• Funding Policy
  – States experiencing challenges keeping up with unfunded liability payments
  – FY 2015:
    • New Jersey—proposal to reduce $2.25B payment to $681mm
    • Pennsylvania—budget standoff pending pension reform passage
  – Countertrend:
    • Alaska—appropriates approx $3B additional payment
      – PERS funding ratio increases from 61% to 69%
      – TRS funding ratio increases from 51% to 73%
Funding Policy

- GASB 68 de-couples pension funding requirements from accounting rules
- Legislatures consider codification of funding policy

Alaska codified:
- Unfunded liability amortization term—25 years
- Amortization methodology—level percent of pay
- Intent language: eliminate rate-setting lag
- Intent language: eliminate actuarial smoothing
• GASB 67-68 – Special Funding Issues
  – GASB 67-68 requires multi-employer plans to allocate net pension liability to participating employers;
  – participating employers must book NPL in CAFR
  – Special Funding Issue: GASB 68 requires states that are “legally responsible” to provide assistance to employers to book NPL attributable to such assistance in state CAFR
  – Alaska provides assistance but has constitutional anti-dedication of revenue clause; who books?
• More DB/DC hybrid plan proposals

  – Alaska: HB 247—variable benefit and variable employee contribution plan for protective occupation employees
    • Variable employee contribution: 8%-12% of pay
    • Fixed employer contribution: 14% of pay
    • Variable benefit computed individually by Protective Occupation Retirement Council based on certain factors
• Defined Contribution
  – Strategies to address concerns with cost, scale, lack of expertise; how to replicate DB features in a DC plan
    • Target date funds
    • Guaranteed life income investment vehicles
    • Auto-enrollment, auto-escalation features
    • Collective defined contribution plans
  – Roth 457: contributions after tax; withdrawals, including investment earnings, are tax-free
• Health Policy

  – Reference-based pricing programs
    • CalPERS hip and knee replacement
      – Reimbursed at a fixed price ($30k)
      – Saved $2.8mm in first year
    • Alaska passed reference-based price statute for workers’ comp

  – Access protocols for specialty drugs
    • Sovaldi cures Hepatitis C
    • Cost is $84,000/person
    • Plan sponsors beginning to devise access protocols
• Expansion to private sector: Secure Choice Initiative

  – Secure choice: cash balance plan for private sector employers/employees managed by public sector retirement systems

  – 17 states have considered Secure Choice legislation

  – California, New York and Connecticut have passed statutes