Paul P. Arnoldt

STATE OF ALASKA

TEACHERS' RETIREMENT SYSTEM

Actuarial Valuation

as of

June 30, 1976

WILLIAM M. MERCER

WILLIAM M. MERCER

Norton Building
Seattle, Washington 98104

Telephone
206 223-1240

October 22, 1976

Mr. Robert S. Gates, Director
Division of Retirement and Benefits
State of Alaska
Department of Administration
Pouch CR
Juneau, Alaska 99811

Re: Funding - Alaska Teachers' Retirement System

Dear Bob:

At our last Board meeting, we discussed the possibility of developing information relative to the impacts of various changes in the manner by which contribution rates are developed under the Alaska Teachers' Retirement System. We will discuss in this letter two aspects of the funding question:

(1) Actuarial valuation methods

(2) Actuarial assumptions

I. Actuarial Valuation Methods

The method utilized in the valuations of the Teachers' Retirement System for the last several years has been a form of the Aggregate Method. A Employer-State Contribution Rate (Normal Cost) is developed by spreading the excess of the present value of total benefits expected to be paid in the future over the current value of assets and the value of expected future employee contributions, over a period of 14 years.

There are a number of different actuarial valuation methods which are appropriate for use with retirement programs such as the Teachers' Retirement System. The method utilized for your valuations is a moderately conservative method. It is neither the most conservative (highest cost) method nor the least.

An actuarial funding method is a means by which pension costs can be apportioned between years. The total cost of a retirement program is fixed, regardless of the actuarial method used.

The total cost depends only on the total amounts of benefits and expenses paid and the amounts of investment earnings on the fund. The actuarial valuation method then is a means by which that total cost can be allocated to specific years. Conservative "high cost" actuarial cost methods tend to generate high contribution levels in the early years of a plan. Assuming that the plan is not amended over time, these contribution levels would then either level off or actually reduce year by year. Other methods generate lower contributions in early years of a plan which either remain level or actually increase over the life of the plan. Of course, actuarial gains and losses and major changes in the plan, in effect, of course, force the actuarial method to "start over". When changes are continually being made in the plan, the funding method, regardless of the one used, never really reaches a point at which it is deemed to be mature.

The primary objective in choosing an actuarial valuation method for your Public Teachers' Retirement System is stability. That is, the method should develop contribution rates that remain relatively stable from year to year, assuming that neither the provisions of the plan nor the nature of the covered group change significantly over time. The fact that the group of covered employees has changed in nature over a period of time and the fact that the provisions of the System have been altered significantly and regularly, have generated the volatility which we have seen in T.R.S. contribution rates over a period of time.

You have indicated that you would like the impact of accelerated funding of past service liabilities to be determined. In order to provide this information, we have developed the contribution rates under the System based upon the method used in the actuarial valuation of the P.E.R.S. Under this method, two separate rates are developed, with the Employer-State rate equal to the total of the two. The normal cost is fixed at 9.29% of pay. The Past Service rate depends on the length of the period of amortization of the unfunded accrued benefit liability. These comparative rates are as follows:

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		Past Service Rate	Total Rate
(1)	40-year amortization	4.95%	14.07%
(2)	30-year amortization	5.52%	14.81%
(3)	20-year amortization	6.80%	16.09%
(4)	10-year amortization	11.85%	21.14%

II. Actuarial Assumptions

As indicated in the actuarial valuation report, we now feel that the data which is maintained with respect to participants in TRS is of sufficient quality that, after a period of 3 to 5 years, we will be in a position to conduct a thorough going analysis of experience of the System. Turnover experience, disability experience, mortality experience, etc., should be reviewed and analyzed regularly. We feel that a change of actuarial assumptions will, probably, generate some reductions in liabilities and contribution requirements. For example, we may be utilizing turnover rates which are lower than those actually being experienced. If that is the case, the levels of contribution will probably be affected downward.

It is clear, however, that the assumed level of pay increase have over the last several years been too low. An increase in the assumed rate of salary increase will increase liabilities and contributions requirements. At the same time, it may be appropriate to consider an increase in the rates of return assumed in the valuation of the System. An assumed return rate of 6% would not seem to be unreasonable in light of the effective management of the assets of your fund. However, no such action should take place without an indepth discussion.

I will look forward to discussing various aspects of the funding of your retirement system at the upcoming meeting.

Sincerely,

Norman S. Losk, FSA
Actuary

WILLIAM M. MERCER

Norton Building
Seattle, Washington 98104

Telephone
206 223-1240

October 20, 1976

Mr. Andrew S. Warwick
Commissioner of Administration
State of Alaska
Pouch CR
Juneau, Alaska 99811

Dear Commissioner Warwick:

At your request, we have completed an actuarial valuation of the Alaska Teachers' Retirement System as of June 30, 1976, in order to examine the financial status of the System and to determine the Employer-State contribution rates for the 1977-78 year.

The results of our valuation are included in this report, based upon employee data and financial information supplied by your department.

On the basis of this data and the actuarial method and assumptions described in this report, I certify that, to the best of my knowledge and belief, the attached statements are true and correct.

Respectfully submitted,

Norman S. Losk, FSA
Actuary

NSL:jn

Attachment

WILLIAM M. MERCER

TABLE OF CONTENTS

WILLIAM M. MERCER

SECTION I

INTRODUCTION

In accordance with your request, we have completed a valuation of the Alaska Teachers' Retirement System as of June 30, 1976. The purpose of this valuation is to examine the status of funding of the System and to establish the pension cost as a percentage of payroll for the year beginning July 1, 1977.

Only minor changes were made in the System by the Legislature in 1976. These changes do not have significant impact on this valuation. These are as follows:

(1) The early retirement reduction was eliminated for retirees receiving a minimum benefit.

(2) The military service provision was amended.

The significant results of this valuation are as follows:

	Combined Employer-State Contribution Rate		
	Basic System	Medical Benefit	Total
(1) Pension Cost			
(a) Previous Valuation (6-30-74) Plan prior to 1976 legislation	13.47%	.62%	14.09%
(b) Previous Valuation Plan including 1976 legislation	13.56%	.62%	14.18%

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	Combined Employer-State Contribution Rate		
	Basic System	Medical Benefit	Total
(c) Current Valuation Plan including 1976 legislation	12.43%	.63%	13.06%

(2) Funding Status - Accrued benefit basis

	(1) Present Value of Accrued Benefits	(2) Valuation Assets	(3) Funding Ratio (2)/(1)
Previous Valuation (6-30-74) Plan prior to 1976 legislation	$173,855,399	$ 86,656,008	49.8%
Current Valuation Plan including 1976 legislation	$244,460,950	$134,471,807	55.0%

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SECTION II

ANALYSIS OF THE VALUATION

A. Actuarial Assumptions

The actuarial assumptions used in this valuation, which are described in Appendix 2, are identical to those used in the prior valuation of the System.

However, there are several actuarial assumptions which may be in need of examination:

(1) Turnover

We have felt for some time that the incidence of turnover in the System may be significantly greater than the levels assumed in our actuarial valuations. Turnover studies for the System have not been performed in the past because the member data which has been provided has not been of sufficient quality to support such studies. With the implementation of the new recordkeeping system, we expect to be in a position to perform such studies in the future. It is intended that a new turnover table will be developed for future valuations when your actual experience indicates a new table to be appropriate. We anticipate that such new table will tend to reduce liabilities and contribution requirements.

(2) Annual Increases in Compensation

In addition, we feel that the salary increase assumption currently being used may not adequately project future pay levels and that the assumed rate of investment return may not be adequate. For example, the current assumption produces average increases of about 4% per year. Over the last two years, however, the average annual compensation of this group increased by over 30%. Thus, while a two-year period is not adequate to establish a trend, we intend to review this assumption for future actuarial valuations.

An increase in the salary-increase assumption will tend to increase liabilities and contribution requirements.

(3) Annual Rate of Investment Return

Along with the above-discussed assumptions, it may be well to consider a change in the investment return assumption. An increase in this assumption tends to reduce levels of contribution and actuarial liabilities.

B. Member Data

As indicated above, significant work has been done to correct the records of members in the System. The data used in this valuation was of significantly better quality than that used

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in the prior valuation. The data is now nearly complete. While there are some older records which could be reviewed, the data for current active participants is as complete as any set of data with which I work. This indicates that we will, within three to five years, be in a position to perform meaningful studies of turnover and other experience discussed in the prior subsection.

The characteristics of this data differ from that used in the prior valuation in the following significant respects:

(1) Active Members

The data used in the prior valuation contained only 5,341 records of active members. The current data includes 6,209 records of active members. The major differences between the data used last year and that used this year are:

(a) an increase in the number of active members of 16%.

(b) a decrease in average age of .51 years (from 37.93 to 37.42).

(c) an increase in average salaries of over 30%.

(2) Retirees

Again, there was a tremendous increase in liabilities for retirees. In the prior valuation (6-30-74) there was an

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increase in retirees from 382 to 544 (an increase of 42%) and an increase in average monthly benefit from $561 to $676 (an increase of 20%). As of 6-30-76, there were 793 individuals receiving benefits under the System, an increase of nearly 46%. Average monthly benefit has increased from $676 to $780, an increase of over 15%. These have combined to generate an increase in liabilities for benefits in payment of about 73%, from $50,102,128 to $86,800,083.

These combined factors tend to increase liabilities and reduce costs. The increase in number of participants and retirees and in average compensation have generated a substantial increase in liabilities. However, the reduction in average age and a large increase in asset values combine to modify the increase in the portion of liabilities to be covered by future Employer-State Contributions. As a result, the unfunded portion of total liabilities did not increase as rapidly as did total covered payrolls. Thus, the Employer-State contribution rate, as a percentage of covered payrolls, was actually reduced.

C. Results of the Valuation

As a result of the above-discussed factors, the contribution

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rate developed in this valuation is lower than that for the prior valuation. The reduction in rate from 14.09% of covered pay to 13.06% of covered pay is directly attributable to the differences in the data discussed in Subsection B, above.

D. Timing

It should be noted that this valuation marks a change in the valuation cycle which has been pursued in recent years. On the basis of that schedule, this valuation would have been based on data as of June 30, 1975. However, due to the existence of the new recordkeeping system, data as of June 30, 1976 was available in time for this valuation. Thus, this valuation is based on more recent data and its results are to be effective one year closer to the data date.

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SECTION III

SUMMARY AND CONCLUSIONS

The results of this valuation indicate that an Employer-State contribution rate of 13.06% for 1977-78 will be adequate to support the benefits of the System.

The member data on which this valuation is based is of excellent quality. However, until we have data of this quality for three to five years, we will not be able to generate a meaningful study of experience. We will continue to accumulate data until we are in a position to suggest such changes in the turnover assumption, the salary increase assumption, the investment return assumption, and other assumptions as your actual experience indicates.

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APPENDICES

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APPENDIX 1

ACTUARIAL METHOD

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ACTUARIAL METHOD

The actuarial method used in this valuation is known as the Aggregate Method. Under this method, the Employer-State cost is determined as follows:

(1) The present value of all benefits accrued and expected to be earned in the future are calculated, taking into account expected levels of mortality, turnover, disability and investment performance.

(2) Such present value of benefits is reduced by the sum of:

(a) The assets of the fund, and

(b) The present value of future employee contributions (including arrearage contributions), taking into account the same items as enumerated in (1), above.

The remainder is the portion of the present value of future benefits to be funded by Employer-State contributions and is called the "Present Value of Future Contributions from the Employer and the State."

(3) The Estimated Contribution from the Employer and the State is determined by multiplying the Present Value of Future Contributions for the Employer and the State by a factor which spreads that present value of contributions over 14 years.

WILLIAM M. MERCER

(4) The Contribution by the Employer and the State expressed as a percentage of salaries is then determined by dividing the Estimated Contribution by the total Member Salaries used in the valuation.

This method effectively spreads the portion of the total projected present value of benefits to be financed by future Employer-State contributions over 14 years. It has the advantage that the effect of actuarial gains and losses (which arise from actual experience that deviates from the actuarial assumptions used) is automatically spread over this period.

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APPENDIX 2

ACTUARIAL ASSUMPTIONS

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ACTUARIAL ASSUMPTIONS

1. Investment Yield - 5% per annum.

2. Mortality - According to 1951 Group Annuity Mortality Table rates projected to 1965 by projection "C". (Female mortality same as male mortality with ages set back 5 years.)

3. Rates of Separation from Service - See Page 12.

4. Rates of Disability - See Page 13.

5. Rate of Mortality after Disability - According to the 1956 Railway Retirement Board Tables.

6. Rates of Salary Increase - See Page 14.

7. Normal Retirement Age - Average of:

   (1) age 60, and

   (2) age 55 with 15 years of Credited Service or 8 years of Membership Service; 25 years of Credited Service at any age; or 20 years of Membership Service.

8. Asset Valuation - Adjusted market basis using running three-year average relationship between book and market values.

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TEACHERS' RETIREMENT SYSTEM
STATE OF ALASKA

SEPARATION RATES

ANNUAL RATES PER 1,000 EMPLOYEES

Age	Rate	Age	Rate
20	165.0	40	100.0
21	162.0	41	95.0
22	160.0	42	90.0
23	158.0	43	85.0
24	155.0	44	80.0
25	152.0	45	75.0
26	149.5	46	70.0
27	146.0	47	65.0
28	142.5	48	60.0
29	140.0	49	55.0
30	137.0	50	45.0
31	132.5	51	35.0
32	130.0	52	25.0
33	127.5	53	15.0
34	125.0	54	5.0
35	120.0		
36	116.0		
37	112.0		
38	108.0		
39	104.0		

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TEACHERS' RETIREMENT SYSTEM
STATE OF ALASKA

DISABILITY RATES

ANNUAL RATES PER 1,000 EMPLOYEES

Age	Rate	Age	Rate
20	.70	45	1.62
21	.71	46	1.76
22	.72	47	1.91
23	.73	48	2.07
24	.74	49	2.23
25	.75	50	2.40
26	.76	51	2.60
27	.78	52	2.86
28	.80	53	3.18
29	.82	54	3.56
30	.84	55	4.00
31	.86	56	4.59
32	.88	57	5.34
33	.90	58	6.10
34	.93	59	7.20
35	.96	60	8.43
36	.99	61	9.75
37	1.03	62	11.30
38	1.07	63	13.05
39	1.11	64	14.90
40	1.15		
41	1.20		
42	1.27		
43	1.36		
44	1.48		

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TEACHERS' RETIREMENT SYSTEM
STATE OF ALASKA

SALARY INCREASE SCALE

Age	Scale	Age	Scale
20	.3225	45	.7801
21	.3354	46	.7957
22	.3488	47	.8116
23	.3627	48	.8279
24	.3773	49	.8444
25	.3923	50	.8613
26	.4080	51	.8700
27	.4244	52	.8787
28	.4413	53	.8874
29	.4590	54	.8963
30	.4774	55	.9053
31	.4964	56	.9143
32	.5163	57	.9235
33	.5370	58	.9327
34	.5584	59	.9420
35	.5808	60	.9515
36	.6040	61	.9610
37	.6282	62	.9706
38	.6533	63	.9803
39	.6794	64	.9901
40	.7066	65	1.0000
41	.7207		
42	.7351		
43	.7498		
44	.7648		

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APPENDIX 3

PARTICIPANT DATA

6/30/76

EXHIBIT 1

------ ANNUAL EARNINGS BY AGE ------

AGE GROUP	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0-19	0	0.	0.
20-24	218	3195252.	14657.
25-29	1303	22245536.	17073.
30-34	1481	29779337.	20108.
35-39	1111	24907248.	22419.
40-44	806	19198597.	23820.
45-49	576	14581192.	25315.
50-54	379	9665377.	25502.
55-59	244	6248434.	25608.
60-64	82	2035941.	24829.
65-69	6	125423.	20904.
70-74	2	38081.	19041.
75-79	0	0.	0.
80+	1	26360.	26360.
TOTAL	6209	132046774.	21267.

---- ANNUAL EARNINGS BY SERVICE ----

SERVICE GROUP	NUMBER OF PEOPLE	TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0	49	900069.	18369.
1	964	16270058.	16878.
2	688	13079245.	19011.
3	483	9289562.	19233.
4	507	10138869.	19998.
0-4	2691	49677631.	18461.
5-9	2091	45968642.	21984.
10-14	894	22127180.	24751.
15-19	377	9901706.	26264.
20-24	130	3598921.	27684.
25-29	20	591084.	29554.
30-34	5	147199.	29440.
35-39	1	34190.	34190.
40+	0	0.	0.
TOTAL	6209	132046551.	21267.

SERVICE GROUPS BY AGE GROUPS

AGE GROUP	SERVICE GROUP 0-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40 +	TOTAL
0-19	0	0	0	0	0	0	0	0	0	0
20-24	218	0	0	0	0	0	0	0	0	218
25-29	1024	277	2	0	0	0	0	0	0	1303
30-34	678	712	90	0	1	0	0	0	0	1481
35-39	327	487	269	27	1	0	0	0	0	1111
40-44	193	268	225	111	9	0	0	0	0	806
45-49	124	166	141	108	34	3	0	0	0	576
50-54	78	98	90	60	47	5	1	0	0	379
55-59	37	62	60	50	25	8	2	0	0	244
60-64	8	19	17	19	12	4	2	1	0	82
65-69	3	1	0	1	1	0	0	0	0	6
70-74	1	1	0	0	0	0	0	0	0	2
75-79	0	0	0	0	0	0	0	0	0	0
80+	0	0	0	1	0	0	0	0	0	1
TOTAL	0	0	0	0	0	0	0	0	0	0
	2691	2091	894	377	130	20	5	1	0	6209

EXHIBIT 2

STATE OF ALASKA TRS - RETIRED LIVES VALUATION DATE 7/ 1/76

AGE GROUP	ANNUAL NUMBER OF PEOPLE	EARNINGS BY AGE TOTAL ANNUAL EARNINGS	AVERAGE ANNUAL EARNINGS
0-19	0	0.	0.
20-24	0	0.	0.
25-29	1	11862.	11862.
30-34	4	45103.	11276.
35-39	4	50784.	12696.
40-44	6	95790.	15965.
45-49	24	297251.	12385.
50-54	72	812827.	11289.
55-59	132	1345237.	10191.
60-64	194	1814953.	9355.
65-69	187	1649776.	8822.
70-74	119	922021.	7748.
75-79	36	275541.	7654.
80+	14	101459.	7247.
TOTAL	793	7422603.	9360.

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EXHIBIT 3

MISCELLANEOUS INFORMATION

MEMBERS OF THE

ALASKA TEACHERS' RETIREMENT SYSTEM

Active Members

		Information as of June 30, 1974	June 30, 1976
(1)	Number of Active Members	5,341	6,209
(2)	Average Age	37.93 years	37.42 years
(3)	Average Service to Date	9.31 years	8.95 years
(4)	Average Annual Salary	$16,270	$21,267

Retirees and Beneficiaries

(1)	Number of Retirees and Beneficiaries	544	793
(2)	Average Age	64.84 years	63.55 years
(3)	Average Monthly Benefit	$676	$780

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APPENDIX 4

VALUATION ASSETS

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EXHIBIT 4

DEVELOPMENT OF VALUATION ASSETS

AS OF

JUNE 30, 1976

		Book Value	Market Value	Ratio (M/B)
(1)	June 30, 1976	$137,623,382	$141,205,993	1.0260
(2)	June 30, 1975	$105,797,313	$107,334,422	1.0145
(3)	June 30, 1974	$ 89,794,395	$ 79,998,262	.8909
(4)	Average Ratio			.9771
(5)	Book Value at June 30, 1976			$137,623,382
(6)	Valuation Assets at June 30, 1976			$134,471,807

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APPENDIX 5

ACTUARIAL DETERMINATIONS

WILLIAM M. MERCER

EXHIBIT 5

DEVELOPMENT OF PENSION COST

FOR 1977-78

(1)	Total Present Value of Fully Projected Benefits	$394,264,379
(2)	Valuation Assets as of June 30, 1976	134,471,807
(3)	Present Value of Future Member Contributions	63,128,611
(4)	Present Value of Future Supplemental Contributions	2,702,965
(5)	Present Value of Future Arrearage Payments	5,775,264
(6)	Present Value of Future Contributions from the Employer and the State ((1)-(2)-(3)-(4)-(5))	188,185,732
(7)	Estimated Contribution from the Employer and the State for the 1976-77 year ((6) x .08554)	16,097,408
(8)	Member Salaries used in this Valuation	129,453,718
(9)	Contribution for Retirement Benefits by the Employer and the State for 1976-77 as a Percentage of Salaries ((7)/(8))	12.43%
(10)	Contribution for Retiree Medical Insurance	.63%
(11)	Total Employer-State Contribution	13.06%

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EXHIBIT 6

BREAKDOWN OF PRESENT VALUE

OF BENEFITS

	Present Value of Accrued Benefits	Present Value of Fully Projected Benefits
Retirement Benefit	$121,163,780	$226,937,020
Disability Benefit	7,396,191	8,547,992
Death Benefits	5,451,526	8,328,378
Termination Benefits	19,293,631	59,295,164
Contributions plus Interest for Inactive Members	4,355,742	4,355,742
Total Present Value of Benefits for all Non-Retired Members	$157,660,870	$307,464,296
Present Value of Benefits for Pensioners	86,800,083	86,800,083
Total Present Value of Benefits	$244,460,953	$394,264,379

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APPENDIX 6

SUMMARY OF THE PROVISIONS

OF THE

ALASKA TEACHERS' RETIREMENT SYSTEM

AS OF

JUNE 30, 1976

WILLIAM M. MERCER

SUMMARY OF THE SYSTEM

(1) Plan

The Teachers' Retirement System of Alaska is a joint contributory retirement system to provide benefits for teachers of the State.

(2) Effective Date

June 30, 1955.

(3) Administration of Plan

The Commissioner of Administration is the administrator of the System; the Alaska Teachers' Retirement Fund Advisory Board makes recommendations to the Commissioner of Administration; and the Commissioner of Revenue invests the funds.

(4) Membership

Membership in the Alaska Teachers' Retirement System is compulsory for all eligible teachers, school nurses, principals, supervisors and superintendents contracted on a full-time basis in public schools in Alaska.

(5) Eligibility Requirements

A teacher is eligible to participate if he can complete at least 15 years of creditable service, eight of which are in Alaska membership service, by the first of July following his 65th birthday.

(6) Credited Service

A year of service is defined to be the same as a school term which is currently a minimum of 180 days, and fractional service credit is on a daily rate basis. Credit is granted for all Alaskan public school service.

Up to 10 years of public school teaching service outside Alaska or in an institution of higher learning not under control of the Board of Regents of the University of Alaska is credited for retirement purposes. In addition, teaching service in BIA schools may be used to increase total outside and BIA service credit to 15 years. No fractional credit is granted for outside service.

(7) Contributions by Teachers

Effective July 1, 1970, each teacher shall contribute 7% of his base salary accrued from July 1 to the following June 30.

(8) Voluntary Supplemental Contributions

If a teacher wishes to make his spouse or minor children eligible for a spouse's pension and/or survivor's pension allowance, he may elect to make supplemental contributions of an additional 1% of his base salary commencing not later than 30 days following the first day after October 1, 1970 on which he is entitled to make the election.

(9) Retroactive Contributions - Arrearage Contributions

If a teacher was not subject to the provisions of the Retirement Act and, at a later date became eligible for membership due to legislative changes of the eligibility requirements, the teacher may elect to receive credit for his creditable service prior to membership by submitting to the Retirement Fund an amount equal to the contributions he would have made if he had been a member of the System for any year's service after June 30, 1955 plus interest thereon. Retroactive contributions are not required for creditable membership service before June 30, 1955.

In addition, if a member wishes to receive credit under the System for service performed outside Alaska, an arrearage indebtedness is established.

(10) Employers' and State's Contributions

The employer and the State each contribute an amount equal to one-half of the amount required in addition to member contributions to finance the benefits of the System.

(11) Rate of Interest

The amount deposited in a member account will be credited with interest at the rate established for a school year at the end of such school year. Effective July 1, 1973, the interest rate was increased to 4 1/2%.

(12) Withdrawal of Contributions

If a member terminates teaching services in Alaska and does not intend to re-enter membership service at a future date, he may withdraw his contributions. A withdrawing teacher will receive his total contributions plus the interest credited to his account.

(13) Reinstatement of Contributions

If Teachers' Retirement Contributions are withdrawn and a member subsequently resumes teaching in Alaska, he is indebted to the Teachers' Retirement Fund in the amount of the previous contributions to the System including any interest paid. The reinstatement indebtedness bears compound interest at the rate prescribed by regulation to the date of repayment or the date of retirement, whichever occurs first.

(14) Eligibility for Service Retirement

A teacher may apply for retirement salary if:

(1) he has completed eight years of membership service or 15 years of creditable service, the last five of which have been membership service; and

(2) he has attained the age of 50 years, if he has 25 years of creditable service at any age or if he has 20 years of membership service at any age.

A retired teacher who has been receiving a disability retirement salary shall be eligible for a service retirement salary upon or after attaining age 55.

A teacher who has met all of the above requirements but who has attained the age of 65 years during a school year shall be retired on July 1 following his 65th birthday unless the teacher is retained by request of his employer. (Compulsory retirement does not apply to personnel of the University of Alaska.)

(15) Computation of Average Base Salary

A teacher's average base salary is determined by averaging the teacher's highest base salary which he received for any three out of the last 10 years of membership service.

(16) Normal Retirement Benefit

A teacher is eligible for a normal retirement benefit if he is at least 55 years of age and has completed the service credit requirements or if he has completed either 25 years of creditable service or 20 years of membership service. The normal retirement benefit is 2% of the teacher's highest average base salary during any three of the last 10 years of membership service multiplied by the total number of years of creditable service.

(17) Early Retirement Benefit

A teacher is eligible for early retirement benefits if he has completed 15 years of creditable service or eight years of membership service and has attained the age of 50. If the teacher does not apply for retirement benefits to start prior

to his 55th birthday, he is eligible to receive the normal retirement benefit. If the retiring teacher elects to have payments of the benefit begin prior to his 55th birthday, the annual annuity is equal to his normal retirement benefit based on his salary history and creditable service to his retirement date, reduced by one-half of 1% per month for each month by which his age at retirement is less than 55 years.

(18) Deferred Vested Benefit

A teacher is eligible for a deferred vested benefit if he (1) terminates his membership after completing eight years of membership service, and (2) he does not withdraw his retirement contributions. Payment of this benefit is deferred until the first of the month following the teacher's 60th birthday or the first of the month in which the application for benefit is filed, whichever is later.

(19) Arrearage Payment - Retired Teachers

If on the date of making application for retirement, a teacher has not paid the full amount of his indebtedness including interest to the Retirement Fund, one of the following options may be chosen:

Option 1: The retirement salary can be withheld until the amount withheld is equal to the outstanding indebtedness.

Option 2: A reduced annuity, completed by deducting 10% of the outstanding indebtedness at the time of retirement from the annual retirement salary, can be paid to the teacher.

(20) Re-employment of a Retired Teacher

If a retired teacher is re-employed as a full-time teacher, his retirement salary will be suspended for an entire year or fraction of a year.

Retirement Contributions are made at the option of such teacher and an additional retirement benefit may be accrued.

(21) Disability Retirement Benefits

A disability retirement annuity may be paid if a teacher has become permanently disabled and has at least five years of membership service.

The benefit will be equal to 50% of the disabled teacher's base salary immediately prior to becoming disabled. This benefit will be increased by 10% of the teacher's base salary for each minor child up to a maximum of four minor children until the first day of the month in which the child ceases to be a minor.

When the disabled teacher attains age 55, the disability salary will automatically terminate. A normal retirement

salary will be computed as if the teacher had been in membership service during the period of disability, and a service retirement will be granted. The base salary used will be the same used in computing the disability benefit.

(22) Cost-of-Living Allowance

A retired teacher whose permanent residence is in Alaska subsequent to retirement and/or whose absence is of a temporary nature, not to exceed six months, for travel or vacation purposes is entitled to receive a cost-of-living allowance, not to exceed 10% of his annual retirement salary in addition to his retirement benefit.

(23) Post-Retirement Pension Adjustment

This adjustment is promulgated by regulation and payable to a retired teacher when the administrator determines that the cost of living has increased and the financial condition of the fund permits payment of the adjustment. The amount of increase in any year shall not exceed 4%.

(24) Exemption from Taxation and Process

Teachers' retirement salaries are exempt from state and municipal taxes, are not subject to execution, attachment, garnishment or other process, but must be reported to the Internal Revenue Service for federal tax purposes.

(25) Lump Sum Death Benefit

Upon death of a member who has made no supplemental contributions or who made supplemental contributions for less than

one year, a lump-sum benefit shall be paid to the designated beneficiary.

Upon death of a teacher who was in membership service at the time of his death, the lump-sum benefit is the teacher's accumulated contributions with interest thereon to his date of death. An additional death benefit equal to $1,000 plus $100 for each year of completed service plus $500 if the teacher is survived by one or more minor children is also payable. In no case shall the additional benefit exceed $3,000.

If the teacher had received a retirement benefit prior to his death, payment shall be his accumulated contributions, plus interest, minus all benefits paid.

If a member failed to designate a beneficiary, or if no designated beneficiary survives the member, payment shall be made:

(1) to his surviving spouse or if there is no surviving spouse,

(2) to his surviving children in equal parts, or if there are none surviving,

(3) to his surviving parents in equal parts, or, if there are none surviving,

(4) to his estate.

(26) Survivor's Allowance

If a teacher dies while in service or while receiving retirement salary, is survived by one or more minor children and has made supplemental contributions for at least one year before his death, his surviving spouse is entitled to the survivor's allowance. The amount of the benefit is 35% of the teacher's base salary immediately prior to his death or becoming disabled for his spouse and 10% for each minor child up to a maximum of four.

(27) Spouse's Pension

If any teacher has made supplemental contributions for at least one year and dies while in service or while receiving a retirement salary or is entitled to a deferred vested benefit, the surviving spouse is entitled to receive the spouse's pension. The amount of the benefit is 50% of the service retirement salary that the deceased teacher was receiving or would have received. The spouse's pension commences on the first day of the month coinciding with or next following the spouse's 60th birthday or date of total and permanent disability. The final payment is made the first day of the month in which the spouse dies or remarries.