first 5 years of employment) - 1.0% per year                         |
| 3. | Total Inflation   | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 4% annually. |

<b>Public Employees' Retirement System</b> <b>Summary of Actuarial Assumptions and Methods</b>
---

- |              |                      |   |  |              |             |         |             |             |             |
|--------------|----------------------|---|--|--------------|-------------|---------|-------------|-------------|-------------|
| 4.           | Health Cost Trend    | FY99 - 9.5%<br>FY00 - 8.5%<br>FY01 - 7.5%<br>FY02 - 6.5%  | FY03 - 5.5%<br>FY04 - FY08 - 5.0%<br>FY09 & later - 4.5% |              |             |         |             |             |             |
| 5.           | Mortality            | 1984 Unisex Pension Mortality Table, set forward one year for male and police/fire members, and set backward four years for female members. Deaths are assumed to be occupational 85% of the time for Police/Fire, 35% for "Other."   |  |              |             |         |             |             |             |
| 6.           | Turnover             | Based upon the 1991-95 actual total turnover experience. (See Table 1 on page 61.)  |  |              |             |         |             |             |             |
| 7.           | Disability           | Incidence rates, based upon the 1991-95 actual experience, in accordance with Table 2 on page 62. Post-disability mortality in accordance with rates published by the Pension Benefit Guaranty Corporation to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 85% of the time for Police/Fire, 35% for "Other."   |  |              |             |         |             |             |             |
| 8.           | Retirement Age       | Retirement rates based upon the 1991-95 actual experience in accordance with Table 3 on page 63.  |  |              |             |         |             |             |             |
| 9.           | Spouse's Age         | Wives are assumed to be four years younger than husbands.   |  |              |             |         |             |             |             |
| 10.          | Dependent Children   | Benefits to dependent children have been valued assuming members who are not single have one dependent child.   |  |              |             |         |             |             |             |
| 11.          | Contribution Refunds | 100% of those terminating after age 35 with five or more years of service will leave their contributions in the fund and thereby retain their deferred vested benefit. All others who terminate are assumed to have their contributions refunded.   |  |              |             |         |             |             |             |
| 12.          | C.O.L.A.             | Of those benefit recipients who are eligible for the C.O.L.A., 71% are assumed to remain in Alaska and receive the C.O.L.A.   |  |              |             |         |             |             |             |
| 13.          | New Entrants         | Growth projections are made for the active PERS population under three scenarios: <table style="margin-left: 40px; margin-top: 10px;"> <tr> <td style="padding-right: 10px;">Pessimistic:</td> <td>0% per year</td> </tr> <tr> <td>Median:</td> <td>1% per year</td> </tr> <tr> <td>Optimistic:</td> <td>2% per year</td> </tr> </table> <p style="margin-top: 10px;">Only the 1% per year scenarios for funding ratios and average contribution rates were presented in this report.</p> |  | Pessimistic: | 0% per year | Median: | 1% per year | Optimistic: | 2% per year |
| Pessimistic: | 0% per year          |   |  |              |             |         |             |             |             |
| Median:      | 1% per year          |   |  |              |             |         |             |             |             |
| Optimistic:  | 2% per year          |   |  |              |             |         |             |             |             |

<b>Public Employees' Retirement System</b> <b>Summary of Actuarial Assumptions and Methods</b>
---

- |  |   |
|--|---|
| 14. Post-Retirement Pension Adjustment | 50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. |
| 15. Expenses                           | Expenses are covered in the investment return assumption.   |
| 16. Marital Status                     | 75% of participants are assumed to be married.  |

### Valuation of Assets

In the development of valuation assets, we use an expected investment return equal to the investment return assumption of 8.25%. The valuation assets, plus (minus) the outstanding balance of previously amortized amounts, are then compared to a 5% corridor around the market value of assets. Any amount outside the corridor is amortized and applied to the employer contribution rates as a level percentage of pay over 20 years under the 1% population projection scenario. Valuation assets cannot be outside the range of 80% to 120% of the market value of assets.

### Determination of the Adjustment for the 102% Target Funding Ratio

The target unfunded (surplus) accrued liability is determined by first reducing the actuarial value of assets by 2.296% and calculating the resulting unfunded (surplus) accrued liability. This unfunded (surplus) liability is then loaded by 6% to account for the 2-year delay in employer contributions. Both of these factors are determined empirically from the actuarial projection valuation. This target unfunded accrued liability (surplus) is then added to the actuarial value of assets to determine the target accrued liability. This target accrued liability is the basis for the determination of the employer contribution rate before the rate is adjusted for the deferred gains or losses outside the 5% corridor as discussed above.

### Valuation of Medical Benefits

Medical benefits for retirees are provided by the payment of premiums from the fund. A pre-65 cost and lower post-65 cost (due to Medicare) are assumed such that the total rate for all retirees equals the present premium rate assumption. These medical premiums are then increased with the health inflation assumption. The actuarial cost method used for funding retirement benefits is also used to fund health benefits.

For the June 30, 1999 valuation, the pre-65 monthly premium is \$663.49 and the post-65 premium is \$252.74, based on an assumed total blended premium of \$507.56. For the time period January 1, 2000 to December 31, 2000, the actual blended premium as provided by the State of Alaska, Division of Retirement and Benefits is \$530.00.

**Public Employees' Retirement System  
Summary of Actuarial Assumptions and Methods**

**Table 1  
Total Turnover Assumptions**

Select Rates of Turnover During the First 5 Years of Employment			Ultimate Rates of Turnover After the First 5 Years of Employment		
<b>Police and Fire:</b>					
Year of Employment	Age at Hire		Age	Rate	
	20-29	30+			
1	.22	.22	20-29	.06	
2	.15	.14	30+	.04	
3	.15	.12			
4	.10	.08			
5	.07	.06			
<b>Other:</b>					
Year of Employment	Age at Hire		Age	Rate	
	20-29	30+			
1	.30	.20	20-29	.10	
2	.20	.15	30-39	.08	
3	.15	.12	40+	.06	
4	.12	.10			
5	.12	.10			

**Public Employees' Retirement System  
Summary of Actuarial Assumptions and Methods**

**Table 2  
Disability Rates  
Annual Rates Per 1,000 Employees**

<b>Age</b>	<b>Police &amp; Fire Rate</b>	<b>"Other" Member Rate</b>
20	.88	.28
21	.89	.28
22	.90	.29
23	.91	.29
24	.93	.30
25	.94	.30
26	.95	.30
27	.98	.31
28	1.00	.32
29	1.03	.33
30	1.05	.34
31	1.08	.34
32	1.10	.35
33	1.13	.36
34	1.16	.37
35	1.20	.38
36	1.24	.40
37	1.29	.41
38	1.34	.43
39	1.39	.44
40	1.44	.46
41	1.50	.48
42	1.59	.51
43	1.70	.54
44	1.85	.59
45	2.03	.65
46	2.20	.70
47	2.39	.76
48	2.59	.83
49	2.79	.89
50	3.00	.96
51	3.25	1.04
52	3.58	1.14
53	3.98	1.27
54	4.44	1.42
55	5.00	1.60
56	5.74	1.84
57	6.68	2.14
58	7.63	2.44
59	9.00	2.88
60	10.54	3.37
61	12.19	3.90
62	14.13	4.52
63	16.31	5.22
64	18.63	5.96

**Public Employees' Retirement System  
Summary of Actuarial Assumptions and Methods**

**Table 3  
Retirement Rates**

Age	Police & Fire Rate	"Other" Member Rate
50	.10	.06
51	.10	.06
52	.10	.06
53	.12	.06
54	.12	.06
55	.25	.19
56	.25	.16
57	.10	.13
58	.10	.12
59	.10	.11
60	.40	.17
61	.40	.14
62	1.00	.18
63	1.00	.18
64	1.00	.25
65	1.00	.35
66 & Up	1.00	1.00

For ages less than 50, employees are assumed to retire two years after the earliest age they are eligible to retire.

<b>Public Employees' Retirement System Schedule of Active Member Valuation Data</b>					
<b>Valuation Date</b>	<b>Number</b>	<b>Annual Payroll (000s)</b>	<b>Annual Average Pay</b>	<b>Average Increase/ (Decrease) In Average Pay</b>	<b>Number of Participating Employers</b>
<b>All Others</b>					
June 30, 1999	29,590	\$1,140,706	\$38,550	3.0%	148
June 30, 1998	29,293	1,096,786	37,442	0.2%	148
June 30, 1997	29,267	1,093,433	37,361	0.7%	156
June 30, 1996	29,326	1,087,504	37,083	1.3%	156
June 30, 1995	28,893	1,057,840	36,612	0.9%	153
June 30, 1994	28,883	1,048,541	36,303	2.3%	155
June 30, 1993	28,509	1,011,864	35,493	4.2%	155
June 30, 1992	28,206	961,054	34,073	2.5%	155
June 30, 1991	27,307	907,567	33,236	4.6%	145
June 30, 1990	26,667	846,935	31,760	0.6%	143
<b>Police/Fire</b>					
June 30, 1999	2,624	\$142,843	\$54,437	2.7%	148
June 30, 1998	2,617	138,653	52,982	1.0%	148
June 30, 1997	2,587	135,702	52,455	2.8%	156
June 30, 1996	2,634	134,362	51,011	0.2%	156
June 30, 1995	2,557	130,204	50,921	(1.7)%	153
June 30, 1994	2,481	128,456	51,776	2.8%	155
June 30, 1993	2,463	124,025	50,355	3.2%	155
June 30, 1992	2,515	122,762	48,812	2.8%	155
June 30, 1991	2,533	120,240	47,470	9.2%	145
June 30, 1990	2,419	105,135	43,462	0.9%	143

Public Employees' Retirement System Schedule of Retirants and Beneficiaries Added to and Removed from Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
<b>All Others</b>								
June 30, 1999	1,053	\$19,402,623	124	\$2,284,829	12,707	\$179,714,326	10.5%	\$14,143
June 30, 1998	1,219	25,116,364	113	2,328,260	11,778	162,596,532	16.3%	13,805
June 30, 1997	830	23,255,081 <sup>(1)</sup>	101	2,829,835 <sup>(1)</sup>	10,672	139,808,428	17.1%	13,100
June 30, 1996	702	8,803,872	40	501,645	9,943	119,383,182	7.5%	12,007
June 30, 1995	561	8,327,484	123	850,316	9,281	111,080,955	7.2%	11,969
June 30, 1994	567	7,584,088	100	225,631	8,843	103,603,787	7.6%	11,716
June 30, 1993	464	5,408,670	93	4,057,669	8,376	96,245,330	1.4%	11,491
June 30, 1992	435	8,520,963	116	1,323,560	8,005	94,894,329	8.2%	11,854
June 30, 1991	876	15,277,842	8	85,072	7,686	87,696,926	21.0%	11,410
June 30, 1990	457	5,776,756	94	986,060	6,818	72,504,156	7.1%	10,634
<b>Police/Fire</b>								
June 30, 1999	163	\$4,761,117	8	\$233,673	1,478	\$42,127,224	12.0%	\$28,503
June 30, 1998	195	6,096,918	2	62,532	1,323	37,599,780	19.1%	28,420
June 30, 1997	161	6,672,261 <sup>(1)</sup>	9	372,984 <sup>(1)</sup>	1,130	31,565,394	24.9%	27,934
June 30, 1996	88	2,217,256	2	50,392	978	25,266,117	9.4%	25,834
June 30, 1995	95	2,697,924	3	85,198	892	23,099,253	12.8%	25,896
June 30, 1994	77	2,428,767	4	119,938	800	20,486,527	12.7%	25,608
June 30, 1993	39	982,991	11	212,565	727	18,177,698	4.4%	25,004
June 30, 1992	35	1,202,004	8	195,248	699	17,407,272	6.1%	24,903
June 30, 1991	129	3,408,774	4	95,704	672	16,400,516	25.3%	24,406
June 30, 1990	38	907,997	3	71,784	547	13,087,446	6.8%	23,926
* Numbers are estimated, and include other internal transfers.								
<sup>1</sup> Includes additional benefits to current retirees from a one time retroactive ad hoc Post-Retirement Pension Adjustments.								

Public Employees' Retirement System Solvency Test							
Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000s)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000s)	(2) Inactive Members (000s)	(3) Active Members (Employer-Financed Portion) (000s)		(1)	(2)	(3)
June 30, 1999	\$854,497	\$3,961,063	\$1,833,113	\$7,016,340	100%	100%	100.0%
June 30, 1998 <sup>(1)(2)(3)</sup>	819,226	3,610,352	1,774,413	6,571,562	100%	100%	100.0%
June 30, 1997	795,170	3,020,608	1,716,338	5,885,488	100%	100%	100.0%
June 30, 1996 <sup>(2)</sup>	754,679	2,511,953	1,713,326	5,271,253	100%	100%	100.0%
June 30, 1995	673,196	2,445,870	1,852,106	4,794,754	100%	100%	90.5%
June 30, 1994 <sup>(1)(2)</sup>	615,925	2,233,349	1,770,908	4,379,305	100%	100%	86.4%
June 30, 1993	551,753	1,921,967	1,652,041	3,936,776	100%	100%	88.6%
June 30, 1992 <sup>(1)</sup>	484,590	1,783,020	1,473,272	3,409,859	100%	100%	77.5%
June 30, 1991 <sup>(2)</sup>	422,656	1,621,590	1,294,899	2,942,121	100%	100%	69.3%
June 30, 1990	380,680	1,285,515	1,087,323	2,677,486	100%	100%	93.0%

(1) Change in Asset Valuation Method.  
(2) Change of Assumptions.  
(3) Change in Methods.

Public Employees' Retirement System Analysis of Financial Experience					
Change in Average Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of Gain or Loss	Change in Average Contribution Rate During Fiscal Year				
	99	98	97	96	95
Health Experience	-	-	-	-	-
Salary Experience	(0.23)%	(0.46)%	(0.06)%	(0.50)%	(0.42)%
Investment Experience	(0.49)%	(3.26)%	(1.26)%	(0.46)%	(0.06)%
Demographic Experience	<u>0.21%</u>	<u>1.12%</u>	<u>0.03%</u>	<u>(0.73)%</u>	<u>0.24%</u>
Gain (Loss) During Year From Experience	(0.51)%	(2.60)%	(1.29)%	(1.69)%	(0.24)%
<b>Non-recurring changes</b>					
Asset Valuation Method	-	-	-	-	-
Assumption Changes	-	1.08%	-	(2.47)%	-
Ad hoc PRPA	0.04%	0.20%	0.91%	-	-
Plan Changes	-	-	-	-	-
Method Changes	-	<u>0.99%</u>	-	-	-
Composite Gain (Loss) During Year	(0.47)%	(0.33)%	(0.38)%	(4.16)%	(0.24)%
Beginning Average Employer Contribution Rate	<u>7.03%</u>	<u>7.36%</u>	<u>7.74%</u>	<u>11.90%</u>	<u>12.14%</u>
Ending Average Employer Contribution Rate	<u>6.56%</u>	<u>7.03%</u>	<u>7.36%</u>	<u>7.74%</u>	<u>11.90%</u>
Board Adopted Employer Contribution Rate	<u>6.75%</u>	<u>7.40%</u>	<u>7.74%</u>	<u>7.74%</u>	<u>11.90%</u>

# STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## Summary of Plan Provisions

### (1) Effective Date

January 1, 1961, with amendments through June 30, 1999. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986, are eligible for different benefits than members hired after June 30, 1986. Members who were first hired after June 30, 1996, are eligible for different health benefits and a different Final Average Earnings calculation than members from the other tiers.

### (2) Administration of Plan

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

### (3) Employers Included

Currently there are 148 employers participating in the PERS, including the State of Alaska and 147 political subdivisions and public organizations.

### (4) Members Included

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

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

### (5) Credited Service

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

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past peace officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;

## STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### Summary of Plan Provisions

- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously; and
- leave without pay service after June 13, 1987, while receiving Workers' Compensation.

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

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

At the election of certain PERS members, certain service may be credited in the same fashion as members in the State of Alaska Teachers' Retirement System (TRS).

#### (6) Employer Contributions

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

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

The past service rate is determined separately for each employer to amortize their unfunded past service liability with level payments over 25 years. Effective June 30, 1996, funding surpluses are amortized over 25 years.

#### (7) Member Contributions

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

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

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

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

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

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

## STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### Summary of Plan Provisions

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

#### **(8) Retirement Benefits**

##### Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 60<sup>1</sup>, or early retirement at age 55, if they 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 under the PERS before May 30, 1987;
  - (iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS after May 29, 1987; or
  - (iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System.
- (b) Members may retire at any age when they have:
  - (i) 20 paid-up years of PERS police/fire service; or
  - (ii) 30 paid-up years of PERS "all other" or "elected official" service.

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

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

Benefit Calculation: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the three highest (five highest if hired after June 30, 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. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

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

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

Indebtedness: Members who terminate and are refunded their PERS contributions are not eligible to retire, unless they return to PERS employment

<sup>1</sup> Members participating before July 1, 1986 are eligible for normal retirement at age 55 or early retirement at age 50.

## STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### Summary of Plan Provisions

and pay back their refunds, plus interest, or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life.

#### **(9) Reemployment of Retired Members**

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

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

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

#### **(10) Postemployment Healthcare Benefits**

Major medical benefits are provided to retirees without cost for all employees hired before June 30, 1986. Employees hired after June 30, 1986, with

five years of credited service (or ten years of credited service for those first hired after June 30, 1996) must pay the full monthly premium if they are under age sixty, must pay half of the monthly premium if they are over age sixty but under age sixty-five, and received benefits at no cost if they are over age sixty-five.

#### **(11) Disability Benefits**

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

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

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

#### **(12) 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.

## STATE OF ALASKA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

### Summary of Plan Provisions

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

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

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

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

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

#### (13) Post Retirement Pension Adjustments

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

- (a) 75% of the CPI increase in the preceding calendar year or 9%, whichever is less, if the recipient is at least age 65 or on PERS disability; or
- (b) 50% of the CPI increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60, or has been receiving benefits for at least five years.

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

#### (14) Alaska Cost of Living Allowance

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

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

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## Message from the Chair

I am pleased to present the 2000 Annual Report of Investments for the period ending June 30, 2000 to you, the participants and beneficiaries of this retirement trust fund.

The 12 months ending June 30, 2000 were challenging for investors. Market volatility increased significantly and investors were buffeted by large month to month swings in attitudes and preferences. On balance, returns were positive, although significantly below those recorded in many recent years. Importantly, the U.S. stock market broadened markedly. The average stock and the smaller company stock indexes outperformed the capitalization-weighted benchmarks such as the S&P 500. U.S. stocks registered a total return of 7.24% as measured by the Standard & Poor 500 Stock Index, while the Russell 2000 Stock Index (comprised of the smallest 2000 of the top 3000 companies ranked by market capitalization) returned 14.32%. International stocks, as measured by the MSCI-EAFE Index, provided a very attractive 17.15% total return. The real estate markets continued to show solid income and appreciation. Rising interest rates resulted in poor bond total returns.

PERS successfully met these challenges with a well-diversified investment approach. PERS posted very attractive total returns that handsomely exceeded policy targets. In each asset class level (with the exception of international fixed income), ASPIB's managers exceeded the benchmark returns.

The retirement funds continued to show good performance results for fiscal year 2000. PERS registered a full year return of 10.07%. While the fund's actual return for the fiscal year exceeded the actuarial earnings target of 8.25%, it also comfortably outperformed the policy benchmark target of 8.96%. Over the longer term, fund performance exceeds the returns of the policy benchmark, and funding status continues to well-exceed the funding status of the average pension fund, including funding for future health care obligations not accounted for in many pension fund plans.

The trustees work hard to achieve an asset mix that provides the highest expected return for a given level of risk. Working closely with our dedicated staff in the Department of Revenue and our investment advisors and consultants, we established an investment mix that we believe will provide enhanced returns while maintaining a prudent level of risk. The asset allocation plan adopted by the trustees on March 24, 1999 called for an investment distribution as follows: 41% in domestic equities, 17% in international equities, 30% in domestic fixed income, 5% in international fixed income, and 7% in real estate.

ASPIB represents over 60,000 participants and beneficiaries. The trustees strongly believe that you should be kept well informed about the performance of your retirement funds, and about what we as fiduciaries are doing on your behalf. To this end, we are proud of the ASPIB web site, which can be accessed at <http://www.revenue.state.ak.us/treasury/aspib/index.htm>. We continue to encourage member participation at our meetings, and welcome your letters and comments.

On behalf of all the trustees, thank you for giving us the opportunity to serve as your fiduciaries.

  
Gary M. Bader, Chair

## ALASKA STATE PENSION INVESTMENT BOARD



### **Gary M. Bader, Chair**

PERS Representative

Gary M. Bader, Chair, was elected by the Public Employees' Retirement System. Mr. Bader has held numerous positions in State government including three years in the Office of Management and Budget and seven years in the Department of Administration, where he was Deputy Commissioner and Director of Retirement and Benefits. He is currently Superintendent of Schools for the Juneau School District. Mr. Bader has a B.S. in Business Administration and a master's degree in Education Administration. He was previously employed with a major Wall Street investment firm where he was licensed with the New York Stock Exchange. Mr. Bader's term expires December 31, 2002.



### **Jeffrey E. Sinz, Vice Chair**

Appointed by the Governor

Jeffrey E. Sinz, Vice Chair, was appointed to the board by Governor Knowles. Mr. Sinz is currently Director of Finance for the Kenai Peninsula Borough. He has over twenty years experience in public sector finance including thirteen years with the Municipality of Anchorage where he was Municipal Accounting Officer, Director of Finance for the Anchorage Telephone Utility, Finance Manager for the Solid Waste Services Utility, and a Senior Budget Analyst for the municipal general government. He also worked for two years as a financial planner and supervisor with the Alaska Railroad Corporation, and for five years as a financial administrator with a Wisconsin public school district. Mr. Sinz currently serves on the Board of Directors for the Kenai Peninsula Economic Development District and the Alaska Municipal League Investment Pool. He has an MBA in Management from the University of Alaska Anchorage and a BBA in Finance from the University of Wisconsin Eau Claire. Mr. Sinz's term expires December 31, 2000.



### **William "Riley" Snell, Secretary**

Appointed by the Governor

William "Riley" Snell, Secretary, was appointed to the board by Governor Knowles. Mr. Snell has held numerous positions in State government. He served as the Executive Director of the Alaska Industrial Development and Export Authority (AIDEA) from July 1992 until November of 1996 overseeing banking and development programs. Four years prior to the Executive Director position, Riley served as Deputy Director-Development at AIDEA. From 1985 until July 1989 he served as Deputy Commissioner for the Central Region of the Department of Transportation and Public Facilities. Riley possesses over 27 years of experience in State Transportation and Public Facilities Development and Public Financing. Currently Riley is Vice President and General Manager of Cable and Entertainment for General Communications Inc. (GCI). His responsibilities at GCI include CATV product management as well as construction and maintenance of all outside plant facilities for the company. Mr. Snell's term expires December 31, 2002.



### **Gail R. Schubert**

Appointed by the Governor

Gail R. Schubert was appointed to the board by Governor Knowles. She is currently a partner for the law firm of Foster, Pepper, Rubini & Reeves in Anchorage. Her practice includes health care and fisheries issues, tax, estate planning, and corporation law. From 1992 to 1995, Ms. Schubert practiced law at Birch, Horton, Bittner & Cherot, and prior to that, from 1982 to 1992, Ms. Schubert practiced law in New York at the firms of Rogers & Wells, Fried & Frank, Harris, Shriver & Jacobson, and at the Federal Reserve Bank of New York. Ms. Schubert attended the School of Law at Cornell University, the Johnson School of Management (MBA) at Cornell, and Stanford University. She served on Governor Knowles' Fiscal Policy Transition Team, and serves on the Alaska Native Heritage Center, and on the boards of the Bering Straits Native Corporation, Akeela Treatment Services, and the Alaska Native Justice Center. Ms. Schubert's term expires December 31, 2003.



### **Wilson L. Condon**

Statutory Representative

Wilson L. Condon was appointed Revenue Commissioner in February 1995. He oversees an agency that has very diverse responsibilities, including tax collection, investing state funds, child support enforcement and distributing permanent fund dividends. He was a partner in a private law firm from 1983-1995. Wilson was lead counsel for the state in a series of oil and gas royalty and tax cases. He served as Attorney General from 1980-1982 and as Deputy Attorney General from 1975-1980. He holds an A.B. Political Science degree and a J.D. degree from Stanford University. As Revenue Commissioner, he also sits on nine boards, including the Board of Trustees of the Alaska Permanent Fund Corporation.



### **Dorothy Wells**

TRS Representative

Dorothy Wells was elected by the Teachers' Retirement System. A resident of Alaska for 37 years, Ms. Wells is a retired teacher who taught business education at Eielson Air Force Base, and business classes for the University of Alaska night school program at Eielson. She obtained her undergraduate degree from the University of Minnesota and did graduate work both there and at the University of Alaska-Fairbanks. Ms. Wells served on the Teachers' Retirement Board for 20 years, and is active with NEA-Alaska/Retired. Ms. Wells term expires December 31, 2001.



### **Merritt C. Olson**

TRS Representative

Merritt C. Olson served as a member of the Teachers' Retirement System Board for 14 years, a portion of that time as Chair. He has been an Alaska resident for 46 years and resides in Anchorage. Appointed by Governor Egan to serve on the committee that organized the Student Loan Fund, he also served as a member of AARP's State Legislative Committee. Now a retired secondary mathematics teacher from the Anchorage schools and adjunct instructor of psychology at Alaska Methodist University and the University of Alaska-Anchorage, Mr. Olson earned his Ph. D. from Rutgers University and was a Fulbright Scholar in 1957-58. He is Past President of NEA-Alaska/Retired and served on the NEA-Retired (national) Advisory Council for six years. Mr. Olson's term expires December 31, 2003.



### **James "Pat" Wellington**

PERS Representative

James "Pat" Wellington was elected by the Public Employees' Retirement System. Mr. Wellington was born in Ketchikan, Alaska and graduated from Douglas High School. He served two years in the U.S. Army and started his law enforcement career with the Seward Police Department in late 1955. He served as Deputy U.S. Marshal, Alaska State Troopers, Chief of Police of Juneau, Deputy Commissioner and Commissioner of the Department of Public Safety, and retired in 1977 as Director of the Alaska State Troopers. Mr. Wellington is also the Chairman of the Public Employees' Retirement Board. He resides in Anchorage. Mr. Wellington's term expires December 31, 2004.

<b>Department of Revenue Treasury Division S T A F F</b>		
<p><b>Commissioner</b> Wilson L. Condon</p> <p><b>Deputy Commissioner</b> Neil Slotnick</p>	<p><b>Chief Investment Officer</b> John R. Jenks, CFA</p> <p><b>Comptroller</b> Betty Martin, CPA</p> <p><b>ASPIB Liaison Officer</b> Judy Hall</p>	<p><b>Investment Officers</b> Lee Livermore, CFA, Marketable Debt Bob Mitchell Steve Sykes Christine Vea</p> <p><b>Cash Management</b> Michelle M. Daugherty, MBA, CPA, CCM</p>
<b>External Money Managers and Consultants</b>		
<p><b>Investment Consultants</b> Callan Associates Inc. <i>San Francisco, CA</i> The Townsend Group <i>Denver, CO</i></p> <p><b>Domestic Fixed Income</b> BlackRock Financial Management, Inc. <i>New York, NY</i></p> <p><b>Domestic Equity Large Capitalization</b> Ark Asset Management Co., Inc. <i>New York, NY</i> American Express Asset Management Group <i>Minneapolis, MN</i> Capital Guardian Trust Co. <i>Los Angeles, CA</i> Dresdner RCM Global Investors <i>San Francisco, CA</i> Invesco Capital Management, Inc. <i>Atlanta, GA</i> McKinley Capital Management, Inc. <i>Anchorage, AK</i> Tukman Capital Management, Inc. <i>San Francisco, CA</i></p>	<p><b>Domestic Equity Small Capitalization</b> Capital Guardian Trust Co. <i>San Francisco, CA</i> Dresdner RCM Global Investors <i>San Francisco, CA</i> John McStay Investment Counsel <i>Dallas, TX</i></p> <p><b>Domestic Equity Index Fund</b> State Street Global Advisors <i>Boston, MA</i></p> <p><b>Domestic Enhanced Index</b> Invesco Capital Management, Inc. <i>New York, NY</i></p> <p><b>Emerging Markets</b> Capital Guardian Trust Co. <i>Los Angeles, CA</i> J.P. Morgan Investment Management, Inc. <i>New York, NY</i></p> <p><b>Global Equity</b> Lazard Freres Asset Management <i>New York, NY</i></p> <p><b>International Equity—EAFE</b> Bank of Ireland Asset Management (US) Ltd <i>Santa Monica, CA</i> Brandes Investment Partners, L.P. <i>San Diego, CA</i></p>	

## External Money Managers and Consultants (con't)

### International Equity—European

Citibank Global Asset Management  
*London, England*

### International Equity—Pacific Basin EX Japan

Invesco Asia Limited  
*Hong Kong*  
Wellington Management Co. LLP  
*Boston, MA*

### International Fixed Income

Delaware International Advisers Ltd.  
*London, England*

### Private Equity

Abbott Capital Management, L.P.  
*New York, NY*

### Performance Measurement

Callan Associates Inc.  
*Denver, CO*

### Real Estate Management—Commingled Funds

Heitman Capital Management  
*Chicago, IL*  
JP Morgan Investment Management Inc.  
*New York, NY*  
Sentinel Real Estate Corporation  
*New York, NY*  
USB Realty Investors, LLC  
*Hartford, CT*

### Real Estate—Core Separate Accounts

PM Realty Advisors  
*Newport Beach, CA*  
Sentinel Real Estate Corporation  
*New York, NY*  
USB Realty Investors, LLC  
*San Francisco, CA*

### Real Estate—Value Added Separate Accounts

Invesco Realty Advisors  
*Dallas, TX*  
Lowe Enterprises Investment Management Inc.  
*Los Angeles, CA*

### Investment Advisory Council

Shlomo Benartzi  
*Los Angeles, CA*  
Jerrold Mitchell  
*Wayland, MA*  
Timothy O'Brien  
*Denver, CO*

### Independent Auditors

KPMG LLP  
*Anchorage, AK*

### Global Master Custodian

State Street Bank & Trust Co.  
*Boston, MA*

### Legal Counsel

Wohlforth, Vassar, Johnson & Brecht  
*Anchorage, AK*

### Supplemental Benefits System

Barclays Global Investors, N.A.  
*San Francisco, CA*  
Capital Guardian Trust Company  
*Los Angeles, CA*  
Citizens Funds  
*Portsmouth, NH*  
State Street Global Advisors  
*Boston, MA*  
T. Rowe Price Investment Services  
*Baltimore, MD*

### Deferred Compensation

Barclays Global Investors, N.A.  
*San Francisco, CA*  
Capital Guardian Trust Company  
*Los Angeles, CA*  
T. Rowe Price Investment Services  
*Baltimore, MD & Glen Allen, VA*

## Public Employees' Retirement System Investment Report

The Investment Report was prepared by the State of Alaska, Department of Revenue, Treasury Division.

### INVESTMENT OVERVIEW

The Alaska State Pension Investment Board's (ASPIB) investments continued to earn double-digit returns for the Public Employees' Retirement System (PERS). For Fiscal Year 2000, PERS earned 10.07%, down slightly from 10.59% in Fiscal Year 1999. The annualized return for the last five years was 13.43%, well ahead of the 8.25% actuarial assumption rate.

For FY00, the PERS investment portfolio continued to benefit from the bull market in global equities. For the year, the U.S. equity portfolio earned 10.41% and the international equity portfolio returned 20.59% (versus 16.56% and 14.72%, respectively in FY1999). The U.S. fixed-income market rebounded in the last six months of the fiscal year to recover from a poor first half to generate a 4.55% return, up from last year's modest return of 2.25%.

ASPIB continued the systematic increase in PERS' investments in real estate and private equity. The real estate portfolio earned 8.43% for FY00 versus 10.41% in FY99. PERS' private equity investments, while only 2% of the portfolio, came on strong to generate a 46.21% return.

### DOMESTIC ECONOMY

The U.S. economy surged during FY00, up 6.1% over FY99, which was itself up 4.1% over FY98. The strong job market gave consumers the confidence to go on a spending binge last year. During FY00, the economy created an average of 251,000 jobs a month compared to 268,000 per month in FY99. Heavy census worker hiring in the spring of this year distorts this number on the high side. Even though the pace of job growth slowed this year, the overall unemployment rate ratcheted down to 4.1% from 4.3% in June of 1999.

The housing sector prospered as the low jobless rate gave people the confidence to build homes. Sales of new homes averaged 897,000 in FY00 up from 800,000 the year before. Sales of existing homes also remained strong and finished the year at 5.1 million units, down from the record pace of 5.5 million units in FY99. Housing prices rose modestly with the median price up 2.4% versus a rise of 4.3% last year. Retail sales had another strong year, up 8.2% versus an increase of 7.8% in FY99.

Even after 10 years of economic growth, inflation remained tame. However, the inflation trend picked up with the Consumer Price Index (CPI) rising 3.7% in FY00 compared to only 2.0% in FY99. The Producer Price Index (PPI) was also higher at 4.3% versus 1.4% last year. Much of those increases are due to the surge in energy prices. Interestingly, the low price for West Texas Intermediate crude in the last twelve months was its closing level on the last day of FY99 of \$19.13 per barrel. The high price for the FY00 was \$32.47, exactly 12 months later on June 30, 2000. Taking out the surge in energy prices, the core-CPI rose a more moderate 2.4% and the core-PPI was up only 1.4%.

Business activity in the U.S. continued to dominate the world economy. Even with a rebound in Asia and Europe the U.S. trade deficit ballooned to \$323 billion in FY00, up from \$200 billion in FY99. This deficit is just over 3% of the gross national product, up from 2% last year. The strong U.S. dollar helped attract investments from foreign investors in amounts sufficient to fund the trade deficit.

The Federal Reserve reversed its monetary policy from easing during FY99 to one of tightening in FY00. In June of 1999 the Fed raised the overnight funds rate by 0.25%, the first of six rate hikes that eventually took the yield from its initial level of 4.75% to 6.50% at FY00 year end. The last hike was 0.50% on May 16 and the markets have, to date, interpreted this to reflect the end of the Federal Reserves tightening phase. The Fed has been

## Public Employees' Retirement System Investment Report

particularly concerned about the tight labor markets in the U.S. and less focused on the rise in oil prices.

### EQUITIES

The PERS portfolio continued to benefit from the strong U.S. equity markets, earning a 10.41% rate of return for the fiscal year. The annualized return for the last five years was 20.60%.

As in previous years, large-company growth-oriented managers generated excellent returns relative to those generated by managers with a value mandate for large companies. Small-company growth-oriented managers also provided excellent returns to the pension funds, rebounding from FY99. For the year, the median large-company growth manager earned 22.7% and the average large-company value manager lost -7.5%. The same story was true in smaller capitalization companies with median returns of 54.1% for growth-oriented managers and only 1.0% median results for those invested in value-oriented companies.

Returns for international managers were strong across most major regions. Pacific Basin median manager returns were north of 21% and European managers earned close to 22%. Those invested in Japanese stocks had an excellent year with the median managers returning over 36%. For the year, the median core-international equity manager gained 21.2%, handily beating the Morgan Stanley EAFE Index return of 17.2%.

As for PERS, its international equity portfolio earned just slightly less than the median manager with a return of 20.59%. The annualized return for the past five years was 13.83%.

### FIXED INCOME MARKET

The domestic fixed-income portfolio represented approximately 26% of the total assets of PERS as of June 30, 2000. The fixed-income portfolio uses a core-oriented strategy investing in U.S. Treasury

securities, U.S. government agency securities, investment-grade corporate bonds, and mortgage-backed securities. On April 1, 2000 the benchmark for the PERS bond portfolio was changed from the Lehman Brothers Government/Corporate index to the Lehman Brothers Aggregate Bond Index.

FY00 started out with a positive tone after surviving the events that roiled the domestic and international bond markets during FY99. In the fall of 1998, fixed income markets were impacted by currency devaluations in Asia and Russia. Exacerbating the crisis was the near-demise of hedge fund manager Long Term Capital Management. These events caused volatility to increase in the fixed-income markets and took corporate, high-yield, and emerging market bond spreads to historical wides.

To combat those financial problems, the Federal Reserve lowered interest rates three times during the first half of FY99. This and other worldwide intervention helped re-establish the growth path of the global economy. The strength of the domestic economy was such that by the last day of FY99, the Fed began a program of raising rates. Over the course of FY00, the Fed ratcheted up the overnight funds rate six times taking it from 4.75% to 6.50%.

FY00 was a particularly interesting year for the bond markets because of the numerous crosscurrents. As mentioned, monetary policy was restrictive with the Federal Reserve raising interest rates. On the other hand, due to the budget surplus, the U.S. Treasury was issuing fewer bonds than were maturing and was even buying back some securities in the open market. The idea that the government might actually pay off the national debt pushed down the yields of longer Treasury securities at the same time that Fed policy was pushing up the yields on shorter notes. This caused the Treasury curve to invert for the first time since 1989. At its peak inversion for FY00, the 2-year Treasury note was yielding 75 basis points more than the 30-year Treasury bond.

## Public Employees' Retirement System Investment Report

The other important crosscurrent was the divergence between yields for U.S. Treasuries and those for agency, corporate and mortgage bonds. In the second half of FY00, the yields on U.S. Treasury securities came down while the yields of other sectors held steady or increased slightly. With projected budgets surpluses mounting into the trillions of dollars, investors behaved like the U.S. Treasury debt market was going to disappear. U.S. Treasuries became disconnected from the other sectors of the bond market and were the best performing sector in FY00.

Strong bond portfolio results during the second half of FY00 (+4.36%) combined with virtually flat performance for the first half (+0.13%) to generate a moderate 4.55% fiscal year return for PERS.

The international fixed-income portfolio represented just under 5% of the total assets of PERS. During FY00, the international bond portfolio had a loss of -3.27%, compared to a gain in the Salomon Brothers Non U.S. Government Index of 2.41%. The strength of the U.S. economy and the dollar made it hard going for international fixed-income markets in FY00. Global economies continued to recover but the specter of higher oil prices began to weigh heavily upon the outlook, particularly for the Asian countries.

The Euro continued to struggle in FY00. Introduced at the end of calendar year 1998, the Euro slid 13% against the U.S. dollar in its first six months of existence. During FY00 the Euro fell from \$1.0351 to \$0.9525, another drop of 8%. The low point was reached in May at \$0.8895. The European Central Bank has been forced to raise rates to support the Euro and combat the inflation that comes with a weak currency.

### PRIVATE MARKETS (REAL ESTATE AND PRIVATE EQUITY)

In FY 2000, PERS Real Estate and Private Equity investments increased by 74.8% to \$632.6 million.

The funded and committed positions in both programs are over 50% of the combined PERS target allocation of 11%. The characteristics of these investments offer attractive risks and returns, and help to diversify the total PERS portfolio.

#### *Real Estate*

At the end of FY 2000, PERS had 5.4% of its portfolio invested in real estate, compared to a target level of 8%. During the year, two new Separate Account Managers were added, one investing in "core properties" and the other in "value enhanced properties." The real estate portfolio is well diversified in terms of property type and geography.

Total returns for FY 2000 were slightly ahead of expectations. The nature of the Separate Account Program provides a higher percentage of cash returns in earlier years, and cash and appreciation during latter years as the properties mature. For FY 2000, the total return for real estate, net of fees, was 8.43%. The three-year and five-year returns were 11.75% and 10.98%, respectively.

Real estate fundamentals remain good, with demand and supply in relative balance. Reflecting better information gathered by the real estate community about current occupancy and rents, industry observers anticipate modest increases in the national supply of office buildings, shopping centers, industrial buildings and apartments, over the next few years. Assuming that the economy continues to be healthy, thus causing growth in demand for space, real estate fundamentals would remain favorable. However, the supply of funds seeking real estate investment has grown to the point where too many dollars are competing for too few projects. The resulting increase in the pricing of existing properties has reached levels where the purchase of these projects may not produce targeted investment returns. Thus, it is anticipated that ASPIB's future commitment level may decline moderately as the Fund becomes more selective in real estate investments.

## Public Employees' Retirement System Investment Report

### *Private Equity*

At year-end FY 2000 PERS investment in private-equity limited partnerships was 1.9% of its' total portfolio, compared to a long-term target of 3.0%. PERS mandate is to invest in private-equity limited partnership interests in professionally managed private-equity funds (Venture Capital, Leveraged Buyouts, Restructuring, Special Situations, Subordinated Debt and International). As of 6/30/00, the cost of the PERS investment was \$164.8 million, an increase of 285.9% from the prior year-end level. For FY 2000, Private Equity had a total return of 46.2%, led by returns in Venture Capital and Special Situations. The portfolio is well diversified by type of investment and by type of company.

PERS investment history in Private Equity is now two and one half years old. The portfolio is designed to provide superior long-term returns from these investments. However, the returns from Private Equity are expected to be somewhat volatile, especially in the earlier years of the program, due to the nature of the investment and accounting conventions to measure the performance of the investments. In early years, an investment might

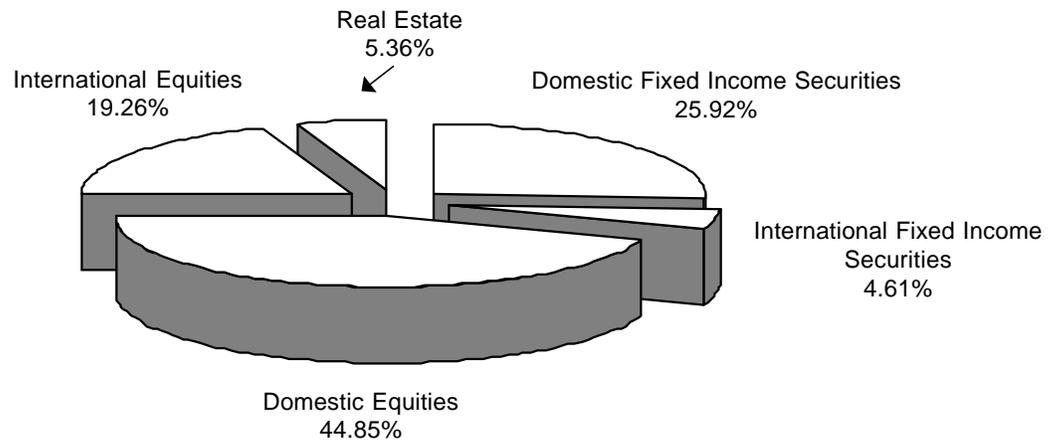
well show negative returns because the investment may be in start up companies where capital investment is high and operating losses can occur. As the companies mature, profitability should be achieved and grow, thus increasing the value of the company and the PERS investment. This type of investment profile is often referred to as the "J curve effect."

A factor affecting the future of the Private-Equity market has been a sharp increase in the amount of institutional capital seeking the attractive returns expected for this type of investment. The net result is increased competition for the best investment opportunities and a possible reduction in anticipated investment returns. However, many institutions have or are reaching their allocation level for Private Equity, which could ameliorate this condition. A second factor, the volatility of the NASDAQ market in the year 2000, could affect total returns as investors reduce their anticipated returns for dot.com and technology companies. Despite these factors, the outlook for attractive returns in Private Equity remains good.

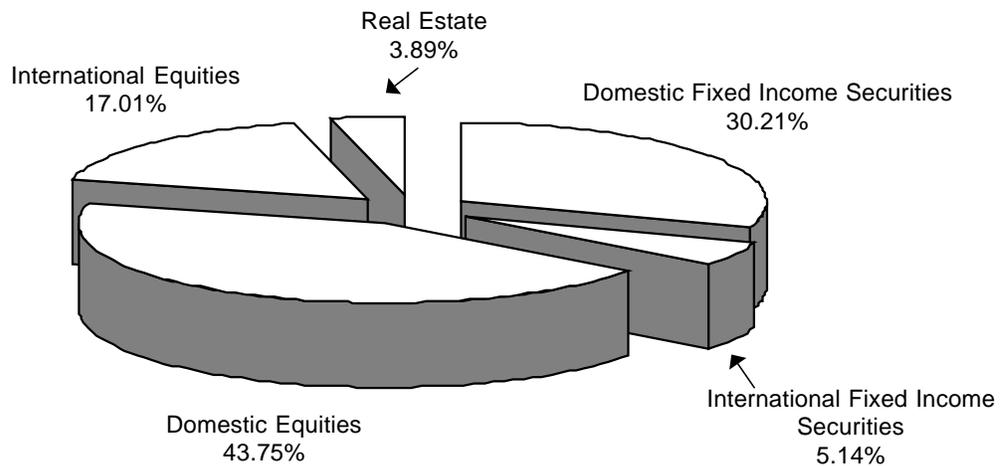
<b>Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30</b>							
	1996	1997	1998	1999	2000	Annualized	
						3 Year	5 Year
<b>Total Fund</b>							
PERS	13.79%	18.18%	14.73%	10.59%	10.07%	14.78%	13.43%
Actuarial Earnings Rate	8.00%	8.25%	8.25%	8.25%	8.25%	N/A	N/A
<b>U.S. Common Stock Returns</b>							
PERS Domestic Equities	25.13%	27.52%	24.22%	16.56%	10.41%	16.93%	20.60%
S&P 500	26.14%	34.66%	30.27%	22.76%	7.24%	19.67%	23.80%
<b>International Stock Returns</b>							
PERS International Equities	15.78%	18.52%	.66%	14.72%	20.59%	11.67%	13.83%
Morgan Stanley Capital International EAFE	13.28%	12.84%	6.10%	7.62%	18.11%	9.46%	11.12%
<b>Domestic Fixed Income</b>							
PERS	4.55%	7.96%	11.53%	2.24%	4.55%	6.03%	6.12%
Lehman Brothers Aggregate Index*	4.65%	7.76%	11.28%	2.69%	1.69%	6.79%	7.13%
<b>International Fixed Income</b>							
PERS	-	-	.36%	5.27%	(3.27%)	0.73%	-
Salomon Non-U.S. Government	-	-	.89%	4.87%	2.42%	-	-
<b>Real Estate Equity</b>							
PERS	7.32%	12.44%	16.38%	10.51%	9.36%	12.67%	10.95%
NCREIF	9.57%	11.29%	17.21%	11.24%	11.61%	13.93%	12.10%
<p>S&amp;P 500 = Standard &amp; Poor's Domestic Equity Stock Index  EAFE = Europe, Australia, and Far East Stock Index  NCREIF = National Council of Real Estate Investment Fiduciaries Index</p> <p>The calculation of investment results were prepared using a time-weighted rate of return based on the market rate of return in accordance with the Association for Investment Management and Research (AIMR) Performance Presentation Standards.</p> <p>*Lehman Brothers Government/Corporate Index prior to 3/31/2000.</p>							

**Public Employees' Retirement System Trust Fund  
Actual Asset Allocation**

**June 30, 2000**



**June 30, 1999**



**Alaska State Pension Investment Board  
Top Ten Holdings by Asset Type  
June 30, 2000**

Invested assets under the fiduciary responsibility of the Alaska State Pension Investment Board (ASPIB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created nine different mutual fund-like pools to accomplish the investment asset allocation policies of the ASPIB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Treasury can thus increase the return on funds not needed for daily cash operations. Second, pooling investments significantly reduces accounting, budgeting and administrative costs. Finally, the ASPIB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Following are the 10 largest holdings of the four major pools by asset type.

	Rank	Fair Value	Security	Coupon	Due	Credit Rating
<b>Domestic Fixed Income</b>	1	154,350,400	Federal National Mtg Assn.	7.000%	7/31/30***	AAA
	2	140,204,550	U.S. Treasury Bond	8.125%	8/15/21	AAA
	3	122,914,000	U.S. Treasury Bond	10.375%	11/15/12	AAA
	4	100,913,840	Fed Home Loan Mtg Corp.	6.500%	7/31/30***	AAA
	5	97,609,000	Federal National Mtg Assn.	6.500%	7/31/30***	AAA
	6	93,953,000	Federal National Mtg Assn.	5.125%	2/13/04	AAA
	7	88,961,050	U.S. Treasury Bond	8.750%	5/15/17	AAA
	8	87,730,500	U.S. Treasury Bond	12.000%	8/15/13	AAA
	9	68,578,500	Federal National Mtg Assn.	6.000%	7/31/30***	AAA
	10	61,374,219	Gov Nat Mortgage Assn.	6.500%	6/15/30	AAA
<b>International Fixed Income</b>	1	71,844,325	German Federal Republic	4.000%	7/4/09	AAA
	2	59,988,497	German Federal Republic	6.000%	1/4/07	AAA
	3	49,937,692	Netherlands	8.750%	9/15/01	AAA
	4	46,707,247	Spain	5.150%	7/30/09	AA2
	5	39,850,460	German Federal Republic	6.500%	7/15/03	AAA
	6	37,407,338	New Zealand	8.000%	11/15/06	AAA
	7	31,175,230	Republic of Italy	4.500%	5/1/09	AA3
	8	24,551,860	Netherlands	5.750%	2/15/07	AAA
	9	23,599,700	Australia Commonwealth	6.750%	11/15/06	AAA
	10	22,901,270	New Zealand	7.000%	7/15/09	AAA**
<b>Domestic Equities</b>	1	144,001,000	General Electric Co.			
	2	110,038,181	Intel Corp.			
	3	96,302,178	American Intl Group Inc.			
	4	94,920,000	Microsoft Corp.			
	5	91,185,600	Pfizer, Inc.			
	6	85,618,688	Cisco Sys, Inc.			
	7	76,673,933	Exxon Mobil Corp.			
	8	74,708,614	Citigroup Inc.			
	9	73,402,725	Wal Mart Stores Inc.			
	10	60,688,750	American Home Products			
<b>International Equities</b>	1	88,048,127	Emerging Markets Growth Fund*			
	2	62,171,410	MGT Emerging Markets Equity Fund*			
	3	57,827,895	ING Groep NV			
	4	46,862,088	Vodafone Airtouch			
	5	46,013,932	Total Fina Elf			
	6	42,639,177	Alcatel			
	7	42,054,156	Hitachi			
	8	32,738,278	Diageo			
	9	32,564,362	Nestle SA			
	10	28,938,474	Allied Zurich			

\* The PERS and TRS retirement trust funds hold an equity share in the Emerging Markets Equity Pool.

\*\* Standard and Poor's rating.

\*\*\* Pending purchases in 30 year mortgage pools in which specific securities are not yet issued. Maturity date may vary based upon actual pools purchased.

**Public Employees' Retirement System  
Schedule of Investment Management Fees  
Year Ended June 30, 2000**

	<b>Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2000</b>	<b>Fees</b>
<b>External Management Fees</b>		
Domestic Fixed		
BlackRock	\$ 133,058,944	\$ 200,926
International Fixed		
Delaware	613,491,292	514,857
Alaska Retirement Fund Fixed Income		
State Street Global Advisors	3,287,777,805	241,561
Domestic Equity		
American Express Asset Management*	-	578,660
Ark Asset Management*	-	654,191
Capital Guardian Trust	1,183,524,557	1,476,195
Invesco	474,177,958	860,522
Invesco Enhanced	328,015,562	94,800
John McStay	381,557,695	1,479,497
McKinley Capital	324,886,912	614,965
Dresdner RCM	1,062,476,891	2,167,305
State Street Global Advisors	1,152,586,305	169,417
Tukman	359,853,189	341,590
Total	<u>5,267,079,069</u>	<u>8,473,143</u>
Alternative Investments		
Abbott Capital	251,556,716	508,496
International Equity		
Bank of Ireland	569,119,393	1,067,982
Brandes	674,098,039	1,504,395
Citibank	313,770,804	982,739
Invesco	111,501,065	397,572
Wellington	134,360,009	418,927
Total	<u>1,802,849,310</u>	<u>4,371,615</u>
Global Equity		
Lazard	1,066,353,897	2,242,050

\*Inactivated on April 1, 2000

**Public Employees' Retirement System  
Schedule of Investment Management Fees (con't)  
Year Ended June 30, 2000**

	<b>Fair Value of Pooled Assets Under Management of all Retirement Funds in Pool as of June 30, 2000 (con't)</b>	<b>Fees (con't)</b>
<b>External Management Fees (con't)</b>		
Emerging Market		
Capital Guardian Trust	\$ 88,048,127	\$ 317,625
JP Morgan	<u>62,176,728</u>	<u>392,134</u>
Total	<u>150,224,855</u>	<u>709,759</u>
Total External Management Fees	<u><b>\$12,572,391,888</b></u>	<u>17,226,407</u>
<b>Other Management Fees</b>		
Custodian		
State Street Corp.		<u>720,376</u>
Investment Advisory		
Callan Associates		49,680
Investment Advisory Council		40,251
The Townsend Group		<u>74,750</u>
Total		<u>164,681</u>
Investment Performance Measurement		
Callan Associates		<u>102,282</u>
Total Other Management Fees		<u>987,438</u>
Total Management Fees		<u><b>\$ 18,213,845</b></u>

<b>Public Employees' Retirement System Investment Summary Schedule June 30, 2000</b>					
	<b>Public Employees' Asset Allocation Policy Range</b>		<b>Market Value</b>	<b>% of Asset Class</b>	<b>% of Total Assets</b>
<b>Participation in Pools Owning Fixed Income Securities</b>					
Domestic					
Short-Term Fixed Income Pool			\$ 543,565	0.02%	0.01%
Retirement Fixed Income Pool			2,178,112,323	96.14%	24.92%
External Domestic Fixed Income Pool			<u>86,930,692</u>	<u>3.84%</u>	<u>0.99%</u>
Total Domestic Fixed Income	30%	20-40%	<u>2,265,586,580</u>	<u>100.00%</u>	<u>25.92%</u>
International					
International Fixed Income Pool	<u>5%</u>	<u>2-8%</u>	<u>402,544,829</u>	<u>100.00%</u>	<u>4.61%</u>
Total Fixed Income Securities	<u>35%</u>	<u>22-48%</u>	<u>2,668,131,409</u>		<u>30.53%</u>
<b>Participation in Pools Owning Domestic Equities</b>					
<b>Small cap<sup>(1)</sup> and Alternative Investments</b>					
In Domestic Equity Pool			1,012,176,575	25.83%	11.58%
In Private Equity Pool			<u>164,766,386</u>	<u>4.20%</u>	<u>1.89%</u>
Total Small Cap Domestic Equities and Alternative Investment	12%	9-15%	<u>1,176,942,961</u>	<u>30.03%</u>	<u>13.47%</u>
<b>Large cap</b>					
In Domestic Equity Pool-active			1,769,604,296	45.16%	20.25%
In Domestic Equity Pool-passive			<u>972,264,235</u>	<u>24.81%</u>	<u>11.13%</u>
Total Large Cap Domestic Equities	<u>29%</u>	<u>24-34%</u>	<u>2,741,868,531</u>	<u>69.97%</u>	<u>31.38%</u>
Total Domestic Equities	<u>41%</u>	<u>33-49%</u>	<u>3,918,811,492</u>	<u>100.00%</u>	<u>44.85%</u>
<b>Participation in Pools Owning International Equities</b>					
International Equity Pool			1,585,597,152	94.20%	18.14%
Emerging Markets Equity Pool			<u>97,643,517</u>	<u>5.80%</u>	<u>1.12%</u>
Total International Equities	<u>17%</u>	<u>13-21%</u>	<u>1,683,240,669</u>	<u>100.00%</u>	<u>19.26%</u>
<b>Participation in Real Estate</b>					
Mortgages, net of allowances Real Estate Pool			565,327	0.12%	0.01%
			<u>467,789,117</u>	<u>99.88%</u>	<u>5.35%</u>
Total Real Estate	<u>7%</u>	<u>4-10%</u>	<u>468,354,444</u>	<u>100.00%</u>	<u>5.36%</u>
Total Invested Assets	<u>100%</u>		<u>\$ 8,738,538,015</u>		<u>100.00%</u>

<sup>(1)</sup> Includes only securities held by those managers with small cap mandates. Does not include small cap holdings which may be held in other managers' portfolios.

**Public Employees' Retirement System  
Credit Risk of Investments  
Pension Trust Funds  
(Expressed in Thousands)  
June 30, 2000**

	<u>Category</u>			<b>Fair Value</b>
	<u>1</u>	<u>2</u>	<u>3</u>	
Marketable debt securities				
Domestic fixed income	\$ 2,265,043			2,265,043
International fixed income	402,545			402,545
Equity securities				
Domestic equities	3,754,045			3,754,045
International equities	1,585,597			1,585,597
Emerging market equities		97,644		97,644
	<u>\$ 8,007,230</u>	<u>\$ 97,644</u>	<u>\$ -</u>	<u>8,104,874</u>
Not Categorized				
Cash and cash equivalents				544
Venture capital limited partnerships				164,766
Real estate equities				467,789
Mortgage-related assets				<u>565</u>
Total investments not categorized				<u>633,664</u>
Total investments				<u><b>8,738,538</b></u>

The Governmental Accounting Standards Board (GASB) Statement No. 3 requires a disclosure regarding custodial credit risk to indicate the chance of loss in the event a financial institution or third party holding the Fund's deposits or securities fails. Deposits and those investments represented by specific, identifiable securities are classified into three categories of credit risk: Category 1 - Insured or registered, or securities held by the State or its custodian in the State's name; Category 2 - Uninsured or unregistered, with securities held by the counterparty's trust department (if a bank) or agent in the State's name; and Category 3 - Uninsured and unregistered, with securities held by the counterparty, or by its trust department (if a bank) or agent, but not in the State's name. Category 1 is the highest level of safekeeping securities as defined by GASB.

The Fund's investments other than mortgage-related assets are represented by participation in investment pools rather than specific, identifiable securities. Although pooled investments represent the Fund's share of ownership in the pool rather than ownership of specific securities, all of the underlying securities in the pools in which the Fund participates are considered to be Category 1 as defined by GASB Statement No. 3, except: (A) investments in the mutual fund-like Emerging Markets Equity Pool which are considered to be Category 2, and (B) shares in the Private Equity Pool and the Real Estate Equity Pool which, like the Fund's mortgage-related assets, are not transferable financial instruments and therefore cannot be categorized with regard to custodial credit risk.

**Alaska State Pension Investment Board  
Recaptured Commission Fees Received in FY00**

	<u>Domestic Equity</u>	<u>International Equity</u>	<u>Total</u>
PERS	\$ 1,028,971	560,471	1,589,442
TRS	529,910	288,961	818,871
Judicial	6,677	5,341	12,018
Military	<u>1,400</u>	<u>631</u>	<u>2,031</u>
Total	<u><u>\$ 1,566,958</u></u>	<u><u>855,404</u></u>	<u><u>2,422,362</u></u>

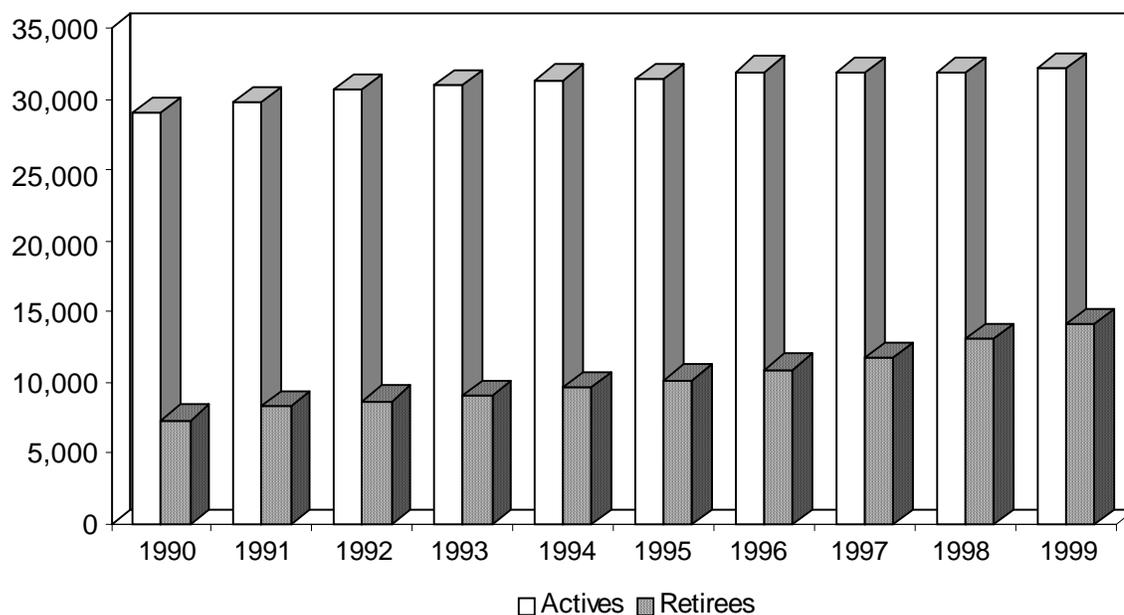
The Alaska State Pension Investment Board (ASPIB) entered into a commission recapture program in late June 1995 with three large block brokerage firms. A commission recapture program is a form of directed brokerage that allows the plan sponsor to "recapture" a portion of commission dollars paid to broker-dealer firms for executing trades. In June 1995, the large capitalization domestic equity managers were asked to participate in the program targeting 20% of their trading value. The equity managers were asked to consider best execution first and foremost, but encouraged to participate in the commission recapture program when possible. In July 1996, ASPIB raised the level of elective participation for the large capitalization domestic equity managers from 20% to 30% of total trading activity. At that time, ASPIB also requested that small capitalization managers participate in the commission recapture program when the opportunity was available to them.

In January 1998, the Alaska State Pension Investment Board (ASPIB) augmented its commission recapture program to include external managers that conduct international equity trades. As a result, a portion of the commission recapture payments received since January have resulted from international equity trades.

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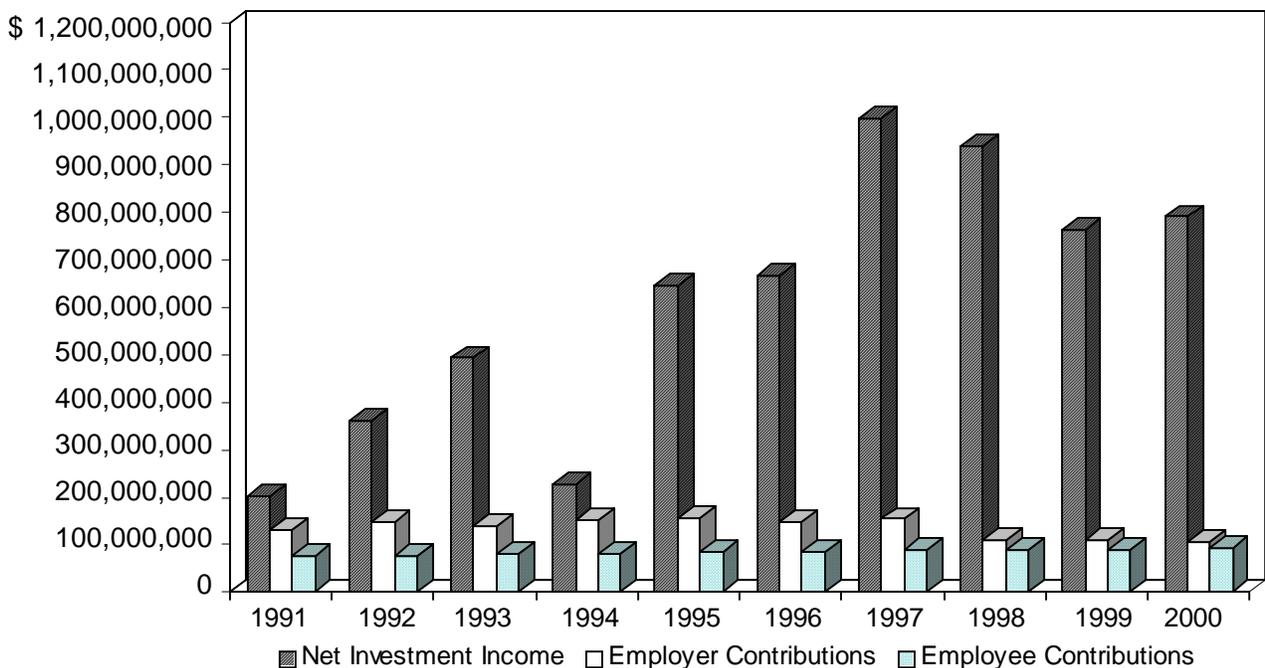
Public Employees' Retirement System System Membership by Status					
Year	Active	Retirees & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
1990	29,086	7,365	2,745	3,695	42,891
1991	29,840	8,358	3,015	4,108	45,321
1992	30,721	8,704	3,249	4,380	47,054
1993	30,972	9,103	3,572	4,721	48,368
1994	31,364	9,643	3,771	4,859	49,637
1995	31,450	10,173	4,144	5,398	51,165
1996	31,960	10,921	4,382	5,847	53,110
1997	31,854	11,802	4,742	6,260	54,658
1998	31,910	13,101	5,143	6,571	56,725
1999	32,214	14,185	5,395	7,500	59,294

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
10-YEAR COMPARISON OF ACTIVE AND RETIRED MEMBERS**



Public Employees' Retirement System Revenues by Source (000s omitted)					
Year ended June 30	Employee Contributions	Employer Contributions	Investment Income	Other	Total
1991	\$76,486	\$132,402	\$ 202,065	\$ -	\$ 410,953
1992	77,674	149,192	361,123	-	587,989
1993	81,889	141,368	493,279	6	716,542
1994	82,503	153,285	103,238	32	339,058
1995	83,683	156,445	647,012	3	887,143
1996	85,120	147,640	665,087	4	897,851
1997	87,949	154,599	997,410	7	1,239,965
1998	89,256	112,384	937,782	7	1,139,429
1999	90,635	109,938	764,622	4	965,199
2000	92,770	107,596	790,336	-	990,702

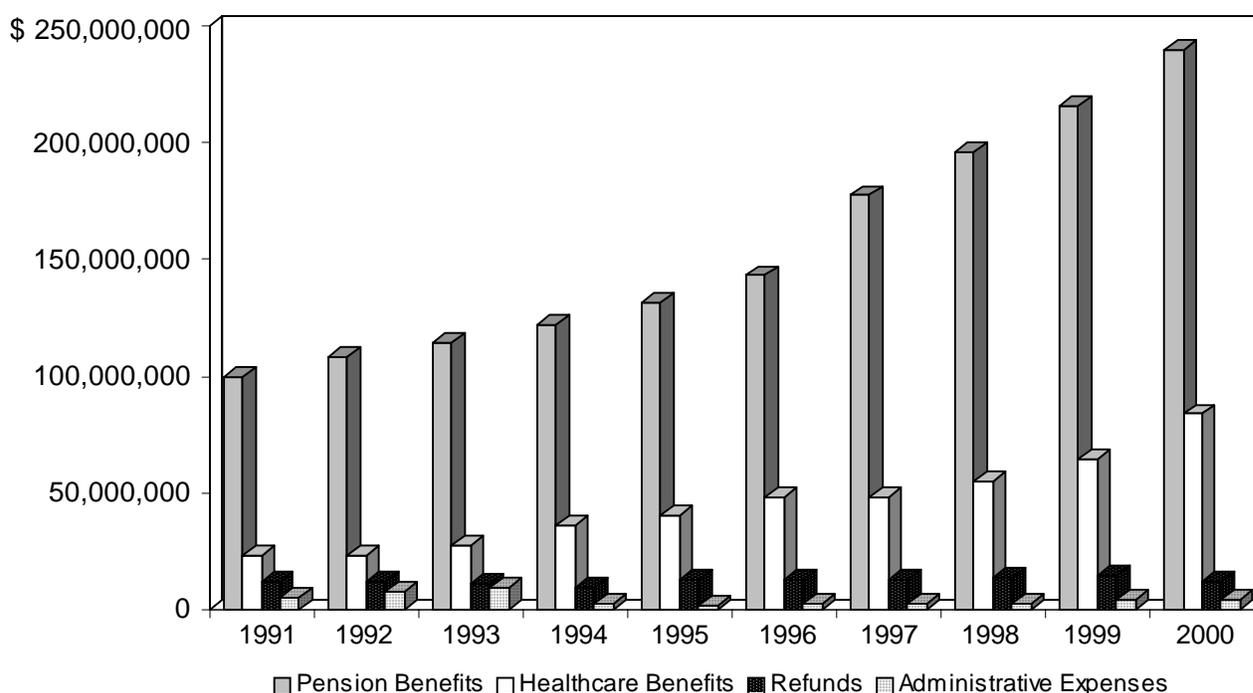
**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
10-YEAR COMPARISON OF REVENUES BY SOURCE**



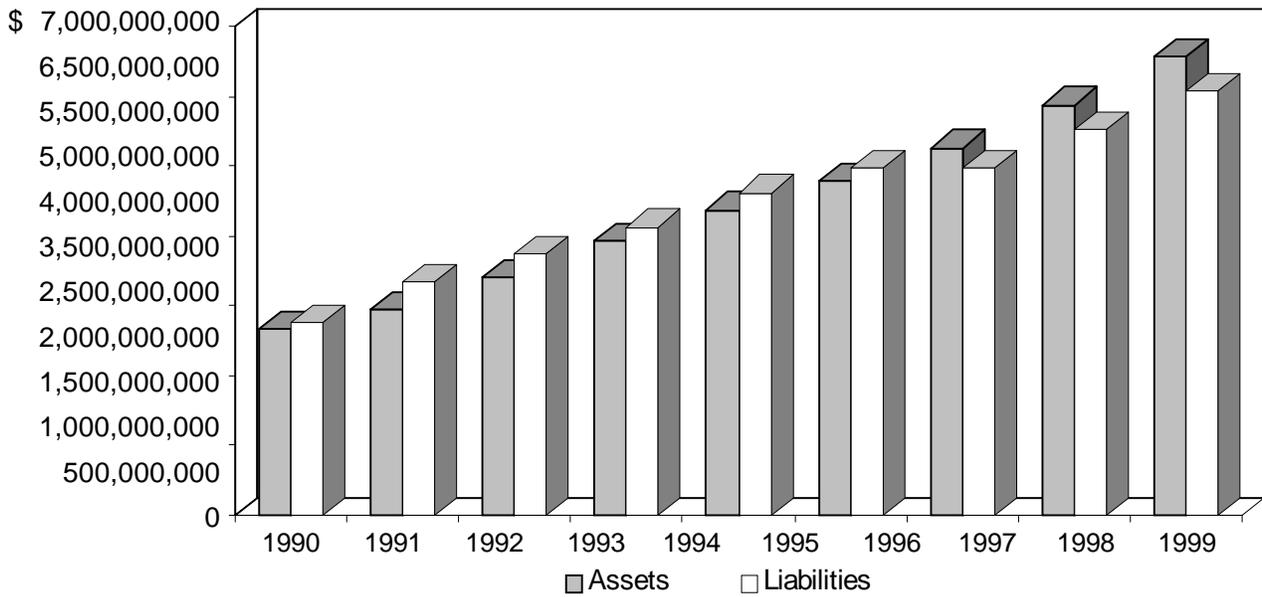
Public Employees' Retirement System Expenses by Type (000s omitted)					
Year ended June 30	Pension Benefits	Healthcare Benefits	Refunds	Administrative Expenses*	Total
1991	\$ 99,651	\$ 23,332	\$ 11,965	\$ 5,019	\$ 139,967
1992	108,360	23,120	11,901	8,045	151,426
1993	114,060	27,879	11,522	9,278	162,739
1994	121,867	36,046	9,584	2,455	169,952
1995	131,634	40,687	12,774	2,253	187,348
1996	143,039	47,964	13,413	2,522	206,938
1997	177,328	48,361	13,012	2,830	241,531
1998	195,544	55,165	13,557	2,920	267,186
1999	215,170	64,486	14,435	4,148	298,239
2000	239,441	83,794	11,998	4,247	339,480

\*For all years prior to FY94, administrative expenses include investment expenses. Separate accounting of investment expenses since FY94 is due to a new accounting system.

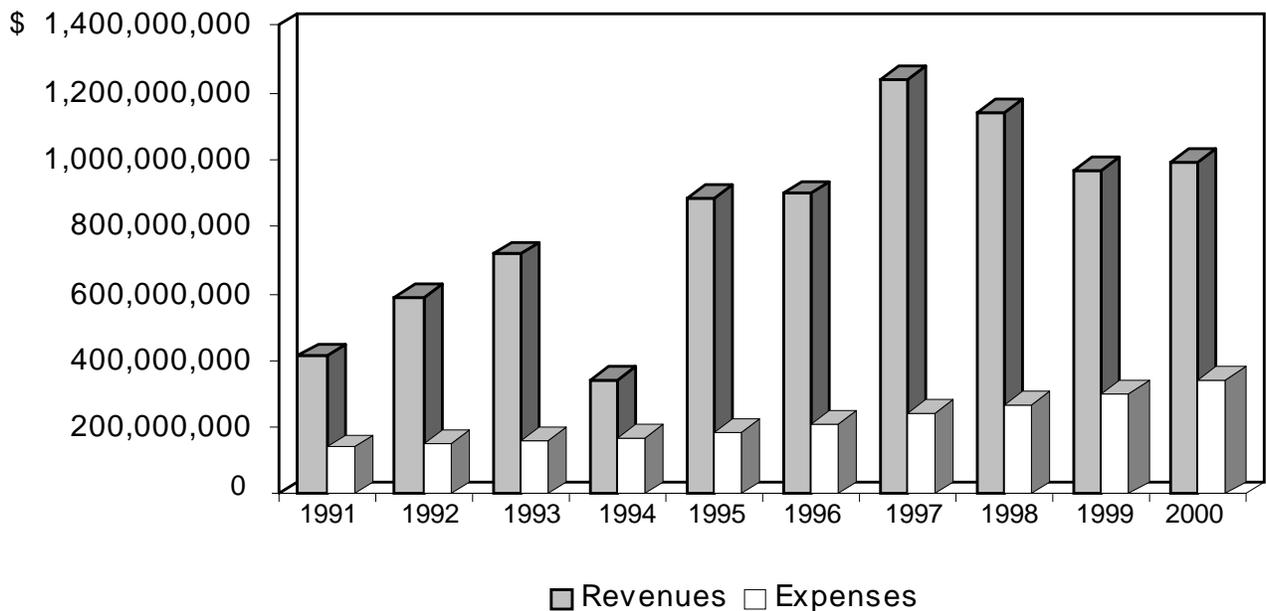
### PUBLIC EMPLOYEES' RETIREMENT SYSTEM 10-YEAR COMPARISON OF EXPENSES BY TYPE



### PUBLIC EMPLOYEES' RETIREMENT SYSTEM 10-YEAR COMPARISON OF VALUATION ASSETS AND ACCRUED LIABILITIES



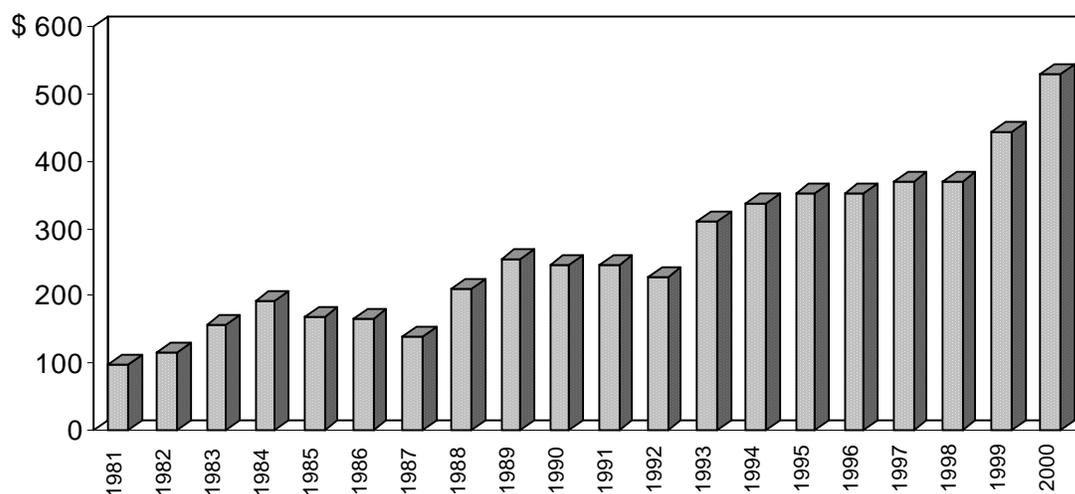
### PUBLIC EMPLOYEES' RETIREMENT SYSTEM 10-YEAR COMPARISON OF REVENUES AND EXPENSES



Public Employees' Retirement System Schedule of Benefit Expenses by Type (000s Omitted)								
Fiscal Year	Service	Disability	Survivor	Dependent <sup>(1)</sup>	COLA <sup>(2)</sup>	PRPA <sup>(3)</sup>	Medical	Total
1991	\$ 76,418	\$2,837	\$ 3,244	-	\$6,373	\$10,779	\$23,332	\$122,983
1992	81,530	3,212	3,638	-	6,685	13,295	23,120	131,480
1993	84,676	3,735	4,405	-	6,820	14,424	27,879	141,939
1994	90,388	3,895	4,668	-	7,099	15,817	36,046	157,913
1995	97,730	4,076	5,431	-	7,597	16,800	40,687	172,321
1996	107,082	4,608	5,546	-	8,244	17,559	47,964	191,003
1997 <sup>(1)</sup>	160,103	6,228	10,314	683	-	-	48,361	225,689
1998	177,556	6,598	10,823	567	-	-	55,165	250,709
1999	195,605	7,195	12,141	229	-	-	64,486	279,656
2000	216,118	9,669	13,650	4	-	-	83,794	323,235

(<sup>1</sup>) Due to the implementation of a new computer system, COLA and PRPAs can now be combined with the appropriate base benefit and dependent benefits can be separated from survivor and disability benefits.  
 (<sup>2</sup>) Cost-of-Living in Alaska (COLA)  
 (<sup>3</sup>) Post-Retirement Pension Adjustment (PRPA)

**PUBLIC EMPLOYEES' RETIREMENT SYSTEM  
20-YEAR COMPARISON OF RETIREE MONTHLY HEALTH INSURANCE PREMIUMS**



Public Employees' Retirement System								
Schedule of Retired Members by Type of Retirant and Option Selected								
June 30, 1999								
Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		1	2	3	Opt. 1	Opt. 2	Opt. 3	Opt. 4
<b>Others</b>								
\$ 1 - \$300	1,264	1,046	210	8	829	234	154	47
301 - 600	2,764	2,413	300	51	1,703	523	359	179
601 - 900	2,236	1,990	209	37	1,291	485	286	174
901 - 1200	1,784	1,592	148	44	1,013	390	228	153
1201 - 1500	1,256	1,141	72	43	693	288	188	87
1501 - 1800	916	839	45	32	477	235	114	90
1801 - 2100	643	586	21	36	340	154	91	58
2101 - 2400	499	464	15	20	236	135	79	49
2401 - 2700	354	332	11	11	180	96	43	35
2701 - 3000	287	270	8	9	136	86	38	27
3001 - 3300	194	184	6	4	72	70	36	16
3301 - 3600	152	141	4	7	67	57	18	10
3601 - 3900	122	119	0	3	45	49	18	10
3901 - 4200	71	67	1	3	29	25	8	9
over 4200	165	161	0	4	69	50	30	16
<b>Totals</b>	<b>12,707</b>	<b>11,345</b>	<b>1,050</b>	<b>312</b>	<b>7,180</b>	<b>2,877</b>	<b>1,690</b>	<b>960</b>
<b>Police/Fire</b>								
\$ 1 - \$300	16	13	3	0	11	3	2	0
301 - 600	87	61	20	6	46	24	11	6
601 - 900	89	58	25	6	59	21	3	6
901 - 1200	118	95	19	4	76	15	16	11
1201 - 1500	99	78	16	5	55	21	12	11
1501 - 1800	103	71	18	14	59	22	11	11
1801 - 2100	121	94	13	14	60	46	10	5
2101 - 2400	135	115	10	10	51	54	18	12
2401 - 2700	116	105	5	6	33	49	22	12
2701 - 3000	126	123	1	2	40	53	15	18
3001 - 3300	120	120	0	0	35	57	18	10
3301 - 3600	107	106	1	0	29	53	11	14
3601 - 3900	82	79	0	3	21	46	7	8
3901 - 4200	61	60	1	0	15	31	11	4
over 4200	98	96	1	1	31	53	9	5
<b>Totals</b>	<b>1,478</b>	<b>1,274</b>	<b>133</b>	<b>71</b>	<b>621</b>	<b>548</b>	<b>176</b>	<b>133</b>
<u>Type of Retirement</u>								
1 - Normal retirement		Option 1 - Whole Life Annuity						
2 - Survivor payment		Option 2 - 75% Joint and Contingent Annuity						
3 - Disability retirement		Option 3 - 50% Joint and Contingent Annuity						
		Option 4 - 66-2/3% Joint and Survivor Annuity						

<b>Public Employees' Retirement System Schedule of Average Benefit Payments New Retirees</b>							
<b>Years of Credited Service</b>							
	<b>0 - 4</b>	<b>5 - 9</b>	<b>10 - 14</b>	<b>15 - 19</b>	<b>20 - 24</b>	<b>25 - 29</b>	<b>30+</b>
<b>Others</b>							
Period 7/1/93 - 6/30/94: Average Monthly Benefit	\$ 503	\$ 449	\$ 863	\$1,412	\$1,886	\$2,710	\$3,131
Number of Active Retirants	17	149	169	136	60	17	19
Period 7/1/94 - 6/30/95: Average Monthly Benefit	\$ 754	\$ 483	\$ 890	\$1,523	\$2,087	\$2,688	\$2,607
Number of Active Retirants	5	148	154	132	76	25	21
Period 7/1/95 - 6/30/96: Average Monthly Benefit	\$ 652	\$ 483	\$ 855	\$1,385	\$1,920	\$2,624	\$3,473
Number of Active Retirants	46	179	188	143	87	35	24
Period 7/1/96 - 6/30/97: Average Monthly Benefit	\$ 905	\$ 481	\$ 872	\$1,507	\$2,086	\$2,821	\$3,308
Number of Active Retirants	43	254	223	191	112	54	27
Period 7/1/97 - 6/30/98: Average Monthly Benefit	\$ 943	\$ 511	\$ 935	\$1,512	\$2,090	\$3,007	\$3,700
Number of Active Retirants	107	246	281	282	175	86	42
Period 7/1/98 - 6/30/99: Average Monthly Benefit	\$ 653	\$ 518	\$ 894	\$1,477	\$2,129	\$2,853	\$3,813
Number of Active Retirants	55	237	249	225	157	86	44
<b>Police/Fire</b>							
Period 7/1/93 - 6/30/94: Average Monthly Benefit	\$ 417	\$ 748	\$1,054	\$1,532	\$2,748	\$3,825	\$ -
Number of Active Retirants	1	7	9	13	32	9	-
Period 7/1/94 - 6/30/95: Average Monthly Benefit	\$ -	\$ 893	\$ 851	\$1,608	\$3,002	\$3,107	\$ -
Number of Active Retirants	-	8	10	18	42	10	-
Period 7/1/95 - 6/30/96: Average Monthly Benefit	\$1,938	\$ 757	\$1,708	\$1,852	\$2,916	\$3,375	\$3,870
Number of Active Retirants	3	6	5	11	39	10	2
Period 7/1/96 - 6/30/97: Average Monthly Benefit	\$1,263	\$ 592	\$ 957	\$1,719	\$2,811	\$3,545	\$4,733
Number of Active Retirants	10	12	18	40	68	15	3
Period 7/1/97 - 6/30/98: Average Monthly Benefit	\$1,472	\$ 723	\$1,177	\$2,091	\$3,199	\$3,548	\$3,380
Number of Active Retirants	13	8	13	40	64	22	4
Period 7/1/98 - 6/30/99: Average Monthly Benefit	\$1,879	\$ 698	\$1,214	\$1,808	\$2,849	\$3,713	\$4,097
Number of Active Retirants	22	8	23	29	61	17	3
Average Monthly Benefit includes post-retirement pension adjustments and cost-of-living increases.							

**Public Employees' Retirement System  
Participating Employers**

Akutan, City of	Dillingham, City of
Alaska, State of	Dillingham City School District
Alaska Gateway School District	
Alaska Housing Finance Corporation	Egegik, City of
Alaska Municipal League	Elim, City of
Alaska, University of	
Alaska, University of, Geophysical Institute	Fairbanks, City of
Aleutian Housing Authority	Fairbanks North Star Borough
Aleutian Region School District	Fairbanks North Star Borough School District
Aleutians East Borough	Fort Yukon, City of
Aleutians East Borough School District	
Aleutians West Coastal Resource Service Area	Galena, City of
Allakaket, City of	Galena City Schools
Anchorage, Municipality of	
Anchorage Parking Authority	Haines Borough
Anchorage School District	Haines Borough School District
Annette Island School District	Haines, City of
Atka, City of	Homer, City of
	Hoonah, City of
Baranof Island Housing Authority	Hoonah City Schools
Barrow, City of	Huslia, City of
Bartlett Regional Hospital	Hydaburg City Schools
Bering Straits Coastal Resource Service Area	
Bering Straits Regional Housing Authority	Iditarod Area School District
Bering Strait School District	Ilisagvik College
Bethel, City of	Interior Regional Housing Authority
Bristol Bay Borough	
Bristol Bay Borough School District	Juneau Borough School District
Bristol Bay Housing Authority	Juneau, City and Borough of
Chatham School District	Kachemak, City of
Chugach Regional School District	Take, City of
Cook Inlet Housing Authority	Take City School District
Copper River Basin Regional Housing Authority	Kaltag, City of
Copper River School District	Kashunamuit School District
Cordova, City of	Kenai, City of
Cordova Community Hospital	Kenai Peninsula Borough
Cordova Public Schools	Kenai Peninsula Borough School District
Craig, City of	Ketchikan, City of
Craig School District	Ketchikan Gateway Borough
	Ketchikan Gateway Borough School District
Delta/Greely School District	King Cove, City of
Delta Junction, City of	Kivalina, City of
Denali Borough	Klawock, City of
Denali Borough School District	Klawock City School District

<b>Public Employees' Retirement System Participating Employers</b>
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Kodiak, City of	Saint George, City of
Kodiak Island Borough	Saint Mary's, City of
Kodiak Island Borough School District	Saint Mary's School District
Kotzebue, City of	Saint Paul, City of
Kuspuk School District	Sand Point, City of
	Saxman, City of
Lake and Peninsula Borough	Saxman Seaport
Lake and Peninsula School District	Selawik City Council
Lower Kalskag, City of	Seward, City of
Lower Kuskokwim School District	Sitka, City and Borough of
Lower Yukon School District	Sitka Community Hospital
	Sitka Borough School District
Matanuska-Susitna Borough	Skagway, City of
Matanuska-Susitna Borough School District	Skagway City School District
Mekoryuk, City of	Soldotna, City of
	Southeast Islands School District
Nenana, City of	Southeast Regional Resource Center
Nenana City Public Schools	Southwest Region Schools
Nome, City of	Special Education Service Agency
Nome City Public Schools	
Noorvik, City of	Tanana, City of
North Pacific Fisheries Management Council	Tanana City School District
North Pacific Rim Housing Authority	Thorne Bay, City of
North Pole, City of	Tlingit-Haida Regional Housing Authority
North Slope Borough	Toksook Bay, City of
North Slope Borough School District	
Northwest Arctic Borough	Unalakleet, City of
Northwest Arctic Borough School District	Unalaska, City of
	Unalaska City School District
Old Harbor, City of	
	Valdez, City of
Palmer, City of	Valdez City Schools
Pelican, City of	
Pelican Schools	Wasilla, City of
Petersburg, City of	Whittier, City of
Petersburg General Hospital	Wrangell, City of
Petersburg Public Schools	Wrangell City Schools
Pribilof Regional School District	
	Yakutat, City and Borough of
Quinhagak, City of	Yakutat City School District
	Yukon Flats School District
Ruby, City of	Yukon-Koyukuk School District

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