

March 18, 2014

VIA EMAIL

Mr. Mike Barnhill
 Deputy Commissioner
 Department of Administration
 State of Alaska
 333 Willoughby Avenue
 6th Floor State Office Building
 Juneau, AK 99811-0208

RE: Fiscal Note for PERS Amending Termination Cost under HB 152

Dear Mike:

As requested, we are providing the following information for the fiscal note on HB 152, which assumes the State will assume any costs associated with the termination of employees or groups of employees from participation in the State of Alaska Public Employees' Retirement System Defined Benefit Plan (PERS DB). Under current law, employers pay all termination costs. We have assumed that the State will absorb all termination costs and that no cost will be charged to the employers. We have also included the cost to the state of repealing the payments by employers to pay for past service liabilities under Section 3 of the bill and the retroactivity of that repeal under Section 5. This bill affects the PERS DB plan. Our results are based on the 2012 actuarial valuation results.

The table below shows the estimated cost of the bill to the State for Fiscal Years 2015 through 2020 if 20% of employees of non-State entities were to terminate participation in PERS. Dollars are in thousands.

PERS DB Plan	FY15	FY16	FY17	FY18	FY19	FY20
Shift of prior Past Service Cost Payments made by employers to the State due to Retroactivity back to July 1, 2008	\$552	\$0	\$0	\$0	\$0	\$0
Shift of Past Service Cost Payments to the State due to the repeal of AS 39.35.625	\$12,902	\$12,902	\$12,902	\$12,902	\$12,902	\$12,902
Increase in Contribution Payment due to earlier benefit commencement for terminated employees shifted to the State	\$2,829	\$2,914	\$3,010	\$3,115	\$3,231	\$3,352
Total Increase in Annual State Contribution Amount	\$16,283	\$15,816	\$15,912	\$16,017	\$16,133	\$16,254

Summary for Analysis Continuation Section of Fiscal Note

The assumptions, plan provisions and methods used for the DB plan costs are described in the draft actuarial valuation report as of June 30, 2012. The assets are based on the June 30, 2012 information provided by Christina Maiquis. We have assumed that 20% of non-State employers will withdraw from the PERS DB Plan. We have assumed that the bill will become effective July 1, 2014. The population consists of non-State governmental entities which represents 39% of the current active payroll.

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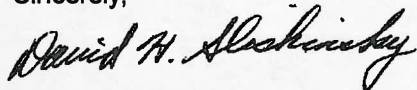
The annual costs to the State for absorbing termination costs previously paid by the non-State entities assume that 20% of all eligible employees are removed from participation in PERS. Actual costs can vary significantly from the results shown here as they are dependent on the extent to which employers utilize these new provisions and terminate employees from participation in PERS.

The table below summarizes the estimated change in the unfunded accrued liability as of June 30, 2012 due to the termination costs absorbed by the State. Dollars are in thousands. The unfunded liability increases for the liability for future pension and medical payments.

PERS DB Plan	Current DB Plan	DB Plan After Change	Change
Accrued Liability	\$ 19,292,361	\$ 19,367,402	\$ 75,041
Actuarial Value of Assets	11,832,030	11,832,030	0
Total Unfunded Accrued Liability	\$ 7,460,331	\$ 7,535,372	\$ 75,041

Please let us know if you need any further information.

Sincerely,



David H. Sliskinsky, F.C.A., A.S.A., E.A.
Principal and Consulting Actuary

c: Ms. Kathy Lea, State of Alaska
Mr. Brandon Maitlen, State of Alaska
Mr. Andy Mills, State of Alaska
Ms. Kyla Kaltenbach, Buck Consultants