

Fiscal Note

State of Alaska
2023 Legislative Session

Bill Version: SB 88
Fiscal Note Number: _____
() Publish Date: _____

Identifier: SB088CS(L&C)-RET-PERS-05-12-2023
Title: RETIREMENT SYSTEMS; DEFINED BENEFIT
OPT.
Sponsor: GIESSEL
Requester: (S) FINANCE

Department: State Retirement Payments
Appropriation: PERS State Assistance
Allocation: All Other PERS
OMB Component Number: 2866

Expenditures/Revenues

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

	FY2024 Appropriation Requested	Included in Governor's FY2024 Request	Out-Year Cost Estimates				
OPERATING EXPENDITURES	FY 2024	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Personal Services							
Travel							
Services							
Commodities							
Capital Outlay							
Grants & Benefits							
Miscellaneous			(905.0)	11,761.0	14,895.0	17,735.0	21,438.0
Total Operating	0.0	0.0	(905.0)	11,761.0	14,895.0	17,735.0	21,438.0

Fund Source (Operating Only)

1004 Gen Fund (UGF)			(905.0)	11,761.0	14,895.0	17,735.0	21,438.0
Total	0.0	0.0	(905.0)	11,761.0	14,895.0	17,735.0	21,438.0

Positions

Full-time							
Part-time							
Temporary							

Change in Revenues

None							
Total	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Estimated SUPPLEMENTAL (FY2023) cost: 0.0 (separate supplemental appropriation required)

Estimated CAPITAL (FY2024) cost: 0.0 (separate capital appropriation required)

Does the bill create or modify a new fund or account? Yes
(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? Yes
If yes, by what date are the regulations to be adopted, amended or repealed? TBD

Why this fiscal note differs from previous version/comments:

Not applicable, initial version.

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Agency: Department of Administration
Phone: (907)465-4471
Date: 05/12/2023
Date: 05/12/2023

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

BILL NO. CSSB 88

Analysis

This bill would allow all those who became a member of the Alaska Public Employees' Retirement System (PERS) or Alaska Teachers' Retirement System (TRS) Defined Contribution Retirement (DCR) plans between July 1, 2006 and June 30, 2024 to make a one-time irrevocable election to join the new PERS or TRS Defined Benefit (DB) plan before November 1, 2024. All post-July 1, 2024 PERS hires will enter the new PERS DB tier and all post-July 1, 2024 TRS hires will enter the new TRS DB tier.

The key benefit provisions are provided in the bill for both the defined pension benefit and eligibility requirements for the healthcare benefits, which are similar in scope to what is currently provided in the current DCR healthcare plans. New sub-trusts will be established for each of the new tiers DB benefits. This is necessary to account for the financial activity of each respective PERS and TRS defined benefit pension and healthcare benefit to properly value each benefit in the annual actuarial valuation reports. The annual actuarial valuation reports are the basis for the Alaska Retirement Management (ARM) Board to adopt future PERS and TRS employer contribution rates.

The Division of Retirement and Benefits' consulting actuary, BUCK Global LLC (Buck), has calculated the fiscal impacts if this bill should pass as written. Projections reflect an increase to the FY2025-2039 PERS additional state contributions and decreases to the TRS additional state contribution in FY2025-FY2028 and then increases from FY2029-2039. The change in the additional state contributions for PERS and TRS is due to the change in the sources of contributions to each system and the change in the defined benefit and defined contribution distribution of funding.

Since this bill would take effect on July 1, 2024, there is no fiscal impact to the PERS and TRS Fiscal Year 2024 additional state contributions because these amounts have already been adopted by the ARM Board.

If future experience matches the actuarial assumptions used to value the plans' liabilities, the dollar impact on the PERS and TRS additional state contribution is reflected below (dollars in thousands):

Year	FY2025	FY2026	FY2027	FY2028	FY2029
PERS	\$ 4,469	\$13,743	\$15,876	\$18,052	\$21,008
TRS	\$(5,374)	\$ (1,982)	\$ (981)	\$ (317)	\$ 430
Total	\$ (905)	\$11,761	\$14,895	\$17,735	\$21,438

While current projections show a reduction to the additional state contributions for FY2025, projected future total additional state contributions for FY2026 and beyond are expected to increase. As noted on page 3 of the attached letter from Buck dated May 11, 2023, projected net total increases to the additional state contributions from FY 2025-2039 amount to \$517.2 million.

As noted in the next to last paragraph on page 1 of the Buck letter, "By shifting active members and all future hires from the DCR plans to the DB plans, the State will be taking on greater risk of larger unfunded liabilities and higher contributions in future years."

It should be noted that there will be a net increase in FY 2025 State of Alaska-as-an-employer payroll contributions because projected FY 2025 payroll and beyond is projected to increase if this bill is implemented.

The fiscal impact to the State of Alaska-as-an-employer is shown in a separate fiscal note, but is included on page 3 of 4 of this fiscal note to show the total impact of implementing CSSB 88. The increase to the State of Alaska-as-an-employer (PERS) is expected to increase by \$701.1 million.

FISCAL NOTE ANALYSIS

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BILL NO. CSSB 88

Analysis

Below are two tables which summarize the fiscal impacts of implementing CSSB 88 versus the current systems in place.

The first table summarizes the fiscal impacts to the PERS and TRS Additional State Contributions required by AS 39.35.280 and 14.25.085.

The second table summarizes the fiscal impacts to the State of Alaska-as-an-employer as the State is required to pay the full actuarially adopted rate, which is expected to increase over the next 15 years.

The amounts below are in \$000's.

Fiscal Year	Additional State Contributions - PERS			Additional State Contributions - TRS			Additional State Contributions - Total		
	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)
2025	81,020	85,489	4,469	139,595	134,221	(5,374)	220,615	219,710	(905)
2026	80,173	93,916	13,743	139,121	137,139	(1,982)	219,294	231,055	11,761
2027	93,213	109,089	15,876	154,266	153,285	(981)	247,479	262,374	14,895
2028	95,883	113,935	18,052	157,933	157,616	(317)	253,816	271,551	17,735
2029	98,635	119,643	21,008	161,745	162,175	430	260,380	281,818	21,438
2030	101,685	125,721	24,036	165,740	166,967	1,227	267,425	292,688	25,263
2031	105,059	132,016	26,957	169,812	171,644	1,832	274,871	303,660	28,789
2032	108,885	139,401	30,516	174,070	176,792	2,722	282,955	316,193	33,238
2033	112,938	146,652	33,714	178,632	181,838	3,206	291,570	328,490	36,920
2034	116,658	154,273	37,615	183,336	187,663	4,327	299,994	341,936	41,942
2035	120,431	162,498	42,067	188,286	193,367	5,081	308,717	355,865	47,148
2036	124,512	170,721	46,209	193,323	198,915	5,592	317,835	369,636	51,801
2037	129,207	179,713	50,506	198,522	204,994	6,472	327,729	384,707	56,978
2038	133,210	188,403	55,193	203,977	211,108	7,131	337,187	399,511	62,324
2039	137,882	197,620	59,738	209,571	217,684	8,113	347,453	415,304	67,851
Total	1,639,391	2,119,090	479,699	2,617,929	2,655,408	37,479	4,257,320	4,774,498	517,178

Fiscal Year	PERS State-as-an-Employer Contributions - DB			PERS State-as-an-Employer Contributions - DCR			PERS State-as-an-Employer Contributions - Total		
	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)
2025	266,258	330,406	64,148	82,236	27,648	(54,588)	348,494	358,054	9,560
2026	263,737	341,447	77,710	86,114	29,263	(56,851)	349,851	370,710	20,859
2027	275,229	359,371	84,142	89,989	30,813	(59,176)	365,218	390,184	24,966
2028	276,947	367,653	90,706	93,840	32,352	(61,488)	370,787	400,005	29,218
2029	279,505	377,227	97,722	97,846	33,897	(63,949)	377,351	411,124	33,773
2030	282,768	387,473	104,705	101,827	35,417	(66,410)	384,595	422,890	38,295
2031	286,661	398,047	111,386	105,811	36,907	(68,904)	392,472	434,954	42,482
2032	291,405	409,964	118,559	109,788	38,373	(71,415)	401,193	448,337	47,144
2033	296,696	421,944	125,248	113,770	39,819	(73,951)	410,466	461,763	51,297
2034	302,567	435,040	132,473	118,090	41,317	(76,773)	420,657	476,357	55,700
2035	308,785	448,894	140,109	122,404	42,852	(79,552)	431,189	491,746	60,557
2036	315,690	463,048	147,358	126,699	44,252	(82,447)	442,389	507,300	64,911
2037	323,288	478,089	154,801	130,982	45,695	(85,287)	454,270	523,784	69,514
2038	330,828	493,176	162,348	135,277	47,121	(88,156)	466,105	540,297	74,192
2039	339,352	509,014	169,662	139,524	48,520	(91,004)	478,876	557,534	78,658
Total	4,439,716	6,220,793	1,781,077	1,654,197	574,246	(1,079,951)	6,093,913	6,795,039	701,126

FISCAL NOTE ANALYSIS

STATE OF ALASKA
2023 LEGISLATIVE SESSION

BILL NO. CSSB 88

Analysis

The table below summarizes the fiscal impact of CSSB 88 reflecting the change in the PERS / TRS Additional State Contributions and the change to the State-as-an-Employer (PERS) reporting a combined 15-year increase of \$1.2 Billion.

The amounts below are in \$000's.

Fiscal Year	Additional State Contributions - Total			PERS State-as-an-Employer Contributions - Total			Total impact of SB 88		
	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)	Current	CSSB 88	Incr/(Decr)
2025	220,615	219,710	(905)	348,494	358,054	9,560	569,109	577,764	8,655
2026	219,294	231,055	11,761	349,851	370,710	20,859	569,145	601,765	32,620
2027	247,479	262,374	14,895	365,218	390,184	24,966	612,697	652,558	39,861
2028	253,816	271,551	17,735	370,787	400,005	29,218	624,603	671,556	46,953
2029	260,380	281,818	21,438	377,351	411,124	33,773	637,731	692,942	55,211
2030	267,425	292,688	25,263	384,595	422,890	38,295	652,020	715,578	63,558
2031	274,871	303,660	28,789	392,472	434,954	42,482	667,343	738,614	71,271
2032	282,955	316,193	33,238	401,193	448,337	47,144	684,148	764,530	80,382
2033	291,570	328,490	36,920	410,466	461,763	51,297	702,036	790,253	88,217
2034	299,994	341,936	41,942	420,657	476,357	55,700	720,651	818,293	97,642
2035	308,717	355,865	47,148	431,189	491,746	60,557	739,906	847,611	107,705
2036	317,835	369,636	51,801	442,389	507,300	64,911	760,224	876,936	116,712
2037	327,729	384,707	56,978	454,270	523,784	69,514	781,999	908,491	126,492
2038	337,187	399,511	62,324	466,105	540,297	74,192	803,292	939,808	136,516
2039	347,453	415,304	67,851	478,876	557,534	78,658	826,329	972,838	146,509
Total	4,257,320	4,774,498	517,178	6,093,913	6,795,039	701,126	10,351,233	11,569,537	1,218,304