

ALASKA STATE LEGISLATURE

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Sponsor Statement

Senate Bill 207

Senate Bill 207 proposes a gradual, multi-year increase in the employer contribution rate for the Teachers Retirement System (TRS) from the current level of 12.56% to 19% for FY 2017, 20% in FY 2018, 21% in FY 2019, and a final increase to 22% in FY 2020.

The TRS was established as a cost sharing plan in which all employers pay one uniform rate and share in the liabilities and the assets of the plan. In 2008, with the passage of Senate Bill 125, the uniform rate was established at 12.56%, with the State of Alaska paying the difference in costs between the uniform rate and the actuarial cost, which was determined by the Alaska Retirement Management Board and the actuary consultants to the State of Alaska. This allowed the state to share in the payment of the unfunded liability of the system with the employers.

The establishment of the 12.56% and the commitment of the state to assist in costs over 12.56% was made at a time when oil value was setting not only record price, but generating record state revenue.

From FY2008 through FY2016, TRS appropriations ranged from \$130 million to \$317 million annually. During those nine years, a cumulative total of \$1.824 billion was appropriated to the TRS unfunded liability. In addition to the state assistance payments, in FY 2015, an appropriation was made to the TRS Fund in the amount of \$2,000,000,000 in order to improve the health of the system and reduce the unfunded liability. In total, state unrestricted general fund assistance has exceeded \$3.8 billion over the past nine years.

SB 207 is a conservative approach to balancing the state's current fiscal reality and its commitment to assisting TRS employers with the cost and the unfunded liability of the system.

To clarify the intent of the Alaska State Legislature, language has been included stating that the legislature intends to appropriate additional funds to TRS employers to mitigate the impact of the rate increase. This provision, coupled with the gradual increase in the rate over multiple fiscal years, provides a level of stability that will assist the State of Alaska and TRS employers in fulfilling the obligation to a healthy retirement system for its members.