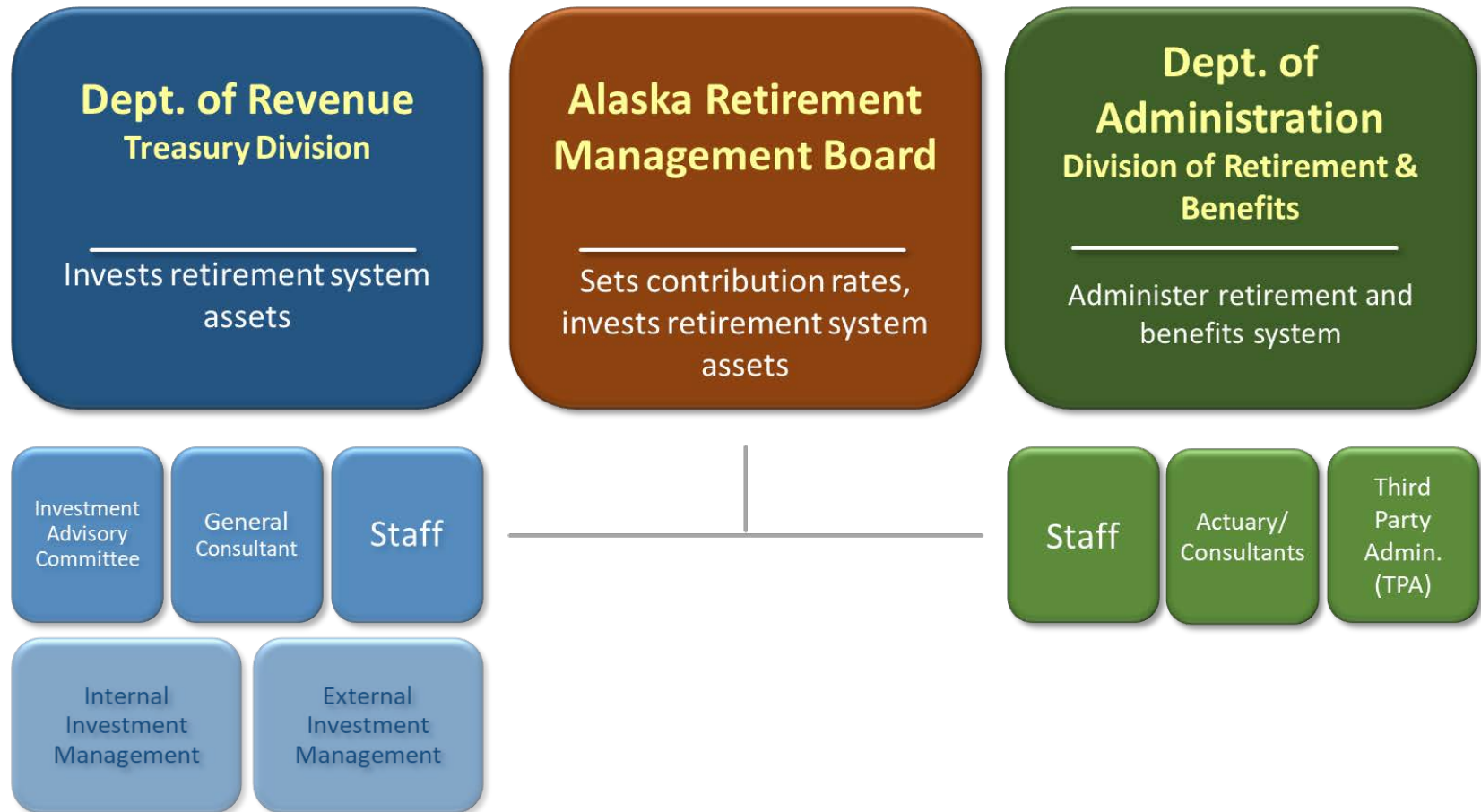


# State of Alaska Department of Administration

- PERS / TRS 2020 Update
- Presentation to the Alaska Municipal League
- Kevin Worley, CFO, Division of Retirement and Benefits
- February 19, 2020



# Organization – PERS / TRS



# Membership (as of June 30, 2019)

DB and DC Plans	PERS			TRS		%
Employers	157			57		
<u>DB Plans</u>	Tier I	Tier II	Tier III	Tier I	Tier II	
Actives	1,003	3,059	8,254	265	3,822	37%
Inactive – Vested	331	1,938	3,154	47	752	75%
Retired	23,481	8,319	4,259	10,546	2,693	99%
Total	24,815	13,316	15,667	10,858	7,267	
<u>DC Plans</u>						
Actives	22,311			5,218		63%
Inactive – Vested	1,412			706		25%
Retired	87			23		1%
Total	23,810			5,947		



Source: Division of Retirement and Benefits. June 30, 2019 Audited Financial Statements

# AlaskaCare Employer Group Waiver Plan Update

- An Employer Group Waiver Plan (EGWP) is a group Medicare Part D prescription drug plan option.
- EGWP provides a direct subsidy which allows it to be considered when calculating the Other Post-Employment Benefits (OPEB) liability under both GASB & FASB accounting schemes.
- The implementation of EGWP reduced 6/30/18 healthcare liabilities by **\$959M**, which resulted in lower projected liabilities, lower projected contribution rates, and lower projected Additional State Contributions (\$711M for PERS, \$248M for TRS).



GASB = Governmental Accounting Standards Board  
FASB = Financial Accounting Standards Board

# EGWP Projected Subsidy for 2019

\$52.9 million in subsidies = \$32.9 million in net savings

Types of Funding	\$ (Millions)
Direct Subsidy	\$ 1.3
Coverage Gap Discount*	32.2
Catastrophic Reinsurance*	18.2
Low Income Premiums Subsidy	0.2
Low Income Cost Sharing Subsidy*	1.0
<b>TOTAL</b>	<b>\$52.9</b>

\*Projected amounts described above are rough estimates due to the dynamic nature of claims.



# Additional State Contributions – Projected (6/30/2018)

Fiscal Year	PERS	TRS	Total
2021	\$ 196,914,000	\$ 131,811,000	\$ 328,725,000
2022	185,911,000	131,161,000	317,072,000
2023	185,255,000	133,419,000	318,674,000
2024	186,254,000	136,141,000	322,395,000
2025	187,212,000	139,126,000	326,338,000
2026	189,573,000	142,166,000	331,739,000
2027	191,637,000	145,533,000	337,170,000
2028	195,856,000	148,935,000	344,791,000
2029	199,585,000	152,802,000	352,387,000
2030	204,346,000	156,619,000	360,965,000
2031	209,331,000	160,719,000	370,050,000
2032	215,330,000	164,769,000	380,099,000
2033	221,322,000	169,208,000	390,530,000
2034	228,140,000	173,778,000	401,918,000
2035	235,774,000	178,449,000	414,223,000
2036	243,599,000	183,196,000	426,795,000
2037	251,692,000	188,136,000	439,828,000
2038	260,777,000	193,169,000	453,946,000
2039	269,649,000	198,704,000	468,353,000
	<b>\$4,058,157,000</b>	<b>\$3,027,841,000</b>	<b>\$7,085,998,000</b>

Source: Buck, Actuarial Valuation Reports as of June 30, 2018 for PERS and TRS DB



# Additional State Contributions - History

FY	Legislation	PERS	TRS	Total
2006	Chapter 3, FSSLA 05 (SB 46), Sec 59(b)	18,426,923	0	18,426,923
2007	Chapter 82, SLA 06 (SB 231), Sec 60(b)	18,581,921	0	18,581,921
2008	Chapter 30, SLA 07 (SB 53), Sec 55(e) Chapter 28, SLA 07 (HB95), Sec 15(a)	185,000,000	269,992,300	454,992,300
2009	Chapter 27, SLA 08 (HB 310), Sec 13(b) & (a)	241,600,000	206,300,000	447,900,000
2010	Chapter 12, SLA 09 (HB 81), Sec 23(b) & (a)	107,953,000	173,462,000	281,415,000
2011	Chapter 41, SLA 10 (HB 300), Sec 29(b) & (a)	165,841,171	190,850,258	356,691,429
2012	Chapter 3, FSSLA 11 (HB 108), Sec 29(b) & (a)	242,609,397	234,517,333	477,126,730
2013	Chapter 15, SLA 12 (HB 284), Sec 27(a) & (b)	307,302,392	302,777,153	610,079,545
2014	Chapter 14, SLA 13 (HB 65), Sec 29(a) & (b)	312,472,952	316,847,291	629,320,243
2015	Chapter 18, SLA 14 (HB 119), Sec 48(a) & (b)	1,000,000,000	2,000,000,000	3,000,000,000
2016	Chapter 1, SSSLA 15 (HB 2001), Sec 10(a) & (b)	126,520,764	130,108,327	256,629,091
2017	Chapter 3, 4SSLA 16 (HB 256), Sec 28(a) & (b)	99,166,576	116,699,959	215,866,535
2018	Chapter 1, SSSLA 17 (HB 57), Sec 41(a) & (b) Chapter 17, SLA 18 (HB 286), Sec 25(a)	72,719,000	111,757,000	184,476,000
2019	Chapter 17, SLA 18 (HB 286), Sec 25(b) & (c)	135,219,000	128,174,000	263,393,000
2020	Chapter 1, FSSLA 19 (HB 39), Sec 35(a) & (b)	159,055,000	141,129,000	300,184,000
	<b>Total:</b>	<b>3,192,468,096</b>	<b>4,322,614,621</b>	<b>7,515,082,717</b>

Source: Legislative Bills for the respective year



# Investment Experience

The actuarial value of assets was reinitialized to equal fair value as of June 30, 2014. Beginning in FY15, the valuation method recognizes 20% of the investment gain or loss each year, for a period of five years (*“Smoothing”*).

	2018		2019	
	PERS	TRS	PERS	TRS
Assumed Actuarial Earnings Rate	8.00%	8.00%	7.38%	7.38%
Based on Fair Value of Assets	8.20%	8.20%	6.00%	5.90%
Based on Actuarial Value of Assets (Smoothing over 5-Year Period)	6.10%	6.20%	5.50%	5.50%



Source: Buck, Actuarial Valuation Reports as of June 30, 2018 and Draft report 2019 for PERS and TRS DB



# Funded Status – Valuation Results (\$000's)

Defined Benefit Total	PERS			TRS		
	2017	2018	2019 (DRAFT)	2017	2018	2019 (DRAFT)
a. Actuarial Accrued Liability	\$21,881,395	\$22,264,137	\$22,190,874	\$10,144,618	\$9,960,440	\$9,906,664
b. Valuation of Assets	\$16,786,771	\$17,116,701	\$17,387,184	\$8,313,637	\$8,440,309	\$8,511,493
c. Actuarial Funded Ratio	76.7%	<b>76.9%</b>	<b>78.4%</b>	82.0%	<b>84.7%</b>	<b>85.9%</b>
d. Fair Value of Assets	\$16,282,079	\$16,918,676	\$17,257,097	\$8,069,926	\$8,342,861	\$8,441,248
e. Fair Value Funded Ratio	74.4%	76.0%	77.8%	79.5%	83.8%	85.2%



Source: Buck, Actuarial Valuation Reports as of June 30, 2017 and 2018 and Draft report 2019 for PERS and TRS DB

# Funded Status – Valuation Results (\$000's)

Defined Benefit Pension	PERS			TRS		
	2017	2018	2019 (DRAFT)	2017	2018	2019 (DRAFT)
a. Actuarial Accrued Liability	\$13,832,130	\$14,606,033	\$15,039,180	\$7,217,525	\$7,276,290	\$7,388,020
b. Valuation of Assets	\$9,229,703	\$9,430,192	\$9,576,693	\$5,476,835	\$5,541,600	\$5,563,931
c. Actuarial Funded Ratio	66.7%	64.6%	63.7%	75.9%	76.2%	75.3%
d. Fair Value of Assets	\$8,943,127	\$9,306,675	\$9,489,405	\$5,312,295	\$5,472,727	\$5,511,929
e. Fair Value Funded Ratio	64.7%	63.7%	63.1%	73.6%	75.2%	74.6%



Source: Buck, Actuarial Valuation Reports as of June 30, 2017 and 2018 and Draft report 2019 for PERS and TRS DB

# Funded Status – Valuation Results (\$'000's)

Defined Benefit Health Care	PERS			TRS		
	2017	2018	2019 (DRAFT)	2017	2018	2019 (DRAFT)
a. Actuarial Accrued Liability	\$8,049,265	\$7,658,104	\$7,151,694	\$2,927,093	\$2,684,150	\$2,518,644
b. Valuation of Assets	\$7,557,068	\$7,686,509	\$7,810,491	\$2,836,802	\$2,898,709	\$2,947,562
c. Actuarial Funded Ratio	93.9%	100.4%	109.2%	96.9%	108.0%	117.0%
d. Fair Value of Assets	\$7,338,952	\$7,612,001	\$7,767,692	\$2,757,631	\$2,870,134	\$2,929,319
e. Fair Value Funded Ratio	91.2%	99.4%	108.6%	94.2%	106.9%	116.3%



Source: Buck, Actuarial Valuation Reports as of June 30, 2017 and 2018 and Draft report as of June 30, 2019 for PERS and TRS DB

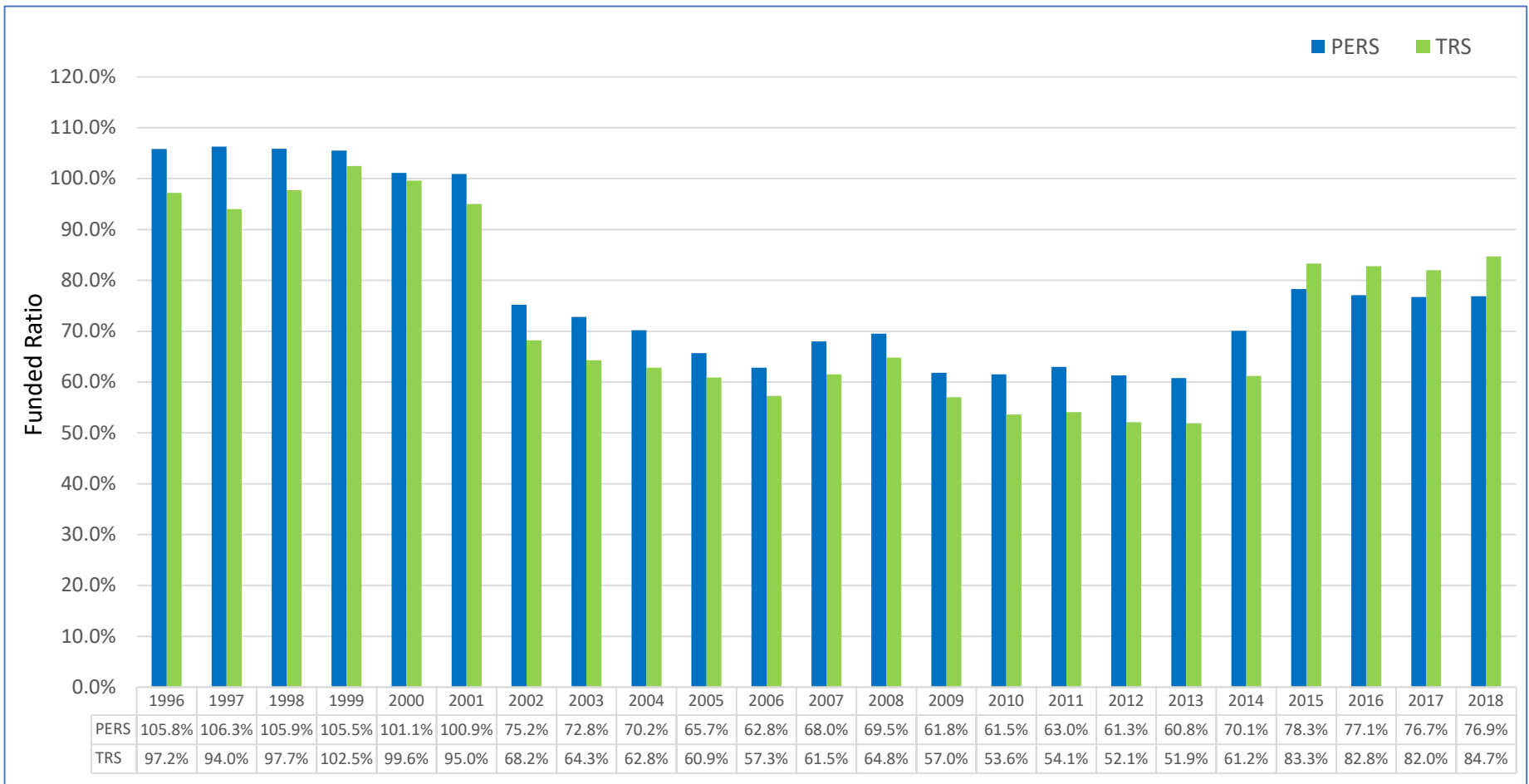
# Historical Rate of Return and Funded Ratio

Fiscal Year End 30-Jun	Assumed Actuarial Earnings Rate	Actual Rate of Return	Actuarially Funded Ratio	Actual Rate of Return	Actuarially Funded Ratio
		PERS		TRS	
1996	8.00%	13.79%	105.8%	14.35%	97.2%
1997	<b>8.25%</b>	18.18%	106.3%	18.12%	94.0%
1998	8.25%	14.73%	105.9%	14.83%	97.7%
1999	8.25%	10.59%	105.5%	10.67%	102.5%
2000	8.25%	10.07%	101.1%	10.15%	99.6%
2001	8.25%	-5.25%	100.9%	-5.35%	95.0%
2002	8.25%	-5.48%	75.2%	-5.49%	68.2%
2003	8.25%	3.67%	72.8%	3.68%	64.3%
2004	8.25%	15.08%	70.2%	15.09%	62.8%
2005	8.25%	8.95%	65.7%	9.01%	60.9%
2006	8.25%	11.74%	62.8%	11.78%	57.3%
2007	8.25%	18.87%	66.2%	18.92%	60.1%
2008	8.25%	-3.06%	69.5%	-3.05%	64.8%
2009	8.25%	-20.49%	61.8%	-20.62%	57.0%
2010	8.25%	11.39%	52.8%	11.58%	53.6%
2011	<b>8.00%</b>	21.22%	60.8%	21.40%	54.1%
2012	8.00%	0.46%	61.3%	0.51%	52.1%
2013	8.00%	12.50%	60.8%	12.59%	51.9%
2014	8.00%	18.56%	70.1%	18.56%	61.2%
2015	8.00%	3.29%	75.4%	3.30%	83.3%
2016	8.00%	-0.36%	77.1%	-0.36%	82.8%
2017	8.00%	13.35%	76.7%	13.36%	82.0%
2018	8.00%	9.61%	76.9%	9.62%	84.7%
2019	<b>7.38%</b>	6.40%	78.4%	6.39%	85.8%

Source: Funded Ratio - Actuarial Reports; Actual Rate of Returns - Department of Revenue, Investment Performance **12**

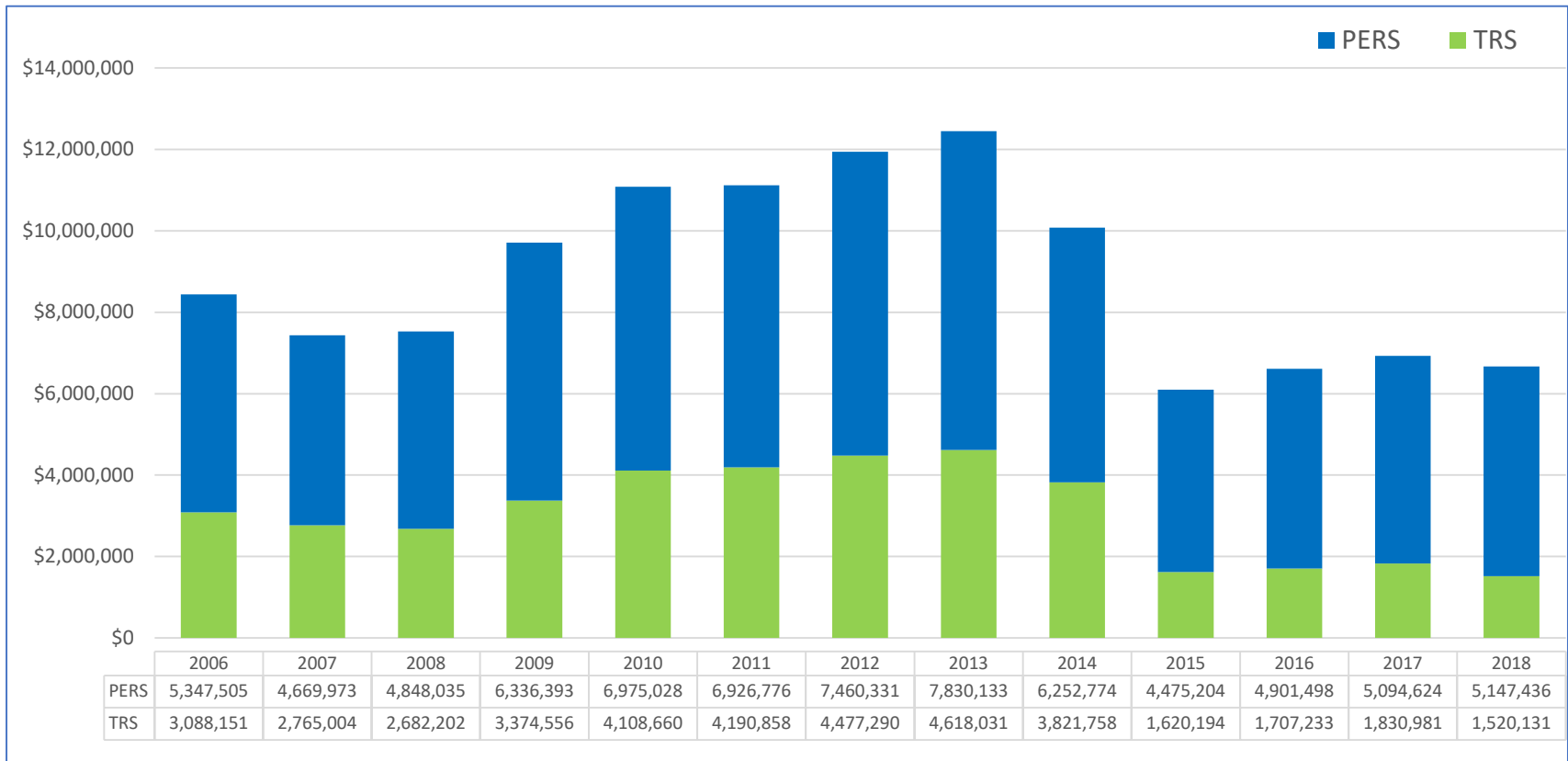


# Funded Ratio – History (Based on Actuarial Valuation Reports)



Source: Buck, Actuarial Valuation Reports as of June 30, 2018 for PERS and TRS DB

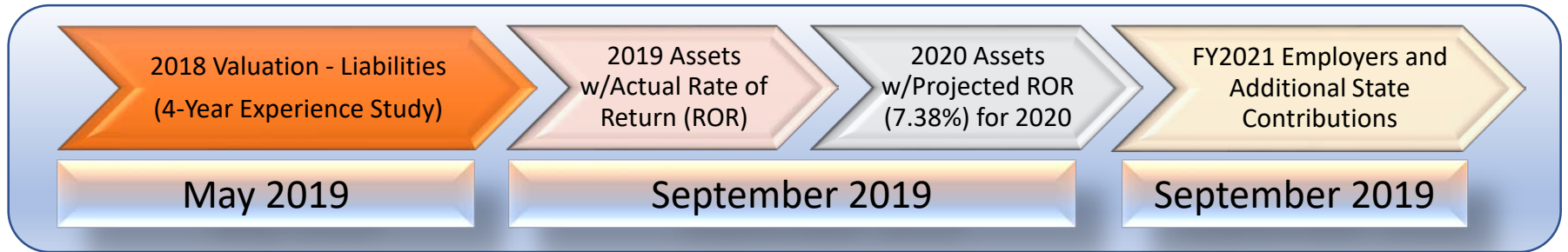
# Unfunded Liability – PERS / TRS (\$'000's)



Source: Buck, Actuarial Valuation Reports as of June 30, 2018 for PERS and TRS DB

# Employers and Additional State Contributions Projection

Allocation of Projected Employer and Additional State Contributions with Liabilities "Rolled Forward" Two Years, Assets "Rolled Forward" One Year and Smoothed



# FY2021 Contribution Rates – DB Plans

DB Plans	PERS	TRS
Employee		
<ul style="list-style-type: none"> <li>• All Other Employees</li> <li>• Peace Officer/Firefighter</li> <li>• School District Alternate Option</li> </ul>	<p>6.75%</p> <p>7.50%</p> <p>9.60%</p>	8.65%
Employer	22.00%	12.56%
Additional State Contribution	8.85%	17.91%
<b>Total Required Contributions for the Fiscal Year *</b>	<b>30.85%</b>	<b>30.47%</b>

\* The total contribution rates of 30.85% (PERS) and 30.47% (TRS) include the DCR contribution rates.



Source: Buck, Actuarial Valuation Reports as of June 30, 2018 for PERS and TRS DB and DCR



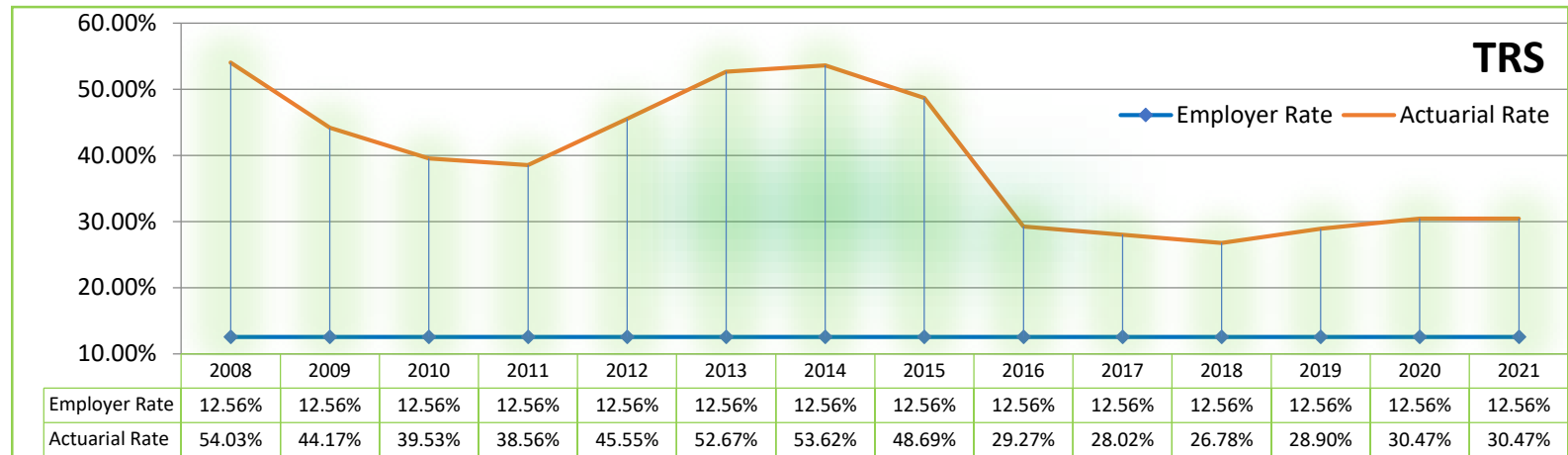
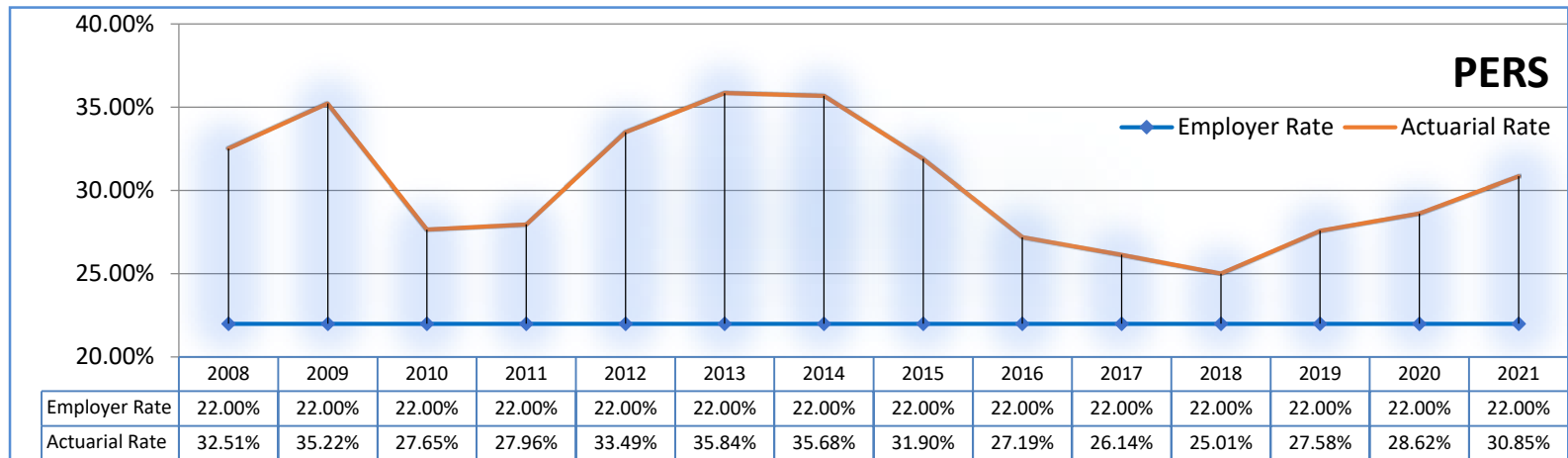
# FY2021 Contribution Rates – DC Plans

DC Plans	PERS	TRS
Employee	8.00%	8.00%
Employer		
Investment Account	5.00%	7.00%
Health Care	1.27%	0.93%
Occupational Death & Disability		
• All Others	0.31%	0.08%
• Peace Officer/Firefighter	0.70%	N/A
Health Reimbursement Account (HRA) <i>(3% of all PERS/TRS average annual compensation)</i>	Flat dollar	Flat dollar
Excess from Employers' Contributions (22% / 12.56%)	To DB Plans – Unfunded Liability	



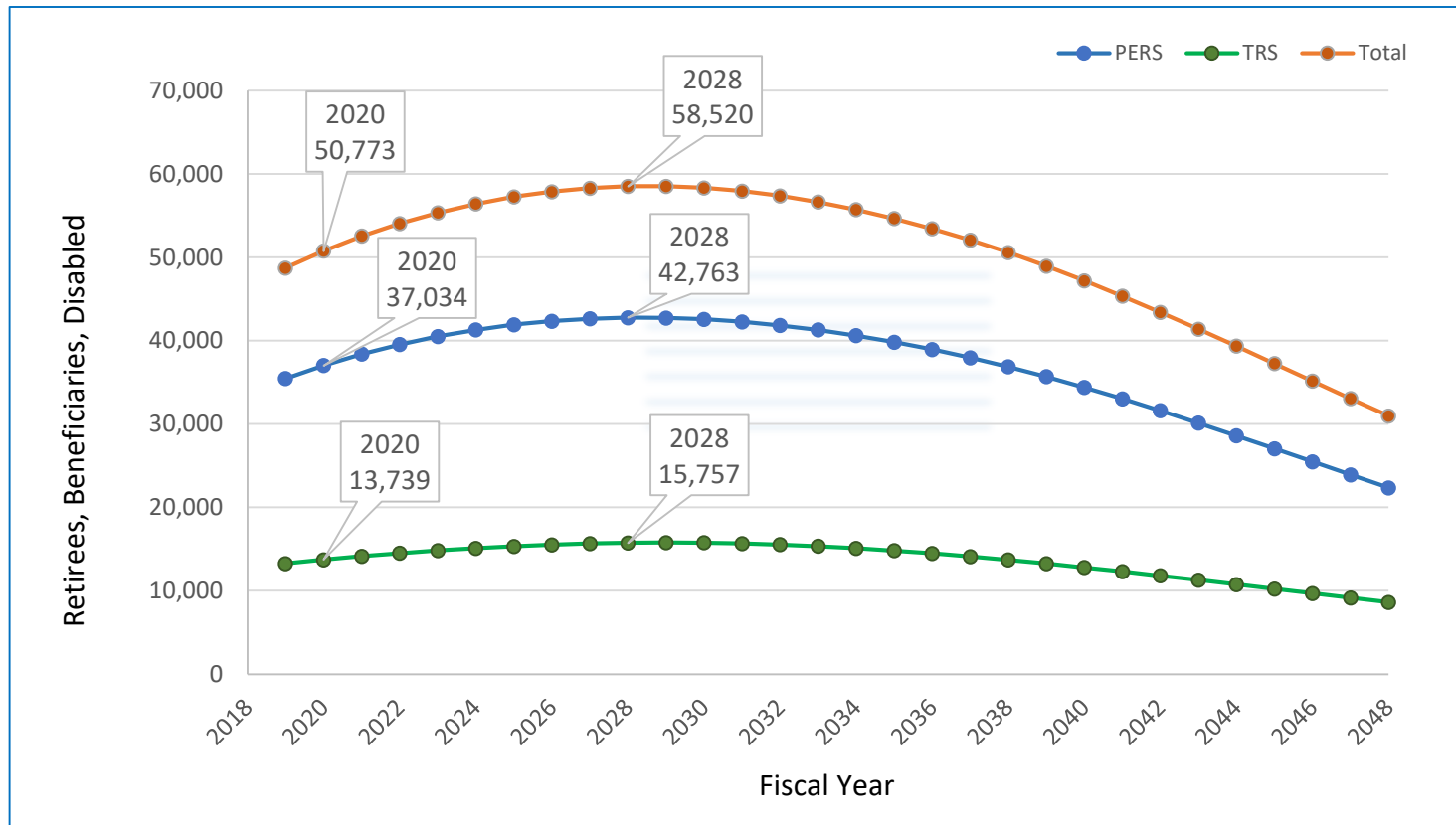
Source: Buck, Actuarial Valuation Reports as of June 30, 2018 for PERS and TRS DCR

# Contribution Rates – History



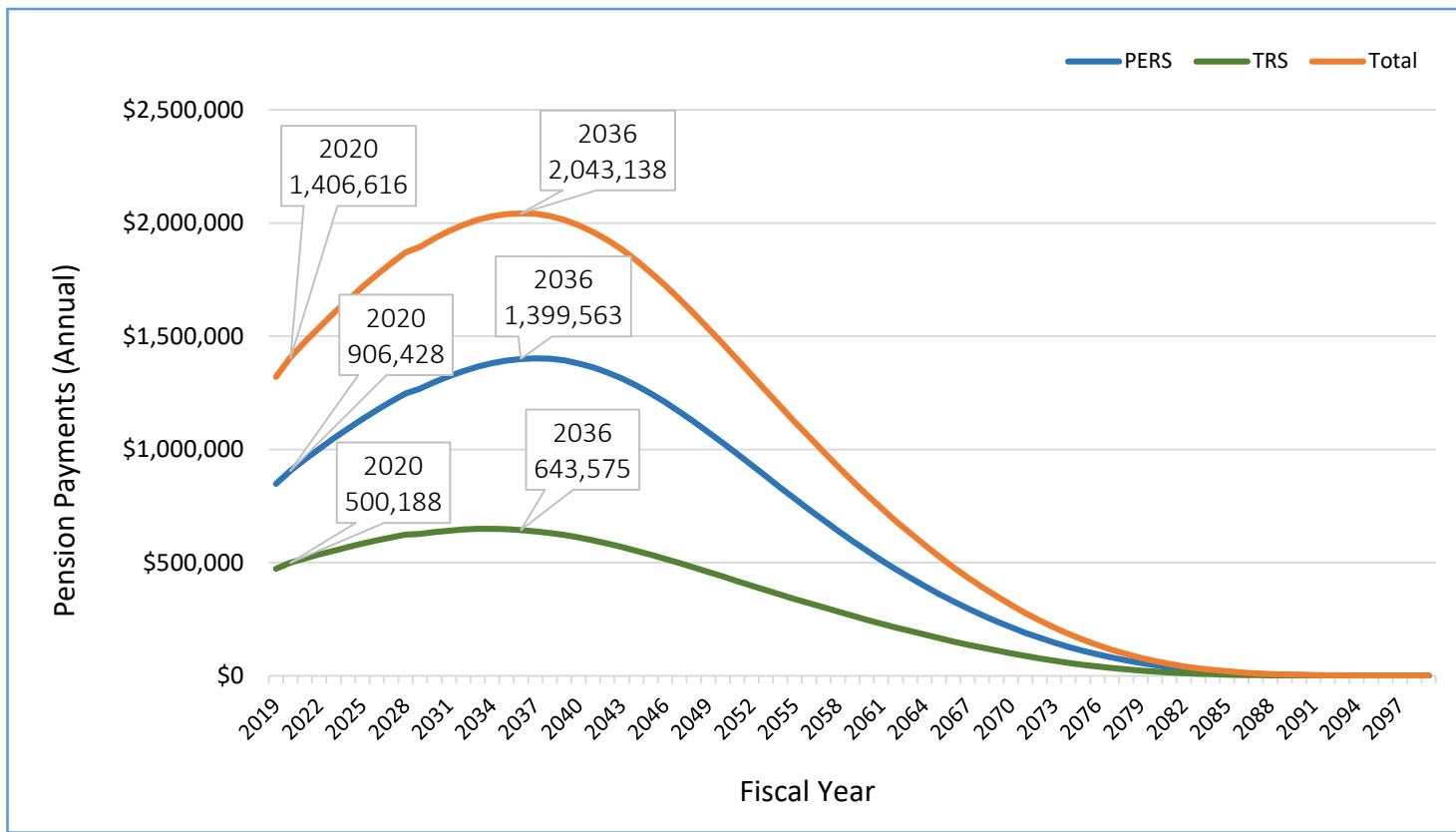
Source: June 30, 2018 - Board Adopted Rates Report (BUCK)

# Projected Pension Benefit Recipients



Source: Buck - Supplemental Data

# Projected Pension Benefits Payment (\$000's)



Source: Buck - Supplemental Data

# Health Care Cost Trend Rates

Fiscal Year	Medical Pre-65	Medical Post-65
2019	7.50%	5.50%
2020	7.00%	5.40%
2021	6.50%	5.40%
2025	5.80%	5.40%
2040	5.40%	5.40%
2045	5.00%	5.00%
2050+	4.50%	4.50%

Rates were unchanged through fiscal 2040. Beginning in fiscal 2041, trend rates were revised to reach an ultimate rate of 4.5% in fiscal 2050 instead of the previously assumed ultimate rate of 4.0%.



Source: Buck - Trend rates used in the 6/30/18 valuation were updated from the 6/30/17 assumption

**Department of Administration**  
Championing improvement in the State's performance and results.

