

FISCAL NOTE

STATE OF ALASKA
2004 LEGISLATIVE SESSION

Fiscal Note Number: 3
 Bill Version: SCS CSHB 91(STA)
 (S) Publish Date: 4/2/04

Revision Date/Time (Note if correction): _____ Dept. Affected: Various
 Title An Act relating to medical benefits for retired peace officers RDU Various
 Component Various
 Sponsor Rep. Anderson, et. Al
 Requester House Finance Component No. _____

Expenditures/Revenues (Thousands of Dollars)

Note: Amounts do not include inflation unless otherwise noted below.

OPERATING EXPENDITURES	FY 2005	FY 2006	FY 2007	FY 2008	FY 2009	FY 2010
Personal Services	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5
Travel						
Contractual						
Supplies						
Equipment						
Land & Structures						
Grants & Claims						
Miscellaneous						
TOTAL OPERATING	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5

CAPITAL EXPENDITURES						
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CHANGE IN REVENUES ()						
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FUND SOURCE (Thousands of Dollars)

1002 Federal Receipts						
1003 GF Match						
1004 GF	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5
1005 GF/Program Receipts						
1037 GF/Mental Health						
Other (Specify Type--Do not abbreviate)						
TOTAL	1,730.0	1,781.9	1,835.4	1,890.4	1,947.1	2,005.5

Estimate of any current year (FY2004) cost: 0.0

Mark this box (X) if funding for this bill is included in the Governor's FY 2005 budget proposal:

POSITIONS

Full-time	0	0	0	0	0	0
Part-time	0	0	0	0	0	0
Temporary	0	0	0	0	0	0

This bill would provide system paid medical coverage for all peace officers and firefighters who first entered the PERS after June 30, 1986 and who have at least 20 years of qualifying service at retirement.

Per Mercer Human Resources Consulting, PERS system actuary, using the current Valuation Assumptions, this legislation will increase the PERS accrued liability by \$8.0 million. The estimated increase in the average PERS calculated contribution rate would be 0.11% as a percent of total System payroll (or 0.97% as a percent of Police/Fire Payroll for those who have a separate P/F rate). The cost increase annually for all PERS employers is as shown above; separate detail by the State of Alaska and all other employers are shown on the next page. The number of tier II and tier III members as of June 30, 2002 was 1,961 and Mercer projects 411 employees would be affected by this bill

Prepared by: Melanie Millhorn, Director
 Division: Retirement and Benefits
 Approved by: Mike Miller, Commissioner
 Agency: Administration

Phone: 465-4408
 Date/Time: 3/31/04 01:00 p.m.
 Date: 4/1/2004

FISCAL NOTE #3

STATE OF ALASKA
2004 LEGISLATIVE SESSION

BILL NO. SCS CSHB 91(STA)

ANALYSIS CONTINUATION

Based on Total System Salary updated information as of June 30, 2003 (Presented 3/24/04).
 Actual total PERS system payroll increased by 4.05% from FY 02 to FY 03.
 Indexed FY 02-03 to FY 05 using 4.05% per year increase in payroll.
 Change in Employer Contribution Rate due to HB 91 - 0.11% as a percent of total system payroll
 Indexed FY 2006 through FY 2010 up by 3% rate each year.
 Percent of Members to be affected = 21%, using current history assumptions

Using Current Valuation Assumptions:	State of	All Other	
Unfunded Liability Start \$8,000,000	Alaska	PoliSub	TOTAL
	(\$ in 000's)	(\$ in 000's)	(\$ in 000's)
	FY 2005	865.4	864.6
	FY 2006	891.4	890.5
	FY 2007	918.1	917.3
	FY 2008	945.6	944.8
	FY 2009	974.0	973.1
	FY 2010	1,003.2	1,002.3
			2,005.5

State of Alaska - FY 2005 - Approx. Breakdown by State Department:

H & SS	4.46%	38.6
Military Affairs	0.73%	6.3
Natural Resources	0.37%	3.2
Fish and Game	10.46%	90.5
Public Safety	24.46%	211.7
Corrections	54.44%	471.1
D O T	5.08%	44.0
	<u>100.00%</u>	<u>865.4</u>

Alternate Assumptions:

Each employer is not affected equally. Some employers have a higher percentage of peace officers and firefighters than the system average and therefore would be required to pay a greater percentage of payroll. Following is a display how using a higher retirement rate assumption would affect the Unfunded Liability and the corresponding employer rates.

	% Members Affected	% of Total Payroll	% of P/F Payroll	Increase in Unfunded Liability (in Dollars)
Current Assumption	21%	0.11%	0.97%	\$8,000,000
50% Retirement	40%	0.19%	1.68%	\$11,400,000
75% Retirement	60%	0.27%	2.39%	\$14,800,000
100% Retirement	79%	0.35%	3.11%	\$18,200,000

AS 24.08.036 FISCAL NOTES ON BILLS AFFECTING STATE RETIREMENT SYSTEMS, requires an additional analysis of the long term and short term costs to the state if a bill is adopted, as well as the impact of the bill on the actuarial soundness of the funds.

The estimated increase in the average PERS calculated contribution rate would be 0.11% as a percent of total System payroll (or 0.97% as a percent of Police/Fire Payroll for those who have a separate P/F rate).

The annual cost is as indicated above. This change would also decrease the PERS funded ratio by .1%. The funding ratio of the PERS as of June 30, 2003 was 72.8%. Please note alternate scenarios presented that would further raise costs.