

State of Alaska Department of Administration

Division of Retirement & Benefits

Presentation to Senate Administration Finance Subcommittee

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March 10, 2025



Department of Administration: **Retirement and Benefits**

Core Function: Administer State of Alaska and political subdivision retirement and benefit plans by delivering:

- Retiree pension plans Public Employees Retirement System (PERS) and Teachers Retirement System (TRS) defined benefit & defined contribution; Judicial Retirement System (JRS) defined benefit; National Guard and Naval Militia Retirement System; Supplemental Annuity Plan; Deferred Compensation Plan
- Alaska Care Defined Benefit and Defined Contribution retiree medical plans, and the Alaska Care retiree dental, vision, and audio plan (optional) and Long-Term Care plan (optional)
- Alaska Care active employee medical, dental, and vision plan
- Optional Voluntary Supplemental Benefits (life and disability insurance) to eligible active employees



Staffing

131 positions, 5% vacancy rate

- **Member Benefits:** 57 positions, 8% vacancy rate
 - Retirement, Survivor, Disability, and Adjustment Benefit Processing
 - Appeals and Risk Mitigation
 - Member Service Contact Center
 - Member Counseling
- **Health Plan Administration:** 14 positions, 0% vacancy rate
 - Health Plan Policy
 - Health Plan Administration Operations
- **Finance:** 32 positions, 3% vacancy rate
 - Accounting
 - Retiree and Employer Payroll
 - Audit and Compliance
- **Operations:** 28 positions, 0% vacancy rate
 - Administrative Services
 - Information Services
 - Communications
 - IT/Project Support



Successes

- Issued PERS and TRS Annual Comprehensive Financial Reports early
- Managed and administered two rounds of communication with members affected by the Alaska Retirement Management Board to close financial advice services for defined contribution plans
- Reduced the vacancy rate by use of hiring and retention bonuses
- Returned to 4-6 week processing time for completed retirement applications



Challenges

- Effects of security incident in November of 2024 affecting reporting of contributions
- Steadily increasing volume of survivor benefit applications, refunds, and member contacts
- Benefits And Retirement System (BEARS) implementation timeline



Retirement Processing Backlog

The backlog experienced resolved by August 2024. Resolution occurred due to:

- Offering overtime to all technicians in the Division
- Reversing a reorganization that removed member counseling staff from the Member Benefits Section
- Securing hiring and retention bonuses to attract new employees and retain current employees – Cost \$34,000

Current Status: Processing in 4-6 weeks



Efficiencies

- Implementing a cross-training program for technical staff to enable all technicians to support each team that is experiencing overload
- Pro: Better trained technicians who can meet overload in any section
- Cons: Increases the use of overtime and may cause slow down in other work
- This method will work for a while but will not be sustainable in the long term



Implementation and cost mitigation for retiree health plan administration

- Hinge Health – New virtual physical therapy program to improve access to and utilization of rehabilitative therapy to improve health and reduce pain while also reducing plan costs
- Lantern – Surgical provider of excellence program that connects patients with vetted, board-certified providers with enhanced travel benefits at overall savings to the plan. Includes infusion therapy
- Acupuncture – Added coverage for acupuncture for certain diagnoses when medically necessary



Implementation and cost mitigation for employee & retiree health plan administration

- Pharmacy Plan Market Check – Annual assessment of competitive pricing and renegotiation of discounts. Improved four of the drug discount pricing guarantees in our Pharmacy Benefit Manager (PBM) contract
- Rebate Audit – Annual audit to verify that 100% of drug rebates were returned to the AlaskaCare plans
- Pharmacy Plan – Preparing to go out for RFP for PBM contract. Improved pricing is expected to save \$20-\$40 million annually
- Behavioral Health & Employee Assistance Program (EAP) – New behavioral health and EAP communication plan to increase awareness of available programs, new provider groups added
- Maternity Care – Added Aetna enhanced maternity for employee plan members
- AlaskaCare Network – 2024: 56 new groups added, 843 new providers, 5681 Alaska based providers in network



BEARS

- User Acceptance Testing
 - Low user acceptance rate on testing modules
 - Identification of multiple defects requiring retesting
- Extension of implementation timeline to Fall 2025
- Review of and amendment to contracts in process



Late Retirement Contribution Reporting

- November 4, 2024, Division had an intrusion into its servers
- 3-week long investigation indicated no breach
- Systems and applications were moved to the State Cloud
- e-Reporting was not compatible and had to be reprogrammed
- A workaround was used to report but the process was manual and slow
- e-Reporting is back online and DRB is catching up on the outstanding payrolls



Late Retirement Contribution Reporting

- DRB website posts which employers have caught up their payrolls so participants know to look for adjustments to their accounts
- Required interest is calculated using the federal Department of Labor calculator
- Interest will be processed when funding is available and paid to participants
- Participants will be notified when the interest is applied





Thank you!

Questions? Please contact:

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