

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Salary Payroll Growth Rate for the Public Employees' Retirement System (PERS), PERS
Defined Contribution Retirement (DCR), Teachers' Retirement System (TRS), and TRS DCR
Resolution 2025-07

WHEREAS, the Alaska Retirement Management Board ("ARMB") was established under AS 37.10.210(a) to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, ARMB is required under AS 37.10.220 to exercise certain powers and duties as fiduciary of the retirement systems; and

WHEREAS, one of the duties statutorily prescribed to ARMB set out in AS 37.10.220(a)(4) relates to prescribing policies for the proper operation of the systems and taking other necessary actions to carry out the intent of the systems in accordance with AS 37.10.210 – 37.10.390; and


WHEREAS, AS 37.10.220(a)(8) states that ARMB shall "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...(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."; and

WHEREAS, the payroll growth rate affects the pattern of unfunded liability amortization amounts; and

WHEREAS, ARMB, in consultant with actuaries and a member of the ARMB's Investment Advisory Council, reviewed the historical payroll growth versus assumptions (see Attachment 1), and finds adjusting the payroll growth rate assumption to be in line with ARMB Resolution 2025-04 Actuarial Amortization Policy and industry best practices; and

NOW THEREFORE BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that ARMB adjusts the payroll growth assumption beginning with the June 30, 2025 valuations to 2% for PERS and PERS DCR and 1% for TRS and TRS DCR, and will periodically review the payroll growth assumption going forward.

DATED at Anchorage, Alaska this 18th day of June, 2025.


Chair

ATTEST:


Secretary

Payroll Growth Rates for PERS and TRS

Payroll Growth Rates for PERS and TRS – Background

- The payroll growth rate affects the **pattern** of unfunded liability amortization amounts. For example, a lower payroll growth rate increases the amortization amounts in the earlier years, with the amounts increasing less rapidly from year to year.
- Historically, the payroll growth rate assumption has been set slightly above the inflation rate assumption. The theory being that total State payroll is generally expected to grow at a rate somewhat faster than general inflation.
- Slide 30 shows the history of actual total (DB&DCR) payroll increases along with the inflation and payroll growth rate assumptions used to amortize the unfunded liability in the valuations.
- Slides 31-36 illustrate the impact on projected State contributions if a lower payroll growth rate assumption is used to amortize the unfunded liability.
- All scenarios are based on the 2024 valuation projections (assuming zero healthcare Normal Cost in all future years).

Historical Payroll Growth Rates for PERS and TRS

FY Ending June 30	Valuation Assumptions			Actual Payroll Increases**	
	Inflation	Payroll Growth*	Basis Point Difference	PERS DB&DCR	TRS DB&DCR
2006	3.50%	4.00%	50	n/a	n/a
2007	3.50%	4.00%	50	7.69%	1.63%
2008	3.50%	4.00%	50	4.09%	3.73%
2009	3.50%	4.00%	50	6.60%	6.79%
2010	3.12%	3.62%	50	5.65%	5.83%
2011	3.12%	3.62%	50	2.83%	1.84%
2012	3.12%	0.00%	n/a	3.19%	1.68%
2013	3.12%	0.00%	n/a	3.16%	-0.87%
2014	3.12%	3.62%	50	-1.70%	-2.00%
2015	3.12%	3.62%	50	0.16%	3.58%
2016	3.12%	3.62%	50	1.17%	0.23%
2017	3.12%	3.62%	50	-0.72%	0.43%
2018	2.50%	2.75%	25	-1.03%	-1.98%
2019	2.50%	2.75%	25	3.53%	-1.76%
2020	2.50%	2.75%	25	1.10%	2.13%
2021	2.50%	2.75%	25	1.42%	1.25%
2022	2.50%	2.75%	25	1.46%	1.15%
2023	2.50%	2.75%	25	6.01%	-0.61%
2024	2.50%	2.75%	25	8.18%	3.32%

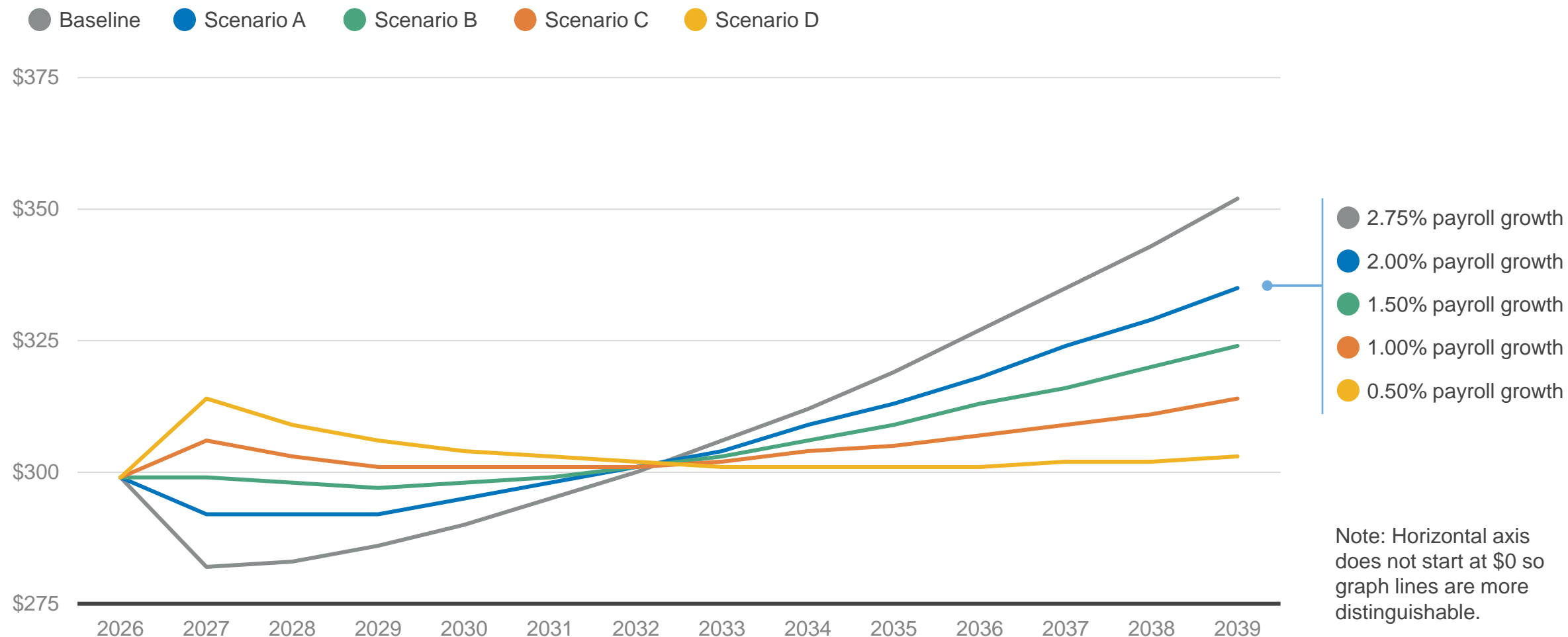
Actual Payroll Increases		
Averages	PERS DB&DCR	TRS DB&DCR
6/30/06 to 6/30/24		
• Geometric	2.89%	1.44%
• Arithmetic	2.93%	1.47%
6/30/14 to 6/30/24		
• Geometric	2.09%	0.76%
• Arithmetic	2.13%	0.77%

* The payroll growth assumptions shown here are those used to amortize the unfunded liability as a level percent of pay. A payroll growth rate of 0% indicates level dollar amortization was used.

** A negative payroll increase percentage could be due to a reduction in the number of active employees from one year to the next.

PERS State-as-an-Employer Contributions (FY26-FY39)

\$ in millions



PERS State-as-an-Employer Contributions

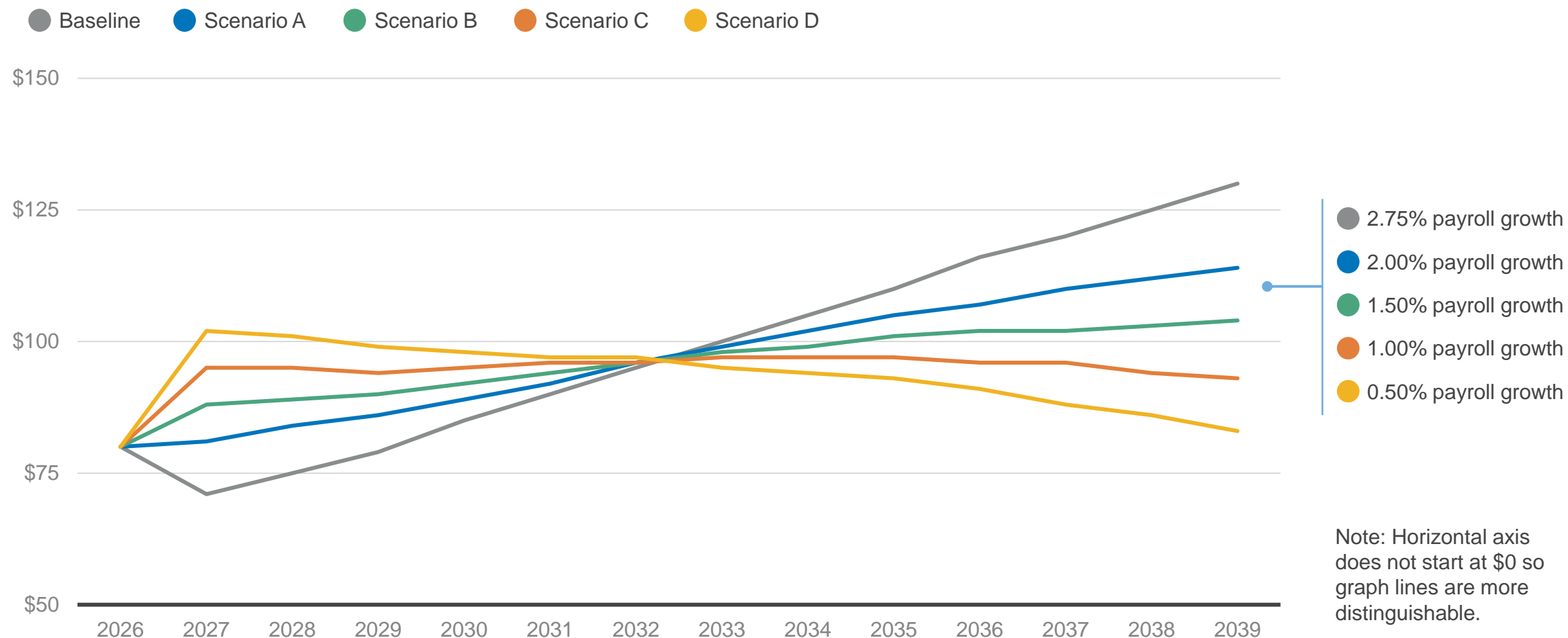
\$ in millions

Fiscal Year	Baseline	Scenario A	Scenario B	Scenario C	Scenario D
2026	\$ 299	\$ 299	\$ 299	\$ 299	\$ 299
2027	282	292	299	306	314
2028	283	292	298	303	309
2029	286	292	297	301	306
2030	290	295	298	301	304
2031	295	298	299	301	303
2032	300	301	301	301	302
2033	306	304	303	302	301
2034	312	309	306	304	301
2035	319	313	309	305	301
2036	327	318	313	307	301
2037	335	324	316	309	302
2038	343	329	320	311	302
2039	352	335	324	314	303
2040-2054	<u>370</u>	<u>372</u>	<u>372</u>	<u>372</u>	<u>371</u>
Total	\$ 4,699	\$ 4,673	\$ 4,654	\$ 4,636	\$ 4,619
Incr/(Decr) vs Baseline		\$ (26)	\$ (45)	\$ (63)	\$ (80)

- Base 2.75% payroll growth
- A 2.00% payroll growth
- B 1.50% payroll growth
- C 1.00% payroll growth
- D 0.50% payroll growth

PERS Additional State Contributions (FY26-FY39)

\$ in millions



PERS Additional State Contributions

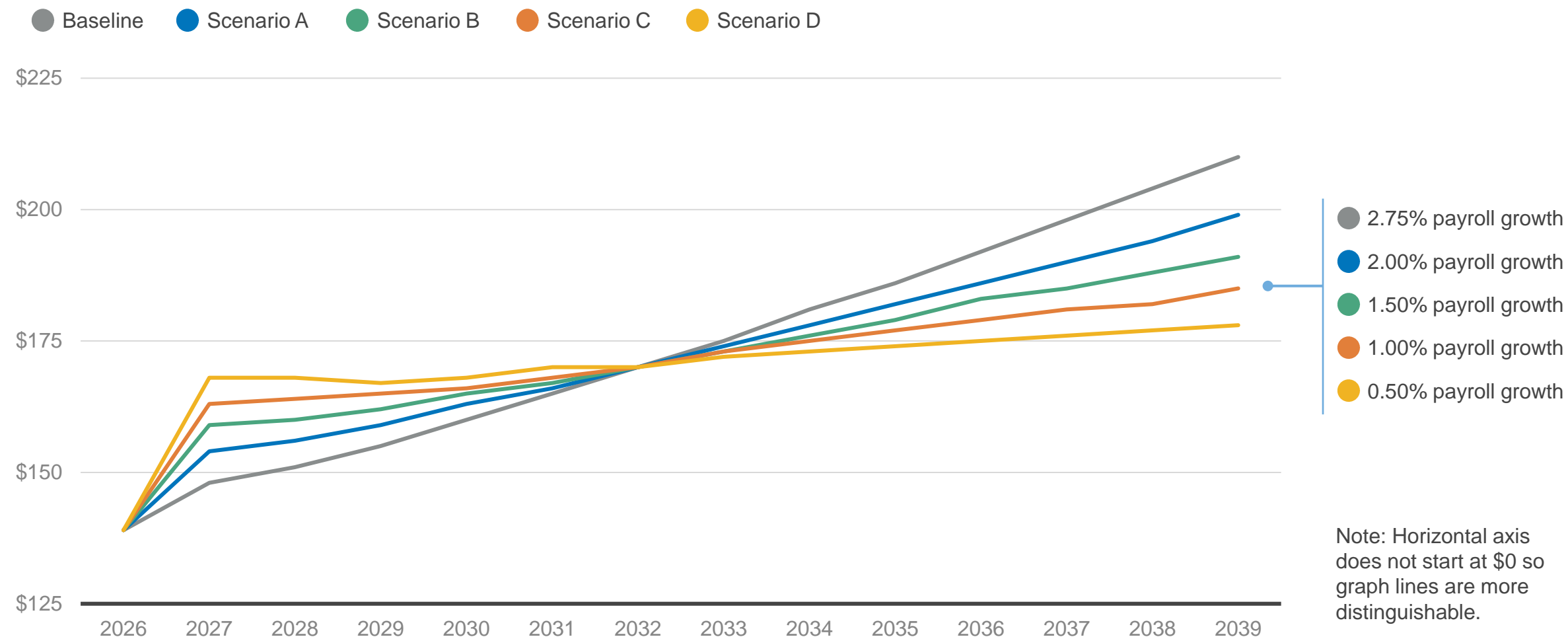
\$ in millions

Fiscal Year	Baseline	Scenario A	Scenario B	Scenario C	Scenario D
2026	\$ 80	\$ 80	\$ 80	\$ 80	\$ 80
2027	71	81	88	95	102
2028	75	84	89	95	101
2029	79	86	90	94	99
2030	85	89	92	95	98
2031	90	92	94	96	97
2032	95	96	96	96	97
2033	100	99	98	97	95
2034	105	102	99	97	94
2035	110	105	101	97	93
2036	116	107	102	96	91
2037	120	110	102	96	88
2038	125	112	103	94	86
2039	130	114	104	93	83
2040-2054	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total	\$ 1,381	\$ 1,357	\$ 1,338	\$ 1,321	\$ 1,304
Incr/(Decr) vs Baseline		\$ (24)	\$ (43)	\$ (60)	\$ (77)

- Base 2.75% payroll growth
- A 2.00% payroll growth
- B 1.50% payroll growth
- C 1.00% payroll growth
- D 0.50% payroll growth

TRS Additional State Contributions (FY26-FY39)

\$ in millions



TRS Additional State Contributions

\$ in millions

Fiscal Year	Baseline	Scenario A	Scenario B	Scenario C	Scenario D
2026	\$ 139	\$ 139	\$ 139	\$ 139	\$ 139
2027	148	154	159	163	168
2028	151	156	160	164	168
2029	155	159	162	165	167
2030	160	163	165	166	168
2031	165	166	167	168	170
2032	170	170	170	170	170
2033	175	174	173	173	172
2034	181	178	176	175	173
2035	186	182	179	177	174
2036	192	186	183	179	175
2037	198	190	185	181	176
2038	204	194	188	182	177
2039	210	199	191	185	178
2040-2054	<u>21</u>	<u>20</u>	<u>20</u>	<u>19</u>	<u>18</u>
Total	\$ 2,455	\$ 2,430	\$ 2,417	\$ 2,406	\$ 2,393
Incr/(Decr) vs Baseline	\$	(25)	(38)	(49)	(62)

Base 2.75% payroll growth
A 2.00% payroll growth
B 1.50% payroll growth
C 1.00% payroll growth
D 0.50% payroll growth