

ALASKA

PUBLIC EMPLOYEES' RETIREMENT SYSTEM



A component unit of the State of Alaska
Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2013
Sean Parnell, Governor



PUBLIC EMPLOYEES' RETIREMENT SYSTEM

COMPREHENSIVE ANNUAL FINANCIAL REPORT

A Component Unit of the State of Alaska

For the Fiscal Year Ended June 30, 2013



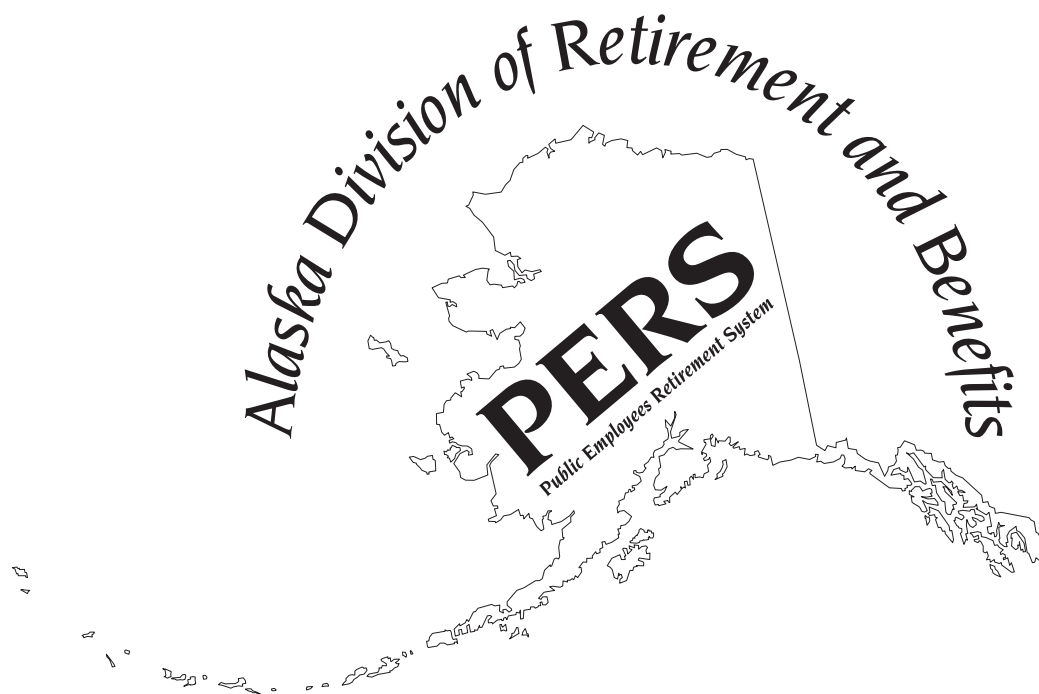
Sean Parnell, Governor

Prepared by

Department of Administration
Division of Retirement and Benefits
P.O. Box 110203
Juneau, AK 99811-0203

Becky Hultberg, Commissioner
Jim Puckett, Director

Located at: 333 Willoughby Avenue
State Office Building, 6th floor
Toll-Free (800) 821-2251 or in Juneau (907) 465-4460
alaska.gov/drb



Front cover photo by Alexander Beebe-Giudice

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INTRODUCTORY SECTION

Alaska Division of Retirement and Benefits



INTRODUCTORY SECTION



THE STATE
of **ALASKA**
GOVERNOR SEAN PARNELL

Department of Administration

DIVISION OF RETIREMENT AND BENEFITS

6th Floor State Office Building
333 Willoughby Avenue
P.O. Box 110203
Juneau, AK 99811-0203
FAX: (907) 465-3086
Phone: (907) 465-4460
Toll-Free: (800) 821-2251

LETTER OF TRANSMITTAL

November 26, 2013

The Honorable Sean Parnell, Governor
Members of the Alaska State Legislature
Alaska Retirement Management Board
Employers and Plan Members

We are pleased to present the Comprehensive Annual Financial Report (CAFR) of the Public Employees' Retirement System (PERS) (System) for the fiscal year ended June 30, 2013. The CAFR is intended to fulfill the legal requirements of Alaska Statute (AS) 39.35.004(a)(8).

The CAFR provides comprehensive information on the financial operations of the System for the fiscal year. Responsibility for the accuracy, completeness and fairness of the information presented rests with the management of the System. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and is reported in a manner designed to fairly present the financial position and results of operations of the System for the year ended June 30, 2013. All disclosures necessary to enable the reader to gain an understanding of the System's activities have been included.

KPMG LLP, Certified Public Accountants, have issued an unmodified opinion on the Systems' basic financial statements for the year ended June 30, 2013. The independent auditor's report is located at the front of the Financial Section of this report.

The management's discussion and analysis (MD&A) is also located in the Financial Section of this report. The MD&A provides an analytical overview of the financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it.

The CAFR is divided into five sections:

- **Introductory Section**, which contains the letter of transmittal, the organization chart of the Division, and a list of the members serving on the Alaska Retirement Management Board (ARMB);
- **Financial Section**, which contains the Independent Auditor's Report, MD&A, basic financial statements, required supplementary information, and additional information;
- **Investment Section**, which contains a report prepared by the investment consultant, a report on investment activity, investment results, and various investment schedules;

INTRODUCTORY SECTION

- **Actuarial Section**, which contains the Actuarial Certification letter and the results of the most current annual actuarial valuation; and
- **Statistical Section**, which includes additional information related to financial trends, demographic and economic information, and operating information.

Profile of the System

The System was established in 1961 to provide pension benefits for eligible state and local government employees. Post-employment health care benefits were added in July 1, 1975. Senate Bill 141, signed into law on July 27, 2005, closed the Defined Benefit (DB) Plan effective July 1, 2006, to new members and created a Defined Contribution Retirement (DCR) plan for members first hired on or after July 1, 2006. Beginning in fiscal year 2007, the System consists of: (1) the DB Plan and (2) the DCR Plan. This report includes both plans. The DB Plan includes the pension plan and the Alaska Retiree Health Care Trust. The DCR Plan includes the DCR trust, occupational death and disability plan, retiree major medical plan, and the health reimbursement arrangement plan.

Reporting Entity

The System is considered a component unit of the State of Alaska (State) for financial reporting purposes. Due to the closeness of the System's relationship to the State, it is included in the State of Alaska CAFR as a fiduciary fund.

The Commissioner of the Department of Administration, appointed by the Governor, is responsible for administering the System. In order to meet the statutory requirements of administering the System, the Commissioner appoints the Director of the Division of Retirement and Benefits (Division). The Director is responsible for the daily operations of the System.

The ARMB, constituted effective October 1, 2005, replaced the Public Employees' Retirement Board (effective July 1, 2005) and the Alaska State Pension Investment Board (effective October 1, 2005).

The ARMB is responsible for:

- adopting investment policies and developing investment objectives;
- providing a range of investment options and establishing the rules by which participants can direct their investments among those options, when applicable;
- establishing crediting rates for members' individual contribution accounts, when applicable;
- assisting in prescribing policies for the proper operation of the System;
- coordinating with the System Administrator to have actuarial valuations performed;
- reviewing actuarial assumptions and conducting experience analyses;
- contracting for an independent audit of actuarial valuations and external performance calculations; and
- reporting the financial condition of the Systems to the Governor, Legislature, and individual employers participating in the System.

INTRODUCTORY SECTION

Major Initiatives / Changes

The System continues to make progress on several on-going projects. Most of these efforts are focused on the following improvements: customer service, technology, methods for employers to submit information, methods for members to obtain information, and continued compliance with accounting requirements of the Governmental Accounting Standards Board (GASB) and the Financial Accounting Standards Board (FASB), as applicable.

Effective January 1, 2014, the administration of the AlaskaCare health insurance plans for Public Employees', Teachers', Judicial, and certain state employees will be handled by Aetna. The dental plan will be administered by Moda Health. Additionally, starting in 2014, the health insurance plans will be on a calendar benefit year, a switch from the July to June benefit year.

The System continues to assess and retool its communication efforts, which include printed handbooks, newsletters, and website content. The System strives to ensure that all communication material is clear, accurate, and user-friendly.

The System also endeavors to provide the highest degree of customer service to all its members. The Division continues to enhance and develop the central Member Services Section with the goals of improving phone service, provide faster processing of all customer requests, and improve member education services.

The System continues to offer a broad array of fairs and seminars directed toward both active members and employers. The goal of all seminars are to: assist employers with successfully marketing of the plans; educating members about all benefits available from early career through to retirement; encouraging healthy living; and, how to best use the health plan.

Funding Requirements

The System's consulting actuary, Buck Consultants, presented the results of the June 30, 2012, actuarial valuation report to the Plan Administrator and the ARMB. The assumptions and benefits are explained in the Actuarial Section of this report.

Based on the most recent valuation report, the PERS has a funding ratio (actuarial value of DB Plan assets divided by actuarial liabilities for pension and postemployment healthcare benefits) of 61.3%. The DB Plan's unfunded actuarial accrued liability (actuarial liability minus actuarial value of DB plan assets) totals approximately \$7.5 billion. The unfunded liability continues to be addressed at all levels of the State. The Governor's budget proposes to provide funding to PERS employers in order to maintain an appropriate level of employer contributions while also paying the actuarial required contribution rate adopted by the ARMB.

Investments

On June 30, 2013, the DB Plan's investment portfolio was valued at \$12.4 billion and earned a 12.50% return for the fiscal year ended June 30, 2013. The DCR Plan's investment portfolio was valued at \$474.5 million for the fiscal year ended June 30, 2013. Over the past five years ending June 30, 2013, the DB Plan's investments earned a 3.92% return. The ARMB has statutory oversight of the System's investments and the Department of Revenue, Treasury Division, provides staff for the ARMB. Actual investing is performed by investment officers in the Treasury Division or by contracted external investment managers. The ARMB reviews and updates investment policies and strategies and is responsible for safeguarding invested assets.

INTRODUCTORY SECTION

Accounting System

This CAFR has been prepared to conform to the principles of accounting and reporting established by the GASB. Specific accounting treatments are detailed in the Notes to the Financial Statements found in the Financial Section of this report.

Internal Controls

System management is responsible for establishing and maintaining a system of internal controls to protect PERS assets from loss, theft, or misuse and to ensure adequate accounting data is compiled for the preparation of financial statements in conformity with generally accepted accounting principles. The cost of internal control should not exceed anticipated benefits; the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the System for its CAFR for the fiscal year ended June 30, 2012. The Certificate of Achievement is a prestigious national award that recognizes conformance with the highest standards of preparation of state and local government financial reports.

In order to be awarded a Certificate of Achievement, a government entity must publish an easily readable and efficiently organized CAFR. This report must satisfy both U.S. generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We are confident our current CAFR continues to meet the Certificate of Achievement Program's requirements and are submitting it to the GFOA for consideration.

Acknowledgements

The preparation of this report is made possible by the dedicated services of the staff of the Department of Administration, Division of Retirement and Benefits, Department of Law, and the Department of Revenue, Treasury Division. It is intended to provide complete and reliable information as a basis for making management decisions, as a means of determining compliance with legal provisions, and as a means of determining responsible stewardship of the PERS financial resources.

The report is available on the web at <http://doa.alaska.gov/drb/pers/perscafr.html> and mailed to those who submit a formal request. This report forms the link between the System and the membership. The cooperation of the membership contributes significantly to the success of the System. We hope the employers and plan members find this report informative.

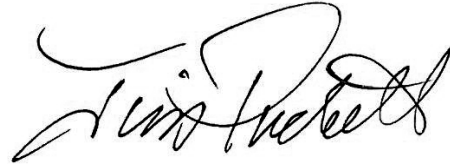
We are grateful to the Alaska Retirement Management Board, the staff, the advisors, and to the many people who have diligently worked to assure the successful operation of the System.

INTRODUCTORY SECTION

Respectfully submitted,



Becky Hultberg
Commissioner



Jim Puckett
Director



Kevin Worley
Chief Financial Officer



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**Alaska Public Employees'
Retirement System**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2012

Executive Director/CEO



Public Pension Coordinating Council

***Public Pension Standards Award
For Funding and Administration
2013***

Presented to

Alaska Public Employees' Retirement System

In recognition of meeting professional standards for
plan funding and administration as
set forth in the Public Pension Standards.

Presented by the Public Pension Coordinating Council, a confederation of

National Association of State Retirement Administrators (NASRA)
National Conference on Public Employee Retirement Systems (NCPERS)
National Council on Teacher Retirement (NCTR)

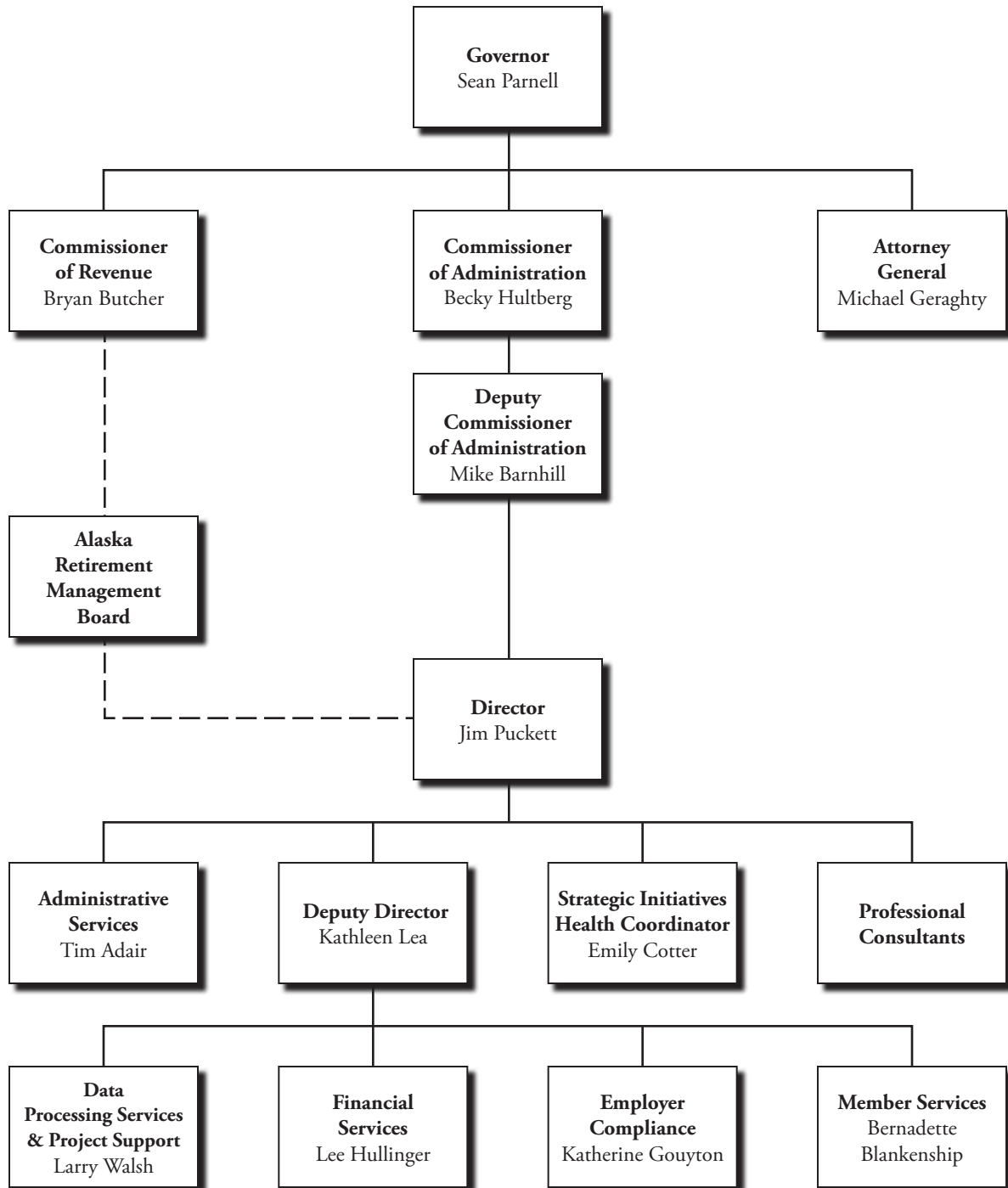
A handwritten signature in black ink that reads "Alan H. Winkle".

Alan H. Winkle
Program Administrator

INTRODUCTORY SECTION

ORGANIZATION CHART

As of June 30, 2013



INTRODUCTORY SECTION

Section Responsibilities

The **Member Services Section** is responsible for providing comprehensive retirement counseling to the participating members and employers in the plan. This section appoints members to retirement and maintains benefit payment information.

The **Strategic Initiatives Health Coordinator** is responsible for the administration of health, disability, and life insurance. This section provides benefits counseling and plan change information to the membership.

The **Financial Services Section** is responsible for maintaining the employee and employer records and accounts in each of the plans administered by the Division, producing financial statements and reports, and assuring compliance with Internal Revenue Service requirements.

The **Data Processing Services and Project Support Section** supports the information systems the System uses. Responsibilities include planning, development, data base design, programming, and operational support of the data processing systems, including the Local Area Network.

The **Administrative Services Section** is responsible for budget preparation, fiscal management of appropriations, procurement of professional services, supplies, and equipment. The section manages the System's record center containing the member's physical records and performs other administrative functions such as legislative tracking and personnel management.

PROFESSIONAL CONSULTANTS

Consulting Actuary

Buck Consultants
Denver, Colorado

Independent Auditors

KPMG LLP
Anchorage, Alaska

Benefits Consultants

Buck Consultants
Denver, Colorado

Michael Silverman Professional Services
Juneau, Alaska

Maximus Federal Services
Reston, Virginia

Third-Party Healthcare Claim Administrator

HealthSmart Benefit Solutions, Inc.
Charleston, West Virginia

IT Consultants

Computer Task Group
Applied Microsystems, Inc.
Anchorage, Alaska

Alaska IT Group
Juneau, Alaska

Legal Counsel

Joan Wilkerson
Jessica Srader
Rebecca Polizzotto
Toby Steinberger
Assistant Attorney Generals
Juneau, Alaska

Ice Miller LLP
Indianapolis, Indiana

Consulting Physicians

Kim Smith, M.D.
Ward Hurlburt, M.D.
Alex Malter, M.D.
Deborah Lessmeier, M.D.
Myanandi Than, M.D.
Juneau, Alaska

Thomas Rodgers, M.D.
Ford, Washington

A list of investment consultants can be found on pages 83-84 and on the Schedule of External Management Fees on pages 92-93.

INTRODUCTORY SECTION

ALASKA RETIREMENT MANAGEMENT BOARD

As of June 30, 2013

Gail (Anagick) Schubert, Chair, is the Chief Executive Officer and General Counsel for the Bering Straits Native Corporation, and President/CEO of several of its subsidiary entities. She is an attorney licensed to practice law in the states of Alaska and New York. Mrs. Schubert serves as Chair of the Alaska Native Heritage Center, Chair of Akeela Treatment Services, Chair of the Alaska Retirement Management Board, Vice Chair of the Alaska Native Justice Center, Vice Chair of Khoanic Broadcast Corporation, Treasurer of the Bering Straits Native Corporation, and as a board member of the Alaska Federation of Natives, and the Alaska Native Arts Foundation. She is also a member of the Alaska Rural Justice and Law Enforcement Commission. Mrs. Schubert received her undergraduate degree from Stanford University, and holds a law degree and master's degree in business administration from Cornell University.

Sam Trivette, Vice-Chair, is on the national executive board of the American Federation of Teachers retirees and was formerly President of the Retired Public Employees of Alaska. Mr. Trivette retired from public service after more than 32 years serving as Chief Probation Officer, Director of Community Corrections, Executive Director of the Parole Board, and as a probation and correctional officer. He is President of Quality Corrections Services, and on the board of directors of the Alaska Public Employees Association. Mr. Trivette has also served as an officer in a number of national and statewide professional organizations as well as many not-for-profit organizations around Alaska. He has a bachelor's degree in psychology from the University of Alaska Anchorage and has completed postgraduate work in public administration, law and psychological counseling.

Gayle W. Harbo, Secretary, retired after teaching mathematics in Fairbanks for 25 years. She also served as math department chair, as advanced placement coordinator, on the district curriculum, evaluation and budget committees, and twice as chair of the Lathrop Self-Evaluation for Accreditation Committee. Ms. Harbo is a member of Alpha Delta Kappa, AARP, National Retired Teachers of Alaska, Fairbanks Retired Teachers Association, National Council of Teacher Retirement (NCTR) Systems, NCTR Education Committee, and the Alaska Teachers' Retirement Board. She is also a co-manager of a family trust. Ms. Harbo was named Alaska Teacher of the Year in 1989. She holds a Bachelor of Science in mathematics from North Carolina State University, and a master's degree in teaching from the University of Alaska Fairbanks, and has completed an additional 40 hours in mathematics, counseling, law and finance.

Tom Brice is the Business Representative for the Alaska District Council of Laborers administering the contracts in Southeast Alaska for Laborers Local 942 and Public Employees Local 71. He was elected to the position of Vice President of Laborers Local 942 in 2011, and has sat on the negotiating team for the state contract with Public Employees Local 71 for the past three contracts. Prior to this position, Mr. Brice was the Apprenticeship Outreach Coordinator for the Alaska Works Partnership. Here he developed and managed a statewide program focused on assisting qualified rural Alaskans to gain entrance to the various registered Alaskan Building Trade apprenticeships. Mr. Brice also served in the Alaska State House of Representatives between the 18th and 21st legislatures. He has a bachelor's degree from the University of Alaska Fairbanks.

Bryan Butcher was appointed Commissioner of the Department of Revenue by Governor Sean Parnell in November, 2010. Prior to that, he worked at the Alaska Housing Finance Corporation (AHFC) as the director of governmental relations and public affairs and advised Governor Parnell on economic development issues. He also served as vice president of the Alaska Gasline Development Corporation. Before joining AHFC in 2003, Mr. Butcher worked as a finance aide for the state House and Senate finance committees for 12 years. Mr. Butcher holds a Bachelor's Degree in Speech Communications from the University of Oregon. He is a lifelong Alaskan, born and raised in Anchorage.

INTRODUCTORY SECTION

Kristin Erchinger is currently finance director for the city of Seward, having worked for the city in finance positions since 1994 including a year serving simultaneously as finance director and acting city manager. She became the finance director in 2000. Ms. Erchinger is past president of the Alaska Government Finance Officers Association and represents that organization in the Alaska Municipal League. She also served on the Providence Alaska Region Board, the Graduate Medical Education Committee, the Alaska Municipal League Board, and the Board of the American Society for Public Administration, Alaska Chapter. Ms. Erchinger earned bachelor's degrees in international studies and Japanese language and literature, both from the University of Washington, and a master's degree in public administration from the University of Alaska Anchorage.

Becky Hultberg was appointed Commissioner of the Department of Administration by Governor Sean Parnell in December 2010. Most recently Ms. Hultberg served as the regional director of communications and marketing for Providence Health & Services Alaska, leading the organization's efforts around communications, marketing, physician relations and web development. Her past positions include serving as vice president of public relations and strategy for Bradley Reid & Associates and as press secretary in the office of Governor Frank H. Murkowski. A lifelong Alaskan, Becky was born in Anchorage and raised in Kenai. She holds a bachelor's degree in history from Abilene Christian University, in Abilene, Texas, with minors in economics and public service. Ms. Hultberg lives in Juneau with her husband, Jeff, and children Sophie, Brandt and Dane.

Martin Pihl came to Alaska in 1962 to work for Ketchikan Pulp Company, becoming President and General Manager in 1987 until his retirement in 1994. He then served as Acting Executive Director for the Alaska Permanent Fund Corporation in 1994-1995. Mr. Pihl serves as a director of National Bank of Alaska and on Wells Fargo Bank's Alaska Statewide Advisory Board, as Chairman of the Board of Governors of the Alaska Timber Insurance Exchange, and as a regent for Pacific Lutheran University. He is also a member of several advisory boards including Holland America-Westmark- Ketchikan Advisory Board, Ketchikan Ports and Harbors Advisory Board, and Alaska Airlines Southeast Alaska Community Advisory Board. Mr. Pihl holds a bachelor's degree in accounting from the University of Washington and has been a CPA since 1958.

Sandra Ryan is a mathematics and tech prep instructor at West Valley High School in Fairbanks, and has been a teacher since 1988. Ms. Ryan teaches Advanced Placement computer science as well as Advanced Placement statistics and accounting. She has worked as a member of two accreditation teams: one for Lathrop High School, the other for West Valley High School. She has served on Professional Learning Teams at West Valley High School, been appointed to the Fairbanks North Star Borough School District Teacher Evaluation team, and was recently nominated as BP Teacher of Excellence. She is a member of the National Education Association Alaska Board of Directors, and a member of the Fairbanks Education Association, serving for the past five years as treasurer. She is also manager of a family trust. Ms. Ryan earned a Bachelor of Science in communication at the University of Texas, Austin, Texas; a Bachelor of Science in mathematics at St. Edward's University, Austin, Texas; and a master's degree in computer science engineering at the University of Alaska Fairbanks. She was appointed by Governor Parnell to a seat reserved for a Teachers' Retirement System representative.

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System



FINANCIAL SECTION

Alaska Division of Retirement and Benefits





KPMG LLP
Suite 600
701 West Eighth Avenue
Anchorage, AK 99501

Independent Auditors' Report

The Division of Retirement and Benefits and
Members of the Alaska Retirement Management Board
State of Alaska Public Employees' Retirement System:

We have audited the accompanying statement of system net assets of the State of Alaska Public Employees' Retirement System (the System), (a component unit of the State of Alaska), as of June 30, 2013, and the related statement of changes in system net assets for the year then ended, and the related notes to the financial statements, which collectively comprise the System's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the system net assets of the State of Alaska Public Employees' Retirement System as of June 30, 2013, and the changes in system net assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

Other Matters

Required Supplementary Information

U.S. generally accepted accounting principles require that the Management's Discussion and Analysis, Schedules of Funding Progress, Schedules of Contributions from Employers and the State of Alaska and the Schedule of Contributions (Defined Contribution Retirement Occupational Death and Disability Benefits and Defined Contribution Retirement Retiree Medical Benefits) on pages 15-23 and 56-76 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplemental Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The supplemental schedules on pages 77-79 are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

KPMG LLP

October 18, 2013

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis
June 30, 2013
(With summarized financial information for June 30, 2012 and 2011)

This section presents management's discussion and analysis (MD&A) of the Public Employees' Retirement System's (System) financial position and performance for the years ended June 30, 2013 and 2012. This section is presented as a narrative overview and analysis. Please read the MD&A in conjunction with the financial statements, notes to financial statements, required supplementary information, and supplemental schedules to better understand the financial condition and performance of the System during the fiscal year ended June 30, 2013. Information for fiscal years 2012 and 2011 is presented for comparative purposes.

Financial Highlights

The System financial highlights as of June 30, 2013 were as follows:

- The System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals increased by \$1,375.9 million during fiscal year 2013.
- The System's plan member and employer contributions increased by \$16.7 million during fiscal year 2013.
- The State of Alaska directly appropriated \$307.3 million during fiscal year 2013 as statutorily required.
- The System net investment income increased \$1,410.2 million to \$1,445.3 million during fiscal year 2013.
- The System's pension benefit expenditures totaled \$599.4 million during fiscal year 2013.
- The System's postemployment healthcare benefit expenditures totaled \$370.3 million in fiscal year 2013.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the System's financial statements. The System's financial statements are composed of three components: (1) statement of system net assets, (2) statement of changes in system net assets, and (3) notes to financial statements. This report also contains required supplementary information and other supplemental schedules.

Statements of System Net Assets – This statement presents information regarding the System's assets, liabilities, and resulting net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals. This statement reflects the System's investments at fair market value, along with cash and short-term investments, receivables, and other assets less liabilities at June 30, 2013 and 2012.

Statements of Changes in System Net Assets – This statement presents how the System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals changed during the fiscal years ended June 30, 2013 and 2012. This statement presents contributions and investment income during the period. Deductions for pension and postemployment healthcare benefits, refunds, and operating deductions are also presented.

The above statements represent resources available for investment and payment of benefits as of June 30, 2013 and 2012, and the sources and uses of those funds during fiscal years 2013 and 2012.

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Management's Discussion and Analysis

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Notes to Financial Statements – The notes to financial statements are an integral part of the financial statements and provide additional detailed information and schedules that are essential to a full understanding of the System's financial statements.

Required Supplementary Information and Related Notes – The required supplementary information consists of seven schedules and related notes concerning the funded status of the System and actuarial assumptions and methods used in the actuarial valuation.

Supplemental Schedules – Supplemental schedules include detailed information on administrative and investment deductions incurred by the System and payments to consultants (other than investment advisors) for professional services.

Condensed Financial Information (In thousands)

Description	System Net Assets				
	2013	2012	Increase/(decrease)		2011
			Amount	Percentage	
Assets:					
Cash and cash equivalents	\$ 194,986	192,789	2,197	1.1%	\$ 95,856
Due from State of Alaska General Fund	13,162	12,901	261	2.0	—
Contributions receivable	28,860	25,680	3,180	12.4	23,788
Due from retiree health fund	3	13	(10)	(76.9)	—
Other receivables	4	7	(3)	(42.9)	8,357
Investments, at fair value	12,849,055	11,446,343	1,402,712	12.3	11,558,961
Other assets	3,401	3,401	—	—	2,866
Total assets	13,089,471	11,681,134	1,408,337	12.1	11,689,828
Liabilities:					
Accrued expenses	9,972	9,218	754	8.2	10,037
Claims payable	54,764	35,967	18,797	52.3	32,678
Forfeiture payable to employers	12,936	—	12,936	—	—
Due to State of Alaska General Fund	—	—	—	—	373
Total liabilities	77,672	45,185	32,487	71.9	43,088
Net assets	\$13,011,799	11,635,949	1,375,850	11.8%	\$11,646,740

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Description	Changes in System Net Assets				
	2013	2012	Increase/(decrease)		2011
			Amount	Percentage	
Net assets, beginning of year	\$11,635,949	11,646,740	(10,791)	(0.1)%	\$9,719,766
Additions:					
Contributions	632,804	616,096	16,708	2.7	597,945
Appropriation – State of Alaska	307,302	242,610	64,692	26.7	165,841
Net investment income	1,445,315	35,096	1,410,219	4,018.2	2,009,351
Other additions	10,468	31,924	(21,456)	(67.2)	12,760
Total additions	<u>2,395,889</u>	<u>925,726</u>	<u>1,470,163</u>	<u>158.8</u>	<u>2,785,897</u>
Deductions:					
Pension and postemployment healthcare benefits	969,729	899,947	69,782	7.8	824,513
Refund of contributions	23,801	20,136	3,665	18.2	18,196
Administrative	17,343	16,434	909	5.5	16,214
Total deductions	<u>1,010,873</u>	<u>936,517</u>	<u>74,356</u>	<u>7.9</u>	<u>858,923</u>
Adjustment to beginning net assets	<u>9,166</u>	<u>—</u>	<u>9,166</u>	<u>—</u>	<u>—</u>
Increase (decrease) in net assets	<u>1,375,850</u>	<u>(10,791)</u>	<u>1,386,641</u>	<u>12,850.0</u>	<u>1,926,974</u>
Net assets, end of year	<u>\$13,011,799</u>	<u>11,635,949</u>	<u>1,375,850</u>	<u>11.8%</u>	<u>\$11,646,740</u>

Financial Analysis of the System

The statements of system net assets as of June 30, 2013 and 2012 show net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals of \$13,011,799,000 and \$11,635,949,000, respectively. The entire amount is available to cover the System's obligation to pay pension and postemployment healthcare benefits to its members and their beneficiaries, as well as administrative costs.

These amounts represent an increase in the System's net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals of \$1,375,850,000 or 11.8% from fiscal year 2012 to 2013 and a decrease of \$10,794,000 or 0.1% from fiscal year 2011 to 2012. Over the long term, plan member contributions, employer contributions, and State of Alaska appropriations, as well as investment income earned, are expected to sufficiently fund the pension benefit and postemployment healthcare costs of the System.

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The investment of pension funds is a long-term undertaking. On an annual basis, the Alaska Retirement Management Board (Board) reviews and adopts an asset allocation strategy to ensure the asset mix will remain at an optimal risk/return level given the System's constraints and objectives.

System Asset Allocation

During fiscal years 2013 and 2012, the Board adopted the following asset allocation for the Defined Benefit (DB) Plan and Defined Contribution Retirement (DCR) Plan's retiree major medical insurance fund, health reimbursement funds and occupational death and disability funds:

	2013	
	Pension & Healthcare Trust	
	<u>Allocation</u>	<u>Range</u>
Broad domestic equity	27.0%	± 6%
Global equity ex-U.S.	23.0	± 4
Private equity	8.0	± 5
Real assets	16.0	± 8
Absolute return	6.0	± 4
Fixed composite	14.0	± 5
Short-term fixed income	<u>6.0</u>	- 6/+ 1
Total	<u>100.0%</u>	
Expected five-year geometric mean	7.11%	
Projected standard deviation	14.20	

	2012	
	Pension & Healthcare Trust	
	<u>Allocation</u>	<u>Range</u>
Broad domestic equity	27.0%	±6%
Global equity ex-U.S.	23.0	±4
Private equity	8.0	±5
Real assets	16.0	±8
Absolute return	6.0	±4
Fixed income	18.0	±3
Cash equivalents	<u>2.0</u>	- 2/+5
Total	<u>100.0%</u>	
Expected five-year median return	7.45%	
Standard deviation	13.82	

For fiscal years 2013 and 2012, the DB Plan's investments generated a 12.50% and 0.46% rate of return, respectively. The DB Plan's annualized rate of return was 11.05% over the last three years and 3.92% over the last five years, which is less than the June 30, 2010 (the valuation that set the fiscal year 2013 rate) actuarially assumed rate of return of 8.00%.

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Actuarial Valuations and Funding Progress

The overall objective of a pension fund is to accumulate sufficient funds to meet all expected future obligations to members. The employer contribution requirements are actuarially determined as a percentage of eligible salaries, and reflect the cost of benefits accruing during a fiscal year and a fixed amortization of the unfunded accrued liability. The amortization period is recommended by the actuary and adopted by the Board. Employer contribution rates are recommended by the actuary. The actuarially determined contribution rate is considered for adoption by the Board annually. The ratio of assets to liabilities based on valuation assets was 61.3%, at June 30, 2012 (the date of the DB Plan's latest actuarial valuation report). The goal for the DB Plan is to make progress toward achieving full funding.

A summary of the actuarial assumptions and methods is presented in the notes to required supplementary information. The assumptions, when applied in combination, fairly represent past and anticipated future experience of the DB Plan.

For fiscal year 2013 (based on the June 30, 2010 actuarial valuation report), the normal cost rate increased from 8.28% to 8.67%, the past service rate increased from 22.48% to 24.16%, thus producing a total actuarially determined contribution rate of 32.83% for fiscal year 2013. Starting in fiscal year 2012, the actuary presented an alternative method of calculating the employer rate to incorporate the normal cost of the DCR Plan, which was 3.01% for fiscal year 2013. This calculation provided a fiscal year 2013 actuarially determined employer contribution rate of 35.84%. The Board adopted the actuarially determined contribution rate of 35.84% for fiscal year 2013.

The Plan funding status as of June 30 is as follows (in thousands):

	Valuation Year	
	2012	2011
Valuation assets	\$ 11,832,030	11,813,774
Accrued liabilities (total benefits)	19,292,361	18,740,550
Unfunded accrued liability	7,460,331	6,926,776
Funding ratio based on valuation assets	61.3%	63.0%
Fair value of assets	\$ 11,290,109	11,388,620
Funding ratio based on fair assets	58.5%	60.8%

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Contributions, Investment Income, and Other Additions

The additions required to fund retirement benefits are accumulated through a combination of employer and plan member contributions, State of Alaska appropriation, investment income, and other additions as follows:

	Additions (In thousands)				
	2013	2012	Increase/(decrease)		2011
			Amount	Percentage	
Plan members contributions	\$ 165,294	158,241	7,053	4.5%	\$ 153,664
Employer contributions	467,510	457,855	9,655	2.1	444,281
Appropriation – State of Alaska	307,302	242,610	64,692	26.7	165,841
Net investment income	1,445,315	35,096	1,410,219	4,018.2	2,009,351
Other additions	10,468	31,924	(21,456)	(67.2)	12,760
Total	<u>\$2,395,889</u>	<u>925,726</u>	<u>1,470,163</u>	<u>158.8%</u>	<u>\$2,785,897</u>

The System's employer contributions increased from \$457,855,000 in fiscal year 2012 to \$467,510,000 in fiscal year 2013, an increase of \$9,655,000 or 2.1%. The System's employer contributions increased from \$444,281,000 in fiscal year 2011 to \$457,855,000 in fiscal year 2012, an increase of \$13,574,000 or 3.1%. The increase in employer contributions is attributable to an increase in members' salaries.

The State of Alaska provided \$307,302,000 for fiscal year 2013 and \$242,610,000 for fiscal year 2012 in employer on-behalf payments as required by Alaska Statute 39.35.280. The employer on-behalf amount is calculated by the System's actuary. It is based on projected payroll and the difference between the actuarially determined contribution rate and the statutory effective rate. The actuarially determined contribution rate increased from 33.49% in fiscal year 2012 to 35.84% in fiscal year 2013. The employer effective contribution rate of 22.00% is established in Alaska Statute 39.35.255(a).

The System's net investment income in fiscal year 2013 increased by \$1,410,219,000 or 4,018.2% from amounts recorded in fiscal year 2012. The System's net investment income in fiscal year 2012 decreased by \$1,974,255,000 or 98.3% from amounts recorded in fiscal year 2011. Over the long term, investment income has been a major component of additions to System assets. During fiscal year 2013, the System experienced positive returns on investments.

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The System's investment rates of return at June 30 are as follows:

	Year ended		
	2013	2012	2011
System returns	12.50%	0.46	21.22
Domestic equities	21.23	1.80	33.37
International equities	15.01	(13.67)	28.27
Fixed income	0.57	4.90	5.46
Private equity	11.61	9.44	20.14
Absolute return	8.41	(2.05)	5.98
Real assets	10.47	10.46	15.25
International fixed income	—	—	0.47
Cash equivalents	0.25	0.44	—

Benefits and Other Deductions

The primary deduction of the DB Plan is the payment of pension and postemployment healthcare benefits. The primary deduction of the DCR Pension Trust Plan is the refund of contributions. These benefit payments, healthcare claims paid, refunds of contributions, and the cost of administering the System comprise the costs of operations as follows:

	Deductions (In thousands)				
	2013	2012	Increase		2011
			Amount	Percentage	
Pension benefits	\$ 599,415	560,024	39,391	7.0%	\$ 525,317
Postemployment healthcare benefits	370,314	339,923	30,391	8.9	299,196
Refund of contributions	23,801	20,136	3,665	18.2	18,196
Administrative	17,343	16,434	909	5.5	16,214
Total	\$ 1,010,873	936,517	74,356	7.9%	\$ 858,923

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The System's pension benefit payments in 2013 increased \$39,391,000 or 7.0% from fiscal year 2012 and increased \$34,707,000 or 6.6% from fiscal year 2011 to 2012. The increase in pension benefits in fiscal year 2013 is the result of an increase in the number of retirees.

The System's postemployment healthcare benefit payments in fiscal year 2013 increased \$30,391,000 or 8.9% from fiscal year 2012 and increased \$40,727,000 or 13.6% from fiscal year 2011 to 2012. The increase in healthcare costs in fiscal year 2013 is attributable in part to an increase in both the number of retirees and the average claims per retiree.

The System's administrative deductions in 2013 increased \$909,000 or 5.5% from fiscal year 2012 and increased \$220,000 or 1.4% from fiscal year 2011 to 2012. The increase in administrative costs in fiscal year 2013 is related to an increase in contractual services related to data processing and the health insurance third-party administrator transition project member fees.

Funding

Retirement benefits are financed by accumulations from employers, plan members, State of Alaska appropriations, and income earned on System investments.

- The employer contribution rate is determined by the System's consulting actuary and considered for adoption by the Board annually. Alaska Statute 39.35.255(a) sets the employer effective contribution rate at 22.0%. The difference between the actuarially determined Board adopted and the statutory employer effective rate is paid by the State of Alaska as a direct appropriation.
- Plan member contributions are set by Alaska Statute 39.35.160 for the DB Plan and Alaska Statute 39.35.730 for the DCR Plan.
- Alaska Statute 39.35.280 requires that additional state contributions are made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions are sufficient to pay the System's past service liability at the contribution rate adopted by the Board for that fiscal year.
- The Board works with an external consultant to determine the proper asset allocation strategy.

Legislation

During fiscal year 2013, the Twenty-Eighth Alaska State Legislature enacted one law that affects the System:

- House Bill 65 appropriates \$312.5 million from the general fund to the Department of Administration for deposit in the System's defined benefit pension fund and retiree healthcare trust as partial payment of the participating employers' contributions for the fiscal year ending June 30, 2014. This appropriation is to fund the difference between the statutory required contribution established in Senate Bill 125 of 22.00% and the Board adopted rate of 35.68% for fiscal year 2014

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June 30, 2013
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Economic Conditions, Future Contribution Rates, and Status of Unfunded Liability

Fiscal year 2013 was a year of positive investment returns. Net investment income increased from \$35,096,000 in fiscal year 2012 to \$1,445,315,000 in fiscal year 2013, an increase of \$1,410,219,000 or 4,018.2%. The Board continues to diversify the portfolio of the System to maintain an optimal risk/return ratio. The return on the System's investments exceeded its actuarially assumed return of 8.00% (based on the June 30, 2010 actuarial report, which established the fiscal year 2013 rate) with a system rate of return of 12.50% at June 30, 2013.

The consulting actuary recommended an increase from the System's actuarially determined contribution rate of 33.49% in fiscal year 2012 to 35.84% in fiscal year 2013. The Board adopted the actuarially determined contribution rate of 35.84% for fiscal year 2013, up 2.35% from the fiscal year 2012 Board adopted actuarially determined contribution rate of 33.49%. The statutory employer effective contribution rate remained at 22.00% for fiscal years 2012 and 2013.

The June 30, 2012 actuarial valuation for the DB Plan reported a funding ratio based on valuation assets of 61.3% and an unfunded liability of \$7.46 billion.

For fiscal years 2013 and 2012, the DCR Plan's employer contribution rate was established at 22.00%. The DCR Plan retiree medical plan actuarially determined contribution rate was adopted by the Board to be 0.48% and 0.51% for fiscal years 2013 and 2012, respectively. The DCR Plan's actuarially determined occupational death and disability rate for peace officers and firefighters was adopted by the Board to be 0.99% and 0.97% for fiscal years 2013 and 2012, respectively. The DCR Plan's actuarially determined occupational death and disability rate for all other employees was adopted by the Board to be 0.14% and 0.11% for fiscal years 2013 and 2012, respectively.

Requests for Information

This financial report is designed to provide a general overview of the finances for all those with interest in the finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

State of Alaska Public Employees' Retirement System
Division of Retirement and Benefits, Accounting Section
P.O. Box 110203
Juneau, Alaska 99811-0203

FINANCIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)**

**Statement of System Net Assets
June 30, 2013**

(With summarized financial information for June 30, 2012)

(In thousands)

	Defined benefit plan			Defined contribution plan						System total June 30, 2013	System total June 30, 2012
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability		Retiree medical	Healthcare reimbursement arrangement	Total		
				All others	Peace officer/ firefighter						
Assets:											
Cash and cash equivalents (notes 3 & 4):											
Short-term fixed income pool	\$ 79,519	97,597	177,116	6,376	176	90	503	2,897	10,042	187,158	189,498
Great West Account	—	—	—	7,828	—	—	—	—	7,828	7,828	3,291
Total cash and cash equivalents	79,519	97,597	177,116	14,204	176	90	503	2,897	17,870	194,986	192,789
Receivables:											
Contributions	26,110	2,037	28,147	542	5	6	20	140	713	28,860	25,680
Due from State of Alaska General Fund	—	10,518	10,518	6,118	59	44	225	1,520	7,966	18,484	17,051
Due from retiree health fund	3	—	3	—	—	—	—	—	—	3	13
Other account receivable	1	3	4	—	—	—	—	—	—	4	7
Total receivables	26,114	12,558	38,672	6,660	64	50	245	1,660	8,679	47,351	42,751
Investments (notes 3, 4 and 5), at fair value:											
Fixed income securities											
Retirement fixed income pool	—	—	—	—	—	—	—	—	—	—	13,781
U.S. Treasury fixed income pool	508,306	444,101	952,407	—	605	262	1,541	8,055	10,463	962,870	1,211,702
High yield fixed income pool	188,206	164,434	352,640	—	224	97	571	2,982	3,874	356,514	309,904
International fixed income pool	131,613	114,986	246,599	—	156	68	399	2,086	2,709	249,308	262,999
Emerging markets debt pool	56,023	48,947	104,970	—	67	29	170	888	1,154	106,124	86,722
Total fixed income securities	884,148	772,468	1,656,616	—	1,052	456	2,681	14,011	18,200	1,674,816	1,885,108
Broad domestic equity	2,180,511	1,905,166	4,085,677	—	2,594	1,124	6,611	34,552	44,881	4,130,558	3,375,713
Global equity EX-U.S.:											
International equity pool	1,298,463	1,134,483	2,432,946	—	1,545	670	3,937	20,575	26,727	2,459,673	1,864,244
Emerging markets equity pool	196,267	171,477	367,744	—	233	101	595	3,110	4,039	371,783	604,259
Total broad international equity	1,494,730	1,305,960	2,800,690	—	1,778	771	4,532	23,685	30,766	2,831,456	2,468,503
Private equity pool	598,588	522,982	1,121,570	—	712	309	1,815	9,485	12,321	1,133,891	1,129,837
Absolute return pool	294,813	257,575	552,388	—	351	152	894	4,672	6,069	558,457	483,379
Real assets:											
Real estate pool	508,826	446,790	955,616	—	608	264	1,550	8,104	10,526	966,142	912,358
Real estate investment trust pool	100,656	87,944	188,600	—	120	52	305	1,595	2,072	190,672	131,073
Master limited partnership pool	134,794	117,772	252,566	—	160	69	409	2,136	2,774	255,340	—
Energy pool	40,028	34,972	75,000	—	48	21	121	634	824	75,824	81,549
Farmland pool	248,098	232,343	480,441	—	317	137	806	4,214	5,474	485,915	434,561
Farmland water pool	17,794	—	17,794	—	—	—	—	—	—	17,794	14,648
Timber pool	97,002	84,750	181,752	—	115	50	294	1,537	1,996	183,748	160,835
Treasury inflation protected securities pool	3,095	2,704	5,799	—	3	2	10	49	64	5,863	138,533
Total real assets	1,150,293	1,007,275	2,157,568	—	1,371	595	3,495	18,269	23,730	2,181,298	1,873,557
Other investment funds, at fair value:											
Pooled investment funds	—	—	—	137,565	—	—	—	—	137,565	137,565	74,296
Collective investment funds	—	—	—	201,014	—	—	—	—	201,014	201,014	155,950
Total other investment funds	—	—	—	338,579	—	—	—	—	338,579	338,579	230,246
Total investments	6,603,083	5,771,426	12,374,509	338,579	7,858	3,407	20,028	104,674	474,546	12,849,055	11,446,343
Other assets	23	3,378	3,401	—	—	—	—	—	—	3,401	3,401
Total assets	6,708,739	5,884,959	12,593,698	359,443	8,098	3,547	20,776	109,231	501,095	13,094,793	11,685,284
Liabilities:											
Accrued expenses	8,935	624	9,559	389	24	—	—	—	413	9,972	9,218
Forfeiture payable to employers	—	—	—	12,936	—	—	—	—	12,936	12,936	—
Claims payable (note 6)	—	54,764	54,764	—	—	—	—	—	—	54,764	35,967
Due to State of Alaska General Fund	5,322	—	5,322	—	—	—	—	—	—	5,322	4,150
Total liabilities	14,257	55,388	69,645	13,325	24	—	—	—	13,349	82,994	49,335
Net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals	\$ 6,694,482	5,829,571	12,524,053	346,118	8,074	3,547	20,776	109,231	487,746	13,011,799	11,635,949

See accompanying notes to financial statements.

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Statement of Changes in System Net Assets
June 30, 2013
(With summarized financial information for June 30, 2012)
(In thousands)

	Defined benefit plan			Defined contribution plan						System total June 30, 2013	System total June 30, 2012
	Pension	Alaska retiree healthcare trust	Total	Participant directed	Occupational death and disability		Retiree medical	Healthcare reimbursement arrangement	Total		
				All others	Peace officer/ firefighter						
Additions:											
Contributions:											
Employers	\$ 179,976	229,990	409,966	29,519	834	707	3,195	23,289	57,544	467,510	457,855
Plan members	110,808	635	111,443	53,843	—	8	—	—	53,851	165,294	158,241
State of Alaska	164,087	143,215	307,302	—	—	—	—	—	—	307,302	242,610
Total contributions	454,871	373,840	828,711	83,362	834	715	3,195	23,289	111,395	940,106	858,706
Investment income:											
Net appreciation (depreciation) in fair value (note 2)	646,379	549,624	1,196,003	41,078	697	285	1,713	8,585	52,358	1,248,361	(223,018)
Interest	30,058	26,154	56,212	20	33	14	83	415	565	56,777	63,749
Dividends	88,470	76,374	164,844	—	98	41	244	1,235	1,618	166,462	217,701
Total investment income	764,907	652,152	1,417,059	41,098	828	340	2,040	10,235	54,541	1,471,600	58,432
Less investment expense	26,251	34	26,285	—	—	—	—	—	—	26,285	23,336
Net investment income	738,656	652,118	1,390,774	41,098	828	340	2,040	10,235	54,541	1,445,315	35,096
Other:											
Other	28	10,436	10,464	4	—	—	—	—	4	10,468	31,924
Total additions	1,193,555	1,036,394	2,229,949	124,464	1,662	1,055	5,235	33,524	165,940	2,395,889	925,726
Deductions:											
Pension and postemployment benefits	599,318	370,314	969,632	—	50	47	—	—	97	969,729	899,947
Refunds of contributions	10,929	—	10,929	12,872	—	—	—	—	12,872	23,801	20,136
Administrative	7,120	8,325	15,445	1,879	—	—	10	9	1,898	17,343	16,434
Total deductions	617,367	378,639	996,006	14,751	50	47	10	9	14,867	1,010,873	936,517
Adjustment to beginning net assets for prior year's forfeitures payable	—	—	—	9,166	—	—	—	—	9,166	9,166	—
Net increase (decrease)	576,188	657,755	1,233,943	100,547	1,612	1,008	5,225	33,515	141,907	1,375,850	(10,791)
Net assets held in trust for pension benefits, postemployment healthcare benefits, and individuals											
Balance, beginning of year	6,118,294	5,171,816	11,290,110	245,571	6,462	2,539	15,551	75,716	345,839	11,635,949	11,646,740
Balance, end of year	\$ 6,694,482	5,829,571	12,524,053	346,118	8,074	3,547	20,776	109,231	487,746	13,011,799	11,635,949

See accompanying notes to financial statements.

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2013

(With summarized financial information for June 30, 2012)

1. Description

The following is a brief description of the State of Alaska Public Employees' Retirement System (PERS or the System), Defined Benefit Retirement Pension and Postemployment Healthcare Plan (the DB Plan), and Defined Contribution Retirement Trust Fund (the DCR Plan). PERS is a component unit of the State of Alaska (the State). The DB Plan is a plan within the System, which includes the Defined Benefit Retirement Pension Trust Fund and Alaska Retiree Healthcare Trust Fund. The DCR Plan consists of a Participant Directed Fund, Retiree Medical Fund, Health Reimbursement Arrangement Fund, and Occupational Death and Disability Fund. Participants should refer to the System agreement for more complete information.

At June 30, 2013 and 2012, the number of participating local government employers and public organizations including the State was as follows:

State of Alaska	1
Municipalities	77
School districts	53
Other	<u>28</u>
Total employers	<u>159</u>

Inclusion in the DB Plan and DCR Plan is a condition of employment for eligible State employees, except as otherwise provided for judges, elected officers, and certain employees of the Alaska Marine Highway System. Any local government in the State may elect to have its permanent general and peace officer and firefighter employees covered by the System.

Defined Benefit Retirement Plan

General

The DB Plan is a defined benefit, cost-sharing, multiple employer plan within the System established and administered by the State to provide pension and postemployment healthcare benefits for eligible State and local government employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The System is a component unit of the State financial reporting entity and is included in the State's Comprehensive Annual Financial Report as pension and other employee benefits trust funds. With the passage of Senate Bill (SB) 141, the DB Plan is closed to all new members effective July 1, 2006.

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At June 30, DB Plan's membership consisted of the following:

	Valuation as of June 30	
	2012	2011
Retirees and beneficiaries currently receiving benefits	28,540	27,359
Terminated plan members entitled to future benefits	6,294	6,414
Total current and future benefits	34,834	33,773
Active plan members:		
General	20,566	22,118
Peace officer and firefighter	2,164	2,275
Total active plan members	22,730	24,393
Total members	57,564	58,166
Active plan members:		
Vested:		
General	18,744	19,457
Peace officer and firefighter	2,098	2,183
Nonvested:		
General	1,822	2,661
Peace officer and firefighter	66	92
Total active plan members	22,730	24,393

Pension Benefits

Members hired prior to July 1, 1986 with five or more paid-up years of credited service are entitled to monthly pension benefits beginning at normal retirement age, 55, or early retirement age, 50. For members first hired after June 30, 1986, the normal and early retirement ages are 60 and 55, respectively. Members with 30 or more years of credited service (20 years for peace officers and firefighters) may retire at any age and receive a normal benefit.

The normal monthly pension benefit is based on years of service and average monthly compensation. For members hired prior to July 1, 1996, and all peace officer and firefighter, the average monthly compensation is based upon the members' three highest, consecutive years' salaries. For all other members hired after June 30, 1996, average monthly compensation is based upon the member's five highest consecutive years' salaries.

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The benefit related to all years of service prior to July 1, 1986 and for years of service through a total of 10 years for general members is equal to 2% of the member's average monthly compensation for each year of service. The benefit for each year over 10 years of service subsequent to June 30, 1986 is equal to 2.25% of the member's average monthly compensation for the second 10 years and 2.5% for all remaining years of service. For peace officer and firefighters, the benefit for years of service through a total of 10 years is equal to 2% of the member's average monthly compensation and 2.5% for all remaining years of service.

Minimum benefits for members eligible for retirement are \$25 per month for each year of credited service.

Married members must receive their benefits in the form of a joint and survivor annuity unless their spouse consents to another form of benefit or another person is eligible for benefits under a qualified domestic relations order.

The DB Plan has two types of postretirement pension adjustments (PRPA). The automatic PRPA is issued annually to all eligible benefit recipients, when the cost of living increases in the previous calendar year. The automatic PRPA increase is paid beginning July 1 of each year. The discretionary PRPA may be granted to eligible recipients by the DB Plan's Administrator if the funding ratio of the DB Plan meets or exceeds 105%. If both an automatic and discretionary PRPA are granted, and a retiree is eligible for both adjustments, the one that provides the retiree the greater increase will be paid.

Postemployment Healthcare Benefits

Major medical benefits are provided to retirees without cost for all members hired before July 1, 1986. Members hired on or after July 1, 1986 with 5 years of credited service (or 10 years of credited service for those first hired on or after July 1, 1996) may pay the full monthly premium if they are under age 60 (or over age 60 with less than 10 years of service for those first hired on or after July 1, 1996), and receive benefits at no premium cost if they are over age 60 or are receiving disability benefits. Peace officers and firefighters with 25 years of membership service and all other members with 30 years of membership service also receive benefits at no premium cost.

Beginning July 1, 2007, the Alaska Retiree Healthcare Trust (ARHCT), a healthcare trust fund of the State, was established. The ARHCT is self-funded and provides major medical coverage to retirees of the System. The System retains the risk of loss of allowable claims for eligible members. The ARHCT began paying member healthcare claims on March 1, 2008. Prior to that, healthcare claims were paid for by the Retiree Health Fund (RHF).

Death Benefits

If an active general DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 40% of the DB Plan member's salary. If an active peace officer or firefighter DB Plan member dies from occupational causes, the spouse may receive a monthly pension equal to 50% of the DB Plan member's salary or 75% of the member's retirement benefit calculated as if the member had survived until normal retirement age, whichever is greater. When death is due to occupational causes and there is no surviving spouse, the DB Plan member's dependent child(ren) may receive the monthly pension until they are no longer dependents. If the member does not have a spouse or dependent children at the time of death, a lump-sum death benefit is payable to the named beneficiary(ies). The amount of the occupational death pension changes on the date the DB Plan member's normal retirement would have occurred if the

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DB Plan member had lived. The new benefit is based on the DB Plan member's average monthly compensation at the time of death and the credited service, including service that would have accrued if the DB Plan member had lived and continued to work until normal retirement. If the death was from nonoccupational causes, and the DB Plan member was vested, the spouse may receive a monthly 50% joint and survivor option benefit based on the member's credited service and average monthly compensation at the time of death. If the DB Plan member is not married or vested, a lump-sum death benefit is payable to the named beneficiary(ies).

Disability Benefits

Active DB Plan members who become permanently disabled due to occupational or nonoccupational causes receive disability benefits until normal retirement age, or when the service requirement for normal retirement is met. Although there are no minimum service requirements for DB Plan members to be eligible for occupational disability, DB Plan members must be vested to receive nonoccupational disability benefits. The monthly occupational disability benefit is equal to 40% of the DB Plan's member's salary at the time of the disability. The nonoccupational disability benefit is based on the DB Plan member's service and salary at the time of disability. At normal retirement age, a disabled general DB Plan member receives normal retirement benefits. A peace officer or firefighter DB Plan member may elect to receive normal retirement benefits calculated under the occupational disability benefit rules.

Contributions

DB Plan Member Contributions

The DB Plan's member contribution rates are 7.5% for peace officers and firefighters, 9.6% for some school district employees, and 6.75% for general DB Plan members, as required by statute. The DB Plan's member contributions are deducted before federal income tax is withheld. Contributions are collected by employers and remitted to the DB Plan. The DB Plan's member contributions earn interest at the rate of 4.50% per annum, compounded semiannually.

Employer Contributions

The DB Plan's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as a percentage of annual covered payroll, are sufficient to accumulate assets to pay both pension and postemployment healthcare benefits when due. Employer contribution rates are determined using the entry age normal actuarial cost method of funding. The DB Plan uses the level percentage of pay, normal cost basis for pension and level dollar, normal cost basis for healthcare. The unfunded liability is amortized over a 25-year fixed period. Employer contributions are accumulated in both the pension and the healthcare funds based on the adopted actuarially determined contribution rate for the fiscal year.

Contributions from the State of Alaska

Alaska Statute 39.35.280 requires that additional state contributions are made each July 1 or as soon after July 1 for the ensuing fiscal year that when combined with the total employer contributions is sufficient to pay the System's past service liability at the actuarially determined contribution rate adopted by the Alaska Retirement Board (the Board) for that fiscal year.

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Refunds

DB Plan member contributions may be voluntarily or, under certain circumstances, involuntarily refunded to the member or a garnishing agency 60 days after termination of employment. Voluntary refund rights are forfeited on July 1 following the member's 75th birthday or within 50 years of the member's last termination date. Members who have had contributions refunded forfeit all retirement benefits, including postemployment healthcare benefits. Members are allowed to reinstate refunded service due to involuntary refunds by repaying the total involuntary refunded balance and accrued interest. Members are allowed to reinstate voluntarily refunded service by repaying the voluntarily refunded balance and accrued interest, as long as they reestablish an employee relationship with a participating DB Plan employer before July 1, 2010. Members who have not reestablished an employee relationship with a participating DB Plan employer by June 30, 2010 will not be eligible to reinstate voluntarily refunded service and will forfeit any claim to DB Plan membership rights. Balances refunded to members accrue interest at the rate of 7.0% per annum, compounded semiannually.

Defined Contribution Retirement Plan

General

The DCR Pension Trust Fund is a defined contribution, cost-sharing, multiple employer public employee retirement plan within PERS established and administered by the State to provide pension and postemployment healthcare benefits for eligible employees. Benefit and contribution provisions are established by State law and may be amended only by the State Legislature. The DCR Pension Trust Fund was created by State of Alaska Statutes effective July 1, 2006. A defined contribution plan is a plan in which savings are accumulated in an individual retirement account for the exclusive benefit of the member or beneficiaries.

The DCR Pension Trust Fund is a hybrid plan containing traditional defined contribution (DC) components as well as defined benefit (DB) components. Within the DCR Pension Trust Fund, the funds that are DC components of the plan include the Participant Directed Fund and the Healthcare Reimbursement Arrangement. The DB components of the DCR Pension Trust Fund are the Retirement Medical Plan and the Occupation Death and Disability Plan.

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At June 30, 2013 and 2012, the DCR Pension Trust Fund membership consisted of the following:

	<u>2013</u>	<u>2012</u>
Retirees and beneficiaries currently receiving benefits	—	—
Occupational death	1	1
Occupational disability	3	—
Total retirees and beneficiaries currently receiving benefits	<u>4</u>	<u>1</u>
Terminated plan members entitled to future benefits:		
25% Vested	575	443
50% Vested	303	227
75% Vested	137	72
100% Vested	117	36
Total terminated plan members entitled to future benefits	<u>1,132</u>	<u>778</u>
Total current and future benefits	<u>1,136</u>	<u>779</u>
Active plan members:		
General	13,516	11,952
Peace officer and firefighter	1,121	913
Total active plan members	<u>14,637</u>	<u>12,865</u>
Total members	<u><u>15,773</u></u>	<u><u>13,644</u></u>
Active plan members:		
Vested General:		
25% Vested	2,192	1,967
50% Vested	1,597	1,612
75% Vested	1,344	1,342
100% Vested	2,097	1,027
Total vested general	<u>7,230</u>	<u>5,948</u>
Vested peace officer and firefighter		
25% Vested	156	107
50% Vested	93	151
75% Vested	134	163
100% Vested	304	166
Total vested peace officer and firefighter	<u>687</u>	<u>587</u>
Nonvested:		
General	6,286	6,004
Peace officer and firefighter	434	326
Total nonvested general and peace officer and firefighter	<u>6,720</u>	<u>6,330</u>
Total members	<u><u>15,773</u></u>	<u><u>13,644</u></u>

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Pension Benefits

A participating member is immediately and fully vested in that member's contributions and related earnings (losses). A member shall be fully vested in the employer contributions made on that member's behalf, and related earnings (losses), after five years of service. A member is partially vested in the employer contributions made on that member's behalf, and the related earnings, in the ratio of a) 25% with two years of service; b) 50% with three years of service; c) 75% with four years of service; and d) 100% with five years of service.

Postemployment Healthcare Benefits

Major medical benefits available to eligible persons are accessible to the retiree major medical insurance plan and to the health reimbursement arrangement plan. Access to the retiree major medical insurance plan means that an eligible person may not be denied insurance coverage except for failure to pay the required premium.

Death Benefits

If (1) the death of an employee occurs before the employee's retirement and before the employee's normal retirement date, (2) the proximate cause of death is a bodily injury sustained or a hazard undergone while in the performance and within the scope of the employee's duties, and (3) the injury or hazard is not the proximate result of willful negligence of the employee, a monthly survivor's pension shall be paid to the surviving spouse. If there is no surviving spouse or if the spouse later dies, the monthly survivor's pension shall be paid in equal parts to the dependent children of the employee.

The monthly survivor's pension for survivors of employees who were not peace officers or fire fighters is 40% of the employee's monthly compensation in the month in which the employee dies. The monthly survivor's pension for survivors of employees who were peace officers or fire fighters is 50% of the monthly compensation in the month in which the employee dies. While the monthly survivor's pension is being paid, the employer shall make contributions on behalf of the employee's beneficiaries based on the deceased employee's gross monthly compensation at the time of occupational death.

Disability Benefits

An employee is eligible for an occupational disability benefit if employment is terminated because of a total and apparently permanent occupational disability before the employee's normal retirement date. The occupational disability benefits accrue beginning the first day of the month following termination of employment as a result of the disability and are payable the last day of the month. If a final determination granting the benefit is not made in time to pay the benefit when due, a retroactive payment shall be made to cover the period of deferment.

Contributions

DCR Plan Member Contributions

Contribution rates are 8.0% for DCR Plan members, as required by statute. The employer shall deduct the contribution from the member's compensation at the end of each payroll period, and the contribution shall be credited by the DCR plan to the member's individual account. The contributions shall be deducted from the member's compensation before the computation of applicable federal taxes.

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Employer Contributions

An employer shall contribute to each DCR member's account based on the member's compensation. For fiscal year 2013, the rates are 5.0% for the individual account, 0.48% for Retiree Medical Plan, 0.14% for Occupational Death and Disability for peace officer and firefighters, and 0.99% for Occupational Death and Disability non-peace officer and firefighters. The employer is required to make a Health Reimbursement Arrangement (HRA) contribution to each member's account. The HRA amount is based on the pay cycle and if the employee is a salaried or hourly employee. The fiscal year 2013 HRA contribution amounts are as follows:

Annual	Quarterly	Semi-monthly	Bi-weekly	Monthly	Hourly
\$1,848.43	462.11	77.02	71.09	154.04	1.18

Additionally, there is a Defined Benefit Unfunded Liability (DBUL) amount levied against the DCR Plan payroll, which is equal to the employer effective rate minus the DCR Plan total employer contributions. The employer effective rate is statutorily set at 22.00%. The contributions for the DBUL are posted to the DB Pension and Postemployment Healthcare plans.

Refunds

A member is eligible to elect distribution of their account 60 days after termination of employment.

Participant Accounts

Participant accounts under the DCR Plan are self-directed with respect to investment options. Investment options are disclosed in note 3.

Each participant designates how contributions are to be allocated among the investment options. Each participant's account is credited with the participant's contributions and the appreciation or depreciation in unit value for the investment funds.

Recordkeeping/administrative fees consisting of a fixed amount, applied in a lump sum each calendar year, and a variable amount, applied monthly, are deducted from each participant's account, applied pro rata to all the funds in which the employee participates. This fee is for all costs incurred by the recordkeeper and by the State. The investment management fees are netted out of the funds' performance.

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2. Summary of Significant Accounting Policies

Basis of Accounting

The System's financial statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Contributions are recognized in the period in which they are due. Benefits and refunds are recognized when due and payable.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of additions and deductions during the reporting period. Actual results could differ from those estimates.

GASB Statements No. 25, No. 43 and No. 50

The DB Plan and DCR Plan follow the provisions of Government Accounting Standards Board (GASB) Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* (GASB 25). GASB 25 establishes a financial reporting framework for defined benefit plans that distinguishes between two separate categories of information: (a) current financial information about plan assets and financial activities and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due. The DB Plan and DCR Plan follow the provisions of GASB Statement No. 50, *Pension Disclosures* (GASB 50). GASB 50 amended certain disclosure provisions of GASB 25 and expanded the required disclosures regarding pensions.

The DB Plan follows the provisions of GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* (GASB 43). GASB 43 establishes uniform financial reporting standards for Other Postemployment Benefit Plans (OPEB) and supersedes the interim guidance included in GASB Statement No. 26, *Financial Reporting for Postemployment Healthcare Plans Administered by Defined Benefit Pension Plans*. The approach followed by GASB 43 is generally consistent with the approach adopted in GASB 25, with modifications to reflect differences between pension and OPEB plans.

Investments

Investments are reported under the Department of Revenue, Division of Treasury (Treasury). Treasury financial statements are prepared using the accrual basis of accounting for investment income. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Net contributions (withdrawals) represent contributions from employers and employees, net of benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid, and all expenses are recorded on a cash basis.

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Pooled Investments

With the exception of the Short-Term Fixed Income Pool, ownership in the various pools is based on the number of shares held by each participant. The net asset value per share is determined by dividing the total fair value of the net assets of the pool by the number of shares of the pool outstanding on the valuation date. Contributions to and withdrawals from the pool are based on the beginning of the day net asset value per share on the day of the transaction.

The Short-Term Fixed Income Pool maintains a share price of \$1. Each participant owns shares in the pool, the number of which fluctuates daily with contributions and withdrawals. Participant shares also change at the beginning of each month when income is paid.

Valuation and Income Allocation

Fixed Income Investment Pools and Treasury Inflation Protected Securities (TIPS)

With the exception of the Emerging Markets Debt Pool, fixed income securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the investment manager determines the allocation between permissible securities.

Securities expressed in terms of foreign currencies are translated into U.S. dollars at the prevailing exchange rates. Forward currency contracts are valued at the midpoint of representative quoted bid and ask prices.

The Emerging Markets Debt Pool participates in one externally managed commingled investment fund alongside other institutional investors through ownership of equity shares, which are valued on the last business day of each month by the investment manager.

Broad Domestic Equity, International Equity, Real Estate Investment Trust (REIT), and Master Limited Partnership (MLP) Pools

Domestic equity, international equity, REIT, and MLP securities are valued each business day using prices obtained from a pricing service or prices quoted by one or more independent brokers. Income in the pools is credited to the net asset value of the pool daily and allocated to pool participants daily on a pro rata basis. Treasury staff or the external manager determines the allocation between permissible securities.

Emerging Markets Equity, Private Equity, Absolute Return, Real Estate, Energy, Farmland, Farmland Water, and Timber Pools

Income in these pools is credited to the net asset value of the pool daily and allocated to pool participants monthly on a pro rata basis.

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Emerging markets securities are valued on the last business day of each month by the investment managers. The pool participates in three externally managed commingled investment funds alongside other institutional investors through ownership of equity shares. The commingled funds invest in the securities markets of developing countries.

Private equity investments are valued quarterly by the general partners and investment sponsors. Private equity oversight managers and Treasury staff employ a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are composed of venture capital, buyout, restructuring, and special situation investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

Absolute return investments are valued monthly by the general partners. The fund administrators are held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are composed of hedge fund investments through limited partnership agreements. Each manager independently determines the limited partnerships to invest in.

The energy-related investments are valued quarterly by the general partner. The general partner is held to a standard of reasonable care in verifying that the valuations reasonably reflect the underlying fair value of the investments. Underlying assets are a limited partnership with an energy-related venture capital operating company.

Real estate, farmland, farmland water property, and timber investments are valued quarterly by investment managers based on market conditions. Additionally, real estate, farmland, farmland water, and timber investments are appraised annually by independent appraisers. Underlying assets in the pool are composed of separate accounts, commingled accounts, and limited partnerships. Managers independently determine permissible investments.

Defined Contribution Participant Directed Investments

The Alaska Retirement Management Board (Board) contracts with an external investment manager who is given the authority to invest in a wholly owned pooled environment to accommodate thirteen participant directed funds. Additionally, the Board contracts with external managers who manage a mix of collective investment funds. Income for the Pooled Investment and Collective Investment Funds is credited to the fund's net asset value on a daily basis and allocated to pool participants daily on a pro rata basis.

Pooled Participant Directed Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are composed of domestic and international stocks, investment grade bonds, federally guaranteed mortgages, money market instruments, and other cash equivalent instruments with maturities of less than one year, which include but are not limited to commercial paper, asset-backed securities, banker acceptances, certificates of deposit with ratings of A1/P1 or better as well as obligations of the U.S. Government and its agencies, and repurchase agreements collateralized by U.S. Treasury Instruments.

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Collective Investment Funds, held in trust, are stated at fair value based on the unit value as reported by the Trustees multiplied by the number of units held by the Plan. The unit value is determined by the Trustees based on fair value of the underlying assets. Purchases and sales of securities are recorded on a trade-date basis. Underlying assets are composed of commingled investment funds, alongside other investors, through ownership of equity shares.

Contributions Receivable

Contributions from the System's members and employers for service through June 30 are accrued. These contributions are considered fully collectible, and accordingly, no allowance for uncollectible receivables is reflected in the financial statements.

Administrative Costs

Administrative costs are paid from investment earnings.

Due from (to) State of Alaska General Fund

Amounts due from (to) the State of Alaska General Fund represent the net difference between amounts paid by the System on behalf of others and amounts paid by others on behalf of the System.

Federal Income Tax Status

The DB Plan and DCR Plan are qualified plans under Section 401(a) and 414(d) of the Internal Revenue Code and are exempt from federal income taxes under Section 501(a).

3. Investments

The Board is the investment oversight authority of the System's investments. As the fiduciary, the Board has the statutory authority to invest assets under Prudent Investor Rule. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investment portfolios.

Treasury provides staff for the Board. Treasury has created a pooled environment by which it manages investments of the Board. Additionally, Treasury manages a mix of Pooled Investment Funds and Collective Investment Funds for the DCR Participant Directed Pension Plans under the Board's fiduciary responsibility.

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Actual investing is performed by investment officers in Treasury or by contracted external investment managers. The Board has developed investment guidelines, policies, and procedures for Treasury staff and external investment managers to adhere to when managing investments. Specifically, the High Yield Fixed Income Pool, International Fixed Income Pool, Emerging Markets Debt Pool, Large Cap Domestic Equity Pool, Small Cap Domestic Equity Pool, Convertible Bond Domestic Equity Pool, International Equity Large Cap Pool, International Equity Small Cap Pool, Emerging Markets Equity Pool, Private Equity Pool, Absolute Return Pool, Real Estate Pool, Master Limited Partnerships Pool, Energy Pool, Farmland Pool, Farmland Water Pool, Timber Pool, Pooled Participant Directed Investment Funds, and Collective Investment Funds are managed by external management companies. Treasury manages the Retirement Fixed Income Pool, U.S. Treasury Fixed Income Pool, Real Estate Investment Trust Pool, Treasury Inflation Protected Securities (TIPS) Pool, and cash holdings of certain external managers in addition to acting as oversight manager for all externally managed investments.

The Short-Term Fixed Income Pool is a State pool managed by Treasury that holds investments on behalf of the Board as well as other state funds.

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4. Deposit and Investment Risk

At June 30, 2013, the System's investments included the following (in thousands):

	Fair value						Total
	Fixed income pools						
	Short-term	U.S. Treasury	High yield	International	Convertible	TIPS	Other
Commercial paper	\$ 13,915	—	—	—	—	—	\$ 13,915
Convertible bonds	—	—	1,288	—	78,840	—	80,128
Corporate bonds	17,058	38,965	305,628	—	—	—	361,651
Deposits	7,131	—	12,475	850	328	—	20,784
Foreign corporate bonds	—	—	—	19,126	—	—	19,126
Foreign government bonds	—	—	—	223,042	—	—	223,042
Mortgage backed	716	52,256	—	—	—	—	52,972
Municipal bonds	167	1,336	—	—	—	—	1,503
Other asset backed	142,390	29,588	1,239	—	—	—	173,217
Short-term investment fund	—	—	—	2,305	—	—	2,305
U.S. government agency	—	24,014	—	—	—	—	24,014
U.S. government agency	—	—	—	—	—	—	—
Discount notes	24	—	—	—	—	—	24
Treasury bills	140,542	—	—	—	—	—	140,542
Treasury bonds	—	—	—	—	—	2,423	2,423
Treasury notes	—	754,774	—	—	—	3,313	758,087
Treasury strips	—	1,393	—	—	—	—	1,393
Yankees:	—	—	—	—	—	—	—
Corporate	4,470	5,370	33,303	—	—	—	43,143
Government	—	19,908	—	—	—	—	19,908
Fixed income pools:	—	—	—	—	9,832	—	9,832
Equity	—	—	—	—	—	—	—
Warrants	—	—	36	—	—	—	36
Emerging markets debt pool	—	—	—	—	—	—	—
Broad domestic equity pool:	—	—	—	—	—	—	106,123
Deposits	—	—	—	—	—	—	23,963
Equity	—	—	—	—	—	—	3,734,164
Futures	—	—	—	—	—	—	(215)
Limited partnership	—	—	—	—	—	—	189,328
Options	—	—	—	—	—	—	(13,004)
Treasury bills	—	—	—	—	—	—	2,053
Warrants	—	—	—	—	—	—	1
Broad international equity pool:	—	—	—	—	—	—	43,568
Deposits	—	—	—	—	—	—	2,113,547
Equity	—	—	—	—	—	—	15
Rights	—	—	—	—	—	—	288,302
Mutual fund	—	—	—	—	—	—	7,910
Short-term investment fund	—	—	—	—	—	—	74
Warrants	—	—	—	—	—	—	371,783
Emerging markets equity pool	—	—	—	—	—	—	371,783
Private equity pool:	—	—	—	—	—	—	1,133,155
Limited partnerships	—	—	—	—	—	—	736
Equity	—	—	—	—	—	—	558,457
Absolute return pool:	—	—	—	—	—	—	200,170
Limited partnerships	—	—	—	—	—	—	241,335
Real estate pool:	—	—	—	—	—	—	524,637
Commingled funds	—	—	—	—	—	—	200,170
Limited partnerships	—	—	—	—	—	—	241,335
Real estate	—	—	—	—	—	—	524,637
Real estate investment trust pool:	—	—	—	—	—	—	189,778
Equity	—	—	—	—	—	—	252,209
Master limited partnership pool:	—	—	—	—	—	—	252,209
Equity	—	—	—	—	—	—	75,823
Energy pool:	—	—	—	—	—	—	75,823
Limited partnerships	—	—	—	—	—	—	485,915
Farmland pool:	—	—	—	—	—	—	485,915
Agricultural holdings	—	—	—	—	—	—	17,794
Farmland water pool:	—	—	—	—	—	—	17,794
Agricultural holdings	—	—	—	—	—	—	183,748
Timber pool:	—	—	—	—	—	—	183,748
Timber holdings	—	—	—	—	—	—	200,871
Participant directed:	—	—	—	—	—	—	137,436
Collective investment funds	—	—	—	—	—	—	137,436
Pooled investment funds	—	—	—	—	—	—	12,577
Net other assets (liabilities)	(5,819)	3,995	2,545	3,985	906	31	18,220
Other pool ownership	(133,436)	31,271	—	—	—	96	102,069
Unallocated deposits in transit	—	—	—	—	—	—	272
Total Invested Assets	\$ 187,158	962,870	356,514	249,308	89,906	5,863	\$ 11,184,594
	\$ 13,036,213						\$ 13,036,213

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Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment.

Short-Term Fixed Income Pool

As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. These constraints apply to trade date, except for securities bought at new issue, for which settlement date applies. At June 30, 2013, the expected average life of individual fixed rate securities ranged from 3 days to 34 years and the expected average life of floating rate securities ranged from 14 days to 22 years.

Other Defined Benefit Fixed Income Pools

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration of a pool is the average fair value weighted duration of each security in the pool taking into account all related cash flows. Treasury uses industry standard analytical software developed by The Yield Book Inc. to calculate effective duration. The software takes into account various possible future interest rates, historical and estimated prepayment rates, options, and other variable cash flows to calculate effective duration.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the Retirement Fixed Income portfolio to $\pm 20\%$ of the Barclays Capital U.S. Aggregate Bond Index. The effective duration for the Barclays Capital U.S. Aggregate Bond Index at June 30, 2013 was 5.49 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the U.S. Intermediate Treasury Fixed Income portfolio to $\pm 20\%$ of the Barclays Capital U.S. Treasury Intermediate Index. The effective duration for the Barclays Capital U.S. Treasury Intermediate Index at June 30, 2013 was 3.68 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the High Yield Fixed Income portfolio to $\pm 20\%$ of the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index. The effective duration for the Bank of America Merrill Lynch U.S. High Yield Master II Constrained Index at June 30, 2013 was 4.46 years.

Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the International Fixed Income portfolio to $\pm 25\%$ of the blended benchmark of 70% Citigroup Non-USD World Government Bond Index and 30% JP Morgan Global Bond Emerging Markets Broad Diversification Index. The effective duration for Citigroup Non-USD World Government Bond Index at June 30, 2013 was 7.25 years and the effective duration of the JP Morgan Global Bond Index at June 30, 2013 was 4.89 years, for a blended duration of 6.54 years at June 30, 2013.

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Through the Board's investment policy, Treasury manages the exposure to fair value losses arising from increasing interest rates by limiting the effective duration of the TIPS portfolio to $\pm 20\%$ of the Barclays Capital U.S. Treasury Inflation-Protected (U.S. TIPS) Index, or a reasonable proxy thereof. The average life of the proxy index at June 30, 2013 was 9.32 years.

The Board does not have a policy to limit interest rate risk for the Emerging Debt or Convertible Bond portfolio.

At June 30, 2013, the effective duration of the DB Plan's fixed income pools, by investment type, was as follows (in years):

	Effective duration (in years)			
	U.S. Treasury	High yield	International	TIPS
Corporate bonds	2.83	4.29	—	—
Foreign corporate bonds	—	—	3.16	—
Foreign government bonds	—	—	5.74	—
Mortgage backed	2.59	—	—	—
Municipal bonds	11.85	—	—	—
Other asset backed	0.48	3.88	—	—
Treasury bonds	—	—	—	10.90
Treasury notes	3.64	—	—	3.40
Treasury strips	5.12	—	—	—
U.S. government agency	8.31	—	—	—
Yankees:				
Corporate	3.77	4.31	—	—
Government	6.00	—	—	—
Portfolio effective duration	3.52	4.13	5.46	6.46

Defined Contribution Pooled Investment Funds

The Board contracts with an external investment manager who is given the authority to invest funds in a wholly owned pooled environment to accommodate thirteen participant directed funds. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration as follows:

Under normal conditions, the Trust will invest in cash equivalent instruments with maturities of less than one year. Additionally, under normal conditions, for government debt, corporate debt, and mortgage-backed securities, duration is limited to ± 0.2 years of the Barclays Capital U.S. Aggregate Bond Index. Further deviations are acceptable if they do not contribute significantly to the overall risk of the portfolio. In no event at time of purchase shall effective duration exceed ± 0.4 years relative to the index.

At June 30, 2013, the duration of the government corporate debt and mortgage-backed securities was 5.48 years and the duration of the Barclays Capital Aggregate Bond Index was 5.39 years.

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Defined Contribution Collective Investment Funds

The Board does not have a policy to limit interest rate risk for its collective investment funds. At June 30, 2013, the modified duration of collective investment funds that consisted solely of debt securities were as follows – SSgA Money Market Trust: 46 days, SSgA World Government Bond Ex-U.S. Index: 7.35 years, SSgA Long U.S. Treasury Bond Index: 16.27 years, SSgA TIPS Index: 7.17 years, Barclays Government Credit Bond Fund: 5.38 years, and the Barclays Intermediate Government Bond Fund: 3.55 years.

Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations.

Treasury's investment policy has the following limitations with regard to credit risk:

Short-Term Fixed Income Pool investments are limited to instruments with a long-term credit rating of at least A3 or equivalent and instruments with a short-term credit rating of at least P1 or equivalent. Asset-backed and nonagency mortgage securities must be rated A3 or equivalent. The A3 rating is defined as the median rating of the following three rating agencies: Standard & Poor's Corporation, Moody's, and Fitch. Asset-backed and nonagency mortgage securities may be purchased if rated by only one of these agencies if they are rated AAA.

The Board's investment policy has the following limitations with regard to credit risk:

Retirement Fixed Income

Commercial paper must carry a rating of at least P-1 by Moody's and A-1 by Standard & Poor's.

Corporate, asset-backed, and non-agency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non-agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

No more than 40% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 15% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's Corporation or the equivalent by Moody's or Fitch.

U.S. Intermediate Treasury Fixed Income

No more than 30% of the portfolio's assets may be invested in securities that are not nominal, U.S. Treasury obligations or the internally managed short-term or substantially similar portfolio at the time of purchase.

Corporate, asset-backed, and nonagency mortgage securities must be investment grade. Investment grade is defined as the median rating of Standard & Poor's, Moody's and Fitch. Asset-backed and non agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

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High Yield Fixed Income

No more than 10% of the portfolio's assets may be invested in securities rated A3 or higher by any rating agency (including government instruments). Cash held in the portfolio will be included in this limitation.

No more than 25% of the portfolio's assets may be invested in securities rated below B3.

No more than 5% of the portfolio's assets may be invested in unrated securities.

The lower of any Standard & Poor's, Moody's, or Fitch rating will be used for limits on securities rated below B3 and the higher rating will be used for limits on securities rated A3 or higher. Only one rating is necessary.

International Fixed Income

Asset-backed obligations must be rated investment grade or better by a recognized credit rating agency.

Commercial paper and euro commercial paper must be rated A-1 by Standard & Poor's or P-1 by Moody's or the equivalent of a comparable rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality.

Convertible Bonds

Non-rated convertible securities are permitted provided the manager is able to assign an appropriate credit rating consistent with the criteria used by Standard & Poor's, Moody's, or Fitch. Non-rated securities are limited to 35% of the total market value of the portfolio. Non-rated securities to which the manager assigns a noninvestment grade rating are subject to the below investment grade limitation.

The weighted average rating of the portfolio shall not fall below the Standard & Poor's equivalent of B.

The manager shall not purchase any security with a credit rating at or below CCC- by Standard & Poor's and C3 by Moody's. However, the manager may continue to hold securities downgraded below CCC- by Standard & Poor's & C3 by Moody's if such an investment is considered appropriate given the Board's investment objective.

TIPS

Commercial paper must be rated at least P-1 by Moody's and A-1 by Standard & Poor's.

No more than 5% of the portfolio's assets may be invested in investment grade corporate debt.

No more than 5% of the portfolio's assets may be invested in BBB+ to BBB- rated debt by Standard & Poor's or the equivalents by Moody's or Fitch.

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Non-U.S. Treasury-issued securities must be rated investment grade. The investment grade rating is defined as the median rating of the following three rating agencies: Standard & Poor's, Moody's and Fitch. Asset-backed and non agency mortgage securities may be purchased if only rated by one of these agencies if they are rated AAA. Corporate bonds may be purchased if rated by two of these agencies.

Domestic Equity (Large Cap and Small Cap) and Broad International Equity

Corporate debt obligations must carry a rating of at least A or better by Moody's, Standard & Poor's or Fitch rating services.

Commercial paper must bear the highest rating assigned by Moody's, Standard & Poor's or Fitch rating services.

The Board does not have a policy to limit the concentration of credit risk for the Emerging Markets Debt Pool or the Collective Investment Funds.

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At June 30, 2013, the System's Invested Assets consisted of securities with credit quality ratings issued by nationally recognized statistical rating organizations as follows (using Standard & Poor's Corporation rating scale):

Investment type	Rating	Fixed income pools					
		Short-term	U.S. Treasury	High yield	International	Convertible	TIPS
Deposit	Not rated	2.22%	—%	3.50%	0.34%	0.37%	—%
Commercial paper	Not rated	4.34	—	—	—	—	—
Corporate bonds	AA	2.41	0.65	—	—	—	—
Corporate bonds	A	2.91	2.50	0.11	—	—	—
Corporate bonds	BBB	—	0.82	3.21	—	—	—
Corporate bonds	BB	—	0.09	32.85	—	—	—
Corporate bonds	B	—	—	41.86	—	—	—
Corporate bonds	CCC	—	—	3.44	—	—	—
Corporate bonds	CC	—	—	0.28	—	—	—
Corporate bonds	D	—	—	0.47	—	—	—
Corporate bonds	Not rated	—	—	3.55	—	—	—
Convertible bonds	A	—	—	—	—	5.08	—
Convertible bonds	BBB	—	—	0.33	—	17.94	—
Convertible bonds	BB	—	—	—	—	15.86	—
Convertible bonds	B	—	—	—	—	14.47	—
Convertible bonds	CCC	—	—	—	—	2.73	—
Convertible bonds	Not rated	—	—	0.03	—	31.60	—
Equity	BBB	—	—	—	—	2.88	—
Equity	BB	—	—	—	—	3.97	—
Equity	B	—	—	—	—	2.08	—
Equity	Not rated	—	—	—	—	2.01	—
Foreign corporate bonds	A	—	—	—	1.27	—	—
Foreign corporate bonds	BBB	—	—	—	0.56	—	—
Foreign corporate bonds	Not rated	—	—	—	5.84	—	—
Foreign government bonds	AAA	—	—	—	6.77	—	—
Foreign government bonds	AA	—	—	—	1.68	—	—
Foreign government bonds	A	—	—	—	22.90	—	—
Foreign government bonds	BBB	—	—	—	3.58	—	—
Foreign government bonds	BB	—	—	—	1.41	—	—
Foreign government bonds	Not rated	—	—	—	53.11	—	—
U.S. government agency	Not rated	0.01	2.48	—	—	—	—
Mortgage backed	AAA	0.07	1.35	—	—	—	—
Mortgage backed	AA	0.08	1.82	—	—	—	—
Mortgage backed	A	0.07	0.38	—	—	—	—
Mortgage backed	Not rated	—	1.88	—	—	—	—
Municipal bonds	AA	0.05	0.14	—	—	—	—
Other asset backed	AAA	39.98	1.71	—	—	—	—
Other asset backed	AA	0.72	—	—	—	—	—
Other asset backed	BB	—	—	0.10	—	—	—
Other asset backed	B	—	—	0.25	—	—	—
Other asset backed	Not rated	3.71	1.36	—	—	—	—
Other pool ownership	Not rated	—	3.25	—	—	—	1.65
U.S. Treasury bills	AA	43.83	—	—	—	—	—
U.S. Treasury bonds	AA	—	—	—	—	—	41.32
U.S. Treasury notes	AA	—	78.40	—	—	—	56.50
Treasury strips	AA	—	0.14	—	—	—	—
Short-term investment	Not rated	—	—	—	0.92	—	—
Warrants	Not rated	—	—	0.01	—	—	—
Yankees:							
Corporate	AAA	—	0.06	—	—	—	—
Corporate	AA	0.55	0.28	—	—	—	—
Corporate	A	0.84	0.07	—	—	—	—
Corporate	BBB	—	0.14	—	—	—	—
Corporate	BB	—	—	3.37	—	—	—
Corporate	B	—	—	4.80	—	—	—
Corporate	CCC	—	—	0.55	—	—	—
Corporate	Not rated	—	—	0.58	—	—	—
Government	AAA	—	0.33	—	—	—	—
Government	AA	—	0.35	—	—	—	—
Government	Not rated	—	1.38	—	—	—	—
No credit risk		(1.79)	0.42	0.71	1.62	1.01	0.53
		<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

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Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits; however, Treasury investment policy requires the State's depository banks to collateralize State deposits to the extent they exceed insurance coverage provided by the Federal Deposit Insurance Corporation (the FDIC provides \$250,000 of coverage). In accordance with Treasury policy, they are required to retain collateral equal to 110% of uninsured deposits.

At June 30, 2013, the System's invested assets had the following uncollateralized and uninsured deposits (in thousands):

	<u>Amount</u>
International equity pools	\$ 43,569
International fixed income pool	850

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's policy with regard to foreign currency risk in the International Fixed Income Pool is to restrict obligations to those issued in the currencies of these countries: Argentina, Australia, Brazil, Canada, Chile, China, Colombia, Czech Republic, Denmark, Egypt, Eurozone sovereign issuers in the aggregate, Hungary, India, Indonesia, Israel, Japan, Malaysia, Mexico, New Zealand, Norway, Peru, Poland, Romania, Russia, Singapore, South Africa, South Korea, Sweden, Switzerland, Thailand, Turkey, United Kingdom, and United States. The Board has no specific policy with regard to foreign currency risk relating to international or private equity. The Board has no policy regarding foreign currency risk in the Defined Contribution Pooled Investment Funds and Collective Investment Funds. However, through its asset allocation policy, the Board limits total investments in international fixed income, global equity ex-U.S., and private equity to the following:

<u>Fixed income</u>	<u>Global equity ex-U.S.</u>	<u>Private equity pool</u>
19%	27%	13%

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At June 30, 2013, the System had exposure to foreign currency risk with the following deposits (in thousands):

Currency	International Fixed Income			International Equity			Private Equity	
	Deposits	Foreign government bonds	Foreign corporate bonds	Deposits	Equity	Mutual funds	Rights	Limited partnerships
Australian Dollar	\$ 45	8,383	—	491	47,428	—	1	206
Brazilian Real	—	15,510	—	28	8,697	—	—	—
Canadian Dollar	—	—	—	130	59,582	—	—	—
Chilean Peso	—	2,781	—	—	—	—	—	—
Colombian Peso	88	3,419	—	—	—	—	—	—
Danish Krone	—	—	—	73	19,800	—	—	—
Euro currency	—	33,898	17,422	36,970	545,128	—	14	85,078
Hong Kong Dollar	—	—	—	507	72,492	—	—	—
Hungarian Forint	—	3,518	—	—	—	—	—	—
Indian Rupee	—	—	—	—	1,102	—	—	—
Indonesian Rupiah	—	—	—	136	8,449	—	—	—
Israeli Shekel	—	—	—	47	845	—	—	—
Japanese Yen	157	70,167	—	3,046	423,215	—	—	—
Malaysian Ringgit	202	12,311	—	—	4,397	—	—	—
Mexican Peso	296	14,880	1,704	8	1,272	—	—	—
New Russian Ruble	—	5,711	—	—	—	—	—	—
New Taiwan Dollar	—	—	—	39	9,647	—	—	—
New Zealand Dollar	—	—	—	1	6,397	—	—	—
Norwegian Krone	—	—	—	64	11,832	—	—	—
Peruvian Nouveau Sol	—	3,512	—	—	—	—	—	—
Philippine Peso	—	—	—	—	1,508	—	—	—
Polish Zloty	—	20,914	—	—	—	—	—	—
Pound Sterling	—	—	—	1,422	386,013	315	—	22,160
Singapore Dollar	—	—	—	139	27,758	—	—	—
South African Rand	—	6,486	—	—	—	—	—	—
South Korean Won	35	—	—	—	29,327	—	—	—
Swedish Krona	—	16,887	—	208	51,700	—	—	—
Swiss Franc	—	—	—	223	134,574	—	—	—
Thailand Baht	27	—	—	37	11,353	—	—	—
Turkish Lira	—	4,665	—	—	—	—	—	—
UAE Dirham	—	—	—	—	1,171	—	—	—
	<u>\$ 850</u>	<u>223,042</u>	<u>19,126</u>	<u>43,569</u>	<u>1,863,687</u>	<u>315</u>	<u>15</u>	<u>107,444</u>

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At June 30, 2013, the Board also had exposure to foreign currency risk in the Emerging Markets Equity Pool and the Emerging Markets Debt Pool. These pools consist of investments in commingled funds; therefore, no disclosure of specific currencies is made.

Concentration of Credit Risk

Treasury's policy with regard to concentration of credit risk for the Short-Term Fixed Income Pool is to prohibit the purchase of more than 5% of the portfolio's assets in corporate bonds of any one company or affiliated group. This provision does not apply to securities backed by the full faith and credit of the U.S. government.

The Board's policy with regard to concentration of credit risk for the Retirement Fixed Income, U.S. Treasury Fixed Income, High Yield Fixed Income, International Fixed Income, and Convertible Bond Pools is to prohibit the purchase of more than 5% of the portfolio's assets in corporate bonds of any one company or affiliated group. The Board does not have a policy with regard to concentration of credit for the Emerging Debt or TIPS Pools.

At June 30, 2013, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

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5. Foreign Exchange, Derivative, and Counterparty Credit Risk

The System is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies.

On June 30, 2013, the System had the following derivative instruments outstanding (in thousands):

	Changes in fair value		Fair value		
	Classification	Amount	Classification	Amount	Notional
Equity options bought	Investment revenue	\$ —	Options	\$ —	\$ —
Equity options written	Investment revenue	193	Options	(12,959)	(2,030)
FX forwards	Investment revenue	2,396	Long-term instruments	1,403	19,581
Index futures long	Investment revenue	9,586	Futures	—	39
Index options written	Investment revenue	515	Options	(46)	(3)
Rights	Investment revenue	(109)	Common stock	15	48
Warrants	Investment revenue	43	Common stock	111	237

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of non-performance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date.

At June 30, 2013, the System had the following Foreign Currency risk related to forward contracts (in thousands):

Currency name	Currency Forward Contracts			Total exposure
	Options	Net receivables	Net payables	
Australian Dollar	1	(86)	1,320	1,235
Euro currency	14	—	2	16
Japanese Yen	—	—	60	60
New Zealand Dollar	—	—	107	107
	15	(86)	1,489	1,418

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Notes to Financial Statements

June 30, 2013

(With summarized financial information for June 30, 2012)

At June 30, 2013, the System had the following counterparty credit and counterparty concentration risk associated with its investment derivative positions (in thousands):

<u>Counterparty name</u>	<u>Percentage of net exposure</u>	<u>S&P rating</u>	<u>Fitch rating</u>	<u>Moody's rating</u>
Bank of New York	4.04%	A+	AA-	Aa3
State Street Bank London	95.83	A+	A+	A1
UBS AG	0.13	A	A	A2
Maximum amount of loss Alaska ARMB (PERS) would face in case of default of all counterparties i.e., aggregated (positive) fair value of OTC positions as of June 30, 2013				\$ 1,489
Effect of collateral reducing maximum exposure				—
Liabilities subject to netting arrangements reducing exposure				—
Resulting net exposure				<u>\$ 1,489</u>

6. Claims Payable

The liability for claims incurred but not reported represents the estimated amounts necessary to settle all outstanding claims, incurred but not reported, as of the balance sheet date. The DB Plan's reserve estimates are based primarily on historical development patterns adjusted for current trends that would modify past experience. Claims are reevaluated periodically to consider the effects of inflation, claims settlement trends, and other economic factors. The process of establishing loss reserves is subject to uncertainties that are normal, recurring, and inherent in the healthcare business.

Changes in the balances of claims liabilities are as follows (in thousands):

	<u>2013</u>	<u>2012</u>
Beginning of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ —	—
Incurred but not reported	35,967	32,678
Total, beginning of year	<u>35,967</u>	<u>32,678</u>
Benefit deductions	370,314	339,923
Benefits paid	<u>(351,517)</u>	<u>(336,634)</u>
Total, end of year	<u>\$ 54,764</u>	<u>35,967</u>
End of year:		
Due to State of Alaska General Fund for outstanding warrants	\$ —	—
Incurred but not reported	54,764	35,967
Total, end of year	<u>\$ 54,764</u>	<u>35,967</u>

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7. Funded Status and Funding Progress

The funded status of the defined benefit pension and postemployment healthcare benefit plan is as follows (in thousands):

	<u>Actuarial valuation date</u>	<u>Actuarial aggregate accrued liability (AAL) – entry age</u>	<u>Actuarial valuation assets</u>	<u>Assets as a percent of accrued liability (funded ratio)</u>	<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Pension	June 30, 2012	\$ 11,428,944	6,530,421	57.1 %	\$4,898,523	1,522,399	321.8 %
Postemployment healthcare	June 30, 2012	9,812,274	5,301,609	54.0	4,510,665	1,522,399	296.3

The funded status of the defined contribution retirement plan occupational death and disability and retiree medical benefits is as follows (in thousands):

	<u>Actuarial valuation date</u>	<u>Actuarial accrued liability (AAL) – entry age</u>	<u>Actuarial valuation assets</u>	<u>Funded ratio</u>	<u>Unfunded actuarial accrued liability (UAAL)</u>	<u>Covered payroll</u>	<u>UAAL as a percentage of covered payroll</u>
Death and disability plan	June 30, 2012	\$ 2,412	9,142	379.0%	\$ (6,730)	558,760	(1.2)%
Retiree medical	June 30, 2012	51,798	15,773	30.5	36,025	558,760	6.4

The funding ratio as of June 30, 2012 has decreased. The decrease in the funding ratio is attributed to adjustments in the retiree medical cost and assumptions, investment experience, changes in census data assumptions, an increase in average age of active members, and an increase in average credited service.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and healthcare cost trend. Actuarially determined amounts are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The accompanying schedules of contributions (unaudited) from employers present trend information about the amounts contributed to the plan by employers in comparison to the actuarially required contribution (ARC), an amount that is actuarially determined in accordance with the parameters of GASB 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

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Projections of benefits for financial report purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and the plan members to that point. The actuarial method and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations. Additional information as of the latest actuarial valuation is as follows:

Valuation Date	June 30, 2012	June 30, 2012
	Defined Benefit	Defined Contribution ODD and Retiree Medical
Actuarial cost method	Entry age normal; level percentage of pay normal cost basis for pension; level dollar normal cost basis for healthcare	Entry age normal; level percentage of pay normal cost basis for occupational death and disability; level dollar normal cost basis for retiree medical
Amortization method	Level dollar, closed	Level percent of pay, closed with bases established annually
Equivalent single amortization period	18 years	26 years
Asset valuation method	5-year smoothed fair value, 80% / 120% of fair value corridor	5-year smoothed market, constrained to 80% / 120% of fair value corridor
Actuarial assumptions:		
Investment rate of return	8.00% for pension, 6.88% for healthcare (includes inflation at 3.12%)	8.0% (includes inflation at 3.12%)
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.	Peace Officer/Firefighter: merit – 2.74% per year for the first 4 years of employment, grading down 0.5% at 4 years and thereafter.
	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 0.0%.	Others: merit – 5.98% per year grading down to 1.99% after 5 years; for more than 6 years of service, 1.49% grading down to 0.0%.
	Productivity – 0.5% per year.	Productivity – 0.5% per year.
Cost-of-living adjustment	Postretirement pension adjustment	Not applicable

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June 30, 2013

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Health cost trend for defined benefit, defined contribution occupational death and disability, and retiree medical plans is as follows:

Fiscal year	Medical Pre-65	Medical Post-65	Prescription drugs
2013	9.0%	6.5%	6.4%
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

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

The State of Alaska Public Employees' Retirement System's retiree healthcare benefits are partially funded. GASB outlines two reasonable methods of developing a blended discount rate when a plan is partially funded. These methods base the proportion of assumed plan and employer asset returns on 1) the funded ratio and 2) the percentage of the annual required contribution (ARC) actually being contributed to the plan. The State of Alaska has utilized the second methodology to develop a discount rate of 6.88% as of June 30, 2010 to be used for fiscal 2013 disclosure.

The 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 (RDS) 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 2015 employer ARC for accounting purposes is 1.95% of pay for retiree medical benefits and 2.25% of pay for retiree medical and death and disability benefits combined.

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8. Commitments and Contingencies

Commitments

The Board entered into agreements through external managers to provide capital funding for limited partnerships in the domestic equity, private equity, energy, and real estate portfolios. At June 30, 2013, the Board's unfunded commitments were as follows (in thousands):

<u>Portfolio</u>	<u>Unfunded commitment</u>	<u>Estimated to be paid through:</u>
Domestic equity	\$ 5,988	May be canceled annually in December with 90 days' notice
Private equity	550,291	Fiscal year 2023
Energy	80,140	Fiscal year 2022
Real estate	61,273	Fiscal year 2015
	<u>\$ 697,692</u>	

Contingencies

The Division of Retirement and Benefits (the Division) is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, in the opinion of the Division's counsel, the resolution of these matters will not have a material adverse effect on the financial condition of the Division.

9. Medicare Part D Retiree Drug Subsidy

One of the provisions of Medicare Part D provides sponsors of pension healthcare plans the opportunity to receive a RDS payment if the sponsor's plan provides a prescription drug benefit that is actuarially equivalent to the Medicare Part D benefit. The RDS is equal to 28% of the amount of eligible prescription drug benefit costs of retirees who are eligible for, but not enrolled in, Medicare Part D, by virtue of continuing to be covered by the sponsor's plan. The DB Plan was approved for participation in the Medicare Part D program beginning calendar year 2006.

10. Early Retiree Reinsurance Program

The Early Retiree Reinsurance Program (ERRP) is a temporary program that provides reimbursement to participating employment-based plans for a portion of the costs of health benefits for retirees age 55 and older who are not eligible for Medicare, and their spouses and surviving spouses and dependents. The amount of the reimbursement to the plan is up to 80% of claims cost for health benefits between \$15,000 and \$90,000. The program was authorized by the Affordable Care Act as part of the U.S. Government Health Reform package. The plan started participation in the ERRP program beginning calendar year 2011. The program ends on January 1, 2014.

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11. Recently Issued Accounting Standards

In June 2012, the GASB issued GASB Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* (GASB 67). GASB 67 requires defined benefit pension plans to present two financial statements—a statement of fiduciary net position and a statement of changes in fiduciary net position as well as additional requirements to the notes of the financial statements. Other requirements include additional presentations of summary information about the pension liability of employers and nonemployer contributing entities to plan members for benefits provided through the pension plan (net pension liability) in notes to financial statements. The new standard is effective for fiscal periods beginning after June 15, 2013. The plan will implement the provisions for the year ended June 30, 2014.

The GASB also issued GASB Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* (GASB 68). GASB 68 requires that an employer recognize its obligation for pensions net of the amount of the pension plan's fiduciary net position that is available to satisfy that obligation as well as additional notes to the financial statements regarding the obligation. The new standard is effective for fiscal periods beginning after June 15, 2014. The plan will implement the provisions to support employers with fiscal years ending after June 30, 2014.

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement
Pension Benefits
June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	\$ 8,662,324	6,739,004	77.8%	\$ 1,923,320	1,605,819	119.8%
2008	9,154,282	7,210,772	78.8	1,943,510	1,577,846	123.2
2009	9,702,086	6,108,528	63.0	3,593,558	1,585,490	226.7
2010	10,371,672	6,469,832	62.4	3,901,840	1,586,697	245.9
2011	10,919,047	6,762,149	61.9	4,156,898	1,559,938	266.5
2012	11,428,944	6,530,421	57.1	4,898,523	1,522,399	321.8

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Benefit Retirement
Postemployment Healthcare Benefits
 June 30, 2013
 (In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	\$11,108,553	3,161,956	28.5%	\$ 7,946,597	1,605,819	494.9%
2008	13,013,450	3,829,334	29.4	9,184,116	1,577,846	582.1
2009	12,770,990	4,134,450	32.4	8,636,540	1,585,490	544.7
2010	9,304,504	4,687,632	50.4	4,616,872	1,586,697	291.0
2011	9,091,034	5,051,625	55.6	4,039,409	1,559,938	258.9
2012	9,812,274	5,301,609	54.0	4,510,665	1,522,399	296.3

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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(A Component Unit of the State of Alaska)
Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Contribution Retirement
Occupational Death and Disability Benefits
June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	\$ 48	188	391.7%	\$ (140)	105,611	(0.1)%
2008	242	1,288	532.2	(1,046)	203,955	(0.5)
2009	403	3,138	778.7	(2,735)	314,118	(0.9)
2010	853	4,801	562.8	(3,948)	421,187	(0.9)
2011	1,949	7,049	361.7	(5,100)	459,521	(1.1)
2012	2,412	9,142	379.0	(6,730)	558,760	(1.2)

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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Required Supplementary Information (Unaudited)
Schedule of Funding Progress
Defined Contribution Retirement
Retiree Medical Benefits
June 30, 2013
(In thousands)

Actuarial valuation year ended June 30	Actuarial accrued liabilities (AAL)	Actuarial value of plan assets	Funded ratio	Unfunded actuarial accrued liabilities (UAAL)	Covered payroll	UAAL as a percentage of covered payroll
2007	\$ 803	1,067	132.9%	\$ (264)	105,611	(0.2)%
2008	2,123	2,719	128.1	(596)	203,955	(0.3)
2009	4,594	5,475	119.2	(881)	314,118	(0.3)
2010	8,370	8,767	104.7	(397)	421,187	(0.1)
2011	13,142	12,009	91.4	1,133	459,521	0.2
2012	51,798	15,773	30.5	36,025	558,760	6.4

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

Note: The decrease in the funding ratio is attributed to adjustments in the retiree medical cost and assumptions, investment experience; changes in census data assumptions, an increase in average age of active members, and an increase in average credited service.

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STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Required Supplementary Information (Unaudited)
Schedule of Contributions from Employers and the State of Alaska
Defined Benefit Retirement
Pension and Postemployment Healthcare Benefits
June 30, 2013
(In thousands)

Year ended June 30	Actuarial valuation year ended June 30 ⁽¹⁾	Annual required contribution			Pension percentage contributed			Postemployment healthcare percentage contributed		
		Pension	Post-employment healthcare	Total	By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)	By employer	By State of Alaska (note 3)	Total percentage contributed (note 3)
2007	2004	\$ 268,742	189,495	458,237	73.2%	4.1	77.3	73.2	4.1	77.3
2008	2005	140,729	370,456	511,185	71.2	36.2	107.4	71.2	36.2	107.4
2009	2006	166,016	391,321	557,337	68.1	48.0	116.1	68.1	41.4	109.5
2010 ⁽²⁾	2007	217,080	790,793	1,007,873	65.5	20.5	86.0	31.6	54.8	86.4
2011	2008	220,419	525,075	745,494	63.1	29.6	92.7	49.8	21.6	71.4
2012	2009	351,674	498,433	850,107	52.0	37.2	89.2	44.8	28.8	73.6

⁽¹⁾ Actuarial valuation related to annual required contribution for fiscal year.

⁽²⁾ In the year ended June 30, 2010, the postemployment healthcare annual required contribution and percentage contributed includes the Mercer legal settlement, net of legal fees, as well as the Medicare Part D subsidy contributed by the State to the Healthcare fund.

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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Required Supplementary Information (Unaudited)
Schedule of Contributions
Defined Contribution Retirement
Occupational Death and Disability Benefits
 June 30, 2013
 (In thousands)

Year ended June 30	Annual required contribution	Percentage of ARC contributed
2007	\$ 181	100.0%
2008	1,063	100.0
2009	1,787	100.0
2010	1,495	100.0
2011	1,852	100.0
2012	1,085	146.0

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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Schedule of Contributions
Defined Contribution Retirement
Retiree Medical Benefits
June 30, 2013
(In thousands)

<u>Year ended</u> <u>June 30</u>	<u>Annual</u> <u>required contribution</u>	<u>Percentage of ARC</u> <u>contributed</u>
2007	\$ 1,028	100.0%
2008	1,845	85.0
2009	3,152	85.0
2010	3,469	87.0
2011	3,229	78.0
2012	3,464	82.0

See accompanying notes to required supplementary information (unaudited) and *Independent Auditors' Report*.

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June 30, 2013

1. Description of Schedule of Funding Progress

Each time a new benefit is added, which applies to service already rendered, an “unfunded actuarial accrued liability” is created. Laws governing the System require that these additional liabilities be financed systematically over a period of future years. Also, if actual financial experiences are less favorable than assumed financial experiences, the difference is added to the unfunded actuarial accrued liability.

In an inflationary economy, the value of the dollar is decreasing. This environment results in employee pay increasing in dollar amounts resulting in unfunded actuarial accrued liabilities increasing in dollar amounts, all at a time when the actual value of these items, in real terms, may be decreasing.

2. Actuarial Assumptions and Methods

Defined Benefit Plan

The actuarial valuation was prepared by Buck Consultants. The significant actuarial assumptions used in the defined benefit pension and postemployment healthcare benefit plan valuation as of June 30, 2012 are as follows:

- (a) Actuarial cost method – Entry age actuarial cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level dollar amount. This represents a change from the level percentage of payroll amortization method effective June 30, 2012. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.
- (b) Valuation of assets – Recognizes 20% of the difference between actual and expected investment return in each of the current and preceding four years. All assets are valued at fair value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of the fair value of assets.
- (c) Valuation of medical benefits – Base claims cost rates are incurred healthcare costs expressed as a rate per member per year. Ideally, claims cost rates should be derived for each significant component of cost that can be expected to require differing projection assumptions or methods, i.e., medical claims, prescription drug claims, administrative costs, etc. Separate analysis is limited by the availability and credibility of cost and enrollment data for each component of cost. This valuation reflects nonprescription claims separated by Medicare status, including eligibility for free Part A coverage. Prescription costs are analyzed separately as in prior valuations. Administrative costs are assumed in the final per capita claims cost rates used for valuation purposes. Analysis to date on Medicare Part A coverage is limited since Part A claim data is not available by individual, nor is this status incorporated into historical claim data.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year, and productivity 0.50% per year.

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- (f) Payroll growth – 3.62% per year (inflation + productivity).
- (g) 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.
- (h) Mortality (pre-termination) – Peace Officer/Firefighter: Based upon the 2005-2009 actual mortality experience study. 1994 Group Annuity Mortality (GAM) Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females. Others: Based upon the 2005-2009 experience study, adopted in 2010. 1994 GAM Table, sex-distinct, 1994 Base Year without margin actual mortality experience. 1994 GMA Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for others. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 109%.
- (i) Mortality (post-termination) – 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with an one-year set-forward for females. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 109%.
- (j) Total turnover –Based upon the 2005-2009 actual withdrawal experience.
- (k) Disability – Incidence rates based upon the 2005-2009 actual experience. Postdisability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others.
- (l) Retirement – Retirement rates based on the 2005-2009 actual experience. Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others. For Peace Officer/Firefighter, Tier 1 deferred vested members are assumed to retire at age 53 and Tiers 2 and 3 deferred vested members are assumed to retire at age 57.
- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.
- (n) Dependent children – Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children.
- (o) Contribution refunds – 15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non vested benefits are assumed to have their contributions refunded.
- (p) Cost of Living Allowance (COLA) – Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA.

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 June 30, 2013

- (q) Post retirement pension adjustment (PRPA) – 50% and 75% of assumed inflation or 1.56% and 2.34%, respectively, is valued for the annual automatic PRPA as specified in the statute.
- (r) Expenses – All expenses are net of investment return assumption.
- (s) Part-time status – Part-time members 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.
- (t) Final average earnings – Final average earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future.
- (u) Modified cash refund – Benefits for active members are valued using a 3-year certain and life form of payment to account for modified cash refund. For deferred vested and retired members, the certain period equals their account balance divided by their pension benefit amount.
- (v) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY13 medical and prescription are shown below:

	<u>Medical</u>	<u>Prescription drugs</u>
Pre-Medicare	\$ 9,856	2,736
Medicare Part A and B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

- (w) Third-party administrator fees – \$163.52 per person per year; assumed trend rate of 5% per year.
- (x) Medicare Part B Only – For actives and retirees not yet Medicare-eligible, participation is set based on whether the member/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or rehire.

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Notes to Required Supplemental Information (Unaudited)
June 30, 2013

(y) Health cost trend – The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 9.0% is applied to the FY13 pre-Medicare medical claims costs to get the FY14 medical claims cost.

<u>Fiscal year</u>	<u>Medical Pre-65</u>	<u>Medical Post-65</u>	<u>Prescription drugs</u>
2013	9.0%	6.5	6.4
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

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

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

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

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

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

(z) Aging factors:

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

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)

Notes to Required Supplemental Information (Unaudited)

June 30, 2013

(aa) Retired member contributions for medical benefits – Currently, contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY13 contributions based on monthly rates shown below for calendar 2012 and 2013 are assumed based on the coverage category for current retirees. The retiree only rate shown is used for current active and inactive members in Tier 2 or Tier 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled and are projected to have single coverage. The retiree and spouse rate shown below is used for those projected to have a covered spouse:

Coverage category	Calendar 2013		Calendar 2012
	Annual contribution	Monthly contribution	Monthly contribution
Retiree only	\$ 9,876	823	807
Retiree and spouse	19,764	1,647	1,615
Retiree and child(ren)	13,956	1,163	1,140
Retiree and family	23,844	1,987	1,948
Composite	14,676	1,223	1,200

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

(bb) Trend rate for retired member contributions – The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 8.4% is applied to the FY13 retired member medical contributions to get the FY14 retired member medical contributions.

Fiscal year	Medical
2013	8.4%
2014	8.2
2015	8.0
2016	7.6
2017	7.2
2018	6.7
2019	6.4
2025	5.9
2050	5.0
2100	4.5

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

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

- (cc) Healthcare participation – 100% of system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 10% of nonsystem paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 100% of those who retired prior to age 60 and actually declined coverage, or who are assumed to decline nonsystem-paid coverage, are assumed to reenroll at age 60 (when all coverage is system-paid for retirees included in this report).

Defined Contribution Retirement Plan

The significant actuarial assumptions used in the defined contribution retirement plan occupational death and disability and retiree medical benefit plan valuation as of June 30, 2012 are as follows:

- (a) Actuarial cost method – Entry age actuarial cost method of funding. Any funding surplus 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.
- (b) Valuation of assets – 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 market value. Assets are accounted for on an accrued basis and are taken directly from audited financial statements. Valuation assets are constrained to a range of 80% to 120% of fair value of assets.
- (c) Valuation of retiree medical benefits – 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, 2012 for defined benefit pension and postemployment healthcare benefit plan (PERS DB Plan) with some adjustments. The claim 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, FY12 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.
- (d) Investment return/discount rate – 8.00% per year (geometric), compounded annually, net of expenses.
- (e) Salary scale – Inflation 3.12% per year. Productivity 0.5% per year.
- (f) Payroll growth – 3.62% per year (inflation + productivity).
- (g) 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.

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

- (h) Mortality (pre termination) – Peace Officer/Firefighter: Based upon the 2005 – 2009 actual mortality experience of the PERS DB Plan. 80% of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 60% for females. Others: Based upon the 2005-2009 actual mortality experience of the PERS DB Plan. 75% of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 55% for females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others.
- (i) Mortality (post termination) – 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with one-year set-forward for females. The mortality assumptions include an allowance for expected future mortality improvement. The mortality table used was set in 2010 with an Actual Deaths to Expected Deaths ratio of 109%.
- (j) Turnover – Select rates were estimated and ultimate rates were set to the PERS DB Plan's rate loaded by 10%.
- (k) Disability – Incidence rates based upon the 2005-2009 actual experience of the PERS DB Plan. Postdisability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others.
- (l) Retirement – Retirement rates were estimated in accordance with the following table:

<u>Age</u>	<u>Rate</u>
< 55	2%
55 – 59	3
60	5
61	5
62	10
63	5
64	5
65	25
66	25
67	25
68	20
69	20
70	100

STATE OF ALASKA
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 (A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
 June 30, 2013

- (m) Marriage and age difference – Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married.
- (n) 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.
- (o) Expenses – All expenses are net of the investment return assumption.
- (p) Per capita claims cost – Sample claims cost rates adjusted to age 65 for FY13 medical benefits are shown below:

	Medical	Prescription drugs
Pre-Medicare	\$ 9,856	2,736
Medicare Part A and B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

- (q) Third-party administrator fees – \$163.52 per person per year; assumed trend rate of 5% per year.
- (r) Base claims cost adjustments – Due to higher initial copays, deductibles, out-of-pocket limits, and member cost sharing compared to the DB medical plan, the following cost adjustments were applied to the per capita claims cost rates: 0.881 for medical plan, 0.929 for the prescription drug plan, and 0.998 for the annual indexing for member cost sharing.

FINANCIAL SECTION

STATE OF ALASKA
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 (A Component Unit of the State of Alaska)
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 June 30, 2013

(s) Health cost trend – The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 9.0% is applied to the FY13 pre-Medicare medical claims cost to get the FY14 medical claims costs:

<u>Fiscal year</u>	<u>Medical pre-65</u>	<u>Medical post-65</u>	<u>Prescription drugs</u>
2013	9.0%	6.5	6.4
2014	8.7	6.4	6.3
2015	8.5	6.3	6.2
2016	8.0	6.3	6.2
2017	7.5	6.2	6.1
2018	7.0	6.1	6.0
2019	6.6	6.1	5.8
2025	6.0	6.0	5.8
2050	5.0	5.0	5.0
2100	4.5	4.5	4.5

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

FINANCIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

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

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

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

(t) Aging factors:

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

FINANCIAL SECTION

STATE OF ALASKA
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 (A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
 June 30, 2013

(u) Retiree medical participation:

<u>Decrement due to disability</u>		<u>Decrement due to retirement</u>	
<u>Age</u>	<u>Percent participation</u>	<u>Age</u>	<u>Percent participation</u>
<56	73.00%	<55	40.0%
56	77.50	56	50.0
57	79.75	57	55.0
58	82.00	58	60.0
59	84.25	59	65.0
60	86.50	60	70.0
61	88.75	61	75.0
62	91.00	62	80.0
63	93.25	63	85.0
64	95.50	64	90.0
65+	94.00	65+	<u>Years of service</u>
			<15 70.5%
			15-19 75.2
			20-24 79.9
			25-29 89.3
			30+ 94.0

Updated 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.

The assumptions and methods, when applied in combination, fairly represent past and anticipated future experience of the System. The foregoing actuarial assumptions are based on the presumption that the System will continue. Were the System to terminate, different actuarial assumptions and other factors might be applicable in determining the actuarial present value of accumulated benefits.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

Changes in Methods from the Last Valuation

Defined Benefit Plan

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

Defined Contribution Retirement Plan

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

Changes in Assumptions since the Last Valuation

Defined Benefit Plan

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

Defined Contribution Retirement Plan

There have been changes in actuarial assumptions since the prior valuation regarding healthcare cost trend rates and the DCR retiree medical plan adjustments. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend, and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. The actuary also updated member contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

To account for anticipated plan design features, FY12 claims costs adjustments were changed from 5.9% for medical and 0.7% for prescription drugs to 11.9% and 7.1%, respectively. Retiree out-of-pocket amounts were indexed 0.2% each year, compared to 4.8% last year. Participation rates were reduced to reflect 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.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Notes to Required Supplemental Information (Unaudited)
June 30, 2013

3. Contributions – State of Alaska

Alaska Statute 39.35.280 states that the State of Alaska shall contribute to the System each July 1 or, if funds are not available on July 1, as soon after July 1 as funds become available, an amount for the ensuing fiscal year that, when combined with the total employer contributions of 22.00%, is sufficient to pay the DB Plan's past service liability at the consolidated actuarially required contribution adopted by the Board for the fiscal year. For fiscal year 2013 (based on the June 30, 2010 actuarial valuation report), the normal cost rate increased from 8.28% to 8.67%, the past service rate increased from 22.48% to 24.16%, thus producing a total actuarially determined contribution rate of 32.83% for fiscal year 2013. Starting in fiscal year 2012, the actuary presented an alternative method of calculating the employer rate to incorporate the normal cost of the DCR Plan, which was 3.01% for fiscal year 2013. This calculation provided a fiscal year 2013 actuarially determined employer contribution rate of 35.84%. The Board adopted the actuarially determined contribution rate of 35.84% for fiscal year 2013.

STATE OF ALASKA
 PUBLIC EMPLOYEES' RETIREMENT SYSTEM
 (A Component Unit of the State of Alaska)

Schedule of Administrative and Investment Deductions Defined Benefit Plan

Year ended June 30, 2013 and 2012
 (In thousands)

	Administrative	Investment	Totals	
			2013	2012
Personal services:				
Wages	\$ 3,436	186	3,622	3,311
Benefits	2,094	74	2,168	2,034
Total personal services	5,530	260	5,790	5,345
Travel:				
Transportation	41	98	139	178
Per diem	8	51	59	27
Total travel	49	149	198	205
Contractual services:				
Management and consulting	7,498	24,417	31,915	28,599
Accounting and auditing	40	693	733	827
Data processing	1,130	505	1,635	1,427
Communications	116	37	153	146
Advertising and printing	57	8	65	93
Rentals/leases	305	53	358	345
Legal	307	58	365	300
Medical specialists	46	—	46	27
Repairs and maintenance	7	11	18	20
Transportation	98	1	99	115
Other services	126	31	157	369
Total contractual services	9,730	25,814	35,544	32,268
Other:				
Equipment	40	15	55	165
Supplies	96	47	143	325
Total other	136	62	198	490
Total administrative and investment deductions	\$ 15,445	26,285	41,730	38,308

See Supplemental Information in *Independent Auditors' Report*.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Schedule of Administrative Deductions
Defined Contribution Retirement Trust Plan
Year ended June 30, 2013 and 2012
(In thousands)

	2013	2012
Personal services:		
Wages	\$ 307	215
Benefits	194	138
Total personal services	501	353
Travel:		
Transportation	9	7
Per diem	2	1
Total travel	11	8
Contractual services:		
Management and consulting	1,221	987
Accounting and auditing	26	18
Data processing	75	39
Communications	10	9
Advertising and printing	1	—
Rentals/leases	27	18
Legal	9	3
Repairs and maintenance	—	1
Other services	5	6
Total contractual services	1,374	1,081
Other:		
Equipment	4	6
Supplies	8	14
Total other	12	20
Total administrative deductions	\$ 1,898	1,462

See Supplemental Information in *Independent Auditors' Report*.

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
(A Component Unit of the State of Alaska)
Schedule of Payments to Consultants
Other than Investment Advisors
Year ended June 30, 2013 and 2012
(In thousands)

<u>Firm</u>	<u>Services</u>	<u>2013</u>	<u>2012</u>
Buck Consultants, an ACS Company	Actuarial services	\$ 554	\$ 699
KPMG LLP	Auditing services	42	53
State Street Bank Corporation	Custodian banking services	668	758
Applied Microsystems Inc.	Data processing consultants	81	—
Computer Task Group Inc.	Data processing consultants	199	534
Mythics Inc.	Data processing consultants	77	—
Six Degrees Consulting	Data processing consultants	17	122
Wostmann Group LLC	Data processing consultants	48	34
State of Alaska, Department of Law	Legal services	312	250
Michael Silverman	Management consulting services	44	—
The Wilson Agency LLC	Management consulting services	28	—
World Wide Technology Holding Co.	Management consulting services	—	21
State of Alaska, Department of Health and Social Services	Medical expertise and counsel	31	—
		<u>\$ 2,101</u>	<u>\$ 2,471</u>

See Supplemental Information in *Independent Auditors' Report*.

Alaska Division of Retirement and Benefits



PERS
Public Employees Retirement System



INVESTMENT SECTION

Alaska Division of Retirement and Benefits



Callan

Callan Associates Inc.
1660 Wynkoop Street
Suite 950
Denver, CO 80202

Main 303.861.1900
Fax 303.832.8230

www.callan.com

August 30, 2013

Alaska Retirement Management Board
State of Alaska, Department of Revenue
Treasury Division
333 Willoughby Avenue, 11th Floor
Juneau, AK 99801

Dear Board Members:

This letter reviews the investment performance of the Alaska Retirement Management Board (ARMB) for the fiscal year ended June 30, 2013.

Callan Associates Inc. (Callan) independently calculates time-weighted performance statistics based on underlying custodial data provided by the Board's custodian, State Street Bank and Trust Company. The performance calculations were made using a time-weighted return methodology based upon market values. ARMB's real estate consultant, the Townsend Group, calculates returns for the real estate segment of the portfolio. Callan incorporates that data into the total plan returns. Callan serves as ARMB's independent general investment consultant and evaluates the ARMB's performance in relation to market benchmarks, appropriate manager peer groups and other public pension systems. The performance calculations were made using methodology similar to Global Investment Performance standards.

ARMB's primary investment objective is to prudently and expertly invest assets, in accordance with governing law and industry practices, in a manner that will help ensure assets under supervision are sufficient to pay promised benefits to its members and their beneficiaries. In pursuit of this objective, the ARMB periodically evaluates liabilities, expected contributions, and potential earnings. This analysis is used to consider a wide range of potentially viable investment strategies. The Board selects a strategic investment policy that balances long-term growth potential and acceptable risk. A policy benchmark is constructed that mirrors the Board's strategic asset allocation policy. This policy benchmark is a custom index comprised of equity, fixed income, real estate and other market indices weighted in the same proportions as ARMB's investment policy.

Major equity markets enjoyed a strong fiscal year 2013, both internationally and domestically. The Russell 3000 Index, a measure of the broad U.S. equity market, jumped 21.46%. International stocks, as measured by the MSCI ACWI ex-U.S. Index, gained 14.14% for the fiscal year. A broad measure of the total global equity market (MSCI All Country World Index) rose 17.21%. Fixed income struggled during fiscal year 2013. The Barclays Capital Aggregate Bond Index, a widely used gauge of the investment grade domestic bond market, declined 0.69%. Absolute return strategies, such as hedge fund-of-funds, posted respectable gains during the fiscal year. For example, the Callan Absolute Return Hedge Fund-of-Funds Style median return was 9.52% (net-of-fee). Private real estate investments continued to advance, returning 10.72% (NCREIF Property Index) for fiscal 2013. Publicly traded real estate, as measured by the FTSE NAREIT Equity Index, increased 9.42%.

INVESTMENT SECTION

For the fiscal year, the Public Employees' Retirement System (PERS) had a time-weighted total return of 12.50% and the Teachers' Retirement System (TRS) had a time-weighted total return of 12.59%. Both Systems outperformed their strategic policy benchmark target return of 12.27% and the 11.99% median return for Callan's Public Fund database. Over longer-term periods, PERS and TRS have closely tracked their target index returns. For example, PERS' 10-year annualized return was 6.94% while TRS's return was slightly higher at 6.99%. These returns were close to but slightly below their target of 7.03%. Over the longest period for which Callan has detailed data (21-¾ years), PERS and TRS have achieved annualized total returns of 7.59% and 7.65%, respectively, while the policy benchmark return for the same span was 7.62%.

For fiscal year 2013 there were significant differences in performance between asset categories. For example, domestic equities (as measured by the Russell 3000 Index) had a return of 21.46% while fixed income (Barclays Aggregate Bond Index) actually fell, losing 0.69%. Non-U.S. Government Bonds, as measured by the Citi Non-U.S. World Gov't Bond Index, declined 5.72%. Similarly, the spread in international equity returns was wide. Developed equities (MSCI EAFE Index) gained 18.62% for the fiscal year but equities in emerging markets (MSCI Emerging Markets Index) only rose 3.23%.

ARMB's various asset group returns were all positive, as shown below:

Domestic Stocks	21.23%
Int'l Stocks	15.01%
Private Equity	11.61%
Real Assets	10.48%
Absolute Return	8.41% * (adjusted to reflect Fiscal Year period)
Fixed Income	0.57%

Both Systems are well diversified and currently have asset allocation policies that, in our opinion, are consistent with achievement of a long-term "real" return of 4.5% or better.

In summary, fiscal 2013 was a good year for most major asset categories allowing balanced investment portfolios to perform well.

Sincerely,



Michael J. O'Leary, CFA
Executive Vice President

INVESTMENT SECTION

Department of Revenue Treasury Division Staff

<p>Commissioner Bryan Butcher</p> <p>Deputy Commissioner Angela Rodell</p>	<p>Chief Investment Officer Gary Bader</p> <p>Comptroller Pamela Leary, CPA</p> <p>Cash Management Michelle M. Prebula, MBA, CPA, CCM</p>	<p>Investment Officers</p> <p>Bob G. Mitchell Stephen R. Sikes Zachary Hanna Steve Verschoor Shane Carson Sean Howard Paul Hackenmueller</p> <p>ARMB Liaison Officer Judy Hall</p>	<p>Casey Colton Nicholas Orr Victor Djajalie Joy Wilkinson Alyson Campbell Emily Peyton</p>
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External Money Managers and Consultants

Investment Consultants

Callan Associates, Inc.
Denver, CO
The Townsend Group
San Francisco, CA

Investment Advisory Council

William Jennings
Colorado Springs, CO
Jerrold Mitchell
Wayland, MA
George Wilson
Boston, MA

Absolute Return

Crestline Investors, Inc.
Fort Worth, TX
Global Assets Management Inc.
Los Angeles, CA
Prisma Capital Partners
New York, NY

Domestic Equity Large Capitalization

Analytic Investors LLC
Los Angeles, CA
Barrow, Hanley, Mewhinney & Strauss
Dallas, TX
Capital Guardian Trust Co.
Los Angeles, CA
RCM Global Investors
San Francisco, CA
McKinley Capital Management, Inc.
Anchorage, AK
Relational Investors LLC
San Diego, CA
Quantitative Management Associates
Newark, NJ

Domestic Equity Small Capitalization

Jennison Associates LLC
New York, NY
Lord Abbett & Co.
Jersey City, NJ
Luther King Capital Management
Fort Worth, TX
Frontier Capital Management
Boston, MA
Victory Capital Management
St. Louis, MO

Domestic Equity MicroCap

DePrince, Race & Zollo, Inc.
Winter Park, FL
Lord Abbett & Co.
Jersey City, NJ

Domestic Equity Index Fund

State Street Global Advisors
San Francisco, CA

Emerging Markets

Capital Guardian Trust Co.
Los Angeles, CA
Eaton Vance Management
Boston, MA

Global Equity

Lazard Freres Asset Management
New York, NY

High Yield/Convertible Bond

MacKay Shields LLC
New York, NY
Advent Capital Management
New York, NY

INVESTMENT SECTION

External Money Managers and Consultants (cont.)

International Equity – EAFE

Brandes Investment Partners, L.P.
San Diego, CA
Capital Guardian Trust Co.
Los Angeles, CA

International Small Cap

Mondrian Investment Partners
London, England
Schroders Investment Management NA
New York, NY

International Fixed Income

Mondrian Investment Partners
London, England

Master Limited Partnerships

FAMCO MLP
St. Louis, MO
Tortoise Capital Advisors LLC
Leawood, KS

Private Equity

Abbott Capital Management, L.P.
New York, NY
Pathway Capital Management, LLC
Irvine, CA

Real Assets – Farmland

Hancock Agricultural Investment Group
Boston, MA
UBS AgriVest, LLC
Hartford, CT

Real Assets – Commingled Funds

Almanac Realty Investors
Alpharetta, GA
BlackRock Realty
San Francisco, CA
Colony Capital
Los Angeles, CA
Cornerstone Real Estate Advisers, LLC
Hartford, CT
Coventry Real Estate Fund II, LLC
New York, NY
Clarion Partners
New York, NY
J.P. Morgan Investment Management Inc.
New York, NY
Silverpeake Real Estate Partners
New York, NY
Lowe Hospitality Investment Partners, LLC
Los Angeles, CA

Sentinel Real Estate Corporation
New York, NY
Tishman Speyer Properties
New York, NY
UBS Realty Investors, LLC
Hartford, CT

Real Assets – Real Estate Core Separate Accounts

Cornerstone Real Estate Advisers, Inc.
Hartford, CT
LaSalle Investment Management
Chicago, IL
Sentinel Real Estate Corporation
New York, NY
UBS Realty Investors, LLC
San Francisco, CA

Real Assets – Timber

Hancock Timber Resource Group
Charlotte, NC
Timberland Investment Resources LLC
Brookline, MA

Supplemental Benefits System, Deferred Compensation Plan and Defined Contribution Plan

BlackRock
San Francisco, CA
RCM
San Francisco, CA
State Street Global Advisors
Boston, MA
T. Rowe Price Investment Services
Baltimore, MD
Brandes Investment Partners
San Diego, CA

Global Master Custodian

State Street Bank & Trust Co.
Boston, MA

Independent Auditors

KPMG, LLP
Anchorage, AK

Legal Counsel

Robert Johnson
Anchorage, AK

INVESTMENT SECTION

Public Employees' Retirement System Investment Report

INVESTMENTS

The investment goals of the State of Alaska Public Employees' Retirement System (PERS) are the long term return and sustainability of the pension funds under management. Near-term market fluctuations are integrated into the overall outlook of the fund guidelines. Annually, the Alaska Retirement Management Board (ARMB) sets its asset allocation strategy in order to reflect changes in the marketplace while still retaining an optimal risk/return level within the set constraints and objectives of the ARMB.

The ARMB categorizes its investments into seven asset classes: domestic equities, global equities ex-U.S., fixed income, real assets, private equity, absolute return and cash equivalents. The performance of each asset class is compared with a benchmark comprised of one or more market indices. The performance for the total portfolio is compared with its policy portfolio, determined by calculating the weighted performance of the underlying asset class benchmarks at the portfolio's target asset allocation. The asset class benchmarks are illustrated below:

Asset Class	Benchmark
Domestic Equity	Russell 3000 Index
Global Equities Ex-U.S.	MSCI All Country World Ex-U.S. Index
Fixed Income	80% Barclays Intermediate Treasury Index 10% Merrill Lynch High Yield II Constrained Index 7% Citigroup World Gov. Bond Ex-U.S. Index 3% JP Morgan Global Bond Index - Emerging Markets Broad Diversified Index
Real Assets	55% NCREIF Property Index 20% Barclays TIPS Index 10% NCREIF Farmland Index 10% NCREIF Timberland Index 5% FTSE NAREIT All Equity REIT Index
Private Equity	1/3 S&P 500 Index 1/3 Russell 2000 Index 1/3 MSCI EAFE Index
Absolute Return	91 Day Treasury Bill + 5%
Cash Equivalents	91 Day Treasury Bill

The target asset allocation is determined by the ARMB, utilizing capital market assumptions provided by its independent general investment consultant, Callan Associates. During the 2013 fiscal year, the ARMB's target asset allocation was 27% domestic equities, 23% global equities ex-U.S., 16% real assets, 14% fixed income, 8% private equity, 6% absolute return, and 6% cash equivalents. The target asset allocation is expected to generate a return of 7.11% with a standard deviation of 14.20%.

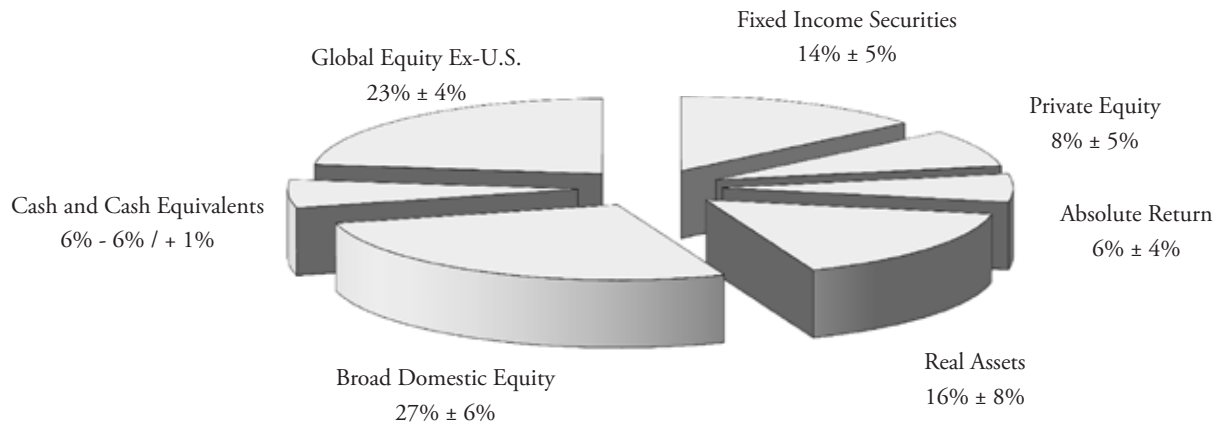
INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Results Fiscal Years Ended June 30							
	2009	2010	2011	2012	2013	Annualized	
						3 Year	5 Year
Total Fund							
PERS	(20.49%)	11.39%	21.22%	0.46%	12.50%	11.05%	3.92%
<i>Actuarial Earnings Rate</i>	8.25	8.25	8.00	8.00	8.00	8.00	8.00
U.S. Common Stock Returns							
PERS Domestic Equities	(26.72)	15.45	33.37	1.80	21.23	18.07	6.85
<i>Custom Composite Index</i>	(26.56)	15.72	32.37	3.84	21.46	18.63	7.25
International Stock Returns							
PERS International Equities	(29.11)	12.05	28.27	(13.67)	15.01	8.39	0.23
<i>Morgan Stanley Capital International ACWI ex-US</i>	(30.54)	10.87	30.27	(14.15)	14.14	8.48	(0.34)
Fixed Income							
PERS	3.39	11.19	5.46	4.90	0.57	3.62	5.04
<i>Custom Composite Index</i>	5.41	10.16	5.06	5.08	(0.04)	3.34	5.09
Private Equity							
PERS	(23.67)	18.86	20.14	9.44	11.61	13.64	5.89
<i>Custom Composite Index</i>	(27.19)	13.87	32.93	(3.61)	21.24	15.81	5.19
Absolute Return							
PERS	(12.51)	6.59	5.98	(2.05)	8.41	4.02	0.97
<i>3-month Treasury Bill +5%</i>	5.95	5.16	5.16	5.06	5.11	5.11	5.29
Real Assets							
PERS	(21.02)	(0.28)	15.25	10.46	10.47	11.95	1.94
<i>Custom Composite Index</i>	(10.82)	1.17	12.66	11.41	8.35	10.79	4.18
Cash Equivalents							
PERS	-	-	0.47	0.44	0.25	0.39	-
<i>3-month Treasury Bill</i>	-	-	0.16	0.06	0.11	0.11	-
<p>ACWI = All Country World Index Returns for periods longer than one year are reported on an annualized basis. Basis of calculation: Time-Weighted rate of return based on the market rate of return.</p>							

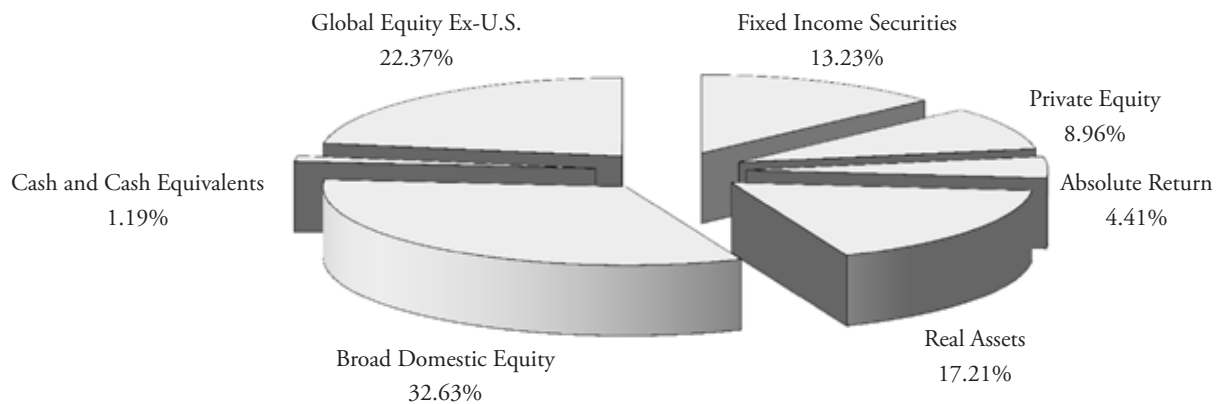
INVESTMENT SECTION

Public Employees' Retirement System Asset Allocation June 30, 2013

Policy



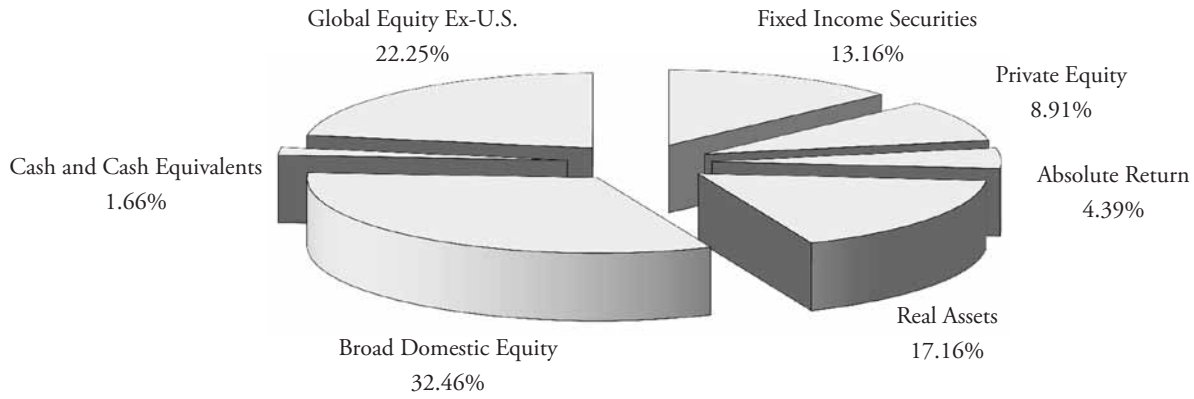
Actual — Defined Benefit Pension



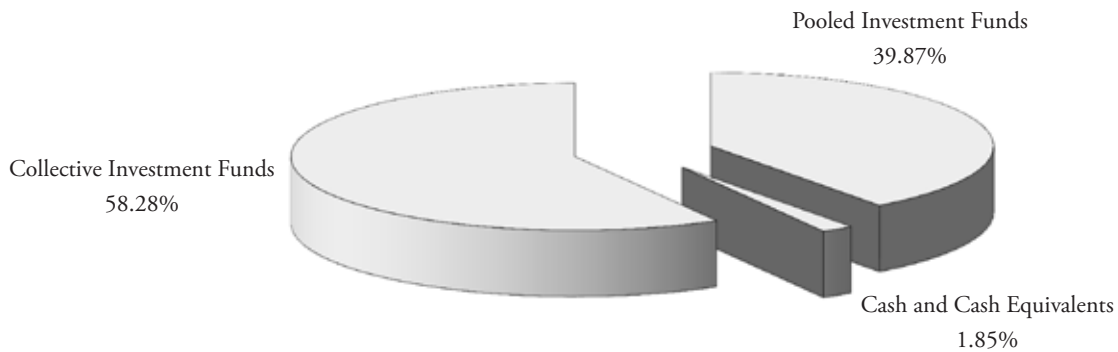
INVESTMENT SECTION

Public Employees' Retirement System Asset Allocation June 30, 2013

Actual — Defined Benefit Alaska Retiree Healthcare Trust



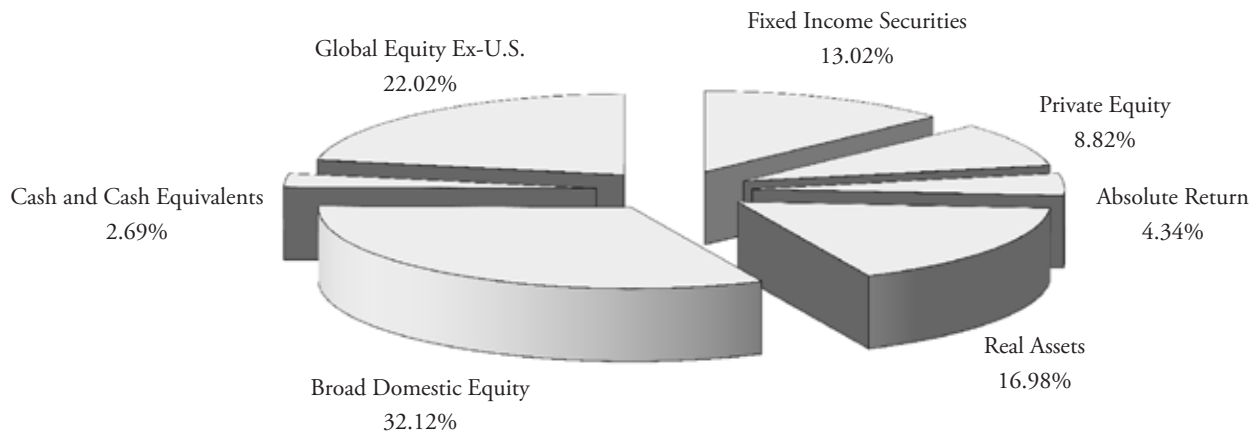
Actual — Defined Contribution Participant Directed



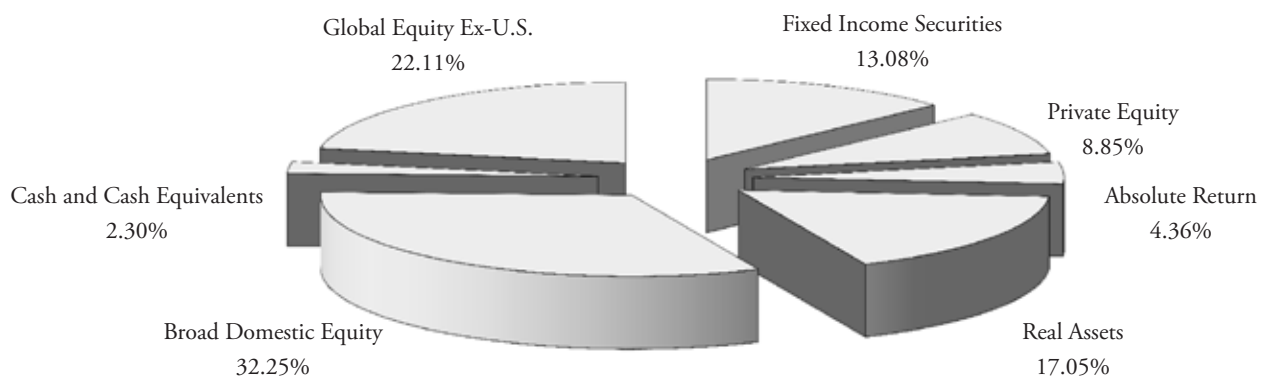
INVESTMENT SECTION

Public Employees' Retirement System Asset Allocation June 30, 2013

Actual — Defined Contribution Health Reimbursement Arrangement



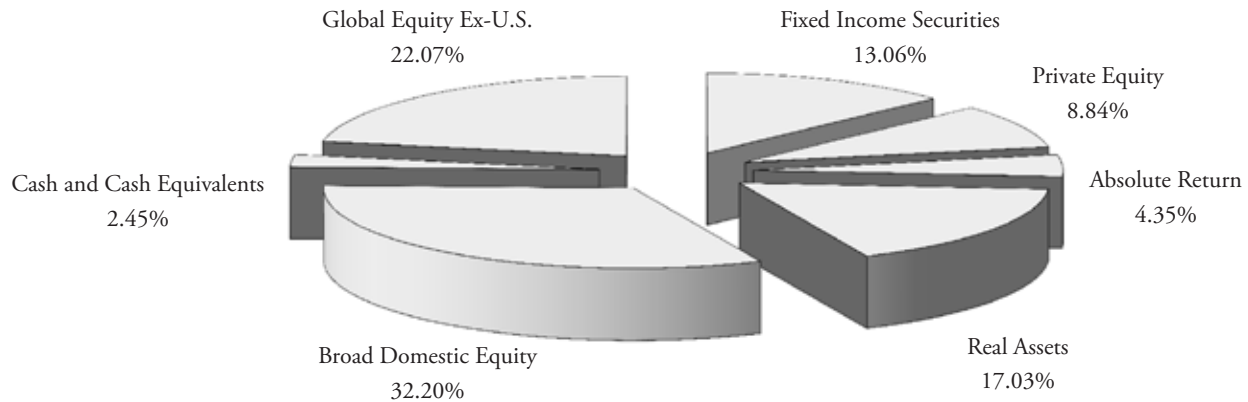
Actual — Defined Contribution Occupational Death & Disability



INVESTMENT SECTION

**Public Employees' Retirement System
Asset Allocation
June 30, 2013**

Actual — Defined Contribution Retiree Medical Plan



INVESTMENT SECTION

Alaska Retirement Management Board Top Ten Holdings by Asset Type June 30, 2013

Invested assets under the fiduciary responsibility of the Alaska Retirement Management Board (ARMB) have been commingled in various investment pools to minimize costs and maximize returns. Treasury Division has created twenty-three different mutual fund-like pools to accomplish the investment asset allocation policies of the ARMB. Using investment pools increases investment efficiency in three ways. First, combining individual funds' cash inflows and outflows to offset each other reduces the amount of cash on hand needed to support daily operations. Second, pooling investments significantly reduces accounting, budgeting, and administrative costs. Finally, the ARMB can achieve economies of scale by making available investment options that could not otherwise be practically provided for smaller retirement funds. Below are the ten largest fixed income and equity holdings.

Fixed Income

<u>Rank</u>	<u>Largest Fixed Income Holdings</u>	<u>Market Value</u>	<u>Par Value</u>
1	US Treasury 0.875% 12/31/2016	\$ 238,916,085	\$ 239,065,501
2	US Treasury 2.625% 07/31/2014	106,782,463	104,062,985
3	US Treasury 2.000% 02/15/2022	91,532,333	93,586,845
4	US Treasury 0.250% 02/15/2015	69,800,003	69,840,929
5	US Treasury 0.875% 07/31/2019	48,229,527	50,634,674
6	US Treasury 1.125% 05/31/2019	40,670,343	41,904,558
7	US Treasury 0.250% 09/30/2014	28,211,694	28,201,767
8	US Treasury 0.625% 05/31/2017	25,016,921	25,422,098
9	US Treasury 0.250% 05/15/2016	23,573,079	23,826,233
10	US Treasury 0.250% 01/31/2015	20,728,935	20,732,978

Equities

<u>Rank</u>	<u>Largest Equity Holdings</u>	<u>Market Value</u>
1	Apple Inc	\$ 63,794,030
2	Exxon Mobil Corp	51,680,472
3	Chevron Corp	42,422,818
4	JP Morgan Chase & Co	42,212,648
5	Pfizer Inc	40,765,015
6	International Business Machines Corp	37,217,438
7	Wells Fargo & Co	34,017,802
8	Oracle Corp	33,551,524
9	General Electric Co	30,608,028
10	AT&T Inc	29,644,757

Additional investment information may be obtained from the Department of Revenue, Treasury Division, P.O. Box 110405, Juneau, Alaska 99811-0405.

INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Management Fees Year Ended June 30, 2013

	Total Fair Value	Fees
International Fixed Income		
* Mondrian Investment Partners	\$249,305,257	\$1,016,092
High Yield Pool		
* Mackay Shields, LLC	356,509,150	1,560,476
Total High Yield	356,509,150	1,560,476
Alternative Equity		
** Relational Investors	189,315,321	1,392,783
* Analytic SSgA Account	81,713,882	10,546
* Analytic Buy Write Account	2,237,402	126,720
* Allianz Buy -Write Account	56,913,247	304,392
Total Alternative Equity	330,179,852	1,834,441
Domestic Equity Pools		
* Advent Capital	89,900,517	585,554
* Barrow, Hanley, Mewhinney & Strauss, INC	171,633,042	1,045,470
* Jennison Associates LLC	111,293,906	738,392
* Lazard Asset Management	255,083,880	559,987
* Lord Abbett & Co.	156,858,962	1,174,046
* Luther King Cap. Management	107,098,090	517,303
* Victory Capital Management	61,445,658	455,019
* Frontier Capital Management	105,826,363	795,159
ARMB Equity Yield Strategy	77,637,909	—
* McKinley Capital	186,837,770	799,613
* Quantitative Management Associates	188,429,010	440,555
* SSgA Russell 1000 Growth	740,784,022	79,347
* SSgA Russell 1000 Value	779,088,238	97,460
* SSgA Russell 2000 Growth	9,945,351	4,436
* SSgA Russell 2000 Value	37,152,977	9,127
* SSgA Russell 200	331,259,748	40,000
* SSgA Futures Large Cap	7,650,844	7,262
* SSgA Future Small Cap	6,164,511	6,461
* DePrince, Race & Zollo Inc.-Micro Cap	62,089,865	643,909
* Allianz Global Investors	188,975,696	701,359
Total Domestic Equities	3,675,156,359	8,700,459
Private Equity Pool		
** BlumCapital Partners-Strategic	6,836,932	213,828
** Warburg Pincus X	24,266,730	510,837
** Angelo Gordon & Co.	9,914,697	245,497
** Onex Partners	13,878,920	294,854
** Lexington Partners	32,226,471	311,959
* Pathway Capital Management	527,060,724	1,597,792
* Abbott Capital Management	511,386,737	1,364,587
** Merit Capital Partners	8,295,295	182,043
Total Private Equities	1,133,866,506	4,721,397
International Equity Pools		
* SSgA	386,267,035	228,584
* Brandes Investment Partners	606,956,225	2,082,128
* Capital Guardian Trust Co.	479,032,061	1,174,590
* McKinley Capital Mgmt.	224,376,057	1,112,968
* Lazard Freres	294,557,132	350,932
Blackrock ACWI Ex-US IMI	—	69,076
* Mondrian Investment Partners	92,144,263	673,870
* Schroder Investment Management	88,320,561	657,409
Total International Equities	2,171,653,334	6,349,557
Absolute Return Pool		
** Mariner Investment Group	1,094,757	256,104
** Crestline Investors Inc.	187,684,966	1,551,142
** Global Asset Management	183,402,681	909,480
** Prisma Capital Partners	186,246,780	924,856
Total Absolute Return	558,429,184	3,641,582

(continued)

INVESTMENT SECTION

Public Employees' Retirement System Schedule of Investment Management Fees (cont.) Year Ended June 30, 2013

	Total Fair Value	Fees
Emerging Markets Equity Pool		
** The Capital Group Inc.	\$ —	\$ 358,363
** Lazard Freres Asset Managers	228,538,875	—
** Eaton Vance	143,240,034	—
Total Emerging Markets Equities	<u>371,778,909</u>	<u>358,363</u>
Real Estate Pool		
** JPM Strategic	126,037,790	1,044,877
** UBS Consolidated	55,350,747	579,268
** Cornerstone	68,482,263	245,922
** Lasalle	154,521,858	1,095,263
** Sentinel, SA	107,339,967	548,659
** UBS Separate	194,325,203	1,188,947
** Lowe Hospitality	2,021,023	45,451
** ING Clarion	21,995,747	376,492
** Silverpeak Legacy Pension Partners	56,082,417	785,656
** Rothschild Five Arrows	46,759,923	898,605
** Tishman Speyer	56,794,507	649,745
** BlackRock Diamond	18,784,285	265,292
** Colony Investors VIII, L.P.	15,109,619	449,131
** LaSalle Medical Office Fund II	13,531,678	241,483
** Cornerstone Apartment Venture III	19,120,634	204,091
** Coventry	9,934,016	234,943
Total Real Estate	<u>966,191,677</u>	<u>8,853,823</u>
Master Limited Partnerships Pool		
** Tortoise MLP	129,544,123	392,460
** Famco MLP	125,789,419	303,754
Total Master Limited Partnerships	<u>255,333,542</u>	<u>696,214</u>
Timber Pool		
** Timberland INVT Resources	122,962,448	909,135
** Hancock Natural Resource Group	60,776,997	473,165
Total Timber	<u>183,739,445</u>	<u>1,382,300</u>
Farmland Pool		
** Hancock Agriculture Investment Group	178,326,750	1,350,952
** UBS Agrivest	307,598,783	2,181,333
Total Farmland	<u>485,925,533</u>	<u>3,532,285</u>
Farmland Water Pool		
** Hancock Farmland & Water	6,528,662	38,496
** UBS Agrivest	11,265,233	83,773
Total Farmland Water	<u>17,793,895</u>	<u>122,269</u>
Energy Pool		
** EIG Energy Fund XV	24,182,980	400,547
** EIG Energy Fund XD	5,901,522	74,593
** EIG Energy Fund XIV-A	45,735,236	576,838
Total Energy	<u>75,819,738</u>	<u>1,051,978</u>
Custodian		
* State Street Bank		667,971
Investment Advisory		
* Townsend Group		70,990
* Callan Associates		125,681
* Investment Advisory Council		65,607
Total Investment Advisory		<u>262,278</u>
Investment Performance		
* Callan Associates		191,610
Total External Management Fees		<u><u>\$ 44,943,095</u></u>

*These fees are paid through the Alaska Statewide Accounting System (AKSAS)

**These fees are deducted from earnings by the fund manager and are not directly recorded in AKSAS.

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Investments (at Fair Value)	Defined Benefit - Pension			% of Total Assets
	Asset Allocation Policy	Range	Fair Market Value	
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 79,518,746	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>79,518,746</u>	1.19%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			508,305,867	
High Yield Pool			188,205,768	
International Fixed Income Pool			131,612,939	
Emerging Debt Pool			<u>56,023,255</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>884,147,829</u>	13.23%
Broad Domestic Equity				
Large Cap Pool			1,729,360,071	
Small Cap Pool			403,689,227	
Convertible Bond Pool			<u>47,461,893</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>2,180,511,191</u>	32.63%
Global Equity Ex-U.S.				
International Equity Pool			1,203,194,389	
International Equity Small Cap Pool			95,269,004	
Emerging Markets Equity Pool			<u>196,266,535</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,494,729,928</u>	22.37%
Private Equity				
Private Equity Pool			<u>598,588,278</u>	
Total Private Equity	8.00%	3-13%	<u>598,588,278</u>	8.96%
Absolute Return				
Absolute Return Pool			<u>294,812,870</u>	
Total Absolute Return	6.00%	2-10%	<u>294,812,870</u>	4.41%
Real Assets				
Real Estate Pool			508,825,552	
Real Estate Investment Trust Pool			100,656,229	
Master Limited Partnership Pool			134,793,799	
Energy Pool			40,027,695	
Farmland Pool			248,098,005	
Farmland Water Pool			17,793,896	
Timber Pool			97,002,008	
Treasury Inflation Protected Securities Pool			<u>3,095,099</u>	
Total Real Assets	<u>16.00%</u>	8-24%	<u>1,150,292,283</u>	<u>17.21%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 6,682,601,125</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Defined Benefit - Alaska Retiree Healthcare Trust

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 97,596,818	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>97,596,818</u>	1.66%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			444,101,354	
High Yield Pool			164,434,382	
International Fixed Income Pool			114,985,791	
Emerging Debt Pool			<u>48,947,017</u>	
Total Fixed Income Securities	14.00%	9-19%	<u>772,468,544</u>	13.16%
Broad Domestic Equity				
Large Cap Pool			1,510,983,099	
Small Cap Pool			352,715,889	
Convertible Bond Pool			<u>41,467,283</u>	
Total Broad Domestic Equity	27.00%	21-33%	<u>1,905,166,271</u>	32.46%
Global Equity Ex-U.S.				
International Equity Pool			1,051,245,683	
International Equity Small Cap Pool			83,237,496	
Emerging Markets Equity Pool			<u>171,477,019</u>	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>1,305,960,198</u>	22.25%
Private Equity				
Private Equity Pool			<u>522,981,569</u>	
Total Private Equity	8.00%	3-13%	<u>522,981,569</u>	8.91%
Absolute Return				
Absolute Return Pool			<u>257,575,389</u>	
Total Absolute Return	6.00%	2-10%	<u>257,575,389</u>	4.39%
Real Assets				
Real Estate Pool			446,790,138	
Real Estate Investment Trust Pool			87,943,963	
Master Limited Partnership Pool			117,771,821	
Energy Pool			34,971,844	
Farmland Pool			232,343,281	
Farmland Water Pool			-	
Timber Pool			84,749,795	
Treasury Inflation Protected Securities Pool			<u>2,704,160</u>	
Total Real Assets	16.00%	8-24%	<u>1,007,275,002</u>	17.16%
Total Invested Assets	100.00%		<u>\$ 5,869,023,791</u>	100.00%

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Participant Directed				
Investments (at Fair Value)	Asset Allocation Policy	Range	Fair Market Value	% of Total Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool	100.00%	0%	\$ 6,375,787	
Total Cash and Cash Equivalents			<u>6,375,787</u>	1.85%
Pooled Investment Funds (1)				
T. Rowe Price				
Target 2010 Trust			1,089,235	
Target 2015 Trust			4,305,228	
Target 2020 Trust			8,512,198	
Target 2025 Trust			11,889,092	
Target 2030 Trust			12,084,803	
Target 2035 Trust			13,396,032	
Target 2040 Trust			17,659,379	
Target 2045 Trust			20,800,027	
Target 2050 Trust			23,206,155	
Target 2055 Trust			9,711,572	
Alaska Balanced Fund			1,147,613	
Long-Term Balanced Fund			9,596,463	
Alaska Money Market			4,038,389	
Total Pooled Investment Funds			<u>137,436,186</u>	39.87%
Collective Investment Funds (1)				
State Street Global Advisors				
Money Market Fund			1,000,844	
S&P Stock Index Fund			37,330,974	
Russell 3000 Index			16,164,942	
Real Estate Investment Trust Index			5,458,575	
World Equity Ex-U.S. Index			27,970,458	
Long U.S. Treasury Bond Index			546,623	
Treasury Inflation Protected Securities Index			2,041,125	
World Government Bond Ex-U.S. Index			3,676,508	
Global Balanced Fund			10,128,188	
Barclays				
Daily Government/Corporate Bond Fund			18,082,403	
Intermediate Bond Fund			389,687	
Brandes Institutional				
International Equity Fund			31,378,068	
RCM				
Socially Responsible Fund			5,315,268	
T. Rowe Price				
Small-Cap Fund			41,387,511	
Total Collective Investment Funds			<u>200,871,174</u>	58.28%
Total Invested Assets			<u>\$ 344,683,147</u>	<u>100.00%</u>

(1) Pooled Investment Funds and Collective Investment Funds are participant directed and therefore are not subject to an asset allocation.

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Health Reimbursement Arrangement

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 2,897,348	
Total Cash and Cash Equivalents	6.00%	0-7%	<u>2,897,348</u>	2.69%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			8,054,862	
High Yield Pool			2,982,369	
International Fixed Income Pool			2,085,697	
Emerging Debt Pool			887,768	
Total Fixed Income Securities	14.00%	9-19%	<u>14,010,696</u>	13.02%
Broad Domestic Equity				
Large Cap Pool			27,402,646	
Small Cap Pool			6,396,596	
Convertible Bond Pool			752,094	
Total Broad Domestic Equity	27.00%	21-33%	<u>34,551,336</u>	32.12%
Global Equity Ex-U.S.				
International Equity Pool			19,065,587	
International Equity Small Cap Pool			1,509,618	
Emerging Markets Equity Pool			3,110,104	
Total Global Equity Ex-U.S.	23.00%	19-27%	<u>23,685,309</u>	22.02%
Private Equity				
Private Equity Pool			9,485,476	
Total Private Equity	8.00%	3-13%	<u>9,485,476</u>	8.82%
Absolute Return				
Absolute Return Pool			4,671,730	
Total Absolute Return	6.00%	2-10%	<u>4,671,730</u>	4.34%
Real Assets				
Real Estate Pool			8,103,581	
Real Estate Investment Trust Pool			1,595,003	
Master Limited Partnership			2,135,902	
Energy Pool			634,296	
Farmland Pool			4,214,088	
Farmland Water Pool			-	
Timber Pool			1,537,135	
Treasury Inflation Protected Securities Pool			49,046	
Total Real Assets	<u>16.00%</u>	8-24%	<u>18,269,051</u>	<u>16.98%</u>
Total Invested Assets	<u>100.00%</u>		<u>\$ 107,570,946</u>	<u>100.00%</u>

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Occupational Death & Disability

<u>Investments (at Fair Value)</u>	<u>Asset Allocation</u>		<u>Fair Market</u>	<u>% of Total</u>
	<u>Policy</u>	<u>Range</u>	<u>Value</u>	
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 265,738	
Total Cash and Cash Equivalents	6.00%	0-7%	265,738	2.30%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			866,814	
High Yield Pool			320,946	
International Fixed Income Pool			224,446	
Emerging Debt Pool			95,537	
Total Fixed Income Securities	14.00%	9-19%	1,507,743	13.08%
Broad Domestic Equity				
Large Cap Pool			2,948,969	
Small Cap Pool			688,381	
Convertible Bond Pool			80,935	
Total Broad Domestic Equity	27.00%	21-33%	3,718,285	32.25%
Global Equity Ex-U.S.				
International Equity Pool			2,051,753	
International Equity Small Cap Pool			162,458	
Emerging Markets Equity Pool			334,691	
Total Global Equity Ex-U.S.	23.00%	19-27%	2,548,902	22.11%
Private Equity				
Private Equity Pool			1,020,770	
Total Private Equity	8.00%	3-13%	1,020,770	8.85%
Absolute Return				
Absolute Return Pool			502,743	
Total Absolute Return	6.00%	2-10%	502,743	4.36%
Real Assets				
Real Estate Pool			872,059	
Real Estate Investment Trust Pool			171,646	
Master Limited Partnership Pool			229,856	
Energy Pool			68,259	
Farmland Pool			453,495	
Farmland Water Pool			-	
Timber Pool			165,418	
Treasury Inflation Protected Securities Pool			5,278	
Total Real Assets	16.00%	8-24%	1,966,011	17.05%
Total Invested Assets	100.00%		\$ 11,530,192	100.00%

INVESTMENT SECTION

Public Employees' Retirement System Investment Summary Schedule June 30, 2013

Defined Contribution - Retiree Medical Plan

Investments (at Fair Value)	Asset Allocation		Fair Market	% of Total
	Policy	Range	Value	Assets
Cash and Cash Equivalents				
Short-term Fixed Income Pool			\$ 502,666	
Total Cash and Cash Equivalents	6.00%	0-7%	502,666	2.45%
Fixed Income Securities				
U.S. Treasury Fixed Income Pool			1,541,203	
High Yield Pool			570,643	
International Fixed Income Pool			399,068	
Emerging Debt Pool			169,864	
Total Fixed Income Securities	14.00%	9-19%	2,680,778	13.06%
Broad Domestic Equity				
Large Cap Pool			5,243,277	
Small Cap Pool			1,223,942	
Convertible Bond Pool			143,905	
Total Broad Domestic Equity	27.00%	21-33%	6,611,124	32.20%
Global Equity Ex-U.S.				
International Equity Pool			3,648,026	
International Equity Small Cap Pool			288,852	
Emerging Markets Equity Pool			595,084	
Total Global Equity Ex-U.S.	23.00%	19-27%	4,531,962	22.07%
Private Equity				
Private Equity Pool			1,814,936	
Total Private Equity	8.00%	3-13%	1,814,936	8.84%
Absolute Return				
Absolute Return Pool			893,882	
Total Absolute Return	6.00%	2-10%	893,882	4.35%
Real Assets				
Real Estate Pool			1,550,526	
Real Estate Investment Trust Pool			305,188	
Master Limited Partnership Pool			408,686	
Energy Pool			121,365	
Farmland Pool			806,317	
Farmland Water Pool			-	
Timber Pool			294,113	
Treasury Inflation Protected Securities Pool			9,384	
Total Real Assets	16.00%	8-24%	3,495,579	17.03%
Total Invested Assets	100.00%		\$ 20,530,927	100.00%

INVESTMENT SECTION

**Public Employees' Retirement System
Recaptured Commission Fees
Year Ended June 30, 2013**

Fund	Domestic Equity Pool	International Equity Pool	Total
Defined Benefit Plan - Pension	\$47,965	\$28,221	\$76,186
Defined Benefit Plan - Alaska Retiree Healthcare Trust	41,053	24,267	65,320
Defined Contribution Retirement Plan - Health Reimbursement Arrangement	617	381	998
Defined Contribution Retirement Plan - Occupational Death & Disability - Peace Officer/Firefighter	21	13	34
Defined Contribution Retirement Plan - Occupational Death & Disability - All Others	51	31	82
Defined Contribution Retirement Plan - Retiree Medical Plan	<u>125</u>	<u>76</u>	<u>201</u>
Total Recaptured Commission Fees	<u>\$ 89,832</u>	<u>\$ 52,989</u>	<u>\$ 142,821</u>

The ARMB's Commission Recapture program has been in place since 1995, first working with various brokers then switching to the State Street program in 2005. Under a commission recapture program a portion of the commissions and mark-ups on trades (placed through the State Street broker network) flow directly back to the fund.

The program allows managers to place trades for commission recapture purposes. The ARMB has established direction percentages for the managers to strive for, but is only requiring best efforts to meet them given their fiduciary obligation to achieve best execution of transactions.

The current rebate arrangement with State Street Global Markets (SSGM) is: 90% of the commissions received in excess of executing the brokers' execution-only rates; 100% of commissions in excess of its execution-only rates for all trading directed through SSGM.



ACTUARIAL SECTION

Alaska Division of Retirement and Benefits





A Xerox Company

July 19, 2013

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

Certification of Actuarial Valuation

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

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

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

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

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

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

ACTUARIAL SECTION

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

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

Respectfully submitted,

BUCK CONSULTANTS, LLC



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



Lee James, FSA, EA, MAAA, FCA
Director, Consulting Actuary

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



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

buckconsultants

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

The funding method used in this valuation was adopted by the Board in October 2006. The asset smoothing method used to determine valuation assets was changed effective June 30, 2002.

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

A. Actuarial Method – Entry Age Actuarial Cost

Liabilities and contributions shown in the report are computed using the Entry Age Actuarial Cost method of funding. Any funding surpluses or unfunded accrued liability is amortized over 25 years as a level dollar amount, and represents a change from the level percentage of payroll amortization method effective June 30, 2012. State statutes allow the contribution rate to be determined on payroll for all members, defined benefit and defined contribution member payroll combined. However, for GASB disclosure requirements, the net amortization period will not exceed 30 years and the level dollar amortization method is used since the defined benefit plan membership was closed effective July 1, 2006.

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

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

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

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

B. Valuation of Assets

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

Changes in Methods Since the Prior Valuation

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

C. Valuation of Medical Benefits

This section outlines the detailed methodology used to develop the initial per capita claims cost rates for the State of Alaska Public Employees' Retirement System postemployment healthcare plan. Note that methodology reflects the results of our annual experience rate update for the period July 1, 2012 to June 30, 2013.

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

We analyzed HealthSmart and Premera management level reporting for fiscal 2009 through April 2012, as well as HealthSmart and Premera claim level data for the same period and derived recommended base claims cost rates as described in the following steps.

1. Based on analysis described in our Experience Study, dental, vision and audio claims (DVA) are excluded from data analyzed for this valuation.
2. Available management level reporting does not show claims or enrollment separately for Medicare and non-Medicare plan participants, but does include overall statistics as to the percentage of claims and enrollment attributable to both groups. Claim level reporting was used to augment cost data by Medicare status.
3. Alaska retirees who do not have 40 quarters of Medicare-covered compensation do not qualify for Medicare Part A coverage free of charge. This is a relatively small and closed group. Medicare was applied to State employment for all employees hired after March 31, 1986. For these "no-Part A" individuals, the State is the primary payer for hospital bills and other Part A services. Thus, claims costs are higher for the no-Part A group. To date, claim experience is not available separately for participants with both Medicare Parts A and B and those with Part B only. Therefore, higher no-Part A claims are spread across the entire retired population and have been applied to future claims of current active employees projected to retire in the future. To the extent that no-Part A claims can be isolated and applied strictly to the appropriate closed group, actuarial accrued liability will be more accurate and will be lower. The smaller the no-Part A population, the more accrued liabilities will decrease.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

Based on census data received from HealthSmart, 0.5% of the current retiree population was identified as having coverage only under Medicare Part B. For future retirees, we assume their Part A eligible status based on a combination of date of hire and/or re-hire, date of birth, tier, etc.

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

4. The steps above result in separate paid claims cost rates for medical and prescription benefits for non-Medicare, Medicare Part B only and Medicare Part A&B members for the past four fiscal years. Medical claims cost rates reflect differing average ages and levels of Medicare coordination for each group. Prescription claims cost rates reflect differing average ages. We utilized incurred claim data projected from each historical data period to the valuation year using a weighted average of national and Alaska-specific trend factors and developed weighted average incurred claims cost rates. We used estimated June 2012 reserve data to complete fiscal year 2012 claim costs.
5. Healthcare Reform legislation passed on March 23, 2010 included several provisions with potential implications for the State of Alaska Retiree Health Plan liability. Buck evaluated the impact of the following provisions; however, none of the impacts have been included in the valuation results.

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

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

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

June 30, 2012 Valuation – FY 2013 Claims Cost Rates

	Medical		
	Pre-Medicare	Medicare A&B	Medicare B Only
Fiscal 2009 Incurred Claims	\$207,452,753	\$43,988,895	\$4,422,726
Membership	32,943	24,624	539
Paid Claims Cost Rate	\$6,297	\$1,786	\$8,204
Trend to FY2013	1.317	1.317	1.317
FY 2013 Paid Cost Rate	\$8,295	\$2,353	\$10,806
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	\$8,295	\$2,353	\$10,806
Fiscal 2010 Incurred Claims	\$233,601,103	\$60,082,942	\$1,421,948
Membership	32,026	27,915	156
Paid Claims Cost Rate	\$7,294	\$2,152	\$9,115
Trend to FY2013	1.220	1.220	1.220
FY 2013 Paid Cost Rate	\$8,896	\$2,625	\$11,117
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	\$8,896	\$2,625	\$11,117
Fiscal 2011 Incurred Claims	\$232,542,851	\$55,569,969	\$848,494
Membership	31,362	29,997	138
Paid Claims Cost Rate	\$7,415	\$1,852	\$6,149
Trend to FY2013	1.079	1.079	1.079
FY 2013 Paid Cost Rate	\$8,001	\$1,999	\$6,634
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	\$8,001	\$1,999	\$6,634
Fiscal 2012 Incurred Claims	\$240,584,988	\$73,566,159	\$1,636,834
Membership	29,438	33,560	208
Paid Claims Cost Rate	\$8,173	\$2,192	\$7,869
Trend to FY2013	1.004	1.004	1.004
FY 2013 Cost Rate	\$8,209	\$2,202	\$7,905
Paid to Incurred Factor	1.000	1.000	1.000
FY 2013 Incurred Cost Rate	\$8,209	\$2,202	\$7,905
Weighted Average 7/1/2012 – 6/30/2013 Incurred Claims Cost Rates:			
At average age	\$8,298	\$2,228	\$8,511
At age 65	\$9,856	\$1,628	\$6,219

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

June 30, 2012 Valuation – FY 2013 Claims Cost Rates (cont.)

	Prescription Drugs			Total
	Pre-Medicare	Medicare A&B	Medicare B Only	
Fiscal 2009 Incurred Claims	\$65,158,106	\$64,232,955	\$1,507,666	\$386,763,101
Membership	32,943	24,624	539	58,106
Paid Claims Cost Rate	\$1,978	\$2,609	\$2,797	\$6,656
Trend to FY2013	1.235	1.235	1.235	
FY 2013 Paid Cost Rate	\$2,442	\$3,221	\$3,453	\$8,581
Paid to Incurred Factor	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$2,442	\$3,221	\$3,454	\$8,582
Fiscal 2010 Incurred Claims	\$59,287,225	\$69,463,204	\$394,011	\$424,250,433
Membership	32,026	27,915	156	60,097
Paid Claims Cost Rate	\$1,851	\$2,488	\$2,526	\$7,059
Trend to FY2013	1.143	1.143	1.143	
FY 2013 Paid Cost Rate	\$2,116	\$2,845	\$2,887	\$8,446
Paid to Incurred Factor	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$2,117	\$2,845	\$2,888	\$8,446
Fiscal 2011 Incurred Claims	\$48,384,466	\$85,599,757	\$393,794	\$423,339,331
Membership	31,362	29,997	138	61,497
Paid Claims Cost Rate	\$1,543	\$2,854	\$2,854	\$6,884
Trend to FY2013	1.043	1.043	1.043	
FY 2013 Paid Cost Rate	\$1,609	\$2,977	\$2,977	\$7,349
Paid to Incurred Factor	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$1,610	\$2,977	\$2,977	\$7,350
Fiscal 2012 Incurred Claims	\$50,683,151	\$95,740,056	\$593,392	\$462,804,580
Membership	29,438	33,560	208	63,206
Paid Claims Cost Rate	\$1,722	\$2,853	\$2,853	\$7,322
Trend to FY2013	1.002	1.002	1.002	
FY 2013 Paid Cost Rate	\$1,725	\$2,858	\$2,858	\$7,559
Paid to Incurred Factor	1.000	1.000	1.000	
FY 2013 Incurred Cost Rate	\$1,725	\$2,859	\$2,859	\$7,559
Weighted Average 7/1/2012 – 6/30/2013 Incurred Claims Cost Rates:				
At average age	\$1,874	\$2,974	\$3,020	\$7,839
At age 65	\$2,736	\$2,736	\$2,736	\$8,214

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Description of Actuarial Methods and Valuation Procedures**

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

Below are the results of this analysis:

**Distribution of Per Capita Claims Cost by Age
for the Period July 1, 2012 through June 30, 2013**

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

The demographic and economic assumptions used in the June 30, 2012 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed as of June 30, 2009.

- | | |
|--------------------------------------|--|
| 1. Investment Return / Discount Rate | 8.00% per year (geometric), compounded annually, net of expenses. |
| 2. Salary Scale | Inflation – 3.12% per year. Productivity – .50% per year. See Table 1 for salary scale rates. |
| 3. Payroll Growth | 3.62% per year. (Inflation + Productivity). |
| 4. 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. |
| 5. Mortality (Pre-termination)* | <u>Peace Officer/Firefighter:</u>
Based upon the 2005-2009 actual mortality experience (see Table 2). 1994 Group Annuity Mortality (GAM) Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 80% of the male table for males and 60% of the female table for females.

<u>Others:</u>
Based upon the 2005-2009 actual mortality experience (see Table 3). 1994 GAM Table, sex distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA, 75% of the male table for males and 55% of the female table for females. Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others. |
| 6. Mortality (Post-termination)* | 1994 GAM Table, sex-distinct, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with a 1-year set-forward for females. (See Table 4.) |
| 7. Total Turnover | Based upon the 2005-2009 actual withdrawal experience. (See Table 5.) |
| 8. Disability | Incidence rates based upon the 2005-2009 actual experience, in accordance with Table 6. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/ Firefighter, 55% of the time for Others. |
| 9. Retirement | Retirement rates based upon the 2005-2009 actual experience in accordance with Tables 7 and 8. Deferred vested members are assumed to retire at their earliest unreduced retirement date for Others. For Peace Officer/Firefighter, Tier 1 deferred vested members are assumed to retire at age 53 and Tiers 2 and 3 deferred vested members are assumed to retire at age 57. |

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

- | | |
|--|---|
| 10. Marriage and Age Difference | Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married. |
| 11. Dependent Children | Benefits to dependent children have been valued assuming members who are married and between the ages of 25 and 45 have two dependent children. |
| 12. Contribution Refunds | 15% of terminating members with vested benefits are assumed to have their contributions refunded. 100% of those with non-vested benefits are assumed to have their contributions refunded. |
| 13. COLA | Of those benefit recipients who are eligible for the COLA, 70% are assumed to remain in Alaska and receive the COLA. |
| 14. Post-Retirement Pension Adjustment | 50% and 75% of assumed inflation, or 1.56% and 2.34% respectively, is valued for the annual automatic Post-Retirement Pension Adjustment (PRPA) as specified in the statute. |
| 15. Expenses | All expenses are net of the investment return assumption. |
| 16. 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. |
| 17. Final Average Earnings | Final Average Earnings is provided on the data for active members. This amount is used as a minimum in the calculation of the average earnings in the future. |
| 18. Modified Cash Refund | Benefits for active members are valued using a 3-year certain and life form of payment to account for modified cash refund. For deferred vested and retired members, the certain period equals their account balance divided by their pension benefit amount. |
| 19. Per Capita Claims Cost | Sample claims cost rates adjusted to age 65 for FY13 medical and prescription benefits are shown below: |

	Medical	Prescription Drugs
Pre-Medicare	\$9,856	\$2,736
Medicare Parts A & B	1,628	2,736
Medicare Part B Only	6,219	2,736
Medicare Part D	N/A	535

- | | |
|------------------------------------|--|
| 20. Third Party Administrator Fees | \$163.52 per person per year; assumed trend rate of 5% per year. |
| 21. Medicare Part B Only | For actives and retirees not yet Medicare-eligible, participation is set based on whether the employee/retiree will have 40 quarters of employment after March 31, 1986, depending upon date of hire and/or re-hire. |

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

22. Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 9.0% is applied to the FY13 pre-Medicare medical claims cost to get the FY14 medical claims cost.

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

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

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

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

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

23. Aging Factors

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

24. Retired Member Contributions for Medical Benefits Currently contributions are required for PERS members who are under age 60 and have less than 30 years of service (25 for Peace Officer/Firefighter). Eligible Tier 1 members are exempt from contribution requirements. Annual FY13 contributions based on monthly rates shown below for calendar 2012 and 2013 are assumed based on the coverage category for current retirees. The retiree only rate shown is used for current active and inactive members in tier 2 or 3 who are assumed to retire prior to age 60 with less than 30 years of service and who are not disabled and are projected to have single coverage. The retiree and spouse rate shown below is used for those projected to have a covered spouse:

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

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

ACTUARIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

25. Trend Rate for Retired Member
Medical Contributions

The table below shows the rate used to project the retired member medical contributions from the shown fiscal year to the next fiscal year. For example, 8.4% is applied to the FY13 retired member medical contributions to get the FY14 retired member medical contributions.

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

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

26. Healthcare Participation

100% system paid of members and their spouses are assumed to elect the healthcare benefits as soon as they are eligible. 10% of non-system paid members and their spouses are assumed to elect healthcare benefits as soon as they are eligible. 100% of those who retired prior to age 60 and actually declined coverage, or who are assumed to decline non-system-paid coverage, are assumed to re-enroll at age 60 (when all coverage is system-paid for retirees included in this report).

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 1
Alaska PERS Salary Scale**

Peace Officer/Firefighter:

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

Others:

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

Rates vary slightly by age after 5 years of employment.

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

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

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

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

Age	Male	Female
20	0.0284%	0.0123%
21	0.0303	0.0122
22	0.0324	0.0123
23	0.0356	0.0127
24	0.0392	0.0129
25	0.0441	0.0132
26	0.0501	0.0138
27	0.0533	0.0142
28	0.0553	0.0148
29	0.0571	0.0156
30	0.0588	0.0171
31	0.0602	0.0189
32	0.0615	0.0202
33	0.0622	0.0210
34	0.0623	0.0219
35	0.0624	0.0229
36	0.0632	0.0240
37	0.0653	0.0254
38	0.0676	0.0271
39	0.0706	0.0289
40	0.0742	0.0315
41	0.0785	0.0341
42	0.0834	0.0366
43	0.0884	0.0389
44	0.0935	0.0409
45	0.0993	0.0423
46	0.1063	0.0441
47	0.1149	0.0466
48	0.1248	0.0505
49	0.1354	0.0548
50	0.1473	0.0610
51	0.1609	0.0683
52	0.1765	0.0784
53	0.1969	0.0897
54	0.2186	0.1018
55	0.2479	0.1164
56	0.2827	0.1352
57	0.3249	0.1570
58	0.3739	0.1806
59	0.4208	0.2077
60	0.4734	0.2387

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 4
Alaska PERS
Mortality Table (Post-termination)**

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

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 5
Alaska PERS
Total Turnover Assumptions

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment

Year of Employment	Unisex Rates
1	15.00%
2	10.00
3	8.00
4	7.00
5	6.00

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	4.11%	5.19%
25	4.08	5.17
30	4.04	5.14
35	4.02	5.09
40	3.95	5.00
45	3.78	4.85
50	3.49	4.58
55	2.91	4.06
60	1.57	2.64
65+	4.32	5.40

ACTUARIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 5
Alaska PERS
Total Turnover Assumptions

Others:

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

Ultimate Rates of Turnover
After the First 5 Years of Employment

Age	Male	Female
20	9.50%	13.68%
25	9.50	13.67
30	9.50	12.60
35	7.00	9.30
40	5.90	7.35
45	5.24	6.04
50	5.09	5.94
55	4.80	5.74
60	4.19	5.23
65+	5.50	6.25

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 6
Alaska PERS
Disability Table**

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.088%	0.031%	0.024%
21	0.089	0.031	0.024
22	0.090	0.032	0.024
23	0.091	0.032	0.024
24	0.093	0.033	0.025
25	0.094	0.033	0.025
26	0.095	0.033	0.025
27	0.098	0.034	0.026
28	0.100	0.035	0.027
29	0.103	0.036	0.028
30	0.105	0.037	0.029
31	0.108	0.037	0.029
32	0.110	0.038	0.029
33	0.113	0.039	0.030
34	0.116	0.041	0.031
35	0.120	0.042	0.032
36	0.124	0.044	0.034
37	0.129	0.045	0.035
38	0.134	0.047	0.036
39	0.139	0.048	0.037
40	0.144	0.050	0.039
41	0.150	0.052	0.040
42	0.159	0.056	0.043
43	0.170	0.059	0.045
44	0.185	0.065	0.050
45	0.203	0.071	0.055
46	0.220	0.077	0.059
47	0.239	0.083	0.064
48	0.259	0.091	0.070
49	0.279	0.097	0.075
50	0.300	0.105	0.081
51	0.325	0.114	0.087
52	0.358	0.125	0.096
53	0.398	0.139	0.107
54	0.444	0.155	0.119
55	0.500	0.175	0.134
56	0.574	0.201	0.155
57	0.668	0.234	0.180
58	0.763	0.267	0.205
59	0.900	0.315	0.242
60	1.054	0.368	0.283

ACTUARIAL SECTION

STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions

Table 7
Alaska PERS Peace Officer/Firefighter
Retirement Table

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 8
Alaska PERS All Others
Retirement Table**

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

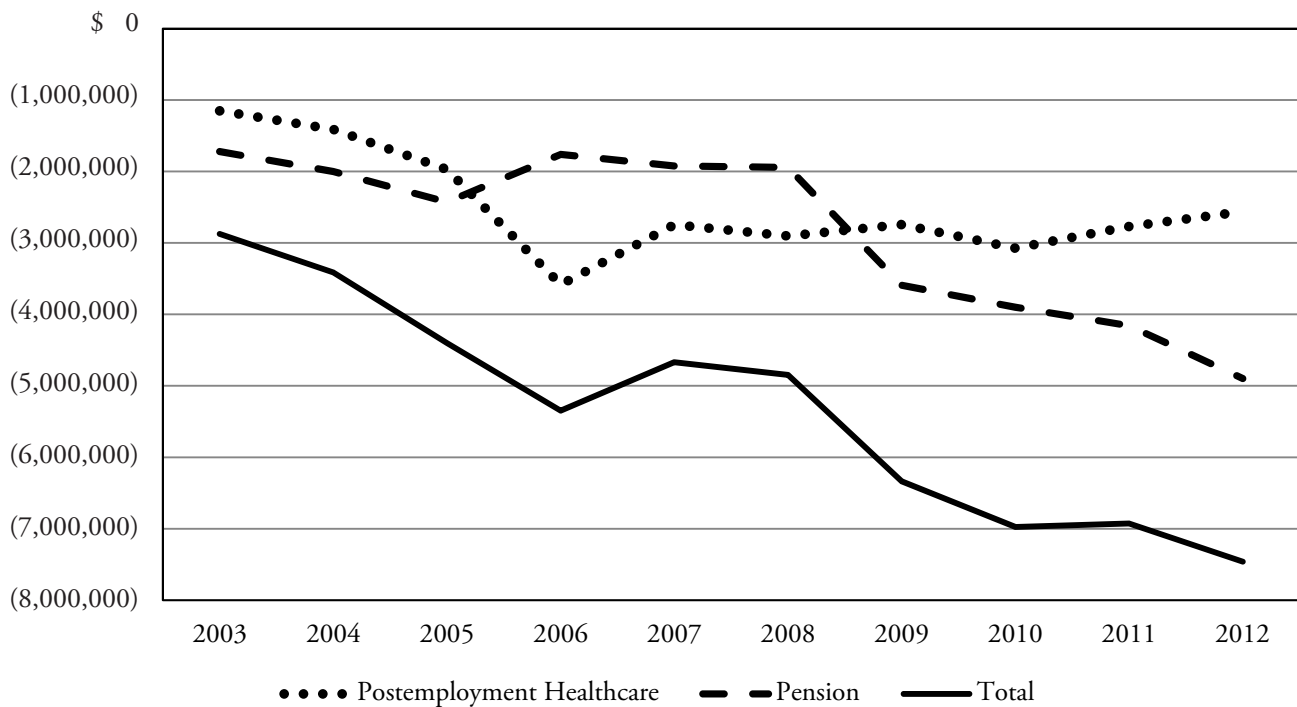
Changes in Actuarial Assumptions Since the Prior Valuation

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

ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Postemployment Healthcare	Pension	Total Funding Excess/ (Unfunded Liability)	Funded Ratio
2003	\$ (1,151,504)	\$ (1,722,868)	\$ (2,874,372)	72.8%
2004	(1,411,587)	(2,001,915)	(3,413,502)	70.2
2005	(1,973,144)	(2,428,778)	(4,401,922)	65.7
2006	(3,584,527)	(1,762,978)	(5,347,505)	62.8
2007	(2,746,653)	(1,923,320)	(4,669,973)	68.0
2008	(2,904,525)	(1,943,510)	(4,848,035)	69.5
2009	(2,742,835)	(3,593,558)	(6,336,393)	61.8
2010	(3,073,188)	(3,901,840)	(6,975,028)	61.5
2011	(2,769,878)	(4,156,898)	(6,926,776)	63.0
2012	(2,561,808)	(4,898,523)	(7,460,331)	61.3

10-YEAR TREND OF UNFUNDED LIABILITY
(In thousands)



ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Employer Contribution Rates					
Year Ended June 30	Actuarially Determined				Adopted
	Actuarial Valuation Year Ended June 30	Normal Cost ¹	Past Service	Total Annual Required	
2006	2003	13.24%	12.39%	25.63%	16.77%
2007	2004	13.32	14.87	28.19	21.77
2008	2005	14.48	18.03	32.51	39.76 ²
2009	2006	13.72	21.50	35.22	35.22
2010	2007	9.46	18.19	27.65	27.65
2011	2008	9.33	18.63	27.96	27.96
2012	2009	8.28	22.48	30.76	33.49
2013	2010	8.67	24.16	32.83	35.84
2014	2011	8.12	24.19	32.31	35.68
2015	2012	6.82	33.03	39.85	44.03

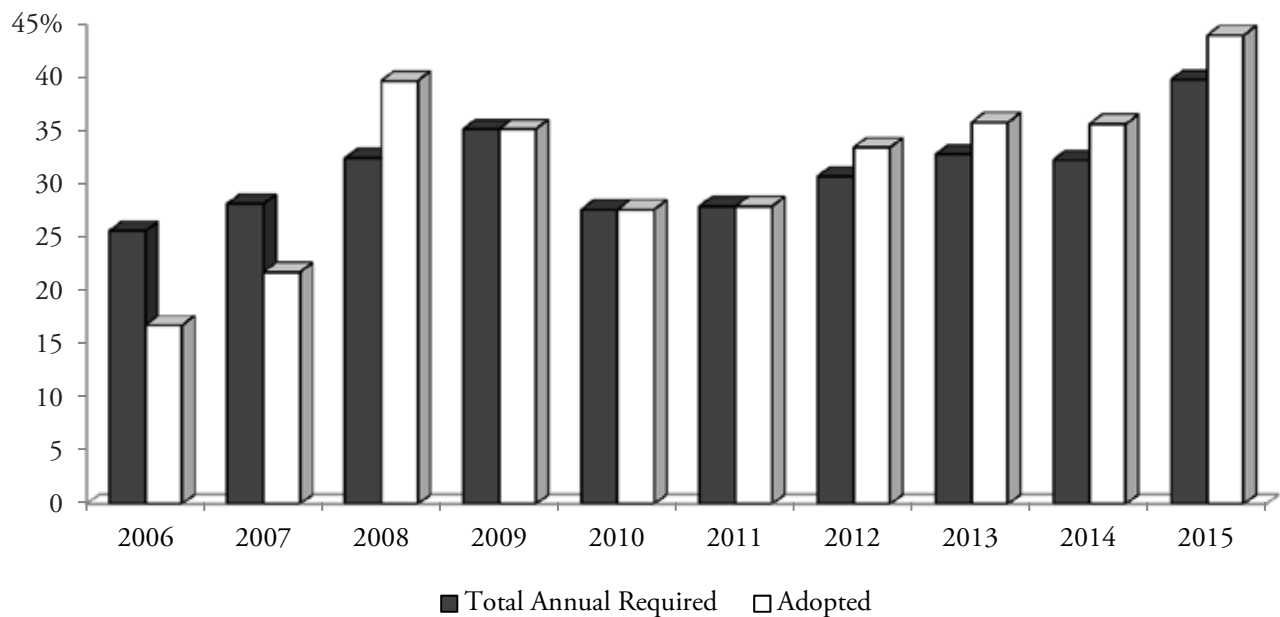
¹ Also referred to as the consolidated rate.

² The ARMB recognized the fact that the Plan becomes a closed Plan on July 1, 2006, and set a rate reflecting no payroll growth.

Effective June 30, 2008 the Defined Benefits Plan became a defined benefit, cost sharing, multiple employer plan. Prior to 2008 rates were calculated by employer and only the average employer contribution rate is reflected on this schedule for 2007 and earlier.

Valuations are used to set contribution rates in future years.

10-YEAR COMPARISON OF AVERAGE EMPLOYER CONTRIBUTION RATES



ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings (In thousands) ¹	Annual Average Earnings	Percent Increase in Average Earnings	Number of Participating Employers
All Others					
June 30, 2012	20,566	\$1,305,337	\$63,471	4.6%	160
June 30, 2011	22,118	1,342,122	60,680	4.7	160
June 30, 2010	24,054	1,393,803	57,945	4.5	160
June 30, 2009	25,089	1,390,971	55,441	5.1	160
June 30, 2008	26,301	1,387,117	52,740	6.9	159
June 30, 2007	28,675	1,414,145	49,316	9.5	160
June 30, 2006	31,286	1,408,863	45,032	4.2	160
June 30, 2005	30,997	1,338,962	43,197	2.3	160
June 30, 2004	30,907	1,305,670	42,245	1.8	161
June 30, 2003	31,338	1,300,041	41,484	1.8	160
Peace Officer / Firefighter					
June 30, 2012	2,164	\$ 197,544	\$91,286	4.1%	160
June 30, 2011	2,275	199,537	87,709	8.6	160
June 30, 2010	2,388	192,895	80,777	2.8	160
June 30, 2009	2,476	194,519	78,562	5.0	160
June 30, 2008	2,549	190,729	74,825	4.9	159
June 30, 2007	2,687	191,674	71,334	9.3	160
June 30, 2006	2,785	181,830	65,289	2.5	160
June 30, 2005	2,733	174,155	63,723	3.0	160
June 30, 2004	2,705	167,317	61,855	4.9	161
June 30, 2003	2,727	160,743	58,945	0.8	160

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

ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Schedule of Benefit Recipients Added to and Removed from Rolls								
Year Ended	Added to Rolls		Removed from Rolls		Rolls - End of Year		Percent Increase in Annual Pension Benefits	Average Annual Pension Benefits
	No. ¹	Annual Pension Benefits ¹	No. ¹	Annual Pension Benefits ¹	No.	Annual Pension Benefits		
All Others								
June 30, 2012	1,679	\$37,855,250	636	\$ 5,344,239	25,644	\$488,754,027	7.1%	\$19,059
June 30, 2011	1,595	37,100,217	554	6,897,899	24,601	456,243,016	7.1	18,546
June 30, 2010	1,667	35,089,579	517	8,712,630	23,560	426,040,698	6.6	18,083
June 30, 2009	1,340	25,402,811	476	28,773	22,410	399,663,749	6.8	17,834
June 30, 2008	1,454	28,498,471	466	5,349,935	21,546	374,289,711	6.6	17,372
June 30, 2007	1,479	28,985,748	454	(14,280,390)	20,558	351,141,175	14.1	17,081
June 30, 2006	1,494	26,193,750	384	2,265,651	19,533	307,875,037	8.4	15,762
June 30, 2005	1,287	22,966,842	296	17,019,851	18,423	283,946,938	2.1	15,413
June 30, 2004	1,346	27,617,383	354	6,823,010	17,432	277,999,947	8.1	15,948
June 30, 2003	1,445	27,802,265	351	6,507,821	16,440	257,205,574	9.0	15,645
Peace Officer / Firefighter								
June 30, 2012	179	\$ 5,246,271	41	\$ (177,568)	2,896	\$ 94,924,334	6.1%	\$32,778
June 30, 2011	114	3,772,720	33	116,090	2,758	89,500,495	4.3	32,451
June 30, 2010	118	3,593,724	46	1,413,071	2,677	85,843,865	2.6	32,067
June 30, 2009	108	2,759,299	39	(518,134)	2,605	83,663,212	4.1	32,116
June 30, 2008	125	3,556,519	28	191,073	2,536	80,385,779	4.4	31,698
June 30, 2007	138	3,930,564	67	(2,546,491)	2,439	77,020,333	9.2	31,579
June 30, 2006	118	3,289,370	30	209,287	2,368	70,543,278	4.6	29,790
June 30, 2005	145	3,904,737	5	3,332,357	2,280	67,463,195	0.9	29,589
June 30, 2004	174	6,388,270	25	904,310	2,140	66,890,815	8.9	31,257
June 30, 2003	143	4,923,581	21	802,499	1,991	61,406,855	7.2	30,842

¹ Numbers are estimated, and include other internal transfers.

ACTUARIAL SECTION

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

¹ Change in Assumptions

² Change in Methods

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

ACTUARIAL SECTION

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

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

¹ Change in Assumptions

² Change in Methods

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

ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience					
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Accrued Liabilities During the Last Five Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience					
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year				
	2012	2011	2010	2009	2008
Health Experience	(2.97)%	(1.82)%	0.24%	(2.21)%	(0.97)%
Salary Experience	0.23	0.31	0.06	0.23	0.54
Investment Experience	3.11	0.26	0.28	5.31	(0.59)
Demographic Experience	(1.00)	0.29	(0.30)	(0.29)	(0.60)
Contribution Shortfall	<u>0.21</u>	<u>0.44</u>	<u>(0.67)</u>	<u>(0.24)</u>	<u>(0.11)</u>
(Gain) or Loss During Year From Experience	(0.42)	(0.52)	(0.39)	2.80	(1.73)
Non-recurring changes					
Asset Valuation Method	—	—	—	—	—
Past Service Amortization Change	7.21	—	—	—	—
Assumption and Method Changes	0.75	—	2.46	—	2.04
System Benefit Changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>
Composite (Gain) or Loss During Year	7.54	(0.52)	2.07	2.80	0.31
Beginning Employer/State Contribution Rate	<u>32.31</u>	<u>32.83</u>	<u>30.76</u>	<u>27.96</u>	<u>27.65</u>
Ending Employer/State Contribution Rate	<u>38.85%</u>	<u>32.31%</u>	<u>32.83%</u>	<u>30.76%</u>	<u>27.96%</u>
Fiscal Year Above Rate is Applied	FY15	FY14	FY13	FY12	FY11

ACTUARIAL SECTION

Public Employees' Retirement System Defined Benefit Retirement Plan Analysis of Financial Experience						
Change in Employer/State Contribution Rate Due to (Gains) and Losses in Accrued Liabilities During the Last Three Fiscal Years Resulting From Differences Between Assumed Experience and Actual Experience						
Type of (Gain) or Loss	Change in Employer/State Contribution Rate During Fiscal Year					
	Pension			Healthcare		
	2012	2011	2010	2012	2011	2010
Health Experience	N/A	N/A	N/A	(2.97)%	(1.82)%	0.24%
Salary Experience	0.23%	0.31%	0.06%	N/A	N/A	N/A
Investment Experience	2.40	—	(0.19)	0.71	0.26	0.47
Demographic Experience	(1.00)	0.29	(0.30)	N/A	N/A	N/A
Contribution Shortfall	<u>0.25</u>	<u>0.42</u>	<u>0.36</u>	<u>(0.04)</u>	<u>0.02</u>	<u>(1.03)</u>
(Gain) or Loss During Year From Experience	1.88	1.02	(0.07)	(2.30)	(1.54)	(0.32)
Non-recurring changes						
Asset Valuation Method	—	—	—	—	—	—
Past Service Amortization Change	4.89	—	—	2.32	—	—
Assumption and Method Changes	—	—	0.87	0.75	—	1.59
System Benefit Changes	<u>—</u>	<u>—</u>	<u>—</u>	<u>0.00</u>	<u>—</u>	<u>—</u>
Composite (Gain) or Loss During Year	6.77	1.02	0.80	0.77	(1.54)	1.27
Beginning Employer/State Contribution Rate	<u>16.47</u>	<u>15.45</u>	<u>14.65</u>	<u>15.84</u>	<u>17.38</u>	<u>16.11</u>
Ending Employer/State Contribution Rate	<u>23.24%</u>	<u>16.47%</u>	<u>15.45%</u>	<u>16.61%</u>	<u>15.84%</u>	<u>17.38%</u>
Fiscal Year Above Rate is Applied	FY15	FY14	FY13	FY15	FY14	FY13

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

1. Effective Date

January 1, 1961, with amendments through June 30, 2008. Chapter 82, 1986 Session Laws of Alaska, created a two-tier retirement system. Members who were first hired under the PERS before July 1, 1986 (Tier 1) are eligible for different benefits than members hired after June 30, 1986 (Tier 2). Chapter 4, 1996 Session Laws of Alaska created a third tier for members who were first hired after June 30, 1996 (Tier 3). Chapter 9, 2005 Session Laws of Alaska, closed the plan to new members hired after June 30, 2006.

2. Administration of Plan

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

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

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

3. Employers Included

Currently there are 160 employers participating in the PERS, including the State of Alaska and 159 political subdivisions and public organizations.

4. Membership

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

Certain members of the Alaska Teachers' Retirement System (TRS) are eligible for PERS retirement benefits for their concurrent elected public official service with municipalities. In addition, employees who work half-time in the PERS and TRS simultaneously are eligible for half-time PERS and TRS credit.

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

5. Credited Service

Permanent employees who work at least 30 hours a week earn full-time credit; part-time employees working between 15 and 30 hours a week earn partial credit based upon the number of hours worked. Members receiving PERS occupational disability benefits continue to earn PERS credit while disabled. Survivors who are receiving occupational death benefits continue to earn PERS service credit while occupational survivor benefits are being paid.

Members may claim other types of service, including:

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

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

Past employment with participating political subdivisions that occurred before the employers joined the PERS is creditable if the employers agree to pay the required contributions.

At the election of certain PERS members, certain service may be credited in the same fashion as members in the State of Alaska Teachers' Retirement System (TRS).

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

6. Employer Contributions

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

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

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

Employer rates cannot be less than the normal cost rate.

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

7. Additional State Contributions

Pursuant to AS 39.35.280 effective July 1, 2008, the State shall contribute an amount (in addition to the State contribution as an employer) that when combined with the employer contribution (22%) will be sufficient to pay the total contribution rate adopted by The Alaska Retirement Management Board.

8. Member Contributions

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

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

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

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

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

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

Reinstatement of Contributions: Refunded accounts and the corresponding PERS service may be reinstated upon reemployment in the PERS prior to July 1, 2010. Interest accrues on refunds until paid in full or members retire.

9. Retirement Benefits

Eligibility:

- a. Members, including deferred vested members, are eligible for normal retirement at age 55 or early retirement at age 50 if they were hired before July 1, 1986 (Tier 1), and 60 or early retirement at age 55 if they were hired after July 1, 1986 (Tiers 2 & 3). Additionally, they must have at least:
 - i. five years of paid-up PERS service;
 - ii. 60 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature before May 30, 1987;
 - iii. 80 days of paid-up PERS service as employees of the legislature during each of the five legislative sessions and they were first hired by the legislature after May 29, 1987;
 - iv. two years of paid-up PERS service and they are vested in the Teachers' Retirement System; or
 - v. two years of paid-up PERS service and a minimum three years of Teachers' Retirement System service to qualify for a public service benefit.
- b. Members may retire at any age when they have:
 - i. 20 paid-up years of PERS Peace Officer/Firefighter service; or
 - ii. 30 paid-up years of PERS "all other" or "elected official" service.

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

Members may elect an early retirement or a joint and survivor option. Members who entered the PERS prior to July 1, 1996 may also select a 66-2/3 last survivor option and a level income option. Under these options and early retirement, benefits are actuarially adjusted so that members receive the actuarial equivalents of their normal benefit amounts.

Benefit Calculations: Retirement benefits are calculated by multiplying the average monthly compensation (AMC) times credited PERS service times the percentage multiplier. The AMC is determined by averaging the salaries earned during the five highest (three highest for Peace Officer/Firefighter members or members hired prior to July 1, 1996) consecutive payroll years. Members must earn at least 115 days of credit in the last year worked to include it in the AMC calculation. The PERS pays a minimum benefit of \$25.00 per month for each year of service when the calculated benefit is less.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

The percentage multipliers for Peace Officer/Firefighter members are 2% for the first ten years of service and 2.5% for all service over 10 years.

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

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

10. Reemployment of Retired Members

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

Members retired under the Retirement Incentive Programs (RIPs) who return to employment under the PERS, Teachers' Retirement System (TRS), or the University of Alaska's Optional Retirement Plan will:

- a. forfeit the three years of incentive credits that they received;
- b. owe the PERS 150% of the benefits that they received for state and political subdivision members, and 110% for school district employees, under the 1996-2000 RIP, which may include costs for health insurance, excluding amounts that they paid to participate for the 1986 and 1989 RIPs. Under prior RIPs, the penalty is 110% of the benefits received; and
- c. be charged 7% interest from the date that they are reemployed until their indebtedness is paid in full or they retire again. If the indebtedness is not completely paid, future benefits will be actuarially reduced for life.

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

11. Postemployment Healthcare Benefits

Major medical benefits are provided to retirees and their surviving spouses by the PERS for all employees hired before July 1, 1986 (Tier 1) and disabled retirees. Employees hired after June 30, 1986 (Tier 2) and their surviving spouses with five years of credited service (or ten years of credited service for those first hired after June 30, 1996 (Tier 3)) must pay the full monthly premium if they are under age sixty and will receive benefits paid by the PERS if they are over age sixty. Tier 3 Members with between five and ten years of credited service must pay the full monthly premium regardless of their age. Tier 2 and Tier 3 Members with less than five years of credited service are not eligible for postemployment healthcare benefits. Tier 2 Members who are receiving a conditional benefit and are age eligible are eligible for postemployment healthcare benefits. In addition, Peace Officers and their surviving spouses with twenty-five years of Peace Officer membership service and Other employees and their surviving spouses with thirty years of membership service receive benefits paid by the PERS, regardless of their age or date of hire. Peace Officers / Firefighters who are disabled between 20 and 25 years must pay the full monthly premium.

12. Disability Benefits

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

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

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

13. Death Benefits

Monthly death benefits may be paid to a spouse or dependent children upon the death of a member. If monthly benefits are not payable under the occupational and nonoccupational death provisions, the designated beneficiary receives the lump sum benefit described below.

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

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

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

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

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

14. Postretirement Pension Adjustments

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

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

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

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

15. Alaska Cost of Living Allowance

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

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

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Benefit Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

Changes in Benefit Provisions Since the Prior Valuation

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



A Xerox Company

July 19, 2013

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

Certification of Actuarial Valuation

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

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

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

All costs, liabilities and other factors under the 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). 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 25-year period. This objective is currently being met and is projected to continue to be met.

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 experience analysis was performed in 2010. A review of the healthcare assumptions was performed for this actuarial valuation and changes were made to the healthcare cost trend rates and the per capita claims cost rates effective June 30, 2012 to better reflect expected future healthcare experience. Changes were also made to expected healthcare benefit participation, lower initial relative values of DCR healthcare, and increased employer sharing of medical cost trend as a result of recent plan decision discussions. A summary of the actuarial assumptions and methods used in this actuarial valuation are shown in this report.

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 Nos. 25 and 43 that are included in the Financial Section of the CAFR. We have also prepared the member data tables shown in 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 Enrolled Actuaries, a Fellow and an Associate of the Society of Actuaries and Members of the American Academy of Actuaries and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report. This report has been prepared in accordance with all Applicable Actuarial Standards of Practice. We are available to answer any questions on the material contained in the report, or to provide explanations or further details as may be appropriate.

Respectfully submitted,

BUCK CONSULTANTS, LLC



David H. Slushinsky, ASA, EA, MAAA, FCA
Principal, Consulting Actuary



Lee James, FSA, EA, MAAA, FCA
Director, Consulting Actuary

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



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

buckconsultants

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
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.

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. 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.

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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, 2012.

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, 2012 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, FY12 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, none of the impacts have been included in the valuation results.

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

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

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

Changes in Methods From the Prior Valuation

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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

The demographic and economic assumptions used in the June 30, 2012 valuation are described below. Unless noted otherwise, these assumptions were adopted by the Board in December 2010. These assumptions were the result of an experience study performed for the DB Plan as of June 30, 2009.

- | | |
|--------------------------------------|---|
| 1. Investment Return / Discount Rate | 8.00% per year (geometric), compounded annually, net of expenses. |
| 2. Salary Scale | Inflation – 3.12% per year.
Productivity – 0.5% per year.
See Table 1 for salary scale rates. |
| 3. Payroll Growth | 3.62% per year. (Inflation + Productivity) |
| 4. 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. |
| 5. Mortality (Pre-termination)* | <u>Peace Officer/Firefighter:</u>
Based upon the 2005-2009 actual mortality experience of the PERS DB Plan (see Table 2). 80% of the 1994 Group Annuity Mortality (GAM) Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 60% for females.

<u>Others:</u>
Based upon the 2005-2009 actual mortality experience of the PERS DB Plan (see Table 3). 75% of the 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and 55% for females.

Deaths are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others. |
| 6. Mortality (Post-termination)* | 1994 GAM Table, 1994 Base Year without margin projected to 2013 using Projection Scale AA for males and with one-year set-forward for females. (See Table 4.) |
| 7. Turnover | Select rates were estimated and ultimate rates were set to the PERS DB Plan's rates loaded by 10%. (See Table 5.) |
| 8. Disability | Incidence rates based upon the 2005-2009 actual experience of the PERS DB Plan, in accordance with Table 6. Post-disability mortality in accordance with the RP-2000 Disabled Retiree Mortality Table. Disabilities are assumed to be occupational 75% of the time for Peace Officer/Firefighter, 55% of the time for Others. |
| 9. Retirement | Retirement rates were estimated in accordance with Table 7. |
| 10. Marriage and Age Difference | Wives are assumed to be three years younger than husbands. 80% of male members and 70% of female members are assumed to be married. |

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

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11. 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.
12. Expenses All expenses are net of the investment return assumption.
13. Per Capita Claims Cost Sample claims cost rates adjusted to age 65 for FY13 medical benefits are shown below:
- | | Medical | Prescription Drugs |
|----------------------|----------------|---------------------------|
| Pre-Medicare | \$9,856 | \$2,736 |
| Medicare Parts A & B | 1,628 | 2,736 |
| Medicare Part B Only | 6,219 | 2,736 |
| Medicare Part D | N/A | 535 |
14. Third Party Administrator Fees \$163.52 per person per year; assumed trend rate of 5% per year.
15. Base Claims Cost Adjustments 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:
- 0.881 for the medical plan.
 - 0.929 for the prescription drug plan.
 - 0.998 for the annual indexing of member cost sharing.

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16. Health Cost Trend

The table below shows the rate used to project the cost from the shown fiscal year to the next fiscal year. For example, 9.0% is applied to the FY13 pre-Medicare medical claims costs to get the FY14 medical claims costs.

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

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

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Summary of Actuarial Assumptions and Changes in Assumptions**

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

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

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

17. Aging Factors

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

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18. Retiree Medical Participation

<u>Decrement due to disability</u>		<u>Decrement due to retirement</u>	
<u>Age</u>	<u>Percent participation</u>	<u>Age</u>	<u>Percent participation</u>
<56	73.00%	<55	40.0%
56	77.50	56	50.0
57	79.75	57	55.0
58	82.00	58	60.0
59	84.25	59	65.0
60	86.50	60	70.0
61	88.75	61	75.0
62	91.00	62	80.0
63	93.25	63	85.0
64	95.50	64	90.0
65+	94.00	65+	<u>Years of service</u>
			<15 70.5%
			15-19 75.2
			20-24 79.9
			25-29 89.3
			30+ 94.0

*Updated 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.

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Summary of Actuarial Assumptions and Changes in Assumptions**

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

Peace Officer/Firefighter:

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

Others:

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

Rates vary slightly by age after 6 years of employment.

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

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Summary of Actuarial Assumptions and Changes in Assumptions

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

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

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Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 3
Alaska PERS Others DCR Plan
Mortality Table (Pre-termination)**

Age	Male	Female
20	0.0284%	0.0123%
21	0.0303	0.0122
22	0.0324	0.0123
23	0.0356	0.0127
24	0.0392	0.0129
25	0.0441	0.0132
26	0.0501	0.0138
27	0.0533	0.0142
28	0.0553	0.0148
29	0.0571	0.0156
30	0.0588	0.0171
31	0.0602	0.0189
32	0.0615	0.0202
33	0.0622	0.0210
34	0.0623	0.0219
35	0.0624	0.0229
36	0.0632	0.0240
37	0.0653	0.0254
38	0.0676	0.0271
39	0.0706	0.0289
40	0.0742	0.0315
41	0.0785	0.0341
42	0.0834	0.0366
43	0.0884	0.0389
44	0.0935	0.0409
45	0.0993	0.0423
46	0.1063	0.0441
47	0.1149	0.0466
48	0.1248	0.0505
49	0.1354	0.0548
50	0.1473	0.0610
51	0.1609	0.0683
52	0.1765	0.0784
53	0.1969	0.0897
54	0.2186	0.1018
55	0.2479	0.1164
56	0.2827	0.1352
57	0.3249	0.1570
58	0.3739	0.1806
59	0.4208	0.2077
60	0.4734	0.2387

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Defined Contribution Retirement Plan
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Table 4
Alaska PERS DCR Plan
Mortality Table (Post-termination)

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

**STATE OF ALASKA
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Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 5
Alaska PERS DCR Plan
Turnover Assumptions**

Peace Officer/Firefighter:

Select Rates of Turnover During the First 5 Years of Employment:

Year of Employment	Rate
1	15%
2	12
3	10
4	9
5	8

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

Age	Male	Female	Age	Male	Female
20	4.5263%	5.7054%	45	4.1616%	5.3309%
21	4.5208	5.7028	46	4.1102	5.2844
22	4.5147	5.7002	47	4.0500	5.2300
23	4.5076	5.6979	48	3.9838	5.1703
24	4.4983	5.6939	49	3.9139	5.1088
25	4.4904	5.6920	50	3.8376	5.0419
26	4.4829	5.6893	51	3.7480	4.9627
27	4.4729	5.6818	52	3.6377	4.8621
28	4.4651	5.6751	53	3.5111	4.7458
29	4.4561	5.6656	54	3.3711	4.6171
30	4.4492	5.6574	55	3.2063	4.4617
31	4.4410	5.6467	56	2.9998	4.2580
32	4.4349	5.6376	57	2.7433	3.9959
33	4.4286	5.6264	58	2.4705	3.7140
34	4.4237	5.6148	59	2.1189	3.3355
35	4.4169	5.6007	60	1.7240	2.9081
36	4.4088	5.5856	61	1.2905	2.4421
37	4.3959	5.5672	62	0.7855	1.9006
38	4.3798	5.5474	63	0.2146	1.2892
39	4.3615	5.5260	64	4.7520	0.6289
40	4.3413	5.5039	65+	4.7520	5.9400
41	4.3175	5.4794			
42	4.2869	5.4494			
43	4.2525	5.4167			
44	4.2106	5.3772			

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PUBLIC EMPLOYEES' RETIREMENT SYSTEM
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Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 5
Alaska PERS DCR Plan
Turnover Assumptions**

Others:

Select Rates of Turnover During the First 5 Years of Employment:

Year of Employment	Rate
1	29%
2	25
3	20
4	16
5	15

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

Age	Male	Female	Age	Male	Female
20	10.4500%	15.0446%	45	5.7664%	6.6418%
21	10.4500	15.0442	46	5.7411	6.6260
22	10.4500	15.0424	47	5.7110	6.6061
23	10.4500	15.0421	48	5.6759	6.5825
24	10.4500	15.0407	49	5.6397	6.5591
25	10.4500	15.0407	50	5.5982	6.5318
26	10.4500	15.0403	51	5.5505	6.5002
27	10.4500	15.0379	52	5.4941	6.4620
28	10.4500	15.0346	53	5.4300	6.4184
29	10.4500	15.0307	54	5.3605	6.3716
30	10.4500	13.8600	55	5.2807	6.3160
31	9.9000	13.0900	56	5.1834	6.2432
32	9.2400	12.2100	57	5.0650	6.1491
33	8.5030	11.5500	58	4.9352	6.0429
34	8.0850	10.8900	59	4.7792	5.9079
35	7.7000	10.2300	60	4.6045	5.7553
36	7.3700	9.5700	61	4.4089	5.5858
37	7.0950	9.1300	62	4.1829	5.3912
38	6.8750	8.6900	63	3.9259	5.1701
39	6.7100	8.3600	64	3.6453	4.9289
40	6.4900	8.0818	65+	6.0500	6.8750
41	6.3030	8.0705			
42	6.1050	8.0578			
43	5.9290	8.0461			
44	5.7966	8.0325			

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 6
Alaska PERS DCR Plan
Disability Table**

Age	Peace Officer/ Firefighter Rate	Other Member Rate	
		Male	Female
20	0.088%	0.031%	0.024%
21	0.089	0.031	0.024
22	0.090	0.032	0.024
23	0.091	0.032	0.024
24	0.093	0.033	0.025
25	0.094	0.033	0.025
26	0.095	0.033	0.025
27	0.098	0.034	0.026
28	0.100	0.035	0.027
29	0.103	0.036	0.028
30	0.105	0.037	0.029
31	0.108	0.037	0.029
32	0.110	0.038	0.029
33	0.113	0.039	0.030
34	0.116	0.041	0.031
35	0.120	0.042	0.032
36	0.124	0.044	0.034
37	0.129	0.045	0.035
38	0.134	0.047	0.036
39	0.139	0.048	0.037
40	0.144	0.050	0.039
41	0.150	0.052	0.040
42	0.159	0.056	0.043
43	0.170	0.059	0.045
44	0.185	0.065	0.050
45	0.203	0.071	0.055
46	0.220	0.077	0.059
47	0.239	0.083	0.064
48	0.259	0.091	0.070
49	0.279	0.097	0.075
50	0.300	0.105	0.081
51	0.325	0.114	0.087
52	0.358	0.125	0.096
53	0.398	0.139	0.107
54	0.444	0.155	0.119
55	0.500	0.175	0.134
56	0.574	0.201	0.155
57	0.668	0.234	0.180
58	0.763	0.267	0.205
59	0.900	0.315	0.242
60	1.054	0.368	0.283

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Actuarial Assumptions and Changes in Assumptions**

**Table 7
Alaska PERS DCR Plan
Retirement Table**

Age	Rate
<55	2%
55-59	3
60	5
61	5
62	10
63	5
64	5
65	25
66	25
67	25
68	20
69	20
70	100

Changes in Actuarial Assumptions Since the Prior Valuation

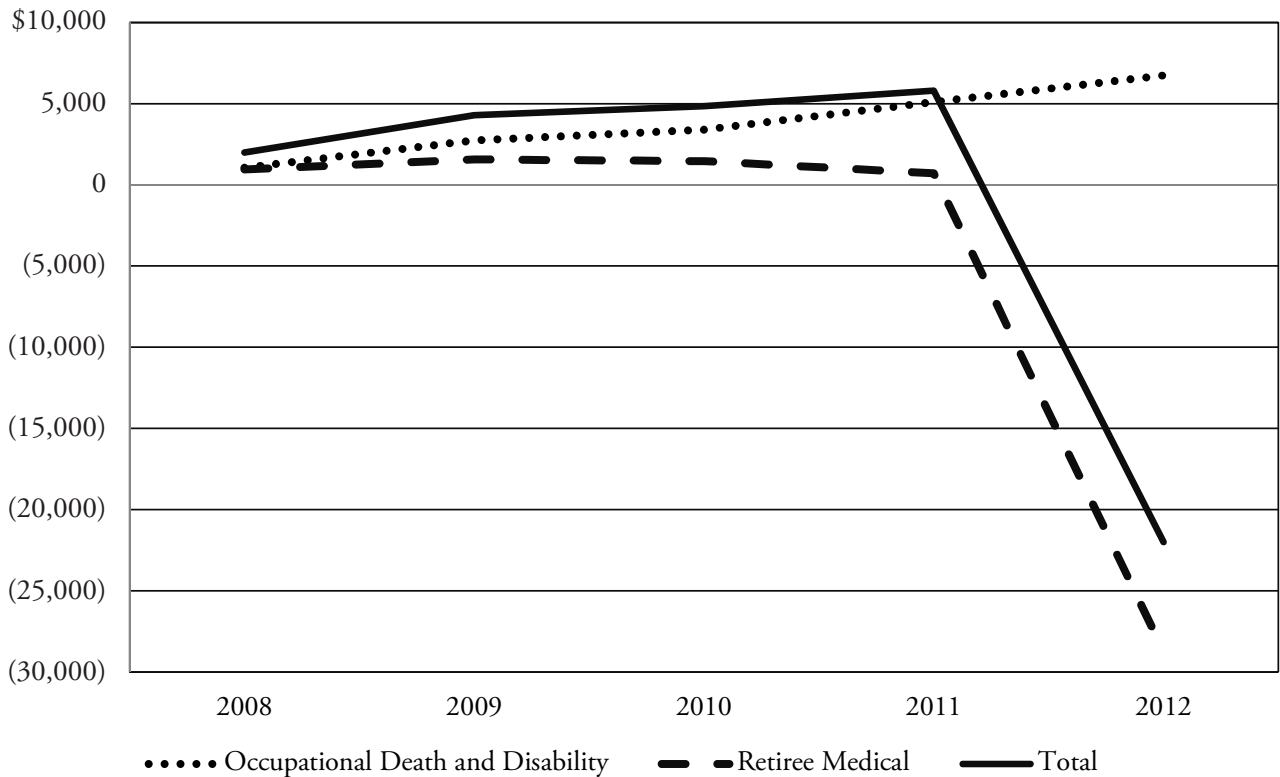
There have been changes in actuarial assumptions since the prior valuation regarding healthcare cost trend rates and the DCR retiree medical plan adjustments. The updated healthcare cost trend assumption reflects differences in Medicare eligible and non-Medicare eligible medical costs, maintains a distinct prescription drug cost trend and utilizes the Society of Actuaries long-term cost trend model to estimate ultimate trend. We also updated member contributions to reflect the new non-Medicare and pharmacy benefit cost trend on a weighted average basis.

To account for anticipated plan design features, FY12 claims costs adjustments were changed from 5.9% for medical and 0.7% for prescription drugs to 11.9% and 7.1% respectively. Retiree out-of-pocket amounts were indexed 0.2% each year, compared to 4.8% last year. Participation rates were reduced to reflect 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.

ACTUARIAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Funding Excess/(Unfunded Liability) (In thousands)				
Actuarial Valuation Year Ended June 30	Occupational Death and Disability	Retiree Medical	Total Funding Excess/(Unfunded Liability)	Funded Ratio
2008	\$ 1,046	\$ 943	\$ 1,989	198.6%
2009	2,735	1,562	4,297	199.6
2010	3,386	1,460	4,846	171.1
2011	5,100	707	5,807	143.8
2012	6,730	(28,736)	(22,006)	53.1

**5-YEAR TREND OF FUNDING EXCESS
(In thousands)**



ACTUARIAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Employer Contribution Rates								
Fiscal Year	Actuarially Determined						Adopted	
	Actuarial Valuation Year Ended June 30	Occupational Death and Disability		Retiree Medical	Total Annual Required			
		Peace Officer/ Firefighter	Others		Peace Officer/ Firefighter	Others	Peace Officer/ Firefighter	Others
2007	N/A	0.40%	0.30%	1.75%	2.15%	2.05%	2.15%	2.05%
2008	N/A	1.33	0.58	0.99	2.32	1.57	2.32	1.57
2009	N/A	1.33	0.58	0.99	2.32	1.57	2.32	1.57
2010	2007	1.33	0.30	0.83	2.16	1.13	2.16	1.13
2011	2008	1.18	0.31	0.55	1.73	0.86	1.73	0.86
2012	2009	0.97	0.11	0.51	1.48	0.62	1.48	0.62
2013	2010	0.99	0.14	0.48	1.47	0.62	1.47	0.62
2014	2011	1.14	0.20	0.48	1.62	0.68	1.62	0.68
2015	2012	1.06	0.22	1.66	2.72	1.88	2.72	1.88

Valuations are used to set contribution rates in future years.

ACTUARIAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Plan For Occupational Death and Disability and Retiree Medical Benefits Schedule of Active Member Valuation Data					
Valuation Date	Number	Annual Earnings¹ (In thousands)	Annual Average Earnings	Percent Increase/ (Decrease) in Average Earnings	Number of Participating Employers
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	—	160
June 30, 2006	—	—	—	—	—

¹ Annual earnings are the annualized earnings for the fiscal year ending on the valuation date.

ACTUARIAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Plan Occupational Death and Disability Solvency Test (In thousands)							
Valuation Date	Occupational Death and Disability Aggregate Accrued Liability For:			Occupational Death and 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, 2012	\$ —	\$ —	\$2,412	\$9,142	100.0%	100.0%	100.0%
June 30, 2011	—	—	1,949	7,049	100.0	100.0	100.0
June 30, 2010 ¹	—	—	853	4,801	100.0	100.0	100.0
June 30, 2009 ¹	—	—	403	3,138	100.0	100.0	100.0
June 30, 2008	—	—	242	1,288	100.0	100.0	100.0
June 30, 2007	—	—	48	188	100.0	100.0	100.0
June 30, 2006	—	—	—	—	N/A	N/A	N/A
¹ Change in Assumptions							

ACTUARIAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Plan Retiree Medical Solvency Test (In thousands)							
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, 2012 ¹	\$ —	\$ —	\$44,509	\$15,773	100.0%	100.0%	35.4%
June 30, 2011	—	—	11,302	12,009	100.0	100.0	100.0
June 30, 2010 ¹	—	—	7,185	8,767	100.0	100.0	100.0
June 30, 2009 ¹	—	—	3,913	5,475	100.0	100.0	100.0
June 30, 2008 ¹	—	—	1,776	2,719	100.0	100.0	100.0
June 30, 2007	—	—	711	1,067	100.0	100.0	100.0
June 30, 2006	—	—	—	—	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

ACTUARIAL SECTION

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

1. Effective Date

July 1, 2006, with amendments through June 30, 2012.

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 160 employers participating in the PERS DCR Plan, including the State of Alaska, and 159 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 participant 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.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

- 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.
- There is no increase in the benefit after commencement.
- Member earns service while on occupational disability.
- 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.

**STATE OF ALASKA
PUBLIC EMPLOYEES' RETIREMENT SYSTEM
Defined Contribution Retirement Plan
Summary of Plan Provisions and Changes in Plan Provisions**

8. Occupational Death Benefits

- Benefit is 40% of salary for Others members and 50% of salary for Peace Officer/Firefighter members.
- There is no increase in the benefit after commencement.
- 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

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



STATISTICAL SECTION

Alaska Division of Retirement and Benefits



STATISTICAL SECTION

STATISTICAL SECTION OVERVIEW

The statistical section of the Public Employees' Retirement System (System) comprehensive annual financial report provides additional detail in the form of financial trends, operating statistics and demographic information. This data is provided to enhance the reader's understanding of the System.

Financial Trends 166-187

These schedules contain financial trend information utilizing a multi-year presentation so the reader can better understand how the System's financial performance has changed over time. Financial information is presented on an accrual basis.

Operating Information 188-191

These schedules contain detailed benefit payment information to provide the reader a better understanding of the pension benefits provided by the Division.

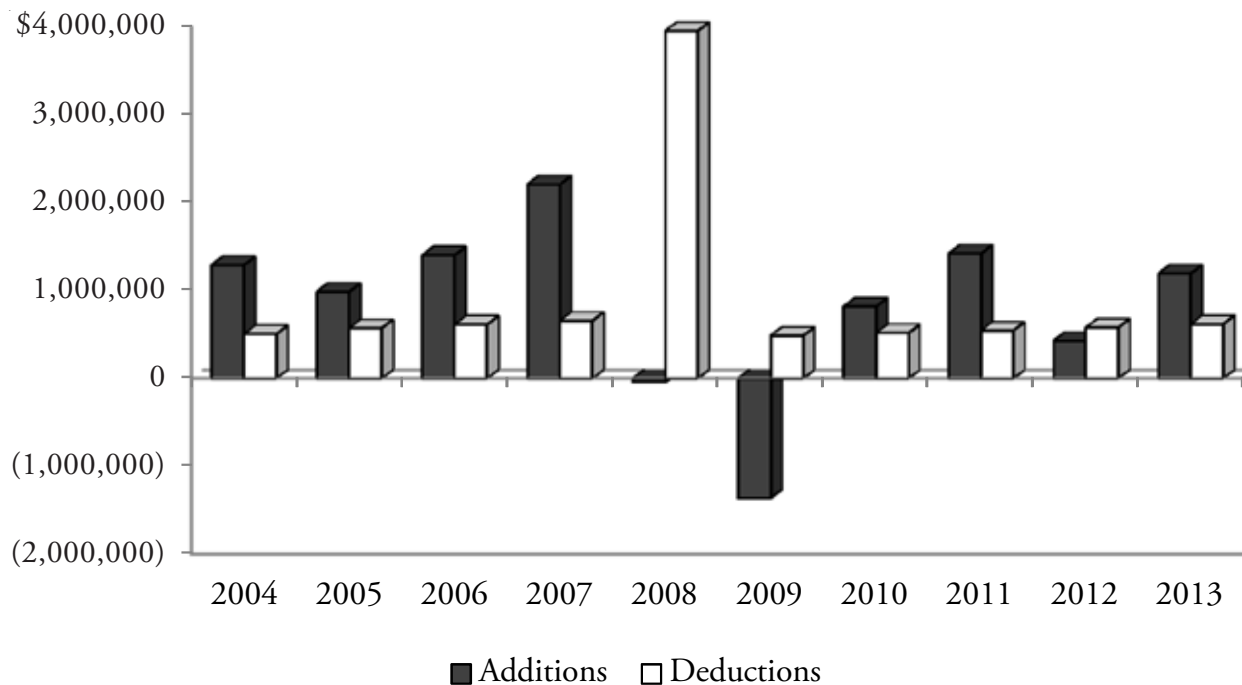
Demographic Information 192-195

These schedules contain detailed demographic data to provide the reader a better understanding of the membership and employer participation in the System.

STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Pension Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2004	\$ 7,391,455	\$ 1,288,896	\$ 503,045	\$ 785,851	\$ 8,177,306
2005	8,177,306	985,151	571,705	413,446	8,590,752
2006	8,590,752	1,400,868	612,149	788,719	9,379,471
2007	9,379,471	2,206,458	655,965	1,550,493	10,929,964
2008	10,929,964	(43,539)	3,950,617	(3,994,156)	6,935,808
2009	6,935,808	(1,360,217)	485,151	(1,845,368)	5,090,440
2010	5,090,440	815,831	514,744	301,087	5,391,527
2011	5,391,527	1,420,342	543,944	876,398	6,267,925
2012	6,267,925	427,995	577,626	(149,631)	6,118,294
2013	6,118,294	1,193,555	617,367	576,188	6,694,482

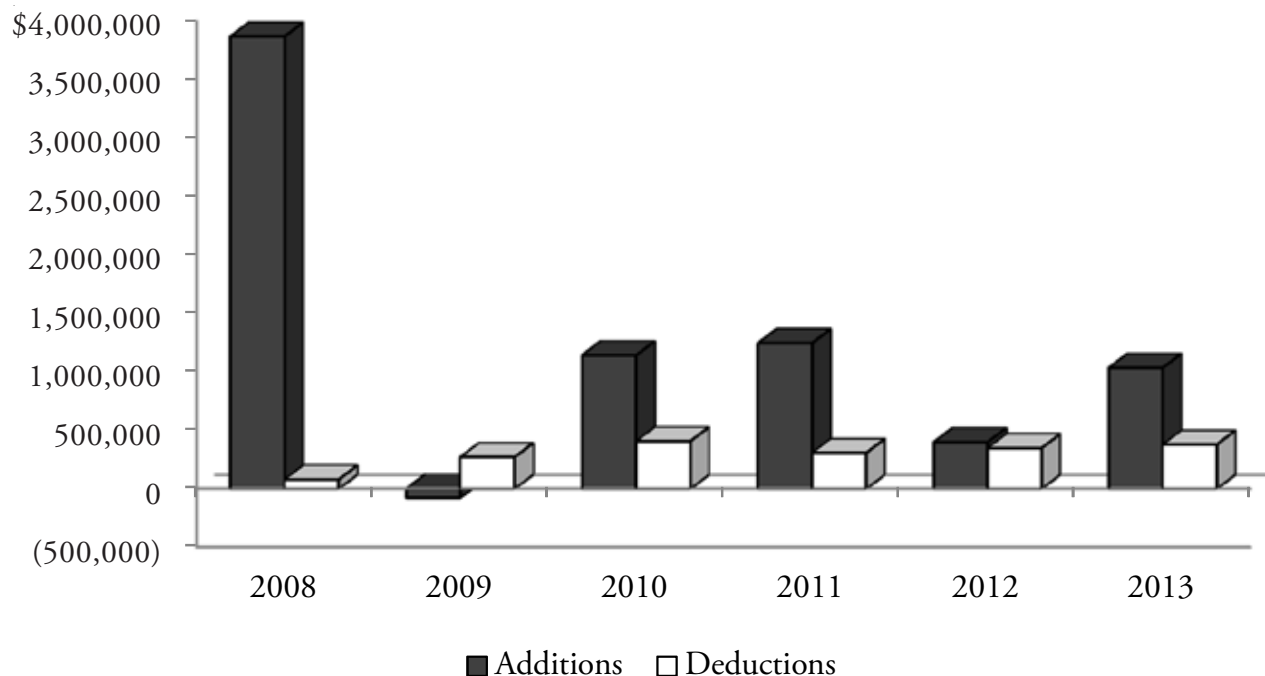
10-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2008	\$ —	\$ 3,870,127	\$ 79,022	\$ 3,791,105	\$ 3,791,105
2009	3,791,105	(75,318)	270,412	(345,730)	3,445,375
2010	3,445,375	1,143,261	407,555	735,706	4,181,081
2011	4,181,081	1,246,616	307,002	939,614	5,120,695
2012	5,120,695	399,273	348,152	51,120	5,171,816
2013	5,171,816	1,036,394	378,639	657,755	5,829,571

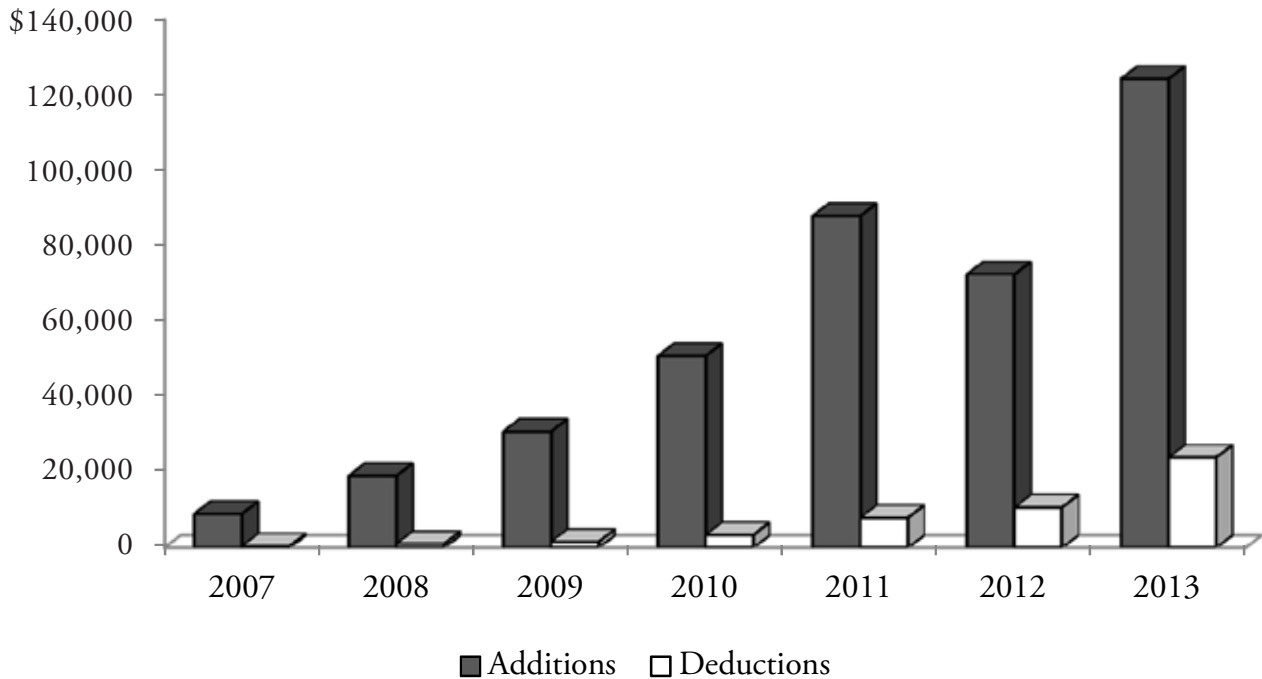
**6-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Participant Directed Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2007	\$ —	\$ 8,947	\$ 363	\$ 8,584	\$ 8,584
2008	8,584	19,098	995	18,103	26,687
2009	26,687	30,856	1,532	29,324	56,011
2010	56,011	50,908	3,364	47,544	103,555
2011	103,555	88,084	7,937	80,147	183,702
2012	183,702	72,561	10,692	61,869	245,571
2013	245,571	124,464	23,917	100,547	346,118

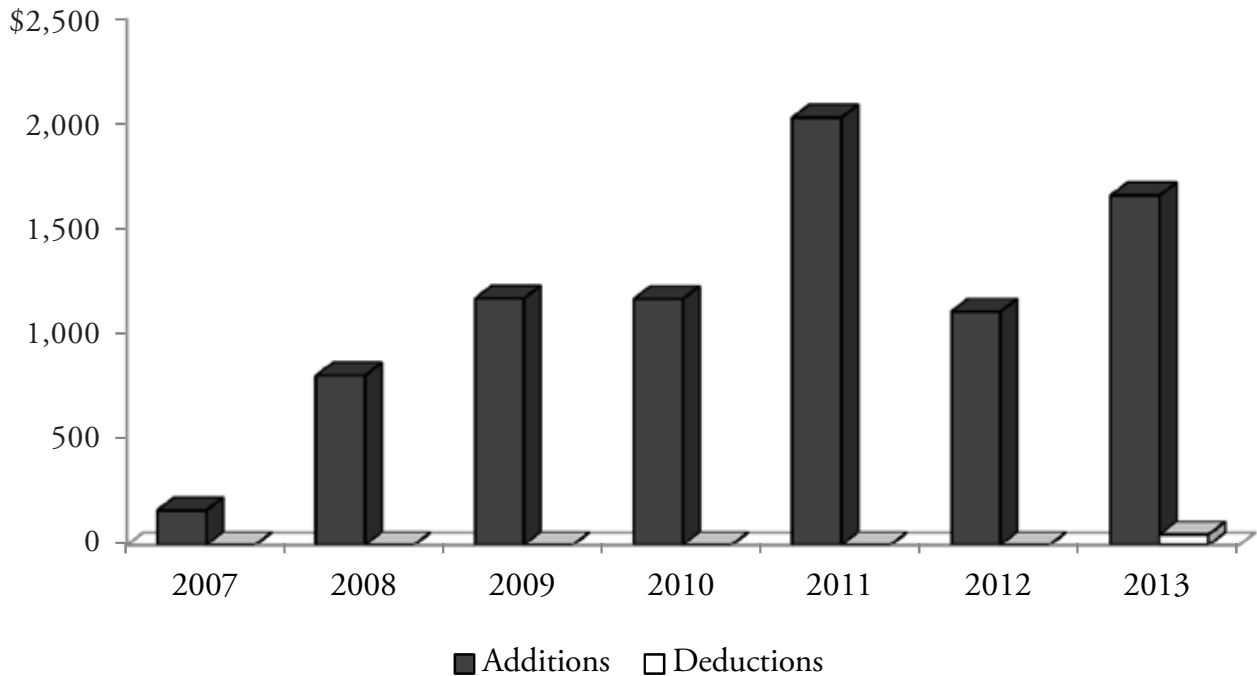
**7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - All Other Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2007	\$ —	\$ 166	\$ —	\$ 166	\$ 166
2008	166	807	—	807	973
2009	973	1,173	—	1,173	2,146
2010	2,146	1,171	—	1,171	3,317
2011	3,317	2,034	—	2,034	5,351
2012	5,351	1,111	—	1,111	6,462
2013	6,462	1,662	50	1,612	8,074

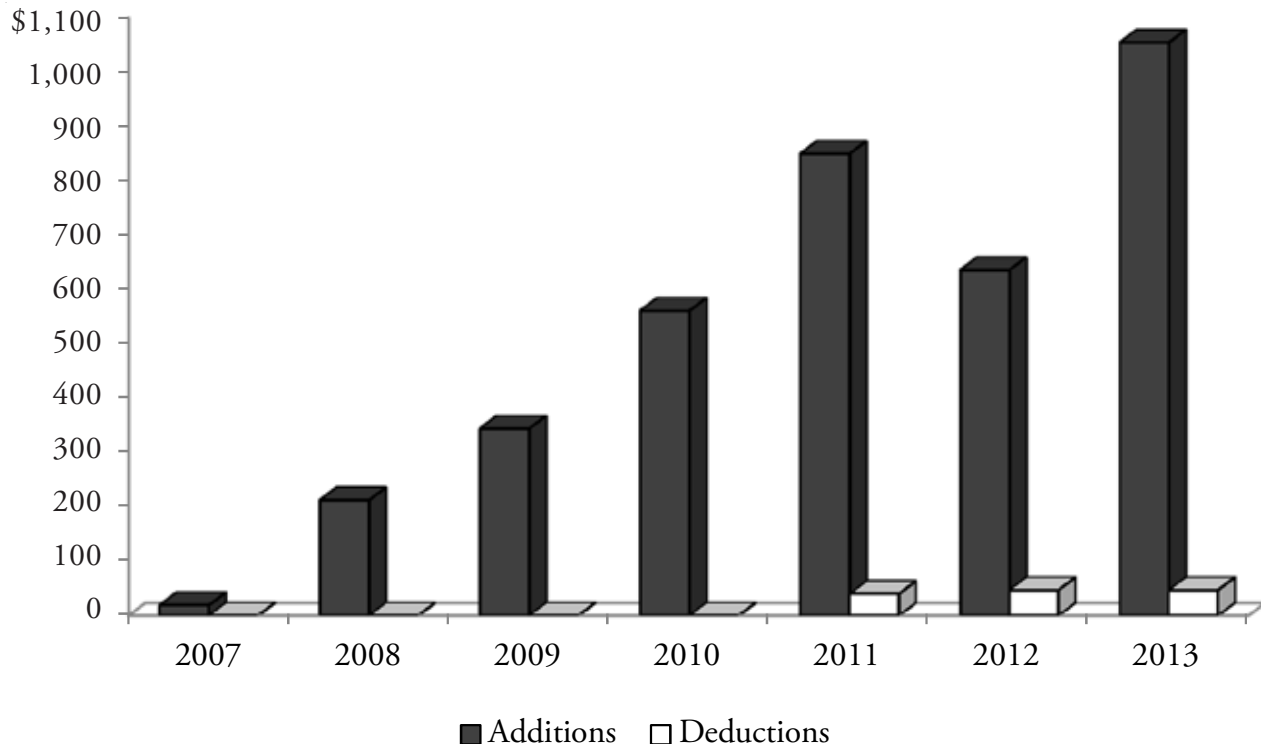
**7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability - Peace Officers & Firefighters Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2007	\$ —	\$ 19	\$ —	\$ 19	\$ 19
2008	19	213	—	213	232
2009	232	345	—	345	577
2010	577	562	—	562	1,139
2011	1,139	851	40	811	1,950
2012	1,950	636	47	590	2,539
2013	2,539	1,055	47	1,008	3,547

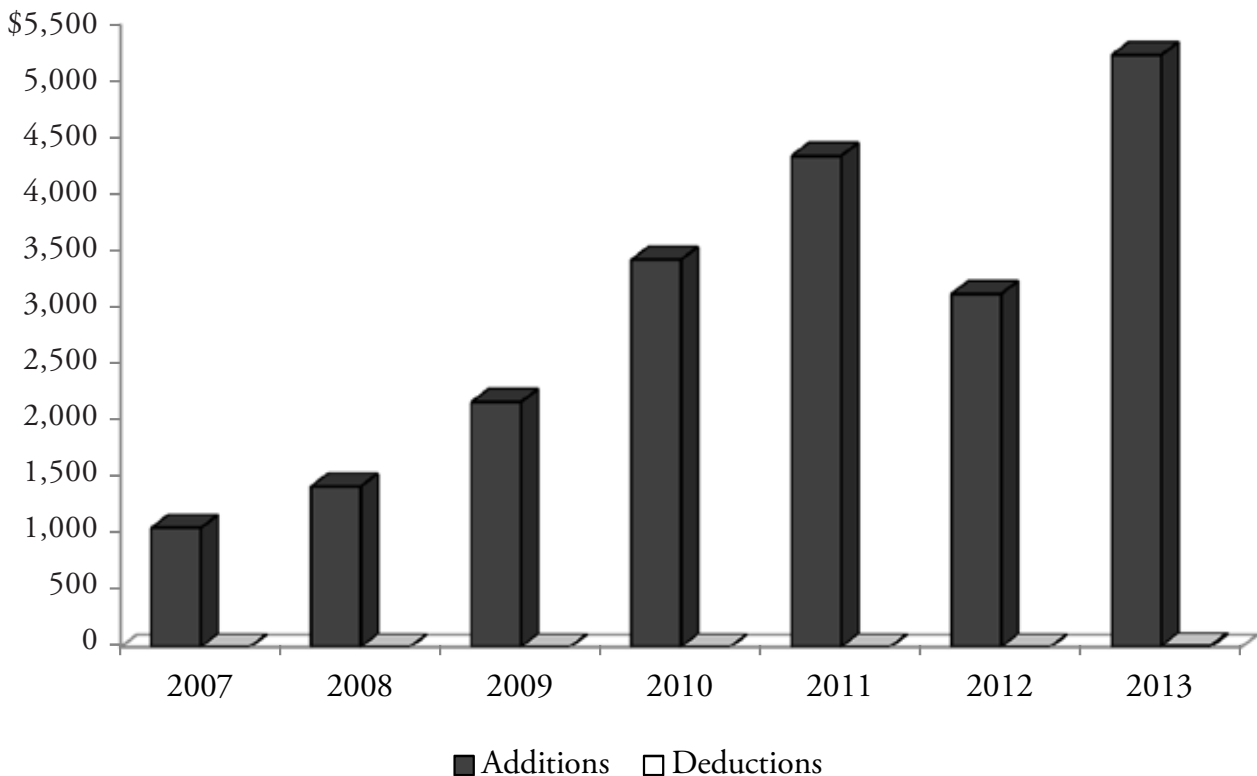
**7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2007	\$ —	\$ 1,055	\$ —	\$ 1,055	\$ 1,055
2008	1,055	1,424	—	1,424	2,479
2009	2,479	2,170	—	2,170	4,649
2010	4,649	3,429	—	3,429	8,078
2011	8,078	4,345	—	4,345	12,423
2012	12,423	3,128	—	3,128	15,551
2013	15,551	5,235	10	5,225	20,776

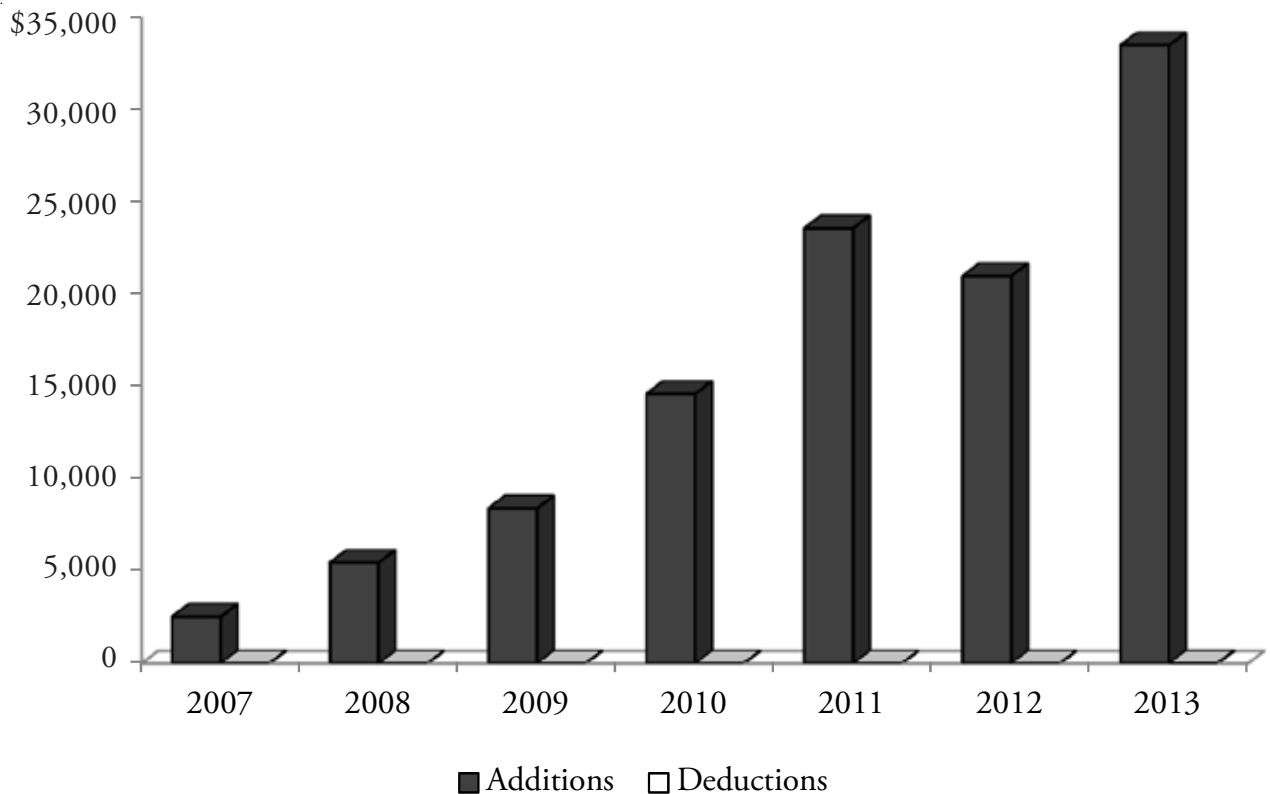
**7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Changes in Net Assets (In thousands)					
Year Ended June 30	Net Assets, Beginning of Year	Additions	Deductions	Increase / (Decrease) in Net Assets	Net Assets, End of Year
2007	\$ —	\$ 2,536	\$ —	\$ 2,536	\$ 2,536
2008	2,536	5,484	—	5,484	8,020
2009	8,020	8,414	—	8,414	16,434
2010	16,434	14,635	—	14,635	31,069
2011	31,069	23,625	—	23,625	54,694
2012	54,694	21,022	—	21,022	75,716
2013	75,716	33,524	9	33,515	109,231

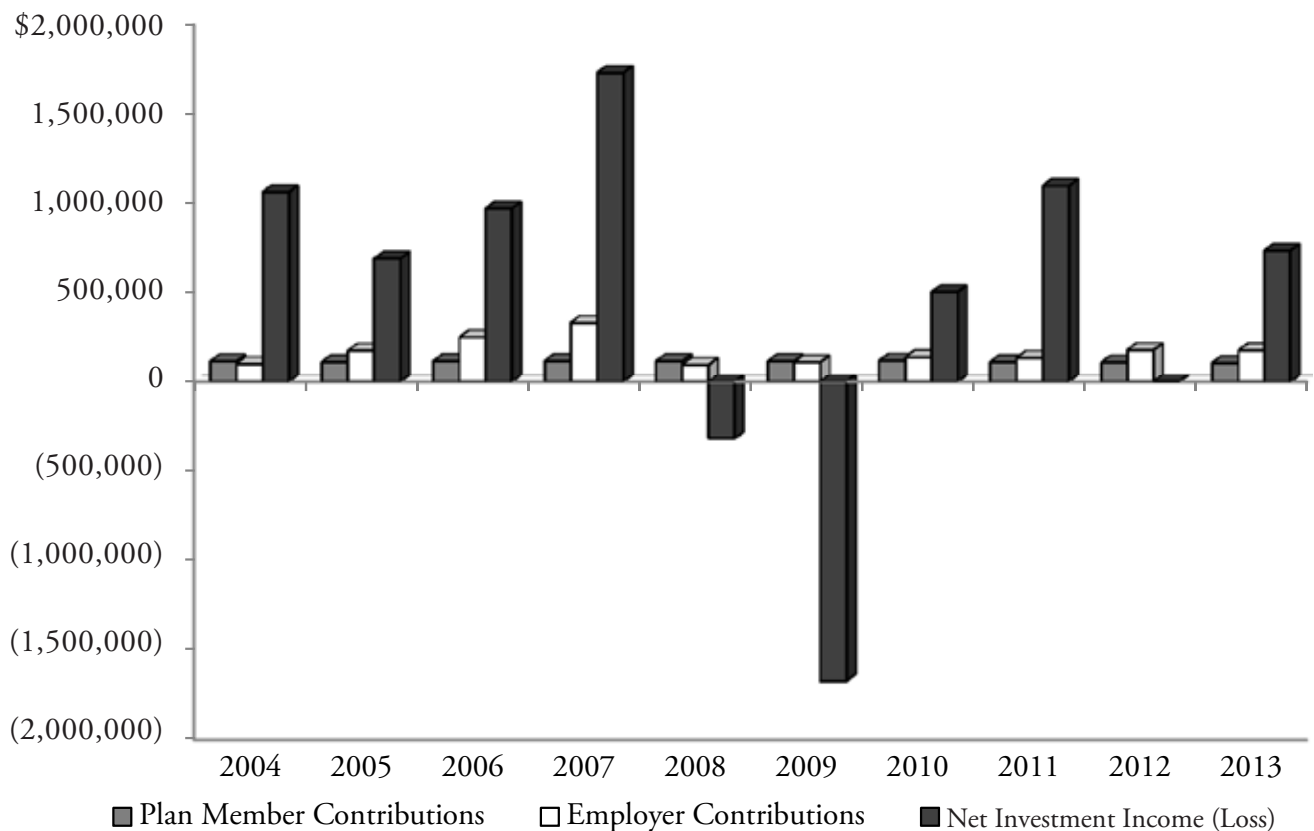
**7-YEAR COMPARISON OF ADDITIONS AND DEDUCTIONS
(In thousands)**



STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Pension Additions by Source (In thousands)						
Year Ended June 30	Plan Member Contributions	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Other	Total
2004	\$ 118,554	\$ 105,585	\$ —	\$ 1,064,605	\$ 152	\$ 1,288,896
2005	114,640	178,205	—	692,303	3	985,151
2006	119,566	253,922	18,427	974,006	34,947	1,400,868
2007	121,103	335,296	18,582	1,731,393	84	2,206,458
2008	120,506	100,323	50,875	(315,290)	47	(43,539)
2009	118,815	113,059	79,681	(1,671,794)	22	(1,360,217)
2010	123,066	142,157	44,460	506,043	105	815,831
2011	116,270	139,075	65,187	1,099,713	97	1,420,342
2012	112,703	182,695	130,912	1,650	35	427,995
2013	110,808	179,976	164,087	738,656	28	1,193,555

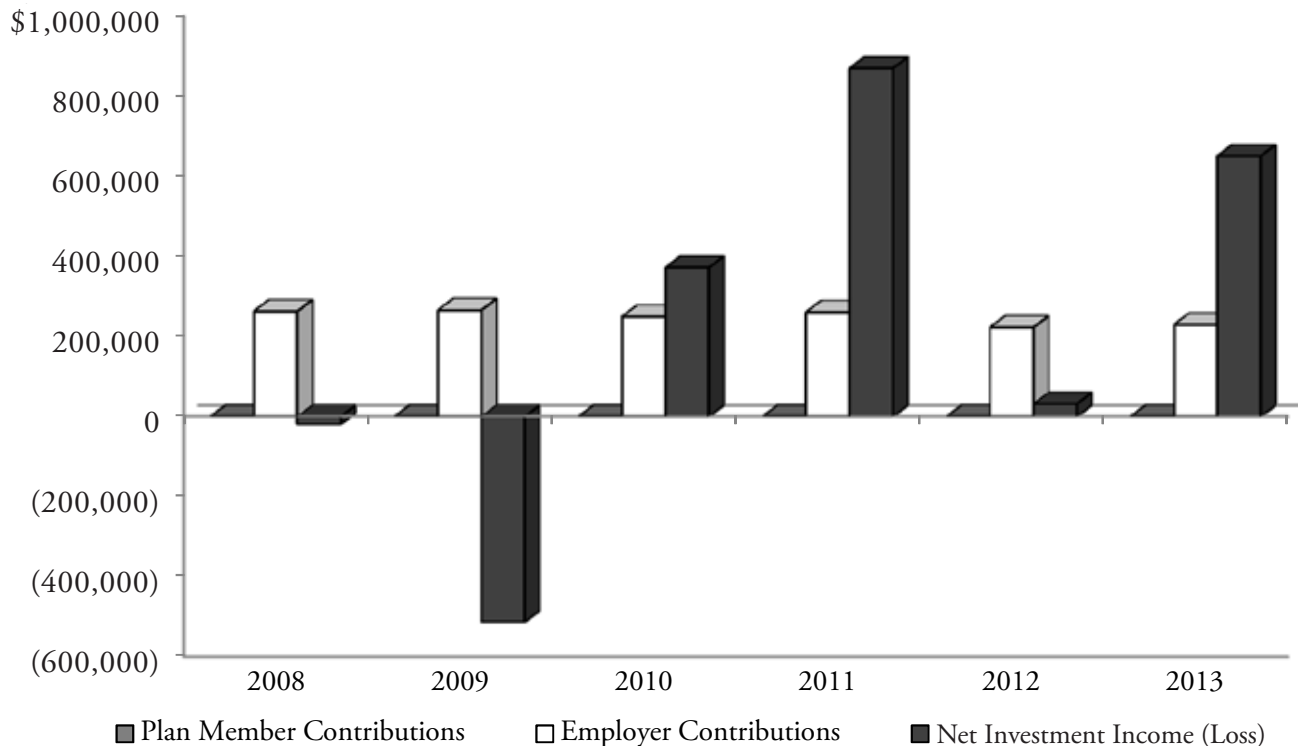
10-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Additions by Source (In thousands)							
Year Ended June 30	Plan Member Premiums	Employer Contributions	State of Alaska	Net Investment Income (Loss)	Net Transfer	Other	Total
2008	\$ 474	\$ 263,755	\$ 134,125	\$ (18,803)	\$ 3,490,576	\$ —	\$ 3,870,127
2009	523	266,481	161,919	(512,999)	—	8,758	(75,318)
2010	475	250,190	63,493	372,712	—	456,391	1,143,261
2011	557	261,534	100,654	871,221	—	12,650	1,246,616
2012	627	223,243	111,698	31,815	—	31,889	399,272
2013	635	229,990	143,215	652,118	—	10,436	1,036,394

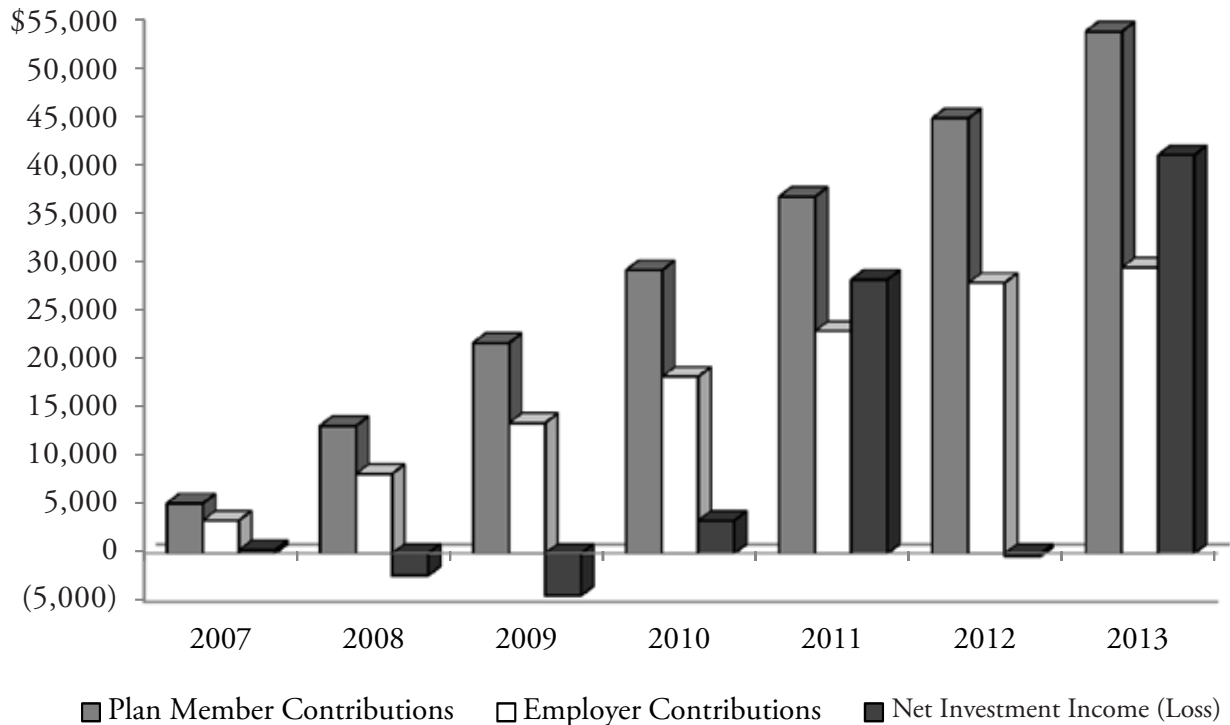
6-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Participant Directed Additions by Source (In thousands)					
Year Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Other	Total
2007	\$ 5,175	\$ 3,413	\$ 359	\$ —	\$ 8,947
2008	13,171	8,221	(2,294)	—	19,098
2009	21,735	13,470	(4,349)	—	30,856
2010	29,246	18,258	3,404	—	50,908
2011	36,831	22,976	28,264	13	88,084
2012	44,903	27,938	(280)	—	72,561
2013	53,843	29,519	41,098	4	124,464

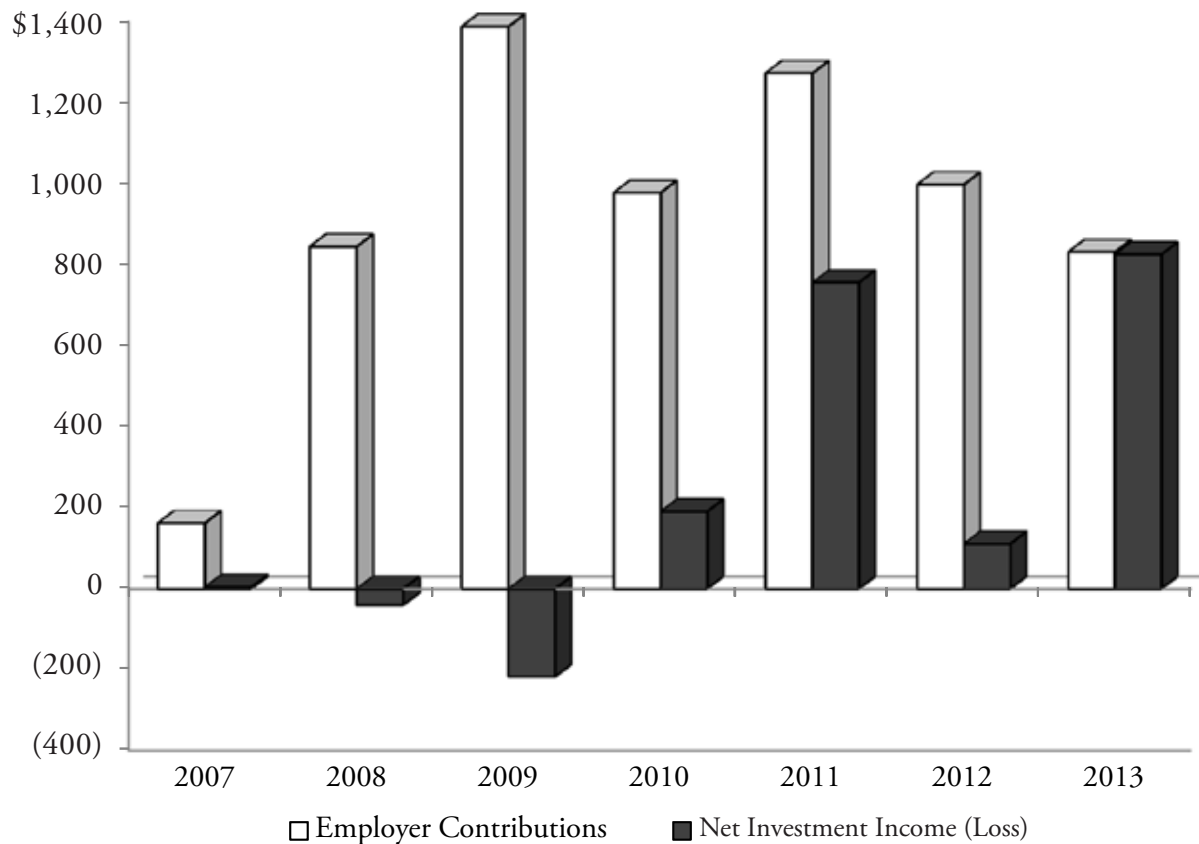
7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability All Other Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 162	\$ 4	\$ 166
2008	847	(40)	807
2009	1,390	(217)	1,173
2010	980	191	1,171
2011	1,275	759	2,034
2012	1,000	111	1,111
2013	834	828	1,662

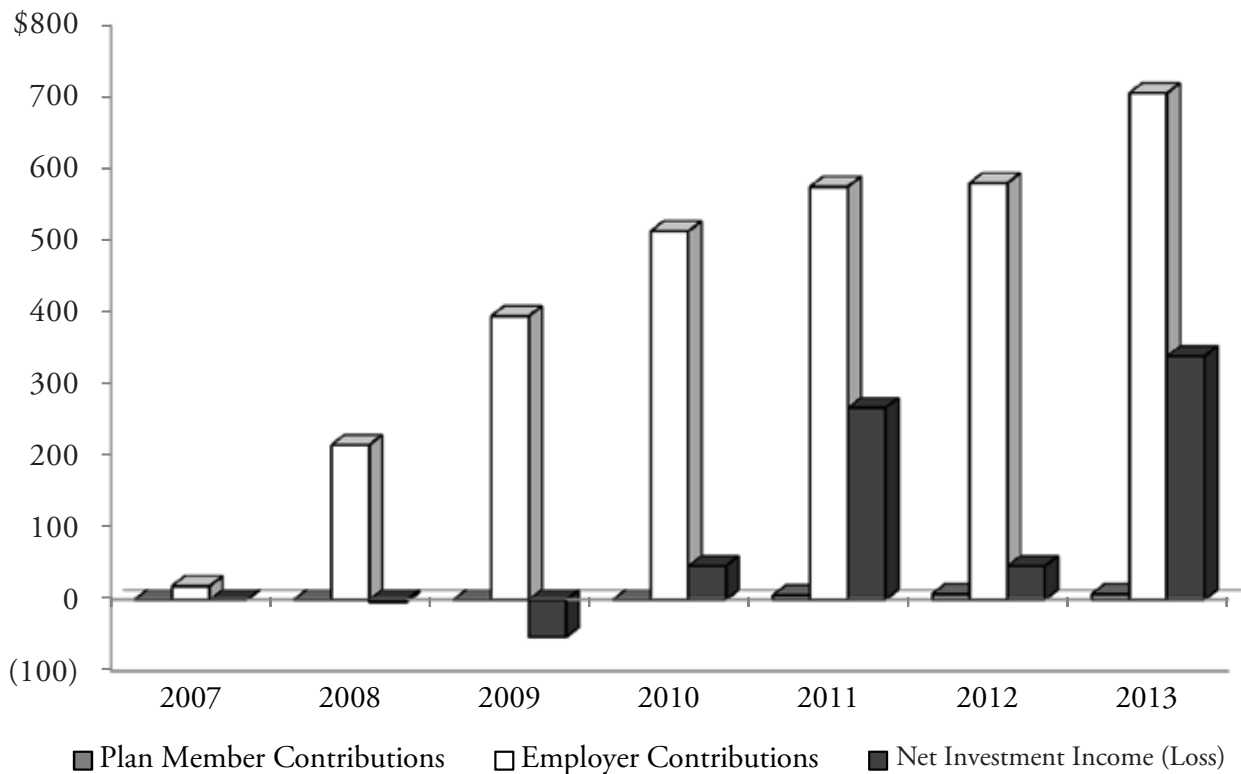
7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability Peace Officers & Firefighters Additions by Source (In thousands)				
Plan Ended June 30	Plan Member Contributions	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ —	\$ 19	\$ —	\$ 19
2008	—	216	(3)	213
2009	—	397	(52)	345
2010	—	515	47	562
2011	6	577	268	851
2012	8	582	47	637
2013	8	707	340	1,055

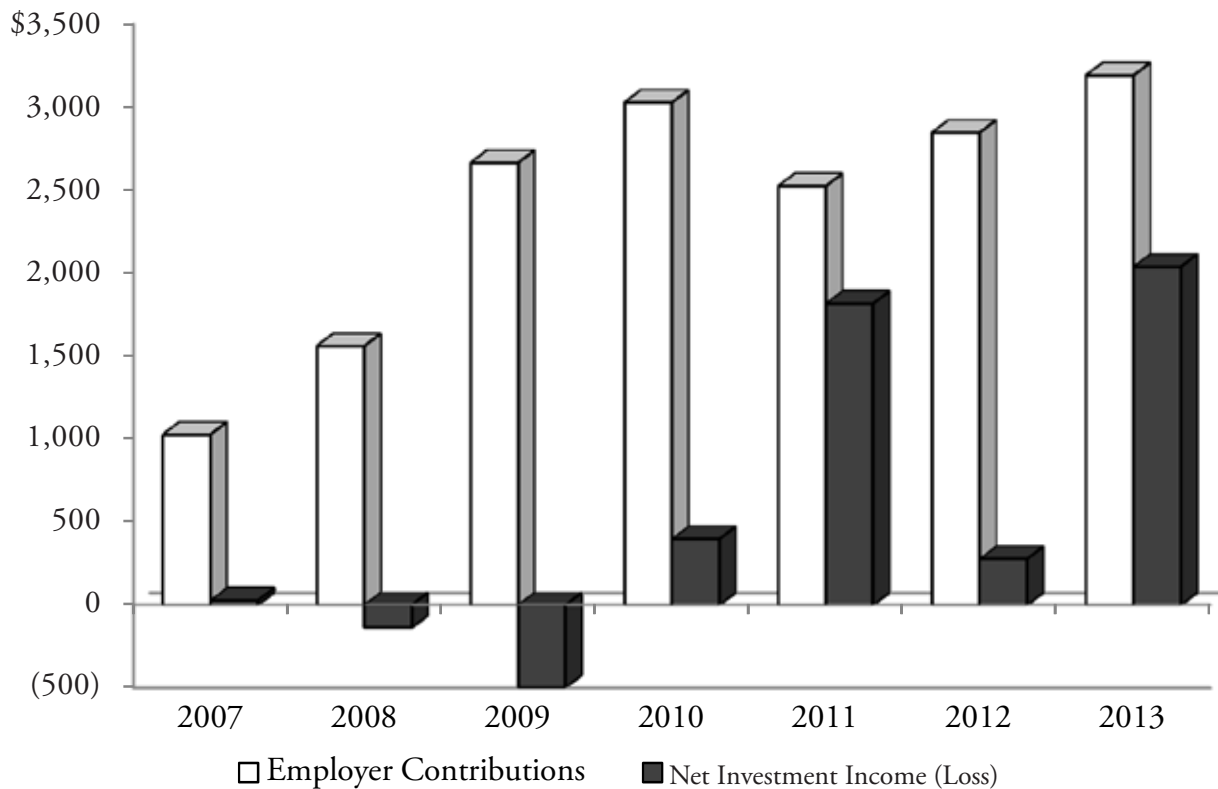
7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 1,028	\$ 27	\$ 1,055
2008	1,561	(137)	1,424
2009	2,667	(497)	2,170
2010	3,031	398	3,429
2011	2,527	1,818	4,345
2012	2,850	278	3,128
2013	3,195	2,040	5,235

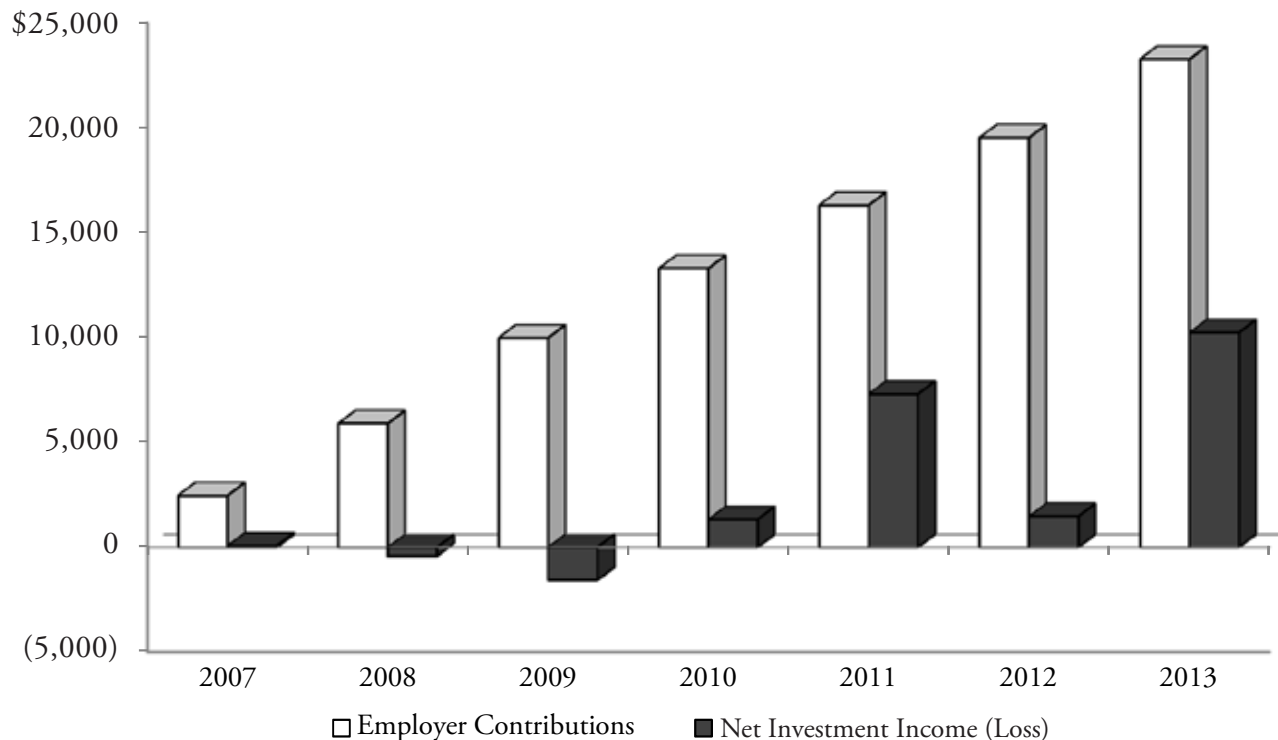
7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Health Reimbursement Arrangement Additions by Source (In thousands)			
Plan Ended June 30	Employer Contributions	Net Investment Income (Loss)	Total
2007	\$ 2,465	\$ 71	\$ 2,536
2008	5,902	(418)	5,484
2009	9,988	(1,574)	8,414
2010	13,304	1,331	14,635
2011	16,317	7,308	23,625
2012	19,547	1,475	21,022
2013	23,289	10,235	33,524

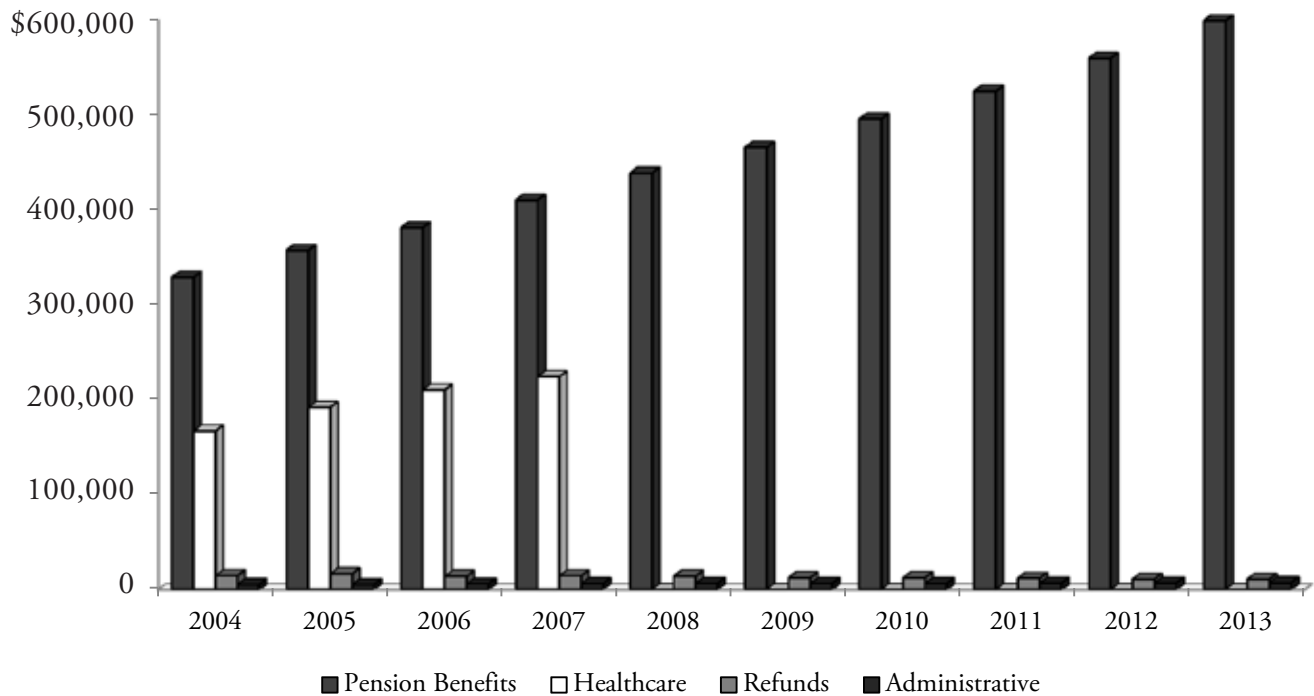
7-YEAR COMPARISON OF ADDITIONS BY SOURCE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Pension Deductions by Type (In thousands)						
Year Ended June 30	Pension Benefits	Healthcare	Refunds of Contributions	Administrative	Transfer	Total
2004	\$ 329,390	\$ 167,360	\$ 14,723	\$ 5,296	\$ (13,724)	\$ 503,045
2005	357,763	192,349	16,587	5,006	—	571,705
2006	381,672	210,613	14,063	5,801	—	612,149
2007	410,545	224,553	14,621	6,246	—	655,965
2008	439,123	—	14,333	6,585	3,490,576	3,950,617
2009	466,085	—	12,498	6,568	—	485,151
2010	496,015	—	12,364	6,365	—	514,744
2011	525,277	—	11,923	6,744	—	543,944
2012	559,977	—	10,906	6,743	—	577,626
2013	599,318	—	10,929	7,120	—	617,367

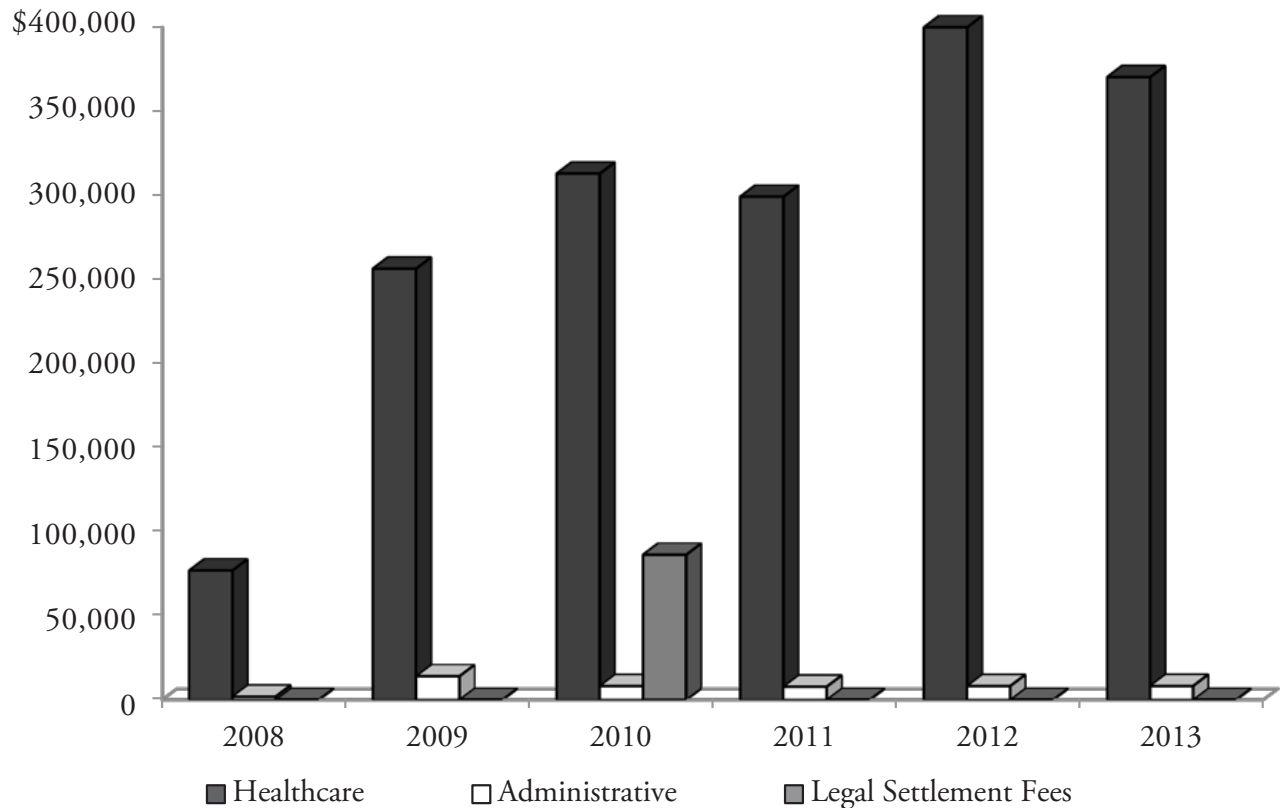
10-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Benefit Alaska Retiree Healthcare Trust Deductions by Type (In thousands)				
Plan Ended June 30	Healthcare	Administrative	Legal Settlement Fees	Total
2008	\$ 77,074	\$ 1,948	\$ —	\$ 79,022
2009	256,408	14,004	—	270,412
2010	312,901	8,226	86,428	407,555
2011	299,196	7,806	—	307,002
2012	399,923	8,229	—	348,152
2013	370,314	8,325	—	378,639

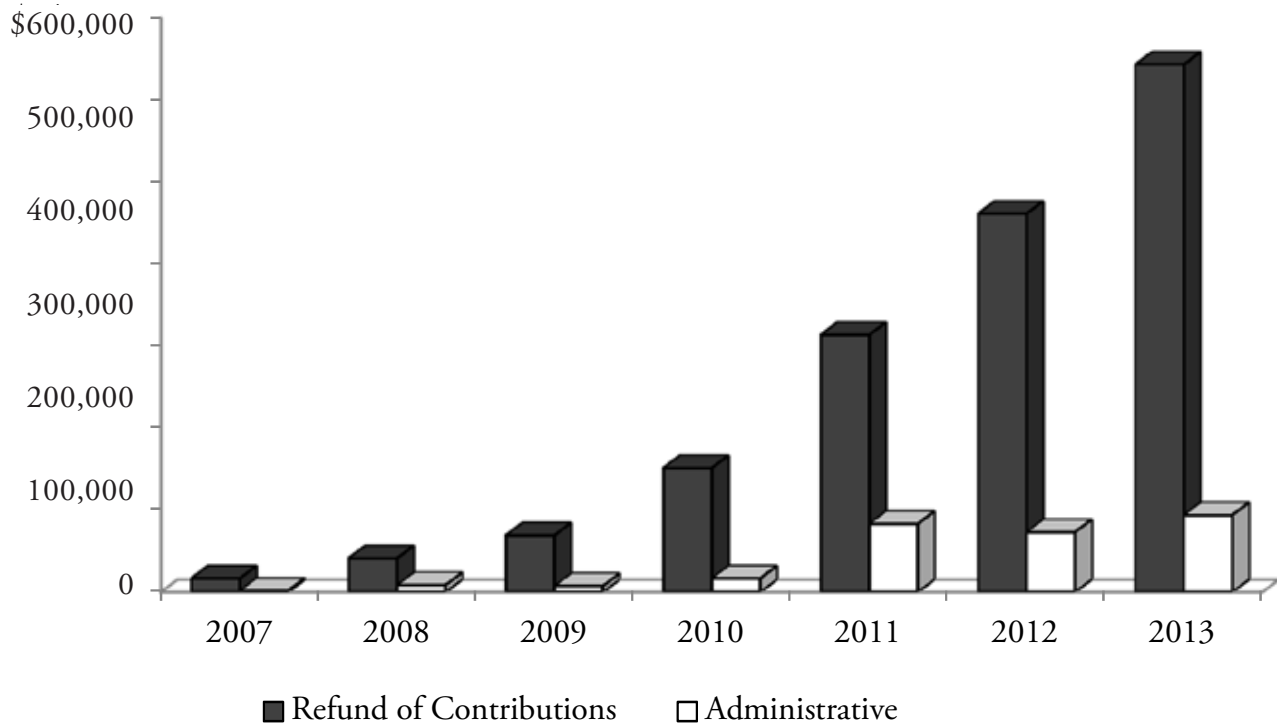
6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Participant Directed Deductions by Type (In thousands)				
Plan Ended June 30	Refund of Contributions	Administrative	Prior Year Forfeiture Payable Adjustment	Total
2007	\$ 332	\$ 31	\$ —	\$ 363
2008	826	169	—	995
2009	1,386	146	—	1,532
2010	3,029	335	—	3,364
2011	6,273	1,664	—	7,937
2012	9,230	1,462	—	10,692
2013	12,872	1,879	9,166	23,917

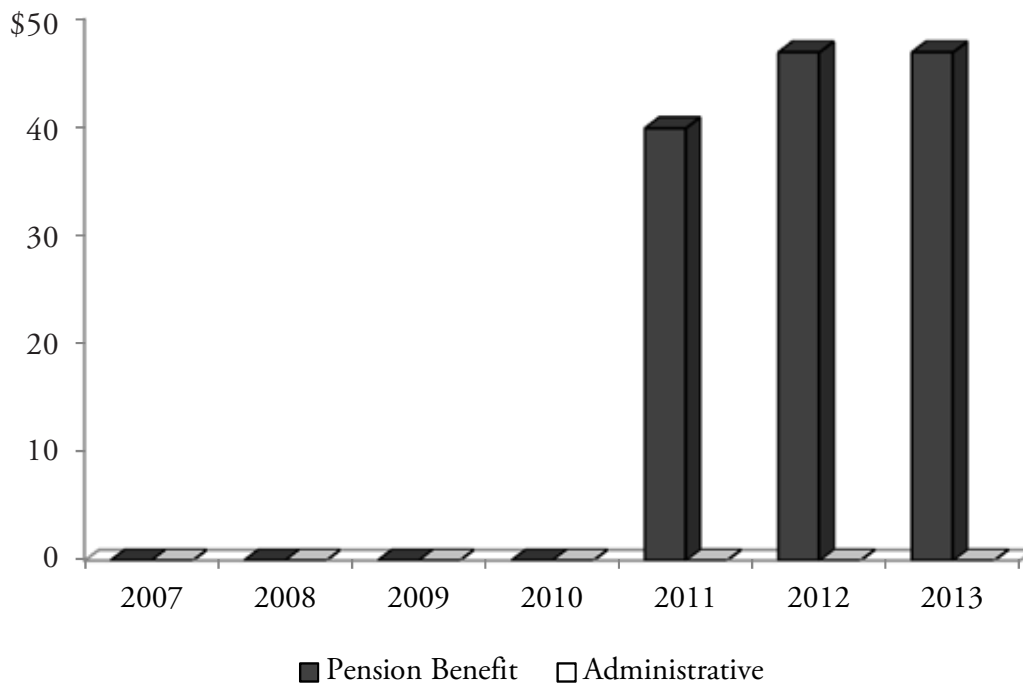
7-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – Peace Officers & Firefighters Deductions by Type (In thousands)			
Plan Ended June 30	Pension Benefits	Administrative	Total
2007	\$ —	\$ —	\$ —
2008	—	—	—
2009	—	—	—
2010	—	—	—
2011	40	—	40
2012	47	—	47
2013	47	—	47

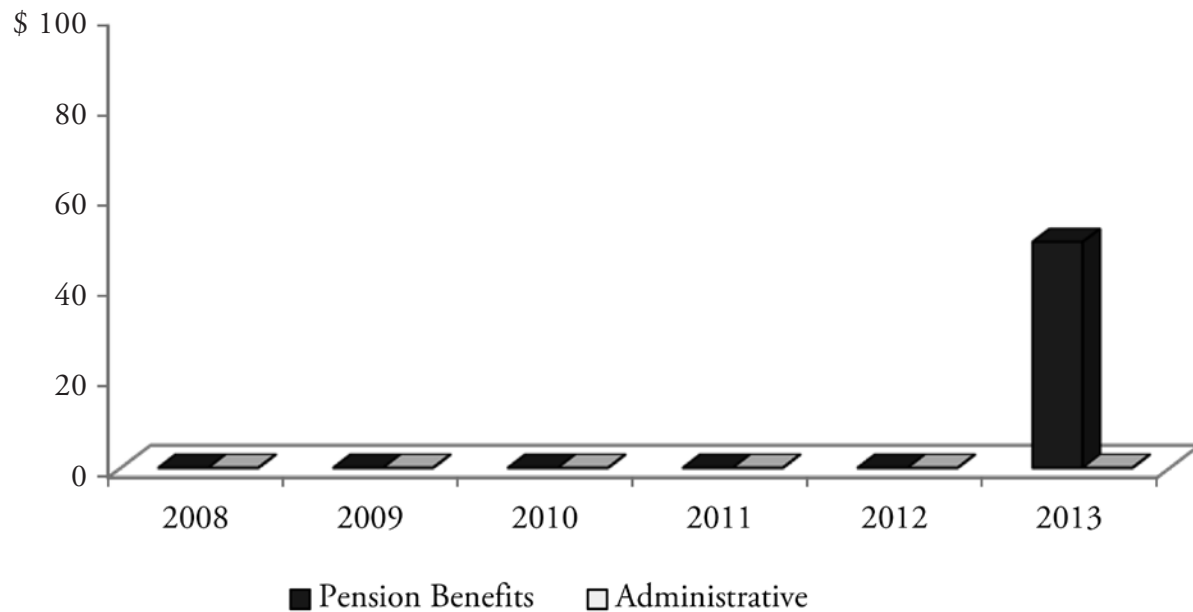
7-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – All Other Deductions by Type (In thousands)			
Plan Ended June 30	Pension Benefits	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	50	—	50

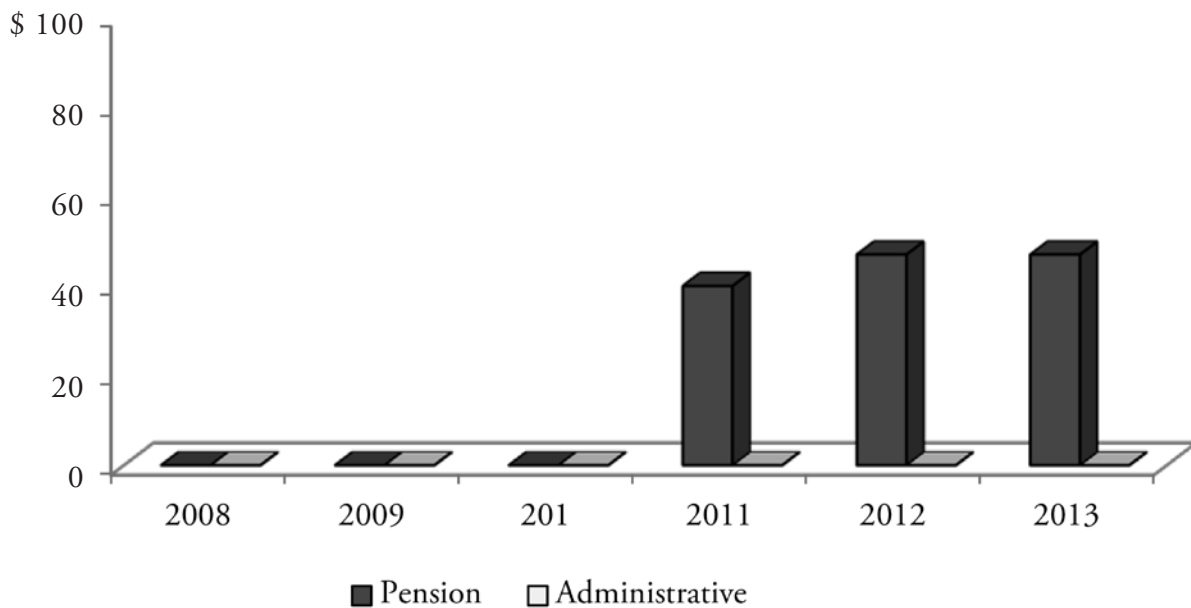
6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Occupational Death & Disability – Peace Officers & Firefighters Deductions by Type (In thousands)			
Plan Ended June 30	Pension	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	40	—	40
2012	47	—	47
2013	47	—	47

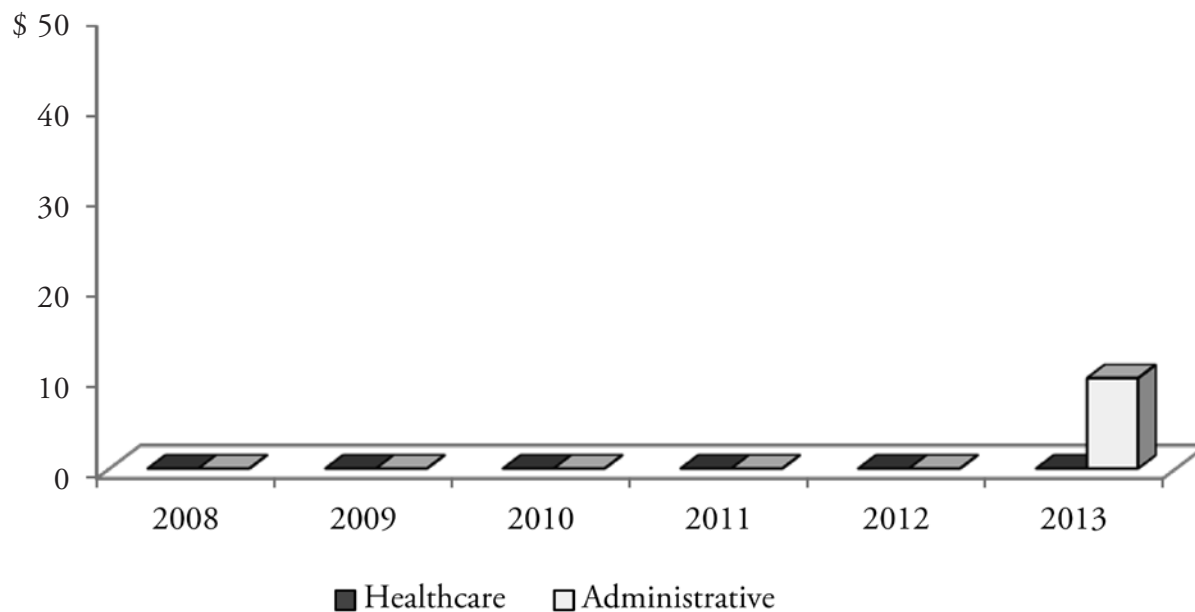
6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Retiree Medical Plan Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	10	10

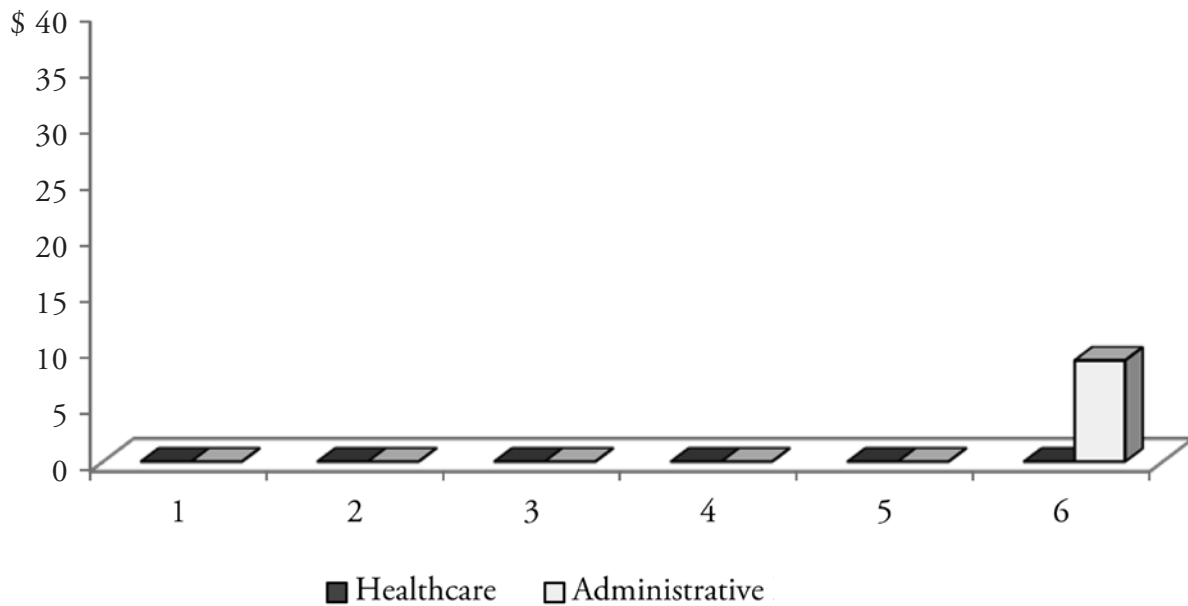
6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

Public Employees' Retirement System Defined Contribution Retirement Healthcare Reimbursement Arrangement Deductions by Type (In thousands)			
Plan Ended June 30	Healthcare	Administrative	Total
2008	\$ —	\$ —	\$ —
2009	—	—	—
2010	—	—	—
2011	—	—	—
2012	—	—	—
2013	—	9	9

6-YEAR COMPARISON OF DEDUCTIONS BY TYPE
(In thousands)



STATISTICAL SECTION

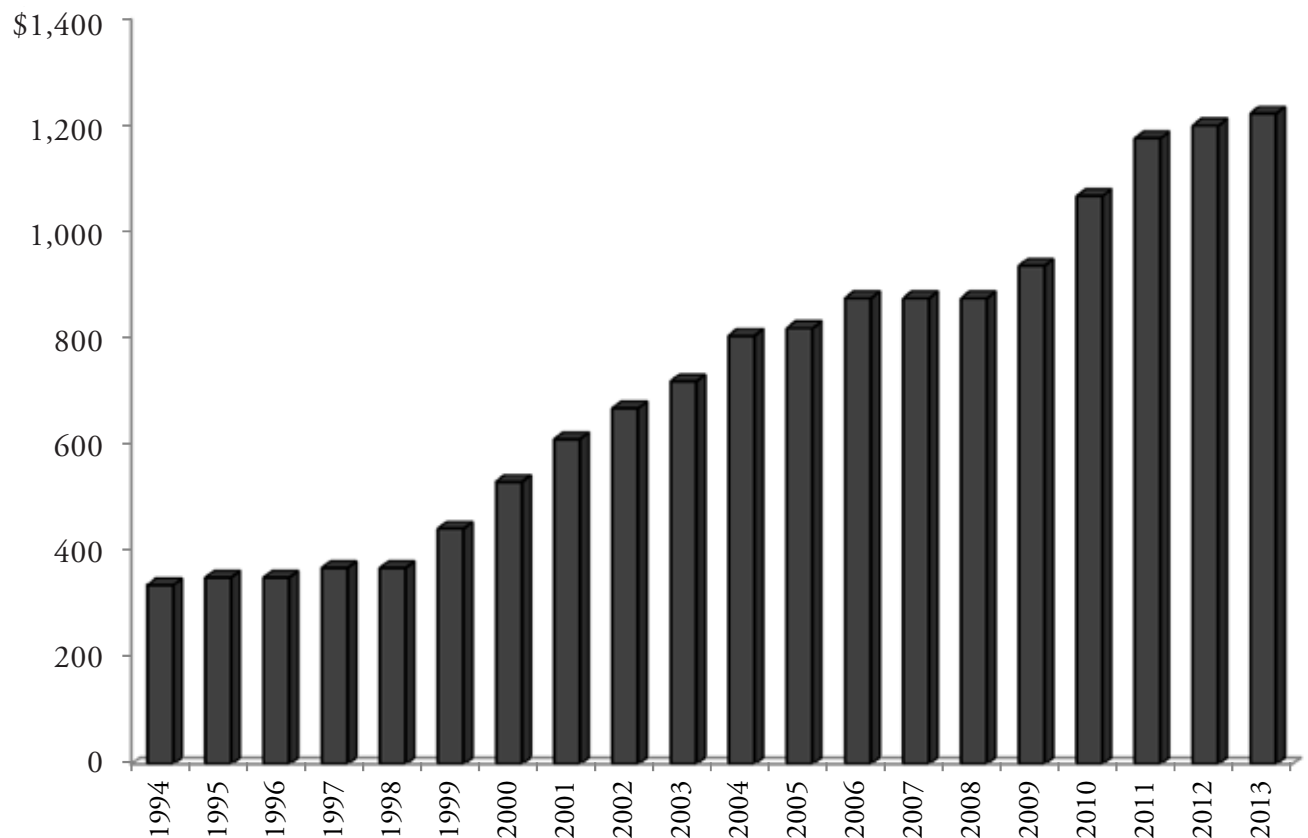
Public Employees' Retirement System Schedule of Average Benefit Payments New Benefit Recipients							
	Years of Credited Service						
	0 - 4	5 - 9	10 - 14	15 - 19	20 - 24	25 - 29	30+
All Others							
Period 7/1/06 - 6/30/07:							
Average Monthly Benefit	\$1,026	\$ 564	\$1,084	\$1,773	\$2,509	\$3,699	\$4,132
Number of Recipients	97	320	263	207	190	183	44
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	\$ 586	\$ 548	\$1,044	\$1,655	\$2,668	\$3,642	\$4,561
Number of Recipients	69	315	249	222	172	170	56
Period 7/1/08 - 6/30/09:							
Average Monthly Benefit	\$ 534	\$ 554	\$ 988	\$1,708	\$2,693	\$3,718	\$4,723
Number of Recipients	71	341	216	171	154	159	47
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$ 485	\$ 579	\$1,116	\$1,763	\$2,674	\$4,008	\$5,039
Number of Recipients	93	367	273	217	218	200	74
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 409	\$ 633	\$1,150	\$1,876	\$2,690	\$4,294	\$5,226
Number of Recipients	73	352	270	227	172	205	105
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ 407	\$ 610	\$1,147	\$1,931	\$2,805	\$4,214	\$5,076
Number of Recipients	67	351	314	204	208	188	106
Peace Officer/Firefighter							
Period 7/1/06 - 6/30/07:							
Average Monthly Benefit	\$ 925	\$ 858	\$1,304	\$2,385	\$3,180	\$4,198	\$4,942
Number of Recipients	4	13	9	26	40	12	4
Period 7/1/07 - 6/30/08:							
Average Monthly Benefit	\$1,522	\$ 950	\$1,171	\$2,378	\$3,179	\$3,837	\$6,014
Number of Recipients	6	13	13	20	32	18	3
Period 7/1/08 - 6/30/09:							
Average Monthly Benefit	\$ 489	\$ 820	\$ 979	\$2,466	\$3,152	\$4,213	\$4,894
Number of Recipients	2	17	11	18	23	7	5
Period 7/1/09 - 6/30/10:							
Average Monthly Benefit	\$1,902	\$1,242	\$1,459	\$2,284	\$3,179	\$4,527	\$4,695
Number of Recipients	4	7	16	14	28	14	7
Period 7/1/10 - 6/30/11:							
Average Monthly Benefit	\$ 525	\$ 880	\$1,469	\$2,666	\$3,743	\$4,806	\$5,661
Number of Recipients	1	8	18	10	24	16	8
Period 7/1/11 - 6/30/12:							
Average Monthly Benefit	\$ —	\$1,159	\$1,161	\$3,142	\$3,504	\$4,673	\$5,079
Number of Recipients	—	13	13	12	20	17	7

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

STATISTICAL SECTION

Public Employees' Retirement System Schedule of Pension and Healthcare Benefits Deductions by Type (In thousands)					
Year Ended June 30	Service	Disability	Survivor	Healthcare	Total
2004	305,047	8,691	15,652	167,360	496,750
2005	332,179	8,720	16,864	192,349	550,112
2006	355,841	7,779	18,052	210,613	592,285
2007	383,516	7,603	19,426	224,553	635,098
2008	405,775	8,460	24,888	235,474	674,597
2009	436,656	6,644	22,785	245,328	711,413
2010	464,735	6,539	24,741	283,095	779,110
2011	492,808	5,821	26,648	323,843	849,120
2012	543,789	5,528	28,651	339,923	917,891
2013	563,172	5,276	30,870	395,939	995,257

20-YEAR COMPARISON OF RETIREE MONTHLY COMPOSITE MEDICAL PREMIUMS



STATISTICAL SECTION

Public Employees' Retirement System Schedule of Pension Benefit Recipients by Type of Pension Benefit and Option Selected Valuation as of June 30, 2012										
Amount of Monthly Pension Benefit	Number of Recipients	Type of Pension Benefit			Option Selected					
		1	2	3	1	2	3	4	5	
All Others										
\$ 1 - 300	1,970	1,562	406	2	852	394	290	56	378	
301 - 600	4,607	3,976	602	29	2,263	1,158	723	258	205	
601 - 900	3,557	3,093	442	22	1,713	900	544	219	181	
901 - 1,200	2,942	2,584	329	29	1,378	762	493	175	134	
1,201 - 1,500	2,417	2,135	243	39	1,087	688	390	131	121	
1,501 - 1,800	1,873	1,691	144	38	796	529	324	120	104	
1,801 - 2,100	1,510	1,382	108	20	607	457	258	105	83	
2,101 - 2,400	1,267	1,181	66	20	478	394	246	87	62	
2,401 - 2,700	1,047	979	57	11	418	360	193	39	37	
2,701 - 3,000	844	804	38	2	311	285	162	48	38	
3,001 - 3,300	692	663	25	4	232	266	133	35	26	
3,301 - 3,600	568	556	11	1	178	233	92	36	29	
3,601 - 3,900	468	455	12	1	160	175	83	32	18	
3,901 - 4,200	420	418	2	0	129	176	84	18	13	
over 4,200	1,462	1,446	13	3	433	605	284	95	45	
Totals	25,644	22,925	2,498	221	11,035	7,382	4,299	1,454	1,474	
Peace Officer/Firefighter										
\$ 1 - 300	52	29	23	—	29	11	1	2	9	
301 - 600	172	110	61	1	82	40	25	11	14	
601 - 900	147	86	58	3	81	39	8	10	9	
901 - 1,200	175	123	51	1	88	41	20	13	13	
1,201 - 1,500	167	122	43	2	90	35	21	11	10	
1,501 - 1,800	141	110	28	3	55	45	23	10	8	
1,801 - 2,100	184	140	39	5	76	54	30	14	10	
2,101 - 2,400	199	159	33	7	83	69	27	14	6	
2,401 - 2,700	207	189	14	4	60	86	28	20	13	
2,701 - 3,000	245	226	19	—	66	115	43	12	9	
3,001 - 3,300	211	195	13	3	59	92	32	17	11	
3,301 - 3,600	191	182	8	1	54	91	25	14	7	
3,601 - 3,900	181	176	3	2	47	91	19	18	6	
3,901 - 4,200	150	147	2	1	38	75	22	10	5	
over 4,200	474	465	8	1	101	266	51	40	16	
Totals	2,896	2,459	403	34	1,009	1,150	375	216	146	

Type of Pension Benefit

- 1 - Regular retirement
- 2 - Survivor payment
- 3 - Disability

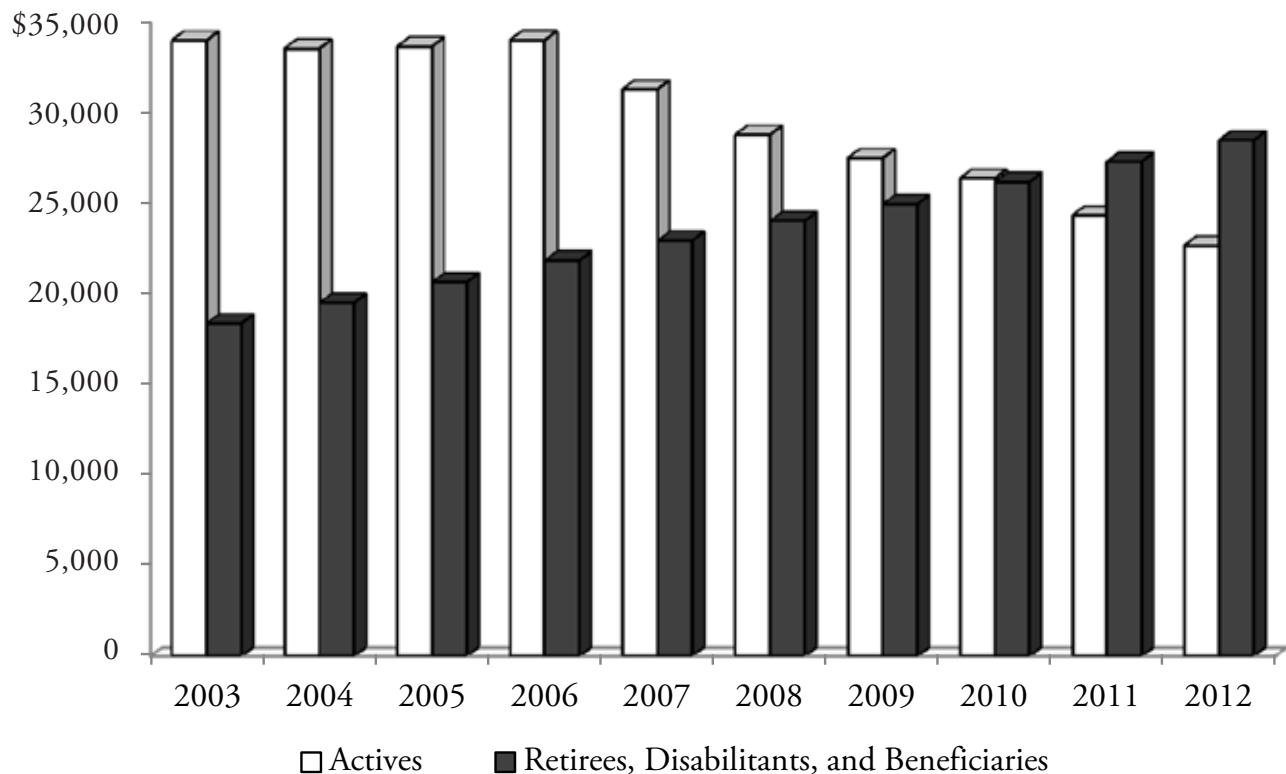
Option Selected

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

STATISTICAL SECTION

Public Employees' Retirement System System Membership by Status					
Year Ended June 30	Active	Retirees, Disabilitants & Beneficiaries	Vested Terminations	Nonvested Terminations w/Balance	Total
2003	34,065	18,431	5,841	10,798	69,135
2004	33,612	19,572	5,965	11,860	71,009
2005	33,730	20,703	6,105	12,761	73,299
2006	34,071	21,901	6,219	14,155	76,346
2007	31,362	22,997	6,398	14,902	75,659
2008	28,850	24,082	6,627	14,930	74,489
2009	27,565	25,015	6,566	14,626	73,772
2010	26,442	26,237	6,253	14,543	73,475
2011	24,393	27,359	6,414	14,028	72,194
2012	22,730	28,540	6,294	13,552	71,116

**10-YEAR COMPARISON OF ACTIVE MEMBERS AND RETIREES,
DISABILITANTS, AND BENEFICIARIES**



STATISTICAL SECTION

Public Employees' Retirement System Principal Participating Employers June 30, 2013			
Employer	Non-retired Members	Rank	Percentage of of Total Non-retired Members
State of Alaska	26,337	1	42.5%
Anchorage School District	5,214	2	8.4
University of Alaska	<u>4,237</u>	3	<u>6.8</u>
Total	<u>35,788</u>		<u>57.7%</u>

**Public Employees' Retirement System
Participating Employers
at June 30, 2013**

Akutan, City of	Chatham School District
Alaska, State of	Chugach School District
Alaska Gateway School District	Cook Inlet Housing Authority
Alaska Housing Finance Corporation	Copper River Basin Regional Housing Authority
Alaska Municipal League	Copper River School District
Aleutian Housing Authority	Cordova, City of
Aleutian Region School District	Cordova City School District
Aleutians East Borough	Cordova Community Medical Center
Aleutians East Borough School District	Craig, City of
Allakaket, City of	Craig City School District
Anchorage, Municipality of	
Anchorage Community Development Authority	Delta-Greely School District
Anchorage School District	Delta Junction, City of
Anderson, City of	Denali Borough
Aniak, City of	Denali Borough School District
Annette Island School District	Dillingham, City of
Atka, City of	Dillingham City School District
Baranof Island Housing Authority	Eek, City of
Barrow, City of	Egegik, City of
Bartlett Regional Hospital	Elim, City of
Bering Straits Regional Housing Authority	
Bering Strait School District	Fairbanks, City of
Bethel, City of	Fairbanks North Star Borough
Bristol Bay Borough	Fairbanks North Star Borough School District
Bristol Bay Borough School District	Fort Yukon, City of
Bristol Bay Regional Housing Authority	
	Galena, City of
	Galena City School District

STATISTICAL SECTION

Public Employees' Retirement System Participating Employers at June 30, 2013 (continued)

Haines Borough	Lake and Peninsula Borough
Haines Borough School District	Lake and Peninsula Borough School District
Homer, City of	Lower Kuskokwim School District
Hoonah, City of	Lower Yukon School District
Hoonah City School District	
Hooper Bay, City of	Matanuska-Susitna Borough
Huslia, City of	Matanuska-Susitna Borough School District
Hydaburg City School District	Mekoryuk, City of
Iditarod Area School District	Nenana, City of
Ilisagvik College	Nenana City School District
Interior Regional Housing Authority	Nome, City of
Inter-Island Ferry Authority	Nome City School District
	Nome Joint Utility System
Juneau School District, City and Borough of	Noorvik, City of
Juneau, City and Borough of	North Pacific Fishery Management Council
	North Pacific Rim Housing Authority
Kachemak, City of	North Pole, City of
Kake City School District	North Slope Borough
Kaltag, City of	North Slope Borough School District
Kashunamiut School District	Northwest Arctic Borough
Kenai, City of	Northwest Arctic Borough School District
Kenai Peninsula Borough	Northwest Inupiat Housing Authority
Kenai Peninsula Borough School District	Nulato, City of
Ketchikan, City of	
Ketchikan Gateway Borough	Palmer, City of
Ketchikan Gateway Borough School District	Pelican, City of
King Cove, City of	Pelican City School District
Kivalina, City of	Petersburg Borough
Klawock, City of	Petersburg City School District
Klawock City School District	Petersburg Medical Center
Kodiak, City of	Pribilof School District
Kodiak Island Borough	
Kodiak Island Borough School District	Quinhagak, City of
Kotzebue, City of	
Koyuk, City of	
Kuspuk School District	

**Public Employees' Retirement System
Participating Employers
at June 30, 2013 (continued)**

Saint George, City of	Unalakleet, City of
Saint Mary's School District	Unalaska, City of
Saint Paul, City of	Unalaska City School District
Sand Point, City of	University of Alaska
Saxman, City of	Upper Kalskag, City of
Saxman Seaport	
Selawik, City of	Valdez, City of
Seldovia, City of	Valdez City School District
Seward, City of	
Shaktoolik, City of	Wasilla, City of
Sitka Borough School District	Whittier, City of
Sitka, City and Borough of	Wrangell, City and Borough of
Sitka Community Hospital	Wrangell Public School District
Skagway City School District	
Skagway, Municipality of	Yakutat, City and Borough of
Soldotna, City of	Yakutat School District
Southeast Island School District	Yukon Flats School District
Southeast Regional Resource Center	Yukon-Koyukuk School District
Southwest Region School District	Yupiit School District
Special Education Service Agency	
Tagiugmiullu Nunamiullu Housing Authority	
Tanana, City of	
Tanana School District	
Thorne Bay, City of	
Tlingit-Haida Regional Housing Authority	
Toksook Bay, City of	

Alaska Division of Retirement and Benefits





State of Alaska
Department of Administration | Division of Retirement and Benefits
P.O. Box 110203 | Juneau, Alaska 99811-0203

333 Willoughby Avenue, State Office Building, 6th Floor
Toll-Free (800) 821-2251 | In Juneau (907) 465-4460
alaska.gov/drb