



State of Alaska Public Employees' Retirement System

Actuarial Valuation Report
as of June 30, 2012

July 2013

buckconsultants®

Submitted By:
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State of Alaska Public Employees' Retirement System

Table of Contents

Letter of Certification

Executive Summary	1
Comparative Summary of Key Actuarial Valuation Results	9
Section 1: Actuarial Funding Results	11
1.1 Actuarial Liabilities and Normal Cost.....	12
1.2 Actuarial Contributions	18
1.3 Actuarial Gain / (Loss)	27
1.4 Development of Change in Unfunded Liability during FY12.....	28
1.5 Analysis of Financial Experience	29
1.6 History of UAAL and Funded Ratio	32
Section 2: Plan Assets	33
2.1 Summary of Fair Value of Assets.....	34
2.2 Changes in Fair Value of Assets.....	35
2.3 Actuarial Value of Assets	36
2.4 Historical Rate of Return	38
Section 3: Accounting Information	39
3.1 Schedule of Funding Progress	40
3.2 Schedule of Employer Contributions.....	43
3.3 Notes to Trend Data.....	45
3.4 Solvency Test	46
Section 4: Actuarial Funding Projections	49
4.1 Projection Assumptions and Methods	50
4.2 Membership Projection	51
4.3 Projection of Employer/State Contribution Rates	54
4.4 Projection of Employer/State Contribution Amounts	55
4.5 Projection of Funding Ratios	56
4.6 Table of Projected Actuarial Results	57
4.7 Sensitivity Analysis	58

Table of Contents

(continued)

Section 5: Member Data	59
5.1 Summary of Members Included	60
5.2 Age and Service Distribution of Active Members	64
5.3 Member Data Reconciliation.....	66
5.4 Schedule of Active Member Data.....	67
5.5 Summary of New Pension Benefit Recipients	69
5.6 Summary of All Pension Benefit Recipients	73
5.7 Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Elected	78
5.8 Pension Benefit Recipients Added to and Removed from Rolls.....	80
Section 6: Basis of the Actuarial Valuation.....	82
6.1 Summary of Plan Provisions and Changes in Benefits	83
6.2 Description of Actuarial Methods and Valuation Procedures	92
6.3 Summary of Actuarial Assumptions and Changes	98
Glossary	114

July 19, 2013

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

Certification of Actuarial Valuation

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

This report summarizes the annual actuarial valuation results of the State of Alaska Public Employees' Retirement System (PERS) as of June 30, 2012 performed by Buck Consultants, LLC.

The actuarial valuation is based on financial information provided in the financial statements audited by KPMG LLP and member data provided by the Division of Retirement and Benefits and summarized in this report. The benefits considered are those delineated in Alaska statutes effective June 30, 2012. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the System were determined in accordance with generally accepted actuarial principles and procedures. An actuarial cost method is used to measure the actuarial liabilities which we believe is reasonable. Buck Consultants, LLC is solely responsible for the actuarial data and actuarial results presented in this report. This report fully and fairly discloses the actuarial position of the System.

The State of Alaska Public Employees' Retirement System is funded by Employer, State, and Member Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board). The funding objective for the State of Alaska Public Employees' Retirement System is to pay required contributions that remain level as a percent of total PERS Compensation. The Board has also established a funding policy objective that the required contributions be sufficient to pay the Normal Costs of active plan members, System expenses, and amortize the Unfunded Actuarial Accrued Liability as a level dollar amount over a closed 25-year period. The Board changed the amortization method used for funding from the level percentage of payroll method to the level dollar method in June 2012, effective June 30, 2012. The compensation used to determine required contributions is the total compensation of all active members in PERS, including those hired after July 1, 2006 who are members of the Defined Contribution Retirement (DCR) Plan. This objective is currently being met and is projected to continue to be met.

July 19, 2013

Page 2

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the System and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the System. The actuary performs an analysis of System experience periodically and recommends changes if, in the opinion of the actuary, assumption changes are needed to more accurately reflect expected future experience. The last full experience analysis was performed in 2010. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claim cost rates effective June 30, 2012 to better reflect expected future healthcare experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 6 beginning on page 82.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Public Employees' Retirement System as outlined in this report and all supporting schedules meet the parameters and requirements for disclosure of Governmental Accounting Standards Board (GASB) Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans. Based on member data and asset information provided by the Division of Retirement and Benefits, we have prepared the Schedule of Funding Progress, Schedule of Employer Contributions, and trend data schedules under GASB Nos. 25 and 43 that are included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 5 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions, solvency test, and analysis of financial experience for the Actuarial Section of the CAFR.

The undersigned are Enrolled Actuaries, a Fellow and an Associate of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC



David H. Sliskinsky, ASA, EA, MAAA, FCA
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The Alaska Retirement Management Board, The Department of Revenue and The Department of Administration

July 19, 2013

Page 2

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

State of Alaska Public Employees' Retirement System

EXECUTIVE SUMMARY

Overview

The State of Alaska Public Employees' Retirement System provides pension and postemployment healthcare benefits to eligible participants. The Commissioner of the Department of Administration is responsible for administering the System. The Alaska Retirement Management Board has fiduciary responsibility over the assets of the System. This report presents the results of the actuarial valuation of the System benefits as of the valuation date of June 30, 2012.

Purpose

An actuarial valuation is performed on the retirement plan annually as of the beginning of the fiscal year. The main purposes of the actuarial valuation detailed in this report are:

1. To determine the Employer/State contribution necessary to meet the Board's funding policy for the System;
2. To disclose the funding assets and liability measures as of the valuation date;
3. To disclose the accounting measures for the System required by GASB Nos. 25 and 43 as of the end of the last fiscal year;
4. To review the current funded status of the System;
5. To compare actual and expected experience under the System during the last fiscal year;
6. And to report trends in contributions, assets, liabilities, and funded status over the last several years.

The actuarial valuation provides a "snapshot" of the funded position of PERS based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date. Actuarial projections are also performed to provide a long-term view of the expected future funding status and contribution patterns (see Section 4 beginning on page 48).

Funding Status

The funding status is a measure of the progress that has been made in funding the plan as of the valuation date. It is determined as a ratio of the actuarial value of assets divided by the total actuarial accrued liability on the valuation date. A ratio of over 100% represents a plan that is ahead in funding, and a ratio of less than 100% represents a plan that is behind in funding on the valuation date. A comparative summary of the funding ratio from the prior and current actuarial valuations follows:

Funding Status as of June 30¹	2011	2012
(a) Accrued Liability ²	\$ 18,740,550	\$ 19,292,361
(b) Valuation Assets ²	<u>11,813,774</u>	<u>11,832,030</u>
(c) Unfunded Accrued Liability ² , (a) – (b)	\$ 6,926,776	\$ 7,460,331
(d) Funding Ratio based on Valuation Assets, (b) ÷ (a)	63.0%	61.3%
(e) Fair Value of Assets ²	\$ 11,388,620	\$ 11,290,109
(f) Funding Ratio based on Fair Assets, (e) ÷ (a)	60.8%	58.5%

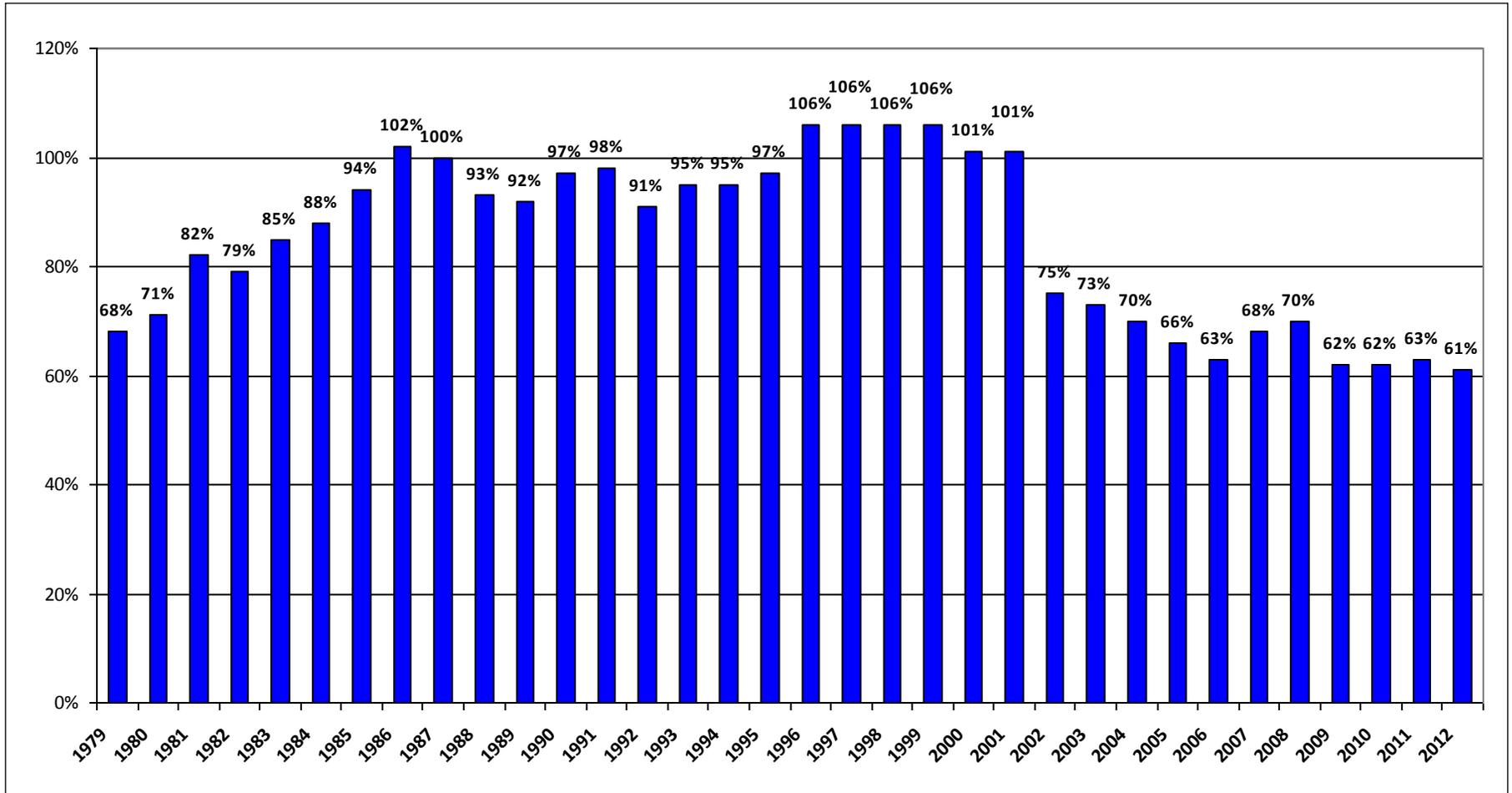
¹ Includes pension and healthcare benefits.

² In thousands.

State of Alaska Public Employees' Retirement System

Executive Summary (cont'd)

PERS Funding Ratio History (Based on Valuation Assets)



State of Alaska Public Employees' Retirement System

Executive Summary (cont'd)

As shown previously, the funding ratio based on valuation assets as of June 30, 2012 has decreased from 63.0% to 61.3%, a decrease of 1.7%. The calculated Employer/State contribution rate has increased from 32.31% of payroll for FY14 to 39.85% for FY15, an increase of 7.54% 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%
1/1/12-12/31/12	1,200.00	2%	9%
1/1/13-12/31/13	1,223.00	2%	9%

As shown in the above table, the monthly retiree medical premium for the January 1, 2013 to December 31, 2013 time period will increase to \$1,223. This represents an increase of 2% from the previous year's medical premium of \$1,200. The health cost trend rates used for this valuation are described in Section 6.3. 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 5.4% compounded annually.

Executive Summary (cont'd)

An analysis of medical costs was completed based on claims information and enrollment data provided by HealthSmart (formerly Wells Fargo Insurance Services). 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 2012 valuation, we updated incurred claims cost and Medicare offset analyses using fiscal year-to-date 2012 claims and enrollment information through April 2012. For Medicare Part B only participants, we were provided a census, from HealthSmart, of all current retirees that do not have Medicare Part A. 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. Based upon expected claim reserve levels as of June 2012, fiscal year-to-date 2012 paid claim experience was adjusted to estimate 2012 incurred claims. The trend assumption is based on the proposed Society of Actuaries' Healthcare Cost Trend Model updated for 2012. The trend rate varies by year declining to 4.5% over 100 years. The trends vary by medical, pre-Medicare and Medicare, and aggregate prescription drugs.

Individual claim level detail from HealthSmart and Premera were obtained for fiscal years 2009 (Premera) through April 2012 (HealthSmart). This data was reviewed and compared to management level reporting supplied by HealthSmart. For the 2012 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 2012 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. 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 HealthSmart contract and are projected to increase at the assumed rate of 5%.

Based upon variations in medical cost trends between Medicare-eligible and pre-Medicare populations, Buck's practice is to use separate healthcare cost trends for these populations. This, in conjunction with updates to legislation, long-term trend models and time since prior assumptions were set, indicated a need to re-set this assumption.

Executive Summary (Cont'd)

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 2012 and 2013. 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 June 2011 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 increasing slightly, but still favorably, compared to industry and aggregate trend expectations. A large portion of ongoing 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.

State of Alaska Public Employees' Retirement System

Executive Summary (cont'd)

The following table summarizes data sources and assumptions and the relative impact changes in each have on healthcare cost projections for 2012 as compared to 2011:

Healthcare Cost Rate Data Source or Assumption Change, 2012 vs. 2011	Gain / Loss Impact on 2012 Valuation Results
Claim lag specific to medical and prescription experience	Negligible
Individual claims level data	<ul style="list-style-type: none"> – No impact on cost data used for 2012, though potentially a source of future modifications – No impact on morbidity assumptions used for 2012, though potentially a source of future modifications
Explicit TPA fees	Negligible
Actual RDS payments received	Negligible
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	Minor loss due to updated assumptions
Aggregate claims data	Moderate gain due to experience, but dampened by weighting methodology
Census Data – Medicare Part B only participation	Gain due to fewer Medicare Part B only participants as compared to historical estimates

Executive Summary (cont'd)

(2) Investment Experience

The approximate FY12 investment return based on fair values was 0.2% compared to the expected investment return of 8.00%. This resulted in a loss of approximately \$888 million to the System from investment experience. The asset valuation method recognizes 20 percent of this loss (\$177.6 million) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY08 investment loss, 20 percent of the FY09 investment loss, 20% of the FY10 investment gain, and 20% of the FY11 investment gain were recognized this year. The approximate FY12 asset return based on actuarial values was 1.2%, compared to the expected asset return of 8.00%. The net result was an actuarial asset of \$805.2 million which decreased the funding ratio by 4.1% and increased the Employer/State contribution rate by 3.11%.

(3) Salary Increase

During the period from June 30, 2011 to June 30, 2012, salary increases for continuing active members were more than anticipated in the valuation assumptions. Higher accrued liabilities caused the funding ratio to decrease by 0.1%. The net effect of the salary loss was an increase of 0.23% in the Employer/State contribution rate.

(4) Demographic Experience

Section 5 provides statistics on active participants. The number of active participants decreased 6.8%, from 24,393 at June 30, 2011 to 22,730 at June 30, 2012 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 49.22 to 49.85 and average credited service increased from 12.60 to 13.32 years.

The number of benefit recipients increased 4.3%, from 27,359 to 28,540, and their average age increased from 67.05 to 67.41. There was a 1.9% decrease in the number of vested terminated participants from 6,414 to 6,294. Their average age increased from 50.29 to 50.55.

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 3.97% of total payroll. Most of this gain is due to spreading the unfunded contribution over a larger payroll base and a smaller than expected growth in the per capita claims cost rates for healthcare. As a result, expected benefit payments for FY12 and future years are reduced. The gain/loss by decrement on the accrued liability is shown in the summary on page 10.

Executive Summary (cont'd)

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

As of June 30, 2011, the actuarially calculated rate was 32.31% for FY14 Employer/State contributions. Since Employer/State contribution rates are determined two years prior to the fiscal year, the June 30, 2009 employer rate of 30.76% was contributed during FY12. The difference between the two calculated rates, 32.31% and 30.76%, or an actuarial contribution rate of 1.55% less than the actuarial rate, created a contribution deficit to the System. This deficit increased the Employer/State contribution rate by 0.21%.

(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 4, Actuarial Funding 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 Since the Prior Valuation

There have been no changes in the asset methods and one change in the valuation methods since the prior valuation. Amortization of any funding surpluses or unfunded accrued liability was changed from a level percent of pay amount to a level dollar amount.

(8) Changes in Assumptions Since the Prior Valuation

There have been no changes in actuarial assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated participant contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

(9) Changes in Benefit Provisions Since the Prior Valuation

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

State of Alaska Public Employees' Retirement System

Comparative Summary of Key Actuarial Valuation Results

Employer/State Contribution Rates for Pension for Fiscal Year:	2014	2015
(a) Normal Cost Rate Net of Member Contributions	2.79%	2.57%
(b) Past Service Rate	<u>13.68%</u>	<u>20.67%</u>
(c) Total Employer/State Contribution Rate (a) + (b)	16.47%	23.24%

Employer/State Contribution Rates for Postemployment Healthcare for Fiscal Year:	2014	2015
(a) Normal Cost Rate	5.33%	4.25%
(b) Past Service Rate	<u>10.51%</u>	<u>12.36%</u>
(c) Total Employer/State Contribution Rate (a) + (b)	15.84%	16.61%

Total Employer/State Contribution Rates for Fiscal Year:	2014	2015
(a) Normal Cost Rate Net of Member Contributions	8.12%	6.82%
(b) Past Service Rate	<u>24.19%</u>	<u>33.03%</u>
(c) Total Employer/State Contribution Rate (a) + (b)	32.31%	39.85%
(d) Board Adopted Total Employer/State Contribution Rate	32.31%	39.85%
(e) Defined Contribution Retirement (DCR) Rate Paid by Employers	<u>3.37%</u>	<u>4.18%</u>
(f) Board Adopted Total Rate, Including DCR Rate Paid by Employers (d) + (e)	35.68%	44.03%

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 Nos. 25 and 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. Under both GASB Nos. 25 and 43, the amortization of the unfunded liabilities is calculated as a level dollar amount.

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

State of Alaska Public Employees' Retirement System

Comparative Summary of Key Actuarial Valuation Results

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	16.47%	15.84%	32.31%
2. Change due to:			
a. New Assumptions	0.00%	0.75%	0.75%
b. Change in Methods	4.89%	2.32%	7.21%
c. Effect of two-year delay in the contribution rate	0.25%	(0.04)%	0.21%
d. Investment experience	2.40%	0.71%	3.11%
e. Salary increases	0.23%	N/A	0.23%
f. Demographic and medical experience ¹	<u>(1.00)%</u>	<u>(2.97)%</u>	<u>(3.97)%</u>
g. Total change ($a + b + c + d + e + f$)	6.77%	0.77%	7.54%
3. Total Employer/State contribution rate this year (1) + (2g)	23.24%	16.61%	39.85%

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

	<u>Pension</u>	<u>Healthcare</u>	<u>Total</u>	<u>% of Total Expected Accrued Liability</u>
- Retirement Experience	\$ (2,103)	\$ 15,150	\$ 13,047	0.1%
- Termination Experience	(19,932)	(8,950)	(28,882)	(0.1%)
- Active Mortality Experience	6,006	2,718	8,724	nil
- Inactive Mortality Experience	2,803	13,959	16,762	0.1%
- Disability Experience	224	(1,431)	(1,207)	nil
- Rehires	(24,172)	(21,194)	(45,366)	(0.2%)
- Other Demographic Experience ²	10,356	74,109	84,465	0.4%
- Salary Increases	(25,024)	N/A	(25,024)	(0.1%)
- Alaska COLA	5,260	N/A	5,260	nil
- PRPA Other Than Expected	3,735	N/A	3,735	nil
- Medical Claims Costs	N/A	508,005	508,005	2.5%
- Total	<u>\$ (42,847)</u>	<u>\$ 582,366</u>	<u>\$ 539,519</u>	2.7%

¹ Includes changes in future healthcare claims costs.

² Reflects data and programming changes.

Section 1

Actuarial Funding Results

State of Alaska Public Employees' Retirement System

Section 1.1

Actuarial Liabilities and Normal Cost - Peace Officer/Firefighter (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Retirement Benefits	\$ 760,382	\$ 614,851
Termination Benefits	34,146	16,612
Disability Benefits	7,604	(287)
Death Benefits	10,933	5,593
Return of Contributions	6,293	(6,677)
Medical and Prescription Drug Benefits	382,384	315,848
Medicare Part D Subsidy	(19,299)	(15,994)
Indebtedness	(7,532)	(7,532)
Subtotal	\$ 1,174,911	\$ 922,414
Inactive Members		
Not Vested	\$ 2,283	\$ 2,283
Vested Terminations		
- Retirement Benefits	20,273	20,273
- Medical and Prescription Drug Benefits	29,329	29,329
- Medicare Part D Subsidy	(1,526)	(1,526)
- Indebtedness	(520)	(520)
Retirees & Beneficiaries		
- Retirement Benefits	1,119,480	1,119,480
- Medical and Prescription Drug Benefits	529,612	529,612
- Medicare Part D Subsidy	(36,651)	(36,651)
Subtotal	\$ 1,662,280	\$ 1,662,280
Total	\$ 2,837,191	\$ 2,584,694
Total Pension	\$ 1,953,342	\$ 1,764,076
Total Medical, Net of Part D Subsidy	\$ 883,849	\$ 820,618
Total Medical, Gross of Part D Subsidy	\$ 941,325	\$ 874,789

State of Alaska Public Employees' Retirement System

Section 1.1 (cont'd)

Actuarial Liabilities and Normal Cost – Peace Officer/Firefighter (cont'd) (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
By Tier		
Tier 1		
- Pension	\$ 1,078,927	\$ 1,071,117
- Medical, Net of Part D Subsidy	472,224	468,236
Tier 2		
- Pension	455,664	412,236
- Medical, Net of Part D Subsidy	193,632	182,189
Tier 3		
- Pension	418,751	280,723
- Medical, Net of Part D Subsidy	217,993	170,193
Total	\$ 2,837,191	\$ 2,584,694

As of June 30, 2012	Normal Cost
Active Members	
Retirement Benefits	\$ 20,071
Termination Benefits	2,400
Disability Benefits	1,101
Death Benefits	755
Return of Contributions	1,793
Medical and Prescription Drug Benefits	10,786
Medicare Part D Subsidy	(537)
Subtotal	\$ 36,369
Total	\$ 36,369
Total Pension	\$ 26,120
Total Medical, Net of Part D Subsidy	\$ 10,249
Total Medical, Gross of Part D Subsidy	\$ 10,786

By Tier	
Tier 1	
- Pension	\$ 2,088
- Medical, Net of Part D Subsidy	1,108
Tier 2	
- Pension	7,680
- Medical, Net of Part D Subsidy	2,261
Tier 3	
- Pension	16,352
- Medical, Net of Part D Subsidy	6,880
Total	\$ 36,369

State of Alaska Public Employees' Retirement System

Section 1.1 (cont'd)

Actuarial Liabilities and Normal Cost – Others (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Retirement Benefits	\$ 4,230,830	\$ 3,657,566
Termination Benefits	334,690	184,300
Disability Benefits	15,569	1,368
Death Benefits	68,131	47,534
Return of Contributions	50,505	(74,607)
Medical and Prescription Drug Benefits	3,181,270	2,707,334
Medicare Part D Subsidy	(198,450)	(169,851)
Indebtedness	(67,744)	(67,744)
Subtotal	\$ 7,614,801	\$ 6,285,900
Inactive Members		
Not Vested	\$ 70,525	\$ 70,525
Vested Terminations		
- Retirement Benefits	467,215	467,215
- Medical and Prescription Drug Benefits	917,584	917,584
- Medicare Part D Subsidy	(48,443)	(48,443)
- Indebtedness	(11,794)	(11,794)
Retirees & Beneficiaries		
- Retirement Benefits	5,390,505	5,390,505
- Medical and Prescription Drug Benefits	3,944,137	3,944,137
- Medicare Part D Subsidy	(307,962)	(307,962)
Subtotal	\$ 10,421,767	\$ 10,421,767
Total	\$ 18,036,568	\$ 16,707,667
Total Pension	\$ 10,548,432	\$ 9,664,868
Total Medical, Net of Part D Subsidy	\$ 7,488,136	\$ 7,042,799
Total Medical, Gross of Part D Subsidy	\$ 8,042,991	\$ 7,569,055

State of Alaska Public Employees' Retirement System

Section 1.1 (cont'd)

Actuarial Liabilities and Normal Cost – Others (cont'd) (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
By Tier		
Tier 1		
- Pension	\$ 6,190,079	\$ 6,062,284
- Medical, Net of Part D Subsidy	4,196,270	4,088,255
Tier 2		
- Pension	2,498,963	2,257,855
- Medical, Net of Part D Subsidy	1,822,256	1,720,430
Tier 3		
- Pension	1,859,390	1,344,729
- Medical, Net of Part D Subsidy	1,469,610	1,234,114
Total	\$ 18,036,568	\$ 16,707,667

As of June 30, 2012	Normal Cost
Active Members	
Retirement Benefits	\$ 96,122
Termination Benefits	21,016
Disability Benefits	2,147
Death Benefits	3,273
Return of Contributions	18,525
Medical and Prescription Drug Benefits	90,622
Medicare Part D Subsidy	(5,372)
Subtotal	\$ 226,333
Total	\$ 226,333
Total Pension	\$ 141,083
Total Medical, Net of Part D Subsidy	\$ 85,250
Total Medical, Gross of Part D Subsidy	\$ 90,622

By Tier	
Tier 1	
- Pension	\$ 29,868
- Medical, Net of Part D Subsidy	27,245
Tier 2	
- Pension	39,173
- Medical, Net of Part D Subsidy	19,006
Tier 3	
- Pension	72,042
- Medical, Net of Part D Subsidy	38,999
Total	\$ 226,333

State of Alaska Public Employees' Retirement System

Section 1.1 (cont'd)

Actuarial Liabilities and Normal Cost – All Members (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Retirement Benefits	\$ 4,991,212	\$ 4,272,417
Termination Benefits	368,836	200,912
Disability Benefits	23,173	1,081
Death Benefits	79,064	53,127
Return of Contributions	56,798	(81,284)
Medical and Prescription Drug Benefits	3,563,654	3,023,182
Medicare Part D Subsidy	(217,749)	(185,845)
Indebtedness	(75,276)	(75,276)
Subtotal	\$ 8,789,712	\$ 7,208,314
Inactive Members		
Not Vested	\$ 72,808	\$ 72,808
Vested Terminations		
- Retirement Benefits	487,488	487,488
- Medical and Prescription Drug Benefits	946,913	946,913
- Medicare Part D Subsidy	(49,969)	(49,969)
- Indebtedness	(12,314)	(12,314)
Retirees & Beneficiaries		
- Retirement Benefits	6,509,985	6,509,985
- Medical and Prescription Drug Benefits	4,473,749	4,473,749
- Medicare Part D Subsidy	(344,613)	(344,613)
Subtotal	\$ 12,084,047	\$ 12,084,047
Total	\$ 20,873,759	\$ 19,292,361
Total Pension	\$ 12,501,774	\$ 11,428,944
Total Medical, Net of Part D Subsidy	\$ 8,371,985	\$ 7,863,417
Total Medical, Gross of Part D Subsidy	\$ 8,984,316	\$ 8,443,844

State of Alaska Public Employees' Retirement System

Section 1.1 (cont'd)

Actuarial Liabilities and Normal Cost – All Members (cont'd) (\$'s in 000's)

As of June 30, 2012	Present Value of Projected Benefits	Accrued (Past Service) Liability
By Tier		
Tier 1		
- Pension	\$ 7,269,006	\$ 7,133,401
- Medical, Net of Part D Subsidy	4,668,494	4,556,491
Tier 2		
- Pension	2,954,627	2,670,091
- Medical, Net of Part D Subsidy	2,015,888	1,902,619
Tier 3		
- Pension	2,278,141	1,625,452
- Medical, Net of Part D Subsidy	1,687,603	1,404,307
Total	\$ 20,873,759	\$ 19,292,361

As of June 30, 2012	Normal Cost
Active Members	
Retirement Benefits	\$ 116,193
Termination Benefits	23,416
Disability Benefits	3,248
Death Benefits	4,028
Return of Contributions	20,318
Medical and Prescription Drug Benefits	101,408
Medicare Part D Subsidy	(5,909)
Subtotal	\$ 262,702
Total	\$ 262,702
Total Pension	\$ 167,203
Total Medical, Net of Part D Subsidy	\$ 95,499
Total Medical, Gross of Part D Subsidy	\$ 101,408

By Tier	
Tier 1	
- Pension	\$ 31,956
- Medical, Net of Part D Subsidy	28,353
Tier 2	
- Pension	46,853
- Medical, Net of Part D Subsidy	21,267
Tier 3	
- Pension	88,394
- Medical, Net of Part D Subsidy	45,879
Total	\$ 262,702

State of Alaska Public Employees' Retirement System

Section 1.2

Actuarial Contributions - FY15 - Peace Officer/Firefighter (\$'s in 000's)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 26,120	\$ 10,249	\$ 36,369
(2) DB Member Salaries Projected for FY13	205,931	205,931	205,931
(3) DCR Member Salaries Projected for FY13	66,102	66,102	66,102
(4) Total Salaries Projected for FY13	272,033	272,033	272,033
(5) Normal Cost Rate for Peace Officer/Firefighter			
a. Based on DB Member Salaries, (1) ÷ (2)	12.68%	4.98%	17.66%
b. Based on Total Salaries, (1) ÷ (4)	9.60%	3.77%	13.37%
(6) Member Contribution Rate (Peace Officer/Firefighter) ¹	5.70%	0.00%	5.70%
(7) Employer Normal Cost Rate For Peace Officer/Firefighter, (5b) – (6)	3.90%	3.77%	7.67%
Past Service Rate			
(1) Accrued Liability	\$ 1,764,076	\$ 820,618	\$ 2,584,694
(2) Valuation Assets ²	<u>1,007,981</u>	<u>553,270</u>	<u>1,561,251</u>
(3) Unfunded Liability, (1) – (2)	\$ 756,095	\$ 267,348	\$ 1,023,443
(4) Funded Ratio, (2) ÷ (1)	57.1%	67.4%	60.4%
(5) Past Service Cost Amortization Payment ³	71,708	28,681	100,389
(6) Total Salaries Projected for FY13	272,033	272,033	272,033
(7) Past Service Rate, (5) ÷ (6)	26.36%	10.54%	36.90%
Total Employer/State Contribution Rate	30.26%	14.31%	44.57%
Normal Cost Rate by Tier (Total Employer and Member)⁴			
Tier 1	14.26%	7.57%	21.83%
Tier 2	12.33%	3.63%	15.96%
Tier 3	12.68%	5.33%	18.01%
Maturity Ratio	64.7%	63.5%	64.3%

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 dollar basis.

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - Peace Officer/Firefighter (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

	Pension				
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability ¹ <small>Error! Bookmark not defined.</small>	6/30/2002	15	\$ 137,169	\$ 143,934	\$ 15,570
FY03 Loss ¹	6/30/2003	16	9,777	10,328	1,080
FY04 Loss ¹	6/30/2004	17	25,832	27,370	2,778
FY05 Loss ¹	6/30/2005	18	48,970	51,870	5,125
Change in Assumptions/Methods ¹	6/30/2006	19	65,436	69,081	6,660
FY06 Gain ¹	6/30/2006	19	(19,153)	(20,218)	(1,949)
FY07 Loss	6/30/2007	20	22,584	23,738	2,239
FY08 Gain	6/30/2008	21	(3,036)	(3,170)	(293)
FY09 Loss	6/30/2009	22	249,836	258,538	23,468
Change in Assumptions	6/30/2010	23	46,836	47,896	4,276
FY10 Gain	6/30/2010	23	(8,620)	(8,815)	(787)
FY11 Loss	6/30/2011	24	40,553	41,042	3,609
FY12 Loss	6/30/2012	25	114,501	114,501	9,932
Total				\$ 756,095	\$ 71,708

	Healthcare				
	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability ¹	6/30/2002	15	\$ 175,533	\$ 184,190	\$ 19,925
FY03 Loss ¹	6/30/2003	16	12,512	13,218	1,383
FY04 Loss ¹	6/30/2004	17	33,056	35,027	3,556
FY05 Loss ¹	6/30/2005	18	62,666	66,379	6,558
Change in Assumptions/Methods ¹	6/30/2006	19	83,737	88,402	8,523
FY06 Gain ¹	6/30/2006	19	(24,510)	(25,875)	(2,495)
FY07 Gain	6/30/2007	20	(86,375)	(90,788)	(8,562)
Change in Assumptions	6/30/2008	21	44,982	46,965	4,341
FY08 Gain	6/30/2008	21	(27,452)	(28,662)	(2,649)
FY09 Gain	6/30/2009	22	(23,322)	(24,135)	(2,191)
Change in Assumptions	6/30/2010	23	29,559	30,228	2,699
FY10 Loss	6/30/2010	23	3,008	3,077	275
FY11 Gain	6/30/2011	24	(17,392)	(17,602)	(1,548)
Change in Assumptions	6/30/2012	25	27,643	27,643	2,398
FY12 Gain	6/30/2012	25	(40,719)	(40,719)	(3,532)
Total				\$ 267,348	\$ 28,681

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - Peace Officer/Firefighter (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	15	\$ 312,702	\$ 328,124	\$ 35,495
FY03 Loss	6/30/2003	16	22,289	23,546	2,463
FY04 Loss	6/30/2004	17	58,888	62,397	6,334
FY05 Loss	6/30/2005	18	111,636	118,249	11,683
Change in Assumptions/ Methods	6/30/2006	19	149,173	157,483	15,183
FY06 Gain	6/30/2006	19	(43,663)	(46,093)	(4,444)
FY07 Gain	6/30/2007	20	(63,791)	(67,050)	(6,323)
Change in Assumptions	6/30/2008	21	44,982	46,965	4,341
FY08 Gain	6/30/2008	21	(30,488)	(31,832)	(2,942)
FY09 Loss	6/30/2009	22	226,514	234,403	21,277
Change in Assumptions	6/30/2010	23	76,395	78,124	6,975
FY10 Gain	6/30/2010	23	(5,612)	(5,738)	(512)
FY11 Loss	6/30/2011	24	23,161	23,440	2,061
Change in Assumptions	6/30/2012	25	27,643	27,643	2,398
FY12 Loss	6/30/2012	25	73,782	73,782	6,400
Total				\$ 1,023,443	\$ 100,389

The amortization factor for 25 years is 11.528758. The weighted average amortization factor is 10.194772. The amortization method is on a level dollar basis.

The equivalent single amortization period is 18 years.

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - Others (\$'s in 000's)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 141,083	\$ 85,250	\$ 226,333
(2) DB Member Salaries Projected for FY13	1,363,779	1,363,779	1,363,779
(3) DCR Member Salaries Projected for FY13	609,874	609,874	609,874
(4) Total Salaries Projected for FY13	1,973,653	1,973,653	1,973,653
(5) Normal Cost Rate for Others			
a. Based on DB Member Salaries, (1) ÷ (2)	10.35%	6.25%	16.60%
b. Based on Total Salaries, (1) ÷ (4)	7.15%	4.32%	11.47%
(6) Member Contribution Rate (Others) ¹	4.77%	0.00%	4.77%
(7) Employer/State Normal Cost Rate For Others, (5b) – (6)	2.38%	4.32%	6.70%
Past Service Rate			
(1) Accrued Liability	\$ 9,664,868	\$ 7,042,799	\$ 16,707,667
(2) Valuation Assets ²	<u>5,522,440</u>	<u>4,748,339</u>	<u>10,270,779</u>
(3) Unfunded Liability, (1) – (2)	\$ 4,142,428	\$ 2,294,460	\$ 6,436,888
(4) Funded Ratio, (2) ÷ (1)	57.1%	67.4%	61.5%
(5) Past Service Cost Amortization Payment ³	392,524	248,887	641,411
(6) Total Salaries Projected for FY13	1,973,653	1,973,653	1,973,653
(7) Past Service Rate, (5) ÷ (6)	19.89%	12.61%	32.50%
Total Employer/State Contribution Rate	22.27%	16.93%	39.20%
Normal Cost Rate by Tier (Total Employer and Member)⁴			
Tier 1	11.42%	10.42%	21.84%
Tier 2	9.86%	4.78%	14.64%
Tier 3	10.22%	5.53%	15.75%
Maturity Ratio	61.2%	64.0%	62.4%

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 dollar basis.

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - Others (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

Pension						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	15	\$ 734,495	\$ 770,713	\$ 83,372	
FY03 Loss ¹	6/30/2003	16	52,354	55,309	5,786	
FY04 Loss ¹	6/30/2004	17	138,320	146,566	14,878	
FY05 Loss ¹	6/30/2005	18	262,218	277,744	27,440	
Change in Assumptions/Methods ¹	6/30/2006	19	350,386	369,906	35,665	
FY06 Gain ¹	6/30/2006	19	(102,558)	(108,274)	(10,439)	
FY07 Loss	6/30/2007	20	120,930	127,111	11,987	
FY08 Loss	6/30/2008	21	7,896	8,245	762	
FY09 Loss	6/30/2009	22	1,389,049	1,437,432	130,476	
Change in Assumptions	6/30/2010	23	184,848	189,035	16,877	
FY10 Loss	6/30/2010	23	51,817	52,990	4,731	
FY11 Loss	6/30/2011	24	197,121	199,501	17,545	
FY12 Loss	6/30/2012	25	616,150	616,150	53,444	
Total				\$ 4,142,428	\$ 392,524	

Healthcare						
	Amortization Period		Balances		Beginning-of-Year Payment	
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	15	\$ 1,596,753	\$ 1,675,491	\$ 181,247	
FY03 Loss ¹	6/30/2003	16	113,814	120,238	12,578	
FY04 Loss ¹	6/30/2004	17	300,702	318,622	32,342	
FY05 Loss ¹	6/30/2005	18	570,049	603,807	59,655	
Change in Assumptions/Methods ¹	6/30/2006	19	761,720	804,154	77,532	
FY06 Gain ¹	6/30/2006	19	(222,957)	(235,377)	(22,693)	
FY07 Gain	6/30/2007	20	(785,717)	(825,872)	(77,886)	
Change in Assumptions	6/30/2008	21	364,085	380,119	35,137	
FY08 Gain	6/30/2008	21	(238,309)	(248,805)	(22,999)	
FY09 Gain	6/30/2009	22	(148,044)	(153,200)	(13,906)	
Change in Assumptions	6/30/2010	23	356,581	364,657	32,556	
FY10 Gain	6/30/2010	23	(60,664)	(62,039)	(5,539)	
FY11 Gain	6/30/2011	24	(274,356)	(277,668)	(24,419)	
Change in Assumptions	6/30/2012	25	198,960	198,960	17,257	
FY12 Gain	6/30/2012	25	(368,627)	(368,627)	(31,975)	
Total				\$ 2,294,460	\$ 248,887	

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - Others (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	6/30/2002	15	\$ 2,331,248	\$ 2,446,204	\$ 264,619
FY03 Loss	6/30/2003	16	166,168	175,547	18,364
FY04 Loss	6/30/2004	17	439,022	465,188	47,220
FY05 Loss	6/30/2005	18	832,267	881,551	87,095
Change in Assumptions/ Methods	6/30/2006	19	1,112,106	1,174,060	113,197
FY06 Gain	6/30/2006	19	(325,515)	(343,651)	(33,132)
FY07 Gain	6/30/2007	20	(664,787)	(698,761)	(65,899)
Change in Assumptions	6/30/2008	21	364,085	380,119	35,137
FY08 Gain	6/30/2008	21	(230,413)	(240,560)	(22,237)
FY09 Loss	6/30/2009	22	1,241,005	1,284,232	116,570
Change in Assumptions	6/30/2010	23	541,429	553,692	49,433
FY10 Gain	6/30/2010	23	(8,847)	(9,049)	(808)
FY11 Gain	6/30/2011	24	(77,235)	(78,167)	(6,874)
Change in Assumptions	6/30/2012	25	198,960	198,960	17,257
FY12 Loss	6/30/2012	25	247,523	247,523	21,469
Total				\$ 6,436,888	\$ 641,411

The amortization factor for 25 years is 11.528758. The weighted average amortization factor is 10.035512. The amortization method is on a level dollar basis.

The equivalent single amortization period is 18 years.

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - All Members (\$'s in 000's)

Normal Cost Rate	Pension	Healthcare	Total
(1) Total Normal Cost	\$ 167,203	\$ 95,499	\$ 262,702
(2) DB Member Salaries Projected for FY13	1,569,710	1,569,710	1,569,710
(3) DCR Member Salaries Projected for FY13	675,976	675,976	675,976
(4) Total Salaries Projected for FY13	2,245,686	2,245,686	2,245,686
(5) Normal Cost Rate for All Members			
a. Based on DB Member Salaries, (1) ÷ (2)	10.65%	6.08%	16.73%
b. Based on Total Salaries, (1) ÷ (4)	7.45%	4.25%	11.70%
(6) Average Member Contribution Rate ¹	4.88%	0.00%	4.88%
(7) Employer Normal Cost Rate For All Members, (5b) – (6)	2.57%	4.25%	6.82%
Past Service Rate			
(1) Accrued Liability	\$ 11,428,944	\$ 7,863,417	\$ 19,292,361
(2) Valuation Assets	<u>6,530,421</u>	<u>5,301,609</u>	<u>11,832,030</u>
(3) Total Unfunded Liability, (1) – (2)	\$ 4,898,523	\$ 2,561,808	\$ 7,460,331
(4) Funded Ratio, (2) ÷ (1)	57.1%	67.4%	61.3%
(5) Past Service Cost Amortization Payment ²	464,232	277,568	741,800
(6) Total Salaries Projected for FY13	2,245,686	2,245,686	2,245,686
(7) Past Service Rate, (5) ÷ (6)	20.67%	12.36%	33.03%
Total Employer/State Contribution Rate	23.24%	16.61%	39.85%
Normal Cost Rate by Tier (Total Employer and Member)³			
Tier 1	11.57%	10.27%	21.84%
Tier 2	10.19%	4.63%	14.82%
Tier 3	10.60%	5.50%	16.10%
Maturity Ratio	61.8%	63.9%	62.6%

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 on a level dollar basis.

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - All Members (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

Pension						
	Amortization Period		Balances			Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	15	\$ 871,664	\$ 914,647		\$ 98,942
FY03 Loss ¹	6/30/2003	16	62,131	65,637		6,866
FY04 Loss ¹	6/30/2004	17	164,152	173,936		17,656
FY05 Loss ¹	6/30/2005	18	311,188	329,614		32,565
Change in Assumptions/Methods ¹	6/30/2006	19	415,822	438,987		42,325
FY06 Gain ¹	6/30/2006	19	(121,711)	(128,492)		(12,388)
FY07 Loss	6/30/2007	20	143,514	150,849		14,226
FY08 Loss	6/30/2008	21	4,860	5,075		469
FY09 Loss	6/30/2009	22	1,638,885	1,695,970		153,944
Change in Assumptions	6/30/2010	23	231,684	236,931		21,153
FY10 Loss	6/30/2010	23	43,197	44,175		3,944
FY11 Loss	6/30/2011	24	237,674	240,543		21,154
FY12 Loss	6/30/2012	25	730,651	730,651		63,376
Total				\$ 4,898,523		\$ 464,232

Healthcare						
	Amortization Period		Balances			Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding		
Initial Unfunded Liability ¹	6/30/2002	15	\$ 1,772,286	\$ 1,859,681		\$ 201,172
FY03 Loss ¹	6/30/2003	16	126,326	133,456		13,961
FY04 Loss ¹	6/30/2004	17	333,758	353,649		35,898
FY05 Loss ¹	6/30/2005	18	632,715	670,186		66,213
Change in Assumptions/Methods ¹	6/30/2006	19	845,457	892,556		86,055
FY06 Gain ¹	6/30/2006	19	(247,467)	(261,252)		(25,188)
FY07 Gain	6/30/2007	20	(872,092)	(916,660)		(86,448)
Changes in Assumptions	6/30/2008	21	409,067	427,084		39,478
FY08 Gain	6/30/2008	21	(265,761)	(277,467)		(25,648)
FY09 Gain	6/30/2009	22	(171,366)	(177,335)		(16,097)
Change in Assumptions	6/30/2010	23	386,140	394,885		35,255
FY10 Gain	6/30/2010	23	(57,656)	(58,962)		(5,264)
FY11 Gain	6/30/2011	24	(291,748)	(295,270)		(25,967)
Change in Assumptions	6/30/2012	25	226,603	226,603		19,655
FY12 Gain	6/30/2012	25	(409,346)	(409,346)		(35,507)
Total				\$ 2,561,808		\$ 277,568

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

State of Alaska Public Employees' Retirement System

Section 1.2 (cont'd)

Actuarial Contributions - FY15 - All Members (cont'd) (\$'s in 000's)

Schedule of Past Service Cost Amortizations

	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
	Total				
Initial Unfunded Liability	6/30/2002	15	\$ 2,643,950	\$ 2,774,328	\$ 300,114
FY03 Loss	6/30/2003	16	188,457	199,093	20,827
FY04 Loss	6/30/2004	17	497,910	527,585	53,554
FY05 Loss	6/30/2005	18	943,903	999,800	98,778
Change in Assumptions/ Methods	6/30/2006	19	1,261,279	1,331,543	128,380
FY06 Gain	6/30/2006	19	(369,178)	(389,744)	(37,576)
FY07 Gain	6/30/2007	20	(728,578)	(765,811)	(72,222)
Change in Assumptions	6/30/2008	21	409,067	427,084	39,478
FY08 Gain	6/30/2008	21	(260,901)	(272,392)	(25,179)
FY09 Loss	6/30/2009	22	1,467,519	1,518,635	137,847
Change in Assumptions	6/30/2010	23	617,824	631,816	56,408
FY10 Gain	6/30/2010	23	(14,459)	(14,787)	(1,320)
FY11 Gain	6/30/2011	24	(54,074)	(54,727)	(4,813)
Change in Assumptions	6/30/2012	25	226,603	226,603	19,655
FY12 Loss	6/30/2012	25	321,305	321,305	27,869
Total				\$ 7,460,331	\$ 741,800

The amortization factor for 25 years is 11.528758. The weighted average amortization factor is 10.057065. The amortization method is on a level dollar basis.

The equivalent single amortization period is 18 years.

State of Alaska Public Employees' Retirement System

Section 1.3

Actuarial Gain/(Loss) for FY12 (\$'s in 000's)

	Pension	Healthcare	Total
(1) Expected Actuarial Accrued Liability			
(a) Accrued Liability, June 30, 2011	\$ 10,919,047	\$ 7,821,503	\$ 18,740,550
(b) Normal Cost for FY12	172,968	115,940	288,908
(c) Interest on (a) and (b) at 8.00%	887,361	634,995	1,522,356
(d) Benefit Payments for FY12	559,977	339,923	899,900
(e) Refund of Contributions for FY12	10,906	0	10,906
(f) Interest on (d) and (e) at 8.00% for one-half year	22,396	13,335	35,731
(g) Change in Assumptions	0	226,603	226,603
(h) Expected Accrued Liability as of June 30, 2012 (a) + (b) + (c) – (d) – (e) – (f) + (g)	11,386,097	8,445,783	19,831,880
(2) Actual Accrued Liability, June 30, 2012	11,428,944	7,863,417	19,292,361
(3) Liability Gain/(Loss), (1)(h) – (2)	\$ (42,847)	\$ 582,366	\$ 539,519
(4) Expected Actuarial Asset Value			
(a) Actuarial Asset Value, June 30, 2011	\$ 6,762,149	\$ 5,051,625	\$ 11,813,774
(b) Interest on (a) at 8.00%	540,972	404,130	945,102
(c) Employee Contributions for FY12	112,703	627	113,330
(d) Employer Contributions for FY12	182,695	223,243	405,938
(e) Employer Legislative Relief for FY12	130,912	111,698	242,610
(f) Medicare Part D Subsidy	0	31,871	31,871
(g) Interest on (c), (d), (e) and (f) at 8.00% for one-half year	16,724	14,415	31,139
(h) Benefit Payments for FY12	559,977	339,923	899,900
(i) Refund of Contributions for FY12	10,906	0	10,906
(j) Interest on (i) and (j) at 8.00% for one-half year	22,396	13,335	35,731
(k) Expected Actuarial Asset Value, June 30, 2012 (a)+(b)+(c)+(d)+(e)+(f)+(g)-(h)-(i)-(j)	7,152,876	5,484,351	12,637,227
(5) Actuarial Asset Value, June 30, 2012	6,530,421	5,301,609	11,832,030
(6) Actuarial Asset Gain/(Loss), (5) – (4)(k)	\$ (622,455)	\$ (182,742)	\$ (805,197)
(7) Actuarial Gain/(Loss), (3) + (6)¹	\$ (665,302)	\$ 399,624	\$ (265,678)
(8) Effect of the 2-Year Delay on Contributions	\$ (65,349)	\$ 9,722	\$ (55,627)
(9) FY12 Gain/(Loss) to be Amortized, (7) + (8)	\$ (730,651)	\$ 409,346	\$ (321,305)

¹Gain/(loss) is allocated between Peace Officer/Firefighter and Others based on actual unfunded liability.

State of Alaska Public Employees' Retirement System

Section 1.4

Development of Change in Unfunded Liability During FY12

1. 2011 Unfunded Liability		\$6,926,776
a. Interest on unfunded liability	\$554,142	
b. Normal cost	288,908	
c. Employee contributions	(113,330)	
d. Employer contributions	(405,938)	
e. State relief under SB 125	(242,610)	
f. Medicare Part D subsidy	(31,871)	
g. Interest on b., c., d., e., and f.	<u>(8,027)</u>	
h. Expected change in unfunded liability during FY12		41,274
2. Expected 2012 Unfunded Liability		\$6,968,050
a. Liability (gains)	\$(539,519)	
b. Assets losses	805,197	
c. Change in healthcare assumptions	<u>226,603</u>	
d. Other changes in unfunded liability during FY12		492,281
3. Actual 2012 Unfunded Liability		\$7,460,331

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				
	2008	2009	2010	2011	2012
(1) Health Experience	N/A	N/A	N/A	N/A	N/A
(2) Salary Experience	0.54%	0.23%	0.06%	0.31%	0.23%
(3) Investment Experience	(0.35)%	4.72%	(0.19)%	0.00%	2.40%
(4) Demographic Experience	(0.60)%	(0.29)%	(0.30)%	0.29%	(1.00)%
(5) Contribution Shortfall	0.14%	0.01%	0.36%	0.42%	0.25%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	(0.27)%	4.67%	(0.07)%	1.02%	1.88%
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%	4.89%
(9) Assumption and Method Changes	0.00%	0.00%	0.87%	0.00%	0.00%
(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)	(0.27)%	4.67%	0.80%	1.02%	6.77%
(12) Beginning Employer/State Contribution Rate	10.25%	9.98%	14.65%	15.45%	16.47%
(13) Ending Employer/State Contribution Rate, (11) + (12)	9.98%	14.65%	15.45%	16.47%	23.24%
(14) Fiscal Year Above Rate is Applied	FY11	FY12	FY13	FY14	FY15

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				
	2008	2009	2010	2011	2012
(1) Health Experience	(0.97)%	(2.21)%	0.24%	(1.82)%	(2.97)%
(2) Salary Experience	N/A	N/A	N/A	N/A	N/A
(3) Investment Experience	(0.24)%	0.59%	0.47%	0.26%	0.71%
(4) Demographic Experience	N/A	N/A	N/A	N/A	N/A
(5) Contribution Shortfall	(0.25)%	(0.25)%	(1.03)%	0.02%	(0.04)%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	(1.46)%	(1.87)%	(0.32)%	(1.54)%	(2.30)%
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%	2.32%
(9) Assumption and Method Changes	2.04%	0.00%	1.59%	0.00%	0.75%
(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)	0.58%	(1.87)%	1.27%	(1.54)%	0.77%
(12) Beginning Employer/State Contribution Rate	17.40%	17.98%	16.11%	17.38%	15.84%
(13) Ending Employer/State Contribution Rate, (11) + (12)	17.98%	16.11%	17.38%	15.84%	16.61%
(14) Fiscal Year Above Rate is Applied	FY11	FY12	FY13	FY14	FY15

State of Alaska Public Employees' Retirement System

Section 1.5 (cont'd)

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				
	2008	2009	2010	2011	2012
	Total				
(1) Health Experience	(0.97)%	(2.21)%	0.24%	(1.82)%	(2.97)%
(2) Salary Experience	0.54%	0.23%	0.06%	0.31%	0.23%
(3) Investment Experience	(0.59)%	5.31%	0.28%	0.26%	3.11%
(4) Demographic Experience	(0.60)%	(0.29)%	(0.30)%	0.29%	(1.00)%
(5) Contribution Shortfall	(0.11)%	(0.24)%	(0.67)%	0.44%	0.21%
(6) (Gain) or Loss During Year From Experience, (1) + (2) + (3) + (4) + (5)	(1.73)%	2.80%	(0.39)%	(0.52)%	(0.42)%
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%	7.21%
(9) Assumption and Method Changes	2.04%	0.00%	2.46%	0.00%	0.75%
(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)	0.31%	2.80%	2.07%	(0.52)%	7.54%
(12) Beginning Employer/State Contribution Rate	27.65%	27.96%	30.76%	32.83%	32.31%
(13) Ending Employer/State Contribution Rate, (11) + (12)	27.96%	30.76%	32.83%	32.31%	39.85%
(14) Fiscal Year Above Rate is Applied	FY11	FY12	FY13	FY14	FY15

History of UAAL and Funded Ratio (\$'s in 000's)

Valuation Date	Aggregate Accrued Liability	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)
June 30, 2003	10,561,653	7,687,281	72.8%	2,874,372
June 30, 2004	11,443,916	8,030,414	70.2%	3,413,502
June 30, 2005	12,844,841	8,442,919	65.7%	4,401,922
June 30, 2006	14,388,413	9,040,908	62.8%	5,347,505
June 30, 2007	14,570,933	9,900,960	68.0%	4,669,973
June 30, 2008	15,888,141	11,040,106	69.5%	4,848,035
June 30, 2009	16,579,371	10,242,978	61.8%	6,336,393
June 30, 2010	18,132,492	11,157,464	61.5%	6,975,028
June 30, 2011	18,740,550	11,813,774	63.0%	6,926,776
June 30, 2012	19,292,361	11,832,030	61.3%	7,460,331

Section 2

Plan Assets

State of Alaska Public Employees' Retirement System

Section 2.1

Summary of Fair Value of Assets (\$'s in 000's)

As of June 30, 2012	Pension	Healthcare	Total Fair Value	Allocation Percent
Cash and Short-Term Investments				
- Cash and Cash Equivalents	\$ 102,741	\$ 76,944	\$ 179,685	1.6%
- Subtotal	\$ 102,741	\$ 76,944	\$ 179,685	1.6%
Fixed Income Investments				
- Domestic Fixed Income Pool	\$ 640,239	\$ 574,472	\$ 1,214,711	10.7%
- International Fixed Income Pool	141,181	119,575	260,756	2.3%
- High Yield Pool	166,358	140,903	307,261	2.7%
- Treasury Inflation Protection Pool	74,366	62,986	137,352	1.2%
- Emerging Debt Pool	46,553	39,430	85,983	0.8%
- Subtotal	\$ 1,068,697	\$ 937,366	\$ 2,006,063	17.7%
Equity Investments				
- Domestic Equity Pool	\$ 1,812,126	\$ 1,534,811	\$ 3,346,937	29.6%
- International Equity Pool	1,000,753	847,600	1,848,353	16.4%
- Private Equity Pool	606,498	513,703	1,120,201	9.9%
- Emerging Markets Equity Pool	324,374	274,734	599,108	5.3%
- Subtotal	\$ 3,743,751	\$ 3,170,848	\$ 6,914,599	61.2%
Other Investments				
- Real Estate Pool	\$ 560,066	\$ 474,467	\$ 1,034,533	9.2%
- Other Investments Pool	371,212	314,482	685,694	6.1%
- Absolute Return Pool	259,480	219,777	479,257	4.2%
- Other Assets	23	3,378	3,401	nil
- Subtotal	\$ 1,190,781	\$ 1,012,104	\$ 2,202,885	19.5%
Total Cash and Investments	\$ 6,105,970	\$ 5,197,262	\$11,303,232	100.0%
Net Accrued Receivables	12,324	(25,447)	(13,123)	
Net Assets	\$ 6,118,294	\$ 5,171,815	\$11,290,109	

State of Alaska Public Employees' Retirement System

Section 2.2

Changes in Fair Value of Assets (\$'s in 000's)

Fiscal Year 2012	Pension	Healthcare	Total Fair Value
(1) Net Assets, June 30, 2011 (fair value)	\$ 6,267,925	\$ 5,120,695	\$11,388,620
(2) Additions:			
(a) Plan Member Contributions	\$ 112,703	\$ 627	\$ 113,330
(b) Employer Contributions	182,695	223,243	405,938
(c) Employer Legislative Relief	130,912	111,698	242,610
(d) Interest and Dividend Income	152,813	126,563	279,376
(e) Net Appreciation/(Depreciation) in Fair Value of Investments	(127,845)	(94,730)	(222,575)
(f) Medicare Part D Subsidy	0	31,871	31,871
(g) Other	<u>35</u>	<u>18</u>	<u>53</u>
(h) Total Additions	\$ 451,313	\$ 399,290	\$ 850,603
(3) Deductions:			
(a) Medical Benefits	\$ 0	\$ 339,923	\$ 339,923
(b) Retirement Benefits	559,977	0	559,977
(c) Refunds of Contributions	10,906	0	10,906
(d) Investment Expenses	23,318	18	23,336
(e) Administrative Expenses	<u>6,743</u>	<u>8,229</u>	<u>14,972</u>
(f) Total Deductions	\$ 600,944	\$ 348,170	\$ 949,114
(4) Net Assets, June 30, 2012 (fair value)	\$ 6,118,294	\$ 5,171,815	\$11,290,109
Approximate Fair Value Investment Return Rate During FY12 Net of All Expense	(0.1)%	0.5%	0.2%
Liquidity Factor	10.8	15.1	12.4

State of Alaska Public Employees' Retirement System

Section 2.3

Actuarial Value of Assets (\$'s in 000's)

The actuarial value of assets was set equal to the fair 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 fair value as of the current valuation date.

	Pension	Healthcare	Total
(1) Deferral of Investment Return/(Loss) for FY12			
(a) Fair Value, June 30, 2011	\$ 6,267,925	\$ 5,120,695	\$ 11,388,620
(b) Contributions for FY12	426,310	335,568	761,878
(c) Medicare Part D Subsidy	0	31,871	31,871
(d) Benefit Payments for FY12	570,883	339,923	910,806
(e) Actual Investment Return (<i>net of expenses</i>)	(5,058)	23,604	18,546
(f) Expected Return Rate (<i>net of expenses</i>)	8.00%	8.00%	8.00%
(g) Expected Return - Weighted for Timing	495,762	410,735	906,497
(h) Investment Gain/(Loss) for the Year (<i>e. - g.</i>)	(500,820)	(387,131)	(887,951)
(i) Deferred Investment Return/(Loss)	(412,127)	(129,794)	(541,921)
(2) Actuarial Value, June 30, 2012			
(a) Fair Value, June 30, 2012	\$ 6,118,294	\$ 5,171,815	\$ 11,290,109
(b) 2012 Deferred Investment Return/(Loss)	(412,127)	(129,794)	(541,921)
(c) Preliminary Actuarial Value, June 30, 2012 (<i>a. - b.</i>)	6,530,421	5,301,609	11,832,030
(d) Upper Limit: 120% of Fair Value, June 30, 2012	7,341,952	6,206,178	N/A
(e) Lower Limit: 80% of Fair Value, June 30, 2012	4,894,636	4,137,452	N/A
(f) Actuarial Value, June 30, 2012 (<i>c. limited by d. and e.</i>)	\$ 6,530,421	\$ 5,301,609	\$ 11,832,030
(g) Ratio of Actuarial Value of Assets to Fair Value of Assets	106.7%	102.5%	104.8%
(h) Approximate Actuarial Value Investment Return Rate During FY12 Net of All Expenses	(1.3)%	4.4%	1.2%

State of Alaska Public Employees' Retirement System

Section 2.3 (cont'd)

Actuarial Value of Assets (\$'s in 000's)

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
6/30/2008	\$ (928,079)	\$ (742,464)	\$ (185,615)	\$ 0
6/30/2009	(2,243,791)	(1,346,274)	(448,758)	(448,759)
6/30/2010	87,855	35,142	17,571	35,142
6/30/2011	670,244	134,049	134,049	402,146
6/30/2012	(500,820)	0	(100,164)	(400,656)
Total	\$ (2,914,591)	\$ (1,919,547)	\$ (582,917)	\$ (412,127)

Healthcare				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2008	\$ (321,977)	\$ (257,581)	\$ (64,396)	\$ 0
6/30/2009	(837,986)	(502,791)	(167,598)	(167,597)
6/30/2010	79,755	31,902	15,951	31,902
6/30/2011	526,010	105,202	105,202	315,606
6/30/2012	(387,131)	0	(77,426)	(309,705)
Total	\$ (941,329)	\$ (623,268)	\$ (188,267)	\$ (129,794)

Total				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2008	\$ (1,250,056)	\$(1,000,045)	\$ (250,011)	\$ 0
6/30/2009	(3,081,777)	(1,849,065)	(616,356)	(616,356)
6/30/2010	167,610	67,044	33,522	67,044
6/30/2011	1,196,254	239,251	239,251	717,752
6/30/2012	(887,951)	0	(177,590)	(710,361)
Total	\$ (3,855,920)	\$(2,542,815)	\$ (771,184)	\$ (541,921)

Historical Asset Rate of Return

Year Ending	Actuarial Value		Fair Value	
	Annual	Cumulative	Annual	Cumulative
June 30, 2005	8.7%	8.7%	8.5%	8.5%
June 30, 2006	9.3%	9.0%	11.4%	9.9%
June 30, 2007	11.6%	9.9%	18.5%	12.7%
June 30, 2008	10.0%	9.9%	(3.1)%	8.5%
June 30, 2009	(7.3)%	6.2%	(20.5)%	2.0%
June 30, 2010	7.2%	6.4%	10.2%	3.3%
June 30, 2011	7.2%	6.5%	20.4%	5.6%
June 30, 2012	1.2%	5.8%	0.2%	4.9%

Section 3

Accounting Information

State of Alaska Public Employees' Retirement System

Section 3.1

Schedule of Funding Progress – Total PERS (\$'s in 000's)

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

Valuation Date	Aggregate Accrued Liability	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a Percent of Annual Active Member Payroll
June 30, 2012 – 8.00%	\$ 11,428,944	\$ 6,530,421	57.1%	\$ 4,898,523	\$ 1,522,399	321.8%
June 30, 2011 – 8.00%	\$ 10,919,047	\$ 6,762,149	61.9%	\$ 4,156,898	\$ 1,559,938	266.5%
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	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a Percent of Annual Active Member Payroll
June 30, 2012 ¹ – 6.88%	\$ 9,812,274	\$ 5,301,609	54.0%	\$ 4,510,665	\$ 1,522,399	296.3%
June 30, 2011 – 7.43%	\$ 9,091,034	\$ 5,051,625	55.6%	\$ 4,039,409	\$ 1,559,938	258.9%
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%

¹ Change in assumptions

Schedule of Funding Progress – Total PERS

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	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	UAL as a Percent of Annual Active Member Payroll
June 30, 2012 – 8.00%	\$ 8,443,844	\$ 5,301,609	62.8%	\$ 3,142,235	\$ 1,522,399	206.4%
June 30, 2012 – 4.25%	\$ 14,719,555	\$ 5,301,609	36.0%	\$ 9,417,946	\$ 1,522,399	618.6%

State of Alaska Public Employees' Retirement System

Section 3.1 (cont'd)

Schedule of Funding Progress – Total PERS (\$'s in 000's)

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

Valuation Date	Aggregate Accrued Liability	Valuation Assets	Assets as a Percent of Accrued Liability	Unfunded Accrued Liabilities (UAL)	Annual Active Member Payroll	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

State of Alaska Public Employees' Retirement System

Section 3.2

Schedule of Employer Contributions (\$'s in 000's)

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
2012	\$ 351,674	52.0%	37.2%	89.2%
2011	\$ 220,419	63.1%	29.6%	92.7%
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 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
2012	\$ 498,433	44.8%	28.8%	73.6%
2011	\$ 525,075	49.8%	21.6%	71.4%
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 CAFR. The percentage contributed in includes the legal settlement in FY10, net of fees, as well as the Medicare Part D subsidy contributed by the State to the Healthcare Fund*

Schedule of Employer Contributions

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%
June 30, 2011	FY14	27.94%	52.55%	80.49%	8.00%	5.41%
June 30, 2012	FY15	33.05%	55.07%	88.12%	8.00%	4.90%

**Change in discount rate assumptions effective June 30, 2010*

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

Notes To Trend Data

Actuarial Assumptions, Methods and Additional Information Under GASB

Valuation Date	June 30, 2012
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay Normal Cost Basis for Pension Level Dollar Normal Cost Basis for Healthcare
Amortization Method	Level dollar, closed
Equivalent Single Amortization Period	18 years
Asset Valuation Method	5-year smoothed fair value, 80% / 120% of fair value corridor
Actuarial Assumptions:	
Investment rate of return*	8.00% for pension, 6.88% for healthcare.
Projected salary increases	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. Inflation – 3.12% per year. 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. Inflation – 3.12% per year.
*Includes price inflation at	3.12%
Cost-of-living adjustment	Post-retirement Pension Adjustment as described in Section 6.1, item (14)

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 6.88% as of June 30, 2010, to be used for fiscal 2013 disclosure.

The development of the discount rate used for the FY13 healthcare liabilities valuation disclosure purposes is summarized below:

Investment Returns

Plan Assets (Long-Term Return)	=	8.00%
Employer Assets (Estimated Short-Term Return)	=	4.25%

Based on Percentage of ARC Contributed During FY10*

1. Contribution Allocated to Healthcare	=	40.45%
2. Annual Required Contribution, Funding Assumptions	=	49.99%
3. Pay-as-you-go Contribution	=	18.08%
4. Portion of ARC Contributed: [(1-3) / (2-3), not less than 0%, not greater than 100%]	=	70.10%
5. Multiplied by long-term investment return	=	5.61%
6. Portion of ARC not Contributed: [100% - (4)]	=	29.90%
7. Multiplied by short-term investment return	=	1.27%
8. Total: (5) + (7)	=	6.88%

*It is assumed that fiscal 2008 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, 2010 valuation (fiscal 2011), which in turn drives the fiscal 2013 GASB 43 ARC.

Using the GASB 43 discount rate determined above and disregarding future Medicare Part D payments, the fiscal 2013 employer ARC rate for accounting purposes is 39.93% of pay for healthcare benefits and 64.88% of pay for healthcare and pension benefits combined.

State of Alaska Public Employees' Retirement System

Section 3.4

Solvency Test (\$'s in 000's)

The exhibit below shows the combined pension and postemployment healthcare Solvency Test for valuation dates June 30, 2010 and before.

Valuation Date	Aggregate Accrued Liability For:			Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2010 ¹	\$ 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 ¹	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 ^{1 2}	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 ¹	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 Assumptions

² Change in Methods

³ Change in Asset Valuation Method

State of Alaska Public Employees' Retirement System

Section 3.3 (cont'd)

Solvency Test (\$'s in 000's)

The exhibit below shows the pension Solvency Test for valuation dates June 30, 2005 and later.

Valuation Date	Pension Aggregate Accrued Liability For:			Pension Valuation Assets	Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)		(1)	(2)	(3)
June 30, 2012	\$ 1,459,943	\$ 7,057,967	\$ 2,911,034	\$ 6,530,421	100.0%	71.8%	0.0%
June 30, 2011	1,421,967	6,657,517	2,839,563	6,762,149	100.0%	80.2%	0.0%
June 30, 2010 ¹	1,388,029	6,268,461	2,715,182	6,469,832	100.0%	81.1%	0.0%
June 30, 2009	1,315,924	5,914,959	2,471,203	6,108,528	100.0%	81.0%	0.0%
June 30, 2008	1,242,288	5,606,402	2,305,592	7,210,772	100.0%	100.0%	15.7%
June 30, 2007	1,203,007	5,282,132	2,177,185	6,739,004	100.0%	100.0%	11.7%
June 30, 2006 ^{1 2}	1,157,755	4,933,609	2,002,679	6,331,065	100.0%	100.0%	12.0%
June 30, 2005	1,104,821	4,627,467	1,354,903	6,016,713 ³	100.0%	100.0%	21.0%

¹ Change in Assumptions

² Change in Methods

³ The pension and postemployment healthcare valuation assets were allocated using a ratio of fair value of assets as of June 30, 2005

State of Alaska Public Employees' Retirement System

Section 3.3 (cont'd)

Solvency Test (\$'s in 000's)

The exhibit below shows the postemployment healthcare Solvency Test for valuation dates June 30, 2005 and later.

Valuation Date	Postemployment Healthcare Aggregate Accrued Liability For:				Portion of Accrued Liabilities Covered by Assets:		
	(1) Active Member Contributions	(2) Inactive Members	(3) Active Members (Employer-Financed Portion)	Postemployment Healthcare Valuation Assets	(1)	(2)	(3)
June 30, 2012 ¹	\$ 0	\$ 5,026,080	\$ 2,837,337	\$ 5,301,609	100.0%	100.0%	9.7%
June 30, 2011	0	4,812,845	3,008,658	5,051,625	100.0%	100.0%	7.9%
June 30, 2010 ¹	0	4,581,806	3,179,014	4,687,632	100.0%	100.0%	3.3%
June 30, 2009	0	4,232,394	2,644,891	4,134,450	100.0%	97.7%	0.0%
June 30, 2008 ¹	0	4,166,270	2,567,589	3,829,334	100.0%	91.9%	0.0%
June 30, 2007	0	3,684,906	2,223,703	3,161,956	100.0%	85.8%	0.0%
June 30, 2006 ^{1 2}	0	3,990,202	2,304,168	2,709,843	100.0%	67.9%	0.0%
June 30, 2005	0	4,039,591	1,718,059	2,426,206 ³	100.0%	60.1%	0.0%

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

¹ Change in Assumptions

² Change in Methods

³ The pension and postemployment healthcare valuation assets were allocated using a ratio of fair value of assets as of June 30, 2005

Section 4

Projections

Projection Assumptions and Methods

Key Assumptions

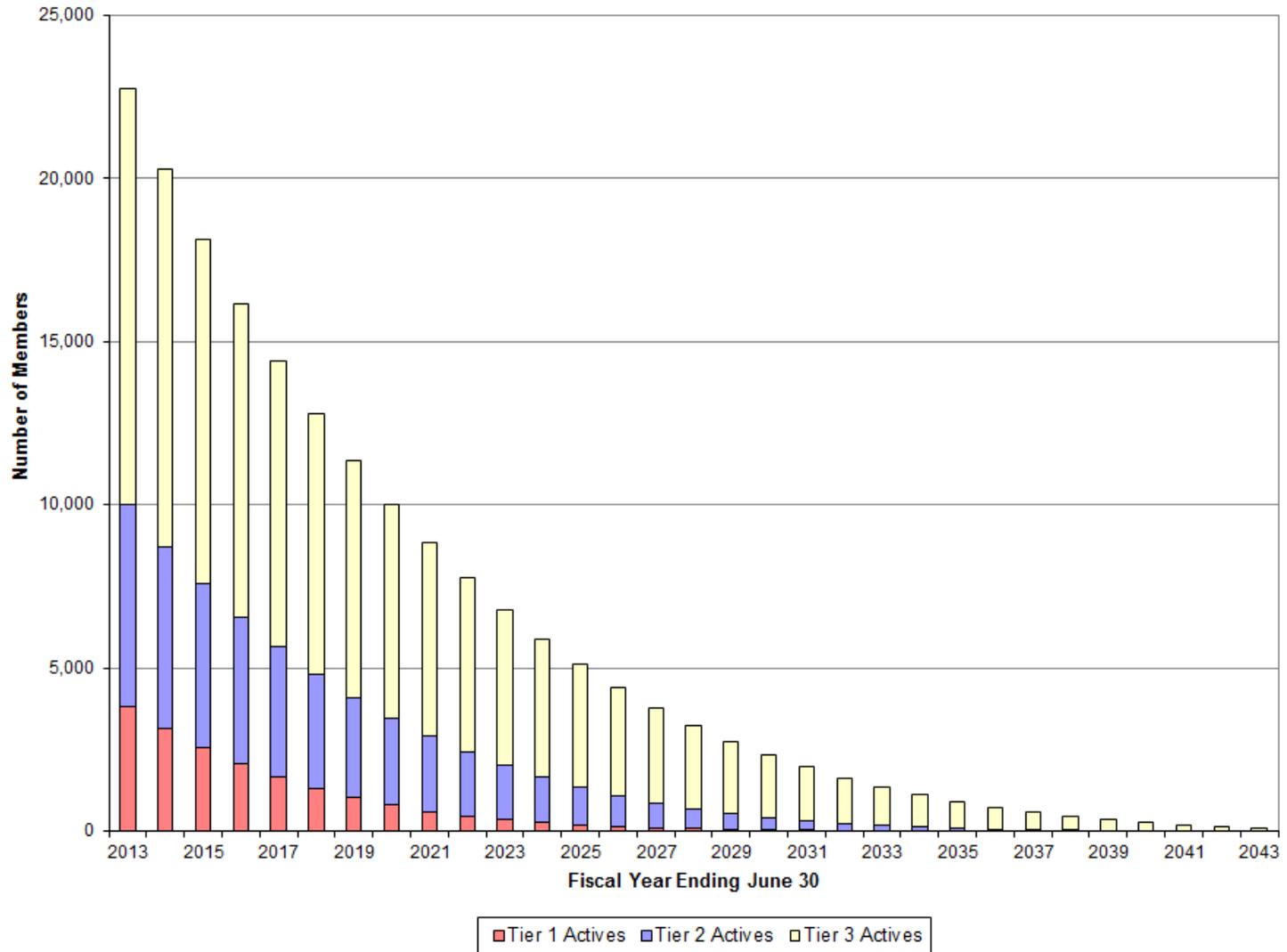
- 8.00% investment return on the Fair Value of Assets in all future years.
- The Actuarial Value of Assets reflects the deferred gains and losses generated by the smoothing method. The current deferred amounts are recognized in the first four years of the projections.
- Actuarial assumptions and methods as described in Section 6. All future demographic experience is assumed to be exactly realized.
- The actuarially calculated contribution rate with a two-year lag is adopted each year.
- No new DB Plan members enter into Tiers 1,2 and 3.
- Projections assume a 1% increase in the total active member population. All new members are expected to enter the DCR plan and contribution rates are determined as a percent of total DB and DCR payroll, combined.
- For the Sensitivity Analysis, all assumptions and methods are the same except investment returns on the Fair 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

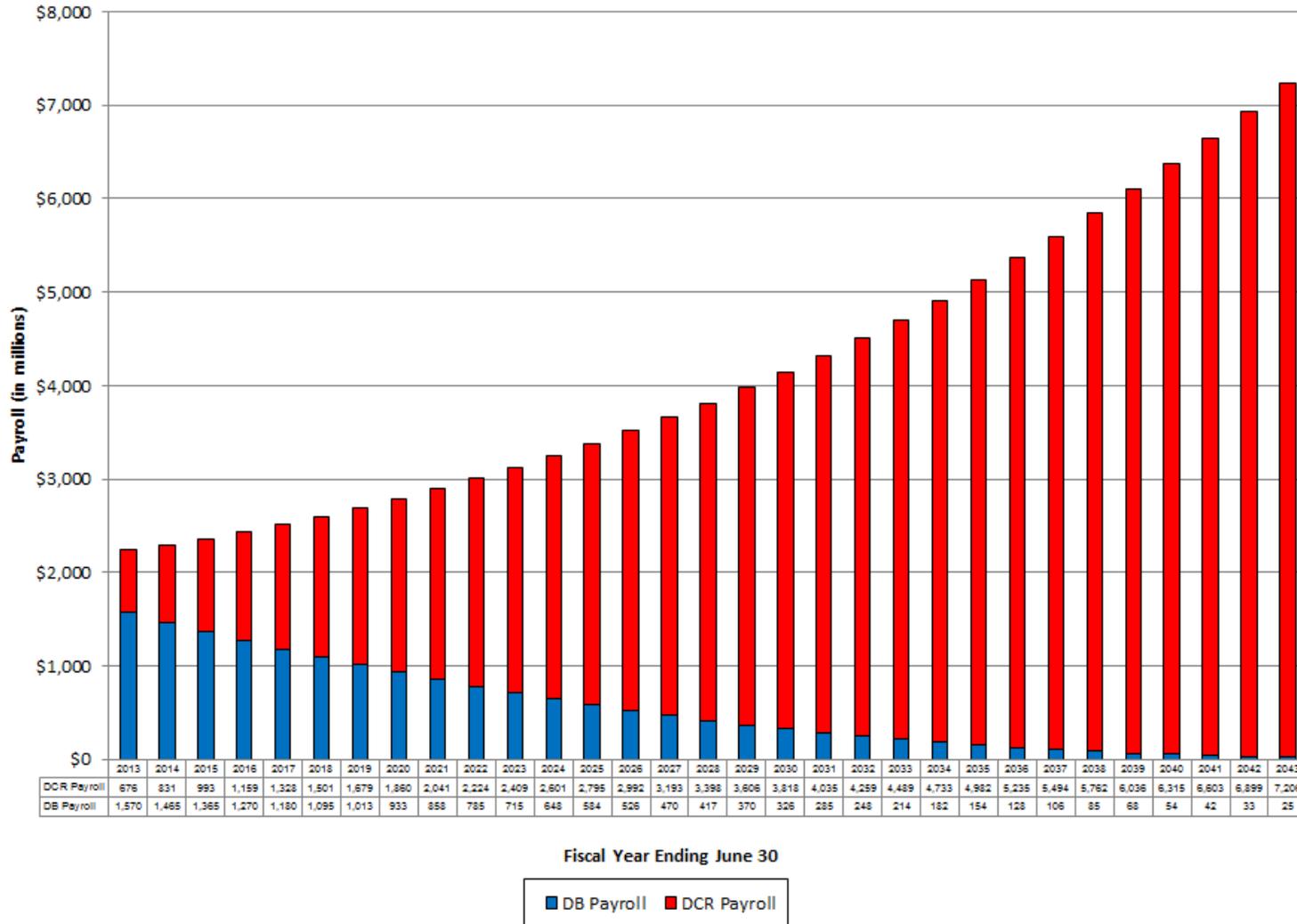
In each case, liabilities have been projected using 8.00% as the discount rate for future benefit payments. These scenarios are intended to illustrate the impact if investment rates are different than the 8.00% assumed investment return. They do not illustrate the effect of changing the assumed discount rate for determining liabilities.

- Impact of the change to the level dollar method for amortizing unfunded liabilities on the employer/state contribution amounts and rates can be seen beginning in FY15. This change has the impact of increasing these contribution amounts and rates initially, with a decline over time as total payroll increases and DB plan payroll declines.

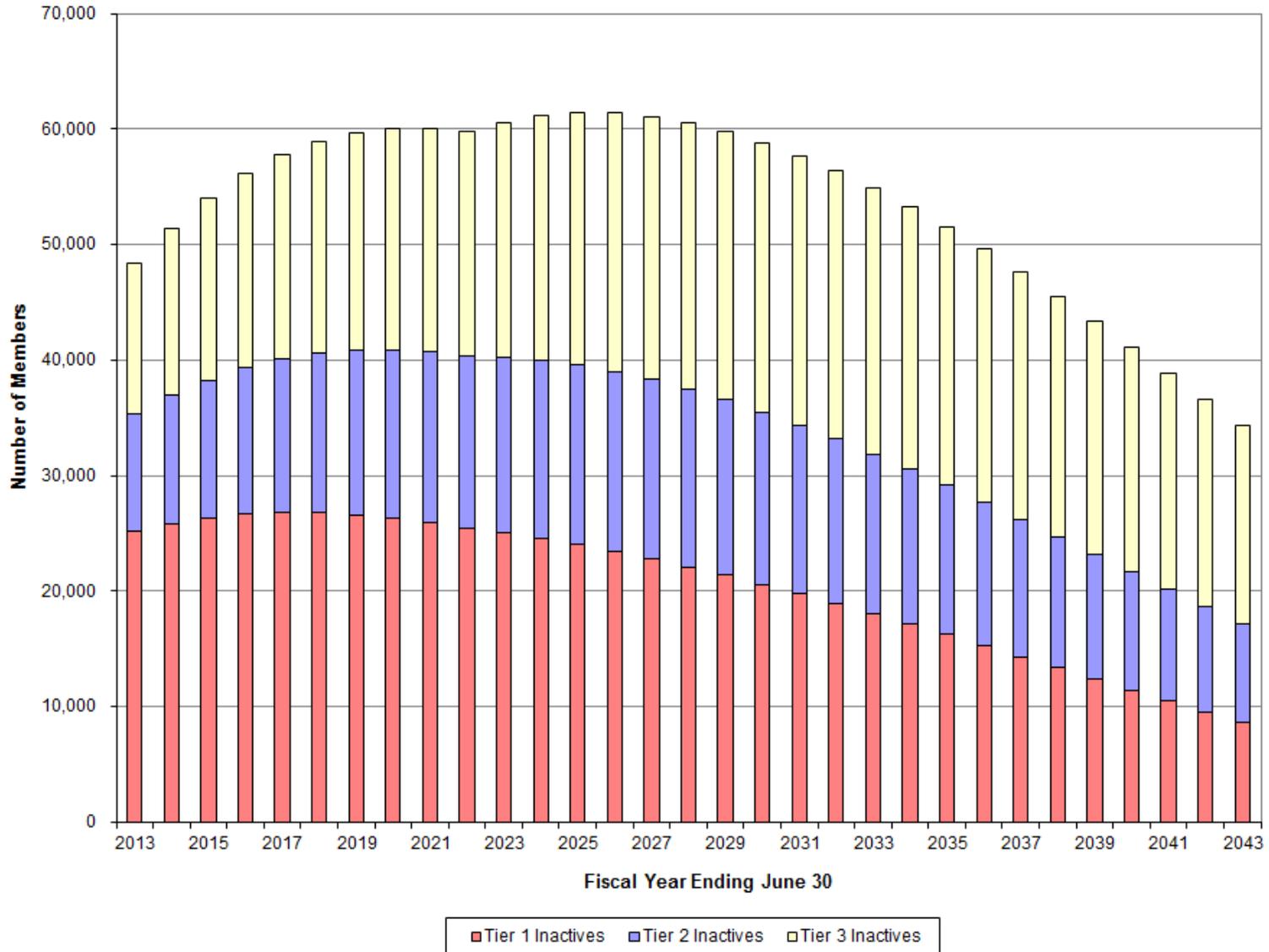
Membership Projection Projected Active Member Count



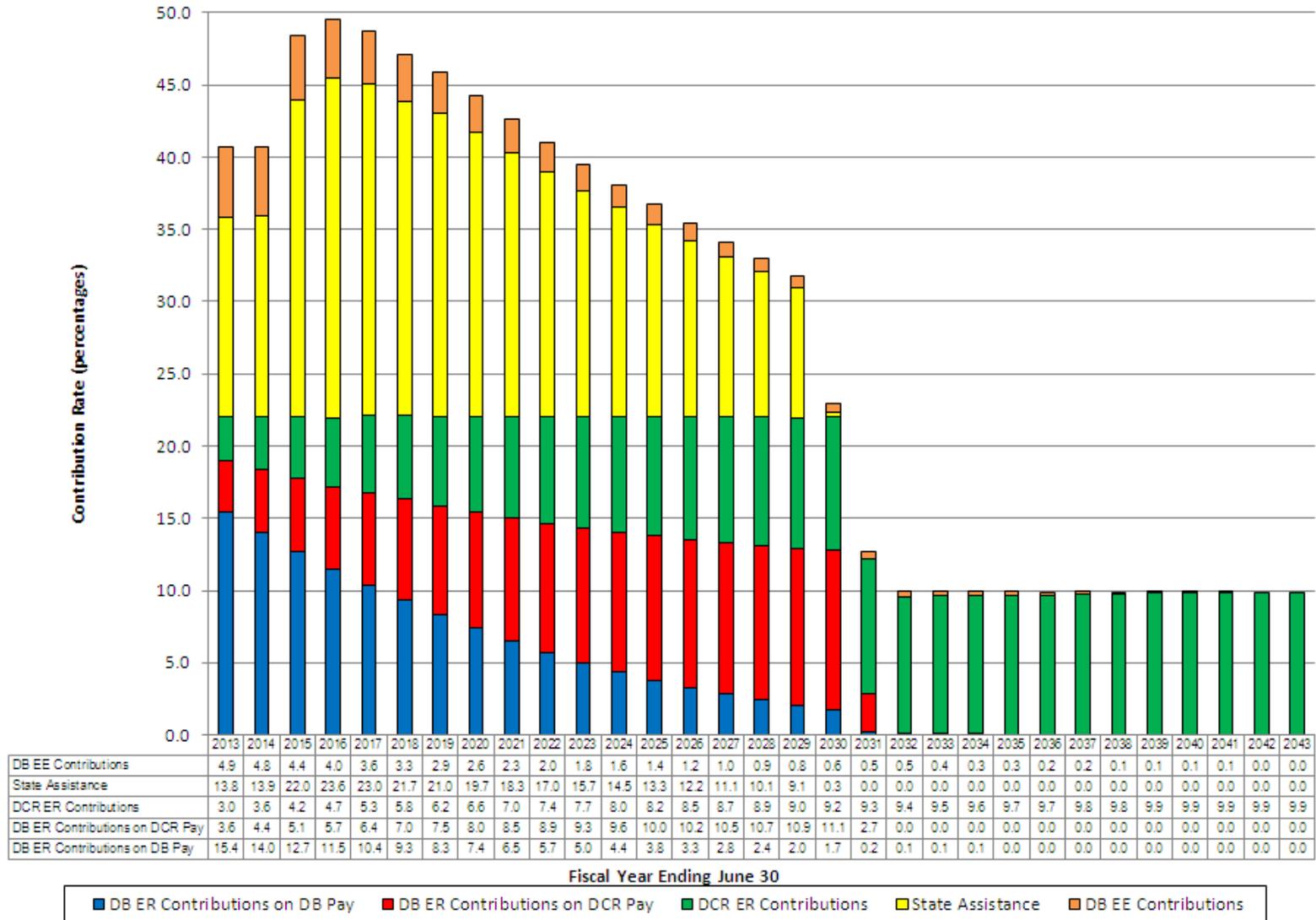
Membership Projection Projected DB and DCR Payroll



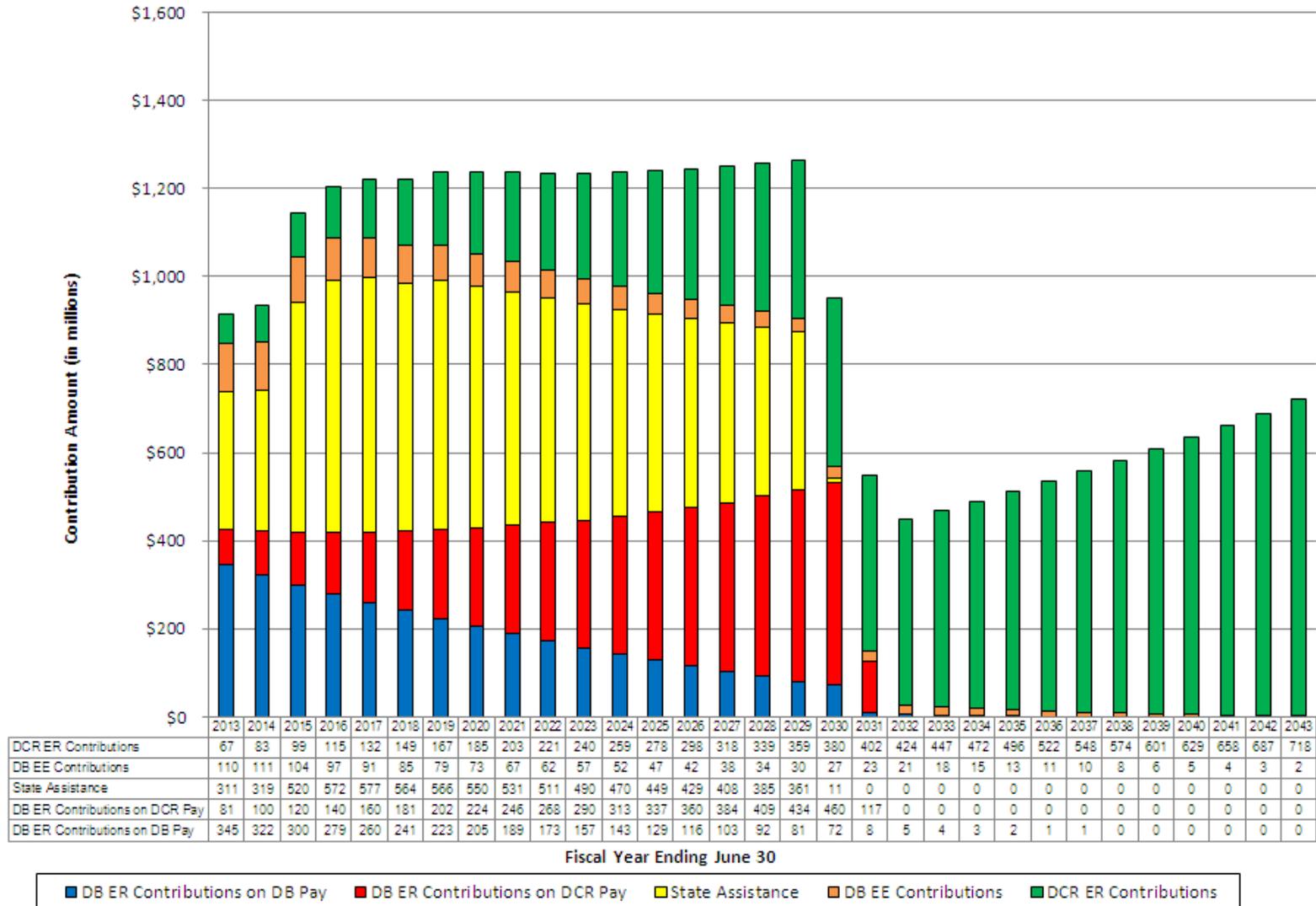
Membership Projection Projected Inactive Member Count



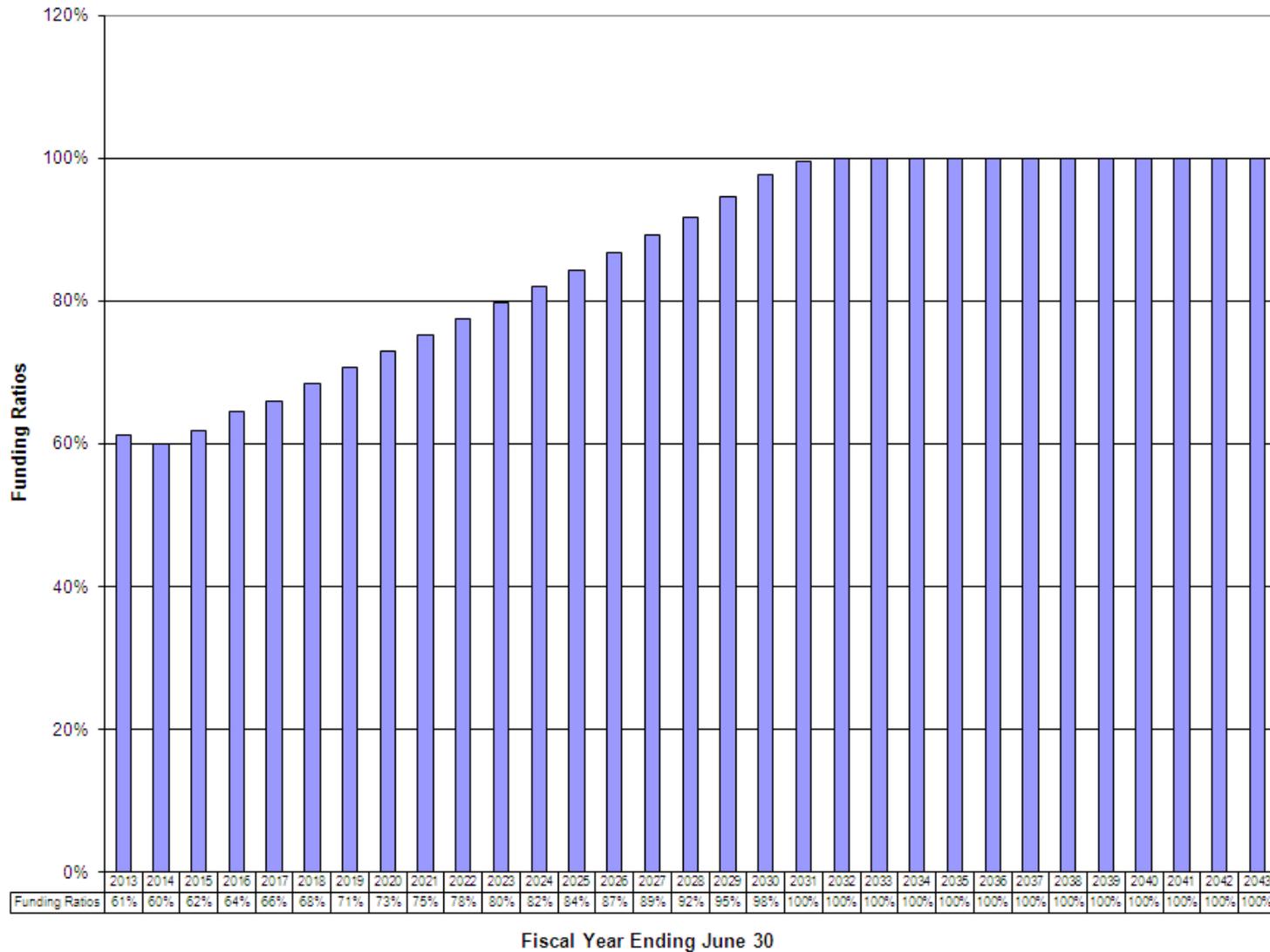
Projected Employer/State Contribution Rates (Based on Total DB and DCR Payroll)



Projected Employer/State Contribution Amounts



Projection of Funding Ratios



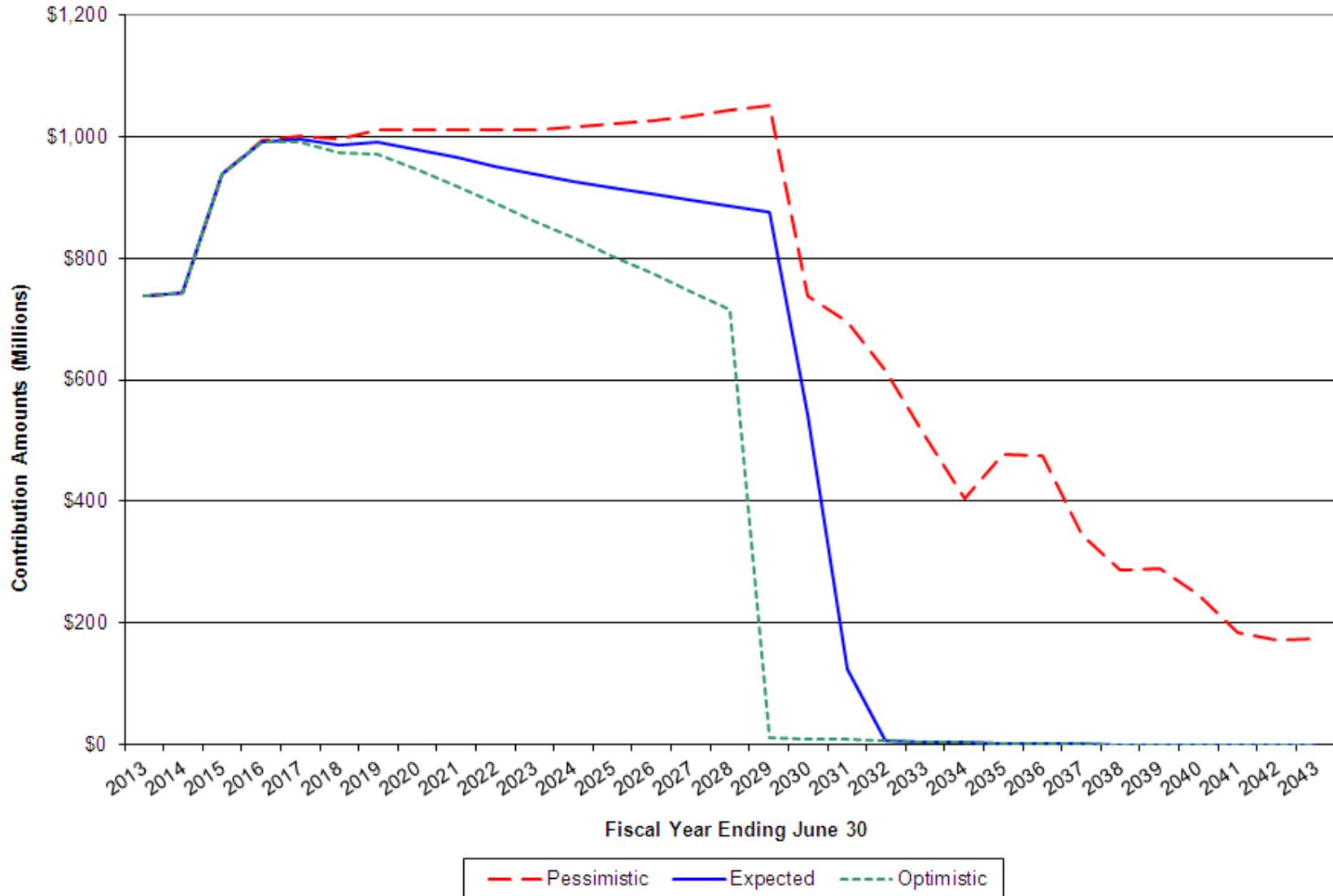
State of Alaska Public Employees' Retirement System

Section 4.6

Table of Projected Actuarial Results

State of Alaska PERS Financial Projections (in Thousands)																
Fiscal Year End	Investment Return: 8.00% 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	
2013	\$11,832,030	\$19,292,361	61%	(\$7,460,331)	\$2,245,686	32.83%	\$426,731	\$310,528	\$118,692	\$855,951	\$973,954	(\$118,003)	\$895,328	(\$521,173)	\$12,088,182	
2014	12,088,182	20,109,112	60%	(8,020,930)	2,295,881	32.31%	422,343	319,456	120,633	862,432	1,056,528	(194,096)	954,254	95,183	12,943,523	
2015	12,943,523	20,885,260	62%	(7,941,737)	2,357,693	39.85%	419,865	519,676	114,150	1,053,691	1,140,515	(86,824)	1,018,994	61,661	13,937,354	
2016	13,937,354	21,614,302	64%	(7,676,948)	2,428,744	40.82%	418,974	572,439	107,781	1,099,194	1,225,841	(126,647)	1,091,721	(177,590)	14,724,838	
2017	14,724,838	22,291,137	66%	(7,566,299)	2,508,301	39.73%	419,623	576,925	101,655	1,098,203	1,305,131	(206,928)	1,165,513	0	15,683,423	
2018	15,683,423	22,919,638	68%	(7,236,215)	2,595,896	37.96%	421,668	563,734	95,970	1,081,372	1,380,741	(299,369)	1,238,321	0	16,622,375	
2019	16,622,375	23,501,895	71%	(6,879,520)	2,692,279	36.82%	425,077	566,220	90,469	1,081,766	1,456,528	(374,762)	1,310,226	0	17,557,839	
2020	17,557,839	24,035,658	73%	(6,477,819)	2,792,589	35.05%	429,205	549,597	85,274	1,064,076	1,537,884	(473,808)	1,380,906	0	18,464,937	
2021	18,464,937	24,512,466	75%	(6,047,529)	2,898,156	33.31%	434,392	530,984	80,182	1,045,558	1,621,417	(575,859)	1,449,192	0	19,338,270	
2022	19,338,270	24,925,074	78%	(5,586,804)	3,008,108	31.63%	440,335	511,130	75,193	1,026,658	1,698,588	(671,930)	1,515,032	0	20,181,372	
2023	20,181,372	25,278,587	80%	(5,097,215)	3,123,760	30.01%	447,292	490,148	56,540	993,980	1,771,109	(777,129)	1,578,111	0	20,982,354	
2024	20,982,354	25,570,418	82%	(4,588,064)	3,248,785	28.49%	455,655	469,924	51,656	977,235	1,835,920	(858,685)	1,638,773	0	21,762,442	
2025	21,762,442	25,795,109	84%	(4,032,667)	3,379,794	27.06%	465,089	449,483	46,641	961,213	1,924,239	(963,026)	1,696,792	0	22,496,208	
2026	22,496,208	25,934,450	87%	(3,438,242)	3,517,793	25.73%	475,818	429,310	42,214	947,342	1,991,781	(1,044,439)	1,752,074	0	23,203,843	
2027	23,203,843	26,004,608	89%	(2,800,765)	3,662,757	24.44%	487,669	407,509	38,093	933,271	2,062,704	(1,129,433)	1,805,114	0	23,879,524	
2028	23,879,524	25,997,577	92%	(2,118,053)	3,815,471	23.21%	500,820	384,751	33,958	919,529	2,123,648	(1,204,119)	1,856,035	0	24,531,440	
2029	24,531,440	25,917,989	95%	(1,386,549)	3,975,899	22.04%	515,334	360,954	30,217	906,505	2,177,117	(1,270,612)	1,905,401	0	25,166,229	
2030	25,166,229	25,769,017	98%	(602,788)	4,143,703	13.08%	531,126	10,870	26,520	568,516	2,226,897	(1,658,381)	1,940,806	0	25,448,654	
2031	25,448,654	25,549,181	100%	(100,527)	4,320,656	2.89%	124,867	0	23,332	148,199	2,303,286	(2,155,087)	1,943,659	0	25,237,226	
2032	25,237,226	25,227,017	100%	10,209	4,506,592	0.12%	5,408	0	20,730	26,138	2,351,333	(2,325,195)	1,919,911	0	24,831,942	
2033	24,831,942	24,821,687	100%	10,255	4,702,683	0.09%	4,232	0	17,870	22,102	2,374,058	(2,351,956)	1,886,363	0	24,366,349	
2034	24,366,349	24,357,984	100%	8,365	4,915,446	0.07%	3,441	0	15,238	18,679	2,405,178	(2,386,499)	1,847,656	0	23,827,506	
2035	23,827,506	23,817,428	100%	10,078	5,135,408	0.04%	2,054	0	13,352	15,406	2,427,129	(2,411,723)	1,803,486	0	23,219,269	
2036	23,219,269	23,210,536	100%	8,733	5,363,274	0.02%	1,073	0	11,263	12,336	2,461,663	(2,449,327)	1,753,236	0	22,523,178	
2037	22,523,178	22,515,424	100%	7,754	5,600,200	0.01%	560	0	9,520	10,080	2,462,456	(2,452,376)	1,697,427	0	21,768,229	
2038	21,768,229	21,761,882	100%	6,347	5,846,914	0.00%	0	0	7,601	7,601	2,440,642	(2,433,041)	1,637,862	0	20,973,050	
2039	20,973,050	20,968,326	100%	4,724	6,103,819	0.00%	0	0	6,104	6,104	2,415,802	(2,409,698)	1,575,247	0	20,138,599	
2040	20,138,599	20,135,179	100%	3,420	6,368,696	0.00%	0	0	5,095	5,095	2,423,877	(2,418,782)	1,508,107	0	19,227,924	
2041	19,227,924	19,225,406	100%	2,518	6,645,068	0.00%	0	0	3,987	3,987	2,364,529	(2,360,542)	1,437,736	0	18,305,118	
2042	18,305,118	18,303,380	100%	1,738	6,931,674	0.00%	0	0	2,773	2,773	2,308,626	(2,305,853)	1,366,244	0	17,365,509	
2043	17,365,509	17,364,761	100%	748	7,230,997	0.00%	0	0	2,169	2,169	2,249,003	(2,246,834)	1,293,589	0	16,412,264	
							\$	8,278,651	\$	8,023,638	\$	1,454,872	\$	17,757,161		

Sensitivity Analysis
Impact Various Investment Rates of Return Have on the Employer/State Contribution Amount



Section 5

Member Data

State of Alaska Public Employees' Retirement System

Section 5.1

Summary of Members Included – Total PERS

As of June 30	2008	2009	2010	2011	2012
Active Members					
(1) Number	28,850	27,565	26,442	24,393	22,730
(2) Average Age	47.01	47.85	48.58	49.22	49.85
(3) Average Credited Service	10.48	11.19	11.84	12.60	13.32
(4) Average Entry Age	36.53	36.66	36.74	36.62	36.53
(5) Average Annual Earnings	\$ 54,691	\$ 57,518	\$ 60,007	\$ 63,201	\$ 66,119
(6) Number Vested	20,058	20,671	21,477	21,640	20,842
(7) Percent Who Are Vested	69.5%	75.0%	81.2%	88.7%	91.7%
Retirees, Disableds and Beneficiaries					
(1) Number	24,082	25,015	26,237	27,359	28,540
(2) Average Age	66.01	66.39	66.71	67.05	67.41
(3) Average Monthly Pension Benefit					
Base	\$ 1,263	\$ 1,280	\$ 1,309	\$ 1,345	\$ 1,375
COLA	84	85	86	88	89
P.R.P.A.	225	244	231	229	241
Adjustment	1	0	0	0	0
Total	\$ 1,573	\$ 1,609	\$ 1,626	\$ 1,662	\$ 1,705
Vested Terminations (vested at time of termination, not refunded contributions or commenced benefits)					
(1) Number	6,627	6,566	6,253	6,414	6,294
(2) Average Age	49.41	49.83	49.9	50.29	50.55
(3) Average Monthly Pension Benefit	\$ 816	\$ 836	\$ 805	\$ 821	\$ 844
Non-Vested Terminations With Account Balances (not vested at termination, not refunded contributions)					
(1) Number	14,930	14,626	14,543	14,028	13,552
(2) Average Account Balance	\$ 4,354	\$ 4,654	\$ 4,895	\$ 5,074	\$ 5,373
Total Number of Members	74,489	73,772	73,475	72,194	71,116

State of Alaska Public Employees' Retirement System

Section 5.1 (cont'd)

Summary of Members Included – Total PERS

As of June 30, 2012	Tier 1	Tier 2	Tier 3	Total
Retirees, Disableds and Beneficiaries				
(1) Number	22,527	4,704	1,309	28,540
(2) Average Age	67.80	66.36	64.35	67.41
(3) Average Monthly Pension Benefit				
Base	\$ 1,480	\$ 1,036	\$ 781	\$ 1,375
COLA	104	33	29	89
P.R.P.A.	287	77	29	241
Adjustment	0	0	0	0
Total	\$ 1,871	\$ 1,146	\$ 839	\$ 1,705

State of Alaska Public Employees' Retirement System

Section 5.1 (cont'd)

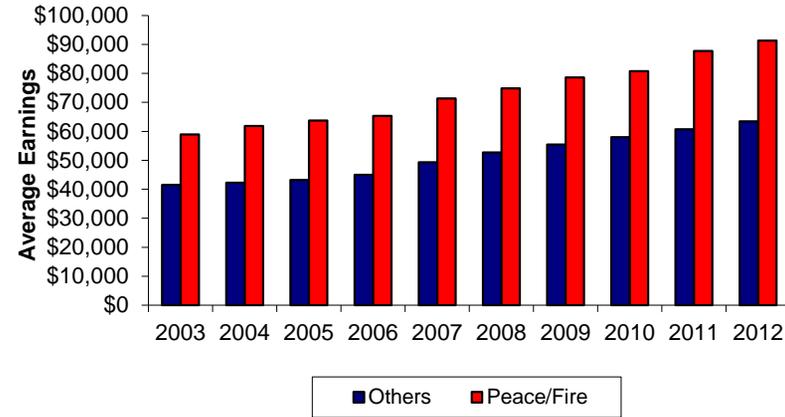
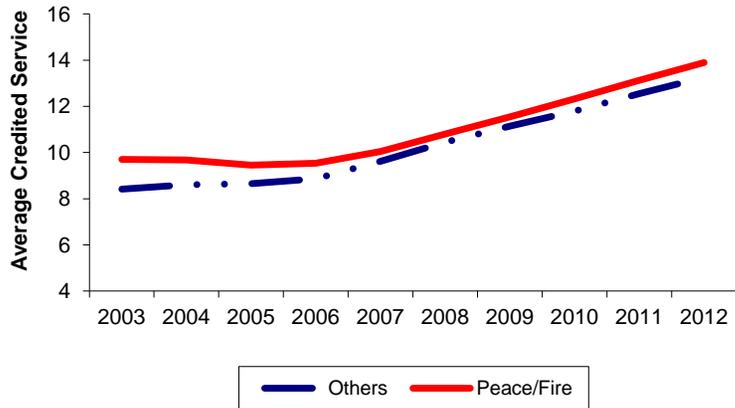
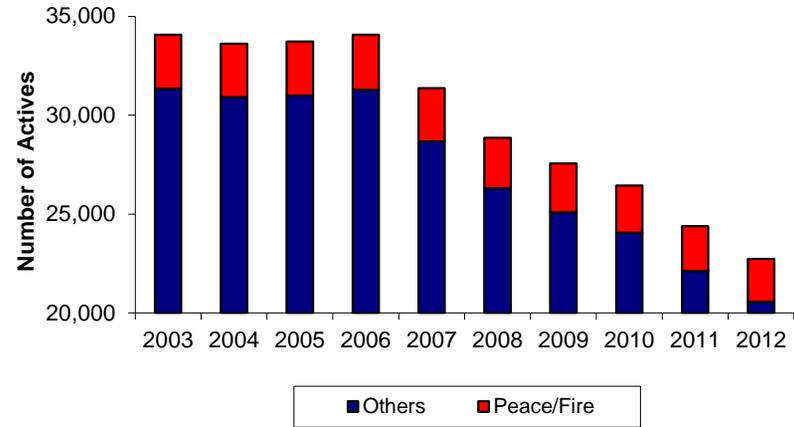
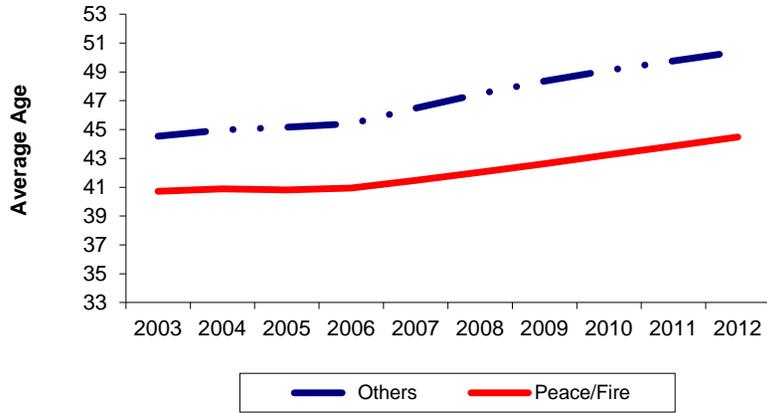
Summary of Members Included

Active Members

As of June 30	2008	2009	2010	2011	2012
Peace Officer/Firefighter					
(1) Number	2,549	2,476	2,388	2,275	2,164
(2) Average Age	42.04	42.63	43.25	43.86	44.48
(3) Average Credited Service	10.80	11.55	12.32	13.13	13.90
(4) Average Entry Age	31.24	31.08	30.93	30.73	30.58
(5) Average Annual Earnings	\$ 74,825	\$ 78,562	\$ 80,777	\$ 87,709	\$ 91,286
(6) Number Vested	1,928	2,017	2,102	2,183	2,098
(7) Percent Who Are Vested	75.6%	81.5%	88.0%	96.0%	97.0%
Others					
(1) Number	26,301	25,089	24,054	22,118	20,566
(2) Average Age	47.49	48.36	49.11	49.77	50.41
(3) Average Credited Service	10.45	11.15	11.79	12.55	13.26
(4) Average Entry Age	37.04	37.21	37.32	37.22	37.15
(5) Average Annual Earnings	\$ 52,740	\$ 55,441	\$ 57,945	\$ 60,680	\$ 63,471
(6) Number Vested	18,130	18,654	19,375	19,457	18,744
(7) Percent Who Are Vested	68.9%	74.4%	80.5%	88.0%	91.1%
Total					
(1) Number	28,850	27,565	26,442	24,393	22,730
(2) Average Age	47.01	47.85	48.58	49.22	49.85
(3) Average Credited Service	10.48	11.19	11.84	12.60	13.32
(4) Average Entry Age	36.53	36.66	36.74	36.62	36.53
(5) Average Annual Earnings	\$ 54,691	\$ 57,518	\$ 60,007	\$ 63,201	\$ 66,119
(6) Number Vested	20,058	20,671	21,477	21,640	20,842
(7) Percent Who Are Vested	69.5%	75.0%	81.2%	88.7%	91.7%

Summary of Members Included

Active Members as of June 30



State of Alaska Public Employees' Retirement System

Section 5.2

Age and Service 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	7	\$ 671,746	\$ 95,964
20 – 24	1	60,677	60,677	1	0	0	0
25 – 29	67	5,544,118	82,748	2	6	433,099	72,183
30 – 34	222	19,487,621	87,782	3	13	866,251	66,635
35 – 39	405	37,284,873	92,061	4	21	1,634,674	77,842
40 – 44	501	47,003,665	93,820	0 – 4	47	3,605,770	76,719
45 – 49	407	38,032,937	93,447	5 – 9	614	52,058,534	84,786
50 – 54	284	25,988,545	91,509	10 – 14	683	61,586,646	90,171
55 – 59	193	16,918,742	87,662	15 – 19	450	44,010,327	97,801
60 – 64	74	6,444,188	87,084	20 – 24	248	24,446,149	98,573
65 – 69	9	721,959	80,218	25 – 29	89	8,583,880	96,448
70 – 74	1	56,288	56,288	30 – 34	30	2,939,417	97,981
75+	0	0	0	35 – 39	2	221,871	110,936
				40+	1	91,019	91,019
Total	2,164	\$ 197,543,613	\$ 91,286	Total	2,164	\$ 197,543,613	\$ 91,286

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	0	1	0	0	0	0	0	0	0	1
25 – 29	8	59	0	0	0	0	0	0	0	67
30 – 34	5	154	62	1	0	0	0	0	0	222
35 – 39	10	132	204	59	0	0	0	0	0	405
40 – 44	9	104	173	170	44	1	0	0	0	501
45 – 49	4	66	125	96	95	21	0	0	0	407
50 – 54	7	57	74	61	53	26	6	0	0	284
55 – 59	3	27	31	45	42	28	16	1	0	193
60 – 64	1	13	14	16	13	11	6	0	0	74
65 – 69	0	1	0	2	0	2	2	1	1	9
70 – 74	0	0	0	0	1	0	0	0	0	1
75+	0	0	0	0	0	0	0	0	0	0
Total	47	614	683	450	248	89	30	2	1	2,164

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

State of Alaska Public Employees' Retirement System

Section 5.2 (cont'd)

Age and Service 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	55	\$ 2,503,937	\$ 45,526
20 – 24	9	485,748	53,972	1	133	5,978,319	44,950
25 – 29	376	19,898,657	52,922	2	248	11,377,975	45,879
30 – 34	1,161	68,160,602	58,709	3	361	17,264,777	47,825
35 – 39	1,675	105,620,686	63,057	4	556	26,021,206	46,801
40 – 44	2,319	146,043,593	62,977	0 – 4	1,353	63,146,214	46,671
45 – 49	3,341	209,811,702	62,799	5 – 9	6,925	392,642,880	56,699
50 – 54	4,605	294,877,817	64,034	10 – 14	5,346	337,535,896	63,138
55 – 59	4,216	273,335,956	64,833	15 – 19	3,089	211,136,346	68,351
60 – 64	2,109	138,005,811	65,437	20 – 24	2,272	170,769,969	75,163
65 – 69	607	40,026,252	65,941	25 – 29	1,151	93,329,042	81,085
70 – 74	120	7,534,843	62,790	30 – 34	348	29,553,782	84,925
75+	28	1,534,976	54,821	35 – 39	67	5,764,331	86,035
				40+	15	1,458,183	97,212
Total	20,566	\$ 1,305,336,643	\$ 63,471	Total	20,566	\$ 1,305,336,643	\$ 63,471

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	6	3	0	0	0	0	0	0	0	9
25 – 29	130	242	4	0	0	0	0	0	0	376
30 – 34	174	803	184	0	0	0	0	0	0	1,161
35 – 39	137	874	556	105	3	0	0	0	0	1,675
40 – 44	162	953	799	298	101	6	0	0	0	2,319
45 – 49	190	1,123	936	557	414	117	4	0	0	3,341
50 – 54	220	1,201	1,127	801	702	459	91	4	0	4,605
55 – 59	190	986	1,067	807	674	344	134	14	0	4,216
60 – 64	110	556	475	394	288	167	84	26	9	2,109
65 – 69	28	141	162	106	80	46	28	14	2	607
70 – 74	4	32	30	18	8	10	7	8	3	120
75+	2	11	6	3	2	2	0	1	1	28
Total	1,353	6,925	5,346	3,089	2,272	1,151	348	67	15	20,566

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

State of Alaska Public Employees' Retirement System

Section 5.3

Member Data Reconciliation – Total PERS

	Active Members	Inactive Members					Total
		Due a Refund	With Deferred Benefits	Retired Members	Disabled Members	Bene-ficiaries	
As of June 30, 2011	24,393	14,028	6,414	24,363	284	2,712	72,194
Vested Terminations	(772)	(10)	786	0	(4)	0	0
Non-vested Terminations	(292)	314	(22)	0	0	0	0
Cash-outs	(133)	(516)	(95)	0	(1)	0	(745)
Disability Retirements	(16)	(1)	(12)	0	29	0	0
Age Retirements	(1,022)	(29)	(436)	1,531	(44)	N/A	0
Deaths With Beneficiary	(17)	0	(5)	(165)	(2)	188	(1)
Deaths Without Beneficiary	(26)	(26)	(11)	(324)	(4)	(71)	(462)
Data Corrections	(6)	(7)	(1)	(2)	0	0	(16)
Transfers Out	0	0	0	0	0	0	0
Rehires	616	(263)	(325)	(25)	(3)	0	0
Pick Ups	5	62	1	6	0	75	149
Net Change	(1,663)	(476)	(120)	1,021	(29)	192	(1,075)
New Entrants During the Year	0	0	N/A	N/A	N/A	N/A	0
As of June 30, 2012	22,730	13,552	6,294	25,384	255	2,904	71,119

State of Alaska Public Employees' Retirement System

Section 5.4

Schedule of Active Member 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, 2012	2,164	\$ 197,544	\$ 91,286	4.1%	160
June 30, 2011	2,275	199,537	87,709	8.6%	160
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

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

State of Alaska Public Employees' Retirement System

Section 5.4 (cont'd)

Schedule of Active Member 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, 2012	20,566	\$ 1,305,337	\$ 63,471	4.6%	160
June 30, 2011	22,118	1,342,122	60,680	4.7%	160
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

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

State of Alaska Public Employees' Retirement System

Section 5.5

Summary of New Pension Benefit Recipients – Peace Officer/Firefighter

During the Year Ending June 30	2008	2009	2010	2011	2012 ¹
Service					
(1) Number	97	80	86	83	78
(2) Average Age at Commencement	55.95	55.98	56.91	56.41	56.73
(3) Average Monthly Pension Benefit	\$ 2,616	\$ 2,402	\$ 2,865	\$ 3,229	\$ 3,042
Survivor (including surviving spouse and QDROs)					
(1) Number	20	25	28	29	25
(2) Average Age at Commencement	56.36	58.42	57.70	57.19	62.97
(3) Average Monthly Pension Benefit	\$ 1,163	\$ 1,337	\$ 1,521	\$ 1,438	\$ 1,541
Disability					
(1) Number	8	3	4	2	4
(2) Average Age at Commencement	43.62	44.87	50.61	50.53	48.14
(3) Average Monthly Pension Benefit	\$ 2,425	\$ 1,461	\$ 2,631	\$ 2,354	\$ 3,923
Total					
(1) Number	125	108	118	114	107
(2) Average Age at Commencement	55.23	56.24	56.88	56.51	57.87
(3) Average Monthly Pension Benefit	\$ 2,371	\$ 2,129	\$ 2,538	\$ 2,758	\$ 2,724

¹ Excludes transfers from Others.

State of Alaska Public Employees' Retirement System

Section 5.5 (cont'd)

Summary of New Pension Benefit Recipients

Average Pension Benefit Payments – Peace Officer/Firefighter

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/11 - 6/30/12:							
Average Monthly Pension Benefit	\$ 0	\$ 1,159	\$ 1,161	\$ 3,142	\$ 3,504	\$ 4,673	\$ 5,079
Number of Recipients	0	13	13	12	20	17	7
Period 7/1/10 - 6/30/11:							
Average Monthly Pension Benefit	\$ 525	\$ 880	\$ 1,469	\$ 2,666	\$ 3,743	\$ 4,806	\$ 5,661
Number of Recipients	1	8	18	10	24	16	8
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 7/10 - 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

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

State of Alaska Public Employees' Retirement System

Section 5.5 (cont'd)

Summary of New Pension Benefit Recipients – Others

During the Year Ending June 30	2008	2009	2010	2011	2012 ¹
Service					
(1) Number	1,226	1,140	1,409	1,379	1,413
(2) Average Age at Commencement	57.77	58.10	58.74	59.19	59.68
(3) Average Monthly Pension Benefit	\$ 1,743	\$ 1,698	\$ 1,879	\$ 2,061	\$ 2,031
Survivor (including surviving spouse and QDROs)					
(1) Number	201	181	225	191	238
(2) Average Age at Commencement	63.66	64.33	65.35	66.04	65.26
(3) Average Monthly Pension Benefit	\$ 1,000	\$ 866	\$ 986	\$ 1,103	\$ 1,005
Disability					
(1) Number	27	19	33	25	25
(2) Average Age at Commencement	47.75	51.79	52.43	51.10	53.32
(3) Average Monthly Pension Benefit	\$ 1,355	\$ 1,264	\$ 1,662	\$ 1,550	\$ 1,553
Total					
(1) Number	1,454	1,340	1,667	1,595	1,676
(2) Average Age at Commencement	58.40	58.85	59.51	59.88	60.38
(3) Average Monthly Pension Benefit	\$ 1,633	\$ 1,579	\$ 1,754	\$ 1,938	\$ 1,878

¹ Excludes transfers from Peace Officer/Firefighters.

State of Alaska Public Employees' Retirement System

Section 5.5 (cont'd)

Summary of New Pension Benefit Recipients

Average Pension Benefit Payments – Others

	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
Period 7/1/11 - 6/30/12:							
Average Monthly Pension Benefit	\$ 407	\$ 610	\$ 1,147	\$ 1,931	\$ 2,805	\$ 4,214	\$ 5,076
Number of Recipients	67	351	314	204	208	188	106
Period 7/1/10 - 6/30/11:							
Average Monthly Pension Benefit	\$ 409	\$ 633	\$ 1,150	\$ 1,876	\$ 2,690	\$ 4,294	\$ 5,226
Number of Recipients	73	352	270	227	172	205	105
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 7/10 - 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

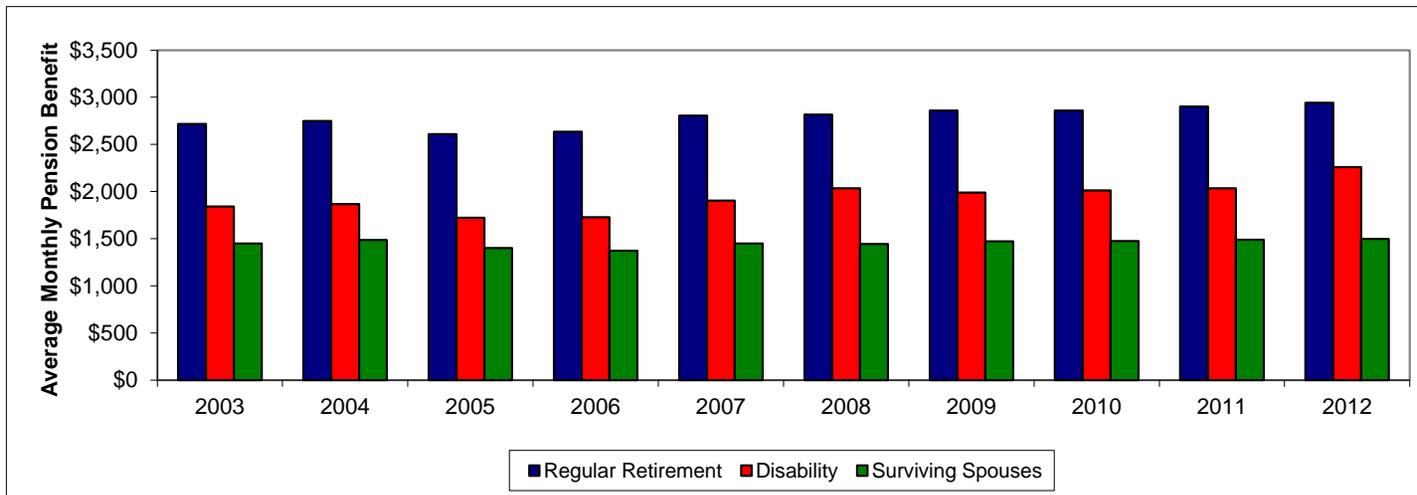
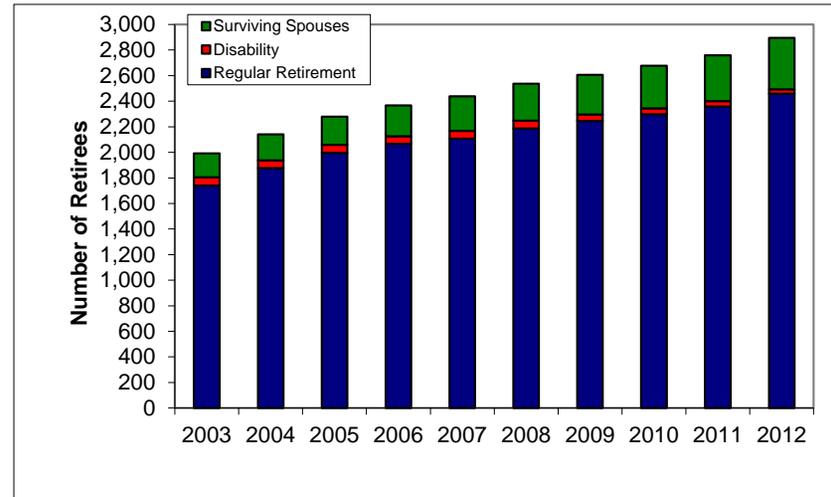
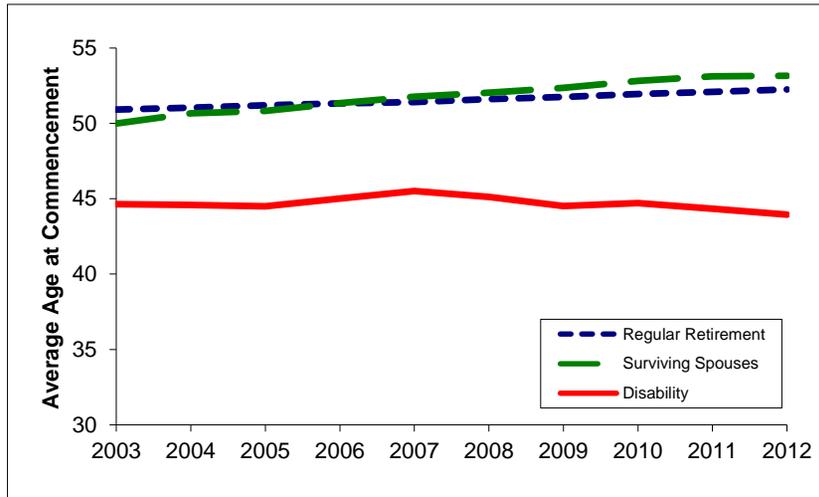
“Average Monthly Benefit” includes post-retirement pension adjustments and cost-of-living increases.

Summary of All Pension Benefit Recipients

	Peace Officer/ Firefighter	Others
Service Retirements		
(1) Number, June 30, 2011	2,359	22,004
(2) Net Change During FY12	100	921
(3) Number, June 30, 2012	2,459	22,925
(3) Average Age At Commencement	52.25	57.03
(4) Average Current Age	64.62	67.72
(5) Average Monthly Pension Benefit	\$ 2,941	\$ 1,657
Survivors (including surviving spouses and QDROs)		
(1) Number, June 30, 2011	358	2,354
(2) Net Change During FY12	45	144
(3) Number, June 30, 2012	403	2,498
(4) Average Age At Commencement	53.15	59.93
(5) Average Current Age	63.44	69.36
(6) Average Monthly Pension Benefit	\$ 1,496	\$ 967
Disabilities		
(1) Number, June 30, 2011	41	243
(2) Net Change During FY12	(7)	(22)
(3) Number, June 30, 2012	34	221
(4) Average Age At Commencement	43.95	45.75
(5) Average Current Age	50.72	53.52
(6) Average Monthly Pension Benefit	\$ 2,259	\$ 1,485
Total		
(1) Number, June 30, 2011	2,758	24,601
(2) Net Change During FY12	138	1,043
(3) Number, June 30, 2012	2,896	25,644
(4) Average Age At Commencement	52.28	57.22
(5) Average Current Age	64.29	67.76
(6) Average Monthly Pension Benefit	\$ 2,731	\$ 1,588

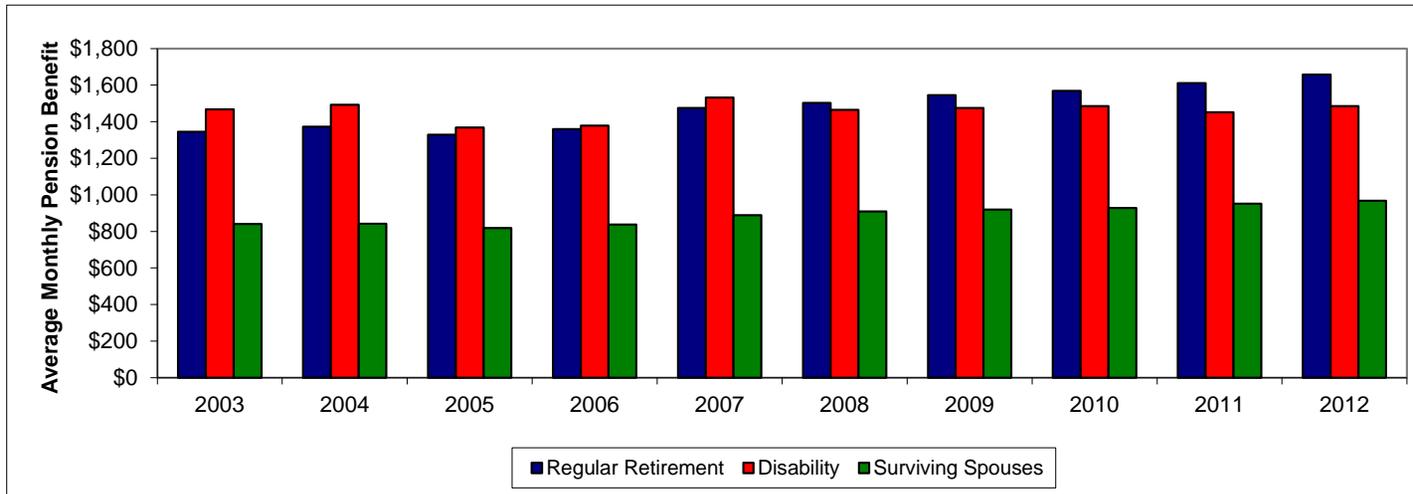
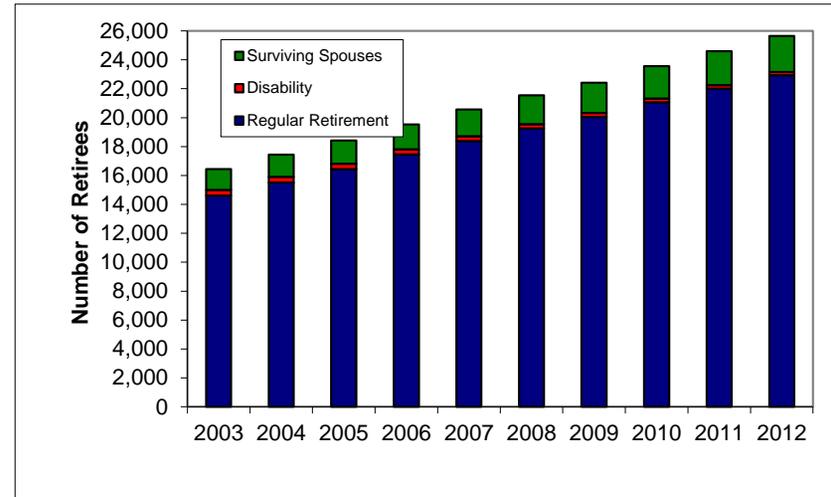
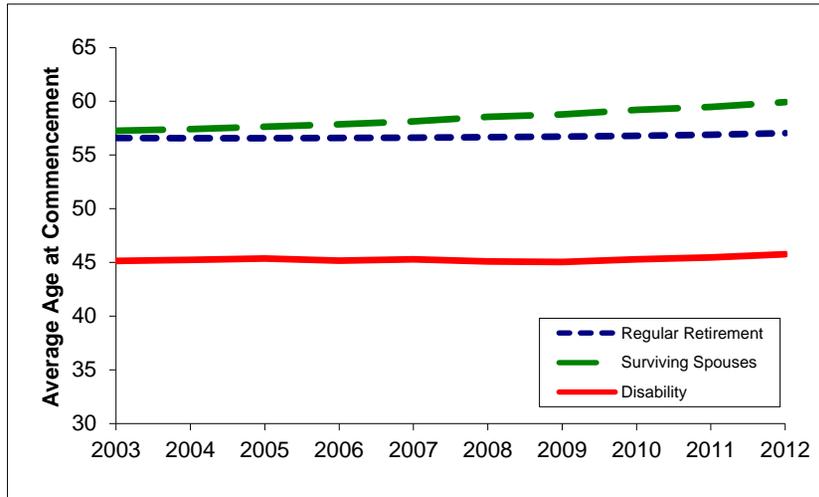
Summary of All Pension Benefit Recipients

Peace Officer/Firefighter



Summary of All Pension Benefit Recipients

Others



State of Alaska Public Employees' Retirement System

Section 5.6 (cont'd)

Summary of All Pension 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	2	72,169	36,085
35 – 39	3	79,450	26,483
40 – 44	16	413,815	25,863
45 – 49	56	1,889,679	33,744
50 – 54	235	8,334,193	35,465
55 – 59	567	18,881,226	33,300
60 – 64	742	24,223,017	32,646
65 – 69	636	20,742,399	32,614
70 – 74	359	11,179,947	31,142
75+	280	9,108,439	32,530

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Benefit	Average Annual Benefit
0	109	\$ 3,484,119	\$ 31,964
1	115	3,720,927	32,356
2	116	3,675,881	31,689
3	122	3,220,194	26,395
4	126	3,501,549	27,790
0 – 4	588	17,602,670	29,937
5 – 9	685	20,860,789	30,454
10 – 14	726	23,627,745	32,545
15 – 19	415	14,757,069	35,559
20 – 24	242	8,607,076	35,566
25 – 29	171	7,320,865	42,812
30 – 34	52	1,754,320	33,737
35 – 39	17	393,800	23,165
40+	0	0	0

Total 2,896 \$ 94,924,334 \$ 32,778

Total 2,896 \$ 94,924,334 \$ 32,778

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	1	0	0	0	0	0	0	0	2
35 – 39	1	1	1	0	0	0	0	0	0	3
40 – 44	12	2	2	0	0	0	0	0	0	16
45 – 49	39	10	4	1	2	0	0	0	0	56
50 – 54	98	98	36	3	0	0	0	0	0	235
55 – 59	171	204	158	28	3	1	1	1	0	567
60 – 64	172	213	229	94	29	3	1	1	0	742
65 – 69	66	110	203	155	66	30	4	2	0	636
70 – 74	12	32	72	107	76	52	4	4	0	359
75+	16	14	21	27	66	85	42	9	0	280
Total	588	685	726	415	242	171	52	17	0	2,896

State of Alaska Public Employees' Retirement System

Section 5.6 (cont'd)

Summary of All Benefit Recipients – Others

Annual Pension Benefit by Age

Age	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0 – 19	0	\$ 0	\$ 0
20 – 24	1	32,814	32,814
25 – 29	0	0	0
30 – 34	2	23,070	11,535
35 – 39	9	95,111	10,568
40 – 44	25	290,835	11,633
45 – 49	84	1,154,110	13,739
50 – 54	697	15,875,850	22,777
55 – 59	3,663	84,299,304	23,014
60 – 64	6,565	131,180,372	19,982
65 – 69	5,736	105,714,284	18,430
70 – 74	3,804	66,309,691	17,432
75+	5,058	83,778,586	16,564
Total	25,644	\$ 488,754,027	\$ 19,059

Annual Pension Benefit by Years Since Commencement

Years Since Commencement	Number	Total Annual Pension Benefit	Average Annual Pension Benefit
0	1,621	\$ 36,864,049	\$ 22,742
1	1,590	36,437,020	22,916
2	1,539	32,850,385	21,345
3	1,353	25,961,443	19,188
4	1,409	28,259,100	20,056
0 – 4	7,512	160,371,997	21,349
5 – 9	6,552	126,378,913	19,289
10 – 14	4,927	90,467,592	18,362
15 – 19	2,886	49,885,112	17,285
20 – 24	2,042	31,821,444	15,583
25 – 29	1,250	22,853,948	18,283
30 – 34	368	5,332,683	14,491
35 – 39	101	1,493,679	14,789
40+	6	148,659	24,777
Total	25,644	\$ 488,754,027	\$ 19,059

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	1	0	0	0	0	0	0	0	1
25 – 29	0	0	0	0	0	0	0	0	0	0
30 – 34	1	1	0	0	0	0	0	0	0	2
35 – 39	6	3	0	0	0	0	0	0	0	9
40 – 44	15	5	3	1	1	0	0	0	0	25
45 – 49	43	23	13	4	1	0	0	0	0	84
50 – 54	560	75	34	16	11	0	1	0	0	697
55 – 59	2,669	887	71	22	10	3	1	0	0	3,663
60 – 64	2,534	2,875	1,063	67	15	5	5	1	0	6,565
65 – 69	1,060	1,736	2,126	717	84	9	4	0	0	5,736
70 – 74	329	635	990	1,138	614	82	11	3	2	3,804
75+	295	311	627	921	1,306	1,151	346	97	4	5,058
Total	7,512	6,552	4,927	2,886	2,042	1,250	368	101	6	25,644

State of Alaska Public Employees' Retirement System

Section 5.7

Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Elected – 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	52	29	23	0	29	11	1	2	9
301 – 600	172	110	61	1	82	40	25	11	14
601 – 900	147	86	58	3	81	39	8	10	9
901 – 1,200	175	123	51	1	88	41	20	13	13
1,201 – 1,500	167	122	43	2	90	35	21	11	10
1,501 – 1,800	141	110	28	3	55	45	23	10	8
1,801 – 2,100	184	140	39	5	76	54	30	14	10
2,101 – 2,400	199	159	33	7	83	69	27	14	6
2,401 – 2,700	207	189	14	4	60	86	28	20	13
2,701 – 3,000	245	226	19	0	66	115	43	12	9
3,001 – 3,300	211	195	13	3	59	92	32	17	11
3,301 – 3,600	191	182	8	1	54	91	25	14	7
3,601 – 3,900	181	176	3	2	47	91	19	18	6
3,901 – 4,200	150	147	2	1	38	75	22	10	5
Over \$ 4,200	474	465	8	1	101	266	51	40	16
Totals	2,896	2,459	403	34	1,009	1,150	375	216	146

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

State of Alaska Public Employees' Retirement System

Section 5.7 (cont'd)

Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Elected – 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	1,970	1,562	406	2	852	394	290	56	378
301 – 600	4,607	3,976	602	29	2,263	1,158	723	258	205
601 – 900	3,557	3,093	442	22	1,713	900	544	219	181
901 – 1,200	2,942	2,584	329	29	1,378	762	493	175	134
1,201 – 1,500	2,417	2,135	243	39	1,087	688	390	131	121
1,501 – 1,800	1,873	1,691	144	38	796	529	324	120	104
1,801 – 2,100	1,510	1,382	108	20	607	457	258	105	83
2,101 – 2,400	1,267	1,181	66	20	478	394	246	87	62
2,401 – 2,700	1,047	979	57	11	418	360	193	39	37
2,701 – 3,000	844	804	38	2	311	285	162	48	38
3,001 – 3,300	692	663	25	4	232	266	133	35	26
3,301 – 3,600	568	556	11	1	178	233	92	36	29
3,601 – 3,900	468	455	12	1	160	175	83	32	18
3,901 – 4,200	420	418	2	0	129	176	84	18	13
Over \$ 4,200	1,462	1,446	13	3	433	605	284	95	45
Totals	25,644	22,925	2,498	221	11,035	7,382	4,299	1,454	1,474

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

State of Alaska Public Employees' Retirement System

Section 5.8

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, 2012	179	\$ 5,246,271	41	\$ (177,568)	2,896	\$ 94,924,334	6.1%	\$ 32,778
June 30, 2011	114	3,772,720	33	116,090	2,758	89,500,495	4.3%	32,451
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

¹ Numbers are estimated, and include other internal transfers.

State of Alaska Public Employees' Retirement System

Section 5.8 (cont'd)

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, 2012	1,679	\$ 37,855,250	636	\$ 5,344,239	25,644	\$488,754,027	7.1%	\$ 19,059
June 30, 2011	1,595	37,100,217	554	6,897,899	24,601	456,243,016	7.1%	18,546
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

¹ Numbers are estimated, and include other internal transfers.

Section 6

Basis of the Actuarial Valuation

Summary of Plan Provisions and Changes in 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.

Summary of Plan Provisions and Changes in Plan Provisions

(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.

Summary of Plan Provisions and Changes in Plan Provisions

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.

Summary of Plan Provisions and Changes in Plan Provisions

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. 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 by the legislature before May 30, 1987;

Summary of Plan Provisions and Changes in Plan Provisions

- (iii) 80 days of paid-up PERS service as employees of the legislature during each of five legislative sessions and they were first hired by the legislature 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, 1996 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%.

Summary of Plan Provisions and Changes in Plan Provisions

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.

Summary of Plan Provisions and Changes in Plan Provisions

(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. Tier 2 Members who are receiving a conditional benefit and are age eligible are 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.

Summary of Plan Provisions and Changes in Plan Provisions

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.

Summary of Plan Provisions and Changes in Plan Provisions

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.

Description of Actuarial Methods and Valuation Procedures

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

(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 dollar amount, and represents a change from the level percentage of payroll amortization method effective June 30, 2012. 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.

Description of Actuarial Methods and Valuation Procedures

(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 fair value of assets.

Changes in Methods Since the Prior Valuation

There was one change in valuation methods as well as any changes described in the healthcare sections below. Amortization of any funding surpluses or unfunded accrued liability was changed from a level percent of pay amount to a level dollar amount.

(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 Teachers' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2012 to June 30, 2013.

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 HealthSmart and Premera management level reporting for fiscal 2009 through April 2012, as well as HealthSmart 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.

Description of Actuarial Methods and Valuation Procedures

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 HealthSmart, 0.5% 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 and/or re-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 utilized incurred claim data 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. We used estimated June 2012 reserve data to complete fiscal year 2012 claim costs.
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 of 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 reviewed 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 to be sufficiently far into the future to produce a minimal impact. Buck determined the impact to be 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.

State of Alaska Public Employees' Retirement System

Section 6.2 (cont'd)

Description of Actuarial Methods and Valuation Procedures

June 30, 2012 Valuation – FY 2013 Claims Cost Rates

	Medical			Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	
Fiscal 2009 Incurred Claims	\$ 207,452,753	\$ 43,988,895	\$ 4,422,726	\$ 65,158,106	\$ 64,232,955	\$ 1,507,666	\$ 386,763,101
Membership	32,943	24,624	539	32,943	24,624	539	58,106
Paid Claims Cost Rate	\$ 6,297	\$ 1,786	\$ 8,204	\$ 1,978	\$ 2,609	\$ 2,797	\$ 6,656
Trend to FY2013	1.317	1.317	1.317	1.235	1.235	1.235	
FY 2013 Paid Cost Rate	\$ 8,295	\$ 2,353	\$ 10,806	\$ 2,442	\$ 3,221	\$ 3,453	\$ 8,581
Paid to Incurred Factor	1.000	1.000	1.000	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$ 8,295	\$ 2,353	\$ 10,806	\$ 2,442	\$ 3,221	\$ 3,454	\$ 8,582
Fiscal 2010 Incurred Claims	\$ 233,601,103	\$ 60,082,942	\$ 1,421,948	\$ 59,287,225	\$ 69,463,204	\$ 394,011	\$ 424,250,433
Membership	32,026	27,915	156	32,026	27,915	156	60,097
Paid Claims Cost Rate	\$ 7,294	\$ 2,152	\$ 9,115	\$ 1,851	\$ 2,488	\$ 2,526	\$ 7,059
Trend to FY2013	1.220	1.220	1.220	1.143	1.143	1.143	
FY 2013 Paid Cost Rate	\$ 8,896	\$ 2,625	\$ 11,117	\$ 2,116	\$ 2,845	\$ 2,887	\$ 8,446
Paid to Incurred Factor	1.000	1.000	1.000	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$ 8,896	\$ 2,625	\$ 11,117	\$ 2,117	\$ 2,845	\$ 2,888	\$ 8,446
Fiscal 2011 Incurred Claims	\$ 232,542,851	\$ 55,569,969	\$ 848,494	\$ 48,384,466	\$ 85,599,757	\$ 393,794	\$ 423,339,331
Membership	31,362	29,997	138	31,362	29,997	138	61,497
Paid Claims Cost Rate	\$ 7,415	\$ 1,852	\$ 6,149	\$ 1,543	\$ 2,854	\$ 2,854	\$ 6,884
Trend to FY2013	1.079	1.079	1.079	1.043	1.043	1.043	
FY 2013 Paid Cost Rate	\$ 8,001	\$ 1,999	\$ 6,634	\$ 1,609	\$ 2,977	\$ 2,977	\$ 7,349
Paid to Incurred Factor	1.000	1.000	1.000	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$ 8,001	\$ 1,999	\$ 6,634	\$ 1,610	\$ 2,977	\$ 2,977	\$ 7,350

State of Alaska Public Employees' Retirement System

Section 6.2 (cont'd)

Description of Actuarial Methods and Valuation Procedures

June 30, 2012 Valuation – FY 2013 Claims Cost Rates

	Medical			Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	Pre-Medicare	Medicare A&B	Medicare B Only	
Fiscal 2012 Incurred Claims	\$ 240,584,988	\$ 73,566,159	\$ 1,636,834	\$ 50,683,151	\$ 95,740,056	\$ 593,392	\$ 462,804,580
Membership	29,438	33,560	208	29,438	33,560	208	63,206
Paid Claims Cost Rate	\$ 8,173	\$ 2,192	\$ 7,869	\$ 1,722	\$ 2,853	\$ 2,853	\$ 7,322
Trend to FY2013	1.004	1.004	1.004	1.002	1.002	1.002	
FY 2013 Paid Cost Rate	\$ 8,209	\$ 2,202	\$ 7,905	\$ 1,725	\$ 2,858	\$ 2,858	\$ 7,559
Paid to Incurred Factor	1.000	1.000	1.000	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$ 8,209	\$ 2,202	\$ 7,905	\$ 1,725	\$ 2,859	\$ 2,859	\$ 7,559
Weighted Average 7/1/2012-6/30/2013 Incurred Claims Cost Rates:							
At average age	\$ 8,298	\$ 2,228	\$ 8,511	\$ 1,874	\$ 2,974	\$ 3,020	\$ 7,839
At age 65	\$ 9,856	\$ 1,628	\$ 6,219	\$ 2,736	\$ 2,736	\$ 2,736	\$ 8,214

**Description of Actuarial Methods
and Valuation Procedures**

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, 2012 through June 30, 2013**

Age	Medical and Medicare Parts A & B	Medical and Medicare Part B Only	Prescription Drug	Medicare Retiree Drug Subsidy
45	\$ 5,458	\$ 5,458	\$ 1,443	\$ 0
50	6,176	6,176	1,714	0
55	6,987	6,987	2,036	0
60	8,298	8,298	2,360	0
65	1,628	6,219	2,736	535
70	1,981	7,566	2,947	576
75	2,352	8,984	3,144	615
80	2,534	9,679	3,223	630

Summary of Actuarial Assumptions and Changes in Assumptions

The demographic and economic assumptions used in the June 30, 2012 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.

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.

*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 109%.

State of Alaska Public Employees' Retirement System

Section 6.3 (cont'd)

Summary of Actuarial Assumptions and Changes in Assumptions

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.	
Modified Cash Refund	Benefits for active members are valued using a 3-year certain and life form of payment to account for modified cash refund. For deferred vested and retired members, the certain period equals their account balance divided by their pension benefit amount.	
Per Capita Claims Cost	Sample claims cost rates adjusted to age 65 for FY13 medical and prescription are shown below:	
	Medical	Prescription Drugs
	Pre-Medicare	\$ 9,856
	Medicare Parts A & B	\$ 2,736
	Medicare Part B Only	\$ 1,628
	Medicare Part D	\$ 6,219
		\$ 2,736
		\$ 535
Third Party Administrator Fees	\$163.52 per person per year; assumed trend rate of 5% per year.	
Medicare Part B Only	For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire.	

Summary of Actuarial Assumptions and Changes in Assumptions

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, 9.0% is applied to the FY13 pre-Medicare medical claims cost to get the FY14 medical claims cost.

	Medical Pre-65	Medical Post-65	Prescription Drugs
FY13	9.0%	6.5%	6.4%
FY14	8.7%	6.4%	6.3%
FY15	8.5%	6.3%	6.2%
FY16	8.0%	6.3%	6.2%
FY17	7.5%	6.2%	6.1%
FY18	7.0%	6.1%	6.0%
FY19	6.6%	6.1%	5.8%
FY25	6.0%	6.0%	5.8%
FY50	5.0%	5.0%	5.0%
FY100	4.5%	4.5%	4.5%

For the June 30, 2012 valuations and later, the updated 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. The model asks the user to input estimated baseline costs for year 2015. Using this value as the base cost, the model projects per-person expenditures and growth rates through 2100 using a set of equations and assumptions developed by the author with the assistance of an SOA working group. The user can then use the model input cells to specify alternative assumptions regarding responsiveness to external trends, income growth, and other factors to arrive at alternative projections. The model provisionally uses default short term annual projected by CMS for years 2011-2015 (4% to 6%), but users may input their own estimates for these model years. In this model, cost controls can be simulated in two ways: by specifying a Share Restriction Point, a percentage of GDP represented by healthcare and above which the current trends will be reduced; or by specifying a limit year after which the rate of growth in health care costs will be reduced to match the rate of growth in per capita income (as both CMS and CBO assume). While this model is not directly applicable, it was used for a reference point in the ultimate pharmacy trend. We set pharmacy trend based upon recent plan and industry experience and grade down slowly in the select period (similar to post-65 medical trend) to an ultimate trend rate based upon what we are seeing for medical trend and consistent within the industry.

Summary of Actuarial Assumptions and Changes in Assumptions

The following table compares plan-specific inputs and the model's baseline assumptions for key assumptions as of June 30, 2012:

Key Assumption	Base Line Value	Alaska-Specific Values	
		Pre-Medicare Medical	Medicare Medical
HCCTR 2012-2013	4.6%	9.0%	6.1%
HCCTR 2013-2014	7.4%	8.0%	5.8%
HCCTR 2014-2015	5.0%	7.0%	5.5%
2015 GDP % of healthcare	18.3%	17.9%	17.9%
2015 PCCC	\$10,000	\$10,295	\$2,596
CPI	2.5%	2.5%	2.5%
Real GDP	1.7%	1.5%	1.5%
Income Multiplier	1.40	1.30	1.30
Taste/Technology	1.1%	1.1%	1.1%
Max GDP as % of healthcare	25.0%	25.0%	25.0%
Year reached	2075	2075	2075

Future (2026+) assumptions for inflation (2.4% for 2026-3025 and 2.3% thereafter), real GDP (1.5%), income multiplier (1.05 for 2026-3025 and 1.00 thereafter) and technology (0.9% for 2026-3025 and 0.8% thereafter) were not changed from the baseline inputs.

Aging Factors

Age	Prescription	
	Medical	Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-73	4.0%	1.5%
74-83	1.5%	0.5%
84-93	0.5%	0.0%
94+	0.0%	0.0%

Summary of Actuarial Assumptions and Changes in Assumptions

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 FY13 contributions based on monthly rates shown below for calendar 2012 and 2013 are assumed based on the coverage category for current retirees. The retiree only 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 and are projected to have single coverage. The retiree and spouse rate shown below is used for those projected to have a covered spouse:

Coverage Category	Calendar 2013 Annual Contribution	Calendar 2013 Monthly Contribution	Calendar 2012 Monthly Contribution
Retiree Only	\$ 9,876	\$ 823	\$ 807
Retiree and Spouse	\$ 19,764	\$ 1,647	\$ 1,615
Retiree and Child(ren)	\$ 13,956	\$ 1,163	\$ 1,140
Retiree and Family	\$ 23,844	\$ 1,987	\$ 1,948
Composite	\$ 14,676	\$ 1,223	\$ 1,200

Contribution rates for all coverage tiers and weighted average are provided for reference purposes.

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, 8.4% is applied to the FY13 retired member medical contributions to get the FY14 retired member medical contributions.

FY13	8.4%
FY14	8.2%
FY15	8.0%
FY16	7.6%
FY17	7.2%
FY18	6.7%
FY19	6.4%
FY25	5.9%
FY50	5.0%
FY100	4.5%

Graded trend rates for retired member medical contributions were reinitialized for the June 30, 2012 valuation. Note that actual FY13 retired member medical contributions are reflected in the valuation so trend on such contribution during FY13 is not applicable.

Summary of Actuarial Assumptions and Changes in Assumptions

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. 100% of those who retired prior to age 60 and actually declined coverage, or who are assumed to decline non-system-paid coverage, are assumed to re-enroll at age 60 (when all coverage is system-paid for retirees included in this report).

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**Table 5
Alaska PERS
Total Turnover Assumptions**

Others:

Year of Employment	Age at Hire	
	20-34 Unisex Rates	35+ 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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

Section 6.3 (cont'd)

State of Alaska Public Employees' Retirement System

Summary of Actuarial Assumptions and Changes in Assumptions

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

**Summary of Actuarial Assumptions
and Changes in Assumptions**

**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

Summary of Actuarial Assumptions and Changes in Assumptions

Changes in Actuarial Assumptions Since the Prior Valuation

There have been no changes in actuarial assumptions since the prior valuation, except for the assumption regarding healthcare cost trend rates. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated participant contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

State of Alaska Public Employees' Retirement System

Glossary of Terms

Actuarial Accrued Liability	Total accumulated cost to fund pension benefits arising from service in all prior years.
Actuarial Cost Method	Technique used to assign or allocate, in a systematic and consistent manner, the expected cost of a pension plan for a group of plan members to the years of service that give rise to that cost.
Actuarial Present Value of Projected Benefits	Amount which, together with future interest, is expected to be sufficient to pay all future benefits.
Actuarial Valuation	Study of probable amounts of future pension benefits and the necessary amount of contributions to fund those benefits.
Actuary	Person who performs mathematical calculations pertaining to pension and insurance benefits based on specific procedures and assumptions.
Annual Required Contribution	Disclosure measure of annual pension cost.
GASB 25 and 27	Governmental Accounting Standards Board Statement Number 25 which specifies how the Annual Required Contribution (ARC) is to be calculated, and Number 27 which specifies Employer reporting of Pension Cost.
GASB 43 and 45	Governmental Accounting Standards Board Statement Number 43 which specifies how the Annual Required Contribution (ARC) is to be calculated, and Number 45 which specifies Employer reporting of Other Post-Employment Benefit (OPEB) Cost.
Liquidity Factor	Is calculated as the average annual Fair Value of Assets divided by the total annual benefit payments. This measures the approximate number of years that assets will cover benefit payments without contributions or investment return. Trend shows solvency risk.
Maturity Ratio	The ratio of the actuarial accrued liability for members who are no longer active to the total actuarial accrued liability. A ratio of over 50% indicates a mature plan. The higher the maturity ratio, the more volatile the contribution rate will be from year to year given actuarial gains and losses.
Normal Cost	That portion of the actuarial present value of benefits assigned to a particular year in respect to an individual participant or the plan as a whole.
Unfunded Actuarial Accrued Liability (UAAL)	The portion of the actuarial accrued liability not offset by plan assets.
Vested Benefits	Benefits which are unconditionally guaranteed regardless of employment status.