



Does the Alaska Public Employees' Retirement System Meet Defined Contribution Plan Design Gold Standards?

Gold Standard	Tier 4
Defined Plan Objectives <i>Ensure plan objectives are defined in writing as part of a comprehensive benefits policy statement.</i>	No
Communication and Education <i>Ensure members are educated on the available choices and have all relevant information to make competent retirement choices.</i>	Yes
Auto Enrollment <i>Enroll new employees into the DCR Plan by default.</i>	Yes
Adequate Contributions <i>Replace approximately 80% of a worker's final salary.</i>	No
Retirement Specific Portfolio Design <i>Offer "one-touch" investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.</i>	Some
Benefit Portability <i>Safeguard the ability to recruit highly mobile 21st Century employees.</i>	Some
Offer Distribution Options <i>Provide members with a variety of asset distribution methods while limiting borrowing.</i>	Some
Disability Coverage <i>Offer a separate disability insurance benefit from a quality insurer.</i>	Some

PENSION INTEGRITY PROJECT CONTACTS

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Objective	Gold Standard	Tier 4
Defined Plan Objectives	Defines objectives in writing as part of a comprehensive “benefits policy statement” or at least within a “retirement plan policy statement.”	<i>Employee communication materials for the plan continually refer to meeting employee objectives, but a well-defined plan objective is not clearly stated in authorizing statutes or the primary informational handbook. The DCR Plan handbook states: “Your retirement plan is designed to keep pace with your career; on your very first day of work you are in control. Your defined contribution retirement account is participant-directed, requiring your attention and understanding as you choose investment funds that fit your needs.” While a welcome approach, there ideally should be a clearer statement of what the plan is working to achieve on behalf of participants. The SBS-AP handbook does not address the purpose of the plan other than it exists in lieu of Social Security.</i>
Communication and Education	Educated members on the available choices and relevant information needed to make competent retirement decisions.	<i>The DCR Plan and SBS-AP make various communication and education services available to participants. Services range from group seminars and meetings to individualized advice and guidance offerings. Individual participants should be cautious about the use of higher priced managed account services that may not be necessary.</i>
Auto Enrollment	Defaults members into a defined contribution retirement option if no other option is selected upon hire.	<i>New employees are automatically enrolled in the plan and contributions are directed into an age-appropriate target date fund until the employee makes a positive election. This approach satisfies the auto enroll best practice.</i>
Adequate Contributions	Replace approximately 80% of a worker’s final salary.	<i>Alaska teachers do not participate in the supplemental annuity plan, leaving their 15% DCR contribution substantially below the target contribution range of 18-25% for those not covered by Social Security. There is also a potential major shortcoming in the Alaska DCR for public safety employee participants. With public safety workers participating in PERS but not participating in Social Security, their combined 25.26% contribution is well below the suggested 30%.</i>
Retirement Specific Portfolio Design	Offer “one-touch” investment options for employees who are not sophisticated investors and do not want to avail themselves of in-plan investment advice.	<i>Single choice target date options are available for individual participants desiring a more customized portfolio the plan offers a range of advice and guidance services. The basic menu includes a range of 16 options including mutual funds and Alaska managed balanced funds. In plan annuity, accumulation period options are not offered.</i>
Benefit Portability	Safeguard the ability to recruit highly mobile 21st Century employees.	<i>Accumulations attributable to employee contributions are, of course, immediately vested. Accumulations attributable to employer contributions are not fully vested for five years. Vesting is on a pro-rated scale beginning with 25% vested after two years of service and growing to 100% after five years. Full and immediate vesting of these employer contributions would be preferred to meet the needs of the mobile modern workforce. Five years is especially long for a defined contribution retirement plan.</i>
Offer Distribution Options	Provide members with a variety of asset distribution methods while limiting borrowing.	<i>The plan makes various distribution options available ranging from leaving the assets in the plan to various fixed-period and lifetime annuities. The offerings cover best practices but other than distributions required by regulations, there are no requirements for lifetime income.</i>
Disability Coverage	Offer a separate disability insurance benefit from a quality insurer.	<i>The DCR Plan presents itself as a “hybrid” plan because of the non-retirement benefits it provides to public employee participants. These benefits include disability and retiree health care. These appear to be generous benefits and satisfy best practices.</i>

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