



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

Actuarial Valuation Report
as of June 30, 2010

buckconsultants®

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

October 4, 2011

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, 2010 by Buck Consultants. The purposes of the report include:

- (1) a presentation of the valuation results of the System as of June 30, 2010;
- (2) a review of experience under the System for the year ended June 30, 2010;
- (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, 2013; 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) Schedule of Funding Progress, Schedule of Employer Contributions and trend data schedules (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 The Alaska Retirement Management Board (Board) in September 2010 and adopted by the Board in December 2010. Actuarial methods, medical cost trend, and assumed blended medical premiums were also reviewed during the experience study.

The contribution requirements are determined as a percentage of payroll, and reflect the cost of benefits accruing in FY11 and a fixed 25-year amortization as a level percentage of payroll of the initial unfunded accrued liability and subsequent gains/losses and other changes. 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 rates are recommended by the Actuary and adopted by the Board each year. The ratio of valuation assets to liabilities decreased from 61.8% to 61.5% during the year. This report provides an analysis of the factors that led to the decrease. 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.

The funding objective of the plan, as adopted by the ARM Board, is to set a contribution rate that will pay the normal cost and amortize the initial unfunded actuarial accrued liability and each subsequent annual change in the unfunded actuarial accrued liability over a closed 25-year period as a level percentage of payroll. The funding objective for the plan, as adopted by the ARM Board, is currently being met.

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

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

The undersigned are members of the American Academy of Actuaries and 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, FCA, ASA, EA, MAAA
Principal, 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, 2010;
- (2) Review experience under the plan for the year ended June 30, 2010;
- (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 2010, the current annual costs, and 30-year projections.

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 and GASB information.

The principal results are as follows:

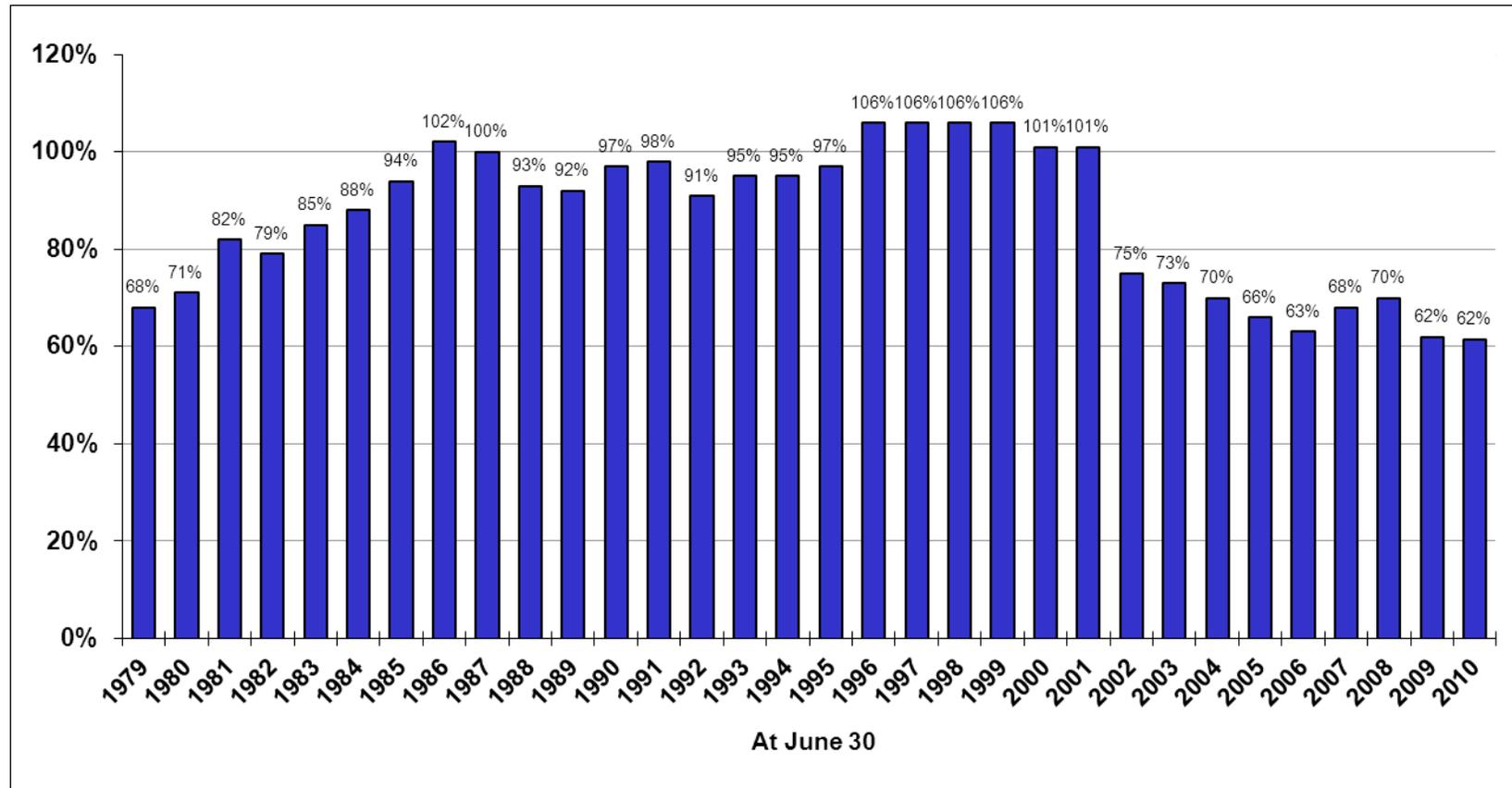
| Funding Status as of June 30¹ | 2009 | 2010 |
|---|-------------------|-------------------|
| (a) Accrued Liability ² | \$ 16,579,371 | \$ 18,132,492 |
| (b) Valuation Assets ² | <u>10,242,978</u> | <u>11,157,464</u> |
| (c) Unfunded Accrued Liability ² , (a) – (b) | \$ 6,336,393 | \$ 6,975,028 |
| (d) Funding Ratio based on Valuation Assets, (b) ÷ (a) | 61.8% | 61.5% |
| (e) Market Value of Assets ² | \$ 8,535,815 | \$ 9,572,608 |
| (f) Funding Ratio based on Market Assets, (e) ÷ (a) | 51.5% | 52.8% |

¹ Includes pension and healthcare benefits.

² In thousands.

Report Highlights *(continued)*

PERS Funding Ratio History (Based on Valuation Assets)



Report Highlights *(continued)*

| Employer/State Contribution Rates for Pension for Fiscal Year: | 2012 | 2013 |
|---|---------------|---------------|
| (a) Normal Cost Rate Net of Member Contributions | 2.52% | 2.55% |
| (b) Past Service Rate | <u>12.13%</u> | <u>12.90%</u> |
| (c) Total Employer/State Contribution Rate <i>(a) + (b)</i> | 14.65% | 15.45% |

| Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year: | 2012 | 2013 |
|---|---------------|---------------|
| (a) Normal Cost Rate | 5.76% | 6.12% |
| (b) Past Service Rate | <u>10.35%</u> | <u>11.26%</u> |
| (c) Total Employer/State Contribution Rate <i>(a) + (b)</i> | 16.11% | 17.38% |

| Total Employer/State Contribution Rates for Fiscal Year: | 2012 | 2013 |
|--|---------------|---------------|
| (a) Normal Cost Rate Net of Member Contributions | 8.28% | 8.67% |
| (b) Past Service Rate | <u>22.48%</u> | <u>24.16%</u> |
| (c) Total Employer/State Contribution Rate <i>(a) + (b)</i> | 30.76% | 32.83% |
| (d) Board Adopted Total Employer/State Contribution Rate | 30.76% | 32.83% |
| (e) Defined Contribution Retirement (DCR) Rate Paid by Employers | <u>2.73%</u> | <u>3.01%</u> |
| (f) Board Adopted Total Rate, Including DCR Rate Paid by Employers <i>(d) + (e)</i> | 33.49% | 35.84% |

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, 2010 has decreased from 61.8% to 61.5%, a decrease of 0.3%. The calculated Employer/State contribution rate has increased from 30.76% of payroll for FY12 to 32.83% for FY13, an increase of 2.07% 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% |
| 1/1/10-12/31/10 | 1,068.00 | 14% | 9% |
| 1/1/11-12/31/11 | 1,176.00 | 10% | 9% |

As shown in the above table, the monthly retiree medical premium for the January 1, 2011 to December 31, 2011 time period will increase to \$1,176. This represents an increase of 10% from the previous year's medical premium of \$1,068. 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 14%. Also, over the last ten years, the increase in the premium rate has been about 6.8% compounded annually.

Analysis of the Valuation *(continued)*

An analysis of medical costs was completed based on claims information and enrollment data provided by Wells Fargo Insurance Services (WFIS). 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 2010 valuation, we updated claims cost and Medicare offset analyses using fiscal year 2010 claims and enrollment information. For Medicare Part B only participants, we were provided a census of all current retirees that do not have Medicare Part A. This census was provided by WFIS and reduced the number of Part B only individuals in the analysis, compared with our prior estimates. Prior estimates were based on employee date of hire, date of birth, tier, etc., and eligibility rules for Medicare Part A and associated claims costs. A lower average claims cost was applied to retirees covered by both Medicare Part A and B vs. retirees 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, 2010 lag study. Assumed lag from incurred date to paid claim is approximately 2.4 months for medical claims and 0.15 months for prescription claims. Composite lag for combined medical and prescription claims is about 1.6 months, shorter than the 2-month composite lag assumption (1.9) used for our 2009 valuation. The trend assumption is based on 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.

Individual claim level detail from WFIS and Premera were obtained for fiscal years 2007 through 2009 (Premera) and fiscal year 2010 (WFIS). This data was reviewed and compared to management level reporting supplied by WFIS. For the 2010 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. For the 2010 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. Based on census data received from WFIS, the portion of retirees eligible for Medicare Part B only was modified, decreasing the Part B only proportion of all Medicare retirees from 3.5% to 0.6%. 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 WFIS contract and are projected to increase at the assumed rate of 5%.

Analysis of the Valuation *(continued)*

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 2010 and 2011. Based on current plan provisions and utilization data, we anticipate the plan will continue to qualify for RDS payments. The State has shared its payments for calendar 2006 through calendar 2009 and this information was used to estimate future RDS payments in this valuation. 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 improving slightly. A large portion of the historical 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 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 weighted appropriately, with more emphasis on the most recent two years, when calculating the claims costs. This has the effect of preventing any one year from unduly influencing the claims costs. In the current valuation, we averaged national trend assumptions with Alaska-specific trend, with 75% weight to Alaska-specific trend and 25% to national trend, during the experience period to give more credibility to Alaska-specific experience while still reflecting national trends.

Analysis of the Valuation *(continued)*

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2010 as compared to 2009:

| Healthcare Cost Rate Data Source or Assumption Change, 2010 vs. 2009 | Gain / Loss Impact on 2010 Valuation Results |
|---|---|
| Claim lag specific to medical and prescription experience (2.4 months for medical and 0.15 months for Rx versus 2.6 and 0.5 respectively) | Negligible |
| Individual claims level data | <ul style="list-style-type: none"> – No impact on cost data used for 2010, though potentially a source of future modifications – No impact on morbidity assumptions used for 2010, though potentially a source of future modifications – Moderate gain from decreasing the Part B only proportion of all Medicare retirees from 3.5% to 0.6% |
| Explicit TPA fees | Negligible |
| Actual RDS payments received | Negligible |
| Weighting of prior experience periods used to derive base claims during the valuation year (more weight to recent years vs. prior method of nearly equal weights for all years) | Minor loss due to unweighting of early years of Premera contract when claims were lower than prior TPA due to provider discounts |
| 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 | No change |
| Aggregate claims data | Moderate gain due to experience, but dampened by weighting methodology |

Analysis of the Valuation *(continued)*

(2) Investment Experience

The approximate FY10 investment return based on market values was 10.2% compared to the expected investment return of 8.25%. This resulted in a gain of approximately \$168 million to the System from investment experience. The asset valuation method recognizes 20 percent of this gain (\$33.5 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY06 investment gain, 20 percent of the FY07 investment gain, 20% of the FY08 investment loss, and 20% of the FY09 investment loss were recognized this year. The approximate FY10 investment return based on actuarial values was 7.2%, compared to the expected investment return of 8.25%. The net result was an investment loss of \$95.5 million which decreased the funding ratio by 0.50% and increased the Employer/State contribution rate by 0.28%.

(3) Salary Increase

During the period from June 30, 2009 to June 30, 2010, salary increases for continuing active members were slightly more than anticipated in the valuation assumptions. Higher accrued liabilities had a negligible impact on the funding ratio. The net effect of the salary loss was an increase of 0.06% in the Employer/State contribution rate.

(4) Demographic Experience

Section 2.2 provides statistics on active participants. The number of active participants decreased 4.1%, from 27,565 at June 30, 2009 to 26,442 at June 30, 2010 due to members retiring and terminating during the year and the closure of the plan to new entrants as of July 1, 2006. The average age of active participants increased from 47.85 to 48.58 and average credited service increased from 11.19 to 11.84 years.

The number of benefit recipients increased 4.9%, from 25,015 to 26,237, and their average age increased from 66.39 to 66.71. There was a 4.8% decrease in the number of vested terminated participants from 6,566 to 6,253. Their average age increased from 49.83 to 49.90.

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 0.06% of total payroll. Most of this gain is due to PRPAs which were less than expected and spreading the unfunded contribution over a larger payroll base. As a result, expected benefit payments for FY10 and future years are reduced. 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, 2009, the actuarially calculated rate was 30.76% for FY12 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2007 employer rate of 27.65% was contributed during FY10. The difference between the two calculated rates, 30.76% and 27.65%, created a contribution deficit to the System. However, because of additional contributions from the Medicare Part D subsidy and the legal settlement, actual contributions exceeded the actuarially required contributions. This surplus decreased the Employer/State contribution rate by 0.67%.

(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. The total active population is expected to grow at 1% per year and all future demographic assumptions are expected to be exactly realized.

(7) Changes in Methods from the Prior Valuation

There were no changes in methods from the prior valuation.

(8) Changes in Assumptions from the Prior Valuation

Effective for the June 30, 2010 valuation, the Board adopted the changes to the demographic and economic assumptions recommended by the actuary based on the results of an experience analysis performed on the population experience from July 1, 2005 through June 30, 2009. The changes in assumptions were adopted by the Board during the December 2010 Board meeting.

(9) Changes in Benefit Provisions Since the Prior Valuation

There have been no changes in benefit provisions since the prior valuation.

Analysis of the Valuation *(continued)*

Summary of Actuarial Gain/(Loss) and Other Changes During the Year

The following table summarizes the sources of change in the total Employer/State contribution rate based on DB and DCR payroll combined:

| | <u>Pension</u> | <u>Healthcare</u> | <u>Total</u> |
|---|----------------|-------------------|----------------|
| 1. Last year's total Employer/State contribution rate | 14.65% | 16.11% | 30.76% |
| 2. Change due to: | | | |
| a. New assumptions | 0.87% | 1.59% | 2.46% |
| b. Effect of two-year delay in the contribution rate | 0.36% | (1.03)% | (0.67)% |
| c. Investment experience | (0.19)% | 0.47% | 0.28% |
| d. Salary increases | 0.06% | N/A | 0.06% |
| e. Demographic and medical experience ¹ | <u>(0.30)%</u> | <u>0.24%</u> | <u>(0.06)%</u> |
| f. Total change (a + b + c + d + e) | 0.80% | 1.27% | 2.07% |
| 3. Total Employer/State contribution rate this year | 15.45% | 17.38% | 32.83% |

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

| | <u>Amount</u> |
|--------------------------------|---------------|
| - Retirement Experience | \$ 3,730 |
| - Termination Experience | (33,532) |
| - Mortality Experience | (17,350) |
| - Disability Experience | (1,837) |
| - Other Demographic Experience | (28,765) |
| - Salary Increases | 4,617 |
| - PRPA other than expected | 79,310 |
| - Alaska COLA | <u>7,169</u> |
| - Total | \$ 13,342 |

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

| | <u>Amount</u> |
|--|---------------|
| - Claims costs and other demographic experience | \$ (204,703) |
| - Administration Fee | 8,117 |
| - More precise data regarding which members are eligible for Part B only | <u>65,826</u> |
| - Total | \$ (130,760) |

A gain on total accrued liability is favorable to the System. A loss is unfavorable.

¹ Includes changes in future healthcare claims costs.

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 FY10 and Investment Return During FY10.
- 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 FY13.
- Section 1.3(b) Development of Total Employer/State Contribution Rate for Others for FY13.
- Section 1.3(c) Development of Total Employer/State Contribution Rate for All Members for FY13.
- Section 1.4 Development of Actuarial Gain or Loss for FY10.
- Section 1.5(a) Actuarial Projections.
Based on Total DB and DCR Payroll.
- Section 1.5(b) Actuarial Projections – Effect of Economic Scenarios.
Based on Total DB and DCR Payroll.

1.1(a) Statement of Net Assets

| As of June 30, 2010 (in thousands) | Pension | Healthcare | Total Market Value |
|---|----------------|-------------------|-------------------------------|
| Cash and Cash Equivalents | \$ 63,836 | \$ 34,990 | \$ 98,826 |
| Domestic Equity Pool | 1,555,438 | 1,101,756 | 2,657,194 |
| Domestic Fixed Income Pool | 761,337 | 597,615 | 1,358,952 |
| International Equity Pool | 825,142 | 573,735 | 1,398,877 |
| Real Estate Pool | 474,774 | 336,152 | 810,926 |
| International Fixed Income Pool | 81,747 | 55,618 | 137,365 |
| Private Equity Pool | 525,415 | 363,988 | 889,403 |
| Emerging Markets Equity Pool | 309,129 | 229,103 | 538,232 |
| Absolute Return Pool | 272,399 | 189,332 | 461,731 |
| High Yield Pool | 133,514 | 93,202 | 226,716 |
| Treasury Inflation Protection Pool | 30,430 | 23,721 | 54,151 |
| Emerging Debt Pool | 41,357 | 28,608 | 69,965 |
| Other Investments Pool | 307,961 | 205,357 | 513,318 |
| Loans and Mortgages (Net of Reserves) | 14 | 2,815 | 2,829 |
| Total Cash and Investments | \$ 5,382,493 | \$ 3,835,992 | \$ 9,218,485 |
| Net Accrued Receivables | 9,034 | 345,089 | 354,123 |
| Net Assets | \$ 5,391,527 | \$ 4,181,081 | \$ 9,572,608 |

1.1(b) Statement of Changes in Net Assets

| Fiscal Year 2010 (in thousands) | Pension | Healthcare | Total Market Value |
|--|----------------|-------------------|-------------------------------|
| (1) Net Assets, June 30, 2009 (market value) | \$ 5,090,440 | \$ 3,445,375 | \$ 8,535,815 |
| (2) Additions: | | | |
| (a) Plan Member Contributions | \$ 123,066 | \$ 475 | \$ 123,541 |
| (b) Employer Contributions | 142,157 | 250,190 | 392,347 |
| (c) Employer Legislative Relief | 44,460 | 63,493 | 107,953 |
| (d) Interest and Dividend Income | 98,797 | 67,305 | 166,102 |
| (e) Net Appreciation/(Depreciation) in Fair Value of Investments | 424,662 | 305,482 | 730,144 |
| (f) Legal Settlement, Net of Fees | 0 | 358,986 | 358,986 |
| (g) Medicare Part D Subsidy | 0 | 10,970 | 10,970 |
| (h) Other | <u>105</u> | <u>7</u> | <u>112</u> |
| (i) Total Additions | \$ 833,247 | \$ 1,056,908 | \$ 1,890,155 |
| (3) Deductions: | | | |
| (a) Medical Benefits | \$ 0 | \$ 312,901 | \$ 312,901 |
| (b) Retirement Benefits | 496,015 | 0 | 496,015 |
| (c) Refunds of Contributions | 12,364 | 0 | 12,364 |
| (d) Investment Expenses | 17,416 | 75 | 17,491 |
| (e) Administrative Expenses | <u>6,365</u> | <u>8,226</u> | <u>14,591</u> |
| (f) Total Deductions | \$ 532,160 | \$ 321,202 | \$ 853,362 |
| (4) Net Assets, June 30, 2010 (market value) | \$ 5,391,527 | \$ 4,181,081 | \$ 9,572,608 |
| Approximate Market Value Investment Return Rate During FY10 Net of All Expense | 10.0% | 10.5% | 10.2% |

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/(Loss) for FY10 | | | |
| (a) Market Value, June 30, 2009 | \$ 5,090,440 | \$ 3,445,375 | \$ 8,535,815 |
| (b) Contributions for FY10 | 309,683 | 314,158 | 623,841 |
| (c) Medicare Part D Subsidy | 0 | 10,970 | 10,970 |
| (d) Benefit Payments for FY10 | 508,379 | 312,901 | 821,280 |
| (e) Legal Settlement, Net of Fees | 0 | 358,986 | 358,986 |
| (f) Actual Investment Return (<i>net of expenses</i>) | 499,783 | 364,493 | 864,276 |
| (g) Expected Return Rate (<i>net of expenses</i>) | 8.25% | 8.25% | 8.25% |
| (h) Expected Return - Weighted for Timing | 411,928 | 284,738 | 696,665 |
| (i) Investment Gain/(Loss) for the Year (<i>f. -h.</i>) | 87,855 | 79,755 | 167,611 |
| (j) Deferred Investment Return/(Loss) | (1,516,725) | (506,551) | (2,023,276) |
| (2) Actuarial Value, June 30, 2010 | | | |
| (a) Market Value, June 30, 2010 | \$ 5,391,527 | \$ 4,181,081 | \$ 9,572,608 |
| (b) 2010 Deferred Investment Return/(Loss) | (1,516,725) | (506,551) | (2,023,276) |
| (c) Preliminary Actuarial Value, June 30, 2010 (<i>a. - b.</i>) | 6,908,252 | 4,687,632 | 11,595,884 |
| (d) Upper Limit: 120% of Market Value, June 30, 2010 | 6,469,832 | 5,017,297 | N/A |
| (e) Lower Limit: 80% of Market Value, June 30, 2010 | 4,313,222 | 3,344,865 | N/A |
| (f) Actuarial Value, June 30, 2010 (<i>c. limited by d. and e.</i>) | \$ 6,469,832 | \$ 4,687,632 | \$ 11,157,464 |
| (g) Ratio of Actuarial Value of Assets to Market Value of Assets | 120.0% | 112.1% | 116.6% |
| (h) Approximate Actuarial Value Investment Return Rate During FY10 Net of All Expenses | 9.3% | 4.2% | 7.2% |

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 |
| 6/30/2006 ¹ | \$ 181,865 | \$ 145,492 | \$ 36,373 | \$ 0 |
| 6/30/2007 ¹ | 652,485 | 391,491 | 130,497 | 130,497 |
| 6/30/2008 | (928,079) | (371,232) | (185,616) | (371,231) |
| 6/30/2009 | (2,243,791) | (448,758) | (448,758) | (1,346,275) |
| 6/30/2010 | 87,855 | 0 | 17,571 | 70,284 |
| Total | \$ (2,249,665) | \$(283,007) | \$(449,933) | \$ (1,516,725) |

| Healthcare | | | | |
|------------------------|---------------------|---------------------------------------|----------------------------------|--------------------------------------|
| Plan Year Ended | Asset Gain/(Loss) | Gain/(Loss) Recognized in Prior Years | Gain/(Loss) Recognized This Year | Gain/(Loss) Deferred to Future Years |
| 6/30/2006 ¹ | \$ 85,332 | \$ 68,265 | \$ 17,067 | \$ 0 |
| 6/30/2007 ¹ | 306,148 | 183,690 | 61,229 | 61,229 |
| 6/30/2008 | (321,977) | (128,790) | (64,395) | (128,792) |
| 6/30/2009 | (837,986) | (167,597) | (167,597) | (502,792) |
| 6/30/2010 | 79,755 | 0 | 15,951 | 63,804 |
| Total | \$ (688,728) | \$(44,432) | \$(137,745) | \$ (506,551) |

| Total | | | | |
|-----------------|-----------------------|---------------------------------------|----------------------------------|--------------------------------------|
| Plan Year Ended | Asset Gain/(Loss) | Gain/(Loss) Recognized in Prior Years | Gain/(Loss) Recognized This Year | Gain/(Loss) Deferred to Future Years |
| 6/30/2006 | \$ 267,197 | \$ 213,757 | \$ 53,440 | \$ 0 |
| 6/30/2007 | 958,633 | 575,181 | 191,726 | 191,726 |
| 6/30/2008 | (1,250,056) | (500,022) | (250,011) | (500,023) |
| 6/30/2009 | (3,081,777) | (616,355) | (616,355) | (1,849,067) |
| 6/30/2010 | 167,610 | 0 | 33,522 | 134,088 |
| Total | \$ (2,938,393) | \$(327,439) | \$(587,678) | \$ (2,023,276) |

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, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|---|--|--|
| Active Members | | |
| Retirement Benefits | \$ 20,106 | \$ 535,359 |
| Termination Benefits | 1,671 | 8,742 |
| Disability Benefits | 1,001 | (641) |
| Death Benefits | 691 | 4,226 |
| Return of Contributions | 1,477 | (5,016) |
| Medical and Prescription Drug Benefits | 12,725 | 300,276 |
| Medicare Part D Subsidy | (740) | (16,762) |
| Indebtedness | N/A | (8,561) |
| Subtotal | \$ 36,931 | \$ 817,623 |
| Inactive Members | | |
| Not Vested | | \$ 2,192 |
| Vested Terminations | - Retirement Benefits | 18,672 |
| | - Medical and Prescription Drug Benefits | 30,321 |
| | - Medicare Part D Subsidy | (1,544) |
| | - Indebtedness | (564) |
| Retirees & Beneficiaries | - Retirement Benefits | 1,032,173 |
| | - Medical and Prescription Drug Benefits | 482,509 |
| | - Medicare Part D Subsidy | (33,672) |
| Subtotal | | \$ 1,530,087 |
| Total | \$ 36,931 | \$ 2,347,710 |
| Total Pension | \$ 24,946 | \$ 1,586,582 |
| Total Medical, Net of Part D Subsidy | \$ 11,985 | \$ 761,128 |
| Total Medical, Gross of Part D Subsidy | \$ 12,725 | \$ 813,106 |

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

| As of June 30, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|---|------------------------|---|
| By Tier | | |
| Tier 1 | | |
| - Pension | \$ 2,376 | \$ 1,047,466 |
| - Medical, Net of Part D Subsidy | 1,768 | 470,309 |
| Tier 2 | | |
| - Pension | 7,475 | 342,266 |
| - Medical, Net of Part D Subsidy | 2,492 | 159,533 |
| Tier 3 | | |
| - Pension | 15,095 | 196,850 |
| - Medical, Net of Part D Subsidy | 7,725 | 131,286 |
| Total | \$ 36,931 | \$ 2,347,710 |

1.2(b) Actuarial Present Values - Others

| As of June 30, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|---|-------------------|--|
| Active Members | | |
| Retirement Benefits | \$ 105,194 | \$ 3,545,804 |
| Termination Benefits | 15,756 | 127,404 |
| Disability Benefits | 2,104 | 755 |
| Death Benefits | 2,944 | 41,539 |
| Return of Contributions | 18,855 | (73,665) |
| Medical and Prescription Drug Benefits | 125,417 | 3,084,256 |
| Medicare Part D Subsidy | (7,959) | (188,756) |
| Indebtedness | N/A | (72,735) |
| Subtotal | \$ 262,311 | \$ 6,464,602 |
| Inactive Members | | |
| Not Vested | | \$ 68,990 |
| Vested Terminations | | |
| - Retirement Benefits | | 443,155 |
| - Medical and Prescription Drug Benefits | | 994,100 |
| - Medicare Part D Subsidy | | (50,172) |
| - Indebtedness | | (11,476) |
| Retirees & Beneficiaries | | |
| - Retirement Benefits | | 4,715,319 |
| - Medical and Prescription Drug Benefits | | 3,440,163 |
| - Medicare Part D Subsidy | | (279,899) |
| Subtotal | | \$ 9,320,180 |
| Total | \$ 262,311 | \$ 15,784,782 |
| Total Pension | \$ 144,853 | \$ 8,785,090 |
| Total Medical, Net of Part D Subsidy | \$ 117,458 | \$ 6,999,692 |
| Total Medical, Gross of Part D Subsidy | \$ 125,417 | \$ 7,518,519 |

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

| As of June 30, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|---|------------------------|---|
| By Tier | | |
| Tier 1 | | |
| - Pension | \$ 34,753 | \$ 5,901,392 |
| - Medical, Net of Part D Subsidy | 40,898 | 4,371,129 |
| Tier 2 | | |
| - Pension | 39,187 | 1,896,075 |
| - Medical, Net of Part D Subsidy | 22,453 | 1,570,135 |
| Tier 3 | | |
| - Pension | 70,913 | 987,623 |
| - Medical, Net of Part D Subsidy | 54,107 | 1,058,428 |
| Total | \$ 262,311 | \$ 15,784,782 |

1.2(c) Actuarial Present Values – All Members

| As of June 30, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|---|--|--|
| Active Members | | |
| Retirement Benefits | \$ 125,300 | \$ 4,081,163 |
| Termination Benefits | 17,427 | 136,146 |
| Disability Benefits | 3,105 | 114 |
| Death Benefits | 3,635 | 45,765 |
| Return of Contributions | 20,332 | (78,681) |
| Medical and Prescription Drug Benefits | 138,142 | 3,384,532 |
| Medicare Part D Subsidy | (8,699) | (205,518) |
| Indebtedness | N/A | (81,296) |
| Subtotal | \$ 299,242 | \$ 7,282,225 |
| Inactive Members | | |
| Not Vested | | \$ 71,182 |
| Vested Terminations | - Retirement Benefits | 461,827 |
| | - Medical and Prescription Drug Benefits | 1,024,421 |
| | - Medicare Part D Subsidy | (51,716) |
| | - Indebtedness | (12,040) |
| Retirees & Beneficiaries | - Retirement Benefits | 5,747,492 |
| | - Medical and Prescription Drug Benefits | 3,922,672 |
| | - Medicare Part D Subsidy | (313,571) |
| Subtotal | | \$ 10,850,267 |
| Total | \$ 299,242 | \$ 18,132,492 |
| Total Pension | \$ 169,799 | \$ 10,371,672 |
| Total Medical, Net of Part D Subsidy | \$ 129,443 | \$ 7,760,820 |
| Total Medical, Gross of Part D Subsidy | \$ 138,142 | \$ 8,331,625 |

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

| As of June 30, 2010 (in thousands) | Normal Cost | Accrued (Past Service) Liability |
|------------------------------------|-------------------|--|
| By Tier | | |
| Tier 1 | | |
| - Pension | \$ 37,129 | \$ 6,948,858 |
| - Medical, Net of Part D Subsidy | 42,666 | 4,841,438 |
| Tier 2 | | |
| - Pension | 46,662 | 2,238,341 |
| - Medical, Net of Part D Subsidy | 24,945 | 1,729,668 |
| Tier 3 | | |
| - Pension | 86,008 | 1,184,473 |
| - Medical, Net of Part D Subsidy | 61,832 | 1,189,714 |
| Total | \$ 299,242 | \$ 18,132,492 |

**1.3(a) Development of Total Employer/State Contribution Rate – FY13
Peace Officer/Firefighter
(in thousands)**

| Normal Cost Rate | Pension | Healthcare | Total |
|--|----------------|-------------------|---------------|
| (1) Total Normal Cost | \$ 24,946 | \$ 11,985 | \$ 36,931 |
| (2) DB Member Salaries Projected for FY11 | 201,560 | 201,560 | 201,560 |
| (3) DCR Member Salaries Projected for FY11 | 41,802 | 41,802 | 41,802 |
| (4) Total Salaries Projected for FY11 | 243,362 | 243,362 | 243,362 |
| (5) Normal Cost Rate for Peace Officer/Firefighter | | | |
| a. Based on DB Member Salaries, (1) ÷ (2) | 12.38% | 5.95% | 18.33% |
| b. Based on Total Salaries, (1) ÷ (4) | 10.25% | 4.92% | 15.17% |
| (6) Member Contribution Rate (Peace Officer/Firefighter) ¹ | 6.23% | 0.00% | 6.23% |
| (7) Employer Normal Cost Rate For Peace Officer/Firefighter, (5b) – (6) | 4.02% | 4.92% | 8.94% |
| Past Service Rate | | | |
| (1) Accrued Liability | \$ 1,586,582 | \$ 761,128 | \$ 2,347,710 |
| (2) Valuation Assets ² | 989,707 | 459,731 | 1,449,438 |
| (3) Unfunded Liability, (1) – (2) | 596,875 | 301,397 | 898,272 |
| (4) Funded Ratio, (2) ÷ (1) | 62.4% | 60.4% | 61.7% |
| (5) Past Service Cost Amortization Payment ³ | 41,846 | 23,419 | 65,265 |
| (6) Total Salaries Projected for FY11 | 243,362 | 243,362 | 243,362 |
| (7) Past Service Rate, (5) ÷ (6) | 17.19% | 9.62% | 26.81% |
| Total Employer/State Contribution Rate | 21.21% | 14.54% | 35.75% |
| Normal Cost Rate by Tier (Total Employer and Member)⁴ | | | |
| Tier 1 | 13.08% | 9.73% | 22.81% |
| Tier 2 | 12.06% | 4.02% | 16.08% |
| Tier 3 | 12.43% | 6.36% | 18.79% |

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

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(a) Development of Total Employer/State Contribution Rate – FY13 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 | 17 | \$ 137,169 | \$ 146,428 | \$ 11,752 | |
| FY03 Loss ¹ | 6/30/2003 | 18 | 9,777 | 10,433 | 805 | |
| FY04 Loss ¹ | 6/30/2004 | 19 | 25,832 | 27,475 | 2,046 | |
| FY05 Loss ¹ | 6/30/2005 | 20 | 48,970 | 51,777 | 3,729 | |
| Change in Assumptions/Methods ¹ | 6/30/2006 | 21 | 65,436 | 68,614 | 4,791 | |
| FY06 Gain ¹ | 6/30/2006 | 21 | (19,153) | (20,081) | (1,402) | |
| FY07 Loss | 6/30/2007 | 22 | 22,584 | 23,472 | 1,592 | |
| FY08 Gain | 6/30/2008 | 23 | (3,036) | (3,122) | (206) | |
| FY09 Loss | 6/30/2009 | 24 | 249,836 | 253,663 | 16,335 | |
| Change in Assumptions | 6/30/2010 | 25 | 46,836 | 46,836 | 2,946 | |
| FY10 Gain | 6/30/2010 | 25 | (8,620) | (8,620) | (542) | |
| Total | | | | \$ 596,875 | \$ 41,846 | |

| Healthcare | | | | | | |
|--|---------------------|------------|------------|-------------------|------------------------------|--|
| | Amortization Period | | Balances | | Beginning-of-Year Payment | |
| | Date Created | Years Left | Initial | Outstanding | | |
| Initial Unfunded Liability ¹ | 6/30/2002 | 17 | \$ 175,533 | \$ 187,381 | \$ 15,039 | |
| FY03 Loss ⁴ | 6/30/2003 | 18 | 12,512 | 13,352 | 1,031 | |
| FY04 Loss ⁴ | 6/30/2004 | 19 | 33,056 | 35,160 | 2,618 | |
| FY05 Loss ¹ | 6/30/2005 | 20 | 62,666 | 66,260 | 4,772 | |
| Change in Assumptions/Methods ⁴ | 6/30/2006 | 21 | 83,737 | 87,804 | 6,131 | |
| FY06 Gain ¹ | 6/30/2006 | 21 | (24,510) | (25,701) | (1,795) | |
| FY07 Gain | 6/30/2007 | 22 | (86,375) | (89,770) | (6,090) | |
| Change in Assumptions | 6/30/2008 | 23 | 44,982 | 46,249 | 3,054 | |
| FY08 Gain | 6/30/2008 | 23 | (27,452) | (28,225) | (1,864) | |
| FY09 Gain | 6/30/2009 | 24 | (23,322) | (23,680) | (1,525) | |
| Change in Assumptions | 6/30/2010 | 25 | 29,559 | 29,559 | 1,859 | |
| FY10 Loss | 6/30/2010 | 25 | 3,008 | 3,008 | 189 | |
| Total | | | | \$ 301,397 | \$ 23,419 | |

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

**1.3(a) Development of Total Employer/State Contribution Rate – FY13
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 | 17 | \$ 312,702 | \$ 333,809 | \$ 26,791 |
| FY03 Loss | 6/30/2003 | 18 | 22,289 | 23,785 | 1,836 |
| FY04 Loss | 6/30/2004 | 19 | 58,888 | 62,635 | 4,664 |
| FY05 Loss | 6/30/2005 | 20 | 111,636 | 118,037 | 8,501 |
| Change in Assumptions/ Methods | 6/30/2006 | 21 | 149,173 | 156,418 | 10,922 |
| FY06 Gain | 6/30/2006 | 21 | (43,663) | (45,782) | (3,197) |
| FY07 Gain | 6/30/2007 | 22 | (63,791) | (66,298) | (4,498) |
| Change in Assumptions | 6/30/2008 | 23 | 44,982 | 46,249 | 3,054 |
| FY08 Gain | 6/30/2008 | 23 | (30,488) | (31,347) | (2,070) |
| FY09 Loss | 6/30/2009 | 24 | 226,514 | 229,983 | 14,810 |
| Change in Assumptions | 6/30/2010 | 25 | 76,395 | 76,395 | 4,805 |
| FY10 Gain | 6/30/2010 | 25 | (5,612) | (5,612) | (353) |
| Total | | | | \$ 898,272 | \$ 65,265 |

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 13.763457. 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 – FY13
Others
(in thousands)

| Normal Cost Rate | Pension | Healthcare | Total |
|---|----------------|-------------------|---------------|
| (1) Total Normal Cost | \$ 144,853 | \$ 117,458 | \$ 262,311 |
| (2) DB Member Salaries Projected for FY11 | 1,459,610 | 1,459,610 | 1,459,610 |
| (3) DCR Member Salaries Projected for FY11 | 413,311 | 413,311 | 413,311 |
| (4) Total Salaries Projected for FY11 | 1,872,921 | 1,872,921 | 1,872,921 |
| (5) Normal Cost Rate for Others | | | |
| a. Based on DB Member Salaries, (1) ÷ (2) | 9.92% | 8.05% | 17.97% |
| b. Based on Total Salaries, (1) ÷ (4) | 7.73% | 6.27% | 14.00% |
| (6) Member Contribution Rate (Others) ¹ | 5.37% | 0.00% | 5.37% |
| (7) Employer/State Normal Cost Rate For Others, (5b) – (6) | 2.36% | 6.27% | 8.63% |
| Past Service Rate | | | |
| (1) Accrued Liability | \$ 8,785,090 | \$ 6,999,692 | \$ 15,784,782 |
| (2) Valuation Assets ² | 5,480,125 | 4,227,901 | 9,708,026 |
| (3) Unfunded Liability, (1) – (2) | 3,304,965 | 2,771,791 | 6,076,756 |
| (4) Funded Ratio, (2) ÷ (1) | 62.4% | 60.4% | 61.5% |
| (5) Past Service Cost Amortization Payment ³ | 231,083 | 214,929 | 446,012 |
| (6) Total Salaries Projected for FY11 | 1,872,921 | 1,872,921 | 1,872,921 |
| (7) Past Service Rate, (5) ÷ (6) | 12.34% | 11.48% | 23.82% |
| Total Employer/State Contribution Rate | 14.70% | 17.75% | 32.45% |
| Normal Cost Rate by Tier (Total Employer and Member)⁴ | | | |
| Tier 1 | 10.77% | 12.67% | 23.44% |
| Tier 2 | 9.48% | 5.43% | 14.91% |
| Tier 3 | 9.80% | 7.48% | 17.28% |

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 – FY13 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 | 17 | \$ 734,495 | \$ 784,068 | \$ 62,929 |
| FY03 Loss ¹ | 6/30/2003 | 18 | 52,354 | 55,868 | 4,313 |
| FY04 Loss ¹ | 6/30/2004 | 19 | 138,320 | 147,123 | 10,956 |
| FY05 Loss ¹ | 6/30/2005 | 20 | 262,218 | 277,249 | 19,969 |
| Change in Assumptions/Methods ¹ | 6/30/2006 | 21 | 350,386 | 367,403 | 25,655 |
| FY06 Gain ¹ | 6/30/2006 | 21 | (102,558) | (107,541) | (7,509) |
| FY07 Loss | 6/30/2007 | 22 | 120,930 | 125,684 | 8,527 |
| FY08 Loss | 6/30/2008 | 23 | 7,896 | 8,120 | 536 |
| FY09 Loss | 6/30/2009 | 24 | 1,389,049 | 1,410,326 | 90,822 |
| Change in Assumptions | 6/30/2010 | 25 | 184,848 | 184,848 | 11,626 |
| FY10 Loss | 6/30/2010 | 25 | 51,817 | 51,817 | 3,259 |
| Total | | | | \$ 3,304,965 | \$ 231,083 |

| Healthcare | | | | | |
|--|---------------------|------------|--------------|---------------------|------------------------------|
| | Amortization Period | | Balances | | Beginning-of-Year Payment |
| | Date Created | Years Left | Initial | Outstanding | |
| Initial Unfunded Liability ¹ | 6/30/2002 | 17 | \$ 1,596,753 | \$ 1,704,524 | \$ 136,804 |
| FY03 Loss ¹ | 6/30/2003 | 18 | 113,814 | 121,455 | 9,375 |
| FY04 Loss ¹ | 6/30/2004 | 19 | 300,702 | 319,835 | 23,817 |
| FY05 Loss | 6/30/2005 | 20 | 570,049 | 602,729 | 43,411 |
| Change in Assumptions/Methods ¹ | 6/30/2006 | 21 | 761,720 | 798,713 | 55,771 |
| FY06 Gain ¹ | 6/30/2006 | 21 | (222,957) | (233,784) | (16,324) |
| FY07 Gain | 6/30/2007 | 22 | (785,717) | (816,602) | (55,399) |
| Change in Assumptions | 6/30/2008 | 23 | 364,085 | 374,330 | 24,721 |
| FY08 Gain | 6/30/2008 | 23 | (238,309) | (245,015) | (16,180) |
| FY09 Gain | 6/30/2009 | 24 | (148,044) | (150,311) | (9,680) |
| Change in Assumptions | 6/30/2010 | 25 | 356,581 | 356,581 | 22,428 |
| FY10 Gain | 6/30/2010 | 25 | (60,664) | (60,664) | (3,815) |
| Total | | | | \$ 2,771,791 | \$ 214,929 |

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 – FY13
Others (continued)

Schedule of Past Service Cost Amortizations – Others

| | Amortization Period | | Balances | | Beginning-of-Year Payment |
|--------------------------------------|---------------------|------------|--------------|---------------------|------------------------------|
| | Date Created | Years Left | Initial | Outstanding | |
| | | | | | |
| Initial Unfunded Liability | 6/30/2002 | 17 | \$ 2,331,248 | \$ 2,488,592 | \$ 199,733 |
| FY03 Loss | 6/30/2003 | 18 | 166,168 | 177,323 | 13,688 |
| FY04 Loss | 6/30/2004 | 19 | 439,022 | 466,958 | 34,773 |
| FY05 Loss | 6/30/2005 | 20 | 832,267 | 879,978 | 63,380 |
| Change in Assumptions/ Methods | 6/30/2006 | 21 | 1,112,106 | 1,166,116 | 81,426 |
| FY06 Gain | 6/30/2006 | 21 | (325,515) | (341,325) | (23,833) |
| FY07 Gain | 6/30/2007 | 22 | (664,787) | (690,918) | (46,872) |
| Change in Assumptions | 6/30/2008 | 23 | 364,085 | 374,330 | 24,721 |
| FY08 Gain | 6/30/2008 | 23 | (230,413) | (236,895) | (15,644) |
| FY09 Loss | 6/30/2009 | 24 | 1,241,005 | 1,260,015 | 81,142 |
| Change in Assumptions | 6/30/2010 | 25 | 541,429 | 541,429 | 34,054 |
| FY10 Gain | 6/30/2010 | 25 | (8,847) | (8,847) | (556) |
| Total | | | | \$ 6,076,756 | \$ 446,012 |

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 13.624647. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 19 years.

1.3(c) Development of Total Employer/State Contribution Rate – FY13
All Members
(in thousands)

| Normal Cost Rate | Pension | Healthcare | Total |
|---|----------------|-------------------|---------------|
| (1) Total Normal Cost | \$ 169,799 | \$ 129,443 | \$ 299,242 |
| (2) DB Member Salaries Projected for FY11 | 1,661,170 | 1,661,170 | 1,661,170 |
| (3) DCR Member Salaries Projected for FY11 | 455,113 | 455,113 | 455,113 |
| (4) Total Salaries Projected for FY11 | 2,116,283 | 2,116,283 | 2,116,283 |
| (5) Normal Cost Rate for All Members | | | |
| a. Based on DB Member Salaries, (1) ÷ (2) | 10.22% | 7.79% | 18.01% |
| b. Based on Total Salaries, (1) ÷ (4) | 8.02% | 6.12% | 14.14% |
| (6) Average Member Contribution Rate ¹ | 5.47% | 0.00% | 5.47% |
| (7) Employer Normal Cost Rate For All Members, (5b) – (6) | 2.55% | 6.12% | 8.67% |
| Past Service Rate | | | |
| (1) Accrued Liability | \$ 10,371,672 | \$ 7,760,820 | \$ 18,132,492 |
| (2) Valuation Assets | 6,469,832 | 4,687,632 | 11,157,464 |
| (3) Total Unfunded Liability, (1) – (2) | 3,901,840 | 3,073,188 | 6,975,028 |
| (4) Funded Ratio, (2) ÷ (1) | 62.4% | 60.4% | 61.5% |
| (5) Past Service Cost Amortization Payment ² | 272,929 | 238,348 | 511,277 |
| (6) Total Salaries Projected for FY11 | 2,116,283 | 2,116,283 | 2,116,283 |
| (7) Past Service Rate, (5) ÷ (6) | 12.90% | 11.26% | 24.16% |
| Total Employer/State Contribution Rate | 15.45% | 17.38% | 32.83% |
| Normal Cost Rate by Tier (Total Employer and Member)³ | | | |
| Tier 1 | 10.89% | 12.52% | 23.41% |
| Tier 2 | 9.81% | 5.25% | 15.06% |
| Tier 3 | 10.18% | 7.32% | 17.50% |

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 – FY13 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 | 17 | \$ 871,664 | \$ 930,496 | \$ 74,681 |
| FY03 Loss ¹ | 6/30/2003 | 18 | 62,131 | 66,301 | 5,118 |
| FY04 Loss ¹ | 6/30/2004 | 19 | 164,152 | 174,598 | 13,002 |
| FY05 Loss ¹ | 6/30/2005 | 20 | 311,188 | 329,026 | 23,698 |
| Change in Assumptions/Methods ¹ | 6/30/2006 | 21 | 415,822 | 436,017 | 30,446 |
| FY06 Gain ¹ | 6/30/2006 | 21 | (121,711) | (127,622) | (8,911) |
| FY07 Loss | 6/30/2007 | 22 | 143,514 | 149,156 | 10,119 |
| FY08 Loss | 6/30/2008 | 23 | 4,860 | 4,998 | 330 |
| FY09 Loss | 6/30/2009 | 24 | 1,638,885 | 1,663,989 | 107,157 |
| Change in Assumptions | 6/30/2010 | 25 | 231,684 | 231,684 | 14,572 |
| FY10 Loss | 6/30/2010 | 25 | 43,197 | 43,197 | 2,717 |
| Total | | | | \$ 3,901,840 | \$ 272,929 |

| Healthcare | | | | | |
|--|---------------------|------------|--------------|---------------------|------------------------------|
| | Amortization Period | | Balances | | Beginning-of-Year Payment |
| | Date Created | Years Left | Initial | Outstanding | |
| Initial Unfunded Liability ¹ | 6/30/2002 | 17 | \$ 1,772,286 | \$ 1,891,905 | \$ 151,843 |
| FY03 Loss ¹ | 6/30/2003 | 18 | 126,326 | 134,807 | 10,406 |
| FY04 Loss ¹ | 6/30/2004 | 19 | 333,758 | 354,995 | 26,435 |
| FY05 Loss ¹ | 6/30/2005 | 20 | 632,715 | 668,989 | 48,183 |
| Change in Assumptions/Methods ¹ | 6/30/2006 | 21 | 845,457 | 886,517 | 61,902 |
| FY06 Gain ¹ | 6/30/2006 | 21 | (247,467) | (259,485) | (18,119) |
| FY07 Gain | 6/30/2007 | 22 | (872,092) | (906,372) | (61,489) |
| Changes in Assumptions | 6/30/2008 | 23 | 409,067 | 420,579 | 27,775 |
| FY08 Gain | 6/30/2008 | 23 | (265,761) | (273,240) | (18,044) |
| FY09 Gain | 6/30/2009 | 24 | (171,366) | (173,991) | (11,205) |
| Change in Assumptions | 6/30/2010 | 25 | 386,140 | 386,140 | 24,287 |
| FY10 Gain | 6/30/2010 | 25 | (57,656) | (57,656) | (3,626) |
| Total | | | | \$ 3,073,188 | \$ 238,348 |

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 – FY13
All Members (continued)

Schedule of Past Service Cost Amortizations – All Members

| | Total | | | | |
|-----------------------------------|---------------------|------------|--------------|---------------------|------------------------------|
| | Amortization Period | | Balances | | Beginning-of-Year Payment |
| | Date Created | Years Left | Initial | Outstanding | |
| Initial Unfunded Liability | 6/30/2002 | 17 | \$ 2,643,950 | \$ 2,822,401 | \$ 226,524 |
| FY03 Loss | 6/30/2003 | 18 | 188,457 | 201,108 | 15,524 |
| FY04 Loss | 6/30/2004 | 19 | 497,910 | 529,593 | 39,437 |
| FY05 Loss | 6/30/2005 | 20 | 943,903 | 998,015 | 71,881 |
| Change in Assumptions/ Methods | 6/30/2006 | 21 | 1,261,279 | 1,322,534 | 92,348 |
| FY06 Gain | 6/30/2006 | 21 | (369,178) | (387,107) | (27,030) |
| FY07 Gain | 6/30/2007 | 22 | (728,578) | (757,216) | (51,370) |
| Change in Assumptions | 6/30/2008 | 23 | 409,067 | 420,579 | 27,775 |
| FY08 Gain | 6/30/2008 | 23 | (260,901) | (268,242) | (17,714) |
| FY09 Loss | 6/30/2009 | 24 | 1,467,519 | 1,489,998 | 95,952 |
| Change in Assumptions | 6/30/2010 | 25 | 617,824 | 617,824 | 38,859 |
| FY10 Gain | 6/30/2010 | 25 | (14,459) | (14,459) | (909) |
| Total | | | | \$ 6,975,028 | \$ 511,277 |

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 13.642366. The amortization method is on a level percent of pay basis.

The equivalent single amortization period is 19 years.

1.4 Development of Actuarial Gain/(Loss) for FY10 (in thousands)

| | Pension | Healthcare | Total |
|--|---------------------|---------------------|---------------------|
| (1) Expected Actuarial Accrued Liability | | | |
| (a) Accrued Liability, June 30, 2009 | \$ 9,702,086 | \$ 6,877,285 | \$ 16,579,371 |
| (b) Normal Cost for FY10 | 166,056 | 115,299 | 281,355 |
| (c) Interest on (a) and (b) at 8.25% | 814,122 | 576,888 | 1,391,010 |
| (d) Benefit Payments for FY10 | 496,015 | 312,901 | 808,916 |
| (e) Refund of Contributions for FY10 | 12,364 | 0 | 12,364 |
| (f) Interest on (d) and (e) at 8.25% for one-half year | 20,555 | 12,651 | 33,206 |
| (g) Change in Assumptions | 231,684 | 386,140 | 617,824 |
| (h) Expected Accrued Liability as of June 30, 2010 (a) + (b) + (c) – (d) – (e) – (f) + (g) | 10,385,014 | 7,630,060 | 18,015,074 |
| (2) Actual Accrued Liability, June 30, 2010 | 10,371,672 | 7,760,820 | 18,132,492 |
| (3) Liability Gain/(Loss), (1)(h) – (2) | \$ 13,342 | \$ (130,760) | \$ (117,418) |
| (4) Expected Actuarial Asset Value | | | |
| (a) Actuarial Asset Value, June 30, 2009 | \$ 6,108,528 | \$ 4,134,450 | \$ 10,242,978 |
| (b) Interest on (a) at 8.25% | 503,954 | 341,092 | 845,046 |
| (c) Employee Contributions for FY10 | 123,066 | 475 | 123,541 |
| (d) Employer Contributions for FY10 | 142,157 | 250,190 | 392,347 |
| (e) Employer Legislative Relief for FY10 | 44,460 | 63,493 | 107,953 |
| (f) Medicare Part D Subsidy | 0 | 10,970 | 10,970 |
| (g) Interest on (c), (d), (e) and (f) at 8.25% for one-half year | 12,521 | 13,146 | 25,667 |
| (h) Legal Settlement, Net of Fees | 0 | 358,986 | 358,986 |
| (i) Benefit Payments for FY10 | 496,015 | 312,901 | 808,916 |
| (j) Refund of Contributions for FY10 | 12,364 | 0 | 12,364 |
| (k) Interest on (i) and (j) at 8.25% for one-half year | 20,555 | 12,651 | 33,206 |
| (l) Expected Actuarial Asset Value, June 30, 2010 (a)+(b)+(c)+(d)+(e)+(f)+(g)+(h)–(i)–(j)–(k) | 6,405,752 | 4,847,250 | 11,253,002 |
| (5) Actuarial Asset Value, June 30, 2010 | 6,469,832 | 4,687,632 | 11,157,464 |
| (6) Actuarial Asset Gain/(Loss), (5) – (4)(l) | \$ 64,080 | \$ (159,618) | \$ (95,538) |
| (7) Actuarial Gain/(Loss), (3) + (6) | \$ 77,422 | \$ (290,378) | \$ (212,956) |
| (8) Effect of the 2-Year Delay on Contributions | \$ (120,619) | \$ 348,034 | \$ 227,415 |
| (9) FY10 Gain/(Loss) to be Amortized, (7) + (8) | \$ (43,197) | \$ 57,656 | \$ 14,459 |

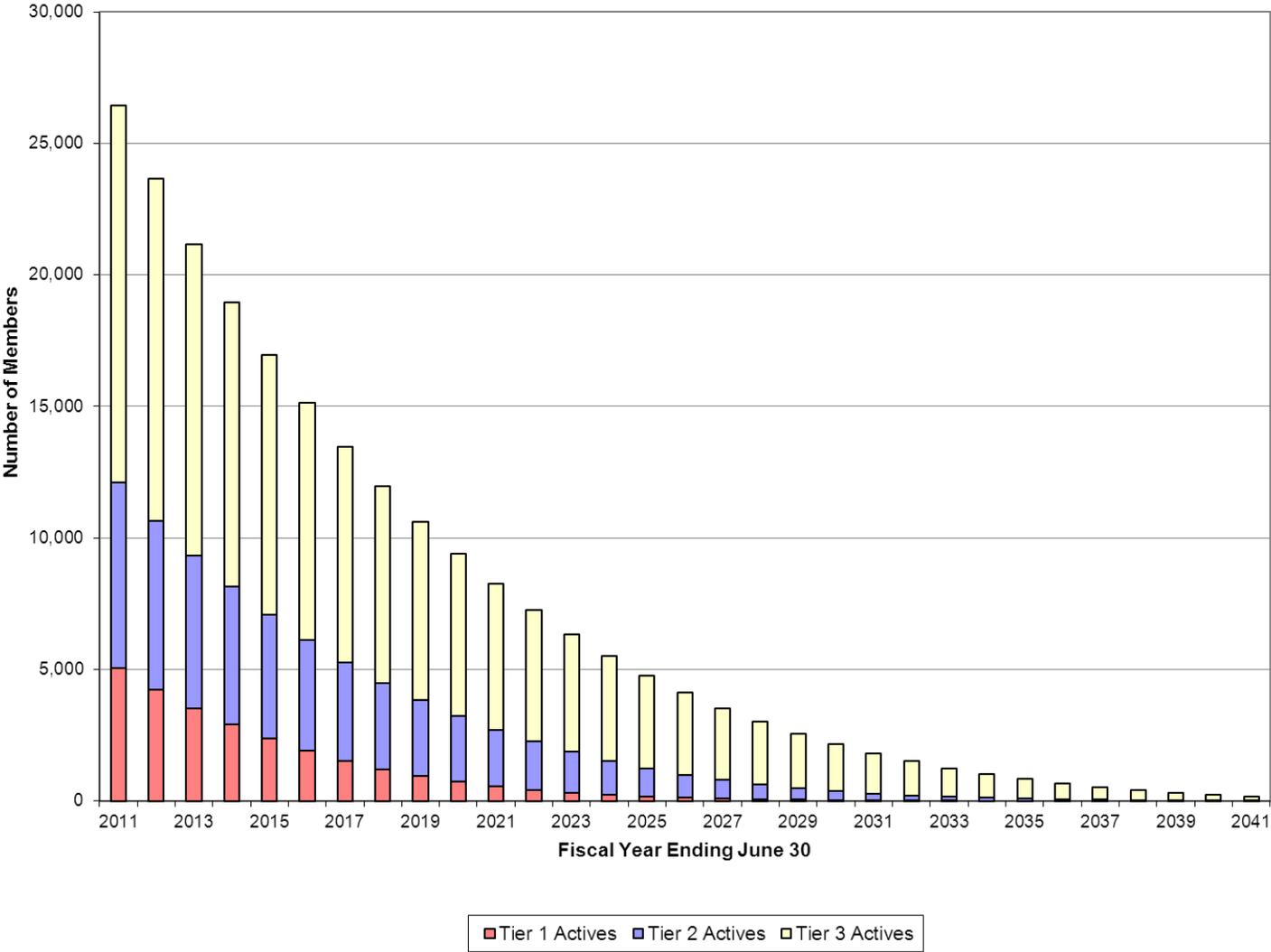
**1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll**

Key Assumptions

- 8.00% 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.
- Projections assume a 1% increase in the total active population. All new members are expected to enter the DCR plan.

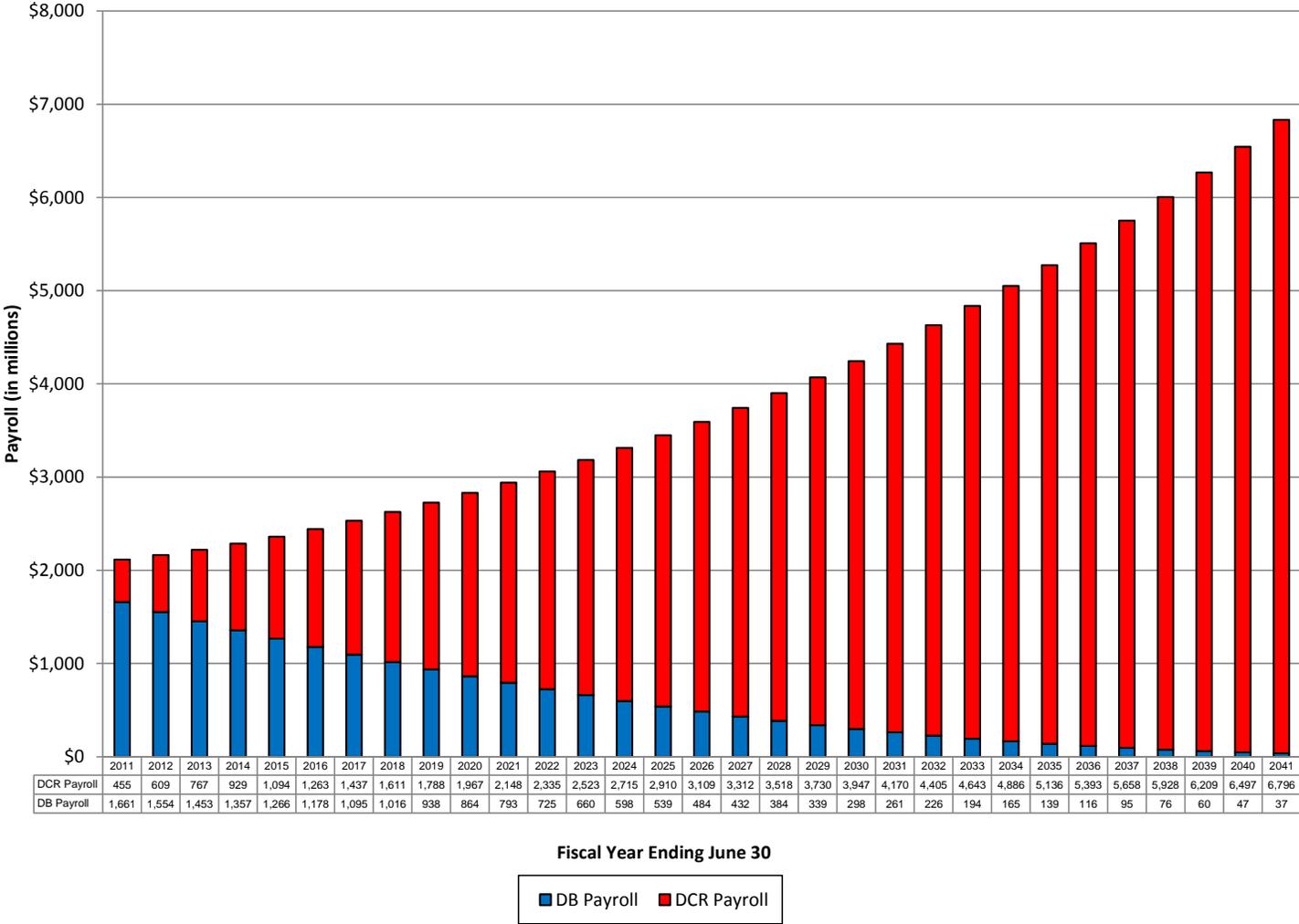
1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected Active Member Count



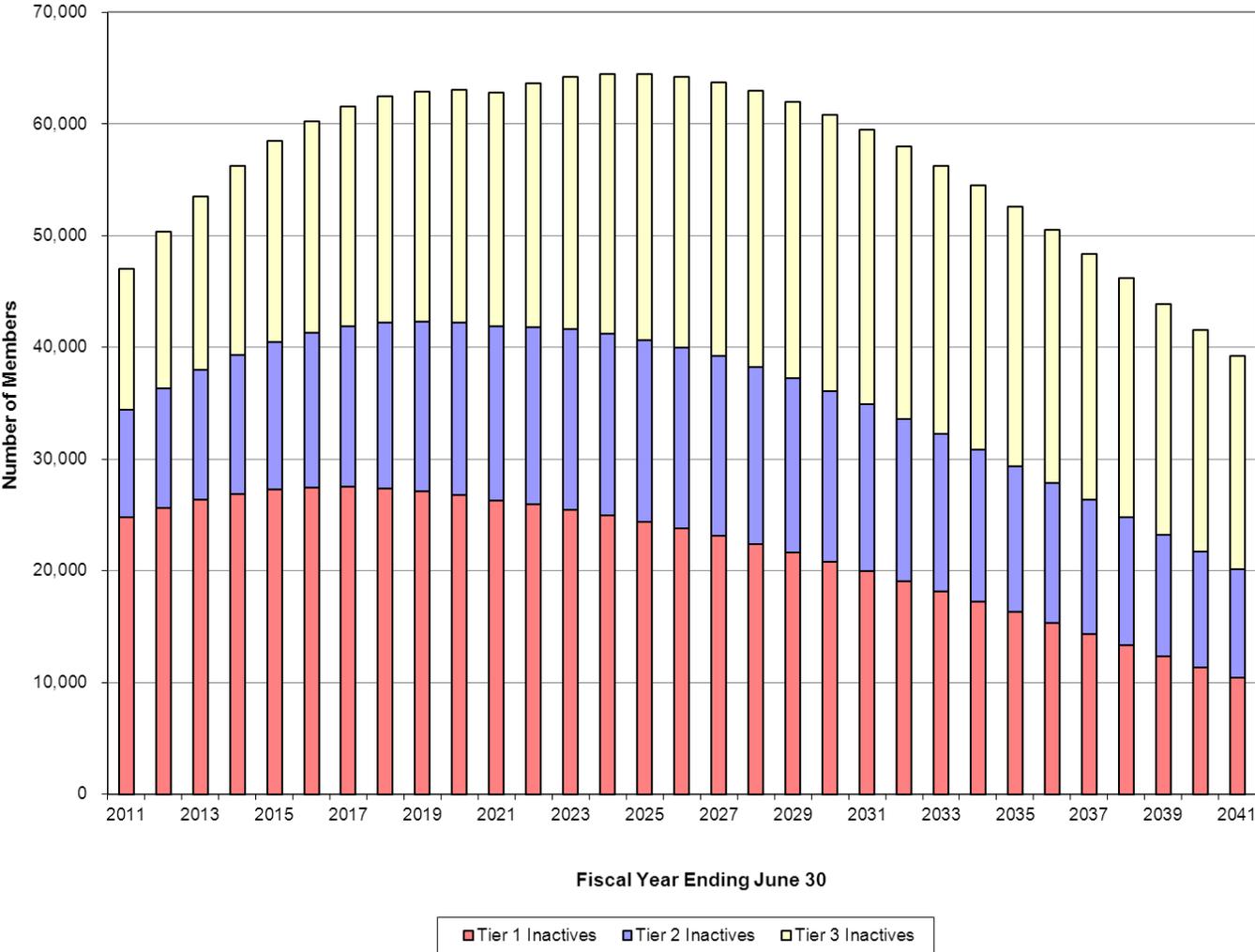
1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected DB and DCR Payroll



1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected Inactive Member Count



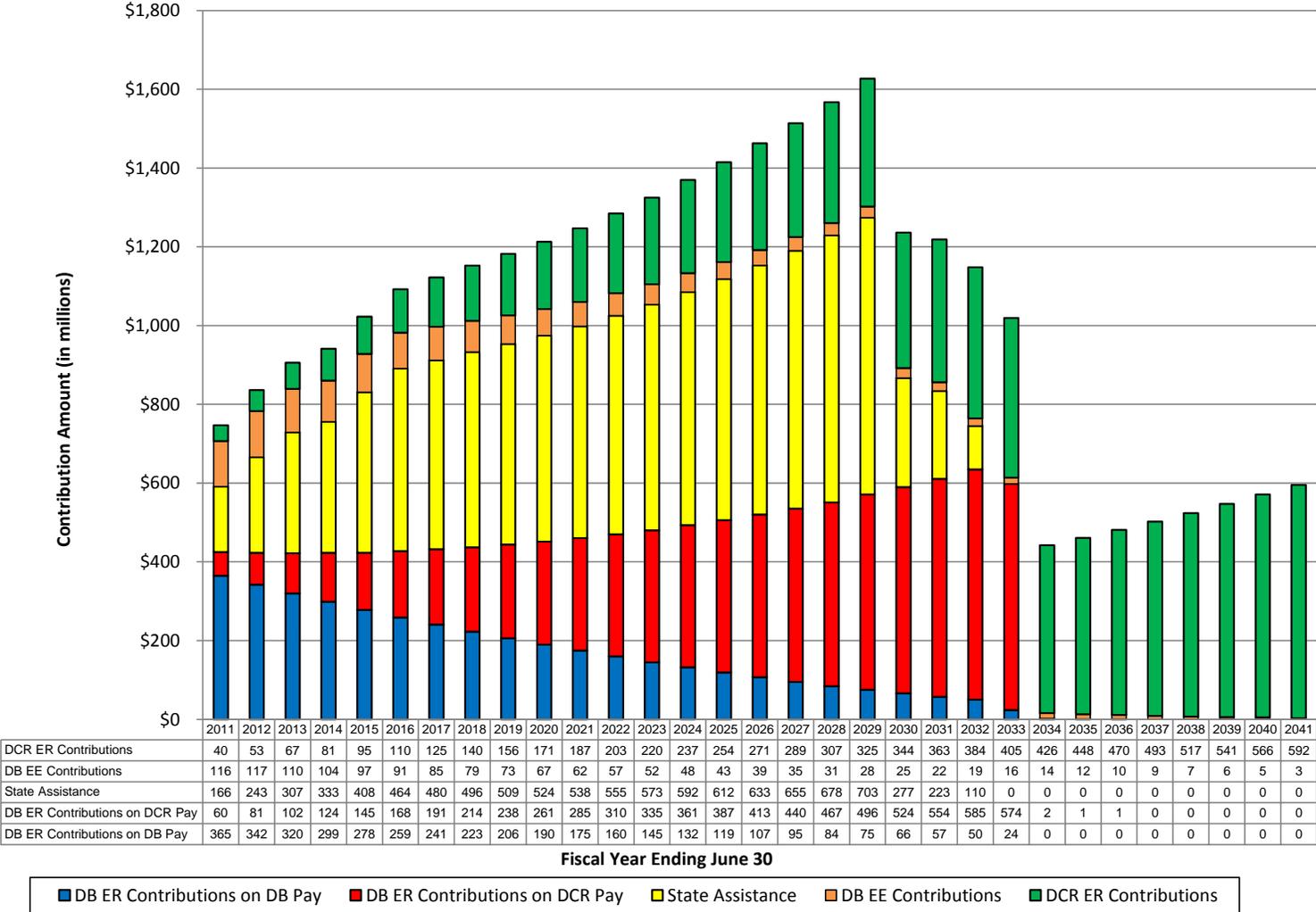
1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll *(continued)*

Observations

- Contribution amounts increase and contribution rates remain high until FY29 before dropping off significantly as 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 decrease until FY14 as the deferral of recent investment losses are realized, and then improve throughout the rest of the projection period as the unfunded liability is paid off.

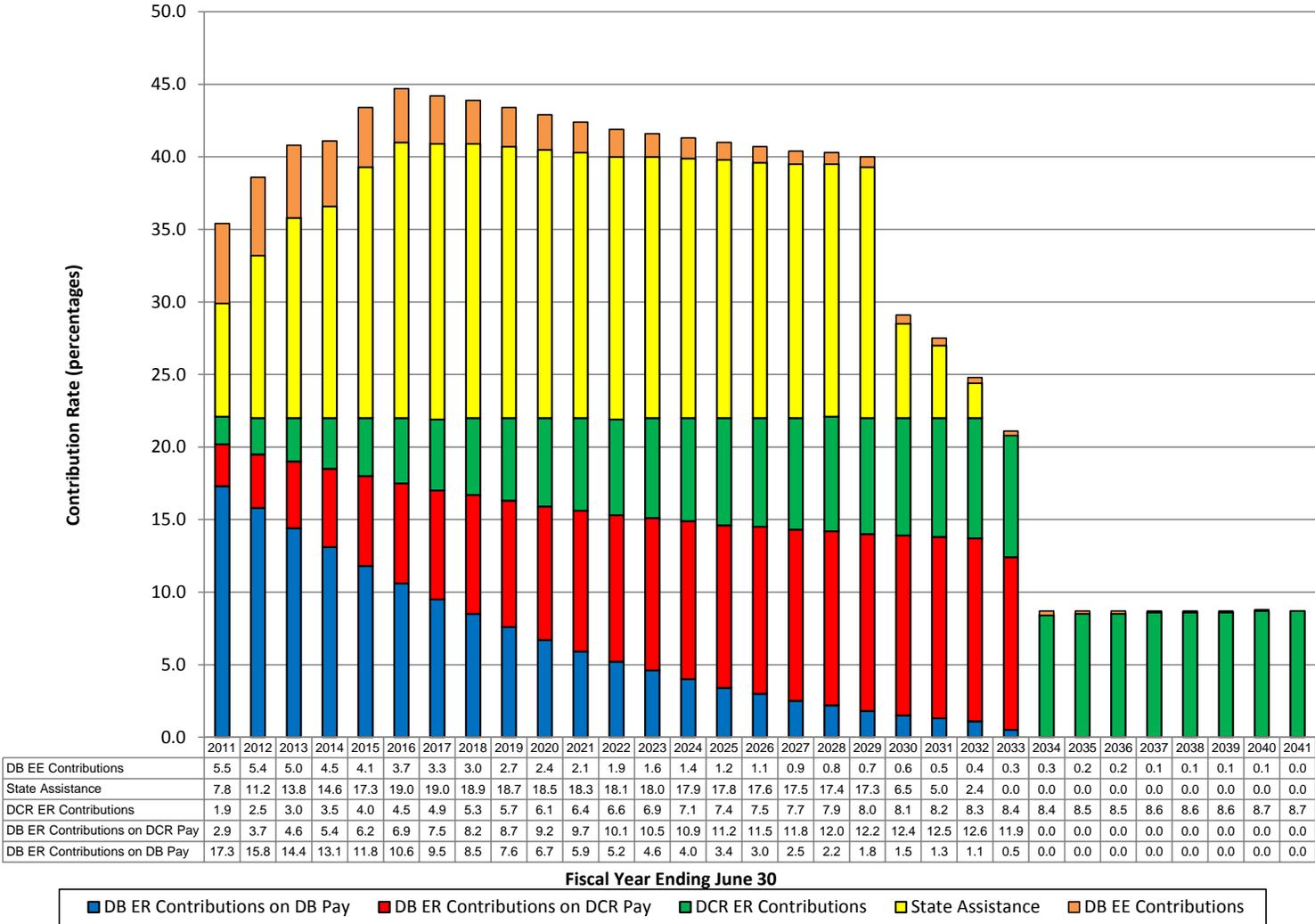
1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected Employer/State Contribution Amounts



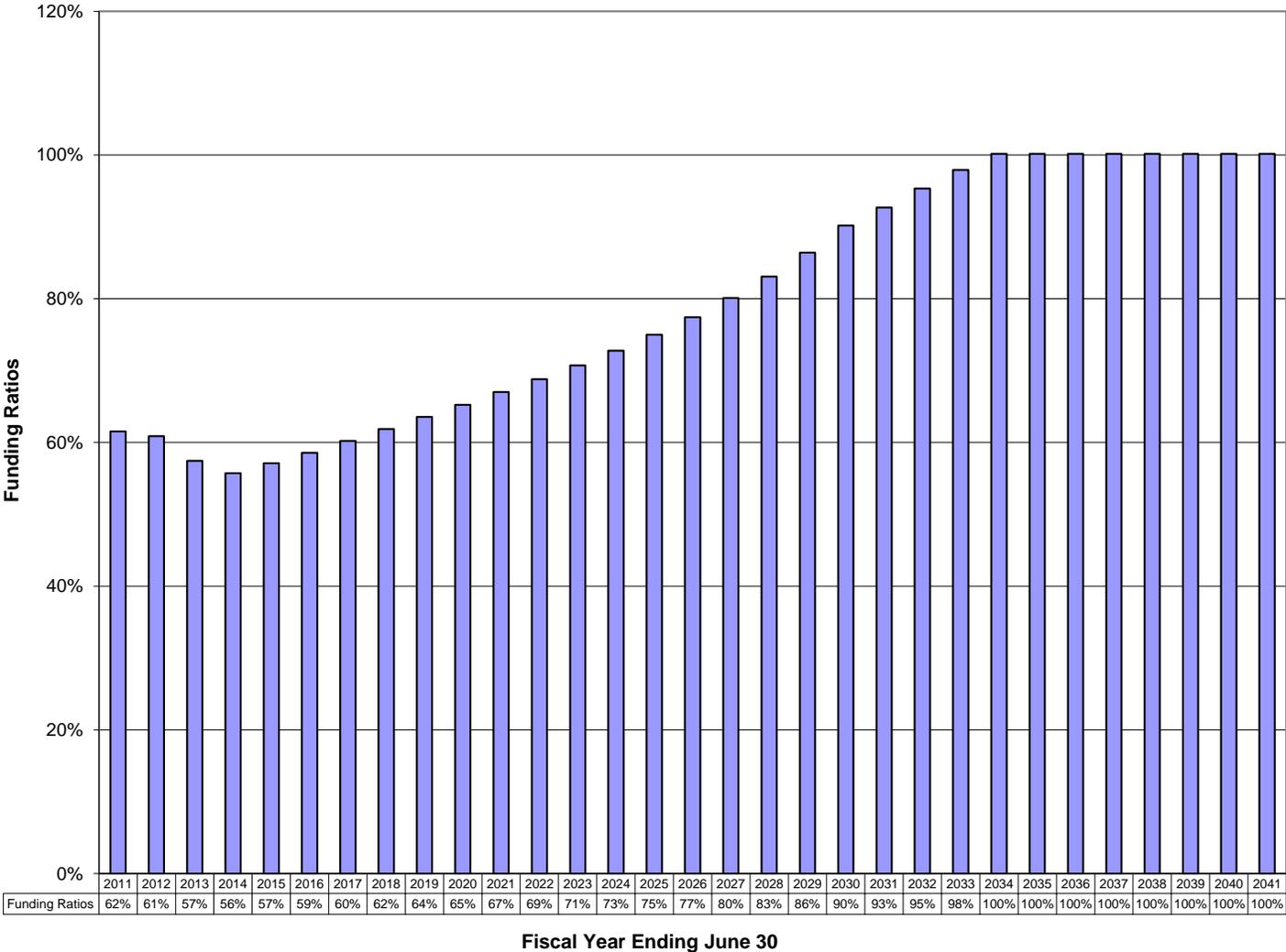
1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected Employer/State Contribution Rates



1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)

Projected Funding Ratios



**1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)**

State of Alaska PERS
Financial Projections (in Thousands)

Investment Return: 8.00%

| 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 Contribs | State Contribs | Employee Contribs | Total Contribs | Benefit Payments | Net Contribs | Investment Earnings | | |
| 2011 | \$11,157,464 | \$18,132,492 | 62% | (\$6,975,028) | \$2,116,283 | 27.96% | \$425,951 | \$165,762 | \$125,461 | \$717,174 | \$855,083 | (\$137,909) | \$760,398 | (\$202,698) | \$11,577,255 |
| 2012 | 11,577,255 | 19,020,359 | 61% | (7,443,104) | 2,163,104 | 30.76% | 422,853 | 242,518 | 127,593 | 792,964 | 935,688 | (142,724) | 810,009 | (832,845) | 11,411,695 |
| 2013 | 11,411,695 | 19,874,900 | 57% | (8,463,205) | 2,220,393 | 32.83% | 421,695 | 307,260 | 120,946 | 849,901 | 1,010,973 | (161,072) | 862,672 | (582,833) | 11,530,462 |
| 2014 | 11,530,462 | 20,694,410 | 56% | (9,163,948) | 2,286,349 | 33.04% | 422,098 | 333,312 | 114,641 | 870,051 | 1,090,340 | (220,289) | 916,477 | 33,522 | 12,260,172 |
| 2015 | 12,260,172 | 21,471,153 | 57% | (9,210,981) | 2,360,140 | 35.27% | 423,949 | 408,472 | 108,569 | 940,990 | 1,165,328 | (224,338) | 972,013 | 0 | 13,007,847 |
| 2016 | 13,007,847 | 22,208,629 | 59% | (9,200,782) | 2,441,232 | 36.49% | 427,081 | 463,725 | 102,658 | 993,464 | 1,238,738 | (245,274) | 1,031,005 | 0 | 13,793,578 |
| 2017 | 13,793,578 | 22,908,402 | 60% | (9,114,824) | 2,531,164 | 36.02% | 431,778 | 479,947 | 97,172 | 1,008,897 | 1,314,993 | (306,096) | 1,091,478 | 0 | 14,578,960 |
| 2018 | 14,578,960 | 23,565,882 | 62% | (8,986,922) | 2,626,570 | 35.56% | 437,565 | 496,443 | 91,734 | 1,025,742 | 1,397,850 | (372,108) | 1,151,719 | 0 | 15,358,571 |
| 2019 | 15,358,571 | 24,173,055 | 64% | (8,814,484) | 2,725,919 | 34.97% | 444,033 | 509,221 | 86,849 | 1,040,103 | 1,477,975 | (437,872) | 1,211,508 | 0 | 16,132,207 |
| 2020 | 16,132,207 | 24,727,339 | 65% | (8,595,132) | 2,830,678 | 34.47% | 451,487 | 524,248 | 81,785 | 1,057,520 | 1,555,051 | (497,531) | 1,271,058 | 0 | 16,905,734 |
| 2021 | 16,905,734 | 25,231,232 | 67% | (8,325,498) | 2,941,121 | 33.94% | 459,972 | 538,244 | 62,058 | 1,060,274 | 1,632,541 | (572,267) | 1,330,008 | 0 | 17,663,475 |
| 2022 | 17,663,475 | 25,677,946 | 69% | (8,014,471) | 3,059,904 | 33.49% | 469,816 | 554,946 | 57,220 | 1,081,982 | 1,704,084 | (622,102) | 1,388,672 | 0 | 18,430,045 |
| 2023 | 18,430,045 | 26,061,531 | 71% | (7,631,486) | 3,183,734 | 33.09% | 480,603 | 572,895 | 52,213 | 1,105,711 | 1,801,241 | (695,530) | 1,447,117 | 0 | 19,181,632 |
| 2024 | 19,181,632 | 26,362,504 | 73% | (7,180,872) | 3,313,293 | 32.74% | 492,409 | 592,363 | 47,711 | 1,132,483 | 1,872,244 | (739,761) | 1,505,509 | 0 | 19,947,380 |
| 2025 | 19,947,380 | 26,601,703 | 75% | (6,654,323) | 3,449,466 | 32.40% | 505,345 | 612,282 | 43,118 | 1,160,745 | 1,947,532 | (786,787) | 1,564,924 | 0 | 20,725,517 |
| 2026 | 20,725,517 | 26,772,139 | 77% | (6,046,622) | 3,593,164 | 32.09% | 519,609 | 633,437 | 38,806 | 1,191,852 | 2,022,837 | (830,985) | 1,625,441 | 0 | 21,519,973 |
| 2027 | 21,519,973 | 26,868,846 | 80% | (5,348,873) | 3,744,438 | 31.79% | 535,171 | 655,186 | 34,823 | 1,225,180 | 2,093,277 | (868,097) | 1,687,542 | 0 | 22,339,418 |
| 2028 | 22,339,418 | 26,890,900 | 83% | (4,551,482) | 3,902,018 | 31.52% | 551,840 | 678,076 | 31,216 | 1,261,132 | 2,162,213 | (901,081) | 1,751,803 | 0 | 23,190,140 |
| 2029 | 23,190,140 | 26,835,431 | 86% | (3,645,291) | 4,069,212 | 31.28% | 570,158 | 702,692 | 27,671 | 1,300,521 | 2,239,927 | (939,406) | 1,818,358 | 0 | 24,069,092 |
| 2030 | 24,069,092 | 26,688,727 | 90% | (2,619,635) | 4,245,380 | 20.41% | 589,982 | 276,500 | 24,623 | 891,105 | 2,300,102 | (1,408,997) | 1,870,252 | 0 | 24,530,347 |
| 2031 | 24,530,347 | 26,460,186 | 93% | (1,929,839) | 4,431,182 | 18.83% | 611,387 | 223,005 | 21,713 | 856,105 | 2,348,048 | (1,491,943) | 1,903,898 | 0 | 24,942,302 |
| 2032 | 24,942,302 | 26,159,445 | 95% | (1,217,143) | 4,630,810 | 16.08% | 634,889 | 109,745 | 18,986 | 763,620 | 2,393,506 | (1,629,886) | 1,931,443 | 0 | 25,243,859 |
| 2033 | 25,243,859 | 25,780,608 | 98% | (536,749) | 4,837,034 | 12.37% | 598,341 | 0 | 16,446 | 614,787 | 2,449,046 | (1,834,259) | 1,947,550 | 0 | 25,357,150 |
| 2034 | 25,357,150 | 25,312,332 | 100% | 44,818 | 5,051,271 | 0.03% | 1,515 | 0 | 14,144 | 15,659 | 2,493,168 | (2,477,509) | 1,931,378 | 0 | 24,811,019 |
| 2035 | 24,811,019 | 24,767,166 | 100% | 43,853 | 5,274,924 | 0.01% | 527 | 0 | 12,132 | 12,659 | 2,511,011 | (2,498,352) | 1,886,870 | 0 | 24,199,537 |
| 2036 | 24,199,537 | 24,156,765 | 100% | 42,772 | 5,508,498 | 0.01% | 551 | 0 | 9,915 | 10,466 | 2,517,896 | (2,507,430) | 1,837,595 | 0 | 23,529,702 |
| 2037 | 23,529,702 | 23,488,114 | 100% | 41,588 | 5,752,257 | 0.00% | 0 | 0 | 8,628 | 8,628 | 2,525,344 | (2,516,716) | 1,783,644 | 0 | 22,796,630 |
| 2038 | 22,796,630 | 22,756,338 | 100% | 40,292 | 6,004,211 | 0.00% | 0 | 0 | 6,605 | 6,605 | 2,523,262 | (2,516,657) | 1,725,001 | 0 | 22,004,974 |
| 2039 | 22,004,974 | 21,966,081 | 100% | 38,893 | 6,268,788 | 0.00% | 0 | 0 | 5,642 | 5,642 | 2,518,453 | (2,512,811) | 1,661,819 | 0 | 21,153,982 |
| 2040 | 21,153,982 | 21,116,593 | 100% | 37,389 | 6,544,252 | 0.00% | 0 | 0 | 4,581 | 4,581 | 2,491,761 | (2,487,180) | 1,594,745 | 0 | 20,261,547 |
| 2041 | 20,261,547 | 20,225,735 | 100% | 35,812 | 6,832,610 | 0.00% | 0 | 0 | 3,416 | 3,416 | 2,443,580 | (2,440,164) | 1,525,195 | 0 | 19,346,578 |

**1.5(a) Actuarial Projections
Based on Total DB and DCR Payroll (continued)**

State of Alaska PERS
Financial Projections (in Thousands)

Investment Return: 8.00%

| 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 Contribs | State Contribs | Employee Contribs | Total Contribs | Benefit Payments | Net Contribs | | | Investment Earnings |
| 2042 | 19,346,578 | 19,312,384 | 100% | 34,194 | 7,136,890 | 0.00% | 0 | 0 | 2,855 | 2,855 | 2,395,961 | (2,393,106) | 1,453,843 | 0 | 18,407,315 |
| 2043 | 18,407,315 | 18,374,781 | 100% | 32,534 | 7,447,133 | 0.00% | 0 | 0 | 2,234 | 2,234 | 2,346,511 | (2,344,277) | 1,380,618 | 0 | 17,443,656 |
| 2044 | 17,443,656 | 17,412,825 | 100% | 30,831 | 7,766,086 | 0.00% | 0 | 0 | 1,553 | 1,553 | 2,268,949 | (2,267,396) | 1,306,541 | 0 | 16,482,801 |
| 2045 | 16,482,801 | 16,453,668 | 100% | 29,133 | 8,096,366 | 0.00% | 0 | 0 | 810 | 810 | 2,193,640 | (2,192,830) | 1,232,598 | 0 | 15,522,569 |
| 2046 | 15,522,569 | 15,495,133 | 100% | 27,436 | 8,439,703 | 0.00% | 0 | 0 | 844 | 844 | 2,107,283 | (2,106,439) | 1,159,169 | 0 | 14,575,299 |
| 2047 | 14,575,299 | 14,549,538 | 100% | 25,761 | 8,797,171 | 0.00% | 0 | 0 | 880 | 880 | 2,018,290 | (2,017,410) | 1,086,880 | 0 | 13,644,769 |
| 2048 | 13,644,769 | 13,620,652 | 100% | 24,117 | 9,162,060 | 0.00% | 0 | 0 | 0 | 0 | 1,911,254 | (1,911,254) | 1,016,602 | 0 | 12,750,117 |
| 2049 | 12,750,117 | 12,727,582 | 100% | 22,535 | 9,544,057 | 0.00% | 0 | 0 | 0 | 0 | 1,817,758 | (1,817,758) | 948,698 | 0 | 11,881,057 |
| 2050 | 11,881,057 | 11,860,058 | 100% | 20,999 | 9,940,416 | 0.00% | 0 | 0 | 0 | 0 | 1,721,283 | (1,721,283) | 882,958 | 0 | 11,042,732 |
| 2051 | 11,042,732 | 11,023,214 | 100% | 19,518 | 10,354,690 | 0.00% | 0 | 0 | 0 | 0 | 1,617,587 | (1,617,587) | 819,960 | 0 | 10,245,105 |
| 2052 | 10,245,105 | 10,226,997 | 100% | 18,108 | 10,787,588 | 0.00% | 0 | 0 | 0 | 0 | 1,518,931 | (1,518,931) | 760,020 | 0 | 9,486,194 |
| 2053 | 9,486,194 | 9,469,427 | 100% | 16,767 | 11,228,800 | 0.00% | 0 | 0 | 0 | 0 | 1,422,387 | (1,422,387) | 703,094 | 0 | 8,766,901 |
| 2054 | 8,766,901 | 8,751,406 | 100% | 15,495 | 11,682,702 | 0.00% | 0 | 0 | 0 | 0 | 1,327,542 | (1,327,542) | 649,272 | 0 | 8,088,631 |
| 2055 | 8,088,631 | 8,074,335 | 100% | 14,296 | 12,153,058 | 0.00% | 0 | 0 | 0 | 0 | 1,234,128 | (1,234,128) | 598,675 | 0 | 7,453,178 |
| 2056 | 7,453,178 | 7,440,005 | 100% | 13,173 | 12,643,484 | 0.00% | 0 | 0 | 0 | 0 | 1,143,948 | (1,143,948) | 551,376 | 0 | 6,860,606 |
| 2057 | 6,860,606 | 6,848,480 | 100% | 12,126 | 13,155,670 | 0.00% | 0 | 0 | 0 | 0 | 1,057,135 | (1,057,135) | 507,376 | 0 | 6,310,847 |
| 2058 | 6,310,847 | 6,299,693 | 100% | 11,154 | 13,678,424 | 0.00% | 0 | 0 | 0 | 0 | 973,409 | (973,409) | 466,680 | 0 | 5,804,118 |
| 2059 | 5,804,118 | 5,793,859 | 100% | 10,259 | 14,228,825 | 0.00% | 0 | 0 | 0 | 0 | 893,461 | (893,461) | 429,278 | 0 | 5,339,935 |
| 2060 | 5,339,935 | 5,330,497 | 100% | 9,438 | 14,807,612 | 0.00% | 0 | 0 | 0 | 0 | 817,515 | (817,515) | 395,123 | 0 | 4,917,543 |
| 2061 | 4,917,543 | 4,908,851 | 100% | 8,692 | 15,413,726 | 0.00% | 0 | 0 | 0 | 0 | 745,346 | (745,346) | 364,163 | 0 | 4,536,360 |
| 2062 | 4,536,360 | 4,528,342 | 100% | 8,018 | 16,047,219 | 0.00% | 0 | 0 | 0 | 0 | 677,104 | (677,104) | 336,346 | 0 | 4,195,602 |
| 2063 | 4,195,602 | 4,188,186 | 100% | 7,416 | 16,711,729 | 0.00% | 0 | 0 | 0 | 0 | 612,632 | (612,632) | 311,614 | 0 | 3,894,584 |
| 2064 | 3,894,584 | 3,887,700 | 100% | 6,884 | 17,406,363 | 0.00% | 0 | 0 | 0 | 0 | 551,828 | (551,828) | 289,918 | 0 | 3,632,674 |
| 2065 | 3,632,674 | 3,626,253 | 100% | 6,421 | 18,132,196 | 0.00% | 0 | 0 | 0 | 0 | 494,756 | (494,756) | 271,204 | 0 | 3,409,122 |
| 2066 | 3,409,122 | 3,403,096 | 100% | 6,026 | 18,889,212 | 0.00% | 0 | 0 | 0 | 0 | 441,256 | (441,256) | 255,419 | 0 | 3,223,285 |
| 2067 | 3,223,285 | 3,217,588 | 100% | 5,697 | 19,679,160 | 0.00% | 0 | 0 | 0 | 0 | 391,243 | (391,243) | 242,514 | 0 | 3,074,556 |
| 2068 | 3,074,556 | 3,069,122 | 100% | 5,434 | 20,507,037 | 0.00% | 0 | 0 | 0 | 0 | 344,535 | (344,535) | 232,448 | 0 | 2,962,469 |
| 2069 | 2,962,469 | 2,957,233 | 100% | 5,236 | 21,369,355 | 0.00% | 0 | 0 | 0 | 0 | 301,216 | (301,216) | 225,181 | 0 | 2,886,434 |
| 2070 | 2,886,434 | 2,881,332 | 100% | 5,102 | 22,269,036 | 0.00% | 0 | 0 | 0 | 0 | 261,307 | (261,307) | 220,663 | 0 | 2,845,790 |
| 2071 | 2,845,790 | 2,840,760 | 100% | 5,030 | 23,206,772 | 0.00% | 0 | 0 | 0 | 0 | 224,712 | (224,712) | 218,847 | 0 | 2,839,925 |
| | | | | | | | | | \$ 11,330,605 | \$ 10,080,279 | \$ 1,608,251 | \$ 23,019,135 | | | |

1.5(b) 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: | 8.00% for all future years |
| Optimistic: | 8.75% for all future years |
| Pessimistic: | 7.25% for all future years |

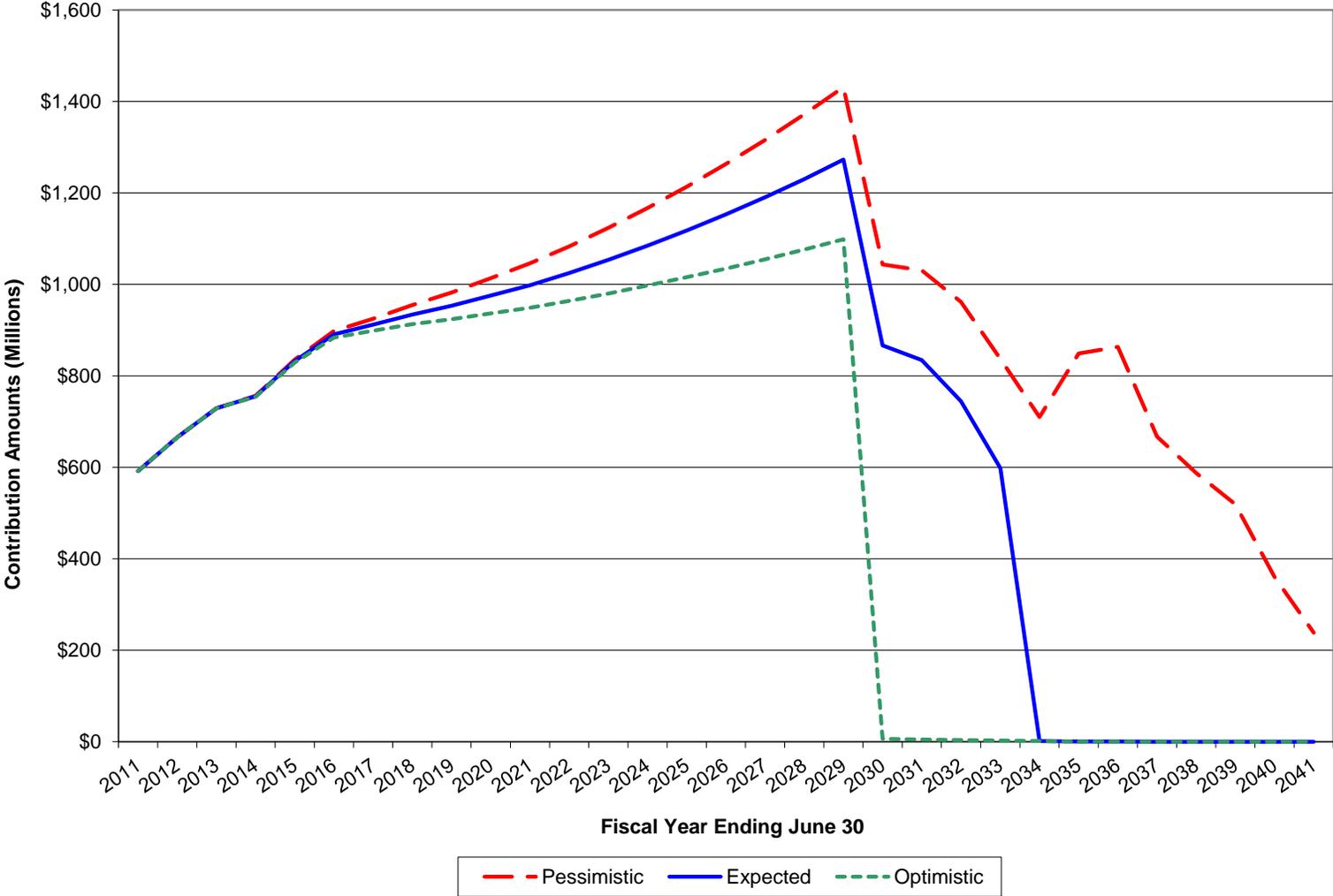
- In all cases, liabilities have been projected using 8.00% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.00% assumed investment return. They do not illustrate the effect of changing the assumed discount 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 the end of the projection period upon completion of 25-year amortizations of the initial unfunded actuarial accrued liability and subsequent gains/losses and other changes.

1.5(b) Actuarial Projections
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 160 employers participating in the PERS, including the State of Alaska and 159 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 (22%) 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. Tier 3 Members with between five and ten years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 Members with less than five years of credited service are not eligible for postemployment healthcare benefits. 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). If the member is unmarried with no children, a refund of contributions is payable to the estate.

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

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

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

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

(14) Postretirement Pension Adjustments

Postretirement pension adjustments (PRPAs) are granted annually to eligible benefit recipients when the consumer price index (CPI) for urban wage earners and clerical workers for Anchorage increases during the preceding calendar year. PRPAs are calculated by multiplying the recipient's base benefit, including past PRPAs, excluding the Alaska COLA, times:

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

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.

2.2(a) Member Census Information – Total PERS

| As of June 30 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|---------------|---------------|---------------|---------------|---------------|
| Active Members | | | | | |
| (1) Number | 34,071 | 31,362 | 28,850 | 27,565 | 26,442 |
| (2) Average Age | 45.04 | 46.06 | 47.01 | 47.85 | 48.58 |
| (3) Average Credited Service | 8.92 | 9.66 | 10.48 | 11.19 | 11.84 |
| (4) Average Entry Age | 36.12 | 36.40 | 36.53 | 36.66 | 36.74 |
| (5) Average Annual Earnings | \$ 46,688 | \$ 51,203 | \$ 54,691 | \$ 57,518 | \$ 60,007 |
| (6) Number Vested | 19,032 | 19,587 | 20,058 | 20,671 | 21,477 |
| (7) Percent Who Are Vested | 55.9% | 62.5% | 69.5% | 75.0% | 81.2% |
| Retirees, Disableds and Beneficiaries | | | | | |
| (1) Number | 21,901 | 22,997 | 24,082 | 25,015 | 26,237 |
| (2) Average Age | 65.40 | 65.69 | 66.01 | 66.39 | 66.71 |
| (3) Average Monthly Pension Benefit | | | | | |
| Base | \$ 1,217 | \$ 1,242 | \$ 1,263 | \$ 1,280 | \$ 1,309 |
| COLA | 83 | 84 | 84 | 85 | 86 |
| P.R.P.A. | 222 | 226 | 225 | 244 | 231 |
| Adjustment | 1 | 0 | 1 | 0 | 0 |
| Total | \$ 1,523 | \$ 1,552 | \$ 1,573 | \$ 1,609 | \$ 1,626 |
| Vested Terminations (vested at time of termination, not refunded contributions or commenced benefits) | | | | | |
| (1) Number | 6,219 | 6,398 | 6,627 | 6,566 | 6,253 |
| (2) Average Age | 48.76 | 49.07 | 49.41 | 49.83 | 49.90 |
| (3) Average Monthly Pension Benefit | \$ 590 | \$ 786 | \$ 816 | \$ 836 | \$ 805 |
| Non-Vested Terminations With Account Balances (not vested at termination, not refunded contributions) | | | | | |
| (1) Number | 14,155 | 14,902 | 14,930 | 14,626 | 14,543 |
| (2) Average Account Balance | \$ 3,876 | \$ 4,035 | \$ 4,354 | \$ 4,654 | \$ 4,895 |
| Total Number of Members | 76,346 | 75,659 | 74,489 | 73,772 | 73,475 |

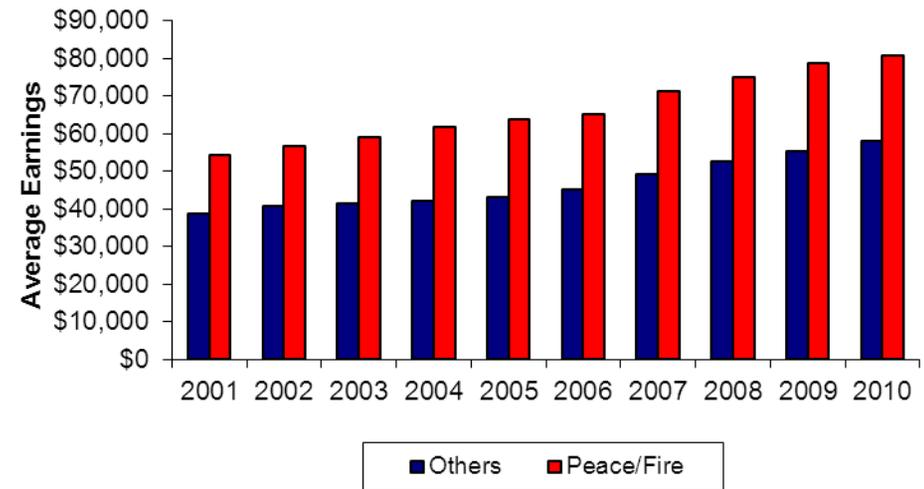
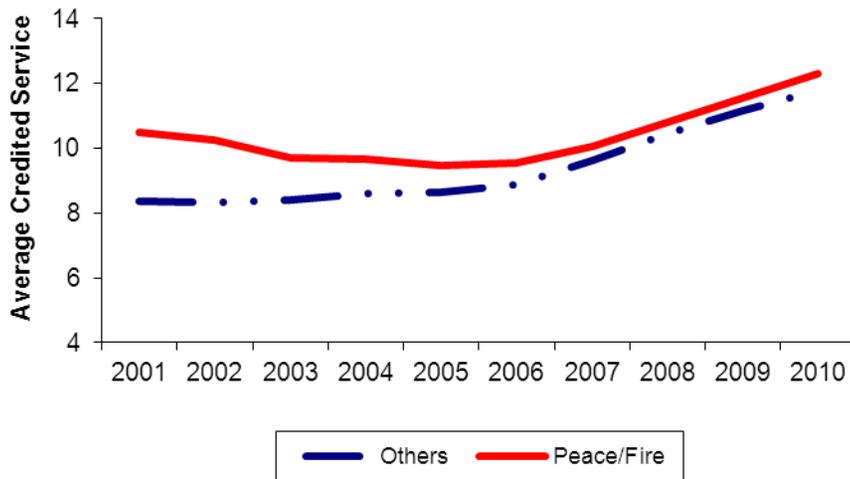
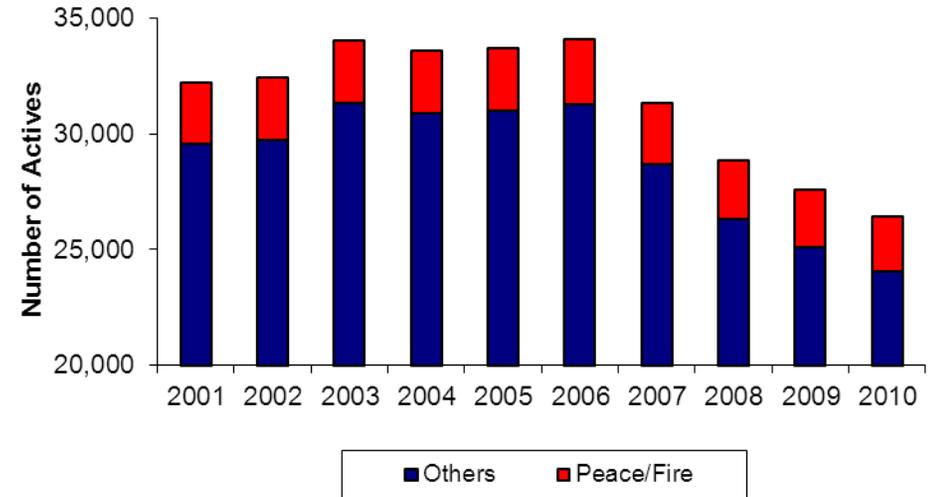
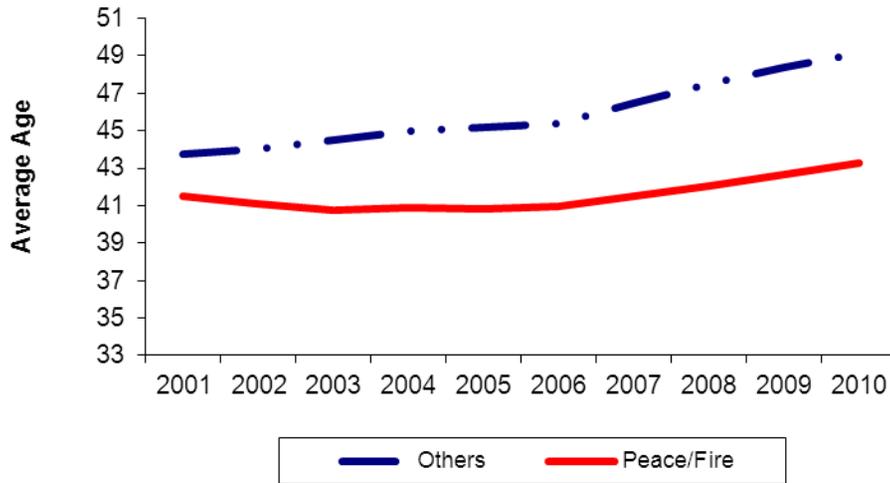
2.2(a) Member Census Information – Total PERS *(continued)*

| As of June 30, 2010 | Tier 1 | Tier 2 | Tier 3 | Total |
|--|----------|--------|--------|----------|
| Retirees, Disableds and Beneficiaries | | | | |
| (1) Number | 21,562 | 3,907 | 768 | 26,237 |
| (2) Average Age | 67.04 | 65.58 | 63.49 | 66.72 |
| (3) Average Monthly Pension Benefit | | | | |
| Base | \$ 1,403 | \$ 908 | \$ 700 | \$ 1,309 |
| COLA | 98 | 28 | 26 | 86 |
| P.R.P.A. | 269 | 61 | 22 | 231 |
| Adjustment | 1 | 0 | 0 | 0 |
| Total | \$ 1,771 | \$ 997 | \$ 748 | \$ 1,626 |

2.2(b) Additional Information – Active Members

| As of June 30 | 2006 | 2007 | 2008 | 2009 | 2010 |
|----------------------------------|-----------|-----------|-----------|-----------|-----------|
| Peace Officer/Firefighter | | | | | |
| (1) Number | 2,785 | 2,687 | 2,549 | 2,476 | 2,388 |
| (2) Average Age | 40.94 | 41.48 | 42.04 | 42.63 | 43.25 |
| (3) Average Credited Service | 9.54 | 10.05 | 10.80 | 11.55 | 12.32 |
| (4) Average Entry Age | 31.40 | 31.43 | 31.24 | 31.08 | 30.93 |
| (5) Average Annual Earnings | \$ 65,289 | \$ 71,334 | \$ 74,825 | \$ 78,562 | \$ 80,777 |
| (6) Number Vested | 1,811 | 1,892 | 1,928 | 2,017 | 2,102 |
| (7) Percent Who Are Vested | 65.0% | 70.4% | 75.6% | 81.5% | 88.0% |
| Others | | | | | |
| (1) Number | 31,286 | 28,675 | 26,301 | 25,089 | 24,054 |
| (2) Average Age | 45.40 | 46.49 | 47.49 | 48.36 | 49.11 |
| (3) Average Credited Service | 8.86 | 9.62 | 10.45 | 11.15 | 11.79 |
| (4) Average Entry Age | 36.54 | 36.87 | 37.04 | 37.21 | 37.32 |
| (5) Average Annual Earnings | \$ 45,032 | \$ 49,316 | \$ 52,740 | \$ 55,441 | \$ 57,945 |
| (6) Number Vested | 17,221 | 17,695 | 18,130 | 18,654 | 19,375 |
| (7) Percent Who Are Vested | 55.0% | 61.7% | 68.9% | 74.4% | 80.5% |
| Total | | | | | |
| (1) Number | 34,071 | 31,362 | 28,850 | 27,565 | 26,442 |
| (2) Average Age | 45.04 | 46.06 | 47.01 | 47.85 | 48.58 |
| (3) Average Credited Service | 8.92 | 9.66 | 10.48 | 11.19 | 11.84 |
| (4) Average Entry Age | 36.12 | 36.40 | 36.53 | 36.66 | 36.74 |
| (5) Average Annual Earnings | \$ 46,688 | \$ 51,203 | \$ 54,691 | \$ 57,518 | \$ 60,007 |
| (6) Number Vested | 19,032 | 19,587 | 20,058 | 20,671 | 21,477 |
| (7) Percent Who Are Vested | 55.9% | 62.5% | 69.5% | 75.0% | 81.2% |

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 | 4 | \$ 318,031 | \$ 79,508 |
| 20 – 24 | 5 | 328,178 | 65,636 | 1 | 11 | 698,913 | 63,538 |
| 25 – 29 | 130 | 9,713,245 | 74,717 | 2 | 22 | 1,244,905 | 56,587 |
| 30 – 34 | 307 | 24,447,267 | 79,633 | 3 | 16 | 1,076,977 | 67,311 |
| 35 – 39 | 489 | 39,584,618 | 80,950 | 4 | 231 | 16,397,050 | 70,983 |
| 40 – 44 | 492 | 41,408,985 | 84,165 | 0 – 4 | 284 | 19,735,876 | 69,493 |
| 45 – 49 | 409 | 33,440,536 | 81,762 | 5 – 9 | 745 | 57,226,603 | 76,814 |
| 50 – 54 | 297 | 23,850,079 | 80,303 | 10 – 14 | 617 | 50,650,939 | 82,092 |
| 55 – 59 | 190 | 15,141,171 | 79,690 | 15 – 19 | 410 | 35,910,489 | 87,587 |
| 60 – 64 | 63 | 4,562,425 | 72,419 | 20 – 24 | 221 | 19,590,185 | 88,643 |
| 65 – 69 | 6 | 418,176 | 69,696 | 25 – 29 | 86 | 7,423,760 | 86,323 |
| 70 – 74 | 0 | 0 | 0 | 30 – 34 | 21 | 1,952,089 | 92,957 |
| 75+ | 0 | 0 | 0 | 35 – 39 | 3 | 309,287 | 103,096 |
| | | | | 40+ | 1 | 95,452 | 95,452 |
| Total | 2,388 | \$ 192,894,680 | \$ 80,777 | Total | 2,388 | \$ 192,894,680 | \$ 80,777 |

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 | 4 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 5 |
| 25 – 29 | 67 | 63 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 130 |
| 30 – 34 | 61 | 178 | 68 | 0 | 0 | 0 | 0 | 0 | 0 | 307 |
| 35 – 39 | 58 | 177 | 197 | 57 | 0 | 0 | 0 | 0 | 0 | 489 |
| 40 – 44 | 32 | 126 | 147 | 137 | 50 | 0 | 0 | 0 | 0 | 492 |
| 45 – 49 | 29 | 109 | 88 | 97 | 75 | 11 | 0 | 0 | 0 | 409 |
| 50 – 54 | 13 | 61 | 63 | 61 | 53 | 43 | 3 | 0 | 0 | 297 |
| 55 – 59 | 17 | 21 | 39 | 42 | 28 | 27 | 14 | 2 | 0 | 190 |
| 60 – 64 | 3 | 8 | 14 | 13 | 14 | 5 | 4 | 1 | 1 | 63 |
| 65 – 69 | 0 | 1 | 1 | 3 | 1 | 0 | 0 | 0 | 0 | 6 |
| 70 – 74 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 75+ | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total | 284 | 745 | 617 | 410 | 221 | 86 | 21 | 3 | 1 | 2,388 |

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) ¹ | Annual Average Earnings | Percent Increase/ (Decrease) in Average Earnings | Number of Participating Employers |
|----------------|--------|--------------------------------------|-------------------------|--|-----------------------------------|
| June 30, 2010 | 2,388 | \$ 192,895 | \$ 80,777 | 2.8% | 160 |
| June 30, 2009 | 2,476 | 194,519 | 78,562 | 5.0% | 160 |
| June 30, 2008 | 2,549 | 190,729 | 74,825 | 4.9% | 159 |
| June 30, 2007 | 2,687 | 191,674 | 71,334 | 9.3% | 160 |
| June 30, 2006 | 2,785 | 181,830 | 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 |

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 | 0 | \$ 0 | \$ 0 | 0 | 149 | \$ 6,106,837 | \$ 40,985 |
| 20 – 24 | 76 | 3,370,110 | 44,344 | 1 | 391 | 16,812,687 | 42,999 |
| 25 – 29 | 774 | 38,198,646 | 49,352 | 2 | 583 | 25,189,387 | 43,206 |
| 30 – 34 | 1,588 | 84,951,004 | 53,496 | 3 | 913 | 39,721,118 | 43,506 |
| 35 – 39 | 2,134 | 122,011,411 | 57,175 | 4 | 2,191 | 108,901,798 | 49,704 |
| 40 – 44 | 2,756 | 156,507,935 | 56,788 | 0 – 4 | 4,227 | 196,731,827 | 46,542 |
| 45 – 49 | 4,292 | 244,143,433 | 56,883 | 5 – 9 | 7,993 | 426,052,471 | 53,303 |
| 50 – 54 | 5,383 | 320,231,594 | 59,489 | 10 – 14 | 4,891 | 288,903,717 | 59,068 |
| 55 – 59 | 4,373 | 264,418,323 | 60,466 | 15 – 19 | 3,142 | 203,702,224 | 64,832 |
| 60 – 64 | 2,040 | 123,420,988 | 60,500 | 20 – 24 | 2,129 | 148,465,630 | 69,735 |
| 65 – 69 | 495 | 29,351,882 | 59,297 | 25 – 29 | 1,287 | 99,065,233 | 76,974 |
| 70 – 74 | 115 | 5,770,322 | 50,177 | 30 – 34 | 328 | 25,950,720 | 79,118 |
| 75+ | 28 | 1,427,089 | 50,967 | 35 – 39 | 51 | 4,175,164 | 81,866 |
| | | | | 40+ | 6 | 755,751 | 125,959 |
| Total | 24,054 | \$ 1,393,802,737 | \$ 57,945 | Total | 24,054 | \$ 1,393,802,737 | \$ 57,945 |

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 | 73 | 3 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 76 |
| 25 – 29 | 477 | 290 | 7 | 0 | 0 | 0 | 0 | 0 | 0 | 774 |
| 30 – 34 | 547 | 900 | 140 | 1 | 0 | 0 | 0 | 0 | 0 | 1,588 |
| 35 – 39 | 513 | 1,012 | 528 | 79 | 2 | 0 | 0 | 0 | 0 | 2,134 |
| 40 – 44 | 552 | 1,088 | 669 | 324 | 115 | 8 | 0 | 0 | 0 | 2,756 |
| 45 – 49 | 600 | 1,465 | 939 | 659 | 449 | 175 | 5 | 0 | 0 | 4,292 |
| 50 – 54 | 641 | 1,449 | 1,090 | 874 | 682 | 539 | 107 | 1 | 0 | 5,383 |
| 55 – 59 | 497 | 1,054 | 984 | 758 | 572 | 380 | 114 | 13 | 1 | 4,373 |
| 60 – 64 | 253 | 551 | 412 | 348 | 243 | 139 | 69 | 23 | 2 | 2,040 |
| 65 – 69 | 52 | 145 | 102 | 71 | 53 | 36 | 25 | 10 | 1 | 495 |
| 70 – 74 | 17 | 26 | 19 | 21 | 12 | 9 | 6 | 3 | 2 | 115 |
| 75+ | 5 | 10 | 1 | 7 | 1 | 1 | 2 | 1 | 0 | 28 |
| Total | 4,227 | 7,993 | 4,891 | 3,142 | 2,129 | 1,287 | 328 | 51 | 6 | 24,054 |

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) ¹ | Annual Average Earnings | Percent Increase/ (Decrease) in Average Earnings | Number of Participating Employers |
|----------------|--------|--------------------------------------|-------------------------|--|-----------------------------------|
| June 30, 2010 | 24,054 | \$ 1,393,803 | \$ 57,945 | 4.5% | 160 |
| June 30, 2009 | 25,089 | 1,390,971 | 55,441 | 5.1% | 160 |
| June 30, 2008 | 26,301 | 1,387,117 | 52,740 | 6.9% | 159 |
| June 30, 2007 | 28,675 | 1,414,145 | 49,316 | 9.5% | 160 |
| June 30, 2006 | 31,286 | 1,408,863 | 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 |

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 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|-------------|-------------|-------------|-------------|-------------|
| Service | | | | | |
| (1) Number | 91 | 97 | 97 | 80 | 86 |
| (2) Average Age at Commencement | 54.50 | 54.23 | 55.95 | 55.98 | 56.91 |
| (3) Average Monthly Pension Benefit | \$ 2,415 | \$ 2,692 | \$ 2,616 | \$ 2,402 | \$ 2,865 |
| Survivor (including surviving spouse and QDROs) | | | | | |
| (1) Number | 22 | 30 | 20 | 25 | 28 |
| (2) Average Age at Commencement | 56.72 | 57.01 | 56.36 | 58.42 | 57.70 |
| (3) Average Monthly Pension Benefit | \$ 993 | \$ 1,388 | \$ 1,163 | \$ 1,337 | \$ 1,521 |
| Disability | | | | | |
| (1) Number | 5 | 11 | 8 | 3 | 4 |
| (2) Average Age at Commencement | 47.21 | 48.51 | 43.62 | 44.87 | 50.61 |
| (3) Average Monthly Pension Benefit | \$ 2,032 | \$ 2,253 | \$ 2,425 | \$ 1,461 | \$ 2,631 |
| Total | | | | | |
| (1) Number | 118 | 138 | 125 | 108 | 118 |
| (2) Average Age at Commencement | 54.61 | 54.38 | 55.23 | 56.24 | 56.88 |
| (3) Average Monthly Pension Benefit | \$ 2,134 | \$ 2,374 | \$ 2,371 | \$ 2,129 | \$ 2,538 |

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 7/1/09 - 6/30/10: | | | | | | | |
| Average Monthly Pension Benefit | \$ 1,902 | \$ 1,242 | \$ 1,459 | \$ 2,284 | \$ 3,179 | \$ 4,527 | \$ 4,695 |
| Number of Recipients | 4 | 7 | 16 | 14 | 28 | 14 | 7 |
| Period 7/1/08 - 6/30/09: | | | | | | | |
| Average Monthly Pension Benefit | \$ 489 | \$ 820 | \$ 979 | \$ 2,466 | \$ 3,152 | \$ 4,213 | \$ 4,894 |
| Number of Recipients | 2 | 17 | 11 | 18 | 23 | 7 | 5 |
| Period 7/1/07 - 6/30/08: | | | | | | | |
| 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: | | | | | | | |
| 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: | | | | | | | |
| 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: | | | | | | | |
| 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 |

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

2.2(i) Statistics on New Benefit Recipients – Others

| During the Year Ending June 30 | 2006 | 2007 | 2008 | 2009 | 2010 |
|--|----------|----------|----------|----------|----------|
| Service | | | | | |
| (1) Number | 1,308 | 1,270 | 1,226 | 1,140 | 1,409 |
| (2) Average Age at Commencement | 57.41 | 57.70 | 57.77 | 58.10 | 58.74 |
| (3) Average Monthly Pension Benefit | \$ 1,539 | \$ 1,731 | \$ 1,743 | \$ 1,698 | \$ 1,879 |
| Survivor (including surviving spouse and QDROs) | | | | | |
| (1) Number | 155 | 175 | 201 | 181 | 225 |
| (2) Average Age at Commencement | 62.33 | 62.74 | 63.66 | 64.33 | 65.35 |
| (3) Average Monthly Pension Benefit | \$ 852 | \$ 847 | \$ 1,000 | \$ 866 | \$ 986 |
| Disability | | | | | |
| (1) Number | 31 | 34 | 27 | 19 | 33 |
| (2) Average Age at Commencement | 49.93 | 50.60 | 47.75 | 51.79 | 52.43 |
| (3) Average Monthly Pension Benefit | \$ 1,222 | \$ 2,026 | \$ 1,355 | \$ 1,264 | \$ 1,662 |
| Total | | | | | |
| (1) Number | 1,494 | 1,479 | 1,454 | 1,340 | 1,667 |
| (2) Average Age at Commencement | 57.77 | 58.13 | 58.40 | 58.85 | 59.51 |
| (3) Average Monthly Pension Benefit | \$ 1,461 | \$ 1,633 | \$ 1,633 | \$ 1,579 | \$ 1,754 |

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 7/1/09 - 6/30/10: | | | | | | | |
| Average Monthly Pension Benefit | \$ 485 | \$ 579 | \$ 1,116 | \$ 1,763 | \$ 2,674 | \$ 4,008 | \$ 5,039 |
| Number of Recipients | 93 | 367 | 273 | 217 | 218 | 200 | 74 |
| Period 7/1/08 - 6/30/09: | | | | | | | |
| Average Monthly Pension Benefit | \$ 534 | \$ 554 | \$ 988 | \$ 1,708 | \$ 2,693 | \$ 3,718 | \$ 4,723 |
| Number of Recipients | 71 | 341 | 216 | 171 | 154 | 159 | 47 |
| Period 7/1/07 - 6/30/08: | | | | | | | |
| 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: | | | | | | | |
| 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: | | | | | | | |
| 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: | | | | | | | |
| 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 |

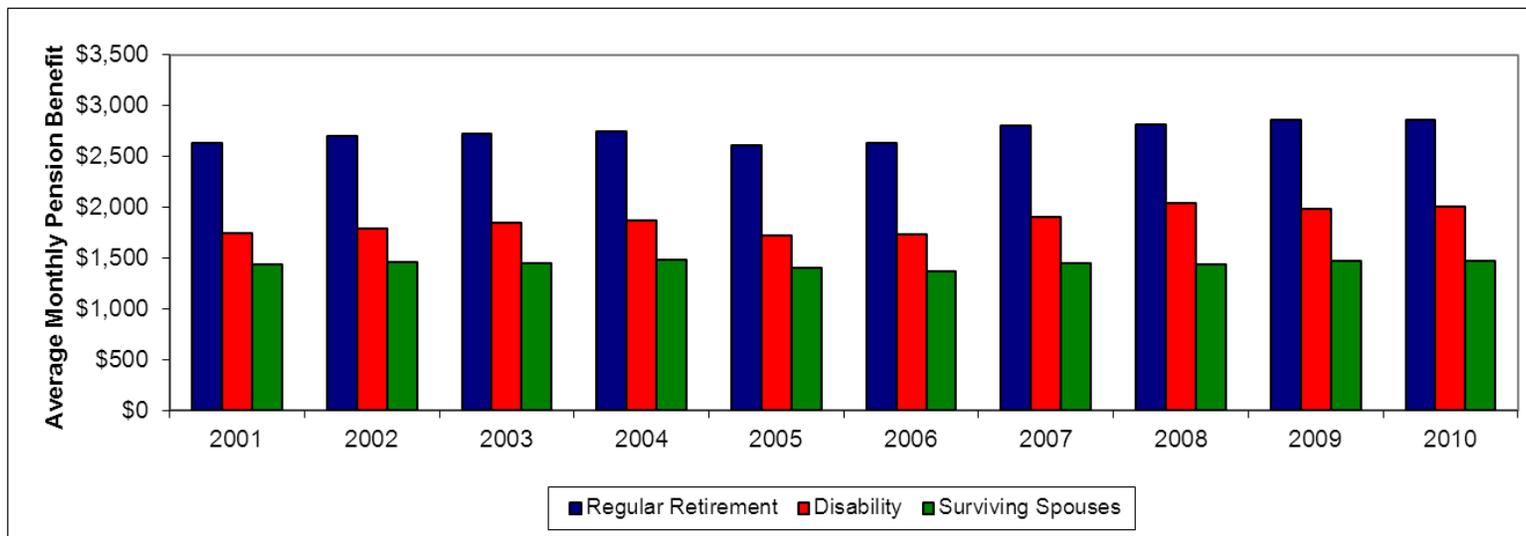
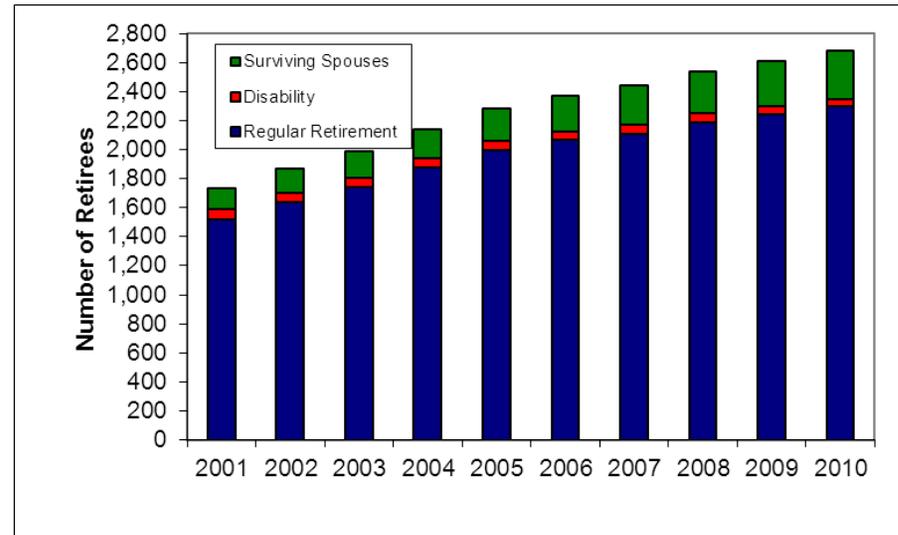
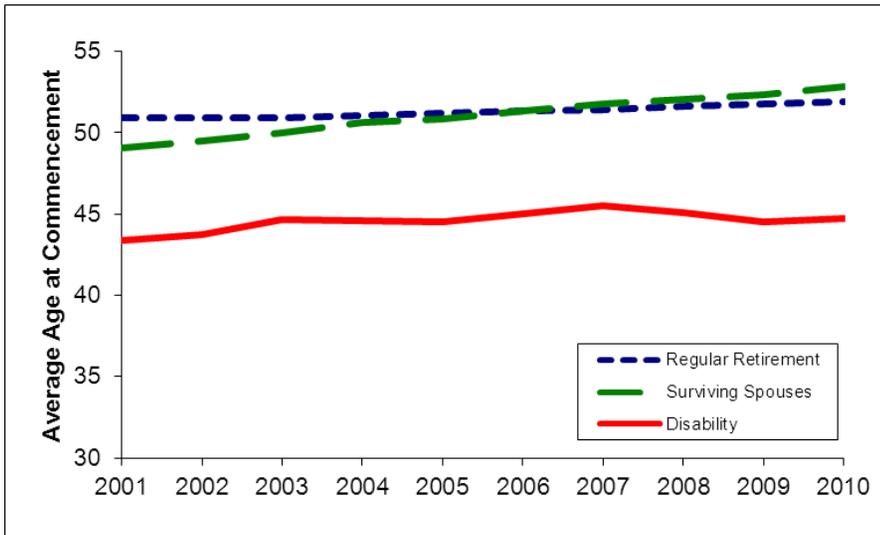
“Average Monthly Benefit” includes post-retirement pension adjustments and cost-of-living increases.

2.2(k) Statistics on All Pension Benefit Recipients

| | <u>Peace Officer/ Firefighter</u> | <u>Others</u> |
|--|---------------------------------------|---------------|
| Service Retirements | | |
| (1) Number, June 30, 2009 | 2,246 | 20,045 |
| (2) Net Change During FY10 | 52 | 1,017 |
| (3) Number, June 30, 2010 | 2,298 | 21,062 |
| (3) Average Age At Commencement | 51.95 | 56.79 |
| (4) Average Current Age | 63.38 | 67.17 |
| (5) Average Monthly Pension Benefit | \$ 2,859 | \$ 1,569 |
| Survivors (including surviving spouses and QDROs) | | |
| (1) Number, June 30, 2009 | 309 | 2,090 |
| (2) Net Change During FY10 | 25 | 146 |
| (3) Number, June 30, 2010 | 334 | 2,236 |
| (4) Average Age At Commencement | 52.82 | 59.19 |
| (5) Average Current Age | 61.69 | 68.60 |
| (6) Average Monthly Pension Benefit | \$ 1,474 | \$ 928 |
| Disabilities | | |
| (1) Number, June 30, 2009 | 50 | 275 |
| (2) Net Change During FY10 | (5) | (13) |
| (3) Number, June 30, 2010 | 45 | 262 |
| (4) Average Age At Commencement | 44.71 | 45.30 |
| (5) Average Current Age | 51.49 | 52.78 |
| (6) Average Monthly Pension Benefit | \$ 2,011 | \$ 1,485 |
| Total | | |
| (1) Number, June 30, 2009 | 2,605 | 22,410 |
| (2) Net Change During FY10 | 72 | 1,150 |
| (3) Number, June 30, 2010 | 2,677 | 23,560 |
| (4) Average Age At Commencement | 51.94 | 56.89 |
| (5) Average Current Age | 62.97 | 67.14 |
| (6) Average Monthly Pension Benefit | \$ 2,673 | \$ 1,506 |

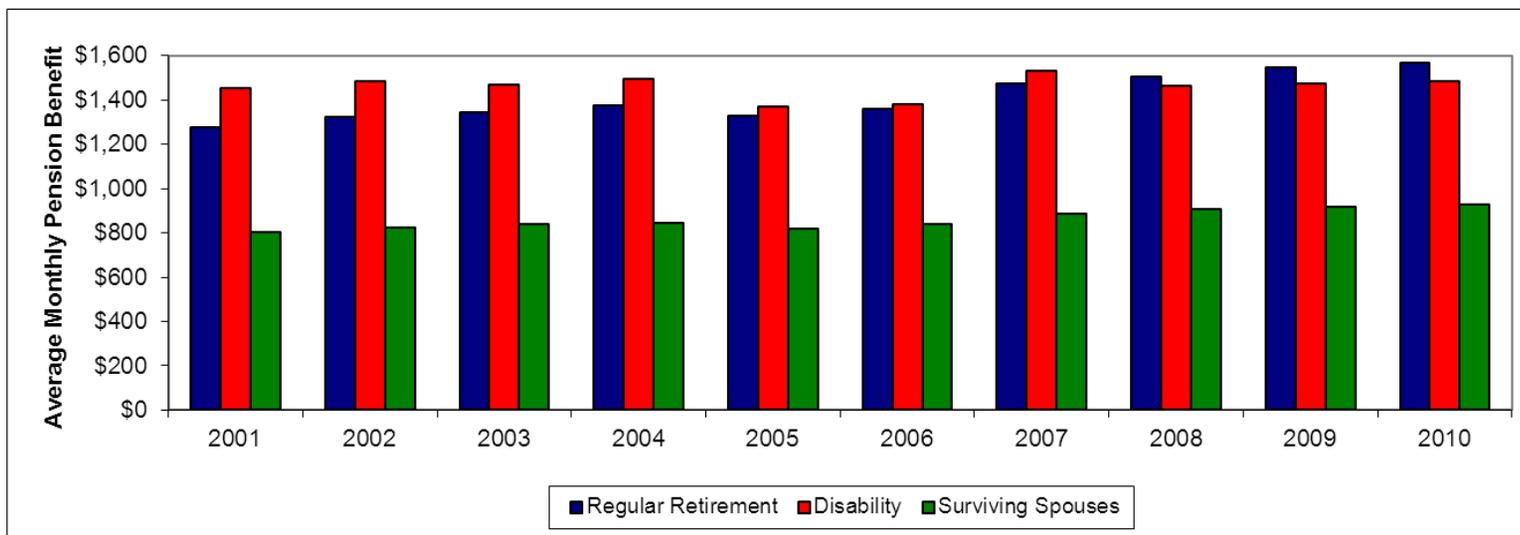
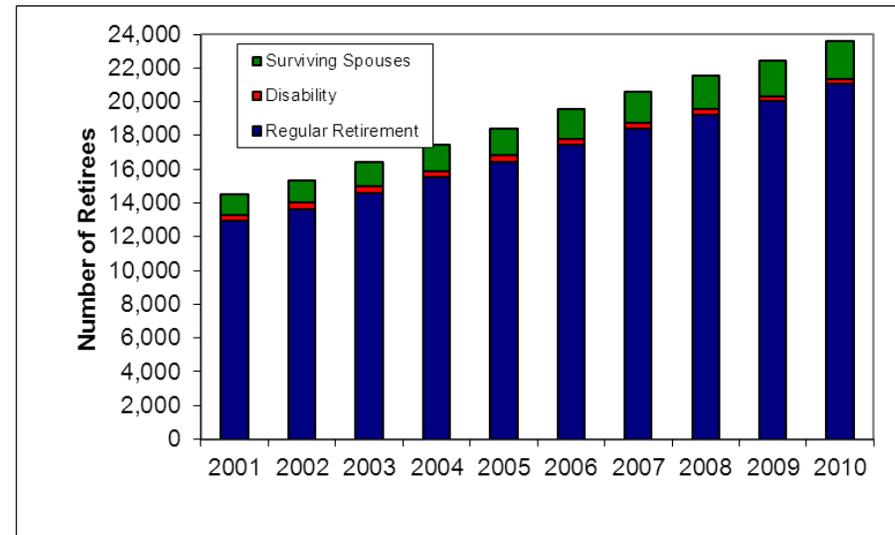
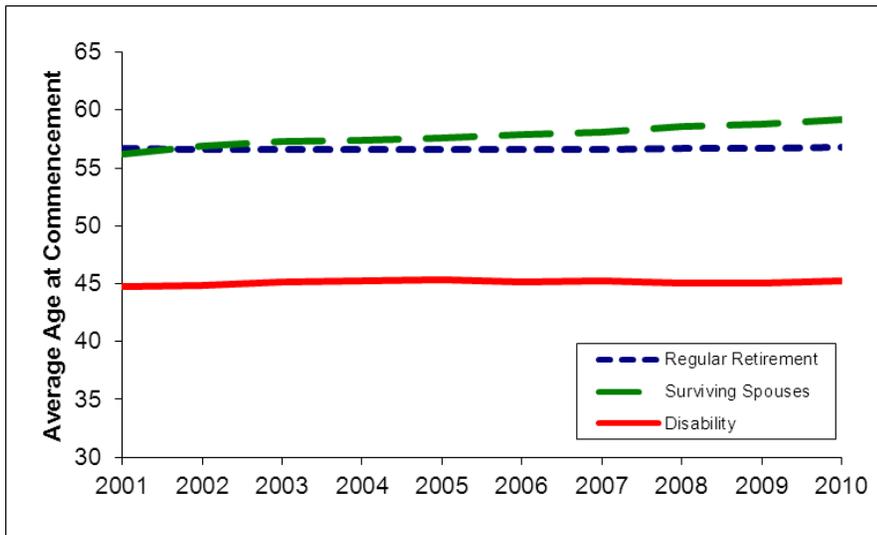
2.2(k) Statistics on All Pension Benefit Recipients (continued)

Peace Officer/Firefighter



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

Others



2.2(l) 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 | 0 | 0 | 0 |
| 30 – 34 | 1 | 26,208 | 26,208 |
| 35 – 39 | 6 | 148,115 | 24,686 |
| 40 – 44 | 13 | 257,119 | 19,778 |
| 45 – 49 | 81 | 2,606,385 | 32,178 |
| 50 – 54 | 305 | 10,020,425 | 32,854 |
| 55 – 59 | 580 | 18,970,676 | 32,708 |
| 60 – 64 | 712 | 23,731,541 | 33,331 |
| 65 – 69 | 503 | 15,104,926 | 30,030 |
| 70 – 74 | 267 | 8,356,860 | 31,299 |
| 75+ | 209 | 6,621,610 | 31,682 |
| Total | 2,677 | \$ 85,843,865 | \$ 32,067 |

Annual Pension Benefit by Years Since Commencement

| Years Since Commencement | Number | Total Annual Benefit | Average Annual Benefit |
|--------------------------|--------------|----------------------|------------------------|
| 0 | 109 | \$ 3,354,635 | \$ 30,776 |
| 1 | 122 | 3,194,734 | 26,186 |
| 2 | 128 | 3,488,720 | 27,256 |
| 3 | 133 | 3,826,645 | 28,772 |
| 4 | 119 | 3,377,092 | 28,379 |
| 0 – 4 | 611 | 17,241,826 | 28,219 |
| 5 – 9 | 729 | 22,406,927 | 30,737 |
| 10 – 14 | 660 | 21,714,251 | 32,900 |
| 15 – 19 | 293 | 9,788,312 | 33,407 |
| 20 – 24 | 256 | 10,278,911 | 40,152 |
| 25 – 29 | 78 | 2,995,470 | 38,403 |
| 30 - 34 | 41 | 1,200,185 | 29,273 |
| 35 – 39 | 9 | 217,983 | 24,220 |
| 40+ | 0 | 0 | 0 |
| Total | 2,677 | \$ 85,843,865 | \$ 32,067 |

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 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| 30 – 34 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 35 – 39 | 4 | 1 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 6 |
| 40 – 44 | 10 | 2 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 13 |
| 45 – 49 | 53 | 24 | 2 | 2 | 0 | 0 | 0 | 0 | 0 | 81 |
| 50 – 54 | 114 | 149 | 38 | 2 | 1 | 1 | 0 | 0 | 0 | 305 |
| 55 – 59 | 189 | 236 | 135 | 17 | 2 | 0 | 1 | 0 | 0 | 580 |
| 60 – 64 | 171 | 200 | 214 | 80 | 39 | 4 | 3 | 1 | 0 | 712 |
| 65 – 69 | 45 | 85 | 193 | 101 | 71 | 7 | 0 | 1 | 0 | 503 |
| 70 – 74 | 11 | 24 | 61 | 66 | 82 | 16 | 5 | 2 | 0 | 267 |
| 75+ | 13 | 8 | 15 | 25 | 61 | 50 | 32 | 5 | 0 | 209 |
| Total | 611 | 729 | 660 | 293 | 256 | 78 | 41 | 9 | 0 | 2,677 |

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 | 26 | 20 | 0 | 25 | 8 | 1 | 1 | 11 |
| 301 – 600 | 157 | 104 | 52 | 1 | 72 | 39 | 21 | 12 | 13 |
| 601 – 900 | 137 | 85 | 49 | 3 | 74 | 35 | 8 | 10 | 10 |
| 901 – 1,200 | 163 | 112 | 47 | 4 | 85 | 39 | 18 | 8 | 13 |
| 1,201 – 1,500 | 137 | 104 | 29 | 4 | 70 | 28 | 17 | 12 | 10 |
| 1,501 – 1,800 | 140 | 111 | 26 | 3 | 51 | 48 | 23 | 11 | 7 |
| 1,801 – 2,100 | 177 | 136 | 32 | 9 | 75 | 51 | 25 | 14 | 12 |
| 2,101 – 2,400 | 205 | 172 | 25 | 8 | 75 | 79 | 27 | 17 | 7 |
| 2,401 – 2,700 | 199 | 182 | 12 | 5 | 54 | 86 | 28 | 19 | 12 |
| 2,701 – 3,000 | 245 | 227 | 14 | 4 | 65 | 116 | 43 | 9 | 12 |
| 3,001 – 3,300 | 202 | 189 | 11 | 2 | 56 | 96 | 25 | 18 | 7 |
| 3,301 – 3,600 | 190 | 184 | 5 | 1 | 48 | 91 | 24 | 15 | 12 |
| 3,601 – 3,900 | 153 | 149 | 3 | 1 | 41 | 74 | 17 | 14 | 7 |
| 3,901 – 4,200 | 142 | 140 | 2 | 0 | 35 | 68 | 19 | 13 | 7 |
| Over \$ 4,200 | 384 | 377 | 7 | 0 | 76 | 223 | 43 | 31 | 11 |
| Totals | 2,677 | 2,298 | 334 | 45 | 902 | 1,081 | 339 | 204 | 151 |

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 | \$ 31,572 | \$ 31,572 |
| 20 – 24 | 0 | 0 | 0 |
| 25 – 29 | 1 | 22,358 | 22,358 |
| 30 – 34 | 2 | 37,713 | 18,857 |
| 35 – 39 | 11 | 167,697 | 15,245 |
| 40 – 44 | 32 | 332,220 | 10,382 |
| 45 – 49 | 103 | 1,584,996 | 15,388 |
| 50 – 54 | 871 | 16,968,276 | 19,481 |
| 55 – 59 | 3,970 | 84,504,685 | 21,286 |
| 60 – 64 | 5,974 | 112,956,616 | 18,908 |
| 65 – 69 | 4,891 | 84,616,403 | 17,300 |
| 70 – 74 | 3,248 | 53,510,710 | 16,475 |
| 75+ | 4,456 | 71,307,452 | 16,003 |
| Total | 23,560 | \$ 426,040,698 | \$ 18,083 |

Annual Pension Benefit by Years Since Commencement

| Years Since Commencement | Number | Total Annual Pension Benefit | Average Annual Pension Benefit |
|--------------------------|---------------|------------------------------|--------------------------------|
| 0 | 1,549 | \$ 32,775,032 | \$ 21,159 |
| 1 | 1,378 | 26,256,443 | 19,054 |
| 2 | 1,440 | 28,538,011 | 19,818 |
| 3 | 1,434 | 27,443,072 | 19,137 |
| 4 | 1,427 | 27,709,444 | 19,418 |
| 0 – 4 | 7,228 | 142,722,002 | 19,746 |
| 5 – 9 | 5,888 | 106,536,510 | 18,094 |
| 10 – 14 | 4,777 | 86,615,052 | 18,132 |
| 15 – 19 | 2,413 | 37,124,025 | 15,385 |
| 20 – 24 | 2,042 | 34,594,322 | 16,941 |
| 25 – 29 | 800 | 12,443,831 | 15,555 |
| 30 – 34 | 373 | 5,420,574 | 14,532 |
| 35 – 39 | 38 | 557,044 | 14,659 |
| 40+ | 1 | 27,338 | 27,338 |
| Total | 23,560 | \$ 426,040,698 | \$ 18,083 |

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 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 1 |
| 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 | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 2 |
| 35 – 39 | 7 | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 11 |
| 40 – 44 | 16 | 10 | 4 | 1 | 1 | 0 | 0 | 0 | 0 | 32 |
| 45 – 49 | 56 | 23 | 15 | 7 | 2 | 0 | 0 | 0 | 0 | 103 |
| 50 – 54 | 711 | 94 | 43 | 14 | 7 | 2 | 0 | 0 | 0 | 871 |
| 55 – 59 | 2,874 | 958 | 106 | 21 | 10 | 1 | 0 | 0 | 0 | 3,970 |
| 60 – 64 | 2,176 | 2,659 | 1,089 | 25 | 13 | 7 | 5 | 0 | 0 | 5,974 |
| 65 – 69 | 882 | 1,340 | 1,950 | 609 | 92 | 10 | 8 | 0 | 0 | 4,891 |
| 70 – 74 | 262 | 523 | 936 | 913 | 582 | 19 | 10 | 3 | 0 | 3,248 |
| 75+ | 241 | 276 | 634 | 823 | 1,335 | 761 | 350 | 35 | 1 | 4,456 |
| Total | 7,228 | 5,888 | 4,777 | 2,413 | 2,042 | 800 | 373 | 38 | 1 | 23,560 |

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 | 1,934 | 1,553 | 378 | 3 | 844 | 378 | 286 | 60 | 366 |
| 301 – 600 | 4,338 | 3,737 | 561 | 40 | 2,121 | 1,092 | 663 | 243 | 219 |
| 601 – 900 | 3,369 | 2,940 | 408 | 21 | 1,586 | 855 | 520 | 212 | 196 |
| 901 – 1,200 | 2,775 | 2,448 | 290 | 37 | 1,289 | 707 | 453 | 186 | 140 |
| 1,201 – 1,500 | 2,254 | 1,997 | 212 | 45 | 1,000 | 642 | 350 | 130 | 132 |
| 1,501 – 1,800 | 1,715 | 1,561 | 122 | 32 | 698 | 504 | 281 | 118 | 114 |
| 1,801 – 2,100 | 1,438 | 1,312 | 92 | 34 | 573 | 444 | 237 | 95 | 89 |
| 2,101 – 2,400 | 1,148 | 1,071 | 52 | 25 | 445 | 349 | 209 | 77 | 68 |
| 2,401 – 2,700 | 929 | 876 | 45 | 8 | 344 | 318 | 174 | 50 | 43 |
| 2,701 – 3,000 | 743 | 707 | 30 | 6 | 256 | 269 | 136 | 35 | 47 |
| 3,001 – 3,300 | 637 | 621 | 14 | 2 | 195 | 258 | 113 | 43 | 28 |
| 3,301 – 3,600 | 480 | 461 | 15 | 4 | 167 | 191 | 60 | 37 | 25 |
| 3,601 – 3,900 | 389 | 381 | 7 | 1 | 121 | 158 | 73 | 22 | 15 |
| 3,901 – 4,200 | 346 | 343 | 1 | 2 | 102 | 161 | 58 | 14 | 11 |
| Over \$ 4,200 | 1,065 | 1,054 | 9 | 2 | 310 | 440 | 205 | 72 | 38 |
| Totals | 23,560 | 21,062 | 2,236 | 262 | 10,051 | 6,766 | 3,818 | 1,394 | 1,531 |

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, 2010 | 118 | \$ 3,593,724 | 46 | \$ 1,413,071 | 2,677 | \$ 85,843,865 | 2.6% | \$ 32,067 |
| June 30, 2009 | 108 | 2,759,299 | 39 | (518,134) | 2,605 | 83,663,212 | 4.1% | 32,116 |
| 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 |

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, 2010 | 1,667 | \$ 35,089,579 | 517 | \$ 8,712,630 | 23,560 | \$426,040,698 | 6.6% | \$ 18,083 |
| June 30, 2009 | 1,340 | 25,402,811 | 476 | 28,773 | 22,410 | 399,663,749 | 6.8% | 17,834 |
| 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 |

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, 2010 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed as of June 30, 2009. 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 difference between actual and expected investment return in each of the current and preceding four years. This method was phased in over the next five years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from financial statements audited by KPMG LLP. 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 annual experience rate update for the period July 1, 2010 to June 30, 2011.

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 claim data is not available by individual, nor is this status incorporated into historical claim data.

We analyzed WFIS and Premera management level reporting for fiscal 2007 through fiscal 2010, as well as WFIS and Premera claim level data for the same period 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 was 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 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 smaller the no-Part A population, the more accrued liabilities will decrease.

Based on census data received from WFIS, 0.6% of the current retiree population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire, date of birth, tier, etc.

All claims cost rates developed from management level reporting have been 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 fiscal 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 a weighted 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 2.4 months for medical claims and 0.15 months for prescription claims.
5. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact due to the following provisions; however, none of the impacts have been included in the valuation results.

Because the State plan is retiree-only, and was in effect at the time the legislation was enacted, not all provisions are required. Unlimited lifetime benefits and dependent coverage to age 26 are two of these provisions. We did look at the impact of including these provisions, but there was no decision made to adopt them, and no requirement to do so.

The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure Buck estimated the year in which the tax would potentially affect Alaska as 2047, and with a minimal impact. Buck determined the impact to immaterial based on a blend of pre-Medicare and Medicare retirees.

We have not identified any other specific provisions of healthcare reform that would be expected to have a significant impact on the measured obligation. As additional guidance on the legislation is issued, we will continue to monitor any potential impacts.

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

June 30, 2010 Valuation – FY 2011 Claims Cost Rates

| | Medical | | | Prescription Drugs | | | Total |
|-----------------------------------|-----------------------|----------------------|---------------------|----------------------|----------------------|---------------------|-----------------------|
| | Pre-Medicare | Medicare A&B | Medicare B Only | Pre-Medicare | Medicare A&B | Medicare B Only | |
| 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 FY2011 | 1.512 | 1.512 | 1.512 | 1.467 | 1.467 | 1.467 | |
| FY 2011 Paid Cost Rate | \$ 5,866 | \$ 1,688 | \$ 4,984 | \$ 2,026 | \$ 3,059 | \$ 3,282 | \$ 6,734 |
| Paid to Incurred Factor** | 1.022 | 1.022 | 1.022 | 1.001 | 1.001 | 1.001 | |
| FY 2011 Incurred Cost Rate | \$ 5,995 | \$ 1,725 | \$ 5,094 | \$ 2,028 | \$ 3,062 | \$ 3,285 | \$ 6,830 |
| 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 FY2011 | 1.358 | 1.358 | 1.358 | 1.316 | 1.316 | 1.316 | |
| FY 2011 Paid Cost Rate | \$ 6,847 | \$ 1,815 | \$ 9,243 | \$ 2,094 | \$ 3,226 | \$ 3,459 | \$ 7,508 |
| Paid to Incurred Factor** | 1.022 | 1.022 | 1.022 | 1.001 | 1.001 | 1.001 | |
| FY 2011 Incurred Cost Rate | \$ 6,998 | \$ 1,855 | \$ 9,446 | \$ 2,096 | \$ 3,229 | \$ 3,462 | \$ 7,618 |
| Fiscal 2009 Paid Claims | \$ 185,275,626 | \$ 39,286,392 | \$ 3,949,927 | \$ 61,062,842 | \$ 60,195,838 | \$ 1,412,907 | \$ 351,183,532 |
| Membership | 32,943 | 24,624 | 539 | 32,943 | 24,624 | 539 | 58,106 |
| Paid Claims Cost Rate | \$ 5,624 | \$ 1,595 | \$ 7,327 | \$ 1,854 | \$ 2,445 | \$ 2,621 | \$ 6,044 |
| Trend to FY2011 | 1.221 | 1.221 | 1.221 | 1.184 | 1.184 | 1.184 | |
| FY 2011 Paid Cost Rate | \$ 6,866 | \$ 1,948 | \$ 8,944 | \$ 2,194 | \$ 2,893 | \$ 3,102 | \$ 7,300 |
| Paid to Incurred Factor** | 1.022 | 1.022 | 1.022 | 1.001 | 1.001 | 1.001 | |
| FY 2011 Incurred Cost Rate | \$ 7,017 | \$ 1,991 | \$ 9,141 | \$ 2,196 | \$ 2,896 | \$ 3,105 | \$ 7,407 |

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

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

June 30, 2010 Valuation – FY 2011 Claims Cost Rates

| | Medical | | | Prescription Drugs | | | Total |
|---|-----------------------|----------------------|---------------------|----------------------|----------------------|-------------------|-----------------------|
| | Pre-Medicare | Medicare A&B | Medicare B Only | Pre-Medicare | Medicare A&B | Medicare B Only | |
| Fiscal 2010 Paid Claims | \$ 199,739,865 | \$ 51,373,725 | \$ 1,215,832 | \$ 62,310,224 | \$ 73,005,066 | \$ 414,101 | \$ 388,058,813 |
| Membership | 32,026 | 27,915 | 156 | 32,026 | 27,915 | 156 | 60,097 |
| Paid Claims Cost Rate | \$ 6,237 | \$ 1,840 | \$ 7,794 | \$ 1,946 | \$ 2,615 | \$ 2,654 | \$ 6,457 |
| Trend to FY2011 | 1.130 | 1.130 | 1.130 | 1.096 | 1.096 | 1.096 | |
| FY 2011 Paid Cost Rate | \$ 7,050 | \$ 2,080 | \$ 8,810 | \$ 2,132 | \$ 2,866 | \$ 2,909 | \$ 7,221 |
| Paid to Incurred Factor** | 1.022 | 1.022 | 1.022 | 1.001 | 1.001 | 1.001 | |
| FY 2011 Incurred Cost Rate | \$ 7,205 | \$ 2,126 | \$ 9,003 | \$ 2,134 | \$ 2,869 | \$ 2,912 | \$ 7,327 |
| Weighted Average 7/1/2010-6/30/2011 Incurred Claims Cost Rates: | | | | | | | |
| At average age | \$ 6,967 | \$ 1,978 | \$ 8,756 | \$ 2,141 | \$ 2,971 | \$ 3,136 | \$ 7,427 |
| At age 65* | \$ 8,606 | \$ 1,563 | \$ 6,654 | \$ 2,600 | \$ 2,600 | \$ 2,600 | \$ 7,924 |

* 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 3.5% 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.

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, 2010 through June 30, 2011**

| Age | Medical and Medicare Parts A & B | Medical and Medicare Part B Only | Prescription Drug | Medicare Retiree Drug Subsidy |
|-----|--|--|----------------------|----------------------------------|
| 45 | \$ 4,766 | \$ 4,766 | \$ 1,372 | \$ 0 |
| 50 | 5,392 | 5,392 | 1,629 | 0 |
| 55 | 6,101 | 6,101 | 1,935 | 0 |
| 60 | 7,246 | 7,246 | 2,243 | 0 |
| 65 | 1,563 | 6,654 | 2,600 | 515 |
| 70 | 1,902 | 8,096 | 2,801 | 555 |
| 75 | 2,258 | 9,613 | 2,988 | 592 |
| 80 | 2,433 | 10,356 | 3,063 | 607 |

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

(D) Actuarial Assumptions

| | |
|-----------------------------------|---|
| Investment Return / Discount Rate | 8.00% per year (geometric), compounded annually, net of expenses. |
| Salary Scale | Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates |
| Payroll Growth | 3.62% per year. (Inflation + Productivity) |
| Total Inflation | Total inflation as measured by the Consumer Price Index for urban and clerical workers for Anchorage is assumed to increase 3.12% annually. |
| Mortality (Pre-termination)* | <u>Peace Officer/Firefighter:</u> Based upon the 2005-2009 actual mortality experience (see Table 2). 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. <u>Others:</u> Based upon the 2005-2009 actual mortality experience (see Table 3). 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others. |
| Mortality (Post-termination)* | 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females. (See Table 4.) |
| Total Turnover | Based upon the 2005-2009 actual withdrawal experience. (See Table 5.) |
| Disability | Incidence rates based upon the 2005-2009 actual experience, in accordance with Table 6. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others. |
| Retirement | Retirement rates based upon the 2005-2009 actual experience in accordance with Tables 7 and 8. Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others. For Peace Officer/Firefighter, Tier 1 deferred vested members are assumed to retire at age 53 and Tiers 2 and 3 deferred vested members are assumed to retire at age 57. |
| 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. |

*Mortality assumptions were conservatively set compared to actual experience to allow for expected future mortality improvement.

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

(D) Actuarial Assumptions (continued)

| | |
|------------------------------------|--|
| 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% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded. |
| COLA | Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA. |
| Post-Retirement Pension Adjustment | 50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. |
| 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/Firefighter 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 adjusted to age 65 for FY11 medical and prescription are shown below: |

| | Medical | Prescription Drugs |
|----------------------|----------|--------------------|
| Pre-Medicare | \$ 8,606 | \$ 2,600 |
| Medicare Parts A & B | \$ 1,563 | \$ 2,600 |
| Medicare Part B Only | \$ 6,654 | \$ 2,600 |
| Medicare Part D | N/A | \$ 515 |

| | |
|--------------------------------|---|
| Third Party Administrator Fees | \$153.33 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, 6.9% is applied to the FY11 medical claims cost to get the FY12 medical claims cost. |

| | Medical | Prescription Drugs |
|-------|---------|--------------------|
| 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% |
| FY16 | 5.9% | 5.9% |
| FY17 | 5.9% | 5.9% |
| FY25 | 5.8% | 5.8% |
| FY50 | 5.7% | 5.7% |
| FY100 | 5.1% | 5.1% |

For the June 30, 2008 valuations and later, the Society of Actuaries' Healthcare Cost Trend Model is used to project medical and prescription drug costs. 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% |
| | 65-74 | 4.0% | 1.5% |
| | 75-84 | 1.5% | 0.5% |
| | 85-94 | 0.5% | 0.0% |
| | 95+ | 0.0% | 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 FY11 contributions based on monthly rates shown below for calendar 2010 and 2011 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 | Calendar 2011 Annual Contribution | Calendar 2011 Monthly Contribution | Calendar 2010 Monthly Contribution |
|------------------------|-----------------------------------|------------------------------------|------------------------------------|
| Retiree Only | \$ 9,492 | \$ 791 | \$ 719 |
| Retiree and Spouse | \$ 18,996 | \$ 1,583 | \$ 1,439 |
| Retiree and Child(ren) | \$ 13,416 | \$ 1,118 | \$ 1,016 |
| Retiree and Family | \$ 22,920 | \$ 1,910 | \$ 1,736 |
| Composite | \$ 14,112 | \$ 1,176 | \$ 1,068 |

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, 6.7% is applied to the FY11 retired member medical contributions to get the FY12 retired member medical contributions.

| | |
|----------------|------|
| FY11 | 6.7% |
| FY12 | 6.3% |
| FY13 | 6.0% |
| FY14 | 5.7% |
| FY15 | 5.3% |
| FY16 | 5.0% |
| FY17 | 5.0% |
| FY18 | 5.0% |
| FY19 and later | 5.0% |

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2005 valuation. Note that actual FY10 retired member medical contributions are reflected in the valuation so trend on such contribution during FY10 is not applicable.

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

10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible.

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

Table 1
Alaska PERS
Salary Scale

Peace Officer/Firefighter:

| Year of Employment | Percent Increase |
|--------------------|------------------|
| 1-4 | 6.36% |
| 5 | 6.11 |
| 6 | 5.61 |
| 7+ | 4.12 |

Others:

| Year of Employment | Percent Increase |
|--------------------|------------------|
| 1 | 9.60% |
| 2 | 7.60 |
| 3 | 6.61 |
| 4 | 6.11 |
| 5 | 5.61 |
| 6+ | Age-based |

Rates vary slightly by age after 5 years of employment.

| Age | Percent Increase |
|-----|------------------|
| 25 | 5.11% |
| 30 | 4.99 |
| 35 | 4.86 |
| 40 | 4.70 |
| 45 | 4.53 |
| 50 | 4.61 |
| 55 | 4.24 |
| 60+ | 3.62 |

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

Table 2
Alaska PERS Peace Officer/Firefighter
Mortality Table (Pre-termination)

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20 | 0.0303% | 0.0135% |
| 21 | 0.0323 | 0.0133 |
| 22 | 0.0345 | 0.0135 |
| 23 | 0.0380 | 0.0138 |
| 24 | 0.0419 | 0.0141 |
| 25 | 0.0470 | 0.0144 |
| 26 | 0.0534 | 0.0151 |
| 27 | 0.0569 | 0.0155 |
| 28 | 0.0590 | 0.0161 |
| 29 | 0.0609 | 0.0170 |
| 30 | 0.0627 | 0.0187 |
| 31 | 0.0642 | 0.0207 |
| 32 | 0.0656 | 0.0220 |
| 33 | 0.0663 | 0.0229 |
| 34 | 0.0664 | 0.0239 |
| 35 | 0.0666 | 0.0250 |
| 36 | 0.0674 | 0.0262 |
| 37 | 0.0697 | 0.0277 |
| 38 | 0.0721 | 0.0295 |
| 39 | 0.0753 | 0.0316 |
| 40 | 0.0792 | 0.0344 |
| 41 | 0.0837 | 0.0372 |
| 42 | 0.0890 | 0.0400 |
| 43 | 0.0943 | 0.0425 |
| 44 | 0.0997 | 0.0447 |
| 45 | 0.1059 | 0.0462 |
| 46 | 0.1133 | 0.0481 |
| 47 | 0.1226 | 0.0508 |
| 48 | 0.1331 | 0.0551 |
| 49 | 0.1445 | 0.0598 |
| 50 | 0.1571 | 0.0665 |
| 51 | 0.1716 | 0.0745 |
| 52 | 0.1883 | 0.0856 |
| 53 | 0.2100 | 0.0978 |
| 54 | 0.2331 | 0.1111 |
| 55 | 0.2644 | 0.1270 |
| 56 | 0.3015 | 0.1474 |
| 57 | 0.3466 | 0.1712 |
| 58 | 0.3989 | 0.1970 |
| 59 | 0.4489 | 0.2266 |
| 60 | 0.5050 | 0.2604 |

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

Table 3
Alaska PERS Others
Mortality Table (Pre-termination)

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 20 | .0284% | .0123% |
| 21 | .0303 | .0122 |
| 22 | .0324 | .0123 |
| 23 | .0356 | .0127 |
| 24 | .0392 | .0129 |
| 25 | .0441 | .0132 |
| 26 | .0501 | .0138 |
| 27 | .0533 | .0142 |
| 28 | .0553 | .0148 |
| 29 | .0571 | .0156 |
| 30 | .0588 | .0171 |
| 31 | .0602 | .0189 |
| 32 | .0615 | .0202 |
| 33 | .0622 | .0210 |
| 34 | .0623 | .0219 |
| 35 | .0624 | .0229 |
| 36 | .0632 | .0240 |
| 37 | .0653 | .0254 |
| 38 | .0676 | .0271 |
| 39 | .0706 | .0289 |
| 40 | .0742 | .0315 |
| 41 | .0785 | .0341 |
| 42 | .0834 | .0366 |
| 43 | .0884 | .0389 |
| 44 | .0935 | .0409 |
| 45 | .0993 | .0423 |
| 46 | .1063 | .0441 |
| 47 | .1149 | .0466 |
| 48 | .1248 | .0505 |
| 49 | .1354 | .0548 |
| 50 | .1473 | .0610 |
| 51 | .1609 | .0683 |
| 52 | .1765 | .0784 |
| 53 | .1969 | .0897 |
| 54 | .2186 | .1018 |
| 55 | .2479 | .1164 |
| 56 | .2827 | .1352 |
| 57 | .3249 | .1570 |
| 58 | .3739 | .1806 |
| 59 | .4208 | .2077 |
| 60 | .4734 | .2387 |

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

Table 4
Alaska PERS
Mortality Table (Post-termination)

| <u>Age</u> | <u>Male</u> | <u>Female</u> |
|------------|-------------|---------------|
| 50 | 0.1964% | 0.1241% |
| 51 | 0.2145 | 0.1426 |
| 52 | 0.2354 | 0.1631 |
| 53 | 0.2625 | 0.1851 |
| 54 | 0.2914 | 0.2117 |
| 55 | 0.3305 | 0.2457 |
| 56 | 0.3769 | 0.2854 |
| 57 | 0.4333 | 0.3284 |
| 58 | 0.4986 | 0.3777 |
| 59 | 0.5611 | 0.4339 |
| 60 | 0.6312 | 0.4979 |
| 61 | 0.7251 | 0.5701 |
| 62 | 0.8188 | 0.6527 |
| 63 | 0.9436 | 0.7450 |
| 64 | 1.0644 | 0.8442 |
| 65 | 1.1956 | 0.9476 |
| 66 | 1.3618 | 1.0523 |
| 67 | 1.5123 | 1.1499 |
| 68 | 1.6336 | 1.2424 |
| 69 | 1.7873 | 1.3422 |
| 70 | 1.9147 | 1.4342 |
| 71 | 2.0940 | 1.5830 |
| 72 | 2.2981 | 1.7260 |
| 73 | 2.5175 | 1.9177 |
| 74 | 2.7475 | 2.0940 |
| 75 | 3.0609 | 2.3377 |
| 76 | 3.0609 | 2.6690 |
| 77 | 3.7879 | 2.9853 |
| 78 | 4.2924 | 3.3273 |
| 79 | 4.8681 | 3.7068 |
| 80 | 5.5102 | 4.1355 |
| 81 | 6.2135 | 4.6249 |
| 82 | 6.9722 | 5.1616 |
| 83 | 7.6164 | 5.7377 |
| 84 | 8.4319 | 6.4966 |
| 85 | 9.1495 | 7.3658 |

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

Table 5
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:

| Select Rates of Turnover During the First 5 Years of Employment | |
|--|---------------------|
| Year of Employment | Unisex Rates |
| 1 | 15.00% |
| 2 | 10.00 |
| 3 | 8.00 |
| 4 | 7.00 |
| 5 | 6.00 |

| Ultimate Rates of Turnover After the First 5 Years of Employment | | |
|---|-------------|---------------|
| Age | Male | Female |
| 20 | 4.11% | 5.19% |
| 25 | 4.08 | 5.17 |
| 30 | 4.04 | 5.14 |
| 35 | 4.02 | 5.09 |
| 40 | 3.95 | 5.00 |
| 45 | 3.78 | 4.85 |
| 50 | 3.49 | 4.58 |
| 55 | 2.91 | 4.06 |
| 60 | 1.57 | 2.64 |
| 65+ | 4.32 | 5.40 |

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

Table 5
Alaska PERS
Total Turnover Assumptions

Others:

| Year of Employment | Age at Hire | |
|-----------------------|--------------|--------------|
| | 20-34 | 35+ |
| | Unisex Rates | Unisex Rates |
| 1 | 29.00% | 20.00% |
| 2 | 25.00 | 17.00 |
| 3 | 20.00 | 14.00 |
| 4 | 16.00 | 11.00 |
| 5 | 13.00 | 10.00 |

Ultimate Rates of Turnover
After the First 5 Years of Employment

| Age | Male | Female |
|-----|-------|--------|
| 20 | 9.50% | 13.68% |
| 25 | 9.50 | 13.67 |
| 30 | 9.50 | 12.60 |
| 35 | 7.00 | 9.30 |
| 40 | 5.90 | 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 |

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

Table 6
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% | .031% | .024% |
| 21 | .089 | .031 | .024 |
| 22 | .090 | .032 | .024 |
| 23 | .091 | .032 | .024 |
| 24 | .093 | .033 | .025 |
| 25 | .094 | .033 | .025 |
| 26 | .095 | .033 | .025 |
| 27 | .098 | .034 | .026 |
| 28 | .100 | .035 | .027 |
| 29 | .103 | .036 | .028 |
| 30 | .105 | .037 | .029 |
| 31 | .108 | .037 | .029 |
| 32 | .110 | .038 | .029 |
| 33 | .113 | .039 | .030 |
| 34 | .116 | .041 | .031 |
| 35 | .120 | .042 | .032 |
| 36 | .124 | .044 | .034 |
| 37 | .129 | .045 | .035 |
| 38 | .134 | .047 | .036 |
| 39 | .139 | .048 | .037 |
| 40 | .144 | .050 | .039 |
| 41 | .150 | .052 | .040 |
| 42 | .159 | .056 | .043 |
| 43 | .170 | .059 | .045 |
| 44 | .185 | .065 | .050 |
| 45 | .203 | .071 | .055 |
| 46 | .220 | .077 | .059 |
| 47 | .239 | .083 | .064 |
| 48 | .259 | .091 | .070 |
| 49 | .279 | .097 | .075 |
| 50 | .300 | .105 | .081 |
| 51 | .325 | .114 | .087 |
| 52 | .358 | .125 | .096 |
| 53 | .398 | .139 | .107 |
| 54 | .444 | .155 | .119 |
| 55 | .500 | .175 | .134 |
| 56 | .574 | .201 | .155 |
| 57 | .668 | .234 | .180 |
| 58 | .763 | .267 | .205 |
| 59 | .900 | .315 | .242 |
| 60 | 1.054 | .368 | .283 |

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

Table 7
Alaska PERS Peace Officer/Firefighter
Retirement Table

| Age at Retirement | Retirement Rate | |
|-------------------|-----------------|--------------|
| | Reduced | Unreduced |
| | Unisex Rates | Unisex Rates |
| <50 | N/A | 11.00% |
| 50 | 10.00% | 18.50 |
| 51 | 10.00 | 18.50 |
| 52 | 10.00 | 18.50 |
| 53 | 10.00 | 18.50 |
| 54 | 11.00 | 18.50 |
| 55 | 10.00 | 25.00 |
| 56 | 10.00 | 25.00 |
| 57 | 10.00 | 25.00 |
| 58 | 10.00 | 25.00 |
| 59 | 11.00 | 25.00 |
| 60 | N/A | 30.00 |
| 61 | N/A | 25.00 |
| 62 | N/A | 30.00 |
| 63 | N/A | 25.00 |
| 64-74 | N/A | 50.00 |
| 75 | N/A | 100.00 |

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

Table 8
Alaska PERS Others
Retirement Table

| Age at Retirement | Retirement Rate | |
|-------------------|-----------------|--------------|
| | Reduced | Unreduced |
| | Unisex Rates | Unisex Rates |
| <50 | N/A | 10.00% |
| 50 | 8.00% | 30.00 |
| 51 | 8.00 | 30.00 |
| 52 | 8.00 | 30.00 |
| 53 | 8.00 | 30.00 |
| 54 | 13.00 | 30.00 |
| 55 | 8.00 | 30.00 |
| 56 | 8.00 | 17.50 |
| 57 | 8.00 | 17.50 |
| 58 | 8.00 | 16.50 |
| 59 | 12.00 | 16.50 |
| 60 | N/A | 20.50 |
| 61 | N/A | 16.50 |
| 62 | N/A | 24.50 |
| 63 | N/A | 20.50 |
| 64 | N/A | 22.50 |
| 65 | N/A | 26.00 |
| 66 | N/A | 26.00 |
| 67 | N/A | 26.00 |
| 68 | N/A | 27.50 |
| 69 | N/A | 30.00 |
| 70-89 | N/A | 50.00 |
| 90 | | 100.00 |

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

Changes in Actuarial Assumptions Since the Prior Valuation

| | June 30, 2009 | June 30, 2010 |
|----------------------------|--|--|
| Investment Return | 8.25% per year (geometric), compounded annually, net of expenses | 8.00% per year (geometric), compounded annually, net of expenses |
| Salary Scale | Based on actual experience from 2001 to 2005. | <u>Others:</u> Based on actual experience from 2005 to 2009. Increased most rates. <u>Peace Officer/Firefighter:</u> Rates are increased for the first 4 years. Decreased at year 5. Based on actual experience 2005 to 2009. |
| Payroll Growth | 4.00% per year | 3.62% per year |
| Inflation | 3.50% | 3.12% |
| Pre-termination Mortality | <u>Peace Officer/Firefighter:</u> 1994 GAM Table, 1994 Base Year. <u>Others:</u> 42% of 1994 GAM Table, 1994 Base Year. | <u>Peace Officer/Firefighter:</u> Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. <u>Others:</u> Based upon the 2005-2009 actual mortality experience. 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. |
| Post-termination Mortality | 1994 GAM Table, 1994 Base Year. | 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females. |
| Disability Mortality | 1979 PBGC Disability Mortality Table for those receiving Social Security disability benefits. | RP-2000 Disabled Retiree Mortality Table. |
| Turnover | Based on actual experience from 2001 to 2005. | Rates adjusted based on actual experience from 2005 to 2009. |
| Disability | Based on actual experience from 2001 to 2005. | <u>Peace Officer/Firefighter:</u> No change except to stop rates at earliest retirement age. <u>Others:</u> Male/Female rates decreased based on actual experience from 2005 to 2009 and stop rates at earliest retirement age. |
| Retirement | Based on actual experience from 2001 to 2005. | Rates were adjusted based on actual experience from 2005 to 2009. |

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

Changes in Actuarial Assumptions Since the Prior Valuation

| | | |
|--------------------------------------|--|--|
| Deferred Vested Commencement Date | Earliest reduced age. | Peace Officer/Firefighter: Tier 1 – age 53. Tiers 2 and 3 – age 57. Others: Earliest unreduced age. |
| COLA | Of those benefit recipients who are eligible for the COLA, 60% are assumed to remain in Alaska and receive the COLA. | Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA. |
| Occupational Death and Disability | Others: 50% Peace Officer/Firefighter: 75% | Others: 55% Peace Officer/Firefighter: 75% |
| Healthcare Participation | 100% of members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. | 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. |

Section 3

| | |
|----------------|--|
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3.1 Analysis of Financial Experience

**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 | | | | |
|--|---|----------|---------|---------|---------|
| | Pension | | | | |
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| (1) Health Experience | N/A | N/A | N/A | N/A | N/A |
| (2) Salary Experience | 0.02% | 0.23% | 0.54% | 0.23% | 0.06% |
| (3) Investment Experience | 0.19% | (0.11)% | (0.35)% | 4.72% | (0.19)% |
| (4) Demographic Experience | 1.05% | (0.17)% | (0.60)% | (0.29)% | (0.30)% |
| (5) Contribution Shortfall | (0.81)% | 0.11% | 0.14% | 0.01% | 0.36% |
| (6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5) | 0.45% | 0.06% | (0.27)% | 4.67% | (0.07)% |
| 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 | 1.51% | (0.72)%* | 0.00% | 0.00% | 0.87% |
| (10) System Benefit Changes | 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)% | 4.67% | 0.80% |
| (12) Beginning Employer/State Contribution Rate | 8.95% | 10.91% | 10.25% | 9.98% | 14.65% |
| (13) Ending Employer/State Contribution Rate, (11) + (12) | 10.91% | 10.25% | 9.98% | 14.65% | 15.45% |
| (14) Fiscal Year Above Rate is Applied | FY09 | FY10 | FY11 | FY12 | FY13 |

*Includes change in rate by using total payroll.

3.1 Analysis of Financial Experience

**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 | | | | |
|--|---|----------|---------|---------|---------|
| | Healthcare | | | | |
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| (1) Health Experience | (4.06)% | (5.64)% | (0.97)% | (2.21)% | 0.24% |
| (2) Salary Experience | N/A | N/A | N/A | N/A | N/A |
| (3) Investment Experience | (0.48)% | (0.92)% | (0.24)% | 0.59% | 0.47% |
| (4) Demographic Experience | N/A | N/A | N/A | N/A | N/A |
| (5) Contribution Shortfall | 1.82% | 0.83% | (0.25)% | (0.25)% | (1.03)% |
| (6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5) | (2.72)% | (5.73)% | (1.46)% | (1.87)% | (0.32)% |
| 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 | 3.47% | (1.18)%* | 2.04% | 0.00% | 1.59% |
| (10) System Benefit Changes | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) | 0.75% | (6.91)% | 0.58% | (1.87)% | 1.27% |
| (12) Beginning Employer/State Contribution Rate | 23.56% | 24.31% | 17.40% | 17.98% | 16.11% |
| (13) Ending Employer/State Contribution Rate, (11) + (12) | 24.31% | 17.40% | 17.98% | 16.11% | 17.38% |
| (14) Fiscal Year Above Rate is Applied | FY09 | FY10 | FY11 | FY12 | FY13 |

*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 | | | | |
|--|---|----------|---------|---------|---------|
| | Total | | | | |
| | 2006 | 2007 | 2008 | 2009 | 2010 |
| (1) Health Experience | (4.06)% | (5.64)% | (0.97)% | (2.21)% | 0.24% |
| (2) Salary Experience | 0.02% | 0.23% | 0.54% | 0.23% | 0.06% |
| (3) Investment Experience | (0.29)% | (1.03)% | (0.59)% | 5.31% | 0.28% |
| (4) Demographic Experience | 1.05% | (0.17)% | (0.60)% | (0.29)% | (0.30)% |
| (5) Contribution Shortfall | 1.01% | 0.94% | (0.11)% | (0.24)% | (0.67)% |
| (6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5) | (2.27)% | (5.67)% | (1.73)% | 2.80% | (0.39)% |
| 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 | 4.98% | (1.90)%* | 2.04% | 0.00% | 2.46% |
| (10) System Benefit Changes | 0.00% | 0.00% | 0.00% | 0.00% | 0.00% |
| (11) Composite (Gain) or Loss During Year, (6) + (7) + (8) + (9) + (10) | 2.71% | (7.57)% | 0.31% | 2.80% | 2.07% |
| (12) Beginning Employer/State Contribution Rate | 32.51% | 35.22% | 27.65% | 27.96% | 30.76% |
| (13) Ending Employer/State Contribution Rate, (11) + (12) | 35.22% | 27.65% | 27.96% | 30.76% | 32.83% |
| (14) Fiscal Year Above Rate is Applied | FY09 | FY10 | FY11 | FY12 | FY13 |

*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, 2010 ¹ – 8.00% | \$ 10,371,672 | \$ 6,469,832 | 62.4% | \$ 3,901,840 | \$ 1,586,697 | 245.9% |
| June 30, 2009 – 8.25% | \$ 9,702,086 | \$ 6,108,528 | 63.0% | \$ 3,593,558 | \$ 1,585,490 | 226.7% |
| June 30, 2008 – 8.25% | \$ 9,154,282 | \$ 7,210,772 | 78.8% | \$ 1,943,510 | \$ 1,577,846 | 123.2% |
| June 30, 2007 – 8.25% | \$ 8,662,324 | \$ 6,739,004 | 77.8% | \$ 1,923,320 | \$ 1,605,819 | 119.8% |
| June 30, 2006 ¹ – 8.25% | \$ 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, 2010 ¹ – 7.48% | \$ 9,304,504 | \$ 4,687,632 | 50.4% | \$ 4,616,872 | \$ 1,586,697 | 291.0% |
| June 30, 2009 – 4.70% | \$ 12,770,990 | \$ 4,134,450 | 32.4% | \$ 8,636,540 | \$ 1,585,490 | 544.7% |
| June 30, 2008 ¹ – 4.50% | \$ 13,013,450 | \$ 3,829,334 | 29.4% | \$ 9,184,116 | \$ 1,577,846 | 582.1% |
| June 30, 2007 – 4.50% | \$ 11,108,553 | \$ 3,161,956 | 28.5% | \$ 7,946,597 | \$ 1,605,819 | 494.9% |
| June 30, 2006 ¹ – 4.50% | \$ 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 8.00% and at 4.25% 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, 2010 ¹ – 8.00% | \$ 8,331,625 | \$ 4,687,632 | 56.3% | \$ 3,643,993 | \$ 1,586,697 | 229.7% |
| June 30, 2010 ¹ – 4.25% | \$ 15,217,964 | \$ 4,687,632 | 30.8% | \$ 10,530,332 | \$ 1,586,697 | 663.7% |

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 (\$'s in thousands)

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 | Percentage Contributed | | |
|---------------------------|------------------------------------|------------------------|----------|--------|
| | | By Employer | By State | Total |
| 2010* | \$ 217,080 | 65.5% | 20.5% | 86.0% |
| 2009 | \$ 166,016 | 68.1% | 48.0% | 116.1% |
| 2008 | \$ 140,729 | 71.2% | 36.2% | 107.4% |
| 2007 | \$ 268,742 | 73.2% | 4.1% | 77.3% |

This exhibit below shows the postemployment healthcare disclosure. The ARC is determined 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 | Percentage Contributed | | |
|---------------------------|------------------------------------|------------------------|----------|--------|
| | | By Employer | By State | Total |
| 2010* | \$ 790,793 | 31.6% | 54.8% | 86.4% |
| 2009 | \$ 391,321 | 68.1% | 41.4% | 109.5% |
| 2008 | \$ 370,456 | 71.2% | 36.2% | 107.4% |
| 2007 | \$ 189,495 | 73.2% | 4.1% | 77.3% |

*The ARC and percentage contributed is based on Buck's calculation and does not match the June 30, 2010 CAFR. The percentage contributed in FY10 includes the legal settlement, net of fees, as well as the Medicare Part D subsidy contributed by the State to the Healthcare Fund.

Other Historical Information

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

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

| Valuation Date | Fiscal Year | ARC (% of Pay) | | | Pension Discount Rate | Healthcare Discount Rate |
|----------------|-------------|----------------|------------|--------|-----------------------|--------------------------|
| | | Pension | Healthcare | Total | | |
| June 30, 2005 | FY08 | 10.72% | 53.96% | 64.68% | 8.25% | 4.50% |
| June 30, 2006 | FY09 | 13.49% | 55.87% | 69.36% | 8.25% | 4.50% |
| June 30, 2007 | FY10 | 13.72% | 49.98% | 63.70% | 8.25% | 4.70% |
| June 30, 2008 | FY11 | 14.13% | 33.66% | 47.79% | 8.25% | 7.48% |
| June 30, 2009 | FY12 | 23.10% | 32.74% | 55.84% | 8.25% | 7.43% |
| June 30, 2010* | FY13 | 24.95% | 39.93% | 64.88% | 8.00% | 6.88% |

*Change in actuarial assumptions effective June 30, 2010.

ARC is based on DB salary only and a level dollar amortization of the unfunded liability.

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

| | |
|---------------------------------------|---|
| Valuation Date | June 30, 2010 |
| 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 | 19 years |
| Asset Valuation Method | 5-year smoothed market |
| Actuarial Assumptions: | 8.00% for pension, 7.23% for healthcare. |
| Investment rate of return* | Peace Officer/Firefighter: Merit – 2.75% per year for the first 4 years of employment, grading down to 0.5% at 7 years and thereafter. Productivity – 0.5% per year. |
| Projected salary increases | Others: Merit – 6.00% per year grading down to 2.00% after 5 years; for more than 6 years of service, 1.50% grading down to 0%. Productivity – 0.5% per year. |
| *Includes inflation at | 3.12% |
| 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 7.48% as of June 30, 2008, to be used for fiscal 2011 disclosure.

The development of the discount rate used for the FY11 healthcare liabilities valuation disclosure purposes 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 FY08*

| | | |
|---|---|--------|
| 1. Contribution Allocated to Healthcare | = | 25.07% |
| 2. Annual Required Contribution, Funding Assumptions | = | 29.04% |
| 3. Pay-as-you-go Contribution | = | 9.71% |
| 4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%, not greater than 100%] | = | 79.48% |
| 5. Multiplied by long-term investment return | = | 6.56% |
| 6. Portion of ARC not Contributed: [100% - (4)] | = | 20.52% |
| 7. Multiplied by short-term investment return | = | 0.92% |
| 8. Total: (5) + (7) | = | 7.48% |

* It is assumed that fiscal 2006 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, 2008 valuation (fiscal 2009), which in turn drives the fiscal 2011 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2011 employer ARC rate for accounting purposes is 33.66% of pay for healthcare benefits and 47.79% 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, 2010 ² | \$ 1,388,029 | \$ 10,850,267 | \$ 5,894,196 | \$ 11,157,464 | 100.0% | 90.0% | 0.0% |
| June 30, 2009 | 1,315,924 | 10,147,353 | 5,116,094 | 10,242,978 | 100.0% | 88.0% | 0.0% |
| 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% |

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

¹ Change in Asset Valuation Method

² Change in Assumptions

³ Change in Methods