



Fairbanks North Star Borough *Office of the Mayor*

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February 28, 2014

Representative Kurt Olson, Chair
House Labor & Commerce Committee
State Capitol, Room 24
Juneau, AK 99801

RE: Support for Proposed CS HB 152\P PERS termination Costs

Thank you for the opportunity to comment on the above referenced proposed legislation. The Fairbanks North Star Borough administration supports the initial bill and the proposed changes in the CS for House Bill No 152\P, proposed by Representative Thompson.

Infusing \$3 Billion into the underfunded PERS and TRS systems will save the state and municipalities future contributions, in years where revenues will likely be less. By prefunding, it allows the systems to reduce contributions in future years and allows for interest earnings to be utilized, increasing the funding ratio of both systems.

Additionally, repeal of the termination study requirement will allow municipal employers necessary operational flexibility to manage its programs and services, based upon current needs. Municipalities should be able to adjust their workforce as needs demand, without the concern that an administrative decision made today will have long-term financial impacts to the municipalities PERS liability.

We recognize that some protections are necessary to ensure ongoing participation in the program, and the revised Sec 39.35.625 provides that clarity.

The Fairbanks North Star Borough Assembly passed resolution on January 30, 2014 supporting Governor Parnell's proposal to appropriate \$3 Billion from the Constitutional Budget Reserve into the Alaska Retirement Trust Funds in 2015. A copy of the Assembly resolution is attached.

Sincerely,

A handwritten signature in blue ink, appearing to read "Luke Hopkins".

Luke Hopkins, Borough Mayor
Fairbanks North Star Borough

Attachment: FNSB Assembly Resolution 2014-06

1 By: Kathryn Dodge
2 Diane Hutchison
3 Janice Golub
4 Introduced: 01/30/2014
5 Adopted: 01/30/2014
6

7 FAIRBANKS NORTH STAR BOROUGH

8
9 RESOLUTION NO. 2014 - 06

10
11 A RESOLUTION OF THE FAIRBANKS NORTH STAR BOROUGH
12 EXPRESSING STRONG SUPPORT FOR GOVERNOR PARNELL'S
13 PROPOSAL TO APPROPRIATE \$3 BILLION FROM THE CONSTITUTIONAL
14 BUDGET RESERVE INTO THE ALASKA RETIREMENT TRUST FUNDS IN
15 2015
16

17 WHEREAS, the combined unfunded liability of Alaska's Public
18 Employee's Retirement System (PERS) and Teacher's Retirement System (TRS) is
19 \$11.8 billion at June 30, 2012; and
20

21 WHEREAS, the funded ratio of PERS is 61.3% and TRS is 52.1% at
22 June 30, 2012; and
23

24 WHEREAS, the Governor has identified the State's unfunded pension
25 liability as Alaska's biggest budget driver, with annual State Assistance payments
26 expected to exceed \$1 billion per year without a substantial cash infusion directly into
27 the retirement trust funds; and
28

29 WHEREAS, State Assistance payments on behalf of municipalities
30 provide significant rate relief to local taxpayers, provide budget predictability and
31 stability to local governments, and are crucial to the financial health of Alaska's
32 municipalities and school districts; and
33

34 WHEREAS, Governor Parnell's plan is in the best interests of the
35 retirement systems, the State of Alaska and its municipalities by honoring Alaska's
36 constitutional obligations, reducing annual state assistance contributions to a more
37 predictable and sustainable \$500 million per year, increasing the funded status of the
38 PERS and TRS by 10%, honoring the State's previous commitment to pay employer
39 contribution rates in excess of 22%, allowing for future interest earnings to offset
40 future contribution requirements, reducing pressure on future State and local
41 government budgets, strengthening the credit rating of the State of Alaska and its
42 municipalities, increasing future flexibility at a time when oil production is anticipated
43 to decline, and solving the problem now when reserves are available rather than
44 passing the problem to future generations of Alaskans.
45

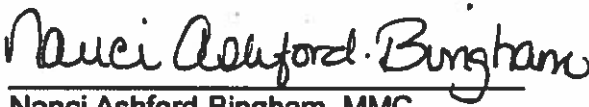
46 NOW, THEREFORE, BE IT RESOLVED that the Assembly of the
47 Fairbanks North Star Borough expresses strong support for Governor Parnell's
48 proposed transfer of \$3 billion from the State's Constitutional Budget Reserve directly
49 into the retirement trust funds in 2015.

50
51 BE IT FURTHER RESOLVED that copies of this resolution shall be sent to the
52 Honorable Governor Sean Parnell and the Alaska State Legislature.

53
54 PASSED AND APPROVED THIS 30TH DAY OF JANUARY, 2014.
55


Karl Kassel
Presiding Officer

ATTEST:


Nanci Ashford-Bingham, MMC
Borough Clerk

56
57 Ayes: Hutchison, Golub, Dukes, Roberts, Lawrence, Dodge, Davies, Kassel
58 Noes: None
59 Excused: Sattley