

# State of Alaska

## Department of Administration

Division of Retirement and Benefits

### Presentation to the Alaska Municipal League

- Funding Status Update
  - Public Employees' Retirement System (PERS)
  - Teachers' Retirement System (TRS)
- Kevin Worley, Chief Financial Officer
- August 10, 2023



# Organization – PERS / TRS

## Dept. of Revenue Treasury Division

Invests retirement system  
assets

Staff

General Consultants

Internal Investment Team

External Investment Management

## Alaska Retirement Management Board (ARMB)

Sets contribution rates,  
invests retirement system  
assets

Investment Advisory Committee

Reviewer Actuary  
(GRS)

## Dept. of Administration Division of Retirement & Benefits

Administer retirement and  
benefits system

Staff

Valuation Actuary (Buck)/Consultants

Third Party Administrators. (TPA)

External Audits



# Membership (as of June 30, 2023)

	PERS				TRS			Total	%
Employers	151				57			208	
<u>Defined Benefit (DB) Plans</u>	Tier I	Tier II	Tier III	Total	Tier I	Tier II	Total		
Actives	464	1,756	6,337	8,557	95	2,802	2,897	12,186	
Inactive – Vested	233	1,424	3,154	4,811	24	780	804	5,662	
Retired	21,441	9,609	5,901	36,951	9,619	3,865	13,484	50,688	
<b>TOTAL</b>	<b>22,138</b>	<b>12,789</b>	<b>15,392</b>	<b>50,319</b>	<b>9,738</b>	<b>7,447</b>	<b>17,185</b>	<b>68,536</b>	
<u>Defined Contribution (DC) Plans</u>									
Actives				26,261			6,416	32,258	
Inactive - Vested				2,738			1,154	3,077	
Retired				254			53	205	
<b>TOTAL</b>				<b>28,035</b>			<b>7,623</b>	<b>35,540</b>	
<b>GRAND TOTAL</b>				<b>78,354</b>			<b>24,808</b>	<b>104,076</b>	



Source: Division of Retirement and Benefits. June 30, 2023, DRAFT Financial Statements

# ACTUARIAL RESULTS



For more information, send your questions to Kevin Worley at  
[Kevin.Worley@alaska.gov](mailto:Kevin.Worley@alaska.gov)

# Investment Experience

	2021		2022	
	PERS	TRS	PERS	TRS
Assumed Actuarial Earnings Rate	7.38%	7.38%	7.25%	7.25%
Based on Fair Market Value of Assets	30.00%	30.10%	-6.00%	-6.00%
Based on Actuarial Value of Assets ( <i>Smoothing over 5-Year Period</i> )	11.60%	11.60%	8.70%	8.70%

The actuarial value of assets was reinitialized to equal fair value as of June 30, 2014, with the \$3 Billion infusion from HB 119.

Beginning in FY 2015, the valuation method recognizes 20% of the investment gain or loss for each year for five years (*“Smoothing”*).



Source: Buck, Actuarial Valuation Reports as of June 30, 2021, and 2022 for PERS and TRS DB

# Funded Status – Pension (\$'000's)

## Defined Benefit Pension

Defined Benefit Pension	PERS			TRS		
	2020	2021	2022	2020	2021	2022
a. Actuarial Accrued Liability	\$15,279,525	\$15,419,975	\$16,093,679	\$7,447,036	\$7,471,887	\$7,804,046
b. Actuarial Value of Assets (AVA)	\$9,713,710	\$10,466,709	\$10,961,498	\$5,587,064	\$5,910,369	\$6,100,204
c. Unfunded Actuarial Accrued Liability based on AVA	\$5,565,815	\$4,953,266	\$5,132,181	\$1,859,972	\$1,561,518	\$1,703,842
<b>d. Funded Ratio based on AVA</b>	<b>63.6%</b>	<b>67.9%</b>	<b>68.1%</b>	<b>75.0%</b>	<b>79.1%</b>	<b>78.2%</b>
e. Fair Value of Assets (FVA)	\$9,469,161	\$11,912,309	\$10,816,140	\$5,444,799	\$6,731,481	\$6,026,651
f. Unfunded Actuarial Accrued Liability based on FVA	\$5,810,364	\$3,507,666	\$5,277,539	\$2,002,237	\$740,406	\$1,777,395
<b>g. Funded Ratio based on FVA</b>	<b>62.0%</b>	<b>77.3%</b>	<b>67.2%</b>	<b>73.1%</b>	<b>90.1%</b>	<b>77.2%</b>



Source: Buck, Actuarial Valuation Reports as of June 30, 2020, 2021, and 2022 for PERS and TRS DB

# Funded Status – HealthCare (\$000's)

## Defined Benefit HealthCare

Defined Benefit HealthCare	PERS			TRS		
	2020	2021	2022	2020	2021	2022
a. Actuarial Accrued Liability	\$7,036,550	\$6,856,170	\$6,657,069	\$2,489,675	\$2,439,603	\$2,442,577
b. Actuarial Value of Assets (AVA)	\$7,989,358	\$8,581,155	\$8,979,943	\$3,021,283	\$3,267,737	\$3,437,216
c. Unfunded Actuarial Accrued Liability based on AVA	(\$952,808)	(\$1,724,985)	(\$2,322,874)	(\$531,608)	(\$828,134)	(\$994,639)
<b>d. Funded Ratio based on AVA</b>	<b>113.5%</b>	<b>125.2%</b>	<b>134.9%</b>	<b>121.4%</b>	<b>133.9%</b>	<b>140.7%</b>
e. Fair Value of Assets (FVA)	\$7,813,511	\$9,784,141	\$8,869,134	\$2,953,461	\$3,723,031	\$3,392,211
f. Unfunded Actuarial Accrued Liability based on FVA	(\$776,961)	(\$2,927,971)	(\$2,212,065)	(\$463,786)	(\$1,283,428)	(\$949,634)
<b>g. Funded Ratio based on FVA</b>	<b>111.0%</b>	<b>142.7%</b>	<b>133.2%</b>	<b>118.6%</b>	<b>152.6%</b>	<b>138.9%</b>



Source: Buck, Actuarial Valuation Reports as of June 30, 2020, 2021, and 2022 for PERS and TRS DB

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

## Defined Benefit TOTAL (Pension and HealthCare Combined) INFORMATIONAL ONLY

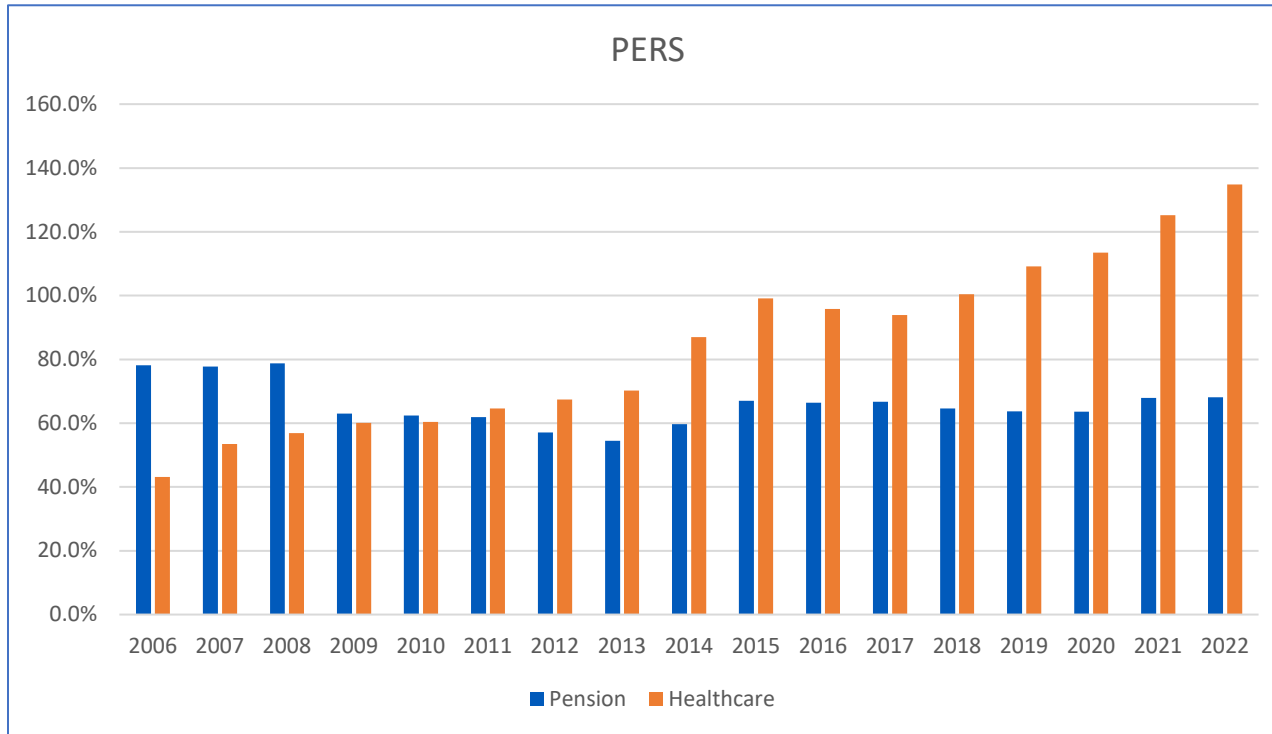
	PERS			TRS		
	2020	2021	2022	2020	2021	2022
a. Actuarial Accrued Liability	\$22,316,075	\$22,276,145	\$22,750,748	\$9,936,711	\$9,911,490	\$10,246,623
b. Actuarial Value of Assets (AVA)	\$17,703,068	\$19,047,864	\$19,941,441	\$8,608,347	\$9,178,106	\$9,537,420
c. Unfunded Actuarial Accrued Liability based on AVA	\$4,613,007	\$3,228,281	\$2,809,307	\$1,328,364	\$733,384	\$709,203
<b>d. Funded Ratio based on AVA</b>	<b>79.3%</b>	<b>85.5%</b>	<b>87.7%</b>	<b>86.6%</b>	<b>92.6%</b>	<b>93.1%</b>
e. Fair Value of Assets (FVA)	\$17,282,672	\$21,696,450	\$19,685,274	\$8,398,260	\$10,454,512	\$9,418,862
f. Unfunded Actuarial Accrued Liability based on FVA	\$5,033,403	\$579,695	\$3,065,474	\$1,538,451	(\$543,022)	\$827,761
<b>g. Funded Ratio based on FVA</b>	<b>77.4%</b>	<b>97.4%</b>	<b>86.5%</b>	<b>84.5%</b>	<b>105.5%</b>	<b>91.9%</b>





# Funded Ratio – PERS Pension and HealthCare

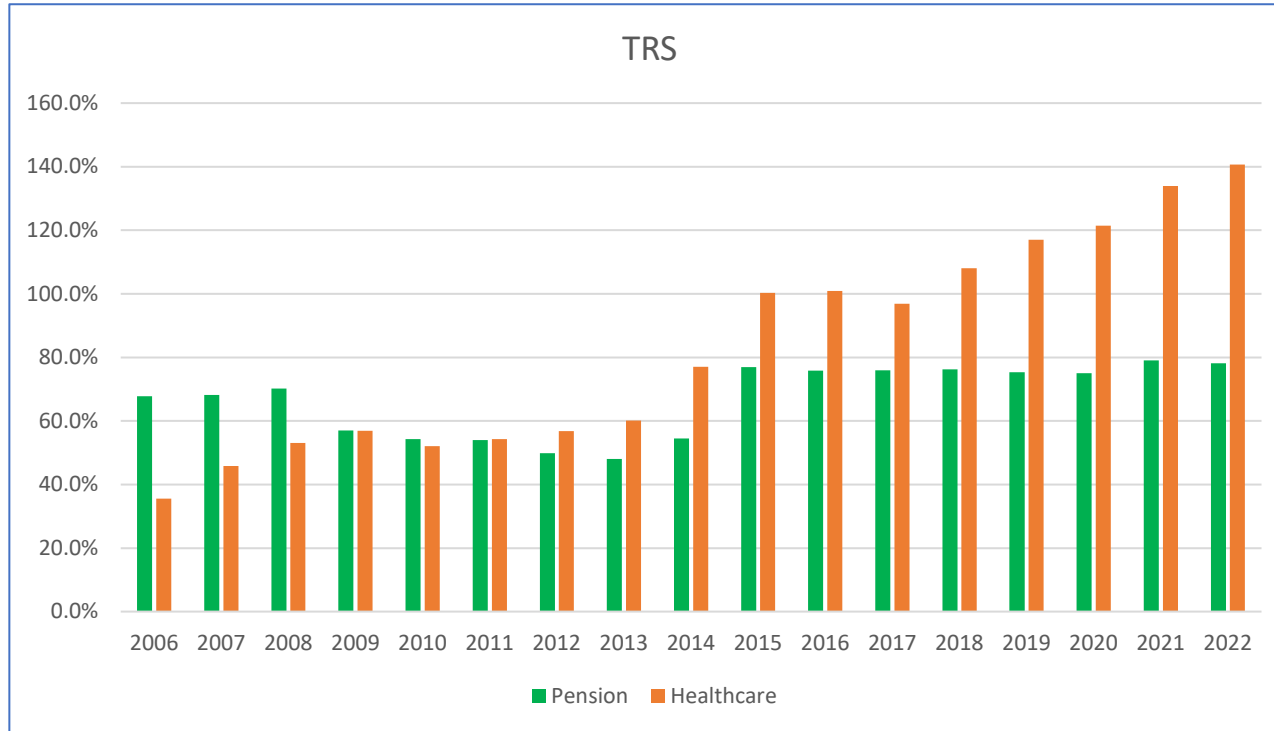
(Based on Actuarial Valuation Reports)



Source: Buck, Actuarial Valuation Reports as of June 30, 2022 for PERS DB

# Funded Ratio – TRS Pension and HealthCare

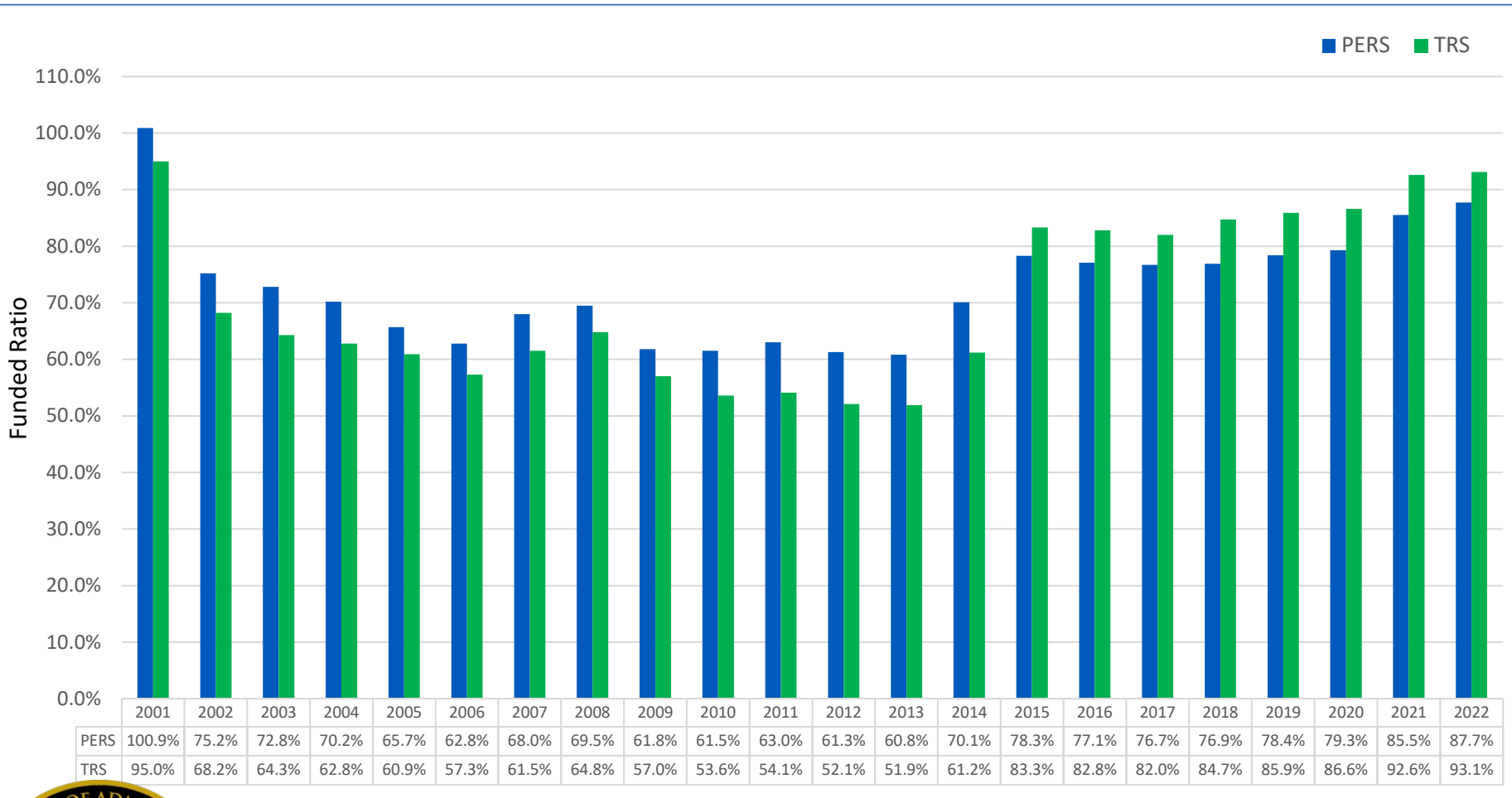
(Based on Actuarial Valuation Reports)



Source: Buck, Actuarial Valuation Reports as of June 30, 2022 for TRS DB

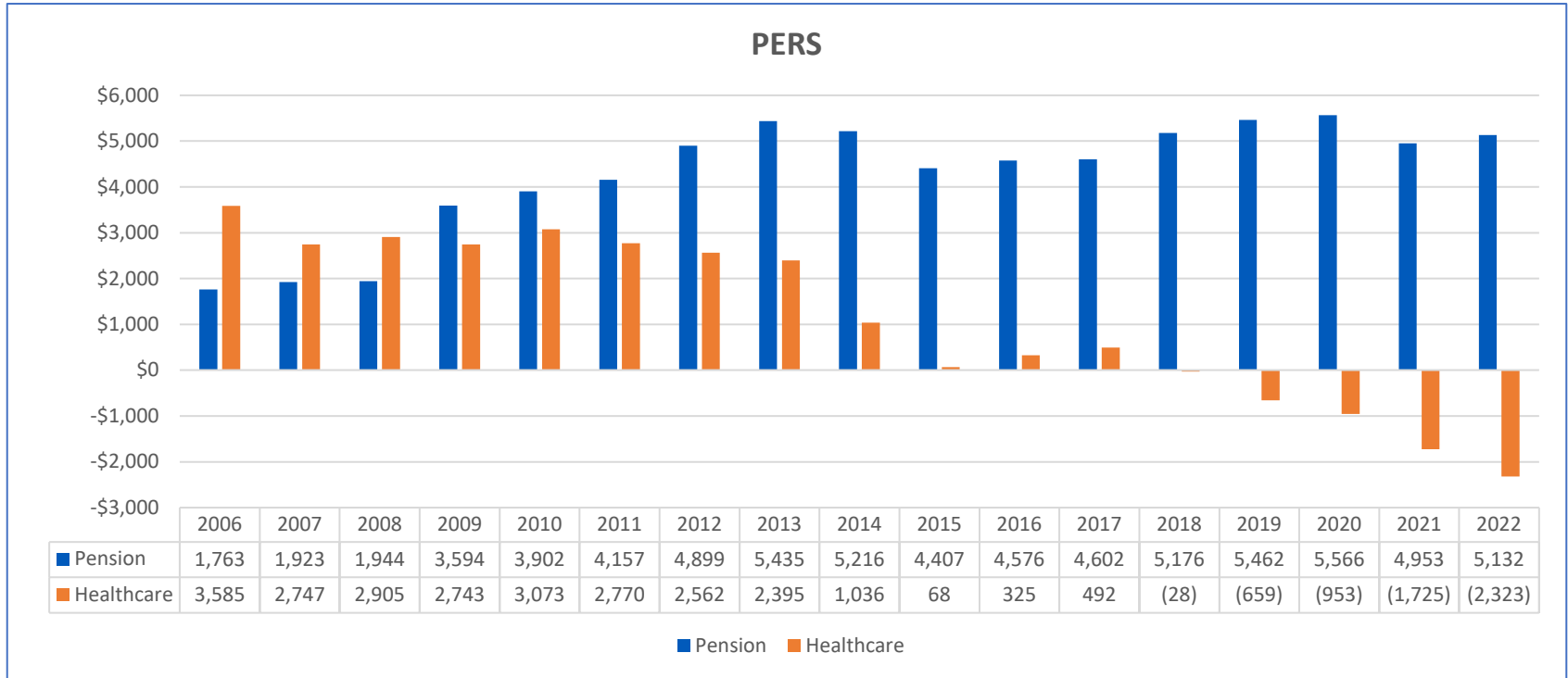
# Funded Ratio – Combined PERS/TRS

(Based on Actuarial Valuation Reports – INFORMATION ONLY)

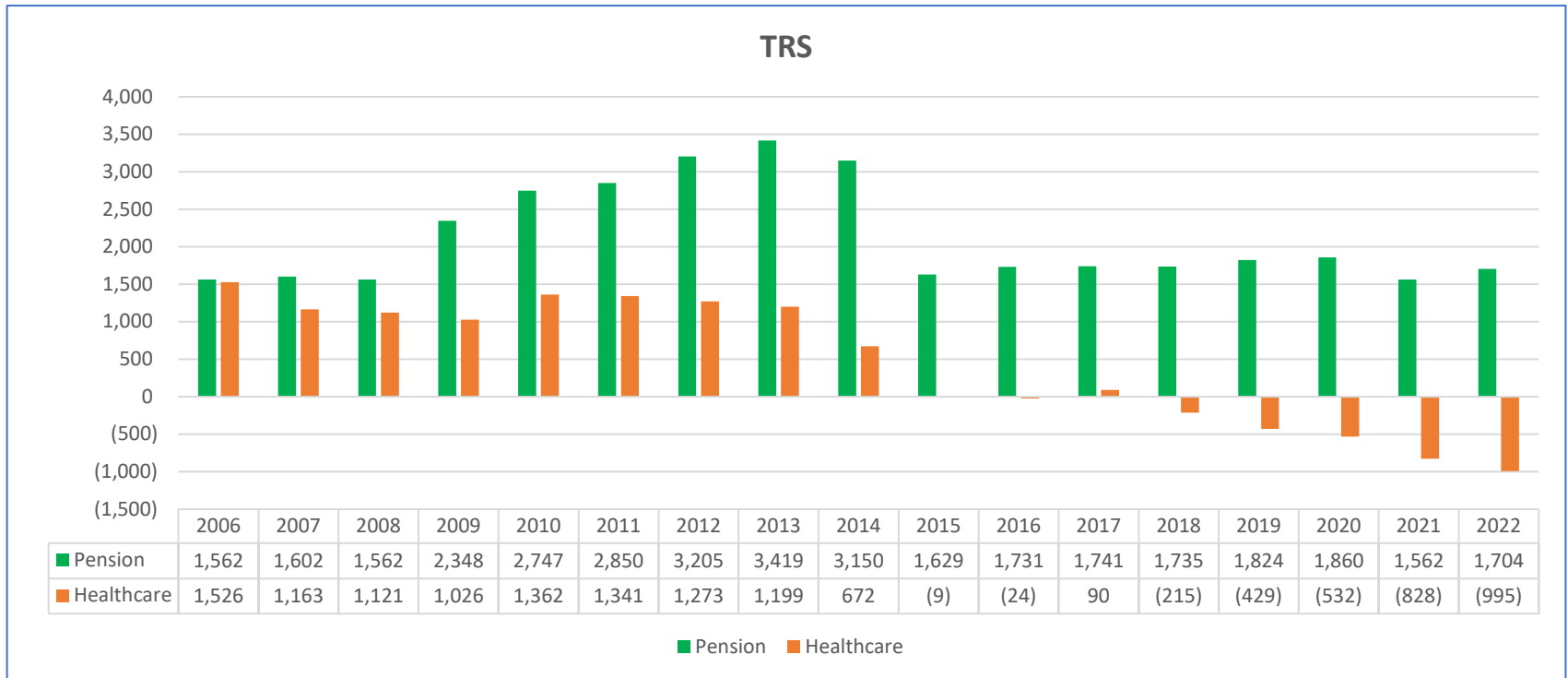


Source: Buck, Actuarial Valuation Reports as of June 30, 2022 for PERS and TRS DB

# Unfunded Actuarial Liability – PERS (in \$millions)

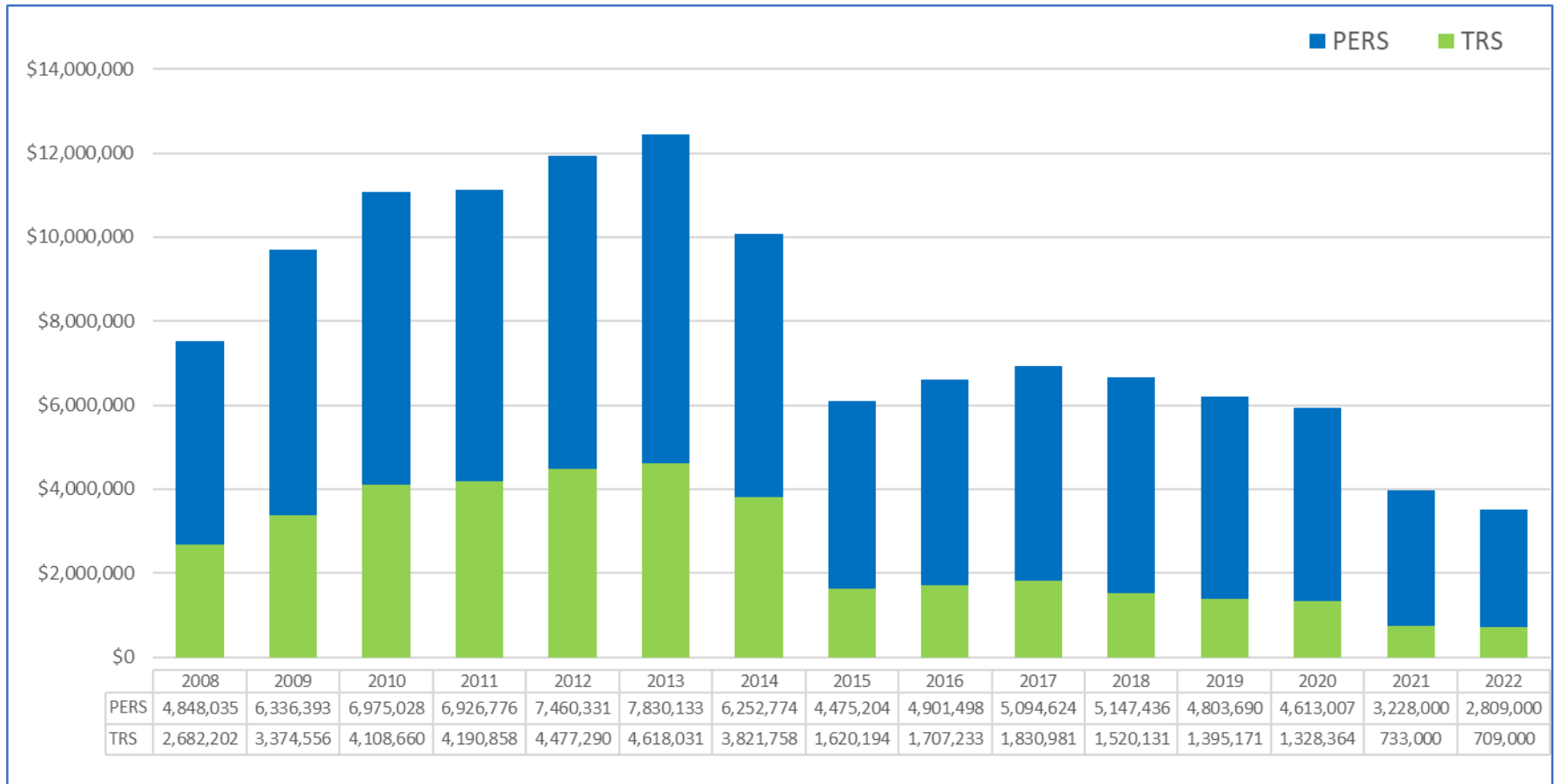


# Unfunded Actuarial Liability – TRS (in \$millions)



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

(Information only)



# **STATE OF ALASKA FUNDING & FY 2024 CONTRIBUTION RATES**



# Additional State Contributions - History

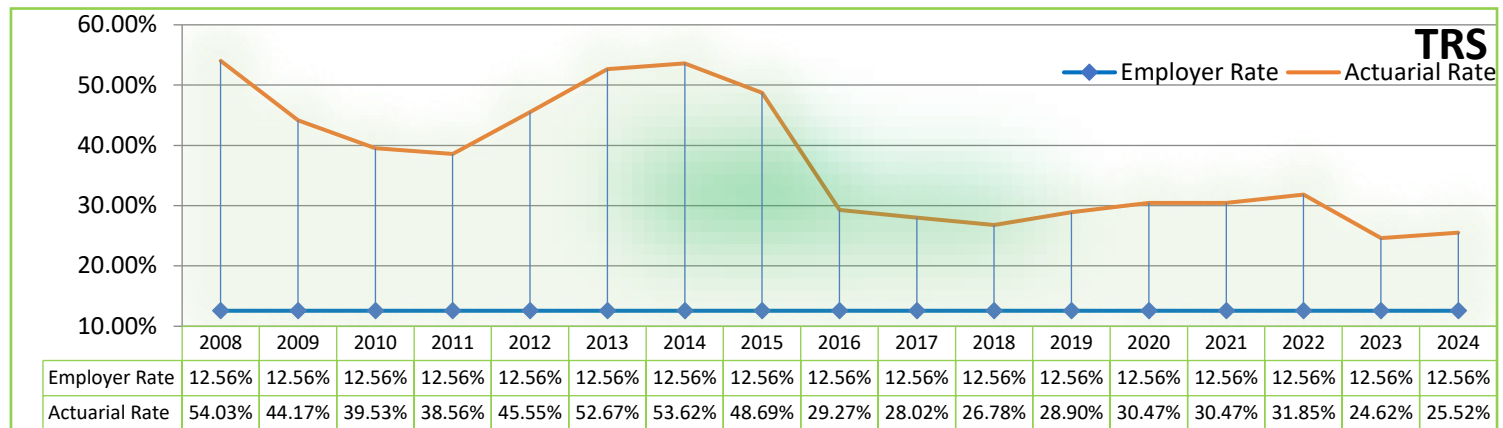
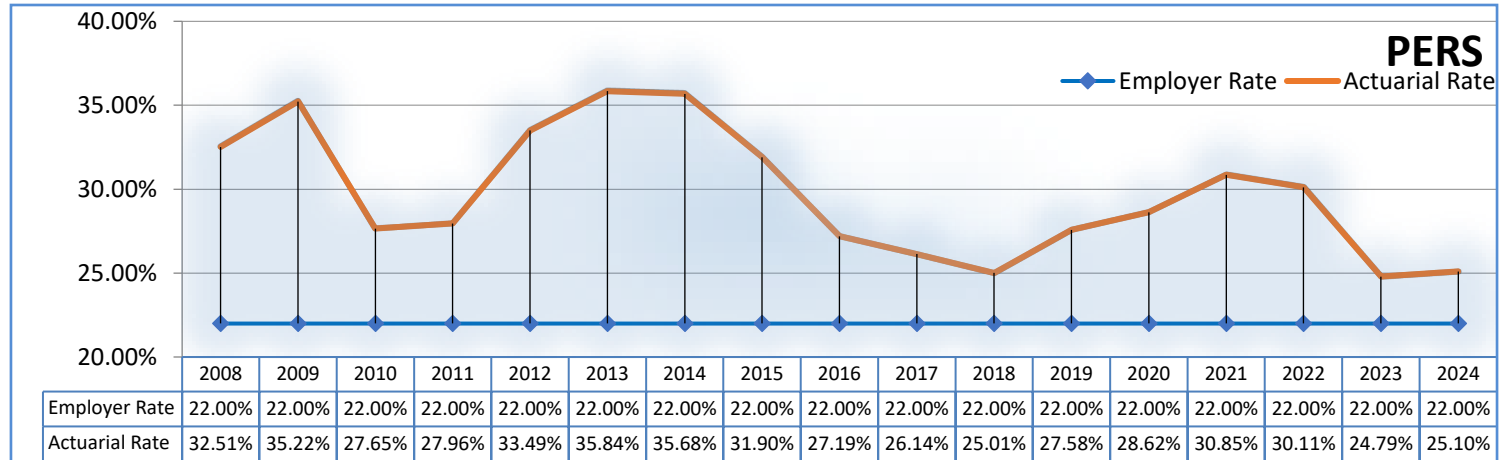
FY	Legislation	PERS	TRS	Total
2006	Chapter 3, FSSLA 05 (SB 46), Sec 59(b)	\$ 18,426,923	\$ -	\$ 18,426,923
2007	Chapter 82, SLA 06 (SB 231), Sec 60(b)	18,581,921	-	18,581,921
2008	Chapter 30, SLA 07 (SB 53), Sec 55(e)	185,000,000	269,992,300	454,992,300
	Chapter 28, SLA 07 (HB95), Sec 15(a)			
2009	Chapter 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)	72,719,000	111,757,000	184,476,000
	Chapter 17, SLA 18 (HB 286), Sec 25(a)			
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
2021	Chapter 8, SLA 20 (HB 205), Sec 41(a) & (b)	203,585,000	134,976,000	338,561,000
2022	Chapter 1, SSSLA 21 (HB 69), Sec 73(b) & (c)	97,699,500	142,665,000	240,364,500
2023	Chapter 11, SLA 22 (HB 281), Sec 80(a) & (b)	33,933,000	91,029,000	124,962,000
<b>Total:</b>		<b>\$ 3,527,685,596</b>	<b>\$ 4,691,284,621</b>	<b>\$ 8,218,970,217</b>



Source: Legislative Bills for the respective year



# Contribution Rates – History



# HealthCare Trusts Funded Level

Fiscal Year	with NC Contributed	Without NC Contributed	with NC Contributed	Without NC Contributed
	<b>PERS</b>		<b>TRS</b>	
2023	134.9%	134.9%	140.7%	140.7%
2024	136.0%	136.0%	142.0%	142.0%
2025	137.6%	137.6%	143.9%	143.9%
2026	141.0%	140.3%	147.4%	146.8%
2027	139.6%	138.3%	146.2%	144.9%
2028	142.2%	140.2%	149.0%	147.2%
2029	145.1%	142.5%	152.3%	149.8%
2030	148.3%	145.1%	155.9%	152.9%
2031	151.9%	148.0%	160.0%	156.4%
2032	155.9%	151.4%	164.6%	160.5%
2033	160.4%	155.2%	169.8%	165.1%
2034	165.4%	159.6%	175.6%	170.3%
2035	171.0%	164.6%	182.2%	176.3%
2036	177.4%	170.2%	189.7%	183.0%
2037	184.7%	176.6%	198.1%	190.7%
2038	192.9%	184.0%	207.5%	199.3%
2039	202.3%	192.4%	218.2%	209.0%

NC = Normal Cost

Source: Buck Global



# FY2024 Contribution Rates – Defined Benefit Plans

Defined Benefit 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>	6.75% 7.50% 9.60%	8.65%
Employer (Rates capped by Alaska statute)	22.00%	12.56%
Additional State Contribution (for non-State employers)	3.10%	12.96%
<b>Total Required Contributions for the Fiscal Year *</b>	<b>25.10%</b>	<b>25.52%</b>

\* The total contribution rates for PERS and TRS include the DCR contribution rates.



Source: Buck, September 1, 2022, letter as of June 30, 2022, roll-forward for PERS and TRS DB and DCR and 2021 DCR valuations

# FY2024 Contribution Rates – Defined Contribution Plans

Defined Contribution Plans	PERS	TRS
Employee (to Investment Account)	8.00%	8.00%
Employer		
Investment Account	5.00%	7.00%
Health Care (Retiree Major Medical Plan)	1.01%	0.82%
Occupational Death & Disability		
• All Others	0.30%	0.08%
• Peace Officer/Firefighter	0.68%	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, September 1, 2022, letter as of June 30, 2022, roll-forward for PERS and TRS DB and DCR and 2021 DCR valuations

# RECENT LEGISLATION



# Senate Bill 88

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## Shared Risk Retirement Plan

- Assist in Alaska's recruitment and retention issues
- Ensure quality public servants fill the ranks of public service agencies



# Senate Bill 88

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## Bill structure

- Builds on best practices of other states
- Shares risk between employees, employers, and retirees
- Ensures system will remain solvent



# Senate Bill 88

## Bill structure

- Employee contribution would be adjustable
- PERS and TRS members would vest with 5 years
- Final average salary = 5 consecutive years for PERS; 5 highest years for TRS
- No COLA
- May provide for PRPA, but limited to funded level





# Senate Bill 88

## Bill Analysis by Buck (May 11, 2023 letter)

- Impact to additional state contributions from FY 2025 – 2039
  - PERS – increase of \$479.7M
  - TRS – increase of \$37.5M
  - Total increase of \$517.2M
- Impact to State of Alaska as an employer from FY 2025 – 2039
  - PERS – increase of \$701.1M



# Senate Bill 88

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Senate is working with their actuary on the bill analysis (Cheiron).

DRB is providing information needed by Senate actuary to perform their analysis (Buck).

Senate and DRB actuaries meeting later to work through differences.



# Fiscal notes affecting retirement systems

AS 24.08.036 – Fiscal notes on bills affecting state retirement systems.

Before a bill which would have an effect on the retirement systems of the state is reported to the rules committee, there shall be attached to the bill an analysis of the long-term and short-term costs to the state if the bill is adopted, as well as the impact of the bill on the actuarial soundness of the fund.



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



For more information, send your questions to Kevin Worley at  
[Kevin.Worley@alaska.gov](mailto:Kevin.Worley@alaska.gov)