

SB 55: Employer Contributions to PERS

- Makes no change to the Teachers Retirement System (TRS)
- Continues to fully fund state's obligation to the Public Employees Retirement (PERS) system
- No impact to the PERS unfunded liability
- State of Alaska is the only PERS employer affected
- Current 22% contribution rate cap remains in place for all other PERS employers, including municipalities, school districts, the University of Alaska, and participating state corporations
- Saves \$26 million UGF in the first year; up to \$40 million in future years

Summary

Senate Bill 55 removes the 22 percent cap on payroll contributions to the Public Employee Retirement System (PERS) for the State of Alaska as an employer. All other PERS employers' rates will remain capped at 22 percent of payroll. This legislation does not impact TRS employers.

This legislation will allow the state to shift a portion of the annual PERS assistance payment it makes on behalf of its employees, which is funded with unrestricted general funds (UGF), to state agency payrolls where it can be spread across all fund sources. This change is anticipated to save an estimated \$26 million in UGF in the first year and up to \$40 million in two years by shifting these costs to other fund sources; mostly federal.

The legislation will increase the State of Alaska's payroll contribution from a fixed 22 percent to the annually calculated actuarially rate, which is 30.11 percent for FY22. By making the full PERS contribution every payroll across all fund sources, the state will no longer need to include an assistance payment on its own behalf, thereby reducing its overall UGF assistance payment by \$96 million.

The table below shows estimates for the cost increases by fund group for state agencies as well as the associated reduction in the state assistance payment, which is normally shown under "statewide items" in the OMB and Legislative Finance fiscal summaries. The net reduction in unrestricted general fund spending is estimated to be \$26 million in fiscal year 2022. These savings are projected to increase in future years.

Fiscal Impact of SB55:

	UGF	DGF	Other	Fed	Total
SOA Payroll (FY22)					
Current law: 22% cap	812,360.4	230,584.5	559,009.6	280,950.0	1,882,904.5
SB55: 30.11% FY22 Actuarial Rate	882,467.5	234,464.1	576,783.5	292,612.9	1,986,328.0
(A) Difference	70,107.1	3,879.6	17,773.9	11,662.9	103,423.5
State Assistance Appropriation to PERS (FY22)					
Current law: 22% cap	193,494.0	0.0	0.0	0.0	193,494.0
SB55: 30.11% FY22 Actuarial Rate	97,699.5				97,699.5
(B) Difference	(95,794.5)	0.0	0.0	0.0	(95,794.5)
Net Fiscal Impact (A + B)	(25,687.4)	3,879.6	17,773.9	11,662.9	7,629.0

Note: Standard methodological differences between actuarial and budgeted payroll projections result in a difference between the state's estimated share of the state assistance payment and the budgetary impact of the change from 22% to 30.11% of payroll. The intent of this legislation is to fully fund the state's retirement obligation based on the actuarial assessment of the Alaska Retirement Management Board.