



**State of Alaska
Public Employees' Retirement System**

**Actuarial Valuation Report
as of June 30, 1999**

**WILLIAM M.
MERCER**

March 8, 2000

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

Dear Members of the Board:

Actuarial Certification

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

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

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

- (1) Summary of actuarial assumptions and method (Section 2.3)
- (2) Schedule of active member valuation data (Section 2.2(d) and (f))
- (3) Schedule of retirants and beneficiaries added to and removed from rolls (Section 2.2(p) and 2.2(q))
- (4) Solvency test (Section 3.3)
- (5) Analysis of financial experience (Section 3.1)

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

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Public Employees' Retirement Board
March 8, 2000
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The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY00 and a rolling amortization of the funding surplus or the unfunded accrued liability. The amortization period is set by the Board. Contribution levels are recommended by the Actuary and adopted by the Board each year. Over time, the contribution rate is expected to remain constant as a percentage of payroll. The ratio of assets to liabilities changed from 105.9% to 105.5% during the year. Over the years, progress has been made toward achieving the funding objectives of the System.

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

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

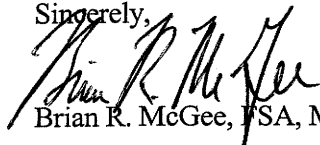
- (1) differences between actual experience and anticipated experience based on the assumptions;
- (2) changes in actuarial assumptions or methods;
- (3) changes in statutory provisions; or
- (4) differences between the contribution rates determined by the valuation and those adopted by the Board.

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

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

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

Sincerely,


Brian R. McGee, FSA, MAAA


James W. Jacobson, ASA, MAAA

JWJ/BRM/jls

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Highlights

This report has been prepared by William M. Mercer, Incorporated for the State of Alaska Public Employees' Retirement System to:

- (1) present the results of a valuation of the Alaska Public Employees' Retirement System as of June 30, 1999;
- (2) review experience under the plan for the year ended June 30, 1999;
- (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 1999 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.

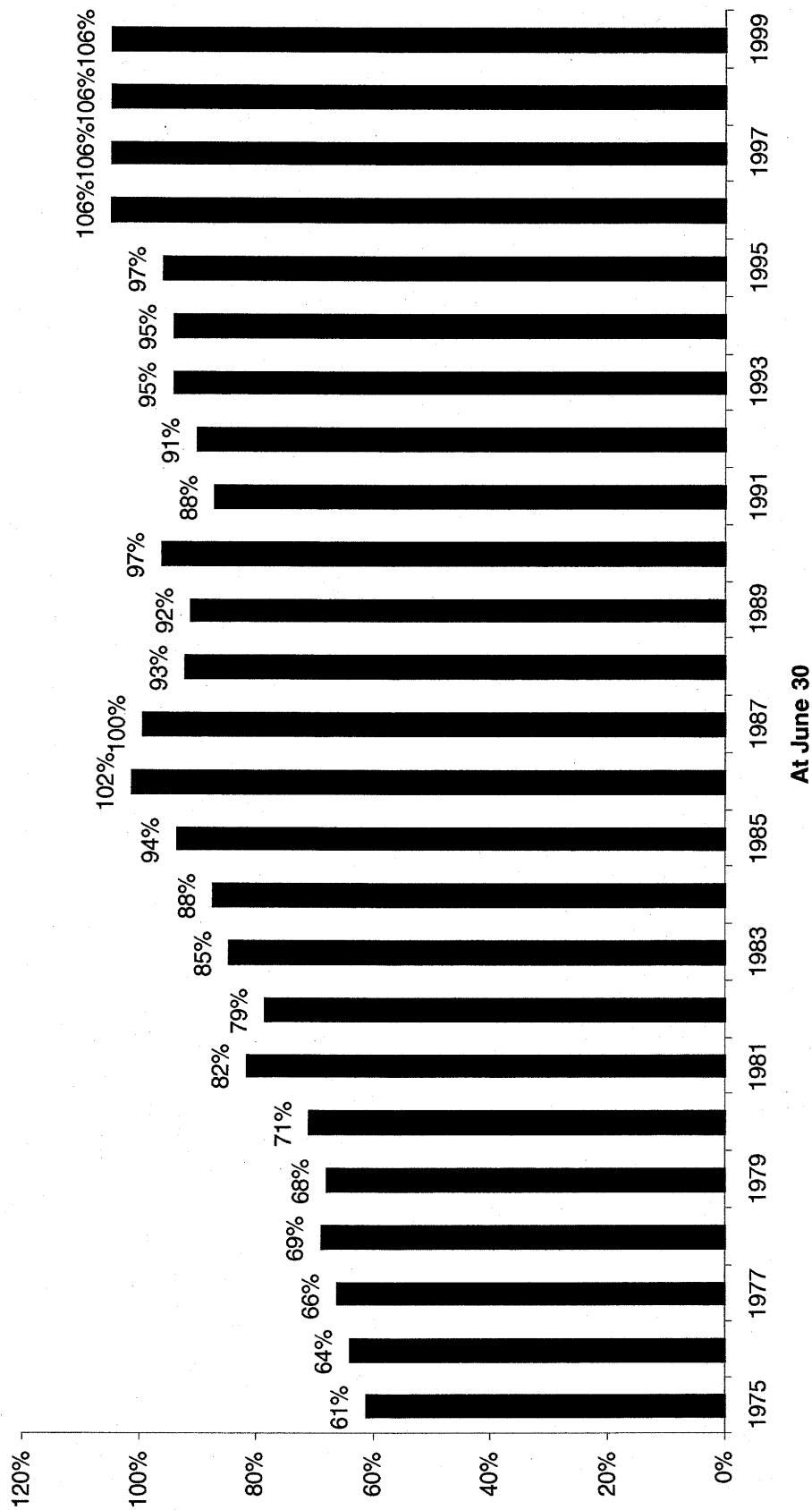
Section 3 contains additional exhibits showing historical information on system experience and unfunded liabilities.

The principle results are as follows:

	<u>1998</u>	<u>1999</u>
Funding Status as of June 30:		
(a) Valuation Assets*	\$ 6,571,562	\$ 7,016,340
(b) Accrued Liability*		
i) Non-Medical Benefits	4,430,237	4,730,841
ii) Total Benefits (including medical)	6,203,991	6,648,673
(c) Funding Ratio, (a) ÷ (b)		
i) Non-Medical Benefits	148.3%	148.3%
ii) Total Benefits (including medical)	105.9%	105.5%

* In thousands.

State of Alaska PERS Funding Ratio History



Highlights (continued)

Employer Contribution Rates for Fiscal Year:

	<u>2001</u>	<u>2002</u>
(a) Consolidated Rate	8.67%	8.07%
(b) Average Past Service Rate	(1.64%)	(1.51%)
(c) Average Total Contribution Rate	7.03%	6.56%
(d) Public Employees' Retirement Board Adopted Average Total Contribution Rate	7.40%	6.75%

Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio as of June 30, 1999 has decreased slightly from 105.9% to 105.5% a decrease of 0.4%. The average employer contribution rate has decreased from 7.03% of payroll for FY01 to 6.56% for FY02, a decrease of 0.47% 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>Time Period</u>	<u>Monthly Premium Per Retiree For Health Coverage</u>	<u>Annual Percentage Increase</u>	<u>Average Compound Annual Increase Since FY78</u>
2/1/76 – 1/31/77	\$ 34.75	--	--
2/1/77 – 1/31/78	57.64	66%	--
2/1/78 – 1/31/79	69.10	20%	20%
2/1/79 – 1/31/80	64.70	- 6%	6%
2/1/80 – 1/31/81	96.34	49%	19%
2/1/81 – 1/31/82	96.34	0%	14%
2/1/82 – 1/31/83	115.61	20%	15%
2/1/83 – 1/31/84	156.07	35%	18%
2/1/84 – 1/31/85	191.85	23%	19%
2/1/85 – 1/31/86	168.25	-12%	14%
2/1/86 – 1/31/87	165.00	- 2%	12%
2/1/87 – 1/31/88	140.25	-15%	9%
2/1/88 – 1/31/89	211.22	51%	13%
2/1/89 – 1/31/90	252.83	20%	13%
2/1/90 – 1/31/91	243.98	- 4%	12%
2/1/91 – 1/31/92	243.98	0%	11%
2/1/92 – 1/31/93	226.90	- 7%	10%
2/1/93 – 1/31/94	309.72	37%	11%
2/1/94 – 1/31/95	336.05	9%	11%
2/1/95 – 1/31/96	350.50	4%	11%
2/1/96 – 1/31/97	350.50	0%	10%
2/1/97 – 1/31/98	368.00	5%	10%
2/1/98 – 12/31/98	368.00	0%	9%
1/1/99 – 12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%

As you can see from the above table, the monthly retiree medical premium for the January 1, 2000 to December 31, 2000 time period has increased to \$530.00. Since the 86/87 time period, annual premium rate changes have ranged from 51% up to 15% down, but the average compound annual increase has been about 9%.

Effective June 30, 1998, 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 0.5%, or 4.5% for FY09 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.

Analysis of the Valuation (continued)

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 FY99 investment return based on market values was 10.29%. In the development of valuation assets, we use an expected investment return equal to the investment return assumption of 8.25%. The valuation assets, plus (minus) the outstanding balance of previously amortized amounts, are then compared to a 5% corridor around the market value of assets. Any amount outside the corridor is amortized and applied to the employer contribution rates as a level percentage of pay over 20 years under the 1% population projection scenario.

As of June 30, 1999, there is an additional \$188,834,000 outside the corridor, resulting in a 0.49% reduction in the employer rate. This, plus the 1.36% from prior years equals a total 1.85% reduction in employer rates due to investment experience outside the corridor.

(3) Salary Increases

Last year, salary increases were slightly less than anticipated in the valuation assumptions. Salary experience resulted in an actuarial gain which increased the funding ratio by 0.3%, and lowered the average employer contribution rate by 0.23% of total payroll.

(4) Employee Data

Section 2.2 provides statistics on active and inactive participants. The number of active participants increased 1.0% from 31,910 at June 30, 1998 to 32,214 at June 30, 1999. The average age of active participants increased from 43.32 to 43.55 and average credited service increased from 8.51 to 8.53 years.

The number of retirees and beneficiaries increased 8.3% from 13,101 to 14,185, and their average age increased from 64.43 to 64.67. Any increase in retirees as a result of the RIP is cost neutral to the System, since the cost is funded by the individual employers. There was a 4.9% increase in the number of vested terminated participants from 5,143 to 5,395. Their average age increased from 46.20 to 46.69.

The overall effect of these participant data changes was an actuarial loss to the System, resulting in an increase in the average employer contribution rate equal to 0.21% of total payroll.

(5) Ad hoc PRPA

An ad hoc Post Retirement Pension Adjustment (PRPA) was granted during FY99. This increased benefit payments to many Tier I (hired before July 1, 1986) retirees. This action produced a loss to the system of approximately \$6,084,000.

The overall effect of the ad hoc PRPA was an actuarial loss to the System which lowered the funding ration by 0.1% and increased the average employer contribution rate by 0.04% of total payroll.

Analysis of the Valuation (continued)

(6) Actuarial Projections

At the Fall 1991 Board Meetings, the PERS Board approved the use of an enhanced actuarial projection system. 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 remain fairly stable. This reflects the fact that many second-tier employees are already in PERS and affecting the rate.

(7) 102% Target Funding Ratio

Effective June 30, 1998 the PERS Board adopted an actuarial method change that would target an ultimate funding ratio of 102% for the System. Using the actuarial projections discussed in item (6) above, an adjustment is made to the current and projected unfunded accrued liability so that the projected employer contributions to the System will result in an ultimate funding ratio of 102%.

Summary

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

Last year's average employer contribution rate	7.03%*
Change due to:	
Retiree medical insurance.....	0.00%
Recognition of additional investment gains outside of the 5% corridor	(0.49%)
Salary increases.....	(0.23%)
Demographic experience	0.21%
Ad hoc PRPA.....	0.04%
Average employer contribution rate this year.....	6.56%

* *The Public Employees' Retirement Board adopted an average employer contribution rate of 7.40%.*

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, 1999.

Section 1.1(b) shows the changes in net assets during FY99.

Section 1.1(c) develops the expected valuation assets and investment return as of June 30, 1999.

Section 1.1(d) develops the actual valuation assets as of June 30, 1999.

Section 1.2(a) shows the actuarial present values for Police and Fire members as of June 30, 1999.

Section 1.2(b) shows the actuarial present values for "Other" members as of June 30, 1999.

Section 1.3(a) develops the average employer contribution rate for Police and Fire members - FY02.

Section 1.3(b) develops the average employer contribution rate for "Other" members - FY02.

Section 1.3(c) develops the average employer contribution rate for "Other" members - FY02.

Section 1.4 calculates the actuarial gain or loss 1

Section 1.5 contains the financial projections.

1.1(a) Statement of Net Assets as of June 30, 1999 (in thousands)

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total Market Value</u>
Cash and Cash Equivalents	\$ 198	\$ 80	\$ 278
Retirement Fixed Income Pool	1,683,753	676,543	2,360,296
External Domestic Fixed Income Pool	58,851	23,647	82,498
United States Common Stocks	2,531,046	965,106	3,496,152
International Stocks	923,124	370,918	1,294,042
International Fixed Income Pool	296,854	119,278	416,132
Emerging Markets Stocks	58,274	23,416	81,690
Real Estate Equities	224,024	90,014	314,038
Private Equity Pool	30,441	12,231	42,672
Mortgages (Net of Reserves)	242	97	339
Net Accrued Receivables	<u>12,285</u>	<u>4,936</u>	<u>17,221</u>
Total Assets	\$ 5,819,092	\$ 2,286,266	\$ 8,105,358

1.1(b) Changes in Net Assets During Fiscal Year 1999 (in thousands)

	<u>Pension</u>	<u>Postemployment Health</u>	<u>Total</u>
(1) Net Assets, June 30, 1998, (market value)	\$ 5,358,979	\$ 2,079,419	\$ 7,438,398
(2) Additions:			
(a) Employee Contributions	64,145	25,774	89,919
(b) Employer Contributions	69,337	27,860	97,197
(c) Retirement Incentive Program - Employee	511	205	716
(d) Retirement Incentive Program - Employer	9,089	3,652	12,741
(e) Interest and Dividend Income	204,028	81,980	286,008
(f) Net Appreciation on Investments	353,388	141,994	495,382
(g) Net Recognized Mortgage Loan Recovery	149	60	209
(h) Other	<u>3</u>	<u>1</u>	<u>4</u>
(i) Total Additions	700,650	281,526	982,176
(3) Deductions:			
(a) Medical Benefits	0	64,486	64,486
(b) Retirement Benefits	215,170	0	215,170
(c) Refunds of Contributions	10,297	4,138	14,435
(d) Investment Expenses	12,111	4,866	16,977
(e) Administrative Expenses	<u>2,959</u>	<u>1,189</u>	<u>4,148</u>
(f) Total Deductions	240,537	74,679	315,216
(4) Net Assets, June 30, 1999 (market value)	\$ 5,819,092	\$ 2,286,266	\$ 8,105,358

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

10.29%

1.1(c) Development of Valuation Assets as of June 30, 1999 (in thousands)

(1)	June 30, 1998 Valuation Assets	\$ 6,571,562
(2)	Total Contributions for FY99, (Item (2a) + (2b) + (2c) + (2d) from 1.1(b))	200,573
(3)	Total Benefit Payments for FY99, (Item (3a) + (3b) + (3c) from 1.1(b))	294,091
(4)	Expected Investment Return, Net of Expenses, for the period July 1, 1998 through June 30, 1999, $((1) + .5 \times [(2) - (3)]) \times 8.25\%$	538,296
(6)	June 30, 1999 Valuation Assets, (1) + (2) - (3) + (4)	\$ 7,016,340

1.1(d) Determination of Contribution Adjustment Rate due to Investment Returns Outside of 5% Corridor (in thousands)

(1)	Market Value of Assets at June 30, 1999	\$ 8,105,358
(2)	5% Corridor Around Market Value of Assets	
(a)	Upper End (105%)	8,510,626
(b)	Lower End (95%)	7,700,090
(3)	Valuation Assets at June 30, 1999	7,016,340
(4)	Amount Outside of Corridor, (2(b) – 3)	683,750
(5)	Outstanding Balance of Amounts Previously Recognized Outside of the Corridor and Recognizing Over FY01 through FY20	494,916
(6)	Amount to be Recognized Over FY02 through FY21, (4 – 5) but not less than zero	188,834
(7)	Sum of Total Projected System Payroll Over 20-Year Period (1% population projection scenario)	38,850,241
(8)	Contribution Adjustment Rate, (6) ÷ (7)	0.49%
(9)	Previous Rate Adjustments for FY02	1.36%
(10)	Total Rate Adjustment for FY02, (8) + (9)	1.85%

**1.2(a) Actuarial Present Values as of June 30, 1999 Police and Fire Members
(in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 14,160	\$ 231,020
Termination Benefits	2,301	29,077
Disability Benefits	553	11,733
Death Benefits	866	19,933
Return of Contributions	554	3,340
Medical Benefits	4,840	71,042
Indebtedness	0	(9,945)
Retirement Incentive Program Receivable	<u>0</u>	<u>(1,971)*</u>
Subtotal	23,274	354,229
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 730
Vested Terminations - Retirement Benefits	0	10,890
- Medical Benefits	0	13,566
Retirees & Beneficiaries - Retirement Benefits	0	523,247
- Medical Benefits	<u>0</u>	<u>105,742</u>
Subtotal	0	654,175
<u>Totals</u>	\$ 23,274	\$ 1,008,404

* Allocated between Police/Fire and Other members in proportion to Active Members' Accrued Liability prior to receivable

**1.2(b) Actuarial Present Values as of June 30, 1999 "Other" Members
(in thousands)**

	<u>Normal Cost</u>	<u>Accrued Liability</u>
<u>Active Members</u>		
Retirement Benefits	\$ 99,685	\$ 1,385,794
Termination Benefits	19,179	205,714
Disability Benefits	2,165	31,957
Death Benefits	4,641	83,418
Return of Contributions	5,378	24,887
Medical Benefits	60,649	668,273
Indebtedness	0	(53,682)
Retirement Incentive Program Receivable	<u>0</u>	<u>(12,980)*</u>
Subtotal	191,697	2,333,381
<u>Inactive Members</u>		
Not Vested	\$ 0	\$ 34,004
Vested Terminations		
- Retirement Benefits	0	316,373
- Medical Benefits	0	418,170
Retirees & Beneficiaries		
- Retirement Benefits	0	1,897,302
- Medical Benefits	<u>0</u>	<u>641,039</u>
Subtotal	0	3,306,888
<u>Totals</u>	\$ 191,697	\$ 5,640,269

* Allocated between Police/Fire and Other members in proportion to Active Members' Accrued Liability prior to receivable

1.3(a) Development of Average Employer Contribution Rate - FY02 Police and Fire Members (in thousands)

Consolidated Rate

(1)	Total Normal Cost	\$ 23,274
(2)	Total Salaries	142,843
(3)	Normal Cost Rate for Police & Fire Members, (1) ÷ (2)	16.29%
(4)	Member Contribution Rate (Police & Fire)	7.50%
(5)	Preliminary Consolidated Employer Normal Cost Rate For Police & Fire Members, (3) - (4)	8.79%
(6)	Net Adjustment Due to Investment Returns Outside of 5% Corridor, (Section 1.1(d))	(1.85%)
(7)	Consolidated Employer Normal Cost Rate For Police & Fire Members, (5) + (6)	6.94%

Past Service Rate

(1)	Target Accrued Liability	\$ 1,030,957
(2)	Valuation Assets	1,064,168*
(3)	Target Unfunded Liability, (1) - (2)	(33,211)
(4)	Amortization Factor (25 years)	11.312888
(5)	Past Service Cost, (3) ÷ (4)	(2,936)
(6)	Total Salaries	142,843
(7)	Past Service Rate, (5) ÷ (6)	(2.06%)

Average Employer Contribution Rate

4.88%

* Allocated between Police/Fire and Other members in proportion to Accrued Liability.

1.3(b) Development of Average Employer Contribution Rate – FY02 For “Other” Members (in thousands)

Consolidated Rate

(1)	Total Normal Cost	\$ 191,697
(2)	Total Salaries	1,140,706
(3)	Normal Cost Rate for "Other" Members, (1) ÷ (2)	16.81%
(4)	Member Contribution Rate ("Other")	6.75%
(5)	Preliminary Consolidated Employer Normal Cost Rate For "Other" Members, (3) - (4)	10.06%
(6)	Net Adjustment Due to Investment Returns Outside of 5% Corridor, (Section 1.1(d))	(1.85%)
(7)	Consolidated Employer Normal Cost Rate For “Other” Members, (5) + (6)	8.21%

Past Service Rate

(1)	Target Accrued Liability	\$ 5,766,417
(2)	Valuation Assets	5,952,172*
(3)	Target Unfunded Liability, (1) - (2)	(185,755)
(4)	Amortization Factor (25 years)	11.312888
(5)	Past Service Cost, (3) ÷ (4)	(16,420)
(6)	Total Salaries	1,140,706
(7)	Past Service Rate, (5) ÷ (6)	(1.44%)

Average Employer Contribution Rate

6.77%

* Allocated between Police/Fire and Other members in proportion to Accrued Liability.

1.3(c) Development of Average Employer Contribution Rate - FY02 All Members (in thousands)

Consolidated Rate

(1)	Total Normal Cost	\$ 214,971
(2)	Total Salaries	1,283,549
(3)	Normal Cost Rate for All Members, (1) ÷ (2)	16.75%
(4)	Average Member Contribution Rate	6.83%
(5)	Preliminary Consolidated Employer Normal Cost Rate for All Members, (3) - (4)	9.92%
(6)	Net Adjustment Due to Investment Returns Outside of 5% Corridor, (Section 1.1(d))	(1.85%)
(7)	Consolidated Employer Normal Cost Rate For All Members, (5) + (6)	8.07%

Past Service Rate

(1)	Target Accrued Liability	\$ 6,797,374
(2)	Valuation Assets	7,016,340
(3)	Target Unfunded Liability, (1) - (2)	(218,966)
(4)	Amortization Factor (25 years)	11.312888
(5)	Past Service Cost, (3) ÷ (4)	(19,355)
(6)	Total Salaries	1,283,549
(7)	Past Service Rate, (5) ÷ (6)	(1.51%)

Average Employer Contribution Rate

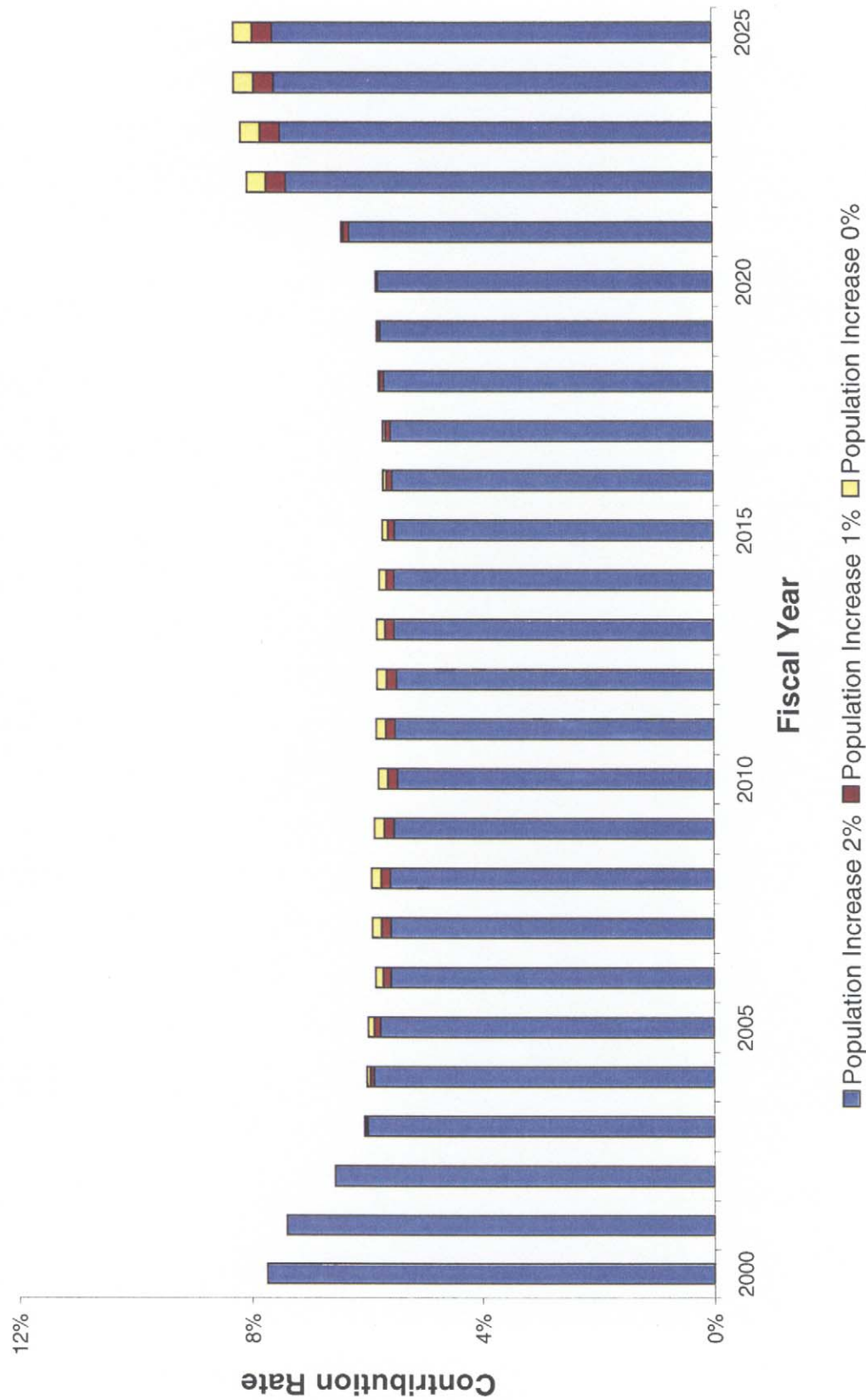
6.56%

1.4 Development of Actuarial Gain/(Loss) for FY99 (in thousands)

(1)	Unfunded Liability, June 30, 1998	\$ (367,571)
(2)	Normal Cost for FY99	208,049
(3)	Interest on (1) and (2) at 8.25%	(13,161)
(4)	Employee Contributions for FY99	90,635
(5)	Employer Contributions for FY99	109,938
(6)	Interest on (4) and (5) at 8.25% for one-half year	8,274
(7)	Expected Unfunded Liability, June 30, 1999, (1) + (2) + (3) - (4) - (5) - (6)	(381,530)
(8)	Actual Unfunded Liability, June 30, 1999	(367,667)
(9)	Actuarial Gain/(Loss) for the Year, (7) - (8)	\$ (13,863)

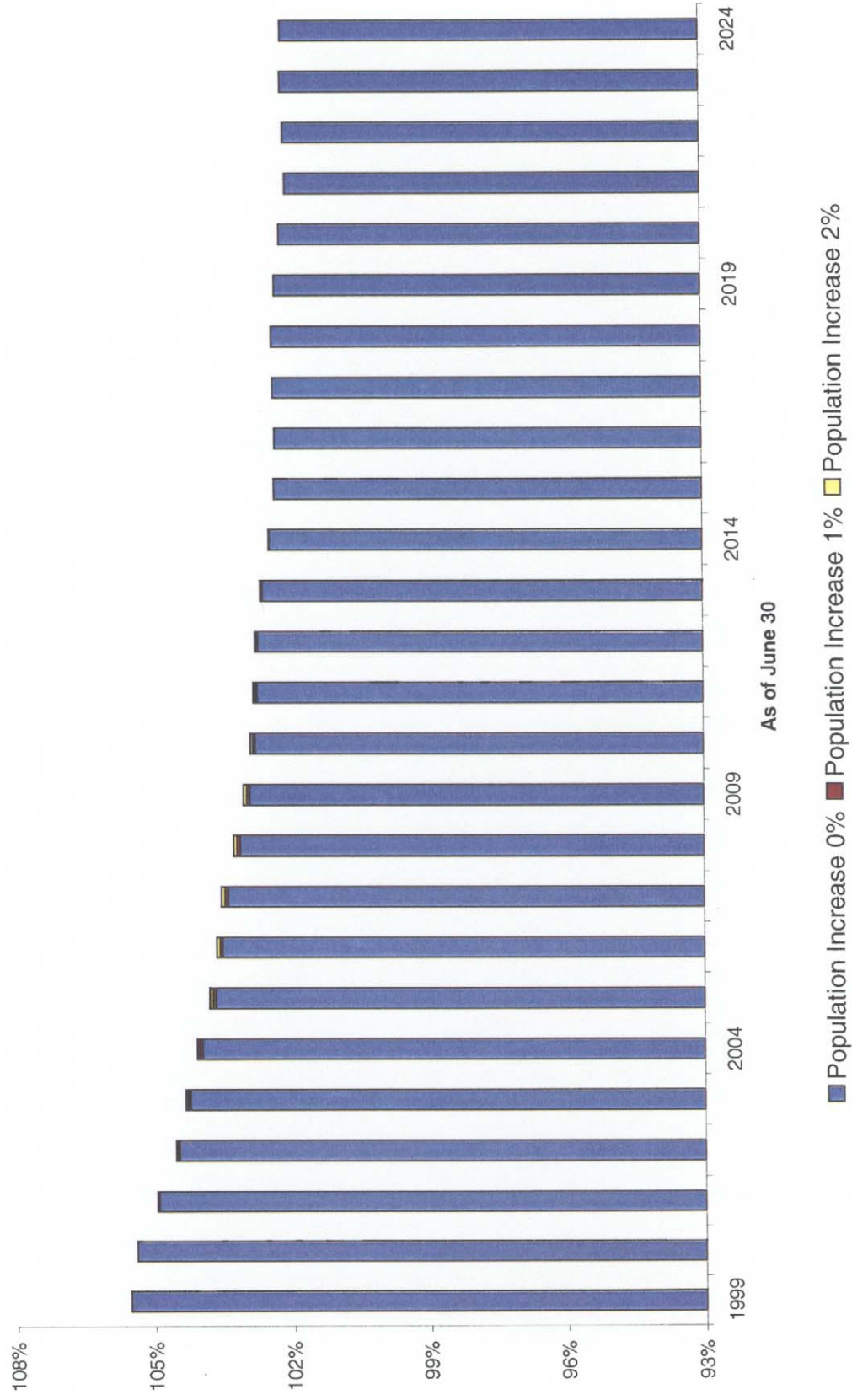
1.5 Actuarial Projections

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)

Investment Return	8.25%		Annual Population Increase		0.00%										Ending Asset Value
	Valuation Amounts on July 1		Surplus* (Deficit)		Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Gain		
As of June 30	Total Assets	Accrued Liability	Funding Ratio												
1999	7,016,340	6,648,673	105.5%	367,667	1,283,549	7.74%	100,432	88,624	189,057	353,683	(164,627)	572,057	0	7,423,770	
2000	7,423,770	7,043,655	105.4%	380,116	1,311,599	7.40%	98,119	90,561	188,680	377,615	(188,935)	604,667	18,235	7,858,490	
2001	7,858,490	7,489,665	104.9%	368,825	1,340,262	6.56%	88,930	92,590	181,521	408,627	(227,106)	638,957	25,553	8,296,948	
2002	8,296,948	7,941,558	104.5%	355,390	1,371,024	6.05%	83,632	94,362	177,994	454,823	(276,829)	673,079	26,250	8,720,531	
2003	8,720,531	8,365,814	104.2%	354,717	1,392,138	6.01%	84,513	96,041	180,554	490,974	(310,420)	706,639	26,941	9,144,802	
2004	9,144,802	8,795,429	104.0%	349,373	1,420,183	5.98%	86,016	98,170	184,186	525,098	(340,912)	740,384	27,798	9,573,218	
2005	9,573,218	9,234,883	103.7%	338,335	1,454,491	5.85%	86,154	100,513	186,668	557,604	(370,936)	774,489	28,748	10,006,706	
2006	10,006,706	9,667,344	103.5%	339,362	1,488,798	5.91%	88,977	102,857	191,833	603,689	(411,856)	808,564	29,698	10,434,337	
2007	10,434,337	10,091,786	103.4%	342,551	1,523,106	5.93%	91,283	105,200	196,482	667,269	(470,786)	841,413	30,648	10,836,876	
2008	10,836,876	10,507,442	103.1%	329,434	1,557,413	5.87%	92,445	107,543	199,988	709,952	(509,964)	873,006	31,598	11,232,820	
2009	11,232,820	10,913,803	102.9%	319,016	1,591,721	5.81%	93,729	110,250	203,979	748,843	(544,864)	904,232	32,718	11,626,255	
2010	11,626,255	11,310,618	102.8%	315,636	1,636,689	5.84%	96,850	113,322	210,172	788,464	(578,293)	935,311	34,006	12,018,682	
2011	12,018,682	11,697,895	102.7%	320,787	1,681,658	5.83%	99,276	116,393	215,669	833,008	(617,339)	966,076	35,296	12,404,171	
2012	12,404,171	12,075,898	102.7%	328,273	1,726,626	5.83%	101,898	119,464	221,362	888,278	(666,916)	995,834	36,585	12,771,183	
2013	12,771,183	12,445,152	102.6%	326,032	1,771,594	5.78%	103,701	122,536	226,236	939,347	(713,110)	1,024,207	37,875	13,121,717	
2014	13,121,717	12,806,438	102.5%	315,279	1,816,562	5.73%	105,780	126,194	231,974	975,997	(744,024)	1,051,851	39,419	13,470,589	
2015	13,470,589	13,160,796	102.4%	309,793	1,878,721	5.72%	109,230	130,439	239,669	1,007,952	(768,283)	1,079,632	41,218	13,824,856	
2016	13,824,856	13,509,525	102.3%	315,331	1,940,880	5.72%	112,822	134,685	247,507	1,043,201	(795,694)	1,107,728	43,017	14,181,682	
2017	14,181,682	13,854,181	102.4%	327,501	2,003,039	5.79%	117,830	138,930	256,761	1,085,821	(829,061)	1,135,790	44,816	14,535,076	
2018	14,535,076	14,196,578	102.4%	338,498	2,065,198	5.81%	121,764	143,176	264,939	1,135,671	(870,732)	1,163,226	46,615	14,876,108	
2019	14,876,108	14,538,790	102.4%	337,318	2,127,357	5.79%	125,686	148,152	273,838	1,165,383	(891,544)	1,190,503	34,692	15,211,189	
2020	15,211,189	14,883,146	102.2%	328,044	2,210,926	6.43%	144,867	153,860	298,727	1,193,459	(894,732)	1,218,015	12,024	15,546,993	
2021	15,546,993	15,232,236	102.1%	314,757	2,294,495	8.06%	188,315	159,568	347,883	1,223,295	(875,412)	1,246,516	0	15,918,097	
2022	15,918,097	15,588,908	102.1%	329,188	2,378,063	8.17%	197,592	165,276	362,867	1,258,235	(895,367)	1,276,309	0	16,299,039	
2023	16,299,039	15,956,267	102.1%	342,771	2,461,632	8.28%	207,296	170,983	378,280	1,297,192	(918,912)	1,306,766	0	16,686,892	
2024	16,686,892	16,337,676	102.1%	349,215	2,545,201	8.28%	214,429	176,788	391,217	1,339,066	(947,848)	1,337,570	0	17,076,613	

* Surpluses reduce employer contributions over 25 years

* Deficits increase employer contributions over 25 years

1.5 Actuarial Projections (continued)

Table 2

State of Alaska PERS Financial Projections ('000 omitted)

Investment Return	8.25%	Annual Population Increase				1.00%									
		Valuation Amounts on July 1				Flow Amounts During Following 12 Months						Recognized Gain		Ending Asset Value	
As of June 30	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	Recognized Gain	Ending Asset Value	
1999	7,016,340	6,648,673	105.5%	367,667	1,283,549	7.74%	100,810	88,957	189,767	353,683	(163,916)	572,087	0	7,424,510	
2000	7,424,510	7,043,929	105.4%	380,582	1,321,353	7.40%	99,220	91,577	190,798	377,619	(186,821)	604,816	18,235	7,861,492	
2001	7,861,492	7,491,175	104.9%	370,317	1,360,271	6.56%	90,610	94,340	184,950	408,725	(223,775)	639,342	25,553	8,303,666	
2002	8,303,666	7,945,361	104.5%	358,304	1,402,233	6.02%	85,449	96,911	182,359	455,080	(272,721)	673,803	26,250	8,732,081	
2003	8,732,081	8,373,151	104.3%	358,930	1,435,561	5.95%	86,618	99,461	186,079	491,440	(305,361)	707,801	26,941	9,162,572	
2004	9,162,572	8,807,786	104.0%	354,786	1,476,914	5.88%	88,368	102,627	190,995	525,839	(334,844)	742,100	27,798	9,598,773	
2005	9,598,773	9,253,904	103.7%	344,869	1,528,263	5.72%	88,915	106,134	195,049	558,550	(363,501)	776,904	28,748	10,042,111	
2006	10,042,111	9,695,254	103.6%	346,857	1,579,611	5.75%	92,290	109,641	201,931	604,870	(402,940)	811,853	29,698	10,481,947	
2007	10,481,947	10,131,191	103.5%	350,756	1,630,960	5.76%	95,435	113,148	208,583	668,728	(460,145)	845,780	30,648	10,899,494	
2008	10,899,494	10,561,360	103.2%	338,134	1,682,308	5.70%	97,433	116,655	214,088	711,720	(497,632)	878,681	31,598	11,313,445	
2009	11,313,445	10,985,691	103.0%	327,753	1,733,656	5.64%	99,793	120,789	220,582	750,982	(530,401)	911,480	32,718	11,728,592	
2010	11,728,592	11,404,407	102.8%	324,185	1,803,350	5.68%	104,330	125,549	229,879	791,066	(561,187)	944,460	34,006	12,147,274	
2011	12,147,274	11,818,015	102.8%	329,258	1,873,043	5.66%	107,988	130,309	238,296	836,170	(597,873)	977,488	35,296	12,563,640	
2012	12,563,640	12,227,314	102.8%	336,327	1,942,736	5.68%	112,362	135,069	247,431	892,145	(644,714)	1,009,906	36,585	12,966,926	
2013	12,966,926	12,633,387	102.6%	333,539	2,012,430	5.66%	115,899	139,829	255,728	944,118	(688,390)	1,041,375	37,875	13,359,349	
2014	13,359,349	13,037,611	102.5%	321,738	2,082,123	5.63%	120,043	145,530	265,573	981,895	(716,321)	1,072,598	39,419	13,756,671	
2015	13,756,671	13,441,647	102.3%	315,024	2,179,370	5.65%	125,980	152,172	278,152	1,015,181	(737,029)	1,104,523	41,218	14,167,083	
2016	14,167,083	13,847,447	102.3%	319,636	2,276,616	5.67%	131,822	158,814	290,636	1,051,984	(761,349)	1,137,379	43,017	14,587,904	
2017	14,587,904	14,257,249	102.3%	330,655	2,373,863	5.77%	139,695	165,456	305,151	1,096,490	(791,340)	1,170,859	44,816	15,014,089	
2018	15,014,089	14,673,582	102.3%	340,507	2,471,110	5.81%	146,453	172,098	318,551	1,148,695	(830,144)	1,204,419	46,615	15,436,901	
2019	15,436,901	15,099,261	102.2%	337,640	2,568,356	5.83%	153,642	179,945	333,587	1,181,204	(847,617)	1,238,580	34,692	15,863,988	
2020	15,863,988	15,537,392	102.1%	326,597	2,700,890	6.39%	176,803	188,997	365,799	1,212,464	(846,665)	1,273,854	12,024	16,303,698	
2021	16,303,698	15,991,366	102.0%	312,331	2,833,423	7.73%	224,123	198,049	422,172	1,246,007	(823,836)	1,311,072	0	16,790,934	
2022	16,790,934	16,464,867	102.0%	326,067	2,965,956	7.83%	237,558	207,101	444,659	1,285,404	(840,746)	1,350,571	0	17,300,759	
2023	17,300,759	16,961,862	102.0%	338,897	3,098,489	7.94%	251,382	216,153	467,535	1,329,646	(862,110)	1,391,751	0	17,830,400	
2024	17,830,400	17,486,612	102.0%	343,788	3,231,022	7.96%	262,693	225,398	488,092	1,377,588	(889,496)	1,434,316	0	18,375,219	

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

1.5 Actuarial Projections (continued)

Table 3

State of Alaska PERS Financial Projections ('000 omitted)

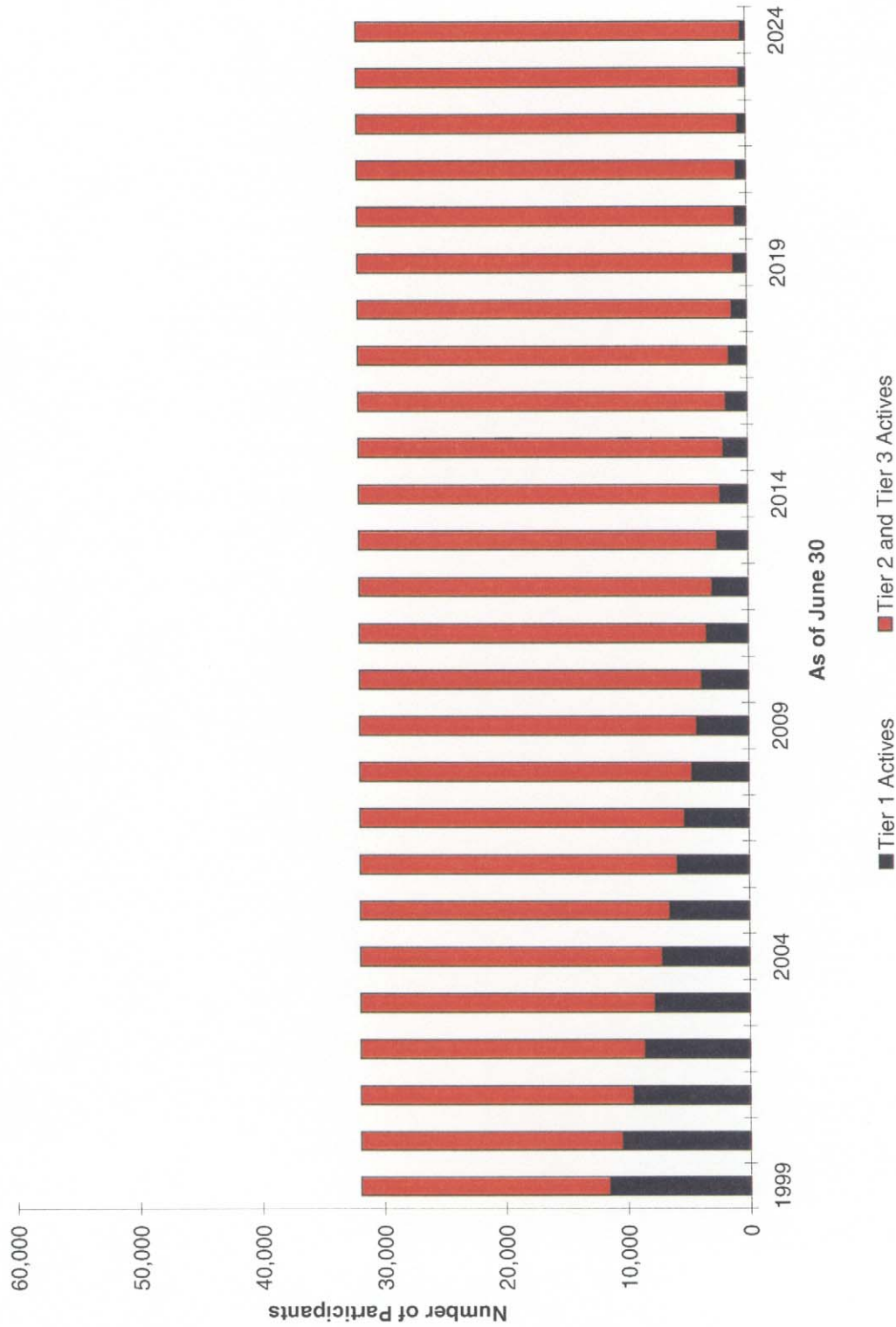
Investment Return	8.25%	Annual Population Increase				2.00%									
		Valuation Amounts on July 1				Flow Amounts During Following 12 Months					Ending				
As of June 30	Total Assets	Accrued Liability	Funding Ratio	Surplus* (Deficit)	Total Salaries	Employer Ctb Rate	Employer Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings	Recognized Gain	Asset Value	
1999	7,016,340	6,648,673	105.5%	367,667	1,283,549	7.74%	101,183	89,287	190,471	353,683	(163,213)	572,116	0	7,425,243	
2000	7,425,243	7,044,184	105.4%	381,059	1,331,010	7.40%	100,316	92,589	192,904	377,623	(184,719)	604,963	18,235	7,864,474	
2001	7,864,474	7,492,620	105.0%	371,855	1,380,225	6.56%	92,297	96,096	188,393	408,819	(220,426)	639,727	25,553	8,310,381	
2002	8,310,381	7,949,059	104.5%	361,322	1,433,705	5.99%	87,288	99,498	186,786	455,331	(268,545)	674,529	26,250	8,743,698	
2003	8,743,698	8,380,383	104.3%	363,315	1,479,863	5.89%	88,755	102,974	191,729	491,901	(300,172)	708,973	26,941	9,180,551	
2004	9,180,551	8,820,103	104.1%	360,448	1,535,482	5.78%	90,758	107,288	198,045	526,583	(328,538)	743,843	27,798	9,624,801	
2005	9,624,801	9,272,851	103.8%	351,951	1,606,173	5.59%	91,760	112,116	203,876	559,515	(355,639)	779,376	28,748	10,078,473	
2006	10,078,473	9,723,365	103.7%	355,107	1,676,864	5.59%	95,701	116,944	212,645	606,092	(393,448)	815,244	29,698	10,531,192	
2007	10,531,192	10,171,368	103.5%	359,824	1,747,555	5.59%	99,709	121,772	221,481	670,255	(448,773)	850,311	30,648	10,964,643	
2008	10,964,643	10,616,928	103.3%	347,715	1,818,246	5.53%	102,581	126,600	229,181	713,591	(484,410)	884,601	31,598	11,397,735	
2009	11,397,735	11,060,463	103.0%	337,272	1,888,936	5.47%	106,147	132,434	238,581	753,266	(514,685)	919,082	32,718	11,836,200	
2010	11,836,200	11,502,740	102.9%	333,460	1,989,060	5.51%	112,346	139,272	251,618	793,866	(542,248)	954,119	34,006	12,283,479	
2011	12,283,479	11,944,874	102.8%	338,605	2,089,184	5.49%	117,363	146,110	263,474	839,599	(576,126)	989,622	35,296	12,733,727	
2012	12,733,727	12,388,328	102.8%	345,399	2,189,308	5.53%	123,758	152,949	276,707	896,361	(619,653)	1,024,972	36,585	13,177,140	
2013	13,177,140	12,834,916	102.7%	342,224	2,289,431	5.53%	129,277	159,787	289,065	949,335	(660,270)	1,059,878	37,875	13,616,185	
2014	13,616,185	13,286,798	102.5%	329,388	2,389,555	5.52%	135,881	168,114	303,995	988,357	(684,362)	1,095,105	39,419	14,067,974	
2015	14,067,974	13,746,483	102.3%	321,491	2,533,251	5.56%	144,874	177,928	322,803	1,023,123	(700,320)	1,131,720	41,218	14,542,292	
2016	14,542,292	14,216,829	102.3%	325,463	2,676,947	5.58%	153,341	187,743	341,084	1,061,664	(720,580)	1,170,015	43,017	15,036,518	
2017	15,036,518	14,701,043	102.3%	335,475	2,820,643	5.69%	164,727	197,557	362,284	1,108,275	(745,991)	1,209,741	44,816	15,546,932	
2018	15,546,932	15,202,680	102.3%	344,252	2,964,340	5.76%	174,930	207,372	382,301	1,163,085	(780,784)	1,250,415	46,615	16,065,101	
2019	16,065,101	15,725,644	102.2%	339,457	3,108,036	5.80%	186,278	219,176	405,454	1,198,694	(793,240)	1,292,650	34,692	16,600,634	
2020	16,600,634	16,274,187	102.0%	326,446	3,310,008	6.29%	214,634	232,971	447,605	1,233,592	(785,986)	1,337,130	12,024	17,164,298	
2021	17,164,298	16,852,910	101.8%	311,387	3,511,980	7.38%	266,740	246,766	513,506	1,271,218	(757,712)	1,384,799	0	17,791,384	
2022	17,791,384	17,466,763	101.9%	324,622	3,713,952	7.49%	285,647	260,560	546,208	1,315,653	(769,445)	1,436,050	0	18,457,989	
2023	18,457,989	18,121,042	101.9%	336,947	3,915,925	7.59%	304,867	274,355	579,222	1,365,895	(786,674)	1,490,334	0	19,161,649	
2024	19,161,649	18,821,395	101.8%	340,254	4,117,897	7.62%	321,698	288,505	610,204	1,420,794	(810,590)	1,547,399	0	19,898,459	

* Surpluses reduce employer contributions over 25 years

* Deficits increase employer contributions over 25 years

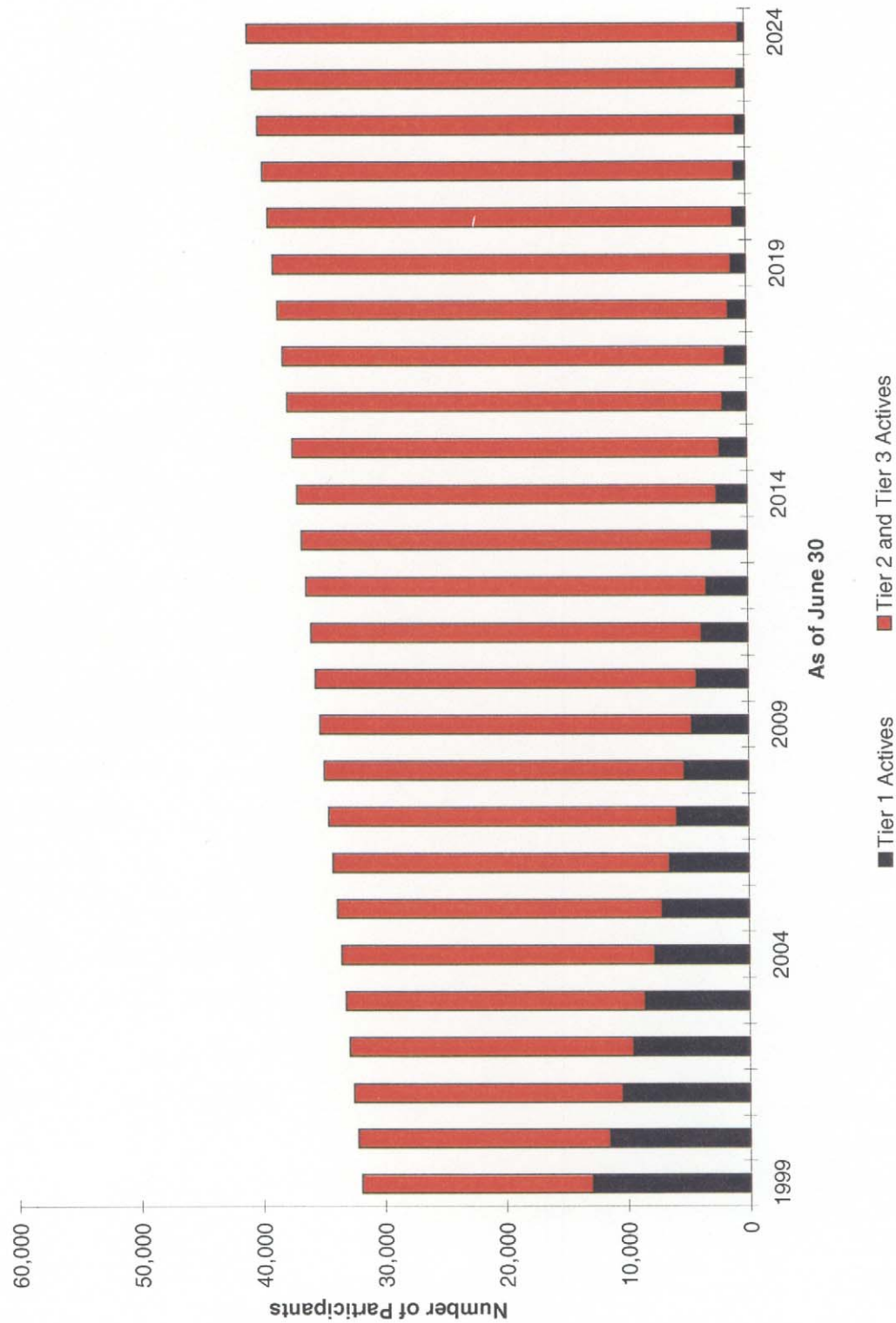
1.5 Actuarial Projections (continued)

State of Alaska PERS Projected Active Participant Count Annual Population Increase 0%



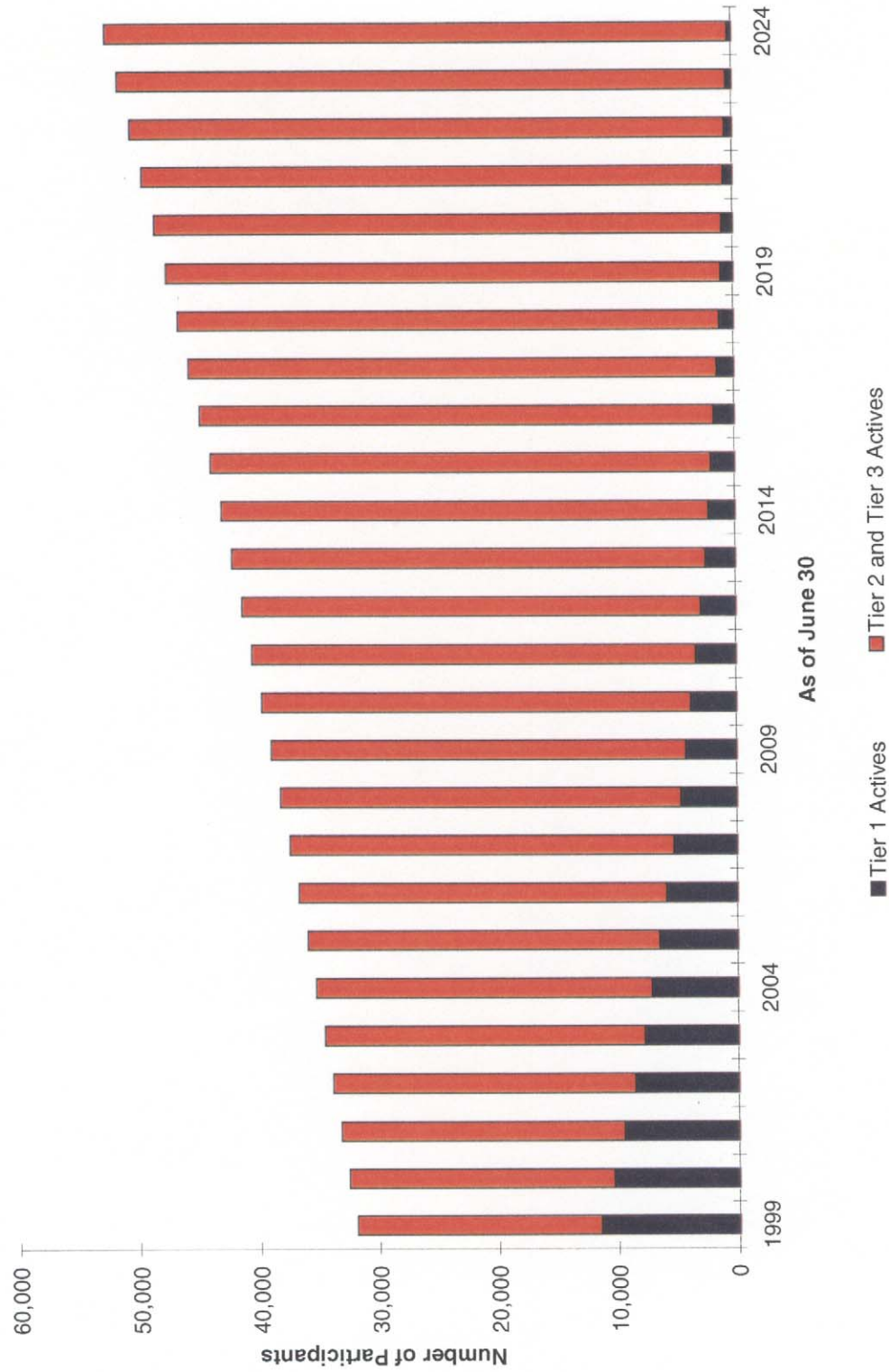
1.5 Actuarial Projections (continued)

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



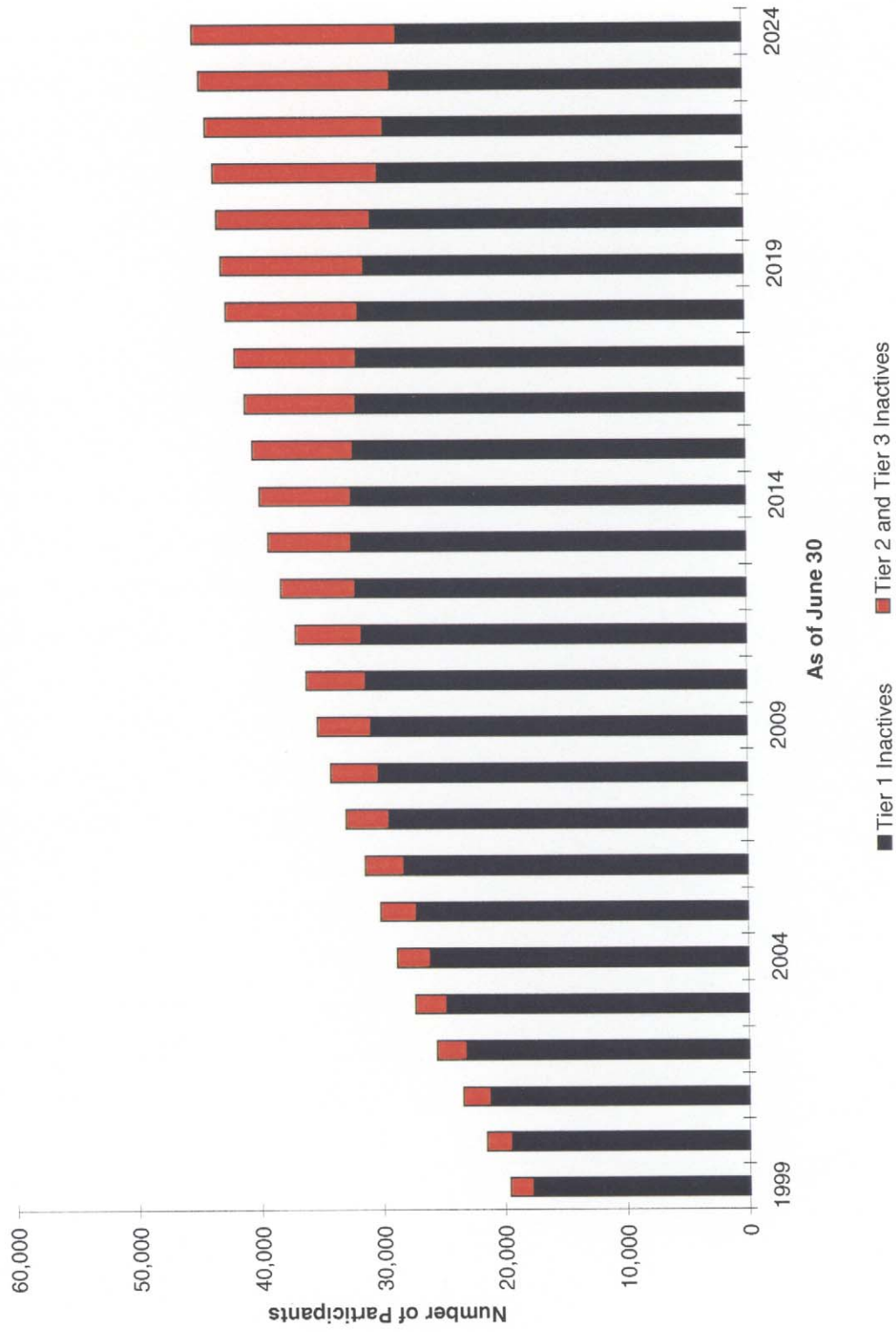
1.5 Actuarial Projections (continued)

State of Alaska PERS Projected Active Participant Count Annual Population Increase 2%



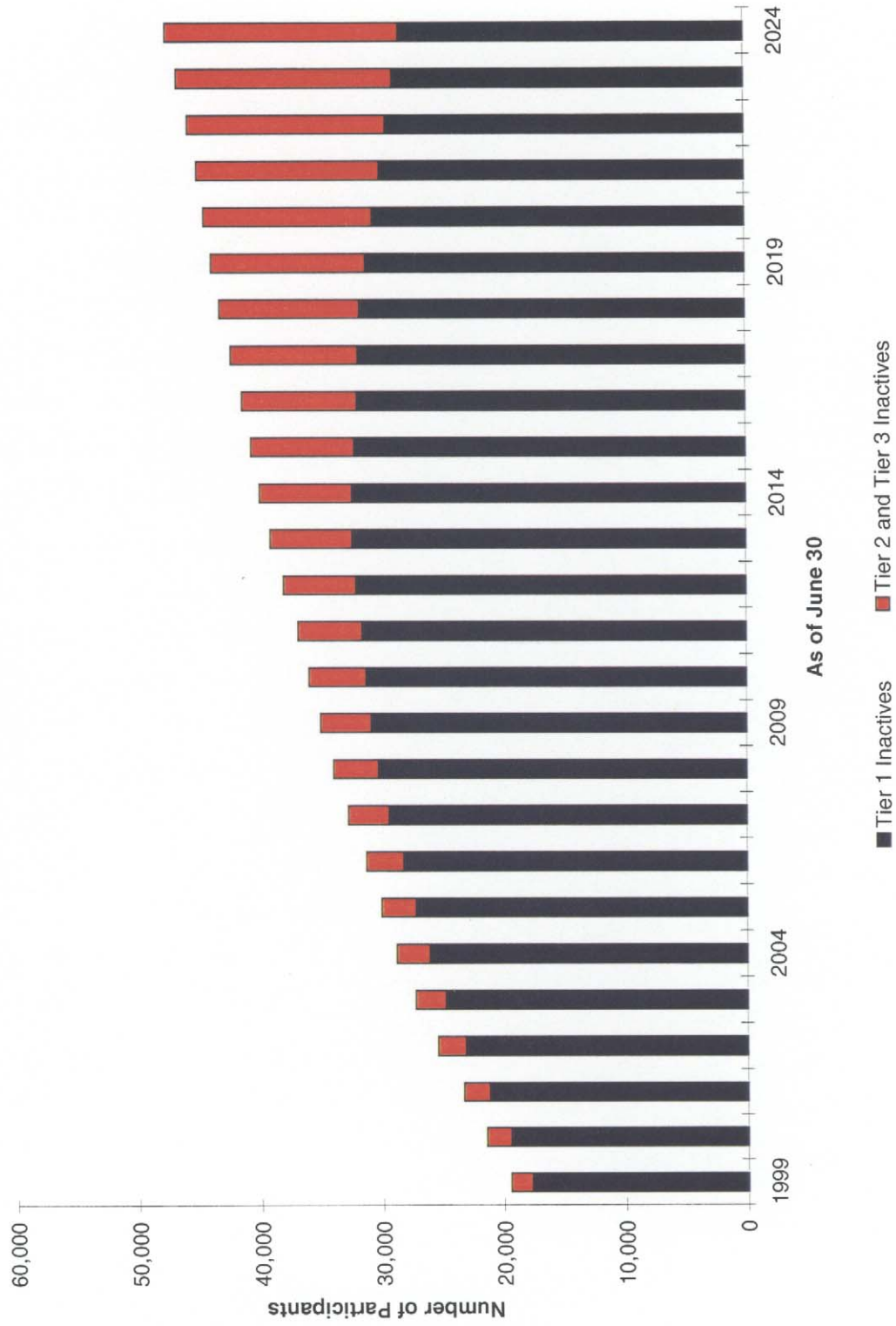
1.5 Actuarial Projections (continued)

State of Alaska PERS Projected Inactive Participant Count Annual Population Increase 0%



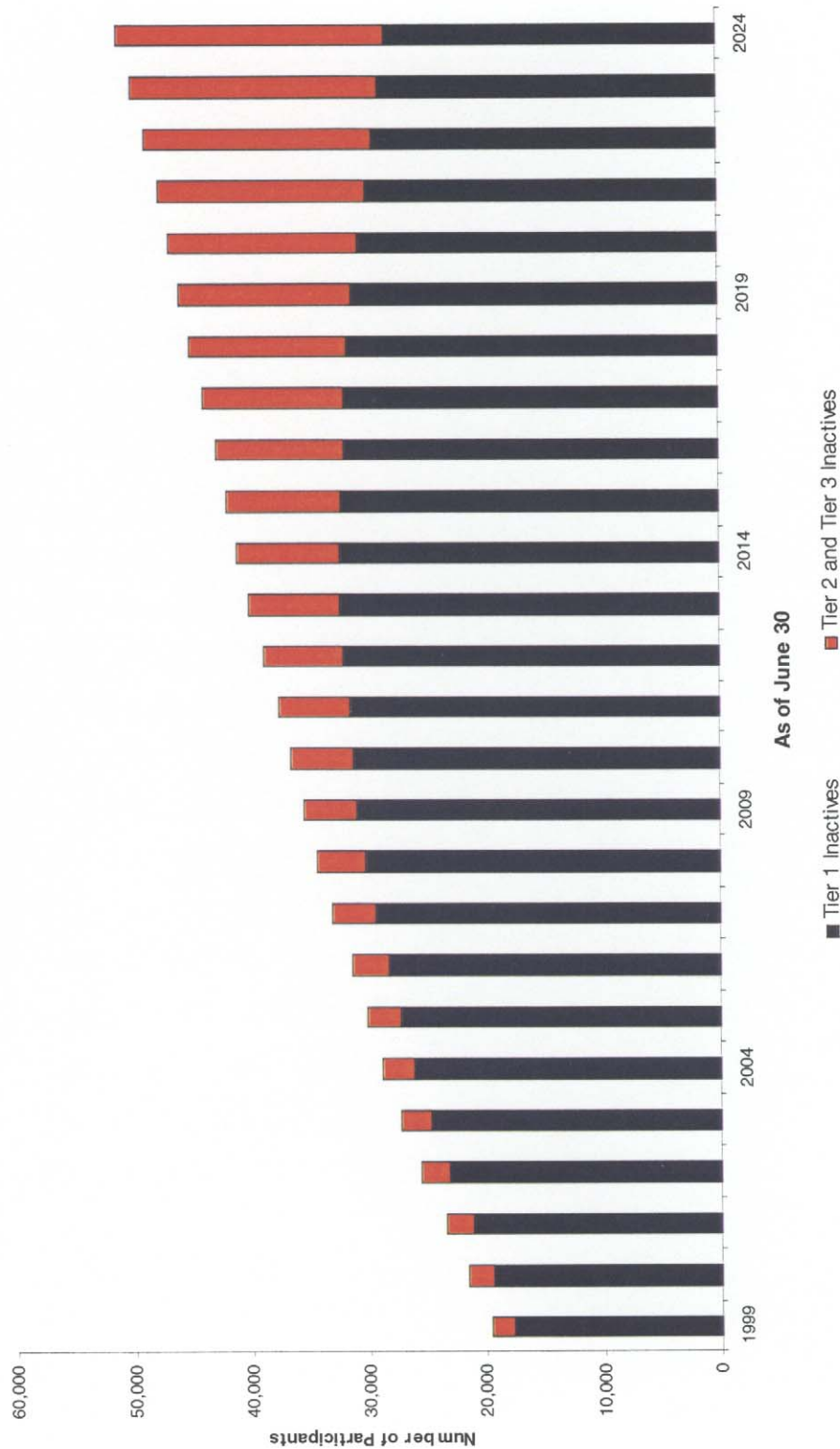
1.5 Actuarial Projections (continued)

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



1.5 Actuarial Projections (continued)

State of Alaska PERS Projected Inactive Participant Count Annual Population Increase 2%



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

(2) Administration of Plan

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

(3) Employers Included

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

(4) Members Included

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

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

(5) Credited Service

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

Members may claim other types of service, including:

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

2.1 Summary of the Alaska Public Employees' Retirement System (continued)

- 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.

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

(6) Employer Contributions

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

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

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

(7) Member Contributions

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

Contributions for Claimed Service: Member contributions are also required for most of the claimed service described 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.

2.1 Summary of the Alaska Public Employees' Retirement System (continued)

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

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

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

Benefit Calculation: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the three highest (five highest if hired after June 30,

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

2.1 Summary of the Alaska Public Employees' Retirement System (continued)

1996), consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

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

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

Indebtedness: Members who terminate and are refunded their PERS contributions are not eligible to retire, unless they return to PERS employment and pay back their refunds, plus interest, or accrue additional service which qualifies them for retirement. PERS refunds must be paid in full if the corresponding service is to count toward the minimum service requirements for retirement. Refunded PERS service is included in total service for the purpose of calculating retirement benefits. However, when refunds are not completely paid before retirement, benefits are actuarially reduced for life.

(9) Reemployment of Retired Members

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

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

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

(10) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees without cost for all employees hired before July 1, 1986. Employees hired after June 30, 1986 with five years of credited service (or ten years of credited service for those first hired after June 30, 1996) must pay the full monthly premium if they are under age sixty, must pay half of the monthly premium if they are over age sixty but under age sixty-five, and received benefits at no cost if they are over age sixty-five.

2.1 Summary of the Alaska Public Employees' Retirement System (continued)

(11) Disability Benefits

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

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

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

(12) Death Benefits

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

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.

2.1 Summary of the Alaska Public Employees' Retirement System *(continued)*

(13) Post Retirement Pension Adjustments

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

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

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

(14) Alaska Cost of Living Allowance

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

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

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

		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Active Members						
(1)	Number	31,450	31,960	31,854	31,910	32,214
(2)	Average Age	42.58	42.95	43.21	43.32	43.55
(3)	Average Credited Service	8.20	8.41	8.56	8.51	8.53
(4)	Average Annual Salary	\$ 37,776	\$ 38,231	\$ 38,587	\$ 38,716	\$ 39,844
Retirees and Beneficiaries						
(1)	Number	10,173	10,921	11,802	13,101	14,185
(2)	Average Age	64.48	64.61	64.62	64.43	64.67
(3)	Average Monthly Benefit:					
	Base	\$ 900	\$ 913	\$ 941	\$ 994	\$ 1,031
	C.O.L.A.	64	64	67	70	73
	P.R.P.A.	136	131	212	209	199
	Adjustment	-1	-4	-10	0	0
	TOTAL	1,099	1,104	1,210	1,273	1,303
Vested Terminations						
(1)	Number	4,144	4,382	4,742	5,143	5,395
(2)	Average Age	45.00	45.43	45.83	46.20	46.69
(3)	Average Monthly Benefit	\$ 653	\$ 662	\$ 690	\$ 717	\$ 749
Non-Vested Terminations With Account Balances						
(1)	Number	5,398	5,847	6,260	6,571	7,500 ^(*)
(2)	Average Account Balance	\$ 2,758	\$ 2,896	\$ 2,981	\$ 3,138	\$ 4,631

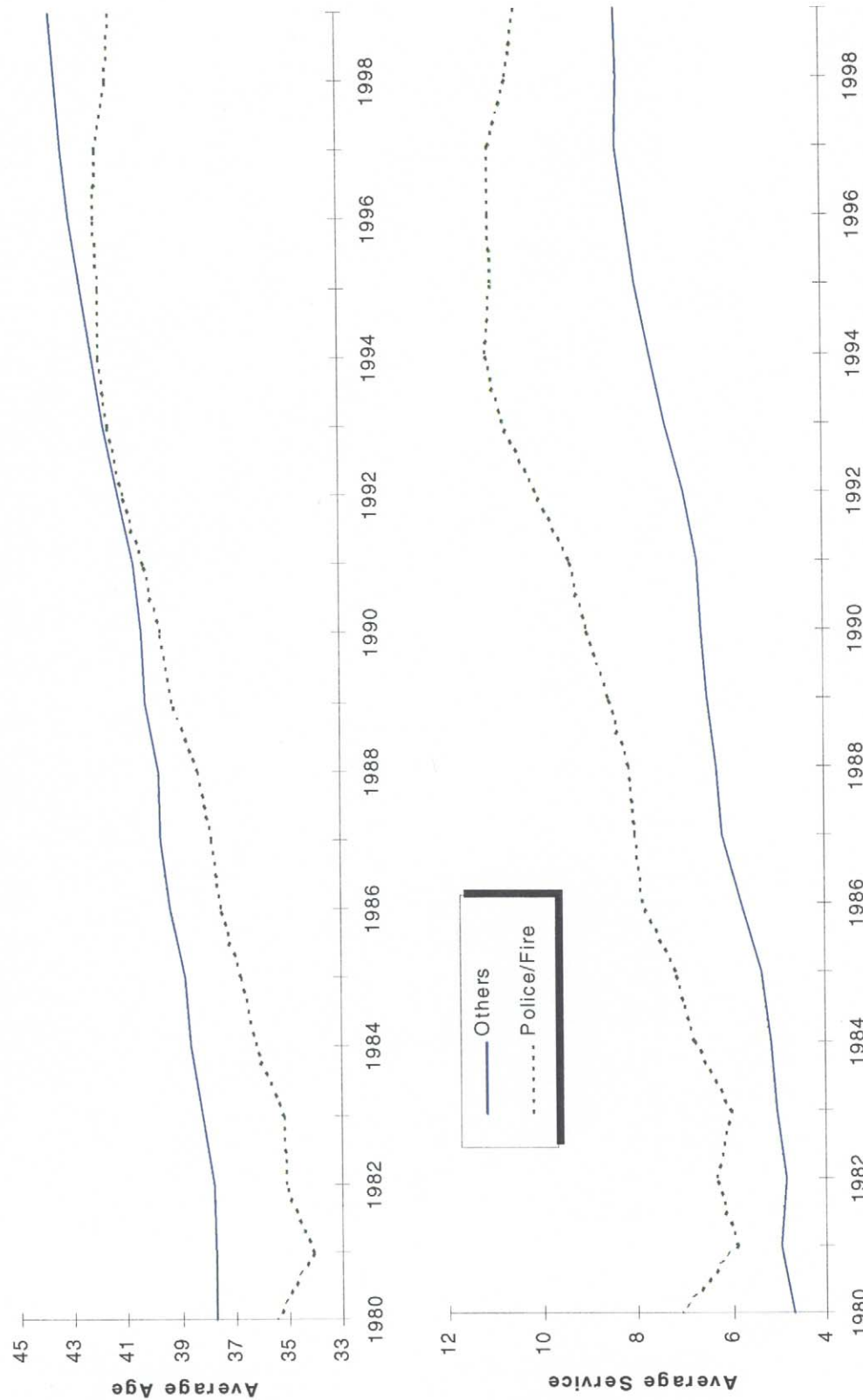
^(*) Includes deceased retirees with account balances.

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

		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Active Police & Fire						
(1)	Number	2,557	2,634	2,587	2,617	2,624
(2)	Average Age	42.00	42.09	42.04	41.62	41.51
(3)	Average Credited Service	11.03	11.07	11.05	10.68	10.50
(4)	Average Annual Salary	\$ 50,921	\$ 51,011	\$ 52,455	\$ 52,982	\$ 54,437
(5)	Number Vested	1,986	1,986	1,887	1,799	1,781
(6)	Percent Who Are Vested	77.7%	75.4%	72.9%	68.7%	67.9%
Active "Other" Members						
(1)	Number	28,893	29,326	29,267	29,293	29,590
(2)	Average Age	42.63	43.03	43.31	43.47	43.73
(3)	Average Credited Service	7.95	8.17	8.34	8.32	8.35
(4)	Average Annual Salary	\$ 36,612	\$ 37,083	\$ 37,361	\$ 37,442	\$ 38,550
(5)	Number Vested	16,877	17,618	17,695	17,335	17,254
(6)	Percent Who Are Vested	58.4%	60.1%	60.5%	59.2%	58.3%

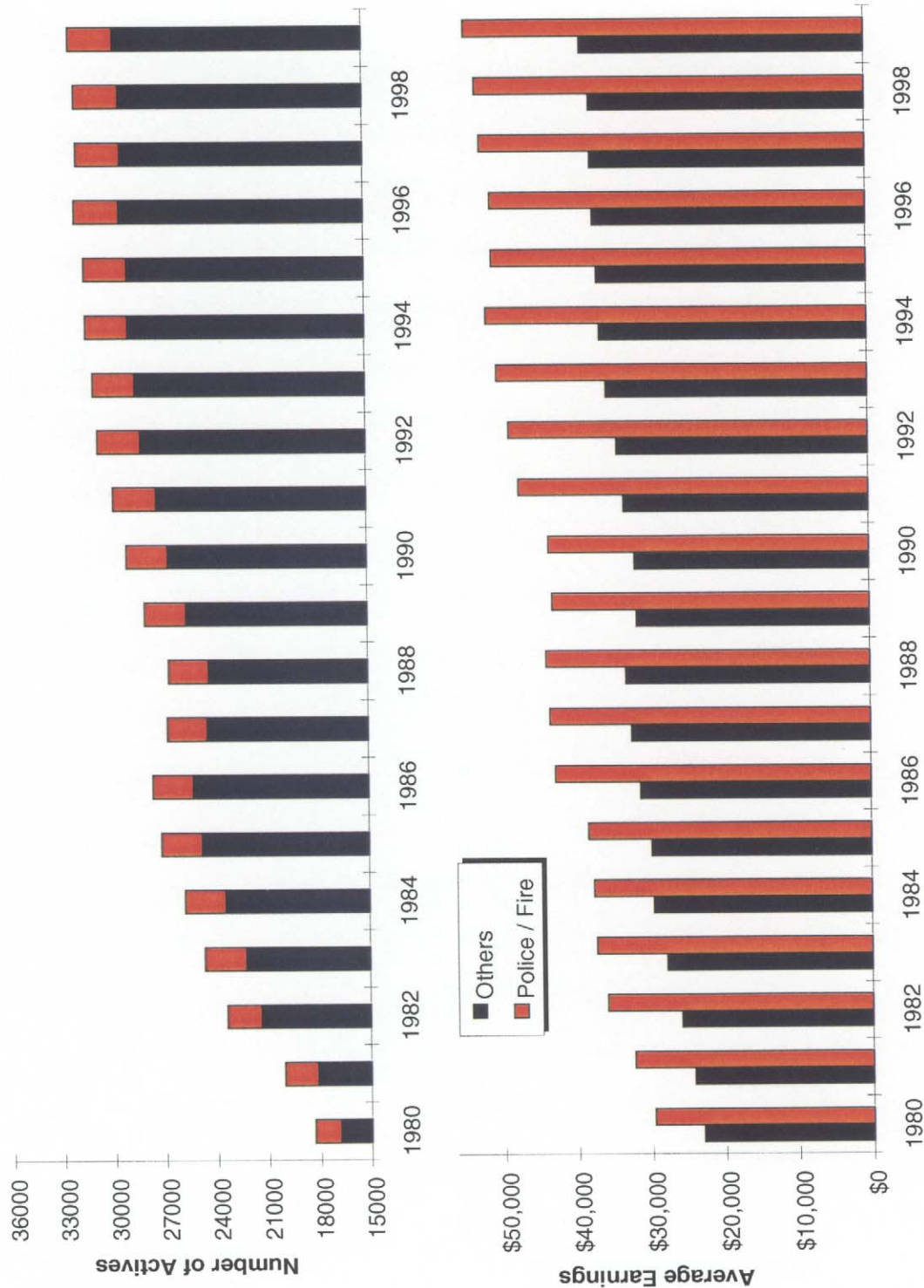
2.2(b) Additional Information – Active Members by Type of Status as of June 30 (continued)

State of Alaska - PERS Actives



2.2(b) Additional Information –Active Members by Type of Status as of June 30 (continued)

State of Alaska - PERS Actives



2.2(c) Distribution of Active Police and Fire Participants

----- Annual Earnings By Age -----				----- Annual Earnings By Credited Service -----			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	0	\$ 0	\$ 0	0	186	\$ 5,190,988	\$ 27,909
20-24	56	1,974,136	35,252	1	185	8,045,879	43,491
25-29	286	13,594,109	47,532	2	131	6,351,813	48,487
30-34	354	18,493,235	52,241	3	162	8,278,471	51,102
35-39	392	21,425,208	54,656	4	179	10,274,909	57,402
40-44	530	29,988,785	56,583	0-4	843	38,142,060	45,246
45-49	546	31,031,978	56,835	5-9	478	25,987,867	54,368
50-54	324	18,453,089	56,954	10-14	493	28,052,606	56,902
55-59	108	6,403,079	59,288	15-19	495	30,068,544	60,745
60-64	23	1,278,865	55,603	20-24	266	17,300,621	65,040
65-69	1	36,608	36,608	25-29	42	2,853,071	67,930
70-74	0	0	0	30-34	7	437,803	62,543
75+	4	163,480	40,870	35-39	0	0	0
				40+	0	0	0
Total	2,624	\$ 142,842,572	\$ 54,437	Total	2,624	\$ 142,842,572	\$ 54,437

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	0	0	0	0	0	0	0	0	0	0
20-24	56	0	0	0	0	0	0	0	0	56
25-29	247	39	0	0	0	0	0	0	0	286
30-34	212	109	32	1	0	0	0	0	0	354
35-39	132	103	108	49	0	0	0	0	0	392
40-44	87	88	118	169	65	3	0	0	0	530
45-49	65	69	110	163	125	13	1	0	0	546
50-54	29	50	84	76	60	23	2	0	0	324
55-59	9	16	31	32	13	3	4	0	0	108
60-64	2	4	9	5	3	0	0	0	0	23
65-69	0	0	1	0	0	0	0	0	0	1
70-74	0	0	0	0	0	0	0	0	0	0
75+	4	0	0	0	0	0	0	0	0	4
Total	843	478	493	495	266	42	7	0	0	2,624

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

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Percent Increase/ (Decrease) In Average Pay	Number of Participating Employers
June 30, 1999	2,624	\$ 142,843	\$54,437	2.7%	148
June 30, 1998	2,617	138,653	52,982	1.0%	148
June 30, 1997	2,587	135,702	52,455	2.8%	156
June 30, 1996	2,634	134,362	51,011	0.2%	156
June 30, 1995	2,557	130,204	50,921	(1.7%)	153
June 30, 1994	2,481	128,456	51,776	2.8%	155
June 30, 1993	2,463	124,025	50,355	3.2%	155
June 30, 1992	2,515	122,762	48,812	2.8%	155
June 30, 1991	2,533	120,240	47,470	9.2%	145
June 30, 1990	2,419	105,135	43,462	0.9%	143

2.2(e) Distribution of Active "Other" Participants

----- Annual Earnings By Age -----				----- Annual Earnings By Credited Service -----			
Age Groups	Number of People	Total Annual Earnings	Average Annual Earnings	Years of Service	Number of People	Total Annual Earnings	Average Annual Earnings
0-19	80	\$ 1,296,801	\$ 16,210	0	3,765	\$ 82,607,889	\$ 21,941
20-24	810	19,691,889	24,311	1	2,848	88,991,968	31,247
25-29	1,790	53,005,410	29,612	2	2,072	68,859,624	33,233
30-34	2,671	89,308,910	33,437	3	1,962	70,419,372	35,892
35-39	4,321	155,146,891	35,905	4	1,689	61,477,227	36,399
40-44	5,957	232,907,935	39,098	0-4	12,336	372,356,080	30,185
45-49	6,321	265,886,675	42,064	5-9	6,957	273,176,834	39,263
50-54	4,566	197,607,433	43,278	10-14	4,699	207,825,359	44,228
55-59	2,110	88,068,763	41,739	15-19	3,317	163,300,444	49,231
60-64	769	30,425,309	39,565	20-24	1,688	89,198,160	52,843
65-69	151	5,884,284	38,969	25-29	512	29,997,429	58,589
70-74	37	1,177,856	31,834	30-34	77	4,592,635	59,645
75+	7	297,894	42,556	35-39	3	214,854	71,618
				40+	1	44,255	44,255
Total	29,590	\$1,140,706,050	\$ 38,550	Total	29,590	\$1,140,706,050	\$ 38,550

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	80	0	0	0	0	0	0	0	0	80
20-24	806	4	0	0	0	0	0	0	0	810
25-29	1,594	190	6	0	0	0	0	0	0	1,790
30-34	1,776	691	197	7	0	0	0	0	0	2,671
35-39	2,113	1,234	690	265	19	0	0	0	0	4,321
40-44	2,241	1,538	1,096	785	288	9	0	0	0	5,957
45-49	1,808	1,480	1,181	1,049	645	154	4	0	0	6,321
50-54	1,116	1,015	925	745	483	241	41	0	0	4,566
55-59	538	536	406	334	193	78	24	1	0	2,110
60-64	201	225	159	107	49	19	7	2	0	769
65-69	43	32	35	20	11	9	1	0	0	151
70-74	18	11	4	2	0	1	0	0	1	37
75+	2	1	0	3	0	1	0	0	0	7
Total	12,336	6,957	4,699	3,317	1,688	512	77	3	1	29,590

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

Valuation Date	Number	Annual Payroll (000's)	Annual Average Pay	Average Increase/ (Decrease) In Average Pay	Number of Participating Employers
June 30, 1999	29,590	\$ 1,140,706	\$ 38,550	3.0%	148
June 30, 1998	29,293	1,096,786	37,442	0.2%	148
June 30, 1997	29,267	1,093,433	37,361	0.7%	156
June 30, 1996	29,326	1,087,504	37,083	1.3%	156
June 30, 1995	28,893	1,057,840	36,612	0.9%	153
June 30, 1994	28,883	1,048,541	36,303	2.3%	155
June 30, 1993	28,509	1,011,864	35,493	4.2%	155
June 30, 1992	28,206	961,054	34,073	2.5%	155
June 30, 1991	27,307	907,567	33,236	4.6%	145
June 30, 1990	26,667	846,935	31,760	0.6%	143

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

		<u>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Service						
(1)	Number	84	63	140	147	142
(2)	Average Age at Retirement	51.10	49.82	52.21	51.71	52.47
(3)	Average Monthly Benefit	\$ 2,282	\$ 2,735	\$ 2,364	\$ 2,696	\$ 2,410
Survivor (including surviving spouse and QDROs)						
(1)	Number	0	2	20	14	14
(2)	Average Age at Retirement	N/A	49.47	53.25	51.50	55.79
(3)	Average Monthly Benefit	\$ N/A	\$ 1,678	\$ 1,184	\$ 1,265	\$ 1,088
Disability						
(1)	Number	4	11	6	3	7
(2)	Average Age at Retirement	43.31	47.00	48.77	43.40	45.37
(3)	Average Monthly Benefit	\$ 2,513	\$ 1,709	\$ 1,601	\$ 2,056	\$ 2,725
Total						
(1)	Number	88	76	166	164	163
(2)	Average Age at Retirement	50.75	49.40	52.21	51.54	52.45
(3)	Average Monthly Benefit	\$ 2,293	\$ 2,559	\$ 2,194	\$ 2,562	\$ 2,310

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 7/1/98 - 6/30/99:							
Average Monthly Benefit	\$ 1,879	\$ 698	\$ 1,214	\$ 1,808	\$ 2,849	\$ 3,713	\$ 4,097
Number of Active Retirees	22	8	23	29	61	17	3
Period 7/1/97 - 6/30/98:							
Average Monthly Benefit	\$ 1,472	\$ 723	\$ 1,177	\$ 2,091	\$ 3,199	\$ 3,548	\$ 3,380
Number of Active Retirees	13	8	13	40	64	22	4
Period 7/1/96 - 6/30/97:							
Average Monthly Benefit	\$ 1,263	\$ 592	\$ 957	\$ 1,719	\$ 2,811	\$ 3,545	\$ 4,733
Number of Active Retirees	10	12	18	40	68	15	3
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 Retirees	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 Retirees	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 Retirees	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 Retirees	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 Retirees	4	3	8	8	11	1	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>1995</u>	<u>1996</u>	<u>1997</u>	<u>1998</u>	<u>1999</u>
Service					
(1) Number	522	621	791	1,098	921
(2) Average Age at Retirement	57.21	57.80	56.59	56.59	56.07
(3) Average Monthly Benefit	\$ 1,245	\$ 1,183	\$ 1,272	\$ 1,443	\$ 1,450
Survivor (including surviving spouse and QDROs)					
(1) Number	16	45	88	85	97
(2) Average Age at Retirement	50.61	55.87	62.17	61.68	63.58
(3) Average Monthly Benefit	\$ 976	\$ 709	\$ 805	\$ 710	\$ 837
Disability					
(1) Number	23	36	25	36	35
(2) Average Age at Retirement	47.49	49.47	46.69	48.21	48.24
(3) Average Monthly Benefit	\$ 1,243	\$ 1,417	\$ 1,656	\$ 1,421	\$ 1,263
Total					
(1) Number	561	702	904	1,219	1,053
(2) Average Age at Retirement	56.62	57.25	56.86	56.70	56.50
(3) Average Monthly Benefit	\$ 1,237	\$ 1,165	\$ 1,238	\$ 1,391	\$ 1,388

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 7/1/98 - 6/30/99:							
Average Monthly Benefit	\$ 653	\$ 518	\$ 894	\$ 1,477	\$ 2,129	\$ 2,853	\$ 3,813
Number of Active Retirants	55	237	249	225	157	86	44
Period 7/1/97 - 6/30/98:							
Average Monthly Benefit	\$ 943	\$ 511	\$ 935	\$ 1,512	\$ 2,090	\$ 3,007	\$ 3,700
Number of Active Retirants	107	246	281	282	175	86	42
Period 7/1/96 - 6/30/97:							
Average Monthly Benefit	\$ 905	\$ 481	\$ 872	\$ 1,507	\$ 2,086	\$ 2,821	\$ 3,308
Number of Active Retirants	43	254	223	191	112	54	27
Period 7/1/95 - 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

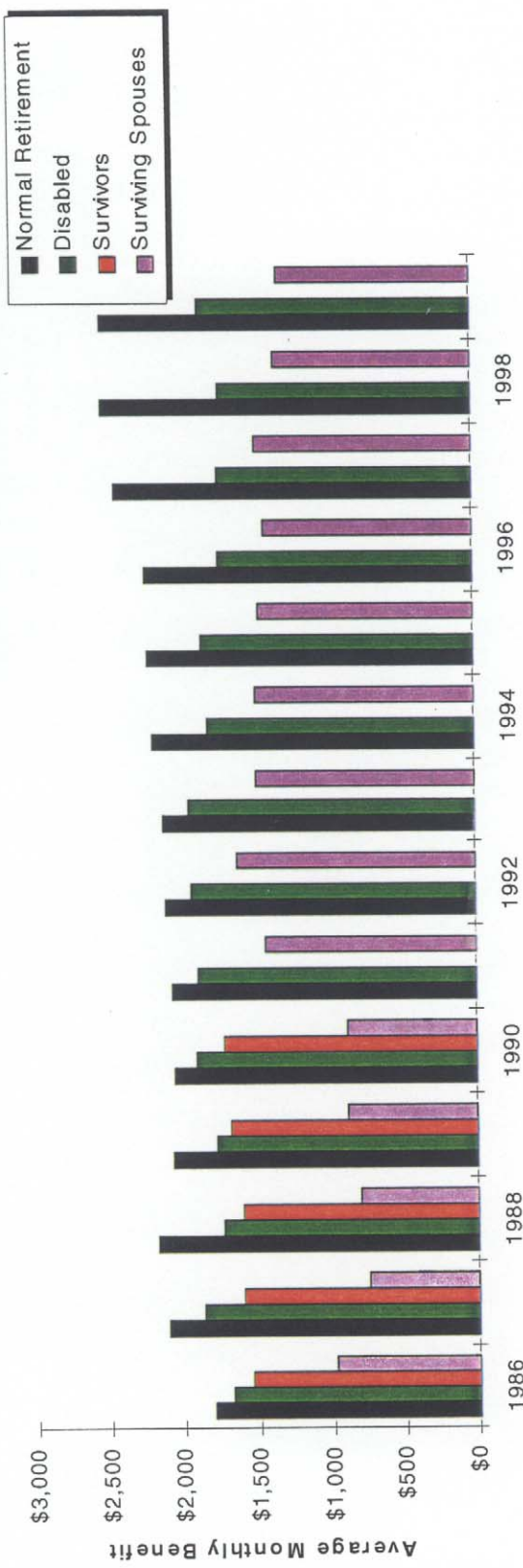
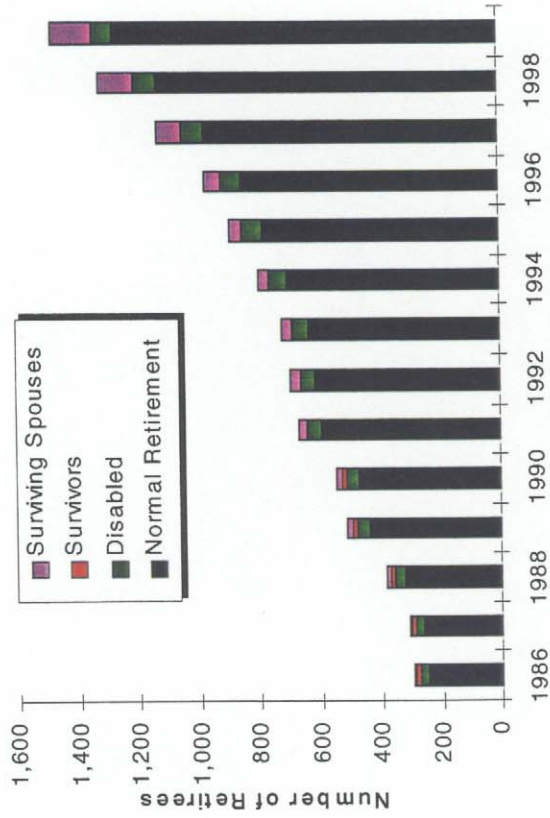
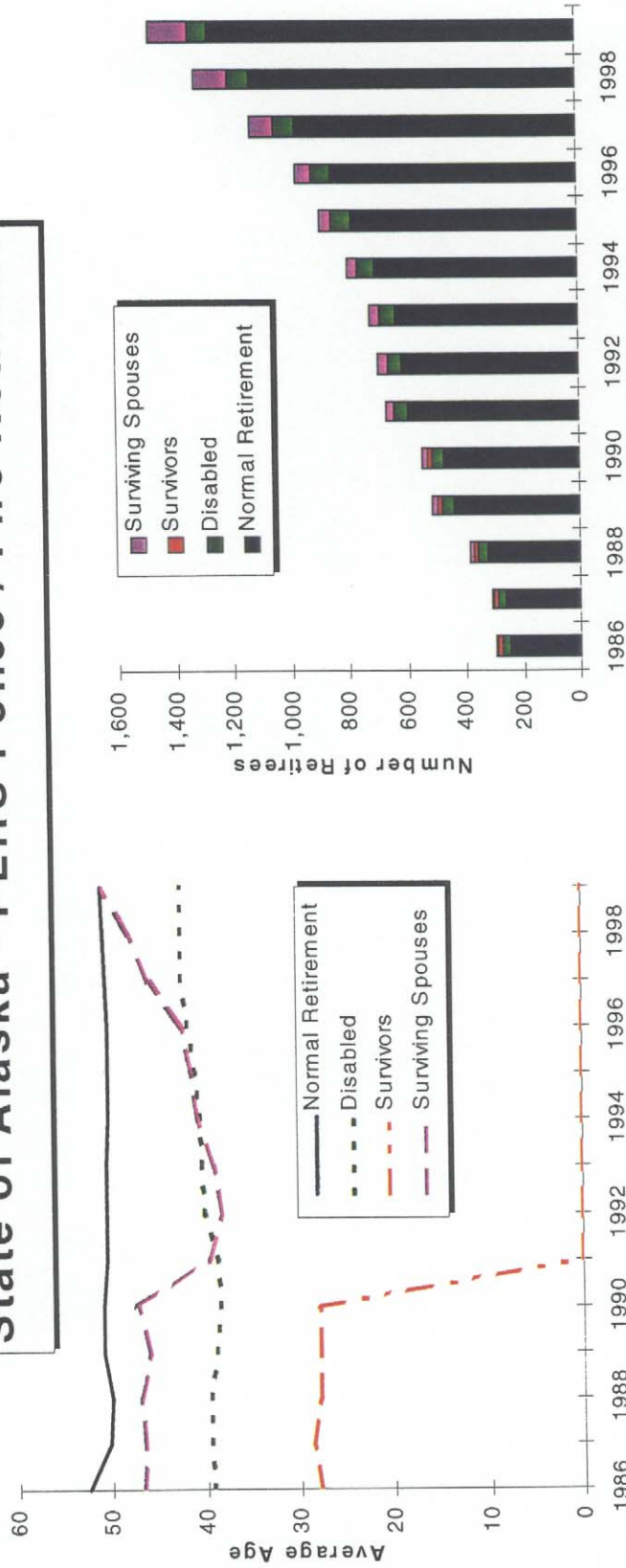
"Average Monthly Benefit" includes post-retirement pension adjustments and cost-of-living increases.

2.2(k) Statistics on All Retirees as of June 30, 1999

	<u>Police & Fire</u>	<u>"Other"</u>
Service Retirement		
(1) Number, June 30, 1998	1,132	10,552
(2) Net Change During FY99	142	793
(3) Number, June 30, 1999	1,274	11,345
(4) Average Age At Retirement	50.84	56.86
(5) Average Age Now	58.43	65.60
(6) Average Monthly Benefit	\$ 2,514	\$ 1,207
Survivor (including surviving spouse and QDRO's)		
(1) Number, June 30, 1998	119	944
(2) Net Change During FY99	14	106
(3) Number, June 30, 1999	133	1,050
(4) Average Age At Retirement	50.89	58.76
(5) Average Age Now	58.73	68.57
(6) Average Monthly Benefit	\$ 1,323	\$ 778
Disabilities		
(1) Number, June 30, 1998	72	282
(2) Net Change During FY99	(1)	30
(3) Number, June 30, 1999	71	312
(4) Average Age At Retirement	42.33	44.39
(5) Average Age Now	48.17	49.54
(6) Average Monthly Benefit	\$ 1,855	\$ 1,476
Total Number of Retirees	1,478	12,707

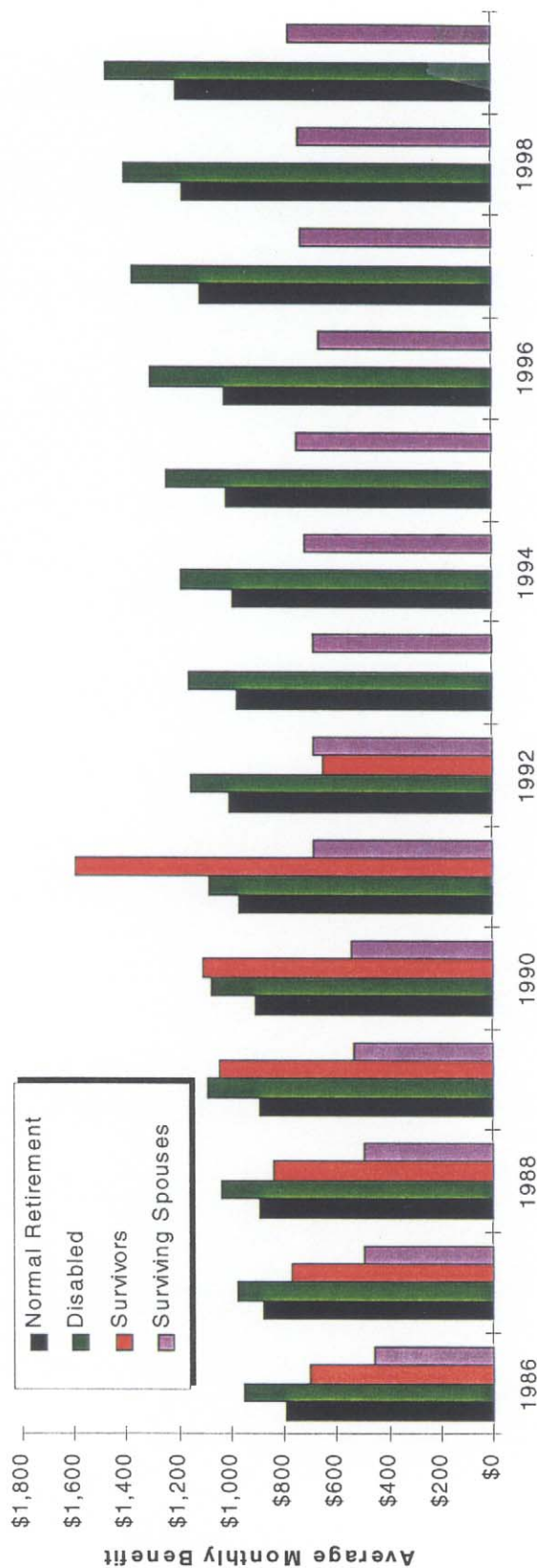
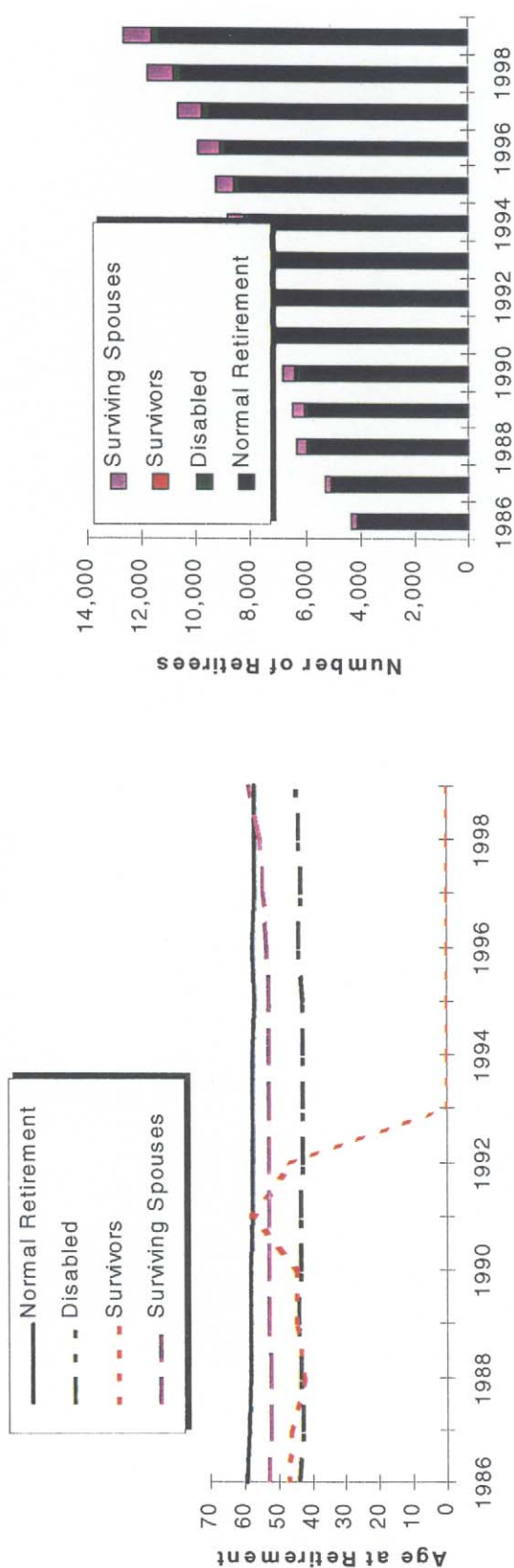
2.2(k) Statistics on All Retirees as of June 30, 1999 (continued)

State of Alaska - PERS Police / Fire Retirees



2.2(k) Statistics on All Retirees as of June 30, 1999 (continued)

State of Alaska - PERS "Other" Retirees



2.2(I) Distribution of Annual Benefits for Police and Fire 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	0	\$ 0	\$ 0	0	163	\$ 4,518,190	\$ 27,719
20-24	0	0	0	1	170	5,165,026	30,383
25-29	0	0	0	2	172	4,773,184	27,751
30-34	1	24,072	24,072	3	81	2,423,448	29,919
35-39	4	91,548	22,884	4	98	2,766,096	28,225
40-44	45	1,120,380	24,900	0-4	684	19,645,944	28,722
45-49	176	5,664,024	32,184	5-9	341	8,928,900	26,184
50-54	340	11,094,108	32,628	10-14	264	8,831,208	33,452
55-59	402	11,317,452	28,152	15-19	112	3,002,712	26,810
60-64	232	6,143,112	26,484	20-24	64	1,456,632	22,760
65-69	136	3,578,100	26,304	25-29	13	261,828	20,141
70-74	95	2,094,240	22,044	30-34	0	0	0
75+	47	1,000,188	21,276	35-39	0	0	0
				40+	0	0	0
Total	1,478	\$ 42,127,224	\$ 28,503	Total	1,478	\$ 42,127,224	\$ 28,503

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	0	0	0	0	0	0	0	0	0	0
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	1	0	0	0	0	0	0	0	0	1
35-39	2	2	0	0	0	0	0	0	0	4
40-44	31	9	5	0	0	0	0	0	0	45
45-49	142	26	5	2	1	0	0	0	0	176
50-54	218	77	37	3	3	2	0	0	0	340
55-59	200	126	70	3	0	3	0	0	0	402
60-64	63	62	80	21	4	2	0	0	0	232
65-69	15	29	46	35	11	0	0	0	0	136
70-74	8	9	16	35	27	0	0	0	0	95
75+	4	1	5	13	18	6	0	0	0	47
Total	684	341	264	112	64	13	0	0	0	1,478

2.2(m) Schedule of Retired Members by Type of Retirant and Option Selected – Police/Fire – June 30, 1999

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		<u>1</u>	<u>2</u>	<u>3</u>	<u>Opt. 1</u>	<u>Opt. 2</u>	<u>Opt. 3</u>	<u>Opt. 4</u>
\$ 1 - \$300	16	13	3	0	11	3	2	0
301 - 600	87	61	20	6	46	24	11	6
601 - 900	89	58	25	6	59	21	3	6
901 - 1200	118	95	19	4	76	15	16	11
1201 - 1500	99	78	16	5	55	21	12	11
1501 - 1800	103	71	18	14	59	22	11	11
1801 - 2100	121	94	13	14	60	46	10	5
2101 - 2400	135	115	10	10	51	54	18	12
2401 - 2700	116	105	5	6	33	49	22	12
2701 - 3000	126	123	1	2	40	53	15	18
3001 - 3300	120	120	0	0	35	57	18	10
3301 - 3600	107	106	1	0	29	53	11	14
3601 - 3900	82	79	0	3	21	46	7	8
3901 - 4200	61	60	1	0	15	31	11	4
over 4200	98	96	1	1	31	53	9	5
Totals	1,478	1,274	133	71	621	548	176	133

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 - 66 2/3% 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	0	\$ 0	\$ 0	0	1,053	\$ 17,533,471	\$ 16,651
20-24	0	0	0	1	1,297	21,377,719	16,482
25-29	0	0	0	2	1,048	15,669,888	14,952
30-34	4	38,976	9,744	3	729	10,413,264	14,284
35-39	19	231,144	12,165	4	606	9,027,696	14,897
40-44	51	567,564	11,129	0-4	4,733	74,022,038	15,640
45-49	208	3,028,140	14,558	5-9	3,073	39,807,116	12,954
50-54	1,129	16,563,648	14,671	10-14	2,669	38,460,720	14,410
55-59	2,570	40,577,374	15,789	15-19	1,330	16,501,116	12,407
60-64	2,614	39,554,268	15,132	20-24	781	9,342,312	11,962
65-69	2,297	31,344,120	13,646	25-29	114	1,441,668	12,646
70-74	1,719	21,738,540	12,646	30-34	6	118,092	19,682
75+	2,096	26,070,552	12,438	35-39	1	21,264	21,264
				40+	0	0	0
Total	12,707	\$ 179,714,326	\$ 14,143	Total	12,707	\$ 179,714,326	\$ 14,143

Years Since Retirement By Age

Age	Years Since Retirement -----									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0-19	0	0	0	0	0	0	0	0	0	0
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	4	0	0	0	0	0	0	0	0	4
35-39	12	5	2	0	0	0	0	0	0	19
40-44	34	10	6	1	0	0	0	0	0	51
45-49	142	44	16	4	2	0	0	0	0	208
50-54	1,033	52	33	8	3	0	0	0	0	1,129
55-59	1,764	706	77	16	7	0	0	0	0	2,570
60-64	935	1,060	588	20	7	3	1	0	0	2,614
65-69	534	648	885	215	11	3	1	0	0	2,297
70-74	171	390	598	447	110	3	0	0	0	1,719
75+	104	158	464	619	641	105	4	1	0	2,096
Total	4,733	3,073	2,669	1,330	781	114	6	1	0	12,707

2.2(o) Schedule of Retired Members by Type of Retiree and Option Selected -- "Other" -- June 30, 1999

Amount of Monthly Benefit	Number of Retirees	Type of Retirement			Option Selected #			
		1	2	3	Opt. 1	Opt. 2	Opt. 3	Opt. 4
\$ 1 - \$ 300	1,264	1,046	210	8	829	234	154	47
301 - 600	2,764	2,413	300	51	1,703	523	359	179
601 - 900	2,236	1,990	209	37	1,291	485	286	174
901 - 1200	1,784	1,592	148	44	1,013	390	228	153
1201 - 1500	1,256	1,141	72	43	693	288	188	87
1501 - 1800	916	839	45	32	477	235	114	90
1801 - 2100	643	586	21	36	340	154	91	58
2101 - 2400	499	464	15	20	236	135	79	49
2401 - 2700	354	332	11	11	180	96	43	35
2701 - 3000	287	270	8	9	136	86	38	27
3001 - 3300	194	184	6	4	72	70	36	16
3301 - 3600	152	141	4	7	67	57	18	10
3601 - 3900	122	119	0	3	45	49	18	10
3901 - 4200	71	67	1	3	29	25	8	9
over 4200	165	161	0	4	69	50	30	16
Totals	12,707	11,345	1,050	312	7,180	2,877	1,690	960

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 - 66 2/3% 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		Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
June 30, 1999	163	\$ 4,761,117	8	\$ 233,673	1,478	\$ 42,127,224	12.0%	\$ 28,503
June 30, 1998	195	6,096,918	2	62,532	1,323	37,599,780	19.1%	28,420
June 30, 1997	161	6,672,261 ⁽¹⁾	9	372,984 ⁽¹⁾	1,130	31,565,394	24.9%	27,934
June 30, 1996	88	2,217,256	2	50,392	978	25,266,117	9.4%	25,834
June 30, 1995	95	2,697,924	3	85,198	892	23,099,253	12.8%	25,896
June 30, 1994	77	2,428,767	4	119,938	800	20,486,527	12.7%	25,608
June 30, 1993	39	982,991	11	212,565	727	18,177,698	4.4%	25,004
June 30, 1992	35	1,202,004	8	195,248	699	17,407,272	6.1%	24,903
June 30, 1991	129	3,408,774	4	95,704	672	16,400,516	25.3%	24,406
June 30, 1990	38	907,997	3	71,784	547	13,087,446	6.8%	23,926
* Numbers are estimated, and include other internal transfers.								

⁽¹⁾ Includes additional benefits to current retirees from a one time retroactive ad hoc Post-Retirement Pension Adjustment.

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		Increase in Annual Allowances	Average Annual Allowance
	No.*	Annual Allowances*	No.*	Annual Allowances*	No.	Annual Allowances		
June 30, 1999	1,053	\$ 19,402,623	124	\$ 2,284,829	12,707	\$ 179,714,326	10.5%	\$ 14,143
June 30, 1998	1,219	25,116,364	113	2,328,260	11,778	162,596,532	16.3%	13,805
June 30, 1997	830	23,255,081 ⁽¹⁾	101	2,829,835 ⁽¹⁾	10,672	139,808,428	17.1%	13,100
June 30, 1996	702	8,803,872	40	501,645	9,943	119,383,182	7.5%	12,007
June 30, 1995	561	8,327,484	123	850,316	9,281	111,080,955	7.2%	11,969
June 30, 1994	567	7,584,088	100	225,631	8,843	103,603,787	7.6%	11,716
June 30, 1993	464	5,408,670	93	4,057,669	8,376	96,245,330	1.4%	11,491
June 30, 1992	435	8,520,963	116	1,323,560	8,005	94,894,329	8.2%	11,854
June 30, 1991	876	15,277,842	8	85,072	7,686	87,696,926	21.0%	11,410
June 30, 1990	457	5,776,756	94	986,060	6,818	72,504,156	7.1%	10,634
* Numbers are estimated, and include other internal transfers.								

⁽¹⁾ Includes additional benefits to current retirees from a one time retroactive ad hoc Post-Retirement Pension Adjustment.

2.3 Summary of Actuarial Assumptions and Methods

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

Valuation of Liabilities

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

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

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

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

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

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

2.3 Summary of Actuarial Assumptions and Methods *(continued)*

B. Actuarial Assumptions -

1. Investment Return 8.25% per year, compounded annually, net of expenses.
2. Salary Scale
Inflation - 4.0% per year
Productivity - 0.5% per year
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
FY99 - 9.5%
FY00 - 8.5%
FY01 - 7.5%
FY02 - 6.5%
FY03 - 5.5%
FY04 - FY08 - 5.0%
FY09 & later - 4.5%
5. Mortality 1984 Unisex Pension Mortality Table, set forward one year for male and police/fire members, and set backward four years for female members. Deaths are assumed to be occupational 85% of the time for Police/Fire, 35% for "Other".
6. Turnover Based upon the 1991-95 actual total turnover experience. (See Table 1).
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.

2.3 Summary of Actuarial Assumptions and Methods *(continued)*

- | | | | | | | | | |
|--------------|------------------------------------|--|--------------|-------------|---------|-------------|-------------|-------------|
| 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 | <p>Growth projections are made for the active PERS population under three scenarios:</p> <table border="0"><tr><td>Pessimistic:</td><td>0% per year</td></tr><tr><td>Median:</td><td>1% per year</td></tr><tr><td>Optimistic:</td><td>2% per year</td></tr></table> <p>Only the 1% per year scenarios for funding ratios and average contribution rates were presented in this report.</p> | Pessimistic: | 0% per year | Median: | 1% per year | Optimistic: | 2% per year |
| Pessimistic: | 0% per year | | | | | | | |
| Median: | 1% per year | | | | | | | |
| Optimistic: | 2% per year | | | | | | | |
| 14. | Post-Retirement Pension Adjustment | 50% and 75% of assumed inflation is valued for the automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. | | | | | | |
| 15. | Expenses | Expenses are covered in the investment return assumption. | | | | | | |
| 16. | Marital Status | 75% of participants are assumed to be married. | | | | | | |

Valuation of Assets

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

Determination of the Adjustment for the 102% Target Funding Ratio

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

Valuation of Medical Benefits

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

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

2.3 Summary of Actuarial Assumptions and Methods *(continued)*

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:				
Year of Employment	---Age at Hire---		<u>Age</u>	<u>Rate</u>
	<u>20-29</u>	<u>30+</u>		
	.22	.22	20-29	.06
	.15	.14	30+	.04
	.15	.12		
	.10	.08		
	.07	.06		
"Other"				
Year of Employment	---Age at Hire---		<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		

2.3 Summary of Actuarial Assumptions and Methods *(continued)*

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

<u>Age</u>	<u>Police & 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

2.3 Summary of Actuarial Assumptions and Methods *(continued)*

Table 3
Alaska PERS
Retirement Rates

<u>Age</u>	<u>Police & 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

Section 3.1 shows the analysis of financial experience.

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

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

Section 3.3 shows the solvency test.

3.1 Analysis of Financial Experience

Change in Average Employer Contribution Rate Due to Gains and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of Gain or Loss	Change in Average Contribution Rate During Fiscal Year				
	99	98	97	96	95
(1) Health Experience	0.00%	0.00%	0.00%	0.00%	0.00%
(2) Salary Experience	(0.23%)	(0.46%)	(0.06%)	(0.50%)	(0.42%)
(3) Investment Experience	(0.49%)	(3.26%)	(1.26%)	(0.46%)	(0.06%)
(4) Demographic Experience	0.21%	1.12%	0.03%	(0.73%)	0.24%
(5) Gain (or Loss) During Year From Experience, (1) + (2) + (3) + (4)	(0.51%)	(2.60%)	(1.29%)	(1.69%)	(0.24%)
Non-recurring Changes					
(6) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(7) Assumption Changes	0.00%	1.08%	0.00%	(2.47%)	0.00%
(8) Ad hoc PRPA	0.04%	0.20%	0.91%	0.00%	0.00%
(9) Plan Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(10) Method Changes	0.00%	0.99%	0.00%	0.00%	0.00%
Composite Gain (or Loss) During Year, (5) + (6) + (7) + (8) + (9) + (10)	(0.47%)	(0.33%)	(0.38%)	(4.16%)	(0.24%)
Beginning Average Employer Cont. Rate	7.03%	7.36%	7.74%	11.90%	12.14%
Ending Average Employer Cont. Rate	6.56%	7.03%	7.36%	7.74%	11.90%

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, 1999	\$ 1,008,404	\$ 1,064,168	105.5%	N/A	\$ 142,843	N/A
June 30, 1998 ⁽¹⁾⁽²⁾⁽³⁾	926,249	981,127	105.9%	N/A	138,653	N/A
June 30, 1997	811,651	863,184	106.3%	N/A	135,702	N/A
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 ⁽¹⁾⁽²⁾	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 ⁽¹⁾	592,518	540,087	91.2%	52,431	122,762	42.7%
June 30, 1991 ⁽²⁾	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%
⁽¹⁾ Change in Asset Valuation Method.						
⁽²⁾ Change in Assumptions.						
⁽³⁾ Change in Methods.						

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, 1999	\$ 5,640,269	\$ 5,952,172	105.5%	N/A	\$ 1,140,706	N/A
June 30, 1998 ⁽¹⁾⁽²⁾⁽³⁾	5,277,742	5,590,435	105.9%	N/A	1,096,786	N/A
June 30, 1997	4,722,465	5,022,304	106.3%	N/A	1,093,433	N/A
June 30, 1996 ⁽²⁾	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 ⁽¹⁾⁽²⁾	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 ⁽¹⁾	3,148,364	2,869,772	91.2%	278,592	961,054	29.0%
June 30, 1991 ⁽²⁾	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%
(1) Change in Asset Valuation Method.						
(2) Change in Assumptions.						
(3) Change in Methods.						

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, 1999	\$ 854,497	\$ 3,961,063	\$ 1,833,113	\$ 7,016,340	100.0%	100.0%	100.0%
June 30, 1998 ⁽¹⁾⁽²⁾⁽³⁾	819,226	3,610,352	1,774,413	6,571,562	100.0%	100.0%	100.0%
June 30, 1997	795,170	3,020,608	1,716,338	5,885,488	100.0%	100.0%	100.0%
June 30, 1996 ⁽²⁾	754,679	2,511,953	1,713,326	5,271,253	100.0%	100.0%	100.0%
June 30, 1995	673,196	2,445,870	1,852,106	4,794,754	100.0%	100.0%	90.5%
June 30, 1994 ⁽¹⁾⁽²⁾	615,925	2,233,349	1,770,908	4,379,305	100.0%	100.0%	86.4%
June 30, 1993	551,753	1,921,967	1,652,041	3,936,776	100.0%	100.0%	88.6%
June 30, 1992 ⁽¹⁾	484,590	1,783,020	1,473,272	3,409,859	100.0%	100.0%	77.5%
June 30, 1991 ⁽²⁾	422,656	1,621,590	1,294,899	2,942,121	100.0%	100.0%	69.3%
June 30, 1990	380,680	1,285,515	1,087,323	2,677,486	100.0%	100.0%	93.0%
(1) Change in Asset Valuation Method.							
(2) Change in Assumptions.							
(3) Change in Methods.							

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