

**State of Alaska**  
**Public Employees' Retirement System**  
**Actuarial Valuation Report**  
**as of June 30, 1996**

**Prepared by:**

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

March 13, 1997

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

Dear Members of the Board:

### **Actuarial Certification**

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 1996 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, 1996;
- (2) a determination of the appropriate contribution rate for each employer in the System;
- (3) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the System's staff and financial information provided by the audited report from KPMG Peat Marwick, to determine a sound value for the System liability. This data has not been audited, but it has been reviewed and found to be consistent, both internally and with prior years' data. The actuarial assumptions are based on the results of an experience study presented to the Board in October 1996.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY97 and a rolling amortization of the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. The ratio of assets to liabilities increased from 96.5% to 105.8% during the year, primarily due to changes in the actuarial assumptions as indicated by recent System experience and to favorable investment and salary experience. Over the years, progress has been made toward achieving the funding objectives of the System.

Public Employees' Retirement Board

March 13, 1997

Page 2

There were significant changes in the actuarial assumptions used in the determination of system liabilities this year based on a complete experience study presented to the Board in October 1996. No changes were made to the actuarial methods. The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System.

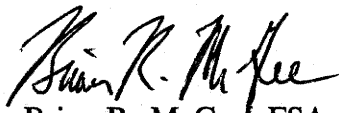
Future contribution requirements may differ from those determined in the valuation because of:

- (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 and are fully qualified to provide actuarial services to the State of Alaska.

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

Sincerely,



Brian R. McGee, FSA, MAAA



James W. Jacobson, ASA, MAAA

# Contents of Report

Sections	Page
Highlights .....	1
Analysis of the Valuation .....	4
1 Valuation Results .....	8
1.1(a) Statement of Net Assets as of June 30, 1996 (in thousands) .....	9
1.1(b) Changes in Net Assets During Fiscal Year 1996 (in thousands) .....	10
1.1(c) Development of Expected Valuation Assets as of June 30, 1996 (in thousands) .....	11
1.1(d) Development of Valuation Assets as of June 30, 1996 (in thousands) .....	12
1.2(a) Actuarial Present Values as of June 30, 1996 Police and Fire Members (in thousands) .....	13
1.2(b) Actuarial Present Values as of June 30, 1996 "Other" Members (in thousands) .....	14
1.3(a) Development of Average Employer Contribution Rate - FY99 For Police and Fire Members (in thousands) .....	15
1.3(b) Development of Average Employer Contribution Rate - FY99 For "Other" Members (in thousands) .....	16
1.3(c) Development of Average Employer Contribution Rate - FY99 All Members (in thousands) .....	17
1.4 Development of Actuarial Gain/(Loss) for FY96 (in thousands) .....	18
1.5 Actuarial Projections .....	19
2 Basis of Valuation .....	30
2.1 Summary of the Alaska Public Employees' Retirement System .....	31
2.2(a) Participant Census Information - Total PERS as of June 30 .....	38
2.2(b) Additional Information - Active Members by Type of Status as of June 30 .....	39
2.2(c) Distribution of Active Police and Fire Participants .....	42
2.2(d) Schedule of Active Member Valuation Data - Police/Fire .....	43
2.2(e) Distribution of Active "Other" Participants .....	44
2.2(f) Schedule of Active Member Valuation Data - "Other" .....	45
2.2(g) Statistics on New Retirees Police and Fire Members During the Year Ending June 30 .....	46
2.2(h) Schedule of Average Benefit Payments - New Retirees - Police/Fire .....	47
2.2(i) Statistics on New Retirees "Other" Members During the Year Ending June 30 .....	48



## Contents of Report (continued)

Sections	Page
2.2(j) Schedule of Average Benefit Payments - New Retirees - "Other" . . . . .	49
2.2(k) Statistics on All Retirees as of June 30, 1996 . . . . .	50
2.2(l) Distribution of Annual Benefits for Police and Fire Benefit Recipients . . . . .	53
2.2(m) Schedule of Retired Members by Type of Retirant and Option Selected - Police/Fire - June 30, 1996 . . . . .	54
2.2(n) Distribution of Annual Benefits for "Other" Benefit Recipients . . . . .	55
2.2(o) Schedule of Retired Members by Type of Retirant and Option Selected - "Other" - June 30, 1996 . . . . .	56
2.2(p) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - Police/Fire . . . . .	57
2.2(q) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - "Other" . . . . .	58
2.3 Actuarial Basis . . . . .	59
Table 1 - Alaska PERS Total Turnover Assumptions . . . . .	62
Table 2 - Alaska PERS Disability Rates Annual Rates Per 1,000 Employees . . . . .	63
Table 3 - Alaska PERS Retirement Rates . . . . .	64
3 Other Historical Information . . . . .	65
3.1 Analysis of Financial Experience . . . . .	66
3.2(a) Summary of Accrued and Unfunded Accrued Liabilities - Police/Fire . .	67
3.2(b) Summary of Accrued and Unfunded Accrued Liabilities - "Other" . . .	68
3.3 Solvency Test . . . . .	69
3.4(a) Statement of Actuarial Present Value of Accumulated Plan Benefits - Police/Fire . . . . .	70
3.4(b) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Other" . . . . .	72

## Highlights

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

- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1996;
- (2) review experience under the plan for the year ended June 30, 1996;
- (3) determine the appropriate contribution rate for each employer in the System;
- (4) provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

The report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during the 1996 Fiscal Year, the current annual costs, and reporting and disclosure information.

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

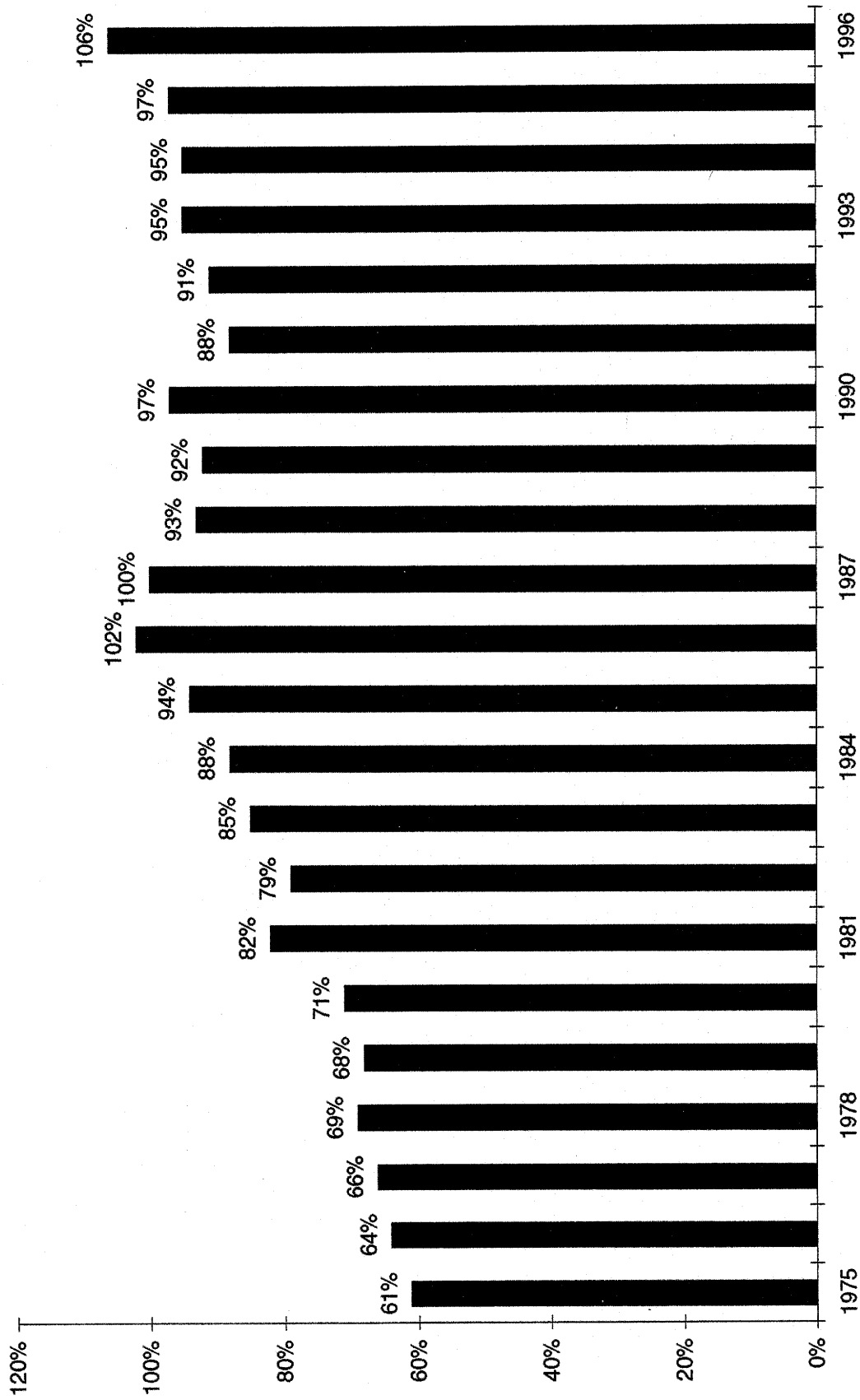
Section 3 contains additional exhibits showing historical information on system experience, unfunded liabilities, and the value of accumulated benefits.

The principle results are as follows:

	<u>1995</u>	<u>1996</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$4,794,754	\$ 5,271,253
(b) Accrued Liability*		
i) Non-Medical Benefits	3,613,271	3,594,706
ii) Total Benefits (including medical)	4,971,172	4,979,958
(c) Funding Ratio, (a) / (b)		
i) Non-Medical Benefits	132.7%	146.6%
ii) Total Benefits (including medical)	96.5%	105.8%

\* In thousands.

# State of Alaska PERS Funding Ratio History



At June 30

Employer Contribution Rates  
for Fiscal Year:

	<u>1998</u>	<u>1999</u>
(a) Consolidated Rate	10.61%	9.85%
(b) Average Past Service Rate	1.29%	(5.55%)
(c) Average Total Contribution Rate	11.90%	4.30%

## Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio as of June 30, 1996 has increased from 96.5% to 105.8%, an increase of 9.3%. The average employer contribution rate has reduced from 11.90% of payroll for FY98 to 4.30% for FY99, a reduction of 7.6% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

### (1) Retiree Medical Insurance

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

<u>Fiscal Year</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Annual Increase Since FY78</u>
1977	\$ 34.75	--	--
1978	57.64	66%	--
1979	69.10	20%	20%
1980	64.70	- 6%	6%
1981	96.34	49%	19%
1982	96.34	0%	14%
1983	115.61	20%	15%
1984	156.07	35%	18%
1985	191.85	23%	19%
1986	168.25	-12%	14%
1987	165.00	- 2%	12%
1988	140.25	-15%	9%
1989	211.22	51%	13%
1990	252.83	20%	13%
1991	243.98	- 4%	12%
1992	243.98	0%	11%
1993	226.90	- 7%	10%
1994	309.72	37%	11%
1995	336.05	9%	11%
1996	350.50	4%	11%
1997	350.50	0%	10%
1998	368.00	5%	10%

As you can see from the above table, the monthly retiree medical premium for the 1998 fiscal year increased from \$350.50 for FY97 to \$368.00. Since FY87, annual premium rate changes have ranged from 51% up to 15% down, but the average annual increase has been about 8%.

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

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

Because no adjustments were made to the assumed medical premium rate this year, the average employer contribution rate was unaffected by medical cost experience.

## **(2) Investment Performance**

The approximate FY96 investment return based on market values was 13.55%. The Asset Valuation Method was changed two years ago to smooth over five years the difference between actual and expected investment return. One purpose of this change was to adopt a method which better accomplished the goal of smoothing volatility in investment returns.

The approximate rate of return in FY96 based on valuation assets, after applying the smoothing technique, was 1.32% higher than the 8.00% investment return assumption. This produced a gain of approximately \$63,441,000 to the System from investment performance which increased the funding ratio by 1.2% and lowered the average employer contribution rate by 0.46% of total payroll.

## **(3) Salary Increases**

Last year, salary increases were less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain which generated a reduction in the average employer contribution rate equal to 0.50% of total payroll.

**(4) Employee Data**

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 1.6% from 31,450 at June 30, 1995 to 31,960 at June 30, 1996. The average age of active participants increased from 42.58 to 42.95 and average credited service increased from 8.20 to 8.41 years.

The number of retirees and beneficiaries increased 7.4% from 10,173 to 10,921, and their average age increased from 64.48 to 64.61. There was a 5.7% increase in the number of vested terminated participants from 4,144 to 4,382. Their average age increased from 45.00 to 45.43.

The overall effect of these participant data changes was an actuarial gain to the System, resulting in a decrease in the average employer contribution rate equal to 0.73% of total payroll.

**(5) Actuarial Assumptions**

In the Fall of 1996, the Board adopted a new set of actuarial assumptions derived from the System's actual experience over the past five fiscal years. These changes increased the funding ratio by 4.1% and reduced the total employer contribution rate by 2.47%.

**(6) Five-Year Amortization of Surplus**

The actuarial method adopted by the Board provides that unfunded actuarial liabilities be amortized over 25 years and added to the consolidated rate, and that funded surpluses be amortized over five years and subtracted from the consolidated rate. Since there is a funded surplus this year, the amortization period has been changed to five years, according to this method. This change reduces the past service cost and average employer contribution rate by 3.44%.

**(7) Actuarial Projections**

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

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

## Summary

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

Last year's average employer contribution rate . . . . .	11.90%
Change due to:	
Retiree medical insurance . . . . .	0.00%
Investment performance . . . . .	(0.46%)
Salary increases . . . . .	(0.50%)
Demographic experience . . . . .	(0.73%)
Actuarial assumptions . . . . .	(2.47%)
Five-year amortization of surplus . . . . .	(3.44%)
Average employer contribution rate this year . . . . .	4.30%



## **Section 1**

### **Valuation Results**

This section sets forth the results of the actuarial valuation.

Section 1.1(a) shows the distribution of net assets as of June 30, 1996.

Section 1.1(b) shows the transactions of the plan's fund during FY96.

Section 1.1(c) develops the expected valuation assets and investment return as of June 30, 1996.

Section 1.1(d) develops the actual valuation assets as of June 30, 1996.

Section 1.2(a) shows the actuarial present values for Police and Fire members as of June 30, 1996.

Section 1.2(b) shows the actuarial present values for "Other" members as of June 30, 1996.

Section 1.3(a) develops the average employer contribution rate for Police and Fire members - FY99.

Section 1.3(b) develops the average employer contribution rate for "Other" members - FY99.

Section 1.3(c) develops the average employer contribution rate for all members - FY99.

Section 1.4 calculates the actuarial gain or loss for FY96.

Section 1.5 contains the financial projections.

### 1.1(a) Statement of Net Assets as of June 30, 1996 (in thousands)

	<u>Book Value</u>	<u>Market Value</u>
Cash and Cash Equivalents	\$ 18,388	\$ 18,388
Fixed Income Pool	2,588,833	2,521,669
United States Common Stocks	1,817,737	2,360,133
International Stocks	472,612	526,535
Emerging Markets Stocks	39,438	40,182
Real Estate Equities	139,294	101,735
Mortgages (Net of Reserves)	2,387	2,387
Net Accrued Receivables	<u>(3,308)</u>	<u>(3,308)</u>
Total Assets	\$ 5,075,381	\$ 5,567,721

## 1.1(b) Changes in Net Assets During Fiscal Year 1996 (in thousands)

(1) Net Assets, June 30, 1995, (market value) \$ 4,876,808

(2) Additions:

(a) Employee Contributions \$ 85,120

(b) Employer Contributions 147,640

(c) Interest and Dividend Income 250,585

(d) Realized Gain (Loss) 394,336

(e) Unrealized Gain (Loss)  
on Investments 31,451

(f) Other 3 909,135

(3) Deductions:

(a) Medical Benefits \$ 47,964

(b) Retirement Benefits 143,039

(c) Refunds of Contributions 13,413

(d) Administrative Expenses 13,806 218,222

(4) Net Assets, June 30, 1996, (market value) \$ 5,567,721

Approximate Market Value Investment Return Rate  
During the Year, Net of Administrative Expenses

13.55%

**1.1(c) Development of Expected Valuation Assets  
as of June 30, 1996 (in thousands)**

(1)	June 30, 1995 Valuation Assets	\$ 4,794,754
(2)	Total Contributions for FY96, (Item (2a) + (2b) from 1.1(b))	232,760
(3)	Total Benefit Payments for FY96, (Item (3a) + (3b) + (3c) from 1.1(b))	204,416
(4)	Expected Investment Return, Net of Expenses, for the period July 1, 1995 through June 30, 1996, $((1) + .5 \times [(2) - (3)]) \times 8.00\%$	384,714
(5)	Actual Investment Return, Net of Expenses, for the period July 1, 1995 through June 30, 1996, [Item (2c) + (2d) + (2e) + (2f) - (3d) from 1.1(b)]	662,569
(6)	Total Investment Gain/(Loss), (5) - (4)	277,855
(7)	Expected Valuation Assets, (1) + (2) - (3) + (4)	5,207,812

**1.1(d) Development of Valuation Assets as of June 30, 1996  
(in thousands)**

	<b>A</b>	<b>B</b>	<b>C</b>
	<b>Total Investment Gain/(Loss)</b>	<b>Gain/(Loss) Recognized in Prior Fiscal Years</b>	<b>Gain/(Loss) Recognized this Fiscal Year (A ÷ 5)</b>
(1) Fiscal Year ending June 30, 1996	\$ 277,855	\$ 0	\$ 55,571
(2) Fiscal Year ending June 30, 1995	292,216	58,443	58,443
(3) Fiscal Year ending June 30, 1994	(252,865)	(101,146)	(50,573)
(4) Total Gain/(Loss) Recognized this Fiscal Year			63,441
(5) Expected Valuation Assets, June 30, 1996, (Item (7) from 1.1(c))			\$ 5,207,812
(6) Valuation Assets at June 30, 1996, (4) + (5), but not outside a corridor of 80% to 120% of the market value of assets			\$ 5,271,253
Approximate Valuation Assets Investment Return Rate During the Year, Net of Administrative Expenses			9.32%

**1.2(a) Actuarial Present Values as of June 30, 1996**  
**Police and Fire Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 14,446	\$ 237,804
Termination Benefits	2,203	30,586
Disability Benefits	530	11,253
Death Benefits	857	19,415
Return of Contributions	436	2,781
Medical Benefits	4,622	71,197
Indebtedness	<u>0</u>	<u>(10,108)</u>
Subtotal	\$ 23,094	\$ 362,928
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 416
Vested Terminations - Retirement Benefits	0	5,922
- Medical Benefits	0	9,723
Retirees & Beneficiaries - Retirement Benefits	0	297,405
- Medical Benefits	<u>0</u>	<u>56,909</u>
Subtotal	\$ 0	\$ 370,375
<u>Totals</u>	\$ 23,094	\$ 733,303

**1.2(b) Actuarial Present Values as of June 30, 1996**  
**"Other" Members (in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 91,595	\$ 1,229,760
Termination Benefits	19,718	212,215
Disability Benefits	2,036	28,770
Death Benefits	4,508	76,021
Return of Contributions	5,131	25,270
Medical Benefits	57,736	580,285
Indebtedness	<u>0</u>	<u>(47,244)</u>
Subtotal	\$ 180,724	\$ 2,105,077
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 16,518
Vested Terminations - Retirement Benefits	0	214,052
- Medical Benefits	0	282,422
Retirees & Beneficiaries - Retirement Benefits	0	1,243,870
- Medical Benefits	<u>0</u>	<u>384,716</u>
Subtotal	\$ 0	\$ 2,141,578
<u>Totals</u>	\$ 180,724	\$ 4,246,655

### 1.3(a) Development of Average Employer Contribution Rate - FY99 For Police and Fire Members (in thousands)

#### Consolidated Rate

(1)	Total Normal Cost	\$ 23,094
(2)	Total Salaries	134,362
(3)	Normal Cost Rate for Police & Fire Members, (1) / (2)	17.19%
(4)	Member Contribution Rate (Police & Fire)	7.50%
(5)	Consolidated Employer Normal Cost Rate For Police & Fire Members, (3) - (4)	9.69%

#### Past Service Rate

(1)	Accrued Liability	\$ 733,303
(2)	Valuation Assets	776,196*
(3)	Total Unfunded Liability, (1) - (2)	(42,893)
(4)	Amortization Factor (five years)	4.293779
(5)	Past Service Cost, (3) / (4)	(9,990)
(6)	Total Salaries	134,362
(7)	Past Service Rate, (5) / (6)	(7.44%)

#### Average Employer Contribution Rate

2.25%

\* Allocated in proportion to Accrued Liability.



### 1.3(b) Development of Average Employer Contribution Rate - FY99 For "Other" Members (in thousands)

#### Consolidated Rate

(1)	Total Normal Cost	\$ 180,724
(2)	Total Salaries	1,087,504
(3)	Normal Cost Rate for "Other" Members, (1) / (2)	16.62%
(4)	Member Contribution Rate ("Other")	6.75%
(5)	Consolidated Employer Normal Cost Rate For "Other" Members, (3) - (4)	9.87%

#### Past Service Rate

(1)	Accrued Liability	\$ 4,246,655
(2)	Valuation Assets	4,495,057*
(3)	Total Unfunded Liability, (1) - (2)	(248,402)
(4)	Amortization Factor (five years)	4.293779
(5)	Past Service Cost, (3) / (4)	\$ (57,852)
(6)	Total Salaries	\$ 1,087,504
(7)	Past Service Rate, (5) / (6)	(5.32%)

#### Average Employer Contribution Rate

4.55%

\* Allocated in proportion to Accrued Liability.

### 1.3(c) Development of Average Employer Contribution Rate - FY99 All Members (in thousands)

#### Consolidated Rate

(1)	Total Normal Cost	\$ 203,818
(2)	Total Salaries	1,221,866
(3)	Normal Cost Rate for All Members, (1) / (2)	16.68%
(4)	Average Member Contribution Rate	6.83%
(5)	Consolidated Employer Normal Cost Rate for All Members, (3) - (4)	9.85%

#### Past Service Rate

(1)	Accrued Liability	\$ 4,979,958
(2)	Valuation Assets	5,271,253
(3)	Total Unfunded Liability, (1) - (2)	(291,295)
(4)	Amortization Factor (five years)	4.293779
(5)	Past Service Cost, (3) / (4)	(67,841)
(6)	Total Salaries	1,221,866
(7)	Past Service Rate, (5) / (6)	(5.55%)

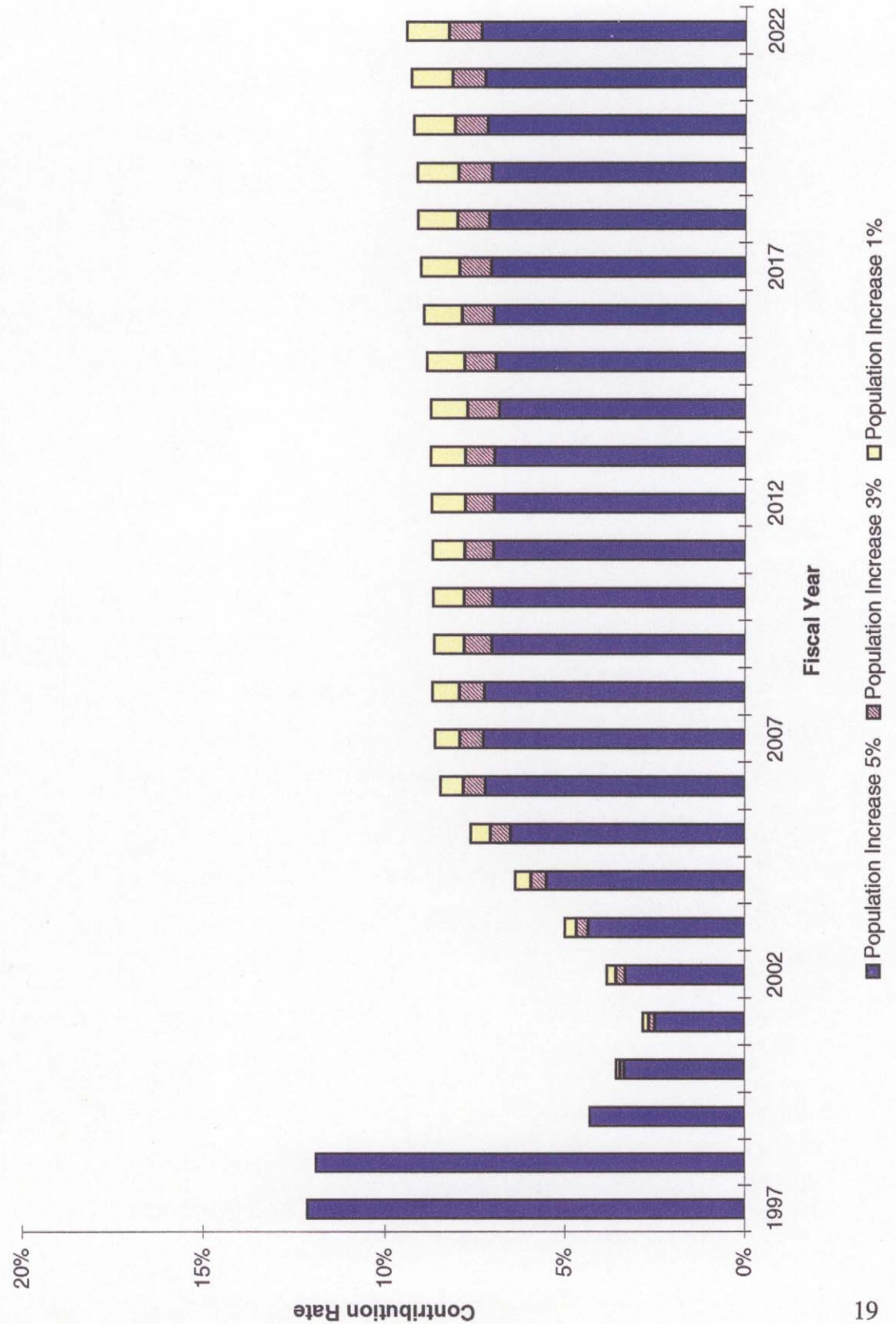
Average Employer Contribution Rate 4.30%

#### 1.4 Development of Actuarial Gain/(Loss) for FY96 (in thousands)

(1)	Unfunded Liability, June 30, 1995	\$ 176,418
(2)	Normal Cost for FY96	206,962
(3)	Interest on (1) and (2) at 8.00%	30,670
(4)	Employee Contributions for FY96	85,120
(5)	Employer Contributions for FY96	147,640
(6)	Interest on (4) and (5) at 8.00% for one-half year	9,310
(7)	Decrease due to Change in Assumptions	205,015
(8)	Expected Unfunded Liability, June 30, 1996, (1) + (2) + (3) - (4) - (5) - (6) - (7)	(33,035)
(9)	Actual Unfunded Liability, June 30, 1996	(291,295)
(10)	Actuarial Gain/(Loss) for the Year, (8) - (9)	\$ 258,260

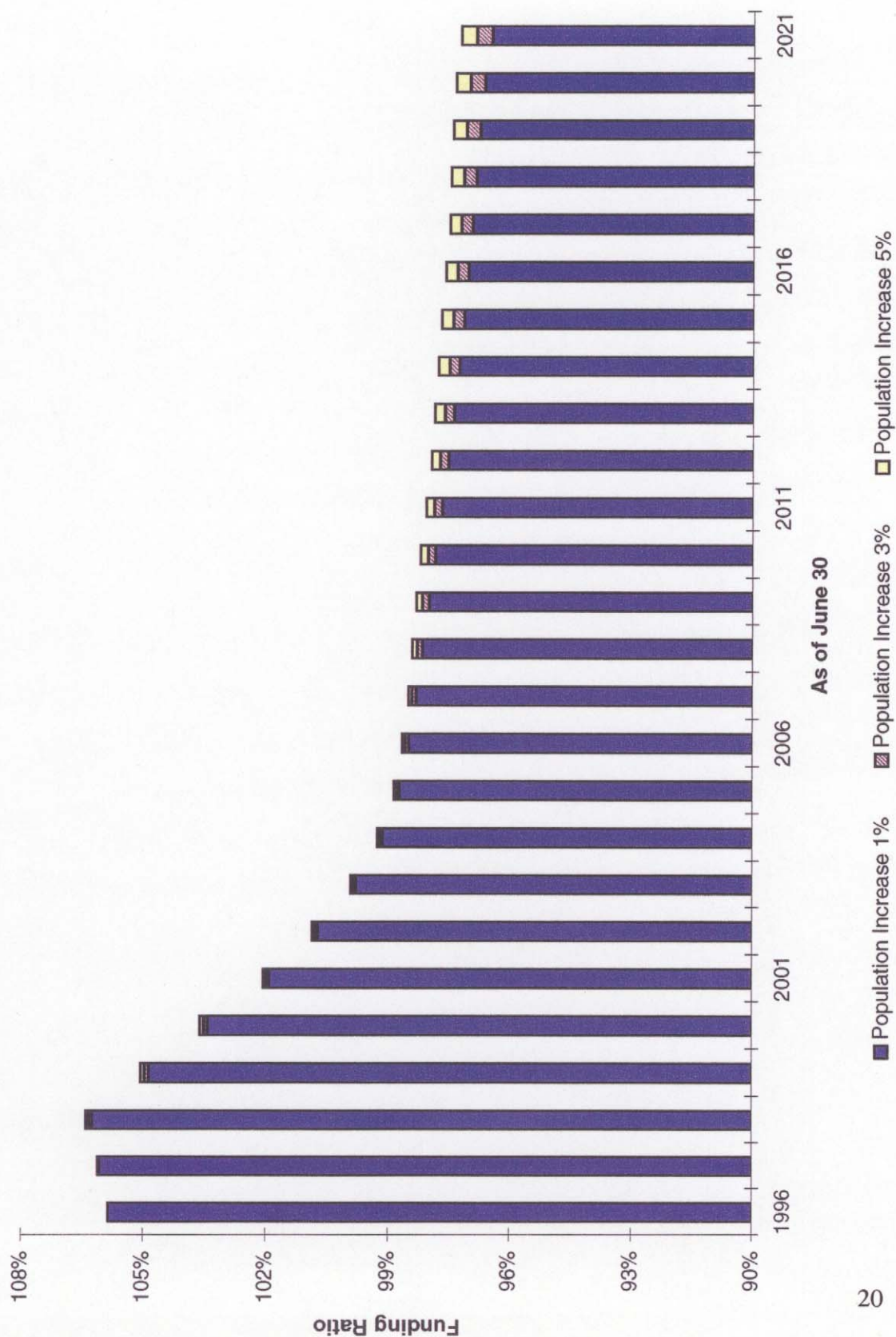
## 1.5 Actuarial Projections

### State of Alaska PERS Projected Contribution Rates



# 1.5 Actuarial Projections (continued)

## State of Alaska PERS Projected Funding Ratios



# 1.5 Actuarial Projections (continued)

Table 1

State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Investment Return		8.25%		Annual Population Increase										Ending Asset Value
	Valuation Amounts on July 1				Flow Amounts During Following 12 Months						1.00%				
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings			
1996	5,271,253	4,979,958	105.8%	291,295	1,221,866	12.14%	149,948	84,361	234,310	228,415	5,894	435,122	5,712,269		
1997	5,712,269	5,385,978	106.1%	326,291	1,248,451	11.90%	150,182	86,197	236,379	248,396	(12,018)	470,766	6,171,017		
1998	6,171,017	5,808,249	106.2%	362,768	1,275,614	4.30%	55,493	88,143	143,635	272,750	(129,114)	503,783	6,545,686		
1999	6,545,686	6,243,279	104.8%	302,407	1,305,434	3.57%	47,142	90,260	137,401	300,334	(162,933)	533,298	6,916,051		
2000	6,916,051	6,688,370	103.4%	227,681	1,337,598	2.84%	38,439	92,545	130,984	330,538	(199,555)	562,343	7,278,839		
2001	7,278,839	7,141,980	101.9%	136,859	1,372,350	3.82%	53,255	95,142	148,397	365,810	(217,413)	591,536	7,652,962		
2002	7,652,962	7,598,334	100.7%	54,629	1,413,661	5.00%	71,714	97,964	169,678	403,400	(233,722)	621,728	8,040,968		
2003	8,040,968	8,058,438	99.8%	(17,470)	1,454,973	6.37%	94,059	100,785	194,844	443,357	(248,513)	633,129	8,445,584		
2004	8,445,584	8,519,640	99.1%	(74,056)	1,496,285	7.61%	115,506	103,607	219,113	485,943	(266,830)	685,754	8,864,508		
2005	8,864,508	8,979,772	98.7%	(115,265)	1,537,597	8.45%	131,649	106,429	238,078	527,456	(289,378)	719,385	9,294,514		
2006	9,294,514	9,437,151	98.5%	(142,637)	1,578,909	8.62%	138,523	109,791	248,314	572,979	(324,665)	753,405	9,723,255		
2007	9,723,255	9,890,579	98.3%	(167,324)	1,636,057	8.69%	144,636	113,694	258,330	620,543	(362,213)	787,227	10,148,269		
2008	10,148,269	10,339,341	98.2%	(191,072)	1,693,206	8.64%	148,842	117,598	266,440	668,634	(402,194)	820,642	10,566,717		
2009	10,566,717	10,783,210	98.0%	(216,493)	1,750,355	8.67%	154,235	121,501	275,736	716,856	(441,120)	853,558	10,979,155		
2010	10,979,155	11,222,440	97.8%	(243,285)	1,807,503	8.69%	159,536	125,404	284,940	764,485	(479,545)	885,999	11,385,609		
2011	11,385,609	11,657,774	97.7%	(272,166)	1,864,652	8.71%	166,040	130,127	296,168	810,514	(514,346)	918,096	11,789,359		
2012	11,789,359	12,090,437	97.5%	(301,079)	1,945,812	8.75%	173,731	135,671	309,402	855,588	(546,186)	950,092	12,193,264		
2013	12,193,264	12,522,140	97.4%	(328,876)	2,026,972	8.74%	180,728	141,214	321,942	899,069	(577,127)	982,138	12,598,275		
2014	12,598,275	12,955,077	97.2%	(356,802)	2,108,133	8.85%	190,133	146,757	336,890	940,938	(604,048)	1,014,441	13,008,668		
2015	13,008,668	13,391,929	97.1%	(383,262)	2,189,293	8.94%	199,412	152,300	351,713	982,548	(630,835)	1,047,193	13,425,026		
2016	13,425,026	13,835,862	97.0%	(410,837)	2,270,453	9.03%	210,128	158,932	369,059	1,022,735	(653,676)	1,080,601	13,851,951		
2017	13,851,951	14,290,525	96.9%	(438,575)	2,383,473	9.11%	222,460	166,874	389,334	1,061,746	(672,412)	1,115,049	14,294,587		
2018	14,294,587	14,760,053	96.8%	(465,466)	2,503,021	9.13%	233,416	174,593	408,009	1,098,964	(690,955)	1,150,802	14,754,434		
2019	14,754,434	15,249,066	96.8%	(494,632)	2,609,513	9.23%	246,076	182,089	428,166	1,137,945	(709,779)	1,187,962	15,232,617		
2020	15,232,617	15,762,667	96.6%	(530,050)	2,722,534	9.30%	258,499	189,809	448,308	1,178,441	(730,133)	1,226,573	15,729,057		
2021	15,729,057	16,306,447	96.5%	(577,390)	2,835,554	9.43%	272,941	197,688	470,629	1,218,981	(748,352)	1,266,778	16,247,488		

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

# 1.5 Actuarial Projections (continued)

Table 2

State of Alaska PERS  
Financial Projections ('000 omitted)

As of June 30	Investment Return			8.25%	Annual Population Increase										3.00%	Ending Asset Value
	Valuation Amounts on July 1				Flow Amounts During Following 12 Months											
	Total Assets	Accrued Liability	Funding Ratio		Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings			
1996	5,271,253	4,979,958	105.8%	291,295	1,221,866	12.14%	150,986	84,945	235,931	228,415	7,515	435,188	5,713,956			
1997	5,713,956	5,386,412	106.1%	327,545	1,265,541	11.90%	153,291	87,981	241,272	248,402	(7,130)	471,107	6,177,934			
1998	6,177,934	5,810,675	106.3%	367,259	1,310,777	4.30%	57,443	91,241	148,684	272,910	(124,226)	504,555	6,558,263			
1999	6,558,263	6,249,500	104.9%	308,763	1,360,989	3.46%	48,002	94,837	142,839	300,766	(157,927)	534,542	6,934,878			
2000	6,934,878	6,700,576	103.5%	234,303	1,416,078	2.66%	38,502	98,782	137,285	331,336	(194,052)	564,123	7,304,949			
2001	7,304,949	7,162,839	102.0%	142,110	1,476,520	3.57%	54,084	103,477	157,561	367,103	(209,542)	594,015	7,689,422			
2002	7,689,422	7,630,151	100.8%	59,271	1,553,543	4.67%	74,302	108,737	183,040	405,098	(222,058)	625,217	8,092,581			
2003	8,092,581	8,105,934	99.8%	(13,353)	1,630,566	5.93%	98,979	113,998	212,977	445,529	(232,552)	658,045	8,518,074			
2004	8,518,074	8,588,066	99.2%	(69,992)	1,707,589	7.06%	123,195	119,259	242,453	488,676	(246,222)	692,584	8,964,436			
2005	8,964,436	9,075,080	98.8%	(110,644)	1,784,613	7.81%	142,389	124,519	266,908	530,804	(263,896)	728,680	9,429,220			
2006	9,429,220	9,566,163	98.6%	(136,943)	1,861,636	7.91%	151,870	131,094	282,964	577,053	(294,089)	765,779	9,900,911			
2007	9,900,911	10,061,158	98.4%	(160,248)	1,977,127	7.93%	161,299	138,982	300,281	625,483	(325,202)	803,411	10,379,119			
2008	10,379,119	10,560,566	98.3%	(181,447)	2,092,618	7.80%	167,753	146,870	314,623	674,607	(359,984)	841,428	10,860,563			
2009	10,860,563	11,065,540	98.1%	(204,977)	2,208,109	7.79%	176,613	154,758	331,371	724,103	(392,732)	879,796	11,347,628			
2010	11,347,628	11,577,889	98.0%	(230,262)	2,323,600	7.78%	185,264	162,646	347,910	773,316	(425,406)	918,631	11,840,853			
2011	11,840,853	12,100,080	97.9%	(259,228)	2,439,091	7.78%	196,406	172,514	368,920	821,296	(452,376)	958,210	12,346,687			
2012	12,346,687	12,635,234	97.7%	(288,547)	2,612,559	7.78%	209,981	184,362	394,342	868,677	(474,335)	999,035	12,871,387			
2013	12,871,387	13,187,125	97.6%	(315,737)	2,786,027	7.71%	221,609	196,210	417,818	914,873	(497,054)	1,041,386	13,415,719			
2014	13,415,719	13,760,186	97.5%	(344,467)	2,959,496	7.80%	237,704	208,057	445,762	960,061	(514,299)	1,085,582	13,987,002			
2015	13,987,002	14,359,505	97.4%	(372,503)	3,132,964	7.87%	253,534	219,905	473,439	1,005,824	(532,384)	1,131,967	14,586,585			
2016	14,586,585	14,990,823	97.3%	(404,239)	3,306,432	7.94%	272,756	234,568	507,324	1,050,991	(543,667)	1,180,967	15,223,885			
2017	15,223,885	15,660,540	97.2%	(436,655)	3,562,316	8.00%	295,482	252,268	547,750	1,095,832	(548,082)	1,233,362	15,909,165			
2018	15,909,165	16,375,708	97.2%	(466,542)	3,824,734	7.98%	315,034	269,745	584,779	1,139,802	(555,023)	1,289,611	16,643,753			
2019	16,643,753	17,144,036	97.1%	(500,283)	4,074,083	8.07%	339,272	286,998	626,271	1,187,182	(560,911)	1,349,972	17,432,814			
2020	17,432,814	17,973,890	97.0%	(541,075)	4,329,967	8.14%	363,066	304,475	667,541	1,237,842	(570,301)	1,414,682	18,277,196			
2021	18,277,196	18,874,288	96.8%	(597,092)	4,585,851	8.25%	389,310	322,468	711,779	1,290,306	(578,527)	1,484,004	19,182,673			

\* Surpluses reduce employer contributions over 5 years

\* Deficits increase employer contributions over 25 years



# 1.5 Actuarial Projections (continued)

Table 3

State of Alaska PERS  
Financial Projections ('000 omitted)

Investment Return			8.25%		Annual Population Increase										5.00%		Ending	
As of June 30	Valuation Amounts on July 1				Total Salaries	Employer Ctb Rate	Flow Amounts During Following 12 Months				Investment Earnings	Asset Value						
	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)			Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments			Net Contribs					
1996	5,271,253	4,979,958	105.8%	291,295	1,221,866	12.14%	152,036	85,536	237,571	228,415	9,156	435,256	5,715,665					
1997	5,715,665	5,386,847	106.1%	328,818	1,282,839	11.90%	156,467	89,804	246,271	248,408	(2,138)	471,454	6,184,981					
1998	6,184,981	5,813,117	106.4%	371,864	1,346,854	4.30%	59,466	94,453	153,919	273,072	(119,153)	505,346	6,571,175					
1999	6,571,175	6,255,841	105.0%	315,333	1,418,984	3.35%	48,826	99,667	148,493	301,205	(152,712)	535,823	6,954,285					
2000	6,954,285	6,713,171	103.6%	241,114	1,499,510	2.49%	38,430	105,484	143,915	332,159	(188,245)	565,963	7,332,004					
2001	7,332,004	7,184,634	102.1%	147,369	1,589,344	3.32%	54,823	112,711	167,535	368,456	(200,921)	596,602	7,727,685					
2002	7,727,685	7,662,248	100.9%	65,437	1,711,132	4.35%	77,033	121,029	198,062	406,917	(208,855)	628,919	8,147,749					
2003	8,147,749	8,154,942	99.9%	(7,193)	1,832,920	5.50%	104,221	129,348	233,568	447,904	(214,336)	663,348	8,596,760					
2004	8,596,760	8,660,788	99.3%	(64,028)	1,954,708	6.51%	131,140	137,666	268,806	491,721	(222,915)	700,038	9,073,883					
2005	9,073,883	9,178,870	98.9%	(104,987)	2,076,497	7.20%	153,916	145,984	299,900	534,606	(234,707)	738,914	9,578,090					
2006	9,578,090	9,709,284	98.6%	(131,194)	2,198,285	7.25%	166,675	156,929	323,604	581,762	(258,157)	779,543	10,099,476					
2007	10,099,476	10,253,141	98.5%	(153,665)	2,396,997	7.23%	180,573	170,501	351,074	631,287	(280,213)	821,648	10,640,911					
2008	10,640,911	10,812,563	98.4%	(171,652)	2,595,709	7.04%	189,631	184,073	373,704	681,728	(308,024)	865,169	11,198,056					
2009	11,198,056	11,390,687	98.3%	(192,631)	2,794,421	7.02%	203,080	197,645	400,725	732,852	(332,126)	910,139	11,776,069					
2010	11,776,069	11,991,662	98.2%	(215,593)	2,993,133	6.99%	216,072	211,217	427,289	784,088	(356,800)	956,808	12,376,077					
2011	12,376,077	12,620,651	98.1%	(244,574)	3,191,845	6.97%	233,687	228,994	462,680	834,563	(371,882)	1,005,686	13,009,881					
2012	13,009,881	13,283,830	97.9%	(273,949)	3,513,680	6.96%	255,792	250,975	506,767	884,930	(378,163)	1,057,716	13,689,434					
2013	13,689,434	13,988,387	97.9%	(298,953)	3,835,515	6.84%	273,286	272,956	546,242	934,678	(388,435)	1,113,355	14,414,354					
2014	14,414,354	14,742,525	97.8%	(328,171)	4,157,350	6.93%	299,191	294,938	594,129	984,211	(390,082)	1,173,093	15,197,365					
2015	15,197,365	15,555,459	97.7%	(358,094)	4,479,186	6.99%	324,507	316,919	641,426	1,035,389	(393,963)	1,237,532	16,040,934					
2016	16,040,934	16,437,417	97.6%	(396,483)	4,801,021	7.06%	356,936	345,432	702,368	1,087,087	(384,719)	1,307,507	16,963,723					
2017	16,963,723	17,399,641	97.5%	(435,918)	5,314,128	7.11%	396,508	380,701	777,209	1,139,663	(362,454)	1,384,556	17,985,824					
2018	17,985,824	18,454,386	97.5%	(468,562)	5,833,777	7.04%	428,634	415,746	844,380	1,192,711	(348,331)	1,469,462	19,106,955					
2019	19,106,955	19,614,919	97.4%	(507,964)	6,340,343	7.16%	472,081	450,568	922,649	1,251,316	(328,667)	1,562,766	20,341,054					
2020	20,341,054	20,895,522	97.3%	(554,468)	6,853,450	7.24%	514,462	485,613	1,000,075	1,315,583	(315,508)	1,665,122	21,690,668					
2021	21,690,668	22,311,489	97.2%	(620,820)	7,366,558	7.33%	560,211	521,970	1,082,181	1,384,160	(301,979)	1,777,024	23,165,713					

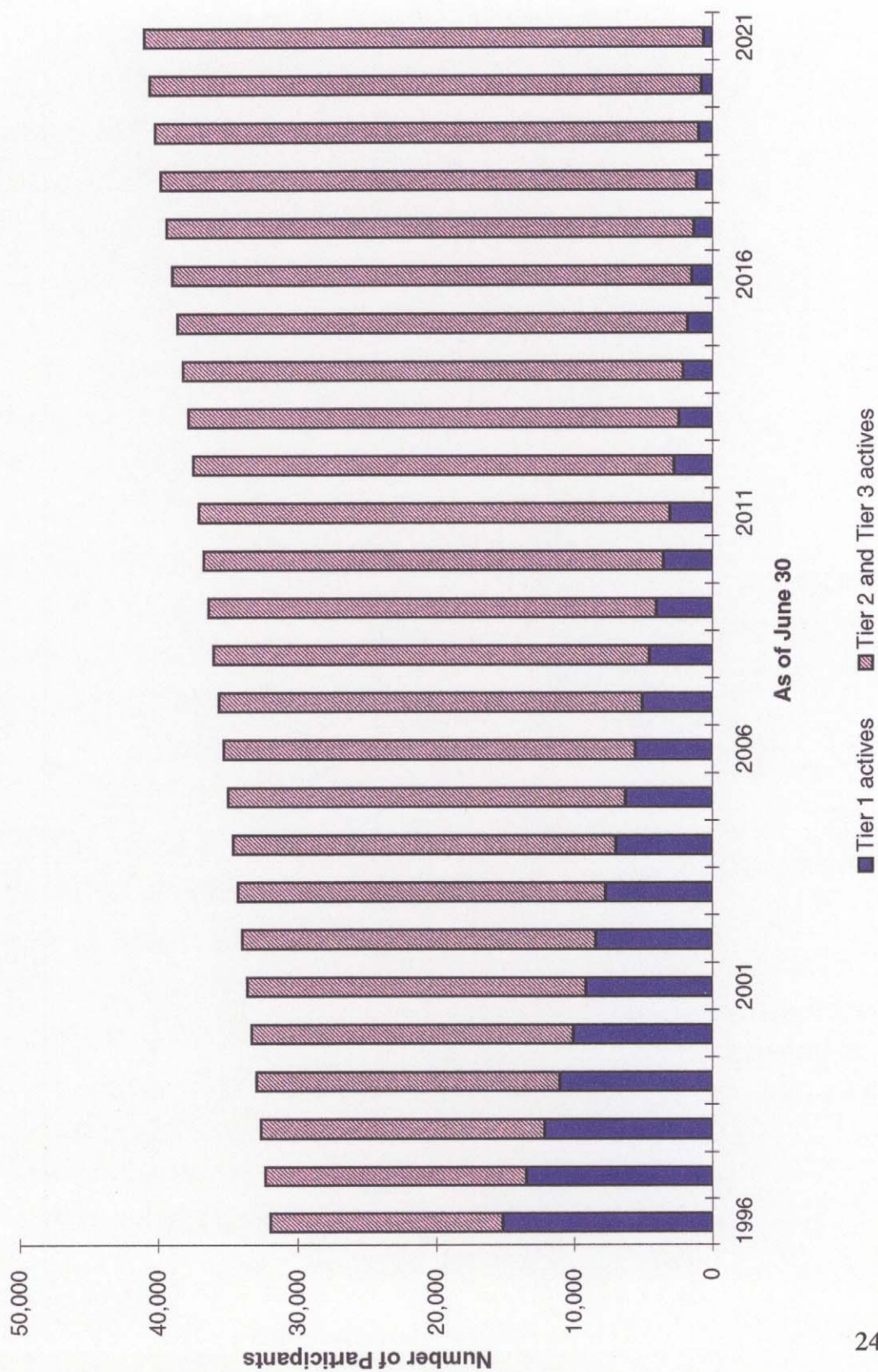
\* Surpluses reduce employer contributions over 5 years

\* Deficits increase employer contributions over 25 years



## 1.5 Actuarial Projections (continued)

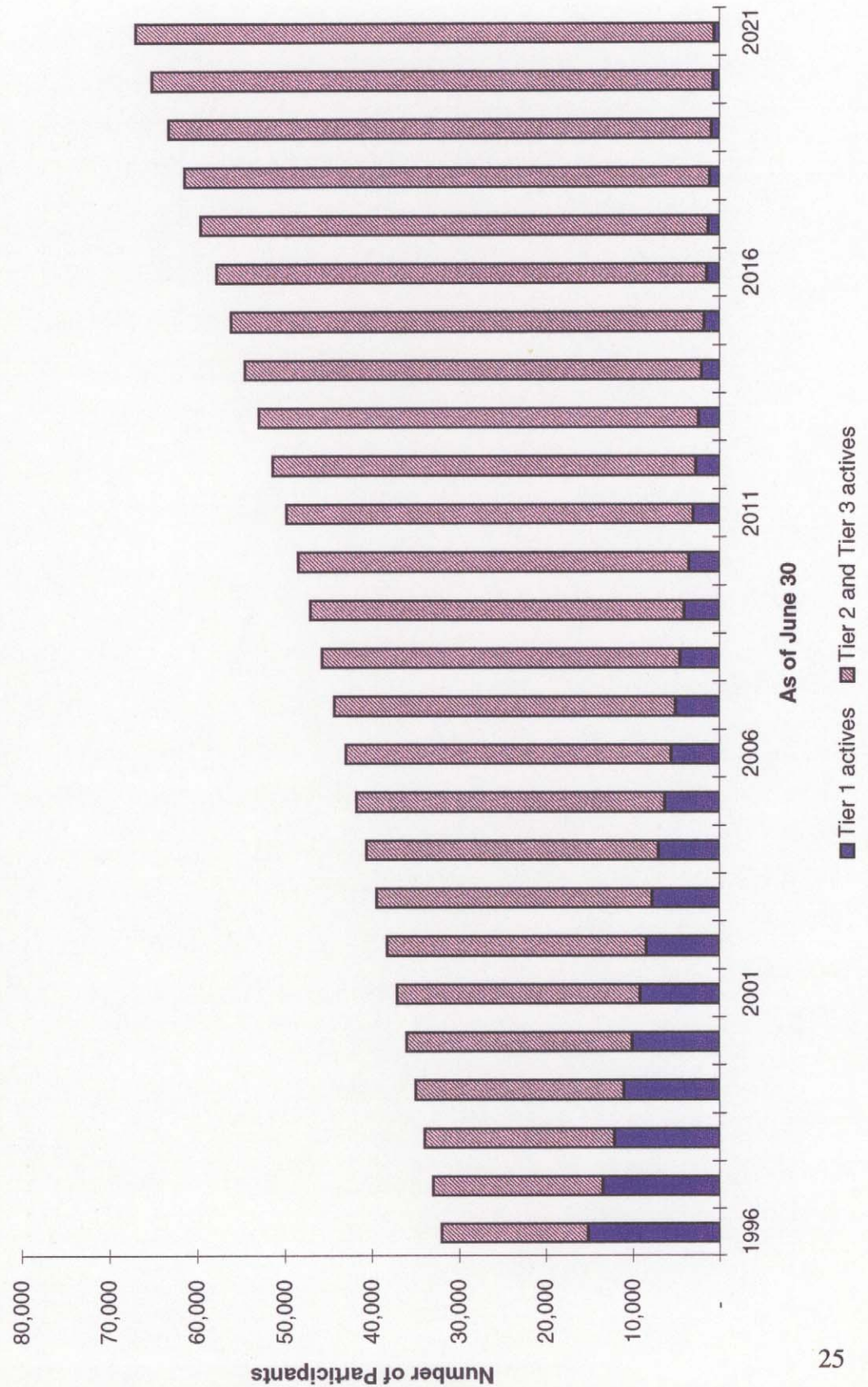
### State of Alaska PERS Projected Active Participant Count Annual Population Increase of 1%





## 1.5 Actuarial Projections (continued)

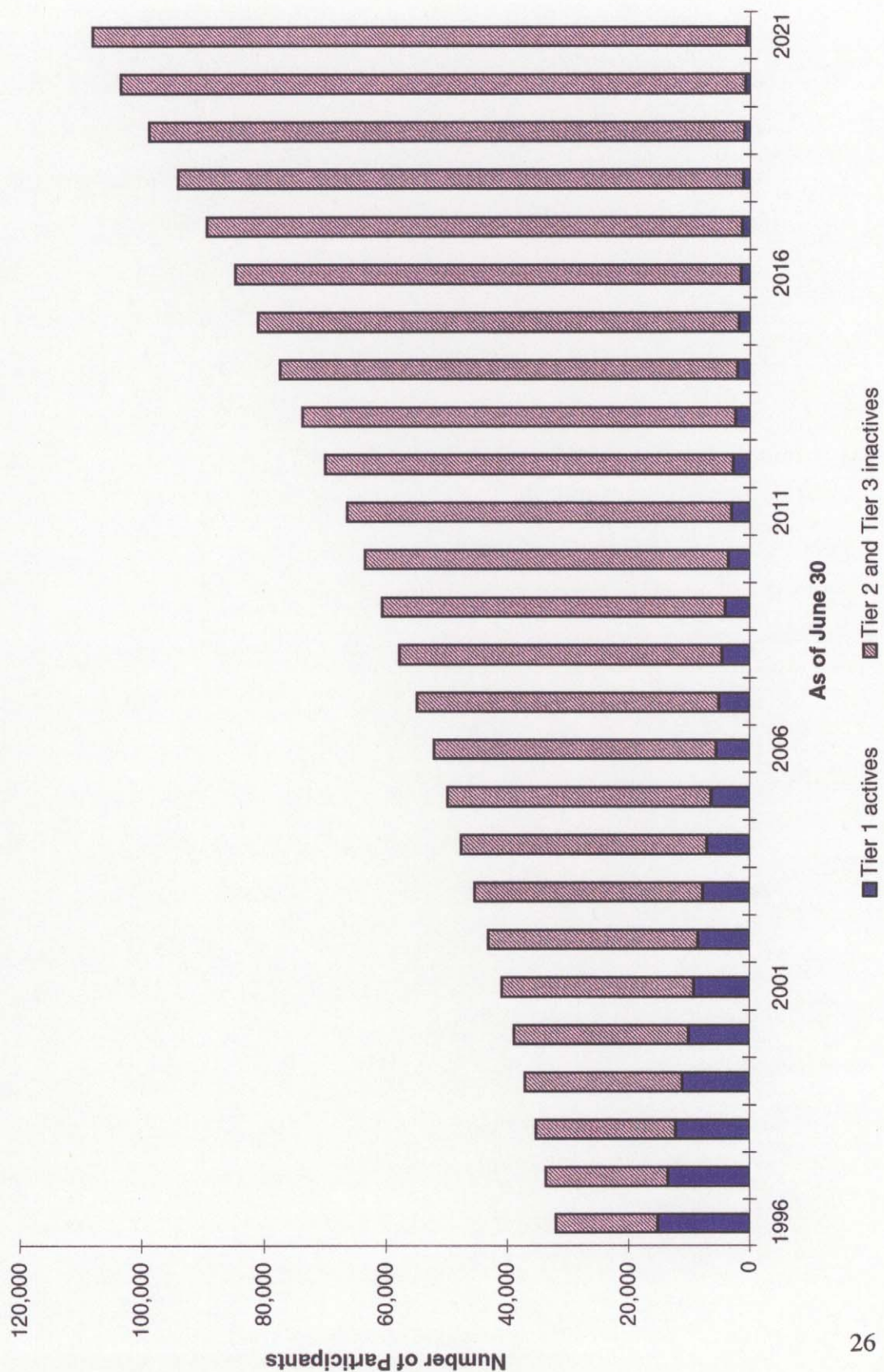
### State of Alaska PERS Projected Active Participant Count Annual Population Increase 3%





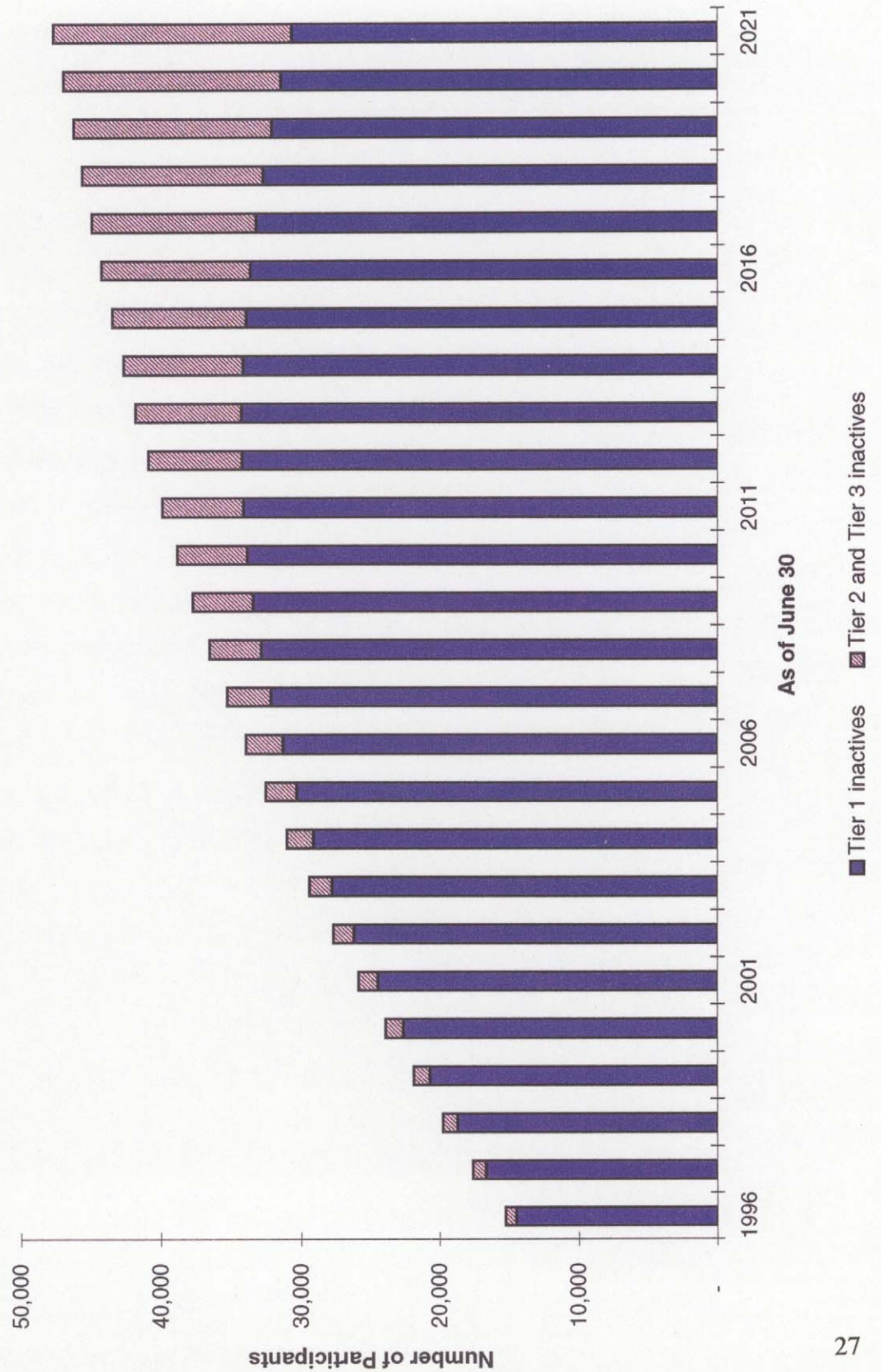
# 1.5 Actuarial Projections (continued)

## State of Alaska PERS Projected Active Participant Count Annual Population Increase of 5%



# 1.5 Actuarial Projections (continued)

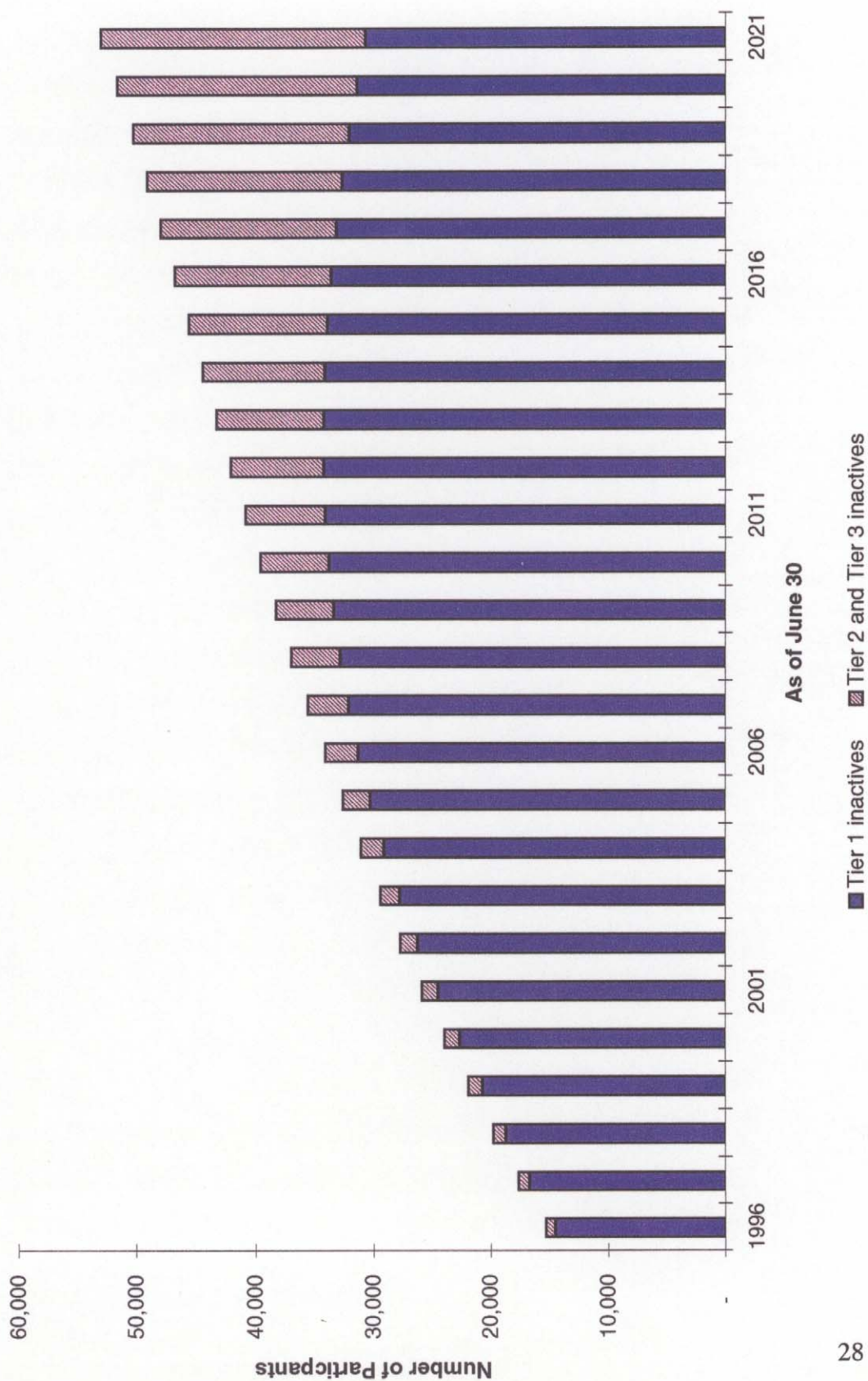
## State of Alaska PERS Projected Inactive Participant Count Annual Population Increase of 1%





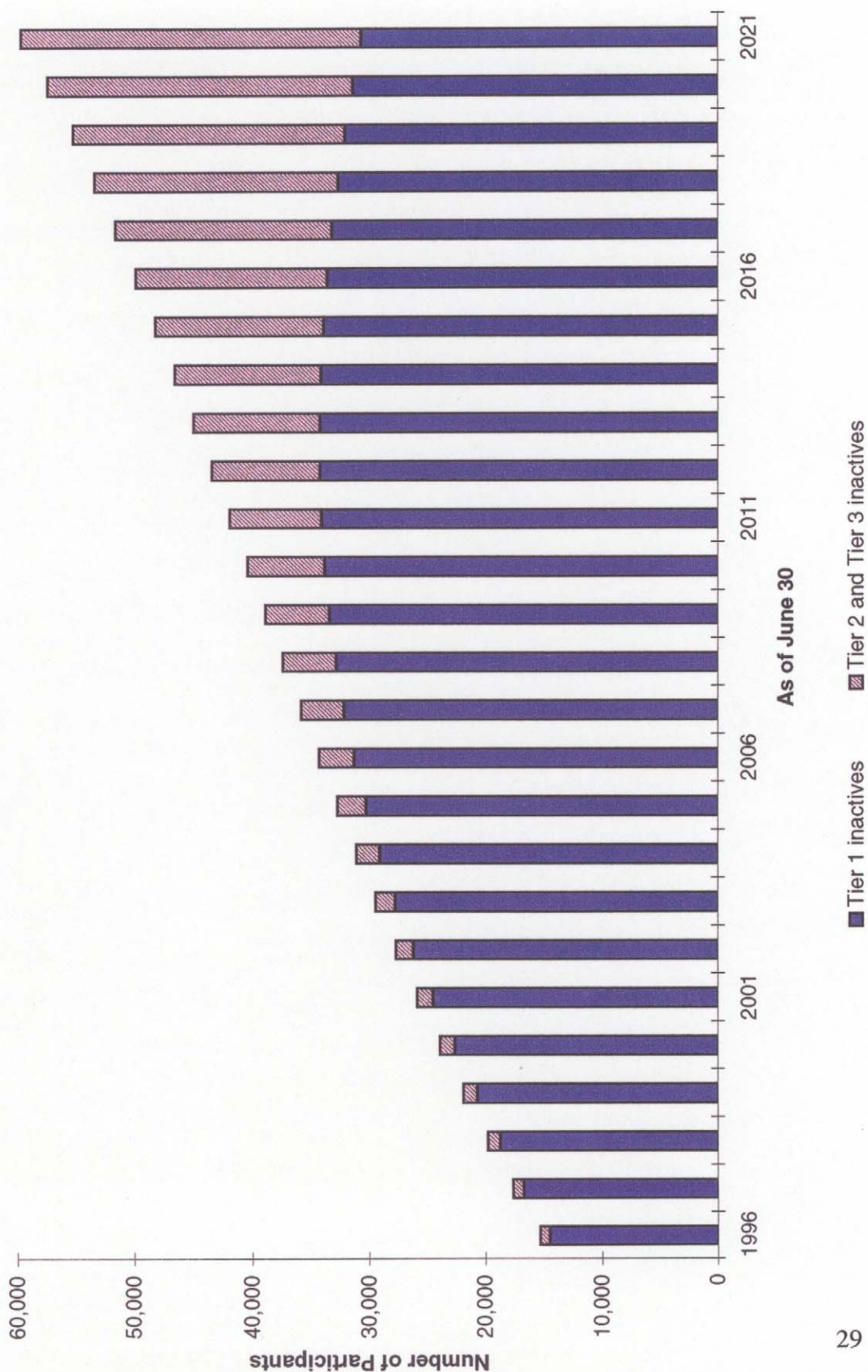
## 1.5 Actuarial Projections (continued)

### State of Alaska PERS Projected Inactive Participant Count Annual Population Increase of 3%



# 1.5 Actuarial Projections (continued)

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



## **Section 2**

### **Basis of Valuation**

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

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

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

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

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

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

January 1, 1961, with amendments through June 30, 1995. 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 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 156 employers participating in the PERS, including the State of Alaska and 155 political subdivisions and public organizations.

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

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

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

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

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



Members may claim other types of service, including:

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

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

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

#### **(6) Employer Contributions**

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

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

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

**(7) Member Contributions**

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

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

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

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

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

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

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

**(8) Retirement Benefits**

**Eligibility:**

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

\* Members participating before July 1, 1986 are eligible for normal retirement at age 55 or early retirement at age 50.

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

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

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

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

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

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

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

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

**(9) Reemployment of Retired Members**

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

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

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

**(10) Disability Benefits**

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

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

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

## **(11) Death Benefits**

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

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

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

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

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

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

## **(12) Post Retirement Pension Adjustments**

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

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

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

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

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

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

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

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

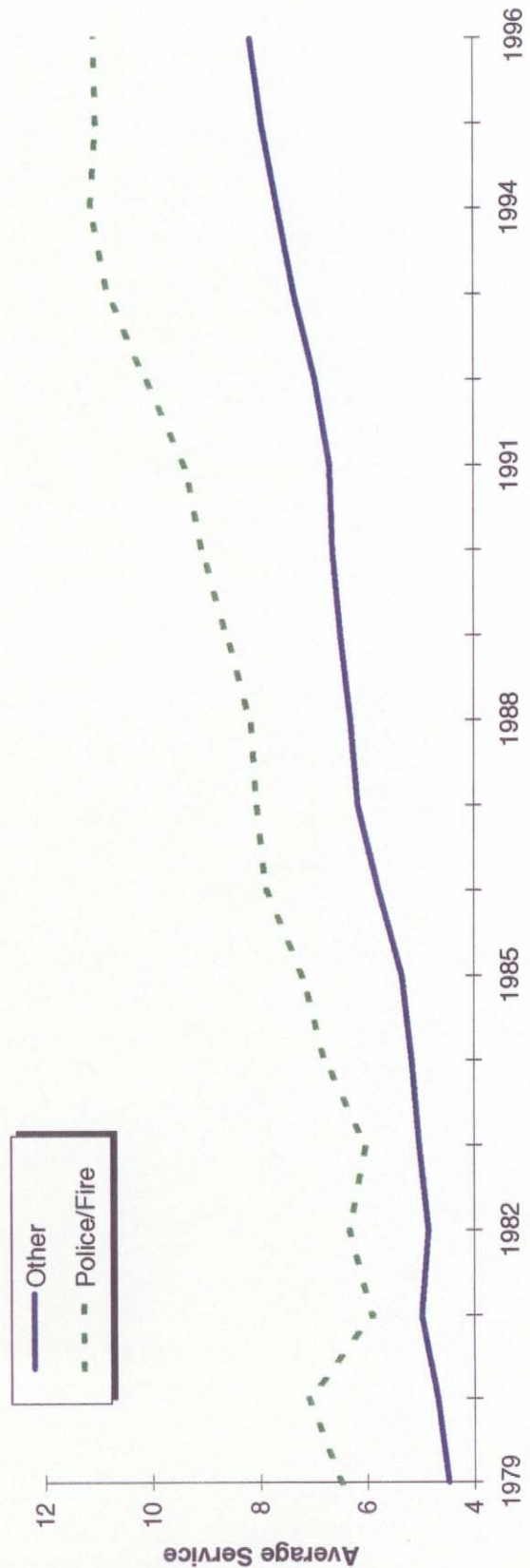
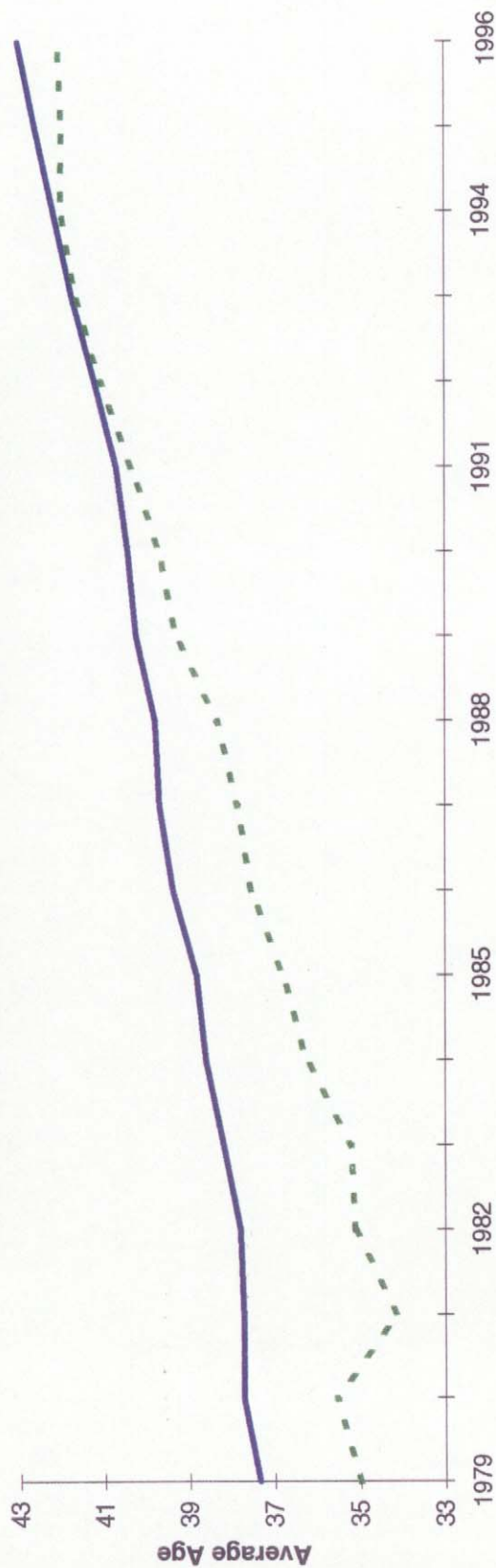
		<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>Active Members</b>						
(1)	Number	30,721	30,972	31,364	31,450	31,960
(2)	Average Age	41.21	41.75	42.18	42.58	42.95
(3)	Average Credited Service	7.22	7.62	7.92	8.20	8.41
(4)	Average Annual Salary	\$ 35,280	\$ 36,675	\$ 37,527	\$ 37,776	\$ 38,231
<b>Retirees and Beneficiaries</b>						
(1)	Number	8,704	9,103	9,643	10,173	10,921
(2)	Average Age	63.58	63.98	64.22	64.48	64.61
(3)	Average Monthly Benefit:					
	Base	\$ 867	\$ 855	\$ 874	\$ 900	\$ 913
	C.O.L.A.	64	63	63	64	64
	P.R.P.A.	144	129	135	136	131
	Adjustment	N/A	0	0	-1	-4
	TOTAL	1,075	1,047	1,072	1,099	1,104
<b>Vested Terminations</b>						
(1)	Number	3,249	3,572	3,771	4,144	4,382
(2)	Average Age	43.59	44.04	44.39	45.00	45.43
(3)	Average Monthly Benefit	\$ 582	\$ 610	\$ 626	\$ 653	\$ 662
<b>Non-Vested Terminations With Account Balances</b>						
(1)	Number	4,380	4,721	4,859	5,398	5,847
(2)	Average Account Balance	\$ 2,251	\$ 2,442	\$ 2,637	\$ 2,758	\$ 2,896

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

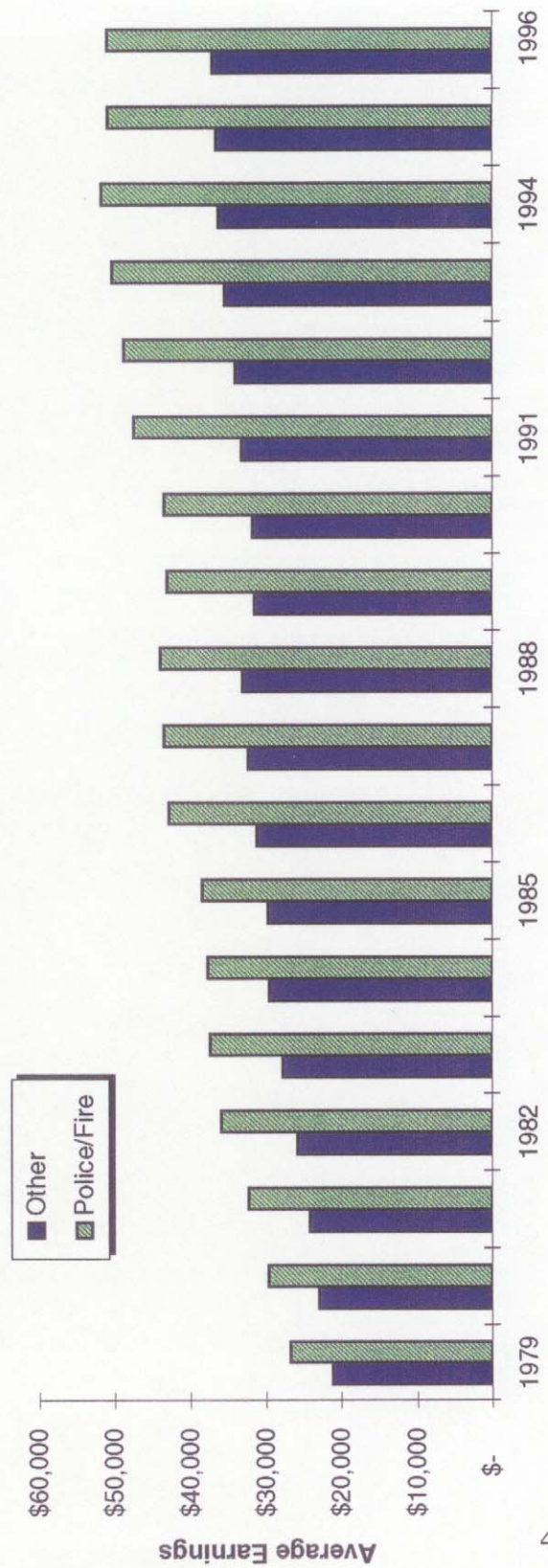
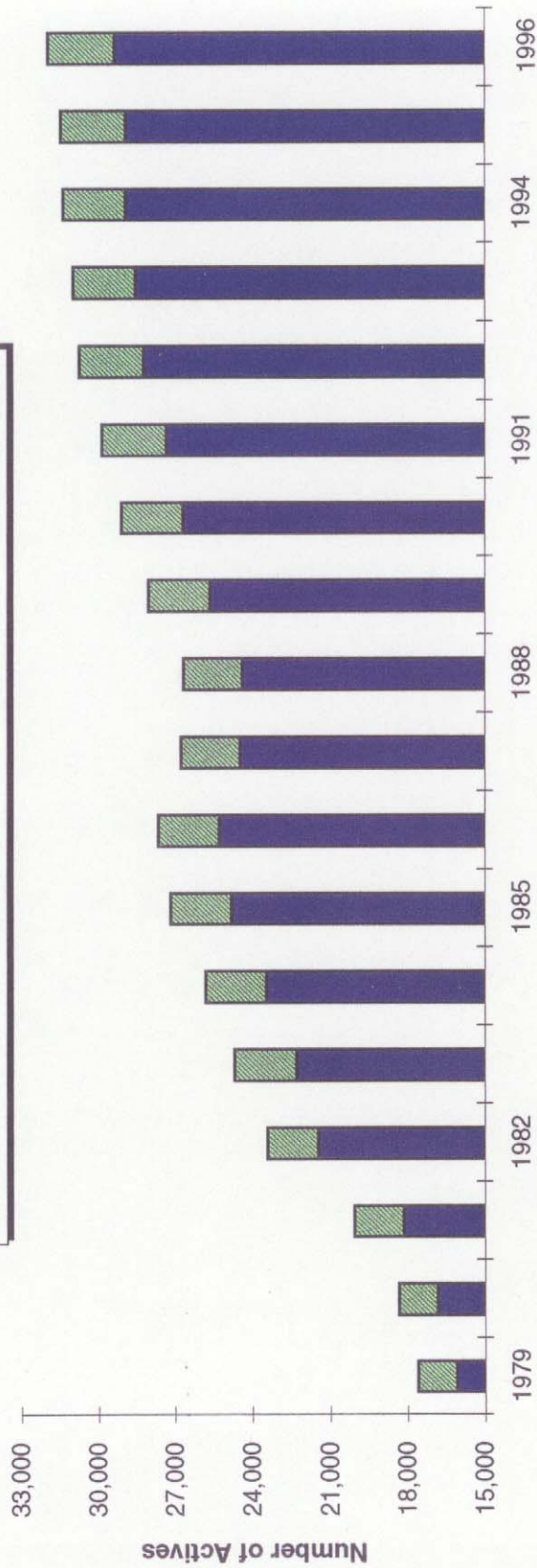
		<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>Active Police &amp; Fire</b>						
(1)	Number	2,515	2,463	2,481	2,557	2,634
(2)	Average Age	41.08	41.67	42.01	42.00	42.09
(3)	Average Credited Service	10.10	10.80	11.13	11.03	11.07
(4)	Average Annual Salary	\$ 48,812	\$ 50,355	\$ 51,776	\$ 50,921	\$ 51,011
(5)	Number Vested	1,842	1,907	1,981	1,986	1,986
(6)	Percent Who Are Vested	73.2%	77.4%	79.8%	77.7%	75.4%
<b>Active "Other" Members</b>						
(1)	Number	28,206	28,509	28,883	28,893	29,326
(2)	Average Age	41.22	41.76	42.19	42.63	43.03
(3)	Average Credited Service	6.96	7.35	7.65	7.95	8.17
(4)	Average Annual Salary	\$ 34,073	\$ 35,493	\$ 36,303	\$ 36,612	\$ 37,083
(5)	Number Vested	14,640	15,336	16,162	16,877	17,618
(6)	Percent Who Are Vested	51.9%	53.8%	56.0%	58.4%	60.1%



# State of Alaska - PERS Actives



# State of Alaska - PERS Actives



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

----- Annual Earnings By Age -----				----- Annual Earnings By Credited Service -----			
<u>Age Groups</u>	<u>Number of People</u>	<u>Total Annual Earnings</u>	<u>Average Annual Earnings</u>	<u>Years of Service</u>	<u>Number of People</u>	<u>Total Annual Earnings</u>	<u>Average Annual Earnings</u>
0-19	0	\$ 0	\$ 0	0	181	\$ 3,730,720	\$ 20,612
20-24	63	1,800,644	28,582	1	170	7,085,058	41,677
25-29	200	8,066,369	40,332	2	134	5,811,562	43,370
30-34	275	12,570,087	45,709	3	84	3,763,195	44,800
35-39	458	23,380,525	51,049	4	79	3,653,625	46,248
40-44	614	32,750,725	53,340	0- 4	648	24,044,160	37,105
45-49	598	32,714,083	54,706	5- 9	562	28,052,600	49,916
50-54	305	16,807,715	55,107	10-14	595	32,181,184	54,086
55-59	92	4,842,817	52,639	15-19	537	31,277,876	58,246
60-64	24	1,231,521	51,313	20-24	242	15,565,259	64,319
65-69	4	192,536	48,134	25-29	44	2,872,417	65,282
70-74	0	0	0	30-34	5	285,134	57,027
75-79	1	5,032	5,032	35-39	1	83,424	83,424
80+	0	0	0	40+	0	0	0
Total	2,634	\$ 134,362,054	\$ 51,011	Total	2,634	\$ 134,362,054	\$ 51,011

### Years of Credited Service By Age

----- Years of Service -----										
<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>	<u>Total</u>
0-19	0	0	0	0	0	0	0	0	0	0
20-24	63	0	0	0	0	0	0	0	0	63
25-29	170	29	1	0	0	0	0	0	0	200
30-34	145	97	32	1	0	0	0	0	0	275
35-39	106	121	163	65	3	0	0	0	0	458
40-44	76	96	172	203	65	2	0	0	0	614
45-49	61	125	132	151	112	17	0	0	0	598
50-54	19	58	73	86	45	21	3	0	0	305
55-59	7	25	18	23	14	3	2	0	0	92
60-64	0	9	4	7	2	1	0	1	0	24
65-69	0	2	0	1	1	0	0	0	0	4
70-74	0	0	0	0	0	0	0	0	0	0
75-79	1	0	0	0	0	0	0	0	0	1
80+	0	0	0	0	0	0	0	0	0	0
Total	648	562	595	537	242	44	5	1	0	2,634

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

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase In Average Pay
June 30, 1996	2,634	\$ 134,362	\$ 51,011	0.2%
June 30, 1995	2,557	130,204	50,921	-1.7%
June 30, 1994	2,481	128,456	51,776	2.8%
June 30, 1993	2,463	124,025	50,355	3.2%
June 30, 1992	2,515	122,762	48,812	2.8%
June 30, 1991	2,533	120,240	47,470	9.2%
June 30, 1990	2,419	105,135	43,462	.9%
June 30, 1989	2,414	104,000	43,082	-2.0%
June 30, 1988	2,327	102,265	43,947	1.0%
June 30, 1987	2,319	100,839	43,484	1.5%

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

----- Annual Earnings By Age -----			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	61	\$ 821,843	\$ 13,473
20-24	711	15,903,723	22,368
25-29	1,819	51,371,940	28,242
30-34	3,164	102,145,520	32,284
35-39	4,935	175,368,389	35,536
40-44	6,253	238,896,965	38,205
45-49	5,930	243,004,997	40,979
50-54	3,742	153,435,671	41,004
55-59	1,757	70,631,888	40,200
60-64	754	28,649,344	37,996
65-69	156	5,758,793	36,915
70-74	30	1,161,053	38,702
75-79	10	224,276	22,428
80+	4	130,096	32,524
Total	29,326	\$ 1,087,504,498	\$ 37,083

----- Annual Earnings By Credited Service -----			
Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0	3,337	\$ 67,651,376	\$ 20,273
1	2,511	74,007,336	29,473
2	2,072	63,870,836	30,826
3	1,906	62,925,240	33,014
4	1,882	65,585,948	34,849
0- 4	11,708	334,040,736	28,531
5- 9	7,618	286,797,028	37,647
10-14	4,991	216,704,376	43,419
15-19	3,247	154,866,688	47,695
20-24	1,284	67,362,520	52,463
25-29	411	23,538,782	57,272
30-34	64	4,029,681	62,964
35-39	2	109,685	54,842
40+	1	55,002	55,002
Total	29,326	\$ 1,087,504,498	\$ 37,083

### Years of Credited Service By Age

----- Years of Service -----										
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	61	0	0	0	0	0	0	0	0	61
20-24	702	9	0	0	0	0	0	0	0	711
25-29	1,509	301	9	0	0	0	0	0	0	1,819
30-34	1,885	1,000	265	14	0	0	0	0	0	3,164
35-39	2,160	1,512	892	352	19	0	0	0	0	4,935
40-44	2,239	1,688	1,269	827	227	3	0	0	0	6,253
45-49	1,587	1,448	1,263	980	515	135	2	0	0	5,930
50-54	898	916	758	630	314	192	34	0	0	3,742
55-59	423	465	360	296	136	59	18	0	0	1,757
60-64	190	219	139	122	58	18	7	1	0	754
65-69	42	52	25	18	12	3	3	1	0	156
70-74	8	4	9	6	2	1	0	0	0	30
75-79	2	3	2	1	1	0	0	0	1	10
80+	2	1	0	1	0	0	0	0	0	4
Total	11,708	7,618	4,991	3,247	1,284	411	64	2	1	29,326

## 2.2(f) Schedule of Active Member Valuation Data - "Other"

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase In Average Pay
June 30, 1996	29,326	\$ 1,087,504	\$ 37,083	1.3%
June 30, 1995	28,893	1,057,840	36,612	.9%
June 30, 1994	28,883	1,048,541	36,303	2.3%
June 30, 1993	28,509	1,011,864	35,493	4.2%
June 30, 1992	28,206	961,054	34,073	2.5%
June 30, 1991	27,307	907,567	33,236	4.6%
June 30, 1990	26,667	846,935	31,760	.6%
June 30, 1989	25,630	808,835	31,558	-4.7%
June 30, 1988	24,349	806,100	33,106	2.4%
June 30, 1987	24,443	790,463	32,339	3.6%



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

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>Service</b>					
(1) Number	25	32	65	84	63
(2) Average Age at Retirement	51.77	50.09	51.25	51.10	49.82
(3) Average Monthly Benefit	\$ 1,786	\$ 2,235	\$ 2,324	\$ 2,282	\$ 2,735
<b>Disability</b>					
(1) Number	8	6	5	4	11
(2) Average Age at Retirement	44.00	41.57	44.84	43.31	47.00
(3) Average Monthly Benefit	\$ 1,502	\$ 1,682	\$ 1,193	\$ 2,513	\$ 1,709
<b>Survivor (including surviving spouse)</b>					
(1) Number	2	1	1	0	2
(2) Average Age at Retirement	28.61	57.15	41.35	N/A	49.47
(3) Average Monthly Benefit	\$ 1,570	\$ 295	\$ 417	N/A	\$ 1,678
<b>Total</b>					
(1) Number	35	39	71	88	76
(2) Average Age at Retirement	48.67	48.96	50.66	50.75	49.40
(3) Average Monthly Benefit	\$ 1,709	\$ 2,100	\$ 2,217	\$ 2,293	\$ 2,559

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

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +
Period 7/1/95 - 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 7/1/94 - 6/30/95:							
Average Monthly Benefit	\$ 0	\$ 893	\$ 851	\$ 1,608	\$ 3,002	\$ 3,107	\$ 0
Number of Active Retirants	0	8	10	18	42	10	0
Period 7/1/93 - 6/30/94:							
Average Monthly Benefit	\$ 417	\$ 748	\$ 1,054	\$ 1,532	\$ 2,748	\$ 3,825	\$ 0
Number of Active Retirants	1	7	9	13	32	9	0
Period 7/1/92 - 6/30/93:							
Average Monthly Benefit	\$ 1,047	\$ 546	\$ 1,078	\$ 1,648	\$ 2,700	\$ 3,704	\$ 3,231
Number of Active Retirants	3	2	7	6	17	3	1
Period 7/1/91 - 6/30/92:							
Average Monthly Benefit	\$ 1,552	\$ 955	\$ 1,040	\$ 1,427	\$ 2,499	\$ 3,511	\$ 0
Number of Active Retirants	4	3	8	8	11	1	0
Period 7/1/90 - 6/30/91:							
Average Monthly Benefit	\$ 1,522	\$ 401	\$ 1,047	\$ 1,961	\$ 2,588	\$ 3,374	\$ 0
Number of Active Retirants	7	6	18	29	34	9	0
Period 7/1/89 - 6/30/90:							
Average Monthly Benefit	\$ 1,176	\$ 490	\$ 805	\$ 1,853	\$ 2,387	\$ 0	\$ 0
Number of Active Retirants	4	5	8	12	9	0	0

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



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

	<u>1992</u>	<u>1993</u>	<u>1994</u>	<u>1995</u>	<u>1996</u>
<b>Service</b>					
(1) Number	404	433	539	522	621
(2) Average Age at Retirement	56.84	56.83	56.92	57.21	57.80
(3) Average Monthly Benefit	\$ 912	\$ 984	\$ 1,113	\$ 1,245	\$ 1,183
<b>Disability</b>					
(1) Number	15	17	18	23	36
(2) Average Age at Retirement	43.87	44.46	49.71	47.49	49.47
(3) Average Monthly Benefit	\$ 999	\$ 986	\$ 1,221	\$ 1,243	\$ 1,417
<b>Survivor (including surviving spouse)</b>					
(1) Number	16	14	10	16	45
(2) Average Age at Retirement	49.44	53.89	48.68	50.61	55.87
(3) Average Monthly Benefit	\$ 586	\$ 563	\$ 1,005	\$ 976	\$ 709
<b>Total</b>					
(1) Number	435	464	567	561	702
(2) Average Age at Retirement	56.12	56.29	56.55	56.62	57.25
(3) Average Monthly Benefit	\$ 903	\$ 971	\$ 1,115	\$ 1,237	\$ 1,165

## 2.2(j) Schedule of Average Benefit Payments - New Retirees - "Other"

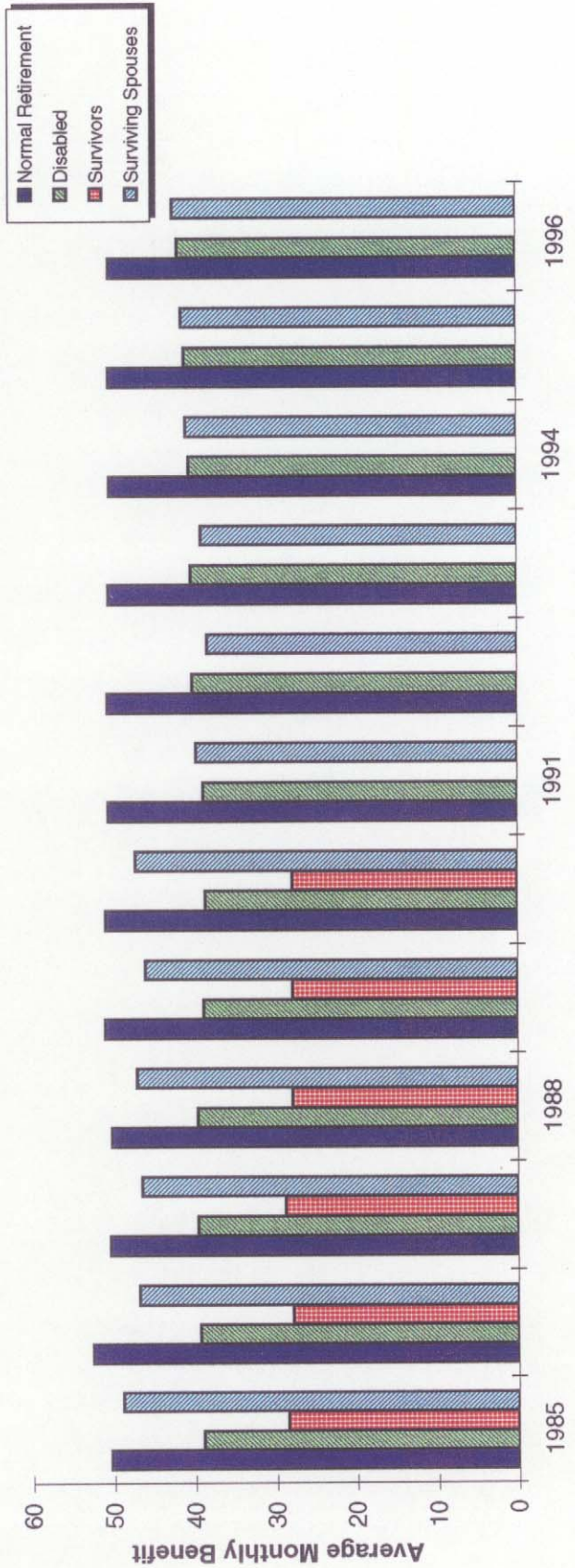
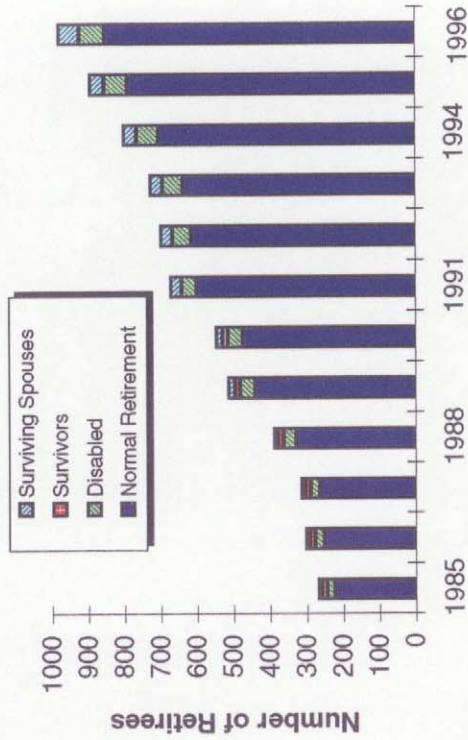
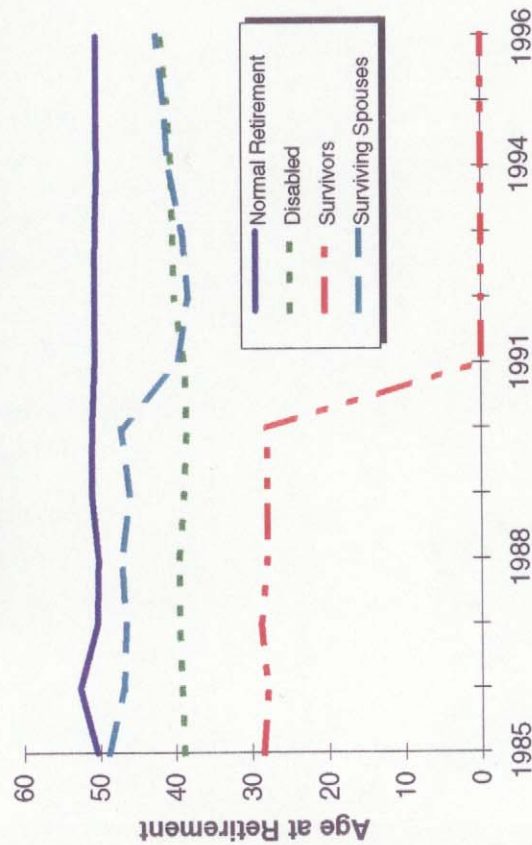
	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30 +
Period 7/1/95 - 6/30/96:							
Average Monthly Benefit	\$ 652	\$ 483	\$ 855	\$ 1,385	\$ 1,920	\$ 2,624	\$ 3,473
Number of Active Retirants	46	179	188	143	87	35	24
Period 7/1/94 - 6/30/95:							
Average Monthly Benefit	\$ 754	\$ 483	\$ 890	\$ 1,523	\$ 2,087	\$ 2,688	\$ 2,607
Number of Active Retirants	5	148	154	132	76	25	21
Period 7/1/93 - 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 7/1/92 - 6/30/93:							
Average Monthly Benefit	\$ 558	\$ 449	\$ 866	\$ 1,343	\$ 2,029	\$ 2,534	\$ 3,223
Number of Active Retirants	23	158	143	83	36	13	8
Period 7/1/91 - 6/30/92:							
Average Monthly Benefit	\$ 584	\$ 498	\$ 842	\$ 1,240	\$ 1,941	\$ 2,350	\$ 2,758
Number of Active Retirants	19	161	138	71	32	8	6
Period 7/1/90 - 6/30/91:							
Average Monthly Benefit	\$ 708	\$ 561	\$ 928	\$ 1,379	\$ 1,962	\$ 2,781	\$ 3,235
Number of Active Retirants	40	267	282	154	76	42	15
Period 7/1/89 - 6/30/90:							
Average Monthly Benefit	\$ 627	\$ 480	\$ 830	\$ 1,325	\$ 1,856	\$ 2,168	\$ 3,352
Number of Active Retirants	46	181	124	66	30	4	6

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

## 2.2(k) Statistics on All Retirees as of June 30, 1996

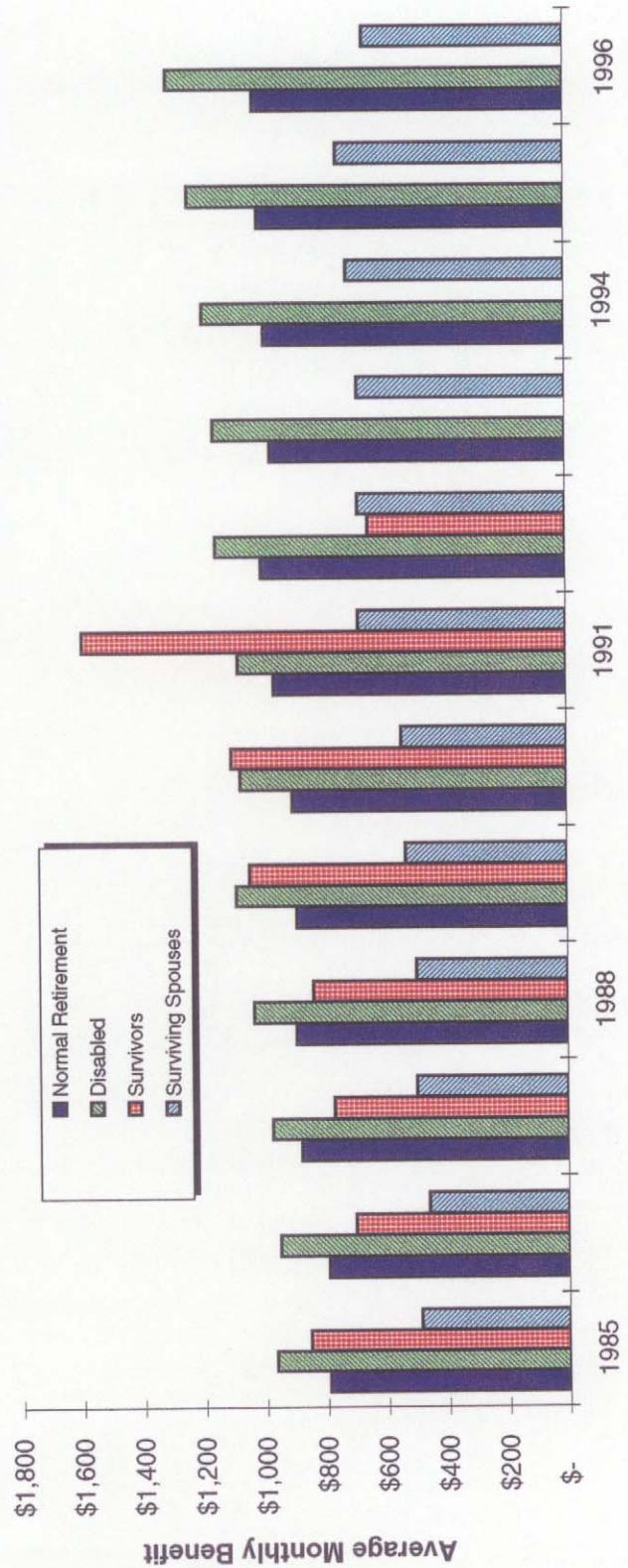
	<u>Police &amp; Fire</u>	<u>"Other"</u>
<b>Service Retirement</b>		
(1) Number, June 30, 1995	789	8,392
(2) Net Change During FY96	63	497
(3) Number, June 30, 1996	852	8,889
(4) Average Age At Retirement	50.28	57.28
(5) Average Age Now	58.15	65.93
(6) Average Monthly Benefit	\$ 2,234.58	\$ 1,023.07
<b>Surviving Spouse's Benefits</b>		
(1) Number, June 30, 1995	39	681
(2) Net Change During FY96	17	131
(3) Number, June 30, 1996	56	812
(4) Average Age At Retirement	42.42	53.61
(5) Average Age Now	52.45	63.97
(6) Average Monthly Benefit	\$ 1,427.89	\$ 662.62
<b>Disabilities</b>		
(1) Number, June 30, 1995	64	208
(2) Net Change During FY96	6	34
(3) Number, June 30, 1996	70	242
(4) Average Age At Retirement	41.80	43.67
(5) Average Age Now	46.89	48.97
(6) Average Monthly Benefit	\$ 1,738.33	1,307.76
<b>Total Number of Retirees</b>	<b>978</b>	<b>9,943</b>

# State of Alaska - PERS Police/Fire Retirees





# State of Alaska - PERS "Other" Retirees



## 2.2(l) Distribution of Annual Benefits for Police and Fire Benefit Recipients

----- Annual Benefit By Age -----				-- Annual Benefit By Years Since Retirement ---			
<u>Age Groups</u>	<u>Number of People</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>	<u>Years Since Retirement</u>	<u>Number of People</u>	<u>Total Annual Benefit</u>	<u>Average Annual Benefit</u>
0-19	1	\$ 24,180	\$ 24,180	0	76	\$ 2,333,677	\$ 30,706
20-24	0	0	0	1	93	2,505,366	26,939
25-29	0	0	0	2	78	1,960,755	25,138
30-34	2	37,684	18,842	3	51	1,204,585	23,619
35-39	10	181,384	18,138	4	37	761,161	20,572
40-44	38	937,987	24,684	0- 4	335	8,765,544	26,166
45-49	157	4,871,937	31,031	5- 9	388	10,203,170	26,297
50-54	221	6,163,967	27,891	10-14	130	3,652,468	28,096
55-59	226	5,638,035	24,947	15-19	94	2,083,030	22,160
60-64	145	3,575,312	24,657	20-24	28	503,323	17,976
65-69	98	2,233,590	22,792	25-29	3	58,582	19,527
70-74	54	1,151,816	21,330	30-34	0	0	0
75-79	20	390,902	19,545	35-39	0	0	0
80+	6	59,323	9,887	40+	0	0	0
Total	978	\$25,266,117	\$ 25,834	Total	978	\$25,266,117	\$ 25,834

### Years Since Retirement by Age

----- Years Since Retirement -----										
<u>Age</u>	<u>0-4</u>	<u>5-9</u>	<u>10-14</u>	<u>15-19</u>	<u>20-24</u>	<u>25-29</u>	<u>30-34</u>	<u>35-39</u>	<u>40+</u>	<u>Total</u>
0-19	1	0	0	0	0	0	0	0	0	1
20-24	0	0	0	0	0	0	0	0	0	0
25-29	0	0	0	0	0	0	0	0	0	0
30-34	2	0	0	0	0	0	0	0	0	2
35-39	7	3	0	0	0	0	0	0	0	10
40-44	23	9	4	0	2	0	0	0	0	38
45-49	98	49	5	3	2	0	0	0	0	157
50-54	97	111	7	2	3	1	0	0	0	221
55-59	79	114	22	8	3	0	0	0	0	226
60-64	24	66	40	14	1	0	0	0	0	145
65-69	3	28	32	30	5	0	0	0	0	98
70-74	1	7	14	26	5	1	0	0	0	54
75-79	0	1	6	7	6	0	0	0	0	20
80+	0	0	0	4	1	1	0	0	0	6
Total	335	388	130	94	28	3	0	0	0	978

**2.2(m) Schedule of Retired Members by Type of Retirant  
and Option Selected - Police/Fire - June 30, 1996**

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		1	2	3	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	14	13	1	0	5	5	3	1
301 - 600	53	41	5	7	32	12	5	4
601 - 900	74	62	6	6	47	15	4	8
901 - 1200	72	58	11	3	48	9	8	7
1201 - 1500	70	53	9	8	43	10	6	11
1501 - 1800	91	67	8	16	51	26	9	5
1801 - 2100	94	73	11	10	55	26	9	4
2101 - 2400	105	92	2	11	45	41	9	10
2401 - 2700	99	97	0	2	38	29	16	16
2701 - 3000	95	94	0	1	36	36	11	12
over 3000	211	202	3	6	79	94	19	19
Totals	978	852	56	70	479	303	99	97

Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Contingent Annuity
- Option 3 - 50% Joint and Contingent Annuity
- Option 4 - 66⅔% Joint and Survivor Annuity

## 2.2(n) Distribution of Annual Benefits for "Other" Benefit Recipients

----- Annual Benefit By Age -----				-- Annual Benefit By Years Since Retirement --			
Age Groups	Number of People	Total Annual Benefit	Average Annual Benefit	Years Since Retirement	Number of People	Total Annual Benefit	Average Annual Benefit
0-19	3	\$ 27,643	\$ 9,214	0	702	\$ 9,809,013	\$ 13,973
20-24	0	0	0	1	625	8,910,038	14,256
25-29	2	5,739	2,870	2	601	7,751,399	12,898
30-34	8	65,253	8,157	3	494	5,626,736	11,390
35-39	30	282,160	9,405	4	530	5,330,332	10,057
40-44	70	856,738	12,239	0- 4	2,952	37,427,518	12,679
45-49	119	1,512,156	12,707	5- 9	3,630	44,730,982	12,323
50-54	823	9,639,069	11,712	10-14	1,742	20,380,039	11,699
55-59	1,932	24,737,888	12,804	15-19	1,188	12,550,460	10,564
60-64	2,082	26,894,060	12,917	20-24	397	3,913,172	9,857
65-69	1,897	22,295,397	11,753	25-29	30	327,164	10,905
70-74	1,464	16,409,311	11,209	30-34	4	53,847	13,462
75-79	902	10,285,381	11,403	35-39	0	0	0
80+	611	6,372,387	10,429	40+	0	0	0
Total	9,943	\$ 119,383,182	\$ 12,007	Total	9,943	\$ 119,383,182	\$ 12,007

### Years Since Retirement By Age

----- Years Since Retirement -----										
Age	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total
0-19	3	0	0	0	0	0	0	0	0	3
20-24	0	0	0	0	0	0	0	0	0	0
25-29	1	1	0	0	0	0	0	0	0	2
30-34	6	2	0	0	0	0	0	0	0	8
35-39	18	9	2	1	0	0	0	0	0	30
40-44	38	25	4	2	1	0	0	0	0	70
45-49	61	36	13	7	2	0	0	0	0	119
50-54	608	187	16	10	2	0	0	0	0	823
55-59	1,035	840	31	18	8	0	0	0	0	1,932
60-64	617	1,150	281	24	8	1	1	0	0	2,082
65-69	409	735	584	161	8	0	0	0	0	1,897
70-74	117	468	462	383	33	1	0	0	0	1,464
75-79	31	148	261	345	117	0	0	0	0	902
80+	8	29	88	237	218	28	3	0	0	611
Total	2,952	3,630	1,742	1,188	397	30	4	0	0	9,943



## 2.2(o) Schedule of Retired Members by Type of Retirant and Option Selected - "Other" - June 30, 1996

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		1	2	3	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	1,186	974	203	9	804	190	144	48
301 - 600	2,630	2,323	258	49	1,716	448	306	160
601 - 900	1,927	1,752	152	23	1,175	385	206	161
901 - 1200	1,322	1,186	98	38	812	243	148	119
1201 - 1500	898	812	52	34	541	175	116	66
1501 - 1800	578	528	20	30	327	116	69	66
1801 - 2100	438	403	12	23	242	93	61	42
2101 - 2400	306	284	9	13	161	72	35	38
2401 - 2700	235	223	5	7	112	59	38	26
2701 - 3000	132	122	2	8	61	47	16	8
over 3000	291	282	1	8	119	93	44	35
Totals	9,943	8,889	812	242	6,070	1,921	1,183	769

### Type of Retirement

- 1 - Normal retirement
- 2 - Survivor payment
- 3 - Disability retirement

- Option 1 - Whole Life Annuity
- Option 2 - 75% Joint and Contingent Annuity
- Option 3 - 50% Joint and Contingent Annuity
- Option 4 - 66⅔% Joint and Survivor Annuity

## 2.2(p) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - Police/Fire

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
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
June 30, 1989	128	2,686,748	3	74,724	512	12,251,233	27.1%	23,928
June 30, 1988	72	1,991,318	0	0	387	9,639,209	26.0%	24,908
June 30, 1987	96	3,054,160	82	1,720,032	315	7,647,891	21.1%	24,279
* Numbers are estimated, and include other internal transfers.								

## 2.2(q) Schedule of Retirants and Beneficiaries Added to and Removed from Rolls - "Other"

Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
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
June 30, 1989	352	3,651,450	212	2,225,364	6,455	67,713,460	2.2%	10,490
June 30, 1988	1,014	11,532,405	35	361,515	6,315	66,287,374	20.3%	10,497
June 30, 1987	1,011	14,821,733	31	288,827	5,336	55,116,484	35.8%	10,329
* Numbers are estimated, and include other internal transfers.								

## 2.3 Actuarial Basis

The demographic and economic assumptions used in this valuation were adopted at the Fall 1996 PERS Board Meeting. The funding method used in this valuation was adopted June 30, 1985. The five-year smoothing method used to determine valuation assets was changed effective June 30, 1994.

### 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. The unfunded accrued liability is amortized over a rolling 25 years. Any funded surpluses are amortized over five 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.   |
| 4.  | Health Cost Trend  | FY96 - 8.5%<br>FY97 - 7.5%<br>FY98 - 6.5%<br>FY99 & later - 5.5%   |
| 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).  |
| 7.  | Disability         | Incidence rates, based upon the 1991-95 actual experience, in accordance with Table 2. 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.  |
| 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:<br><br><table border="0" style="margin-left: 40px;"><tr><td>Pessimistic:</td><td>1% per year</td></tr><tr><td>Median:</td><td>3% per year</td></tr><tr><td>Optimistic:</td><td>5% per year</td></tr></table> | Pessimistic: | 1% per year | Median: | 3% per year | Optimistic: | 5% per year |
| Pessimistic:             | 1% per year  |              |             |         |             |             |             |
| Median:                  | 3% per year  |              |             |         |             |             |             |
| Optimistic:              | 5% per year  |              |             |         |             |             |             |
| 14. Expenses             | Expenses are covered in the investment return assumption.  |              |             |         |             |             |             |

### **Valuation of Assets**

Effective June 30, 1994, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements provided by KPMG Peat Marwick. Valuation assets cannot be outside a range of 80% to 120% of the market value of assets.

### **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 FY97, the pre-65 monthly premium is \$534.40 and the post-65 premium is \$203.57, based on an assumed total blended premium of \$408.81. For FY97, the actual blended premium is \$368.00. The FY97 blended premium was provided by the State of Alaska Division of Retirement and Benefits.

**Table 1**

**Alaska PERS  
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

**Police and Fire:**

<u>Year of Employment</u>	<u>----- Age at Hire -----</u>		<u>Age</u>	<u>Rate</u>
	<u>20-29</u>	<u>30+</u>		
1	.22	.22	20-29	.06
2	.15	.14	30+	.04
3	.15	.12		
4	.10	.08		
5	.07	.06		

**"Other":**

<u>Year of Employment</u>	<u>----- Age at Hire -----</u>		<u>Age</u>	<u>Rate</u>
	<u>20-29</u>	<u>30+</u>		
1	.30	.20	20-29	.10
2	.20	.15	30-39	.08
3	.15	.12	40+	.06
4	.12	.10		
5	.12	.10		



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

<u>Age</u>	<u>Police &amp; Fire Rate</u>	<u>"Other" Member Rate</u>
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

**Table 3**  
**Alaska PERS**  
**Retirement Rates**

<u>Age</u>	<u>Police &amp; Fire Rate</u>	<u>"Other" Member Rate</u>
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.

## **Section 3**

### **Other Historical Information**

3.1 shows the analysis of financial experience.

3.2(a) shows the summary of accrued and unfunded accrued liabilities for Police and Fire members.

3.2(b) shows the summary of accrued and unfunded accrued liabilities for "Other" members.

3.3 shows the solvency test.

3.4(a) shows the statement of actuarial present value of accumulated plan benefits for Police and Fire members.

3.4(b) shows the statement of actuarial present value of accumulated plan benefits for "Other" members.

### 3.1 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 Contribution Rate During Fiscal Year				
	96	95	94	93	92
(1) Health Experience	0%	0%	.41%	0%	0%
(2) Salary Experience	-0.50%	-.42%	-.55%	-.21%	-.56%
(3) Investment Experience	-0.46%	-.06%	.37%	-1.41%	-.16%
(4) Demographic Experience	-0.73%	.24%	.36%	.74%	1.58%
(5) Miscellaneous	0%	0%	0%	0%	0%
(6) Gain (or Loss) During Year From Experience, (1)+(2)+(3)+(4)+(5)	-1.69%	-.24%	.59%	-.88%	.86%
Non-recurring Items					
(7) Asset Valuation Method	0%	0%	-.56%	0%	-.88%
(8) Assumption Changes	-2.47%	0%	-.71%	0%	0%
(9) Plan Changes	0%	0%	0%	0%	0%
(10) Amortization of Surplus	-3.44%	0%	0%	0%	0%
Composite Gain (or Loss) During Year, (6)+(7)+(8)+(9)+(10)	-7.60%	-.24%	-.68%	-.88%	-.02%

### 3.2(a) Summary of Accrued and Unfunded Accrued Liabilities - Police/Fire

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1996	\$ 733,303	\$ 776,196	105.8%	N/A	\$ 134,362	N/A
June 30, 1995	785,082	757,221	96.5%	27,861	130,204	21.4%
June 30, 1994 <sup>(1)(2)</sup>	732,988	694,773	94.8%	38,215	128,456	29.7%
June 30, 1993	639,439	610,149	95.4%	29,290	124,025	23.6%
June 30, 1992 <sup>(1)</sup>	592,518	540,087	91.2%	52,431	122,762	42.7%
June 30, 1991 <sup>(2)</sup>	523,326	461,103	88.1%	62,223	120,240	51.7%
June 30, 1990	422,275	410,615	97.2%	11,660	105,135	11.1%
June 30, 1989 <sup>(2)</sup>	402,021	368,325	91.6%	33,696	104,000	32.4%
June 30, 1988	324,634	301,780	93.0%	22,854	102,265	22.3%
June 30, 1987	283,535	282,530	99.6%	1,005	100,839	1.0%
* Estimated.						
<sup>(1)</sup> Change in Asset Valuation Method.						
<sup>(2)</sup> Change of Assumptions.						

### 3.2(b) Summary of Accrued and Unfunded Accrued Liabilities - "Other"

Valuation Date	Aggregate Accrued Liability (000's)	Valuation Assets (000's)	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL) (000's)	Annual Active Member Payroll (000's)	UAL as a Percent of Annual Active Member Payroll
June 30, 1996 <sup>(2)</sup>	\$ 4,246,655	\$ 4,495,057	105.8%	N/A	\$ 1,087,504	N/A
June 30, 1995	4,186,090	4,037,533	96.5%	148,557	1,057,840	14.0%
June 30, 1994 <sup>(1)(2)</sup>	3,887,194	3,684,532	94.8%	202,662	1,048,541	19.3%
June 30, 1993	3,486,322	3,326,627	95.4%	159,695	1,011,864	15.8%
June 30, 1992 <sup>(1)</sup>	3,148,364	2,869,772	91.2%	278,592	961,054	29.0%
June 30, 1991 <sup>(2)</sup>	2,815,819	2,481,018	88.1%	334,801	907,567	36.9%
June 30, 1990	2,331,243	2,266,871	97.2%	64,372	846,935	7.6%
June 30, 1989 <sup>(2)</sup>	2,161,247	1,980,098	91.6%	181,149	808,835	22.4%
June 30, 1988	1,921,949	1,786,648	93.0%	135,301	806,100	16.8%
June 30, 1987	1,621,470	1,615,723	99.6%	5,747	790,463	.7%
<sup>(1)</sup> Change in Asset Valuation Method.						
<sup>(2)</sup> Change of Assumptions.						

### 3.3 Solvency Test

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets (000's)	Portion of Accrued Liabilities Covered by Assets		
	(1) Active Member Contributions (000's)	(2) Inactive Members (000's)	(3) Active Members (Employer-Financed Portion) (000's)		(1)	(2)	(3)
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%
June 30, 1989 <sup>(2)</sup>	329,966	1,217,648	1,015,654	2,348,423	100%	100%	78.8%
June 30, 1988	305,483	1,030,048	911,052	2,088,428	100%	100%	82.6%
June 30, 1987	216,504	820,853	867,648	1,898,253	100%	100%	99.2%
<sup>(1)</sup> Change in Asset Valuation Method.							
<sup>(2)</sup> Change of Assumptions.							



### 3.4(a) Statement of Actuarial Present Value of Accumulated Plan Benefits - Police/Fire

Actuarial Present Value of Accumulated Plan Benefits  
at June 30, 1996 (000's)

---

Retired participants and beneficiaries of deceased participants	\$ 354,314
Terminated participants with deferred benefits	16,061
Active participants - Vested	259,635
Active participants - Non-vested	28,447
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 658,457

#### Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$112,630(000's).
3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due*. Furthermore, *that comparison is not valid for assessing a plan termination situation*. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*

### 3.4(a) Statement of Actuarial Present Value of Accumulated Plan Benefits - Police/Fire (continued)

4. The change in the Present Value of Accumulated Plan Benefits (000's) during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1995	\$ 735,171
B.	Increase (Decrease) Attributable to:	
i.	Additional Benefits Accumulated, including Actuarial Experience	(70,364)
ii.	Increase due to Decrease in the Discount Period	57,395
iii.	Estimated Benefits Paid to Participants	(35,466)
iv.	Material System Changes	0
v.	Change in Assumptions	<u>(28,279)</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1996	\$ 658,457

### 3.4(b) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Other"

Actuarial Present Value of Accumulated Plan Benefits  
at June 30, 1996 (000's)

---

Retired participants and beneficiaries of deceased participants	\$ 1,628,586
Terminated participants with deferred benefits	512,992
Active participants - Vested	1,559,920
Active participants - Non-vested	126,168
Total Actuarial Present Value of Accumulated Plan Benefits	\$ 3,827,666

#### Notes to the Statement of Accumulated Plan Benefits.

1. The actuarial present value of accumulated plan benefits presented in this statement was determined using the following assumptions:
  - a. Future salary was not considered.
  - b. Future service was considered only to the extent that it would permit active plan participants to become eligible for benefits attributable to service rendered prior to the date of determination.
  - c. Regular valuation assumptions were used as to mortality, withdrawal, retirement ages, disability, and investment return.
2. Accumulated employee contributions with interest total \$642,049(000).
3. As with many of the comparative plan financial relationships otherwise available, an examination, over periods of time, of the relationship between the *value of accumulated plan benefits* and the *value of plan assets* may give an indication of the progress being made toward the funding of plan benefits. However, in the context of a "going concern" environment, a point in time comparison of these two values *should not be construed to be indicative of the expected ability of the plan to pay future benefits when due*. Furthermore, *that comparison is not valid for assessing a plan termination situation*. Consideration of inflation in the assumed return on plan assets while ignoring inflation's effect on future benefit levels *produces a significant understatement of the value of accumulated plan benefits* when applying going concern concepts. *The accumulated plan benefit value presented in this statement should not be confused with information presented elsewhere regarding funding requirements.*

### 3.4(b) Statement of Actuarial Present Value of Accumulated Plan Benefits - "Other" (continued)

4. The change in the Present Value of Accumulated Plan Benefits (000's) during the prior fiscal year is as follows:

A.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1995	\$ 3,880,109
B.	Increase (Decrease) Attributable to:	
i.	Additional Benefits Accumulated, including Actuarial Experience	(30,738)
ii.	Increase due to Decrease in the Discount Period	303,651
iii.	Estimated Benefits Paid to Participants	(168,950)
iv.	Material System Changes	0
v.	Change in Assumptions	<u>(156,406)</u>
C.	Actuarial Present Value of Accumulated Plan Benefits at June 30, 1996	\$ 3,827,666