

# Fiscal Note

State of Alaska  
2021 Legislative Session

Bill Version: HB 55  
Fiscal Note Number: \_\_\_\_\_  
( ) Publish Date: \_\_\_\_\_

Identifier: HB55-DOA-DRB-3-5-21  
Title: PEACE OFFICER/FIREFIGHTER RETIRE  
BENEFITS  
Sponsor: JOSEPHSON  
Requester: (H)STA

Department: Department of Administration  
Appropriation: Centralized Administrative Services  
Allocation: Retirement and Benefits  
OMB Component Number: 64

**Expenditures/Revenues**

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

	FY2022 Appropriation Requested	Included in Governor's FY2022 Request	Out-Year Cost Estimates				
			FY 2023	FY 2024	FY 2025	FY 2026	FY 2027
<b>OPERATING EXPENDITURES</b>	***	FY 2022	***	***	***	***	***
Personal Services	***		***	***	***	***	***
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous							
<b>Total Operating</b>	***	<b>0.0</b>	***	***	***	***	***

**Fund Source (Operating Only)**

None							
<b>Total</b>	***	<b>0.0</b>	***	***	***	***	***

**Positions**

Full-time							
Part-time							
Temporary							

**Change in Revenues**

None							
<b>Total</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>	<b>0.0</b>

**Estimated SUPPLEMENTAL (FY2021) cost:** 0.0 *(separate supplemental appropriation required)*

**Estimated CAPITAL (FY2022) cost:** 0.0 *(separate capital appropriation required)*

**Does the bill create or modify a new fund or account?** No  
*(Supplemental/Capital/New Fund - 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If yes, by what date are the regulations to be adopted, amended or repealed? N/A

**Why this fiscal note differs from previous version/comments:**

Not applicable, initial version.

Prepared By: <u>Ajay Desai, Director</u>	Phone: <u>(907)465-4471</u>
Division: <u>Retirement &amp; Benefits</u>	Date: <u>03/05/2021</u>
Approved By: <u>Leslie Isaacs, Director</u>	Date: <u>03/06/21</u>
Agency: <u>Division of Administrative Services</u>	

FISCAL NOTE ANALYSIS

STATE OF ALASKA  
2021 LEGISLATIVE SESSION

BILL NO. HB 55

**Analysis**

This legislation would create a new hybrid retirement plan option for state and municipal peace officers and firefighters under the Alaska Public Employees' Retirement System (PERS). Alaska ended the defined benefit plan in 2006 in the hope of reducing the burden of the increasing unfunded liability of the PERS retirement system. Alaska is one of the few jurisdictions that does not presently offer a defined benefit type retirement for new public safety employees. This legislation is crafted in the desire of retaining and attracting quality peace officers and firefighters while also protecting the state from unnecessary financial risks in the future.

The proposed option would allow future peace officers and firefighters under the PERS system and current ones under the PERS Tier IV plan to join the defined benefit plan. The proposal includes several financial safeguards. The intent of the safeguards is to provide stability and fiscal certainty for the state and other PERS employers to maintain adequate funding for this plan into the future. This legislation also includes a minimum retirement age of 55 with 20 years of service, flexibility setting employee contribution rates, a minimum 12 percent employer contribution rate, mechanisms to prevent costly "pension spiking," and the ability to withhold post-pension retirement adjustments should the plan's funding drop below 90 percent.

The new tier created by this legislation will closely mirror Tier III of PERS for public safety employees, with the exception of two cost saving measures, the continued inclusion of the Tier IV defined contribution retirement plan's health reimbursement arrangement (HRA) and the absence of cost-of-living adjustments.

Division of Retirement and Benefits (DRB) submits an indeterminate fiscal until such time as the actuarial analysis can be completed.