

Overview

The Alaska Public Employees' Retirement System (PERS) was established in 1961. Employees who first entered PERS prior to July 1, 2006, are members of the PERS Defined Benefit (DB) Plan. Employees hired after this date participate in the Defined Contribution Retirement (DCR) Plan. Today, the DB Plan covers 26,442 active employees, and the DCR plan covers an additional 11,182 members.

Defined benefit (DB) pensions are pre-funded retirement systems. That is, employers and employees make contributions to a common pension trust fund over the course of each employee's career. These funds are invested by professional asset managers and are overseen by trustees and other fiduciaries. The earnings that build up in the fund, along with the dollars contributed while working, pay for the lifetime benefits an employee receives when s/he retires.

Defined contribution (DC) plans, such as 401(k) plans, function very differently. First, there is no implicit or explicit guarantee of retirement income in a DC plan. Rather, employees (and usually employers) contribute to the plan over the course of a worker's career. Whether the funds in the account will ultimately be sufficient to meet retirement income needs will depend on a number of factors, such as contribution levels, investment returns, whether loans are taken or funds are withdrawn early, and the number of years retirees will live.

Research finds that Americans with DB pension income are much more likely to achieve financial security in retirement than those without such pensions.¹

Key Facts

- The Alaska DB plan covers 26,442 active employees, while the DCR plan covers an additional 11,182 employees.
- Most public employees in Alaska do not participate in Social Security.
- Employees in the DB plan contribute between 6.75% and 9.6% of pay, while employees in the DC plan contribute 8.0% of pay.
- Each dollar invested by Alaska taxpayers in the DB plan supported \$5.35 in total economic activity in the state



▶ Key Alaska Data²

The chart below summarizes the key data for Alaska PERS, as of June 30, 2011:

	DB Plan	DCR Plan
Total active employees	26,442	11,182
Total retired members and survivor beneficiaries	26,237	554
Average annual retirement pension benefit*	\$48,096	N/A
Employer contribution rate	27.96%	5.0%
Employee contribution rate	6.75% for general members, 7.5% for public safety, and 9.6% for school employees	8.0%
Net assets held in trust to pay benefits	\$6.3 billion	\$183.7 million
Funded ratio**	62.4%	Not applicable
Unfunded actuarial accrued liability**	\$3.9 billion	Not applicable

* Among new benefit recipients, July 2009 through June 2010, with 25-29 years of credited service.

** As of June 30, 2010.

▶ The Economic Impact of Alaska Pensions³

Expenditures made by retirees of state and local government provide a steady economic stimulus to Alaska communities and the state economy. Within the state of Alaska, 2012 expenditures stemming from state and local DB pensions supported:

- 16,054 jobs that paid \$633 million in wages and salaries
- \$2.1 billion in total economic output
- \$349.2 million in federal, state, and local tax revenues

Each dollar paid out in pension benefits supported \$1.67 in total economic activity in Alaska.

Each dollar “invested” by Alaska taxpayers in these plans supported \$5.35 in total economic activity in the state.

¹ For more information, see National Institute on Retirement Security. 2010. *The Pension Resource Guide: Why Pensions Matter*. Washington, DC: NIRS.

² All data, unless otherwise noted, as of June 30, 2011.

³ Rhee, N. 2014. *Pensionomics 2014: Measuring the Economic Impacts of DB Pension Expenditures*. Washington, DC: National Institute on Retirement Security.