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April 4, 2016

**VIA EMAIL**

Mr. Kevin Worley  
*Chief Financial Officer*  
Department of Administration  
State of Alaska  
333 Willoughby Avenue  
6th Floor State Office Building  
Juneau, AK 99811-0208

**RE: Fiscal Note for PERS Amending Termination Cost under HB 47(CRA),  
Updated for 2015**

Dear Kevin:

As requested, we are providing the following information for the fiscal note on HB 47(CRA), which assumes the State will assume certain costs with regard to the State of Alaska Public Employees' Retirement System Pension and Healthcare Plans (PERS).

**Summary of Provisions**

Under current law, employers must pay up to 22% of the maximum of:

- 1) Total current base salaries of all active members, and
- 2) Total base salaries of all active members as of June 30, 2008.

Under HB 47(CRA), this provision would be modified to have employers pay up to 22% of the maximum of:

- 1) Total current base salaries of all active members, and
- 2) The minimum of all active members' total base salaries as of June 30, 2008 and all active members' total base salaries as of June 30, 2012. The June 30, 2012 minimum would only apply to employers which are municipalities whose population decreased by more than 25% between January 1, 2000 and January 1, 2010, as reported by the United States Census Bureau.

The change is retroactive to July 1, 2009. The State is assumed to cover all costs not paid by the employers.

**Summary for Analysis**

A summary of applicable employers, as described above, was provided by you on March 3, 2016 as well as payroll as of June 30, 2008 through June 30, 2015 for these employers. The three employers affected are the City of Galena, City of Pelican, and City of St. George. Of these three employers, it appears that only the City of Galena and City of Pelican are affected on an ongoing basis.

The table below shows the estimated cost of the bill for Fiscal Years 2017 through 2022. Retroactive cost is the estimated cost with interest for Fiscal Years 2009 through 2016. Dollars are in thousands.

<b>HB 47 (CRA) Cost</b>	<b>FY17</b>	<b>FY18</b>	<b>FY19</b>	<b>FY20</b>	<b>FY21</b>	<b>FY22</b>
Ongoing	\$139	\$131	\$122	\$113	\$104	\$96
Retroactive	\$1,329					
<b>Total</b>	<b>\$1,468</b>	<b>\$131</b>	<b>\$122</b>	<b>\$113</b>	<b>\$104</b>	<b>\$96</b>

Future payroll was estimated to increase at 3.62% each year. Assuming this assumption holds into the future, costs would continue beyond Fiscal Year 2022, but the cost amount would be expected to continue to decrease each year.

**Additional Notes**

The assumptions, plan provisions and methods used are described in the draft actuarial valuation report as of June 30, 2015, including assumed 3.62% annual payroll growth.

Future actuarial measurements and projections may differ from the current measurements presented in this letter due to such factors as: plan experience different from that anticipated by the economic and demographic assumptions, increases or decreases expected as part of the natural operation of the methodology used for these measurements, and changes in plan provisions or applicable law.

Larry Langer is an Associate of the Society of Actuaries and David Kershner is a Fellow of the Society of Actuaries. Both are Enrolled Actuaries and Members of the American Academy of Actuaries, and meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinions contained in this letter. This letter has been prepared in accordance with all applicable Actuarial Standards of Practice.

Please let us know if you need any further information.

Sincerely,



Larry Langer, ASA, EA, MAAA, FCA  
Principal and Consulting Actuary



David J. Kershner, FSA, EA, MAAA, FCA  
Principal and Consulting Actuary

/mlp

cc: Ms. Kathy Lea, State of Alaska  
Mr. John Boucher, State of Alaska  
Ms. Melissa Bissett, Buck Consultants  
Mr. Todd Kanaster, Buck Consultants

## Appendix A

Listing of employers whose population decreased by more than 25% between January 1, 2000 and January 1, 2010 with FY2012 payroll less than FY2008 payroll.

<b>Employer Number</b>	<b>Employer Name</b>	<b>FY08 Payroll</b>	<b>FY12 Payroll</b>
192	CITY OF GALENA	\$ 1,513,365.19	\$ 765,775.82
200	CITY OF PELICAN	\$ 161,583.91	\$ 109,791.14
256	CITY OF SAINT GEORGE	\$ 132,465.35	\$ 126,996.00 *

\* The most recent reported payroll for the City of St. George was for FY09. That payroll was projected at an annual increase rate of 3.62% to FY12.