

**State of Alaska**  
**ALASKA RETIREMENT MANAGEMENT BOARD**  
**ACTUARIAL COMMITTEE MEETING**

**Location:**  
**Alaska State Museum, Lecture Hall**  
**395 Whittier Street**  
**Juneau, Alaska**

**September 18, 2019**

**ATTENDANCE**

**Committee Present:** Norm West, *chair*  
Lorne Bretz  
Tom Brice  
Gayle Harbo  
Allen Hippler  
Rob Johnson  
Commissioner Bruce Tangeman  
Commissioner Kelly Tshibaka (arrived 2:22 p.m.)  
Bob Williams

**Committee Absent:** None

**Department of Revenue Staff Present:**

Bob Mitchell (chief investment officer)  
Pamela Leary (director, Treasury Division)  
Zach Hanna  
Stephanie Alexander (board liaison)

**Department of Administration Staff Present:**

Kevin Worley (chief financial officer, Division of Retirement & Benefits (DRB))

**Others Present:**

Stuart Goering (assistant attorney general, Department of Law)  
David Kershner (Buck)  
Paul Wood (Gabriel Roeder Smith (GRS))

**I. CALL TO ORDER**

CHAIR WEST called the meeting to order at 1:46pm.

**II. ROLL CALL**

Eight committee members were present at roll call to form a quorum.

### **III. PUBLIC MEETING NOTICE**

Board liaison STEPHANIE ALEXANDER confirmed public meeting notice had been met.

#### **IV. A. APPROVAL OF AGENDA**

MS. HARBO moved to approve the agenda. MR. JOHNSON seconded the motion. The agenda was approved without objection.

#### **B. APPROVAL OF MINUTES**

MS. HARBO moved to approve the minutes for June 19, 2019, and the minutes for July 31, 2019. MR. BRICE seconded the motion. The minutes for June 19, 2019, and the minutes for July 31, 2019 were approved without objection.

#### **V. PUBLIC/MEMBER PARTICIPATION, COMMUNICATIONS, AND APPEARANCES**

There was no one present who wished to speak to the Committee.

#### **VI. FY 2021 CONTRIBUTION RATES**

##### **A. Discussion on FY2021 PERS/TRS/JRS Additional State Contributions**

CHAIR WEST introduced KEVIN WORLEY, CFO, Division of Retirement & Benefits, and DAVID KERSHNER, Buck, to discuss the FY21 additional State contributions. MR. WORLEY expressed appreciation to the Committee for the supplemental meetings conducted over the summer in order to approve the actuarial valuation reports. The October 15<sup>th</sup> deadline will be met for inclusion in the audited financial statements.

MR. KERSHNER informed the 2018 valuations have been completed and are used for setting the FY21 contribution rates. The process is the same for both PERS and TRS, and includes a two-year forward projection from June 30, 2018 to the beginning of FY21 for purposes of setting the contribution rates in advance of the fiscal year. There are two components for the actuarial contribution rates. The normal cost rate is the cost of active benefits accruing in the current year. The past service rate is the largest component and it is the amount to fund the unfunded liability. The 25-year layering calculation process was adopted as part of the experience study. The employer contribution rate for PERS is 22%, and for TRS is 12.56%.

MR. KERSHNER provided a detail review of the exhibit presented to members regarding additional State contributions. The estimated FY21 additional State contributions presented in June and contained within the adopted valuations reports, postulated assets earned the assumed rate of 7.38% for FY19 and FY20. For purposes of the actual contribution rates, which will be adopted tomorrow, the actual FY19 investment performance of 5.9% was calculated, in addition to the assumed 7.38% for FY20. The difference between the assumed performance of 7.38% and the actual performance of 5.9% will now have to be reconciled

going forward over 25 years, causing the additional State contributions to be slightly higher than the previous representations in June.

MR. KERSHNER explained all contribution rates are shown as a percentage of total payroll. The DCR contribution rate for PERS is 5.92% and for TRS is 6.13%. The DCR contribution rate is calculated using four components:

- Occupational death and disability rate
- Retiree medical rate
- 3% HRA employer contribution rate
- 5% Defined Contribution rate for PERS and 7% Defined Contribution rate for TRS

The statutory total employer contribution rate for PERS is 22% and for TRS is 12.56%. The additional State contribution for PERS is 8.56% and for TRS is 17.91%.

MR. JOHNSON explained for the record, the additional State contribution includes what the State is paying for its own DC and DB plan obligations for its own employees over the 22% and 12.56%, as well as the payment for political subdivisions over the 22% and 12.56%. MR. KERSHNER agreed, and referenced footnote five on the presentation.

CHAIR WEST inquired if the circumstance could exist where a State unit uses the budgeted cost of the 22% contribution rate and shows the additional State assistance as a separate line item. A comment and response was made the description sounds correct, but a definitive answer is unknown.

A Trustee requested the FY20 additional State contribution amount compared to the FY21 additional State contribution amount. The FY20 additional State contribution amount for PERS was approximately \$159 million and for TRS was approximately \$141 million. The FY21 additional State contribution amount for PERS is \$203,585,000 and for TRS is \$134,976,000. The delta is approximately \$37 million.

MR. KERSHNER reviewed the letter included in member packets from Buck to AJAY DESAI, which documents the summary of results for the FY21 additional State contribution allocation for PERS, TRS, and JRS.

CHAIR WEST asked if the proposal is to continue to allocate the additional State contributions 100% to pension liabilities. MR. WORLEY explained the typical proposal is to adopt the resolutions of the additional State contribution allocation based on the past service rates shown in Exhibit 1. After the full valuation report is provided that shows the funded status of the plans, staff may come forward with a recommendation shown in Exhibit 2, allocating the full additional State contribution to pension.

**B. FY2021 Contribution Rate Review**

Information: History of PERS/TRS Employer Contribution Rates

Action: Relating to FY21 PERS Contribution Rate

Resolution 2019-07

Action: Relating to FY21 PERS RMMI & OOD Contribution Rate

Resolution 2019-08  
Resolution 2019-09  
Action: Relating to FY21 TRS Contribution Rate  
Resolution 2019-10  
Action: Relating to FY21 TRS RMMI & OOD Contribution Rate  
Resolution 2019-11  
Resolution 2019-12  
Action: Relating to FY21 NGNMRS Contribution Amount  
Resolution 2019-13

MR. WORLEY informed the members have been provided with a revised Resolution 2019-10, relating to FY21 TRS contribution rate. The typographical error was corrected and the past service rate in the sixth Whereas paragraph should be 18.41%. There were no questions.

MR. WILLIAMS moved to approve and forward all the resolutions in the packet to the full ARM Board; including Resolution 2019-07, Resolution 2019-08, Resolution 2019-09, Resolution 2019-10, Resolution 2019-11, Resolution 2019-12, and Resolution 2019-13. MR. BRICE seconded the motion.

A roll call vote was taken, and the motion to approve and forward all the resolutions in the packet to the full ARM Board, including Resolutions 2019-07 through 2019-13, passed unanimously, with COMMISSIONER TSHIBAKA not yet present.

#### Information: JRS Contribution

MR. WORLEY reviewed the information memo for the FY20/21 JRS employer contribution rate. He explained the Commissioner of Administration sets the rate for JRS. The Alaska Legislature has established operating budget language that explicitly addresses JRS past service costs separate from the normal costs. The total normal cost is 48.16% and total past service is 35.78%, totaling 83.94%.

### **C. Discussion on FY2019 Valuation Timeline**

MR. WORLEY informed a recent teleconference occurred with GRS to review the FY19 valuation timeline. MR. KERSHNER gave an overview of the presented timeline. December 11<sup>th</sup> is the target date for presentation of the preliminary results for the June 30, 2019 valuations. The preliminary valuations for JRS and National Guard will not be presented during this off-year cycle. The full valuation results will be presented in January and the draft valuation reports will be presented in March.

MR. KERSHNER expressed appreciation to DRB for their accelerated response in providing the valuation data on August 30<sup>th</sup>. The enrollment data has been submitted. The full claims data, including the three-year lag, is awaiting completion. MR. KERSHNER informed the Committee will be made aware of the number of people on the October 1<sup>st</sup> updated active list of TRS, and selected school districts in PERS, term and rehires since June 30<sup>th</sup>.

Appreciation was expressed to Buck for adjusting to last year's timeline and successfully returning to the regularly established timeline.

PAUL WOOD, GRS, expressed positive anticipation to resuming the standard timeline this year. GRS is anticipated to deliver their report on March 27<sup>th</sup>. MR. WOOD announced a new member to the audit team.

## **VII. FUTURE MEETINGS**

### **A. Calendar Review**

The schedule of 2019-2020 meetings was provided in member packets.

### **B. Agenda Items**

CHAIR WEST inquired if the actuaries are contractually responsible for leading the education topics at the December meeting. MR. WOOD informed he will be in attendance at the December meeting. The cost for an additional presentation would be minimal. MR. KERSHNER informed Buck is available to present ordinary educational materials without additional cost at the December meeting.

CHAIR WEST requested MR. WORLEY coordinate the presentations with Buck and GRS.

MR. WILLIAMS suggested the presentation could include examples of the three most common misconceptions held by new pension trustees and possible areas that new trustees could benefit from additional clarification. CHAIR WEST agreed, and asked for the presentation to include a fundamental overview of the process of funding policies.

### **C. Requests / Follow-Ups - None**

## **VIII. ADJOURNMENT**

MR. BRICE moved to adjourn the meeting. MS. HARBO seconded the motion. The motion passed without objection.

The meeting was adjourned at 2:33pm.

Note: An outside contractor recorded the meeting and prepared the summary minutes. For in-depth discussion and presentation details, please refer to the recording, staff reports, and written presentation materials on file at the ARMB office.