

Public Employees' Retirement System (PERS) Teachers' Retirement System (TRS) SPRING 2017 UPDATE



Presented by
Commissioner Sheldon Fisher
Chief Financial Officer Kevin Worley

PERS / TRS – Organization



Public Employees' Retirement System

(PERS)

Basic Facts – PERS Chronology

- 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

Basic Facts – Membership – PERS *(as of 12/31/2016)*

- 157 Member Employers
- 3 Defined Benefit (DB) Tiers
 - 32,733 retirees
 - 5,835 terminated members entitled to future benefits
 - 15,826 actives (44%)
 - 55,394 total DB members
- 1 Defined Contribution (DC) Tier
 - 11 retirees
 - 691 terminated members entitled to future benefits
 - 19,377 actives (56%)
 - 20,079 total DC members

SOURCE: Division of Retirement and Benefits. Membership Statistics as of 12/31/2016

Basic Facts – PERS Contribution Rates

Defined Benefit

Employee:

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

Employer:

- 22% Cost Share

State:

- State on – behalf 4.14%

Defined Contribution

Employee:

- 8% All Employees

Employer:

- 5% Investment Account
- 1.18% Health Care
- 0.49% Occupational Death and Disability – Peace Officer/Firefighter
- 0.17% All Others
- HRA – flat dollar, 3% of all PERS/TRS average annual compensation

Teachers' Retirement System

(TRS)

Basic Facts – TRS Chronology

- 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

Basic Facts – Membership – TRS *(as of 12/31/2016)*

- 57 Member Employers
- 2 Defined Benefit (DB) Tiers
 - 12,731 retirees
 - 756 terminated members entitled to future benefits
 - 5,240 actives (51%)
 - 18,800 total DB members
- 1 Defined Contribution (DC) Tier
 - 2 retirees
 - 383 terminated members entitled to future benefits
 - 5,072 actives (49%)
 - 5,457 total DC members

SOURCE: Division of Retirement and Benefits. Membership Statistics as of 12/31/2016

Basic Facts – TRS Contribution Rates

Defined Benefit

Employee:

- 8.65%

Employer:

- 12.56% Cost Share

State:

- State on-behalf 15.46%

Defined Contribution

Employee:

- 8% All Employees

Employer:

- 7% Investment Account
- 1.05% Health Care
- 0.00% Occupational Death and Disability
- HRA – flat dollar, 3% of all PERS/TRS average annual compensation

Basic Facts – TRS Contribution Rates

Defined Benefit

Employees hired FY 2007 who are still employed June 30, 2016:

| | |
|------------|----------------|
| PERS -P/F | 52.9% Retained |
| PERS Other | 32.8% Retained |
| Teachers | 42.0% Retained |

Defined Contribution

Employees hired FY 2007 who are still employed June 30, 2016:

| | |
|------------|----------------|
| PERS -P/F | 51.4% Retained |
| PERS Other | 33.9% Retained |
| Teachers | 42.4% Retained |

Retirement System

PERS/TRS Financial Information

PERS / TRS - ARMB Long Term Returns *(through 6/30/2016)*

| ARMB Long Term Returns through June 30, 2016 | | | |
|--|--------|--------|---------|
| Annualized Returns | PERS | TRS | Average |
| 32 Year | 8.82% | 9.17% | 8.99% |
| 30 Year | 7.86% | 7.85% | 7.86% |
| 25 Year | 7.64% | 7.68% | 7.66% |
| 20 Year | 6.70% | 6.73% | 6.71% |
| 15 Year | 5.83% | 5.86% | 5.84% |
| 10 Year | 5.47% | 5.51% | 5.49% |
| 5 Year | 6.64% | 6.67% | 6.65% |
| 3 Year | 6.86% | 6.86% | 6.86% |
| 1 Year | -0.36% | -0.36% | -0.36% |

PERS / TRS - Basic Facts

Defined Benefit Pension:

Fixed benefit amount from date of retirement to death

Contributions + Investment Earnings = Benefits + Expenses

IF:

Actuarial assumptions are accurate.

IF NOT:

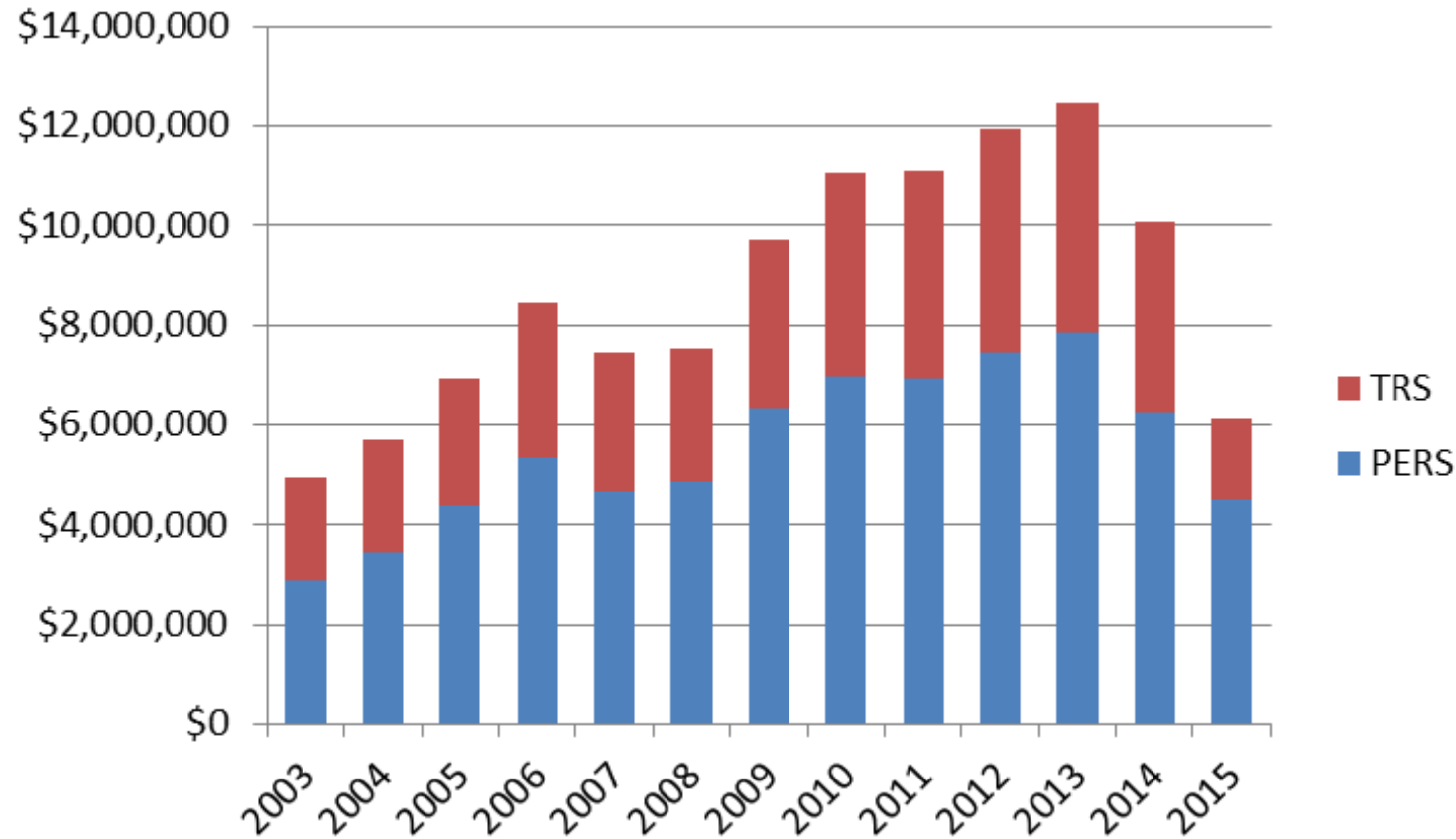
Unfunded liability is created.

PERS / TRS - State Assistance

| 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 |
| Total: | | \$ 2,825,475,096 | 3,941,554,621 | 6,767,029,717 |

PERS / TRS Basic Facts – Unfunded Liability

(in thousands)



NOTE: The annual June 30, 2016 actuarial valuation reports are currently being prepared for presentation to the ARM Board actuarial committee on March 1, 2017.

SOURCE: Buck Consultants, Actuarial Valuation Reports as of June 30, 2015 for PERS and TRS DB

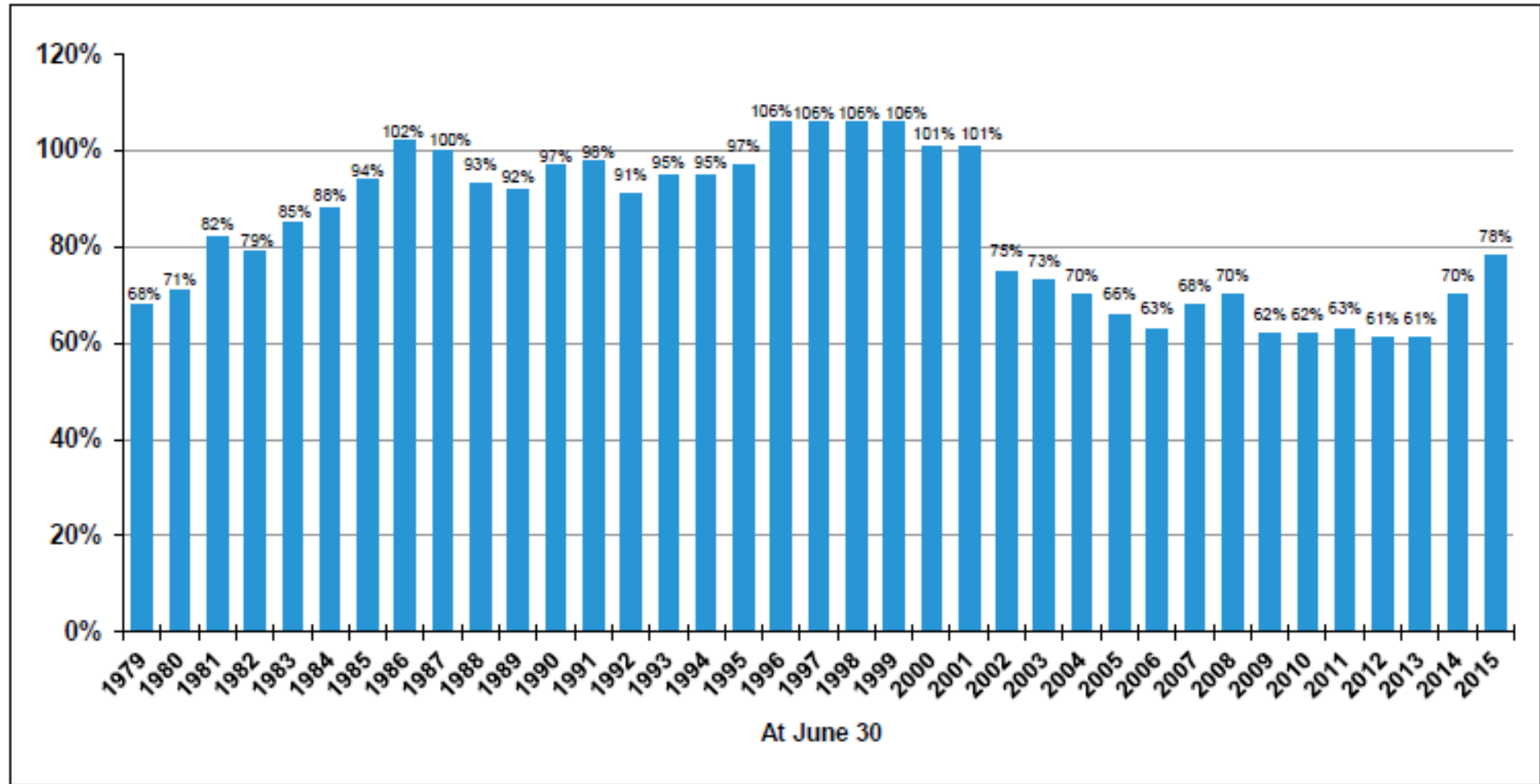
PERS / TRS Basic Facts – Health Cost Funding Ratio

| | PERS | | TRS | |
|--------------------------------|--------------|--------------|-------------|-------------|
| | 2014 | 2015 | 2014 | 2015 |
| DB Pension | | | | |
| a. Actuarial Accrued Liability | \$12,947,759 | \$13,337,929 | \$6,921,362 | \$7,051,724 |
| b. Valuation of Assets | \$7,731,438 | \$8,931,160 | \$3,771,139 | \$5,422,651 |
| c. Funded Ratio | 59.7% | 67% | 54.5% | 76.9% |
| DB Health Care | | | | |
| a. Actuarial Accrued Liability | \$7,949,613 | \$7,310,734 | \$2,919,670 | \$2,677,393 |
| b. Valuation of Assets | \$6,913,160 | \$7,242,299 | \$2,248,135 | \$2,686,272 |
| c. Funded Ratio | 87% | 99.1% | 77% | 100.3% |
| DB Total | | | | |
| a. Actuarial Accrued Liability | \$20,897,372 | \$20,648,663 | \$9,841,032 | \$9,729,117 |
| b. Valuation of Assets | \$14,644,598 | \$16,173,459 | \$6,019,274 | \$8,108,923 |
| c. Funded Ratio | 70.1% | 78.3% | 61.2% | 83.3% |

Source: Buck Consultants, June 30, 2015 Actuarial Valuation Reports for PERS and TRS

PERS Basic Facts – Funding Ratio History

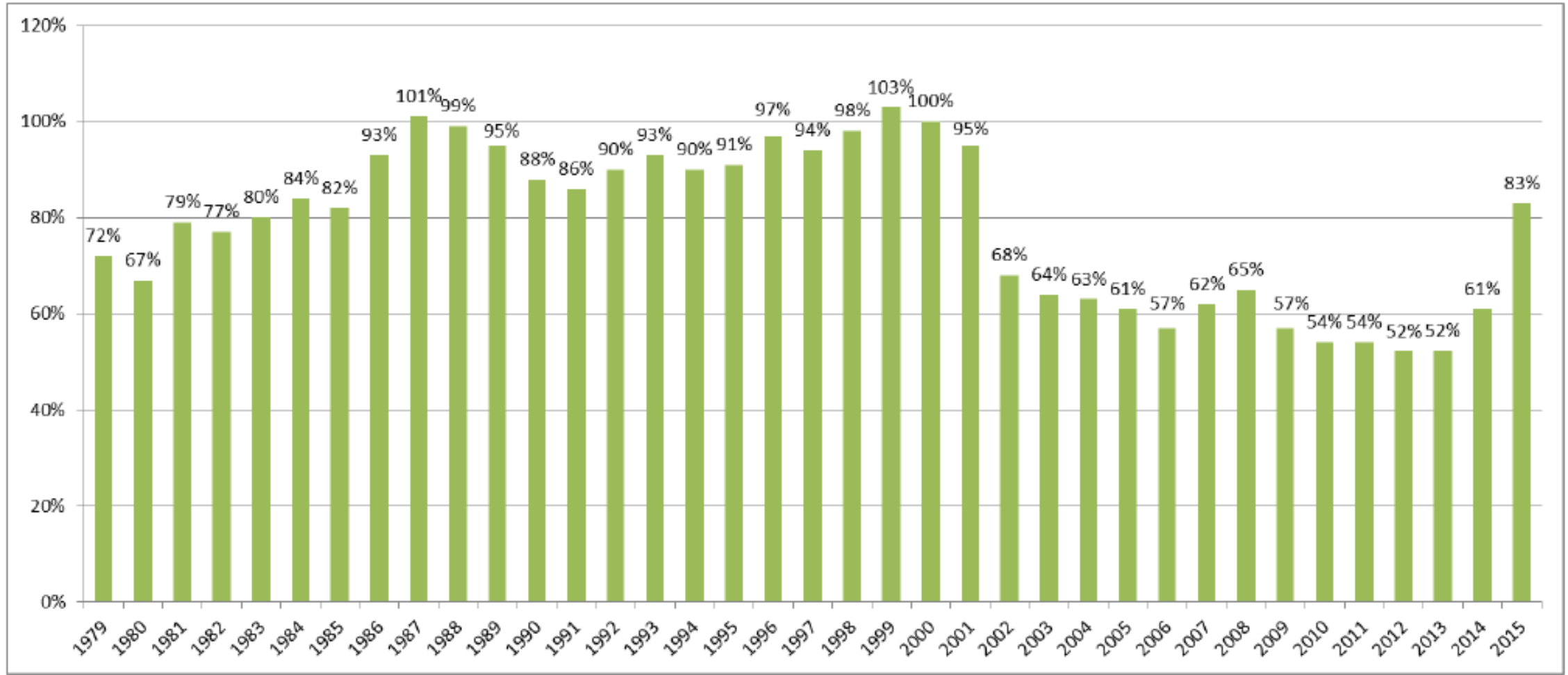
(Based on Valuation Assets)



Source: Buck Consultants, June 30, 2015 PERS Actuarial Valuation Report

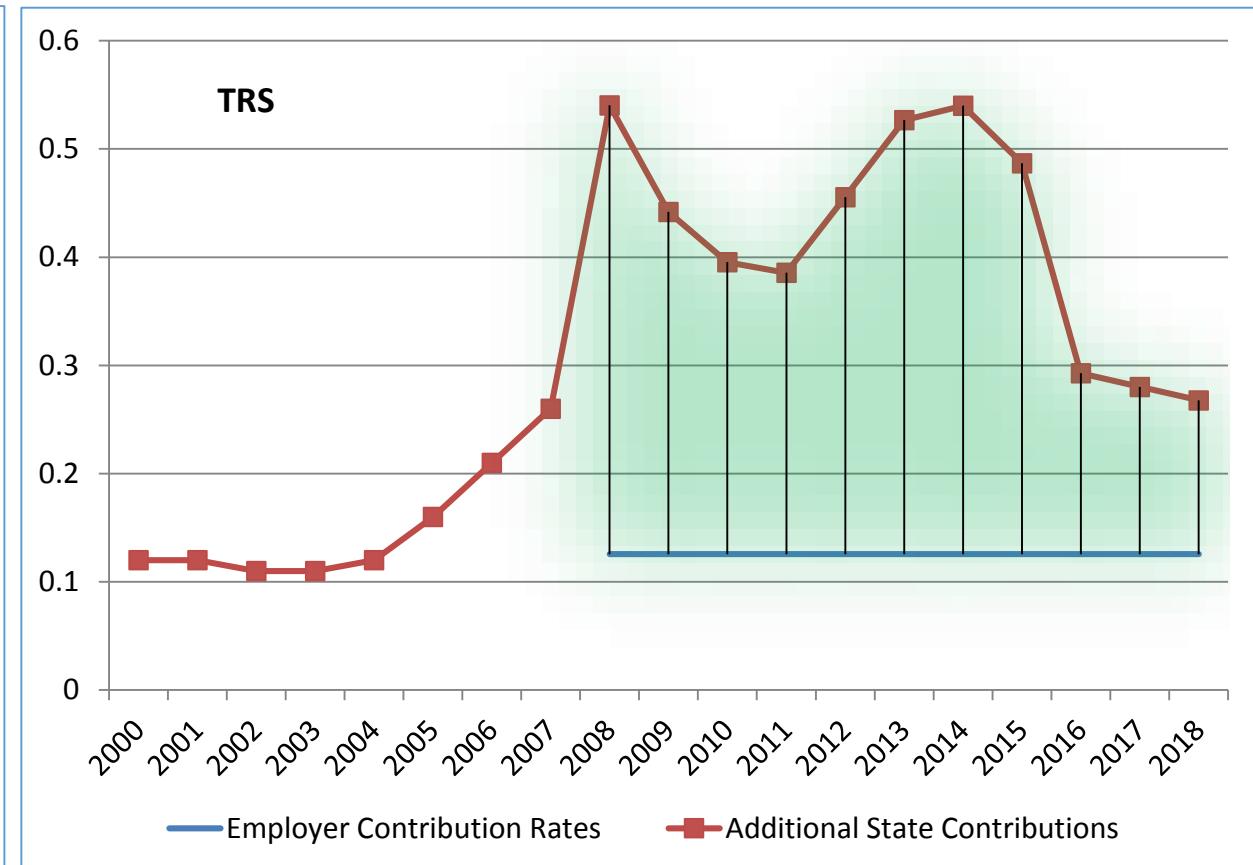
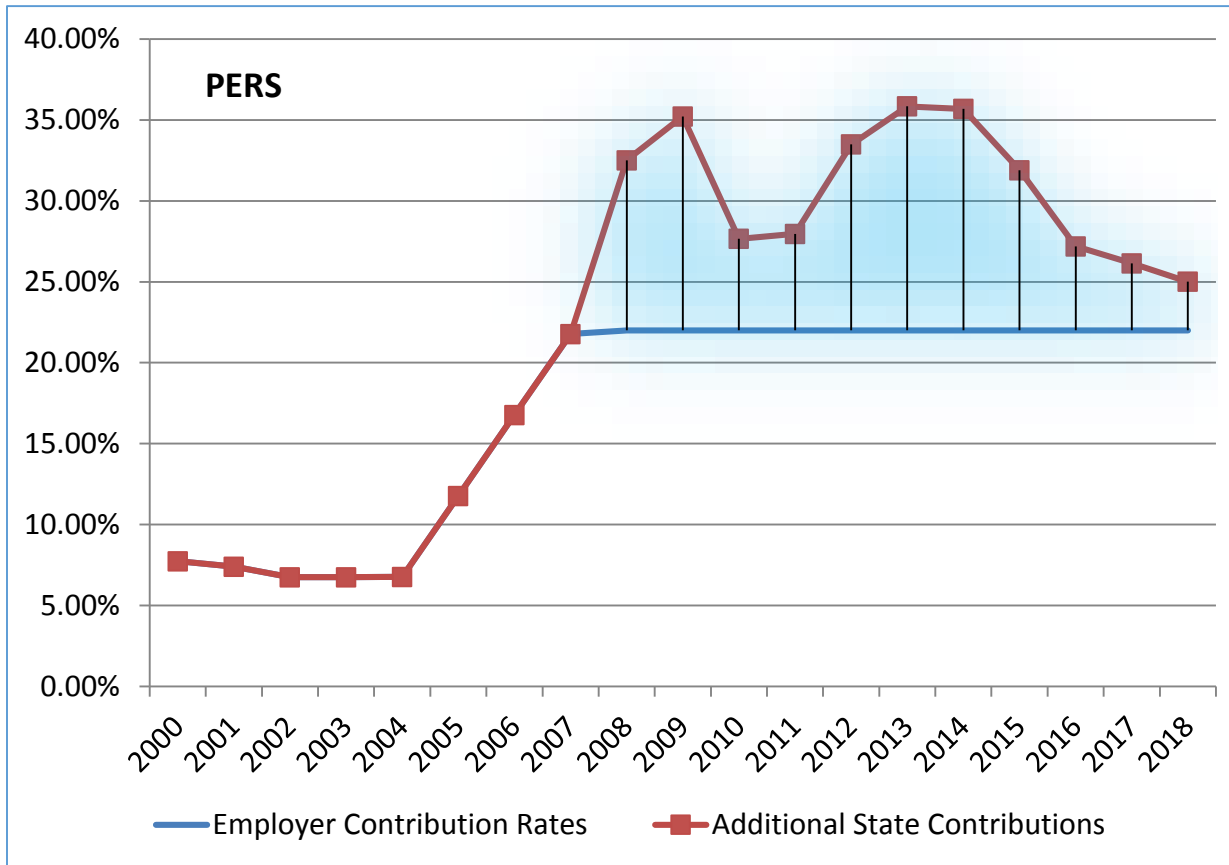
TRS Basic Facts – Funding Ratio History

(Based on Valuation Assets)



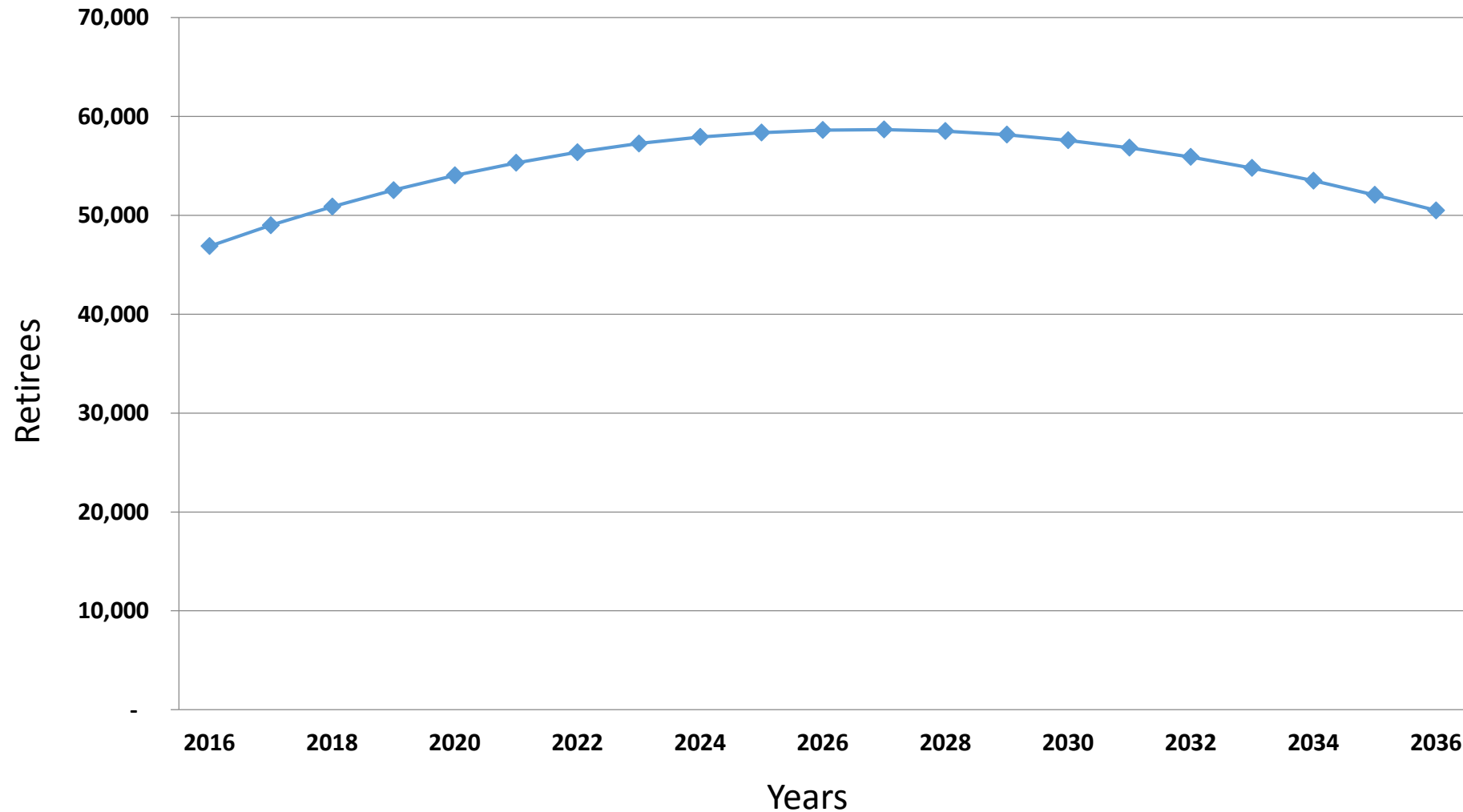
Source: Buck Consultants, June 30, 2015 TRS Actuarial Valuation Report

PERS / TRS Basic Facts – Contribution Rates

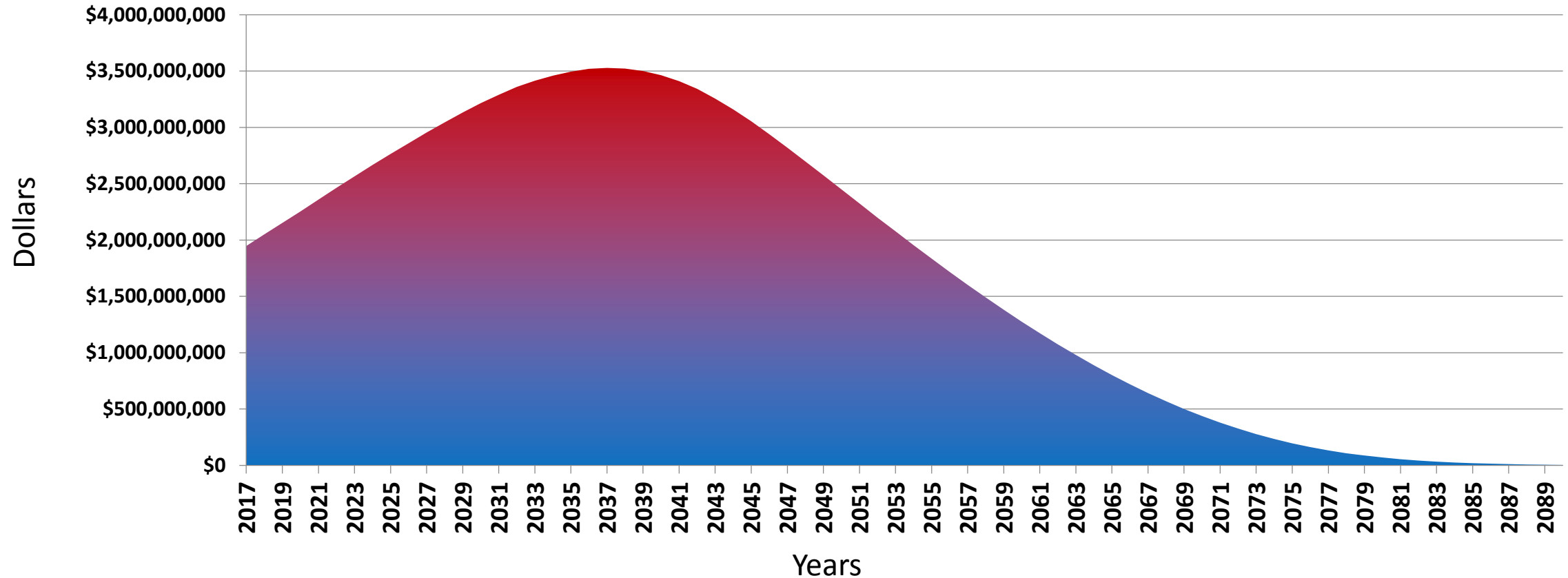


SB 125 capped PERS employer contribution rates at 22% and TRS employer contribution rates at 12.56% beginning in FY 2009.

Projected Retirement Population Growth



Benefits – PERS / TRS



Pay **\$140 billion** in benefits payments over next 70 years
PERS/TRS account balance as of June 30, 2016: **\$22.4 billion**
Unfunded Liability as of June 30, 2015: **\$6.1 billion**

Questions?

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

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