

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to a Level Dollar Amortization Assumption
For the Public Employees' Retirement System and
Teachers' Retirement System

Resolution 2012-19

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise its fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

WHEREAS, AS 37.10.220(a)(8) requires the Board to coordinate with the retirement system administrator to conduct an annual actuarial valuation of each retirement system to determine system assets, accrued liabilities and funding ratios, and to certify to the appropriate budgetary authority of each employer in the system an appropriate contribution rate for normal costs and an appropriate contribution rate for liquidating any past service liability; and

WHEREAS, for the Public Employees Retirement System (PERS), AS 39.35.255(a) states that each employer shall contribute to the system every payroll period an amount calculated by applying a rate of 22 percent of the total of all base salaries paid by the employer to employees who are active members of the system, and for the Teachers Retirement System (TRS), AS 14.25.070(a) states that each employer shall contribute to the system every payroll period an amount calculated by applying a rate of 12.56 percent to the total of all base salaries paid by the employer to active members of the system; and

WHEREAS, the PERS and TRS defined benefit systems have substantial real unfunded liabilities; and

WHEREAS, there are two acceptable methods by which an unfunded accrued actuarial liability may be amortized: level percentage of pay and level dollar; and

WHEREAS, the Board has adopted a level percentage of pay method on the combined defined benefit and defined contribution employer payrolls for amortizing the unfunded accrued actuarial liabilities over closed 25 year periods; and

WHEREAS, the level percentage of pay method spreads the contribution to amortize the unfunded liability over a growing combined payroll base which delays or backloads contributions toward retiring the unfunded liability; and

WHEREAS, the level dollar method creates even or level dollar annual contributions towards retiring the unfunded liability into the actuarially determined total contribution rate which results in higher contributions in the early years, but reduced contributions later and significantly reduces overall contributions; and

WHEREAS, the change to a level dollar amortization method of the unfunded actuarial accrued liability is projected to reduce the total amortization payment amount by \$2.4 billion over the full amortization period; and

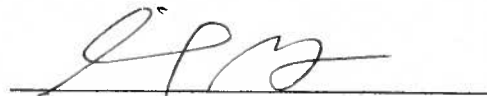
WHEREAS, the Board desires to adopt a method that amortizes the unfunded actuarial accrued liability amounts of the PERS and the TRS defined benefit systems over closed 25 year periods, with the existing outstanding bases amortized over the remaining amortization periods, and

WHEREAS, the Board desires to adopt a method that amortizes the unfunded actuarial accrued liability in a way that reduces the total amortization payment amount over the full amortization period, producing substantial savings to the State of Alaska and all participating employers.


NOW THEREFORE, BE IT RESOLVED, that the Alaska Retirement Management Board adopts, commencing with contribution rates to be set for Fiscal Year 2015, the level dollar amortization method for amortizing the unfunded accrued actuarial liability of the Public Employees' Retirement System and the Teachers' Retirement System over closed 25 year periods.

BE IT FURTHER RESOLVED, that the actuary or actuaries responsible for evaluating the contribution rates for Fiscal Year 2015 (July 1, 2014 to June 30, 2015) apply this resolution to that evaluation. Because the actuarial evaluation for contribution rates for Fiscal Year 2015 will occur during calendar year 2012, this resolution is effective immediately, but level dollar amortization will not be applied until Fiscal Year 2015.

DATED at Anchorage, Alaska this 21st day of June, 2012.


Chair

ATTEST:


Secretary