

FISCAL NOTE

STATE OF ALASKA
2009 LEGISLATIVE SESSION

Fiscal Note Number: 1
 Bill Version: CSSB 23(L&C)
 S) Publish Date: 2/27/09

Identifier (file name): SB023-DOA-DRB-02-24-09 Dept. Affected: Statewide
 Title An Act repealing the defined contribution retirement plans for RDU Statewide
teachers and for public employees.... Component Statewide
 Sponsor Senators ELTON, Ellis, French, Wielechowski, Menard,....
 Requester Senate Labor & Commerce Committee Component Number _____

Expenditures/Revenues (Thousands of Dollars)

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

| | Appropriation Required | Information | | | | | | |
|-------------------------------|---------------------------|-------------|-----------------|-----------------|-----------------|-----------------|-----------------|---------|
| | | FY 2010 | FY 2010 | FY 2011 | FY 2012 | FY 2013 | FY 2014 | FY 2015 |
| OPERATING EXPENDITURES | | | | | | | | |
| Personal Services | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Travel | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Contractual | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Supplies | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Equipment | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Land & Structures | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Grants & Claims | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Miscellaneous | 0.0 | 0.0 | 37,559.0 | 16,101.0 | 16,637.0 | 17,223.0 | 17,868.0 | |
| TOTAL OPERATING | 0.0 | 0.0 | 37,559.0 | 16,101.0 | 16,637.0 | 17,223.0 | 17,868.0 | |

| | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|
| CAPITAL EXPENDITURES | | | | | | | |
|-----------------------------|--|--|--|--|--|--|--|

| | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|
| CHANGE IN REVENUES () | | | | | | | |
|-------------------------------|--|--|--|--|--|--|--|

FUND SOURCE (Thousands of Dollars)

| | | | | | | | |
|----------------------------|------------|------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| 1002 Federal Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1003 GF Match | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1004 GF | 0.0 | 0.0 | 37,559.0 | 16,101.0 | 16,637.0 | 17,223.0 | 17,868.0 |
| 1005 GF/Program Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| 1037 GF/Mental Health | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Other Interagency Receipts | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| TOTAL | 0.0 | 0.0 | 37,559.0 | 16,101.0 | 16,637.0 | 17,223.0 | 17,868.0 |

Estimate of any current year (FY2008) cost: _____

POSITIONS

| | | | | | | | |
|-----------|-----|-----|-----|-----|-----|-----|-----|
| Full-time | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Part-time | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |
| Temporary | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 | 0.0 |

ANALYSIS: (Attach a separate page if necessary)

This legislation acts to repeal the hybrid defined contribution retirement (DCR) plan for teachers and for public employees and enroll new employees in the last tier of the defined benefit (DB) plans for both pension and retiree medical benefits (TRS Tier II, PERS Tier III). Existing DCR plan participants will be given a one-time opportunity to convert their DCR accounts to the DB plan. The legislation also moves the authority to approve an annual cost of living increase available only to Tier I DB members, the Ad Hoc Post Retirement Pension Adjustment (PRPA), from the Commissioner of Administration to the Alaska Retirement Management Board and removes the requirement for 105% funding of the systems before an Ad Hoc PRPA can be issued. A breakdown of the costs for this bill between the PERS and TRS systems is contained on page two of this fiscal note. Since employer rates are capped at 22% for PERS and 12.56% for TRS, all increased costs are a liability of the state.

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 Division Retirement and Benefits
 Approved by: Rachael Petro, Deputy Commissioner
Department of Administration

Phone 465-4817
 Date/Time 2/26/09 10:24 AM
 Date _____

FISCAL NOTE # 1

STATE OF ALASKA
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BILL NO. CSSB 23(L&C)

ANALYSIS CONTINUATION

The immediate cost to the State to eliminate the unfunded liabilities created by this change is approximately \$15.2 million for PERS and \$6.8 million for TRS and is included in the FY11 column.

I. The tables in the section below show the cost of the bill for fiscal years 2011 through 2015 if the DCR Plan for pension and medical benefits is repealed and members revert back to the DB plans. Costs are based on PERS system payroll of \$2 billion and TRS system payroll of \$667 million annually. It is further assumed that payroll will grow by 4% per year and that all current DCR members will become members of the latest tier of DB plans and employer assets from the DCR plans will be transferred to the DB plans. Contribution rates have already been set for FY10 so costs are reflected beginning in FY11.

Dollars are in thousands.

| PERS | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 |
|--|--------|----------|----------|----------|----------|----------|
| Increase in Normal Cost Amount | \$0.00 | \$13,077 | \$13,491 | \$13,946 | \$14,444 | \$14,994 |
| Increase in Past Service Cost | \$0.00 | \$15,182 | \$0 | \$0 | \$0 | \$0 |
| Total Increase in Annual State Contribution Amount | \$0.00 | \$28,259 | \$13,491 | \$13,946 | \$14,444 | \$14,994 |

| TRS | FY 10 | FY 11 | FY 12 | FY 13 | FY 14 | FY 15 |
|--|--------|---------|---------|---------|---------|---------|
| Increase in Normal Cost Amount | \$0.00 | \$2,537 | \$2,610 | \$2,691 | \$2,779 | \$2,874 |
| Increase in Past Service Cost | \$0.00 | \$6,763 | \$0 | \$0 | \$0 | \$0 |
| Total Increase in Annual State Contribution Amount | \$0.00 | \$9,300 | \$2,610 | \$2,691 | \$2,779 | \$2,874 |

II. The tables in the section below show the change in the normal cost rate and unfunded accrued liability.

Dollars are in thousands.

| Pension Only | PERS | TRS |
|--|-------------|------------|
| Change in Employer Normal Cost Rate | 0.34% | 0.27% |
| Change in Unfunded Accrued Liability after transfer of DCR assets. | (\$7,393) | (\$1,747) |
| Change in Total Employer Rate | 0.32% | 0.25% |

| Healthcare Only | | |
|--|----------|---------|
| Change in Employer Normal Cost Rate | 1.41% | 1.18% |
| Change in Unfunded Accrued Liability after transfer of DCR assets. | \$22,575 | \$8,510 |
| Change in Total Employer Rate | 1.49% | 1.26% |

| Total | | |
|--|----------|---------|
| Change in Employer Normal Cost Rate | 1.75% | 1.45% |
| Change in Unfunded Accrued Liability after transfer of DCR assets. | \$15,182 | \$6,763 |
| Change in Total Employer Rate | 1.81% | 1.51% |