



ALASKA'S FUNDING LEVEL FOR its pension system—at 74% in 2006—is below the national average, but that is a major jump from the state's 64% funding level in 2005. Alaska is one of just a few states to have funded retiree health and other non-pension benefits as part of its pension system. Its long-term liability of \$3.4 billion for retiree health benefits was 65% funded as of 2005. Alaska started pre-funding its retiree health costs in the 1970s and was one of only three states in 2006 to have set aside enough to cover more than 50% of its liability. Alaska is one of seven states in which neither teachers nor state employees participate in the U.S. Social Security system.

PENSIONS

TOTAL BILL COMING DUE: **\$13 billion**¹


FUNDS SET ASIDE: **\$9.7 billion**

PORTION UNFUNDED: **\$3.3 billion**

PERCENT FUNDED: **74 as of 2006**²

TEN YEAR FUNDING HIGH: **104% in 1999**

TEN YEAR FUNDING LOW: **64% in 2005**

HOW IS THE STATE DOING IN PAYING ITS ANNUAL BILL? 

ASSUMPTIONS: Alaska assumes a somewhat higher rate of interest for its pension investments (8.25%) than the 50-state median (8%). As with most states, it uses a five-year smoothing period to calculate the actuarial value of assets. The amortization period conforms to accounting standards.

¹ Pension funds include public and judicial employees, teachers and national guard/naval militia personnel.

² 50-state mean was 82%.


OTHER BENEFITS

TOTAL BILL COMING DUE: **\$3.4 billion**

FUNDS SET ASIDE: **\$2.2 billion**

PORTION UNFUNDED: **\$1.2 billion**¹

PERCENT FUNDED: **65 as of 2005**²

HOW IS THE STATE DOING IN MANAGING THIS BILL? 

¹ 131% of covered payroll, compared to a national median of 135%.

² Alaska is one of only three states that has set aside more than 50% of its non-pension liabilities.

REFORMS: To stem unfunded pension costs, Alaska passed legislation in 2005 to place employees hired after July 1, 2006, in a defined contribution plan rather than a defined benefit plan. At the same time, the state stopped promising retiree health coverage for new employees during the period prior to Medicare eligibility. It also changed the governance structure for its pension systems, establishing the Alaska Retirement Management Board in the state Department of Revenue.

KEY:  Top Performer  Needs Improvement  Below Par  Non-Pension Benefits are Minimal

This fact sheet stems from a 50-state analysis of states' retiree benefit obligations by Pew's Center on the States. The full report and 50 state fact sheets can be found at www.pewcenteronthestates.org.



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