SB 81
Public Employer Pension Contributions

Senate Labor And Commerce Committee
Senator Bert Stedman
April 4, 2025

History of the Unfunded Actuarial Accrued Liability

- 2003: A series of errors culminated in the disclosure of a $4.2 billion unfunded liability.
- 2006: Alaska Retirement Management (ARM) Board sets employer contribution rates to full actuarial rate.
- 2008: Legislature caps Public Employees' Retirement System (PERS) rates by statute at 22% for non-state employers (SB 125).

  Legislature enacts state assistance (SB 125); pays the difference between the actuarial rate and the capped rate.
  - State assistance funded by unrestricted general funds (UGF).
  - Pays state assistance on behalf of all employers, including State of Alaska, which is the biggest employer in PERS.
- 2013: Unfunded liability reaches $5.3 billion.
- 2014: Legislature appropriates $3 billion from Constitutional Budget Reserve (CBR) for PERS and Teachers' Retirement System (TRS) state assistance (HB 385).
  - Contribution rate for liquidating the past service liability to be determined by a "level percent of pay" method.
- 2021: Legislature removes 22% cap on PERS payroll contributions made by State of Alaska as an employer (SB 55).
  - Shifts employer contributions from UGF to state agency payrolls where it can be spread across all fund sources.
  - **State assistance payments for Municipalities and other PERS employers remain 100% UGF.**
- 2023: Additional State Contributions over 15 years total $2.5 billion and unfunded liability reaches $5.7 billion.
- 2030: Original date for the unfunded liability to be paid off based on the ARM Board's 2006 plan.
- 2039: Current projected date for the unfunded liability to be paid in full.

History of the 22% Cap

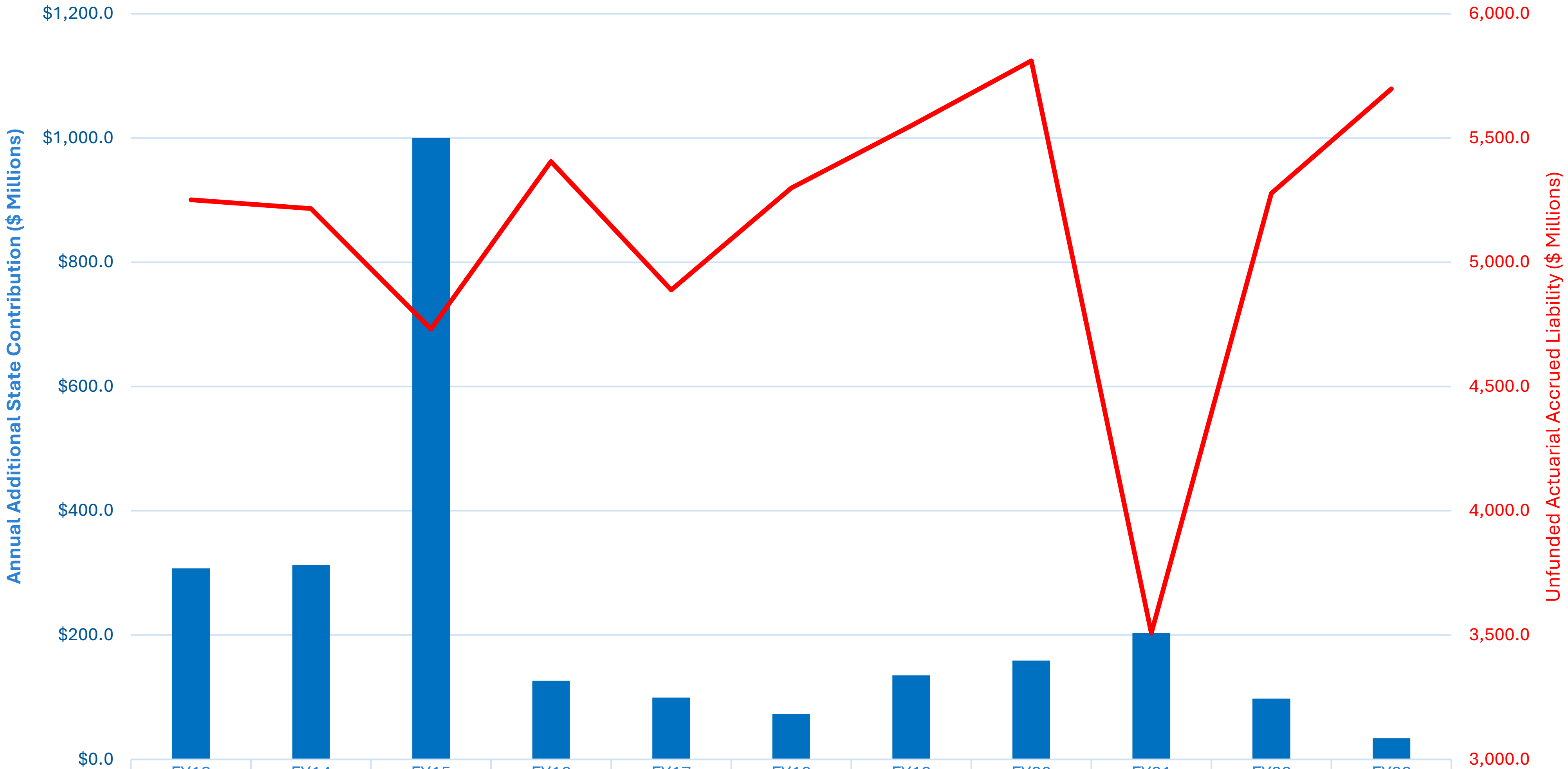
SB 125 PERS/TRS CONTRIBUTIONS; UNFUNDED LIABILITY

- Established in 2008.
- Created a combined liabilities system for all PERS employers and allocated the unfunded liability to be collectively shared among them.
- Capped the contribution rate for non-state PERS employers at 22% of aggregate payroll.
- Applied remaining contributions, after covering the plan's normal cost, to the unfunded liability.
- Obligated the state to pay its 22% employer contribution and cover the difference between the 22% cap and the annually determined actuarially rate.

Why the 22% Cap was needed?

- Prior to the 22% cap, non-state employers made a variety of contributions to reduce their share of the unfunded liability.
- Some employers had previously made additional payments towards reducing their portion of the unfunded liability.
- Others were paying rates below the 22% level.
- The deficits of several municipal employers were so substantial that their financial insolvency became apparent.

PERS Annual Additional State Contribution vs. PERS Unfunded Actuarial Accrued Liability



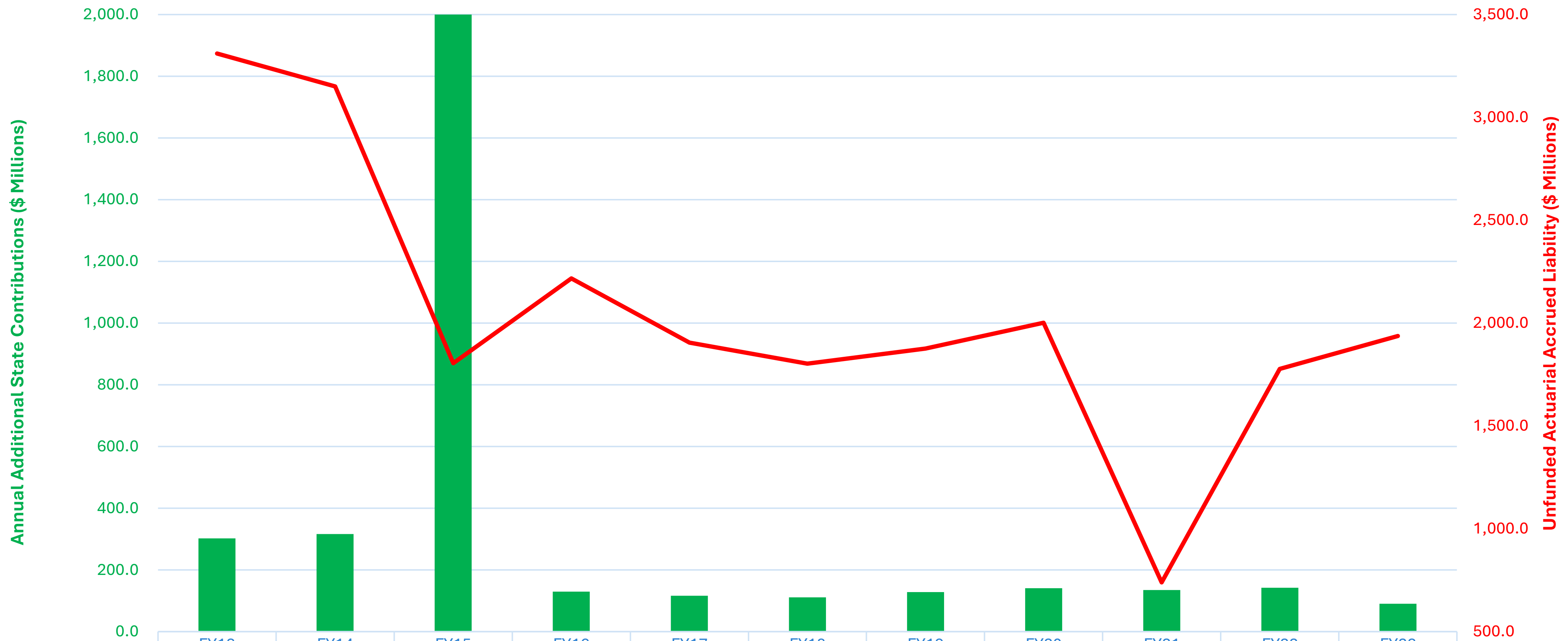
	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Additional State Contribution	307.3	312.5	1,000.0	126.5	99.2	72.7	135.2	159.1	203.6	97.7	33.9
Unfunded Actuarial Accrued Liability	5,251.4	5,216.3	4,731.1	5,405.3	4,889.0	5,299.4	5,549.8	5,810.4	3,507.7	5,277.5	5,698.1

- The unfunded liability grew from $5.3 billion in FY13 to $5.7 billion in FY23, reflecting an increase of $447 million.
- Over the same ten-year period, $2.5 billion in additional state payments were allocated to reduce the unfunded liability.
- Persisting with this approach will burden future generations with a debt they had no part in creating, while also hindering our ability to allocate millions of dollars to other critical priorities.

PERS Additional State Contributions FY23 – FY26

Contribution Year	Additional State Contribution ($ Millions)
FY23	33.9
FY24	37.9
FY25	59.1
FY26	79.8 **proposed*

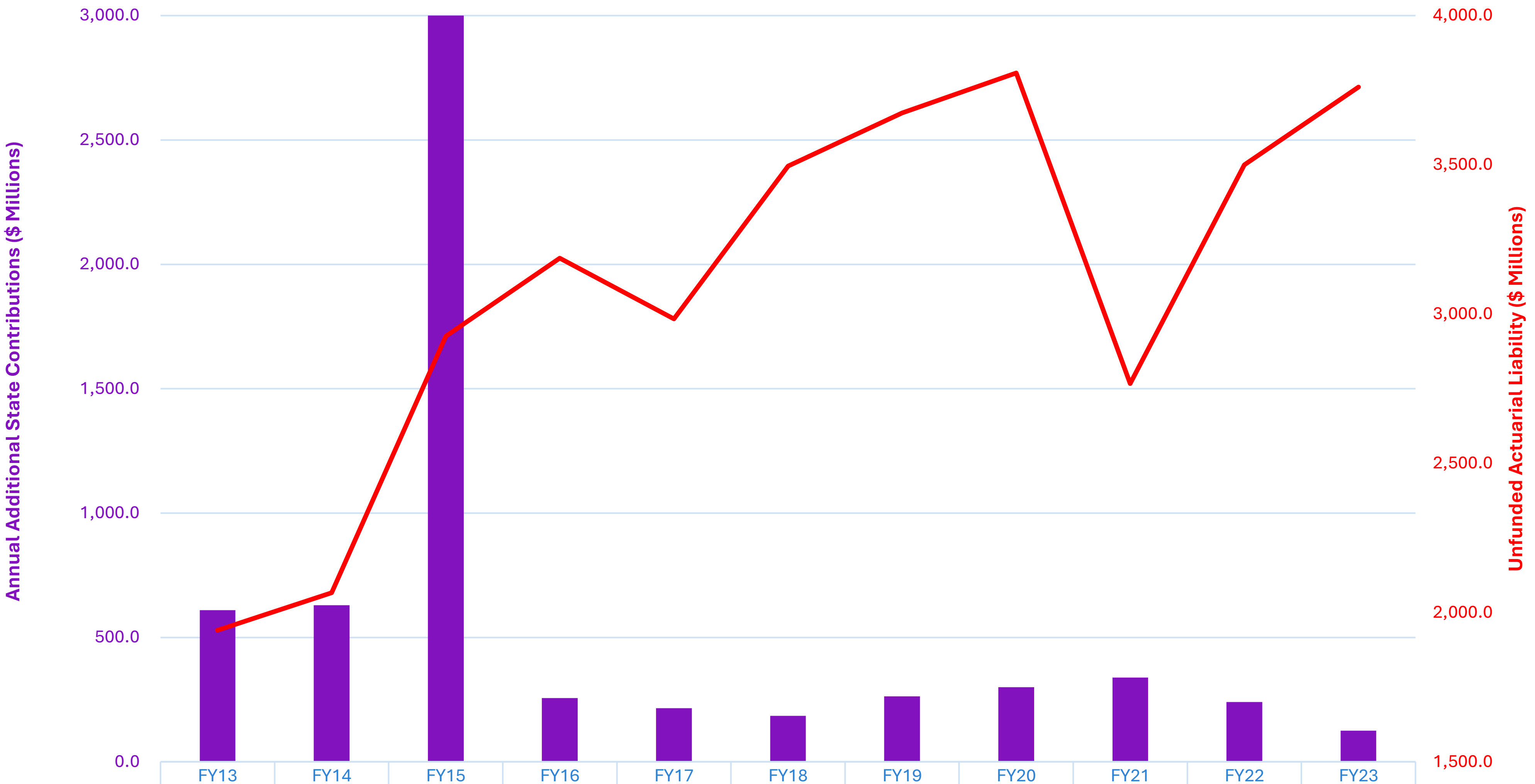
TRS Annual Additional State Contribution vs. TRS Unfunded Actuarial Accrued Liability



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Additional State Contribution	302.8	316.8	2,000.0	130.1	116.7	111.8	128.2	141.1	135.0	142.7	91.0
Unfunded Actuarial Accrued Liability	3,310.4	3,150.2	1,804.8	2,217.6	1,905.2	1,803.6	1,876.1	2,002.2	740.4	1,777.4	1,937.2

Additional State Contribution   Unfunded Actuarial Accrued Liability

Combined PERS & TRS Additional State Contribution vs. Combined Unfunded Actuarial Accrued Liability



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22	FY23
Additional State Contribution	610.1	629.3	3,000.0	256.6	215.9	184.5	263.4	300.2	338.6	240.4	124.9
Unfunded Actuarial Accrued Liability	1,941.0	2,066.1	2,926.3	3,187.7	2,983.8	3,495.8	3,673.7	3,808.2	2,767.3	3,500.1	3,760.9

Additional State Contribution   Unfunded Actuarial Accrued Liability

GOAL: Reduce the Unfunded Liability

For the past two decades, the unfunded liability has significantly impacted both participating employers' and the state's finances. SB 81 would allow flexibility for the Alaska Retirement Management Board to:

- Set rates outside the 22% cap.
- Explore alternatives to the level percent of pay amortization method currently used.

Current amortization methodology is proving ineffective in achieving meaningful reductions to the unfunded liability.