

Fiscal Note

State of Alaska
2013 Legislative Session

Bill Version: HB 174
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB174-DOA-DRB-3-22-13
Title: PERS CONTRIBUTIONS BY MUNICIPALITIES
Sponsor: COMMUNITY & REGIONAL AFFAIRS
Requester: House Community and Regional Affairs Committee

Department: Department of Administration
Appropriation: Centralized Administrative Services
Allocation: Retirement and Benefits
OMB Component Number: 64

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

	FY2014	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2014 Request	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019
OPERATING EXPENDITURES	FY 2014	FY 2014					
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	187.0		176.0	167.0	157.0	148.0	139.0
Total Operating	187.0	0.0	176.0	167.0	157.0	148.0	139.0

Fund Source (Operating Only)

1004 Gen Fund	187.0		176.0	167.0	157.0	148.0	139.0
Total	187.0	0.0	176.0	167.0	157.0	148.0	139.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues							
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Estimated SUPPLEMENTAL (FY2013) cost: 706.0

Estimated CAPITAL (FY2014) cost: 0.0

ASSOCIATED REGULATIONS

Does the bill direct, or will the bill result in, regulation changes adopted by your agency? no
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

Not applicable, initial version.

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Division:	Retirement and Benefits	Date:	03/22/2013 10:06 AM
Approved By:	Curtis Thayer, Deputy Commissioner	Date:	03/22/13
	Department of Administration		

FISCAL NOTE ANALYSIS

**STATE OF ALASKA
2013 LEGISLATIVE SESSION**

BILL NO. HB 174

Analysis

This bill eliminates the 2008 salary floor on which PERS employer contributions are based for PERS municipalities that have sustained a 25% decrease in population between 2000 and 2010. The bill also lowers the interest charged for such municipalities on delinquent contributions from one and one-half times the most recent actuarially determined rate of earnings for the plan (12%) to 3 percentage points above the 12th Federal Reserve District Discount rate, which was 0.75% for 2012. The basic impact of the bill is that if a municipality qualifies, its contributions will be based on current payroll and its interest rate on delinquent contributions will be close to 4%, as opposed to 12%.

Buck Consultants, the PERS actuarial consultant, has calculated the financial effects if this bill should pass. Since the bill is retroactive to 2009, it would require forgiveness of all salary floor contributions and fees immediately upon becoming law. Therefore the largest cost would occur in that fiscal year. For the purposes of this fiscal note, the retroactive costs are shown as a supplemental appropriation for the FY 13 budget. Employer rates for the PERS are set in statute at 22% of salary and cannot be increased. The costs associated with this bill would be borne by the State of Alaska under AS 39.35.280 which requires the State to make up any payments to the plan that exceed employer contributions to sufficiently pay the plan's past service liability for each fiscal year.

The table below shows the estimated cost of the bill shows the estimated costs of the bill from FY 14 through FY 19. Dollars are in thousands. Additional information regarding the development of the estimate is included in Buck Consultant's March 1, 2013 attached letter developed for Senate Bill 48, the companion to this bill.

PERS DB Plan	FY13 Approp	FY14	FY15	FY16	FY17	FY18	FY19
Cost due to AS 39.35.255 amendment	\$ 195.0	\$ 187.0	\$ 176.0	\$ 167.0	\$ 157.0	\$ 148.0	\$ 139.0
Cost due to AS 39.35.610 amendment	\$ 511.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0	\$ 0.0
Total Increase in cost	\$ 706.0	\$ 187.0	\$ 176.0	\$ 167.0	\$ 157.0	\$ 148.0	\$ 139.0