

## SB 55: Employer Contributions to PERS

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### PERS/TRS History

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- 1990s: PERS and TRS "fully" funded with stable and low employer contribution rates
- 2001-2002: "Dot-com" bust; returns negative
- 2003: Audit revealed actuarial methodology errors
  - Funding levels dropped from 100% to 75% for PERS; 68% for TRS
  - Unfunded liability: \$4.2B
- 2005: SB 141 enacted.
  - Closed DB plans to new employees
  - DC plans created for employees hired after 6/1/2006
  - Alaska Retirement Management Board (ARMB) created
- 2006: ARMB sets employer contribution rates to full actuarial rate; FY2008 rates skyrocket to over 50% for TRS
- 2007: Alaska files lawsuit for actuarial malpractice against Mercer
- 2007: Legislature intervenes; buys down employer contribution rates for FY2008
- 2008: Legislature caps rates by statute (SB 125)
  - 22% for PERS
  - 12.56% for TRS
- 2008: Legislature enacts state assistance (SB 125); pays the difference between the actuarial rate and the capped rate
  - State assistance funded by unrestricted general funds
  - Pays state assistance on behalf of all employers, including State of Alaska, which is the biggest employer in PERS
- 2009: Global Financial Crisis. -20% return. Funding ratios touch bottom (approx. 50%, FMV)
- 2010: Department of Law settles case against Mercer for \$500mm
- 2010-2019: Bull market
- 2014: Legislature appropriates \$3B from CBR for PERS/TRS state assistance
- 2020: Aggregate funding ratio approx. 80%
  - Total PERS/TRS state assistance through FY21: \$7.85B
  - Current PERS unfunded liability: \$5B, FMV
- 2039: Projected date unfunded liability will be retired