

# State of Alaska

## Office of Management and Budget

**SB55 – Employer Contributions to PERS**

**Senate Finance Committee**

**March 11, 2021**

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Mike Barnhill, Deputy Commissioner, Department of Revenue  
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Office of Governor  
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## **SB55 – Employer Contributions to PERS**

- Removes cap on Public Employee Retirement System (PERS) payroll contributions made by the State of Alaska as an employer
- Continues to fully fund state's obligation to the PERS system
- Applies only to the State of Alaska, does not impact other PERS employers
- Does not impact Teachers Retirement System (TRS)
- Does not change retiree benefits
- Does not reduce contributions to PERS
- Allows for full cost share with federal programs and other sources used to fund state programs, thereby reducing general fund expenditures by \$25.7 million in FY22

## **SB55 – Background: Alaska’s Retirement Obligations**

- Alaska has four public employee retirement tiers
- Total annual obligation based on a blended contribution rate
- Current cost of obligation split between “Employer Obligation” and “On-Behalf Payment”
  - Employer contributions (22%) on employee salaries – mixed fund sources
  - On-behalf payments for Municipalities and other PERS employers – 100% UGF
  - On-behalf payment for State of Alaska as an employer – 100% UGF
- This bill addresses the on-behalf payment for State of Alaska as an employer

## SB55 – State of Alaska as an Employer Retirement Obligation – Current Law

**Employer Contribution - 22% of Payroll  
\$1,882.9 million**

**On-Behalf  
\$95.8 million**

**UGF**

**DGF**

**Other**

**Fed**

**UGF**

**\$812.4 m**

**\$230.6 m**

**\$559.0 m**

**\$281.0 m**

**\$95.8 m**

	Employer Contribution	On-Behalf	Total	%
UGF	812.4	95.8	908.2	46%
DGF	230.6	0.0	230.6	12%
Other	559.0	0.0	559.0	28%
Fed	281.0	0.0	281.0	14%
<b>Total</b>	<b>1,882.9</b>	<b>95.8</b>	<b>1,978.7</b>	

## SB55 – State of Alaska as an Employer Retirement Obligation – Proposed Law

**Employer Contribution – 30.11% of Payroll  
\$1,986.4 million**

UGF	DGF	Other	Fed
\$882.5 m	\$234.5 m	\$576.8 m	\$292.7 m

	Current Law	Proposed Law Year 1	%	Change
UGF	908.2	882.5	44%	(25.7)
DGF	230.6	234.5	12%	3.9
Other	559.0	576.8	29%	17.8
Fed	281.0	292.7	15%	11.7
<b>Total</b>	<b>1,978.7</b>	<b>1,986.4</b>		<b>7.7</b>

Savings will grow over time:

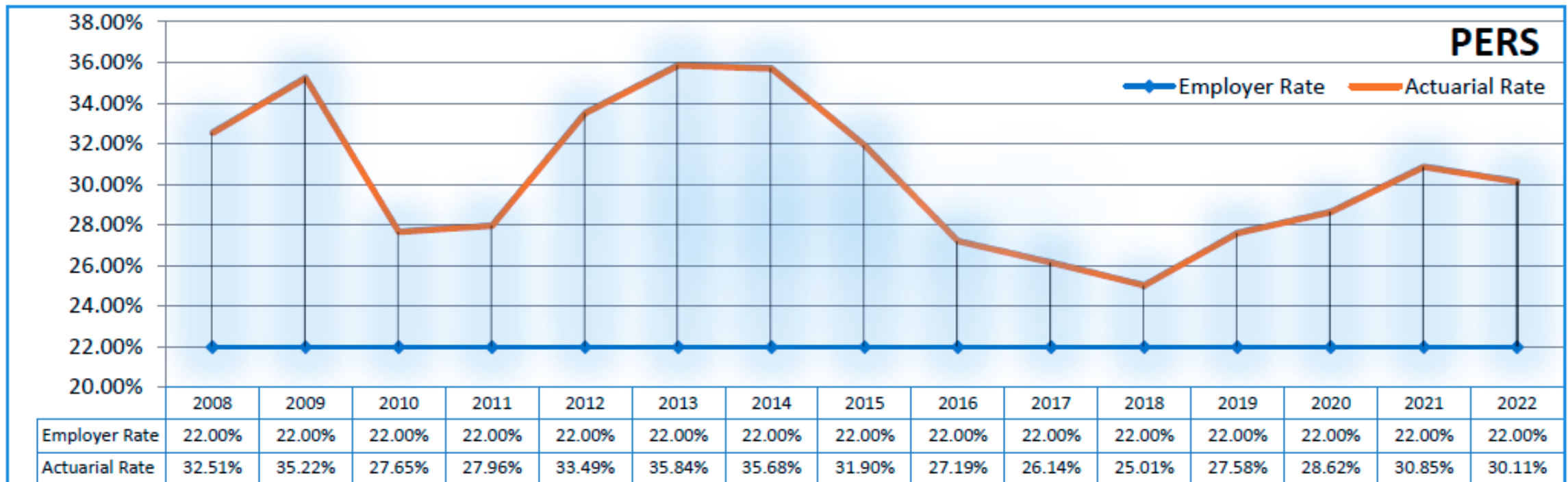
- Some programs show savings in year one
- Some cost allocations require 1 to 3 years to adjust - dependent on negotiation of federal cost allocation plans

- SB 55: FY2022 Budget Impact

Total budget impact, all fund sources - FY2022					
Department	UGF	DGF	Other	Fed	Total
Administration	5,423.2	818.1	974.8	7.5	7,223.6
Commerce	1,535.5	671.7	1,061.1	6.4	3,274.7
Corrections	11,487.0	136.7	22.4	589.6	12,235.7
Education & Early Development	546.6	51.2	817.2	158.8	1,573.8
Environmental Conservation	1,705.1	-	338.2	814.0	2,857.3
Fish and Game	4,338.7	-	419.4	1,705.5	6,463.6
Governor	1,051.9	-	-	-	1,051.9
Health and Social Services	14,251.7	172.0	248.0	3,662.7	18,334.4
Judiciary	3,155.0	-	-	-	3,155.0
Labor & Workforce	571.5	557.5	360.9	2,240.4	3,730.3
Law	3,442.1	73.0	178.6	-	3,693.7
Legislature	2,766.0	-	-	-	2,766.0
Military & Veterans Affairs	611.5	-	394.1	574.4	1,580.0
Natural Resources	2,082.4	1,096.3	858.5	305.1	4,342.3
Public Safety	6,713.7	142.7	160.7	97.3	7,114.4
Revenue	1,125.4	95.4	3,199.2	1,189.0	5,609.0
Transportation	9,299.8	65.0	8,740.8	312.2	18,417.8
Agency Subtotal	70,107.1	3,879.6	17,773.9	11,662.9	103,423.5
PERS State Assistance Payment	(95,794.5)	-	-	-	(95,794.5)
Total FY22 Budget Impact	(25,687.4)	3,879.6	17,773.9	11,662.9	7,629.0

See SB55 FY2022 Budget Impact Handout A for more detail

# Historical PERS Contribution Rates



*Department of Administration, Division of Retirement and Benefits 2/5/2021*