



State of Alaska Department of Revenue ARMB Budget Overview

A Presentation to the Revenue Finance Subcommittee
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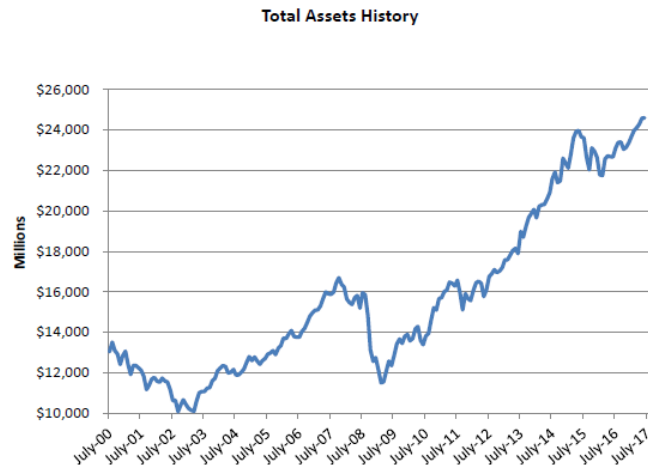
Alaska Retirement Management Board

The Mission of the Alaska Retirement Management Board is to manage the state's retirement and benefit plan funds.

- ARMB is the fiduciary of the investment funds under:
 - Public Employee's Retirement System (PERS)
 - Teachers' Retirement System (TRS)
 - Judicial Retirement System (JRS)
 - National Guard/Naval Militia Retirement System (NGMRS)
 - Alaska Supplemental Annuity Plan (SBS)
 - Alaska Deferred Compensation Plan (DC)

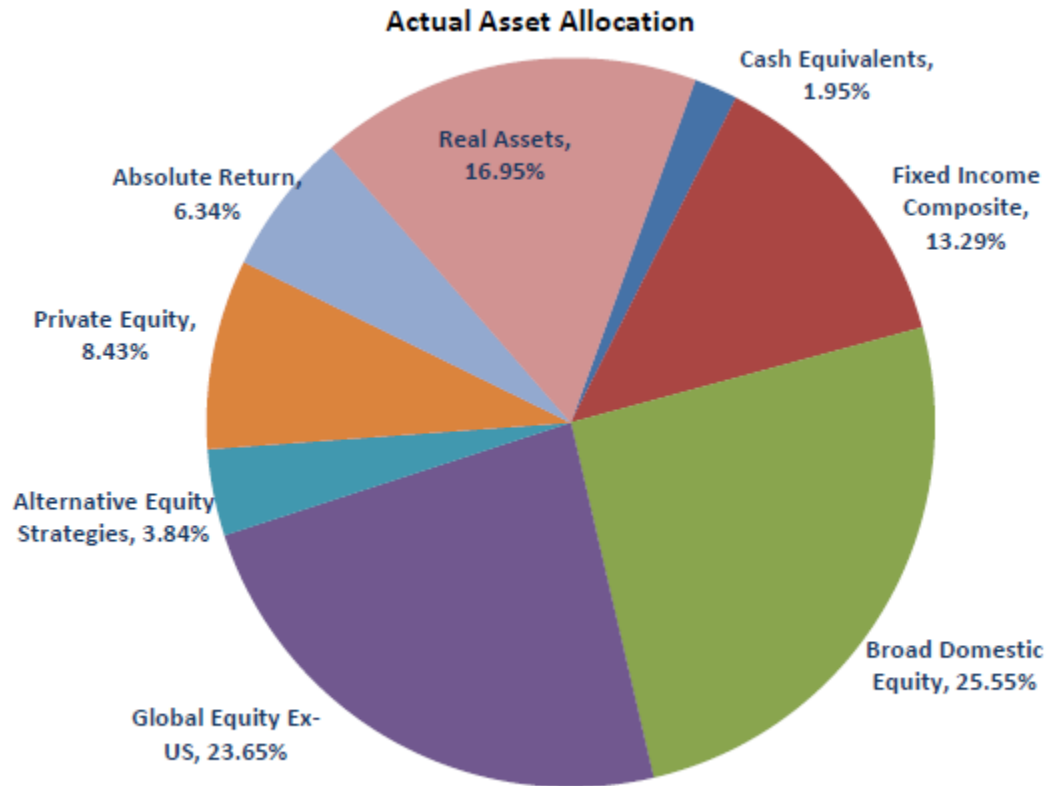
ARMB-Facts & Figures

- Treasury provides staff to the ARMB and manages its investments.
- 14 defined benefit funds managed in a pooled environment (\$26.4B at 12/31/17).
- 4 participant directed plans overseen (\$6.2B at 12/31/17).
 - 2 defined contribution plans, 1 supplemental annuity plan and 1 deferred compensation plan.
- FY07-FY17 defined benefit plan assets grew 58% from \$15.9B to \$25B.



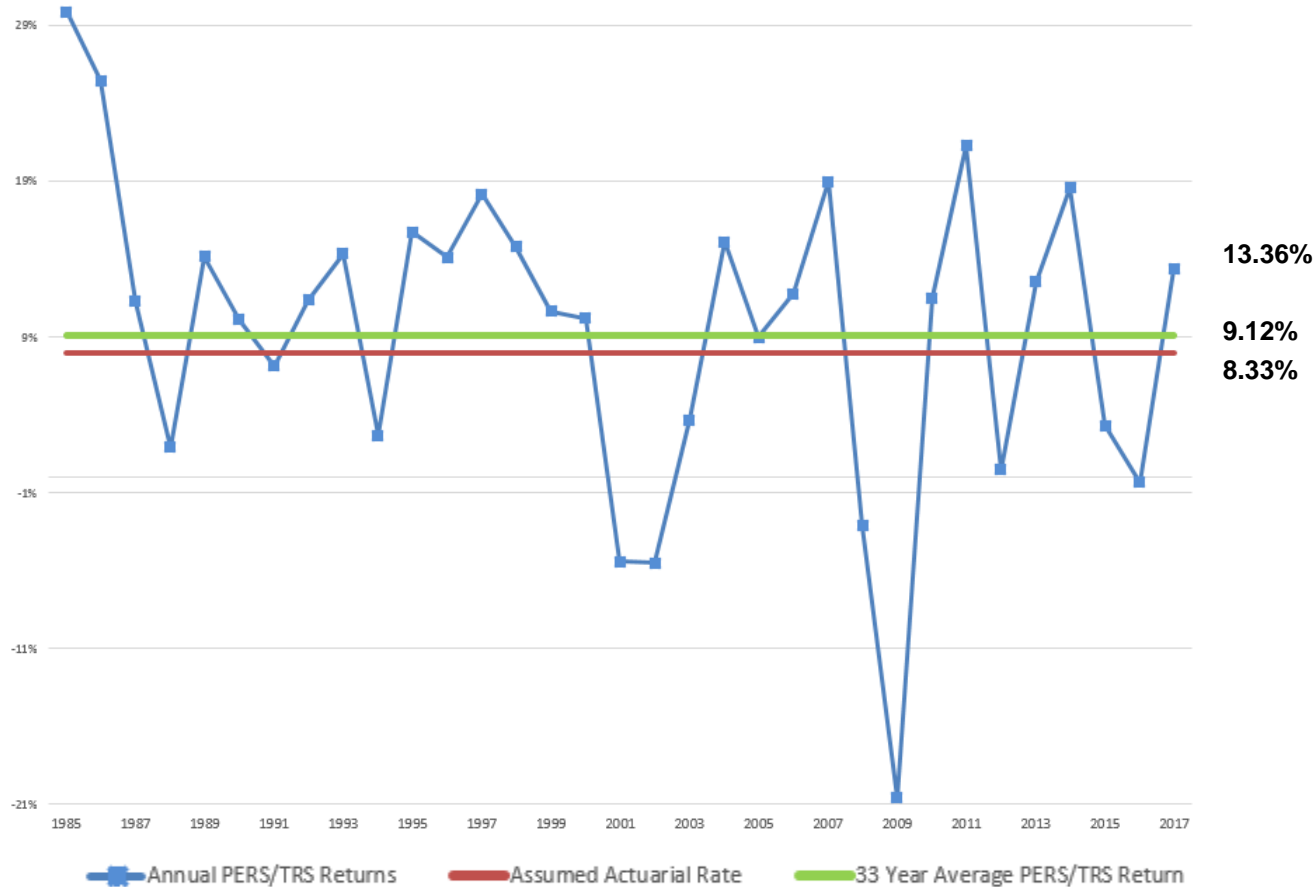
ARMB-Facts & Figures

June 30, 2017 Total Defined Benefit Assets:



ARMB-Facts & Figures

- Although returns have been volatile, the 33 year average PRS/TRS return of 9.12% surpassed the assumed 33 year average actuarial rate of return of 8.33%.



ARMB-Recent Challenges

- Lower trending returns.
- Higher costs to diversifying through external managers.
- Staff retention and hiring.
- Identifying appropriate new asset mandates.

ARMB-Overcoming Challenges

- Increased internal management of ARMB assets:
 - \$9B of \$26.4B ARMB assets (34%) are managed internally, saving \$19.2 million annually in fees.
 - Benefits of adding in house management capacity include:
 - Offsets external management fees, resulting in better returns on assets.
 - Increased staff experience and knowledge.
 - Keeps value in Alaska.
 - Additional capacity for internal management exists.
- Reorganizing investment staff roles to align with vision:
 - Existing staff receive more challenging roles and responsibilities as internal mandates grow.
 - Operations streamlined to achieve efficiencies to manage increase in internal investment management.
 - Cross functional investment teams created to improve net-of-fee risk adjusted performance through the analysis of risk, asset allocation, manager selection, and information flows.
- Recruitment
 - Filled Chief Investment Officer position internally - May 2017.
 - Instituted Summer Internships program resulting in 1 full time hire.
 - Currently 2 positions vacant.
 - National reach has resulted in 3 out-of-state experienced hires.
- Assets continued to be diversified to reduce risk:
 - Identify investments that can add value with reduced costs and risks.

ARMB FY18 Budget

- FY19 ARMB budget unchanged from FY18 Management Plan:
 - ARMB Custody and Management component \$50.0 M.
 - ARMB Operating Component \$10.0 M

ARMB

- ▶ Home
- ▶ Board of Trustees
- ▶ Investment Advisory Council
- ▶ Meetings and Minutes
- ▶ Reports and Policies
- ▶ Contact Us
- ▶ Contribution Rates
- ▶ Asset Allocation

Revenue Links

- ▶ Commissioner
- ▶ Treasury Division
- ▶ Alaska Retirement Management Board
- ▶ Alaska Municipal Bond Bank Authority
- ▶ Alaska Permanent Fund Corporation
- ▶ Permanent Fund Dividend Division
- ▶ Tax Division
- ▶ Child Support Services Division
- ▶ Criminal Investigations Unit
- ▶ Alaska Housing Finance Corporation
- ▶ Alaska Mental Health Trust Authority

Alaska Retirement Management Board

The Alaska Retirement Management Board assumed fiduciary responsibility for the assets of the state's retirement systems as of October 1, 2005.

The board consists of nine trustees and is staffed by the Department of Revenue - Treasury Division. The board appoints an [Investment Advisory Council \(IAC\)](#) composed of three members who possess experience and expertise in financial investments and management of investment portfolios. ARMB also contracts with an external consulting firm for assistance with asset allocation, strategy, performance measurement, general consulting purposes and with a consulting firm for assistance with investing the real estate portfolio.

For information about specific plans and benefits, visit the [Division of Retirement and Benefits website](#).

Announcements

- **ARMB Nomination Process: Two Member Seats Up for Appointment on March 1, 2018**
- **ARMB - Actuarial Committee Meeting** (TBD) - Monday, 02/12/17 (Teleconference)
- **ARMB - Audit Committee Meeting** (TBD) - Wednesday, 03/28/18
- **ARMB - Actuarial Committee Meeting** (TBD) - Wednesday, 03/28/18
- **ARMB - Defined Contribution Plan Committee Meeting** (TBD) - Wednesday, 03/28/18
- **ARMB - Board of Trustees Meeting** (TBD) - Thursday-Friday, 03/29-30/18

Soon click links above for agendas and teleconference information.

Market Value as of December 31, 2017

- Public Employees' Retirement System: \$18,512,546,369
- Teachers' Retirement System: \$9,024,042,236
- Judicial Retirement System: \$208,629,872
- National Guard/Naval Militia Retirement System: \$40,256,952
- Alaska Supplemental Annuity Plan: \$3,902,441,917
- Alaska Deferred Compensation Plan: \$931,946,527

**For more information,
check out our
website:**

<http://treasury.dor.alaska.gov/armb/>

THANK YOU

Please find our contact information below:

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