

**Why should we not combine TRS and PERS systems, especially if we create a new tier?**

There are currently four tiers of PERS and three tiers of TRS, with effective dates as follows:

<b>PERS</b>	<b>TRS</b>
Tier I January 1, 1961 - June 30, 1986 Tier II Enrolled after June 30, 1986 Tier III Enrolled after June 30, 1996 Tiers IV Enrolled after June 30, 2006	Tier I July 1, 1955 - June 30, 1990 Tier II Enrolled after June 30, 1990 Tier III Enrolled after June 30, 2006

In all PRS tiers, public safety employees are already treated with a different subset of rules in certain cases. HB 55 seeks to create a new narrowly tailored tier specific to this already legally distinct subset of public employees. TRS and PERS could in theory be combined but, in my understanding, it would take a pretty significant overhaul of the current retirement statutes and management processes.

PERS and TRS are governed by different sections of statute.

TRS requirements are outlined in AS 14.25. Employer contribution for TRS is set at 12.56%.

PERS requirements are outlined in AS 39.35. Employer contribution for PERS is set at 22%.

SB 125, enacted in FY 2008 set these rates and made it so that the ARM Board calculates the total annual contributions required to maintain the plans' service liability each year. Pursuant to SB 125 (AS 14.25.085 and AS 39.35.280 specifically) the State is required to meet its employer obligation and to contribute any amount of the obligations from other employers exceeding 22 % of payroll.

For FY 21 the rates from Division of Retirement and Benefits website are below:

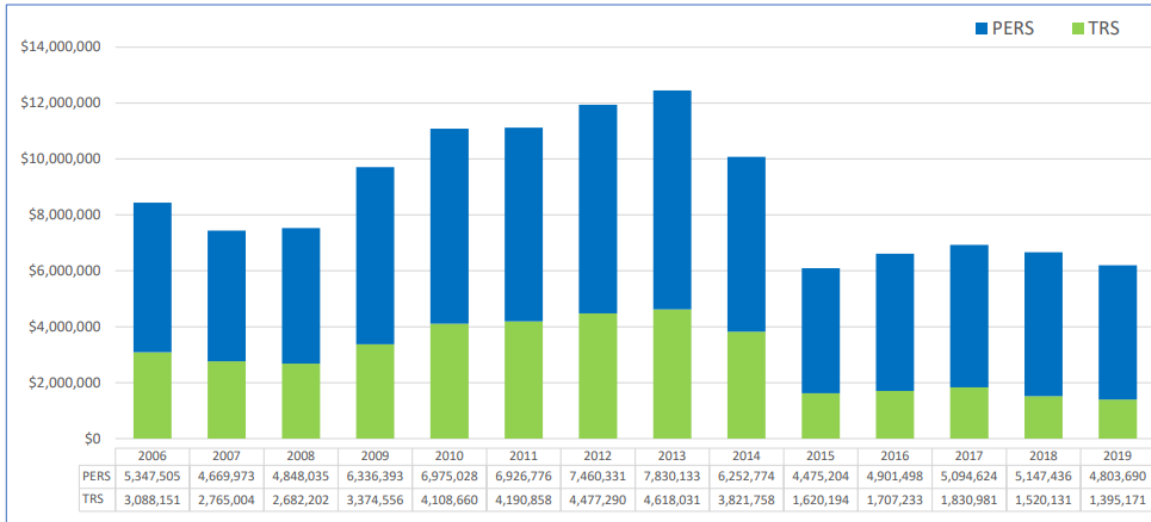
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**PERS/TRS DB Plan - FY 2021 Contribution Rates  
(PERS Tiers I/II/III and TRS Tiers I/II)**

	<b>PERS (P)* and (A)*</b>	<b>TRS</b>
<b>ARMB Adopted Rate</b>	30.85%	30.47%
<b>Employer Effective Rate</b>	<b>22.00%</b>	<b>12.56%</b>
<p>*P = Peace Officers / Firefighters *A = All others</p>		

Additionally, the ratio of funding for the unfunded liability and the actual amount of unfunded liability is different for PERS and TRS. Below is a chart that was used in a Division of Retirement and Benefits overview before Senate Finance in February 2021:

## Unfunded Liability – PERS / TRS (\$000's)



Source: Buck, Actuarial Valuation Reports as of June 30, 2019 for PERS and TRS DB

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The level of unfunded liability for TRS is lower than PERS.

Legislative Finance Division has a helpful informational paper on the Alaska retirement system that may be of interest and can be found at:

<https://www.legfin.akleg.gov/InformationalPapers/21-2AlaskaPublicRetirementSystems.pdf>