

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to the Fiscal Year 2026 Employer Contribution Rate  
For the Teachers' Retirement System

Resolution 2024-09

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 Arthur J. Gallagher and Company (Gallagher), formerly Buck, schedule dated August 29, 2024 determines that the actuarially determined contribution rate for pension benefits is 23.68 percent composed of the normal cost rate of 2.21 percent and past service rate of 21.47 percent; and

WHEREAS, the Gallagher schedule dated August 29, 2024 determines that the actuarially determined contribution rate for postemployment healthcare benefits is 2.15 percent composed of the normal cost rate of 2.15 percent and past service rate of negative 13.90 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 Gallagher schedule dated August 29, 2024 presents the employer rate incorporating the total cost of the Defined Contribution Retirement Plan of 7.65 percent;

NOW THEREFORE, BE IT RESOLVED BY THE ALASKA RETIREMENT MANAGEMENT BOARD, that the Fiscal Year 2026 actuarially determined contribution rate attributable to employers participating in the Teachers' Retirement System is set at 31.33 percent, composed of the contribution rate for defined benefit pension of 23.68 percent, the contribution rate for postemployment healthcare of 0.00 percent, the contribution rate for defined contribution pension of 7.65 percent, and the Additional State Contribution per the attached Gallagher schedule dated August 29, 2024.

DATED at Fairbanks, Alaska this 18<sup>th</sup> day of September, 2024.



Chair

ATTEST:



Secretary

August 29, 2024

Ms. Kathy Lea  
Director  
Division of Retirement and Benefits  
State of Alaska  
PO Box 110203  
Juneau, AK 99811-0203

Dear Kathy,

As requested, we have calculated the allocation between the pension and healthcare trusts of the FY26 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, 2023 valuation reports, except the results for PERS and TRS reflect FY24 asset performance as shown in the preliminary June 30, 2024 asset statements that were provided to us on August 21.

We have reflected the new methodology that was adopted by the Alaska Retirement Management Board (ARMB) in June 2024 to account for the monthly timing of employer contributions. The new methodology is described below:

- The costs for the year (Normal Cost and unfunded liability amortization amounts) are determined at the beginning of the fiscal year, so they accrue interest for a full year.
- Employer contributions are deposited to the PERS and TRS trusts throughout the year every payroll period.
- Because the employer contributions are not contributed at the beginning of the year, there is a loss of approximately  $\frac{1}{2}$  of a year's worth of interest each year.
- To account for the monthly timing of employer contributions:
  - We add a  $\frac{1}{2}$  year interest adjustment to the Normal Cost and unfunded liability amortizations that are used to calculate the actuarially determined contribution rates for PERS and TRS.
  - Since the Additional State Contributions are generally deposited to the DB trusts at the beginning of the year, we back out the  $\frac{1}{2}$  year interest adjustment when calculating the Additional State Contributions.

### Summary of Results

For PERS and TRS, the FY26 Additional State Contributions are allocated 100% to pension since the healthcare trusts are projected to be more than 100% funded at June 30, 2025. Similarly, we assumed the FY25 Additional State Contributions were made 100% to pension because the healthcare trusts were projected to be more than 100% funded at June 30, 2024.

Attached to this letter are three exhibits for PERS and TRS:

PERS and TRS	Exhibit 1	Exhibit 2	Exhibit 3
FY26 Healthcare Normal Cost Assumed to be Deposited to the Healthcare Trust	100%	0%	0%
Unfunded Liability Amortization	25-year layered	25-year layered	single base*

\* The 25-year period for the single base established June 30, 2014 has 14 years remaining for FY26.

For Exhibits 2 and 3, the portion of the FY26 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, 2023 were rolled forward two years based on the June 30, 2023 valuation projections. For FY24, actual (pension) and expected (healthcare) benefit payments were used in the liability roll-forward. For FY25, expected benefit payments (pension and healthcare) were used in the liability roll-forward.
- Assets as of June 30, 2023 were rolled forward one year using actual FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses based on the preliminary June 30, 2024 asset statements. Assets as of June 30, 2024 were rolled forward one year based on the expected FY25 investment return and cash flows from the June 30, 2023 valuation projections, and smoothed per the 5-year asset smoothing method.
- 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 49.74% of total PERS payroll based on the June 30, 2023 valuation data.

For JRS, the allocation of the FY26 past service cost rate between pension and healthcare is shown below. The FY26 past service cost rate is based on the June 30, 2023 valuation, but not less than zero.

JRS	Projected Pay	FY26 Past Service Cost Rate	FY26 Past Service Contribution Amount
Pension	\$ 14,035,000	8.19%	\$ 1,149,000
Healthcare	\$ 14,035,000	<u>0.00%</u>	<u>0</u>
Total		8.19%	\$ 1,149,000

### Data, Provisions, Assumptions, and Methods


The data, plan provisions, actuarial assumptions, and methods used for the PERS and TRS plan costs are described in the June 30, 2023 actuarial valuation reports, including the half-year interest adjustment to account for the monthly timing of employer contributions. As noted above, a single amortization base was used for Exhibit 3. Preliminary June 30, 2024 asset statements for PERS and TRS were reflected as noted above.

The data, plan provisions, actuarial assumptions, and methods used for the JRS plan costs are described in the June 30, 2023 actuarial valuation report.

The actuarial valuation 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).

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

Sincerely,

A handwritten signature in black ink, appearing to read "D. J. Kershner", is displayed on a light gray rectangular background.

David J. Kershner, FSA, EA, MAAA, FCA  
Principal, Consulting Actuary

Attachments

cc: Mr. Kevin Worley, State of Alaska

## Exhibit 1

### State of Alaska Allocation of Projected FY26 Employer and Additional State Contributions

Based on June 30, 2023 Valuations with Liabilities Rolled Forward Two Years  
and Assets Rolled Forward One Year and Smoothed

**100% of FY26 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 FY26 DB Payroll	\$ 323,113,000		\$ 319,771,000		\$ 642,884,000	\$ 224,658,000	
Projected FY26 DCR Payroll	983,061,000		972,891,000		1,955,952,000	542,354,000	
Projected FY26 Total Payroll	\$ 1,306,174,000		\$ 1,292,662,000		\$ 2,598,836,000	\$ 767,012,000	
	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>
<b>Employer Contributions</b>							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.21%	
2. Past Service Cost	10.99%		18.63%			0.55%	
3. Total: (1) + (2)	13.13%	\$ 171,501,000	20.77%	\$ 268,486,000	\$ 439,987,000	2.76%	\$ 21,170,000
DB Healthcare Plan							
4. Normal Cost	1.97%		1.97%			2.15%	
5. Past Service Cost	0.00%		0.00%			0.00%	
6. Total: (4) + (5)	1.97%	25,732,000	1.97%	25,465,000	51,197,000	2.15%	16,491,000
7. DCR Plan	6.90%	90,126,000	6.90%	89,194,000	179,320,000	7.65%	58,676,000
8. Total: (3) + (6) + (7)	22.00%	\$ 287,359,000	29.64%	\$ 383,145,000	\$ 670,504,000	12.56%	\$ 96,337,000
<b>Additional State Contributions to DB</b>							
9. DB Pension Plan	7.64%	\$ 99,792,000	0.00%	\$ 0	\$ 99,792,000	20.57%	\$ 157,774,000
10. DB Healthcare Plan	0.00%	0	0.00%	0	0	0.00%	0
11. Subtotal: (9) + (10)	7.64%	\$ 99,792,000	0.00%	\$ 0	\$ 99,792,000	20.57%	\$ 157,774,000
12. Interest Adjustment	-0.26%	(3,396,000)	0.00%	0	(3,396,000)	-0.71%	(5,446,000)
13. Total: (11) + (12)	7.38%	\$ 96,396,000	0.00%	\$ 0	\$ 96,396,000	19.86%	\$ 152,328,000
<b>Total DB</b>							
14. DB Pension Plan: (3) + (9)	20.77%	\$ 271,293,000	20.77%	\$ 268,486,000	\$ 539,779,000	23.33%	\$ 178,944,000
15. DB Healthcare Plan: (6) + (10)	1.97%	25,732,000	1.97%	25,465,000	51,197,000	2.15%	16,491,000
16. Total: (14) + (15)	22.74%	\$ 297,025,000	22.74%	\$ 293,951,000	\$ 590,976,000	25.48%	\$ 195,435,000
<b>Total DB and DCR: (7) + (16)</b>	29.64%	\$ 387,151,000	29.64%	\$ 383,145,000	\$ 770,296,000	33.13%	\$ 254,111,000

#### Notes:

- Projected FY26 payroll is based on the June 30, 2023 valuation projections assuming 0% population growth.
- Additional State Contributions for FY25 are assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2024 asset statements provided by the State. FY25 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2023 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 49.74% of total PERS payroll based on the June 30, 2023 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, 2023 actuarial valuation reports, except as noted above.

## Exhibit 2

### State of Alaska Allocation of Projected FY26 Employer and Additional State Contributions

Based on June 30, 2023 Valuations with Liabilities Rolled Forward Two Years  
and Assets Rolled Forward One Year and Smoothed

**0% of FY26 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 FY26 DB Payroll	\$ 323,113,000		\$ 319,771,000		\$ 642,884,000	\$ 224,658,000	
Projected FY26 DCR Payroll	983,061,000		972,891,000		1,955,952,000	542,354,000	
Projected FY26 Total Payroll	\$ 1,306,174,000		\$ 1,292,662,000		\$ 2,598,836,000	\$ 767,012,000	
	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>
<b>Employer Contributions</b>							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.21%	
2. Past Service Cost	12.96%		18.63%			2.70%	
3. Total: (1) + (2)	15.10%	\$ 197,233,000	20.77%	\$ 268,486,000	\$ 465,719,000	4.91%	\$ 37,661,000
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	6.90%	90,126,000	6.90%	89,194,000	179,320,000	7.65%	58,676,000
8. Total: (3) + (6) + (7)	22.00%	\$ 287,359,000	27.67%	\$ 357,680,000	\$ 645,039,000	12.56%	\$ 96,337,000
<b>Additional State Contributions to DB</b>							
9. DB Pension Plan	5.67%	\$ 74,060,000	0.00%	\$ 0	\$ 74,060,000	18.42%	\$ 141,284,000
10. DB Healthcare Plan	0.00%	0	0.00%	0	0	0.00%	0
11. Subtotal: (9) + (10)	5.67%	\$ 74,060,000	0.00%	\$ 0	\$ 74,060,000	18.42%	\$ 141,284,000
12. Interest Adjustment	-0.19%	(2,482,000)	0.00%	0	(2,482,000)	-0.63%	(4,832,000)
13. Total: (11) + (12)	5.48%	\$ 71,578,000	0.00%	\$ 0	\$ 71,578,000	17.79%	\$ 136,452,000
<b>Total DB</b>							
14. DB Pension Plan: (3) + (9)	20.77%	\$ 271,293,000	20.77%	\$ 268,486,000	\$ 539,779,000	23.33%	\$ 178,944,000
15. DB Healthcare Plan: (6) + (10)	0.00%	0	0.00%	0	0	0.00%	0
16. Total: (14) + (15)	20.77%	\$ 271,293,000	20.77%	\$ 268,486,000	\$ 539,779,000	23.33%	\$ 178,944,000
<b>Total DB and DCR: (7) + (16)</b>	<b>27.67%</b>	<b>\$ 361,419,000</b>	<b>27.67%</b>	<b>\$ 357,680,000</b>	<b>\$ 719,099,000</b>	<b>30.98%</b>	<b>\$ 237,620,000</b>

#### Notes:

- Projected FY26 payroll is based on the June 30, 2023 valuation projections assuming 0% population growth.
- Additional State Contributions for FY25 are assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2024 asset statements provided by the State. FY25 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2023 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 49.74% of total PERS payroll based on the June 30, 2023 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).
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2023 actuarial valuation reports, except as noted above.

## Exhibit 3

State of Alaska  
Allocation of Projected FY26 Employer and Additional State Contributions

Based on June 30, 2023 Valuations with Liabilities Rolled Forward Two Years  
and Assets Rolled Forward One Year and Smoothed

**0% of FY26 Healthcare Normal Cost Contributed to Healthcare Trust  
and Unfunded Liability Amortized with Single Amortization Base**

	PERS					TRS	
	Non-State Employers		State as an Employer		All Employers		
Projected FY26 DB Payroll	\$ 323,113,000		\$ 319,771,000		\$ 642,884,000	\$ 224,658,000	
Projected FY26 DCR Payroll	983,061,000		972,891,000		1,955,952,000	542,354,000	
Projected FY26 Total Payroll	\$ 1,306,174,000		\$ 1,292,662,000		\$ 2,598,836,000	\$ 767,012,000	
	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>	<b>Estimated Dollar Amount</b>	<b>Percent of Total Payroll</b>	<b>Estimated Dollar Amount</b>
<b>Employer Contributions</b>							
DB Pension Plan							
1. Normal Cost	2.14%		2.14%			2.21%	
2. Past Service Cost	<u>12.96%</u>		<u>19.29%</u>			<u>2.70%</u>	
3. Total: (1) + (2)	15.10%	\$ 197,233,000	21.43%	\$ 277,017,000	\$ 474,250,000	4.91%	\$ 37,661,000
DB Healthcare Plan							
4. Normal Cost	0.00%		0.00%			0.00%	
5. Past Service Cost	<u>0.00%</u>		<u>0.00%</u>			<u>0.00%</u>	
6. Total: (4) + (5)	0.00%	0	0.00%	0	0	0.00%	0
7. DCR Plan	<u>6.90%</u>	90,126,000	<u>6.90%</u>	89,194,000	179,320,000	<u>7.65%</u>	58,676,000
8. Total: (3) + (6) + (7)	22.00%	\$ 287,359,000	28.33%	\$ 366,211,000	\$ 653,570,000	12.56%	\$ 96,337,000
<b>Additional State Contributions to DB</b>							
9. DB Pension Plan	6.33%	\$ 82,681,000	0.00%	\$ 0	\$ 82,681,000	18.77%	\$ 143,968,000
10. DB Healthcare Plan	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
11. Subtotal: (9) + (10)	6.33%	\$ 82,681,000	0.00%	\$ 0	\$ 82,681,000	18.77%	\$ 143,968,000
12. Interest Adjustment	<u>-0.22%</u>	(2,874,000)	<u>0.00%</u>	0	(2,874,000)	<u>-0.65%</u>	(4,986,000)
13. Total: (11) + (12)	6.11%	\$ 79,807,000	0.00%	\$ 0	\$ 79,807,000	18.12%	\$ 138,982,000
<b>Total DB</b>							
14. DB Pension Plan: (3) + (9)	21.43%	\$ 279,914,000	21.43%	\$ 277,017,000	\$ 556,931,000	23.68%	\$ 181,629,000
15. DB Healthcare Plan: (6) + (10)	<u>0.00%</u>	0	<u>0.00%</u>	0	0	<u>0.00%</u>	0
16. Total: (14) + (15)	21.43%	\$ 279,914,000	21.43%	\$ 277,017,000	\$ 556,931,000	23.68%	\$ 181,629,000
<b>Total DB and DCR: (7) + (16)</b>	28.33%	\$ 370,040,000	28.33%	\$ 366,211,000	\$ 736,251,000	31.33%	\$ 240,305,000

**Notes:**

- Projected FY26 payroll is based on the June 30, 2023 valuation projections assuming 0% population growth.
- Additional State Contributions for FY25 are assumed to be made 100% to pension.
- All contribution rates are expressed as a percentage of total payroll of DB and DCR combined.
- FY24 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on preliminary June 30, 2024 asset statements provided by the State. FY25 investment return, contributions, subsidies, benefit payments, and administrative expenses are based on the June 30, 2023 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 49.74% of total PERS payroll based on the June 30, 2023 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 FY26 is 14 years.
- Data, plan provisions, assumptions, and methods are as described in the June 30, 2023 actuarial valuation reports, except as noted above.