

Dear Senators Wielechowski, Paskvan, Kookesh, Meyer, and Giessel;

After having dialed the call in number several times this morning but not getting through [it turns out I was given the wrong number], I am now submitting written testimony regarding SB 121.

My main concern is the linkage between this bill and the > \$11 B unfunded State retirement liability [UL]. I can only support passage of SB 121 if Alaska does a better job of taking care of this liability. Otherwise, we will be giving new hires false hopes by allowing them to opt into a system that may run out of funds before they retire. If that happens, they would have been better off under the current DC system for them. The current pay-down plan calls for putting in \$ 610 M this year toward the UL and increasing the yearly payments to > \$ 1 B/yr in the 2020s. If we are only willing to put in \$ 610 M this year when we have \$ 13 B in the budget reserves, how can we ever put in > \$ 1 B in 12 years or so when we may have 0 reserves?

Putting those hired since 2006 on DB may help those already retired like myself by putting more money into PERS and TRS. But, who will pay for their retirement in 20 or 30 years?

I sympathize with those who testified today about their concern for a secure retirement. We can provide that for new hires, if SB 121 passed, by putting significantly more money [maybe \$ 2 - \$ 4 B this year for example] toward paying down the liability.

One last point concerns the significance of having DC for new hires in attracting and retaining employees. I heard anecdotal stories [today and at the SB 121 hearing last fall in Fairbanks] about individuals leaving or thinking of leaving Alaska because they are on DC retirement systems. I urge you to look at the system data that is available about those voluntarily leaving state employment before 2006 and since 2006. The data I looked at for more than 15,000 employees in the Executive Branch [14 state agencies] indicates that about 15 %/yr left in FYs 2005 and 2006 and 13 %/yr since then. Hence, these data don't show that DC is having a detrimental effect on retention. Clearly, other factors such as the world and national economies play significant roles.

I know from personal experience at UAF, that we had a more difficult time attracting top-notch engineering faculty in the 1980s than we did after 2006. Again, a significant factor was job opportunities in the lower 48 then versus now.

In conclusion, if you do favor passage of SB 121, I urge you do so for reasons supported by available data and in concert with a more aggressive approach toward reducing the UL. I'm glad you are trying to ensure it is cost neutral.

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2113 Jack St Fairbanks, AK 99709 Jan 26, 2012