

ALASKA
RETIREMENT
MANAGEMENT
BOARD

DEC
6, 2023

ACTUARIAL COMMITTEE

STATE OF ALASKA
ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING
December 6, 2023 – 1:30 p.m.

Alaska Housing Finance Corporation Meeting Room
4300 Boniface Parkway, Anchorage, AK

[Click here to join the meeting](#)

Meeting ID: 265 826 995 512

Passcode: HwLet8

Call In (Audio Only):

Phone: 1-907-202-7104

Code: 614 084 000#

- I. Call to Order**
- II. Roll Call**
- III. Public Meeting Notice**
- IV. A. Approval of Agenda
B. Approval of Minutes – September 13, 2023**
- V. Public / Member Participation, Communications and Appearances**
*(Three Minute Limit. Callers may need to press *6 to unmute.)*
- VI. Inflation Outlook / Projections Discussion**
*David Kershner, Principal, Consulting Actuary, Buck
Paul Wood, Senior Consultant & Team Leader, GRS*
- VII. Valuations and Actuary Review**
 - A. PERS / TRS Preliminary 2023 Valuation Results**
*David Kershner, Principal, Consulting Actuary, Buck
Robert Besenhofer, Principal, Health Actuary, Buck*
 - B. Actuary Review**
*Paul Wood, Senior Consultant & Team Leader, GRS
Bill Detweiler, Consultant, GRS*
- VIII. Periodic Self-Assessment**
- IX. Review of Committee Charter**
- X. Future Meetings**
 - A. Calendar Review**
 - B. Agenda Items**
 - C. Requests / Follow-Ups**
- XI. Other Matters to Properly Come Before the Committee**
- XII. Public / Members Comment**
- XIII. Adjournment**

**ALASKA RETIREMENT MANAGEMENT BOARD
ACTUARIAL COMMITTEE MEETING
HYBRID/TEAMS**

**September 13, 2023
9:15 a.m.**

**Originating at:
Robert B. Atwood Building
550 West 7th Avenue, Rooms 102/104
Anchorage, Alaska 99501**

Trustees Present:

Sandra Ryan, Chair	Bob Williams
Donald Krohn	Dennis Moen
Spencer Moore	Lorne Bretz
Michael Williams	Commissioner Adam Crum
Commissioner Paula Vrana	

Department of Revenue Staff Present:

Zachary Hanna, Chief Investment Officer	Pamela Leary, Director, Treasury Division
Ryan Kauzlarich, Assistant Comptroller	Hunter Romberg, Senior Compliance Officer
Scott Jones, Head of Investment Operations, Performance & Analytics	Grant Ficek, Business Analyst
Alysia Jones, Board Liaison	Chris Madsen, Administrative Operations Manager
Robert Vicario, Administrative Assistant II	
Jesyca Ellenbecker Accountant V	

Division of Retirement & Benefits Staff Present:

Ajay Desai, Director, DRB	Kevin Worley, Chief Financial Officer
Mindy Voigt, Assistant Chief Pension Officer	Brandon Roomsburg, Retirement & Benefits Specialist
Roberto Aceveda, Counseling & Education Manager	
Traci Walther, Accountant V	Christopher Novell, Accountant V
Nimeri Denis, Audit & Review Analyst II	Betsy Wood, Deputy Director Health

Department of Law Staff Present:

Ben Hofmeister, Assistant Attorney General

Department of Administration:

Amanda Pillifant, Executive Assistant

Investment Advisory Council Present:

Ruth Ryerson	Josh Rabuck
Dr. William Jennings	

Buck:

David Kershner, Principal, Consulting Actuary	Bob Besenhofer, Principal, Health Actuary
Tonya Manning, Wealth Practice Leader & Chief Actuary	

GRS:

Paul Wood, Actuary, Senior Consultant & Team Leader
Bill Detweiler, Consultant

Public:

Wendy Woolf, RPEA

Tom Klaameyer, NEA - Alaska

PROCEEDINGS

CALL TO ORDER

CHAIR RYAN called the Actuarial Committee meeting to order and asked for a roll call.

MS. JONES called the roll.

PUBLIC METING NOTICE

CHAIR RYAN asked to confirm that the public meeting notice was met.

MS. JONES replied, yes, that it had.

APPROVE THE AGENDA

CHAIR RYAN asked for a motion to approve the agenda.

MOTION: A motion to approve the agenda was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE BRETZ.

There being no objection, the MOTION was APPROVED.

APPROVAL OF MINUTES

CHAIR RYAN moved to the minutes of June 14, 2023, and entertained a motion.

MOTION: A motion to accept the minutes of June 14, 2023, was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE BRETZ.

CHAIR RYAN asked for any corrections or amendments to the minutes as presented.

There being no objection, the MOTION was APPROVED.

PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS AND APPEARANCES

CHAIR RYAN asked if there was any public member participation at this time or anyone who wished to speak. There being no one, she moved forward.

ACTUARIAL REVIEW & CERTIFICATION AND ACCEPTANCE OF FY2022 VALUATIONS AND REPORTS

INTRODUCTION

CHAIR RYAN thanked all for coming a bit earlier. She appreciated their patience and dedication. She thanked staff and consultants for the work that was done prior to this meeting to make sure that the absolute best information was given to make decisions today and tomorrow.

She stated that, historically, there is an offset in some of the funds, and she asked CFO Worley to give the history and the reason for this conversation every year at this time.

CFO WORLEY reminded all that the Actuarial Committee has a quarterly schedule it follows. In June of each year, the full actuarial valuation reports for PERS, TRS, JRS, and National Guard are adopted. He explained that they got a little out of sequence with the Judicial Retirement System and the National Guard system. There were some delays in getting information from the National Guard. There was a change in the salary for the judges that was provided last year in the JRS plan. Some minor changes were made that Buck would present. He recapped that they were one meeting behind in adopting JRS and the National Guard, and that should occur after seeing the results from the JRS. There were no changes to the National Guard report that was last provided.

UPDATE ON JRS JUNE 30, 2022, VALUATION

CHAIR RYAN thanked Mr. Worley and asked him to introduce the next guest.

CFO WORLEY introduced three staff members from Buck: David Kershner, lead actuary; Bob Besenhofer, new health actuary; and Tonya Manning, chief actuary.

MR. KERSHNER introduced Bob Besenhofer, who was added as the new health actuary to replace Steve Oates, who retired.

MR. BESENHOFER stated that he is a director and healthcare actuary at Buck, based in Chicago. He continued that he had about 34 years of experience in actuarial work, which included retiree medical valuations. He added that he also had about 19 years on the GASB.

MR. KERSHNER began by spending a few minutes talking about the JRS valuation results, and he explained the updated increases. He moved to the updated valuation report that reflected those results. The updated report in the packet for adoption reflected the updated assumptions.

ACTUARIAL REVIEW OF JRS/NGNMRS

CHAIR RYAN moved to Item C, actuarial review, and recognized CFO Worley.

CFO WORLEY introduced Paul Wood and Bill Detweiler to provide the report of the actuarial review of the JRS and National Guard.

MR. DETWEILER began with a brief update on the review of the JRS and National Guard valuations that Buck completed this year. He stated that they were comfortable with their results shown in the packet. For National Guard, there were no findings this year. Buck did implement a small finding from last year related to the death benefits. That had been revised, and we believe it is being valued more consistently and correctly this year. He continued that, for the judges it was noticed that the revised results with the salary benefit increase received a small inconsistency in the timing with how those were being applied. He added that they were comfortable with and signed off on those results. The final reports for those two plans were included in the packet.

CHAIR RYAN asked for any questions. There being none, she moved to the two action items.

ACTION ITEMS

CHAIR RYAN stated that the Actuarial Committee would like to recommend the board to accept the review and certification of the actuarial reports by GRS. She asked for a motion.

MOTION: The Actuarial Committee would like to recommend for the board to accept the review and certification of the actuarial reports by GRS. The motion was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE MOEN.

After the roll-call vote, the MOTION was APPROVED. (Trustee Krohn, yes; Trustee Moen, yes; Trustee Bob Williams, yes; Trustee Mike Williams, yes; Commissioner Vrana, yes; Trustee Moore, yes; Commissioner Crum, yes; Trustee Bretz, yes; Chair Ryan yes.)

CHAIR RYAN moved to the next motion.

MOTION: The Actuarial Committee recommends to the Full Board the acceptance of the actuarial valuation report prepared by Buck for the JRS and NGNMRS as of June 30th, 2022. The motion was made by TRUSTEE MICHAEL WILLIAMS; seconded by TRUSTEE BOB WILLIAMS.

After the roll-call vote, the MOTION was APPROVED. (Trustee Moore, yes; Trustee Bretz, yes; Commissioner Crum, yes; Trustee Krohn, yes; Trustee Moen, yes; Trustee Michael Williams, yes; Commissioner Vrana, yes; Trustee Bob Williams, yes; Chair Ryan, yes.)

FY2025 PERS/TRS/JRS ADDITIONAL STATE CONTRIBUTIONS

CHAIR RYAN moved to the discussion of FY2025 PERS/TRS/JRS Additional State Contributions and recognized Ms. Manning and Mr. Kershner.

MR. KERSHNER stated that there were two items for the discussion of the FY25 contribution rates and directed the group to the letter on page 180 of the packet. He continued that the letter laid out three exhibits: Exhibit 1 is what they are referring to as the baseline - contributing the pension normal cost to the pension trust and contributing the healthcare normal costs to the healthcare trusts; Exhibit 2 was the same, except the healthcare normal costs are not contributed to the healthcare trust. He noted that Exhibit 2 was consistent with what was adopted for FY23 and FY24. Exhibit 3 is a new scenario which was also not contributing the healthcare normal costs to the healthcare trusts but instead of amortizing the unfunded liability over the 25-year layered approach that was adopted in 2018, it shows what the contribution rates would be if they went back to the single amortization base that was established June 30, 2014 which aims to fully fund the pension trust by FY39, versus the layered approach which pushes that date a bit beyond FY39. He explained that the PERS and TRS DB contribution rates vary by Exhibits 1, 2 and 3. The DCR contribution rates for PERS DCR and TRS DCR were unaffected by the decisions, along with the JRS and National Guard contributions. He talked about the baseline calculations, and then moved into the different scenarios that show some projections for comparison to help the committee make its recommendation for the ARM Board in terms of what contribution rates to adopt for FY25.

CHAIR RYAN asked why they went through these alternatives.

MR. KERSHNER replied that the amortization method of the unfunded liability was the layered approach, except for Alternative 1C (Exhibit 3), which went back to the single base. Alternative 1 (Exhibit 2) was consistent with what the ARM Board adopted for FY23 and FY24. He stated that the layered approach, which was introduced in 2018, was intended to minimize the potential volatility in the State contributions.

MR. BESENHOFER explained that Medicare kicks in at age 65, and that cuts the cost down to below 20 percent of costs than the people who have pre-Medicare costs. There is a large distinction there. He stated that there was a large differential between how the base was trending compared to the marketplace. He continued that each year would be different.

CHAIR RYAN stated that the resolution could be discussed here.

MR. KERSHNER stated that this request came from a question Chair Ryan posed about how the retirement patterns changed over time that helped explain why the healthcare costs had not been rising as quickly as expected. He continued that they summarized eight years of data from the last two four-year experience studies. All the data being shown was used to help set the proposed retirement rates that the ARM Board adopted as part of the last two experience studies. He added that it was going up to COVID, and the long-term effects of COVID remain to be seen.

MS. MANNING noted that the wildcard is that things were not normal during COVID, and we may see some experiences contrary to what is expected or amplified.

CHAIR RYAN asked them to touch on understanding the DCR plan.

MR. KERSHNER stated that there were two main reasons why there were significantly different retirement patterns between those covered by the DB plans and those covered by the DCR plans. The first was because there was no subsidized early retirement on the pension side. They earn whatever the participants invest in those accounts. On the DCR side, those subsidies do not exist, which makes less of an incentive for DCR retirees to retire prior to 65.

MS. MANNING stated that the word “incentive” is a little misleading. It is more like support because some of these actually need to retire early but are supported through a subsidy.

TRUSTEE MOEN asked about the PERS police and fire under 55, and if there was any idea how many of those were due to disability.

MR. KERSHNER did not know.

CFO WORLEY added that he would look and see.

CHAIR RYAN asked for any additional questions or comments.

**FY2025 CONTRIBUTION REVIEW
EMPLOYER CONTRIBUTION RATES/AMOUNT**

MOTION: A motion that the Actuarial Committee recommends that the Alaska Retirement Management Board set the fiscal year 2025 PERS actuarially determined contribution rate attributable to employers consistent with its fiduciary duty as set out in the attached form of Resolution 2023-05 for Proposal 3 based on Exhibit 3. The motion was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE MIKE WILLIAMS.

CHAIR RYAN asked Trustee Bob Williams to speak to his motion.

TRUSTEE BOB WILLIAMS stated that this proposal would be \$55 million less than what the State would pay if it was done at normal cost. It will help reduce that \$800 million that is still far out in 2039, and this is something that can be done this year. If something radically changes, then we could go back to layering. He added that this seems like a modest step to try and address a future problem.

TRUSTEE MIKE WILLIAMS commented that the status quo, Scenario 1, seemed to not be the desired option because it will continue to fund an overfunded healthcare. He could see that the opportunity was better to take Option 2 or Option 3. He asked if the plan sponsor had any comments about Option 2 or Option 3. He threw that out there because he did not know of anyone speaking for the Administration, and he would like to know their thoughts on the matter. If not, then a decision would be made based on the information they have.

CFO WORLEY stated that they were in support of Option 2, which is the zero percent contribution to the healthcare trust. He also liked the idea of Option 3, the additional contribution. He favored putting more funds into the plans if those funds were available. He stated concern on the Administration side of the adoption of a rate that would be changed in the Legislature. He added that the board could adopt the slightly higher rate with Option C and see that moved back down to Option B. He continued that he would support Option C because he liked the idea of putting more funding in earlier and having the money available. The healthcare plans had been seeing a great benefit from the switch over to EGWP, a wonderful transition.

TRUSTEE BRETZ stated that he would be voting for Option C. The Legislature had been talking about starting new pensions for a number of years, and it is important that they pay for what is owed. He urged his fellow trustees to vote for C and get this 100 percent funded sooner than later.

MR. HOFMEISTER pointed out a few things about the statute that allowed the setting of contribution rate. He said that he looked at some of the legislative history, and there is an argument that both of these were possible under 37.10.220(a)(B). Both methods had been used throughout the history of the ARM Board, and that speaks to the ability of the ARM Board to do it. He added that if the Legislature became frustrated, they could change that. They could request clarity and say which method they would be using exactly. The legislative history indicated that there was a preference for layering. He reminded all that part of the fiduciary responsibility of the board is to use prudence. He urged the board to think about that when making their votes.

TRUSTEE BOB WILLIAMS stated that he would vote enthusiastically for this resolution. It is a good first step.

CHAIR RYAN asked for any other comments. The motion on the floor is for Resolution 2023-05 with Option No. 3. She asked for a roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Krohn, yes; Trustee Moen, yes; Trustee Moore, yes; Trustee Bob Williams, yes; Trustee Mike Williams, yes; Commissioner Crum, yes; Trustee Bretz, yes; Chair Ryan, yes.)

CHAIR RYAN stated that the motion carries. She moved to Resolutions 2023-06 and 07.

MOTION: A motion that the Actuarial Committee recommends that the Alaska Retirement Management Board set fiscal year 2025 PERS DCR retiree major medical insurance and occupational death and disability benefit rates as set out in the following resolutions: Resolution No. 1, Resolution 2023-06, public employees defined contribution retirement plan retiree major medical insurance rate, and, Item 2, Resolution 2023-07, public employee defined contribution retirement plan occupational death and disability benefit rates. The motion was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE MIKE WILLIAMS.

TRUSTEE BOB WILLIAMS stated that this did not have three colorful exhibits to discuss about it and was pretty straightforward. He recommended passing it.

CHAIR RYAN asked for any other discussion. There being none, she asked for a roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, yes; Trustee Krohn, yes; Trustee Moen, yes; Trustee Moore, yes; Trustee Bob Williams, yes; Trustee Mike Williams, yes; Chair Ryan, yes.)

CHAIR RYAN stated that the motion carried, and then moved to the fiscal year '25 TRS employer contribution rate recommendation from the Actuarial Committee.

MOTION: A motion that the Actuarial Committee recommends that the Alaska Retirement Management Board set the fiscal year 2025 TRS actuarial determined contribution rate attributable to employers, consistent with its fiduciary duty, as set out in the attached form of Resolution 2023-08. This would be with Proposal 3 and Exhibit 3. The motion was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE KROHN.

TRUSTEE BOB WILLIAMS stated that it was similar to Resolution 2023-05 for PERS, and he thought it made financial sense. He added that this board is a board that will listen to feedback that they receive and can always make adjustments in future years if the board felt that it was important.

CHAIR RYAN asked for any other discussion. There being none, she asked for the roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Mike Williams, yes; Commissioner Crum, yes; Trustee Krohn, yes; Trustee Moore, yes; Trustee Bob Williams, yes; Trustee Moen, yes; Trustee Bretz, yes; Chair Ryan, yes.)

CHAIR RYAN stated that the motion carried, and continued to Resolutions 2023-09 and 10, which were grouped together.

MOTION: A motion that the Actuarial Committee recommends that the Alaska Retirement Management Board set fiscal year 2025 TRS DCR plan retiree major medical insurance and occupation death and disability benefit rates as set out in Resolution 2023-09 and Resolution 2023-10. The motion was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE BOB WILLIAMS.

TRUSTEE MIKE WILLIAMS stated that these are more or less the same as what we just opted for PERS. He recommended voting for it.

CHAIR RYAN asked for discussion. Hearing and seeing none, she asked for the roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Krohn, yes; Trustee Moen, yes; Trustee Bob Williams, yes; Trustee Moore, yes; Commissioner Crum, yes; Trustee Bretz, yes; Trustee Mike Williams, yes; Chair Ryan, yes.)

CHAIR RYAN stated that the motion carried, which brought them to the final action item, Resolution 2023-11.

MOTION: A motion that the Actuarial Committee recommends that the Alaska Retirement Management Board set the fiscal year 2025 NGNMRS annual contribution amount, consistent with its fiduciary duty, as set out in the attached form of Resolution 2023-11. The motion was made by TRUSTEE BOB WILLIAMS; seconded by TRUSTEE MIKE WILLIAMS.

TRUSTEE BOB WILLIAMS stated that this is pretty straightforward and recommended passing it.

CHAIR RYAN asked for any other discussion. Hearing and seeing none, she asked for the roll-call vote.

After the roll-call vote, the MOTION was APPROVED. (Trustee Bretz, yes; Commissioner Crum, yes; Trustee Krohn, yes; Trustee Moen, yes; Trustee Moore, yes; Trustee Bob Williams, yes; Trustee Mike Williams, yes; Chair Ryan, yes.)

CHAIR RYAN stated that the motion carried and moved to JRS Contribution.

JRS CONTRIBUTION

CHAIR RYAN stated that this was informational. It is the fiscal year '25 JRS employer contribution amount that had been covered very well today in the earlier presentation. She moved to the discussion of the fiscal year 2025 valuation timeline and recognized CFO Worley.

CFO WORLEY stated that they were presenting the valuation timeline for fiscal year '23 valuation to be done during fiscal year '24. He asked David Kershner to talk about the processes.

MR. KERSHNER moved to Page 217 of the packet and stated that this was an updated timeline from what had been included in the packet. He continued that they were currently on Step 9 and were meeting to discuss the FY25 contribution rates. He added that they were working toward Step 21, which will be the next meeting in December when the Preliminary 2023 valuation results for PERS and TRS will be presented. Then, in Steps 23 and 25, the draft valuation reports will be provided to GRS for their review. During Step 27, at the March meeting, they will present the full valuation results and updates of what was presented in December. All the other smaller plans will be included. These are the draft valuation reports for the ARM Board to consider. In 33, they will meet in June in Anchorage for the ARM Board to adopt those 2023 valuations. He added that this will be updated at every meeting to give a sense of the progress being made.

FUTURE MEETINGS

CHAIR RYAN moved to future meetings and the calendar reviews. She asked the trustees to look at the calendars and asked for any additions. Hearing none, she asked if there were other agenda items to consider for this committee, and for any requests for follow-up information for what was seen today.

TRUSTEE BOB WILLIAMS thanked Ajay, Kevin, Ben, Zach and David Kershner for the many conversations held coming up to this meeting. It was very helpful, and he added that Chair Ryan was also in a lot of those meetings. The preparation meetings were very productive and helpful in getting a good end-product.

MR. KERSHNER explained that before the call, they had two other alternatives to present. During that call, it was concluded that the committee did not want to go down that path and we added the Alternative 1C. He added that that was very productive and helped prepare for this meeting.

TRUSTEE BOB WILLIAMS stated that he was excited about those two alternatives, but the attorney suggested they were illegal.

CHAIR RYAN asked for any other matters to properly come before the board. She asked for any public comments.

MS. WOOLF stated that she is the treasurer of the executive board of the Retired Public Employees of Alaska. She stated appreciation for the work that the trustees do. One thing about Option 3, she asked the board to keep in mind for future years that healthcare costs need to be watched. She continued that she knew that it was overfunded now, but there will be more retirees using those services in the future. She stressed the importance of keeping an eye on the rising healthcare costs.

CHAIR RYAN thanked Ms. Woolf for her comments. She asked for any other public comments. There being none, she asked for any member or advisor comments. She thanked

staff for this meeting and for all the fantastic work done behind the scenes. It was absolutely great work. She added that the work that was put together was what was needed for the board to make a solid decision for today. Points were well taken, and we must watch these carefully. She asked for the final motion.

MOTION: A motion to adjourn the meeting was made by TRUSTEE MIKE WILLIAMS; seconded by TRUSTEE BOB WILLIAMS.

There being no objection, the MOTION was APPROVED.

CHAIR RYAN adjourned the meeting.

(The ARM Board Actuarial Committee meeting adjourned at 11:03 a.m.)



State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee

Inflation Projections

December 6, 2023

Inflation Projections

- Buck’s capital market assumptions are based on an economic scenario generating model developed by Conning called GEMS®.
- The table below shows the GEMS geometric inflation projections based on various capital market assumptions.

Time Horizon	2023 Q3	2022 Q4	2021 Q1*
5 years	2.49%	3.72%	1.73%
10 years	2.41%	3.11%	1.85%
15 years	2.38%	2.92%	1.98%
20 years	2.34%	2.81%	2.03%
25 years	2.32%	2.75%	2.05%
30 years	2.32%	2.72%	2.08%

The current long-term inflation assumption of 2.50% has been used in the valuations since 2018 (when it was reduced from 3.12% as part of the 2017 experience study).

*Used for the 2021 experience study.





State of Alaska Retirement Systems

Presentation to ARMB Actuarial Committee

Preliminary June 30, 2023 Valuation Results (PERS and TRS)

December 6, 2023

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Purpose of the 2023 Valuations

Purpose of the 2023 Valuations

- Measure each plan's funded status as of June 30, 2023.
- Compare *actual* FY23 experience to *expected* experience based on the 2022 valuations.
 - If the difference is **favorable** to the plan, it is a **gain**.
 - If the difference is **unfavorable** to the plan, it is a **loss**.
- Valuation results provide the basis for FY26 contribution rates which will be adopted by the ARMB in September 2024.

2023 Valuation Highlights

General Observations

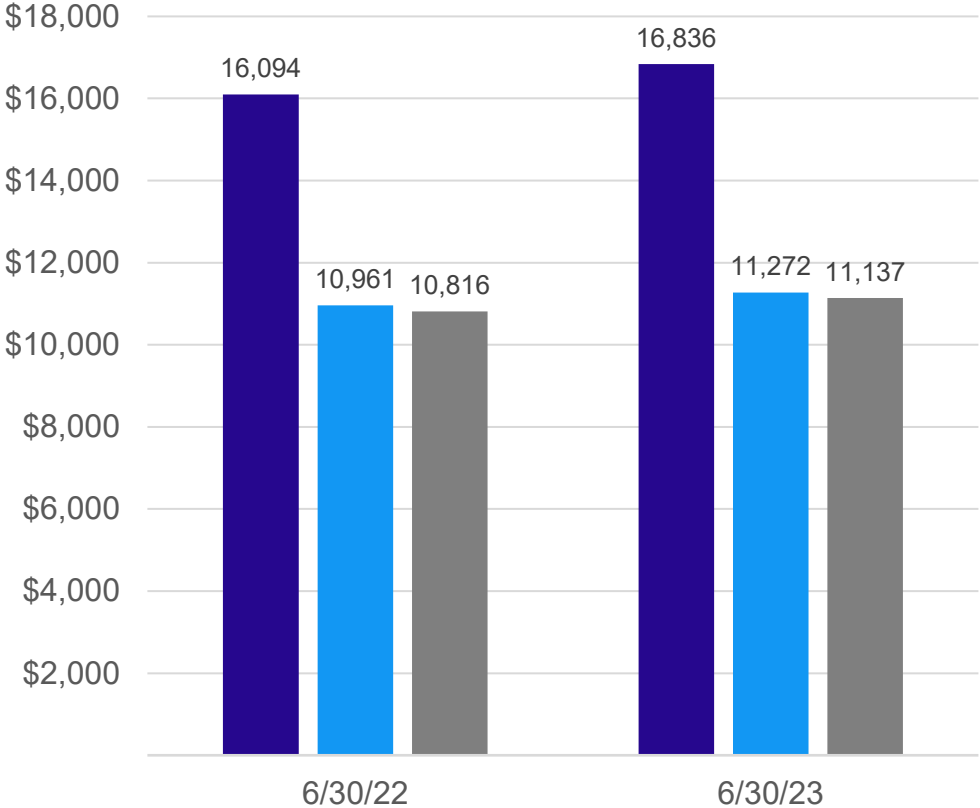
- FY23 asset returns were slightly above the 7.25% expected return (approx. returns were 7.6% market, 7.4% actuarial). See slide 11 for asset gain amounts.
- Liabilities for Postretirement Pension Adjustments (PRPAs) are higher than expected (PERS - \$366M, TRS - \$189M) due to FY22 inflation increase of 7.9% vs 2.5% expected.
- Metcalfe transfers from the DCR plans increased unfunded liabilities.
- Healthcare liabilities are higher than expected (PERS - \$347M, TRS - \$127M) primarily due to unfavorable claims experience.
- Overall, liabilities increased more than assets did in FY23. This resulted in an increase in unfunded liabilities and a decrease in funded ratios compared to last year (see slide 9 for details).
- Actuarially determined contribution rates are higher than last year for pension, but are relatively level for healthcare (see slide 10 for details).

Summary of Valuation Results – PERS

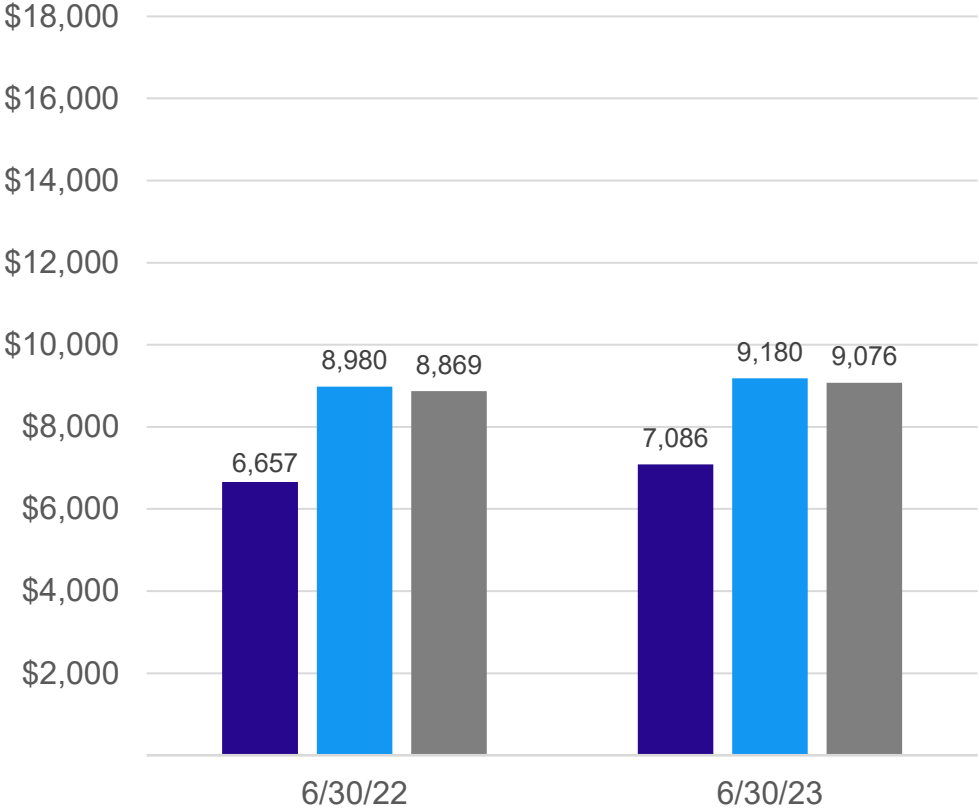
(\$millions)

● Actuarial Accrued Liability ● Actuarial Value of Assets ● Market Value of Assets

Pension



Healthcare

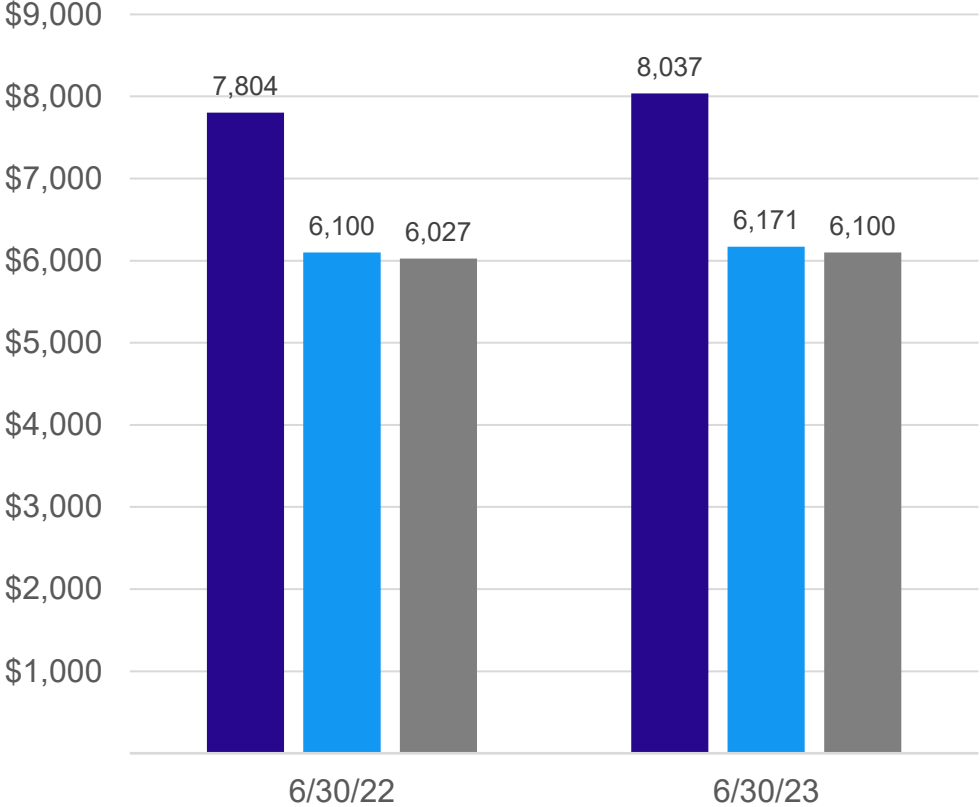


Summary of Valuation Results – TRS

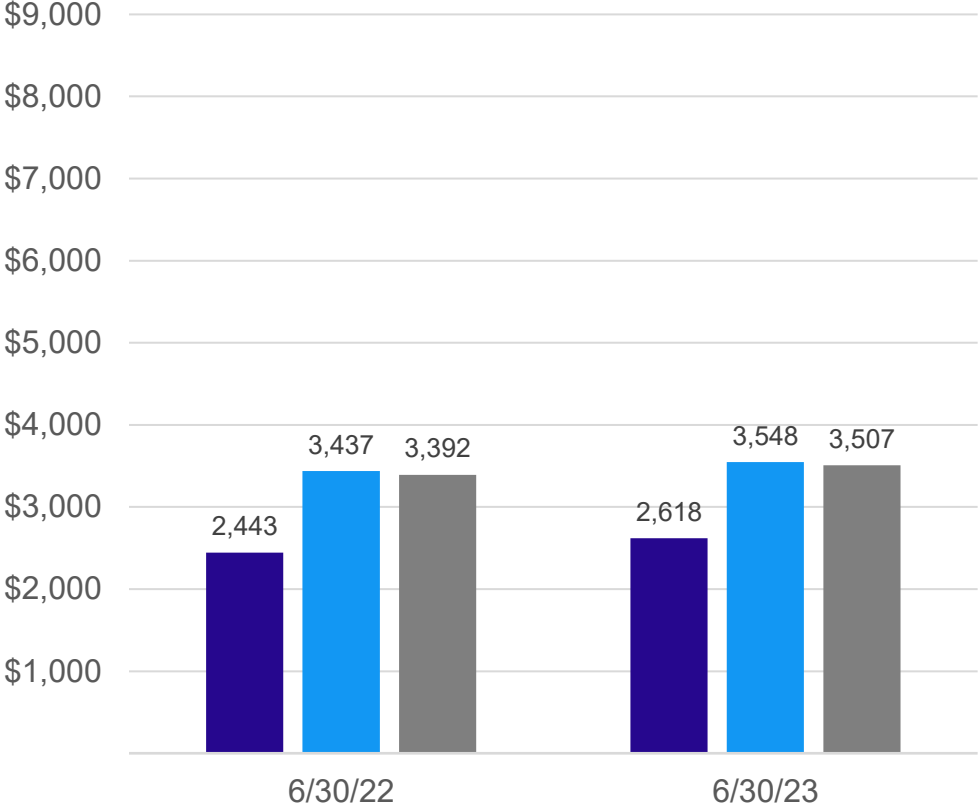
(\$millions)

● Actuarial Accrued Liability
 ● Actuarial Value of Assets
 ● Market Value of Assets

Pension



Healthcare



Summary of Valuation Results

(\$000's)	PERS Pension	PERS Healthcare	TRS Pension	TRS Healthcare
Actuarial Accrued Liability (AAL)				
6/30/23	\$ 16,835,726	\$ 7,085,823	\$ 8,036,685	\$ 2,617,821
6/30/22	\$ 16,093,679	\$ 6,657,069	\$ 7,804,046	\$ 2,442,577
Actuarial Value of Assets (AVA)				
6/30/23	\$ 11,272,339	\$ 9,180,231	\$ 6,171,460	\$ 3,547,973
6/30/22	\$ 10,961,498	\$ 8,979,943	\$ 6,100,204	\$ 3,437,216
Unfunded Liability (AAL - AVA)				
6/30/23	\$ 5,563,387	\$ (2,094,408)	\$ 1,865,225	\$ (930,152)
6/30/22	\$ 5,132,181	\$ (2,322,874)	\$ 1,703,842	\$ (994,639)
Market Value of Assets (MVA)				
6/30/23	\$ 11,137,489	\$ 9,076,222	\$ 6,099,520	\$ 3,506,595
6/30/22	\$ 10,816,140	\$ 8,869,134	\$ 6,026,651	\$ 3,392,211
Actuarial Funded Ratio (AVA / AAL)				
6/30/23	67.0%	129.6%	76.8%	135.5%
6/30/22	68.1%	134.9%	78.2%	140.7%
Market Funded Ratio (MVA / AAL)				
6/30/23	66.2%	128.1%	75.9%	134.0%
6/30/22	67.2%	133.2%	77.2%	138.9%

Actuarially Determined Contribution Rates*

	PERS Pension	PERS Healthcare	TRS Pension	TRS Healthcare
6/30/23				
Employer Normal Cost	2.66%	2.42%	2.64%	2.56%
Past Service Cost	<u>17.50%</u>	<u>(5.56)%</u>	<u>20.36%</u>	<u>(8.62)%</u>
Total	20.16%	2.42%	23.00%	2.56%
6/30/22				
Employer Normal Cost	2.85%	2.46%	2.83%	2.56%
Past Service Cost	<u>16.79%</u>	<u>(6.32)%</u>	<u>18.17%</u>	<u>(8.86)%</u>
Total	19.64%	2.46%	21.00%	2.56%

*As a percentage of total (DB/DCR) payroll.

FY23 Asset and Liability Experience

(\$000's)	PERS Pension	PERS Healthcare	TRS Pension	TRS Healthcare
Actuarial Accrued Liability				
Expected 6/30/23	\$ 16,322,712	\$ 6,736,354	\$ 7,857,964	\$ 2,496,048
Actual 6/30/23	<u>\$ 16,835,726</u>	<u>\$ 7,085,823</u>	<u>\$ 8,036,685</u>	<u>\$ 2,617,821</u>
FY23 Gain/(Loss)	\$ (513,014)	\$ (349,469)	\$ (178,721)	\$ (121,773)
Actuarial Value of Assets				
Expected 6/30/23	\$ 11,258,590	\$ 9,162,616	\$ 6,162,484	\$ 3,542,175
Actual 6/30/23	<u>\$ 11,272,339</u>	<u>\$ 9,180,231</u>	<u>\$ 6,171,460</u>	<u>\$ 3,547,973</u>
FY23 Gain/(Loss)	\$ 13,749	\$ 17,615	\$ 8,976	\$ 5,798
Market Value of Assets				
Expected 6/30/23	\$ 11,102,693	\$ 9,043,773	\$ 6,083,598	\$ 3,493,908
Actual 6/30/23	<u>\$ 11,137,489</u>	<u>\$ 9,076,222</u>	<u>\$ 6,099,520</u>	<u>\$ 3,506,595</u>
FY23 Gain/(Loss)	\$ 34,796	\$ 32,449	\$ 15,922	\$ 12,687

FY23 Liability Gain/(Loss) Analysis – PERS

(\$000's)	Pension	Healthcare
PRPA increases due to 2022 CPI > expected	\$ (365,537)	\$ n/a
Salary increases > expected	(93,860)	n/a
Demographic experience	2,484	(16,929)
Claims experience	n/a	(346,557)*
Changes in dependent coverage elections	n/a	18,880
Medicare Part B only experience	n/a	(1,275)
Metcalf transfers from DCR	(77,939)	(43,265)
Other	<u>21,838</u>	<u>39,677**</u>
Total (\$)	\$ (513,014)	\$ (349,469)
Total (%)	(3.1)%	(5.2)%

*Approx. \$134M of the \$347M loss is due to lower-than-expected EGWP subsidies.

**Includes (i) a \$38.9M loss for benefit payments different than expected, and (ii) a \$70.2M gain for the removal of duplicate spouse records.

FY23 Liability Gain/(Loss) Analysis – TRS

(\$000's)	Pension	Healthcare
PRPA increases due to 2022 CPI > expected	\$ (189,020)	\$ n/a
Salary increases < expected	17,683	n/a
Demographic experience	4,003	(14,446)
Claims experience	n/a	(126,535)*
Changes in dependent coverage elections	n/a	(2,034)
Medicare Part B only experience	n/a	(999)
Metcalf transfers from DCR	(16,471)	(9,787)
Other	<u>5,084</u>	<u>32,028**</u>
Total (\$)	\$ (178,721)	\$ (121,773)
Total (%)	(2.3)%	(4.9)%

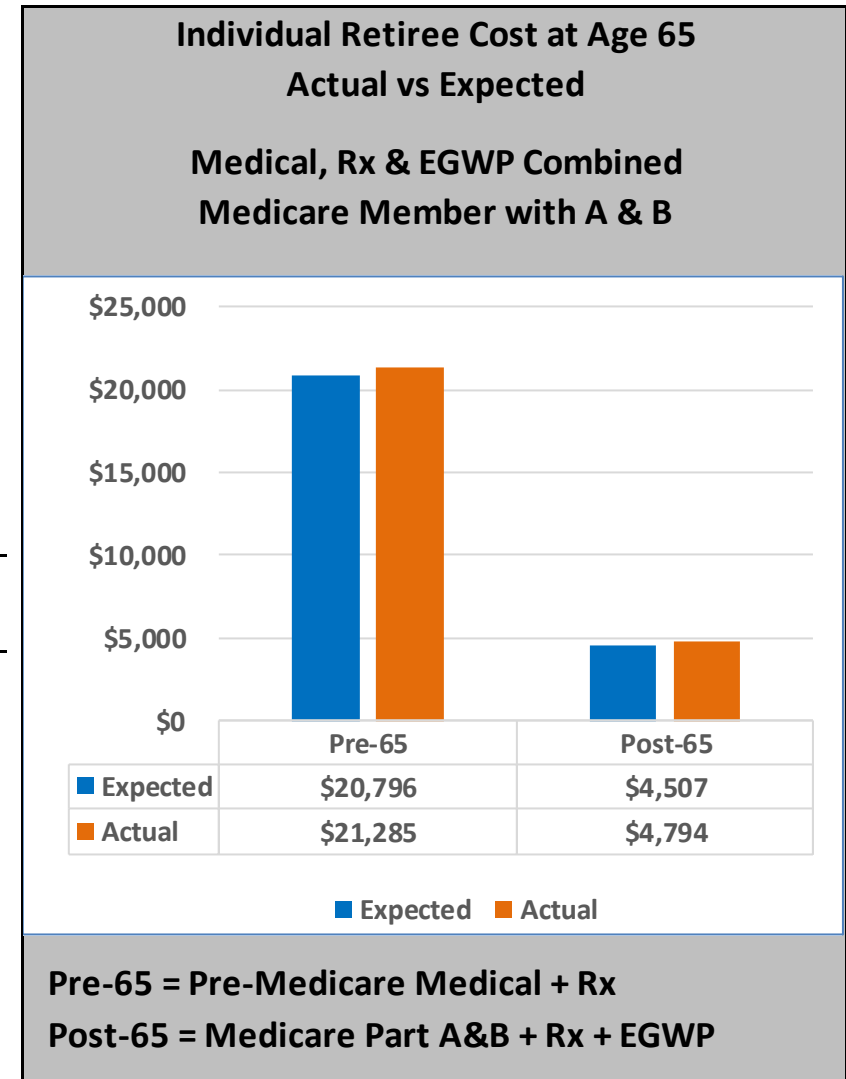
*Approx. \$48M of the \$127M loss is due to lower-than-expected EGWP subsidies.

**Includes a \$32.3M gain for the removal of duplicate spouse records.

FY23 Claims Experience Losses

- Key reasons for the \$347M (PERS) and \$127M (TRS) claims experience losses:
 - Medical costs are higher than projected (3.2% higher for Pre-Medicare, 2.7% higher for Medicare).
 - EGWP subsidies estimated by Segal decreased by 3.2% from \$1,309 for 2023 to \$1,267 for 2024.

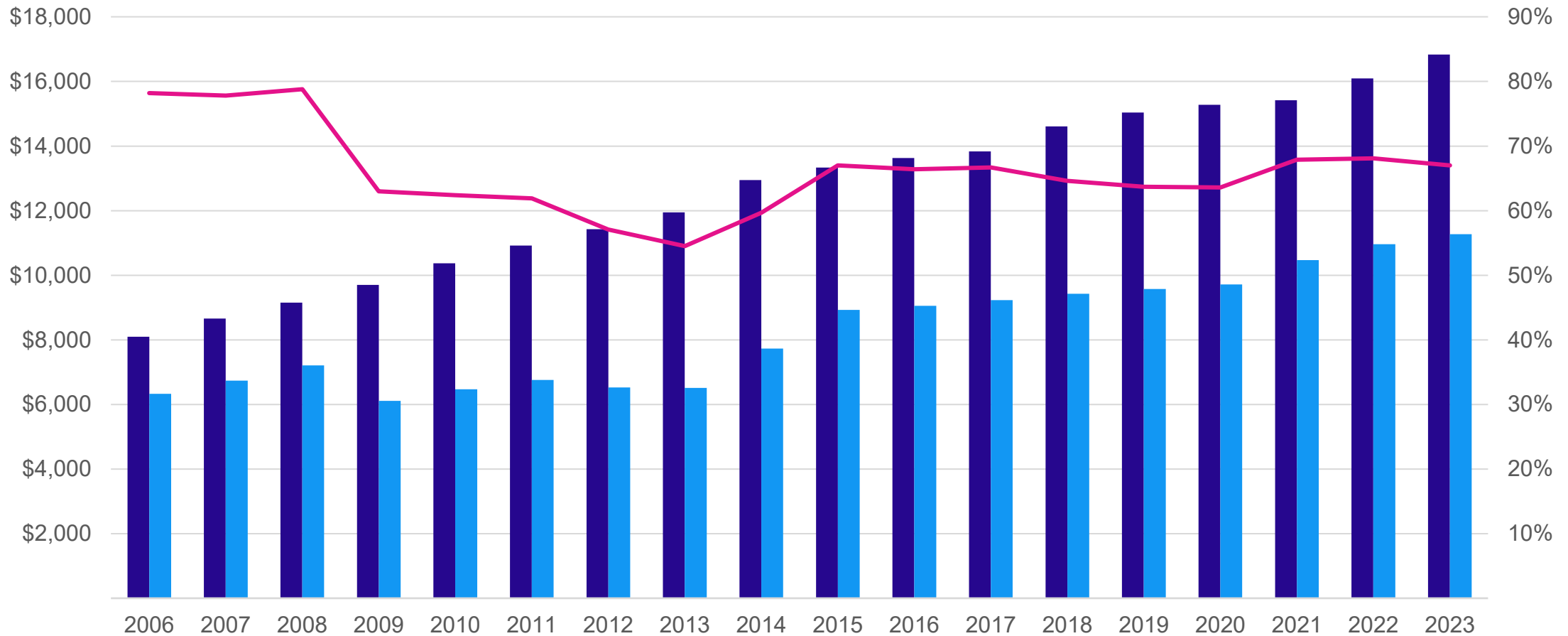
2023 Valuation Age 65 Per Capita Costs	Medical			Prescription Drugs (Rx)		
	Pre-Medicare	Medicare Parts A & B	Medicare Part B Only	Pre-Medicare	Medicare	EGWP Subsidy
Expected	\$16,806	\$1,714	\$5,658	\$3,990	\$4,200	-\$1,407
Actual	\$17,338	\$1,761	\$5,812	\$3,947	\$4,300	-\$1,267
Dollar (Gain)/Loss	\$532	\$47	\$154	-\$43	\$100	\$140
Percentage (Gain)/Loss	3.2%	2.7%	2.7%	-1.1%	2.4%	10.0%



Historical Figures (2006-2023)

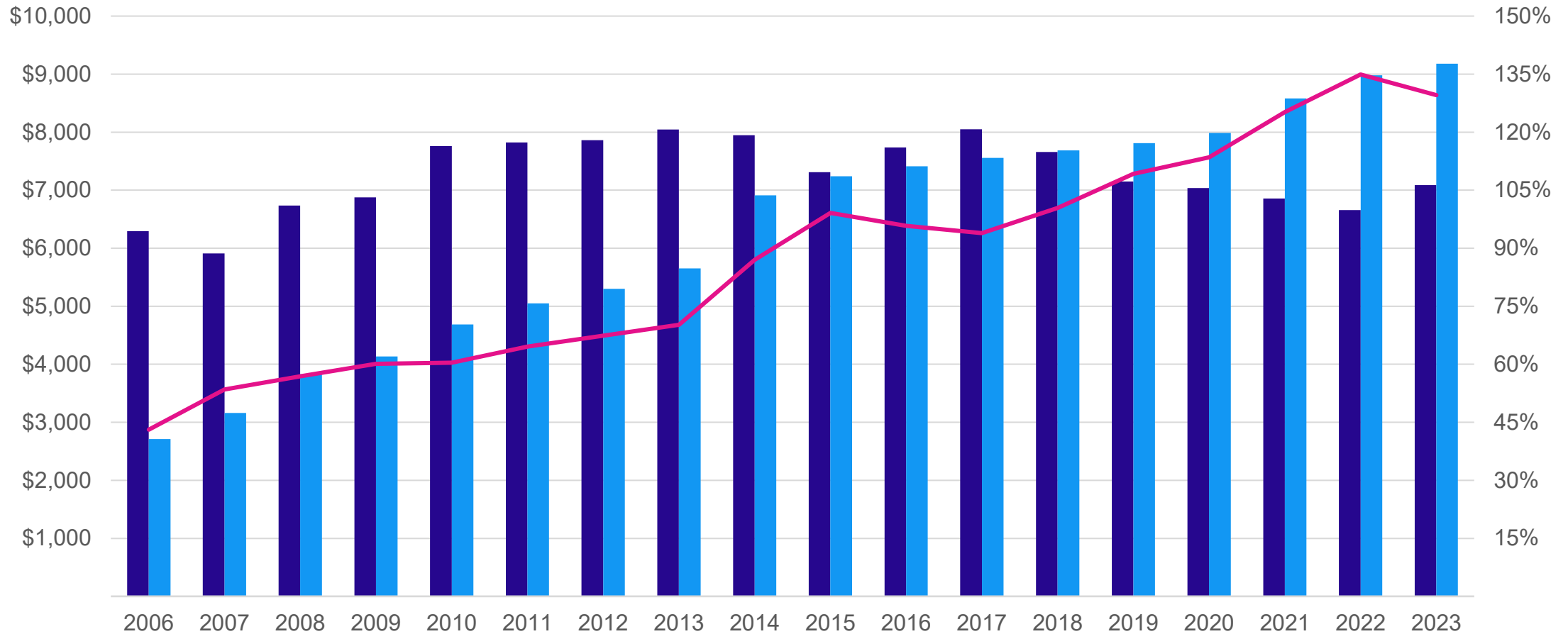
Assets, Liabilities, and Funded Ratios – PERS Pension (\$millions)

● Actuarial Accrued Liability
 ● Actuarial Value of Assets
 ● Funded Ratio



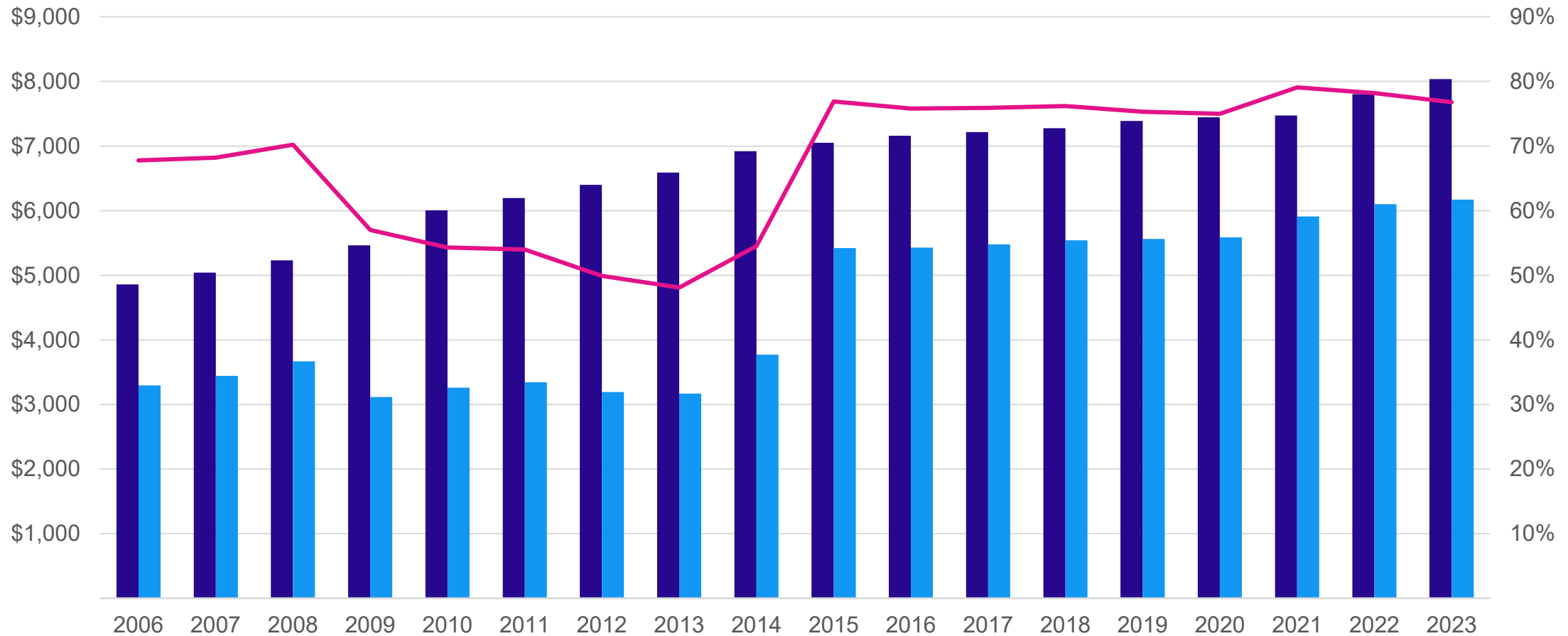
Assets, Liabilities, and Funded Ratios – PERS Healthcare (\$millions)

● Actuarial Accrued Liability
 ● Actuarial Value of Assets
 ● Funded Ratio



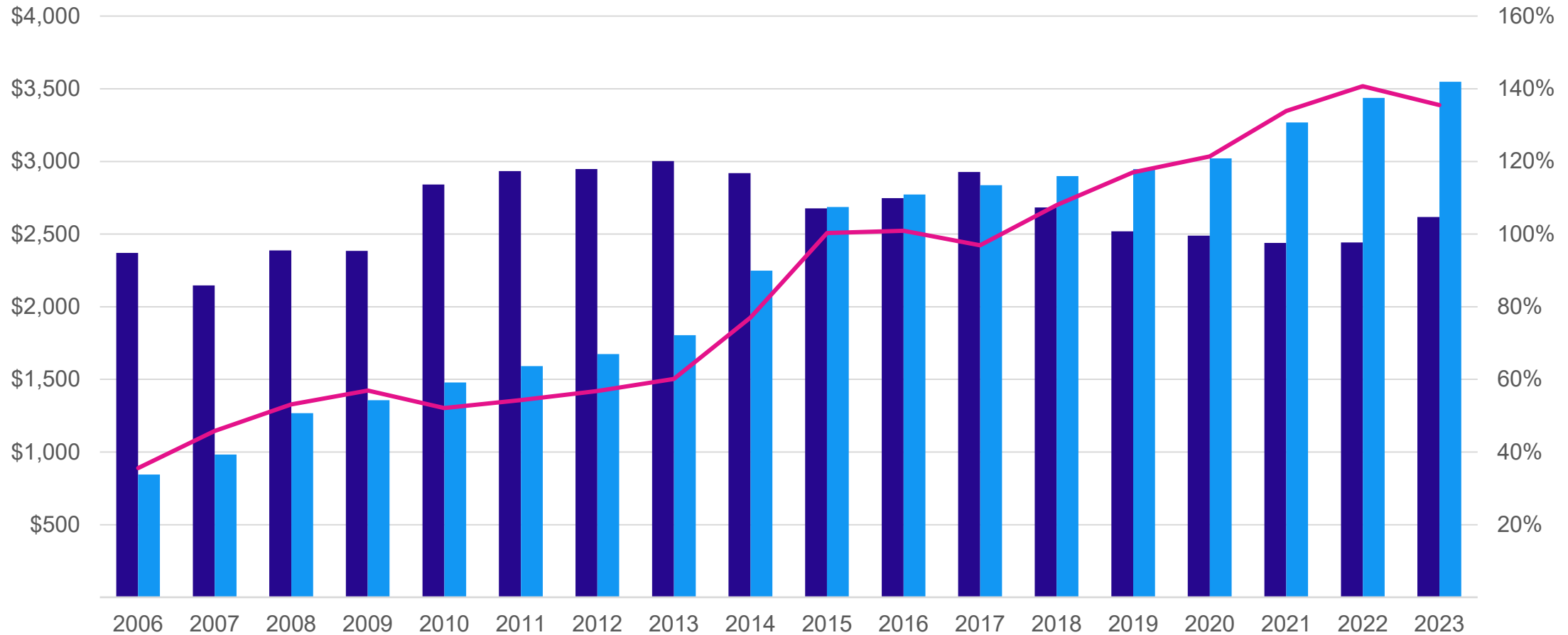
Assets, Liabilities, and Funded Ratios – TRS Pension (\$millions)

● Actuarial Accrued Liability
 ● Actuarial Value of Assets
 ● Funded Ratio



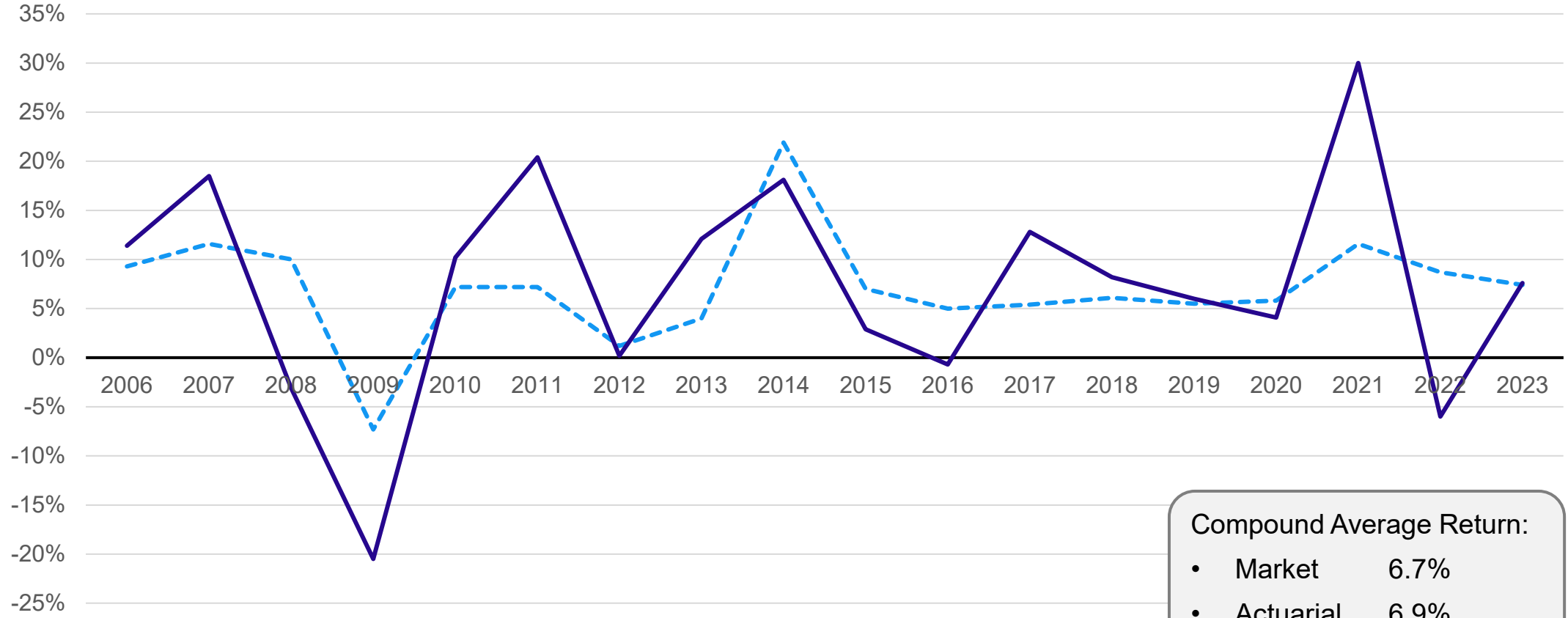
Assets, Liabilities, and Funded Ratios – TRS Healthcare (\$millions)

● Actuarial Accrued Liability
 ● Actuarial Value of Assets
 ● Funded Ratio



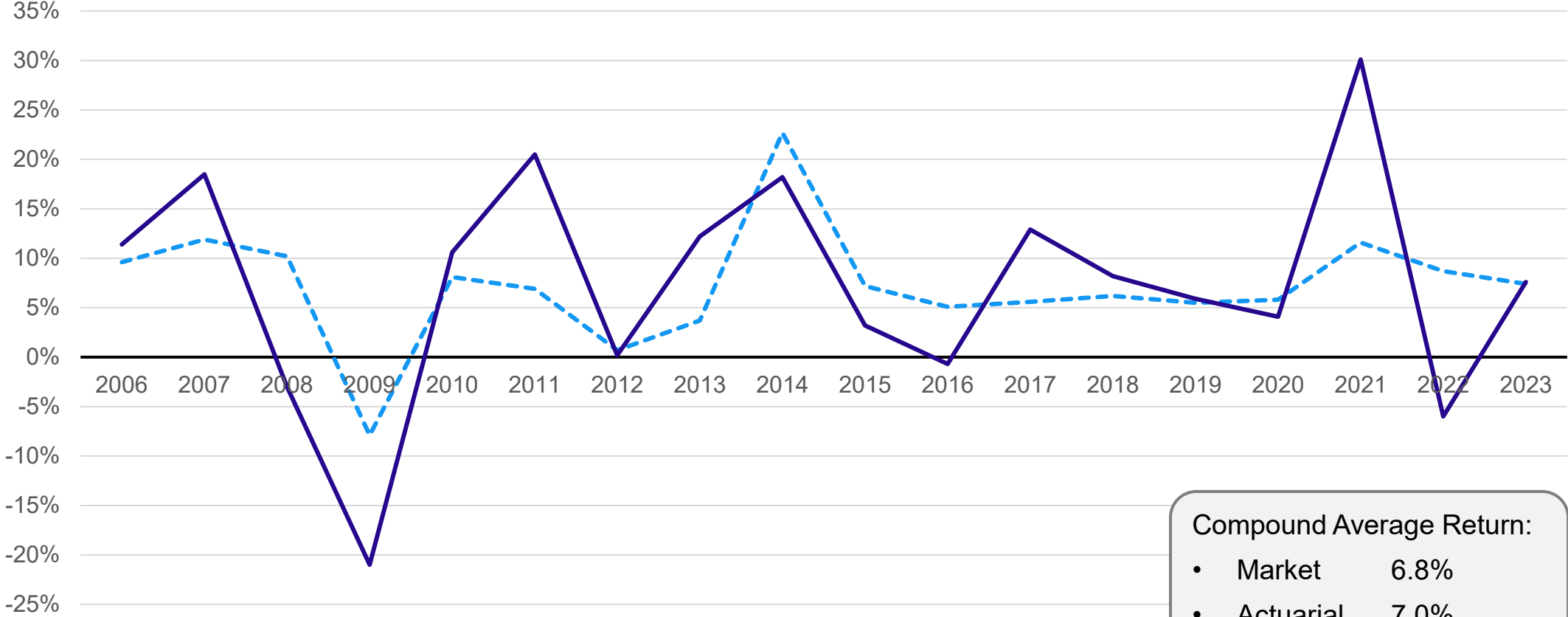
Asset Returns – PERS

● Market Return ● Actuarial Return



Asset Returns – TRS

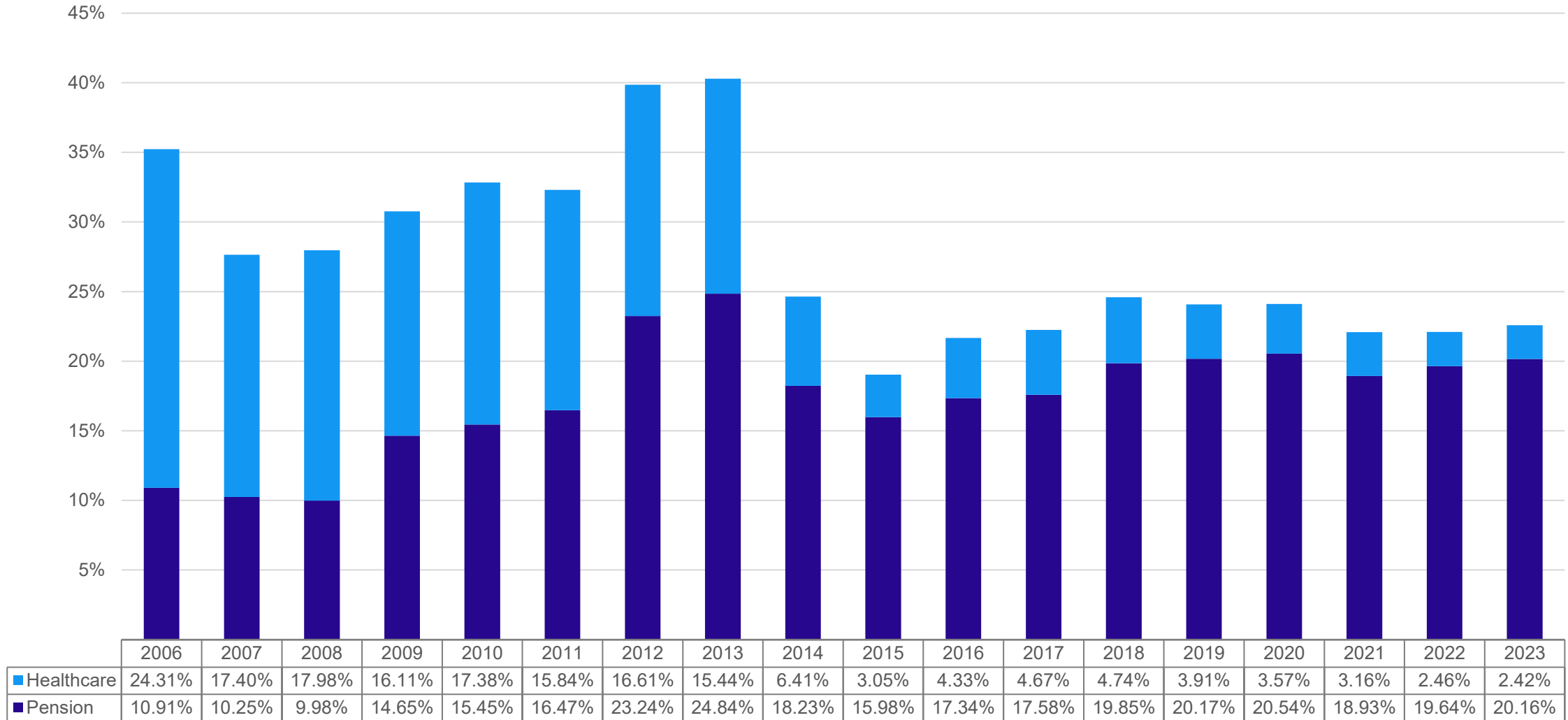
● Market Return ● Actuarial Return



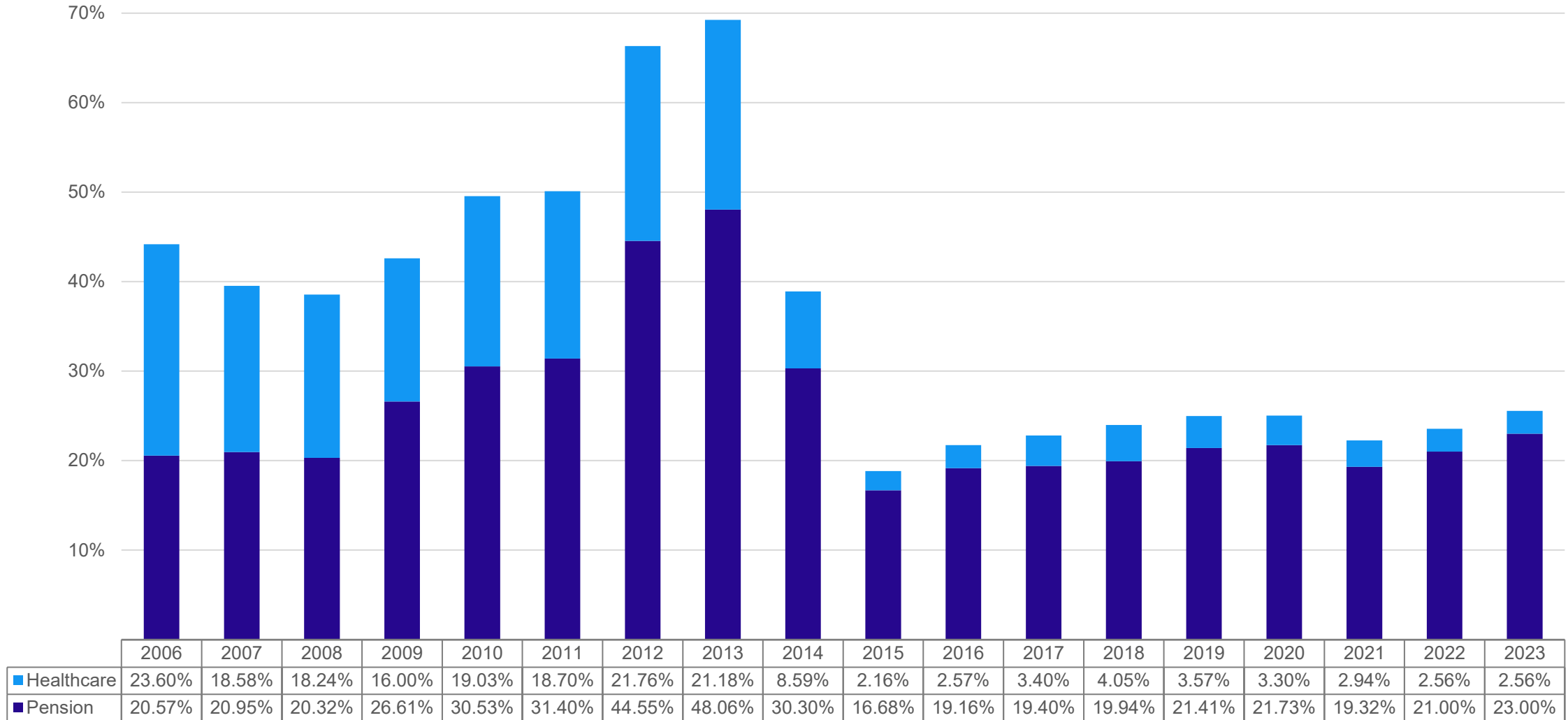
Compound Average Return:

- Market 6.8%
- Actuarial 7.0%

June 30 Valuation Contribution Rates – PERS

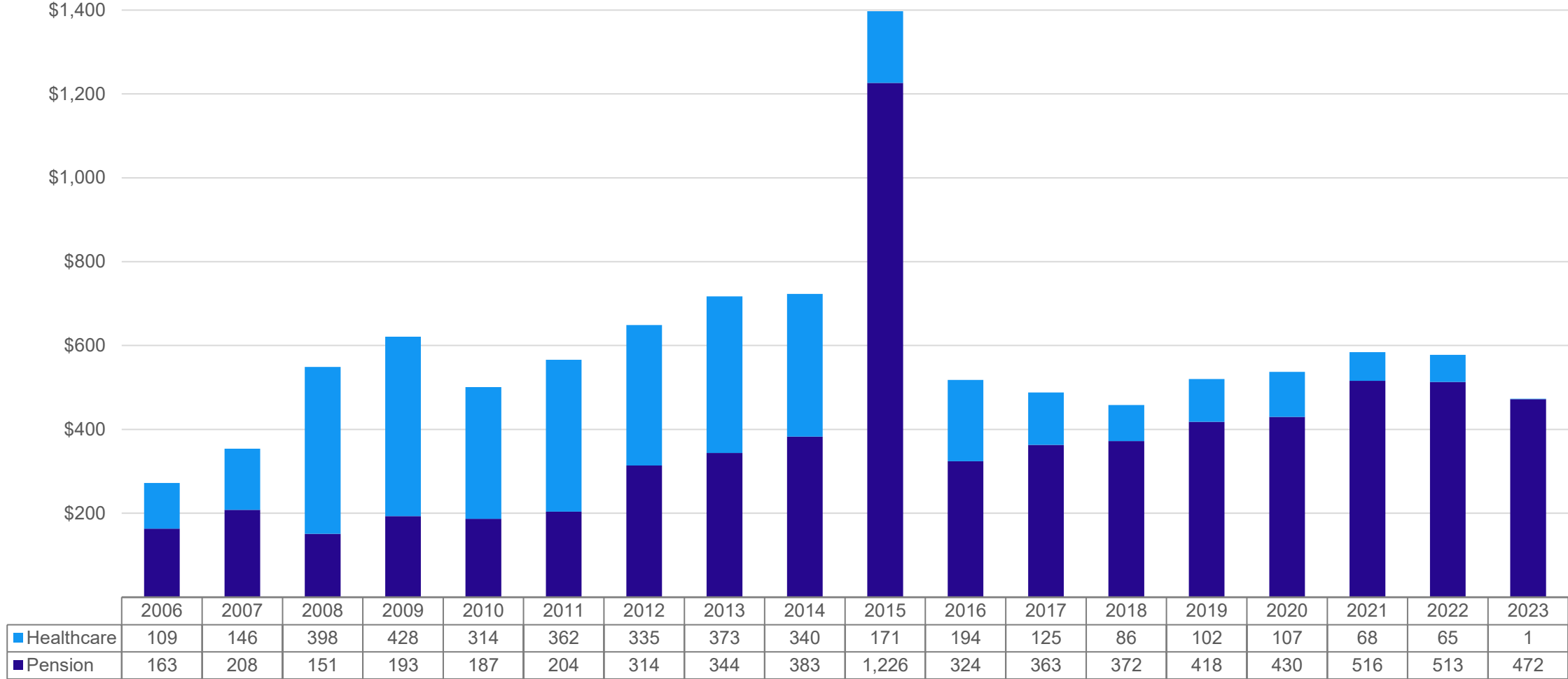


June 30 Valuation Contribution Rates – TRS



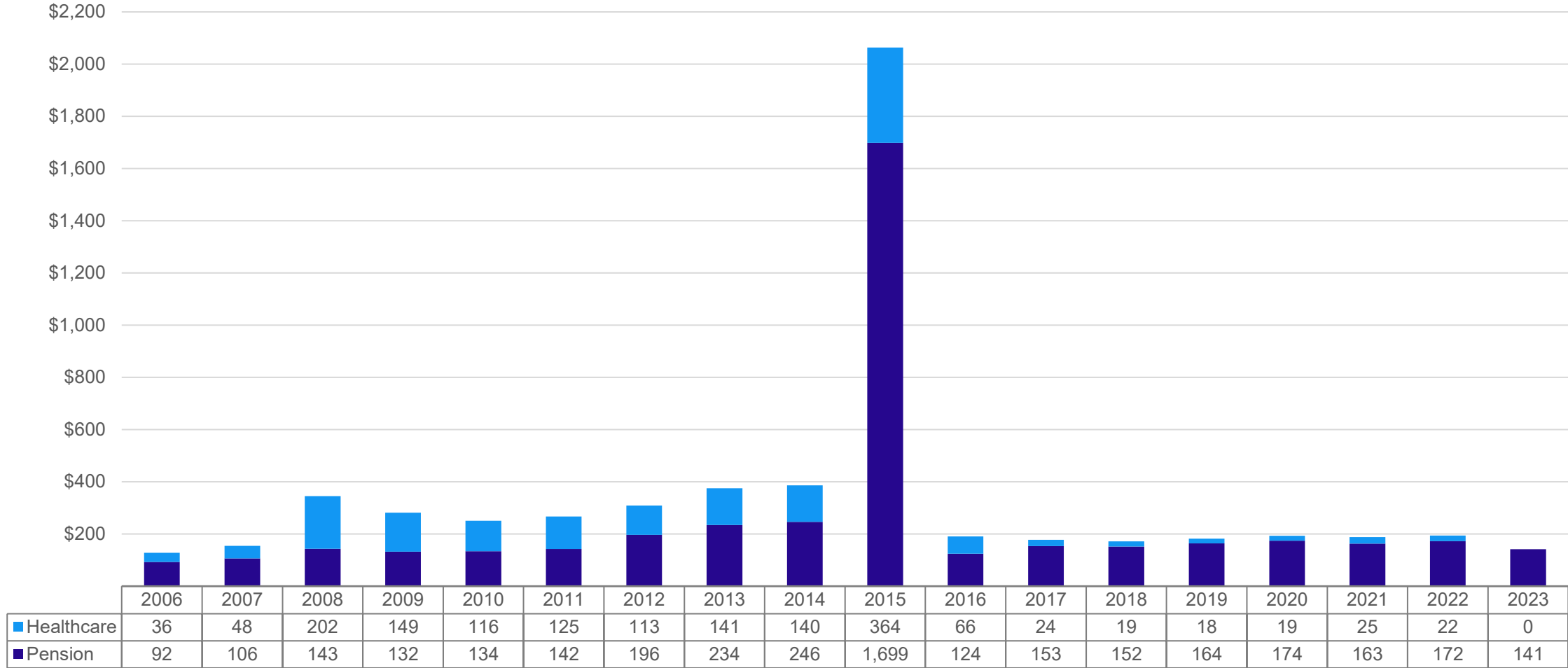
Employer/State Contributions – PERS

(\$millions)



Employer/State Contributions – TRS

(\$millions)



Next Steps

Next Steps

- Complete the DCR valuations and the JRS/NGNMRS roll-forward valuations.
- Run projections of assets, liabilities, and contributions for PERS and TRS.
 - Identify sensitivity analysis scenarios for projections?
- Prepare draft valuation reports.
- Discuss these items at the March meeting.

Actuarial Certification

Actuarial Certification

The purpose of this presentation is to provide the ARMB Actuarial Committee with preliminary PERS and TRS June 30, 2023 valuation results for discussion at the December 6, 2023 meeting. More complete valuation results will be presented at the March 5, 2024 meeting. This presentation should be considered part of the June 30, 2023 actuarial valuation report services.

The data, assumptions, methods, and plan provisions used to determine the results shown in this presentation are as shown in the June 30, 2023 actuarial valuation reports (draft reports will be provided within the next few weeks). The June 30, 2023 actuarial valuation reports will contain disclosures required by Actuarial Standards of Practice.

Where presented, references to “funded ratio” and “unfunded actuarial accrued liability” typically are measured on an actuarial value of assets basis. It should be noted that the same measurements using market value of assets would result in different funded ratios and unfunded accrued liabilities. Moreover, the funded ratio presented is appropriate for evaluating the need and level of future contributions but makes no assessment regarding the funded status of the plan if the plan were to settle (i.e., purchase annuities) for a portion or all of its liabilities.

Future actuarial measurements may differ significantly from current measurements due to plan experience differing from that anticipated by the actuarial assumptions, changes in assumptions, changes expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

The results were prepared under the direction of David Kershner and Bob Besenhofer, both of whom meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained herein. These results have been prepared in accordance with all applicable Actuarial Standards of Practice.

David Kershner
FSA, EA, MAAA, FCA
Principal, Retirement

Robert Besenhofer
ASA, MAAA, FCA
Director, Health



State of Alaska

Timeline for June 30, 2023 Valuations (PERS, TRS, PERS DCR, TRS DCR)

Item #	Task	Original Deadline	Revised Deadline	Date Completed	Team Responsible	Comments / Notes
1	Monthly audit discussion with GRS / Buck	7/12/23		7/12/23	GRS / Buck	
2	Enrollment data request to Aetna	7/14/23		7/13/23	Buck	
3	Valuation data request to DRB	7/14/23		7/14/23	Buck	
4	Monthly audit discussion with GRS / Buck	8/9/23		8/9/23	GRS / Buck	
5	Preliminary 6/30/23 assets to Buck (to be used for FY25 contribution rates only)	8/18/23		8/18/23	DRB	Updated TRS statement provided on 8/21.
6	Valuation data to Buck	9/1/23		9/5/23	DRB	
7	Monthly audit discussion with GRS / Buck	9/6/23	9/7/23	9/7/23	GRS / Buck	
8	Send valuation data files received from DRB to GRS	9/8/23		9/6/23	Buck	
9	Actuarial Committee Meeting - FY25 contribution rates (based on 6/30/22 valuations)	9/13/23		9/13/23	All	Anchorage. Deadline for meeting materials is 8/26.
10	Audit data and sample lives request to Buck	9/15/23		9/18/23	GRS	
11	Claims data request to Segal/DRB	9/22/23		9/6/23	Buck	Incurred claims through 6/30/23 that are paid through 8/31/23.
12	Data questions to DRB	9/22/23		9/27/23	Buck	PERS sent on 9/26. TRS sent on 9/27. Additional questions sent on 10/4.
13	Data answers to Buck	10/6/23		10/11/23	DRB	Updated responses to data questions received on 10/25.
14	Monthly audit discussion with GRS / Buck	10/11/23		not needed	GRS / Buck	
15	Final 6/30/23 assets to Buck (to be used for 6/30/23 valuations)	10/13/23		10/16/23	DRB	
16	Claims data to Buck	10/20/23		11/1/23	Segal / DRB	Incurred claims through 6/30/23 that are paid through 8/31/23.
17	6/30/23 valuation data and DRB data questions to GRS	10/27/23		11/14/23	Buck	Pension files sent on 11/6. OPEB files sent on 11/14.
18	Monthly audit discussion with GRS / Buck	11/8/23		11/8/23	GRS / Buck	
19	Sample life information to GRS	11/10/23		11/17/23	Buck	
20	Preliminary valuation results and PVB's by individual to GRS	11/17/23		11/17/23	Buck	
21	Actuarial Committee Meeting - 6/30/23 valuation results (preliminary)	12/6/23			All	Anchorage.
22	Monthly audit discussion with GRS / Buck	12/13/23			GRS / Buck	
23	Draft DCR valuation reports to GRS	1/5/24			Buck	
24	Monthly audit discussion with GRS / Buck	1/10/24			GRS / Buck	
25	Draft DB valuation reports to GRS	1/19/24			Buck	
26	Monthly audit discussion with GRS / Buck	2/14/24			GRS / Buck	
27	Actuarial Committee Meeting - 6/30/23 valuation results (full), projections, sensitivity analysis, draft valuation reports	3/5/24			All	Juneau.
28	Draft actuarial review report to Buck	3/8/24			GRS	
29	Monthly audit discussion with GRS / Buck	4/10/24			GRS / Buck	
30	ARMB Meeting - follow-up to March meeting (if needed)	April 2024 - TBD			All	Teleconference.
31	Monthly audit discussion with GRS / Buck	5/8/24			GRS / Buck	
32	Monthly audit discussion with GRS / Buck	6/5/24			GRS / Buck	
33	Actuarial Committee Meeting - final valuation reports	6/11/24			All	Anchorage.

Note: All deadline and completion dates are specific to PERS and TRS.

Alaska Retirement Management Board

COMMITTEE SELF-ASSESSMENT

Actuarial Committee

Self-assessment within the meaning of the committee's charter may be achieved by discussion, at least twice a year, of the following questions:

	YES	NO
1. Are discussions at the committee level meaningful and, if not, what can be done about it?		
2. Is the committee touching on key issues; what key issues are being missed?		
3. Is the committee giving appropriate time to key issues?		
4. Does the work of the Actuarial Committee appropriately meet the needs of the Board by reducing necessary Board meeting time spent on the matters that come before the Actuarial Committee?		

Alaska Retirement Management Board
CHARTER OF THE ACTUARIAL COMMITTEE

I. Actuarial Committee Purpose.

The Actuarial Committee (Committee) assists the Alaska Retirement Management Board (Board) in fulfilling the Board's function of independent oversight of the integrity of the Alaska Retirement Management Board's (Board) retirement systems' actuarial valuations, experience analyses, and other requested reports and analysis, including compliance with legal, accounting, and regulatory requirements. It also serves as a conduit of communication between the Actuary, the Review Actuary, the Audit Actuary, Department of Administration (DOA) and Department of Revenue (DOR) staff, and the Board.

The Committee has the authority to conduct any review appropriate to fulfilling its responsibilities and it has direct access to the independent actuaries, as well as DOR and DOA management and staff, and legal counsel. The Committee may recommend that the Board retain, at Board expense and consistent with applicable procurement requirements, special legal, accounting, or other consultants or experts it considers necessary in the performance of its duties.

II. Actuarial Committee Responsibilities and Duties.

A. The Committee shall assist the Board in carrying out the following responsibilities:

1. Coordinate with the retirement system administrator to have an annual actuarial valuation of each retirement system prepared to determine system assets, accrued liabilities, and funding ratios and to certify to the appropriate budgetary authority of each employer in the system (A) an appropriate contribution rate for normal costs; (B) an appropriate contribution rate for liquidating any past service liability; in this subparagraph, the appropriate contribution rate for liquidating the past service liability of the defined benefit retirement plan under AS 14.25.009 - 14.25.220 or the past service liability of the defined benefit retirement plan under AS 39.35.095 - 39.35.680 must be determined by a level percent of pay method based on amortization of the past service liability for a closed term of 25 years;

2. Review actuarial assumptions prepared and certified by a member of the American Academy of Actuaries and conduct experience analyses of the retirement systems not less than once every four years, except for health cost assumptions, which shall be reviewed annually; the results of all actuarial assumptions prepared under this paragraph shall be reviewed and certified by a second member of the American Academy of Actuaries before presentation to the board.

3. Review the annual actuarial valuations and any actuarial experience analysis prepared by the Actuary and the report prepared by the Review Actuary prior to presentation or distribution of any report.

4. Coordinate with staff to conduct an independent audit of the state's actuary not less than once every four years and review any audit report prepared by the Audit Actuary prior to presentation or distribution to the Board.

5. In consultation with management and the independent actuaries, consider the integrity of the actuarial reporting processes and controls, including the process for "closure" on the audit findings.

6. Review any significant changes to applicable actuarial principles and any items required to be communicated by the independent actuaries.

7. Review the independence and performance of the actuaries and periodically recommend to the Board the appointment of the independent actuaries or recommend approval of any discharge of actuaries when circumstances warrant.

8. Review, discuss and recommend for Board consideration any strategic issues related to the actuarial work.

9. Review and assess the adequacy of this Charter at least annually and submit recommended changes to it to the Board for approval.

10. Review and periodically perform self-assessment of the Committee's performance.

B. The Committee shall have the following responsibilities with respect to the ARMB's independent actuaries:

1. Schedule an annual pre-valuation entrance conference with the Actuary that includes DOA and DOR staff and the Review Actuary to discuss scope, staffing, locations, timeline, reliance upon management, and general approach to the annual valuation conducted for the retirement systems; and in the year that an actuarial experience analysis is conducted, schedule a similar entrance conference.

2. Discuss with management and the independent actuaries the actuarial principles and provide input as to the underlying assumptions and methods used in the preparation of the retirement systems' valuation reports and experience analyses to ensure the integrity of actuarial numbers used in preparation of accounting reports, compliance with GASB or other regulatory bodies, consistency with the actuarial policies of the plan, and alignment with the purpose of the reporting.

3. Review the Actuary's draft valuation and the Review Actuary's draft report (and the experience analysis and review when conducted); discuss the contents with the actuaries and monitor the follow-up on significant observations, findings, and recommendations.

4. Discuss with the independent actuaries the clarity and format of the presentations in appearances before the committee and the Board.

5. Meet with the actuaries, in the absence of management, to review findings, recommendations or other pertinent subjects.

6. Review Audit Actuary report (conducted every four years); discuss any significant findings with Actuary and management.

C. In addition to the foregoing, the Committee shall:

1. Perform such other activities consistent with this Charter, and governing law as the Committee considers necessary or appropriate or as the Board may otherwise request.

2. Maintain minutes of Committee meetings and periodically report to the Board on significant results of the Committee's activities.

Alaska Retirement Management Board

Actuarial Committee Schedule of 2024 Meetings

March 5, 2024 (Juneau/ Videoconference)

1. Discuss Draft Review Actuary Report;
2. Review Draft Valuation Reports; requests or recommendations for edits or corrections
3. Review Audit Findings List; proposed resolution and recommendations
4. Optional Renewal for Actuary Contract (Buck) for FY24
4. Education Topic:

April TBD, 2024 (Videoconference)

1. *If necessary* – scheduled to follow up on discussion/findings/questions from March meeting

June 11, 2024 (Anchorage/ Videoconference)

1. Review and discussion of final review reports and valuations, including any items brought forward from March meeting
2. Action: Recommendations from committee to board for acceptance of review reports and valuations
3. Recommendation from committee to board for action on Audit Findings List
4. FY2023 valuation discussion
 - a. Valuation Timeline
 - b. Actuarial principles and underlying assumptions; any proposed new assumptions
 - c. Outstanding audit issues (Audit Findings List)
5. Committee Performance – Self Assessment
6. Education Topic:

September 17, 2024 (Fairbanks/ Videoconference)

1. Review contribution rate resolutions/action memos for recommendation to Board
2. Status/Follow-up from previous meetings
3. Education Topic:

December 3, 2024 (Anchorage/ Videoconference)

1. Status Report/Discussion on Draft Actuarial Valuation and Second Actuary Review Process
2. Discussion of new trends and findings in actuarial matters
3. Committee Performance – Self Assessment
4. Education topic:

Periodic and As Needed Meeting Topics

1. Updates by DOA on actuary procurement.
2. Actuarial Committee training.

PUBLIC COMMENT

The following individuals provided public comment during the ARMB's Actuarial Committee meeting, held on Wednesday, December 6, 2023:

- Randall Burns, President, Retired Public Employees Association