

**State of Alaska
FY2016 Governor Amended 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 2014

- The Public Employee Retirement System (PERS) and Teacher Retirement System (TRS) defined benefit retirement plans each earned annual returns of 18.56% in FY 2014 placing their earnings in the top 10% of public funds in the Callan Database. 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.

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 FY2016

No changes in results delivered.

Statutory and Regulatory Authority

AS 37.10.210-390 Alaska Retirement Management Board

Contact Information
<p>Contact: Dan DeBartolo, Director, Administrative Services Phone: (907) 465-2312 Fax: (907) 465-1685 E-mail: daniel.debartolo@alaska.gov</p>

**Alaska Retirement Management Board
Component Financial Summary**

All dollars shown in thousands

	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	71.4	86.2	86.2
72000 Travel	245.5	123.7	123.7
73000 Services	6,162.2	7,823.5	8,517.4
74000 Commodities	82.6	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	6,561.7	8,040.9	8,734.8
Funding Sources:			
1004 General Fund Receipts	125.0	132.2	134.4
1017 Benefits Systems Receipts	1,272.0	1,640.3	4,389.3
1029 Public Employees Retirement System Fund	3,619.6	4,133.6	2,628.7
1034 Teachers Retirement System Fund	1,494.0	1,999.1	1,448.7
1042 Judicial Retirement System	40.6	48.1	44.8
1045 National Guard & Naval Militia Retirement System	10.5	87.6	88.9
Funding Totals	6,561.7	8,040.9	8,734.8

Estimated Revenue Collections

Description	Master Revenue Account	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
Unrestricted Revenues				
None.		0.0	0.0	0.0
Unrestricted Total		0.0	0.0	0.0
Restricted Revenues				
Benefits System Receipts	51390	246.2	349.4	4,389.3
Restricted Total		246.2	349.4	4,389.3
Total Estimated Revenues		246.2	349.4	4,389.3

**Summary of Component Budget Changes
From FY2015 Management Plan to FY2016 Governor Amended**

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>
FY2015 Management Plan	132.2	0.0	7,908.7	0.0	8,040.9
Adjustments which continue current level of service:					
-Treasury Division Salary Increases Paid by Alaska Retirement Management Board with Reimbursable Services Agreement	2.3	0.0	68.6	0.0	70.9
-Treasury Division Health Insurance Rate Reduction Reflected in the Alaska Retirement Management Board	-0.1	0.0	-3.9	0.0	-4.0
Proposed budget increases:					
-Alaska Retirement Management Board Salary Costs for New Investment Officers	0.0	0.0	300.0	0.0	300.0
-Alaska Retirement Management Board Costs To Bring Salaries to Market	0.0	0.0	327.0	0.0	327.0
FY2016 Governor Amended	134.4	0.0	8,600.4	0.0	8,734.8

Component Detail All Funds
Department of Revenue

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

	FY2014 Actuals	FY2015 Conference Committee	FY2015 Authorized	FY2015 Management Plan	FY2016 Governor Amended	FY2015 Management Plan vs FY2016 Governor Amended	
71000 Personal Services	71.4	86.2	86.2	86.2	86.2	0.0	0.0%
72000 Travel	245.5	124.0	123.7	123.7	123.7	0.0	0.0%
73000 Services	6,162.2	7,823.5	7,823.5	7,823.5	8,517.4	693.9	8.9%
74000 Commodities	82.6	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	6,561.7	8,041.2	8,040.9	8,040.9	8,734.8	693.9	8.6%
Fund Sources:							
1004Gen Fund (UGF)	125.0	132.5	132.2	132.2	134.4	2.2	1.7%
1017Ben Sys (Other)	1,272.0	1,640.3	1,640.3	1,640.3	4,389.3	2,749.0	167.6%
1029P/E Retire (Other)	3,619.6	4,133.6	4,133.6	4,133.6	2,628.7	-1,504.9	-36.4%
1034Teach Ret (Other)	1,494.0	1,999.1	1,999.1	1,999.1	1,448.7	-550.4	-27.5%
1042Jud Retire (Other)	40.6	48.1	48.1	48.1	44.8	-3.3	-6.9%
1045Nat Guard (Other)	10.5	87.6	87.6	87.6	88.9	1.3	1.5%
Unrestricted General (UGF)	125.0	132.5	132.2	132.2	134.4	2.2	1.7%
Designated General (DGF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0%
Other Funds	6,436.7	7,908.7	7,908.7	7,908.7	8,600.4	691.7	8.7%
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 FY2015 Conference Committee To FY2015 Authorized *****												
FY2015 Conference Committee												
	ConfCom	8,041.2	86.2	124.0	7,823.5	7.5	0.0	0.0	0.0	0	0	0
1004 Gen Fund		132.5										
1017 Ben Sys		1,640.3										
1029 P/E Retire		4,133.6										
1034 Teach Ret		1,999.1										
1042 Jud Retire		48.1										
1045 Nat Guard		87.6										
Align Authority for Agency-wide Reduction												
	Unalloc	-0.3	0.0	-0.3	0.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-0.3										
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.												
Subtotal		8,040.9	86.2	123.7	7,823.5	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2015 Authorized To FY2015 Management Plan *****												
Subtotal		8,040.9	86.2	123.7	7,823.5	7.5	0.0	0.0	0.0	0	0	0
***** Changes From FY2015 Management Plan To FY2016 Governor Amended *****												
Treasury Division Salary Increases Paid by Alaska Retirement Management Board with Reimbursable Services Agreement												
	SalAdj	70.9	0.0	0.0	70.9	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		2.3										
1017 Ben Sys		11.8										
1029 P/E Retire		39.7										
1034 Teach Ret		16.5										
1042 Jud Retire		0.5										
1045 Nat Guard		0.1										
Treasury Division salary increases that are supported through a reimbursable services agreement with the Alaska Retirement Management Board.												
Treasury Division Health Insurance Rate Reduction Reflected in the Alaska Retirement Management Board												
	SalAdj	-4.0	0.0	0.0	-4.0	0.0	0.0	0.0	0.0	0	0	0
1004 Gen Fund		-0.1										
1017 Ben Sys		-0.7										
1029 P/E Retire		-2.2										

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	
1034 Teach Ret		-0.9										
1042 Jud Retire		-0.1										

Treasury Division health care benefit decrease reflected through a reimbursable services agreement with the Alaska Retirement Management Board.

Technical Adjustment to Change Fund Code from Retirement Systems to Benefit Systems

	FndChg	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	PPT	NP
1017 Ben Sys	2,639.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0	0	0
1029 P/E Retire	-1,909.6											
1034 Teach Ret	-721.7											
1042 Jud Retire	-7.7											

Technical adjustment to reduce P/E Retire (1029), Teach Ret (1034), Jud Retire (1042) and increase Ben Sys (1017). This change will allow the Alaska Retirement Management Board to properly allocate costs to the appropriate Alaska Retiree Health Care Trusts.

Alaska Retirement Management Board Salary Costs for New Investment Officers

	Inc	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	PPT	NP
1017 Ben Sys	47.3	300.0	0.0	0.0	300.0	0.0	0.0	0.0	0.0	0	0	0
1029 P/E Retire	175.7											
1034 Teach Ret	74.5											
1042 Jud Retire	1.9											
1045 Nat Guard	0.6											

This increment provides funding for two new investment officer positions via inter-agency receipts paid from the pension funds managed by the Alaska Retirement Management Board (ARMB) and invested by the Treasury Division. This is an initiative to transfer workload from external managers to internal staff at a cost savings.

Alaska Retirement Management Board Costs To Bring Salaries to Market

	Inc	Totals	Personal Services	Travel	Services	Commodities	Capital Outlay	Grants, Benefits	Miscellaneous	PFT	PPT	NP
1017 Ben Sys	51.6	327.0	0.0	0.0	327.0	0.0	0.0	0.0	0.0	0	0	0
1029 P/E Retire	191.5											
1034 Teach Ret	81.2											
1042 Jud Retire	2.1											
1045 Nat Guard	0.6											

Alaska Retirement Management Board salary increases that are supported through a reimbursable services agreement with the Treasury Division will allow the the state to continue to attract and retain state investment officers by narrowing the difference between state salaries and current salaries available in the employment market both inside and outside of Juneau. The Treasury Division has developed an investment staff that has achieved above average investment returns on over \$50 billion of assets.

The state invests in internal and external training to ensure these employees are competent in their accounting, investment and analytical responsibilities. This investment is lost when employees take this experience and move on to more lucrative employment opportunities. Financial results are published and monitored

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	
closely in world financial centers. State investment officers achieving the best results will attract the attention of potential employers. By offering salaries comparable to market, the state is in a better position to retain competent investment staff.												
	Totals	8,734.8	86.2	123.7	8,517.4	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		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
72000	Travel		245.5	123.7	123.7
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
72000 Travel Detail Totals			245.5	123.7	123.7
72110	Employee Travel (Instate)	Instate airfare, surface transportation, lodging, meals & incidentals	30.8	38.7	38.7
72120	Nonemployee Travel (Instate Travel)	Instate airfare, surface transportation, lodging, meals & incidentals for Alaska Retirement Management Board Members and Investment Advisory Council Members	54.2	50.0	50.0
72410	Employee Travel (Out of state)	Out of state airfare, surface transportation, lodging, meals & incidentals	125.0	30.0	30.0
72420	Nonemployee Travel (Out of state Emp)	Out of state airfare, surface transportation, lodging, meal & incidentals for Alaska Retirement Management Board Members and Investment Advisory Council Members	35.5	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		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended	
73000	Services		6,162.2	7,823.5	8,517.4	
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended	
73000 Services Detail Totals			6,162.2	7,823.5	8,517.4	
73025	Education Services	Training, conferences, memberships, and employee tuition	37.9	38.0	38.0	
73050	Financial Services	Accounting, auditing, management and consulting services	1,086.0	2,466.1	1,996.1	
73075	Legal & Judicial Svc	Transcription services	19.0	20.0	20.0	
73150	Information Technlgy	IT consulting, software licensing, and software maintenance including investment management tools	841.5	983.7	983.7	
73156	Telecommunication	Local, long distance, cellular and telecommunications equipment charges; data/network; and television	33.1	35.0	35.0	
73225	Delivery Services	Delivery and courier services	2.3	2.5	2.5	
73450	Advertising & Promos	Advertising and public notice	15.1	16.0	16.0	
73525	Utilities	Document disposal	0.1	0.2	0.2	
73650	Struc/Infstruct/Land	Repairs, maintenance, rentals and/or leases of structures or infrastructure	15.0	16.0	16.0	
73675	Equipment/Machinery	Repairs, maintenance, rentals and/or leases of office furniture and equipment	23.5	25.0	25.0	
73750	Other Services (Non IA Svcs)	Copier Maintenance	11.3	0.0	0.0	
73805	IT-Non-Telecommunication	Admin	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	11.7	15.0	15.0
73806	IT-Telecommunication	Admin	ETS chargeback for telecommunications EPR, line fees and service requests	25.4	31.0	31.0
73808	Building Maintenance	Admin	Maintenance and upgrades on state-owned facility	0.0	0.4	0.4
73809	Mail	Admin	Central mailroom services including pick up and delivery of U.S. mail, postage, mailing of state warrants	2.7	4.5	4.5
73810	Human Resources	Admin	Human resource and payroll services provided by the Division of Personnel	11.5	15.0	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	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended	
73000 Services Detail Totals			6,162.2	7,823.5	8,517.4	
73811	Building Leases	Admin	Cost of space in state owned facility	80.3	90.0	90.0
73812	Legal	Law	Legal services provided by the Department of Law	96.9	255.0	255.0
73814	Insurance	Admin	Risk Management	0.3	0.3	0.3
73815	Financial	Admin	Division of Finance AKSAS/AKPAY	15.9	22.0	22.0
73816	ADA Compliance	Labor	Share of cost for ADA compliance	0.2	1.5	1.5
73818	Training (Services-IA Svcs)	Admin	Training provided by state agencies	0.0	1.0	1.0
73819	Commission Sales (IA Svcs)	Admin	State Travel Office fees	2.1	3.0	3.0
73827	Safety (IA Svcs)	Admin	Building security services	1.5	1.6	1.6
73979	Mgmt/Consulting (IA Svcs)	Admin	Investment auditing and consulting services	92.0	110.0	110.0
73979	Mgmt/Consulting (IA Svcs)	Admin	Actuarial consulting	63.2	84.0	84.0
73979	Mgmt/Consulting (IA Svcs)	Revenue-Treasury	Staffing provided by Treasury Division	3,446.7	3,391.8	4,555.7
73979	Mgmt/Consulting (IA Svcs)	Revenue-ASD	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	180.8	154.9	154.9
73979	Mgmt/Consulting (IA Svcs)	Revenue-CO	Support services provided by the Commissioner's Office	46.2	40.0	40.0

Line Item Detail
Department of Revenue
Commodities

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

Line Number	Line Name		FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
74000	Commodities		82.6	7.5	7.5
Expenditure Account	Servicing Agency	Explanation	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
74000 Commodities Detail Totals			82.6	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	62.2	6.5	6.5
74480	Household & Instit.	Board meeting catering	20.4	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			FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended	
51390	Benefits System Receipts			246.2	349.4	4,389.3	
Detail Information							
Revenue Amount	Revenue Description	Component	Collocation Code	AKSAS Fund	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
51390	Benefits System Rec Receipts applicable to management of Retiree Health funds		04704130	11100	46.0	46.0	55.0
51390	Benefits System Rec Receipts applicable to management of Deferred Compensation		04704140	11100	200.2	303.4	357.1
51390	Benefits System Rec Receipts applicable to management of SBS funds		04704180	11100	0.0	0.0	1,290.9
51390	Benefits System Rec Receipts applicable to management of benefit systems funds.		various		0.0	0.0	2,686.3

Interagency Services
Department of Revenue

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

Expenditure Account		Service Description	Service Type	Servicing Agency	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
73805	IT-Non-Telecommunication	ETS chargeback for computer services (including EPR, MICS charges for mainframe usage, and VPN)	Inter-dept	Admin	11.7	15.0	15.0
73805 IT-Non-Telecommunication subtotal:					11.7	15.0	15.0
73806	IT-Telecommunication	ETS chargeback for telecommunications EPR, line fees and service requests	Inter-dept	Admin	25.4	31.0	31.0
73806 IT-Telecommunication subtotal:					25.4	31.0	31.0
73808	Building Maintenance	Maintenance and upgrades on state-owned facility	Inter-dept	Admin	0.0	0.4	0.4
73808 Building Maintenance subtotal:					0.0	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	2.7	4.5	4.5
73809 Mail subtotal:					2.7	4.5	4.5
73810	Human Resources	Human resource and payroll services provided by the Division of Personnel	Inter-dept	Admin	11.5	15.0	15.0
73810 Human Resources subtotal:					11.5	15.0	15.0
73811	Building Leases	Cost of space in state owned facility	Inter-dept	Admin	80.3	90.0	90.0
73811 Building Leases subtotal:					80.3	90.0	90.0
73812	Legal	Legal services provided by the Department of Law	Inter-dept	Law	96.9	255.0	255.0
73812 Legal subtotal:					96.9	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	15.9	22.0	22.0
73815 Financial subtotal:					15.9	22.0	22.0
73816	ADA Compliance	Share of cost for ADA compliance	Inter-dept	Labor	0.2	1.5	1.5
73816 ADA Compliance subtotal:					0.2	1.5	1.5
73818	Training (Services-IA Svcs)	Training provided by state agencies	Inter-dept	Admin	0.0	1.0	1.0
73818 Training (Services-IA Svcs) subtotal:					0.0	1.0	1.0
73819	Commission Sales (IA Svcs)	State Travel Office fees	Inter-dept	Admin	2.1	3.0	3.0
73819 Commission Sales (IA Svcs) subtotal:					2.1	3.0	3.0
73827	Safety (IA Svcs)	Building security services	Inter-dept	Admin	1.5	1.6	1.6
73827 Safety (IA Svcs) subtotal:					1.5	1.6	1.6
73979	Mgmt/Consulting (IA Svcs)	Investment auditing and consulting services	Inter-dept	Admin	92.0	110.0	110.0
73979	Mgmt/Consulting (IA Svcs)	Actuarial consulting	Inter-dept	Admin	63.2	84.0	84.0
73979	Mgmt/Consulting (IA Svcs)	Staffing provided by Treasury Division	Intra-dept	Revenue-Treasury	3,446.7	3,391.8	4,555.7
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Administrative Services Division including fiscal, budget, IT, and procurement	Intra-dept	Revenue-ASD	180.8	154.9	154.9
73979	Mgmt/Consulting (IA Svcs)	Support services provided by the Commissioner's Office	Intra-dept	Revenue-CO	46.2	40.0	40.0
73979 Mgmt/Consulting (IA Svcs) subtotal:					3,828.9	3,780.7	4,944.6

Interagency Services
Department of Revenue

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

Expenditure Account	Service Description	Service Type	Servicing Agency	FY2014 Actuals	FY2015 Management Plan	FY2016 Governor Amended
			Alaska Retirement Management Board total:	4,077.4	4,221.0	5,384.9
			Grand Total:	4,077.4	4,221.0	5,384.9