

State of Alaska

Office of Management and Budget

HB75 – Employer Contributions to PERS

House Finance Committee

May 13, 2021

Neil Steininger, OMB Director
Caroline Schultz, OMB Policy Analyst
Mike Barnhill, Deputy Commissioner, Department of Revenue
Kevin Worley, Chief Financial Officer, Department of Administration



Office of Governor
MIKE DUNLEAVY

HB75 – 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 the 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 or active employee benefits
- No change to employee contributions
- Does not reduce employer 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**

HB75 – Background: Alaska’s Retirement Obligations

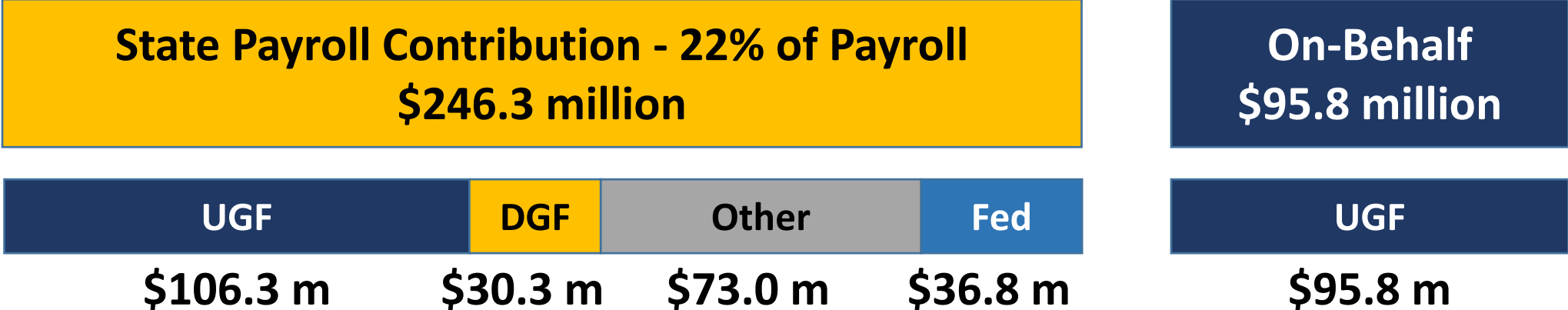
- The PERS unfunded liability was estimated to be \$4.6 billion in FY20
- Current annual cost to pay down the unfunded liability is split between employer contributions and the state assistance payment, or “on-behalf” payment
 - Employer contributions (22%) on employee salaries – mixed fund sources
 - 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

State of Alaska PERS On-Behalf Payments

- In 2008, the legislature established a uniform rate for payroll contributions for all PERS employers – 22%
- The State of Alaska is required to pay the difference between capped employer payroll contributions and the full actuarial liability (30.11% in FY22)
 - Called the state assistance or “on-behalf” payment
- For FY22, the total on-behalf payment to PERS is \$193.5m (UGF)
 - \$95.7m of that amount is made by the state on behalf of itself
 - The remaining \$97.8m is made on behalf of 153 other active PERS employers



HB75 – State of Alaska as an Employer Retirement Obligation – Current Law



	Payroll Contribution	On-Behalf	Current Law Total	%
UGF	106.3	95.8	202.1	59%
DGF	30.3	0.0	30.3	9%
Other	73.0	0.0	73.0	21%
Fed	36.8	0.0	36.8	11%
Total	246.3	95.8	342.2	

HB75 – State of Alaska as an Employer Retirement Obligation – Proposed Law

State Payroll Contribution – 30.11% of Payroll \$342.2 million

UGF	DGF	Other	Fed
\$176.4 m	\$34.2 m	\$90.8 m	\$48.5 m

	Current Law	Proposed Law Year 1	%	Change
UGF	202.1	176.4	50%	(25.7)
DGF	30.3	34.2	10%	3.9
Other	73.0	90.8	3%	17.8
Fed	36.8	48.5	14%	11.7
Total	342.2	349.8		7.7

- 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

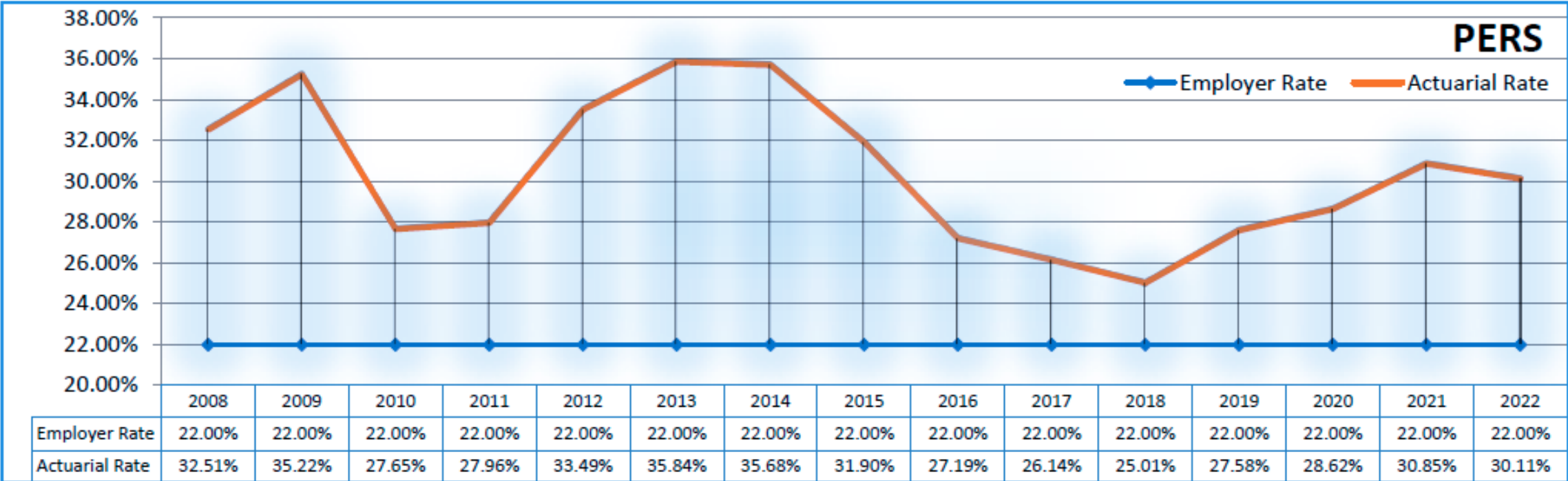


HB75: FY2022 Budget Impact

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 **HB75 FY2022 Budget Impact Handout A** for more detail

Historical PERS Contribution Rates



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

