

Fiscal Note

State of Alaska
2014 Legislative Session

Bill Version: HB 385
Fiscal Note Number: _____
() Publish Date: _____

Identifier: HB385-SFC PERS-04-19-14
Title: PERS/TRS STATE CONTRIBUTIONS
Sponsor: RLS BY REQUEST OF THE GOVERNOR
Requester: HFIN

Department: State Assistance to Retirement Funds
Appropriation: PERS State Assistance
Allocation: All Other PERS
OMB Component Number: 2866

Expenditures/Revenues

Note: Amounts do not include inflation unless otherwise noted below. (Thousands of Dollars)

| | FY2015 Appropriation Requested | Included in Governor's FY2015 Request | Out-Year Cost Estimates | | | | | |
|-------------------------------|--------------------------------------|--|-------------------------|--------------------|--------------------|--------------------|--------------------|---------|
| | | | FY 2015 | FY 2016 | FY 2017 | FY 2018 | FY 2019 | FY 2020 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | | | | | | | | |
| Travel | | | | | | | | |
| Services | | | | | | | | |
| Commodities | | | | | | | | |
| Capital Outlay | | | | | | | | |
| Grants & Benefits | | | | | | | | |
| Miscellaneous | 1,000,000.0 | 1,881,370.0 | (197,214.0) | (202,169.0) | (207,671.0) | (227,767.0) | (235,415.0) | |
| Total Operating | 1,000,000.0 | 1,881,370.0 | (197,214.0) | (202,169.0) | (207,671.0) | (227,767.0) | (235,415.0) | |

Fund Source (Operating Only)

| | | | | | | | |
|---------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| 1001 CBR Fund | 1,000,000.0 | 1,881,370.0 | | | | | |
| 1004 Gen Fund | | | (197,214.0) | (202,169.0) | (207,671.0) | (227,767.0) | (235,415.0) |
| Total | 1,000,000.0 | 1,881,370.0 | (197,214.0) | (202,169.0) | (207,671.0) | (227,767.0) | (235,415.0) |

Positions

| | | | | | | | |
|-----------|--|--|--|--|--|--|--|
| Full-time | | | | | | | |
| Part-time | | | | | | | |
| Temporary | | | | | | | |

| | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|
| Change in Revenues | | | | | | | |
|---------------------------|--|--|--|--|--|--|--|

Estimated SUPPLEMENTAL (FY2014) cost: 0.0 *(separate supplemental appropriation required)*
(discuss reasons and fund source(s) in analysis section)

Estimated CAPITAL (FY2015) 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? **No**
If yes, by what date are the regulations to be adopted, amended or repealed?

Why this fiscal note differs from previous version:

This revised fiscal note replaces the Governor's proposal of a \$1.9 billion cash infusion to the PERS retirement trust fund with a \$1 billion cash infusion. The savings from the Governor's plan are reflected in the out year columns. Note 1 of 2.

Prepared By: Co-Chair Senator Kelly Phone: (907)465-3753
Senate Finance Committee Date: 04/19/2014
Co-Chair Senator Meyer
Senate Finance Committee

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2014 LEGISLATIVE SESSION

BILL NO. HB 385

Analysis

By infusing cash into retirement trust funds, this bill will reduce state contributions on behalf of employers as required for the Teachers Retirement System (TRS) under AS 14.25.085 and the Public Employee Retirement System (PERS) under AS 39.35.280.

The cash infusions are contingent on the approval of an appropriation from the Constitutional Budget Reserve Fund (Article IX, Section 17, Constitution of the State of Alaska) of \$2 billion to the Teachers Retirement System and an appropriation of \$1 billion to the Public Employees Retirement System (PERS) for the fiscal year ending June 30, 2015. The cash infusions will increase the funding ratios of both systems to 70% or more by FY18.

The appropriation would be allocated to the PERS and TRS trusts as follows.

PERS: \$1,000,000,000
TRS: \$2,000,000,000
 Total: \$3,000,000,000

The deposits to the trusts would be attributable to employer type based upon the following estimates:

PERS

| | <u>Current Scenario</u> | <u>HB 385</u> | <u>Fiscal Note</u> | <u>Funding Ratio</u> |
|------------------------|-------------------------|--------------------|--------------------|----------------------|
| Total to FY2043 | \$6,982,877 | \$5,216,825 | | |
| 2015 | \$349,686 | \$1,000,000 | \$1,000,000 | 63.1% |
| 2016 | \$385,669 | \$385,669 | (\$197,214) | 68.8% |
| 2017 | \$388,301 | \$218,740 | (\$202,169) | 69.7% |
| 2018 | \$390,328 | \$155,140 | (\$207,671) | 70.5% |
| 2019 | \$406,837 | \$140,840 | (\$227,767) | 71.3% |
| 2020 | \$412,481 | \$137,691 | (\$235,415) | 72.0% |

TRS

| | <u>Current Scenario</u> | <u>HB 385</u> | <u>Fiscal Note</u> | <u>Funding Ratio</u> |
|------------------------|-------------------------|--------------------|--------------------|----------------------|
| Total to FY2043 | \$8,484,316 | \$7,978,630 | | |
| 2015 | \$353,508 | \$2,000,000 | \$2,000,000 | 53.5% |
| 2016 | \$380,572 | \$156,287 | (\$224,285) | 73.3% |
| 2017 | \$392,650 | \$162,666 | (\$229,984) | 73.7% |
| 2018 | \$404,717 | \$169,536 | (\$235,181) | 74.1% |
| 2019 | \$422,984 | \$176,807 | (\$246,177) | 74.5% |
| 2020 | \$437,552 | \$184,564 | (\$252,988) | 74.9% |