

Contributions to PERS / TRS

Legislative Comprehensive Fiscal Plan Working Group

Department of Revenue

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Process for Setting Contributions to PERS / TRS

- PERS and TRS are defined benefit pension systems
- Objective: maintain assets sufficient to meet liabilities
- Basic formula:
 - Contributions + Investment Returns
= Benefits + Expenses
(C+I = B+E)



Process for Setting Contributions to PERS / TRS

- Employer contribution rates and state assistance are re-computed annually
- Actuarial Valuations
 - Employer rates: 3 yr lag
 - State assistance: 2 yr lag



Process for Setting Contributions to PERS / TRS

- Example:
 - FY2022 PERS employer contribution rate (24.01%)
 - Calculated by FY2019 actuarial valuation
 - FY2022 PERS State Assistance
 - Includes a portion of FY2020 investment, plus 1 yr roll-forward of projected benefit experience



Looking forward to FY2023

- FY2020 valuations will set the FY23 employer contribution rates
- A portion of FY2021 investment returns will be used to compute FY23 state assistance



Looking forward to FY2023

- PERS employer rate: 23.74%
- TRS employer rate: 25.13%
- Rate caps
 - PERS employers pay total of 22% (DB+DC)
 - TRS employers pay a total of 12.56% (DB+DC)
 - State of Alaska pays full DB rate of 23.74% + DC costs + State Assistance



Looking forward to FY2023

- FY2021 investment returns: 25+%
- 6/30/2021 Balances (first look):

STATE OF ALASKA
Projected Funded Ratios at June 30, 2021

Plan	AAL (\$000's)	AVA (\$000's)	AVA funded ratio	MVA (\$000's)	MVA funded ratio
PERS					
• pension	15,575,879	10,419,670	66.9%	11,697,813	75.1%
• HC	7,218,788	8,556,264	118.5%	9,655,276	133.8%
• total	22,794,667	18,975,934	83.2%	21,353,089	93.7%
TRS					
• pension	7,525,440	5,886,903	78.2%	6,614,622	87.9%
• HC	2,560,350	3,258,292	127.3%	3,671,370	143.4%
• total	10,085,790	9,145,195	90.7%	10,285,992	102.0%
JRS					
• pension	218,697	213,266	97.5%	238,747	109.2%
• HC	17,921	37,799	210.9%	42,512	237.2%
• total	236,618	251,065	106.1%	281,259	118.9%
NGNMRS					
• pension	22,890	45,112	197.1%	49,296	215.4%

AAL = Actuarial Accrued Liability at June 30, 2021

AVA = Actuarial Value of Assets at June 30, 2021

MVA = Market Value of Assets at June 30, 2021

AAL's based on a projection of the AAL's from the June 30, 2020 valuations assuming no FY21 gains/losses.

AVA's and MVA's based on preliminary June 30, 2021 asset statements.



Looking forward to FY2023

- First Look -- State Assistance declines by \$60mm (very tentative)
 - PERS State Assistance
 - FY2022: \$98mm
 - FY2023: \$69mm
 - TRS State Assistance
 - FY2022: \$143mm
 - FY2023: \$112mm



Looking forward to FY2023

State Assistance Projection Comparison

	PERS	TRS	Total Contribution	Saving From FY22 Budget	Cumulative Savings
2022 (Current Budget)	\$ 97,700	\$ 142,665	\$ 240,365	\$ -	\$ -
2023	\$ 68,718	\$ 111,560	\$ 180,278	\$ (60,087)	\$ (60,087)
2024	\$ 57,202	\$ 100,099	\$ 157,301	\$ (83,064)	\$ (143,151)
2025	\$ 45,653	\$ 88,573	\$ 134,226	\$ (106,139)	\$ (249,290)
2026	\$ 32,893	\$ 75,464	\$ 108,357	\$ (132,008)	\$ (381,298)
2027	\$ 33,241	\$ 76,917	\$ 110,158	\$ (130,207)	\$ (511,505)
2028	\$ 33,626	\$ 78,666	\$ 112,292	\$ (128,073)	\$ (639,578)
2029	\$ 34,456	\$ 80,391	\$ 114,847	\$ (125,518)	\$ (765,096)
2030	\$ 35,464	\$ 82,317	\$ 117,781	\$ (122,584)	\$ (887,680)
2031	\$ 36,670	\$ 84,455	\$ 121,125	\$ (119,240)	\$ (1,006,920)
2032	\$ 38,013	\$ 86,671	\$ 124,684	\$ (115,681)	\$ (1,122,601)
2033	\$ 39,417	\$ 88,912	\$ 128,329	\$ (112,036)	\$ (1,234,637)
2034	\$ 41,025	\$ 91,171	\$ 132,196	\$ (108,169)	\$ (1,342,806)
2035	\$ 42,705	\$ 93,717	\$ 136,422	\$ (103,943)	\$ (1,446,749)
2036	\$ 44,908	\$ 96,192	\$ 141,100	\$ (99,265)	\$ (1,546,014)
2037	\$ 47,032	\$ 98,870	\$ 145,902	\$ (94,463)	\$ (1,640,477)
2038	\$ 49,553	\$ 101,525	\$ 151,078	\$ (89,287)	\$ (1,729,764)
2039	\$ 51,872	\$ 104,393	\$ 156,265	\$ (84,100)	\$ (1,813,864)



Looking forward to FY2023

- What could change between now and December 15?
- Actuaries and accountants will take a closer look at unaudited investment returns



- ARMB and actuaries will complete an experience study and an actuarial audit
- Evaluate important assumptions
 - Inflation assumption of 2.5%
 - Earnings assumption of 7.38%
- Assumption changes can impact level of system funding



THANK YOU

Mike Barnhill
Deputy Commissioner
Department of Revenue
mike.barnhill@alaska.gov
(907) 465-3669

dor.alaska.gov

