



Retired Public Employees of Alaska, APEA/AFT

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October 7, 2021

Robert M. Johnson, Chair
Alaska Retirement Management Board of Trustees
P. O. Box 110405
Juneau, AK 99811-0405

Dear Mr. Johnson:

I am writing on behalf of the Executive Board of the Retired Public Employees of Alaska (RPEA) and its over 4,000 members to take exception to the proposal presently before the Alaska Retirement Management Board (ARMB) to change the ARMB's historical approach to how it calculates the State of Alaska's annual contribution rate.

The RPEA certainly appreciates the present economic pressures on the State of Alaska's annual operating and capital budgets and the various strategies being considered by both the Administration and the Legislature (now in engaged in its fourth special session this year) to balance the State's revenues and expenses.

However, given the present difficult and increasingly complex economic climate, the RPEA does not feel that this is the time – nor would it ever be – to abandon long-held, sound fiscal policy to potentially benefit short-term rosier revenue projections.

There is a reason why successful fund managers rely on and prefer an actuarial approach to the evaluation of assets (AVA) as opposed to relying on a current market evaluation of assets (MVA): the AVA methodology contributes important stability to fund management. Indeed, in materials presented on September 22, 2021, to the ARMB's most recent Actuarial Committee Meeting, one power point slide entitled "Why Do We Perform Actuarial Valuations?" listed the reasons for this favored practice:

- Compares assets and liabilities
- Sets contribution rates and amounts for fiscal year beginning two years later
- Allows for better budgeting
- Ensures sufficient assets on hand to pay promised future benefits; and
- Estimates future contributes via multi-year projections of assets and liabilities.

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Letter to the Trustees of the Alaska Retirement Management Board
October 7, 2021

We are aware that recent market gains have suggested that abandoning the AVA approach in favor of adopting a market valuation of assets would bring some substantial short-term gains to the State's General Fund balance sheet. However, we also believe that introducing substantive policy changes in the management of the State's retirement funds simply to take advantage of recent market gains fails to fully grasp the current tenuous financial conditions facing global financial markets.

Even as I write this letter, and as I am sure you are aware, today's news is filled with evidence that "volatile" is the best and only way to describe this nation's and the world's financial markets for the foreseeable future. Recent market successes may well be the buffer the State needs to maintain its retirement fund values and maintain some level of financial stability over time.

The RPEA respects and appreciates the important role that the ARM Board and its Trustees play in protecting the pension contributions of the many public employees throughout Alaska, regardless of role or profession, and we encourage the Board to stay the course and continue to manage the assets it holds in trust for these workers and retirees according to those conservative and sound principals that guide all the most successful funds. We ask that you maintain your commitment to well-established actuarial value asset calculations when setting contribution rates.

Sincerely,

A handwritten signature in black ink that reads "Randall Burns" with a long horizontal flourish extending to the right.

Randall P. Burns
RPEA President

cc: RPEA Executive Board Members
Sandra Wallace Thompson, President, APEA/AFT of Alaska