

# FISCAL NOTE

STATE OF ALASKA  
2009 LEGISLATIVE SESSION

Fiscal Note Number: \_\_\_\_\_  
Bill Version: **HB 030**  
( ) Publish Date: \_\_\_\_\_

Identifier (file name): **HB030-DOA-DRB-03-16-09** Dept. Affected: Statewide  
Title An Act repealing the defined contribution retirement plans for RDU Statewide  
teachers and for public Component Statewide  
Sponsor Rep. HARRIS, HAWKER, MUNOZ, Kawasaki, Guttenberg...  
Requester (H)L&C Component Number \_\_\_\_\_

## Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

	Appropriation Required	Information					
	FY 2010	FY 2010	FY 2011	FY 2012	FY 2013	FY 2014	FY 2015
<b>OPERATING EXPENDITURES</b>							
Personal Services							
Travel							
Contractual							
Supplies							
Equipment							
Land & Structures							
Grants & Claims							
Miscellaneous			15,614.0	16,101.0	16,637.0	17,223.0	17,868.0
<b>TOTAL OPERATING</b>	<b>0.0</b>	<b>0.0</b>	<b>15,614.0</b>	<b>16,101.0</b>	<b>16,637.0</b>	<b>17,223.0</b>	<b>17,868.0</b>

<b>CAPITAL EXPENDITURES</b>							
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<b>CHANGE IN REVENUES ( )</b>							
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## FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts							
1003 GF Match							
1004 GF			15,614.0	16,101.0	16,637.0	17,223.0	17,868.0
1005 GF/Program Receipts							
1037 GF/Mental Health							
Other Interagency Receipts							
<b>TOTAL</b>	<b>0.0</b>	<b>0.0</b>	<b>15,614.0</b>	<b>16,101.0</b>	<b>16,637.0</b>	<b>17,223.0</b>	<b>17,868.0</b>

Estimate of any current year (FY2008) cost: \_\_\_\_\_

## POSITIONS

Full-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Part-time	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Temporary	0.0	0.0	0.0	0.0	0.0	0.0	0.0

## ANALYSIS: (Attach a separate page if necessary)

This legislation acts to repeal the hybrid defined contribution retirement (DCR) plan for teachers and for public employees and enroll new employees in the last tier of the defined benefit (DB) plans for both pension and retiree medical benefits. Existing DCR plan participants will be given a one-time opportunity to convert their DCR accounts to the DB plan. The legislation also moves the authority to approve an annual cost of living increase available only to Tier I DB members, the Ad Hoc Post Retirement Pension Adjustment, from the Commissioner of Administration to the Alaska Retirement Management Board and removes the requirement for 105% funding of the systems before an Ad Hoc can be issued. A breakdown of the costs for this bill between the PERS and TRS systems is contained on page two of this fiscal note. Since employer rates are capped at 22% for PERS and 12.56% for TRS, all increased costs are a liability of the state.

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Approved by: Rachael Petro  
Deputy Commissioner

Phone 465-4817  
Date/Time 3/16/09 12:52 PM  
Date 3/16/2009

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### ANALYSIS CONTINUATION

I. The tables in the section below show the cost of the bill for fiscal years 2011 through 2015 if the DCR Plan for pension and medical benefits is repealed and members revert back to the DB plans. Costs are based on PERS system payroll of \$2 billion and TRS system payroll of \$667 million annually. It is further assumed that payroll will grow by 4% per year and that all current DCR members will become members of the latest tier of DB plans and employer assets from the DCR plans will be transferred to the DB plans. Contribution rates have already been set for FY 10 so costs are reflected beginning in FY 11.

Dollars in thousands.

PERS	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Increase in Normal Cost Amount	\$0	\$13,077	\$13,491	\$13,946	\$14,444	\$14,994

TRS	FY 10	FY 11	FY 12	FY 13	FY 14	FY 15
Increase in Normal Cost Amount	\$0	\$2,537	\$2,610	\$2,691	\$2,779	\$2,874

II. The tables in the section below show the change in the normal cost rate and unfunded accrued liability.  
Dollars are in thousands.

Pension Only	PERS	TRS
Change in Employer Normal Cost Rate	0.34%	0.27%

Healthcare Only		
Change in Employer Normal Cost Rate	1.41%	1.18%

Total		
Change in Employer Normal Cost Rate	1.75%	1.45%