State of Alaska

Department of Administration

- PERS / TRS 2020 Update
- Presentation to Senate Finance Committee
- Ajay Desai, Director, Division of Retirement and Benefits
- February 5, 2021

Organization – PERS / TRS

Dept. of Revenue
Treasury Division

Invests retirement system assets

- Investment Advisory Committee
- General Consultant
- Staff
- Internal Investment Management
- External Investment Management

Alaska Retirement Management Board

Sets contribution rates, invests retirement system assets

Dept. of Administration
Division of Retirement & Benefits

Administer retirement and benefits system

- Staff
- Actuary/ Consultants
- Third Party Admin. (TPA)

Membership (as of June 30, 2020)

DB and DC Plans	PERS			TRS		Total	%
Employers	152			57		209	
DB Plans	Tier I	Tier II	Tier III	Tier I	Tier II		
Actives	823	2,626	7,713	200	3,612	14,974	DB: 34%
Inactive – Vested	279	1,798	3,193	48	726	6,044	DB: 71%
Retired	22,675	8,759	4,706	10,098	2,955	49,193	DB: 100%
Total	**23,777**	**13,183**	**15,612**	**10,346**	**7,293**	**70,211**	
DC Plans							
Actives	23,378			5,569		28,947	DC: 66%
Inactive - Vested	1,717			782		2,499	DC: 29%
Retired	129			36		**165**	DC: 0%
Total	**25,224**			**6,387**		**31,611**	

An Employer Group Waiver Plan (EGWP) Subsidy

Types of Funding	$ (Millions)		
	2019 (Actual)	2020 (Actual)	2021 (Projected)
Direct Subsidy	$ 1.30	$ 0.04	$ 0.05
Catastrophic Reinsurance*	28.80	20.76	23.00
Low Income Premiums Subsidy	18.20	0.22	0.20
Low Income Cost Sharing Subsidy*	0.20	1.10	1.00
Coverage Gap Discount*	1.00	36.26	38.00
TOTAL	$ 49.50	$ 58.38	$ 62.25

* Projected amounts described above are rough estimates due to the dynamic nature of claims.

- 2019 Actual subsidy is $49.5M compared to the projected subsidy of $52.9M
- 2020 Actual subsidy is subject to minor adjustment due to true-up

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Additional State Contributions – Projected

Fiscal Year	PERS	TRS	Total
2022	$ 178,702,000	$ 135,047,000	$ 313,749,000
2023	182,291,000	139,211,000	321,502,000
2024	185,993,000	143,462,000	329,455,000
2025	188,295,000	146,770,000	335,065,000
2026	191,073,000	150,325,000	341,398,000
2027	194,586,000	153,963,000	348,549,000
2028	199,063,000	157,904,000	356,967,000
2029	203,840,000	161,809,000	365,649,000
2030	209,682,000	166,496,000	376,178,000
2031	215,634,000	170,855,000	386,489,000
2032	222,110,000	175,349,000	397,459,000
2033	228,296,000	180,003,000	408,299,000
2034	235,334,000	185,080,000	420,414,000
2035	242,982,000	190,023,000	433,005,000
2036	251,174,000	195,189,000	446,363,000
2037	260,165,000	200,626,000	460,791,000
2038	269,548,000	206,207,000	475,755,000
2039	279,046,000	211,794,000	490,840,000
2040	0	423,000	423,000
2041	0	543,000	543,000
2042	0	556,000	556,000
2043	0	685,000	685,000
	$ 3,937,814,000	**$ 3,072,320,000**	**$ 7,010,134,000**

Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DB

Additional State Contributions - History

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, SLA 07 (SB 53), Sec 55(e)	185,000,000	269,992,300	454,992,300
	Chapter 28, SLA 07 (HB95), Sec 15(a)			
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 (HB 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)	72,719,000	111,757,000	184,476,000
	Chapter 17, SLA 18 (HB 286), Sec 25(a)			
2019	Chapter 17, SLA 18 (HB 286), Sec 25(b) & (c)	135,219,000	128,174,000	263,393,000
2020	Chapter 1, FSSLA 19 (HB 39), Sec 35(a) & (b)	159,055,000	141,129,000	300,184,000
2021	Chapter 8, SLA 20 (HB 205), Sec 41(a) & (b)	203,585,000	134,976,000	338,561,000
	Total:	$ 3,396,053,096	$ 4,457,590,621	$ 7,853,643,717

Source: Legislative Bills for the respective year

Investment Experience

The actuarial value of assets was reinitialized to equal fair value as of June 30, 2014. Beginning in FY15, the valuation method recognizes 20% of the investment gain or loss each year, for a period of five years *("Smoothing")*.

	2019		2020 *(DRAFT)*	
	PERS	TRS	PERS	TRS
Assumed Actuarial Earnings Rate	7.38%	7.38%	7.38%	7.38%
Based on Fair Value of Assets	6.00%	5.90%	4.10%	4.10%
Based on Actuarial Value of Assets *(Smoothing over 5-Year Period)*	5.50%	5.50%	5.80%	5.80%

Funded Status – Valuation Results ($000's)

Defined Benefit Total	PERS			TRS		
	2018	2019	*2020 (DRAFT)*	2018	2019	*2020 (DRAFT)*
a. Actuarial Accrued Liability	$22,264,137	$22,190,874	*$22,316,000*	$9,960,440	$9,906,664	*$9,937,000*
b. Valuation of Assets	$17,116,701	$17,387,184	*$17,703,000*	$8,440,309	$8,511,493	*$8,608,000*
c. Actuarial Funded Ratio	76.9%	**78.4%**	***79.3%***	84.7%	**85.9%**	***86.6%***
d. Fair Value of Assets	$16,918,676	$17,257,097	*$17,283,000*	$8,342,861	$8,441,248	*$8,398,000*
e. Fair Value Funded Ratio	76.0%	77.8%	*77.4%*	83.8%	85.2%	*84.5%*

Source: Buck, Actuarial Valuation Reports as of June 30, 2018 and 2019 and Draft report 2020 for PERS and TRS DB

Funded Status – Valuation Results ($000's)

Defined Benefit Pension	PERS			TRS		
	2018	2019	*2020 (DRAFT)*	2018	2019	*2020 (DRAFT)*
a. Actuarial Accrued Liability	$14,606,033	$15,039,180	*$15,279,000*	$7,276,290	$7,388,020	*$7,447,000*
b. Valuation of Assets	$9,430,192	$9,576,693	*$9,714,000*	$5,541,600	$5,563,931	*$5,587,000*
c. Actuarial Funded Ratio	64.6%	63.7%	*63.6%*	76.2%	75.3%	*75.0%*
d. Fair Value of Assets	$9,306,675	$9,489,405	*$9,469,000*	$5,472,727	$5,511,929	*$5,445,000*
e. Fair Value Funded Ratio	63.7%	63.1%	*62.0%*	75.2%	74.6%	*73.1%*

Source: Buck, Actuarial Valuation Reports as of June 30, 2018 and 2019 and Draft report 2020 for PERS and TRS DB

Funded Status – Valuation Results ($000's)

Defined Benefit Health Care	PERS			TRS		
	2018	2019	*2020 (DRAFT)*	2018	2019	*2020 (DRAFT)*
a. Actuarial Accrued Liability	$7,658,104	$7,151,694	*$7,037,000*	$2,684,150	$2,518,644	*$2,490,000*
b. Valuation of Assets	$7,686,509	$7,810,491	*$7,989,000*	$2,898,709	$2,947,562	*$3,021,000*
c. Actuarial Funded Ratio	100.4%	109.2%	*113.5%*	108.0%	117.0%	*121.3%*
d. Fair Value of Assets	$7,612,001	$7,767,692	*$7,814,000*	$2,870,134	$2,929,319	*$2,953,000*
e. Fair Value Funded Ratio	99.4%	108.6%	*111.0%*	106.9%	116.3%	*118.6%*

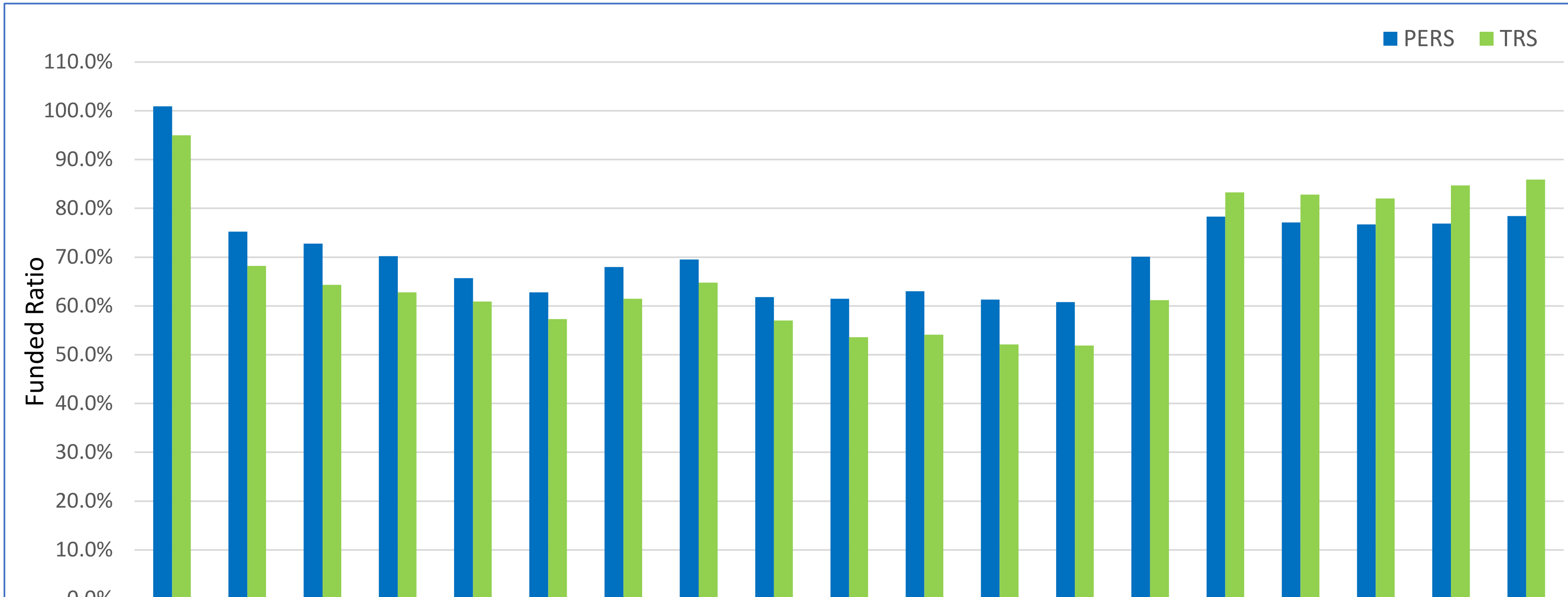
Source: Buck, Actuarial Valuation Reports as of June 30, 2018 and 2019 and Draft report 2020 for PERS and TRS DB

Historical Rate of Return and Funded Ratio

Fiscal Year End 30-Jun	Assumed Actuarial Earnings Rate	Actual Rate of Return	Actuarially Funded Ratio	Actual Rate of Return	Actuarially Funded Ratio
		PERS		TRS	
1996	8.00%	13.79%	105.8%	14.35%	97.2%
1997	**8.25%**	18.18%	106.3%	18.12%	94.0%
1998	8.25%	14.73%	105.9%	14.83%	97.7%
1999	8.25%	10.59%	105.5%	10.67%	102.5%
2000	8.25%	10.07%	101.1%	10.15%	99.6%
2001	8.25%	-5.25%	100.9%	-5.35%	95.0%
2002	8.25%	-5.48%	75.2%	-5.49%	68.2%
2003	8.25%	3.67%	72.8%	3.68%	64.3%
2004	8.25%	15.08%	70.2%	15.09%	62.8%
2005	8.25%	8.95%	65.7%	9.01%	60.9%
2006	8.25%	11.74%	62.8%	11.78%	57.3%
2007	8.25%	18.87%	66.2%	18.92%	60.1%
2008	8.25%	-3.06%	69.5%	-3.05%	64.8%
2009	8.25%	-20.49%	61.8%	-20.62%	57.0%
2010	8.25%	11.39%	52.8%	11.58%	53.6%
2011	**8.00%**	21.22%	60.8%	21.40%	54.1%
2012	8.00%	0.46%	61.3%	0.51%	52.1%
2013	8.00%	12.50%	60.8%	12.59%	51.9%
2014	8.00%	18.56%	70.1%	18.56%	61.2%
2015	8.00%	3.29%	75.4%	3.30%	83.3%
2016	8.00%	-0.36%	77.1%	-0.36%	82.8%
2017	8.00%	13.35%	76.7%	13.36%	82.0%
2018	8.00%	9.61%	76.9%	9.62%	84.7%
2019	**7.38%**	6.40%	78.4%	6.39%	85.8%
2020	7.38%	3.83%	79.3%	3.82%	86.6%

Source: Funded Ratio - Actuarial Reports; Actual Rate of Returns - Department of Revenue, Investment Performance

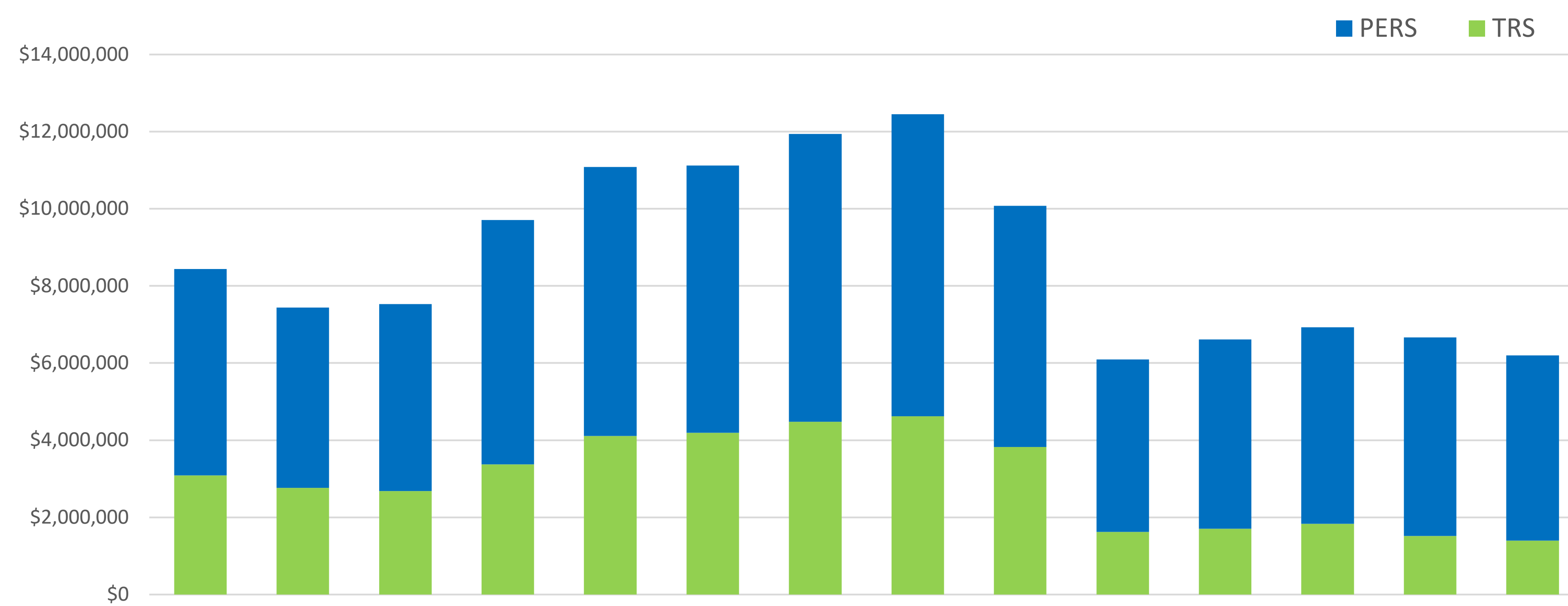
Funded Ratio – History (Based on Actuarial Valuation Reports)



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PERS	100.9%	75.2%	72.8%	70.2%	65.7%	62.8%	68.0%	69.5%	61.8%	61.5%	63.0%	61.3%	60.8%	70.1%	78.3%	77.1%	76.7%	76.9%	78.4%
TRS	95.0%	68.2%	64.3%	62.8%	60.9%	57.3%	61.5%	64.8%	57.0%	53.6%	54.1%	52.1%	51.9%	61.2%	83.3%	82.8%	82.0%	84.7%	85.9%

Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DB

Unfunded Liability – PERS / TRS ($000's)



	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
PERS	5,347,505	4,669,973	4,848,035	6,336,393	6,975,028	6,926,776	7,460,331	7,830,133	6,252,774	4,475,204	4,901,498	5,094,624	5,147,436	4,803,690
TRS	3,088,151	2,765,004	2,682,202	3,374,556	4,108,660	4,190,858	4,477,290	4,618,031	3,821,758	1,620,194	1,707,233	1,830,981	1,520,131	1,395,171

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Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DB

Employers and Additional State Contributions Projection

Allocation of Projected Employer and Additional State Contributions with Liabilities "Rolled Forward" Two Years, Assets "Rolled Forward" One Year and Smoothed

2019 Valuation - Liabilities	2020 Assets w/Actual Rate of Return (ROR)	2021 Assets w/Projected ROR (7.38%) for 2020	**FY2022** Employers and Additional State Contributions
March 2020	September 2020		September 2020

2020 Valuation (March 2021)	2021 Assets	2022 Assets	FY2023 Contributions
2021 Valuation (March 2022)	2022 Assets	2023 Assets	FY2024 Contributions
2022 Valuation (4-Year Experience Study)	2023 Assets	2024 Assets	FY2025 Contributions
2023 Valuation (March 2024)	2024 Assets	2025 Assets	FY2026 Contributions

FY2022 Contribution Rates – DB Plans

DB Plans	PERS	TRS
Employee		
• All Other Employees • Peace Officer/Firefighter • School District Alternate Option	6.75% 7.50% 9.60%	8.65%
Employer	22.00%	12.56%
Additional State Contribution	8.11%	19.29%
Total Required Contributions for the Fiscal Year *	**30.11%**	**31.85%**

* The total contribution rates for PERS and TRS include the DCR contribution rates.

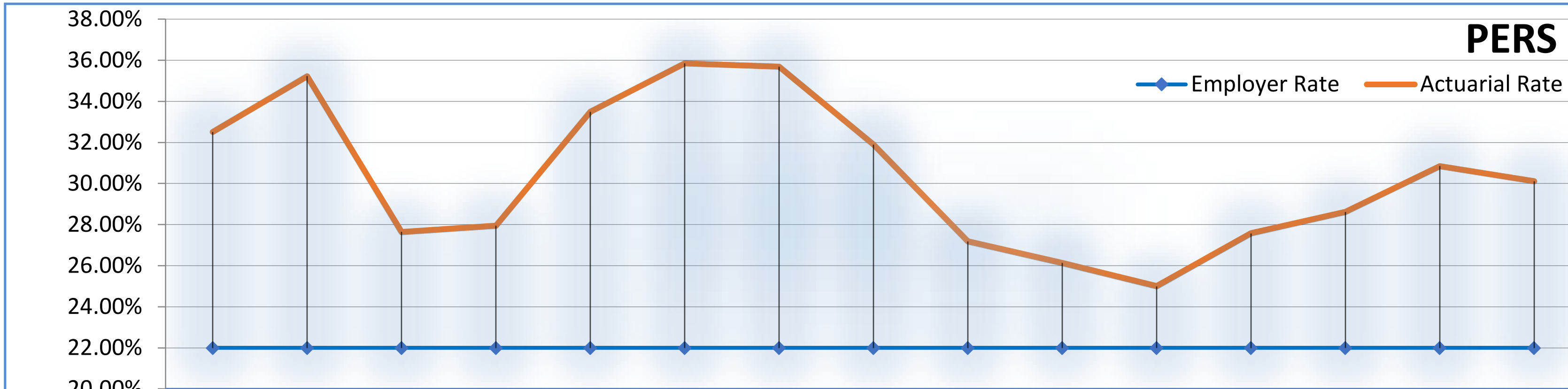
Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DB and DCR

FY2022 Contribution Rates – DC Plans

DC Plans	PERS	TRS
Employee	8.00%	8.00%
Employer		
Investment Account	5.00%	7.00%
Health Care	1.07%	0.83%
Occupational Death & Disability		
• All Others	0.31%	0.08%
• Peace Officer/Firefighter	0.68%	N/A
Health Reimbursement Account (HRA) *(3% of all PERS/TRS average annual compensation)*	Flat dollar	Flat dollar
Excess from Employers' Contributions (22% / 12.56%)	To DB Plans – Unfunded Liability	

Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DCR

Contribution Rates – History

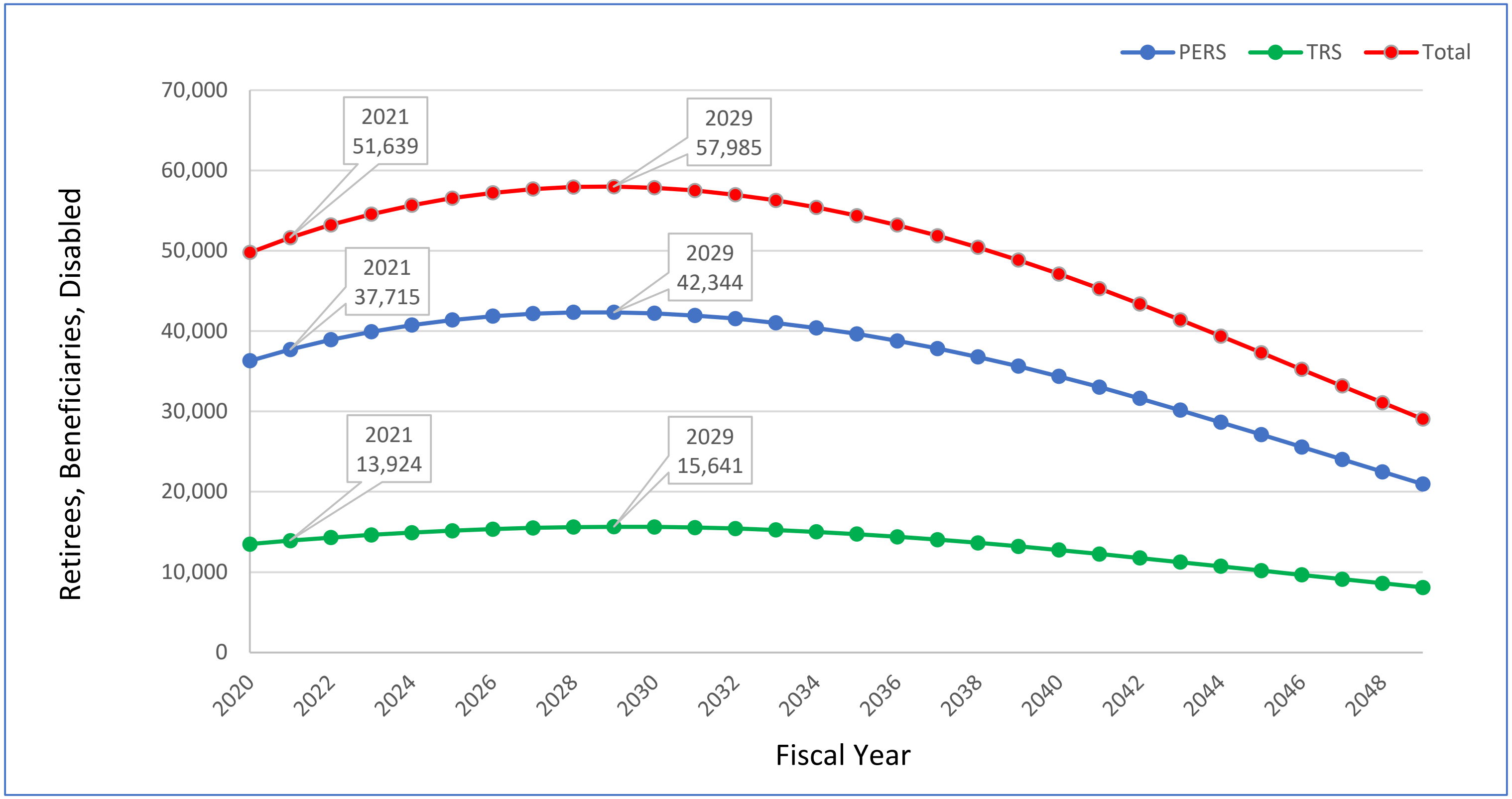


	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer Rate	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%	22.00%
Actuarial Rate	32.51%	35.22%	27.65%	27.96%	33.49%	35.84%	35.68%	31.90%	27.19%	26.14%	25.01%	27.58%	28.62%	30.85%	30.11%

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Employer Rate	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%	12.56%
Actuarial Rate	54.03%	44.17%	39.53%	38.56%	45.55%	52.67%	53.62%	48.69%	29.27%	28.02%	26.78%	28.90%	30.47%	30.47%	31.85%

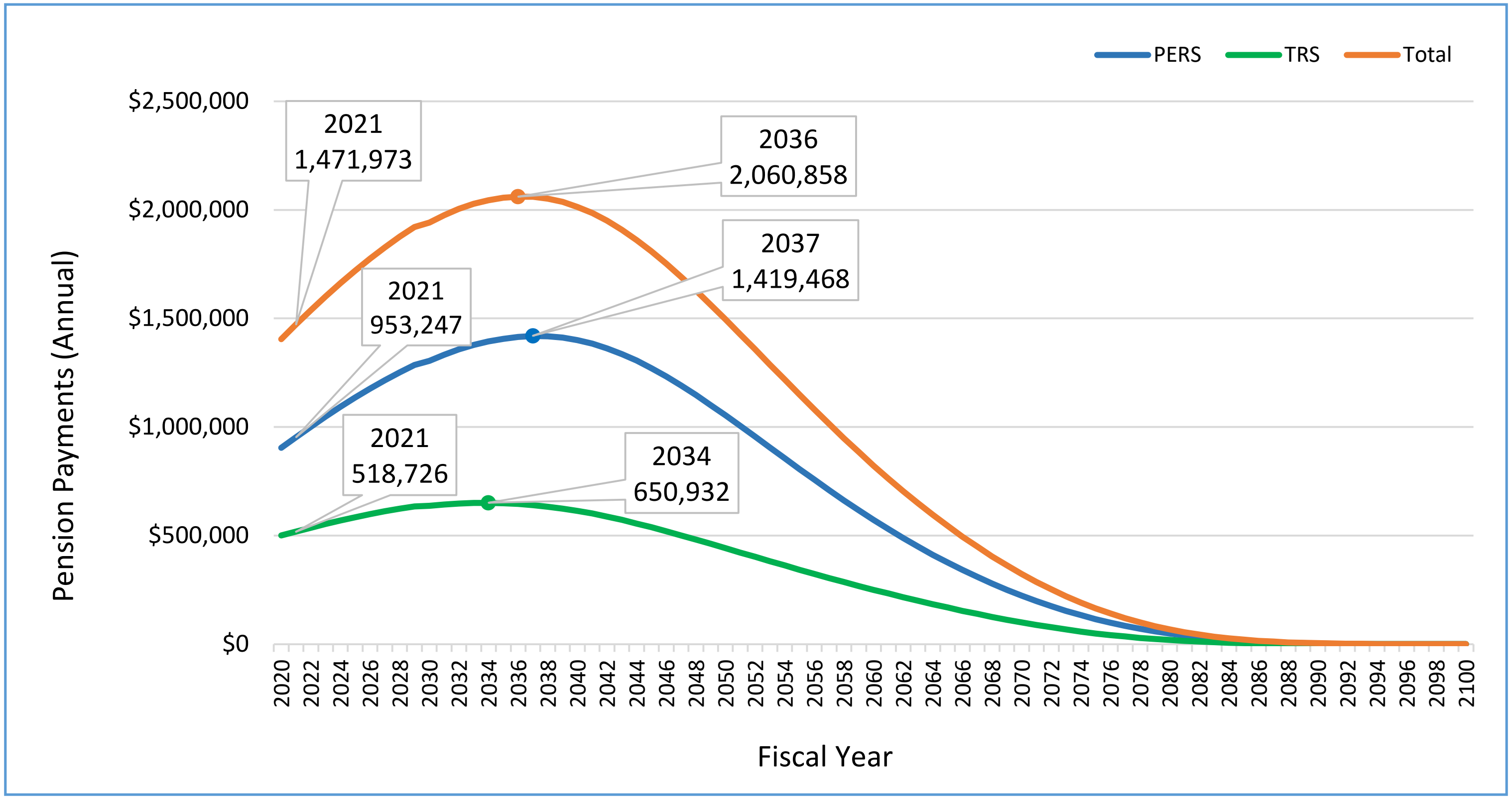
Source: June 30, 2019 - Board Adopted Rates Report (BUCK)

Projected Pension Benefit Recipients



Source: Buck - Supplemental Data

Projected Pension Benefits Payment ($000's)



Source: Buck - Supplemental Data

Health Care Cost Trend Rates

Fiscal Year	Medical Pre-65	Medical Post-65	Rx / EGWP
2020	7.00%	5.40%	8.00%
2021	6.50%	5.40%	7.50%
2022	6.30%	5.40%	7.10%
2025	5.80%	5.40%	6.10%
2040	5.40%	5.40%	5.40%
2045	5.00%	5.00%	5.00%
2050+	4.50%	4.50%	4.50%

Rates were unchanged through fiscal 2040. Beginning in fiscal 2041, trend rates were revised to reach an ultimate rate of 4.5% in fiscal 2050 instead of the previously assumed ultimate rate of 4.0%.

Source: Buck - Trend rates used in the 6/30/19 valuation

Department of Administration

Championing improvement in the State's performance and results.

For more information, please contact Kelly Hanke at kelly.hanke@alaska.gov