

# Fiscal Note

State of Alaska  
2017 Legislative Session

Bill Version: HB 83  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB083-DOA-DRB-04-07-17  
Title: TEACHERS & PUB EMPLOYEE RETIREMENT  
PLANS  
Sponsor: KITO  
Requester: House Labor & Commerce

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)

	FY2018 Appropriation Requested	Included in Governor's FY2018 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2018	FY 2018	FY 2019	FY 2020	FY 2021	FY 2022	FY 2023
Personal Services	491.6		100.1	100.1	100.1	100.1	100.1
Travel							
Services	275.0		6.5	6.5	6.5	6.5	6.5
Commodities	84.3						
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	<b>850.9</b>	<b>0.0</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>

## Fund Source (Operating Only)

1004 Gen Fund (UGF)	850.9						
1029 PERS Trust (Other)			74.6	74.6	74.6	74.6	74.6
1034 Teach Ret (Other)			32.0	32.0	32.0	32.0	32.0
<b>Total</b>	<b>850.9</b>	<b>0.0</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>	<b>106.6</b>

## Positions

Full-time	1.0		1.0	1.0	1.0	1.0	1.0
Part-time							
Temporary	5.0						

## Change in Revenues

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

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

**Estimated CAPITAL (FY2018) 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? Yes  
If yes, by what date are the regulations to be adopted, amended or repealed? ASAP

## Why this fiscal note differs from previous version:

Initial version.

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Agency: Department of Administration  
Phone: (907)465-4471  
Date: 04/07/2017 12:00 PM  
Date: 04/07/17

# FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2017 LEGISLATIVE SESSION

BILL NO. HB 83

## Analysis

This administrative fiscal note reflects the costs to the Division of Retirement and Benefits (Division) to implement the education, reporting, accounting and personnel costs to respond to increased phone calls, defined benefit (DB) and defined contribution (DC) plan potential outcome comparisons and requests for individual counseling and group seminars. This bill would provide a new DB tier for employees first hired on or after July 1, 2006. New employees for the Teachers' and Public employees' Retirement Systems would be defaulted into new DB tiers (Tier V PERS, Tier IV TRS) but would be able to elect participation in the DC plans if they file an election to participate within 90 days of hire. Existing DC members (PERS Tier IV and TRS Tier III) will be afforded an opportunity to transfer to the new DB tiers.

Regulations regarding the manner and timing of election will need to be drafted as well as regulations regarding the election itself. Due to the short timeframe to the effective date, these will likely be emergency regulations. An actuarial analysis performed by the Plan actuary will need to be completed to determine the actual costs of the bill to the plans and the effects on any future unfunded liability. This analysis will be included in a separate fiscal note.

The Division will need to program an online DB/DC benefit comparison tool for new employees and employees contemplating conversion to use in order to meet the 20-day requirement in the bill to deliver this information. The cost of programming the tool is estimated at \$75,000. Other Division systems will need to be reprogrammed and updated with the new tier information for contribution reporting, benefit calculation and for tracking elections. The estimated cost for reprogramming is \$200,000.

Additionally, all division pension and annuity publications for the PERS and TRS will need to be recreated with the new information as well as extensive web site changes. The cost for this change is estimated to be \$60,000 for the first year and an ongoing cost of \$3,000 per year.

Personnel needed to implement the new plan will include 4 non-permanent call center RB technician I positions to respond to phone inquiries and produce comparison projects, 1 permanent RB Specialist II position to provide counseling and information regarding both plans to new employees and employees who elect to transfer from the defined contribution to the defined benefit plan and 1 non-permanent Accountant III to reconcile the contributions transferred and contributions due when existing DC members choose to transfer to the DB plan or new members choose to transfer to the DC plan after initial hire.

(In thousands)	FY18	FY19	FY20	FY21	FY22	FY23
<b>Personnel</b>						
Permanent RBS II (1)	100.1	100.1	100.1	100.1	100.1	100.1
LTNP RB Tech I (4)	290.0	0	0	0	0	0
LTNP Accountant III (1)	101.5	0	0	0	0	0
<b>Sub Total</b>	<b>491.6</b>	<b>100.1</b>	<b>100.1</b>	<b>100.1</b>	<b>100.1</b>	<b>100.1</b>
<b>Commodities</b>						
Publications	58.3	3.0	3.0	3.0	3.0	3.0
Cubicle	10.0	0	0	0	0	0
Phone	7.0	3.5	3.5	3.5	3.5	3.5
Computers	9.0	0	0	0	0	0
<b>Sub Total</b>	<b>84.3</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>	<b>6.5</b>
<b>Contractual Services</b>						
Comparison Calculator	75.0	0	0	0	0	0
Other Systems	200.0	0	0	0	0	0
<b>Sub Total</b>	<b>275.0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>