

State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to the Fiscal Year 2025 Employer Contribution Rate
For the Teachers' Retirement System

Resolution 2023-08

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, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for each of the funds entrusted to it; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the 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 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, AS 14.25.070 establishes a statutory employer contribution rate of 12.56 percent and AS 14.25.085 requires additional state contribution to make up the difference between 12.56 percent and the actuarially determined contribution rate; and

WHEREAS, the Buck schedule dated August 22, 2023 determines that the actuarially determined contribution rate for pension benefits is 21.30 percent composed of the normal cost rate of 2.21 percent and past service rate of 19.09 percent; and

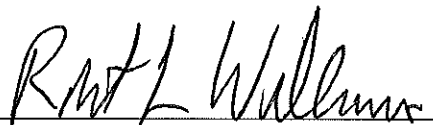
WHEREAS, the Buck schedule dated August 22, 2023 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.10 percent composed of the normal cost rate of 2.10 percent and past service rate of negative 12.82 percent; and

WHEREAS, due to the funded status of the postemployment healthcare trust, the Board has the authority under AS 37.10.220(a)(8) to adopt a rate that is appropriate, and the Board has determined that the appropriate contribution rate for the postemployment healthcare benefits is 0.00 percent; and

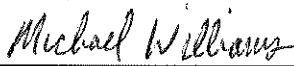
WHEREAS, the Buck schedule dated August 22, 2023 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 7.29 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2025 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 28.59 percent, composed of the contribution rate for defined benefit pension of 21.30 percent, the contribution rate for postemployment healthcare of 0.00 percent, the contribution rate for defined contribution pension of 7.29 percent, and the Additional State Contribution per the attached Buck schedule dated August 22, 2023.

DATED at Anchorage, Alaska this 14th day of September, 2023.


Chair

ATTEST:


Secretary

August 22, 2023

Mr. Ajay Desai
Director
Alaska Department of Administration
Division of Retirement & Benefits
PO Box 110203
Juneau, AK 99811-0203

Dear Ajay,

As requested, we have calculated the allocation between the pension and healthcare trusts of the FY25 Additional State Contributions for the State of Alaska Public Employees' Retirement System (PERS), Teachers' Retirement System (TRS), and Judicial Retirement System (JRS).

All results are based on the June 30, 2022 valuation reports, except the results for PERS and TRS reflect FY23 asset performance as shown in the preliminary June 30, 2023 asset statements that were provided to us on August 18.

Summary of Results

For PERS and TRS, the FY25 Additional State Contributions are allocated 100% to pension since the healthcare trusts are projected to be more than 100% funded at June 30, 2024. Similarly, we assumed the FY24 Additional State Contributions were made 100% to pension because the healthcare trusts were projected to be more than 100% funded at June 30, 2023.

Attached to this letter are three exhibits.

- Exhibit 1 – 100% of the FY25 healthcare Normal Cost is assumed to be deposited to the healthcare trust. The Unfunded Actuarial Accrued Liabilities for the pension and healthcare trusts are amortized using the current method of 25-year layered bases. This approach was adopted by the Alaska Retirement Management Board (ARMB) effective June 30, 2018.
- Exhibit 2 – 0% of the FY25 healthcare Normal Cost is assumed to be deposited to the healthcare trust. The Unfunded Actuarial Accrued Liabilities for the pension and healthcare trusts are amortized using the current method of 25-year layered bases. This approach was adopted by the Alaska Retirement Management Board (ARMB) effective June 30, 2018.
- Exhibit 3 – 0% of the FY25 healthcare Normal Cost is assumed to be deposited to the healthcare trust. The Unfunded Actuarial Accrued Liabilities for the pension and healthcare trusts are amortized using a single base. The 25-year period for the single base was established June 30, 2014. The remaining amortization period for this single base in FY25 is 15 years.

For Exhibits 2 and 3, the portion of the FY25 healthcare Normal Cost not contributed to the healthcare trust was added to the pension Past Service Cost in order to keep the total employer contribution rate at 22% (PERS non-State employers) and 12.56% (TRS).

For all three exhibits:

- Liabilities as of June 30, 2022 were rolled forward two years based on the June 30, 2022 valuation projections. For FY23, actual (pension) and expected (healthcare) benefit payments were used in the liability roll-forward. For FY24, expected benefit payments (pension and healthcare) were used in the liability roll-forward.
- Assets as of June 30, 2022 were rolled forward one year using actual FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses based on the preliminary June 30, 2023 asset statements. Assets as of June 30, 2023 were rolled forward one year based on the expected FY24 investment return and cash flows from the June 30, 2022 valuation projections.
- Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- All contribution rates are based on total payroll of Defined Benefit (DB) and Defined Contribution Retirement (DCR) combined.
- For PERS, contributions were allocated between non-State employers and the State as an employer per the provisions of SB 55. The payroll of the State’s PERS employees was assumed to be 49.58% of total PERS payroll based on the June 30, 2022 valuation data.

For JRS, the allocation of the FY25 past service cost rate between pension and healthcare is shown below. The FY25 past service cost rate is based on the June 30, 2022 valuation, but not less than zero.

JRS			
	Projected Pay	FY25 Past Service Cost Rate	FY25 Past Service Contribution Amount
Pension	\$ 14,035,000	17.17%	\$ 2,410,000
Healthcare	\$ 14,035,000	<u>0.00%</u>	<u>\$ 0</u>
Total		17.17%	\$ 2,410,000

Data, Provisions, Assumptions, and Methods

The data, plan provisions, actuarial assumptions, and methods used for the PERS, TRS, and JRS plan costs are described in the June 30, 2022 actuarial valuation reports (except the amortization method for Exhibit 3 was changed as noted above). These reports include detailed information related to the potential risks associated with funding of the plans (ASOP 51), our use of models (ASOP 56), and the assumption setting process (ASOP 27 and ASOP 35).

Preliminary June 30, 2023 asset statements for PERS and TRS were reflected as noted above.

Mr. Ajay Desai
Alaska Department of Administration

August 22, 2023

Please call me at 602-803-6174 if you have any questions.

Sincerely,



David J. Kershner, FSA, EA, MAAA, FCA
Principal
Buck, A Gallagher Company

Attachments

cc: Mr. Kevin Worley, State of Alaska

Exhibit 1

**State of Alaska
Allocation of Projected FY25 Employer and Additional State Contributions**

**Based on June 30, 2022 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed**

**100% of FY25 Healthcare Normal Cost Contributed to Healthcare Trust
and Unfunded Liability Amortized with Layered Bases**

	PERS						TRS	
	Non-State Employers		State as an Employer		All Employers			
Projected FY25 DB Payroll		\$ 327,399,000		\$ 321,945,000	\$ 649,344,000		\$ 248,321,000	
Projected FY25 DCR Payroll		915,232,000		899,984,000	1,815,216,000		521,222,000	
Projected FY25 Total Payroll		\$ 1,242,631,000		\$ 1,221,929,000	\$ 2,464,560,000		\$ 769,543,000	
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	
Employer Contributions								
DB Pension Plan								
1. Normal Cost	2.15%		2.15%			2.21%		
2. Past Service Cost	11.18%		17.57%			0.96%		
3. Total: (1) + (2)	13.33%	\$ 165,643,000	19.72%	\$ 240,964,000	\$ 406,607,000	3.17%	\$ 24,395,000	
DB Healthcare Plan								
4. Normal Cost	1.94%		1.94%			2.10%		
5. Past Service Cost	0.00%		0.00%			0.00%		
6. Total: (4) + (5)	1.94%	24,107,000	1.94%	23,705,000	47,812,000	2.10%	16,160,000	
7. DCR Plan	6.73%	83,629,000	6.73%	82,236,000	165,865,000	7.29%	56,100,000	
8. Total: (3) + (6) + (7)	22.00%	\$ 273,379,000	28.39%	\$ 346,905,000	\$ 620,284,000	12.56%	\$ 96,655,000	
Additional State Contributions to DB								
9. DB Pension Plan	6.39%	\$ 79,404,000	0.00%	\$ 0	\$ 79,404,000	18.06%	\$ 138,979,000	
10. DB Healthcare Plan	0.00%	0	0.00%	0	0	0.00%	0	
11. Total: (9) + (10)	6.39%	\$ 79,404,000	0.00%	\$ 0	\$ 79,404,000	18.06%	\$ 138,979,000	
Total DB								
12. DB Pension Plan: (3) + (9)	19.72%	\$ 245,047,000	19.72%	\$ 240,964,000	\$ 486,011,000	21.23%	\$ 163,374,000	
13. DB Healthcare Plan: (6) + (10)	1.94%	24,107,000	1.94%	23,705,000	47,812,000	2.10%	16,160,000	
14. Total: (12) + (13)	21.66%	\$ 269,154,000	21.66%	\$ 264,669,000	\$ 533,823,000	23.33%	\$ 179,534,000	
Total DB and DCR: (7) + (14)	28.39%	\$ 352,783,000	28.39%	\$ 346,905,000	\$ 699,688,000	30.62%	\$ 235,634,000	

Notes:

- Projected FY25 payroll is based on the June 30, 2022 valuation projections assuming 0% population growth.
- Additional State Contributions for FY24 were assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2023 asset statements provided by the State. FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2022 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.58% of total PERS payroll based on the June 30, 2022 valuation data.
- Total contribution rates for pension and healthcare are not less than the Normal Cost rates.
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2022 actuarial valuation reports, except as noted above.

Exhibit 2

State of Alaska Allocation of Projected FY25 Employer and Additional State Contributions

Based on June 30, 2022 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

*0% of FY25 Healthcare Normal Cost Contributed to Healthcare Trust
and Unfunded Liability Amortized with Layered Bases*

	PERS						TRS	
	Non-State Employers		State as an Employer		All Employers			
Projected FY25 DB Payroll	\$ 327,399,000		\$ 321,945,000		\$ 649,344,000		\$ 248,321,000	
Projected FY25 DCR Payroll	915,232,000		899,984,000		1,815,216,000		521,222,000	
Projected FY25 Total Payroll	\$ 1,242,631,000		\$ 1,221,929,000		\$ 2,464,560,000		\$ 769,543,000	
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	
Employer Contributions								
DB Pension Plan								
1. Normal Cost	2.15%		2.15%			2.21%		
2. Past Service Cost	13.12%		17.57%			3.06%		
3. Total: (1) + (2)	15.27%	\$ 189,750,000	19.72%	\$ 240,964,000	\$ 430,714,000	5.27%	\$ 40,555,000	
DB Healthcare Plan								
4. Normal Cost	0.00%		0.00%			0.00%		
5. Past Service Cost	0.00%		0.00%			0.00%		
6. Total: (4) + (5)	0.00%	0	0.00%	0	0	0.00%	0	
7. DCR Plan	6.73%	83,629,000	6.73%	82,236,000	165,865,000	7.29%	56,100,000	
8. Total: (3) + (6) + (7)	22.00%	\$ 273,379,000	26.45%	\$ 323,200,000	\$ 596,579,000	12.56%	\$ 96,655,000	
Additional State Contributions to DB								
9. DB Pension Plan	4.45%	\$ 55,297,000	0.00%	\$ 0	\$ 55,297,000	15.96%	\$ 122,819,000	
10. DB Healthcare Plan	0.00%	0	0.00%	0	0	0.00%	0	
11. Total: (9) + (10)	4.45%	\$ 55,297,000	0.00%	\$ 0	\$ 55,297,000	15.96%	\$ 122,819,000	
Total DB								
12. DB Pension Plan: (3) + (9)	19.72%	\$ 245,047,000	19.72%	\$ 240,964,000	\$ 486,011,000	21.23%	\$ 163,374,000	
13. DB Healthcare Plan: (6) + (10)	0.00%	0	0.00%	0	0	0.00%	0	
14. Total: (12) + (13)	19.72%	\$ 245,047,000	19.72%	\$ 240,964,000	\$ 486,011,000	21.23%	\$ 163,374,000	
Total DB and DCR: (7) + (14)	26.45%	\$ 328,676,000	26.45%	\$ 323,200,000	\$ 651,876,000	28.52%	\$ 219,474,000	

Notes:

1. Projected FY25 payroll is based on the June 30, 2022 valuation projections assuming 0% population growth.
2. Additional State Contributions for FY24 were assumed to be made 100% to pension.
3. All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
4. FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2023 asset statements provided by the State. FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2022 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
5. For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.58% of total PERS payroll based on the June 30, 2022 valuation data.
6. Healthcare negative past service cost rates are allowed to reduce the total Healthcare rates to zero. The Pension past service cost rates are adjusted to keep the total employer contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
7. Data, plan provisions, assumptions, and methods are as described in the June 30, 2022 actuarial valuation reports, except as noted above.

Exhibit 3

**State of Alaska
Allocation of Projected FY25 Employer and Additional State Contributions**

Based on June 30, 2022 Valuations
with Liabilities Rolled Forward Two Years and
Assets Rolled Forward One Year and Smoothed

*0% of FY25 Healthcare Normal Cost Contributed to Healthcare Trust
and Unfunded Liability Amortized with a Single Amortization Base*

	PERS						TRS	
	Non-State Employers		State as an Employer		All Employers			
Projected FY25 DB Payroll		\$ 327,399,000		\$ 321,945,000	\$ 649,344,000		\$ 248,321,000	
Projected FY25 DCR Payroll		915,232,000		899,984,000	1,815,216,000		521,222,000	
Projected FY25 Total Payroll		\$ 1,242,631,000		\$ 1,221,929,000	\$ 2,464,560,000		\$ 769,543,000	
	Percent of Total Payroll	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	Estimated Dollar Amount	Percent of Total Payroll	Estimated Dollar Amount	
Employer Contributions								
DB Pension Plan								
1. Normal Cost	2.15%		2.15%			2.21%		
2. Past Service Cost	13.12%		17.88%			3.06%		
3. Total: (1) + (2)	15.27%	\$ 189,750,000	20.03%	\$ 244,752,000	\$ 434,502,000	5.27%	\$ 40,555,000	
DB Healthcare Plan								
4. Normal Cost	0.00%		0.00%			0.00%		
5. Past Service Cost	0.00%		0.00%			0.00%		
6. Total: (4) + (5)	0.00%	0	0.00%	0	0	0.00%	0	
7. DCR Plan	6.73%	83,629,000	6.73%	82,236,000	165,865,000	7.29%	56,100,000	
8. Total: (3) + (6) + (7)	22.00%	\$ 273,379,000	26.76%	\$ 326,988,000	\$ 600,367,000	12.56%	\$ 96,655,000	
Additional State Contributions to DB								
9. DB Pension Plan	4.76%	\$ 59,149,000	0.00%	\$ 0	\$ 59,149,000	16.03%	\$ 123,358,000	
10. DB Healthcare Plan	0.00%	0	0.00%	0	0	0.00%	0	
11. Total: (9) + (10)	4.76%	\$ 59,149,000	0.00%	\$ 0	\$ 59,149,000	16.03%	\$ 123,358,000	
Total DB								
12. DB Pension Plan: (3) + (9)	20.03%	\$ 248,899,000	20.03%	\$ 244,752,000	\$ 493,651,000	21.30%	\$ 163,913,000	
13. DB Healthcare Plan: (6) + (10)	0.00%	0	0.00%	0	0	0.00%	0	
14. Total: (12) + (13)	20.03%	\$ 248,899,000	20.03%	\$ 244,752,000	\$ 493,651,000	21.30%	\$ 163,913,000	
Total DB and DCR: (7) + (14)	26.76%	\$ 332,528,000	26.76%	\$ 326,988,000	\$ 659,516,000	28.59%	\$ 220,013,000	

Notes:

- Projected FY25 payroll is based on the June 30, 2022 valuation projections assuming 0% population growth.
- Additional State Contributions for FY24 were assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY23 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2023 asset statements provided by the State. FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2022 valuation projections assuming 0% population growth. Investment gains and losses are recognized over 5 years beginning June 30, 2014.
- For PERS under SB 55, payroll for the State's PERS employees was assumed to be 49.58% of total PERS payroll based on the June 30, 2022 valuation data.
- Healthcare negative past service cost rates are allowed to reduce the total Healthcare rates to zero. The Pension past service cost rates are adjusted to keep the total employer contribution rates at 22% (PERS non-State employers) and 12.56% (TRS).
- The Unfunded Actuarial Accrued Liability is amortized using a single base. The remaining amortization period for this single base in FY25 is 15 years.
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2022 actuarial valuation reports, except as noted above.