

State of Alaska

Public Employees' Retirement System Defined Contribution Retirement Plan

For Occupational Death and Disability
And Retiree Medical Benefits

Actuarial Valuation Report
As of June 30, 2014

October 2015



©2015 Xerox Corporation and Buck Consultants, LLC. All rights reserved. Xerox® and Xerox and Design® are trademarks of Xerox Corporation in the United States and/or other countries. Buck Consultants® is a trademark of Buck Consultants, LLC in the United States and/or other countries.

Other company trademarks are also acknowledged.

Document Version: 1.0 (July 2014)



David H. Slishinsky
Principal & Consulting Actuary
David.Slishinsky@xerox.com
720.359.7773

Todd D. Kanaster
Senior Consultant
Todd.Kanaster@xerox.com
720.359.7762

Melissa A. Bissett
Senior Consultant
Melissa.Bissett@xerox.com
720.359.7735

Buck Consultants, LLC.
1200 17th Street
Suite 1200
Denver, CO 80202
Fax: 720.359.7701

October 6, 2015

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

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 Defined Contribution Retirement (PERS DCR) Plan as of June 30, 2014 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, 2014. The actuary did not verify the data submitted, but did perform tests for consistency and reasonableness.

All costs, liabilities and other factors under the Plan 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 Plan.

The State of Alaska Public Employees' Retirement System DCR Plan is funded by Employer Contributions in accordance with the funding policy adopted by the Alaska Retirement Management Board (Board) and as required by Alaska state statutes. The funding objective for the State of Alaska Public Employees' Retirement System DCR Plan is to pay required contributions that remain level as a percent of PERS DCR 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, Plan expenses, and amortize the Unfunded Actuarial Accrued Liability as a level percent of PERS DCR Compensation over a closed layered 25-year period. This objective is currently being met and is projected to continue to be met and as required by Alaska state statutes.



In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the Plan and reasonable long-term expectations, and represent our best estimate of the anticipated long-term experience under the Plan. The actuary performs an analysis of Plan 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 2014. 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 claims cost rates effective June 30, 2014 to better reflect expected future healthcare experience. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in Section 5.3.

The assumptions and methods used to determine the Annual Required Contributions (ARC) of the Employers to the State of Alaska Public Employees' Retirement System DCR Plan 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 No. 43 that is included in the Financial Section of the CAFR. We have also prepared the member data tables shown in Section 4 of this report for the Statistical Section of the CAFR, and the summary of actuarial assumptions and solvency test for the Actuarial Section of the CAFR.

The undersigned are Associates of the Society of Actuaries, 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,

David H. Slishinsky, ASA, MAAA, FCA
Principal, Consulting Actuary

Todd D. Kanaster, ASA, MAAA, FCA
Senior Consultant

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 A. Bissett, FSA, MAAA
Senior Consultant, Health & Productivity

Table of Contents

Executive Summary.....	1
Section 1 Actuarial Funding Results	6
Section 1.1 Actuarial Liabilities and Normal Cost	6
Section 1.2 Actuarial Contributions	9
Section 1.3 Actuarial Gain/(Loss) for FY14	18
Section 1.4 History of UAAL and Funded Ratio.....	19
Section 2 Plan Assets	20
Section 2.1 Summary of Fair Value of Assets	20
Section 2.2 Changes in Fair Value of Assets	21
Section 2.3 Actuarial Value of Assets	22
Section 2.4 Historical Asset Rate of Return	24
Section 3 Accounting Information	25
Section 3.1 Schedule of Funding Progress	25
Section 3.2 Schedule of Employer Contributions	26
Section 3.3 Notes to Trend Data	27
Section 3.4 Solvency Test.....	28
Section 4 Member Data	31
Section 4.1 Summary of Members Included.....	31
Section 4.2 Age and Service Distribution of Active Members – Total PERS	32
Section 4.3 Member Data Reconciliation - Total PERS.....	33
Section 4.4 Schedule of Active Member Valuation Data - Total PERS.....	34
Section 5 Basis of the Actuarial Valuation.....	35
Section 5.1 Summary of Plan Provisions and Changes in Plan Provisions	35
Section 5.2 Description of Actuarial Methods and Valuation Procedures	38
Section 5.3 Summary of Actuarial Assumptions and Changes in Assumptions	40
Glossary of Terms	52

Executive Summary

Overview

The State of Alaska Public Employees' Retirement System DCR Plan provides occupational death & disability and retiree medical benefits to eligible members hired after June 30, 2006. The Commissioner of the Department of Administration is responsible for administering the Plan. The Alaska Retirement Management Board has fiduciary responsibility over the assets of the Plan. This report presents the results of the actuarial valuation of the Plan benefits as of the valuation date of June 30, 2014.

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 contribution necessary to meet the Board's funding policy for the Plan;
2. To disclose the funding assets and liability measures as of the valuation date;
3. To disclose the accounting measures for the Plan required by GASB Nos. 67 and 43 as of the end of the last fiscal year;
4. To review the current funded status of the Plan;
5. To compare actual and expected experience under the Plan 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 the PERS DCR Plan based on the plan provisions, membership, assets, and actuarial assumptions as of the valuation date.

Future actuarial valuation measurements and projections may differ from the current measurements presented in this report due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

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 on the valuation date. A comparative summary of the funding ratio from the prior and current actuarial valuations follows:

Funding Status as of June 30 ¹	2013	2014
a. Accrued Liability ²	\$ 63,885	\$ 53,844
b. Valuation Assets ²	<u>31,709</u>	<u>41,461</u>
c. Unfunded Accrued Liability ² , (a) – (b)	\$ 32,176	\$ 12,383
d. Funding Ratio based on Valuation Assets, (b) ÷ (a)	49.6%	77.0%
e. Fair Value of Assets ²	\$ 32,397	\$ 44,750
f. Funding Ratio based on Fair Value of Assets, (e) ÷ (a)	50.7%	83.1%

Actual active member payroll has been based on information provided by KPMG, LLP.

¹ Includes occupational death & disability and retiree medical benefits.

² In thousands.

As shown previously, the funding ratio based on valuation assets as of June 30, 2014 has increased from 49.6% to 77.0%, an increase of 27.4% of payroll. The total calculated Employer contribution rate has decreased from 1.98% of payroll for FY16 to 1.39% for FY17, a decrease of 0.59% of payroll. The reasons for the change in the funded status and calculated contribution rate are explained below.

1. Retiree Medical Costs and Assumptions

Please refer to the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2014 for a full description of the assumptions and costs of the retiree medical plan. Adjustments from these costs and assumptions are described in this report.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2014 for PERS with some adjustments to reflect the differences between the DCR medical plan and the DB medical plan. These differences include different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for anticipated plan design features, including network steerage, higher initial copays, deductibles and out-of-pocket limits, FY14 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend, putting the annual projected trend closer to the ultimate trend rate. Participation rates estimate the proportion of retirees expected to have access to alternative options in the Medicare market as well as the time from retirement to Medicare-eligibility where a member pays full cost.

2. Investment Experience

The approximate FY14 investment return based on fair value was 18.0% compared to the expected investment return of 8.00%. This resulted in a gain of approximately \$3.56 million to the Plan from investment experience. The asset valuation method recognizes 20 percent of this gain (\$712 thousand) this year and an additional 20 percent in each of the next 4 years. In addition, 20 percent of the FY10 investment loss, 20 percent of the FY11 investment loss, 20 percent of the FY12 investment gain and 20 percent of the FY13 investment loss were recognized this year. The approximate FY14 asset return based on actuarial value was 10.9% compared to the expected asset return of 8.00%.

3. Salary Increase

During the period from June 30, 2013 to June 30, 2014, salary increases for continuing active members were slightly more than anticipated in the valuation assumptions.

4. Demographic Experience

The number of active members increased 10.37% from 14,316 at June 30, 2013 to 15,800 at June 30, 2014. The number of active members is growing annually since the opening of the DCR Plan to new entrants as of July 1, 2006. The average age of active members increased from 39.53 to 39.74 and average credited service increased from 2.59 to 2.97 years.

5. Changes in Methods Since the Prior Valuation

There have been no changes in methods since the prior valuation.

6. Changes in Assumptions Since the Prior Valuation

Effective for the June 30, 2014 valuation, the board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience analysis performed on the population experience from July 1, 2009 to June 30, 2013. The changes in assumptions were adopted by the Board during the December 2014 Board meeting. We also updated the Healthcare Cost Trend and Contribution Trend assumptions.

Due to plan clarification, the PRPA was added to the occupational death and disability benefits for Peace Officers and Firefighters. The PRPA was added to the occupational death benefit for Others.

7. Changes in Benefit Provisions Since the Prior Valuation

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

Comparative Summary of Key Actuarial Valuation Results

Total Employer Contribution Rates for Occupational Death & Disability for Fiscal Year Ending:	2016	2017
a. Employer Normal Cost Rate	0.37%	0.30%
b. Past Service Cost Rate	<u>(0.07)%</u>	<u>(0.09)%</u>
c. Total Employer Contribution Rate, (a) + (b), not less than 0%	0.30%	0.21%
Total Employer Contribution Rates for Retiree Medical for Fiscal Year Ending:	2016	2017
a. Employer Normal Cost Rate	1.36%	1.00%
b. Past Service Cost Rate	<u>0.32%</u>	<u>0.18%</u>
c. Total Employer Contribution Rate, (a) + (b), not less than 0%	1.68%	1.18%
Total Employer Contribution Rates for Fiscal Year Ending:	2016	2017
a. Total Employer Contribution Rate	1.98%	1.39%
b. Board Adopted Total Employer Contribution Rate	1.98%	TBD

The exhibit below shows the historical Board adopted employer contribution rates for the DCR Plan.

Valuation Date	Fiscal Year	Total Employer Contribution Rate		
		Occupational Death & Disability (PF / Others)	Retiree Medical	Total (PF / Others)
N/A	FY07	0.40% / 0.30%	1.75%	2.15% / 2.05%
N/A	FY08	1.33% / 0.58%	0.99%	2.32% / 1.57%
N/A	FY09	1.33% / 0.58%	0.99%	2.32% / 1.57%
June 30, 2007	FY10	1.33% / 0.30%	0.83%	2.16% / 1.13%
June 30, 2008	FY11	1.18% / 0.31%	0.55%	1.73% / 0.86%
June 30, 2009	FY12	0.97% / 0.11%	0.51%	1.48% / 0.62%
June 30, 2010	FY13	0.99% / 0.14%	0.48%	1.47% / 0.62%
June 30, 2011	FY14	1.14% / 0.20%	0.48%	1.62% / 0.68%
June 30, 2012	FY15	1.06% / 0.22%	1.66%	2.72% / 1.88%
June 30, 2013	FY16	1.05% / 0.22%	1.68%	2.73% / 1.90%
June 30, 2014	FY17	0.49% / 0.17%	1.18%	1.67% / 1.35%

Contribution rates are based on salary for DCR Plan members only.

The rates shown above are for funding purposes which differ from the Annual Required Contribution for GASB No. 43 reporting purposes. Under GASB No. 43, retiree medical liabilities are gross of the retiree drug subsidy and based on a discount rate in accordance with GASB parameters.

Summary of Actuarial Gain/(Loss)

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

	Occupational Death & Disability	Healthcare	Total	% of Expected
Retirement Experience	\$ 0	\$ 0	\$ 0	0.00%
Termination Experience	40	(1,013)	(973)	(1.16)%
Active Mortality Experience	740	(12)	728	0.87%
Inactive Mortality Experience	(11)	(1)	(12)	(0.01)%
Disability Experience	1,199	161	1,360	1.62%
New Entrants	(153)	(2,360)	(2,513)	(3.00)%
Rehires	(40)	(838)	(878)	(1.05)%
Other Demographic Experience ¹	125	1,035	1,160	1.38%
Salary Increases	(8)	N/A	(8)	(0.01)%
Medical Claims Costs	N/A	4,879	4,879	5.82%
Total	\$ 1,892	\$ 1,851	\$ 3,743	4.46%

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

¹ Reflects data and programming changes

Section 1 Actuarial Funding Results

Section 1.1 Actuarial Liabilities and Normal Cost Peace Officer/Firefighter (\$'s in 000's)

As of June 30, 2014	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 1,392	\$ 99
Occupational Disability Benefits	6,011	1,155
Medical and Prescription Drug Benefits	10,099	4,406
Medicare Part D Subsidy	<u>(1,048)</u>	<u>(458)</u>
Subtotal	\$ 16,454	\$ 5,202
Benefit Recipients		
Survivor Benefits	\$ 540	\$ 540
Disability Benefits	531	531
Medical and Prescription Drug Benefits	60	60
Medicare Part D Subsidy	<u>(6)</u>	<u>(6)</u>
Subtotal	\$ 1,125	\$ 1,125
Total	\$ 17,579	\$ 6,327
Total Occupational Death & Disability	\$ 8,474	\$ 2,325
Total Retiree Medical, Net of Part D Subsidy	\$ 9,105	\$ 4,002
Total Retiree Medical, Gross of Part D Subsidy	\$ 10,159	\$ 4,466

As of June 30, 2014	Normal Cost
Active Members	
Occupational Death Benefits	\$ 147
Occupational Disability Benefits	501
Medical and Prescription Drug Benefits	849
Medicare Part D Subsidy	<u>(89)</u>
Subtotal	\$ 1,408
Total	\$ 1,408
Total Occupational Death & Disability	\$ 648
Total Retiree Medical, Net of Part D Subsidy	\$ 760
Total Retiree Medical, Gross of Part D Subsidy	\$ 849

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

As of June 30, 2014	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 6,570	\$ 480
Occupational Disability Benefits	7,376	526
Medical and Prescription Drug Benefits	99,164	52,273
Medicare Part D Subsidy	<u>(11,521)</u>	<u>(6,128)</u>
Subtotal	\$ 101,589	\$ 47,151
Benefit Recipients		
Survivor Benefits	\$ 0	\$ 0
Disability Benefits	296	296
Medical and Prescription Drug Benefits	80	80
Medicare Part D Subsidy	<u>(10)</u>	<u>(10)</u>
Subtotal	\$ 366	\$ 366
Total	\$ 101,955	\$ 47,517
Total Occupational Death & Disability	\$ 14,242	\$ 1,302
Total Retiree Medical, Net of Part D Subsidy	\$ 87,713	\$ 46,215
Total Retiree Medical, Gross of Part D Subsidy	\$ 99,244	\$ 52,353

As of June 30, 2014	Normal Cost
Active Members	
Occupational Death Benefits	\$ 907
Occupational Disability Benefits	1,025
Medical and Prescription Drug Benefits	8,926
Medicare Part D Subsidy	<u>(1,041)</u>
Subtotal	\$ 9,817
Total	\$ 9,817
Total Occupational Death & Disability	\$ 1,932
Total Retiree Medical, Net of Part D Subsidy	\$ 7,885
Total Retiree Medical, Gross of Part D Subsidy	\$ 8,926

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

As of June 30, 2014	Present Value of Projected Benefits	Accrued (Past Service) Liability
Active Members		
Occupational Death Benefits	\$ 7,962	\$ 579
Occupational Disability Benefits	13,387	1,681
Medical and Prescription Drug Benefits	109,263	56,679
Medicare Part D Subsidy	<u>(12,569)</u>	<u>(6,586)</u>
Subtotal	\$ 118,043	\$ 52,353
Benefit Recipients		
Survivor Benefits	\$ 540	\$ 540
Disability Benefits	827	827
Medical and Prescription Drug Benefits	140	140
Medicare Part D Subsidy	<u>(16)</u>	<u>(16)</u>
Subtotal	\$ 1,491	\$ 1,491
Total	\$ 119,534	\$ 53,844
Total Occupational Death & Disability	\$ 22,716	\$ 3,627
Total Retiree Medical, Net of Part D Subsidy	\$ 96,818	\$ 50,217
Total Retiree Medical, Gross of Part D Subsidy	\$ 109,403	\$ 56,819

As of June 30, 2014	Normal Cost
Active Members	
Occupational Death Benefits	\$ 1,054
Occupational Disability Benefits	1,526
Medical and Prescription Drug Benefits	9,775
Medicare Part D Subsidy	<u>(1,130)</u>
Subtotal	\$ 11,225
Total	\$ 11,225
Total Occupational Death & Disability	\$ 2,580
Total Retiree Medical, Net of Part D Subsidy	\$ 8,645
Total Retiree Medical, Gross of Part D Subsidy	\$ 9,775

Section 1.2 Actuarial Contributions FY17 - Peace Officer/Firefighter (\$'s in 000's)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 648	\$ 760	\$ 1,408
2. DCR Plan Member Salaries Projected for FY15	97,954	97,954	97,954
3. Employer Normal Cost Rate, (1) / (2)	0.66%	0.78%	1.44%
Past Service Rate			
1. Accrued Liability	\$ 2,325	\$ 4,002	\$ 6,327
2. Valuation Assets	<u>4,847</u>	<u>2,109¹</u>	<u>6,956</u>
3. Total Unfunded Liability, (1) – (2)	\$ (2,522)	\$ 1,893	\$ (629)
4. Funded Ratio based on Valuation Assets	208.5%	52.7%	109.9%
5. Past Service Cost Amortization Payment	\$ (166)	\$ 127	\$ (39)
6. DCR Plan Member Salaries Projected for FY15	97,954	97,954	97,954
7. Past Service Cost Rate, (5) / (6)	(0.17)%	0.13%	(0.04)%
Total Employer Contribution Rate, not less than 0%	0.49%	0.91%	1.40%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

Total Employer Contribution Rate as Percent of Total Payroll	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 648	\$ 760	\$ 1,408
2. Total DB and DCR Plan Member Salaries Projected for FY15	300,591	300,591	300,591
3. Employer Normal Cost Rate, (1) / (2)	0.22%	0.25%	0.47%
4. Past Service Cost Amortization Payment	\$ (166)	\$ 127	\$ (39)
5. Past Service Cost Rate, (4) / (2)	(0.06)%	0.04%	(0.02)%
6. Total Employer Contribution Rate, (3) + (5)	0.16%	0.29%	0.45%

¹ Allocated based on retiree medical accrued liability.

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (100)	\$ (105)	\$ (8)
FY08 Gain	06/30/2008	19	(586)	(615)	(46)
Change in Assumptions	06/30/2009	20	(104)	(109)	(8)
FY09 Loss	06/30/2009	20	446	467	34
Change in Assumptions	06/30/2010	21	79	82	6
FY10 Gain	06/30/2010	21	(282)	(293)	(20)
FY11 Loss	06/30/2011	22	73	73	5
FY12 Gain	06/30/2012	23	(349)	(356)	(24)
FY13 Gain	06/30/2013	24	(204)	(206)	(13)
Change in Assumptions	06/30/2014	25	(1,274)	(1,274)	(80)
PRPA Modification	06/30/2014	25	(91)	(91)	(6)
FY14 Gain	06/30/2014	25	(95)	(95)	(6)
Total				\$ (2,522)	\$ (166)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (21)	\$ (23)	\$ (2)
Change in Assumptions	06/30/2008	19	17	17	1
FY08 Gain	06/30/2008	19	(62)	(66)	(5)
Change in Assumptions	06/30/2009	20	(8)	(8)	(1)
FY09 Gain	06/30/2009	20	(38)	(39)	(3)
Change in Assumptions	06/30/2010	21	41	41	3
FY10 Gain	06/30/2010	21	(46)	(46)	(3)
FY11 Loss	06/30/2011	22	70	71	5
Change in Assumptions	06/30/2012	23	3,085	3,155	208
FY12 Gain	06/30/2012	23	(273)	(279)	(18)
FY13 Loss	06/30/2013	24	880	891	57
Change in Assumptions	06/30/2014	25	(3,034)	(3,034)	(191)
FY14 Loss	06/30/2014	25	1,213	1,213	76
Total				\$ 1,893	\$ 127

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (121)	\$ (128)	(10)
Change in Assumptions	06/30/2008	19	17	17	1
FY08 Gain	06/30/2008	19	(648)	(681)	(51)
Change in Assumptions	06/30/2009	20	(112)	(117)	(9)
FY09 Loss	06/30/2009	20	408	428	31
Change in Assumptions	06/30/2010	21	120	123	9
FY10 Gain	06/30/2010	21	(328)	(339)	(23)
FY11 Loss	06/30/2011	22	143	144	10
Change in Assumptions	06/30/2012	23	3,085	3,155	208
FY12 Gain	06/30/2012	23	(622)	(635)	(42)
FY13 Loss	06/30/2013	24	676	685	44
Change in Assumptions	06/30/2014	25	(4,308)	(4,308)	(271)
PRPA Modification	06/30/2014	25	(91)	(91)	(6)
FY14 Loss	06/30/2014	25	1,118	1,118	70
Total				\$ (629)	\$ (39)

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 16.128205. The amortization method is level percentage of pay.

The equivalent single amortization period is 26.

Actuarial Contributions FY17 - Others (\$'s in 000's)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 1,932	\$ 7,885	\$ 9,817
2. DCR Plan Member Salaries Projected for FY15	767,192	767,192	767,192
3. Employer Normal Cost Rate, (1) / (2)	0.25%	1.03%	1.28%
Past Service Rate			
1. Accrued Liability	\$ 1,302	\$ 46,215	\$ 47,517
2. Valuation Assets	<u>10,148</u>	<u>24,357¹</u>	<u>34,505</u>
3. Total Unfunded Liability, (1) - (2)	\$ (8,846)	\$ 21,858	\$ 13,012
4. Funded Ratio based on Valuation Assets	779.4%	52.7%	72.6%
5. Past Service Cost Amortization Payment	\$ (598)	\$ 1,463	\$ 865
6. DCR Plan Member Salaries Projected for FY15	767,192	767,192	767,192
7. Past Service Cost Rate, (5) / (6)	(0.08)%	0.19%	0.11%
Total Employer Contribution Rate	0.17%	1.22%	1.39%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

Total Employer Contribution Rate as Percent of Total Payroll	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 1,932	\$ 7,885	\$ 9,817
2. Total DB and DCR Plan Member Salaries Projected for FY15	1,976,792	1,976,792	1,976,792
3. Employer Normal Cost Rate, (1) / (2)	0.10%	0.40%	0.50%
4. Past Service Cost Amortization Payment	\$ (598)	\$ 1,463	\$ 865
5. Past Service Cost Rate, (4) / (2)	(0.03)%	0.07%	0.04%
6. Total Employer Contribution Rate, (3) + (5)	0.07%	0.47%	0.54%

¹ Allocated based on retiree medical accrued liability.

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (40)	\$ (43)	\$ (3)
FY08 Gain	06/30/2008	19	(318)	(336)	(25)
Change in Assumptions	06/30/2009	20	(92)	(96)	(7)
FY09 Gain	06/30/2009	20	(1,924)	(2,012)	(145)
Change in Assumptions	06/30/2010	21	24	26	2
FY10 Gain	06/30/2010	21	(994)	(1,034)	(73)
FY11 Gain	06/30/2011	22	(1,184)	(1,219)	(83)
FY12 Gain	06/30/2012	23	(1,233)	(1,262)	(83)
FY13 Gain	06/30/2013	24	(779)	(789)	(51)
Change in Assumptions	06/30/2014	25	(51)	(51)	(3)
PRPA Modification	06/30/2014	25	(27)	(27)	(1)
FY14 Gain	06/30/2014	25	(2,003)	(2,003)	(126)
Total				\$ (8,846)	\$ (598)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (335)	\$ (353)	\$ (27)
Change in Assumptions	06/30/2008	19	165	174	13
FY08 Gain	06/30/2008	19	(702)	(736)	(55)
Change in Assumptions	06/30/2009	20	(122)	(128)	(9)
FY09 Gain	06/30/2009	20	(438)	(459)	(33)
Change in Assumptions	06/30/2010	21	(572)	(593)	(42)
FY10 Loss	06/30/2010	21	579	599	42
FY11 Loss	06/30/2011	22	820	847	57
Change in Assumptions	06/30/2012	23	25,180	25,750	1,701
FY12 Loss	06/30/2012	23	1,451	1,483	98
FY13 Loss	06/30/2013	24	9,974	10,094	650
Change in Assumptions	06/30/2014	25	(21,822)	(21,822)	(1,372)
FY14 Gain	06/30/2014	25	7,002	7,002	441
Total				\$ 21,858	\$ 1,463

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (375)	\$ (396)	\$ (30)
Change in Assumptions	06/30/2008	19	165	174	13
FY08 Gain	06/30/2008	19	(1,020)	(1,072)	(80)
Change in Assumptions	06/30/2009	20	(214)	(224)	(16)
FY09 Gain	06/30/2009	20	(2,362)	(2,471)	(178)
Change in Assumptions	06/30/2010	21	(548)	(567)	(40)
FY10 Gain	06/30/2010	21	(415)	(435)	(31)
FY11 Gain	06/30/2011	22	(364)	(372)	(26)
Change in Assumptions	06/30/2012	23	25,180	25,750	1,701
FY12 Loss	06/30/2012	23	218	221	15
FY13 Loss	06/30/2013	24	9,195	9,305	599
Change in Assumptions	06/30/2014	25	(21,873)	(21,873)	(1,375)
PRPA Modification	06/30/2014	25	(27)	(27)	(1)
FY14 Loss	06/30/2014	25	4,999	4,999	315
Total				\$ 13,012	\$ 865

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 15.042775. The amortization method is level percentage of pay.

The equivalent single amortization period is 23.

Actuarial Contributions FY17 - All Members (\$'s in 000's)

Normal Cost Rate	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 2,580	\$ 8,645	\$ 11,225
2. DCR Plan Member Salaries Projected for FY15	865,146	865,146	865,146
3. Employer Normal Cost Rate, (1) / (2)	0.30%	1.00%	1.30%
Past Service Rate			
1. Accrued Liability	\$ 3,627	\$ 50,217	\$ 53,844
2. Valuation Assets	<u>14,995</u>	<u>26,466</u>	<u>41,461</u>
3. Total Unfunded Liability, (1) - (2)	\$ (11,368)	\$ 23,751	\$ 12,383
4. Funded Ratio based on Valuation Assets	413.4%	52.7%	77.0%
5. Past Service Cost Amortization Payment	\$ (764)	\$ 1,591	\$ 827
6. DCR Plan Member Salaries Projected for FY15	865,146	865,146	865,146
7. Past Service Cost Rate, (5) / (6)	(0.09)%	0.18%	0.09%
Total Employer Contribution Rate	0.21%	1.18%	1.39%

The table below shows the total employer contribution rate based on total DB and DCR Plan payroll for informational purposes.

Total Employer Contribution Rate as Percent of Total Payroll	Occupational Death & Disability	Retiree Medical	Total
1. Total Normal Cost	\$ 2,580	\$ 8,645	\$ 11,225
2. Total DB and DCR Plan Member Salaries Projected for FY15	2,277,383	2,277,383	2,277,383
3. Employer Normal Cost Rate, (1) / (2)	0.11%	0.38%	0.49%
4. Past Service Cost Amortization Payment	\$ (764)	\$ 1,591	\$ 827
5. Past Service Cost Rate, (4) / (2)	(0.03)%	0.07%	0.04%
6. Total Employer Contribution Rate, (3) + (5)	0.08%	0.45%	0.53%

Schedule of Past Service Cost Amortizations – Occupational Death & Disability

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (140)	\$ (148)	\$ (11)
FY08 Gain	06/30/2008	19	(904)	(951)	(71)
Change in Assumptions	06/30/2009	20	(196)	(205)	(15)
FY09 Gain	06/30/2009	20	(1,478)	(1,545)	(111)
Change in Assumptions	06/30/2010	21	103	108	8
FY10 Gain	06/30/2010	21	(1,276)	(1,327)	(93)
FY11 Gain	06/30/2011	22	(1,111)	(1,146)	(78)
FY12 Gain	06/30/2012	23	(1,582)	(1,618)	(107)
FY13 Gain	06/30/2013	24	(983)	(995)	(64)
Change in Assumptions	06/30/2014	25	(1,325)	(1,325)	(83)
PRPA Modification	06/30/2014	25	(118)	(118)	(7)
FY14 Gain	06/30/2014	25	(2,098)	(2,098)	(132)
Total				\$ (11,368)	\$ (764)

Schedule of Past Service Cost Amortizations – Retiree Medical

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (356)	\$ (376)	\$ (29)
Change in Assumptions	06/30/2008	19	182	191	14
FY08 Gain	06/30/2008	19	(764)	(802)	(60)
Change in Assumptions	06/30/2009	20	(130)	(136)	(10)
FY09 Gain	06/30/2009	20	(476)	(498)	(36)
Change in Assumptions	06/30/2010	21	(531)	(552)	(39)
FY10 Loss	06/30/2010	21	533	553	39
FY11 Loss	06/30/2011	22	890	918	62
Change in Assumptions	06/30/2012	23	28,265	28,905	1,909
FY12 Loss	06/30/2012	23	1,178	1,204	80
FY13 Loss	06/30/2013	24	10,854	10,985	707
Change in Assumptions	06/30/2014	25	(24,856)	(24,856)	(1,563)
FY14 Loss	06/30/2014	25	8,215	8,215	517
Total				\$ 23,751	\$ 1,591

Schedule of Past Service Cost Amortizations – Total

Charge	Amortization Period		Balances		Beginning-of-Year Payment
	Date Created	Years Left	Initial	Outstanding	
Initial Unfunded Liability	06/30/2007	18	\$ (496)	\$ (524)	\$ (40)
Change in Assumptions	06/30/2008	19	182	191	14
FY08 Gain	06/30/2008	19	(1,668)	(1,753)	(131)
Change in Assumptions	06/30/2009	20	(326)	(341)	(25)
FY09 Gain	06/30/2009	20	(1,954)	(2,043)	(147)
Change in Assumptions	06/30/2010	21	(428)	(444)	(31)
FY10 Gain	06/30/2010	21	(743)	(774)	(54)
FY11 Gain	06/30/2011	22	(221)	(228)	(16)
Change in Assumptions	06/30/2012	23	28,265	28,905	1,909
FY12 Gain	06/30/2012	23	(404)	(414)	(27)
FY13 Loss	06/30/2013	24	9,871	9,990	643
Change in Assumptions	06/30/2014	25	(26,181)	(26,181)	(1,646)
PRPA Modification	06/30/2014	25	(118)	(118)	(7)
FY14 Loss	06/30/2014	25	6,117	6,117	385
Total				\$ 12,383	\$ 827

The amortization factor for 25 years is 15.898717. The weighted average amortization factor is 14.973398. The amortization method is level percentage of pay.

The equivalent single amortization period is 23.

Section 1.3 Actuarial Gain/(Loss) for FY14 (\$'s in 000's)

	Occupational Death & Disability	Retiree Medical	Total
1. Expected Actuarial Accrued Liability			
a. Accrued Liability, June 30, 2013	\$ 3,603	\$ 60,282	\$ 63,885
b. Normal Cost for FY14	2,963	10,944	13,907
c. Interest on (a) and (b) at 8.00%	525	5,698	6,223
d. Benefit Payments for FY14	124	0	124
e. Interest on (d) at 8.00% for one-half year	5	0	5
f. Change in Assumptions	(1,325)	(24,856)	(26,181)
g. PRPA Modification	<u>(118)</u>	<u>0</u>	<u>(118)</u>
h. Expected Accrued Liability as of June 30, 2014 (a) + (b) + (c) – (d) – (e) + (f) + (g)	\$ 5,519	\$ 52,068	\$ 57,587
2. Actual Accrued Liability, June 30, 2014	<u>3,627</u>	<u>50,217</u>	<u>53,844</u>
3. Liability Gain/(Loss), (1)(h) – (2)	\$ 1,892	\$ 1,851	\$ 3,743
4. Expected Actuarial Asset Value			
a. Actuarial Asset Value, June 30, 2013	\$ 11,373	\$ 20,336	\$ 31,709
b. Interest on (a) at 8.00%	910	1,627	2,537
c. Employer Contributions for FY14	2,380	3,708	6,088
d. Interest on (c) at 8.00% for one-half year	93	145	238
e. Benefit Payments for FY14	124	0	124
f. Interest on (e) at 8.00% for one-half year	<u>5</u>	<u>0</u>	<u>5</u>
g. Expected Actuarial Asset Value, June 30, 2014 (a) + (b) + (c) + (d) - (e) - (f)	\$ 14,627	\$ 25,816	\$ 40,443
5. Actuarial Asset Value, June 30, 2014	<u>14,995</u>	<u>26,466</u>	<u>41,461</u>
6. Actuarial Asset Gain/(Loss), (5) - (4)(g)	\$ 368	\$ 650	\$ 1,018
7. Actuarial Gain/(Loss), (3) + (6)	\$ 2,260	\$ 2,501	\$ 4,761
8. Effect of the 2-Year Delay on Contributions	\$ (162)	\$ (10,716)	\$ (10,878)
9. FY14 Gain/(Loss) to be Amortized, (7) + (8)	\$ 2,098	\$ (8,215)	\$ (6,117)

Section 1.4 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, 2007	\$ 759	\$ 1,255	165.3%	\$ (496)
June 30, 2008	\$ 2,018	\$ 4,007	198.6%	\$ (1,989)
June 30, 2009	\$ 4,316	\$ 8,613	199.6%	\$ (4,297)
June 30, 2010	\$ 8,038	\$ 13,568	168.8%	\$ (5,530)
June 30, 2011	\$ 13,251	\$ 19,058	143.8%	\$ (5,807)
June 30, 2012	\$ 46,921	\$ 24,915	53.1%	\$ 22,006
June 30, 2013	\$ 63,885	\$ 31,709	49.6%	\$ 32,176
June 30, 2014	\$ 53,844	\$ 41,461	77.0%	\$ 12,383

Section 2 Plan Assets

Section 2.1 Summary of Fair Value of Assets (\$'s in 000's)

As of June 30, 2014	Occupational Death & Disability	Retiree Medical	Total Fair Value	Allocation Percent
Cash and Short-Term Investments				
- Cash and Cash Equivalents	\$ 524	\$ 926	\$ 1,450	3.3%
- Subtotal	\$ 524	\$ 926	\$ 1,450	3.3%
Fixed Income Investments				
- Domestic Fixed Income Pool	\$ 1,101	\$ 1,944	\$ 3,045	6.9%
- International Fixed Income Pool	286	505	791	1.8%
- Frontier Market Pool	75	132	207	0.5%
- High Yield Pool	427	754	1,181	2.7%
- Treasury Inflation Protection Pool	27	47	74	0.2%
- Emerging Debt Pool	115	205	320	0.7%
- Subtotal	\$ 2,031	\$ 3,587	\$ 5,618	12.7%
Equity Investments				
- Domestic Equity Pool	\$ 5,027	\$ 8,881	\$ 13,908	31.4%
- International Equity Pool	3,365	5,945	9,310	21.0%
- Private Equity Pool	1,309	2,312	3,621	8.2%
- Emerging Markets Equity Pool	470	829	1,299	2.9%
- Subtotal	\$ 10,171	\$ 17,967	\$ 28,138	63.5%
Other Investments				
- Real Estate Pool	\$ 1,283	\$ 2,267	\$ 3,550	8.0%
- Other Investments Pool	1,385	2,448	3,833	8.7%
- Absolute Return Pool	622	1,099	1,721	3.9%
- Other Assets	0	0	0	0.0%
- Subtotal	\$ 3,290	\$ 5,814	\$ 9,104	20.5%
Total Cash and Investments	\$ 16,016	\$ 28,294	\$ 44,310	100.0%
Net Accrued Receivables	166	274	440	
Net Assets	\$ 16,182	\$ 28,568	\$ 44,750	
Peace Officer/Firefighter	\$ 5,231	N/A	N/A	
Others	10,951	N/A	N/A	
All Members	\$ 16,182	\$ 28,568	\$ 44,750	

Section 2.2

Changes in Fair Value of Assets

(\$'s in 000's)

Fiscal Year 2014	Occupational Death & Disability	Retiree Medical	Total Fair Value
1. Net Assets, June 30, 2013 (fair value)	\$ 11,621	\$ 20,776	\$ 32,397
2. Additions:			
a. Member Contributions	\$ 8	\$ 0	\$ 8
b. Employer Contributions	2,372	3,708	6,080
c. Interest and Dividend Income	250	444	694
d. Net Appreciation (Depreciation) in Fair Value of Investments	2,055	3,650	5,705
e. Other	0	0	0
f. Total Additions	\$ 4,685	\$ 7,802	\$ 12,487
3. Deductions:			
a. Medical Benefits	\$ 0	\$ 0	\$ 0
b. Death & Disability Benefits	124	0	124
c. Investment Expenses	0	0	0
d. Administrative Expenses	0	10	10
e. Total Deductions	\$ 124	\$ 10	\$ 134
4. Net Assets, June 30, 2014 (fair value)	\$ 16,182	\$ 28,568	\$ 44,750
Approximate Fair Value Investment Return Rate During FY14 Net of All Expenses	18.0%	18.0%	18.0%

Section 2.3

Actuarial Value of Assets

(\$'s in 000's)

The actuarial value of assets and the fair value were \$0 at June 30, 2006. 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.

In Thousands	Occupational Death & Disability	Retiree Medical	Total
1. Deferral of Investment Return/(Loss) for FY14			
a. Fair Value, June 30, 2013	\$ 11,621	\$ 20,776	\$ 32,397
b. Contributions for FY14	2,380	3,708	6,088
c. Benefit Payments for FY14	124	0	124
d. Actual Investment Return (<i>net of expenses</i>)	2,305	4,084	6,389
e. Expected Return Rate (<i>net of expenses</i>)	8.00%	8.00%	8.00%
f. Expected Return	1,018	1,808	2,826
g. Investment Gain/(Loss) for the Year (<i>d. – f.</i>)	1,287	2,276	3,563
h. Deferred Investment Return/(Loss)	1,187	2,102	3,289
2. Actuarial Value, June 30, 2014			
a. Fair Value, June 30, 2014	\$ 16,182	\$ 28,568	\$ 44,750
b. 2014 Deferred Investment Return/(Loss)	1,187	2,102	3,289
c. Preliminary Actuarial Value, June 30, 2014 (a. - b.)	14,995	26,466	41,461
d. Upper Limit: 120% of Fair Value, June 30, 2014	19,418	34,282	N/A
e. Lower Limit: 80% of Fair Value, June 30, 2014	12,946	22,854	N/A
f. Actuarial Value, June 30, 2014 (c. limited by d. and e.)	\$ 14,995	\$ 26,466	\$ 41,461
g. Ratio of Actuarial Value of Assets to Fair Value of Assets	92.7%	92.6%	92.7%
h. Approximate Actuarial Value Investment Return Rate During FY14 Net of All Expenses	10.9%	10.9%	10.9%
3. Actuarial Value Allocation*			
a. Peace Officer/Firefighter	\$ 4,847	N/A	N/A
b. Others	<u>10,148</u>	<u>N/A</u>	<u>N/A</u>
c. All Members	\$ 14,995	\$ 26,466	\$ 41,461

*Allocated using fair value of assets

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

Occupational Death & Disability				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2010	\$ (47)	\$ (37)	\$ (10)	\$ 0
6/30/2011	599	360	120	119
6/30/2012	(487)	(194)	(97)	(196)
6/30/2013	390	78	78	234
6/30/2014	1,287	0	257	1,030
Total	\$ 1,742	\$ 207	\$ 348	\$ 1,187

Retiree Medical				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2010	\$ (108)	\$ (87)	\$ (21)	\$ 0
6/30/2011	1,073	645	214	214
6/30/2012	(828)	(332)	(166)	(330)
6/30/2013	661	132	132	397
6/30/2014	2,276	0	455	1,821
Total	\$ 3,074	\$ 358	\$ 614	\$ 2,102

Total				
Plan Year Ended	Asset Gain/(Loss)	Gain/(Loss) Recognized in Prior Years	Gain/(Loss) Recognized This Year	Gain/(Loss) Deferred to Future Years
6/30/2010	\$ (155)	\$ (124)	\$ (31)	\$ 0
6/30/2011	1,672	1,005	334	333
6/30/2012	(1,315)	(526)	(263)	(526)
6/30/2013	1,051	210	210	631
6/30/2014	3,563	0	712	2,851
Total	\$ 4,816	\$ 565	\$ 962	\$ 3,289

Section 2.4 Historical Asset Rate of Return

Year Ending	Actuarial Value		Fair Value	
	Annual	Cumulative	Annual	Cumulative
June 30, 2008	5.0%	5.0%	(7.1)%	(7.1)%
June 30, 2009	2.4%	3.7%	(13.0)%	(10.1)%
June 30, 2010	3.9%	3.8%	6.6%	(4.8)%
June 30, 2011	7.3%	4.6%	19.2%	0.7%
June 30, 2012	6.9%	5.1%	2.0%	0.9%
June 30, 2013	7.9%	5.5%	11.8%	2.6%
June 30, 2014	10.9%	6.3%	18.0%	4.7%

Section 3 Accounting Information

Section 3.1 Schedule of Funding Progress

(\$'s in 000's)

The exhibit below shows the death and disability plan disclosure under GASB No. 25.

	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 3,627	\$ 14,995	413.4%	\$ (11,368)	\$ 678,840	(1.7)%
June 30, 2013	3,603	11,373	315.7%	(7,770)	590,380	(1.3)%
June 30, 2012	2,412	9,142	379.0%	(6,730)	558,760	(1.2)%
June 30, 2011	1,949	7,049	361.7%	(5,100)	459,521	(1.1)%
June 30, 2010	853	4,801	562.8%	(3,948)	421,187	(0.9)%
June 30, 2009	403	3,138	778.7%	(2,735)	314,118	(0.9)%
June 30, 2008	242	1,288	532.2%	(1,046)	203,955	(0.5)%
June 30, 2007	48	188	391.7%	(140)	105,611	(0.1)%

The exhibit below shows the retiree medical disclosure without regard to Medicare Part D under GASB No. 43.

	Actuarial Accrued Liabilities (AAL)	Actuarial Value of Assets	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll ¹	UAAL as a Percentage of Covered Payroll
June 30, 2014	\$ 56,819	\$ 26,466	46.6%	\$ 30,353	\$ 678,840	4.5%
June 30, 2013	69,144	20,336	29.4%	48,808	590,380	8.3%
June 30, 2012	51,798	15,773	30.5%	36,025	558,760	6.4%
June 30, 2011	13,142	12,009	91.4%	1,133	459,521	0.2%
June 30, 2010	8,370	8,767	104.7%	(397)	421,187	(0.1)%
June 30, 2009	4,594	5,475	119.2%	(881)	314,118	(0.3)%
June 30, 2008	2,123	2,719	128.1%	(596)	203,955	(0.3)%
June 30, 2007	803	1,067	132.9%	(264)	105,611	(0.2)%

¹Actual active member payroll has been based on information provided by KPMG, LLP.

Section 3.2 Schedule of Employer Contributions

(\$'s in 000's)

The following shows the death and disability plan disclosure under GASB No. 25 for fiscal year ending 2007 and later.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2014	\$ 2,080	114%
June 30, 2013	\$ 1,328	116%
June 30, 2012	\$ 1,085	146%
June 30, 2011	\$ 1,852	100%
June 30, 2010	\$ 1,495	100%
June 30, 2009	\$ 1,787	100%
June 30, 2008	\$ 1,063	100%
June 30, 2007	\$ 181	100%

The following shows the retiree medical disclosure without regard to Medicare Part D subsidy under GASB No. 43 for fiscal year ending 2007 and later.

Fiscal Year Ending	Annual Required Contribution (ARC)	Percentage of ARC Contributed
June 30, 2014	\$ 3,937	94%
June 30, 2013	\$ 3,365	95%
June 30, 2012	\$ 3,464	82%
June 30, 2011	\$ 3,229	78%
June 30, 2010	\$ 3,469	87%
June 30, 2009	\$ 3,152	85%
June 30, 2008	\$ 1,845	85%
June 30, 2007	\$ 1,028	100%

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

Valuation Date	Fiscal Year	ARC (% of Pay)		
		Occupational Death & Disability (PF / Others)	Retiree Medical	Total (PF / Others)
N/A	FY07	0.40% / 0.30%	1.75%	2.15% / 2.05%
N/A	FY08	1.33% / 0.58%	1.17%	2.50% / 1.75%
N/A	FY09	1.33% / 0.58%	1.17%	2.50% / 1.75%
June 30, 2007	FY10	1.33% / 0.30%	0.95%	2.28% / 1.25%
June 30, 2008	FY11	1.18% / 0.31%	0.68%	1.86% / 0.99%
June 30, 2009	FY12	0.97% / 0.11%	0.62%	1.59% / 0.73%
June 30, 2010	FY13	0.99% / 0.14%	0.57%	1.56% / 0.71%
June 30, 2011	FY14	1.14% / 0.20%	0.58%	1.72% / 0.78%
June 30, 2012	FY15	1.06% / 0.22%	1.95%	3.01% / 2.17%
June 30, 2013	FY16	1.05% / 0.22%	1.95%	3.00% / 2.17%
June 30, 2014	FY17	0.49% / 0.17%	1.37%	1.86% / 1.54%

Section 3.3

Notes to Trend Data

Actuarial Assumptions, Methods and Additional Information under GASB

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal Level Percentage of Pay Normal Cost Basis for Occupational Death & Disability Level Dollar Normal Cost Basis for Retiree Medical
Amortization Method	Level Percent of Pay, closed with bases established annually
Equivalent Single Amortization Period	23 years
Asset Valuation Method	5-year smoothed market
Actuarial Assumptions:	
Investment rate of return*	8.00%
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%. 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%.
*Includes price inflation at	3.12%

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 DCR Plan's retiree medical benefits are fully funded. Therefore, the 8.00% discount rate used for GASB 25 reporting is also applied herein for GASB 43 reporting.

Based on GASB accounting rules, the retiree drug subsidy the State of Alaska receives under Medicare Part D has not been recognized for GASB 43 disclosure purposes.

Disregarding future Medicare Part D payments, the fiscal 2016 employer ARC for accounting purposes is 1.95% of pay for retiree medical benefits and 2.25% of pay for retiree medical and death & disability benefits combined.

Section 3.4 Solvency Test

(\$'s in 000's)

The exhibit below shows the combined occupational death & disability and retiree medical 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	\$ 0	\$ 0	\$ 8,038	\$ 13,568	100.0%	100.0%	100.0%
June 30, 2009 ¹	0	0	4,316	8,613	100.0%	100.0%	100.0%
June 30, 2008 ¹	0	0	2,018	4,007	100.0%	100.0%	100.0%
June 30, 2007	0	0	759	1,255	100.0%	100.0%	100.0%
June 30, 2006	0	0	0	0	N/A	N/A	N/A

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

¹ Change in Assumptions

The exhibit below shows the occupational death & disability solvency test for valuation dates June 30, 2006 and later.

Valuation Date	Occupational Death & Disability Aggregate Accrued Liability For:			Occupational Death & Disability 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, 2014	\$ 0	\$ 0	\$ 3,627	\$ 14,995	100.0%	100.0%	100.0%
June 30, 2013	0	0	3,603	11,373	100.0%	100.0%	100.0%
June 30, 2012	0	0	2,412	9,142	100.0%	100.0%	100.0%
June 30, 2011	0	0	1,949	7,049	100.0%	100.0%	100.0%
June 30, 2010 ¹	0	0	853	4,801	100.0%	100.0%	100.0%
June 30, 2009 ¹	0	0	403	3,138	100.0%	100.0%	100.0%
June 30, 2008	0	0	242	1,288	100.0%	100.0%	100.0%
June 30, 2007	0	0	48	188	100.0%	100.0%	100.0%
June 30, 2006	0	0	0	0	N/A	N/A	N/A

¹ Change in Assumptions

The exhibit below shows the retiree medical solvency test for valuation dates June 30, 2006 and later.

Valuation Date	Retiree Medical Aggregate Accrued Liability For:			Retiree Medical 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, 2014	\$ 0	\$ 0	\$ 50,217	\$ 26,466	100.0%	100.0%	52.7%
June 30, 2013	0	0	60,282	\$ 20,336	100.0%	100.0%	33.7%
June 30, 2012 ¹	0	0	44,509	\$ 15,773	100.0%	100.0%	35.4%
June 30, 2011	0	0	11,302	\$ 12,009	100.0%	100.0%	100.0%
June 30, 2010 ¹	0	0	7,185	\$ 8,767	100.0%	100.0%	100.0%
June 30, 2009 ¹	0	0	3,913	\$ 5,475	100.0%	100.0%	100.0%
June 30, 2008 ¹	0	0	1,776	\$ 2,719	100.0%	100.0%	100.0%
June 30, 2007	0	0	711	\$ 1,067	100.0%	100.0%	100.0%
June 30, 2006	0	0	0	0	N/A	N/A	N/A

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

¹ Change in Assumptions

Section 4 Member Data

Section 4.1

Summary of Members Included

As of June 30	2010	2011	2012	2013	2014
Peace Officer/Firefighter – Active Members					
1. Number	650	770	909	1,108	1,313
2. Average Age	33.86	34.23	34.36	34.35	34.80
3. Average Credited Service	2.12	2.54	2.91	3.07	3.28
4. Average Entry Age	31.74	31.69	31.45	31.28	31.52
5. Average Annual Earnings	\$ 60,467	\$ 65,769	\$ 68,440	\$ 68,197	\$ 69,904
Others – Active Members					
1. Number	8,582	10,195	11,688	13,208	14,487
2. Average Age	38.55	39.10	39.69	39.96	40.19
3. Average Credited Service	1.64	1.98	2.32	2.55	2.94
4. Average Entry Age	36.91	37.12	37.37	37.41	37.25
5. Average Annual Earnings	\$ 44,498	\$ 46,439	\$ 48,504	\$ 50,961	\$ 52,831
Total – Active Members					
1. Number	9,232	10,965	12,597	14,316	15,800
2. Average Age	38.22	38.76	39.31	39.53	39.74
3. Average Credited Service	1.67	2.02	2.36	2.59	2.97
4. Average Entry Age	36.55	36.74	36.95	36.94	36.77
5. Average Annual Earnings	\$ 45,622	\$ 47,796	\$ 49,943	\$ 52,295	\$ 54,250
Retirees, Disabilitants and Beneficiaries					
1. Number	0	1	1	4	6
2. Average Age	N/A	N/A	N/A	39	34
3. Average Monthly Death & Disability Benefit	N/A	N/A	N/A	\$ 2,320	\$2,554
Inactive Members*					
1. Number	7	4	36	118	251
Total Number of Members	9,239	10,970	12,634	14,438	16,057

* Inactive members who have balances in the defined contribution retirement plan are not eligible for future occupational death and disability or retiree medical benefits.

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

Section 4.2

Age and Service Distribution of Active Members – Total PERS

Annual Earnings by Age

Age	Number	Total Annual Earnings	Average Annual Earnings
0 – 19	72	\$ 2,875,112	\$ 39,932
20 – 24	1,203	54,323,932	45,157
25 – 29	2,785	146,420,383	52,575
30 – 34	2,674	150,378,636	56,237
35 – 39	2,046	116,637,806	57,008
40 – 44	1,804	98,416,524	54,555
45 – 49	1,624	87,542,308	53,905
50 – 54	1,513	82,200,496	54,329
55 – 59	1,176	66,508,205	56,555
60 – 64	640	37,963,216	59,318
65 – 69	187	10,260,662	54,870
70 – 74	64	2,768,798	43,262
75+	12	854,413	71,201
Total	15,800	\$ 857,150,491	\$ 54,250

Annual Earnings by Credited Service

Years of Service	Number	Total Annual Earnings	Average Annual Earnings
0	3,833	\$ 179,916,913	\$ 46,939
1	2,974	150,381,470	50,565
2	2,369	129,529,699	54,677
3	1,875	104,968,932	55,983
4	1,516	85,867,531	56,641
0 – 4	12,567	650,664,545	51,776
5 – 9	3,226	206,069,324	63,878
10 – 14	7	416,622	59,517
15 – 19	0	0	0
20 – 24	0	0	0
25 – 29	0	0	0
30 – 34	0	0	0
35 – 39	0	0	0
40+	0	0	0
Total	15,800	\$ 857,150,491	\$ 54,250

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	72	0	0	0	0	0	0	0	0	72
20 – 24	1,194	9	0	0	0	0	0	0	0	1,203
25 – 29	2,468	317	0	0	0	0	0	0	0	2,785
30 – 34	2,099	575	0	0	0	0	0	0	0	2,674
35 – 39	1,518	527	1	0	0	0	0	0	0	2,046
40 – 44	1,381	422	1	0	0	0	0	0	0	1,804
45 – 49	1,218	405	1	0	0	0	0	0	0	1,624
50 – 54	1,119	393	1	0	0	0	0	0	0	1,513
55 – 59	857	317	2	0	0	0	0	0	0	1,176
60 – 64	460	179	1	0	0	0	0	0	0	640
65 – 69	121	66	0	0	0	0	0	0	0	187
70 – 74	50	14	0	0	0	0	0	0	0	64
75+	10	2	0	0	0	0	0	0	0	12
Total	12,567	3,226	7	0	0	0	0	0	0	15,800

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

Section 4.3

Member Data Reconciliation - Total PERS

	Actives	Vested Inactive	Retired	Disabled	Beneficiary	Total
Total as of July 1, 2013	14,316	118	0	3	1	14,438
Vested Termination	(171)	172	0	0	0	1
Non-vested Termination	(1,465)	(11)	0	0	0	(1,476)
Refund of Contributions	(604)	(22)	0	0	0	(626)
Converted To/From DB Plan	3	0	0	0	0	3
Transfer Out	(38)	0	0	0	0	(38)
Disabilitants	(1)	0	0	1	0	0
Retired	0	0	0	0	0	0
Deceased, No Beneficiary	(15)	(1)	0	0	0	(16)
Deceased, With Beneficiary	(1)	0	0	0	0	(1)
New Beneficiary	0	0	0	0	1	1
Return to Active	312	(5)	0	0	0	307
Data Adjustment	(3)	0	0	0	0	(3)
New Entrant	3,467	0	0	0	0	3,467
Total as of July 1, 2014	15,800	251	0	4	2	16,057

Section 4.4

Schedule of Active Member Valuation Data - Total PERS

Valuation Date	Number	Annual Earnings (000's)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
June 30, 2014	15,800	\$ 857,150	\$ 54,250	3.7%	159
June 30, 2013	14,316	748,658	52,295	4.7%	159
June 30, 2012	12,597	629,128	49,943	4.5%	160
June 30, 2011	10,965	524,088	47,796	4.8%	160
June 30, 2010	9,232	421,187	45,622	5.4%	160
June 30, 2009	7,256	314,118	43,291	7.2%	160
June 30, 2008	5,052	203,955	40,371	8.1%	159
June 30, 2007	2,827	105,611	37,358	0.0%	160
June 30, 2006	0	0	0	0.0%	0

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

Section 5 Basis of the Actuarial Valuation

Section 5.1 Summary of Plan Provisions and Changes in Plan Provisions

1. **Effective Date**

July 1, 2006, with amendments through June 30, 2014.

2. **Administration of Plan**

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

The Alaska Retirement Management Board prescribes policies, adopts regulations, invests the funds, and performs other activities necessary to carry out the provisions of the Plan.

3. **Employers Included**

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

4. **Membership**

An employee of a participating employer who first enters service on or after July 1, 2006, or a member of the defined benefit plan who works for an employer who began participation on or after July 1, 2006, and meets the following criteria is a member in the Plan:

- Permanent full-time or part-time employees of the State of Alaska, participating political subdivisions or public organizations. An employee must be regularly scheduled to work 30 or more hours per week to be considered full-time by the PERS. An employee must be regularly scheduled to work 15 or more hours per week but less than 30 hours to be considered a part-time employee for PERS purposes.
- Elected state officials.
- Elected municipal officials who are compensated and receive at least \$2,001.00 per month.

Members can convert to the DCR Plan if they are an eligible nonvested member of the PERS defined benefit plan whose employer consents to transfers to the defined contribution plan and they elect to transfer his or her account balance to the PERS DCR Plan.

5. **Member Contributions**

There are no member contributions for the occupational death & disability and retiree medical benefits.

6. Retiree Medical

- Member must retire directly from the plan to be eligible for retiree medical coverage. Normal retirement eligibility is the earlier of a) 30 years of service for Others members and 25 years of service for Peace Officer/Firefighter members, or b) Medicare eligible and 10 years of service.
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible.
- Coverage cannot be denied except for failure to pay premium.
- Members who are receiving disability benefits or survivors who are receiving monthly survivor benefits are not eligible until the member meets, or would have met if he/she had lived, the normal retirement eligibility requirements.
- The plan's coverage is supplemental to Medicare.
- The Medicare-eligible premium will be based on the member's years of service. The percentage of premium paid by the member is as follows:

Years of Service	Percent of Premium Paid by Member
Less than 15 years	30%
15 – 19	25%
20 – 24	20%
25 – 29	15%
30 years or more	10%

7. Occupational Disability Benefits

- Benefit is 40% of salary at date of disability.
- For Peace Officer and Firefighters there is a Disability Benefit Adjustment such that:
 - o The disability benefit is increased by 75% of the cost of living increase in the preceding calendar year or 9%, whichever is less.
 - o At the time the disabled member retires, the retirement benefit will be increased by a percentage equal to the total cumulative percentage that has been applied to the disability benefit. Monthly annuity payments are made from the member's contribution balance until the fund is exhausted, at which the plan pays all remaining payments.
- For Others, there is no increase in the occupational disability benefit after commencement.
- Benefits cease when the member becomes eligible for normal retirement at Medicare-eligible age and 10 years of service, or at any age with 30 years of service for Others members or 25 years of service for Peace Officer/Firefighter members.
- Peace Officer/Firefighter members may select the defined contribution account or the monthly benefit payable as if they were retiring under Tier 3 (service continues during disability, final average salary is as of date of disability).
- No retiree medical benefits are provided until normal retirement eligibility. The member's premium is 100% until they are Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

8. Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- Survivor's Pension Adjustment: A survivor's pension is increased by 50% of the cost of living increase in the preceding calendar year or 6%, whichever is less, if the recipient is at least age 60 on July 1, or under age 60 if the recipient has been receiving PERS benefits for at least 8 years as of July 1.
- Benefits cease when the member would have become eligible for normal retirement.
- The period during which the survivor is receiving benefits is counted as service credit toward retiree medical benefits.
- No retiree medical benefits are provided until the member would have been eligible for normal retirement. The surviving spouse's premium is 100% until the member would have been Medicare eligible. Medicare-eligible premiums follow the service-based schedule above.

Changes Since the Prior Valuation

Effective for the June 30, 2014 valuation, the board adopted the changes to the demographic and economic assumptions recommended by the actuary, based on the results of an experience analysis performed on the population experience from July 1, 2009 to June 30, 2013. The changes in assumptions were adopted by the Board during the December 2014 Board meeting. We also updated the Healthcare Cost Trend and Contribution Trend assumptions.

Due to plan clarification, the PRPA was added to the occupational death and disability benefits for Peace Officers and Firefighters. The PRPA was added to the occupational death benefit for Others.

Section 5.2 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 implemented effective June 30, 2006.

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

Valuation of Liabilities

a. Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level percentage of expected payroll. Payroll is assumed to increase by the payroll growth assumption per year for this purpose. However, in keeping with GASB requirements, the net amortization period will not exceed 30 years. These requirements under GASB 25 have been amended by GASB 67, effective June 30, 2014. Per KPMG, new accounting standards under GASB 67 and 68 are not applicable to the Occupational Death & Disability benefits under the DCR Plan.

Cost factors designed to produce annual costs as a constant percentage of each member's expected compensation in each year for death & disability benefits (constant dollar amount for retiree medical benefits), from the assumed entry age to the last age with a future benefit 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 DCR Plan 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 beneficiaries and disability members currently receiving benefits (if any) 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.

b. Valuation of Assets

Effective June 30, 2006, the asset valuation method recognizes 20% of the investment gain or loss in each of the current and preceding four years. This method will be phased in over five years. Fair Value of Assets were \$0 as of June 30, 2006. 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.

c. Valuation of Retiree Medical Benefits

The methodology used for the valuation of the retiree medical benefits is described in Section 6.2(c) of the State of Alaska Public Employees' Retirement System Defined Benefit Plan Actuarial Valuation Report as of June 30, 2014.

Due to the lack of experience for the DCR Plan only, base claims costs are based on those described in the actuarial valuation as of June 30, 2014 for PERS with some adjustments. The claims costs were adjusted to reflect the differences between the DCR medical plan and the DB medical plan. These differences include network steerage, different coverage levels and an indexing of the retiree out-of-pocket dollar amounts. To account for higher initial copays, deductibles and out-of-pocket limits, FY14 claims costs were reduced 11.9% for medical and 7.1% for prescription drugs. Retiree out-of-pocket amounts were indexed 0.2% each year to reflect the effect of the deductible leveraging on trend and other plan design features.

No implicit subsidies are assumed. Employees projected to retire with 30 years of service prior to Medicare (25 years for PERS peace officer/firefighter) are valued with commencement deferred to Medicare eligibility, as such members will be required to pay the full plan premium. Explicit subsidies for disabled and normal retirement are determined using the plan-defined percentages of total projected plan costs, again with no implicit subsidy assumed.

Healthcare Reform

Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact due to the following provisions; however, only the Patient Centered Outcomes Research Institute fee impact has been included in the valuation results as part of administrative fee.

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

The Plan will be subject to the high cost plan excise tax (Cadillac tax). Based upon guidance available at the time of disclosure, Buck determined the impact to be immaterial based on a blend of pre-Medicare and Medicare retirees and the projected impact to future healthcare cost trends due to the estimated tax.

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.

Changes in Methods Since the Prior Valuation

There have been no changes in methods since the prior valuation.

Section 5.3 Summary of Actuarial Assumptions and Changes in Assumptions

The demographic and economic assumptions used in the June 30, 2014 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 for the DB Plan 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)*	Based upon 2010-2013 actual mortality experience (see Table 2). 60% of male rates and 65% of female rates of the Post-Termination Mortality rates. Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others.
Mortality (Post-termination)*	Based upon 2010-2013 actual mortality experience (see Table 3). 96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB.
Total Turnover	Rates based upon the 2010-2013 actual experience. (See Table 4.)
Disability	Incidence rates based on 2010-2013 actual experience, in accordance with Table 5. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others. For Peace Officer/Firefighters, members are assumed to take the monthly annuity 100% of the time.
Retirement	Retirement rates based upon the 2010-2013 actual experience in accordance with Tables 6.
Marriage and Age Difference	Wives are assumed to be three years younger than husbands. For Others, 75% of male members and 70% female members are assumed to be married. For Peace Officer/Firefighters, 85% of male members and 60% female members are assumed to be married.
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.
Peace Officer / Firefighter Occupational Disability Retirement Benefit Commencement	The occupational disability retirement benefit is assumed to be first payable from the member's DC account and the retirement benefit payable from the occupational death and disability trust will commence five years later.

*The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2014 with an Actual Deaths to Expected Deaths ratio of 109%.

Expenses	All expenses are net of the investment return assumption.															
Per Capita Claims Cost	Sample claims cost rates adjusted to age 65 for FY15 medical benefits are shown below:															
	<table border="1"> <thead> <tr> <th></th> <th>Medical</th> <th>Prescription Drugs</th> </tr> </thead> <tbody> <tr> <td>Pre-Medicare</td> <td>\$ 12,362</td> <td>\$ 2,624</td> </tr> <tr> <td>Medicare Parts A & B</td> <td>\$ 1,657</td> <td>\$ 2,624</td> </tr> <tr> <td>Medicare Part B Only</td> <td>\$ 7,920</td> <td>\$ 2,624</td> </tr> <tr> <td>Medicare Part D</td> <td>N/A</td> <td>\$ 507</td> </tr> </tbody> </table>		Medical	Prescription Drugs	Pre-Medicare	\$ 12,362	\$ 2,624	Medicare Parts A & B	\$ 1,657	\$ 2,624	Medicare Part B Only	\$ 7,920	\$ 2,624	Medicare Part D	N/A	\$ 507
	Medical	Prescription Drugs														
Pre-Medicare	\$ 12,362	\$ 2,624														
Medicare Parts A & B	\$ 1,657	\$ 2,624														
Medicare Part B Only	\$ 7,920	\$ 2,624														
Medicare Part D	N/A	\$ 507														
Third Party Administrator Fees	\$193.98 per person per year; assumed trend rate of 5% per year.															
Base Claims Costs Adjustments	<p>Due to higher initial copays, deductibles, out-of-pocket limits and member cost sharing compared to the DB medical plan, the following cost adjustments are applied to the per capita claims cost rates above:</p> <ul style="list-style-type: none"> • 0.881 for the medical plan. • 0.929 for the prescription drug plan. • 0.998 for the annual indexing of member cost sharing. 															
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, 10.0% is applied to the FY15 pre-Medicare medical claims costs to get the FY16 medical claims costs.															

	Medical Pre-65	Medical Post-65	Prescription Drugs
FY15	10.0%	6.0%	6.0%
FY16	9.4%	5.9%	5.7%
FY17	8.8%	5.8%	5.4%
FY18	8.2%	5.7%	5.1%
FY19	7.6%	5.6%	4.8%
FY20	7.0%	5.6%	4.6%
FY21	6.5%	5.6%	4.4%
FY25	5.6%	5.6%	4.2%
FY50	4.4%	4.0%	4.0%
FY100	4.4%	4.0%	4.0%

As of the June 30, 2014 valuation 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 2014 and projects out to 2090. This model has been adopted by the Society of Actuaries, and has been populated with assumptions that are specific to the State of Alaska.

Aging Factors

	Prescription	
Age	Medical	Drugs
0-44	2.0%	4.5%
45-54	2.5%	3.5%
55-64	3.5%	3.0%
65-73	4.0%	1.5%
75-83	1.5%	0.5%
85-93	0.5%	0.0%
94+	0.0%	0.0%

Retiree Medical Participation

Decrement Due to Disability

<u>Age</u>	<u>Percent Participation</u>
<56	73.00%
56	77.50%
57	79.75%
58	82.00%
59	84.25%
60	86.50%
61	88.75%
62	91.00%
63	93.25%
64	95.50%
65+	94.40%

Decrement Due to Retirement

<u>Age</u>	<u>Percent Participation</u>
55	40.0%
56	50.0%
57	55.0%
58	60.0%
59	65.0%
60	70.0%
61	75.0%
62	80.0%
63	85.0%
64	90.0%
65+	<u>Years of Svc</u>
	<15 70.5%
	15-19 75.2%
	20-24 79.9%
	25-29 89.3%
	30+ 94.0%

*Participation rates reflect the expected plan election rate that varies by reason for decrement, duration that a member may pay full cost prior to Medicare eligibility, and availability of alternative and/or lower cost options, particularly in the Medicare market.

**Table 1
Alaska PERS DCR Plan
Salary Scale**

Peace Officer/Firefighter:

Years of Service	% Increase
0	9.66%
1	8.66
2	7.16
3	7.03
4	6.91
5	6.41
6	5.66
7	4.92
8	4.92
9	4.92
10	4.92
11	4.92
12	4.92
13	4.92
14	4.92
15	4.92
16	4.92
17	4.92
18	4.92
19	4.92
20+	4.92

Others:

Years of Service	% Increase
0	8.55%
1	7.36
2	6.35
3	6.11
4	5.71
5+	Age based

Age	% Increase	Age	% Increase
20	7.91%	45	5.44%
21	7.83	46	5.40
22	7.75	47	5.36
23	7.51	48	5.31
24	7.27	49	5.27
25	7.03	50	5.22
26	6.79	51	5.18
27	6.55	52	5.13
28	6.52	53	5.09
29	6.49	54	5.05
30	6.47	55	5.01
31	6.44	56	4.97
32	6.41	57	4.93
33	6.33	58	4.85
34	6.24	59	4.77
35	6.16	60	4.69
36	6.07	61	4.60
37	5.99	62	4.52
38	5.90	63	4.46
39	5.82	64	4.40
40	5.73	65+	4.34
41	5.64		
42	5.55		
43	5.52		
44	5.48		

Table 2
Alaska PERS DCR Plan
Mortality Table (Pre-termination)

Age	Male	Female	Age	Male	Female
20	0.0188%	0.0113%	55	0.1978%	0.1549%
21	0.0195	0.0114	56	0.2292	0.1730
22	0.0200	0.0115	57	0.2515	0.1912
23	0.0204	0.0116	58	0.2775	0.2118
24	0.0205	0.0119	59	0.3073	0.2355
25	0.0205	0.0122	60	0.3425	0.2632
26	0.0206	0.0127	61	0.3826	0.2973
27	0.0208	0.0132	62	0.4287	0.3343
28	0.0214	0.0139	63	0.4813	0.3840
29	0.0225	0.0147	64	0.5324	0.4328
30	0.0242	0.0156	65	0.5904	0.4874
31	0.0272	0.0181	66	0.6558	0.5500
32	0.0307	0.0207	67	0.7184	0.6107
33	0.0344	0.0233	68	0.7842	0.6751
34	0.0383	0.0257	69	0.8689	0.7462
35	0.0422	0.0281	70	0.9744	0.8407
36	0.0459	0.0304	71	1.0782	0.9329
37	0.0493	0.0327	72	1.1971	1.0376
38	0.0526	0.0354	73	1.3334	1.1534
39	0.0557	0.0383	74	1.4876	1.2783
40	0.0589	0.0417	75	1.6602	1.4113
41	0.0623	0.0458	76	1.8504	1.5549
42	0.0663	0.0504	77	2.0583	1.7125
43	0.0709	0.0554	78	2.2872	1.8877
44	0.0762	0.0608	79	2.5419	2.0841
45	0.0823	0.0664	80	2.8245	2.3037
46	0.0882	0.0723	81	3.1612	2.5498
47	0.0946	0.0784	82	3.5318	2.8266
48	0.1015	0.0848	83	3.9369	3.1386
49	0.1089	0.0916	84	4.3784	3.4906
50	0.1167	0.0991	85	4.8601	3.8887
51	0.1336	0.1095	86	5.3884	4.3371
52	0.1455	0.1193	87	6.0797	4.8373
53	0.1591	0.1305	88	6.8537	5.3879
54	0.1744	0.1407	89	7.7135	5.9830
			90	8.6571	6.7336

Table 3
Alaska PERS DCR Plan
Mortality Table (Post-termination)

Age	Male	Female	Age	Male	Female
50	0.1944%	0.1524%	85	8.1002%	5.9827%
51	0.2227	0.1684	86	8.9807	6.6725
52	0.2426	0.1835	87	10.1329	7.4420
53	0.2652	0.2007	88	11.4229	8.2891
54	0.2907	0.2165	89	12.8559	9.2046
55	0.3296	0.2383	90	14.4286	10.3593
56	0.3820	0.2662	91	16.0042	11.5847
57	0.4192	0.2942	92	17.6712	12.8589
58	0.4625	0.3259	93	19.4120	14.1591
59	0.5121	0.3623	94	21.2080	15.4643
60	0.5708	0.4050	95	23.0428	16.7558
61	0.6377	0.4574	96	24.9035	18.0154
62	0.7144	0.5143	97	26.7822	19.2248
63	0.8021	0.5908	98	28.1616	20.0025
64	0.8874	0.6658	99	30.0310	21.0437
65	0.9839	0.7498	100	31.3360	21.5967
66	1.0930	0.8462	101	33.2097	22.6721
67	1.1973	0.9396	102	34.4188	23.5671
68	1.3070	1.0386	103	36.1155	25.0844
69	1.4482	1.1479	104	36.9606	26.3111
70	1.6240	1.2933	105	38.1971	28.1391
71	1.7969	1.4352	106	38.4000	29.5499
72	1.9952	1.5964	107	38.4000	30.9816
73	2.2223	1.7744	108	38.4000	32.3943
74	2.4793	1.9666	109	38.4000	33.7482
75	2.7670	2.1712	110	38.4000	35.0032
76	3.0840	2.3921	111	38.4000	36.1196
77	3.4305	2.6346	112	38.4000	37.0574
78	3.8120	2.9042	113	38.4000	37.7767
79	4.2365	3.2063	114	38.4000	38.2376
80	4.7075	3.5441	115	38.4000	38.4000
81	5.2687	3.9227	116	38.4000	38.4000
82	5.8863	4.3487	117	38.4000	38.4000
83	6.5615	4.8286	118	38.4000	38.4000
84	7.2973	5.3702	119	100.0000	100.0000

**Table 4
Alaska PERS DCR Plan
Turnover Assumptions**

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment

Years of Service	Male	Female
0	18.0%	16.5%
1	13.5	13.2
2	10.0	11.0
3	9.0	9.9
4	8.0	8.8

**Ultimate Rates of Turnover
After the First 5 Years of Employment**

Age	Male	Female	Age	Male	Female
20	4.8000%	8.5500%	45	4.9678%	7.8800%
21	4.8000	8.5500	46	4.9061	7.8400
22	4.8000	8.5500	47	4.8444	7.8000
23	4.9120	8.5500	48	5.2256	7.7400
24	5.0240	8.5500	49	5.6067	7.6800
25	5.1360	8.5500	50	5.9878	7.6200
26	5.2480	8.5500	51	6.3689	7.5600
27	5.3600	8.5500	52	6.7500	7.5000
28	5.3528	8.5275	53	6.9300	7.6154
29	5.3456	8.5050	54	7.1100	7.7308
30	5.3384	8.4825	55	7.2900	7.8462
31	5.3312	8.4600	56	7.4700	7.9615
32	5.3239	8.4375	57	7.6500	8.0769
33	5.3119	8.4214	58	7.8480	8.1923
34	5.2998	8.4054	59	8.0460	8.3077
35	5.2878	8.3893	60	8.2440	8.4231
36	5.2757	8.3732	61	8.4420	8.5385
37	5.2636	8.3571	62	8.6400	8.6538
38	5.2415	8.2857	63	10.7600	8.7692
39	5.2194	8.2143	64	12.8800	8.8846
40	5.1972	8.1429	65+	15.0000	9.0000
41	5.1751	8.0714			
42	5.1529	8.0000			
43	5.0912	7.9600			
44	5.0295	7.9200			

Table 4
Alaska PERS DCR Plan
Turnover Assumptions

Others:

Select Rates of Turnover During the First 5 Years of Employment

Years of Service	Male	Female
0	23.2%	26.7%
1	20.0	21.3
2	16.0	17.0
3	12.8	13.6
4	9.0	17.8

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female	Age	Male	Female
20	10.9667%	15.0000%	45	6.1728%	7.1847%
21	10.9667	15.0000	46	6.0789	6.8938
22	10.9667	15.0000	47	5.9850	6.6029
23	10.9674	15.0067	48	6.1414	6.5749
24	10.9681	15.0133	49	6.2977	6.5469
25	10.9689	15.0200	50	6.4541	6.5189
26	10.9696	15.0267	51	6.6104	6.4908
27	10.9703	15.0333	52	6.7668	6.4628
28	10.7312	14.4910	53	6.7714	6.6022
29	10.4921	13.9486	54	6.7760	6.7416
30	10.2529	13.4062	55	6.7806	6.8809
31	10.0138	12.8638	56	6.7853	7.0203
32	9.7747	12.3214	57	6.7899	7.1597
33	9.3219	11.7230	58	7.0131	7.4069
34	8.8692	11.1246	59	7.2363	7.6541
35	8.4164	10.5261	60	7.4595	7.9014
36	7.9637	9.9277	61	7.6827	8.1486
37	7.5110	9.3293	62	7.9059	8.3958
38	7.2996	9.0749	63	8.2239	9.5528
39	7.0883	8.8205	64	8.5420	10.7097
40	6.8770	8.5661	65+	8.8600	11.8667
41	6.6657	8.3117			
42	6.4544	8.0573			
43	6.3605	7.7664			
44	6.2667	7.4756			

Table 5
Alaska PERS DCR Plan
Disability Table

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.0224%	0.0218%	0.0188%
21	0.0224	0.0218	0.0188
22	0.0224	0.0218	0.0188
23	0.0305	0.0240	0.0200
24	0.0387	0.0261	0.0212
25	0.0468	0.0283	0.0224
26	0.0550	0.0304	0.0236
27	0.0631	0.0326	0.0248
28	0.0658	0.0334	0.0255
29	0.0685	0.0342	0.0262
30	0.0712	0.0349	0.0269
31	0.0739	0.0357	0.0277
32	0.0765	0.0365	0.0284
33	0.0793	0.0377	0.0293
34	0.0821	0.0389	0.0303
35	0.0849	0.0401	0.0312
36	0.0877	0.0413	0.0322
37	0.0905	0.0425	0.0331
38	0.0946	0.0446	0.0348
39	0.0986	0.0467	0.0364
40	0.1027	0.0489	0.0381
41	0.1068	0.0510	0.0397
42	0.1108	0.0531	0.0413
43	0.1221	0.0586	0.0454
44	0.1333	0.0641	0.0495
45	0.1446	0.0695	0.0536
46	0.1559	0.0750	0.0577
47	0.1671	0.0805	0.0618
48	0.1828	0.0886	0.0680
49	0.1985	0.0967	0.0742
50	0.2142	0.1048	0.0804
51	0.2299	0.1129	0.0867
52	0.2456	0.1210	0.0929
53	0.2868	0.1421	0.1084
54	0.3280	0.1633	0.1239

Table 6
Alaska PERS DCR Plan
Retirement Table

Age	Unisex Rate
≤ 50	2.0%
51	2.0
52	2.0
53	2.0
54	2.0
55	3.0
56	3.0
57	3.0
58	3.0
59	3.0
60	5.0
61	5.0
62	10.0
63	5.0
64	5.0
65	25.0
66	25.0
67	25.0
68	20.0
69	20.0
70	100.0

Changes in Actuarial Assumptions Since the Prior Valuation

	June 30, 2013	June 30, 2014
Salary Scale	Based on actual experience 2005 to 2009. <u>Peace Officer/Firefighter</u> : Rates are increased for the first 4 years. Decreased at year 5. <u>Others</u> : Based on actual experience from 2005 to 2009. Increased most rates.	Inflation – 3.12% per year. Productivity – 0.50% per year. See Table 1 for salary scale rates
Pre-termination Mortality	<u>Peace Officer/Firefighter</u> : 80% of the male and 60% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA. <u>Others</u> : 75% of the male and 55% of the female rates of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 with Projection Scale AA.	Based upon 2010-2013 actual mortality experience (see Table 2) 60% of male rates and 65% of female rates of the Post-Termination Mortality rates Deaths are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others.
Post-termination Mortality	1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 1-year set-forward for females.	96% of all rates of the RP-2000 table, 2000 Base Year projected to 2018 with Projection Scale BB. (See Table 3.)
Disability	RP-2000 Disabled Retiree Mortality Table.	Incidence rates based on 2010-2013 actual experience, in accordance with Table 5. Post-Termination Disabled Mortality in accordance with the RP-2000 Disabled Retiree Mortality Table, 2000 Base Year projected to 2018 with Projection Scale BB. Disabilities are assumed to be occupational 70% of the time for Peace Officer/Firefighters, 50% of the time for Others.
Turnover	Rates adjusted based on actual PERS DB Plan experience from 2005 to 2009. Ultimate rates are equal to DB Plan rates loaded by 10%.	Rates based upon the 2010-2013 actual experience. (See Table 4.)
Occupational Death and Disability	<u>Others</u> : 55% <u>Peace Officer/Firefighter</u> : 75%	<u>Others</u> : 50% <u>Peace Officer/Firefighter</u> : 70%

June 30, 2013

June 30, 2014

Health Cost Trend

	Medical Pre-65	Medical Post-65	Prescription Drugs
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%
FY20	6.4%	6.1%	5.8%
FY25	6.0%	6.0%	5.7%
FY50	5.0%	5.0%	5.0%
FY100	4.5%	4.5%	4.5%

	Medical Pre-65	Medical Post-65	Prescription Drugs
FY15	10.0%	6.0%	6.0%
FY16	9.4%	5.9%	5.7%
FY17	8.8%	5.8%	5.4%
FY18	8.2%	5.7%	5.1%
FY19	7.6%	5.6%	4.8%
FY20	7.0%	5.6%	4.6%
FY21	6.5%	5.6%	4.4%
FY25	5.6%	5.6%	4.2%
FY50	4.4%	4.0%	4.0%
FY100	4.4%	4.0%	4.0%

Trend Rate for Retired Member Medical Contribution

FY13 Trend Assumption	
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%

FY14 Trend Assumption	
FY15	7.0%
FY16	6.6%
FY17	6.2%
FY18	5.8%
FY19	5.4%
FY20	5.0%
FY25	4.1%
FY50	4.0%
FY100	4.0%

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.
GASB 67 and 68	Governmental Accounting Standards Board Statement Number 67 amends Number 25 effective for the fiscal year beginning after June 15, 2013, and defines new financial reporting requirements for public pension plans. Governmental Accounting Standards Board Statement Number 68 amends Number 27 effective for fiscal years beginning after June 15, 2014 and defines new accounting and financial reporting requirements for employers sponsoring public pension plans.
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 member 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