

From: Sharon Hoffbeck
To: RPEA Members--All
Date: January 12, 2018
Subject: Pension Fund Status Reports

Dear RPEA Members,

There has been much discussion in the media the past couple of years concerning the funded status of Alaska's pension funds.

Whether Alaska's retirement funds are adequately funded to meet obligations to retirees is a real issue that cannot be overlooked. Unfortunately, some media reports and some individuals have made statements that mislead legislators, retirees and the general public about the financial status of the funds.

Beneficiaries, such as members of RPEA and other citizens, most particularly policy-makers making decisions that affect the retirement trusts, need accurate information. The best sources of accurate information are the websites of the Alaska Retirement Management Board (ARMB) and the Department of Revenue: <http://dor.alaska.gov/> and <http://treasury.dor.alaska.gov/armb/>.

The ARMB, which acts as the fiduciary of both the pension and health funds is the entity legally charged with managing these funds in the best interests of fund beneficiaries. ARMB trustees are legally and ethically bound to the highest standards to act in the best interests of beneficiaries. The ARMB recently reviewed an actuarial funded status rate of 70% for PERS and 75.4% for TRS, as determined by actuaries at Conduent Health Resources (formerly Buck Consultants)—the organization hired specifically to provide information to guide decisions by the ARMB and the State regarding funding of the trusts.

Other methods of estimating the status of the retirement trust funds exists, but these have different purposes and rely on different assumptions, calculations and requirements. For example, the Government Accounting Standards Board (GASB) prescribes a very particular way to calculate funded-status and comes up with a funded-status report for PERS in the mid-60% range. This figure is required in Comprehensive Annual Financial Reports.

In contrast to actuarially-determined rates and the GASB specified rates, a recent TV report suggested that the funded status of the PERS retirement system was only 52%. The report provided no real explanation of how that figure was calculated nor did it provide calculations from ARMB or under GASB for context.

It doesn't really help the discussion when a news outlet fails to report the publicly available and transparently calculated facts actually used by the ARMB and others in making decisions. No one suggests the funded status of the retirement funds and the long-term obligations to pay beneficiaries are not critical budgetary issues. But is not helpful or productive to either overstate or understate the funding level and to use unsupported data.

The meetings of ARMB, including those with its actuaries discussing the financial status and funding of the pension and health funds, are open to the public. The deliberations and many of the documents it reviews and relies on are available on its website. RPEA urges you to explore the ARMB website to get the facts. We also urge you to attend quarterly meetings of the ARMB. For those who cannot attend in person, teleconference is available.

RPEA urges all decision makers and all beneficiaries to be informed and vigilant about utilizing the best data in these discussions; this will help preserve the rights of beneficiaries and insure the best possible decisions in meeting obligations to fully fund, prudently invest and protect the trust funds.

Sharon Hoffbeck

President

Retired Public Employees of Alaska

sharonhoffbeck@gmail.com