



State of Alaska
Public Employees'
Retirement System

Actuarial Valuation Report
as of June 30, 2008



Submitted By:
Buck Consultants
1200 Seventeenth Street, Suite 1200
Denver, CO 80202

August 27, 2009

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

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

Actuarial Certification

The annual actuarial valuation required for the State of Alaska Public Employees' Retirement System has been prepared as of June 30, 2008 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the System as of June 30, 2008;
- (2) a review of experience under the System for the year ended June 30, 2008;
- (3) a determination of the appropriate contribution rate for all employers in the System, including additional State contributions pursuant to SB 125, which will be applied for the fiscal year ending June 30, 2011; and
- (4) the provision of reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

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

- (1) Summary of actuarial assumptions and methods (Section 2.3)
- (2) Schedule of active member valuation data (Section 2.2(d) and (f))
- (3) Schedule of benefit recipients 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)
- (6) Summary of GASB No. 25 and 43 disclosure information (Section 3.2)

In preparing this valuation, we have employed generally accepted actuarial methods and assumptions, in conjunction with employee data provided to us by the Division of Retirement and Benefits and financial information provided in the financial statements audited by KPMG LLP, to determine a sound value for the System liability. The employee 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 and adopted by The Alaska Retirement Management Board (Board) in October 2006. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed and revised during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY09 and a fixed 25-year amortization as level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses. The payroll used to determine the contribution rates is the total payroll of all active members in the system, including those hired after July 1, 2006 who are in the Defined Contribution Retirement (DCR) Plan. 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 valuation assets to liabilities increased from 68.0% to 69.5% during the year. This report provides an analysis of the factors that led to the increase. This report also provides a history of the funding ratio of the System.

A summary of the actuarial assumptions and methods is presented in Section 2.3 of this report. The assumptions, 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.

This report does not take into account broad declines in U.S. equity and bond prices that have occurred after the valuation date. Taking these into account would have significantly reduced the market and actuarial value of assets shown. The effect of these on any funded ratios and on the final funding calculations is not known. Plan funding and accounting rules generally prohibit reflection of changes in assets and underlying economic conditions that occur after the measurement date.

The undersigned are members of the American Academy of Actuaries and the Society of Actuaries, are fully qualified to provide actuarial services to the State of Alaska, and are available to answer questions regarding this report.

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 43.

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,



David H. Sliskinsky, ASA, EA, MAAA
Principal, Consulting Actuary



Michelle Reding DeLange, FSA, EA, MAAA
Director, Consulting Actuary

The undersigned actuary is responsible for all assumptions related to the average annual per capita health claims cost and the health care cost trend rates, and hereby affirms her qualification to render opinions in such matters, in accordance with the qualification standards of the American Academy of Actuaries.



Melissa Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

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Report Highlights

This report has been prepared by Buck Consultants 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, 2008;
- (2) Review experience under the plan for the year ended June 30, 2008;
- (3) Determine the appropriate contribution rate for all employers in the System; and
- (4) Provide reporting and disclosure information for financial statements, governmental agencies, and other interested parties.

This report is divided into three sections. Section 1 contains the results of the valuation. It includes the experience of the plan during Fiscal Year 2008, 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 principal results are as follows:

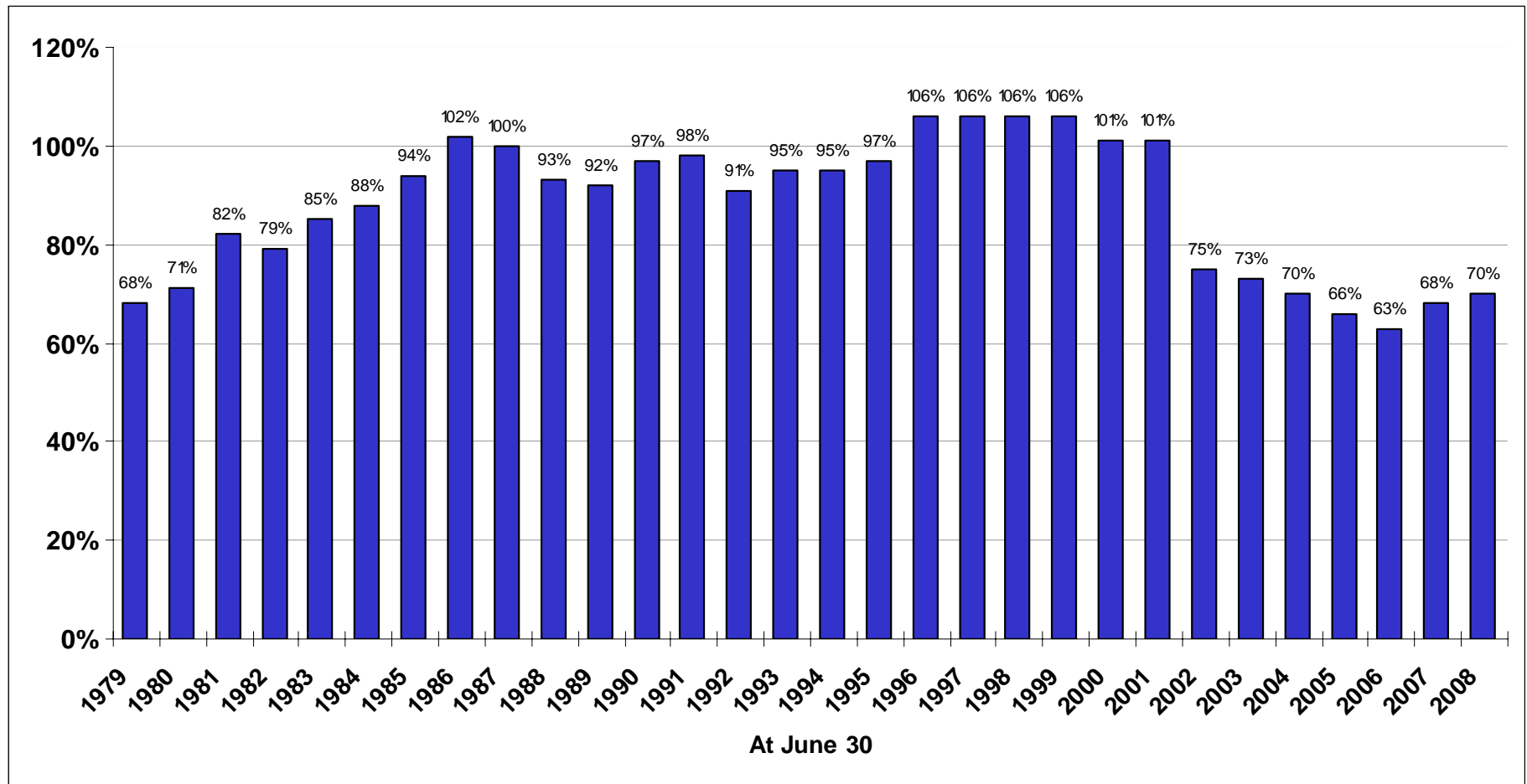
Funding Status as of June 30¹	2007	2008
(a) Valuation Assets ²	\$ 9,900,960	\$ 11,040,106
(b) Accrued Liability ²	\$ 14,570,933	\$ 15,888,141
(c) Unfunded Accrued Liability ²	\$ 4,669,973	\$ 4,848,035
(d) Funding Ratio based on Valuation Assets, (a) ÷ (b)	68.0%	69.5%
(e) Market Value of Assets ²	\$ 10,929,964	\$ 10,726,913
(f) Funding Ratio based on Market Assets, (e) ÷ (b)	75.0%	67.5%

¹ Includes pension and healthcare benefits.

² In thousands.

Report Highlights *(continued)*

PERS Funding Ratio History (Based on Valuation Assets)



Report Highlights *(continued)*

Total Employer/State Contribution Rates for Fiscal Year:	2010	2011
(a) Normal Cost Rate Net of Member Contributions	9.46%	9.33%
(b) Past Service Rate	18.19%	18.63%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	27.65%	27.96%
(d) Board Adopted Total Employer/State Contribution Rate	27.65%	27.96%

Employer/State Contribution Rates for Pension for Fiscal Year:	2010	2011
(a) Normal Cost Rate Net of Member Contributions	2.91%	2.65%
(b) Past Service Rate	7.34%	7.33%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	10.25%	9.98%

Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:	2010	2011
(a) Normal Cost Rate	6.55%	6.68%
(b) Past Service Rate	10.85%	11.30%
(c) Total Employer/State Contribution Rate <i>(a) + (b)</i>	17.40%	17.98%

Contribution rates are based on total salaries for DB and DC plan members, combined.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, postemployment healthcare liabilities are gross of the retiree drug subsidy and are calculated with a discount rate for a partially funded plan.

Contribution rates are based on Employer contribution rates as limited by State statute, and include the additional State contribution required under SB 125.

Analysis of the Valuation

As shown in the Highlights section of the report, the funding ratio based on valuation assets as of June 30, 2008 has increased from 68.0% to 69.5%, an increase of 1.5%. The calculated Employer/State contribution rate has increased from 27.65% of payroll for FY10 to 27.96% for FY11, an increase of 0.31% of payroll. The reasons for the change in the funded status and contribution rate are explained below.

(1) Retiree Medical Costs and Assumptions

The following table summarizes the monthly premium per benefit recipient since 1977.

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
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%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2009 to December 31, 2009 time period will increase to \$937. This represents an increase of 7% from the previous year's medical premium of \$876. The health cost trend rates used for this valuation are described in Section 2.3. Over the last 10 years, annual premium rate changes have ranged from no change to up to 20%. Also, over the last ten years, the increase in the premium rate has been about 7.8% compounded annually.

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, the health cost trend assumption is being used to determine actuarial liabilities for retiree medical benefits. On June 30, 2002, the assumed total blended premium was reset to the actual total blended premium for FY03.

Effective with the 2004 valuation, the assumptions used to value liabilities for retiree medical benefits were changed. The revised methods and assumptions more accurately measured retiree medical liabilities and incorporated the expected impact on System liabilities due to changes in the Medicare program. In particular, changes were made to the following elements in calculating medical liabilities:

- Claims cost methodology and development
- Offset for Medicare
- Aging factors
- Trend rates

An analysis of medical costs was completed based on claims information provided by Aetna and enrollment data provided by the Division of Retirement and Benefits. Costs for medical services and prescriptions were analyzed separately, and separate trend rates were developed to project expected future medical and prescription costs. An offset for costs expected to be reimbursed by Medicare was incorporated beginning at age 65. Average medical claims were then distributed across the population based on expected increases in medical expenses that occur with age.

For the 2008 valuation, we updated claims cost and Medicare offset analyses using additional claims and enrollment information, and the same methodology as used for the 2005 Experience Analysis. This methodology differs from that used for the 2005 valuation to better reflect Medicare offsets based on eligibility for Medicare Parts A and B. We developed assumptions regarding the number of members with Medicare Part B only coverage and associated claims costs. A lower average claims cost was applied to retirees assumed to be covered by both Medicare Part A and B vs. retirees assumed to be covered only by Medicare Part B. The assumed lag used to adjust claims data from a paid to incurred basis reflects the results of our June 30, 2008 lag study. Assumed lag from incurred date to paid claim is approximately 1.78 months for medical and prescription claims and 0.6 months for prescription claims. Composite lag for combined medical claims is about 2.0 months, similar to the 2-month composite lag assumption used for our 2007 valuation. The trend assumption was changed to the Society of Actuaries' Healthcare Cost Trend Model as adopted by the ARM Board at their December 5, 2008 meeting. The trend rate varies by year declining to 5.1% over 100 years. The trends vary by medical and prescription drugs until 2012, at which point the same trends are used for both benefit types.

Analysis of the Valuation *(continued)*

Individual claim level detail from Aetna and Premera were obtained for calendar years 2005, 2006, 2007 and through June for 2008. This data was reviewed and compared to management level reporting supplied by both Aetna and Premera. For the 2008 valuation, we have not modified any management level reporting information used to develop per capita claim cost rates. However, we will continue to compare data from both sources and potentially modify future claims cost rate derivation to reflect salient information at the individual claimant level that may enhance global management level data. We used individual claimant detail to develop age-graded cost rates for the 2006-2008 period and compared these to the morbidity assumptions in place from the 2004 valuation. For the 2008 valuation, we do not recommend any changes to morbidity assumptions used to project increasing claims costs as members age. However, we will continue to compare age-based claims costs derived from individual claimant data to the current morbidity curve and potentially modify the assumed aging impact on claims costs in future valuations. The portion of retirees assumed to be eligible for Medicare Parts A and B and for Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 5.0% to 4.0%. Finally, explicit third-party administration (TPA) costs were added to medical and prescription claims cost rates. Per-member TPA costs are derived from the current Premera contract and are projected to increase at the assumed rate of 5%.

Since 2004, the funding valuation also reflects the impact of the Medicare Part D Retiree Drug Subsidy (RDS) in the projection of prescription drug benefit costs. Buck's actuaries have attested that the prescription drug benefits meet the actuarial equivalence requirements and the plan qualifies to receive the RDS under the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (MMA) for calendar 2008 and 2009. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has received RDS payments for calendar 2006, 2007 and the first quarter of 2008. In future valuations, reconciled RDS amounts will be used to refine our assumptions of base year and future RDS payments. Please note, Part D subsidies are not reflected for accounting purposes under GASB No. 43.

Utilization and claims cost data indicate that healthcare experience emerging since the prior valuation is not favorable. A large portion of the unfavorable experience is due to members with chronic diseases (diabetes, ESRD, etc.), and the corresponding large claims that accompany those diseases. Due to the nature of these diseases, it is expected that the State will have these members as benefit recipients for some time, and that costs may be able to be controlled, but not eliminated. With the introduction of a health improvement wellness plan for State employees, as well as disease management provided by the TPA, it is hoped that the incidence of the most severe and costly chronic conditions can be reduced to a more manageable and stable level. As with the prior valuation, a weighting methodology is employed, where each of the experience years is given similar weights when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In future valuations, as Premera-specific data gains credibility, we will assess giving more recent experience greater weight in the overall claims cost rate development process. While continuing to explicitly dampen weighting given to more recent experience periods, we have modified trend rates used to roll prior data forward to the valuation date, thereby more closely

Analysis of the Valuation *(continued)*

reflecting Alaska-specific experience. In the 2006 valuation, we used only the set of trend assumptions historically used for projection purposes to bring prior year forward to the valuation year. For 2007 and 2008, we averaged these national trend assumptions with Alaska-specific trend during the experience period.

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2008 as compared to 2007:

Healthcare Cost Rate Data Source or Assumption Change, 2008 vs. 2007	Gain / Loss Impact on 2008 Valuation Results
Claim lag specific to medical and prescription experience (1.78 months for medical and 0.6 months for Rx versus 2.0 months combined)	Negligible
Individual claims level data	<ul style="list-style-type: none"> – No impact on cost data used for 2008, though potentially a source of future modifications – No impact on morbidity assumptions used for 2008, though potentially a source of future modifications – Moderate loss from decreasing the assumed Part B only proportion of all Medicare retirees from 5% to 4%
Explicit TPA fees	Negligible
Actual RDS payments received (final reconciliation in process)	No impact on cost data used for 2008, though potentially a source of future modifications
Weighting of prior experience periods used to derive base claims during the valuation year (nearly equal weighting for all five periods is similar to 2007)	Dampens the gain from favorable provider discounts and utilization since June 2006 but may be modified in future valuations
Averaging Alaska-specific trend during the experience period with Health Care Cost Trend Rates (HCCTR) used to bring prior data forward to the valuation year	Moderate gain
Aggregate claims data	Moderate loss due to unfavorable experience, but dampened by weighting methodology

Analysis of the Valuation *(continued)*

(2) Investment Experience

The approximate FY08 investment return based on market values was (3.1)% compared to the expected investment return of 8.25%. This resulted in a loss of approximately \$1,250 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss (\$250.0 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY04 investment gain, 20 percent of the FY05 investment gain, 20% of the FY06 investment gain, and 20% of the FY07 investment gain were recognized this year. The approximate FY08 investment return based on actuarial values was 10.0%, compared to the expected investment return of 8.25%. The net result was an investment gain which increased the funding ratio by 1.12% and decreased the Employer/State contribution rate by 0.59%.

(3) Salary Increase

During the period from June 30, 2007 to June 30, 2008, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.43%. The net effect of the salary loss was an increase of 0.54% in the Employer/State contribution rate.

(4) Demographic Experience

Section 2.2 provides statistics on active participants. The number of active participants decreased 8.0%, from 31,362 at June 30, 2007 to 28,850 at June 30, 2008 due to the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 46.06 to 47.01 and average credited service increased from 9.66 to 10.48 years.

The number of benefit recipients increased 4.7%, from 22,997 to 24,082, and their average age increased from 65.69 to 66.01. There was a 3.6% increase in the number of vested terminated participants, from 6,398 to 6,627. Their average age increased from 49.07 to 49.41.

The overall effect of these participant data changes along with the healthcare experience was an actuarial gain to the System, resulting in a decrease in the Employer/State contribution rate equal to 1.57% of total payroll. The gain/loss by decrement on the accrued liability is shown on the summary page.

Analysis of the Valuation *(continued)*

(5) Effect of the Two-Year Delay in the Contribution Rate

As of June 30, 2007, the actuarially calculated rate was 27.65% for FY10 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2005 employer rate of 32.51% was contributed during FY08. The difference between the two calculated rates, 27.65% and 32.51%, created a contribution surplus to the System. This surplus decreased the Employer/State contribution rate by 0.11%.

(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 the associated liabilities 30 years into the future. By also projecting plan assets, this report in effect produces an actuarial valuation for each of the next 30 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. No new DB plan entrants are anticipated.

(7) Changes in Methods from the Prior Valuation

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

(8) Changes in Assumptions from the Prior Valuation

There were two changes in assumptions from the prior valuation. The first was regarding the future increases in healthcare cost trend rates, and the change to the Society of Actuaries' Healthcare Cost Trend Model. This change increased the Employer/State contribution rate by 2.04% and decreased the funded ratio by 1.8%. The second change involved decreasing the assumed Medicare Part B only proportion of all Medicare retirees from 5% to 4%. The impact of this change on the contribution rate is included with the demographic experience.

(9) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 125 was passed which creates a cost-share plan for PERS that has the same contribution rate for all participating employers.

Analysis of the Valuation *(continued)*

Summary

The following table summarizes the sources of change in the total Employer/State contribution rate:

	<u>Pension</u>	<u>Healthcare</u>	<u>Total</u>
1. Last year's total Employer/State contribution rate	10.25%	17.40%	27.65%
2. Change due to:			
a. New assumptions ¹	0.00%	2.04%	2.04%
b. Effect of two-year delay in the contribution rate	0.14%	(0.25)%	(0.11)%
c. Investment experience	(0.35)%	(0.24)%	(0.59)%
d. Salary increases	0.54%	N/A	0.54%
e. Demographic and medical experience ²	(0.60)%	(0.97)%	(1.57)%
3. Total Employer/State contribution rate this year	9.98%	17.98%	27.96%

The following table shows the gain/(loss) on total accrued liability (in thousands):

	<u>Amount</u>
- Retirement Experience	\$ (2,325)
- Termination Experience	(7,241)
- Mortality Experience	(6,812)
- Disability Experience	(1,217)
- Other Demographic Experience	(30,528)
- Salary Increases	(60,440)
- COLA other than expected	41,400
- Medical Experience	<u>118,978</u>
- Total	\$ 51,815

¹ Change of the healthcare cost trend rates

² Includes changes in healthcare assumptions other than the change in the healthcare cost trend rates.

Section 1

This section sets forth the results of the actuarial valuation.

- Section 1.1(a) Statement of Net Assets.
- Section 1.1(b) Statement of Changes in Net Assets During FY08 and Investment Return During FY08.
- Section 1.1(c) Actuarial Value of Assets.
- Section 1.2(a) Actuarial Present Values for Peace Officer/Firefighter.
- Section 1.2(b) Actuarial Present Values for Others.
- Section 1.2(c) Actuarial Present Values for All Members.
- Section 1.3(a) Development of Total Employer/State Contribution Rate for Peace Officer/Firefighter for FY11.
- Section 1.3(b) Development of Total Employer/State Contribution Rate for Others for FY11.
- Section 1.3(c) Development of Total Employer/State Contribution Rate for All Members for FY11.
- Section 1.4 Development of Actuarial Gain or Loss for FY08.
- Section 1.5(a) Actuarial Projections –Projections at Calculated Rate.
Based on Total DB and DCR Payroll.
- Section 1.5(b) Actuarial Projections – Projections at Current Rate.
Based on Total DB and DCR Payroll.
- Section 1.5(c) Actuarial Projections – Effect of Economic Scenarios.
Based on Total DB and DCR Payroll.

1.1(a) Statement of Net Assets

As of June 30, 2008 (in thousands)	Pension	Healthcare	Total Market Value
Cash and Cash Equivalents	\$ 3,273	\$ 29,258	\$ 32,531
Domestic Equity Pool	3,069,144	503,117	3,572,261
Domestic Fixed Income Pool	906,295	786,794	1,693,089
International Equity Pool	857,743	758,663	1,616,406
Real Estate Pool	719,837	584,797	1,304,634
International Fixed Income Pool	121,180	105,198	226,378
Private Equity Pool	490,444	398,438	888,882
Emerging Markets Equity Pool	161,994	143,784	305,778
Absolute Return Pool	240,147	195,096	435,243
High Yield Pool	143,650	126,474	270,124
Treasury Inflation Protection Pool	31,750	59,954	91,704
Other Investments Pool	188,001	152,732	340,733
Loans and Mortgages (Net of Reserves)	8	0	8
Net Accrued Receivables	2,342	(53,200)	(50,858)
Net Assets	\$ 6,935,808	\$ 3,791,105	\$ 10,726,913

1.1(b) Statement of Changes in Net Assets

Fiscal Year 2008 (in thousands)	Pension	Healthcare	Total Market Value
(1) Net Assets, June 30, 2007 (market value)	\$ 7,439,387	\$ 3,490,577	\$10,929,964
(2) Additions:			
(a) Plan Member Contributions	\$ 120,506	\$ 474	\$ 120,980
(b) Employer Contributions	100,323	263,755	364,078
(c) State Contributions	50,875	134,125	185,000
(d) Interest and Dividend Income	415,461	11,464	426,925
(e) Net Appreciation in Fair Value of Investments	(707,661)	(30,268)	(737,929)
(f) Other	<u>47</u>	<u>0</u>	<u>47</u>
(g) Total Additions	\$ (20,449)	\$ 379,550	\$ 359,101
(3) Deductions:			
(a) Medical Benefits	\$ 0	\$ 77,074 ¹	\$ 77,074
(b) Retirement Benefits	439,123	0	439,123
(c) Refunds of Contributions	14,333	0	14,333
(d) Investment Expenses	23,089	0	23,089
(e) Administrative Expenses	<u>6,585</u>	<u>1,948</u>	<u>8,533</u>
(f) Total Deductions	\$ 483,130	\$ 79,022	\$ 562,152
(4) Net Assets, June 30, 2008 (market value)	\$ 6,935,808	\$ 3,791,105	\$10,726,913

Approximate Market Value Investment Return Rate During
FY08, Net of All Expenses

(3.1)%

¹ These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.

1.1(c) Actuarial Value of Assets

The actuarial value of assets was set equal to the market value at June 30, 2002. Future investment gains and losses will be recognized 20% per year over 5 years. In no event may valuation assets be less than 80% or more than 120% of market value as of the current valuation date.

In Thousands	Pension	Healthcare	Total
(1) Deferral of Investment Return for FY08			
(a) Market Value, June 30, 2007	\$ 7,439,387	\$ 3,490,577	\$ 10,929,964
(b) Contributions for FY08	271,704	398,354	670,058
- Weighted for timing	135,852	199,177	335,029
(c) Benefit Payments for FY08	453,456	77,074 ¹	530,530
- Weighted for timing	226,728	38,537	265,265
(d) Actual Investment Return (net of expenses)	(321,827)	(20,752)	(342,579)
(e) Expected Return Rate (net of expenses)	8.25%	8.25%	8.25%
(f) Expected Return - Weighted for Timing, [(a. + b. - c.) x e.]	606,252	301,225	907,477
(g) Investment Gain/(Loss) for the Year (d. - f.)	(928,079)	(321,977)	(1,250,056)
(h) Deferred Investment Return/(Loss)	(274,964)	(38,229)	(313,193)
(2) Actuarial Value, June 30, 2008			
(a) Market Value, June 30, 2008	\$ 6,935,808	\$ 3,791,105	\$ 10,726,913
(b) 2008 Deferred Investment Return/(Loss)	(274,964)	(38,229)	(313,193)
(c) Preliminary Actuarial Value, June 30, 2008 (a. - b.)	7,210,772	3,829,334	11,040,106
(d) Upper Limit: 120% of Market Value, June 30, 2008	8,322,970	4,549,326	12,872,296
(e) Lower Limit: 80% of Market Value, June 30, 2008	5,548,646	3,032,884	8,581,530
(f) Actuarial Value, June 30, 2008 (c. limited by d. and e.)	\$ 7,210,772	\$ 3,829,334	\$ 11,040,106
(g) Ratio of Actuarial Value of Assets to Market Value of Assets	103.96%	101.01%	102.92%
(h) Approximate Actuarial Value Investment Return Rate During FY08 Net of All Expenses	9.8%	10.4%	10.0%

¹ These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.

1.1(c) Actuarial Value of Assets (continued)

The tables below show the development of gain/(loss) to be recognized in the current year (in thousands).

Pension				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004 ¹	\$ 313,743	\$ 250,993	\$ 62,750	\$ 0
6/30/2005 ¹	16,314	9,789	3,263	3,262
6/30/2006 ¹	181,865	72,746	36,373	72,746
6/30/2007 ¹	652,485	130,497	130,497	391,491
6/30/2008	(928,079)	0	(185,616)	(742,463)
Total	\$ 236,328	\$ 464,025	\$ 47,267	\$(274,964)

Healthcare				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004 ¹	\$ 147,209	\$ 117,767	\$ 29,442	\$ 0
6/30/2005 ¹	7,655	4,593	1,531	1,531
6/30/2006 ¹	85,332	34,132	17,066	34,134
6/30/2007 ¹	306,148	61,230	61,230	183,688
6/30/2008	(321,977)	0	(64,395)	(257,582)
Total	\$ 224,367	\$ 217,722	\$ 44,874	\$ (38,229)

Total				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2004	\$ 460,952	\$ 368,760	\$ 92,192	\$ 0
6/30/2005	23,969	14,382	4,794	4,793
6/30/2006	267,197	106,878	53,439	106,880
6/30/2007	958,633	191,727	191,727	575,179
6/30/2008	(1,250,056)	0	(250,011)	(1,000,045)
Total	\$ 460,695	\$ 681,747	\$ 92,141	\$ (313,193)

¹ The pension and healthcare assets bases were allocated using a ratio of market value of assets as of June 30, 2007.

1.2(a) Actuarial Present Values - Peace Officer/Firefighter

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
Active Members		
Retirement Benefits	\$ 18,319	\$ 424,491
Termination Benefits	2,576	13,075
Disability Benefits	1,329	7,733
Death Benefits	845	5,138
Return of Contributions	1,441	(3,283)
Medical and Prescription Drug Benefits	13,463	250,208
Medicare Part D Subsidy	(752)	(12,282)
Indebtedness	N/A	(7,993)
Subtotal	\$ 37,221	\$ 677,087
Inactive Members		
Not Vested		\$ 2,016
Vested Terminations	- Retirement Benefits	18,273
	- Medical and Prescription Drug Benefits	39,283
	- Medicare Part D Subsidy	(1,730)
	- Indebtedness	(625)
Retirees & Beneficiaries	- Retirement Benefits	963,838
	- Medical and Prescription Drug Benefits	429,663
	- Medicare Part D Subsidy	(30,466)
Subtotal		\$ 1,420,252
Total	\$ 37,221	\$ 2,097,339
Total Pension	\$ 24,510	\$ 1,422,663
Total Medical, Net of Part D Subsidy	\$ 12,711	\$ 674,676

1.2(a) Actuarial Present Values – Peace Officer/Firefighter
(continued)

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	\$ 2,885	\$ 1,021,217
- Medical, Net of Part D Subsidy	1,769	436,506
Tier 2		
- Pension	7,441	270,089
- Medical, Net of Part D Subsidy	2,678	135,278
Tier 3		
- Pension	14,184	131,357
- Medical, Net of Part D Subsidy	8,264	102,892
Total	\$ 37,221	\$ 2,097,339

1.2(b) Actuarial Present Values - Others

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
Active Members		
Retirement Benefits	\$ 93,134	\$ 2,996,219
Termination Benefits	22,024	170,892
Disability Benefits	3,897	52,996
Death Benefits	1,833	25,324
Return of Contributions	19,414	(69,168)
Medical and Prescription Drug Benefits	120,208	2,452,636
Medicare Part D Subsidy	(7,381)	(122,973)
Indebtedness	N/A	(67,544)
Subtotal	\$ 253,129	\$ 5,438,382
Inactive Members		
Not Vested		\$ 62,992
Vested Terminations	- Retirement Benefits	485,086
	- Medical and Prescription Drug Benefits	1,130,905
	- Medicare Part D Subsidy	(44,680)
	- Indebtedness	(13,533)
Retirees & Beneficiaries	- Retirement Benefits	4,088,355
	- Medical and Prescription Drug Benefits	2,886,880
	- Medicare Part D Subsidy	(243,585)
Subtotal		\$ 8,352,420
Total	\$ 253,129	\$ 13,790,802
Total Pension	\$ 140,302	\$ 7,731,619
Total Medical, Net of Part D Subsidy	\$ 112,827	\$ 6,059,183

1.2(b) Actuarial Present Values - Others
(continued)

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	\$ 35,072	\$ 5,495,527
- Medical, Net of Part D Subsidy	32,654	3,808,257
Tier 2		
- Pension	37,561	1,551,297
- Medical, Net of Part D Subsidy	22,569	1,353,105
Tier 3		
- Pension	67,669	684,795
- Medical, Net of Part D Subsidy	57,604	897,821
Total	\$ 253,129	\$ 13,790,802

1.2(c) Actuarial Present Values – All Members

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
Active Members		
Retirement Benefits	\$ 111,453	\$ 3,420,710
Termination Benefits	24,600	183,967
Disability Benefits	5,226	60,729
Death Benefits	2,678	30,462
Return of Contributions	20,855	(72,451)
Medical and Prescription Drug Benefits	133,671	2,702,844
Medicare Part D Subsidy	(8,133)	(135,255)
Indebtedness	N/A	(75,537)
Subtotal	\$ 290,350	\$ 6,115,469
Inactive Members		
Not Vested		\$ 65,008
Vested Terminations	- Retirement Benefits	503,359
	- Medical and Prescription Drug Benefits	1,170,188
	- Medicare Part D Subsidy	(46,410)
	- Indebtedness	(14,158)
Retirees & Beneficiaries	- Retirement Benefits	5,052,193
	- Medical and Prescription Drug Benefits	3,316,543
	- Medicare Part D Subsidy	(274,051)
Subtotal		\$ 9,772,672
Total	\$ 290,350	\$ 15,888,141
Total Pension	\$ 164,812	\$ 9,154,282
Total Medical, Net of Part D Subsidy	\$ 125,538	\$ 6,733,859

1.2(c) Actuarial Present Values – All Members
(continued)

As of June 30, 2008 (in thousands)	Normal Cost	Accrued Liability
By Tier		
Tier 1		
- Pension	\$ 37,957	\$ 6,516,744
- Medical, Net of Part D Subsidy	34,423	4,244,763
Tier 2		
- Pension	45,002	1,821,386
- Medical, Net of Part D Subsidy	25,247	1,488,383
Tier 3		
- Pension	81,853	816,152
- Medical, Net of Part D Subsidy	65,868	1,000,713
Total	\$ 290,350	\$ 15,888,141

**1.3(a) Development of Total Employer/State Contribution Rate – FY11
Peace Officer/Firefighter
(in thousands)**

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 24,510	\$ 12,711	\$ 37,221
(2) DB Member Salaries Projected for FY09	200,440	200,440	200,440
(3) DCR Member Salaries Projected for FY09	21,192	21,192	21,192
(4) Total Salaries Projected for FY09	221,632	221,632	221,632
(5) Normal Cost Rate for Peace Officer/Firefighter			
a. Based on DB Member Salaries, (1) ÷ (2)	12.23%	6.34%	18.57%
b. Based on Total Salaries, (1) ÷ (4)	11.06%	5.74%	16.80%
(6) Member Contribution Rate (Peace Officer/Firefighter) ¹	6.79%	0.00%	6.79%
(7) Employer Normal Cost Rate For Peace Officer/Firefighter, (5b) – (6)	4.27%	5.74%	10.01%
Past Service Rate			
(1) Accrued Liability	\$ 1,422,663	\$ 674,676	\$ 2,097,339
(2) Valuation Assets ²	1,120,623	383,667	1,504,290
(3) Unfunded Liability, (1) – (2)	302,040	291,009	593,049
(4) Past Service Cost Amortization Payment ³	21,446	21,249	42,695
(5) Total Salaries Projected for FY09	221,632	221,632	221,632
(6) Past Service Rate, (4) ÷ (5)	9.68%	9.59%	19.27%
Total Employer/State Contribution Rate	13.95%	15.33%	29.28%
Normal Cost Rate by Tier (Total Employer and Member)⁴			
Tier 1	13.15%	8.07%	21.22%
Tier 2	11.91%	4.29%	16.20%
Tier 3	12.23%	7.12%	19.35%

¹ Assumes no member contributions from members in the DCR plan and 7.50% from Tiers 1, 2 and 3 in Peace Officer/Firefighters.

² Allocated between Peace Officer/Firefighters and Others in proportion to accrued liability.

³ Amortized on a level percentage of pay basis.

⁴ Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

**1.3(a) Development of Total Employer/State contribution Rate – FY11
Peace Officer/Firefighter (continued)**

Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter

Pension						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	19	\$ 137,169	\$ 146,206	\$ 10,906	
FY03 Loss ¹	6/30/2003	20	9,777	10,360	748	
FY04 Loss ¹	6/30/2004	21	25,832	27,144	1,899	
FY05 Loss ¹	6/30/2005	22	48,970	50,923	3,461	
Change in Assumptions/ Methods ¹	6/30/2006	23	65,436	67,208	4,447	
FY06 Gain ¹	6/30/2006	23	(19,153)	(19,671)	(1,302)	
FY07 Loss	6/30/2007	24	22,584	22,906	1,478	
FY08 Gain	6/30/2008	25	(3,036)	(3,036)	(191)	
Total				\$ 302,040	\$ 21,446	

Healthcare						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	19	\$ 175,533	\$ 187,096	\$ 13,956	
FY03 Loss ¹	6/30/2003	20	12,512	13,257	957	
FY04 Loss ¹	6/30/2004	21	33,056	34,736	2,430	
FY05 Loss ¹	6/30/2005	22	62,666	65,167	4,430	
Change in Assumptions/ Methods ¹	6/30/2006	23	83,737	86,005	5,691	
FY06 Gain ¹	6/30/2006	23	(24,510)	(25,175)	(1,666)	
FY07 Gain	6/30/2007	24	(86,375)	(87,607)	(5,654)	
Change in Assumptions	6/30/2008	25	44,982	44,982	2,835	
FY08 Gain	6/30/2008	25	(27,452)	(27,452)	(1,730)	
Total				\$ 291,009	\$ 21,249	

¹ The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

**1.3(a) Total Employer/State contribution Rate – FY11 Peace
Officer/Firefighter (continued)**

Schedule of Past Service Cost Amortizations – Peace Officer/Firefighter

	Total				
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	19	\$ 312,702	\$ 333,302	\$ 24,862
FY03 Loss	6/30/2003	20	22,289	23,617	1,705
FY04 Loss	6/30/2004	21	58,888	61,880	4,329
FY05 Loss	6/30/2005	22	111,636	116,090	7,891
Change in Assumptions/ Methods	6/30/2006	23	149,173	153,213	10,138
FY06 Gain	6/30/2006	23	(43,663)	(44,846)	(2,968)
FY07 Gain	6/30/2007	24	(63,791)	(64,701)	(4,176)
Change in Assumptions	6/30/2008	25	44,982	44,982	2,835
FY08 Gain	6/30/2008	25	(30,488)	(30,488)	(1,921)
Total				\$ 593,049	\$ 42,695

The amortization factor for 25 years is 15.864073. The weighted average amortization factor is 13.890362. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

1.3(b) Development of Total Employer/State Contribution Rate – FY11
Others
(in thousands)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 140,302	\$ 112,827	\$ 253,129
(2) DB Member Salaries Projected for FY09	1,456,746	1,456,746	1,456,746
(3) DCR Member Salaries Projected for FY09	200,739	200,739	200,739
(4) Total Salaries Projected for FY09	1,657,485	1,657,485	1,657,485
(5) Normal Cost Rate for Others			
a. Based on DB Member Salaries, (1) ÷ (2)	9.63%	7.75%	17.38%
b. Based on Total Salaries, (1) ÷ (4)	8.46%	6.81%	15.27%
(6) Member Contribution Rate (Others) ¹	6.03%	0.00%	6.03%
(7) Employer/State Normal Cost Rate For Others, (5b) – (6)	2.43%	6.81%	9.24%
Past Service Rate			
(1) Accrued Liability	\$ 7,731,619	\$ 6,059,183	\$ 13,790,802
(2) Valuation Assets ²	6,090,149	3,445,667	9,535,816
(3) Unfunded Liability, (1) – (2)	1,641,470	2,613,516	4,254,986
(4) Past Service Cost Amortization Payment ³	116,361	191,174	307,535
(5) Total Salaries Projected for FY09	1,657,485	1,657,485	1,657,485
(6) Past Service Rate, (4) ÷ (5)	7.02%	11.53%	18.55%
Total Employer/State Contribution Rate	9.45%	18.34%	27.79%
Normal Cost Rate by Tier (Total Employer and Member)⁴			
Tier 1	10.17%	9.47%	19.64%
Tier 2	9.35%	5.61%	14.96%
Tier 3	9.53%	8.12%	17.65%

¹ Assumes no member contributions from members in the DCR plan and 6.75% from Tiers 1, 2 and 3 in Others members.

² Allocated between Peace Officer/Firefighter and Others in proportion to accrued liability.

³ Amortized on a level percentage of pay basis.

⁴ Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

1.3(b) Development of Total Employer/State contribution Rate – FY11 Others (continued)

Schedule of Past Service Cost Amortizations – Others

Pension					
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability ¹	6/30/2002	19	\$ 734,495	\$ 782,878	\$ 58,398
FY03 Loss ¹	6/30/2003	20	52,354	55,471	4,002
FY04 Loss ¹	6/30/2004	21	138,320	145,350	10,168
FY05 Loss ¹	6/30/2005	22	262,218	272,678	18,535
Change in Assumptions/ Methods ¹	6/30/2006	23	350,386	359,878	23,815
FY06 Gain ¹	6/30/2006	23	(102,558)	(105,337)	(6,970)
FY07 Loss	6/30/2007	24	120,930	122,656	7,916
FY08 Loss	6/30/2008	25	7,896	7,896	497
Total				\$ 1,641,470	\$ 116,361

Healthcare					
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability ¹	6/30/2002	19	\$ 1,596,753	\$ 1,701,939	\$ 126,955
FY03 Loss ¹	6/30/2003	20	113,814	120,595	8,701
FY04 Loss ¹	6/30/2004	21	300,702	315,982	22,105
FY05 Loss	6/30/2005	22	570,049	592,792	40,294
Change in Assumptions/ Methods ¹	6/30/2006	23	761,720	782,352	51,771
FY06 Gain ¹	6/30/2006	23	(222,957)	(228,995)	(15,153)
FY07 Gain	6/30/2007	24	(785,717)	(796,925)	(51,428)
Change in Assumptions	6/30/2007	25	364,085	364,085	22,951
FY08 Gain	6/30/2008	25	(238,309)	(238,309)	(15,022)
Total				\$ 2,613,516	\$ 191,174

¹ The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

**1.3(b) Development of Total Employer/State contribution Rate – FY11
Others (continued)**

Schedule of Past Service Cost Amortizations – Others

	Total				
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	19	\$ 2,331,248	\$ 2,484,817	\$ 185,353
FY03 Loss	6/30/2003	20	166,168	176,066	12,703
FY04 Loss	6/30/2004	21	439,022	461,332	32,273
FY05 Loss	6/30/2005	22	832,267	865,470	58,829
Change in Assumptions/ Methods	6/30/2006	23	1,112,106	1,142,230	75,586
FY06 Gain	6/30/2006	23	(325,515)	(334,332)	(22,123)
FY07 Gain	6/30/2007	24	(664,787)	(674,269)	(43,512)
Change in Assumptions	6/30/2008	25	364,085	364,085	22,951
FY08 Gain	6/30/2008	25	(230,413)	(230,413)	(14,525)
Total				\$ 4,254,986	\$ 307,535

The amortization factor for 25 years is 15.864073. The weighted average amortization factor is 13.835778. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

1.3(c) Development of Total Employer/State contribution Rate – FY11
All Members
(in thousands)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 164,812	\$ 125,538	\$ 290,350
(2) DB Member Salaries Projected for FY09	1,657,186	1,657,186	1,657,186
(3) DCR Member Salaries Projected for FY09	221,931	221,931	221,931
(4) Total Salaries Projected for FY09	1,879,117	1,879,117	1,879,117
(5) Normal Cost Rate for All Members			
a. Based on DB Member Salaries, (1) ÷ (2)	9.95%	7.58%	17.53%
b. Based on Total Salaries, (1) ÷ (4)	8.77%	6.68%	15.45%
(6) Average Member Contribution Rate ¹	6.12%	0.00%	6.12%
(7) Employer Normal Cost Rate For All Members, (5b) – (6)	2.65%	6.68%	9.33%
Past Service Rate			
(1) Accrued Liability	\$ 9,154,282	\$ 6,733,859	\$ 15,888,141
(2) Valuation Assets	7,210,772	3,829,334	11,040,106
(3) Total Unfunded Liability, (1) – (2)	1,943,510	2,904,525	4,848,035
(4) Past Service Cost Amortization Payment ²	137,807	212,423	350,230
(5) Total Salaries Projected for FY09	1,879,117	1,879,117	1,879,117
(6) Past Service Rate, (4) ÷ (5)	7.33%	11.30%	18.63%
Total Employer/State contribution Rate	9.98%	17.98%	27.96%
Normal Cost Rate by Tier (Total Employer and Member)³			
Tier 1	10.35%	9.38%	19.73%
Tier 2	9.68%	5.44%	15.12%
Tier 3	9.91%	7.98%	17.89%

¹ Assumes no member contribution from members in the DCR plan, 7.5% for Peace Officer/Firefighter members and 6.75% for Others members.

² Amortized as a level percent of pay.

³ Rate determined considering the pay for members of the plan in this tier. DCR payroll is excluded from these calculations.

1.3(c) Development of Total Employer/State contribution Rate – FY11
All Members (continued)

Schedule of Past Service Cost Amortizations – All Members

Pension						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	19	\$ 871,664	\$ 929,084	\$ 69,304	
FY03 Loss ¹	6/30/2003	20	62,131	65,831	4,750	
FY04 Loss ¹	6/30/2004	21	164,152	172,494	12,067	
FY05 Loss ¹	6/30/2005	22	311,188	323,601	21,996	
Change in Assumptions/ Methods ¹						
FY06 Gain ¹	6/30/2006	23	415,822	427,086	28,262	
FY07 Loss	6/30/2006	23	(121,711)	(125,008)	(8,272)	
FY07 Loss	6/30/2007	24	143,514	145,562	9,394	
FY08 Loss	6/30/2008	25	4,860	4,860	306	
Total				\$ 1,943,510	\$ 137,807	

Healthcare						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	19	\$ 1,772,286	\$ 1,889,035	\$ 140,911	
FY03 Loss ¹	6/30/2003	20	126,326	133,852	9,658	
FY04 Loss ¹	6/30/2004	21	333,758	350,718	24,535	
FY05 Loss ¹	6/30/2005	22	632,715	657,959	44,724	
Change in Assumptions/ Methods ¹						
FY06 Gain ¹	6/30/2006	23	845,457	868,357	57,462	
FY06 Gain ¹	6/30/2006	23	(247,467)	(254,170)	(16,819)	
FY07 Gain	6/30/2007	24	(872,092)	(884,532)	(57,082)	
Changes in Assumptions						
FY08 Gain	6/30/2008	25	409,067	409,067	25,786	
FY08 Gain	6/30/2008	25	(265,761)	(265,761)	(16,752)	
Total				\$ 2,904,525	\$ 212,423	

¹ The pension and healthcare split was done using a ratio of unfunded accrued liability as of June 30, 2006.

1.3(c) Development of Total Employer/State contribution Rate – FY11
All Members (continued)

Schedule of Past Service Cost Amortizations – All Members

	Total				
	Amortization Period		Balances		
	Date Created	Years Left	Initial	Outstanding	Beginning-of-Year Payment
Initial Unfunded Liability	6/30/2002	19	\$ 2,643,950	\$ 2,818,119	\$ 210,215
FY03 Loss	6/30/2003	20	188,457	199,683	14,408
FY04 Loss	6/30/2004	21	497,910	523,212	36,602
FY05 Loss	6/30/2005	22	943,903	981,560	66,720
Change in Assumptions/Methods	6/30/2006	23	1,261,279	1,295,443	85,724
FY06 Gain	6/30/2006	23	(369,178)	(379,178)	(25,091)
FY07 Gain	6/30/2007	24	(728,578)	(738,970)	(47,688)
Change in Assumptions	6/30/2008	25	409,067	409,067	25,786
FY08 Gain	6/30/2008	25	(260,901)	(260,901)	(16,446)
Total				\$ 4,848,035	\$ 350,230

The amortization factor for 25 years is 15.864073. The weighted average amortization factor is 13.842432. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 20 years.

1.4 Development of Actuarial Gain/(Loss) for FY08 (in thousands)

	Pension	Healthcare	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2007	\$ 8,662,324	\$ 5,908,609	\$14,570,933
(b) Normal Cost for FY08	168,420	118,202	286,622
(c) Interest on (a) and (b) at 8.25%	728,536	497,212	1,225,748
(d) Benefit Payments for FY08	439,123	77,074 ¹	516,197
(e) Refund of Contributions for FY08	14,333	0	14,333
(f) Interest on (d) and (e) at 8.25% for one-half year	18,705	3,179	21,884
(g) Change in Assumptions	0	409,067	409,067
(h) Expected Accrued Liability as of June 30, 2008 (a) + (b) + (c) - (d) - (e) - (f) + (g)	9,087,119	6,852,837	15,939,956
(2) Actual Accrued Liability, June 30, 2008	9,154,282	6,733,859	15,888,141
(3) Liability Gain/(Loss), (1)(g) - (2)	\$ (67,163)	\$ 118,978	\$ 51,815
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2007	\$ 6,739,004	\$ 3,161,956	\$ 9,900,960
(b) Interest on (a) at 8.25%	555,968	260,861	816,829
(c) Employee Contributions for FY08	120,506	474	120,980
(d) Employer Contributions for FY08	100,323	263,755	364,078
(e) State Contributions for FY08	50,875	134,125	185,000
(f) Interest on (c), (d) and (e) at 8.25% for one-half year	11,208	16,432	27,640
(g) Benefit Payments for FY08	439,123	77,074 ¹	516,197
(h) Refund of Contributions for FY08	14,333	0	14,333
(i) Interest on (f) and (g) at 8.25% for one-half year	18,705	3,179	21,884
(j) Expected Actuarial Asset Value, June 30, 2008 (a) + (b) + (c) + (d) + (e) - (f) - (g) - (h) - (i)	7,105,723	3,757,350	10,863,073
(5) Actuarial Asset Value, June 30, 2008	7,210,772	3,829,334	11,040,106
(6) Actuarial Asset Gain/(Loss), (5) - (4)(j)	\$ 105,049	\$ 71,984	\$ 177,033
(7) Actuarial Gain/(Loss), (3) + (6)	\$ 37,886	\$ 190,962	\$ 228,848
(8) Effect of the 2-Year Delay on Contributions	\$ (42,746)	\$ 74,799	\$ 32,053
(9) FY08 Gain/(Loss) to be Amortized, (7) + (8)	\$ (4,860)	\$ 265,761	\$ 260,901

¹ These benefit payments represent actual expenditures from March 1, 2008 to June 30, 2008 from the Section 115 Trust. Due to the establishment of this Trust, the Retiree Health Fund paid all healthcare claims until the fund was depleted in February 2008.

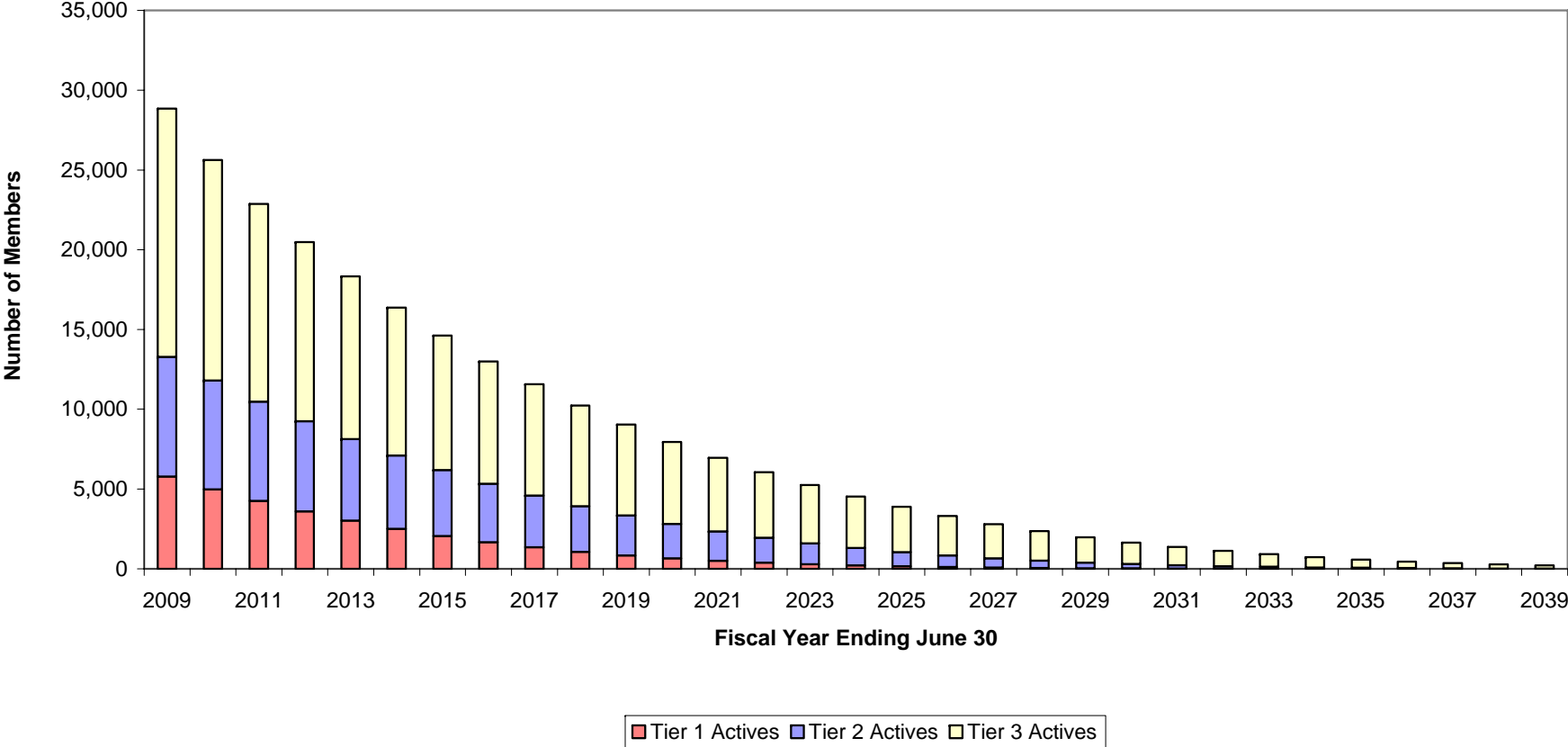
**1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll**

Key Assumptions

- 8.25% investment return on the Market Value of Assets in all years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 2.3.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan entrants into Tiers 1, 2 and 3.

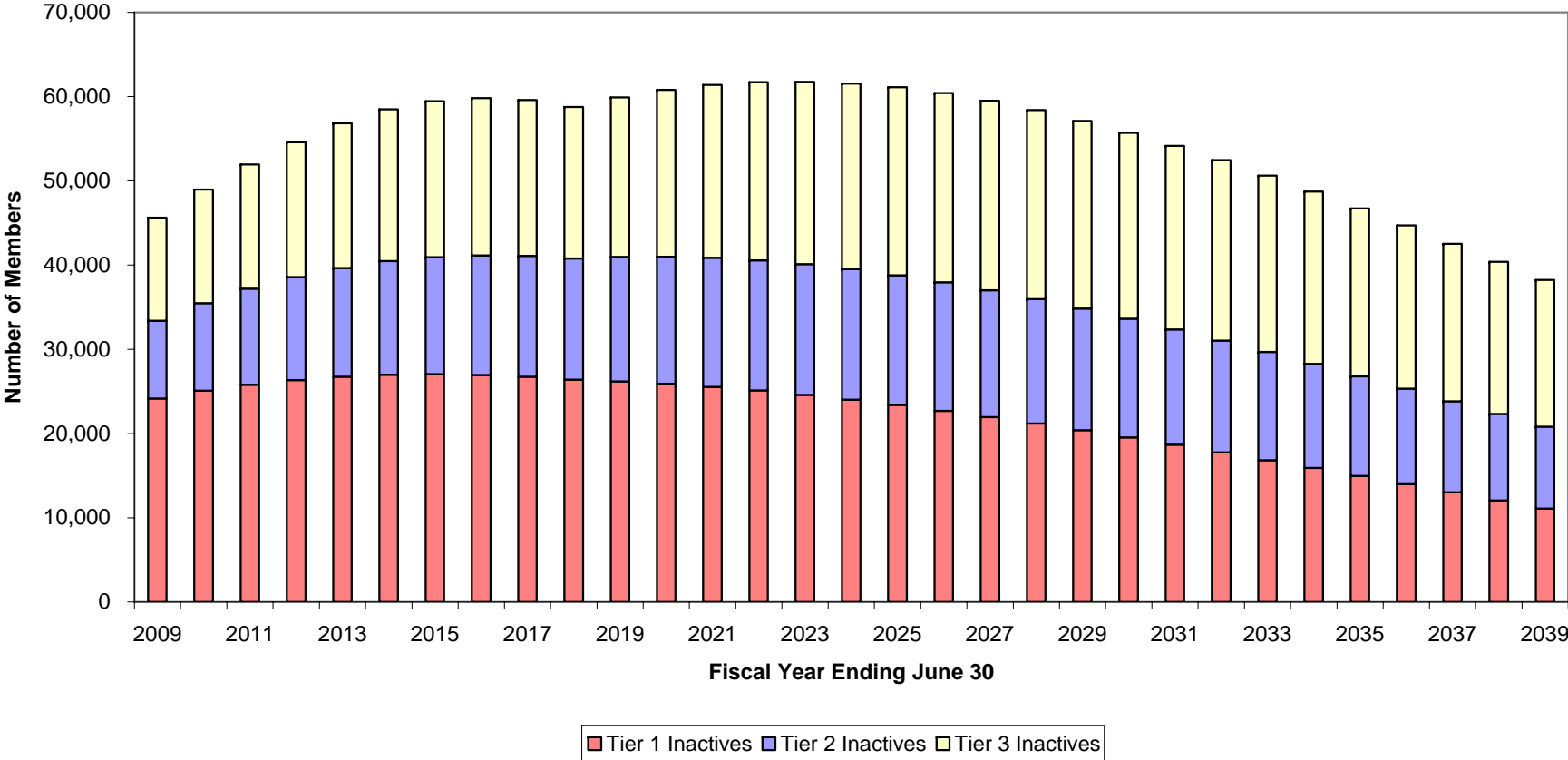
1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll (continued)

Projected Active Member Count



1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll (continued)

Projected Inactive Member Count



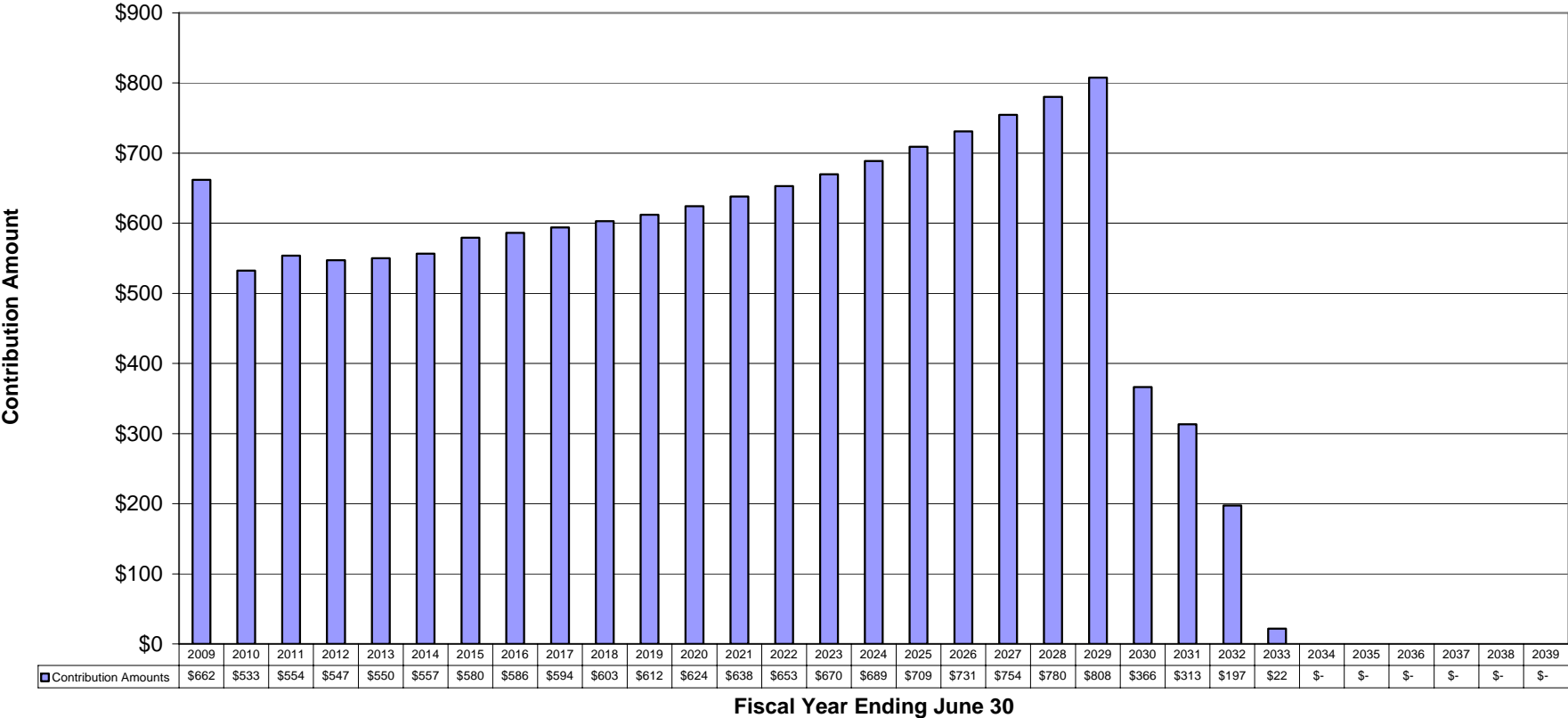
**1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DBR and DC Payroll (continued)**

Observations

- Contribution amounts have been shown instead of rates. The actual contribution amount provides a more meaningful illustration of the contributions due.
- Contribution amounts decrease until FY12 and then start to steadily increase from FY13 through FY29, before dropping off significantly when the June 30, 2002 unfunded liability amortization base is paid off.
- Contributions become \$0 towards the end of the projection period upon completion of 25-year amortizations of recent gains and losses.
- Funding ratios improve throughout most of the projection period.

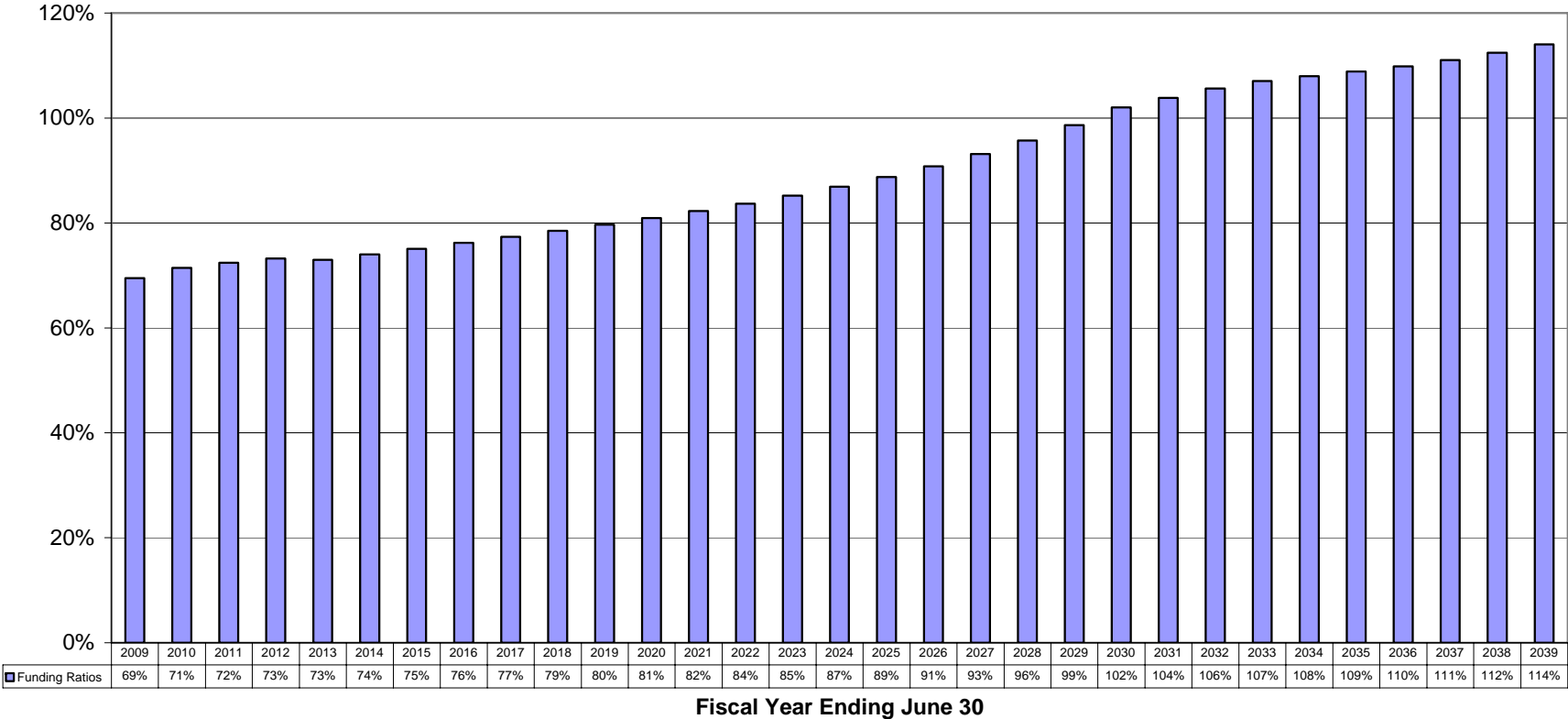
**1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll (continued)**

Projected Employer/State Contribution Amounts



**1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll (continued)**

Projected Funding Ratios



**1.5(a) Actuarial Projections – Projections at Calculated Rate
Based on Total DB and DCR Payroll (continued)**

State of Alaska PERS Financial Projections (in Thousands)														
Fiscal Year End	Investment Return: 8.25%				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)										
2009	\$11,040,106	\$15,888,141	69.49%	(\$4,848,035)	\$1,879,117	35.22%	\$661,825	\$125,371	\$787,196	\$784,522	\$2,674	\$885,078	(\$51)	\$11,927,807
2010	11,927,807	16,701,129	71.42%	(4,773,322)	1,925,885	27.65%	532,507	117,723	650,230	857,431	(207,201)	949,832	(4,845)	12,665,593
2011	12,665,593	17,485,784	72.43%	(4,820,191)	1,981,376	27.96%	553,993	111,184	665,177	926,107	(260,930)	1,008,927	(58,285)	13,355,305
2012	13,355,305	18,239,081	73.22%	(4,883,776)	2,044,022	26.78%	547,389	105,449	652,838	995,542	(342,704)	1,067,330	(250,011)	13,829,919
2013	13,829,919	18,959,921	72.94%	(5,130,002)	2,112,962	26.04%	550,215	99,630	649,845	1,065,631	(415,786)	1,124,157	0	14,538,291
2014	14,538,291	19,646,576	74.00%	(5,108,286)	2,188,456	25.44%	556,743	94,333	651,076	1,136,158	(485,082)	1,179,796	0	15,233,005
2015	15,233,005	20,296,866	75.05%	(5,063,861)	2,271,767	25.51%	579,528	89,380	668,908	1,206,379	(537,471)	1,234,992	0	15,930,526
2016	15,930,526	20,909,780	76.19%	(4,979,254)	2,359,491	24.85%	586,334	84,424	670,758	1,278,380	(607,622)	1,289,701	0	16,612,605
2017	16,612,605	21,481,619	77.33%	(4,869,014)	2,452,974	24.22%	594,110	79,995	674,105	1,348,613	(674,508)	1,343,268	0	17,281,365
2018	17,281,365	22,011,905	78.51%	(4,730,540)	2,551,227	23.63%	602,855	60,209	663,064	1,417,638	(754,574)	1,395,203	0	17,921,994
2019	17,921,994	22,495,457	79.67%	(4,573,463)	2,654,753	23.06%	612,186	55,484	667,670	1,480,197	(812,527)	1,445,712	0	18,555,180
2020	18,555,180	22,928,785	80.93%	(4,373,605)	2,765,361	22.58%	624,419	50,606	675,025	1,552,212	(877,187)	1,495,335	0	19,173,327
2021	19,173,327	23,309,625	82.25%	(4,136,298)	2,880,851	22.15%	638,108	46,094	684,202	1,623,752	(939,550)	1,543,811	0	19,777,589
2022	19,777,589	23,635,298	83.68%	(3,857,710)	3,002,491	21.75%	653,042	42,035	695,077	1,696,509	(1,001,432)	1,591,160	0	20,367,316
2023	20,367,316	23,900,977	85.22%	(3,533,660)	3,131,100	21.40%	670,055	37,886	707,941	1,769,439	(1,061,498)	1,637,384	0	20,943,202
2024	20,943,202	24,102,247	86.89%	(3,159,044)	3,267,067	21.08%	688,698	33,977	722,675	1,840,153	(1,117,478)	1,682,632	0	21,508,356
2025	21,508,356	24,237,082	88.74%	(2,728,726)	3,411,098	20.79%	709,167	30,359	739,526	1,909,072	(1,169,546)	1,727,151	0	22,065,961
2026	22,065,961	24,302,340	90.80%	(2,236,379)	3,561,870	20.52%	730,896	26,714	757,610	1,973,665	(1,216,055)	1,771,273	0	22,621,179
2027	22,621,179	24,297,791	93.10%	(1,676,612)	3,722,138	20.27%	754,477	23,449	777,926	2,034,450	(1,256,524)	1,815,443	0	23,180,098
2028	23,180,098	24,222,314	95.70%	(1,042,216)	3,891,722	20.05%	780,290	20,626	800,916	2,091,551	(1,290,635)	1,860,174	0	23,749,637
2029	23,749,637	24,074,637	98.65%	(324,999)	4,071,739	19.84%	807,833	17,916	825,749	2,143,002	(1,317,253)	1,906,085	0	24,338,469
2030	24,338,469	23,855,499	102.02%	482,970	4,265,821	8.59%	366,434	15,357	381,791	2,187,634	(1,805,843)	1,934,909	0	24,467,535
2031	24,467,535	23,566,956	103.82%	900,580	4,467,271	7.01%	313,156	13,402	326,558	2,230,336	(1,903,778)	1,941,597	0	24,505,355
2032	24,505,355	23,205,933	105.60%	1,299,422	4,677,364	4.22%	197,385	11,226	208,611	2,265,632	(2,057,021)	1,938,521	0	24,386,855
2033	24,386,855	22,774,612	107.08%	1,612,243	4,897,420	0.44%	21,549	9,795	31,344	2,291,370	(2,260,026)	1,920,537	0	24,047,366
2034	24,047,366	22,277,687	107.94%	1,769,679	5,128,159	0.00%	0	8,205	8,205	2,310,594	(2,302,389)	1,890,816	0	23,635,792
2035	23,635,792	21,716,915	108.84%	1,918,877	5,370,626	0.00%	0	6,445	6,445	2,318,523	(2,312,078)	1,856,469	0	23,180,183
2036	23,180,183	21,099,341	109.86%	2,080,842	5,622,260	0.00%	0	5,622	5,622	2,317,305	(2,311,683)	1,818,898	0	22,687,398
2037	22,687,398	20,430,216	111.05%	2,257,182	5,887,037	0.00%	0	4,121	4,121	2,308,842	(2,304,721)	1,778,524	0	22,161,201
2038	22,161,201	19,713,118	112.42%	2,448,083	6,163,781	0.00%	0	3,698	3,698	2,287,678	(2,283,980)	1,735,952	0	21,613,173
2039	21,613,173	18,957,505	114.01%	2,655,668	6,454,697	0.00%	0	2,582	2,582	2,256,798	(2,254,216)	1,691,943	0	21,050,900

1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll

Key Assumptions

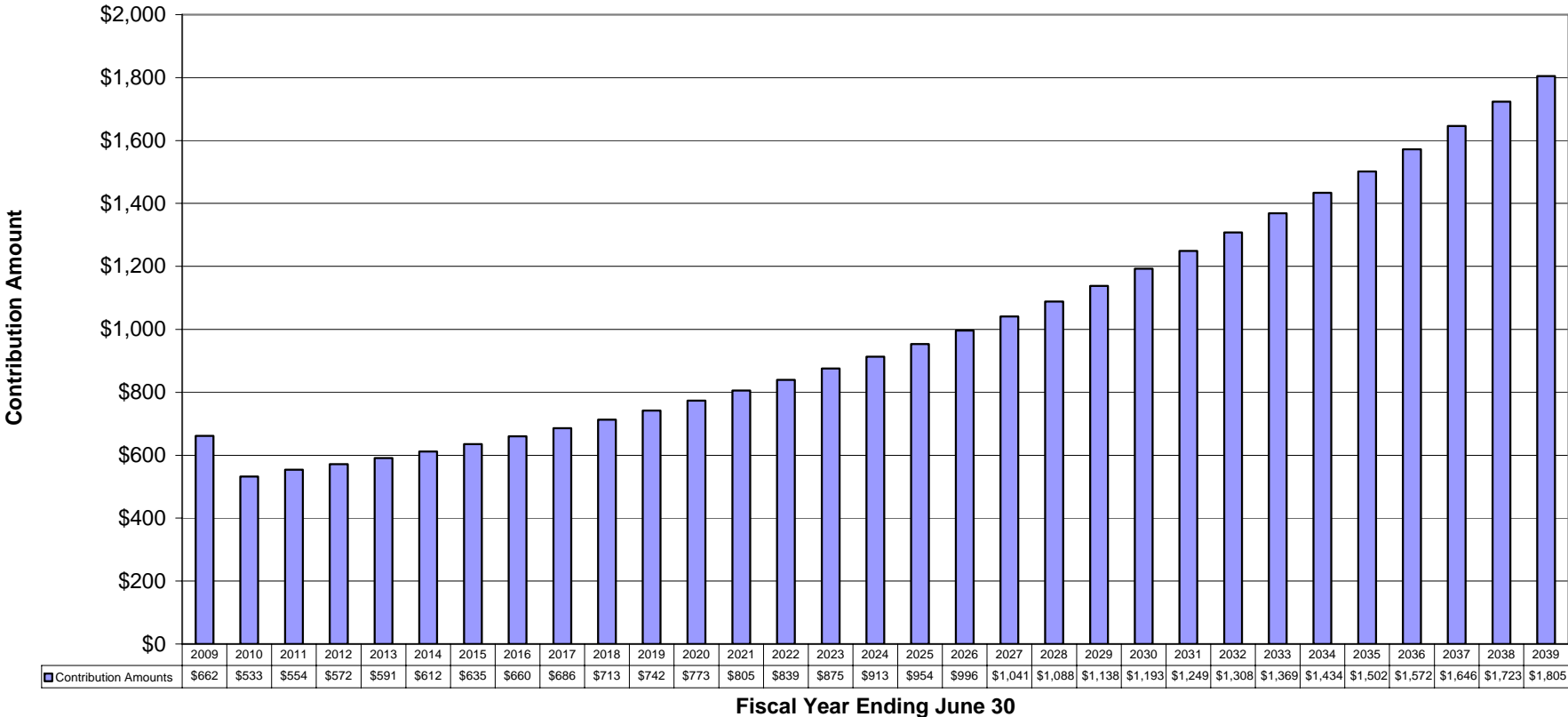
- All assumptions and methods are the same as Section 1.5(a), except adopted contribution rate is maintained at the FY11 level for all future years.

Observations

- Contribution amounts increase through the projection period.
- Funded ratios improve throughout most of the projection period.

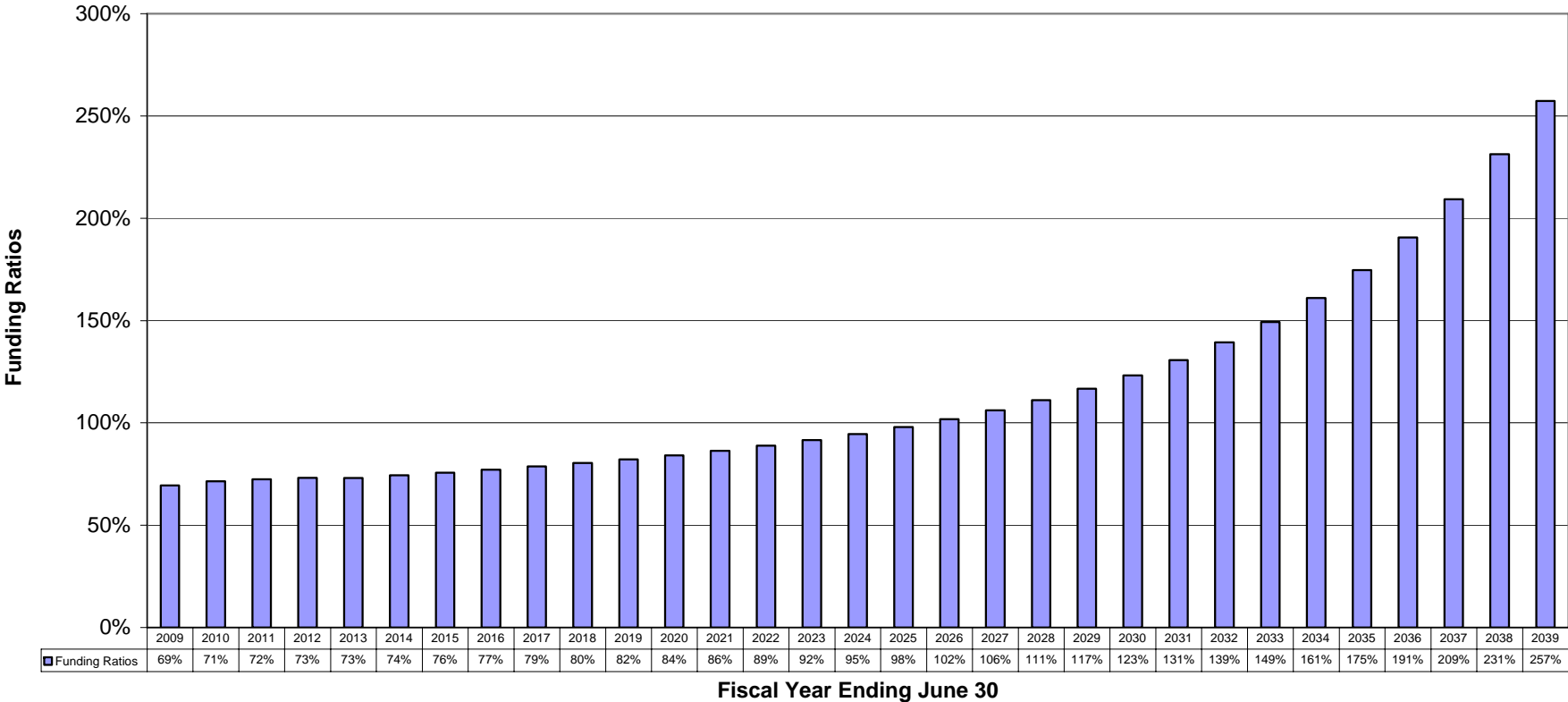
**1.5(b) Actuarial Projections – Projections at Current Rate
Based on Total DB and DCR Payroll (continued)**

Projected Employer/State Contribution Amounts



**1.5(b) Actuarial Projections – Projections at Current Rate
Based on Total DB and DCR Payroll (continued)**

Projected Funding Ratios



1.5(b) Actuarial Projections – Projections at Current Rate Based on Total DB and DCR Payroll (continued)

State of Alaska PERS
Financial Projections (in Thousands)

Fiscal Year End	Valuation Amounts on July 1 (Beginning of Fiscal Year)				Flow Amounts During Following 12 Months								Recognized Asset Gain/(Loss)	Ending Actuarial Assets
	Actuarial Assets	Accrued Liability	Funding Ratio	Surplus (Deficit)	Total Salaries	Employer/State Ctb Rate	Employer/State Contribs	Employee Contribs	Total Contribs	Benefit Payments	Net Contribs	Investment Earnings		
2009	\$11,040,106	\$15,888,141	69.49%	(\$4,848,035)	\$1,879,117	35.22%	\$661,825	\$125,371	\$787,196	\$784,522	\$2,674	\$885,078	(\$51)	\$11,927,807
2010	11,927,807	16,701,129	71.42%	(4,773,322)	1,925,885	27.65%	532,507	117,723	650,230	857,431	(207,201)	949,832	(4,845)	12,665,593
2011	12,665,593	17,485,784	72.43%	(4,820,191)	1,981,376	27.96%	553,993	111,184	665,177	926,107	(260,930)	1,008,927	(58,285)	13,355,305
2012	13,355,305	18,239,081	73.22%	(4,883,776)	2,044,022	27.96%	571,509	105,449	676,958	995,542	(318,584)	1,068,305	(250,011)	13,855,014
2013	13,855,014	18,959,921	73.08%	(5,104,907)	2,112,962	27.96%	590,784	99,630	690,414	1,065,631	(375,217)	1,127,868	0	14,607,666
2014	14,607,666	19,646,576	74.35%	(5,038,911)	2,188,456	27.96%	611,892	94,333	706,225	1,136,158	(429,933)	1,187,749	0	15,365,482
2015	15,365,482	20,296,866	75.70%	(4,931,384)	2,271,767	27.96%	635,186	89,380	724,566	1,206,379	(481,813)	1,248,171	0	16,131,840
2016	16,131,840	20,909,780	77.15%	(4,777,940)	2,359,491	27.96%	659,714	84,424	744,138	1,278,380	(534,242)	1,309,276	0	16,906,874
2017	16,906,874	21,481,619	78.70%	(4,574,745)	2,452,974	27.96%	685,852	79,995	765,847	1,348,613	(582,766)	1,371,254	0	17,695,362
2018	17,695,362	22,011,905	80.39%	(4,316,543)	2,551,227	27.96%	713,323	60,209	773,532	1,417,638	(644,106)	1,433,825	0	18,485,081
2019	18,485,081	22,495,457	82.17%	(4,010,376)	2,654,753	27.96%	742,269	55,484	797,753	1,480,197	(682,444)	1,497,426	0	19,300,064
2020	19,300,064	22,928,785	84.17%	(3,628,721)	2,765,361	27.96%	773,195	50,606	823,801	1,552,212	(728,411)	1,562,804	0	20,134,456
2021	20,134,456	23,309,625	86.38%	(3,175,169)	2,880,851	27.96%	805,486	46,094	851,580	1,623,752	(772,172)	1,629,872	0	20,992,157
2022	20,992,157	23,635,298	88.82%	(2,643,142)	3,002,491	27.96%	839,496	42,035	881,531	1,696,509	(814,978)	1,698,901	0	21,876,079
2023	21,876,079	23,900,977	91.53%	(2,024,897)	3,131,100	27.96%	875,456	37,886	913,342	1,769,439	(856,097)	1,770,162	0	22,790,144
2024	22,790,144	24,102,247	94.56%	(1,312,102)	3,267,067	27.96%	913,472	33,977	947,449	1,840,153	(892,704)	1,844,093	0	23,741,533
2025	23,741,533	24,237,082	97.96%	(495,549)	3,411,098	27.96%	953,743	30,359	984,102	1,909,072	(924,970)	1,921,278	0	24,737,841
2026	24,737,841	24,302,340	101.79%	435,501	3,561,870	27.96%	995,899	26,714	1,022,613	1,973,665	(951,052)	2,002,418	0	25,789,207
2027	25,789,207	24,297,791	106.14%	1,491,416	3,722,138	27.96%	1,040,710	23,449	1,064,159	2,034,450	(970,291)	2,088,378	0	26,907,294
2028	26,907,294	24,222,314	111.08%	2,684,980	3,891,722	27.96%	1,088,125	20,626	1,108,751	2,091,551	(982,800)	2,180,115	0	28,104,609
2029	28,104,609	24,074,637	116.74%	4,029,973	4,071,739	27.96%	1,138,458	17,916	1,156,374	2,143,002	(986,628)	2,278,738	0	29,396,719
2030	29,396,719	23,855,499	123.23%	5,541,220	4,265,821	27.96%	1,192,724	15,357	1,208,081	2,187,634	(979,553)	2,385,623	0	30,802,789
2031	30,802,789	23,566,956	130.70%	7,235,834	4,467,271	27.96%	1,249,049	13,402	1,262,451	2,230,336	(967,885)	2,502,096	0	32,337,001
2032	32,337,001	23,205,933	139.35%	9,131,068	4,677,364	27.96%	1,307,791	11,226	1,319,017	2,265,632	(946,615)	2,629,528	0	34,019,914
2033	34,019,914	22,774,612	149.38%	11,245,302	4,897,420	27.96%	1,369,319	9,795	1,379,114	2,291,370	(912,256)	2,769,758	0	35,877,416
2034	35,877,416	22,277,687	161.05%	13,599,729	5,128,159	27.96%	1,433,833	8,205	1,442,038	2,310,594	(868,556)	2,924,769	0	37,933,628
2035	37,933,628	21,716,915	174.67%	16,216,713	5,370,626	27.96%	1,501,627	6,445	1,508,072	2,318,523	(810,451)	3,096,756	0	40,219,933
2036	40,219,933	21,099,341	190.62%	19,120,592	5,622,260	27.96%	1,571,984	5,622	1,577,606	2,317,305	(739,699)	3,288,236	0	42,768,470
2037	42,768,470	20,430,216	209.34%	22,338,254	5,887,037	27.96%	1,646,016	4,121	1,650,137	2,308,842	(658,705)	3,501,766	0	45,611,531
2038	45,611,531	19,713,118	231.38%	25,898,413	6,163,781	27.96%	1,723,393	3,698	1,727,091	2,287,678	(560,587)	3,740,285	0	48,791,229
2039	48,791,229	18,957,505	257.37%	29,833,724	6,454,697	27.96%	1,804,733	2,582	1,807,315	2,256,798	(449,483)	4,007,103	0	52,348,849

1.5(c) Actuarial Projections – Effect of Economic Scenarios Based on Total DB and DCR Payroll

Key Assumptions

- All assumptions and methods are the same as Section 1.5(a) except investment returns on the Market Value of Assets are assumed as follows:

Base Case:	8.25% for all future years
Optimistic:	9.00% for all future years
Pessimistic:	7.50% for all future years

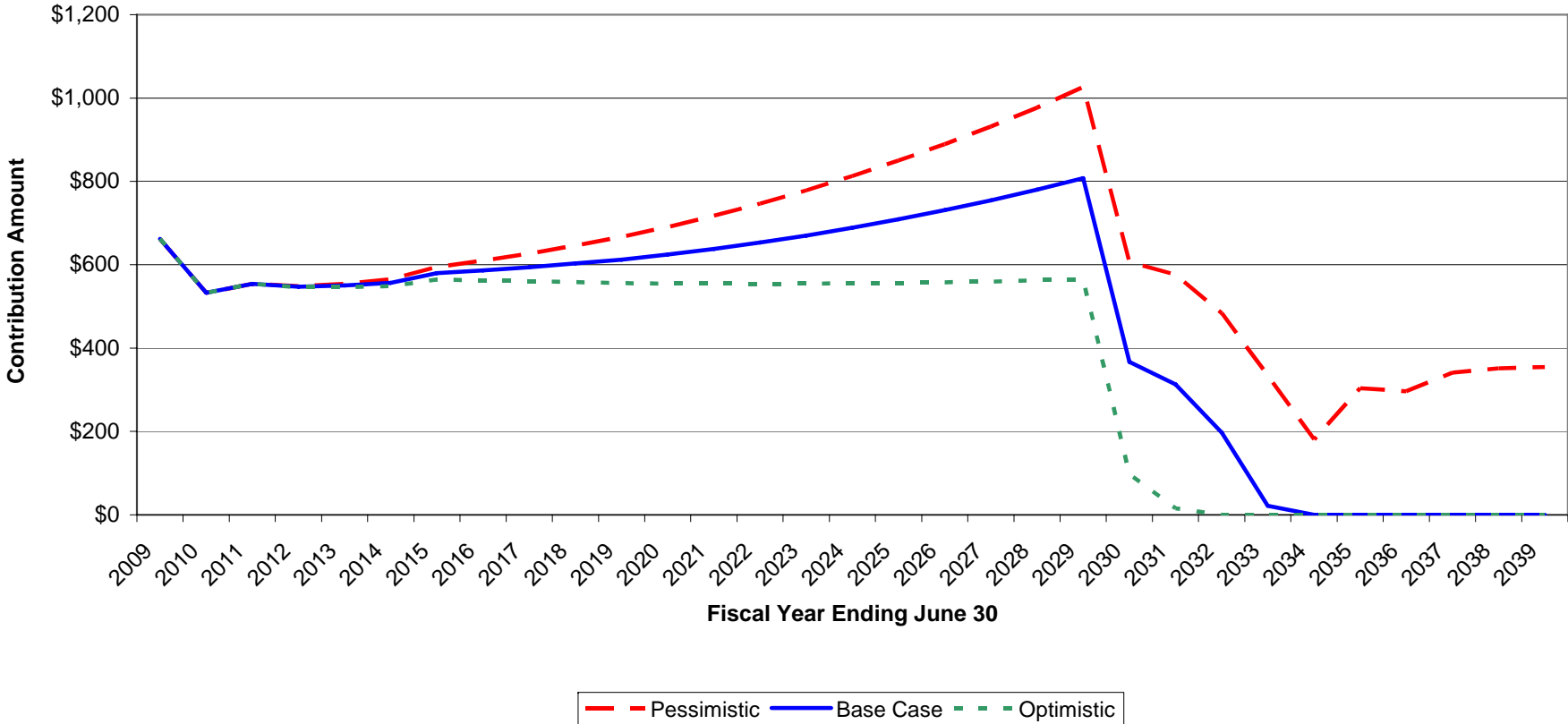
- In all cases, liabilities have been projected using 8.25% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.25% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

Observations

- As expected, lower investment returns would yield higher contribution requirements and higher investment returns would yield lower contribution requirements.
- In all scenarios, contribution amounts decrease towards end of projection period upon completion of 25-year amortizations of recent gains and losses.

**1.5(c) Actuarial Projections – Projections at Calculated Rate
Effect of Economic Scenarios
Based on Total DB and DCR Payroll (continued)**

Projected Employer/State Contribution Amounts



Section 2

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 Plan Provisions

(1) Effective Date

January 1, 1961, with amendments through June 30, 2008. 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 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

(2) Administration of Plan

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

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

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

(3) Employers Included

Currently there are 159 employers participating in the PERS, including the State of Alaska and 158 political subdivisions and public organizations.

(4) Membership

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

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

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

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

Members may claim other types of service, including:

- part-time State of Alaska service rendered after December 31, 1960, and before January 1, 1976;
- service with the State, former Territory of Alaska, or U.S. Government in Alaska before January 1, 1961;
- past Peace Officer, correctional officer, fire fighter, and special officer service after January 1, 1961;
- military service (not more than five years may be claimed);
- temporary service after December 31, 1960;
- elected official service before January 1, 1981;
- Alaska Bureau of Indian Affairs service;
- past service rendered by employees who worked half-time in the PERS and Teachers' Retirement System (TRS) simultaneously;
- leave without pay service after June 13, 1987, while receiving Workers' Compensation;
- Village Public Safety Officer service; and
- service as a temporary employee of the legislature before July 1, 1979, but this service must have been claimed no later than July 1, 2003, or by the date of retirement, if sooner (not more than 10 years may be claimed).

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

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

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).

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

(6) Employer Contributions

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

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

The past service rate is a uniform rate for all participating employers to amortize the unfunded past service liability with payments that are a level percentage of pay amount over fixed 25-year periods.

Employer rates cannot be less than the normal cost rate.

Pursuant to AS 39.35.255 effective July 1, 2008, each PERS employer will pay a simple uniform contribution rate of 22% of member payroll.

(7) Additional State Contributions

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

(8) Member Contributions

Mandatory Contributions: Peace Officer/Firefighter members are required to contribute 7.5% of their compensation; all Others contribute 6.75%. Those all Others who have elected to have their service calculated under the Teachers' Retirement System rules contribute 9.76% of their compensation. Members' contributions are deducted from gross wages before federal income taxes are withheld.

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

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

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

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

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

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

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. 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.

(9) Retirement Benefits

Eligibility:

- (a) Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - (i) five years of paid-up PERS service;
 - (ii) 60 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired under the PERS before May 30, 1987;

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

- (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;
 - (iv) two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or
 - (v) two years of paid-up PERS service and a minimum three years of TRS service to qualify for a public service benefit.
- (b) Members may retire at any age when they have:
- (i) 20 paid-up years of PERS Peace Officer/Firefighter service; or
 - (ii) 30 paid-up years of PERS "all other" or "elected official" service.

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

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1986 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. 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 Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

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

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

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

(10) Reemployment of Retired Members

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

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under 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 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and
- (c) be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

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

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

(11) Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers / Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

(12) Disability Benefits

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

Occupational Disability: Members are not required to satisfy age or service requirements to be eligible for occupational disability. Monthly benefits are equal to 40% of their gross monthly compensation on the date of their disability. Members on occupational disability continue to earn PERS service until they become eligible for normal retirement. Peace Officer/Firefighter members may elect to retain the disability benefit formula for the calculation of their normal retirement benefits.

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

(13) 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.

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

Occupational Death: When an active member (vested or nonvested) dies from occupational causes, a monthly survivor's pension may be paid to the spouse. The pension equals 40% of the member's gross monthly compensation on the date of death or disability, if earlier. If there is no spouse, the pension may be paid to the member's dependent children. On the member's normal retirement date, the benefit converts to a normal retirement benefit. The normal benefit is based on the member's salary on the date of death and service, including service accumulated from the date of the member's death to the normal retirement date. Survivors of Peace Officer/Firefighter members receive the greater of 50% of the member's gross monthly compensation on the date of death or disability, or 75% of the member's monthly normal retirement benefit (including service projected to Normal Retirement).

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

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

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

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

(14) Postretirement Pension Adjustments

Postretirement 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, excluding the Alaska COLA, times:

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

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

Ad hoc PRPAs, up to a maximum of 4%, may be granted to eligible recipients who first entered the PERS before July 1, 1986 (Tier 1) if the CPI increases and the funding ratio is at least 105%.

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

(15) Alaska Cost of Living Allowance

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

- (a) members who first entered the PERS before July 1, 1986 (Tier 1) and their survivors;
- (b) members who first entered the PERS after June 30, 1986 (Tiers 2 & 3) and their survivors if they are at least age 65; and
- (c) all disabled members.

Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation. SB 125 was passed in 2008 which creates a cost-share plan for PERS that has the same contribution rate for all participating employers, including an additional State contribution necessary to pay the rate adopted by the Board.

2.2(a) Member Census Information – Total PERS

As of June 30	2004	2005	2006	2007	2008
Active Members					
(1) Number	33,612	33,730	34,071	31,362	28,850
(2) Average Age	44.64	44.82	45.04	46.06	47.01
(3) Average Credited Service	8.70	8.72	8.92	9.66	10.48
(4) Average Entry Age	35.94	36.10	36.12	36.40	36.53
(5) Average Annual Earnings	\$ 43,823	\$ 44,860	\$ 46,688	\$ 51,203	\$ 54,691
(6) Number Vested	18,337	19,349	19,032	19,587	20,058
(7) Percent Who Are Vested	54.6%	57.4%	55.9%	62.5%	69.5%
Retirees, Disableds and Beneficiaries					
(1) Number	19,572	20,703	21,901	22,997	24,082
(2) Average Age	64.99	65.21	65.40	65.69	66.01
(3) Average Monthly Pension Benefit					
Base	\$ 1,163	\$ 1,193	\$ 1,217	\$ 1,242	\$ 1,263
COLA	80	82	83	84	84
P.R.P.A.	224	221	222	226	225
Adjustment	1	1	1	0	1
Total	\$ 1,468	\$ 1,497	\$ 1,523	\$ 1,552	\$ 1,573
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefits)					
(1) Number	5,965	6,105	6,219	6,398	6,627
(2) Average Age	48.13	48.46	48.76	49.07	49.41
(3) Average Monthly Pension Benefit	\$ 779	\$ 582	\$ 590	\$ 786	\$ 816
Non-Vested Terminations With Account Balances (not vested at termination, not refunded contributions)					
(1) Number ¹	11,860	12,761	14,155	14,902	14,930
(2) Average Account Balance	\$ 3,766	\$ 3,832	\$ 3,876	\$ 4,035	\$ 4,354

¹ Includes deceased members with account balances.

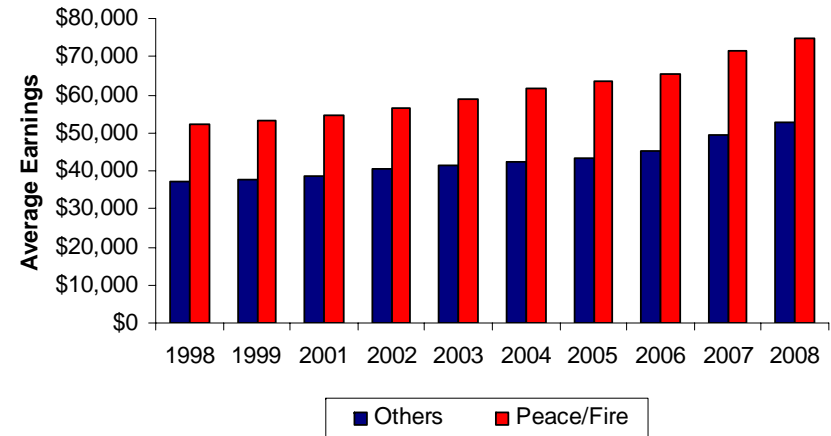
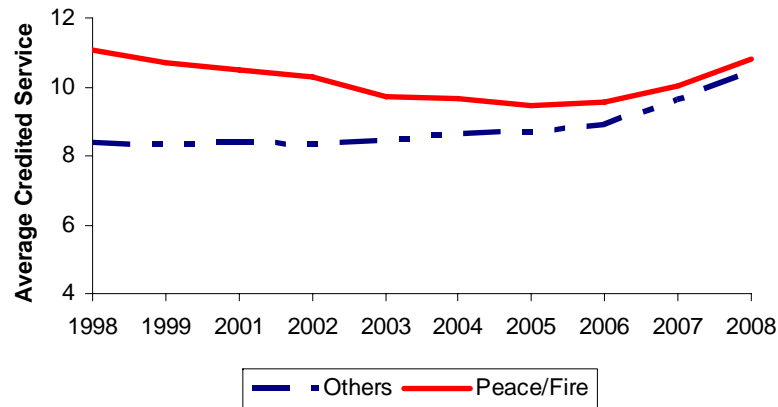
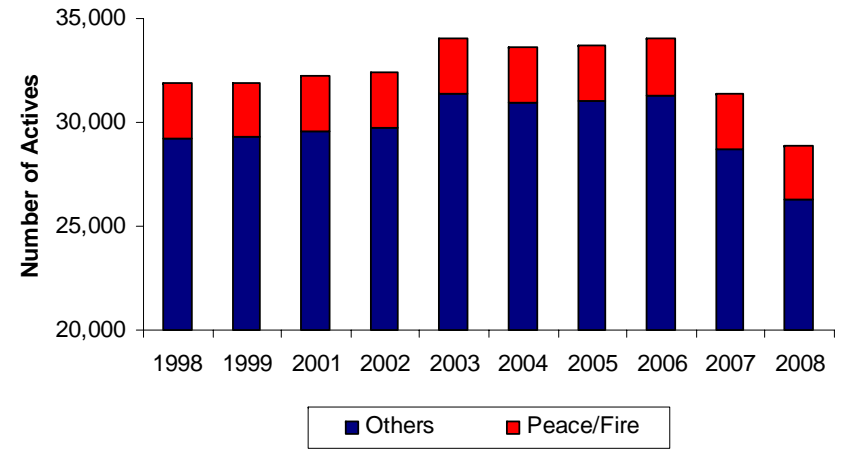
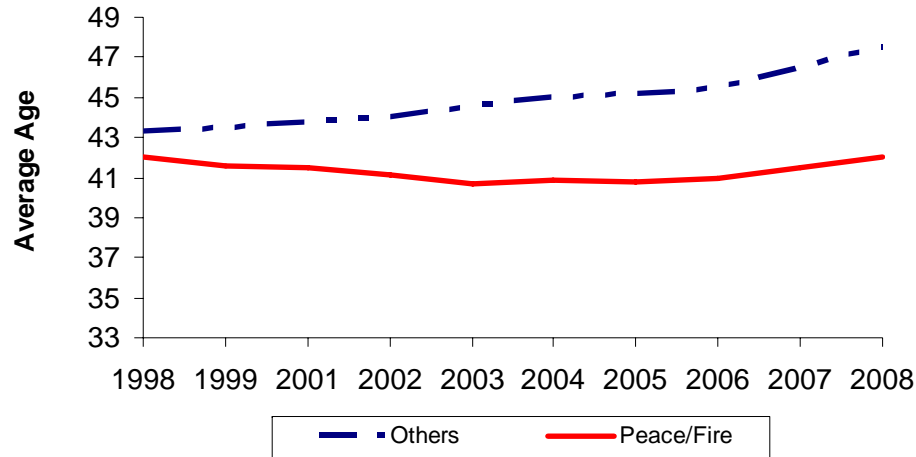
2.2(a) Member Census Information – Total PERS *(continued)*

As of June 30, 2008	Tier 1	Tier 2	Tier 3	Total
Retirees, Disableds and Beneficiaries				
(1) Number	20,438	3,219	425	24,082
(2) Average Age	66.28	64.79	62.29	66.01
(3) Average Monthly Pension Benefit				
Base	\$ 1,347	\$ 812	\$ 663	\$ 1,263
COLA	94	27	27	84
P.R.P.A.	257	50	19	225
Adjustment	1	0	0	1
Total	\$ 1,699	\$ 889	\$ 709	\$ 1,573

2.2(b) Additional Information – Active Members

As of June 30	2004	2005	2006	2007	2008
Peace Officer/Firefighter					
(1) Number	2,705	2,733	2,785	2,687	2,549
(2) Average Age	40.89	40.82	40.94	41.48	42.04
(3) Average Credited Service	9.68	9.46	9.54	10.05	10.80
(4) Average Entry Age	31.21	31.36	31.40	31.43	31.24
(5) Average Annual Earnings	\$ 61,855	\$ 63,723	\$ 65,289	\$ 71,334	\$ 74,825
(6) Number Vested	1,730	1,799	1,811	1,892	1,928
(7) Percent Who Are Vested	64.0%	65.8%	65.0%	70.4%	75.6%
Others					
(1) Number	30,907	30,997	31,286	28,675	26,301
(2) Average Age	44.97	45.17	45.40	46.49	47.49
(3) Average Credited Service	8.61	8.65	8.86	9.62	10.45
(8) Average Entry Age	36.36	36.52	36.54	36.87	37.04
(4) Average Annual Earnings	\$ 42,245	\$ 43,197	\$ 45,032	\$ 49,316	\$ 52,740
(5) Number Vested	16,607	17,550	17,221	17,695	18,130
(6) Percent Who Are Vested	53.7%	56.6%	55.0%	61.7%	68.9%
Total					
(1) Number	33,612	33,730	34,071	31,362	28,850
(2) Average Age	44.64	44.82	45.04	46.06	47.01
(3) Average Credited Service	8.70	8.72	8.92	9.66	10.48
(9) Average Entry Age	35.94	36.10	36.12	36.40	36.53
(4) Average Annual Earnings	\$ 43,823	\$ 44,860	\$ 46,688	\$ 51,203	\$ 54,691
(5) Number Vested	18,337	19,349	19,032	19,587	20,058
(6) Percent Who Are Vested	54.6%	57.4%	55.9%	62.5%	69.5%

2.2(b) Additional Information – Active Members (continued)



2.2(c) Distribution of Active Members – Peace Officer/Firefighter

Annual Earnings by Age				Annual Earnings by Credited Service			
Age	Number	Total Annual Earnings	Average Annual Earnings	Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	0	\$ 0	\$ 0	0	10	\$ 524,860	\$ 52,486
20 – 24	30	1,880,113	62,670	1	8	483,568	60,446
25 – 29	212	14,614,952	68,938	2	242	15,302,479	63,233
30 – 34	377	27,689,412	73,447	3	204	13,894,508	68,110
35 – 39	530	40,285,028	76,009	4	125	8,679,461	69,436
40 – 44	457	35,376,396	77,410	0 – 4	589	38,884,876	66,018
45 – 49	390	29,939,143	76,767	5 – 9	765	56,134,809	73,379
50 – 54	309	23,151,275	74,923	10 – 14	569	45,029,750	79,138
55 – 59	182	13,493,319	74,139	15 – 19	345	27,945,254	81,001
60 – 64	55	3,866,538	70,301	20 – 24	188	15,086,103	80,245
65 – 69	6	347,737	57,956	25 – 29	72	5,865,212	81,461
70 – 74	1	85,011	85,011	30 – 34	19	1,621,634	85,349
75+	0	0	0	35 – 39	1	67,103	67,103
				40+	1	94,183	94,183
Total	2,549	\$ 190,728,924	\$ 74,825	Total	2,549	\$ 190,728,924	\$ 74,825

Years of Credited Service by Age

Age	Years of Service									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	28	2	0	0	0	0	0	0	0	30
25 – 29	151	61	0	0	0	0	0	0	0	212
30 – 34	123	193	60	1	0	0	0	0	0	377
35 – 39	91	207	185	46	1	0	0	0	0	530
40 – 44	69	133	128	100	27	0	0	0	0	457
45 – 49	57	94	85	81	58	14	1	0	0	390
50 – 54	45	43	62	63	54	37	5	0	0	309
55 – 59	21	23	38	42	35	16	6	1	0	182
60 – 64	4	9	9	9	12	5	6	0	1	55
65 – 69	0	0	2	3	1	0	0	0	0	6
70 – 74	0	0	0	0	0	0	1	0	0	1
75+	0	0	0	0	0	0	0	0	0	0
Total	589	765	569	345	188	72	19	1	1	2,549

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(d) Schedule of Active Member Valuation Data – Peace Officer/Firefighter

Valuation Date	Number	Annual Earnings (000's)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2008	2,549	\$ 190,729 ¹	\$ 74,825	4.9%	159
June 30, 2007	2,687	191,674 ¹	71,334	9.3%	160
June 30, 2006	2,785	181,830 ¹	65,289	2.5%	160
June 30, 2005	2,733	174,155	63,723	3.0%	160
June 30, 2004	2,705	167,317	61,855	4.9%	161
June 30, 2003	2,727	160,743	58,945	0.8%	160
June 30, 2002	2,695	157,632	58,490	3.4%	161
June 30, 2001	2,683	151,701	56,542	3.9%	158
June 30, 1999	2,624	142,843	54,437	2.7%	148
June 30, 1998	2,617	138,653	52,982	1.0%	148

¹ Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

2.2(e) Distribution of Active Members – Others

Annual Earnings by Age				Annual Earnings by Credited Service			
Age	Number	Total Annual Earnings	Average Annual Earnings	Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	1	\$ 25,563	\$ 25,563	0	240	\$ 9,855,242	\$ 41,064
20 – 24	294	11,711,946	39,837	1	831	31,313,378	37,682
25 – 29	1,295	57,971,894	44,766	2	2,441	105,950,879	43,405
30 – 34	1,933	94,282,026	48,775	3	2,244	101,376,670	45,177
35 – 39	2,503	126,857,746	50,682	4	1,796	83,035,471	46,234
40 – 44	3,351	170,887,285	50,996	0 – 4	7,552	331,531,640	43,900
45 – 49	5,003	263,324,742	52,633	5 – 9	7,699	381,371,018	49,535
50 – 54	5,801	322,587,800	55,609	10 – 14	4,412	242,571,676	54,980
55 – 59	4,023	225,241,770	55,989	15 – 19	3,210	196,456,874	61,202
60 – 64	1,568	87,663,401	55,908	20 – 24	1,967	130,688,062	66,440
65 – 69	416	21,863,584	52,557	25 – 29	1,199	85,146,869	71,015
70 – 74	85	3,656,886	43,022	30 – 34	227	16,501,810	72,695
75+	28	1,042,237	37,223	35 – 39	31	2,532,961	81,708
				40+	4	315,970	78,993
Total	26,301	\$ 1,387,116,880	\$ 52,740	Total	26,301	\$ 1,387,116,880	\$ 52,740

Years of Credited Service by Age

Age	Years of Service									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
0 – 19	1	0	0	0	0	0	0	0	0	1
20 – 24	288	6	0	0	0	0	0	0	0	294
25 – 29	1,002	290	3	0	0	0	0	0	0	1,295
30 – 34	1,025	797	111	0	0	0	0	0	0	1,933
35 – 39	940	1,062	405	92	4	0	0	0	0	2,503
40 – 44	1,056	1,121	632	414	119	9	0	0	0	3,351
45 – 49	1,134	1,474	934	757	466	231	7	0	0	5,003
50 – 54	1,019	1,456	1,073	917	700	544	91	1	0	5,801
55 – 59	694	931	838	708	473	294	72	13	0	4,023
60 – 64	294	413	315	250	152	92	37	12	3	1,568
65 – 69	66	120	84	63	40	22	16	4	1	416
70 – 74	27	17	15	6	12	4	3	1	0	85
75+	6	12	2	3	1	3	1	0	0	28
Total	7,552	7,699	4,412	3,210	1,967	1,199	227	31	4	26,301

Total annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

2.2(f) Schedule of Active Member Valuation Data – Others

Valuation Date	Number	Annual Earnings (000's)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2008	26,301	\$ 1,387,117 ¹	\$ 52,740	6.9%	159
June 30, 2007	28,675	1,414,145 ¹	49,316	9.5%	160
June 30, 2006	31,286	1,408,863 ¹	45,032	4.2%	160
June 30, 2005	30,997	1,338,962	43,197	2.3%	160
June 30, 2004	30,907	1,305,670	42,245	1.8%	161
June 30, 2003	31,338	1,300,041	41,484	1.8%	160
June 30, 2002	30,547	1,245,055	40,759	0.3%	161
June 30, 2001	29,758	1,208,700	40,618	5.4%	158
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

¹ Prior to June 30, 2006, unannualized earnings were used. Starting June 30, 2006, annualized earnings are used.

2.2(g) Statistics on New Benefit Recipients – Peace Officer/Firefighter

During the Year Ending June 30	2004	2005	2006	2007	2008
Service					
(1) Number	150	121	91	97	97
(2) Average Age at Commencement	52.43	52.98	54.50	54.23	55.95
(3) Average Monthly Pension Benefit	\$ 2,761	\$ 2,435	\$ 2,415	\$ 2,692	\$ 2,616
Survivor (including surviving spouse and QDROs)					
(1) Number	19	12 ¹	22 ¹	30 ¹	20 ¹
(2) Average Age at Commencement	57.46	49.41	56.72	57.01	56.36
(3) Average Monthly Pension Benefit	\$ 1,544	\$ 876	\$ 993	\$ 1,388	\$ 1,163
Disability					
(1) Number	5	12	5	11	8
(2) Average Age at Commencement	47.50	47.42	47.21	48.51	43.62
(3) Average Monthly Pension Benefit	\$ 1,938	\$ 1,691	\$ 2,032	\$ 2,253	\$ 2,425
Total					
(1) Number	174	145	118	138	125
(2) Average Age at Commencement	52.84	52.23	54.61	54.38	55.23
(3) Average Monthly Pension Benefit	\$ 2,604	\$ 2,244	\$ 2,134	\$ 2,374	\$ 2,371

¹ Does not include new beneficiaries that were retirees or disabled retirees as of the prior valuation date.

2.2(h) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Peace Officer/Firefighter

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/07 - 6/30/08: ¹							
Average Monthly Pension Benefit	\$ 1,522	\$ 950	\$ 1,171	\$ 2,378	\$ 3,179	\$ 3,837	\$ 6,014
Number of Recipients	6	13	13	20	32	18	3
Period 7/1/06 - 6/30/07: ¹							
Average Monthly Pension Benefit	\$ 925	\$ 858	\$ 1,304	\$ 2,385	\$ 3,180	\$ 4,198	\$ 4,942
Number of Recipients	4	13	9	26	40	12	4
Period 7/1/05 - 6/30/06: ¹							
Average Monthly Pension Benefit	\$ 1,556	\$ 748	\$ 1,280	\$ 2,236	\$ 2,931	\$ 3,595	\$ 4,190
Number of Recipients	5	11	9	26	29	13	3
Period 7/1/04 - 6/30/05: ¹							
Average Monthly Pension Benefit	\$ 277	\$ 700	\$ 1,209	\$ 1,823	\$ 2,852	\$ 3,804	\$ 3,846
Number of Recipients	1	14	20	23	66	13	3
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	\$ 1,644	\$ 2,392	\$ 2,298	\$ 2,093	\$ 2,435	\$ 2,895	\$ 2,546
Number of Recipients	4	78	46	43	61	30	8
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	\$ 1,594	\$ 697	\$ 1,131	\$ 2,043	\$ 3,013	\$ 4,079	\$ 4,313
Number of Recipients	1	9	20	20	79	11	3
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	\$ 1,903	\$ 466	\$ 1,056	\$ 1,561	\$ 2,567	\$ 3,447	\$ 5,996
Number of Recipients	1	6	12	19	85	32	2
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	\$ 1,416	\$ 927	\$ 1,249	\$ 1,704	\$ 2,824	\$ 2,892	\$ 2,702
Number of Recipients	2	13	34	61	143	57	18
Period 7/1/99 - 6/30/00:							
Average Monthly Pension Benefit	\$ 1,879	\$ 698	\$ 1,214	\$ 1,808	\$ 2,849	\$ 3,713	\$ 4,097
Number of Recipients	22	8	23	29	61	17	3

“Average Monthly Pension Benefit” includes post-retirement pension adjustments and cost-of-living increases.

¹ Does not include new beneficiaries that were retirees or disabled retirees as of the prior valuation date.

2.2(i) Statistics on New Benefit Recipients – Others

During the Year Ending June 30	2004	2005	2006	2007	2008
Service					
(1) Number	1,155	1,200	1,308	1,270	1,226
(2) Average Age at Commencement	57.16	57.09	57.41	57.70	57.77
(3) Average Monthly Pension Benefit	\$ 1,526	\$ 1,524	\$ 1,539	\$ 1,731	\$ 1,743
Survivor (including surviving spouse and QDROs)					
(1) Number	151	43 ¹	155 ¹	175 ¹	201 ¹
(2) Average Age at Commencement	60.54	55.11	62.33	62.74	63.66
(3) Average Monthly Pension Benefit	\$ 758	\$ 602	\$ 852	\$ 847	\$ 1,000
Disability					
(1) Number	40	44	31	34	27
(2) Average Age at Commencement	43.22	50.26	49.93	50.60	47.75
(3) Average Monthly Pension Benefit	\$ 1,268	\$ 1,354	\$ 1,222	\$ 2,026	\$ 1,355
Total					
(1) Number	1,346	1,287	1,494	1,479	1,454
(2) Average Age at Commencement	57.08	56.79	57.77	58.13	58.40
(3) Average Monthly Pension Benefit	\$ 1,430	\$ 1,487	\$ 1,461	\$ 1,633	\$ 1,633

¹ Does not include new beneficiaries that were retirees or disabled retirees as of the prior valuation date.

2.2(j) Schedule of Average Pension Benefit Payments – New Benefit Recipients – Others

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/07 - 6/30/08: ¹							
Average Monthly Pension Benefit	\$ 586	\$ 548	\$ 1,044	\$ 1,655	\$ 2,668	\$ 3,642	\$ 4,561
Number of Recipients	69	315	249	222	172	170	56
Period 7/1/06 - 6/30/07: ¹							
Average Monthly Pension Benefit	\$ 1,026	\$ 564	\$ 1,084	\$ 1,773	\$ 2,509	\$ 3,699	\$ 4,132
Number of Recipients	97	320	263	207	190	183	44
Period 7/1/05 - 6/30/06: ¹							
Average Monthly Pension Benefit	\$ 519	\$ 536	\$ 950	\$ 1,464	\$ 2,212	\$ 3,247	\$ 3,837
Number of Recipients	72	319	271	246	197	184	50
Period 7/1/04 - 6/30/05: ¹							
Average Monthly Pension Benefit	\$ 423	\$ 516	\$ 1,008	\$ 1,571	\$ 2,249	\$ 3,176	\$ 3,369
Number of Recipients	40	363	266	211	213	118	76
Period 7/1/03 - 6/30/04:							
Average Monthly Pension Benefit	\$ 659	\$ 745	\$ 806	\$ 968	\$ 917	\$ 1,163	\$ 1,488
Number of Recipients	28	300	231	218	234	109	58
Period 7/1/02 - 6/30/03:							
Average Monthly Pension Benefit	\$ 984	\$ 678	\$ 1,022	\$ 1,601	\$ 2,201	\$ 3,116	\$ 4,004
Number of Recipients	202	379	290	219	179	99	77
Period 7/1/01 - 6/30/02:							
Average Monthly Pension Benefit	\$ 488	\$ 500	\$ 886	\$ 1,428	\$ 2,020	\$ 2,663	\$ 3,653
Number of Recipients	15	283	246	227	198	94	72
Period 7/1/00 - 6/30/01:							
Average Monthly Pension Benefit	\$ 602	\$ 577	\$ 791	\$ 1,129	\$ 1,392	\$ 1,771	\$ 1,949
Number of Recipients	8	174	289	594	542	438	297
Period 7/1/99 - 6/30/00:							
Average Monthly Pension Benefit	\$ 653	\$ 518	\$ 894	\$ 1,477	\$ 2,129	\$ 2,853	\$ 3,813
Number of Recipients	55	237	249	225	157	86	44

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

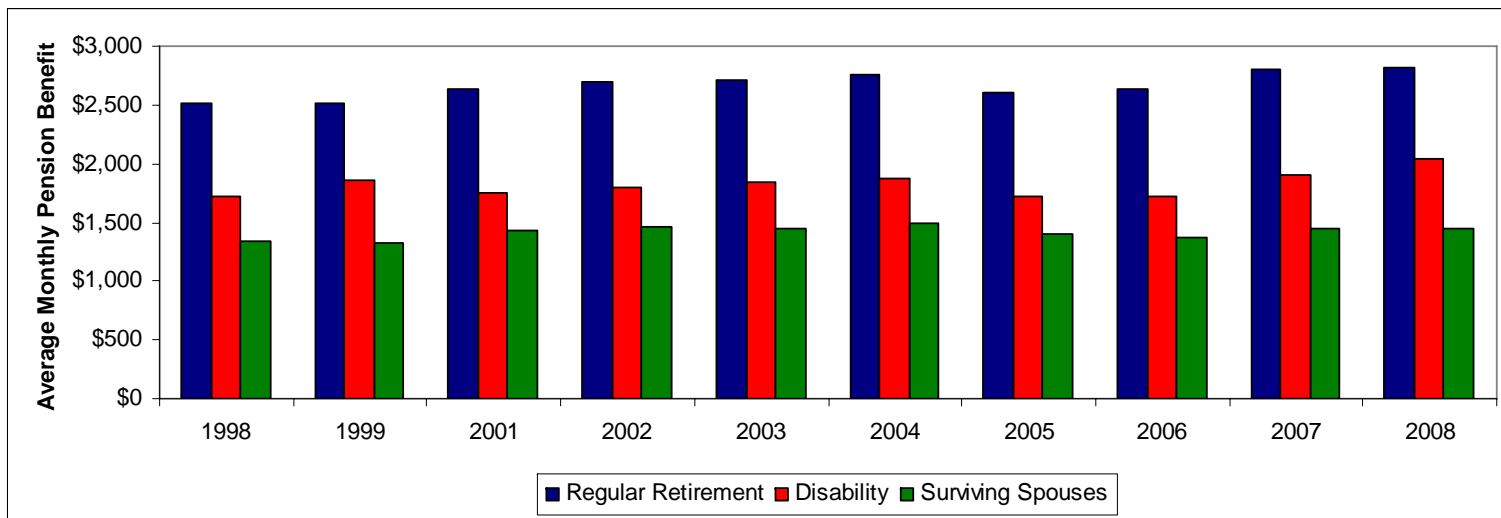
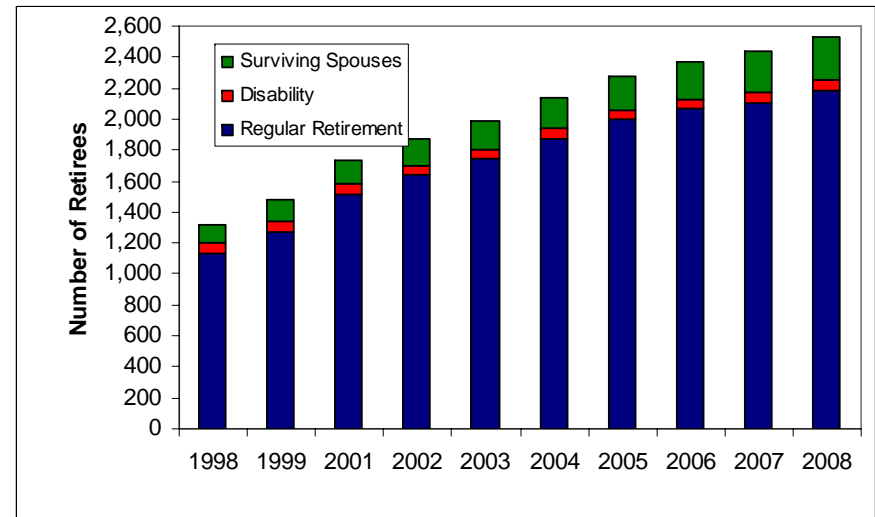
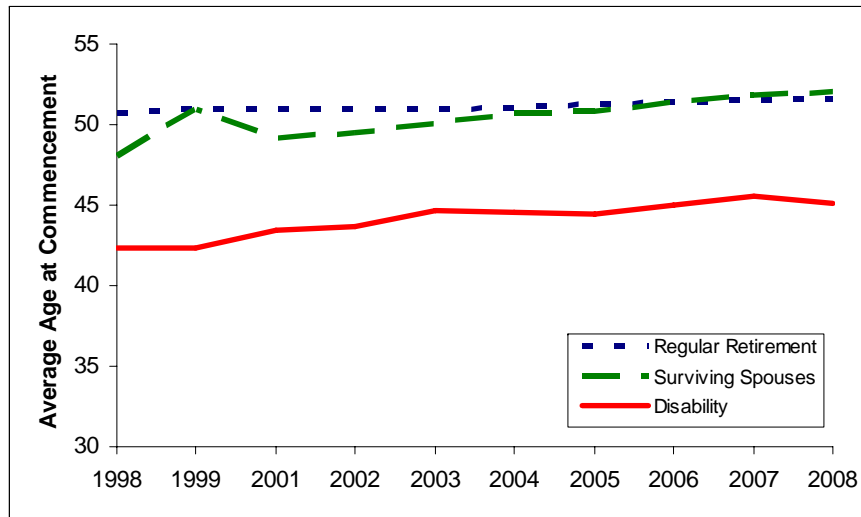
¹ Does not include new beneficiaries that were retirees or disabled retirees as of the prior valuation date.

2.2(k) Statistics on All Pension Benefit Recipients

	<u>Peace Officer/ Firefighter</u>	<u>Others</u>
Service Retirements		
(1) Number, June 30, 2007	2,107	18,385
(2) Net Change During FY08	80	869
(3) Number, June 30, 2008	2,187	19,254
(3) Average Age At Commencement	51.61	56.65
(4) Average Current Age	62.03	66.61
(5) Average Monthly Pension Benefit	\$ 2,816	\$ 1,503
Survivors (including surviving spouses and QDROs)		
(1) Number, June 30, 2007	271	1,840
(2) Net Change During FY08	17	150
(3) Number, June 30, 2008	288	1,990
(4) Average Age At Commencement	52.03	58.56
(5) Average Current Age	60.32	67.97
(6) Average Monthly Pension Benefit	\$ 1,443	\$ 909
Disabilities		
(1) Number, June 30, 2007	61	333
(2) Net Change During FY08	0	(31)
(3) Number, June 30, 2008	61	302
(4) Average Age At Commencement	45.11	45.09
(5) Average Current Age	50.91	52.01
(6) Average Monthly Pension Benefit	\$ 2,036	\$ 1,465
Total		
(1) Number, June 30, 2007	2,439	20,558
(2) Net Change During FY08	97	988
(3) Number, June 30, 2008	2,536	21,546
(4) Average Age At Commencement	51.50	56.66
(5) Average Current Age	61.56	66.54
(6) Average Monthly Pension Benefit	\$ 2,641	\$ 1,448

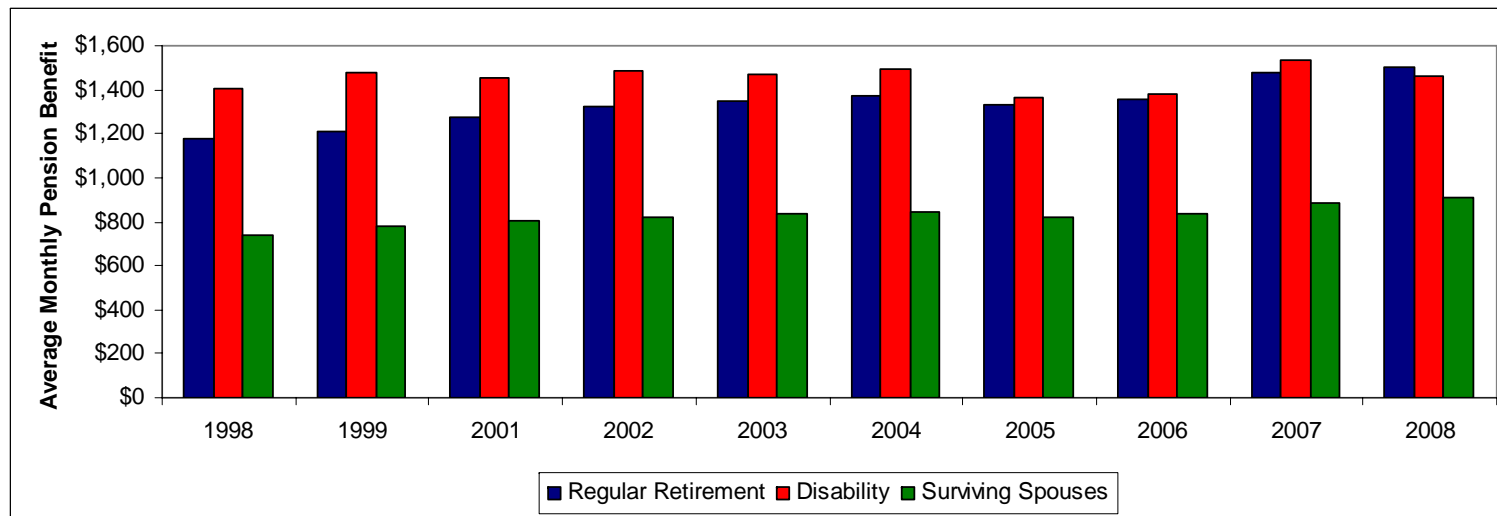
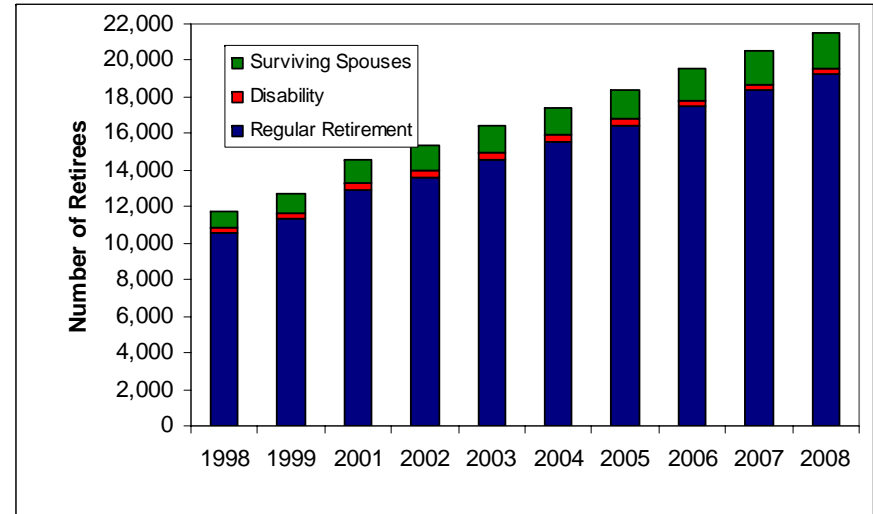
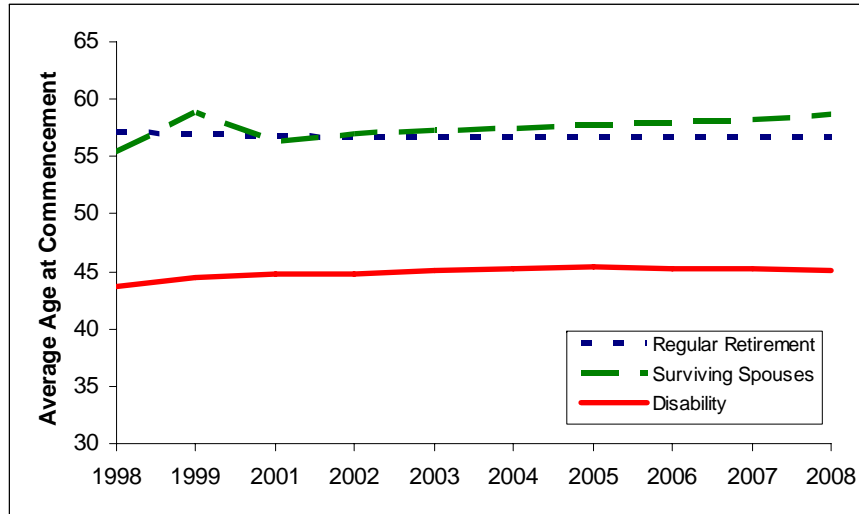
2.2(k) Statistics on All Pension Benefit Recipients (continued)

Peace Officer/Firefighter



2.2(k) Statistics on All Pension Benefit Recipients (continued)

Others



2.2(I) Distribution of Annual Pension Benefits for Benefit Recipients – Peace Officer/Firefighter

Annual Pension Benefit by Age

Age	Number	Total Annual Benefit	Average Annual Benefit
0 – 19	0	\$ 0	\$ 0
20 – 24	0	0	0
25 – 29	1	25,350	25,350
30 – 34	2	53,420	26,710
35 – 39	4	81,734	20,434
40 – 44	18	450,179	25,010
45 – 49	122	4,005,481	32,832
50 – 54	383	12,616,509	32,941
55 – 59	596	19,504,009	32,725
60 – 64	628	20,207,829	32,178
65 – 69	414	12,279,538	29,661
70 – 74	202	6,113,139	30,263
75+	166	5,048,591	30,413
Total	2,536	\$ 80,385,779	\$ 31,698

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Benefit	Average Annual Benefit
0	124	\$ 3,510,464	\$ 28,310
1	138	3,924,992	28,442
2	119	3,334,275	28,019
3	151	4,297,331	28,459
4	175	5,291,454	30,237
0 – 4	707	20,358,516	28,796
5 – 9	746	22,561,061	30,243
10 – 14	522	17,780,611	34,062
15 – 19	236	7,333,697	31,075
20 – 24	226	9,274,607	41,038
25 – 29	72	2,320,546	32,230
30 – 34	23	690,414	30,018
35 – 39	4	66,327	16,582
40+	0	0	0
Total	2,536	\$ 80,385,779	\$ 31,698

Years Since Benefit Commencement by Age

Age	Years Since Commencement									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	1	0	0	0	0	0	0	0	0	1
30 – 34	1	1	0	0	0	0	0	0	0	2
35 – 39	3	1	0	0	0	0	0	0	0	4
40 – 44	12	2	2	2	0	0	0	0	0	18
45 – 49	90	29	2	1	0	0	0	0	0	122
50 – 54	184	160	32	5	1	1	0	0	0	383
55 – 59	223	241	113	14	4	0	1	0	0	596
60 – 64	139	198	180	65	39	5	2	0	0	628
65 – 69	38	86	144	79	61	4	1	1	0	414
70 – 74	7	23	36	49	68	13	5	1	0	202
75+	9	5	13	21	53	49	14	2	0	166
Total	707	746	522	236	226	72	23	4	0	2,536

2.2(m) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Peace Officer/Firefighter

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
\$ 1 – \$ 300	46	27	19	0	23	9	2	0	12
301 – 600	134	93	39	2	58	34	17	11	14
601 – 900	127	81	43	3	67	36	6	10	8
901 – 1,200	151	103	45	3	80	31	15	9	16
1,201 – 1,500	144	114	27	3	63	35	19	13	14
1,501 – 1,800	132	104	22	6	50	39	25	12	6
1,801 – 2,100	174	132	27	15	76	50	21	13	14
2,101 – 2,400	203	168	22	13	73	80	24	15	11
2,401 – 2,700	203	182	13	8	60	85	33	15	10
2,701 – 3,000	244	231	9	4	53	127	34	16	14
3,001 – 3,300	184	175	7	2	55	88	21	12	8
3,301 – 3,600	180	172	7	1	46	85	25	16	8
3,601 – 3,900	159	157	1	1	35	80	21	15	8
3,901 – 4,200	137	135	2	0	27	74	14	13	9
Over \$ 4,200	318	313	5	0	62	187	33	24	12
Totals	2,536	2,187	288	61	828	1,040	310	194	164

Type of Pension Benefit

1. Regular retirement
2. Survivor payment
3. Disability

Option Selected

1. Whole Life Annuity
2. 75% Joint and Contingent Annuity
3. 50% Joint and Contingent Annuity
4. 66 2/3% Joint and Survivor Annuity
5. Level Income Option

2.2(n) Distribution of Annual Pension Benefits for Benefit Recipients – Others

Annual Pension Benefit by Age

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	1	\$ 25,684	\$ 25,684
20 – 24	0	0	0
25 – 29	2	34,292	17,146
30 – 34	3	51,308	17,103
35 – 39	12	163,163	13,597
40 – 44	43	598,845	13,927
45 – 49	127	1,779,990	14,016
50 – 54	1,040	19,208,336	18,470
55 – 59	4,216	83,983,815	19,920
60 – 64	5,169	94,119,149	18,208
65 – 69	4,205	69,319,647	16,485
70 – 74	2,884	45,735,534	15,858
75+	3,844	59,269,948	15,419
Total	21,546	\$ 374,289,711	\$ 17,372

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	1,416	\$ 28,198,308	\$ 19,914
1	1,472	27,874,648	18,937
2	1,465	28,078,217	19,166
3	1,370	25,870,482	18,884
4	1,305	23,342,904	17,887
0 – 4	7,028	133,364,559	18,976
5 – 9	5,532	96,971,686	17,529
10 – 14	3,787	64,392,637	17,004
15 – 19	2,283	32,103,315	14,062
20 – 24	1,933	33,151,185	17,150
25 – 29	681	10,096,995	14,827
30 – 34	285	3,910,651	13,722
35 – 39	16	261,150	16,322
40+	1	37,533	37,533
Total	21,546	\$ 374,289,711	\$ 17,372

Years Since Benefit Commencement by Age

Age	Years Since Commencement									Total
	0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	
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	2	0	0	0	0	0	0	0	0	2
30 – 34	3	0	0	0	0	0	0	0	0	3
35 – 39	9	3	0	0	0	0	0	0	0	12
40 – 44	26	13	3	1	0	0	0	0	0	43
45 – 49	69	31	17	8	2	0	0	0	0	127
50 – 54	864	100	43	25	5	3	0	0	0	1,040
55 – 59	2,991	1,102	94	17	8	3	1	0	0	4,216
60 – 64	1,881	2,363	863	42	13	5	2	0	0	5,169
65 – 69	751	1,155	1,482	662	133	16	4	2	0	4,205
70 – 74	259	525	760	816	504	11	7	1	1	2,884
75+	172	240	525	712	1,268	643	271	13	0	3,844
Total	7,028	5,532	3,787	2,283	1,933	681	285	16	1	21,546

2.2(o) Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected – Others

Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected				
		1	2	3	1	2	3	4	5
\$ 1 – \$ 300	1,811	1,453	349	9	801	353	257	61	339
301 – 600	4,023	3,468	514	41	1,943	1,011	614	229	226
601 – 900	3,183	2,796	361	26	1,497	796	476	214	200
901 – 1,200	2,631	2,330	255	46	1,200	682	416	173	160
1,201 – 1,500	2,077	1,855	178	44	901	580	316	129	151
1,501 – 1,800	1,605	1,456	111	38	658	462	266	117	102
1,801 – 2,100	1,370	1,255	73	42	534	410	231	100	95
2,101 – 2,400	995	920	51	24	365	338	162	55	75
2,401 – 2,700	808	762	31	15	288	259	152	59	50
2,701 – 3,000	650	626	19	5	225	237	114	36	38
3,001 – 3,300	582	555	23	4	185	230	101	34	32
3,301 – 3,600	392	375	13	4	124	154	59	31	24
3,601 – 3,900	345	339	5	1	112	142	55	18	18
3,901 – 4,200	268	265	2	1	74	124	44	17	9
Over \$ 4,200	806	799	5	2	224	342	147	61	32
Totals	21,546	19,254	1,990	302	9,131	6,120	3,410	1,334	1,551

Type of Pension Benefit

1. Regular retirement
2. Survivor payment
3. Disability

Option Selected

1. Whole Life Annuity
2. 75% Joint and Contingent Annuity
3. 50% Joint and Contingent Annuity
4. 66 2/3% Joint and Survivor Annuity
5. Level Income Option

2.2(p) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Peace Officer/Firefighter

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
	No. ¹	Annual Pension Benefits ¹	No. ¹	Annual Pension Benefits ¹	No.	Annual Pension Benefits		
June 30, 2008	125	\$ 3,556,519	28	\$ 191,073	2,536	\$ 80,385,779	4.4%	\$ 31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2%	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6%	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9%	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9%	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2%	30,842
June 30, 2002	157	6,155,365	19	744,917	1,869	57,285,773	10.4%	30,650
June 30, 2001	328	12,637,854	75	2,889,753	1,731	51,875,325	23.1%	29,968
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

¹ Numbers are estimated, and include other internal transfers.

2.2(q) Schedule of Pension Benefit Recipients Added to and Removed from Rolls – Others

Year Ended	Added to Rolls		Removed from Rolls		Rolls – End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefit
	No. ¹	Annual Pension Benefits ¹	No. ¹	Annual Pension Benefits ¹	No.	Annual Pension Benefits		
June 30, 2008	1,454	\$ 28,498,471	466	\$ 5,349,935	21,546	\$374,289,711	6.6%	\$ 17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1%	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4%	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1%	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1%	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0%	15,645
June 30, 2002	1,135	27,484,388	332	8,039,486	15,346	235,911,130	9.0%	15,373
June 30, 2001	2,342	46,880,694	506	10,128,792	14,543	216,466,228	20.5%	14,885
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

¹ Numbers are estimated, and include other internal transfers.

2.3 Summary of Actuarial Assumptions, Methods and Procedures

The demographic and economic assumptions used in the June 30, 2008 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in October 2006. These assumptions were the result of an experience study performed as of June 30, 2005. The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

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

Valuation of Liabilities

(A) Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percent of pay. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

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

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

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

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

Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation, except for any described in the healthcare sections below.

(B) Valuation of Assets

Effective June 30, 2002, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at market value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. Valuation assets are constrained to a range of 80% to 120% of the market value of assets.

(C) Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our Experience Study for the period July 1, 2001 to June 30, 2005.

Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects non-prescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes, as described below. Analysis to date on Medicare Part A coverage is limited since Part A coverage is not available by individual, nor is this status incorporated into historical claim data.

We analyzed Aetna and Premera management level reporting for calendar 2005 through fiscal 2008, as well as Aetna and Premera claim level data for calendar 2004-2006, and fiscal years 2007 and 2008, and derived recommended base claims cost rates as described in the following steps:

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting and the State's approved RDS listing from Medicare were used to augment cost data by Medicare status.

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

3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these “no-Part A” individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim and enrollment experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The larger the no-Part A population, the more accrued liabilities will decrease.

Current retiree census does not include date of hire, although the Tier indicator does imply that Tier I PERS retirees should probably be considered as no-Part A retirees. After analysis of active employee data, including individual claim records, and accounting for retirees who return to work and therefore pay Medicare taxes, we assume that 4.0% of the active and inactive workforce will not qualify for free Part A coverage when they retire. Similarly, we assume 4.0% of the current Medicare retiree population does not receive Part A coverage.

All claim cost rates developed from management level reporting have compared to similar rates developed from claim level data.

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four calendar years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We converted paid claim data to incurred cost rates projected from each historical data period to the valuation year using an average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. The assumed lag between medical claim incurred and paid dates is approximately 1.78 months for medical claims and 0.6 months for prescription claims. This “trend and blend” methodology differs mechanically from the method used for 2004 and 2005 that essentially averaged three years of paid claims before projecting forward to an incurred basis for the valuation year. During transition to a trended blended average basis, we recommend weighting each year’s data in the 5-year experience period at approximately 20%. We also incorporated actual administrative costs that are projected to increase at 5%.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

June 30, 2008 Valuation – FY 2009 Claims Cost Rates

	Medical			Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	
Calendar 2005 Paid Claims	\$ \$146,356,647	\$ \$25,618,571	\$ \$3,976,509	\$ \$42,812,358	\$ \$35,481,585	\$ \$1,999,302	\$ \$256,244,972
Membership	33,343	18,603	979	33,343	18,603	979	52,925
Paid Claims Cost Rate	\$ \$4,389	\$ \$1,377	\$ \$4,061	\$ \$1,284	\$ \$1,907	\$ \$2,042	\$ \$4,842
Trend to FY2009	1.360	1.360	1.360	1.442	1.442	1.442	
FY 2009 Paid Cost Rate	\$ \$5,968	\$ \$1,872	\$ \$5,522	\$ \$1,852	\$ \$2,751	\$ \$2,945	\$ \$6,708
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	\$ \$6,054	\$ \$1,899	\$ \$5,602	\$ \$1,862	\$ \$2,766	\$ \$2,962	\$ \$6,785
Calendar 2006 Paid Claims***	\$ \$150,287,171	\$ \$24,546,905	\$ \$4,079,223	\$ \$45,461,356	\$ \$39,644,399	\$ \$2,235,948	\$ \$266,255,002
Membership	33,473	19,490	1,026	33,473	19,490	1,026	53,989
Paid Claims Cost Rate	\$ \$4,490	\$ \$1,259	\$ \$3,977	\$ \$1,358	\$ \$2,034	\$ \$2,180	\$ \$4,932
Trend to FY2009	1.261	1.261	1.261	1.303	1.303	1.303	
FY 2009 Paid Cost Rate	\$ \$5,660	\$ \$1,588	\$ \$5,013	\$ \$1,770	\$ \$2,651	\$ \$2,841	\$ \$6,286
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	\$ \$5,741	\$ \$1,611	\$ \$5,085	\$ \$1,780	\$ \$2,666	\$ \$2,857	\$ \$6,358
Fiscal 2007 Paid Claims***	\$ \$129,762,975	\$ \$22,677,328	\$ \$3,524,812	\$ \$46,176,199	\$ \$42,348,638	\$ \$2,391,089	\$ \$246,881,041
Membership	33,446	20,315	1,069	33,446	20,315	1,069	54,830
Paid Claims Cost Rate	\$ \$3,880	\$ \$1,116	\$ \$3,297	\$ \$1,381	\$ \$2,085	\$ \$2,236	\$ \$4,503
Trend to FY2009	1.216	1.216	1.216	1.241	1.241	1.241	
FY 2009 Paid Cost Rate	\$ \$4,719	\$ \$1,358	\$ \$4,010	\$ \$1,714	\$ \$2,587	\$ \$2,776	\$ \$5,518
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	\$ \$4,787	\$ \$1,377	\$ \$4,067	\$ \$1,723	\$ \$2,602	\$ \$2,791	\$ \$5,579
Fiscal 2008 Paid Claims	\$ \$169,598,064	\$ \$28,657,490	\$ \$6,079,463	\$ \$53,506,123	\$ \$52,529,773	\$ \$2,346,512	\$ \$312,717,425
Membership	33,630	21,434	893	33,630	21,434	893	55,957
Paid Claims Cost Rate	\$ \$5,043	\$ \$1,337	\$ \$6,807	\$ \$1,591	\$ \$2,451	\$ \$2,627	\$ \$5,589
Trend to FY2009	1.102	1.102	1.102	1.112	1.112	1.112	
FY 2009 Paid Cost Rate	\$ \$5,555	\$ \$1,473	\$ \$7,499	\$ \$1,769	\$ \$2,724	\$ \$2,921	\$ \$6,176
Paid to Incurred Factor**	1.014	1.014	1.014	1.006	1.006	1.006	
FY 2009 Incurred Cost Rate	\$ \$5,635	\$ \$1,494	\$ \$7,607	\$ \$1,779	\$ \$2,740	\$ \$2,937	\$ \$6,246
Weighted Average 7/1/2008-6/30/2009 Incurred Claims Cost Rates:							
At average age	\$ \$5,601	\$ \$1,640	\$ \$5,189	\$ \$1,794	\$ \$2,719	\$ \$2,917	\$ \$6,310
At age 65*	\$ \$7,670	\$ \$1,296	\$ \$3,384	\$ \$2,379	\$ \$2,379	\$ \$2,379	\$ \$7,322

* Methodology prior to 2006 did not include separate Part B only analysis; applicable rates above are determined so that the composite Medicare rate equates to separate A&B and B only rates based on the 5.0% of Medicare membership assumed to lack Part A.

** As data specific to Medicare and Pre-Medicare retirees is provided, lag factors specific to Medicare status will be reflected.

*** Calendar 2006 Paid Claims covers the period from 01/01/2006 through 06/30/2006, along with estimated claims runout under the then current TPA. Fiscal 2007 Paid Claims covers the period 07/01/2006 through 06/30/2007, with claims paid under the then current TPA.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Following the development of total projected costs, a distribution of per capita claims cost was developed. This was accomplished by allocating total projected costs to the population census used in the valuation. The allocation was done separately for each of prescription drugs and medical costs for the Medicare eligible and pre-Medicare populations. The allocation weights were developed using participant counts by age and assumed morbidity and aging factors. Results were tested for reasonableness based on historical trend and external benchmarks for costs paid by Medicare.

Below are the results of this analysis:

Distribution of Per Capita Claims Cost by Age for the Period July 1, 2008 through June 30, 2009

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug and Medicare Retiree Drug Subsidy
45	\$ 4,248	\$ 4,248	\$ 1,255
50	4,806	4,806	1,490
55	5,437	5,437	1,770
60	6,458	6,458	2,052
65	1,296	3,384	1,870
70	1,577	4,117	2,014
75	1,873	4,889	2,149
80	2,018	5,266	2,203

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

(D) Actuarial Assumptions

Investment Return / Discount Rate	8.25% per year, compounded annually, net of expenses.
Salary Scale	Inflation – 3.5% per year. Peace Officer/Firefighter: Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
Payroll Growth	4.0% per year.
Total Inflation	Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.5% annually.
Mortality (Pre-retirement)	Peace Officer/Firefighters: 1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin. Others: Based upon the 2001-2005 actual mortality experience (see Table 1). 42% of the 1994 Group Annuity Table, 1994 Base Year without margin for males and females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 50% of the time for Others.
Mortality (Post-retirement)	1994 Group Annuity Mortality Basic Table for males and females, 1994 Base Year without margin.
Total Turnover	Based upon the 2001-2005 actual withdrawal experience. (See Table 2).
Disability	Incidence rates based upon the 2001-2005 actual experience, in accordance with Table 3. Post-disability mortality in accordance with the 1979 Pension Benefit Guaranty Corporation Disability Mortality Table to reflect mortality of those receiving disability benefits under Social Security. Disabilities are assumed to be occupational 75% of the time for Peace Officer/ Firefighter, 50% of the time for Others.
Retirement	Retirement rates based upon the 2001-2005 actual experience in accordance with Tables 4 and 5. Deferred vested members are assumed to retire at their earliest retirement date.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.
Dependent Children	Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
Contribution Refunds	15% if terminated members are assumed to have their contributions refunded.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

(D) Actuarial Assumptions (continued)

COLA	Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA.															
Post-Retirement Pension Adjustment	50% and 75% of assumed inflation, or 1.75% and 2.625% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. Disability benefits are loaded by 9% to account for the immediate COLA of 75% of assumed inflation or 2.625%.															
Expenses	All expenses are net of the investment return assumption.															
Part-Time Status	Part-time employees are assumed to earn 1.00 years of credited service per year for Peace Officer/Firefighters and 0.65 years of credited service per year for Other members.															
Final Average Earnings	Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.															
Per Capita Claims Cost	Sample claims cost rates for FY09 medical and prescription are shown below:															
	<table border="1"> <thead> <tr> <th></th> <th>Medical</th> <th>Prescription Drugs</th> </tr> </thead> <tbody> <tr> <td>Pre-Medicare</td> <td>\$ 7,670</td> <td>\$ 2,379</td> </tr> <tr> <td>Medicare Parts A & B</td> <td>\$ 1,296</td> <td>\$ 2,379</td> </tr> <tr> <td>Medicare Part B Only</td> <td>\$ 3,384</td> <td>\$ 2,379</td> </tr> <tr> <td>Medicare Part D</td> <td>N/A</td> <td>\$ 509</td> </tr> </tbody> </table>		Medical	Prescription Drugs	Pre-Medicare	\$ 7,670	\$ 2,379	Medicare Parts A & B	\$ 1,296	\$ 2,379	Medicare Part B Only	\$ 3,384	\$ 2,379	Medicare Part D	N/A	\$ 509
	Medical	Prescription Drugs														
Pre-Medicare	\$ 7,670	\$ 2,379														
Medicare Parts A & B	\$ 1,296	\$ 2,379														
Medicare Part B Only	\$ 3,384	\$ 2,379														
Medicare Part D	N/A	\$ 509														
Third Party Administrator Fees	\$153.49 per person per year; assumed trend rate of 5% per year.															
Health Cost Trend	The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 8.0% is applied to the FY09 rate claims costs to get the FY10 claims costs.															

	Medical	Prescription Drugs
FY09	8.0%	10.8%
FY10	7.5%	9.6%
FY11	6.9%	8.3%
FY12	6.4%	7.1%
FY13	5.9%	5.9%
FY14	5.9%	5.9%
FY15	5.9%	5.9%
FY25	5.8%	5.8%
FY50	5.7%	5.7%
FY100	5.1%	5.1%

For the June 30, 2008 valuation, the Society of Actuaries' Healthcare Cost Trend Model was adopted. This model effectively begins estimating trend amounts beginning in 2012, and projects out to 2100. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

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

(D) Actuarial Assumptions *(continued)*

Aging Factors	Prescription	
	Age	Medical Drugs
	0-44	2.0% 4.5%
	45-54	2.5% 3.5%
	55-64	3.5% 3.0%
	65-73	4.0% 1.5%
	74-83	1.5% 0.5%
	84+	0.5% 0.0%

Retired Member Contributions for Medical Benefits

Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY09 contributions based on monthly rates shown below for calendar 2008 and 2009 are assumed based on the coverage category for current retirees. The composite rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled.

Coverage Category	FY09 Annual Contribution	Calendar 2009 Monthly Contribution	Calendar 2008 Monthly Contribution
Retiree Only	\$ 7,572	\$ 631	\$ 590
Retiree and Spouse	\$ 15,144	\$ 1,262	\$ 1,179
Retiree and Child(ren)	\$ 10,692	\$ 891	\$ 833
Retiree and Family	\$ 18,276	\$ 1,523	\$ 1,423
Composite	\$ 11,244	\$ 937	\$ 876

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

(D) Actuarial Assumptions *(continued)*

Trend Rate for Retired Member Medical Contributions The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 7.3% is applied to the FY09 retired member medical contributions to get the FY10 retired member medical contributions.

FY09	7.3%
FY10	7.0%
FY11	6.7%
FY12	6.3%
FY13	6.0%
FY14	5.7%
FY15	5.3%
FY16	5.0%
FY17	5.0%
FY18 and later	5.0%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. A study of the required contribution history along with assumptions related to the impact of recent accounting regulations lead us to recommend the new rates above for the contribution trends. Note that actual FY08 retired member medical contributions are reflected in the valuation so trend on such contribution during FY08 is not applicable.

Healthcare Participation 100% of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 1
Alaska PERS Others
Mortality Table (Preretirement)

<u>Age</u>	<u>Male</u>	<u>Female</u>
20	.0229%	.0128%
21	.0239	.0129
22	.0251	.0131
23	.0266	.0131
24	.0282	.0131
25	.0299	.0131
26	.0315	.0133
27	.0328	.0136
28	.0341	.0142
29	.0352	.0150
30	.0362	.0158
31	.0371	.0168
32	.0379	.0179
33	.0383	.0191
34	.0383	.0202
35	.0384	.0216
36	.0389	.0231
37	.0402	.0249
38	.0424	.0270
39	.0452	.0294
40	.0484	.0320
41	.0522	.0347
42	.0565	.0373
43	.0611	.0396
44	.0659	.0417
45	.0713	.0439
46	.0778	.0467
47	.0858	.0502
48	.0949	.0545
49	.1050	.0591
50	.1165	.0645
51	.1297	.0708
52	.1451	.0783
53	.1619	.0861
54	.1797	.0941
55	.1998	.1036
56	.2235	.1157
57	.2252	.1318
58	.2845	.1517
59	.3202	.1745
60	.3602	.2005

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 2
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover
During the First 5 Years of Employment

Year of Employment	Current Age 25		Year of Employment	Current Age 40	
	Male	Female		Male	Female
1	11.24%	12.47%	1	11.15%	12.37%
2	9.34	10.37	2	9.24	10.26
3	7.43	8.26	3	7.32	8.14
4	6.48	7.21	4	6.35	7.07
5	5.52	6.15	5	5.38	6.00

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	4.57%	5.76%
25	4.54	5.75
30	4.49	5.71
35	4.46	5.66
40	4.39	5.56
45	4.20	5.38
50	3.88	5.09
55	3.24	4.51
60	1.74	2.94
65+	4.80	6.00

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 2
Alaska PERS
Total Turnover Assumptions

Others:

Select Rates of Turnover
During the First 5 Years of Employment

Year of Employment	Current Age 25		Current Age 40		Year of Employment	Current Age 40		Current Age 50	
	Age at Hire					Age at Hire			
	20-34		35+			20-34		35+	
	Male	Female	Male	Female		Male	Female	Male	Female
1	24.90%	26.19%	14.84%	15.26%	1	24.84%	26.12%	14.63%	15.49%
2	22.90	24.09	14.83	15.61	2	22.83	24.01	14.59	15.46
3	19.89	20.93	12.81	13.50	3	19.81	20.85	12.54	13.33
4	15.89	16.73	11.80	12.44	4	15.80	16.64	11.49	12.25
5	14.88	15.68	10.78	11.38	5	14.78	15.58	10.43	11.17

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	12.01%	13.68%
25	11.99	13.67
30	11.97	13.66
35	8.66	9.89
40	6.42	7.35
45	5.24	6.04
50	5.09	5.94
55	4.80	5.74
60	4.19	5.23
65+	5.50	6.25

Select rates vary slightly by age.

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 3
Alaska PERS
Disability Table

<u>Age</u>	<u>Peace Officer/ Firefighter Rate</u>	<u>Other Member Rate</u>	
		<u>Male</u>	<u>Female</u>
20	.088%	.032%	.029%
21	.089	.032	.029
22	.090	.033	.031
23	.091	.033	.031
24	.093	.035	.032
25	.094	.035	.032
26	.095	.035	.032
27	.098	.036	.033
28	.100	.037	.034
29	.103	.038	.035
30	.105	.039	.036
31	.108	.039	.036
32	.110	.040	.037
33	.113	.041	.038
34	.116	.043	.039
35	.120	.044	.040
36	.124	.046	.042
37	.129	.047	.043
38	.134	.050	.045
39	.139	.051	.046
40	.144	.053	.048
41	.150	.055	.050
42	.159	.059	.054
43	.170	.062	.057
44	.185	.068	.062
45	.203	.075	.068
46	.220	.081	.074
47	.239	.087	.080
48	.259	.096	.087
49	.279	.102	.094
50	.300	.110	.101
51	.325	.120	.109
52	.353	.131	.120
53	.398	.146	.133
54	.444	.163	.149
55	.500	.184	.168
56	.574	.212	.193
57	.668	.246	.225
58	.763	.281	.256
59	.900	.331	.302
60	1.054	.388	.354

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 4
Alaska PERS Peace Officer/Firefighter
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	10.40%	10.40%
50	10.50%	6.30%	40.00	40.00
51	14.80	10.00	27.50	27.50
52	15.00	10.00	27.50	27.50
53	19.70	10.00	25.00	25.00
54	19.60	10.00	25.00	25.00
55	8.80	15.60	30.00	30.00
56	9.60	13.00	22.75	22.75
57	13.00	13.00	22.75	22.75
58	12.70	13.00	15.60	15.60
59	13.00	13.00	15.60	15.60
60	N/A	N/A	25.00	25.00
61	N/A	N/A	25.00	25.00
62	N/A	N/A	26.00	26.00
63	N/A	N/A	25.00	25.00
64	N/A	N/A	25.00	25.00
65	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Table 5
Alaska PERS Others
Retirement Table

Age at Retirement	Retirement Rate			
	Reduced		Unreduced	
	Male	Female	Male	Female
<50	N/A	N/A	7.10%	7.20%
50	6.00%	7.30%	20.00	20.00
51	6.20	7.50	17.50	20.00
52	7.50	7.50	20.00	15.00
53	7.50	8.90	18.00	24.00
54	6.00	5.40	30.00	21.00
55	7.90	8.20	30.00	30.00
56	9.50	9.20	17.50	17.50
57	9.60	9.10	17.50	17.50
58	9.50	9.10	15.00	17.50
59	4.70	3.80	15.00	17.50
60	N/A	N/A	20.00	21.00
61	N/A	N/A	17.50	15.00
62	N/A	N/A	30.00	18.75
63	N/A	N/A	22.50	18.75
64	N/A	N/A	26.25	18.75
65	N/A	N/A	27.00	25.00
66	N/A	N/A	27.00	25.00
67	N/A	N/A	27.00	25.00
68	N/A	N/A	30.00	25.00
69	N/A	N/A	30.00	30.00
70	N/A	N/A	100.00	100.00

2.3 Summary of Actuarial Assumptions, Methods and Procedures (continued)

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2007	June 30, 2008
Healthcare Trend Rates	Trend table started at 8.5% for medical and 12% for prescription drugs and graded down to an ultimate rate of 5% by FY15.	Trend table is based on the Society of Actuaries' Healthcare Cost Trend Model and starts at 8.0% for medical and 10.8% for prescription drugs. The table grades down to 5.1% over 100 years.

Section 3

Section 3.1	Analysis of Financial Experience.
Section 3.2(a)	Summary of Accrued and Unfunded Accrued Liabilities – Total.
Section 3.2(b)	Schedule of Contributions from Employers and Other Contributing Entities
Section 3.2(c)	Actuarial Assumptions, Methods and Additional Information Under GASB.
Section 3.3	Solvency Test.

3.1 Analysis of Financial Experience

**Change in Employer/State Contribution Rate
Due to Gains and Losses in Accrued Liabilities During the Last Three Fiscal Years
Resulting From Differences Between Assumed Experience and Actual Experience**

Type of Gain or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2006	2007	2008	2006	2007	2008
(1) Health Experience	N/A	N/A	N/A	(4.06)	(5.64)	(0.97)%
(2) Salary Experience	0.02%	0.23%	0.54%	N/A%	N/A%	N/A
(3) Investment Experience	0.19%	(0.11)%	(0.35)%	(0.48)%	(0.92)%	(0.24)%
(4) Demographic Experience	1.05%	(0.17)%	(0.60)%	N/A	N/A	N/A
(5) Contribution Shortfall	(0.81)%	0.11%	0.14%	1.82%	0.83%	(0.25)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	0.45%	0.06%	(0.27)%	(2.72)%	(5.73)%	(1.46)%
Non-recurring Changes						
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	1.51%	(0.72)%	0.00%	3.47%	(1.18)%*	2.04%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10)	1.96%	(0.66)%	(0.27)%	0.75%	(6.91)%	0.58%
(12) Beginning Employer/State Contribution Rate	8.95%	10.91%	10.25%	23.56%	24.31%	17.40%
(13) Ending Employer/State Contribution Rate, (11) + (12)	10.91%	10.25%	9.98%	24.31%	17.40%	17.98%
(14) Fiscal Year Above Rate is Applied	FY09	FY10	FY11	FY09	FY10	FY11

*Includes change in rate by using total payroll.

3.1 Analysis of Financial Experience *(continued)*

**Change in Employer/State 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 Employer/State Contribution Rate During Fiscal Year				
	2004	2005	2006	2007	2008
(1) Health Experience	0.00%	1.49%	(4.06)%	(5.64)%	(0.97)%
(2) Salary Experience	0.08%	(0.32)%	0.02%	0.23%	0.54%
(3) Investment Experience	0.02%	(0.02)%	(0.29)%	(1.03)%	(0.59)%
(4) Demographic Experience	0.54%	0.01%	1.05%	(0.17)%	(0.60)%
(5) Contribution Shortfall	0.89%	0.98%	1.01%	0.94%	(0.11)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	1.53%	2.14%	(2.27)%	(5.67)%	(1.73)%
Non-recurring Changes					
(7) Asset Valuation Method	0.00%	0.00%	0.00%	0.00%	0.00%
(8) Past Service Amortization Change	0.00%	0.00%	0.00%	0.00%	0.00%
(9) Assumption and Method Changes	1.03%	0.00%	4.98%	(1.90)%*	2.04%
(10) System Benefit Changes	0.00%	0.00%	0.00%	0.00%	0.00%
(11) Change due to revaluation of plan liabilities as of June 30, 2004	0.00%	2.18%	0.00%	0.00%	0.00%
(12) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) + (11)	2.56%	4.32%	2.71%	(7.57)%	0.31%
(13) Beginning Employer/State Contribution Rate	25.63%	28.19%	32.51%	35.22%	27.65%
(14) Ending Employer/State Contribution Rate, (12) + (13)	28.19%	32.51%	35.22%	27.65%	27.96%
(15) Fiscal Year Above Rate is Applied	FY07	FY08	FY09	FY10	FY11

*Includes change in rate by using total payroll.

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total

The exhibit below shows the pension disclosure under GASB No. 25.

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, 2008	\$ 9,154,282	\$ 7,210,772	78.8%	\$ 1,943,510	\$ 1,577,846	123.2%
June 30, 2007	\$ 8,662,324	\$ 6,739,004	77.8%	\$ 1,923,320	\$ 1,605,819	119.8%
June 30, 2006 ¹	\$ 8,094,043	\$ 6,331,065	78.2%	\$ 1,762,978	\$ 1,590,693	110.8%

The exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43.

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, 2008 ¹	\$ 13,013,450	\$ 3,829,334	29.4%	\$ 9,184,116	\$ 1,577,846	582.1%
June 30, 2007	\$ 11,108,553	\$ 3,161,956	28.5%	\$ 7,946,597	\$ 1,605,819	494.9%
June 30, 2006 ¹	\$ 11,455,015	\$ 2,709,843	23.7%	\$ 8,745,172	\$ 1,590,693	549.8%

For illustration, the exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy discounted at 8.25% and at 4.50% per annum under GASB No. 43 for the current year. These values show the minimum and maximum accrued liability amounts depending on the portion of ARC actually contributed.

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, 2008 – 8.25%	\$ 7,189,575	\$ 3,829,334	53.3%	\$ 3,360,241	\$ 1,577,846	213.0%
June 30, 2008 – 4.50%	\$ 13,013,450	\$ 3,829,334	29.4%	\$ 9,184,116	\$ 1,577,846	582.1%

¹ Change in assumptions.

3.2(a) Summary of Accrued and Unfunded Accrued Liabilities – Total *(continued)*

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25, prior to 2006.

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, 2005	\$ 12,844,841	\$ 8,442,919	65.7%	\$ 4,401,922	\$ 1,513,117	290.9%
June 30, 2004 ^{2 3}	11,443,916	8,030,414	70.2%	3,413,502	1,472,987	231.7%
June 30, 2003	10,561,653	7,687,281	72.8%	2,874,372	1,460,783	196.8%
June 30, 2002 ^{1 2 3}	9,859,591	7,412,833	75.2%	2,446,758	1,402,687	174.4%
June 30, 2001	7,868,574	7,941,756	100.9%	N/A	1,360,401	N/A
June 30, 2000 ^{2 3}	7,376,912	7,454,758	101.1%	N/A	1,324,278	N/A
June 30, 1999	6,648,673	7,016,340	105.5%	N/A	1,279,359	N/A
June 30, 1998 ^{1 2 3}	6,203,991	6,571,562	105.9%	N/A	1,232,488	N/A
June 30, 1997	5,534,116	5,885,488	106.3%	N/A	1,227,795	N/A

¹ Change in Asset Valuation Method

² Change of Assumptions

³ Change in Methods

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities

The exhibit below shows the combined pension and postemployment healthcare disclosure under GASB No. 25 and 26 for fiscal years ending in 2006 and before.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2006	\$ 416,237	65.4%
2005	376,754	47.3%
2004	105,585	100.0%
2003	89,934	110.3%
2002	92,098	102.9%
2001	91,628	105.3%
2000	89,084	105.2%
1999	97,197	100.0%
1998	95,217	100.0%
1997	144,863	100.0%

This exhibit below shows the pension disclosure under GASB No. 25 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2008	\$ 140,729	107.4%
2007	\$ 268,742	77.3%

This exhibit below shows the postemployment healthcare disclosure without regard to the Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

Fiscal Year Ended June 30	Total Annual Required Contribution	Total Percentage Contributed
2008	\$ 370,456	107.4%
2007	\$ 189,495	77.3%

3.2(b) Schedule of Contributions from Employers and Other Contributing Entities
(continued)

The exhibit below shows the annual required contribution as a percentage of pay for pension and healthcare.

Valuation Date	Fiscal Year	ARC (% of Pay)		
		Pension	Healthcare	Total
June 30, 2005	FY08	10.72%	53.96%	64.68%
June 30, 2006	FY09	13.49%	55.87%	69.36%
June 30, 2007	FY10	13.72%	49.98%	63.70%
June 30, 2008	FY11	14.13%	33.66%	47.79%

3.2(c) Actuarial Assumptions, Methods and Additional Information Under GASB

Valuation Date	June 30, 2008
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay for Pension Level Dollar for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	20 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.25% for pension, 4.50% for healthcare.
Projected salary increases	Peace Officer/Firefighter: Merit – 2.5% per year for the first 6 years of employment, 0.5% thereafter. Productivity – 0.5% per year. Others: Merit – 5.5% per year grading down to 1.5% after 5 years; for more than 6 years of service, 1.0% grading down to 0%. Productivity – 0.5% per year.
*Includes inflation at	3.5%
Cost-of-living adjustment	Post-retirement Pension Adjustment as described in Section 2.1, item (13)

GASB 43 requires that the discount rate used in the valuation be the estimated long-term yield on investments that are expected to finance postemployment benefits. Depending on the method by which a plan is financed, the relevant investments could be plan assets, employer assets or a combination of plan and employer assets. The investment return should reflect the nature and the mix of both current and expected investments and the basis used to determine the actuarial value of assets.

The State of Alaska Public Employees' Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 4.50% as of June 30, 2007, to be used for fiscal 2008 disclosure.

The development of the discount rate used for the healthcare liabilities valuation is summarized below:

Investment Returns

Plan Assets (Long-Term Return)	=	8.25%
Employer Assets (Estimated Short-Term Return)	=	4.50%

Based on Percentage of ARC Contributed During FY06*

1. Contribution Allocated to Healthcare	=	7.47%
2. Annual Required Contribution, Funding Assumptions	=	21.05%
3. Pay-as-you-go Contribution	=	8.05%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%]	=	0.00%
5. Multiplied by long-term investment return	=	0.00%
6. Portion of ARC not Contributed: [100% - (4)]	=	100.00%
7. Multiplied by short-term investment return	=	4.50%
8. Total: (5) + (7)	=	4.50%

*It is assumed that fiscal 2004 contributions allocated to healthcare ARC for funding purposes and pay-as-you-go contributions are used to derive the GASB 43 discount rate applied to the June 30, 2006 valuation (fiscal 2007), which in turn drives the fiscal 2009 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2009 employer ARC rate for accounting purposes is 55.87% of pay for healthcare benefits and 69.36% of pay for healthcare and pension benefits combined.

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, 2008 ²	\$ 1,242,288	\$ 9,772,672	\$ 4,873,181	\$ 11,040,106	100.0%	100.0%	0.5%
June 30, 2007	1,203,007	8,967,038	4,400,888	9,900,960	100.0%	97.0%	0.0%
June 30, 2006 ^{2,3}	1,157,755	8,923,811	4,306,847	9,040,908	100.0%	88.3%	0.0%
June 30, 2005	1,104,821	8,667,058	3,072,962	8,442,919	100.0%	84.7%	0.0%
June 30, 2004 ²	1,070,268	7,650,156	2,723,492	8,030,414	100.0%	91.0%	0.0%
June 30, 2003	1,026,730	6,860,834	2,674,089	7,687,281	100.0%	97.1%	0.0%
June 30, 2002 ^{1,2,3}	967,045	6,301,095	2,591,451	7,412,833	100.0%	100.0%	5.6%
June 30, 2001	920,702	5,059,386	1,888,486	7,941,756	100.0%	100.0%	100.0%
June 30, 2000 ^{2,3}	892,949	4,588,201	1,895,762	7,454,758	100.0%	100.0%	100.0%
June 30, 1999	854,497	3,961,063	1,833,113	7,016,340	100.0%	100.0%	100.0%

Healthcare liabilities are calculated using the funding assumptions (i.e., 8.25% investment return and net of Medicare Part D subsidy).

¹ Change in Asset Valuation Method

² Change in Assumptions

³ Change in Methods