



State of Alaska Department of Revenue ARMB Budget Overview

A Presentation to the Revenue Finance Subcommittee

February 3, 2016

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Alaska Department of Revenue



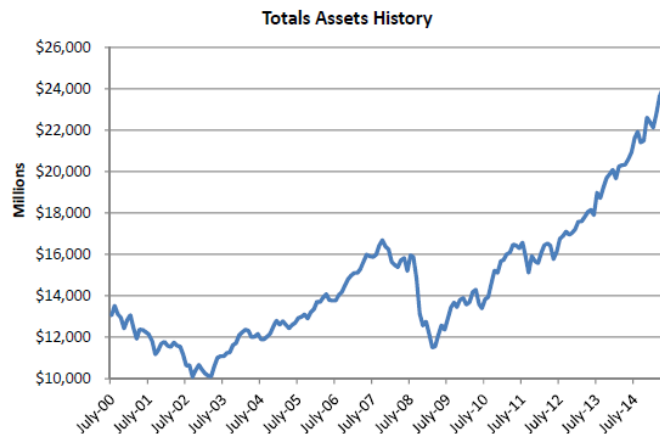
Alaska Retirement Management Board

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)

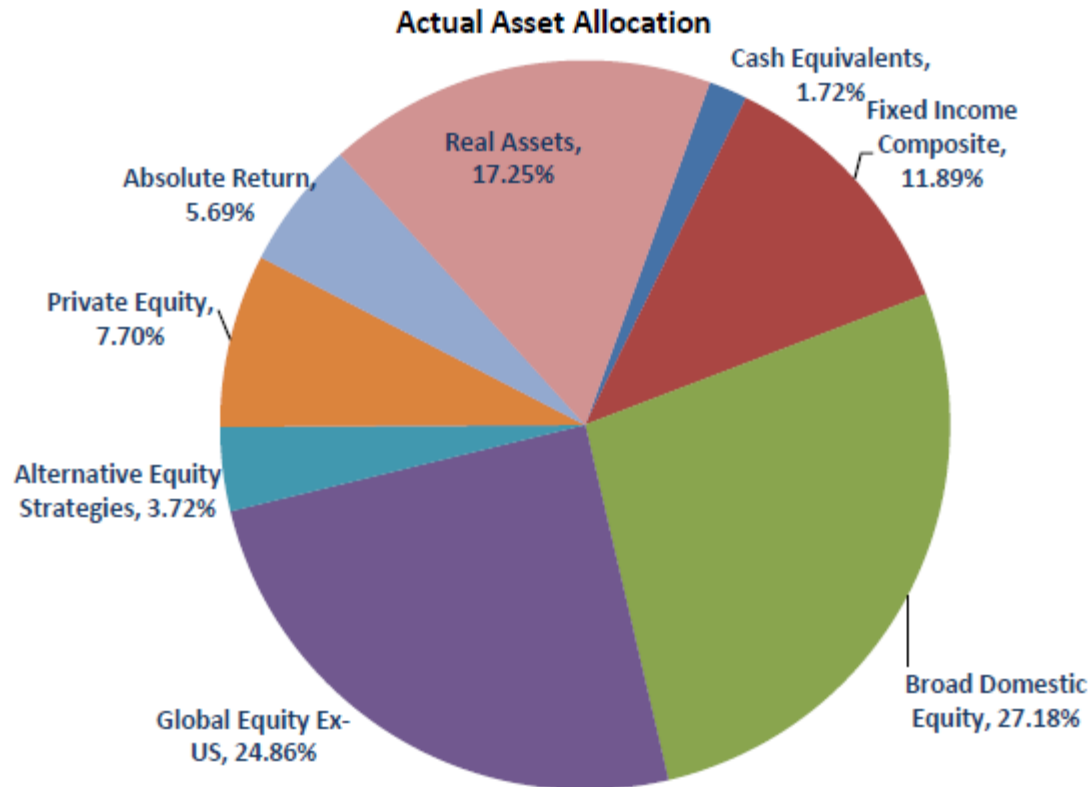
ARMB-Facts & Figures

- Treasury provides staff to the ARMB and manages its investments
- 14 defined benefit funds managed in a pooled environment (\$23B at 12/31/15)
- 4 participant directed plans overseen (\$5B at 12/31/15).
 - 2 defined contribution plans, 1 supplemental annuity plan and 1 deferred compensation plan
- FY05-FY15 defined benefit plan assets grew 90% from \$12.7B to \$24B



ARMB-Facts & Figures

➤ June 30, 2015 Total Defined Benefit Assets



Major ARMB Accomplishments in FY2015

- Public Employees and Teachers Retirement Plans returned 3.29% in FY15
- Although the 1-year was below the actuarial target of 8%, the 3-year and 5-year returns were above, at 11.29% and 10.93%, respectively

ARMB Long Term Returns - Through 6/30/2015

Annualized Returns	PERS	TRS	Average
31 Year	9.13%	9.49%	9.31%
30 Year	8.69%	8.69%	8.69%
25 Year	7.95%	7.99%	7.97%
20 Year	7.41%	7.47%	7.44%
15 Year	5.47%	5.49%	5.48%
10 Year	6.69%	6.73%	6.71%
5 Year	10.89%	10.96%	10.93%
3 Year	11.27%	11.30%	11.29%
1 Year	3.29%	3.30%	3.29%

- Returns for all defined benefit retirement funds exceeded the 1-year, 3-year and 5-year return benchmark targets
- Assets continued to be diversified to reduce risk by adding 15 new investment mandates and divesting 2
- Treasury has strengthened its investment capabilities:
 - Longevity of investment staff increased to 8.7 years
 - Holders of the CFA designation increased from 5 in FY10 to 9 in FY15

ARMB-Recent Challenges

Challenges:

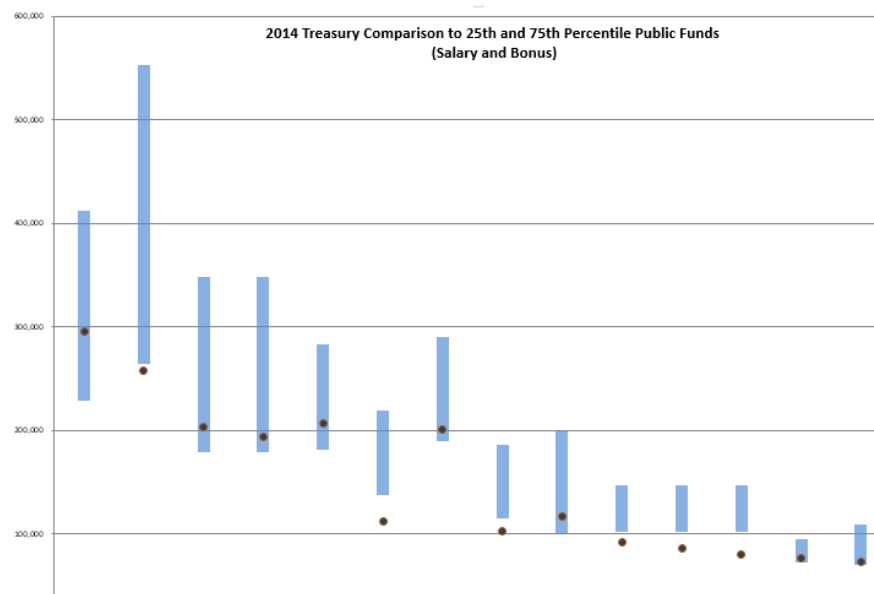
- Declining and Volatile Markets
- Increasing Interest Rates
- Staff Retention and Hiring
- Identifying appropriate new asset mandates

ARMB-Overcoming Challenges

- Greater in-house management of assets- \$2.8B or 12% of AUM at 12/31/15
 - Requires additional staff which increases ARMB Budget
 - Offsets management fees, resulting in better returns on assets
 - Current mandates in line with in-house capability and risk assessment
 - Fixed Income
 - REITs
 - TIPs
 - Equity Yield
 - Large Cap
 - Private Equity
 - Staff seeking ARMB approval to expand above and add new in-house mandates in FY16
 - Portable Alpha program
 - Cash Equitization Program
 - Direct investing of Securities Lending proceeds
 - Targeting 15% of AUM to be managed in-house, resulting in fee reductions of approximately \$23M over 10 years
 - New mandates will result additional annual fee savings or revenue of approximately \$14M over 10 years
- New Hires
 - Different approach to recruiting, utilizing national internet services in addition to traditional advertising through Alaska newspapers and Treasury website
 - Of 5 vacancies, 3 have just started work, 1 is under negotiation
 - In FY17, requesting 2 additional investment officers and one accountant to continue to develop in-house focus
- Reorganizing roles within the department
 - Goal is to promote existing staff to more challenging roles and taking on more responsibility as mandates grow
 - FY17 budget includes preliminary movement towards envisioned plan
 - Envisioned plan will depend on ability/skill set of staff and future funding

ARMB FY17 Budget

- FY17 ARMB budget request by component
 - ARMB Custody and Management fees - \$0
 - ARMB Operating - \$1,659.7 (Non GF)
 - \$709.5 for 2 Investment Officer and 1 Accountant
 - \$117.5 one-time support costs for new Treasury positions (computers, office space, investment platforms, etc.)
 - \$832.7 to fund existing investment staff salaries closer to market and to fund promotions to new positions for existing investment staff under reorganized structure





For more information,
check out our
website:

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

ARMB
<ul style="list-style-type: none"> ▶ Home ▶ Board of Trustees ▶ Investment Advisory Council ▶ Meetings and Minutes ▶ Reports and Policies ▶ Asset Allocation ▶ Contribution Rates ▶ Contact Us
Revenue Links
<ul style="list-style-type: none"> ▶ 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

- [Notice to Bargaining Units - Open ARMB Trustee Seats](#) [More Information](#)

Market Value as of December 31, 2015

- Public Employees' Retirement System: \$15,815,414,534
- Teachers' Retirement System: \$7,840,123,747
- Judicial Retirement System: \$169,018,429
- National Guard/Naval Militia Retirement System: \$35,639,006
- Alaska Supplemental Annuity Plan: \$3,331,284,862
- Alaska Deferred Compensation Plan: \$792,237,599

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THANK YOU

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