ANCHORAGE POLICE AND FIRE RETIREMENT SYSTEM

ACTUARY'S REPORT
(As of January 1, 2004)

Prepared by

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April 23, 2004

Retirement Board
Anchorage Police and Fire Retirement System
3650A E. Tudor Rd.
P.O. Box 196650
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Dear Members of the Board:

At your request, we have completed an actuarial valuation of the Anchorage Police and Fire Retirement System as of January 1, 2004 Our findings are discussed in Section 1.

In preparing this report, we relied without audit upon the employee and beneficiary data furnished by the System. We believe this information is sufficient and reliable for the purposes of our calculations. We relied on Section 3.85 of the Anchorage Municipal Code on the City's website as of March 4, 2004, and on the amendments to Section 3.85 of the Anchorage Municipal Code adopted by the Anchorage Assembly (A0 2003-137) which were provided to us by the System for the plan provisions. We also relied on the financial statements supplied by the Mellon Bank which have not yet been audited. The asset information appears to be reasonable for the purpose of this report. It should be noted that if any data or other information is inaccurate or incomplete, our calculations may need to be revised.

On the basis of the foregoing, we hereby certify that this report is complete and accurate to the best of our knowledge and belief. The report has been prepared in accordance with generally recognized and accepted actuarial principles and practices which are consistent with the applicable Standards of Practice adopted by the Actuarial Standards Board of the American Academy of Actuaries.

We further certify that, in our opinion, the actuarial assumptions used in the valuation are reasonably related to the past experience of the System. They represent our best estimate of future conditions affecting the System. Nevertheless, the emerging costs of the System will vary from those presented in this report to the extent that actual experience differs from that projected by the actuarial assumptions. The Retirement Board has the final decision regarding the appropriateness of the assumptions and adopted them as indicated in Section 3.

Actuarial computations presented in this report are for purposes of determining the recommended funding levels for the members of the System and the Municipality of Anchorage. Actuarial computations under GASB Statement No. 25 are for purposes of fulfilling financial accounting requirements. The computations in this report have been made on a basis consistent with our understanding of the Retirement Board's funding policies and GASB Statement No. 25.

Determinations for purposes other than meeting these requirements may be significantly different from the results contained in this report. Accordingly, different determinations may be needed for other purposes. Any distribution o ft he enclosed report must be in its entirety including this cover letter, unless prior written consent is obtained from Milliman USA.

Milliman USA has been engaged by the Anchorage Police and Fire Retirement System as an independent actuary. The undersigned is a member of the American Academy of Actuaries, a Fellow of the Society of Actuaries and an Enrolled Actuary, is experienced in performing actuarial valuations for large public employee retirement systems and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this report.

Respectfully submitted,

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Anchorage Police and Fire Retirement System

Actuarial Valuation as of January 1, 2004

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SECTION 1
DISCUSSION OF THE FINDINGS

SCOPE OF THE REPORT

This report presents the results of the Actuarial Valuation of the Anchorage Police and Fire Retirement System as of January 1, 2004. The last Actuarial Valuation of the System was performed as of January 1, 2003.

The purpose of this actuarial valuation is to analyze the resources needed to meet the current and future obligations of the three Plans. This actuarial valuation provides the best estimate of the long-term financial condition of each Plan.

A summary of the findings and an analysis of the funding level are presented in this Section. Tables 1 though 5 of Section 2 document the calculations that led to our findings.

All of the calculations were carried out using certain assumptions as to the future experience in matters affecting the actuarial cost. Section 3 summarizes these assumptions and describes the actuarial methods used to calculate costs.

Section 4 outlines the provisions of each Plan that were used in this report. The membership data included in this valuation is summarized in Section 5.

Section 6 shows the allocation of the various Reserves as of December 31, 2003.

DEMOGRAPHIC DATA

We have utilized the Pension Administration System database to generate the census for this valuation. We performed a significant amount of review to ensure the accuracy of the data, including tests for reasonableness and consistency. We believe the data was sufficient and reliable for the purposes of our calculations.

The tables on this and the next few pages summarize the census data. The first table is a reconciliation of the members' change in status for the year.

	Plan I	Plan II	Plan III	System
Total on January 1, 2003	**225**	**126**	**446**	**797**
Active Members				
Total on January 1, 2003	13	30	183	226
Reinstatements	-	1	-	1
Vested Terminations	-	-	(3)	(3)
Service Retirements	-	(9)	(11)	(20)
Disability Retirements	-	-	(2)	(2)
Deaths	-	-	-	-
Total on January 1, 2004	13	22	167	202
Police Officers	*2*	*18*	*74*	*94*
Firefighters	*11*	*4*	*93*	*108*
Terminated Members				
Total on January 1, 2003	-	6	9	15
Reinstatements	-	(1)	-	(1)
New Terminations	-	-	3	3
Retirements	-	-	(1)	(1)
Total on January 1, 2004	-	5	11	16
Benefit Recipients				
Total on January 1, 2003	212	90	254	556
Adjustment to Count	-	-	-	-
Service Retirements	-	9	12	21
Disability Retirements	-	-	2	2
Childrens'	-	-	3	3
' Benefit Started				
Childrens' Benefit Ended	-	(1)	-	(1)
Deaths	(5)	-	(1)	(6)
Beneficiaries	1	-	1	2
Total on January 1, 2004	208	98	271	577
Total on January 1, 2004	**221**	**125**	**449**	**795**

The next table shows the number of Alternate Payees currently being paid. Note we have not included them in the previous table. Below, we also show the number of Children's Benefits currently being paid.

	Plan I	Plan II	Plan III	System
Alternate Payees (not included above)				
Total on January 1, 2003	15	4	24	43
QDROs Established	1	-	3	4
QDROs Terminated	(1)	-	(1)	(2)
Total on January 1, 2004	15	4	26	45
Children's Benefits (included with Benefit Recipients in the previous table)				
Total on January 1, 2003	-	2	19	21
Adjustments to Count	-	-	-	-
Benefits Started		-	3	3
Benefits Ended	-	(1)	-	(1)
Total on January 1, 2004	-	1	22	23

The key demographic characteristics of the active members are shown in the next table.

	Plan I	Plan II	Plan III
January 1, 2003			
Average Salary	$97,311	$92,512	$74,679
Average Age	52.6	48.6	43.9
Average Years Employed	27.8	21.0	15.3
January 1, 2004			
Average Salary	$91,611	$90,513	$75,913
Average Age	53.6	48.8	44.7
Average Years Employed	28.8	21.8	15.9
Changes for the Year			
Average Salary	-5.9%	-2.2%	1.7%
Average Salary increase for Members active in both valuations	-5.5%	3.1%	1.5%
Average Age	1.0 yr.	0.2 yr.	0.8 yr.
Average Years Employed	1.0 yr.	0.8 yr.	0.6 yr.

The following table shows the distribution of active members by age and years of service.

Age Group	Years of Service by Age						
	≤ 10	10-14	15-19	20-24	25-29	30 +	Total
Plan I							
30-34							0
35-39							0
40-44							0
45-49					1		1
50-54					8	2	10
55-59						1	1
60 & up						1	1
Total	**0**	**0**	**0**	**0**	**9**	**4**	**13**
Plan II							
30-34							0
35-39							0
40-44				3			3
45-49		1		8	2		11
50-54				5	1		6
55-59				2			2
60 & up							0
Total	**0**	**1**	**0**	**18**	**3**	**0**	**22**
Plan III							
30-34		3					3
35-39		29	2				31
40-44		43	12	2			57
45-49		19	12	9	4		44
50-54		2	7	7	3	1	20
55-59		3	1	4	1		9
60 & up			1	2			3
Total	**0**	**99**	**35**	**24**	**8**	**1**	**167**

More detailed documentation of the census data is included in Section 5 of this report.

ACTUARIAL METHODS AND ASSUMPTIONS

The actuarial methods and assumptions have been chosen on the basis of recent experience of the Plans and on current expectations as to future economic conditions. The assumptions are intended to estimate the future experience of the members of the Plans and of the Plans themselves in areas that impact projected benefits and anticipated investment earnings. Variations in future experience from that expected by the assumptions may result in corresponding changes in the estimated liabilities for future benefits, or the expected assets available to fund them.

A thorough examination of all of the methods and assumptions was performed for the 1999 Actuarial Valuation and a number of minor changes have been made since then. We are not recommending any changes for this actuarial valuation.

ACTUARIAL METHODS

Actuarial Cost Method: Modified Aggregate Actuarial Cost Method

Valuation Assets: Fair Market Value of Assets

ACTUARIAL ASSUMPTIONS

Economic Assumptions:

Investment Return: 8% per year, net of all investment and administrative expenses

Interest on Member Accounts Balances: 4% per year

Inflation: 3.5% per year, so that Plan III retirement allowances will increase at the rate of 0.875% per year after the 20th anniversary of hire, and 1.75% after the 25th anniversary.

Future Salaries: 4.0% per year

Demographic Assumptions:

The following assumptions were developed to reflect the emerging experience of each Plan:

- **Mortality** (before and after retirement)
- **Service Retirement**
- **Disablement** (Occupational and Non-Occupational)
- **Other Terminations of Membership**

More detailed documentation of the actuarial methods and assumptions is included in Section 3 of this report.

DETERMINATION OF THE PROJECTED LIABILITY

All future benefit payments from the System are projected for current members and beneficiaries. The level of benefits currently being paid is known, but assumptions are needed to estimate how long they will be paid, and the amount and timing of the payment of future benefits for active and inactive members who are not currently receiving payments. The summation of the discounted values to the valuation date, at the valuation interest rate, of the projected benefit payments for all current members and benefit recipients is called the Projected Liability.

($000)	Plan I	Plan II	Plan III	System
January 1, 2003				
Active Members				
Retirement Benefits	$ 9,147	$ 14,729	$ 75,389	$ 99,265
Disability Benefits	582	3,158	5,136	8,876
Death Benefits	100	182	961	1,243
Return of Contributions	0	3	29	32
Active Members	$ 9,829	$ 18,072	$ 81,515	$ 109,416
Inactive Members				
Service Retirees	$ 52,150	$ 29,423	$ 99,458	$ 181,031
Disabled Members	25,148	14,011	9,954	49,113
Surviving Beneficiaries	10,865	3,267	4,618	18,750
Terminated Members	0	1,342	1,302	2,644
Inactive Members	$ 88,163	$ 48,043	$ 115,332	$ 251,538
Total Projected Liability	**$ 97,992**	**$ 66,115**	**$ 196,847**	**$ 360,954**
January 1, 2004				
Active Members				
Retirement Benefits	$ 9,249	$ 11,137	$ 72,560	$ 92,946
Disability Benefits	322	2,127	4,611	7,060
Death Benefits	89	149	860	1,098
Return of Contributions	0	2	38	40
Active Members	$ 9,660	$ 13,415	$ 78,069	$ 101,144
Inactive Members				
Service Retirees	$ 51,317	$ 35,858	$ 106,016	$ 193,191
Disabled Members	24,224	13,661	10,868	48,753
Surviving Beneficiaries	10,557	3,200	5,495	19,252
Terminated Members	0	1,156	1,624	2,780
Inactive Members	$ 86,098	$ 53,875	$ 124,003	$ 263,976
Total Projected Liability	**$ 95,758**	**$ 67,290**	**$ 202,072**	**$ 365,120**

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

The next step in the actuarial process is to calculate the Actuarial Value of Assets that will be used to determine the Funding Status of each Plan. The table below shows the Fair Market Value of Assets for each Plan as reported to us by the System's staff from reports generated from the Mellon Bank database. Although not final audited figures, we believe this information is sufficient for purposes of this report.

2003 Activity ($000)	Plan I	Plan II	Plan III	System
Actual Earnings				
Beginning Balance at Mellon	$ 91,381	$ 60,590	$ 170,177	$ 322,148
Net Investment Income	19,635	13,159	37,440	70,234
Contributions	0	0	0	0
Regular Benefit Payments	(7,890)	(4,354)	(8,787)	(21,031)
Ending Balance at Mellon	**$ 103,126**	**$ 69,395**	**$ 198,830**	**$ 371,351**
Estimated Rate of Return (net of all expenses)	***22.5%***	***22.5%***	***22.6%***	***22.5%***
Expected Earnings				
Beginning Balance at Mellon	$ 91,381	$ 60,590	$ 170,177	$ 322,148
Net Investment Income 8%	7,001	4,676	13,270	24,947
Contributions	0	0	0	0
Regular Benefit Payments	(7,890)	(4,354)	(8,787)	(21,031)
Ending Balance at Mellon	**$ 90,492**	**$ 60,912**	**$ 174,660**	**$ 326,064**
Investment Gain (Loss)	**$ 12,634**	**$ 8,483**	**$ 24,170**	**$ 45,287**

Supplemental Accounts: We have excluded the Trust assets held by Morgan Stanley from this valuation. The assets allocated to individual members are not included in the Projected Liabilities, so it is not appropriate to include the supplemental accounts in the Assets. The Projected Liability of the supplemental accounts is equal to the sum of the Assets for all supplemental accounts, so no further funding is necessary.

Estimated Rate of Return: The estimated return of 22.5% was calculated assuming uniform cash flows throughout the year. In addition, these returns represent earnings after all investment and administrative expenses. The System's investment advisor generally presents gross rates of return before expenses.

FUNDED STATUS

The Funded Status is the difference between the Projected Liability and the Actuarial Value of Assets. The Funded Ratio is equal to the Value of Assets divided by the Projected Liability. The following chart shows the Funded Status of the System as of January 1, 2003, and 2004. As previously noted, the assets and liabilities exclude the individual supplemental accounts.

($000)	Plan I	Plan II	Plan III	System
January 1, 2003				
Projected Liability	$ 97,992	$ 66,115	$ 196,847	$ 360,954
Actuarial Value of Assets	91,381	60,590	170,177	322,148
Funded Status	$ 6,611	$ 5,525	$ 26,670	$ 38,806
Funded Ratio	***93%***	***92%***	***86%***	***89%***
January 1, 2004				
Projected Liability	$ 95,758	$ 67,290	$ 202,072	$ 365,120
Actuarial Value of Assets	103,126	69,395	198,830	371,351
Funded Status	$ (7,368)	$ (2,105)	$ 3,242	$ (6,231)
Funded Ratio	***108%***	***103%***	***98%***	***102%***

All three Plans had an Unfunded Projected Liability on January 1, 2003. As of January 1, 2004, Plan I and Plan II each have an Actuarial Surplus and Plan III has a much smaller Unfunded Projected Liability than it had a year earlier due to the favorable investment performance over the last year. The Funded Ratio for all three plans has increased this past year, primarily due to the investment gains.

Funded Ratio	Plan I	Plan II	Plan III
January 1, 1995	125%	108%	83%
January 1, 1996	137%	120%	95%
January 1, 1997	149%	130%	100%
January 1, 1998	172%	154%	114%
January 1, 1999	180%	164%	127%
January 1, 2000	193%	174%	135%
January 1, 2001	126%	122%	116%
January 1, 2002	110%	109%	103%
January 1, 2003	93%	92%	86%
January 1, 2004	108%	103%	98%

ACTUARIAL GAINS AND LOSSES

Actuarial gains are produced from experience that emerged more favorably than we assumed in the previous valuation. On the other hand, actuarial losses are produced from experience that emerged less favorably than we assumed. The most important of these gains and losses are shown below and described in the paragraphs that follow.

($000)	Plan I	Plan II	Plan III	System
Actuarial (Gains) and Losses				
Funded Status January, 2003	$ 6,611	$ 5,525	$ 26,670	$ 38,806
Expected Funded Status January, 2004	$ 7,140	$ 5,968	$ 28,804	$ 41,912
Actual Funded Status January, 2004	(7,368)	(2,105)	3,242	(6,231)
Actuarial (Gains) and Losses	$ (14,508)	$ (8,073)	$ (25,562)	$ (48,143)
(Gains) and Losses by Source				
Liability Experience	$ (1,874)	$ 410	$ (1,392)	$ (2,856)
Investment Return (Gain) or Loss	(12,634)	(8,483)	(24,170)	(45,287)
Total Actuarial (Gains) and Losses	$ (14,508)	$ (8,073)	$ (25,562)	$ (48,143)

- **Liability Experience:** For the most part, the gains and losses due to all non-investment experience during 2003 were relatively minor as a percentage of the expected Projected Liability. This is an indication that the actuarial assumptions are reasonable in the aggregate.
- **Investment Return:** The actual investment return for 2003 was about 22.5% as calculated from the Mellon Bank financial statements. Since the assumed rate of return is 8.0% net of all expenses, there was a significant gain due to investment performance. We estimated the dollar amount of the gain based on a uniform timing of the cash flow.

CALCULATION OF RECOMMENDED CONTRIBUTIONS

The Retirement Board has adopted an actuarial method that allows for the amortization of gains and losses past the expected working life of the active members. The Governmental Accounting Standards Board recognizes this situation for mature closed groups and allows an amortization of gains and losses over a fixed period of years.

The Retirement Board adopted a Modified Aggregate Actuarial Cost Method that produces more stable contribution patterns than the previously used method. The Unfunded Projected Liability as of January 1, 2004, if any, and future actuarial gains and losses will be amortized as a level dollar amount over a fixed period beginning one year after the valuation date.

The amortization period for Plans I, II and III is 15 years. This amortization period is reasonable and actuarially sound.

Table 4 in Section 2 documents the determination of the member and Municipality contributions for 2005. The following table summarizes the calculations.

	($000)	Plan I	Plan II	Plan III
(1)	Projected Liability	$ 95,758	$ 67,290	$ 202,072
(2)	Actuarial Value of Assets	103,126	69,395	198,830
(3)	Unfunded Projected Liability (2) – (1)	$ (7,368)	$ (2,105)	$ 3,242
(4)	Expected 2004 Contribution discounted to 1/1/2004 at 8.00% interest	772	645	3,115
(5)	Remaining Unfunded Projected Liability (3) – (4), but not less than zero	0	0	127
(6)	Amortization Period	15 years	15 years	15 years
(7)	Amortization Payment for 2005	$ 0	$ 0	$ 15
	Member Portion			
(8)	Projected Payroll in 2005	N/A	N/A	$ 10,623
(9)	Member Share (7) ÷ 3.5	$ 0	$ 0	$ 4
(10)	Calculated Member Rate (9) ÷ (8)	0.00%	0.00%	0.04%
(11)	**Actual Member Rate** *(truncated and subject to Plan maximums)*	**0.00%**	**0.00%**	**0.04%**

	($000)	Plan I	Plan II	Plan III
	Municipality Portion			
(12)	Total Contribution in 2005 (7)	$ 0	$ 0	$ 15
(13)	Estimated Member Contributions	0	0	4
(14)	**Municipality Contributions for 2005**	**$ 0**	**$ 0**	**$ 11**
(15)	Ratio of Municipality Contributions to Expected Member Contributions (14) ÷ (13)	**N/A**	**N/A**	**2.5:1**

Member contributions are calculated to be 40% of the Municipality contributions (ratio of 2.5:1). However, all three plans have a maximum member contribution rate of 6% of salary.

On April 8, 2004 the Retirement Board adopted a procedure for payment of the entire 2005 member and municipality contribution based on the funding policy in the first pay period during 2005. Since there are 26 bi-weekly pay periods per year, the result is that the Member contributions as a percentage of payroll for the first pay period during 2005 and Municipality Contribution for 2005 will be as displayed below:

(17)	**Member Rate for One Payroll Period in 2005** *(11) x 26*	**0.00%**	**0.00%**	**1.04%**
(18)	**Municipality Contribution**	**0.00%**	**0.00%**	**$11,028**

Under this procedure, members who terminate or retire during 2005 will receive a pro-rata refund of the contribution made during the first pay period attributable to the portion of 2005 subsequent to the dates of their termination or retirement.

ALLOCATION OF RESERVES

The Retirement Board has established a procedure to allocate Actuarial Gains and Losses between the Benefit Enhancement Reserve and the Additional Contingency Reserve. The following is a description of each step used to determine the amount of the reserves as of the valuation date.

1. Each Plan maintains a Contingency Reserve equal to 16% of the Projected Liability. Regardless of the experience that emerged during the previous year, the Contingency Reserve has first priority and will be funded each year at the 16% level.

2. An Unallocated Gains and Loss Reserve is determined. This Reserve is equal to Plan Assets less the sum of the Projected Liability, the Contingency Reserve, the prior year's Additional Contingency Reserve, and the prior year's Benefit Enhancement Reserve.

3. The Unallocated Gain and Loss Reserve is allocated to the Additional Contingency Reserve (25%) and the Benefit Enhancement Reserve (75%).

Table 10 shows the adjustments to the Reserves for the year. The ending balances, including the distribution of the Unallocated Gain and Loss Reserve to the Additional Contingency Reserve and the Benefit Enhancement Reserve, are summarized below.

($000)	Plan I	Plan II	Plan III	System Total
Projected Liability	$ 95,758	$ 67,290	$ 202,072	$ 365,120
Actuarial Value of Assets	103,126	69,395	198,830	371,351
Unfunded Projected Liability	$ (7,368)	$ (2,105)	$ 3,242	$ (6,231)
Contingency Reserve	$ 15,321	$ 10,766	$ 32,332	$ 58,419
Additional Contingency Reserve	(1,860)	(2,203)	(7,592)	(11,655)
Benefit Enhancement Reserve	(6,093)	(6,458)	(27,982)	(40,533)
Total Reserves	$ 7,368	$ 2,105	$ (3,242)	$ 6,231

SECTION 2
ACTUARIAL VALUATION RESULTS

The following tables document the findings of the actuarial valuation.

TABLE 1	Actuarial Present Value of Projected Benefits
TABLE 2	Actuarial Value of Assets
TABLE 3	Actuarial Balance Sheet
TABLE 4	Determination of Contribution Rates
TABLE 5	Disclosure Information - GASB Statement No. 25

TABLE 1
ACTUARIAL PRESENT VALUE OF PROJECTED BENEFITS

		Plan I	Plan II	Plan III
Active Members				
(1)	Retirement Benefits	$ 9,249,197	$ 11,137,227	$ 72,559,922
(2)	Return of Contributions	0	1,697	37,575
(3)	Occupational Disability Benefits	321,620	2,055,220	3,787,841
(4)	Non-Occupational Disability Benefits	0	71,753	646,963
(5)	Occupational Death Benefits	83,514	140,342	733,672
(6)	Non-Occupational Death Benefits	5,446	9,131	63,768
(7)	Children's Benefit	0	0	239,177
(8)	Subtotal Present Value of Benefits	$ 9,659,777	$ 13,415,370	$ 78,068,918
Inactive Members				
(9)	Service Retirees	$ 51,317,271	$ 35,857,714	$ 106,016,197
(10)	Disabilities	24,224,323	13,660,909	10,868,100
(11)	Surviving Beneficiaries	10,556,853	3,200,458	5,495,072
(12)	Vested Terminations	0	1,155,525	1,623,932
(13)	Subtotal Present Value of Benefits	$ 86,098,447	$ 53,874,606	$ 124,003,301
(14)	**Total Present Value of Benefits (8) + (13)**	**$ 95,758,224**	**$ 67,289,976**	**$ 202,072,219**

TABLE 2
ACTUARIAL VALUE OF ASSETS

		Plan I	Plan II	Plan III
(1)	As Reported in Prior Valuation	$ 91,381,097	$ 60,589,769	$ 170,176,635
(2)	Net Investment Income	19,634,567	13,159,198	37,439,831
(3)	Contributions	0	0	0
(4)	Benefit Distributions	(7,889,584)	(4,354,082)	(8,786,602)
(5)	**Ending Balance at Mellon Bank included in this Valuation**	**$ 103,126,080**	**$ 69,394,885**	**$ 198,829,864**

The table above shows the Fair Market Value of Assets for each Plan as reported to us by the System's staff from reports generated from the Mellon Bank database. Although not final audited figures, we believe this information is sufficient for purposes of this report.

TABLE 3
ACTUARIAL BALANCE SHEET

RESOURCES

		Plan I	Plan II	Plan III
(1)	Actuarial Value of Assets	$ 103,126,080	$ 69,394,885	$ 198,829,864
(2)	Actuarial Present Value of Future Contributions	(7,367,856)	(2,104,909)	3,242,355
(3)	**Total Resources**	**$ 95,758,224**	**$ 67,289,976**	**$ 202,072,219**

REQUIREMENTS

		Plan I	Plan II	Plan III
(4)	Actuarial Present Value of Projected Benefits			
	(a) Retired or Disabled Members and Beneficiaries	$ 86,098,447	$ 52,719,081	$ 122,379,369
	(b) Vested Terminated and Inactive Members	0	1,155,525	1,623,932
	(c) Active Members' Municipality-Provided Pension	8,553,373	11,603,802	70,946,535
	(d) Active Members' Contributions	1,106,404	1,811,568	7,122,383
(5)	**Total Requirements**	**$ 95,758,224**	**$ 67,289,976**	**$ 202,072,219**

TABLE 4
DETERMINATION OF CONTRIBUTION RATES

BASED ON 15-YEAR AMORTIZATION PERIOD

		Plan I	Plan II	Plan III
(1)	Actuarial Present Value of Benefits	$ 95,758,224	$ 67,289,976	$ 202,072,219
(2)	Actuarial Value of Assets	103,126,080	69,394,885	198,829,864
(3)	Unfunded Projected Liability (1) – (2)	$ (7,367,856)	$ (2,104,909)	$ 3,242,355
(4)	Expected 2004 Contributions, discounted to 1/1/2004 at 8% interest	$ 772,213	$ 645,393	$ 3,115,161
(5)	Remaining Unfunded Projected Liability (3) – (4)	$ (8,140,069)	$ (2,750,302)	$ 127,194
(6)	Amortization Period	15 years	15 years	15 years
	One-Year Deferred Amortization Factor at 8% Interest *(present value of $1 per year for period)*	8.23840	8.23840	8.23840
(7)	**Total Annual Contribution for 2005** ((5) ÷ (6)) , but not less than zero	**$ 0**	**$ 0**	**$ 15,439**
	Determination of Member Portion			
(8)	Projected Payroll in 2005 *(based on current actuarial assumptions)*	N/A	N/A	$ 10,622,915
(9)	Member Share (7) ÷ 3.5	N/A	N/A	$ 4,411
(10)	Calculated Member Rate (9) ÷ (8)	N/A	N/A	0.04%
(11)	**Actual Member Rate** *(subject to maximum; rounded down)*	**0.00%**	**0.00%**	**0.04%**
(12)	**Member Rate - One Pay Period Only** *(11) x 26*	**0.00%**	**0.00%**	**1.04%**
	Determination of Municipality Portion			
(13)	Total Contribution in 2005 (7)	$ 0	$ 0	$ 15,439
(14)	Expected Member Share (9)	0	0	4,411
(15)	**Municipality Contribution (13) – (14)**	**$ 0**	**$ 0**	**$ 11,028**
(16)	**Ratio of Municipality Contributions to Expected Member Contributions** (15) ÷ (14)	**N/A**	**N/A**	**2.5:1**

TABLE 5
DISCLOSURE INFORMATION - GASB STATEMENT NO. 25

Plan I

SCHEDULE OF FUNDING PROGRESS

Not required – Aggregate Actuarial Cost Method

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

Year Ending	Annual Required Contribution	Amount Contributed	Percentage Contributed
December 31, 1992	0	0	100%
December 31, 1993	0	0	100%
December 31, 1994	0	0	100%
December 31, 1995	0	0	100%
December 31, 1996	0	0	100%
December 31, 1997	0	0	100%
December 31, 1998	0	0	100%
December 31, 1999	0	0	100%
December 31, 2000	0	0	100%
December 31, 2001	0	0	100%
December 31, 2002	0	0	100%
December 31, 2003	0	0	100%

The Municipality's contribution has been calculated in conformance with the provisions of GASB No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System in the year following the Actuarial Valuation are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions.

TABLE 5
DISCLOSURE INFORMATION - GASB STATEMENT NO. 25
(CONTINUED)

Plan II

SCHEDULE OF FUNDING PROGRESS

Not required – Aggregate Actuarial Cost Method

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

Year Ending	Annual Required Contribution	Amount Contributed	Percentage Contributed
December 31, 1992	$ 698	$ 698	100%
December 31, 1993	237	237	100%
December 31, 1994	0	0	100%
December 31, 1995	0	0	100%
December 31, 1996	0	0	100%
December 31, 1997	0	0	100%
December 31, 1998	0	0	100%
December 31, 1999	0	0	100%
December 31, 2000	0	0	100%
December 31, 2001	0	0	100%
December 31, 2002	0	0	100%
December 31, 2003	0	0	100%

The Municipality's contribution has been calculated in conformance with the provisions of GASB No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System in the year following the Actuarial Valuation are equal to the Annual Required Contribution (ARC), and there is no Net Pension Obligation (NPO) necessary to amortize any unmade contributions.

TABLE 5
DISCLOSURE INFORMATION - GASB STATEMENT NO. 25
(CONTINUED)

Plan III

SCHEDULE OF FUNDING PROGRESS

Not required – Aggregate Actuarial Cost Method

SCHEDULE OF EMPLOYER CONTRIBUTIONS
(Dollar Amounts in Thousands)

Year Ending	Annual Required Contribution	Amount Contributed	Percentage Contributed
December 31, 1992	$ 2,387	$ 2,387	100%
December 31, 1993	2,390	2,390	100%
December 31, 1994	2,236	1,204	54%
December 31, 1995	1,947	0	0%
December 31, 1996	2,340	0	0%
December 31, 1997	750	0	0%
December 31, 1998	0	0	100%
December 31, 1999	0	0	100%
December 31, 2000	0	0	100%
December 31, 2001	0	0	100%
December 31, 2002	0	0	100%
December 31, 2003	0	0	100%

The Municipality's contribution has been calculated in conformance with the provisions of GASB No. 27 as a percentage of covered payroll. Therefore, the contributions transmitted to the System in the year following the Actuarial Valuation are equal to the Annual Required Contribution (ARC). However, Ordinance AO 94-95 ceased contributions to Plan III on July 24, 1994.

SECTION 3
ACTUARIAL METHODS AND ASSUMPTIONS

This section of the report describes the actuarial methods and assumptions used in this valuation. The actuarial methods and assumptions have been chosen on the basis of recent experience of the Plans and on current expectations as to future economic conditions. The assumptions are intended to estimate the future experience of the members of the Plans and of the Plans themselves in areas that affect the projected benefits and anticipated investment earnings. Any variations in future experience from that expected from the assumptions will result in corresponding changes in the estimated liabilities for future benefits.

A thorough examination of all of the methods and assumptions was performed for the 1999 Actuarial Valuation and a number of minor changes have been made since then. We are not recommending any changes for this actuarial valuation.

STANDARDS OF PRACTICE

- The economic assumptions have been developed in accordance with the Actuarial Standard of Practice No. 27, *Selection of Economic Assumptions for Measuring Pension Obligations.*

- The demographic assumptions have been developed in accordance with the Actuarial Standard of Practice No. 35, *Selection of Demographic and Other Noneconomic Assumptions for Measuring Pension Obligations.*

- We relied on the membership data furnished by the System. Although we did not audit this data, we compared the data for this and prior reports and tested for reasonableness. Based on these tests, we believe the data to be sufficiently accurate for the purposes of our calculations. Our review of the data was performed in accordance with the Actuarial Standard of Practice No. 23, *Data Quality.*

- Methods and assumptions have been developed in conformance with the Actuarial Standard of Practice No. 4, *Recommendations for Measuring Pension Obligations.*

RECORDS AND DATA

The data used in the valuation consist of financial information and records of age, service and income of contributing members, former contributing members and their survivors. All of the data were supplied by the Municipality and are accepted for valuation purposes without audit.

ACTUARIAL COST METHOD

The accruing costs of all benefits under each Plan are measured by a Modified Aggregate Actuarial Cost Method. The difference between the Actuarial Present Value of Projected Benefits and the Actuarial Value of Assets is called the Unfunded Projected Liability.

The total contribution is equal to the Unfunded Projected Liability (as of January 1, 2004) amortized over a fixed amortization period (15 years for Plans I, II, and III).

VALUATION ASSETS

Asset values were supplied by the Anchorage Police and Fire System and were accepted without audit. The Actuarial Value of Assets is equal to the Fair Market Value.

INVESTMENT EARNINGS

The future investment earnings of the assets of the plan are assumed to accrue at an annual rate of 8%, compounded annually, net of investment and administrative expenses.

INTEREST ON MEMBER CONTRIBUTIONS

Interest on member contributions is assumed to accrue at a net annual rate of 4%, compounded annually.

POST-RETIREMENT BENEFIT INCREASES

It is assumed that the Consumer Price Index will increase at a rate of 3.5% per year, so that Plan III retirement allowances will increase at the rate of 0.875% per year for present retirees and after retirement for current active members and their beneficiaries for payments after their 20th anniversary of hire, and 1.750% after their 25th anniversary of hire. The cost-of-living adjustments are assumed to begin immediately for disabled participants and beneficiaries.

FUTURE SALARIES

The total annual rate of salary increase was assumed to be 4.0% per annum.

SERVICE RETIREMENT

The rates of retirement used in this valuation are shown below.

Plans I and II		Plan III	
Service	**Rates**	**Service**	**Rates**
20	27.5%	15	17.5%
21 – 22	12.5%	16 – 18	7.5%
23+	20.0%	19	12.5%
		20	20.0%
Age 57 & 5 Years		21 – 22	20.0%
of Service	100.0%	23 – 24	15.0%
		25	25.0%
		Age 55 & 5 Years of Service	100.0%

DISABLEMENT

The rates of disablement used in this valuation are shown below. However, the service retirement benefit is assumed payable if it is projected to be greater than the disability benefit.

Age	Occupational Disability	Non-Occupational Disability
Plans I and II		
20 to 29	0.1%	0.1%
30 to 34	1.6%	0.1%
35 to 39	1.6%	0.1%
40 to 44	1.6%	0.4%
45 to 49	2.0%	1.0%
50 to 54	6.0%	2.0%
55+	10.0%	5.0%

Age	Occupational Disability	Non-Occupational Disability
Plan III		
20 to 29	0.2%	0.1%
30 to 39	0.2%	0.2%
40 to 44	0.5%	0.3%
45 to 49	1.5%	0.4%
50 to 54	5.0%	0.0%
55+	6.0%	0.0%

MORTALITY

The probabilities of mortality for healthy lives are based on the UP-1994 Table, set forward one year for males and females. Also, 92% of active deaths were assumed to be occupational. Disabled mortality was assumed to follow the UP-1984 Table set forward four years.

OTHER TERMINATIONS OF EMPLOYMENT

The rates of assumed future withdrawal from active service for reasons other than death, disability or retirement are shown below. All members terminating before retirement, death, or disability are assumed to receive a distribution of their account balance in lieu of a deferred pension.

Member's Service	Rate of Termination
1st Year	8%
2nd –3rd Years	3%
4th – 7th Years	2%
8th or Later Years	1%

SECTION 4
SUMMARY OF PLAN PROVISIONS

Plan I

EFFECTIVE DATE

Plan I became effective as of July 1, 1968.

MEMBERSHIP

Enrollment in the Plans is closed for all new police officers and firefighters. In the Spring of 1984, an open enrollment allowed Plan I Members to switch into Plan III.

CREDITED SERVICE

Credited Service is the total period of regular full-time employment with the Municipality as a police officer or firefighter.

BREAK IN SERVICE

If a Member terminates employment prior to becoming eligible for a retirement benefit and subsequently is reemployed, all Credited Service accumulated prior to the date of termination will be reinstated once the Member makes a contribution to the Plan equal to the amount of the refund paid upon the earlier termination, including interest until the date of repayment. However, the contribution must be made within two years after reemployment. Membership will resume in the same plan the Member participated in at the time of termination, or the Member may elect to participate in the plan being offered to new Members, unless the Member previously elected not to participate. Benefit levels and entitlements are those in effect upon the date of reemployment.

AVERAGE MONTHLY COMPENSATION

Total compensation during three consecutive calendar years of Credited Service which yield the highest average monthly compensation (total compensation during period divided by number of months included). Compensation means that remuneration paid by the Municipality of Anchorage for personal services rendered during the period considered as credited service. This includes compensation reported on federal W-2 forms, temporary disability benefits and excludes meal and clothing allowances and annual leave cash-in.

MEMBER CONTRIBUTIONS

Plan I Members will make contributions not to exceed 6% compensation. If the plan is determined to be in a significant actuarial surplus position, no Member contributions will be required.

VOLUNTARY RETIREMENT BENEFIT

Eligibility: The earlier of the completion of 20 years of total Credited Service, or the attainment of age 55 with a minimum of 5 years of Credited Service.

Benefit: 2.5% of Average Monthly Compensation times the number of years of Credited Service

TERMINATION BENEFIT

A Member who terminates employment before completing five years of Credited Service will receive all of the Member's contributions to the Plan plus interest at the annual rate of not less than 4%. Payment is made upon application or age 62.

A vested Member who terminates employment prior to being eligible for the voluntary retirement benefit may elect one of the following two benefits:

(a) Withdrawal of all the Member's contributions to the Plan plus interest at the annual rate of not less than 4%.

(b) A lifetime benefit beginning at age 55 equaling 2.5% of Average Monthly Compensation times the number of years of total Credited Service.

OCCUPATIONAL DISABILITY

Definition:

(a) Any injury received while performing official duties for the Municipality of Anchorage, or

(b) Any heart, lung, or respiratory system illnesses occurring before or after retirement, or which renders a Member incapable of performing normal assigned duties. Heart, lung or respiratory system illness or injury shall be construed as an illness contracted or injury received in the performance of official duty.

Benefit: A monthly pension of 66-2/3% of the Member's gross monthly compensation at the time of disability, payable for life or until the Member is capable of resuming similar duty with any police or fire department.

NON-OCCUPATIONAL DISABILITY

Eligibility: Five years of Credited Service prior to the date of disability.

Definition: Any non-occupational disability which renders a Member incapable of performing the Member's assigned duties. This definition excludes elective surgery not required for the preservation of the Member's health.

Benefit: A monthly pension of 50% of gross compensation at the time of disability, payable for life or until the Member is capable of resuming similar duties with any police or fire department.

OCCUPATIONAL DEATH BENEFIT

Definition: The death of an active Member or retired Member caused by an accident occurring during the performance of official duties for the Municipality of Anchorage, or by any heart, lung, or respiratory system illness.

Benefit: A monthly pension of 66-2/3% of the Member's monthly compensation, payable as designated by the Member to the surviving spouse or the surviving children until the surviving children reach the age of 18. The Member may designate the portion of the benefit paid to the surviving spouse and the portion paid to surviving children. The surviving spouse is entitled to receive at least 50% of the retirement benefits the Member was entitled to receive at death. In the event the participant makes no designation, then the surviving beneficiaries will receive the benefit in the following priority:

(a) surviving spouse,
(b) surviving children under the age of 18,
(c) dependent parents,
(d) dependent siblings under the age of 18.

NON-OCCUPATIONAL DEATH BENEFIT

Benefit: A monthly pension of 50% of the Member's monthly compensation payable in the same manner as the occupational death benefit described above.

OPTIONAL FORM OF BENEFIT

Members of Plan I may elect to participate in the Actuarial DROP program when they would otherwise be eligible for normal or early retirement. The DROP period must be between two and five years. DROP participation periods must be in full year increments. For every year served in the DROP, the member may elect to receive five percent (5%) of the monthly pension benefit calculated at the time of retirement in a lump sum form. The lump sum is computed to be actuarially equivalent to the DROP percentage of the member's monthly pension.

SUMMARY OF PLAN PROVISIONS

Plan II

EFFECTIVE DATE

Plan II became effective as of July 1, 1977.

MEMBERSHIP

Enrollment in the Plan is closed for all new police officers and firefighters. In the Spring of 1984, an open enrollment allowed Plan II Members to switch into Plan III.

CREDITED SERVICE

Credited Service is the total period of regular full-time employment with the Municipality as a police officer or firefighter.

BREAK IN SERVICE

If a Member terminates employment prior to becoming eligible for a retirement benefit and subsequently is reemployed, all Credited Service accumulated prior to the date of termination will be reinstated once the Member makes a contribution to the Plan equal to the amount of the refund paid upon the earlier termination, including interest until the date of repayment. However, the contribution must be made within two years after reemployment. Membership will resume in the same plan the Member participated in at the time of termination, or the Member may elect to participate in the plan being offered to new Members, unless the Member previously elected not to participate. Benefit levels and entitlements are those in effect upon the date of reemployment.

AVERAGE MONTHLY COMPENSATION

Total compensation during three consecutive calendar years of Credited Service which yield the highest average monthly compensation (total compensation during period divided by number of months included). Compensation means that remuneration paid by the Municipality of Anchorage for personal services rendered during the period considered as credited service. This includes compensation reported on federal W-2 forms, temporary disability benefits and excludes meal and clothing allowances and annual leave cash-in.

MEMBER CONTRIBUTIONS

Plan II Members will make contributions not to exceed 6% compensation. If the plan is determined to be in a significant actuarial surplus position, no Member contributions will be required.

VOLUNTARY RETIREMENT BENEFIT

Eligibility: The earlier of the completion of 20 years of total Credited Service, or the attainment of age 55 with a minimum of 5 years of Credited Service.

Benefit: 2.5% of Average Monthly Compensation times the number of years of Credited Service.

TERMINATION BENEFIT

A Member who terminates employment before completing five years of Credited Service will receive all of the Member's contributions to the Plan plus interest at the annual rate of not less than 4%. Payment is made upon application or age 62.

A vested Member who terminates employment prior to being eligible for the voluntary retirement benefit may elect one of the following two benefits:

(a) Withdrawal of all the Member's contributions to the Plan plus interest at the annual rate of not less than 4%.

(b) A lifetime benefit beginning at age 55 equaling 2.5% of Average Monthly Compensation times the number of years of total Credited Service.

OCCUPATIONAL DISABILITY

Definition:

(a) Any injury received while performing official duties for the Municipality of Anchorage, or

(b) Any heart, lung, or respiratory system illnesses occurring before or after retirement, or which renders a Member incapable of performing normal assigned duties. Plan II Members who retired under Voluntary Retirement or are receiving a Non-Occupational Disability Benefit are not eligible for conversion to occupational disability benefits after the seventh anniversary of retirement. Heart, lung or respiratory system illness or injury shall be construed as an illness contracted or injury received in the performance of official duty.

Benefit: A monthly pension of 66-2/3% of the Member's gross monthly compensation at the time of disability, payable for life or until the Member is capable of resuming similar duty with any police or fire department.

NON-OCCUPATIONAL DISABILITY

Eligibility: Five years of Credited Service prior to the date of disability.

Definition: Any non-occupational disability which renders a Member incapable of performing the Member's assigned duties. This definition excludes elective surgery not required for the preservation of the Member's health.

Benefit: A monthly pension of 50% of gross compensation at the time of disability, payable for life or until the Member is capable of resuming similar duties with any police or fire department.

OCCUPATIONAL DEATH BENEFIT

Definition: The death of an active Member or retired Member caused by an accident occurring during the performance of official duties for the Municipality of Anchorage, or by any heart, lung, or respiratory system illness. Plan II Members who retired under Voluntary Retirement or are receiving a Non-Occupational Disability Benefit are not eligible for conversion to occupational death benefits after the seventh anniversary of retirement.

Benefit: A monthly pension of 66-2/3% of the Member's monthly compensation, payable as designated by the Member to the surviving spouse or the surviving children until the surviving children reach the age of 18. The Member may designate the portion of the benefit paid to the surviving spouse and the portion paid to surviving children. The surviving spouse is entitled to receive at least 50% of the retirement benefits the Member was entitled to receive at death. In the event the participant makes no designation, then the surviving beneficiaries will receive the benefit in the following priority:

(a) surviving spouse,
(b) surviving children under the age of 18,
(c) dependent parents,
(d) dependent siblings under the age of 18.

NON-OCCUPATIONAL DEATH BENEFIT

Benefit: A monthly pension of 50% of the Member's monthly compensation payable in the same manner as the occupational death benefit described above.

OPTIONAL FORM OF BENEFIT

Members of Plan II may elect to participate in the Actuarial DROP program when they would otherwise be eligible for normal or early retirement. The DROP period must be between two and five years. DROP participation periods must be in full year increments. For every year served in the DROP, the member may elect to receive five percent (5%) of the monthly pension benefit calculated at the time of retirement in a lump sum form. The lump sum is computed to be actuarially equivalent to the DROP percentage of the member's monthly pension.

SUMMARY OF PLAN PROVISIONS

Plan III

EFFECTIVE DATE

Plan III became effective April 17, 1984.

MEMBERSHIP

Enrollment in the Plan is closed to all new police officers and firefighters. In the Spring of 1984, an open enrollment allowed Plan I and 2 Members to switch into Plan III.

CREDITED SERVICE

Credited Service is the total period of regular full-time employment with the Municipality as a police officer or firefighter.

BREAK IN SERVICE

If a Member terminates employment prior to becoming eligible for a retirement benefit and subsequently is reemployed, all Credited Service accumulated prior to the date of termination will be reinstated after the Member makes a contribution to the Plan equal to the amount of the refund paid upon the earlier termination, including interest until the date of repayment. However, the contribution must be made within two years after reemployment.

FINAL AVERAGE COMPENSATION

Average compensation during the last 52 biweekly pay periods, or any two consecutive tax years, whichever is higher. Compensation means the sum of the basic hourly wage, longevity, holiday pay, shift differential and educational pay received by a Member from Anchorage.

MEMBER CONTRIBUTIONS

Plan III Members will make contributions not to exceed 6% compensation. If the plan is determined to be in a significant actuarial surplus position, no Member contributions will be required.

NORMAL SERVICE RETIREMENT

Eligibility: 20 years of Credited Service.

Benefit: 2.5% of Final Average Compensation times the number of years of Credited Service.

EARLY SERVICE RETIREMENT

Eligibility: 15 years of Credited Service.

Benefit: 2.5% of Final Average Compensation times the number of years of Credited Service, payable for life. The cost-of-living adjustment is not available until 20 years total service would have been obtained.

TERMINATION BENEFIT

A Member who terminates employment before completing five years of Credited Service will receive all of the Member's contributions to the Plan plus interest at the annual rate of not less than 4% upon request or at age 62.

A vested Member who terminates employment prior to being eligible for service retirement may elect one of the following:

(a) Withdrawal of all the Member's contributions to the Plan plus interest at the annual rate of not less than 4%.

(b) The accrued Service Retirement Benefit beginning at the earlier of age 55 or when the Member would have completed 20 years of service.

OCCUPATIONAL DISABILITY

Definition: Any injury received while performing official duties for the Municipality of Anchorage, or any heart, lung, or respiratory system illness are rebuttably presumed to be an occupational disability. Disability must occur prior to termination.

Benefit: A monthly pension of 50% of the Member's final average compensation at the time of disability. The benefit is payable for life or until the Member is capable of resuming assigned duties similar to their pre-disability assigned duties, with any police or fire department, and is offset by any other wage continuation benefits attributable to the Municipality.

NON-OCCUPATIONAL DISABILITY

Eligibility: Five years of Credited Service prior to the date of disability.

Definition: Any non-occupational disability which renders a Member incapable of performing assigned duties similar to their pre-disability assigned duties. This definition excludes elective surgery not required for the preservation of the Member's health.

Benefit: A monthly pension of 25% of final average compensation if the Member retires after more than 5 years but less than 10 years of credited service. For every additional year of credited service more than 10 years up to 20 years, the benefit is increased by 2.5% of final average compensation. The benefit is payable for life or until the Member is capable of resuming duties with any police or fire department.

DEATH BENEFITS

Regardless of cause, the benefit is the greater of the following:

(a) 100% of the disability benefit to which the Member would have been entitled had the Member survived with a disability, whether occupational or non-occupational,

(b) 75% of the service retirement benefit to which the Member would have been entitled had the Member survived.

The benefit is payable as designated by the Member to the surviving spouse or the surviving children until the surviving children reach the age of 18. The Member may designate the portion of the benefit paid to the surviving spouse and the portion paid to surviving children. The surviving spouse is entitled to receive at least 50% of the retirement benefits the Member was entitled to receive at death. In the event the participant makes no designation, then the surviving beneficiaries will receive the benefit in the following priority:

(a) surviving spouse,

(b) surviving children under the age of 18,

(c) dependent parents,

(d) dependent siblings under the age of 18.

At the time of remarriage, the surviving spouse's benefit shall be reduced to 50% of the retirement benefit that the Member was entitled to at the time of death. The remainder shall be distributed as expressed above.

POST-RETIREMENT DEATH BENEFITS

The benefit is 75% of the Member's retirement benefit. The benefit is payable in the same manner as the pre-retirement death benefits.

CHILDREN'S BENEFIT

5% of final average compensation for each dependent child, up to 10%, is payable monthly with disability benefits and to surviving spouse's with dependent children until age 18.

COST-OF-LIVING ADJUSTMENT

All service retirees after 20 years from date of entry, disability, and survivor's and children's benefits are subject to an annual cost-of-living adjustment equal to the lesser of 3% or 25% of the CPI. Starting 25 years from date of hire, annual COLA is limited to 6% or 50% of the CPI. The CPI shall be the Anchorage CPI Urban Consumers Index or such other inflation index if the Anchorage CPI Urban Consumers Index ceases to exist. This adjustment is generally effective each July 1.

OPTIONAL FORM OF BENEFIT

Members of Plan III may elect to participate in the Actuarial DROP program when they would otherwise be eligible for normal or early retirement. The DROP period must be between two and five years. DROP participation periods must be in full year increments. For every year served in the DROP, the member may elect to receive five percent (5%) of the monthly pension benefit calculated at the time of retirement in a lump sum form. The lump sum is computed to be actuarially equivalent to the DROP percentage of the member's monthly pension, without the value of future Cost-of-Living adjustments. The COLA on the portion of the member's monthly pension will be calculated based on the full monthly benefit without reduction for the DROP lump sum.

SECTION 5
SUMMARY OF MEMBERSHIP DATA

The collection and analysis of the membership data was performed in the same manner as last year. There were no unusual changes in the number of members during 2003. The number of active members continues to decline because all Plans are closed to new members.

The following tables depict the membership data that was used in the valuation.

Table 6 is a five-year history of membership characteristics for each Plan.

Table 7 displays the data included in this valuation for the vested terminated members.

Table 8 is a distribution of the active members by age, service and salary.

Table 9 displays the number of retirees and beneficiaries by Plan in 5-year age groups and the total monthly benefit on record for each group.

TABLE 6
HISTORICAL MEMBERSHIP SUMMARY - PLAN I

		1-1-00	1-1-01	1-1-02	1-1-03	1-1-04
Active Members						
(1)	Number	39	21	16	13	13
(2)	Average Current Age	50.7	50.6	51.6	52.6	53.6
(3)	Average Service to Date	25.3	26.4	27.0	27.8	28.8
(4)	Average Salary	$89,243	$93,105	$97,096	$97,311	$91,611
Terminated Members						
(5)	Number	--	--	--	--	--
(6)	Average Age	--	--	--	--	--
(7)	Average Monthly Benefit	--	--	--	--	--
Retirees, Beneficiaries, and Alternative Payees (QDROs)						
(8)	Number	199	218	223	227	223
(9)	Average Age	59.3	59.4	59.9	60.7	61.6
(10)	Average Monthly Benefit	$2,632	$2,802	$2,865	$2,913	$2,929

TABLE 6
HISTORICAL MEMBERSHIP SUMMARY - PLAN II

		1-1-00	1-1-01	1-1-02	1-1-03	1-1-04
Active Members						
(1)	Number	65	58	53	30	22
(2)	Average Current Age	46.8	47.8	48.7	48.6	48.8
(3)	Average Service to Date	19.1	19.6	20.6	21.0	21.8
(4)	Average Salary	$82,975	$89,240	$90,929	$92,512	$90,513
Terminated Members						
(5)	Number	7	6	5	6	5
(6)	Average Age	47.7	48.3	50.0	50.5	52.0
(7)	Average Monthly Benefit	$1,910	$1,743	$1,903	$2,234	$1,903
Retirees, Beneficiaries, and Alternative Payees (QDROs)						
(8)	Number	57	64	70	94	102
(9)	Average Age	50.6	51.3	51.2	52.3	53.5
(10)	Average Monthly Benefit	$3,284	$3,409	$3,372	$3,567	$3,690

TABLE 6
HISTORICAL MEMBERSHIP SUMMARY - PLAN III

		1-1-00	1-1-01	1-1-02	1-1-03	1-1-04
Active Members						
(1)	Number	242	224	205	183	167
(2)	Average Current Age	42.1	42.6	43.4	43.9	44.7
(3)	Average Service to Date	13.8	14.1	14.6	15.3	15.9
(4)	Average Salary	$69,451	$73,011	$72,577	$74,679	$75,913
Terminated Members						
(5)	Number	11	9	10	9	11
(6)	Average Age	41.9	42.9	43.4	40.9	40.7
(7)	Average Monthly Benefit	$1,393	$1,195	$1,341	$1,261	$1,341
Retirees, Beneficiaries, and Alternative Payees (QDROs)						
(8)	Number	189	211	243	278	297
(9)	Average Age	54.5	54.7	52.9	52.5	52.8
(10)	Average Monthly Benefit	$2,608	$2,648	$2,563	$2,527	$2,545

TABLE 7
SUMMARY OF TERMINATED MEMBERS

Name		Monthly Benefit (for valuation purposes only)	Date of Birth	Assumed Retirement Date
PLAN I				
None				
PLAN II				
Cyrus, Dorothy M.	$	1,191.60	April 16, 1949	May 1, 2004
Dahl, Mathew H.		2,181.50	June 9, 1957	July 1, 2012
Gansel, John A.		2,271.69	February 6, 1952	March 1, 2007
Skrifvars, Karl C.		2,115.84	March 31, 1950	April 1, 2005
Woelfel, James R.		1,752.83	December 10, 1951	January 1, 2007
PLAN III				
Anderson, Scott	$	1,493.10	May 10, 1965	August 1, 2010
Cross, Ken L.		807.74	October 10, 1961	January 1, 2011
Dow, Gloria T.		872.73	September 23,1964	November 1, 2013
Dutton, Robert J.		1,760.71	April 11, 1969	March 1, 2012
Martin Jr., Ronald D.		1,559.73	July 26, 1963	January 1, 2011
Nelson, Jennifer		1,772.52	May 25, 1966	June 1, 2009
Oruoja, Indrek		1,471.94	May 18, 1961	September 1, 2013
Roath, Gary T.		1,119.88	September 15, 1949	July 1, 2004
Shelton, Chris E.		1,264.92	September 2, 1966	September 1, 2013
Smith, Terrance R.		1,356.46	June 1, 1964	September 1, 2013
Take, Flint A.		1,267.30	December 29, 1962	August 1, 2010

TABLE 8
ACTIVE MEMBER AGE AND SERVICE DISTRIBUTIONS - PLAN I

ANNUAL EARNINGS BY AGE

Age Group	Count	Total Earnings	Average Earnings
25-29			
30-34			
35-39			
40-44			
45-49	1	$ 69,576	$ 69,576
50-54	10	916,955	91,696
55-59	1	111,437	111,347
60-64			
65-69	1	92,973	92,973
Total	13	$ 1,190,941	$ 91,611

ANNUAL EARNINGS BY SERVICE

Service Group	Count	Total Earnings	Average Earnings
0-4			
5-9			
10-14			
15-19			
20-24			
25-29	9	$ 805,578	$ 89,509
30 & up	4	385,363	96,341
Total	13	$ 1,190,941	$ 91,611

YEARS OF SERVICE BY AGE

Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	Total
25-29								
30-34								
35-39								
40-44								
45-49						1		1
50-54						8	2	10
55-59							1	1
60-64								
65-69							1	1
Total						9	4	13

TABLE 8
ACTIVE MEMBER AGE AND SERVICE DISTRIBUTIONS - PLAN II

ANNUAL EARNINGS BY AGE

Age Group	Count	Total Earnings	Average Earnings
25-29			
30-34			
35-39			
40-44	3	$ 277,533	$92,511
45-49	11	1,032,130	93,830
50-54	6	504,324	84,054
55-59	2	177,302	88,651
60-64			
Total	22	$1,991,289	$90,513

ANNUAL EARNINGS BY SERVICE

Service Group	Count	Total Earnings	Average Earnings
0-4			
5-9			
10-14	1	$ 84,802	$ 84,802
15-19			
20-24	18	1,576,015	87,556
25-29	3	330,472	110,157
30 & up			
Total	22	$ 1,991,289	$ 90,513

YEARS OF SERVICE BY AGE

Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	Total
25-29								
30-34								
35-39								
40-44					3			3
45-49			1		8	2		11
50-54					5	1		6
55-59					2			2
60-64								
65-69								
Total			1		18	3		22

TABLE 8
ACTIVE MEMBER AGE AND SERVICE DISTRIBUTIONS - PLAN III

ANNUAL EARNINGS BY AGE

Age Group	Count	Total Earnings	Average Earnings
25-29			
30-34	3	$ 229,210	$76,403
35-39	31	2,275,342	73,398
40-44	57	4,186,057	73,440
45-49	44	3,415,211	77,618
50-54	20	1,588,077	79,404
55-59	9	734,618	81,624
60-64	3	248,884	82,961
Total	167	$12,677,399	$75,913

ANNUAL EARNINGS BY SERVICE

Service Group	Count	Total Earnings	Average Earnings
0-4			
5-9			
10-14	99	$ 7,300,568	$73,743
15-19	35	2,644,303	75,552
20-24	24	1,973,317	82,222
25-29	8	673,485	84,186
30 & Up	1	85,726	85,726
Total	167	$12,677,399	$75,913

YEARS OF SERVICE BY AGE

Age Group	0-4	5-9	10-14	15-19	20-24	25-29	30-34	Total
25-29								
30-34			3					3
35-39			29	2				31
40-44			43	12	2			57
45-49			19	12	9	4		44
50-54			2	7	7	3	1	20
55-59			3	1	4	1		9
60-64				1	2			3
65-69								
Total			99	35	24	8	1	167

TABLE 9
RETIREE AND BENEFICIARY DISTRIBUTIONS

PLAN 1

Distribution of Service Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 45	0	$ 0	$ 0
45 – 49	3	12,325	4,108
50 – 54	30	124,149	4,138
55 – 59	31	122,377	3,948
60 – 64	13	49,112	3,778
65 – 69	11	35,091	3,190
70 – 74	5	11,525	2,305
75 – 79	7	11,314	1,616
80+	2	1,655	828
Totals	102	$ 367,548	$ 3,603

PLAN 1

Distribution of Disability Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 50	0	$ 0	$ 0
50 – 54	12	39,902	3,325
55 – 59	19	55,221	2,906
60 – 64	12	35,374	2,948
65 – 69	14	34,891	2,492
70 – 74	7	17,602	2,515
75 – 79	4	8,301	2,075
80 – 84	1	985	985
85+	1	994	994
Totals	70	$ 193,270	$ 2,761

PLAN 1

Distribution of Survivors
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 45	0	$ 0	$ 0
45 – 49	3	12,134	4,045
50 – 54	2	6,018	3,009
55 – 59	4	9,717	2,429
60 – 64	5	10,807	2,161
65 – 69	5	9,664	1,933
70 – 74	8	15,530	1,941
75 – 79	3	4,693	1,564
80 – 84	3	2,342	781
85+	3	2,867	956
Totals	36	$ 73,772	$ 2,049

PLAN 1

Distribution of Alternate Payees *
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 50	0	$ 0	$ 0
50 – 54	4	4,240	1,060
55 – 59	8	10,404	1,301
60 – 64	2	3,181	1,591
65 – 69	1	722	722
70+	0	0	0
Totals	15	$ 18,547	$ 1,236

- Ages shown are ages of the corresponding retirees. Benefits generally are payable to alternate payees for the life of the corresponding retiree.

PLAN 2

Distribution of Service Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 40	0	$ 0	$ 0
40 – 44	3	12,943	4,314
45 – 49	13	51,202	3,939
50 – 54	23	104,293	4,534
55 – 59	13	53,193	4,092
60 – 64	5	18,989	3,798
65 – 69	3	7,077	2,359
70+	0	0	0
Totals	60	$ 247,697	$ 4,128

PLAN 2

Distribution of Disability Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 45	0	$ 0	$ 0
45 – 49	5	17,018	3,404
50 - 54	10	30,866	3,087
55 – 59	6	22,182	3,697
60 – 64	5	15,589	3,118
65 – 69	3	11,788	3,929
70 – 74	1	3,390	3,390
75+	0	0	0
Totals	30	$ 100,833	$ 3,361

PLAN 2

Distribution of Survivors
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 45	2	$ 2,862	$ 1,431
45 – 49	2	5,330	2,665
50 – 54	2	6,499	3,250
55 – 59	0	0	0
60 – 64	2	6,289	3,145
65+	0	0	0
Totals	8	$ 20,980	$ 2,623

PLAN 2

Distribution of Alternate Payees *
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 45	0	$ 0	$ 0
45 - 49	1	738	738
50 – 54	1	694	694
55 – 59	1	761	761
60 – 64	0	0	0
65 – 69	1	906	906
70+	0	0	0
Totals	4	$ 3,099	$ 775

- Ages shown are ages of the corresponding retirees. Benefits generally are payable to alternate payees for the life of the corresponding retiree.

PLAN 3

Distribution of Service Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 40	1	$ 2,867	$ 2,867
40 – 44	10	27,302	2,730
45 – 49	21	56,014	2,667
50 – 54	52	168,896	3,248
55 – 59	61	175,469	2,877
60 – 64	53	164,792	3,109
65 – 69	13	38,591	2,969
70 – 74	2	6,642	3,321
75 – 79	2	7,784	3,892
80+	0	0	0
Totals	215	$ 648,357	$ 3,016

PLAN 3

Distribution of Disability Retirees
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 40	1	$ 2,288	$ 2,288
40 – 44	1	1,658	1,658
45 – 49	8	19,083	2,385
50 – 54	8	20,832	2,604
55 – 59	4	9,839	2,460
60 – 64	1	2,699	2,699
65 – 69	5	10,622	2,124
70+	0	0	0
Totals	28	$ 67,021	$ 2,394

PLAN 3

Distribution of Survivors
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 20	22	$ 5,263	$ 239
20 – 40	0	0	0
40 – 44	1	2,887	2,887
45 – 49	1	2,463	2,463
50 – 54	0	0	0
55 – 59	1	3,202	3,202
60 – 64	2	4,088	2,044
65 – 69	1	1,717	1,717
70+	0	0	0
Totals	28	$ 19,620	$ 701

PLAN 3

Distribution of Alternate Payees *
January 1, 2004

Age	Number	Total Monthly Pension	Average Monthly Pension
Under 40	0	$ 0	$ 0
40 – 44	1	468	468
45 - 49	4	2,967	742
50 – 54	5	4,735	947
55 – 59	11	8,437	767
60 – 64	3	2,634	878
65 – 69	2	1,650	825
70+	0	0	0
Totals	26	$ 20,891	$ 804

* Ages shown are ages of the corresponding retirees. Benefits generally are payable to alternate payees for the life of the corresponding retiree.

SECTION 6
ALLOCATION OF RESERVES

The Retirement Board has established a procedure to allocate Actuarial Gains and Losses between the Benefit Enhancement Reserve and the Additional Contingency Reserve. The following is a description of each step used to determine the amount of the reserves as of the valuation date.

1. Each Plan maintains a Contingency Reserve equal to 16% of the Projected Liability. Regardless of the experience that emerged during the previous year, the Contingency Reserve has first priority and will be funded each year at the 16% level.

2. An Unallocated Gain and Loss Reserve is determined. This Reserve is equal to Plan Assets less the sum of the Projected Liability, the Contingency Reserve, the prior year's Additional Contingency Reserve, and the prior year's Benefit Enhancement Reserve.

3. The Unallocated Gain and Loss Reserve is allocated to the Additional Contingency Reserve (25%) and the Benefit Enhancement Reserve (75%).

Table 10 shows the adjustments to the Reserves for the year. The ending balances, including the distribution of the Unallocated Gain and Loss Reserve to the Additional Contingency Reserve and the Benefit Enhancement Reserve, are summarized below.

($000)	Plan I	Plan II	Plan III	System Total
Projected Liability	$ 95,758	$ 67,290	$ 202,072	$ 365,120
Actuarial Value of Assets	103,126	69,395	198,830	371,351
Unfunded Projected Liability	$ (7,368)	$ (2,105)	$ 3,242	$ (6,231)
Contingency Reserve	$ 15,321	$ 10,766	$ 32,332	$ 58,419
Additional Contingency Reserve	(1,860)	(2,203)	(7,592)	(11,655)
Benefit Enhancement Reserve	(6,093)	(6,458)	(27,982)	(40,533)
Total Reserves	$ 7,368	$ 2,105	$ (3,242)	$ 6,231

TABLE 10
ALLOCATION OF RESERVES

January 1, 2004	Before Allocation	Allocation	After Allocation
Plan I			
Projected Liability	$ 95,758,224		$ 95,758,224
Contingency Reserve at 16%	15,321,316		15,321,316
Additional Contingency Reserve (25%)	(5,444,250)	$ 3,584,177	(1,860,073)
Contingency Reserve Level			*14.1%*
Benefit Enhancement Reserve (75%)	(16,845,916)	10,752,529	(6,093,387)
Total Reserves after Allocation			$ 7,367,856
Total Reserve Level			*7.7%*
Unallocated Gain and Loss Reserve	14,336,706	(14,336,706)	0
Available Assets at Fair Value	$ 103,126,080	$ 0	$ 103,126,080
Plan II			
Projected Liability	$ 67,289,976		$ 67,289,976
Contingency Reserve at 16%	10,766,396		10,766,396
Additional Contingency Reserve (25%)	(4,063,944)	$ 1,860,640	(2,203,304)
Contingency Reserve Level			*12.7%*
Benefit Enhancement Reserve (75%)	(12,040,101)	5,581,918	(6,458,183)
Total Reserves after Allocation			$ 2,104,909
Total Reserve Level			*3.1%*
Unallocated Gain and Loss Reserve	7,442,558	(7,442,558)	0
Available Assets at Fair Value	$ 69,394,885	$ 0	$ 69,394,885
Plan III			
Projected Liability	$ 202,072,219		$ 202,072,219
Contingency Reserve at 16%	32,331,555		32,331,555
Additional Contingency Reserve (25%)	(13,239,606)	$ 5,648,100	(7,591,506)
Contingency Reserve Level			*12.2%*
Benefit Enhancement Reserve (75%)	(44,926,705)	16,944,301	(27,982,404)
Total Reserves after Allocation			$ (3,242,355)
Total Reserve Level			*(1.6)%*
Unallocated Gain and Loss Reserve	22,592,401	(22,592,401)	0
Available Assets at Fair Value	$ 198,829,864	$ 0	$ 198,829,864