

ALASKA STATE LEGISLATURE

SENATE FINANCE COMMITTEE

Senator Anna MacKinnon, Co-Chair
State Capitol, Room 516
Juneau, Alaska 99801-1182
Phone: (907) 465-3777
Sen.Anna.MacKinnon@akleg.gov



Senator Pete Kelly, Co-Chair
State Capitol, Room 518
Juneau, Alaska 99801-1182
Phone: (907) 465-3709
Sen.Pete.Kelly@akleg.gov

Sponsor Statement Senate Bill 209

An Act relating to increasing employer contributions to the defined benefit plan in the Public Employees' Retirement System in Alaska

Senate Bill 209 proposes a gradual, multi-year increase in the employer contribution rate for the Public Employees Retirement System (PERS) from the current level of 22% to 24.5% for FY 2017, 25.5% in FY 2018, and 26.5% in FY 2019.

In 2008, with the passage of Senate Bill 125, the uniform rate was established at 22%, 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 made the PERS a cost sharing plan in which all employers pay one uniform rate and share in the liabilities and the assets of the plan. This allowed the state to share in the payment of the unfunded liability of the system with the employers.

The establishment of the 22% and the commitment of the state to assist in costs over 22% was made at a time when oil value was setting not only record price, but generating record state revenue.

From FY2008 through FY2016, PERS appropriations ranged from \$108 million to \$312 million annually. During those nine years, a cumulative total of \$1.708 billion was appropriated to the PERS unfunded liability. In addition to the state assistance payments, in FY 2015, an appropriation was made to the PERS Fund in the amount of \$1,000,000,000 in order to improve the health of the system and reduce the unfunded liability. In total, state unrestricted general fund assistance has exceeded \$2.7 billion over the past nine years.

Senate Bill 209 is a conservative approach to balancing the state's current fiscal reality and its commitment to assisting PERS employers with the cost and the unfunded liability of the system.

This legislation provides a level of stability that will assist the State of Alaska and PERS employers in fulfilling the obligation to a healthy retirement system for its members.