



Date: April 28, 2005

To: Mark Neumayr, Carol Griffin, Joe Beedle, Jim Lynch, Randy Weaver, Dave Read, Jim Johnsen, Beth Behner, Mike Humphrey, Vickie Gilligan, Michelle Pope, Dawn Wall, Tanya Hollis

From: Ginger Baker, SW Cost Analysis *Ginger*

Re: Revised FY06 Fringe Benefit Forward Pricing Proposal

Attached is the submission letter and revised FY06 Fringe Benefit Forward Pricing Proposal Report sent to UA's cognizant agency, Office of Naval Research, this week. This report contains several changes. First, UA has decided to negotiate a separate leave rate for the less than 12 month Nonunion Faculty job group. This job group receives different leave benefits than the Executive and 12 month Nonunion Faculty job groups that it has been combined with since FY01. The job group has increased and has a significant amount of federal participation warranting a separate leave benefit rate. Executive and both Nonunion Faculty job groups continue to have similar benefits and are still pooled for calculation and negotiation of staff benefit rates. In addition, the wage leave base for this same group was overstated due to an error in the data used to project the wage base. This revised submission reflects an adjustment for this anomaly. Federal participation percentages used were also corrected. This revised proposal results in a change in our original proposed leave benefit rates for the Nonunion Faculty and Executive job group pools. In addition, proposed staff benefit rates changed for the APT Exempt, Executive, and Nonunion job group pools. We have requested that the proposal audit be completed early enough to allow us to have negotiated rates in place by July 1st. The following table summarizes the FY05 negotiated leave and staff benefit rates, the revised FY06 proposed leave and staff benefit rates, and the % increase or decrease in rates by job group. The revised rates are in bold type to assist you in identifying the rate changes.

Job Group	ECLS	Leave Rates			Staff Benefit Rates		
		FY05 Negotiated Benefit Rates ¹	FY06 Proposed Benefit Rates ¹	% Increase/ (Decrease)	FY05 Negotiated Benefit Rates ²	FY06 Proposed Benefit Rates ²	% Increase/ (Decrease)
Classified	NR	22.0%	21.7%	(1.4)%	42.2%	50.0%	18.5%
Classified, AHECTE	CR	21.6%	23.1%	6.9%	38.7%	66.2%	71.1%
APT Exempt	XR	20.7%	19.3%	(6.8)%	34.8%	39.6%	13.8%
Executive	EX	17.5%	16.7%	(4.6)%	26.8%	32.3%	20.5%
Faculty, Nonunion, 12 mth	FR	17.5%	16.7%	(4.6)%	26.8%	32.3%	20.5%
Faculty, Nonunion, less than 12 mth	FN	17.5%	0.9%	(94.9)%	26.8%	32.3%	20.5%
Faculty, UNAC	F9	1.4%	1.1%	(21.4)%	32.4%	35.5%	9.6%
Faculty, ACCFT	AR, A9	1.7%	1.4%	(17.6)%	34.7%	53.8%	55.0%
Faculty, Adjunct	FT, FW	0.0%	0.0%	0.0%	9.8%	10.0%	2.0%
Temporary	CT, GT, NT, ST, XT	0.0%	0.0%	0.0%	8.4%	8.7%	3.6%
Extended Temporary	NX, XX	15.2%	15.4%	1.3%	36.0%	39.9%	10.8%
Student	GN, SN	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

¹ Distribution base: Leave rates are applied to base salaries excluding overtime, miscellaneous pay, and paid leave.

² Distribution base: Staff benefit rates are applied to base salaries plus overtime, miscellaneous pay, and leave accrual provisions.

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April 29, 2005

Ms. Debbie Rafi
Indirect Cost Division
Office of Naval Research
Department of the Navy
800 North Quincy Street
Arlington, VA 22217-5660

RE: Revised University of Alaska FY06 Fringe Benefit Forward Pricing Proposal

This memorandum and enclosed attachments represent the University of Alaska's proposal to establish fixed-with-carryforward fringe benefit rates for the period of July 1, 2005 through June 30, 2006 (FY06). This submission replaces the proposal submitted on March 31, 2005. This revised proposal incorporates several changes to our original submission including a revised job group pool for leave benefits, lower benefit wage bases for one job group, and corrected federal participation amounts. The cost methodology used in this revised proposal is consistent with that utilized for the original FY06 fringe benefit forward pricing proposal.

Our campuses have asked us for some time to consider calculating and negotiating a separate leave benefit rate for Nonunion Faculty that work less than 12 months. UA Employee job groups are combined into homogeneous job group pools based on the type of benefits received using the same job group pools for leave and staff benefits. In general, we focus on staff benefits in determining our pools because those benefit costs are more material than the leave benefit costs. Prior to FY01, both Nonunion Faculty employee groups were combined with the UNAC Faculty job group into a single job group pool for rate purposes. In FY01, both Nonunion Faculty job groups were pooled with the Executive group into a job group pool for purposes of calculating and negotiated leave and staff benefits. This combination did not produce a perfect match for leave benefits since the less than 12-month Nonunion Faculty job group receives sick leave benefits only, while the 12-month Nonunion Faculty and Executive groups receive annual, sick and holiday leave. However, the fringe benefit package received by Nonunion Faculty job groups more closely matched the benefits of the Executive group than it did the UNAC Faculty job group due to the union health care plan and labor relations benefit costs. The 12-month Nonunion Faculty job group has increased since FY01 to the point that a separate job group pool and negotiated leave rate is appropriate for them beginning in FY06. This change will result in an allocation of costs that closely matches the benefits received for this pool. Similar to FY05, both Nonunion Faculty groups are combined with the Executive group into a single job group pool for calculation and negotiation of staff benefit rates.

We discovered an error in one of the components used to project the wage base for less than twelve month Nonunion Faculty, which resulted in an inflated projected wage base for that job group pool in our original proposal. We have adjusted the wage base calculation for this error. In addition, federal participation percentages used for the projected FY06 federal leave wage base on Schedule 2 were incorrect for most job group pools. This error has been corrected on Schedule 2 and Schedule 3.

The following is a table summarizing the leave and staff benefit rates proposed for FY06 for the University of Alaska System. Also listed are the FY05 negotiated rates for comparison purposes. The table reflects revised leave rates for the Executive and Nonunion Faculty job groups. It also reflects revised staff benefit rates for APT Exempt, Executive, and Nonunion Faculty job groups.

<u>Job Group</u>	<u>Leave Benefit Rates</u>			<u>Staff Benefit Rates</u>		
	FY05 Negotiated Benefit Rates (1)	FY06 Original Proposed Benefit Rates (1)	FY06 Revised Proposed Benefit Rates (1)	FY05 Negotiated Benefit Rates (2)	FY06 Original Proposed Benefit Rates (2)	FY06 Revised Proposed Benefit Rates (2)
Classified	22.0%	21.7%	21.7%	42.2%	50.0%	50.0%
Classified, AHECTE	21.6%	23.1%	23.1%	38.7%	66.2%	66.2%
APT Exempt	20.7%	19.3%	19.3%	34.8%	39.5%	39.6%
Executive	17.5%	14.9%	16.7%	26.8%	31.6%	32.3%
Faculty, Nonunion, 12 mth	17.5%	14.9%	16.7%	26.8%	31.6%	32.3%
Faculty, Nonunion, < 12 mth	17.5%	14.9%	0.9%	26.8%	31.6%	32.3%
Faculty, UNAC	1.4%	1.1%	1.1%	32.4%	35.5%	35.5%
Faculty, ACCFT	1.7%	1.4%	1.4%	34.7%	53.8%	53.8%
Faculty, Adjunct	0.0%	0.0%	0.0%	9.8%	10.0%	10.0%
Temporary	0.0%	0.0%	0.0%	8.4%	8.7%	8.7%
Extended Temporary	15.2%	15.4%	15.4%	36.0%	39.9%	39.9%
Student	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

(1) Distribution base: Leave rates are applied to base salaries excluding overtime, miscellaneous pay, and paid leave.

(2) Distribution base: Staff benefit rates are applied to base salaries plus overtime, miscellaneous pay, and leave accrual provisions.

We apologize for any inconvenience or additional work this revision creates but we believe that the changes and corrections were necessary. We are still seeking to have new rates in effect for our first payroll in July 2005. Any assistance you can provide to help complete negotiations prior to that time is appreciated since retroactive payroll and billing adjustments are very problematic under our current system. DCAA will be provided with the revised schedules and supporting work papers this week. Let me know if there is anything we can do to facilitate the audit and negotiation process.

Please contact me if you have any questions or if you need additional information. Thanks for your consideration of this proposal.

Sincerely,


 Randy L. Weaver

VMB
 Attachments

Cc: Ms. Sandra Thomson, ONR, Seattle (one copy)
 Debora A. Yee, DCAA, Seattle Branch Office (one copy)
 Mr. Paul O'Donnell, DCAA, Alaska Sub-Office (one copy)

UNIVERSITY OF ALASKA

FY06 FORWARD PRICING FRINGE BENEFIT PROPOSAL



The University of Alaska
Fringe Benefit Forward Pricing Proposal

July 1, 2005 – June 30, 2006

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Attachment A: Certifications

Certificate of Fringe Benefit Costs

Certificate of Final Fringe Benefit Costs

1. Job group pool EX, FR, FN has been split into two job group pools for leave benefit projection purposes. The EX, FR job group pool is eligible for all leave types while the nonunion faculty in job group FN are eligible for only sick leave. In conjunction with the difference in benefits received, the size of the FN job group has increased and warrants its own negotiated leave rate. The job groups are re-combined into a single pool for staff benefit projection purposes because the job groups are all eligible for similar staff benefits.
2. Final allocated benefit costs for combined job groups are rounded to hundreds for projection purposes.
3. Wages for FY06 are based on updated estimates of FY05 wages and incremented as follows:
Classified, exempt and non-exempt staff, executive employees, nonunion faculty and extended temporary (job groups NR, XR, FN, FR, EX) - 2.6%.
AHECTE union employees (job group CR) – 2.6%
UNAC faculty (job group F9) – 4.7%
ACCFT faculty (job group A9, AR) - 4.6%
Adjunct faculty (job group FT, FW) – 4.6%
AHECTE Union employees (CR) – 1.6% salary grid increase per their collective bargaining agreement.
Exempt and non-exempt staff (NR, XR, NT, XT, NX, XX) – 2.0% salary grid increase approved by the UA Board of Regents
4. Leave usage is projected using average rates calculated by job group. Use of average rates is intended to smooth individual year usage fluctuations. A three year average was used for all job groups. Implementation of the annual leave cash-in program in FY02 was instrumental in the decision to change to a three year average.
5. PERS, TRS, and ORP are projected at 15.58%, 21.00% and 16.33% respectively, using rates established by the State of Alaska, Division of Retirement. The percentage of FY04 earnings subject to each benefit type is multiplied by the staff benefit wage base to calculate covered wages by job group for each benefit.
6. Pension costs are estimated at 7.65% of covered wages. Job group covered wages for the fiscal year are calculated by multiplying the percentage of FY04 wages subject to pension benefits by the staff benefit wage base. Projected pension administration costs are allocated to job groups prorata based on the covered wage base.
7. The percentage of FY04 earnings subject to medicare benefits or social security benefits is multiplied times the staff benefit wage base to calculate covered wages for each respective benefit type by job group. Medicare costs are projected at 1.45% of covered wages for all employees hired after April 1986. Social security is estimated at 6.2% of covered wages below \$90,000 for adjunct faculty and temporary job groups. All new adjuncts will contribute to social security, not pension.
8. Health care costs are estimated at projected usage levels plus estimated retention per employee, less projected recoveries. All benefit eligible job groups pay for spouse/dependent health coverage if elected. As of CY00, UA had two health care plans, one for non-union employees and one for union employees. In FY06, union employees will move to the “UA Choice” plan implemented in FY05 for all non-union employees. This plan offers employees some flexible benefit options and matches the employee contributions with current year costs. Allocation to individual nonunion job groups (NR, XR, EX, FN, FR, NX, and XX) is based on the number of employee participants in each eligible job group. Costs for individual union job groups (CR, F9, AR, and A9) are projected by job group.

9. Life insurance costs are estimated based on 12 months at the estimated rate of \$0.1365 per \$1,000 of coverage from July - June. Allocation to individual job groups is based on the number of employee participants in each eligible job group.
10. LTD costs are for self insurance with a limit of 3 months coverage plus premium costs for remaining LTD coverage, estimated based on 12 months at the estimated rate of \$0.353 per \$100 of eligible salary. The annual administrative fee is calculated at a rate of \$0.2625 per employee. The annual self insurance cost is based on a three years rolling average. LTD premium and self insurance costs are allocated to job groups prorata based on the staff benefit wage base. The administrative fee is allocated based on headcounts.
11. Unemployment costs are projected based on 4 years actual experience average, then adjusted consistent with current trends. Allocated to job groups prorata based on the staff benefit wage base.
12. Workers' Compensation costs are estimated at the actuarial consultant's projected self insured FY06 claims level of \$1,962,000 allocated to job group pools based on a combination of claims experiences and exposure. An additional \$400,000 for insurance premiums, professional fees, office operations, and loss prevention is allocated to non-student job groups prorata based on the staff benefit wage base.
13. Tuition waiver costs are projected at the FY05 estimated usage level and adjusted for increases or decreases in tuition rates for FY06. Employee (excluding adjunct) projected tuition waiver costs are allocated to applicable job groups based on the number of employees. Adjunct projected tuition waiver costs are allocated to that specific job group. Effective CY02, adjuncts may accrue three credits per semester, up to twelve credits. These credits may be used for the employee, spouse or dependent. Effective FY00, dependent and spouse tuition waiver costs are unallowable.
14. AHECTE Legal Trust costs, consulting, and other costs are projected at the level forecasted by the program director. AHECTE legal trust costs are allocated entirely to the benefiting job group, CR. Consulting and other costs are allocated to job groups prorata based on the staff benefit wage base.
15. Labor relations costs are projected at the level forecasted by the program director and Statewide Office of Faculty and Staff Relations (formerly Human Resources) and are allocated to the union job groups prorata based on their staff benefit wage base.
16. Prior year staff benefit recovery carryforwards are as calculated in the FY04 Fringe Benefit Incurred Cost Report.
17. In the FY05 fringe benefit rate forward pricing proposal, net health care costs were calculated based upon an incorrect recovery rate for previously incurred health care costs for union employees. As a result of union contract negotiations, the expected employee recovery due in FY05 was spread over a two-year period. The under-recovery generated from this difference would normally be built into our FY07 proposed rate. Since these costs have already been incurred in previous years, we have built the identifiable under-recovery of \$1,469,400 for the union groups in the proposed FY06 rates.

Job Group	NR	CR	XR	EX, FR, FN Executives & Nonunion	F9	A9,AR	FT, FW	CT, GT, NT, ST, XT	NX,XX	GN,SN	TOTAL
	<u>Classified</u>	<u>AHECTE</u>	<u>APT Exempt</u>	<u>Faculty</u>	<u>UNAC Faculty</u>	<u>ACCFT Faculty</u>	<u>Adjunct Faculty</u>	<u>Temporary Student SS</u>	<u>Extended Temporary</u>	<u>Student</u>	
Projected FY06 Staff Benefits Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000	12,620,000	269,460,000
Staff Benefits:											
PERS	9,287,200	1,589,200	8,354,500	642,700	-	-	-	-	-	-	19,873,600
TRS	-	-	43,200	1,328,000	5,706,000	2,348,800	-	-	-	-	9,426,000
ORP	-	-	-	1,916,700	6,110,100	1,280,300	-	-	-	-	9,307,100
UA Pension	4,391,000	717,600	3,326,700	788,000	3,200,900	1,097,400	183,800	-	-	-	13,705,400
Medicare & Social Security	727,700	124,200	609,300	292,800	766,400	149,300	861,000	886,400	73,100	-	4,490,200
Health	14,455,600	2,603,600	8,581,400	1,969,600	5,465,400	3,656,700	-	-	312,400	-	37,044,700
Life	138,200	21,300	82,000	18,800	74,100	25,600	-	-	-	-	360,000
Long Term Disability	183,600	31,300	165,000	67,600	194,800	57,700	-	-	-	-	700,000
Unemployment	164,800	28,200	149,600	61,800	177,500	52,400	37,200	35,700	2,800	-	710,000
Workers' Compensation	685,000	726,500	263,100	108,800	272,100	80,400	57,100	156,600	12,400	-	2,362,000
Tuition	344,600	53,200	204,600	47,000	184,700	63,900	96,000	-	-	-	994,000
Consulting/Other	124,900	53,400	113,300	46,900	134,500	39,700	28,200	27,000	2,100	-	570,000
Labor Relations	-	56,300	-	-	354,500	104,800	74,400	-	-	-	590,000
Carryforward from FY04	(666,608)	474,820	(499,176)	(56,545)	(696,512)	886,209	15,279	13,045	3,861	-	(525,627)
Estimated Carryforward from FY05	-	268,000	-	-	829,900	371,500	-	-	-	-	1,469,400
	<u>29,835,992</u>	<u>6,747,620</u>	<u>21,393,524</u>	<u>7,232,155</u>	<u>22,774,388</u>	<u>10,214,709</u>	<u>1,352,979</u>	<u>1,118,745</u>	<u>406,661</u>	<u>-</u>	<u>101,076,773</u>
Benefit Rates:											
PERS	15.58%	15.58%	15.44%	2.87%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	19,873,600
TRS	0.00%	0.00%	0.08%	5.94%	8.89%	12.38%	0.00%	0.00%	0.00%	0.00%	9,426,000
ORP	0.00%	0.00%	0.00%	8.57%	9.52%	6.75%	0.00%	0.00%	0.00%	0.00%	9,307,100
UA Pension	7.37%	7.04%	6.15%	3.52%	4.99%	5.78%	1.36%	0.00%	0.00%	0.00%	13,705,400
Medicare & Social Security	1.22%	1.22%	1.13%	1.31%	1.19%	0.79%	6.39%	6.87%	7.17%	0.00%	4,490,200
Health	24.25%	25.53%	15.86%	8.80%	8.51%	19.28%	0.00%	0.00%	30.63%	0.00%	37,044,700
Life	0.23%	0.21%	0.15%	0.08%	0.12%	0.13%	0.00%	0.00%	0.00%	0.00%	360,000
Long Term Disability	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%	0.00%	0.00%	0.00%	0.00%	700,000
Unemployment	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.00%	710,000
Workers' Compensation	1.15%	7.12%	0.49%	0.49%	0.42%	0.42%	1.21%	1.22%	1.22%	0.00%	2,362,000
Tuition	0.58%	0.52%	0.38%	0.21%	0.29%	0.34%	0.71%	0.00%	0.00%	0.00%	994,000
Consulting/Other	0.21%	0.52%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.00%	570,000
Labor Relations	0.00%	0.55%	0.00%	0.00%	0.55%	0.55%	0.55%	0.00%	0.00%	0.00%	590,000
Carryforward Rate	(1.12%)	4.66%	(0.92%)	(0.25%)	(1.09%)	4.67%	0.11%	0.10%	0.38%	0.00%	(525,627)
Estimated Carryforward from FY05	0.00%	2.63%	0.00%	0.00%	1.29%	1.96%	0.00%	0.00%	0.00%	0.00%	1,469,400
	<u>50.05%</u>	<u>66.16%</u>	<u>39.55%</u>	<u>32.33%</u>	<u>35.47%</u>	<u>53.84%</u>	<u>10.03%</u>	<u>8.67%</u>	<u>39.89%</u>	<u>0.00%</u>	<u>101,076,773</u>
FY06 Proposed Staff Benefit Rates	50.00%	66.20%	39.60%	32.30%	35.50%	53.80%	10.00%	8.70%	39.90%	0.00%	
FY05 Negotiated Rates	42.20%	38.70%	34.80%	26.80%	32.40%	34.70%	9.80%	8.40%	36.00%	0.00%	
Increase/(Decrease)	7.80%	27.50%	4.80%	5.50%	3.10%	19.10%	0.20%	0.30%	3.90%	0.00%	
Percentage Increase/(Decrease)	18.48%	71.06%	13.79%	20.52%	9.57%	55.04%	2.04%	3.57%	10.83%	0.00%	
Federal Participation:											
Wages & Leave Accrual	7,465,282	123,814	12,006,700	3,058,499	9,735,694	1,302,039	900,826	4,096,634	210,883	3,797,852	42,698,223
Staff Benefit Costs	3,732,641	81,965	4,754,653	987,895	3,456,171	700,497	90,083	356,407	84,142	-	14,244,454
	<u>11,197,923</u>	<u>205,779</u>	<u>16,761,353</u>	<u>4,046,394</u>	<u>13,191,865</u>	<u>2,002,536</u>	<u>990,909</u>	<u>4,453,041</u>	<u>295,025</u>	<u>3,797,852</u>	<u>56,942,677</u>

Job Group	NR	CR	XR	EX, FR Executives & Nonunion Faculty (1)	FN Nonunion Faculty (1)	EX, FN, FR Executives & Nonunion Faculty (1)	F9 UNAC Faculty	AR, A9 ACCFT Faculty	FT, FW Adjunct Faculty	CT, GT, NT, ST, XT Temporary Student SS	NX,XX Extended Temporary	GN,SN Student	TOTAL
Projected FY06 Leave Wage Base	47,810,000	8,010,000	45,140,000	16,260,000	3,130,000	-	61,840,000	18,470,000	13,460,000	12,600,000	880,000	12,570,000	240,170,000
FY04 Actual Leave Usage Rates:													
Annual Leave	9.16%	9.24%	9.61%	8.63%	n/a	7.35%	n/a	n/a	n/a	n/a	7.17%	n/a	
Sick Leave	5.61%	6.57%	4.70%	2.66%	1.19%	2.45%	1.10%	1.41%	n/a	n/a	3.64%	n/a	
Holiday/Other Leave	6.35%	6.48%	5.56%	5.31%	n/a	4.52%	n/a	n/a	n/a	n/a	4.90%	n/a	
	21.12%	22.29%	19.87%	16.60%	1.19%	14.32%	1.10%	1.41%	n/a	n/a	15.71%	n/a	
Average leave usage rates:													
Annual Leave	9.14%	9.33%	9.63%	9.52%	n/a	0.00%	n/a	n/a	n/a	n/a	6.84%	n/a	
Sick Leave	5.48%	6.20%	4.54%	2.67%	1.02%	0.00%	1.24%	1.49%	n/a	n/a	3.50%	n/a	
Holiday/Other Leave	6.40%	6.39%	5.54%	5.32%	n/a	0.00%	n/a	n/a	n/a	n/a	5.10%	n/a	
Total Average Leave Rate	21.02%	21.92%	19.71%	17.51%	1.02%	0.00%	1.24%	1.49%	n/a	n/a	15.44%	n/a	
FY06 Leave Benefit Projection													
Annual Leave Usage	4,370,658	747,539	4,347,239	1,548,515	-	-	-	-	-	-	60,196	-	11,074,147
FY04 Carryforward Under (Over)	213,807	16,338	(422,394)	-	-	(62,705)	-	-	-	-	(931)	-	(255,885)
Reclassifications	-	-	-	(62,705) (a)	-	62,705 (a)	-	-	-	-	-	-	-
Annual Leave Projection	4,584,465	763,877	3,924,845	1,485,810	-	-	-	-	-	-	59,265	-	10,818,262
Sick Leave Usage	2,617,648	496,860	2,051,124	433,513	32,001	-	764,039	275,123	-	-	30,827	-	6,701,135
FY04 Carryforward Under (Over)	68,907	29,761	126,129	-	-	(32,482)	(60,063)	(9,935)	-	-	1,027	-	123,344
Reclassifications	-	-	-	(27,671) (a)	(4,811) (a)	32,482 (a)	-	-	-	-	-	-	-
Sick Leave Projection	2,686,555	526,621	2,177,253	405,842	27,190	-	703,976	265,188	-	-	31,854	-	6,824,479
Holiday/Other Leave Usage	3,058,559	511,917	2,499,726	865,460	-	-	-	-	-	-	44,867	-	6,980,529
FY04 Carryforward Under (Over)	57,456	46,963	110,334	-	-	(46,228)	-	-	-	-	(644)	-	167,881
Reclassifications	-	-	-	(46,228) (a)	-	46,228 (a)	-	-	-	-	-	-	-
Holiday/Other Leave Projection	3,116,015	558,880	2,610,060	819,232	-	-	-	-	-	-	44,223	-	7,148,410
Calculated Leave Benefit Rates													
Annual	9.59%	9.54%	8.69%	9.14%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	6.73%	0.00%	10,818,262
Sick	5.62%	6.57%	4.82%	2.50%	0.87%	0.00%	1.14%	1.44%	0.00%	0.00%	3.62%	0.00%	6,824,479
Holiday/Other	6.52%	6.98%	5.78%	5.04%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	5.03%	0.00%	7,148,410
	21.73%	23.09%	19.29%	16.68%	0.87%	0.00%	1.14%	1.44%	0.00%	0.00%	15.38%	0.00%	24,791,151
FY06 Proposed Leave Benefit Rates	21.70%	23.10%	19.30%	16.70%	0.90%	0.00%	1.10%	1.40%	0.00%	0.00%	15.40%	0.00%	
FY05 Negotiated Rates	22.00%	21.60%	20.70%	17.50%	17.50%	17.50%	1.40%	1.70%	0.00%	0.00%	15.20%	0.00%	
Increase/(Decrease)	(0.30%)	1.50%	(1.40%)	(0.80%)	(16.60%)	(17.50%)	(0.30%)	(0.30%)	0.00%	0.00%	0.20%	0.00%	
Percentage Increase/(Decrease)	(1.36%)	6.94%	(6.76%)	(4.57%)	(94.86%)	(100.00%)	(21.43%)	(17.65%)	0.00%	0.00%	1.32%	0.00%	
Federal Participation													
FY04 Actual Federal Participation	12.83%	1.26%	22.30%	10.05%	36.46%	13.96%	15.57%	6.95%	6.69%	32.51%	20.77%	30.21%	
Projected FY06 Federal Wages	6,134,168	100,580	10,064,292	1,634,130	1,141,198	-	9,629,767	1,284,062	900,826	4,096,634	182,741	3,797,852	38,966,250
Projected FY06 Leave Benefit Costs	1,331,114	23,234	1,942,408	272,900	10,271	-	105,927	17,977	-	-	28,142	-	3,731,973
	7,465,282	123,814	12,006,700	1,907,030	1,151,469	-	9,735,694	1,302,039	900,826	4,096,634	210,883	3,797,852	42,698,223

3,058,499 (1)

(1) Job groups EX and FR are eligible for all leave benefits. Job group FN is eligible for only sick leave. Job groups are recombined for staff benefit calculation.

(a) Reclassification of carryforward among job groups due to separation of EX, FR job classes from FN job class for leave benefit calculations.

EX, FN, FR combined FY04 annual leave and holiday leave carryforward allocated to benefiting job groups only, EX and FR.

EX, FN, FR combined FY04 sick leave carryforward allocated prorata to benefiting job groups based on FY04 leave wage base.

University of Alaska
FY06 Staff Benefit Cost Distribution

SB Schedule 4

Job Group	NR	CR	XR	EX, FN, FR Executives & Nonunion Faculty (1)	F9 UNAC Faculty	A9, AR ACCFY Faculty	FT, FW Adjunct Faculty	CT, GT, NT, ST, XT Temporary Student SS	NX, XX Extended Temporary	GN, SN Student	TOTAL
Projected FY06 Staff Benefits Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000	12,620,000	269,460,000
Number of Eligible Employees	1,666	257	989	227	893	309	1,023		36		5,400
PERS:											
FY06 Contribution Rate	15.58%	15.58%	15.58%	15.58%							
Percentage of Wages Covered	100.00%	100.00%	99.10%	18.44%							
PERS Covered Wage Base (2)	59,610,000	10,200,000	53,623,010	4,125,028							127,558,038
PERS Cost	9,287,238	1,589,160	8,354,465	642,679							19,873,542
Use	9,287,200	1,589,200	8,354,500	642,700							19,873,600
PERS Rate	15.58%	15.58%	15.44%	2.87%							
TRS:											
FY06 Contribution Rate			21.00%	21.00%	21.00%	21.00%					
Percentage of Wages Covered			0.38%	28.27%	42.33%	58.96%					
TRS Covered Wage Base (2)			205,618	6,323,999	27,171,627	11,184,712					44,885,956
TRS Cost			43,180	1,328,040	5,706,042	2,348,790					9,426,052
Use			43,200	1,328,000	5,706,000	2,348,800					9,426,000
TRS Rate			0.08%	5.94%	8.89%	12.38%					
ORP:											
FY06 Contribution Rate				16.33%	16.33%	16.33%					
Percentage of Wages Covered				52.47%	58.29%	41.33%					
ORP Covered Wage Base (2)				11,737,539	37,416,351	7,840,301					56,994,191
ORP Cost				1,916,740	6,110,090	1,280,321					9,307,151
Use				1,916,700	6,110,100	1,280,300					9,307,100
ORP Rate				8.57%	9.52%	6.75%					
UA Pension Plan:											
2004 Contribution Rate	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%	7.65%				
Percentage of Wages Covered	96.15%	91.83%	80.25%	45.98%	65.09%	75.51%	17.81%				
Pension Covered Wage Base (2)	57,315,015	9,366,660	43,423,275	10,285,726	41,781,271	14,324,247	2,399,007				178,895,201
Pension Plan Administration Costs (3)	6,408	1,047	4,855	1,150	4,671	1,601	268				20,000
Pension Contribution	4,384,600	716,550	3,321,880	786,860	3,196,270	1,095,800	183,520				13,685,480
Pension Cost	4,391,008	717,597	3,326,735	788,010	3,200,941	1,097,401	183,788				13,705,480
Use	4,391,000	717,600	3,326,700	788,000	3,200,900	1,097,400	183,800				13,705,400
Pension Rate	7.37%	7.04%	6.15%	3.52%	4.99%	5.78%	1.36%				
Medicare/Social Security:											
2004 Contribution Rate - Medicare	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%		
2004 Contribution Rate - Social Security								6.20%	6.20%		
Total Contribution Rate	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	1.45%	7.65%	7.65%	7.65%	
Percentage of Wages Covered By Medicare	84.19%	83.95%	77.66%	90.27%	82.34%	54.29%	100.00%	91.47%	94.39%		
Percentage of Wages Covered By Social Security							79.71%	89.43%	93.53%		
Medicare Covered Wage Base (2)	50,185,659	8,562,900	42,021,826	20,193,399	52,854,046	10,298,813	13,470,000	11,799,630	962,778		210,349,051
Social Security Covered Wage Base (2)							10,736,937	11,536,470	954,006		23,227,413
Medicare/Social Security Cost	727,692	124,162	609,316	292,804	766,384	149,333	861,005	886,356	73,109		4,490,161
Use	727,700	124,200	609,300	292,800	766,400	149,300	861,000	886,400	73,100		4,490,200
Medicare/Social Security Rate	1.22%	1.22%	1.13%	1.31%	1.19%	0.79%	6.39%	6.87%	7.17%		

University of Alaska
FY06 Staff Benefit Cost Distribution

SB Schedule 4

Job Group	NR	CR	XR	EX, FN, FR Executives & Nonunion Faculty (1)	F9 UNAC Faculty	A9, AR ACCFT Faculty	FT, FW Adjunct Faculty	CT, GT, NT, ST, XT Temporary Student SS	NX, XX Extended Temporary	GN, SN Student	TOTAL
Projected FY06 Staff Benefits Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000	12,620,000	269,460,000
Number of Eligible Employees	1,666	257	989	227	893	309	1,023		36		5,400
Health Care:											
Eligible Employees Base	1,666	257	989	227	893	309			36		4,377
Health Cost Net of Recovery (4)	14,455,607	2,603,624	8,581,390	1,969,642	5,465,436	3,656,693			312,366		37,044,758
Use	14,455,600	2,603,600	8,581,400	1,969,600	5,465,400	3,656,700			312,400		37,044,700
Health Care Rate	24.25%	25.53%	15.86%	8.80%	8.51%	19.28%			30.63%		
Life Insurance:											
Eligible Employees Base	1,666	257	989	227	893	309					4,341
Life Insurance Cost	138,162	21,313	82,018	18,825	74,057	25,625					360,000
Use	138,200	21,300	82,000	18,800	74,100	25,600					360,000
Life Insurance Rate	0.23%	0.21%	0.15%	0.08%	0.12%	0.13%					
LTD Insurance											
LTD Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000					229,450,000
LTD Premium and Self Insured Costs	178,218	30,496	161,776	66,881	191,913	56,716					686,000
LTD Administration Costs (5)	5,372	829	3,190	732	2,880	997					14,000
Total LTD costs	183,590	31,325	164,966	67,613	194,793	57,713					700,000
Use	183,600	31,300	165,000	67,600	194,800	57,700					700,000
LTD Rate	0.30%	0.30%	0.30%	0.30%	0.30%	0.30%					
Unemployment:											
Unemployment Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000		256,840,000
Unemployment Cost	164,784	28,197	149,580	61,839	177,444	52,440	37,236	35,660	2,820		710,000
Use	164,800	28,200	149,600	61,800	177,500	52,400	37,200	35,700	2,800		710,000
Unemployment Rate	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%	0.28%		
Workers' Compensation:											
Average Claims Percentage Base	30.18%	36.22%	9.11%	3.77%	8.78%	2.59%	1.84%	6.96%	0.55%		100.00%
Forecast Claims Cost	592,132	710,636	178,791	73,915	172,170	50,881	36,129	136,549	10,797		1,962,000
Other Costs (6)	92,836	15,885	84,270	34,839	99,969	29,544	20,978	20,090	1,589		400,000
Total Workers' Comp Costs	684,968	726,521	263,061	108,754	272,139	80,425	57,107	156,639	12,386		2,362,000
Use	685,000	726,500	263,100	108,800	272,100	80,400	57,100	156,600	12,400		2,362,000
Workers' Compensation Rate	1.15%	7.12%	0.49%	0.49%	0.42%	0.42%	0.42%	1.21%	1.22%		
Tuition waivers:											
Eligible Employees Base	1,666	257	989	227	893	309	1,023				5,364
Employee Tuition Waiver Cost (7)	344,638	53,164	204,589	46,958	184,730	63,921	96,000				994,000
Use	344,600	53,200	204,600	47,000	184,700	63,900	96,000				994,000
Tuition Waiver Rate	0.58%	0.52%	0.38%	0.21%	0.29%	0.34%	0.71%				

University of Alaska
FY06 Staff Benefit Cost Distribution

SB Schedule 4

Job Group	NR	CR	XR	EX, FN, FR Executives & Nonunion Faculty (1)	F9 UNAC Faculty	A9, AR ACCFT Faculty	FT, FW Adjunct Faculty	CT, GT, NT, ST, XT Temporary Student SS	NX, XX Extended Temporary	GN, SN Student	TOTAL
Projected FY06 Staff Benefits Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000	12,620,000	269,460,000
Number of Eligible Employees	1,666	257	989	227	893	309	1,023		36		5,400
Consulting/Printing/Other:											
Consulting/Printing/Other Wage Base	59,610,000	10,200,000	54,110,000	22,370,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000		256,840,000
AHECTE Legal Trust (8)		32,000									32,000
Consulting Cost	124,864	21,366	113,344	46,858	134,459	39,736	28,215	27,021	2,137		538,000
Total Consulting/Printing/Other Cost	124,864	53,366	113,344	46,858	134,459	39,736	28,215	27,021	2,137		570,000
Use	124,900	53,400	113,300	46,900	134,500	39,700	28,200	27,000	2,100		570,000
Consulting/Printing/Other Rate	0.21%	0.52%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%	0.21%		
Labor relations:											
Labor Relations Wage Base		10,200,000			64,190,000	18,970,000	13,470,000				106,830,000
Labor Relations Cost		56,332			354,509	104,767	74,392				590,000
Use		56,300			354,500	104,800	74,400				590,000
Labor Relations Rate		0.55%			0.55%	0.55%	0.55%				
FY04 Staff Benefit Carryforward:											
Carryforward from FY04	(666,608)	474,820	(499,176)	(56,545)	(696,512)	886,209	15,279	13,045	3,861		(525,627)
Carryforward Rate	(1.12%)	4.66%	(0.92%)	(0.25%)	(1.09%)	4.67%	0.11%	0.10%	0.38%		
FY05 Estimated Staff benefit carryforward:											
Estimated Carryforward from FY05		268,000			829,900	371,500					1,469,400
Estimated Carryforward Rate		2.63%			1.29%	1.96%					

- (1) Blended job group was split for leave benefit calculations as FN job group is subject only to sick leave, re-combined for staff benefit calculations because all are subject to staff benefits.
- (2) Projected benefit covered wage base using the ratio of FY04 PERS, TRS, ORP, Pension, Medicare, and Social Security wages to FY04 staff benefit wage base.
- (3) Allocated prorata based on pension wage base.
- (4) Projected health care costs are allocated to union job groups (AR, A9, F9, CR) using projected costs for each group. Projected health care costs for the nonunion job groups (NR, XR, EX, FN, FR, NX, XX) are allocated prorata to each group based on headcount.
- (5) Allocated prorata based on headcount.
- (6) Allocated prorata based on staff benefit wage base.
- (7) Job group FT, FW based on projected tuition cost; NR, CR, XR, EX, FN, FR, F9, A9, AR are allocated based on headcount.
- (8) Allocated to benefiting job group, CR.

Job Group	NR	CR	XR	EX, FR Executives & Nonunion Faculty	FN Nonunion Faculty	F9 UNAC Faculty	AR, A9 ACCFY Faculty	FT, FW Adjunct Faculty	CT, GT, NT, ST, XT Temporary Student SS	NX,XX Extended Temporary	GN,SN Student	TOTAL
SWOHR Average Projected Headcount for FY05	1,622	257	962	170	51	873	302	1,023		35		5,295
Reclassification Project Changes	21		(21)									-
Total FY05 Headcount	1,643	257	941	170	51	873	302	1,023		35		5,295
SWOHR FY06 Projected Average Headcount	1,666	257	989	175	52	893	309	1,023		36		5,400
FY06 Leave Benefits Wage Base Projection:												
FY04 Leave Benefit Wage Base	39,868,652	7,919,876	48,074,503	14,575,440	2,534,275	54,368,827	17,850,980	12,849,956	12,529,218	822,565	12,065,362	223,459,654
Estimated FY05 Leave Wage Base	45,685,733	7,702,469	43,136,782	15,847,280	3,055,067	59,057,859	17,659,059	12,868,390	12,451,011	859,582	12,572,856	230,896,088
Pay Grid Adjustments (1)	913,715	123,240	862,736	-	-	-	-	-	148,934	17,192	-	2,065,817
	46,599,448	7,825,709	43,999,518	15,847,280	3,055,067	59,057,859	17,659,059	12,868,390	12,599,945	876,774	12,572,856	232,961,905
Estimate FY06 Increase (2)	1,211,586	179,991	1,143,987	412,029	79,432	2,775,719	812,317	591,946				7,207,007
Projected FY06 Leave Wage Base	47,811,034	8,005,700	45,143,505	16,259,309	3,134,499	61,833,578	18,471,376	13,460,336	12,599,945	876,774	12,572,856	240,168,912
Use	47,810,000	8,010,000	45,140,000	16,260,000	3,130,000	61,840,000	18,470,000	13,460,000	12,600,000	880,000	12,570,000	240,170,000
FY06 Staff Benefits Wage Base Projection:												
Projected FY06 Leave Wage Base	47,810,000	8,010,000	45,140,000	16,260,000	3,130,000	61,840,000	18,470,000	13,460,000	12,600,000	880,000	12,570,000	240,170,000
FY04 Leave Benefit Wage Base	39,868,652	7,919,876	48,074,503	14,575,440	2,534,275	54,368,827	17,850,980	12,849,956	12,529,218	822,565	12,065,362	223,459,654
Projected Dollar Change	7,941,348	90,124	(2,934,503)	1,684,560	595,725	7,471,753	619,020	610,044	70,782	57,435	504,638	16,710,346
Projected Percentage Change	19.92%	1.14%	(6.10%)	11.56%	23.51%	13.74%	3.47%	4.75%	0.56%	6.98%	4.18%	
Proposed Leave Rates	21.70%	23.10%	19.30%	16.70%	0.90%	1.10%	1.40%	0.00%	0.00%	15.40%	0.00%	
Leave Accrual	10,374,770	1,850,310	8,712,020	2,715,420	28,170	680,240	258,580	-	-	135,520	-	24,755,030
Overtime Pay (FY04 Actual)	1,112,820	318,832	-	-	-	-	-	-	185,139	6,940	15,209	1,638,940
Miscellaneous Pay (FY04 Actual)	79,236	20,696	274,111	167,741	43,000	1,465,316	232,152	14,297	111,429	-	29,540	2,437,518
FY06 Overtime Pay (3)	1,334,480	322,461	-	-	-	-	-	-	186,185	7,424	15,844	1,866,394
FY06 Miscellaneous Pay (3)	95,019	20,932	257,379	187,128	53,108	1,666,674	240,202	14,976	112,059	-	30,775	2,678,252
Projected FY06 Staff Benefits Wage Base	59,614,269	10,203,703	54,109,399	19,162,548	3,211,278	64,186,914	18,968,782	13,474,976	12,898,244	1,022,944	12,616,619	269,469,676
Use	59,610,000	10,200,000	54,110,000	19,160,000	3,210,000	64,190,000	18,970,000	13,470,000	12,900,000	1,020,000	12,620,000	269,460,000

22,370,000 (4)

- (1) Effective 12/31/2004, the Board of Regents approved a 2% increase to the exempt and nonexempt staff pay grids and job groups represented by the AHECTE Local 6070 Collective Bargaining Agreement (CR,CT) will receive a 1.6% grid increase.
- (2) 2.6% for job groups NR, XR, FN, FR, and EX; 2.6% for CR; 4.7% for F9; 4.6% for AR/A9; 4.6% for FT/FW
- (3) Applied FY06:FY04 leave benefit wage base increase to FY04 actuals.
- (4) Job group EX, FN, FR has been split into two job groups EX, FR and FR for leave benefit calculations.
 EX, FR job group includes job classes eligible for all leave types. The FN job group is eligible for sick leave only.
 Job groups are recombined for staff benefit calculation.

Job Group	NR	CR	XR	EX, FN, FR Executives & Nonunion	F9	AR, A9	FT, FW	CT, GT, NT, ST, XT	NX,XX	GN,SN	TOTAL
	<u>Classified</u>	<u>AHECTE</u>	<u>APT Exempt</u>	<u>Faculty</u>	<u>UNAC Faculty</u>	<u>ACCFT Faculty</u>	<u>Adjunct Faculty</u>	<u>Temporary Student SS</u>	<u>Extended Temporary</u>	<u>Student</u>	
FY05 Estimated											
Wage Base, Staff Benefits	56,890,000	9,700,000	52,360,000	22,440,000	61,480,000	18,190,000	12,880,000	12,750,000	1,000,000	12,620,000	260,310,000
Total Staff Benefit Costs	25,581,653	4,744,807	18,498,155	6,119,061	21,889,944	7,190,011	1,261,391	1,084,121	353,012	-	86,722,155
Recovery at Actual HR Rate	25,581,653	4,744,807	18,498,155	6,119,061	21,889,944	7,190,011	1,261,391	1,084,121	353,012	-	86,722,155
Recovery at Negotiated Rate	24,007,581	3,753,901	18,221,280	6,013,921	19,919,520	6,311,930	1,262,240	1,071,000	360,000	-	80,921,373
Calculated Carryforward	1,574,072	990,906	276,875	105,140	1,970,424	878,081	(849)	13,121	(6,988)	-	5,800,782
Adjustment Due to Timing Differences	1	-	-	-	-	-	-	-	-	-	1
Estimated Under of (Over) Recovery	1,574,073	990,906	276,875	105,140	1,970,424	878,081	(849)	13,121	(6,988)	-	5,800,783
Less: Carryforward Proposed to be											
Liquidated in FY06	-	268,000	-	-	829,900	371,500	-	-	-	-	1,469,400
Carryforward to be Liquidated in FY07	1,574,073	722,906	276,875	105,140	1,140,524	506,581	(849)	13,121	(6,988)	-	4,331,383

FY05 Estimated Carryforward to be Liquidated in FY06 Staff Benefit rates

Job Group	CR AHECTE	F9 UNAC	AR, A9 ACCFT	Total
FY05 Staff Benefit Forward Pricing Proposal Projected Union Employee Recovery (A)	735,056	2,395,221	922,314	4,052,591
FY05 Revised Projected Union Employee Recoveries (B)	467,003	1,565,364	550,829	2,583,196
FY05 Estimated Underrecovery from Union Employees	268,053	829,857	371,485	1,469,395
FY05 Estimated Carryforward to be Liquidated in FY06 Staff Benefit Rates	268,000	829,900	371,500	1,469,400

(A) Employee recovery for union groups included in FY05 proposed rates was projected using existing prospective health care recovery methodology.

(B) As a result of union negotiations, expected FY05 union group employee recovery was reduced to smooth employee rates over a two year period, FY05 and FY06. The final negotiations occurred after benefit rates had been proposed and audited for FY05.

**The University of Alaska
Certificate of Fringe Benefit Costs**

(OMB Circular A21, Section K.2.b)

This is to certify that to the best of my knowledge and belief:

1. I have reviewed the forward pricing fringe benefit cost proposal submitted herewith;
2. All costs included in the proposal dated April 29, 2005, to establish fixed fringe benefit cost rates for the period beginning July 1, 2005 through June 30, 2006 are allowable in accordance with the requirements of the Federal agreement(s) to which they apply and with the cost principles applicable to those agreements.
3. This proposal does not include any costs which are unallowable under applicable cost principles such as (without limitation): advertising and public relations costs, contributions and donations, entertainment costs, fines and penalties, lobbying costs, and defense of fraud proceedings; and
4. All costs included in this proposal are properly allocable to federal agreements on the basis of a beneficial or casual relationship between the expenses incurred and the agreements to which they are allocated in accordance with applicable requirements.
5. The rate proposal is prepared using the same cost accounting practices that are disclosed in the DS-2, including its amendments and revisions, filed with and approved by the cognizant agency.

I declare under penalty of perjury that the foregoing is true and correct.

University of Alaska

Institution

Joseph M. Beedle

Signature

Joseph Beedle

Name of Official

Vice President for Finance

Title

April 29, 2005

Date of Execution

The University of Alaska
Certificate of Final Fringe Benefit Costs
(FAR 52.242-4)
(62 FR 239)

This is to certify that I have reviewed this proposal to establish final fringe benefit cost rates and to the best of my knowledge and belief:

1. All costs included in this proposal dated April 29, 2005 to establish final fringe benefit cost rates for July 1, 2005 through June 30, 2006 are allowable in accordance with the cost principles of the Federal Acquisition Regulation (FAR) and its supplements applicable to the contracts to which the final fringe benefit rates will apply; and
2. This proposal does not include any costs, which are unallowable under applicable cost principles of the FAR or its supplements.

I declare under penalty of perjury that the foregoing is true and correct.

University of Alaska

Institution

Joe M. Beedle

Signature

Joe Beedle

Name of Official

Vice President for Finance

Title

April 29, 2005

Date of Execution