

# Fiscal Note

State of Alaska  
2016 Legislative Session

Bill Version: SB 207  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: SB207-DOA-TRS-04-03-16  
Title: TEACHERS RETIRE. EMPLOYER  
CONTRIBUTIONS  
Sponsor: FINANCE  
Requester: Senate Finance

Department: State Retirement Payments  
Appropriation: TRS State Assistance  
Allocation: School District TRS  
OMB Component Number: 2863

**Expenditures/Revenues**

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

	FY2017	Included in	Out-Year Cost Estimates				
	Appropriation Requested	Governor's FY2017 Request	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022
<b>OPERATING EXPENDITURES</b>	<b>FY 2017</b>	<b>FY 2017</b>	<b>FY 2018</b>	<b>FY 2019</b>	<b>FY 2020</b>	<b>FY 2021</b>	<b>FY 2022</b>
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous	(49,388.0)	116,699.9	(58,472.0)	(68,048.0)	(78,125.0)	(80,208.0)	(82,345.0)
<b>Total Operating</b>	<b>(49,388.0)</b>	<b>116,699.9</b>	<b>(58,472.0)</b>	<b>(68,048.0)</b>	<b>(78,125.0)</b>	<b>(80,208.0)</b>	<b>(82,345.0)</b>

**Fund Source (Operating Only)**

1004 Gen Fund	(49,388.0)	116,699.9	(58,472.0)	(68,048.0)	(78,125.0)	(80,208.0)	(82,345.0)
<b>Total</b>	<b>(49,388.0)</b>	<b>116,699.9</b>	<b>(58,472.0)</b>	<b>(68,048.0)</b>	<b>(78,125.0)</b>	<b>(80,208.0)</b>	<b>(82,345.0)</b>

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

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**Estimated SUPPLEMENTAL (FY2016) cost:** 0.0 *(separate supplemental appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**Estimated CAPITAL (FY2017) cost:** 0.0 *(separate capital appropriation required)*  
*(discuss reasons and fund source(s) in analysis section)*

**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If yes, by what date are the regulations to be adopted, amended or repealed?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.

Prepared By: <u>John Boucher, Deputy Commissioner</u>	Phone: <u>(907)465-5671</u>
Division: <u>Commissioner's Office</u>	Date: <u>04/03/2016 01:20 PM</u>
Approved By: <u>Sheldon Fisher, Commissioner</u>	Date: <u>04/03/16</u>
Agency: <u>Department of Administration</u>	

**FISCAL NOTE ANALYSIS**

**STATE OF ALASKA  
2016 LEGISLATIVE SESSION**

**BILL NO. SB 207**

**Analysis**

Pursuant to AS 14.25.070, each TRS employer pays a uniform contribution rate of 12.56% of total payroll. Pursuant to AS 14.25.085, the State contributes an additional amount, which, when combined with member and employer contributions, is sufficient to pay the plan’s past service liability at the contribution rate adopted by the Alaska Retirement Management Board.

SB 207 increases the 12.56% uniform contribution rate paid by employers, which results in a decrease in the TRS state assistance contribution. The change in funding policy maintains the total contributions to TRS, so the year-to-year funded ratio remains unchanged.

The provisions of SB 207 provide for increases in the uniform contribution rate from 12.56% of total payroll to:  
 12.56 percent before July 1, 2016;  
 19.00 percent after June 30, 2016, and before July 1, 2017;  
 20.00 percent after June 30, 2017, and before July 1, 2018;  
 21.00 percent after June 30, 2018, and before July 1, 2019;  
 22.00 percent after June 30, 2019.

All other things equal, the effect of SB207 is to decrease the TRS state assistance contribution required under AS 14.25.085 and increase the TRS contributions required of employers.

Change in State Assistance (\$ in thousands)

FY	Current	Under SB207	Change
2017	\$116,700	\$67,312	(\$49,388)
2018	\$91,323	\$32,851	(\$58,472)
2019	\$101,346	\$33,298	(\$68,048)
2020	\$111,394	\$33,269	(\$78,125)
2021	\$116,743	\$36,535	(\$80,208)
2022	\$122,383	\$40,038	(\$82,345)

Assuming all other actuarial assumptions are realized, projections through FY2022 show the following changes to the state assistance payment and the employer contributions: For projections beyond FY2022, see page 4 of the enclosed letter from Buck Consultants.

Increase/(Decrease) in Projected Contributions by State & non-state employers (\$ thousands)

FY	Employer Contributions			State
	Non-State	State	Total	Assistance
2017	\$46,706	\$2,666	\$49,372	(\$49,388)
2018	\$55,314	\$3,158	\$58,472	(\$58,472)
2019	\$64,373	\$3,675	\$68,048	(\$68,048)
2020	\$73,906	\$4,219	\$78,125	(\$78,125)
2021	\$75,877	\$4,331	\$80,208	(\$80,208)
2022	\$77,898	\$4,447	\$82,345	(\$82,345)

The basis for this analysis was provided by Buck Consultants. Assumptions and methods used in this analysis are the same as those described in the TRS draft actuarial valuation report as of June 30, 2015 dated January 12, 2016.

The projections implicitly assume that employers will pay the increased contributions without repercussions to other portions of their budgets. Some employers may resort to reducing payroll and/or headcounts to accommodate fixed budgets. This could have the effect of partially reversing the impact of this proposal.