

State of Alaska FY2012 Governor's Operating Budget

Department of Revenue Alaska Retirement Management Board Component Budget Summary

Component: Alaska Retirement Management Board

Contribution to Department's Mission

The mission of the Alaska Retirement Management Board is to manage the state's retirement and benefit plan funds.

Core Services

- Invest the funds of the state pension and benefit plans: Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, and Alaska National Guard and Alaska Naval Militia Retirement System
- Select and monitor appropriate investment options for Supplemental Benefits System (SBS), Deferred Compensation, and Defined Contribution Plan
- Report to the governor, legislature, individual employers and other stakeholders the financial condition of the systems with regard to: valuation of trust fund assets and liabilities; current investment policies adopted by the board; a summary of assets held in trust listed by the categories of investment; the income and expenditures for the previous fiscal year; and 1-year, 3-year, 5-year and 10-year investment performance for each of the funds entrusted to the board

Results at a Glance

(Additional performance information is available on the web at <http://omb.alaska.gov/results>.)

END RESULT A: Improve the risk adjusted return of funds under the stewardship of the ARMB by continually improving investment returns.

- FY2010 target returns were exceeded in 7 of the 12 return analyses, an improvement over the prior year.

Status of Strategies to Achieve End Result

- Multiple investment opportunities were studied during the annual education meeting.

Key Component Challenges

- Managing investment risk during times of market volatility.
- Achieving actuarial rate of return during a period of low interest rates.
- Evaluating asset allocation and new investment opportunities for both defined benefit and defined contribution plans.

Significant Changes in Results to be Delivered in FY2012

- Subscription to risk monitoring software will enable the board to assess the impact of changing economic conditions on the risk and return profile of the portfolio.

Major Component Accomplishments in 2010

- The Alaska Retirement Management Board continues to improve investment options for participants across all defined contribution plans: supplemental annuity plan, deferred compensation, and the defined contribution plan established in 2005 under Chapter 9, FSSLA 2005 (SB 141).
- Per Alaska statute, every two years an outside consultant must review the board's investment policies and performance of consultants; this year the review had only a few minor suggestions.
- 2010 was a positive period for most investment categories; both PERS and TRS outperformed their strategic policy.

- Financial statements were redesigned to be more user friendly.

Statutory and Regulatory Authority

AS 37.10.210-390 Alaska Retirement Management Board

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**Alaska Retirement Management Board
Component Financial Summary**

All dollars shown in thousands

	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	61.1	74.8	74.8
72000 Travel	221.7	124.0	124.0
73000 Services	6,157.4	7,832.5	7,912.4
74000 Commodities	72.7	7.5	7.5
75000 Capital Outlay	0.0	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,512.9	8,038.8	8,118.7
Funding Sources:			
1004 General Fund Receipts	45.5	381.6	381.6
1017 Benefits Systems Receipts	1,017.8	1,598.2	1,611.5
1029 Public Employees Retirement System Fund	3,722.2	3,988.7	4,034.1
1034 Teachers Retirement System Fund	1,673.0	1,938.4	1,958.0
1042 Judicial Retirement System	44.3	45.2	46.7
1045 National Guard & Naval Militia Retirement System	10.1	86.7	86.8
Funding Totals	6,512.9	8,038.8	8,118.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Benefits System Receipts	51390	1,017.8	1,598.2	1,611.5
Restricted Total		1,017.8	1,598.2	1,611.5
Total Estimated Revenues		1,017.8	1,598.2	1,611.5

**Summary of Component Budget Changes
From FY2011 Management Plan to FY2012 Governor**

All dollars shown in thousands

	<u>Unrestricted Gen (UGF)</u>	<u>Designated Gen (DGF)</u>	<u>Other Funds</u>	<u>Federal Funds</u>	<u>Total Funds</u>
FY2011 Management Plan	381.6	0.0	7,657.2	0.0	8,038.8
Proposed budget increases:					
-Funding for Investment Staff FY 2012 Personal Services Increases	0.0	0.0	79.9	0.0	79.9
FY2012 Governor	381.6	0.0	7,737.1	0.0	8,118.7

Component Detail All Funds
Department of Revenue

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

	FY2010 Actuals	FY2011 Conference Committee (Final)	FY2011 Authorized	FY2011 Management Plan	FY2012 Governor	FY2011 Management Plan vs FY2012 Governor	
71000 Personal Services	61.1	74.8	74.8	74.8	74.8	0.0	0.0%
72000 Travel	221.7	124.0	124.0	124.0	124.0	0.0	0.0%
73000 Services	6,157.4	7,798.2	7,832.5	7,832.5	7,912.4	79.9	1.0%
74000 Commodities	72.7	7.5	7.5	7.5	7.5	0.0	0.0%
75000 Capital Outlay	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
77000 Grants, Benefits	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
78000 Miscellaneous	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Totals	6,512.9	8,004.5	8,038.8	8,038.8	8,118.7	79.9	1.0%
Fund Sources:							
1004 Gen Fund	45.5	381.6	381.6	381.6	381.6	0.0	0.0%
1017 Ben Sys	1,017.8	1,592.2	1,598.2	1,598.2	1,611.5	13.3	0.8%
1029 P/E Retire	3,722.2	3,969.2	3,988.7	3,988.7	4,034.1	45.4	1.1%
1034 Teach Ret	1,673.0	1,929.8	1,938.4	1,938.4	1,958.0	19.6	1.0%
1042 Jud Retire	44.3	45.0	45.2	45.2	46.7	1.5	3.3%
1045 Nat Guard	10.1	86.7	86.7	86.7	86.8	0.1	0.1%
Unrestricted General (UGF)	45.5	381.6	381.6	381.6	381.6	0.0	0.0%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	6,467.4	7,622.9	7,657.2	7,657.2	7,737.1	79.9	1.0%
Federal Funds	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Positions:							
Permanent Full Time	0	0	0	0	0	0	0.0%
Permanent Part Time	0	0	0	0	0	0	0.0%
Non Permanent	0	0	0	0	0	0	0.0%

Change Record Detail - Multiple Scenarios With Descriptions
Department of Revenue

Component: Alaska Retirement Management Board (2813)

RDU: Taxation and Treasury (510)

Scenario/Change Record Title	Trans Type	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	Positions		NP
										PFT	PPT	
***** Changes From FY2011 Conference Committee (Final) To FY2011 Authorized *****												
FY2011 Conference Committee												
ConfCom		8,004.5	74.8	124.0	7,798.2	7.5	0.0	0.0	0.0	0	0	0
1004 Gen Fund		381.6										
1017 Ben Sys		1,592.2										
1029 P/E Retire		3,969.2										
1034 Teach Ret		1,929.8										
1042 Jud Retire		45.0										
1045 Nat Guard		86.7										
ADN 0411011 FY11 Non-covered Salary Increase Year 1 CH56 SLA10 (HB421) (CH41 SLA10 P51 L5) (HB300)												
FisNot		34.3	0.0	0.0	34.3	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		6.0										
1029 P/E Retire		19.5										
1034 Teach Ret		8.6										
1042 Jud Retire		0.2										
: \$34.3												
Subtotal		8,038.8	74.8	124.0	7,832.5	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2011 Authorized To FY2011 Management Plan *****												
Subtotal		8,038.8	74.8	124.0	7,832.5	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2011 Management Plan To FY2012 Governor *****												
Funding for Investment Staff FY 2012 Personal Services Increases												
IncM		79.9	0.0	0.0	79.9	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		13.3										
1029 P/E Retire		45.4										
1034 Teach Ret		19.6										
1042 Jud Retire		1.5										
1045 Nat Guard		0.1										
Totals		8,118.7	74.8	124.0	7,912.4	7.5	0.0	0.0	0.0	0	0	0

The Department of Revenue requests an increase in pension funds in the Alaska Retirement Management Board (ARMB) component to correspond with the interagency receipts being added to the Treasury component for FY12 wage and benefit increases. Treasury's I/A receipts are collected from the pension funds managed by ARMB; if additional funds aren't made available for ARMB to pay for the increases, then Treasury's I/A will be uncollectible.

Line Item Detail
Department of Revenue
Travel

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000	Travel		221.7	124.0	124.0
Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
72000 Travel Detail Totals			221.7	124.0	124.0
72110	Employee Travel (Instate)	Instate airfare, surface transportation, lodging, meals & incidentals	36.6	15.0	15.0
72120	Nonemployee Travel (Instate Travel)	Instate airfare, surface transportation, lodging, meals & incidentals for Alaska Retirement Management Board Members and Investment Advisory Council Members.	45.5	20.0	20.0
72410	Employee Travel (Out of state)	Out of state airfare, surface transportation, lodging, meals & incidentals	106.0	75.0	75.0
72420	Nonemployee Travel (Out of state Emp)	Out of state airfare, surface transportation, lodging, meals & incidentals for Alaska Retirement Management Board Members and Investment Advisory Council Members	33.6	14.0	14.0

Line Item Detail
Department of Revenue
Services

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

Line Number	Line Name			FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000	Services			6,157.4	7,832.5	7,912.4
Expenditure Account				FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
Servicing Agency		Explanation		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
73000 Services Detail Totals				6,157.4	7,832.5	7,912.4
73025	Education Services		Training, conferences, memberships, and employee tuition	55.6	60.0	60.0
73050	Financial Services		Accounting, auditing, management and consulting services	1,892.3	2,127.1	2,087.1
73075	Legal & Judicial Svc		Transcription services	25.3	35.0	30.0
73150	Information Technlgy		IT consulting, software licensing, and software maintenance including investment management tools	802.4	1,261.0	1,261.1
73156	Telecommunication		Local, long distance, cellular and telecommunications equipment charges; data/network; and television	25.8	38.5	38.3
73225	Delivery Services		Delivery and courier services; use of services fluctuates depending on the needs of the board trustees, number of trustees, and number of meetings held	4.7	13.0	13.0
73450	Advertising & Promos		Advertising and public notice	6.5	15.0	15.0
73525	Utilities		Document disposal	0.0	1.0	0.4
73650	Struc/Infstruct/Land		Repairs, maintenance, rentals and/or leases of structures or infrastructure	32.5	35.0	35.0
73675	Equipment/Machinery		Repairs, maintenance, rentals and/or leases of office furniture and equipment	17.8	20.0	20.0
73805	IT-Non-Telecommnctns	Admin	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	12.7	14.0	15.0
73806	IT-Telecommunication	Admin	ETS chargeback for telecommunications EPR, line fees and service requests	34.9	33.8	35.0
73808	Building Maintenance	Admin	Maintenance and upgrades on state-owned facility	0.0	0.5	0.4
73809	Mail	Admin	Central mailroom services including pick up and delivery of U.S. mail, postage, mailing of state warrants	5.6	6.3	5.3
73810	Human Resources	Admin	Human resource and payroll services provided by the	16.4	17.7	18.0

Line Item Detail
Department of Revenue
Services

Component: Alaska Retirement Management Board (2813)

RDU: Taxation and Treasury (510)

Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor	
73000 Services Detail Totals			6,157.4	7,832.5	7,912.4	
		Division of Personnel				
73811	Building Leases	Admin	Cost of space in state owned facility	143.3	94.4	98.8
73812	Legal	Law	Legal services provided by the Department of Law	171.4	196.1	195.0
73814	Insurance	Admin	Risk Management	0.2	0.2	0.5
73815	Financial	Admin	Division of Finance AKSAS/AKPAY	1.3	30.3	30.0
73816	ADA Compliance	Labor	Share of cost for ADA compliance	0.2	0.2	0.4
73818	Training (Services-IA Svcs)	Admin	Training provided by state agencies	0.7	0.1	0.4
73819	Commission Sales (IA Svcs)	Admin	State Travel Office fees	1.9	1.0	1.3
73827	Safety (IA Svcs)	Admin	Building security services	0.8	1.0	1.0
73979	Mgmt/Consulting (IA Svcs)	Admin	Investment auditing and consulting services provided by Retirement & Benefits	83.9	90.0	121.8
73979	Mgmt/Consulting (IA Svcs)	Admin	Actuarial consulting	12.5	80.0	80.0
73979	Mgmt/Consulting (IA Svcs)	Revenue-Treasury	Staffing provided by Treasury Division	2,729.6	3,589.0	3,676.6
73979	Mgmt/Consulting (IA Svcs)	Revenue-ASD	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	78.0	71.4	72.0
73979	Mgmt/Consulting (IA Svcs)	Revenue-CO	Support services provided by the Commissioner's Office	1.1	0.9	1.0

Line Item Detail
Department of Revenue
Commodities

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

Line Number	Line Name		FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000	Commodities		72.7	7.5	7.5
Expenditure Account	Servicing Agency	Explanation	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
74000 Commodities Detail Totals			72.7	7.5	7.5
74200	Business	Business supplies including books and educational; equipment and furniture; office supplies; desktop computers, printers and IT equipment less than \$5,000 per item; and subscriptions including electronic access to information	70.1	6.5	6.5
74480	Household & Instit.	Institutional supplies	2.6	1.0	1.0

Restricted Revenue Detail
Department of Revenue

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

Master Account	Revenue Description	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
51390	Benefits System Receipts	1,017.8	1,598.2	1,611.5

Detail Information

Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2010 Actuals	FY2011 Management Plan	FY2012 Governor
51390	Benefits System Rec Fees applicable to management of Retiree Health funds		04704130	11100	100.4	24.0	24.2
51390	Benefits System Rec Fees applicable to management of Deferred Compensation funds are received from Great West.		04704140	11100	151.2	391.8	395.1
51390	Benefits System Rec Fees applicable to management of SBS funds		04704180	11100	766.2	1,182.4	1,192.2

Inter-Agency Services
Department of Revenue

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2011			
				FY2010 Actuals	Management Plan	FY2012 Governor	
73805	IT-Non-Telecommnctns	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	Inter-dept	Admin	12.7	14.0	15.0
				73805 IT-Non-Telecommnctns subtotal:	12.7	14.0	15.0
73806	IT-Telecommunication	ETS chargeback for telecommunications EPR, line fees and service requests	Inter-dept	Admin	34.9	33.8	35.0
				73806 IT-Telecommunication subtotal:	34.9	33.8	35.0
73808	Building Maintenance	Maintenance and upgrades on state-owned facility	Inter-dept	Admin	0.0	0.5	0.4
				73808 Building Maintenance subtotal:	0.0	0.5	0.4
73809	Mail	Central mailroom services including pick up and delivery of U.S. mail, postage, mailing of state warrants	Inter-dept	Admin	5.6	6.3	5.3
				73809 Mail subtotal:	5.6	6.3	5.3
73810	Human Resources	Human resource and payroll services provided by the Division of Personnel	Inter-dept	Admin	16.4	17.7	18.0
				73810 Human Resources subtotal:	16.4	17.7	18.0
73811	Building Leases	Cost of space in state owned facility	Inter-dept	Admin	143.3	94.4	98.8
				73811 Building Leases subtotal:	143.3	94.4	98.8
73812	Legal	Legal services provided by the Department of Law	Inter-dept	Law	171.4	196.1	195.0
				73812 Legal subtotal:	171.4	196.1	195.0
73814	Insurance	Risk Management	Inter-dept	Admin	0.2	0.2	0.5
				73814 Insurance subtotal:	0.2	0.2	0.5
73815	Financial	Division of Finance AKSAS/AKPAY	Inter-dept	Admin	1.3	30.3	30.0
				73815 Financial subtotal:	1.3	30.3	30.0
73816	ADA Compliance	Share of cost for ADA compliance	Inter-dept	Labor	0.2	0.2	0.4
				73816 ADA Compliance subtotal:	0.2	0.2	0.4
73818	Training (Services-IA Svcs)	Training provided by state agencies	Inter-dept	Admin	0.7	0.1	0.4
				73818 Training (Services-IA Svcs) subtotal:	0.7	0.1	0.4
73819	Commission Sales (IA Svcs)	State Travel Office fees	Inter-dept	Admin	1.9	1.0	1.3
				73819 Commission Sales (IA Svcs) subtotal:	1.9	1.0	1.3
73827	Safety (IA Svcs)	Building security services	Inter-dept	Admin	0.8	1.0	1.0
				73827 Safety (IA Svcs) subtotal:	0.8	1.0	1.0
73979	Mgmt/Consulting (IA Svcs)	Investment auditing and consulting services provided by Retirement & Benefits	Inter-dept	Admin	83.9	90.0	121.8
73979	Mgmt/Consulting (IA Svcs)	Actuarial consulting	Inter-dept	Admin	12.5	80.0	80.0
73979	Mgmt/Consulting (IA Svcs)	Staffing provided by Treasury Division	Intra-dept	Revenue-Treasury	2,729.6	3,589.0	3,676.6
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	Intra-dept	Revenue-ASD	78.0	71.4	72.0
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Commissioner's Office	Intra-dept	Revenue-CO	1.1	0.9	1.0
				73979 Mgmt/Consulting (IA Svcs) subtotal:	2,905.1	3,831.3	3,951.4

Inter-Agency Services
Department of Revenue

Component: Alaska Retirement Management Board (2813)
RDU: Taxation and Treasury (510)

<u>Expenditure Account</u>	<u>Service Description</u>	<u>Service Type</u>	<u>Servicing Agency</u>	<u>FY2010 Actuals</u>	<u>FY2011 Management Plan</u>	<u>FY2012 Governor</u>
			Alaska Retirement Management Board total:	3,294.5	4,226.9	4,352.5
			Grand Total:	3,294.5	4,226.9	4,352.5