

Public Employees' Retirement System (PERS) Teachers' Retirement System (TRS) 2018 UPDATE



Presented by
Commissioner Leslie Ridle
Director Ajay Desai

Organization – PERS / TRS



Public Employees' Retirement System

(PERS)

Chronology – PERS

- January 1961: Established as a joint contributory plan
- 1975: Retiree Health Insurance with system-paid premiums added
- July 1986: Tier II established
- July 1996: Tier III established
- July 2006: Tier IV (DC) established
- July 2008: Cost Share with 22% employer contribution rate

Membership – PERS

(as of 12/31/2017)

- 157 Member Employers
- 3 Defined Benefit (DB) Tiers
 - 34,750 retirees
 - 5,614 terminated members entitled to future benefits
 - 14,431 actives (41%)
 - 54,795 total DB members
- 1 Defined Contribution (DC) Tier
 - 21 retirees
 - 991 terminated members entitled to future benefits
 - 20,458 actives (59%)
 - 21,470 total DC members

SOURCE: Division of Retirement and Benefits. Membership Statistics as of 12/31/2017

FY 18 Contribution Rates – PERS

Defined Benefit

Employee:

- 6.75% All Other employees
- 7.50% Peace Officer/Firefighter
- 9.60% School District Alternate Option

Employer:

- 22% Cost Share

State:

- 3.01% Additional State Contribution

Defined Contribution

Employee:

- 8% All Employees

Employer:

- 5% Investment Account
- 1.03% Health Care
- 0.43% Occupational Death & Disability – Peace Officer/Firefighter
- 0.16% Occupational Death & Disability – All Others
- HRA – flat dollar, 3% of all PERS/TRS average annual compensation

Teachers' Retirement System

(TRS)

Chronology – TRS

- March 1945: Established
- 1951: TRS excluded from Social Security
- 1955: Became a joint contributory plan
- 1966: Retiree health insurance (RHI) added
- 1975: System-paid premiums for RHI
- 1990: Tier II established
- 2006: Tier III (DC) established

Membership – TRS

(as of 12/31/2017)

- 57 Member Employers
- 2 Defined Benefit (DB) Tiers
 - 12,998 retirees
 - 709 terminated members entitled to future benefits
 - 4,882 actives (47%)
 - 18,589 total DB members
- 1 Defined Contribution (DC) Tier
 - 9 retirees
 - 441 terminated members entitled to future benefits
 - 5,550 actives (53%)
 - 6,000 total DC members

SOURCE: Division of Retirement and Benefits. Membership Statistics as of 12/31/2017

FY 18 Contribution Rates – TRS

Defined Benefit

Employee:

- 8.65% All Employees

Employer:

- 12.56% Cost Share

State:

- 14.22% Additional State Contribution

Defined Contribution

Employee:

- 8% All Employees

Employer:

- 7% Investment Account
- 0.91% Health Care
- 0.00% Occupational Death & Disability
- HRA – flat dollar, 3% of all PERS/TRS average annual compensation

Retirement System

PERS/TRS Financial Information

Balance Sheet – PERS / TRS

(in thousands)

PERS Defined Benefit (Pension & Healthcare):	2016	2017 (DRAFT)
Assets (actuarial value)	\$ 16,467,992	\$ 16,786,771
Accrued Liabilities	21,369,490	21,673,225
Unfunded Liability	<u>\$ (4,901,498)</u>	<u>\$ (4,886,454)</u>
Funding Ratio	77.1%	77.5%
 TRS Defined Benefit (Pension & Healthcare):		
Assets (actuarial value)	\$ 8,200,391	\$ 8,313,637
Accrued Liabilities	9,907,624	10,068,099
Unfunded Liability	<u>\$ (1,707,233)</u>	<u>\$ (1,754,462)</u>
Funding Ratio	82.8%	82.6%

NOTE: June 30, 2017 actuarial valuation reports are being worked on for adoption by the ARM Board in June 2018.

ARM Board Long-Term Returns

(through 6/30/2017)

ARMB Long Term Returns through June 30, 2017			
Annualized Returns	PERS	TRS	Average
33 Year	8.95%	9.29%	9.12%
30 Year	7.91%	7.94%	7.92%
25 Year	7.71%	7.77%	7.74%
20 Year	6.48%	6.51%	6.49%
15 Year	7.12%	7.15%	7.13%
10 Year	4.97%	5.00%	4.99%
5 Year	9.24%	9.27%	9.25%
3 Year	5.27%	5.28%	5.27%
1 Year	13.35%	13.36%	13.36%

Benefit Formula

Defined Benefit Pension:

Fixed benefit amount from date of retirement to death

$$\text{Contributions} + \text{Investment Earnings} = \text{Benefits} + \text{Expenses}$$

IF:

Actuarial assumptions are accurate.

IF NOT:

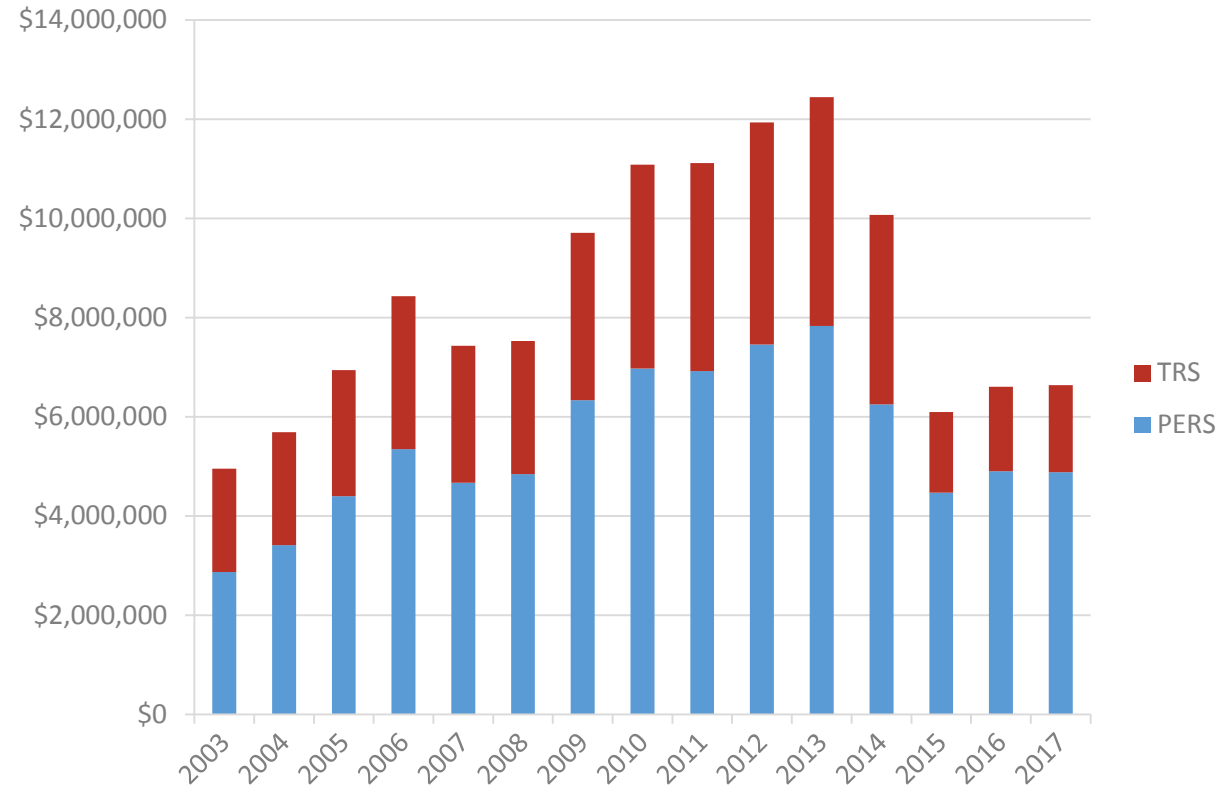
Unfunded liability is created.

Additional State Contributions - PERS / TRS

FY	Legislation	PERS	TRS	Total
2006	Chapter 3, FSSLA 05 (SB 46), Sec 59(b)	\$ 18,426,923	-	18,426,923
2007	Chapter 82, SLA 06 (SB 231), Sec 60(b)	18,581,921	-	18,581,921
2008	Chapter 30 & 28, SLA 07 (SB 53) & (HB 95), Sec 55(e) & 15(a)	185,000,000	269,992,300	454,992,300
2009	Chapter 27, SLA 08 (HB 310), Sec 13(b) & (a)	241,600,000	206,300,000	447,900,000
2010	Chapter 12, SLA 09 (HB 81), Sec 23(b) & (a)	107,953,000	173,462,000	281,415,000
2011	Chapter 41, SLA 10 (HB 300), Sec 29(b) & (a)	165,841,171	190,850,258	356,691,429
2012	Chapter 3, FSSLA 11 (HB 108), Sec 29(b) & (a)	242,609,397	234,517,333	477,126,730
2013	Chapter 15, SLA 12 (HB 284), Sec 27(a) & (b)	307,302,392	302,777,153	610,079,545
2014	Chapter 14, SLA 13 (HB 65), Sec 29(a) & (b)	312,472,952	316,847,291	629,320,243
2015	Chapter 18, SLA 14 (SB 119), Sec 48(a) & (b)	1,000,000,000	2,000,000,000	3,000,000,000
2016	Chapter 1, SSSLA 15 (HB 2001), Sec 10(a) & (b)	126,520,764	130,108,327	256,629,091
2017	Chapter 3, 4SSLA 16 (HB 256), Sec 28(a) & (b)	99,166,576	116,699,959	215,866,535
2018	Chapter 1, SSSLA 17 (HB 57), Sec 41(a) & (b)	72,571,000	111,757,000	184,328,000
Total:		\$ 2,898,046,096	4,053,311,621	6,951,357,717

Unfunded Liability – PERS / TRS

(in thousands)



SOURCE: Conduent HR Services, Actuarial Valuation Reports as of June 30, 2016 for PERS and TRS DB, except for 2017, which is currently being reviewed by the ARM Board.

Funding Ratio – PERS / TRS

(in thousands)

	PERS		TRS	
	2015	2016	2015	2016
DB Pension				
a. Actuarial Accrued Liability	\$13,337,929	\$13,633,033	\$7,051,724	\$7,159,788
b. Valuation of Assets	\$8,931,160	\$9,056,662	\$5,422,651	\$5,428,687
c. Funded Ratio	67.0%	66.4%	76.9%	75.8%
DB Health Care				
a. Actuarial Accrued Liability	\$7,310,734	\$7,736,457	\$2,677,393	\$2,747,836
b. Valuation of Assets	\$7,242,299	\$7,411,330	\$2,686,272	\$2,771,704
c. Funded Ratio	99.1%	95.8%	100.3%	100.9%
DB Total				
a. Actuarial Accrued Liability	\$20,648,663	\$21,369,490	\$9,729,117	\$9,907,624
b. Valuation of Assets	\$16,173,459	\$16,467,992	\$8,108,923	\$8,200,391
c. Funded Ratio	78.3%	77.1%	83.3%	82.8%

SOURCE: Conduent HR Services, Actuarial Valuation Reports as of June 30, 2016 for PERS and TRS DB

UPDATED Funding Ratio - PERS / TRS

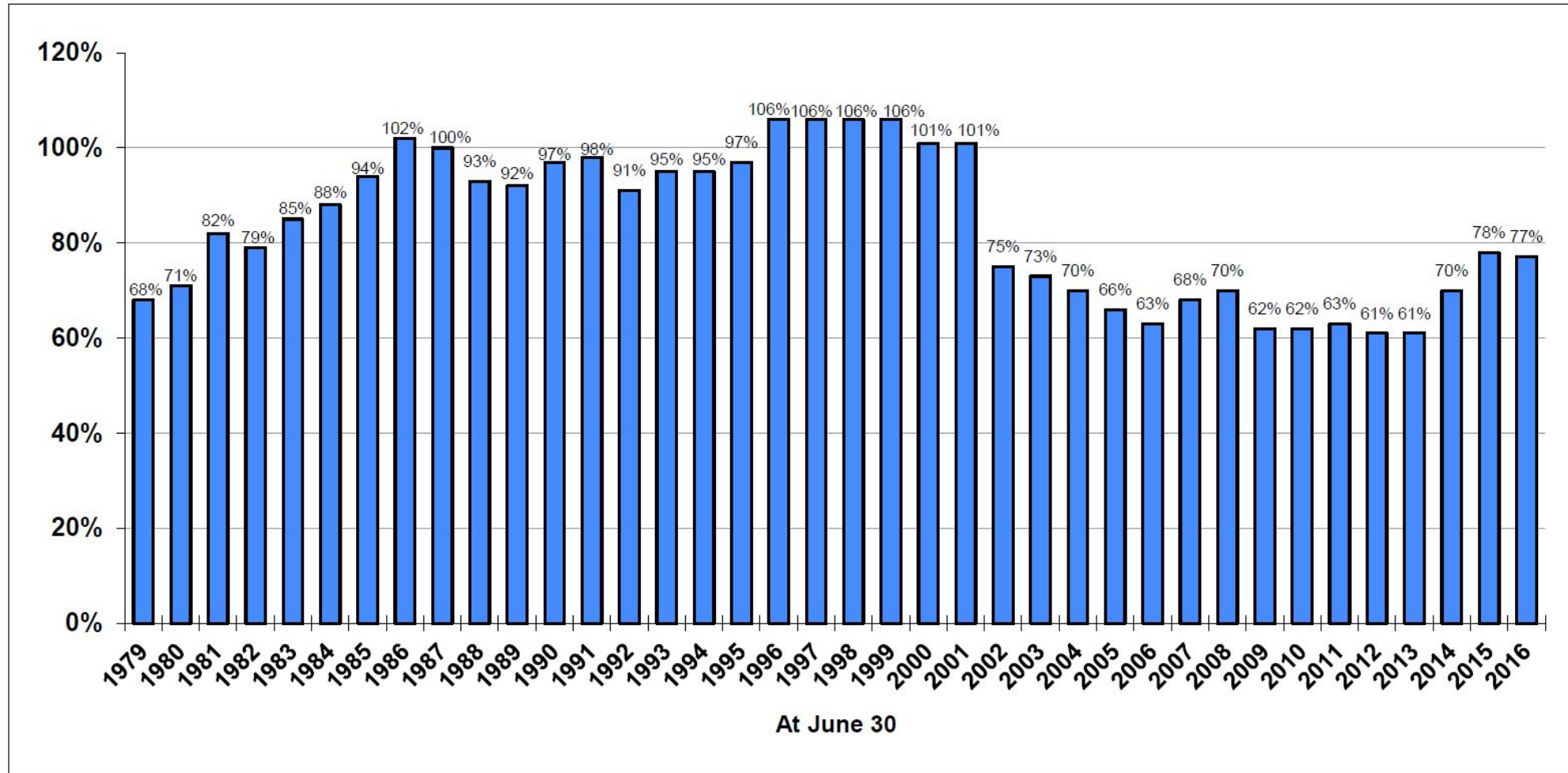
DRAFT 2017 Results *(in thousands)*

	PERS		TRS	
	2016	2017 (DRAFT)	2016	2017 (DRAFT)
DB Pension				
a. Actuarial Accrued Liability	\$13,633,033	\$13,832,130	\$7,159,788	\$7,217,525
b. Valuation of Assets	\$9,056,662	\$9,229,703	\$5,428,687	\$5,476,835
c. Funded Ratio	66.4%	66.7%	75.8%	75.9%
DB Health Care				
a. Actuarial Accrued Liability	\$7,736,457	\$7,841,095	\$2,747,836	\$2,850,574
b. Valuation of Assets	\$7,411,330	\$7,557,068	\$2,771,704	\$2,836,802
c. Funded Ratio	95.8%	96.4%	100.9%	99.5%
DB Total				
a. Actuarial Accrued Liability	\$21,369,490	\$21,673,225	\$9,907,624	\$10,068,099
b. Valuation of Assets	\$16,467,992	\$16,786,771	\$8,200,391	\$8,313,637
c. Funded Ratio	77.1%	77.5%	82.8%	82.6%

SOURCE: Conduent HR Services, Actuarial Valuation Reports as of June 30, 2016 for PERS and TRS DB

PERS Funding Ratio History

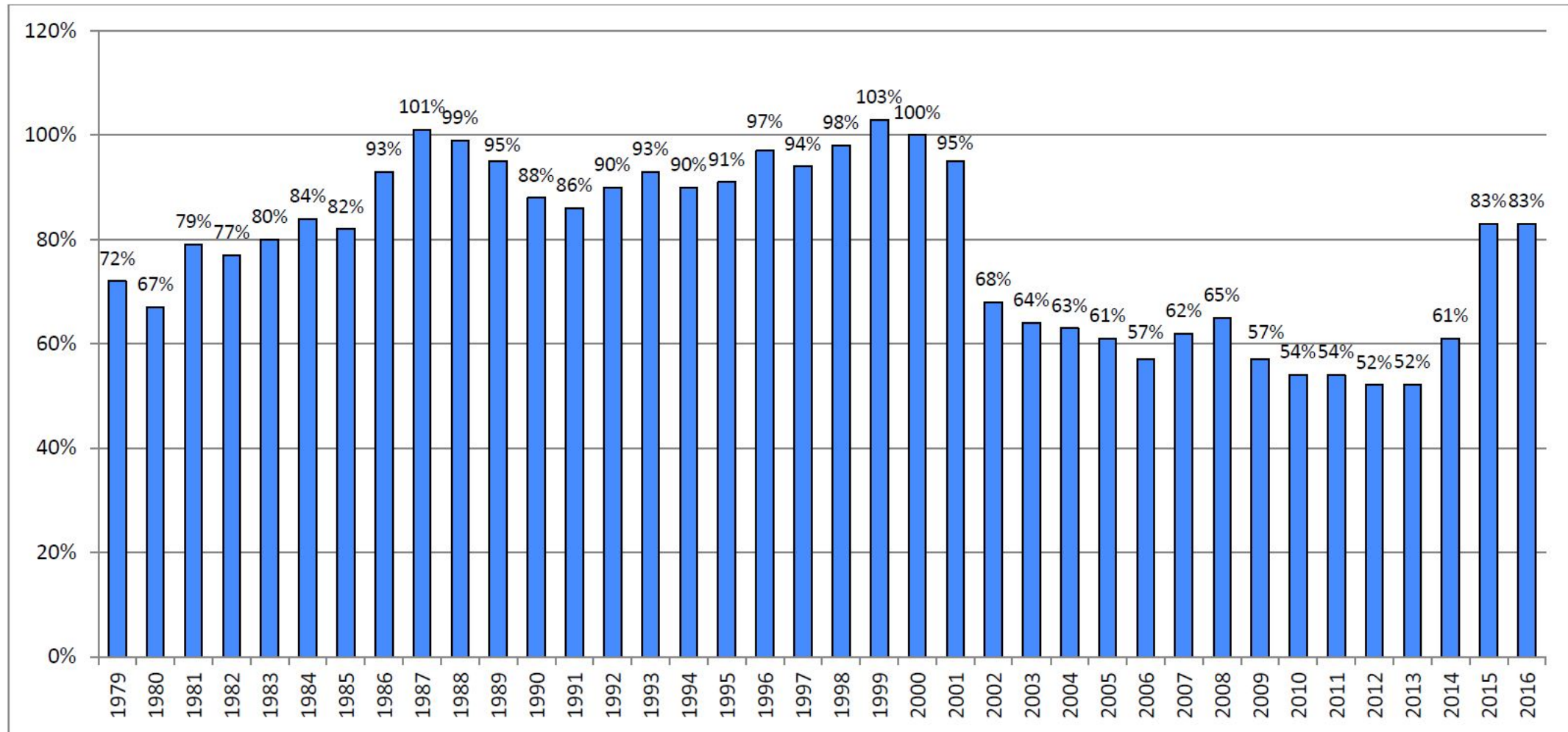
(Based on Valuation Assets)



Source: Conduent HR Services, June 30, 2016 PERS Actuarial Valuation Report

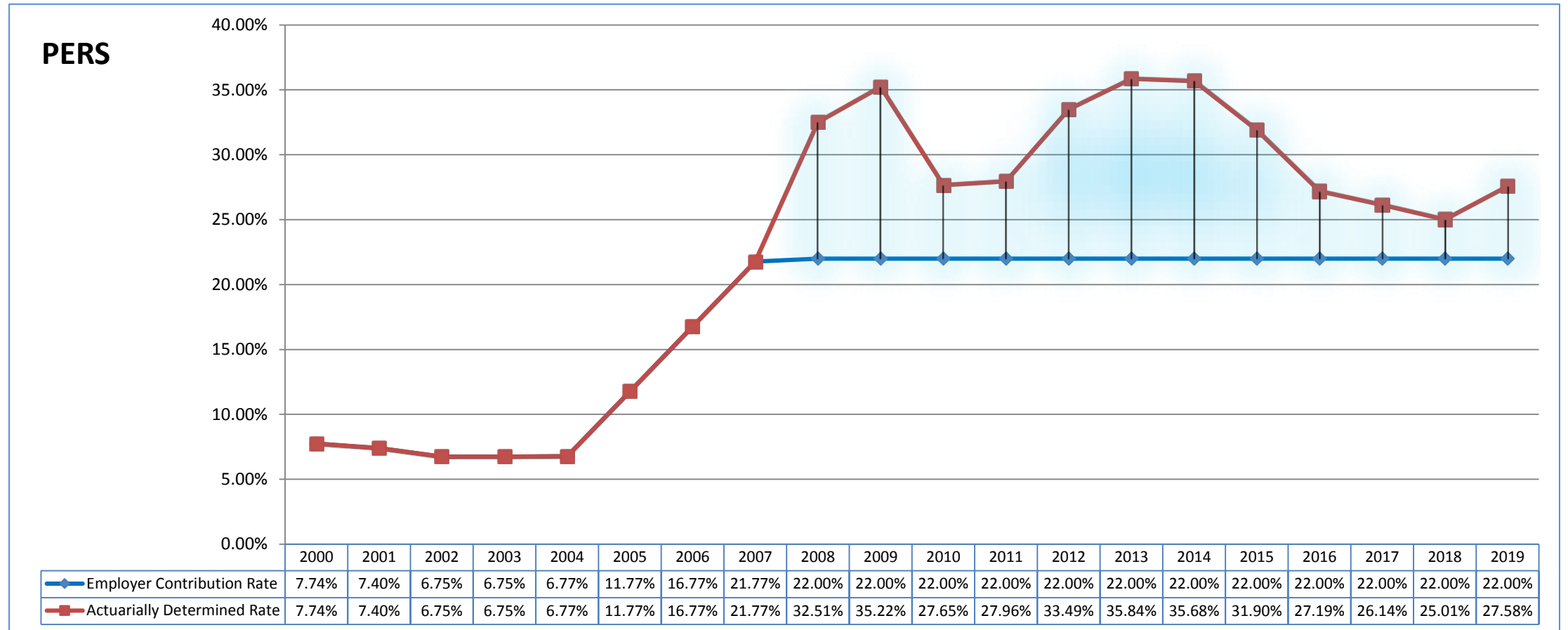
TRS Funding Ratio History

(Based on Valuation Assets)



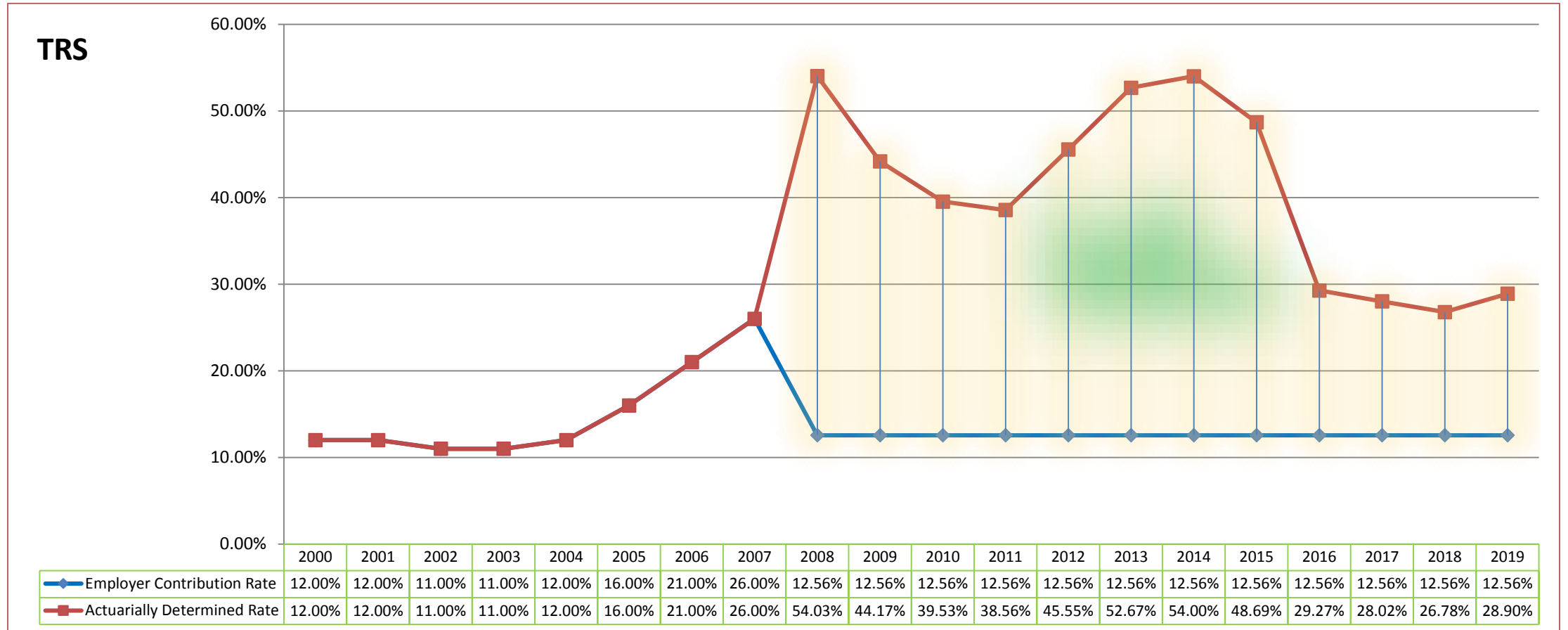
Source: Conduent HR Services, June 30, 2016 TRS Actuarial Valuation Report

PERS Contribution Rates



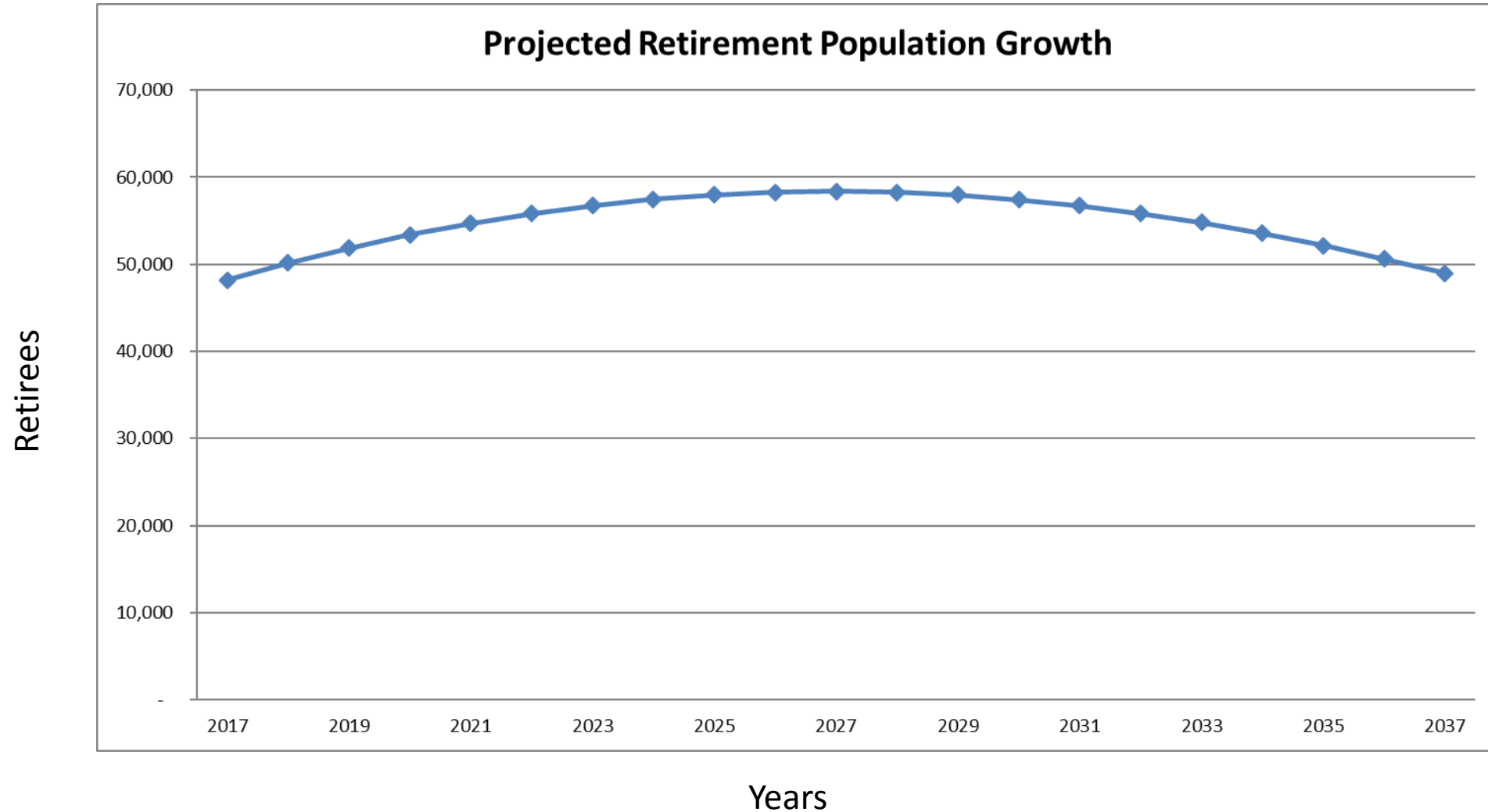
SB 125 capped PERS employer contribution rates at 22% beginning in FY 2008.

TRS Contribution Rates

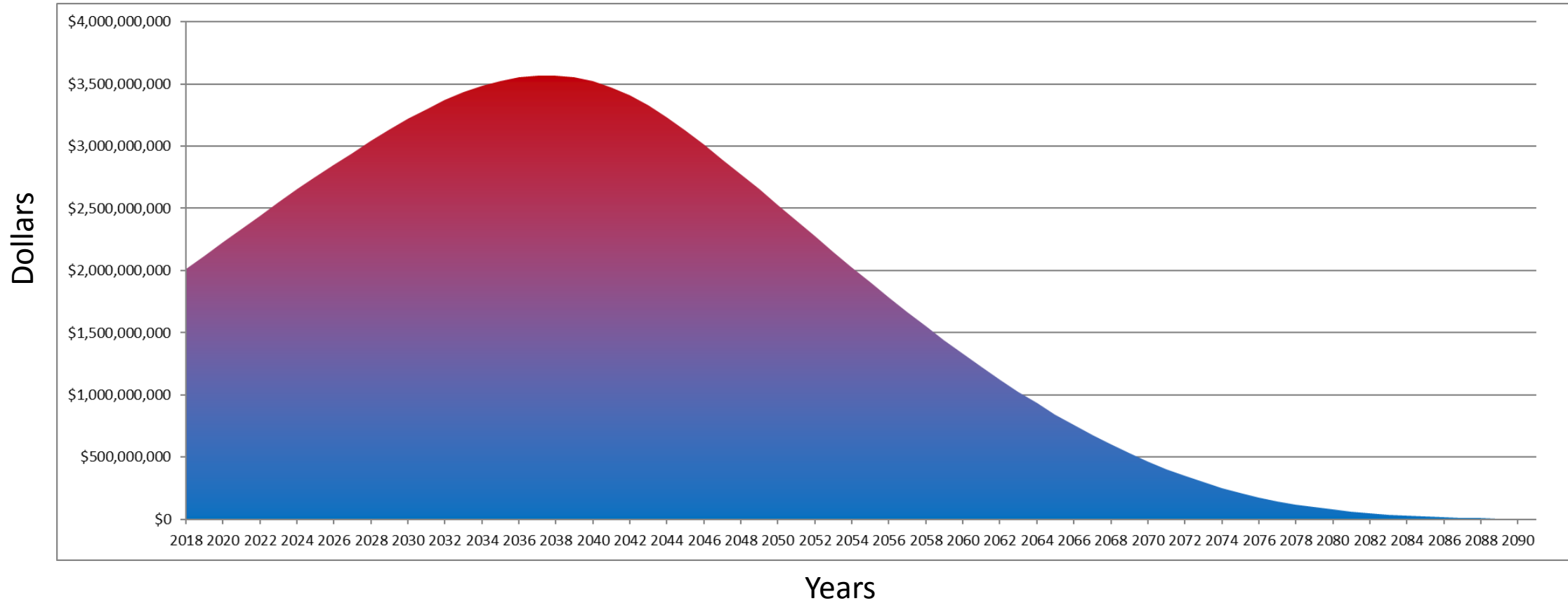


SB 125 capped TRS employer contribution rates at 12.56% beginning in FY 2008.

Projected Retirement Population Growth



Basic Facts – PERS / TRS Benefits



Pay **\$133 billion** in benefits payments over next 70 years
PERS/TRS account balance as of June 30, 2017: **\$22.4 billion**
Unfunded Liability as of June 30, 2016: **\$6.6 billion**

Questions?

For more information on Department of Administration services, priorities, or other issues, please contact:

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