

Alaska's Experience: Defined Contributions vs. Pensions

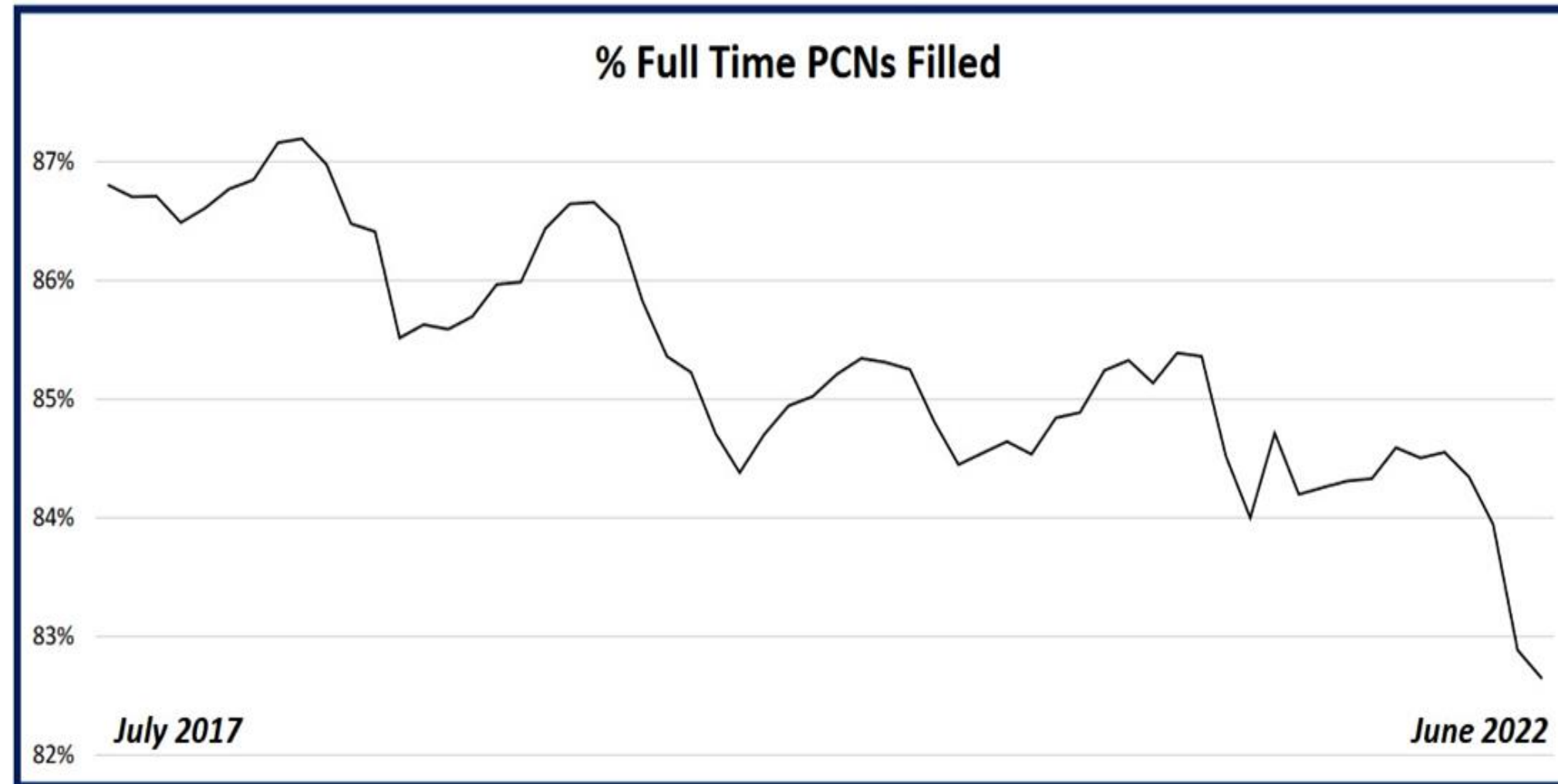


*Alaska Common Ground
September 28, 2023*

*Alaska State Senator Cathy Giessel
&
AKPPC Lobbyist Fate Putman*

Budget Challenges - Vacancy

% Vacant PCNs	December 2022
DOA	14.4%
DCCED	19.1%
DOC	17.8%
DEED	15.5%
DEC	15.6%
DFG	19.3%
Gov	14.0%
DOH	22.8%
DFCS	19.5%
DOL&WD	20.8%
Law	11.4%
DMVA	12.2%
DNR	23.4%
DPS	17.4%
DOR	21.1%
DOT&PF	16.5%
Total	17.6%



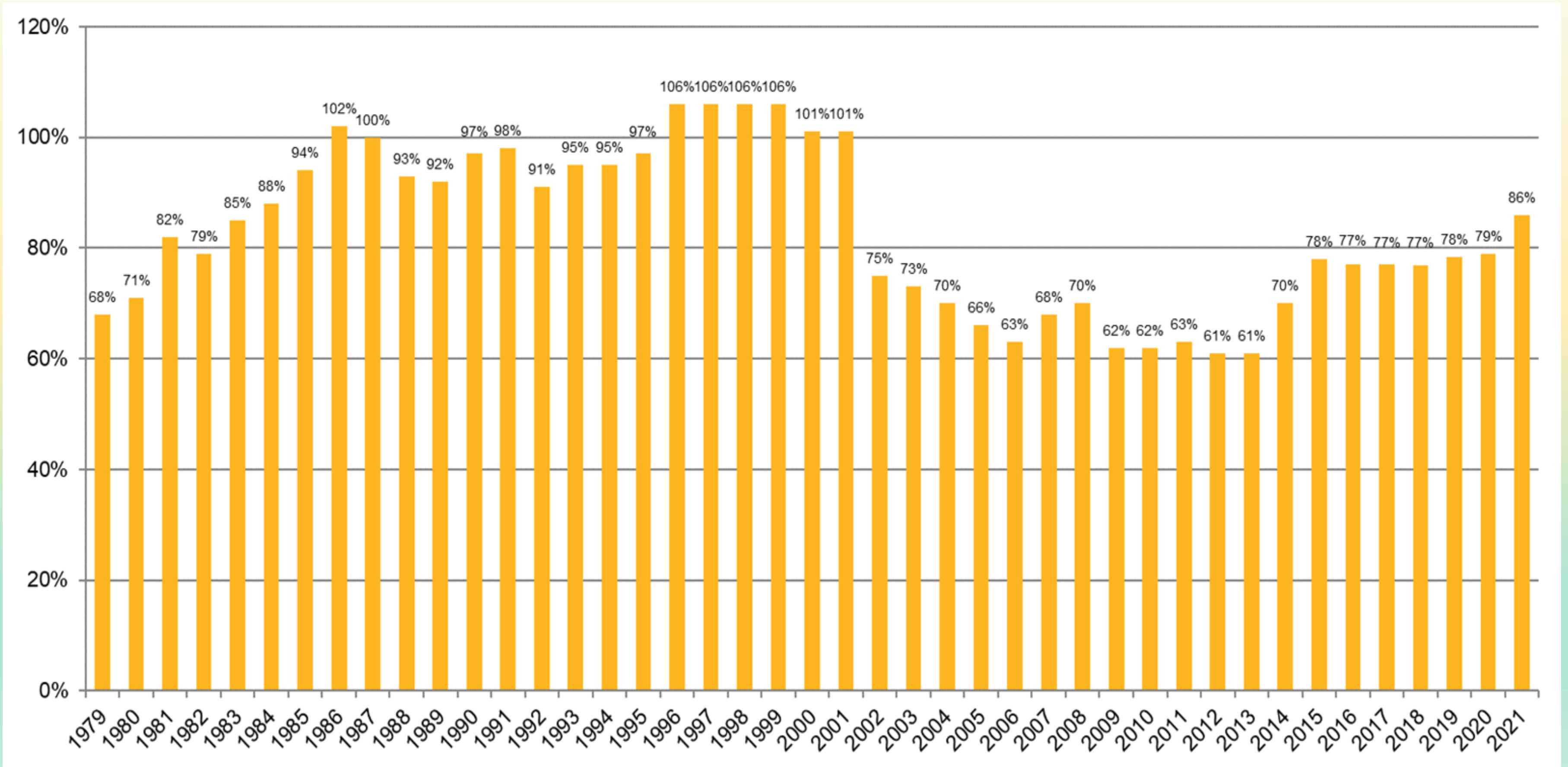
- Most departments are experiencing significantly greater vacancy than pre-pandemic levels.
- Recruitments are taking longer and are less likely to result in a hire.
- Recruitment incentives being used to address most critical public needs.

**NEARLY
1 IN 5
ALASKA STATE
JOBS ARE
VACANT!**

*“...probably the biggest challenges that faces our state agencies right now in terms of executing on the programs in the appropriations they’ve been entrusted with, and that is **the challenge of recruiting and retaining the staff to actually do the work.**”*

*OMB Director
Neil Steininger
S FIN 1-24-23*

DB System Funded Ratio History



RECRUITMENT DESPERATION IN ALASKA !



Alaska State Troopers **25%**
Salary increase in the past
two years!
27% higher than national
average!

Fairbanks, Alaska -
Ordinance No. 6248 before City
Council on June 19 amending the
incentive bonus program with the
Fairbanks Police Department for
Recruitment and Hiring from **\$20k**
to **\$60k** with finder's fees of **\$5k**
encouraging city employees to assist
in recruitment process.



CHALLENGE

- Recruitment and Retention has collapsed
- Staggering vacancy rates



“We’re sending Troopers to domestic violence by themselves. Bad things happen. Either we end up hurting the person... or a Trooper gets assaulted and gets hurt. I mean this is ridiculous, really, when you think about it.”

DPS Commissioner James Cockrell, Joint House and Senate State Affairs, February 7, 2023

ARM Board Schedule of Non-Investment Changes By Fund

This report is for the twelve months ending June 20, 2023 (FY 23)

ALASKA RETIREMENT MANAGEMENT BOARD SCHEDULE OF NON-INVESTMENT CHANGES BY FUND (Supplement to the Treasury Division Report) For the Twelve Months Ending June 30, 2023

PARTICIPANT DIRECTED DISBURSEMENTS BY PLAN AND TYPE

Type	PERS DCR Plan	TRS DCR Plan	Supplemental Annuity Plan	Deferred Compensation	TOTAL	% of Total
Payment to Beneficiary	\$ 220,053	\$ 27,106	\$ 1,014,362	\$ 270,757	\$ 1,532,278	0.3%
Death Benefit	2,487,404	1,537,046	16,558,124	4,677,882	25,260,456	5.1%
Disability / Hardship	209,682	-	59,863	265,292	534,837	0.1%
Minimum Required Distribution	183,044	75,095	14,457,035	5,602,990	20,318,164	4.1%
Deminimus Acct Balance Distribution	-	-	-	6,096	6,096	0.0%
Qualified Domestic Relations Order	1,285,361	305,497	4,827,981	181,492	6,600,331	1.3%
Separation from Service / Retirement	85,848,693 a	24,910,222 a	222,925,539	68,323,903	402,008,357	81.8%
Purchase of Service Credit	12,976,671 a	3,319,512 a	3,662,101	157,252	20,115,536	4.1%
Transfer to a Qualifying Plan	-	-	-	5,000	5,000	0.0%
59-½ In-service Distribution	-	-	-	3,722,900	3,722,900	0.8%
Qualified Birth / Adoption Expense	-	-	-	32,370	32,370	0.0%
DCR to DB Conversion	8,698,465 a	2,957,692 a	-	-	11,656,157	2.4%
TOTAL	\$ 111,909,373	\$ 33,132,170	\$ 263,505,005	\$ 83,245,934	\$ 491,792,482	100.0%

Total PERS & TRS withdrawals including Supplemental Annuity and the Deferred Compensation plan are almost \$500 million dollars

* Employer distributions sent to the DB plan are shown as "DCR to DB Conversion". Employee funds sent to the DB plan are included with "Purchase of Service Credit". Excess employee money sent to employee after conversion are included in "Separation from Service".

PERS & TRS PARTICIPANT DIRECTED DISBURSEMENTS BY PLAN AND VESTED PERCENTAGE

Vesting	PERS DCR Plan	TRS DCR Plan	TOTAL	% of Total
100% Vested	\$ 101,902,544	\$ 29,492,356	\$ 131,394,900	90.6%
75% Vested	1,850,167	1,175,021	3,025,188	2.1%
50% Vested	2,360,878	744,598	3,105,476	2.1%
25% Vested	2,025,245	866,496	2,891,741	2.0%
0% Vested	3,770,539	853,699	4,624,238	3.2%
TOTAL	\$ 111,909,373	\$ 33,132,170	\$ 145,041,543	100.0%

Total PERS & TRS withdrawals exceed \$145 million dollars

DEFINED BENEFIT REFUNDS BY PLAN, TIER, CONTRIBUTION TYPE AND VESTED STATUS

Contribution Type	PERS DB Pension Plan				TRS DB Pension Plan			JRS	TOTAL
	Tier 1	Tier 2	Tier 3	Total	Tier 1	Tier 2	Total	DB Pension Plan	DB Pension Plan
Mandatory Vested	\$ 30,830	\$ 927,690	\$ 1,912,035	\$ 2,870,555	\$ -	\$ 180,115	\$ 180,115	\$ 39,292	\$ 3,089,962.00
Mandatory Non-Vested	227,391	362,273	846,591	1,436,255	-	-	-	-	2,602,924
Geographic Differential	-	358,434	119,364	477,798	-	-	-	-	477,798
Voluntary Full	303,554	1,705,917	2,544,989	4,554,460	-	-	-	-	4,554,460
Indebtedness, Lagging & Partial	34,357	256,697	320,384	611,438	-	-	-	-	668,784
TOTAL	\$ 596,132	\$ 3,611,011	\$ 5,743,363	\$ 9,950,506	\$ -	\$ 180,115	\$ 180,115	\$ 39,292	\$ 11,393,928

A very interesting and notable point is that 90% of these withdrawals came after 5 years, or 100% vested. People waited to leave until they could take all of their employer contributions?

Notes for the DRB Supplement to the Treasury Report

June 2023

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This report is the DRB supplement to the Treasury Division's Financial Report. It expands the "Net Contributions/(Withdrawals)" column into contributions and expenditures. It shows contributions received from both employees and employers, contributions from the State of Alaska, and other non-investment income. This report also expands expenditures into benefits, refunds & disbursements, and administrative & investment expenditures.

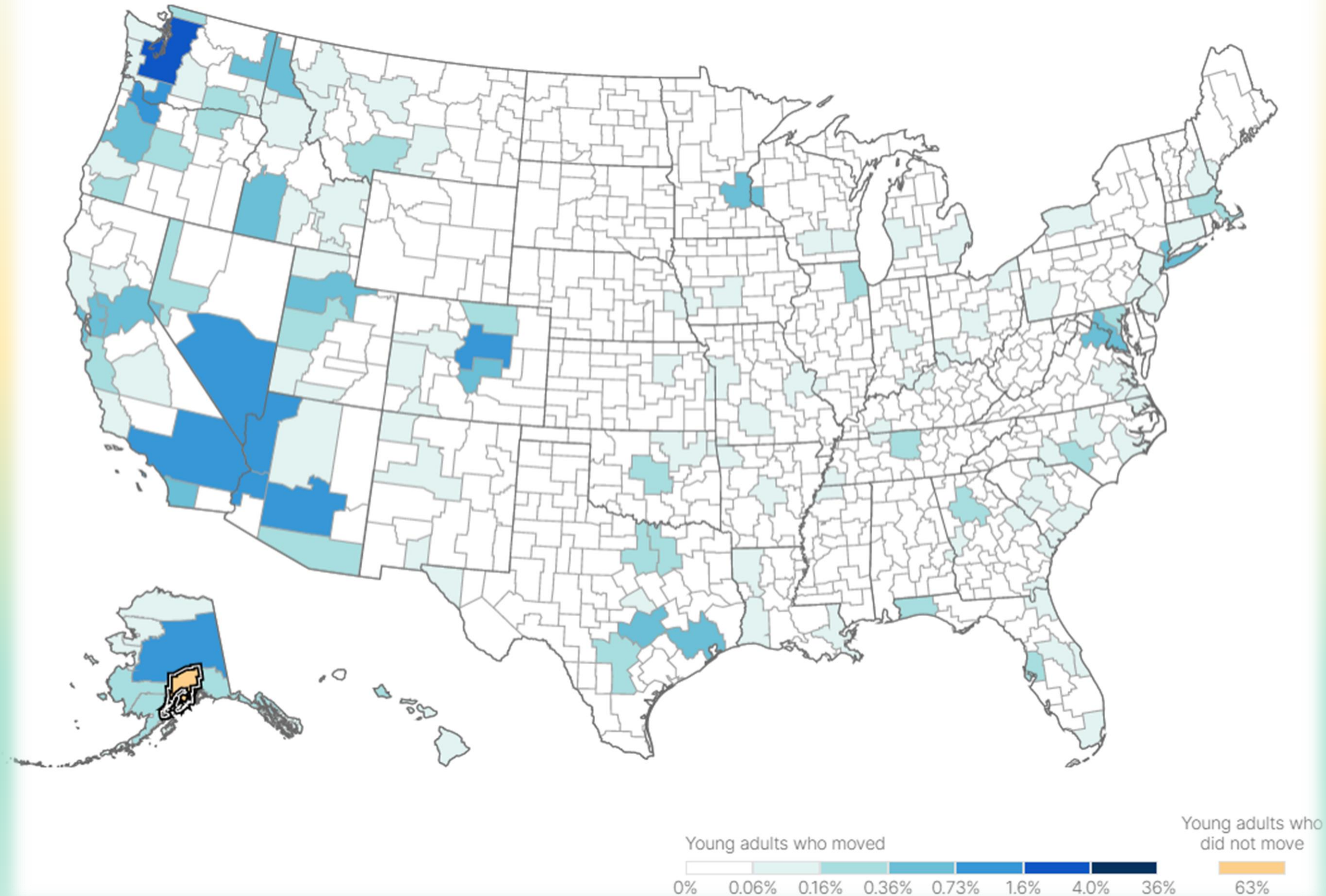
The net amount of total contributions and total expenditures, presented as "Net Contributions/(Withdrawals)", agrees with the same column in the Treasury Division's Report. Page one shows the year-to-date totals for the first twelve months of Fiscal Year 2023, while page two shows only the month of June 2023.

Highlights – On page one, for the twelve months ending June 30, 2023:

- PERS DB Pension – Average employer and employee contributions of \$43.1 million per month, benefit payments of approximately \$84.8 million per month, refunds average \$829 thousand, and administrative and investment expenditures of \$519 thousand per month (DOR and DRB).
- PERS DB Healthcare – Average employer contributions of \$391 thousand per month, and benefit payments of approximately \$45.7 million per month. Other income of \$28.5 million from OptumRx EGWP subsidies (most recently received in May for May 2023), \$55.9 million from OptumRx pharmacy rebates (most recently received in May for 1st Qtr 2023), \$32.7 million from OptumRx EGWP coverage gap discount program (CGDP) (most recently received in April for 4th Qtr 2022), \$1.5 million from Aetna pharmacy rebates (most recently received in June for 4th Qtr 2022), and average administrative and investment expenditures of \$1.7 million per month (DOR and DRB).
- PERS DC Pension – Average employer and employee contributions of \$18.6 million per month, participant disbursements average \$9.3 million per month, and average administrative and investment expenditures of \$475 thousand per month (DOR and DRB).
- PERS DCR Health – For HRA, RMP, and OD&D only, employer contributions average \$6.5 million per month on behalf of participating employees, and benefit payments of approximately \$237 thousand per month. Currently, 15 benefits are being paid from the Occupational Death & Disability plans, 175 retirees are participating in RMP, and 239 retirees are participating in HRA. Other income of \$109 thousand from OptumRx EGWP subsidies (most recently received in May for May 2023), \$112.5 thousand from OptumRx pharmacy rebates (most recently received in May for 1st Qtr 2023), \$70.9 thousand from OptumRx EGWP coverage gap discount program (CGDP) (most recently received in April for 4th Qtr 2022), and administrative and investment expenditures were approximately \$41 thousand per month (DOR and DRB).
- TRS DB Pension – Average employer and employee contributions of \$6.6 million per month, benefit payments of approximately \$44.9 million per month, refunds average \$117 thousand, and average administrative and investment expenditures of \$276 thousand per month (DOR and DRB).
- TRS DB Healthcare – For HRA, RMP, and OD&D only, average employer contributions of \$257 thousand per month, and benefit payments of approximately \$14.2 million per month. Other income of \$10.0 million from OptumRx EGWP subsidies (most recently received in May for May 2023), \$17.1 million from OptumRx pharmacy rebates (most recently received in May for 1st Qtr 2023), \$10.7 million from OptumRx EGWP coverage gap discount program (CGDP) (most recently received in April for 4th Qtr 2022), \$640 thousand from Aetna pharmacy rebates (most recently received in June for 4th Qtr 2022), and average administrative and investment expenditures of \$613 thousand per month (DOR and DRB).

PERS DC
withdrawals
average \$9.3
million per
month

WHERE ARE WORKING AGE ALASKANS GOING?



63% Stay in Anchorage

3.1% Move to Areas in Alaska

34% Other States



Washington (3.4%)
Oregon (1.6%)
California (1.2%)
Arizona (1.1%)
Colorado (1.0%)

SOURCE: AEDC Presentation June 2023



A PROPOSED SOLUTION SENATE BILL 88

A Retirement System with Reasonable Costs and Fair Benefits

- ***Strength of a United Coalition
vs.
Single Employee Groups***
- ***Safeguards in Place to
Prevent Underfunding***
- ***Cost Savings***



OPPOSITION

Billionaire funded groups are spending hundreds of thousands and preaching to the public...

- ***They say switching to a DC system was a smart decision and changes have been positive.***
- ***They are pushing scare tactics that passing SB 88 will lead to increased taxes and financial distress.***

CONCLUSION

- The Defined Contribution system is **NOT** working!
- The previous changes resulted in today's staggeringly **HIGH** public service agency **VACANCY** rates.
- Has affected public safety, education, state services, road maintenance, licensing, permitting, public assistance, foster care and more.
- Alaska's **workforce challenges**, recruiting and retaining public workforce are the **primary motivation** driving this legislation.
- **Pensions remain the BEST** fiscal **choice** for the state to meet these goals: Recruitment and Retention.



THANK YOU



*Alaska State Senator Cathy Giessel
&
AKPPC Lobbyist Fate Putman*

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[Protectpensions.org](https://www.protectpensions.org)