

State of Alaska FY2007 Governor's Operating Budget

Department of Administration Retirement and Benefits Component Budget Summary

Component: Retirement and Benefits

Contribution to Department's Mission

Deliver benefits to members in accordance with legal requirements.

Core Services

For the following Defined Benefit Plans: Collection of all employee data, employee and employer contributions by individual for each pay period, including all changes and corrections. Accounting by participant for each member (over 95,000). Counseling and communications for all members and retirees. Processing retiree payroll and member refunds.

- Public Employees' (PERS)
- Teachers' (TRS)
- Judicial (JRS)
- National Guard and Naval Militia (NGNMRS)
- Elected Public Officers (EPORS)

For the following Defined Contribution Plans: Collection of all employee data, employee and employer contributions by individual for each pay period, including all changes and corrections. 42,000 accounts with balances. Counseling and communications for account holders. Processing member refunds.

- Supplemental Annuity Plan
- Deferred Compensation Plan

For the following new Defined Contribution plans becoming effective July 1, 2006: Collection of all employee data, employee contributions, employer contributions by individual for each period, including all changes and corrections. Counseling communication and benefit education for all account holders. Processing member refunds.

- PERS Tier IV
- TRS Tier III

Administer group health insurance and life insurance programs for active state employees and retired members of the retirement systems, including claims adjudication and counseling. The division has offices in Juneau and Anchorage and provides services to other Alaskan communities by telephone, Internet/e-mail and during field trips.

End Results	Strategies to Achieve Results
A: Improved accuracy of data available for calculation of benefits. <u>Target #1:</u> 100% of on-line data will be accurate. <u>Measure #1:</u> % of accurate data on-line.	A1: Defined Benefit-Automate calculation of claimed service. <u>Target #1:</u> 90% of all claims for service will be calculated electronically. <u>Measure #1:</u> % of claims electronically calculated. A2: Ensure that 100% of on-line data necessary to calculate benefits is on-line within 30 days of being requested. <u>Target #1:</u> 100% of data on-line within 30 days. <u>Measure #1:</u> % of data entered within 30 days.

End Results	Strategies to Achieve Results
<p>B: Increased member understanding of retirement planning and benefits.</p> <p><u>Target #1:</u> 90% of members will report increased understanding of retirement planning and benefits.</p> <p><u>Measure #1:</u> % of members surveyed reporting increased understanding.</p>	<p>B1: Maximize retirement seminar attendance.</p> <p><u>Target #1:</u> Increase group meeting attendance by 10% over fiscal year 2003.</p> <p><u>Measure #1:</u> Group meeting attendance.</p> <p>B2: Develop video tape presentations by Benefits Section to reach audience that cannot attend a seminar.</p> <p><u>Target #1:</u> Provide taped presentations to employers.</p> <p><u>Measure #1:</u> Number of taped presentations provided to employers.</p>
End Results	Strategies to Achieve Results
<p>C: Group Insurance Benefits-Improved service to members.</p> <p><u>Target #1:</u> 85% of customers will have answer/resolution on first call.</p> <p><u>Measure #1:</u> % of members reporting resolution on first call.</p> <p><u>Target #2:</u> The percent of member contacts received is no more than 5% of membership.</p> <p><u>Measure #2:</u> % of member contacts.</p>	<p>C1: Group Insurance Benefits-Decrease the length of time to respond to customers.</p> <p><u>Target #1:</u> Respond to 95% of written correspondence within 3 weeks.</p> <p><u>Measure #1:</u> % of correspondence answered within 3 weeks.</p> <p>C2: Group Insurance Benefits-Provide members with tools to answer their basic questions.</p> <p><u>Target #1:</u> Increase enrollment in Aetna Navigator by 25%.</p> <p><u>Measure #1:</u> % increase of new enrollees in Aetna Navigator.</p>
End Results	Strategies to Achieve Results
<p>D: Defined Benefit-Retiree payroll and account refund payments made on time.</p> <p><u>Target #1:</u> 100% of payments made on time.</p> <p><u>Measure #1:</u> Percent of monthly payroll, refund warrants, EFT's sent by pre-determined deadline (announced at beginning of year).</p>	<p>D1: Decrease weekly payroll warrants by having members file their retirement documents 30 days in advance of their retirement date.</p> <p><u>Target #1:</u> Increase the number of members who file their required retirement documents 30 days before their expected retirement date.</p> <p><u>Measure #1:</u> % of prospective retirees who file their documents for retirement 30 days before their expected retirement date.</p>

FY2007 Resources Allocated to Achieve Results

FY2007 Component Budget: \$15,065,700

Personnel:

Full time	105
Part time	1
Total	106

Performance Measure Detail

A: Result - Improved accuracy of data available for calculation of benefits.**Target #1:** 100% of on-line data will be accurate.**Measure #1:** % of accurate data on-line.**% of accurate data available on-line.**

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	93.0%	93.0%	93.0%
FY 2005	93.0%	93.0%	93.0%	93.0%

* Data combined with FY 2004, Quarter 2.

A1: Strategy - Defined Benefit-Automate calculation of claimed service.**Target #1:** 90% of all claims for service will be calculated electronically.**Measure #1:** % of claims electronically calculated.**Analysis of results and challenges:**

07/01/03–06/30/04: Reprogramming of claims system put on hold in lieu of programming for new legislation.

07/01/04–09/30/04: Reprogramming of claims system put on hold in lieu of programming for new legislation.

10/01/04–12/31/04: Reprogramming of claims system put on hold in lieu of programming for new legislation.

01/01/05–03/31/05: Reprogramming of claims system put on hold in lieu of programming for new legislation.

04/01/05–06/30/05: Reprogramming of claims system put on hold in lieu of programming for new legislation.

A2: Strategy - Ensure that 100% of on-line data necessary to calculate benefits is on-line within 30 days of being requested.**Target #1:** 100% of data on-line within 30 days.**Measure #1:** % of data entered within 30 days.**% of data entered within 30 days.**

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	95.0%	95.0%	95.0%
FY 2005	95.0%	95.0%	95.0%	95.0%

* Data available within FY 2004, Quarter 2.

B: Result - Increased member understanding of retirement planning and benefits.**Target #1:** 90% of members will report increased understanding of retirement planning and benefits.**Measure #1:** % of members surveyed reporting increased understanding.

% of members surveyed reporting increased understanding.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	*	99.7%	99.9%
FY 2005	100.0%	100.0%	100.0%	99.0%

* Data combined within FY 2004, Quarter 3.

B1: Strategy - Maximize retirement seminar attendance.

Target #1: Increase group meeting attendance by 10% over fiscal year 2003.

Measure #1: Group meeting attendance.

Analysis of results and challenges:

07/01/03–03/31/04: There were 544 members who attended retirement seminars during this period compared to FY03 of 274 members. This represents a 98% increase. There were 59 members who attended small group meetings compared to FY03 of 34 members. This represents a 73% increase for small group meetings.

03/31/04–06/30/04: There were 1,229 members who attended retirement seminars during this period compared to FY03 of 931 members. This represents a 32% increase. There were 161 members who attended small group meetings compared to FY03 of 38 members. This represents a 400% increase for small group meetings.

07/01/04–09/30/04: Seminars are suspended seasonally during the summer months. Beginning in late August, 114 members have attended seminars, a 253% increase and 258 members attended group meetings, a 258% increase. There were 45 members who attended seminars during the same period in 2003 and no group meetings were held during the same period in 2003.

10/01/04–12/31/04: 1,189 members attended job site visits and seminars.

01/01/05–03/31/05: 544 members attended job site visits and seminars.

04/01/05–06/30/05: 480 members attended job site visits and seminars.

B2: Strategy - Develop video tape presentations by Benefits Section to reach audience that cannot attend a seminar.

Target #1: Provide taped presentations to employers.

Measure #1: Number of taped presentations provided to employers.

Analysis of results and challenges:

07/01/03–03/31/04: Benefits seminars for Select Benefits open enrollment is scheduled to be available on videotape by the end of FY04.

03/31/04–06/30/04: Insurance benefits video has been produced for Select Benefits open enrollment and made available on WebPage.

07/01/04–09/30/04: Insurance benefits video has been produced for Select Benefits open enrollment and made available on WebPage.

10/01/04–12/31/04: Insurance benefits video has been produced for Select Benefits open enrollment and made available on WebPage.

01/01/05–03/31/05: Insurance benefits video has been produced for Select Benefits open enrollment and made available on WebPage.

04/01/05–06/30/05: Insurance benefits video has been produced for Select Benefits open enrollment and made available on WebPage.

C: Result - Group Insurance Benefits-Improved service to members.

Target #1: 85% of customers will have answer/resolution on first call.

Measure #1: % of members reporting resolution on first call.

Analysis of results and challenges:

07/01/03–06/30/04: A survey project, expected to take approximately 6-9 months to complete, has been scheduled and results are expected during late summer or early fall 2004.

07/01/04-09/30/04: Due to staffing shortages, the survey project has not been completed at this time. Results are expected after the first of year (2005).

10/01/04-12/31/04: Survey will be performed in the second quarter of 2005. No call surveys were completed in this quarter.

01/01/05-03/31/05: Due to staffing shortages, the survey project has not been completed at this time. Results are expected in the first quarter of FY2006.

04/01/05-06/30/05: Results are expected in the first quarter of FY2006.

Target #2: The percent of member contacts received is no more than 5% of membership.

Measure #2: % of member contacts.

% of members contacts.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	5.0%	3.7%	4.7%
FY 2005	4.4%	3.2%	3.5%	7.3%

* Data combined with FY 2004, Quarter 2.

Analysis of results and challenges:

07/01/03-12/31/03: 5% average

01/01/04-03/31/04: 3.7% average (1,704 calls per month divided by member population of 31,500 = 3.7%)

03/31/04-06/30/04: 4.7% average (2,193 calls per month divided by member population of 31,500 = 4.7%)

07/01/04-09/30/04: 4.4% average (1,403 calls per month divided by member population of 31,500 = 4.4%)

10/01/04-12/31/04: 3.2% average (1,481 calls per month divided by member population of 46,600 = 3.2%)

01/01/05-03/31/05: 3.5% average (1,637 calls per month divided by member population of 46,600 = 3.5%)

04/01/05-06/30/05: 7.3% average (3,436 calls per month divided by member population of 46,600 = 7.3%)

C1: Strategy - Group Insurance Benefits-Decrease the length of time to respond to customers.

Target #1: Respond to 95% of written correspondence within 3 weeks.

Measure #1: % of correspondence answered within 3 weeks.

Analysis of results and challenges:

07/01/03-12/31/03: 75% of correspondence responded to within 3 weeks.

01/01/04-03/31/04: 68% of correspondence responded to within 3 weeks.

03/31/04-06/30/04: 88% of correspondence responded to within 3 weeks.

07/01/04-09/30/04: 75% of correspondence responded to within 3 weeks.

10/01/04-12/31/04: Due to staff changes the correspondence tracking method that had not been used consistently during this timeframe. This will be reportable in the second quarter of 2005.

01/01/05-03/31/05: Data to be available in the second quarter of FY2006.

04/01/05-06/30/05: Due to staffing shortages, data will be available in the second quarter of FY2006.

C2: Strategy - Group Insurance Benefits-Provide members with tools to answer their basic questions.

Target #1: Increase enrollment in Aetna Navigator by 25%.

Measure #1: % increase of new enrollees in Aetna Navigator.

% increase of new enrollees in Aetna Navigator.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	60.0%	14.5%	10.5%
FY 2005	10.4%	8.9%	8.4%	9.3%

* Data combined within FY 2004, Quarter 2.

Analysis of results and challenges:

07/01/03–12/31/03: 60% Increase (6/30/2003 = 3,521; 12/31/2003 = 5,625)
 01/01/04–03/31/04: 14.5% Increase (1/1/2004 = 5,625; 3/31/2004 = 6,459)
 03/31/04–06/30/04: 10.5% Increase (4/1/04=6,459; 6/30/04 = 7,130)
 07/01/04–09/30/04: 10.4% increase (7/1/04 = 7,130; 9/30/04 = 7,875)
 10/01/04–12/31/04: 8.9% increase (10/1/04 = 7,835; 12/31/04 = 8,644)
 01/01/05–03/31/05: 8.4% increase (01/01/05 = 8,644; 03/31/05 = 9,368)
 04/01/05–06/30/05: 9.3% increase (04/01/05 = 9,368; 06/30/05 = 10,028)

D: Result - Defined Benefit-Retiree payroll and account refund payments made on time.

Target #1: 100% of payments made on time.

Measure #1: Percent of monthly payroll, refund warrants, EFT's sent by pre-determined deadline (announced at beginning of year).

% of monthly payroll, refund warrants, and electronic file transfers issued on time according to announced schedules.

Fiscal Year	Quarter 1	Quarter 2	Quarter 3	Quarter 4
FY 2004	*	99.0%	99.0%	99.0%
FY 2005	99.0%	99.0%	99.0%	99.0%

* Data combined within FY 2004, Quarter 2.

D1: Strategy - Decrease weekly payroll warrants by having members file their retirement documents 30 days in advance of their retirement date.

Target #1: Increase the number of members who file their required retirement documents 30 days before their expected retirement date.

Measure #1: % of prospective retirees who file their documents for retirement 30 days before their expected retirement date.

Analysis of results and challenges:

07/01/03–12/31/03: 99% paid (prior to strategy change).

01/01/04–03/31/04: 99% paid (prior to strategy change).

03/31/04–06/30/04: 37 retirement applications were received 30 days or more out of 162 applications (May benchmark).

07/01/04–09/30/04: 73 retirement applications were received 30 days or more out of 170 applications (September benchmark). 43% filed more than 30 days in advance.

10/01/04–12/31/04: For December 2004, 90 applications filed. 40 (44.4%) received 30+ days in advance. 2 (2.2%) filed 30 days in advance. 48 (53.4%) filed less than 30 days in advance.

01/01/05–03/31/05: 167 retirement applications received 30 days in advance out of 333 total applications.

04/01/05–06/30/05: 125 retirement applications received 30 days in advance out of 474 total applications.

Key Component Challenges

Systems valuation reports as of June 30, 2004 indicate underfunding for PERS and TRS. This has resulted in increased costs for employers beginning in FY2005. Rates are expected to rise for PERS and TRS by 5% percentage points a year until the calculated rate of 28.19% of payroll for PERS and 41.78% of payroll for TRS is reached in FY 09.

Focus for the Division in FY07 will be the successful implementation of SB 141 and the new defined contribution plans for PERS and TRS members enrolled on or after June 30, 2006. This will present some challenges for the Division as well as opportunities.

Significant Changes in Results to be Delivered in FY2007

- Continue job site counseling visits to PERS and TRS employers in the Anchorage and Juneau areas.
- Design training materials that can be accessed online to educate members about benefits.

- Create CD-ROM for each new member of the PERS Tier IV and TRS Tier III plans regarding plan provision and retirement planning principles.
- Conduct employer communication "out reach" efforts in order to facilitate communication about funding status for the systems and provide employers with detailed implementation information regarding SB 141 and the new defined contribution plans. (i.e., Monthly Electronic Employer Newsletter).

Major Component Accomplishments in 2005

- Counseling services expanded to include retirement education seminars.
- Provided onsite counseling out of Anchorage Field Office for approximately 800 members in FY05 which continues in FY06
- Reduced operational expenditures by implementing savings initiatives for all sections that resulted in savings for the Division of \$1.2 million for FY05.
- Implemented a number of cost savings initiatives for the active Health Insurance Plan and the Retiree Health Plan FY05 and FY06 that will result in savings for FY06 and FY07.
- Worked with the legislature and Governor's Office to bring about reform of the Public Employees' Retirement System and Teachers' Retirement System (PERS and TRS).

Statutory and Regulatory Authority

AS 14.20.310-345	Teachers' Leave and Retirement
AS 14.25	Teachers' Retirement System
AS 22.25	Judiciary Retirement and Death Benefits
AS 39.30	Insurance and Supplemental Employee Benefits
AS 39.35	Public Employees' Retirement System
AS 39.45	Public Employees' Deferred Compensation Program
AS 44.21.020 (7)	Duties of Department
2 AAC 35	Public Employees' Retirement System
2 AAC 36	Teachers' Retirement System
2 AAC 37	Judicial, Elected Public Officers, and National Guard/Naval Militia
	Retirement systems and Employee Benefit Systems
2 AAC 39	Group Health and Life Insurance

Contact Information

Contact: Melanie Millhorn, Director, Retirement & Benefits
Phone: (907) 465-4471
Fax: (907) 465-3086
E-mail: Melanie_Millhorn@admin.state.ak.us

Retirement and Benefits Component Financial Summary

All dollars shown in thousands

	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Non-Formula Program:			
Component Expenditures:			
71000 Personal Services	6,434.4	7,521.1	7,892.7
72000 Travel	100.4	227.1	163.1
73000 Services	3,718.4	23,365.8	6,731.3
74000 Commodities	108.3	209.5	209.0
75000 Capital Outlay	85.3	99.6	69.6
77000 Grants, Benefits	0.0	0.0	0.0
78000 Miscellaneous	0.0	0.0	0.0
Expenditure Totals	10,446.8	31,423.1	15,065.7
Funding Sources:			
1004 General Fund Receipts	222.6	19,455.9	2,704.8
1007 Inter-Agency Receipts	77.1	1.5	1.5
1017 Benefits Systems Receipts	2,727.3	3,242.6	3,353.4
1023 FICA Administration Fund Account	152.9	164.9	174.2
1029 Public Employees Retirement System Fund	5,087.1	6,017.4	6,202.3
1034 Teachers Retirement System Fund	2,070.0	2,401.3	2,485.8
1042 Judicial Retirement System	21.8	29.9	30.4
1045 National Guard & Naval Militia Retirement System	88.0	109.6	113.3
Funding Totals	10,446.8	31,423.1	15,065.7

Estimated Revenue Collections

Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Unrestricted Revenues				
FICA Administration Fund Account	51040	152.9	164.9	174.2
Public Employees Retirement Fund	51065	5,087.1	6,017.4	6,202.3
Teachers Retirement System Fund	51090	2,070.0	2,401.3	2,485.8
Judicial Retirement System	51125	21.8	29.9	30.4
National Guard Retirement System	51135	88.0	109.6	113.3
Benefits System Receipts	51390	2,411.3	2,842.3	2,916.4
Unrestricted Fund	68515	222.6	19,455.9	2,704.8
Unrestricted Total		10,053.7	31,021.3	14,627.2
Restricted Revenues				
Interagency Receipts	51015	77.1	1.5	1.5
Benefits System Receipts	51390	316.0	400.3	437.0

Estimated Revenue Collections				
Description	Master Revenue Account	FY2005 Actuals	FY2006 Management Plan	FY2007 Governor
Restricted Total		393.1	401.8	438.5
Total Estimated Revenues		10,446.8	31,423.1	15,065.7

**Summary of Component Budget Changes
From FY2006 Management Plan to FY2007 Governor**

All dollars shown in thousands

	<u>General Funds</u>	<u>Federal Funds</u>	<u>Other Funds</u>	<u>Total Funds</u>
FY2006 Management Plan	19,455.9	0.0	11,967.2	31,423.1
Adjustments which will continue current level of service:				
-FY 07 Wage Increases for Bargaining Units and Non-Covered Employees	5.0	0.0	135.3	140.3
-FY 07 Health Insurance Cost Increases for Bargaining Units and Non-Covered Employees	0.9	0.0	18.6	19.5
-FY 07 Retirement Systems Cost Increase	4.2	0.0	247.3	251.5
-2nd Year FN for SB 141 Public Employee/Teacher Retirement/Boards	-452.0	0.0	-29.0	-481.0
-Remove FY2006 Retirement & Benefits PERS Allocation to Political Subdivisions	-18,426.9	0.0	0.0	-18,426.9
Proposed budget increases:				
-Risk Management Self-Insurance Funding Increase	0.9	0.0	21.5	22.4
-SB 141 Employee Conversion Option	2,116.8	0.0	0.0	2,116.8
FY2007 Governor	2,704.8	0.0	12,360.9	15,065.7

Retirement and Benefits Personal Services Information

Authorized Positions		Personal Services Costs	
	<u>FY2006</u> <u>Management</u> <u>Plan</u>	<u>FY2007</u> <u>Governor</u>	
Full-time	105	105	Annual Salaries 5,066,938
Part-time	1	1	COLA 138,842
Nonpermanent	8	6	Premium Pay 16,324
			Annual Benefits 2,970,186
			Less 3.66% Vacancy Factor (299,590)
			Lump Sum Premium Pay 0
Totals	114	112	Total Personal Services 7,892,700

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Accountant II	0	0	5	0	5
Accountant III	0	0	3	0	3
Accountant IV	0	0	2	0	2
Accountant V	0	0	1	0	1
Accounting Clerk II	0	0	1	0	1
Accounting Tech II	0	0	1	0	1
Accounting Tech III	0	0	2	0	2
Administrative Assistant	0	0	1	0	1
Administrative Clerk I	0	0	2	0	2
Administrative Clerk II	1	0	0	0	1
Administrative Clerk III	0	0	5	0	5
Administrative Manager III	0	0	1	0	1
Analyst/Programmer II	0	0	2	0	2
Analyst/Programmer III	0	0	1	0	1
Analyst/Programmer IV	0	0	5	0	5
Analyst/Programmer V	0	0	2	0	2
College Intern II	0	0	1	0	1
College Intern III	0	0	1	0	1
Data Processing Mgr III	0	0	1	0	1
Data Processing Tech II	0	0	1	0	1
Division Director	0	0	1	0	1
Information Officer II	0	0	1	0	1
Internal Auditor II	0	0	1	0	1
Internal Auditor III	0	0	1	0	1
Microfilm Equip Op I	0	0	2	0	2
Microfilm Equip Op II	0	0	1	0	1
Microfilm Equip Op III	0	0	1	0	1
Publications Spec I	0	0	1	0	1
Publications Spec II	0	0	1	0	1
Publications Spec III	0	0	1	0	1
Publications Tech II	0	0	1	0	1
Retirement & Benefits Spec I	0	0	7	0	7
Retirement & Benefits Tech I	0	0	2	0	2
Retirement & Benefits Tech II	0	0	20	0	20
Retirement & Benefits Tech III	0	0	12	0	12
Retirement Ben Manager	0	0	3	0	3
Retirement Ben Spec II	2	0	10	0	12

Position Classification Summary

Job Class Title	Anchorage	Fairbanks	Juneau	Others	Total
Retirement Ben Spec III	0	0	2	0	2
Student Intern II	0	0	2	0	2
Supply Technician I	0	0	1	0	1
Totals	3	0	109	0	112