

**State of Alaska
FY2015 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.

Results

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

Target: Exceed 1-year, 3-year and 5-year target returns.

Core Services

- Manage the investment of ARMB funds.

Measures by Core Service

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

1. Manage the investment of ARMB funds.

Target: Increase average longevity of the investment officers to five years.

Target: At least four investment staff will have their Chartered Financial Analyst (CFA) designation.

Major Component Accomplishments in 2013

- The PERS and TRS defined benefit retirement plans earned annual returns of 12.5% and 12.59%, respectively. Both plans exceeded targeted returns.
- The Alaska Retirement Management Board (ARMB) continues to improve investment options for defined contribution retirement plan participants.
- Continued to improve asset allocation of defined benefit plans.

- Began investing a portion of public equities using internal staff resulting in savings of \$200 thousand.
- ARMB website redesigned to include additional information and be more user friendly.

Key Component Challenges

- Managing investment risk during times of market volatility.
- Achieving actuarial rate of return or greater over long periods of time.
- Evaluating asset allocation and new investment opportunities for both defined benefit and defined contribution plans.
- Managing investment liquidity challenges arising out of a closed defined benefit plan.

Significant Changes in Results to be Delivered in FY2015

No changes in results delivered.

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

	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	74.0	86.2	86.2
72000 Travel	257.3	124.0	124.0
73000 Services	6,358.4	8,043.3	7,823.5
74000 Commodities	76.7	7.5	7.5
75000 Capital Outlay	81.8	0.0	0.0
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	6,848.2	8,261.0	8,041.2
Funding Sources:			
1004 General Fund Receipts	427.5	381.6	132.5
1017 Benefits Systems Receipts	1,164.3	1,635.4	1,640.3
1029 Public Employees Retirement System Fund	3,675.7	4,116.5	4,133.6
1034 Teachers Retirement System Fund	1,527.9	1,992.1	1,999.1
1042 Judicial Retirement System	42.0	47.9	48.1
1045 National Guard & Naval Militia Retirement System	10.8	87.5	87.6
Funding Totals	6,848.2	8,261.0	8,041.2

Estimated Revenue Collections

Description	Master Revenue Account	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Benefits System Receipts	51390	1,164.3	1,635.4	1,640.3
Restricted Total		1,164.3	1,635.4	1,640.3
Total Estimated Revenues		1,164.3	1,635.4	1,640.3

**Summary of Component Budget Changes
From FY2014 Management Plan to FY2015 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>
FY2014 Management Plan	381.6	0.0	7,879.4	0.0	8,261.0
Proposed budget decreases:					
-Reduction in Contractual Services	-250.0	0.0	0.0	0.0	-250.0
Proposed budget increases:					
-Alaska Retirement Management Board Salary Costs Reflected in Treasury Division	0.9	0.0	29.3	0.0	30.2
FY2015 Governor	132.5	0.0	7,908.7	0.0	8,041.2

Component Detail All Funds
Department of Revenue

Component: Alaska Retirement Management Board (AR15165) (2813)
RDU: Taxation and Treasury (510)

	FY2013 Actuals	FY2014 Conference Committee	FY2014 Authorized	FY2014 Management Plan	FY2015 Governor	FY2014 Management Plan vs FY2015 Governor	
71000 Personal Services	74.0	86.2	86.2	86.2	86.2	0.0	0.0%
72000 Travel	257.3	124.0	124.0	124.0	124.0	0.0	0.0%
73000 Services	6,358.4	8,023.3	8,043.3	8,043.3	7,823.5	-219.8	-2.7%
74000 Commodities	76.7	7.5	7.5	7.5	7.5	0.0	0.0%
75000 Capital Outlay	81.8	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	6,848.2	8,241.0	8,261.0	8,261.0	8,041.2	-219.8	-2.7%
Fund Sources:							
1004Gen Fund (UGF)	427.5	381.6	381.6	381.6	132.5	-249.1	-65.3%
1017Ben Sys (Other)	1,164.3	1,631.2	1,635.4	1,635.4	1,640.3	4.9	0.3%
1029P/E Retire (Other)	3,675.7	4,106.2	4,116.5	4,116.5	4,133.6	17.1	0.4%
1034Teach Ret (Other)	1,527.9	1,987.0	1,992.1	1,992.1	1,999.1	7.0	0.4%
1042Jud Retire (Other)	42.0	47.7	47.9	47.9	48.1	0.2	0.4%
1045Nat Guard (Other)	10.8	87.3	87.5	87.5	87.6	0.1	0.1%
Unrestricted General (UGF)	427.5	381.6	381.6	381.6	132.5	-249.1	-65.3%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	6,420.7	7,859.4	7,879.4	7,879.4	7,908.7	29.3	0.4%
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 FY2014 Conference Committee To FY2014 Authorized *****												
FY2014 Conference Committee												
ConfCom		8,241.0	86.2	124.0	8,023.3	7.5	0.0	0.0	0.0	0	0	0
1004 Gen Fund		381.6										
1017 Ben Sys		1,631.2										
1029 P/E Retire		4,106.2										
1034 Teach Ret		1,987.0										
1042 Jud Retire		47.7										
1045 Nat Guard		87.3										
***** Compensation of Non-Covered Employees Ch47 SLA2013 (SB95) (Sec2 Ch14 SLA2013 P43 L10 (HB65) and Sec2 Ch15 P8 L10 (HB66)) *****												
FisNot		20.0	0.0	0.0	20.0	0.0	0.0	0.0	0.0	0	0	0
1017 Ben Sys		4.2										
1029 P/E Retire		10.3										
1034 Teach Ret		5.1										
1042 Jud Retire		0.2										
1045 Nat Guard		0.2										
Subtotal		8,261.0	86.2	124.0	8,043.3	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2014 Authorized To FY2014 Management Plan *****												
Subtotal		8,261.0	86.2	124.0	8,043.3	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2014 Management Plan To FY2015 Governor *****												
Reduction in Contractual Services												
Dec		-250.0	0.0	0.0	-250.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-250.0										
***** Alaska Retirement Management Board Salary Costs Reflected in Treasury Division *****												
Inc		30.2	0.0	0.0	30.2	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		0.9										
1017 Ben Sys		4.9										
1029 P/E Retire		17.1										
1034 Teach Ret		7.0										

SB95 relates to the compensation, allowances, geographic differentials in pay, and leave of certain public officials, officers, and employees not covered by collective bargaining agreements, and relates to certain petroleum engineers and petroleum geologists employed by the Department of Natural Resources.

The department is reducing its general fund levels in an effort to budget more efficiently and work within existing resources. It is anticipated that this change will have a minimal impact on state services.

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	
1042 Jud Retire		0.2										
1045 Nat Guard		0.1										
Alaska Retirement Management Board salary increases that are supported through a reimbursable services agreement with the Treasury Division. (FY2014 budget allocation)												
Totals		8,041.2	86.2	124.0	7,823.5	7.5	0.0	0.0	0.0	0	0	0

Line Item Detail
Department of Revenue
Travel

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

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000	Travel		257.3	124.0	124.0
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
72000 Travel Detail Totals			257.3	124.0	124.0
72110	Employee Travel (Instate)	Instate airfare, surface transportation, lodging, meals & incidentals	36.4	35.0	35.0
72120	Nonemployee Travel (Instate Travel)	Instate airfare, surface transportation, lodging, meals & incidentals for Alaska Retirement Management Board Members and Investment Advisory Council Members.	55.9	54.0	54.0
72410	Employee Travel (Out of state)	Out of state airfare, surface transportation, lodging, meals & incidentals	123.6	30.0	30.0
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	41.4	5.0	5.0

Line Item Detail
Department of Revenue
Services

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

Line Number	Line Name			FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
73000	Services			6,358.4	8,043.3	7,823.5
Expenditure Account				FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
		Servicing Agency	Explanation			
73000 Services Detail Totals				6,358.4	8,043.3	7,823.5
73025	Education Services		Training, conferences, memberships, and employee tuition	33.0	40.0	30.0
73050	Financial Services		Accounting, auditing, management and consulting services	1,455.3	2,105.0	2,105.0
73075	Legal & Judicial Svc		Transcription services	22.5	31.5	30.0
73150	Information Technlgy		IT consulting, software licensing, and software maintenance including investment management tools	896.0	1,003.0	983.7
73156	Telecommunication		Local, long distance, cellular and telecommunications equipment charges; data/network; and television	27.5	38.3	30.0
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	2.3	3.0	3.0
73450	Advertising & Promos		Advertising and public notice	14.4	15.0	15.0
73525	Utilities		Document disposal	0.0	0.4	0.0
73650	Struc/Infstruct/Land		Repairs, maintenance, rentals and/or leases of structures or infrastructure	16.8	35.0	16.0
73675	Equipment/Machinery		Repairs, maintenance, rentals and/or leases of office furniture and equipment	23.1	30.0	25.0
73805	IT-Non-Telecommunication	Admin	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	13.9	13.8	15.0
73806	IT-Telecommunication	Admin	ETS chargeback for telecommunications EPR, line fees and service requests	34.9	34.9	35.0
73808	Building Maintenance	Admin	Maintenance and upgrades on state-owned facility	1.3	0.4	0.4
73809	Mail	Admin	Central mailroom services including pick up and delivery of U.S. mail, postage, mailing of state warrants	3.6	3.7	4.0
73810	Human Resources	Admin	Human resource and payroll services provided by the	14.4	14.2	15.0

Line Item Detail
Department of Revenue
Services

Component: Alaska Retirement Management Board (2813)

RDU: Taxation and Treasury (510)

Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor	
73000 Services Detail Totals			6,358.4	8,043.3	7,823.5	
		Division of Personnel				
73811	Building Leases	Admin	Cost of space in state owned facility	92.0	92.0	90.0
73812	Legal	Law	Legal services provided by the Department of Law	77.0	255.0	255.0
73814	Insurance	Admin	Risk Management	0.3	0.3	0.3
73815	Financial	Admin	Division of Finance AKSAS/AKPAY	21.3	21.4	22.0
73816	ADA Compliance	Labor	Share of cost for ADA compliance	0.3	0.3	0.3
73818	Training (Services-IA Svcs)	Admin	Training provided by state agencies	0.1	21.3	0.1
73819	Commission Sales (IA Svcs)	Admin	State Travel Office fees	1.7	1.7	1.7
73827	Safety (IA Svcs)	Admin	Building security services	1.4	1.0	1.0
73979	Mgmt/Consulting (IA Svcs)	Admin	Investment auditing and consulting services provided by Retirement & Benefits	92.0	89.4	89.4
73979	Mgmt/Consulting (IA Svcs)	Admin	Actuarial consulting	83.3	80.0	80.0
73979	Mgmt/Consulting (IA Svcs)	Revenue-Treasury	Staffing provided by Treasury Division	3,229.2	3,913.5	3,779.8
73979	Mgmt/Consulting (IA Svcs)	Revenue-ASD	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	183.5	176.6	154.9
73979	Mgmt/Consulting (IA Svcs)	Revenue-CO	Support services provided by the Commissioner's Office	17.3	22.6	41.9

Line Item Detail
Department of Revenue
Commodities

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

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
74000	Commodities		76.7	7.5	7.5
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
74000 Commodities Detail Totals			76.7	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	62.5	6.5	6.5
74480	Household & Instit.	Institutional supplies	14.1	1.0	1.0
74650	Repair/Maintenance (Commodities)	Repairs and maintenance supplies	0.1	0.0	0.0

Line Item Detail
Department of Revenue
Capital Outlay

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

Line Number	Line Name		FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
75000	Capital Outlay		81.8	0.0	0.0
Expenditure Account	Servicing Agency	Explanation	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
		75000 Capital Outlay Detail Totals	81.8	0.0	0.0
75700	Equipment		81.8	0.0	0.0

Restricted Revenue Detail
Department of Revenue

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

Master Account	Revenue Description			FY2013 Actuals	FY2014 Management Plan	FY2015 Governor	
51390	Benefits System Receipts			1,164.3	1,635.4	1,640.3	
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2013 Actuals	FY2014 Management Plan	FY2015 Governor
51390	Benefits System Rec Fees applicable to management of Retiree Health funds		04704130	11100	45.0	49.1	48.8
51390	Benefits System Rec Fees applicable to management of Deferred Compensation funds are received from Great West.		04704140	11100	193.3	294.4	358.5
51390	Benefits System Rec Fees applicable to management of SBS funds		04704180	11100	926.0	1,291.9	1,233.0

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	FY2014			
				FY2013 Actuals	Management Plan	FY2015 Governor	
73805	IT-Non-Telecommunication	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	Inter-dept	Admin	13.9	13.8	15.0
73805 IT-Non-Telecommunication subtotal:					13.9	13.8	15.0
73806	IT-Telecommunication	ETS chargeback for telecommunications EPR, line fees and service requests	Inter-dept	Admin	34.9	34.9	35.0
73806 IT-Telecommunication subtotal:					34.9	34.9	35.0
73808	Building Maintenance	Maintenance and upgrades on state-owned facility	Inter-dept	Admin	1.3	0.4	0.4
73808 Building Maintenance subtotal:					1.3	0.4	0.4
73809	Mail	Central mailroom services including pick up and delivery of U.S. mail, postage, mailing of state warrants	Inter-dept	Admin	3.6	3.7	4.0
73809 Mail subtotal:					3.6	3.7	4.0
73810	Human Resources	Human resource and payroll services provided by the Division of Personnel	Inter-dept	Admin	14.4	14.2	15.0
73810 Human Resources subtotal:					14.4	14.2	15.0
73811	Building Leases	Cost of space in state owned facility	Inter-dept	Admin	92.0	92.0	90.0
73811 Building Leases subtotal:					92.0	92.0	90.0
73812	Legal	Legal services provided by the Department of Law	Inter-dept	Law	77.0	255.0	255.0
73812 Legal subtotal:					77.0	255.0	255.0
73814	Insurance	Risk Management	Inter-dept	Admin	0.3	0.3	0.3
73814 Insurance subtotal:					0.3	0.3	0.3
73815	Financial	Division of Finance AKSAS/AKPAY	Inter-dept	Admin	21.3	21.4	22.0
73815 Financial subtotal:					21.3	21.4	22.0
73816	ADA Compliance	Share of cost for ADA compliance	Inter-dept	Labor	0.3	0.3	0.3
73816 ADA Compliance subtotal:					0.3	0.3	0.3
73818	Training (Services-IA Svcs)	Training provided by state agencies	Inter-dept	Admin	0.1	21.3	0.1
73818 Training (Services-IA Svcs) subtotal:					0.1	21.3	0.1
73819	Commission Sales (IA Svcs)	State Travel Office fees	Inter-dept	Admin	1.7	1.7	1.7
73819 Commission Sales (IA Svcs) subtotal:					1.7	1.7	1.7
73827	Safety (IA Svcs)	Building security services	Inter-dept	Admin	1.4	1.0	1.0
73827 Safety (IA Svcs) subtotal:					1.4	1.0	1.0
73979	Mgmt/Consulting (IA Svcs)	Investment auditing and consulting services provided by Retirement & Benefits	Inter-dept	Admin	92.0	89.4	89.4
73979	Mgmt/Consulting (IA Svcs)	Actuarial consulting	Inter-dept	Admin	83.3	80.0	80.0
73979	Mgmt/Consulting (IA Svcs)	Staffing provided by Treasury Division	Intra-dept	Revenue-Treasury	3,229.2	3,913.5	3,779.8
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	Intra-dept	Revenue-ASD	183.5	176.6	154.9
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Commissioner's Office	Intra-dept	Revenue-CO	17.3	22.6	41.9
73979 Mgmt/Consulting (IA Svcs) subtotal:					3,605.3	4,282.1	4,146.0

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>FY2013 Actuals</u>	<u>FY2014 Management Plan</u>	<u>FY2015 Governor</u>
			Alaska Retirement Management Board total:	3,867.5	4,742.1	4,585.8
			Grand Total:	3,867.5	4,742.1	4,585.8