

Public Employees' Retirement System (PERS)

Teachers' Retirement System (TRS)

2018 UPDATE



Presented by
Commissioner Leslie Ridle
Director Ajay Desai

Organization – PERS / TRS

Dept. of Revenue Treasury Division

Invests retirement system assets

Investment
Advisory
Committee

General
Consultant

Staff

External
Investment
Management

Internal
Investment
Management

Alaska Retirement Management Board

Sets contribution rates, invests
retirement system assets

Dept. of Administration Division of Retirement & Benefits

Administers retirement and
benefits system

Staff

Actuary

Third
Party
Admin.

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

Contributions + Investment Earnings = Benefits + Expenses

IF:

Actuarial assumptions are accurate.

IF NOT:

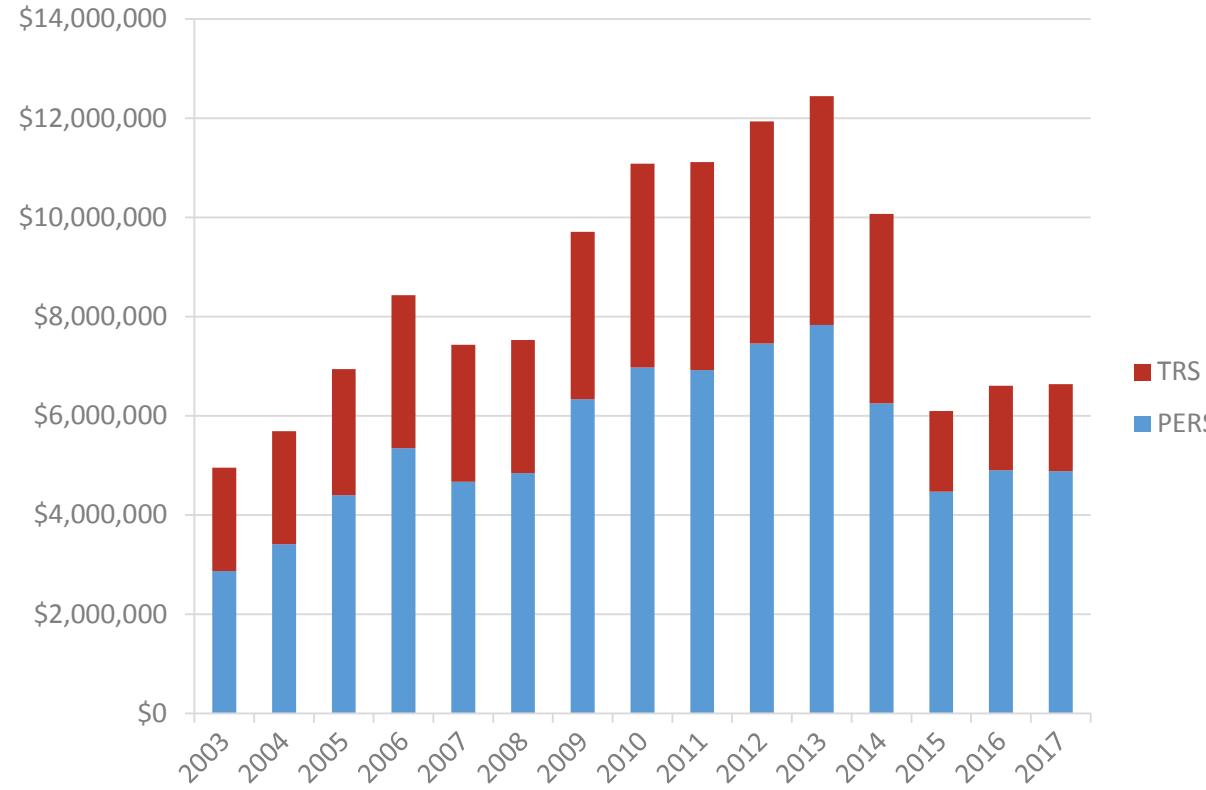
Unfunded liability is created.

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

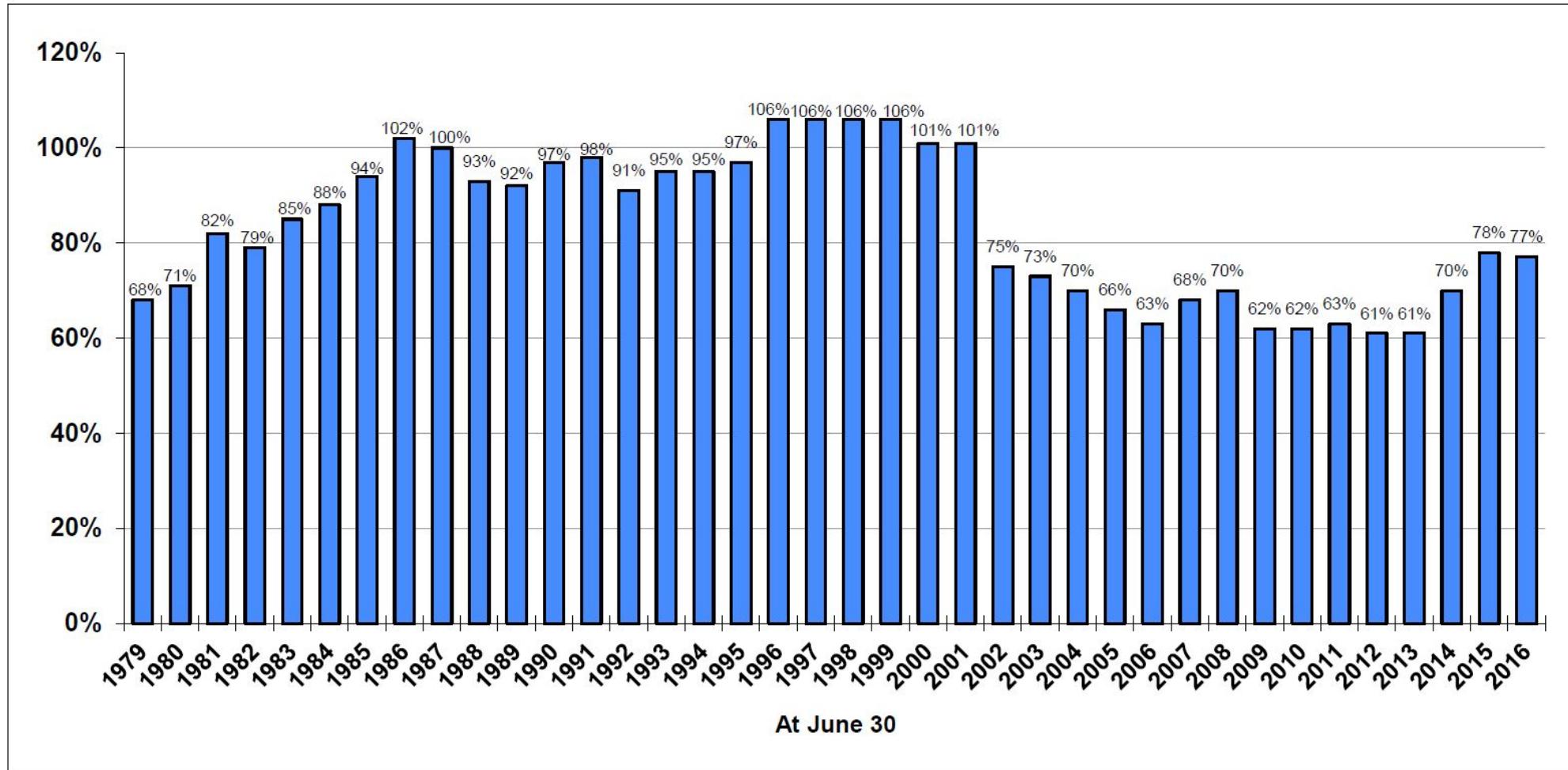
DRAFT 2017 Results *(in thousands)*

	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

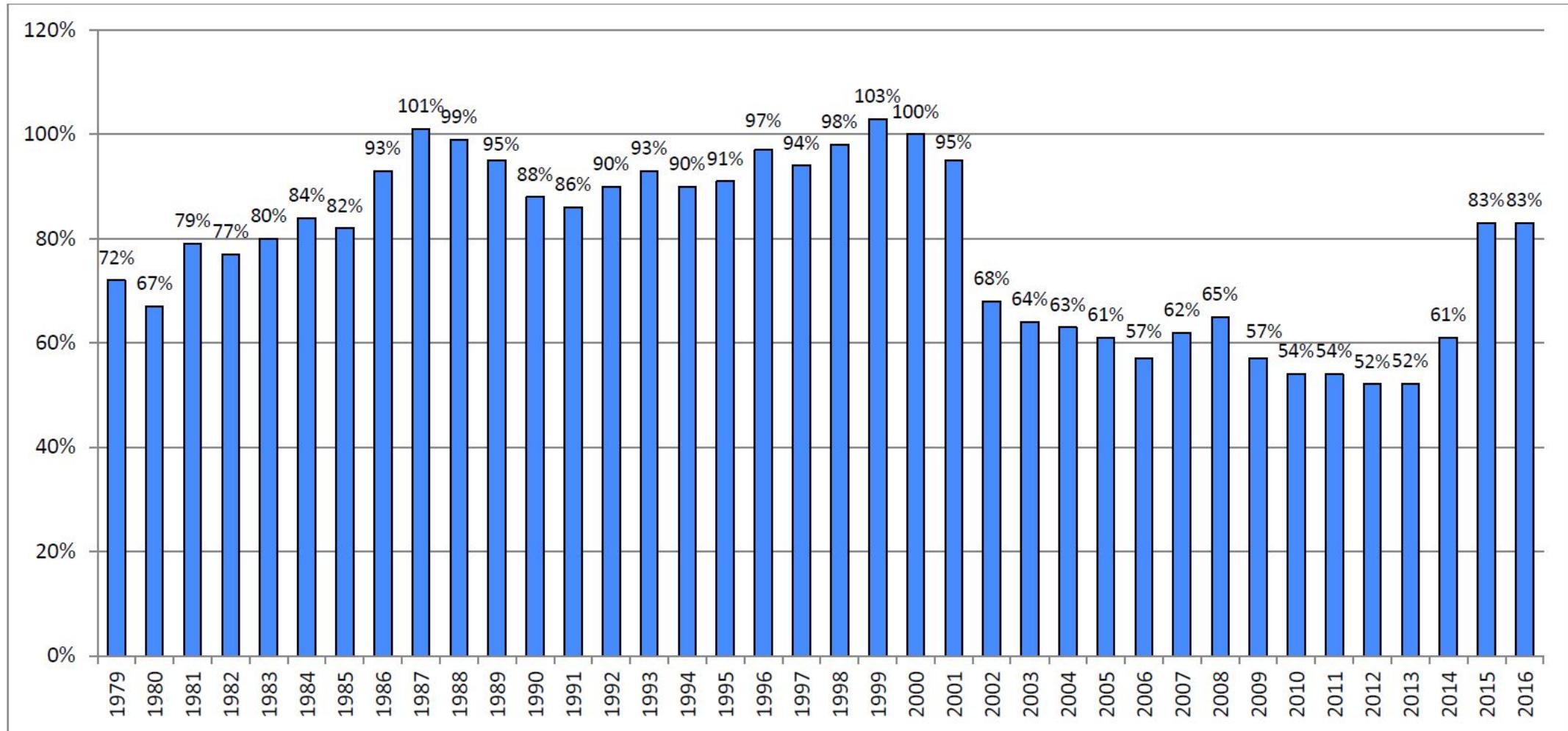
(Based on Valuation Assets)



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

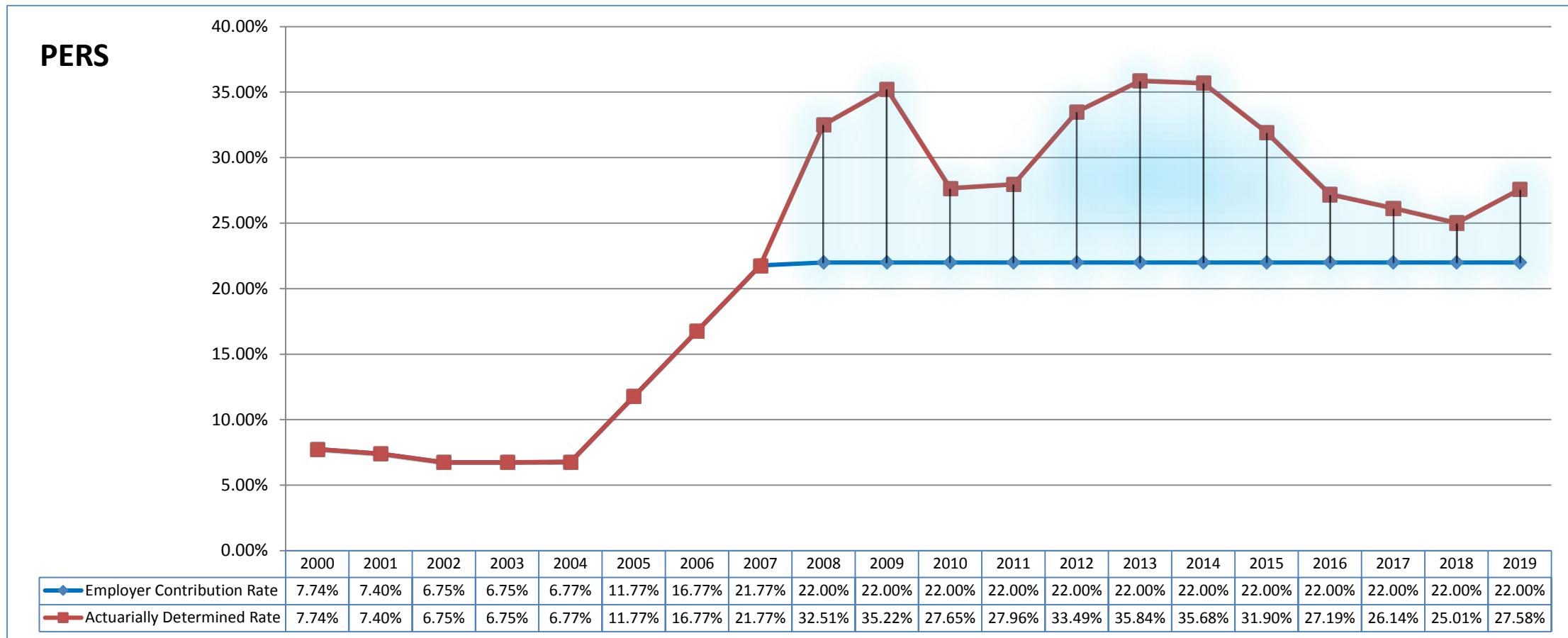
TRS Funding Ratio History

(Based on Valuation Assets)



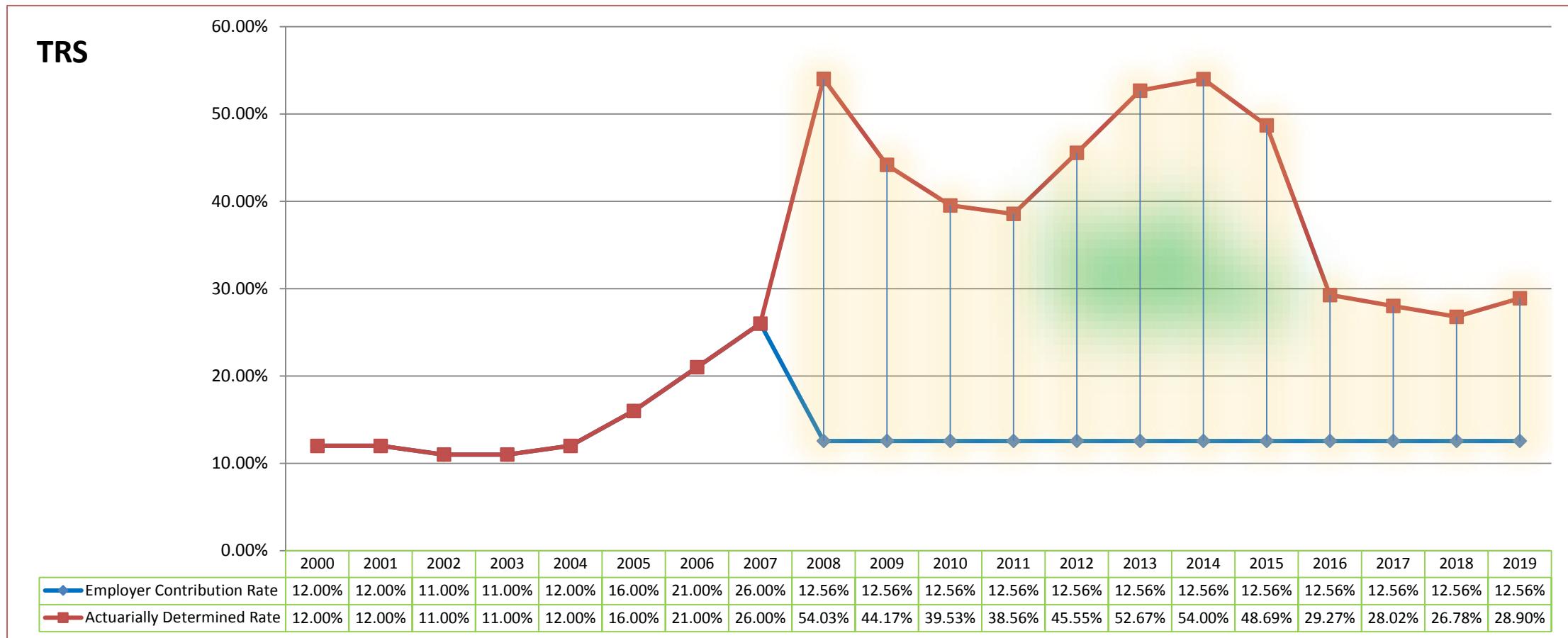
Source: Conduent HR Services, June 30, 2016 TRS Actuarial Valuation Report

PERS Contribution Rates



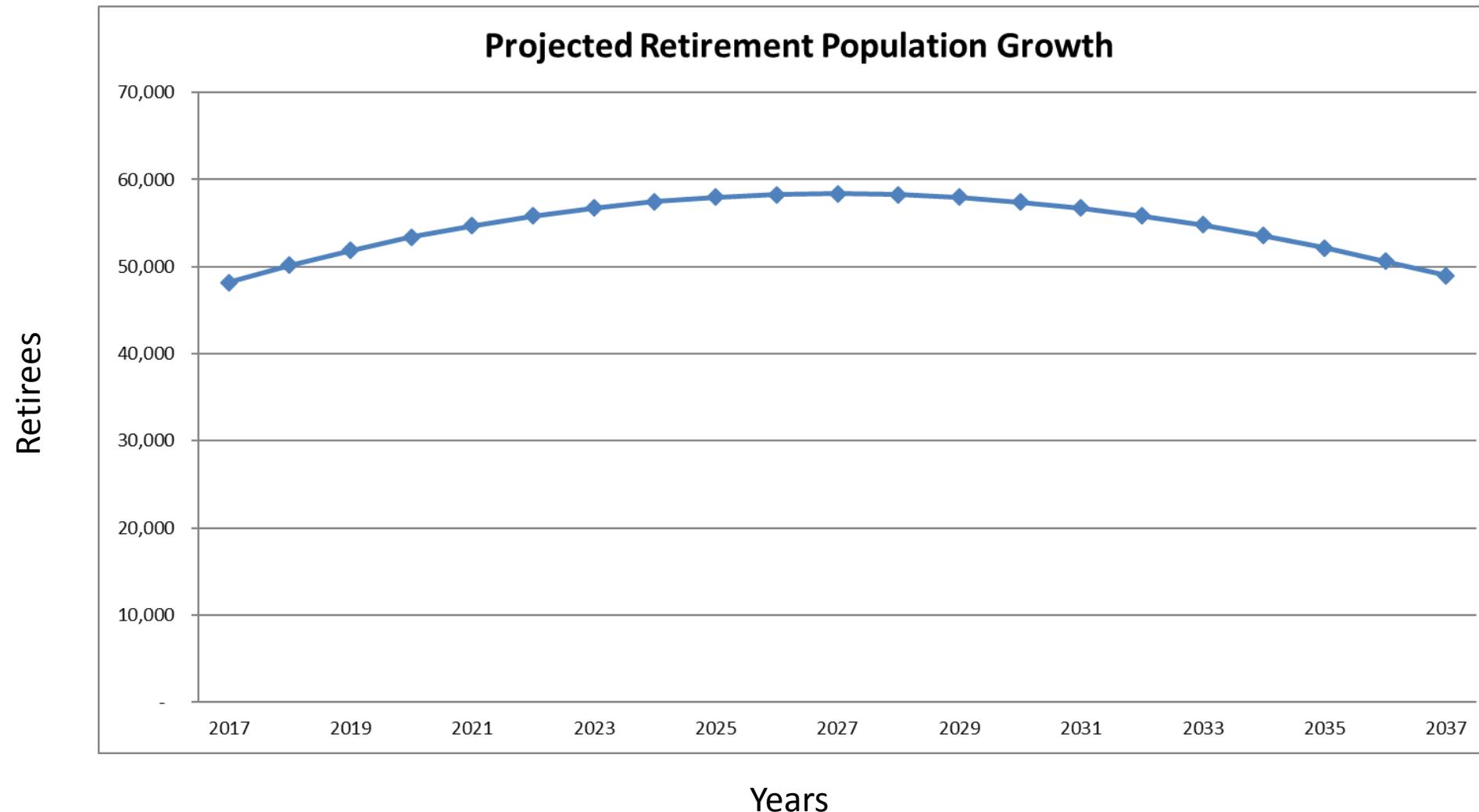
SB 125 capped PERS employer contribution rates at 22% beginning in FY 2008.

TRS Contribution Rates

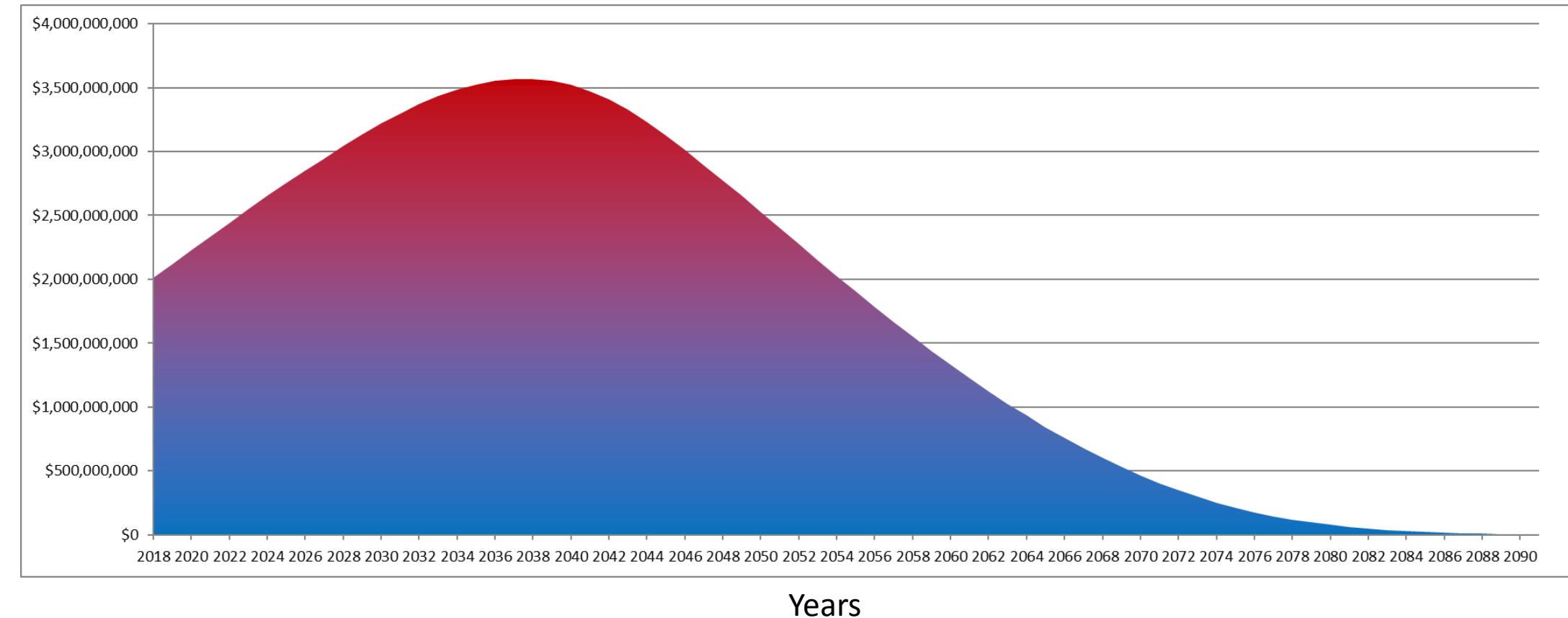


SB 125 capped TRS employer contribution rates at 12.56% beginning in FY 2008.

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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