

# **Public Employee Retirement System (PERS) Teachers Retirement System (TRS) UPDATE**

**Presentation to Senate Finance**  
Department of Administration  
Department of Revenue  
February 22, 2012





# PERS / TRS Update

- I. Basic Facts**
- II. Investments**
- III. SB 125 State Assistance**
- IV. ARM Board Work Re Unfunded Liability**

# PERS / TRS



## I. Basic Facts



# PERS / TRS

## Basic Facts

- A. Membership
- B. Organization
- C. Balance Sheet
- D. Health Cost Trends
- E. Funding Ratio History
- F. Employer Contribution Rates



# PERS / TRS

## Basic Facts – Membership - PERS

### **PERS:**

160 Member Employers

3 Defined Benefit (DB) Tiers

26,237 retirees

6,253 terminated members entitled to future benefits

26,442 actives (70.3%)

58,932 total members

1 Defined Contribution (DC) Tier

0 retirees

554 terminated members entitled to future benefits

11,182 actives (29.7%)

11,736 total members

Source: FY 2011 PERS CAFR





# PERS / TRS

## Basic Facts – Membership - TRS

### TRS:

58 Member Employers

2 Defined Benefit (DB) Tiers

10,598 retirees

840 terminated members entitled to future benefits

7,832 actives (74.1%)

19,270 total members

1 Defined Contribution (DC) Tier

0 retirees

502 terminated members entitled to future benefits

2,738 actives (25.9%)

3,240 total members

Source: FY 2011 TRS CAFR



# PERS / TRS

## Basic Facts – Organization





# PERS / TRS

## Basic Facts – Balance Sheet

### PERS DB:

Assets (actuarial value, 6/30/11)	\$11,813,774,000
Accrued Liabilities (6/30/11)	<u>18,740,550,000</u>
Unfunded Liability	\$ 6,926,776,000
Funding Ratio	63.0%

### TRS DB:

Assets (actuarial value, 6/30/11)	\$4,937,937,000
Accrued Liabilities (6/30/11)	<u>9,128,795,000</u>
Unfunded Liability	\$4,190,858,000
Funding Ratio	54.1%

Source: Buck Consultants





# PERS / TRS

## Basic Facts – Health Cost Trends

Time Period	Monthly Premium Per Retiree For Health Coverage	Annual Percentage Change	Average Compound Annual Increase Since FY78
2/1/77-1/31/78	\$ 57.64	66%	- -
2/1/78-1/31/79	69.10	20%	20%
2/1/79-1/31/80	64.70	-6%	6%
2/1/80-1/31/81	96.34	49%	19%
2/1/81-1/31/82	96.34	0%	14%
2/1/82-1/31/83	115.61	20%	15%
2/1/83-1/31/84	156.07	35%	18%
2/1/84-1/31/85	191.85	23%	19%
2/1/85-1/31/86	168.25	-12%	14%
2/1/86-1/31/87	165.00	-2%	12%
2/1/87-1/31/88	140.25	-15%	9%
2/1/88-1/31/89	211.22	51%	13%
2/1/89-1/31/90	252.83	20%	13%
2/1/90-1/31/91	243.98	-4%	12%
2/1/91-1/31/92	243.98	0%	11%
2/1/92-1/31/93	226.90	-7%	10%
2/1/93-1/31/94	309.72	37%	11%
2/1/94-1/31/95	336.05	9%	11%
2/1/95-1/31/96	350.50	4%	11%
2/1/96-1/31/97	350.50	0%	10%
2/1/97-1/31/98	368.00	5%	10%
2/1/98-12/31/98	368.00	0%	9%
1/1/99-12/31/99	442.00	20%	10%
1/1/00-12/31/00	530.00	20%	10%
1/1/01-12/31/01	610.00	15%	10%
1/1/02-12/31/02	668.00	10%	10%
1/1/03-12/31/03	720.00	8%	10%
1/1/04-12/31/04	806.00	12%	10%
1/1/05-12/31/05	850.00	5%	10%
1/1/06-12/31/06	876.00	3%	10%
1/1/07-12/31/07	876.00	0%	10%
1/1/08-12/31/08	876.00	0%	9%
1/1/09-12/31/09	937.00	7%	9%
1/1/10-12/31/10	1,068.00	14%	9%
1/1/11-12/31/11	1,176.00	10%	9%
1/1/12-12/31/12	1,200.00	2%	9%

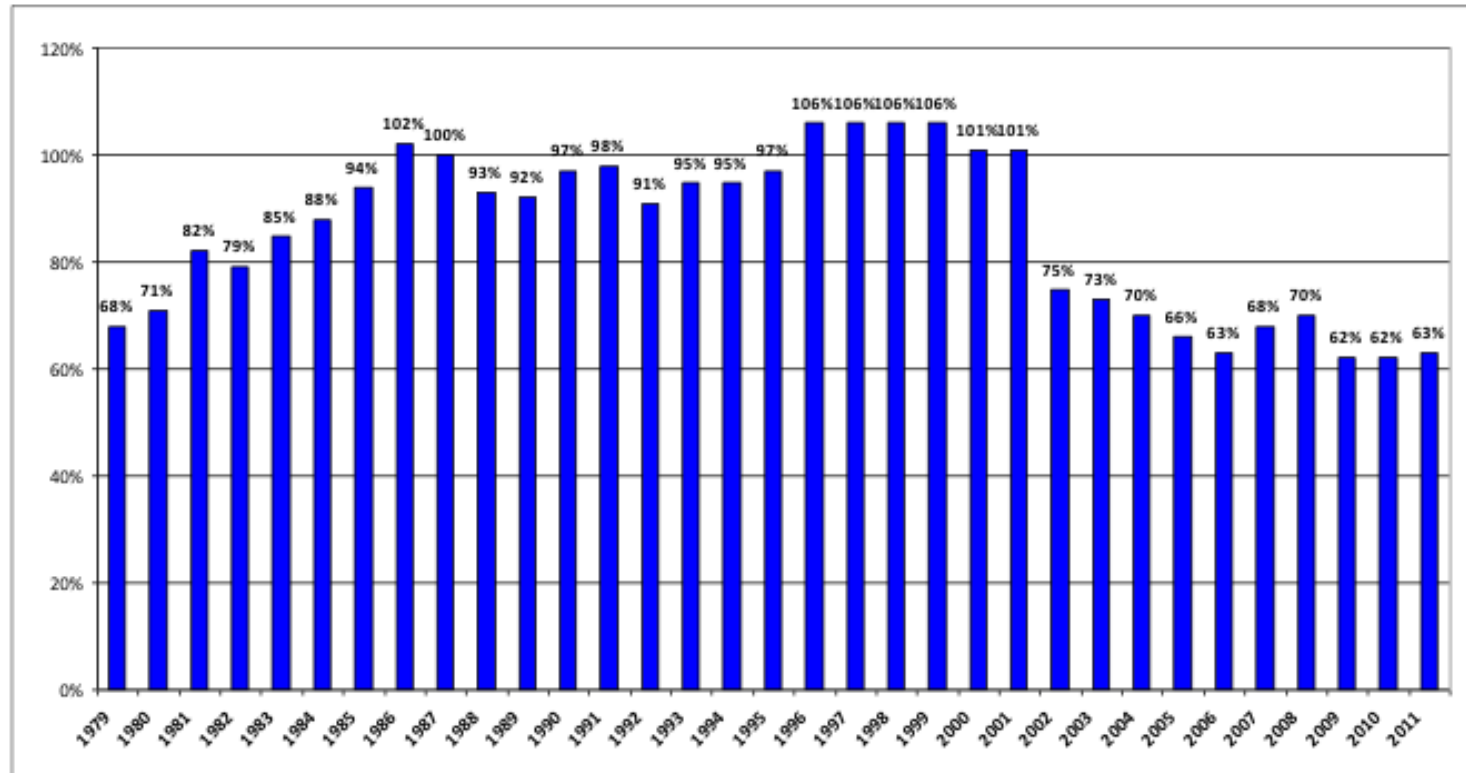
Source: Buck Consultants



# PERS / TRS

## Basic Facts – Funding Ratio History – PERS

*(Based on Valuation Assets)*

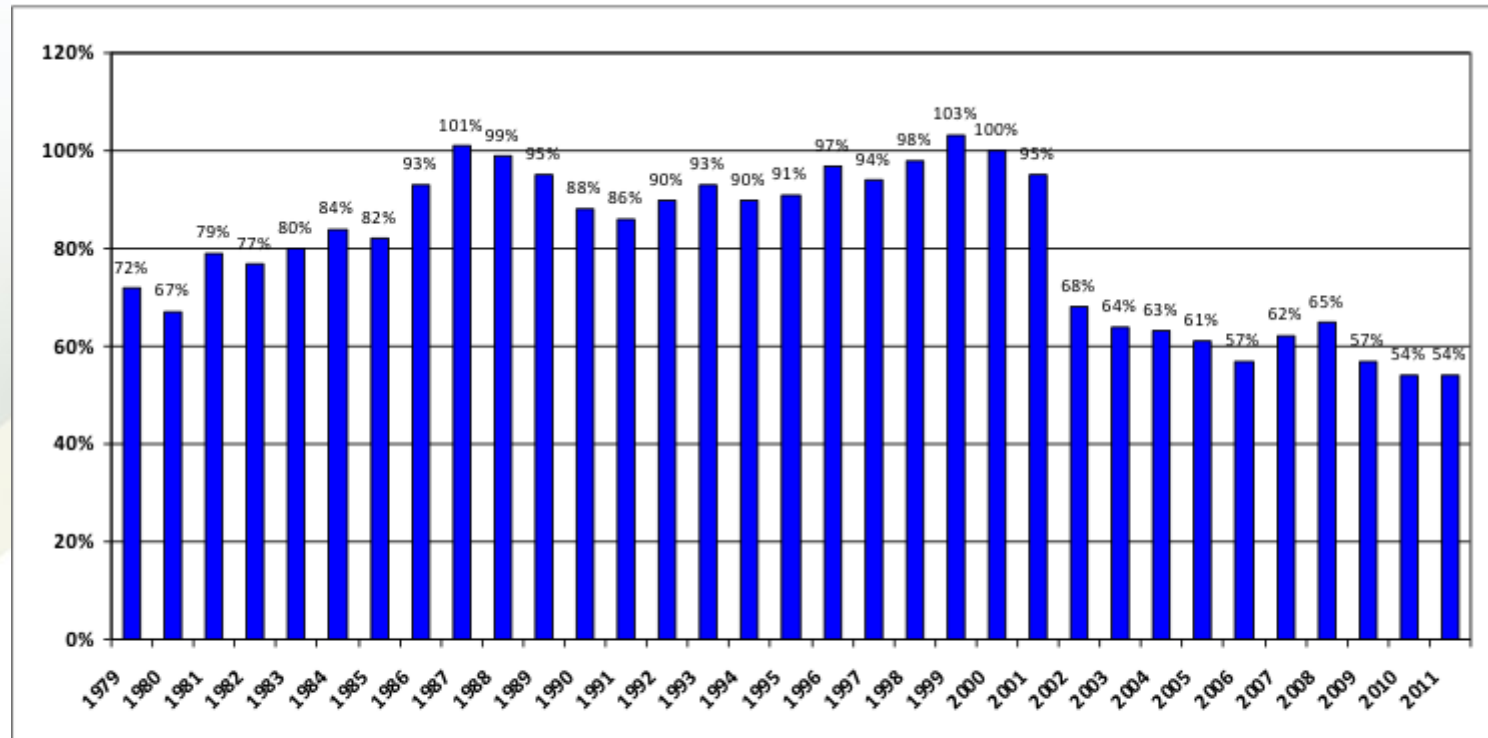




# PERS / TRS

## Basic Facts – Funding Ratio History – TRS

*(Based on Valuation Assets)*





# PERS / TRS

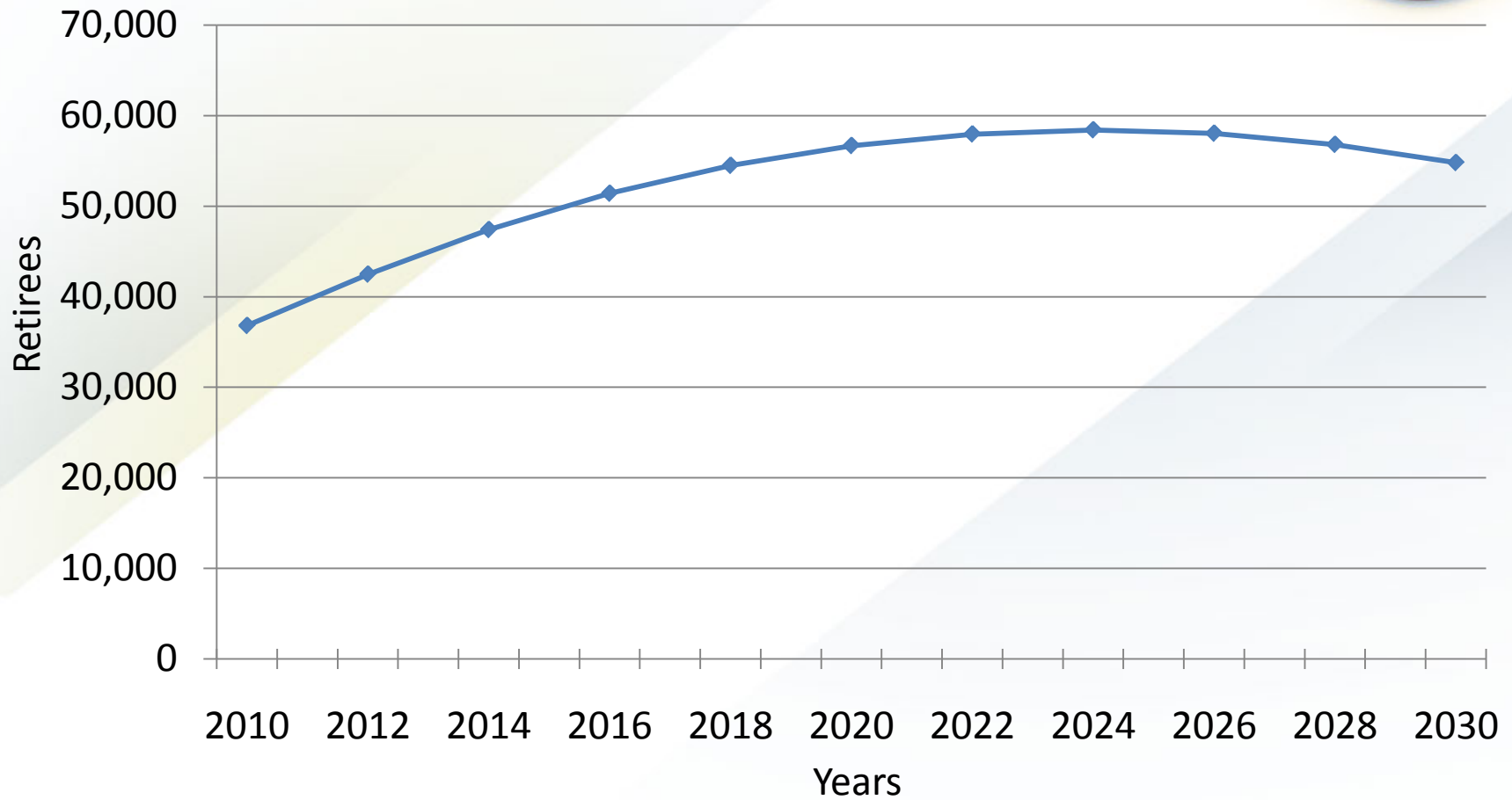
## Basic Facts – Contribution Rates



SB 125 capped PERS employer contribution rates at 22% and TRS employer contribution rates at 12.56% beginning in FY 2009.



# Projected Retirement Population Growth



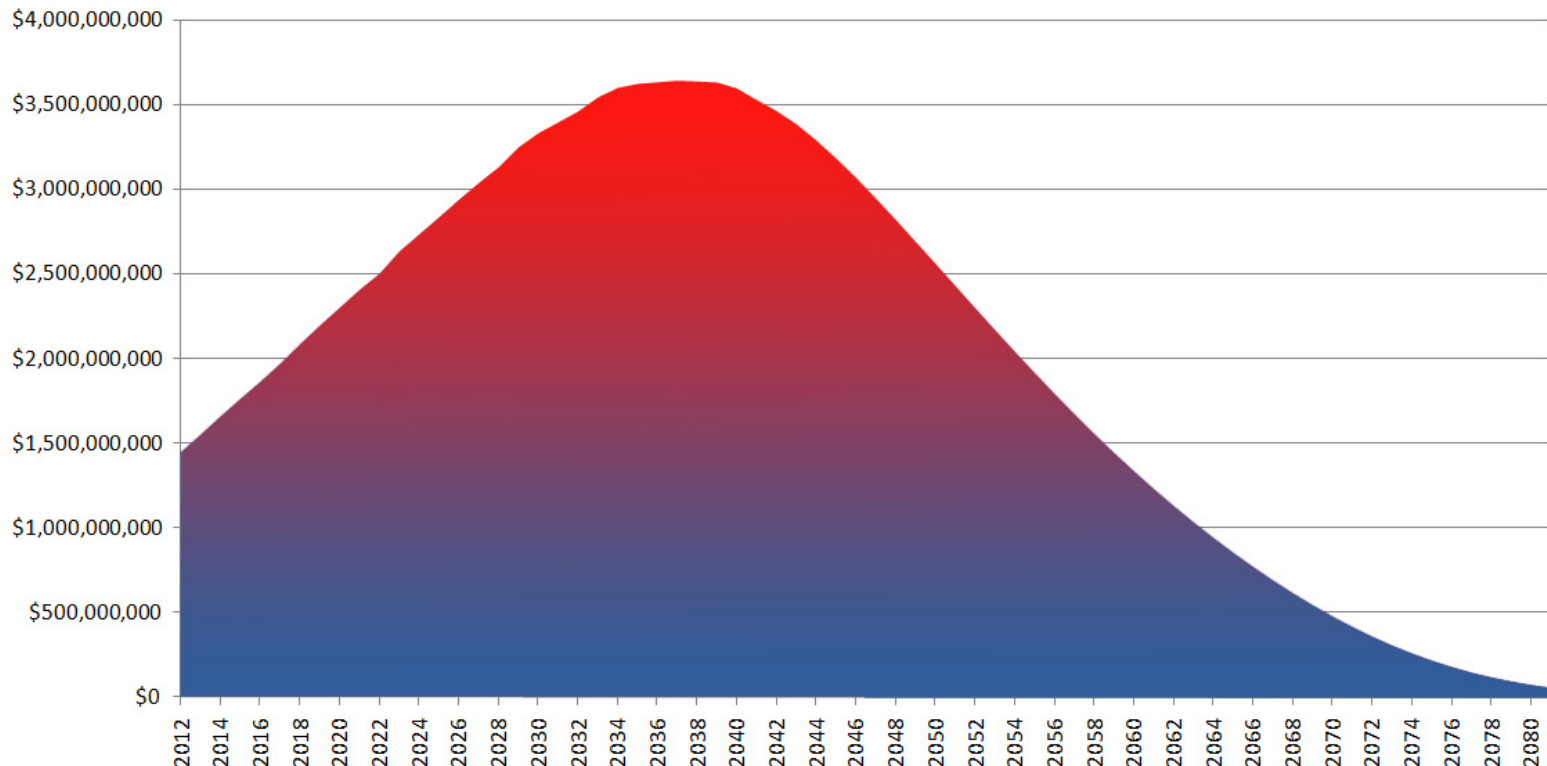




# Big Picture Budget Issues

## PERS and TRS promises made

**Pay \$141 billion** in benefits payments over next 70 years



Current PERS/TRS account balance: **\$15.4 billion**

Unfunded Liability: **\$11.1 billion**



## II. Investments



# PERS / TRS

## Investments – ARMB Assets Under Management

<b>Public Employees' Retirement System (PERS)</b>	<b>\$11,151,649,032</b>
Retirement Trust	5,917,565,533
Retirement Health Care Trust	4,955,522,364
Defined Contribution Retirement Plan - PERS	196,812,142
Health Reimbursement Arrangement	60,926,595
Retiree Medical Plan	13,150,689
Occupational Death and Disability - PERS	5,564,236
Occupational Death and Disability - Police & Fire	2,107,473
<b>Teachers' Retirement System (TRS)</b>	<b>\$4,658,169,352</b>
Retirement Trust	2,963,021,793
Retirement Health Care Trust	1,582,214,904
Defined Contribution Retirement Plan - TRS	85,559,937
Health Reimbursement Arrangement	19,503,399
Retiree Medical Plan	5,685,067
Occupational Death and Disability	2,184,252
<b>Judicial Retirement System (JRS)</b>	<b>\$123,485,239</b>
Defined Benefit Plan Retirement Trust	103,962,599
Defined Benefit Retirement Health Care Trust	19,522,640
<b>National Guard/Naval Militia Retirement System (MRS)</b>	<b>\$32,214,362</b>
<b>Supplemental Annuity Plan - SBS</b>	<b>\$2,527,247,292</b>
<b>Deferred Compensation Plan</b>	<b>\$585,232,928</b>

As of  
12/31/2011, the  
ARMB managed  
\$19 billion across 18  
plans:

Source: ARMB Financial Report as of  
December 31, 2011

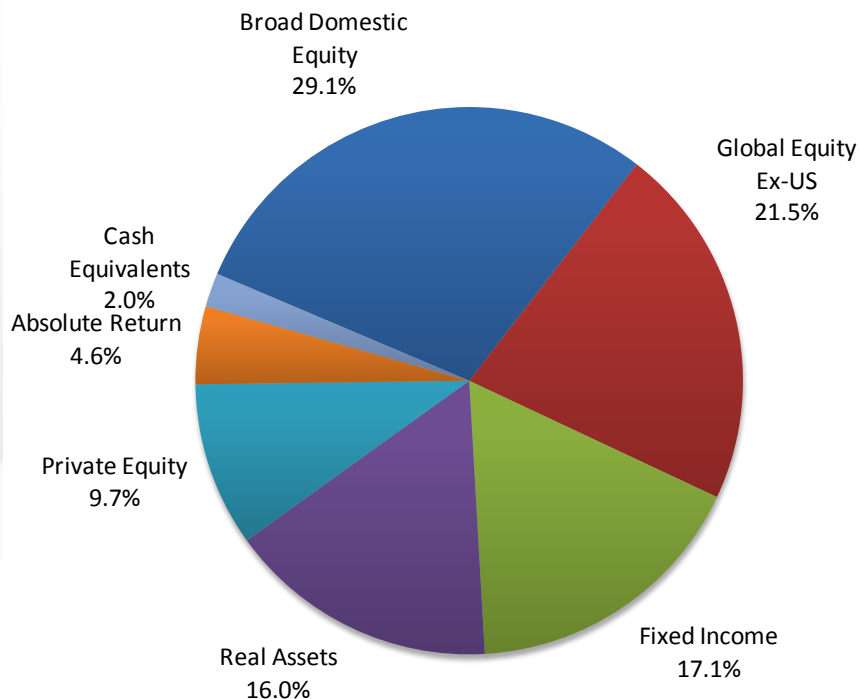


# PERS / TRS

## Investments – Asset Allocation

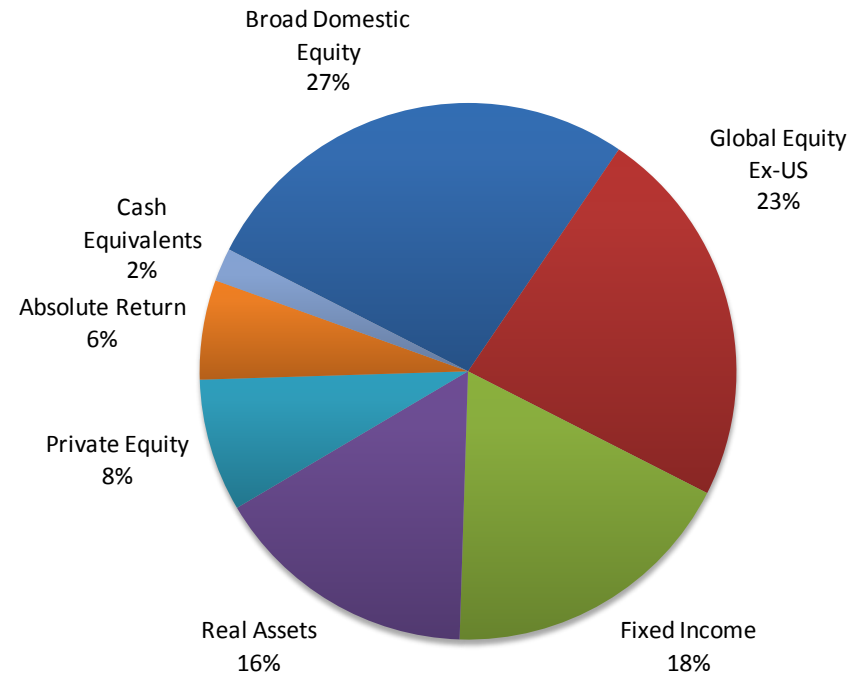
### Actual Asset Allocation

December 31, 2011



### Target Asset Allocation

December 31, 2011



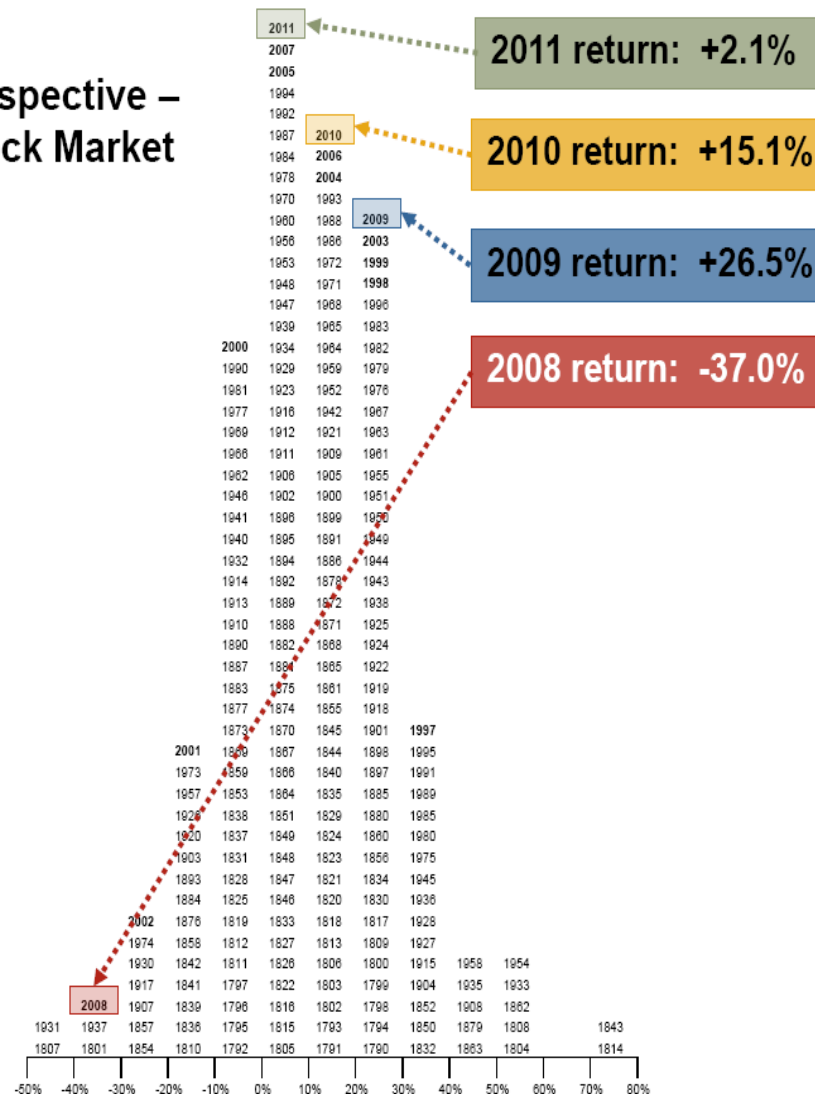
Source: ARMB Financial Report as of December 31, 2011. PERS asset allocation as of 12/31/2011. The TRS target is the same as PERS and the TRS actual is similar to PERS.



## PERS / TRS

## Investments – US Stock Market Historical Returns

## 2011 Performance Perspective – History of the U.S. Stock Market *224 Years of Returns*



Source: Callan Associates





# PERS / TRS Annualized Returns

Annualized Returns through 6/30/2011	PERS	TRS	Average
1 Year	21.18%	21.36%	21.27%
3 Year	2.36%	2.41%	2.39%
5 Year	4.32%	4.36%	4.34%
10 Year	5.43%	5.46%	5.44%

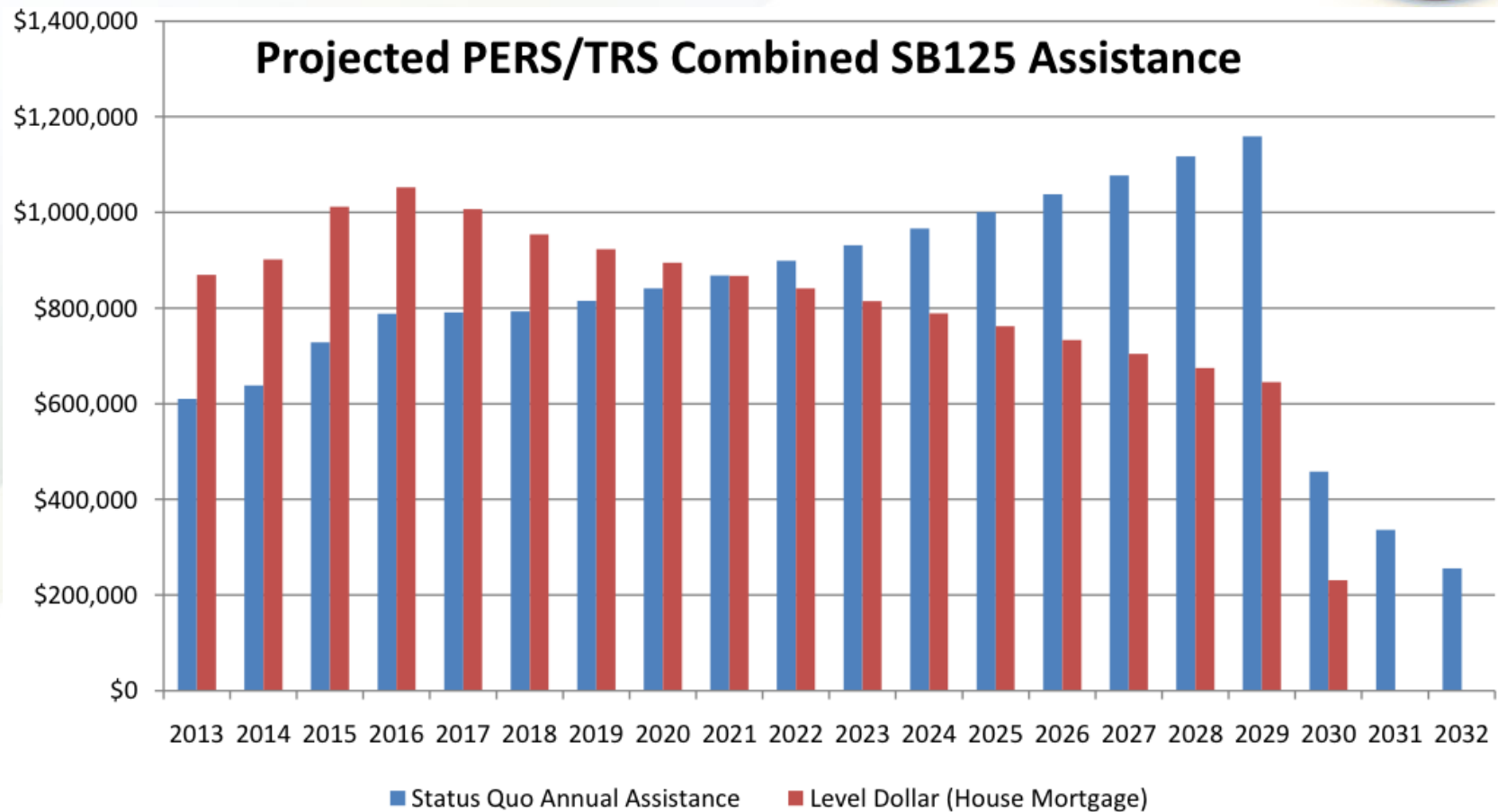
Source: Callan Associates



### **III. SB 125 State Assistance**



## State assistance (SB 125)





## **IV. ARM Board Work Re Unfunded Liability**



# ARM Board Unfunded Liability Scenarios

- **40+ scenarios**
- **Adjusting 5 different levers**
  - Amortization methodology
  - Amortization term
  - Cash infusion
  - Continuation of state assistance
  - Additional municipal participation
- **Measured results**
  - Total payoff amount
  - Date of payoff
  - Amount of state participation
  - Amount of municipal participation
  - Near-term burden on the General Fund





**Thank you!**

**[www.alaska.gov](http://www.alaska.gov) for more information.**

**Mike Barnhill**

**Angela Rodell**

**Questions?**