



# State of Alaska Department of Revenue ARMB Budget Overview

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**A Presentation to the Revenue Finance Subcommittee**

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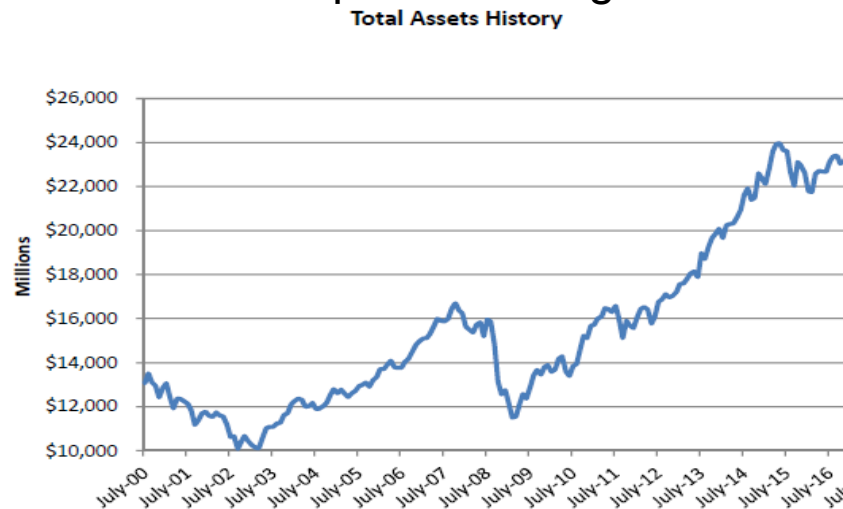
# Alaska Retirement Management Board

*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)

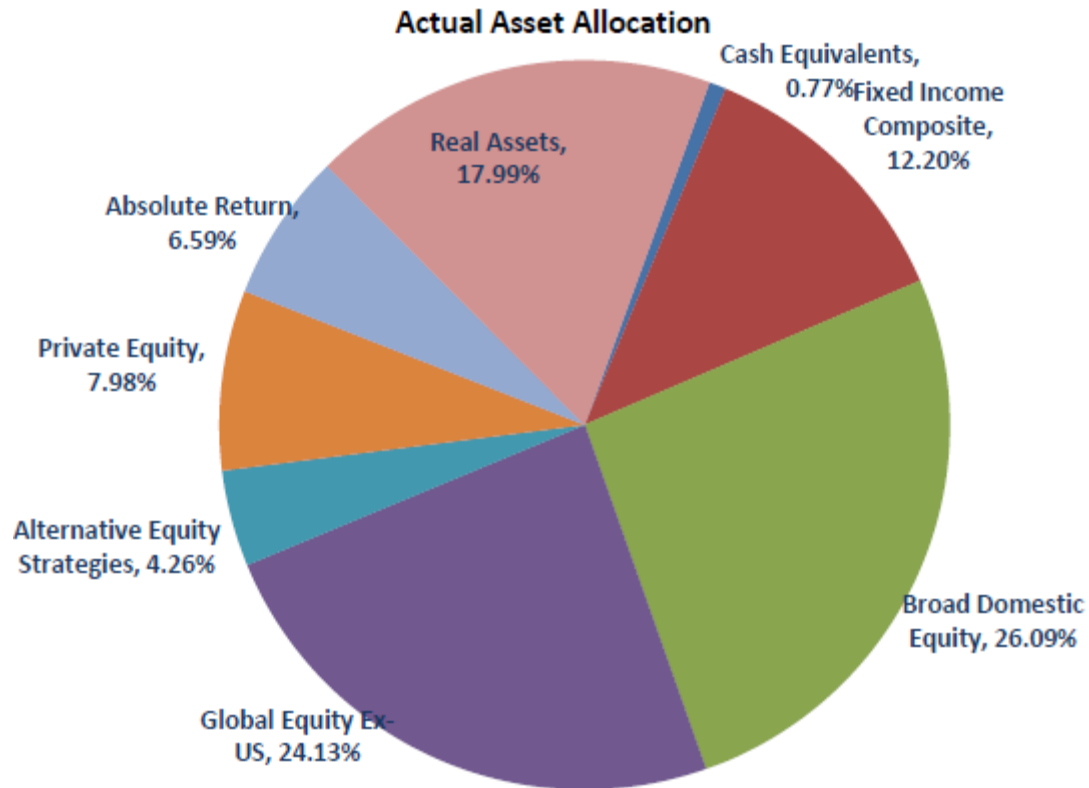
# ARMB-Facts & Figures

- Treasury provides staff to the ARMB and manages its investments
- 14 defined benefit funds managed in a pooled environment (\$23.8B at 12/31/16)
- 4 participant directed plans overseen (\$5.4B at 12/31/16).
  - 2 defined contribution plans, 1 supplemental annuity plan and 1 deferred compensation plan
- FY06-FY16 defined benefit plan assets grew 68% from \$12.7B to \$24B



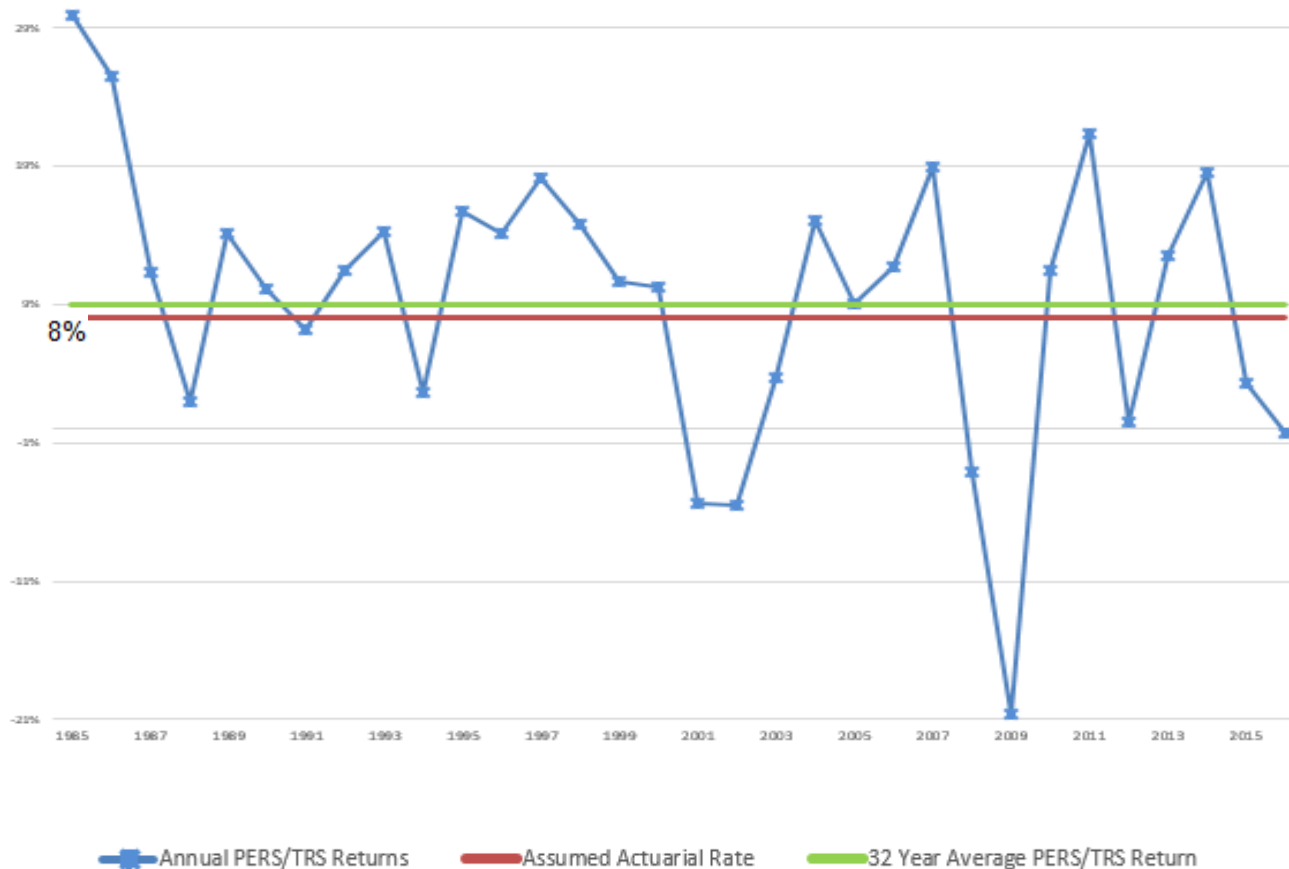
# ARMB-Facts & Figures

## ➤ June 30, 2016 Total Defined Benefit Assets



# ARMB-Facts & Figures

- Although returns have been volatile, the 32 year average PRS/TRS return of 8.99% surpassed the assumed actuarial rate of return of 8%.



# ARMB-Recent Challenges

Challenges:

- Volatile markets
- 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
  - \$2.4B or 14% of publicly traded assets (\$16.5B at 12/31/16), savings of \$25 million annually in fees
  - \$1.2B or 16% of private assets (\$7.3B at 12/31/16), savings of \$7.7 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
  - Goal is to promote existing staff to more challenging roles, taking on more responsibility as mandates grow and supplement with new hires
  - Retooling staff, implementing new mandates will take time to see results
- Recruitment
  - Chief Investment Officer Gary Bader retired after 14 years in Treasury
  - 2 investment officer positions vacant
  - National reach but last 4 recent new hires have all had Alaska roots
- Assets continued to be diversified to reduce risk
  - 13 new investment mandates, 1 mandate removed in FY16

## ARMB FY18 Budget

- FY18 ARMB budget request by component
  - ARMB Custody and Management fee decrement - (\$12,106.7)
  - ARMB Operating - \$348.5 (Non GF)





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Department of Revenue  
**Alaska Retirement Management Board**

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### ARMB

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### 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

- No current announcements.

### Market Value as of December 31, 2016

- Public Employees' Retirement System: \$16,544,930,564
- Teachers' Retirement System: \$8,121,323,772
- Judicial Retirement System: \$182,294,952
- National Guard/Naval Militia Retirement System: \$36,815,621
- Alaska Supplemental Annuity Plan: \$3,523,089,740
- Alaska Deferred Compensation Plan: \$839,361,452

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For more information,  
check out our  
website:

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

# THANK YOU

Please find our contact information below:

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