

Anchorage Police & Fire Retirement System Newsletter

July 2021

Board Member News

Last fall, the election for one of the Fire Board seats was held. Jim Vignola (Retired Fire) was re-elected by the Fire members for a three year term that began January 1, 2021. This spring, the election for one of the Police Board seats was held. Paul Honeman (Retired Police) was re-elected by the Police members for a three year term that began July 1, 2021.

The Municipal Board representatives are appointed by the Mayor. The new administration, Mayor Bronson will need to fill these board seats by submitting names to the Anchorage Assembly for approval. At this time there are two vacant positions.

At the May 26, 2021 Board meeting, the Board elected a new Chair and Vice Chair. Bill Herrick (Retired Police) was elected as Chair and Jim Vignola (Retired Fire) as Vice Chair. The Retirement Board members are as follows:

<u>Police Members</u>	<u>Fire Members</u>	<u>MOA Members</u>
Bill Herrick	Jim Bauman	Daniel Moore
Paul Honeman	Paul Burns	Vacant
Everett Robbins	Jim Vignola	Vacant

A Message From The Chair—Bill Herrick

Dear Members of the Anchorage Police and Fire Retirement System: Since my election to the Board in 2016, I was the first Board Member to utilize the computer to attend and participate in our Board meetings via video conferencing software. Serving the members of the Retirement System has been a great opportunity for me and I am currently in my second term.

The past 18 months has presented a challenge to the Retirement System, but the Board has been able to meet it head on and transition to a remote working environment seamlessly. It has been a year of meeting with our investment managers and consultants on “Go to Meeting”, which is the primary video conferencing software we have used for several years. Although we had to cancel our annual meeting last year due to Covid, we included presentations by the individual investment managers in our regularly scheduled Board Meetings. This allowed us to stay up on our investments and maintain a certain amount of oversight and individual contact with the people who manage our investments.



Whittier, AK
Photo Courtesy of Staff

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Message From the Chair (continued)

Next year our annual meeting will be in person at The Hotel Captain Cook in Anchorage, AK on the 30th and 31st of March 2022. All our investment managers including our actuary will attend in person. We invite you to attend in person or via teleconference. If you are interested, contact the retirement office and get the details. The agenda will be posted the week before the conference on our website, www.muni.org/apfrs. We would love to have you and we encourage you to be actively involved in the process.

At this time, we have seven actively employed members in our system. As most, and soon all, of our members move into full retirement, our focus as a Board doesn't waiver. We serve to protect our members' benefits and ensure that our investments are responsibly invested to provide a reliable return. We keep this in mind every time we meet and work hard to do that.

July 2021 COLA for Plan III - Approved by the Board

On July 1st each year, the rate for Cost of Living Adjustments (COLA) for Plan III members goes into effect. The COLA rate is based on the Department of Labor Consumer Price Index for Urban Alaska (CPI-U). The CPI for Urban Alaska in 2020 was a negative (-1.1%). Based on this information, the Board voted to make no adjustments to your monthly payment.

Frequently Asked Questions

1. Why does the retirement system use the Urban Alaska CPI and not the CPI for the U.S.?
The Anchorage Municipal Code 3.85.075D specifically addresses use of the Urban Alaska CPI.
2. What area does the Urban Alaska cover?
The Urban Alaska area consists of Anchorage and Matanuska-Susitna Borough in the State of Alaska.
3. What period the CPI is based?
It is based on a calendar year. The Anchorage Municipal Code 3.85.075C states "The retirement board shall determine the COLA for each year and it should become effective July 1st of each year."
4. How does a negative CPI effect my current payment or future payments?
A negative CPI is treated as a zero(0) percent and has no effect on your current payment dollar amount.
5. How does a negative CPI effect future (July 2022) payment dollar amounts?
A negative CPI will not be a factor in subsequent COLA calculations.

Listed below is the web address to the Department of Labor data for Alaska and detailed explanations on the calculation.

<https://live.laborstats.alaska.gov/cpi/index.cfm>

https://www.bls.gov/regions/west/news-release/consumerpriceindex_anchorage.htm

Investment Manager & Investment Consultant News

The Board and its Investment Consultant, RVK, Inc., reviews the performance of each manager on a quarterly and annual basis. Decisions to terminate a manager or to hire a new manager come after appropriate monitoring of performance. There have been no fund manager changes since our last news letter published July 2020. Please see page 8 for the investment allocation details.

Investment Performance Update

The APFRS trust investment returned 11.97% in 2020. Listed below is our historical investment (net of fees) performance from 2013 to 2020 calculated by our Investment Consultant:

<u>Year</u>	<u>Performance</u>	<u>Year</u>	<u>Performance</u>
2013	18.21%	2017	17.12%
2014	5.96%	2018	-5.01%
2015	0.92%	2019	19.89%
2016	8.71%	2020	11.97%

Annual Audit Report

The Retirement System is audited annually. KPMG performs a comprehensive financial and internal controls audit of the plan each year. There were no audit findings and the 2020 Audit Report was accepted and approved by the Board at the May 26, 2021 Board meeting.

Annual Actuarial Report

The Actuarial Valuation Report is performed annually by Milliman, Inc. The report dated 1/1/2021, shows funding levels still below 100%. As a result, contributions will continue for the 2022 year and will be required from active members in Plan III (6% of pensionable wages). All members in Plan I and II are now retired. Plan III has 7 active members as of 6/2021. The Municipality of Anchorage (MOA) is required to contribute \$7.581 million in 2021 and \$5.80 million in 2022. These amounts were prefunded by the MOA in December 2017 with a contribution of \$58.2 million.

Annual Surplus Benefit Board Distribution Decision

Each year, the Board must make a Surplus Benefit decision no later than the regular June Board meeting. This year, the Board made its decision at the May 26, 2021 Board meeting.

As shown in the Plan funding level on page 4, the Annual Actuarial Valuation Report shows that all three Plans are still below the 100% mark, and none of the Plans are at or above 116% of Assets to Liabilities. Therefore, the Board passed a motion stating that no surplus benefit will be available during the 2021 Plan Year. By Anchorage Municipal Code, Section 3.85), the Board may grant a distribution only if the funding ratio is greater than 116%.

Plan Funding Levels (2018-2021)

Assets vs Liabilities (Millions)			
<u>1/1/2018</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$83.21	\$64.30	\$256.80
Liabilities	\$88.13	\$67.74	\$271.10
Funding Level	94%	95%	95%
<u>1/1/2019</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$70.9	\$55.4	\$225.7
Liabilities	\$85.0	\$67.3	\$270.0
Funding Level	83%	82%	84%
<u>1/1/2020</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$76.3	\$60.1	\$250.2
Liabilities	\$85.8	\$68.5	\$282.5
Funding Level	88.8%	87.7%	88.6%
<u>1/1/2021</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>
Assets:	\$75.9	\$60.6	\$257.1
Liabilities	\$85.5	\$68.8	\$291.0
Funding Level	88.7%	88.0%	88.36%



Photo Courtesy of Staff

Participants By Plan as of 1/1/2021

<u>Status</u>	<u>Plan I</u>	<u>Plan II</u>	<u>Plan III</u>	<u>Total</u>
Actives	0	0	9	9
Term. Vested	0	0	0	0
Retired: Normal	71	74	333	478
Retired: Disabled	59	26	26	111
Survivors	51	16	44	111
Child Benefits	0	0	1	1
Totals	181	116	413	710

Frequently Asked Questions

1. What is Funding Status or Level?

Funded status compares the assets to the liabilities in a pension plan.

Funded status=plan assets *minus* projected benefit obligations

2. Why is knowing the funding status so important?

The funding status is useful in understanding how many members are truly covered. The funding status also determines the required MOA contribution each year as calculated by the plan's actuary. Should the plan's funding status be less than 100% the MOA must make annual contributions as required by municipal code.

3. Why isn't the funding status 100%?

Plans I, II and III are all considered mature pension plans. As a plan matures, benefits accumulate and the plan population ages, the plan's obligations become large relative to its source of contributions and investment returns. For example in 1990 the retirement plans paid benefits totaling \$3.56 million and had 226 active members. In 2020 the retirement plans paid benefits totaling \$33.1 million with 9 active members as of 1/1/2021.

4. When does membership receive an enhanced benefit check?

The funding status must be over 116%. The Retirement Board will follow the procedures outlined in AMC 3.85.155 should the funding status exceed this amount.

Should you have any questions on this or other topics, please call the retirement office to discuss these issues.

Help Topics:

Note: All forms referenced in this column are available on-line at the APFRS Website or you may call the office and have one sent to you. Forms must be returned to the APFRS office for processing.

www.muni.org/apfrs

Change of Address or email:

Please call the Retirement Office to change your address, phone number or email address.

Direct Deposit Changes:

If you need to change your direct deposit (bank or credit union) information you must complete the Direct Deposit Form. Please complete and return the form to the APFRS office for processing. The deadline is the 15th of each month.

Tax Withholding Changes:

If you need to change your withholding on your benefit payments, you must complete an IRS W-4P Withholding Election Form. Please complete and return the form to the APFRS office for processing.

Beneficiary Designation:

It is a good idea to periodically review and update your beneficiary designation information. For Spousal Survivor Benefits, the procedures are dictated by the Anchorage Municipal Code. But for the Surplus Benefit Account Program, you need to have a current Beneficiary Form on file here in this office.



“Enjoying The Retirement Life”

Surplus Benefit Account

For those who have a Surplus Benefits Account, Vanguard continues to do a good job of helping you manage these funds at practically the lowest cost in the industry. Please carefully review the quarterly statements you receive from Vanguard. Should you have questions you may call us here at the Retirement System or you can contact Vanguard with questions by using the contact information below.

If you have not yet done so, we encourage you to log on to the Web Site (www.Vanguard.com). You can view and check the status of your accounts, make changes in where your funds are invested, initiate withdrawals, and many other services, including a large array of investment education assistance.

Need Free Advice? “Ask a CFP Professional” for help in managing all of your investments. You can contact Vanguard by phone by calling the Participant Service Center at 800-523-1188. A representative can answer questions for you and help you with all other services.

Vanguard Contact Information:

Web Page: www.Vanguard.com

Participant Services by Phone (The Vanguard “VOICE” System):

Or speak directly with a Participant Services Associate, 8:30 a.m. to 9:00 p.m. Eastern Time

Retirement System Contact Information

Director, Edward Jarvis, CRSP
907.343.8401

Dan Allen, Retirement Specialist IV
907.343.8409

Marie Berry, Retirement Specialist III
907.343.8405

Main Office Number
907.343.8400

Fax Number
907.343.8439

Toll Free Number
877.650.8400

Address
3600 Dr. Martin Luther King Jr. Ave.
Suite 207
Anchorage, AK 99507

Office Hours
Monday—Friday
8:00 am—4:30 pm

Web Page Address
Access Board meeting agendas, newsletters, forms, Board members listings and Plan summaries at the following address:
<http://www.muni.org/apfrs>



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Anchorage Police & Fire Retirement System Total Fund

December 31, 2020 : \$393,850,326

	Market Value (\$)	Allocation (%)
Barrow Hanley Enhanced Int Credit (SA)	72,249,562	18.34
Lazard Intl Equity ACW Ex US Trust (CF)	53,568,489	13.60
Capital Group All Countries Equity (CF)	52,309,596	13.28
SKBA Large Cap Value Equity (SA)	39,339,329	9.99
BNYM DB Lg Cap Grth Stock Index NL (CF)	36,997,082	9.39
BNYM DB Stock Index NL (CF)	36,494,072	9.27
Macquarie Small Cap Core (SA)	25,376,095	6.44
Smith Graham Mid Cap Value (SA)	24,893,127	6.32
UBS Trumbull Property (CF)	19,316,994	4.90
UBS AgriVest Farmland (CF)	17,491,600	4.44
UBS Trumbull Property Income (CF)	15,027,070	3.82
BlkRk Lq:FedFund;Instl (TFDXX)	787,310	0.20

	Market Value (\$)	Allocation (%)
Total Fund	393,850,326	100.00
Domestic Equity	163,099,705	41.41
International Equity	105,878,086	26.88
Domestic Fixed Income	72,249,562	18.34
Real Assets	51,835,663	13.16
Cash Equivalent	787,310	0.20

Anchorage Police & Fire Retirement Surplus Account

December 31, 2020 : \$13,218,480

	Market Value (\$)	Allocation (%)
Vanguard Retirement Savings Trust (CF)	4,526,370	34.24
Vanguard 500 Idx;Inv (VFINX)	2,176,301	16.46
Vanguard US Growth;Inv (VWUSX)	1,959,160	14.82
Vanguard Explorer;Inv (VEXPX)	891,134	6.74
Vanguard Wellington;I (VWELX)	582,480	4.41
Vanguard Tot Bd;Inv (VBMFX)	544,416	4.12
Vanguard Windsor II;Inv (VWNFX)	491,392	3.72
Vanguard Intl Gro;Inv (VWIGX)	392,566	2.97
Vanguard Tot I S;Inv (VGTSX)	357,348	2.70
Vanguard Sel Value;Inv (VASVX)	336,977	2.55
Vanguard LS Mod Gro;Inv (VSMGX)	316,315	2.39
Vanguard LS Growth;Inv (VASGX)	224,848	1.70
Vanguard RE Idx;Inv (VGSIX)	153,326	1.16
Vanguard Intl Val;Inv (VTRIX)	107,471	0.81
Vanguard LS Income;Inv (VASIX)	86,606	0.66
Vanguard LS Cons Gro;Inv (VSCGX)	71,772	0.54

Allocations shown may not sum up to 100% exactly due to rounding.